

Financial Results for the Fiscal Year Ended (FYE) March 15, 2019 [Japanese GAAP] (Consolidated)

April 25, 2019

Company Name	CAWACHI LIMITED	Exchange listed on:	Tokyo Stock Exchange, first section
Security Code	2664	URL	http://www.cawachi.co.jp/
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Scheduled date of the Ordinary General Meeting of Shareholders	June 11, 2019		
Scheduled commencement date of dividend payment	June 12, 2019		
Scheduled filing date of the securities report	June 12, 2019		
Supplemental information for financial results:	Available		
Investor meeting presentation:	Scheduled (for securities analysts and institutional investors)		
(Amounts rounded down to the nearest millions of yen.)			

1. Consolidated Financial Results for the FYE March, 2019 (From March 16, 2018 to March 15, 2019)

(1) Consolidated Operating Results (Percent represents comparison changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FYE March, 2019	264,926	(1.2)	3,886	(15.0)	5,517	(9.0)	2,016	(47.9)
FYE March, 2018	268,205	0.7	4,573	(20.1)	6,060	(14.2)	3,869	10.2

(Note) Comprehensive income: FYE 3/2019 ¥ 1,965 million (-48.8 %)
 FYE 3/2018 ¥ 3,841 million (8.1 %)

	Profit per share	Profit per share – diluted	Profit to Shareholders' equity	Ordinary profit to Assets	Operating profit to Net sales
	yen	yen	%	%	%
FYE March, 2019	88.44	88.38	2.2	3.0	1.5
FYE March, 2018	169.71	-	4.3	3.3	1.7

(Reference) Equity method investment gain (loss): FYE March, 2019 ¥ — million
 FYE March, 2018 ¥ — million

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
FYE March, 2019	182,944	92,878	50.7	4,070.17
FYE March, 2018	183,303	91,880	50.1	4,028.96

(Reference) Shareholders' equity: FYE March, 2019 ¥ 92,819 million
 FYE March, 2018 ¥ 91,880 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 the end of the year
	million yen	million yen	million yen	million yen
FYE March, 2019	6,684	(1,791)	(2,404)	28,412
FYE March, 2018	8,600	(6,257)	(2,104)	25,924

2. Dividends

	Annual dividends					Total amount of annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of the year	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FYE March, 2018	—	0.00	—	45.00	45.00	1,026	26.5	1.1
FYE March, 2019	—	0.00	—	45.00	45.00	1,026	50.9	1.1
FYE March, 2020 (forecast)	—	0.00	—	45.00	45.00		25.0	

3. Forecast of Consolidated Results for FYE March, 2020 (March 16, 2019 to March 15, 2020)

(Percentage represents changes from the previous year for Full year, and on YoY basis for Quarterly results.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2Q (cumulative)	137,500	0.3	2,800	11.0	3,600	6.6	2,300	13.2	100.86
Full year	267,000	0.8	4,800	23.5	6,400	16.0	4,100	103.3	179.79

*NOTES

(1) Changes in major subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

Newly consolidated: - company (companies) (name of company)

Excluded: - company (companies) (name of company)

(2) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: None

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)

FYE 3/2019	24,583,420 shares	FYE 3/2018	24,583,420 shares
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2) Number of shares of treasury stock at the end of the period

FYE 3/2019	1,778,526 shares	FYE 3/2018	1,778,447 shares
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3) Average number of shares issued during the period

FYE 3/2019	22,804,932 shares	FYE 3/2018	22,797,480 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Financial Results for the FYE March, 2019 (From March 16, 2018 to March 15, 2019)

(1) Non-consolidated Operating Results (Percent represents comparison changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Net Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
FYE March, 2019	245,906	(1.2)	4,063	(14.8)	5,606	(9.2)	2,530	(40.6)
FYE March, 2018	248,872	1.0	4,771	(16.4)	6,176	(11.0)	4,262	22.5

	Profit per share	Profit per share – diluted
	yen	yen
FYE March, 2019	110.95	110.88
FYE March, 2018	186.96	-

(2) Non-consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
FYE March, 2019	178,712	93,742	52.4	4,108.07
FYE March, 2018	178,705	92,226	51.6	4,044.14

(Reference) Shareholders' equity: FYE March, 2019 ¥ 93,684 million
FYE March, 2018 ¥ 92,226 million

* This summary of consolidated financial results is not subject to audit by certified public accountants or an audit firm.

* Explanation for appropriate use of operating results forecasts, other special notes

Forward-looking statements, including business forecasts, contained in this document are based on information available to Cawachi Ltd. and certain assumptions deemed reasonable as of the date of this document, and actual performance and results may differ significantly from the forecasts described here due to various factors. Please refer to "1. Overview of Results of Operations, etc. (1) Overview of Results of Operations for the Current Fiscal Year" of the attached documents for the assumptions underlying the forecasts and cautions when using the forecasts.

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations for the Current Fiscal Year

(Results of operations for the current fiscal year)

During the fiscal year ended March 2019, Japan's economic outlook remained uncertain with concerns over a slowdown in overseas economies, etc., although the economy showed a moderate recovery against the backdrop of increased corporate earnings and an improved employment situation. Gradual signs of recovery seem to have appeared in consumer spending, but a budget-minded trend continues due to concerns over various future burdens.

In the drugstore sector, to which the Cawachi Group ("the Group") belongs, the Group has seen an increasingly tough business environment with continuously intensifying price competition among different retail sectors and different store formats, as well as more new store openings by competitors.

Under such circumstances, the Group has been opening stores in key areas to secure a more dominant position and improve efficiency through the establishment of a solid business base in each area. Furthermore, to respond to increasing competition, while re-examining sales prices and product lineups, the Group has made efforts to strengthen its health and beauty-related counseling function to enhance its specialization.

In terms of new store openings, the Group opened a total of eight stores in existing areas: two stores each in Ibaraki and Tochigi and one store each in Iwate, Akita, Fukushima, and Chiba. The Group also launched a total of six dispensing pharmacies with existing stores: two pharmacies in Miyagi and one each in Fukushima, Ibaraki, Tochigi, and Chiba. The Group closed two stores in Hokkaido, one store in Ibaraki and one dispensing pharmacy in Chiba. Accordingly, the Group has a total of 334 stores (of which 111 have an in-store dispensing pharmacy).

As a result, the Group recorded net sales of 264,926 million yen (year-on-year decrease of 1.2%) on a consolidated basis for the current fiscal year under review. The Group also recorded operating profit of 3,886 million yen (year-on-year decrease of 15.0%) and ordinary profit of 5,517 million yen (year-on-year decrease of 9.0%). Furthermore, profit attributable to owners of parent amounted to 2,016 million yen (year-on-year decrease of 47.9%) due to an impairment loss of 1,535 million yen recorded under extraordinary losses.

(Sales)

The Group's net sales by segment are as follows.

Segment	Previous consolidated fiscal year (From March 16, 2017 to March 15, 2018)		Current consolidated fiscal year (From March 16, 2018 to March 15, 2019)		Year-on-year comparison (%)
	Amount (Mil. yen)	(%)	Amount (Mil. yen)	(%)	
Pharmaceuticals	45,431	16.9	45,078	17.0	99.2
Cosmetics	22,711	8.5	23,102	8.7	101.7
Sundries	76,002	28.3	74,266	28.1	97.7
General food	124,060	46.3	122,478	46.2	98.7
Total	268,205	100.0	264,926	100.0	98.8

(Note) Number of units sold is omitted because the Company's has an extensive product range.

(Outlook for the next fiscal year)

Japan's economy in the coming fiscal year is expected to continue recovering gradually due to continued improvement in capital investment and employment conditions on the back of economic policies, in spite of remaining concerns about risks of a slowdown in overseas economies. The consumer environment, however, is likely to remain hard, given continued future uncertainty with the expected consumption tax hike in October 2019, although commodity prices and living expenses are rising.

In such environment, the Group will focus on new store openings mainly in its dominant areas for the purpose of strengthening its business infrastructure, and promote system improvement to enhance efficiency in store operation and optimize inventory levels including logistics framework for the purpose of increasing productivity. Furthermore, as a differentiation measure against increasingly fierce competition, while we continue to open dispensing pharmacies in our existing stores, we will make progress in measures for enhancing our expertise by strengthening the functions that enable qualified specialists, such as pharmacists, to provide counseling. This is aimed at health maintenance, health improvement, and healthy life extension activities including a growing appetite for beauty care and illness prevention as a measure for strengthening health and beauty care in response to people's growing health awareness. In addition, we will make every effort to improve the quality of consumers' living and customer satisfaction by making further progress in building local community-based stores, focusing on offering products that value safety at reasonable prices in an effort to respond to the consumption environment.

Regarding new store openings, the Group plans to open 10 stores mainly in the areas where it currently operates. Furthermore, to further make progress on measures for expertise enhancement, the Group plans to launch three in-store dispensing pharmacies at existing stores. Meanwhile, four stores are scheduled to be closed.

From the above, the Group forecasts, for the fiscal year ending March 2020, that the net sales will be 267,000 million yen, operating profit 4,800 million yen, ordinary profit 6,400 million yen, and profit attributable to owners of parent 4,100 million yen.

(2) Overview of Financial Position for the Current Fiscal Year

1) Assets, liabilities and net assets

Assets decreased 358 million yen compared with the end of the previous fiscal year, to 182,944 million yen.

Liabilities at the end of the fiscal year under review decreased 1,355 million yen compared with the end of the previous fiscal year, to 90,066 million yen. This was due primarily to repayments of long-term borrowings and redemption of bonds.

Net assets at the end of the fiscal year under review increased 997 million yen compared with the end of the previous fiscal year, to 92,878 million yen, due primarily to increase in retained earnings.

Equity ratio increased to 50.7% (year-on-year increase of 0.6 point).

2) Cash flows

Cash and cash equivalents as of the end of the fiscal year under review (hereinafter referred to as "fund") increased to 28,412 million yen (2,487 million yen increase compared with the end of the previous fiscal year).

(Cash flow from operating activities)

Net cash from operating activities for the current fiscal year decreased to 6,684 million yen (year-on-year decrease of 1,916 million yen). This was mainly due to the fact that profit before income taxes was 3,834 million yen (year-on-year decrease of 1,953 million yen) and depreciation was 4,931 million yen (year-on-year decrease of 0 million yen), while the amount of income taxes paid was 2,215 million yen (year-on-year decrease of 247 million yen).

(Cash flow from investing activities)

Net cash used in investing activities for the current fiscal year amounted to 1,791 million yen (year-on-year decrease of 4,465 million yen). This was due primarily to the fact that while proceeds from sales of property, plant and equipment were 977 million yen (year-on-year increase of 976 million yen), purchase of property, plant and equipment associated with the opening of new stores amounted to 2,615 million yen (year-on-year decrease of 3,239

million yen).

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year amounted to 2,404 million yen (year-on-year increase of 300 million yen). This was due primarily to the fact that while proceeds from long-term borrowings were 12,600 million yen (year-on-year decrease of 100 million yen), repayments of long-term borrowings were 13,530 million yen (year-on-year decrease of 222 million yen), dividends paid were 1,026 million yen (year-on-year increase of 0 million yen) and redemption of bonds was 400 million yen (year-on-year increase of 400 million yen).

(Trends of Cash Flow-related Indicators)

	FYE3/2015	FYE3/2016	FYE3/2017	FYE3/2018	FYE3/2019
Equity ratio (%)	48.7	49.0	49.3	50.1	50.7
Equity ratio on market value (%)	27.1	26.8	38.6	31.5	23.0
Ratio of interest-bearing debts to cash flows (years)	6.4	3.2	3.8	3.8	4.7
Interest coverage ratio (multiples)	24.5	64.9	67.5	84.9	84.4

Equity Ratio: Shareholders' equity/Total assets

Equity ratio on market value: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expenses

Note 1: All figures are calculated based on consolidated financial results.

Note 2: Market capitalization is calculated based on number of shares issued excluding treasury stock.

Note 3: Cash flows are based on operating cash flows.

Note 4: Interest-bearing debt represents debt posted on the consolidated balance sheet and accompanied by interest payments.

(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The Group recognizes that returning profit to shareholders is a top-priority management issue. Our basic policy calls for continuous and stable dividend payments, taking into account the future business prospects as well as the enhancement of internal reserves to ensure stable growth of the Group.

Under this basic policy, the Group is planning to propose an ordinary dividend of 45 yen per share at the end of the current fiscal year in the 52nd Ordinary General Meetings of Shareholders scheduled to be held on June 11, 2019.

The Group plans to distribute an ordinary dividend of 45 yen per share in the following fiscal year.

Internal reserves will be used as funds primarily for opening of new stores, sales floor expansion, and renovation.

2. Basic Policy on Selecting Accounting Standards

The Group has adopted Japanese accounting standards to ensure that its operating results are comparable with competitors in Japan.