



MEDICAL  
SYSTEM  
NETWORK  
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

Fiscal Year Ending March 2023

Earnings Report

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/>



- vs Forecast -

- Net sales came in just below our Forecast(-0.4% compared to plan)
- Profits were not achieved (operating profit -9.6% compared to plan)
- No of prescriptions and new affiliates of the pharmaceutical network were generally in line with the forecast.
- Profits were not achieved due to inflationary pressures, mainly around an allowance for all employees(202M), higher repair costs at Wisteria, and higher utility costs due to higher energy costs

- YoY change -

- Net sales increased (+2.7% YoY)
- Both of newly opened community pharmacies and pharmacies acquired through M&A contributed
  - ✓ Dispensing fees for all pharmacies +2.2% (YoY)
- No. of new affiliates of the pharmaceutical network increased to a record high
  - ✓ Pharmaceutical wholesalers supported our efforts to improve distribution
- Profit decreased (Operating Profit -17.9% YoY )
- Increase in costs related to the strengthening of interpersonal work at Community pharmacies and NHI price & dispensing fee revisions
- Increase in labor costs in Leasing and Facility related Businesses to strengthen sales and marketing, and increase in utilities and other expenses

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

## < Community Pharmacy Network Segment >

|  |                              |
|--|------------------------------|
| Community Pharmacy                         | <b>428</b> pharmacies(+3)    |
| Prescription Unit price(All pharmacies)    | <b>10,236</b> yen(-175 yen)* |
| No. of prescriptions (All pharmacies)      | <b>9,088K</b> (+3.9%)*       |
| No. of prescriptions (Existing pharmacies) | <b>8,613K</b> (+1.5%)*       |

\* YoY

## ~ Our 3 Pharmacy Support Businesses ~

### Pharmaceutical Network Business

- No. of affiliates **8,912** affiliates (+1,511)

### Manufacture and Market Pharmaceuticals Business

- No. of ingredients **45** ingredients(+4)
- No. of products **93** products(+9)
- No. of affiliates **2,161** affiliates(+463)

### Digital Shift Business

- User registrations **640K**(+330K)
- Installed pharmacies **3,391** pharmacies(+2,480)
- Order received pharmacies **3,787** pharmacies(+2,144)

## < Leasing and Facility related Segment >

### Wisteria

- Occupancy rate of all 5 facilities **80.4%**(-2.9%)

|  |     |    |
|--|-----|----|
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## Earnings Highlight

# FY3/2023 : Consolidated Results

| (Unit: million yen)   | FY3/2022<br>(Results)       | FY3/2023<br>(Full Year<br>Forecast) | FY3/2023<br>(Results)       | Year-on-Year |            | Progress Rate |                |
|---|-----------------------------|-------------------------------------|-----------------------------|--------------|------------|---------------|----------------|
|   |                             |                                     |                             | Change       | Change (%) | Difference    | Difference (%) |
| Net sales   | 106,685                     | 110,000                             | 109,551                     | + 2,866      | + 2.7%     | (448)         | 99.6%          |
| EBITDA*1<br>Profit margin                                   | 6,708<br>6.3%               | 6,200<br>5.6%                       | 6,122<br>5.6%               | (586)        | (8.7%)     | (77)          | 98.7%          |
| Operating profit<br>Profit margin                           | 3,852<br>3.6%               | 3,500<br>3.2%                       | 3,163<br>2.9% <sup>*4</sup> | (688)        | (17.9%)    | (336)         | 90.4%          |
| Ordinary profit<br>Profit margin                            | 4,313<br>4.0% <sup>*2</sup> | 3,700<br>3.4%                       | 3,355<br>3.1%               | (957)        | (22.2%)    | (344)         | 90.7%          |
| Profit attributable to<br>owners of parent<br>Profit margin | 2,394<br>2.2% <sup>*3</sup> | 1,750<br>1.6%                       | 1,610<br>1.5%               | (783)        | (32.7%)    | (139)         | 92.1%          |
| Earnings per share<br>(Yen)                                 | 79.35                       | 57.99                               | 53.38                       | (25.97)      | —          | (4.61)        | —              |

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

\*2 Includes 421 million yen in subsidy income for countermeasures against COVID-19

\*3 Includes gain on sales of investment securities and tax effect of absorption-type merger of Himawari Nursing Station Co., Ltd totaling 272 million yen

\*4 Includes inflation allowance paid 202M

|                                    |  | Core Strategies and Numerical Targets  | Results  | Evaluation |
|------------------------------------|--|--|--|------------|
| 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> | <ul style="list-style-type: none"> <li>Number of prescriptions<br/>Existing stores YoY +1.5%<br/>All pharmacies YoY +3.9%</li> <li>8 new pharmacies opened, 2 M&amp;A</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>  | <ul style="list-style-type: none"> <li>8,912 affiliates</li> <li>Promote distribution improvement initiatives such as once-a-day delivery</li> <li>Launched new services such as consultation for home healthcare support and an online community for affiliates called "Shaberiba"</li> </ul> | ○          |
|                                    | Manufacture and Market Pharmaceuticals Business* | <ul style="list-style-type: none"> <li>Expand clientele, primarily amongst our pharmaceutical network affiliates<br/>→ Target affiliate 2,700 at the end of March 2023 (+1,002 YoY)</li> </ul>   | <ul style="list-style-type: none"> <li>Sales to affiliates: 2,161</li> <li>Sales to non-affiliated: 1,148 (+596)</li> </ul>  | △          |
|                                    | Digital Shift Business*                          | <ul style="list-style-type: none"> <li>Expansion of pharmacies with official LINE accounts<br/>→ Installed 3,400(+2,489 YoY) / Target Order received 4,400 (+2,757 YoY) at the end of March 2023</li> </ul>  | <ul style="list-style-type: none"> <li>Installed 3,391 / Orders received 3,787</li> <li>640 K users registered</li> </ul>  | ○          |



|   | Core Strategies and Numerical Targets   | Results   | Evaluation |
|---|---|---|------------|
| Leasing and Facility related Segment              | <ul style="list-style-type: none"> <li>■ Achieve 90% occupancy ; steady operation</li> </ul>  | <ul style="list-style-type: none"> <li>■ Occupancy rate of all 5 buildings: 80.4%</li> <li>■ New occupancy growth slow due to COVID-19</li> <li>■ Labor cost increase due to increase in sales force, etc.</li> <li>■ Increased utilities costs due to higher energy costs</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>  | <ul style="list-style-type: none"> <li>■ Decrease in the number of meals served due to COVID-19</li> <li>■ Gross profit declined due to higher purchase prices</li> </ul>   | ✕          |
| Finance, ESG and Health Management                | <ul style="list-style-type: none"> <li>■ Securing profits through cost control</li> <li>■ Projects according to SDGs; promote CSR activities</li> </ul> | <ul style="list-style-type: none"> <li>■ Strong due process for selection of investments</li> <li>■ Certified as an Excellent Corporation for Health Management 2023 (Large Company Division)</li> <li>■ Government certified as a Sports Driven Company 2023</li> </ul>              | △          |



# FY3/2023 : Results by Segment

## ■ Net Sales

(Unit: million yen)

|  | FY3/2022<br>(Result) | FY3/2023<br>(Full Year Forecast) | FY3/2023<br>(Result) | Year-on-Year |           | Progress Rate |               |
|--|----------------------|----------------------------------|----------------------|--------------|-----------|---------------|---------------|
|  |                      |                                  |                      | Change       | Change(%) | Difference    | Difference(%) |
| Segment profit                                   | 106,685              | 110,000                          | 109,551              | +2,866       | + 2.7%    | (448)         | 99.6%         |
| Community Pharmacy Network Segment <sup>*1</sup> | 101,457              | 104,701                          | 104,399              | +2,941       | + 2.9%    | (302)         | 99.7%         |
| Other 3 Segments <sup>*2</sup>                   | 5,954                | 6,172                            | 6,089                | +134         | + 2.3%    | (83)          | 98.6%         |
| Adjustments                                      | (727)                | (874)                            | (937)                | (209)        | —         | (62)          | —             |

## ■ Operating profit

(Unit: million yen)  
Profit margin in brackets

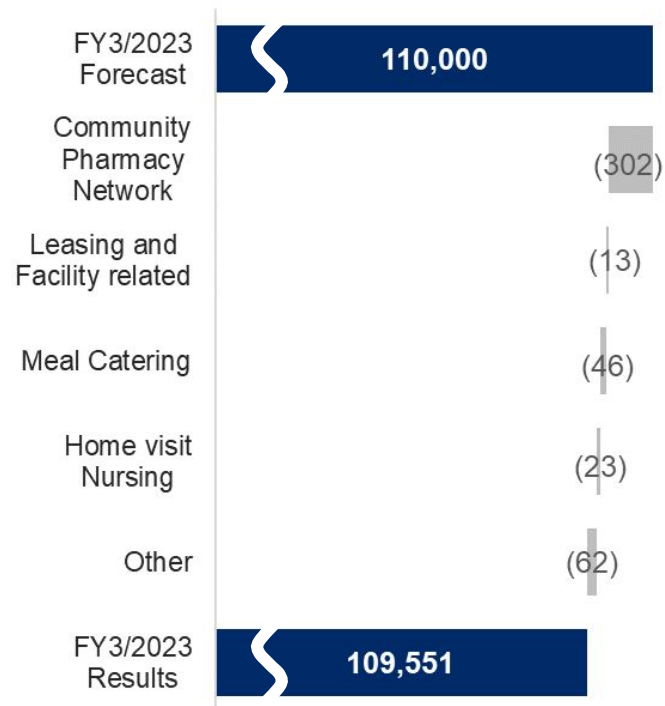
|  | FY3/2022<br>(Result) | FY3/2023<br>(Full Year Forecast) | FY3/2023<br>(Result) | Year-on-Year      |           | Progress Rate     |               |
|--|----------------------|----------------------------------|----------------------|-------------------|-----------|-------------------|---------------|
|  |                      |                                  |                      | Change            | Change(%) | Difference        | Difference(%) |
| Segment profit                                   | 3,852<br>3.6%        | 3,500<br>3.2%                    | +3,163<br>2.9%       | (688)<br>(0.7 pt) | (17.9%)   | (336)<br>(0.3 pt) | 90.4%         |
| Community Pharmacy Network Segment <sup>*1</sup> | 6,117<br>6.0%        | 6,026<br>5.8%                    | 5,887<br>5.6%        | (229)<br>(0.4 pt) | (3.8%)    | (139)<br>(0.2 pt) | 97.7%         |
| Other 3 Segments <sup>*2</sup>                   | +28<br>(0.5%)        | 61<br>1.0%                       | (180)<br>—           | (209)<br>—        | —         | (242)<br>—        | —             |
| Adjustments                                      | (2,293)<br>—         | (2,042)<br>—                     | (2,542)<br>—         | (248)<br>—        | —         | +45<br>—          | —             |

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

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

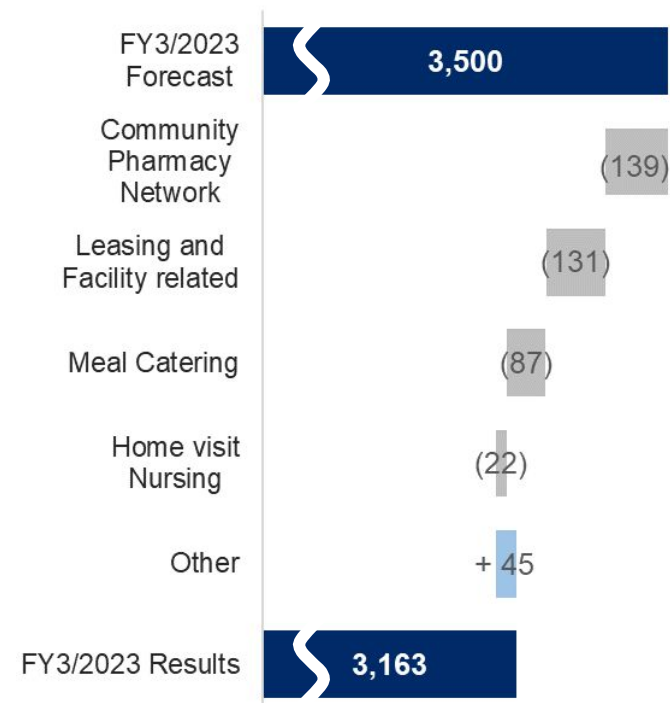
## ■ Net sales

(Unit: million yen)



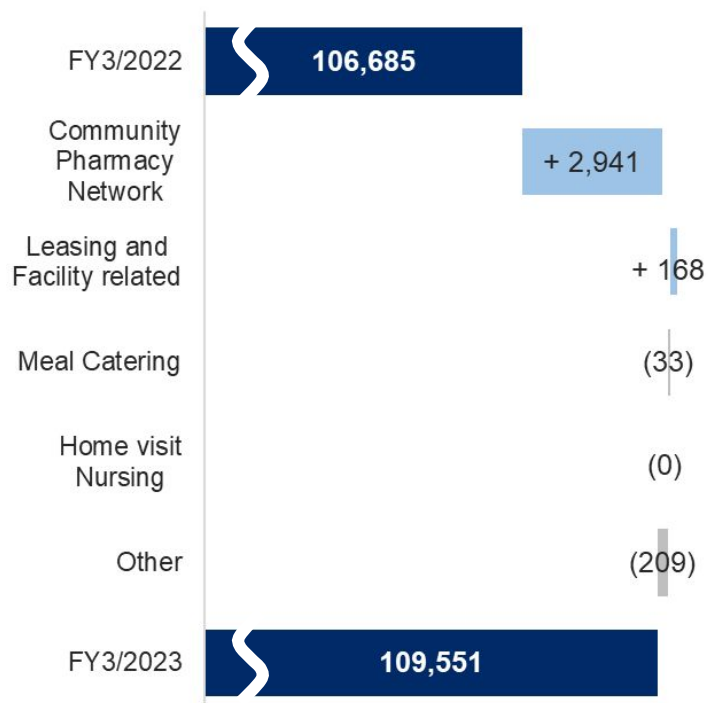
## ■ Operating profit

(Unit: million yen)



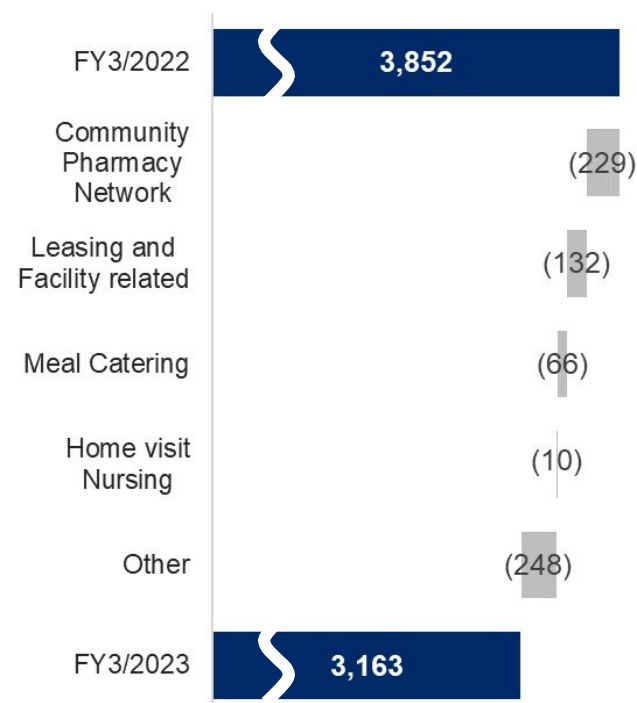
## ■ Net sales

(Unit: million yen)



## ■ Operating profit

(Unit: million yen)



# FY3/2023 : 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

(Unit: million yen)

| Assets                       | 66,223        | Liabilities                             | 51,735        |
|------------------------------|---------------|---|---------------|
| <b>Current assets</b>        | <b>20,265</b> | <b>Current liabilities</b>              | <b>21,349</b> |
| Cash and deposits            | 8,141         | Short-term loans <sup>*1</sup>          | 6,168         |
|                              |               | <b>Fixed liabilities</b>                | <b>30,385</b> |
| <b>Fixed assets</b>          | <b>45,958</b> | Long-term loans                         | 20,226        |
| Tangible fixed assets        | 27,060        | <b>Net assets</b>                       | <b>14,488</b> |
| Intangible fixed assets      | 11,807        | Capital stock                           | 2,128         |
| Goodwill                     | 11,183        | Capital surplus                         | 1,182         |
| Investments and other assets | 7,090         | Retained earnings                       | 11,606        |
|                              |               | Treasury stock                          | (326)         |
| <b>Total assets</b>          | <b>66,223</b> | <b>Total liabilities and net assets</b> | <b>66,223</b> |

### Equity ratio

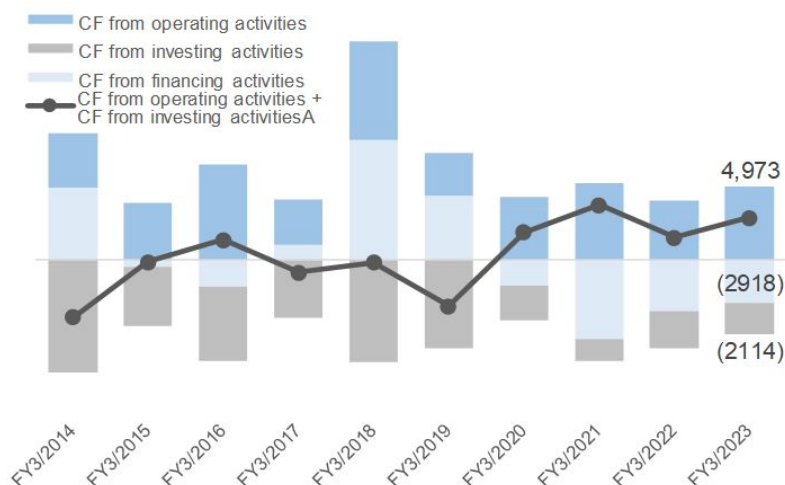
21.8%

(Equity ratio with taking into account net cash<sup>\*2</sup>) 24.9%)

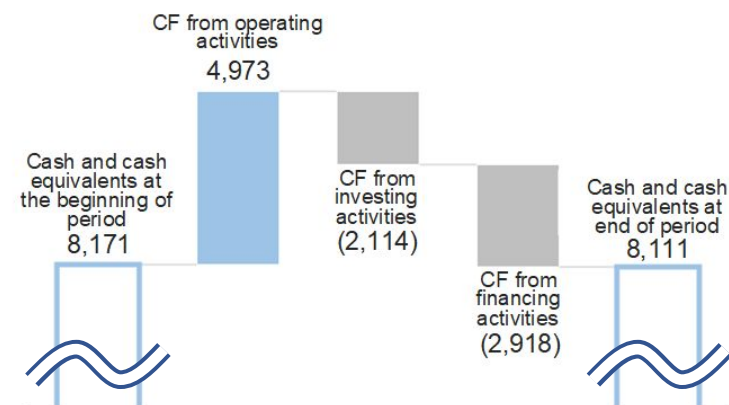
# FY3/2023 : Consolidated Cash Flows

|                                      |                        |  |   |
|--------------------------------------|------------------------|--|---|
| Cash flows from operating activities | 4,973<br>million yen   | EBITDA*<br>Income taxes paid<br>Changes in working capital                   | 6,122 million yen<br>(1,294) million yen<br>(671) million yen |
|                                      |                        | * Calculated by "operating profit + depreciation + amortization of goodwill" |   |
| Cash flows from investing activities | (2,114)<br>million yen | Opening of new pharmacies<br>Existing pharmacies renovation costs, etc.      | (867) million yen<br>(644) million yen                        |
| Cash flows from financing activities | (2,918)<br>million yen | Loan amount reduced  | (2,869) million yen   |

■ Cash flow trends (Unit: million yen)



■ FY3/2023 (Unit: million yen)







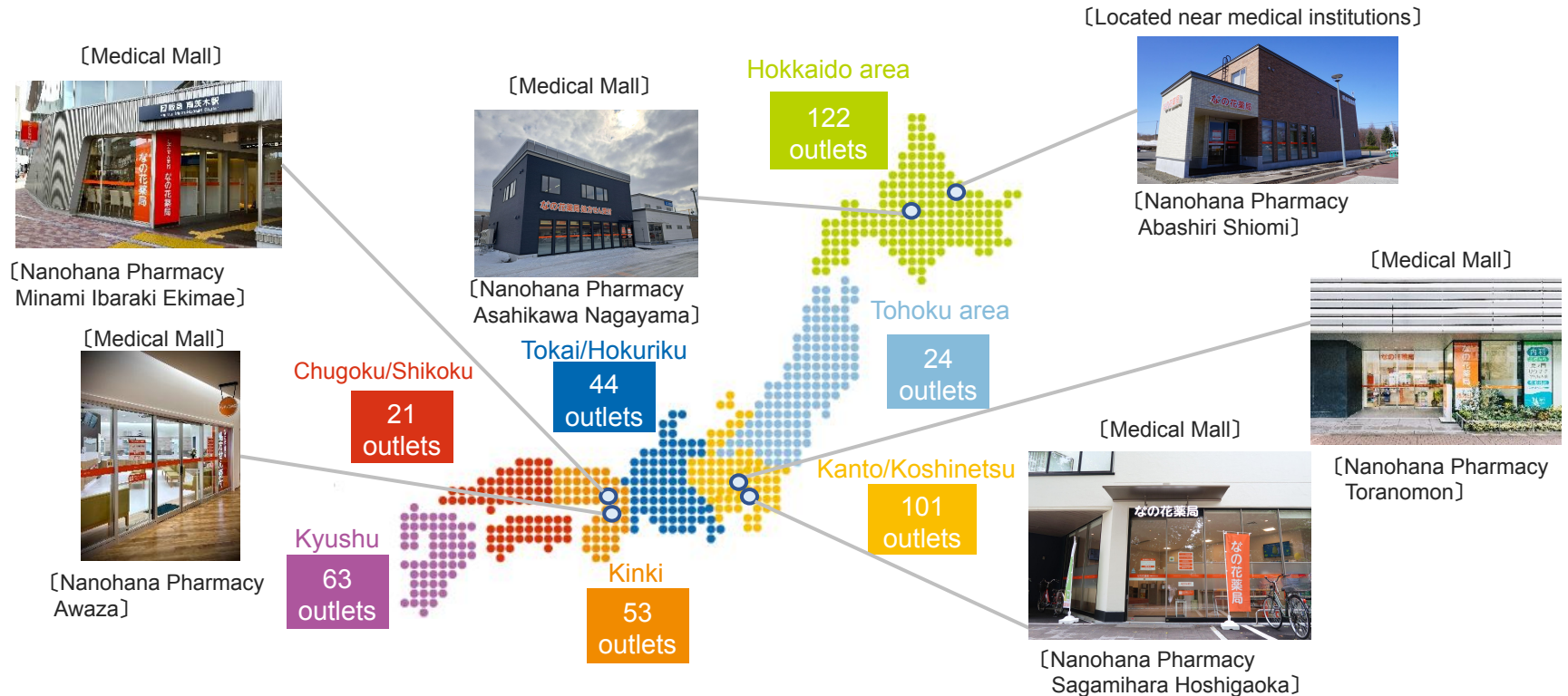
# 2

## Business Summary

# Community Pharmacy Business:

## Trends in No. of Pharmacies

10 new outlets (2 from acquisition) and 7 outlet closures/transfer since the end of previous FY



### ■ Community pharmacy outlet no. trends of the past 10 years

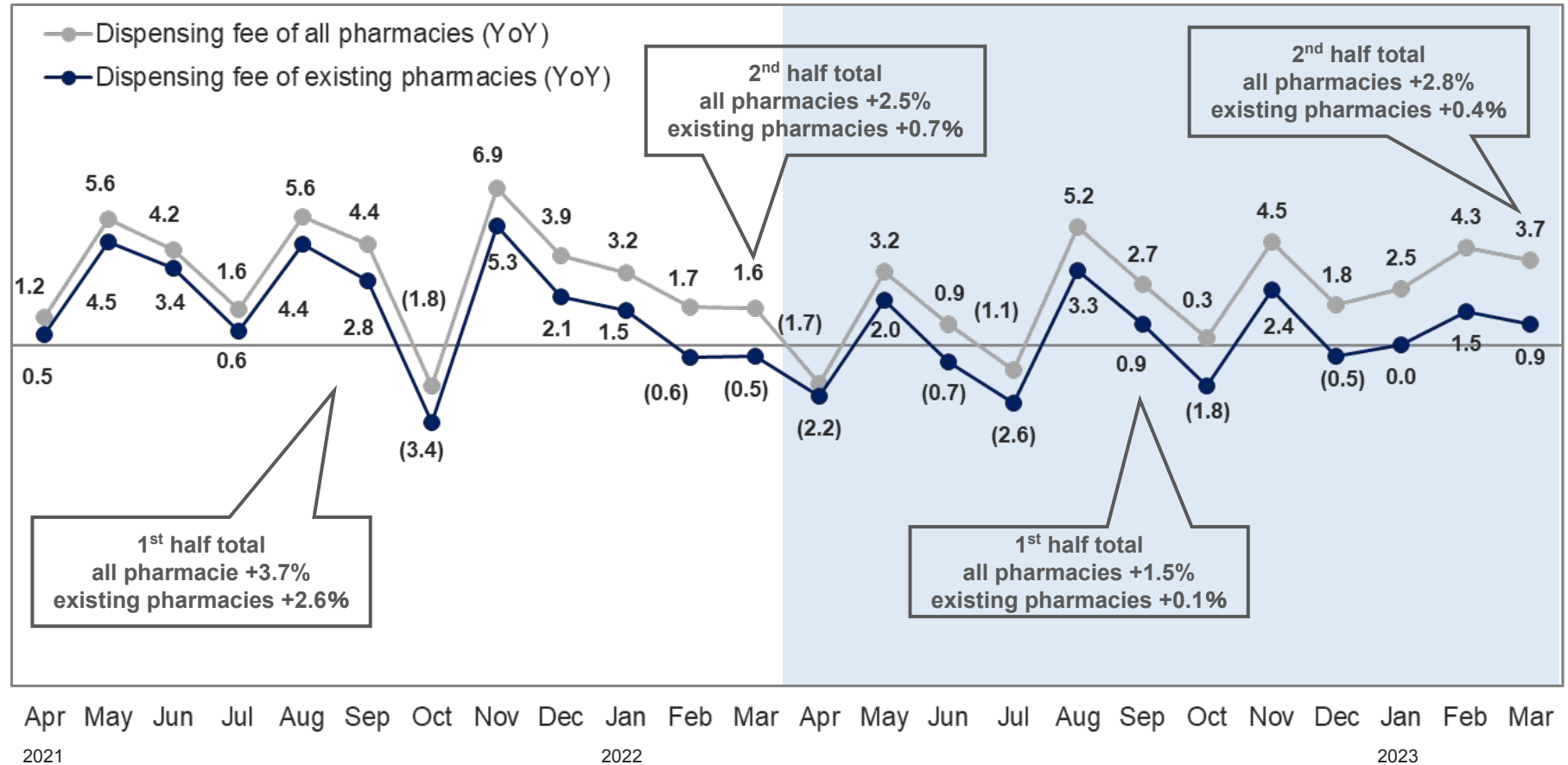
As of March 31, 2023

|   | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 | FY3/2018 | FY3/2019 | FY3/2020 | FY3/2021 | FY3/2022 | FY3/2023 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Openings                                | 14       | 10       | 9        | 8        | 8        | 5        | 8        | 7        | 12       | 8        |
| Closings and transferring of businesses | (7)      | (13)     | (8)      | (4)      | (5)      | (14)     | (15)     | (13)     | (6)      | (7)      |
| M&A                                     | 45       | 27       | 7        | 20       | 19       | 30       | 3        | 6        | 3        | 2        |
| Number of outlets                       | 321      | 345      | 353      | 377      | 399      | 420      | 416      | 416      | 425      | 428      |



# Community Pharmacy Business :

## Monthly Dispensing Fee (YoY)

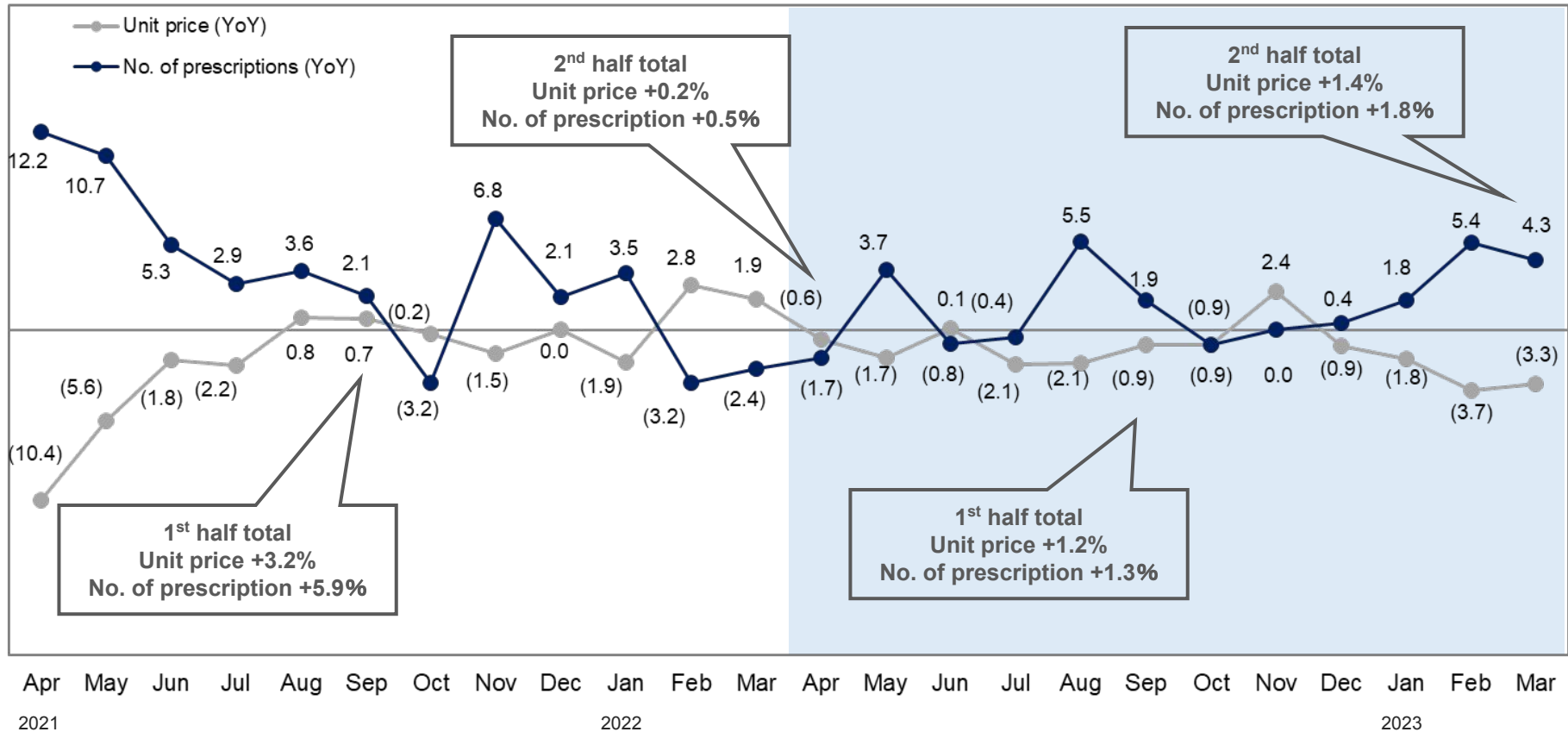


- Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2020 for the previous fiscal year and since April 1, 2021 for the current fiscal year

# Community Pharmacy Business :

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

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 | FY3/2023 | Change  | Change (%) |
|------------------------------|--------------------------------|----------|----------|---------|------------|
| No. of prescriptions (1,000) |                                | 8,746    | 9,088    | + 342   | + 3.9%     |
| Unit price (yen)             | Drug charge per prescription   | 7,984    | 7,789    | (195)   | (2.4%)     |
|                              | Technical fee per prescription | 2,426    | 2,446    | + 20    | + 0.8%     |
|                              | Total                          | 10,410   | 10,236   | (175)   | (1.7%)     |
| Dispensing fee (million yen) |                                | 91,056   | 93,029   | + 1,973 | + 2.2%     |

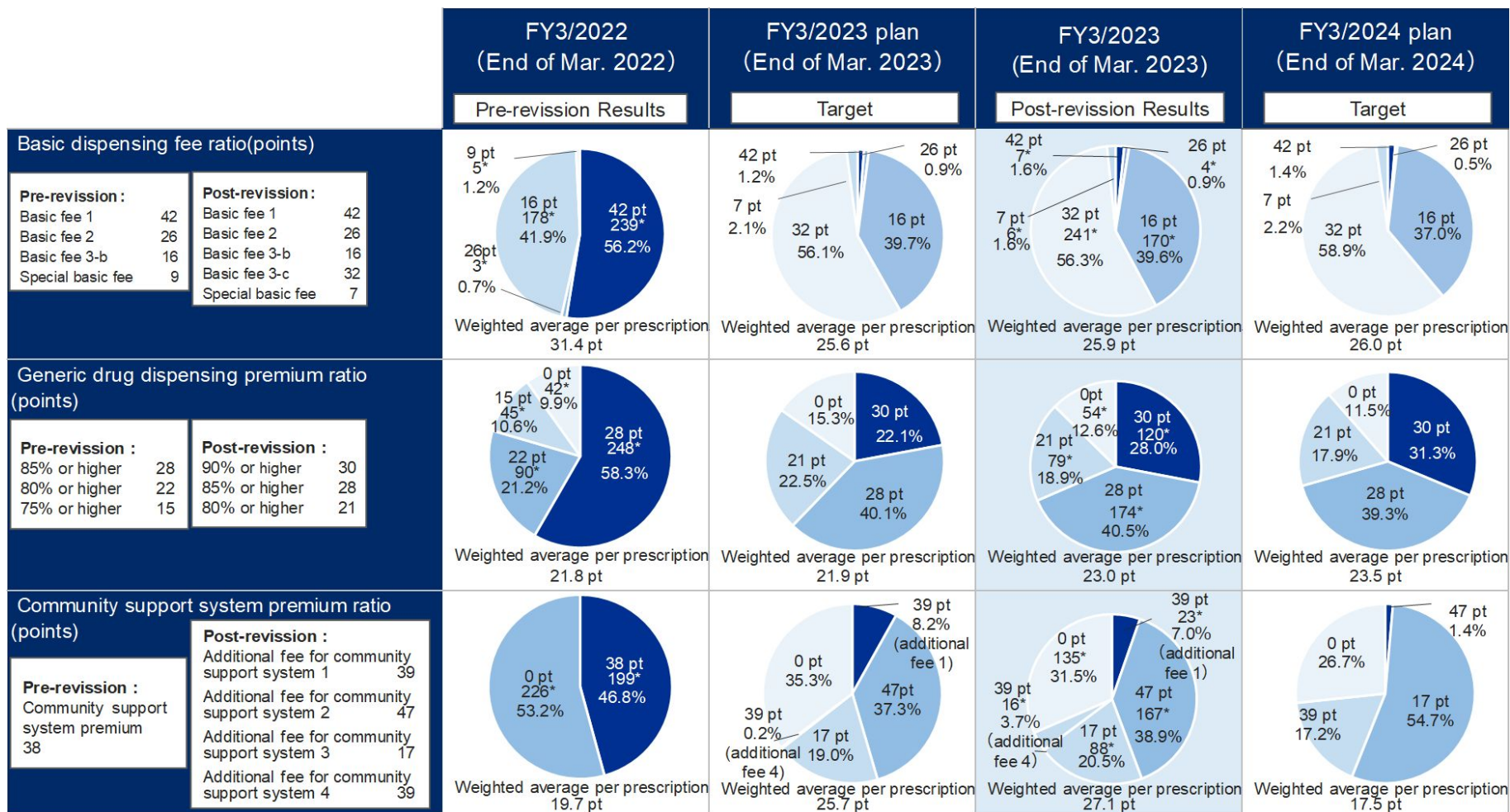
## ■ Existing pharmacies

|                              |                                |        |        |       |        |
|------------------------------|--------------------------------|--------|--------|-------|--------|
| No. of prescriptions (1,000) |                                | 8,484  | 8,613  | + 129 | + 1.5% |
| Unit price (yen)             | Drug charge per prescription   | 7,990  | 7,823  | (167) | (2.1%) |
|                              | Technical fee per prescription | 2,430  | 2,464  | + 34  | + 1.4% |
|                              | Total                          | 10,420 | 10,287 | (133) | (1.3%) |
| Dispensing fee (million yen) |                                | 88,407 | 88,608 | + 201 | + 0.2% |

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

# Community Pharmacy Business : Dispensing Fee Revision

In line with full-year targets, we continue to focus on interpersonal operations



\*1 : pt = points.

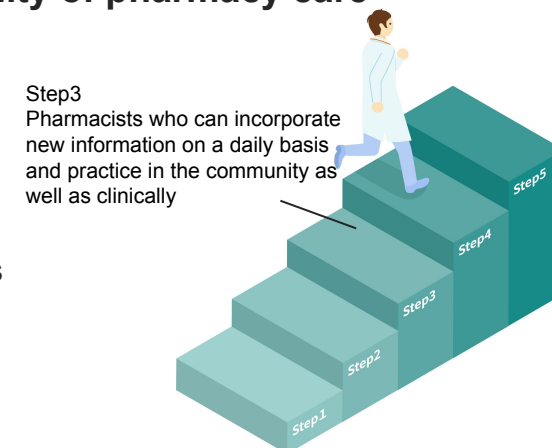
\*2 : \* = No. of pharmacies

# Community Pharmacy Business :

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

### ■ Enhancement of in-house education system in order to improve the quality of pharmacy care

- No. of certified/specialist pharmacists increased steadily in the second year of the "CP Step" education system  
(8 pharmacists specializing in outpatient cancer treatment, 5 heart failure treatment advisors, etc)
- We are doing this through activities such as clinical certification training at Nanohana Academy and Nanohana Forum, as well as promoting attendance at academic conferences nurturing pharmacists who can play an active role in clinical practice
- CP Step system Step 3 (Nanohana Standard) or above, with a target of 50%

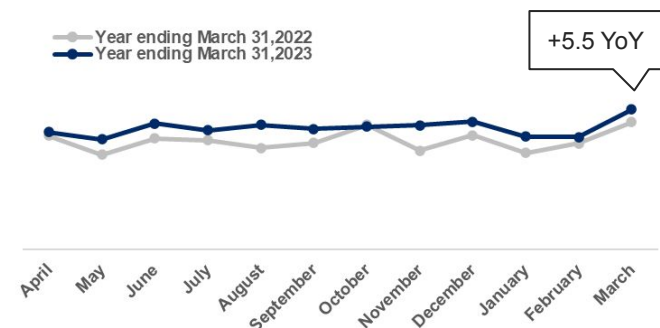


### ■ Positive Impact of Promoting Home Healthcare Support

- Due to an increase in the no. of Home Healthcare Support, the no. of cases of additional calculation for Home Healthcare Support was up 5.5% from the previous year.  
Contributed to an increase in the no. of pharmacies calculating the additional items under point 3 and 4 of Community support system premium
- First in the Medical System Network Group  
Obtained certification as "home palliative care pharmacies" \* (2 pharmacies)  
(Nanohana Pharmacy Noborito, Sakura Pharmacy Kurume University Hospital Mae ) Approved on April 1, 2023

\* "Insurance pharmacies where pharmacists who are recognized as having a certain level of knowledge, skill, and practical ability in pharmacotherapy required for palliative care, are engaged in palliative care, and meet specific functional requirements required for the implementation of care at home."

Number of additional calculations for home



[Nanohana Pharmacy Noborito]



[Sakura Pharmacy Kurume University Hospital Mae]





# Pharmaceuticals Network Business:

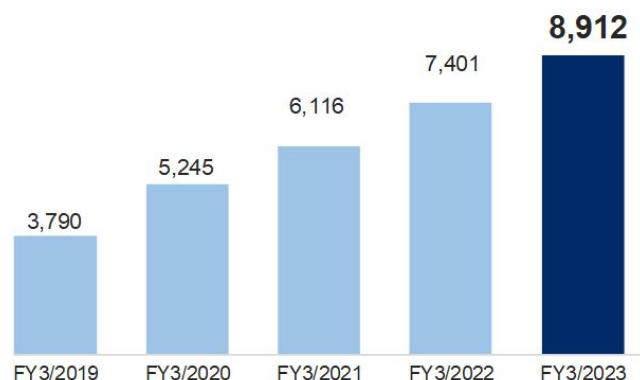
## Performance Summary (as of March 31, 2023)



The no. of net increased affiliates reached a record high of 1,511, due to support from pharmaceutical wholesalers for the distribution improvements we are promoting

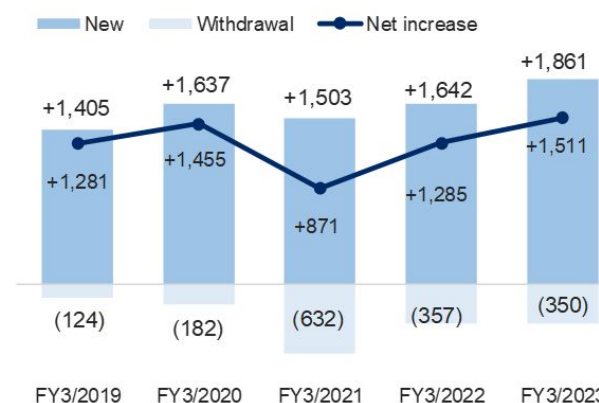
### ■ Network affiliates (actual)

(Unit: No. of network affiliates)



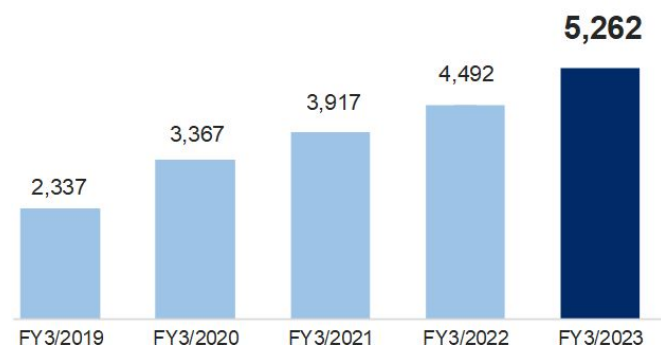
### ■ Network affiliates (New/Withdrawal/Net increase)

(Unit: No. of network affiliates)



### ■ Ordering volume of pharmaceuticals

(Unit : billion yen)



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

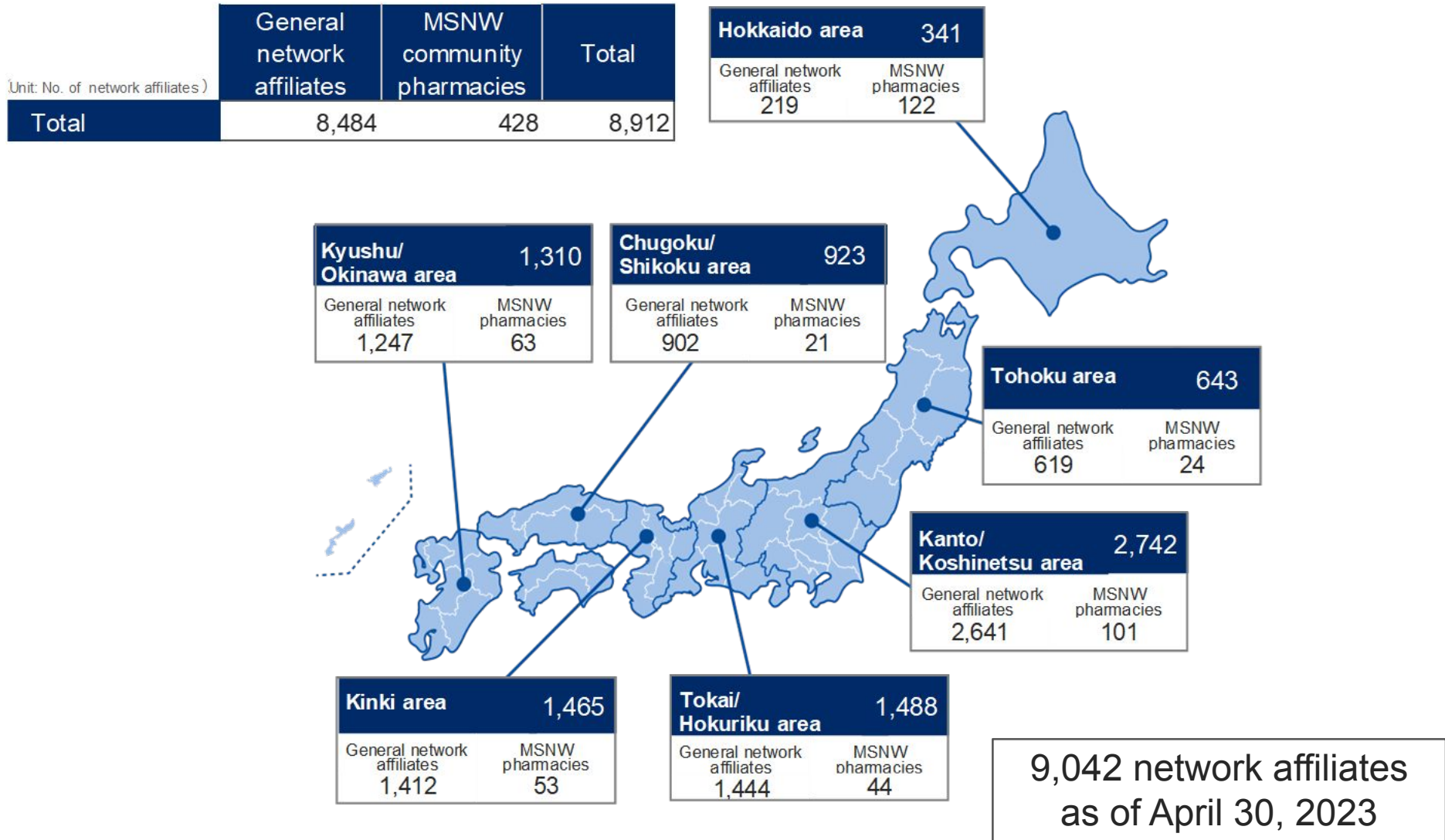
|            | 1Q    | 2Q   | 3Q   | 4Q   | Total |
|------------|-------|------|------|------|-------|
| New        | 405   | 395  | 379  | 463  | 1,642 |
| Withdrawal | (154) | (62) | (76) | (65) | (357) |

### ■ FY3/2023 Breakdown of network affiliates

|            | 1Q    | 2Q   | 3Q   | 4Q   | Total |
|------------|-------|------|------|------|-------|
| New        | 525   | 420  | 477  | 439  | 1,861 |
| Withdrawal | (114) | (59) | (95) | (82) | (350) |

# Pharmaceuticals Network Business :

## Network Affiliates Distribution Map (as of March 31, 2023)





# Pharmaceuticals Network Business :

## Initiatives to Improve Pharmaceutical Distribution



- From June 2022, our Nanohana Pharmacies started "regular automatic ordering, once-a-day delivery, and no Saturday delivery" initiatives
- Expanding the initiative with the aim of implementing it in all Nanohana Pharmacies by the end of September 2023



**Nanohana  
Pharmacy**

- In-house developed inventory management system "LINCLE" calculates appropriate order quantities
- Automated order placement once a day on a fixed time schedule



**Pharmaceutical  
wholesaler**

- Delivery is made once a day on weekdays
- Delivery at a time agreed upon between the pharmacy and the wholesaler

### ■ Results from Distribution Improvement Efforts

- As of end of April, 2023, the program is being implemented in 40 pharmacies nationwide
- Once-a-day delivery and automatic timed ordering are realized
- Zero Saturday deliveries
- Initially, the initiative was undertaken by a single wholesaler  
→ Initiatives were undertaken with all trading wholesalers

### ■ Future developments

- Started at all Nanohana Pharmacies
- Optimize inventory management systems
- Conducting trials with general affiliates

#### Benefits and Effects

pharmacy : Automated ordering streamlines inventory operations  
Allow time for interpersonal work

Pharmaceutical wholesaler : Reduction of shipping and delivery costs  
Reduction of nighttime picking  
Reduction of urgent deliveries

Environmental conservation : Reduction of CO<sub>2</sub> emissions



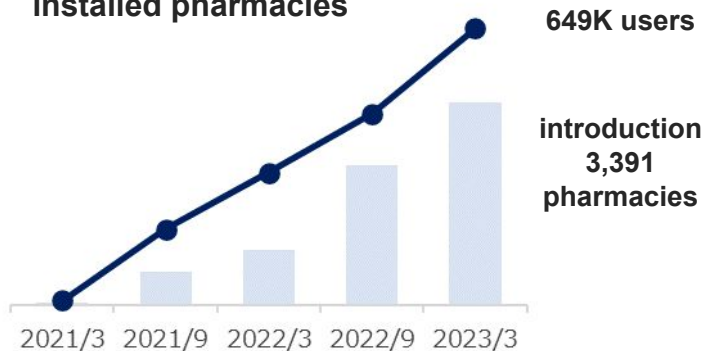
# Digital Shift Business : Exceeded 640K User Registrations



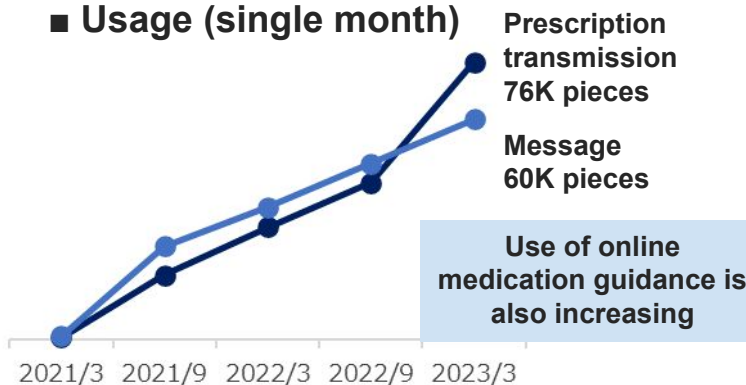
Official LINE Account

- 649K users registered, 3,391 installed pharmacies, and 3,787 pharmacies received orders
- Steady increase in the no. of users and the no. of installed pharmacies. We are expecting to reach 1 million users and 5,000 pharmacies, respectively, in FY3/2024

## ■ No. of users registrations and installed pharmacies



## ■ Usage (single month)



## ■ Major Functional Updates

### (1) Electronic prescription support

: Send an image of the prescription details (copy) and contact the pharmacy for an exchange number

### (2) Screen sharing functionality during online medication instruction

: Drug information sheets, inhaler usage instructions and manuals, etc. are displayed for easy understanding of drug administration and medication instruction

### (3) Display medication information in electronic medication registers

: On both pharmacy and patient screens display images and indications of medications

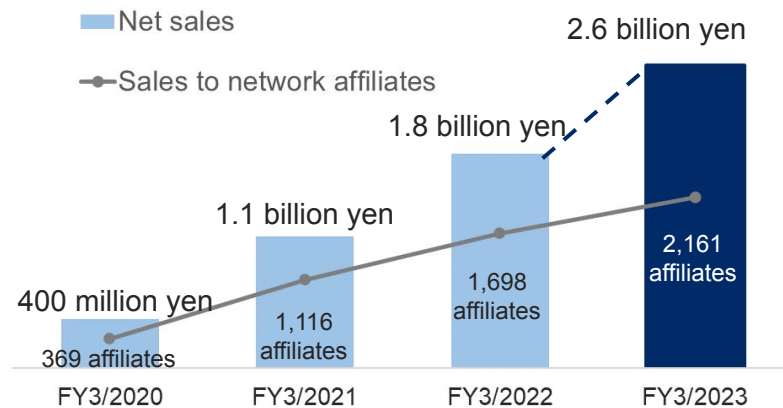
\*Image of drug information listing for pharmacies



In addition to the above, we are preparing to link with Mynaportal in order to comply with the revised Electronic Medication Record Book guidelines



Impacted by shipment adjustments by some manufacturers, both no. of affiliates handling the product and sales fell short of the plan



As of March 31, 2023

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

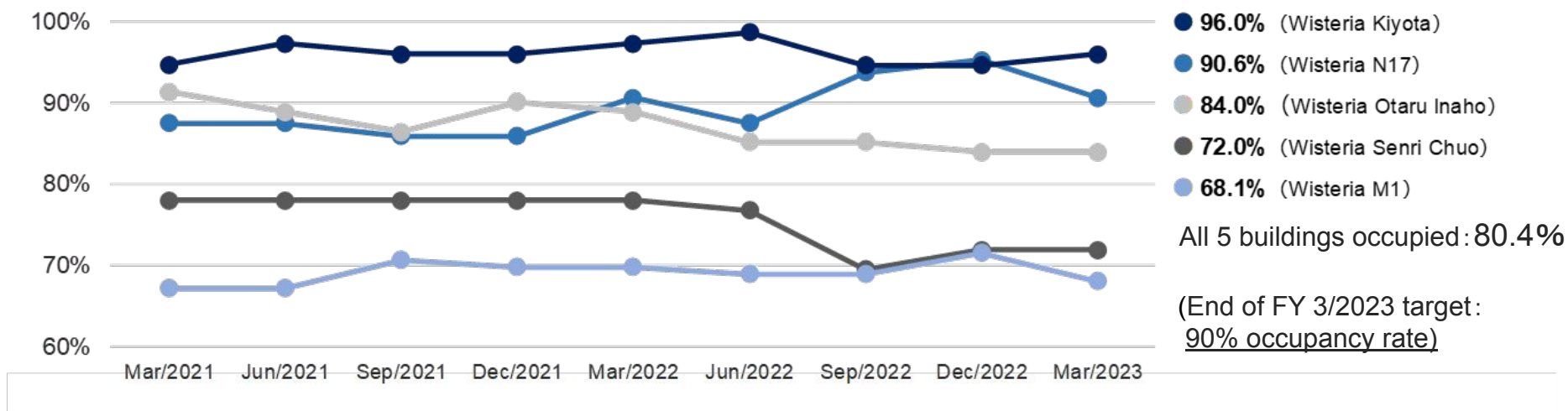
Sales to general network affiliates :  
**2,161 affiliates**  
(Target at end of March 2023: 2,700 affiliates)  
\*Excluding Nanohana pharmacies

Other transaction pharmacies 1,148  
(Increase of 596 from the end of FY 3/2022)



## Wisteria Occupancy Rate Trends

New occupancy growth slow due to COVID-19



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 Starbucks cup is also on the table. The scene is brightly lit, likely from a window in the background.

# 3

Core strategies,  
Earnings  
Forecast for  
FY3/2024

## Sixth Medium-Term Management Plan (FY3/2023~FY3/2026) 2nd year

Maintain profitability through "quick response" to changes in the business environment and thorough "cost reduction"

Aggressive investment to accelerate collaboration among businesses and create a new growth model

Community Pharmacy  
Business

### ■ Profits to bottom out in FY3/2024 and turn around

- Reinforcement of the system for acquiring additional interpersonal services fee
- Maintain medium- to long-term growth potential by development of new pharmacies, mainly in medical malls

3 Pharmacy Support  
Businesses\*

### ■ Accelerate inter-business collaboration to expand transaction outlets

- With mutual introduction to pharmacies, expanding 3 businesses in unison.
- Maintain a high level of no. of new affiliates in Pharmaceutical Network, and as a result, reaching 10,000 affiliates

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

Leasing and Facility  
related Segment

Meal Catering Segment  
Nursing Segment

### ■ With fading out of COVID-19, return to normal operations and raising the Net sales

### ■ IT investment in building area collaboration

- Review of core system of pharmaceutical network, etc.
- Secure profit through cost control and accumulate capital

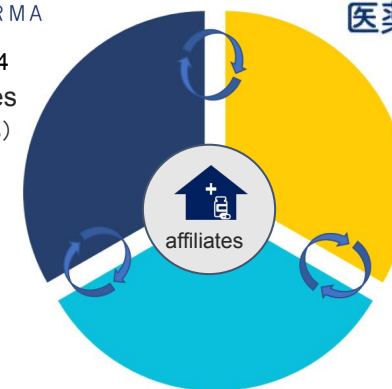
Investment and Financial  
Strategies

 FELDSENF PHARMA

End of FY3/2024  
5,000 pharmacies  
(+ 1,263 pharmacies)

医薬品ネットワーク

End of FY3/2024  
10,400 affiliates  
(+ 1,488 affiliates)



つながる薬局

End of FY3/2024  
5,300 pharmacies  
(+ 1,909 pharmacies)



## なの花薬局

### ■ Acquisition of prescriptions using on-line (LINE, prescription transmission) tools

- Acquisition of new prescriptions
- No. of prescriptions at existing pharmacies YoY +1.9%

### ■ Obtaining additional fee by strengthening interpersonal services and providing high quality drug treatment

- Focus on additional fee related to point 3 and 4 of community support system
- Promotion of home medical care and family pharmacists
- Continuing education to improve pharmacy care

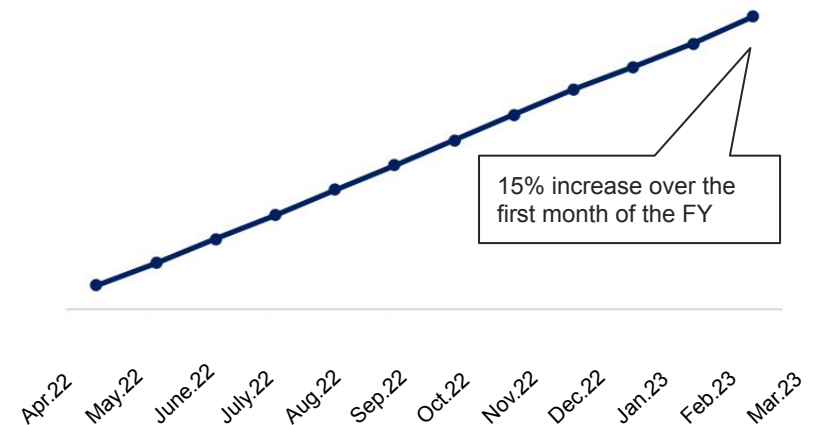
### ■ Development 15 pharmacies, mainly in medical malls

- Maintain medium- to long-term growth potential by development of new pharmacies, mainly in medical malls

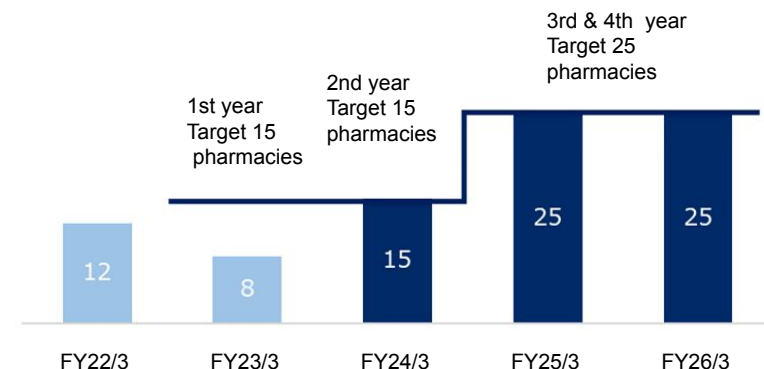
### ■ Appropriate cost control

- Increase in Productivity

【No. of new prescriptions using LINE】(accumulation)



【Target Number of new pharmacies】





## 医薬品ネットワーク

### ■ Target no. of affiliates at the end of FY3/2024 : 10,400 (net increase + 1,488)

- Continue high level of new affiliates on par with the previous year, reaching 10,000 affiliates

### ■ Promotion of Distribution Improvement

- Our pharmacies implement once a day delivery on weekdays, No Saturday deliveries, reduced “rush” deliveries
- Expansion of the above measures to affiliates

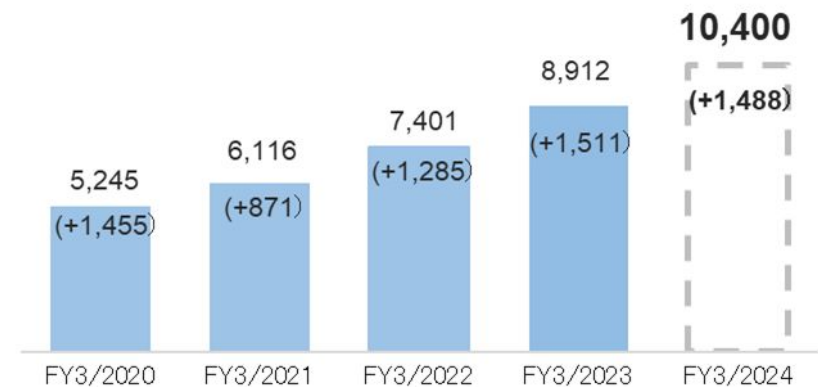
### ■ Core system modification and renewal

- Business system renewal
- DSE (Dead stock exchange) system modification
- Modifications to accommodate INS line termination and Invoice

### ■ Expansion of services for affiliates

- Expansion of home services
- Expansion of users of the online community “Shaberiba”
- Education and training at our pharmacies to be made into a service for affiliates
- Establishment of drugs inventory sharing system

【No. of affiliates】





- **Stable supply**
- **Expansion of purchasing pharmacies**
  - Significant expansion of market share to Network affiliates
  - No. of total purchasing pharmacies 5,000 \*(+1,263 YoY)
  - ( \*include Network affiliates )
  - Net sales 4.2 billion yen (+57.2% YoY)



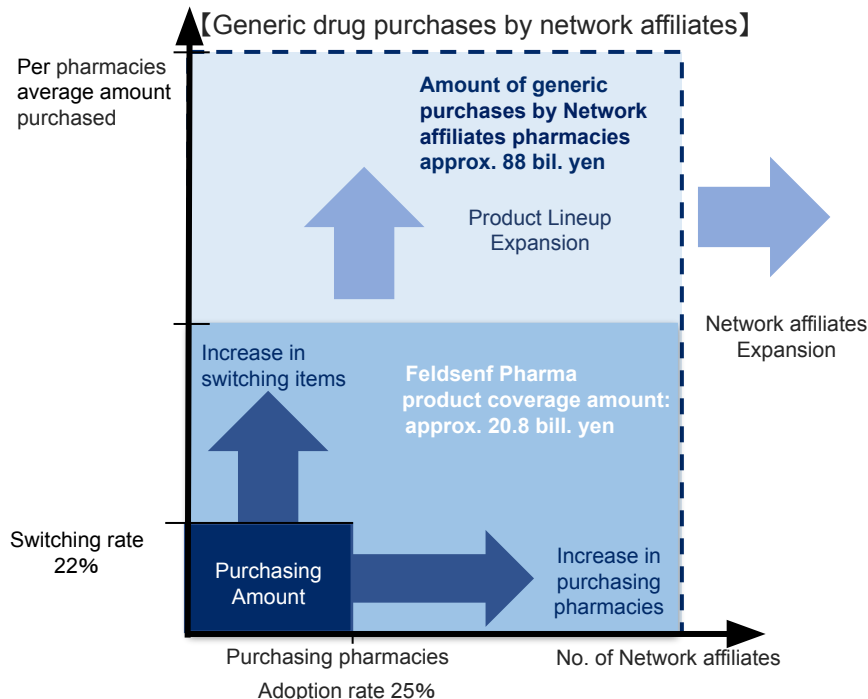
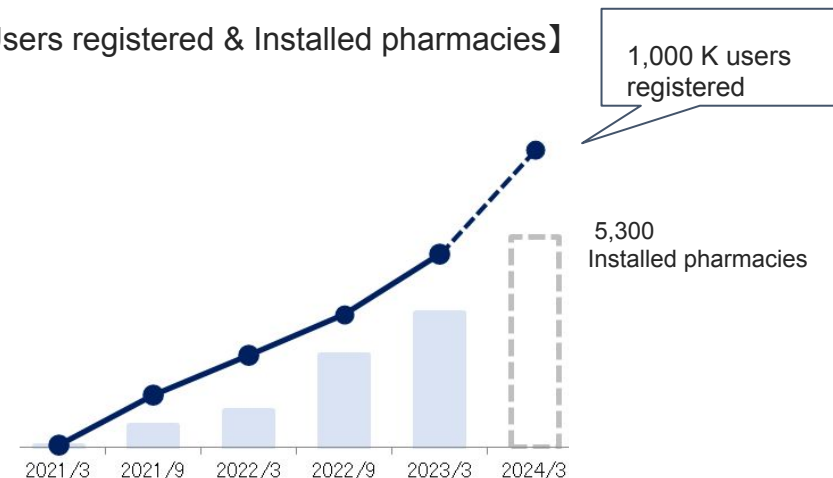
- **Expansion of pharmacies with official LINE accounts**

- Installed pharmacies 5,300 (+1,909 YoY)
- 1,000 K users registered (+36 K YoY)

- **Continue enhancement on functions**

- Linkage with Online Medical Care
- Link with portal site for Japanese “My-Number” social security numbers

【Users registered & Installed pharmacies】



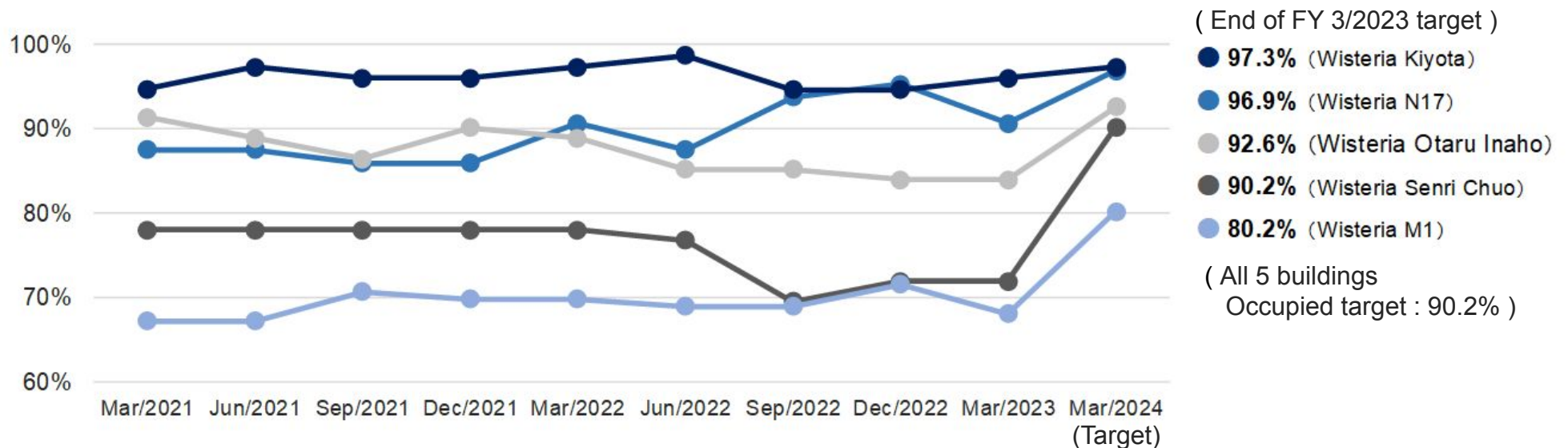


## ■ Achieve 90% occupancy rate and stable operations at Wisteria

- Review resident needs and develop new sales channels
- Reduce relocation by improving the quality of "counseling" services

## ■ Appropriate cost control

- Examine and reduce labor and advertising costs



# Earnings Forecast for FY3/2024: Consolidated Forecast

Sales will increase while we expect earnings to decrease due to the termination of transitional measures for the additional for Community support system premium and the impact of higher purchase prices accompanying the NHI price revision

| (Unit: million yen)   | FY3/23<br>(Results) | FY3/24<br>(Forecast) | Change            | Change (%) |
|---|---------------------|----------------------|-------------------|------------|
| Net sales   | 109,551             | 112,500              | + 2,948           | + 2.7 %    |
| EBITDA  | 6,122<br>5.6 %      | 6,200<br>5.6 %       | (563)<br>(0.7 pt) | (17.8 %)   |
| Operating profit<br>Profit margin                           | 3,163<br>2.9 %      | 2,600<br>2.3 %       | (563)<br>(0.6pt)  | (17.8 %)   |
| Ordinary profit<br>Profit margin                            | 3,355<br>3.1 %      | 2,550<br>2.3 %       | (805)<br>(0.8 pt) | (24.0 %)   |
| Profit attributable to owners of<br>parent<br>Profit margin | 1,610<br>1.5 %      | 1,000<br>0.9 %       | (610)<br>(0.6 pt) | (37.9 %)   |
| Earnings per share<br>(Yen)                                 | 53.38               | 33.14                | (20.24)           | —          |

# Earnings Forecast for FY3/2024: Forecast by Segment

## ■ Net sales

| (Unit: million yen) |   | FY3/23<br>(Results) | FY3/24<br>(Forecast) | Change  | Change (%) |
|---------------------|---|---------------------|----------------------|---------|------------|
| Net sales           |   | 109,551             | 112,500              | + 2,948 | + 2.7 %    |
|                     | Community Pharmacy<br>Network Segment <sup>*1</sup> | 104,399             | 106,824              | + 2,425 | + 2.3 %    |
|                     | Other 3 Segments <sup>*2</sup>                      | 6,089               | 6,518                | + 429   | + 7.0%     |
|                     | Adjustments   | ▲ 937               | ▲ 842                | ▲ 94    | —          |

## ■ Operating Profit

| (Unit: million yen) |   | Profit percentage in brackets |         |                     |         |                         |
|---------------------|---|-------------------------------|---------|---------------------|---------|-------------------------|
| Segment profit      |   | 3,163                         | (2.9 %) | 2,600               | (2.3 %) | ▲ 563 (▲0.6pt) ▲ 17.8 % |
|                     | Community Pharmacy<br>Network Segment <sup>*1</sup> | 5,887                         | (5.6 %) | 4,977 <sup>※3</sup> | (4.7 %) | ▲ 910 (▲0.9pt) ▲ 15.5 % |
|                     | Other 3 Segments <sup>*2</sup>                      | ▲ 180                         | (—)     | 220 <sup>※3</sup>   | (3.4 %) | + 401 (—) —             |
|                     | Adjustments   | ▲ 2,542                       | (—)     | ▲ 2,597             | (—)     | ▲ 55 (—) —              |

<sup>\*1</sup> Community Pharmacy Business, 3 Pharmacy Support Business (Pharmaceutical Network Division, Pharmaceutical Manufacturing and Sales Division, Digital Shift Division)

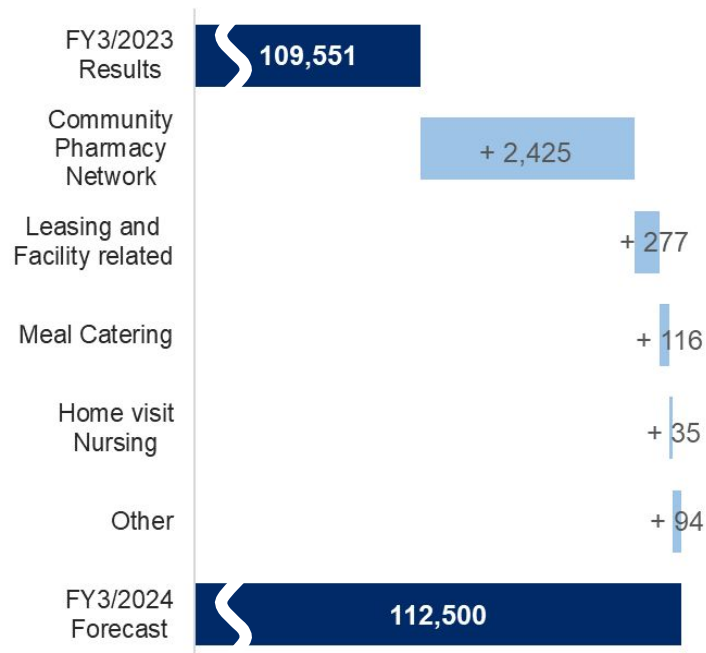
<sup>\*2</sup> Leasing and Facility related Segment, Meal Catering Segment, Home Visit Nursing Segment

<sup>\*3</sup> From FY2024, Development sales expenses is shifted from Leasing and Facility related Segment to Community Pharmacy Business Impact: -124 million yen

# FY3/2024: Earnings Forecast (comparison to previous term)

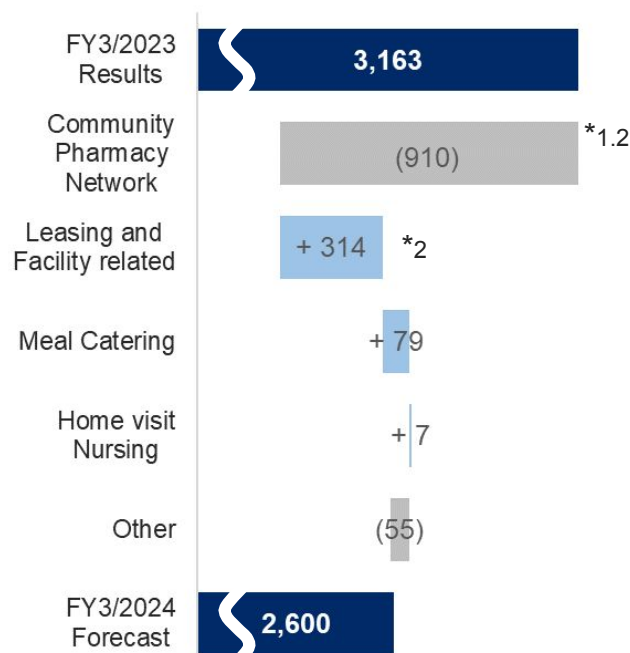
## ■ Net sales

(Unit: million yen)



## ■ Operating profit

(Unit: million yen)



\*1 Impact of the end of the transitional measures for the additional for Community support system fee : (809M)

\*2 Effective from FY2024, change of pharmacy development sales expenses from Leasing and Facility related segment to Community Pharmacy Network segment. Impact (124M)

| YoY  | FY3/2023 Results | FY3/2024 Forecast |
|--|------------------|-------------------|
| No.of prescriptions at existing pharmacies     | +1.5%            | + 1.9%            |
| Prescription unit price at existing pharmacies | (1.3%)           | (2.2%)            |

\* "Existing pharmacies" refer to pharmacies that continue to be in business on or after April 1, 2022

# FY3/2024 : Prospective Dividends

- Basic policy

Maintain the necessary retained earnings to strengthen our financial position, expand the scale of our business, and develop our human resources, while at the same time paying stable dividends to our shareholders in a manner commensurate with our business performance.

- For the FY ending March 31, 2024,

We plan to pay interim and year-end dividends of 5 yen per share each, for an annual dividend of 10 yen per share

## 【Shareholder Return Indicators】

### ■ FY3/2023 (prospects)

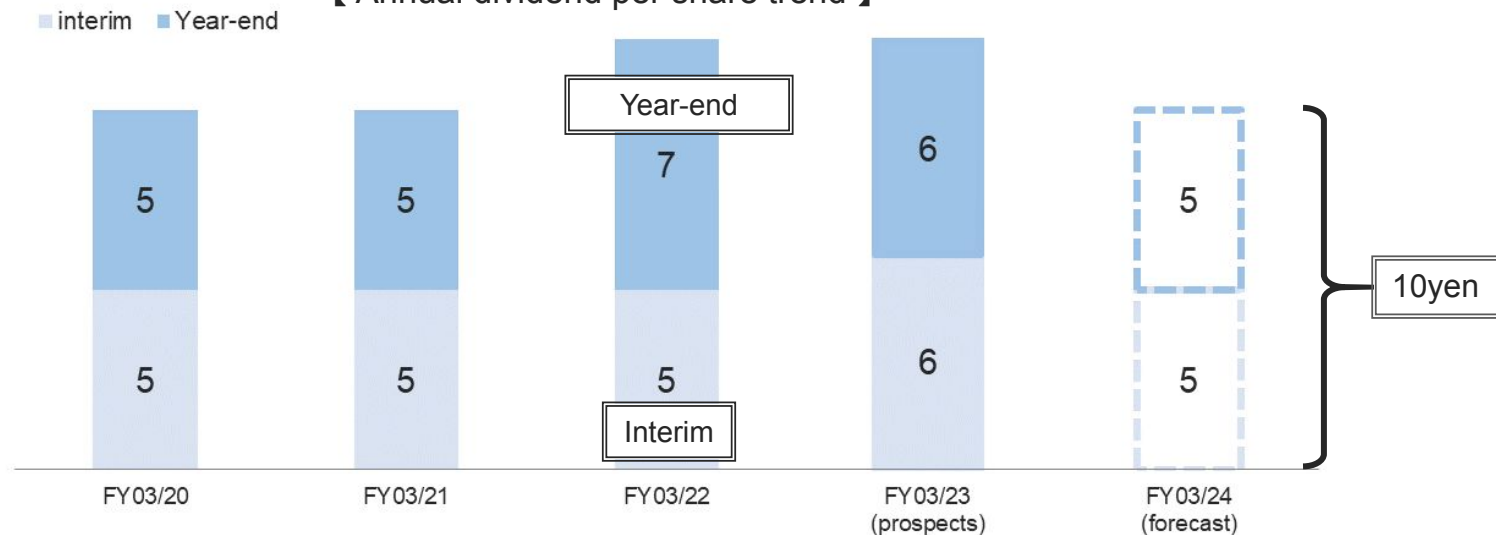
Annual dividend per share 12yen  
Dividend payout ratio 22.5%



### ■ FY3/2024 (Forecast)

Annual dividend per share 10yen  
Dividend payout ratio 30.2%

## 【Annual dividend per share trend】





# Application for selection to the Standard Market

- Decided to apply for an option to change the market classification from Prime Market to Standard Market based on the most recent compliance with the listing maintenance standards of the Prime Market.
- We will continue to work on strengthening our earnings base / aggressive business development and achieving our mid-term management plan for sustainable growth and medium- to long-term corporate value enhancement.

【Standard market conformity status】

|  |                        | Number of shareholders<br>(People) | Number of shares in circulation<br>(Units) | Total market capitalization of tradable shares<br>(Billions of yen) | Ratio of tradable shares (%) | Average monthly trading volume<br>(Units) | Net assets |
|--|------------------------|------------------------------------|--|---|------------------------------|---|------------|
| Our Conformity Status                        | 2023<br>As of March 31 | 8,019                              | 187,046                                    | 7.5   | 61                           | 9,964                                     | Positive   |
| Standard Market Listing Maintenance Criteria |                        | 400                                | 2,000                                      | 1   | 25                           | 10  | Positive   |



# 4

## Reference Materials

# Sustainability Initiatives

As a company that supports the health of local residents, we aim to achieve both a sustainable society and sustainable growth.

## Environmental Conservation Initiatives



### 【Rationalization of Pharmaceutical Distribution】

- Reduction of CO<sub>2</sub> emissions by reducing returns and urgent deliveries, placing regular orders, and optimizing delivery frequency
- Reduction of pharmaceutical waste through trading of immovable inventory among pharmaceutical network affiliates and proper inventory control through inventory management system



## Contribution to Society



### 【Support for public awareness of transplantation medicine】



### 【Employment of people with disabilities Support for production of Chinese herbal raw materials】



### 【Contributing to Society through Sports】



## Strengthening Governance



- Ensure compliance
- Establishment of risk management system
- Improvement of financial structure
- Prompt and personalized information disclosure
- Transition to a company with an audit committee system (scheduled for June 2023)

## MSNW Group Company Briefing Video



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