

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	Q1-Q4	% 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	115,361	101.4%	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%	5.3%		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	47,925		
YoY	10.7%	6.6%	5.6%	4.8%	3.0%	2.1%	2.5%	3.4%	3.4%	5.1%	4.7%	4.4%		
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%	41.5%		
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	44,093		
YoY	3.1%	4.4%	5.1%	4.1%	6.4%	6.1%	5.1%	5.4%	2.5%	2.5%	2.7%	3.1%		
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%	38.2%		
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451	1,712	3,069	3,832	109.5%	3,500
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%		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%	3.3%		3.1%
Recurring profit	935	2,235	3,485	4,313	392	1,242	2,499	3,355	410	1,692	3,044	3,825	110.9%	3,450
YoY	-	60.0%	25.8%	24.0%	-58.1%	-44.4%	-28.3%	-22.2%	4.6%	36.2%	21.8%	14.0%		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%	3.3%		3.0%
Net income	583	1,431	2,144	2,394	91	502	1,195	1,610	148	861	1,693	1,860	112.7%	1,650
YoY	-	147.6%	6.5%	8.9%	-84.4%	-64.9%	-44.3%	-32.7%	62.6%	71.5%	41.7%	15.5%		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%	1.6%		1.4%

Quarterly (JPYmn)	FY03/22				FY03/23				FY03/24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%
Gross profit	10,738	11,123	11,582	10,986	11,062	11,253	11,972	11,634	11,433	12,020	12,429	12,043
YoY	10.7%	3.0%	3.8%	2.2%	3.0%	1.2%	3.4%	5.9%	3.4%	6.8%	3.8%	3.5%
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%	41.3%
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	11,280
YoY	3.1%	5.8%	6.5%	1.1%	6.4%	5.8%	3.3%	6.1%	2.5%	2.4%	3.2%	4.3%
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%	38.6%
Operating profit	667	1,195	1,201	789	348	751	1,245	819	451	1,261	1,357	763
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%
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%	2.6%
Recurring profit	935	1,300	1,250	828	392	850	1,257	856	410	1,282	1,352	781
YoY	-	-10.9%	-9.0%	16.8%	-58.1%	-34.6%	0.6%	3.4%	4.6%	50.8%	7.6%	-8.8%
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%	2.7%
Net income	583	848	713	250	91	411	693	415	148	713	832	167
YoY	-	8.9%	-50.3%	35.1%	-84.4%	-51.5%	-2.8%	66.0%	62.6%	73.5%	20.1%	-59.8%
Net margin	2.2%	3.2%	2.6%	0.9%	0.3%	1.5%	2.4%	1.5%	0.5%	2.5%	2.8%	0.6%

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	Q1-Q4
Sales	25,914	52,169	79,868	106,685	26,299	53,340	81,878	109,551	27,656	56,461	86,175	115,361
YoY	3.0%	2.2%	2.2%	2.3%	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%	5.3%
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	109,904
YoY	3.1%	2.3%	2.2%	2.3%	1.6%	2.3%	2.8%	2.9%	5.2%	5.9%	5.2%	5.3%
% of total	94.6%	94.6%	94.5%	94.5%	94.5%	94.5%	94.7%	94.5%	94.7%	94.7%	94.7%	94.6%
Leasing and Facility-related	739	1,536	2,461	3,326	794	1,673	2,448	3,494	800	1,687	2,560	3,611
YoY	2.2%	6.8%	12.2%	13.1%	7.4%	8.9%	-0.5%	5.1%	0.8%	0.8%	4.6%	3.3%
% of total	2.8%	2.9%	3.1%	3.1%	3.0%	3.1%	3.0%	3.2%	2.9%	3.0%	3.0%	3.1%
Meal Catering	586	1,166	1,752	2,322	573	1,135	1,701	2,289	590	1,189	1,781	2,360
YoY	-4.2%	-6.6%	-6.5%	-6.1%	-2.2%	-2.7%	-2.9%	-1.4%	3.0%	4.8%	4.7%	3.1%
% of total	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.0%
Other	74	152	232	305	77	151	228	304	78	155	237	314
YoY	45.1%	38.2%	35.7%	33.2%	4.1%	-0.7%	-1.7%	-0.3%	1.3%	2.6%	3.9%	3.3%
% of total	0.3%	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	-828
Operating profit	667	1,862	3,063	3,852	348	1,099	2,344	3,163	451	1,712	3,069	3,832
YoY	-	37.4%	10.5%	12.3%	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%
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	6,433
YoY	177.0%	21.8%	7.7%	7.3%	-15.6%	-17.4%	-7.8%	-3.8%	6.2%	23.6%	15.5%	9.3%
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%	5.9%
Leasing and Facility-related	-2	32	53	39	-43	-65	-97	-92	22	69	129	158
YoY	-	100.0%	55.9%	21.9%	-	-	-	-	-	-	-	-
Operating profit margin	-	2.1%	2.2%	1.2%	-	-	-	-	2.8%	4.1%	5.0%	4.4%
Meal Catering	-1	1	7	1	-11	-33	-55	-65	-14	-23	-24	-43
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	0.1%	0.4%	0.0%	-	-	-	-	-	-	-	-1.8%
Other	-7	-12	-10	-12	-2	-10	-14	-22	-8	-20	-30	-43
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	-2,671

Sales	FY03/22				FY03/23				FY03/24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	25,914	26,255	27,699	26,817	26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186
YoY	3.0%	1.4%	2.1%	2.8%	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%
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	27,799
YoY	3.1%	1.6%	1.9%	2.5%	1.6%	3.0%	3.7%	3.3%	5.2%	6.5%	3.9%	5.6%

% of total	94.6%	94.5%	94.3%	94.4%	94.5%	94.4%	95.1%	93.9%	94.7%	94.6%	94.8%	94.2%
Leasing and Facility-related	739	797	925	865	794	879	775	1,046	800	887	873	1,051
YoY	2.2%	11.5%	22.4%	16.0%	7.4%	10.3%	-16.2%	20.9%	0.8%	0.9%	12.6%	0.5%
% of total	2.8%	3.0%	3.3%	3.2%	3.0%	3.2%	2.7%	3.7%	2.9%	3.1%	2.9%	3.6%
Meal Catering	586	580	586	570	573	562	566	588	590	599	592	579
YoY	-4.2%	-8.8%	-6.4%	-5.0%	-2.2%	-3.1%	-3.4%	3.2%	3.0%	6.6%	4.6%	-1.5%
% of total	2.2%	2.2%	2.1%	2.1%	2.2%	2.1%	2.0%	2.1%	2.1%	2.1%	2.0%	2.0%
Other	74	78	80	73	77	74	77	76	78	77	82	77
YoY	45.1%	32.2%	31.1%	25.9%	4.1%	-5.1%	-3.8%	4.1%	1.3%	4.1%	6.5%	1.3%
% of total	0.3%	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	-318
Operating profit	667	1,195	1,201	789	348	751	1,245	819	451	1,261	1,357	763
YoY	-	-15.6%	-15.3%	20.3%	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%
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	1,468
YoY	177.0%	-13.0%	-9.3%	5.8%	-15.6%	-18.6%	7.7%	9.2%	6.2%	36.5%	5.4%	-7.6%
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%	5.3%
Leasing and Facility-related	-2	34	21	-14	-43	-22	-32	5	22	47	60	29
YoY	-	240.0%	16.7%	-	-	-	-	-	-	-	-	480.0%
Operating profit margin	-	4.3%	2.3%	-	-	-	-	-	2.8%	5.3%	6.9%	2.8%
Meal Catering	1	2	6	-6	-11	-22	-22	-10	-14	-9	-1	-19
YoY	-	-66.7%	-45.5%	-	-	-	-	-	-	-	-	90.0%
Operating profit margin	-	0.3%	1.0%	-	-	-	-	-	-	-	-	-3.3%
Other	-7	-5	2	-2	-2	-8	-4	-8	-8	-12	-10	-13
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	2.5%	-	-	-	-	-	-	-	-	-
Segment profit adjustments	-523	-520	-607	-643	-608	-567	-612	-755	-626	-635	-709	-701

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												
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	10,141
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%	-0.9%
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	7,773
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	2,368
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	9,640
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%	6.1%
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	97,765
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%	5.1%

Source: Shared Research based on company materials

Number of network members by region

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	120	240	360
Tohoku	32	655	687
Kanto and Koshinetsu	105	2,908	3,013
Tokai and Hokuriku	44	1,594	1,638
Kinki	52	1,547	1,599
Chugoku and Shikoku	22	963	985
Kyushu and Okinawa	75	1,399	1,474
Total	450	9,306	9,756

Source: Shared Research based on company data (as of March 31, 2024)

Full-year FY03/24 results (out May 10, 2024)

Overview

Full-year FY03/24 (April 2023–March 2024) earnings results

- Sales: JPY115.4bn (+5.3% YoY)
- Operating profit: JPY3.8bn (+21.2% YoY)
- Recurring profit: JPY3.8bn (+14.0% YoY)
- Net income attributable to owners of the parent: JPY1.9bn (+15.5% YoY)

Operating results and business conditions

Sales rose 5.3% 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 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, and multiple

respiratory infections were prevalent. 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 21.2% YoY, and EBITDA reached JPY7.0bn (+14.3% 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.

The rate of progress toward the company's full-year earnings forecast was 101.4% for sales, 109.5% for operating profit, 110.9% for recurring profit, and 112.7% for net income.

Segment results

Full-year FY03/24 results by segment were as follows.

Community Pharmacy Network

- Segment sales: JPY109.9bn (+5.3% YoY)
- Segment profit: JPY6.4bn (+9.3% 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 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 13 community pharmacies including five inside medical malls, and one drug store. As of end-March 2024, the company had 450 community pharmacies, one in-home care plan support center, and 9 cosmetics/drug stores.

Pharmaceuticals Network

The number of new network affiliates fell short of expectations in terms of net additions 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-March 2024, pharmaceutical network affiliates totaled 9,756 (+844 from end-FY03/23), comprising 450 directly operated pharmacies and 9,306 affiliates.

Manufacture and Market Pharmaceuticals

The company offered 103 products (48 ingredients) as of end-March 2024. While the company stopped accepting orders for some products due to the impact of shipment adjustments, the number of new partner pharmacies steadily grew, with the total number of partner pharmacies reaching 4,998 (+1,261 YoY) as of end-March 2024.

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 2024, the number of pharmacies using the service was 4,682 (+1,291 from end-FY03/23).

Leasing and Facility-related

- Segment sales: JPY3.6bn (+3.3% YoY)
- Segment profit: JPY158mn (versus a loss of JPY92mn in FY03/23)

Operating conditions of serviced elderly housing facilities

Segment sales grew 3.3% 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-March 2024, 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 83.0%), 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: JPY2.4bn (+3.1% YoY)
- Segment loss: JPY43mn (versus loss of JPY65mn in 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: JPY314mn (+3.3% YoY)
- Segment loss: JPY43mn (versus a loss of JPY22mn in FY03/23)

Company forecast for FY03/25

Recent performance and FY03/25 company forecast

(JPYmn)	FY03/23			FY03/24			FY03/25		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	53,340	56,211	109,551	56,461	58,900	115,361	59,500	62,500	122,000
YoY	2.2%	3.1%	2.7%	5.9%	4.8%	5.3%	5.4%	6.1%	5.8%
Cost of sales	31,024	32,606	63,630	31,024	36,412	67,436			
Gross profit	22,315	23,606	45,921	23,453	24,472	47,925			
Gross profit margin	41.8%	42.0%	41.9%	41.5%	41.5%	41.5%			
SG&A expenses	21,215	21,543	42,758	21,740	22,353	44,093			
SG&A ratio	39.8%	38.3%	39.0%	38.5%	38.0%	38.2%			
Operating profit	1,099	2,064	3,163	1,712	2,120	3,832	1,600	2,400	4,000
YoY	-41.0%	3.7%	-17.9%	55.8%	2.7%	21.2%	-6.5%	13.2%	4.4%
Operating profit margin	2.1%	3.7%	2.9%	3.0%	3.6%	3.3%	2.7%	3.8%	3.3%
Recurring profit	1,242	2,113	3,355	1,692	2,133	3,825	1,590	2,360	3,950
YoY	-44.4%	1.7%	-22.2%	36.2%	0.9%	14.0%	-6.0%	10.6%	3.3%
Recurring profit margin	2.3%	3.8%	3.1%	3.0%	3.6%	3.3%	2.7%	3.8%	3.2%
Net income	502	1,108	1,610	861	999	1,860	785	1,215	2,000
YoY	-64.9%	15.1%	-32.7%	71.5%	-9.8%	15.5%	-8.8%	21.6%	7.5%
Net margin	0.9%	2.0%	1.5%	1.5%	1.7%	1.6%	1.3%	1.9%	1.6%

Source: Shared Research based on company data

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

The company's full-year earnings forecast for FY03/25, announced on May 10, 2024, is as follows.

- Sales: JPY122.0bn (+5.8% YoY)
- EBITDA: JPY7.5bn (+6.5% YoY)
- Operating profit: JPY4.0bn (+4.4% YoY)
- Recurring profit: JPY4.0bn (+3.3% YoY)
- Net income attributable to owners of the parent: JPY2.0bn (+7.5% YoY)
- EPS: JPY68.43 (versus JPY61.89 in FY03/24)

Performance outlook

Following the revisions to the NHI drug prices and dispensing fees in April 2024, the company anticipates a sustained need within the pharmacy industry to streamline operations and stabilize management, as pharmacies aim to enhance interpersonal interactions while navigating a deteriorating business climate.

For the Community Pharmacy Network segment, the company has established specific business strategies for each area of operation. In the Community Pharmacy business, it will enhance interpersonal services at dispensing pharmacies and support the digitalization of healthcare, including promoting the use of Individual Number Cards as health insurance cards. In the Pharmaceuticals Network business, the company intends to expand its service offerings, acquire new network affiliates, and improve the efficiency of pharmaceutical distribution. In the Manufacture and Market Pharmaceuticals business, efforts will be concentrated on ensuring a stable supply and broadening the customer base. For the Digital Shift business, the focus

will be on increasing the adoption of the official LINE account "Tsunagaru (Connected) Pharmacy" and enhancing new services.

In April 2024, Medical System Network established a new subsidiary mainly engaged in pharmaceutical distribution, but expects costs to precede any profits in the short term.

Forecast by key segment

- ▶ Community Pharmacy Network segment: sales of JPY116.8bn (+6.3% YoY), segment profit of JPY6.4bn (+0.0% YoY). The company also set numerical targets for the three subdivisions that support the Community Pharmacy business:
 - 1) Pharmaceutical Network business: 10,756 network affiliates (+1,000 YoY)
 - 2) Manufacture and Market Pharmaceuticals business: 7,000 partner pharmacies (+2,002 YoY)
 - 3) Digital Shift business: 5,700 pharmacies adopting the company's service (+1,018 stores YoY) and 1.4mn registered users (+350,000 YoY).
- ▶ Other three segments (total for Leasing and Facility-related, Meal Catering, and home-visit nursing care): sales of JPY6.3bn (-0.5% YoY), segment profit of JPY228mn (+223.3%)
- ▶ Adjustments: -JPY1.1mn for sales, -JPY2.6bn for segment profit

Medical fee revision for FY2024

In the NHI drug price and dispensing fee revisions of April 2024, drug prices were reduced by 0.97% on average, while dispensing fees were increased by 0.16% and by another 0.28% as part of the government's measures to propel wage increases. To ease the impact on medical institutions and pharmacies, the implementation dates for these revisions have been staggered, with the drug price revision taking effect on April 1 and the medical fee revision taking effect on June 1.

The basic policy for the revision takes into account inflation, wage increases, management situations, the need for securing personnel, and the impact on patient and insurance burdens. Through the revision, the MHLW aims to address challenges surrounding healthcare by establishing a social security system for all generations; strengthening coordination between medical, nursing care, and disability welfare services; and responding to emerging infectious diseases.

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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

Website

<https://sharedresearch.jp>

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