Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under Japanese GAAP>

May 10, 2019

Company name: **Matsumotokiyoshi Holdings Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 3088
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Scheduled date of ordinary general meeting of shareholders: June 27, 2019
Scheduled date to commence dividend payments: June 28, 2019
Scheduled date to file Securities Report: June 27, 2019
Preparation of supplementary material on financial result: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2019	575,991	3.1	36,028	7.3	38,978	7.9	25,035	10.0
March 31, 2018	558,879	4.4	33,565	18.1	36,123	17.2	22,755	13.1

Note: Comprehensive income Fiscal year ended March 31, 2019 ¥24,709 million [(5.3%)]
Fiscal year ended March 31, 2018 ¥26,093 million [26.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	239.42	239.33	12.1	12.3	6.3
March 31, 2018	215.03	214.92	11.7	12.1	6.0

Reference: Share of profit (loss) of entities accounted for using equity method Fiscal year ended March 31, 2019 ¥– million
Fiscal year ended March 31, 2018 ¥– million

Note: Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. Basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	Yen
Fiscal year ended March 31, 2019	318,324	209,269	65.7	2,038.76
Fiscal year ended March 31, 2018	314,178	204,871	65.2	1,935.39

Reference: Equity Fiscal year ended March 31, 2019 ¥209,226 million
Fiscal year ended March 31, 2018 ¥204,813 million

Note: Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. Net assets per share are calculated based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2019	21,897	(7,872)	(22,290)	43,349
March 31, 2018	27,938	(7,741)	(7,060)	51,613

2. Cash dividends

	Annual dividends					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	(Millions of yen)	%	%
Fiscal year ended March 31, 2018	–	50.00	–	30.00	–	5,828	25.6	3.0
Fiscal year ended March 31, 2019	–	30.00	–	35.00	65.00	6,775	27.1	3.3
Fiscal year ending March 31, 2020 (forecast)	–	35.00	–	35.00	70.00		28.2	

Note: Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. The figure shown above for dividend at the end of the second quarter of the fiscal year ended March 31, 2018 represents the actual amount of dividend paid before the stock split.

3. Consolidated earnings forecasts for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Half year	305,000	6.2	19,000	12.0	20,000	8.8	12,500	7.9	119.54
Full year	600,000	4.2	37,000	2.7	39,900	2.4	26,000	3.9	248.64

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	109,272,214 shares
As of March 31, 2018	109,272,214 shares

b. Number of treasury shares at the end of the period

As of March 31, 2019	6,648,168 shares
As of March 31, 2018	3,446,876 shares

c. Average number of shares during the period

Fiscal year ended March 31, 2019	104,567,766 shares
Fiscal year ended March 31, 2018	105,820,863 shares

Notes: 1. The number of treasury shares at the end of each period includes shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account (140,660 shares as of March 31, 2019 and 148,320 shares as of March 31, 2018). The shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account are included in the number of treasury shares deducted in the calculation of average number of shares during each period.

2. Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. Total number of issued shares (common shares) is calculated based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)
The earnings forecasts shown above are prepared based on the information available to us as of the date of this release. Actual results may be different from these forecasts due to various factors. For the assumptions related matters concerning the earnings forecasts, please refer to page 7 of the attachment.

○Attached Material Index

1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year under review

During the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019), the Japanese economy showed indications of improvement according to various economic indicators. However, uncertainty lingered on the back of concerns over global economic slowdown and the resulting changes in stock prices all over the world, trends of oil prices and exchange rates, and changes in consumer sentiment resulting from any of the external factors mentioned above, and the consumption environment remained unfavorable.

The drugstore industry continues to face a challenging business environment characterized by new store openings by competitors across industries and business lines, entrance into new areas aimed for commercial area expansion, expansion of scale through M&A, competition between different industries that is becoming more homogeneous, and the narrowing of the commercial area of individual stores caused by all of these factors.

In such an environment, we have created our medium-term strategic themes, which are revaluated each year on a rolling basis. For the fiscal year under review, we decided to continue the two previous themes of “Development of Business Models that Work for New Business Categories and Create Demand” and “Further Evolution of CRM with Omni-Channel as a starting point” and to adopt a new strategic theme of “Improvement of Our Market Share and Establishment of a Firm Revenue Basis”, and have rolled them forward. Specific actions taken under these themes are described below.

The Group pushed forward with near-distance store openings in major cities aimed for area share expansion and the expansion into new locations to capture inbound demand, together with the expansion of tax-free stores among existing stores (currently 929 stores including new stores (an increase of 401 stores from the end of the previous fiscal year)). By utilizing various data obtained from these stores, the Group has been able to offer an optimal product line-up that suits the location and environment of each store.

As part of our efforts to strengthen and expand the prescription business, we promoted tie-ups with local medical care at the 24 stores that are designated as “Health-Support Pharmacies” by the Ministry of Health, Labour and Welfare and are steadily increasing the contracts for the introduction of the Community Pharmacy Support Program. The Group strived to increase the share of private brand products in total sales. For example, we have launched “matsukiyo LAB athlete line” to provide daily support to athletes as part of a product line developed under the supervision of our registered dietitians and started to sell “EXSTRONG CAFOON ENERGY DRINK,” which contains refreshing ingredients, as the fourth product of the popular energy drink product line.

The “matsukiyo” toilet paper products, which had previously received a number of design awards, continued to garner high praise. For example, they received Yellow Pencil, the highest award of the D&AD Award, which is regarded as the world’s most renowned creative award, as well as the Merit Award at The One Show, which is one of the three biggest advertisement awards in the world.

As a result of the successful implementation of these private brand strategies, the Group received the "Best of the Best" award at the Japan Branding Awards 2018, which is a new award to appraise branding activities and is first of its kind in Japan introduced by Interbrand, the largest branding company in the world.

Notes - Information associated with reportable segments ＜https://www.matsumotokiyoshi-hd.co.jp/news/data/b7d082203bc390801ef1e71f7b916e5f.pdf＞)

As for products planned jointly with national brand manufacturers, we have started to sell "ROHTO Lycee RICH PREMIUM" under the "ROHTO Lycee" eye drops brand of ROHTO Pharmaceutical Co., Ltd. targeting female consumers, as a new product to relieve eye fatigue in working women that is distributed exclusively through the Group stores.

As part of our ongoing efforts, we worked to improve management efficiency based on KPI (key performance indicators of the Group) management and to promote performance improvements at each business company. The Group also strived to increase the number of customer contact points (point card members, LINE friends, and downloads of official apps), which are among the strengths of the Group, and the total number of such points exceeded 60 million.

As a new initiative, the Group started to offer NTT DOCOMO's "d POINT Service" at Group stores on April 30, 2018 and is expanding the availability of the service among Group stores (the service is available at more than 1,600 stores as of March 31, 2019).

In the franchise business, the Group concluded new contracts with the following four companies: Keisei Store Co., Ltd., TOKYU STATION RETAIL SERVICE, Keio Store Co., Ltd., and Tokyo City Air Terminal Co., Ltd.

Regarding overseas businesses, the network of cross-border electronic commerce stores in China and Matsumotokiyoshi stores in Thailand has steadily expanded to 33 stores. For drugstore business in Taiwan, the Group has opened the first store in October 2018 and the second store in November 2018. In this manner, the Group is striving to capture not only inbound demand in Japan, but also foreign customer demand in their home countries.

New store openings include near-distance openings of "Ginza Miyuki Ave. Store" to expand share in the Ginza area and "Shinjuku Kabukicho Store" to expand share in the Shinjuku area; "Fukuoka Airport International Terminal Store," the first store in the international airport terminal that is managed directly by the Group; "Narita International Airport Terminal 1 Store," the first store in the area inside the departure gate; "Mt. Fuji Shizuoka Airport Store," which has a view of Mt. Fuji, a registered World Heritage Site; and "Outlet Mitsui Outlet Park Kisarazu Store," which is the seventh outlet store. In total, the Group opened 81 new stores on the strength of its knowhow to open stores in a variety of formats. In addition, the Group is proceeding steadily with revenue structure reform, for example, by carrying out a renovation of 88 stores including the change of business line to "matsukiyo LAB" for the purpose of revitalizing existing stores and closing 31 unprofitable stores. As a result, the number of Group stores at the end of the fiscal year ended March 31, 2019 was 1,654.

(* The total number of Group stores above does not include 33 stores managed by Central & Matsumotokiyoshi Ltd. in Thailand and two stores managed by Matsumotokiyoshi (Taiwan) Limited in Taiwan.

CSR (corporate social responsibility) activities that the Group focuses on, include projects to support people who want to stay beautiful and healthy, such as the 25th and 26th Self-medication Forums held under the theme of "Learn Ways to Improve Oneself from Beauty and Health Experts to Start Today" and attended by a large number of customers.

As a result, the Group achieved record sales and profits as follow: net sales were ¥575,991 million (up 3.1% from the previous fiscal year), operating profit was ¥36,028 million (up 7.3%), ordinary profit was ¥38,978 million (up 7.9%), and profit attributable to owners of parent was ¥25,035 million (up 10.0%).

Results of operations by segment were as follows:

Retail business

In the first quarter, the performances of spring-summer season products varied with each month, from favorable to unfavorable, and vis versa, as temperature was high throughout April under relatively fine weather, but temperature was relatively low in May and the start and the end of the rainy season was earlier than usual in June.

In the second quarter, store traffic was hit significantly by lingering record high temperature as well as a number of natural disasters including nationwide heavy rain damage, major typhoons, and the Hokkaido Eastern Iburi Earthquake.

In the third quarter, while Japan gradually recovered from the effect of natural disasters that had occurred by the second quarter, the winter was warm. As a result, sales of winter season products struggled, although sales of pollen allergy-related products were firm due to influenza epidemics and the cedar pollen season that came earlier than the last year. Seasonal products struggled also in the fourth quarter as the winter continued to be warm.

However, profit grew steadily owing to such efforts as new store openings, sales promotion of private brand products, revitalization of existing stores by renovation, efficient and effective implementation of sales promotion measures, and management efficiency improvements by KPI-based management.

The number of foreign travelers visiting Japan increased significantly, despite an impact of natural disasters including the earthquake in north Osaka that occurred in June on the number of such travelers in Kansai and Hokkaido, driven by other regions particularly the Kanto region through diligent responses to changes in purchasing trends, various marketing strategies, and the expansion of tax-free stores. Cross-border electronic commerce also grew steadily.

The prescription business grew steadily as prescription drug sales increases despite National Health Insurance price revision due to various measures that the Group implemented. For example, we prioritized the opening of stores that were expected to be highly profitable including the opening of a pharmacy space inside existing stores. Other measures included securing technical support fees and deepening tie-ups with local medical care as Health Support Pharmacy.

Wholesale business

As in the retail business, the performance of seasonal products in the wholesale business also varied with each month, from favorable to unfavorable, and vis versa. However, the wholesale business grew steadily as we successfully promoted new store openings under existing contracts as well as new stores of Keisei Store Co., Ltd., TOKYU STATION RETAIL SERVICE and Keio Store Co., Ltd., with which we newly concluded a franchise agreement, secured new contracts for the Community Pharmacy Support Program, and captured inbound demand.

As a result of the operating activities above, net sales of the retail business were ¥554,556 million (up 3.0% from the previous fiscal year), net sales of the wholesale business were ¥18,286 million (up 4.9%), and net sales of the management support business were ¥3,149 million (up 2.5%).

(2) Overview of financial position for the fiscal year under review

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2019 increased by ¥4,146 million from the end of the previous fiscal year to ¥318,324 million. This was mainly as a result of a decrease of ¥8,264 million in cash and deposits, an increase of ¥6,381 million in merchandise, an increase of ¥2,567 million in notes and accounts receivable - trade, an increase of ¥1,202 million in accounts receivable - other, and an increase of ¥1,187 million in other current assets.

(Liabilities)

Total liabilities decreased by ¥251 million to ¥109,054 million. This was mainly as a result of an increase of ¥909 million in lease obligations (long-term) and a decrease of ¥1,492 million in accounts payable - trade.

(Net assets)

Net assets increased by ¥4,398 million to ¥209,269 million. This was mainly as a result of an increase of ¥13,909 million in treasury shares (which reduces net assets) and an increase of ¥18,677 million in retained earnings.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents at the end of the fiscal year ended March 31, 2019 decreased by ¥8,264 million from the end of the previous fiscal year to ¥43,349 million.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥21,897 million (¥27,938 million was provided in the previous fiscal year). This was mainly attributable to the recognition of profit before income taxes of ¥37,369 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥7,872 million (¥7,741 million was used in the previous fiscal year). This was mainly attributable to the purchase of property, plant and equipment of ¥4,598 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥22,290 million (¥7,060 million was used in the previous fiscal year). This was mainly attributable to the purchase of treasury shares of ¥13,972 million.

(Capital resources and funding liquidity)

The Group mainly uses funds generated by operating activities to capital expenditures related to the opening of new stores.

(4) Future outlook

The outlook for the next fiscal year is expected to remain uncertain as there are many factors that can impact future corporate earnings, including trends in global economy, changes in oil prices, changes in exchange rates and stock prices arising from trade friction concerns, and geopolitical risks.

In such an environment, under medium- to long-term management strategies, the Group will aim to be a "corporate group indispensable to the beauty and health fields" while recognizing "promotion of deeper next-generation healthcare services," "promotion of digital marketing that leads to profit," and "promotion of aggressive global expansion" as three management challenges that we need to address.

In consideration of the current situation mentioned above, the Company forecasts operating results for the fiscal year ending March 31, 2020 as follows: net sales to increase 4.2% year-on-year to ¥600.0 billion, operating profit to increase 2.7% to ¥37.0 billion, ordinary profit to increase 2.4% to ¥39.9 billion, and profit attributable to owners of parent to increase 3.9% to ¥26.0 billion.

2. Management policies

(1) Basic management policy of the Company

The Group's management philosophy is "1st for you." Based on this motto, we have adopted the following basic management policy:

- Our company strives to ensure that everyone connected with our Group can enjoy beauty, health, and abundant lifestyles for as long as they like.
- Our company promotes self-medication to support the coming ageing society, and intends to serve as the local "family pharmacy" to help guard the health of our customers and their loved ones.
- Our company aims to become a corporate group essential in the fields of beauty and health through always creating new values and providing sincere services in these fields.
- Our company aims to become a corporate group trusted and supported by all its stakeholders, so shall continue to work unceasingly, constantly tackle challenges, and grow to achieve this.

(2) Performance targets

The Group upholds and aims to realize the management vision of "aiming to become a corporation with 1 trillion yen in sales in the beauty and health business fields." Our management goals to realize the vision are to achieve group sales of ¥800.0 billion and maintain a ROE of 10% or higher by the fiscal year ending March 2021.

(3) Medium- to long-term corporate management strategies and issues to address

The Group will work to become a "corporate group indispensable to the beauty and health fields" by setting the following three strategic themes: (1) contributing to local communities in the beauty and health fields with expertise and originality (roles and responsibilities); (2) creation of new businesses without being confined by existing frameworks (challenge and growth); and (3) advancement of group management to enhance corporate value (governance and reform).

The issues that the Group needs to address are as follows:

(i) Promotion of deeper next-generation healthcare services

The Group will endeavor to ensure that everyone can enjoy beauty, health, and abundant lifestyles for as long as they like by quickly identifying changes in the social structure and customers' lifestyles in this increasingly competitive environment.

To this end, the Group will strive to contribute to the local community as a member of the integrated community care system by aiming to become approachable family pharmacies and drugstores that are trusted and chosen and by sharpening our specialization and unique Matsumotokiyoshi approach to the three pillars of drugs, cosmetics, and pharmacy on which we were founded, rather than by merely expanding the network of drugstores and health insurance prescription pharmacies, which are our existing businesses.

(ii) Promotion of digital marketing that leads to profit

The Group will strive to strengthen our digital marketing infrastructure so that we can accurately understand changes in the lifestyles of customers and their preference and needs and close the distance to and deepen ties with each customer by leveraging the rapidly advancing IT.

We will aim not only to develop unique products and promote brand marketing support for our manufacturing customers by sharpening the analytical capability leveraging the contact points with our over 60 million customers, but also to transform marketing knowhow itself into commercial services to expand the areas of collaboration with players in other industries. In this manner, we will strive to enhance corporate value by securing new revenue sources without being confined by existing frameworks.

(iii) Promotion of aggressive global expansion

The Group will improve our responses to the needs of inbound customers by offering an optimal product line-up using passport data analysis and cashless settlement solutions. In addition, we will actively work not only on the expansion of the overseas store network particularly in Asia, but also on the creation of a mechanism to acquire global members and the development and provision of products that will be accepted in overseas markets, with a view to establishing a global business foundation.

3. Basic approach to the selection of accounting standards

The Group plans, for the time being, to continue to prepare its consolidated financial statements in accordance with Japanese accounting standards in consideration of comparability of the consolidated financial statements over periods and with those of other companies.

The Group also intends to respond appropriately to the application of the International Financial Reporting Standards (IFRS) in the future in consideration of the relevant domestic and international trends.

4. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	51,618	43,353
Notes and accounts receivable - trade	20,905	23,472
Merchandise	69,778	76,160
Supplies	584	663
Accounts receivable - other	16,047	17,249
Other	6,861	8,049
Allowance for doubtful accounts	(7)	(7)
Total current assets	165,788	168,942
Non-current assets		
Property, plant and equipment		
Buildings and structures	60,391	62,445
Accumulated depreciation	(36,672)	(38,370)
Buildings and structures, net	23,718	24,074
Land	40,647	40,156
Leased assets	13,431	15,202
Accumulated depreciation	(9,132)	(9,747)
Leased assets, net	4,298	5,454
Construction in progress	50	213
Other	12,209	13,177
Accumulated depreciation	(9,081)	(9,715)
Other, net	3,128	3,461
Total property, plant and equipment	71,843	73,360
Intangible assets		
Goodwill	6,677	5,756
Other	4,321	4,146
Total intangible fixed assets	10,998	9,903
Investments and other assets		
Investment securities	22,179	21,691
Deferred tax assets	5,194	5,361
Leasehold and guarantee deposits	36,425	37,337
Other	1,897	1,801
Allowance for doubtful accounts	(149)	(74)
Total investments and other assets	65,547	66,118
Total non-current assets	148,389	149,382
Total assets	314,178	318,324

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	65,612	64,119
Lease obligations	1,591	1,888
Income taxes payable	8,107	7,406
Provision for bonuses	3,553	3,723
Provision for point card certificates	2,616	2,783
Asset retirement obligations	17	4
Other	11,652	11,902
Total current liabilities	93,150	91,828
Non-current liabilities		
Lease obligations	2,996	3,905
Deferred tax liabilities	2,919	2,680
Provision for share-based remuneration	91	134
Provision for share-based remuneration for directors (and other officers)	33	39
Retirement benefit liability	221	234
Asset retirement obligations	6,935	7,201
Other	2,958	3,029
Total non-current liabilities	16,156	17,226
Total liabilities	109,306	109,054
Net assets		
Shareholders’ equity		
Share capital	22,051	22,051
Capital surplus	23,024	22,994
Retained earnings	158,593	177,270
Treasury shares	(6,856)	(20,765)
Total shareholders’ equity	196,813	201,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,000	7,674
Total accumulated other comprehensive income	8,000	7,674
Share acquisition rights	57	43
Total net assets	204,871	209,269
Total liabilities and net assets	314,178	318,324

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	558,879	575,991
Cost of sales	389,673	396,509
Gross profit	169,205	179,482
Selling, general and administrative expenses		
Advertising expenses	1,725	1,388
Provision for point card certificates	—	167
Salaries and allowances	47,031	48,925
Provision for bonuses	3,553	3,723
Retirement benefit expenses	972	1,012
Depreciation	6,547	7,301
Rent expenses on land and buildings	32,075	34,226
Amortization of goodwill	1,157	932
Other	42,576	45,776
Total selling, general and administrative expenses	135,639	143,453
Operating profit	33,565	36,028
Non-operating income		
Interest income	132	116
Dividend income	316	338
Gain on donation of non-current assets	686	708
Order handling commission	972	1,035
Other	503	814
Total non-operating income	2,611	3,014
Non-operating expenses		
Interest expenses	16	17
Foreign exchange losses	—	9
Commission expenses	—	9
Cash over and short	13	13
Other	23	13
Total non-operating expenses	54	64
Ordinary profit	36,123	38,978
Extraordinary income		
Gain on sales of non-current assets	5	16
Gain on sales of investment securities	9	48
Total extraordinary income	15	65
Extraordinary losses		
Loss on retirement of non-current assets	399	331
Loss on store closings	188	87
Impairment loss	1,084	1,169
Other	48	85
Total extraordinary losses	1,720	1,674
Profit before income taxes	34,418	37,369
Income taxes - current	11,944	12,591
Income taxes - deferred	(281)	(257)
Total income taxes	11,662	12,333
Profit	22,755	25,035
Profit attributable to owners of parent	22,755	25,035

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	22,755	25,035
Other comprehensive income		
Valuation difference on available-for-sale securities	3,338	(325)
Total other comprehensive income	3,338	(325)
Comprehensive income	26,093	24,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,093	24,709
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,051	23,027	141,136	(6,879)	179,336
Changes in items during period					
Dividends of surplus			(5,298)		(5,298)
Profit attributable to owners of parent			22,755		22,755
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(3)		26	22
Net changes in items other than shareholders' equity					
Total changes in items during period	–	(3)	17,456	23	17,476
Balance at end of period	22,051	23,024	158,593	(6,856)	196,813

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	4,662	4,662	61	184,060
Changes in items during period				
Dividends of surplus				(5,298)
Profit attributable to owners of parent				22,755
Purchase of treasury shares				(2)
Disposal of treasury shares				22
Net changes in items other than shareholders' equity	3,338	3,338	(3)	3,334
Total changes in items during period	3,338	3,338	(3)	20,811
Balance at end of period	8,000	8,000	57	204,871

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,051	23,024	158,593	(6,856)	196,813
Changes in items during period					
Dividends of surplus			(6,358)		(6,358)
Profit attributable to owners of parent			25,035		25,035
Purchase of treasury shares				(13,972)	(13,972)
Disposal of treasury shares		(29)		63	33
Net changes in items other than shareholders' equity					
Total changes in items during period	–	(29)	18,677	(13,909)	4,738
Balance at end of period	22,051	22,994	177,270	(20,765)	201,551

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	8,000	8,000	57	204,871
Changes in items during period				
Dividends of surplus				(6,358)
Profit attributable to owners of parent				25,035
Purchase of treasury shares				(13,972)
Disposal of treasury shares				33
Net changes in items other than shareholders' equity	(325)	(325)	(14)	(340)
Total changes in items during period	(325)	(325)	(14)	4,398
Balance at end of period	7,674	7,674	43	209,269

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	34,418	37,369
Depreciation	6,547	7,301
Impairment loss	1,084	1,169
Amortization of goodwill	1,157	932
Increase (decrease) in provision for bonuses	180	169
Increase (decrease) in allowance for doubtful accounts	(2)	(73)
Increase (decrease) in provision for point card certificates	(107)	167
Increase (decrease) in retirement benefit liability	25	13
Interest and dividend income	(448)	(455)
Interest expenses	16	17
Loss (gain) on sales of non-current assets	40	65
Loss on retirement of non-current assets	399	331
Decrease (increase) in trade receivables	(3,053)	(2,567)
Decrease (increase) in inventories	(2,608)	(6,461)
Decrease (increase) in accounts receivable - other	(1,127)	(903)
Increase (decrease) in trade payables	2,701	(1,492)
Increase (decrease) in accounts payable - other	462	(140)
Amount of lease and guarantee deposits offset against rent	1,337	1,255
Other	(2,717)	(1,431)
Subtotal	38,304	35,267
Interest and dividends received	319	341
Interest paid	(16)	(17)
Income tax paid	(11,814)	(15,989)
Income taxes refund	1,145	2,295
Net cash provided by (used in) operating activities	27,938	21,897
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,404)	(4,598)
Purchase of intangible assets	(1,490)	(950)
Payments of leasehold and guarantee deposits	(1,996)	(2,364)
Proceeds from refund of leasehold and guarantee deposits	699	373
Purchase of investment securities	(1,009)	(0)
Proceeds from sales of investment securities	47	161
Other	(586)	(493)
Net cash provided by (used in) investing activities	(7,741)	(7,872)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(46)	—
Repayments of lease obligations	(1,733)	(1,980)
Purchase of treasury shares	(2)	(13,972)
Dividends paid	(5,297)	(6,356)
Other	19	19
Net cash provided by (used in) financing activities	(7,060)	(22,290)
Net increase (decrease) in cash and cash equivalents	13,136	(8,264)
Cash and cash equivalents at beginning of period	38,477	51,613
Cash and cash equivalents at end of period	51,613	43,349

(5) Notes to consolidated financial statements

(Notes - Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Notes - Changes in accounting policies)

Not applicable.

(Notes - Changes in presentation)

(Changes in accounting policies as a result of the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the current fiscal year. Accordingly, deferred tax assets were presented under "investments and other assets" and deferred tax liabilities were presented under "non-current liabilities."

As a result, the amount previously presented as "deferred tax assets" of ¥2,979 million in current assets in the consolidated balance sheet for the previous fiscal year as well as part of the amount previously presented as "deferred tax liabilities" of ¥983 million in non-current liabilities for the previous fiscal year have been reclassified and included in "deferred tax assets" of ¥5,194 million in investments and other assets. The amount presented as "deferred tax liabilities" in non-current liabilities is ¥2,919 million.

Deferred tax assets and deferred tax liabilities of the same taxable entity are presented to set off. As a result, total assets are smaller by ¥983 million as compared with the amount that would have been presented before the change in accounting policies.

(Notes when there are significant changes in amounts of equity)

Pursuant to the resolution passed at the meeting of the Board of Directors held on November 8, 2018, the Company purchased 3,223,000 treasury shares. Mainly as a result of this purchase, treasury shares increased by ¥13,909 million during the current fiscal year to ¥20,765 million at the end of the current fiscal year.

(Segment information)

[Segment information]

1. Description of reportable segments

   The reportable segments of the Group are the components of the business of the Group for which separate financial information is available and that are subject to periodic examination by the Board of Directors for the determination of management resource allocation and the performance evaluation.

   The Group operates in the following three business areas: retail business, wholesale business, and management support business. The “retail business" is the Group’s core business in which the Group runs its chain stores such as drugstores and health insurance prescription pharmacies. In the “wholesale business,” the Group supplies products to its affiliates and franchisees, etc. The “management support business” includes the provision of management and back-office services to group companies, store construction and repair works, and life insurance and nonlife insurance agency business. Each group company formulates and implements business strategies in the retail business and wholesale business areas, and the Company mainly provides business and management support services.

   For reporting purposes, these businesses are divided into five reportable segments. The retail business is divided into the “Matsumotokiyoshi Retail” segment, which is the core of the retail business, and the “Other Retail” segment. Similarly, the wholesale business is divided into the “Matsumotokiyoshi Holdings Wholesale” segment and the “Other Wholesale” segment. The management support business on its own is the “Management Support” segment.

2. Calculation method of the amounts of net sales, profit or loss, assets, and other items by reportable segment

   Accounting treatments adopted for operating segments being reported are largely the same as those described in “Significant matters forming the basis of preparing consolidated financial statements” in the most recent Securities Report (submitted on June 28, 2018). The profit or loss by reportable segment is calculated on the basis of operating profit. Intersegment revenue and transfers between segments are based on actual market price.

3. Disclosure of net sales, profit (loss), asset, and other items by reportable segment

   Fiscal year ended March 31, 2018

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the consolidated financial statement (Note 2)
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	351,101	187,268	60	17,377	3,071	558,879	—	558,879
Intersegment sales or transfers	9	29	373,350	—	13,890	387,279	(387,279)	—
total	351,110	187,298	373,410	17,377	16,961	946,158	(387,279)	558,879
Segment profit (loss)	24,230	9,252	1,494	272	(854)	34,394	(828)	33,565
Segment assets	142,301	92,528	87,081	2,035	206,365	530,312	(216,134)	314,178
Other items								
Depreciation	3,207	2,049	14	29	1,401	6,703	(156)	6,547
Amortization of goodwill	7	47	—	—	—	54	1,102	1,157
Increase in property, plant and equipment	4,673	2,619	—	32	98	7,423	(285)	7,138
Increase in intangible assets	14	5	—	—	1,218	1,237	—	1,237

Notes: 1. Adjustments are as follows:

(1) The adjustment of negative ¥828 million to segment profit (loss) includes negative ¥1,102 million of amortization of goodwill and ¥273 million of intersegment transaction elimination.

(2) The adjustment of negative ¥216,134 million to segment assets includes ¥6,392 million of the unamortized balance of goodwill and negative ¥222,526 million of intersegment transaction elimination.

(3) The adjustment of negative ¥156 million to depreciation represents intersegment transaction elimination.

(4) The adjustment of negative ¥285 million to increase in property, plant and equipment represents intersegment transaction elimination.

2. Segment profit (loss) is adjusted with operating profit stated in the consolidated statement of income.

3. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the current fiscal year, etc. The amount of segment assets for the previous fiscal year presented above is an amount after the retrospective application of the Accounting Standard, etc.

Fiscal year ended March 31, 2019

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the consolidated financial statement (Note 2)
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	365,672	188,883	163	18,122	3,149	575,991	–	575,991
Intersegment sales or transfers	15	33	383,828	–	14,125	398,003	(398,003)	–
total	365,688	188,917	383,992	18,122	17,274	973,995	(398,003)	575,991
Segment profit (loss)	26,031	9,699	1,809	319	(1,214)	36,645	(617)	36,028
Segment assets	137,701	84,084	87,041	2,150	224,854	535,832	(217,507)	318,324
Other items								
Depreciation	3,568	2,173	15	39	1,665	7,461	(160)	7,301
Amortization of goodwill	7	48	–	–	–	55	876	932
Increase in property, plant and equipment	5,145	3,563	–	90	230	9,030	(182)	8,847
Increase in intangible assets	14	14	–	–	1,175	1,204	–	1,204

Notes: 1. Adjustments are as follows:

(1) The adjustment of negative ¥617 million to segment profit (loss) includes negative ¥876 million of amortization of goodwill and ¥259 million of intersegment transaction elimination.

(2) The adjustment of negative ¥217,507 million to segment assets includes ¥5,515 million of the unamortized balance of goodwill and negative ¥223,022 million of intersegment transaction elimination.

(3) The adjustment of negative ¥160 million to depreciation represents intersegment transaction elimination.

(4) The adjustment of negative ¥182 million to increase in property, plant and equipment represents intersegment transaction elimination.

2. Segment profit (loss) is adjusted with operating profit stated in the consolidated statement of income.

[Notes - Information associated with reportable segments]

Fiscal year ended March 31, 2018

1. Information for each product or service

(Millions of yen)

	Retail business	Wholesale business	Management support business	Total
Sales to external customers	538,370	17,437	3,071	558,879

2. Information for each region

(1) Net ales

The description is omitted as sales from external customers in Japan exceed 90% of net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

The description is omitted as the Company does not have any property, plant and equipment outside Japan.

Fiscal year ended March 31, 2019

1. Information for each product or service

(Millions of yen)

	Retail business	Wholesale business	Management support business	Total
Sales from external customers	554,556	18,286	3,149	575,991

2. Information for each region

(1) Net sales

The description is omitted as sales from external customers in Japan exceed 90% of net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

The description is omitted as the Company does not have any property, plant and equipment outside Japan.

[Disclosure of impairment loss on non-current assets for each reportable segment]

Fiscal year ended March 31, 2018

(Millions of yen)

	Retail business		Wholesale business		Management support business	Unallocated amounts and elimination	Total
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale			
Impairment loss	635	363	–	–	8	76	1,084

Fiscal year ended March 31, 2019

(Millions of yen)

	Retail business		Wholesale business		Management support business	Unallocated amounts and elimination	Total
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale			
Impairment loss	763	319	–	–	97	(10)	1,169

[Amortization and unamortized balance of goodwill for each reportable segment]

Fiscal year ended March 31, 2018

(Millions of yen)

	Retail business		Wholesale business		Management support business	Unallocated amounts and elimination	Total
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale			
Current period amortization	7	47	–	–	–	1,102	1,157
Balance at end of period	71	214	–	–	–	6,392	6,677

Fiscal year ended March 31, 2019

(Millions of yen)

	Retail business		Wholesale business		Management support business	Unallocated amounts and elimination	Total
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale			
Current period amortization	7	48	–	–	–	876	932
Balance at end of period	63	177	–	–	–	5,515	5,756

[Information about gain on bargain purchase for each reportable segment]

Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

Not applicable.

(Notes - Per share information)

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	1,935.39	2,038.76
Basic earnings per share	215.03	239.42
Diluted earnings per share	214.92	239.33

Notes:
1. The Company has introduced the Board Incentive Plan and the Share Grant ESOP Trust. For the purpose of calculating net assets per share, shares of the Company held by these trust accounts are included in the treasury shares that are deducted in the calculation of the total number of issued shares at the end of each period (148 thousand shares for the previous fiscal year and 140 thousand shares for the current fiscal year).

   For the purpose of calculating basic earnings per share and diluted earnings per share, such shares are also included in the treasury shares that are deducted in the calculation of the average number of shares during each period (150 thousand shares for the previous fiscal year and 145 thousand shares for the current fiscal year).

2. Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. Net assets per share, basic earnings per share, and diluted earnings per share were calculated based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

3. The basis of calculation of basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	22,755	25,035
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	22,755	25,035
Average number of common shares during the period (Thousand shares)	105,820	104,567
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	–	–
Increase in the number of common shares (Thousand shares)	54	40
Summary of potential shares not included in the calculation of diluted earnings per share as they are not dilutive	—	—

Note: Effective January 1, 2018, the Company carried out a 2-for-1 stock split for its common shares pursuant to a resolution passed at the meeting of the Board of Directors held on November 9, 2017. Average number of common shares during the period (thousand shares) and increase in the number of common shares (thousand shares) are calculated based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(Notes - Significant events after reporting period)

Not applicable.

5. Other information

Net sales and purchases

(1) Net sales by operating segment

Net sales by segment for the fiscal year ended March 31, 2019 are as follows:

Segment name	Fiscal year ended March 31, 2019	
	Amount (Millions of yen)	Change from the previous fiscal year (%)
Retail business	554,556	103.0
Wholesale business	18,286	104.9
Management support business	3,149	102.5
Total	575,991	103.1

Notes: 1. Intersegment transactions are eliminated.

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

(2) Net sales by product

Net sales by product for the fiscal year ended March 31, 2019 are as follows:

Products	Fiscal year ended March 31, 2019	
	Amount (Millions of yen)	Change from the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	176,260	102.8
Cosmetics	227,752	104.7
General merchandise	97,736	101.3
Food	51,820	99.8
Subtotal	553,570	103.0
Wholesale business	17,780	104.8
Total	571,350	103.1

Notes: 1. Net sales by product do not include sales of the management support business. In addition, the amounts above do not include operating revenue (rent income from tenants and royalty income from franchisees).

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

(3) Purchases by product

Purchases by product for the fiscal year ended March 31, 2019 are as follows:

Products	Fiscal year ended March 31, 2019	
	Amount (Millions of yen)	Change from the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	105,757	102.7
Cosmetics	160,523	104.7
General merchandise	73,531	99.7
Food	44,713	99.0
Subtotal	384,526	102.5
Wholesale business	17,700	104.9
Total	402,227	102.6

Notes: 1. Purchases by product do not include purchases of the management support business.

2. Consumption taxes pertaining to purchases are accounted for under the tax exclusion method.