

# 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	Q1-Q2	Q1-Q3	% of Est.	FY Est.
Sales	25,914	52,169	79,868	106,685	26,299	53,340	81,878	109,551	27,656	56,461	86,175	75.7%	113,800
YoY	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%		3.9%
Gross profit	10,738	21,861	33,443	44,429	11,062	22,315	34,287	45,921	11,433	23,453	35,882		
YoY	10.7%	6.6%	5.6%	4.8%	3.0%	2.1%	2.5%	3.4%	3.4%	5.1%	4.7%		
Gross profit margin	41.4%	41.9%	41.9%	41.6%	42.1%	41.8%	41.9%	41.9%	41.3%	41.5%	41.6%		
SG&A expenses	10,071	19,999	30,379	40,576	10,713	21,215	31,942	42,758	10,981	21,740	32,813		
YoY	3.1%	4.4%	5.1%	4.1%	6.4%	6.1%	5.1%	5.4%	2.5%	2.5%	2.7%		
SG&A ratio	38.9%	38.3%	38.0%	38.0%	40.7%	39.8%	39.0%	39.0%	39.7%	38.5%	38.1%		
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451	1,712	3,069	87.7%	3,500
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%		10.7%
Operating profit margin	2.6%	3.6%	3.8%	3.6%	1.3%	2.1%	2.9%	2.9%	1.6%	3.0%	3.6%		3.1%
Recurring profit	935	2,235	3,485	4,313	392	1,242	2,499	3,355	410	1,692	3,044	88.2%	3,450
YoY	-	60.0%	25.8%	24.0%	-58.1%	-44.4%	-28.3%	-22.2%	4.6%	36.2%	21.8%		2.8%
Recurring profit margin	3.6%	4.3%	4.4%	4.0%	1.5%	2.3%	3.1%	3.1%	1.5%	3.0%	3.5%		3.0%
Net income	583	1,431	2,144	2,394	91	502	1,195	1,610	148	861	1,693	102.6%	1,650
YoY	-	147.6%	6.5%	8.9%	-84.4%	-64.9%	-44.3%	-32.7%	62.6%	71.5%	41.7%		2.5%
Net margin	2.2%	2.7%	2.7%	2.2%	0.3%	0.9%	1.5%	1.5%	0.5%	1.5%	2.0%		1.4%

  

Quarterly (JPYmn)	FY03/22				FY03/23				FY03/24		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656	28,805	29,714
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%
Gross profit	10,738	11,123	11,582	10,986	11,062	11,253	11,972	11,634	11,433	12,020	12,429
YoY	10.7%	3.0%	3.8%	2.2%	3.0%	1.2%	3.4%	5.9%	3.4%	6.8%	3.8%
Gross profit margin	41.4%	42.4%	41.8%	41.0%	42.1%	41.6%	42.0%	42.0%	41.3%	41.7%	41.8%
SG&A expenses	10,071	9,928	10,380	10,197	10,713	10,502	10,727	10,816	10,981	10,759	11,073
YoY	3.1%	5.8%	6.5%	1.1%	6.4%	5.8%	3.3%	6.1%	2.5%	2.4%	3.2%
SG&A ratio	38.9%	37.8%	37.5%	38.0%	40.7%	38.8%	37.6%	39.1%	39.7%	37.4%	37.3%
Operating profit	667	1,195	1,201	789	348	751	1,245	819	451	1,261	1,357
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%
Operating profit margin	2.6%	4.6%	4.3%	2.9%	1.3%	2.8%	4.4%	3.0%	1.6%	4.4%	4.6%
Recurring profit	935	1,300	1,250	828	392	850	1,257	856	410	1,282	1,352
YoY	-	-10.9%	-9.0%	16.8%	-58.1%	-34.6%	0.6%	3.4%	4.6%	50.8%	7.6%
Recurring profit margin	3.6%	5.0%	4.5%	3.1%	1.5%	3.1%	4.4%	3.1%	1.5%	4.5%	4.6%
Net income	583	848	713	250	91	411	693	415	148	713	832
YoY	-	8.9%	-50.3%	35.1%	-84.4%	-51.5%	-2.8%	66.0%	62.6%	73.5%	20.1%
Net margin	2.2%	3.2%	2.6%	0.9%	0.3%	1.5%	2.4%	1.5%	0.5%	2.5%	2.8%

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	Q1-Q2	Q1-Q3
Sales	25,914	52,169	79,868	106,685	26,299	53,340	81,878	109,551	27,656	56,461	86,175
YoY	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%
Community Pharmacy Network	24,657	49,663	75,986	101,457	25,045	50,792	78,078	104,399	26,356	53,765	82,105
YoY	3.1%	2.3%	2.2%	2.3%	1.6%	2.3%	2.8%	2.9%	5.2%	5.9%	5.2%
% of total	94.6%	94.6%	94.5%	94.5%	94.5%	94.5%	94.7%	94.5%	94.7%	94.7%	94.7%
Leasing and Facility-related	739	1,536	2,461	3,326	794	1,673	2,448	3,494	800	1,687	2,560
YoY	2.2%	6.8%	12.2%	13.1%	7.4%	8.9%	-0.5%	5.1%	0.8%	0.8%	4.6%
% of total	2.8%	2.9%	3.1%	3.1%	3.0%	3.1%	3.0%	3.2%	2.9%	3.0%	3.0%
Meal Catering	586	1,166	1,752	2,322	573	1,135	1,701	2,289	590	1,189	1,781
YoY	-4.2%	-6.6%	-6.5%	-6.1%	-2.2%	-2.7%	-2.9%	-1.4%	3.0%	4.8%	4.7%
% of total	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Other	74	152	232	305	77	151	228	304	78	155	237
YoY	45.1%	38.2%	35.7%	33.2%	4.1%	-0.7%	-1.7%	-0.3%	1.3%	2.6%	3.9%
% of total	0.3%	0.3%	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	-336	-510
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451	1,712	3,069
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%
Community Pharmacy Network	1,202	2,885	4,663	6,117	1,014	2,384	4,299	5,887	1,077	2,947	4,965
YoY	177.0%	21.8%	7.7%	7.3%	-15.6%	-17.4%	-7.8%	-3.8%	6.2%	23.6%	15.5%
Operating profit margin	4.9%	5.8%	6.1%	6.0%	4.0%	4.7%	5.5%	5.6%	4.1%	5.5%	6.0%
Leasing and Facility-related	-2	32	53	39	-43	-65	-97	-92	22	69	129
YoY	-	100.0%	55.9%	21.9%	-	-	-	-	-	-	-
Operating profit margin	-	2.1%	2.2%	1.2%	-	-	-	-	2.8%	4.1%	5.0%
Meal Catering	-1	1	7	1	-11	-33	-55	-65	-14	-23	-24
YoY	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	0.1%	0.4%	0.0%	-	-	-	-	-	-	-
Other	-7	-12	-10	-12	-2	-10	-14	-22	-8	-20	-30
YoY	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-	-	-
Segment profit adjustments	-523	-1,043	-1,650	-2,293	-608	-1,175	-1,787	-2,542	-626	-1,261	-1,970

  

Sales	FY03/22				FY03/23				FY03/24		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656	28,805	29,714
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%
Community Pharmacy Network	24,657	25,006	26,323	25,471	25,045	25,747	27,286	26,321	26,356	27,409	28,340
YoY	3.1%	1.6%	1.9%	2.5%	1.6%	3.0%	3.7%	3.3%	5.2%	6.5%	3.9%

% of total	94.6%	94.5%	94.3%	94.4%	94.5%	94.4%	95.1%	93.9%	94.7%	94.6%	94.8%
Leasing and Facility-related	739	797	925	865	794	879	775	1,046	800	887	873
YoY	2.2%	11.5%	22.4%	16.0%	7.4%	10.3%	-16.2%	20.9%	0.8%	0.9%	12.6%
% of total	2.8%	3.0%	3.3%	3.2%	3.0%	3.2%	2.7%	3.7%	2.9%	3.1%	2.9%
Meal Catering	586	580	586	570	573	562	566	588	590	599	592
YoY	-4.2%	-8.8%	-6.4%	-5.0%	-2.2%	-3.1%	-3.4%	3.2%	3.0%	6.6%	4.6%
% of total	2.2%	2.2%	2.1%	2.1%	2.2%	2.1%	2.0%	2.1%	2.1%	2.1%	2.0%
Other	74	78	80	73	77	74	77	76	78	77	82
YoY	45.1%	32.2%	31.1%	25.9%	4.1%	-5.1%	-3.8%	4.1%	1.3%	4.1%	6.5%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-143	-207	-213	-164	-190	-222	-167	-358	-168	-168	-174
<b>Operating profit</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>	<b>819</b>	<b>451</b>	<b>1,261</b>	<b>1,357</b>
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%
Community Pharmacy Network	1,202	1,683	1,778	1,454	1,014	1,370	1,915	1,588	1,077	1,870	2,018
YoY	177.0%	-13.0%	-9.3%	5.8%	-15.6%	-18.6%	7.7%	9.2%	6.2%	36.5%	5.4%
Operating profit margin	4.9%	6.7%	6.8%	5.7%	4.0%	5.3%	7.0%	6.0%	4.1%	6.8%	7.1%
Leasing and Facility-related	-2	34	21	-14	-43	-22	-32	5	22	47	60
YoY	-	240.0%	16.7%	-	-	-	-	-	-	-	-
Operating profit margin	-	4.3%	2.3%	-	-	-	-	-	2.8%	5.3%	6.9%
Meal Catering	1	2	6	-6	-11	-22	-22	-10	-14	-9	-1
YoY	-	-66.7%	-45.5%	-	-	-	-	-	-	-	-
Operating profit margin	-	0.3%	1.0%	-	-	-	-	-	-	-	-
Other	-7	-5	2	-2	-2	-8	-4	-8	-8	-12	-10
YoY	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	2.5%	-	-	-	-	-	-	-	-
Segment profit adjustments	-523	-520	-607	-643	-608	-567	-612	-755	-626	-635	-709

Source: Shared Research based on company data

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

## Number of prescriptions filled and price per prescription (Community Pharmacy business, all-store basis)

	FY03/21				FY03/22				FY03/23				FY03/24		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Price per prescription	10,931	10,682	10,630	10,655	10,177	10,254	10,308	10,410	10,041	10,061	10,173	10,235	9,871	10,033	10,070
YoY	13.4%	9.3%	8.6%	7.6%	-6.9%	-4.0%	-3.0%	-2.3%	-1.3%	-1.9%	-1.3%	-1.7%	-1.7%	-0.3%	-1.0%
Drug fee	8,564	8,322	8,262	8,279	7,742	7,819	7,882	7,984	7,620	7,634	7,733	7,789	7,526	7,687	7,709
Technical fee	2,367	2,360	2,368	2,376	2,435	2,435	2,426	2,426	2,421	2,427	2,440	2,446	2,345	2,346	2,361
Number of prescriptions filled ('000)	1,964	4,043	6,212	8,289	2,185	4,367	6,625	8,746	2,230	4,517	6,828	9,088	2,379	4,777	7,266
YoY	-13.4%	-10.8%	-9.8%	-8.7%	11.3%	8.0%	6.6%	5.5%	2.1%	3.4%	3.1%	3.9%	6.7%	5.8%	6.4%
Dispensing fees	21,476	43,188	66,039	88,320	22,238	44,784	68,296	91,056	22,399	45,448	69,472	93,029	23,484	47,935	73,168
YoY	-1.7%	-2.4%	-2.0%	-1.8%	3.5%	3.7%	3.4%	3.1%	0.7%	1.5%	1.7%	2.2%	4.8%	5.5%	5.3%

Source: Shared Research based on company materials

## Number of network members by region

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	122	235	357
Tohoku	25	658	683
Kanto and Koshinetsu	105	2,824	2,929
Tokai and Hokuriku	44	1,562	1,606
Kinki	52	1,502	1,554
Chugoku and Shikoku	21	938	959
Kyushu and Okinawa	67	1,348	1,415
<b>Total</b>	<b>436</b>	<b>9,067</b>	<b>9,503</b>

Source: Shared Research based on company data (as of February 6, 2024)

# Cumulative Q3 FY03/24 results (out February 6, 2024)

## Overview

Cumulative Q3 FY03/24 (April–December 2023) earnings results

- Sales: JPY86.2bn (+5.2% YoY)
- Operating profit: JPY3.1bn (+30.9% YoY)
- Recurring profit: JPY3.0bn (+21.8% YoY)
- Net income attributable to owners of the parent: JPY1.7bn (+71.5% YoY)

## Operating results and business conditions

Sales rose 5.2% YoY due to an increase in the number of prescription filled 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. The utilization of digital technologies, including the use of the LINE instant messaging app for transmitting prescriptions, and enhanced patient follow-up during medication periods also boosted prescription volume.

Operating profit rose 30.9% YoY, and EBITDA reached JPY5.4bn (+19.5% YoY). This was mainly due to company-wide efforts to improve productivity and contain various expenses. Note that 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.

In cumulative Q3, the rate of progress toward the company's full-year earnings forecast was 75.7% for sales, 87.7% for operating profit, 88.2% for recurring profit, and 102.6% for net income.

## Segment results

Cumulative Q3 FY03/24 results by segment were as follows.

### Community Pharmacy Network

- Segment sales: JPY82.1bn (+5.2% YoY; including intra-group sales and transfers between segments, same applies below)
- Segment profit: JPY5.0bn (+15.5% 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. The outbreak of several respiratory infections, and the utilization of digital technologies, such as the transmission of prescriptions using LINE, also pushed up the prescription volume. During the period under review, the company opened nine community pharmacies, including four inside medical malls. As of end-December 2023, the company had 436 community pharmacies, one in-home care plan support center, and 10 cosmetics/drug stores.

### Pharmaceuticals Network

The number of new network affiliates fell short of expectations due to pharmacy closures and withdrawals resulting from M&A. However, the total value of pharmaceuticals orders placed by network affiliates was largely in line with projections, backed by an increase in the value of pharmaceuticals procurement by existing affiliates. As of end-December 2023, pharmaceutical network affiliates totaled 9,503 (+591 from end-FY03/23), comprising 436 directly operated pharmacies and 9,067 affiliates.

### Manufacture and Market Pharmaceuticals

The company offered 101 products (48 ingredients) as of end-December 2023. While the company stopped accepting orders for some products due to the impact of shipment adjustments, the number of new partner pharmacies steadily grew in Q3, with the total number of partner pharmacies reaching 4,414 (+847 YoY) as of end-December 2023.

### 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 2023, the number of pharmacies using the service was 4,445 (+1,054 from end-FY03/23).

### Leasing and Facility-related

- Segment sales: JPY2.6bn (+4.6% YoY)
- Segment profit: JPY129mn (versus a loss of JPY97mn in cumulative Q3 FY03/23)

### Operating conditions of serviced elderly housing facilities

Segment sales grew 4.6% YoY, driven by robust management fee income from properties under management and an increase in construction orders. The segment continued to be profitable in Q3, sustaining its profitability from Q2. This was attributed to the transfer of the costs of the business development division to the Community Pharmacy Network segment and the review of staff allocation and advertising expenses for the Wisteria serviced residence for the elderly. As of end-December 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 83.3%), while for the remaining two, at Wisteria Senri-Chuo it reported an occupancy rate of 62.2% (with 51 out of 82 units occupied), and at Wisteria Minami Ichijo it reported an occupancy rate of 75.9% (with 88 out of 116 units occupied).

### Meal Catering

- Segment sales: JPY1.8bn (+4.7% YoY)
- Segment loss: JPY24mn (versus loss of JPY55mn in cumulative Q3 FY03/23)

### Higher 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 remained in the red as a result.

### Other (mostly home-visit nursing care)

- Segment sales: JPY237mn (+3.9% YoY)
- Segment loss: JPY30mn (versus a loss of JPY14mn in cumulative Q3 FY03/23)

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## Contact Details

Company name

**Shared Research Inc.**

Phone

**+81 (0)3 5834-8787**

Address

**2-6-10 Kanda-Sarugakucho Chiyoda-ku Tokyo, Japan**

Email

[info@sharedresearch.jp](mailto:info@sharedresearch.jp)

Website

<https://sharedresearch.jp>

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