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## Consolidated Financial Results for the Six Months Ended September 30, 2024 (Japanese GAAP)

November 8, 2024

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

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

Representative: Inao Tajiri, President and Representative Director  
Contact: Eiji Hirashima, Executive Officer, Director of Finance and Director  
Tel: +81-11-613-7750

Scheduled date for interim report submission: November 12, 2024  
Scheduled date for dividend payment: December 9, 2024  
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, 2024 (April 1 to September 30, 2024)

#### (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, 2024	59,761	5.8	2,697	(16.9)	1,027	(40.0)	1,020	(39.7)	207	(76.0)
Six Months ended September 30, 2023	56,461	5.9	3,247	28.0	1,712	55.7	1,692	36.2	861	71.5

Note: Comprehensive income for the six months ended September 30, 2024 was 232 million yen (-73.9% YoY), and comprehensive income for the six months ended September 30, 2023 was 892 million yen (70.3% YoY)

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

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended September 30, 2024	7.08	—
Six Months ended September 30, 2023	28.54	—

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, 2024	69,976	15,268	21.7	520.26
As of March 31, 2024	68,149	15,219	22.3	519.06

Reference: Shareholders' equity amounted to 15,206 million yen as of September 30, 2024 and 15,171 million as of March 31, 2024.

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, 2024	—	6.00	—	6.00	12.00
Fiscal year ending March 31, 2025	—	6.00			
Fiscal year ending March 31, 2025 (forecast)			—	6.00	12.00

Note: Revisions to the Company's most recently announced dividend forecast: No

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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	122,000	5.8	6,440	(8.0)	3,000	(21.7)	3,000	(21.6)	1,250	(32.8)	42.77

Note: Revisions to the Company's most recently announced consolidated earnings forecast: No

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

**\*Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly added: 2 companies (MEDI LOGI NET Co., Ltd. ,Takeuchi Pharmacy Ltd.)

Excluded: 1 companies (Taiyo Co., Ltd.)

(2) Distinctive accounting methods applied when preparing interim 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) For details, please see “2. Interim Consolidated Financial Statements and Primary Notes (4) Notes to Interim Consolidated Financial Statements (Notes to accounting policy changes)” on pg. 10 of the attached materials.

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of September 30, 2024	30,642,600	As of March 31, 2024	30,642,600
2. Treasury shares outstanding	As of September 30, 2024	1,414,055	As of March 31, 2024	1,414,055
3. Period-average shares outstanding (cumulative interim figures)	Six months ended September 30, 2024	29,228,545	Six months ended September 30, 2023	30,178,545

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 interim figures).

\*The financial information in this interim 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 Interim Financial Performance (3) Explanation of Consolidated Earnings Forecasts and Other Projections.”

2. In the interim 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 interim figures).

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## 1. Qualitative Information on Interim Financial Performance

### (1) Explanation of Operating Results

During the first six months of the fiscal year ending March 31, 2025 (April 1, 2024 to September 30, 2024), Japan's economy saw a moderate recovery, supported by improvements in the employment and income environment. However, the economic outlook remains uncertain due to ongoing price hikes and concerns regarding the revision of monetary policy, among other factors.

In this economic climate, the Group aims to build medical infrastructure that allows everyone to live their lives in their own way and with peace of mind, and to facilitate healthy living as a "town's beacon of light" that safeguards members of communities throughout their lives.

During the first six months of the fiscal year ending March 31, 2025, despite a steady increase in the number of new network affiliates in the Pharmaceutical Network Business, performance was impacted by a decline in the number of prescriptions at existing stores in the Community Pharmacy Business, rising pharmaceutical procurement costs, and wage hikes. As a result, net sales were 59,761 million yen (+5.8% YoY), operating profit was 1,027 million yen (-40.0% YoY), ordinary profit was 1,020 million yen (-39.7% YoY), and profit attributable to owners of parent was 207 million yen (-76.0% YoY).

Results by segment were as follows. Sales in each segment include intersegment sales.

#### 1) Community Pharmacy Network Segment

In the Community Pharmacy Network Segment, we are committed to providing value throughout the entire pharmaceutical supply chain. To this end, we operate community pharmacies, support pharmacy management through our pharmaceutical networks, manufacture and market pharmaceuticals, and support pharmacies transition into family pharmacies using the Tsunagaru Pharmacy service.

In the Community Pharmacy Business, performance was bolstered by contributions from the opening of new stores and acquisition of stores in the previous fiscal year. Dispensing fees exceeded the levels of the same period of the previous fiscal year, supported by digitalization initiatives including the use of the official LINE account, Tsunagaru Pharmacy, to send and receive prescriptions, and enhanced post-dispensing patient follow-up. During the first six months of the fiscal year ending March 31, 2025, we opened 11 community pharmacies, including seven in medical malls, and acquired one community pharmacy through M&A. Meanwhile, we closed and transferred 10 stores. As a result, as of September 30, 2024, we had 452 community pharmacies, one In-Home care support center, and nine drug/cosmetics stores.

In the Pharmaceutical Network Business, new network affiliates steadily increased thanks to our efforts to expand services, including a service for sharing pharmaceutical inventory information on a regional basis and various training programs. As of September 30, 2024, pharmaceutical network affiliates totaled 10,435, up 679 from March 31, 2024, consisting of 452 Group pharmacies and 9,983 general affiliates.

In the Manufacture and Market Pharmaceutical Business, as of September 30, 2024, the Company's product lineup included 113 products spanning 49 active pharmaceutical ingredients. While the Company stopped accepting orders for some products due to the impact of shipment adjustments, the number of new partner pharmacies steadily grew in the interim of the fiscal year under review, with the total number of partner pharmacies reaching 5,700 as of September 30, 2024, up 1,806 year-on-year.

In the Digital Shift Business, the number of pharmacies that have adopted the Group's services as of September 30, 2024 totaled 5,576 (up 894 compared with March 31, 2024).

Meanwhile, due to a rebound decrease in the number of prescriptions filled at existing stores in the Community Pharmacy Business following the outbreak of multiple respiratory infections in the previous fiscal year, an increase in pharmaceutical procurement costs, rising labor costs due to wage hikes, and the inclusion of preparatory expenses for the Distribution Business, which began operations this fiscal year, segment sales for the six months ended September 30, 2024 were 57,074 million yen (+6.2% YoY) and operating profit was 2,241 million yen (-24.0% YoY).

## 2) Leasing and Facility-related Segment

In the Leasing and Facility-related Segment, sales amounted to 1,729 million yen (+2.5% YoY) and operating profit was 99 million yen (+42.5% YoY), reflecting an increase in orders for construction services and the revision of advertising expenses for the Wisteria serviced residence for the elderly.

As of September 30, 2024, the occupancy rate for Wisteria Senri-Chuo was 61.0% (50 out of 82 units occupied), and for Wisteria Minami-Ichijo, it was 75.0% (87 out of 116 units occupied). The overall occupancy rate at the five serviced residences for the elderly stood at 83.7%.

On October 1, 2024, the Company transferred its Wisteria Senri-Chuo business and sold related fixed assets.

## 3) Meal Catering Segment

In the Meal Catering Segment, although sales were lower than a year earlier due to the withdrawal from loss-making facilities in the previous fiscal year, the gross profit margin improved as a result of a review of contract unit prices. As a result, net sales were 1,177 million yen (-1.0% YoY), while the segment posted an operating loss of 7 million yen (versus an operating loss of 23 million yen in the same period of the previous fiscal year).

## 4) Other Segment

In the Other segment, the Group provides home-visit nursing care. While the number of home visits rose, the Group incurred upfront expenditures due to an increase in headcount. As a result, sales were 174 million yen (+12.2% YoY) and the operating loss was 12 million yen (versus an operating loss of 20 million yen in the same period of the previous year).

## (2) Explanation of Financial Position

As of September 30, 2024, total assets amounted to 69,976 million yen, an increase of 1,826 million yen from March 31, 2024. Current assets totaled 22,173 million yen, up 1,399 million yen. This mainly reflected increases in cash and deposits and merchandise. Non-current assets amounted to 47,803 million yen, an increase of 427 million yen. This mainly reflected an increase in net buildings and structures, as well as guarantee deposits, despite a decline in goodwill.

Total liabilities were 54,708 million yen, up 1,777 million yen from March 31, 2024. Current liabilities totaled 28,048 million yen, an increase of 4,834 million yen. This mainly reflected an increase in short-term borrowings. Non-current liabilities amounted to 26,659 million yen, down 3,057 million yen, largely as a result of a decline in long-term borrowings.

Net assets were 15,268 million yen, an increase of 49 million yen from March 31, 2024. This was mainly due to an increase in retained earnings.

### (Status of Cash flows)

Cash and cash equivalents on a consolidated basis as of September 30, 2024 amounted to 8,659 million yen, up 416 million yen from March 31, 2024. The status of cash flows during the six months ended September 30, 2024 is as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 517 million yen (versus 3,611 million yen in the six months ended September 30, 2023). This was primarily due to profit attributable to owners of parent before income taxes of 837 million yen and 1,081 million yen in depreciation, offsetting an outflow of 1,014 million yen in income taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities totaled 785 million yen (versus 1,209 million yen in the six months ended September 30, 2023). The main factors were an outflow of 1,456 million yen for the purchase of property, plant and equipment, 205 million yen for the purchase of intangible assets, and 442 million yen for payments of guarantee deposits, despite an inflow of 1,547 million yen from gain on sale of businesses.

(Cash flows from financing activities)

Net cash provided by financing activities totaled 685 million yen (versus 2,899 million yen in the six months ended September 30, 2023). This was mainly due to an increase in borrowings of 1,074 million yen, despite 211 million yen in repayments of lease obligations.

(3) Explanation of Consolidated Earnings Forecasts and Other Projections

The Company has revised the full-year consolidated earnings forecast released on May 10, 2024. For details, please see the “Notice Regarding Revision of Consolidated Operating Results Forecasts for the Six Months Ended September 30, 2024 and the Fiscal Year Ending March 31, 2025,” released on October 31, 2024.

## 2. Interim Consolidated Financial Statements and Primary Notes

## (1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Six months ended September 30, 2024 (as of September 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	8,273	8,689
Accounts receivable - trade	4,239	4,329
Unearned revenue from sale of accounts receivable	1,078	1,065
Purchased receivables - dispensing fees	423	391
Merchandise	5,404	6,188
Raw materials	16	16
Work in process	38	146
Supplies	81	82
Other	1,231	1,279
Allowance for doubtful accounts	(14)	(16)
<b>Total current assets</b>	<b>20,773</b>	<b>22,173</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,996	13,428
Land	9,290	9,293
Construction in progress	325	366
Other	5,723	5,897
<b>Total property, plant and equipment</b>	<b>28,336</b>	<b>28,987</b>
Intangible assets		
Goodwill	10,613	9,944
Software	594	712
Other	73	69
<b>Total intangible assets</b>	<b>11,281</b>	<b>10,726</b>
Investments and other assets		
Investment securities	184	180
Guarantee deposits	3,419	3,786
Deferred tax assets	3,339	3,266
Other	835	876
Allowance for doubtful accounts	(19)	(20)
<b>Total investments and other assets</b>	<b>7,759</b>	<b>8,090</b>
<b>Total non-current assets</b>	<b>47,376</b>	<b>47,803</b>
<b>Total assets</b>	<b>68,149</b>	<b>69,976</b>



(Millions of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Six months ended September 30, 2024 (as of September 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	10,935	10,800
Short-term borrowings	588	5,339
Current portion of long-term borrowings	5,122	4,567
Income taxes payable	999	533
Provision for bonuses	1,689	1,744
Provision for bonuses for directors (and other officers)	86	14
Other	3,791	5,049
Total current liabilities	23,213	28,048
Non-current liabilities		
Long-term borrowings	18,309	15,188
Provision for retirement benefits for directors (and other officers)	691	690
Provision for share awards for directors (and other officers)	278	282
Retirement benefit liability	4,534	4,709
Other	5,902	5,788
Total non-current liabilities	29,716	26,659
Total liabilities	52,930	54,708
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,128	2,128
Capital surplus	937	946
Retained earnings	13,100	13,124
Treasury shares	(882)	(891)
Total shareholders' equity	15,284	15,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	16
Deferred gains or losses on hedges	2	2
Remeasurements of defined benefit plans	(134)	(120)
Total accumulated other comprehensive income	(112)	(101)
Non-controlling interests	47	62
Total net assets	15,219	15,268
Total liabilities and net assets	68,149	69,976

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

## Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
Net sales	56,461	59,761
Cost of sales	33,008	35,097
Gross profit	23,453	24,664
Selling, general and administrative expenses	21,740	23,636
Operating profit	1,712	1,027
Non-operating income		
Interest and dividend income	3	3
Outsourcing service income	33	32
Rental income from facilities	75	68
Subsidy income	28	33
Miscellaneous income	39	42
Total non-operating income	179	180
Non-operating expenses		
Loss on sale of receivables	28	43
Interest expenses	157	130
Miscellaneous losses	13	13
Total non-operating expenses	199	187
Ordinary profit	1,692	1,020
Extraordinary income		
Gain on sale of non-current assets	0	10
Gain on sale of businesses	22	40
Other	—	5
Total extraordinary income	22	56
Extraordinary losses		
Loss on retirement of non-current assets	1	6
Impairment losses	5	223
Loss on store closings	1	6
Other	0	2
Total extraordinary losses	9	239
Profit before income taxes	1,705	837
Income taxes - current	852	517
Income taxes - deferred	(13)	98
Total income taxes	839	615
Profit	866	221
Profit (loss) attributable to non-controlling interests	5	14
Profit (loss) attributable to owners of parent	861	207

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
Profit	866	221
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(2)
Deferred gains or losses on hedges	0	0
Remeasurements of defined benefit plans, net of tax	12	13
Total other comprehensive income	25	11
Comprehensive income	892	232
(Breakdown)		
Comprehensive income attributable to owners of parent	887	218
Comprehensive income attributable to non-controlling interests	5	14

## (3) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,705	837
Depreciation	972	1,081
Impairment losses	5	223
Amortization of goodwill	561	588
Increase (decrease) in provision for bonuses	60	52
Increase (decrease) in provision for bonuses for directors (and other officers)	10	(72)
Increase (decrease) in allowance for doubtful accounts	0	2
Increase (decrease) in provision for share awards for directors (and other officers)	16	4
Increase (decrease) in provision for retirement benefits for directors (and other officers)	11	(0)
Increase (decrease) in retirement benefit liability	161	194
Interest and dividend income	(3)	(3)
Interest expenses	134	130
Loss (gain) on sale of non-current assets	(0)	(5)
Loss on retirement of non-current assets	1	6
Loss (gain) on sale of businesses	(22)	(40)
Decrease (increase) in trade receivables	(239)	(53)
Decrease (increase) in unearned revenue from sale of accounts receivable	(39)	13
Decrease (increase) in purchased receivables - dispensing fees	55	31
Decrease (increase) in inventories	(470)	(904)
Increase (decrease) in trade payables	198	(167)
Increase (decrease) in accrued consumption taxes	772	110
Other	490	(366)
Subtotal	4,385	1,661
Interest and dividends received	2	2
Interest paid	(132)	(133)
Income taxes paid	(644)	(1,014)
Net cash provided by (used in) operating activities	3,611	517

	(Millions of yen)	
	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(968)	(1,456)
Proceeds from sale of property, plant and equipment	0	9
Purchase of intangible assets	(122)	(205)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(14)
Proceeds from sale of businesses	31	1,547
Loan advances	(1)	(170)
Proceeds from collection of loans receivable	1	0
Payments of guarantee deposits	(132)	(442)
Proceeds from refund of guarantee deposits	35	56
Other	(54)	(110)
Net cash provided by (used in) investing activities	(1,209)	(785)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	120	4,751
Repayments of long-term borrowings	(2,630)	(3,676)
Repayments of lease obligations	(205)	(211)
Dividends paid	(182)	(177)
Net cash provided by (used in) financing activities	(2,899)	685
Net increase (decrease) in cash and cash equivalents	(497)	416
Cash and cash equivalents at beginning of period	8,111	8,242
Cash and cash equivalents at end of period	7,613	8,659

#### (4) Notes to Interim 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.

(Notes to accounting policy changes)

(Application of "Accounting Standard for Current Income Taxes")

From the beginning of the six months ended September 30, 2024, the Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereafter, the "2022 Revised Accounting Standard").

Regarding revisions related to the classification of corporate taxes (taxes on other comprehensive income), the Group complies with the transitional measures prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereafter, the "2022 Revised Guidance"). This change in accounting policy has no impact on the interim consolidated financial statements.

Further, from the beginning of the six months under review, the Group has applied the 2022 Revised Guidance for revisions related to the treatment in the consolidated financial statements of the gains or losses on the sale of shares in subsidiaries, etc. resulting from intra-group transactions, where such gains or losses can be deferred for tax purposes. This change in accounting policy has been applied retrospectively to the interim and full-year consolidated financial statements for the previous fiscal year. This change, however, has no impact on the interim and full-year consolidated financial statements for the previous fiscal year.

(Notes on segment information)

## I. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	53,741	1,375	1,189	155	56,461	—	56,461
Intersegment sales or transfers	24	311	0	—	336	(336)	—
Total	53,765	1,687	1,189	155	56,797	(336)	56,461
Segment profit (loss)	2,947	69	(23)	(20)	2,974	(1,261)	1,712

Notes: 1. The negative 1,261 million yen adjustment to segment profit (loss) includes 130 million yen in elimination of intersegment transactions and 1,392 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 interim consolidated statement of income.

## II. Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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	Leasing and Facility- related	Meal Catering	Other	Total		
Net sales							
Sales to external customers	57,050	1,359	1,177	174	59,761	—	59,761
Intersegment sales or transfers	23	369	0	—	394	(394)	—
Total	57,074	1,729	1,177	174	60,155	(394)	59,761
Segment profit (loss)	2,241	99	(7)	(12)	2,321	(1,293)	1,027

Notes: 1. The negative 1,293 million yen adjustment to segment profit (loss) includes 115 million yen in elimination of intersegment transactions and 1,409 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 interim consolidated statement of income.