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## Consolidated Financial Results for the Nine Months Ended December 31, 2020 <under Japanese GAAP>

February 15 2021

Company name: **Matsumotokiyoshi Holdings Co., Ltd.**  
 Listing: Tokyo Stock Exchange  
 Securities code: 3088  
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 Scheduled date to file Quarterly Securities Report: February 15 2021  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results presentation meeting: None

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2020	421,330	(5.6)	23,867	(11.0)	25,690	(10.6)	16,615	(12.1)
December 31, 2019	446,155	2.6	26,822	(1.6)	28,748	(2.3)	18,904	0.1

Note: Comprehensive income  
 Nine months ended December 31, 2020 ¥20,283 million [(3.0)%]  
 Nine months ended December 31, 2019 ¥20,915 million [11.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	161.86	161.80
December 31, 2019	184.19	184.12

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2020	365,562	242,428	66.3	2,361.19
March 31, 2020	351,809	229,304	65.2	2,233.54

Reference: Equity  
 As of December 31, 2020 ¥242,385 million  
 As of March 31, 2020 ¥229,261 million

## 2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	35.00	–	35.00	70.00
Fiscal year ending March 31, 2021	–	35.00	–		
Fiscal year ending March 31, 2021 (forecast)				35.00	70.00

Note: Revisions to dividends forecasts most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	570,000	(3.5)	35,000	(6.8)	37,700	(5.7)	23,800	(9.1)	231.86

Note: Revisions to earnings forecasts most recently announced: None

**\* Notes**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of special accounting treatments for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2020	109,272,214 shares
As of March 31, 2020	109,272,214 shares

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

As of December 31, 2020	6,618,222 shares
As of March 31, 2020	6,627,096 shares

c. Average number of shares during the period

Nine months ended December 31, 2020	102,649,622 shares
Nine months ended December 31, 2019	102,634,351 shares

Note: The number of treasury shares at the end of each period includes shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account (127,594 shares as of December 31, 2020 and 127,754 shares as of March 31, 2020). The shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account are included in the number of treasury shares deducted in the calculation of average number of shares during each period.

- \* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.
- \* Proper use of earnings forecasts, and other special matters  
*(Caution regarding forward-looking statements and others)*

The earnings forecasts shown above are prepared based on the information available to us as of the date of this release. Actual results may be different from these forecasts due to various factors. For the assumptions related matters concerning the earnings forecasts, please refer to page 4 of the attachment.

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## 1. Qualitative Information

### (1) Details of operating results

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

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

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

More specifically, as part of further advancement of digitalization, the Group focuses on strengthening our digital marketing infrastructure so that we can accurately understand changes in the lifestyles of customers and their preference and needs and close the distance to and deepen ties with each customer by leveraging the rapidly advancing IT technologies. The number of customer contact points (point card members, LINE friends, and downloads of official apps), which are among the strengths of the Group, has exceeded 75.6 million in total as of December 31, 2020.

In terms of further advancement of globalization, keeping in mind the immigration restrictions issued by the Japanese government in connection with the spread of COVID-19, the Group aims to early establish a franchise in Asia where the consciousness of health and beauty is rising. To this end, the Group will create a mechanism to support the expansion of the overseas store network particularly in Asia, such as coupon distribution using overseas SNS and cashless payment services, as well as the expansion of global membership and make the most of the knowhow accumulate through our active efforts to develop and provide products that become popular overseas. As for new store openings in overseas markets, we opened “Matsumotokiyoshi Vincom Center Dong Khoi Store” in Ho Chi Minh City, which is our first store in Vietnam. As a result, the number of stores overseas stood at 46 in total as of December 31, 2020, with 30 stores in Thailand, 15 stores in Taiwan, and one store in Vietnam.

With regard to the expansion of business scale in specialized areas, in an increasingly competitive environment, the Group is working to establish next growth drivers as soon as possible by mainly focusing on the promotion of area dominance in the three largest metropolitan areas and the expansion of the next-generation healthcare and prescription business. We promoted coordination with local healthcare facilities at the 32 stores designated as Health Support Pharmacies by the Ministry of Health, Labour and Welfare, while expanding the member store network of the Community Pharmacy Support Program, which now includes 105 stores. As for the private brand product lineup, the Group strove to expand the lineup by including products with surprise and fun, which is characteristic of Matsumotokiyoshi. For example, we launched “BCAA7100 POWDER” obtaining the Informed-Choice certification, which is an internationally recognized anti-doping certification, and “PREMIUM PROTEIN BAR CHOCOLATE,” which is the first protein bar product with functional claims in Japan, as “matsukiyo LAB” athlete lineup products. We also launched “PROTEIN SMOOTHIE” as a new product with functional claims to join the “matsukiyo LAB” lineup, and “EXSTRONG ENERGY GUMMY” and “EXSTRONG HAPPY & SALT ENERGY DRINK” from our popular energy drink

category. We also renewed the “ARGELAN” skincare series, organic cosmetics brand, into products that are even more friendly to the environment. In addition, the Company completely redesigned “Retinotime,” an aging care brand jointly developed with Naris Cosmetics Co., LTD., into “THE RETINOTIME” and expanded it to include new products such as UV emulsion, toner and cream with wrinkle reduction effect. As a result, it became the first Japanese skincare brand to include five products with wrinkle reduction effect within the same brand, representing a lineup including the largest number of such products in Japan.

As for new store openings, with the opening of “Drugstore Matsumotokiyoshi Kino Wakayama Store,” our first store in Wakayama Prefecture, we have finally succeeded in having our stores in all 47 prefectures of Japan. The network of matsukiyo LAB stores has expanded to 26 stores including the newly opened “Drugstore Matsumotokiyoshi matsukiyo LAB Okayama Station B-1 Store”, which is the first store in the Chugoku region. During the nine months ended December 31, 2020, we opened 56 stores, closed 18 stores, and renovated 34 stores. As a result, the number of Group stores as of December 31, 2020 was 1,755. (\* The total number of Group stores above does not include our overseas stores.)

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

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

As a result, net sales were ¥421,330 million (down 5.6% year on year), operating profit was ¥23,867 million (down 11.0% year on year), ordinary profit was ¥25,690 million (down 10.6% year on year), and profit attributable to owners of parent was ¥16,615 million (down 12.1% year on year).

Operating results by segment were as follows:

<Retail business>

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

In the second quarter, special procurement demand continued to arise for masks, disinfectants, daily necessities, food, etc., particularly at suburban stores, as in the first quarter. The number of customers coming to stores in central Tokyo and other downtown locations has been recovering, and sales of medical and pharmaceutical products and cosmetics are struggling, but have shown signs of recovery. On the other hand, the second quarter has been subject to the reaction from the temporary surge in

demand before the consumption tax rate hike last year. Inbound sales continued to be small mainly due to the effect of immigration restrictions.

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

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

<Wholesale business>

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

As a result, net sales of the retail business segment were ¥400,334 million (down 6.6% year on year), net sales of the wholesale business segment were ¥18,166 million (up 21.9% year on year), and net sales of the management support business segment were ¥2,829 million (up 11.7% year on year).

## **(2) Details of financial position**

Total assets as of the end of the third quarter ended December 31, 2020 increased by ¥13,753 million from the end of the previous fiscal year to ¥365,562 million. This was mainly due to an increase of ¥7,838 million in merchandise and an increase of ¥4,672 million in investment securities.

Total liabilities increased by ¥629 million to ¥123,134 million. This was mainly due to an increase of ¥3,533 million in accounts payable - trade and a decrease of ¥5,367 million in income taxes payable.

Net assets increased by ¥13,123 million to ¥242,428 million. This was mainly due to an increase of ¥9,420 million in retained earnings.

## **(3) Consolidated earnings forecasts and other forward-looking statements**

No changes have been made to the consolidated earnings forecasts for the fiscal year ending March 31, 2021 that were announced on November 13, 2020.

**2. Quarterly Consolidated Financial Statements and Significant Notes Thereto****(1) Quarterly consolidated balance sheet**

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	28,368	29,559
Notes and accounts receivable - trade	23,479	27,809
Merchandise	81,231	89,069
Supplies	673	660
Other	26,303	24,352
Allowance for doubtful accounts	(29)	(23)
Total current assets	160,027	171,427
Non-current assets		
Property, plant and equipment		
Land	40,073	40,027
Other	34,021	33,396
Total property, plant and equipment	74,095	73,423
Intangible assets		
Goodwill	4,870	4,240
Other	4,532	4,587
Total intangible assets	9,403	8,827
Investments and other assets		
Investment securities	63,345	68,017
Leasehold and guarantee deposits	37,858	37,844
Other	7,152	6,092
Allowance for doubtful accounts	(72)	(70)
Total investments and other assets	108,283	111,884
Total non-current assets	191,782	194,134
Total assets	351,809	365,562

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	57,466	60,999
Income taxes payable	7,385	2,018
Provision for bonuses	3,871	1,963
Provision for point card certificates	2,531	3,383
Asset retirement obligations	13	—
Other	14,933	17,058
Total current liabilities	86,202	85,422
Non-current liabilities		
Long-term borrowings	18,400	18,400
Provision for share-based remuneration	134	164
Provision for share-based remuneration for directors (and other officers)	39	39
Retirement benefit liability	255	275
Asset retirement obligations	7,518	7,689
Other	9,953	11,142
Total non-current liabilities	36,301	37,711
Total liabilities	122,504	123,134
<b>Net assets</b>		
Shareholders' equity		
Share capital	22,051	22,051
Capital surplus	22,996	23,003
Retained earnings	196,253	205,673
Treasury shares	(20,707)	(20,680)
Total shareholders' equity	220,593	230,049
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,667	12,330
Remeasurements of defined benefit plans	—	5
Total accumulated other comprehensive income	8,667	12,335
Share acquisition rights	43	43
Total net assets	229,304	242,428
Total liabilities and net assets	351,809	365,562

**(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income****Quarterly consolidated statement of income**

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	446,155	421,330
Cost of sales	305,365	284,486
Gross profit	140,789	136,844
Selling, general and administrative expenses		
Provision for point card certificates	638	851
Salaries and allowances	39,051	39,297
Provision for bonuses	1,968	1,963
Retirement benefit expenses	800	826
Rent expenses on land and buildings	27,295	26,921
Other	44,213	43,116
Total selling, general and administrative expenses	113,966	112,976
Operating profit	26,822	23,867
Non-operating income		
Interest income	77	66
Dividend income	310	356
Gain on donation of non-current assets	403	305
Order handling commission	821	827
Other	354	486
Total non-operating income	1,967	2,042
Non-operating expenses		
Interest expenses	13	33
Foreign exchange losses	5	–
Cash over and short	11	16
Share of loss of entities accounted for using equity method	–	89
Other	11	79
Total non-operating expenses	41	219
Ordinary profit	28,748	25,690
Extraordinary income		
Gain on sales of non-current assets	6	16
Gain on sales of investment securities	7	309
Insurance claim income	62	–
Subsidy income relating to COVID-19	–	36
Total extraordinary income	76	361
Extraordinary losses		
Loss on sales of non-current assets	27	–
Loss on retirement of non-current assets	174	145
Loss on store closings	64	95
Impairment loss	258	312
Loss on disaster	95	–
Loss relating to COVID-19	–	569
Other	1	–
Total extraordinary losses	621	1,123
Profit before income taxes	28,202	24,929
Income taxes - current	8,337	7,509
Income taxes - deferred	961	804
Total income taxes	9,298	8,314
Profit	18,904	16,615
Profit attributable to owners of parent	18,904	16,615

**Quarterly consolidated statement of comprehensive income**

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	18,904	16,615
Other comprehensive income		
Valuation difference on available-for-sale securities	2,011	3,659
Share of other comprehensive income of entities accounted for using equity method	—	8
Total other comprehensive income	2,011	3,668
Comprehensive income	20,915	20,283
Profit attributable to		
Comprehensive income attributable to owners of parent	20,915	20,283
Comprehensive income attributable to non-controlling interests	—	—

**(3) Notes to quarterly consolidated financial statements***(Notes on going concern assumption)*

Not applicable.

*(Notes when there are significant changes in amounts of shareholders' equity)*

Not applicable.

*(Segment information)*

[Segment information]

I Nine months ended December 31, 2019

## 1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the quarterly consolidated statement of income (Note 2)
	Matsumotokiyoshi Retail	Other Retail	Matsumotokiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	281,077	147,642	86	14,814	2,533	446,155	-	446,155
Intersegment sales or transfers	6	27	298,932	-	11,336	310,302	(310,302)	-
Total	281,084	147,670	299,018	14,814	13,869	756,457	(310,302)	446,155
Segment profit (loss)	18,549	8,192	1,219	155	(817)	27,300	(477)	26,822

Notes: 1. The adjustment of negative ¥477 million to segment profit (loss) includes negative ¥635 million of amortization of goodwill and ¥158 million of intersegment transaction elimination.

2. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

## 2. Disclosure of impairment loss on non-current assets or goodwill for each reportable segment

*(Significant impairment loss on non-current assets)*

The Group regards primarily stores as a base unit for its minimum cash flow-generating unit, while grouping idle assets according to each property unit. With regard to the asset groups whose operating profit has consistently been negative and asset groups for which the market prices fell considerably, such as land, the Group wrote off their carrying amount to the recoverable amount and recognized the amount of the write-off of ¥258 million as an impairment loss under extraordinary losses.

The breakdown of the impairment loss is ¥151 million for Matsumotokiyoshi Retail, ¥87 million for Other Retail, ¥21 million for Management Support business and negative ¥2 million for consolidation eliminations and adjustments.

*(Significant change in the amount of goodwill)*

Not applicable.

## II Nine months ended December 31, 2020

## 1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the quarterly consolidated statement of income (Note 2)
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	251,153	149,180	2,777	15,388	2,829	421,330	-	421,330
Intersegment sales or transfers	9	9	275,791	-	8,755	284,566	(284,566)	-
Total	251,163	149,190	278,569	15,388	11,585	705,897	(284,566)	421,330
Segment profit (loss)	13,662	10,531	1,181	292	(1,404)	24,263	(396)	23,867

Notes: 1. The adjustment of negative ¥396 million to segment profit (loss) includes negative ¥584 million of amortization of goodwill and ¥188 million of intersegment transaction elimination.

2. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

## 2. Disclosure of impairment loss on non-current assets or goodwill for each reportable segment

*(Significant impairment loss on non-current assets)*

The Group regards primarily stores as a base unit for its minimum cash flow-generating unit, while grouping idle assets according to each property unit. With regard to the asset groups whose operating profit has consistently been negative and asset groups for which the market prices fell considerably, such as land, the Group wrote off their carrying amount to the recoverable amount and recognized the amount of the write-off of ¥312 million as an impairment loss under extraordinary losses.

The breakdown of the impairment loss is ¥246 million for Matsumotokiyoshi Retail, ¥26 million for Other Retail, ¥46 million for Management Support business and negative ¥7 million for consolidation eliminations and adjustments.

*(Significant change in the amount of goodwill)*

Not applicable.

*(Significant events after reporting period)*

Not applicable.

### 3. Supplementary information

Net sales and purchases

#### (1) Net sales by operating segment

Net sales by segment for the nine months ended December 31, 2020 are as follows:

Segment name	Nine months ended December 31, 2020	
	Amount (Millions of yen)	Change from the corresponding period of the previous fiscal year (%)
Retail business	400,334	93.4
Wholesale business	18,166	121.9
Management support business	2,829	111.7
Total	421,330	94.4

Notes: 1. Intersegment transactions are eliminated.

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

#### (2) Net sales by product

Net sales by product for the nine months ended December 31, 2020 are as follows:

Products	Nine months ended December 31, 2020	
	Amount (Millions of yen)	Change from the corresponding period of the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	118,134	87.0
Cosmetics	146,278	83.2
General merchandise	94,408	123.1
Food	40,676	103.0
Subtotal	399,497	93.4
Wholesale business	17,733	122.4
Total	417,231	94.3

Notes: 1. Net sales by product do not include sales of the management support business. In addition, the amounts above do not include operating revenue (rent income from tenants and royalty income from franchisees).

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

#### (3) Purchases by product

Purchases by product for the nine months ended December 31, 2020 are as follows:

Products	Nine months ended December 31, 2020	
	Amount (Millions of yen)	Change from the corresponding period of the previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	69,598	84.7
Cosmetics	100,882	82.3
General merchandise	68,573	117.8
Food	34,770	101.2
Subtotal	273,824	92.1
Wholesale business	14,940	103.3
Total	288,764	92.6

Notes: 1. Purchases by product do not include purchases of the management support business.

2. Consumption taxes pertaining to purchases are accounted for under the tax exclusion method.