Consolidated Financial Results for the Fiscal Year Ended May 31, 2025 (Japan GAAP)

June 25, 2025

Company name: Pharmarise Holdings Corporation   Listed on: Tokyo Stock Exchange, Standard Market
Code number: 2796   URL https://www.pharmarise.com/en/
Representative: Masayuki Akiyama, President and Representative Director
Inquiries: Yutaka Numata, Director   Phone: +81-3-3362-7130
Scheduled date of annual shareholders' meeting: August 27, 2025
Scheduled date to commence dividend payments: August 28, 2025
Scheduled date to file annual securities report: August 25, 2025
Preparation of supplementary material on financial results: None
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 fiscal year ended May 31, 2025 (from June 1, 2024 to May 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2025	63,508	16.6	293	(67.9)	136	(83.6)	(367)	−
May 31, 2024	54,466	4.7	916	(36.3)	833	(41.8)	(351)	−

(Note) Comprehensive income Fiscal year ended May 31, 2025: -370 million yen [–%]
Fiscal year ended May 31, 2024: -325 million yen [–%]

	Earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
May 31, 2025	(32.48)	−	(5.3)	0.4	0.5
May 31, 2024	(33.41)	−	(5.1)	3.1	1.7

(Reference) Share of profit (loss) of entities accounted for using equity method
Fiscal year ended May 31, 2025: – million yen Fiscal year ended May 31, 2024: – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
May 31, 2025	31,924	6,918	20.9	586.21
May 31, 2024	29,486	7,442	24.3	636.25

(Reference) Equity As of May 31, 2025: 6,659 million yen As of May 31, 2024: 7,153 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
May 31, 2025	1,311	(4,462)	939	4,891
May 31, 2024	2,714	(3,120)	2,771	7,100

2. Cash dividends

	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			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
May 31, 2024	–	0.00	–	20.00	20.00	224	–	3.0
May 31, 2025	–	0.00	–	14.00	14.00	159	–	2.3
Fiscal year ending May 31, 2026 (forecast)	–	0.00	–	14.00	14.00		–	

(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, 2026 (from June 1, 2025 to May 31, 2026)

(Percentages represent 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
Six months	33,144	8.5	390	287.2	363	−	99	−	8.80
Full year	66,795	5.2	1,123	282.2	941	587.3	266	−	23.45

* 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 “3. Consolidated Financial Statements and Notes on Important Matters, (5) Notes on consolidated financial statements” on page 16 of the Accompanying Materials for more details.

(2) 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

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

(iii) Average number of shares issued and outstanding in each period:

Fiscal year ended May 31, 2025	11,321,567 shares	Fiscal year ended May 31, 2024	10,524,018 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 7 of the accompanying materials “1. Overview of Operating Results, (4) Future outlook.”

Accompanying Materials – Contents

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, 2024 through May 31, 2025), the Japanese economy remained on a gradual recovery trend, with nominal GDP for FY2024 expected to surpass 600 trillion yen. However, the outlook is unpredictable, given the risk of a global recession due to U.S. policies, notably tariffs, the risk of financial and capital market volatility fueled by recession risk, concern over inflation in Japan, among other factors.

In this environment, Pharmarise Holdings Corporation ("the Company") and its consolidated subsidiaries ("the Group") finished the final fiscal year of the Medium-term Management Plan LSG (Leading to Sustainable Growth) 2024, announced on December 24, 2021, and today announced the new Medium-term Management Plan "Make a Leap 2027-Strengthen Foothold for a Further Leap Forward" ("the New Medium-term Management Plan"). In response to a decrease in dispensing fees focused on dispensing pharmacy chains with more than 300 pharmacies in the Dispensing Pharmacy Business during the previous fiscal year and the fiscal year under review, the Group worked on improving profitability by pursuing expansion in scale through proactive M&A and on closing unprofitable pharmacies based on an assessment of pharmacy profitability. Under the New Medium-term Management Plan, the Group will strengthen its foothold through early completion of the post-merger integration (PMI) of newly acquired companies and pharmacies and focus firmly on growth strategies centered on the Dispensing Pharmacy Business that will lead to a further leap forward.

During the consolidated fiscal year under review, net sales totaled 63,508 million yen (up 16.6% year on year), with operating profit of 293 million yen (down 67.9%) and ordinary profit of 136 million yen (down 83.6%). Loss attributable to owners of parent came to 367 million yen (compared to a loss attributable to owners of parent of 351 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 convenience store section 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 and ordinary profit fell year on year and the Group posted 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 as a result of M&A activities.

Segment performance was as follows.

Dispensing Pharmacy Business

In the fiscal year under review, sales for the Dispensing Pharmacy Business increased 19.1% year on year, to 52,625 million yen, and the segment profit decreased 47.3%, to 578 million yen in the fiscal year under review. The sales increase mainly reflected growth in the number of prescriptions filled, driven by an increase in the number of pharmacies as a result of M&A activity, including the acquisition of shares of the GOOD AID Group in January 2024 and the transfer of business from Kanichi Shoten Corporation and its group companies ("the Kanichi Shoten Group") in December 2024, as well as new pharmacy openings. The fall in profit chiefly reflects a decrease in dispensing 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 as a result of M&A activities.

The Company actively implemented M&A activities in line with the strategy "Develop business, primarily the dispensing business, to enhance revenue" and as a result increased net sales. Following acquisition, the Company took steps to integrate acquired pharmacies into the Group with a sense of urgency, and the one-time expenses for procedures to change registered details caused profits to fall year on year; however, next PH Corporation, which is the successor to the Kanichi Shoten Group business, started contributing to profit during the consolidated fiscal year under review. The Company will continue putting systems in place at the pharmacies acquired through M&A activities, with the intention of further growing both net sales and profit in the future.

In operating pharmacies, the Group endeavored primarily 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.

In terms of improving patient services, the Group focused on being able to "Reduce patient burden through shorter waiting times and other measures", which is also a focus under the New Medium-term Management Plan, and to "Ensure patients receive their medications even during distribution instability (guaranteed access to medication)", which is a materiality KPI for sustainability management. The Group's most recent initiative Café Nyamarise helped improve community health in cooperation with local governments as part of its materiality KPI "co-create value with stakeholders." Café Nyamarise is a form of dementia café and was opened as a place where people can freely seek advice or exchange information not only about dementia and care-related matters but also about worries that are difficult to talk about. Integrating the Group's own unique health support programs, the café helps those who attend it improve their health while having fun. The Group plans to expand the initiative nationally in the future.

In the fiscal year under review, 61 pharmacies were opened (including 54 pharmacies of next PH Corporation), and 11 pharmacies were closed. The number of pharmacies operated by the Group was 401. The number of health support pharmacies was 76 at the end of the fiscal year under review (decreasing one from the end of the previous fiscal year), the number of the Group's pharmacies cooperating with local health care facilities was 94 (decreasing 14 from the end of the previous fiscal year), and the number of the Group's pharmacies cooperating with specialized medical institutions reached four (increasing one from the end of the previous fiscal year), reflecting efforts to increase each.

Drug/Convenience Store Business

In the fiscal year under review, sales for the Drug/Convenience Store Business increased 5.0% year on year, to 8,696 million yen, and the segment loss was 44 million yen (compared to a segment loss of 50 million yen a year ago), shrinking 6 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 43, reflecting one opening and three closing during the period (54 including 11 stores with pharmacy section).

Storage and Management of Medical Documents Business

In the fiscal year under review, sales for the Storage and Management of Medical Documents Business decreased 8.2% year on year, to 609 million yen, and the segment profit decreased 43.4%, to 51 million yen. The sales and profit declines chiefly reflect many postponements of additional orders for the storage and disposal of medical documents, which are usually received in April at the change of the fiscal year. There is still demand for the storage of medical documents, and the Group will continue stepping up sales activities to capture this demand.

Medical Mall Management Business

Sales for the Medical Mall Management Business increased 1.1% year on year, to 511 million yen, and the segment profit decreased 8.9%, to 103 million yen in the fiscal year under review. Despite a stable sales performance, profit fell due to increased costs such as personnel expenses, including a rise in base salaries, utility expenses, and maintenance charges for medical receipt computers.

Other

In the fiscal year under review, sales for the businesses in the Other segment increased 27.5% year on year, to 1,064 million yen, and the segment loss was 52 million yen (compared to a segment loss 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) 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 13,239 million yen, a decrease of 498 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 2,239 million yen in cash and deposits from the end of the previous fiscal year, to 4,911 million yen, which was partly offset by an increase in merchandise and finished goods of 1,489 million yen from the end of the previous fiscal year, to 4,065 million yen.

(Non-current assets)

Non-current assets at the end of the consolidated fiscal year under review totaled 18,684 million yen, an increase of 2,936 million yen from the end of the previous fiscal year. This was primarily due to an increase of 475 million yen in buildings and structures from the end of the previous fiscal year, to 3,474 million yen, an increase of 882 million yen in goodwill from the end of the previous fiscal year, to 6,800 million yen, and an increase of 889 million yen in deferred tax assets from the end of the previous year, to 1,723 million yen.

(Current liabilities)

Current liabilities were 11,988 million yen at the end of the consolidated fiscal year under review, up 1,299 million yen from a year earlier. This was chiefly due to an increase in accounts payable -other that pushed up other of current liabilities by 423 million yen from the end of the previous fiscal year, to 1,303 million yen, and an increase in accounts payable - trade of 956 million yen from the end of the previous fiscal year, to 6,647 million yen.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review amounted to 13,017 million yen, an increase of 1,662 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in long-term borrowings of 1,398 million yen, from the end of the previous fiscal year to 11,053 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 6,918 million yen, a decrease of 524 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of 592 million yen in the fiscal year under review from the end of the previous fiscal year, to 2,938 million yen.

(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 4,891 million yen (a decrease of 2,209 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 1,311 million yen (down 1,403 million yen year on year). This was attributable chiefly to the posting of profit before income taxes of 8 million yen, depreciation of 730 million yen and amortization of goodwill of 763 million yen, an increase of 910 million yen in trade payables and an increase of 618 million yen in other of cash flows from operating activities due to an increase in accounts payable-other, partially offset by an increase of 1,091 million yen in inventories, an increase of 617 million yen in consumption taxes refund receivable and a decrease of 436 million yen in cash due to income taxes refund (paid).

(Cash flows from investing activities)

Net cash used in investing activities totaled 4,462 million yen, an increase of 1,342 million yen from the previous fiscal year. This was mainly due to the purchase of property, plant and equipment of 637 million yen chiefly related to the opening of new pharmacies, the purchase of shares of subsidiaries and associates of 271 million yen, and payments for acquisition of businesses of 3,622 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 939 million yen (down 1,831 million yen year on year). This primarily reflected proceeds from long-term borrowings of 5,100 million yen, repayments of long-term borrowings of 3,716 million yen, repayments of lease liabilities of 218 million yen and dividends paid of 224 million yen.

(Reference) Trends in cash flow indices

	FY May 2021	FY May 2022	FY May 2023	FY May 2024	FY May 2025
Equity ratio (%)	24.3	26.9	28.5	24.3	20.9
Equity ratio on a market-value basis (%)	29.1	28.7	24.6	24.6	17.3
Ratio of interest-bearing debt to cash flow (years)	5.5	13.9	3.6	4.7	10.9
Interest coverage ratio (times)	25.7	10.8	45.4	38.0	6.8

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 New Medium-term Management Plan (FY26/5 to FY28/5), the Company has redefined its mission, vision and values and, in line with the groupwide long-term goal of becoming a "community-centered dispensing pharmacy group that is chosen and trusted by patients" and a "dispensing pharmacy group finely attuned to the health maintenance, medical and nursing care needs of all, especially the elderly," the Group has set growth strategies to address the following respectively.

Dispensing Pharmacy Business
(1) Strengthen pharmacists' family pharmacist function
(2) Maintain patient-centered pharmacy operation
(3) Thoroughly implement initiatives to increase the number of prescriptions filled

Other
(4) Adopt a more sophisticated approach to M&A
(5) Rebuild existing businesses except for Dispensing Pharmacy Business
(6) Pursue sustainable corporate growth (sustainability)

Through the above initiatives, the Company aims to achieve a v-shaped recovery in its financial results for the next consolidated fiscal year, achieving net sales of 70,000 million yen, operating profit of 1,600 million yen and an ROIC of 4.5% in FY28/5. For details, please refer to Notice of Establishment of Medium-Term Management Plan - "Make a Leap 2027-Strengthen Foothold for a Further Leap Forward" released today.

FY26/5, the first fiscal year under the plan, is positioned as a period for strengthening the Group's foothold, and the Company forecasts sales growth driven by expansion in scale through proactive M&A in the Dispensing Pharmacy Business, as well as a sharp increase in profit through the streamlined operation of pharmacies acquired through M&A. The Company forecasts that consolidated net sales, operating profit and ordinary profit will be 66,795 million yen (up 5.2% year on year), 1,123 million yen (up 282.2%) and 941 million yen (up 587.3%), respectively, in the next fiscal year. Profit attributable to owners of parent is forecast to be 266 million yen (compared to a loss attributable to owners of parent of 367 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, 2024	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	7,150	4,911
Accounts receivable	1,442	738
Merchandise and finished goods	2,576	4,065
Raw materials and supplies	69	81
Accounts receivable - other	2,117	3,050
Investments in leases	3	4
Other	384	394
Allowance for doubtful accounts	(6)	(7)
Total current assets	13,737	13,239
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,014	8,692
Accumulated depreciation	(5,015)	(5,217)
Buildings and structures, net	2,999	3,474
Machinery, equipment and vehicles	114	124
Accumulated depreciation	(93)	(101)
Machinery, equipment and vehicles, net	20	22
Tools, furniture and fixtures	1,516	1,669
Accumulated depreciation	(1,242)	(1,337)
Tools, furniture and fixtures, net	274	332
Land	2,659	2,919
Leased assets	570	800
Accumulated depreciation	(340)	(451)
Leased assets, net	230	349
Construction in progress	14	111
Total property, plant and equipment	6,198	7,209
Intangible assets		
Goodwill	5,917	6,800
Leased assets	113	125
Other	387	341
Total intangible assets	6,419	7,266
Investments and other assets		
Investment securities	67	339
Long-term loans receivable	0	1
Guarantee deposits	1,804	1,809
Deferred tax assets	834	1,723
Investments in leases	167	163
Other	449	363
Allowance for doubtful accounts	(192)	(192)
Total investments and other assets	3,130	4,208
Total non-current assets	15,748	18,684
Deferred assets		
Total assets	29,486	31,924

(Million yen)

	As of May 31, 2024	As of May 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	5,690	6,647
Current portion of long-term borrowings	2,655	2,639
Lease liabilities	176	158
Accrued expenses	842	847
Income taxes payable	286	284
Contract liabilities	12	11
Provision for bonuses	61	46
Provision for loss on store closings	42	–
Provision for loss on disaster	41	50
Other	879	1,303
Total current liabilities	10,688	11,988
Non-current liabilities		
Long-term borrowings	9,654	11,053
Lease liabilities	264	429
Retirement benefit liability	941	1,038
Asset retirement obligations	233	232
Other	262	264
Total non-current liabilities	11,355	13,017
Total liabilities	22,043	25,005
Net assets		
Shareholders' equity		
Share capital	1,961	1,961
Capital surplus	2,177	2,186
Retained earnings	3,530	2,938
Treasury shares	(550)	(471)
Total shareholders' equity	7,118	6,614
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	34	45
Total accumulated other comprehensive income	34	45
Share acquisition rights	208	208
Non-controlling interests	80	49
Total net assets	7,442	6,918
Total liabilities and net assets	29,486	31,924

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Net sales	54,466	63,508
Cost of sales	46,017	54,542
Gross profit	8,449	8,965
Selling, general and administrative expenses	7,533	8,671
Operating profit	916	293
Non-operating income		
Interest income	1	10
Dividend income	0	0
Gain on sale of securities	−	3
Commission income	17	13
Rental income	16	19
Gain on sale of goods	0	18
Other	15	40
Total non-operating income	51	105
Non-operating expenses		
Interest expenses	66	178
Commission expenses	45	51
Cost of lease revenue	8	10
Other	14	21
Total non-operating expenses	135	262
Ordinary profit	833	136
Extraordinary income		
Gain on sale of non-current assets	1	2
Gain on sale of investment securities	19	−
Reversal of provision for loss on store closings	−	36
Insurance claim income	−	43
Subsidy income	41	74
Gain on bargain purchase	−	4
Other	−	3
Total extraordinary income	63	165
Extraordinary losses		
Loss on sale of non-current assets	2	0
Loss on retirement of non-current assets	4	2
Loss on tax purpose reduction entry of non-current assets	35	72
Impairment losses	257	184
Provision of allowance for doubtful accounts	41	−
Loss on cancellation of rental contracts	3	22
Loss on disaster	41	11
Consumption taxes for prior periods	367	−
Total extraordinary losses	752	293
Profit before income taxes	143	8
Income taxes - current	658	503
Income taxes for prior periods	(111)	−
Income taxes - deferred	(60)	(112)
Total income taxes	485	390
Loss	(342)	(381)
Profit (loss) attributable to non-controlling interests	9	(13)
Loss attributable to owners of parent	(351)	(367)

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Loss	(342)	(381)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	–
Remeasurements of defined benefit plans, net of tax	16	10
Total other comprehensive income	16	10
Comprehensive income	(325)	(370)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(334)	(357)
Comprehensive income attributable to non-controlling interests	9	(13)

(3) Consolidated statements of changes in equity

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)
Disposal of treasury shares					–
Other					–
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)
Disposal of treasury shares						–
Other						–
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

Fiscal year ended May 31, 2025

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,961	2,177	3,530	(550)	7,118
Changes during period					
Issuance of new shares					–
Dividends of surplus			(224)		(224)
Purchase of shares of consolidated subsidiaries					–
Loss attributable to owners of parent			(367)		(367)
Purchase of treasury shares					–
Disposal of treasury shares		(7)		79	71
Other		16			16
Net changes of items other than shareholders' equity					–
Total changes during period	–	8	(592)	79	(504)
Balance at end of period	1,961	2,186	2,938	(471)	6,614

	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	–	34	34	208	80	7,442
Changes during period						
Issuance of new shares						–
Dividends of surplus						(224)
Purchase of shares of consolidated subsidiaries						–
Loss attributable to owners of parent						(367)
Purchase of treasury shares						–
Disposal of treasury shares						71
Other						16
Net changes of items other than shareholders' equity	–	10	10	–	(30)	(19)
Total changes during period	–	10	10	–	(30)	(524)
Balance at end of period	–	45	45	208	49	6,918

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Cash flows from operating activities		
Profit before income taxes	143	8
Depreciation	613	730
Impairment losses	257	184
Amortization of goodwill	557	763
Gain on bargain purchase	–	(4)
Increase (decrease) in allowance for doubtful accounts	18	0
Increase (decrease) in provision for bonuses	2	(16)
Increase (decrease) in provision for loss on store closings	(0)	(42)
Increase (decrease) in provision for loss on disaster	41	9
Increase (decrease) in retirement benefit liability	35	(124)
Interest and dividend income	(2)	(10)
Interest expenses	66	178
Subsidy income	(41)	(74)
Consumption taxes for prior periods	367	–
Loss (gain) on sale of non-current assets	1	(2)
Loss on retirement of non-current assets	4	2
Loss (gain) on sale of investment securities	(19)	–
Loss on cancellation of rental contracts	3	22
Loss on tax purpose reduction entry of non-current assets	35	72
Decrease (increase) in trade receivables	1,437	392
Decrease (increase) in inventories	(26)	(1,091)
Increase (decrease) in trade payables	137	910
Decrease (increase) in consumption taxes refund receivable	44	(617)
Gain on sale of securities	–	(3)
Other	96	618
Subtotal	3,771	1,905
Interest and dividend income received	1	10
Interest paid	(71)	(191)
Income taxes refund (paid)	(726)	(436)
Subsidies received	41	74
Amount of consumption taxes paid in prior periods	(301)	(51)
Net cash provided by (used in) operating activities	2,714	1,311
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	8	30
Proceeds from sale of securities	–	19
Purchase of property, plant and equipment	(472)	(637)
Proceeds from sale of property, plant and equipment	16	3
Purchase of intangible assets	(147)	(65)
Proceeds from sale of investment securities	35	–
Purchase of shares of subsidiaries and associates	–	(271)
Payments of guarantee deposits	(63)	(69)
Proceeds from refund of guarantee deposits	37	101
Loan advances	(112)	(1)
Proceeds from collection of loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,401)	(30)
Payments for acquisition of businesses	–	(3,622)
Proceeds from acquisition of businesses	15	–
Other	(37)	79
Net cash provided by (used in) investing activities	(3,120)	(4,462)

(Million yen)

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Cash flows from financing activities		
Proceeds from long-term borrowings	6,100	5,100
Repayments of long-term borrowings	(2,358)	(3,716)
Repayments of lease liabilities	(200)	(218)
Dividends paid	(127)	(224)
Redemption of bonds	(228)	–
Purchase of treasury shares	(340)	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(73)	–
Net cash provided by (used in) financing activities	2,771	939
Net increase (decrease) in cash and cash equivalents	2,366	(2,211)
Cash and cash equivalents at beginning of period	4,734	7,100
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	2
Cash and cash equivalents at end of period	7,100	4,891

(5) Notes on consolidated financial statements

(Note on going concern premise)

Not applicable.

(Note on significant changes in scope of consolidation)

During 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 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 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 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 consolidated financial statements for the previous fiscal year.

(Issued but not yet adopted accounting standards)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

Related corporate accounting standards, implementation guidance on corporate accounting standards, practical solutions, and transferred guidance that have been revised were also referenced.

(1) Overview

The accounting standards, etc. require that lessees record assets and liabilities for all leases in line with international accounting standards.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending May 31, 2028.

(3) Impacts of the application of the relevant accounting standards

The impacts of adopting Accounting Standard for Leases, etc. on the consolidated financial statements are being evaluated.

(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 Corporation 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, 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.

Fiscal year ended May 31, 2025

(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	52,625	8,696	609	511	62,443	1,064	63,508	–	63,508
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–	–
Total	52,625	8,696	609	511	62,443	1,064	63,508	–	63,508
Segment profit (loss)	578	(44)	51	103	688	(52)	636	(342)	293
Segment assets	26,655	1,969	1,261	299	30,186	1,691	31,878	45	31,924
Other items									
Depreciation	549	27	42	17	637	92	730	–	730
Amortization of goodwill	650	–	95	–	745	17	763	–	763
Impairment losses	149	14	–	–	164	20	184	–	184
Increase in property, plant and equipment and intangible assets	1,767	11	37	101	1,917	153	2,071	–	2,071

(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 (342) 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, 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.

Fiscal year ended May 31, 2025

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, 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.

Fiscal year ended May 31, 2025

(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	6,284	–	515	–	6,800	–	–	6,800

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

[Information on gain on bargain purchase reportable segment]

Fiscal year ended May 31, 2024

Not applicable.

Fiscal year ended May 31, 2025

The reporting company made Hikari Pharmacy LLC into a consolidated subsidiary through an acquisition of shares on September 24, 2024. As a result, the Company recognized a gain on bargain purchase of 4 million yen in the consolidated fiscal year under review. The gain on bargain purchase has not been allocated to the respective reportable segment.

(Per share information)

Items	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Net assets per share	636.25 yen	586.21 yen
Loss per share	-33.41 yen	-32.48 yen
Diluted earnings per share	–	–

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

Items	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Loss per share		
Loss attributable to owners of parent (million yen)	(351)	(367)
Amount not attributable to common shareholders (million yen)	–	–
Loss attributable to owners of parent related to common shares (million yen)	(351)	(367)
Average number of common shares during the period	10,524,018	11,321,567
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (million yen)	–	–
[Of that amount, interest expenses, net of tax (million yen)]	[–]	[–]
Number of increase in common shares	–	–
[Of which number of share acquisition rights (shares)]	[–]	[–]
[Of which convertible bond-type bonds with share acquisition rights (shares)]	[–]	[–]
Overview of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilution	–	–

(Note) The amount of diluted earnings per share is not written, as earnings per share is negative although there are dilutive shares.

(Business combinations)

Transfer of part of the Kanichi Shoten Group's business

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
  (i) Outline of companies transferring business
    Names of acquired companies: Kanichi Shoten Corporation, Asahichozaiyakkyoku Corporation, Hayashidera LLC, Kyoseishokai LLC, Haverly Scientific Institute Corporation, Softlee Corporation, Life Planning LLC, Niigata Pharmaceuticals Corporation, Sakura Dispensing Pharmacy LLC, Medical Associates Corporation.
    Business: Dispensing pharmacy business
  (ii) Main reason for business transfer
    In the dispensing pharmacy sector, in which the Group mainly operates, social pressure to reduce medical expenditure is creating a business environment in which management is under increasing pressure to expand the use of generics and step up self-medication initiatives. The Group believes that, through succession to the Kanichi Shoten Group's dispensing pharmacy business, the Group can acquire management resources that will give it access to further economies of scale. The Group also believes that the business transfer will help improve the Group's corporate value, not simply through expansion but also through expected synergy in terms of increasing the Group's dominance and otherwise strengthening and developing the Group's business.
  (iii) Date of business transfer
    December 2, 2024
  (iv) Legal form of business transfer
    Acquisition of business for cash consideration

(2) Period of the operating results of the acquired business included in the consolidated statement of income
  From December 2, 2024 to March 31, 2025

(3) Acquisition cost of the transferred business and breakdown by type of consideration
  Consideration for acquisition (cash): 3,500 million yen
  Acquisition cost: 3,500 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
    1,610 million yen
    The amount of goodwill was calculated provisionally at the end of the third quarter of the consolidated fiscal year under review because allocation of the acquisition cost had yet to be completed; however, the figure was finalized at the end of the fiscal year under review.
    There is no change in the amount of goodwill a result of this finalization of provisional accounting.
  (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 as a result of the business transfer and a breakdown

Current assets:	408 million yen
Non-current assets:	1,598 million yen
Total assets:	2,007 million yen
Non-current assets:	117 million yen
Total liabilities:	117 million yen

(7) Approximate amount of impact on the consolidated statement of income for the consolidated fiscal year under review calculated as if the business combination was completed at the start of the consolidated fiscal year and its calculation method

Net sales: 6,445 million yen

Operating profit: 271 million yen

(Method for calculating the approximate amount)

Net sales and the profit and loss information calculated as if the business combination was completed at the start of the consolidated fiscal year are used for the approximate amount of impact.

This note has not been subject to audit certification.

(8) Outline of business transfer

(i) Outline of business transfer

Absorption-type demerger, where the split company is the Company and the succeeding company is next PH Corporation (simplified absorption-type demerger).

(ii) Reason for conducting business transfer

The Company is a holding management company which owns the shares of operating companies for the purpose of controlling and managing their business activities and engaging in operations incidental thereto. The Company considered acquiring part of Kanichi Shoten Group's business and divesting the business to multiple subsidiaries within the Group; however, with a view to maintaining the engagement of the Kanichi Shoten Group's employees among other factors, the Company decided to divest the business to next PH Corporation, established on October 10, 2024.

(iii) Outline of accounting treatment

The business transfer is processed as a transaction under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

(Significant subsequent events)

Not applicable.