



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending May 31, 2024 (Japan GAAP)

October 2, 2023

Company name: Pharmarise Holdings Corporation Listed on: Tokyo Stock Exchange, Prime Market
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 Scheduled date to file quarterly securities report: October 11, 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 three months of the fiscal year ending May 31, 2024

(from June 1, 2023 to August 31, 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	%
Three months ended August 31, 2023	13,471	4.7	331	(5.0)	331	(2.8)	123	11.2
August 31, 2022	12,861	(1.5)	348	9.7	341	1.8	111	75.0

(Note) Comprehensive income Three months ended August 31, 2023: 127 million yen [10.8%]
 Three months ended August 31, 2022: 114 million yen [83.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2023	13.11	9.93
August 31, 2022	11.88	8.99

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2023	23,553	6,983	28.3
May 31, 2023	23,421	6,987	28.5

(Reference) Equity As of August 31, 2023: 6,664 million yen As of May 31, 2023: 6,673 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, 2023	—	0.00	—	14.00	14.00
Fiscal year ending May 31, 2024	—	—	—	—	—
Fiscal year ending May 31, 2024 (forecast)	—	0.00	—	20.00	20.00

(Notes) 1. Revision to the dividend forecast announced most recently: None

2. Breakdown of fiscal year-end dividend for the year ending March 31, 2024 (Forecast): ordinary dividend of 14 yen and commemorative dividend of 6 yen (40th anniversary commemorative dividend)

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.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months	26,557	3.2	833	45.4	803	41.9	262	260.8	26.92
Full year	53,546	2.9	1,477	2.7	1,423	(0.6)	449	34.9	46.14

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

* Notes

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

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement

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

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares):			
As of August 31, 2023	9,746,645 shares	As of May 31, 2023	9,746,645 shares
(ii) Total number of treasury shares at the end of the period:			
As of August 31, 2023	321,100 shares	As of May 31, 2023	321,100 shares
(iii) Average number of shares issued and outstanding in each period (cumulative from the beginning of the fiscal year):			
Three months ended August 31, 2023	9,425,545 shares	Three months ended August 31, 2022	9,352,685 shares

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

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

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

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

(1) Explanation regarding operating results

During the first three months of the consolidated fiscal year under review (June 1, 2023 through August 31, 2023), the Japanese economy recovered moderately. Looking ahead, the moderate recovery is expected to continue along with the improvement of employment and income conditions. However, deteriorating overseas economies, such as the impact of monetary tightening measures around the world and concerns about the outlook of the Chinese economy, have become a risk that is exerting downward pressure on the Japanese economy. 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. The Group decided to review quantitative targets in response to changes in the management environment, among other things. However, there is no change in the basic policies and the current qualitative targets.

During the first three months of the consolidated fiscal year under review, net sales totaled 13,471 million yen (up 4.7% year on year), with operating profit of 331 million yen (down 4.9%) and ordinary profit of 331 million yen (down 2.9%). Profit attributable to owners of parent came to 123 million yen (up 10.8%).

Segment performance was as follows.

Dispensing Pharmacy Business

In the first three months of the fiscal year under review, net sales in the Dispensing Pharmacy Business rose to 10,898 million yen (up 4.9% year on year) due to a clear tendency for recovery in the number of prescriptions from the second half of the previous fiscal year, 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. On the profit side, segment profit decreased to 379 million yen (down 4.8% year on year), mainly due to changes in the procurement environment, which were only partly offset by positive factors such as increases in the number and unit price of prescriptions and growth in dispensing technical fee income. In the first three months of the fiscal year under review, two pharmacies were opened, and one pharmacy was closed. The number of pharmacies operated by the Group was 301. New additions were two pharmacies (Ibaraki and Kanagawa Prefectures) under Pharmarise Co., Ltd.

In operating pharmacies, the Group endeavors 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 as 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 healthy life advisors accredited and qualified based on the Company’s unique system, and (iii) promote online guidance through the establishment of centers for greater operational efficiency and digital transformation.

The number of health support pharmacies was 81 at the end of the first three months of the fiscal year under review (decreasing 1 from the end of the previous fiscal year), and the number of the Group’s pharmacies cooperating with local health care facilities increased to 118 (increasing 1 from the end of the previous fiscal year). Moreover, one pharmacy acquired certification as pharmacy cooperating with specialized medical institutions.

Drug/Convenience Store Business

In the first three months of the fiscal year under review, sales for the Drug/Convenience Store Business increased 6.7% year on year, to 2,104 million yen, and the segment loss was 9 million yen (compared to a segment loss of 35 million yen a year ago). The sales increase mainly reflected sales growth in the convenience store section against a backdrop of a resumption of economic activity given the diminishing impacts of COVID-19. The number of the Group’s stores without any pharmacy section was 46 at the end of the first quarter of the fiscal year under review.

Storage and Management of Medical Documents Business

In the first three months of the fiscal year under review, sales for the Storage and Management of Medical Documents Business decreased 8.2% year on year, to 155 million yen, and the segment profit decreased 45.0%, to 11 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 decreasing 0.1% year on year, to 126 million yen and the segment profit rising 42.1%, to 27 million yen due to a decrease in depreciation in the first three month of the consolidated fiscal year under review.

Other

In the first three months of the fiscal year under review, sales for the businesses in the Other segment decreased 9.3% year on year, to 185 million yen, reflecting the absence of the strong sales in the fee-charging employment placement business a year ago. Segment profit decreased 95.7% year on year, to 0 million yen, mainly due to lower profits in medical IT solutions business, in addition to decreased sales in drug wholesale transactions.

(2) Explanation regarding financial position

(Assets)

Assets at the end of the first three months of the fiscal year under review totaled 23,553 million yen, an increase of 132 million yen from the end of the previous fiscal year. This increase was attributable to an increase of 788 million yen in merchandise and finished goods from the end of the previous fiscal year, to 3,013 million yen, which was partly offset by a decrease in accounts receivable – other of 724 million yen from the end of the previous fiscal year, to 2,688 million yen

(Liabilities)

Liabilities at the end of the first three months of the fiscal year under review amounted to 16,570 million yen, an increase of 136 million yen from the end of the previous fiscal year. This was chiefly due to an increase in accounts payable-trade of 667 million yen from the end of the previous fiscal year, to 4,919 million yen, which was partly offset by a decrease in others (current liabilities) of 538 million yen from the end of the previous fiscal year, to 1,153 million yen.

(Net assets)

Net assets amounted to 6,983 million yen, a decrease of 4 million yen from the end of the previous fiscal year. The main factor was a decrease in the balance of retained earnings due to dividend payment.

(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 2024, which was announced in the summary of financial results as of July 11, 2023.

2. Consolidated Financial Statements and Notes on Important Matters

(1) Quarterly consolidated balance sheet

(Million yen)

	As of May 31, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	4,742	4,877
Accounts receivable	611	580
Merchandise and finished goods	2,225	3,013
Raw materials and supplies	65	75
Accounts receivable - other	3,412	2,688
Other	320	303
Allowance for doubtful accounts	(6)	(6)
Total current assets	11,372	11,532
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,902	2,893
Land	2,587	2,587
Other, net	519	573
Total property, plant and equipment	6,010	6,054
Intangible assets		
Goodwill	2,748	2,612
Other	502	526
Total intangible assets	3,250	3,138
Investments and other assets		
Other	2,940	3,001
Allowance for doubtful accounts	(152)	(173)
Total investments and other assets	2,787	2,828
Total non-current assets	12,048	12,020
Deferred assets	0	0
Total assets	23,421	23,553

(Million yen)

	As of May 31, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,252	4,919
Current portion of bonds payable	1,482	1,482
Current portion of long-term borrowings	2,008	1,826
Income taxes payable	333	185
Provision for bonuses	45	273
Provision for loss on store closings	21	20
Other	1,691	1,153
Total current liabilities	9,835	9,861
Non-current liabilities		
Long-term borrowings	5,216	5,327
Retirement benefit liability	791	807
Asset retirement obligations	111	112
Other	478	461
Total non-current liabilities	6,598	6,709
Total liabilities	16,433	16,570
Net assets		
Shareholders' equity		
Share capital	1,298	1,298
Capital surplus	1,553	1,553
Retained earnings	4,014	4,005
Treasury shares	(210)	(210)
Total shareholders' equity	6,655	6,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	18	18
Total accumulated other comprehensive income	17	17
Share acquisition rights	208	208
Non-controlling interests	105	109
Total net assets	6,987	6,983
Total liabilities and net assets	23,421	23,553

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

Quarterly consolidated statement of income

For three-month period

(Million yen)

	Three months ended August 31, 2022	Three months ended August 31, 2023
Net sales	12,861	13,471
Cost of sales	10,763	11,341
Gross profit	2,098	2,130
Selling, general and administrative expenses	1,749	1,799
Operating profit	348	331
Non-operating income		
Interest income	0	0
Dividend income	0	0
Commission income	5	6
Rental income	3	4
Other	5	6
Total non-operating income	16	18
Non-operating expenses		
Interest expenses	14	13
Cost of lease revenue	2	2
Other	6	1
Total non-operating expenses	23	17
Ordinary profit	341	331
Extraordinary income		
Subsidy income	5	16
Total extraordinary income	5	16
Extraordinary losses		
Loss on sale of non-current assets	2	—
Loss on retirement of non-current assets	21	0
Loss on tax purpose reduction entry of non-current assets	5	13
Provision of allowance for doubtful accounts	—	22
Total extraordinary losses	28	35
Profit before income taxes	318	312
Income taxes	203	185
Profit	114	127
Profit attributable to non-controlling interests	3	3
Profit attributable to owners of parent	111	123

Quarterly consolidated statement of comprehensive income

For three-month period

(Million yen)

	Three months ended August 31, 2022	Three months ended August 31, 2023
Profit	114	127
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	(0)	(0)
Comprehensive income	114	127
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	110	123
Comprehensive income attributable to non-controlling interests	3	3

(3) Notes on quarterly consolidated financial statements

(Note on going concern premise)

Not applicable.

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

Not applicable.

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

(Calculation of tax expense)

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

(Segment information, etc.)

(Segment information)

First three months ended August 31, 2022

1. Reportable segment sales, profit or loss

(Million yen)

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

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

2. The adjustment to segment profit (loss) of -75 million yen is company expenses not distributed to 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

Not applicable.

First three months ended August 31, 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	10,898	2,104	155	126	13,285	185	13,471	–	13,471
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	10,898	2,104	155	126	13,285	185	13,471	–	13,471
Segment profit (loss)	379	(9)	11	27	408	0	409	(78)	331

(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) of -78 million yen is company expenses not distributed to 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

Not applicable.