

Financial Results for the Fiscal Year Ended (FYE) March 15, 2022 [Japanese GAAP] (Consolidated)

April 27, 2022

Company Name	CAWACHI LIMITED	Exchange listed on:	Tokyo Stock Exchange
Security Code	2664	URL	https://www.cawachi.co.jp/
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	Corporate Officer		
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Scheduled date of the Ordinary General Meeting of Shareholders			June 14, 2022
Scheduled commencement date of dividend payment			June 15, 2022
Scheduled filing date of the securities report			June 15, 2022
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, 2022 (From March 16, 2021 to March 15, 2022)

(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, 2022	279,462	(1.8)	7,709	(27.0)	8,698	(24.9)	4,830	(32.0)
FYE March, 2021	284,492	5.2	10,560	86.1	11,581	76.2	7,109	86.0

(Note) Comprehensive income: FYE March, 2022 ¥4,832 million (-32.2%)
 FYE March, 2021 ¥7,125 million (86.5%)

	Profit per share	Profit per share – diluted	Profit to Shareholders' equity	Ordinary profit to Assets	Operating profit to Net sales
	yen	yen	%	%	%
FYE March, 2022	216.44	216.07	4.7	4.5	2.8
FYE March, 2021	318.73	318.49	7.3	6.1	3.7

(Reference) Equity method investment gain (loss): FYE March, 2022 ¥ - million
 FYE March, 2021 ¥ - million

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
FYE March, 2022	191,721	104,649	54.5	4,682.61
FYE March, 2021	194,100	100,857	51.9	4,517.46

(Reference) Shareholders' equity: FYE March, 2022 ¥104,523 million
 FYE March, 2021 ¥100,780 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, 2022	6,868	(4,536)	(4,607)	38,959
FYE March, 2021	15,267	(3,152)	(3,984)	41,235

2. Dividends

	Annual dividends per share					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, 2021	-	0.00	-	50.00	50.00	1,115	15.7	1.1
FYE March, 2022	-	0.00	-	50.00	50.00	1,116	23.1	1.1
FYE March, 2023 (forecast)	-	0.00	-	50.00	50.00		18.6	

(Note) Breakdown of year-end dividend for FYE March 15, 2021: Ordinary dividend of ¥45, commemorative dividend of ¥5 for the 60th anniversary of the founding

3. Forecast of Consolidated Results for FYE March, 2023 (March 16, 2022 to March 15, 2023)

(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)	145,000	-	4,800	-	5,300	-	3,300	-	147.84
Full year	283,000	-	8,200	-	9,200	-	5,500	-	246.40

(Note) Effective from the beginning of FYE March, 2023, the Company plans to apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., which the above forecast is based on. Therefore, the percentage changes compared with the results before the adoption of the standard, etc. are not indicated.

*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)

2) Number of shares of treasury stock at the end of the period

3) Average number of shares issued during the period

FYE March, 2022	24,583,420 shares	FYE March, 2021	24,583,420 shares
FYE March, 2022	2,261,722 shares	FYE March, 2021	2,274,254 shares
FYE March, 2022	22,318,733 shares	FYE March, 2021	22,304,319 shares

(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Financial Results for the FYE March, 2022 (From March 16, 2021 to March 15, 2022)

(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, 2022	263,002	(1.3)	7,851	(25.0)	8,765	(23.3)	4,922	(30.1)
FYE March, 2021	266,394	5.8	10,473	90.7	11,423	80.9	7,044	97.3

	Profit per share	Profit per share – diluted
	yen	yen
FYE March, 2022	220.55	220.17
FYE March, 2021	315.86	315.62

(2) Non-consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
FYE March, 2022	187,946	105,290	56.0	4,711.32
FYE March, 2021	189,625	101,406	53.4	4,542.08

(Reference) Shareholders' equity: FYE March, 2022 ¥105,164 million
FYE March, 2021 ¥101,330 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 15, 2022, the effects of the spread of COVID-19 continued in Japan and, while there were signs of recovery, albeit weak, uncertainty over the economic outlook remained due to the spread of new variants, heightened geopolitical risks, and other factors.

A budget-minded trend in consumer spending has become even more widespread due to, for example, increases in various costs resulting from rising raw material and fuel prices, etc. as well as concerns over continued downside risks to the economy.

In the previous year, the drugstore sector, to which the Cawachi Group (“the Group”) belongs, saw an increase in demand for products related to equipment for protection against COVID-19 and those related to the eat-at-home trend, which was brought about by the pandemic; however, in the current fiscal year under review, the tough business environment continued due to the reactionary decline in demand owing to the temporary decrease in infected people, and other factors.

Under these circumstances, in order to meet the continued demand for products related to equipment for protection against COVID-19 and to the eat-at-home trend as well as that for consumer necessities, etc., the Group endeavored to enhance customer convenience through refurbishing the stores and extending their opening hours, and other measures. In addition, the Group focused on customer retention while holding smaller and more frequent promotional events to facilitate a safe and secure shopping environment. Cost reduction was also promoted through the introduction of self-checkout machines.

In terms of new store openings, the Group opened a total of 11 stores: three stores in Ibaraki, two stores each in Iwate, Tochigi, and Gunma, and one store each in Fukushima and Chiba, all of which are areas it currently operates. The Group also launched a total of 10 dispensing pharmacies with existing stores: five in Fukushima and one each in Miyagi, Ibaraki, Tochigi, Gunma, and Chiba. The Group closed two stores in total, one in Aomori and one in Tochigi, as well as one dispensing pharmacy in Tochigi.

Accordingly, the Group has a total of 355 stores (of which 132 have an in-store dispensing pharmacy).

As a result, the Group recorded net sales of 279,462 million yen (year-on-year decrease of 1.8%) on a consolidated basis for the current fiscal year under review. The Group recorded operating profits of 7,709 million yen (year-on-year decrease of 27.0%), ordinary profit of 8,698 million yen (year-on-year decrease of 24.9%), and profit attributable to owners of parent of 4,830 million yen (year-on-year decrease of 32.0%).

(Sales)

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

Segment	Previous consolidated fiscal year (From March 16, 2020 to March 15, 2021)		Current consolidated fiscal year (From March 16, 2021 to March 15, 2022)		Year-on-year comparison (%)
	Amount (Mil. yen)	(%)	Amount (Mil. yen)	(%)	
Pharmaceuticals	50,958	18.0	50,839	18.3	99.8
Cosmetics	20,680	7.3	20,816	7.5	100.7
Sundries	79,613	28.1	78,344	28.1	98.4
General food	132,338	46.6	128,544	46.1	97.1
Total	283,591	100.0	278,544	100.0	98.2

(Notes) 1. Number of units sold is omitted because the Company’s has an extensive product range.

2. Amounts above do not include rent revenue from real estate.

(Outlook for the next fiscal year)

Japan's economy in the coming fiscal year is expected to have exposure to prolonged risks of sluggish economic activities due to the effects of the spread of COVID-19. In addition, there are heightened geopolitical risks in overseas affairs. Those factors are making the outlook increasingly uncertain. The consumer environment is likely to remain tougher still mainly due to anxiety about the future with sluggish economic activities while commodity prices, living expenses, and other items are rising.

In such environment, the Group will work on systemization and mechanization based on DX promotion measures for the purpose of improving productivity and overall efficiency, including logistics, in order to further strengthen its business infrastructure to cope with the recent rapidly changing business environment. Furthermore, together with new store openings in its dominant areas, as a differentiation measure against increasingly fierce competition, we will continue to open dispensing pharmacies in our existing stores. At the same time, we will make progress with measures for enhancing our expertise by strengthening functions that enable qualified specialists, such as pharmacists, to provide counseling. This is aimed at activities for health maintenance, health improvement, and extension of healthy life including beauty and illness prevention as a measure for strengthening health and beauty care. We will also offer product lineups in response to people's growing health awareness. Furthermore, we will make every effort to improve the quality of consumers' living and customer satisfaction in local communities by making further progress in building local community-based stores with functions as local infrastructure. We will do this while focusing on offering products that value safety at reasonable prices in an effort to respond to the consumption environment where people are increasingly conscious about protecting their living.

Regarding new store openings and closings, the Group plans to open 16 stores mainly in the areas where it currently operates, and to close two stores. Furthermore, to further make progress on measures for expertise enhancement, the Group plans to launch 13 in-store dispensing pharmacies at existing stores and to close one.

From the above, the Group forecasts, for the fiscal year ending March 2023, that the net sales will be 283,000 million yen, operating profit 8,200 million yen, ordinary profit 9,200 million yen, and profit attributable to owners of parent 5,500 million yen.

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

1) Assets, liabilities and net assets

Assets decreased 2,378 million yen compared with the end of the previous fiscal year, to 191,721 million yen. This was due primarily to a decrease in cash and deposits.

Liabilities decreased 6,171 million yen compared with the end of the previous fiscal year, to 87,071 million yen. This was due primarily to a decrease in long-term borrowings and income taxes payable.

Net assets increased 3,792 million yen compared with the end of the previous fiscal year, to 104,649 million yen. This was due primarily to an increase in retained earnings.

Equity ratio increased to 54.5% (year-on-year increase of 2.6 point).

2) Cash flows

Cash and cash equivalents as of the end of the fiscal year under review (hereinafter referred to as "fund") amounted to 38,959 million yen (2,276 million yen decrease compared with the end of the previous fiscal year).

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 6,868 million yen (year-on-year decrease of 8,398 million yen). This was due primarily to the fact that profit before income taxes was 7,687 million yen (year-on-year decrease of 2,948 million yen), depreciation was 4,424 million yen (year-on-year decrease of 49 million yen), while income taxes paid was 4,977 million yen (year-on-year increase of 2,349 million yen).

(Cash flow from investing activities)

Net cash used in investing activities amounted to 4,536 million yen (year-on-year increase of 1,383 million yen).

This was due primarily to the fact that purchase of property, plant and equipment associated with the opening of new stores amounted to 3,973 million yen (year-on-year increase of 1,163 million yen).

(Cash flows from financing activities)

Net cash used in financing activities amounted to 4,607 million yen (year-on-year increase of 622 million yen). This was due primarily to the fact that while proceeds from long-term borrowings were 7,650 million yen (year-on-year decrease of 1,850 million yen), repayments of long-term borrowings were 11,140 million yen (year-on-year decrease of 1,366 million yen), dividends paid were 1,115 million yen (year-on-year increase of 112 million yen).

(Trends of Cash Flow-related Indicators)

	FYE3/2018	FYE3/2019	FYE3/2020	FYE3/2021	FYE3/2022
Equity ratio (%)	50.1	50.7	50.3	51.9	54.5
Equity ratio on market value (%)	31.5	23.0	20.9	33.6	27.5
Ratio of interest-bearing debts to cash flows (years)	3.8	4.7	2.4	1.7	3.3
Interest coverage ratio (multiples)	84.9	84.4	178.8	246.8	138.0

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.

As of the fiscal year ended March 15, 2022, the Group is planning to propose an ordinary dividend of 50 yen per share, an increase of 5 yen per share from the previous fiscal year, at the end of the current fiscal year in the 55th Ordinary General Meeting of Shareholders scheduled to be held on June 14, 2022.

The Group also plans to distribute an ordinary dividend of 50 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.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 15, 2021	As of March 15, 2022
Assets		
Current assets		
Cash and deposits	41,235	38,959
Accounts receivable - trade	5,368	5,850
Merchandise	30,729	31,402
Supplies	32	30
Other	5,429	5,179
Total current assets	82,796	81,422
Non-current assets		
Property, plant and equipment		
Buildings and structures	110,409	112,585
Accumulated depreciation	(70,256)	(72,758)
Buildings and structures, net	40,153	39,826
Land	50,105	49,601
Construction in progress	1	8
Other	24,225	25,019
Accumulated depreciation	(20,561)	(21,589)
Other, net	3,664	3,430
Total property, plant and equipment	93,924	92,867
Intangible assets		
Other	4,918	5,087
Total intangible assets	4,918	5,087
Investments and other assets		
Investment securities	76	79
Leasehold and guarantee deposits	7,988	7,832
Deferred tax assets	4,017	4,082
Other	377	348
Total investments and other assets	12,460	12,343
Total non-current assets	111,303	110,298
Total assets	194,100	191,721

(Millions of yen)

	As of March 15, 2021	As of March 15, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	41,220	40,625
Current portion of long-term borrowings	10,259	9,200
Income taxes payable	3,065	1,217
Provision for bonuses	1,364	1,188
Provision for point card certificates	1,188	1,352
Provision for loss on disaster	134	–
Other	7,805	7,081
Total current liabilities	65,037	60,665
Non-current liabilities		
Long-term borrowings	16,151	13,719
Retirement benefit liability	7,718	8,217
Provision for point card certificates	513	524
Asset retirement obligations	2,840	2,996
Other	981	948
Total non-current liabilities	28,205	26,406
Total liabilities	93,243	87,071
Net assets		
Shareholders' equity		
Share capital	13,001	13,001
Capital surplus	14,899	14,901
Retained earnings	77,293	81,008
Treasury shares	(4,411)	(4,387)
Total shareholders' equity	100,782	104,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(0)
Total accumulated other comprehensive income	(2)	(0)
Share acquisition rights	76	126
Total net assets	100,857	104,649
Total liabilities and net assets	194,100	191,721

**(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)**

(Millions of yen)

	Fiscal year ended March 15, 2021	Fiscal year ended March 15, 2022
Net sales	284,492	279,462
Cost of sales	219,813	216,313
Gross profit	64,678	63,149
Selling, general and administrative expenses	54,117	55,439
Operating profit	10,560	7,709
Non-operating income		
Interest income	28	24
Dividend income	4	2
Sponsorship money income	109	149
Commission income	816	807
Revenue from sales of electric power	191	195
Other	290	218
Total non-operating income	1,441	1,399
Non-operating expenses		
Interest expenses	61	49
Commission expenses	171	156
Depreciation	74	65
Other	112	137
Total non-operating expenses	420	409
Ordinary profit	11,581	8,698
Extraordinary income		
Gain on sale of investment securities	9	–
Gain on sale of non-current assets	33	0
Total extraordinary income	42	0
Extraordinary losses		
Loss on sale of non-current assets	6	21
Loss on retirement of non-current assets	44	33
Impairment losses	768	944
Provision for loss on disaster	134	–
Loss on disaster	3	5
Other	29	6
Total extraordinary losses	987	1,011
Profit before income taxes	10,636	7,687
Income taxes - current	3,941	2,922
Income taxes - deferred	(414)	(65)
Total income taxes	3,527	2,857
Profit	7,109	4,830
Profit attributable to owners of parent	7,109	4,830

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 15, 2021	Fiscal year ended March 15, 2022
Profit	7,109	4,830
Other comprehensive income		
Valuation difference on available-for-sale securities	16	1
Total other comprehensive income	16	1
Comprehensive income	7,125	4,832
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,125	4,832

(3) Consolidated statements of changes in equity

Fiscal year ended March 15, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,001	14,885	71,187	(4,434)	94,640
Changes during period					
Dividends of surplus			(1,003)		(1,003)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		13		23	37
Profit attributable to owners of parent			7,109		7,109
Net changes in items other than shareholders' equity					
Total changes during period	–	13	6,105	22	6,142
Balance at end of period	13,001	14,899	77,293	(4,411)	100,782

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(18)	(18)	77	94,699
Changes during period				
Dividends of surplus				(1,003)
Purchase of treasury shares				(0)
Disposal of treasury shares				37
Profit attributable to owners of parent				7,109
Net changes in items other than shareholders' equity	16	16	(0)	15
Total changes during period	16	16	(0)	6,158
Balance at end of period	(2)	(2)	76	100,857

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,001	14,899	77,293	(4,411)	100,782
Changes during period					
Dividends of surplus			(1,115)		(1,115)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		1		24	26
Profit attributable to owners of parent			4,830		4,830
Net changes in items other than shareholders' equity					
Total changes during period	–	1	3,715	24	3,741
Balance at end of period	13,001	14,901	81,008	(4,387)	104,524

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(2)	(2)	76	100,857
Changes during period				
Dividends of surplus				(1,115)
Purchase of treasury shares				(0)
Disposal of treasury shares				26
Profit attributable to owners of parent				4,830
Net changes in items other than shareholders' equity	1	1	49	51
Total changes during period	1	1	49	3,792
Balance at end of period	(0)	(0)	126	104,649

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 15, 2021	Fiscal year ended March 15, 2022
Cash flows from operating activities		
Profit before income taxes	10,636	7,687
Depreciation	4,473	4,424
Impairment losses	768	944
Loss on retirement of non-current assets	24	9
Increase (decrease) in provision for bonuses	140	(176)
Increase (decrease) in retirement benefit liability	414	498
Increase (decrease) in provision for loss on disaster	134	(134)
Loss (gain) on sale of investment securities	(9)	–
Interest and dividend income	(33)	(27)
Interest expenses	61	49
Loss (gain) on sale of non-current assets	(27)	21
Increase (decrease) in provision for point card certificates	166	175
Decrease (increase) in trade receivables	1,112	(482)
Decrease (increase) in inventories	(101)	(670)
Increase (decrease) in trade payables	(413)	(594)
Other, net	600	167
Subtotal	17,951	11,891
Interest and dividends received	5	3
Interest paid	(61)	(49)
Income taxes paid	(2,628)	(4,977)
Net cash provided by (used in) operating activities	15,267	6,868
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,809)	(3,973)
Proceeds from sale of property, plant and equipment	80	109
Purchase of intangible assets	(373)	(526)
Proceeds from sale of investment securities	44	–
Purchase of long-term prepaid expenses	(77)	(58)
Payments of leasehold and guarantee deposits	(36)	(116)
Proceeds from refund of leasehold and guarantee deposits	6	27
Other, net	12	1
Net cash provided by (used in) investing activities	(3,152)	(4,536)
Cash flows from financing activities		
Proceeds from long-term borrowings	9,500	7,650
Repayments of long-term borrowings	(12,507)	(11,140)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	37	0
Dividends paid	(1,002)	(1,115)
Other, net	(11)	(1)
Net cash provided by (used in) financing activities	(3,984)	(4,607)
Net increase (decrease) in cash and cash equivalents	8,129	(2,276)
Cash and cash equivalents at beginning of period	33,105	41,235
Cash and cash equivalents at end of period	41,235	38,959