



MEDICAL  
SYSTEM  
NETWORK  
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

Third 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/>



## ■ 3rd Quarter Results

Profits decreased from the same period of the previous FY, but mostly remained broadly in line with our forecast

- vs Forecast -
- Overall sales and profits were broadly in line with forecasts

### Progress rate vs Forecast

✓ Net sales	+0.1%
Operating profit	+0.8%
Ordinary profit	(0.4%)
Net income	(2.0%)

- YoY change -
- Net sales increased due to the contribution both of newly opened community pharmacies and pharmacies acquired through M&A

The steady growth in the number of new affiliates of the pharmaceutical network also contributed to Net sales increasing

- ✓ Dispensing fees for all pharmacies +1.7% (YoY)
- Profits decreased due to NHI price and dispensing fee revisions, strengthening of interpersonal work at Community pharmacies, and an increase in labor costs in Leasing and Facility related Businesses to strengthen sales and marketing

Figures in parentheses indicate changes from the end of the previous FY

### < Community Pharmacy Network Segment >

Community Pharmacy	<b>429</b> pharmacies (+4)
Prescription Unit price(All pharmacies)	<b>10,173</b> yen (-135 yen)*
No. of prescriptions (All pharmacies)	<b>6,828K</b> (+3.1%)*
No. of prescriptions (Existing pharmacies)	<b>6,509K</b> (+0.8%)*

\* YoY

~ The three pharmacy support businesses ~

### Pharmaceutical Network Business

- No. of affiliates **8,555** affiliates (+1,154)

### Manufacture and Market Pharmaceuticals Business

- No. of ingredients **44** ingredients (+3)
- No. of products **90** products (+8)
- No. of affiliates **2,042** affiliates (+344)

### Digital Shift Business

- User registrations **550K** (+240K)
- Order received pharmacies **3,381** pharmacies (+1,738)
- Installed pharmacies **3,071** pharmacies (+2,160)

### < Leasing and Facility related Segment >

#### Wisteria

- Occupancy rate of all 5 facilities **81.8%** (-1.5%)

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## Earnings Highlight

# FY3/2023 3Q : Consolidated Results

	FY3/2022 3Q (results)	FY3/2023 3Q (results)	YoY		FY3/2023 Full year forecast	Progress rate
			Change	Change (%)		
(Unit: million yen)						
Net sales	79,868	81,878	+ 2,009	+ 2.5%	110,000	74.4%
EBITDA <sup>*1</sup> Profit margin	5,173 6.5%	4,525 5.5%	(648)	(12.5%)	6,200 5.6%	73.0%
Operating profit Profit margin	3,063 3.8%	2,344 2.9%	(719)	(23.5%)	3,500 3.2%	67.0%
Ordinary profit Profit margin	<sup>*2</sup> 3,485 4.4%	2,499 3.1%	(985)	(28.3%)	3,700 3.4%	67.5%
Profit attributable to owners of parent Profit margin	2,144 2.7%	1,195 1.5%	(949)	(44.3%)	1,750 1.6%	68.3%
Earnings per share (Yen)	71.08	39.60	(31.48)	—	57.99	—

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

\*2 Includes 398 million yen in subsidy income for countermeasures against COVID-19

# FY3/2023 3Q : Results by Segment

## ■ Net sales

(Unit: million yen)

	FY3/2022 3Q (results)	FY3/2023 3Q (results)	YoY	
			Change	Change(%)
Net sales	79,868	81,878	+ 2,009	+ 2.5%
Community Pharmacy Network Segment <sup>*1</sup>	75,986	78,078	+ 2,092	+ 2.8%
Other 3 Segments <sup>*2</sup>	4,446	4,378	(67)	(1.5%)
Adjustments	(563)	(579)	(15)	—

## ■ Operating profit

(Unit: million yen)  
Profit margin in brackets

Segment profit	3,063 3.8%	2,344 2.9%	(719) (0.9pt)	(23.5%)
Community Pharmacy Network Segment <sup>*1</sup>	4,663 6.1%	4,299 5.5%	(364) (0.6pt)	(7.8%)
Other 3 Segments <sup>*2</sup>	50 1.1%	(167) —	(218) —	—
Adjustments	(1,650) —	(1,787) —	(136) —	—

\*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 3Q : Consolidated Balance Sheet

## ■ End of FY3/2022

(Unit: million yen)

Assets	62,941	Liabilities	49,654
<b>Current assets</b>	<b>18,701</b>	<b>Current liabilities</b>	<b>20,435</b>
Cash and deposits	8,201	Short-term loans <sup>*1</sup>	5,772
		<b>Fixed liabilities</b>	<b>29,219</b>
<b>Fixed assets</b>	<b>44,239</b>	Long-term loans	22,891
Tangible fixed assets	24,624	<b>Net assets</b>	<b>13,286</b>
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)
<b>Total assets</b>	<b>62,941</b>	<b>Total liabilities and net assets</b>	<b>62,941</b>

### Equity ratio

21.1%

(Equity ratio with taking into account net cash<sup>\*2</sup>) 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 3Q

(Unit: million yen)

Assets	68,520	Liabilities	54,395
<b>Current assets</b>	<b>22,893</b>	<b>Current liabilities</b>	<b>24,341</b>
Cash and deposits	9,594	Short-term loans <sup>*1</sup>	7,535
		<b>Fixed liabilities</b>	<b>30,053</b>
<b>Fixed assets</b>	<b>45,626</b>	Long-term loans	20,441
Tangible fixed assets	26,838	<b>Net assets</b>	<b>14,125</b>
Intangible fixed assets	12,151	Capital stock	2,128
Goodwill	11,527	Capital surplus	1,182
Investments and other assets	6,636	Retained earnings	11,190
		Treasury stock	(326)
<b>Total assets</b>	<b>68,520</b>	<b>Total liabilities and net assets</b>	<b>68,520</b>

### Equity ratio

20.6%

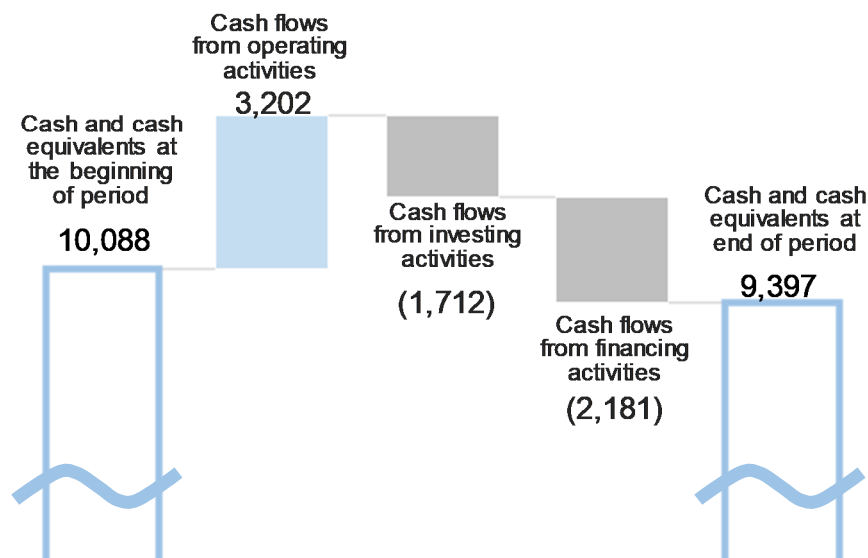
(Equity ratio with taking into account net cash<sup>\*2</sup>) 23.9%



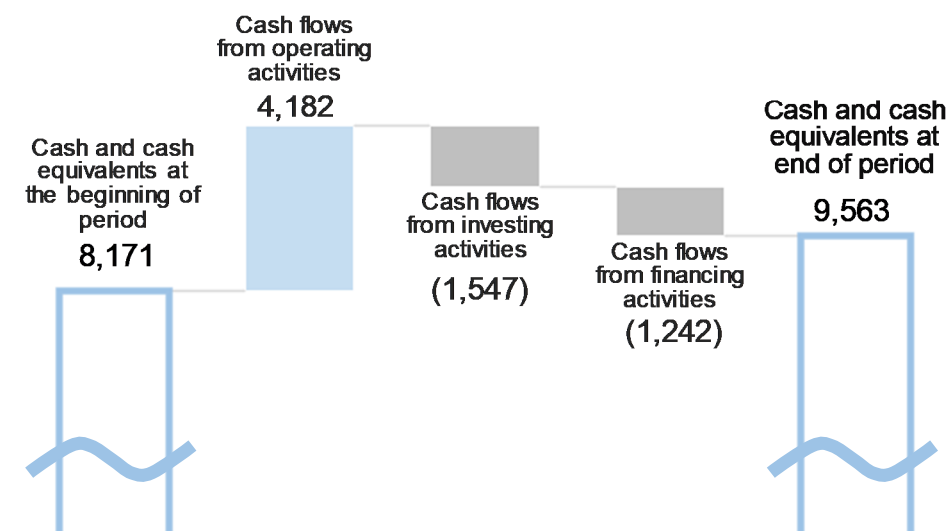
# FY3/2023 3Q : Consolidated Cash Flows

Cash flows from operating activities	4,182 million yen	EBITDA* Income taxes paid Changes in working capital	4,525 million yen (1,294) million yen 478 million yen
		* Calculated by "operating profit + depreciation + amortization of goodwill"	
Cash flows from investing activities	(1,547) million yen	Opening of new pharmacies Existing pharmaciesrenovation costs, etc.	(552) million yen (514) million yen
Cash flows from financing activities	(1,242) million yen	Loan amount reduced	(687) million yen

■FY3/2022 3Q (Unit: million yen)



■FY3/2023 3Q (Unit: million yen)





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## Business Summary and Core Strategies

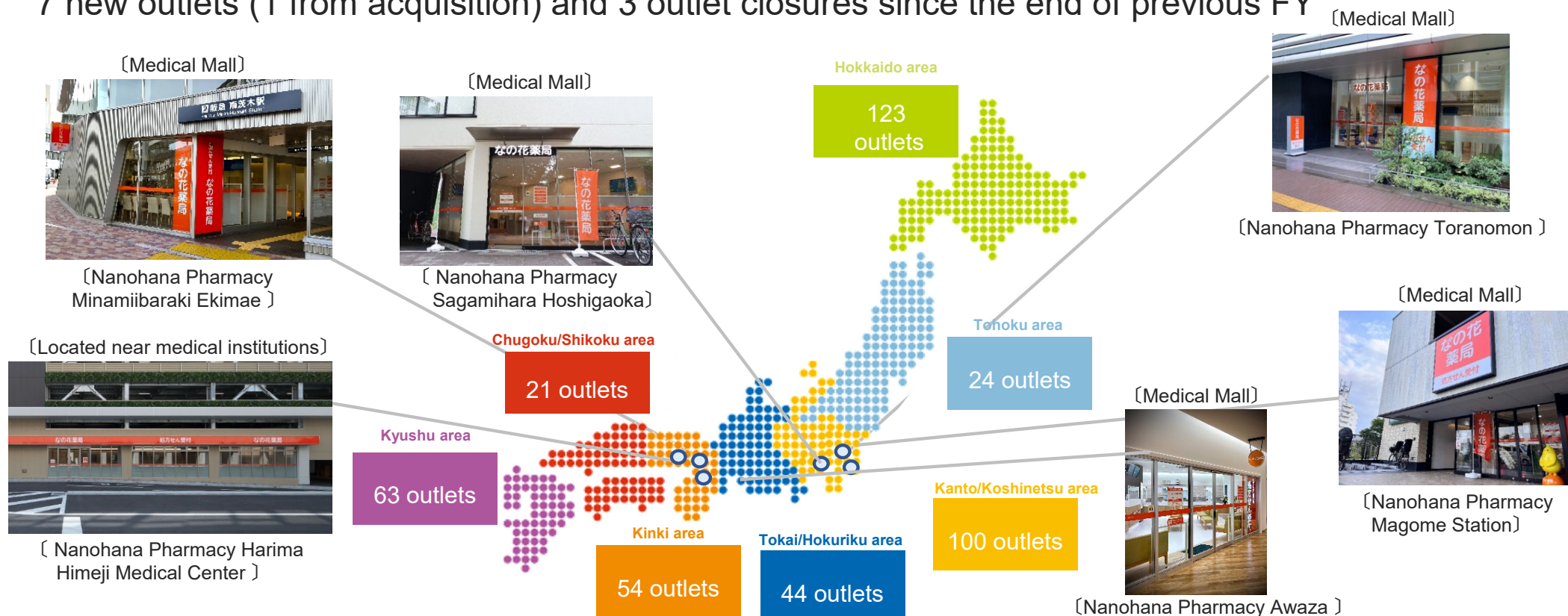
		Core strategies and numerical targets for the current fiscal year
Community Pharmacy Network Segment	Community Pharmacy Business	<ul style="list-style-type: none"> <li>■ Strengthening interpersonal work and provide quality drug treatment</li> <li>■ Acquisition of prescriptions using on-line (LINE, prescription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

\* 3 Pharmacy Support Businesses

# Community Pharmacy Business :

## Trends in Number of Pharmacies

7 new outlets (1 from acquisition) and 3 outlet closures since the end of previous FY



### Community pharmacy outlet number trends of the past 10 years

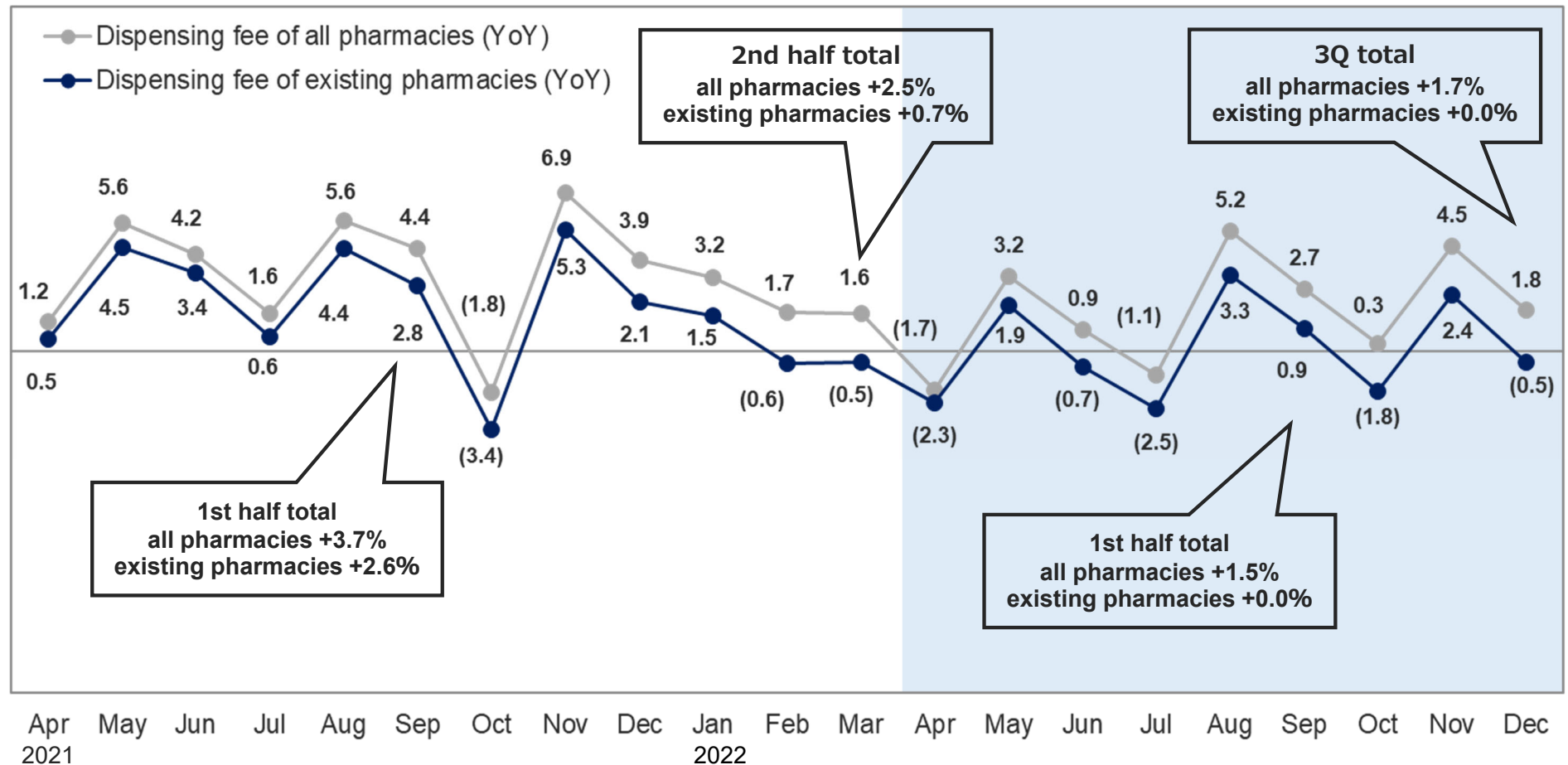
(as of December 31, 2022)

	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023 3Q
Openings	14	10	9	8	8	5	8	7	12	6
Closings and transferring of businesses	(7)	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)	(3)
M&A	45	27	7	20	19	30	3	6	3	1
Number of outlets	321	345	353	377	399	420	416	416	425	429



# Community Pharmacy Business :

## Monthly Dispensing Fee (YoY)



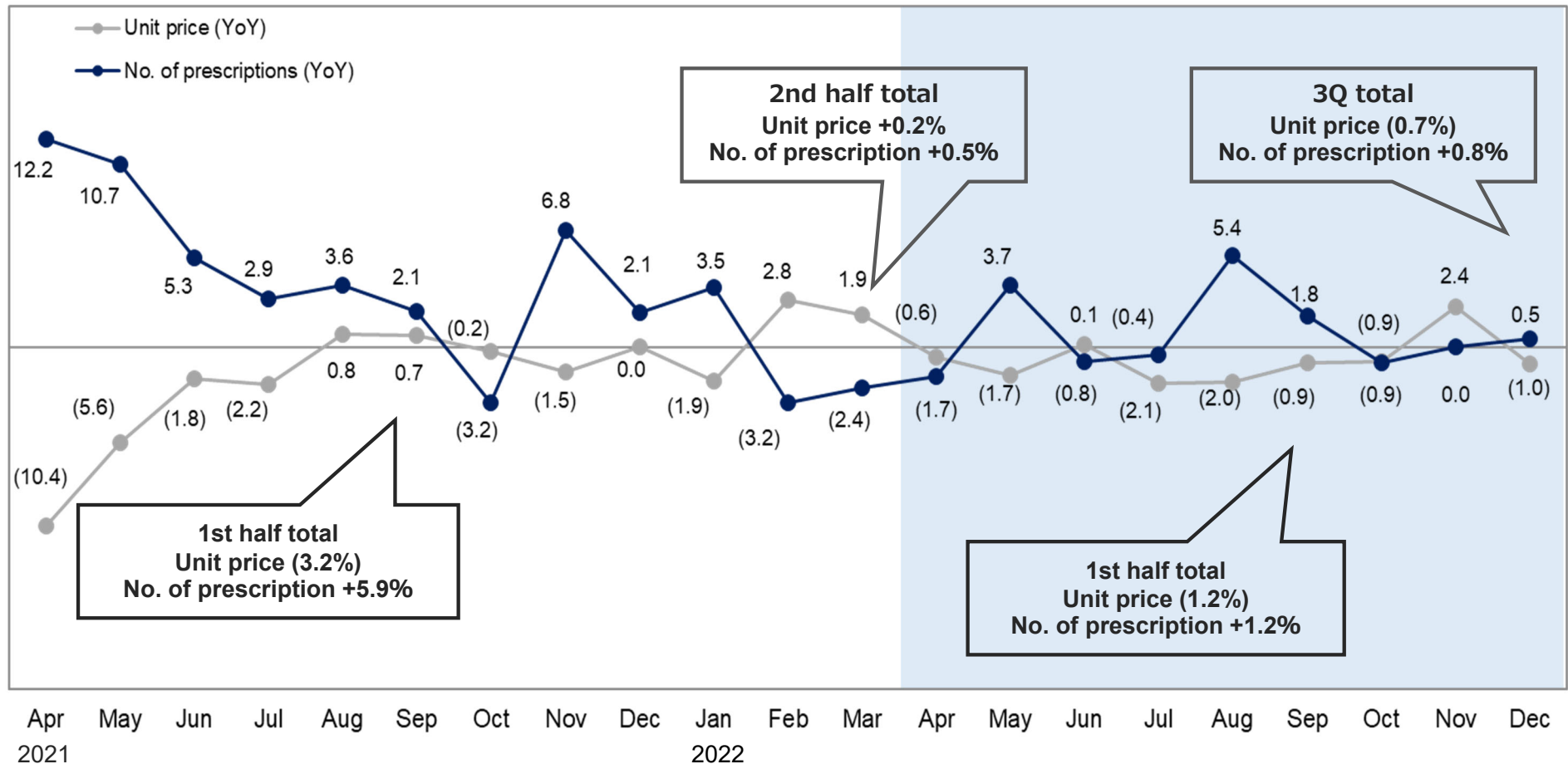
\* Existing pharmacies definition : Pharmacies that have been continuously open since April 1, 2020 for the previous FY and since April 1, 2021 for the current FY

# Community Pharmacy Business :

## Monthly Prescription Volume and Unit Price of Existing Pharmacies (YoY)



Despite an increase in the no. of prescriptions, the unit price of prescriptions declined due to the impact of the revision of dispensing fees



# Community Pharmacy Business : Dispensing Fee Breakdown

■ All pharmacies		FY3/2022 3Q	FY3/2023 3Q	Change	Change (%)
No. of prescriptions (1,000)		6,625	6,828	+ 203	+ 3.1%
Unit price (yen)	Drug charge per prescription	7,882	7,733	(149)	(1.9%)
	Technical fee per prescription	2,426	2,440	+ 14	+ 0.6%
	Total	10,309	10,173	(135)	(1.3%)
Dispensing fee (million yen)		68,296	69,472	+ 1,175	+ 1.7%

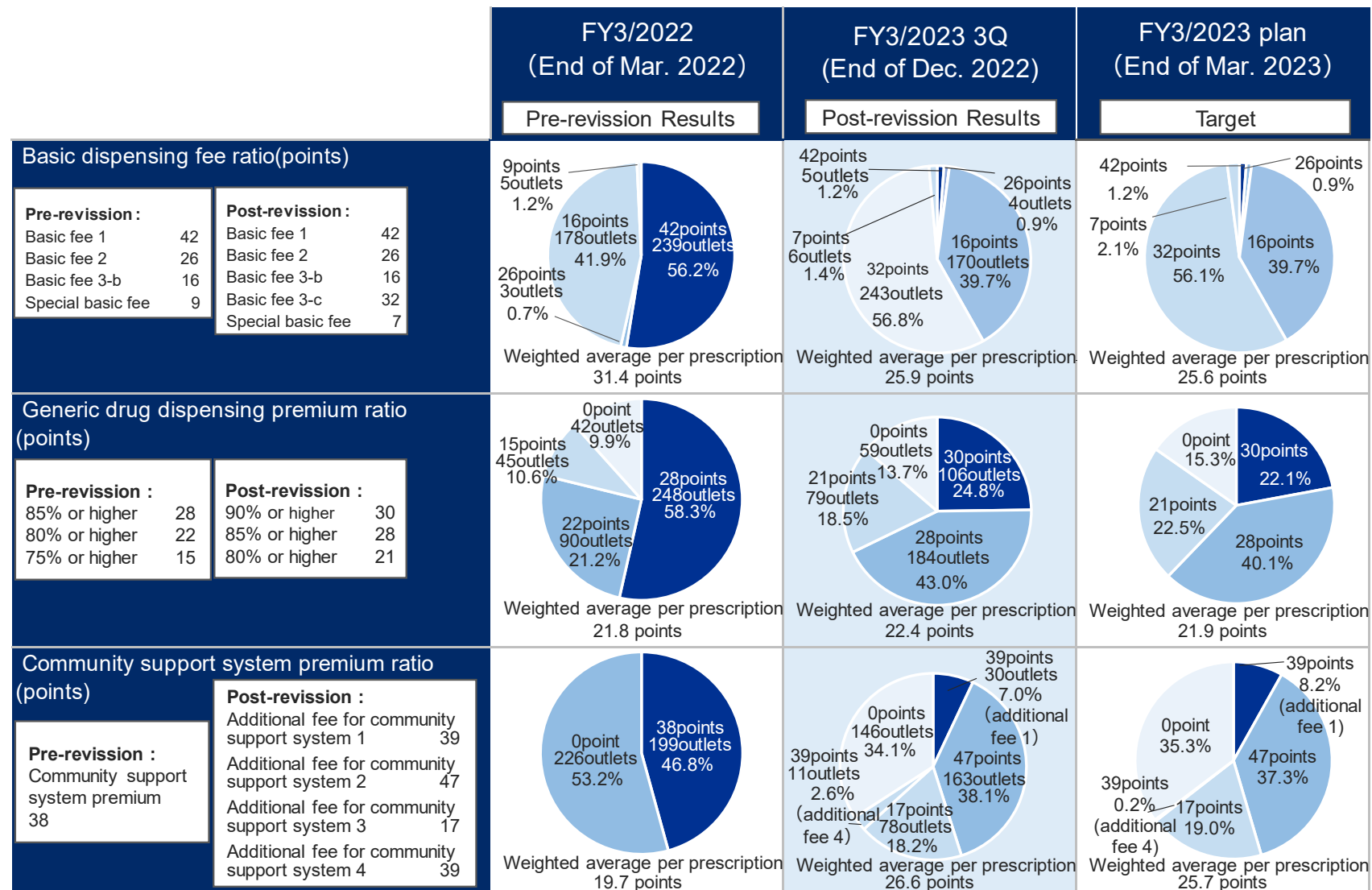
## ■ Existing pharmacies

No. of prescriptions (1,000)		6,459	6,509	+ 50	+ 0.8%
Unit price (yen)	Drug charge per prescription	7,871	7,769	(102)	(1.3%)
	Technical fee per prescription	2,431	2,458	+ 27	+ 1.1%
	Total	10,302	10,227	(75)	(0.7%)
Dispensing fee (million yen)		66,542	66,570	+ 28	+ 0.0%

\*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 as planned. We are continuing to focus on interpersonal services



\* Excluding a pharmacy that is not consolidated



# Pharmaceuticals Network Business :

## Performance Summary (As of December 31, 2022)

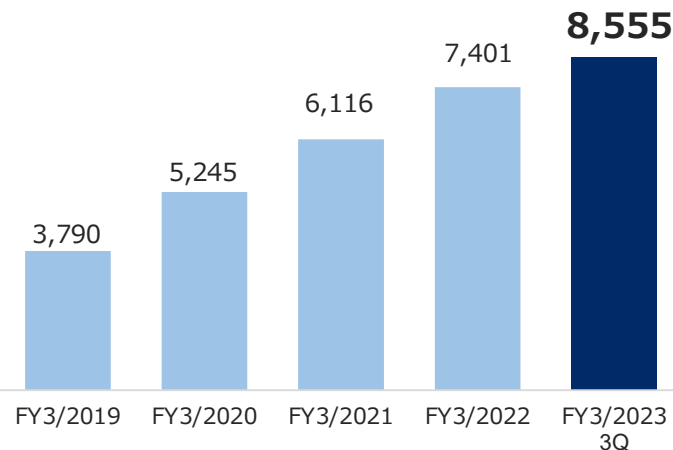


Network affiliates remained steady, up 1,154 from the end of the previous FY to 8,555

■ Full year ■ 3Q

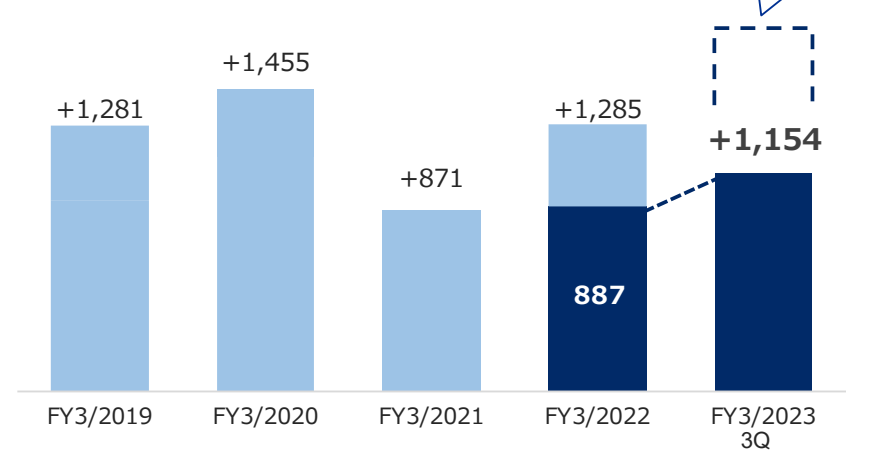
### ■ Network affiliates (actual)

(Unit: No. of network affiliates)



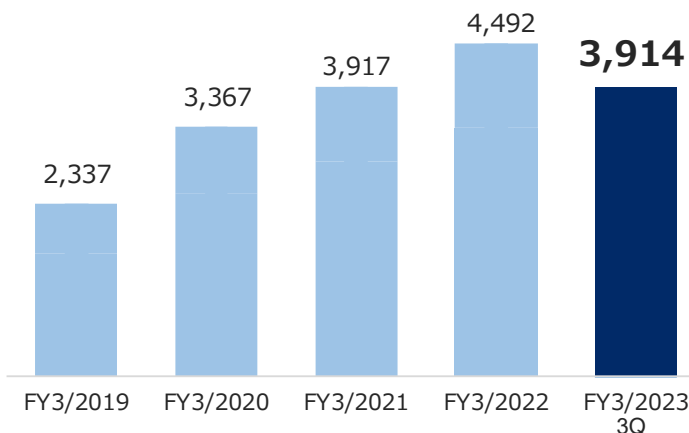
### ■ Network affiliates (net increase)

(Unit: No. of network affiliates)



### ■ 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

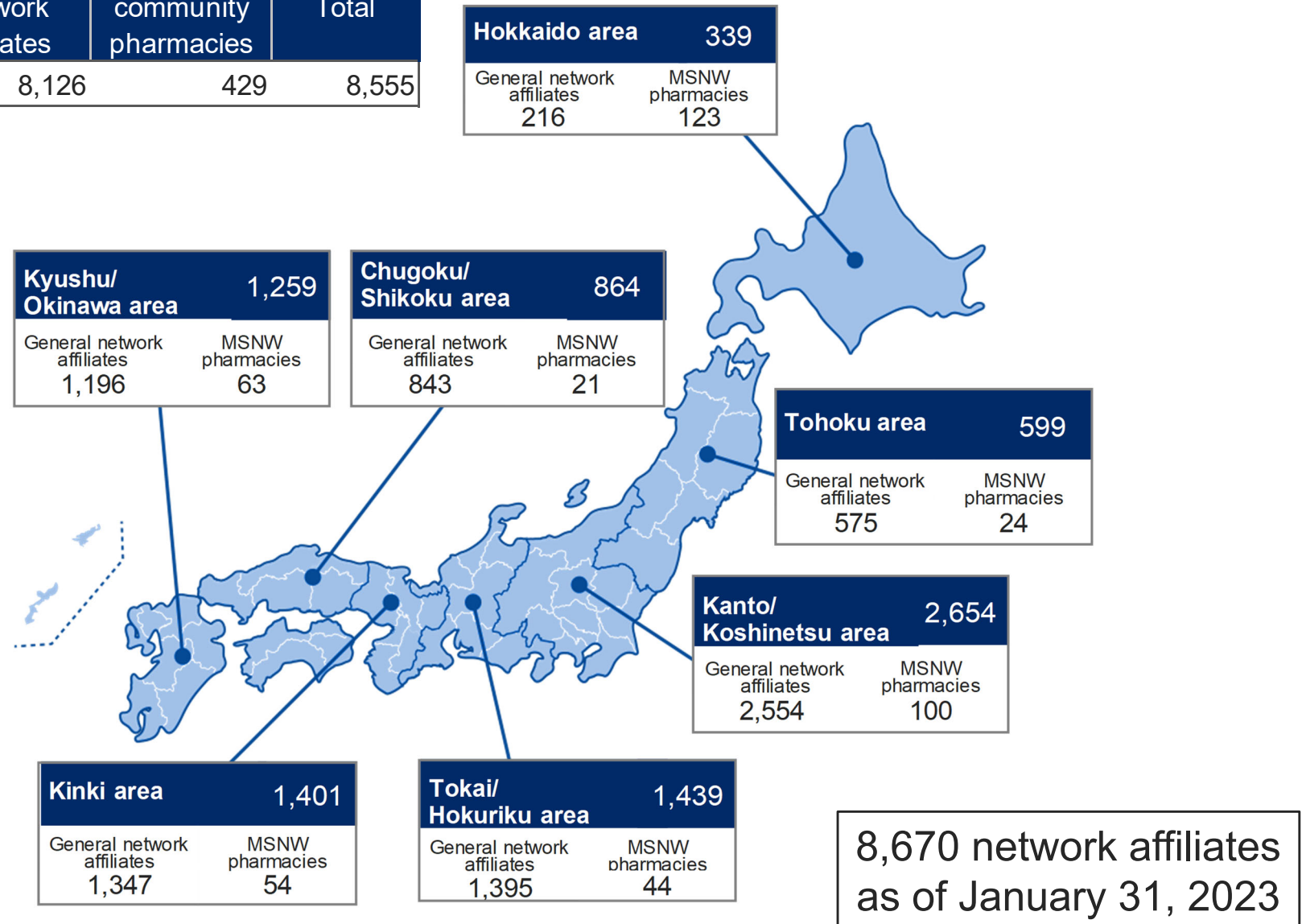
	1Q	2Q	3Q
New	525	420	477
Withdrawal	(114)	(59)	(95)

# Pharmaceuticals Network Business :

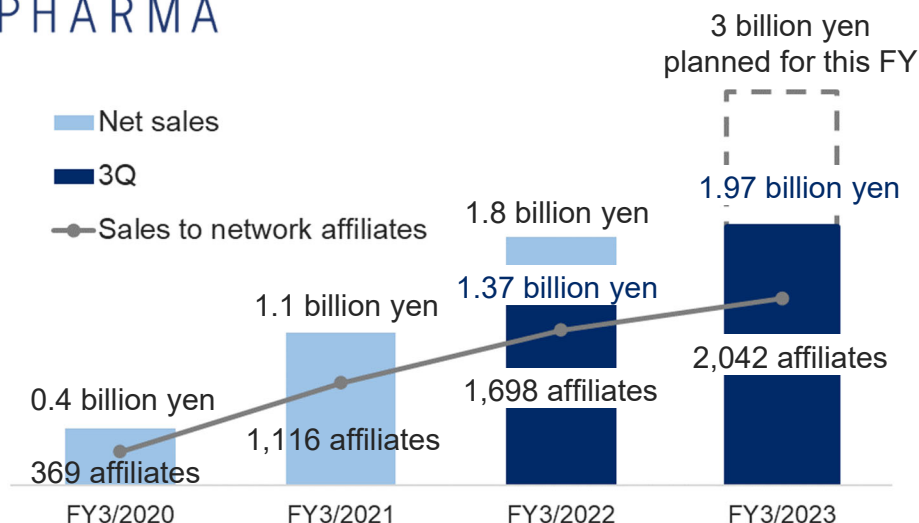
## Network Affiliates Distribution Map (as of December 31, 2022)

(Unit: No. of network affiliates)

	General network affiliates	MSNW community pharmacies	Total
Total	8,126	429	8,555



## FELDFELSEN PHARMA



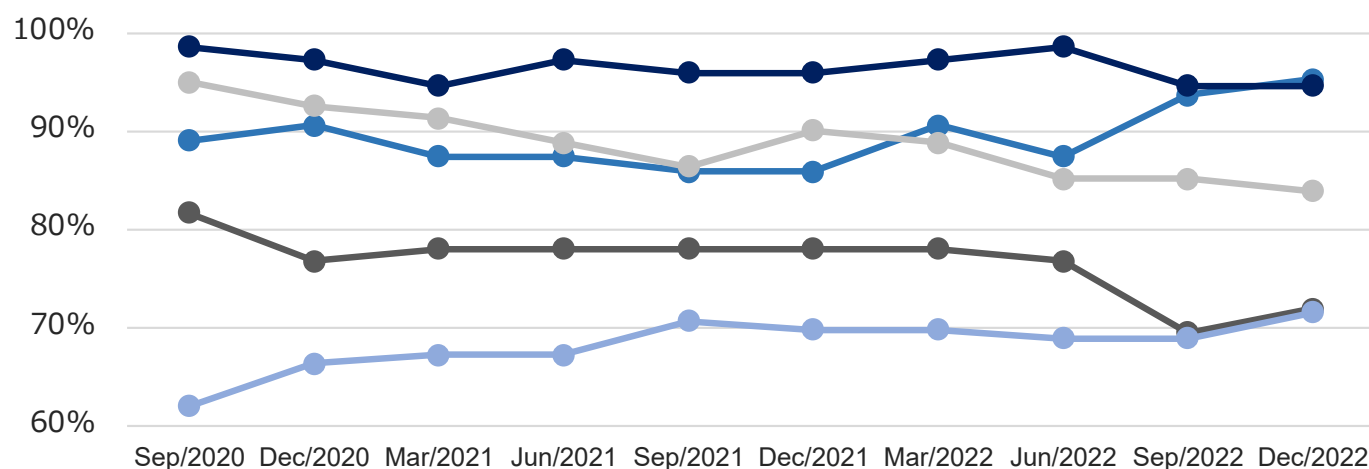
As of Dec. 31, 2022

Available products (ingredients) :  
90 products (44 ingredients)  
(8 products (3 ingredients) added from the end of the previous FY)

Sales to general network affiliates :  
2,042 affiliates  
(End of FY 3/2023 target : 2,700 affiliates)



## Occupancy rate trends in Wisterias (serviced elderly housing facilities)



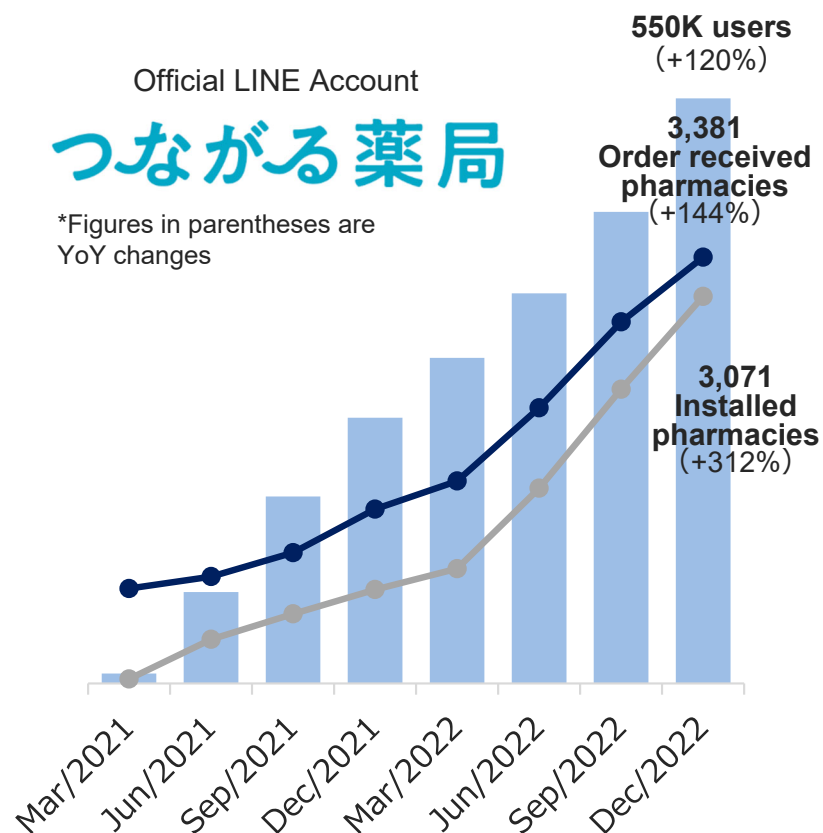
All 5 facilities occupancy rate: 81.8%

End of FY 3/2023 target :  
90% occupancy rate

## Pharmashift

- Exceeded 550K user registrations and 3K installed pharmacies in all 47 prefectures
- Updated related functions with the start of electric (e)-prescription operation

### ■ Number of users registrations and order received / installed pharmacies



### ■ Function Updates

#### (1) Image transmission of "prescription details (copy)" when issuing e-prescriptions

: Utilizing the prescription transmission function for sending the exchange number to pharmacy

#### (2) Display status from the counterparty pharmacy on the e- prescription

: Indicate whether or not e-prescriptions are acceptable by each pharmacy

#### (3) Family pharmacy request

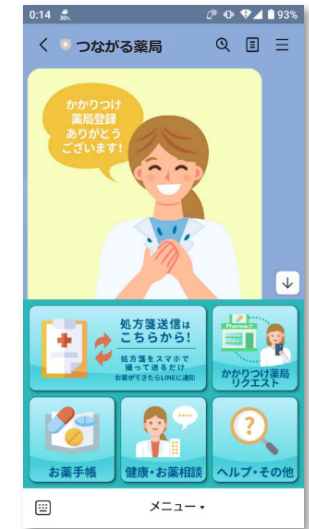
: All functions are available upon patients request, even before patients arrive at pharmacy

#### (4) Online medication guidance reminders

: Send a reminder message to both patients and pharmacy 30 minutes before instruction notifications

• Deepened support for Pharmacy DX with enhanced features related to e-prescriptions and online medication guidance

• Preparing linkage between e-medication record book and portal site for Japanese "My-Number" social security numbers





3

Earnings  
Forecast for  
FY3/2023

# Earnings Forecast for FY3/2023 :

## Consolidated Forecasts

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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	<sup>*1</sup> 4,313 4.0 %	3,700 3.4 %	(613) (0.6 pt.)	(14.2 %)
Profit attributable to owners of parent Profit margin	<sup>*2</sup> 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 :

## Forecasts by Segmen

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### ■ 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 <sup>*1</sup>	101,457	104,701	+ 3,244	+ 3.2 %
	Other 3 Segments <sup>*2</sup>	5,954	6,172	+ 218	+ 3.7%
	Adjustments	(727)	(874)	(147)	—

### ■ Operating Profit

(Unit: million yen)  
Profit percentage in brackets

Segment profit		3,852	3.6 %	3,500	3.2 %	(352)	(0.4 pt.)	(9.1 %)
	Community Pharmacy Network Segment <sup>*1</sup>	6,117	6.0 %	6,026	5.8 %	(90)	(0.2 pt.)	(1.5 %)
	Other 3 Segments <sup>*2</sup>	28	0.5%	61	1.0 %	+ 32	+ 0.5 pt.	+114.1%
	Adjustments	(2,293)	—	(2,588)	—	(294)	—	—

<sup>\*1</sup> Community Pharmacy Business, Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, Digital Shift Business

<sup>\*2</sup> Leasing and Facility related Segment, Meal Catering Segment, Home Visit Nursing Segment

## MSNW group's new company profile video now on view !

This video introduces the business activities of our group in an easy-to-understand manner. Please take a look.



YouTube QR Code



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Corporate Management Division  
E-mail : [info@msnw.co.jp](mailto:info@msnw.co.jp)

