



MEDICAL  
SYSTEM  
NETWORK  
GROUP

MEDICAL SYSTEM NETWORK Co., Ltd.

Third Quarter of 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/>



## ■ 3rd Quarter Results

Net Sales remained strong, and Profits at all levels exceeded the same period of the previous year and the plan.

- YoY change -

- Increase in Net Sales and profit

(Net Sales +5.2%, Operating Profit +30.9%)

- 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 -2.9%

- 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 +4.3%

- vs Forecast -

- Both of Net Sales and Profit exceeded the plan.

(Net Sales +0.9%, Operating Profit +12.8%)

- No. of prescriptions filled at existing pharmacies +0.9% 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, but 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	<b>436</b> pharmacies (+8)
Prescription Unit price(All pharmacies)	<b>10,070</b> yen (-103 yen)*
No. of prescriptions (All pharmacies)	<b>7,266K</b> (+6.4%)*
No. of prescriptions (Existing pharmacies)	<b>7,015K</b> (+4.3%)*

### ~ Our 3 Pharmacy Support Businesses ~

#### Pharmaceutical Network Business

- No. of affiliates **9,503** affiliates (+591)

#### Manufacture and Market Pharmaceuticals Business

- No. of ingredients **48** ingredients (+3)
- No. of products **101** products (+8)
- No. of affiliates **4,414** affiliates (+847)\*

#### Digital Shift Business

- No. User registrations **949K** (+30K)
- No. Installed pharmacies **4,445** pharmacies (+1,054)

### < Leasing and Facility related Segment >

#### Wisteria

- Occupancy rate of all 5 facilities **83.3%** (+2.9%)

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## Earnings Highlight

# FY3/2024 3Q : Consolidated Results

(Unit: million yen)	FY3/2023 3Q (results)	FY3/2024 3Q (plan)	FY3/2024 3Q (results)	YoY		FY3/2024 3Q Progress rate	FY3/2024 Full year forecast
				Change	Change (%)		
<b>Net Sales</b>	81,878	85,375	86,175	+ 4,297	+ 5.2%	100.9%	113,800
<b>EBITDA*1</b> Profit margin	4,525 5.5%	—	5,406 6.3%	+ 880	+ 19.5%	—	6,600 5.8%
<b>Operating Profit</b> Profit margin	2,344 2.9%	2,721 3.2%	3,069 3.6%	+ 725	+ 30.9%	112.8%	3,500 3.1%
<b>Ordinary Profit</b> Profit margin	2,499 <sup>*2</sup> 3.1%	2,713 3.2%	3,044 3.5%	+ 545	+ 21.8%	112.2%	3,450 3.0%
<b>Profit attributable to owners of parent</b> Profit margin	1,195 1.5%	1,404 1.6%	1,693 2.0%	+ 498	+ 41.7%	120.6%	1,650 1.4%
<b>Earnings per share</b> (Yen)	39.60	—	56.11	+ 16.51	—	—	+ 54.67

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

\*2 Includes 114 million yen in subsidy income related to online qualification verification

# FY3/2024 3Q : Results by Segment

## ■ Net Sales

	(Unit: million yen)	FY3/2023 3Q(results)	FY3/2024 2Q(results)	Change	Change (%)
Net Sales		81,878	86,175	+ 4,297	+ 5.2 %
Community Pharmacy Network Segment*1		78,078	82,105	+ 4,027	+ 5.2 %
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment		4,378	4,579	+ 200	+ 4.6%
Adjustments		(579)	(510)	+ 69	—

## ■ Operating Profit

(Unit: million yen)  
Profit margin in brackets

Segment Profit		2,344 2.9 %	3,069 3.6 %	+ 725 + 0.7pt	+ 30.9 %
Community Pharmacy Network Segment*1		4,299 5.5 %	4,965 <sup>*2</sup> 6.0 %	+ 666 + 0.5pt	+ 15.5 %
Leasing and Facility related Segment Meal Catering Segment Home Visit Nursing Segment		(167) —	74 <sup>*2</sup> 1.6 %	+ 241 —	—
Adjustments		(1,787) —	(1,970) —	(183) —	—

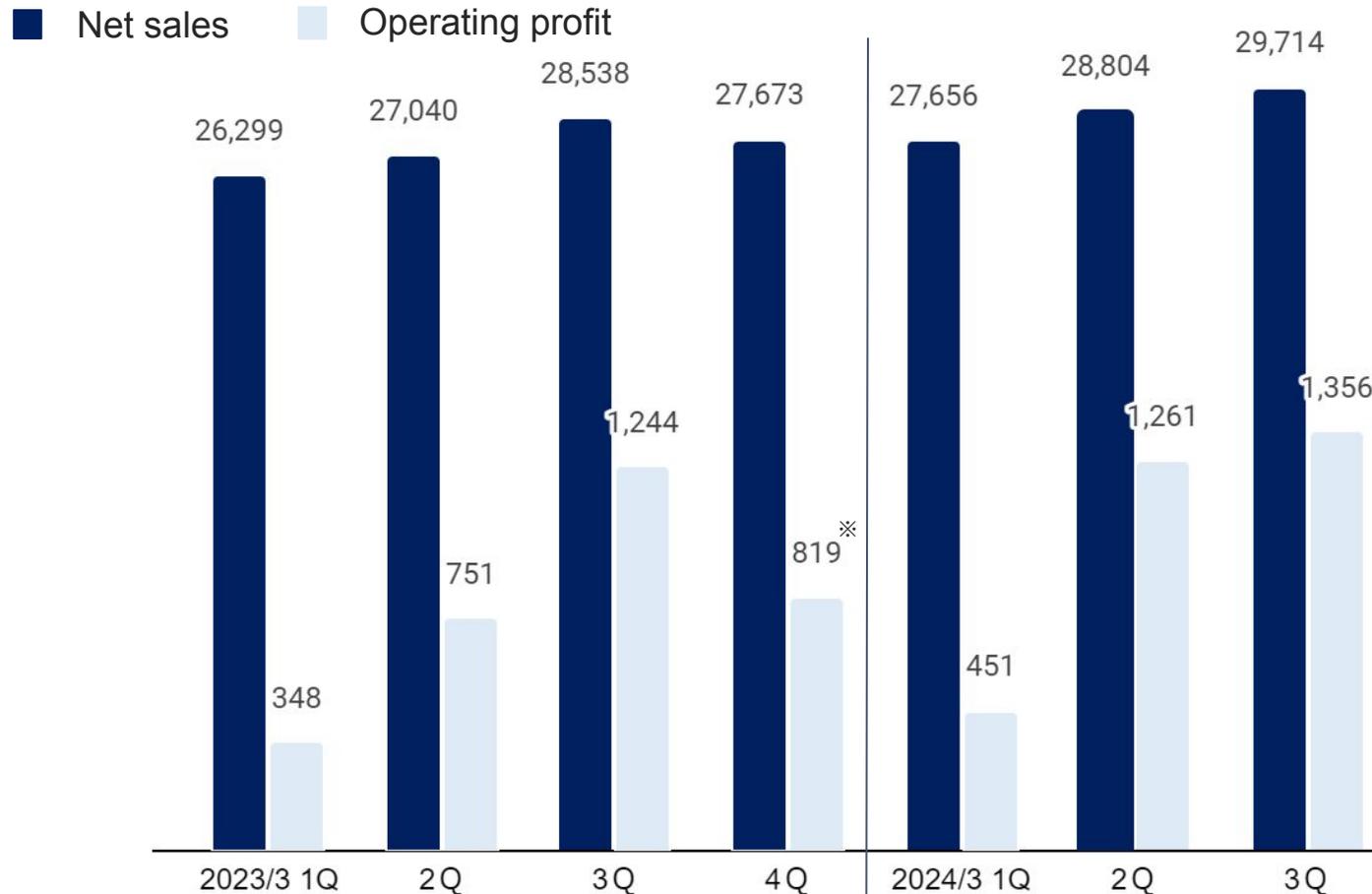
\*1 Community Pharmacy Business, Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business

\*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 110 million yen

## ■ Net Sales · Operating Profit (Quarterly Changes)

Increase in the number of prescriptions filled 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. In line with these factors, we were able to see a YoY increase in profit.

(Unit: million yen)



\* 2023/3 4Q: Inflation allowance 202 million yen including

# FY3/2024 3Q : Consolidated Balance Sheet

## ■ End of FY3/2023

(Unit: million yen)

<b>Assets</b>	<b>66,223</b>	<b>Liabilities</b>	<b>51,735</b>
<b>Current assets</b>	<b>20,265</b>	<b>Current liabilities</b>	<b>21,349</b>
Cash and deposits	8,141	Short-term loans*1	6,168
		<b>Fixed liabilities</b>	<b>30,385</b>
<b>Fixed assets</b>	<b>45,958</b>	Long-term loans	20,226
Tangible fixed assets	27,060	<b>Net assets</b>	<b>14,488</b>
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)
<b>Total assets</b>	<b>66,223</b>	<b>Total liabilities and net assets</b>	<b>66,223</b>
<b>Equity ratio</b>			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 3Q

(Unit: million yen)

<b>Assets</b>	<b>67,503</b>	<b>Liabilities</b>	<b>51,896</b>
<b>Current assets</b>	<b>21,024</b>	<b>Current liabilities</b>	<b>23,736</b>
Cash and deposits	8,536	Short-term loans*1	6,550
		<b>Fixed liabilities</b>	<b>28,159</b>
<b>Fixed assets</b>	<b>46,479</b>	Long-term loans	17,113
Tangible fixed assets	28,159	<b>Net assets</b>	<b>15,607</b>
Intangible fixed assets	11,238	Share capital	2,128
Goodwill	10,558	Capital surplus	937
Investments and other assets	7,081	Retained earnings	12,933
		Treasury shares	(326)
<b>Total assets</b>	<b>67,503</b>	<b>Total liabilities and net assets</b>	<b>67,503</b>
<b>Equity ratio</b>			23.1%

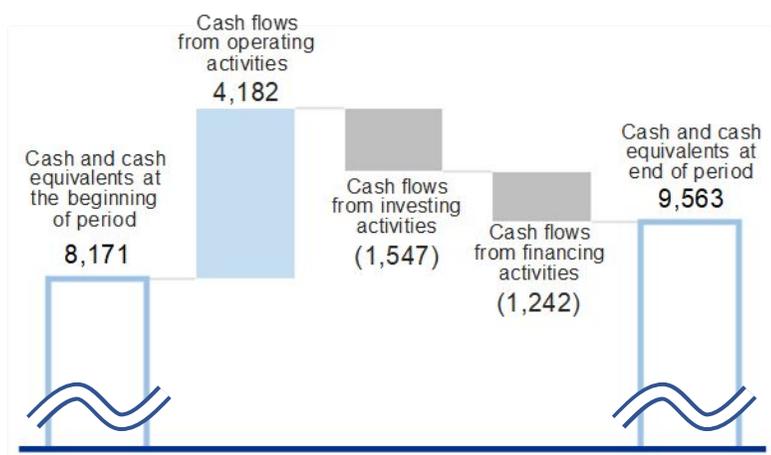
(Equity ratio with taking into account net cash\*\* 26.4%)

# FY3/2024 3Q : Consolidated Cash Flows

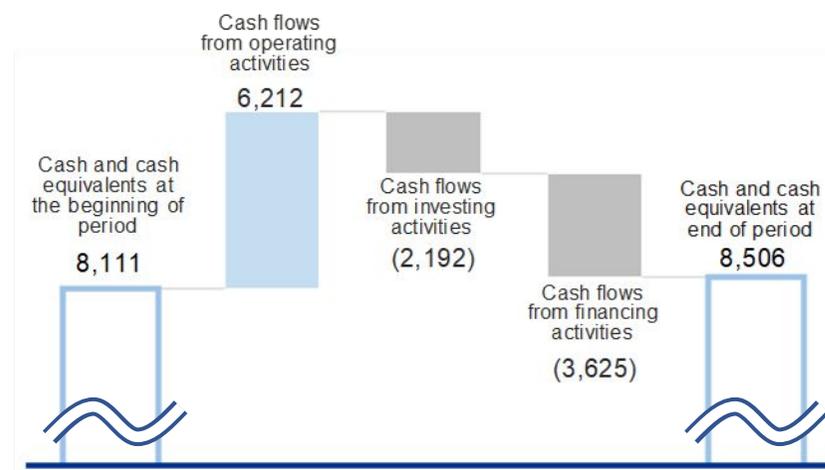
Cash flows from operating activities	6,212 million yen	EBITDA* Changes in working capital	5,406 million yen 998 million yen
Cash flows from investing activities	(2,192) million yen	Opening of new pharmacies Existing pharmacies renovation costs, etc. M&A (share acquisition, business acquisition, business transfer)	(1,000) million yen (560) million yen (346) million yen
Cash flows from financing activities	(3,625) million yen	Loan amount reduced	(2,730) million yen

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

■FY3/2023 3Q (Unit: million yen)



■FY3/2024 3Q (Unit: million yen)





# 2

Core  
Strategies  
·  
Business  
Summary

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

# Community Pharmacy Business:

## Trends in No. of Pharmacies

9 new outlets (3 from acquisition) and 4 outlet closures/transfers since end of the previous FY

①Nanohana Pharmacy Higashijujo



②Nanohana Pharmacy Tenroku Station



③Sakura Pharmacy Mihara



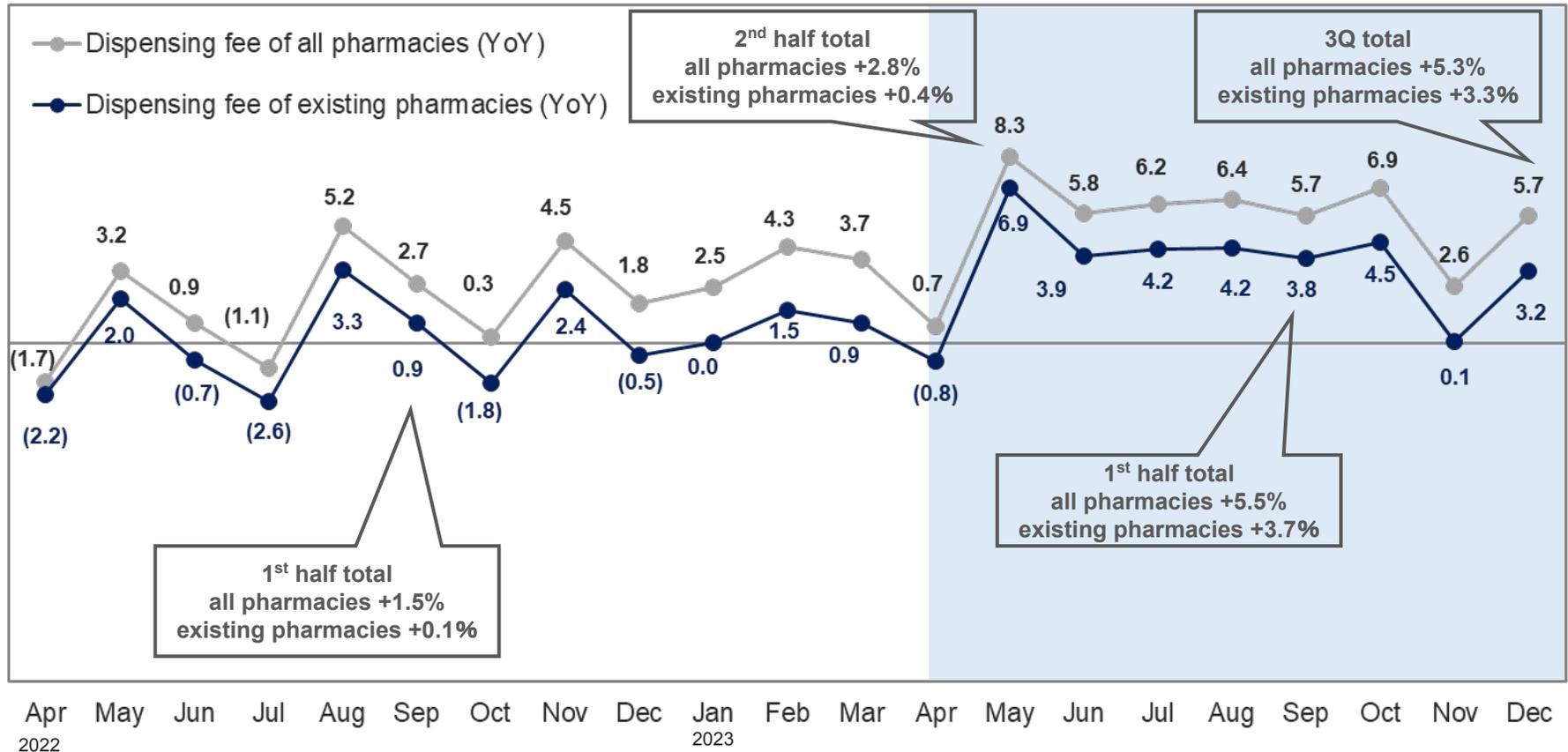
FY3/2024 (As of December 31)		
	Fixed No. / results in 3Q	Full Year Plan
No. of openings	14 / 9	15
No. of prospects connected to Medical Institutions	18 / 16	10

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

As of December 31, 2023

	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024 3Q	FY3/2026 midterm plan
Openings	10	9	8	8	5	8	7	12	8	9	—
Closing and transferring	(13)	(8)	(4)	(5)	(14)	(15)	(13)	(6)	(7)	(4)	—
M&A	27	7	20	19	30	3	6	3	2	3	—
No. of outlets	345	353	377	399	420	416	416	425	428	436	550

# Community Pharmacy Business : Monthly Dispensing Fee (YoY)



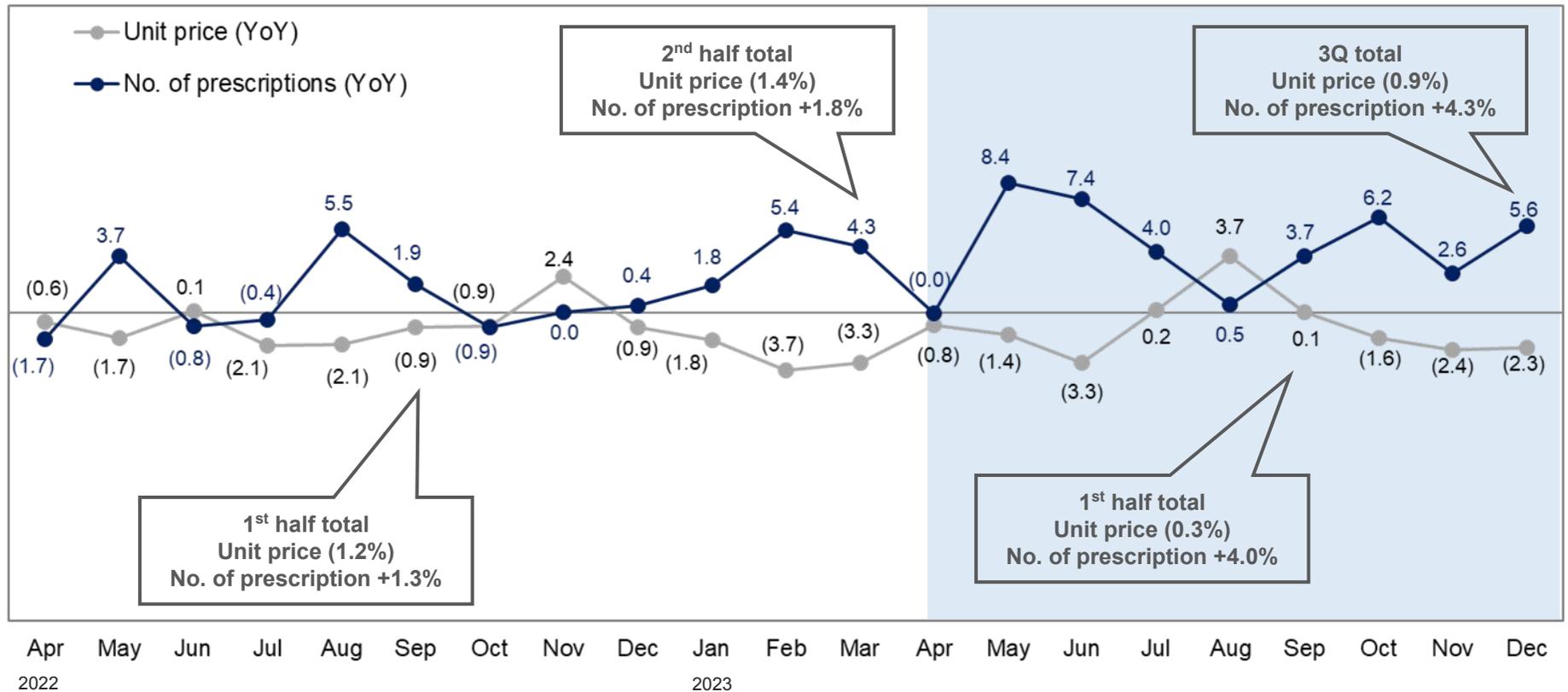
- Existing pharmacies definition: Pharmacies that have been continuously open since April 1, 2021 for the previous fiscal year and since April 1, 2022 for the current fiscal year

# Community Pharmacy Business :

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



- 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 3Q	FY3/2024 3Q	Change	Change (%)
No. of prescriptions (1,000)		6,828	7,266	+ 437	+ 6.4%
Unit price (yen)	Drug charge per prescription	7,733	7,709	(24)	(0.3%)
	Technical fee per prescription	2,440	2,361	(79)	(3.3%)
	Total	10,173	10,070	(103)	(1.0%)
Dispensing fee (million yen)		69,472	73,168	+ 3,695	+ 5.3%

## ■ Existing pharmacies

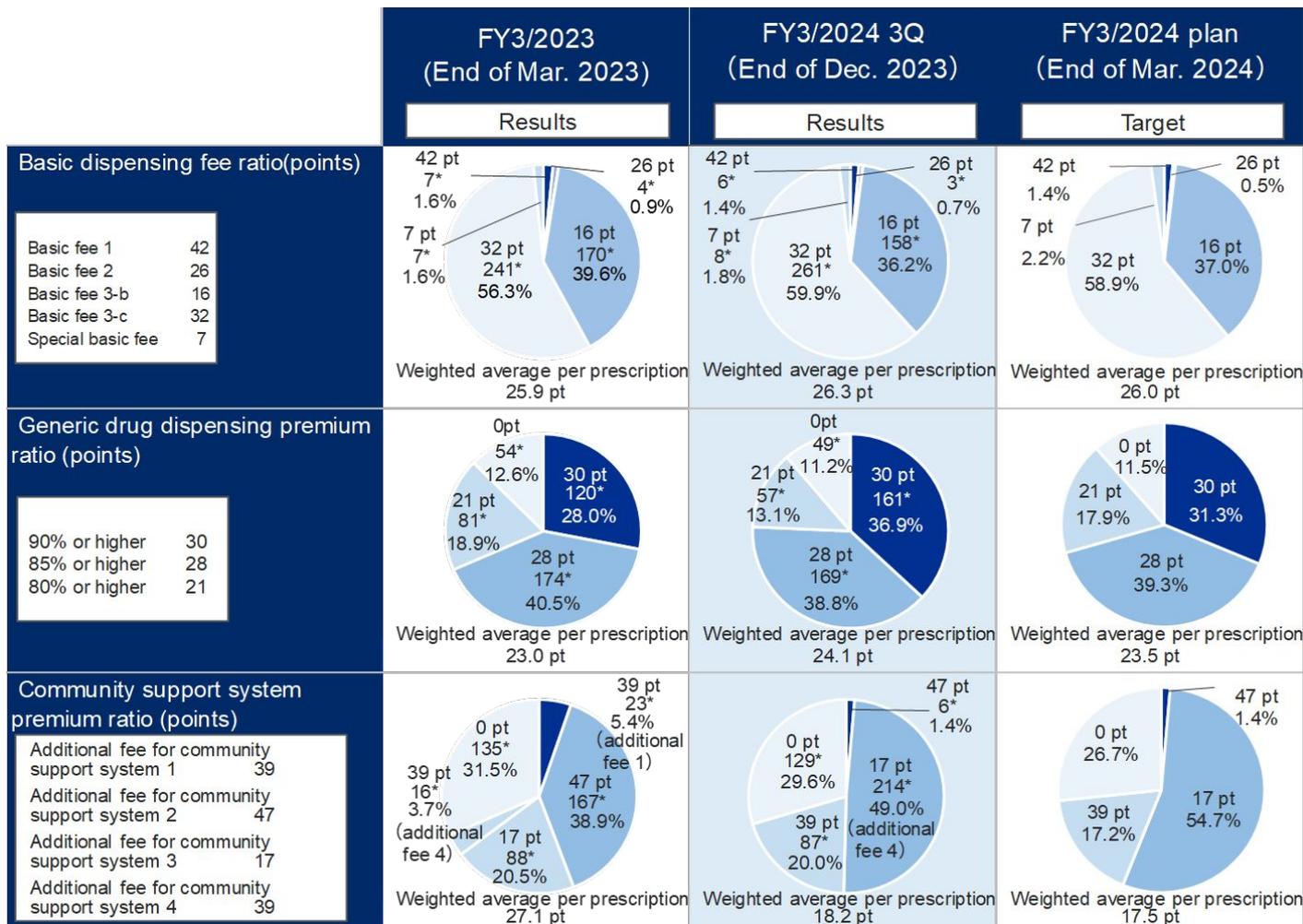
No. of prescriptions (1,000)		6,729	7,015	+ 286	+ 4.3%
Unit price (yen)	Drug charge per prescription	7,695	7,673	(22)	(0.3%)
	Technical fee per prescription	2,444	2,373	(71)	(2.9%)
	Total	10,139	10,046	(93)	(0.9%)
Dispensing fee (million yen)		68,227	70,481	+ 2,254	+ 3.3%

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

# Community Pharmacy Business : Dispensing Fee Revision



- The weighted average number of points decreased from the end of the previous fiscal year due to the end of the transitional measures for the additional allowance related to community support system. On the back of this, we were able to achieve year-end targets early.
- We continue to focus on interpersonal services.



# 3 Pharmacy Support Businesses\*1

Performance Summary (as of December 31, 2023)



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

## ■ Progress against numerical targets for this fiscal year

	Numerical Targets for the Current Term	Progress (As of December 31)
Pharmaceutical Network Business	10,400 affiliates (+1,488 affiliates)	9,503 affiliates +591 affiliates (From the end of the previous FY)  9,596 affiliates (As of January 31)
Manufacture and Market Pharmaceuticals Business	5,000 transacting pharmacies* (+1,263 pharmacies)	4,414 transacting pharmacies* <sup>2</sup> +847 pharmacies (YoY)  <sup>2</sup> No. of transacting pharmacies is total pharmacies that have actually transacted business since April of each year.
Digital Shift Business	5,300 installed pharmacies (+1,909 pharmacies)  1 million registered users (+360K users)	4,445 installed pharmacies +1,054 pharmacies (From the end of the previous FY)  949K registered users +300K users (From the end of the previous FY)

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

# Pharmaceuticals Network Business:

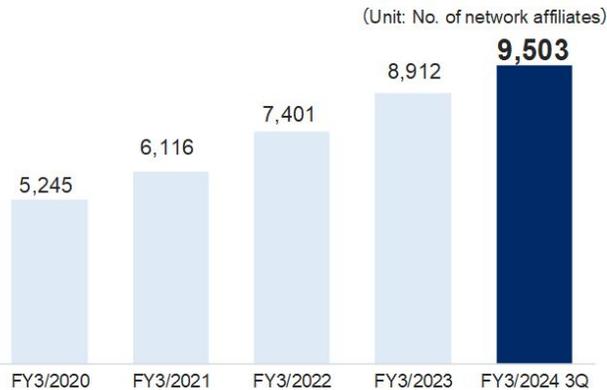
## Performance Summary (as of December 31, 2023)



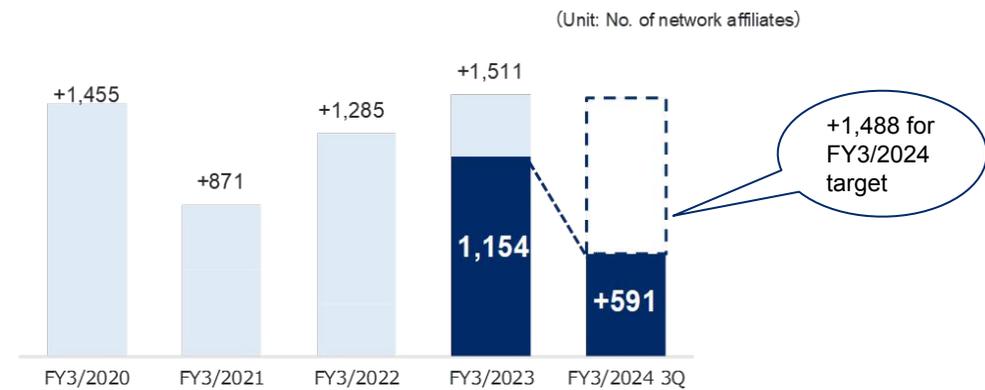
Net increase in the number of network affiliates fell short of expectations due to pharmacy closures and withdrawals resulting from M&A activity. On the other hand, the total value of pharmaceuticals orders placed by network affiliates was largely in line with projections, thanks to an increase in the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

■ Full year ■ 3Q

### ■ Network affiliates (actual)



### ■ Network affiliates (Net increase)



### ■ Ordering volume of pharmaceuticals



### ■ FY3/2024 Breakdown of network affiliates

	1Q	2Q	3Q
New	342	307	357
Withdrawal	(82)	(105)	(228)

### (Reference) ■ FY3/2023

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

# Manufacture and Market Pharmaceuticals Business :

101 products / 48 ingredients ( 8 products /3 ingredients were added from the end of the previous FY )



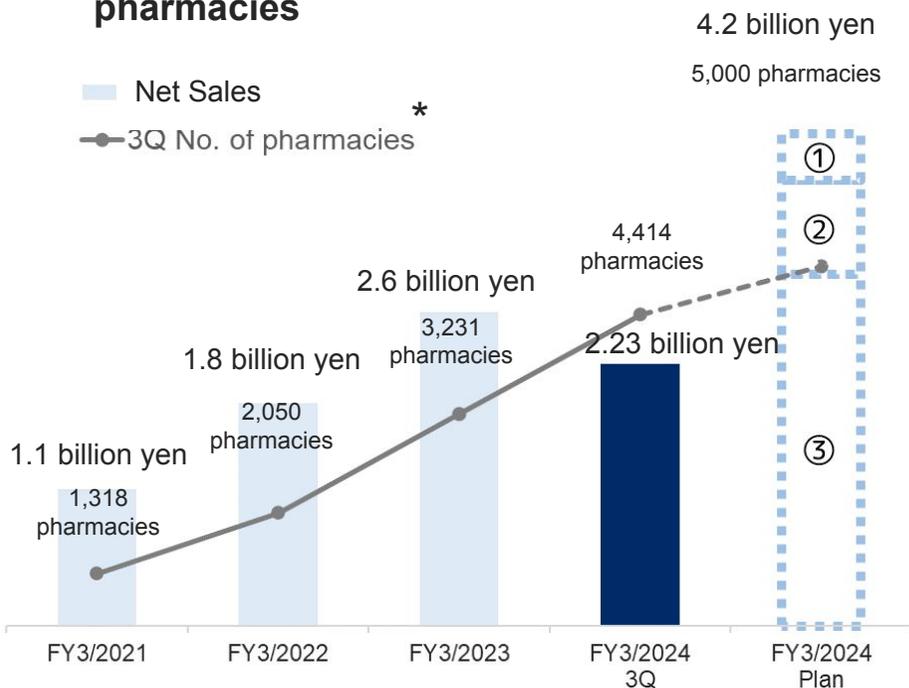
- Although some orders have been suspended due to shipment adjustments, no. of new transacting pharmacies increased steadily.
  - ✓ Compared to the same period of the previous year +847
- Shipments have resumed as needed, albeit shipment adjustments continued for some products. ➡ Expect to fall short of full-year target.

\*No. of products adjusted for shipment as of December 31: 8 products / 5 ingredients ( End of March 2023: 19 products / 7 ingredients)

## ■ Net Sales and No. of transaction pharmacies

## ■ Breakdown of sales plan for this fiscal year

### pharmacies



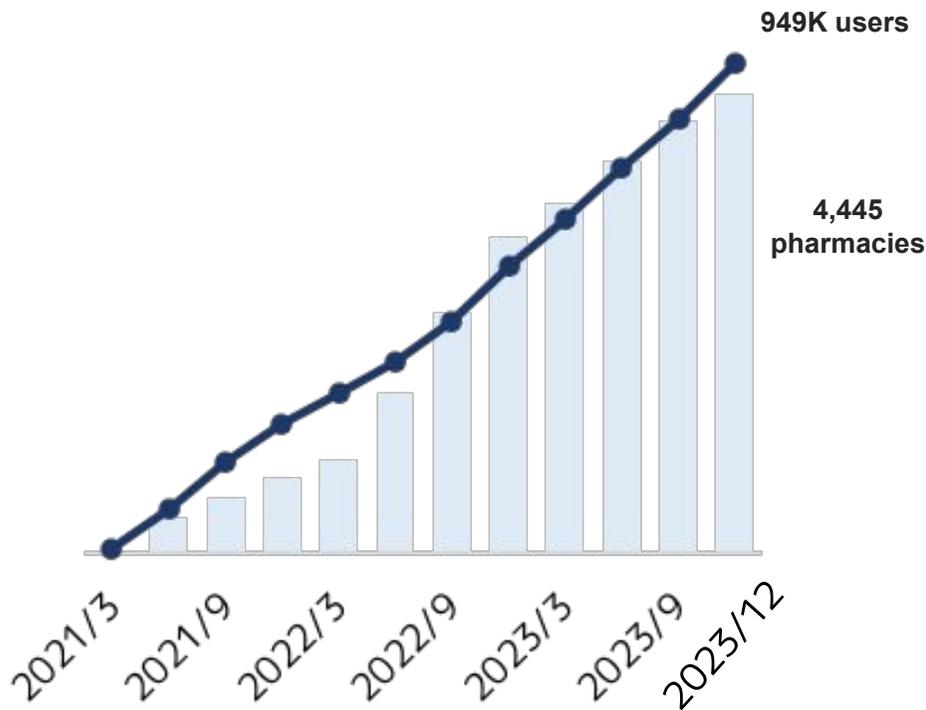
	Release Date	Product name	products / ingredients
①	June 2023	Azilsartan OD tablet 10mg/20mg/40mg「FELDSENF」	11 products / 3 ingredients
	August 2023	olopatadine hydrochloride tablets 2.5mg/5mg「FELDSENF」	
	December 2023	Magmitt Tablets 250mg/330mg/500mg	
	January - March 2024	3 products (plan)	
②	April 2022 - March 2023	articles for sale	11 products / 4 ingredients
③	Products released before March 2022		82 products / 41 ingredients

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

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- 949K users have registered and 4,445 pharmacies have installed the service.
- Focusing on strengthening functions to support medication follow-up and home operations in preparation for the revision of medical reimbursement

■ No. of users registrations and installed pharmacies



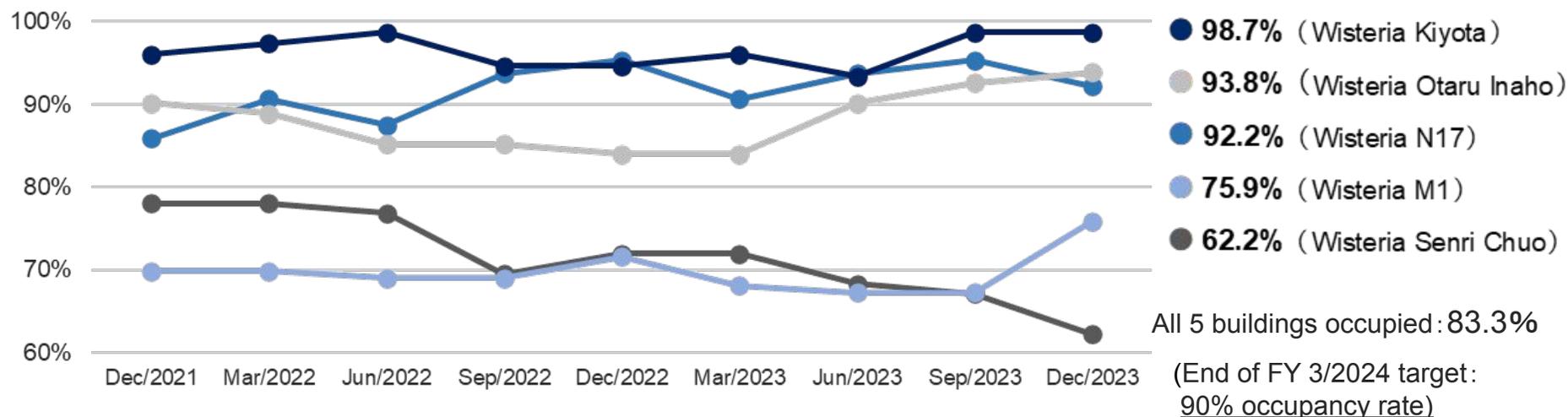
■ Installed companies (In no particular order)



# Leasing and Facility related Segment



## Wisteria Occupancy Rate Trends



- In 3Q, 52 new move-in and 40 move-out of Wisteria locations.
- Decrease in move-outs by strengthening consultation services, and by reviewing the new acceptance system at the Minami ichi-jo location.
- Reviewed Wisteria's staffing and advertising expenditures.
- 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 110 million yen.

### ✓ Leasing and Facility related Segment

Net Sales 2,560 million yen (YoY +4.6%)

Operating Profit 129 million yen (Operating loss for the same period of the previous FY 97 million yen)



# 3

## Earnings Forecast for FY3/2024

# Upwardly revised earnings forecast for the FY3/2024:

## Consolidated Forecast

On November 7, 2023, the company upwardly revised its full-year forecast for the fiscal year ending March 31, 2024.

(Unit: million yen)	FY3/23 (Results)	FY3/24 (Initial forecast)	FY3/24 (Revised Forecast)	Change	Change (%)
Net Sales	109,551	112,500	113,800	+ 1,300	+ 1.2 %
EBITDA	6,122 5.6 %	5,600 5.0 %	6,600 5.8 %	+ 1,000 0.8 pt	+ 17.9 %
Operating Profit Profit margin	3,163 2.9 %	2,600 2.3 %	3,500 3.1 %	+ 900 0.8 pt	+ 34.6 %
Ordinary Profit Profit margin	3,355 3.1 %	2,550 2.3 %	3,450 3.0 %	+ 900 0.7 pt	+ 35.3 %
Profit attributable to owners of parent Profit margin	1,610 1.5 %	1,000 0.9 %	1,650 1.4 %	+ 650 0.5 pt	+ 65.0 %
Earnings per share (Yen)	53.38	33.14	54.67	+ 21.53	—

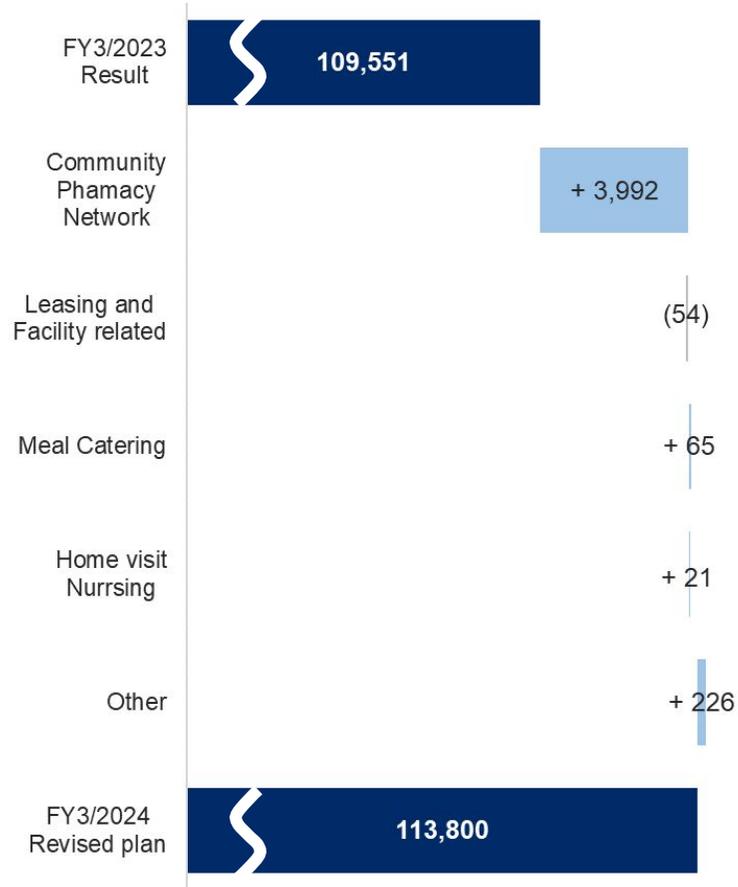
# Forecast for the FY3/ 2024: Revised Segment Performance (YOY)

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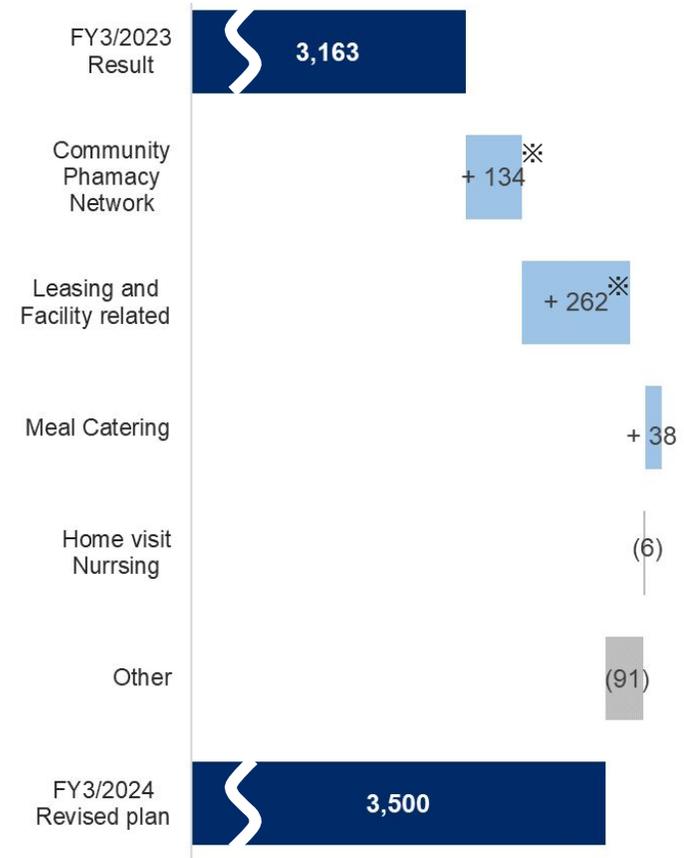
## ■ Net Sales

(Unit: million yen)



## ■ Operating Profit

(Unit: million yen)



※ From FY3/2024, Development sales expenses are shifted from Leasing and Facility related Segment to Community Pharmacy Business.  
Amount of expenses :142 million yen



4

Reference  
Materials

# Key points in 2024 medical fee revision

## ■ 2024 revision rates

Overall (0.12%) = medical fee +0.88% + drug price (1.00%)

### Medical fee +0.88%

Assessment of wage increases +0.61%

Hospitalized meals Increase in the amount of +0.06%

Efficiency optimization of prescription fees, etc. (0.25%)

Revisions excluding the above +0.46% (Medicine: +0.52% Dentistry: +0.57% **Dispensing: +0.16%**)

### NHI price revision (medical fee base) (1.00%)

- ① Drug price (0.97%)
- ② Material price (0.02%)

## Reference: recent medical fee revision rates (medical fee base)

Year	2012	2014	2016	2018	2019	2020	2022	2024
Medical fee (real)	+1.379	+0.10	+0.49	+0.55	+0.41	+0.55	+0.43	+0.88
Dispensing fee	+0.46	+0.04	+0.17	+0.19	+0.12	+0.16	+0.08	+0.16
Drug price (real)	(1.375)	(1.36)	(1.33)	(1.74)	(0.95)	(1.01)	(1.37)	(1.00)
Drug price base	(6.00)	(5.64)	(5.57)	(7.48)	(2.40)	(4.38)	(6.69)	
Tax included	-	+1.36	-	-	+0.48	-	-	-
Overall (nominal)	+0.004	+0.10	(0.84)	(1.19)	(0.07)	(0.46)	(0.94)	(0.12)



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**Video introducing Nanohana Pharmacy  
is now available!**



Introduction Video  
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