

Summary of Financial Statements for the Second Quarter of Fiscal Year Ending April 2024

[Japan GAAP] (Consolidated)

December 6, 2023

Name of listed company: **AIN HOLDINGS INC.**
Exchange listed on: Prime Market of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of filing quarterly securities report: December 15, 2023
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, 2024 (May 1, 2023 to October 31, 2023)

(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, 2023	193,727	13.2	8,749	28.9	9,338	28.2	5,257	38.2
Six months ended October 31, 2022	171,204	11.9	6,786	17.5	7,285	18.9	3,805	14.0

(Note) Comprehensive income: Six months ended October 31, 2023: ¥5,393 million (+43.1%)
Six months ended October 31, 2022: ¥3,770 million (+13.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended October 31, 2023	149.66	-
Six months ended October 31, 2022	108.32	-

(Note) In the third quarter of the fiscal year ended April 30, 2023, the Company finalized provisional accounting treatment related to a business combination. Results for the second quarter of the fiscal year ended April 30, 2023 reflect the finalized figures.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of October 31, 2023	242,922	129,844	53.4
As of April 30, 2023	231,750	126,546	54.6

(Reference) Shareholders' equity: As of October 31, 2023: ¥129,760 million As of April 30, 2023: ¥126,449 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, 2023	-	0.00	-	60.00	60.00
Year ending April 30, 2024	-	0.00			
Year ending April 30, 2024 (forecast)			-	60.00	60.00

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

3. Consolidated financial forecasts for the fiscal year ending April 30, 2024 (May 1, 2023 to April 30, 2024)

(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	390,263	8.8	18,450	15.3	19,340	13.3	10,000	8.3	284.64

(Note) Revision to the most recently announced consolidated financial forecasts: Yes

For more details about the revisions, please refer to today's release (December 6, 2023), "Notice on the Differences Between Consolidated Financial Forecasts and Results for the First Six Months of the Fiscal Year and Revisions to Full-Year Consolidated Financial Forecasts."

*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.: No

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, 2023	35,428,212 shares	As of April 30, 2023	35,428,212 shares
2) Number of shares held in treasury:	As of October 31, 2023	295,726 shares	As of April 30, 2023	298,188 shares
3) Average number of shares outstanding:	Six months ended October 31, 2023	35,130,844 shares	Six months ended October 31, 2022	35,128,208 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

In the third quarter of the fiscal year ended April 30, 2023, the Company finalized provisional accounting treatment related to a business combination. To facilitate comparison and analysis of the same quarter of the previous fiscal year, amounts in these quarterly financial statements reflect significant revisions to the initial allocation of acquisition costs as a result of the finalization of the provisional accounting treatment.

(1) Consolidated operating results

During the first six months of the current fiscal year (May 1, 2023 to October 31, 2023), the Japanese economy showed signs of a moderate pickup, supported by a recovery in mobility following the downgrade of COVID-19 to a category-5 infectious disease and the easing of mobility restrictions. However, the outlook remains uncertain due to rising prices and fluctuations in financial and capital markets.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to provide healthcare and retail services, in line with its mission to “contribute to local healthcare” and “provide beauty and happiness” – two of the Group’s materiality issues. AIN HOLDINGS aims to be a company that “people welcome to their communities” by helping to solve various social issues through its business activities.

In addition, diversity & inclusion is a key part of our efforts to create a “sound management base,” one of the Group’s materiality issues. Specifically, the Group is actively promoting diversity by creating working environments and organizations that are welcoming and motivating for all employees, among other initiatives. These efforts have been recognized, with AIN PHARMACIEZ INC., the Group’s core operating company, receiving “Platinum Kurumin” certification from the Minister of Health, Labour and Welfare in July 2023 for its efforts to help employees balance work and parenting commitments as a “parenting support company.”

The Company established its CSR Procurement Policy and Guidelines in October 2022. In July 2023, we held a briefing session for suppliers to implement CSR procurement across the Group’s supply chain, and in August, we conducted a CSR survey to ascertain the status of implementation. In this way, we will assess and analyze supply chain risks and communicate with suppliers to ensure compliance with our CSR requirements, helping to strengthen the Group’s collaborative CSR system with suppliers. Going forward, the AIN Group will continue to promote sustainability initiatives across its supply chain to realize sustainable procurement.

Results for six months ended October 31, 2023 (May 1, 2023 to October 31, 2023) are as follows.

(Million yen)	Six months ended October 31, 2022	Six months ended October 31, 2023	Change	Change (%)
Net sales	171,204	193,727	22,523	13.2
Operating profit	6,786	8,749	1,962	28.9
Ordinary profit	7,285	9,338	2,052	28.2
Profit attributable to owners of parent	3,805	5,257	1,452	38.2

Results by segment are as follows.

(Million yen)	Six months ended October 31, 2022	Six months ended October 31, 2023	Change	Change (%)	
Dispensing pharmacy business	Sales	153,248	173,234	19,985	13.0
	Segment profit	10,771	12,492	1,721	16.0
Cosmetic and drug store business	Sales	12,205	14,832	2,626	21.5
	Segment profit	349	1,318	968	277.3
Other businesses	Sales	5,781	5,685	(95)	(1.7)
	Segment profit (loss)	(18)	(49)	(30)	-

(Note) Segment sales include intersegment transactions.

(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 cooperating with medical institutions, using patient medication notebooks to ensure integrated and continuous monitoring of patient medication, and providing services for home-based healthcare.

The Group is also actively promoting digital transformation to improve convenience for patients. Specifically, in addition to the official AIN Pharmacy app, which was launched in 2022, the Group set up an official AIN Pharmacy LINE account in October 2023 to make its prescriptions sending service more accessible for customers.

The average prescription price rose due to an increase in high-cost prescriptions, including COVID-19 treatments. The number of prescriptions also increased, reflecting the easing of restrictions on outpatient visits after COVID-19 was downgraded to a category-5 infectious disease and an early seasonal rise in influenza infections, as well as an increase in

service levels related to improvements in the capabilities of primary care pharmacists and pharmacies and reduced waiting times.

During the period under review, the Group opened 15 new dispensing pharmacies, including those acquired through M&A deals, closed five, and sold two, resulting in a total of 1,217.

(Cosmetic and drug store business)

In the cosmetic and drug store business, customer numbers were firm amid a recovery in mobility for both domestic shoppers and overseas visitors. There was also a change in customer buying habits from infection control products to cosmetics, one of the Company's strengths, lifting the average sales price.

The profit margin also improved due to a drop in selling, general and administrative expenses. The Group will continue to closely monitor buying trends, reinforce the merchandise lineup and create attractive retail displays.

During the period under review, the Group opened two stores and closed two, resulting in a total of 78 cosmetic and drug stores.

(2) Consolidated financial position

The balance of total assets at the end of the second quarter increased by ¥11,171 million from the end of the previous fiscal year to ¥242,922 million. This mainly reflected an increase in merchandise due to a rise in inventories of COVID-19 treatments, and an increase in buildings and structures due to the opening of stores.

The balance of liabilities increased ¥7,873 million to ¥113,078 million. The main factors were increases for accounts payable.

The balance of short-term and long-term debt decreased by ¥2,051 million to ¥6,640 million, primarily reflecting the repayment of loans payable.

Total net assets increased by ¥3,298 million to ¥129,844 million and the shareholders' equity ratio decreased 1.2 percentage points to 53.4%.

(Cash flows)

In the first six months of the fiscal year, cash and cash equivalents increased by ¥4,063 million from the previous fiscal year end to ¥50,280 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 ¥14,094 million, compared with ¥8,456 million provided in the same period a year earlier. The main cash inflows were profit before income taxes of ¥9,427 million, depreciation of ¥2,929 million, amortization of goodwill of ¥2,177 million and increase in trade payables of ¥7,759 million. The main cash outflows were increase in inventories of ¥3,232 million, increase in accounts receivable – other of ¥3,557 million and income taxes paid of ¥3,316 million.

Net cash used in investing activities amounted to ¥5,793 million, compared with ¥18,617 million used in the same period a year earlier. The main cash outflow was ¥5,320 million for purchases of property, plant and equipment and intangible assets.

Net cash used in financing activities totaled ¥4,237 million, compared with ¥5,793 million used in the same period a year earlier. The main cash outflows were net repayment of ¥2,121 million from short-term and long-term borrowings repayment and proceeds, and ¥2,107 million for cash dividends paid.

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

The Group has revised its consolidated financial forecasts for the fiscal year ending April 30, 2024, which were announced on June 2, 2023. For more details, please refer to today's release (December 6, 2023), "Notice on the Differences Between Consolidated Financial Forecasts and Results for the First Six Months of the Fiscal Year and Revisions to Full-Year Consolidated Financial Forecasts."

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended April 30, 2023 (As of April 30, 2023)	Six months ended October 31, 2023 (As of October 31, 2023)
Assets		
Current assets		
Cash and deposits	46,796	50,518
Accounts receivable - trade	13,249	13,643
Merchandise	21,299	24,567
Supplies	286	288
Short-term loans receivable	355	233
Accounts receivable - other	11,969	15,554
Other	4,348	3,410
Allowance for doubtful accounts	-	(1)
Total current assets	98,305	108,214
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,407	23,624
Land	10,602	10,313
Other, net	7,449	6,739
Total property, plant and equipment	39,459	40,677
Intangible assets		
Goodwill	46,443	44,634
Other	5,900	6,342
Total intangible assets	52,343	50,976
Investments and other assets		
Investment securities	2,720	2,900
Deferred tax assets	5,990	6,046
Leasehold and guarantee deposits	24,507	25,213
Other	8,735	9,176
Allowance for doubtful accounts	(312)	(281)
Total investments and other assets	41,641	43,054
Total non-current assets	133,444	134,708
Total assets	231,750	242,922

(Million yen)

	Fiscal year ended April 30, 2023 (As of April 30, 2023)	Six months ended October 31, 2023 (As of October 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	58,698	66,556
Short-term borrowings	3,670	3,643
Income taxes payable	3,328	4,223
Deposits received	18,232	19,441
Provision for bonuses	3,215	3,924
Provision for bonuses for directors	22	27
Contract liabilities	532	456
Other	5,284	4,444
Total current liabilities	92,986	102,718
Non-current liabilities		
Long-term borrowings	5,021	2,996
Retirement benefit liability	4,498	4,699
Other	2,697	2,662
Total non-current liabilities	12,218	10,359
Total liabilities	105,204	113,078
Net assets		
Shareholders' equity		
Share capital	21,894	21,894
Capital surplus	20,504	20,499
Retained earnings	85,963	89,113
Treasury shares	(2,000)	(1,983)
Total shareholders' equity	126,362	129,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	156
Remeasurements of defined benefit plans	95	79
Total accumulated other comprehensive income	87	236
Non-controlling interests	96	83
Total net assets	126,546	129,844
Total liabilities and net assets	231,750	242,922

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

(Million yen)

	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)
Net sales	171,204	193,727
Cost of sales	146,215	165,960
Gross profit	24,989	27,767
Selling, general and administrative expenses	18,202	19,017
Operating profit	6,786	8,749
Non-operating income		
Interest income	23	20
Dividend income	31	26
Commission income	10	5
Rental income from real estate	97	149
Outsourcing service income	106	117
Subsidy income	96	192
Other	320	248
Total non-operating income	686	761
Non-operating expenses		
Interest expenses	27	17
Loss on sale of receivables	48	55
Rental expenses on real estate	42	61
Other	68	37
Total non-operating expenses	187	172
Ordinary profit	7,285	9,338
Extraordinary income		
Gain on sales of non-current assets	2	357
Gain on sale of businesses	46	2
Surrender value of insurance policies	35	0
Other	1	3
Total extraordinary income	86	363
Extraordinary losses		
Loss on sale and retirement of non-current assets	118	106
Impairment losses	63	153
Other	23	13
Total extraordinary losses	204	274
Profit before income taxes	7,167	9,427
Income taxes	3,370	4,182
Profit	3,796	5,244
Loss attributable to non-controlling interests	(8)	(13)
Profit attributable to owners of parent	3,805	5,257

Quarterly consolidated statements of comprehensive income

(Million yen)

	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)
Profit	3,796	5,244
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	164
Remeasurements of defined benefit plans, net of tax	12	(15)
Total other comprehensive income (loss)	(26)	148
Comprehensive income	3,770	5,393
Comprehensive income attributable to owners of parent	3,778	5,406
Comprehensive income (loss) attributable to non-controlling interests	(8)	(13)

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)
Cash flows from operating activities		
Profit before income taxes	7,167	9,427
Depreciation	2,567	2,929
Share-based payment expenses	21	12
Amortization of goodwill	2,117	2,177
Impairment losses	63	153
Increase (decrease) in allowance for doubtful accounts	(9)	(0)
Increase (decrease) in contract liabilities	53	(76)
Increase (decrease) in retirement benefit liability	(609)	162
Loss (gain) on sale of businesses	(46)	(2)
Increase (decrease) in provision for bonuses	676	698
Increase (decrease) in provision for bonuses for directors	12	4
Interest and dividend income	(55)	(47)
Interest expenses	27	17
Loss (gain) on investments in investment partnerships	(34)	(28)
Gain on receipt of donated non-current assets	(27)	(2)
Loss (gain) on sale of investment securities	0	-
Loss (gain) on valuation of investment securities	-	6
Loss (gain) on sale and retirement of non-current assets	115	(250)
Decrease (increase) in trade receivables	1,694	(286)
Decrease (increase) in inventories	(4,890)	(3,232)
Decrease (increase) in other assets	1,025	918
Decrease (increase) in accounts receivable - other	(1,659)	(3,557)
Increase (decrease) in trade payables	5,255	7,759
Increase (decrease) in other liabilities	(584)	596
Subtotal	12,881	17,381
Interest and dividends received	61	47
Interest paid	(27)	(17)
Income taxes paid	(4,458)	(3,316)
Net cash provided by operating activities	8,456	14,094

(Million yen)

	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,313)	(3,856)
Proceeds from sale of property, plant and equipment	1,380	847
Purchase of investment securities	(397)	-
Proceeds from sale of investment securities	344	20
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14,602)	(295)
Payments for loans receivable	(110)	(0)
Proceeds from collection of loans receivable	274	138
Payments for investments in capital	(0)	-
Proceeds from divestments	0	0
Purchase of intangible assets	(1,367)	(1,463)
Proceeds from sale of intangible assets	0	0
Payments of leasehold and guarantee deposits	(444)	(1,261)
Proceeds from refund of leasehold and guarantee deposits	586	564
Decrease (increase) in investments and other assets	(123)	(883)
Proceeds from withdrawal of time deposits	362	402
Payments into time deposits	(206)	(6)
Net cash used in investing activities	(18,617)	(5,793)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(123)	-
Proceeds from long-term borrowings	10	-
Repayments of long-term borrowings	(3,492)	(2,121)
Redemption of bonds	(240)	-
Repayments of lease liabilities	(16)	(8)
Dividends paid	(1,932)	(2,107)
Net cash used in financing activities	(5,793)	(4,237)
Net increase (decrease) in cash and cash equivalents	(15,955)	4,063
Cash and cash equivalents at beginning of the period	59,470	46,217
Cash and cash equivalents at end of the period	43,514	50,280

(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)

There are no applicable matters to be reported.

(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.

(Business combinations, etc.)

(Significant revision of initial allocation of acquisition costs in comparative information)

In the first quarter of the previous fiscal year, provisional accounting treatment was applied for the Company's business combination with Pharmacy Holdings Co. Ltd. on May 23, 2022, and the provisional accounting treatment was finalized in the third quarter.

Comparative information in the quarterly consolidated financial statements for the second quarter of the current fiscal year reflects significant revisions to the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment. As a result, goodwill of ¥12,921 million under the provisional accounting treatment increased by ¥104 million to ¥13,026 million under the finalized accounting treatment. The rise in goodwill reflects an increase of ¥54 million in deferred tax assets under investments and other assets and an increase of ¥159 million in retirement benefit liability under non-current liabilities.

The impact of this change on the consolidated financial statements for the second quarter of the previous fiscal year is immaterial.

Pharmacy Holdings Co. Ltd. was dissolved on December 1, 2022 after it was merged into its wholly owned subsidiary PHARMACY Co. Ltd. (Fukuyama City, Hiroshima Prefecture), the surviving company.

(Segment information, etc.)

I Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)

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	153,248	12,205	5,750	171,204	-	171,204
(2) Intersegment sales	-	-	31	31	(31)	-
Total sales	153,248	12,205	5,781	171,235	(31)	171,204
Segment profit (loss)	10,771	349	(18)	11,101	(3,816)	7,285

Notes: 1. The adjustment of ¥(3,816) million to segment profit (loss) includes ¥4,419 million in corporate expenses, ¥(589) million in (income) loss that are not allocated to reportable segments, and ¥(13) 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.

3. In the third quarter of the previous fiscal year, the Company finalized provisional accounting treatment related to a business combination. Results for the second quarter of the previous fiscal year reflect the finalized figures.

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]

In the dispensing pharmacy business segment, Pharmacy Holdings Co. Ltd. and its subsidiaries were included in the scope of consolidation from the first quarter of the previous fiscal year following the acquisition of all shares in Pharmacy Holdings Co. Ltd. As a result, goodwill increased by ¥13,026 million.

Effective December 1, 2022, the company was dissolved following a merger with its wholly owned subsidiary PHARMACY Co. Ltd. (Fukuyama City, Hiroshima Prefecture), the surviving company. The increase in goodwill is the amount reflected after the finalization of provisional accounting treatment, as described in "Notes on quarterly consolidated financial statements, (Business combinations, etc.)," "Significant revision of initial allocation of acquisition costs in comparative information."

II Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)

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	173,234	14,832	5,660	193,727	-	193,727
(2) Intersegment sales	-	-	24	24	(24)	-
Total sales	173,234	14,832	5,685	193,752	(24)	193,727
Segment profit (loss)	12,492	1,318	(49)	13,761	(4,422)	9,338

Notes: 1. The adjustment of ¥(4,422) million to segment profit (loss) includes ¥5,051 million in corporate expenses, ¥(606) million in (income) loss that are not allocated to reportable segments, and ¥(22) 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.