

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 20, 2023 (Based on Japanese GAAP)

December 28, 2023

Company name: KUSURI NO AOKI HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 3549 URL <http://www.kusuri-aoki-hd.co.jp/>
 Representative: Representative Director and President Hironori Aoki
 Inquiries: Director for Administration Ryoichi Yahata TEL 076-274-6115
 Scheduled date to file Quarterly Securities Report: December 28, 2023
 Scheduled date to commence dividend payments: January 26, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 20, 2023 (from May 21, 2023 to November 20, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended November 20, 2023	215,622	17.0	6,820	(17.6)	6,983	(38.0)	3,422	(56.8)
Six months ended November 20, 2022	184,281	14.3	8,278	21.6	11,255	57.7	7,924	68.8

(Note) Comprehensive income Six months ended November 20, 2023: ¥3,770 million [(52.8)%]
 Six months ended November 20, 2022: ¥7,990 million [71.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 20, 2023	36.18		-	
Six months ended November 20, 2022	83.77		-	

- (Notes) 1. Diluted earnings per share is not presented as there were no potential shares with dilutive effects.
 2. KUSURI NO AOKI HOLDINGS CO., LTD. (the "Company") conducted a 3-for-1 share split of its common shares on November 21, 2023. Earnings per share are calculated on the assumption that said share split was conducted at the beginning of the previous fiscal year.
 3. As stated in the news release titled "Notice Regarding Differences Between Forecast and Actual Results for the First Six Months of the Fiscal Year Ending May 20, 2024, and Revision to Consolidated Financial Forecast for the Fiscal Year Ending May 20, 2024," released today (December 28, 2023), due to the high possibility of achieving the conditions for exercising the fifth series of share acquisition rights, the Company has recorded share remuneration expenses of ¥6,015 million.

(Reference) The financial results excluding share remuneration expenses are as follows:

Operating profit: ¥12,836 million (up 55.1% year on year); ordinary profit: ¥12,999 million (up 15.5% year on year); profit attributable to owners of parent: ¥9,438 million (up 19.1% year on year)

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of November 20, 2023	279,255		107,874		36.5	
As of May 20, 2023	274,301		98,546		35.9	

(Reference) Equity capital As of November 20, 2023: ¥101,806 million As of May 20, 2023: ¥98,493 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended May 20, 2023	–	14.50	–	14.50	29.00
Year ending May 20, 2024	–	16.00			
Year ending May 20, 2024 (Forecast)			–	5.50	–

(Note) Revisions to cash dividend forecast most recently announced: No

The Company conducted a 3-for-1 share split of its common shares on November 21, 2023. Accordingly, the figures shown for the year ended May 20, 2023 and 2nd quarter-end of the year ending May 20, 2024, are the actual payment before the share split. The forecast for the total annual dividends is not shown because the implementation of the share split makes it impossible to perform a simple total. On a pre-split basis, the total annual dividends per share would be ¥32.50.

3. Forecast of consolidated financial results for the year ending May 20, 2024 (from May 21, 2023 to May 20, 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	435,000	14.8	17,200	12.4	18,400	(3.8)	11,300	(8.3)	119.46

(Notes) 1. Revisions to consolidated financial results forecast most recently announced: Yes

2. For the revisions to the forecast of consolidated financial results, please refer to the news release titled “Notice Regarding Differences Between Forecast and Actual Results for the First Six Months of the Fiscal Year Ending May 20, 2024, and Revision to Consolidated Financial Forecast for the Fiscal Year Ending May 20, 2024,” released today (December 28, 2023).

(Reference) The financial results forecasts excluding share remuneration expenses are as follows:

Operating profit: ¥24,010 million (up 57.0% year on year); ordinary profit: ¥25,210 million (up 31.8% year on year); profit attributable to owners of parent: ¥18,110 million (up 46.9% year on year); earnings per share: ¥191.45

3. The Company conducted a 3-for-1 share split of its common shares on November 21, 2023. Accordingly, the figure shown for earnings per share is the amounts that take into account the effect of such share split. Earnings per share not factoring in the share split is ¥358.37.

4. Notes

(1) Changes in significant subsidiaries during the six months ended November 20, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) 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: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of November 20, 2023	94,597,680 shares	As of May 20, 2023	94,597,680 shares
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Number of treasury shares at the end of the period

As of November 20, 2023	1,719 shares	As of May 20, 2023	1,605 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended November 20, 2023	94,595,990 shares	Six months ended November 20, 2022	94,596,294 shares
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The Company conducted a 3-for-1 share split of its common shares on November 21, 2023. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares during the period are calculated on the assumption that said share split was conducted at the beginning of the previous fiscal year.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of financial results forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and are not promise by the Company regarding their achievement. Actual results may differ materially from the forecast depending on a range of factors.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 20, 2023	As of November 20, 2023
Assets		
Current assets		
Cash and deposits	42,870	41,888
Accounts receivable - trade	10,322	10,777
Merchandise	45,498	46,639
Accounts receivable - other	14,013	12,859
Other	1,037	387
Allowance for doubtful accounts	(2)	(2)
Total current assets	113,740	112,550
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	115,566	117,043
Land	5,116	5,122
Leased assets, net	7,316	7,170
Construction in progress	2,821	3,860
Other, net	5,828	9,686
Total property, plant and equipment	136,648	142,883
Intangible assets		
Goodwill	1,946	1,872
Other	2,949	3,135
Total intangible assets	4,896	5,008
Investments and other assets		
Leasehold and guarantee deposits	7,909	7,949
Deferred tax assets	4,742	3,883
Other	6,374	6,988
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	19,016	18,812
Total non-current assets	160,561	166,704
Total assets	274,301	279,255

(Millions of yen)

	As of May 20, 2023	As of November 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,526	53,110
Current portion of long-term borrowings	11,080	11,217
Income taxes payable	3,872	3,265
Provision for bonuses	2,017	247
Provision for point card certificates	31	30
Provision for loss on store closings	261	261
Contract liabilities	2,095	2,005
Accounts payable - other	10,806	11,060
Other	7,977	7,861
Total current liabilities	90,669	89,061
Non-current liabilities		
Long-term borrowings	69,106	66,352
Lease liabilities	6,982	6,779
Provision for retirement benefits for directors (and other officers)	232	244
Asset retirement obligations	8,558	8,722
Other	206	219
Total non-current liabilities	85,086	82,319
Total liabilities	175,755	171,380
Net assets		
Shareholders' equity		
Share capital	1,167	1,167
Capital surplus	2,166	2,166
Retained earnings	95,134	98,100
Treasury shares	(4)	(4)
Total shareholders' equity	98,465	101,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28	376
Total accumulated other comprehensive income	28	376
Share acquisition rights	52	6,068
Total net assets	98,546	107,874
Total liabilities and net assets	274,301	279,255

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended November 20, 2022	Six months ended November 20, 2023
Net sales	184,281	215,622
Cost of sales	132,355	156,785
Gross profit	51,925	58,836
Selling, general and administrative expenses	43,647	52,016
Operating profit	8,278	6,820
Non-operating income		
Interest income	22	21
Dividend income	34	36
Commission income	120	135
Rent income	97	137
Subsidy income	2,686	50
Gain on receipt of donated non-current assets	13	5
Other	186	130
Total non-operating income	3,161	517
Non-operating expenses		
Interest expenses	115	172
Rental costs	30	72
Other	38	109
Total non-operating expenses	184	354
Ordinary profit	11,255	6,983
Extraordinary income		
Gain on sale of investment securities	0	–
Gain on sale of non-current assets	15	51
Gain on reversal of share acquisition rights	43	–
Total extraordinary income	59	51
Extraordinary losses		
Loss on sale of non-current assets	19	12
Loss on retirement of non-current assets	0	0
Impairment losses	295	–
Other	5	–
Total extraordinary losses	320	13
Profit before income taxes	10,993	7,021
Income taxes - current	3,322	2,861
Income taxes - deferred	(252)	737
Total income taxes	3,069	3,599
Profit	7,924	3,422
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	7,924	3,422

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 20, 2022	Six months ended November 20, 2023
Profit	7,924	3,422
Other comprehensive income		
Valuation difference on available-for-sale securities	66	347
Total other comprehensive income	66	347
Comprehensive income	7,990	3,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,990	3,770
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 20, 2022	Six months ended November 20, 2023
Cash flows from operating activities		
Profit before income taxes	10,993	7,021
Depreciation	5,003	5,642
Amortization of goodwill	121	130
Share-based payment expenses	–	6,015
Impairment losses	295	–
Increase (decrease) in provision for bonuses	(116)	(1,769)
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9	12
Increase (decrease) in contract liabilities	(46)	(89)
Increase (decrease) in provision for point card certificates	(17)	(1)
Loss on retirement of non-current assets	0	0
Loss on sale of non-current assets	19	12
Gain on sale of non-current assets	(15)	(51)
Gain on reversal of share acquisition rights	(43)	–
Interest and dividend income	(56)	(57)
Interest expenses	115	172
Decrease (increase) in trade receivables	(2,116)	(454)
Decrease (increase) in inventories	(3,365)	(1,141)
Increase (decrease) in trade payables	9,022	584
Other, net	1,344	2,311
Subtotal	21,147	18,338
Interest and dividends received	34	36
Interest paid	(115)	(171)
Income taxes paid	(2,999)	(3,660)
Income taxes refund	–	270
Net cash provided by (used in) operating activities	18,066	14,812
Cash flows from investing activities		
Purchase of investment securities	–	(34)
Purchase of property, plant and equipment	(9,747)	(10,824)
Proceeds from sale of property, plant and equipment	107	69
Purchase of intangible assets	(350)	(315)
Payments of leasehold and guarantee deposits	(132)	(111)
Proceeds from refund of leasehold and guarantee deposits	56	52
Long-term loan advances	(35)	(33)
Proceeds from collection of long-term loans receivable	28	9
Payments of construction assistance fund receivables	(77)	(167)
Payments for acquisition of businesses	–	(102)
Other, net	(25)	(110)
Net cash provided by (used in) investing activities	(10,176)	(11,567)

(Millions of yen)

	Six months ended November 20, 2022	Six months ended November 20, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	3,500	3,000
Repayments of long-term borrowings	(5,022)	(5,616)
Repayments of lease liabilities	(998)	(1,153)
Purchase of treasury shares	–	(0)
Dividends paid	(410)	(457)
Net cash provided by (used in) financing activities	(2,930)	(4,227)
Net increase (decrease) in cash and cash equivalents	4,959	(982)
Cash and cash equivalents at beginning of period	26,348	42,870
Cash and cash equivalents at end of period	31,307	41,888