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Consolidated Financial Results for the Nine Months Ended February 28, 2023 [Japanese GAAP]



April 10, 2023

Company name: Cosmos Pharmaceutical Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3349
 URL: <http://www.cosmospc.co.jp>
 Representative: Hideaki Yokoyama, President
 Contact: Futoshi Shibata, Director and Corporate Planning Department Manager
 Phone: +81-92-433-0660
 Scheduled date of filing quarterly securities report: April 14, 2023
 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 Nine Months Ended February 28, 2023 (June 1, 2022 - February 28, 2023)

(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	%
Nine months ended February 28, 2023	606,302	8.5	22,167	1.2	24,393	1.2	16,283	(1.0)
February 28, 2022	558,885	–	21,897	–	24,100	–	16,455	–

(Note) Comprehensive income: Nine months ended February 28, 2023: ¥16,291 million [(1.1)%]
 Nine months ended February 28, 2022: ¥16,466 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 28, 2023	411.22	–
February 28, 2022	415.56	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2022) and other standards from the beginning of the first quarter ended August 31, 2021. The figures for the nine months ended February 28, 2022 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 February 28, 2023	376,930	203,530	54.0
As of May 31, 2022	363,052	190,507	52.5

(Reference) Equity: As of February 28, 2023: ¥203,530 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	–	42.50	–		
Fiscal year ending May 31, 2023 (Forecast)				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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	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
- (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
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

February 28, 2023:	40,000,800 shares
May 31, 2022:	40,000,800 shares
 - 2) Total number of treasury shares at the end of the period:

February 28, 2023:	401,942 shares
May 31, 2022:	401,885 shares
 - 3) Average number of shares during the period:

Nine months ended February 28, 2023:	39,598,878 shares
Nine months ended February 28, 2022:	39,599,038 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 nine months ended February 28, 2023, the outlook of the Japanese economy remained uncertain, primarily due to the impacts of the rapid exchange rate fluctuations and Russia's protracted war against Ukraine. In particular, rising energy costs had a significant impact on the Japanese economy as a whole, contributing to increased prices of a variety of goods and services. Consequently, consumers were 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 21 in Kanto region, 15 in Chubu region, 7 in Kansai region, 6 in Chugoku region, 3 in Shikoku region, and 19 in Kyushu region, totaling 71. As 3 stores were closed in line with a scrap-and-build approach, the number of stores at the end of the third quarter of the fiscal year ending May 31, 2023 became 1,312 in total.

As a result of the above measures, for the nine months ended February 28, 2023 the Group's net sales were 606,302 million yen (108.5% of those for the same period a year earlier), operating profit was 22,167 million yen (101.2% of that for the same period a year earlier), ordinary profit was 24,393 million yen (101.2% of that for the same period a year earlier) and profit attributable to owners of parent was 16,283 million yen (99.0% 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 February 28, 2023 amounted to 376,930 million yen, an increase of 13,878 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 13,014 million yen in cash and deposits, and increases of 3,776 million yen in merchandise, 848 million yen in other under current assets (including accounts receivable - other), 21,100 million yen in property, plant and equipment, and 855 million yen in leasehold and guarantee deposits.

Total liabilities amounted to 173,400 million yen, an increase of 854 million yen from the end of the previous fiscal year. This was mainly due to decreases of 3,599 million yen in accounts payable - trade, 1,306 million yen in income taxes payable, and 1,062 million yen in long-term borrowings and current portion of long-term borrowings, and increases of 3,000 million yen in short-term borrowings and 3,649 million yen in other under current liabilities (including accounts payable - other).

Total net assets amounted to 203,530 million yen, an increase of 13,023 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 February 28, 2023
Assets		
Current assets		
Cash and deposits	37,362	24,347
Accounts receivable - trade	198	340
Merchandise	66,151	69,928
Supplies	212	205
Other	11,546	12,395
Total current assets	115,471	107,217
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	174,662	187,735
Land	31,517	32,942
Other, net	19,106	25,709
Total property, plant and equipment	225,286	246,387
Intangible assets	433	551
Investments and other assets		
Leasehold and guarantee deposits	13,748	14,604
Construction assistance fund receivables	4,175	4,229
Other	3,936	3,941
Total investments and other assets	21,861	22,775
Total non-current assets	247,581	269,713
Total assets	363,052	376,930
Liabilities		
Current liabilities		
Accounts payable - trade	139,224	135,625
Short-term borrowings	—	3,000
Current portion of long-term borrowings	1,387	1,299
Income taxes payable	4,773	3,467
Provision for loss on store closings	157	83
Other	16,520	20,169
Total current liabilities	162,063	163,645
Non-current liabilities		
Long-term borrowings	3,000	2,025
Retirement benefit liability	1,482	1,626
Asset retirement obligations	1,893	1,977
Other	4,105	4,126
Total non-current liabilities	10,481	9,755
Total liabilities	172,545	173,400

(Million yen)

	As of May 31, 2022	As of February 28, 2023
Net assets		
Shareholders' equity		
Share capital	4,178	4,178
Capital surplus	4,610	4,610
Retained earnings	181,954	194,971
Treasury shares	(241)	(242)
Total shareholders' equity	190,501	203,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Remeasurements of defined benefit plans	4	11
Total accumulated other comprehensive income	5	12
Total net assets	190,507	203,530
Total liabilities and net assets	363,052	376,930

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended February 28

(Million yen)

	For the nine months ended February 28, 2022	For the nine months ended February 28, 2023
Net sales	558,885	606,302
Cost of sales	447,432	481,993
Gross profit	111,453	124,309
Selling, general and administrative expenses	89,555	102,142
Operating profit	21,897	22,167
Non-operating income		
Interest income	38	35
Commission income	947	997
Rental income from real estate	919	897
Gain on receipt of donated non-current assets	408	344
Other	381	442
Total non-operating income	2,695	2,717
Non-operating expenses		
Interest expenses	40	34
Rental costs on real estate	328	352
Other	124	103
Total non-operating expenses	493	491
Ordinary profit	24,100	24,393
Extraordinary income		
Gain on sale of non-current assets	265	—
Insurance claim income	43	13
Compensation income	188	26
Subsidy income	2	—
Total extraordinary income	499	39
Extraordinary losses		
Loss on retirement of non-current assets	73	103
Loss on disaster	25	4
Loss on store closings	18	43
Provision for loss on store closings	85	48
Total extraordinary losses	202	199
Profit before income taxes	24,397	24,232
Income taxes	7,942	7,948
Profit	16,455	16,283
Profit attributable to owners of parent	16,455	16,283

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended February 28

(Million yen)

	For the nine months ended February 28, 2022	For the nine months ended February 28, 2023
Profit	16,455	16,283
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans, net of tax	11	7
Total other comprehensive income	10	7
Comprehensive income	16,466	16,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,466	16,291