



Consolidated Financial Results for the Fiscal Year Ended May 31, 2023 (Japan GAAP)

July 11, 2023

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 Code number: 2796
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 Scheduled date of annual shareholders' meeting: August 30, 2023
 Scheduled date to commence dividend payments: August 31, 2023
 Scheduled date to file annual securities report: August 31, 2023
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: Yes (for analysts and institutional investors)

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August 30, 2023

August 31, 2023

August 31, 2023

None

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, 2023 (from June 1, 2022 to May 31, 2023)

(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, 2023	52,030	0.8	1,438	(5.4)	1,431	(5.7)	333	(25.6)
May 31, 2022	51,608	(1.4)	1,520	22.0	1,517	17.7	447	5.0

(Note) Comprehensive income Fiscal year ended May 31, 2023: 372 million yen [-17.8%]
 Fiscal year ended May 31, 2022: 453 million yen [9.2%]

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, 2023	35.45	26.90	5.1	6.1	2.8
May 31, 2022	47.99	36.29	7.2	6.3	2.9

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

Fiscal year ended May 31, 2023: – million yen Fiscal year ended May 31, 2022: – 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, 2023	23,421	6,987	28.5	708.01
May 31, 2022	23,746	6,699	26.9	684.20

(Reference) Equity As of May 31, 2023: 6,673 million yen As of May 31, 2022: 6,399 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, 2023	2,520	(703)	(1,072)	4,734
May 31, 2022	713	(292)	(1,034)	3,991

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, 2022	–	0.00	–	14.00	14.00	130	29.2	2.1
May 31, 2023	–	0.00	–	14.00	14.00	131	39.5	2.0
Fiscal year ending May 31, 2024 (forecast)	–	0.00	–	20.00	20.00		43.3	

(Note) Year-end dividend for the fiscal year 2024 includes an ordinary dividend of ¥14.00 and commemorative dividend of ¥6.00 for the 40th anniversary of founding.

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Percentages represent year-on-year changes.)

Six months	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	26,557	3.2	833	45.4	803	41.9	262	260.8	26.92
	53,546	2.9	1,477	2.7	1,423	(0.6)	449	34.9	46.14

* 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: | No |
| (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, 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 May 31, 2023 | 321,100 shares | As of May 31, 2022 | 321,100 shares |
| (iii) Average number of shares issued and outstanding in each period: | | | |
| Fiscal year ended May 31, 2023 | 9,400,592 shares | Fiscal year ended May 31, 2022 | 9,331,334 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, 2022 through May 31, 2023), the Japanese economy recovered moderately. Looking ahead, the Japanese economy is expected to continue staging a modest recovery amid improvement in the labor market and income situation. 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 effects of price rises and fluctuations in the financial and capital markets, 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 consolidated fiscal year under review, net sales totaled 52,030 million yen (up 0.8% year on year), with operating profit of 1,438 million yen (down 5.4%) and ordinary profit of 1,431 million yen (down 5.7%). Profit attributable to owners of parent came to 333 million yen (down 25.6%).

Net sales grew due to an increase in the number of prescriptions dispensed and an increase in dispensing sales driven by good progress with the determination of technical fees, both of which offset the impact of drug price revisions, as well as strong sales in the convenience store section and the fee-charging employment placement business.

Operating profit, ordinary profit, and profit attributable to owners of parent all fell year on year, chiefly reflecting a decrease in net sales due to weaker demand for COVID-19-related products such as masks and other hygiene materials and the absence of stay-at-home demand and an increase in utility and other costs in the drugstore section of the Drug/Convenience Store Business, and decreased profit in other segments as a result of decreased sales in drug wholesale transactions and decreased sales in the Storage and Management of Medical Documents Business.

The profit decline in the Dispensing Pharmacy Business, which was largely attributable to changes in the procurement environment, narrowed from 193 million yen for the first six months of the fiscal year under review to 26 million yen on a full year basis, thanks to a recovery in the number of prescriptions and increase in the average technical fee, especially from the third quarter.

Segment performance was as follows.

In the current fiscal year, the Group changed the business segments to be listed as reportable segments, and comparison and analysis for the fiscal year under review were made based on new segments. For details of the change, please refer to “3. Matters relating to changes in reportable segments, etc.” under “3. Consolidated Financial Statements and Notes on Important Matters (5) Notes on consolidated financial statements (Segment information, etc.).”

Dispensing Pharmacy Business

In the fiscal year under review, net sales in the Dispensing Pharmacy Business rose to 42,327 million yen (up 0.8% year on year) due to a clear tendency for recovery in the number of prescriptions from the third quarter, largely attributable to the easing of restrictions on hospital visits due to COVID-19, and increased determination of dispensing technical fees, in addition to the effects of M&A and new pharmacy openings. Segment profit decreased to 1,685 million yen (down 1.5% year on year) mainly due to the impact of drug price revisions and changes in the procurement environment as well as an increase in SG&A expenses due primarily to new pharmacy openings and M&A implemented in the current fiscal year, which could not be fully offset by positive factors such as an increase in the number of prescriptions and growth in dispensing technical fee income. In the fiscal year under review, eight pharmacies were opened, and nine pharmacies was closed. The number of pharmacies operated by the Group was 300. 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, two pharmacies (Mie Prefecture) under Oki 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 82 at the end of the fiscal year under review (increasing 11 from the end of the previous fiscal year), and the number of the Group's pharmacies cooperating with local health care facilities increased to 117 (increasing 21 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 fiscal year under review, sales for the Drug/Convenience Store Business increased 2.3% year on year, to 7,771 million yen, and the segment loss was 199 million yen (compared to a segment loss of 150 million yen a year ago). The sales increase mainly reflects sales growth in the convenience store section against a backdrop of a resumption of economic activity given the diminishing impacts of COVID-19. The loss was mainly due to a decline in gross profit in the drugstore section, reflecting a decline in sales due to weaker demand for COVID-19-related products such as masks and other hygiene materials and the absence of stay-at-home demand, which outweighed a recovery of mainstay pharmaceutical products.

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 fiscal year under review, sales for the Storage and Management of Medical Documents Business decreased 7.6% year on year, to 646 million yen, and the segment profit decreased 24.6%, to 81 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 0.4% year on year, to 505 million yen and the segment profit rising 35.2%, to 90 million yen due to a decrease in depreciation in the first nine month of the consolidated fiscal year under review.

Other

In the fiscal year under review, sales for the businesses in the Other segment decreased 3.1% year on year, to 779 million yen mainly due to decreased sales from drug wholesale transactions, which offset strong sales in the fee-charging employment placement business. Segment profit decreased 53.7% year on year, to 36 million yen, mainly due to lower profits in medical IT solutions business, in addition to decreased sales in drug wholesale transactions.

(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 11,372 million yen, an increase of 493 million yen from 10,878 million yen at the end of the previous fiscal year. This was primarily due to an increase in cash and deposits of 751 million yen, from 3,991 million yen at the end of the previous fiscal year to 4,742 million yen at the end of the fiscal year under review, which offset a decrease in accounts receivable (total of accounts receivable and accounts receivable other) of 246 million yen, from 4,270 million yen at the end of the previous fiscal year to 4,024 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 12,048 million yen, a decrease of 818 million yen from 12,866 million yen at the end of the previous fiscal year. This primarily reflected a decrease in goodwill of 472 million yen, from 3,220 million yen at the end of the previous fiscal year to 2,748 million yen at the end of the fiscal year under review, and a decrease of 218 million yen in building and structures, net, from 3,121 million yen at the end of the previous fiscal year to 2,902 million yen at the end of the fiscal year under review.

(Current liabilities)

Current liabilities were 9,835 million yen at the end of the consolidated fiscal year under review, up 1,358 million yen from 8,477 million yen a year earlier. This was attributable chiefly to an increase in accounts payable - trade of 142 million yen to 4,252 million yen at the end of the fiscal year under review, from 4,109 million yen a year earlier and an increase of 1,213 million yen in the current portion of bonds payable plus the current portion of long-term borrowings to 3,490 million yen at the end of the fiscal year under review, from 2,276 million yen a year earlier.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review amounted to 6,598 million yen, a decrease of 1,972 million yen compared to 8,570 million yen at the end of the previous fiscal year. This was primarily due to a decrease in bonds and long-term borrowings of 1,868 million yen, from 7,085 million yen at the end of the previous fiscal year to 5,216 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 6,987 million yen, an increase of 288 million yen from 6,699 million yen at the end of the previous fiscal year. The main factor was an increase in retained earnings 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 4,734 million yen (an increase of 743 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 2,520 million yen (up 1,806 million yen year on year). This was attributable chiefly to the posting of profit before income taxes of 1,049 million yen, depreciation of 589 million yen, Impairment losses of 244 million yen, and amortization of goodwill of 635 million yen and a decrease of 482 million yen in trade receivables, which were partially offset by a decrease of 836 million yen in cash due to income taxes refund (paid).

(Cash flows from investing activities)

Net cash used in investing activities totaled 703 million yen, an increase of 411 million yen from the previous fiscal year. This was attributable mainly to the purchase of property, plant and equipment of 380 million yen chiefly due to the opening of new pharmacies, the purchase of intangible assets of 162 million yen, payments of guarantee deposits of 158 million yen, and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 180 million yen, which were partially offset by proceeds from refund of guarantee deposits of 197 million yen.

(Cash flows from financing activities)

Net cash used in financial activities was 1,072 million yen (up 38 million yen year on year). This primarily reflected proceeds from long-term borrowings of 1,700 million yen, repayments of long-term borrowings of 2,419 million yen, repayments of lease liabilities of 222 million yen and dividends paid of 131 million yen.

(Reference) Trends in cash flow indices

	FY May 2019	FY May 2020	FY May 2021	FY May 2022	FY May 2023
Equity ratio (%)	21.9	22.6	24.3	26.9	28.5
Equity ratio on a market-value basis (%)	19.6	22.4	29.1	28.7	24.6
Ratio of interest-bearing debt to cash flow (years)	12.5	7.2	5.5	13.9	3.6
Interest coverage ratio (times)	10.3	21.4	25.7	10.8	45.4

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) pursue its mission of promoting medical care, nursing care and health care to meet the needs of a super-aged society and contributing to community healthcare through family pharmacies, (ii) provide support for campaigns to maintain and improve the health of the Japanese people on the theme “physical, mental and social wellness” through its accredited and qualified healthy life advisors, and (iii) promote online guidance through the establishment of centers for greater operational efficiency and digital transformation. In the Drug/Convenience Store Business, the Group will (i) implement a “scrap and build” policy, (ii) increase use of customer information, (iii) improve profitability through changes to counters and product selection, and (iv) develop new business formats.

The Company forecasts that consolidated net sales, operating profit and ordinary profit will be 53,546 million yen (up 2.9% year on year), 1,477 million yen (up 2.7%) and 1,423 million yen (down 0.6%), respectively, in the next fiscal year, reflecting the above initiatives. Profit attributable to owners of parent is forecast to be 449 million yen (up 34.9% 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 almost exclusively in Japan. 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, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	3,991	4,742
Accounts receivable	484	611
Merchandise and finished goods	2,237	2,225
Raw materials and supplies	65	65
Accounts receivable - other	3,786	3,412
Other	319	320
Allowance for doubtful accounts	(5)	(6)
Total current assets	10,878	11,372
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,469	7,501
Accumulated depreciation	(4,347)	(4,599)
Buildings and structures, net	3,121	2,902
Machinery, equipment and vehicles	113	106
Accumulated depreciation	(86)	(85)
Machinery, equipment and vehicles, net	27	20
Tools, furniture and fixtures	1,164	1,280
Accumulated depreciation	(967)	(1,026)
Tools, furniture and fixtures, net	196	254
Land	2,616	2,587
Leased assets	689	624
Accumulated depreciation	(411)	(411)
Leased assets, net	278	213
Construction in progress	115	30
Total property, plant and equipment	6,355	6,010
Intangible assets		
Goodwill	3,220	2,748
Leased assets	215	188
Other	193	313
Total intangible assets	3,629	3,250
Investments and other assets		
Investment securities	60	82
Long-term loans receivable	1	1
Guarantee deposits	1,734	1,680
Deferred tax assets	741	778
Other	507	397
Allowance for doubtful accounts	(164)	(152)
Total investments and other assets	2,881	2,787
Total non-current assets	12,866	12,048
Deferred assets		
Bond issuance costs	1	0
Total deferred assets	1	0
Total assets	23,746	23,421

(Million yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,109	4,252
Current portion of bonds payable	—	1,482
Current portion of long-term borrowings	2,276	2,008
Lease liabilities	214	187
Accrued expenses	662	760
Income taxes payable	429	333
Provision for bonuses	46	45
Provision for loss on store closings	50	21
Other	687	743
Non-current liabilities	8,477	9,835
Bonds payable		
Long-term borrowings	1,482	—
Lease liabilities	5,603	5,216
Retirement benefit liability	337	245
Asset retirement obligations	781	791
Other	111	111
Total non-current liabilities	255	232
Non-current liabilities	8,570	6,598
Total liabilities	17,047	16,433
Net assets		
Shareholders' equity		
Share capital	1,274	1,298
Capital surplus	1,529	1,553
Retained earnings	3,811	4,014
Treasury shares	(210)	(210)
Total shareholders' equity	6,405	6,655
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(5)	18
Total accumulated other comprehensive income	(6)	17
Share acquisition rights	208	208
Non-controlling interests	91	105
Total net assets	6,699	6,987
Total liabilities and net assets	23,746	23,421

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net sales	51,608	52,030
Cost of sales	43,491	43,896
Gross profit	8,117	8,134
Selling, general and administrative expenses	6,596	6,695
Operating profit	1,520	1,438
Non-operating income		
Interest income	1	1
Dividend income	1	1
Commission income	14	24
Rental income	17	16
COVID-19 subsidy income	27	15
Other	91	17
Total non-operating income	153	76
Non-operating expenses		
Interest expenses	65	55
Cost of lease revenue	10	10
Commission expenses	31	8
COVID-19 infection control expenses	21	0
Other	27	7
Total non-operating expenses	156	82
Ordinary profit	1,517	1,431
Extraordinary income		
Gain on sale of non-current assets	2	1
Reversal of provision for loss on store closings	21	16
Gain on bargain purchase	–	30
Subsidy income	–	88
Total extraordinary income	23	137
Extraordinary losses		
Loss on sale of non-current assets	–	5
Loss on retirement of non-current assets	18	59
Loss on tax purpose reduction entry of non-current assets	–	90
Loss on cancellation of rental contracts	–	119
Impairment losses	200	244
Total extraordinary losses	218	518
Profit before income taxes	1,322	1,049
Income taxes - current	816	749
Income taxes - deferred	47	(47)
Total income taxes	864	702
Profit	458	347
Profit attributable to non-controlling interests	10	14
Profit attributable to owners of parent	447	333

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Profit	458	347
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans, net of tax	(4)	24
Total other comprehensive income	(5)	24
Comprehensive income	453	372
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	442	357
Comprehensive income attributable to non-controlling interests	10	14

(3) Consolidated statements of changes in equity

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

Fiscal year ended May 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,274	1,529	3,811	(210)	6,405
Changes during period					
Issuance of new shares	23	23			47
Dividends of surplus			(130)		(130)
Profit attributable to owners of parent			333		333
Purchase of treasury shares					–
Other					–
Net changes of items other than shareholders' equity					–
Total changes during period	23	23	202	–	249
Balance at end of period	1,298	1,553	4,014	(210)	6,655

	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)	(5)	(6)	208	91	6,699
Changes during period						
Issuance of new shares						47
Dividends of surplus						(130)
Profit attributable to owners of parent						333
Purchase of treasury shares						–
Other						–
Net changes of items other than shareholders' equity	0	24	24	–	14	38
Total changes during period	0	24	24	–	14	288
Balance at end of period	(0)	18	17	208	105	6,987

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,322	1,049
Depreciation	608	589
Impairment losses	200	244
Amortization of goodwill	700	635
Gain on bargain purchase	–	(30)
Increase (decrease) in allowance for doubtful accounts	(6)	(11)
Decrease (increase) in allowance for bonuses	(1)	(4)
Increase (decrease) in provision for loss on store closings	3	(29)
Increase (decrease) in retirement benefit liability	66	42
Interest and dividend income	(3)	(2)
Interest expenses	65	55
Subsidy income	–	(88)
Loss (gain) on sale of non-current assets	(2)	3
Loss on retirement of non-current assets	18	59
Loss on cancellation of rental contracts	–	119
Loss on tax purpose reduction entry of non-current assets	–	90
Decrease (increase) in trade receivables	(1,319)	482
Decrease (increase) in inventories	286	68
Increase (decrease) in trade payables	(500)	13
Decrease (increase) in consumption taxes refund receivable	5	(48)
Other, net	202	82
Subtotal	1,648	3,322
Interest and dividend income received	2	1
Interest paid	(66)	(55)
Income taxes refund (paid)	(870)	(836)
Subsidies received	–	88
Net cash provided by (used in) operating activities	713	2,520
Cash flows from investing activities		
Purchase of property, plant and equipment	(379)	(380)
Proceeds from sale of property, plant and equipment	2	32
Purchase of intangible assets	(87)	(162)
Payments of guarantee deposits	(145)	(158)
Proceeds from refund of guarantee deposits	86	197
Purchase of long-term prepaid expenses	(152)	(40)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(180)
Collection of loans receivable	1	0
Proceeds from cancellation of insurance funds	383	–
Other, net	0	11
Net cash provided by (used in) investing activities	(292)	(703)

(Million yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	2,000	1,700
Repayments of long-term borrowings	(2,609)	(2,419)
Repayments of lease liabilities	(263)	(222)
Redemption of bonds	(27)	—
Purchase of treasury shares	(2)	—
Dividends paid	(131)	(131)
Net cash provided by (used in) financing activities	(1,034)	(1,072)
Net increase (decrease) in cash and cash equivalents	(613)	743
Cash and cash equivalents at beginning of period	4,604	3,991
Cash and cash equivalents at end of period	3,991	4,734

(5) Notes on consolidated financial statements

(Note on going concern premise)

Not applicable.

(Segment information, etc.)

1. Overview of reportable segment information

The reportable segments of the Company group are the units for which separate financial information can be obtained among the constituent units of the Company group and for which the Board of Directors of the Company group 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 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. Matters relating to changes in reportable segments, etc.

Starting in 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 previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

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

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/Conven- ience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	42,002	7,598	699	503	50,804	804	51,608	–	51,608
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,002	7,598	699	503	50,804	804	51,608	–	51,608
Segment profit (loss)	1,711	(150)	107	67	1,735	79	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.

Fiscal year ended May 31, 2023

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on the consolidated financial statements
	Dispensing Pharmacy	Drug/Conven- ience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	42,327	7,771	646	505	51,251	779	52,030	–	52,030
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,327	7,771	646	505	51,251	779	52,030	–	52,030
Segment profit (loss)	1,685	(199)	81	90	1,657	36	1,694	(255)	1,438
Segment assets	17,532	1,888	1,768	199	21,388	1,976	23,365	55	23,421
Other items									
Depreciation	425	44	42	34	547	42	589	–	589
Amortization of goodwill	520	–	95	–	615	19	635	–	635
Impairment losses	243	0	–	–	244	–	244	–	244
Increase in property, plant and equipment and intangible assets	476	4	8	0	489	108	598	–	598

(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 -255 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, 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.

Fiscal year ended May 31, 2023

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, 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.

Fiscal year ended May 31, 2023

(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	1,988	–	706	–	2,694	53	–	2,748

(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, 2022

Not applicable.

Fiscal year ended May 31, 2023

The reporting company made Oki Pharmacy LLC into a consolidated subsidiary through an acquisition of shares on April 26, 2022.

As a result, the Company recognized a gain on bargain purchase of 30 million yen in the consolidated fiscal year under review.

The gain on bargain purchase has not been allocated to the respective reportable segment.

(Per share information)

Items	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net assets per share	684.20 yen	708.01 yen
Earnings per share	47.99 yen	35.45 yen
Diluted earnings per share	36.29 yen	26.90 yen

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

Items	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Earnings per share		
Profit attributable to owners of parent (million yen)	447	333
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	447	333
Average number of common shares during the period	9,331,334	9,400,592
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	3,065,102	3,065,004
[Of which number of share acquisition rights (shares)]	[465,102]	[465,004]
[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.