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Consolidated Financial Results for the Six Months Ended November 30, 2023 [Japanese GAAP]



January 12, 2024

Company name: Cosmos Pharmaceutical Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 3349

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Scheduled date of filing quarterly securities report: January 15, 2024

Scheduled date of commencing dividend payments: February 13, 2024

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for the media, analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended November 30, 2023 (June 1, 2023 - November 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended November 30, 2023	476,430	17.9	15,836	2.9	17,346	2.6	11,587	2.6
November 30, 2022	404,016	8.9	15,385	2.7	16,900	2.5	11,299	0.5

(Note) Comprehensive income: Six months ended November 30, 2023: ¥11,585 million [2.5%]

Six months ended November 30, 2022: ¥11,304 million [0.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 30, 2023	292.53	-
November 30, 2022	285.34	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2023	436,155	220,889	50.6
As of May 31, 2023	420,967	211,072	50.1

(Reference) Equity: As of November 30, 2023: ¥220,889 million

As of May 31, 2023: ¥211,072 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2023	–	42.50	–	57.50	100.00
Fiscal year ending May 31, 2024	–	60.00			
Fiscal year ending May 31, 2024 (Forecast)			–	60.00	120.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 - May 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	916,000	10.7	30,200	0.2	33,200	0.3	23,800	0.0	601.03

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

* Notes:

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (Company name: –)
Excluded: – (Company name: –)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
Notes on accounting methods adopted particularly for the preparation of quarterly consolidated financial statements
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

November 30, 2023:	40,000,800 shares
May 31, 2023:	40,000,800 shares
 - 2) Total number of treasury shares at the end of the period:

November 30, 2023:	371,942 shares
May 31, 2023:	401,942 shares
 - 3) Average number of shares during the period:

Six months ended November 30, 2023:	39,610,825 shares
Six months ended November 30, 2022:	39,598,888 shares

Notes on the total number of issued shares

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

* Explanation of the proper use of financial results forecast and other notes

The statements about future projections contained in this document, including the outlook for financial results, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results etc. may significantly differ from the projections due to various factors. As for matters concerning the financial results forecast, please see “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended November 30, 2023, the Japanese economy saw prices of various goods and services rise as global unrest and inflation continued. In particular, living costs, such as prices for daily necessities that directly affect household budgets, have been rising so that consumers are becoming even more budget-minded.

It was exactly because of these circumstances that the Group endeavored to make our drugstores “low priced, close and convenient” for consumers by strengthening price competitiveness through pursuing even lower cost-operations.

As for the store opening policy, the Group opened new stores one after another, regardless of the temporary decline in profitability caused by our own competition. At the same time, the Group also expanded its store networks in new catchment areas. As a result, the number of newly opened stores stood at 24 in Kanto region, 14 in Chubu region, 6 in Kansai region, 7 in Chugoku region, 3 in Shikoku region, and 18 in Kyushu region, totaling 72. Furthermore, 4 stores were closed due to scrap and build. As a result, the number of stores at the end of the second quarter of the fiscal year ending May 31, 2024 became 1,426 in total.

As a result of the above measures, the Group’s financial results for the six months ended November 30, 2023 were net sales of 476,430 million yen (17.9% increase year-on-year), operating profit of 15,836 million yen (2.9% increase year-on-year), ordinary profit of 17,346 million yen (2.6% increase year-on-year), and profit attributable to owners of parent of 11,587 million yen (2.6% increase year-on-year).

Segment information is omitted because the Group is comprised of a single business segment.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets as of November 30, 2023 amounted to 436,155 million yen, an increase of 15,187 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 16,232 million yen in cash and deposits and increases of 7,838 million yen in merchandise, 3,303 million yen in other under current assets (including accounts receivable - other), and 19,136 million yen in property, plant and equipment.

Total liabilities amounted to 215,265 million yen, an increase of 5,369 million yen from the end of the previous fiscal year. This was mainly due to increases of 5,198 million yen in accounts payable - trade and 1,361 million yen in income taxes payable and a decrease of 1,370 million yen in long-term borrowings.

Total net assets amounted to 220,889 million yen, an increase of 9,817 million yen from the end of the previous fiscal year. This was mainly due to an increase of 490 million yen in capital surplus and a decrease of 18 million yen in treasury shares resulting from the disposal of treasury shares as restricted share awards for directors and employees and an increase of 9,310 million yen in retained earnings resulting from the recording of profit attributable to owners of parent.

(ii) Cash Flows

The balance of cash and cash equivalents (hereinafter “cash”) at the end of the six months ended November 30, 2023 decreased by 16,232 million yen from the end of the previous fiscal year to 29,696 million yen.

The status of consolidated cash flows for the six months ended November 30, 2023 and contributing factors were as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 16,948 million yen (up 0.6% year-on-year). This was mainly due to positive factors such as profit before income taxes of 17,213 million yen, depreciation of 9,408 million yen, and an increase of 5,198 million yen in trade payables, and negative factors such as an increase of 7,835 million yen in inventories and income taxes paid of 4,335 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 28,545 million yen (up 34.0% year-on-year). This was mainly due to purchase of property, plant and equipment of 27,506 million yen and payments of leasehold and guarantee deposits of 592 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 4,634 million yen (up 43.0% year-on-year). This was due to repayments of long-term borrowings of 1,370 million yen, repayments of finance lease liabilities of 984 million yen, and dividends paid of 2,279 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2024, there is no change from the consolidated financial results forecast released on July 10, 2023.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	45,928	29,696
Accounts receivable - trade	452	520
Merchandise	77,253	85,092
Supplies	226	223
Other	13,224	16,527
Total current assets	137,085	132,059
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	198,513	213,367
Land	34,194	37,624
Other, net	26,756	27,609
Total property, plant and equipment	259,464	278,601
Intangible assets	547	511
Investments and other assets		
Leasehold and guarantee deposits	15,193	15,661
Construction assistance fund receivables	4,306	4,391
Other	4,369	4,930
Total investments and other assets	23,869	24,983
Total non-current assets	283,881	304,095
Total assets	420,967	436,155
Liabilities		
Current liabilities		
Accounts payable - trade	161,852	167,050
Current portion of long-term borrowings	2,741	2,741
Income taxes payable	5,031	6,393
Provision for loss on store closings	223	214
Other	22,204	21,889
Total current liabilities	192,053	198,289
Non-current liabilities		
Long-term borrowings	10,018	8,648
Retirement benefit liability	1,636	1,743
Asset retirement obligations	2,028	2,078
Other	4,157	4,505
Total non-current liabilities	17,842	16,975
Total liabilities	209,895	215,265

(Million yen)

	As of May 31, 2023	As of November 30, 2023
Net assets		
Shareholders' equity		
Share capital	4,178	4,178
Capital surplus	4,610	5,101
Retained earnings	202,485	211,795
Treasury shares	(242)	(224)
Total shareholders' equity	211,031	220,851
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Remeasurements of defined benefit plans	39	37
Total accumulated other comprehensive income	40	38
Total net assets	211,072	220,889
Total liabilities and net assets	420,967	436,155

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended November 30

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Net sales	404,016	476,430
Cost of sales	320,803	383,498
Gross profit	83,213	92,931
Selling, general and administrative expenses	67,827	77,094
Operating profit	15,385	15,836
Non-operating income		
Interest income	23	21
Commission income	666	696
Rental income from real estate	594	596
Gain on receipt of donated non-current assets	248	268
Other	285	263
Total non-operating income	1,817	1,846
Non-operating expenses		
Interest expenses	23	35
Rental costs on real estate	232	231
Other	46	70
Total non-operating expenses	302	337
Ordinary profit	16,900	17,346
Extraordinary income		
Compensation income	26	–
Total extraordinary income	26	–
Extraordinary losses		
Loss on retirement of non-current assets	65	50
Loss on disaster	44	–
Loss on store closings	11	45
Provision for loss on store closings	39	37
Total extraordinary losses	161	132
Profit before income taxes	16,764	17,213
Income taxes	5,465	5,625
Profit	11,299	11,587
Profit attributable to owners of parent	11,299	11,587

Quarterly Consolidated Statements of Comprehensive Income

Six months Ended November 30

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Profit	11,299	11,587
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	4	(2)
Total other comprehensive income	5	(1)
Comprehensive income	11,304	11,585
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,304	11,585

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Cash flows from operating activities		
Profit before income taxes	16,764	17,213
Depreciation	8,243	9,408
Increase (decrease) in retirement benefit liability	104	103
Increase (decrease) in provision for loss on store closings	39	37
Interest and dividend income	(23)	(21)
Interest expenses	23	35
Loss on disaster	44	–
Compensation income	(26)	–
Loss on retirement of non-current assets	65	50
Loss on store closings	11	45
Decrease (increase) in trade receivables	(149)	(67)
Decrease (increase) in inventories	(5,155)	(7,835)
Increase (decrease) in trade payables	1,321	5,198
Other, net	(280)	(2,848)
Subtotal	20,984	21,318
Interest and dividends received	0	0
Interest paid	(23)	(35)
Income taxes paid	(4,134)	(4,335)
Payments associated with disaster loss	(3)	–
Proceeds from compensation	26	–
Net cash provided by (used in) operating activities	16,848	16,948
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,289)	(27,506)
Proceeds from sale of property, plant and equipment	–	3
Payments of construction assistance fund receivables	(214)	(298)
Proceeds from collection of construction assistance fund receivables	214	213
Payments of leasehold and guarantee deposits	(694)	(592)
Proceeds from refund of leasehold and guarantee deposits	105	95
Other, net	(417)	(461)
Net cash provided by (used in) investing activities	(21,295)	(28,545)
Cash flows from financing activities		
Repayments of long-term borrowings	(737)	(1,370)
Purchase of treasury shares	(0)	–
Repayments of finance lease liabilities	(918)	(984)
Dividends paid	(1,583)	(2,279)
Net cash provided by (used in) financing activities	(3,240)	(4,634)
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(7,688)	(16,232)
Cash and cash equivalents at beginning of period	37,362	45,928
Cash and cash equivalents at end of period	29,674	29,696