



Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 2, 2024

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 Stock exchange listing: Tokyo
 Securities code: 3034
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 Scheduled date to commence dividend payments: —
 Availability of supplementary briefing material on financial results: Yes
 Schedule of annual financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 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	%
Three months ended June 30, 2024	61,036	40.6	2,915	55.6	2,966	52.9	843	(16.6)
June 30, 2023	43,403	7.0	1,873	13.0	1,940	10.2	1,010	0.9

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 1,436 million [42.4%]
 Three months ended June 30, 2023: ¥ 1,009 million [0.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	22.59	-
June 30, 2023	27.22	-

(Note)

EBITDA (Operating profit + Depreciation + Amortization of goodwill)	As of June 30, 2024:	¥ 4,837 million
	As of June 30, 2023:	¥ 3,138 million
Net income before Amortization of goodwill (Profit attributable to owners of parent + Amortization of goodwill)	As of June 30, 2024:	¥ 1,957 million
	As of June 30, 2023:	¥ 1,848 million
EPS before Amortization of goodwill (Profit before Amortization of goodwill / Average number of shares during the period)	As of June 30, 2024:	¥ 52.43
	As of June 30, 2023:	¥ 49.77

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	146,903	57,566	36.2
March 31, 2024	117,779	52,837	44.8

(Reference) Equity: As of June 30, 2024: ¥ 53,172 million

As of March 31, 2024: ¥ 52,789 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		17.00	-	17.00	34.00

(Note) Revision to the forecast for dividends announced most recently: No

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	53.57
Full year	270,000	50.0	15,000	80.2	15,200	64.2	5,700	16.8	152.67

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

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

Newly included: 1 (Company name: DAIICHI SANKYO ESPHA CO., LTD.))

Excluded: - (Company name: -)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

4) Restatement: No

(4) Number of issued shares (common shares)

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

June 30, 2024: 38,902,785 shares

March 31, 2024: 38,902,785 shares

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

June 30, 2024: 1,527,919 shares

March 31, 2024: 1,580,709 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 37,335,568 shares

Three months ended June 30, 2023: 37,141,752 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 Three Months Ended June 30, 2024

During the first quarter of the consolidated fiscal year under review (April 1, 2024-June 30, 2024), the Japanese economy showed a moderate recovery due to the normalization of economic activities and improvement in the employment and income environment. However, the future of the economy remains uncertain due to a slowdown in private consumption due to price hikes and other factors.

Even amid these significant changes in the business environment, our Group aims to continue being the Company closest to patients. We are engaged in efforts to integrate all businesses under the three keywords “improve quality”, “scale expansion”, “further growth.”

In April 2024, we acquired additional shares in DAIICHI SANKYO ESPHA CO., LTD., and made it a consolidated subsidiary. We will realize further growth toward our medium-term goals by leveraging synergies with the Pharmacy Business and concentrating exclusively on pharmaceuticals.

In the consolidated first quarter ended June 30, 2024, the Qol Group posted net sales of ¥61,036 million (up 40.6% year on year), operating profit of ¥2,915 million (up 55.6%), ordinary profit of ¥2,966 million (up 52.9%) and profit attributable to owners of parent of ¥843 million (down 16.6%) due to the inclusion of DAIICHI SANKYO ESPHA CO., LTD., as a consolidated subsidiary (share ownership ratio: 51%). EBITDA was ¥4,837 million (up 54.2%). Moreover, quarterly net profit was ¥1,434 million (up 42.3% year on year).

Progress in the three months ended June 30, 2024

	Three months ended June 30, 2024		Achievement rate (%)
	Plan (Millions of yen)	Results (Millions of yen)	
Net sales	60,873	61,036	100.3%
Operating profit	2,159	2,915	135.0%
Ordinary profit	2,209	2,966	134.3%
Profit	892	1,434	160.8%
Profit attributable to owners of parent	573	843	147.1%

Performance by business segment is as follows.

From the first quarter of the consolidated fiscal year under review, the business segments listed as reporting segments have been changed from two segments: “Pharmacy Business” and “Medical-Related Business” to three segments: “Pharmacy Business” and “BPO Contracting Businesses” and “Pharmaceutical Manufacturing Business”. Further, the Pharmaceutical Manufacturing Business, which had been classified previously in the “Medical-Related Business”, is transferred to the “Pharmaceutical Manufacturing Business”. As a result, comparisons and analyses for the first three months of the consolidated fiscal year under review for “BPO Contracting Businesses” and “Pharmaceutical Manufacturing Business” are based on the new classification.

(Note) BPO: Business Process Outsourcing

a. Pharmacy Business

In the Pharmacy Business, the Group works to improve quality by expanding 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 first quarter of the fiscal year under review, the Group added 9 new stores and acquired 18 stores through conversion to subsidiaries for a total addition of 27 stores, while closing only one store, resulting in a total of 946 stores across all businesses. To continue developing high added-value pharmacies going forward, the Group will expand scale through strategic M&A and new store openings. Moreover, in May 2024, we acquired shares of Dyna Co., Ltd., which operates 18 dispensing pharmacies, and this acquisition will be our first development in Yamanashi Prefecture. Going forward, our aim is to continue providing safe and reliable medical services nationwide.

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 are in charge of by working to improve operational efficiency.

Further, to expand revenue other than from dispensing fees, the Group will expand its efforts in the field of presymptomatic diseases through collaborations with Suntory Wellness Ltd., and other companies.

In light of the recent price hike, in April 2024, Qol implemented a salary level hike to enable employees to provide even higher quality healthcare to survive with peace of mind. We will continue to enhance new services for patients, including electronic prescriptions and online medication guidance.

Regarding performance, although the number of prescriptions increased due to contributions from M&A and new store openings conducted in the previous fiscal year, as well as the promotion of the Home and Facility Dispensing Business, etc., operating costs such as purchasing and personnel expenses increased. Further, in line with the revision of dispensing fee, the technical fee unit price has increased from June.

As a result, net sales in this segment were ¥41,081 million (up 3.9% year on year) and operating profit was ¥1,630 million (down 32.7%).

b. BPO Contracting Businesses

In the BPO Contracting Businesses, the Group will continue to expand the scale of the core CSO Business, Professional Referral Dispatch Business, and Publishing-related Business.

In the CSO Business, although numbers increased in line with expanding demand for MR dispatches. 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.

In the Professional Referral Dispatch Business, productivity is improving and the number of contracts concluded is increasing, due to various efforts, including the division of labor in sales, particularly with regard to pharmacist referral dispatches. We are also making steady progress with the new Doctor and Nurse Business launched in the previous fiscal year.

In the Publishing-related Business, in addition to the existing material production business, the convention business, compliance service business, and other businesses are expanding.

As a result, net sales in this segment were ¥3,464 million (up 3.7% year on year) and operating profit was ¥575 million (up 65.1%).

c. Pharmaceutical Manufacturing Business

In the Pharmaceutical Manufacturing Business, we will aim for further growth in line with the inclusion of DAIICHI SANKYO ESPHA CO., LTD., as a Group company.

With regard to product lineups, we will mainly expand AG products. We will also leverage the Group's expertise in providing MR information to provide information from the perspective of medical professionals and patients to expand sales volumes.

Regarding supply conditions, sales of AG products are stable, with the number of new hires at medical institutions increasing. Further, in June 2024, we launched two generic pharmaceutical products with one component (Zonisamide). We devise formulations and packaging labels to prevent drug mix-up, including double-sided inkjet printing on tablets, thereby reducing the burden on pharmacists and preventing medical accidents due to patient drinking errors. We will also continue to promote sales of the COVID-19 antigen test kit [Tegaruna® stick SARS-CoV-2 Ag] launched in December 2022 in anticipation of the resurgence of COVID-19 infectious diseases.

As a consequence, net sales in this segment were ¥16,490 million (compared with ¥515 million in the same period of the previous fiscal year) and operating profit was ¥1,605 million (compared with an loss of ¥21 million in the same period of the previous fiscal year).

EBITDA = Operating profit + Depreciation + Amortization of goodwill

CSO: Contract Sales Organization

MR: Medical Representative

AG: Authorized Generic

(For Reference) Reporting Segments

		Three months ended June 30		Change (%)
		2023 (Millions of yen)	2024 (Millions of yen)	
Pharmacy Business	Net sales	39,547	41,081	3.9
	Segment profit	2,422	1,630	(32.7)
BPO Contracting Businesses	Net sales	3,341	3,464	3.7
	Segment profit	348	575	65.1
Pharmaceutical Manufacturing Business	Net sales	515	16,490	-
	Segment profit	(21)	1,605	-
Total	Net sales	43,403	61,036	40.6
	Segment profit	2,749	3,811	38.6

(Note) 1. Sales in each segment do not include internal sales between segments.

2. From the first quarter of the consolidated fiscal year under review, the business segments listed as reporting segments have been changed. Segment information for the first quarter of the previous consolidated fiscal year has been prepared based on the changed classification.

Segment information for the first quarter of the previous consolidated fiscal year does not include the figures for DAIICHI SANKYO ESPHA CO., LTD., which became a consolidated subsidiary from the first quarter of the consolidated fiscal year under review.

For details, please refer to [2. Quarterly Consolidated Financial Statements and Major Notes (Note on Segment Information)].

(2) Overview of Financial Position at June 30, 2024

a. Assets

As of June 30, 2024, total assets amounted to ¥146,903 million, up ¥29,124 million from March 31, 2024.

This was mainly due to a decrease of ¥7,714 million in shares of subsidiaries and associates, and increases of ¥13,321 million in business right, ¥9,652 million in goodwill, and ¥5,034 million in notes and accounts receivable - trade and contract assets.

b. Liabilities

As of June 30, 2024, total liabilities amounted to ¥89.337 billion, up ¥24.395 billion from March 31, 2023.

This was mainly due to increases of ¥11.266 billion in accounts payable - trade and ¥7.1 billion in refund liabilities.

c. Net assets

As of June 30, 2024, total net assets amounted to ¥57,566 million, up ¥4,728 million from March 31, 2024.

This was mainly due to a decrease of ¥78 million in treasury shares, and increases of ¥4,344 million in non-controlling interests and ¥277 million in retained earnings.

(3) Consolidated Financial Forecast

There are no changes to the consolidated financial forecast announced on May 10, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	27,282	29,682
Notes and accounts receivable - trade, and contract assets	16,909	21,943
Merchandise and finished goods	4,849	9,113
Work in process	129	171
Supplies	192	192
Other	3,329	3,374
Allowance for doubtful accounts	(2)	(2)
Total current assets	52,690	64,476
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,971	7,457
Tools, furniture and fixtures, net	1,448	1,604
Land	6,925	6,947
Other, net	936	534
Total property, plant and equipment	16,281	16,544
Intangible assets		
Goodwill	32,133	41,786
Business right	-	13,321
Software	798	776
Other	204	220
Total intangible assets	33,136	56,103
Investments and other assets		
Investment securities	132	136
Shares of subsidiaries and associates	7,714	-
Leasehold and guarantee deposits	4,061	4,093
Deferred tax assets	2,164	2,261
Other	1,618	3,308
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	15,670	9,778
Total non-current assets	65,089	82,426
Total assets	117,779	146,903

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	22,098	33,365
Short-term borrowings	-	4,003
Current portion of long-term borrowings	8,155	7,806
Income taxes payable	2,197	357
Provision for bonuses	2,436	1,458
Refund liabilities	-	7,100
Other	3,935	9,288
Total current liabilities	38,823	63,381
Non-current liabilities		
Long-term borrowings	23,477	21,644
Deferred tax liabilities	302	302
Provision for retirement benefits for directors (and other officers)	31	162
Retirement benefit liability	859	880
Asset retirement obligations	1,093	1,160
Other	353	1,804
Total non-current liabilities	26,118	25,955
Total liabilities	64,941	89,337
Net assets		
Shareholders' equity		
Share capital	5,786	5,786
Capital surplus	11,276	11,301
Retained earnings	38,030	38,307
Treasury shares	(2,303)	(2,224)
Total shareholders' equity	52,790	53,171
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Total accumulated other comprehensive income	(0)	1
Non-controlling interests	48	4,393
Total net assets	52,837	57,566
Total liabilities and net assets	117,779	146,903

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	43,403	61,036
Cost of sales	37,730	51,886
Gross profit	5,673	9,149
Selling, general and administrative expenses	3,799	6,234
Operating profit	1,873	2,915
Non-operating income		
Rental income from buildings	30	37
Commission income	48	14
Surrender value of insurance policies	-	25
Subsidy income	2	2
Guarantee commission income	14	14
Subsidy income (other)	9	6
Other	23	36
Total non-operating income	128	136
Non-operating expenses		
Interest expenses	25	46
Rental expenses	17	17
Other	19	21
Total non-operating expenses	62	86
Ordinary profit	1,940	2,966
Extraordinary income		
Gain on sale of non-current assets	0	4
Total extraordinary income	0	4
Extraordinary losses		
Loss on retirement of non-current assets	12	24
Loss on sale of non-current assets	3	4
Loss on step acquisitions	-	214
Other	-	10
Total extraordinary losses	16	254
Profit before income taxes	1,923	2,715
Income Taxes	915	1,280
Profit	1,008	1,434
Profit (loss) attributable to non-controlling interests	(2)	591
Profit attributable to owners of parent	1,010	843

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,008	1,434
Other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Total other comprehensive income	1	2
Comprehensive income	1,009	1,436
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,012	845
Comprehensive income attributable to non-controlling interests	(2)	591

(3) Notes concerning Quarterly Financial Statements

Note on Segment Information

I. First quarter of the previous consolidated fiscal year (April 1, 2023 to June 30, 2023)

1. Information regarding the amount of net sales and profits or losses for each reporting segment and breakdown of revenue

(Millions of yen)

	Reporting segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Pharmacy Business	BPO Contracting Businesses	Pharmaceutical Manufacturing Business	Total		
Net sales						
Net sales from prescription demand	36,729	-	-	36,729	-	36,729
Net Sales from the pharmaceutical manufacturing	-	-	515	515	-	515
Other	2,817	3,341	-	6,158	-	6,158
Revenue from contracts with customers	39,547	3,341	515	43,403	-	43,403
Net sales to third parties	39,547	3,341	515	43,403	-	43,403
Intra-group net sales and transfers	16	91	-	108	(108)	-
Total	39,563	3,432	515	43,511	(108)	43,403
Segment profit (loss)	2,422	348	(21)	2,749	(876)	1,873

(Note 1) The contents of the adjustments for segment profit (loss) are as follows.

(Millions of yen)

Eliminations of inter-segment business	582
Company-wide expenses*	(1,458)
Total	(876)

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

(Note 2) Segment profit (loss) is adjusted from the operating income on the quarterly 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.

II. Three months ended June 30, 2024

1. Information regarding the amount of net sales and profits or losses for each reporting segment and breakdown of revenue

(Millions of yen)

	Reporting segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Pharmacy Business	BPO Contracting Businesses	Pharmaceutical Manufacturing Business	Total		
Net sales						
Net sales from prescription demand	38,081	-	-	38,081	-	38,081
Net Sales from the pharmaceutical manufacturing	-	-	16,490	16,490	-	16,490
Other	3,000	3,464	-	6,464	-	6,464
Revenue from contracts with customers	41,081	3,464	16,490	61,036	-	61,036
Net sales to third parties	41,081	3,464	16,490	61,036	-	61,036
Intra-group net sales and transfers	28	327	-	355	(355)	-
Total	41,109	3,792	16,490	61,392	(355)	61,036
Segment profit	1,630	575	1,605	3,811	(895)	2,915

(Note 1) The contents of the adjustments to segment profit are as follows.

(Millions of yen)

Eliminations of inter-segment business	656
Company-wide expenses*	(1,551)
Total	(895)

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

(Note 2) Segment profit is adjusted from the operating income on the quarterly 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.

2. Changes in reporting segments

In line with the expansion in the scale of the pharmaceutical manufacturing and sales business due to the inclusion of DAIICHI SANKYO ESPHA CO., LTD., as a consolidated subsidiary, from the consolidated first quarter of the consolidated fiscal year under review, the business segments included in the reporting segments have been changed from two segments: “Pharmacy Business” and “Medical-Related Business” to three segments: “Pharmacy Business” and “BPO Contracting Businesses” and “Pharmaceutical Manufacturing Business”.

Further, the “Pharmaceutical Manufacturing Business”, which had been classified previously in the “Medical-Related Business”, is transferred to the “Pharmaceutical Manufacturing Business”.

Segment information for the first quarter of the previous consolidated fiscal year is based on the new segmentation method.

Note on the Event of Major Change in Shareholders' Equity

Not applicable.

Note on Assumptions for Going Concern

Not applicable.

Note on Material Changes in the Scope of Consolidation in the Three Months Ended June 30, 2024

In the consolidated first quarter under review, DAIICHI SANKYO ESPHA CO., LTD., which was an equity method affiliate, was acquired and became a consolidated subsidiary, and as a result, the company was included in the scope of consolidation.

Notes on Cash Flow Statements

The quarterly consolidated statements of cash flows for the consolidated first quarter under review are not prepared. Depreciation related to the first quarter of the consolidated fiscal year under review (including amortization related to intangible assets excluding goodwill) and amortization of goodwill are as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	426 million yen	807 million yen
Amortization of goodwill	837	1,114