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December 26, 2024

Consolidated Financial Results for the Nine Months Ended November 20, 2024 (Under Japanese GAAP)



Company name: HEIWADO CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8276
 URL: <https://www.heiwado.jp/>
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended November 20, 2024 (from February 21, 2024 to November 20, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
November 20, 2024	325,984	4.3	8,460	2.2	9,425	3.3	6,608	22.4
November 20, 2023	312,498	2.2	8,275	18.4	9,121	14.2	5,400	12.8

Note: Comprehensive income For the nine months ended November 20, 2024: ¥6,455 million [(2.9)%]
 For the nine months ended November 20, 2023: ¥6,646 million [14.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
November 20, 2024	128.24	—
November 20, 2023	102.97	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
November 20, 2024	306,785	188,539	60.8
February 20, 2024	309,461	188,266	60.2

Reference: Equity
 As of November 20, 2024: ¥186,473 million
 As of February 20, 2024: ¥186,258 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 20, 2024	—	19.00	—	23.00	42.00
Fiscal year ending February 20, 2025	—	30.00	—		
Fiscal year ending February 20, 2025 (Forecast)				30.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial result forecasts for the fiscal year ending February 20, 2025 (from February 21, 2024 to February 20, 2025)

(Percentages indicate year-on-year changes.)

	Operating revenue		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
Full year	444,000	4.4	13,700	3.3	14,700	1.5	9,100	34.1	173.50

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: –

Excluded: –

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes

Note: For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 8 of the attachments.

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of November 20, 2024	51,546,470 shares
As of February 20, 2024	52,546,470 shares

(ii) Number of treasury shares at the end of the period

As of November 20, 2024	598,440 shares
As of February 20, 2024	98,338 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 20, 2024	51,532,856 shares
Nine months ended November 20, 2023	52,448,367 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Explanation regarding proper use of earnings forecasts and other special matters

Forward-looking statements such as earnings forecasts in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to guarantee that the Company will achieve them. Actual operating results may differ substantially from these forecasts due to a variety of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months under review (from February 21, 2024 to November 20, 2024), the Japanese economy faced global inflation, rising interest rates, exchange rate fluctuations, sustained increases in resource and energy prices, as well as the emergence of prolonged geopolitical risks, and the outlook for domestic and international markets surrounding the Company's business remains uncertain.

The retail industry continues to face a challenging environment, with intensified savings-consciousness of consumers, ongoing surges in labor and construction material costs, and escalating competition among companies across different business formats.

In response, the Group has focused on enhancing sales capabilities and productivity while also strengthening corporate governance and working toward realizing a sustainable society.

As a result of the foregoing, the operating results for the nine months under review were operating revenue of ¥325,984 million (up 4.3% year on year), operating profit of ¥8,460 million (up 2.2% year on year), ordinary profit of ¥9,425 million (up 3.3% year on year), and profit attributable to owners of parent of ¥6,608 million (up 22.4% year on year).

The performance by segment is as given below.

[Retail Business]

Heiwado Co., Ltd., the core company of the Group, saw an increase in revenue due to increased sales through strategic pricing for food products. However, the gross profit margin declined because price increases were more moderate than in the previous period, and pricing competitiveness was emphasized. An increase in selling, general and administrative expenses could not be offset by an increase in gross profit, leading to a decline in both operating profit and ordinary profit.

Regarding new store openings, in April, we opened the Heiwado Nisshin Kaguyama store (Nisshin City, Aichi Prefecture, sales floor area: 2,972 m²), a Neighborhood Shopping Center (NSC) type store with a directly managed supermarket as the main tenant, also featuring a drugstore and fresh food specialty stores. In June, we opened the Friendmart Ibaraki Hirata store (Ibaraki City, Osaka Prefecture, sales floor area: 928 m²), which includes a clinic building on the premises. In July, we expanded the sales floor area of the Friendmart Nagahama Gion store (Nagahama City, Shiga Prefecture, sales floor area: 1,415 m²) through reconstruction. In October, we opened the Heiwado Chita store (Chita City, Aichi Prefecture, sales floor area: 4,190 m²), marking our first store in the area. In November, we opened the Heiwado Moriyama Obata store (Moriyama City, Nagoya, Aichi Prefecture, sales floor area: 1,327 m²), filling a gap in a key expansion area.

To revitalize existing stores, we renovated the sales floors of AL.PLAZA Ibaraki (Ibaraki City, Osaka Prefecture) and AL.PLAZA Tsurumi (Ogaki City, Gifu Prefecture) in April, the Heiwado Konan store (Konan City, Aichi Prefecture) and AL.PLAZA Tsubata (Kahoku District, Ishikawa Prefecture) in September, AL.PLAZA Kosugi (Imizu City, Toyama Prefecture) in October, and AL.PLAZA Minakuchi (Koka City, Shiga Prefecture) and AL.PLAZA Moriyama (Moriyama City, Shiga Prefecture) in November. These renovations included changes in product assortment and store layout tailored to the characteristics of each trade area, the introduction of large tenants, and efforts to optimize the sales floor area of directly managed non-food products.

Yell Co., Ltd., which operates general retail businesses in Kyoto Prefecture, carried out renovations to introduce large tenants at the Mineyama store in April and the Higashi Maizuru store in June. As planned, sales have remained strong, but due to one-time costs associated with the renovations, the Company experienced an increase in revenue but a decrease in profit.

Direct Shop Inc., which sells books and operates a fitness business, saw a decrease in revenue and an improvement in the deficit due to the downsizing of the unprofitable rental business.

Heiwado (China) Co., Ltd., which operates retail businesses in Hunan Province, China, experienced a decrease in revenue and profit due to sluggish sales at the Wuyi Square store, caused by the worsening economic sentiment in China.

Consolidated operating revenue from Retail Business	¥308,388 million	(4.3% increase year on year)
Consolidated ordinary profit from Retail Business	¥8,224 million	(2.8% decrease year on year)

[Retail-Related Business]

Bestone Co., Ltd., which manufactures and processes prepared foods, rice dishes, and fresh foods, achieved increased revenue and profit due to the strong performance of the new delicatessen center that began operations on May 31, 2023, the active use of Bestone products in the sales floor area of directly managed fresh meat and seafood products at Heiwado, and increased productivity at each center.

National Maintenance Co., Ltd., which operates a building maintenance business, experienced increased revenue and profit due to a rise in construction orders and other factors.

Consolidated operating revenue from Retail-Related Business	¥5,023 million	(4.3% increase year on year)
Consolidated ordinary profit from Retail-Related Business	¥1,404 million	(131.9% increase year on year)

[Other Businesses]

Fivestar Co., Ltd., which operates a restaurant business, saw an increase in net sales, but due to higher personnel expenses and sales promotion expenses, it experienced increased revenue but decreased profit.

C.O.M Corporation Ltd., which operates a restaurant business, experienced increased revenue and profit due to steady performance, particularly from its mainstay Kentucky Fried Chicken franchise.

Consolidated operating revenue from Other Businesses	¥12,572 million	(4.4% increase year on year)
Consolidated ordinary profit from Other Businesses	¥634 million	(2.3% increase year on year)

(2) Explanation of Financial Position

Total assets as of the end of the third quarter under review decreased by ¥2,675 million from the end of the previous fiscal year to ¥306,785 million. The main factors included decreases of ¥5,236 million in cash and deposits and ¥1,078 million in investment securities, which were partially offset primarily by increases of ¥1,802 million in merchandise and finished goods, ¥1,415 million in notes and accounts receivable - trade, and contract assets, and ¥973 million in property, plant and equipment.

Liabilities decreased by ¥2,947 million from the end of the previous fiscal year to ¥118,246 million. The main factors included decreases of ¥5,967 million in short-term borrowings and ¥1,762 million in long-term borrowings, which were partially offset primarily by an increase of ¥4,801 million in notes and accounts payable – trade.

Net assets increased by ¥272 million from the end of the previous fiscal year to ¥188,539 million. The main factors included increases of ¥1,609 million in retained earnings and ¥190 million in foreign currency translation adjustment, while treasury shares increased by ¥1,145 million and valuation difference on available-for-sale securities decreased by ¥397 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Forecasted figures for the consolidated operating results for the fiscal year ending February 20, 2025 remain unchanged from those announced on April 4, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of February 20, 2024	As of November 20, 2024
Assets		
Current assets		
Cash and deposits	33,051	27,815
Notes and accounts receivable - trade, and contract assets	10,180	11,595
Merchandise and finished goods	19,124	20,926
Raw materials and supplies	200	214
Other	5,917	5,633
Allowance for doubtful accounts	(60)	(60)
Total current assets	68,413	66,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	90,613	91,186
Land	98,640	98,756
Other, net	11,532	11,816
Total property, plant and equipment	200,786	201,760
Intangible assets		
Goodwill	607	557
Leasehold interests in land	5,513	5,513
Other	3,925	3,770
Total intangible assets	10,046	9,841
Investments and other assets		
Investment securities	4,460	3,381
Leasehold and guarantee deposits	18,003	18,096
Deferred tax assets	4,963	5,233
Other	3,142	2,704
Allowance for doubtful accounts	(355)	(355)
Total investments and other assets	30,214	29,059
Total non-current assets	241,047	240,661
Total assets	309,461	306,785

As of February 20, 2024

As of November 20, 2024

Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,810	34,611
Short-term borrowings	17,330	11,362
Income taxes payable	2,303	1,338
Provision for bonuses	1,937	2,974
Contract liabilities	11,598	10,573
Refund liabilities	7,674	7,827
Provision for loss on interest repayment	23	15
Provision for loss on shop close	371	121
Provision for bonuses for directors (and other officers)	36	—
Provision for loss on disaster	1,114	210
Other	17,087	19,242
Total current liabilities	89,287	88,277
Non-current liabilities		
Long-term borrowings	10,825	9,062
Retirement benefit liability	8,127	7,805
Asset retirement obligations	4,426	4,593
Leasehold and guarantee deposits received	8,250	8,305
Deferred tax liabilities	59	49
Other	218	152
Total non-current liabilities	31,907	29,968
Total liabilities	121,194	118,246
Net assets		
Shareholders' equity		
Share capital	11,614	11,614
Capital surplus	19,748	19,746
Retained earnings	150,087	151,696
Treasury shares	(198)	(1,344)
Total shareholders' equity	181,251	181,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,284	886
Foreign currency translation adjustment	3,424	3,615
Remeasurements of defined benefit plans	298	258
Total accumulated other comprehensive income	5,007	4,760
Non-controlling interests	2,008	2,066
Total net assets	188,266	188,539
Total liabilities and net assets	309,461	306,785

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended November 20

(Millions of yen)

	For the nine months ended November 20, 2023	For the nine months ended November 20, 2024
Operating revenue		
Net sales	286,665	298,732
Operating revenue	25,832	27,251
Total operating revenue	312,498	325,984
Cost of sales	199,448	208,216
Gross profit	87,217	90,516
Operating gross profit	113,049	117,767
Selling, general and administrative expenses	104,774	109,307
Operating profit	8,275	8,460
Non-operating income		
Interest income	141	123
Commission income	421	432
Receipt subsidy	81	163
Other	378	375
Total non-operating income	1,023	1,094
Non-operating expenses		
Burden charge payment	49	1
Interest expenses	23	46
Compensation expense	2	28
Provision of allowance for doubtful accounts	75	—
Other	27	53
Total non-operating expenses	178	129
Ordinary profit	9,121	9,425
Extraordinary income		
Reversal of provision loss on store closing	45	45
Gain on sale of investment securities	25	641
Insurance claim income	—	204
Other	27	13
Total extraordinary income	97	905
Extraordinary losses		
Loss on retirement of non-current assets	630	312
Loss on disaster	—	7
Other	207	130
Total extraordinary losses	838	450
Profit before income taxes	8,380	9,881
Income taxes	2,915	3,190
Profit	5,464	6,691
Profit attributable to non-controlling interests	63	82
Profit attributable to owners of parent	5,400	6,608

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended November 20

(Millions of yen)

	For the nine months ended November 20, 2023	For the nine months ended November 20, 2024
Profit	5,464	6,691
Other comprehensive income		
Valuation difference on available-for-sale securities	484	(397)
Foreign currency translation adjustment	609	200
Remeasurements of defined benefit plans, net of tax	87	(39)
Total other comprehensive income	1,181	(236)
Comprehensive income	6,646	6,455
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,549	6,361
Comprehensive income attributable to non-controlling interests	96	93

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Based on a resolution approved at a meeting of the Board of Directors on February 19, 2024, the Company purchased 1,000,000 shares of treasury shares, resulting in an increase of ¥2,195 million in treasury shares.

In addition, based on a resolution approved at a meeting of the Board of Directors on June 27, 2024, the Company purchased 500,000 shares of treasury shares, resulting in an increase of ¥1,199 million in treasury shares.

Furthermore, based on a resolution approved at a meeting of the Board of Directors on October 3, 2024, the Company cancelled 1,000,000 shares of treasury shares on October 18, 2024, resulting in a decrease of ¥2,249 million in retained earnings and treasury shares, respectively.

As a result, as of November 20, 2024, retained earnings amounted to ¥151,696 million and treasury shares totaled ¥1,344 million.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by making a reasonable estimate of the effective tax rate after application of tax effect accounting to profit before income taxes for the consolidated fiscal year that includes the third quarter under review, and multiplying profit before income taxes by the said estimated effective tax rate. In addition, income taxes deferred are included in "Income taxes."

(Notes on segment information, etc.)

(Segment information)

I. For the nine months ended November 20, 2023

1. Information on operating revenue and profit or loss by reportable segment, and revenue breakdown information

(Millions of yen)

	Reportable segments			Other	Total	Adjustment	Amount on quarterly consolidated statements of income
	Retail	Retail-Related	Total				
Operating revenue							
Product sales	274,451	631	275,082	11,583	286,665	—	286,665
Service revenue	10,898	2,775	13,673	52	13,725	—	13,725
Revenue from contracts with customers	285,349	3,406	288,755	11,635	300,391	—	300,391
Other revenue	10,287	1,411	11,699	407	12,106	—	12,106
Net sales to outside customers	295,637	4,818	300,455	12,042	312,498	—	312,498
Intersegment net sales or transfers	2,509	31,670	34,179	239	34,418	(34,418)	—
Total	298,146	36,488	334,635	12,281	346,916	(34,418)	312,498
Segment profit	8,463	605	9,068	620	9,688	(567)	9,121

(Notes)

1. The “Other” category represents business segments not included in reportable segments, such as restaurant operation business, etc.
 2. The adjustment of ¥(567) million to segment profit is from the elimination of dividend income transactions, etc.
 3. Segment profit has been adjusted with ordinary profit on the quarterly consolidated statements of income.
 4. Other revenue represents real estate lease revenue included within the scope of the Accounting Standard for Lease Transactions.
2. Information on impairment losses on non-current assets and goodwill, etc. by reportable segment
No significant occurrences or changes.

II. For the nine months ended November 20, 2024

1. Information on operating revenue and profit or loss by reportable segment, and revenue breakdown information
(Millions of yen)

	Reportable segments			Other	Total	Adjustment	Amount on quarterly consolidated statements of income
	Retail	Retail-Related	Total				
Operating revenue							
Product sales	285,886	733	286,619	12,112	298,732	—	298,732
Service revenue	11,760	2,932	14,692	55	14,748	—	14,748
Revenue from contracts with customers	297,647	3,665	301,312	12,168	313,481	—	313,481
Other revenue	10,740	1,358	12,099	403	12,502	—	12,502
Net sales to outside customers	308,388	5,023	313,411	12,572	325,984	—	325,984
Intersegment net sales or transfers	2,671	36,205	38,877	235	39,112	(39,112)	—
Total	311,060	41,229	352,289	12,807	365,096	(39,112)	325,984
Segment profit	8,224	1,404	9,628	634	10,262	(837)	9,425

(Notes)

- The “Other” category represents business segments not included in reportable segments, such as restaurant operation business, etc.
- The adjustment of ¥(837) million to segment profit is from the elimination of dividend income transactions, etc.
- Segment profit has been adjusted with ordinary profit on the quarterly consolidated statements of income.
- Other revenue represents real estate lease revenue included within the scope of the Accounting Standard for Lease Transactions.

2. Information on impairment losses on non-current assets and goodwill, etc. by reportable segment
No significant occurrences or changes.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended November 20, 2024, have not been prepared. Depreciation for the nine months ended November 20, 2024 (including amortization of intangible assets and long-term prepaid expenses, excluding goodwill) and amortization of goodwill are as follows:

	For the nine months ended November 20, 2023	For the nine months ended November 20, 2024
Depreciation	¥9,134 million	¥9,556 million
Amortization of goodwill	50	50

(Significant subsequent events)

(Purchase of treasury shares)

The Company, at the Board of Directors meeting held on June 27, 2024, resolved matters concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and purchased treasury shares.

1. Details of the Board of Directors resolution regarding the purchase of treasury shares

(1) Reason for purchasing treasury shares

The Company is currently in the first year of its “Fifth Medium-Term Management Plan FY2024–FY2026,” a plan that calls for accelerating growth toward 2030 while at the same time ensuring stable returns to shareholders. Our basic cash allocation policy is to strive to improve the total return ratio by increasing dividends and implementing treasury shares purchases in line with business performance, while securing internal reserves to continue investments aimed at investment for growth.

Based on the above policy, the Company will purchase treasury shares to improve capital efficiency and increase the level of shareholder returns.

(2) Details of matters related to the purchase

- (i) Class of shares to be purchased: Common shares of the Company
- (ii) Total number of shares to be purchased: Up to 2,000,000 shares
- (iii) Total amount of share purchase costs: Up to 6,000 million yen
- (iv) Purchase period: From August 21, 2024, to August 20, 2025
- (v) Purchase method: Market purchase on the Tokyo Stock Exchange

2. Details of the acquisition of treasury shares

- (1) Class of shares purchased: Common shares of the Company
- (2) Total number of shares purchased: 191,900 shares
- (3) Total amount of share purchase costs: 437,300,900 yen
- (4) Purchase period: From November 21, 2024, to December 20, 2024 (on a delivery date basis)
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange

(Absorption-type merger of consolidated subsidiary)

The Board of Directors of the Company has resolved to consolidate its subsidiary, Yanagen Co., Ltd., through an absorption-type merger at a meeting held on December 26, 2024.

1. Overview of business combination

(1) Name and business description of absorbed company

Name of absorbed company	Yanagen Co., Ltd.
Business description	Real estate leasing

(2) Date of business combination

May 21, 2025

(3) Legal format of business combination

Absorption-type merger with the Company as the surviving company and Yanagen Co., Ltd as the absorbed company

(4) Other matters concerning the overview of this combination

The purpose of this combination is to strengthen the sales capabilities of the Group and improve management efficiency.

2. Overview of accounting treatment

The Company plans to process the accounting as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No.21 (revised 2019), January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 (revised 2019), January 16, 2019).