

| Cumulative (JPYmn) | FY03/21 | | | | FY03/22 | | | | FY03/23 | FY03/23 | | | |
|-------------------------|---------|--------|----------|---------|---------|--------|--------|---------|---------|-----------|---------|-----------|---------|
| | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | % of Est. | 1H Est. | % of Est. | FY Est. |
| Sales | 25,162 | 51,045 | 78,167 | 104,257 | 25,914 | 52,169 | 79,868 | 106,685 | 26,299 | 49.2% | 53,460 | 23.9% | 110,000 |
| YoY | -1.7% | -2.2% | -1.0% | -0.9% | 3.0% | 2.2% | 2.2% | 2.3% | 1.5% | | 2.5% | | 3.1% |
| Gross profit | 9,704 | 20,502 | 31,665 | 42,412 | 10,738 | 21,861 | 33,443 | 44,429 | 11,062 | | | | |
| YoY | -1.4% | 3.4% | 4.8% | 5.5% | 10.7% | 6.6% | 5.6% | 4.8% | 3.0% | | | | |
| Gross profit margin | 38.6% | 40.2% | 40.5% | 40.7% | 41.4% | 41.9% | 41.9% | 41.6% | 42.1% | | | | |
| SG&A expenses | 9,765 | 19,147 | 28,892 | 38,982 | 10,071 | 19,999 | 30,379 | 40,576 | 10,713 | | | | |
| YoY | 2.7% | 0.7% | -0.4% | 1.0% | 3.1% | 4.4% | 5.1% | 4.1% | 6.4% | | | | |
| SG&A ratio | 38.8% | 37.5% | 37.0% | 37.4% | 38.9% | 38.3% | 38.0% | 38.0% | 40.7% | | | | |
| Operating profit | -61 | 1,355 | 2,773 | 3,429 | 667 | 1,862 | 3,063 | 3,852 | 348 | 31.1% | 1,120 | 9.9% | 3,500 |
| YoY | - | 70.2% | 125.8% | 112.3% | - | 37.4% | 10.5% | 12.3% | -47.8% | | -39.8% | | -9.1% |
| Operating profit margin | - | 2.7% | 3.5% | 3.3% | 2.6% | 3.6% | 3.8% | 3.6% | 1.3% | | | | 3.2% |
| Recurring profit | -62 | 1,397 | 2,770 | 3,479 | 935 | 2,235 | 3,485 | 4,313 | 392 | 31.1% | 1,260 | 10.6% | 3,700 |
| YoY | - | 78.2% | 129.3% | 123.0% | - | 60.0% | 25.8% | 24.0% | -58.1% | | -43.6% | | -14.2% |
| Recurring profit margin | - | 2.7% | 3.5% | 3.3% | 3.6% | 4.3% | 4.4% | 4.0% | 1.5% | | | | 3.4% |
| Net income | -201 | 578 | 2,013 | 2,198 | 583 | 1,431 | 2,144 | 2,394 | 91 | 15.4% | 590 | 5.2% | 1,750 |
| YoY | - | 165.1% | 517.5% | - | - | 147.6% | 6.5% | 8.9% | -84.4% | | -58.8% | | -26.9% |
| Net margin | - | 1.1% | 2.6% | 2.1% | 2.2% | 2.7% | 2.7% | 2.2% | 0.3% | | 1.1% | | 1.6% |
| Quarterly (JPYmn) | FY03/21 | | | | FY03/22 | | | | FY03/23 | FY03/23 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | | | | |
| Sales | 25,162 | 25,883 | 27,122 | 26,090 | 25,914 | 26,255 | 27,699 | 26,817 | 26,299 | | | | |
| YoY | -1.7% | -2.8% | 1.5% | -0.8% | 3.0% | 1.4% | 2.1% | 2.8% | 1.5% | | | | |
| Gross profit | 9,704 | 10,798 | 11,163 | 10,747 | 10,738 | 11,123 | 11,582 | 10,986 | 11,062 | | | | |
| YoY | -1.4% | 8.2% | 7.3% | 7.6% | 10.7% | 3.0% | 3.8% | 2.2% | 3.0% | | | | |
| Gross profit margin | 38.6% | 41.7% | 41.2% | 41.2% | 41.4% | 42.4% | 41.8% | 41.0% | 42.1% | | | | |
| SG&A expenses | 9,765 | 9,382 | 9,745 | 10,090 | 10,071 | 9,928 | 10,380 | 10,197 | 10,713 | | | | |
| YoY | 2.7% | -1.4% | -2.3% | 5.1% | 3.1% | 5.8% | 6.5% | 1.1% | 6.4% | | | | |
| SG&A ratio | 38.8% | 36.2% | 35.9% | 38.7% | 38.9% | 37.8% | 37.5% | 38.0% | 40.7% | | | | |
| Operating profit | -61 | 1,416 | 1,418 | 656 | 667 | 1,195 | 1,201 | 789 | 348 | | | | |
| YoY | - | 206.5% | 228.2% | 69.5% | - | -15.6% | -15.3% | 20.3% | -47.8% | | | | |
| Operating profit margin | - | 5.5% | 5.2% | 2.5% | 2.6% | 4.6% | 4.3% | 2.9% | 1.3% | | | | |
| Recurring profit | -62 | 1,459 | 1,373 | 709 | 935 | 1,300 | 1,250 | 828 | 392 | | | | |
| YoY | - | 216.5% | 223.8% | 101.4% | - | -10.9% | -9.0% | 16.8% | -58.1% | | | | |
| Recurring profit margin | - | 5.6% | 5.1% | 2.7% | 3.6% | 5.0% | 4.5% | 3.1% | 1.5% | | | | |
| Net income | -201 | 779 | 1,435 | 185 | 583 | 848 | 713 | 250 | 91 | | | | |
| YoY | - | 543.8% | 1,228.7% | - | - | 8.9% | -50.3% | 35.1% | -84.4% | | | | |
| Net margin | - | 3.0% | 5.3% | 0.7% | 2.2% | 3.2% | 2.6% | 0.9% | 0.3% | | | | |

Source: Shared Research based on company data

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

Quarterly results

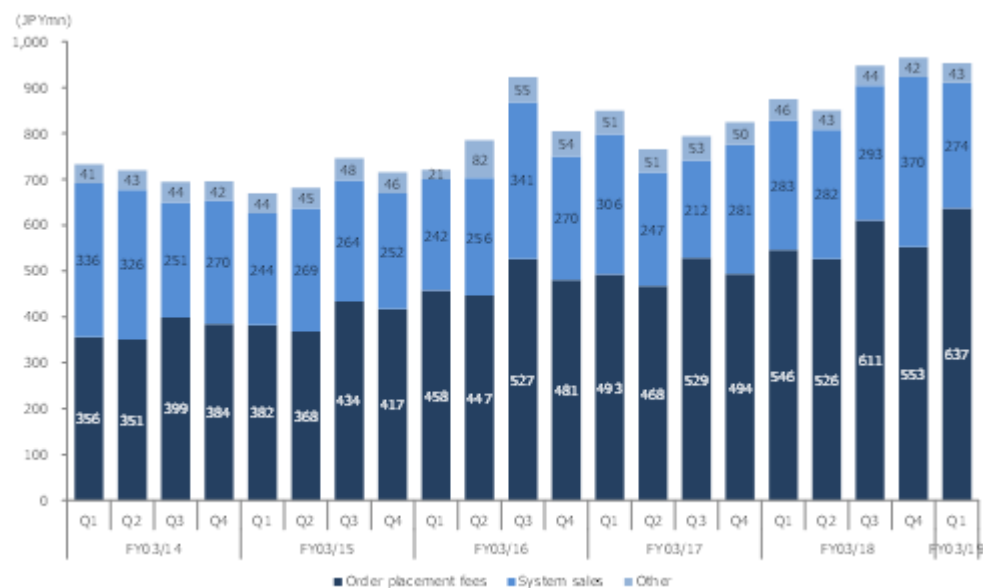
| By segment (cumulative) (JPYmn) | FY03/21 | | | | FY03/22 | | | | FY03/23 | FY03/23 | | | |
|------------------------------------|---------|--------|--------|---------|---------|--------|--------|---------|---------|---------|--|--|--|
| | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | | | | |
| Sales | 25,162 | 51,045 | 78,167 | 104,257 | 25,914 | 52,169 | 79,868 | 106,685 | 26,299 | | | | |
| YoY | -1.7% | -2.2% | -1.0% | -0.9% | 3.0% | 2.2% | 2.2% | 2.3% | 1.5% | | | | |
| Community Pharmacy Network | 23,922 | 48,539 | 74,368 | 99,214 | 24,657 | 49,663 | 75,986 | 101,457 | 25,045 | | | | |
| YoY | -1.2% | -1.5% | -0.4% | -0.4% | 3.1% | 2.3% | 2.2% | 2.3% | 1.6% | | | | |
| % of total | 94.5% | 94.5% | 94.6% | 94.6% | 94.6% | 94.6% | 94.5% | 94.5% | 94.5% | | | | |
| Leasing and Facility-related | 723 | 1,438 | 2,194 | 2,940 | 739 | 1,536 | 2,461 | 3,326 | 794 | | | | |
| YoY | -4.9% | -21.4% | -17.5% | -14.2% | - | 6.8% | 12.2% | 13.1% | 7.4% | | | | |
| % of total | 2.9% | 2.8% | 2.8% | 2.8% | 2.8% | 2.9% | 3.1% | 3.1% | 3.0% | | | | |
| Meal Catering | 612 | 1,248 | 1,874 | 2,474 | 586 | 1,166 | 1,752 | 2,322 | 573 | | | | |
| YoY | -16.2% | -13.0% | -11.9% | -11.5% | -4.2% | -6.6% | -6.5% | -6.1% | -2.2% | | | | |
| % of total | 2.4% | 2.4% | 2.4% | 2.4% | 2.2% | 2.2% | 2.2% | 2.2% | 2.2% | | | | |
| Other | 51 | 110 | 171 | 229 | 74 | 152 | 232 | 305 | 77 | | | | |
| YoY | 34.2% | 39.2% | 40.2% | 38.8% | 45.1% | 38.2% | 35.7% | 33.2% | 4.1% | | | | |
| % of total | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | | | | |
| Segment sales adjustments | -154 | -292 | -442 | -601 | -143 | -350 | -563 | -727 | -190 | | | | |
| Operating profit | -61 | 1,355 | 2,773 | 3,429 | 667 | 1,862 | 3,063 | 3,852 | 348 | | | | |
| YoY | - | 70.2% | 125.8% | 112.3% | - | 37.4% | 10.5% | 12.3% | -47.8% | | | | |
| Community Pharmacy Network | 434 | 2,369 | 4,329 | 5,703 | 1,202 | 2,885 | 4,663 | 6,117 | 1,014 | | | | |
| YoY | -47.4% | 36.5% | 56.6% | 52.4% | 177.0% | 21.8% | 7.7% | 7.3% | -15.6% | | | | |
| Operating profit margin | 1.8% | 4.9% | 5.8% | 5.7% | 4.9% | 5.8% | 6.1% | 6.0% | 4.0% | | | | |
| Leasing and Facility-related | 6 | 16 | 34 | 32 | -2 | 32 | 53 | 39 | -43 | | | | |
| YoY | - | -76.5% | -49.3% | -28.9% | - | 100.0% | 55.9% | 21.9% | - | | | | |
| Operating profit margin | 0.8% | 1.1% | 1.5% | 1.1% | - | 2.1% | 2.2% | 1.2% | - | | | | |
| Meal Catering | -19 | -13 | -2 | -21 | -1 | 1 | 7 | 1 | -11 | | | | |
| YoY | - | - | - | - | - | - | - | - | - | | | | |
| Operating profit margin | - | - | - | - | - | 0.1% | 0.4% | 0.0% | - | | | | |
| Other | -11 | -13 | -17 | -31 | -7 | -12 | -10 | -12 | -2 | | | | |
| YoY | - | - | - | - | - | - | - | - | - | | | | |
| Operating profit margin | - | - | - | - | - | - | - | - | - | | | | |
| Segment profit adjustments | -472 | -1,003 | -1,569 | -2,253 | -523 | -1,043 | -1,650 | -2,293 | -608 | | | | |
| | FY03/21 | | | | FY03/22 | | | | FY03/23 | FY03/23 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | | | | |
| Sales | 25,162 | 25,883 | 27,122 | 26,090 | 25,914 | 26,255 | 27,699 | 26,817 | 26,299 | | | | |
| YoY | -1.7% | -2.8% | 1.5% | -0.8% | 3.0% | 1.4% | 2.1% | 2.8% | 1.5% | | | | |
| Community Pharmacy Network | 23,922 | 24,617 | 25,829 | 24,846 | 24,657 | 25,006 | 26,323 | 25,471 | 25,045 | | | | |
| YoY | -1.2% | -1.8% | 1.9% | -0.5% | 3.1% | 1.6% | 1.9% | 2.5% | 1.6% | | | | |
| % of total | 94.5% | 94.6% | 94.7% | 94.7% | 93.5% | 94.5% | 94.3% | 94.4% | 96.8% | | | | |
| Leasing and Facility-related | 723 | 715 | 756 | 746 | 739 | 797 | 925 | 865 | 794 | | | | |
| YoY | -4.9% | -33.1% | -8.9% | -2.6% | 2.2% | 11.5% | 22.4% | 16.0% | 7.4% | | | | |
| % of total | 2.9% | 2.7% | 2.8% | 2.8% | 2.8% | 3.0% | 3.3% | 3.2% | 3.1% | | | | |
| Meal Catering | 612 | 636 | 626 | 600 | 586 | 580 | 586 | 570 | 573 | | | | |

| | | | | | | | | | |
|------------------------------|------------|--------------|--------------|------------|------------|--------------|--------------|------------|------------|
| YoY | -16.2% | -9.7% | -9.8% | -10.3% | -4.2% | -8.8% | -6.4% | -5.0% | -2.2% |
| % of total | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% | 2.1% | 2.2% |
| Other | 51 | 59 | 61 | 58 | 74 | 78 | 80 | 73 | 77 |
| YoY | 34.2% | 43.9% | 41.9% | 34.9% | 45.1% | 32.2% | 31.1% | 25.9% | 4.1% |
| % of total | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% |
| Segment sales adjustments | -154 | -138 | -150 | -159 | -463 | -207 | -213 | -164 | 413 |
| Operating profit | -61 | 1,416 | 1,418 | 656 | 667 | 1,195 | 1,201 | 789 | 348 |
| YoY | - | 206.5% | 228.2% | 69.5% | - | -15.6% | -15.3% | 20.3% | -47.8% |
| Community Pharmacy Network | 434 | 1,935 | 1,960 | 1,374 | 1,202 | 1,683 | 1,778 | 1,454 | 1,014 |
| YoY | -47.4% | 112.4% | 90.7% | 40.3% | 177.0% | -13.0% | -9.3% | 5.8% | -15.6% |
| Operating profit margin | 1.8% | 7.9% | 7.6% | 5.5% | 4.9% | 6.7% | 6.8% | 5.7% | 4.0% |
| Leasing and Facility-related | 6 | 10 | 18 | -2 | -2 | 34 | 21 | -14 | -43 |
| YoY | - | -86.8% | - | - | - | 240.0% | 16.7% | - | - |
| Operating profit margin | 0.8% | 1.4% | 2.4% | - | - | 4.3% | 2.3% | - | - |
| Meal Catering | -19 | 6 | 11 | -19 | -1 | 2 | 6 | -6 | -11 |
| YoY | - | - | - | - | - | -66.7% | -45.5% | - | - |
| Operating profit margin | - | 0.9% | 1.8% | - | - | 0.3% | 1.0% | - | - |
| Other | -11 | -2 | -4 | -14 | -7 | -5 | 2 | -2 | -2 |
| YoY | - | - | - | - | - | - | - | - | - |
| Operating profit margin | - | - | - | - | - | - | 2.5% | - | - |
| Segment profit adjustments | -472 | -531 | -566 | -684 | -523 | -520 | -607 | -643 | -608 |

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

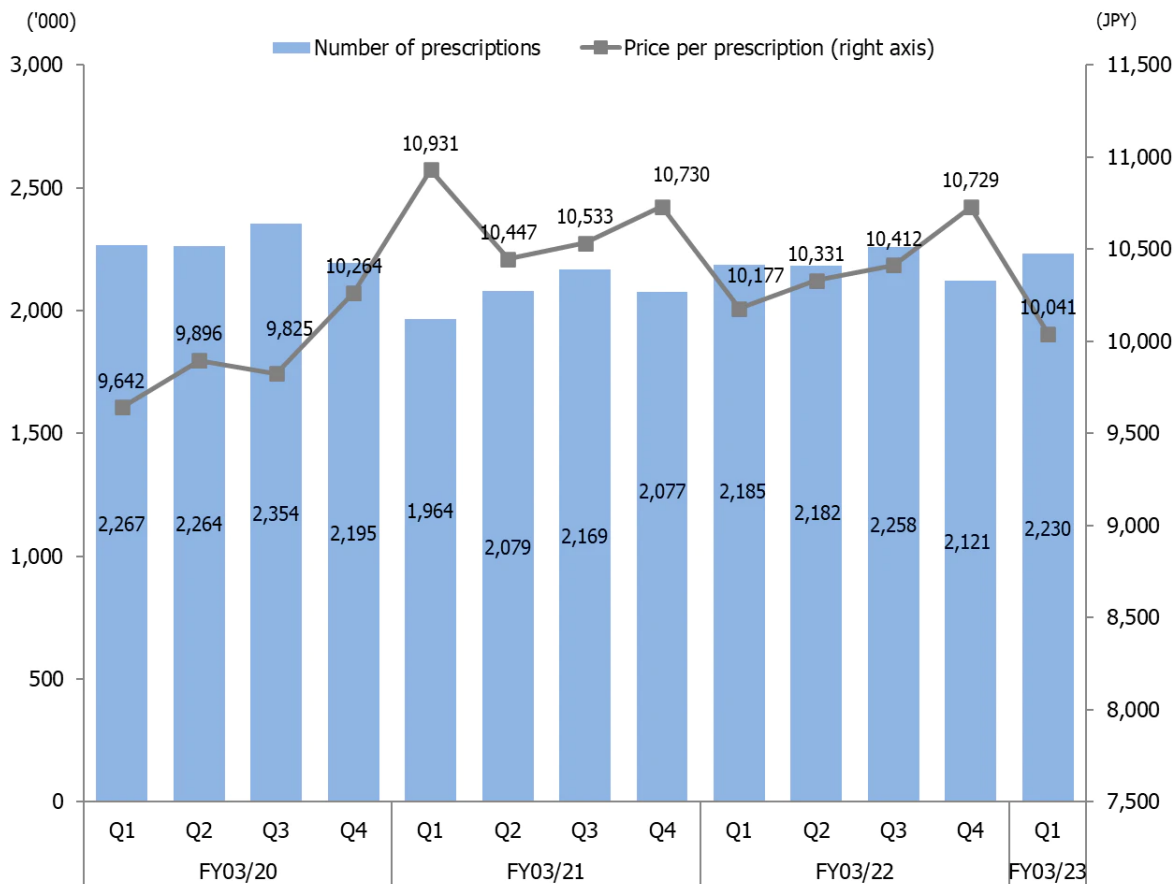


Source: Shared Research based on company data

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; Community Pharmacy business [former 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 network members by region

| Area | Directly operated pharmacies | Affiliates | Total |
|----------------------|------------------------------|--------------|--------------|
| Hokkaido | 123 | 199 | 322 |
| Tohoku | 24 | 512 | 536 |
| Kanto and Koshinetsu | 98 | 2,340 | 2,438 |
| Tokai and Hokuriku | 44 | 1,312 | 1,356 |
| Kinki | 53 | 1,147 | 1,200 |
| Chugoku and Shikoku | 21 | 790 | 811 |
| Kyushu and Okinawa | 63 | 1,086 | 1,149 |
| Total | 426 | 7,386 | 7,812 |

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

Q1 FY03/23 results (out August 5, 2022)

Overview

Q1 FY03/23 (April–June 2022) earnings results

- Sales: JPY26.3bn (+1.5% YoY)
- Operating profit: JPY348mn (-47.8% YoY)
- Recurring profit: JPY392mn (-58.1% YoY)
- Net income attributable to owners of the parent: JPY91mn (-84.4% YoY)

Operating results and business conditions

Sales rose 1.5% YoY. In the mainstay Community Pharmacy Network segment, sales were 1.6% higher YoY. Contributing factors included an increase in network members at the Pharmaceutical Network business. In the Community Pharmacy

business, the prescription unit price fell due to the impact of the NHI drug price and dispensing fee revisions, but the opening of new stores and acquisition of stores contributed to earnings.

Operating profit fell 47.8% YoY. Earnings were weighed down in the Community Pharmacy business by the impact of the NHI drug price and dispensing fee revisions and increased labor expenses accompanying efforts to strengthen interpersonal services. Although operating profit declined YoY, the company said the profit levels remained steady and exceeded its initial forecast.

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.

Community Pharmacy

The prescription unit price fell due to the impact of the NHI drug price and dispensing fee revisions, but the opening of new stores and acquisition of stores contributed to earnings. The prescription count rose as a result. During Q1 FY03/23, the company opened three community pharmacies, including two inside medical malls. As of June 30, 2022, the company had 426 community pharmacies, one care plan center, and eight cosmetics/drug stores.

Pharmaceuticals Network

The number of new network members continued to grow steadily amid rising demand for business efficiency at pharmacies as pharmacists further concentrated on interpersonal work due to the impact of dispensing fee revisions. As of June 30, 2022, pharmaceutical network members totaled 7,812 (an increase of 411 from March 31, 2022), comprising 426 directly operated pharmacies and 7,386 affiliates.

Manufacture and Market Pharmaceuticals

In this business, the company group aims to provide a stable supply of good-quality, low-priced generic drugs. The company offered 82 products (41 ingredients) as of June 30, 2022, and supplied these to 1,732 general network affiliates (an increase of 34 from March 31, 2022).

Digital Shift

The company established subsidiary PharmaShift Co., Ltd. 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-June 2022, the number of pharmacies using the service was 1,549 (an increase of 638 from March 31, 2022) while 2,194 had placed orders for the service use (an increase of 551 from March 31, 2022).

Leasing and Facility-related

- Segment sales: JPY794mn (+7.4% YoY)
- Segment loss: JPY43mn (versus a loss of JPY2mn in Q1 FY03/22)

Operating conditions of serviced elderly housing facilities

Segment sales rose 7.4% YoY, as property leasing revenue was generally strong and orders for construction projects increased. On the profit front, the operating loss widened due to increased advertising expenses accompanying aggressive sales promotion activities for the Wisteria serviced residences for the elderly and support services for physicians opening their own practices. As of end-June 2022, the company reported stable occupancy rates at three of its five properties (the overall occupancy rate at the five serviced residences for the elderly stood at 81.8%), while for the remaining two, at Wisteria Senri-Chuo it reported an occupancy rate of 76.8% (with 63 out of 82 units occupied), and at Wisteria Minami Ichijo it reported an occupancy rate of 69.0% (with 80 out of 116 units occupied).

Meal Catering

- Segment sales: JPY573mn (-2.2% YoY)
- Segment loss: JPY11mn (versus a loss of JPY1mn in Q1 FY03/22)

In Q1 FY03/22, sales decreased and losses worsened, as the number of meals supplied declined due to the company withdrawing from loss-making facilities.

Other (mostly home-visit nursing care)

- Segment sales: JPY77mn (+4.1% YoY)
- Segment loss: JPY2mn (versus a loss of JPY7mn in Q1 FY03/22)

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