



MEDICAL
SYSTEM
NETWORK
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

Fiscal Year Ending March 2024

Earnings Report

Standard 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/>



■ Full Year Results

Both Net Sales and Profits exceeded the previous year's levels and achieved the plan.

- YoY change -

● Net Sales +5.3%, Operating Profit +21.1%

• The unit price of prescriptions declined on the back of the end of the transitional measures for additional fees related to community support system.

→ Existing pharmacies unit price of technical fee -2.8%

• Due to category 5 migration of COVID-19, multiple infectious disease outbreaks, prescription transmission benefits through the impact of DX utilization, and medication follow-ups we saw;

→ No. of prescriptions at existing pharmacies +3.8%

• Strive to improve productivity and control expenses

- vs Forecast -

● Net Sales +1.4%, Operating Profit +9.5%

• No. of prescriptions filled at existing pharmacies +0.8% vs. plan

• Net increase in the number of network affiliates fell short of expectations due to pharmacy closures and withdrawals resulting from M&A activity. On the other hand, the total value of pharmaceuticals orders placed by network affiliates was largely in line with projections, thanks to an increase in the value of pharmaceuticals procurements by existing affiliates.

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

< Community Pharmacy Network Segment >

Community Pharmacy	450 pharmacies (+22)
Prescription Unit price(All pharmacies)	10,141 yen (-95 yen)
No. of prescriptions (All pharmacies)	9,640K (+6.1%)
No. of prescriptions (Existing pharmacies)	9,261K (+3.8%)

~ Our 3 Pharmacy Support Businesses ~

Pharmaceutical Network Business

- No. of affiliates **9,756** affiliates (+844)

Manufacture and Market Pharmaceuticals Business

- No. of ingredients **48** ingredients (+3)
- No. of products **103** products (+10)
- No. of affiliates **4,998** affiliates (+1,261)

Digital Shift Business

- No. User registrations **1,049K** (+400K)
- No. Installed pharmacies **4,682** pharmacies (+1,291)

< Leasing and Facility related Segment >

Wisteria

- Occupancy rate of all 5 facilities **83.0%** (+2.6%)

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Earnings Highlight

FY3/2024 : Consolidated Results

(Unit: million yen)	FY3/2023 (Results)	FY3/2024 (Plan)	FY3/2024 (Results)	YoY		Full Year Forecast	
				Change	Change (%)	Difference	Difference (%)
Net Sales	109,551	113,800	115,361	+ 5,809	+ 5.3%	+ 1,561	101.4%
EBITDA* Profit margin	6,122 5.6%	6,600 5.8%	6,997 6.1%	+ 875	+ 14.3%	+ 397	106.0%
Operating Profit Profit margin	3,163 2.9%	3,500 3.1%	3,832 3.3%	+ 669	+ 21.1%	+ 332	109.5%
Ordinary Profit Profit margin	3,355 3.1%	3,450 3.0%	3,825 3.3%	+ 469	+ 14.0%	+ 375	110.9%
Profit attributable to owners of parent Profit margin	1,610 1.5%	1,650 1.4%	1,860 1.6%	+ 250	+ 15.5%	+ 210	112.8%
Earnings per share (Yen)	53.38	54.67	61.89	+ 8.51	—	+ 7.22	—

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

	Core Strategies and Numerical Targets	Results	Evaluation
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 	<ul style="list-style-type: none"> Number of prescriptions Existing stores YoY +3.8% All pharmacies YoY +6.1% Achieved year-end target for community support system 13 new pharmacies opened, 18 M&A Increased Productivity No. of prescriptions handled per pharmacist +8% YoY 	◎
3 Pharmacy Support Businesses			
Community Pharmacy Network Segment	<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 	<ul style="list-style-type: none"> 9,756 affiliates Promote distribution improvement initiatives such as once-a-day delivery In-home consultation Launched an inventory information sharing service 	△
Manufacture and Market Pharmaceuticals Business*	<ul style="list-style-type: none"> Maintaining stable supply Increasing the No. of transacting pharmacies. At the end of fiscal year: 5,000 (+1,263) 	<ul style="list-style-type: none"> Shipment adjustments generally resumed, but sales plan was not achieved No. of affiliates transacting business 4,998 	△
Digital Shift Business*	<ul style="list-style-type: none"> Expansion of pharmacies with official LINE accounts → Installed 5,300(+1,909 YoY). Registered users 1MN(+360k) Continued functional enhancements 	<ul style="list-style-type: none"> Installed pharmacies 4,682 1.05MN users registered Adding new features 	○

* 3 Pharmacy Support Businesses

	Core Strategies and Numerical Targets	Results	Evaluation
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 	<ul style="list-style-type: none"> Occupancy rate of all 5 buildings: 83.0% Improved the occupancy rate of Wisteria Minami Ichijo by strengthening consultation services and revamping the new application system Brought back to profitability 	△
Meal Catering Segment, Home Visit Nursing Segment	<ul style="list-style-type: none"> As the impact of COVID-19 fades, returns to normal operations and raises break-even line 	<ul style="list-style-type: none"> Gross profit declined due to higher procurement costs Revision of contract unit price from the second half of the fiscal year 	△
Finance, ESG and Health Management	<ul style="list-style-type: none"> IT investment in building area collaboration Secure profit through cost control while building up capital 	<ul style="list-style-type: none"> Careful selection of investment projects Repayment of interest-bearing debt 	○

FY3/2024 : Results by Segment

■ Net Sales	FY3/2023 (Results)	FY3/2024 (Full Year Forecast)	FY3/2024 (Results)	YoY		Full Year Forecast	
				Change	Change (%)	Difference	Difference (%)
(Unit: million yen)							
Net Sales	109,551	113,800	115,361	+ 5,809	+ 5.3 %	+ 1,561	101.4 %
Community Pharmacy Network Segment*1	104,399	108,391	109,904	+ 5,504	+ 5.3 %	+ 1,512	101.4 %
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment	6,089	6,120	6,285	+ 196	+ 3.2%	+ 165	102.7 %
Adjustments	(937)	(712)	(828)	+ 108	—	(116)	—
■ Operating Profit (Unit: million yen) Profit margin in brackets							
Segment Profit	3,163 2.9 %	3,500 3.1 %	3,832 3.3 %	+ 669 + 0.4pt	+ 21.1 %	+ 332	109.5 %
Community Pharmacy Network Segment*1	5,887 5.6 %	6,021 5.6 %	6,433*2 5.9 %	+ 546 + 0.2pt	+ 9.3 %	+ 412	106.8 %
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment	(180) —	115 1.9 %	70*2 1.1 %	+ 251 —	—	(44)	61.5 %
Adjustments	(2,542) —	(2,636) —	(2,671) —	(129) —	—	(35)	—

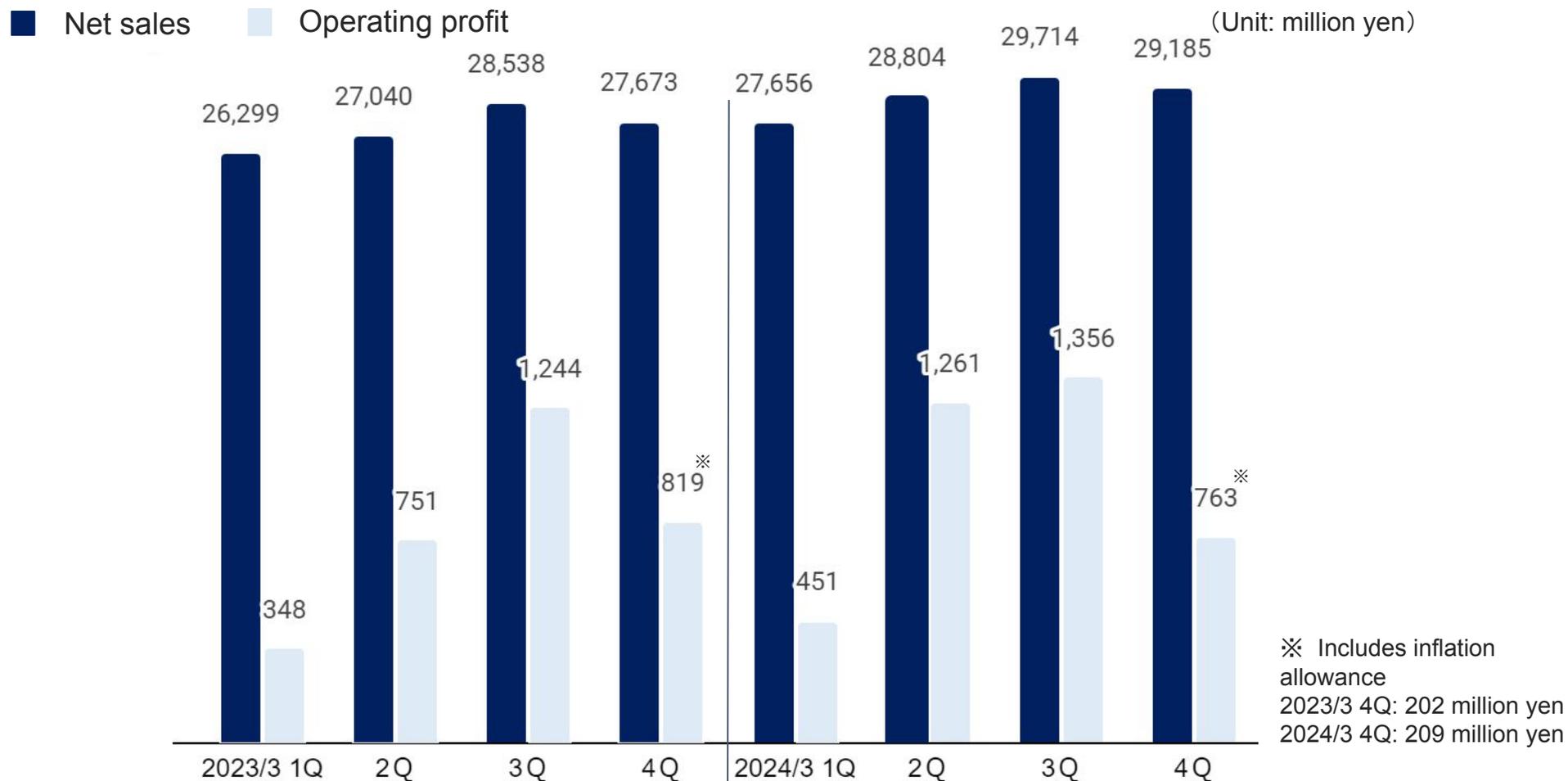
*1 Community Pharmacy Business, Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business

*2 Transferring expenses related to the development of pharmacies from the Leasing and Equipment Related Business to the Community Pharmacy Business from FY3/2024. Transfer of expenses 147 million yen

FY3/2024 : Consolidated Results Quarterly Changes

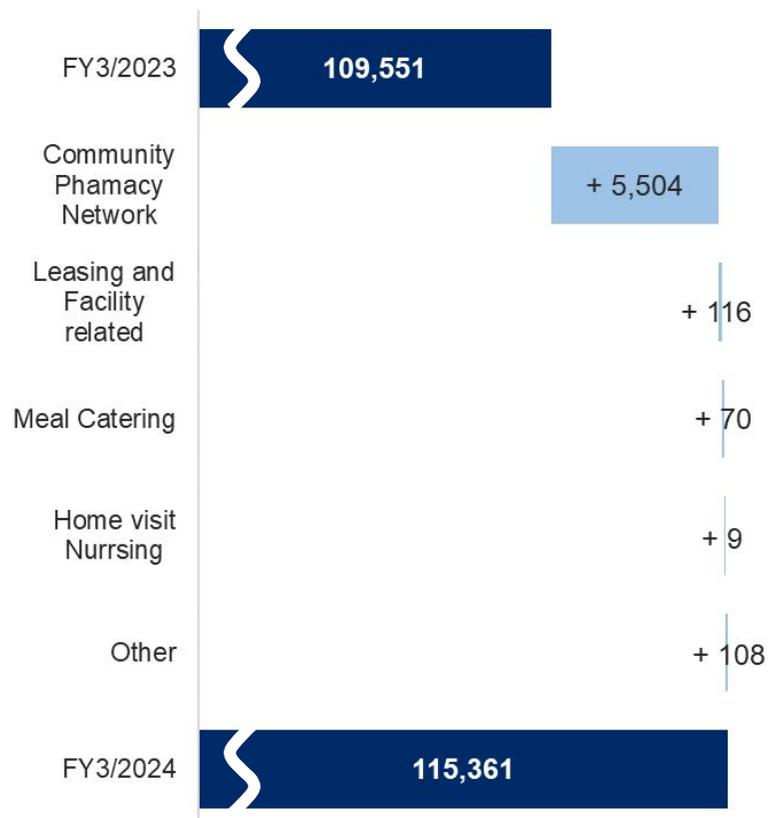
■ Net Sales · Operating Profit (Quarterly Changes)

Increase in the number of prescriptions filled due to the category 5 migration of COVID-19, multiple infectious disease outbreaks, and enhanced medication follow-ups.



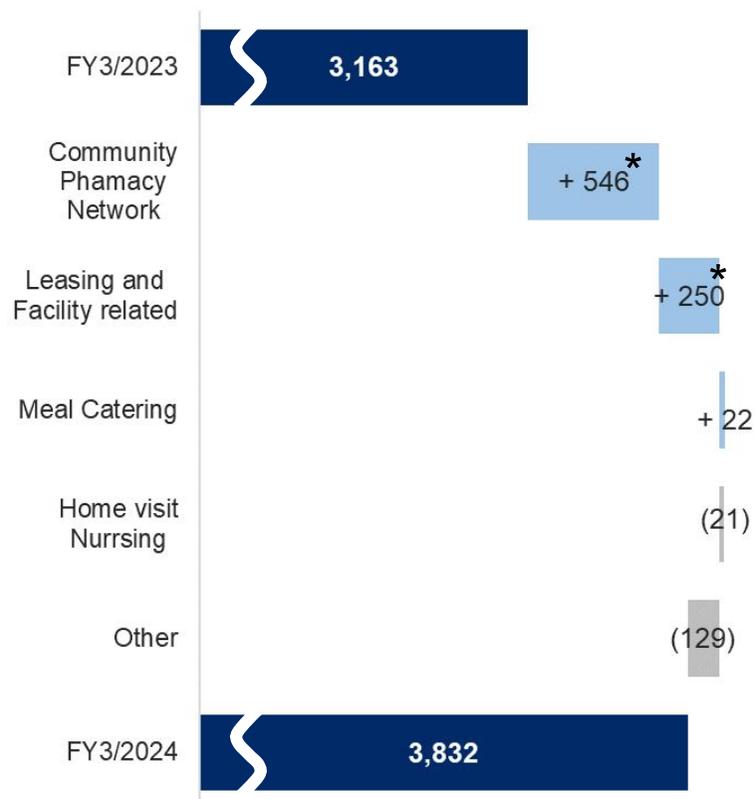
■ Net sales

(Unit: million yen)



■ Operating profit

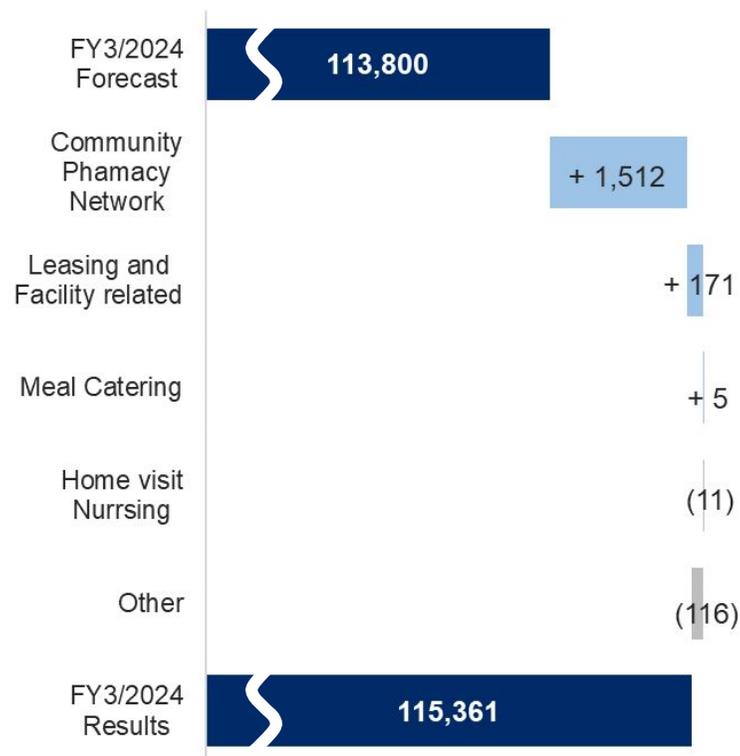
(Unit: million yen)



* Transferring expenses related to the development of pharmacies from the Leasing and Equipment Related Business to the Community Pharmacy Business from FY3/2024. Transfer of expenses 147 million yen

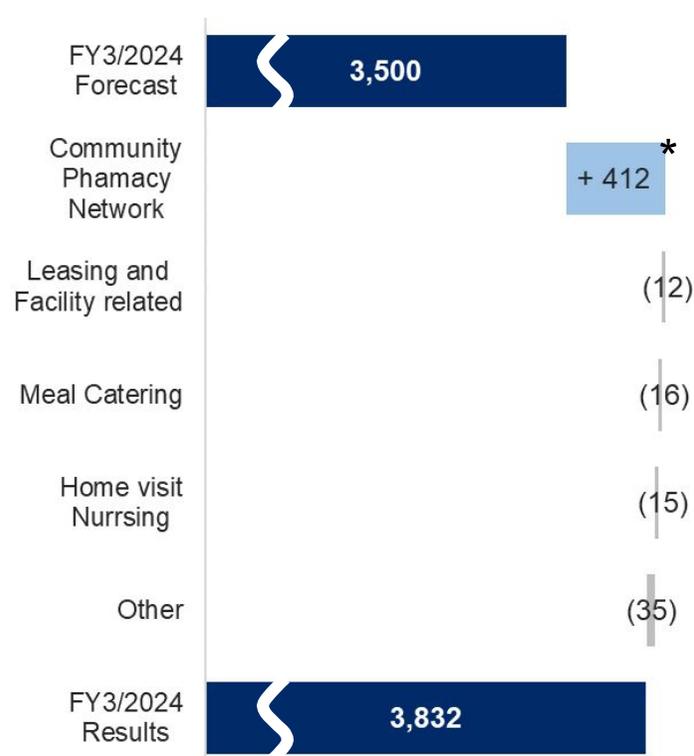
■ Net sales

(Unit: million yen)



■ Operating profit

(Unit: million yen)



*Existing stores: Number of prescriptions +0.8%, unit price +0.7% compared to plan

FY3/2024 : 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

(Unit: million yen)

Assets	68,149	Liabilities	52,930
Current assets	20,773	Current liabilities	23,213
Cash and deposits	8,273	Short-term loans*1	5,710
		Fixed liabilities	29,716
Fixed assets	47,376	Long-term loans	18,309
Tangible fixed assets	28,336	Net assets	15,219
Intangible fixed assets	11,281	Share capital	2,128
Goodwill	10,613	Capital surplus	937
Investments and other assets	7,759	Retained earnings	13,100
		Treasury shares	▲ 882
Total assets	68,149	Total liabilities and net assets	68,149
Equity ratio			22.3%

(Equity ratio with taking into account net cash** 25.3%)

FY3/2024 : Consolidated Cash Flows

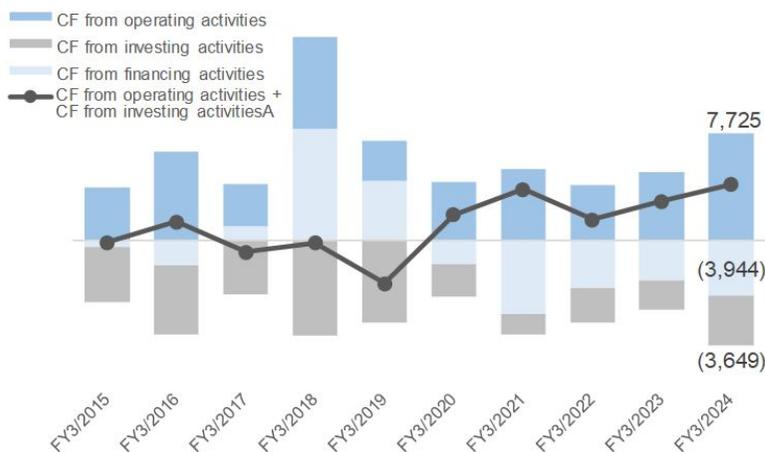
Reduced interest-bearing debt by 9.7 BN yen over the last 5 yrs



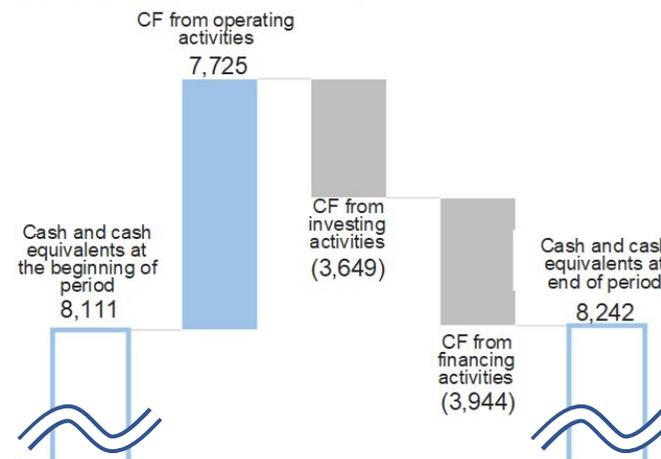
Cash flows from operating activities	7,725 million yen	EBITDA* Changes in working capital	6,997 million yen 121 million yen
Cash flows from investing activities	(3,649) million yen	Opening of new pharmacies Existing pharmacies renovation costs, etc. M&A (share acquisition, business acquisition, business transfer)	(1,468) million yen (714) million yen (1,185) million yen
Cash flows from financing activities	(3,944) million yen	Decrease in interest-bearing debt Acquisition of treasury stock	(2,778) million yen (555) million yen

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

■ Cash flow trends (Unit: million yen)



■ FY3/2024 (Unit: million yen)





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Business Summary

Community Pharmacy Business :

Trends in No. of Pharmacies

13 new outlets (18 from acquisition) and 9 outlet closures/transfers since end of the previous FY

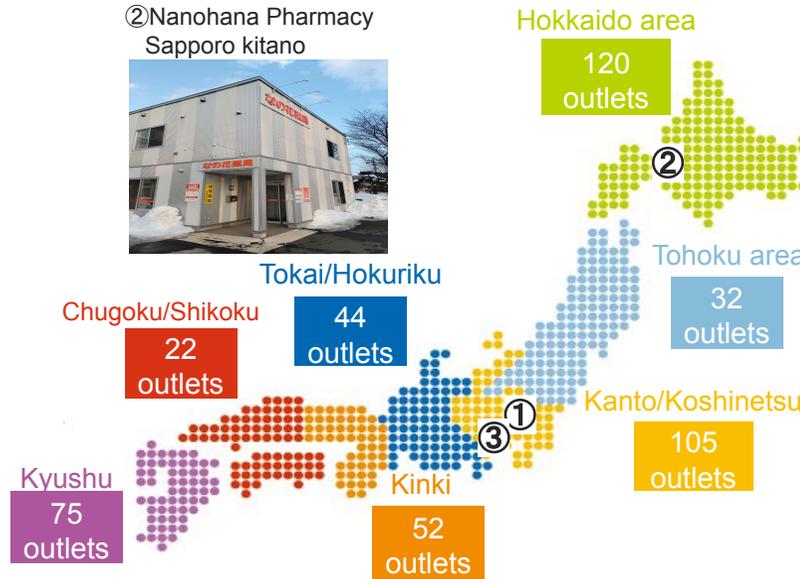
① Nanohana Pharmacy
Minami gyotoku



② Nanohana Pharmacy
Sapporo kitano



③ Nanohana Pharmacy
Ikejiriohashi



	FY3/2024	
	track record	Full Year Plan
No. of openings	13	15
No. of prospects connected to Medical Institutions	18	10

【First entry into Yamagata and Kagoshima Prefectures】

Cosmos Pharmacy Shinmachi



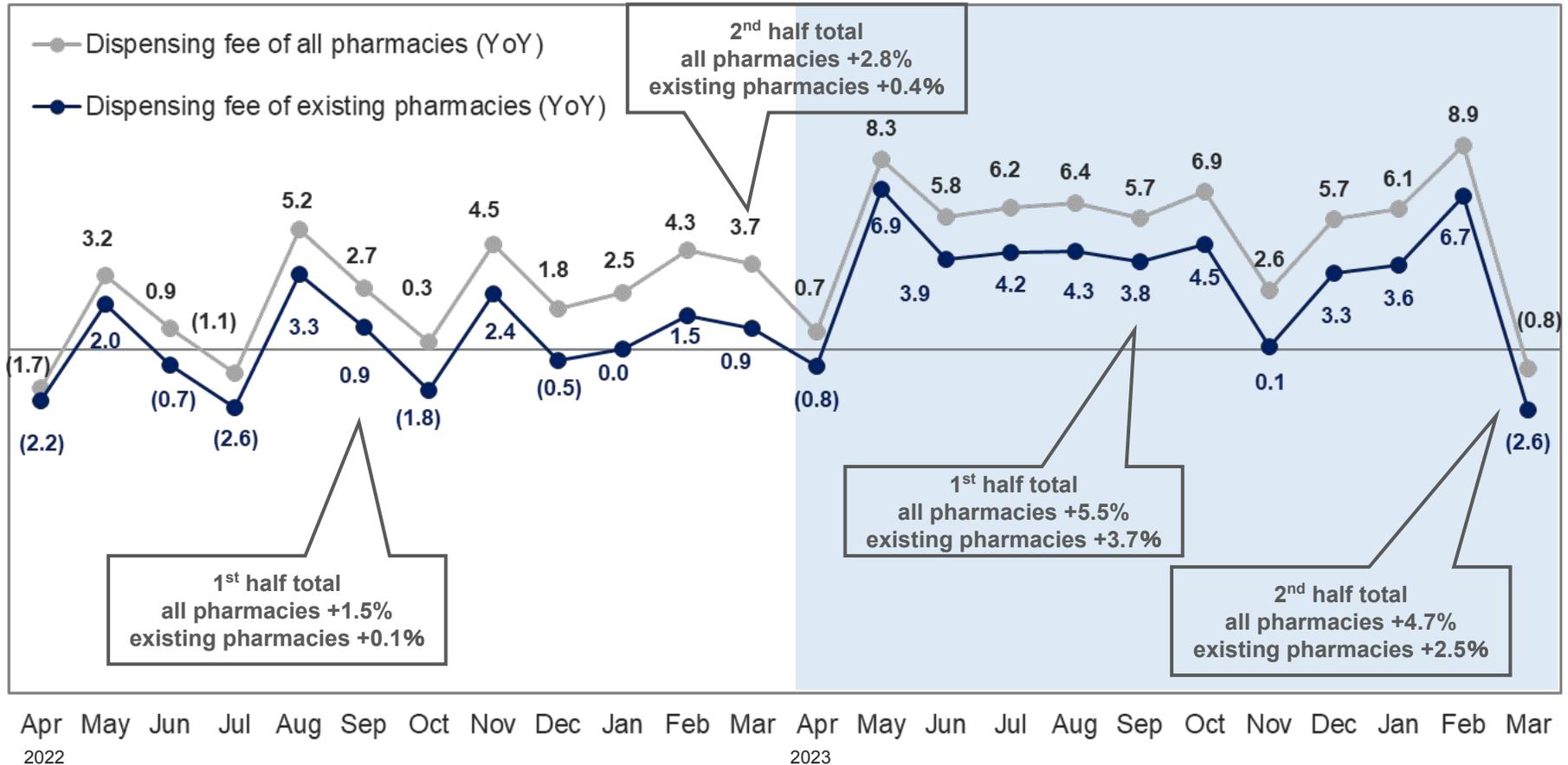
Tsurumaru Dispensing Pharmacy Murasakibaru



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

	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Openings	10	9	8	8	5	8	7	12	8	13
Closing and transferring	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)	(7)	(9)
M&A	27	7	20	19	30	3	6	3	2	18
No. of outlets	345	353	377	399	420	416	416	425	428	450

Community Pharmacy Business : Monthly Dispensing Fee (YoY)



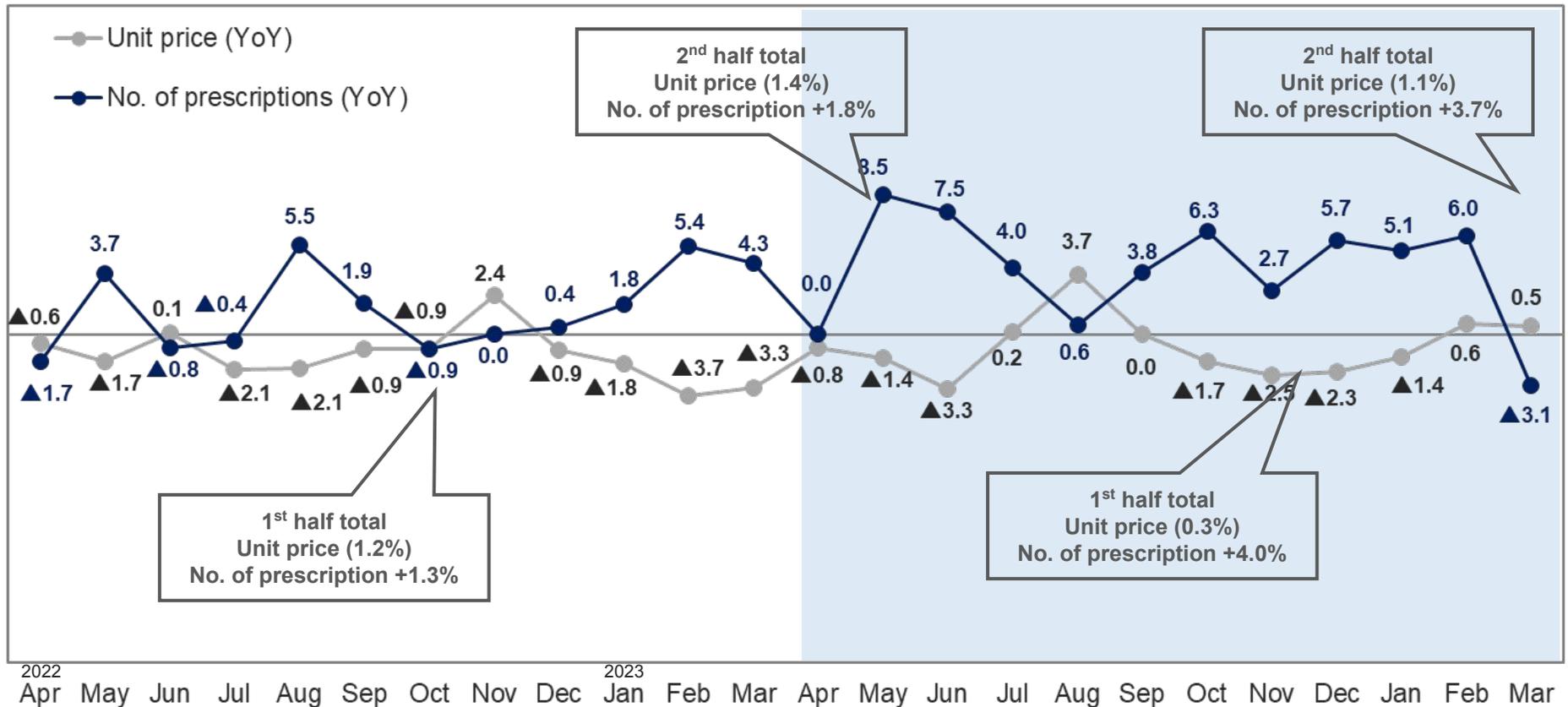
- Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2021 for the previous fiscal year and since April 1, 2022 for the current fiscal year

Community Pharmacy Business :

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



- With the end of the transitional measures for the additional fee related to the community support system, the unit price of prescriptions declined.
- Increase in the number of prescriptions due to category 5 migration of COVID-19, multiple infectious disease outbreaks, prescription transmission benefits through the impact of DX utilization, and medication follow-ups.



Community Pharmacy Business : Dispensing Fee Breakdown

■ All pharmacies		FY3/2023	FY3/2024	Change	Change (%)
No. of prescriptions (1,000)		9,088	9,640	+ 551	+ 6.1%
Unit price (yen)	Drug charge per prescription	7,789	7,773	(16)	(0.2%)
	Technical fee per prescription	2,446	2,368	(79)	(3.2%)
	Total	10,236	10,141	(95)	(0.9%)
Dispensing fee (million yen)		93,029	97,765	+ 4,735	+ 5.1%

■ Existing pharmacies

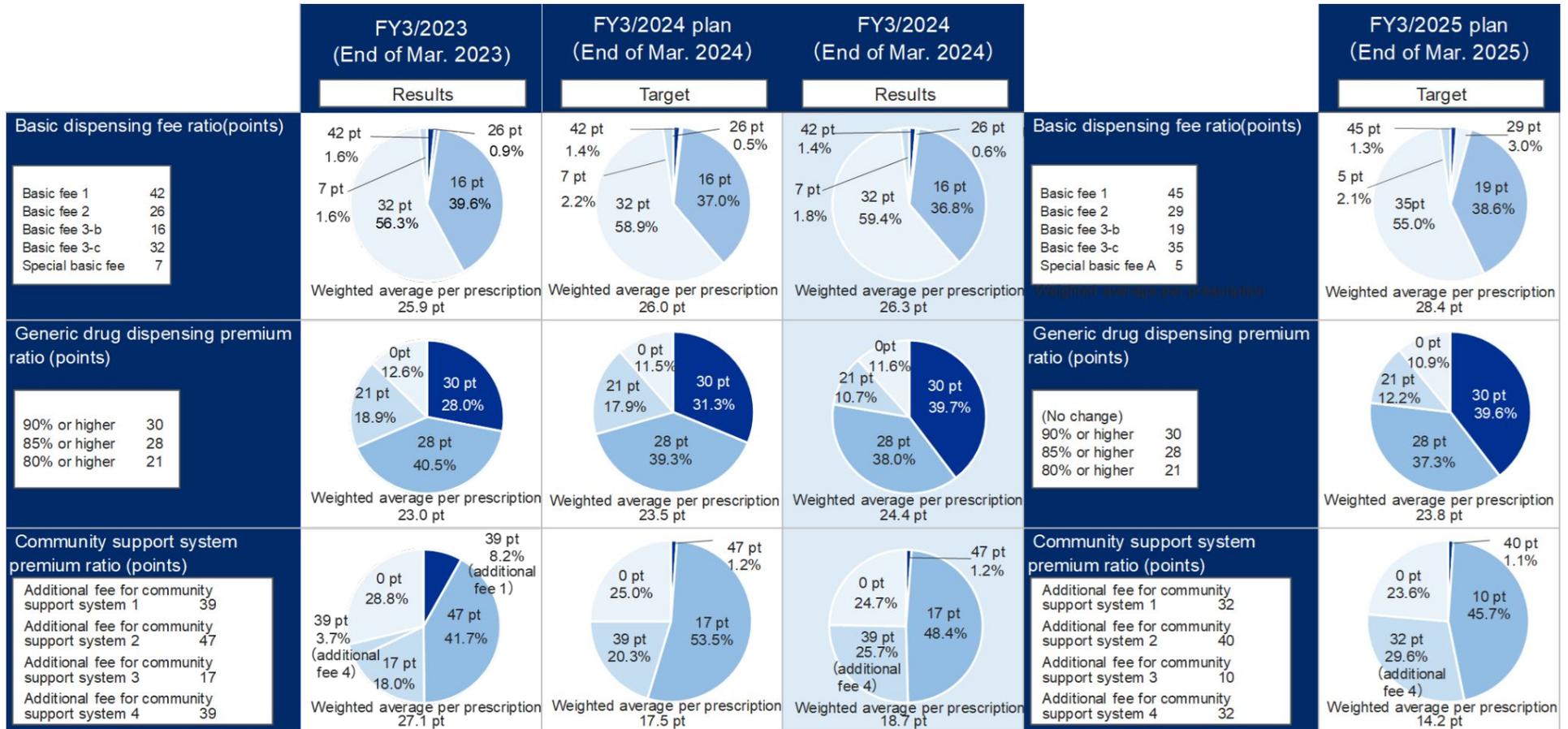
No. of prescriptions (1,000)		8,918	9,261	+ 342	+ 3.8%
Unit price (yen)	Drug charge per prescription	7,748	7,741	(7)	(0.1%)
	Technical fee per prescription	2,450	2,381	(69)	(2.8%)
	Total	10,198	10,122	(76)	(0.7%)
Dispensing fee (million yen)		90,952	93,742	+ 2,790	+ 3.1%

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

Community Pharmacy Business : Dispensing Fee Revision



- Achieved year-end target despite decrease in weighted average score from the end of the previous fiscal year due to termination of transitional measures for additional payment for community support system
- Continued to focus on interpersonal services



*Additional fee for regional support system is calculated based on the number of sheets.

Community Pharmacy Business :

Efforts to Enhance In-House Education System and Promote Home Healthcare

■ Developing an education system covering all stages from new pharmacists to pharmacy managers and block managers

・Basic education



Newcomer training, on-the-job training, etc.

・Comprehensive education



Clinical certification training, hospital training, etc.

・Management education



Pharmacy manager and block manager training, etc.

・ Focus on training certified/specialized pharmacists. We are also focusing on having these pharmacists practice in the broader sense for the community beyond just the place of consultation.

(19 certified primary care pharmacists, 14 certified heart failure care leaders, etc.)

・Actively participate in academic conferences and make academic presentations (43 presentations on a national scale in FY2024/3)

・Newly launched “Nanohana Clinical Research Design School”

■ Efforts to promote home medical care

・Promote all pharmacists to have experience in home medical care by conducting activities tailored to each locality, such as visiting areas regardless of disease type or place of residence

・Providing home medical care such as patient medication management in cooperation with multiple professions related to patients

・Strengthening level of home care, and increased the number of additional home care visit cases by 14.3% YoY

【Conferences and academic presentations】



Number of cases of additional calculation for home care



Jun Sep Dec Mar Jun Sep Dec Mar
FY2023/3 FY2024/3

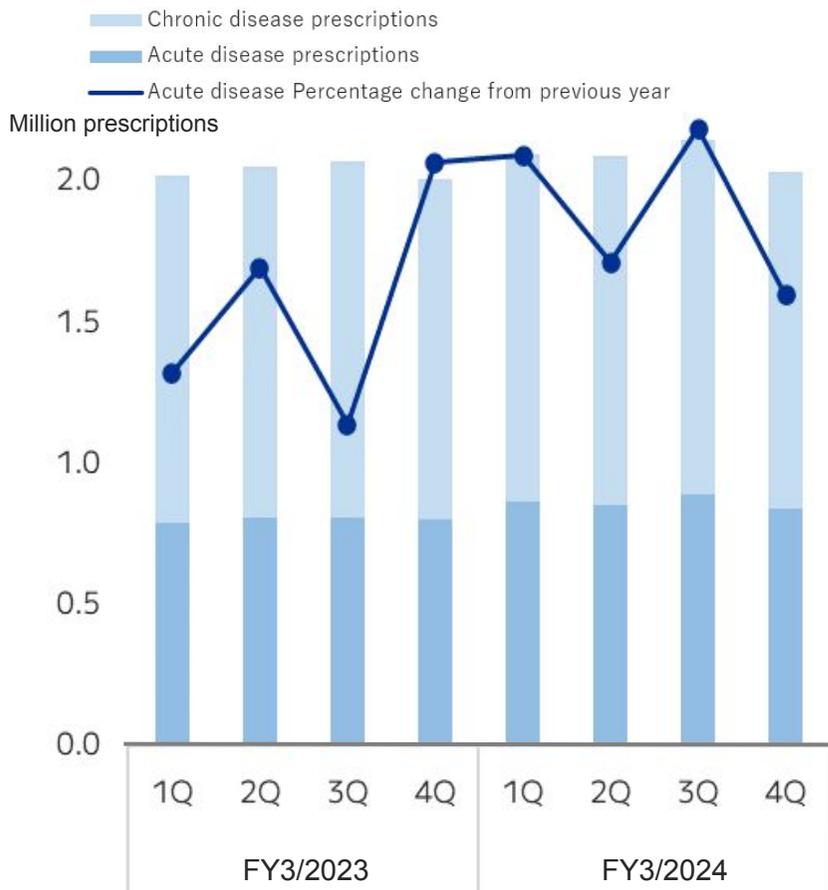
Community Pharmacy Business : Trends in the number of prescriptions

※ Only pharmacies that have been continuously open since March 2019

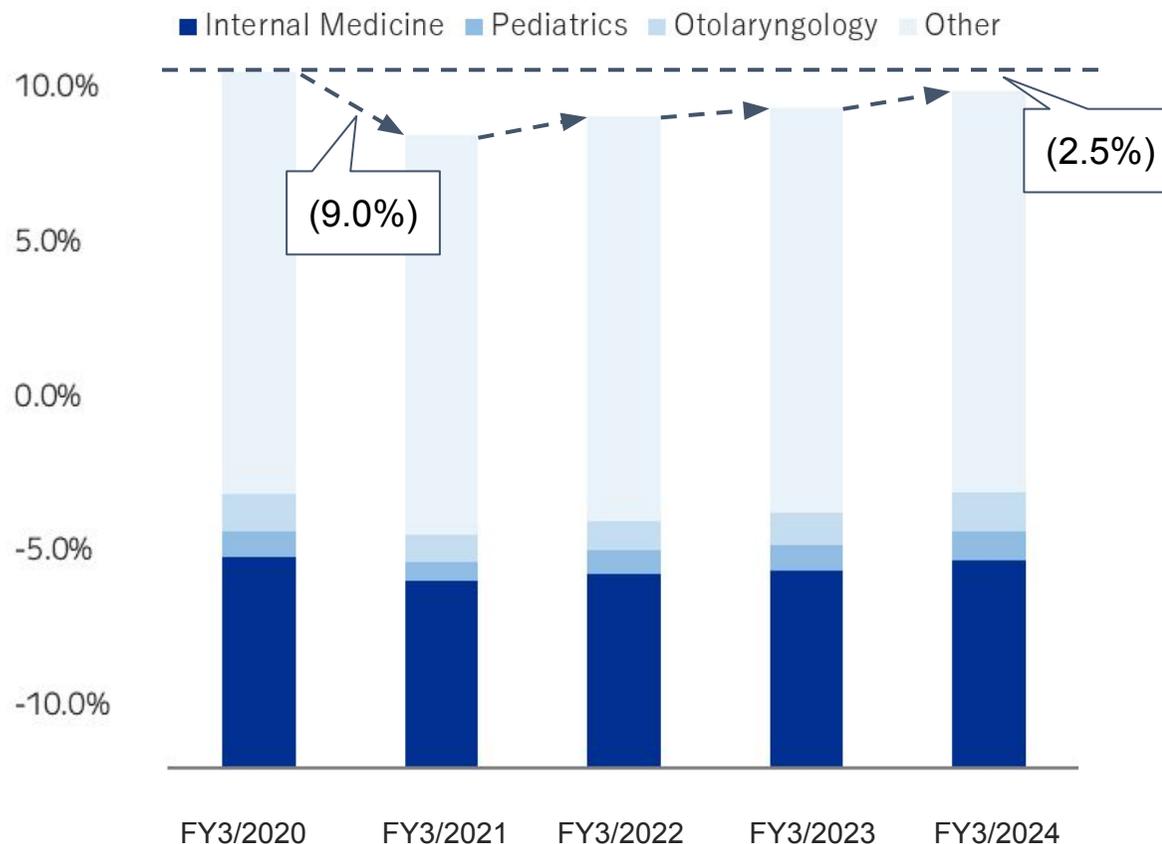


- Significant increase in prescriptions for acute diseases in FY2024 due to the outbreak of multiple respiratory infections
- The number of prescriptions that declined due to the COVID-19 epidemic is gradually returning, but has not yet fully recovered

■ Quarterly Chronic/Acute Disease Prescriptions



■ Number of prescriptions for the last 5 years



3 Pharmacy Support Businesses*!

Performance Summary



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	Result
Pharmaceutical Network Business	10,400 affiliates (+1,488 affiliates)	9,756 affiliates (+844 affiliates) 9,964 affiliates (As of April 30, 2024)
Manufacture and Market Pharmaceuticals Business	5,000 transacting pharmacies* (+1,263 pharmacies)	4,998 (number of pharmacies transacting business after April of each year) (+1,261 pharmacies)
Digital Shift Business	5,300 installed pharmacies (+1,909 pharmacies) 1MN registered users (+360K users)	4,682 pharmacies (+1,291 pharmacies) 1.05MN registered users +400K users

*1 Pharmaceutical Network Division, Pharmaceutical Manufacturing and Sales Division, Digital Shift Division

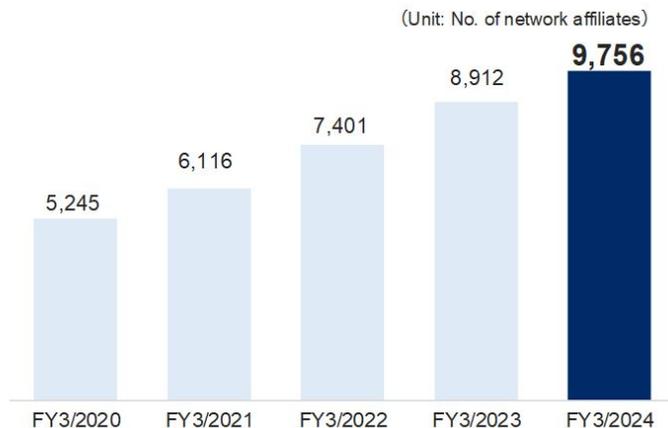
Pharmaceuticals Network Business:

Performance Summary



Net increase in the number of affiliates fell short of the plan due to pharmacy closures and withdrawals resulting from M&A, etc. However, pharmaceutical transaction volume was generally in line with the plan due to an increase in purchases by existing affiliates.

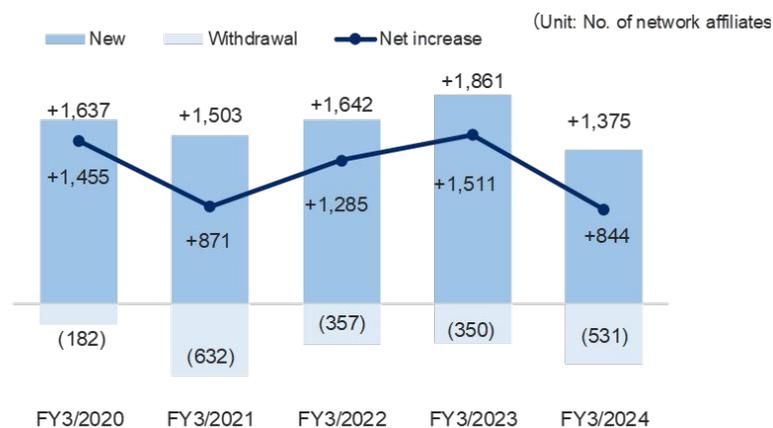
■ Network affiliates (actual)



■ Ordering volume of pharmaceuticals



■ Network affiliates (Net increase)



■ FY3/2024 Breakdown of network affiliates

	1Q	2Q	3Q	4Q	Total
New	342	307	357	369	1,375
Withdrawal	(82)	(105)	(228)	(116)	(531)

(Reference) ■ FY3/2023

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

Pharmaceuticals Network Business:

Expansion of services for affiliates

■ Merchant inventory information sharing service (operational from September 2023)

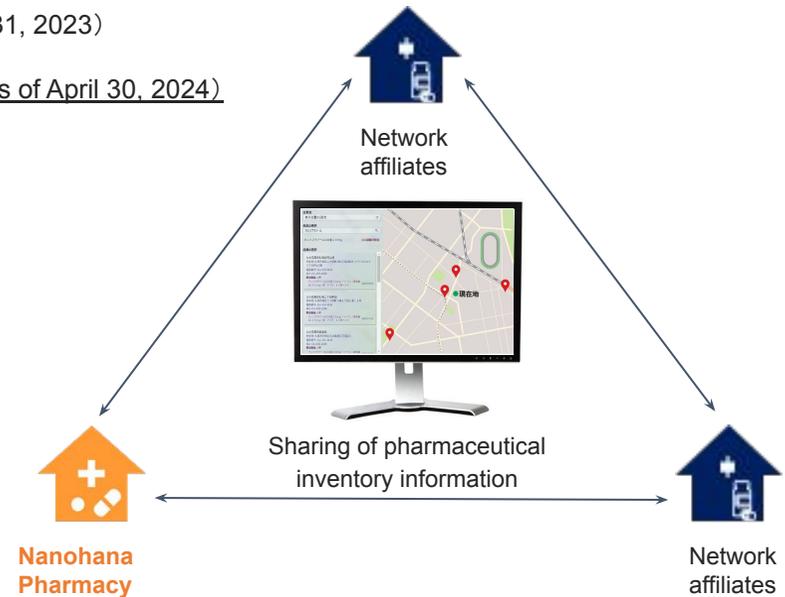
Number of pharmacies using the service : 876 pharmacies (As of October 31, 2023)

→ Number of pharmacies using the service : 1,300 pharmacies (As of April 30, 2024)

<Effects of Inventory Information Sharing Service>

- Reduced uneven distribution of pharmaceutical inventory
- Reduced workload to secure inventory
- Reduction of urgent deliveries by pharmaceutical wholesalers
- Contributes to procurement of pharmaceuticals in times of disaster

➔ Contributes to regional medical care by creating a network in each region



■ Providing LINCLE, an inventory management system developed in-house (Sales started in October 2023)

<Effects of introducing LINCLE>

Strengthen interpersonal operations

Easy operation and automatic ordering create more time for patient interaction

Reduction of pharmaceutical waste

Automatic acquisition of expiration dates and management of pharmaceuticals subject to disposal loss

Efficient inventory management

Propose optimal operation methods based on the know-how of our directly managed pharmacies

➔ Increased operational efficiency and improved profitability

Manufacture and Market Pharmaceuticals Business :

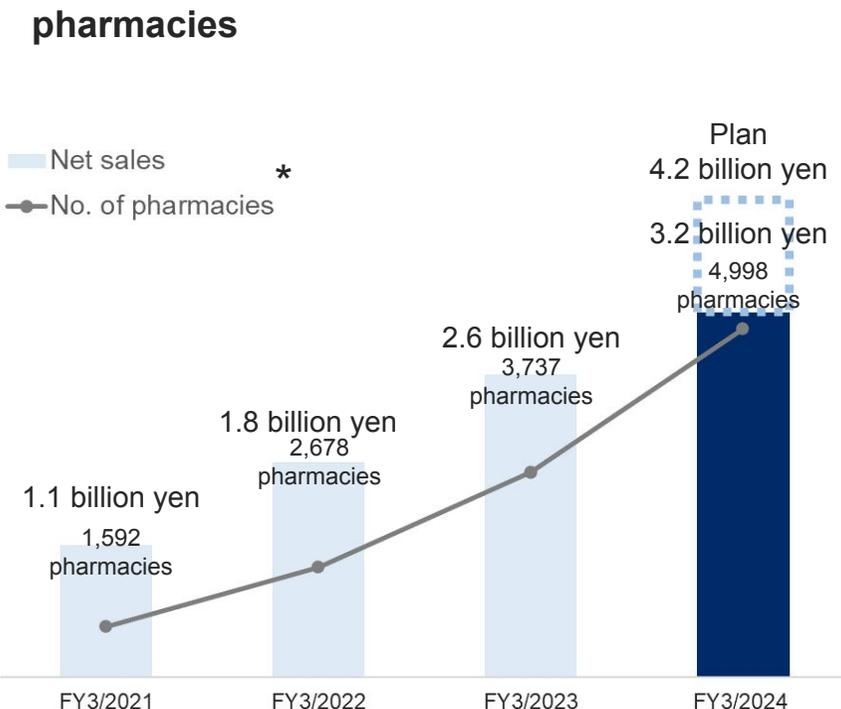
103 products / 48 ingredients (10 products /3 ingredients were added from the end of the previous FY)



- Steady increase in new clients, generally in line with the plan (+1,261 clients vs. previous year)
- Sales fell short of the plan due to the impact of shipment adjustments, but shipments resumed as needed in the second half of the fiscal year.

*No. of products adjusted for shipment as of March 31: 6 products / 3 ingredients (End of March 2023: 19 products / 7 ingredients)

■ Net Sales and No. of transaction pharmacies



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

■ Breakdown of sales plan for this fiscal year

Release Date	Product name	products / ingredients
June 2024	Loratadine tablet 10mg 「FELDSENF」	10 products / 6 ingredients
	Loratadine OD Tablet 10mg 「FELDSENF」	
	Rosuvastatin OD tablet 2.5mg/5mg「FELDSENF」	
	Zonisamide OD Tablets 25mg/50mg TRE「FELDSENF」	
	4 products / 2 ingredients(plan)	

Digital Shift Business : — 1.04MN users registered



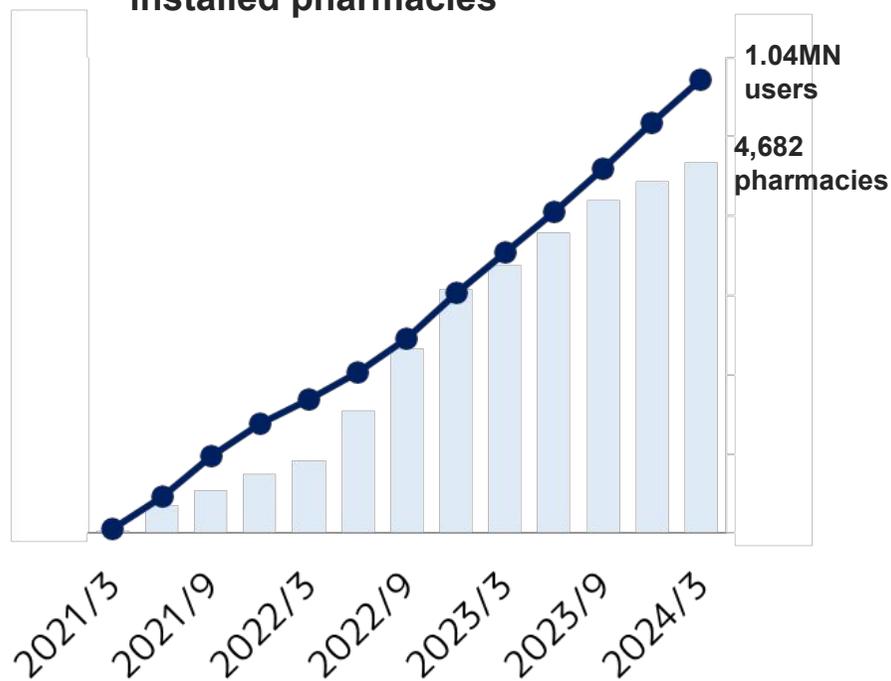
Pharmashift

Official LINE Account

つながる薬局

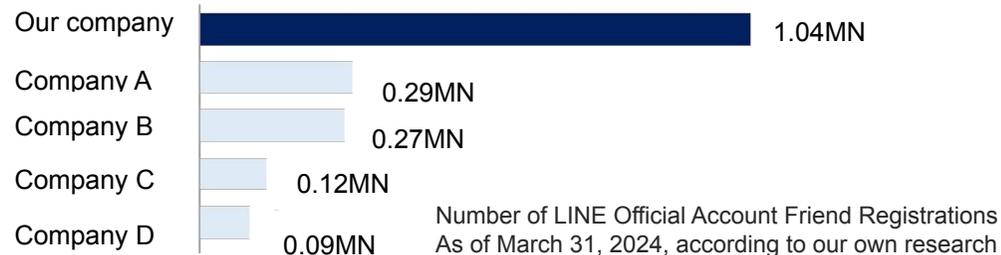
- 1.04MN users have registered and 4,682 pharmacies have installed the service.
- Inquiries increased from pharmacies engaged in medical DX following the revision of medical reimbursement, and orders were strong.

■ No. of users registrations and installed pharmacies



■ Number of registered users exceeds 1 million.

- Reached 1 million users in February 2024, 2 years and 11 months after service launch
- No. 1 - far ahead of other dispensaries' official accounts



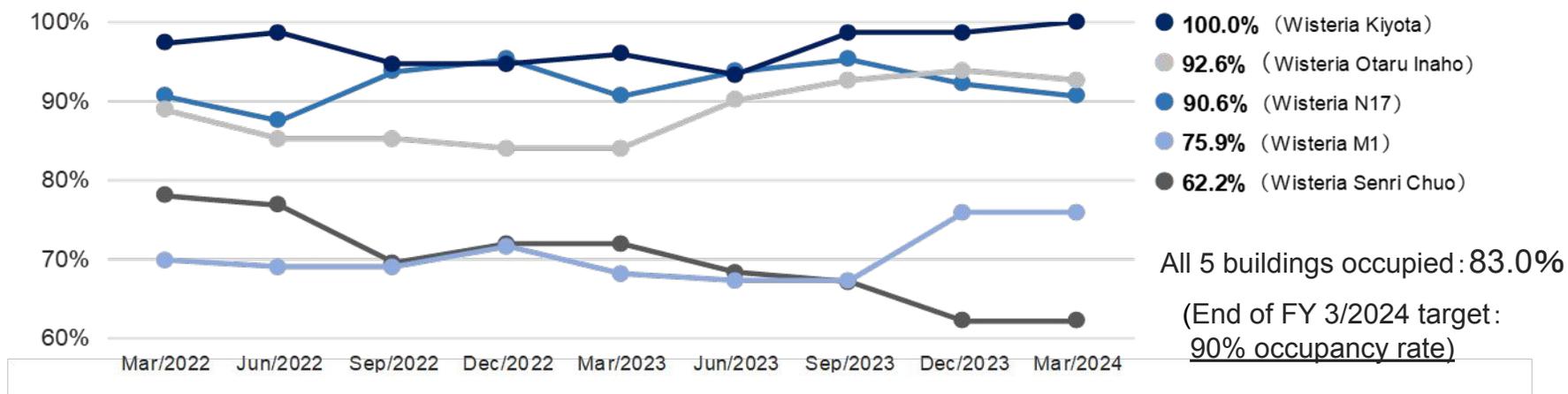
■ Growing need for introduction following revision of medical fee

<p>Additional Information for Strengthening Cooperation</p> <p>Online Medication Guidance System</p>	<p>Additional fee for community support system</p> <p>Medication Follow-up</p> <p>To obtain family pharmacist guidance fee</p>	<p>Additional fee for community support system</p> <p>Home support function</p> <p>Development ongoing - trying to build home dispensing management results</p>
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Leasing and Facility related Segment



Wisteria Occupancy Rate Trends



- 65 new move-in and 54 move-out of Wisteria locations.
- Decrease in move-outs by strengthening consultation services, and by reviewing the new application system at the Minami ichi-jo location.
- Reviewed Wisteria's staffing and advertising expenditures.

✓ Leasing and Facility related Segment

Net Sales 3,611 million yen (YoY +3.3%)

Operating Profit 158 million yen (Operating loss for the same period of the previous FY 92 million yen)

*Transferring expenses related to the development of pharmacies from the Leasing and Equipment Related Segment to the Community Pharmacy Business from FY3/2024. Transfer of expenses 147 million yen.

A photograph of a business meeting. Several people in dark suits are gathered around a table. One person is holding a blue pen and pointing at a document. The table is covered with various business charts, including a bar chart and several donut charts. A green coffee cup is visible on the right side of the table. The background is a bright, out-of-focus office environment.

3

Core Strategies
▪ Earnings
Forecast for
FY3/2025

Sixth Medium-Term Management Plan (FY3/2023~FY3/2026) 3rd year

Maintain profitability through “predictive response” to changes in the environment and “implementation of specific initiatives” for inter-business collaboration

Community Pharmacy Business

■ Strengthen pharmacy functions to become “a beacon in the town”

- Foster a stronger medical mindset and strengthen interpersonal operations
- Steadily respond to medical DX
- Accelerate strategic store openings with targeted area considerations

3 Pharmacy Support Businesses*

■ Execute inter-business collaboration and develop new services

- Establish a cross-business marketing structure
- Renew existing services and develop new services
 - Inventory management system 「LINCLE」
 - Expansion of inventory information sharing services
 - “Tsunagaru” Pharmacy New service development, etc.(Pharmashift)

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

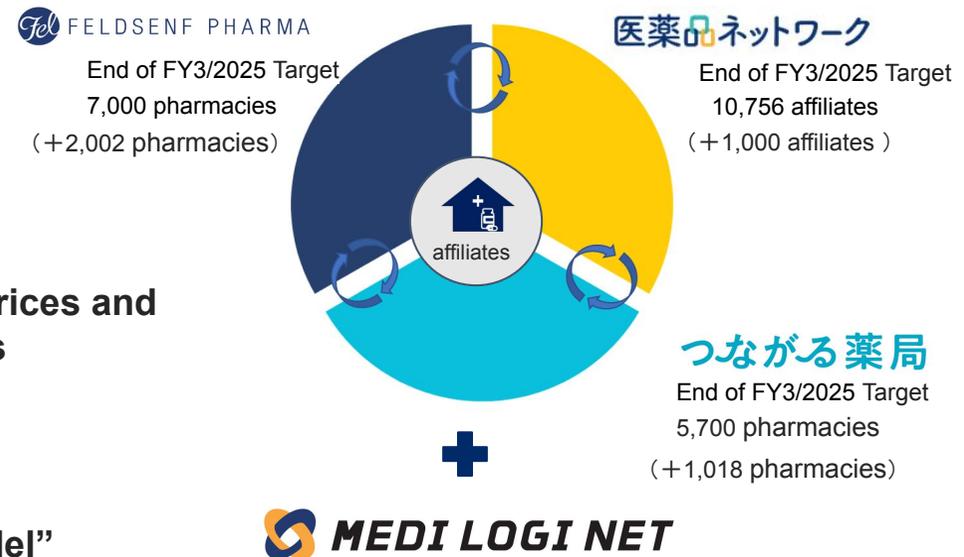
Leasing and Facility related Segment
Meal Catering Segment
Home Visit Nursing Segment

■ Measures to cope with rising prices and review of unprofitable divisions

Investment and Financial Strategies

■ Investment in “new growth model”

- Establishment of a new business, MEDI LOGI NET, a pharmaceutical logistics company
- Pharmaceutical network backbone system and customer management system
- Secure profit through cost control and accumulate capital



なの花薬局

■ Foster a stronger medical mindset and provide high-quality drug treatment

- Continuing education to improve pharmacy care
- Promote home medical care and family pharmacists
- Focus on obtaining Additional credit for Community Support System 3 and 4

■ Steady response to medical DX

- Focus on obtaining additional medical DX credit (promote use of Individual Number Card as a health insurance card)
- Acquire prescriptions through the use of “Tsunagaru” pharmacies, etc.

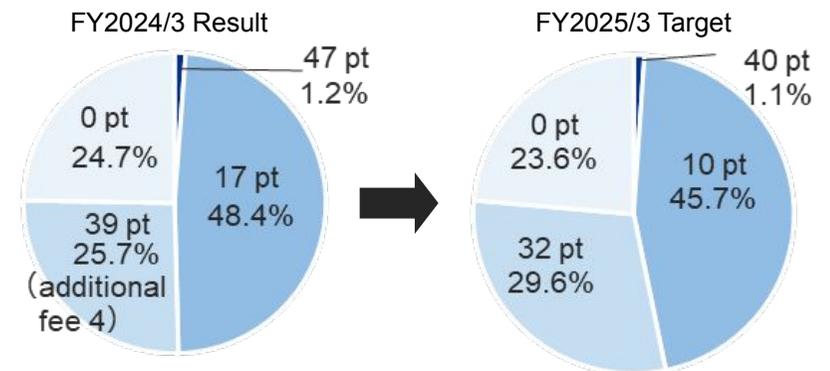
■ Development of 20 pharmacies, mainly in medical malls

- Maintain medium- to long-term growth potential by development of new pharmacies, mainly in medical malls
- Attract physicians wishing to practice in existing medical malls

■ Appropriate cost control

- Increase in Productivity

【Regional Support System Plus Calculation of Targets】



【Pharmacies openings and target number of pharmacies】



医薬品ネットワーク

- Target no. of affiliates at the end of FY3/2024 : 10,756 (Net Increase + 1,000)

■ Promotion of Distribution Improvement

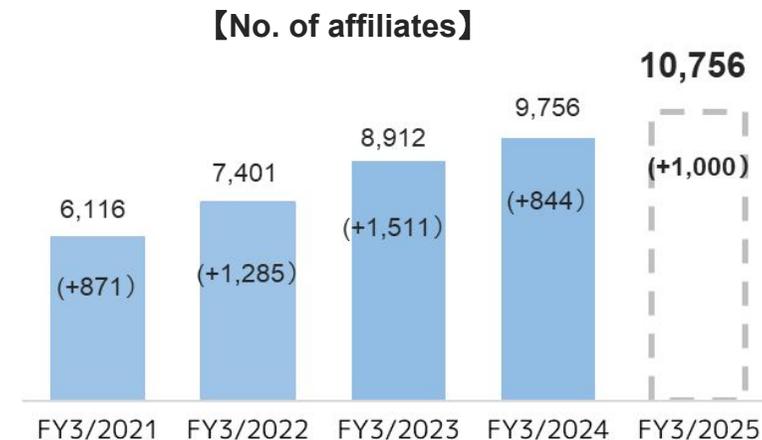
- Our pharmacies implement once a day delivery on weekdays, No Saturday deliveries, reduced “rush” deliveries
- Expansion of the above measures to affiliates
- Expansion of users of inventory information sharing system

■ Core system modification and renewal

- Business system renewal
- DSE (Dead stock exchange) system modification

■ Service Expansion

- Establishment of an area network beyond the boundaries of existing member affiliates
- Education and training at our directly-managed pharmacies to be made into a service for affiliates
- Support services for response to Revisions, expansion of in-home services



【LINCLE Hachinohe】

- LINCLE - an inventory management system for pharmacies that allows for sharing of information related to dispensing performance. New technology developed by the company
- Utilized to reduce urgent deliveries by pharmaceutical wholesalers, procurement of pharmaceuticals in times of disaster, etc
- Scheduled to begin service in July 2024



【Hachinohe regional health & medical area】

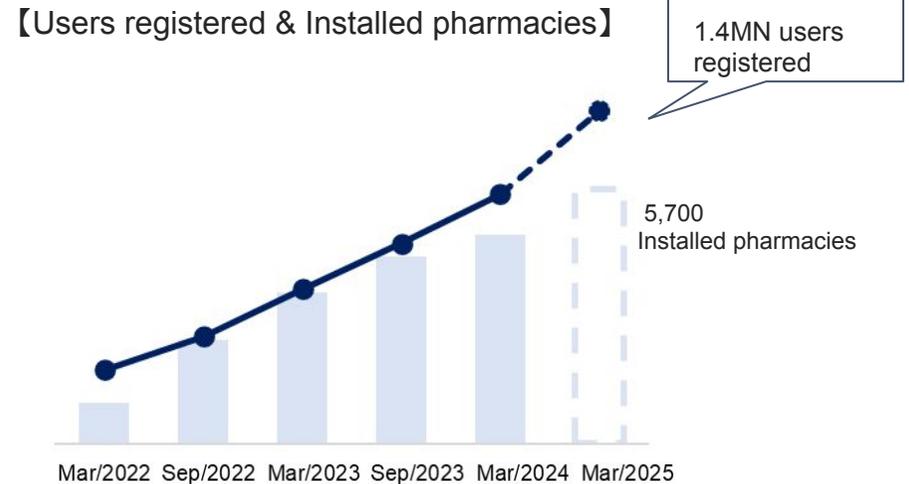
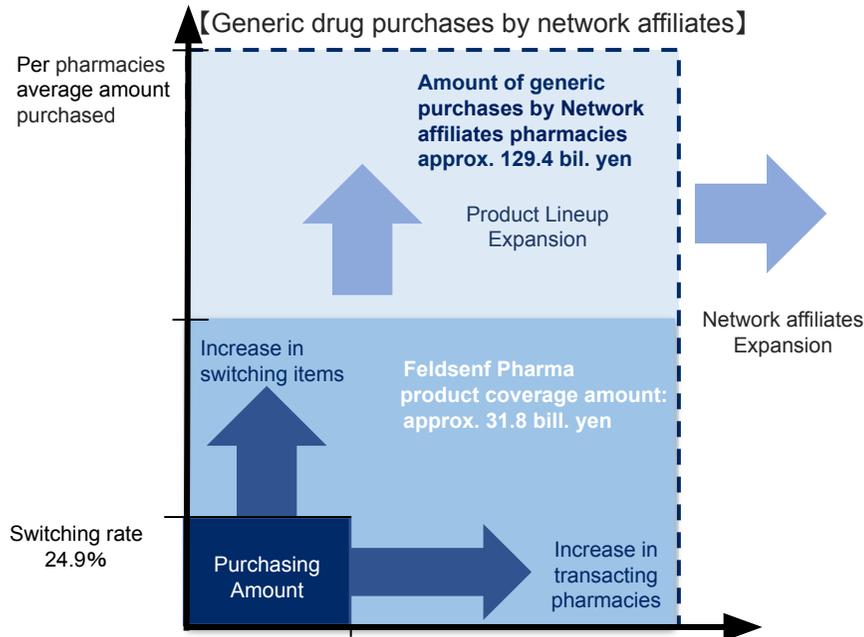
Out of 149 pharmacies
63 pharmacies are interested in registering.
50 pharmacies are considering the service (as of April 17, 2024)

FELDSENF PHARMA

- Stable supply
- Expansion of transacting pharmacies
 - Significant expansion of market share to Network affiliates
 - Expand sales to general pharmacies
 - No. of total transacting pharmacies 7,000 *(+2,002 YoY) (*include Network affiliates)
 - Net Sales 4.4 billion yen (+36.7% YoY)

Pharmashift

- Expansion of pharmacies with official LINE accounts
 - Installed pharmacies 5,700 (+1,018 YoY)
 - 1.4MN users registered (+35 K YoY)
- Continue enhancement on functions
 - Enhancement of functions to respond to the revision of medical fees
 - Development of home business support functions
 - Enhanced Settlement Functions



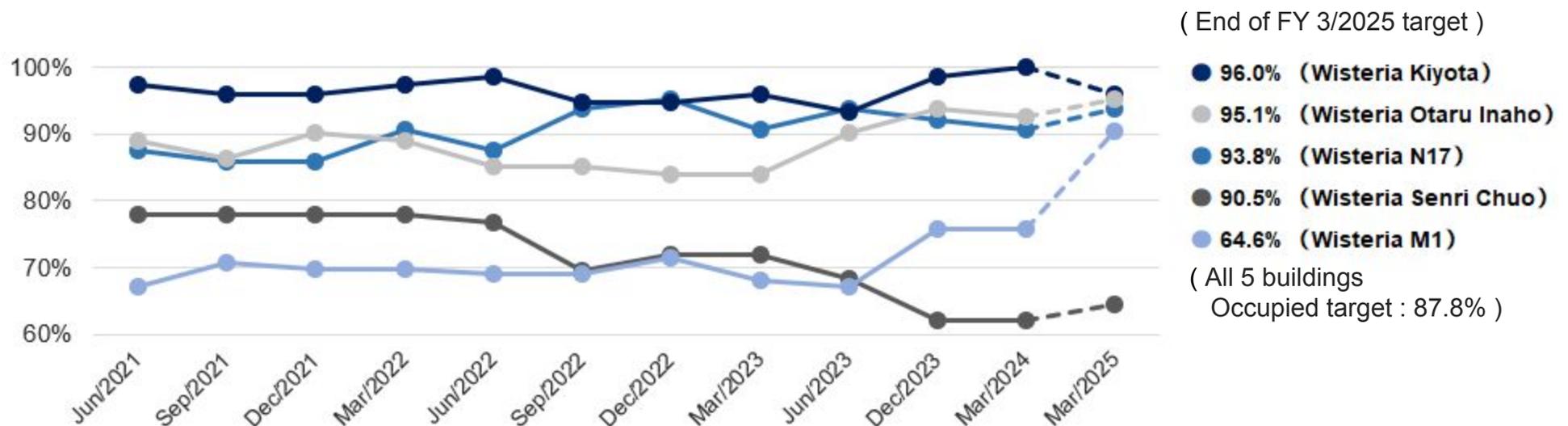


■ Improvement of occupancy rate and stable operation of Wisteria

- Develop new sales channels, hold events to attract customers, and acquire new residents
- Reduce relocation and evictions by improving the quality of “consultation” services

■ Appropriate cost control

- Examine and reduce labor and advertising costs



MEDI LOGI NET

■ Purpose of Establishment

- Improve services for network affiliates in the pharmaceutical network segment
- Contribute to solving social issues such as stable supply of pharmaceuticals through safe, secure, and efficient pharmaceutical logistics

■ Business Overview

- Distribution of pharmaceuticals and other products, mainly generic drugs manufactured and sold by FELDSENF PHARMA
- Business will begin in October 2024



 FELDSENF PHARMA



Order

Arrival of Goods

 **MEDI LOGI NET**



【Outsourcing of Logistics】

Online Ordering

 **Nanohana Pharmacy**  Network affiliates

Shipment (delivered by designated delivery company)

Earnings forecast for the FY3/2025: Consolidated Forecast



Despite the impact of wage hikes and the expected loss from the establishment of a new business (logistics company), Sales and Profits are expected to increase due to an increase in the number of pharmaceutical network affiliates, an increase in the number of prescriptions filled, and an improvement in the food service business.

(Unit: million yen)	FY3/24 (Results)	FY3/25 (Revised Forecast)	Change	Change (%)
Net Sales	115,361	122,000	+ 6,638	+ 5.8 %
EBITDA	6,997 6.1 %	7,450 6.1 %	+ 452 0.0 pt	+ 6.5 %
Operating Profit Profit margin	3,832 3.3 %	4,000 3.3 %	+ 167 (0.0 pt)	+ 4.4 %
Ordinary Profit Profit margin	3,825 3.3 %	3,950 3.2 %	+ 124 (0.1 pt)	+ 3.3 %
Profit attributable to owners of parent Profit margin	1,860 1.6 %	2,000 1.6 %	+ 139 0.0 pt	+ 7.5 %
Earnings per share (Yen)	61.89	68.43	+ 6.54	—

Earnings Forecast for FY3/2025 : Forecast by Segment



■ Net sales

		(Unit: million yen)					
		FY3/24 (Results)	FY3/25 (Forecast)	Change		Change (%)	
Net sales		115,361	122,000	+ 6,638		+ 5.8 %	
Community Pharmacy Network Segment* ¹		109,904	116,819	+ 6,915		+ 6.3 %	
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment		6,285	6,255	(30)		(0.5%)	
Adjustments		(828)	(1,075)	(246)		—	

■ Operating Profit

		(Unit: million yen)						
		Profit percentage in brackets						
Segment profit		3,832	(3.3 %)	4,000	(3.3 %)	+ 167	(0.0pt)	+ 4.4 %
Community Pharmacy Network Segment* ¹		6,433	(5.9 %)	6,435	(5.5 %)	+ 1	(0.3pt)	+ 0.0 %
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment		70	(1.1 %)	228	(3.7%)	+ 158	+ 2.5pt	+ 223.3 %
Adjustments		(2,671)	(—)	(2,664)	(—)	+ 7	—	—

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

FY3/2025: Earnings Forecast (comparison to previous term)

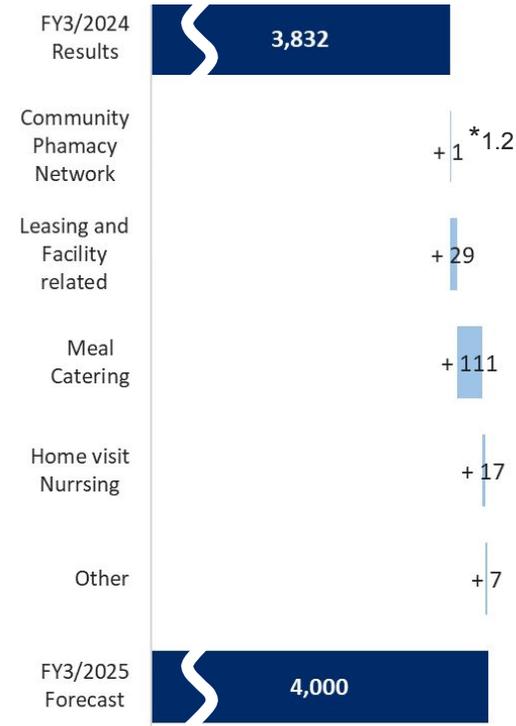
■ Net sales

(Unit: million yen)



■ Operating profit

(Unit: million yen)



YoY	FY3/2024 Results	FY3/2025 Forecast
No. of prescriptions at existing pharmacies	+3.8%	+ 1.8%
Prescription unit price at existing pharmacies	(0.7%)	(1.1%)

*1 Including the founding loss of MEDI LOGI NET, Inc. established in April 2024.

*2 20 new pharmacy openings costs upfront.

Existing pharmacies are pharmacies that have been continuously open since April 1, 2022 for the fiscal year ending March 31, 2024, and since April 1, 2023 for the fiscal year ending March 31, 2025.

FY3/2025 : 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.

• Dividend forecast for the FY ending March, 2025,

We plan to pay interim and year-end dividends of 6 yen per share, for an annual dividend of 12 yen per share, based on the consolidated forecast

【Shareholder Return Indicators】

■ FY3/2024 (Prospects)

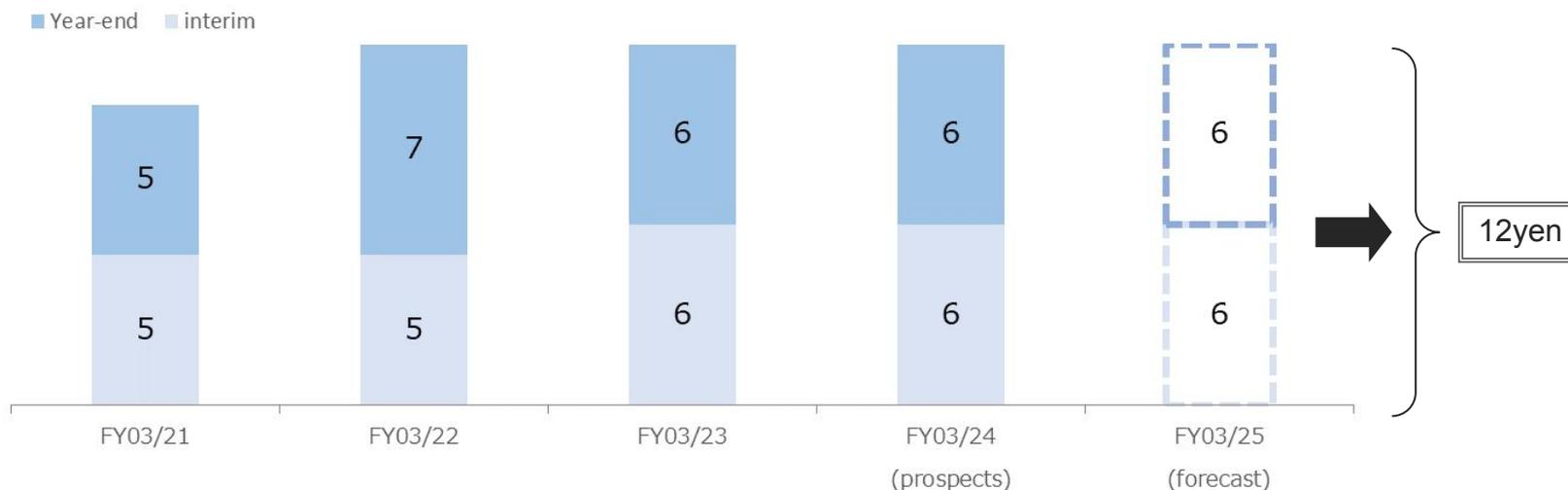
Annual dividend per share 12yen
Dividend payout ratio 19.4%



■ FY3/2025 (Forecast)

Annual dividend per share 12yen
Dividend payout ratio 17.5%

【 Annual dividend per share trend 】





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 CO₂ 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
- Efforts to share pharmaceutical inventory among pharmaceutical network member affiliates



Contribution to Society



【Support for public awareness of transplantation medicine】



【Support for employment of people with disabilities and domestic 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 accurate information disclosure



Nanohana Pharmacy new commercial now on view!



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