



## Consolidated Financial Results for the Fiscal Year Ended May 31, 2024 (Japan GAAP)

June 28, 2024

Company name: Pharmarise Holdings Corporation  
 Code number: 2796  
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 Scheduled date of annual shareholders' meeting: August 29, 2024  
 Scheduled date to commence dividend payments: August 30, 2024  
 Scheduled date to file annual securities report: August 30, 2024  
 Preparation of supplementary material on financial results: None  
 Holding of financial results briefing: Yes (for analysts and institutional investors)

Listed on: Tokyo Stock Exchange, Standard Market  
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August 29, 2024

August 30, 2024

August 30, 2024

None

Yes (for analysts and institutional investors)

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

### 1. Consolidated financial results for the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2024	54,466	4.7	916	(36.3)	833	(41.8)	(351)	-
May 31, 2023	52,030	0.8	1,438	(5.4)	1,431	(5.7)	333	(25.6)

(Note) Comprehensive income Fiscal year ended May 31, 2024: -325 million yen [-%]

Fiscal year ended May 31, 2023: 372 million yen [17.8%]

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
May 31, 2024	(33.41)	-	(5.1)	3.1	1.7
May 31, 2023	35.45	26.90	5.1	6.1	2.8

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal year ended May 31, 2024: - million yen Fiscal year ended May 31, 2023: - million yen

#### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
May 31, 2024	29,486	7,442	24.3	636.25
May 31, 2023	23,421	6,987	28.5	708.01

(Reference) Equity

As of May 31, 2024: 7,153 million yen

As of May 31, 2023: 6,673 million yen

#### (3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
May 31, 2024	2,714	(3,120)	2,771	7,100
May 31, 2023	2,520	(703)	(1,072)	4,734

### 2. Cash dividends

Fiscal year ended	Dividend per share					Total dividend payments (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual			
May 31, 2023	-	0.00	-	14.00	14.00	131	39.5	2.0
May 31, 2024	-	0.00	-	20.00	20.00	224	-	3.0
Fiscal year ending May 31, 2025 (forecast)	-	0.00	-	14.00	14.00		385.2	

(Note) Breakdown of fiscal year-end dividend for the year ended May 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, 2025 (from June 1, 2024 to May 31, 2025)

(Percentages represent year-on-year changes.)

Six months	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	30,539	13.3	483	(32.0)	428	(38.9)	31	(88.6)	2.77
	60,880	11.8	949	3.6	804	(3.4)	40	-	3.63

\* Notes

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (company name)

Exception: — (company name)

(2) 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 |

(3) Number of issued shares (common shares)

- |   |                   |                                |                  |
|---|-------------------|--------------------------------|------------------|
| (i) Total number of issued shares at the end of the period (including treasury shares): |                   |                                |                  |
| As of May 31, 2024  | 12,060,381 shares | As of May 31, 2023             | 9,746,645 shares |
| (ii) Total number of treasury shares at the end of the period:                          |                   |                                |                  |
| As of May 31, 2024  | 817,166 shares    | As of May 31, 2023             | 321,100 shares   |
| (iii) Average number of shares issued and outstanding in each period:                   |                   |                                |                  |
| Fiscal year ended May 31, 2024  | 10,524,018 shares | Fiscal year ended May 31, 2023 | 9,400,592 shares |

\* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

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

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. For conditions regarding the assumptions for results forecasts and notes on the use of results forecasts, etc., please refer to page 8 of the accompanying materials “1. Overview of Operating Results, (4) Future outlook.”

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## 1. Overview of Operating Results

### (1) Overview of operating results for the fiscal year under review

During the consolidated fiscal year under review (June 1, 2023 through May 31, 2024), the Japanese economy was expected to continue its moderate recovery, as COVID-19 was classified as a category 5 infectious disease, social activities normalized, and employment and income conditions improved. However, there is a risk that the deterioration of overseas economies could drag down the Japanese economy due to factors such as global monetary tightening centered on the United States and the uncertainty of the Chinese economy. Moreover, close attention needs to be paid to the effects of continuous rise in price, the situation in the Middle East and North Korea, and fluctuations in the financial markets, among other developments.

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.

During the consolidated fiscal year under review, net sales totaled 54,466 million yen (up 4.7% year on year), with operating profit of 916 million yen (down 36.3%) and ordinary profit of 833 million yen (down 41.8%). Loss attributable to owners of parent came to 351 million yen (compared to a loss attributable to owners of parent of 333 million yen a year ago).

Net sales grew due to an increase in the number of on-demand prescriptions, smooth progress in the calculation of technical fees, an increase in dispensing pharmacy sales associated with the expansion of the number of pharmacies as a result of M&A and the strong performance of the convenience store section, despite the impact of drug price revisions.

On the profit front, operating profit, ordinary profit and profit attributable to owners of parent were all lower than the same period of the previous fiscal year. This reflected factors such as aggressive M&A, greater-than-expected changes in the procurement environment for ethical drugs, and revisions made to the treatment of consumption taxes for transactions between subsidiaries in the fiscal year under review and the previous fiscal years.

#### Dispensing Pharmacy Business

In the fiscal year under review, net sales in the Dispensing Pharmacy Business rose to 44,178 million yen (up 4.4% year on year) due to a clear tendency for recovery in the number of prescriptions, 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. Segment profit decreased to 1,096 million yen (down 34.9% year on year) mainly due to the impact of drug price revisions and changes in the procurement environment as well as increases in SG&A expenses and taxes and dues due primarily to new pharmacy openings and M&A implemented in the current fiscal year, which could not be fully offset by positive factors such as an increase in the number of prescriptions and growth in dispensing technical fee income. In the fiscal year under review, 59 pharmacies were opened, and eight pharmacies were closed. The number of pharmacies operated by the Group was 351. The increase in the number of pharmacies is due to pharmacies that were acquired through the transfer of shares from the GOOD AID Group, Mit Inc., Sankyo Pharmaceutical Co., Ltd. and Sasanami Pharmacy Co., Ltd., in addition to the new pharmacies that were opened.

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, (iii) enhance its response at facilities and at home, (iv) promote online medication guidance through the establishment of centers for greater operational efficiency and digital transformation, and (v) expand the number of users who send prescriptions by e-mail by linking Pocket Pharmacy, an electronic medicine notebook, to LINE, and (v) strengthen cooperation with medical institutions by promoting the use of My Number health insurance cards, etc., and improve patient services.

The number of health support pharmacies was 77 at the end of the fiscal year under review (decreasing 5 from the end of the previous fiscal year), and the number of the Group’s pharmacies cooperating with local health care facilities increased to 108 (decreasing 9 from the end of the previous fiscal year). Moreover, three pharmacies acquired certification as pharmacy cooperating with specialized medical institutions.

#### Drug/Convenience Store Business

In the fiscal year under review, sales for the Drug/Convenience Store Business increased 6.6% year on year, to 8,283 million yen, and the segment loss was 50 million yen (compared to a segment loss of 199 million yen a year ago). The sales increase mainly reflected the increased number of customers in the convenience store section against the backdrop of recovering economic activities due to the mitigation of the impact of COVID-19 and sales growth due in part to the effects of measures to stimulate purchasing desire. Increased sales also contributed to progress in profits.

Going forward, the Group will promote DX and e-commerce initiatives in this section to drive further growth.

In addition, the number of the Group's stores without any pharmacy section was 45, a decrease of 1, at the end of the fiscal year under review.

#### Storage and Management of Medical Documents Business

In the fiscal year under review, sales for the Storage and Management of Medical Documents Business increased 2.8% year on year, to 664 million yen, and the segment profit increased 12.9%, to 91 million yen, mainly reflecting smooth progress in the acquisition of new customers, despite an impact from cost-cutting efforts at medical institutions to shorten the storage period of paper medical records, etc. Needs for storage and management of paper medical records, etc., continue to arise, and we will develop 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 increasing 0.1% year on year, to 506 million yen and the segment profit rising 24.9%, to 113 million yen due to a decrease in depreciation in the consolidated fiscal year under review.

#### Other

In terms of the performance of businesses in the Other segment in the fiscal year under review, the temporary help business and the fee-charging employment placement business generally remained firm, and drug wholesale transactions also remained strong. In the system integration business for pharmaceutical companies, on the other hand, the amount of depreciation increased in association with product investment and development, although orders for existing services were strong. In the medical IT solutions business, profits decreased due to the expiration of some consulting contracts, etc. As a result, sales for the businesses in the Other segment increased 7.1% year on year, to 834 million yen, but the segment loss came to 5 million yen (segment profit decreased 42 million yen year on year).

## (2) Overview of financial position for the fiscal year under review

### (Current assets)

Current assets at the end of the consolidated fiscal year under review totaled 13,737 million yen, an increase of 2,365 million yen from the end of the previous fiscal year. This was primarily due to an increase in cash and deposits of 2,408 million yen from the end of the previous fiscal year, to 7,150 million yen, which offset a decrease in accounts receivable (total of accounts receivable and accounts receivable - other) of 464 million yen, to 3,559 million yen.

### (Non-current assets)

Non-current assets at the end of the consolidated fiscal year under review totaled 15,748 million yen, an increase of 3,699 million yen from the end of the previous fiscal year. This was primarily due to an increase in goodwill of 3,169 million yen from the end of the previous fiscal year to 5,917 million yen at the end of the fiscal year under review.

### (Current liabilities)

Current liabilities were 10,688 million yen at the end of the consolidated fiscal year under review, up 853 million yen from a year earlier. This was chiefly due to an increase in accounts payable - trade of 1,438 million yen from the end of the previous fiscal year, to 5,690 million yen and an increase in current portion of bonds payable of 647 million yen, to 2,655 million yen, which offset a decrease of 1,482 million yen resulting from the redemption and conversion of total amount of current portion of bonds payable.

### (Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review amounted to 11,355 million yen, an increase of 4,756 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in long-term borrowings of 4,437 million yen, from the end of the previous fiscal year to 9,654 million yen at the end of the fiscal year under review.

### (Net assets)

Net assets at the end of the consolidated fiscal year under review totaled 7,442 million yen, an increase of 454 million yen from the end of the previous fiscal year. This was mainly attributable to an increase in share capital of 662 million yen from the end of the previous fiscal year, to 1,961 million yen and an increase in capital surplus of 624 million yen, to 2,177 million yen, as well as a decrease in retained earnings of 483 million yen in the fiscal year under review and a decrease of 340 million yen due to the acquisition of own shares.

### (3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the end of the consolidated fiscal year under review was 7,100 million yen (an increase of 2,366 million yen from the end of the previous fiscal year).

The cash flows in the fiscal year under review and factors relating to each are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,714 million yen (up 194 million yen year on year). This was attributable chiefly to the posting of profit before income taxes of 143 million yen, depreciation of 613 million yen and amortization of goodwill of 557 million yen and a decrease of 1,437 million yen in trade receivables, which were partially offset by a decrease of 726 million yen in cash due to income taxes refund (paid).

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,120 million yen, an increase of 2,416 million yen from the previous fiscal year. This was mainly due to the purchase of property, plant and equipment of 472 million yen chiefly related to the opening of new pharmacies, the acquisition of intangible assets of 147 million yen and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 2,401 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 2,771 million yen (up 3,844 million yen year on year). This primarily reflected proceeds from long-term borrowings of 6,100 million yen, repayments of long-term borrowings of 2,358 million yen, repayments of lease liabilities of 200 million yen, redemption of bonds of 228 million yen, and purchase of treasury shares of 340 million yen.

(Reference) Trends in cash flow indices

	FY May 2020	FY May 2021	FY May 2022	FY May 2023	FY May 2024
Equity ratio (%)	22.6	24.3	26.9	28.5	24.3
Equity ratio on a market-value basis (%)	22.4	29.1	28.7	24.6	24.6
Ratio of interest-bearing debt to cash flow (years)	7.2	5.5	13.9	3.6	4.7
Interest coverage ratio (times)	21.4	25.7	10.8	45.4	38.0

Equity ratio: Shareholders' equity/Total assets

Equity ratio on a market-value basis: Equity market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/Interest expenses paid

\* Each indicator is calculated based on consolidated financial data.

\* The calculation of the cash flow and interest payments used the cash flow from operating activities and interest expenses paid stated in the Consolidated Statement of Cash Flows. Interest-bearing debt is all liabilities posted in the consolidated balance sheet for which interest is paid.

#### (4) Future outlook

The Group has been pursuing the ideal of the community-based “family pharmacy” and seeking to become the preferred “family pharmacy,” which contributes to community health care. The Group has been specifically striving to promote community health care (home medical care and dispensing at facilities) and generic drugs and making efforts to promote the use of electronic medicine notebooks and around-the-clock dispensing.

Under the Medium-term Management Plan announced on December 24, 2021, the entire Group will (i) increase efforts to become the corporate group preferred by investors, (ii) develop business, primarily the dispensing business, to enhance revenue, and (iii) enhance the profit structure by strengthening the management infrastructure.

In response to changes in the medical industry, the Group has also begun restructuring its business to maintain business continuity and enhance its corporate value. In the next fiscal year ending May 31, 2025, the Group will endeavor to (i) pursue its mission of promoting medical care, nursing care and health care and contributing to community healthcare through family pharmacies, (ii) promote back office operations and on-site medical DX, 3) provide customer support, (iv) reform the pharmaceutical distribution structure, (v) scrap and rebuild stores, and (vi) review product selection and promote reforms to shopping areas, as key initiatives. As a result, the Group aims to improve customer and employee satisfaction, leading to the creation of new value for its pharmacies as healthcare centers.

For the next fiscal year, the Group expects to see increased sales but decreased profits due to factors such as the impact of aggressive M&A in the Dispensing Pharmacy Business, a decline in the unit price of technical fees now that the Group has more than 300 dispensing pharmacies, and increased investment in human capital, including salary increases and increased training costs. The Group as a whole also seeks to increase sales and profits (at the operating profit level), given that it plans to increase sales and profits in the Drug/Convenience Store Business, taking advantage of the effect of increased sales and the improved product cost ratio, and that businesses in the Other segment are also expected to see an overall improvement in profitability.

The Company forecasts that consolidated net sales, operating profit and ordinary profit will be 60,880 million yen (up 11.8% year on year), 949 million yen (up 3.6%) and 804 million yen (down 3.4%), respectively, in the next fiscal year, reflecting the above initiatives. Profit attributable to owners of parent is forecast to be 40 million yen (compared to a loss attributable to owners of parent of 351 million yen a year ago).

#### (5) Important events related to the going concern assumption, etc.

Not applicable.

## 2. Basic Approach towards Selection of Accounting Standards

The Company applies, and will apply for some time to come, Japanese GAAP, partly because the Group operates almost exclusively in Japan. Most of its stakeholders are shareholders, creditors, and business partners, among others, in Japan. The Company does not raise funds overseas. Another reason is to ensure comparability with competitors in Japan. The Company will consider the application of IFRS (International Financial Reporting Standards), taking into consideration trends in IFRS adoption.



### 3. Consolidated Financial Statements and Notes on Important Matters

#### (1) Consolidated balance sheet

(Million yen)

	As of May 31, 2023	As of May 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	4,742	7,150
Accounts receivable	611	1,442
Merchandise and finished goods	2,225	2,576
Raw materials and supplies	65	69
Accounts receivable - other	3,412	2,117
Investments in leases	–	3
Other	320	384
Allowance for doubtful accounts	(6)	(6)
Total current assets	11,372	13,737
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,501	8,014
Accumulated depreciation	(4,599)	(5,015)
Buildings and structures, net	2,902	2,999
Machinery, equipment and vehicles	106	114
Accumulated depreciation	(85)	(93)
Machinery, equipment and vehicles, net	20	20
Tools, furniture and fixtures	1,280	1,516
Accumulated depreciation	(1,026)	(1,242)
Tools, furniture and fixtures, net	254	274
Land	2,587	2,659
Leased assets	624	570
Accumulated depreciation	(411)	(340)
Leased assets, net	213	230
Construction in progress	30	14
Total property, plant and equipment	6,010	6,198
Intangible assets		
Goodwill	2,748	5,917
Leased assets	188	113
Other	313	387
Total intangible assets	3,250	6,419
Investments and other assets		
Investment securities	82	67
Long-term loans receivable	1	0
Guarantee deposits	1,680	1,804
Deferred tax assets	778	834
Investments in leases	–	167
Other	397	449
Allowance for doubtful accounts	(152)	(192)
Total investments and other assets	2,787	3,130
Total non-current assets	12,048	15,748
Deferred assets		
Bond issuance costs	0	–
Total deferred assets	0	–
Total assets	23,421	29,486

(Million yen)

	As of May 31, 2023	As of May 31, 2024
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	4,252	5,690
Current portion of bonds payable	1,482	—
Current portion of long-term borrowings	2,008	2,655
Lease liabilities	187	176
Accrued expenses	760	842
Income taxes payable	333	286
Provision for bonuses	45	61
Provision for loss on store closings	21	42
Provision for loss on disaster	—	41
Other	743	892
<b>Total current liabilities</b>	<b>9,835</b>	<b>10,688</b>
<b>Non-current liabilities</b>		
Long-term borrowings	5,216	9,654
Lease liabilities	245	264
Retirement benefit liability	791	941
Asset retirement obligations	111	233
Other	232	262
<b>Total non-current liabilities</b>	<b>6,598</b>	<b>11,355</b>
<b>Total liabilities</b>	<b>16,433</b>	<b>22,043</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,298	1,961
Capital surplus	1,553	2,177
Retained earnings	4,014	3,530
Treasury shares	(210)	(550)
<b>Total shareholders' equity</b>	<b>6,655</b>	<b>7,118</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(0)	—
Remeasurements of defined benefit plans	18	34
<b>Total accumulated other comprehensive income</b>	<b>17</b>	<b>34</b>
Share acquisition rights	208	208
Non-controlling interests	105	80
<b>Total net assets</b>	<b>6,987</b>	<b>7,442</b>
<b>Total liabilities and net assets</b>	<b>23,421</b>	<b>29,486</b>

## (2) Consolidated statements of income and comprehensive income

## Consolidated statements of income

(Million yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Net sales	52,030	54,466
Cost of sales	43,896	46,017
Gross profit	8,134	8,449
Selling, general and administrative expenses	6,695	7,533
Operating profit	1,438	916
Non-operating income		
Interest income	1	1
Dividend income	1	0
Commission income	24	17
Rental income	16	16
Other	32	15
Total non-operating income	76	51
Non-operating expenses		
Interest expenses	55	66
Cost of lease revenue	10	8
Commission expenses	8	45
Other	8	14
Total non-operating expenses	82	135
Ordinary profit	1,431	833
Extraordinary income		
Gain on sale of non-current assets	1	1
Gain on sale of investment securities	–	19
Reversal of provision for loss on store closings	16	–
Gain on bargain purchase	30	–
Subsidy income	88	41
Total extraordinary income	137	63
Extraordinary losses		
Loss on sale of non-current assets	5	2
Loss on retirement of non-current assets	59	4
Loss on tax purpose reduction entry of non-current assets	90	35
Provision of allowance for doubtful accounts	–	41
Loss on cancellation of rental contracts	119	3
Impairment losses	244	257
Loss on disaster	–	41
Consumption taxes for prior periods	–	367
Total extraordinary losses	518	752
Profit before income taxes	1,049	143
Income taxes - current	749	658
Income taxes for prior periods	–	(111)
Income taxes - deferred	(47)	(60)
Total income taxes	702	485
Profit (loss)	347	(342)
Profit attributable to non-controlling interests	14	9
Profit (loss) attributable to owners of parent	333	(351)

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Profit (loss)	347	(342)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	24	16
Total other comprehensive income	24	16
Comprehensive income	372	(325)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	357	(334)
Comprehensive income attributable to non-controlling interests	14	9

## (3) Consolidated statements of changes in equity

Fiscal year ended May 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,274	1,529	3,811	(210)	6,405
Changes during period					
Issuance of new shares	23	23			47
Dividends of surplus			(130)		(130)
Purchase of shares of consolidated subsidiaries					–
Profit attributable to owners of parent			333		333
Purchase of treasury shares					–
Net changes of items other than shareholders' equity					–
Total changes during period	23	23	202	–	249
Balance at end of period	1,298	1,553	4,014	(210)	6,655

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(0)	(5)	(6)	208	91	6,699
Changes during period						
Issuance of new shares						47
Dividends of surplus						(130)
Purchase of shares of consolidated subsidiaries						–
Profit attributable to owners of parent						333
Purchase of treasury shares						–
Net changes of items other than shareholders' equity	0	24	24	–	14	38
Total changes during period	0	24	24	–	14	288
Balance at end of period	(0)	18	17	208	105	6,987

Fiscal year ended May 31, 2024

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,298	1,553	4,014	(210)	6,655
Changes during period					
Issuance of new shares	662	662			1,325
Dividends of surplus			(131)		(131)
Purchase of shares of consolidated subsidiaries		(38)			(38)
Loss attributable to owners of parent			(351)		(351)
Purchase of treasury shares				(340)	(340)
Net changes of items other than shareholders' equity					–
Total changes during period	662	624	(483)	(340)	463
Balance at end of period	1,961	2,177	3,530	(550)	7,118

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(0)	18	17	208	105	6,987
Changes during period						
Issuance of new shares						1,325
Dividends of surplus						(131)
Purchase of shares of consolidated subsidiaries						(38)
Loss attributable to owners of parent						(351)
Purchase of treasury shares						(340)
Net changes of items other than shareholders' equity	0	16	16	–	(25)	(8)
Total changes during period	0	16	16	–	(25)	454
Balance at end of period	–	34	34	208	80	7,442

## (4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,049	143
Depreciation	589	613
Impairment losses	244	257
Amortization of goodwill	635	557
Gain on bargain purchase	(30)	–
Increase (decrease) in allowance for doubtful accounts	(11)	18
Increase (decrease) in provision for bonuses	(4)	2
Increase (decrease) in provision for loss on store closings	(29)	0
Increase (decrease) in provision for loss on disaster	–	41
Increase (decrease) in retirement benefit liability	42	35
Interest and dividend income	(2)	(2)
Insurance claim income	–	(1)
Interest expenses	55	66
Subsidy income	(88)	(41)
Consumption taxes for prior periods	–	367
Loss (gain) on sale of non-current assets	3	1
Loss on retirement of non-current assets	59	4
Loss (gain) on sale of investment securities	–	(19)
Loss on cancellation of rental contracts	119	3
Loss on tax purpose reduction entry of non-current assets	90	35
Decrease (increase) in trade receivables	482	1,437
Decrease (increase) in inventories	68	(26)
Increase (decrease) in trade payables	13	137
Decrease (increase) in consumption taxes refund receivable	(48)	44
Other	82	97
Subtotal	3,322	3,771
Interest and dividend income received	1	1
Interest paid	(55)	(71)
Income taxes refund (paid)	(836)	(726)
Subsidies received	88	41
Amount of consumption taxes paid in prior periods	–	(301)
Net cash provided by (used in) operating activities	2,520	2,714
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	8
Purchase of property, plant and equipment	(380)	(472)
Proceeds from sale of property, plant and equipment	32	16
Purchase of intangible assets	(162)	(147)
Proceeds from sale of investment securities	–	35
Payments of guarantee deposits	(158)	(63)
Proceeds from refund of guarantee deposits	197	37
Loan advances	–	(112)
Proceeds from collection of loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(180)	(2,401)
Proceeds from acquisition of businesses	–	15
Other	(52)	(37)
Net cash provided by (used in) investing activities	(703)	(3,120)

(Million yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Cash flows from financing activities		
Proceeds from long-term borrowings	1,700	6,100
Repayments of long-term borrowings	(2,419)	(2,358)
Repayments of lease liabilities	(222)	(200)
Redemption of bonds	–	(228)
Purchase of treasury shares	–	(340)
Dividends paid	(131)	(127)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(73)
Net cash provided by (used in) financing activities	(1,072)	2,771
Net increase (decrease) in cash and cash equivalents	743	2,366
Cash and cash equivalents at beginning of period	3,991	4,734
Cash and cash equivalents at end of period	4,734	7,100



## (5) Notes on consolidated financial statements

(Note on going concern premise)

Not applicable.

(Segment information, etc.)

### 1. Overview of reportable segment information

The reportable segments of the Company group are the units for which separate financial information can be obtained among the constituent units of the Company group and for which the Board of Directors of the Company group regularly carries out examinations to determine the allocation of management resources and assess the business performance. The Company's main reportable segments are the Dispensing Pharmacy Business, which manages dispensing pharmacies, the Drug/Convenience Store Business, which manages drugstores, convenience stores, etc., the Storage and Management of Medical Documents Business, a business peripheral to the Dispensing Pharmacy Business, which is entrusted to store and manage medical documents, and the Medical Mall Management Business, which operates medical malls.

The Dispensing Pharmacy Business manages dispensing pharmacies that act as insurance pharmacies under the Health Insurance Act, and dispense ethical drugs to general patients based on prescriptions prepared by medical institutions.

The Drug/Convenience Store Business sells products other than ethical drugs, including primarily over-the-counter drugs, sanitary products, cosmetics, and daily goods through drugstores and convenience stores.

The Storage and Management of Medical Documents Business stores and archives on behalf of medical institutions medical documents, including medical records created when patients are examined at medical institutions.

The Medical Mall Management Business is a business related to the medical mall that Pharmarise Co., Ltd. operates in JR Tower Office Plaza Sapporo at JR Sapporo Station.

### 2. Method for determining sales, profit or loss, assets, liabilities and other items for reportable segments

The accounting method of reported business segments complies with the accounting policy adopted for preparing consolidated financial statements.

Segment profit as reported in this section is based on operating profit. Inter-segment profits and transfers are valued at market prices.

### 3. Reportable segment sales, profit or loss, assets, liabilities and other information

Fiscal year ended May 31, 2023

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on the consolidated financial statements
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	42,327	7,771	646	505	51,251	779	52,030	–	52,030
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,327	7,771	646	505	51,251	779	52,030	–	52,030
Segment profit (loss)	1,685	(199)	81	90	1,657	36	1,694	(255)	1,438
Segment assets	17,532	1,888	1,768	199	21,388	1,976	23,365	55	23,421
Other items									
Depreciation	425	44	42	34	547	42	589	–	589
Amortization of goodwill	520	–	95	–	615	19	635	–	635
Impairment losses	243	0	–	–	244	–	244	–	244
Increase in property, plant and equipment and intangible assets	476	4	8	0	489	108	598	–	598

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

2. Adjustments are as follows:

- (1) The adjustment to segment profit (loss) of (255) million yen is company expenses not distributed to the reportable segments. Company expenses are primarily expenses related to the administrative department of the reporting company that are not attributable to the reportable segments.
- (2) The adjustment to segment assets of 55 million yen is company assets not distributed to the reportable segments. Company assets are primarily cash and investment securities at the reporting company that are not attributable to the reportable segments.

Fiscal year ended May 31, 2024

(Million yen)

	Reportable segments					Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on the consolidated financial statements
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total				
Net sales									
Sales to external customers	44,178	8,283	664	506	53,632	834	54,466	–	54,466
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	44,178	8,283	664	506	53,632	834	54,466	–	54,466
Segment profit (loss)	1,096	(50)	91	113	1,250	(5)	1,245	(329)	916
Segment assets	24,100	1,783	1,650	199	27,734	1,706	29,440	45	29,486
Other items									
Depreciation	447	39	41	17	546	67	613	–	613
Amortization of goodwill	442	–	95	–	537	19	557	–	557
Impairment losses	191	61	–	–	253	3	257	–	257
Increase in property, plant and equipment and intangible assets	488	13	15	13	530	134	664	–	664

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

2. Adjustments are as follows:

(1) The adjustment to segment profit (loss) of (329) million yen is company expenses not distributed to the reportable segments. Company expenses are primarily expenses related to the administrative department of the reporting company that are not attributable to the reportable segments.

(2) The adjustment to segment assets of 45 million yen is company assets not distributed to the reportable segments. Company assets are primarily cash and investment securities at the reporting company that are not attributable to the reportable segments.

[Related information]

Fiscal year ended May 31, 2023

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by geographical area

(1) Net sales

Disclosure of sales by geographic area is omitted as sales outside Japan in the consolidated statements of income and comprehensive income do not exist.

(2) Property, plant and equipment

There are no property, plant and equipment outside Japan.

3. Information by a major customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statements of income.

Fiscal year ended May 31, 2024

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by geographical area

(1) Net sales

Disclosure of sales by geographic area is omitted as sales outside Japan in the consolidated statements of income and comprehensive income do not exist.

(2) Property, plant and equipment

There are no property, plant and equipment outside Japan.

3. Information by a major customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statements of income.

[Information on impairment losses in non-current assets by reportable segment]

This information is omitted because the same information is disclosed in the segment information section.

[Information on the amortization of goodwill and the balance of unamortized goodwill by reportable segment]

Fiscal year ended May 31, 2023

(Million yen)

	Reportable segments					Other	Corporate or elimination	Total
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total			
Balance at end of period	1,988	–	706	–	2,694	53	–	2,748

(Note) Information on amortization of goodwill is omitted because the same information is disclosed in the segment information section.

Fiscal year ended May 31, 2024

(Million yen)

	Reportable segments					Other	Corporate or elimination	Total
	Dispensing Pharmacy	Drug/ Convenience Store	Storage and Management of Medical Documents	Medical Mall Management	Total			
Balance at end of period	5,273	–	610	–	5,884	33	–	5,917

(Note) Information on amortization of goodwill is omitted because the same information is disclosed in the segment information section.

[Information on gain on negative goodwill by reportable segment]

Fiscal year ended May 31, 2023

The reporting company made Oki Pharmacy LLC into a consolidated subsidiary through an acquisition of shares on April 26, 2022. As a result, the Company recognized a gain on bargain purchase of 30 million yen in the consolidated fiscal year under review. The gain on bargain purchase has not been allocated to the respective reportable segment.

Fiscal year ended May 31, 2024

Not applicable.

(Per share information)

Items	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Net assets per share	708.01 yen	636.25 yen
Earnings (loss) per share	35.45 yen	-33.41 yen
Diluted earnings per share	26.90 yen	-

(Note) Earnings (loss) per share and diluted earnings per share are calculated based on the following factors.

Items	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (million yen)	333	(351)
Amount not attributable to common shareholders (million yen)	-	-
Profit (loss) attributable to owners of parent related to common shares (million yen)	333	(351)
Average number of common shares during the period	9,400,592	10,524,018
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (million yen)	2	-
[Of that amount, interest expenses, net of tax (million yen)]	[2]	[-]
Number of increase in common shares	3,065,004	-
[Of which number of share acquisition rights (shares)]	[465,004]	[-]
[Of which convertible bond-type bonds with share acquisition rights (shares)]	[2,600,000]	[-]
Overview of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilution	-	-

(Notes) 1. The amount of diluted earnings per share for the fiscal year under review is not written, as earnings per share is negative although there are dilutive shares.

2. On November 13, 2023, the AG No. 2 investment business limited partnership exercised its rights to issue new shares and redeem the Company's 1st series of unsecured convertible bonds with share subscription rights.

(Significant subsequent events)

Not applicable.