Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending May 31, 2025 (Japan GAAP)

March 25, 2025

Company name: Pharmarise Holdings Corporation　Listed on: Tokyo Stock Exchange, Standard Market
Code number: 2796　URL https://www.pharmarise.com/en/
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Scheduled date to commence dividend payments: —
Preparation of supplementary material on financial results: No
Holding of 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 nine months of the fiscal year ending May 31, 2025
(from June 1, 2024 to February 28, 2025)

(1) Consolidated operating results (cumulative)　(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2025	46,579	14.5	95	(88.9)	(18)	–	(272)	–
February 29, 2024	40,674	5.0	863	(3.7)	799	(10.2)	177	(15.2)

(Note) Comprehensive income　Nine months ended February 28, 2025:-290 million yen [–%]
Nine months ended February 29, 2024: 187 million yen [-14.1%]

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
February 28, 2025	(24.06)	–
February 29, 2024	17.22	16.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
February 28, 2025	31,102	6,998	21.7
May 31, 2024	29,486	7,442	24.3

(Reference) Equity　As of February 28, 2025: 6,738 million yen　As of May 31, 2024: 7,153 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, 2024	–	0.00	–	20.00	20.00
Fiscal year ending May 31, 2025	–	0.00	–		
Fiscal year ending May 31, 2025 (forecast)				14.00	14.00

(Notes) 1 Revision to the dividend forecast announced most recently: None
2 Breakdown of fiscal year-end dividend for the year ended May 31, 2024: 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 indicate 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
Full year	64,734	18.9	350	(61.8)	143	(82.8)	(214)	–	(18.98)

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

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

New: one company (company name) next PH Corporation, Exception: — (company name)

Note: Please see “2. Consolidated Financial Statements and Notes on Important Matters, (3) Notes on quarterly consolidated financial statements” on page 11 of the Accompanying Materials for more details.

(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 11 of the Accompanying Materials 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:	Yes
(ii)	Changes in accounting policies other than (i):	None
(iii)	Changes in accounting estimates:	None
(iv)	Retrospective restatement:	None

(4) Number of issued shares (common shares)

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

As of February 28, 2025	12,060,381 shares	As of May 31, 2024	12,060,381 shares

(ii) Total number of treasury shares at the end of the period:

As of February 28, 2025	699,476 shares	As of May 31, 2024	817,166 shares

(iii) Average number of shares issued and outstanding in each period (cumulative from the beginning of the fiscal year):

Nine months ended February 28, 2025	11,308,310 shares	Nine months ended February 29, 2024	10,282,536 shares

* Review by certified public accountants or audit firms of the attached quarterly consolidated financial statements: None

* 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 6.

Accompanying Materials – Contents

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

(1) Explanation regarding operating results

During the first nine months of the consolidated fiscal year under review (June 1, 2024 through February 28, 2025), the Japanese economy gradually recovered, despite a lingering sense of sluggishness in some areas. Looking ahead, the gradual recovery is expected to continue with the improvement in employment and income conditions, partly attributable to governmental policies. However, careful attention needs to be paid to the effects of persistently high interest rates in Europe and the US, financial and capital market volatility, including increases in domestic interest rates, and the rising cost of living.

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 ("the Medium-term Management Plan"), under which the current fiscal year is the final year. Under the Medium-term Management Plan, 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 reviewed 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 nine months of the consolidated fiscal year under review, net sales totaled 46,579 million yen (up 14.5% year on year), with operating profit of 95 million yen (down 88.9%) and ordinary loss of 18 million yen (compared to an ordinary profit of 799 million yen a year ago). Loss attributable to owners of parent came to 272 million yen (compared to a profit attributable to owners of parent of 177 million yen a year ago).

Net sales grew mainly due to an increase in dispensing pharmacy sales associated with the expansion of the number of pharmacies as a result of M&A in the Dispensing Pharmacy Business and the strong performance of the Drug/Convenience Store Business, despite the impact of dispensing fee and drug price revisions in the Dispensing Pharmacy Business.

On the profit front, operating profit fell year on year and the Group posted an ordinary loss and a loss attributable to owners of parent. This reflected factors such as the impact of dispensing fee and drug price revisions in the Dispensing Pharmacy Business, increased costs as a result of a volatile purchasing environment, higher labor costs due to a rise in base salaries, and an increase in expenses and goodwill amortization as a result of M&A activities.

Segment performance was as follows.

Dispensing Pharmacy Business

In the first nine months of the fiscal year under review, sales for the Dispensing Pharmacy Business increased 15.8% year on year, to 38,303 million yen, and the segment profit decreased 70.8%, to 302 million yen. The increase in sales primarily reflects growth in the number of prescriptions filled, driven by an increase in the number of pharmacies as a result of M&A activity. This included the acquisition of shares of the GOOD AID Group in January 2024 the previous fiscal year and the transfer of business from Kanichi Shoten K.K., which was undergoing corporate rehabilitation proceedings, and its group companies ("the Nagisa Group") in December 2024 this fiscal year. An additional factor was new pharmacy openings. The fall in profit chiefly reflects a decrease in dispensing technical fees, including the regional support structure premium, following a review of dispensing basic fees (focused on dispensing pharmacy chains with more than 300 pharmacies), increased costs as a result of a volatile purchasing environment, and the occurrence of one-time expenses and increased goodwill amortization as a result of M&A activities.

The Company is actively implementing M&A activities in this business, in line with its Medium-term Management Plan, specifically "2. Develop business, primarily the dispensing business, to enhance revenue". Through M&A activities such as the acquisition of the shares of the GOOD AID Group and the transfer of business from the Nagisa Group mentioned above, the Company is increasing net sales. At the pharmacies acquired through such M&A activities, the Company is taking steps to integrate them into the Group with a sense of urgency, and the one-time expenses for procedures to change registered details and suchlike have caused profits to fall year on year; however, the Nagisa Group, which joined the Group in December 2024 and commenced operation as next PH Corporation, was also now in a position to start contributing to profit during the first nine months of the consolidated fiscal year under review. The Company is quickly putting systems in place at the pharmacies acquired through M&A activities, with the intention of further growing both net sales and profit next fiscal year.

In the first nine months of the fiscal year under review, 59 pharmacies were opened (including 54 pharmacies transferred from the Nagisa Group), and six pharmacies were closed. The number of pharmacies operated by the Group was 404.

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, (v) expand the number of users who send prescriptions by e-mail by linking Pocket Pharmacy, an electronic medicine notebook, to LINE, and (vi)

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 78 at the end of the first nine months of the fiscal year under review (increasing one from the end of the previous fiscal year), and the number of the Group's pharmacies cooperating with local health care facilities decreased to 101 (decreasing seven from the end of the previous fiscal year). The number of the Group's pharmacies cooperating with specialized medical institutions reached four (increasing one from the end of the previous fiscal year).

Drug/Convenience Store Business
In the first nine months of the fiscal year under review, sales for the Drug/Convenience Store Business increased 7.4% year on year, to 6,628 million yen, and the segment loss was 35 million yen (compared to a segment loss of 45 million yen a year ago), shrinking 9 million yen year on year. The sales and profit results chiefly reflect the effect of new pharmacy openings in the convenience store section, which led to increased sales and improved profit.
The number of the Group's stores without any pharmacy section was 45, reflecting one opening and one closing during the period (57 including 12 stores with pharmacy section).

Storage and Management of Medical Documents Business
In the first nine months of the fiscal year under review, sales for the Storage and Management of Medical Documents Business increased 0.6% year on year, to 459 million yen, and the segment profit increased 15.0%, to 38 million yen. A stable sales performance and decreased expenditures, including personnel expenses, as a result of increased business efficiency in administrative operations led to progress on the profit front.

Medical Mall Management Business
Sales for the Medical Mall Management Business increased 1.5% year on year, to 384 million yen, and the segment profit decreased 3.1%, to 80 million yen in the first nine months of the fiscal year under review. Despite a stable sales performance, profit fell due to increased personnel expenses including a rise in base salaries and the occurrence of one-time expenses, which offset continued decrease in depreciation and amortization.

Other
In the first nine months of the fiscal year under review, sales for the businesses in the Other segment increased 35.5% year on year, to 803 million yen, and the segment loss was 28 million yen (compared to a segment profit of 5 million yen a year ago). The increase in sales is largely attributable to the additional sales of new businesses such as the day service business and the home-visit nursing and nursing home business. The segment loss reflects emphasis on the development of new products, leading to upfront costs in the medical IT solutions business, despite a considerable profit contribution from the nursing home business.

(2) Explanation regarding financial position

(Assets)
Assets at the end of the first nine months of the fiscal year under review totaled 31,102 million yen, an increase of 1,616 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 579 million yen in accounts receivable from the end of the previous fiscal year, to 2,022 million yen, an increase of 1,817 million yen in merchandise and finished goods from the end of the previous fiscal year, to 4,393 million yen, an increase of 690 million yen in accounts receivable-other from the end of the previous fiscal year, to 2,808 million yen, an increase of 556 million yen in buildings and structures from the end of the previous fiscal year, to 3,555 million yen, an increase of 1,162 million yen in goodwill from the end of the previous fiscal year, to 7,080 million yen, an increase of 1,110 million yen in other (investments and other assets) from the end of the previous year, to 4,434 million yen chiefly due to increases in investment securities and deferred tax assets, partially offset by a decrease of 4,907 million yen in cash and deposits from the end of the previous fiscal year, to 2,243 million yen.

(Liabilities)
Liabilities amounted to 24,104 million yen, an increase of 2,060 million yen from the end of the previous fiscal year. This was primarily due to an increase in long-term borrowings of 2,070 million yen from the end of the previous fiscal year, to 11,725 million yen at the end of the fiscal year under review.

(Net assets)
Net assets amounted to 6,998 million yen, a decrease of 443 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 31, 2025, which was announced in the summary of financial results on December 25, 2024.

2. Consolidated Financial Statements and Notes on Important Matters

(1) Quarterly consolidated balance sheet

(Million yen)

	As of May 31, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	7,150	2,243
Accounts receivable	1,442	2,022
Merchandise and finished goods	2,576	4,393
Raw materials and supplies	69	69
Accounts receivable - other	2,117	2,808
Other	388	413
Allowance for doubtful accounts	(6)	(6)
Total current assets	13,737	11,943
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,999	3,555
Land	2,659	2,919
Other, net	539	856
Total property, plant and equipment	6,198	7,331
Intangible assets		
Goodwill	5,917	7,080
Other	501	505
Total intangible assets	6,419	7,585
Investments and other assets		
Other	3,323	4,434
Allowance for doubtful accounts	(192)	(192)
Total investments and other assets	3,130	4,241
Total non-current assets	15,748	19,159
Total assets	29,486	31,102

(Million yen)

	As of May 31, 2024	As of February 28, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	5,690	5,935
Current portion of long-term borrowings	2,655	2,522
Income taxes payable	286	137
Provision for bonuses	61	306
Provision for loss on store closings	42	–
Provision for loss on disaster	41	38
Other	1,911	1,446
Total current liabilities	10,688	10,387
Non-current liabilities		
Long-term borrowings	9,654	11,725
Retirement benefit liability	941	1,051
Asset retirement obligations	233	224
Other	526	715
Total non-current liabilities	11,355	13,716
Total liabilities	22,043	24,104
Net assets		
Shareholders’ equity		
Share capital	1,961	1,961
Capital surplus	2,177	2,186
Retained earnings	3,530	3,033
Treasury shares	(550)	(471)
Total shareholders’ equity	7,118	6,709
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	34	28
Total accumulated other comprehensive income	34	28
Share acquisition rights	208	208
Non-controlling interests	80	50
Total net assets	7,442	6,998
Total liabilities and net assets	29,486	31,102

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

For nine-month period

(Million yen)

	Nine months ended February 29, 2024	Nine months ended February 28, 2025
Net sales	40,674	46,579
Cost of sales	34,219	40,036
Gross profit	6,455	6,542
Selling, general and administrative expenses	5,592	6,446
Operating profit	863	95
Non-operating income		
Interest income	0	7
Dividend income	0	0
Gain on sale of securities	–	3
Gain on sale of goods	0	18
Other	37	53
Total non-operating income	39	82
Non-operating expenses		
Interest expenses	42	119
Commission expenses	42	51
Other	16	25
Total non-operating expenses	102	196
Ordinary profit (loss)	799	(18)
Extraordinary income		
Gain on sale of non-current assets	0	1
Reversal of provision for loss on store closings	–	36
Subsidy income	41	38
Gain on sale of investment securities	19	–
Gain on bargain purchase	–	4
Total extraordinary income	61	81
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	4	2
Loss on tax purpose reduction entry of non-current assets	35	38
Impairment losses	16	47
Provision of allowance for doubtful accounts	41	–
Loss on cancellation of rental contracts	3	4
Total extraordinary losses	100	92
Profit (loss) before income taxes	761	(28)
Income taxes	573	255
Profit (loss)	187	(284)
Profit (loss) attributable to non-controlling interests	10	(12)
Profit (loss) attributable to owners of parent	177	(272)

Quarterly consolidated statement of comprehensive income

For nine-month period

(Million yen)

	Nine months ended February 29, 2024	Nine months ended February 28, 2025
Profit (loss)	187	(284)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	–
Remeasurements of defined benefit plans, net of tax	(1)	(5)
Total other comprehensive income	(0)	(5)
Comprehensive income	187	(290)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	176	(277)
Comprehensive income attributable to non-controlling interests	10	(12)

(3) Notes on quarterly consolidated financial statements

(Note on going concern premise)

Not applicable.

(Notes on significant changes in the scope of consolidation)

During the third quarter of the consolidated fiscal year under review, next PH Corporation, which had been a non-consolidated subsidiary of the Company, was added to the scope of consolidation due to its increased significance.

(Changes in accounting policy)

The Company has applied Accounting Standard for Current Income Taxes, etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first three months of the fiscal year under review. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first three months of the fiscal year under review. The change in accounting policies was applied retrospectively but there were no applicable events and the change in the accounting policies had no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(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.)

First nine months ended February 29, 2024

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	33,074	6,171	456	378	40,081	593	40,674	–	40,674
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	33,074	6,171	456	378	40,081	593	40,674	–	40,674
Segment profit (loss)	1,036	(45)	33	83	1,107	5	1,113	(250)	863

(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), (250 million yen), is corporate costs that are not allocated to any of the reportable segments.

3. Segment profit (loss) is adjusted to be consistent with the operating profit reported in the consolidated statement of income.

2. Information on impairment loss in non-current assets and goodwill by reported segment

(Important impairment loss on non-current assets)

The Dispensing Pharmacy Business posted an impairment loss of 16 million yen.

First nine months ended February 28, 2025

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	38,303	6,628	459	384	45,775	803	46,579	–	46,579
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	38,303	6,628	459	384	45,775	803	46,579	–	46,579
Segment profit (loss)	302	(35)	38	80	385	(28)	357	(261)	95

(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), (261 million yen), is corporate costs that are not allocated to any of the reportable segments.

3. Segment profit (loss) is adjusted to be consistent with the operating profit reported in the consolidated statement of income.

2. Information on impairment loss in non-current assets and goodwill by reported segment

(Important impairment loss on non-current assets)

The Dispensing Pharmacy Business and the Drug/Convenience Store Business posted impairment losses of 32 million yen and 14 million yen, respectively. The amount of the posted impairment loss was 47 million yen for the first nine months of the fiscal year under review.

(Significant changes in amount of goodwill)

Goodwill arose in the Dispensing Pharmacy Business in the third quarter of the consolidated fiscal year under review because the Company received part of the Kanichi Shoten Group's business by transfer, succeeded the business to next PH Corporation, which had been a non-consolidated subsidiary, by absorption-type demerger, and included next PH Corporation in the scope of consolidation for the first time. This event resulted in an increase in goodwill of 2,321 million yen during the third quarter of the consolidated fiscal year under review.

As allocation of the acquisition costs has not been completed, the amount of goodwill is a provisional estimate.

(Notes on statement of cash flows)

The Company did not prepare quarterly consolidated statement of cash flows for the first nine months of the fiscal year under review. Depreciation (including amortization of intangible assets, excluding amortization of goodwill) and amortization of goodwill for the first nine months of the fiscal year under review are as follows.

	Nine months ended February 29, 2024	Nine months ended February 28, 2025
Depreciation	452 million yen	526 million yen
Amortization of goodwill	416 million yen	559 million yen

(Business combinations)

(Business transfer)

The Company resolved at a meeting of its Board of Directors held on September 24, 2024 to receive part of the Kanichi Shoten Group's business by transfer ("the Business Transfer"), and signed a Business Transfer Agreement on September 24, 2024. Moreover, with respect to the Business Transfer, the Company resolved at a meeting of its Board of Directors held on October 17, 2024 to succeed the business to next PH Corporation, a subsidiary of the Company established on October 10, 2024, by way of absorption-type demerger, and implemented the resolution on December 2, 2024.

(1) Outline of business transfer

For more details about this matter, please refer to the "Notice Regarding Partial Business Transfer from Kanichi Shoten Group" released on September 24, 2024.

(2) Period of the operating results of the acquired business included in the quarterly consolidated statement of income

From December 1, 2024 to December 31, 2024

(3) Acquisition cost of the transferred business and breakdown by type of consideration

Consideration for acquisition (cash):	3,831 million yen
Acquisition cost:	3,831 million yen

(4) Acquisition-related costs and amounts of costs

Advisory costs and others: 107 million yen

(5) Amount of goodwill, reason for goodwill, and method and period of amortization

(i) Amount of goodwill

2,321 million yen

As the allocation of acquisition costs has not been completed, the amount of goodwill is a provisional estimate.

(ii) Reason for goodwill

Mainly additional future income-generating power expected to be derived from business development going forward.

(iii) Method and period of amortization

18-year straight-line amortization

(6) Assets accepted and liabilities assumed on the date of business transfer and a breakdown

Not yet determined