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Quarterly trends and results

Cumulative (JPYmn)	FY03/24				FY03/25				FY03/26		FY03/26			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	% of Est.	1H Est.	% of Est.	FY Est.
Sales	27,656	56,461	86,175	115,361	29,419	59,761	91,891	122,387	31,100	63,863	104.7%	61,000	50.9%	125,500
YoY	5.2%	5.9%	5.2%	5.3%	6.4%	5.8%	6.6%	6.1%	5.7%	6.9%		2.1%		2.5%
Gross profit	11,433	23,453	35,882	47,925	12,274	24,664	38,178	50,736	12,953	26,246				
YoY	3.4%	5.1%	4.7%	4.4%	7.4%	5.2%	6.4%	5.9%	5.5%	6.4%				
Gross profit margin	41.3%	41.5%	41.6%	41.5%	41.7%	41.3%	41.5%	41.5%	41.5%	41.6%				
SG&A expenses	10,981	21,740	32,813	44,093	11,806	23,636	35,604	47,582	12,513	24,959				
YoY	2.5%	2.5%	2.7%	3.1%	7.5%	8.7%	8.5%	7.9%	6.0%	5.6%				
SG&A ratio	39.7%	38.5%	38.1%	38.2%	40.1%	39.6%	38.7%	38.9%	40.2%	39.1%				
Operating profit	451	1,712	3,069	3,832	468	1,027	2,573	3,154	439	1,286	122.5%	1,050	37.8%	3,400
YoY	29.6%	55.8%	30.9%	21.2%	3.8%	-40.0%	-16.2%	-17.7%	-6.2%	25.2%		2.2%		7.8%
Operating profit margin	1.6%	3.0%	3.6%	3.3%	1.6%	1.7%	2.8%	2.6%	1.4%	2.0%		1.7%		2.7%
Recurring profit	410	1,692	3,044	3,825	468	1,020	2,623	3,162	404	1,215	135.0%	900	38.0%	3,200
YoY	4.6%	36.2%	21.8%	14.0%	14.1%	-39.7%	-13.8%	-17.3%	-13.7%	19.1%		-11.8%		1.2%
Recurring profit margin	1.5%	3.0%	3.5%	3.3%	1.6%	1.7%	2.9%	2.6%	1.3%	1.9%		1.5%		2.5%
Net income	148	861	1,693	1,860	170	207	1,445	1,262	78	452	196.5%	230	34.8%	1,300
YoY	62.6%	71.5%	41.7%	15.5%	14.9%	-76.0%	-14.6%	-32.2%	-54.1%	118.4%		11.1%		3.0%
Net margin	0.5%	1.5%	2.0%	1.6%	0.6%	0.3%	1.6%	1.0%	0.3%	0.7%		0.4%		1.0%

Earnings (quarterly) (JPYmn)	FY03/24				FY03/25				FY03/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	27,656	28,805	29,714	29,186	29,419	30,342	32,130	30,496	31,100	32,763
YoY	5.2%	6.5%	4.1%	5.5%	6.4%	5.3%	8.1%	4.5%	5.7%	8.0%
Gross profit	11,433	12,020	12,429	12,043	12,274	12,390	13,514	12,558	12,953	13,293
YoY	3.4%	6.8%	3.8%	3.5%	7.4%	3.1%	8.7%	4.3%	5.5%	7.3%
Gross profit margin	41.3%	41.7%	41.8%	41.3%	41.7%	40.8%	42.1%	41.2%	41.6%	40.6%
SG&A expenses	10,981	10,759	11,073	11,280	11,806	11,830	11,968	11,978	12,513	12,446
YoY	2.5%	2.4%	3.2%	4.3%	7.5%	10.0%	8.1%	6.2%	6.0%	5.2%
SG&A ratio	39.7%	37.4%	37.3%	38.6%	40.1%	39.0%	37.2%	39.3%	40.2%	38.0%
Operating profit	451	1,261	1,357	763	468	559	1,546	581	439	847
YoY	29.6%	67.9%	9.0%	-6.8%	3.8%	-55.7%	13.9%	-23.9%	-6.2%	51.5%
Operating profit margin	1.6%	4.4%	4.6%	2.6%	1.6%	1.8%	4.8%	1.9%	1.4%	2.6%
Recurring profit	410	1,282	1,352	781	468	552	1,603	539	404	811
YoY	4.6%	50.8%	7.6%	-8.8%	14.1%	-56.9%	18.6%	-31.0%	-13.7%	46.9%
Recurring profit margin	1.5%	4.5%	4.6%	2.7%	1.6%	1.8%	5.0%	1.8%	1.3%	2.5%
Net income	148	713	832	167	170	37	1,238	-183	78	374
YoY	62.6%	73.5%	20.1%	-59.8%	14.9%	-94.8%	48.8%	-	-54.1%	910.8%
Net margin	0.5%	2.5%	2.8%	0.6%	0.6%	0.1%	3.9%	-	0.3%	1.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly results by segment

By segment (cumulative) (JPYmn)	FY03/24				FY03/25				FY03/26	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2
Sales	27,656	56,461	86,175	115,361	29,419	59,761	91,891	122,387	31,100	63,863
YoY	5.2%	5.9%	5.2%	5.3%	6.4%	5.8%	6.6%	6.1%	5.7%	6.9%
Community Pharmacy Network	26,356	53,765	82,105	109,904	28,029	57,074	87,815	116,968	29,850	61,407
YoY	5.2%	5.9%	5.2%	5.3%	6.3%	6.2%	7.0%	6.4%	6.5%	7.6%
% of total	94.7%	94.7%	94.7%	94.6%	94.6%	94.9%	95.0%	95.0%	95.5%	95.7%
Leasing and Facility-related	800	1,687	2,560	3,611	942	1,729	2,625	3,468	747	1,457
YoY	0.8%	0.8%	4.6%	3.3%	17.8%	2.5%	2.5%	-4.0%	-20.7%	-15.7%

Number of network affiliates by region

Area	Directly operated pharmacies	Affiliates	Total
Hokkaido	127	252	379
Tohoku	35	802	837
Kanto and Koshinetsu	113	3,568	3,681
Tokai and Hokuriku	44	1,863	1,907
Kinki	55	1,785	1,840
Chugoku and Shikoku	20	1,083	1,103
Kyushu and Okinawa	75	1,689	1,764
Total	469	11,042	11,511

Source: Shared Research based on company data (as of September 30, 2025)

1H FY03/26 results (out November 7, 2025)

Overview

1H FY03/26 results (April–September 2025)

- Sales: JPY63.9bn (+6.9% YoY)
- Operating profit: JPY1.3bn (+25.2% YoY)
- Recurring profit: JPY1.2bn (+19.1% YoY)
- Net income attributable to owners of the parent: JPY452mn (+118.4% YoY)

Operating results and business conditions

The Japanese economy continued to recover moderately, supported by improvements in employment and income. However, concerns persist over ongoing price increases, the US trade policy, and fluctuations in financial and capital markets, creating uncertainty in economic conditions.

Under these circumstances, sales rose 6.9% YoY, mainly driven by contributions from an increase of affiliates in the Pharmaceutical Network business of the Community Pharmacy Network segment. Operating profit increased 25.2% YoY, recurring profit increased 19.1% YoY, and net income attributable to owners of the parent increased 118.4% YoY, driven by higher personnel expenses due to higher salary standards. EBITDA was JPY3.0bn (+11.0% YoY).

Results for 1H exceeded the initial 1H forecast for both revenue and all profit categories. The progress rates versus the forecast were 104.7% for revenue, 122.5% for operating profit, 135.0% for recurring profit, and 196.5% for net income. This outperformance reflected a higher-than-expected price per prescription in the Community Pharmacy business and steady growth in the number of dispensing pharmacies served by the pharmacy support businesses, particularly the Pharmaceutical Network business. Although personnel expenses rose due to higher wages, these factors more than offset the cost increase.

Segment results

1H FY03/26 results by segment were as follows.

Community Pharmacy Network

- Segment sales: JPY61.4bn (+7.6% YoY)
- Segment profit: JPY2.6bn (+14.1% YoY)
- This is a new segment that integrates the former Pharmaceuticals Network business, the Dispensing Pharmacy business, and the manufacture and market pharmaceuticals business (mainly Feldsenf Pharma) previously included in Other segment. The Digital Shift business was incorporated into the segment structure in FY03/21, followed by the addition of the Pharmaceutical Logistics business in FY03/25.

In this core segment, labor costs increased due to wage hikes and other factors, while new pharmacies opened in FY03/25 in the Community Pharmacy business contributed to earnings.

Community Pharmacy

The company continued to focus on new openings and acquisitions through M&A, opening seven community pharmacies in 1H, including five mall format locations, and acquiring eight pharmacy through M&A. The company closed or transferred three stores. As of end-1H FY03/26, the company operated 469 community pharmacies, one in-home care plan support center, and nine drug stores.

Pharmaceutical Network

Network affiliates continued to grow steadily. As of end-1H FY03/26, pharmaceutical network members totaled 11,511 (+508 from end-FY03/25), comprising 469 directly operated pharmacies and 11,042 affiliates.

Manufacture and Market Pharmaceuticals

The company offered 120 products (52 ingredients) as of end-1H FY03/26. As a result of efforts to develop new business partners, the number of new client stores grew steadily, bringing the total to 7,823 at end-1H FY03/26, up 2,123 from end-FY03/25.

Pharmaceutical Logistics business

In this business, the company is working to expand its client base. The number of new client stores has been growing steadily, reaching 3,064 at end-1H FY03/26, up 1,492 from end-FY03/25.

Digital Shift

In March 2021, the company launched Tsunagaru Pharmacy, a service in the Digital Shift business that uses its official LINE account. This segment works to expand its customer base by providing successful experiences for both patients and pharmacies. As of end-1H FY03/26, the number of installed locations stood at 6,339, up 319 from end-FY03/25.

Leasing and Facility-related

- Segment sales: JPY1.5bn (-15.7% YoY)
- Segment profit: JPY41mn (-58.6% YoY)

Operating conditions of serviced elderly housing facilities

Revenue fell 15.7% YoY, reflecting the absence of large projects recorded in 1H FY03/25, and segment profit declined 58.6% YoY. As of end-1H FY03/26, occupancy at all four serviced elderly housing facilities was 87.5%.

Meal Catering

- Segment sales: JPY1.2bn (-1.4% YoY)
- Segment loss: JPY8mn (versus a loss of JPY7mn in 1H FY03/25)

Lower sales

In response to a prolonged labor shortage, the company sought to introduce fully prepared meals and worked to improve profitability through price revisions and other measures. However, higher ingredients and personnel expenses led to lower sales and a larger loss.

Other (mostly home-visit nursing care)

- Segment sales: JPY169mn (-2.9% YoY)
- Segment loss: JPY10mn (versus a loss of JPY12mn in 1H FY03/25)

Company forecast for FY03/26

Recent performance and FY03/26 company forecast

(JPYmn)	FY03/24			FY03/25			FY03/26		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	56,461	58,900	115,361	59,761	62,626	122,387	63,863	61,637	125,500
YoY	5.9%	4.8%	5.3%	5.8%	6.3%	6.1%	6.9%	-1.6%	2.5%
Cost of sales	31,024	36,412	67,436	35,097	36,554	71,651	37,617		
Gross profit	23,453	24,472	47,925	24,664	26,072	50,736	26,246		
Gross profit margin	41.5%	41.5%	41.5%	41.3%	41.6%	41.5%	41.1%		
SG&A expenses	21,740	22,353	44,093	23,636	23,946	47,582	24,959		
SG&A ratio	38.5%	38.0%	38.2%	39.6%	38.2%	38.9%	39.1%		
Operating profit	1,712	2,120	3,832	1,027	2,127	3,154	1,286	2,114	3,400
YoY	55.8%	2.7%	21.2%	-40.0%	0.3%	-17.7%	25.2%	-0.6%	7.8%
Operating profit margin	3.0%	3.6%	3.3%	1.7%	3.4%	2.6%	2.0%	3.4%	2.7%
Recurring profit	1,692	2,133	3,825	1,020	2,142	3,162	1,215	1,985	3,200
YoY	36.2%	0.9%	14.0%	-39.7%	0.4%	-17.3%	19.1%	-7.3%	1.2%
Recurring profit margin	3.0%	3.6%	3.3%	1.7%	3.4%	2.6%	1.9%	3.2%	2.5%
Net income	861	999	1,860	207	1,055	1,262	452	848	1,300
YoY	71.5%	-9.8%	15.5%	-76.0%	5.6%	-32.2%	118.4%	-19.6%	3.0%
Net margin	1.5%	1.7%	1.6%	0.3%	1.7%	1.0%	0.7%	1.4%	1.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

While results for 1H exceeded the company's expectations, as of the 1H earnings announcement on November 7, 2025, the company maintained its full-year forecast. In 1H, the rate of progress toward the full-year forecast was 50.9% for sales, 37.8% for operating profit, 38.0% for recurring profit, and 34.8% for net income. The full-year FY03/26 forecast, announced on May 9, 2025, is as follows:

- Sales: JPY125.5bn (+2.5% YoY)
- EBITDA: JPY6.9bn (+4.9% YoY)
- Operating profit: JPY3.4bn (+7.8% YoY)
- Recurring profit: JPY3.2bn (+1.2% YoY)
- Net income attributable to owners of the parent: JPY1.3bn (+3.0% YoY)
- Net income per share: JPY44.48 (JPY43.20 in FY03/25)

Performance outlook

Dispensing fees in Japan tend to be reduced in biennial NHI healthcare reimbursement revisions. The company believes that under this pharmaceutical policy environment, dispensing pharmacies are being required to shift from product-focused services to patient-centered services in order to sustain profitability. The company sees the business environment for dispensing pharmacies worsening due to rising personnel costs and a pharmacist shortage.

For the Community Pharmacy Network segment, Medical System Network has established specific business strategies as follows:

- Community Pharmacy business: enhance interpersonal services at dispensing pharmacies.
- Pharmaceutical Network business: expand service offerings, strengthen affiliate networks, and develop new services.
- Manufacture and Market Pharmaceuticals business: ensure stable supply and pursue customer growth.
- Digital Shift business: expand store adoption of the LINE account "Tsunagaru (Connected) Pharmacy" and enhance new services.

Forecast by key segment

At the time of 1H results announcement, the company maintained its initial segment forecasts.

- ▶ Community Pharmacy Network segment: sales of JPY120.1bn (+2.7% YoY), segment profit of JPY6.0bn (+6.2% YoY).

In the Community Pharmacy business in the Community Pharmacy Network segment, the company aims to support healthcare digitalization, enhance interpersonal services via "Tsunagaru (Connected) Pharmacy", and increase prescriptions filled. The forecast incorporates higher costs associated with new store openings and increased personnel expenses. Numerical targets for the four businesses that support the Community Pharmacy business are as follows:

- Pharmaceutical Network: 12,000 network affiliates (+997 YoY)
- Manufacture and Market Pharmaceuticals: 9,000 partner pharmacies (+1,819 YoY)
- Digital Shift: 6,850 pharmacies adopting the company's service (+830 YoY)
- Pharmaceutical Logistics: 3,700 unique annual stores (+2,128 YoY)

Among the major subsidiaries in the pharmacy support businesses, the following have disclosed sales targets:

- Feldsenf Pharma (Manufacture and Market Pharmaceuticals business): JPY7.0bn (+40% YoY)
 - Medi Logi Net (Pharmaceutical Logistics business): JPY4.8bn (3.2x the FY03/25 result)
- ▶ Numerical targets for the other segments (total for Leasing and Facility-related, Meal Catering, and other including home-visit nursing care): Sales of JPY6.2bn (+0.9% YoY), segment profit of JPY217mn (+27.0% YoY).
- ▶ Adjustments: -JPY826mn for sales, -JPY2.8bn for segment profit.

Medium-term management plan

Establishing a long-term vision (out October 24, 2025)

The current sixth medium-term management plan ends in FY03/26, but the company anticipates difficulty achieving its final-year targets due to a tough business environment. On May 9, 2025, the company announced its forecast for FY03/26, which falls short of the targets set for the final year of its sixth medium-term management plan (refer to the table below).

To align with the current business environment and enhance corporate value and sustainable growth, Medical System Network announced its long-term vision, Machino Akari Vision 2035, in October 2025. The vision positions the company as a beacon of light in the community and outlines its strategic direction and roadmap through FY03/35.

Medical System Network seeks to restructure its earnings model and significantly improve capital efficiency as it pursues business growth. The company aims to raise operating profit from JPY3.1bn in FY03/25 to JPY10.0bn in FY03/35 and improve ROE from 8% to 12–15%. The company aims to expand support for dispensing pharmacies from over 15,000 pharmacies in FY03/25 to 45,000 pharmacies by FY03/35 and raise its market coverage rate (system utilization rate) from about 25% to roughly 75–80%.




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