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Quarterly trends and results

Cumulative (JPYmn)	FY03/23				FY03/24				FY03/25				FY03/25	
	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	26,299	53,340	81,878	109,551	27,656	56,461	86,175	115,361	29,419	59,761	91,891	122,387	100.3%	122,000
YoY	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%	5.3%	6.4%	5.8%	6.6%	6.1%		5.8%
Gross profit	11,062	22,315	34,287	45,921	11,433	23,453	35,882	47,925	12,274	24,664	38,178	50,736		
YoY	3.0%	2.1%	2.5%	3.4%	3.4%	5.1%	4.7%	4.4%	7.4%	5.2%	6.4%	5.9%		
Gross profit margin	42.1%	41.8%	41.9%	41.9%	41.3%	41.5%	41.6%	41.5%	41.7%	41.3%	41.5%	41.5%		
SG&A expenses	10,713	21,215	31,942	42,758	10,981	21,740	32,813	44,093	11,806	23,636	35,604	47,582		
YoY	6.4%	6.1%	5.1%	5.4%	2.5%	2.5%	2.7%	3.1%	7.5%	8.7%	8.5%	7.9%		
SG&A ratio	40.7%	39.8%	39.0%	39.0%	39.7%	38.5%	38.1%	38.2%	40.1%	39.6%	38.7%	38.9%		
Operating profit	348	1,099	2,344	3,163	451	1,712	3,069	3,832	468	1,027	2,573	3,154	105.1%	3,000
YoY	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%	3.8%	-40.0%	-16.2%	-17.7%		-21.7%
Operating profit margin	1.3%	2.1%	2.9%	2.9%	1.6%	3.0%	3.6%	3.3%	1.6%	1.7%	2.8%	2.6%		2.5%
Recurring profit	392	1,242	2,499	3,355	410	1,692	3,044	3,825	468	1,020	2,623	3,162	105.4%	3,000
YoY	-58.1%	-44.4%	-28.3%	-22.2%	4.6%	36.2%	21.8%	14.0%	14.1%	-39.7%	-13.8%	-17.3%		-21.6%
Recurring profit margin	1.5%	2.3%	3.1%	3.1%	1.5%	3.0%	3.5%	3.3%	1.6%	1.7%	2.9%	2.6%		2.5%
Net income	91	502	1,195	1,610	148	861	1,693	1,860	170	207	1,445	1,262	101.0%	1,250
YoY	-84.4%	-64.9%	-44.3%	-32.7%	62.6%	71.5%	41.7%	15.5%	14.9%	-76.0%	-14.6%	-32.2%		-32.8%
Net margin	0.3%	0.9%	1.5%	1.5%	0.5%	1.5%	2.0%	1.6%	0.6%	0.3%	1.6%	1.0%		1.0%
Quarterly (JPYmn)	FY03/23				FY03/24				FY03/25					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186	29,419	30,342	32,130	30,496		
YoY	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%	6.4%	5.3%	8.1%	4.5%		
Gross profit	11,062	11,253	11,972	11,634	11,433	12,020	12,429	12,043	12,274	12,390	13,514	12,558		
YoY	3.0%	1.2%	3.4%	5.9%	3.4%	6.8%	3.8%	3.5%	7.4%	3.1%	8.7%	4.3%		
Gross profit margin	42.1%	41.6%	42.0%	42.0%	41.3%	41.7%	41.8%	41.3%	41.7%	40.8%	42.1%	41.2%		
SG&A expenses	10,713	10,502	10,727	10,816	10,981	10,759	11,073	11,280	11,806	11,830	11,968	11,978		
YoY	6.4%	5.8%	3.3%	6.1%	2.5%	2.4%	3.2%	4.3%	7.5%	10.0%	8.1%	6.2%		
SG&A ratio	40.7%	38.8%	37.6%	39.1%	39.7%	37.4%	37.3%	38.6%	40.1%	39.0%	37.2%	39.3%		
Operating profit	348	751	1,245	819	451	1,261	1,357	763	468	559	1,546	581		
YoY	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%	3.8%	-56.7%	13.9%	-23.9%		
Operating profit margin	1.3%	2.8%	4.4%	3.0%	1.6%	4.4%	4.6%	2.6%	1.6%	1.8%	4.8%	1.9%		
Recurring profit	392	850	1,257	856	410	1,282	1,352	781	468	552	1,603	539		
YoY	-58.1%	-34.6%	0.6%	3.4%	4.6%	50.8%	7.6%	-8.8%	14.1%	-56.9%	18.6%	-31.0%		
Recurring profit margin	1.5%	3.1%	4.4%	3.1%	1.5%	4.5%	4.6%	2.7%	1.6%	1.8%	5.0%	1.8%		
Net income	91	411	693	415	148	713	832	167	170	37	1,238	-183		
YoY	-84.4%	-51.5%	-2.8%	66.0%	62.6%	73.5%	20.1%	-59.8%	14.9%	-94.8%	48.8%	-		
Net margin	0.3%	1.5%	2.4%	1.5%	0.5%	2.5%	2.8%	0.6%	0.6%	0.1%	3.9%	-		

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)	FY03/23				FY03/24				FY03/25			
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Sales	26,299	53,340	81,878	109,551	27,656	56,461	86,175	115,361	29,419	59,761	91,891	122,387
YoY	1.5%	2.2%	2.5%	2.7%	5.2%	5.9%	5.2%	5.3%	6.4%	5.8%	6.6%	6.1%
Community Pharmacy Network	25,045	50,792	78,078	104,399	26,356	53,765	82,105	109,904	28,029	57,074	87,815	116,968
YoY	1.6%	2.3%	2.8%	2.9%	5.2%	5.9%	5.2%	5.3%	6.3%	6.2%	7.0%	6.4%
% of total	94.5%	94.5%	94.7%	94.5%	94.7%	94.7%	94.7%	94.6%	94.6%	94.9%	95.0%	95.0%
Leasing and Facility-related	794	1,673	2,448	3,494	800	1,687	2,560	3,611	942	1,729	2,625	3,468
YoY	7.4%	8.9%	-0.5%	5.1%	0.8%	0.8%	4.6%	3.3%	17.8%	2.5%	2.5%	-4.0%
% of total	3.0%	3.1%	3.0%	3.2%	2.9%	3.0%	3.0%	3.1%	3.2%	2.9%	2.8%	2.8%
Meal Catering	573	1,135	1,701	2,289	590	1,189	1,781	2,360	586	1,177	1,768	2,359
YoY	-2.2%	-2.7%	-2.9%	-1.4%	3.0%	4.8%	4.7%	3.1%	-0.7%	-1.0%	-0.7%	0.0%
% of total	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%
Other	77	151	228	304	78	155	237	314	85	174	261	342
YoY	4.1%	-0.7%	-1.7%	-0.3%	1.3%	2.6%	3.9%	3.3%	9.0%	12.3%	10.1%	8.9%
% of total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Segment sales adjustments	-190	-412	-579	-937	-168	-336	-510	-828	-224	-394	-578	-751
Operating profit	348	1,099	2,344	3,163	451	1,712	3,069	3,832	468	1,027	2,573	3,154
YoY	-47.8%	-41.0%	-23.5%	-17.9%	29.6%	55.8%	30.9%	21.2%	3.8%	-40.0%	-16.2%	-17.7%
Community Pharmacy Network	1,014	2,384	4,299	5,887	1,077	2,947	4,965	6,433	1,061	2,241	4,420	5,626
YoY	-15.6%	-17.4%	-7.8%	-3.8%	6.2%	23.6%	15.5%	9.3%	-1.5%	-24.0%	-11.0%	-12.5%
Operating profit margin	4.0%	4.7%	5.5%	5.6%	4.1%	5.5%	6.0%	5.9%	3.8%	3.9%	5.0%	4.8%
Leasing and Facility-related	-43	-65	-97	-92	22	69	129	158	56	99	188	190
YoY	-	-	-	-	-	-	-	-	154.5%	43.5%	45.7%	20.3%
Operating profit margin	-	-	-	-	2.8%	4.1%	5.0%	4.4%	5.9%	5.7%	7.2%	5.5%
Meal Catering	-11	-33	-55	-65	-14	-23	-24	-43	-2	-7	1	10
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-	-	-	0.4%
Other	-2	-10	-14	-22	-8	-20	-30	-43	-7	-12	-17	-29

YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
	Operating profit margin												
	Segment profit adjustments	-608	-1,175	-1,787	-2,542	-626	-1,261	-1,970	-2,671	-639	-1,293	-2,019	-2,644
		FY03/23				FY03/24				FY03/25			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales		26,299	27,041	28,538	27,673	27,656	28,805	29,714	29,186	29,419	30,342	32,130	30,496
	YoY	1.5%	3.0%	3.0%	3.2%	5.2%	6.5%	4.1%	5.5%	6.4%	5.3%	8.1%	4.5%
	Community Pharmacy Network	25,045	25,747	27,286	26,321	26,356	27,409	28,340	27,799	28,029	29,045	30,741	29,153
	YoY	1.6%	3.0%	3.7%	3.3%	5.2%	6.5%	3.9%	5.6%	6.3%	6.0%	8.5%	4.9%
	% of total	94.5%	94.4%	95.1%	93.9%	94.7%	94.6%	94.8%	94.2%	94.6%	95.2%	95.1%	95.1%
	Leasing and Facility-related	794	879	775	1,046	800	887	873	1,051	942	787	896	843
	YoY	7.4%	10.3%	-16.2%	20.9%	0.8%	0.9%	12.6%	0.5%	17.8%	-11.3%	2.6%	-19.8%
	% of total	3.0%	3.2%	2.7%	3.7%	2.9%	3.1%	2.9%	3.6%	3.2%	2.6%	2.8%	2.7%
	Meal Catering	573	562	566	588	590	599	592	579	586	591	591	591
	YoY	-2.2%	-3.1%	-3.4%	3.2%	3.0%	6.6%	4.6%	-1.5%	-0.7%	-1.3%	-0.2%	2.1%
	% of total	2.2%	2.1%	2.0%	2.1%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.8%	1.9%
	Other	77	74	77	76	78	77	82	77	85	89	87	81
	YoY	4.1%	-5.1%	-3.8%	4.1%	1.3%	4.1%	6.5%	1.3%	9.0%	15.6%	6.1%	5.2%
	% 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	-190	-222	-167	-358	-168	-168	-174	-318	-224	-170	-184	-173
Operating profit		348	751	1,245	819	451	1,261	1,357	763	468	559	1,546	581
	YoY	-47.8%	-37.2%	3.7%	3.8%	29.6%	67.9%	9.0%	-6.8%	3.8%	-55.7%	13.9%	-23.9%
	Community Pharmacy Network	1,014	1,370	1,915	1,588	1,077	1,870	2,018	1,468	1,061	1,180	2,179	1,206
	YoY	-15.6%	-18.6%	7.7%	9.2%	6.2%	36.5%	5.4%	-7.6%	-1.5%	-36.9%	8.0%	-17.8%
	Operating profit margin	4.0%	5.3%	7.0%	6.0%	4.1%	6.8%	7.1%	5.3%	3.8%	4.1%	7.1%	4.1%
	Leasing and Facility-related	-43	-22	-32	5	22	47	60	29	56	43	89	2
	YoY	-	-	-	-	-	-	-	480.0%	154.5%	-8.5%	48.3%	-93.1%
	Operating profit margin	-	-	-	-	2.8%	5.3%	6.9%	2.8%	5.9%	5.5%	9.9%	0.2%
	Meal Catering	-11	-22	-22	-10	-14	-9	-1	-19	-2	-5	8	9
	YoY	-	-	-	-	-	-	-	-	-	-	-	-
	Operating profit margin	-	-	-	-	-	-	-	-	-	-	1.4%	1.5%
	Other	-2	-8	-4	-8	-8	-12	-10	-13	-7	-5	-5	-12
	YoY	-	-	-	-	-	-	-	-	-	-	-	-
	Operating profit margin	-	-	-	-	-	-	-	-	-	-	-	-
	Segment profit adjustments	-608	-567	-612	-755	-626	-635	-709	-701	-639	-654	-726	-625

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

Source: Shared Research based on company materials

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	122	240	362
Tohoku	34	783	817
Kanto and Koshinetsu	109	3,380	3,489
Tokai and Hokuriku	44	1,744	1,788
Kinki	54	1,744	1,798
Chugoku and Shikoku	21	1,029	1,050
Kyushu and Okinawa	73	1,626	1,699
Total	457	10,546	11,003

Full-year FY03/25 results (out May 7, 2025)

FY03/25 results (April 2024–March 2025)

Operating results and business conditions

The Japanese economy showed a gradual recovery, driven by improved employment and income. However, concerns persist over ongoing price increases, potential financial policy revisions in the US, and market fluctuation, creating uncertainty in economic conditions. Under the circumstance, sales increased by 6.1% YoY.

Operating profit declined by 17.7% YoY, EBITDA was JPY6.6bn (-6.1% YoY), recurring profit fell by 17.3% YoY, and net income attributable to owners of the parent declined by 32.2%, partly due to impairment losses. Profit declined YoY due to lower prescription volume at existing stores, higher drug procurement costs, and wage hikes in the Community Pharmacy Network business.

FY03/25 results were generally in line with the downwardly revised forecast announced in Q2 FY03/25.

Segment results

FY03/25 results by segment were as follows.

Community Pharmacy Network

- Segment sales: JPY117.0bn (+6.4% YoY)
- Segment profit: JPY5.6bn (-12.5% 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 segment. Digital Shift business that utilizes instant messaging app LINE was added to the segment from FY03/21.

Segment profit fell due to higher drug costs, wage hikes, and preparation expenses for the new Pharmaceutical Logistics business launched in FY03/25.

Community Pharmacy

Dispensing fees increased YoY, driven by new stores developed and acquired through M&A in FY03/24, digital technologies like the LINE official account “Tsunagaru Pharmacy” for prescription transmission, and patient follow-up during medication periods. The company opened 21 community pharmacies, acquired one store, and closed or transferred 15 stores. As of end-FY03/25, the company operated 457 community pharmacies, one in-home care plan support center, and eight drug stores.

Pharmaceuticals Network

Network affiliates increased, supported by improved service. As of end-FY03/25, pharmaceutical network affiliates totaled 11,003 (+1,247 YoY), comprising 457 directly operated pharmacies and 10,546 affiliates.

Manufacture and Market Pharmaceuticals

The company offered 120 products (52 ingredients) as of end-FY03/25. New partner pharmacies steadily increased, totaling 7,181 (+2,183 YoY) as of end-FY03/25.

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. Stores using the service steadily increased in response to rising demand to address the NHI drug price revision. As of end-FY03/25, 6,020 pharmacies used the service (+1,338 from end-FY03/25).

Leasing and Facility-related

- Segment sales: JPY3.5bn (-4.0% YoY)
- Segment profit: JPY190mn (+20.3% YoY)

Operating conditions of serviced elderly housing facilities

Segment sales declined 6.0% YoY, despite higher construction orders. Profit growth was attributed to a review of advertising expenses related to the Wisteria serviced residences for the elderly. As of end-FY03/25, overall occupancy across the four residences was 90.2%, with Wisteria Minami Ichijo at 79.3% (92 of 116 units).

Meal Catering

- Segment sales: JPY2.4bn (-0.0% YoY)
- Segment profit: JPY10mn (versus a loss of JPY43mn in FY03/24)

Lower sales but a return to profitability

Sales were flat due to the closure of unprofitable facilities in FY03/24. However, revised contract prices improved the gross margin and restored profitability.

Other (mostly home-visit nursing care)

- Segment sales: JPY342mn (+8.9% YoY)
- Segment loss: JPY29mn (versus a loss of JPY43mn in FY03/24)

Company forecast for FY03/26

Recent performance and FY03/26 company forecast

	FY03/24			FY03/25			FY03/26		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	56,461	58,900	115,361	59,761	62,626	122,387	61,000	64,500	125,500
YoY	5.9%	4.8%	5.3%	5.8%	6.3%	6.1%	2.1%	3.0%	2.5%
Cost of sales	31,024	36,412	67,436	35,097	36,554	71,651			
Gross profit	23,453	24,472	47,925	24,664	26,072	50,736			
Gross profit margin	41.5%	41.5%	41.5%	41.3%	41.6%	41.5%			
SG&A expenses	21,740	22,353	44,093	23,636	23,946	47,582			
SG&A ratio	38.5%	38.0%	38.2%	39.6%	38.2%	38.9%			
Operating profit	1,712	2,120	3,832	1,027	2,127	3,154	1,050	2,350	3,400
YoY	55.8%	2.7%	21.2%	-40.0%	0.3%	-17.7%	2.2%	10.5%	7.8%
Operating profit margin	3.0%	3.6%	3.3%	1.7%	3.4%	2.6%	1.7%	3.6%	2.7%
Recurring profit	1,692	2,133	3,825	1,020	2,142	3,162	900	2,300	3,200
YoY	36.2%	0.9%	14.0%	-39.7%	0.4%	-17.3%	-11.8%	7.4%	1.2%
Recurring profit margin	3.0%	3.6%	3.3%	1.7%	3.4%	2.6%	1.5%	3.6%	2.5%
Net income	861	999	1,860	207	1,055	1,262	230	1,070	1,300
YoY	71.5%	-9.8%	15.5%	-76.0%	5.6%	-32.2%	11.1%	1.4%	3.0%
Net margin	1.5%	1.7%	1.6%	0.3%	1.7%	1.0%	0.4%	1.7%	1.0%

Source: Shared Research based on company data

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

The full-year FY03/26 forecast, announced on May 9, 2025, is as follows:

- Sales: JPY125.5bn (+2.5% YoY)
- EBITDA: JPY6.9bn (+4.9% YoY)
- Operating profit: JPY3.4bn (+7.8% YoY)
- Recurring profit: JPY3.2bn (+1.2% YoY)
- Net income attributable to owners of the parent: JPY1.3bn (+3.0% YoY)
- Net income per share: JPY44.48 (JPY43.20 in FY03/24)

Performance outlook

Dispensing fees in Japan are typically lowered in biennial NHI drug price revisions. In response, the company is shifting from a merchandise-based approach to a patient-centered model to maintain profitability. The company sees the business environment for dispensing pharmacies worsening due to rising personnel costs and a pharmacist shortage.

For the Community Pharmacy Network segment, Medical System Network has established specific business strategies for each area of operation. In the Community Pharmacy business, it will enhance interpersonal services at dispensing pharmacies. In the Pharmaceuticals Network business, the company is enhancing service offerings, affiliate networks, and new service development. In the Manufacture and Market Pharmaceuticals business, it focuses on stable distribution and customer growth. In the Digital Shift business, the company is promoting the LINE account 'Tsunagaru (Connected) Pharmacy' and enhancing new services.

Forecast by key segment

- ▶ Community Pharmacy Network segment: sales of JPY120.1bn (+2.7% YoY), segment profit of JPY6.0bn (+6.2% YoY).

In the Community Pharmacy business, the company aims to support healthcare digitalization, enhance interpersonal services via 'Tsunagaru (Connected) Pharmacy', and increase prescriptions filled.

Numerical targets in the Community Pharmacy business:

- 1) Pharmaceutical Network business: 12,000 network affiliates (+997 YoY)
 - 2) Manufacture and Market Pharmaceuticals business: 9,000 partner pharmacies (+1,819 YoY)
 - 3) Digital Shift business: 6,850 pharmacies adopting the company's service (+830 stores YoY) and 3,700 stores in annual pharmaceutical distribution (+2,128 YoY)
- ▶ Other three segments (total for Leasing and Facility-related, Meal Catering, and Home-visit Nursing Care): sales of JPY6.2bn (+0.9% YoY), segment profit of JPY217mn (+27.0% YoY).
 - ▶ Adjustments: JPY826mn for sales, JPY2.8bn for segment profit.

Establishing a long-term vision

The sixth medium-term plan ends in FY03/26, but the company anticipates difficulty achieving its targets due to a tough business environment.

The company is drafting a new long-term vision to support corporate value and sustainable growth, to be disclosed around fall 2025.

About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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