



MEDICAL
SYSTEM
NETWORK
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

Fiscal Year Ending March 2022

Earnings Report and
Sixth Medium-Term
Management Plan

Prim Market of Tokyo Stock Exchange ; Securities Code: 4350

About contents covered

- * The contents of this report pertaining future earnings described are based on information the company has held, and on certain assumptions supervising rational judgement, and are not what the company promises to achieve. There are numerous factors that may cause actual earnings to differ. Caution is given to the accuracy of information, and we do not take responsibility for loss etc., as a result of misinformed information.
- * Furthermore, this report is not prepared for the purposes of investment solicitation. Readers are responsible for their own judgement in any decision regarding investments.

Please see the following link for our English information.

<https://www.msnw.co.jp/eng/>



- April 2021 drug price revision details were announced
- Profits at all levels achieved record highs
- Although the prescription unit price of community pharmacies fell, the number of prescriptions recovered to a certain extent and as a result, sales and profits increased.
 - ✓As of March 31, 2022 : 7,401 pharmaceutical network member affiliates +1,285 YoY
 - ✓Unit price of prescriptions at existing pharmacies (1.5%) YoY
 - ✓Number of prescriptions at existing pharmacies +3.2% YoY
- As of the end of March 2021, PharmaShift LINE official- account registered users exceeded 310K and 911 pharmacies have adopted the service (We received a total of 1,643 orders for initiating the service)
- Meal Catering Segment became profitable for FY3/2022
- In July 2021, the merger of our consolidated subsidiary Himawari Nursing Station Co., Ltd resulted in some tax relief for FY3/2022
- As of April 4, 2022 officially shifted to the "Prime Market" segment of the Tokyo Stock Exchange as part of the overall market restructuring

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Earnings Highlight

FY3/2022 : Consolidated results

(Unit: million yen)	FY3/2021 (result)	FY3/2022 ^{*1} (revised forecast)	FY3/2022 (result)	Year-on-year		Progress rate ^{*1}	
				Change	Change (%)	Difference	Difference (%)
Net sales	104,257	106,500	106,685	+ 2,427	+ 2.3%	+ 185	100.2%
EBITDA ^{*2}	6,426	6,800	6,708	+ 282	+ 4.4%	(91)	98.7%
Profit margin	6.2%	6.4%	6.3%				
Operating profit	3,429	3,800	3,852	+ 422	+ 12.3%	+ 52	101.4%
Profit margin	3.3%	3.6%	3.6%				
Ordinary profit	3,479	4,200	4,313 ^{*3}	+ 833	+ 24.0%	+ 113	102.7%
Profit margin	3.3%	3.9%	4.0%				
Profit attributable to owners of parent	2,198	2,300	2,394 ^{*4}	+ 195	+ 8.9%	+ 94	104.1%
Profit margin	2.1%	2.2%	2.2%				
Earnings per share (Yen)	72.51	76.23	79.35	+ 6.84	—	+ 3.12	—

*1 Announced revision of consolidated earnings forecast on February 4, 2022

*2 EBITDA is the calculated value of “operating profit + depreciation + amortization of goodwill”

*3 Includes 421 million yen in subsidy income for countermeasures against COVID-19

*4 Includes gain on sales of investment securities and tax effect of absorption-type merger of Himawari Nursing Station Co., Ltd totaling 272 million yen

■ Summary of Business Results by Segment

Segment		Earnings summary
Community Pharmacy Network Segment	Pharmaceutical Network Business	<ul style="list-style-type: none"> Acquisition of new affiliates remained steady → Exceeded the target of 7,300 affiliates, reaching 7,401 by the end of March 2022 +1,285 YoY
	Community Pharmacy Business	<ul style="list-style-type: none"> Impact of COVID-19 → NHI price revision and decrease in long-term prescriptions. Unit price of prescriptions at existing stores: (1.5%) YoY → Number of prescriptions filled recovered to a certain degree. Number of prescriptions filled at existing pharmacies : +3.2% YoY
	Manufacture and Market Pharmaceuticals Business	<ul style="list-style-type: none"> Number of ingredients/products handled: 68 products of 34 ingredients (end of March 2021) → 82 products of 41 ingredients (end of March 2022) Number of locations carrying the products : 1,116 (end of March 2021) → 1,698 (end of March 2022)
	Digital Shift Business	<ul style="list-style-type: none"> Official LINE account "Tsunagaru(Connected) Pharmacy" → We have installed 911 pharmacies (end of March 2022) → Number of registered users exceeded 310,000 (end of March 2022)
Leasing and Facility related Segment		<ul style="list-style-type: none"> Real estate rental income remained steady, while construction business saw an increase in orders received Serviced elderly-care housing saw sluggish occupancy growth due to the impact of COVID-19
Meal Catering Segment		<ul style="list-style-type: none"> Gross profit improved due to changes in suppliers → Operating profit: 1 million yen (vs operating loss of 21 million yen in the previous FY)
Home Visit Nursing Segment		<ul style="list-style-type: none"> Increase in sales and reduction in operating loss → Operating loss: 12 million yen (vs operating loss of 31 million yen in the previous FY)

FY3/2022 : Results in each segment part 2

■ Net sales

(Unit: million yen)

	FY3/2021 (result)	FY3/2022 (revised ^{*1} forecast)	FY3/2022 (result)	Year-on-year		Progress rate ^{*1}	
				Change	Change(%)	Difference	Difference(%)
Net sales	104,257	106,500	106,685	+2,427	+ 2.3%	+ 185	100.2%
Community Pharmacy Network Segment ^{*2}	99,214	101,119	101,457	+2,243	+ 2.3%	+ 337	100.3%
Other 3 Segments ^{*3}	5,644	6,087	5,954	+309	+ 5.5%	(132)	97.8%
Adjustments	(601)	(707)	(727)	(126)	—	(20)	—

■ Operating profit

(Unit: million yen)
Profit margin in brackets

	FY3/2021 (result)	FY3/2022 (revised ^{*1} forecast)	FY3/2022 (result)	Year-on-year		Progress rate ^{*1}	
				Change	Change(%)	Difference	Difference(%)
Segment profit	3,429 3.3%	3,800 3.6%	3,852 3.6%	+ 422 + 0.3pt	+ 12.3%	+52 + 0.0pt	101.4%
Community Pharmacy Network Segment ^{*2}	5,703 5.7%	6,070 6.0%	6,117 6.0%	+ 413 + 0.3pt	+ 7.3%	+46 + 0.0pt	100.8%
Other 3 Segments ^{*3}	(20) —	67 1.1%	28 0.5%	+ 49 —	—	(38) —	—
Adjustments	(2,253) —	(2,338) —	(2,293) —	(40) —	—	+44 —	—

*1 Announced revision of consolidated earnings forecast on February 4, 2022

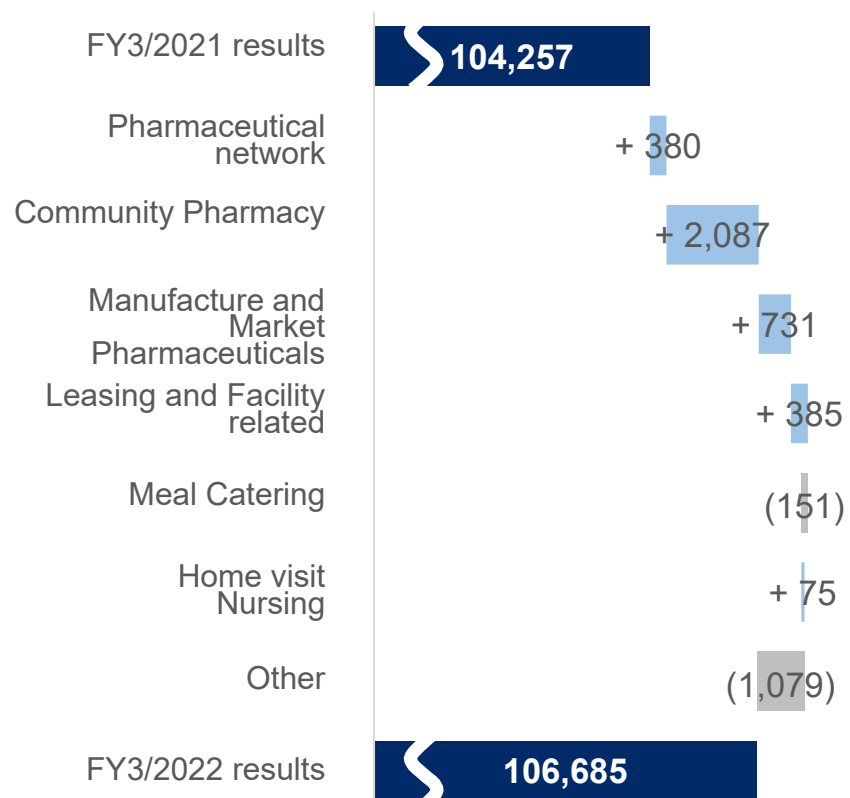
*2 Pharmaceutical Network Business, Community Pharmacy Business, Manufacture and Market Pharmaceuticals Business, Digital Shift Business

*3 Leasing and Facility related Segment, Meal Catering Segment, Home Visit Nursing Segment

FY3/2022 : Comparison to previous FY

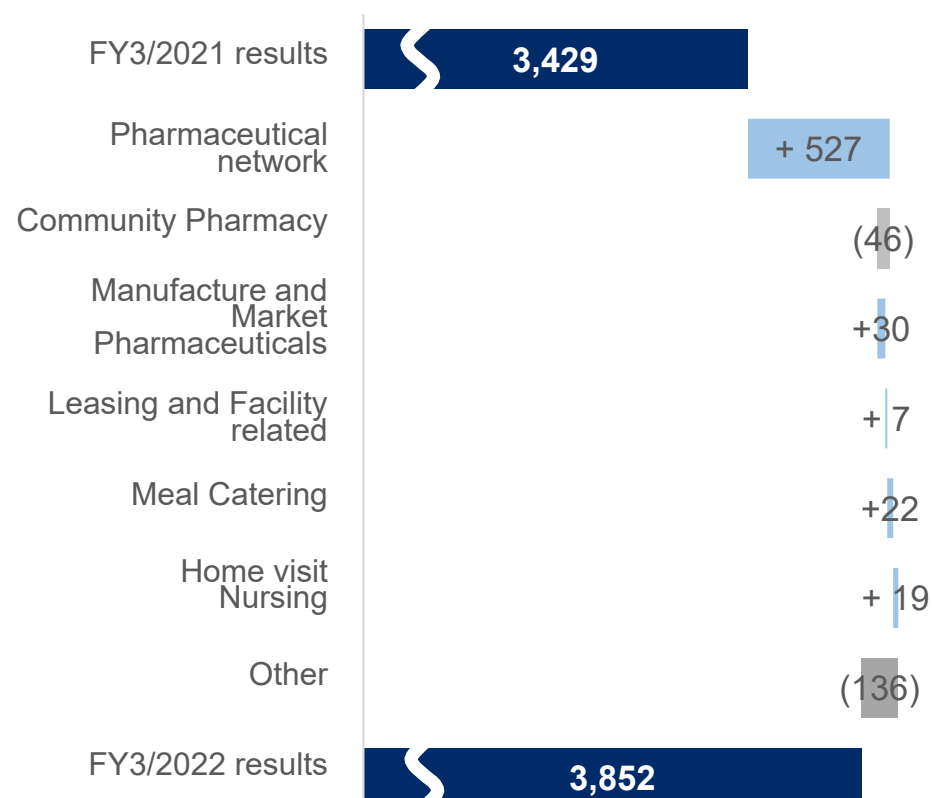
■ Net sales

(Unit: million yen)



■ Operating profit

(Unit: million yen)



FY3/2022 : Consolidated balance sheet

■ End of FY3/2021

(Unit: million yen)

Assets	64,448	Liabilities	53,260
Current assets	19,313	Current liabilities	25,418
Cash and deposits	10,118	Short-term loans ^{*1}	9,961
		Fixed liabilities	27,841
Fixed assets	45,134	Long-term loans	21,556
Tangible fixed assets	24,634	Net assets	11,187
Intangible fixed assets	13,572	Capital stock	2,128
Goodwill	13,145	Capital surplus	1,182
Investments and other assets	6,926	Retained earnings	8,305
		Treasury stock	(344)
Total assets	64,448	Total liabilities and net assets	64,448

Equity ratio

17.3%

(Equity ratio with taking into account net cash^{*2} 20.5%)

*1 Includes long-term loans that will be repaid within the year

*2 Own capital / (Total assets – Cash and deposits)

■ End of FY3/2022

(Unit: million yen)

Assets	62,941	Liabilities	49,654
Current assets	18,701	Current liabilities	20,435
Cash and deposits	8,201	Short-term loans ^{*1}	5,772
		Fixed liabilities	29,219
Fixed assets	44,239	Long-term loans	22,891
Tangible fixed assets	24,624	Net assets	13,286
Intangible fixed assets	12,767	Capital stock	2,128
Goodwill	12,254	Capital surplus	1,182
Investments and other assets	6,848	Retained earnings	10,393
		Treasury stock	(326)
Total assets	62,941	Total liabilities and net assets	62,941

Equity ratio

21.1%

(Equity ratio with taking into account net cash^{*2} 24.2%)

FY3/2022 : Consolidated cash flows

Cash flows from
operating activities

4,010
million yen

EBITDA*

6,708 million yen

Income taxes paid

(2,866) million yen

Changes in working capital

(220) million yen

* Calculated by "operating profit + depreciation + amortization of goodwill"

Cash flows from
investing activities

(2,511)
million yen

Acquisition of buildings, etc.

(2,095) million yen

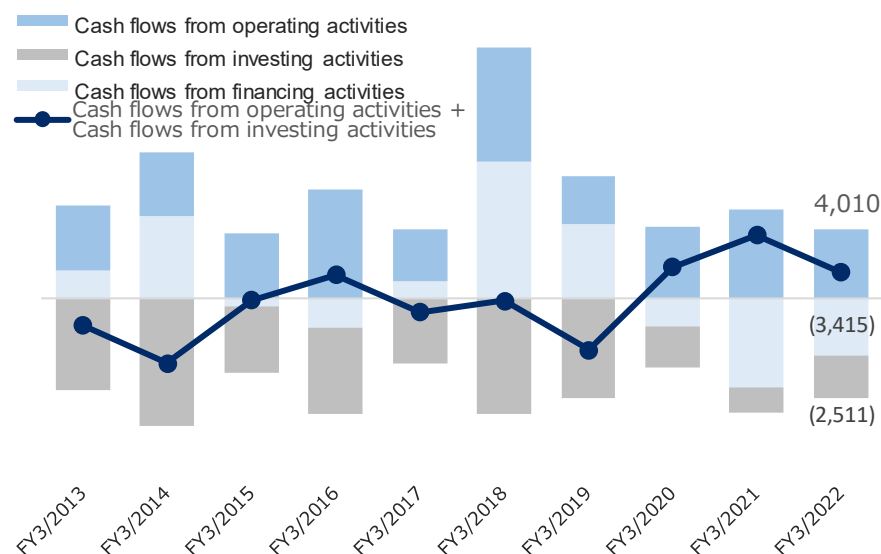
Cash flows from
financing activities

(3,415)
million yen

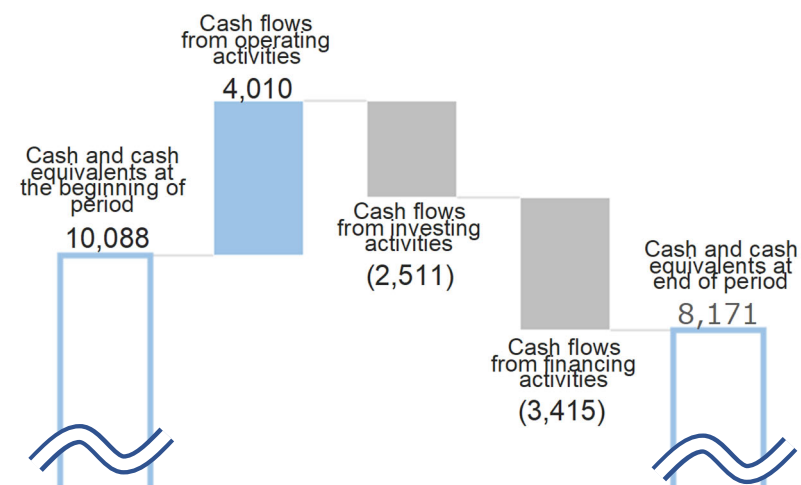
Loan amount reduced

(2,869) million yen

■ Cash flow trends (Unit: million yen)



■ FY3/2022 (Unit: million yen)





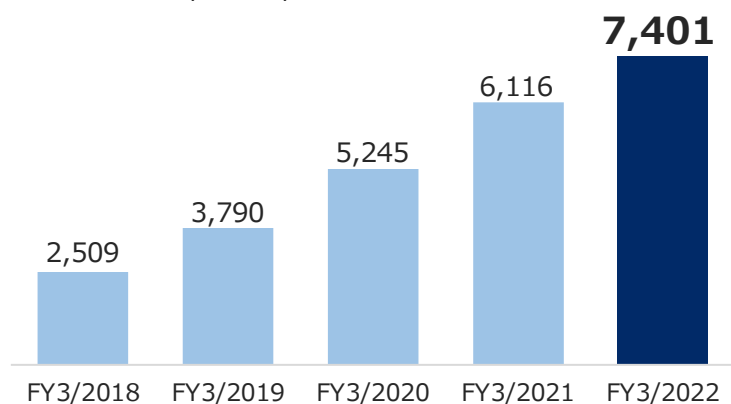
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Business Summary

Pharmaceuticals Network Business: Earnings summary

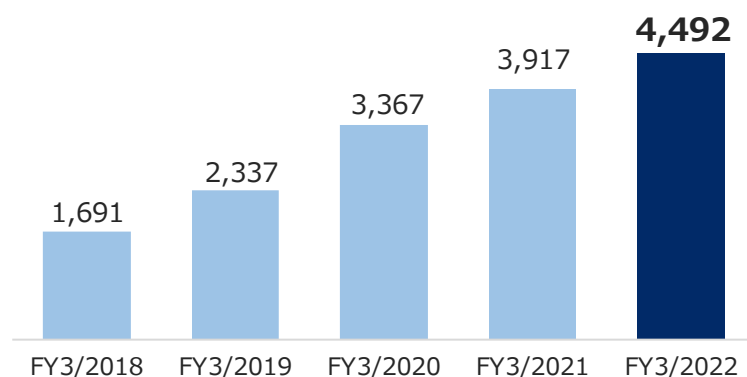
Network affiliates remained steady, up 1,285 from the end of the previous FY to 7,401

■ Network affiliates (actual) (Unit: No. of network affiliates)



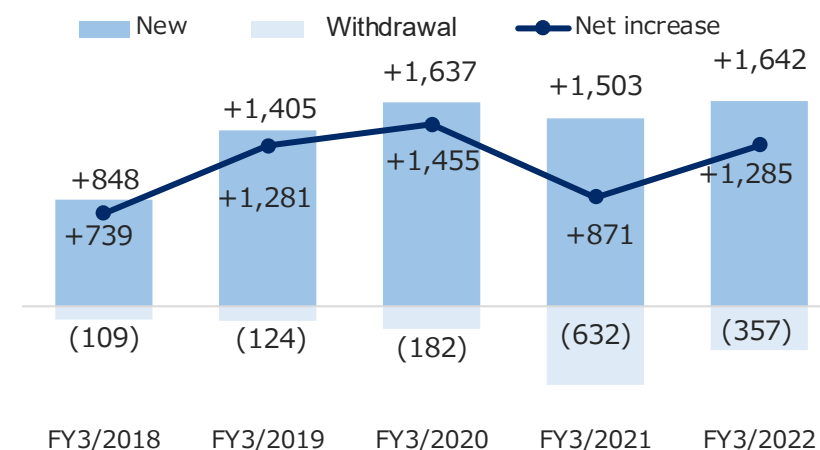
■ Ordering volume of pharmaceuticals

(Unit: one hundred million yen)



■ Network affiliates (New/Withdrawal/Net increase)

(Unit: No. of network affiliates)



■ FY3/2022 Breakdown of network affiliates (New/Withdrawal)

	1Q	2Q	3Q	4Q	Total
New	405	395	379	463	1,642
Withdrawal	(154)	(62)	(76)	(65)	(357)

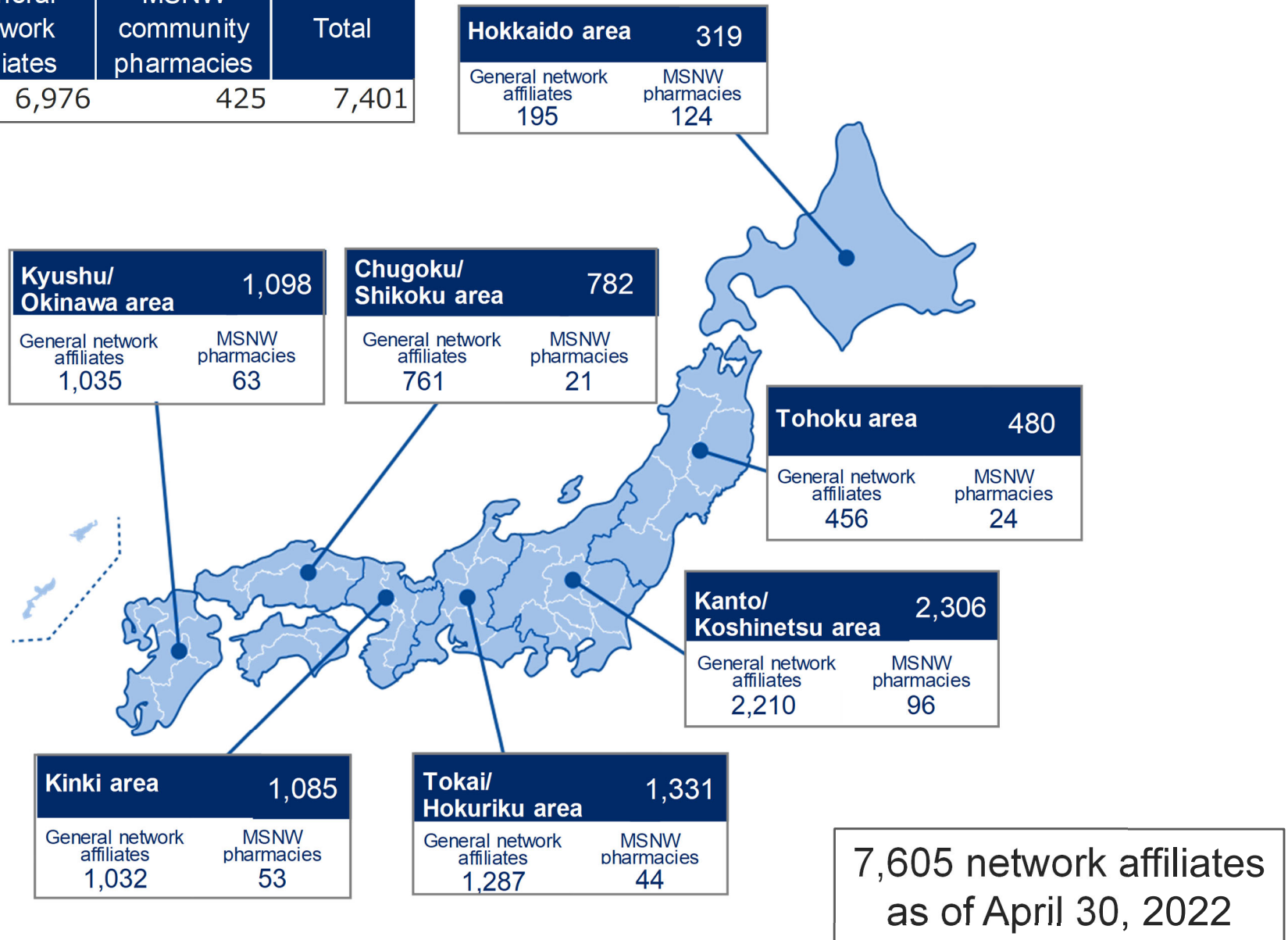
(as of March 31, 2022)

Pharmaceuticals Network Business :

Network affiliates distribution map (as of March 31, 2022)

(Unit: No. of network affiliates)

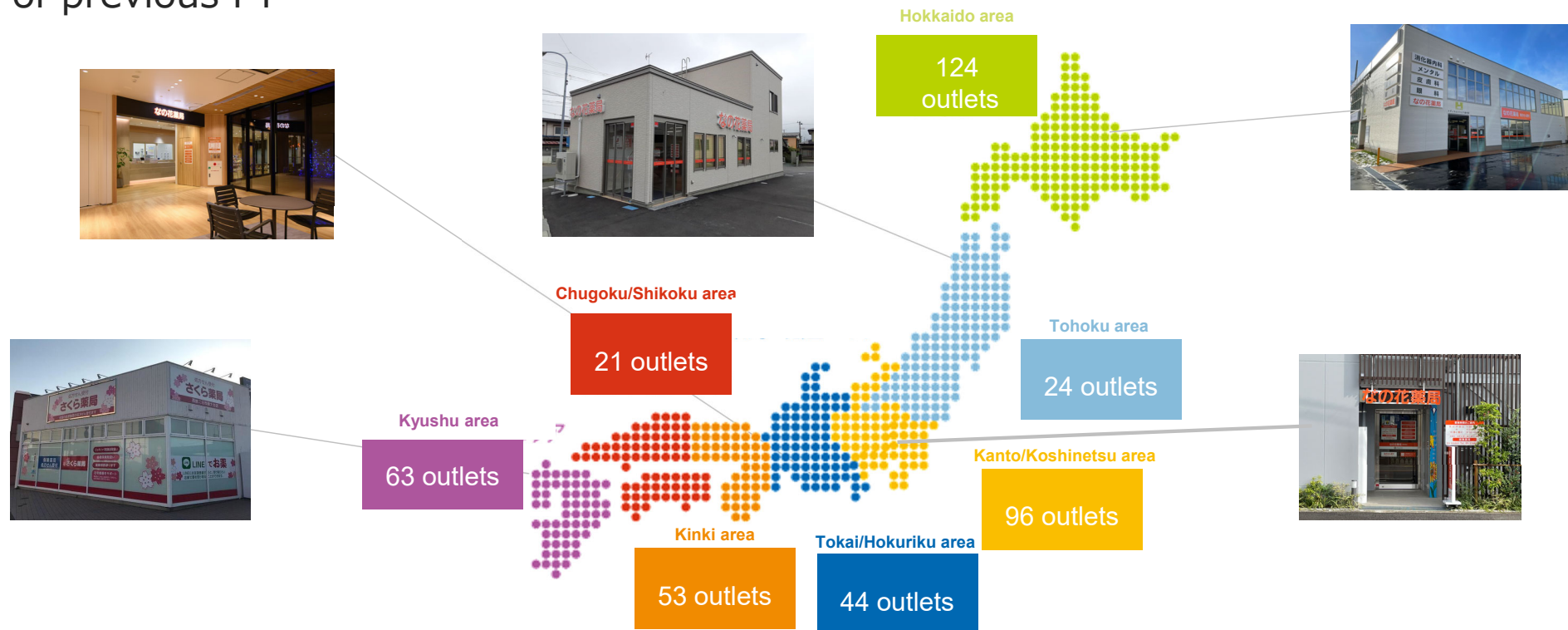
	General network affiliates	MSNW community pharmacies	Total
Total	6,976	425	7,401



Community Pharmacy Business :

Trends in number of pharmacies

15 new outlets (3 from acquisition) and 6 outlet closures/transfers since the end of previous FY



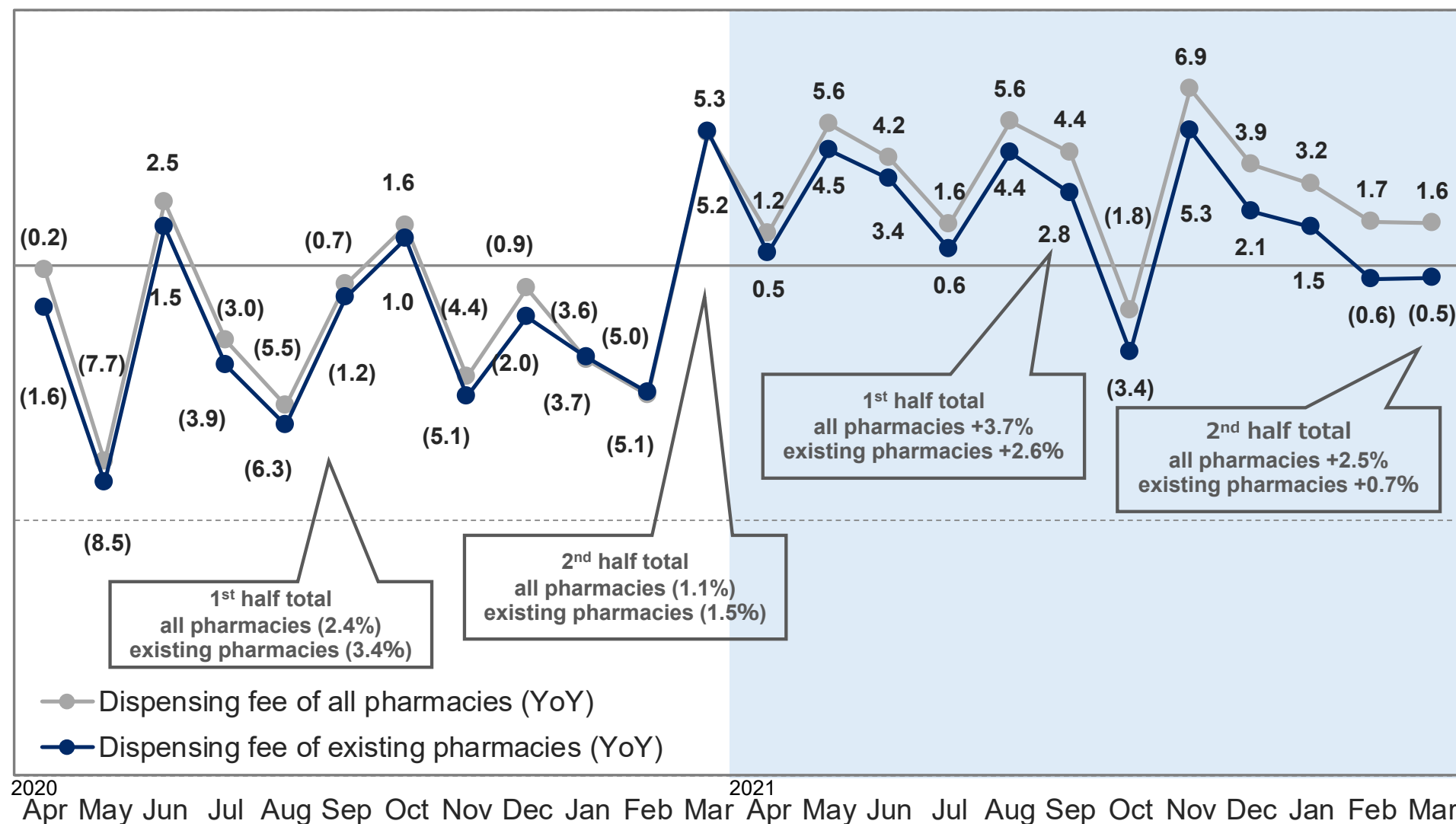
(as of March 31, 2022)

■ Community pharmacy outlet number trends of the past 10 years

	FY3/2013	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022
Openings	21	14	10	9	8	8	5	8	7	12
Closings and transferring of businesses	(8)	(7)	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)
M&A	33	45	27	7	20	19	30	3	6	3
Number of outlets	269	321	345	353	377	399	420	416	416	425

Community Pharmacy Business :

Monthly dispensing fee (YoY)



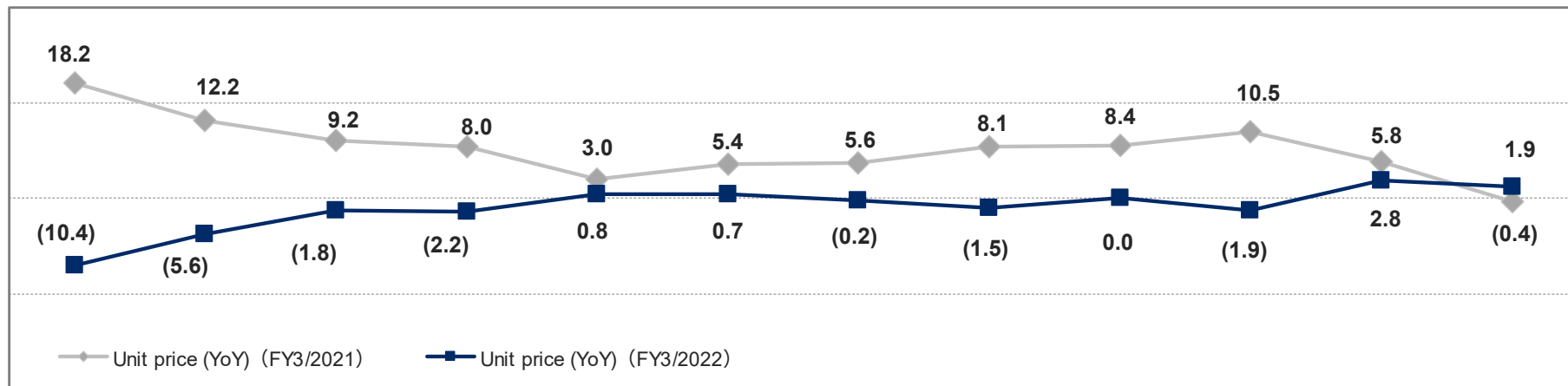
- Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2019 for the previous fiscal year and since April 1, 2020 for the current fiscal year

Community Pharmacy Business :

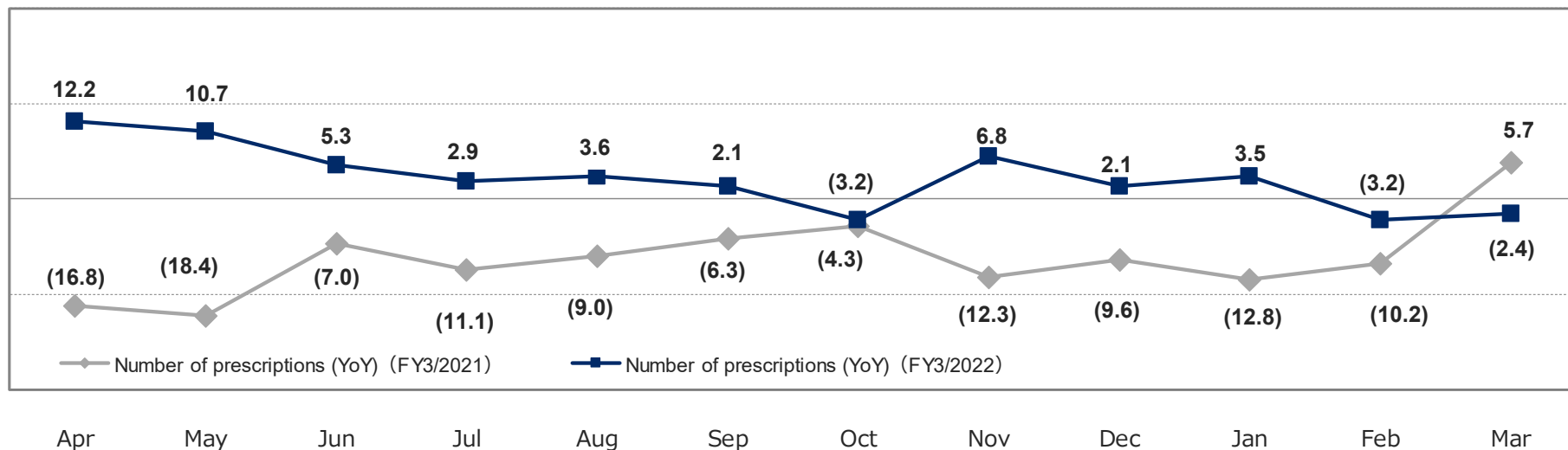
Monthly prescription volume and unit price of Existing pharmacies (YoY)

- Unit price of prescriptions had declined due to a decrease in long-term prescriptions, but recovered to almost the same level as the previous year
- The number of prescriptions has recovered to some extent

Prescription unit price



Number of prescriptions



Community Pharmacy Business : Dispensing fee breakdown

■ All pharmacies

		FY3/2021	FY3/2022	Change	Change (%)
No. of prescriptions (1000)		8,289	8,746	+ 457	+5.5%
Unit price (yen)	Drug charge per prescription	8,279	7,984	(295)	(3.6%)
	Technical fee per prescription	2,376	2,426	+50	+2.1%
	Total	10,655	10,410	(245)	(2.3%)
Dispensing fee (million yen)		88,320	91,056	+2,736	+3.1%

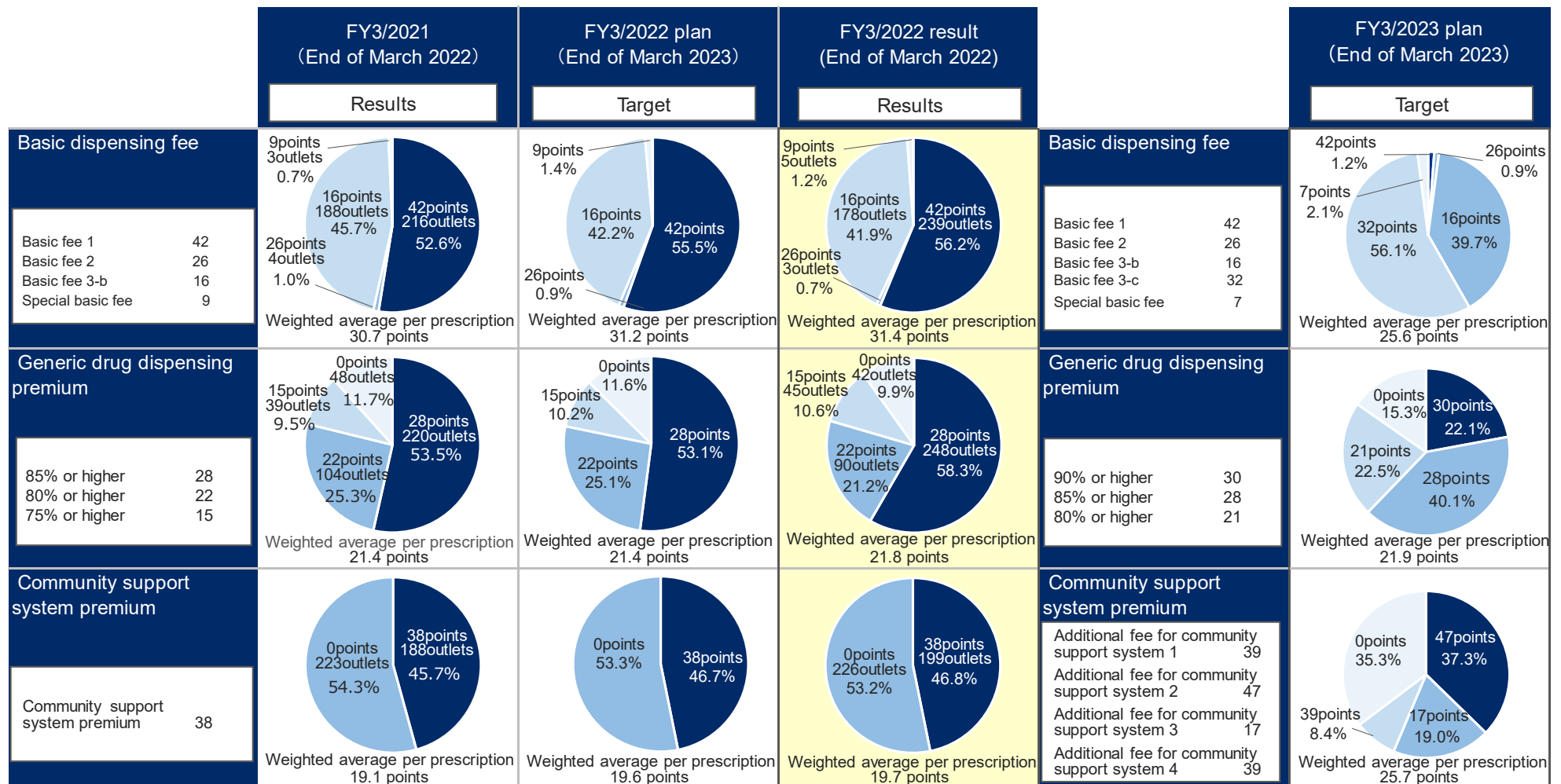
■ Existing pharmacies

No. of prescriptions (1000)		8,158	8,416	+258	+3.2%
Unit price (yen)	Drug charge per prescription	8,269	8,057	(212)	(2.6%)
	Technical fee per prescription	2,377	2,430	+54	+2.3%
	Total	10,646	10,488	(158)	(1.5%)
Dispensing fee (million yen)		86,852	88,267	+1,415	+1.6%

*Dispensing fees are calculated based on the number of prescriptions x unit price of prescriptions

Community Pharmacy Business : Dispensing fee revision

Achieved full-year targets, we continue to focus on interpersonal operations



Community Pharmacy Business :

Becoming a Community Pharmacy of Choice by Enhancing the Family Care Function

■ Enhancement of in-house education system

- New education system (CP Step) is in full swing
Restructured the education system to support the promotion of interpersonal work
- Training pharmacists to be active in clinical practice through the Nanohana Academy*
Increased acquisition of certified pharmacists and specialist pharmacists accredited by various academic societies

* Participatory lectures designed to foster pharmacists who demonstrate a high level of expertise and play a role in team medicine

Community Collaboration Pharmacy
Acquisition of 42 Pharmacies

Medication follow-up
Number of units to be tested more than
300,000 units / year

Family Pharmacist Supervision Fee
Calculated performance more than
100,000 pieces / year

➡ To improve the quality of pharmacy care and support the health of Local residents

■ Efforts related to COVID-19

- Our 23 pharmacies are offering Free antigen testing in cooperation with local governments
→ Testing in an isolated space or in the patient's own car. Subsequent cooperation with Medical institutions and care in the instance of a positive test result
- Medical antigen test kits available at 189 pharmacies
- At 119 pharmacies, we have placed therapeutic drugs and able to deliver rapid treatment
- Utilizing our broad network to maintain the operation of pharmacies and replace staff in the instance of a staff member being found positive

*Number of pharmacies as of March 31, 2022



[Pharmacies offering free antigen testing]

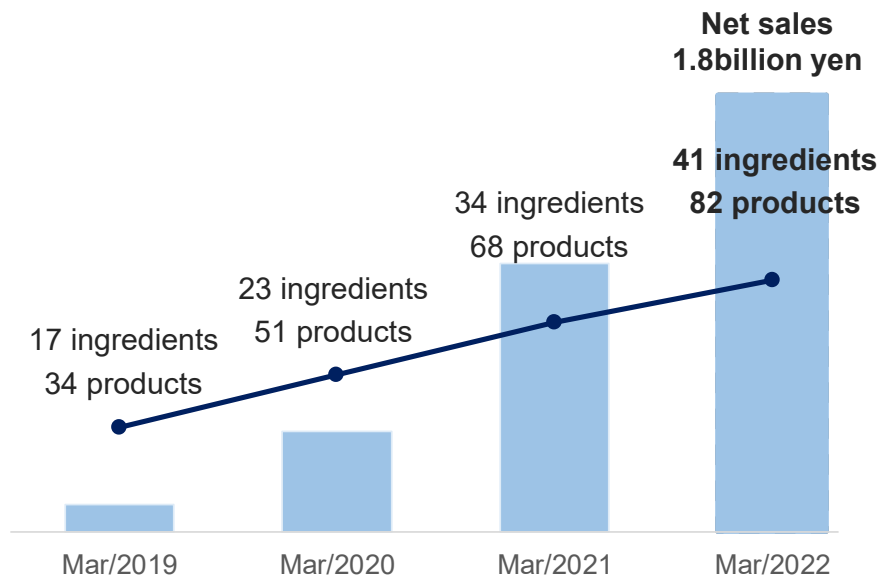
Manufacture and Market Pharmaceuticals Business :

New generic drugs of 14 products (7 ingredients)



- Full-year Net sales exceed 1.8 billion yen
- Expanded lineup of in-house products and products sold in partnership
- Thorough quality control and strengthening cooperation with contract manufacturers for stable supply

■ Net sales and number of products sold



■ Upcoming releases of 3 products (1 ingredients)



■ As of March 31, 2022

Available products (ingredients) : 82 products (41 ingredients)

Sales to network affiliates : 1,698 affiliates

■ End of FY 3/2023 target

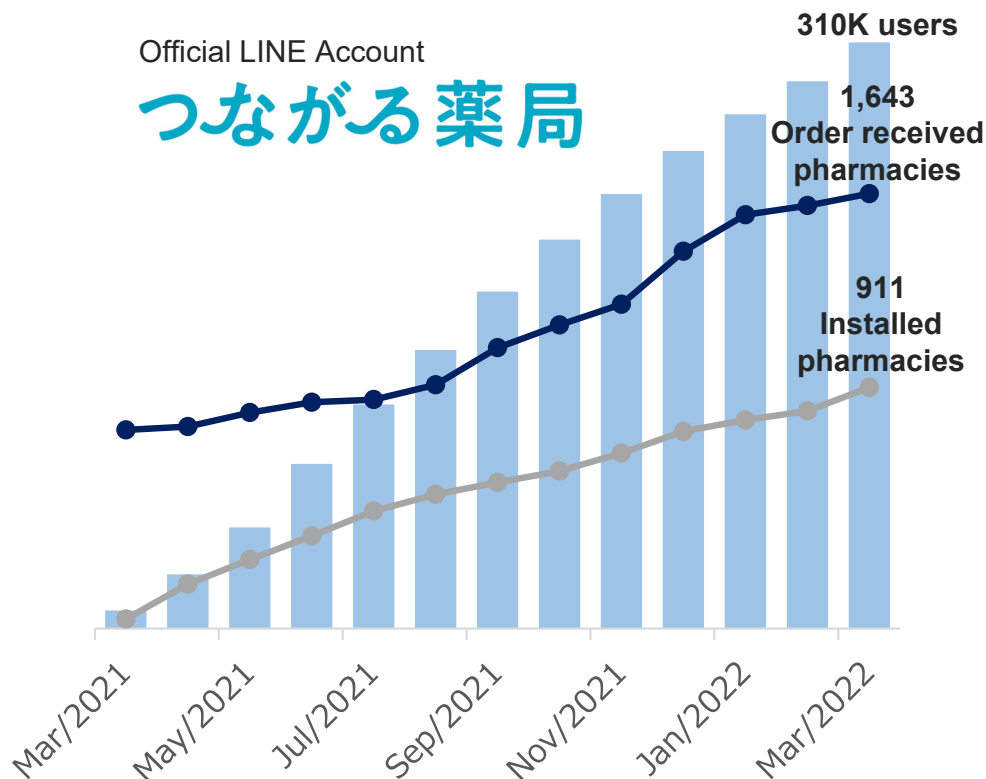
Net sales : 3 billion yen

Sales to network affiliates : 2,700

Pharmashift

- Launched "Tsunagaru Pharmacy" 310,000 users registered as users in 1 year, the No.1 official LINE account for Pharmacies
- Orders received exceeded 1,643 pharmacies and 911 pharmacies installed, with further acceleration to come

■ Number of users registered and number of order received / installed pharmacies



■ Various functions corresponding to the revision of dispensing fees

Centralized management of medication status

: Electronic medication organizer

Medication follow-up

: Chat function

Online Medication Guidance

: Video Calls

Refill prescription

: To-Do Management Function

Infection control measures

: Prescription transmission

➡ All in one LINE

■ Two New Companies Join Digital Pharmacy Consortium

973 Pharmacies in 9 Companies promote DX in the Pharmacy Industry
Sano Pharmacy, Haiyaku, Pal honest, Forall, MEDIX, Yakuju, PHARMACY, OHGA Pharmacy, our company

■ Promote the introduction of the service to affiliates of the pharmaceutical network

Strengthening collaboration from April 2022

Promptly penetrate our pharmaceutical network as a standard service



Leasing and Facility related Business:

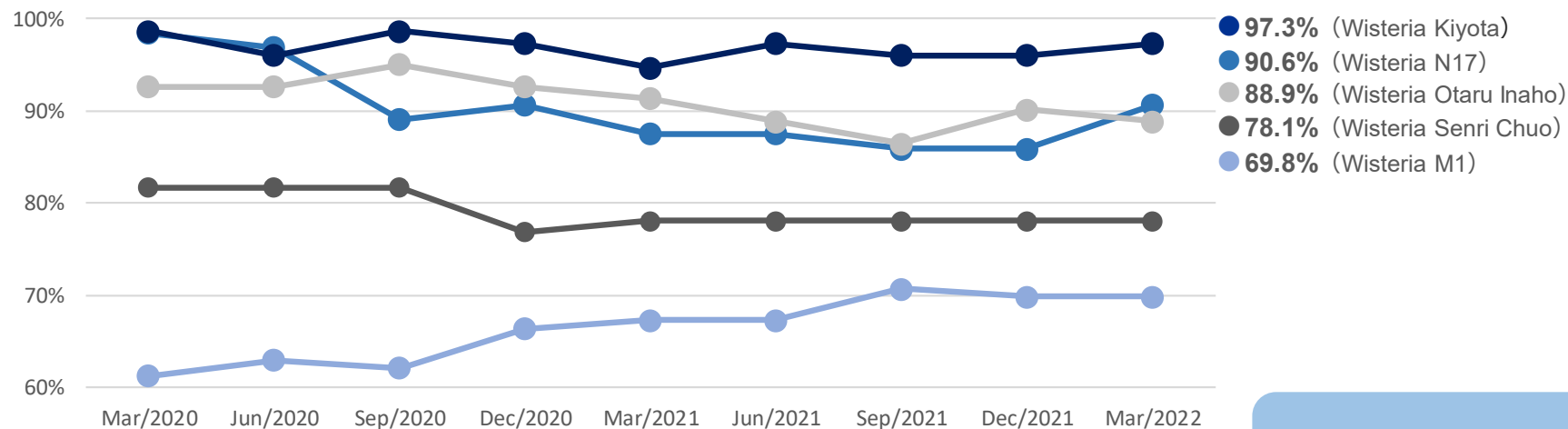
Building a community where medical care and nursing are one



“Wisteria” Series

Serviced residence for the elderly + community pharmacies, clinics, care offices, nurseries

■ Trends in Wisteria Occupancy Rate



■ Wisteria Initiatives under the COVID-19



print advertisement



Broadcasting of TV commercials

Infection control measures

- Installation of thermometers, acrylic plates, and hand sanitizers
- Individual consultations and viewings limited to one group at a time

Proactive use of media

- Broadcasting of TV commercials
- “Branding” is the theme of the print ads
- Renewal of brochure

Increasing the number of tenants by providing a safe living environment and sales promotion

A background image showing a business meeting. Several people in dark suits are gathered around a table. On the table are various documents, including a bar chart with five blue bars of increasing height, and two donut charts with segments in green, blue, orange, and yellow. One person's hand is visible, holding a blue pen and pointing at one of the donut charts. A green coffee cup is also on the table. The scene is brightly lit, likely from a window in the background.

3

Medium-term Management Plan

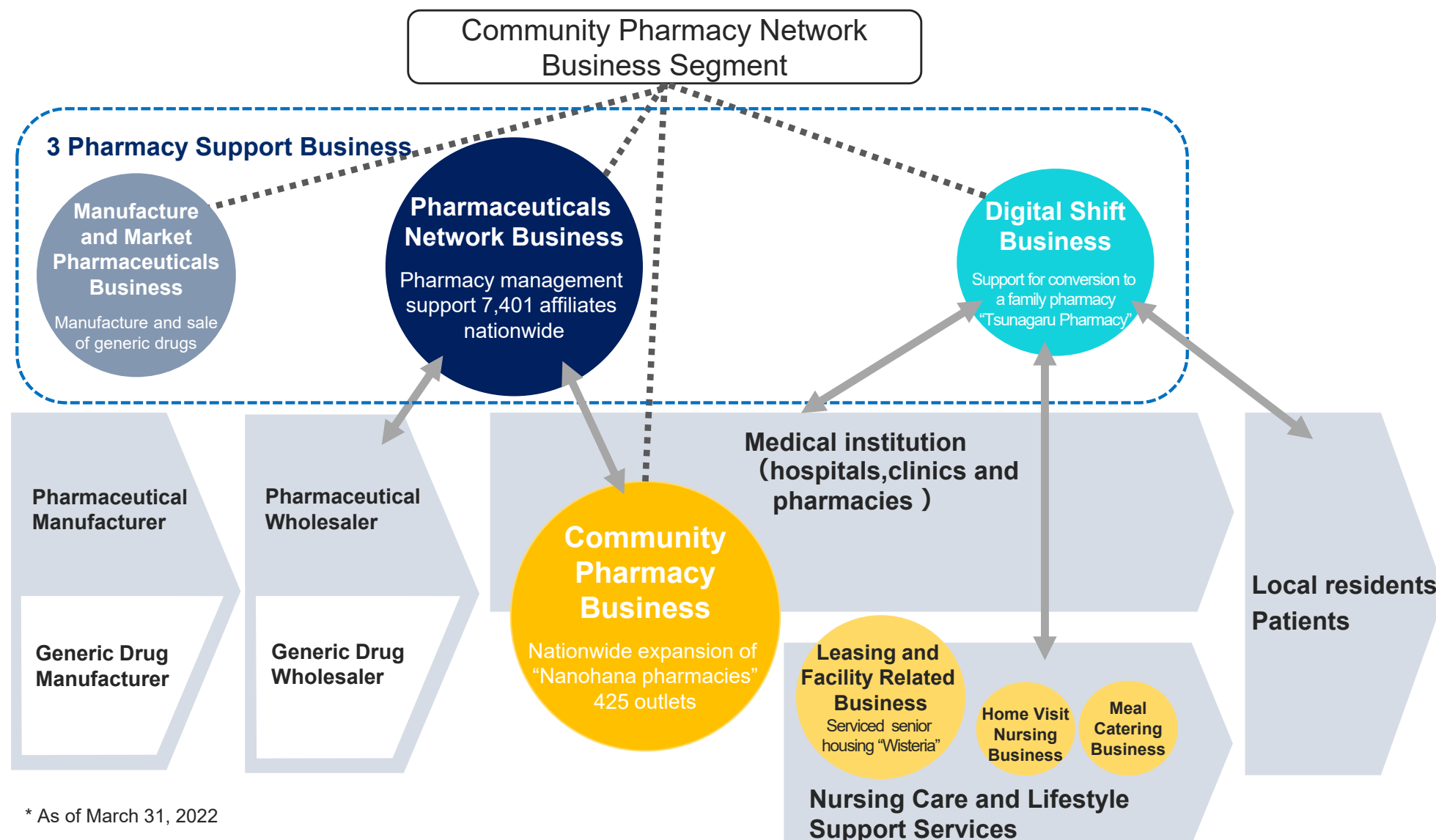
Fifth Medium-Term Management Plan Review

- Maintained profitability despite a significant drop in planned assumptions due to the impact of COVID-19.
- The number of network affiliates greatly exceeded the target and grew to **more than 10% of the pharmacy market share**.

	Fourth Medium-Term Management Plan 【results】	Fifth Medium-Term Management Plan 【initial plan】	Fifth Medium-Term Management Plan 【Changes in actual results during the subject period】				
	FY3/2018	FY3/2022	FY3/2019	FY3/2020	FY3/2021	FY3/2022	Evalu- ation
Pharmaceutical network affiliates	2,509	5,000	3,790	5,245	6,116	7,401	◎
Consolidated net sales(million yen)	93,900	120,000	98,232	105,241	104,257	106,685	×
Ordinary profit (million yen)	3,200	5,000	1,501	1,560	3,479	4,313	△
Ordinary profit margin	3.5%	4.1%	1.5%	1.5%	3.3%	4.0%	○
Consolidated EBITDA(million yen)	5,700	7,500	4,200	4,645	6,426	6,708	△
Capital adequacy ratio	16.9%	30.0%	15.6%	14.2%	17.3%	21.1%	×
Community pharmacy outlets	399	—	420	416	416	425	—

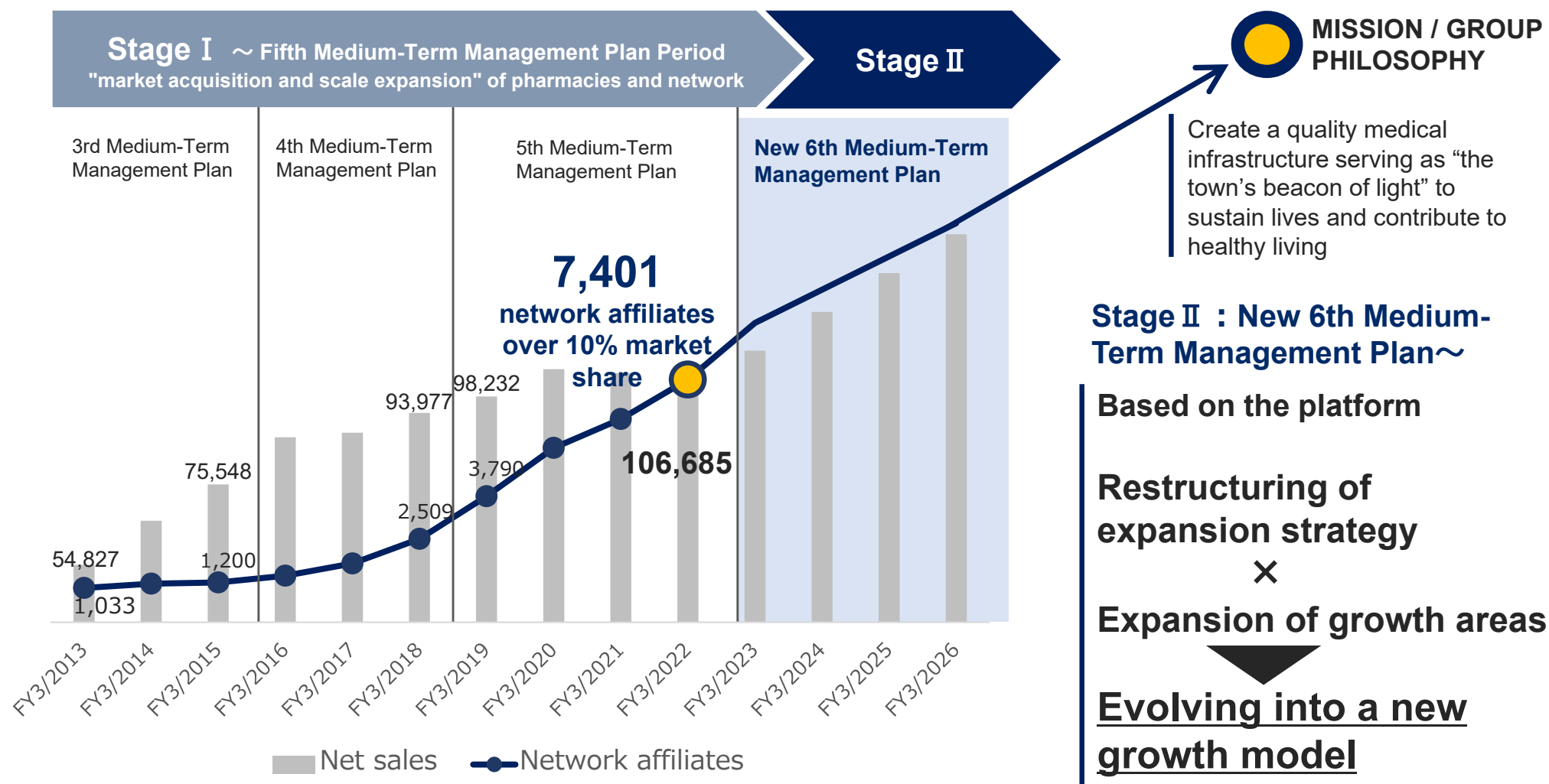
Business Domain

- Developing Community Pharmacy Business and Pharmaceutical Network Business as mainstay businesses
- Supporting community pharmacies through three businesses: Pharmaceutical Network at the core, Manufacture and Market Pharmaceutical, and Digital Shift



Positioning of the Sixth Medium-Term Management Plan

- Transitioning out of Stage I (which was aimed at acquiring scale), to the Next stage



New Growth Model through Stage Transition

Network
Affiliates



Community
Pharmacy



The **dots** gradually become **lines** as the two founding businesses expand their locations



7,401
network affiliates
over 10% market share

Become a **surface (platform)**
within a certain market

Community Pharmacies as
the foundation platform

Expansion of growth areas
Based on the platform Acquire
multilayered growth areas

• Manufacture and Market
Pharmaceuticals Business
• Digital Shift Business

• Pharmaceuticals
Network Business

• Community
Pharmacy Business

- The platform aims to function as a new pharmacy infrastructure, with group pharmacies at its core and affiliates as well
- Ensure sustainability of local healthcare and distribution markets by providing quality healthcare, goods, and services through infrastructure and streamlining distribution

Restructuring of expansion strategy

Further expand the platform base

- 550 community pharmacies in 4 years(M&A, Newly opened)
- 12,000 network affiliates over 20% market share

Community pharmacy vision as the core of the platform

- In the first half of the mid-term management plan, establish how individual pharmacies should play a role in the community-based integrated care systems
- Ultimately, we aim to be a hub that supports local healthcare and community

Sixth Medium-Term Management Plan Period

First 2 years FY3/2023~FY3/2024
Establish a vision of pharmacies in
the community-based integrated care systems

Second 2 years FY3/2025~FY3/2026
Becoming a community core/hub pharmacy

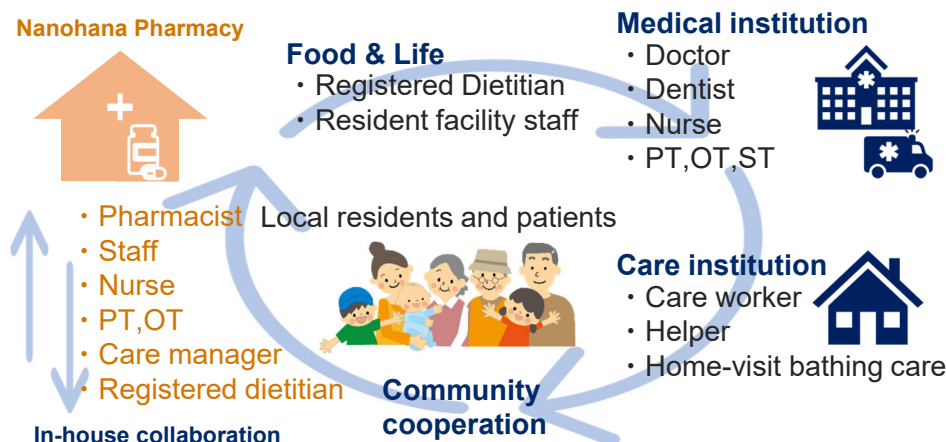
■ Vision

Changing our story from "near a clinic or hospital" to "family function" then to "community cooperation"

Changing the focal point from "object" to "person"

- ✓ Centralized and continuous management of medication information
- ✓ Home healthcare support, 24-hour support
- ✓ Collaboration with internal and external multi-professionals supporting medical care, nursing care, food, and daily life

→ Active investment in human resources, facilities, etc.
Temporary cost increase

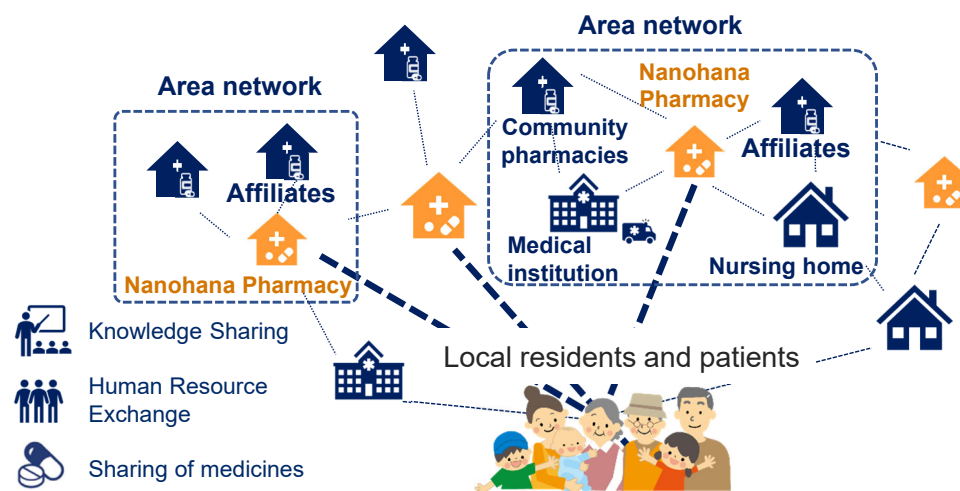


■ Vision

Transitioning from "in-house optimization" to "area optimization"

- ✓ Area sharing of knowledge, human resources, pharmaceuticals, etc.
- ✓ Maximize and jointly utilize local resources
- ✓ Expansion of network of hub locations

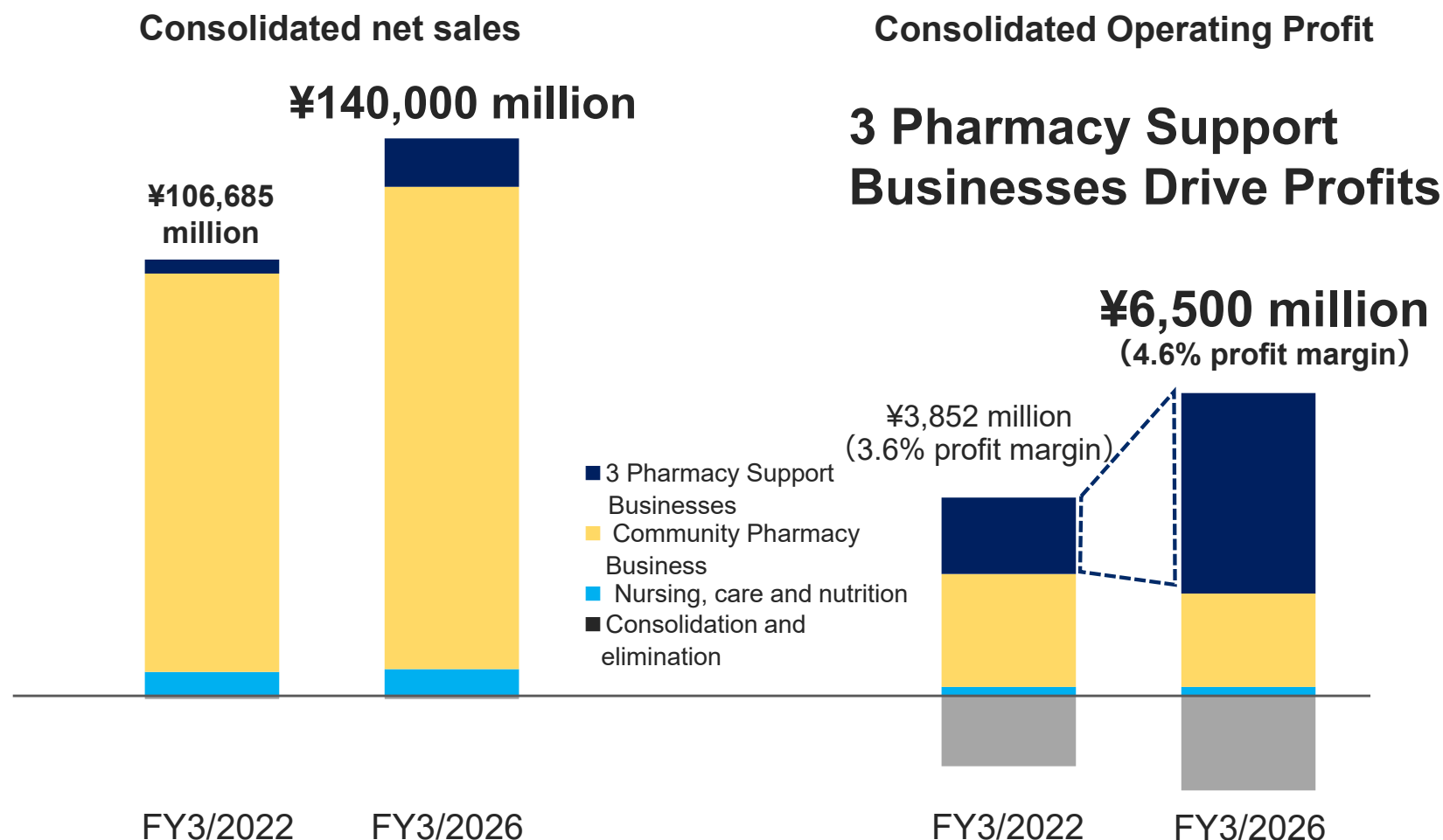
→ Perform the values and functions required by the community and receive increase profitability



Transformation of Earnings Structure

- Expanding growth areas by leveraging platform strengths, aiming to change profit structure
- Increase in sales by ¥20,000 million in the Community Pharmacy Business, and ¥15,000 million in the Pharmacy Support Businesses *before consolidation and elimination
- Profits from the 3 Platform Businesses* set to grow significantly, driving earnings

* Pharmaceuticals Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business



- Reduce debt and increase equity capital by increasing operating cash flow and steadily accumulating profits

	Four-year total (million yen)	Summary
Cash flows from operating activities	20,000	Increase in operating income and EBITDA
Cash flows from investing activities	▲18,000	Development and M&A with emphasis on investment efficiency
Free cash flows	2,000	(Cash flows from operating activities) + (Cash flows from investing activities)
Cash flows from financing activities	▲2,000	Reduce debt and improve financial soundness

Reference : FY3/2022 Consolidated balance sheet (Unit: billion yen)

Assets	62.9	Liabilities	49.6
Cash and deposits	8.2	Favorable sub liabilities	29.5
Tangible fixed assets	24.6		
Intangible fixed assets	12.7	Net assets	13.2
Goodwill	12.2	Capital stock	2.1
Total assets	62.9	Total liabilities and net assets	62.9
Equity ratio	21.1%		

**Target for the final year of
the Medium-Term Management Plan: 30%**

Priority Measures by Business

Business Segment	Program Outline	Focused Policy
Community Pharmacy Business	Practice of “the town’s beacon of light” to support the local community and expand the area	<ul style="list-style-type: none"> Improving store operation efficiency to expand interpersonal operations Providing medical care that supports the Community-based integrated care systems Strengthen store development capabilities Plan : 25 new stores per year
Pharmaceuticals Network Business	12,000 network affiliates × (distribution improvement + service expansion)	<ul style="list-style-type: none"> Expansion of scale Plan : FY3/2026 12,000 affiliates = 20% market share Promote distribution improvement and establish supply chain management Contribution to regional medical care by building an area network
Manufacture and Market Pharmaceuticals Business	Stable supply of safe and secure pharmaceuticals to the network	<ul style="list-style-type: none"> Creating a system to ensure quality and safety Establishment of a system to ensure a stable supply Expand product lineup and sales channels Plan : Sales 10 billion in FY3/2026
Digital Shift Business	Establishment of pharmacy business infrastructure and expanding to multiple business lines	<ul style="list-style-type: none"> Gaining market share Plan : 20,000 stores in FY3/2026 High value-added services, such as collaborative functions with medical and nursing care institutions Launch of new revenue-generating businesses
Nursing Care, Meal Catering and Nursing Business*	Deepen cooperation between medical and nursing care	<ul style="list-style-type: none"> Nursing : Expand opportunities for collaboration with pharmacies and develop a base of operations Nursing Care : Development of Wisteria Home Visit Services Nutrition : Expand business scale and revenues

* Home Visit Nursing Business, Leasing and Facility Related Business, Meal Catering Business

<Program Outline>

Practice of “the town’s beacon of light” to support the local community and expand the area <Focused Policy>

- Improving store operation efficiency to expand interpersonal operations
- Providing medical care that supports the community-based integrated care systems
- Strengthen store development capabilities **Plan : 25 new stores per year**
 - Pursuing the functions that society requires pharmacies and pharmacists to fulfill (A member of the Community-based integrated care systems)
 - Expand opportunities for collaboration with nursing, nursing care, and nutrition services within and outside the group
 - Strengthen development of new outlets to expand network of bases with enhanced functions
 - Improve operational efficiency and the invest in store development in order to offset the negative impact to some extent due to revision in NHI compensation, and maintain profit

The goal of “the town’s beacon of light”

(1) “No. 1 quality care in the region”

- Fostering a medical mindset
- Strengthening of pharmacotherapy practice capacity
- Strengthening communication skills

(2) Facilities that deliver safety and security

- Active implementation of medical safety systems
- Use of advanced business tools

(3) Regional cooperation and response to social issues

- Efforts to Address Local Medical Issues
- Prevention and Preventive Measures
- Emergency response to disasters, infectious diseases, etc.



<Program Outline>

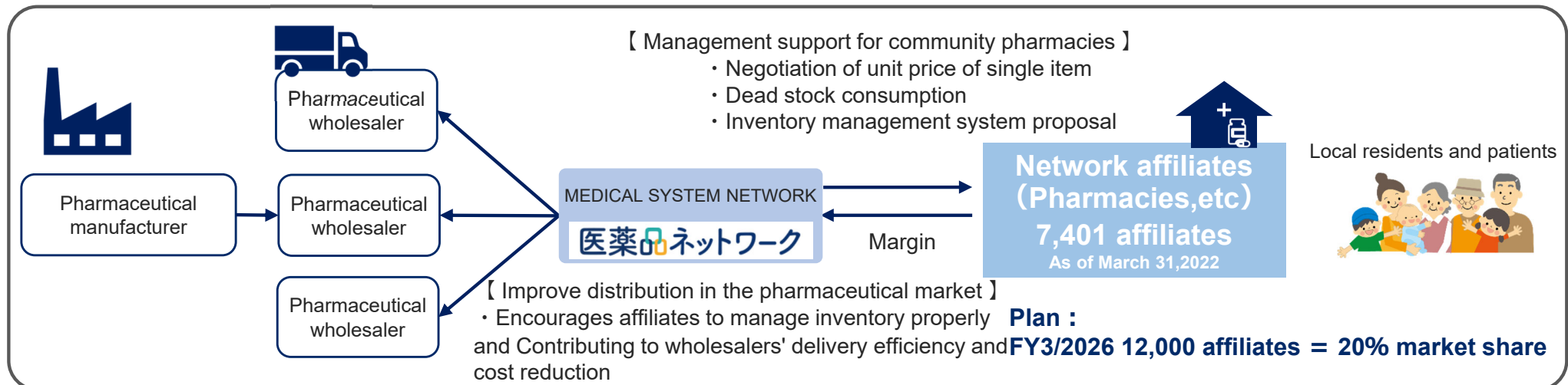
12,000 network affiliates × (distribution improvement + service expansion)

<Focused Policy>

- Expansion of scale Plan : FY3/2026 12,000 affiliates = 20% market share
- Promote distribution improvement and establish supply chain management
- Contribution to regional medical care by building an area network
 - Strengthen partnerships with pharmaceutical wholesalers and expand the number of affiliates
 - Healthy distribution market, Negotiation of single unit price to promote efficiency (already achieved) , Implement distribution reforms such as efficient delivery
 - Work across the merchant platform to create discipline and impact in the industry

Business model

- Providing management support services for community pharmacies
- Creating an environment in which affiliates can focus on interpersonal operations by improving operational efficiency
- Implement distribution improvements and form a sustainable pharmacy market



<Program Outline> Stable supply of safe and secure pharmaceuticals to the network

<Focused Policy>

- Creating a system to ensure quality and safety
- Establishment of a system to ensure a stable supply
- Expand product lineup and sales channels **Plan : Sales ¥10,000 million in FY3/2026**
 - Reinforcement of organization and personnel to ensure quality and safety
 - Addressable Market in FY3/2026 forecasted at ¥33,000 million, Sales plan achieved at 30% utilization rate

	Generic drug use by network affiliates	Of which, the markets covered by Feldsenf Pharma	Sales	(Unit: million yen)
FY3/2022 Results	67,000	15,600	1,800	
FY3/2026 Targets	103,500	33,000	10,000	

Business model

- Generic drug manufacturer
- Manufacturing is outsourced to a specialized manufacturer, No capital investment
- Accurate demand monitoring for lean production
- Growth prospects as platform expands



<Program Outline>

Establishment of pharmacy business infrastructure and expanding to multiple business lines

<Focused Policy>

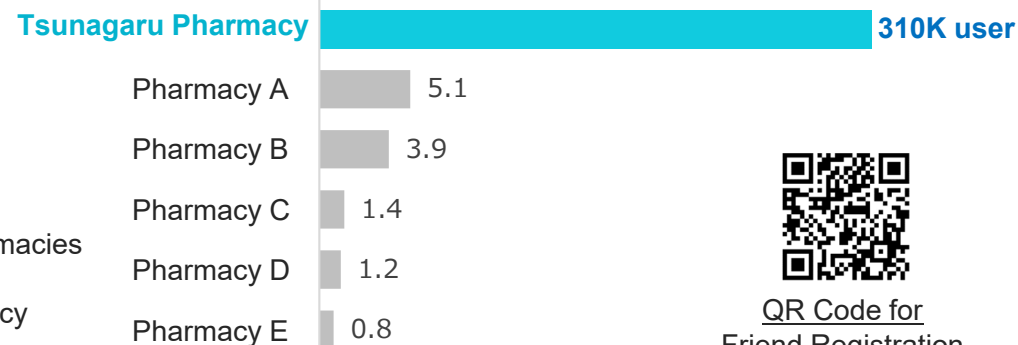
■ Gaining market share **Plan : 20,000 outlets in FY3/2026**

■ High value-added services, such as collaborative functions with medical and nursing care institutions

■ Launch of new revenue-generating businesses

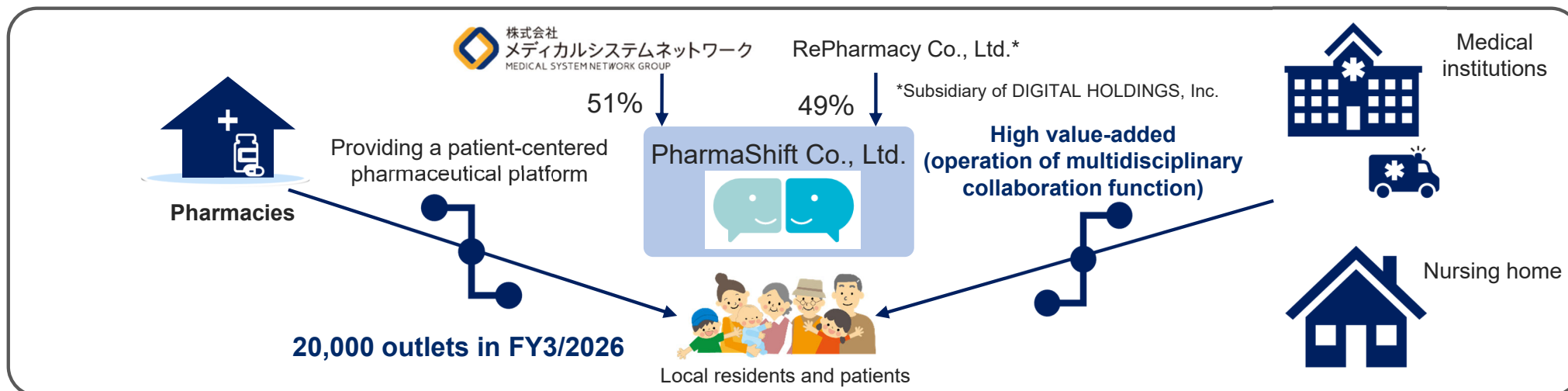
- Achievement of 310K users in the first year of service
- Expand introduction to network affiliates and build a dominant platform
- New businesses such as digital signage and e-commerce are also in operation and generating revenue

Number of LINE official account users registrations (As of March 31, 2022)



Business model

- Support for conversion to a family pharmacy
- Supporting communication between patients and pharmacies through official LINE accounts
- Realizing the digital transformation (DX) of the pharmacy industry

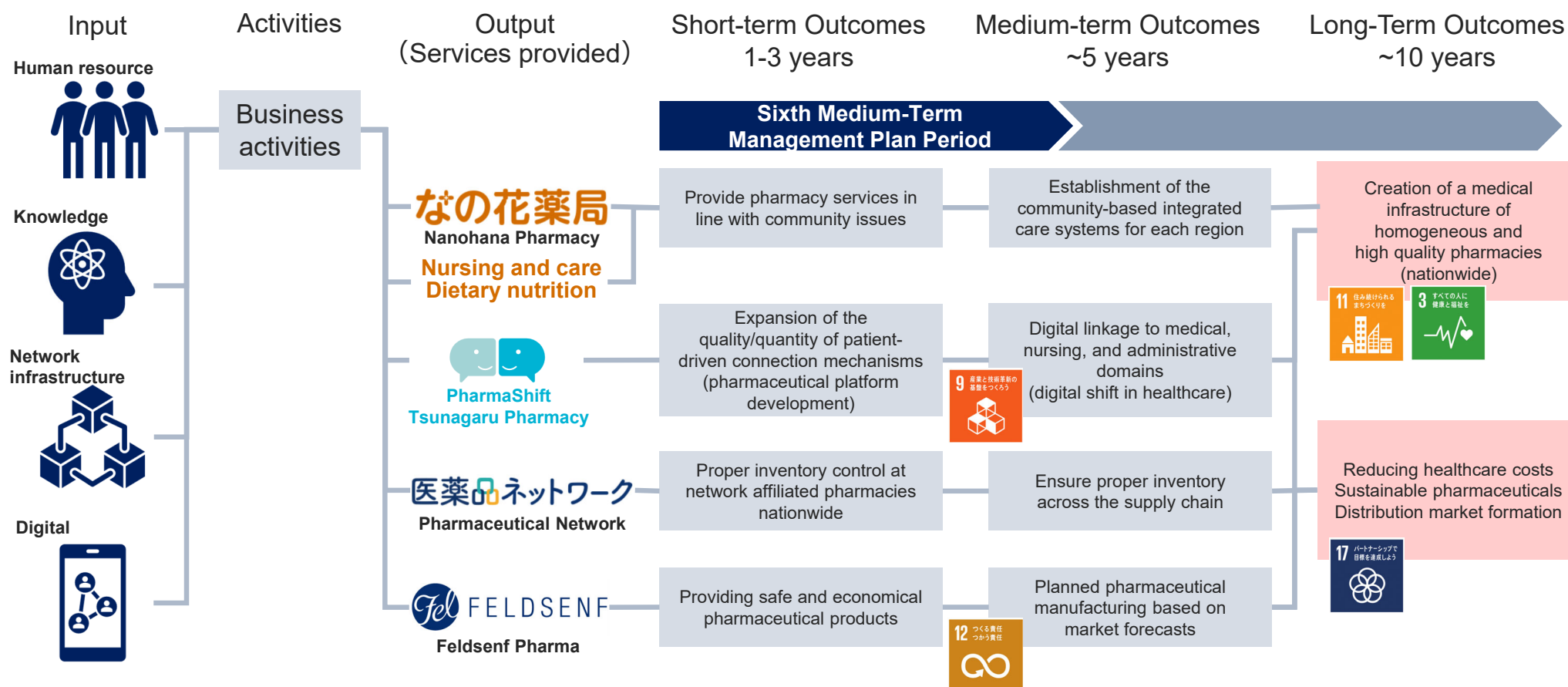


Value of Business Offering –SDGs Management

- Resolving social issues through business activities to realize our philosophy
- Set short-, medium-, and long-range time goals to resolve issues

Social Issue

- ✓ Pharmacies and pharmacists are necessary and society requires sufficient medical resources while eliminating regional disparities
- ✓ Sustainable market formation through rationalization of pharmaceutical distribution and appropriate profit sharing



Management Numerical Targets

	Fifth Medium-Term Management Plan Results FY3/2022	Sixth Medium-Term Management Plan Targets FY3/2026
Consolidated net sales (million yen)	106,685	140,000
Consolidated operating profit (million yen)*	3,852	6,500
Operating profit margin	3.6 %	4.6 %
Consolidated EBITDA (million yen)	6,708	10,000
Pharmaceutical Network affiliates	7,401	12,000
Community pharmacy outlets	425	550
Capital adequacy ratio	21.1 %	30.0 %

* Increase of over 3 billion yen in the 3 Pharmacy Support Businesses (Pharmaceuticals Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business)



4

Core strategies,
Earnings Forecast
for FY3/2023
and Dividends

		Core strategies and numerical targets for the current fiscal year
Community Pharmacy Network Segment	Community Pharmacy Business	<ul style="list-style-type: none"> ■ Strengthening interpersonal work and provide quality drug treatment ■ Acquisition of prescriptions using on-line (LINE, prescription transmission) tools ■ Development of 15 pharmacies, mainly in medical malls
	Pharmaceuticals [*] Network Business	<ul style="list-style-type: none"> ■ 8,900 affiliates at the end of March 2023 (+1,499 YoY) ■ Building a system to reach 12,000 affiliates longer term ■ Further promotion of streamlined distribution ■ Expansion of services for affiliates
	Manufacture and Market Pharmaceuticals Business [*]	<ul style="list-style-type: none"> ■ Expand clientele, primarily amongst our pharmaceutical network affiliates → Target 2,700 at the end of March 2023 (+1,002 YoY)
	Digital Shift [*] Business	<ul style="list-style-type: none"> ■ Expansion of pharmacies with official LINE accounts → Target Order received 4,400 (+2,757 YoY) / Installed 3,400(+2,489 YoY) at the end of March 2023
Leasing and facility related Segment		<ul style="list-style-type: none"> ■ Achieve 90% occupancy ; steady operation
Meal Catering Segment, Home Visit Nursing Segment		<ul style="list-style-type: none"> ■ Safety-first operation ■ Steady balance of payments
Finance		<ul style="list-style-type: none"> ■ Securing profits through cost control
ESG/Health management		<ul style="list-style-type: none"> ■ Projects according to SDGs; promote CSR activities

* 3 Pharmacy Support Businesses

Earnings forecast for FY3/2023: Consolidated forecasts

Although the number of pharmaceutical network affiliates is expected to grow steadily and the number of prescriptions filled is expected to increase (Net sales will increase), Income is expected to decrease due to cost precedence from new store openings and dispensing fee revisions, etc.

(Unit: million yen)	FY3/22 (results)	FY3/23 (forecast)	Change	Change (%)
Net sales	106,685	110,000	+ 3,314	+ 3.1 %
EBITDA	6,708 6.3 %	6,200 5.6 %	(508) (0.7 pt)	(7.6 %)
Operating profit Profit margin	3,852 3.6 %	3,500 3.2 %	(352) (0.4pt)	(9.1 %)
Ordinary profit Profit margin	^{*1} 4,313 4.0 %	3,700 3.4 %	(613) (0.6 pt)	(14.2 %)
Profit attributable to owners of parent Profit margin	^{*2} 2,394 2.2 %	1,750 1.6 %	(644) (0.6 pt)	(26.9 %)
Earnings per share (Yen)	79.35	57.99	(21.36)	—

*1 Includes 421 million yen in subsidy income for COVID-19

*2 Includes 272 million yen increase due to one-time factors such as gain on sales of investment securities

Earnings forecast for FY3/2023: Forecast in each segment

■ Net sales

(Unit: million yen)		FY3/22 (results)	FY3/23 (forecast)	Change	Change (%)
Net sales		106,685	110,000	+ 3,314	+ 3.1 %
	Community Pharmacy Network Segment ^{*1}	101,457	104,701	+ 3,244	+ 3.2 %
	Other 3 Segments ^{*2}	5,954	6,172	+ 218	+ 3.7%
	Adjustments	(727)	(874)	(147)	—

■ Operating Profit

(Unit: million yen) Profit percentage in brackets		FY3/22 (results)	FY3/23 (forecast)	Change	Change (%)
Segment profit		3,852 3.6 %	3,500 3.2 %	(352) (0.4 pt)	(9.1 %)
	Community Pharmacy Network Segment ^{*1}	6,117 6.0 %	6,026 5.8 %	(90) (0.2 pt)	(1.5 %)
	Other 3 Segments ^{*2}	28 0.5%	61 1.0 %	+ 32 + 0.5 pt	+114.1%
	Adjustments	(2,293) —	(2,588) —	(294) —	—

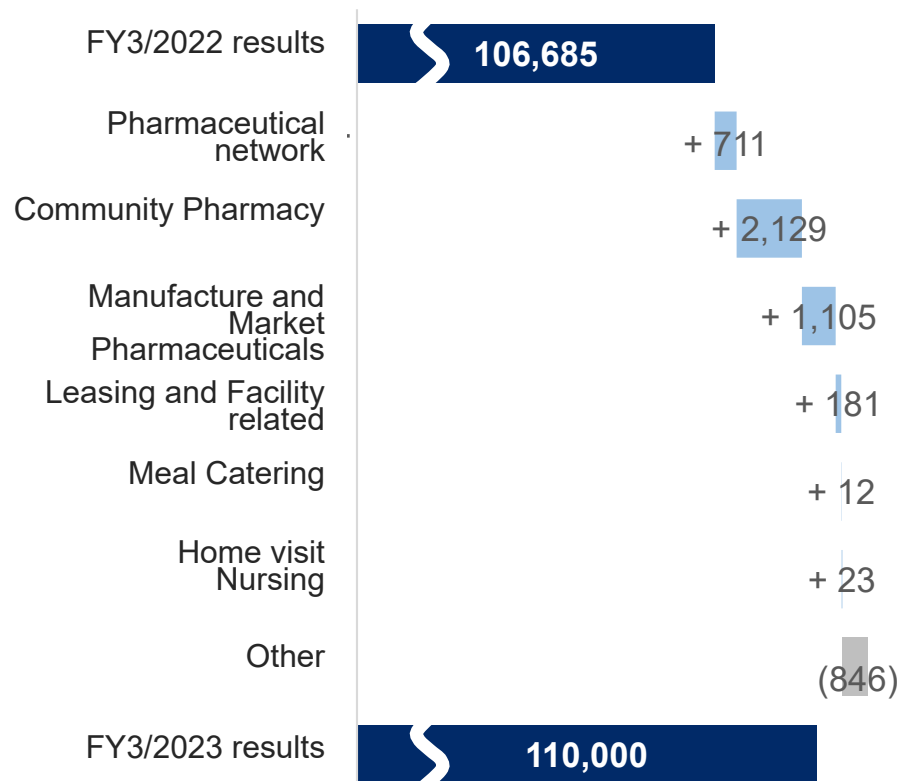
*1 Community Pharmacy Business, Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, Digital Shift Business

*2 Leasing and Facility related Segment, Meal Catering Segment, Home Visit Nursing Segment

FY3/2023: Earnings forecast (comparison to previous term)

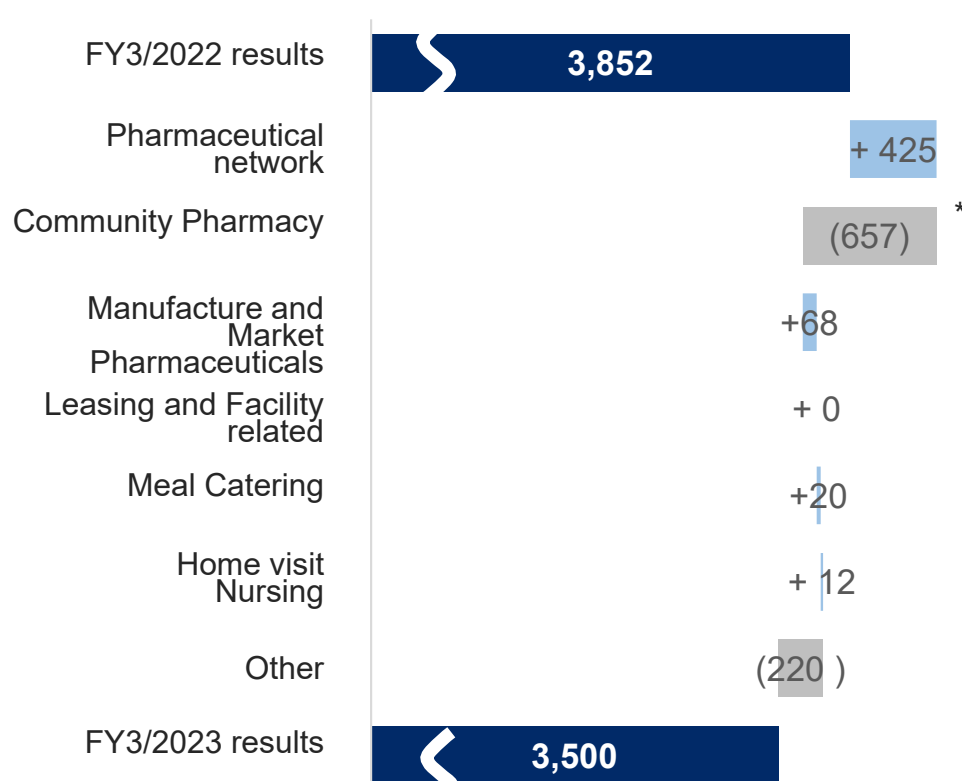
■ Net sales

(Unit: million yen)



■ Operating profit

(Unit: million yen)



* Impact of medical fee revisions (see page.44) increasing cost by new stores openings, and increasing labor cost due to strengthen interpersonal operations

(compared to previous year)	FY3/2022 results	FY3/2023 forecast
Number of prescriptions at existing pharmacies	+3.2%	+ 2.0%
Prescription unit price at existing pharmacies	(1.5%)	(2.1%)

* "Existing pharmacies" refer to pharmacies that continue to be in business on or after April 1, 2021

2022 medical fee revision : Effects on results

■ Main initiatives

- Obtaining an additional regional support system fee by strengthening the family care function and home medical care
- Acquire generic dispensing premiums through promotion of generic drugs
- Pharmacy management fee, additional fee for strengthening cooperation

“Existing pharmacies”

Main revisions	FY3/2022 results (Points per prescription)	FY3/2023 plan (Points per prescription)	FY3/2023 impacts
[Drug price revision]	—	—	(277M yen)
[Dispensing fee revision]	—	—	+ 74 M yen
1. Basic dispensing fee	31.2 points	25.7 points	(430M yen)
2. Generic dispensing premiums	21.9 points	22.3 points	+8M yen
3. Community support premiums	20.1 points	26.9 points	+553M yen
4. Other			(▲56M yen)
Total	—	—	(202M yen)

* Numbers listed are after implementation of main initiatives

FY3/2023 : Prospective dividends

- Dividend prospects for the fiscal year ending March 31, 2022 is an interim dividend of 5 yen and a year-end dividend of 7 yen (ordinary dividend of 6 yen and a commemorative dividend of 1 yen for the 20th anniversary of the Company's listing), bringing the annual dividend to 12 yen per share.
- For the fiscal year ending March 31, 2023, we plan to pay interim and year-end dividends of 6 yen per share each, for an annual dividend of 12 yen per share.

【Shareholder Return Indicators】

■ FY3/2022 (prospects)

Annual dividend per share 12yen
Dividend payout ratio 15.1%

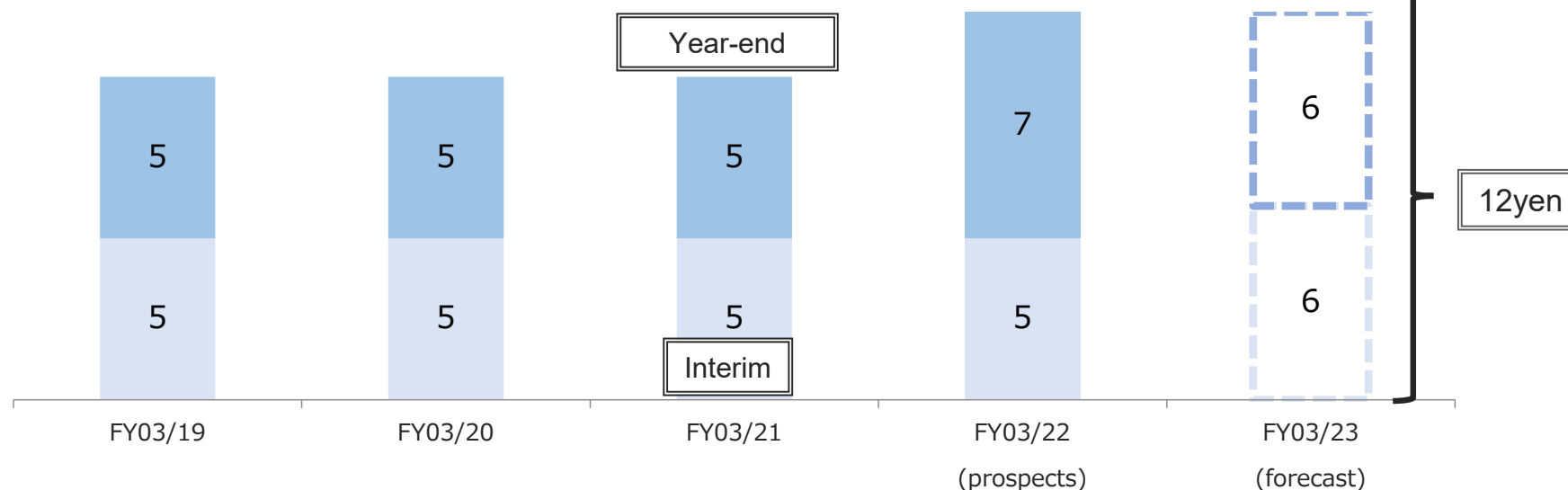


■ FY3/2023 (forecast)

Annual dividend per share 12yen
Dividend payout ratio 20.7%

【 Annual dividend per share trend 】

■ Year-end ■ interim





5

Reference
Materials

As a company that supports the health of Local residents, we contribute to the development of a sustainable society through ESG initiatives

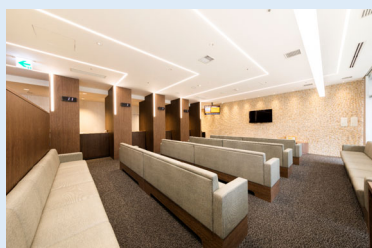
E=Environment

(Environmental Initiatives)



【 Approaches to environmental risk management 】

- Reduction of pharmaceutical waste
- Reduction of environmental impact
- Proper disposal of industrial waste, etc



Introduction of LED lighting

【 Environmental conservation efforts 】

- Energy conservation measures for buildings, etc.

S = Society

(Contribution to society and local communities)



Contributing to society through sports



Support for the promotion and education of organ transplantation medicine



Employment of people with disabilities to support initiatives in Chinese Medicine development

G = Governance

(Efforts to improve governance)

- Ensuring compliance
 - Establishing a risk management system
 - Financial structure improvement
- Enhancement of corporate governance



Accountability to Stakeholders

Our Web site for CSR and Sustainability reports (<https://www.msnw.co.jp/csr/>)

New commercial featuring actress
Momoko Fukuchi now on view



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