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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese GAAP)

May 6, 2022

Company name: Medical System Network Co., Ltd.
Stock code: 4350

Listing: Tokyo Stock Exchange
URL: <https://www.msnw.co.jp/eng/>

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Scheduled date for Ordinary General Meeting of Shareholders: June 22, 2022
Scheduled date for dividend payment: June 23, 2022
Scheduled date for annual securities report submission: June 23, 2022
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate YoY change)

Fiscal year ended	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	106,685	2.3	6,708	4.4	3,852	12.3	4,313	24.0	2,394	8.9
March 31, 2021	104,257	(0.9)	6,426	38.3	3,429	112.3	3,479	123.0	2,198	—

Note: Comprehensive income: Fiscal year ended March 31, 2022 2,386 million yen (+8.9% YoY)
Fiscal year ended March 31, 2021 2,191 million yen (-% YoY).

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

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
March 31, 2022	79.35	—	19.6	6.8	3.6
March 31, 2021	72.51	—	21.3	5.3	3.3

Reference: Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2022 - million yen
Fiscal year ended March 31, 2021 0 million yen

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

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	62,941	13,286	21.1	439.67
March 31, 2021	64,448	11,187	17.3	370.23

Reference: Shareholders' equity: As of March 31, 2022 13,268 million yen
As of March 31, 2021 11,163 million yen

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.

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
March 31, 2022	4,010	(2,511)	(3,415)	8,171
March 31, 2021	5,205	(1,485)	(5,312)	10,088

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	—	5.00	—	5.00	10.00	305	13.8	2.9
March 31, 2022	—	5.00	—	7.00	12.00	366	15.1	3.0
March 31, 2023 (forecast)	—	6.00	—	6.00	12.00		20.7	

Note: The year-end dividend for the fiscal year ending March 31, 2022 consists of an ordinary dividend of six yen and a commemorative dividend of one yen for the 20th anniversary of the Company's listing.

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of payout ratio (consolidated) and dividend on equity ratio (consolidated) calculations.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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
First half	53,460	2.5	2,400	(26.2)	1,120	(39.9)	1,260	(43.6)	590	(58.8)	19.55
Full-year	110,000	3.1	6,200	(7.6)	3,500	(9.1)	3,700	(14.2)	1,750	(26.9)	57.99

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: None

Excluded: None

(2) 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

Note: Please refer to "(5) Notes to Consolidated Financial Statements (Changes in accounting policies)" within "5. Consolidated Financial Statements and Primary Notes" on page 18 of the attached materials for details.

(3) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury shares)	As of March 31, 2022	30,642,600	As of March 31, 2021	30,642,600
2. Treasury shares outstanding	As of March 31, 2022	464,055	As of March 31, 2021	489,055
3. Period-average shares outstanding	Fiscal year ended March 31, 2022	30,170,942	Fiscal year ended March 31, 2021	30,314,865

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of calculation method regarding period-end treasury shares outstanding and period-average shares outstanding.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate YoY change)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	7,374	7.2	404	553.8	2,177	141.3	2,199	61.2
March 31, 2021	6,880	(12.3)	61	(93.5)	902	(53.9)	1,364	(5.9)

Fiscal year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	72.89	—
March 31, 2021	45.01	—

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

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	53,863	16,528	30.7	547.69
March 31, 2021	54,885	14,592	26.6	483.95

Reference: Shareholders' equity: As of March 31, 2022 16,528 million yen
As of March 31, 2021 14,592 million yen

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.

*The financial information in this report is not subject to audits by certified public accountants or auditing firms.

*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 from forecasts due to a variety of factors. For matters concerning earnings forecasts, please refer to page 3 of the attached materials "1. Overview of Operating Results (4) Future Outlook."

2. In both consolidated and non-consolidated balance sheets for the fiscal year ended March 31, 2022, the Company's shares held as trust assets of the Board Benefit Trust (BBT) are recorded as treasury shares. They are included in treasury shares in calculations of earnings per share, return on equity, equity ratio, net assets per share, shareholders' equity, dividend payout ratio (consolidated), dividend on equity ratio (consolidated), period-end treasury shares outstanding and period-average shares outstanding.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Under Review

During the consolidated fiscal year under review, the Japanese economy incurred impact from prolonged restrictions placed on economic activities by state of emergency declarations and quasi-emergency measures implemented in response to the COVID-19 pandemic, but expectations for a future recovery in economic activity are growing thanks in part to the progress of vaccination programs.

Medical System Network operates within the pharmaceutical industry, where the Japanese government aimed to curb medical costs by implementing NHI drug price revisions, which had been done biennially, annually from April 2021. Aside from these circumstances, our business environment remains challenging in part because prescription count has not fully recovered to pre-pandemic levels due to patient reluctance toward medical examinations amid the spread of COVID-19.

Under these circumstances, during the fiscal year ended March 31, 2022, the Company reported a strong total of new network affiliates in its Pharmaceutical Network Business. Meanwhile, in the Community Pharmacy Business, we observed measurable recovery in prescription count despite a decline in prescription unit price. As a result, the Group generated net sales of 106,685 million yen (+2.3% YoY), operating profit of 3,852 million yen (+12.3% YoY), and ordinary profit of 4,313 million yen (+24.0% YoY). Meanwhile, profit attributable to owners of parent company amounted to 2,394 million yen (+8.9% YoY) thanks in part to gains on the sale of investment securities and a decrease in the Company's income tax burden stemming from its July 2021 absorption of consolidated subsidiary Home-Visit Nursing Care Station Himawari Co., Ltd. Having achieved these results, the Company generated record highs in all profit categories.

Results by segment were as follows. Net sales for individual segments include intersegment sales.

1) Community Pharmacy Network Segment

In the Community Pharmacy Network Segment, we aim to provide value throughout the entire pharmaceutical supply chain. Our businesses include a pharmaceutical network to support pharmacy management, community pharmacy operations, pharmaceutical manufacture and marketing, and a digital shift business using the LINE communication app.

In the Pharmaceutical Network Business, the environment surrounding the pharmacy industry has become increasingly severe as the NHI drug price list, which was previously revised every other year, was made subject to annual revisions starting in April 2021. The number of new network affiliates continued to grow solidly amid mounting needs for operational stability. As of March 31, 2022, network affiliates totaled 7,401, comprising 425 Group community pharmacies and 6,976 general network affiliates (an increase of 1,285 from March 31, 2021).

In the Community Pharmacy Business, the Company reported measurable recovery in prescription count despite a decline in prescription unit price. As of March 31, 2022, the Company had 425 community pharmacies, one care plan center, and eight drug/cosmetic stores.

In the Manufacture and Market Pharmaceuticals Business, we launched 14 products (seven ingredients) during the fiscal year under review, and had 82 products (41 ingredients) available as of March 31, 2022.

In the Digital Shift Business, the number of registered LINE users had exceeded 310,000 as of March 31, 2022, and a total of 911 pharmacies were using the service (1,643 pharmacies had placed orders).

As a result, segment sales for the fiscal year under review were 101,457 million yen (+2.3% YoY), and operating profit was 6,117 million (+7.3% YoY).

2) Leasing and Facility-related Segment

In the Leasing and Facility-related Segment, real estate lease revenue was generally solid, and orders for construction projects increased, but occupancy rates at serviced residences for the elderly were sluggish. As a result, segment sales were 3,326 million yen (+13.1% YoY), and operating profit was 39 million yen (+23.8% YoY).

As of March 31, 2022, occupancy rates were stable at three of our five serviced residences for the elderly. At the remaining two, Wisteria Senri-Chuo had an occupancy rate of 78.1% (64 out of 82 units occupied), and Wisteria Minami-Ichijo had an occupancy rate of 69.8% (81 out of 116 units occupied). Moving forward, we will continue to conduct relevant sales activities that incorporate COVID-19 countermeasures.

3) Meal Catering Segment

In the Meal Catering Segment, the number of meals supplied fell during the COVID-19 pandemic, but gross profit improved as we changed suppliers. Segment sales were 2,322 million yen (-6.1% YoY) and operating profit was one million yen (operating loss of 21 million yen in the previous fiscal year).

4) Other Segment

The Other Segment provides home-visit nursing care. Segment sales were 305 million yen (+33.0% YoY) and segment operating loss was 12 million yen (operating loss of 31 million yen in the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year Under Review

As of March 31, 2022, total assets amounted to 62,941 million yen, down 1,506 million yen from March 31, 2021.

Current assets totaled 18,701 million yen, down 612 million yen from March 31, 2021. This decline occurred despite increases in accounts receivable—trade and merchandise and was primarily due to a decrease in cash and deposits.

Non-current assets were 44,239 million yen, down 894 million yen compared to March 31, 2021. The decrease was primarily due to a decline in goodwill.

Meanwhile, liabilities came to 49,654 million yen, down 3,605 million yen compared to March 31, 2021. Current liabilities were 20,435 million yen, declining 4,983 million yen from March 31, 2021 due mainly to a downturn in short-term borrowings. Non-current liabilities came to 29,219 million yen, rising 1,377 million yen from March 31, 2021 due primarily to growth in long-term borrowings.

Net assets totaled 13,286 million yen, growing 2,099 million yen compared to March 31, 2021 due mainly to higher retained earnings.

(3) Overview of Cash Flows for the Fiscal Year Under Review

(Status of cash flows)

As of March 31, 2022, cash and cash equivalents totaled 8,171 million yen, down 1,916 million yen compared to March 31, 2021. Cash flows during the fiscal year ended March 31, 2022 are detailed below.

(Cash flows from operating activities)

Net cash provided by operating activities was 4,010 million yen (versus 5,205 million yen provided in the previous fiscal year). This was primarily due to inflows of 4,012 million yen in profit before income taxes, 1,727 million yen in depreciation, and 1,128 million yen in amortization of goodwill, offsetting an outflow of 2,866 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 2,511 million yen (versus 1,485 million yen used in the previous fiscal year). The main factor was an outflow of 1,934 million yen in purchase of property, plant, and equipment.

(Cash flows from financing activities)

Net cash used in financing activities totaled 3,415 million yen (versus 5,312 million yen used in the previous fiscal year). This amount was primarily the result of a 2,869 million-yen decrease in borrowings.

Reference: Cash Flow Indicators

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	16.9	15.6	14.2	17.3	21.1
Equity ratio based on market value (%)	27.7	23.2	19.7	33.3	26.2
Interest-bearing debt to cash flow ratio (years)	5.0	13.7	8.9	6.3	7.4
Interest coverage ratio (times)	29.9	11.8	17.5	24.4	21.9

Equity ratio: Shareholders' equity/total assets

Equity ratio based on market value: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest payment

Note:

1. Indicators are calculated based on consolidated figures.
2. Market capitalization is determined based on the number of shares outstanding excluding treasury shares.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt refers to all liabilities on the consolidated balance sheet requiring the payment of interest.

(4) Future Outlook

The NHI drug price and dispensing fee revisions implemented in April 2022 resulted in a 1.35% reduction in drug prices and a 0.08% increase in dispensing fees, which occurred due to the Ministry of Health, Labour and Welfare's expanded evaluation of the interpersonal work of pharmacists. Under these circumstances, we believe that the needs for improved operational efficiency and more stable management will continue to persist in the pharmacy industry as organizations operating within this industry aim to intensify their focus on interpersonal services while responding to the deteriorating business environment. With regard to the Pharmaceutical Network Business, we view these circumstances as an opportunity for expansion and will strive to acquire new network affiliates, provide comprehensive management support to pharmacies, and further improve the efficiency of pharmaceutical distribution. In terms of the Community Pharmacy Business, we will endeavor to strengthen interpersonal operations by fostering medical mindsets and facilitating high-quality pharmacotherapy while also targeting prescription acquisition primarily through our official "Tsunagaru Pharmacy" LINE account. Moving forward, we will also strengthen pharmacy development and expand our network through new store openings, which will incur upfront expenditures in the short term. As for the Manufacture and Market Pharmaceuticals Business, we will focus on expanding customer base, mainly affiliates pharmacies in our pharmaceutical network. In the Leasing and Facility-related Segment, we will aim to achieve occupancy rates of 90% at Wisteria Senri-Chuo and Wisteria Minami-Ichijo (both serviced residences for the elderly) as soon as possible.

Having considered these circumstances, the Company projects net sales of 110,000 million yen. (+3.1% YoY), EBITDA of 6,200 million yen (-7.6% YoY), operating profit of 3,500 million yen (-9.1%), ordinary profit of 3,700 million yen (-14.2%), and profit attributable to owners of parent of 1,750 million yen (-26.9% YoY) in the fiscal year ending March 31, 2023.

The above earnings forecasts are subject to change depending on the status of COVID-19 infections.

(5) Dividend Policy and Dividends for the Fiscal Year Ended March 2022 and the Fiscal Year Ending March 2023

Our basic policy is to continuously provide our shareholders with stable dividends that are commensurate with our business performance, while securing the internal reserves needed to strengthen our financial position, expand the scale of our business, and develop our human resources.

We plan to pay a year-end dividend of seven yen per share, consisting of an ordinary dividend of six yen per share and a commemorative dividend of one yen per share for the 20th anniversary of the Company's listing. If these dividends are issued as planned, our annual dividends for the fiscal year ended March 31, 2022 will amount to 12 yen per share,

including an interim dividend of five yen per share previously disbursed on December 13, 2021.

For the fiscal year ending March 31, 2023, we plan to pay an interim dividend and a year-end dividend of six yen per share each (annual dividend of 12 yen per share). This amount was determined based on the consolidated earnings forecast for the fiscal year ending March 31, 2023.

2. Group Companies

As of March 31, 2022, our corporate group consists of Medical System Network Co., Ltd. (the Company) and 13 consolidated subsidiaries. Its business segments include the Community Pharmacy Network Segment, the Leasing and Facility-related Segment, the Meal Catering Segment, and the Other Segment. Included below is a summary of how these segments are arranged in accordance with our business activities.

The classifications indicated below correspond to the Company's business segments.

(1) Community Pharmacy Network Segment

1) Pharmaceutical Network Business

Within this business, we have adopted a business model focused on improving the efficiency of the pharmaceutical distribution process and providing comprehensive management support services to pharmacies by facilitating the purchase and sale of pharmaceuticals between pharmacies, hospitals and clinics, and pharmaceutical wholesalers. The Pharmaceutical Network Business comprises the following three specific operations.

a. Pharmaceutical network operations

These activities form the operational core of the Pharmaceutical Network Business. They involve negotiating prices in an appropriate manner (i.e., prices of individual items) with pharmaceutical wholesalers and making payments on behalf of pharmacies, hospitals, and clinics, while also proposing inventory management systems and providing slow moving inventory clearance services. Through these activities, we help improve the operational efficiency of these institutions while also facilitating the stabilization of their business operations.

b. Pharmaceutical system-related services

These activities focus on the development, sale, and maintenance of computer systems for preparing medical fee statements and associated peripherals for pharmacies. Through these operations, we also sell dispensing equipment, as well as fixtures and fittings, to pharmacies and other customers.

c. Receivable securitization support services

Through these services, we provide means of financing to corporate members of our Pharmaceutical Network System. Specifically, we help member pharmacies, hospitals, and clinics that examine and fill prescriptions for patients with health insurance coverage raise funds by facilitating the securitization of insurance claims (dispensing, medical treatment, and nursing care fee receivables) issued by Health Insurance Claims Review & Reimbursement Services or the National Health Insurance Organization.

2) Community Pharmacy Business

This business consists primarily of pharmacy management and operation conducted by eight of our consolidated subsidiaries. Additionally, consolidated subsidiary Hokkaido Institute for Pharmacy Benefit Co., Ltd. publishes technical books for pharmacists and other healthcare professionals while also analyzing pharmaceutical data.

3) Manufacture and Market Pharmaceuticals Business

In this business, consolidated subsidiary Feldsenf Pharma Co., Ltd. manufactures and markets generic pharmaceuticals.

4) Digital Shift Business

Through this business, consolidated subsidiary PharmaShift Co., Ltd. supports the transition of standard pharmacies into family pharmacies with the goal of establishing a new pharmaceutical platform actualized through the implementation of digital technologies.

(2) Leasing and Facility-related Segment

Through this segment, we primarily develop locations for pharmacies and provide building leasing services. Additionally,

we provide consulting services for physicians opening their own practices while also offering advisory counseling concerning medical malls (facilities that organize different medical departments on single floors) and medical buildings that house multiple clinics. Aside from these services, we also operate serviced residences for the elderly. Furthermore, consolidated subsidiary Palteco Co., Ltd. is engaged in design and construction supervision of medical facilities and insurance services.

(3) Meal Catering Segment

Through this segment, consolidated subsidiaries Total Medical Service Co., Ltd. and SAKURAFood Co., Ltd. perform meal catering services for hospitals and welfare facilities.

(4) Other Segment

Through this business, we dispatch nurses and other personnel to the domiciles of the elderly and infirm, where they provide services such as nursing care and advisory counseling regarding medical treatment.

3. Management Policy

(1) Our Basic Management Policy

In accordance with our corporate philosophy, which calls for us to "facilitate healthy living as a beacon of light that safeguards members of communities throughout their lives while generating quality medical infrastructure," we focus on two core businesses: the Pharmaceutical Network Business, through which we radically streamline inefficient drug distribution processes between pharmaceutical wholesalers and dispensing pharmacies, and the Dispensing Pharmacy Business, through which we maintain close ties with local communities. At the same time, we maintain a basic management policy focused on ensuring healthy lives for local residents by laying groundwork for proper healthcare and robust livelihoods and by facilitating community development that allows these individuals to live safely and securely in their established places of residence throughout their lives.

(2) Medium to Long-Term Management Strategy and Targeted Management Benchmarks

The Medical System Network Group operates within the pharmaceutical industry, where projections indicate medium to long-term market expansion stemming from growth in medical spending aimed at addressing Japan's aging population. At the same time, the industry is characterized by needs to stabilize and improve pharmaceutical distribution, patient-oriented separation of medical and dispensary practice, and more efficient pharmacy management to address healthcare cost reduction measures including revisions to NHI drug prices and dispensing fees.

In response to these circumstances, the Group has formulated its sixth Medium-Term Management Plan, which will function as the Company's medium to long-term management strategy for the four-year period beginning with April 2022. Under this Medium-Term Management Plan, we will further expand the platform integrating the Group's community pharmacies with our pharmaceutical network affiliates while focusing on providing quality medical care and services and facilitating improved efficiency within the pharmaceutical distribution market. Furthermore, we will leverage the strength of this platform to drive expansion in our pharmacy support businesses (Pharmaceutical Network Business, Manufacture and Market Pharmaceuticals Business, and Digital Shift Business).

We have established the following benchmarks for the fiscal year ending March 31, 2026, the final year of our sixth Medium-Term Management Plan. In particular, we aim to increase profits by more than 3 billion yen in the pharmacy support businesses.

• Consolidated net sales	140.0 billion yen
• Consolidated operating profit	6.5 billion yen
• Operating profit margin	4.6%
• Consolidated EBITDA	10.0 billion yen
• Number of pharmaceutical network affiliates	12,000
• Number of directly managed community pharmacies	550
• Equity ratio	30.0%

For more details regarding our sixth Medium-Term Management Plan, please refer to our website
URL: <https://www.msnw.co.jp/uploads/2022/05/06/earningsreport202203.pdf>

(3) Issues Requiring Action from the Company

In response to our current business environment and in accordance with our sixth Medium-Term Management Plan, we will tackle a wide variety of issues. Through the Pharmaceutical Network Business of our Community Pharmacy Network Segment, we will aim to raise our network affiliate count to 12,000 through enhancement of our sales structure and efforts aimed at improving distribution. At the same time, we will expand the services we provide to these network affiliates. In the fiscal year ending March 31, 2023, we will target a network affiliate count of 8,900 (a net increase of 1,499). Through our Community Pharmacy Business, we will further strengthen the interpersonal work of pharmacists, facilitate high-quality drug therapy, and acquire prescriptions primarily through online tools (LINE communication app, prescription transmission features). Within the Manufacture and Market Pharmaceuticals Business, we will ensure stable

supply by strengthening relevant systems, expand product lineups, and implement measures aimed at expanding sales to member pharmacies in our pharmaceutical network. In the Digital Shift Business, we will focus on quickly expanding the number of pharmacies that use our official "Tsunagaru Pharmacy" LINE account.

Through our Leasing and Facility-related Segment, we aim to achieve occupancy rates of 90% at all of our serviced residences for the elderly. At the same time, we aim to stabilize the profitability of our meal catering and home-visit nursing care operations.

Meanwhile, in pursuit of a stronger financial position, we will strive to improve our equity ratio by securing profit through thorough companywide cost control measures.

(4) Other Significant Matters Concerning Corporate Management

None to be reported.

4. Basic Policy on the Selection of Accounting Standards

The Group's operations are currently limited to Japan and it is not engaging in any overseas activities at this time. Therefore, for the foreseeable future, the Group will maintain a policy of preparing its consolidated financial statements in accordance with Japanese GAAP.

The Company will apply IFRS when it determines that such application would be appropriate based on considerations of various conditions in Japan and overseas.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Fiscal year ended March 31, 2022 (as of March 31, 2022)
Assets		
Current assets		
Cash and deposits	10,118	8,201
Accounts receivable – trade	2,646	2,891
Unearned revenue from sale of accounts receivable	735	954
Purchased receivables - dispensing fees	424	443
Merchandise	4,390	4,765
Raw materials	12	14
Work in process	6	1
Supplies	75	76
Other	916	1,355
Allowance for doubtful accounts	(12)	(3)
Total current assets	19,313	18,701
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,437	22,990
Accumulated depreciation	(8,828)	(9,582)
Buildings and structures, net	13,608	13,408
Vehicles	120	119
Accumulated depreciation	(111)	(110)
Vehicles, net	8	8
Tools, furniture and fixtures	4,054	4,810
Accumulated depreciation	(2,717)	(3,174)
Tools, furniture and fixtures, net	1,336	1,636
Land	9,091	8,847
Leased assets	826	1,284
Accumulated depreciation	(301)	(764)
Leased assets, net	525	520
Construction in progress	64	202
Total property, plant and equipment	24,634	24,624
Intangible assets		
Goodwill	13,145	12,254
Software	304	401
Other	122	111
Total intangible assets	13,572	12,767
Investments and other assets		
Investment securities	397	155
Guarantee deposits	2,748	3,052
Deferred tax assets	2,958	2,894
Other	843	764
Allowance for doubtful accounts	(20)	(19)
Total investments and other assets	6,926	6,848
Total non-current assets	45,134	44,239
Total assets	64,448	62,941

(Millions of yen)

	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Fiscal year ended March 31, 2022 (as of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	9,258	9,680
Short-term borrowings	3,916	1,016
Current portion of long-term borrowings	6,045	4,756
Lease obligations	249	163
Income taxes payable	1,556	617
Provision for bonuses	1,495	1,528
Provision for bonuses for directors (and other officers)	83	38
Provision for point card certificates	2	—
Other	2,810	2,635
Total current liabilities	25,418	20,435
Non-current liabilities		
Long-term borrowings	21,556	22,891
Lease obligations	792	740
Provision for retirement benefits for directors (and other officers)	798	600
Provision for share awards for directors (and other officers)	196	210
Retirement benefit liability	3,347	3,752
Other	1,149	1,023
Total non-current liabilities	27,841	29,219
Total liabilities	53,260	49,654
Net assets		
Shareholders' equity		
Share capital	2,128	2,128
Capital surplus	1,182	1,182
Retained earnings	8,305	10,393
Treasury shares	(344)	(326)
Total shareholders' equity	11,270	13,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(24)	(7)
Deferred gains or losses on hedges	(3)	0
Remeasurements of defined benefit plans	(78)	(102)
Total accumulated other comprehensive income	(106)	(108)
Non-controlling interests	23	17
Total net assets	11,187	13,286
Total liabilities and net assets	64,448	62,941

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

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net sales	104,257	106,685
Cost of sales	61,844	62,256
Gross profit	42,412	44,429
Selling, general and administrative expenses	38,982	40,576
Operating profit	3,429	3,852
Non-operating income		
Interest income	1	1
Dividend income	8	5
Outsourcing service income	69	66
Rental income from facilities	93	110
Subsidy income	79	427
Miscellaneous income	109	145
Total non-operating income	361	758
Non-operating expenses		
Interest expenses	215	183
Loss on sale of receivables	52	54
Miscellaneous losses	44	58
Total non-operating expenses	312	296
Ordinary profit	3,479	4,313
Extraordinary income		
Gain on sale of non-current assets	2	3
Gain on sale of investment securities	0	112
Gain on sale of shares of subsidiaries and associates	907	—
Gain on sale of businesses	4	31
Total extraordinary income	914	146
Extraordinary losses		
Loss on sale of non-current assets	19	12
Loss on retirement of non-current assets	10	19
Impairment losses	360	392
Loss on valuation of investment securities	9	—
Loss on store closings	23	17
Other	2	5
Total extraordinary losses	426	447
Profit before income taxes	3,967	4,012
Income taxes - current	2,027	1,469
Income taxes – deferred	(257)	154
Total income taxes	1,769	1,624
Profit	2,197	2,388
Profit (loss) attributable to non-controlling interests	(0)	(5)
Profit (loss) attributable to owners of parent	2,198	2,394

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Profit	2,197	2,388
Other comprehensive income		
Valuation difference on available-for-sale securities	13	17
Deferred gains or losses on hedges	(0)	4
Remeasurements of defined benefit plans, net of tax	(18)	(23)
Total other comprehensive income	(6)	(1)
Comprehensive income	2,191	2,386
(Breakdown)		
Comprehensive income attributable to owners of parent	2,192	2,392
Comprehensive income attributable to non-controlling interests	(0)	(5)

(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,128	1,183	6,414	(206)	9,519
Changes during period					
Dividends of surplus			(306)		(306)
Transfer from retained earnings to capital surplus		1	(1)		—
Profit attributable to owners of parent			2,198		2,198
Purchases of treasury shares				(150)	(150)
Disposal of treasury shares		(2)		11	9
Net changes of items other than shareholders' equity					
Total changes during period	—	(1)	1,890	(138)	1,750
Balance at end of period	2,128	1,182	8,305	(344)	11,270

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(37)	(3)	(60)	(100)	—	—	9,418
Changes during period							
Dividends of surplus							(306)
Transfer from retained earnings to capital surplus							—
Profit attributable to owners of parent							2,198
Purchases of treasury shares							(150)
Disposal of treasury shares							9
Net changes of items other than shareholders' equity	13	(0)	(18)	(6)	—	23	17
Total changes during period	13	(0)	(18)	(6)	—	23	1,768
Balance at end of period	(24)	(3)	(78)	(106)	—	23	11,187

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,128	1,182	8,305	(344)	11,270
Changes during period					
Dividends of surplus			(305)		(305)
Transfer from retained earnings to capital surplus					—
Profit attributable to owners of parent			2,394		2,394
Purchases of treasury shares					—
Disposal of treasury shares				18	18
Net changes of items other than shareholders' equity					
Total changes during period	—	—	2,088	18	2,106
Balance at end of period	2,128	1,182	10,393	(326)	13,377

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(24)	(3)	(78)	(106)	—	23	11,187
Changes during period							
Dividends of surplus							(305)
Transfer from retained earnings to capital surplus							—
Profit attributable to owners of parent							2,394
Purchases of treasury shares							—
Disposal of treasury shares							18
Net changes of items other than shareholders' equity	17	4	(23)	(1)	—	(5)	(7)
Total changes during period	17	4	(23)	(1)	—	(5)	2,099
Balance at end of period	(7)	0	(102)	(108)	—	17	13,286

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	3,967	4,012
Depreciation	1,859	1,727
Impairment losses	360	392
Amortization of goodwill	1,136	1,128
Increase (decrease) in provision for bonuses	93	32
Increase (decrease) in provision for bonuses for directors (and other officers)	83	(45)
Increase (decrease) in allowance for doubtful accounts	(5)	(10)
Increase (decrease) in provision for point card certificates	(0)	(2)
Increase (decrease) in provision for loss on store closing	(9)	—
Increase (decrease) in provision for share awards for directors (and other officers)	19	32
Increase (decrease) in provision for retirement benefits for directors (and other officers)	28	(198)
Increase (decrease) in provision for share awards	(69)	—
Increase (decrease) in retirement benefit liability	381	370
Interest and dividend income	(9)	(7)
Interest expenses	215	183
Loss (gain) on sale of investment securities	1	(112)
Loss (gain) on sale of shares of subsidiaries and associates	(907)	—
Loss (gain) on sale of non-current assets	17	9
Loss on retirement of non-current assets	10	19
Loss (gain) on sale of businesses	(4)	(31)
Decrease (increase) in trade receivables	(239)	(214)
Decrease (increase) in unearned revenue from sale of accounts receivable	(0)	(218)
Decrease (increase) in purchased receivables - dispensing fees	3	(19)
Decrease (increase) in inventories	72	(406)
Increase (decrease) in trade payables	(864)	400
Increase (decrease) in accrued consumption taxes	(314)	125
Other	570	(115)
Subtotal	6,397	7,053
Interest and dividends received	8	6
Interest paid	(213)	(182)
Income taxes paid	(987)	(2,866)
Net cash provided by (used in) operating activities	5,205	4,010

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Proceeds from withdrawal of time deposits	12	—
Purchase of property, plant and equipment	(1,375)	(1,934)
Proceeds from sale of property, plant and equipment	57	33
Purchase of intangible assets	(154)	(194)
Proceeds from sale of investment securities	18	379
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8)	(209)
Proceeds from sale of shares of subsidiaries and associates	960	—
Proceeds from liquidation of subsidiaries and affiliates	29	—
Payments for acquisition of businesses	(191)	(293)
Proceeds from sale of businesses	30	90
Loan advances	(239)	(2)
Proceeds from collection of loans receivable	6	9
Payments of guarantee deposits	(550)	(401)
Proceeds from refund of guarantee deposits	58	65
Other	(138)	(54)
Net cash provided by (used in) investing activities	(1,485)	(2,511)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(2,901)
Proceeds from long-term borrowings	—	6,100
Repayments of long-term borrowings	(4,634)	(6,067)
Repayments of lease obligations	(368)	(241)
Purchase of treasury shares	(30)	—
Dividends paid	(304)	(304)
Proceeds from share issuance to non-controlling shareholders	24	—
Net cash provided by (used in) financing activities	(5,312)	(3,415)
Net increase (decrease) in cash and cash equivalents	(1,592)	(1,916)
Cash and cash equivalents at beginning of period	11,681	10,088
Cash and cash equivalents at end of period	10,088	8,171

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Additional information)

(Accounting estimates associated with COVID-19 impact)

The Company continues to incur impact from the COVID-19 pandemic, and the formulation of sound projections regarding the time at which the pandemic will end remains prohibitively difficult.

We prepared accounting estimates regarding impairment of non-current assets and the recoverability of deferred tax assets based on recent circumstances surrounding the pandemic and the assumption of ongoing COVID-19 impact in the fiscal year ending March 31, 2022 and subsequent accounting periods.

Our financial position, business performance, and cash flows may be affected if circumstances related to the pandemic's spread or associated impact on our economic environment deviates from the assumptions on which these estimates were based.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; hereinafter, "Revenue Recognition Standard") from the beginning of the consolidated fiscal year under review. As a result of the application of this standard, revenue will be recognized in the amount expected to be received in exchange for the promised goods or services at the time control of the promised goods or services is transferred to the customer.

The Company previously recognized the gross amount received from the customer as revenue for certain transactions. Following the change, when the Company acts as an agent in providing goods or services to the customer, it will recognize revenue based on the net amount received from the customer less the amount paid to the supplier.

Regarding points awarded under the customer loyalty program at the time of sale, the Company previously recognized revenue at the time of sale and booked the amount expected to be needed to redeem the points in the future as a provision for point card certificates, and recorded this under selling, general and administrative expenses. However, since the points are insignificant from a monetary perspective, the Company now applies a method that does not identify separate performance obligations.

The Company participates in point programs operated by third parties and awards those parties' points at the time of product sales. Previously the Company recognized revenue at the time of sale and booked the amount equivalent to points awarded under selling, general and administrative expenses. However, this amount does not constitute a separate performance obligation, and the Company now excludes the amount paid to other companies at the time of sale from revenue as an amount collected on behalf of third parties.

Regarding construction contracts, the Company previously applied the percentage of completion method when the outcome of the construction activity was deemed certain. However, we have changed our revenue recognition method. When control over goods or services is transferred to the customer over a certain period, we now recognize revenue for that period as our performance obligation to transfer the goods or services to the customer is satisfied. To measure the progress toward fulfilling performance obligations for each reporting period, costs incurred until the last day of the period as a percentage of total expected costs are calculated. When it is not possible to reasonably estimate progress in the initial phase of a contract, but the Company expects to recover costs incurred, the Company recognizes revenue under the cost recovery method. For contracts with a very short period from the start of the transaction until the performance obligation is expected to be fully satisfied, we apply an alternative treatment under which revenue is not recognized for a set period but only when the performance obligation is fully satisfied.

When applying the Revenue Recognition Standard, etc., we comply with the transitional treatment prescribed in the provisions of Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retroactively applying the new accounting policy to accounting periods prior to the beginning of consolidated fiscal year under review has been added to or subtracted from retained earnings at the beginning of the consolidated fiscal year under review, and the

new accounting policy has been applied using the resulting balance. However, our application of the standard had no impact on the starting balance of retained earnings.

In the fiscal year ended March 31, 2022, the application of the standard had downward impacts of 758 million yen on net sales, 691 million yen on cost of sales, and 67 million yen on selling, general and administrative expenses, while exacting upward impacts of 2 million yen on both ordinary profit and profit before income taxes. The standard's application had no impact on operating profit.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, we have omitted information related to revenue recognition for the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter, "Fair Value Measurement Standard") and related implementation guidance from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed in the Fair Value Measurement Standard will be applied prospectively. There was no impact on the consolidated financial statements.

(Changes in presentation)

(Changes in presentation of Consolidated Statements of Income)

Although we booked "Gain on sale of investment securities" in the "Other" account under "Extraordinary income" in the fiscal year ended March 31, 2021, we have recorded these gains as a separate item in the fiscal year under review because the amount of these gains exceeded 10% of total extraordinary income. Consolidated financial statements for the fiscal year ended March 31, 2021 have been adjusted to reflect this change in presentation.

In accordance with this change, an entry of 0 million yen originally recorded in the "Other" account under "Extraordinary income" in the consolidated statement of income for the fiscal year ended March 31, 2021 has been removed and rerecorded as an entry of 0 million yen in the "Gain on sale of investment securities" account.

(Changes in presentation of Consolidated Statement of Changes in Shareholders' Equity)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

1. Issued Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	30,642,600	—	—	30,642,600

2. Treasury Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	261,115	228,740	800	489,055

Note: The number of treasury shares at the end of the fiscal year ended March 31, 2021 includes 426,000 shares in the Company held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(Outline of reasons for changes)

Increase due to the purchase of shares less than one unit:	40 shares
Increase due to the acquisition of treasury shares:	61,900 shares
Increase due to the additional acquisition of shares as trust assets of the BBT:	166,800 shares
Decrease due to the awarding of BBT benefits:	800 shares

3. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 19, 2020 Ordinary General Meeting of Shareholders	Common shares	153	5.00	March 31, 2020	June 22, 2020
November 6, 2020 Board of Directors meeting	Common shares	152	5.00	September 30, 2020	December 14, 2020

Notes:

1. Total dividends based on resolutions adopted during the Ordinary General Meeting of Shareholders held on June 19, 2020 include dividends of one million yen on the Company's shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

2. Total dividends based on resolutions adopted by the Board of Directors during a meeting held on November 6, 2020 include dividends of one million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(2) Dividends for which the record date fell in the fiscal year ended March 31, 2021, but the effective date fell in the following fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2021 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	152	5.00	March 31, 2021	June 25, 2021

Note: Total dividends based on resolutions adopted during the Ordinary General Meeting of Shareholders held on June 24, 2021 include dividends of two million yen on the Company's shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Issued Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	30,642,600	—	—	30,642,600

2. Treasury Shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	489,055	—	25,000	464,055

Note: The number of treasury shares at the end of the fiscal year ended March 31, 2022 includes 401,000 shares in the Company held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(Outline of reasons for changes)

Decrease due to the awarding of BBT benefits: 25,000 shares

3. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2021 Ordinary General Meeting of Shareholders	Common shares	152	5.00	March 31, 2021	June 25, 2021
November 5, 2021 Board of Directors meeting	Common shares	152	5.00	September 30, 2021	December 13, 2021

Notes:

- Total dividends based on resolutions adopted during the Ordinary General Meeting of Shareholders held on June 24, 2021 include dividends of two million yen on the Company's shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).
- Total dividends based on resolutions adopted by the Board of Directors during a meeting held on November 5, 2021 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(2) Dividends for which the record date fell in the fiscal year ended March 31, 2022, but the effective date falls in the following year

Resolution	Class of shares	Source of dividends	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 22, 2022 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	214	7.00	March 31, 2022	June 23, 2022

Note: Total dividends based on resolutions to be adopted during the Ordinary General Meeting of Shareholders to be held on June 22, 2022 include dividends of two million yen on the Company's common shares held by Custody Bank of Japan, Ltd. (Trust account E) as trust assets of the Board Benefit Trust (BBT).

(Segment information)

(Segment information)

1. Description of reporting segments

The Company's reporting segments represent components of its overall composition for which separate financial information is available and are regularly evaluated by the Board of Directors to determine how management resources will be allocated and to assess performance

Through our Community Pharmacy Network Segment, we provide management support for pharmacies and other medical facilities through our pharmaceutical network. The segment also involves operating dispensing pharmacies, manufacturing and selling pharmaceuticals, and supporting the transition of general pharmacies into family pharmacies through use of the LINE communication app. In the Leasing and Facility-related Segment, we develop locations for dispensing pharmacies, provide building leasing services, operate serviced residences for the elderly, and engage in design and construction supervision of medical facilities. Through the Meal Catering Segment, we perform meal catering services for hospitals and welfare facilities. Our Other Segment focuses on the dispatch of nurses who provide at-home care.

2. Method of Calculating Net Sales, Profit (Loss), Assets, Liabilities, and Other Items by Reporting Segment

The accounting methods we apply to our reporting segments are generally identical to those described in the "Significant Accounting Policies for Preparing Consolidated Financial Statements."

Individual segment profits indicate operating profit. Intersegment sales and transfers are based on market values.

As described in the section entitled "Changes in accounting policies," we began applying the Accounting Standard for Revenue Recognition with our consolidated financial statements for the fiscal year ended March 31, 2022. In accordance with this change, we have applied the same adjustments that were made to our accounting methods for

revenue recognition to our calculations concerning profit or loss in individual business segments.

Compared to our previous accounting methods, the application of the standard had downward impacts of 726 million yen in sales in the Community Pharmacy Network Segment and 31 million yen in sales in the Leasing and Facility-related Segment during the fiscal year ended March 31, 2022. It had no impact on segment profit or loss during the year.

3. Information on net sales, profit (loss), assets, liabilities, and other items by reporting segment

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated financial statements (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	99,211	2,342	2,474	229	104,257	—	104,257
Intersegment sales or transfers	3	598	—	—	601	(601)	—
Total	99,214	2,940	2,474	229	104,858	(601)	104,257
Segment profit (loss)	5,703	32	(21)	(31)	5,683	(2,253)	3,429
Segment assets	43,388	17,543	694	22	61,649	2,798	64,448
Other items							
Depreciation	1,125	603	0	0	1,728	130	1,859
Amortization of goodwill	1,135	—	—	—	1,135	1	1,136
Impairment loss	307	42	—	2	352	7	360
Increase in property, plant and equipment and intangible assets	1,157	476	—	5	1,639	221	1,861

Notes:

1. Adjustments are as follows:

(1) Adjustment of -2,253 million yen for segment profit (loss) includes 439 million yen in elimination of intersegment transactions and -2,692 million yen in companywide expenses not allocated to any reporting segment. Companywide expenses mainly refer to general expenses that do not belong to any reporting segment.

(2) Adjustment of 2,798 million yen for segment assets includes -7,610 million yen in elimination of intersegment receivables and payables and companywide assets of 10,408 million yen not allocated to any reporting segment. Companywide assets mainly refer to companywide non-current assets that do not belong to any reporting segment.

(3) Adjustment of 221 million yen for increase in property, plant and equipment and intangible assets mainly represents the acquisition of property, plant and equipment and intangible assets related to companywide assets.

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

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated financial statements (Note 2)
	Community Pharmacy Network	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	101,457	2,599	2,322	305	106,685	—	106,685
Intersegment sales or transfers	0	726	—	—	727	(727)	—
Total	101,457	3,326	2,322	305	107,412	(727)	106,685
Segment profit (loss)	6,117	39	1	(12)	6,145	(2,293)	3,852
Segment assets	43,010	17,474	699	62	61,246	1,694	62,941
Other items							
Depreciation	994	598	0	0	1,594	133	1,727
Amortization of goodwill	1,127	—	—	—	1,127	1	1,128
Impairment loss	392	—	—	—	392	0	392
Increase in property, plant and equipment and intangible assets	2,229	181	—	3	2,414	205	2,620

Notes:

1. Adjustments are as follows:

(1) Adjustment of -2,293 million yen for segment profit (loss) includes 204 million yen in elimination of intersegment transactions and -2,498 million yen in companywide expenses not allocated to any reporting segment. Companywide expenses mainly refer to general expenses that do not belong to any reporting segment.

(2) Adjustment of 1,694 million yen for segment assets includes -7,137 million yen in elimination of intersegment receivables and payables and companywide assets of 8,831 million yen not allocated to any reporting segment. Companywide assets mainly refer to companywide non-current assets that do not belong to any reporting segment.

(3) Adjustment of 205 million yen for increase in property, plant and equipment and intangible assets mainly represents the acquisition of property, plant and equipment and intangible assets related to companywide assets.

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

(Associated information)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

1. Information for individual products or services

Descriptions have been omitted because similar information is disclosed in the segment information section.

2. Information for individual regions

(1) Net Sales

Not applicable since the Company generated no sales through external customers outside of Japan.

(2) Property, Plant and Equipment

Not applicable since the Company holds no property, plant or equipment outside of Japan.

3. Information for individual primary customers

Not applicable since the Company did not generate 10% or more of the net sales indicated by its consolidated statement of income through any individual customer.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Information for individual products or services

Descriptions have been omitted because similar information is disclosed in the segment information section.

2. Information for individual regions

(1) Net Sales

Not applicable since the Company generated no sales through external customers outside of Japan.

(2) Property, Plant and Equipment

Not applicable since the Company holds no property, plant or equipment outside of Japan.

3. Information for individual primary customers

Not applicable since the Company did not generate 10% or more of the net sales indicated by its consolidated statement of income through any individual customer.

(Disclosure of impairment losses on non-current assets for each reporting segment)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Descriptions have been omitted because similar information is disclosed in the segment information section.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Descriptions have been omitted because similar information is disclosed in the segment information section.

(Amortization and unamortized balance of goodwill for each reporting segment)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segment					Companywide and eliminations	Total
	Community Pharmacy Network	Leasing and Facility-related	Meal Catering	Other	Unadjusted Total		
Balance at end of period	13,144	—	—	—	13,144	1	13,145

Note: Information concerning amortization of goodwill has been omitted because similar information has been disclosed in the segment information section.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment					Companywide and eliminations	Total
	Community Pharmacy Network	Leasing and Facility-related	Meal Catering	Other	Unadjusted Total		
Balance at end of period	12,254	—	—	—	12,254	0	12,254

Note: Information concerning amortization of goodwill has been omitted because similar information has been disclosed in the segment information section.

(Information concerning gains on bargain purchase for each reporting segment)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

The Company recorded no significant gains on bargain purchase.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

The Company recorded no significant gains on bargain purchase.

(Per share information)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)		Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	
Net assets per share (yen)	370.23	Net assets per share (yen)	439.67
Earnings per share (yen)	72.51	Earnings per share (yen)	79.35

Notes:

- Information regarding diluted earnings per share has been omitted due to the absence of dilutive shares.
- The basis for calculation of net assets per share is as follows:

Item	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Total net assets (million yen)	11,187	13,286
Amount deducted from total net assets (million yen)	23	17
Of which, non-controlling interests (million yen)	(23)	(17)
Net assets associated with common shares in the Company (million yen)	11,163	13,268
Number of year-end common shares used in the calculation of net assets per share	30,153,545	30,178,545

Note: Shares in the Company held by Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in number of the treasury shares deducted from the total number of shares outstanding at the fiscal year-end for the purpose of calculating net assets per share. The number of such treasury shares deducted for the calculation of net assets per share was 426,000 shares for the fiscal year ended March 31, 2021 and 401,000 shares for the fiscal year ended March 31, 2022.

- The basis for calculation of earnings per share is as follows.

Item	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Earnings per share		
Profit attributable to owners of parent (million yen)	2,198	2,394
Amount not attributed to common shareholders (million yen)	—	—
Net income attributable to owners of common shares in the parent company (million yen)	2,198	2,394
Average number of common shares during the period	30,314,865	30,170,942

Note: Shares in the Company held by Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in number of the treasury shares deducted from the period-average number of shares outstanding for the purpose of calculating earnings per share. The number of such treasury shares deducted for the calculation of earnings per share was 276,542 shares for the fiscal year ended March 31, 2021 and 408,602 shares for the fiscal year ended March 31, 2022.

(Significant subsequent events)

None to be reported.