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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese GAAP)

May 10, 2024

Company name: Medical System Network Co., Ltd.
Stock code: 4350

Listing: Tokyo Stock Exchange
URL: <https://www.msnw.co.jp/eng/>

Representative: Inao Tajiri, President and Representative Director
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Scheduled date for Ordinary General Meeting of Shareholders: June 20, 2024
Scheduled date for dividend payment: June 21, 2024
Scheduled date for annual securities report submission: June 21, 2024
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate YoY change)

Fiscal year ended	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	115,361	5.3	6,997	14.3	3,832	21.1	3,825	14.0	1,860	15.5
March 31, 2023	109,551	2.7	6,122	(8.7)	3,163	(17.9)	3,355	(22.2)	1,610	(32.7)

Note: Comprehensive income: Fiscal year ended March 31, 2024 1,898 million yen (18.7% YoY)
Fiscal year ended March 31, 2023 1,599 million yen (-33.0% YoY)

Note: EBITDA = (operating profit + depreciation + goodwill amortization)

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
March 31, 2024	61.89	—	12.6	5.7	3.3
March 31, 2023	53.38	—	11.6	5.2	2.9

Reference: Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2024 - million yen
Fiscal year ended March 31, 2023 - million yen

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of earnings per share and return on equity calculations.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2024	68,149	15,219	22.3	519.06
March 31, 2023	66,223	14,488	21.8	478.86

Reference: Shareholders' equity: As of March 31, 2024 15,171 million yen
As of March 31, 2023 14,451 million yen

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of shareholders' equity, equity ratio, and net assets per share calculations.

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
March 31, 2024	7,725	(3,649)	(3,944)	8,242
March 31, 2023	4,973	(2,114)	(2,918)	8,111

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2023	—	6.00	—	6.00	12.00	366	22.5	2.6
March 31, 2024	—	6.00	—	6.00	12.00	361	19.4	2.4
March 31, 2025 (forecast)	—	6.00	—	6.00	12.00		17.5	

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of payout ratio (consolidated) and dividend on equity ratio (consolidated) calculations.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate YoY change)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	59,500	5.4	3,260	28.5	1,600	(6.6)	1,590	(6.1)	785	(8.9)	26.86
Full-year	122,000	5.8	7,450	6.5	4,000	4.4	3,950	3.3	2,000	7.5	68.43

Note: EBITDA = (operating profit + depreciation + goodwill amortization)

Notes

(1) Changes in significant subsidiaries during the period under review: None

(Transfers of specified subsidiaries associated with changes in the Company's scope of consolidation)

Newly added: None

Excluded: None

(2) Changes in accounting policies, accounting estimates and retrospective restatements

1. Accounting policy changes due to accounting standard revisions, etc.: None

2. Other accounting policy changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury shares)	As of March 31, 2024	30,642,600	As of March 31, 2023	30,642,600
2. Treasury shares outstanding	As of March 31, 2024	1,414,055	As of March 31, 2023	464,055
3. Period-average shares outstanding	Fiscal year ended March 31, 2024	30,069,528	Fiscal year ended March 31, 2023	30,178,545

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of calculation method regarding period-end treasury shares outstanding and period-average shares outstanding.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate YoY change)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	8,796	8.5	926	115.8	2,713	14.4	2,344	8.3
March 31, 2023	8,108	10.0	429	6.2	2,372	9.0	2,165	(1.5)

Fiscal year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	77.98	—
March 31, 2023	71.75	—

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of earnings per share calculations.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2024	54,081	19,738	36.5	675.33
March 31, 2023	53,091	18,301	34.5	606.46

Reference: Shareholders' equity: As of March 31, 2024 19,738 million yen
As of March 31, 2023 18,301 million yen

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of shareholders' equity, equity ratio, and net assets per share calculations.

*The financial information in this report is not subject to audits by certified public accountants or auditing firms.

*Appropriate use of earnings forecast and other special notes

1. The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary from forecasts due to a variety of factors. For matters concerning earnings forecasts, please refer to page 5 of the attached materials "1. Overview of Operating Results (4) Future Outlook."

2. In both consolidated and non-consolidated balance sheets for the fiscal year ended March 31, 2024, the Company's shares held as trust assets of the Board Benefit Trust (BBT) are recorded as treasury shares. They are included in treasury shares in calculations of earnings per share, return on equity, equity ratio, net assets per share, shareholders' equity, dividend payout ratio (consolidated), dividend on equity ratio (consolidated), period-end treasury shares outstanding and period-average shares outstanding.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Under Review

In the fiscal year ended March 31, 2024, the Japanese economy gradually recovered as socioeconomic activities normalized prompted by the reclassification of COVID-19 as a Class 5 infectious disease. The economic outlook, however, remains clouded due to ongoing inflation against a backdrop of soaring raw material prices caused by the prolonged Russia-Ukraine conflict and foreign exchange rate fluctuations.

In the pharmaceuticals industry where the Group operates, the business environment remains challenging due to the ongoing implementation of measures to contain healthcare costs, including off-year revisions of NHI drug prices, as Japan's aging population is putting an increasing strain on the country's healthcare finances.

Under these conditions, highlights of the Group's financial results in the fiscal year under review were as follows. In the Community Pharmacy Business in the Community Pharmacy Network Segment, the unit price of prescriptions declined as the transitional measures for community support system premiums ended. However, the number of prescriptions filled increased, owing to diminished concerns over seeking in-person medical consultations due to the downgrading of COVID-19 to a Class 5 infectious disease, the outbreak of multiple respiratory infections, digitalization initiatives including the use of the official LINE messaging app account, Tsunagaru Pharmacy, to send and receive prescriptions, and enhanced post-dispensing patient follow-up. In the Pharmaceutical Network Business in the same segment, the net increase in network affiliates fell short of expectations due to affiliate withdrawals resulting from pharmacy closures and M&A, but the total value of pharmaceutical orders placed by network affiliates was largely in line with projections, thanks to increased value of pharmaceuticals purchased by existing affiliates. On the expenses front, the Group made concerted efforts to improve productivity and contain various costs. As a result, in the fiscal year under review, net sales amounted to 115,361 million yen (+5.3% YoY), operating profit 3,832 million yen (+21.1% YoY), ordinary profit 3,825 million yen (+14.0% YoY), and profit attributable to owners of parent 1,860 million yen (+15.5% YoY).

Results by segment were as follows. Sales in each segment include intersegment sales.

From the beginning of the fiscal year under review, we have reallocated pharmacy development costs, which were previously booked in the Leasing and Facility-related Segment, to the Community Pharmacy Network Segment. This reallocation, totaling 147 million yen for the fiscal year under review, was made due to our decision to specialize in the development of the Group's community pharmacies.

1) Community Pharmacy Network Segment

In the Community Pharmacy Network Segment, we are committed to providing value throughout the entire pharmaceutical supply chain. To this end, we operate community pharmacies, support pharmacy management through our pharmaceutical networks, manufacture and market pharmaceuticals, and support pharmacies transition into family pharmacies using the Tsunagaru Pharmacy service.

In the Community Pharmacy Business, the unit price of prescriptions dropped as the transitional measures for community support system premiums ended, but the number of prescriptions filled increased, owing to abated concerns over seeking in-person medical consultations with the downgrading of COVID-19 to a Class 5 infectious disease, the outbreak of multiple respiratory infections, digitalization initiatives including the use of Tsunagaru Pharmacy to send and receive transcriptions, and enhanced post-dispensing patient follow-up. In the fiscal year under review, we opened 13 community pharmacies, including five in medical malls, and one drug store, and acquired 18 community pharmacies through M&A. At the same time, we closed and transferred 10 stores, including one drug store. As a result, as of March 31, 2024, we had 450 community pharmacies, one in-home care plan support center, and nine cosmetics/drug stores.

In the Pharmaceutical Network Business, the net increase in the number of network affiliates fell short of expectations due to affiliate withdrawals resulting from pharmacy closures and M&A. However, the total value of pharmaceutical orders placed by network affiliates was largely in line with projections, owing to increased value of pharmaceuticals purchased by existing affiliates. As of March 31, 2024, pharmaceutical network members totaled 9,756, up 844 from March 31, 2023, consisting of 450 Group pharmacies and 9,306 affiliates.

In the Manufacture and Market Pharmaceutical Business, as of March 31, 2024, the Group offered 103 products

representing 48 different active pharmaceutical ingredients (APIs) (shipments of six products representing three APIs were under adjustment). As of March 31, 2024, partner pharmacies numbered 4,998, up 1,261 year-on-year, on the back of steady growth in new partner pharmacies in the fiscal year under review.

In the Digital Shift Business, the number of pharmacies that have adopted the Group's services as of March 31, 2024 totaled 4,682 (up 1,291 compared with March 31, 2023)

As a result, segment sales were 109,904 million yen (+5.3% YoY) and operating profit was 6,433 million yen (+9.3% YoY).

2) Leasing and Facility-related Segment

Segment sales amounted to 3,611 million yen (+3.3% YoY), driven by robust management fee income from properties under management and an uptick in construction orders. Segment operating profit was 158 million yen (operating loss of 92 million yen in the previous fiscal year). Profit growth was partly due to the reallocation of pharmacy development costs to the Community Pharmacy Network Segment, following our decision to specialize in developing the Group's community pharmacies. Additionally, a review of staff allocation and advertising expenses for the Wisteria serviced residence for the elderly also contributed to the improvement in profit.

As of March 31, 2024, Wisteria Senri-Chuo had an occupancy rate of 62.2% (51 out of 82 units occupied), and Wisteria Minami-Ichijo had an occupancy rate of 75.9% (88 out of 116 units occupied). The overall occupancy rate at the five serviced residences for the elderly stood at 83.0%. The Group will focus on meeting the changing needs of residents and cultivate new sales routes, and continue to conduct aggressive sales activities.

3) Meal Catering Segment

In the Meal Catering Segment, while sales grew owing to a revision of the contract unit price, the gross profit margin declined due to soaring purchase prices. As a result, segment sales were 2,360 million yen (+3.1% YoY), and the operating loss was 43 million yen (versus an operating loss of 65 million yen in the same period of the previous year).

4) Other Segment

The In the Other Segment, the Group provides home-visit nursing care. While the number of home visits rose, the Group incurred upfront costs due to increased headcount. As a result, sales came to 314 million yen (+3.1% YoY) while the segment posted an operating loss of 43 million yen (versus an operating loss of 22 million yen in the same period of the previous fiscal year).

(2) Overview of Financial Position

As of March 31, 2024, total assets amounted to 68,149 million yen, an increase of 1,926 million yen from March 31, 2023. Current assets were 20,773 million yen, up 507 million yen from March 31, 2023, largely due to an increase in accounts receivable–trade.

Non-current assets were 47,376 million yen, up 1,418 million yen from March 31, 2023. This mainly reflected increases in lease assets (net) and deferred tax assets.

Total liabilities were 52,930 million yen, an increase of 1,195 million yen compared with March 31, 2023. Current liabilities amounted to 23,213 million yen, up 1,864 million yen from March 31, 2023, primarily due to increases in accounts payable–trade and income taxes payable. Non-current liabilities were 29,716 million yen, down 669 million yen from March 31, 2023. This was largely due to a decline in long-term borrowings, offsetting an increase in lease obligations.

Net assets totaled 15,219 million yen, an increase of 730 million yen from March 31, 2023. This was mainly due to an increase in retained earnings, despite an increase in treasury shares (decline in net assets).

(3) Overview of Cash Flows

(Status of cash flows)

As of March 31, 2024, the balance of cash and cash equivalents stood at 8,242 million yen, up 131 million yen compared with March 31, 2023. The status of cash flows for the fiscal year under review is detailed below.

(Cash flows from operating activities)

Net cash provided by operating activities was 7,725 million yen (versus 4,973 million yen provided in the previous fiscal year). This was primarily due to inflows of 3,451 million yen in profit before income taxes, 2,031 million yen in depreciation, and 1,132 million yen in amortization of goodwill, offsetting an outflow of 1,263 million yen in income tax paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,649 million yen (2,114 million yen used in the previous fiscal year). This was mainly due to 1,862 million yen in purchase of property, plant and equipment, 728 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation, and 501 million yen in payments for acquisition of business.

(Cash flows from financing activities)

Net cash used in financing activities was 3,944 million yen (2,918 million yen used in the previous fiscal year). This was primarily due to a 2,374 million yen decrease in borrowings and 555 million yen in purchase of treasury shares.

Reference: Cash Flow Indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	14.2	17.3	21.1	21.8	22.3
Equity ratio based on market value (%)	19.7	33.3	26.2	18.2	28.5
Interest-bearing debt to cash flow ratio (years)	8.9	6.3	7.4	6.1	3.8
Interest coverage ratio (times)	17.5	24.4	21.9	18.0	29.3

Equity ratio: Shareholders' equity/total assets

Equity ratio based on market value: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest payment

Note:

1. Indicators are calculated based on consolidated figures.
2. Market capitalization is determined based on the number of shares outstanding excluding treasury shares.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt refers to all liabilities on the consolidated balance sheet requiring the payment of interest.

(4) Outlook

In the NHI drug price and dispensing fee revisions of April 2024, drug prices were reduced by 0.97% on average, while dispensing fees were increased by 0.16% and by another 0.28% as part of the government's measures to propel wage increases.

Against this backdrop, in the pharmacy industry, we expect the need to streamline operations and stabilize management to continue holding firm, as pharmacies seek to further focus on interpersonal operations while responding to the deteriorating business environment.

In the Community Pharmacy Business under the Community Pharmacy Network Segment, we will continue focusing on strengthening interpersonal operations by fostering a medical mindset and providing quality drug therapies, and consistently partake in the digitalization of healthcare by promoting the use of Individual Number Cards as health insurance cards. We also intend to bolster pharmacy development and expand our pharmacy network by opening new locations, but expect costs to precede any gains in the short term.

In the Pharmaceutical Network Business, we plan to expand the service lineup, and roll out measures to acquire new network affiliates and further streamline the distribution of pharmaceuticals. For the Manufacture and Market Pharmaceutical Business, we will fortify the system for ensuring stable supply and expand the customer base. For the Digital Shift Business, we intend to increase the number of pharmacies using the official LINE account, Tsunagaru Pharmacy, and expand new services. In April 2024, we established a new subsidiary mainly engaged in pharmaceutical distribution, but expect costs to precede any profits in the short term.

As a result of the above, for the fiscal year ending March 31, 2025, we forecast net sales of 122,000 million yen (+5.8% YoY), EBITDA of 7,450 million yen (+6.5% YoY), operating profit of 4,000 million yen (+4.4% YoY), ordinary profit of 3,950 million yen (+3.3% YoY), and profit attributable to owners of parent of 2,000 million yen (+7.5% YoY).

(5) Dividend Policy and Dividends for the Fiscal Year Ended March 2024 and the Fiscal Year Ending March 2025

Our basic policy is to continuously provide our shareholders with stable dividends commensurate with our business performance, while securing the internal reserves necessary to strengthen our financial position, expand the scale of our business, and develop our human resources.

For the fiscal year ended March 31, 2024, we plan to pay a year-end dividend of six yen per share. Annual dividends will be 12 yen per share, including an interim dividend of six yen per share previously paid on December 11, 2023.

For the fiscal year ending March 31, 2025, we plan to pay an interim dividend and a year-end dividend of six yen per share each (annual dividend of 12 yen per share). This amount was determined based on the consolidated earnings forecast for the fiscal year ending March 31, 2025.

2. Group Companies

As of March 31, 2024, our corporate group consists of Medical System Network Co., Ltd. (the Company) and 17 consolidated subsidiaries. Its business segments include the Community Pharmacy Network Segment, the Leasing and Facility-related Segment, the Meal Catering Segment, and the Other Segment. Included below is a summary of how these segments are arranged in accordance with our business activities.

The classifications indicated below correspond to the Company's business segments.

(1) Community Pharmacy Network Segment

1) Community Pharmacy Business

This business consists primarily of pharmacy management and operation conducted by twelve of our consolidated subsidiaries. Additionally, consolidated subsidiary Hokkaido Institute for Pharmacy Benefit Co., Ltd. publishes technical books for pharmacists and other healthcare professionals while also analyzing pharmaceutical data.

2) Pharmaceutical Network Business

Within this business, we have adopted a business model focused on improving the efficiency of the pharmaceutical distribution process and providing comprehensive management support services to pharmacies by facilitating the purchase and sale of pharmaceuticals between pharmacies, hospitals and clinics, and pharmaceutical wholesalers. The Pharmaceutical Network Business comprises the following three specific operations.

a. Pharmaceutical network operations

These activities form the operational core of the Pharmaceutical Network Business. They involve negotiating prices in an appropriate manner (i.e., prices of individual items) with pharmaceutical wholesalers and making payments on behalf of pharmacies, hospitals, and clinics, while also proposing inventory management systems and providing slow moving inventory clearance services. Through these activities, we help improve the operational efficiency of these institutions while also facilitating the stabilization of their business operations.

b. Pharmaceutical system-related services

These activities focus on the development, sale, and maintenance of computer systems for preparing medical fee statements and associated peripherals for pharmacies. Through these operations, we also sell dispensing equipment, as well as fixtures and fittings, to pharmacies and other customers.

c. Receivable securitization support services

Through these services, we provide means of financing to corporate members of our pharmaceutical network affiliates. Specifically, we help member pharmacies, hospitals, and clinics that examine and fill prescriptions for patients with health insurance coverage raise funds by facilitating the securitization of insurance claims (dispensing, medical treatment, and nursing care fee receivables) issued by Health Insurance Claims Review & Reimbursement Services or the National Health Insurance Organization.

3) Manufacture and Market Pharmaceuticals Business

In this business, consolidated subsidiary Feldsenf Pharma Co., Ltd. manufactures and markets generic pharmaceuticals.

4) Digital Shift Business

Through this business, consolidated subsidiary PharmaShift Co., Ltd. supports the transition of standard pharmacies into family pharmacies with the goal of establishing a new pharmaceutical platform actualized through the implementation of digital technologies.

(2) Leasing and Facility-related Segment

In the Leasing and Facility-related Segment, the Company and consolidated subsidiary Palteco Co., Ltd. develop pharmacy locations and lease and manage buildings. We also provide medical practice startup consulting services and operate medical malls, where multiple clinics of varying specialties and pharmacies are located in the same space, and medical buildings, which house multiple clinics in one building. In addition, we operate serviced residences for the elderly, design and supervise the construction of medical facilities, and provide insurance services.

(3) Meal Catering Segment

Through this segment, consolidated subsidiaries Total Medical Service Co., Ltd. and SAKURAFood Co., Ltd. perform meal catering services for hospitals and welfare facilities.

(4) Other Segment

Through this business, we dispatch nurses and other personnel to the domiciles of the elderly and infirm, where they provide services such as nursing care and advisory counseling regarding medical treatment.

3. Management Policy

(1) Our Basic Management Policy

In accordance with our corporate philosophy, which calls for us to "facilitate healthy living as a beacon of light that safeguards members of communities throughout their lives while generating quality medical infrastructure," we focus on two core businesses: the Pharmaceutical Network Business, through which we radically streamline inefficient drug distribution processes between pharmaceutical wholesalers and dispensing pharmacies, and the Dispensing Pharmacy Business, through which we maintain close ties with local communities. At the same time, we maintain a basic management policy focused on ensuring healthy lives for local residents by laying groundwork for proper healthcare and robust livelihoods and by facilitating community development that allows these individuals to live safely and securely in their established places of residence throughout their lives.

(2) Medium to Long-Term Management Strategy and Targeted Management Benchmarks

The Medical System Network Group operates within the pharmaceutical industry, where projections indicate medium to long-term market expansion stemming from growth in medical spending aimed at addressing Japan's aging population. At the same time, the industry is characterized by needs to stabilize and improve pharmaceutical distribution, patient-oriented separation of medical and dispensary practice, and more efficient pharmacy management to address healthcare cost reduction measures including revisions to NHI drug prices and dispensing fees.

In response to these circumstances, the Group has formulated its sixth Medium-Term Management Plan, which will function as the Company's medium to long-term management strategy for the four-year period beginning with April 2022. Under this Medium-Term Management Plan, we will further expand the platform integrating the Group's community pharmacies with our pharmaceutical network affiliates while focusing on providing quality medical care and services and facilitating improved efficiency within the pharmaceutical distribution market. Furthermore, we will leverage the strength of this platform to drive expansion in our pharmacy support businesses (Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business).

We have established the following benchmarks for the fiscal year ending March 31, 2026, the final year of our sixth Medium-Term Management Plan. In particular, we aim to increase profits by more than 3 billion yen in the pharmacy support businesses.

• Consolidated net sales	140.0 billion yen
• Consolidated operating profit	6.5 billion yen
• Operating profit margin	4.6%
• Consolidated EBITDA	10.0 billion yen
• Number of pharmaceutical network affiliates	12,000
• Number of directly managed community pharmacies	550
• Equity ratio	30.0%

For more details regarding our sixth Medium-Term Management Plan, please refer to our website
URL: <https://www.msnw.co.jp/uploads/2022/05/06/earningsreport202203.pdf>

(3) Challenges for the Company to Address

Based on the current management environment and the 6th Medium-Term Management Plan, the Company will tackle the following issues.

In the Community Pharmacy Business of the Community Pharmacy Network Segment, we will strive to obtain community support system premiums by strengthening the family pharmacist function and home medical care, further enhance the interpersonal operations of pharmacists, provide quality drug therapy, and increase prescription acquisition using the official LINE account, Tsunagaru Pharmacy. In the Pharmaceutical Network Business, we will strengthen our sales structure with the goal of having 12,000 network affiliates, improve distribution, and expand services for affiliate pharmacies. We aim to have 10,756 network affiliates (a net increase of 1,000) by the end of March 2025. In the

Manufacture and Market Pharmaceuticals Business, we will strengthen our supply chain to ensure stable supply and expand our customer base, aiming to conduct business with 7,000 partner pharmacies by the end of March 2025. In the Digital Shift Business, we will expand the number of stores using our official "Tsunagaru Pharmacy" LINE account and enhance new service offerings, aiming to have a total of 5,700 stores using "Tsunagaru Pharmacy" and 1.4 million registered users by the end of March 2025.

In the Leasing and Facility-related Segment, we aim to improve occupancy rates of serviced residences for the elderly. In the meal catering and home-visit nursing care businesses, we will seek to stabilize finances.

On the financial front, we will strive to improve our equity ratio by thoroughly controlling costs across the company and securing profits, thereby strengthening our financial foundation.

(4) Other Significant Matters Concerning Corporate Management

None to be reported.

4. Basic Policy on the Selection of Accounting Standards

The Group's operations are currently limited to Japan and it is not engaging in any overseas activities at this time. Therefore, for the foreseeable future, the Group will maintain a policy of preparing its consolidated financial statements in accordance with Japanese GAAP.

The Company will apply IFRS when it determines that such application would be appropriate based on considerations of various conditions in Japan and overseas.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Assets		
Current assets		
Cash and deposits	8,141	8,273
Accounts receivable - trade	3,437	4,239
Unearned revenue from sale of accounts receivable	1,039	1,078
Purchased receivables - dispensing fees	463	423
Merchandise	5,160	5,404
Raw materials	17	16
Work in process	2	38
Supplies	74	81
Other	1,939	1,231
Allowance for doubtful accounts	(11)	(14)
Total current assets	20,265	20,773
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,406	24,164
Accumulated depreciation	(10,242)	(11,168)
Buildings and structures, net	13,164	12,996
Vehicles	110	105
Accumulated depreciation	(107)	(99)
Vehicles, net	3	6
Tools, furniture and fixtures	5,286	5,947
Accumulated depreciation	(3,798)	(4,414)
Tools, furniture and fixtures, net	1,488	1,532
Land	8,916	9,290
Leased assets	3,879	5,937
Accumulated depreciation	(555)	(1,753)
Leased assets, net	3,323	4,184
Construction in progress	165	325
Total property, plant and equipment	27,060	28,336
Intangible assets		
Goodwill	11,183	10,613
Software	548	594
Other	74	73
Total intangible assets	11,807	11,281
Investments and other assets		
Investment securities	159	184
Guarantee deposits	3,222	3,419
Deferred tax assets	2,926	3,339
Other	802	835
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	7,090	7,759
Total non-current assets	45,958	47,376
Total assets	66,223	68,149

(Millions of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable – trade	9,937	10,935
Short-term borrowings	1,016	588
Current portion of long-term borrowings	5,152	5,122
Lease obligations	209	406
Income taxes payable	600	999
Provision for bonuses	1,569	1,689
Provision for bonuses for directors (and other officers)	2	86
Other	2,861	3,384
Total current liabilities	21,349	23,213
Non-current liabilities		
Long-term borrowings	20,226	18,309
Lease obligations	3,913	4,754
Provision for retirement benefits for directors (and other officers)	637	691
Provision for share awards for directors (and other officers)	243	278
Retirement benefit liability	4,157	4,534
Other	1,208	1,148
Total non-current liabilities	30,385	29,716
Total liabilities	51,735	52,930
Net assets		
Shareholders' equity		
Share capital	2,128	2,128
Capital surplus	1,182	937
Retained earnings	11,606	13,100
Treasury shares	(326)	(882)
Total shareholders' equity	14,590	15,284
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	19
Deferred gains or losses on hedges	2	2
Remeasurements of defined benefit plans	(139)	(134)
Total accumulated other comprehensive income	(139)	(112)
Non-controlling interests	37	47
Total net assets	14,488	15,219
Total liabilities and net assets	66,223	68,149

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net sales	109,551	115,361
Cost of sales	63,629	67,435
Gross profit	45,921	47,925
Selling, general and administrative expenses	42,758	44,093
Operating profit	3,163	3,832
Non-operating income		
Interest income	2	1
Dividend income	3	3
Outsourcing service income	62	52
Rental income from facilities	132	138
Subsidy income	255	75
Miscellaneous income	93	112
Total non-operating income	550	384
Non-operating expenses		
Interest expenses	277	288
Loss on sale of receivables	55	61
Miscellaneous losses	25	42
Total non-operating expenses	358	392
Ordinary profit	3,355	3,825
Extraordinary income		
Gain on sale of non-current assets	7	13
Gain on sale of investment securities	—	0
Gain on negative goodwill	—	78
Gain on sale of businesses	—	27
Total extraordinary income	7	119
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	57	19
Impairment losses	247	426
Loss on store closings	14	44
Other	23	3
Total extraordinary losses	343	493
Profit before income taxes	3,019	3,451
Income taxes – current	1,366	1,836
Income taxes – deferred	23	(256)
Total income taxes	1,389	1,579
Profit	1,630	1,871
Profit (loss) attributable to non-controlling interests	19	10
Profit (loss) attributable to owners of parent	1,610	1,860

Consolidated Statement Of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Profit	1,630	1,871
Other comprehensive income		
Valuation difference on available-for-sale securities	4	21
Deferred gains or losses on hedges	1	(0)
Remeasurements of defined benefit plans, net of tax	(37)	(5)
Total other comprehensive income	(30)	26
Comprehensive income	1,599	1,898
(Breakdown)		
Comprehensive income attributable to owners of parent	1,580	1,887
Comprehensive income attributable to non-controlling interests	19	10

(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,128	1,182	10,393	(326)	13,377
Changes during period					
Dividends of surplus			(397)		(397)
Profit attributable to owners of parent			1,610		1,610
Disposal of treasury shares					—
Purchase Of Shares Of Consolidated Subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes during period	—	—	1,213	—	1,213
Balance at end of period	2,128	1,182	11,606	(326)	14,590

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(7)	0	(102)	(108)	17	13,286
Changes during period						
Dividends of surplus						(397)
Profit attributable to owners of parent						1,610
Disposal of treasury shares						—
Purchase Of Shares Of Consolidated Subsidiaries						—
Net changes of items other than shareholders' equity	4	1	(37)	(30)	19	(11)
Total changes during period	4	1	(37)	(30)	19	1,201
Balance at end of period	(2)	2	(139)	(139)	37	14,488

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,128	1,182	11,606	(326)	14,590
Changes during period					
Dividends of surplus			(366)		(366)
Profit attributable to owners of parent			1,860		1,860
Disposal of treasury shares				(555)	(555)
Purchase Of Shares Of Consolidated Subsidiaries		(245)			(245)
Net changes in items other than shareholders' equity					
Total changes during period	—	(245)	1,493	(555)	693
Balance at end of period	2,128	937	13,100	(882)	15,284

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(2)	2	(139)	(139)	37	14,488
Changes during period						
Dividends of surplus						(366)
Profit attributable to owners of parent						1,860
Disposal of treasury shares						(555)
Purchase Of Shares Of Consolidated Subsidiaries						(245)
Net changes of items other than shareholders' equity	21	(0)	5	26	10	37
Total changes during period	21	(0)	5	26	10	730
Balance at end of period	19	2	(134)	(112)	47	15,219

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	3,019	3,451
Depreciation	1,825	2,031
Impairment losses	247	426
Gain on bargain purchase	—	(78)
Amortization of goodwill	1,132	1,132
Increase (decrease) in provision for bonuses	40	110
Increase (decrease) in provision for bonuses for directors (and other officers)	(36)	(84)
Increase (decrease) in allowance for doubtful accounts	8	3
Increase (decrease) in provision for share awards for directors (and other officers)	32	34
Increase (decrease) in provision for retirement benefits for directors (and other officers)	36	29
Increase (decrease) in retirement benefit liability	351	338
Interest and dividend income	(5)	(5)
Interest expenses	277	265
Loss (gain) on sale of investment securities	—	(0)
Loss (gain) on sale of non-current assets	(7)	(13)
Loss on retirement of non-current assets	57	19
Loss (gain) on sale of businesses	—	(27)
Decrease (increase) in trade receivables	(505)	(421)
Decrease (increase) in unearned revenue from sale of accounts receivable	(84)	(39)
Decrease (increase) in purchased receivables - dispensing fees	(20)	40
Decrease (increase) in inventories	(377)	(192)
Increase (decrease) in trade payables	211	735
Increase (decrease) in accrued consumption taxes	(139)	699
Other	475	622
Subtotal	6,539	9,248
Interest and dividends received	4	4
Interest paid	(276)	(263)
Income taxes paid	(1,294)	(1,263)
Net cash provided by (used in) operating activities	4,973	7,725

	(Millions of yen)	
	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,373)	(1,862)
Proceeds from sale of property, plant and equipment	30	97
Purchase of intangible assets	(234)	(248)
Proceeds from sale of investment securities	—	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(54)	(728)
Payments for acquisition of businesses	(80)	(501)
Proceeds from sale of businesses	4	43
Loan advances	(130)	(47)
Proceeds from collection of loans receivable	6	4
Payments of guarantee deposits	(296)	(308)
Proceeds from refund of guarantee deposits	110	63
Other	(95)	(168)
Net cash provided by (used in) investing activities	(2,114)	(3,649)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(428)
Proceeds from long-term borrowings	3,200	3,500
Repayments of long-term borrowings	(5,469)	(5,446)
Repayments of lease obligations	(253)	(403)
Purchase of treasury shares	—	(555)
Dividends paid	(395)	(365)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(245)
Net cash provided by (used in) financing activities	(2,918)	(3,944)
Net increase (decrease) in cash and cash equivalents	(59)	131
Cash and cash equivalents at beginning of period	8,171	8,111
Cash and cash equivalents at end of period	8,111	8,242

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Changes in presentation of Consolidated Statement of Changes in Shareholders' Equity)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Issued Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	30,642,600	—	—	30,642,600

2. Treasury Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	464,055	—	—	464,055

Note: The number of treasury shares at the end of the fiscal year ended March 31, 2023 includes 401,000 shares in the Company held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

3. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 22, 2022 Ordinary General Meeting of Shareholders	Common shares	214	7.00	March 31, 2022	June 23, 2022
November 4, 2022 Board of Directors meeting	Common shares	183	6.00	September 30, 2022	December 12, 2022

Notes:

1. Total dividends based on resolutions adopted during the Ordinary General Meeting of Shareholders held on June 22, 2022 include dividends of two million yen on the Company's shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

2. Total dividends based on resolutions adopted by the Board of Directors during a meeting held on November 4, 2022 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(2) Dividends for which the record date fell in the fiscal year ended March 31, 2021, but the effective date fell in the following fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 21, 2023 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	183	6.00	March 31, 2023	June 22, 2023

Note: Total dividends based on resolutions to be adopted during the Ordinary General Meeting of Shareholders to be held on June 21, 2023 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Issued Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	30,642,600	—	—	30,642,600

2. Treasury Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	464,055	950,000	—	1,414,055

Note: The number of treasury shares at the end of the fiscal year ended March 31, 2024 includes 401,000 shares in the Company held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).
(Reasons for change)

Increase due to purchase of treasury shares by the resolution of the Board of Directors: 950,000 shares

3. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 21, 2023 Ordinary General Meeting of Shareholders	Common shares	183	6.00	March 31, 2023	June 22, 2023
November 7, 2023 Board of Directors meeting	Common shares	183	6.00	September 30, 2023	December 11, 2023

Notes:

- Total dividends based on resolutions adopted during the Ordinary General Meeting of Shareholders held on June 21, 2023 include dividends of two million yen on the Company's shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).
- Total dividends based on resolutions adopted by the Board of Directors during a meeting held on November 11, 2023 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(2) Dividends for which the record date fell in the fiscal year ended March 31, 2024, but the effective date falls in the following year

Resolution	Class of shares	Source of dividends	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 20, 2023 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	177	6.00	March 31, 2023	June 21, 2024

Note: Total dividends based on resolutions to be adopted during the Ordinary General Meeting of Shareholders to be held on June 20, 2024 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(Segment information)

(Segment information, etc.)

1. Description of reporting segments

The Company's reporting segments represent components of its overall composition for which separate financial information is available and are regularly evaluated by the Board of Directors to determine how management resources will be allocated and to assess performance

In the Community Pharmacy Business, we provide management support for pharmacies and other medical institutions through our pharmaceutical network, operate community pharmacies, and engage in the manufacturing

and sale of pharmaceuticals. Additionally, we assist in transforming pharmacies into family pharmacies using the official LINE account, Tsunagaru Pharmacy. In the Leasing and Facility-related Segment, we develop locations for dispensing pharmacies, provide building leasing services, operate serviced residences for the elderly, and engage in design and construction supervision of medical facilities. Through the Meal Catering Segment, we perform meal catering services for hospitals and welfare facilities. Our Other Segment focuses on the dispatch of nurses who provide at-home care.

2. Method of Calculating Net Sales, Profit (Loss), Assets, Liabilities, and Other Items by Reporting Segment

The accounting methods we apply to our reporting segments are generally identical to those described in the “Significant Accounting Policies for Preparing Consolidated Financial Statements.”

Individual segment profits indicate operating profit. Intersegment sales and transfers are based on market values.

3. Matters related to changes in reportable segments, etc.

From the beginning of the fiscal year under review, we have reallocated pharmacy development costs, which were previously booked in the Leasing and Facility-related Segment, to the Community Pharmacy Network Segment. This reallocation, totaling 147 million yen for the fiscal year under review, was made due to our decision to specialize in the development of the Group’s community pharmacies.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated financial statements (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	104,366	2,590	2,289	304	109,551	—	109,551
Intersegment sales or transfers	32	903	0	—	937	(937)	—
Total	104,399	3,494	2,289	304	110,488	(937)	109,551
Segment profit (loss)	5,887	(92)	(65)	(22)	5,706	(2,542)	3,163
Segment assets	46,082	16,839	720	63	63,705	2,518	66,223
Other items							
Depreciation	1,119	575	1	1	1,697	128	1,825
Amortization of goodwill	1,131	—	—	—	1,131	0	1,132
Impairment loss	239	6	1	—	247	—	247
Increase in property, plant and equipment and intangible assets	4,561	114	8	2	4,687	247	4,935

Notes:

1. Adjustments are as follows:

(1) Adjustment of -2,542 million yen for segment profit (loss) includes 243 million yen in elimination of intersegment transactions and -2,785 million yen in companywide expenses not allocated to any reporting segment. Companywide expenses mainly refer to general expenses that do not belong to any reporting segment.

(2) Adjustment of 2,518 million yen for segment assets includes -6,006 million yen in elimination of intersegment receivables and payables and companywide assets of 8,525 million yen not allocated to any reporting segment. Companywide assets mainly refer to companywide non-current assets that do not belong to any reporting segment.

(3) Adjustment of 247 million yen for increase in property, plant and equipment and intangible assets mainly represents the acquisition of property, plant and equipment and intangible assets related to companywide assets.

2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated financial statements (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	109,854	2,833	2,359	314	115,361	—	115,361
Intersegment sales or transfers	49	778	0	—	828	(828)	—
Total	109,904	3,611	2,360	314	116,189	(828)	115,361
Segment profit (loss)	6,433	158	(43)	(43)	6,504	(2,671)	3,832
Segment assets	49,182	17,209	769	63	67,223	926	68,149
Other items							
Depreciation	1,171	672	1	1	1,847	183	2,031
Amortization of goodwill	1,132	—	—	—	1,132	—	1,132
Impairment loss	431	0	—	—	431	(4)	426
Increase in property, plant and equipment and intangible assets	3,496	81	—	3	3,580	237	3,818

Notes:

1. Adjustments are as follows:

(1) Adjustment of -2,671 million yen for segment profit (loss) includes 259 million yen in elimination of intersegment transactions and -2,931 million yen in companywide expenses not allocated to any reporting segment. Companywide expenses mainly refer to general expenses that do not belong to any reporting segment.

(2) Adjustment of 926 million yen for segment assets includes -8,000 million yen in elimination of intersegment receivables and payables and companywide assets of 8,926 million yen not allocated to any reporting segment. Companywide assets mainly refer to companywide non-current assets that do not belong to any reporting segment.

(3) Adjustment of 237 million yen for increase in property, plant and equipment and intangible assets mainly represents the acquisition of property, plant and equipment and intangible assets related to companywide assets.

2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

(Associated information)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information for individual products or services

Descriptions have been omitted because similar information is disclosed in the segment information section.

2. Information for individual regions

(1) Net Sales

Not applicable since the Company generated no sales through external customers outside of Japan.

(2) Property, Plant and Equipment

Not applicable since the Company holds no property, plant or equipment outside of Japan.

3. Information for individual primary customers

Not applicable since the Company did not generate 10% or more of the net sales indicated by its consolidated statement of income through any individual customer.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Information for individual products or services

Descriptions have been omitted because similar information is disclosed in the segment information section.

2. Information for individual regions

(1) Net Sales

Not applicable since the Company generated no sales through external customers outside of Japan.

(2) Property, Plant and Equipment

Not applicable since the Company holds no property, plant or equipment outside of Japan.

3. Information for individual primary customers

Not applicable since the Company did not generate 10% or more of the net sales indicated by its consolidated statement of income through any individual customer.

(Disclosure of impairment losses on non-current assets for each reporting segment)

Fiscal year ended March 31, 2023(April 1, 2022 to March 31, 2023)

Descriptions have been omitted because similar information is disclosed in the segment information section.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Descriptions have been omitted because similar information is disclosed in the segment information section.

(Amortization and unamortized balance of goodwill for each reporting segment)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reporting segment					Companywide and eliminations	Total
	Community Pharmacy Network	Leasing and Facility-related	Meal Catering	Other	Unadjusted Total		
Balance at end of period	11,183	—	—	—	11,183	—	11,183

Note: Information concerning amortization of goodwill has been omitted because similar information has been disclosed in the segment information section.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reporting segment					Companywide and eliminations	Total
	Community Pharmacy Network	Leasing and Facility-related	Meal Catering	Other	Unadjusted Total		
Balance at end of period	10,613	—	—	—	10,613	—	10,613

Note: Information concerning amortization of goodwill has been omitted because similar information has been disclosed in the segment information section.

(Information on gain on negative goodwill by reportable segment)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

The Company recorded no significant gains on bargain purchase.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

In the Community Pharmacy Network Segment, the Company made Cosmos Pharmaceutical Corporation a

consolidated subsidiary, with March 31, 2024 as the deemed acquisition date. As a result, we recorded a gain on negative goodwill of 78 million yen in the fiscal year under review.

(Per share information)

Fiscal year ended March 31, 2023 (April 1, 2021 to March 31, 2023)		Fiscal year ended March 31, 2024 (April 1, 2022 to March 31, 2024)	
Net assets per share (yen)	478.86	Net assets per share (yen)	519.06
Earnings per share (yen)	53.38	Earnings per share (yen)	61.89

Notes:

- Information regarding diluted earnings per share has been omitted due to the absence of dilutive shares.
- The basis for calculation of net assets per share is as follows:

Item	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2023 (as of March 31, 2024)
Total net assets (million yen)	14,488	15,219
Amount deducted from total net assets (million yen)	37	47
Of which, non-controlling interests (million yen)	(37)	(47)
Net assets associated with common shares in the Company (million yen)	14,451	15,171
Number of year-end common shares used in the calculation of net assets per share	30,178,545	29,228,545

Note: Shares in the Company held by Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in number of the treasury shares deducted from the total number of shares outstanding at the fiscal year-end for the purpose of calculating net assets per share. The number of such treasury shares deducted for the calculation of net assets per share was 401,000 shares for the fiscal year ended March 31, 2023 and 401,000 shares for the fiscal year ended March 31, 2024.

- The basis for calculation of earnings per share is as follows.

Item	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Earnings per share		
Profit attributable to owners of parent (million yen)	1,610	1,860
Amount not attributed to common shareholders (million yen)	—	—
Net income attributable to owners of common shares in the parent company (million yen)	1,610	1,860
Average number of common shares during the period	30,178,545	30,069,528

Note: Shares in the Company held by Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in number of the treasury shares deducted from the period-average number of shares outstanding for the purpose of calculating earnings per share. The number of such treasury shares deducted for the calculation of earnings per share was 401,000 shares for the fiscal year ended March 31, 2023 and 401,000 shares for the fiscal year ended March 31, 2023.

(Significant subsequent events)

(Establishment of a subsidiary)

Pursuant to the resolution of the Board of Directors at a meeting held on February 16, 2024, the Company established a subsidiary in April 1, 2024, as below.

1. Purpose of establishment

With the goal of enhancing services for network affiliates in the Pharmaceutical Network Business, we established a new subsidiary that will handle distribution of pharmaceuticals, primarily generic drugs manufactured and marketed by subsidiary FELDSENF PHARMA Co., Ltd. With the establishment of the subsidiary, we aim to ensure reliable, safe, and efficient distribution of pharmaceuticals and contribute to resolving social issues involved in ensuring stable supply of pharmaceuticals.

2. Overview of subsidiary

- (1) Name: MEDI LOGI NET Co., Ltd.
- (2) Business: Distribution of pharmaceuticals
- (3) Date established: April 1, 2024
- (4) Capital: 10 million yen
- (5) Ownership: Company, 100%

(Disposal of treasury shares through third-party allotment)

At a Board of Directors meeting held on May 10, 2024, the Company resolved to dispose of treasury shares through a third-party allotment.

In accordance with the resolution of the Ordinary General Meeting of Shareholders held on June 19, 2015, the Company introduced the Board Benefit Trust (BBT), through which the Company grants its shares and other benefits to Directors.

In continuing the compensation scheme using the BBT, the Company has decided to entrust additional funds to the BBT so that the trust can acquire necessary shares to grant to Directors in the future. The Company also decided to dispose of treasury shares through a third-party allotment to Trust Account E established with Custody Bank of Japan, Ltd. (a re-trustee, re-trusted by Mizuho Trust & Banking Co., Ltd., the trustee of the BBT) in order to hold and dispose of Company shares in operating the compensation scheme.

- (1) Disposal date: May 29, 2024
- (2) Class and number of shares to be disposed of: 180,000 shares of the Company common stock
- (3) Disposal price: 630 yen per share
- (4) Total disposal value: 113,400,000 yen
- (5) Allottee: Custody Bank of Japan, Ltd. (Trust Account E)