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## Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Japanese GAAP)

February 7, 2025

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 dividend payment: —  
Preparation of supplemental explanatory materials: Yes  
Results briefing to be held: None

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

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1 to December 31, 2024)

#### (1) Consolidated operating results

(Percentages indicate YoY change)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months ended December 31, 2024	91,891	6.6	5,098	(5.7)	2,573	(16.1)	2,623	(13.8)	1,445	(14.7)
Nine Months ended December 31, 2023	86,175	5.2	5,406	19.5	3,069	30.9	3,044	21.8	1,693	41.7

Note: Comprehensive income for the nine months ended December 31, 2024 was 1,502 million yen (-13.2% YoY), and comprehensive income for the nine months ended December 31, 2023 was 1,730 million yen (40.0% YoY)

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

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine Months ended December 31, 2024	49.44	—
Nine Months ended December 31, 2023	56.11	—

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

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2024	73,821	16,359	22.1	557.20
As of March 31, 2024	68,149	15,219	22.3	519.06

Reference: Shareholders' equity amounted to 16,286 million yen as of December 31, 2024 and 15,171 million yen as of March 31, 2024.

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.

## 2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	6.00	—	6.00	12.00
Fiscal year ending March 31, 2025	—	6.00	—		
Fiscal year ending March 31, 2025 (forecast)			—	6.00	12.00

Note: Revisions to the Company's most recently announced dividend forecast: No

## 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
Full-year	122,000	5.8	6,440	(8.0)	3,000	(21.7)	3,000	(21.6)	1,250	(32.8)	42.77

Note: Revisions to the Company's most recently announced consolidated earnings forecast: No

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: 2 companies (MEDI LOGI NET Co., Ltd., Takeuchi Pharmacy Ltd.)

Excluded: 4 companies (Taiyo Co., Ltd., Takeuchi Pharmacy Ltd., Cosmos Pharmacy Co., Ltd., Yamagata Apotech Co., Ltd.)

(2) Distinctive accounting methods applied when preparing quarterly consolidated financial statements: None

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

- |  |      |
|--|------|
| 1. Accounting policy changes due to accounting standard revisions, etc.: | Yes  |
| 2. Other accounting policy changes:                                      | None |
| 3. Changes in accounting estimates:                                      | None |
| 4. Retrospective restatements:   | None |

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of December 31, 2024	30,642,600	As of March 31, 2024	30,642,600
2. Treasury shares outstanding	As of December 31, 2024	1,414,055	As of March 31, 2024	1,414,055
3. Period-average shares outstanding (cumulative quarterly figures)	Nine months ended December 31, 2024	29,228,545	Nine months ended December 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 stock numbers and period-average shares outstanding (cumulative quarterly figures).

\*Review of the consolidated financial statements included

in the quarterly report by a certified public accountant or an auditing firm: None

\*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 materially from forecasts due to a variety of factors. For matters concerning earnings forecasts, please refer to page 3 of the attached materials "1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Forecasts and Other Projections."

2. In the quarterly consolidated balance sheets, the Company's shares held as trust assets of the Board Benefit Trust (BBT) are recorded as treasury stock. They are included in treasury stock in calculations of earnings per share, equity ratio, net assets per share, shareholders' equity, period-end treasury stock numbers, and period-average shares outstanding (cumulative quarterly figures).

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Operating Results

During the first nine months of the fiscal year ending March 31, 2025 (April 1, 2024 to December 31, 2024), Japan's economy saw a moderate recovery, supported by improvements in the employment and income environment. However, the economic outlook remains uncertain due to ongoing price hikes and concerns regarding the revision of monetary policy, among other factors.

In this economic climate, the Group aims to build medical infrastructure that allows everyone to live their lives in their own way and with peace of mind, and to facilitate healthy living as a "town's beacon of light" that safeguards members of communities throughout their lives.

During the first nine months of the fiscal year ending March 31, 2025, despite a steady increase in the number of new network affiliates in the Pharmaceutical Network Business, performance was impacted by a decline in the number of prescriptions at existing stores in the Community Pharmacy Business, rising pharmaceutical procurement costs, and wage hikes. As a result, net sales were 91,891 million yen (+6.6% YoY), operating profit was 2,573 million yen (-16.1% YoY), ordinary profit was 2,623 million yen (-13.8% YoY), and profit attributable to owners of parent was 1,445 million yen (-14.7% YoY).

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

#### 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, performance was bolstered by contributions from the opening of new stores and acquisition of stores in the previous fiscal year. Dispensing fees exceeded the levels of the same period of the previous fiscal year, supported by digitalization initiatives including the use of the official LINE account, Tsunagaru Pharmacy, to send and receive prescriptions, and enhanced post-dispensing patient follow-up. During the first nine months of the fiscal year ending March 31, 2025, we opened 17 community pharmacies, including nine in medical malls, and acquired one community pharmacy through M&A. Meanwhile, we closed and transferred 14 stores. As a result, as of December 31, 2024, we had 455 community pharmacies, one In-Home care support center, and eight drug stores.

In the Pharmaceutical Network Business, new network affiliates steadily increased thanks to our efforts to expand services, including a service for sharing pharmaceutical inventory information on a regional basis and various training programs. As of December 31, 2024, pharmaceutical network affiliates totaled 10,737, up 981 from March 31, 2024, consisting of 455 Group pharmacies and 10,282 general affiliates.

In the Manufacture and Market Pharmaceutical Business, as of December 31, 2024, the Company's product lineup included 117 products spanning 52 active pharmaceutical ingredients. While the Company stopped accepting orders for some products due to the impact of shipment adjustments, the number of new partner pharmacies steadily grew in the interim of the fiscal year under review, with the total number of partner pharmacies reaching 6,562 as of December 31, 2024, up 2,148 year-on-year.

In the Digital Shift Business, the number of pharmacies that have adopted the Group's services as of December 31, 2024 totaled 5,823 (up 1,141 compared with March 31, 2024).

Meanwhile, due to a rebound decrease in the number of prescriptions filled at existing stores in the Community Pharmacy Business following the outbreak of multiple respiratory infections in the previous fiscal year, an increase in pharmaceutical procurement costs, rising labor costs due to wage hikes, and the inclusion of preparatory expenses for the Distribution Business, which began operations this fiscal year, segment sales for the nine months ended December 31, 2024 were 87,815 million yen (+7.0% YoY) and operating profit was 4,420 million yen (-11.0% YoY).

## 2) Leasing and Facility-related Segment

In the Leasing and Facility-related Segment, sales amounted to 2,625 million yen (+2.5% YoY) and operating profit was 188 million yen (+46.1% YoY), reflecting an increase in orders for construction services and the revision of advertising expenses for the Wisteria serviced residence for the elderly.

As of December 31, 2024, the occupancy rate for Wisteria Minami-Ichijo, it was 78.4% (91 out of 116 units occupied).

The overall occupancy rate at the four serviced residences for the elderly stood at 89.0%.

The Company recorded a 326 million yen gain on sale of non-current assets following the sale of Wisteria Senri-Chuo on October 1, 2024.

## 3) Meal Catering Segment

In the Meal Catering Segment, although sales were lower than a year earlier due to the withdrawal from loss-making facilities in the previous fiscal year, the gross profit margin improved as a result of a review of contract unit prices. As a result, net sales were 1,768 million yen (-0.7% YoY), while the segment posted an operating profit of 1 million yen (versus an operating loss of 24 million yen in the same period of the previous fiscal year).

## 4) Other Segment

In the Other segment, the Group provides home-visit nursing care. While the number of home visits rose, the Group incurred upfront expenditures due to an increase in headcount. As a result, sales were 261 million yen (+10.1% YoY) and the operating loss was 17 million yen (versus an operating loss of 30 million yen in the same period of the previous year).

## (2) Explanation of Financial Position

As of December 31, 2024, total assets amounted to 73,821 million yen, an increase of 5,671 million yen from March 31, 2024. Current assets totaled 26,278 million yen, up 5,505 million yen from March 31, 2024. This mainly reflected increases in cash and deposits and merchandise. Non-current assets amounted to 47,542 million yen, an increase of 165 million yen from March 31, 2024. This was largely due to increases in investment securities and guarantee deposits, despite a decrease in goodwill.

Total liabilities were 57,461 million yen, up 4,530 million yen from March 31, 2024. Current liabilities totaled 26,956 million yen, an increase of 3,742 million yen from March 31, 2024, mainly reflecting increases in accounts payable – trade and short-term borrowings. Non-current liabilities amounted to 30,504 million yen, up 788 million yen from March 31, 2024. This was primarily due to increases in long-term borrowings and retirement benefit liability.

Net assets were 16,359 million yen, an increase of 1,140 million yen from March 31, 2024. This was mainly due to an increase in retained earnings.

## (3) Explanation of Consolidated Earnings Forecasts and Other Projections

The Company has made no changes to its first half and full-year earnings forecasts for the financial year ending March 31, 2025, which were announced on October 31, 2024.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

## (1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Nine months ended December 31, 2024 (as of December 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	8,273	10,723
Accounts receivable - trade	4,239	5,599
Unearned revenue from sale of accounts receivable	1,078	1,106
Purchased receivables - dispensing fees	423	468
Merchandise	5,404	6,849
Raw materials	16	22
Work in process	38	20
Supplies	81	85
Other	1,231	1,421
Allowance for doubtful accounts	(14)	(18)
<b>Total current assets</b>	<b>20,773</b>	<b>26,278</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,996	12,812
Land	9,290	9,339
Construction in progress	325	212
Other	5,723	6,004
<b>Total property, plant and equipment</b>	<b>28,336</b>	<b>28,369</b>
Intangible assets		
Goodwill	10,613	9,676
Software	594	745
Other	73	66
<b>Total intangible assets</b>	<b>11,281</b>	<b>10,489</b>
Investments and other assets		
Investment securities	184	698
Guarantee deposits	3,419	4,103
Deferred tax assets	3,339	2,941
Other	835	960
Allowance for doubtful accounts	(19)	(20)
<b>Total investments and other assets</b>	<b>7,759</b>	<b>8,683</b>
<b>Total non-current assets</b>	<b>47,376</b>	<b>47,542</b>
<b>Total assets</b>	<b>68,149</b>	<b>73,821</b>

(Millions of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Nine months ended December 31, 2024 (as of December 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	10,935	13,892
Short-term borrowings	588	1,797
Current portion of long-term borrowings	5,122	5,700
Income taxes payable	999	261
Provision for bonuses	1,689	887
Provision for bonuses for directors (and other officers)	86	14
Other	3,791	4,402
Total current liabilities	23,213	26,956
Non-current liabilities		
Long-term borrowings	18,309	18,739
Provision for retirement benefits for directors (and other officers)	691	687
Provision for share awards for directors (and other officers)	278	290
Retirement benefit liability	4,534	4,831
Other	5,902	5,955
Total non-current liabilities	29,716	30,504
Total liabilities	52,930	57,461
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,128	2,128
Capital surplus	937	946
Retained earnings	13,100	14,183
Treasury shares	(882)	(891)
Total shareholders' equity	15,284	16,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	29
Deferred gains or losses on hedges	2	3
Remeasurements of defined benefit plans	(134)	(113)
Total accumulated other comprehensive income	(112)	(80)
Non-controlling interests	47	73
Total net assets	15,219	16,359
Total liabilities and net assets	68,149	73,821

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

## Consolidated Statement of Income

	(Millions of yen)	
	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Net sales	86,175	91,891
Cost of sales	50,292	53,713
Gross profit	35,882	38,178
Selling, general and administrative expenses	32,813	35,604
Operating profit	3,069	2,573
Non-operating income		
Interest and dividend income	5	5
Outsourcing service income	46	48
Rental income from facilities	106	102
Subsidy income	38	126
Miscellaneous income	80	58
Total non-operating income	275	341
Non-operating expenses		
Loss on sale of receivables	44	71
Interest expenses	221	202
Miscellaneous losses	34	18
Total non-operating expenses	300	292
Ordinary profit	3,044	2,623
Extraordinary income		
Gain on sale of non-current assets	13	337
Gain on sale of businesses	27	40
Other	—	5
Total extraordinary income	41	382
Extraordinary losses		
Loss on retirement of non-current assets	15	8
Impairment losses	5	223
Loss on store closings	6	7
Other	3	5
Total extraordinary losses	31	244
Profit before income taxes	3,054	2,761
Income taxes - current	1,114	875
Income taxes - deferred	238	414
Total income taxes	1,352	1,290
Profit	1,701	1,471
Profit (loss) attributable to non-controlling interests	8	25
Profit (loss) attributable to owners of parent	1,693	1,445

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Profit	1,701	1,471
Other comprehensive income		
Valuation difference on available-for-sale securities	11	10
Deferred gains or losses on hedges	(1)	1
Remeasurements of defined benefit plans, net of tax	19	20
Total other comprehensive income	29	31
Comprehensive income	1,730	1,502
(Breakdown)		
Comprehensive income attributable to owners of parent	1,722	1,476
Comprehensive income attributable to non-controlling interests	8	25

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Notes in the event of significant changes in shareholders' equity)

None to be reported.

(Application of "Accounting Standard for Current Income Taxes")

From the beginning of the nine-month period ended December 31, 2024, the Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereafter, the "2022 Revised Accounting Standard").

Regarding revisions related to the classification of corporate taxes (taxes on other comprehensive income), the Group complies with the transitional measures prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereafter, the "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

Further, from the beginning of the nine-month period under review, the Group has applied the 2022 Revised Guidance for revisions related to the treatment in the consolidated financial statements of the gains or losses on the sale of shares in subsidiaries, etc. resulting from intra-group transactions, where such gains or losses can be deferred for tax purposes. This change in accounting policy has been applied retrospectively to the quarterly and full-year consolidated financial statements for the previous fiscal year. This change, however, has no impact on the quarterly and full-year consolidated financial statements for the previous fiscal year.

(Segment information)

## I. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Information on sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated statement of income (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	82,069	2,087	1,780	237	86,175	—	86,175
Intersegment sales or transfers	36	472	0	—	510	(510)	—
Total	82,105	2,560	1,781	237	86,685	(510)	86,175
Segment profit (loss)	4,965	129	(24)	(30)	5,039	(1,970)	3,069

Notes: 1. The negative 1,970 million yen adjustment to segment profit (loss) includes 208 million yen in elimination of intersegment transactions and 2,178 million yen in companywide expenses not allocated to reporting segments. Companywide expenses mainly refer to general expenses that do not belong to reporting segments.

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

## II. Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated statement of income (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	87,776	2,086	1,767	261	91,891	—	91,891
Intersegment sales or transfers	39	538	0	—	578	(578)	—
Total	87,815	2,625	1,768	261	92,470	(578)	91,891
Segment profit (loss)	4,420	188	1	(17)	4,593	(2,019)	2,573

Notes: 1. The negative 2,019 million yen adjustment to segment profit (loss) includes 205 million yen in elimination of intersegment transactions and 2,225 million yen in companywide expenses not allocated to reporting segments. Companywide expenses mainly refer to general expenses that do not belong to reporting segments.

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

(Notes to the statement of cash flows)

We have not prepared a consolidated statement of cash flows for the nine-month period under review. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill are as follows.

	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Depreciation and amortization	1,490 Millions of yen	1,669 Millions of yen
Amortization of goodwill	846 Millions of yen	855 Millions of yen