

Quarterly trends and results

Cumulative (JPYmn)	FY03/22				FY03/23				FY03/24	FY03/24			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	% of Est.	1H Est.	% of Est.	FY Est.
Sales	25,914	52,169	79,868	106,685	26,299	53,340	81,878	109,551	27,656	50.6%	54,670	24.6%	112,500
YoY	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%	2.7%	5.2%		2.5%		2.7%
Gross profit	10,738	21,861	33,443	44,429	11,062	22,315	34,287	45,921	11,433				
YoY	10.7%	6.6%	5.6%	4.8%	3.0%	2.1%	2.5%	3.4%	3.4%				
Gross profit margin	41.4%	41.9%	41.9%	41.6%	42.1%	41.8%	41.9%	41.9%	41.3%				
SG&A expenses	10,071	19,999	30,379	40,576	10,713	21,215	31,942	42,758	10,981				
YoY	3.1%	4.4%	5.1%	4.1%	6.4%	6.1%	5.1%	5.4%	2.5%				
SG&A ratio	38.9%	38.3%	38.0%	38.0%	40.7%	39.8%	39.0%	39.0%	39.7%				
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451	56.4%	800	17.3%	2,600
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%		-27.2%		-17.8%
Operating profit margin	2.6%	3.6%	3.8%	3.6%	1.3%	2.1%	2.9%	2.9%	1.6%		1.5%		2.3%
Recurring profit	935	2,235	3,485	4,313	392	1,242	2,499	3,355	410	54.7%	750	16.1%	2,550
YoY	-	60.0%	25.8%	24.0%	-58.1%	-44.4%	-28.3%	-22.2%	4.6%		-39.6%		-24.0%
Recurring profit margin	3.6%	4.3%	4.4%	4.0%	1.5%	2.3%	3.1%	3.1%	1.5%		1.4%		2.3%
Net income	583	1,431	2,144	2,394	91	502	1,195	1,610	148	59.2%	250	14.8%	1,000
YoY	-	147.6%	6.5%	8.9%	-84.4%	-64.9%	-44.3%	-32.7%	62.6%		-50.2%		-37.9%
Net margin	2.2%	2.7%	2.7%	2.2%	0.3%	0.9%	1.5%	1.5%	0.5%		0.5%		0.9%

Quarterly (JPYmn)	FY03/22				FY03/23				FY03/24
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%
Gross profit	10,738	11,123	11,582	10,986	11,062	11,253	11,972	11,634	11,433
YoY	10.7%	3.0%	3.8%	2.2%	3.0%	1.2%	3.4%	5.9%	3.4%
Gross profit margin	41.4%	42.4%	41.8%	41.0%	42.1%	41.6%	42.0%	42.0%	41.3%
SG&A expenses	10,071	9,928	10,380	10,197	10,713	10,502	10,727	10,816	10,981
YoY	3.1%	5.8%	6.5%	1.1%	6.4%	5.8%	3.3%	6.1%	2.5%
SG&A ratio	38.9%	37.8%	37.5%	38.0%	40.7%	38.8%	37.6%	39.1%	39.7%
Operating profit	667	1,195	1,201	789	348	751	1,245	819	451
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%
Operating profit margin	2.6%	4.6%	4.3%	2.9%	1.3%	2.8%	4.4%	3.0%	1.6%
Recurring profit	935	1,300	1,250	828	392	850	1,257	856	410
YoY	-	-10.9%	-9.0%	16.8%	-58.1%	-34.6%	0.6%	3.4%	4.6%
Recurring profit margin	3.6%	5.0%	4.5%	3.1%	1.5%	3.1%	4.4%	3.1%	1.5%
Net income	583	848	713	250	91	411	693	415	148
YoY	-	8.9%	-50.3%	35.1%	-84.4%	-51.5%	-2.8%	66.0%	62.6%
Net margin	2.2%	3.2%	2.6%	0.9%	0.3%	1.5%	2.4%	1.5%	0.5%

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)	FY03/22				FY03/23				FY03/24
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1
Sales	25,914	52,169	79,868	106,685	26,299	53,340	81,878	109,551	27,656
YoY	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%	2.7%	5.2%
Community Pharmacy Network	24,657	49,663	75,986	101,457	25,045	50,792	78,078	104,399	26,356
YoY	3.1%	2.3%	2.2%	2.3%	1.6%	2.3%	2.8%	2.9%	5.2%
% of total	94.6%	94.6%	94.5%	94.5%	94.5%	94.5%	94.7%	94.5%	94.7%
Leasing and Facility-related	739	1,536	2,461	3,326	794	1,673	2,448	3,494	800
YoY	2.2%	6.8%	12.2%	13.1%	7.4%	8.9%	-0.5%	5.1%	0.8%
% of total	2.8%	2.9%	3.1%	3.1%	3.0%	3.1%	3.0%	3.2%	2.9%
Meal Catering	586	1,166	1,752	2,322	573	1,135	1,701	2,289	590
YoY	-4.2%	-6.6%	-6.5%	-6.1%	-2.2%	-2.7%	-2.9%	-1.4%	3.0%
% of total	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%
Other	74	152	232	305	77	151	228	304	78
YoY	45.1%	38.2%	35.7%	33.2%	4.1%	-0.7%	-1.7%	-0.3%	1.3%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-143	-350	-563	-727	-190	-412	-579	-937	-168
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%
Community Pharmacy Network	1,202	2,885	4,663	6,117	1,014	2,384	4,299	5,887	1,077
YoY	177.0%	21.8%	7.7%	7.3%	-15.6%	-17.4%	-7.8%	-3.8%	6.2%
Operating profit margin	4.9%	5.8%	6.1%	6.0%	4.0%	4.7%	5.5%	5.6%	4.1%
Leasing and Facility-related	-2	32	53	39	-43	-65	-97	-92	22
YoY	-	100.0%	55.9%	21.9%	-	-	-	-	-
Operating profit margin	-	2.1%	2.2%	1.2%	-	-	-	-	2.8%
Meal Catering	-1	1	7	1	-11	-33	-55	-65	-14
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	0.1%	0.4%	0.0%	-	-	-	-	-
Other	-7	-12	-10	-12	-2	-10	-14	-22	-8
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-
Segment profit adjustments	-523	-1,043	-1,650	-2,293	-608	-1,175	-1,787	-2,542	-626

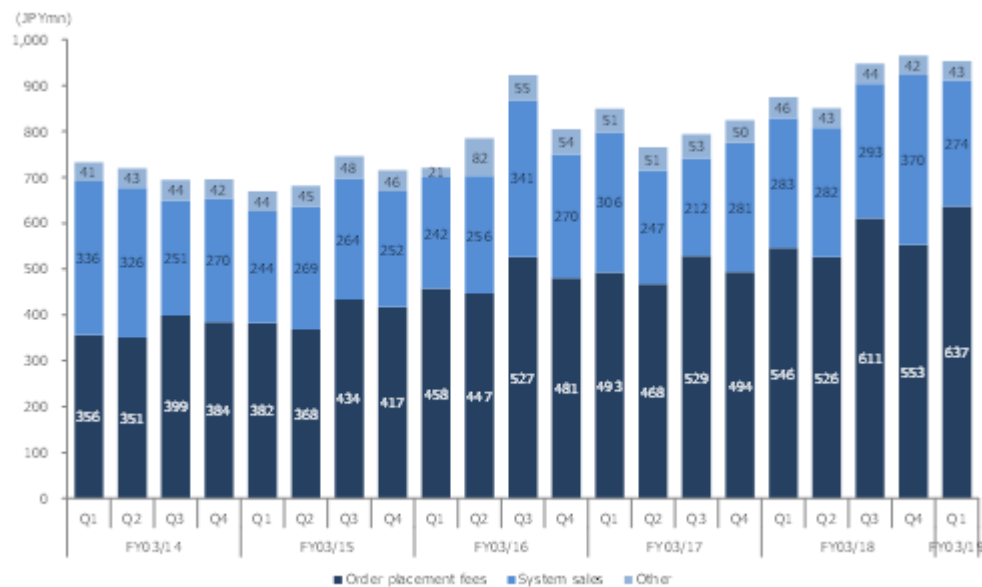
	FY03/22				FY03/23				FY03/24
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%
Community Pharmacy Network	24,657	25,006	26,323	25,471	25,045	25,747	27,286	26,321	26,356
YoY	3.1%	1.6%	1.9%	2.5%	1.6%	3.0%	3.7%	3.3%	5.2%

% of total	93.5%	94.5%	94.3%	94.4%	96.8%	94.4%	95.1%	93.9%	96.3%
Leasing and Facility-related	739	797	925	865	794	879	775	1,046	800
YoY	2.2%	11.5%	22.4%	16.0%	7.4%	10.3%	-16.2%	20.9%	0.8%
% of total	2.8%	3.0%	3.3%	3.2%	3.1%	3.2%	2.7%	3.7%	2.9%
Meal Catering	586	580	586	570	573	562	566	588	590
YoY	-4.2%	-8.8%	-6.4%	-5.0%	-2.2%	-3.1%	-3.4%	3.2%	3.0%
% of total	2.2%	2.2%	2.1%	2.1%	2.2%	2.1%	2.0%	2.1%	2.2%
Other	74	78	80	73	77	74	77	76	78
YoY	45.1%	32.2%	31.1%	25.9%	4.1%	-5.1%	-3.8%	4.1%	1.3%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-463	-207	-213	-164	413	-222	-167	-358	274
Operating profit	667	1,195	1,201	789	348	751	1,245	819	451
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%
Community Pharmacy Network	1,202	1,683	1,778	1,454	1,014	1,370	1,915	1,588	1,077
YoY	177.0%	-13.0%	-9.3%	5.8%	-15.6%	-18.6%	7.7%	9.2%	6.2%
Operating profit margin	4.9%	6.7%	6.8%	5.7%	4.0%	5.3%	7.0%	6.0%	4.1%
Leasing and Facility-related	-2	34	21	-14	-43	-22	-32	5	22
YoY	-	240.0%	16.7%	-	-	-	-	-	-
Operating profit margin	-	4.3%	2.3%	-	-	-	-	-	2.8%
Meal Catering	1	2	6	-6	-11	-22	-22	-10	-14
YoY	-	-66.7%	-45.5%	-	-	-	-	-	-
Operating profit margin	-	0.3%	1.0%	-	-	-	-	-	-
Other	-7	-5	2	-2	-2	-8	-4	-8	-8
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	2.5%	-	-	-	-	-	-
Segment profit adjustments	-523	-520	-607	-643	-608	-567	-612	-755	-626

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

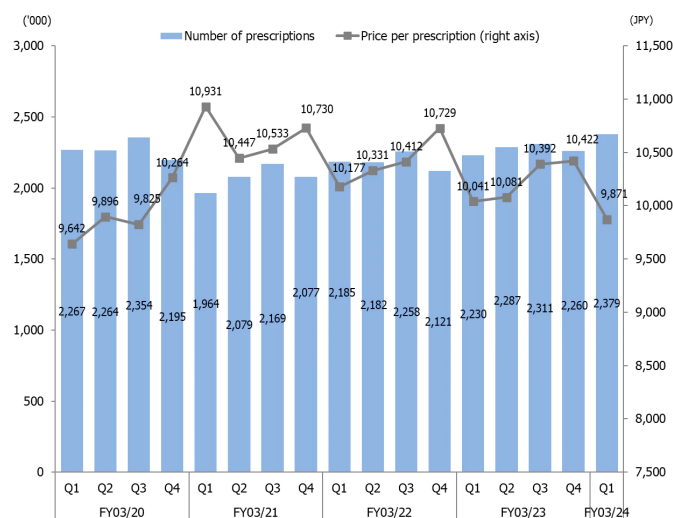


Source: Shared Research based on company data

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	122	220	342
Tohoku	24	627	651
Kanto and Koshinetsu	102	2,723	2,825
Tokai and Hokuriku	44	1,522	1,566
Kinki	53	1,447	1,500
Chugoku and Shikoku	21	909	930
Kyushu and Okinawa	64	1,294	1,358
Total	430	8,742	9,172

Source: Shared Research based on company data (as of June 30, 2023)

Q1 FY03/24 results (out August 8, 2023)

Overview

Q1 FY03/24 (April–June 2023) earnings results

- Sales: JPY27.7bn (+5.2% YoY)
- Operating profit: JPY451mn (+29.6% YoY)
- Recurring profit: JPY410mn (+4.6% YoY)
- Net income attributable to owners of the parent: JPY148mn (+62.6% YoY)

Operating results and business conditions

Sales rose 2.7% YoY due to higher sales in the Community Pharmacy Network segment. The prescription unit price fell in the Community Pharmacy Business owing to the impact of off-year National Health Insurance (NHI) drug price revisions and the end of the transitional measures for community support system premiums, but the number of prescriptions filled increased, as patients felt more at ease with seeking medical consultations following the downgrading of COVID-19 to a Class 5 infectious disease. Further, in the Pharmaceutical Network Business, the number of new network affiliates grew steadily.

Operating profit rose 29.6% YoY. Starting from Q1, the costs of the business development division, which were previously allocated to the Leasing and Facility-related Segment, have been transferred to the Community Pharmacy Network Segment due to the decision to focus on pharmacy development. The amount transferred was JPY46mn. EBITDA was 13.3% higher YoY at JPY1.2bn.

Segment results

Q1 FY03/24 results by segment were as follows.

Community Pharmacy Network

- Segment sales: JPY26.4bn (+5.2% YoY; including intra-group sales and transfers between segments, same applies below)
- Segment profit: JPY1.1bn (+6.2% 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 off-year NHI drug price revisions and the end of the transitional measures for community support system premiums, but the number of prescriptions filled increased, as patients felt more at ease with seeking medical consultations following the downgrading of COVID-19 to a Class 5 infectious disease. During Q1, the company opened two community pharmacies, including one inside a medical mall. As of end-June 2023, the company had 430 community pharmacies, one care plan center, and nine cosmetics/drug stores.

Pharmaceuticals Network

The number of new network affiliates grew steadily as the company's initiatives to improve drug distribution and its management support services attracted attention. As of end-June 2023, pharmaceutical network affiliates totaled 9,172 (+260 from end-FY03/23), comprising 430 directly operated pharmacies and 8,742 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 96 products (46 ingredients) as of end-June 2023, and supplied these to 3,642 pharmacies (+727 YoY), including group pharmacies, general network affiliates, and other customers.

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-March 2023, the number of pharmacies using the service was 3,797 (+406 from end-FY03/23).

Leasing and Facility-related

- Segment sales: JPY800mn (+0.8% YoY)
- Segment profit: JPY22mn (versus loss of JPY43mn in Q1 FY03/23)

Operating conditions of serviced elderly housing facilities

Segment sales grew 0.8% YoY, driven by a steady increase in management fee income from managed properties. The segment returned to profitability as a result of the transfer of the costs of the business development division to the Community Pharmacy Network segment (see above) and the absence of one-time advertising expenses for the Wisteria serviced residence for the elderly booked in the previous fiscal year. As of end-June 2023, the company reported stable occupancy rates at three of its five properties (the total occupancy rate at the five serviced residences for the elderly stood at 80.6%), while for the remaining two, at Wisteria Senri-Chuo it reported an occupancy rate of 68.3% (with 56 out of 82 units occupied), and at Wisteria Minami Ichijo it reported an occupancy rate of 67.2% (with 78 out of 116 units occupied).

Meal Catering

- Segment sales: JPY590bn (+3.0% YoY)
- Segment loss: JPY14mn (versus loss of JPY11mn in Q1 FY03/23)

Lower sales and operating loss

While sales grew owing to a revision of the contract unit price, the gross profit margin declined due to rising purchase prices. The segment loss widened as a result.

Other (mostly home-visit nursing care)

- Segment sales: JPY78mn (+1.3% YoY)
- Segment loss: JPY8mn (versus a loss of JPY2mn in Q1 FY03/23)

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