



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending May 2025 [Japanese GAAP]

March 21, 2025

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: No
 Holding of financial results explanation meeting: No

(Rounded down to the nearest million yen)

1. Consolidated financial results for the third quarter of the fiscal year ending May 2025 (May 16, 2024-February 15, 2025)

(1) Consolidated operating results (cumulative)

(Percentages represent changes from the same period of the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Quarterly profit attributable to owners of parent | |
|-------------------|-----------------|------|------------------|-------|-----------------|-------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended | | | | | | | | |
| February 15, 2025 | 75,684 | 4.9 | 1,288 | 39.8 | 1,271 | 45.9 | 703 | 48.1 |
| February 15, 2024 | 72,116 | 10.0 | 922 | 170.8 | 871 | 141.4 | 475 | 134.0 |

(Note) Comprehensive income Nine months ended February 15, 2025: 741 million yen (49.6%)
 Nine months ended February 15, 2024: 495 million yen (133.6%)

| | Quarterly net income per share | Diluted quarterly net income per share |
|-------------------|--------------------------------|--|
| | Yen | Yen |
| Nine months ended | | |
| February 15, 2025 | 50.83 | - |
| February 15, 2024 | 34.42 | 34.41 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of | | | |
| February 15, 2025 | 49,163 | 9,777 | 19.6 |
| May 15, 2024 | 44,905 | 9,240 | 20.3 |

(Note) Equity As of February 15, 2025: 9,651 million yen
 As of May 15, 2024: 9,128 million yen

2. Dividends

| | Dividend per share | | | | |
|--------------------------------|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| Fiscal year | Yen | Yen | Yen | Yen | Yen |
| Ended May 15, 2024 | - | 0.00 | - | 10.00 | 10.00 |
| Ending May 15, 2025 | - | 0.00 | - | | |
| Ending May 15, 2025 (forecast) | | | | 10.00 | 10.00 |

(Note) Changes from the recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2025 (May 16, 2024 - May 15, 2025)

(Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net income per share |
|-----------|-----------------|-----|------------------|-----|-----------------|-----|---|-----|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full Year | 100,000 | 4.7 | 1,400 | 1.1 | 1,350 | 1.0 | 480 | 2.0 | 34.71 |

(Note) Changes from the latest announced earnings forecast: None

※ Notes

(1) Important changes in the scope of consolidation in the current consolidated cumulative quarter: Yes

New : - companies (Company names) -

Excluded : 2 companies (Company names) RxR Innovation Initiative Co., Ltd., CoelaQanth, Inc.

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Notes on significant changes in the scope of consolidation)" on page 9 of the attached materials.

(2) Application of special accounting methods in preparation of the quarterly consolidated financial statement: Yes

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Application of special accounting methods in preparation of the quarterly consolidated financial statement)" on page 9 of the attached materials.

(3) Changes in accounting policies and accounting-based estimates, and restatements

① Changes in accounting policies due to revisions in accounting standards : Yes

② Changes in accounting policies other than ① : None

③ Changes in accounting-based estimates : None

④ Restatements : None

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 9 of the attached materials.

(4) Number of shares outstanding (common shares)

① Number of shares outstanding as of the end of the period (including treasury shares)

② Number of treasury shares as of the end of the period

③ Average number of shares outstanding during the period (quarterly cumulative)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| As of February 15, 2025 | 14,236,564 shares | As of May 15, 2024 | 14,236,564 shares |
| As of February 15, 2025 | 475,909 shares | As of May 15, 2024 | 391,177 shares |
| Nine months ended February 15, 2025 | 13,848,734 shares | Nine months ended February 15, 2024 | 13,808,925 shares |

※ Review by a certified public accountant or audit firm of the attached quarterly consolidated financial statements: None

※ Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to our company's management at the time these materials were prepared but are not promises regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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1. Overview of Operating Results

(1) Overview of operating results for the current quarter

During the third quarter consolidated cumulative period (May 16, 2024 to February 15, 2025), the Japanese economy has recovered gradually due in part to a variety of government policies under improved employment and income conditions. However, the outlook remains uncertain due to such factors as rising prices and fluctuations in financial and capital markets.

In the drugstore industry, in which the Group mainly operates, while market size has expanded due to aggressive store openings and increased product range among a variety of companies, the business environment surrounding the Group continues to be challenging due to intensifying competition across industry boundaries, competition to open new stores among existing companies, oligopolistic consolidation through M&As, and increasing frugality due to price hikes and declining real wages.

In response to these circumstances, under the theme of "evolving into a regional integrated lifestyle group" in its medium-term management plan ending in May 2026, the Group is engaged in three growth strategies of "integrated lifestyle store strategy, " "regional platform strategy, " and "collaboration strategy" and organizational strategies, aiming to grow as a group while differentiating ourselves from our competitors by expanding our business domain from retail that only "sells goods" to the area of lifestyle services that provide "goods × services" while strengthening the earnings base of our core retail business.

In the integrated lifestyle store strategy, we expanded stores with dispensing facilities while advancing efforts to handle fresh food as part of our line-robbing effort to expand product categories. The number of stores handling fresh foods was expanded to 46 this fiscal year. We are also working to strengthen our earnings base by promoting a price strategy centered on Everyday Same Low Price (ESLP) and digital marketing with the Satudora app.

As for the regional platform strategy, the membership of Hokkaido's common point card "EZOCA" surpassed 2.2 million with over 290 affiliated stores (1,000 outlets) as of the end of January 2025, and the EZOCA economic zone continues to grow. Regarding the cooperation case with Tobetsu Town, we introduced "Tobetsu EZOCA," our third point card that gives back to the local community and our first in the Sapporo area. Implementing systems that return a portion of shopping expenses to the town is part of our effort toward sustainable community development support through collaboration between the government, the private sector, and local shopping districts. We also opened the Satudora Tobetsu Futomi store in Tobetsu Town, which houses the Tobetsu Town Nishi-Tobetsu branch office. For the cooperation case with Koshimizu Town, we launched a new regional transportation service pilot project, KOSHIMO Taxi (Koshi-Taku), through public-private collaboration, where residents support the region as drivers using their personal vehicles. To operate this project, we conduct EZO point grant service and others utilizing the EZOCA platform. Furthermore, as the fifth initiative of our company's support for sports teams, we issued the "Loco Solare EZOCA" in collaboration with the general incorporated association, Loco Solare, on January 30, 2025.

As our collaboration strategy, we entered into a new comprehensive cooperation agreement with Hidaka Town. This initiative aims to address regional social issues, such as promoting health among local residents and improving community services, to establish Satudora stores as sustainable and cherished within the community. As of February 2025, we have signed more than 40 different agreements with local governments, businesses, etc.

In terms of organizational strategy, we are proactively working to create and fortify the execution of human resource strategies that will help achieve our business strategies and promote health management, for which we have been certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as a "2024 Certified Health & Productivity Management Outstanding Organization White 500." We have also strengthened our governance structure and applied all principles of the Corporate Governance Code.

As a result of the above, consolidated net sales for the third quarter of the current fiscal year were 75,684 million yen (up 4.9%, or 3,568 million yen, year on year), operating profit was 1,288 million yen (up 39.8%, or 366 million yen, year on year), ordinary profit was 1,271 million yen (up 45.9%, or 400 million yen, year on year), and profit attributable to owners of parent was 703 million yen (up 48.1%, or 228 million yen, year on year).

An overview of the segment performance is as follows.

<Retail Business>

Our operations center on drugstore format stores aimed at becoming a dominant player primarily in Hokkaido and dispensing pharmacies, as well as inbound format stores in tourist areas that many foreign visitors to Japan frequent. As for dispensing pharmacies, in addition to the operation of standalone pharmacies, we have also established them within drugstores.

On the drugstore format store sales front, we aim to promote a price strategy centered on ESLP in order to gain more customer support and to improve operational efficiency by leveling work operations, as well as expand product categories by strengthening line-robbing, including fresh foods. In addition, we are working to promote digital marketing with the Satudora app.

During the third quarter consolidated cumulative period, despite a decrease in the number of items purchased per customer in response to conservative spending due to price hikes, the increase in product unit price and recovery of demand for cosmetics resulted in higher sales for the drugstore format compared to the same period last year.

As for the inbound format, net sales exceeded that of the same period last year as a result of capturing demand from inbound foreign tourists visiting Japan. As for dispensing pharmacies, increased revenue from newly opened stores with dispensing facilities and other factors led to higher sales compared to the same period last year.

As a result of the above, sales in the retail business segment amounted to 74,411 million yen (up 4.6%, or 3,293 million yen year on year), and segment profit amounted to 1,171 million yen (up 34.7%, or 301 million yen year on year).

The status of store openings and closures is as shown in the table below.

(Status of store openings and closures)

| Store classification | Format classification | As of May15, 2024 | Openings | Closures | As of February 15, 2025 |
|-----------------------|---|-------------------|------------|----------|-------------------------|
| Drugstores | Drugstore format | 179 stores | 6 stores | 4 stores | 181 stores |
| | (Dispensing pharmacies within drugstores) | (17 stores) | (4 stores) | (-) | (21 stores) |
| | Inbound format | 9 stores | 1 store | - | 10 stores |
| Standalone pharmacies | Standalone pharmacies | 11 stores | - | 2 stores | 9 stores |
| Other stores | The Kurashi Store of Hokkaido | 1 store | - | 1 store | - |
| Total | | 200 stores | 7 stores | 7 stores | 200 stores |

<Other Businesses>

The Group is engaged in the regional marketing and payment service businesses utilizing Hokkaido's common point card "EZOCA," development and sales of POS applications and other services aimed at solving issues from the user's perspective, and a CVC service to produce synergy between existing businesses as well as create new business. As of the end of January 2025, the membership of Hokkaido's common point card "EZOCA," which is our Group's strength, surpassed 2.2 million. In the payment service business, domestic cashless payment continued to perform well due to the increased need for contactless payment. Additionally, the corporate venture capital (CVC) firm, S Ventures Co., Ltd., established to create synergies with existing businesses and foster new ventures, celebrated its second anniversary in October 2024. Over the past two years, S Ventures has invested in a total of 12 companies, primarily in the fields of AI, retail tech, healthcare, and fintech. Among these, it has invested in six startups based in Hokkaido, contributing to the growth of the local economy and the development of new industries.

The net sales of other businesses amounted to 1,597 million yen (up 21.1%, or 278 million yen, year on year), while segment profit was 62 million yen (up 313.6%, or 47 million yen, year on year).

(2) Overview of financial position for the current quarter

As of the end of the third quarter of the current consolidated fiscal year, total assets increased by 4,258 million yen compared to the end of the previous consolidated fiscal year to 49,163 million yen. This increase was primarily due to a 352 million yen rise in tangible fixed assets, as well as a 1,286 million yen increase in cash and deposits and a 1,448 million yen increase in accounts receivable, both resulting from the fact that the final day of the end of the third quarter fell on a bank holiday.

Total liabilities increased by 3,721 million yen compared to the end of the previous consolidated fiscal year to 39,386 million yen. This was primarily due to an increase of 736 million yen in accounts payable-other and an increase of 1,335 million yen in long-term loans payable (including the current portion of long-term loans payable), as well as an increase of 6,174 million yen in accounts payable-trade and a decrease of 4,400 million yen in short-term loans payable due to the fact that the end of the third quarter fell on a bank holiday.

Total net assets increased by 537 million yen compared to the end of the previous consolidated fiscal year, to 9,777 million yen. This was primarily attributable to the retained earnings decreased by 138 million yen due to dividend payments, but they increased by 703 million yen due to net income attributable to owners of the parent company.

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

There are no changes to the forecast of consolidated financial results for the fiscal year ending May 15, 2025 from the forecast released on June 20, 2024.

2. Quarterly consolidated financial statements and notes**(1) Quarterly consolidated balance sheet**

(Millions of yen)

| | As of May 15, 2024 | As of February 15, 2025 |
|-------------------------------------|--------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,675 | 3,962 |
| Accounts receivable-trade | 2,810 | 4,258 |
| Merchandise | 10,657 | 11,064 |
| Other | 4,284 | 4,809 |
| Total current assets | 20,428 | 24,094 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,496 | 9,410 |
| Land | 4,051 | 4,082 |
| Other, net | 2,409 | 1,816 |
| Total property, plant and equipment | 14,957 | 15,310 |
| Intangible assets | 471 | 802 |
| Investments and other assets | | |
| Leasehold and guarantee deposits | 6,683 | 6,522 |
| Other | 2,375 | 2,445 |
| Allowance for doubtful accounts | △11 | △11 |
| Total investment and other assets | 9,047 | 8,956 |
| Total non-current assets | 24,477 | 25,068 |
| Total assets | 44,905 | 49,163 |

(Millions of yen)

| | As of May 15, 2024 | As of February 15, 2025 |
|---|--------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 9,276 | 15,451 |
| Short-term borrowings | 5,000 | 600 |
| Current portion of long-term borrowings | 966 | 1,091 |
| Accounts payable - other | 4,922 | 5,659 |
| Income taxes payable | 302 | 295 |
| Provision for bonuses | 643 | 387 |
| Other | 1,082 | 1,052 |
| Total current liabilities | 22,194 | 24,536 |
| Non-current liabilities | | |
| Long-term borrowings | 10,173 | 11,384 |
| Retirement benefit liability | 737 | 782 |
| Asset retirement obligations | 819 | 834 |
| Other | 1,739 | 1,847 |
| Total non-current liabilities | 13,470 | 14,849 |
| Total liabilities | 35,664 | 39,386 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,003 | 1,003 |
| Capital surplus | 2,105 | 2,107 |
| Retained earnings | 6,352 | 6,918 |
| Treasury shares | △269 | △337 |
| Total shareholders' equity | 9,192 | 9,691 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1 | 4 |
| Deferred gains or losses on hedges | △10 | 14 |
| Foreign currency translation adjustment | △64 | △64 |
| Remeasurements of defined benefit plans | 9 | 6 |
| Total accumulated other comprehensive income | △63 | △39 |
| Non-controlling interests | 112 | 126 |
| Total net assets | 9,240 | 9,777 |
| Total liabilities and net assets | 44,905 | 49,163 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

Consolidated cumulative third quarter

(Millions of yen)

| | Nine months ended February 15, 2024 | Nine months ended February 15, 2025 |
|--|--|--|
| Net sales | 72,116 | 75,684 |
| Cost of sales | 54,700 | 56,632 |
| Gross profit | 17,416 | 19,052 |
| Selling, general and administrative expenses | 16,494 | 17,764 |
| Operating profit | 922 | 1,288 |
| Non-operating income | | |
| Interest and dividend income | 17 | 18 |
| Gain on donation of non-current assets | 9 | 6 |
| Other | 82 | 102 |
| Total non-operating income | 108 | 127 |
| Non-operating expenses | | |
| Interest expenses | 107 | 132 |
| Commission expenses | 42 | 1 |
| Other | 9 | 9 |
| Total non-operating expenses | 159 | 144 |
| Ordinary profit | 871 | 1,271 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | - |
| Gain on sale of investment securities | 12 | - |
| Gain on sale of shares of subsidiaries and associates | - | 1 |
| Total extraordinary income | 13 | 1 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 7 | 2 |
| Loss on sale of non-current assets | 0 | - |
| Impairment losses | 7 | - |
| Loss on store closings | 36 | 2 |
| Total extraordinary losses | 52 | 5 |
| Quarterly profit before income taxes | 832 | 1,267 |
| Total income taxes | 351 | 549 |
| Quarterly profit | 480 | 717 |
| Quarterly profit attributable to non-controlling interests | 5 | 13 |
| Quarterly profit attributable to owners of parent | 475 | 703 |

Quarterly consolidated statement of comprehensive income

Consolidated cumulative third quarter

(Millions of yen)

| | Nine months ended February 15, 2024 | Nine months ended February 15, 2025 |
|--|--|--|
| Quarterly profit | 480 | 717 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1 | 3 |
| Deferred gains or losses on hedges | 13 | 24 |
| Foreign currency translation adjustment | 0 | 0 |
| Remeasurements of defined benefit plans, net of tax | △0 | △2 |
| Total other comprehensive income | 15 | 24 |
| Quarterly comprehensive income | 495 | 741 |
| Comprehensive income attributable to: | | |
| Comprehensive quarterly income attributable to owners of parent | 490 | 728 |
| Comprehensive quarterly income attributable to non-controlling interests | 5 | 13 |

(3) Notes to quarterly consolidated financial statements

(Changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes " and others)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; "2022 Revised Accounting Standard") and other related standards from the beginning of the first quarter of the current consolidated fiscal year.

Regarding the revision of the accounting classification of corporation tax and others (taxation on other comprehensive income), the Company follows the transitional treatment in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; "2022 Revised Implementation Guidance"). This change in accounting policy has no effect on the quarterly consolidated financial statements.

Moreover, the Company has applied the 2022 Revised Implementation Guidance regarding the revision to the handling of deferred gains or losses on sales of subsidiary shares between consolidated companies for tax purposes in consolidated financial statements from the beginning of the first quarter of the current consolidated fiscal year. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year have been adjusted retrospectively. This change in accounting policy has no effect on the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year.

(Application of special accounting methods in the preparation of the quarterly consolidated financial statement)

(Calculation of income tax expense)

Income tax expense is calculated by making a reasonable estimate of the effective tax rate after the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the current third quarter consolidated accounting period, and multiplying the quarterly net profit before income taxes by the relevant estimated effective tax rate.

(Notes on significant changes in the scope of consolidation)

During the first quarter of the current consolidated fiscal year, the Company excluded RxR Innovation Initiative Co., Ltd. from the scope of consolidation due to the transfer of all its shares.

CoelaQanth, Inc., a consolidated subsidiary during the first quarter of the current consolidated fiscal year, was also excluded from the scope of consolidation as it was absorbed by a consolidated subsidiary SAPPORO DRUG STORE CO., LTD., as the surviving company.

(Notes on segment information, etc)

【Segment Information】**I. Previous consolidated cumulative third quarter (May 16, 2023 - February 15, 2024)**

Information on net sales and profits for each reportable segment, and information on revenue breakdown

(Millions of yen)

| | Reportable Segment | Other (Note) 1 | Total | Adjustments (Note)2 | Amount shown in the quarterly consolidated statement of income (Note) 3 |
|---|--------------------|-------------------|--------|------------------------|---|
| | Retail Business | | | | |
| Net sales | | | | | |
| Drugstore | 62,221 | — | 62,221 | — | 62,221 |
| Inbound | 4,406 | — | 4,406 | — | 4,406 |
| Pharmacy | 3,299 | — | 3,299 | — | 3,299 |
| Other | 613 | 989 | 1,603 | — | 1,603 |
| Revenue arising from contracts with customers | 70,540 | 989 | 71,530 | — | 71,530 |
| Other revenues | 534 | 52 | 586 | — | 586 |
| External sales | 71,075 | 1,041 | 72,116 | — | 72,116 |
| Inter-segment sales and transfers | 41 | 278 | 320 | △320 | — |
| Total | 71,117 | 1,319 | 72,436 | △320 | 72,116 |
| Segment profit | 869 | 15 | 884 | 37 | 922 |

(Notes)

1. The "Other" category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

II. Current consolidated cumulative third quarter (May 16, 2024 - February 15, 2025)

Information on net sales and profits for each reportable segment, and information on revenue breakdown

(Millions of yen)

| | Reportable Segment | Other (Note) 1 | Total | Adjustments (Note)2 | Amount shown in the quarterly consolidated statement of income (Note) 3 |
|---|--------------------|-------------------|--------|------------------------|---|
| | Retail Business | | | | |
| Net sales | | | | | |
| Drugstore | 64,681 | — | 64,681 | — | 64,681 |
| Inbound | 5,070 | — | 5,070 | — | 5,070 |
| Pharmacy | 3,447 | — | 3,447 | — | 3,447 |
| Other | 623 | 1,259 | 1,883 | — | 1,883 |
| Revenue arising from contracts with customers | 73,823 | 1,259 | 75,083 | — | 75,083 |
| Other revenues | 553 | 48 | 601 | — | 601 |
| External sales | 74,377 | 1,307 | 75,684 | — | 75,684 |
| Inter-segment sales and transfers | 34 | 289 | 324 | △324 | — |
| Total | 74,411 | 1,597 | 76,009 | △324 | 75,684 |
| Segment profit | 1,171 | 62 | 1,234 | 54 | 1,288 |

(Notes)

1. The "Other" category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

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

No applicable items.

(Going concern assumption)

Not applicable.

(Notes to cash flow statements)

The Company has not created a quarterly consolidated cash flow statement for the cumulative consolidated third quarter. The depreciation (including amortization of intangible assets) for the cumulative consolidated third quarter is as follows.

| | Nine months ended February 15, 2024 | Nine months ended February 15, 2025 |
|--------------|--|--|
| Depreciation | 976 million yen | 1,003 million yen |