



Consolidated Financial Results for the Fiscal Year Ended May 31, 2022 (Japan GAAP)

July 8, 2022

Company name: Pharmarise Holdings Corporation	Listed on: Tokyo Stock Exchange, Prime Market
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Scheduled date of annual shareholders' meeting: August 25, 2022	
Scheduled date to commence dividend payments: August 26, 2022	
Scheduled date to file annual securities report: August 26, 2022	
Preparation of supplementary material on financial results: None	
Holding of financial results briefing: Yes (for analysts and institutional investors)	

(Amounts of less than one million yen are rounded down.)

1. Consolidated financial results for the fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2022	51,608	(1.4)	1,520	22.0	1,517	17.7	447	5.0
May 31, 2021	52,324	2.5	1,246	20.4	1,288	25.9	426	(26.2)

(Note) Comprehensive income Fiscal year ended May 31, 2022: 453 million yen [9.2%]
 Fiscal year ended May 31, 2021: 414 million yen [-28.5%]

Fiscal year ended	Earnings per share	Diluted Earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
May 31, 2022	47.99	36.29	7.2	6.3	2.9
May 31, 2021	45.83	34.64	7.3	5.2	2.4

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal year ended May 31, 2022: – million yen Fiscal year ended May 31, 2021: – million yen

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
May 31, 2022	23,746	6,699	26.9	684.20
May 31, 2021	24,724	6,331	24.3	646.66

(Reference) Equity As of May 31, 2022: 6,399 million yen As of May 31, 2021: 6,012 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
May 31, 2022	713	(292)	(1,034)	3,991
May 31, 2021	1,945	(1,076)	(728)	4,604

2. Cash dividends

Fiscal year ended	Dividend per share					Total dividend payments (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual			
May 31, 2021	–	0.00	–	14.00	14.00	130	30.5	2.2
May 31, 2022	–	0.00	–	14.00	14.00	130	29.2	2.1
Fiscal year ending May 31, 2023 (forecast)	–	0.00	–	14.00	14.00		24.1	

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Percentages represent year-on-year changes.)

Six months	Net sales		Operating profit		Ordinary profit		Earnings attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,860	(0.2)	768	(2.5)	748	(8.1)	219	(12.6)	23.40
	51,909	0.6	1,606	5.7	1,561	2.9	543	21.4	58.07

* Notes

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (company name)

Exception: — (company name)

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

- | | |
|---|-----|
| (i) Changes in accounting policies due to the revision of accounting standards: | Yes |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Retrospective restatement: | No |

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares):			
As of May 31, 2022	9,673,785 shares	As of May 31, 2021	9,615,515 shares
(ii) Total number of treasury shares at the end of the period:			
As of May 31, 2022	321,100 shares	As of May 31, 2021	317,800 shares
(iii) Average number of shares issued and outstanding in each period			
Fiscal year ended May 31, 2022	9,331,334 shares	Fiscal year ended May 31, 2021	9,305,437 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation regarding appropriate use of business forecasts and other special instructions

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. For conditions regarding the assumptions for results forecasts and notes on the use of results forecasts, etc., please refer to page 8 of the accompanying materials “1. Overview of Operating Results, (4) Future outlook.”

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1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

During the consolidated fiscal year under review (June 1, 2021 through May 31, 2022), there were signs of recovery in the Japanese economy as the challenging conditions created by COVID-19 eased. Economic and social activities are normalizing, reflecting strict infection control, and the economy is expected to recover. Nevertheless, close attention needs to be paid to downside risks associated with any resurgence of COVID-19, the situation in Ukraine, the weaker yen, and ongoing high prices of raw materials, among other issues.

The pharmacy industry faces continued needs to expand the use of generic drugs and to step-up efforts to promote self-medication in response to social needs for curbing medical expenses, while working to realize the Vision of Pharmacies for Patients announced by the Ministry of Health, Labour and Welfare. The Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (“Pharmaceuticals and Medical Devices Act”) was revised on December 4, 2019 for the first time in five years. Major changes include the additions of an obligation by pharmacists to monitor drug usage and to give instructions on drug usage, the introduction of instructions on drug usage using videophone, the principle of providing package inserts in electronic form, and the introduction of pharmacies cooperating with local health care facilities and pharmacies cooperating with specialized medical institutions. Meanwhile, competition is intensifying with entries from neighboring industries, and the business environment, which reflects the medical fee and drug price revisions in April 2020 and April 2022 and a drug price revision in April 2021 and the effects of COVID-19, demands that pharmacies increase their management efforts.

In this environment, Pharmarise Holdings Corporation (“the Company”) and its consolidated subsidiaries (“the Group”) announced the Medium-term Management Plan LSG (Leading to Sustainable Growth) 2024 on December 24, 2021, which is based on Medium-term Management Plan SFG (Steps for Future Growth) 2021—building a management infrastructure to achieve growth—announced on November 8, 2018 (“the Previous Medium-term Management Plan”). Under Medium-term Management Plan LSG 2024, the Group will endeavor to strengthen competitiveness and achieve growth to enhance shareholder value by (i) increasing efforts to become the corporate group preferred by investors, (ii) developing business, primarily the dispensing business, to enhance revenue, and (iii) enhancing the profit structure by strengthening the management infrastructure.

Under the Previous Medium-term Management Plan, the Group has been implementing a Continual Support Program and a Healthy Life Adviser program, programs to extend the healthy life expectancy of the elderly, to enhance its competitiveness. Since prior to the implementation of the medium-term management plan, the Group has been working to promote community health care (home medical care and dispensing at facilities), expand the use of generic drugs, and promote the use of electronic medicine notebooks. The Group has also been seeking to promote self-medication and expand business outside the health insurance system.

During the consolidated fiscal year under review, net sales totaled 51,608 million yen (down 1.4% year on year), with operating profit of 1,520 million yen (up 22.0%) and ordinary profit of 1,517 million yen (up 17.7%). Profit attributable to owners of parent came to 447 million yen (up 5.0%).

Net sales declined 1.4% year on year, chiefly due to the adoption of the Accounting Standard for Revenue Recognition, a drug price revision, and a decrease in sales in the Drug/Convenience Store Business.

Operating profit, ordinary profit, and profit attributable to owners of parent all increased year on year, chiefly reflecting signs of a recovery in the number of prescriptions against a backdrop of the easing of restrictions on hospital visits due to COVID-19, an increase in dispensing technical fees received, and cost cutting through the control of selling, general and administrative expenses.

Segment performance was as follows.

Dispensing Pharmacy Business

In the fiscal year under review, nine pharmacies were opened, and six pharmacies were closed. At the end of the fiscal year under review, the number of pharmacies operated by the Group was 301. Pharmarise Co., Ltd. opened one pharmacy in each of Hokkaido, Niigata, Chiba, Tokyo, Aichi, and Okinawa and three pharmacies in Osaka.

In operating pharmacies, the Group continues to pursue the following initiatives to make family pharmacies the pharmacies of choice: (i) providing community health care (home medical care and dispensing at facilities), (ii) promoting generic drugs, (iii) promoting the use of Pocket Pharmacy, an electronic medicine notebook, to centrally manage patient information, address double dosing, identify combinations of drugs, and check the amount of remaining drugs more accurately, and (iv) providing around-the-clock dispensing. Meanwhile, the Group has been developing pharmacies that support self-medication. Those pharmacies sell products for self-medication, including over-the-counter drugs and health food, and implement the Continual Support Program.

The medication follow-up function included in the electronic medicine notebook that the Group is developing and the Pocket Meeting, an online medication guidance app, help fulfill pharmacists’ obligation to monitor drug usage and give instructions on drug usage and provide instructions on drug usage using the videophone, which is set out in the revised Pharmaceuticals and Medical Devices Act. The usage of the function and app has been increasing. The Group’s pharmacies cooperating with local health care facilities are increasing steadily. At the end of May this year, the number of those pharmacies was 96. The Group is making preparations for pharmacies

cooperating with specialized medical institutions to achieve certification. The number of “health support pharmacies” was 71 at the end of the fiscal year under review (increasing 39 from a year earlier). The Group will continue to strive to increase the number.

In the fiscal year under review, net sales in the Dispensing Pharmacy Business declined to 42,038 million yen (down 1.2% year on year), mainly due to the adoption of the Accounting Standard for Revenue Recognition and a drug price revision, but segment profit increased to 1,745 million yen (up 20.9% year on year), chiefly reflecting signs of recovery in the number of prescriptions against a backdrop of the easing of restrictions on hospital visits due to COVID-19, a rise in dispensing technical fees received, and cost reductions through the control of selling, general and administrative expenses.

Drug/Convenience Store Business

In the fiscal year under review, two stores without any pharmacy section opened and six stores closed in this segment. At the end of the fiscal year under review, the number of stores operated by the Group in this segment stood at 45.

The Drug/Convenience Store Business primarily operates drugstores, etc. of Pharmarise Co., Ltd. and engages in the sale of cosmetics and the management of convenience stores.

Sales for the Drug/Convenience Store Business decreased by 4.5% year on year, to 7,602 million yen, and the segment loss was 146 million yen (the segment loss in the previous year was 42 million yen). This was chiefly due to the absence of special demand related to COVID-19 in the previous fiscal year and a decrease in sales of common cold drugs and hey fever drugs at drugstores and a slow recovery in demand at convenience stores in city centers, including business districts.

Storage and Management of Medical Documents Business

The Storage and Management of Medical Documents Business engages in business peripheral to the Dispensing Pharmacy Business. The business stores and manages primarily paper medical documents and X-ray films of Kotobuki Data Bank Co., Ltd. There is still ongoing demand for the storage and management of medical data, but retention periods are being shortened and expenses are gradually being cut. The Group is actively conducting sales activities to attain new customers and tap into peripheral demand.

In this environment, net sales and segment profit increased 12.5% and 68.1% year on year, to 699 million yen and 108 million yen, respectively, in the consolidated fiscal year under review.

Medical Mall Management Business

The Medical Mall Management Business is a business related to the medical mall that Pharmarise Co., Ltd. operates in JR Tower Office Plaza Sapporo at JR Sapporo Station.

Net sales and segment profit increased 2.4% and 11.9% year on year, to 503 million yen and 67 million yen, respectively, in the fiscal year under review.

Other

The main businesses in the Other segment are as follows: (i) system integration, etc. that Mythos Co., Ltd. provides to pharmaceutical companies, (ii) medical IT solutions, etc. that Medical Front Corporation provides, (iii) temporary help provided by Laycare Center Co., Ltd., and (iv) fee-charging employment placement service provided by WEEC, Inc.

Net sales increased 6.8% year on year, to 764 million yen, and segment profit increased 1.0% year on year, to 41 million yen in the fiscal year under review.

(2) Overview of financial position for the fiscal year under review

(Current assets)

Current assets at the end of the consolidated fiscal year under review totaled 10,878 million yen, an increase of 332 million yen from 10,546 million yen at the end of the previous fiscal year. This was chiefly due to an increase in trade receivables, etc. (accounts receivable plus accounts receivable - other) of 1,174 million yen, from 3,096 million yen at the end of the previous year to 4,270 million yen at the end of the fiscal year under review, which was partially offset by a decrease in cash and deposits of 613 million yen, from 4,604 million yen at the end of the previous fiscal year to 3,991 million yen at the end of the fiscal year under review.

(Non-current assets)

Non-current assets at the end of the consolidated fiscal year under review totaled 12,866 million yen, a decrease of 1,309 million yen from 14,175 million yen at the end of the previous fiscal year. This primarily reflected a decrease in goodwill of 804 million yen, from 4,025 million yen at the end of the previous fiscal year to 3,220 million yen at the end of the fiscal year under review, and a decrease of 78 million yen in leased assets in intangible assets, from 293 million yen at the end of the previous fiscal year to 215 million yen at the end of the fiscal year under review.

(Current liabilities)

Current liabilities were 8,477 million yen at the end of the consolidated fiscal year under review, down 915 million yen from 9,392 million yen a year earlier. This was attributable chiefly to a decrease in accounts payable - trade of 500 million yen to 4,109 million yen at the end of the fiscal year under review, from 4,609 million yen a year earlier, a decrease of 288 million yen in the current portion of bonds payable plus the current portion of long-term borrowings to 2,276 million yen at the end of the fiscal year under review, from 2,565 million yen a year earlier, and a decrease in income taxes payable of 143 million yen to 429 million yen at the end of the fiscal year under review, from 573 million yen a year earlier.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review amounted to 8,570 million yen, a decrease of 429 million yen compared to 9,000 million yen at the end of the previous fiscal year. This was primarily due to a decrease in lease liabilities of 108 million yen, from 446 million yen at the end of the previous fiscal year to 337 million yen at the end of the fiscal year under review, and a decrease in long-term borrowings of 347 million yen, from 5,950 million yen at the end of the previous fiscal year to 5,603 million yen at the end of the fiscal year under review.

(Net assets)

Net assets at the end of the consolidated fiscal year under review totaled 6,699 million yen, an increase of 367 million yen from 6,331 million yen at the end of the previous fiscal year. The main factor was an increase in retained earnings due to profit attributable to owners of parent posted in the fiscal year under review.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the end of the consolidated fiscal year under review was 3,991 million yen (a decrease of 613 million yen from the end of the previous fiscal year).

The cash flows in the fiscal year under review and factors relating to each are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 713 million yen (down 1,232 million yen year on year). This chiefly reflected profit before income taxes of 1,322 million yen, depreciation of 608 million yen, impairment losses of 200 million yen, amortization of goodwill of 700 million yen, and a decrease in inventories of 286 million yen, which were partially offset by an increase in trade receivables of 1,319 million yen, a decrease in trade payables of 500 million yen, and income taxes paid of 870 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 292 million yen, a decrease of 784 million yen from the previous fiscal year. This was attributable chiefly to the purchase of property, plant and equipment of 379 million yen chiefly due to the opening of new pharmacies, payments of guarantee deposits of 145 million yen, and the purchase of long-term prepaid expenses of 152 million yen, which were partially offset by insurance funds collected of 383 million yen.

(Cash flows from financing activities)

Net cash used in financial activities was 1,034 million yen (up 306 million yen year on year). This primarily reflected proceeds from long-term borrowings of 2,000 million yen, repayments of long-term borrowings of 2,609 million yen, repayments of lease liabilities of 263 million yen and dividends paid of 131 million yen.

(Reference) Trends in cash flow indices

	FY May 2018	FY May 2019	FY May 2020	FY May 2021	FY May 2022
Equity ratio (%)	21.8	21.9	22.6	24.3	26.9
Equity ratio on a market-value basis (%)	25.4	19.6	22.4	29.1	28.7
Ratio of interest-bearing debt to cash flow (years)	8.0	12.5	7.2	5.5	13.9
Interest coverage ratio (times)	12.3	10.3	21.4	25.7	10.8

Equity ratio: Shareholders' equity/Total assets

Equity ratio on a market-value basis: Equity market capitalization/Total assets

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

Interest coverage ratio: Cash flows/Interest expenses paid

* Each indicator is calculated based on consolidated financial data.

* The calculation of the cash flow and interest payments used the cash flow from operating activities and interest expenses paid stated in the Consolidated Statement of Cash Flows. Interest-bearing debt is all liabilities posted in the consolidated balance sheet for which interest is paid.

(4) Future outlook

The Group has been pursuing the ideal of the community-based “family pharmacy” and seeking to become the preferred “family pharmacy,” which contributes to community health care. The Group has been specifically striving to promote community health care (home medical care and dispensing at facilities) and generic drugs and making efforts to promote the use of electronic medicine notebooks and around-the-clock dispensing. Meanwhile, the Group has been building a system to provide services in response to local needs for self-medication and health support and has been striving to expand business outside the health insurance system.

Under the Medium-term Management Plan announced on December 24, 2021, the entire Group will (i) increase efforts to become the corporate group preferred by investors, (ii) develop business, primarily the dispensing business, to enhance revenue, and (iii) enhance the profit structure by strengthening the management infrastructure.

In the Dispensing Pharmacy Business, the Group will endeavor to (i) enhance training according to skills and cultivate healthy life advisers certified by the Company, (ii) support activities to maintain and promote users’ mental and physical health, and (iii) advance digital transformation in business. In the Drug/Convenience Store Business, the Group will seek to (i) promote use of customer information and (ii) improve profitability by scrapping unprofitable operations and building new ones.

The Company forecasts that consolidated net sales, operating profit and ordinary profit will be 51,909 million yen (up 0.6% year on year), 1,606 million yen (up 5.7%) and 1,561 million yen (up 2.9%), respectively, in the next fiscal year, reflecting the above initiatives. Profit attributable to owners of parent is forecast to be 543 million yen (up 21.4% year on year).

(5) Important events related to the going concern assumption, etc.

Not applicable.

2. Basic Approach towards Selection of Accounting Standards

The Company applies, and will apply for some time to come, Japanese GAAP, partly because the Group operates only in Japan. It does not operate overseas. Most of its stakeholders are shareholders, creditors, and business partners, among others, in Japan. The Company does not raise funds overseas. Another reason is to ensure comparability with competitors in Japan. The Company will consider the application of IFRS (International Financial Reporting Standards), taking into consideration trends in IFRS adoption.

3. Consolidated Financial Statements and Notes on Important Matters

(1) Consolidated balance sheet

(Million yen)

	As of May 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	4,604	3,991
Accounts receivable	936	484
Merchandise and finished goods	2,512	2,237
Raw materials and supplies	75	65
Accounts receivable - other	2,159	3,786
Other	267	319
Allowance for doubtful accounts	(10)	(5)
Total current assets	10,546	10,878
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,254	7,469
Accumulated depreciation	(4,129)	(4,347)
Buildings and structures, net	3,125	3,121
Machinery, equipment and vehicles	108	113
Accumulated depreciation	(95)	(86)
Machinery, equipment and vehicles, net	13	27
Tools, furniture and fixtures	1,148	1,164
Accumulated depreciation	(961)	(967)
Tools, furniture and fixtures, net	187	196
Land	2,607	2,616
Leased assets	669	689
Accumulated depreciation	(349)	(411)
Leased assets, net	319	278
Construction in progress	180	115
Total property, plant and equipment	6,434	6,355
Intangible assets		
Goodwill	4,025	3,220
Leased assets	293	215
Other	145	193
Total intangible assets	4,464	3,629
Investments and other assets		
Investment securities	61	60
Long-term loans receivable	2	1
Guarantee deposits	1,710	1,734
Deferred tax assets	786	741
Other	881	507
Allowance for doubtful accounts	(164)	(164)
Total investments and other assets	3,276	2,881
Total non-current assets	14,175	12,866
Deferred assets		
Bond issuance costs	2	1
Total deferred assets	2	1
Total assets	24,724	23,746

(Million yen)

	As of May 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,609	4,109
Current portion of bonds payable	27	—
Current portion of long-term borrowings	2,538	2,276
Lease liabilities	254	214
Accrued expenses	652	662
Income taxes payable	573	429
Provision for bonuses	47	46
Provision for loss on store closings	47	50
Other	642	687
Total current liabilities	9,392	8,477
Non-current liabilities		
Bonds payable	1,482	1,482
Long-term borrowings	5,950	5,603
Lease liabilities	446	337
Retirement benefit liability	708	781
Asset retirement obligations	108	111
Other	304	255
Total non-current liabilities	9,000	8,570
Total liabilities	18,392	17,047
Net assets		
Shareholders' equity		
Share capital	1,251	1,274
Capital surplus	1,476	1,529
Retained earnings	3,494	3,811
Treasury shares	(208)	(210)
Total shareholders' equity	6,013	6,405
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(0)	(5)
Total accumulated other comprehensive income	(1)	(6)
Share acquisition rights	208	208
Non-controlling interests	110	91
Total net assets	6,331	6,699
Total liabilities and net assets	24,724	23,746

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Net sales	52,324	51,608
Cost of sales	44,256	43,491
Gross profit	8,067	8,117
Selling, general and administrative expenses	6,821	6,596
Operating profit	1,246	1,520
Non-operating income		
Interest income	1	1
Dividend income	1	1
Gain on sale of goods	60	–
Rental income	23	17
Insurance claim income	5	61
COVID-19 subsidy income	312	27
Other	43	44
Total non-operating income	448	153
Non-operating expenses		
Interest expenses	75	65
Cost of lease revenue	5	10
Commission expenses	20	31
COVID-19 infection control expenses	280	21
Other	24	27
Total non-operating expenses	405	156
Ordinary profit	1,288	1,517
Extraordinary income		
Gain on sale of non-current assets	1	2
Gain on sale of investment securities	1	–
Reversal of provision for loss on store closings	–	21
Gain on revision of retirement benefit plan	23	–
Total extraordinary income	26	23
Extraordinary losses		
Loss on retirement of non-current assets	0	18
Loss on valuation of investment securities	5	–
Retirement benefit costs	55	–
Impairment losses	51	200
Total extraordinary losses	112	218
Profit before income taxes	1,202	1,322
Income taxes - current	764	816
Income taxes - deferred	18	47
Total income taxes	782	864
Profit	419	458
Profit (loss) attributable to non-controlling interests	(6)	10
Profit attributable to owners of parent	426	447

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Profit	419	458
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans, net of tax	(4)	(4)
Total other comprehensive income	(5)	(5)
Comprehensive income	414	453
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	421	442
Comprehensive income attributable to non-controlling interests	(6)	10

(3) Consolidated statements of changes in equity

Fiscal year ended May 31, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,229	1,437	3,197	(172)	5,693
Changes during period					
Issuance of new shares	21	21			42
Dividends of surplus			(130)		(130)
Sale of shares of consolidated subsidiaries		17			17
Profit attributable to owners of parent			426		426
Purchase of treasury shares				(35)	(35)
Net changes of items other than shareholders' equity					—
Total changes during period	21	38	296	(35)	320
Balance at end of period	1,251	1,476	3,494	(208)	6,013

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	0	3	3	211	37	5,946
Changes during period						
Issuance of new shares						42
Dividends of surplus						(130)
Sale of shares of consolidated subsidiaries					79	17
Profit attributable to owners of parent						426
Purchase of treasury shares						(35)
Net changes of items other than shareholders' equity	(0)	(4)	(5)	(2)	(6)	(14)
Total changes during period	(0)	(4)	(5)	(2)	72	385
Balance at end of period	(0)	(0)	(1)	208	110	6,331

Fiscal year ended May 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,251	1,476	3,494	(208)	6,013
Changes during period					
Issuance of new shares	23	23			47
Dividends of surplus			(130)		(130)
Profit attributable to owners of parent			447		447
Purchase of treasury shares				(2)	(2)
Other		29			29
Net changes of items other than shareholders' equity					—
Total changes during period	23	53	317	(2)	392
Balance at end of period	1,274	1,529	3,811	(210)	6,405

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(0)	(0)	(1)	208	110	6,331
Changes during period						
Issuance of new shares						47
Dividends of surplus						(130)
Profit attributable to owners of parent						447
Purchase of treasury shares						(2)
Other					(29)	—
Net changes of items other than shareholders' equity	(0)	(4)	(5)	—	10	5
Total changes during period	(0)	(4)	(5)	—	(18)	367
Balance at end of period	(0)	(5)	(6)	208	91	6,699

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,202	1,322
Depreciation	606	608
Impairment losses	51	200
Amortization of goodwill	738	700
Increase (decrease) in allowance for doubtful accounts	(28)	(6)
Increase (decrease) in retirement benefit liability	24	66
Increase (decrease) in provision for loss on store closings	–	3
Interest and dividend income	(3)	(3)
Insurance claim income	(5)	(61)
Interest expenses	75	65
Loss on retirement of non-current assets	0	18
Loss (gain) on sale of non-current assets	(1)	(2)
Loss (gain) on valuation of investment securities	5	–
Loss (gain) on sale of investment securities	(1)	–
Loss (gain) on revision of retirement benefit plan	(23)	–
Retirement benefit expenses	55	–
Decrease (increase) in trade receivables	365	(1,319)
Decrease (increase) in inventories	56	286
Increase (decrease) in trade payables	(582)	(500)
Decrease (increase) in consumption taxes refund receivable	26	5
Other, net	67	262
Subtotal	2,629	1,648
Interest and dividend income received	1	2
Interest paid	(75)	(66)
Income taxes paid	(609)	(870)
Net cash provided by (used in) operating activities	1,945	713
Cash flows from investing activities		
Proceeds from cancellation of insurance funds	0	383
Payments into time deposits	(2)	–
Proceeds from withdrawal of time deposits	10	–
Purchase of property, plant and equipment	(508)	(379)
Proceeds from sale of property, plant and equipment	41	2
Purchase of intangible assets	(44)	(87)
Proceeds from sale of investment securities	2	–
Payments of guarantee deposits	(373)	(145)
Proceeds from refund of guarantee deposits	68	86
Purchase of long-term prepaid expenses	(126)	(152)
Loan advances	(8)	–
Proceeds from collection of loans receivable	2	1
Guarantee deposits received	1	0
Payments for acquisition of businesses	(116)	–
Other, net	(23)	(1)
Net cash provided by (used in) investing activities	(1,076)	(292)

(Million yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20)	–
Proceeds from long-term borrowings	2,500	2,000
Repayments of long-term borrowings	(2,729)	(2,609)
Repayments of lease liabilities	(281)	(263)
Redemption of bonds	(128)	(27)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	97	–
Purchase of treasury shares	(36)	(2)
Dividends paid	(129)	(131)
Net cash provided by (used in) financing activities	(728)	(1,034)
Net increase (decrease) in cash and cash equivalents	140	(613)
Cash and cash equivalents at beginning of period	4,464	4,604
Cash and cash equivalents at end of period	4,604	3,991

(5) Notes on consolidated financial statements

(Note on going concern premise)

Not applicable.

(Changes in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the consolidated fiscal year under review. Under this new standard, the Company recognizes revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to the customer.

This change has no impact on the consolidated profit and loss of the fiscal year under review.

The Company applies the Accounting Standard for Revenue Recognition, etc. pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This has no impact on the beginning balance of retained earnings.

According to the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company did not implement a reclassification that reflects the new method for presenting the results of the previous consolidated fiscal year.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc. in the future in accordance with transitional measures stipulated in Paragraph 19 of the standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This application has no impact on consolidated financial statements.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segment information

The reportable segments of the Company are the units for which separate financial information can be obtained among the constituent units of the Company and for which the Board of Directors of the Company regularly carries out examinations to determine the allocation of management resources and assess the business performance.

The Company's main reportable segments are the Dispensing Pharmacy Business, which manages dispensing pharmacies, the Drug/Convenience Store Business, which manages drugstores, convenience stores, etc., the Storage and Management of Medical Documents Business, a business peripheral to the Dispensing Pharmacy Business, which is entrusted to store and manage medical documents, and the Medical Mall Management Business, which operates medical malls.

The Dispensing Pharmacy Business manages dispensing pharmacies that act as insurance pharmacies under the Health Insurance Act, and dispense ethical drugs to general patients based on prescriptions prepared by medical institutions.

The Drug/Convenience Store Business sells products other than ethical drugs, including primarily over-the-counter drugs, sanitary products, cosmetics, and daily goods through drugstores and convenience stores.

The Storage and Management of Medical Documents Business stores and archives on behalf of medical institutions medical documents, including medical records created when patients are examined at medical institutions.

The Medical Mall Management Business is a business related to the medical mall that the Hokkaido branch of Pharmarise Co., Ltd. operates in JR Tower Office Plaza Sapporo at JR Sapporo Station.

2. Method for determining sales, profit or loss, assets, liabilities and other items for reportable segments

The accounting method of reported business segments complies with the accounting policy adopted for preparing consolidated financial statements.

Segment profit as reported in this section is based on operating profit. Inter-segment profits and transfers are valued at market prices.

3. Reportable segment sales, profit or loss, assets, liabilities and other information

Fiscal year ended May 31, 2021

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on the consolidated financial statements
	Dispensing Pharmacy	Drug/Conv venience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	42,530	7,963	622	491	51,608	716	52,324	–	52,324
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,530	7,963	622	491	51,608	716	52,324	–	52,324
Segment profit (loss)	1,444	(42)	64	60	1,525	40	1,566	(320)	1,246
Segment assets	18,500	1,970	2,390	278	23,139	1,528	24,668	56	24,724
Other items									
Depreciation	410	42	41	64	559	46	606	–	606
Amortization of goodwill	591	–	95	–	686	51	738	–	738
Impairment loss	37	6	–	–	43	7	51	–	51
Increase in property, plant and equipment and intangible assets	698	39	4	1	743	37	780	–	780

(Notes) 1. The “other” segment includes the temporary help business and the system integration business for pharmaceutical companies.

2. Adjustments are as follows:

- (1) The adjustment to segment profit (loss) of -320 million yen is company expenses not distributed to the reportable segments. Company expenses are primarily expenses related to the administrative department of the reporting company that are not attributable to the reportable segments.
- (2) The adjustment to segment assets of 56 million yen is company assets not distributed to the reportable segments. Company assets are primarily cash and investment securities at the reporting company that are not attributable to the reportable segments.

Fiscal year ended May 31, 2022

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on the consolidated financial statements
	Dispensing Pharmacy	Drug/Conv venience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Net sales to outside customers	42,038	7,602	699	503	50,844	764	51,608	–	51,608
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,038	7,602	699	503	50,844	764	51,608	–	51,608
Segment profit (loss)	1,745	(146)	107	67	1,774	41	1,815	(294)	1,520
Segment assets	18,081	1,917	1,966	229	22,195	1,495	23,691	55	23,746
Other items									
Depreciation	415	44	41	65	567	41	608	–	608
Amortization of goodwill	559	–	95	–	655	45	700	–	700
Impairment losses	128	–	–	–	128	71	200	–	200
Increase in property, plant and equipment and intangible assets	356	89	16	23	486	66	552	–	552

(Notes) 1. The “other” segment includes the temporary help business and the system integration business for pharmaceutical companies.

2. Adjustments are as follows:

(1) The adjustment to segment profit (loss) of -294 million yen is company expenses not distributed to the reportable segments. Company expenses are primarily expenses related to the administrative department of the reporting company that are not attributable to the reportable segments.

(2) The adjustment to segment assets of 55 million yen is company assets not distributed to the reportable segments. Company assets are primarily cash and investment securities at the reporting company that are not attributable to the reportable segments.

(Related information)

Fiscal year ended May 31, 2021

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by geographical area

(1) Net sales

Disclosure of sales by geographic area is omitted as sales outside Japan in the consolidated statements of income and comprehensive income do not exist.

(2) Property, plant and equipment

There are no property, plant and equipment outside Japan.

3. Information by a major customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statements of income.

[Information on impairment losses in non-current assets by reportable segment]

This information is omitted because the same information is disclosed in the segment information section.

Fiscal year ended May 31, 2022

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by geographical area

(1) Net sales

Disclosure of sales by geographic area is omitted as sales outside Japan in the consolidated statements of income and comprehensive income do not exist.

(2) Property, plant and equipment

There are no property, plant and equipment outside Japan.

3. Information by a major customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statements of income.

[Information on impairment losses in non-current assets by reportable segment]

This information is omitted because the same information is disclosed in the segment information section.

(Information on the amortization of goodwill and the balance of unamortized goodwill by reportable segment)

Fiscal year ended May 31, 2021

(Million yen)

	Reportable segments					Other	Corporate or elimination	Total
	Dispensing Pharmacy	Drug/Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total			
Balance at end of period	2,938	–	896	–	3,834	190	–	4,025

(Note) Information on amortization of goodwill is omitted because the same information is disclosed in the segment information section.

Fiscal year ended May 31, 2022

(Million yen)

	Reportable segments					Other	Corporate or elimination	Total
	Dispensing Pharmacy	Drug/Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total			
Balance at end of period	2,346	–	801	–	3,147	73	–	3,220

(Note) Information on amortization of goodwill is omitted because the same information is disclosed in the segment information section.

(Information on gain on negative goodwill by reportable segment)

Fiscal year ended May 31, 2021

Not applicable.

Fiscal year ended May 31, 2022

Not applicable.

(Per share information)

Items	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Net assets per share	646.66 yen	684.20 yen
Earnings per share	45.83 yen	47.99 yen
Diluted Earnings per share	34.64 yen	36.29 yen

(Note) Earnings per share and diluted Earnings per share are calculated based on the following factors.

Items	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Earnings per share		
Profit attributable to owners of parent (million yen)	426	447
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	426	447
Average number of common shares during the period	9,305,437	9,331,334
Diluted Earnings per share		
Adjustment of profit attributable to owners of parent (million yen)	2	2
[Of that amount, interest expenses, net of tax (million yen)]	[2]	[2]
Number of increase in common shares	3,066,506	3,065,102
[Of which number of share acquisition rights (shares)]	[466,506]	[465,102]
[Of which convertible bond-type bonds with share acquisition rights (shares)]	[2,600,000]	[2,600,000]
Overview of dilutive shares not included in the calculation of diluted Earnings per share due to the absence of dilution	–	–

(Significant subsequent events)

Not applicable.