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Consolidated Financial Results for the Three Months Ended August 31, 2022 [Japanese GAAP]



October 11, 2022

Company name: Cosmos Pharmaceutical Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 3349

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Scheduled date of filing quarterly securities report: October 14, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended August 31, 2022 (June 1, 2022 - August 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended August 31, 2022	206,122	8.8	8,900	4.0	9,626	3.5	6,481	3.8
August 31, 2021	189,409	–	8,556	–	9,301	–	6,243	–

(Note) Comprehensive income: Three months ended August 31, 2022: ¥6,483 million [3.8%]

Three months ended August 31, 2021: ¥6,247 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2022	163.68	–
August 31, 2021	157.68	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter ended August 31, 2021. The figures for the first quarter ended August 31, 2021 reflect these accounting standards, and therefore, changes from the previous corresponding period are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2022	373,301	195,406	52.3
As of May 31, 2022	363,052	190,507	52.5

(Reference) Equity: As of August 31, 2022: ¥195,406 million

As of May 31, 2022: ¥190,507 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	–	40.00	–	40.00	80.00
Fiscal year ending May 31, 2023	–				
Fiscal year ending May 31, 2023 (Forecast)		42.50	–	42.50	85.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2023 (June 1, 2022 - May 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	400,000	7.8	14,920	(0.4)	16,420	(0.5)	11,100	(1.3)	280.31
Full year	813,500	7.7	30,000	0.7	33,000	0.4	23,200	0.2	585.87

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (Company name: –)
Excluded: – (Company name: –)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
Notes on accounting methods adopted particularly for the preparation of quarterly consolidated financial statements
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
 Notes on changes in accounting policies
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2022:	40,000,800 shares
May 31, 2022:	40,000,800 shares
 - 2) Total number of treasury shares at the end of the period:

August 31, 2022:	401,919 shares
May 31, 2022:	401,885 shares
 - 3) Average number of shares during the period:

Three months ended August 31, 2022:	39,598,896 shares
Three months ended August 31, 2021:	39,599,068 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The statements about future projections contained in this document, including the outlook for financial results, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results etc. may significantly differ from the projections due to various factors. As for matters concerning the financial results forecast, please see “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 2 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended August 31, 2022, the outlook of the Japanese economy remained uncertain with prices of raw materials and crude oil surging due to the sharp weakening of the yen, Russia's invasion of Ukraine, etc. Consequently, the prices of a variety of goods and services increased, resulting in consumers being increasingly budget-minded.

It was exactly because of these circumstances that the Group endeavored to make our drugstores "low priced, close and convenient" for consumers by strengthening price competitiveness through further pursuing low cost-operations.

As for the Group's store opening policy, the Group deployed new stores one after another with no concern about stores cannibalizing each other's sales that may result in a temporary decline in profitability. At the same time, the Group also expanded its store networks in new catchment areas. The number of newly opened stores stood at 4 in Kanto region, 4 in Chubu region, 2 in Kansai region, 4 in Chugoku region and 7 in Kyushu region, totaling 21. As 1 store was closed in line with a scrap-and-build approach, the number of stores at the end of the first quarter of the fiscal year ending May 31, 2023 became 1,264 in total.

As a result of the above measures, the Group's consolidated operating results for the three months ended August 31, 2022 were net sales of 206,122 million yen (108.8% of those for the same period a year earlier), operating profit of 8,900 million yen (104.0% of that for the same period a year earlier), ordinary profit of 9,626 million yen (103.5% of that for the same period a year earlier) and profit attributable to owners of parent of 6,481 million yen (103.8% of that for the same period a year earlier).

Segment information is omitted because the Group is comprised of a single business segment.

(2) Explanation of Financial Position

Total assets as of August 31, 2022 amounted to 373,301 million yen, an increase of 10,248 million yen from the end of the previous fiscal year. This was mainly due to increases of 2,355 million yen in cash and deposits, 2,648 million yen in other under current assets (including accounts receivable - other) and 6,421 million yen in property, plant and equipment, and a decrease of 1,475 million yen in merchandise.

Total liabilities amounted to 177,894 million yen, an increase of 5,348 million yen from the end of the previous fiscal year. This was mainly due to increases of 3,406 million yen in accounts payable - trade and 3,601 million yen in other under current liabilities (including accounts payable - other), and decreases of 1,296 million yen in income taxes payable and 396 million yen in long-term borrowings and Current portion of long-term borrowings.

Total net assets amounted to 195,406 million yen, an increase of 4,899 million yen from the end of the previous fiscal year. This was mainly due to an increase in retained earnings.

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

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2023, there is no change from the consolidated financial results forecast released on July 11, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	37,362	39,717
Accounts receivable - trade	198	268
Merchandise	66,151	64,676
Supplies	212	228
Other	11,546	14,194
Total current assets	115,471	119,085
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	174,662	178,269
Land	31,517	31,727
Other, net	19,106	21,711
Total property, plant and equipment	225,286	231,707
Intangible assets	433	431
Investments and other assets		
Leasehold and guarantee deposits	13,748	14,027
Construction assistance fund receivables	4,175	4,137
Other	3,936	3,911
Total investments and other assets	21,861	22,076
Total non-current assets	247,581	254,215
Total assets	363,052	373,301
Liabilities		
Current liabilities		
Accounts payable - trade	139,224	142,630
Current portion of long-term borrowings	1,387	1,316
Income taxes payable	4,773	3,476
Provision for loss on store closings	157	166
Other	16,520	20,121
Total current liabilities	162,063	167,712
Non-current liabilities		
Long-term borrowings	3,000	2,675
Retirement benefit liability	1,482	1,529
Asset retirement obligations	1,893	1,932
Other	4,105	4,044
Total non-current liabilities	10,481	10,182
Total liabilities	172,545	177,894

(Million yen)

	As of May 31, 2022	As of August 31, 2022
Net assets		
Shareholders' equity		
Share capital	4,178	4,178
Capital surplus	4,610	4,610
Retained earnings	181,954	186,852
Treasury shares	(241)	(242)
Total shareholders' equity	190,501	195,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Remeasurements of defined benefit plans	4	6
Total accumulated other comprehensive income	5	7
Total net assets	190,507	195,406
Total liabilities and net assets	363,052	373,301

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended August 31

(Million yen)

	For the three months ended August 31, 2021	For the three months ended August 31, 2022
Net sales	189,409	206,122
Cost of sales	151,420	163,829
Gross profit	37,988	42,293
Selling, general and administrative expenses	29,432	33,393
Operating profit	8,556	8,900
Non-operating income		
Interest income	12	11
Commission income	309	327
Rental income from real estate	315	294
Gain on receipt of donated non-current assets	115	124
Other	139	114
Total non-operating income	892	872
Non-operating expenses		
Interest expenses	13	12
Rental costs on real estate	113	113
Other	20	20
Total non-operating expenses	147	146
Ordinary profit	9,301	9,626
Extraordinary income		
Gain on sale of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	25	26
Loss on disaster	59	—
Loss on store closings	0	2
Provision for loss on store closings	2	15
Total extraordinary losses	88	44
Profit before income taxes	9,213	9,581
Income taxes	2,969	3,099
Profit	6,243	6,481
Profit attributable to owners of parent	6,243	6,481

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended August 31

(Million yen)

	For the three months ended August 31, 2021	For the three months ended August 31, 2022
Profit	6,243	6,481
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	3	2
Total other comprehensive income	3	2
Comprehensive income	6,247	6,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,247	6,483