



## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending May 15, 2021 [J-GAAP]

December 15, 2020

Name of listed company: TSURUHA Holdings, Inc.

Listed on: Tokyo Stock Exchange, 1st Section

Securities code: 3391

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Scheduled date of filing quarterly financial report: December 28, 2020

Scheduled date to start dividends distribution: January 8, 2021

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 second quarter ended November 15, 2020 (May 16, 2020 – November 15, 2020)

#### (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	%
Six months ended November 15, 2020	453,492	8.9	27,998	17.8	28,330	15.9	16,587	6.6
Six months ended November 15, 2019	416,466	8.8	23,764	15.5	24,440	14.2	15,554	20.2

Note: Comprehensive income: Six months ended November 15, 2020: 20,176 million yen (-9.9%)  
Six months ended November 15, 2019: 22,404 million yen (70.7%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended November 15, 2020	342.39	340.84
Six months ended November 15, 2019	321.68	320.60

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of November 15, 2020	531,653	271,141	46.8	5,130.84
As of May 15, 2020	414,002	250,934	56.4	4,821.26

Reference: Equity capital: As of November 15, 2020: 249,015 million yen As of May 15, 2020: 233,332 million yen

### 2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual
Year ended May 15, 2020	—	74.00	—	93.00	167.00
Year ending May 15, 2021	—	83.50			
Year ending May 15, 2021 (Forecast)			—	83.50	167.00

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

### 3. Consolidated financial forecasts for the year ending May 15, 2021 (May 16, 2020 – May 15, 2021)

(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
Full year	920,000	9.4	49,000	8.9	48,400	4.5	27,000	(3.2)	557.89

Note: Revisions to the most recently announced earnings forecasts during the period: Yes

#### 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: Yes

(3) Changes in accounting policies, changes in 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): Yes

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 November 15, 2020	49,419,368 shares	As of May 15, 2020	49,282,868 shares
2) Number of treasury stock	As of November 15, 2020	886,255 shares	As of May 15, 2020	886,255 shares
3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)	Six months ended November 15, 2020	48,446,366 shares	Six months ended November 15, 2019	48,355,111 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 3 of the supplementary materials for further details about the above financial forecasts.

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## 1. Qualitative information on quarterly financial results

### (1) Explanation of consolidated financial results

In the first six months of the current fiscal year (May 16, 2020 to November 15, 2020), the Japanese economy witnessed a notable decline in consumer sentiment, largely reflecting the government's declaration of a state of emergency in April due to the COVID-19 pandemic. Economic activity gradually regained momentum after the state of emergency was lifted, but subsequent waves of infection contributed to a very uncertain outlook.

In the drugstore sector, with competition to open stores and reduce prices continuing to intensify, the pace of consolidation and realignment grew more pronounced, 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 that included the introduction of meat and fresh produce, 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, the Group also expanded the rollout of systems for staff allocation, inventory management and other functions in order to increase productivity. In terms of impact of the COVID-19 pandemic, while there was a decline in inbound demand, as well as lower demand particularly for cosmetics, demand for goods designed to prevent the spread of infection rose, as did demand for daily-use items, consumable goods and food, in line with stay-at-home requests following the state of emergency declaration.

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 six months of the fiscal year under review, the Group opened 65 new stores and closed 39 existing stores. In addition, 206 stores were added to the Group after JR KYUSHU DRUG ELEVEN CO., LTD. became a subsidiary of TSURUHA Holdings, Inc. on May 28, 2020, resulting in a total of 2,382 directly managed stores as of the end of the second 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	404	10	—	8	2	406	101
Tohoku	506	16	—	1	15	521	103
Kanto, Koshinetsu	473	18	3	8	13	486	163
Chubu, Kansai	233	7	—	5	2	235	117
Chugoku	300	5	1	3	3	303	97
Shikoku	211	7	—	6	1	212	56
Kyushu, Okinawa	23	2	202	8	196	219	24
Total	2,150	65	206	39	232	2,382	661

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

As a result of the above, in the first six months of the current fiscal year, TSURUHA Holdings reported net sales of ¥453,492 million (up 8.9% year on year), operating income of ¥27,998 million (up 17.8%), ordinary income of ¥28,330 million (up 15.9%), and net income attributable to owners of the parent of ¥16,587 million (up 6.6%).

### (2) Explanation of consolidated financial position

#### (Assets, liabilities and net assets)

As of the end of the second quarter, assets totaled ¥531,653 million, an increase of ¥117,650 million compared with the end of the previous fiscal year. This mainly reflected increases in cash and deposits and accounts receivable – trade, as the settlement date for the second quarter fell on a non-business day for financial institutions, and the purchase of shares of JR KYUSHU DRUG ELEVEN CO., LTD.

Liabilities totaled ¥260,511 million, an increase of ¥97,443 million compared with the end of the previous fiscal year. This mainly reflected an increase in accounts payable – trade, as the settlement date for the second quarter fell on a non-business day for financial institutions, and the purchase of shares of JR KYUSHU DRUG ELEVEN CO., LTD.

Net assets totaled ¥271,141 million, an increase of ¥20,206 million compared with the end of the previous fiscal year.

As a result, the equity ratio was 46.8%, down 9.6 points from the previous fiscal year-end.

#### (Cash flows)

As of the end of the second quarter, cash and cash equivalents (cash) totaled ¥119,307 million, an increase of ¥62,372 million compared with the end of the previous fiscal year, mainly because the settlement date for the second quarter fell on a non-business day for financial institutions.

The Group's cash flow position and factors affecting cash flows during the first six months of the fiscal year were as follows:  
(Cash flows from operating activities)

In the first six months, operating activities provided net cash of ¥60,188 million, an increase of 181.4% compared with the same period a year earlier. This mainly reflected cash positive items such as income before incomes taxes of ¥28,251 million, increase in notes and accounts payable – trade of ¥51,261 million, as the settlement date for the second quarter fell on a non-business day for financial institutions, and depreciation of ¥4,092 million, against cash negative items such as increase in notes and accounts receivable – trade of ¥12,390 million, again because the settlement date for the second quarter fell on a non-business day for financial institutions, and income taxes paid of ¥8,182 million.

(Cash flows from investing activities)

In the first six months, investing activities used net cash of ¥19,927 million, an increase of 119.0% compared with the same period a year earlier. This primarily reflected cash used of ¥11,807 million for purchase of shares of subsidiaries resulting in change in scope of consolidation, ¥6,072 million for purchase of property, plant and equipment and ¥3,174 million for payments for guarantee deposits related to new store openings.

(Cash flows from financing activities)

In the first six months, financing activities provided net cash of ¥22,111 million, compared with ¥5,741 million used in the same period a year earlier. This mainly reflected ¥35,000 million for proceeds from long-term loans payable, as well as cash used of ¥4,500 million for cash dividends paid and ¥4,953 million for repayments of long-term loans payable.

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

The Group has revised its consolidated financial forecasts for the fiscal year ending May 15, 2021, announced on June 22, 2020. For more details, please see the press release, "Notice of Revisions to Consolidated Financial Forecasts" issued today.

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

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of May 15, 2020	As of November 15, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	57,069	119,441
Accounts receivable—trade	31,180	45,100
Merchandise	108,163	124,900
Raw materials and supplies	48	127
Short-term loans receivable	2	2
Others	15,312	14,991
Total current assets	211,776	304,564
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,454	41,291
Machinery, equipment and vehicles, net	1	0
Tools, furniture and fixtures, net	10,681	11,974
Land	12,597	13,514
Leased assets, net	3,592	4,820
Construction in progress	2,483	3,060
Total property, plant and equipment	66,810	74,661
Intangible assets		
Goodwill	32,121	40,802
Software	423	678
Telephone subscription right	87	105
Others	624	669
Total intangible assets	33,258	42,255
Investments and other assets		
Investment securities	37,372	39,936
Long-term loans receivable	13	11
Deferred tax assets	5,175	5,593
Guarantee deposits	55,242	60,338
Others	4,420	4,369
Allowance for doubtful accounts	(67)	(76)
Total investments and other assets	102,157	110,171
Total non-current assets	202,225	227,088
Total assets	414,002	531,653

(Millions of yen)

	As of May 15, 2020	As of November 15, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	93,968	151,117
Current portion of long-term loans payable	1,903	7,800
Accounts payable—other	14,889	17,138
Lease obligations	517	600
Income taxes payable	8,897	10,677
Provision for bonuses	4,916	5,336
Provision for directors' bonuses	614	313
Provision for point card certificates	4,107	4,391
Others	6,459	8,059
<b>Total current liabilities</b>	<b>136,274</b>	<b>205,434</b>
<b>Non-current liabilities</b>		
Long-term loans payable	5,250	30,400
Lease obligations	3,945	5,398
Deferred tax liabilities	8,328	8,892
Net defined benefit liability	3,043	3,423
Asset retirement obligations	2,932	3,607
Others	3,292	3,354
<b>Total non-current liabilities</b>	<b>26,793</b>	<b>55,077</b>
<b>Total liabilities</b>	<b>163,067</b>	<b>260,511</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,290	11,215
Capital surplus	28,342	29,267
Retained earnings	175,590	187,676
Treasury stock	(5,312)	(5,312)
<b>Total shareholders' equity</b>	<b>208,911</b>	<b>222,847</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	24,554	26,269
Remeasurements of defined benefit plans	(132)	(101)
<b>Total accumulated other comprehensive income</b>	<b>24,421</b>	<b>26,168</b>
Subscription rights to shares	1,639	1,404
Non-controlling interests	15,962	20,721
<b>Total net assets</b>	<b>250,934</b>	<b>271,141</b>
<b>Total liabilities and net assets</b>	<b>414,002</b>	<b>531,653</b>

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

(Millions of yen)

	Six months ended November 15, 2019	Six months ended November 15, 2020
Net sales	416,466	453,492
Cost of sales	296,851	321,859
Gross profit	119,614	131,633
Selling, general and administrative expenses	95,850	103,634
Operating income	23,764	27,998
Non-operating income		
Interest income	64	66
Dividends income	163	174
Gain on donation of equipment	336	270
Rent income	105	111
Insurance income	9	37
Others	398	263
Total non-operating income	1,078	923
Non-operating expenses		
Interest expenses	304	314
Temporary store closure-related costs	—	213
Early withdrawal penalty	68	30
Others	29	33
Total non-operating expenses	402	592
Ordinary income	24,440	28,330
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on reversal of share acquisition rights	—	223
Gain on sales of investment securities	2	—
Total extraordinary income	3	225
Extraordinary losses		
Loss on retirement of non-current assets	110	59
Loss on sales of non-current assets	—	0
Impairment loss	—	244
Total extraordinary losses	110	304
Income before income taxes	24,332	28,251
Income taxes	7,532	9,859
Income	16,800	18,391
Net income attributable to non-controlling interests	1,246	1,804
Net income attributable to owners of the parent	15,554	16,587



(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Six months ended November 15, 2019	Six months ended November 15, 2020
Income	16,800	18,391
Other comprehensive income		
Valuation difference on available-for-sale securities	5,574	1,750
Remeasurements of defined benefit plans	29	33
Total other comprehensive income	5,603	1,784
Comprehensive income	22,404	20,176
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of the parent	21,137	18,334
Comprehensive income attributable to non-controlling interests	1,266	1,841

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended November 15, 2019	Six months ended November 15, 2020
Cash flows from operating activities		
Income before income taxes	24,332	28,251
Depreciation	3,687	4,092
Impairment loss	—	244
Amortization of goodwill	1,844	1,997
Increase (decrease) in allowance for doubtful accounts	(7)	(12)
Increase (decrease) in provision for bonuses	167	180
Increase (decrease) in provision for directors' bonuses	(290)	(300)
Increase (decrease) in net defined benefit liability	135	167
Increase (decrease) in provision for point card certificates	223	283
Interest and dividends income	(228)	(241)
Insurance income	(9)	(37)
Interest expenses	304	314
Gain on donation of equipment	(336)	(270)
Loss on retirement of non-current assets	110	59
Loss (gain) on sales of non-current assets	(0)	(2)
Loss (gain) on sales of investment securities	(2)	—
Gain on reversal of subscription rights to shares	—	(223)
Decrease (increase) in notes and accounts receivable – trade	(2,811)	(12,390)
Decrease (increase) in inventories	(6,938)	(8,544)
Increase (decrease) in notes and accounts payable – trade	5,120	51,261
Increase (decrease) in accrued consumption taxes	315	(466)
Others	3,659	4,105
Subtotal	29,276	68,470
Interest and dividends income received	165	175
Proceeds from insurance income	9	37
Interest expenses paid	(300)	(313)
Income taxes paid	(7,761)	(8,182)
Net cash provided by (used in) operating activities	21,390	60,188

(Millions of yen)

	Six months ended November 15, 2019	Six months ended November 15, 2020
Cash flows from investing activities		
Payments into time deposits	(0)	(0)
Purchase of property, plant and equipment	(6,876)	(6,072)
Proceeds from sales of property, plant and equipment	4	4
Purchase of software	(48)	(147)
Purchase of investment securities	(0)	(49)
Proceeds from sales of investment securities	10	15
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3)	(11,807)
Payments of loans receivable	(5)	(2)
Collection of loans receivable	3	4
Payments for guarantee deposits	(3,349)	(3,174)
Proceeds from collection of guarantee deposits	1,220	1,340
Others	(51)	(38)
Net cash provided by (used in) investing activities	(9,097)	(19,927)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(4,200)
Proceeds from long-term loans payable	—	35,000
Repayments of long-term loans payable	(1,471)	(4,953)
Repayments of lease obligations	(301)	(295)
Proceeds from issuance of new shares	5	1,388
Purchase of treasury stock	(0)	—
Cash dividends paid	(3,626)	(4,500)
Dividends paid to non-controlling interests	(346)	(327)
Net cash provided by (used in) financing activities	(5,741)	22,111
Net increase (decrease) in cash and cash equivalents	6,551	62,372
Cash and cash equivalents at the beginning of period	43,700	56,935
Cash and cash equivalents at the end of period	50,251	119,307

(4) 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.

(Application of the specific accounting methods for preparing the quarterly consolidated financial statements)

(Calculation of tax expenses)

Regarding tax expenses, the effective tax rate on income before income taxes for the consolidated fiscal year (including the second quarter of the current fiscal year) after the application of tax-effect accounting is reasonably estimated, and that estimated effective tax rate is applied to income before income taxes for the quarterly period to calculate tax expenses. However, if the use of the estimated effective tax rate in the calculation of tax expenses produces clearly unreasonable results, tax expenses are calculated by using the statutory effective tax rate.

Income taxes - deferred are included under income taxes.

(Change in accounting policy)

(Change in calculation of tax expenses)

Previously, tax expenses for the Company and its consolidated subsidiaries were calculated based on a general methodology. However, in a move to further enhance quarterly account settlement efficiency for the Company and its consolidated subsidiaries, from the first quarter of the current fiscal year, the method for calculation of tax expenses has changed. Now, the effective tax rate on income before income taxes for the consolidated fiscal year after the application of tax-effect accounting is reasonably estimated, and that estimated effective tax rate is applied to income before income taxes for the quarterly period to calculate tax expenses.

Due to the negligible impact of this change, it has not been applied retroactively to prior-year figures.