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Consolidated Financial Results for the Nine Months Ended February 29, 2024 [Japanese GAAP]



April 12, 2024

Company name: Cosmos Pharmaceutical Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3349
 URL: <https://www.cosmospc.co.jp>
 Representative: Hideaki Yokoyama, President
 Contact: Futoshi Shibata, Director and Corporate Planning Department Manager
 Phone: +81-92-433-0660
 Scheduled date of filing quarterly securities report: April 15, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended February 29, 2024 (June 1, 2023 - February 29, 2024)

(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	%
Nine months ended February 29, 2024	715,311	18.0	23,738	7.1	25,914	6.2	17,357	6.6
February 28, 2023	606,302	8.5	22,167	1.2	24,393	1.2	16,283	(1.0)

(Note) Comprehensive income: Nine months ended February 29, 2024: ¥17,354 million [6.5%]

Nine months ended February 28, 2023: ¥16,291 million [(1.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 29, 2024	438.14	–
February 28, 2023	411.22	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2024	430,241	224,281	52.1
As of May 31, 2023	420,967	211,072	50.1

(Reference) Equity: As of February 29, 2024: ¥224,281 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
- (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):

February 29, 2024:	40,000,800 shares
May 31, 2023:	40,000,800 shares
 - 2) Total number of treasury shares at the end of the period:

February 29, 2024:	371,962 shares
May 31, 2023:	401,942 shares
 - 3) Average number of shares during the period:

Nine months ended February 29, 2024:	39,616,813 shares
Nine months ended February 28, 2023:	39,598,878 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 2 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended February 29, 2024, 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 36 in Kanto region, 21 in Chubu region, 10 in Kansai region, 8 in Chugoku region, 5 in Shikoku region, and 27 in Kyushu region, totaling 107. Furthermore, 6 stores were closed due to scrap and build. As a result, the number of stores at the end of the third quarter of the fiscal year ending May 31, 2024 became 1,459 in total.

As a result of the above measures, the Group’s financial results for the nine months ended February 29, 2024 were net sales of 715,311 million yen (18.0% increase year-on-year), operating profit of 23,738 million yen (7.1% increase year-on-year), ordinary profit of 25,914 million yen (6.2% increase year-on-year), and profit attributable to owners of parent of 17,357 million yen (6.6% increase year-on-year).

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

(2) Explanation of Financial Position

Total assets as of February 29, 2024 amounted to 430,241 million yen, an increase of 9,273million yen from the end of the previous fiscal year. This was mainly due to a decrease of 27,478 million yen in cash and deposits and increases of 5,028 million yen in merchandise, 1,565 million yen in other under current assets (including accounts receivable - other), and 28,726million yen in property, plant and equipment.

Total liabilities amounted to 205,959 million yen, a decrease of 3,935 million yen from the end of the previous fiscal year. This was mainly due to decreases of 1,563 million yen in accounts payable – trade, 613 million yen in income taxes payable, and 2,055 million yen in long-term borrowings and current portion of long-term borrowings.

Total net assets amounted to 224,281 million yen, an increase of 13,208 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 17 million yen in treasury shares resulting from the disposal of treasury shares as restricted share awards for directors and employees and an increase of 12,703 million yen in retained earnings resulting mainly from the recording of profit attributable to owners of parent.

(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 February 29, 2024
Assets		
Current assets		
Cash and deposits	45,928	18,450
Accounts receivable - trade	452	567
Merchandise	77,253	82,281
Supplies	226	230
Other	13,224	14,789
Total current assets	137,085	116,319
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	198,513	219,867
Land	34,194	39,726
Other, net	26,756	28,596
Total property, plant and equipment	259,464	288,190
Intangible assets	547	480
Investments and other assets		
Leasehold and guarantee deposits	15,193	15,891
Construction assistance fund receivables	4,306	4,326
Other	4,369	5,033
Total investments and other assets	23,869	25,251
Total non-current assets	283,881	313,921
Total assets	420,967	430,241
Liabilities		
Current liabilities		
Accounts payable - trade	161,852	160,289
Current portion of long-term borrowings	2,741	2,741
Income taxes payable	5,031	4,417
Provision for loss on store closings	223	70
Other	22,204	22,026
Total current liabilities	192,053	189,545
Non-current liabilities		
Long-term borrowings	10,018	7,962
Retirement benefit liability	1,636	1,792
Asset retirement obligations	2,028	2,102
Other	4,157	4,556
Total non-current liabilities	17,842	16,414
Total liabilities	209,895	205,959

(Million yen)

	As of May 31, 2023	As of February 29, 2024
Net assets		
Shareholders' equity		
Share capital	4,178	4,178
Capital surplus	4,610	5,101
Retained earnings	202,485	215,188
Treasury shares	(242)	(224)
Total shareholders' equity	211,031	224,243
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Remeasurements of defined benefit plans	39	35
Total accumulated other comprehensive income	40	37
Total net assets	211,072	224,281
Total liabilities and net assets	420,967	430,241

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended February 28, 2023 and Nine Months Ended February 29, 2024

(Million yen)

	For the nine months ended February 28, 2023	For the nine months ended February 29, 2024
Net sales	606,302	715,311
Cost of sales	481,993	575,647
Gross profit	124,309	139,664
Selling, general and administrative expenses	102,142	115,925
Operating profit	22,167	23,738
Non-operating income		
Interest income	35	33
Commission income	997	1,050
Rental income from real estate	897	890
Gain on receipt of donated non-current assets	344	389
Other	442	394
Total non-operating income	2,717	2,758
Non-operating expenses		
Interest expenses	34	53
Rental costs on real estate	352	344
Other	103	185
Total non-operating expenses	491	583
Ordinary profit	24,393	25,914
Extraordinary income		
Gain on sale of non-current assets	–	75
Insurance claim income	13	–
Compensation income	26	403
Total extraordinary income	39	478
Extraordinary losses		
Loss on retirement of non-current assets	103	337
Loss on disaster	4	10
Loss on store closings	43	83
Provision for loss on store closings	48	18
Total extraordinary losses	199	450
Profit before income taxes	24,232	25,942
Income taxes	7,948	8,584
Profit	16,283	17,357
Profit attributable to owners of parent	16,283	17,357

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended February 28, 2023 and Nine Months Ended February 29, 2024

(Million yen)

	For the nine months ended February 28, 2023	For the nine months ended February 29, 2024
Profit	16,283	17,357
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	7	(3)
Total other comprehensive income	7	(2)
Comprehensive income	16,291	17,354
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,291	17,354