



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 15, 2020 [J-GAAP]

September 17, 2019

Name of listed company: TSURUHA Holdings, Inc.

Listed on: Tokyo Stock Exchange, 1st Section

Securities code: 3391

URL: <http://www.tsuruha-hd.co.jp>

Representative: Masashi Horikawa, President and Representative Director

Contact: Makoto Murakami, Executive Officer and Chief Administrative Officer

TEL: +81-11-783-2755

Scheduled date of filing quarterly financial report: September 27, 2019

Scheduled date to start dividends distribution: —

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: Yes (for institutional investors and financial analysts)

(Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated financial results for the first quarter ended August 15, 2019 (May 16, 2019 – August 15, 2019)

#### (1) Consolidated operating results

(Percentage figures show changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 15, 2019	208,805	9.3	12,623	11.8	12,868	10.5	8,727	20.8
Three months ended August 15, 2018	190,968	22.4	11,289	5.0	11,645	4.3	7,222	3.4

Note: Comprehensive income: Three months ended August 15, 2019: 11,178 million yen (50.7%)  
Three months ended August 15, 2018: 7,416 million yen (-22.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended August 15, 2019	180.50	179.90
Three months ended August 15, 2018	149.76	148.76

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of August 15, 2019	381,135	227,524	55.6	4,381.61
As of May 15, 2019	372,293	220,214	55.0	4,238.15

Reference: Equity capital: As of August 15, 2019: 211,858 million yen As of May 15, 2019: 204,922 million yen

### 2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual
Year ended May 15, 2019	—	73.00	—	75.00	148.00
Year ending May 15, 2020	—				
Year ending May 15, 2020 (Forecast)		74.00	—	74.00	148.00

Note: Revisions to the most recently announced dividend forecast during the period: None

### 3. Consolidated financial forecasts for the year ending May 15, 2020 (May 16, 2019 – May 15, 2020)

(Percentage figures show changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	411,700	7.5	22,300	8.4	23,050	7.7	13,760	6.3	284.58
Full year	820,000	4.8	43,700	4.5	45,200	4.4	26,100	5.1	539.79

Note: Revisions to the most recently announced earnings forecasts during the period: None

#### Notes

(1) Significant changes to subsidiaries during the period (Transfers of specific subsidiaries with changes in the scope of consolidation): None

(2) Application of the specific accounting methods for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement of revisions

1) Changes in accounting policies due to revision of accounting standard, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury stock)	As of August 15, 2019	49,237,968 shares	As of May 15, 2019	49,237,968 shares
	As of August 15, 2019	886,210 shares	As of May 15, 2019	886,098 shares
2) Number of treasury stock	As of August 15, 2019	886,210 shares	As of May 15, 2019	886,098 shares
3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)	Three months ended August 15, 2019	48,351,862 shares	Three months ended August 15, 2018	48,224,964 shares
	Three months ended August 15, 2019	48,351,862 shares	Three months ended August 15, 2018	48,224,964 shares

\* This financial results report is outside the scope of audit procedures conducted by certified public accountants or the independent auditor.

#### \* Explanation of appropriate use of financial forecasts and other special items

This document contains projections of performance based on information currently available. Actual performance may differ from these projections due to changes in the economic environment and other uncertainties. Please refer to page 2 of the supplementary materials for further details about the above financial forecasts.

Contents

1. Qualitative information on quarterly financial results .....	2
(1) Explanation of consolidated financial results .....	2
(2) Explanation of consolidated financial position .....	2
(3) Explanation of consolidated financial forecasts and other forward-looking statements .....	2
2. Quarterly consolidated financial statements and related notes .....	3
(1) Quarterly consolidated balance sheets.....	3
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income.....	5
(Quarterly consolidated statements of income).....	5
(Quarterly consolidated statements of comprehensive income).....	6
(3) Notes on quarterly consolidated financial statements .....	7
(Notes on premise of a going concern).....	7
(Notes on significant changes in the amount of shareholders' equity).....	7

## 1. Qualitative information on quarterly financial results

### (1) Explanation of consolidated financial results

In the first three months of the current fiscal year (May 16, 2019 to August 15, 2019), the Japanese economy continued to recover at a moderate pace amid signs of pickup in consumer confidence. However, uncertain political and economic conditions overseas and fluctuations in financial and capital markets contributed to a slightly unclear outlook.

In the drugstore sector, the operating environment remained challenging, with competition to open stores and reduce prices continuing to intensify and the pace of consolidation and realignment accelerating, including among major firms and listed companies.

Against this backdrop, the TSURUHA Group continued to offer a high level of customer service, mainly through advice-based sales, and worked to address the shrinking market caused by Japan's aging population and intensifying competition. Specifically, the Group pushed ahead with store renovations centered on food sales areas aimed at improving convenience for customers, while in private brands, the Group reinforced product development and sales structures and worked to renew and expand the private brand business by launching two new brands – Kurashi Rhythm and Kurashi Rhythm Medical. Targeting improvements in the operational efficiency of stores and enhancement of productivity, the Group also worked on introducing new support systems for staff allocation, inventory management and other functions.

In store openings, the Group targeted specific areas for multiple store openings as part of its area dominance store-opening strategy and implemented a scrap and build approach for existing stores. In the first quarter under review, the Group opened 27 new stores and closed 29 existing stores. Another store was added to the Group after Ogata Mura Pharmacy (Akita Prefecture) became a subsidiary of TSURUHA Co., Ltd. on July 4, 2019, resulting in a total of 2,081 directly managed stores as of the end of the first quarter.

### TSURUHA Group store openings and closures (Number of stores)

	End of previous fiscal year	Store openings	Became subsidiary	Store closures	Net change	End of current period	Of which dispensing pharmacies
Hokkaido	401	9	—	9	0	401	95
Tohoku	482	6	1	3	4	486	93
Kanto, Koshinetsu	456	4	—	11	(7)	449	147
Chubu, Kansai	223	4	—	1	3	226	102
Chugoku	299	2	—	2	0	299	85
Shikoku	198	2	—	3	(1)	197	52
Kyushu	23	—	—	—	0	23	2
Total	2,082	27	1	29	(1)	2,081	576

(The figure at the end of the current period excludes 22 overseas stores and three franchise stores.)

As a result of the above, in the first three months of the current fiscal year, TSURUHA Holdings reported net sales of ¥208,805 million (up 9.3% year on year), operating income of ¥12,623 million (up 11.8%), ordinary income of ¥12,868 million (up 10.5%), and net income attributable to owners of the parent of ¥8,727 million (up 20.8%).

### (2) Explanation of consolidated financial position

As of the end of the first quarter, assets totaled ¥381,135 million, an increase of ¥8,842 million compared with the end of the previous fiscal year. This mainly reflected an increase in valuation difference on investment securities and an increase in merchandise related to new store openings.

Liabilities totaled ¥153,610 million, an increase of ¥1,532 million compared with the end of the previous fiscal year. This primarily reflected an increase in accounts payable – trade related to new store openings, as well as a drop in income taxes payable due to the payment of income taxes.

Net assets totaled ¥227,524 million, an increase of ¥7,310 million compared with the end of the previous fiscal year.

As a result, the equity ratio was 55.6%, up 0.6 points from the previous fiscal year-end.

### (3) Explanation of consolidated financial forecasts and other forward-looking statements

The full-year financial forecasts announced on June 17, 2019 are unchanged.

**2. Quarterly consolidated financial statements and related notes**

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of May 15, 2019	As of August 15, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	42,833	43,122
Accounts receivable—trade	26,745	27,128
Securities	1,000	1,000
Merchandise	98,212	101,117
Raw materials and supplies	52	36
Short-term loans receivable	2	2
Others	15,983	17,305
Total current assets	184,830	189,712
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,992	35,006
Machinery, equipment and vehicles, net	2	2
Tools, furniture and fixtures, net	10,264	10,204
Land	11,938	11,938
Leased assets, net	3,707	4,064
Construction in progress	348	1,448
Total property, plant and equipment	61,254	62,665
Intangible assets		
Goodwill	35,733	34,812
Software	402	395
Telephone subscription right	87	87
Others	583	582
Total intangible assets	36,806	35,878
Investments and other assets		
Investment securities	27,925	30,535
Long-term loans receivable	15	15
Deferred tax assets	4,926	4,329
Guarantee deposits	52,048	52,960
Others	4,581	5,129
Allowance for doubtful accounts	(96)	(90)
Total investments and other assets	89,401	92,879
Total non-current assets	187,462	191,423
Total assets	372,293	381,135

(Millions of yen)

	As of May 15, 2019	As of August 15, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	87,254	93,599
Current portion of long-term loans payable	2,406	2,406
Accounts payable—other	13,445	12,648
Lease obligations	562	553
Income taxes payable	9,514	3,562
Provision for bonuses	4,651	2,482
Provision for directors' bonuses	566	140
Provision for point card certificates	4,208	4,505
Others	4,172	7,076
<b>Total current liabilities</b>	<b>126,783</b>	<b>126,974</b>
<b>Non-current liabilities</b>		
Long-term loans payable	7,153	6,694
Lease obligations	4,154	4,115
Deferred tax liabilities	5,567	7,034
Net defined benefit liability	2,695	2,751
Asset retirement obligations	2,815	2,831
Others	2,908	3,207
<b>Total non-current liabilities</b>	<b>25,295</b>	<b>26,635</b>
<b>Total liabilities</b>	<b>152,078</b>	<b>153,610</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,023	10,023
Capital surplus	28,075	28,075
Retained earnings	154,896	159,997
Treasury stock	(5,311)	(5,311)
<b>Total shareholders' equity</b>	<b>187,684</b>	<b>192,784</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	17,370	19,193
Remeasurements of defined benefit plans	(132)	(120)
<b>Total accumulated other comprehensive income</b>	<b>17,238</b>	<b>19,073</b>
Subscription rights to shares	1,292	1,398
Non-controlling interests	13,999	14,268
<b>Total net assets</b>	<b>220,214</b>	<b>227,524</b>
<b>Total liabilities and net assets</b>	<b>372,293</b>	<b>381,135</b>

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income  
(Quarterly consolidated statements of income)

(Millions of yen)

	Three months ended August 15, 2018	Three months ended August 15, 2019
Net sales	190,968	208,805
Cost of sales	137,128	148,984
Gross profit	53,839	59,820
Selling, general and administrative expenses	42,549	47,197
Operating income	11,289	12,623
Non-operating income		
Interest income	31	29
Dividends income	51	54
Gain on donation of equipment	198	115
Rent income	46	52
Compensation income	94	—
Insurance income	3	7
Others	90	162
Total non-operating income	515	421
Non-operating expenses		
Interest expenses	124	133
Early withdrawal penalty	34	32
Others	0	9
Total non-operating expenses	159	176
Ordinary income	11,645	12,868
Extraordinary income		
Gain on sales of non-current assets	8	0
Gain on reversal of subscription rights to shares	47	—
Total extraordinary income	55	0
Extraordinary losses		
Loss on retirement of non-current assets	19	23
Loss on sales of non-current assets	35	—
Total extraordinary losses	55	23
Income before income taxes	11,645	12,845
Income taxes — current	2,793	2,231
Income taxes — deferred	1,109	1,266
Total income taxes	3,902	3,497
Income	7,742	9,348
Net income attributable to non-controlling interests	520	620
Net income attributable to owners of the parent	7,222	8,727

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Three months ended August 15, 2018	Three months ended August 15, 2019
Income	7,742	9,348
Other comprehensive income		
Valuation difference on available-for-sale securities	(333)	1,818
Remeasurements of defined benefit plans	6	11
Total other comprehensive income	(326)	1,830
Comprehensive income	7,416	11,178
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of the parent	6,910	10,562
Comprehensive income attributable to non-controlling interests	506	615



(3) Notes on quarterly consolidated financial statements

(Notes on premise of a going concern)

There is no related information.

(Notes on significant changes in the amount of shareholders' equity)

There is no related information.