



MEDICAL
SYSTEM
NETWORK
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

First Quarter of Fiscal Year Ending March 2024

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 -

- Both of Net sales and profit exceeded the plan.
(Net sales +3.3%, Operating profit +157.2%)
- No. of prescriptions exceeded plan by +2.9%
- No. of Pharmaceutical network affiliates fell short of the plan, but ordering volume of pharmaceutical increased compared to the plan.

- YoY change -

- Increase in Net sales and profit
(Net sales +5.2%, Operating profit +29.4%)
- Although the unit price of prescriptions declined due to the NHI price revision and the end of transitional measures for the Additional Allowance related to Community Support System.
- No of prescriptions filled increased due to the shift of COVID-19 to Class 5 of infectious diseases.

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

< Community Pharmacy Network Segment >

Community Pharmacy	430 pharmacies(+2)
Prescription Unit price(All pharmacies)	9,871 yen(-171 yen)*
No. of prescriptions (All pharmacies)	2,379K (+6.7%)*
No. of prescriptions (Existing pharmacies)	2,325K (+5.3%)*

~ Our 3 Pharmacy Support Businesses ~

Pharmaceutical Network Business

- No. of affiliates **9,172** affiliates (+260)

Manufacture and Market Pharmaceuticals Business

- No. of ingredients **46** ingredients(+1)
- No. of products **96** products(+3)
- No. of affiliates **3,642** affiliates(+727)*

Digital Shift Business

- No. User registrations **740K**(+90K)
- No. Installed pharmacies **3,797** pharmacies(+406)

< Leasing and Facility related Segment >

Wisteria

- Occupancy rate of all 5 facilities **80.6%**(+0.2%)

Earnings Highlight	...	5
Business Summary	...	11
Core strategies, Earnings Forecast for FY3/2024	...	22



1

Earnings Highlight

FY3/2024 1Q : Consolidated Results

(Unit: million yen)	FY3/2023 1Q (results)	FY3/2024 1Q (plan)	FY3/2024 1Q (results)	YoY		FY3/2024 1Q Progress rate	FY3/2024 Full year forecast
				Change	Change (%)		
Net sales	26,299	26,772	27,656	+ 1,357	+ 5.2%	103.3%	112,500
EBITDA*1 Profit margin	1,061 4.0%	—	1,202 4.3%	+ 140	+ 13.3%	—	5,600 5.0%
Operating profit Profit margin	348 1.3%	175 0.7%	451 1.6%	+ 102	+ 29.4%	257.2%	2,600 2.3%
Ordinary profit Profit margin	^{*2} 392 1.5%	147 0.6%	410 1.5%	+ 18	+ 4.6%	277.5%	2,550 2.3%
Profit attributable to owners of parent Profit margin	91 0.3%	(33)	148 0.5%	+ 57	+ 62.8%	—	1,000 0.9%
Earnings per share (Yen)	3.02	—	4.92	+ 1.90	—	—	33.14

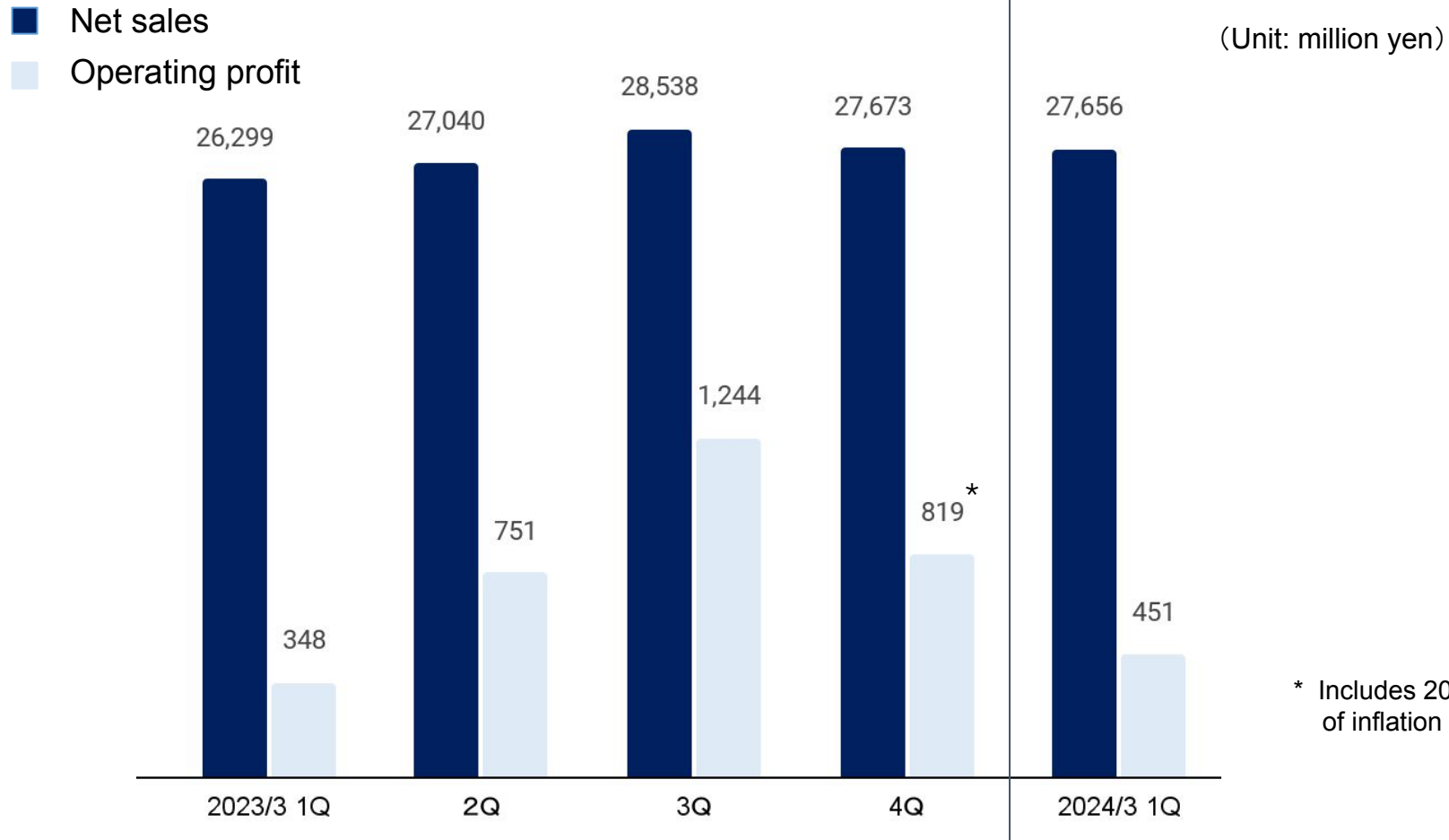
*1 Calculated as "Operating income + Depreciation and amortization + Amortization of goodwill"

*2 Includes 53 million yen in subsidy income related to online qualification verification

FY3/2024 1Q : Consolidated Financial Results - Quarterly

■ Net sales ・ Operating profit (Quarterly Trends)

- No of prescriptions filled increased in 1Q due to the shift of COVID-19 to Class 5 of infectious diseases.
- Operating profit in the first quarter usually tends to be low due to the impact of the revision of medical service fees and seasonal factors.



* Includes 202 million yen of inflation allowance paid

FY3/2024 1Q : Results by Segment

■ Net sales

(Unit: million yen)		FY3/2023 (results)	FY3/2024 (results)	Change	Change(%)
Net sales		26,229	27,656	+ 1,357	+ 5.2 %
	Community Pharmacy Network Segment* ¹	25,045	26,356	+ 1,311	+ 5.2 %
	Other 3 Segments* ²	1,444	1,468	+ 24	+ 1.7%
	Adjustments	(190)	(168)	+ 22	—

■ Operating profit

(Unit: million yen)
Profit margin in brackets

Segment profit		348 1.3 %	451 1.6 %	+ 102 + 0.3pt	+ 29.4 %
	Community Pharmacy Network Segment* ¹	1,014 4.1 %	1,077* ³ 4.1 %	+ 63 + 0.0pt	+ 6.2 %
	Other 3 Segments* ²	(57) —	(0)* ³ —	+ 56 —	—
	Adjustments	(608) —	(626) —	(17) —	—

*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, Home Visit Nursing Segment

*3 Transferring expenses related to the development of pharmacies from the Leasing and Equipment Related Business to the Community Pharmacy Business from FY3/2024. The Impacted amount is minus 46 million yen.

FY3/2024 1Q : Consolidated Balance Sheet

■End of FY3/2023

(Unit: million yen)

Assets	66,223	Liabilities	51,735
Current assets	20,265	Current liabilities	21,349
Cash and deposits	8,141	Short-term loans*1	6,168
		Fixed liabilities	30,385
Fixed assets	45,958	Long-term loans	20,226
Tangible fixed assets	27,060	Net assets	14,488
Intangible fixed assets	11,807	Share capital	2,128
Goodwill	11,183	Capital surplus	1,182
Investments and other assets	7,090	Retained earnings	11,606
		Treasury shares	(326)
Total assets	66,223	Total liabilities and net assets	66,223
Equity ratio	21.8%		

(Equity ratio with taking into account net cash** 24.9%)

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

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

■End of FY3/2024 1Q

(Unit: million yen)

Assets	67,932	Liabilities	53,465
Current assets	21,445	Current liabilities	23,348
Cash and deposits	9,751	Short-term loans*1	6,703
		Fixed liabilities	30,117
Fixed assets	46,486	Long-term loans	19,003
Tangible fixed assets	28,011	Net assets	14,467
Intangible fixed assets	11,547	Share capital	2,128
Goodwill	10,905	Capital surplus	1,182
Investments and other assets	6,928	Retained earnings	11,571
		Treasury shares	(326)
Total assets	67,932	Total liabilities and net assets	67,932
Equity ratio	21.2%		

(Equity ratio with taking into account net cash** 24.8%)

FY3/2024 1Q : Consolidated Cash Flows

Cash flows from
operating activities

3,013

million yen

EBITDA*

Income taxes paid

Changes in working capital

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

1,202 million yen

(613) million yen

1,791 million yen

Cash flows from
investing activities

(447)

million yen

Opening of new pharmacies

Existing pharmacies renovation costs, etc.

(203) million yen

(115) million yen

Cash flows from
financing activities

(955)

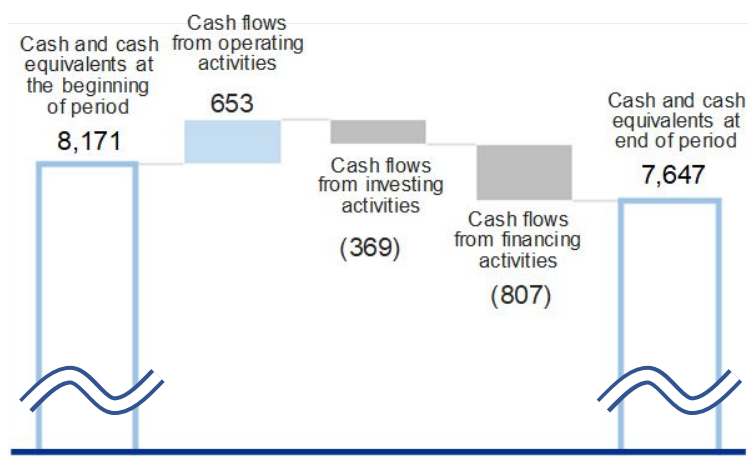
million yen

Loan amount reduced

(687) million yen

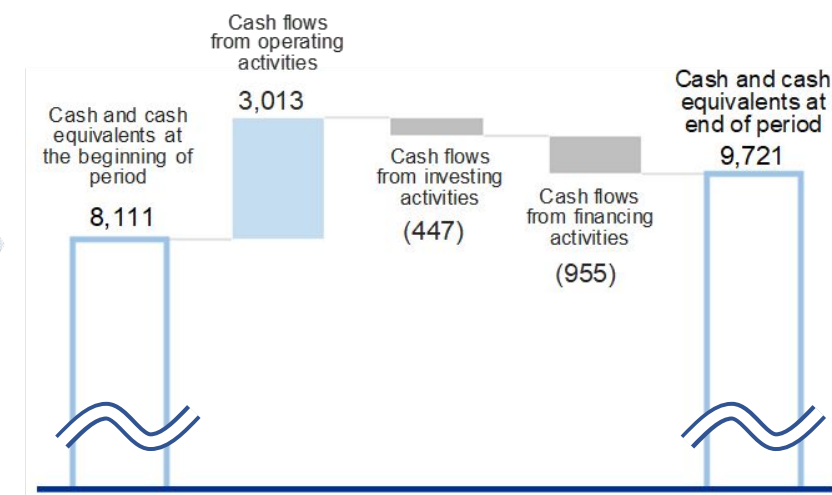
■FY3/2023 1Q

(Unit: million yen)



■FY3/2024 1Q

(Unit: million yen)





2

Business Summary

Community Pharmacy Business:

Trends in No. of Pharmacies

2 new outlets since the end of the previous FY

[Medical Mall]



[Nanohana Pharmacy
Gamo Station]

Tokai/Hokuriku

Hokkaido area

122
outlets

Tohoku area

24
outlets

Kanto/Koshinetsu

102
outlets

Kinki
53
outlets

Chugoku/Shikoku
21
outlets

44
outlets

Kyushu
64
outlets

[Located near medical institutions]



[Sakura Pharmacy
Fukuma]

FY3/2024 (As of June 30)

	Fixed No. / results in 1Q	Full Year Plan
No. of openings	11 / 2	15
No. of prospects connected to Medical Institutions	13 / 9	10

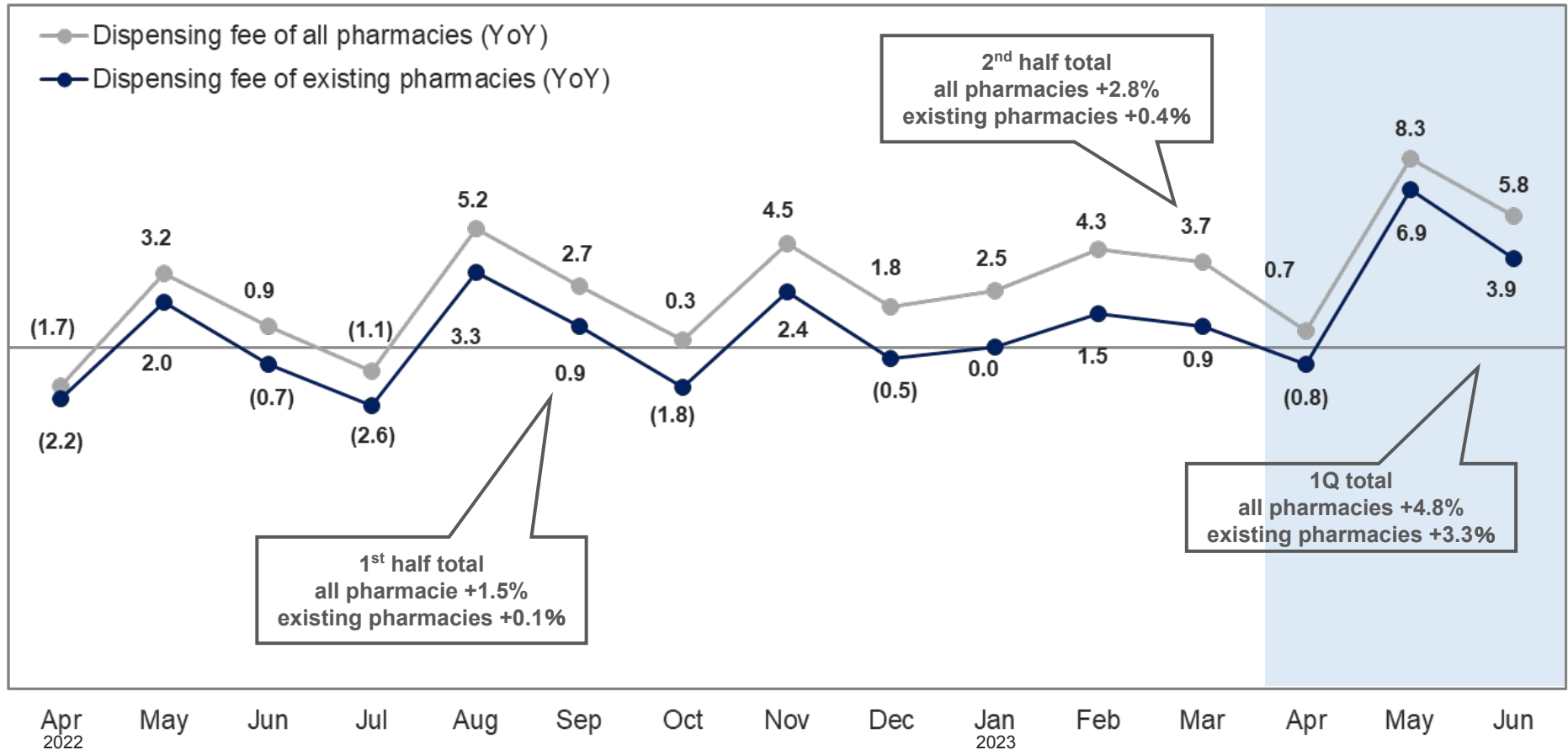
■ Community pharmacy outlet no. trends of the past 10 years

As of June 30, 2023

	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024 1Q	FY3/2026 midterm plan
Openings	10	9	8	8	5	8	7	12	8	2	—
Closing and transferring	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)	(7)	0	—
M&A	27	7	20	19	30	3	6	3	2	0	—
No. of outlets	345	353	377	399	420	416	416	425	428	430	550

Community Pharmacy Business :

Monthly Dispensing Fee (YoY)

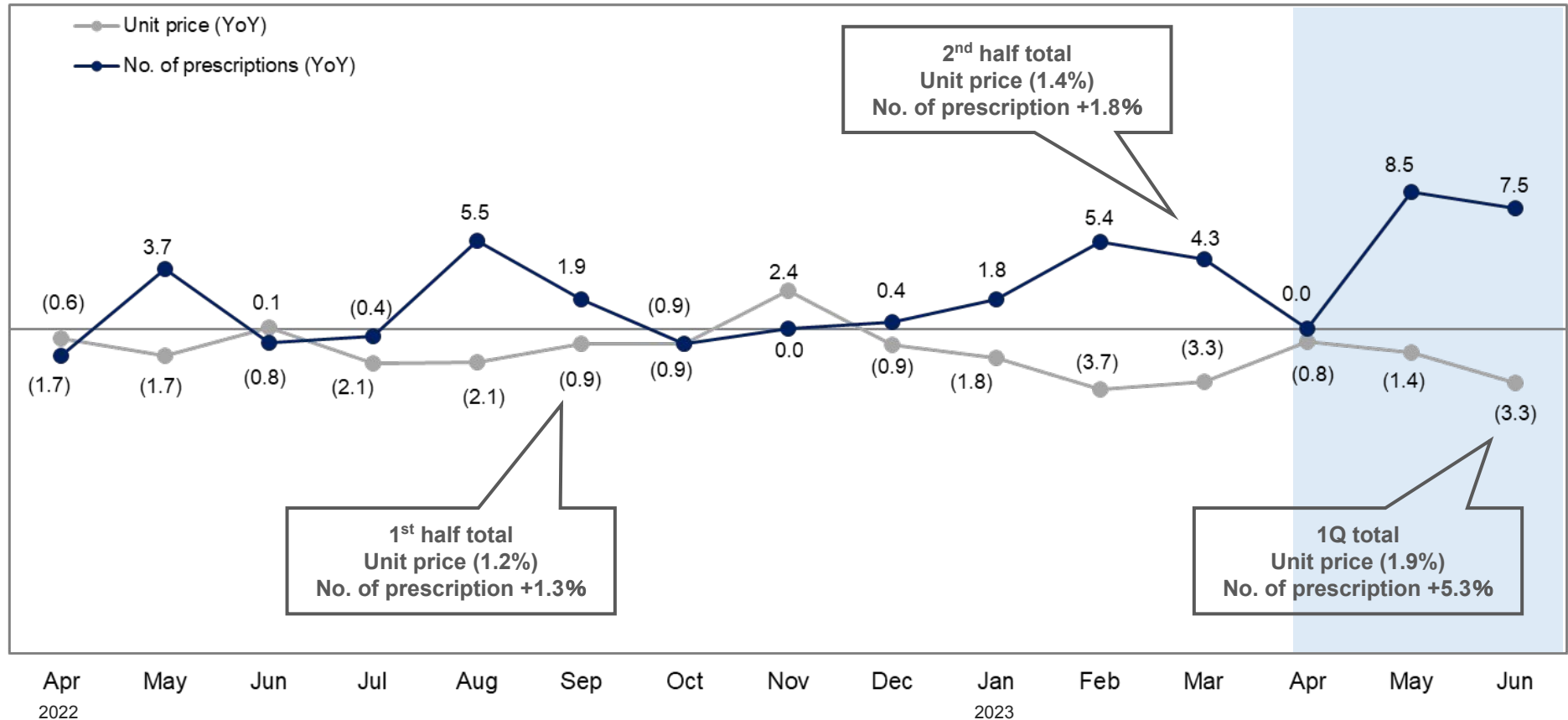


- Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2021 for the previous fiscal year and since April 1, 2022 for the current fiscal year

Community Pharmacy Business :

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

- The unit price of prescriptions declined due to the NHI price revision and the end of transitional measures for the Additional Allowance related to Community Support System.
- No. of prescriptions filled increased due to the shift of COVID-19 to Class 5 of infectious diseases and recovered to pre-COVID-19 levels.



Community Pharmacy Business : Dispensing Fee Breakdown

■ All pharmacies		FY3/2023 1Q	FY3/2024 1Q	Change	Change (%)
No. of prescriptions (1,000)		2,230	2,379	+ 148	+ 6.7%
Unit price (yen)	Drug charge per prescription	7,620	7,526	(94)	(1.2%)
	Technical fee per prescription	2,421	2,345	(76)	(3.2%)
	Total	10,041	9,871	(171)	(1.7%)
Dispensing fee (million yen)		22,399	23,484	+ 1,085	+ 4.8%

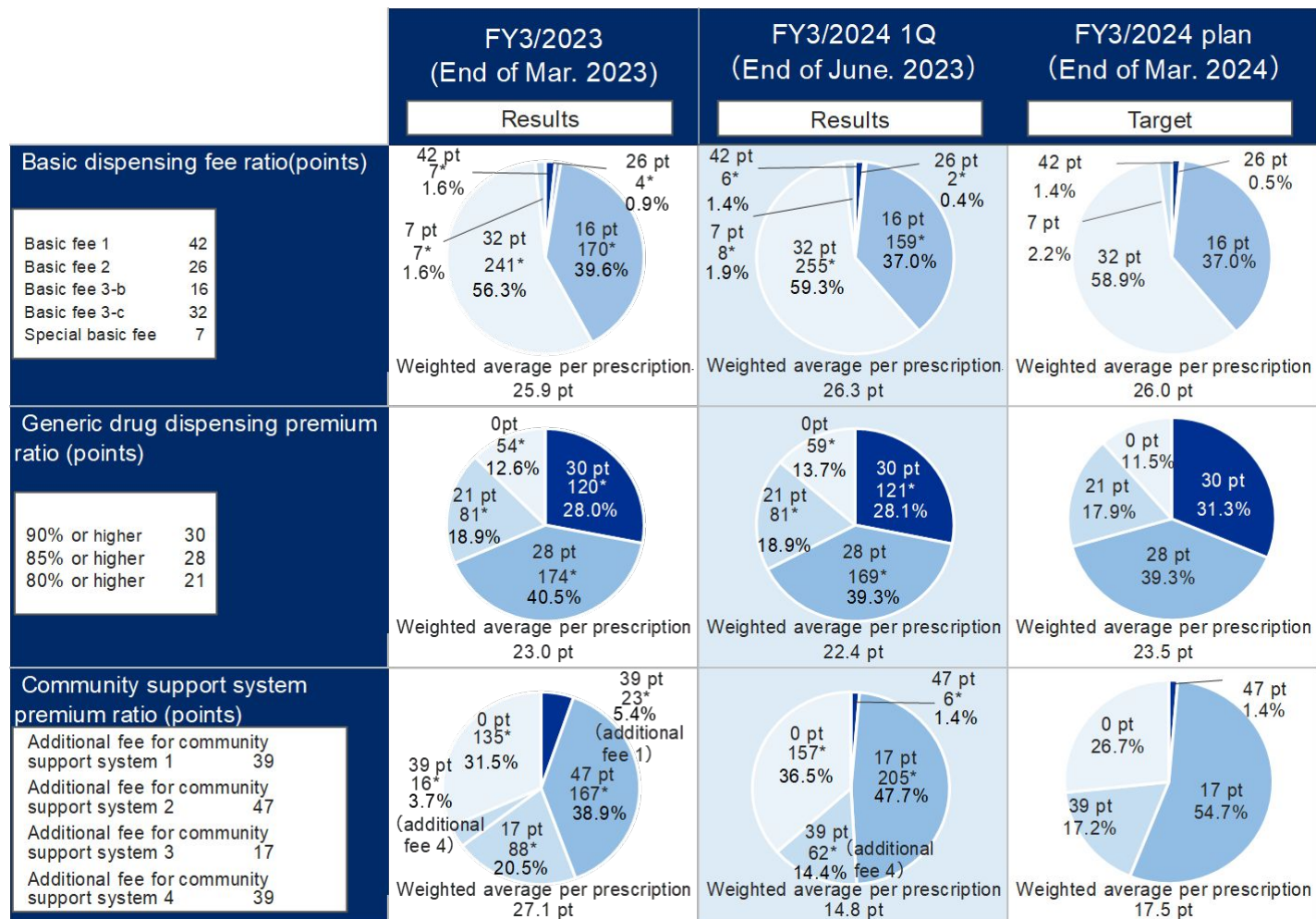
■ Existing pharmacies

No. of prescriptions (1,000)		2,209	2,325	+ 116	+ 5.3%
Unit price (yen)	Drug charge per prescription	7,577	7,457	(120)	(1.6%)
	Technical fee per prescription	2,425	2,354	(71)	(2.9%)
	Total	10,002	9,810	(191)	(1.9%)
Dispensing fee (million yen)		22,097	22,818	+ 720	+ 3.3%

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

Community Pharmacy Business : Dispensing Fee Revision

- Although the weighted average number of points decreased from the end of the previous fiscal year due to the end of the transitional measures for the Additional Allowance related to Community Support System, the acquisition of points exceeded our original plan.
- We continue to focus on interpersonal services.



3 Pharmacy Support Businesses :

Performance Summary (as of June 30, 2023)



Supporting community pharmacies through 3 businesses: Our core Pharmaceutical Network, Manufacture and Market Pharmaceuticals, and Digital Shift Initiative

■ Progress against numerical targets for this fiscal year

	Numerical Targets for the Current Term	Progress (As of June 30)
Pharmaceutical Network Business	10,400 affiliates (+1,488 affiliates)	9,172 affiliates +260 affiliates (From the end of the previous FY) 9,258 affiliates (As of July 31)
Manufacture and Market Pharmaceuticals Business	5,000 transaction pharmacies* (+1,263 pharmacies)	3,642 transaction pharmacies* +727 pharmacies (YoY) * No. of transaction pharmacies is total pharmacies that have actually transacted business since April of each year.
Digital Shift Business	5,300 installed pharmacies (+1,909 pharmacies) 1 million registered users (+360K users)	3,797 installed pharmacies +406 pharmacies (From the end of the previous FY) 744K registered users +96K users (From the end of the previous FY)

Pharmaceuticals Network Business:

Performance Summary (as of June 30, 2023)

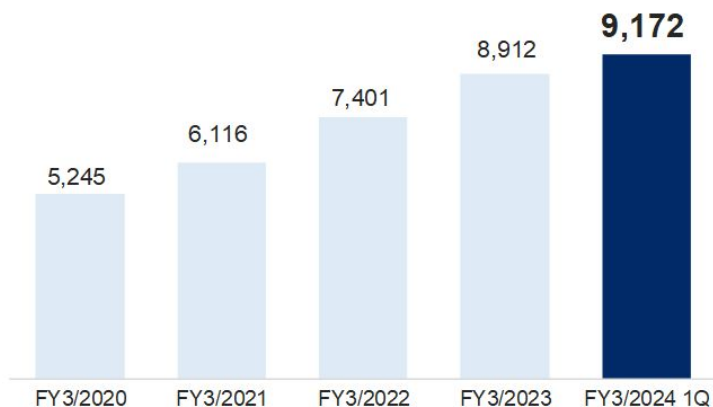


No. of new affiliates increased by 260 from the end of the previous FY to 9,172

■ Full year ■ 1Q

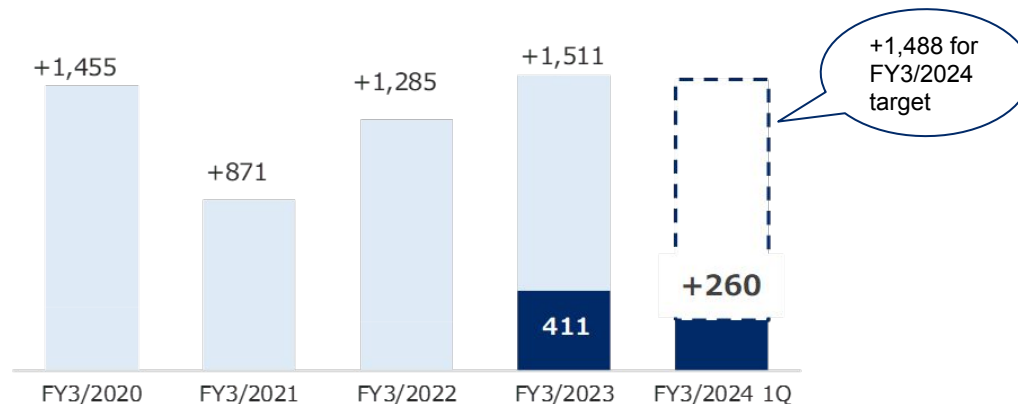
■ Network affiliates (actual)

(Unit: No. of network affiliates)



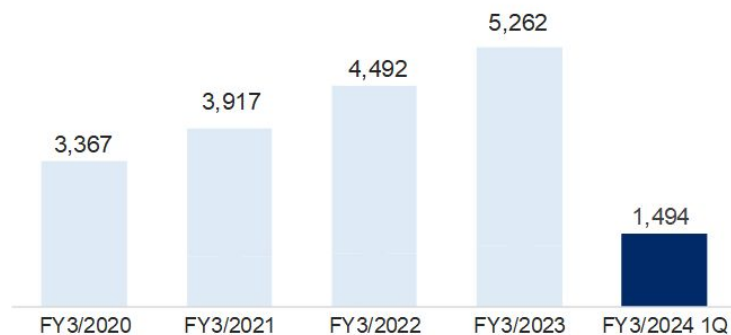
■ Network affiliates (Net increase)

(Unit: No. of network affiliates)



■ Ordering volume of pharmaceuticals

(Unit : billion yen)



■ FY3/2023 Breakdown of network affiliates (New/Withdrawal)

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

■ FY3/2024 Breakdown of network affiliates

	1Q
New	342
Withdrawal	(82)

In the 1Q, many pharmacies took a wait-and-see attitude toward affiliation due to the progress of price negotiations, etc.

Manufacture and Market Pharmaceuticals Business:

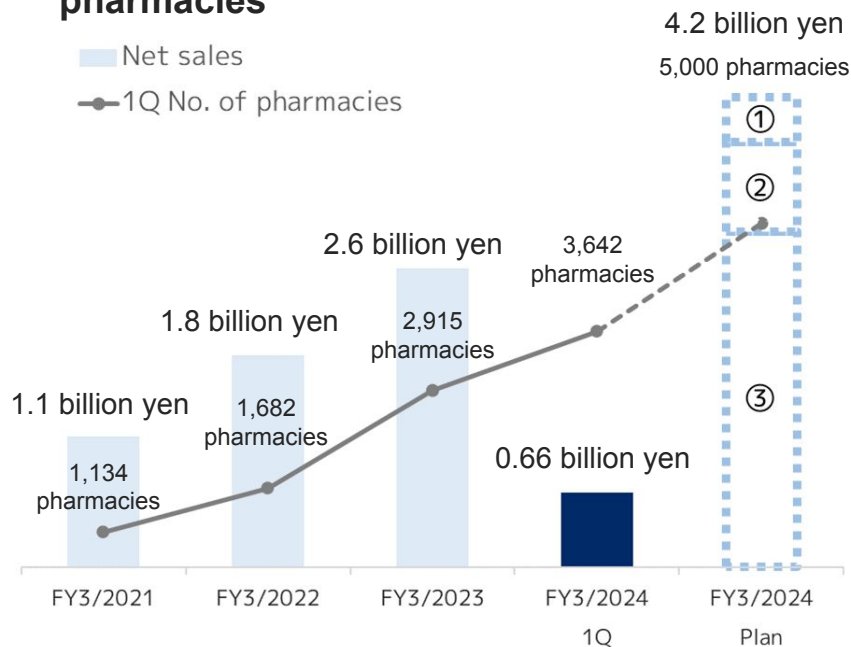
96 products / 46 ingredients (3 products / 1 ingredients were added from the end of the previous FY)



- Although some orders have been suspended due to shipment adjustments, no. of new transaction pharmacies increased steadily.
 - ✓ New transaction pharmacies +345
 - Shipment adjustments will continue as needed , but shipments will be resumed as needed depending on inventory conditions, etc.
- *No. of products adjusted for shipment as of June 30: 16 products / 6 ingredients (End of March 2023: 19 products / 7 ingredients)

■ Net sales and No. of transaction

pharmacies



■ Breakdown of sales plan for this fiscal year

	Release Date	Product name	products / ingredients
①	June 2023	Azilsartan OD tablet 10mg/20mg/40mg「Feldsenf」	9 products / 3 ingredients
	August 2023	olopatadine hydrochloride tablets 2.5mg/5mg「Fieldsend」	
	September 2023	4 products / 1 ingredients(plan)	
②	April 2022 - March 2023	articles for sale	11 products / 4 ingredients
③	Products released before March 2022		82 products / 41 ingredients

*No. of transaction pharmacies is total pharmacies that have actually transacted business since April of each year.



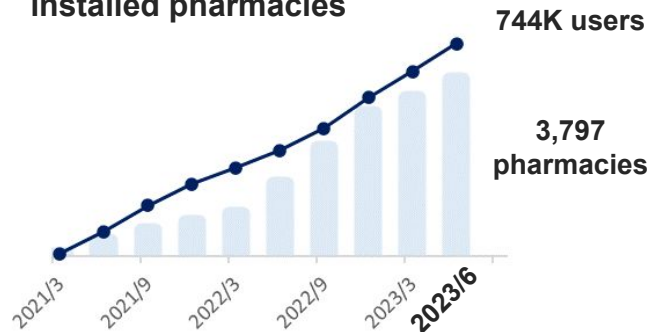
Pharmashift

Official LINE Account

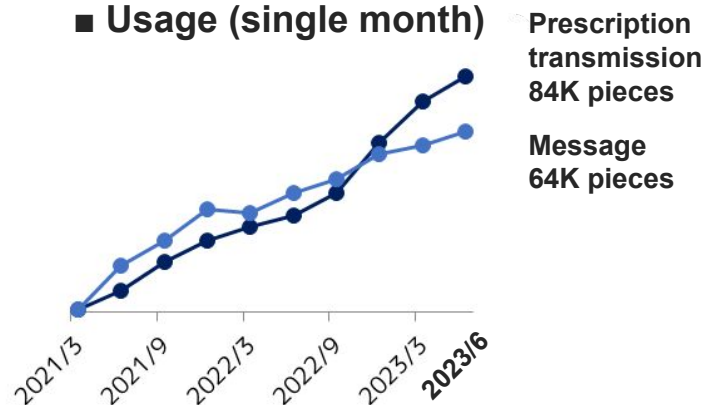
つながる薬局

- 744K users have registered and 3,797 pharmacies have installed the service.
- Steady progress toward target of 1 million users registrations and 5,300 pharmacies in FY3/2024

■ No. of users registrations and installed pharmacies



■ Usage (single month)



■ Online Medical Treatment Collaboration

Service linked with "Ishachoku", an appointment-free online medical service
Complete the process online from clinic visit to medication pickup



*Target pharmacies will be expanded sequentially

■ Major Functional Updates

(1) Customized Medical Questionnaire

: Free content of questions for each pharmacy, promoting user registration

(2) Notification delivery function

: Easy distribution of information on promotion of use of prescription services, OTC product information, etc.

(3) Medication history printout function

: Responds to the need for written confirmation when collaborating with multiple medical professions

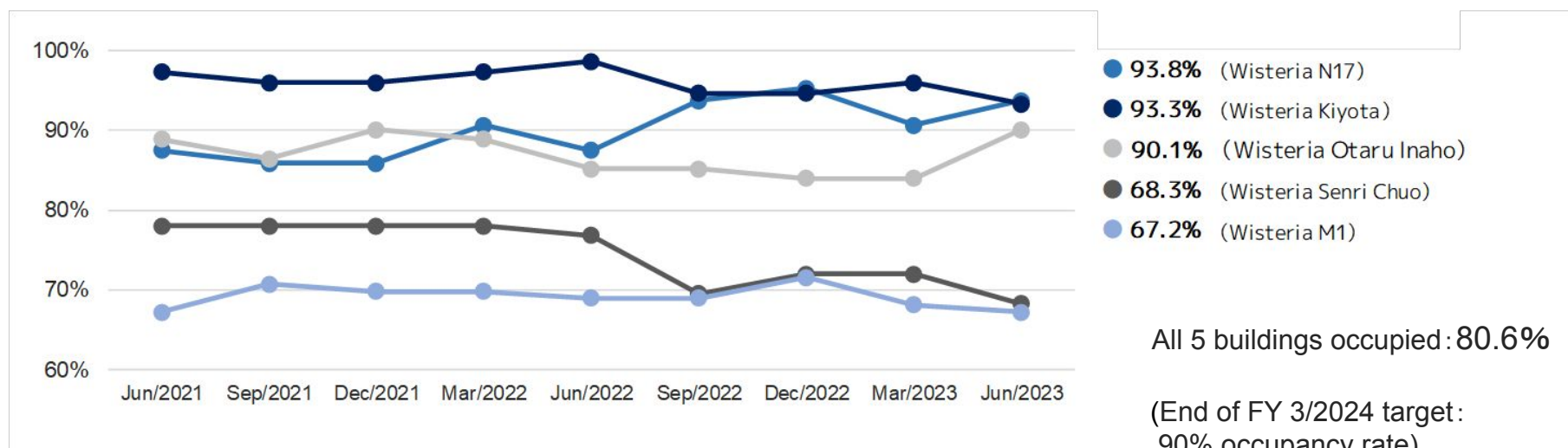
(4) Medication Follow Plus

: Supports target patient identification, scheduling and information distribution

Leasing and Facility related Segment



Wisteria Occupancy Rate Trends



- In 1Q, 16 new move-in and 15 move-out of Wisteria
- Management income at managed properties remained steady.
- Transferring expenses related to the development of pharmacies from the Leasing and Equipment Related Segment to the Community Pharmacy Business from FY3/2024. The impacted amount is minus 46 million yen.

✓ Leasing and Facility related Segment

Net sales 800 million yen (YoY +0.7%)

Operating profit 22 million yen (Operating loss for the same period of the previous year 43 million yen)

A background image showing a business meeting. Several people in suits are gathered around a table. On the table are various documents, including a bar chart with blue bars, a pie chart with green, blue, and orange segments, and another pie chart with blue, green, and orange segments. A person's hand is visible, holding a blue pen and pointing at one of the charts. A green cup is also on the table.

3

Core strategies,
Earnings
Forecast for
FY3/2024
【Republish】

		Focused measures for the current period and Target value
Community Pharmacy Network Segment	Community Pharmacy Business	<ul style="list-style-type: none"> ■ Acquisition of prescriptions using on-line tools (LINE, prescription transmission) tools No. of existing pharmacies prescriptions :+1.9%(YoY) ■ Strengthen interpersonal services and provide quality drug treatments ■ Development of new 15 pharmacies, mainly in medical malls ■ Increased productivity through appropriate cost controls
	Pharmaceuticals Network Business*	<ul style="list-style-type: none"> ■ 10,400 affiliates at the end of March 2024 (+1,488) ■ Promote distribution improvement; Our pharmacies Deliver once a day on weekdays, no deliveries on Saturdays, and reduce urgent deliveries ■ Core system renovation and renewal ■ Expansion of services for affiliates
	Manufacture and Market Pharmaceuticals Business*	<ul style="list-style-type: none"> ■ Stable supply ■ No. of transaction pharmacies including network affiliates : 5,000 (+1,263)
	Digital Shift Business*	<ul style="list-style-type: none"> ■ No. of installed pharmacies : 5,300 (+1,909), 1 million user registrations (+360K) ■ Continued enhancements
* 3 Pharmacy Support Businesses		
Leasing and Facility related Segment		<ul style="list-style-type: none"> ■ Achieved 90% occupancy rate and stable operation in Wisteria ■ Appropriate cost control and review of labor and advertising costs
Meal Catering Segment, Home Visit Nursing Segment		<ul style="list-style-type: none"> ■ As the impact of Corona fades, returns to normal operations and raises break-even line
Investment and Financial Strategies		<ul style="list-style-type: none"> ■ IT investment in building area collaboration ■ Secure profit and build up capital through cost control

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 (Results)	FY3/24 (Forecast)	Change	Change (%)
Net sales	109,551	112,500	+ 2,948	+ 2.7 %
EBITDA	6,122 5.6 %	5,600 5.0 %	(522) (0.6 pt)	(8.5 %)
Operating profit Profit margin	3,163 2.9 %	2,600 2.3 %	(563) (0.6pt)	(17.8 %)
Ordinary profit Profit margin	3,355 3.1 %	2,550 2.3 %	(805) (0.8 pt)	(24.0 %)
Profit attributable to owners of parent Profit margin	1,610 1.5 %	1,000 0.9 %	(610) (0.6 pt)	(37.9 %)
Earnings per share (Yen)	53.38	33.14	(20.24)	—

Earnings Forecast for FY3/2024: Forecast by Segment

■ Net sales

(Unit: million yen)		FY3/23 (Results)	FY3/24 (Forecast)	Change	Change (%)
Net sales		109,551	112,500	+ 2,948	+ 2.7 %
	Community Pharmacy Network Segment* ¹	104,399	106,824	+ 2,425	+ 2.3 %
	Other 3 Segments* ²	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 Network Segment ^{*1}	5,887	5.6 %	4,977 ^{※3}	4.7 %	(910)	(0.9pt)	(15.5 %)
	Other 3 Segments ^{*2}	(180)	—	220 ^{※3}	3.4 %	+ 401	—	—
	Adjustments	(2,542)	—	(2,597)	—	(55)	—	—

*1 Community Pharmacy Business,3 Pharmacy Support Business(Pharmaceutical Network Division, Pharmaceutical Manufacturing and Sales Division, Digital Shift Division)

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

*3 From FY2024, Development sales expenses is shifted from Leasing and Facility related Segment to Community Pharmacy Business Impact: minus 124 million yen



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