



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

March 30, 2023

Company name: Pharmarise Holdings Corporation	Listed on: Tokyo Stock Exchange, Prime Market
Code number: 2796	URL https://www.pharmarise.com/en/
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Scheduled date to file quarterly securities report: April 7, 2023	
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 nine months of the fiscal year ending May 31, 2023 (from June 1, 2022 to February 28, 2023)

(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	%
Nine months ended February 28, 2023	38,730	0.4	896	(10.4)	890	(12.2)	208	(35.2)
February 28, 2022	38,579	0.3	1,000	31.4	1,014	65.7	322	182.5

(Note) Comprehensive income Nine months ended February 28, 2023: 217 million yen [-32.7%]
 Nine months ended February 28, 2022: 324 million yen [206.3%]

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
February 28, 2023	22.24	16.89
February 28, 2022	34.60	26.16

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
February 28, 2023	22,935	6,833	28.4
May 31, 2022	23,746	6,699	26.9

(Reference) Equity As of February 28, 2023: 6,523 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	—	0.00	—	—	—
Fiscal year ending May 31, 2023 (forecast)	—	—	—	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 indicate 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
Full year	51,794	0.4	1,411	(7.2)	1,379	(9.1)	397	(11.3)	42.27

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

* Notes

(1) Changes in significant subsidiaries during the first nine 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 February 28, 2023	9,746,645 shares	As of May 31, 2022	9,673,785 shares
(ii) Total number of treasury shares at the end of the period:			
As of February 28, 2023	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):			
Nine months ended February 28, 2023	9,392,184 shares	Nine months ended February 28, 2022	9,324,139 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 nine months of the consolidated fiscal year under review (June 1, 2022 through February 28, 2023), the Japanese economy gradually recovered despite signs of weakness in some areas just now. Looking ahead, the Japanese economy is expected to improve under a policy of living with COVID-19. Nevertheless, there is a risk of downward pressure on the Japanese economy due to the weakening of overseas economies, caused by continued global monetary tightening and other developments. Moreover, close attention needs to be paid to the effects of factors such as price rises, supply-side constraints and fluctuations in the financial and capital markets, and to the impact of a surge in China COVID-19 cases.

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 nine months of the consolidated fiscal year under review, net sales totaled 38,730 million yen (up 0.4% year on year), with operating profit of 896 million yen (down 10.4%) and ordinary profit of 890 million yen (down 12.2%). Profit attributable to owners of parent came to 208 million yen (down 35.2%).

Net sales grew year on year due to increases in the number of prescriptions and the average technical fee as well as increased sales in the convenience store section and the employment placement business.

On the profit front, despite good progress on the calculation of dispensing technical fees, operating profit, ordinary profit and profit attributable to owners of parent all declined year on year mainly due to forecast variances related to procurement conditions in the Dispensing Pharmacy Business, an increase in SG&A expenses due primarily to new pharmacy openings and M&A implemented in the current fiscal year, higher utility expenses in the Drug/Convenience Store Business and less-than-planned net sales in the drugstore section, in addition to the impact of NHI drug price revisions.

For the third quarter, net sales and profits increased compared to the same prior-year period.

Segment performance was as follows.

In the first quarter of the current fiscal year, the Group changed the business segments to be listed as reportable segments, and comparison and analysis for the first nine months of the fiscal year under review were made based on new segments. For details of the change, please refer to “2. Matters relating to changes in reportable segments, etc.” for the first nine months ended February 28, 2023 under “2. Consolidated Financial Statements and Notes on Important Matters (3) Notes on quarterly consolidated financial statements (Segment information, etc.)”

Dispensing Pharmacy Business

In the first nine months of the fiscal year under review, net sales in the Dispensing Pharmacy Business rose to 31,532 million yen (up 0.4% year on year) due to signs of recovery in the number of prescriptions against a backdrop of the easing of restrictions on hospital visits due to COVID-19 and a rise in dispensing technical fees received. Segment profit decreased to 1,129 million yen (down 9.3% year on year) mainly due to the impact of drug price revisions as well as forecast variances related to procurement conditions and an increase in SG&A expenses due primarily to new pharmacy openings and M&A implemented in the current fiscal year. In the first nine months of the fiscal year under review, six pharmacies were opened, and nine pharmacies was closed. The number of pharmacies operated by the Group was 298. The new additions were two pharmacies (Kanagawa Prefecture) under Eiso Pharmacy LLC, which the Group acquired through share transfer, one dispensing pharmacy (Mie Prefecture) under Kusuki Dispensing Pharmacy Co., Ltd., one pharmacy (Hokkaido) under Ikemoto Pharmacy LLC and two pharmacies (Tochigi and Osaka Prefectures) opening under 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, (v) launching a “concept pharmacy” initiative, in which each pharmacy brings out its own characteristics and action plan, with support from headquarters as needed and (vi) continuously promoting health support pharmacies that people can casually consult for matters, 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 health support pharmacies was 80 at the end of the first nine months of the fiscal year under review (increasing 9 from the end of the previous fiscal year), and the number of the Group’s pharmacies cooperating with local health care facilities increased to 121 (increasing 25 from the end of the previous fiscal year). The Group is also making preparations for pharmacies cooperating with

specialized medical institutions to achieve certification.

Drug/Convenience Store Business

In the first nine months of the fiscal year under review, sales for the Drug/Convenience Store Business increased 0.9% year on year, to 5,760 million yen, and the segment loss was 170 million yen (compared to a segment loss of 151 million yen a year ago). The sales increase mainly reflects sales growth in the convenience store section against a backdrop of the diminishing impacts of COVID-19. The loss was mainly due to sales decline in the drugstore section reflecting the impact of store closures the previous fiscal year and a decrease in demand for COVID-19-related products such as masks and other hygiene materials despite recovery of mainstay pharmaceutical products. In the future, the Group will also promote DX and e-commerce initiatives in this section.

In addition, the number of the Group's stores without any pharmacy section was 46, an increase of 1, at the end of the first six months of the fiscal year under review.

Storage and Management of Medical Documents Business

In the first nine months of the fiscal year under review, sales for the Storage and Management of Medical Documents Business decreased 6.0% year on year, to 485 million yen, and the segment profit decreased 21.1%, to 56 million yen, mainly affected by cost-cutting efforts at medical institutions to shorten the storage period of paper medical records, etc. On the other hand, needs for storage and management of paper medical records, etc., continue to arise, and we are developing sales activities to acquire these needs and provide new services.

Medical Mall Management Business

Business performance of the Medical Mall Management Business remained stable, with sales increasing 0.1% year on year, to 378 million yen and the segment profit rising 45.0%, to 70 million yen due to a decrease in depreciation in the first nine month of the consolidated fiscal year under review.

Other

In the first nine months of the fiscal year under review, sales for the businesses in the Other segment increased 2.3% year on year, to 573 million yen mainly due to success in meeting growing demand for DX human resources in the employment placement business. Due to increased sales and a smaller loss in the system integration business, segment profit increased 62.6% to 37 million yen.

(2) Explanation regarding financial position

(Assets)

Assets at the end of the first nine months of the consolidated fiscal year under review totaled 22,935 million yen, a decrease of 811 million yen from 23,746 million yen at the end of the previous fiscal year. This decrease was attributable chiefly to decreases in accounts receivable - other, despite an increase in merchandise and finished goods.

(Liabilities)

Liabilities at the end of the first nine months of the fiscal year under review amounted to 16,101 million yen, a decrease of 945 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 and long-term borrowings, which was partly offset by an increase in accounts payable - trade.

(Net assets)

Net assets at the end of the first nine months of the consolidated fiscal year under review totaled 6,833 million yen, an increase of 134 million yen from 6,699 million yen at the end of the previous fiscal year. The main factor was an increase in retained earnings.

(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 December 29, 2022.

2. Consolidated Financial Statements and Notes on Important Matters

(1) Quarterly consolidated balance sheet

(Million yen)

	As of May 31, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	3,991	4,421
Accounts receivable	484	560
Merchandise and finished goods	2,237	3,049
Raw materials and supplies	65	71
Accounts receivable - other	3,786	2,169
Other	319	331
Allowance for doubtful accounts	(5)	(5)
Total current assets	10,878	10,599
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,121	2,946
Land	2,616	2,600
Other, net	617	565
Total property, plant and equipment	6,355	6,112
Intangible assets		
Goodwill	3,220	2,939
Other	409	405
Total intangible assets	3,629	3,344
Investments and other assets		
Other	3,045	3,032
Allowance for doubtful accounts	(164)	(153)
Total investments and other assets	2,881	2,878
Total non-current assets	12,866	12,335
Deferred assets	1	0
Total assets	23,746	22,935

(Million yen)

	As of May 31, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,109	4,427
Current portion of bonds payable	—	1,482
Current portion of long-term borrowings	2,276	2,019
Income taxes payable	429	106
Provision for bonuses	46	283
Provision for loss on store closings	50	26
Other	1,564	1,095
Total current liabilities	8,477	9,442
Non-current liabilities		
Bonds payable	1,482	—
Long-term borrowings	5,603	5,262
Retirement benefit liability	781	817
Asset retirement obligations	111	113
Other	592	465
Total non-current liabilities	8,570	6,659
Total liabilities	17,047	16,101
Net assets		
Shareholders' equity		
Share capital	1,274	1,298
Capital surplus	1,529	1,553
Retained earnings	3,811	3,889
Treasury shares	(210)	(210)
Total shareholders' equity	6,405	6,531
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)	(7)
Share acquisition rights	208	208
Non-controlling interests	91	101
Total net assets	6,699	6,833
Total liabilities and net assets	23,746	22,935

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

Quarterly consolidated statement of income

For nine-month period

(Million yen)

	Nine months ended February 28, 2022	Nine months ended February 28, 2023
Net sales	38,579	38,730
Cost of sales	32,512	32,717
Gross profit	6,066	6,013
Selling, general and administrative expenses	5,065	5,116
Operating profit	1,000	896
Non-operating income		
Interest income	1	1
Dividend income	1	1
Commission income	10	20
Rental income	12	12
Other	86	21
Total non-operating income	112	57
Non-operating expenses		
Interest expenses	49	40
Cost of lease revenue	7	8
Other	40	13
Total non-operating expenses	98	62
Ordinary profit	1,014	890
Extraordinary income		
Gain on sale of non-current assets	2	1
Reversal of provision for loss on store closings	21	16
Subsidy income	–	61
Total extraordinary income	23	80
Extraordinary losses		
Loss on sale of non-current assets	–	5
Loss on retirement of non-current assets	18	31
Impairment losses	52	46
Loss on tax purpose reduction entry of non-current assets	–	61
Loss on cancellation of rental contracts	–	104
Total extraordinary losses	70	248
Profit before income taxes	967	722
Income taxes	641	503
Profit	326	218
Profit attributable to non-controlling interests	3	9
Profit attributable to owners of parent	322	208

Quarterly consolidated statement of comprehensive income
For nine-month period

(Million yen)

	Nine months ended February 28, 2022	Nine months ended February 28, 2023
Profit	326	218
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans, net of tax	(1)	(0)
Total other comprehensive income	(1)	(0)
Comprehensive income	324	217
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	320	208
Comprehensive income attributable to non-controlling interests	3	9

(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.)

First nine months ended February 28, 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	31,411	5,711	516	377	38,018	560	38,579	—	38,579
Inter-segment net sales or transfers	—	—	—	—	—	—	—	—	—
Total	31,411	5,711	516	377	38,018	560	38,579	—	38,579
Segment profit (loss)	1,244	(151)	71	48	1,213	22	1,236	(235)	1,000

(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), (235 million yen), is corporate costs that are not allocated to any of the reportable segments.

3. Segment profit (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 10 million yen and 42 million yen, respectively. The amount of the posted impairment losses was 52 million yen for the first nine months of the fiscal year under review.

First nine months ended February 28, 2023

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	31,532	5,760	485	378	38,156	573	38,730	–	38,730
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	31,532	5,760	485	378	38,156	573	38,730	–	38,730
Segment profit (loss)	1,129	(170)	56	70	1,086	37	1,123	(226)	896

(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), (226 million yen), is corporate costs that are not allocated to any of the reportable segments.

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

2. Matters relating to changes in reportable segments, etc.

Starting in the first three months of the fiscal year, 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 nine 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
(Important impairment loss on non-current assets)

The Dispensing Pharmacy Business posted an impairment loss of 46 million yen.