

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	Q1-Q2	Q1-Q3	% of Est.	FY Est.
Sales	25,162	51,045	78,167	104,257	25,914	52,169	79,868	106,685	26,299	53,340	81,878	74.4%	110,000
YoY	-1.7%	-2.2%	-1.0%	-0.9%	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%		3.1%
Gross profit	9,704	20,502	31,665	42,412	10,738	21,861	33,443	44,429	11,062	22,315	34,287		
YoY	-1.4%	3.4%	4.8%	5.5%	10.7%	6.6%	5.6%	4.8%	3.0%	2.1%	2.5%		
Gross profit margin	38.6%	40.2%	40.5%	40.7%	41.4%	41.9%	41.9%	41.6%	42.1%	41.8%	41.9%		
SG&A expenses	9,765	19,147	28,892	38,982	10,071	19,999	30,379	40,576	10,713	21,215	31,942		
YoY	2.7%	0.7%	-0.4%	1.0%	3.1%	4.4%	5.1%	4.1%	6.4%	6.1%	5.1%		
SG&A ratio	38.8%	37.5%	37.0%	37.4%	38.9%	38.3%	38.0%	38.0%	40.7%	39.8%	39.0%		
Operating profit	-61	1,355	2,773	3,429	667	1,862	3,063	3,852	348	1,099	2,344	67.0%	3,500
YoY	-	70.2%	125.8%	112.3%	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%		-9.1%
Operating profit margin	-	2.7%	3.5%	3.3%	2.6%	3.6%	3.8%	3.6%	1.3%	2.1%	2.9%		3.2%
Recurring profit	-62	1,397	2,770	3,479	935	2,235	3,485	4,313	392	1,242	2,499	67.5%	3,700
YoY	-	78.2%	129.3%	123.0%	-	60.0%	25.8%	24.0%	-58.1%	-44.4%	-28.3%		-14.2%
Recurring profit margin	-	2.7%	3.5%	3.3%	3.6%	4.3%	4.4%	4.0%	1.5%	2.3%	3.1%		3.4%
Net income	-201	578	2,013	2,198	583	1,431	2,144	2,394	91	502	1,195	68.3%	1,750
YoY	-	165.1%	517.5%	-	-	147.6%	6.5%	8.9%	-84.4%	-64.9%	-44.3%		-26.9%
Net margin	-	1.1%	2.6%	2.1%	2.2%	2.7%	2.7%	2.2%	0.3%	0.9%	1.5%		1.6%
Quarterly (JPYmn)	FY03/21				FY03/22				FY03/23				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Sales	25,162	25,883	27,122	26,090	25,914	26,255	27,699	26,817	26,299	27,041	28,538		
YoY	-1.7%	-2.8%	1.5%	-0.8%	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%		
Gross profit	9,704	10,798	11,163	10,747	10,738	11,123	11,582	10,986	11,062	11,253	11,972		
YoY	-1.4%	8.2%	7.3%	7.6%	10.7%	3.0%	3.8%	2.2%	3.0%	1.2%	3.4%		
Gross profit margin	38.6%	41.7%	41.2%	41.2%	41.4%	42.4%	41.8%	41.0%	42.1%	41.6%	42.0%		
SG&A expenses	9,765	9,382	9,745	10,090	10,071	9,928	10,380	10,197	10,713	10,502	10,727		
YoY	2.7%	-1.4%	-2.3%	5.1%	3.1%	5.8%	6.5%	1.1%	6.4%	5.8%	3.3%		
SG&A ratio	38.8%	36.2%	35.9%	38.7%	38.9%	37.8%	37.5%	38.0%	40.7%	38.8%	37.6%		
Operating profit	-61	1,416	1,418	656	667	1,195	1,201	789	348	751	1,245		
YoY	-	206.5%	228.2%	69.5%	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%		
Operating profit margin	-	5.5%	5.2%	2.5%	2.6%	4.6%	4.3%	2.9%	1.3%	2.8%	4.4%		
Recurring profit	-62	1,459	1,373	709	935	1,300	1,250	828	392	850	1,257		
YoY	-	216.5%	223.8%	101.4%	-	-10.9%	-9.0%	16.8%	-58.1%	-34.6%	0.6%		
Recurring profit margin	-	5.6%	5.1%	2.7%	3.6%	5.0%	4.5%	3.1%	1.5%	3.1%	4.4%		
Net income	-201	779	1,435	185	583	848	713	250	91	411	693		
YoY	-	543.8%	1,228.7%	-	-	8.9%	-50.3%	35.1%	-84.4%	-51.5%	-2.8%		
Net margin	-	3.0%	5.3%	0.7%	2.2%	3.2%	2.6%	0.9%	0.3%	1.5%	2.4%		

Source: Shared Research based on company data

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

## Quarterly results

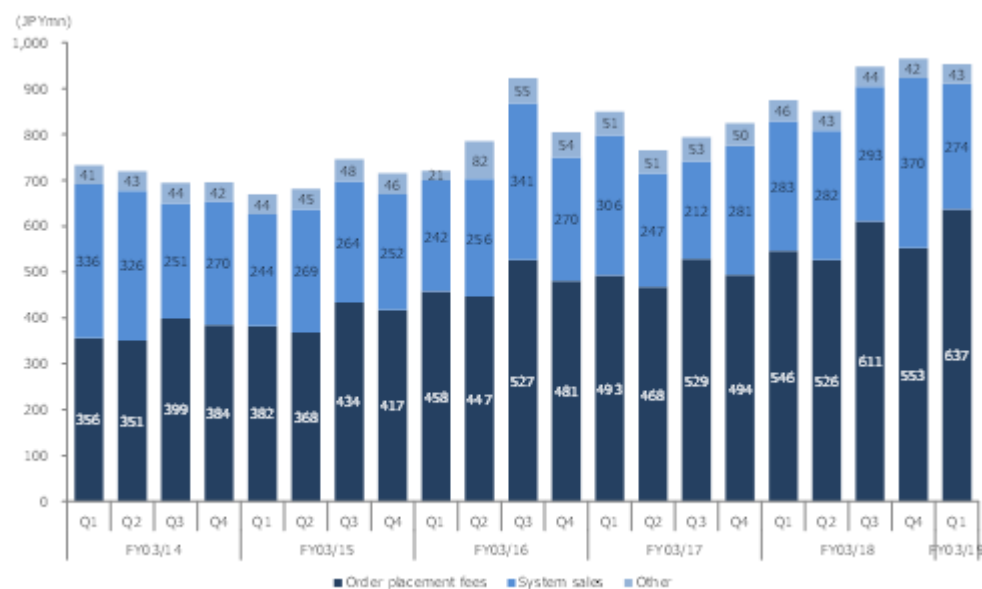
By segment (cumulative) (JPYmn)	FY03/21				FY03/22				FY03/23				
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3		
Sales	25,162	51,045	78,167	104,257	25,914	52,169	79,868	106,685	26,299	53,340	81,878		
YoY	-1.7%	-2.2%	-1.0%	-0.9%	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%		
Community Pharmacy Network	23,922	48,539	74,368	99,214	24,657	49,663	75,986	101,457	25,045	50,792	78,078		
YoY	-1.2%	-1.5%	-0.4%	-0.4%	3.1%	2.3%	2.2%	2.3%	1.6%	2.3%	2.8%		
% of total	94.5%	94.5%	94.6%	94.6%	94.6%	94.6%	94.5%	94.5%	94.5%	94.5%	94.7%		
Leasing and Facility-related	723	1,438	2,194	2,940	739	1,536	2,461	3,326	794	1,673	2,448		
YoY	-4.9%	-21.4%	-17.5%	-14.2%	2.2%	6.8%	12.2%	13.1%	7.4%	8.9%	-0.5%		
% of total	2.9%	2.8%	2.8%	2.8%	2.8%	2.9%	3.1%	3.1%	3.0%	3.1%	3.0%		
Meal Catering	612	1,248	1,874	2,474	586	1,166	1,752	2,322	573	1,135	1,701		
YoY	-16.2%	-13.0%	-11.9%	-11.5%	-4.2%	-6.6%	-6.5%	-6.1%	-2.2%	-2.7%	-2.9%		
% of total	2.4%	2.4%	2.4%	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%		
Other	51	110	171	229	74	152	232	305	77	151	228		
YoY	34.2%	39.2%	40.2%	38.8%	45.1%	38.2%	35.7%	33.2%	4.1%	-0.7%	-1.7%		
% of total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%		
Segment sales adjustments	-154	-292	-442	-601	-143	-350	-563	-727	-190	-412	-579		
Operating profit	-61	1,355	2,773	3,429	667	1,862	3,063	3,852	348	1,099	2,344		
YoY	-	70.2%	125.8%	112.3%	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%		
Community Pharmacy Network	434	2,369	4,329	5,703	1,202	2,885	4,663	6,117	1,014	2,384	4,299		
YoY	-47.4%	36.5%	56.6%	52.4%	177.0%	21.8%	7.7%	7.3%	-15.6%	-17.4%	-7.8%		
Operating profit margin	1.8%	4.9%	5.8%	5.7%	4.9%	5.8%	6.1%	6.0%	4.0%	4.7%	5.5%		
Leasing and Facility-related	6	16	34	32	-2	32	53	39	-43	-65	-97		
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	-33	-55		
YoY	-	-	-	-	-	-	-	-	-	-	-		
Operating profit margin	-	-	-	-	-	0.1%	0.4%	0.0%	-	-	-		
Other	-11	-13	-17	-31	-7	-12	-10	-12	-2	-10	-14		
YoY	-	-	-	-	-	-	-	-	-	-	-		
Operating profit margin	-	-	-	-	-	-	-	-	-	-	-		
Segment profit adjustments	-472	-1,003	-1,569	-2,253	-523	-1,043	-1,650	-2,293	-608	-1,175	-1,787		
	FY03/21				FY03/22				FY03/23				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Sales	25,162	25,883	27,122	26,090	25,914	26,255	27,699	26,817	26,299	27,041	28,538		
YoY	-1.7%	-2.8%	1.5%	-0.8%	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%		
Community Pharmacy Network	23,922	24,617	25,829	24,846	24,657	25,006	26,323	25,471	25,045	25,747	27,286		
YoY	-1.2%	-1.8%	1.9%	-0.5%	3.1%	1.6%	1.9%	2.5%	1.6%	3.0%	3.7%		
% of total	94.5%	94.6%	94.7%	94.7%	93.5%	94.5%	94.3%	94.4%	96.8%	94.4%	95.1%		
Leasing and Facility-related	723	715	756	746	739	797	925	865	794	879	775		
YoY	-4.9%	-33.1%	-8.9%	-2.8%	2.2%	11.5%	22.4%	16.0%	7.4%	10.3%	-16.2%		

% of total	2.9%	2.7%	2.8%	2.8%	2.8%	3.0%	3.3%	3.2%	3.1%	3.2%	2.7%
Meal Catering	612	636	626	600	586	580	586	570	573	562	566
YoY	-16.2%	-9.7%	-9.8%	-10.3%	-4.2%	-8.8%	-6.4%	-5.0%	-2.2%	-3.1%	-3.4%
% of total	2.4%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%	2.2%	2.1%	2.0%
Other	51	59	61	58	74	78	80	73	77	74	77
YoY	34.2%	43.9%	41.9%	34.9%	45.1%	32.2%	31.1%	25.9%	4.1%	-5.1%	-3.8%
% of total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-154	-138	-150	-159	-463	-207	-213	-164	413	-222	-167
<b>Operating profit</b>	<b>-61</b>	<b>1,416</b>	<b>1,418</b>	<b>656</b>	<b>667</b>	<b>1,195</b>	<b>1,201</b>	<b>789</b>	<b>348</b>	<b>751</b>	<b>1,245</b>
YoY	-	206.5%	228.2%	69.5%	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%
Community Pharmacy Network	434	1,935	1,960	1,374	1,202	1,683	1,778	1,454	1,014	1,370	1,915
YoY	-47.4%	112.4%	90.7%	40.3%	177.0%	-13.0%	-9.3%	5.8%	-15.6%	-18.6%	7.7%
Operating profit margin	1.8%	7.9%	7.6%	5.5%	4.9%	6.7%	6.8%	5.7%	4.0%	5.3%	7.0%
Leasing and Facility-related	6	10	18	-2	-2	34	21	-14	-43	-22	-32
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	-22	-22
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	-8	-4
YoY	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	2.5%	-	-	-	-
Segment profit adjustments	-472	-531	-566	-684	-523	-520	-607	-643	-608	-567	-612

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

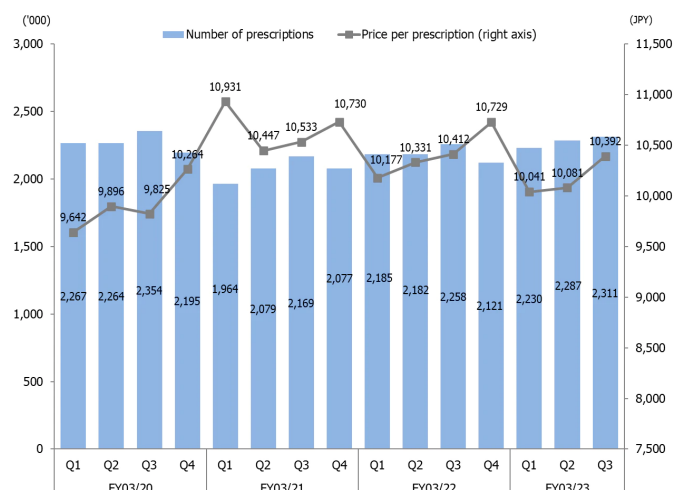


Source: Shared Research based on company data

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	216	339
Tohoku	24	575	599
Kanto and Koshinetsu	100	2,554	2,654
Tokai and Hokuriku	44	1,395	1,439
Kinki	54	1,347	1,401
Chugoku and Shikoku	21	843	864
Kyushu and Okinawa	63	1,196	1,259
<b>Total</b>	<b>429</b>	<b>8,126</b>	<b>8,555</b>

Source: Shared Research based on company data (as of September 30, 2022)

## Cumulative Q3 FY03/23 results (out February 3, 2023)

### Overview

1H FY03/23 (April–December 2022) earnings results

- Sales: JPY81.9bn (+2.5% YoY)
- Operating profit: JPY2.3bn (-23.5% YoY)
- Recurring profit: JPY2.5bn (-28.3% YoY)
- Net income attributable to owners of the parent: JPY1.2bn (-44.3% YoY)

### Operating results and business conditions

Sales rose 2.5% YoY, thanks in part to higher sales in the mainstay Community Pharmacy Network segment. In the segment's 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. In the Pharmaceutical Network Business, the number of new network affiliates remained strong.

Operating profit fell 23.5% YoY. Although the Pharmaceutical Network business posted higher profits, 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. EBITDA was 12.5% lower YoY at JPY4.5bn.

### Segment results

1H FY03/23 results by segment were as follows.

## Community Pharmacy Network

- Segment sales: JPY78.1n (+2.8% YoY; including intra-group sales and transfers between segments, same applies below)
- Segment profit: JPY4.3bn (-7.8% 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 prescription count rose on the back of the contribution of stores newly opened and acquired. During cumulative Q3 FY03/23, the company opened six community pharmacies, including five inside medical malls. As of December 30, 2022, the company had 429 community pharmacies, one care plan center, and nine 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 December 30, 2022, pharmaceutical network members totaled 8,555 (an increase of 1,154 from March 31, 2022), comprising 429 directly operated pharmacies and 8,126 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 90 products (44 ingredients) as of December 31, 2022, and supplied these to 2,042 general network affiliates (an increase of 344 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-December 2022, the number of pharmacies using the service was 3,071 (an increase of 2,160 from March 31, 2022) while 3,381 had placed orders for the service use (an increase of 1,738 from March 31, 2022).

## Leasing and Facility-related

- Segment sales: JPY2.5bn (-0.5% YoY)
- Segment loss: JPY97mn (versus profit of JPY53mn in 1H FY03/22)

### Operating conditions of serviced elderly housing facilities

Although property leasing revenue was generally strong, segment sales slid 0.5% YoY, due mainly to the timing of recording sales, as the completion of construction projects will be concentrated in Q4. The segment posted an operating loss, due to factors such as higher labor expenses resulting from an increase in the number of employees to strengthen sales, and 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-December 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 72.0% (with 59 out of 82 units occupied), and at Wisteria Minami Ichijo it reported an occupancy rate of 71.6% (with 83 out of 116 units occupied).

## Meal Catering

- Segment sales: JPY1.7bn (-2.9% YoY)
- Segment loss: JPY55mn (versus profit of JPY7mn in 1H FY03/22)

### Lower sales and operating loss

In 1H FY03/23, sales decreased along with the decline in the number of meals supplied due to the COVID-19 pandemic, and a loss followed lower gross profit margin due to higher purchase prices.

## Other (mostly home-visit nursing care)

- Segment sales: JPY228mn (-1.7% YoY)
- Segment loss: JPY14mn (versus a loss of JPY10mn in 1H FY03/22)

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