

### Excellent Corporate Management

Creating corporate value and aiming at winning hearts and minds of all stakeholders

The third round - interview with  
**Medical System Network CO., LTD.**

4350 TSE First Section

**Assuming the formation of Japan's largest pharmacy network**

Estimated value gap of over 22 billion

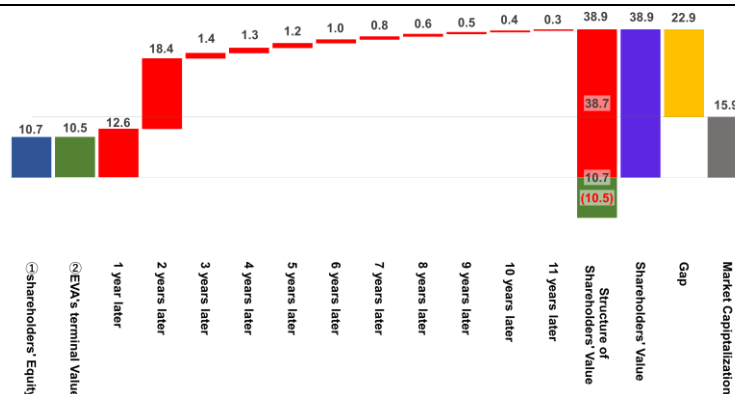
September 25<sup>th</sup>, 2019  
J-Phoenix Research, Inc.

### "Medical System Network CO., LTD.," Attracting Attention for Three Attracting Elements

J-Phoenix Research, Inc. (JPR:) believes that there are three important elements of management theory that create corporate value and win the hearts and minds of all stakeholders, summarized as "GCC Management™ Concept": 1) "Growth through social contribution as a challenger: The excitement of **G**rowth"; 2) "Improvement of profitability and asset efficiency through bonds of all stakeholders: The excitement of **C**onnection" and 3) "Improved trust and security: The excitement of **C**onfidence".

We made analysis through interviews with managers of listed companies that practice these three philosophies and compiled them into a series. During the third round, we will explore the corporate value of Medical System Network Co., Ltd (Abbr. MSN Co., Ltd) through dialogues between investors and JPR analysts, which is a company with strengths in the pharmaceutical network business and also operates pharmacies. First, as a conclusion, I will explain the results of the corporate value estimation. **Assuming the medium-term management plan is achieved, the value gap is estimated to exceed 22.9 billion yen**

### Value Gap of 22.9 billion, an upside of 144.0%



[Prepared by using MSN CO., LTD's disclosed materials, as of September 14]

(Source) Created by JPR

## ROIC・Excessive Profit Report: MSN. CO., LTD (4350 TSE First Section)

Based on the interview, JPR regards the medium-term management plan (year ended March 2022) announced by MSN, of achieving net sales of ¥ 120 billion and operating income of ¥ 5 billion is highly feasible. The figure on the previous page estimates shareholder value based on this assumption. The shareholder value was 38.9 billion yen, and the conclusion was that the value gap is more than 22 billion yen, doubled compared to the current market capitalization of 15.9 billion yen. The following are the assumptions. In the following, the analysis contents will be presented in an easy-to-understand manner in the form of dialogue between investors and JPR analysts. Prerequisites for estimating shareholder value.

### JPR's assumptions, based on MSM CO., LTD.'s past growth rates and earnings trend [Billion yen]

JPR's assumptions, based on MSN CO., LTD.'s past growth rates and earnings trend [billion yen]					
FY	2021.03	2022.03●	2023.03	2024.03	2031.03
Sales	111.2	120.0	128.6	136.8	171.3
Sales growth Y-O-Y	7.9%	7.9%	7.1%	6.4%	1.5%
Operating profit	3.5	5.0	5.4	5.7	7.1
Operating profit margin	3.2%	4.2%	4.2%	4.2%	4.2%
NOPAT	2.4	3.5	3.7	3.9	4.9
NOPAT margin	2.2%	2.9%	2.9%	2.9%	2.9%
Invested capital/Sales	52.1%	50.7%	50.7%	50.7%	50.7%
ROIC	4.2%	5.7%	5.7%	5.7%	5.7%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	4.1%	4.1%	4.1%	4.1%	4.1%

(Source) Created using Factset, Nikkei Needs, company disclosure materials, etc.

**Sales increased for 7 consecutive years since listing. Why can you continue to grow the profits? Continuous increase in sales by expanding nationwide network aiming for 10,000 member stores and stable business model**

**Investors: The pharmacy network is currently expanding. What are your thoughts on its quantitative values in the future?**

JPR Analyst: As of May 7, 2019, the network<sup>②</sup> has achieved 4,019 members. The target number for new members is 5,000 for the current term, 6,000 for the next term and 7,000<sup>③</sup> for the term after next term. However, since there are many unpredictable parts such as the market environment, we cannot make an affirmation, but we expect that the number will increase

<sup>②</sup> Participating stores in the pharmaceutical network business: The benefits of franchised stores include reduced opportunity costs and reduced workload for dispensing pharmacies, such as price negotiations with pharmaceutical wholesalers, efficient ordering and inventory management systems, and payment processing services.  
[http://www.msnw.co.jp/business/pharmaceuticals\\_network/](http://www.msnw.co.jp/business/pharmaceuticals_network/)

<sup>③</sup> Quoted from company documents

steadily up to 7,000.

**Investors: Do you have any thoughts on the domestic and overseas market size in the next 5 to 10 years?**

JPR analyst: It will be difficult to how much the network will expand as if the network expands too much it will be necessary to adjust the complex interests within the industry. However, if members join the network, their distribution process will improve, and even if the subscription cost is high in the short term, it seems that the network will be used eventually and expanded due to its convenience. It is like the spread of Suica. Improving the information system will also have an effect, and I think that sales of management support services by MSN and others will expand.

**Does the market environment bring out MSN's strengths further?**

**Investor: Can you tell us about the pharmacy market and the recent trends and prospects?**

JPR Analyst: Regarding the pharmacy market, the cost of compound medicine per prescription is rising, so not only the number of patients but also the cost of drugs per person is rising. Due to this factor, the market grew and exceed 7 trillion yen. On the other hand, with the enhancement of pharmacy functions required by the revision of the compensation system in 2018, competition for customer acquisition will begin. And the process of weeding out will advance in many pharmacies, epecially small and medium sized pharmacies where pharmacist shortages will be remarkable. It is thought that these will gradually slow down the growth the growth of the pharmacy market thus making it head for maturity.

**Investor: So what do you think will be the market share in such a market environment?**

JPR Analyst: As for market share, we believe that even if the number of member stores reaches the limit at 10,000 members, it will still be enough to form a business. This is because if you have 10,000 registrations, you can secure 20% of the actual share. From there, I think it will be possible to conduct data business related to pharmacies etc.

**Investors: If that happens, will it mean that fees will change gradually due to service improvements?**

JPR Analyst: I think so. You can also see that fees increased as services expand like Amazon.

**Investors: Looking at the next three years or so, I would like you to tell me what is important about the external environment that will be positive or negative for MSN.**

JPR Analyst: As for the external environment, MSN believes that the process will be complete if each pharmacy looks at customer's medical handbook carefully and cooperates with its nearest hospital, and this is the process that MSN deems desirable as well. I think there will be changes in this respect, and I think the administration will change to check if there is coordination. Although there is ample room for organic growth as a business model, it is expected that greater growth can be expected by diversifying services, such as entering the data business.

## **Growth: Operating profit is expected to exceed 5 billion yen in 2022 in both the pharmaceutical network and pharmacy business**

**Strengthen collaboration between doctors and pharmacists with a medical focus and differentiate from other companies**

**Investor: Can you tell me a bit more about your specific competitors and your strengths against them?**

JPR Analyst: In terms of competition, for example, Sugi Holdings (7649) is shifting its focus to areas such as community-based healthcare and beauty. Its drugstore business promotes self-medication which aims at not only health promotion but also self-actualization. There is an impression that MSN differentiates itself by focusing on medical treatment.

**Investor: I understand your company's focus on healthcare now, and can you please tell me if there are any merits of focusing on it specifically?**

JPR Analyst: Patients who receive prescriptions from the hospital are most concerned about their illness and we can focus and concentrate on this aspect. For example, we can acknowledge their medicine handbook that how many kinds of medicines they are taking, thus giving guidance there. Depending on the situation, we ask them to reduce or change the medicine. This cannot be done without cooperation between pharmacists and doctors. I think this cannot be done without cooperation between pharmacists and doctors, and I think it is a differentiation in that it cannot be done at drugstores in the first place and it cannot be done without a network.

**Investor: How about other competitors?**

JPR analysts: We have other competitors, such as the mainstay prescription pharmacy *Pharmarise Holdings (2796)*, which expands its power through acquisitions, undergoes capital tie-ups with pharmaceutical wholesalers, and develops stores together with FamilyMart; *QoI*

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*Holdings(3034)*, which co-opens store with companies such as Lawson, BicCamera, and develops MR and pharmacist dispatch businesses; *Ain Holdings Inc. (9627)*, which aims at female customers in the city center, specializes in large stores and ranks the top as the pharmacy right outside hospitals, as well as establishes a capital and business alliances with *Seven & i Holdings Co., Ltd.*

### **Investor: What are MSN's strengths?**

JPR Analyst: I think that due to above-mentioned reasons, nationwide store expansion by M&A efforts and development of nursing care and medical support service, we can achieve differentiation and expect future growth potential. We have the policy to increase network's member stores by supporting the management of small and medium-sized pharmacies which promotes community-based healthcare, meanwhile developing services to improve the efficiency of drug distribution. The strongest advantage of MSN is that we operate our own pharmacies, so if pharmacies benefit from drug price revisions, we will expand our pharmacies; on the other hand, if the situation becomes disadvantageous, we will cut cost reduction and downsize by increasing member stores in our network. Therefore, I can say that we incorporate this mechanism into the business model which offsets the plus and minus regardless advantages or disadvantages faced by us.

### **Increase of member stores in our pharmaceutical network and prospects of the pharmaceutical manufacturing and sales business**

**Investor: We have been talking about the company as a whole, but next I would like to know if there are any strengths or measures for each business.**

JPR Analyst: First about the pharmaceutical network business. This is a unique "Only One Business" that can significantly reduce costs on both sides by streamlining operations and drug distribution. In the future, we believe that by establishing a supply chain that supplies products stably at a low cost and aiming to realize the "distribution revolution" in the pharmaceutical industry, we can achieve further growth. The SG & A ratio of pharmacies is 8% whereas in the US it is less than 5%, so I think there is room for growth of 300 billion yen just by narrowing this gap.

**Investors: I'm surprised that there is room for growth of 300 billion yen by improving the SG & A ratio. Next, please tell us about the pharmaceutical manufacturing and sales business.**

JPR Analyst: Yes. For the pharmaceutical manufacturing and sales business, by approving manufacture and sales of generic drugs, There is a future vision for the future in relation to

the expansion of the pharmaceutical network by achieving production with an accurate grasp of demand through such measures as the marketing approval of generic drugs, the specialization of generic drugs whose demand will increase, entrustment of manufacturing to specialized manufacturers, and expansion of the lineup with the cooperation of manufacturers. In this regard, there is no company that combines the pharmaceutical network business into a package, and it seems that the company's policy in the future is to maintain a 50% operating income ratio between the network and manufacturing and sales. By doing so, there will be no operating costs, and the ingredients for each item can be gathered and planned production can be carried out, so it becomes very unique and you can place orders based on information.

**Investor: I think you can reduce costs if you do so.**

JPR Analyst: That's right. We can reduce cost that salesman and to invest in equipment. In other words, the better our company's performance, the higher the return goes to patients. That is why we can say it is a business model that commits to the happiness of stakeholders in our network. However, the current situation is that the average unit price, such as the earnings of member stores per company has been flat, the costs may stop decreasing in a long run.

**Investor: I see. And is there is any other story that will have an influence on overseas investors?**

JPR analyst: I think it would be our deep interests in making network and manufacturing generic drugs. The fact that we do not need salesman is also an interesting point to appeal.

**Investors: In the interview so far, the mid-term plan of 5 billion yen seems achievable and when thinking logically, various factors offset each other and it seems like it will work well. What do you think?**

JPR analyst: That may be true. The rest will depend on the drug price revision next year. Although it may be a severe revision next year, the revision last year only targeted large companies and overall it did not change. That is why we expect revision for non-major companies will also occur next year from the Ministry of Health, Labor and Welfare. In other words, although the impact on major companies will be reduced, it is expected that more stores will want to join the membership network. Nevertheless, there is an overall negative impact (of the revision), however we think we can achieve the 5-billion-yen mid-term plan without any problems by taking into account the negative impact stated above and even the situation next year is not optimistic.

**Connection: Provide service that is truly close to patients with the philosophy of the “local pharmacy”**

**Making both patients and companies happy by quickly reflecting the needs of customers via conversations with them**

**Investors: Seems like an encouraging material for investors to believe that the 5 billion yen target next year is achievable. In addition, is there anything that is the foundation of your business such as your philosophy?**

JPR Analyst: MSN Co. is based on the philosophy of “local pharmacy”. When it comes to chains, they tend to operate independently and mechanically. It is true that pharmacies sell at the same price, when it comes to differentiation. But it is a good point that MSN pharmacies differs by regions.

**Investors: What are some examples of this regional differences?**

JPR Analyst: For example, in some places in each region, they sell Japonica study books, and in some pharmacies, they display pictures and calligraphy written by patients. By smoothly carrying out dialogues like this in each specific community, initiatives are performed proactively rather than according to instruction from the top. By this system, not only the management but also the reason why patients are in trouble can be checked well. This idea can also be used for advertising.

**Investor: For advertising?**

JPR Analyst: Yes. Rather than commercials, it is also possible to use it as digital signage to narrow the distance with patients. Since it can be changed by regions, for example, original ideas such as blackboards written by staff at a café or the like, can provide service that is patient-friendly.

**Investors: If you collect the success stories of each quality you are doing now, you may be able to suggest best practices?**

JPR Analyst: That kind of effort seems to be in progress now. There are competitions and commendations for such initiatives. Although it is done at member stores, it is currently being introduced to them.

**Investor: Are you thinking about introducing good practice of a member store to other ones?**

JPR Analyst: It doesn't seem to be done yet. It is exactly a future challenge we are facing. Therefore, as a future response it is possible to create a local network and provide a place for member

stores to exchange ideas with each other.

**Collaboration between doctors, pharmacists, and employees is also our strengths, and we use IoT to narrow the distance with patients.**

**Investor: Next, how about the power relationship and degrees of closeness with your customers by segment?**

JPR Analyst: It is currently free without restriction on negotiations between suppliers. Although the possibility is thought to be low, it is certainly a bad situation if it is fixed in various ways. For the power relationship, hospitals have taken a large difference in drug prices, followed by large companies like MSN.

**Investors: What is the overview of various management resources (sales system, talents, research development capacity, manufacturing, structure for outsourcing, raw materials, parts/ service procurement structure)? And what do you think are the sources of your competitiveness?**

JPR Analyst: I think that there will be services that we use IoT data, but I can't say for sure because this area is still in the research stage. Eventually, it will be possible to see the future of solutions for elderly people such as investigation using a sensor and blood pressure test using an infrared sensor. MSN's competitiveness comes from its employee's ability to listen to patients' voice, flexible response of each store that makes use of this new technology, as well as corporation that considers the happiness of all stakeholders including that of doctors and patients, doesn't it? For example, including employees and pharmacists, we are working on regional cooperation such as spreading activity scopes even if no achievement is seen because generally, they will feel motivated and happy due to regional corporation regardless of result. Due to this point, MSN Co. is favored.

**Confidence: Thorough employee education is the source of excitement  
Strengthen network which is an asset of MSN by enhancing the communication  
between employees and stores**

**Investor: Lastly, can you please tell me the challenges and their solutions in current situation and future business operations?**

JPR Analyst: One of the current challenges is that there are not enough resources for salesman to cope with newly joined member stores, such as following up them. These stores are not able to follow up after joining the organization, and there is not enough work to be done for the member companies. Therefore, it is also a problem that they do not understand the need to avoid from the perspective of cost performance, including education.



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### **Investor: Do you have any thoughts on this issue?**

JPR analyst: As a solution to this problem, we may need to create a system to set up a small team to go around existing stores to explain this issue.

### **Investors: In terms of cost fluctuations and risk factors, it is said that integration of segment has become difficult for investors to understand. What do you think about this point?**

JPR Analyst: The reason for integration seems to be because MSN provides value through manufacturing, wholesale and pharmacies. It may also be an integration to avoid the risk of being strangely scrutinized due to the large profits earned by the network and of member merchants' demand to reduce handling fees.

### **Investor: Are there any other challenges?**

JPR Analyst: In addition, as a future challenge or something unclear, we face the dependence of broker by product and service and the difficulty to acquire and develop talents.

### **Investor: What do you mean by "difficulty"?**

JPR Analyst: First of all, I think the concern is how wholesaler will emerge for relations of dependence. When a new member joins, the procurement price will drop and the profit on the wholesale side will drop. Although it plays a role in distribution, there are disadvantages, so it is not well understood how it will be handled.

### **Investors: How is it in terms of acquiring and developing talents?**

JPR Analyst: For recruitment, MSN employs and trains pharmacists. In the first three years, they will gain experience by working various places, and 80% of them have experience visiting patient's home. For other companies, one person of such experience per store is the average. In this regard, MSN make home-visiting part of its education. Other companies earn profits at facilities, but MSN earns half of its profits at patient's home. It means that we are building a community that is unique to the region and can cherish the characteristics of the customers that we can see from there. As a layman, I think that it is somehow good from a pharmacy or a desk theory, but it seems that it is not easy because various things are happening in the actual field. Considering the convenience of patients and the relationship with doctors, it may be said that the promotion of home medical care and nursing care led by the Ministry of Health, Labor and Welfare is not so easy.

### **Investor: So what do you think motivates the employees and pharmacists?**

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## ROIC·Excessive Profit Report: MSN. CO., LTD (4350 TSE First Section)

JPR Analyst: The biggest advantage of a large company is the recruitment of pharmacists, and MSN believes provision of education rather than expansion of the scale is its strengths and motivates its employees and pharmacists. The ability to participate actively in the community-based network mentioned above is one of the motivations as well.

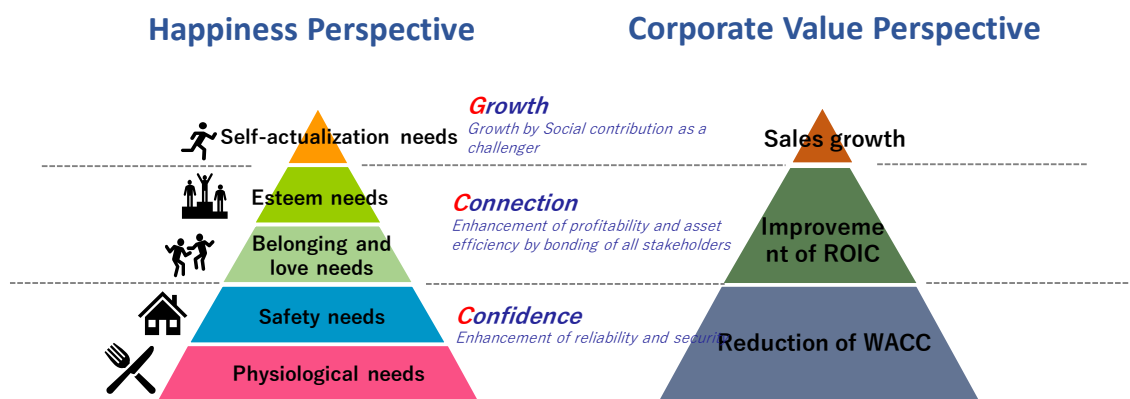
### Investor: Does that mean that MSN employees are working vigorously?

JPR analyst: I'm just guessing because I don't actually see the inside of the company, but I think the stable expansion of the business brings a sense of security as an employee. It can be inferred that clear growth scenarios and well-differentiated strategies are also useful for recruitment. It is also popular among pharmacists and pharmacies because its scale expansion is expected as MSN Co. states clearly in various materials that it will expand nationwide and will continue to be expanded through M&A.

### Compact summary of MSN's strategy from the perspective of creating corporate value

JPR Analyst: Finally, I would like to summarize some of MSN's efforts. The three theoretical elements of corporate value are sales growth, profitability of invested capital, control of business risk, or in other words, control of capital cost. However, this is generally "not moving" at all, so JPR organizes it with a more exciting concept. That is, "Growth through social contribution as a challenger: The excitement of Growth"; "Improvement of profitability and asset efficiency through bonds of all stakeholders- The excitement of Connection" and "Improved trust and security: The excitement of Confidence". We use the initials and name it GCC Management™\*. If this can be practiced, the five human needs organized in the so-called Maslow psychology will be fulfilled, and human happiness and improvement in corporate value can be achieved at the same time. The following diagram shows the concept. (Interview is finished)

### GCC management™ framework



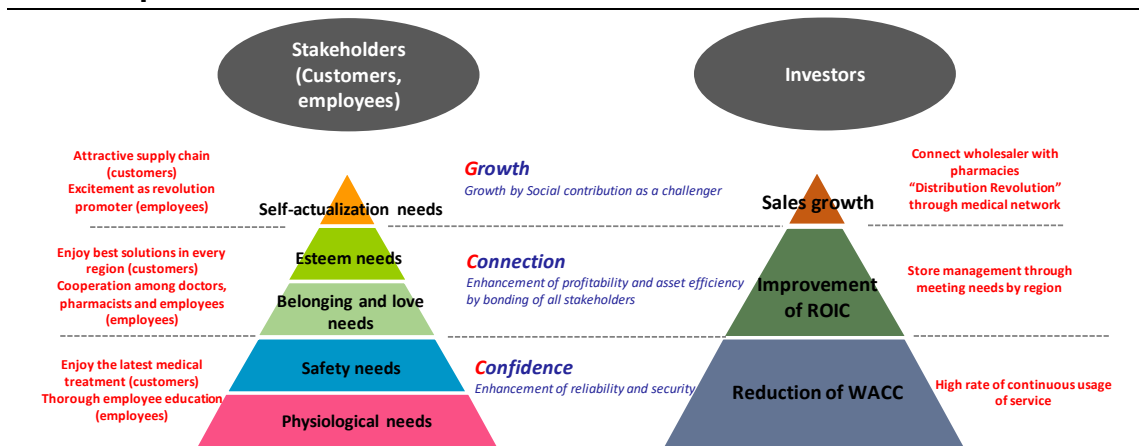
(Source) Created by JPR

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Happiness and value improvement are achieved simultaneously by combining five elements of human desire and three elements of corporate value. The diagram below summarizes MSN's efforts based on the GCC management™ concept. This chart categorizes strategies that lead to increased corporate value from the perspectives of both stakeholders and investors. In the case of MSN, the “distribution revolution” in the pharmaceutical network business applies as a growth driver for all stakeholders. In addition, “store management tailored to local needs” will not only collaborate with the local community but will also form a more efficient pharmaceutical network through collaboration between local doctors and pharmacists and MSN employees. Also, “High service utilization” will promote stable cash flow and reduction of business risks, and will lead to the trust and security of employees and customers.

### ■ Medical system network (4350) initiatives and long-term drivers of corporate value



(Source) Created by JPR

## Evaluation of Corporate Value in the Excess Profit Method Framework

J-Phoenix Research Inc. Connecting Managers, Employees, and Investors through Value Creation

EVA® Corporate Value Analysis Report

security code 4350

September 25<sup>th</sup>, 2019 as of September 24<sup>th</sup>
**JPR**  
Independent Research & Advisory

### MEDICAL SYSTEM NETWORK CO., LTD.

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**MSN CO.,LTD.'s shareholder value can be estimated at 38.9 billion yen.**

#### A value gap of 22.9 billion yen

J-Phoenix Research (JPR) has analyzed MSN CO.,LTD.'s value by using the EVA (Economic Value Added) method, which breaks down the company's value into Invested capital, Economic Value Added and Growth Value. Based on the company's earnings results and forecasts, its shareholder value can be estimated at ¥38.9 billion. Assumptions for the calculations are: sales of ¥136.8 billion and operating profit of ¥5.7 billion in about 5 years; sales of ¥171.3 billion and operating profit of ¥7.1 billion in about 10 years; and the ratio of Invested capital to Sales to stay at the present ratio of 50.7%. The gap between this estimated shareholder value and the present market capitalization is ¥22.9 billion, implying upside potential, while depending on evolution of market expectations.

#### ① Shareholders' Equity 10.7 billion yen

- Invested capital is estimated at ¥52.2 billion as of June 30, 2019, and the ratio of Invested capital to Sales in FY3/2020 at ⑤50.7%. Shareholders' equity, which subtracts Interest bearing debts, etc. from and adds Non-business assets to invested capital, is calculated to be ¥10.7 billion. [Shareholders' equity = Invested capital - Interest bearing debts, etc. + Non-business assets]

#### ② Economic Value Added -10.5 billion yen

- Net Operating Profit After Tax (NOPAT) for FY3/2020 is calculated to be approximately ¥1.7 billion and the NOPAT margin (NOPAT divided by Sales), ⑥1.7%. Return on Invested Capital (ROIC), which is ⑥ divided by ⑤ is 3.3%.
- Weighted Average Cost of Capital (WACC), which indicates minimum return that investors demand from a company relative to its invested capital, is estimated at 4.1% for MSN CO.,LTD., considering factors such as its stock price, financial strategy, and business risks. ROIC/WACC, which indicates shareholder value generated from invested capital, is therefore 0.8 times.
- Based on the above, Economic Value Added (EVA) in FY3/2020 is estimated at ¥-0.4 billion. EVA's terminal value, calculated as EVA divided by WACC, in FY3/2020 is then estimated at ¥-10.5 billion.

#### ③ Growth Value 38.7 billion yen

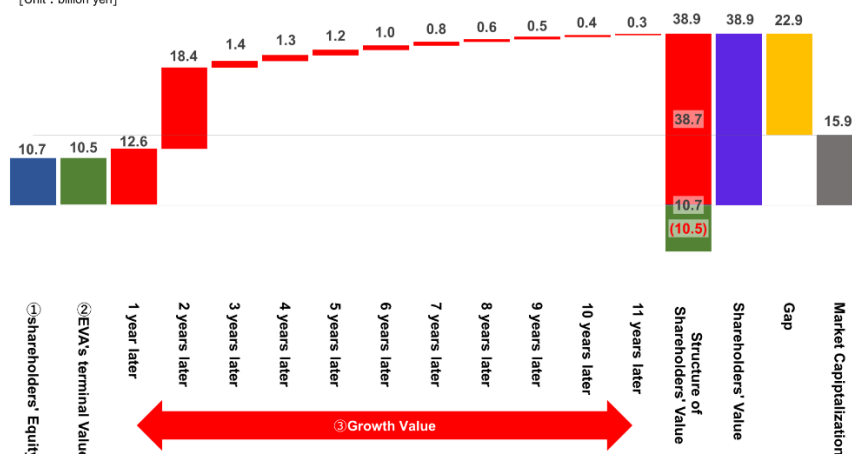
- MSN CO.,LTD.'s Growth Value is estimated at ¥38.7 billion, based on the assumption of sales of ¥136.8 billion and operating profit of ¥5.7 billion in 5 years.

#### Incorporating Non-business Assets 0.7 billion yen

- Assets other than those invested in businesses, such as cash and deposits which exceeds sales of over 1.5 months, are estimated as ¥0.7 billion yen.

### EVA® based composition of shareholder value and analysis of value gap

[Unit : billion yen]



[Prepared by using MSN CO., LTD's disclosed materials, as of September 14]

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J-Phoenix Research Inc. Connecting Managers, Employees, and Investors through Value Creation

EVA® Corporate Value Analysis Report

security code 4350

, 2019 as of September 24<sup>th</sup>

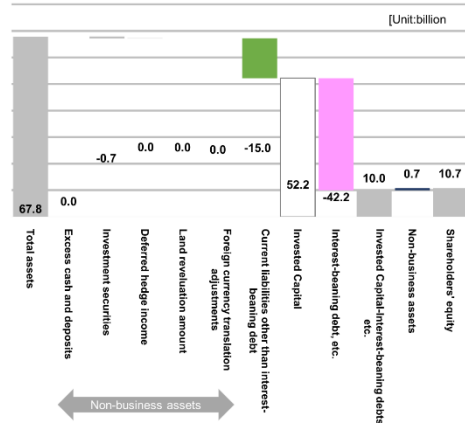
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## MEDICAL SYSTEM NETWORK CO., LTD.

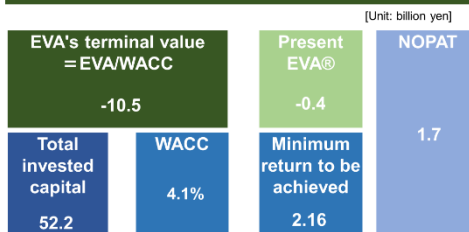
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### ① Invested Capital and Shareholders' Equity

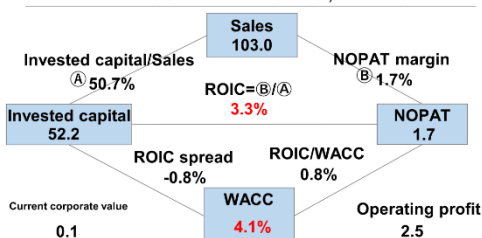
Ratio of Invested Capital to MSN CO., LTD's expected sales of ¥103.0 billion for FY/2020  
5.5% for Working capital and 45.2% for Non-current assets



### ② Economic Value Added



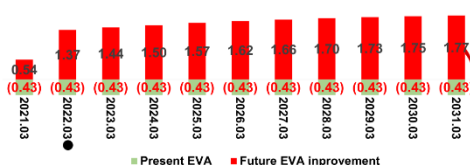
Drivers of EVA in MSN CO., LTD's FY2020



### ③ Growth Value

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Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	4.1%	4.1%	4.1%	4.1%	4.1%

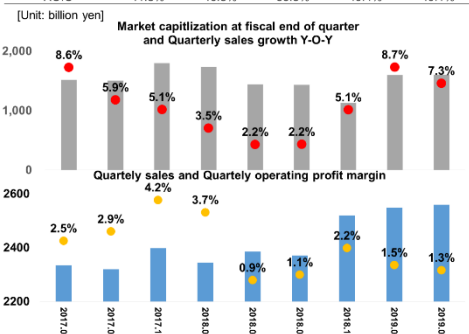
Past results and the company's forecasts for FY/2020					
FY	2016.03	2017.03	2018.03	2019.03	2020.03
Sales	87.7	88.9	94.0	98.2	103.0
Sales growth Y-O-Y	10.8%	16.6%	15.1%	14.3%	9.2%
Operating profit	3.8	2.1	3.2	1.4	2.5
Operating profit margin	13.5%	13.7%	13.1%	13.5%	13.9%
NOPAT margin	9.3%	9.5%	9.1%	9.3%	9.6%
Invested capital/Sales	22.3%	20.2%	16.9%	18.9%	19.7%
ROIC	41.8%	46.8%	53.8%	49.4%	49.1%



Present Value of the amount of improvement in future  
VBA=Growth value of 38.7 billion yen

Growth Value is estimated, assuming growth rate

to decrease by 20% each year from FY3/2025 and to become zero in FY3/2031



[Prepared by using MSN CO., LTD's disclosed materials, as of September 25]

[1] Total invested capital is calculated from the following formula as an asset procured from the capital market and used in the business: invested capital = total assets-cash and deposits exceeding 1.5 months of sales-short-term securities-investment securities-Deferred gains / losses on hedges-Valuation difference on securities-Foreign currency translation account-Land revaluation value-Current liabilities other than interest-bearing debt. [2] WACC (weighted average cost of capital) = interest yield after tax + D / (E + D) + cost of equity × E / (E + D) where E is the market capitalization and D is the balance of advantageous liabilities. Shareholders' equity cost = risk free rate + β × risk premium. β = coefficient of temporary regression equation of TSE daily return (X) and Medical System Network (MSN) stock price daily return (Y). β = [correlation coefficient of XY] × [volatility index (VI)]. [VI] = [Standard compilation of Y] ÷ [Standard deviation of X]. If the coefficient of determination of the primary regression equation is 0.3 or more, the coefficient of the primary regression equation is β. If the coefficient of determination is less than 0.3, estimate the industry correlation coefficient estimated from the industry average debt-free β to which MSN belongs and β from the VI of MSN. The risk-free rate is the yield of government bonds, and the risk premium is 5-7% depending on the market capitalization. Daily returns have been for the past 5 years.

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