



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending May 31, 2023 (Japan GAAP)

October 13, 2022

Company name: Pharmarise Holdings Corporation Listed on: Tokyo Stock Exchange, Prime Market
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 Scheduled date to file quarterly securities report: October 14, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly 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 first three months of the fiscal year ending May 31, 2023

(from June 1, 2022 to August 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	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	12,861	(1.5)	348	9.7	341	1.8	111	75.0
August 31, 2021	13,062	1.4	317	—	335	—	63	—

(Note) Comprehensive income Three months ended August 31, 2022: 114 million yen [83.8%]
 Three months ended August 31, 2021: 62 million yen [—%]

	Earnings per share	Diluted Earnings per share
	Yen	Yen
Three months ended August 31, 2022	11.88	8.99
August 31, 2021	6.83	5.18

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2022	23,151	6,683	27.6
May 31, 2022	23,746	6,699	26.9

(Reference) Equity As of August 31, 2022: 6,379 million yen As of May 31, 2022: 6,399 million yen

2. Cash dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	—	0.00	—	14.00	14.00
Fiscal year ending May 31, 2023	—	—	—	—	—
Fiscal year ending May 31, 2023 (forecast)	—	0.00	—	14.00	14.00

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

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.)

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

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

* Notes

(1) Changes in significant subsidiaries during the first three months of the fiscal year under review(changes in specified subsidiaries accompanying changes in the scope of consolidation): No
New: — (company name) Exception: — (company name)

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: Yes
Note: Please see “2. Consolidated Financial Statements and Notes on Important Matters, (3) Notes on quarterly consolidated financial statements” on page 10 of the Supplementary Information for more details.

(3) Changes in accounting policies, changes in accounting estimates, and restatement
(i) Changes in accounting policies due to the revision of accounting standards: No
(ii) Changes in accounting policies other than (i): No
(iii) Changes in accounting estimates: No
(iv) Retrospective restatement: No

(4) Number of issued shares (common shares)
(i) Total number of issued shares at the end of the period (including treasury shares):
As of August 31, 2022 9,673,785 shares As of May 31, 2022 9,673,785 shares
(ii) Total number of treasury shares at the end of the period:
As of August 31, 2022 321,100 shares As of May 31, 2022: 321,100 shares
(iii) Average number of shares issued and outstanding in each period (cumulative from the beginning of the fiscal year)
Three months ended August 31, 2022 9,352,685 shares Three months ended August 31, 2021 9,294,581 shares

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

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

The forward-looking statements such as the forecasts of financial results stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ materially, depending on a range of factors. For assumed conditions underlying the earnings forecast and cautionary statements in using the earnings forecast, please refer to “Explanation about the future outlook, including forecast for consolidated earnings” on page 5.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation regarding operating results

During the first three months of the consolidated fiscal year under review (June 1, 2022 through August 31, 2022), the Japanese economy was expected to begin improving as economic and social activities normalized, reflecting strict COVID-19 infection control. Nevertheless, there is a risk of downward pressure on the Japanese economy due to the weakening of overseas economies, caused by global monetary tightening, etc. Moreover, close attention needs to be paid to effects of price rises and restrictions on the supply side, among other issues.

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. 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.

During the first three months of the consolidated fiscal year under review, net sales totaled 12,861 million yen (down 1.5% year on year), with operating profit of 348 million yen (up 9.7%) and ordinary profit of 341 million yen (up 1.8%). Profit attributable to owners of parent came to 111 million yen (up 75.0%).

Segment performance was as follows.

The Group changed the reportable segments for the first quarter of the fiscal year under review and thereafter, and comparison and analysis for the first quarter were made based on new segments. For details of the change, please refer to “2. Matters relating to changes in reportable segments, etc.” under “2. Consolidated Financial Statements and Notes on Important Matters (3) Notes on quarterly consolidated financial statements (Significant subsequent events).”

Dispensing Pharmacy Business

In the first three months of the fiscal year under review, net sales in the Dispensing Pharmacy Business declined to 10,388 million yen (down 1.2% year on year), due to a drug price revision, but segment profit increased to 398 million yen (up 5.4% 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. In the first three months of the fiscal year under review, three pharmacies were opened, and one pharmacy was closed. The number of pharmacies operated by the Group was 303. The new additions were two pharmacies (Kanagawa Prefecture) under Eiso Pharmacy, which the Group acquired through share transfer, and one new pharmacy (Osaka Prefecture) opened by Pharmarise Co., Ltd.

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, dispensing of pharmaceuticals at facilities, pharmacies cooperating with local health care facilities, and pharmacies cooperating with specialized medical institutions) (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, (iv) promoting the Company’s unique “Continual Support Program,” a program to extend the healthy life expectancy, for the purpose of continuously supporting efforts to prevent lifestyle-related diseases, and (v) continuously promoting to provide setups for consultation that people can casually use and healthcare support at its pharmacies, ranging from non-prescription drugs and health food products to nursing care, meals and nutrition intake, in addition to functions of family pharmacists and pharmacies. The number of the Group’s pharmacies cooperating with local health care facilities is steadily rising, to 115 as of the end of the first three months of the fiscal year under review (an increase of 19 pharmacies compared to the end of the previous fiscal year). The Group is making preparations for pharmacies cooperating with specialized medical institutions to achieve certification. The number of “health support pharmacies” was 78 at the end of the first three months of the fiscal year under review (increasing 7 from the end of the previous fiscal year). The Group will continue to strive to increase the number.

Drug/Convenience Store Business

In the first quarter of the fiscal year under review, sales for the Drug/Convenience Store Business decreased 0.6% year on year, to 1,972 million yen, and the segment loss was 35 million yen (compared to a segment loss of 14 million yen a year ago). This was chiefly due to decreases in the number of customers at drugstores caused by weaker stay-at-home demand compared to the previous fiscal year. The number of the Group’s stores without any pharmacy section was 45 at the end of the first quarter of the fiscal year under review.

Storage and Management of Medical Documents Business

In the first quarter of the fiscal year under review, sales for the Storage and Management of Medical Documents Business increased 3.7% year on year, to 169 million yen, and the segment profit decreased 2.7%, to 20 million yen.

Medical Mall Management Business

Sales for the Medical Mall Management Business increased 0.2% year on year, to 126 million yen, and the segment profit increased 28.1%, to 19 million yen in the first quarter of the consolidated fiscal year under review.

Other

In the first quarter of the fiscal year under review, sales for the businesses in the Other segment decreased 25.0% year on year, to 204 million yen, and the segment profit was 21 million yen (compared to a segment loss of 8 million yen a year ago).

(2) Explanation regarding financial position

(Assets)

Assets at the end of the first three months of the consolidated fiscal year under review totaled 23,151 million yen, a decrease of 595 million yen from 23,746 million yen at the end of the previous fiscal year. This decrease was attributable to a decrease in cash and deposits, despite an increase in merchandise and finished goods.

(Liabilities)

Liabilities at the end of the first three months of the fiscal year under review amounted to 16,468 million yen, a decrease of 579 million yen compared to 17,047 million yen at the end of the previous fiscal year. This was attributable chiefly to decreases in income taxes payable, others (current liabilities), and long-term borrowing, which was partly offset by increases in accounts payable - trade and provision for bonuses.

(Net assets)

Net assets at the end of the first three months of the consolidated fiscal year under review totaled 6,683 million yen, a decrease of 16 million yen from 6,699 million yen at the end of the previous fiscal year. The main factor was a decrease in the balance of retained earnings due to dividend payment, which was partly offset by an increase in the balance of retained earnings due to profit attributable to owners of parent posted in the first quarter of the fiscal year under review.

(3) Explanation about the future outlook, including forecast for consolidated earnings

No changes have been made to the consolidated earnings forecasts for fiscal year ending May 2023, which was announced in the summary of financial results as of July 8, 2022.

2. Consolidated Financial Statements and Notes on Important Matters

(1) Quarterly consolidated balance sheet

(Million yen)

	As of May 31, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	3,991	2,933
Accounts receivable	484	554
Merchandise and finished goods	2,237	2,969
Raw materials and supplies	65	73
Accounts receivable - other	3,786	3,559
Other	319	297
Allowance for doubtful accounts	(5)	(6)
Total current assets	10,878	10,381
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,121	3,095
Land	2,616	2,612
Other, net	617	621
Total property, plant and equipment	6,355	6,328
Intangible assets		
Goodwill	3,220	3,181
Other	409	394
Total intangible assets	3,629	3,576
Investments and other assets		
Other	3,045	3,028
Allowance for doubtful accounts	(164)	(164)
Total investments and other assets	2,881	2,864
Total non-current assets	12,866	12,769
Deferred assets	1	0
Total assets	23,746	23,151

(Million yen)

	As of May 31, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,109	4,373
Current portion of long-term borrowings	2,276	2,128
Income taxes payable	429	189
Provision for bonuses	46	248
Provision for loss on store closings	50	49
Other	1,564	1,088
Total current liabilities	8,477	8,078
Non-current liabilities		
Bonds payable	1,482	1,482
Long-term borrowings	5,603	5,438
Retirement benefit liability	781	799
Asset retirement obligations	111	111
Other	592	558
Total non-current liabilities	8,570	8,390
Total liabilities	17,047	16,468
Net assets		
Shareholders' equity		
Share capital	1,274	1,274
Capital surplus	1,529	1,529
Retained earnings	3,811	3,792
Treasury shares	(210)	(210)
Total shareholders' equity	6,405	6,385
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(5)	(6)
Total accumulated other comprehensive income	(6)	(6)
Share acquisition rights	208	208
Non-controlling interests	91	95
Total net assets	6,699	6,683
Total liabilities and net assets	23,746	23,151

(2) Quarterly consolidated statements of income and quarterly comprehensive income

Quarterly consolidated statement of income

For three-month period

(Million yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Net sales	13,062	12,861
Cost of sales	11,023	10,763
Gross profit	2,039	2,098
Selling, general and administrative expenses	1,721	1,749
Operating profit	317	348
Non-operating income		
Interest income	0	0
Dividend income	1	0
Rental income	5	3
Insurance claim income	18	1
Other	15	9
Total non-operating income	40	16
Non-operating expenses		
Interest expenses	17	14
Commission expenses	1	5
Cost of lease revenue	2	2
Other	1	1
Total non-operating expenses	22	23
Ordinary profit	335	341
Extraordinary income		
Subsidy income	–	5
Total extraordinary income	–	5
Extraordinary losses		
Loss on sale of non-current assets	–	2
Loss on retirement of non-current assets	0	21
Impairment losses	42	–
Loss on tax purpose reduction entry of non-current assets	–	5
Total extraordinary losses	42	28
Profit before income taxes	293	318
Income taxes	230	203
Profit	62	114
Profit (loss) attributable to non-controlling interests	(0)	3
Profit attributable to owners of parent	63	111

Quarterly consolidated statement of comprehensive income

For three-month period

(Million yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Profit	62	114
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	(0)	(0)
Comprehensive income	62	114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	63	110
Comprehensive income attributable to non-controlling interests	(0)	3

(3) Notes on quarterly consolidated financial statements

(Note on going concern premise)

Not applicable.

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

Not applicable.

(Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Taxes are calculated by multiplying profit before income taxes by a reasonable estimate of the effective tax rate after adjustments for tax-effect accounting for profit before income taxes in the current fiscal year. However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

(Segment information, etc.)

(Segment information)

First three months ended August 31, 2021

1. Reportable segment sales, profit or loss

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	10,514	1,984	163	126	12,789	273	13,062	–	13,062
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	10,514	1,984	163	126	12,789	273	13,062	–	13,062
Segment profit (loss)	377	(14)	21	14	399	(8)	391	(73)	317

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

2. The adjustment to segment profit (loss), (73 million yen), is corporate costs that are not allocated to any of the reportable segments.

3. Segment income (loss) is adjusted to be consistent with the operating profit reported in the consolidated statements of income.

2. Information on impairment loss in non-current assets and goodwill by reported segment

(Important impairment loss on non-current assets)

The Dispensing Pharmacy Business and the businesses in the Other segment posted impairment losses of 0 million yen and 42 million yen, respectively.

First three months ended August 31, 2022

1. Reportable segment sales, profit or loss

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	10,388	1,972	169	126	12,656	204	12,861	–	12,861
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	10,388	1,972	169	126	12,656	204	12,861	–	12,861
Segment profit (loss)	398	(35)	20	19	402	21	424	(75)	348

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

2. The adjustment to segment profit (loss), (75 million yen), is corporate costs that are not allocated to any of the reportable segments.

3. Segment income (loss) is adjusted to be consistent with the operating profit reported in the consolidated statements of income.

2. Matters related to changes in reporting segments

Starting in the first three months of the fiscal year under review, wholesale transactions that previously have been included in the Dispensing Pharmacy Business and the Drug/Convenience Store Business are integrated in the Other segment. This was because the Company has determined that it is appropriate to separate the said transactions from the previous segments, reflecting management decisions and a review of operational performance by segment.

The segment information for the cumulative first three months of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

3. Information on impairment loss in non-current assets and goodwill by reportable segment

Not applicable.