



MEDICAL
SYSTEM
NETWORK
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

First Quarter of Fiscal Year Ending March 2023

Earnings Report

Prime 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/>



■ 1st Quarter Results

Community pharmacy business exceeded our initial plan, despite a decrease in profit YoY
All three pharmacy support businesses* started strong, exceeding our plan

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

- vs. initial plan –

- 1Q results exceeded our initial plan
 - ✓ Unit price of prescriptions +1.7% compared to plan
 - ✓ Appropriate expense control

- YoY change –

- Net sales increased due to the contribution both of new community pharmacies and pharmacies acquired through M&A.

The steady growth in the number of new affiliates of the pharmaceutical network also contributed.

- ✓ 2022 Dispensing fees for all pharmacies + 0.7% (YoY)
- ✓ 7,812 pharmaceutical network affiliates at the end of June 2022 (+411 compared to the end of the previous fiscal year)

- Decrease in profits due to the revision of NHI drug prices and dispensing fees, and an increase in labor costs accompanying the enhancement of our interpersonal services at community pharmacies, etc.

■ June 30, 2022 Digital shift business:

- ✓ 1,549 installed pharmacies (up 638 from the end of previous FY).
- ✓ 2,194 order received pharmacies (up 551 from the end of previous FY).

■ April 2022 NHI drug prices and dispensing fees revision details were announced

■ As of April 4, 2022 shifted to the "Prime Market" segment of the Tokyo Stock Exchange

Earnings Highlight	• • •	5
Business Summary	• • •	11
Core strategies, Earnings Forecast for FY3/2023	• • •	21



1

Earnings Highlight

FY3/2023 1Q : Consolidated results

(Unit: million yen)	FY3/2022 1Q (results)	FY3/2023 1Q (plan)	FY3/2023 1Q (results)	YoY		FY3/2023 1Q Progress rate	FY3/2023 Full year forecast
				Change	Change (%)		
Net sales	25,914	26,272	26,299	+ 384	+ 1.5%	100.1%	110,000
EBITDA*1 Profit margin	1,359 5.2%	—	1,061 4.0%	(298)	(21.9%)	—	6,200 5.6%
Operating profit Profit margin	667 2.6%	225	348 1.3%	(318)	(47.7%)	154.4%	3,500 3.2%
Ordinary profit Profit margin	935 ^{*2} 3.6%	282	392 1.5%	(543)	(58.1%)	139.0%	3,700 3.4%
Profit attributable to owners of parent Profit margin	583 2.3%	54	91 0.3%	(492)	(84.4%)	168.1%	1,750 1.6%
Earnings per share (Yen)	19.37	—	3.02	(16.35)	—	—	57.99

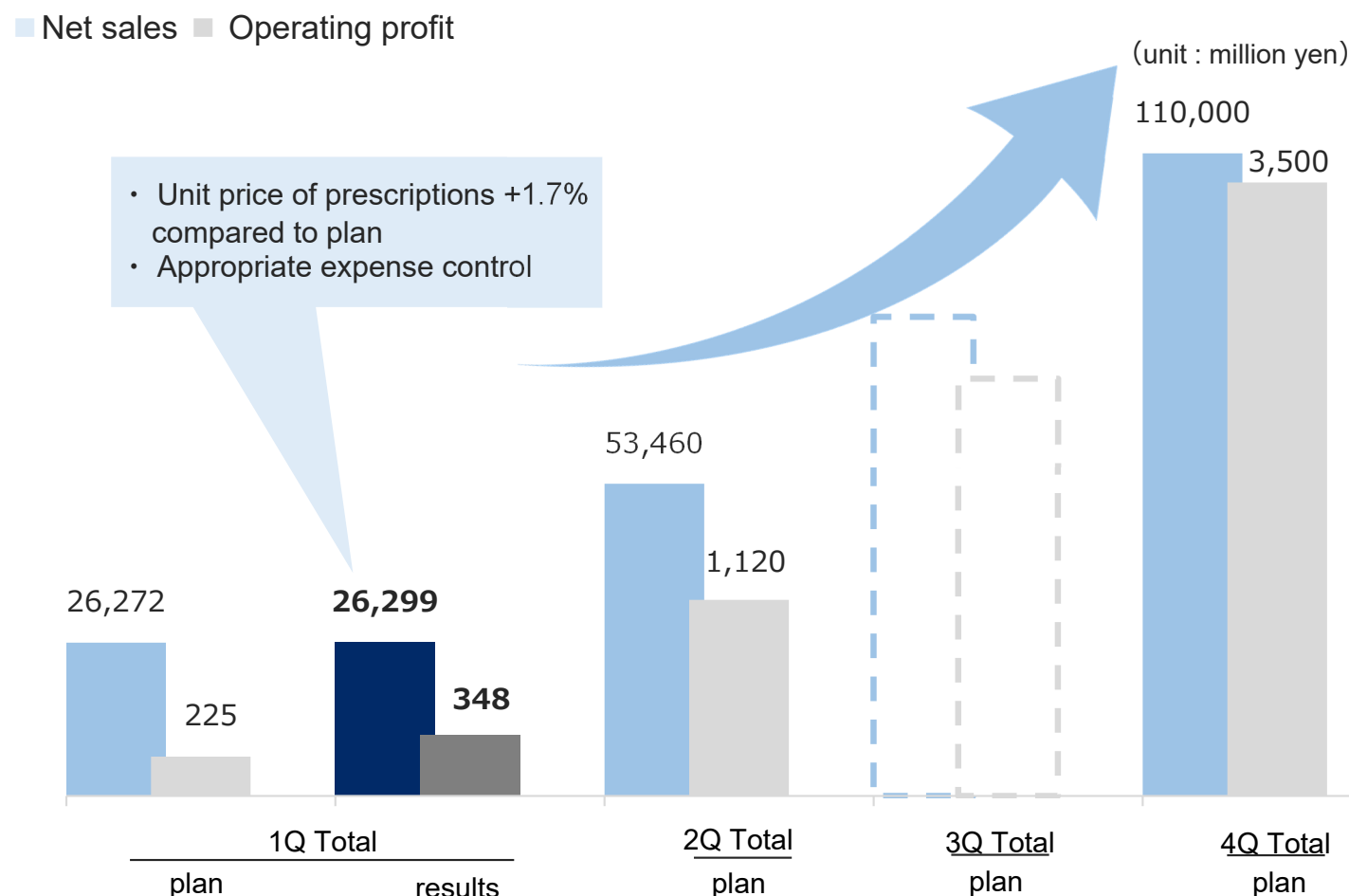
*1 EBITDA is the calculated value of “operating profit + depreciation + amortization of goodwill”

*2 Includes 263 million yen in subsidy income for countermeasures against COVID-19

FY3/2023 Results and forecast of Business Performance

- In the 1st quarter, both of net sales and operating profit exceeded our initial plan
- From the 2nd quarter onward, operating profit is expected to grow steadily due to an increase in the number of network affiliates, a projected increase in the number of prescriptions with seasonal factors, and the mitigated negative impact of the revision of dispensing fees.

【 Projected in Net Sales and Operating Profit 】



FY3/2023 1Q : Results in each segment part

■ Net sales

	FY3/2022 (results)	FY3/2023 (results)	Change	Change(%)
(Unit: million yen)				
Net sales	25,914	26,299	+ 384	+ 1.5%
Community Pharmacy Network Segment ^{*1}	24,657	25,045	+ 387	+ 1.6%
Other 3 Segments ^{*2}	1,399	1,444	+ 44	+ 3.2%
Adjustments	(143)	(190)	(47)	—

■ Operating profit

	FY3/2022 (results)	FY3/2023 (results)	Change	Change(%)
(Unit: million yen) Profit margin in brackets				
Segment profit	667 2.6%	348 1.3%	(318) (1.3pt.)	(47.7%)
Community Pharmacy Network Segment ^{*1}	1,202 4.9%	1,014 4.1%	(187) (0.8pt.)	(15.6%)
Other 3 Segments ^{*2}	(11) —	(57) —	(45) —	—
Adjustments	(523) —	(608) —	(84) —	—

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

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

FY3/2023 1Q : Consolidated balance sheet

■ 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%

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

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

■ End of FY3/2023 1Q

(Unit: million yen)

Assets	64,964	Liabilities	51,788
Current assets	19,392	Current liabilities	21,146
Cash and deposits	7,677	Short-term loans ^{*1}	6,388
		Fixed liabilities	30,642
Fixed assets	45,572	Long-term loans	21,714
Tangible fixed assets	26,444	Net assets	13,175
Intangible fixed assets	12,490	Capital stock	2,128
Goodwill	11,971	Capital surplus	1,182
Investments and other assets	6,637	Retained earnings	10,270
		Treasury stock	(326)
Total assets	64,964	Total liabilities and net assets	64,964

Equity ratio

20.2%

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

23.0%

FY3/2023 1Q : Consolidated cash flows

Cash flows from
operating activities

653
million yen

EBITDA*

Income taxes paid

Changes in working capital

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

1,061 million yen

(769) million yen

521 million yen

Cash flows from
investing activities

(369)
million yen

Acquisition of building fixtures, etc.

(328) million yen

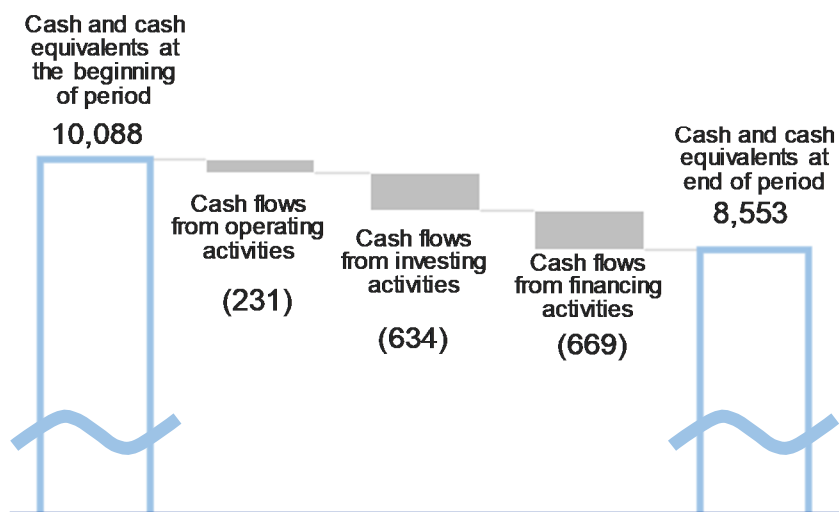
Cash flows from
financing activities

(807)
million yen

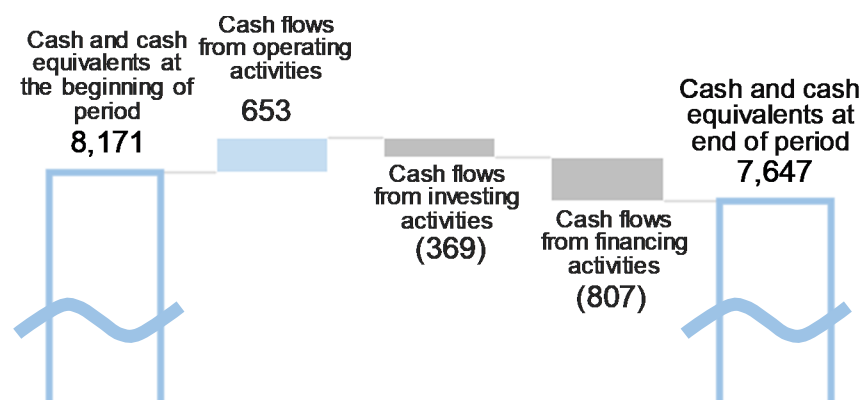
Loan amount reduced

(561) million yen

■FY3/2022 1Q (Unit: million yen)



■FY3/2023 1Q (Unit: million yen)





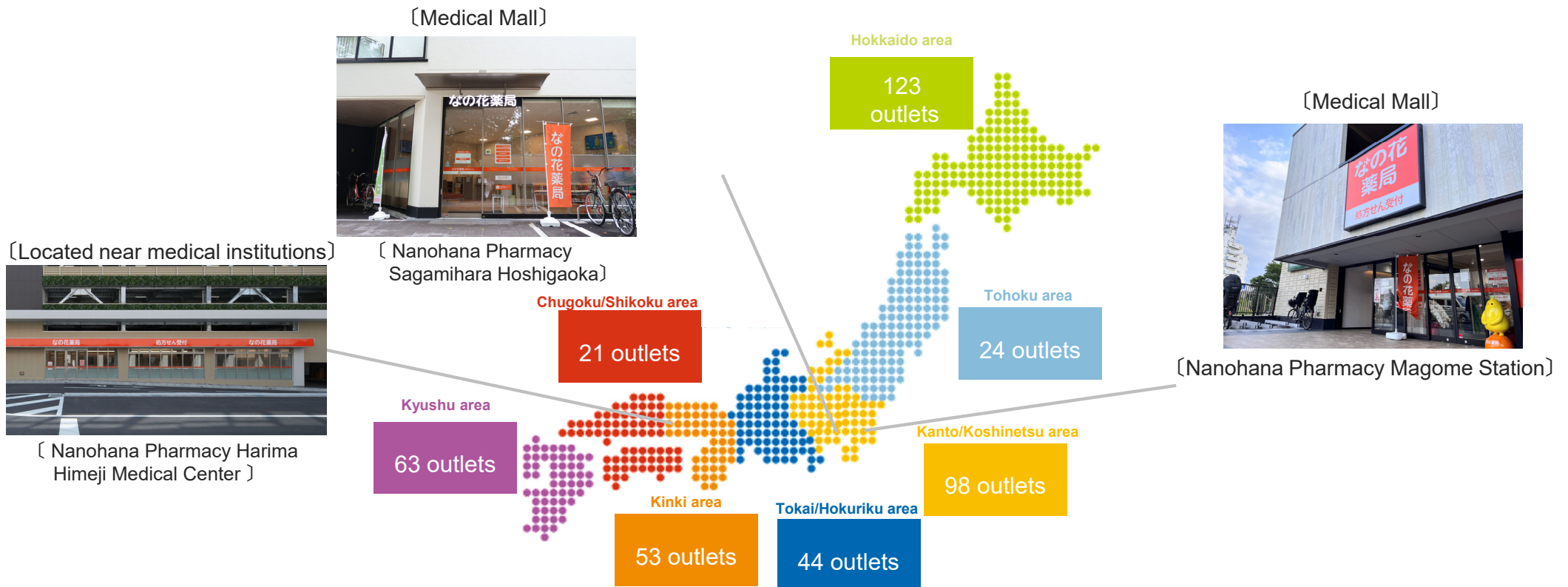
2

Business Summary

Community Pharmacy Business :

Trends in number of pharmacies

3 new outlets and 2 outlet closures since the end of previous FY



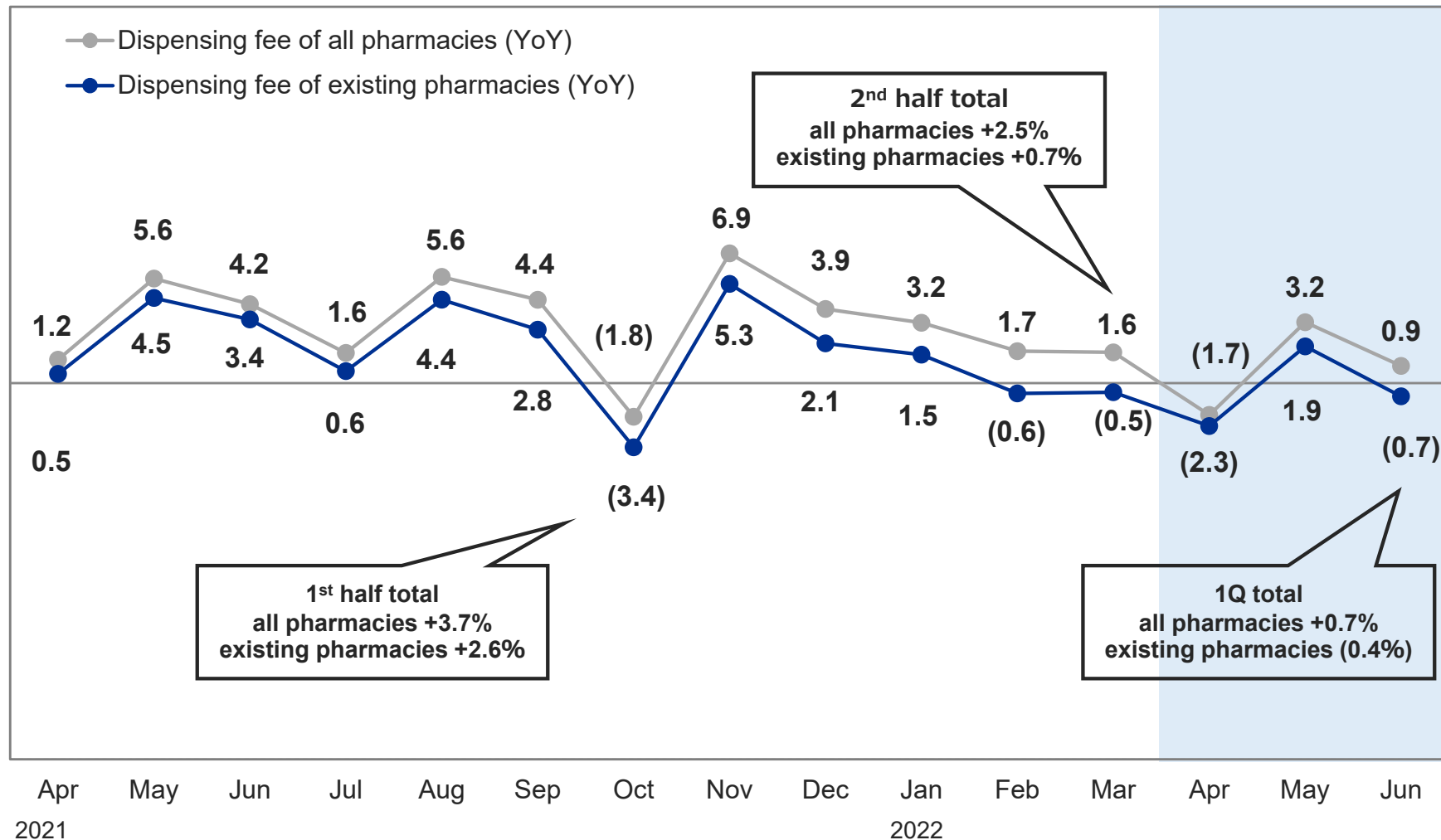
(as of June 30, 2022)

Community pharmacy outlet number trends of the past 10 years

	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023 1Q
Openings	14	10	9	8	8	5	8	7	12	3
Closings and transferring of businesses	(7)	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)	(2)
M&A	45	27	7	20	19	30	3	6	3	0
Number of outlets	321	345	353	377	399	420	416	416	425	426

Community Pharmacy Business :

Monthly dispensing fee (YoY)

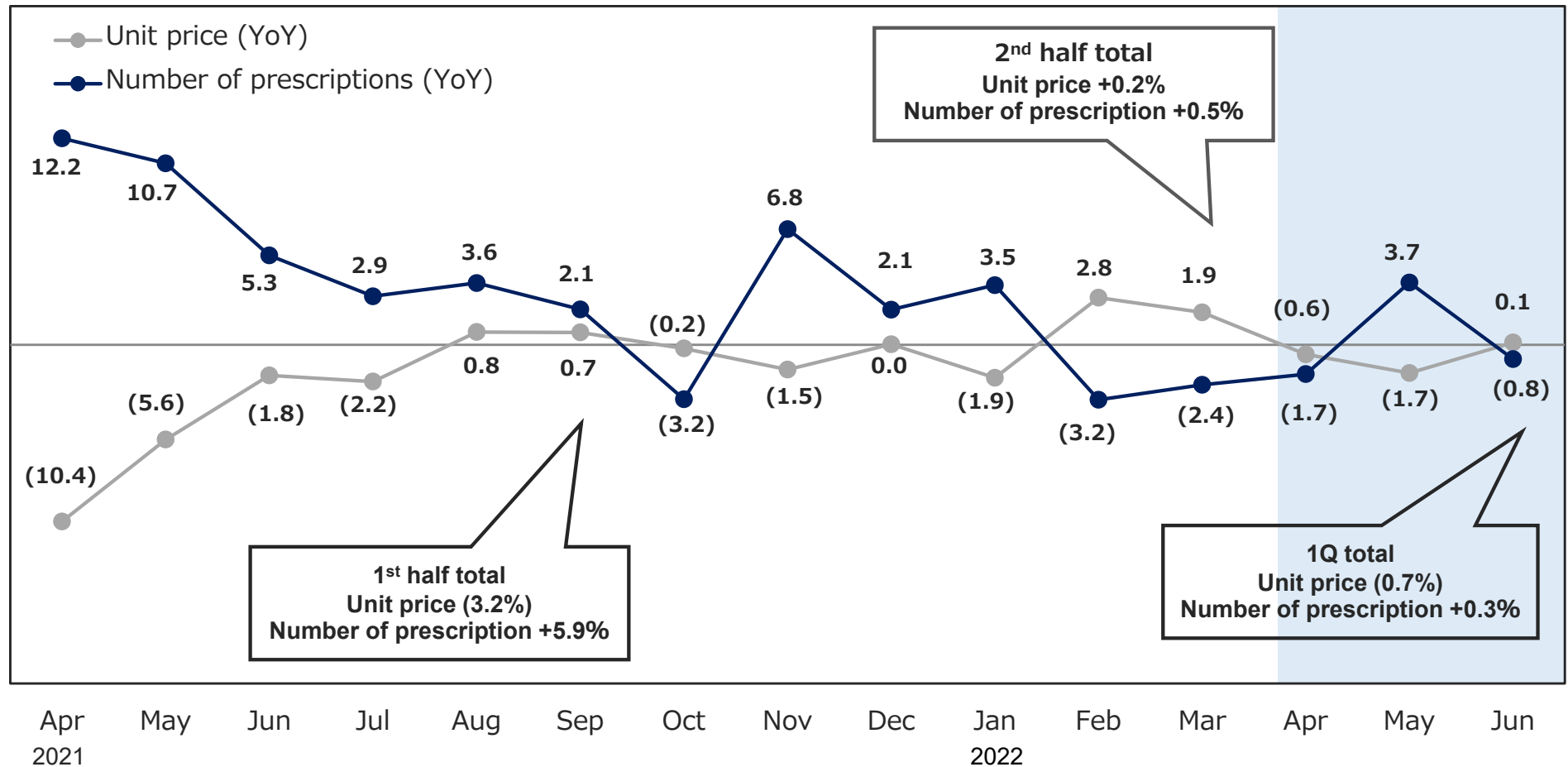


* Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2020 for the previous fiscal year and since April 1, 2021 for the current fiscal year

Community Pharmacy Business :

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

Unit price of prescriptions declined due to the revision of dispensing fees



Community Pharmacy Business : Dispensing fee breakdown

■ All pharmacies		FY3/2022 1Q	FY3/2023 1Q	Change	Change (%)
No. of prescriptions (1,000)		2,185	2,230	+ 45	+ 2.1%
Unit price (yen)	Drug charge per prescription	7,742	7,620	(122)	(1.6%)
	Technical fee per prescription	2,435	2,421	(13)	(0.5%)
	Total	10,177	10,041	(135)	(1.3%)
Dispensing fee (million yen)		22,238	22,399	+ 160	+ 0.7%

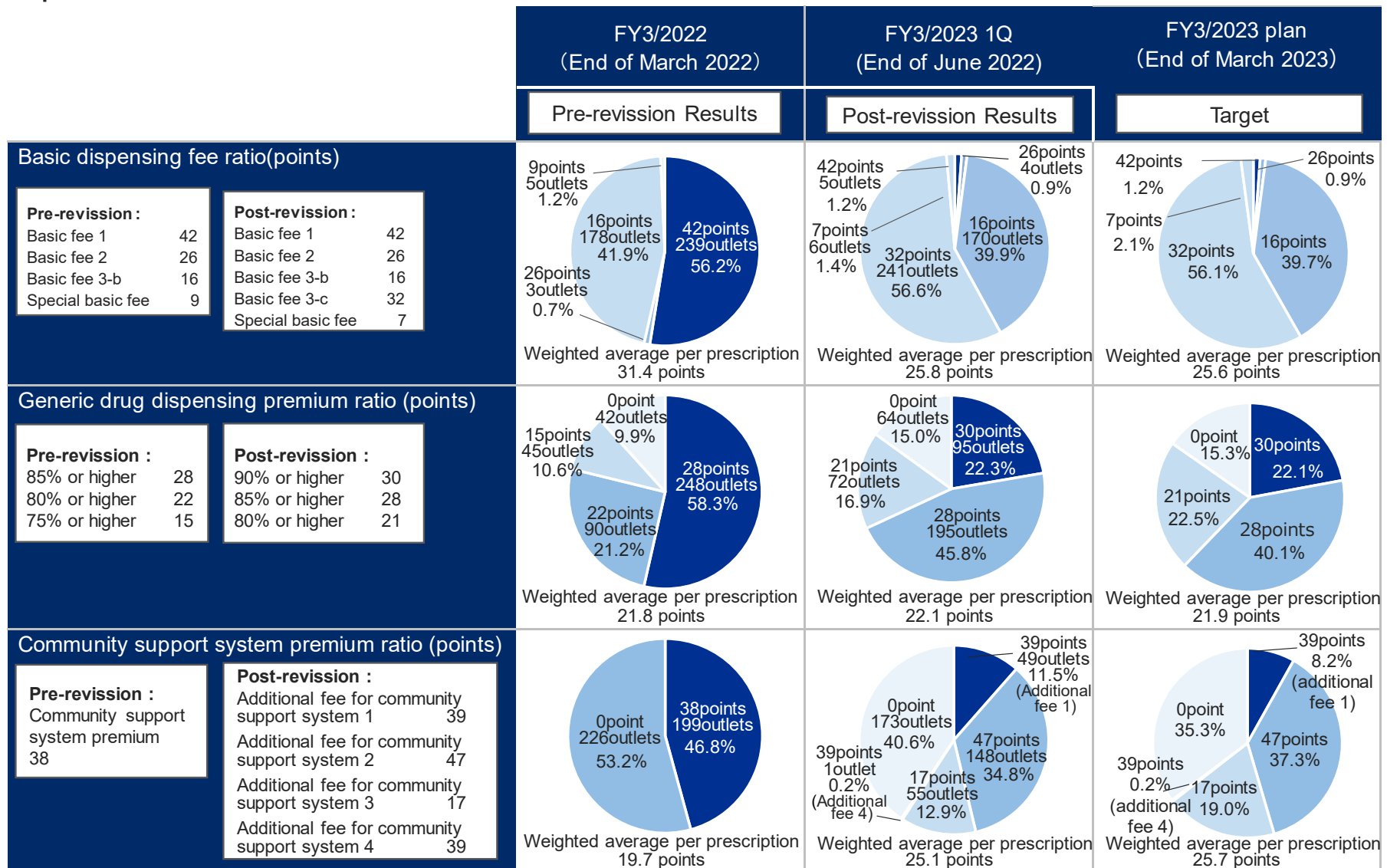
■ Existing pharmacies

No. of prescriptions (1,000)		2,132	2,138	+ 5	+ 0.3%
Unit price (yen)	Drug charge per prescription	7,730	7,661	(69)	(0.9%)
	Technical fee per prescription	2,438	2,437	(2)	(0.1%)
	Total	10,168	10,097	(71)	(0.7%)
Dispensing fee (million yen)		21,687	21,593	(93)	(0.4%)

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

Community Pharmacy Business : Dispensing fee revision

Acquisition of dispensing fee is progressing mostly as planned. We are continuing to focus on interpersonal services

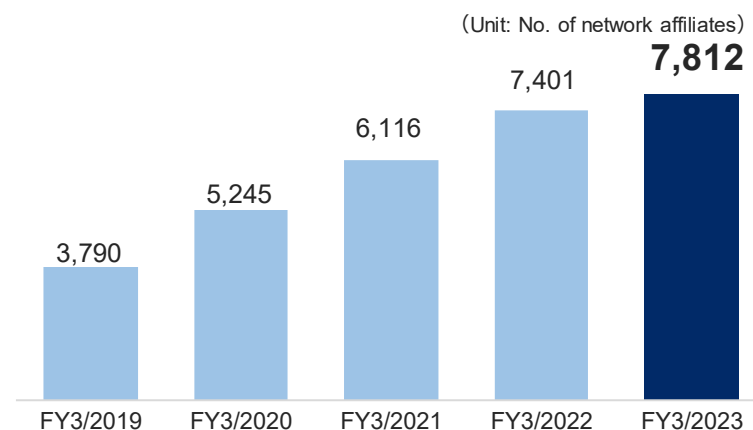


Pharmaceuticals Network Business : Earnings summary

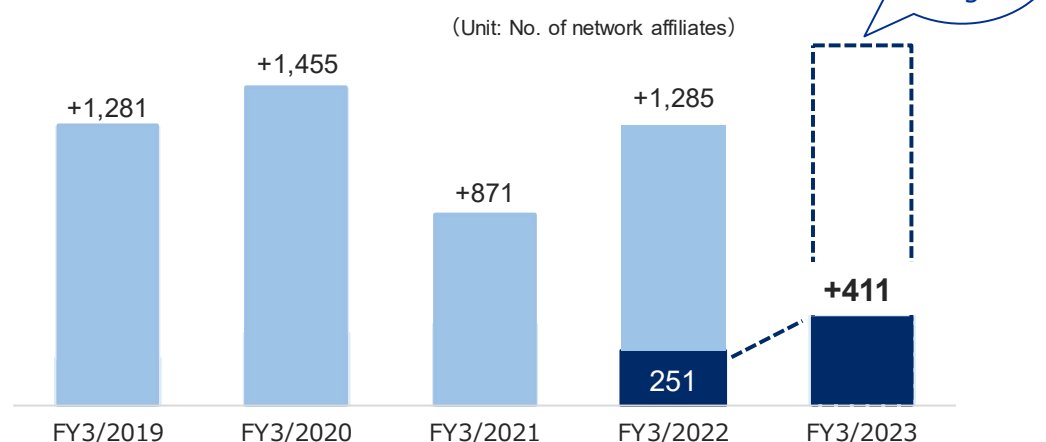
Network affiliates remained steady, up 411 from the end of the previous FY to 7,812

■ Full year ■ 1Q

■ Network affiliates (actual)

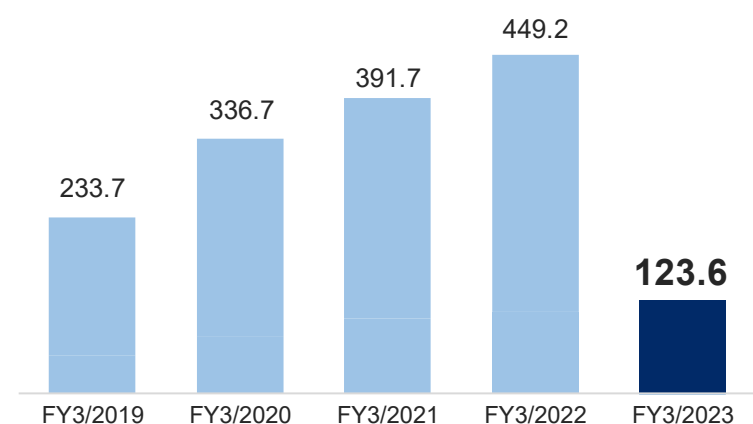


■ Network affiliates (net increase)



■ Ordering volume of pharmaceuticals

(Unit : billion yen)



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

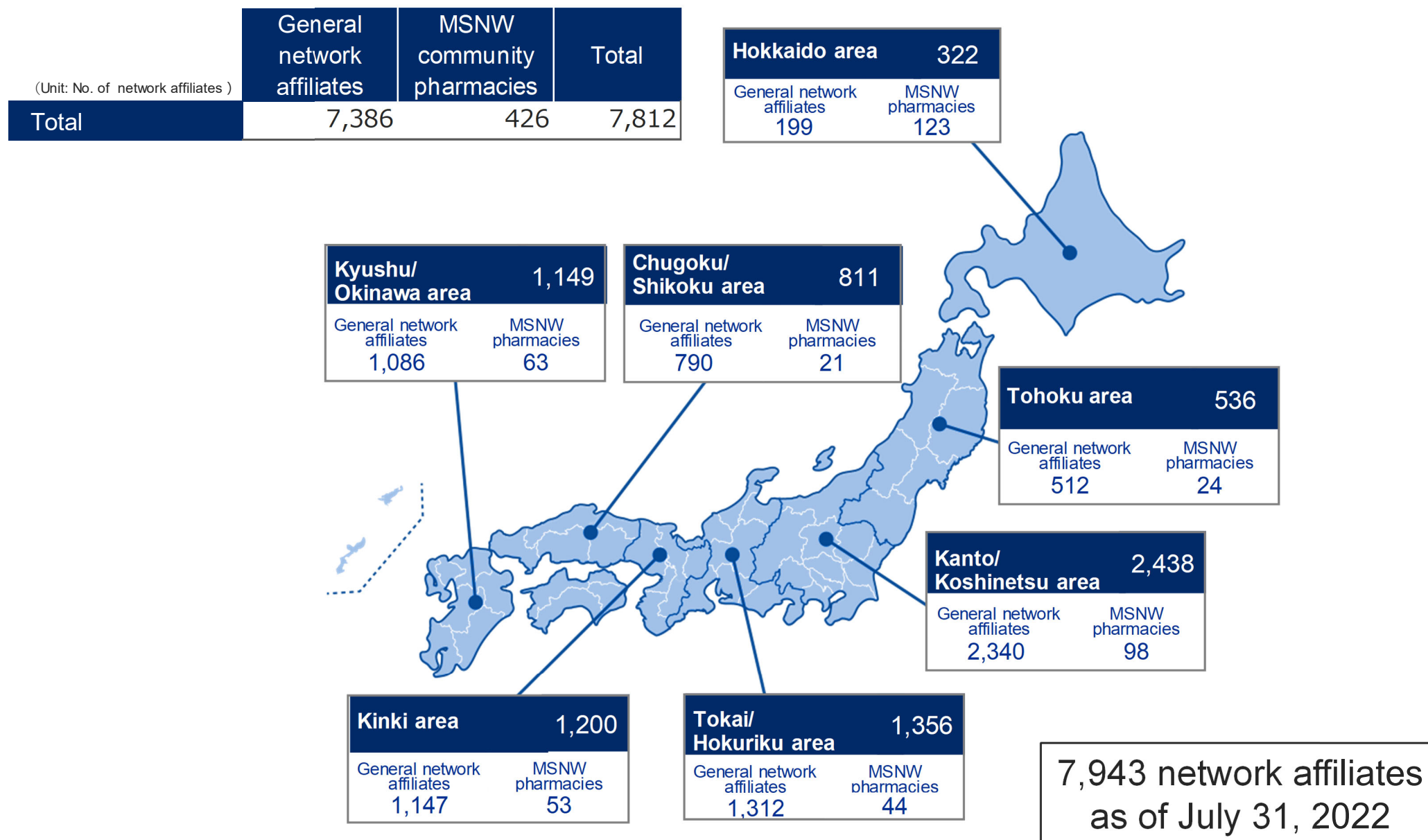
	1Q	2Q	3Q	4Q	Total
New	405	395	379	463	1,642
Withdrawal	(154)	(62)	(76)	(65)	(357)

■ FY3/2023 Breakdown of network affiliates

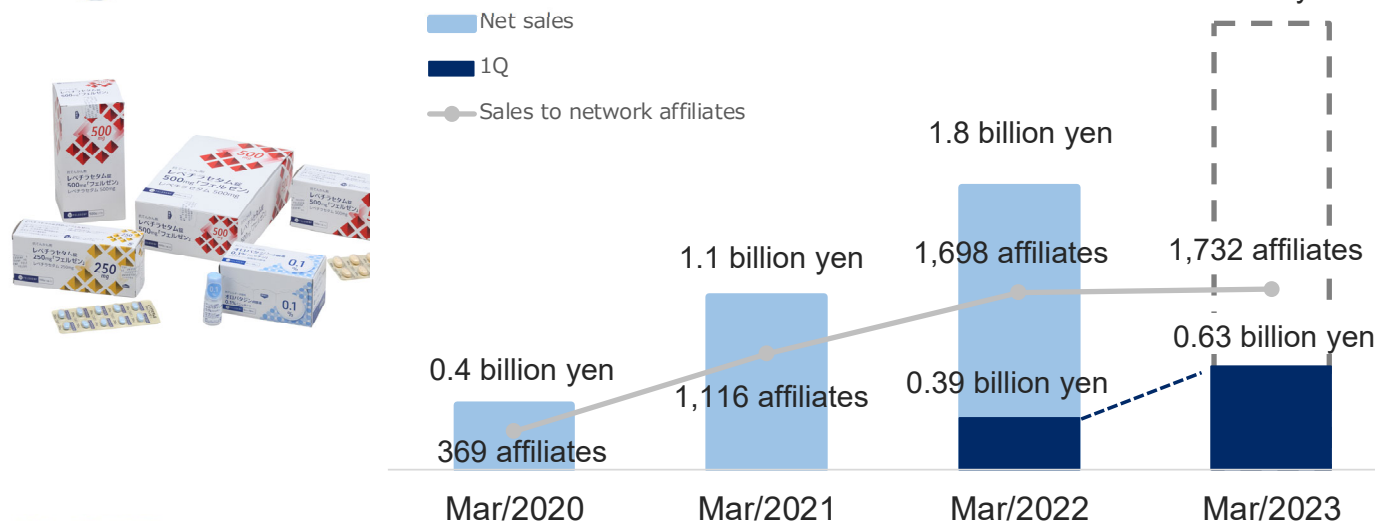
	1Q
New	525
Withdrawal	(114)

Pharmaceuticals Network Business :

Network affiliates distribution map (as of June 30, 2022)



FELDSENF PHARMA



As of June 30, 2022

Available products (ingredients) :

82 products (41 ingredients)

(As of July 1, 85 products (42 ingredients))

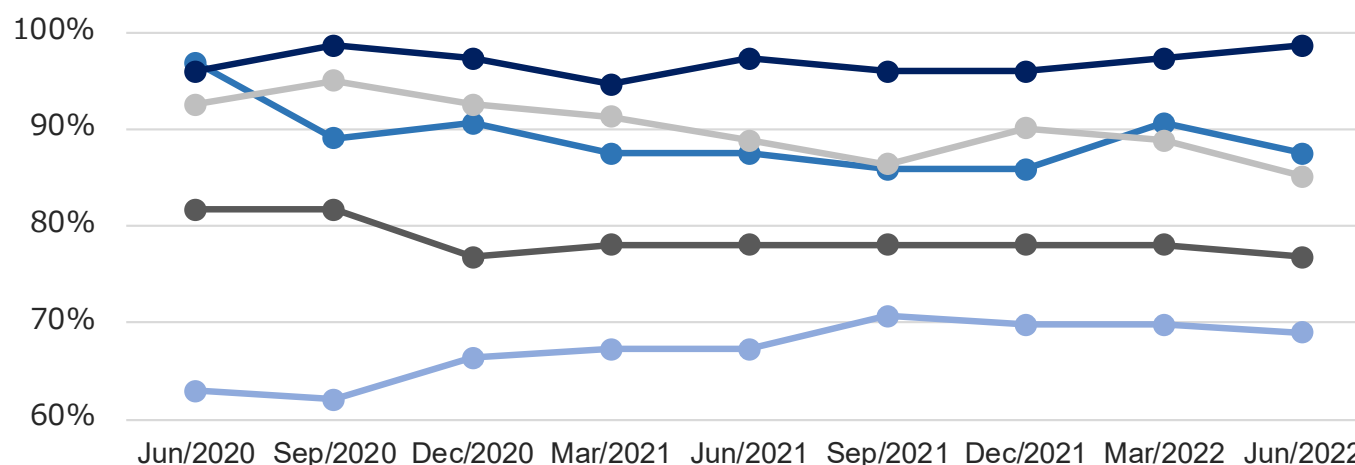
Sales to network affiliates :

1,732 affiliates

(End of FY 3/2023 target : 2,700 affiliates)



Occupancy rate trends in Wisterias (serviced elderly housing facilities)



● 98.7% (Wisteria Kiyota)

● 87.5% (Wisteria N17)

● 85.2% (Wisteria Otaru Inaho)

● 76.8% (Wisteria Senri Chuo)

● 69.0% (Wisteria M1)

All 5 facilities occupancy rate: 81.8%

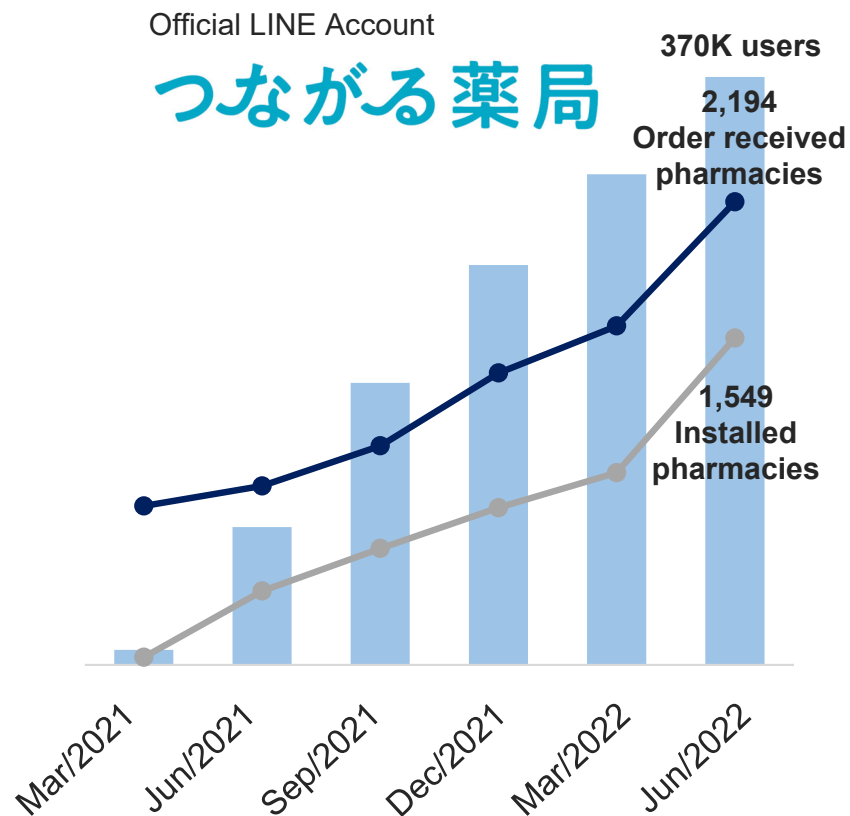
End of FY 3/2023 target :

90% occupancy rate

Pharmashift

- Steady growth in both orders and installations as the needs to strengthen interpersonal operations grows, coupled with an increase in the number of pharmaceutical network affiliates
- The Number of registered LINE friends "Tsunagaru Pharmacy" exceeds 370,000

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



■ Major additional functions in 1Q

- Pharmacy Favorite Registration & QR Code Issuance Function
- Enhanced Medication Follow-up
(Scheduled transmission, message templates)
- Enhanced Online Medication Guidance
(Reservation function, cash on delivery payment supported)
- Refill Prescription Support
- Increase in the number of images that can be sent for prescription transmission
- Expansion of items displayed in the usage results report
- Establishment and announcement of special business hours (for Japanese Golden Week)

■ Start of same-day medication delivery service demonstration pilot program

Began a verification experiment of same-day medication delivery service for online medication guidance using "Tsunagaru Pharmacy" at some of our Nanohana Pharmacy outlets





3

Core strategies,
Earnings
Forecast for
FY3/2023
【Republish】

		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

[Republish](#)


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) (0.4 pt.)	(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

[Republish](#)


■ 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

New commercial featuring actress
Momoko Fukuchi now on view



QR Code for
New CM YouTube



Click



MEDICAL SYSTEM NETWORK Co., Ltd.

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

MSNW

Search



[Contact us]
Corporate Management Division
E-mail : info@msnw.co.jp