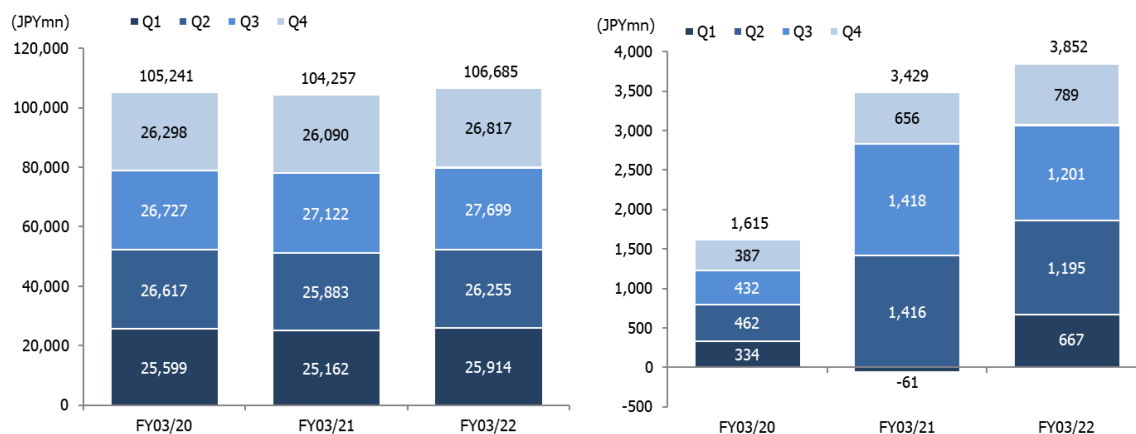


Cumulative (JPYmn)	FY03/20				FY03/21				FY03/22				FY03/22	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.
Sales	25,599	52,216	78,943	105,241	25,162	51,045	78,167	104,257	25,914	52,169	79,868	106,685	100.2%	106,500
YoY	7.3%	9.8%	8.5%	7.1%	-1.7%	-2.2%	-1.0%	-0.9%	3.0%	2.2%	2.2%	2.3%		2.2%
Gross profit	9,839	19,819	30,225	40,214	9,704	20,502	31,665	42,412	10,738	21,861	33,443	44,429		
YoY	8.4%	10.8%	9.8%	7.9%	-1.4%	3.4%	4.8%	5.5%	10.7%	6.6%	5.6%	4.8%		
Gross profit margin	38.4%	38.0%	38.3%	38.2%	38.6%	40.2%	40.5%	40.7%	41.4%	41.9%	41.9%	41.6%		
SG&A expenses	9,504	19,022	28,997	38,599	9,765	19,147	28,892	38,982	10,071	19,999	30,379	40,576		
YoY	7.2%	9.3%	9.5%	7.7%	2.7%	0.7%	-0.4%	1.0%	3.1%	4.4%	5.1%	4.1%		
SG&A ratio	37.1%	36.4%	36.7%	36.7%	38.8%	37.5%	37.0%	37.4%	38.9%	38.3%	38.0%	38.0%		
Operating profit	334	796	1,228	1,615	-61	1,355	2,773	3,429	667	1,862	3,063	3,852	101.4%	3,800
YoY	57.5%	67.2%	18.1%	13.1%	-	70.2%	125.8%	112.3%	-	37.4%	10.5%	12.3%		10.8%
Operating profit margin	1.3%	1.5%	1.6%	1.5%	-	2.7%	3.5%	3.3%	2.6%	3.6%	3.8%	3.6%		3.6%
Recurring profit	323	784	1,208	1,560	-62	1,397	2,770	3,479	935	2,235	3,485	4,313	102.7%	4,200
YoY	68.2%	79.0%	19.6%	3.9%	-	78.2%	129.3%	123.0%	-	60.0%	25.8%	24.0%		20.7%
Recurring profit margin	1.3%	1.5%	1.5%	1.5%	-	2.7%	3.5%	3.3%	3.6%	4.3%	4.4%	4.0%		3.9%
Net income	97	218	326	-895	-201	578	2,013	2,198	583	1,431	2,144	2,394	104.1%	2,300
YoY	-4.0%	83.2%	-12.4%	-	-	165.1%	517.5%	-	-	147.6%	6.5%	8.9%		4.6%
Net margin	0.4%	0.4%	0.4%	-	-	1.1%	2.6%	2.1%	2.2%	2.7%	2.7%	2.2%		2.2%
Quarterly (JPYmn)	FY03/20				FY03/21				FY03/22					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	25,599	26,617	26,727	26,298	25,162	25,883	27,122	26,090	25,914	26,255	27,699	26,817		
YoY	7.3%	12.3%	6.1%	3.2%	-1.7%	-2.8%	1.5%	-0.8%	3.0%	1.4%	2.1%	2.8%		
Gross profit	9,839	9,980	10,406	9,989	9,704	10,798	11,163	10,747	10,738	11,123	11,582	10,986		
YoY	8.4%	13.3%	7.9%	2.5%	-1.4%	8.2%	7.3%	7.6%	10.7%	3.0%	3.8%	2.2%		
Gross profit margin	38.4%	37.5%	38.9%	38.0%	38.6%	41.7%	41.2%	41.2%	41.4%	42.4%	41.8%	41.0%		
SG&A expenses	9,504	9,518	9,975	9,602	9,765	9,382	9,745	10,090	10,071	9,928	10,380	10,197		
YoY	7.2%	11.4%	9.9%	2.6%	2.7%	-1.4%	-2.3%	5.1%	3.1%	5.8%	6.5%	1.1%		
SG&A ratio	37.1%	35.8%	37.3%	36.5%	38.8%	36.2%	35.9%	38.7%	38.9%	37.8%	37.5%	38.0%		
Operating profit	334	462	432	387	-61	1,416	1,418	656	667	1,195	1,201	789		
YoY	57.5%	75.0%	-23.4%	-0.3%	-	206.5%	228.2%	69.5%	-	-15.6%	-15.3%	20.3%		
Operating profit margin	1.3%	1.7%	1.6%	1.5%	-	5.5%	5.2%	2.5%	2.6%	4.6%	4.3%	2.9%		
Recurring profit	323	461	424	352	-62	1,459	1,373	709	935	1,300	1,250	828		
YoY	68.2%	87.4%	-25.9%	-28.3%	-	216.5%	223.8%	101.4%	-	-10.9%	-9.0%	16.8%		
Recurring profit margin	1.3%	1.7%	1.6%	1.3%	-	5.6%	5.1%	2.7%	3.6%	5.0%	4.5%	3.1%		
Net income	97	121	108	-1,221	-201	779	1,435	185	583	848	713	250		
YoY	-4.0%	572.2%	-57.3%	-	-	543.8%	1,228.7%	-	-	8.9%	-50.3%	35.1%		
Net margin	0.4%	0.5%	0.4%	-	-	3.0%	5.3%	0.7%	2.2%	3.2%	2.6%	0.9%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly sales and operating profit



Source: Shared Research based on company data

Quarterly results

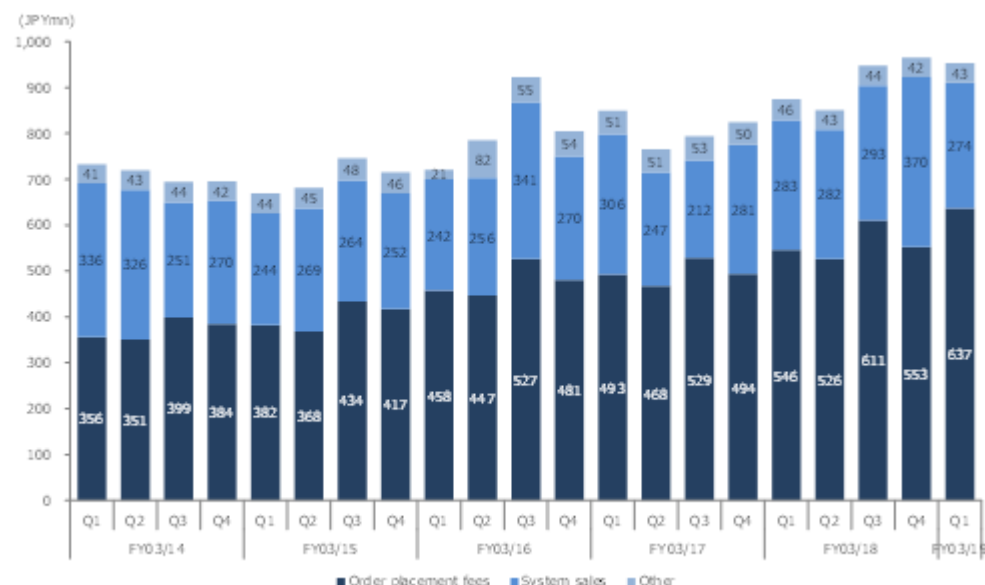
By segment (cumulative) (JPYmn)	FY03/20				FY03/21				FY03/22			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Sales	25,599	52,216	78,943	105,241	25,162	51,045	78,167	104,257	25,914	52,169	79,868	106,685
YoY	7.3%	9.8%	8.5%	7.1%	-1.7%	-2.2%	-1.0%	-0.9%	3.0%	2.2%	2.2%	2.3%
Community Pharmacy Network	24,224	49,290	74,637	99,617	23,922	48,539	74,368	99,214	24,657	49,663	75,986	101,457
YoY	7.4%	10.2%	9.1%	7.9%	-1.2%	-1.5%	-0.4%	-0.4%	3.1%	2.3%	2.2%	2.3%
% of total	94.1%	93.6%	93.8%	94.0%	94.5%	94.5%	94.6%	94.6%	94.6%	94.6%	94.5%	94.5%
Leasing and Facility-related	760	1,829	2,659	3,425	723	1,438	2,194	2,940	739	1,536	2,461	3,326
YoY	26.7%	21.3%	11.6%	3.2%	-4.9%	-21.4%	-17.5%	-14.2%	2.2%	6.8%	12.2%	13.1%
% of total	3.0%	3.5%	3.3%	3.2%	2.9%	2.8%	2.8%	2.8%	2.8%	2.9%	3.1%	3.1%
Meal Catering	730	1,434	2,128	2,797	612	1,248	1,874	2,474	586	1,166	1,752	2,322
YoY	-7.4%	-9.6%	-10.7%	-11.5%	-16.2%	-13.0%	-11.9%	-11.5%	-4.2%	-6.6%	-6.5%	-6.1%
% of total	2.8%	2.7%	2.7%	2.6%	2.4%	2.4%	2.4%	2.4%	2.2%	2.2%	2.2%	2.2%
Other	38	79	122	165	51	110	171	229	74	152	232	305
YoY	15.2%	-13.2%	-26.5%	-36.8%	34.2%	39.2%	40.2%	38.8%	45.1%	38.2%	35.7%	33.2%

% of total	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%				
Segment sales adjustments			-154	-417	-603	-764	-154	-292	-442	-601	-143	-350	-563	-727		
Operating profit			334	796	1,228	1,615	-61	1,355	2,773	3,429	667	1,862	3,063	3,852		
YoY			57.5%	67.2%	18.1%	13.1%	-	70.2%	125.8%	112.3%	-	37.4%	10.5%	12.3%		
Community Pharmacy Network			825	1,736	2,764	3,743	434	2,369	4,329	5,703	1,202	2,885	4,663	6,117		
YoY			28.5%	41.5%	18.5%	13.0%	-47.4%	36.5%	56.6%	52.4%	177.0%	21.8%	7.7%	7.3%		
Operating profit margin			3.4%	3.5%	3.7%	3.8%	1.8%	4.9%	5.8%	5.7%	4.9%	5.8%	6.1%	6.0%		
Leasing and Facility-related			-8	68	67	45	6	16	34	32	-2	32	53	39		
YoY			-	580.0%	-	-	-	-76.5%	-49.3%	-28.9%	-	100.0%	55.9%	21.9%		
Operating profit margin			-	3.7%	2.5%	1.3%	0.8%	1.1%	1.5%	1.1%	-0.3%	2.1%	2.2%	1.2%		
Meal Catering			-12	-34	-38	-43	-19	-13	-2	-21	-1	1	7	1		
YoY			-	-	-	-	-	-	-	-	-	-	-	-		
Operating profit margin			-	-	-	-	-	-	-	-	-	0.1%	0.4%	0.0%		
Other			-21	-39	-56	-71	-11	-13	-17	-31	-7	-12	-10	-12		
YoY			-	-	-	-	-	-	-	-	-	-	-	-		
Operating profit margin			-	-	-	-	-	-	-	-	-	-	-	-		
Segment profit adjustments			-447	-934	-1,508	-2,057	-472	-1,003	-1,569	-2,253	-523	-1,043	-1,650	-2,293		
			FY03/20				FY03/21				FY03/22					
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales			25,599	26,617	26,727	26,298	25,162	25,883	27,122	26,090	25,914	26,255	27,699	26,817		
YoY			7.3%	12.3%	6.1%	3.2%	-1.7%	-2.8%	1.5%	-0.8%	3.0%	1.4%	2.1%	2.8%		
Community Pharmacy Network			24,224	25,066	25,347	24,980	23,922	24,617	25,829	24,846	24,657	25,006	26,323	25,471		
YoY			7.4%	13.1%	7.0%	4.6%	-1.2%	-1.8%	1.9%	-0.5%	3.1%	1.6%	1.9%	2.5%		
% of total			96.6%	93.3%	94.2%	94.4%	94.5%	94.6%	94.7%	94.7%	93.5%	94.5%	94.3%	94.4%		
Leasing and Facility-related			760	1,069	830	766	723	715	756	746	739	797	925	865		
YoY			26.7%	17.7%	-5.0%	-18.3%	-4.9%	-33.1%	-8.9%	-2.6%	2.2%	11.5%	22.4%	16.0%		
% of total			3.0%	4.0%	3.1%	2.9%	2.9%	2.7%	2.8%	2.8%	2.8%	3.0%	3.3%	3.2%		
Meal Catering			730	704	694	669	612	636	626	600	586	580	586	570		
YoY			-7.4%	-11.8%	-12.8%	-14.1%	-16.2%	-9.7%	-9.8%	-10.3%	-4.2%	-8.8%	-6.4%	-5.0%		
% of total			2.9%	2.6%	2.6%	2.5%	2.4%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%		
Other			38	41	43	43	51	59	61	58	74	78	80	73		
YoY			15.2%	-29.3%	-42.7%	-54.7%	34.2%	43.9%	41.9%	34.9%	45.1%	32.2%	31.1%	25.9%		
% of total			0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%		
Segment sales adjustments			520	-263	-186	-161	-154	-138	-150	-159	-463	-207	-213	-164		
Operating profit			334	462	432	387	-61	1,416	1,418	656	667	1,195	1,201	789		
YoY			57.5%	75.0%	-23.4%	-0.3%	-	206.5%	228.2%	69.5%	-	-15.6%	-15.3%	20.3%		
Community Pharmacy Network			825	911	1,028	979	434	1,935	1,960	1,374	1,202	1,683	1,778	1,454		
YoY			28.5%	80.0%	61.4%	-	-47.4%	112.4%	90.7%	40.3%	177.0%	-13.0%	-9.3%	5.8%		
Operating profit margin			3.4%	3.6%	4.1%	-	1.8%	7.9%	7.6%	5.5%	4.9%	6.7%	6.8%	5.7%		
Leasing and Facility-related			-8	76	-1	-22	6	10	18	-2	-2	34	21	-14		
YoY			-	-	-	-	-	-86.8%	-	-	-	240.0%	16.7%	-		
Operating profit margin			-	7.1%	-	-	0.8%	1.4%	2.4%	-	-0.3%	4.3%	2.3%	-		
Meal Catering			-12	-22	-4	-5	-19	6	11	-19	-1	2	6	-6		
YoY			-	-	-	-	-	-	-	-	-	-66.7%	-45.5%	-		
Operating profit margin			-	-	-	-	-	0.9%	1.8%	-	-	0.3%	1.0%	-		
Other			-21	-18	-17	-15	-11	-2	-4	-14	-7	-5	2	-2		
YoY			-	-	-	-	-	-	-	-	-	-	-	-		
Operating profit margin			-	-	-	-	-	-	-	-	-	-	2.5%	-		
Segment profit adjustments			-447	-487	-574	-549	-472	-531	-566	-684	-523	-520	-607	-643		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

(Reference) Former Pharmaceuticals Network segment sales

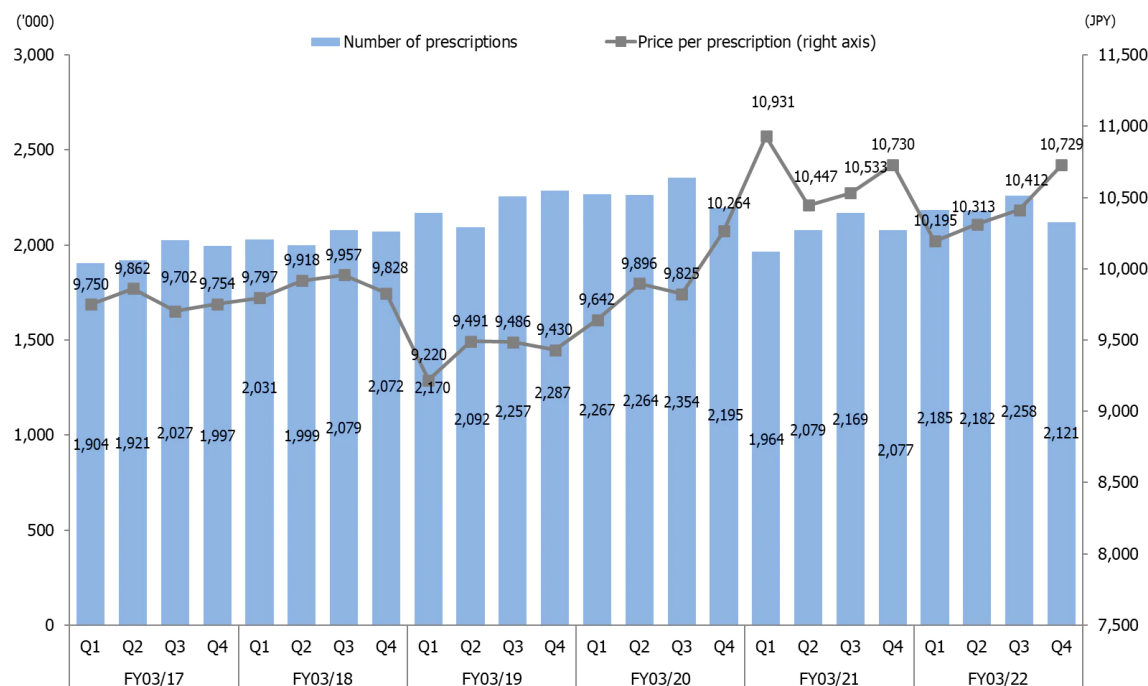


Source: Shared Research based on company data

Notes: Undisclosed from Q2 FY03/19

The former Pharmaceuticals Network segment was integrated into the new Community Pharmacy Network segment from FY03/20

Quarterly trends in prescription volume and price per prescription (drug price + technical fees; Dispensing Pharmacy business; all stores)



Source: Shared Research based on company data

Note: NHI drug price and dispensing fee revisions were put into effect on April 1, 2014, April 1, 2016, and April 1, 2018.

Number of dispensing pharmacies by region

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	124	195	319
Tohoku	24	456	480
Kanto and Koshinetsu	96	2,210	2,306
Tokai and Hokuriku	44	1,287	1,331
Kinki	53	1,032	1,085
Chugoku and Shikoku	21	761	782
Kyushu and Okinawa	63	1,035	1,098
Total	425	6,976	7,401

Source: Shared Research based on company data (as of December 31, 2022)

Full-year FY03/22 results (out May 6, 2022)

Overview

Full-year FY03/22 (April 2021–March 2022) earnings results

- Sales: JPY106.7bn (+2.3% YoY)
- Operating profit: JPY3.9bn (+12.3% YoY)
- Recurring profit: JPY4.3bn (+24.0% YoY)
- Net income attributable to owners of the parent: JPY2.4bn (+8.9% YoY)

Company response and business conditions

Sales rose 2.3% YoY as the Pharmaceuticals Network business recorded a steady increase in new network affiliates, and the Community Pharmacy business saw some recovery in the number of prescriptions filled despite a drop in the average prescription price. The increase in Pharmaceuticals Network business network members contributed to profit growth with operating profit increasing 12.3% YoY. Net income attributable to owners of the parent increased 8.9% thanks in part to gains on the sale of investment securities and a decrease in the company's income tax burden stemming from its July 2021 absorption of consolidated subsidiary Home-Visit Nursing Care Station Himawari Co., Ltd.

Segment results

Community Pharmacy Network

- Segment sales: JPY101.5bn (+2.3% YoY; including intra-group sales and transfers between segments, same applies below)
- Segment profit: JPY6.1bn (+7.3% YoY)
- This is a new segment that integrates the former Pharmaceuticals Network business, the Dispensing Pharmacy business, and the manufacture and market pharmaceuticals business (mainly Feldsenf Pharma) previously included in Other. A digital shift business that utilizes instant messaging app LINE was added to the segment from FY03/21.

Pharmaceuticals Network

The number of new network members continued to increase, driven by the need for improved operating stability for dispensing pharmacies amid harsh business conditions in the industry, including annual NHI drug price revisions starting in April 2021. As of end-March 2022, network members numbered 7,401 (+1,285 versus end-FY03/21), consisting of 425 directly operated pharmacies and 6,976 affiliates.

Community Pharmacy

The number of prescriptions filled during the period recovered to some extent, despite a drop in the average prescription price. As of end-March 2022, the group had 42 community pharmacies, one care plan center, and eight cosmetics/drug stores.

Manufacture and market pharmaceuticals

This business aims to provide a stable supply of good-quality, low-priced generic drugs. The company launched 14 products (seven ingredients) during the fiscal year under review, and had 82 products (41 ingredients) available as of end-March, 2022.

Digital shift

Subsidiary PharmaShift Co., Ltd. was established on October 1, 2020, to create a “new pharmaceutical platform” for the digital age. In March 2021 the subsidiary launched the “Tsunagaru Pharmacy” service utilizing its official LINE account. As of end-March 2022, the official LINE account had more than 310,000 registered users, with 911 stores having introduced the service.

Leasing and Facility-related

- Segment sales: JPY3.3bn (+13.1% YoY)
- Segment profit: JPY39mn (+21.9% YoY)

Operating conditions of serviced elderly housing facilities

Property leasing revenue was generally strong and orders for construction projects increased. However, occupancy rates at the company's serviced elderly housing facilities remained sluggish. As of end-March 2022, the company reported stable occupancy rates at three of its five properties, while for the remaining two, at Wisteria Senri-Chuo it reported an occupancy rate of 78.1% (with 64 out of 82 units occupied), and at Wisteria Minami Ichijo it reported an occupancy rate of 69.8% (with 81 out of 116 units occupied).

Meal Catering

- Segment sales: JPY2.3bn (-6.1% YoY)
- Segment profit: JPY1mn (versus a loss of JPY21mn in the previous year)

Segment turns profitable

Despite a drop in the number of meals supplied due to the pandemic, the segment turned profitable in Q2 as the company revised its operations and changed its suppliers. The segment remained in the black in Q3.

Other (mostly home-visit nursing care)

- Segment sales: JPY305mn (+33.2% YoY)
- Segment loss: JPY12mn (versus a loss of JPY31mn in the previous year)

Company forecast for FY03/22

Recent performance and FY03/22 company forecast

(JPYmn)	FY03/21			FY03/22			FY03/23		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	51,045	53,212	104,257	52,169	54,516	106,685	53,460	56,540	110,000
YoY	-2.2%	0.4%	-0.9%	2.2%	2.5%	2.3%	2.5%	3.7%	3.1%
Cost of sales	30,542	31,303	61,845	30,307	31,949	62,256			
Gross profit	20,502	21,910	42,412	21,861	22,568	44,429			
Gross profit margin	40.2%	41.2%	40.7%	41.9%	41.4%	41.6%			
SG&A expenses	19,147	19,835	38,982	19,999	20,577	40,576			
SG&A ratio	37.5%	37.3%	37.4%	38.3%	37.7%	38.0%			
Operating profit	1,355	2,074	3,429	1,862	1,990	3,852	1,120	2,380	3,500
YoY	70.2%	153.2%	112.3%	37.4%	-4.1%	12.3%	-39.8%	19.6%	-9.1%
Operating profit margin	2.7%	3.9%	3.3%	3.6%	3.7%	3.6%	2.1%	4.2%	3.2%
Recurring profit	1,397	2,082	3,479	2,235	2,078	4,313	1,260	2,440	3,700
YoY	78.2%	168.3%	123.0%	60.0%	-0.2%	24.0%	-43.6%	17.4%	-14.2%
Recurring profit margin	2.7%	3.9%	3.3%	4.3%	3.8%	4.0%	2.4%	4.3%	3.4%
Net income	578	1,620	2,198	1,431	963	2,394	590	1,160	1,750
YoY	165.1%	-	-	147.6%	-40.6%	8.9%	-58.8%	20.5%	-26.9%
Net margin	1.1%	3.0%	2.1%	2.7%	1.8%	2.2%	1.1%	2.1%	1.6%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- Sales: JPY110.0bn (+3.1% YoY)
- EBITDA: JPY6.2bn (-7.6% YoY)
- Operating profit: JPY3.5bn (-9.1% YoY)
- Recurring profit: JPY3.7bn (-14.2% YoY)
- Net income attributable to owners of the parent: JPY1.8bn (-26.9% YoY)
- EPS: JPY57.99 (versus JPY79.35 in the previous year)

Forecast by key segment

Community Pharmacy Network business: sales of JPY104.7bn (+3.2% YoY), segment profit of JPY6.0bn (-1.5% YoY)

Other three businesses (Leasing and Facility-related, Meal Catering, and home-visit nursing care): sales of JPY6.2bn (+3.7% YoY), segment profit of JPY61mn (+114.1% YoY)

Adjustments: JPY874mn for sales, JPY2.6bn for segment profit

Background to earnings forecasts

In the dispensing pharmacy industry, earnings traditionally have been at the mercy of revisions to NHI drug prices and dispensing fees. Although the NHI drug price and dispensing fee revisions implemented in April 2022 resulted in a 1.35% reduction in drug prices, they also delivered a 0.08% increase in dispensing fees due to higher points awarded for the interpersonal work of pharmacists. Under these circumstances, the company believes the needs for improved operational efficiency and more stable management will persist in the pharmacy industry.

The company views these circumstances as an opportunity for expansion and in the Pharmaceuticals Network business it will strive to acquire new network affiliates, provide comprehensive management support to pharmacies, and further improve the efficiency of pharmaceutical distribution. In the Community Pharmacy business, it will endeavor to strengthen interpersonal operations by fostering a medical mindset and facilitating high-quality pharmacotherapy, while also targeting prescription acquisition primarily through its official "Tsunagaru Pharmacy" LINE account. However, the company expects to incur upfront costs associated with strengthening store development and increasing new store openings with a view to expanding the pharmacy network.

In the Leasing and Facility-related business, which is the largest of the other three businesses, the company will aim to achieve occupancy rates of 90% at Wisteria SenriChuo and Wisteria Minami-Ichijo (both serviced residences for the elderly) as soon as possible.

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We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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