

Translation

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Summary of Consolidated Financial Results for the Year Ended July 31, 2023 (Based on Japanese GAAP)

September 11, 2023

Company name: Pharma Foods International Co.,Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2929 URL <https://www.pharmafoods.co.jp/>
 Representative: President Mujo Kim
 General Manager of Administration
 Inquiries: Department Toshihiro Kawanaka TEL 075-394-8600
 Scheduled date of ordinary general meeting of shareholders: October 25, 2023
 Scheduled date to file Securities Report: October 25, 2023
 Scheduled date to commence dividend payments: October 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended July 31, 2023 (from August 1, 2022 to July 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended July 31, 2023	68,572	13.9	3,610	234.1	3,540	179.9	3,081	–
Year ended July 31, 2022	60,185	28.7	1,080	(81.0)	1,264	(78.1)	(374)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended July 31, 2023	106.70	–	36.9	10.5	5.3
Year ended July 31, 2022	(12.89)	–	–	4.9	1.8

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2023	36,232	9,630	26.6	333.88
As of July 31, 2022	31,159	7,074	22.7	243.65

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended July 31, 2023	6,125	(1,013)	2,341	16,306
Year ended July 31, 2022	(6,065)	(2,539)	7,679	8,845

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended July 31, 2022	–	10.00	–	10.00	20.00	580	–	7.5
Year ended July 31, 2023	–	10.00	–	12.00	22.00	634	20.6	7.6
Year ending July 31, 2024 (Forecast)	–	10.00	–	10.00	20.00		20.7	

3. Forecast of consolidated financial results for the year ending July 31, 2024 (from August 1, 2023 to July 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	72,047	5.1	3,338	(7.5)	3,300	(6.8)	2,784	(9.6)	96.55

4. Notes

- (1) Changes in significant subsidiaries during the year ended July 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of July 31, 2023	29,079,000 shares	As of July 31, 2022	29,073,800 shares
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Number of treasury shares at the end of the period

As of July 31, 2023	233,994 shares	As of July 31, 2022	52,483 shares
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Average number of shares during the period

Year ended July 31, 2023	28,876,505 shares	Year ended July 31, 2022	29,013,832 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	8,845	16,306
Notes and accounts receivable - trade	6,702	4,058
Electronically recorded monetary claims - operating	732	526
Merchandise and finished goods	4,704	4,594
Work in process	478	676
Raw materials and supplies	884	783
Other	1,175	588
Allowance for doubtful accounts	(9)	(2)
Total current assets	23,513	27,530
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,549	2,449
Machinery, equipment and vehicles, net	457	541
Tools, furniture and fixtures, net	176	154
Land	1,193	1,190
Leased assets, net	31	21
Construction in progress	50	47
Total property, plant and equipment	4,458	4,404
Intangible assets		
Goodwill	270	197
Other	34	41
Total intangible assets	305	238
Investments and other assets		
Investment securities	1,572	2,514
Deferred tax assets	47	395
Other	1,262	1,149
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,881	4,058
Total non-current assets	7,645	8,701
Total assets	31,159	36,232

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,176	937
Short-term borrowings	15,400	17,400
Current portion of long-term borrowings	760	955
Accounts payable - other	4,077	3,728
Income taxes payable	434	264
Provision for bonuses	70	72
Other	876	1,016
Total current liabilities	22,795	24,374
Non-current liabilities		
Long-term borrowings	697	1,741
Retirement benefit liability	427	320
Other	164	165
Total non-current liabilities	1,288	2,227
Total liabilities	24,084	26,601
Net assets		
Shareholders' equity		
Share capital	2,042	2,043
Capital surplus	1,820	1,814
Retained earnings	3,300	5,792
Treasury shares	(138)	(343)
Total shareholders' equity	7,024	9,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	324
Total accumulated other comprehensive income	46	324
Share acquisition rights	0	–
Non-controlling interests	2	–
Total net assets	7,074	9,630
Total liabilities and net assets	31,159	36,232

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Net sales	60,185	68,572
Cost of sales	12,077	13,293
Gross profit	48,108	55,279
Selling, general and administrative expenses		
Research and development expenses	766	840
Advertising expenses	35,748	38,865
Commission expenses	3,412	4,096
Amortization of goodwill	51	72
Other	7,049	7,794
Total selling, general and administrative expenses	47,028	51,669
Operating profit	1,080	3,610
Non-operating income		
Interest income	2	1
Dividend income	36	26
Foreign exchange gains	37	8
Subsidy income	94	54
Share of profit of entities accounted for using equity method	5	–
Outsourcing service income	16	16
Compensation income	–	25
Other	35	35
Total non-operating income	228	169
Non-operating expenses		
Interest expenses	26	48
Loss on investments in investment partnerships	–	14
Loss on valuation of investment securities	–	50
Share of loss of entities accounted for using equity method	–	82
Commission expenses	14	30
Expenses related to product collection, etc.	–	5
Other	2	6
Total non-operating expenses	43	239
Ordinary profit	1,264	3,540
Extraordinary income		
Gain on sale of non-current assets	77	–
Gain on receipt of donated non-current assets	–	8
Gain on bargain purchase	82	–
Total extraordinary income	160	8
Extraordinary losses		
Loss on valuation of investment securities	1	–
Loss on sale of non-current assets	–	6
Loss on retirement of non-current assets	0	–
Total extraordinary losses	1	6
Profit before income taxes	1,423	3,542
Income taxes - current	1,400	922
Income taxes - deferred	397	(460)
Total income taxes	1,797	462
Profit (loss)	(374)	3,080
Loss attributable to non-controlling interests	–	(0)
Profit (loss) attributable to owners of parent	(374)	3,081

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Profit (loss)	(374)	3,080
Other comprehensive income		
Valuation difference on available-for-sale securities	37	278
Total other comprehensive income	37	278
Comprehensive income	(336)	3,358
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(336)	3,359
Comprehensive income attributable to non-controlling interests	–	(0)

Consolidated statements of changes in equity

Fiscal year ended July 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,038	1,817	4,599	–	8,455
Cumulative effects of changes in accounting policies			(37)		(37)
Restated balance	2,038	1,817	4,561	–	8,417
Changes during period					
Dividends of surplus			(871)		(871)
Profit attributable to owners of parent			(374)		(374)
Purchase of treasury shares				(299)	(299)
Disposal of treasury shares		(15)		161	146
Transfer from retained earnings to capital surplus		15	(15)		–
Exercise of share acquisition rights	3	3			6
Net changes in items other than shareholders' equity					
Total changes during period	3	3	(1,260)	(138)	(1,392)
Balance at end of period	2,042	1,820	3,300	(138)	7,024

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	8	8	1	–	8,465
Cumulative effects of changes in accounting policies					(37)
Restated balance	8	8	1	–	8,428
Changes during period					
Dividends of surplus					(871)
Profit attributable to owners of parent					(374)
Purchase of treasury shares					(299)
Disposal of treasury shares					146
Transfer from retained earnings to capital surplus					–
Exercise of share acquisition rights					6
Net changes in items other than shareholders' equity	37	37	(1)	2	39
Total changes during period	37	37	(1)	2	(1,353)
Balance at end of period	46	46	0	2	7,074

Fiscal year ended July 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,042	1,820	3,300	(138)	7,024
Changes during period					
Dividends of surplus			(578)		(578)
Profit attributable to owners of parent			3,081		3,081
Purchase of treasury shares				(300)	(300)
Disposal of treasury shares		(10)		94	84
Transfer from retained earnings to capital surplus		10	(10)		—
Additional purchase of shares of consolidated subsidiaries		(8)			(8)
Exercise of share acquisition rights	1	1			2
Net changes in items other than shareholders' equity					
Total changes during period	1	(6)	2,491	(205)	2,281
Balance at end of period	2,043	1,814	5,792	(343)	9,306

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	46	46	0	2	7,074
Changes during period					
Dividends of surplus					(578)
Profit attributable to owners of parent					3,081
Purchase of treasury shares					(300)
Disposal of treasury shares					84
Transfer from retained earnings to capital surplus					–
Additional purchase of shares of consolidated subsidiaries					(8)
Exercise of share acquisition rights			(0)		2
Net changes in items other than shareholders' equity	278	278		(2)	275
Total changes during period	278	278	(0)	(2)	2,556
Balance at end of period	324	324	–	–	9,630

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,423	3,542
Depreciation	469	474
Amortization of goodwill	51	72
Increase (decrease) in allowance for doubtful accounts	6	(7)
Increase (decrease) in retirement benefit liability	(15)	(106)
Increase (decrease) in provision for bonuses	(10)	1
Interest and dividend income	(38)	(28)
Subsidy income	(94)	(54)
Interest expenses	26	48
Loss (gain) on investments in investment partnerships	–	14
Foreign exchange losses (gains)	22	(5)
Share of loss (profit) of entities accounted for using equity method	(5)	82
Gain on bargain purchase	(82)	–
Gain on sale of non-current assets	(77)	–
Loss on valuation of investment securities	1	50
Decrease (increase) in trade receivables	(1,020)	2,850
Decrease (increase) in inventories	(2,247)	12
Decrease (increase) in consumption taxes refund receivable	(507)	642
Increase (decrease) in trade payables	(615)	(238)
Increase (decrease) in accounts payable - other	584	(371)
Increase (decrease) in accrued consumption taxes	(645)	191
Other, net	(350)	(18)
Subtotal	(3,127)	7,153
Interest and dividends received	39	28
Interest paid	(29)	(48)
Subsidies received	80	59
Income taxes paid	(3,125)	(1,107)
Income taxes refund	97	39
Net cash provided by (used in) operating activities	(6,065)	6,125
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	300	–
Purchase of property, plant and equipment	(467)	(386)
Proceeds from sale of property, plant and equipment	306	3
Purchase of intangible assets	(5)	(19)
Purchase of investment securities	(1,021)	(700)
Proceeds from redemption of investment securities	–	100
kari	(135)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,099)	–
Purchase of shares of subsidiaries and associates	(500)	–
Other, net	81	(10)
Net cash provided by (used in) investing activities	(2,539)	(1,013)

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,100	2,000
Proceeds from long-term borrowings	–	2,000
Repayments of long-term borrowings	(3,243)	(760)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5	2
Dividends paid	(871)	(578)
Purchase of treasury shares	(299)	(300)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(10)
Other, net	(10)	(11)
Net cash provided by (used in) financing activities	7,679	2,341
Effect of exchange rate change on cash and cash equivalents	(22)	5
Net increase (decrease) in cash and cash equivalents	(948)	7,460
Cash and cash equivalents at beginning of period	9,794	8,845
Cash and cash equivalents at end of period	8,845	16,306