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Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]

May 10, 2024

Company name:	Qol Holdings Co., Ltd.	
Stock exchange listing:	Tokyo	
Code number:	3034	
URL:	https://www.qolhd.co.jp/eng/	
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Scheduled date of Annual General Meeting of Shareholders:	June 27, 2024	
Scheduled date of commencing dividend payments:	June 12, 2024	
Scheduled date of filing annual securities report:	June 28, 2024	
Availability of supplementary briefing material on annual financial results:	Yes	
Schedule of annual financial results briefing session:	Yes	

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	180,052	5.9	8,324	(12.3)	9,256	(8.3)	4,880	(13.7)
March 31, 2023	170,036	2.3	9,495	(3.7)	10,098	0.0	5,656	3.0

(Note) Comprehensive income:	Fiscal year ended March 31, 2024:	¥	4,895 million	[(13.5)%
	Fiscal year ended March 31, 2023:	¥	5,657 million	[1.0%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended March 31, 2024	Yen 131.11	Yen -	% 9.6	% 8.4	% 4.6
March 31, 2023	152.96	-	12.2	10.2	5.6

(Note)

	As of March 31, 2024:	143 million
Share of loss (profit) of entities accounted for using equity method	As of March 31, 2023:	¥ - million
	As of March 31, 2024:	¥ 13,566 million
EBITDA (Operating profit + Depreciation + Amortization of goodwill)	As of March 31, 2023:	¥ 14,379 million
	As of March 31, 2024:	¥ 8,273 million
Net income before Amortization of goodwill (Profit attributable to owners of parent + Amortization of goodwill)	As of March 31, 2023:	¥ 8,860 million
	As of March 31, 2024:	¥ 222.27
EPS before Amortization of goodwill (Profit before Amortization of goodwill / Average number of shares during the period)	As of March 31, 2023:	¥ 239.61

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	117,779	52,837	44.8	1,414.43
March 31, 2023	101,905	48,856	47.9	1,314.69

(Reference) Equity: As of March 31, 2024: ¥ 52,789 million
As of March 31, 2023: ¥ 48,808 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	13,533	(13,155)	7,969	26,944
March 31, 2023	11,662	(7,013)	(2,569)	18,596

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	-	15.00	-	17.00	32.00	1,206	20.9	2.6
March 31, 2024	-	15.00	-	15.00	30.00	1,131	22.9	2.2
Fiscal year ending								
March 31, 2025 (Forecast)	-	17.00	-	17.00	34.00		22.2	

(Note) Year-end dividend for the fiscal year 2022 includes an ordinary dividend of ¥15.00 and commemorative dividend of ¥2.00 for the 30th anniversary of founding.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending									
September 30, 2024	124,000	40.0	5,400	51.7	5,500	49.6	2,000	5.9	53.73
Full year	270,000	50.0	15,000	80.2	15,200	64.2	5,700	16.8	153.13

(Note)

EBITDA (Operating profit + Depreciation + Amortization of goodwill)	¥ 21,500 million
Net income before Amortization of goodwill (Profit attributable to owners of parent + Amortization of goodwill)	¥ 10,200 million
EPS before Amortization of goodwill (Profit before Amortization of goodwill / Average number of shares during the period)	¥ 274.02

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

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

March 31, 2024:	38,902,785 shares
March 31, 2023:	38,902,785 shares

2) Number of treasury shares at the end of the period:

March 31, 2024:	1,580,709 shares
March 31, 2023:	1,777,609 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2024:	37,223,651 shares
Fiscal Year ended March 31, 2023:	36,978,397 shares

(Note) Treasury stock includes shares owned by the exclusive trust account of the Company's Employee Stock Ownership Association.

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1. OVERVIEW OF OPERATING RESULTS

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2024

During the consolidated fiscal year under review (April 1, 2023–March 31, 2024), the Japanese economy moved steadily toward the normalization of economic activities in line with the reclassification of COVID-19 as a Class 5 infection. However, the future of the economy remains uncertain due to price hikes associated with soaring energy and raw material costs and other conditions.

Although no employees were injured in the Noto Peninsula Earthquake, which occurred in January 2024, three stores in Ishikawa Prefecture were severely damaged, necessitating temporary closure. We dispatched approximately 70 employees from across the country to provide safe and reliable medical services, placing the highest priority on “continuation of medical care.” As ongoing water outages prevented the timely resumption of operations, our pharmacy in Noto town opened a temporary store in Noto Cho-ritsu Matsunami Junior High School after receiving permission from the local government. We also made donations through the Japanese Red Cross Society and provided assistance to local governments to support disaster victims and help with reconstruction efforts in affected areas.

Even amid these significant changes in the business environment, the Qol Group aims to continue being the Company closest to patients. To achieve our medium-term goals, we are engaged in efforts to integrate all businesses under the three keywords “expand scale,” “maximize profits,” and “digitalize.” In May 2023, Qol resolved to acquire all shares of DAIICHI SANKYO ESPHA CO., LTD. In October 2023, we acquired 30% of DAIICHI SANKYO ESPHA shares, and in April 2024 we acquired an additional 21% of shares, and made DAIICHI SANKYO ESPHA a consolidated subsidiary. We are working to strengthen our management base by promoting new businesses; however, expenses are incurred to establish a system to accept DAIICHI SANKYO ESPHA CO., LTD. into our group. In addition, expenses were incurred for the establishment of a system to enable DAIICHI SANKYO ESPHA CO., LTD. to be removed from the scope of the DAIICHI SANKYO Group. Therefore, equity in earnings of affiliates fell short of the initial forecast.

In the consolidated fiscal year under review, the Qol Group posted net sales of ¥180,052 million (up 5.9% year on year), operating profit of ¥8,324 million (down 12.3%), ordinary profit of ¥9,256 million (down 8.3%) and profit attributable to owners of parent of ¥4,880 million (down 13.7%). EBITDA was ¥13,566 million (down 5.7%).

Performance by business segment is as follows.

a. Pharmacy Business

In the Pharmacy Business, the Group worked to expand scale through M&A, new store openings, and the promotion of the Home and Facility Dispensing Business, maximizing profits through increased productivity, and enhancing patient convenience through digitization, including the creation of next-generation pharmacies.

In the consolidated fiscal year under review, the Group added 18 new stores, acquired three stores through business transfer, and acquired 14 stores through conversion to subsidiaries for a total addition of 35 stores, while at the same time seven stores were closed, amounting to a total of 920 stores. To continue developing high added-value pharmacies going forward, the Group will expand scale through strategic M&A and new store openings.

In terms of pharmacy operations, we are working to provide dispensing at home at all pharmacies in the Home and Facility Dispensing Business as a new business pillar, and will significantly increase the number of facilities we operate by increasing the number of home dispensing stores.

In April 2023, we also started collaborations with Suntory Wellness Ltd., related to health

support. The Qol Group will contribute to the field of presymptomatic diseases by handling Suntory Wellness health foods and promoting proper understanding through pharmacist explanations.

In September 2023, as a board member company of the Pharmacy DX Promotion Consortium, we jointly proposed the “partial outsourcing of dispensing operations” to the Secretariat of Office for Promotion of Regional Revitalization, Cabinet Office. Going forward, we will examine mechanisms that will lead to the enhancement of pharmacist interpersonal services in local communities. Further, in April 2024, core subsidiary Qol Co., Ltd., obtained “Home Palliative Care Pharmacy” certification from the Japanese Society for Pharmaceutical Palliative Care and Sciences. We will contribute to local communities through high quality palliative pharmacotherapy to support patients who require palliative care.

Regarding performance, prescription numbers and operating costs increased due to contributions from M&A and new store openings conducted in the previous fiscal year, promotion of the Home and Facility Dispensing Business, and an increase in the number of patients infected with epidemic infectious diseases. Further, the completion of transitional measures for Community Support System Premium in line with NHI drug price and dispensing fee revisions led to a decline in dispensing and technical fee unit prices.

As a result, net sales in this segment amounted to ¥165,099 million (up 6.3% year on year), while operating profit was ¥10,730 million (down 6.7%).

b. Medical-Related Business

In the Medical-Related Business, we continue efforts to expand the core CSO Business, Professional Referral Dispatch Business, Publishing-related Business and Pharmaceutical Manufacturing Business, targeting stable growth to move forward as a comprehensive healthcare company.

In the CSO Business, although numbers increased in line with expanding demand for MR dispatches, cost related to recruitment also increased. Going forward, to meet diversifying needs from medical sites, we will continue to focus efforts on recruiting human resources with a wide range of experience and provide training programs for MRs in specialized fields, while also undertaking sales in various areas in line with medical developments. Further, contracted business for the development of pharmaceuticals and foods expanded due to an increase in orders, mainly for food testing.

In the Professional Referral Dispatch Business, demand for professional referral dispatches in all positions is expanding steadily, while the number of contracts concluded increased in line with various efforts including customer base expansion and divisions of labor. Additionally, Oncall.Inc, which owns a matching platform for the short-term employment of doctors and nurses, became a Group company in April 2023. Despite expenses associated with M&A, we will leverage the synergies with this new Group company to further expand business.

In the Publishing-related Business, Qol provides oncology, digital, and other materials with a high growth potential into existing customers, while expanding transactions with academic societies and other non-pharmaceutical customers. We will also expand the convention business, which is expected to generate stable revenues, and combine the newly launched compliance service business with the existing material production business to provide high-quality services in line with various regulations. In February 2024, we managed the Go Red for Women Japan health seminar “Conversation on Women's Minds and Hearts” organized by the Japanese Circulation Association.

In the Pharmaceutical Manufacturing Business, we are working to realize synergies from the inclusion of DAIICHI SANKYO ESPHA CO., LTD., as a Group company. Further, in addition to existing products, despite ongoing efforts to promote sales of “Tegaruna® stick SARS-CoV-2 Ag” COVID-19 antigen test kits launched in December 2022, performance was adversely affected by lower sales due to drug price revisions, soaring raw material costs, plant repairs and other factors.

As a result, net sales in this segment were ¥14,952 million (up 2.0% year on year) and operating profit was ¥1,136 million (down 25.9%).

EBITDA = Operating profit + Depreciation + Amortization of goodwill

CSO: Contract Sales Organization

MR: Medical Representative

Reference: Reporting Segments

		Year ended March 31		Change (%)
		2023 (Millions of yen)	2024 (Millions of yen)	
Pharmacy Business	Net sales	155,370	165,099	6.3
	Segment profit	11,499	10,730	(6.7)
Medical-Related Business	Net sales	14,665	14,952	2.0
	Segment profit	1,534	1,136	(25.9)
Total	Net sales	170,036	180,052	5.9
	Segment profit	13,033	11,867	(8.9)

Note: Sales in each segment do not include internal sales between segments.

(2) Overview of Financial Position at March 31, 2024

a. Assets

As of March 31, 2024, total assets amounted to ¥117,779 million, up ¥15,874 million from March 31, 2023.

This was mainly due to a decline of ¥684 million in goodwill, and increases of ¥8,512 million in cash and deposits and ¥7,714 million in shares of subsidiaries and associates.

b. Liabilities

As of March 31, 2024, total liabilities amounted to ¥64,941 million, up ¥11,892 million from March 31, 2023.

This was mainly due to a decline of ¥608 million in the current portion of bonds payable, and increases of ¥9,438 million in long-term borrowings and ¥2,140 million in accounts payable – trade.

c. Net assets

As of March 31, 2024, total net assets amounted to ¥52,837 million, up ¥3,981 million from March 31, 2023.

This was mainly due to a decline of ¥293 million in treasury stock, and an increase of ¥3,674 million in retained earnings.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2024

Cash and cash equivalents increased ¥8,347 million compared with the end of the previous consolidated fiscal year, to ¥26,944 million, with ¥13,533 million in net cash provided by operating activities, ¥13,155 million used in investing activities and ¥7,969 million provided by financing activities.

The cash flow conditions and underlying factors during the consolidated fiscal year under review are as described below.

Cash flows from operating activities

Net cash provided by operating activities was ¥13,533 million (compared with ¥11,662 million in the previous consolidated fiscal year), with inflows of ¥8,860 million in profit before income taxes and ¥3,393 million in amortization of goodwill.

Cash flows from investing activities

Net cash used in investing activities was ¥13,155 million (compared with ¥7,013 million in the previous consolidated fiscal year), with outflows of ¥7,570 million for the purchase of shares of subsidiaries and associates, ¥3,233 million for the purchase of investments in subsidiaries resulting in change in scope of consolidation, and ¥2,072 million for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities was ¥7,969 million (compared with ¥2,569 million used in the previous fiscal year), with ¥18,300 million provided by proceeds from long-term loans payable, ¥8,810 million used for repayments of long-term borrowings, and ¥1,205 million used for dividends paid.

Trends in Cash Flow Indices

	Years ended March 31				
	2020	2021	2022	2023	2024
Equity ratio (%)	39.4	40.9	45.7	47.9	44.8
Equity ratio, based on market value (%)	48.6	56.6	44.8	42.3	56.0
Interest-bearing debt to cash flows ratio (%)	731.1	230.2	230.3	197.1	235.6
Interest coverage ratio (times)	37.5	115.2	100.1	130.7	124.0

Equity ratio: total shareholders' equity/total assets

Equity ratio, based on market value: total market value of stocks/total assets

Interest-bearing debt to cash flows ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/interest payments

Notes:

1. All indices are calculated based on consolidated financial results.
2. The total market value of stocks is calculated by multiplying the closing price at the period-end by the number of shares issued at the period-end (excluding treasury stock).
3. "Cash flows" and "Interest payments" refer to net cash provided by (used in) operating activities and interest expenses paid as shown in the consolidated cash flow statements.
4. "Interest-bearing debt" refers to all debts listed in the consolidated balance sheets on which the Company pays interest.

(4) Outlook

Operating Performance and Future Outlook

	Year ended March 31, 2024 (Actual) (Millions of yen)	Year ending March 31, 2025 (Forecast) (Millions of yen)	Change (%)
Net sales	180,052	270,000	50.0
Operating profit	8,324	15,000	80.2
Ordinary profit	9,256	15,200	64.2
Profit attributable to owners of parent	4,880	5,700	16.8
	Yen	Yen	Yen
Basic earnings per share	131.11	153.13	16.8

The Qol Group has set consolidated net sales of ¥300 billion and operating profit of ¥25 billion as medium-term targets for further growth in order to make a leap forward to becoming a comprehensive healthcare company. To this end, the Group will unite to achieve the goals of “improve quality,” “scale expansion” and “further growth”.

Further, to achieve sustainability, the Group will strive to reduce its environmental impact, promote Company-wide understanding of the SDGs, and implement initiatives that will lead to the future. Through business activities, we are moving forward with discussions to improve social and economic value for stakeholders, and make an effort to visualize specific values and progress.

The business strategies are as follows.

a. Pharmacy Business

In the Pharmacy Business, we will continue to pursue the ideal form of pharmacy that patients seek, while aiming to provide even more convenience and peace of mind. We will also continue to create a system that can contribute to regional healthcare stability by promoting healthcare continuity and consistent quality.

By maximizing use of internal Group training systems, and assigning pharmacists able to support advanced healthcare, we will make an effort to acquire certifications as a Pharmacy in Cooperation with Specialized Medical Institutions and Community Medical Coordination Pharmacy, while delivering Qol value to even more patients. In addition, we will strategically establish stores specializing in home-based dispensing, as well as ensure coordination and support among facilities and stores to focus efforts on realizing healthcare that better meets patient needs.

Further, to continue delivering even higher quality healthcare to patients, we will conduct a zero-based review of costs and work to improve productivity.

With regard to digital transformation (DX), we will reform our pharmacy business model and promptly respond to government demands for DX in healthcare, including the use of My Number cards for insurance purposes.

In terms of efforts to expand scale, we will proactively engage in M&A and new store openings, while increasing brand recognition through collaborations with different industries. As part of these efforts, in April 2023, Qol launched a health support collaboration with Suntory Wellness Limited. Through its pharmacies, the Company will strive to support the health of patients and customers in the area of presymptomatic disease.

b. Medical-Related Business

In the CSO Business, the Company will focus on further business expansion by increasing the number of MRs dispatched. It will also undertake sales in various areas in line with medical

developments to meet diversifying needs from medical sites.

In the Professional Referral Dispatch Business, Qol aims to further increase the number of contracts concluded by revamping the company website to attract more customers and enhancing productivity through database automation and other mechanisms. It will leverage synergies with Oncall.Inc, which became a Group company in April 2023, to further expand business.

In the Publishing-related Business, Qol aims to expand existing business by enhancing its ability to respond to changing client needs and the shift toward digitization, as well as strengthen organizational capabilities, which are areas where it has been engaged for some time. It will also make efforts to further expand and stabilize new businesses, including the convention and compliance services businesses.

In the Pharmaceutical Manufacturing Business, the Company will continue to conduct ongoing capital investments in its plants and make efforts toward pharmaceutical quality management and supply stability. Further, in line with the inclusion of DAIICHI SANKYO ESPHA CO., LTD., as a Group company, the Pharmaceutical Business Promoting Department was established in April 2024 to provide management support, and Qol will build a foundation for sustainable growth by development of new products with the aim of expanding its pipeline.

As a result of these efforts, in the fiscal year ending March 31, 2025, the Company forecasts net sales of ¥270,000 million (up 50.0% year on year) and operating profit of ¥15,000 million (up 80.2%). This forecast includes the impact of DAIICHI SANKYO ESPHA CO., LTD., being included as a consolidated subsidiary.

Moreover, with regard to the above forecast, actual results may vary due to the convergence of various factors. In the event that conditions change drastically in the near future and revisions to this forecast become necessary, the Company will promptly disclose details of said revisions.

(5) Fundamental Policy on the Distribution of Profits and Dividend Payment for Current Term and Next Term

With respect to dividends, in consideration of securing internal reserves necessary for future business development and management foundation enhancement, the Group's basic policy is to continue providing shareholders with the stable return of profits.

Based on this policy, for the consolidated fiscal year under review, the Company distributed an interim dividend of ¥15 per share of common stock and plans to provide a year-end dividend of ¥15 per share of common stock.

For the fiscal year ending March 31, 2025, the Company intends to distribute an interim dividend of ¥17 per share of common stock and a year-end dividend of ¥17 per share of common stock.

2. BASIC STANCE ON SELECTION OF ACCOUNTING STANDARDS

The Qol Group's policy is to prepare consolidated financial statements based on Japanese standards for the time being considering comparability of consolidated financial statements among periods and among companies.

Regarding the application of the International Financial Reporting Standards (IFRS), the policy is to respond appropriately considering the various conditions inside and outside Japan.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	18,770	27,282
Notes and accounts receivable - trade, and contract assets	16,951	16,909
Merchandise and finished goods	4,990	4,849
Work in process	90	129
Supplies	205	192
Other	3,208	3,329
Allowance for doubtful accounts	(2)	(2)
Total current assets	44,214	52,690
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,818	6,971
Tools, furniture and fixtures, net	1,538	1,448
Land	6,999	6,925
Other, net	751	936
Total property, plant and equipment	16,108	16,281
Intangible assets		
Goodwill	32,818	32,133
Software	667	798
Other	304	204
Total intangible assets	33,790	33,136
Investments and other assets		
Investment securities	142	132
Shares of subsidiaries and associates	-	7,714
Leasehold and guarantee deposits	3,942	4,061
Deferred tax assets	2,110	2,164
Other	1,616	1,618
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	7,791	15,670
Total non-current assets	57,689	65,089
Deferred assets		
Bond issuance costs	1	-
Total deferred assets	1	-
Total assets	101,905	117,779

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	19,958	22,098
Current portion of bonds payable	608	-
Current portion of long-term borrowings	8,104	8,155
Income taxes payable	1,976	2,197
Provision for bonuses	2,310	2,436
Other	3,371	3,935
Total current liabilities	36,330	38,823
Non-current liabilities		
Long-term borrowings	14,038	23,477
Deferred tax liabilities	306	302
Provision for retirement benefits for directors (and other officers)	34	31
Retirement benefit liability	829	859
Asset retirement obligations	1,055	1,093
Other	455	353
Total non-current liabilities	16,719	26,118
Total liabilities	53,049	64,941
Net assets		
Shareholders' equity		
Share capital	5,786	5,786
Capital surplus	11,276	11,276
Retained earnings	34,355	38,030
Treasury shares	(2,596)	(2,303)
Total shareholders' equity	48,823	52,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(0)
Total accumulated other comprehensive income	(14)	(0)
Non-controlling interests	47	48
Total net assets	48,856	52,837
Total liabilities and net assets	101,905	117,779

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	170,036	180,052
Cost of sales	146,531	156,802
Gross profit	23,504	23,249
Selling, general and administrative expenses	14,009	14,925
Operating profit	9,495	8,324
Non-operating income		
Rental income from buildings	73	129
Commission income	139	111
Surrender value of insurance policies	229	514
Share of profit of entities accounted for using equity method	-	143
Subsidy income	12	12
Guarantee commission income	59	59
Subsidy income	161	71
Other	162	135
Total non-operating income	836	1,177
Non-operating expenses		
Interest expenses	89	109
Rental expenses	56	69
Other	87	66
Total non-operating expenses	233	245
Ordinary profit	10,098	9,256
Extraordinary income		
Gain on sale of non-current assets	8	74
Gain on bargain purchase	-	25
Gain on sale of investment securities	-	2
Total extraordinary income	8	101
Extraordinary losses		
Loss on retirement of non-current assets	50	26
Loss on sale of non-current assets	3	22
Loss on withdrawal from employees' pension fund	-	38
Impairment losses	460	325
Loss on valuation of inventories	-	72
Other	8	12
Total extraordinary losses	522	497
Profit before income taxes	9,584	8,860
Income taxes - current	3,922	3,973
Income taxes - deferred	3	6
Total income taxes	3,925	3,979
Profit	5,658	4,880
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	5,656	4,880

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	5,658	4,880
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	14
Total other comprehensive income	(0)	14
Comprehensive income	5,657	4,895
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,655	4,894
Comprehensive income attributable to non-controlling interests	1	0

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	5,786	11,276	29,798	(3,012)	43,849	(14)	(14)	45	43,881
Changes during period									
Dividends of surplus			(1,093)		(1,093)		-		(1,093)
Profit attributable to owners of parent			5,656		5,656		-		5,656
Disposal of treasury shares				415	415		-		415
Other			(5)		(5)		-		(5)
Net changes in items other than shareholders' equity					-	(0)	(0)	1	1
Total changes during period	-	-	4,557	415	4,973	(0)	(0)	1	4,974
Balance at end of period	5,786	11,276	34,355	(2,596)	48,823	(14)	(14)	47	48,856

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	5,786	11,276	34,355	(2,596)	48,823	(14)	(14)	47	48,856
Changes during period									
Dividends of surplus			(1,206)		(1,206)		-		(1,206)
Profit attributable to owners of parent			4,880		4,880		-		4,880
Disposal of treasury shares				293	293		-		293
Other					-		-		-
Net changes in items other than shareholders' equity					-	14	14	0	14
Total changes during period	-	-	3,674	293	3,967	14	14	0	3,981
Balance at end of period	5,786	11,276	38,030	(2,303)	52,790	(0)	(0)	48	52,837

Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	9,584	8,860
Depreciation	1,680	1,848
Amortization of goodwill	3,204	3,393
Share of loss (profit) of entities accounted for using equity method	-	(143)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(0)	(3)
Increase (decrease) in retirement benefit liability	36	16
Increase (decrease) in provision for bonuses	(47)	104
Increase (decrease) in allowance for doubtful accounts	9	0
Loss (gain) on sale and retirement of non-current assets	45	(25)
Impairment losses	460	325
Loss on valuation of inventories	-	72
Gain on bargain purchase	-	(25)
Gain on sales of investment securities	-	(2)
Surrender value of insurance policies	(229)	(514)
Interest and dividend income	(6)	(6)
Interest expenses	89	109
Decrease (increase) in inventories	703	171
Decrease (increase) in trade receivables	1,135	448
Increase (decrease) in trade payables	625	1,933
Other, net	(496)	815
Subtotal	16,792	17,379
Interest and dividends received	6	5
Interest paid	(89)	(109)
Income taxes paid	(5,047)	(3,742)
Net cash provided by (used in) operating activities	11,662	13,533
Cash flows from investing activities		
Payments into time deposits	(1)	(3)
Purchase of property, plant and equipment	(4,168)	(2,072)
Proceeds from sale of property, plant and equipment	16	406
Purchase of intangible assets	(342)	(242)
Proceeds from sale of investment securities	-	10
Proceeds from collection of loans receivable	484	13
Payments of leasehold and guarantee deposits	(158)	(219)
Proceeds from refund of leasehold and guarantee deposits	86	62
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,760)	(3,233)
Purchase of shares of subsidiaries and associates	-	(7,570)
Payments for acquisition of businesses	(488)	(252)
Other, net	317	(53)
Net cash provided by (used in) investing activities	(7,013)	(13,155)

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(385)	-
Proceeds from long-term borrowings	9,000	18,300
Repayments of long-term borrowings	(9,826)	(8,810)
Redemption of bonds	(808)	(608)
Proceeds from disposal of treasury shares	343	330
Dividends paid	(1,092)	(1,205)
Proceeds from sale and leaseback transactions	220	-
Other, net	(19)	(35)
Net cash provided by (used in) financing activities	(2,569)	7,969
Net increase (decrease) in cash and cash equivalents	2,079	8,347
Cash and cash equivalents at beginning of period	16,516	18,596
Cash and cash equivalents at end of period	18,596	26,944

(5) Notes concerning Consolidated Financial Statements

Note on Assumptions for Going Concern

Not applicable.

Supplementary Information

Transactions Delivering Company Stock to Employees, Etc., through Trusts

Qol Holdings Co., Ltd., conducts transactions transferring Company stock to the Employee Stock Ownership Association through trusts with the intention of providing employees with the incentive to enhance corporate value over the medium- to long-term.

(1) Transaction Overview

Based on a resolution by the Board of Directors on February 3, 2021, Qol Holdings Co., Ltd., introduced the Trust-type Employee Shareholding Incentive Plan (E-Ship[®]) (hereinafter, “Plan”).

This Plan is an incentive scheme applicable to all employees belonging to the Qol Group Employee Stock Ownership Association (hereinafter, “Stock Ownership Association”). Under this Plan, the Company established the Qol Group Employee Stock Ownership Exclusive Trust (hereinafter, “Employee Ownership Trust”) to acquire in advance Company stock corresponding to stock expected to be acquired by the Stock Ownership Association during a five-year period commencing after the establishment of the Employee Ownership Trust. After that, the Employee Ownership Trust will sell Company stock to the Stock Ownership Association on an ongoing basis, and in the event of an accumulated gain on the sales of stock in the Employee Ownership Trust when the Trust is ended, an amount equivalent to the gain on sale of the stock will be distributed as residual assets to individuals who satisfy the beneficiary eligibility requirements. Moreover, because the Company guarantees borrowings used by the Employee Ownership Trust to acquire Company stock, in the event the Company stock price declines resulting in the accumulation of an amount corresponding to the loss on the sale of stock in the Employee Ownership Trust and there are remaining loans payable corresponding to the loss on the sale of stock in the Employee Ownership Trust when the Trust is ended, the Company will repay the corresponding amount of remaining debt based on the guarantee agreement.

(2) Company Stock Remaining in the Employee Ownership Trust

Company stock remaining in the Employee Ownership Trust will be recorded under net assets as treasury stock based on book value (excluding the amount of incidental expenses) within the Trust. The book value of the corresponding treasury stock and number of shares was ¥566 million, 380 thousand shares in the consolidated fiscal year under review.

(3) Book Value of Borrowings Recorded Based on Gross Price Method Application

¥566 million in the consolidated fiscal year under review

Segment Information, etc.

Segment Information

1. Outline of reporting segments

(1) Method of Determination for Reporting Segment

The Company's reporting segments are company units for which separate financial information can be obtained, which the Board of Directors regularly examines to decide the allocation of management resources and to evaluate performance.

The Company drafts comprehensive strategies based on similarities in markets and sales methods, and develops business activities with the "Pharmacy Business" and "Medical-Related Business" as a reporting segment.

(2) Product and Service Categories in Each Reporting Segment

The Pharmacy Business manages pharmacies. The Medical-Related Business is engaged in the medical-related businesses.

2. Calculation methods for the amounts of each reporting segment's sales, profits or losses, assets, liabilities and other items

Accounting methods used for reporting business segments are generally the same as accounting methods used to prepare consolidated financial statements.

Profit figures for reporting segments are on an operating profit basis. Intra-group net sales and transfers between segments are based on prevailing market prices.

3. Information regarding the amount of each reporting segment's sales, profits or losses, assets, liabilities and other items and breakdown of revenue

Year ended March 31, 2023

Millions of yen

	Reporting segment			Adjustment (Note 1)	Consolidated statements of income (Note 2)
	Pharmacy Business	Medical-Related Business	Total		
Net sales (Note 3)					
Net sales from prescription demand	144,036	—	144,036	—	144,036
Other	11,333	14,665	25,999	—	25,999
Revenue from contracts with customers	155,370	14,665	170,036	—	170,036
Net sales to third parties	155,370	14,665	170,036	—	170,036
Intra-group net sales and transfers	76	328	404	(404)	—
Total sales	155,446	14,993	170,440	(404)	170,036
Segment profit (loss)	11,499	1,534	13,033	(3,538)	9,495
Segment assets	92,147	10,985	103,132	(1,227)	101,905
Other:					
Depreciation and amortization	1,380	118	1,498	29	1,528
Amortization of goodwill	2,922	281	3,204	—	3,204
Impairment loss	360	100	460	—	460
Increase in property, plant and equipment and intangible assets	8,485	205	8,690	170	8,860

Year ended March 31, 2024

Millions of yen

	Reporting segment			Adjustment (Note 1)	Consolidated statements of income (Note 2)
	Pharmacy Business	Medical-Related Business	Total		
Net sales (Note 3)					
Net sales from prescription demand	153,428	—	153,428	—	153,428
Other	11,671	14,952	26,623	—	26,623
Revenue from contracts with customers	165,099	14,952	180,052	—	180,052
Net sales to third parties	165,099	14,952	180,052	—	180,052
Intra-group net sales and transfers	89	389	478	(478)	—
Total sales	165,188	15,341	180,530	(478)	180,052
Segment profit (loss)	10,730	1,136	11,867	(3,542)	8,324
Segment assets	92,409	11,403	103,813	13,965	117,779
Other:					
Depreciation and amortization	1,465	151	1,616	55	1,672
Amortization of goodwill	3,036	356	3,393	—	3,393
Impairment loss	325	—	325	—	325
Increase in property, plant and equipment and intangible assets	3,993	939	4,933	98	5,032

Note 1. The contents of the adjustments are as follows.

Millions of yen

Segment profit adjustments	Year ended March 31, 2023	Year ended March 31, 2024
Eliminations of inter-segment business	2,211	2,330
Company-wide expenses*	(5,749)	(5,873)
Total	(3,538)	(3,542)

*Company-wide expenses mainly comprise general administrative expenses not included in reportable segments.

Millions of yen

Segment assets adjustments	Year ended March 31, 2023	Year ended March 31, 2024
Eliminations of inter-segment business	(78,724)	(79,624)
Company-wide assets*	77,497	93,590
Total	(1,227)	13,965

* Mainly assets not attributable to reportable segments

Millions of yen

Other adjustments	Year ended March 31, 2023	Year ended March 31, 2024
Depreciation and amortization*1	29	55
Increase in property and equipment and intangible assets*2	170	98

*1 Mainly depreciation and amortization expenses not attributable to reportable segments

*2 Mainly plant and equipment investment not attributable to reportable segments

Note 2. Segment profit is adjusted from the operating income on the consolidated income statement.

Note 3. Net sales comprise revenue recognized mainly from contracts with customers; the amount of revenue recognized from other sources is not significant.

Related Information

Year ended March 31, 2023

(a) Information for each product and service

Sales of single product and service categories to external customers have been omitted as they account for over 90% of net sales recorded on the consolidated statements of income.

(b) Geographic information

i. Net sales

Not applicable as there are no sales to external customers outside of Japan.

ii. Property, plant and equipment

Not applicable as there are no consolidated subsidiaries or important overseas branches in countries and regions outside of Japan.

(c) Information on principal customers

Sales to specific customers have been omitted as there are no customers accounting for 10% or more of net sales recorded on the consolidated statements of income.

Year ended March 31, 2024

(a) Information for each product and service

Sales of single product and service categories to external customers have been omitted as they account for over 90% of net sales recorded on the consolidated statements of income.

(b) Geographic information

i. Net sales

Not applicable as there are no sales to external customers outside of Japan.

ii. Property, plant and equipment

Not applicable as there are no consolidated subsidiaries or important overseas branches in countries and regions outside of Japan.

(c) Information on principal customers

Sales to specific customers have been omitted as there are no customers accounting for 10% or more of net sales recorded on the consolidated statements of income.

Information on Impairment Loss on Noncurrent Assets for Each Reporting Segment

Year ended March 31, 2023

Information on impairment loss on noncurrent assets is omitted because the same information is reported under Segment Information.

Year ended March 31, 2024

Information on impairment loss on noncurrent assets is omitted because the same information is reported under Segment Information.

Information on Goodwill Amortization and the Unamortized Balance of Goodwill for Each Reporting Segment

Year ended March 31, 2023

Millions of yen

	Pharmacy Business	Medical-Related Business	Corporate and elimination	Total
(Goodwill)				
Amortization	2,922	281	—	3,204
Balance at the end of current period	31,325	1,492	—	32,818

Year ended March 31, 2024

Millions of yen

	Pharmacy Business	Medical-Related Business	Corporate and elimination	Total
(Goodwill)				
Amortization	3,036	356	—	3,393
Balance at the end of current period	30,230	1,903	—	32,133

Information on Gain on Bargain Purchase for Each Reporting Segment

Year ended March 31, 2023

Not applicable.

Year ended March 31, 2024

Not applicable.

Information on Per Share Data

Yen

	Year ended March 31, 2023	Year ended March 31, 2024
Net assets per share	1,314.69	1,414.43
Basic earnings per share	152.96	131.11

Notes

- The diluted earnings per share for the consolidated fiscal year under review is not stated as there were no dilutive shares.
- The basis for calculating basic earnings per share is as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,656	4,880
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent applicable to common stocks (Millions of yen)	5,656	4,880
Average number of shares outstanding for each period (Shares)	36,978,397	37,223,651

Material Subsequent Events

(Business combination through acquisition of additional shares in DAIICHI SANKYO ESPHA CO., LTD.)

Based on the share purchase agreement concluded on May 16, 2023, the company acquired additional shares of DAIICHI SANKYO ESPHA CO., LTD. on April 1, 2024.

As a result, DAIICHI SANKYO ESPHA CO., LTD., became a consolidated subsidiary of the Company as, when combined with the 30% equity interest it acquired on October 1, 2023, the Company's voting rights increased to 51%.

1. Overview of Business Combination

(1) Overview of the acquired company

Name: DAIICHI SANKYO ESPHA CO., LTD.

Business: Research, development, and sales of pharmaceuticals

Business scale: Capital ¥450 million

(2) Purpose of acquisition of shares

The purpose of this share acquisition is to contribute to medical care and business development by sharing Group information and know-how with DAIICHI SANKYO ESPHA CO., LTD., in order to develop high value-added pharmaceutical products and create products that meet customer needs, especially in the AG products. We also believe that efficient and reliable business operations will enable us to provide pharmaceutical products that contribute to people's health and peace of mind.

The Qol Group will continue to explore new business opportunities by integrating the businesses of these two companies in an effort to strengthen its ability to develop and stably supply pharmaceutical products. We will also maintain efforts aimed at expanding profitability in the Medical-Related Business, including Pharmaceutical Manufacturing Business, and in conjunction with our mainstay Pharmacy Business, we will develop and contribute to society as a Company providing comprehensive medical services through the combined efforts of the entire Group.

(3) Commencement of business combination

April 1, 2024

(4) Legal form of business combination

Acquisition of shares for cash

(5) Company name after business combination

No change

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination	30.0%
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Percentage of voting rights additionally acquired on the date of business combination	21.0%
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Percentage of voting rights after acquisition	51.0%
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(7) Main basis for determining acquired company

This is because the company acquired shares in exchange for cash.

2. Matters related to the calculation of acquisition cost

(1) Acquired company acquisition cost and cost category breakdown

Acquisition price

Market value of common stock held immediately before the business combination	¥7,500 million
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Cash paid for additional acquisition	¥5,250 million
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Acquisition cost	¥12,750 million
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(2) Description and amount of major acquisition-related expenses

Not yet determined

(3) Difference between acquisition cost of acquired company and total acquisition cost for each transaction associated with the acquisition

Not yet determined

3. Amount of goodwill incurred, reason for incurrence, amortization method, and amortization period

Not yet determined

4. Amount of assets received and liabilities assumed on date of business combination and breakdown of each

Not yet determined

4. OTHER

(1) Changes in Executives

a. Change in representative
Not applicable.

b. Change in other directors (scheduled as of June 27, 2024)

1. New candidates for Director

Kei Imai (currently: Managing Manager in charge of Corporate Planning Department, Qol Holdings Co., Ltd.)

2. Director to retire

Masaru Nakamura (currently: Director, Qol Holdings Co., Ltd.)

Masaru Nakamura will be appointed as honorary chairman.

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