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Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 <under Japanese GAAP>

May 13, 2021

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 29, 2021
 Scheduled date to commence dividend payments: June 30, 2021
 Scheduled date to file Securities Report: June 29, 2021
 Preparation of supplementary material on financial result: Yes
 Holding of financial results presentation meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2021	556,907	(5.7)	31,533	(16.1)	34,091	(14.7)	21,568	(17.6)
March 31, 2020	590,593	2.5	37,563	4.3	39,985	2.6	26,176	4.6

Note: Comprehensive income Fiscal year ended March 31, 2021 ¥24,316 million [(10.5%)]
 Fiscal year ended March 31, 2020 ¥27,169 million [10.0%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	210.12	210.03	9.1	9.5	5.7
March 31, 2020	255.04	254.94	11.9	11.9	6.4

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended March 31, 2021 ¥ (0) million
 Fiscal year ended March 31, 2020 ¥ - million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2021	368,924	246,461	66.8	2,400.47
Fiscal year ended March 31, 2020	351,809	229,304	65.2	2,233.54

Reference: Equity Fiscal year ended March 31, 2021 ¥246,418 million
 Fiscal year ended March 31, 2020 ¥229,261 million

(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, 2021	25,875	(6,311)	(9,409)	38,517
March 31, 2020	24,764	(48,840)	9,089	28,363

2. Cash dividends

	Annual cash dividends per share					Total dividend amount	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, 2020	—	35.00	—	35.00	70.00	7,194	27.4	3.3
Fiscal year ended March 31, 2021	—	35.00	—	35.00	70.00	7,194	33.3	3.0
Fiscal year ending March 31, 2022 (forecast)	—	35.00	—	—	—		—	

Note: The Company is scheduled to complete a management integration with cocokara fine Inc. on October 1, 2021, and the forecast of year-end dividend is to be determined at a later date. The forecast will be announced as soon as it is finalized.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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
For the six months ending September 30, 2021	274,000	—	15,000	—	17,000	—	11,000	—	107.16

Notes 1. The Company plans to apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and other related guidance from the beginning of the fiscal year ending March 31, 2022 onward, and the forecasts above have been prepared based on this Standard. For this reason, percentage changes from actual results before the application of this Standard are not presented.

2. The Company is scheduled to complete a management integration with cocokara fine Inc. on October 1, 2021, and the full-year consolidated earnings forecast is to be determined at a later date. The forecast will be announced as soon as it is finalized.

*** 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, 2021	109,272,214 shares
As of March 31, 2020	109,272,214 shares

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

As of March 31, 2021	6,618,022 shares
As of March 31, 2020	6,627,096 shares

c. Average number of shares during the period

Fiscal year ended March 31, 2021	102,650,741 shares
Fiscal year ended March 31, 2020	102,637,028 shares

Note: 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 (127,394 shares as of March 31, 2021 and 127,754 shares as of March 31, 2020). 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.

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	372,268	(6.7)	(790)	—	12,019	(34.9)	11,580	(35.3)
March 31, 2020	399,109	1.5	(226)	—	18,472	21.7	17,889	20.7

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2021	112.82	112.77
March 31, 2020	174.30	174.23

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2021	317,203	178,068	56.1	1,734.22
Fiscal year ended March 31, 2020	306,487	170,931	55.8	1,664.85

Reference: Equity Fiscal year ended March 31, 2021 ¥178,025 million
 Fiscal year ended March 31, 2020 ¥170,888 million

* 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 5 of the attachment.

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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, 2021 (from April 1, 2020 to March 31, 2021), the Japanese economy faced a difficult situation due to the effect of the novel coronavirus disease (COVID-19) infection. As the number of COVID-19 cases resurged, corporate earnings and business confidence remained under severe pressure and capital investment decreased, although the employment and income environment showed some signs of recovery.

The drugstore industry in which the Company operates also continues to face a challenging business environment, with new store openings by competitors across industries and business lines. This is also due to entrance into new areas aimed for commercial area expansion, expansion of scale through M&A, an increasingly homogeneous competition between different industries, as well as the narrowing of the commercial area of individual stores caused by all of these factors.

In such an environment, prioritizing the security and safety of its customers and employees as a mission of drugstores that are a “life line” and a “social infrastructure,” the Group continued the operation of many stores with shortened business hours and temporary close. At the same time, the Group worked on its three new key strategies of “further advancement of digitalization,” “further advancement of globalization,” and “expansion of business scale in specialized areas.” Aiming to survive the competition among drugstores in Japan by gaining a dominant presence in the health and beauty area, the Company started a capital and business alliance with cocokara fine Inc. in April 2020 in contemplation of a management integration with the company.

More specifically, as part of further advancement of digitalization, the Group focuses on strengthening 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 technologies. The number of customer contact points (point card members, LINE friends, and downloads of official apps), which are among the strengths of the Group, has exceeded 78.0 million in total as of March 31, 2021.

In terms of further advancement of globalization, keeping in mind the immigration restrictions issued by the Japanese government in connection with the spread of COVID-19, the Group aims to early establish a franchise in Asia where the consciousness of health and beauty is rising. To this end, the Group will create a mechanism to support the expansion of the overseas store network particularly in Asia, such as coupon distribution using overseas SNS and cashless payment services, as well as the expansion of global membership and make the most of the knowhow accumulate through our active efforts to develop and provide products that become popular overseas. As for new store openings in overseas markets, we opened “Matsumotokiyoishi Vincom Center Dong Khoi Store” in Ho Chi Minh City, which is our first store in Vietnam. As a result, the number of stores overseas stood at 48 in total as of March 31, 2021, with 30 stores in Thailand, 17 stores in Taiwan, and one store in Vietnam.

With regard to the expansion of business scale in specialized areas, in an increasingly competitive environment, the Group is working to establish next growth drivers as soon as possible by mainly focusing on the promotion of area dominance in the three largest metropolitan areas and the expansion of the next-generation healthcare and prescription business. We promoted coordination with local healthcare facilities at the 37 stores designated as Health Support Pharmacies by the Ministry of Health, Labour and Welfare, while expanding the member store network of the Community Pharmacy Support Program, which now includes 122 stores. As for the private brand product lineup, the Group strove to expand the lineup by including products with surprise and fun, which is characteristic of Matsumotokiyoishi. For example, we launched “BCAA7100 POWDER” obtaining the Informed-Choice certification, which is an internationally recognized anti-doping certification, and “PREMIUM PROTEIN BAR CHOCOLATE,” which is the first protein bar product with functional claims in Japan, as “matsukiyo LAB” athlete lineup products. We also launched “PROTEIN SMOOTHIE” as a new product with functional claims to join the “matsukiyo LAB” lineup, and “EXSTRONG ENERGY GUMMY” and “EXSTRONG HAPPY & SALT ENERGY DRINK” from our popular energy drink category. We also renewed the “ARGELAN” skincare and hair care series, organic cosmetics brand, into products that are even more friendly to the environment. In addition, the Company completely redesigned “Retinotime,” an aging care brand jointly developed with Naris Cosmetics Co., LTD., into “THE RETINOTIME” and expanded it to include new products such as UV emulsion, toner and cream

with wrinkle reduction effect. As a result, it became the first Japanese skincare brand to include five products with wrinkle reduction effect within the same brand, representing a lineup including the largest number of such products in Japan.

As for new store openings, with the opening of “Drugstore Matsumotokiyoshi Kino Wakayama Store,” our first store in Wakayama Prefecture, we have finally succeeded in having our stores in all 47 prefectures of Japan. The network of matsukiyo LAB stores has expanded to 26 stores including newly opened “Drugstore Matsumotokiyoshi matsukiyo LAB Okayama Station B-1 Store,” which is the first store in the Chugoku region. During the fiscal year ended March 31, 2021, we opened 71 stores, closed 24 stores, and renovated 40 stores. As a result, the number of Group stores as of March 31, 2021 was 1,764 (* The total number of Group stores above does not include our overseas stores).

In the area of environmental protection, the Group discontinued the free distribution of polyethylene shopping bags effective April 1 before it was mandated on July 1, 2020. Instead, we have made available for purchase shopping bags made of materials that include a plant-based biomass content of 30% and our original reusable bags made of 100% recycled polyester, in order to reduce CO2 emissions and protect the environment. In collaboration with ROHTO Pharmaceutical Co., Ltd., we launched the “Recycling Program to Moisturize Both the Earth and the Skin” toward a green Earth through the collection and recycling of empty containers of skincare products on September 1, 2020 for the implementation by Drugstore Matsumotokiyoshi “matsukiyo LAB” all over Japan.

In the area of employee programs, we paid “special allowances” to the store staff for their services during the period of the state of emergency declared by the government concerning COVID-19. This was in appreciation of the understanding and cooperation of the store staff who made it possible for many of the stores within the Group to continue to operate under such a nationwide declaration of the state of emergency. In addition, we are making efforts to improve the working environment of our employees. For example, we have introduced a new interest-free “Employee Emergency Loan Program” to support an environment in which employees working within the Group can lead their lives as securely as possible and continue to work.

Regarding the Matsumotokiyoshi brand, the Company was rated No. 1 among Japanese drugstore brands in 2021 by Interbrand, the largest branding specialist company in the world, ranking 81st in Interbrand’s “Best Japan Brands 2021” ranking, which is based on the assessment of brand value of Japanese brands that are promoted globally.

“Health and productivity management” is a strategic implementation of health management of employees from the management perspective, and our health and productivity management initiatives were publicly recognized as excellent. We were certified in the 2021 Certified Health & Productivity Management Organizations Recognition Program (Large Enterprise Category), the accreditation of which is given jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, for two consecutive years.

As a result, net sales were ¥556,907 million (down 5.7% year on year), operating profit was ¥31,533 million (down 16.1% year on year), ordinary profit was ¥34,091 million (down 14.7% year on year), and profit attributable to owners of parent was ¥21,568 million (down 17.6% year on year).

Operating results by segment were as follows:

<Retail business>

In the first quarter, special procurement demand arose for masks, disinfectants, daily necessities, food, etc., due to the effect of COVID-19, particularly at suburban stores. On the other hand, due to the stay-home recommendations and the promotion of working from home, stores in central Tokyo and other downtown locations had decreased customer traffic. Sales were also affected mainly by shorter business hours, temporary close of tenant shops, and temporary close during weekends of near-distance opening stores. However, once the state of emergency declaration was lifted nationwide, customer traffic at stores in central Tokyo and other downtown locations started to increase. Inbound sales were small mainly due to the effect of immigration restrictions.

In the second quarter, special procurement demand arose for masks, disinfectants, daily necessities, food, etc., particularly at suburban stores, as in the first quarter. The number of customers coming to

stores in central Tokyo and other downtown locations has been recovering, and sales of medical and pharmaceutical products and cosmetics are struggling, but have shown signs of recovery. On the other hand, the second quarter has been subject to the reaction from the temporary surge in demand before the consumption tax rate hike last year. Inbound sales continued to be small mainly due to the effect of immigration restrictions.

In the third quarter, special procurement demand arose for masks, disinfectants, daily necessities, etc., particularly at suburban stores, in addition to a rebound from consumers' hesitance to purchase after the consumption tax hike in the previous year. On the other hand, as the number of COVID-19 cases resurged, customer traffic trended downward in and after November, particularly at stores in central Tokyo and other downtown locations, and sales were affected. Inbound sales continued to be small mainly due to the effect of immigration restrictions.

In the fourth quarter, as the state of emergency was declared again with the resurgence of COVID-19 cases, stores in central Tokyo and other downtown locations in particular had decreased customer traffic. In addition, we were affected by a reactionary fall in sales of masks, disinfectants, paper products such as tissue paper, and food from the special demand in the same period of the previous fiscal year as it has subsided by now. On the other hand, sales of pharmaceutical products and cosmetics, such as pollen allergy-related products and skincare products, are on a recovery trend. Inbound sales continued to be small mainly due to the effect of immigration restrictions.

The pharmacy business struggled with people's reluctance to go to medical institutions under the COVID-19 pandemic and a decrease in prescription drug sales, but its net sales increased from year earlier levels partly owing to new openings of prescription stores.

<Wholesale business>

In the wholesale business, we achieved a geographic expansion due to new openings of franchise stores and an increase in the number of member stores of the Community Pharmacy Support Program, and a year-on-year sales growth as we began to supply our private brand (PB) products to cocokara fine Inc. from October 2020.

As a result of the operating activities above, net sales of the retail business were ¥527,674 million (down 7.1% from the previous fiscal year), net sales of the wholesale business were ¥25,662 million (up 31.7%), and net sales of the management support business were ¥3,571 million (up 8.7%).

(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, 2021 increased by ¥17,114 million from the end of the previous fiscal year to ¥368,924 million. This was mainly due to an increase of ¥10,149 million in cash and deposits, an increase of ¥4,556 million in merchandise, and an increase of ¥3,937 in notes and accounts receivable-trade.

(Liabilities)

Total liabilities decreased by ¥41 million to ¥122,462 million. This was mainly due to decreases in accounts payable-trade by ¥1,950 million and in income taxes payable by ¥1,725 million and increases in other current liabilities by ¥2,384 million and in deferred tax liabilities by ¥1,217 million.

(Net assets)

Net assets increased by ¥17,156 million to ¥246,461 million. This was mainly due to an increase of ¥14,374 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, 2021 increased by ¥10,153 million from the end of the previous fiscal year to ¥38,517 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 ¥25,875 million (¥24,764 million was provided in the previous fiscal year). This was mainly attributable to the recognition of profit before income taxes of ¥32,617 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,311 million (¥48,840 million was used in the previous fiscal year). This was mainly attributable to the purchase of property, plant and equipment of ¥3,630 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥9,409 million yen (¥9,089 million provided by financing activities in the previous fiscal year). This was mainly attributable to the payment of dividends of ¥7,193 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 reflects our view that the Japanese economy will continue to face a difficult situation as it is uncertain when the COVID-19 pandemic will subside and there is a concern that corporate earnings and the employment and income environment will continue to be hit by the pandemic, although expectations are rising for vaccine rollout.

In such a situation, the Group will work to implement key strategies of (1) pursuit of convenience – deeper ties with customers, (2) pursuit of uniqueness – renewal of experience and service provisions, and (3) pursuit of specialization – evolution of total care under the strategic theme of “provision of values that correspond to the life stages of customers” as domestic strategies and (4) further expansion of global business under the strategic theme of “further increase in presence in Asian markets” as a global strategy.

In consideration of the current situation mentioned above, our consolidated earnings forecasts for the second quarter (cumulative) of the fiscal year ending March 31, 2022 are as follows: net sales will be ¥274,000 million, operating profit ¥15,000 million, ordinary profit ¥17,000 million, and profit attributable to owners of parent ¥11,000 million.

The earnings forecasts shown above have been prepared based on the information available to the Company as of the release date of this document and projections. Actual results may differ from the forecasts shown above due to various factors.

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 aims to become a "corporate group indispensable to the health and beauty fields" and ultimately become "Asia's No. 1 health and beauty company."

As the management goals to be achieved in the meantime, we target to achieve group sales of ¥1,200 billion, an operating profit margin of 6.5% or higher, and a ROE of 10% or higher by the fiscal year ending March 31, 2024.

Note: The Company plans to undertake a management integration with cocokara fine Inc. on October 1, 2021 subject to the approval of its shareholders at the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2021. However, the performance targets shown above have been set without considering the potential effect of the management integration.

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

The Group aims to become a "corporate group indispensable to the health and beauty fields" and ultimately become "Asia's No. 1 health and beauty company." Setting separate key strategies for domestic and global markets, the Group will work to implement key strategies of (1) pursuit of convenience – deeper ties with customers, (2) pursuit of uniqueness – renewal of experience and service provisions, and (3) pursuit of specialization – evolution of total care under the strategic theme of "provision of values that correspond to the life stages of customers" as domestic strategies and (4) further expansion of global business under the strategic theme of "further increase in presence in Asian markets" as a global strategy.

Our key strategies and challenges to be addressed in the domestic market are as follows:

(i) Pursuit of convenience – deeper ties with customers

The Group considers it necessary to become our customers' closest partner by building deeper ties with each customer to understand their needs accurately amid increasing digitalization in the society as a whole and changes in the lifestyles of customers. For this reason, we aim to become a company that is more deeply considerate of customer needs by pursuing convenience for them, including the creation of a mechanism to deliver products and services to customers using both digital approaches and the network of physical stores and the provision of a wide variety of shopping style.

(ii) Pursuit of uniqueness – renewal of experience and service provisions

In this highly competitive environment, the Group aims to become a company of our customers' choice by pursuing its own unique strengths, such as the development of products/services and store models based on customers' values and the expansion of advertisement delivery business for manufacturers, leveraging the data accumulated from various contact points with customers and its strong marketing analysis capability.

(iii) Pursuit of specialization – evolution of total care

In Japan, which aims to realize a healthy longevity society in response to declining birth rates and aging population, our mission is to continue to offer larger security and joy to local communities by providing

high-quality services that correspond to and fit various life stages of customers. To this end, the Group will work to support the community-based integrated care system and to help all people to enjoy beauty, health, and a fulfilling lifestyle for as long as they like by pursuing specialization in, for example, beauty care for both mind and body, which is one of the areas of our strength, as well as the promotion of the concept of self-medication where people protect their own health and the provision of online medication instructions and customer services.

Out key strategy and challenges to be addressed in the global market are as follows:

(iv) Further expansion of global business

The Group aims to expand the scale of its business and to increase its presence in Asia where people are becoming more conscious of one's beauty and health by actively engaging in the effective use of overseas SNS and the strengthening of approaches by the acquisition of global members, the development of human resources that can play an active role in overseas markets, and the development of products that will become popular in overseas markets, in order to enter new countries particularly in Asia, to expand the network of overseas stores, and to expand cross-border EC business.

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	28,368	38,517
Notes and accounts receivable - trade	23,479	27,417
Merchandise	81,231	85,788
Supplies	673	655
Accounts receivable - other	19,553	18,692
Other	6,750	4,687
Allowance for doubtful accounts	(29)	(62)
Total current assets	160,027	175,696
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,826	66,407
Accumulated depreciation	(39,804)	(41,914)
Buildings and structures, net	25,021	24,493
Land	40,073	39,933
Leased assets	16,697	17,603
Accumulated depreciation	(11,213)	(12,558)
Leased assets, net	5,483	5,045
Construction in progress	140	119
Other	14,071	14,910
Accumulated depreciation	(10,695)	(11,712)
Other, net	3,376	3,197
Total property, plant and equipment	74,095	72,789
Intangible assets		
Goodwill	4,870	4,029
Other	4,532	4,861
Total intangible assets	9,403	8,891
Investments and other assets		
Investment securities	63,345	66,897
Deferred tax assets	5,370	5,349
Leasehold and guarantee deposits	37,858	37,766
Other	1,782	1,623
Allowance for doubtful accounts	(72)	(89)
Total investments and other assets	108,283	111,546
Total non-current assets	191,782	193,227
Total assets	351,809	368,924

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	57,466	55,515
Lease obligations	2,004	1,981
Income taxes payable	7,385	5,660
Provision for bonuses	3,871	3,872
Provision for point card certificates	2,531	2,543
Asset retirement obligations	13	—
Other	12,929	15,313
Total current liabilities	86,202	84,887
Non-current liabilities		
long-term borrowings	18,400	18,400
Lease obligations	3,776	3,319
Deferred tax liabilities	3,212	4,430
Provision for share-based remuneration	134	164
Provision for share-based remuneration for directors (and other officers)	39	39
Provision for loss on guarantees	—	349
Retirement benefit liability	255	282
Asset retirement obligations	7,518	7,731
Other	2,963	2,857
Total non-current liabilities	36,301	37,575
Total liabilities	122,504	122,462
Net assets		
Shareholders' equity		
Share capital	22,051	22,051
Capital surplus	22,996	23,003
Retained earnings	196,253	210,627
Treasury shares	(20,707)	(20,679)
Total shareholders' equity	220,593	235,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,667	11,393
Remeasurements of defined benefit plans	—	22
Total accumulated other comprehensive income	8,667	11,415
Share acquisition rights	43	43
Total net assets	229,304	246,461
Total liabilities and net assets	351,809	368,924

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	590,593	556,907
Cost of sales	401,154	374,811
Gross profit	189,438	182,096
Selling, general and administrative expenses		
Advertising expenses	1,788	1,397
Provision for point card certificates	—	11
Salaries and allowances	50,720	50,939
Provision for bonuses	3,871	3,872
Retirement benefit expenses	1,065	1,099
Depreciation	7,499	7,738
Rent expenses on land and buildings	36,483	36,226
Amortization of goodwill	904	840
Other	49,541	48,436
Total selling, general and administrative expenses	151,875	150,562
Operating profit	37,563	31,533
Non-operating income		
Interest income	103	88
Dividend income	361	409
Gain on receipt of donated non-current assets	510	374
Order handling commission	1,087	1,080
Other	459	693
Total non-operating income	2,522	2,646
Non-operating expenses		
Interest expenses	18	44
Foreign exchange losses	5	—
Provision of allowance for doubtful accounts	10	12
Commission expenses	34	—
Cash over and short	15	17
Share of loss of entities accounted for using equity method	—	0
Other	15	13
Total non-operating expenses	100	88
Ordinary profit	39,985	34,091

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Extraordinary income		
Gain on sale of non-current assets	7	20
Gain on sale of investment securities	7	354
Insurance claim income	177	—
Subsidy income relating to COVID-19	—	197
Total extraordinary income	191	572
Extraordinary losses		
Loss on retirement of non-current assets	220	175
Loss on store closings	86	130
Impairment losses	490	427
Loss on disaster	108	—
Loss on valuation of shares of subsidiaries and associates	163	—
Provision for loss on guarantees	—	349
Loss on COVID-19	—	960
Other	28	3
Total extraordinary losses	1,098	2,046
Profit before income taxes	39,078	32,617
Income taxes - current	12,802	10,999
Income taxes - deferred	100	49
Total income taxes	12,902	11,049
Profit	26,176	21,568
Profit attributable to owners of parent	26,176	21,568

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	26,176	21,568
Other comprehensive income		
Valuation difference on available-for-sale securities	993	2,716
Share of other comprehensive income of entities accounted for using equity method	—	31
Total other comprehensive income	993	2,747
Comprehensive income	27,169	24,316
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,169	24,316
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,051	22,994	177,270	(20,765)	201,551
Changes in items during period					
Dividends of surplus			(7,193)		(7,193)
Profit attributable to owners of parent			26,176		26,176
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		57	59
Net changes in items other than shareholders' equity					
Total changes in items during period	—	2	18,982	57	19,042
Balance at end of period	22,051	22,996	196,253	(20,707)	220,593

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,674	—	7,674	43	209,269
Changes in items during period					
Dividends of surplus					(7,193)
Profit attributable to owners of parent					26,176
Purchase of treasury shares					(0)
Disposal of treasury shares					59
Net changes in items other than shareholders' equity	993	—	993		993
Total changes in items during period	993	—	993	—	20,035
Balance at end of period	8,667	—	8,667	43	229,304

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,051	22,996	196,253	(20,707)	220,593
Changes in items during period					
Dividends of surplus			(7,194)		(7,194)
Profit attributable to owners of parent			21,568		21,568
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		7		28	35
Net changes in items other than shareholders' equity					
Total changes in items during period	—	7	14,374	27	14,409
Balance at end of period	22,051	23,003	210,627	(20,679)	235,003

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,667	—	8,667	43	229,304
Changes in items during period					
Dividends of surplus					(7,194)
Profit attributable to owners of parent					21,568
Purchase of treasury shares					(0)
Disposal of treasury shares					35
Net changes in items other than shareholders' equity	2,725	22	2,747		2,747
Total changes in items during period	2,725	22	2,747	—	17,156
Balance at end of period	11,393	22	11,415	43	246,461

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net cash provided by (used in) operating activities		
Profit before income taxes	39,078	32,617
Depreciation	7,499	7,738
Impairment losses	490	427
Amortization of goodwill	904	840
Increase (decrease) in provision for bonuses	148	0
Increase (decrease) in allowance for doubtful accounts	21	49
Increase (decrease) in provision for point card certificates	(252)	11
Increase (decrease) in retirement benefit liability	21	27
Interest and dividend income	(464)	(498)
Interest expenses	18	44
Loss (gain) on sale of non-current assets	19	(16)
Loss on retirement of non-current assets	220	175
Decrease (increase) in trade receivables	(7)	(3,937)
Decrease (increase) in inventories	(5,080)	(4,538)
Decrease (increase) in accounts receivable - other	(1,423)	(540)
Increase (decrease) in trade payables	(6,653)	(1,950)
Increase (decrease) in accounts payable - other	805	240
Amount of lease and guarantee deposits offset against rent	1,193	1,116
Other	1,400	4,384
Subtotal	37,941	36,191
Interest and dividends received	364	988
Interest paid	(22)	(44)
Income tax paid	(16,098)	(14,625)
Income taxes refund	2,579	3,365
Net cash provided by (used in) operating activities	24,764	25,875
Cash flows from investing activities		
Purchase of shares of subsidiaries and associates	(39,173)	(275)
Purchase of property, plant and equipment	(4,521)	(3,630)
Purchase of intangible assets	(1,708)	(1,636)
Payments of leasehold and guarantee deposits	(2,108)	(1,392)
Proceeds from refund of leasehold and guarantee deposits	410	529
Purchase of investment securities	(1,034)	(0)
Proceeds from sale of investment securities	41	459
Other	(745)	(365)
Net cash provided by (used in) investing activities	(48,840)	(6,311)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	18,400	—
Repayments of lease obligations	(2,149)	(2,216)
Purchase of treasury shares	(0)	(0)
Dividends paid	(7,192)	(7,193)
Other	32	0
Net cash provided by (used in) financing activities	9,089	(9,409)
Net increase (decrease) in cash and cash equivalents	(14,985)	10,153
Cash and cash equivalents at beginning of period	43,349	28,363
Cash and cash equivalents at end of period	28,363	38,517

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes - Changes in accounting policies)

Not applicable.

(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 26, 2020). 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, 2020

(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	369,956	197,864	158	19,327	3,286	590,593	—	590,593
Intersegment sales or transfers	10	38	388,769	—	14,990	403,808	(403,808)	—
Total	369,966	197,902	388,928	19,327	18,276	994,401	(403,808)	590,593
Segment profit (loss)	25,148	11,972	1,688	375	(984)	38,200	(637)	37,563
Segment assets	142,401	129,546	90,436	2,296	211,382	576,063	(224,254)	351,809
Other items								
Depreciation	3,758	2,311	12	44	1,534	7,661	(161)	7,499
Amortization of goodwill	7	52	—	—	—	59	844	904
Investments in entities accounted for using equity method	—	39,242	—	—	—	39,242	—	39,242
Increase in property, plant and equipment	4,561	2,776	—	46	134	7,518	(142)	7,376
Increase in intangible assets	17	6	—	0	1,542	1,568	—	1,568

Notes: 1. Adjustments are as follows:

- (1) The adjustment of negative ¥637 million to segment profit (loss) includes negative ¥844 million of amortization of goodwill and ¥207 million of intersegment transaction elimination.
- (2) The adjustment of negative ¥244,254 million to segment assets includes ¥4,670 million of the unamortized balance of goodwill and negative ¥228,924 million of intersegment transaction elimination.
- (3) The adjustment of negative ¥161 million to depreciation represents intersegment transaction elimination.
- (4) The adjustment of negative ¥142 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.

Fiscal year ended March 31, 2021

(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	331,295	196,378	5,062	20,599	3,571	556,907	—	556,907
Intersegment sales or transfers	12	12	356,772	—	11,405	368,202	(368,202)	—
Total	331,308	196,390	361,834	20,599	14,976	925,110	(368,202)	556,907
Segment profit (loss)	17,938	13,734	1,674	458	(1,731)	32,074	(541)	31,533
Segment assets	145,313	132,156	86,684	3,517	222,098	589,770	(220,845)	368,924
Other items								
Depreciation	3,771	2,396	9	53	1,667	7,899	(160)	7,738
Amortization of goodwill	7	54	—	—	—	61	779	840
Investments in entities accounted for using equity method	—	38,697	—	—	—	38,697	—	38,697
Increase in property, plant and equipment	3,402	2,132	—	89	54	5,678	(114)	5,563
Increase in intangible assets	29	3	—	1	1,604	1,639	—	1,639

(Notes) 1. Adjustments are as follows:

- (1) The adjustment of negative ¥541 million to segment profit (loss) includes negative ¥779 million of amortization of goodwill and ¥238 million of intersegment transaction elimination.
- (2) The adjustment of negative ¥220,845 million to segment assets includes ¥3,891 million of the unamortized balance of goodwill and negative ¥224,737 million of intersegment transaction elimination.
- (3) The adjustment of negative ¥160 million to depreciation represents intersegment transaction elimination.
- (4) The adjustment of negative ¥114 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, 2020

1. Information for each product or service

(Millions of yen)

	Retail business	Wholesale business	Management support business	Total
Sales to external customers	567,820	19,486	3,286	590,593

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.

Fiscal year ended March 31, 2021

1. Information for each product or service

(Millions of yen)

	Retail business	Wholesale business	Management support business	Total
Sales to external customers	527,674	25,662	3,571	556,907

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 losses on non-current assets for each reportable segment]

Fiscal year ended March 31, 2020

(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 losses	314	155	—	—	24	(4)	490

Fiscal year ended March 31, 2021

(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 losses	348	42	—	—	46	(10)	427

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

Fiscal year ended March 31, 2020

(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	52	—	—	—	844	904
Balance at end of period	56	143	—	—	—	4,670	4,870

Fiscal year ended March 31, 2021

(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	54	—	—	—	779	840
Balance at end of period	49	88	—	—	—	3,891	4,029

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

Fiscal year ended March 31, 2020

Not applicable.

Fiscal year ended March 31, 2021

Not applicable.

(Notes - Per share information)

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net assets per share	2,233.54	2,400.47
Basic earnings per share	255.04	210.12
Diluted earnings per share	254.94	210.03

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 (127 thousand shares for the previous fiscal year and 127 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 (132 thousand shares for the previous fiscal year and 125 thousand shares for the current fiscal year).

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	26,176	21,568
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	26,176	21,568
Average number of common shares during the period (Thousand shares)	102,637	102,650
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Thousand shares)	40	40
Summary of potential shares not included in the calculation of diluted earnings per share as they are not dilutive	—	—

(Significant events after reporting period)

(Conclusion of an absorption-type company split agreement on the management integration)

As notified in the “Notice of Conclusion of Business Management Agreement for Management Integration between Matsumotokiyoshi Holdings Co., Ltd. and cocokara fine Inc.” dated February 26, 2021, Matsumotokiyoshi Holdings Co., Ltd. and cocokara fine Inc. announced the conclusion of a business management agreement for management integration between them and a share exchange agreement for a share exchange wherein Matsumotokiyoshi Holdings will be the wholly-owning parent company in the share exchange and cocokara fine will be the wholly-owned subsidiary in the share exchange as part of a series of transactions for the implementation of the management integration. In addition, pursuant to the resolutions passed at the meetings of the Boards of Directors of both companies held on April 28, 2021, the following incorporation-type company split plan was formulated and an absorption-type company split agreement was concluded as part of a series of transactions to implement the management integration.

- 1) An incorporation-type company split plan for an incorporation-type company split wherein effective as of October 1, 2021, subject to the effectuation of the Share Exchange, Matsumotokiyoshi Holdings will establish Matsumotokiyoshi Group Co., Ltd., a company whose principal purpose is to hold shares in, and to manage the operations of, Matsumotokiyoshi Co., Ltd. and other subsidiaries or the like, and Matsumotokiyoshi Holdings will be the split company.

- 2) An absorption-type company split agreement for an absorption-type company split wherein effective as of October 1, 2021, subject to the effectuation of the Share Exchange, Matsumotokiyoshi Holdings will be the split company and MKCF Succeeding Company, a wholly-owned subsidiary of Matsumotokiyoshi Holdings established on February 18, 2021, will be the succeeding company for the purpose of causing MKCF Succeeding Company to succeed to Matsumotokiyoshi Holdings' sales planning, operational support and other functions.
- 3) An absorption-type company split agreement for an absorption-type company split wherein effective as of October 1, 2021, subject to the effectuation of the Share Exchange, cocokara fine will be the split company and Matsumotokiyoshi Holdings will be the succeeding company for the purpose of causing Matsumotokiyoshi Holdings to succeed to cocokara fine's headquarters functions.
- 4) An absorption-type company split agreement for an absorption-type company split wherein effective as of October 1, 2021, subject to the effectuation of the Share Exchange, cocokara fine Healthcare Inc., a wholly-owned subsidiary of cocokara fine, will be the split company and Matsumotokiyoshi Holdings will be the succeeding company for the purpose of causing Matsumotokiyoshi Holdings to succeed to cocokara fine Healthcare Inc.'s headquarters functions.

For the details of the management integration, please refer to the "Notice of Conclusion of Absorption-Type Company Split Agreement, etc. for Management Integration between Matsumotokiyoshi Holdings Co., Ltd. and cocokara fine Inc." dated April 28, 2021.

5. Other

Net sales and purchases

(1) Net sales by operating segment

Net sales by segment for the fiscal year ended March 31, 2021 are as follows:

Segment name	Fiscal year ended March 31, 2021	
	Amount (Millions of yen)	Change from the corresponding period of the previous fiscal year (%)
Retail business	527,674	92.9
Wholesale business	25,662	131.7
Management support business	3,571	108.7
Total	556,907	94.3

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, 2021 are as follows:

Products	Fiscal year ended March 31, 2021	
	Amount (Millions of yen)	Change from the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	159,482	88.6
Cosmetics	191,528	84.7
General merchandise	121,959	114.0
Food	53,727	100.6
Subtotal	526,697	92.9
Wholesale business	25,080	132.4
Total	551,777	94.2

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, 2021 are as follows:

Products	Fiscal year ended March 31, 2021	
	Amount (Millions of yen)	Change from the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	90,891	86.5
Cosmetics	130,443	82.5
General merchandise	87,144	111.9
Food	45,270	98.9
Subtotal	353,750	91.5
Wholesale business	20,016	106.1
Total	373,767	92.1

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.