

## Summary of Financial Statements for the Second Quarter of Fiscal Year Ending April 2022

[Japan GAAP] (Consolidated)

December 3, 2021

Name of listed company: **AIN HOLDINGS INC.**  
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange  
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Date of filing quarterly securities report: December 15, 2021  
Start of dividend payment: –  
Supplementary documents for quarterly results: Yes (Supplementary materials for the quarterly results are disclosed on the Company's website appropriately as the financial statements.)  
Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

### 1. Consolidated results for the second quarter of fiscal year ending April 30, 2022 (May 1, 2021 to October 31, 2021)

#### (1) Consolidated operating results

(Percentage figures show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended October 31, 2021	152,972	5.2	5,776	47.1	6,127	35.6	3,338	26.9
Six months ended October 31, 2020	145,352	(0.3)	3,927	(53.0)	4,517	(48.4)	2,630	(43.1)

(Note) Comprehensive income: Six months ended October 31, 2021: ¥3,311 million (+24.3%)  
Six months ended October 31, 2020: ¥2,664 million (-42.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended October 31, 2021	94.68	-
Six months ended October 31, 2020	74.24	-

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of October 31, 2021	210,442	115,810	55.0
As of April 30, 2021	203,662	115,837	56.8

(Reference) Shareholders' equity: As of October 31, 2021: ¥115,741 million As of April 30, 2021: ¥115,758 million

### 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2021	-	0.00	-	55.00	55.00
Year ending April 30, 2022	-	0.00			
Year ending April 30, 2022 (forecast)			-	55.00	55.00

(Note) Revision to the most recently announced dividend forecasts: No

3. Consolidated financial forecasts for the fiscal year ending April 30, 2022 (May 1, 2021 to April 30, 2022)

(Percentage figures show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	315,000	6.0	15,000	37.2	15,500	22.5	8,300	23.9	234.28

(Note) Revision to the most recently announced consolidated financial forecasts: No

\*Notes

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

Newly consolidated: – Excluded: –

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For detail, please refer to “2. Quarterly consolidated financial statements and major notes (4) Notes on quarterly consolidated financial statements” on page 10 of the Attachment.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: Yes

2) Changes in accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of October 31, 2021	35,428,212 shares	As of April 30, 2021	35,428,212 shares
2) Number of shares held in treasury:	As of October 31, 2021	200,911 shares	As of April 30, 2021	891 shares
3) Average number of shares outstanding:	Six months ended October 31, 2021	35,260,638 shares	Six months ended October 31, 2020	35,427,442 shares

\*This Summary of Financial Statements is outside the scope of quarterly review procedures.

\*Statement regarding the proper use of financial forecasts and other special remarks

(Caution concerning forward-looking statements)

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

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## 1. Qualitative information on consolidated results for the period under review

### (1) Consolidated operating results

During the first six months of the current fiscal year (May 1, 2021 to October 31, 2021), the Japanese economy continued to face challenging conditions due to the COVID-19 outbreak. Despite signs of a pickup in the economy after the state of emergency and quasi-emergency measures were lifted throughout Japan at the end of September, the outlook remains uncertain.

In this economic environment, the Group put priority on ensuring the safety of patients, customers and employees and made concerted efforts to ensure the continued provision of healthcare and retail services, including vaccinating employees against COVID-19 through a workplace vaccination program and taking rigorous steps to prevent infection in pharmacies and stores. Working with local governments, the Japan Pharmaceutical Association and medical institutions, the Group also dispatched many pharmacists to support the safe and rapid rollout of COVID-19 vaccines in local communities.

In addition, in May 2021, we set fiscal 2026 targets for important issues that should be addressed by the Group (materiality) and started taking concrete steps towards the targets, including formulating a human rights policy and making preparations to disclose information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will implement various initiatives to realize sustainability management that supports the Group's continued growth and creates social, environmental and economic value.

In the first six months of the fiscal year, net sales increased 5.2% year on year to ¥152,972 million, operating profit increased 47.1% to ¥5,776 million, ordinary profit increased 35.6% to ¥6,127 million, and profit attributable to owners of parent increased 26.9% to ¥3,338 million.

Financial results by business segment are as follows.

#### (Dispensing pharmacy business)

The Group is working to leverage the primary care capabilities of its pharmacists and dispensing pharmacies to help patients access medical services in their local community with peace of mind. Specifically, the Group is reinforcing pharmaceutical management and guidance and home-based healthcare, backed by integrated and continuous monitoring of patient medication data through cooperation with local medical service providers and the use of patient medication notebooks and other means.

In addition, as part of revisions to the Pharmaceuticals and Medical Devices Act that came into effect from August 2021, dispensing pharmacies can now gain certification as community coordination pharmacies or specialist medical institution coordination pharmacies, depending on their functions. Going forward, the Group will further reinforce home-based healthcare services, increase coordination with various medical professionals and enhance specialist pharmacist training in order to contribute to local healthcare provision as a company that meets community pharmacy needs.

In business development, the Group is targeting further business expansion through a strategy of actively opening large pharmacies and using M&A deals that emphasize investment returns, while also improving pharmacy operating efficiency.

As a result, for the first six months of the fiscal year, the dispensing pharmacy business reported sales of ¥136,905 million, up 6.9% year on year, and segment profit of ¥10,491 million, up 25.3% due to recovery of prescription volume of existing dispensing pharmacies and steady growth of dispensing pharmacies opened last fiscal year.

During the first six months of the fiscal year, the Group opened a total of 33 dispensing pharmacies, including those acquired through M&A deals, closed four dispensing pharmacies and sold three, resulting in a total of 1,091.

#### (Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to the impact of the COVID-19 pandemic.

The Group continued to create appealing retail displays by strengthening product lineups and worked to improve convenience and service levels for customers using the official AINZ & TULPE WEBSTORE e-commerce site.

Targeting post-pandemic opportunities, the Group also pushed ahead with store openings in prime locations that are expected to attract customers.

As a result, for the first six months of the fiscal year, the cosmetic and drug store business reported an increase in sales of 4.6% year on year to ¥9,816 million, and segment loss was ¥1,125 million compared with the loss of ¥1,014 million a year earlier.

During the same period, the Group opened four AINZ & TULPE cosmetic and drug stores and closed one store, resulting in a total of 72 cosmetic and drug stores at the end of the second quarter.

#### (Other businesses)

Net sales from other businesses decreased 21.2% year on year to ¥6,297 million and segment loss was ¥121 million compared with the loss of ¥435 million a year earlier.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020),

etc. from the beginning of the first quarter. For more details, please refer to “2. Quarterly consolidated financial statements and major notes, (4) Notes on quarterly consolidated financial statements, (Changes in accounting policies) and (Segment information, etc.).

## **(2) Consolidated financial position**

The balance of total assets at the end of the second quarter increased by ¥6,779 million from the end of the previous fiscal year to ¥210,442 million. That mainly reflected a decline in notes and accounts receivable, outweighed by increases for cash on hand and in banks and for merchandise.

The balance of liabilities increased ¥6,806 million to ¥94,632 million.

The balance of short- term and long-term borrowings decreased by ¥2,054 million to ¥9,912 million.

Total net assets decreased by ¥26 million to ¥115,810 million and the shareholders' equity ratio decreased 1.8 percentage points to 55.0%.

### **(Cash flows)**

In the first six months of the fiscal year, cash and cash equivalents (“cash”) increased by ¥3,422 million from the previous fiscal year end to ¥58,432 million.

Cash flows from each activity and their relevant factors are as follows.

During the first six months of the fiscal year, net cash provided by operating activities was ¥17,314 million, compared with ¥6,441 million provided in the same period a year earlier. The main cash inflows were profit before income taxes of ¥6,064 million, depreciation of ¥2,117 million and amortization of goodwill of ¥2,055 million. The main cash outflow was income taxes paid of ¥1,907 million.

Net cash used in investing activities amounted to ¥8,261 million, compared with ¥3,759 million used in the same period a year earlier. The main use of cash was ¥3,590 million for purchases of property, plant and equipment and intangible assets.

Net cash used in financing activities totaled ¥5,630 million, compared with cash provided of ¥5,702 million in the same period a year earlier. The main uses of cash were a net repayment of ¥2,093 million from short-term and long-term borrowings repayment and proceeds, ¥1,948 million for cash dividends paid and ¥1,400 million for the purchase of treasury shares.

## **(3) Forecast of consolidated financial results and other forward-looking information**

There are no changes to the Group's consolidated financial forecasts for the first six months or the fiscal year ending April 30, 2022, which were released on June 4, 2021.

**2. Quarterly consolidated financial statements and major notes****(1) Quarterly consolidated balance sheet**

(Million yen)

	Fiscal year ended April 30, 2021 (As of April 30, 2021)	Six months ended October 31, 2021 (As of October 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	55,271	58,692
Notes and accounts receivable - trade	13,475	9,928
Merchandise	14,018	16,059
Supplies	266	253
Short-term loans receivable	144	383
Accounts receivable - other	9,284	10,770
Other	3,936	2,473
Total current assets	96,398	98,561
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	16,270	17,034
Land	10,390	10,030
Other, net	3,568	4,201
Total property, plant and equipment	30,229	31,266
<b>Intangible assets</b>		
Goodwill	39,057	39,133
Other	3,609	4,046
Total intangible assets	42,666	43,180
<b>Investments and other assets</b>		
Investment securities	2,697	2,429
Deferred tax assets	4,415	4,629
Leasehold and guarantee deposits	20,319	22,951
Other	8,680	9,173
Allowance for doubtful accounts	(1,743)	(1,749)
Total investments and other assets	34,368	37,434
Total non-current assets	107,264	111,881
Total assets	203,662	210,442

(Million yen)

	Fiscal year ended April 30, 2021 (As of April 30, 2021)	Six months ended October 31, 2021 (As of October 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	46,758	51,465
Short-term borrowings	3,670	3,051
Income taxes payable	2,157	2,917
Deposits received	13,979	15,825
Provision for bonuses	2,594	3,461
Provision for bonuses for directors	16	22
Provision for point card certificates	461	–
Contract liabilities	–	504
Other	4,522	4,709
<b>Total current liabilities</b>	<b>74,160</b>	<b>81,959</b>
<b>Non-current liabilities</b>		
Long-term borrowings	8,297	6,860
Retirement benefit liability	3,329	3,500
Other	2,037	2,311
<b>Total non-current liabilities</b>	<b>13,664</b>	<b>12,672</b>
<b>Total liabilities</b>	<b>87,825</b>	<b>94,632</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	73,506	74,907
Treasury shares	(3)	(1,403)
<b>Total shareholders' equity</b>	<b>115,899</b>	<b>115,899</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(12)	(50)
Remeasurements of defined benefit plans	(128)	(107)
<b>Total accumulated other comprehensive loss</b>	<b>(141)</b>	<b>(157)</b>
<b>Non-controlling interests</b>	<b>78</b>	<b>68</b>
<b>Total net assets</b>	<b>115,837</b>	<b>115,810</b>
<b>Total liabilities and net assets</b>	<b>203,662</b>	<b>210,442</b>

**(2) Quarterly consolidated statements of income and comprehensive income****Quarterly consolidated statements of income**

(Million yen)

	Six months ended October 31, 2020 (May 1, 2020 to October 31, 2020)	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)
Net sales	145,352	152,972
Cost of sales	123,917	130,133
Gross profit	21,435	22,838
Selling, general and administrative expenses	17,508	17,062
Operating profit	3,927	5,776
Non-operating income		
Interest income	21	21
Dividend income	26	21
Commission income	7	4
Rental income from real estate	87	281
Outsourcing service income	89	73
Subsidy income	201	47
Share of profit of entities accounted for using equity method	–	2
Other	335	208
Total non-operating income	770	660
Non-operating expenses		
Interest expenses	24	22
Loss on sale of receivables	38	41
Rental expenses on real estate	78	199
Other	39	46
Total non-operating expenses	180	309
Ordinary profit	4,517	6,127
Extraordinary income		
Gain on sales of non-current assets	16	26
Gain on sale of businesses	165	5
Gain on sale of shares of subsidiaries and associates	111	–
Surrender value of insurance policies	8	–
Gain on step acquisitions	–	131
Other	14	3
Total extraordinary income	316	167
Extraordinary losses		
Loss on sale and retirement of non-current assets	146	54
Impairment losses	10	6
Loss on temporary store closures	52	–
Loss on cancellation of rental contracts	–	118
Other	100	50
Total extraordinary losses	309	230
Profit before income taxes	4,524	6,064
Income taxes	1,913	2,736
Profit	2,610	3,328
Loss attributable to non-controlling interests	(19)	(10)
Profit attributable to owners of parent	2,630	3,338

**Quarterly consolidated statements of comprehensive income**

(Million yen)

	Six months ended October 31, 2020 (May 1, 2020 to October 31, 2020)	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)
Profit	2,610	3,328
Other comprehensive income		
Valuation difference on available-for-sale securities	29	(37)
Remeasurements of defined benefit plans, net of tax	25	20
Total other comprehensive income (loss)	54	(16)
Comprehensive income	2,664	3,311
Comprehensive income attributable to owners of parent	2,684	3,321
Comprehensive income (loss) attributable to non-controlling interests	(19)	(10)

**(3) Quarterly consolidated statements of cash flows**

(Million yen)

	Six months ended October 31, 2020 (May 1, 2020 to October 31, 2020)	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,524	6,064
Depreciation	2,024	2,117
Amortization of goodwill	2,225	2,055
Impairment losses	10	6
Gain on step acquisitions	–	(131)
Increase (decrease) in allowance for doubtful accounts	(1)	3
Increase in provision for point card certificates	29	–
Increase (decrease) in contract liabilities	–	65
Gain on sale of shares of subsidiaries and associates	(111)	–
Increase in retirement benefit liability	158	193
Gain on sale of businesses	(155)	(5)
Increase in provision for bonuses	548	859
Increase in provision for bonuses for directors	3	6
Interest and dividend income	(48)	(43)
Interest expenses	24	22
Share of loss (profit) of entities accounted for using equity method	–	(2)
Loss (gain) on investments in investment partnerships	(4)	(13)
Gain on receipt of donated non-current assets	(16)	(10)
Gain on sales of investment securities	(3)	0
Gain on valuation of investment securities	2	–
Gain on sale and retirement of non-current assets	129	27
Increase in trade receivables	1,818	4,245
Decrease (increase) in inventories	567	(1,707)
Decrease in other assets	837	1,236
Increase in accounts receivable - other	(992)	(1,316)
Increase (decrease) in trade payables	(1,668)	3,983
Increase (decrease) in other liabilities	(40)	1,544
Subtotal	9,859	19,203
Interest and dividends received	52	42
Interest paid	(24)	(22)
Income taxes paid	(3,446)	(1,907)
Net cash provided by operating activities	6,441	17,314

(Million yen)

	Six months ended October 31, 2020 (May 1, 2020 to October 31, 2020)	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,785)	(2,663)
Proceeds from sale of property, plant and equipment	573	626
Purchase of investment securities	(39)	(105)
Proceeds from sale of investment securities	67	184
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(257)	(2,223)
Loan advances	(10)	(23)
Proceeds from collection of loans receivable	662	231
Payments for investments in capital	(0)	(0)
Proceeds from divestments	0	0
Purchase of intangible assets	(1,189)	(927)
Proceeds from sale of intangible assets	4	10
Payments of leasehold and guarantee deposits	(930)	(3,104)
Proceeds from refund of leasehold and guarantee deposits	609	540
Decrease (increase) in investments and other assets	(1,525)	(833)
Proceeds from withdrawal of time deposits	100	32
Payments into time deposits	(5)	(6)
Other, net	(34)	—
Net cash used in investing activities	(3,759)	(8,261)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(3)	(2)
Proceeds from long-term borrowings	11,625	0
Repayments of long-term borrowings	(3,841)	(2,091)
Redemption of bonds	—	(124)
Repayments of lease obligations	(128)	(64)
Purchase of treasury shares	(0)	(1,400)
Dividends paid	(1,948)	(1,948)
Net cash provided by (used in) financing activities	5,702	(5,630)
Net increase (decrease) in cash and cash equivalents	8,385	3,422
Cash and cash equivalents at beginning of the period	45,931	55,009
Cash and cash equivalents at end of the period	54,316	58,432

#### (4) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

(Notes on significant changes in the amount of shareholders' equity)

The Company is repurchasing 200,000 shares in accordance with a resolution approved by the Board of Directors at a meeting on June 7, 2021. As a result of the repurchase, the Company's treasury shares increased by ¥1,400 million during the second quarter, resulting in a balance of ¥1,403 million at the end of the period.

(Application of specified accounting methods for the preparation of quarterly consolidated financial statements)

To calculate tax expenses, the effective tax rate on profit before income taxes for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated and the estimated rate is applied to profit before income taxes for the quarterly period.

(Changes in accounting policies)

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

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the fiscal year ending April 30, 2022. Under the new standard, the Company recognizes revenue when promised goods or services are transferred to a customer, with the amount expected to be received upon exchange of the goods or services recognized as revenue.

The main changes arising from the application of the new accounting standard are as follows. With respect to reward points provided to customers at the time of sale through the customer loyalty program service, the Company previously booked the amount equivalent to the number of points expected to be redeemed in the future as allowance for point cards and allowance for point cards was recorded under selling, general and administrative expenses. Under the new accounting standard, the Company identifies points awarded as performance obligations and allocates the transaction price based on the stand-alone selling price calculated by taking into actual redemption rates and other factors. As a result of the change, some sales promotion expenses and other expenses are deducted from sales.

The application of the Revenue Recognition Standard is subject to the transitional treatment provided for in the supplementary provisions of Paragraph 84 of the Revenue Recognition Standard. If the new accounting policy is applied prior to the beginning of the first quarter, the cumulative effect of the retroactive application is added to or subtracted from retained earnings at the beginning of the first quarter and the new accounting policy is applied to balances at the beginning of said period.

As a result, in the second quarter, the application of the accounting standard reduced sales by ¥589 million, reduced selling, general and administrative expenses by ¥598 million and increased operating profit, ordinary profit and profit before income taxes each by ¥8 million. In addition, the balance of retained earnings at the start of the fiscal year increased by ¥10 million.

As a result of the application of the Revenue Recognition Standard, "provision for point card certificates" included in "current liabilities" in the consolidated financial statements for the previous fiscal year has been included in "contract liabilities" from the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated to reflect the new presentation approach. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the second quarter of the previous fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Standard"), etc. from the beginning of the first quarter. In accordance with the transitional treatment stipulated 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 Company has decided to apply the new accounting policies in the Fair Value Measurement Standard going forward. These changes have no impact on the Company's quarterly consolidated financial statements.

(Segment information, etc.)

I Six months ended October 31, 2020 (May 1, 2020 to October 31, 2020)

1. Net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	128,029	9,388	7,934	145,352	-	145,352
(2) Intersegment sales	-	-	52	52	(52)	-
Total sales	128,029	9,388	7,987	145,405	(52)	145,352
Segment profit (loss)	8,370	(1,014)	(435)	6,920	(2,403)	4,517

Notes: 1. The adjustment of ¥(2,403) million to segment profit (loss) includes ¥2,944 million in corporate expenses, ¥(586) million in (income) loss that are not allocated to reportable segments, and ¥45 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division, which are not part of the reportable segments.

2. Segment profit (loss) is adjusted with the ordinary profit of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.

II Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)

1. Net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	136,905	9,816	6,250	152,972	-	152,972
(2) Intersegment sales	-	-	47	47	(47)	-
Total sales	136,905	9,816	6,297	153,019	(47)	152,972
Segment profit (loss)	10,491	(1,125)	(121)	9,244	(3,117)	6,127

Notes: 1. The adjustment of ¥(3,117) million to segment profit (loss) includes ¥3,659 million in corporate expenses, ¥(702) million in (income) loss that are not allocated to reportable segments, and ¥159 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division, which are not part of the reportable segments.

2. Segment profit (loss) is adjusted with the ordinary profit of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.

3. Changes in reportable segments

As explained in Changes in accounting policies, the accounting treatment for revenue recognition has changed due to the application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter. As result, the calculation method for profit and loss in business segments has also changed.

Compared with the previous method, in the second quarter, the new method reduced sales in the cosmetic and drug store business segment by ¥561 million and increased segment profit by ¥8 million, and reduced sales in the other businesses segment by ¥28 million.