

Quarterly trends and results

Cumulative (JPYmm)	FY03/23				FY03/24				FY03/25	FY03/25			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	% of Est.	1H Est.	% of Est.	FY Est.
Sales	26,299	53,340	81,878	109,551	27,656	56,461	86,175	115,361	29,419	49.4%	59,500	24.1%	122,000
YoY	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%	5.3%	6.4%		5.4%		5.8%
Gross profit	11,062	22,315	34,287	45,921	11,433	23,453	35,882	47,925	12,274				
YoY	3.0%	2.1%	2.5%	3.4%	3.4%	5.1%	4.7%	4.4%	7.4%				
Gross profit margin	42.1%	41.8%	41.9%	41.9%	41.3%	41.5%	41.6%	41.5%	41.7%				
SG&A expenses	10,713	21,215	31,942	42,758	10,981	21,740	32,813	44,093	11,806				
YoY	6.4%	6.1%	5.1%	5.4%	2.5%	2.5%	2.7%	3.1%	7.5%				
SG&A ratio	40.7%	39.8%	39.0%	39.0%	39.7%	38.5%	38.1%	38.2%	40.1%				
Operating profit	348	1,099	2,344	3,163	451	1,712	3,069	3,832	468	29.3%	1,600	11.7%	4,000
YoY	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%	3.8%		-6.5%		4.4%
Operating profit margin	1.3%	2.1%	2.9%	2.9%	1.6%	3.0%	3.6%	3.3%	1.6%		2.7%		3.3%
Recurring profit	392	1,242	2,499	3,355	410	1,692	3,044	3,825	468	29.4%	1,590	11.8%	3,950
YoY	-58.1%	-44.4%	-28.3%	-22.2%	4.6%	36.2%	21.8%	14.0%	14.1%		-6.0%		3.3%
Recurring profit margin	1.5%	2.3%	3.1%	3.1%	1.5%	3.0%	3.5%	3.3%	1.6%		2.7%		3.2%
Net income	91	502	1,195	1,610	148	861	1,693	1,860	170	21.7%	785	8.5%	2,000
YoY	-84.4%	-64.9%	-44.3%	-32.7%	62.6%	71.5%	41.7%	15.5%	14.9%		-8.8%		7.5%
Net margin	0.3%	0.9%	1.5%	1.5%	0.5%	1.5%	2.0%	1.6%	0.6%		1.3%		1.6%

Quarterly (JPYmm)	FY03/23				FY03/24				FY03/25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186	29,419
YoY	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%	6.4%
Gross profit	11,062	11,253	11,972	11,634	11,433	12,020	12,429	12,043	12,274
YoY	3.0%	1.2%	3.4%	5.9%	3.4%	6.8%	3.8%	3.5%	7.4%
Gross profit margin	42.1%	41.6%	42.0%	42.0%	41.3%	41.7%	41.8%	41.3%	41.7%
SG&A expenses	10,713	10,502	10,727	10,816	10,981	10,759	11,073	11,280	11,806
YoY	6.4%	5.8%	3.3%	6.1%	2.5%	2.4%	3.2%	4.3%	7.5%
SG&A ratio	40.7%	38.8%	37.6%	39.1%	39.7%	37.4%	37.3%	38.6%	40.1%
Operating profit	348	751	1,245	819	451	1,261	1,357	763	468
YoY	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%	3.8%
Operating profit margin	1.3%	2.8%	4.4%	3.0%	1.6%	4.4%	4.6%	2.6%	1.6%
Recurring profit	392	850	1,257	856	410	1,282	1,352	781	468
YoY	-58.1%	-34.6%	0.6%	3.4%	4.6%	50.8%	7.6%	-8.8%	14.1%
Recurring profit margin	1.5%	3.1%	4.4%	3.1%	1.5%	4.5%	4.6%	2.7%	1.6%
Net income	91	411	693	415	148	713	832	167	170
YoY	-84.4%	-51.5%	-2.8%	66.0%	62.6%	73.5%	20.1%	-59.8%	14.9%
Net margin	0.3%	1.5%	2.4%	1.5%	0.5%	2.5%	2.8%	0.6%	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

By segment (cumulative) (JPYmm)	FY03/23				FY03/24				FY03/25
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1
Sales	26,299	53,340	81,878	109,551	27,656	56,461	86,175	115,361	29,419
YoY	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%	5.3%	6.4%
Community Pharmacy Network	25,045	50,792	78,078	104,399	26,356	53,765	82,105	109,904	28,029
YoY	1.6%	2.3%	2.8%	2.9%	5.2%	5.9%	5.2%	5.3%	6.3%
% of total	94.5%	94.5%	94.7%	94.5%	94.7%	94.7%	94.7%	94.6%	94.6%
Leasing and Facility-related	794	1,673	2,448	3,494	800	1,687	2,560	3,611	942
YoY	7.4%	8.9%	-0.5%	5.1%	0.8%	0.8%	4.6%	3.3%	17.8%
% of total	3.0%	3.1%	3.0%	3.2%	2.9%	3.0%	3.0%	3.1%	3.2%
Meal Catering	573	1,135	1,701	2,289	590	1,189	1,781	2,360	586
YoY	-2.2%	-2.7%	-2.9%	-1.4%	3.0%	4.8%	4.7%	3.1%	-0.7%
% of total	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%
Other	77	151	228	304	78	155	237	314	85
YoY	4.1%	-0.7%	-1.7%	-0.3%	1.3%	2.6%	3.9%	3.3%	9.0%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-190	-412	-579	-937	-168	-336	-510	-828	-224
Operating profit	348	1,099	2,344	3,163	451	1,712	3,069	3,832	468
YoY	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%	3.8%
Community Pharmacy Network	1,014	2,384	4,299	5,887	1,077	2,947	4,965	6,433	1,061
YoY	-15.6%	-17.4%	-7.8%	-3.8%	6.2%	23.6%	15.5%	9.3%	-1.5%
Operating profit margin	4.0%	4.7%	5.5%	5.6%	4.1%	5.5%	6.0%	5.9%	3.8%
Leasing and Facility-related	-43	-65	-97	-92	22	69	129	158	56
YoY	-	-	-	-	-	-	-	-	154.5%
Operating profit margin	-	-	-	-	2.8%	4.1%	5.0%	4.4%	5.9%
Meal Catering	-11	-33	-55	-65	-14	-23	-24	-43	-2
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-1.8%	-
Other	-2	-10	-14	-22	-8	-20	-30	-43	-7
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-
Segment profit adjustments	-608	-1,175	-1,787	-2,542	-626	-1,261	-1,970	-2,671	-639

	FY03/23				FY03/24				FY03/25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186	29,419
YoY	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%	6.4%
Community Pharmacy Network	25,045	25,747	27,286	26,321	26,356	27,409	28,340	27,799	28,029
YoY	1.6%	3.0%	3.7%	3.3%	5.2%	6.5%	3.9%	5.6%	6.3%

% of total	94.5%	94.4%	95.1%	93.9%	94.7%	94.6%	94.8%	94.2%	94.6%
Leasing and Facility-related	794	879	775	1,046	800	887	873	1,051	942
YoY	7.4%	10.3%	-16.2%	20.9%	0.8%	0.9%	12.6%	0.5%	17.8%
% of total	3.0%	3.2%	2.7%	3.7%	2.9%	3.1%	2.9%	3.6%	3.2%
Meal Catering	573	562	566	588	590	599	592	579	586
YoY	-2.2%	-3.1%	-3.4%	3.2%	3.0%	6.6%	4.6%	-1.5%	-0.7%
% of total	2.2%	2.1%	2.0%	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%
Other	77	74	77	76	78	77	82	77	85
YoY	4.1%	-5.1%	-3.8%	4.1%	1.3%	4.1%	6.5%	1.3%	9.0%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-190	-222	-167	-358	-168	-168	-174	-318	-224
Operating profit	348	751	1,245	819	451	1,261	1,357	763	468
YoY	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%	3.8%
Community Pharmacy Network	1,014	1,370	1,915	1,588	1,077	1,870	2,018	1,468	1,061
YoY	-15.6%	-18.6%	-18.6%	7.7%	9.2%	36.5%	5.4%	-7.6%	-1.5%
Operating profit margin	4.0%	5.3%	7.0%	6.0%	4.1%	6.8%	7.1%	5.3%	3.8%
Leasing and Facility-related	-43	-22	-32	5	22	47	60	29	56
YoY	-	-	-	-	-	-	-	480.0%	-
Operating profit margin	-	-	-	-	2.8%	5.3%	6.9%	2.8%	5.9%
Meal Catering	-11	-22	-22	-10	-14	-9	-1	-19	-2
YoY	-	-	-	-	-	-	-	90.0%	-
Operating profit margin	-	-	-	-	-	-	-	-3.3%	-
Other	-2	-8	-4	-8	-8	-12	-10	-13	-7
YoY	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-
Segment profit adjustments	-608	-567	-612	-755	-626	-635	-709	-701	-639

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)

	FY03/22				FY03/23				FY03/24				FY03/25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Price per prescription	10,177	10,254	10,308	10,410	10,041	10,061	10,173	10,235	9,871	10,033	10,070	10,141	10,027
YoY	-6.9%	-4.0%	-3.0%	-2.3%	-1.3%	-1.9%	-1.3%	-1.7%	-1.7%	-0.3%	-1.0%	-0.9%	1.6%
Drug fee	7,742	7,819	7,882	7,984	7,620	7,634	7,733	7,789	7,526	7,687	7,709	7,773	7,640
Technical fee	2,435	2,435	2,426	2,426	2,421	2,427	2,440	2,446	2,345	2,346	2,361	2,368	2,387
Number of prescriptions filled('000)	2,185	4,367	6,625	8,746	2,230	4,517	6,828	9,088	2,379	4,777	7,266	9,640	2,481
YoY	11.3%	8.0%	6.6%	5.5%	2.1%	3.4%	3.1%	3.9%	6.7%	5.8%	6.4%	6.1%	4.3%
Dispensing fees	22,238	44,784	68,296	91,056	22,399	45,448	69,472	93,029	23,484	47,935	73,168	97,765	24,878
YoY	3.5%	3.7%	3.4%	3.1%	0.7%	1.5%	1.7%	2.2%	4.8%	5.5%	5.3%	5.1%	5.9%

Source: Shared Research based on company materials

Number of network members by region

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	123	247	370
Tohoku	31	707	738
Kanto and Koshinetsu	107	3,087	3,194
Tokai and Hokuriku	44	1,627	1,671
Kinki	52	1,621	1,673
Chugoku and Shikoku	22	973	995
Kyushu and Okinawa	72	1,465	1,537
Total	451	9,727	10,178

Source: Shared Research based on company data (as of June 30, 2024)

Q1 FY03/25 results (out August 7, 2024)

Overview

Q1 FY03/25 (April–June 2024) earnings results

- Sales: JPY29.4bn (+6.4% YoY)
- Operating profit: JPY468mn (+3.8% YoY)
- Recurring profit: JPY468mn (+14.1% YoY)
- Net income attributable to owners of the parent: JPY170mn (+14.9% YoY)

Operating results and business conditions

Sales rose 6.4% YoY. The number of prescriptions filled in the Community Pharmacy business within the Community Pharmacy Network segment increased. This growth in prescription volume was driven by new stores developed and acquired through M&A in FY03/24, the prevalence of multiple respiratory infections, and the utilization of digital technologies, including the use of the LINE instant messaging app for transmitting prescriptions. Additionally, enhanced patient follow-up during medication periods also contributed to the increase.

Operating profit rose 3.8% YoY, and EBITDA reached JPY1.3bn (+6.3% YoY). Operating profit tends to be low in Q1 due to NHI drug price revisions and seasonal factors.

The rate of progress toward the company's 1H earnings forecast was 49.4% for sales, 29.3% for operating profit, 29.4% for recurring profit, and 21.7% for net income. The rate of progress toward the company's full-year earnings forecast was 24.1% for sales, 11.7% for operating profit, 11.8% for recurring profit, and 8.5% for net income.

Segment results

Q1 FY03/25 results by segment were as follows.

Community Pharmacy Network

- Segment sales: JPY28.0bn (+6.3% YoY)
- Segment profit: JPY1.1bn (-1.5% 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 number of prescriptions filled increased in Q1, driven by new stores developed and acquired through M&A in FY03/24, the utilization of digital technologies such as the LINE instant messaging app for transmitting prescriptions, and enhanced patient follow-up during medication periods. During the period under review, the company opened six community pharmacies, acquired one store, and closed or transferred six stores. As of end-June 2024, the company operated 451 community pharmacies, one in-home care plan support center, and nine cosmetics/drug stores.

Pharmaceuticals Network

Service improvements supported the increase in the number of new network affiliates. As of end-June 2024, pharmaceutical network affiliates totaled 10,178 (+422 from end-FY03/24), comprising 451 directly operated pharmacies and 9,727 affiliates.

Manufacture and Market Pharmaceuticals

The company offered 113 products (49 ingredients) as of end-June 2024. The number of new partner pharmacies steadily grew, with the total number of partner pharmacies reaching 5,171 (+1,529 YoY) as of end-June 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. The number of new stores using the service steadily grew in response to increased demand to address the NHI drug price revision. As of end-June 2024, the number of pharmacies using the service was 5,217 (+535 from end-FY03/24).

Leasing and Facility-related

- Segment sales: JPY942mn (+17.8% YoY)
- Segment profit: JPY56mn (+154.5% YoY)

Operating conditions of serviced elderly housing facilities

Segment sales grew 17.8% YoY, driven by an increase in construction orders. The segment profit was attributed to the review of 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 82.3%), while for the remaining two, at Wisteria Senri-Chuo it reported an occupancy rate of 58.5% (with 48 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: JPY586mn (-0.7% YoY)
- Segment loss: JPY2mn (versus a loss of JPY14mn in Q1 FY03/24)

Lower sales but a narrowed operating loss

Sales decreased due to a decline in the number of users. However, a review of the contract unit price improved the gross profit margin, which in turn narrowed the operating loss.

Other (mostly home-visit nursing care)

- Segment sales: JPY85mn (+9.0% YoY)
- Segment loss: JPY7mn (versus a loss of JPY8mn in Q1 FY03/24)

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