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Consolidated Financial Results for the Six Months Ended September 30, 2021 (Japanese GAAP)

November 5, 2021

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 quarterly report submission: November 9, 2021
Scheduled date for dividend payment: December 13, 2021
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 Six Months Ended September 30, 2021 (April 1 to September 30, 2021)

(1) Consolidated operating results

(Percentages indicate YoY change)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	52,169	2.2	3,253	16.7	1,862	37.4	2,235	60.0	1,431	147.2
Six months ended September 30, 2020	51,045	(2.2)	2,787	22.5	1,355	70.1	1,397	78.1	578	165.1

Note: Comprehensive income for the six months ended September 30, 2021 was 1,451 million yen (+153.1% YoY), and comprehensive income for the six months ended September 30, 2020 was 573 million yen (+332.7% YoY).

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

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	47.46		—	
Six months ended September 30, 2020	19.08		—	

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

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of September 30, 2021	62,433		12,504		20.0		413.81	
As of March 31, 2021	64,448		11,187		17.3		370.23	

Reference: Shareholders' equity amounted to 12,488 million yen as of September 30, 2021 and 11,163 million as of March 31, 2021.

Note: Please refer to "Appropriate use of earnings forecast and other special notes 2" for details of shareholders' equity, equity ratio, and net assets per share calculations.

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	5.00	—	5.00	10.00
Fiscal year ending March 31, 2022	—	5.00			
Fiscal year ending March 31, 2022 (forecast)			—	5.00	10.00

Note: No revisions have been made to the Company's most recently announced dividend forecast.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages indicate YoY change)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	105,700	1.4	6,500	1.2	3,500	2.0	4,000	15.0	1,800	(18.1)	59.69

Note: No revisions have been made to the Company's most recently announced consolidated earnings forecast.

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

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

1. Accounting policy changes due to accounting standard revisions, etc.: Yes

2. Other accounting policy changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

Note: Please refer to "(4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)" within "2. Quarterly Consolidated Financial Statements and Primary Notes" on page 10 of the attached materials for details.

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of September 30, 2021	30,642,600	As of March 31, 2021	30,642,600
2. Treasury shares outstanding	As of September 30, 2021	464,055	As of March 31, 2021	489,055
3. Period-average shares outstanding (cumulative quarterly figures)	Six months ended September 30, 2021	30,163,381	Six months ended September 30, 2020	30,343,965

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

*The financial information in this quarterly report is not subject to review 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 materially from forecasts due to a variety of factors. For matters concerning earnings forecasts, please refer to page 3 of the attached materials "1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Forecasts and Other Projections."

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

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the six months ended September 30, 2021, the Company recorded consolidated net sales of 52,169 million yen (+2.2% YoY), operating profit of 1,862 million yen (+37.4%YoY), and ordinary profit of 2,235 million yen (+60.0% YoY). There was solid growth in the number of new network affiliates in the Pharmaceutical Network Business, and while prescription unit price fell in the Dispensing Pharmacy Business, the number of prescriptions recovered to a certain extent. Profit attributable to owners of parent was 1,431 million yen (+147.2% YoY), due to gains on the sale of investment securities and the impact of tax effects from the absorption-type merger with the Company's consolidated subsidiary, Home-Visit Nursing Care Station Himawari Co., Ltd., in July 2021.

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, dispensing pharmacy operations, pharmaceutical manufacture and marketing, and a digital shift business using the communication app LINE.

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, is subject to the annual revision from April 2021. The number of new network affiliates continued to post solid growth amid mounting needs for operational stability in these circumstances. As of September 30, 2021, network affiliates totaled 6,700, comprising 419 Group dispensing pharmacies and 6,281 general network affiliates (an increase of 584 from March 31, 2021).

In the Dispensing Pharmacy Business, while the prescription unit price fell, the number of prescriptions recovered to a certain extent. As of September 30, 2021, the Company had 419 dispensing pharmacies, one care plan center, and eight drug/cosmetic stores.

In the Manufacture and Market Pharmaceuticals Business, we launched nine products (five ingredients) in the six months ended September 30, 2021, and had 77 products (39 ingredients) available as of September 30, 2021.

In the Digital Shift Business, as of the end of September 2021, the number of registered LINE users exceeded 170,000, the largest among dispensing pharmacies in Japan, with 552 pharmacies using the service.

As a result, segment sales for the six months ended September 30, 2021 were 49,663 million yen (+2.3% YoY) and operating profit was 2,885 million yen (+21.8% YoY).

2) Leasing and Facility-related Segment

In the Leasing and Facility-related Segment, while real estate lease revenue was generally solid, and orders for construction projects increased, occupancy rates at serviced residences for the elderly slumped as sales activities were restricted due to the COVID-19 pandemic. As a result, segment sales were 1,536 million yen (+6.8% YoY) and operating profit was 32 million yen (+97.5% YoY).

As of September 30, 2021, 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 70.7% (82 out of 116 units occupied). We plan to carry out marketing activities to reach our fiscal year-end target occupancy rate of 90%, while taking care to prevent COVID-19 infections.

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 1,166 million yen (-6.5% YoY) and operating profit was 1 million yen (operating loss of 13 million yen in the same period of the previous fiscal year).

4) Other Segment

The Other Segment provides home-visit nursing care. Segment sales were 152 million yen (+38.7% YoY) and the

operating loss was 12 million yen (operating loss of 13 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

As of September 30, 2021, total assets amounted to 62,433 million yen, down 2,014 million yen from their level on March 31, 2021.

Current assets totaled 18,086 million yen, down 1,227 million yen from March 31, 2021, mainly due to a decline in cash and deposits. Non-current assets were 44,346 million yen, down 787 million compared to March 31, 2021, mainly due to declines in goodwill and investment securities.

Liabilities came to 49,928 million yen, down 3,332 million yen compared to March 31, 2021. Current liabilities were 24,116 million yen, a decline of 1,302 million yen from March 31, 2021, mainly due to lower income taxes payable. Non-current liabilities came to 25,811 million yen, down 2,030 million yen from March 31, 2021, mainly due to lower long-term borrowings.

Net assets totaled 12,504 million yen, up 1,317 million yen compared to March 31, 2021, mainly due to an increase in retained earnings.

(Cash flows)

As of September 30, 2021, cash and cash equivalents totaled 8,185 million yen, down 1,902 million yen compared to March 31, 2021. Cash flows during the six months ended September 30, 2021 are detailed below.

(Cash flows from operating activities)

Net cash provided by operating activities was 913 million yen (versus 803 million yen provided during the six months ended September 30, 2020). This resulted mainly from 1,889 million yen in income taxes paid, 2,236 million yen in profit before income taxes, and 827 million yen in depreciation.

(Cash flows from investing activities)

Investing activities used net cash of 832 million yen (versus 862 million yen used during the six months ended September 30, 2020). This was primarily due to 927 million yen spent on the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities totaled 1,982 million yen (versus 2,716 million yen used during the six months ended September 30, 2020). This resulted mainly from 2,195 million yen in repayments of long-term borrowings.

(3) Explanation of Consolidated Earnings Forecasts and Other Projections

The Company has made no changes to its full-year earnings forecast for the financial year ending March 31, 2022, which was announced on May 7, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Six months ended September 30, 2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	10,118	8,215
Accounts receivable - trade	2,646	2,684
Unearned revenue from sale of accounts receivable	735	719
Purchased receivables - dispensing fees	424	399
Merchandise	4,390	4,922
Raw materials	12	14
Work in process	6	8
Supplies	75	75
Other	916	1,059
Allowance for doubtful accounts	(12)	(12)
Total current assets	19,313	18,086
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,608	13,408
Land	9,091	9,087
Construction in progress	64	234
Other	1,870	1,997
Total property, plant and equipment	24,634	24,727
Intangible assets		
Goodwill	13,145	12,657
Software	304	360
Other	122	116
Total intangible assets	13,572	13,134
Investments and other assets		
Investment securities	397	156
Guarantee deposits	2,748	2,775
Deferred tax assets	2,958	2,761
Other	843	812
Allowance for doubtful accounts	(20)	(20)
Total investments and other assets	6,926	6,484
Total non-current assets	45,134	44,346
Total assets	64,448	62,433

(Millions of yen)

	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Six months ended September 30, 2021 (as of September 30, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	9,258	9,280
Short-term borrowings	3,916	4,416
Current portion of long-term borrowings	6,045	5,663
Income taxes payable	1,556	619
Provision for bonuses	1,495	1,523
Provision for bonuses for directors (and other officers)	83	18
Provision for point card certificates	2	—
Other	3,060	2,596
Total current liabilities	25,418	24,116
Non-current liabilities		
Long-term borrowings	21,556	19,757
Provision for retirement benefits for directors (and other officers)	798	581
Provision for share awards for directors (and other officers)	196	194
Retirement benefit liability	3,347	3,533
Other	1,942	1,744
Total non-current liabilities	27,841	25,811
Total liabilities	53,260	49,928
Net assets		
Shareholders' equity		
Share capital	2,128	2,128
Capital surplus	1,182	1,182
Retained earnings	8,305	9,583
Treasury shares	(344)	(326)
Total shareholders' equity	11,270	12,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(24)	(6)
Deferred gains or losses on hedges	(3)	(1)
Remeasurements of defined benefit plans	(78)	(71)
Total accumulated other comprehensive income	(106)	(79)
Non-controlling interests	23	16
Total net assets	11,187	12,504
Total liabilities and net assets	64,448	62,433

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

Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Net sales	51,045	52,169
Cost of sales	30,542	30,307
Gross profit	20,502	21,861
Selling, general and administrative expenses	19,147	19,999
Operating profit	1,355	1,862
Non-operating income		
Interest and dividend income	5	4
Outsourcing service income	36	37
Rental income from facilities	50	52
Subsidy income	55	366
Miscellaneous income	60	59
Total non-operating income	207	520
Non-operating expenses		
Loss on sale of receivables	25	27
Interest expenses	111	95
Miscellaneous losses	28	24
Total non-operating expenses	165	146
Ordinary profit	1,397	2,235
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	—	112
Gain on sale of businesses	4	—
Total extraordinary income	6	113
Extraordinary losses		
Loss on sale of non-current assets	19	10
Loss on retirement of non-current assets	7	5
Impairment losses	143	90
Loss on store closings	12	5
Other	1	0
Total extraordinary losses	183	112
Profit before income taxes	1,219	2,236
Income taxes - current	627	622
Income taxes - deferred	13	189
Total income taxes	640	812
Profit	578	1,424
Profit (loss) attributable to non-controlling interests	—	(6)
Profit (loss) attributable to owners of parent	578	1,431

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Profit	578	1,424
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	17
Deferred gains or losses on hedges	(2)	1
Remeasurements of defined benefit plans, net of tax	5	7
Total other comprehensive income	(5)	27
Comprehensive income	573	1,451
(Breakdown)		
Comprehensive income attributable to owners of parent	573	1,458
Comprehensive income attributable to non-controlling interests	—	(6)

(3) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	1,219	2,236
Depreciation	859	827
Impairment losses	143	90
Amortization of goodwill	572	564
Increase (decrease) in provision for bonuses	93	27
Increase (decrease) in provision for bonuses for directors (and other officers)	41	(65)
Increase (decrease) in allowance for doubtful accounts	(5)	(0)
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)	6	16
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	(217)
Increase (decrease) in provision for share awards	(69)	—
Increase (decrease) in retirement benefit liability	186	198
Interest and dividend income	(5)	(4)
Interest expenses	111	95
Loss (gain) on sale of investment securities	—	(112)
Loss (gain) on sale of non-current assets	17	9
Loss on retirement of non-current assets	7	5
Loss (gain) on sale of businesses	(4)	—
Decrease (increase) in trade receivables	(221)	(7)
Decrease (increase) in unearned revenue from sale of accounts receivable	42	16
Decrease (increase) in purchased receivables - dispensing fees	37	24
Decrease (increase) in inventories	(346)	(531)
Increase (decrease) in trade payables	(1,016)	1
Increase (decrease) in accrued consumption taxes	(308)	45
Other	116	(322)
Subtotal	1,479	2,893
Interest and dividends received	4	4
Interest paid	(109)	(94)
Income taxes paid	(570)	(1,889)
Net cash provided by (used in) operating activities	803	913

(Millions of yen)

	Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Proceeds from withdrawal of time deposits	12	—
Purchase of property, plant and equipment	(529)	(927)
Proceeds from sale of property, plant and equipment	56	19
Purchase of intangible assets	(73)	(112)
Proceeds from sale of investment securities	—	379
Proceeds from liquidation of subsidiaries and affiliates	29	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(209)
Proceeds from sale of businesses	13	11
Loan advances	(8)	(1)
Proceeds from collection of loans receivable	2	6
Payments of guarantee deposits	(315)	(54)
Proceeds from refund of guarantee deposits	31	18
Other	(80)	36
Net cash provided by (used in) investing activities	(862)	(832)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	498
Repayments of long-term borrowings	(2,343)	(2,195)
Repayments of lease obligations	(190)	(134)
Purchase of treasury shares	(30)	—
Dividends paid	(152)	(152)
Net cash provided by (used in) financing activities	(2,716)	(1,982)
Net increase (decrease) in cash and cash equivalents	(2,775)	(1,902)
Cash and cash equivalents at beginning of period	11,681	10,088
Cash and cash equivalents at end of period	8,905	8,185

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

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

None to be reported.

(Changes in accounting policies)

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

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter, "revenue recognition standard") and related implementation guidance at the beginning of the current fiscal year. The Company recognizes revenue when control of promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services.

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.

The Company has applied the revenue recognition standard in accordance with transitional treatment prescribed in the proviso to paragraph 84 of the revenue recognition standard. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current fiscal year was added to or deducted from retained earnings at the beginning of the fiscal year, and the new accounting policy was applied from the opening balance at the start of the fiscal year, but there was no impact on the opening balance.

As a result, in the six months ended September 30, 2021, net sales declined by 332 million yen, cost of sales declined by 299 million yen, selling, general and administrative expenses declined by 32 million yen, and ordinary profit and profit before income taxes each increased by 2 million yen. There was no impact on operating profit.

In accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the six months ended September 30, 2020.

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 quarterly consolidated financial statements.

(Segment information)

I. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

Information on sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments					Adjustments (Note 1)	Amounts on consolidated statement of income (Note 2)
	Community Pharmacy Network Segment	Leasing and Facility- related Segment	Meal Catering Segment	Other Segment	Total		
Net sales							
Sales to external customers	48,539	1,146	1,248	110	51,045	—	51,045
Intersegment sales or transfers	0	291	—	—	292	(292)	—
Total	48,540	1,438	1,248	110	51,337	(292)	51,045
Segment profit (loss)	2,369	16	(13)	(13)	2,359	(1,003)	1,355

Notes: 1. The negative 1,003 million yen adjustment to segment profit (loss) includes 145 million yen in elimination of intersegment transactions and 1,148 million yen in companywide expenses not allocated to reporting segments. Companywide expenses mainly refer to general expenses that do not belong to reporting segments.
2. Segment profit (loss) is adjusted with operating profit (loss) in the quarterly consolidated statement of income.

II. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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

(Millions of yen)

	Reporting segment					Adjustments (Note 1)	Amounts on consolidated statement of income (Note 2)
	Community Pharmacy Network Segment	Leasing and Facility- related Segment	Meal Catering Segment	Other Segment	Total		
Net sales							
Sales to external customers	49,663	1,186	1,166	152	52,169	—	52,169
Intersegment sales or transfers	0	350	—	—	350	(350)	—
Total	49,663	1,536	1,166	152	52,519	(350)	52,169
Segment profit (loss)	2,885	32	1	(12)	2,906	(1,043)	1,862

Notes: 1. The negative 1,043 million yen adjustment to segment profit (loss) includes 117 million yen in elimination of intersegment transactions and 1,161 million yen in companywide expenses not allocated to reporting segments. Companywide expenses mainly refer to general expenses that do not belong to reporting segments.
2. Segment profit (loss) is adjusted with operating profit (loss) in the quarterly consolidated statement of income.

2. Changes in reporting segments, etc.

As noted in the section on accounting policy changes, the Company changed its accounting policy and applied the Accounting Standard for Revenue Recognition from the start of the current fiscal year, and segment profit and loss calculation methods have changed similarly.

The effect of this change was to reduce sales in the Community Pharmacy Network Segment by 309 million yen and sales in the Leasing and Facility-related Segment by 22 million yen for the six months ended September 30, 2021. The new accounting treatment had no effect on segment profit or loss during the period under review.