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Kusurinomadoguchi, Inc.

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(TSE Growth:5592)

Transcript of Financial Results Briefing for the Third Quarter of Fiscal Year Ending March 31, 2025

1. Notes on Transcript

This transcript, including earnings forecasts, has been prepared based on the accuracy of the information available to the Company at the time of publication and certain assumptions that the Company deems reasonable, and actual results may differ due to various risks and uncertainties, such as changes in economic conditions, changes in customer needs, and changes in laws and regulations, and we do not promise to achieve them.

This documentation has been prepared in the Japanese with the English translation. In the event that there arise any doubts or controversies between Japanese and English expression, the Japanese version shall prevail.

2. Definition

Shot Sales : Sales earned as initial cost income when various services are introduced

Gross “Shot” Profit : "Shot Sales" minus costs related to such sales

Stock Sales : Defined as sales that can be earned continuously in the future based on a monthly subscription fee or contract

Gross “Stock” Profit : “Stock Sales” minus the cost of maintaining and providing the service.

3. Transcript of Financial Results Briefing for the Third Quarter of Fiscal Year Ending March 31, 2025

I am Kouji Tsutsumi of Kusurinomadoguchi, Inc.

I would like to begin the financial results briefing for the third quarter of the fiscal year ending March 31, 2025.

First, here is an overview of the consolidated financial statements.

Due to the progress of digital transformation in the dispensing pharmacy sector, the media business and core system business are maintaining strong performance in terms of consolidated sales and consolidated operating profit.

Consolidated sales amounted to 8.42 billion yen, a 35% increase compared to the previous period, while consolidated operating profit reached 1.55 billion yen, a 41% increase.

For each business, considering that we are a single segment company, we aim to grow in Stock Sales and Gross “Stock” Profit rather than operating profit.

Regarding the media business, the acquisition of the Rich Plan and Pharmacy Support Plan has continued to perform well since the first quarter, and in the third quarter, the increase in the number of online reservations for prescription drug pick-up and unit price also contributed to the performance.

As I mentioned in the financial results briefing for the first quarter regarding the Everyone's Medicine Box business, due to adjustments with pharmaceutical wholesalers, acquisitions of new clients have decreased, resulting in a decline in sales revenue.

However, in the third quarter, we are engaged in activities aimed at normalizing transactions with pharmaceutical wholesalers through a business partnership with our new partner, E-BOND Holdings.

Regarding the core system business, in the third quarter, the subsidiary MOINET SYSTEM, CO. has made progress in acquiring subsidy-eligible functions for existing customers, resulting in a significant increase in sales. Additionally, new acquisitions for new customers are also steadily increasing, and gross stock profit is on the rise.

Next, we will look at the quarterly sales trends. Compared to the previous period, both shot sales and stock sales have significantly increased.

Additionally, on a quarter-over-quarter basis, there was an impact from the inability to acquire new sales in the procurement support service, but due to the continued strong performance of the media business and the core system business, both shot sales and stock sales increased, setting new records.

Next is the consolidated gross stock profit.

Regarding consolidated gross stock profit, in the fourth quarter of FY2023, gross stock profit significantly increased due to the addition of three new companies to our group. On the other hand, in the second quarter of FY2024, there was a decrease in profit compared to the previous quarter due to adjustments in procurement support service for the Everyone's Medicine Box business.

In the third quarter, there was a significant increase in profits due to the strong performance of the media business and the core system business.

Next is the consolidated operating profit. The operating profit has also increased due to the continued strong performance of the media business and the core system business.

Next are the consolidated selling, general and administrative expenses and the number of employees.

In the third quarter, the selling, general and administrative expenses were maintained at the same cost level as in the first quarter, as the business operated with cost awareness even amid strong performance.

Regarding the number of employees, the streamlining of the acquired business and existing operations is progressing smoothly, showing a decreasing trend. We will continue to further streamline and enhance productivity.

This is the consolidated income statement. Due to the absorption merger of our 100% subsidiary in the third quarter, we inherited the carried forward deficit of the relevant subsidiary, resulting in a corporate tax adjustment of -540 million yen, and the net income attributable to owners of parent company was 1.562 billion yen.

Next, here is the quarterly consolidated income statement. It is as stated.

Next is the balance sheet, which is as stated here. Due to the elimination of the need for temporary borrowing to meet the funding requirements associated with payment processing for pharmaceutical wholesalers in procurement support service, cash and cash equivalents have decreased, and current liabilities have also significantly decreased compared to the previous period.

From now on, I will explain each business. First, the media business.

This business model generates significant revenue from the commission fees for online reservation for prescription drug pick-up through EPARK Kusurinomadoguchi, one of the largest portal sites for dispensing pharmacies in Japan, and EPARK Medication Notebook App, which is also one of the largest medication notebooks in Japan.

Additionally, the monthly fees for the top-ranking search results plan named “Rich Plan”, and the monthly fees for plans named Pharmacy Support that encourage repeat patient visits are included in Stock Sales.

Additionally, regarding shot sales, the initial introduction costs of the rich plan and pharmacy support are the main sources of revenue.

This is the net sales from the media business. Continuing from the first quarter, upsells such as Rich Plan and Pharmacy Support are performing well, and shot sales is maintaining a high level.

Additionally, we have released new services such as the AI stock feature explained previously, and we expect further improvements.

Regarding stock sales, in this third quarter, there were factors such as an increase in the number of online reservation for prescription drug pick-up and unit prices, leading to a favorable trend.

Next is the stock gross profit.

Regarding stock gross profit, there was a significant increase compared to the previous period and the previous quarter due to the strong performance of the rich plan, pharmacy support, and online reservation for prescription drug pick-up.

This is the KPI for the media business.

The number of online reservations for prescription drug pick-up increased by 316,000 compared to the previous period.

The number of downloads for the EPARK Medication Notebook App has reached 5.81 million, surpassing the milestone of 5.5 million. It is now at a level where surpassing 6 million downloads within this fiscal year is also in sight.

In addition, the number of contracted facilities is steadily increasing, reaching 22,285 stores.

Although we are the largest in Japan, our share of online reservations for prescription drug pick-up is still low, and we plan to implement various measures to expand it further in the future.

This is a topic in the media business.

Recently, rising personnel costs due to pharmacist salary increases and a shortage of pharmacists in rural areas have become issues, leading to the existence of pharmacies with a single pharmacist.

In addition, the duties of pharmacists, such as medication history documentation, home care, and medication follow-up, which should be prioritized, have been increasing year by year. In such an environment, we developed a system to automate basic reception tasks in pharmacies using AI, which was released in the third quarter.

Basic reception duties include handling prescription forms, collecting medication notebook, issuing reception tickets, and calling for completed prescriptions. By implementing these, the burden on pharmacists can be reduced and operational efficiency can be improved.

Next, I would like to talk about the AI stock we discussed last time. Due to the recent shortage of pharmaceutical supplies, pharmacies have been facing a shortage of medications, resulting in approximately 20,000 to 30,000 cancellations of our online reservations for prescription drug pick-up each month. We are promoting the introduction of AI stock as a solution to this issue.

As a benefit of the introduction, the first point is that if the store where the patient has made an online reservations for prescription drug pick-up does not have the medication in stock, it is possible to immediately check the inventory status of that group of stores and guide them to a store that has the medication in stock.

In the second case, if a patient has submitted a prescription online at another pharmacy but there is no stock available, the patient will receive a cancellation notice. If there is a store within the business area that can prepare the medication, it will be displayed on the map as a "available" pharmacy through the notification link, allowing the pharmacy to approach the patient.

In the case where patients themselves search for medication stock and submit prescriptions online, if there is stock available, the pharmacy will be displayed as "available" on the app's map.

Thus, based on cancellation data and drug inventory data, we can approach canceled reservations within the business area, leading to steady acquisition, and it has been adopted by major drugstores with effective results.

Next, regarding the business partnership with Fast Doctor.

At the end of last month, we concluded a business partnership agreement with Fast Doctor regarding online medical consultations and prescription reservations. Fast Doctor provides a platform that serves as a gateway for users of one of the largest emergency house call and online medical consultation services in the country.

We provide a service that allows patients who have received online consultations using the platform offered by Fast Doctor to send their online prescriptions to our prescription network reception stores, thereby completing the entire process from consultation to prescription online.

We believe that this will lead to an increase in users of the prescription network reception for our company, as well as an improvement in the recognition of " EPARK Kusurinomadoguchi."

Next is the Everyone's Medicine Box Business.

This business model primarily generates revenue by supporting the procurement process for medical institutions, receiving a portion of the price as a commission, and by utilizing an AI-based inventory management system and e-order monthly usage fees, which are typically introduced simultaneously.

Next, we match pharmacies that want to sell leftover medication that has not been dispensed with pharmacies that want to buy pharmaceuticals at a lower price online, and the commission from B2B marketplace of inactive medication inventory is also part of the stock sales revenue.

Additionally, regarding shot sales, the initial setup costs when introducing e-orders are the main source of revenue.

Next are the sales figures for the Everyone's Medicine Box Business.

For the third quarter stock sales, compared to the previous period, sales from e-orders and B2B marketplace of inactive medication inventory have improved and increased.

Regarding procurement support services, adjustments with the pharmaceutical wholesalers were scheduled to be completed in the third quarter, but they have been somewhat delayed, and it is expected that all adjustments will be completed and return to normal in the fourth quarter.

From the next term onwards, the number of acquisitions is expected to increase, and performance is projected to improve.

Next is the gross stock profit from Everyone's Medicine Box Business.

As for the trend of gross stock profit, once the adjustments with the pharmaceutical wholesalers are completed, the future gross stock profit is expected to increase.

This is the KPI for Everyone's Medicine Box Business.

Regarding GMV, it represents a decrease of 3.9 billion yen compared to the previous period.

The number of contracted facilities increased by 2,687.

Next is the audit system "e-Order App KPICK" for preventing dispensing errors.

"E-order app K-PICK" allows for medication audits by installing the app on smartphones and tablets, and due to its low cost and minimal space requirements, the number of dispensing pharmacies adopting it has been increasing steadily

since its release.

Now, shifting to the core system business.

We equip lineups of key systems such as Receipt computer for dispensing pharmacies, electronic drug history system, Dispensing inspection system, Electronic Care Records for Nursing Home/Facility, Bed Sensors, Billing Systems for hospitals and clinics, ICT solutions for hospitals, Electronic medical records for hospitals and clinics and AI Phone Reception.

The business model is in the form of receiving a monthly fee for the use of the software, which is Stock Sales.

The necessary costs when initially replacing the computers contribute to Shot Sales.

This is the revenue from the core system business.

The quarterly revenue from the core system shows that in the third quarter, as in the second quarter, the upselling of subsidy-eligible functions from MOINET SYSTEM, CO. continued to perform well, and the shot sales maintained a high level.

In addition, the sales of High Bridge, Co.Ltd., which we acquired in the previous fiscal year, have been increasing since the second quarter, and we are expecting acquisitions of new clients in the future.

This is the gross stock profit from the core system business.

Regarding gross stock profit, it decreased because some software assets were recorded as cost of goods sold.

Key Performance Indicators for the core system.

The number of the core systems owned increased by 3,300 compared to the previous fiscal year.

As various initiatives begin in the future, we aim to quickly surpass 10,000 facilities.

This is a topic about the core system.

Since the first quarter, the medication follow-up link with the E-PARK Medication notebook App has been strong, and the number of new contracted facilities is expanding.

Here are topics on new businesses.

As part of our pre-symptomatic disease prevention business, we currently have contracts with about 43 health insurance associations.

The number of members is steadily increasing, and accordingly, the number of specific health guidance implementations is also on the rise.

Regarding the clinical trial business, we are currently partnered with five companies as of the end of February, and we will continue to increase this number in the future.

This is the outlook for the fiscal year ending March 2025.

On February 14, 2025, we revised our performance forecast for the second time this term. The quarterly net income attributable to owners of parent company for the third quarter has significantly exceeded expectations, and we have made adjustments as stated. Additionally, we have revised the year-end dividend upwards from 15.40 yen to 22.63 yen.

Here is the medium-term management plan.

Our company prioritizes maximizing stable Stock Sales that continue to increase rather than Shot Sales.

The plan aims to achieve Stock Sales of 20 billion yen and an operating profit of 5 billion yen by March 2030.

In addition, we aim to have 100,000 facilities in our customer base by 2030. We plan to continue to actively engage in M&A in the future.

Our mission is to provide new value to the healthcare sector and contribute to the resolution of social issues through our business.

We would appreciate your continued support.

This concludes my explanation.

Thank you very much.