



Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023 [Japanese GAAP]

December 14, 2022

Company name:	TOKAI Holdings Corporation	Stock listing:	Tokyo Stock Exchange
Stock code:	3167	URL:	https://www.tokaiholdings.co.jp/english/
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Scheduled date of filing quarterly report:	December 15, 2022		
Scheduled date of dividend payment:	November 30, 2022		
Supplementary materials on quarterly financial results:	Yes		
Quarterly financial results briefing:	No		

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six-months Ended September 30, 2022

(April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six-months Ended September 30, 2022	104,110	8.4	4,523	-18.6	2,432	-54.0	147	-93.5
Six-months ended September 30, 2021	96,060	6.9	5,223	-4.2	5,284	-3.9	2,281	-30.4

(Note) Comprehensive income: 1,117 million yen in the Six-months Ended September 30, 2022 (-65.6%)
3,247 million yen in the Six-months ended September 30, 2021 (-38.2%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Six-months Ended September 30, 2022	1.13	-
Six-months ended September 30, 2021	17.42	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Six-months Ended September 30, 2022	180,807	77,859	42.1
Year ended March 31, 2022	184,473	78,946	41.9

(Reference) Equity: 76,051 million yen for the Six-months Ended September 30, 2022
77,234 million yen for the year ended March 31, 2022

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	15.00	—	17.00	32.00
Year ending March 31, 2023	—	16.00			
Year ending March 31, 2023 (Forecast)			—	16.00	32.00

(Note) Revisions to most recently announced dividend forecasts: No

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

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2023	223,000	5.8	14,500	-8.2	14,300	-10.1	8,300	-7.5	63.43

(Note) Revisions to most recently announced earnings forecasts: No

*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies accompanying revisions in accounting standards, etc. : Yes

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

3) Changes in accounting estimates : No

4) Restatements : No

(Note) For details, please refer to the attached document page. 10 Please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)".

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q2 FY3/2023	139,679,977 shares	FY3/2022	139,679,977 shares
Q2 FY3/2023	8,785,431 shares	FY3/2022	8,819,780 shares
Q2 FY3/2023	130,871,825 shares	Q2 FY3/2022	130,975,162 shares

2) Number of shares of treasury stock at the end of each period:

3) Average number of shares during the period (cumulative):

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(462,100 stocks at Q2 FY3/2023, 496,900 stocks at FY3/2022)

In addition, the treasury stock to be deducted in the calculation of the average number of shares during the period includes the Company's stock held by the Board Benefit Trust (BBT) (485,109 stocks at Q2 FY3/2023, 382,694 stocks at Q2 FY3/2022).

* Quarterly financial results not covered by quarterly review

* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

Contents

- 1. Qualitative Information on Financial Results for the Period Under Review
 - (1) Explanation of Consolidated Operating Results2
 - (2) Explanation of Consolidated Financial Position.....3
 - (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information.....4
- 2. Quarterly Consolidated Financial Statements and Notes
 - (1) Quarterly Consolidated Balance Sheets.....5
 - (2) Quarterly Consolidated Statement of Income, Consolidated Statements of Comprehensive Income
7
 - (3) Quarterly Consolidated Statements of Cash Flows9
 - (4) Notes on Quarterly Consolidated Financial Statements 10
 - (Notes on Going Concern Assumptions)..... 10
 - (Notes on Significant Changes in Shareholders' Equity)..... 10
 - (Changes in Accounting Policies) 10
 - (Additional information)..... 10
 - (Segment Information) 11

1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of Consolidated Operating Results

During the first six months of the fiscal year ending March 31, 2023, the Japanese economy was affected by the depreciation of the yen amid the growing gap in interest rates between Japan and the United States, as well as by the situation in Ukraine. Soaring energy prices had an additional impact. Amid speculation about additional interest rate hikes in the United States and in Europe, there is concern about the continued devaluation of the Japanese currency. It will be necessary to closely watch the situation in Japan and around the world.

The ongoing fiscal year is the second fiscal year under the Medium-Term Management Plan for the period until the fiscal year ending March 31, 2025. During the first six months of the fiscal year under review, the Group continued its concerted efforts to accelerate the expansion of business areas and digital marketing, to create open innovation, to step up its digital transformation (DX) strategy, to optimally allocate management resources, and to strengthen its SDG initiatives.

Consequently, the Group posted a 49,000 rise in the number of continuing customers, to 3,242,000 for the first six months of the fiscal year under review (whereas the number grew 26,000 in the same period a year earlier). The number of TLC Membership Service members increased 36,000 to 1,123,000 (whereas it rose 44,000 for the same period a year earlier). In June, the Group acquired shares of Wood Recycle Co., Ltd. (Gero City, Gifu Prefecture), a company engaging in industrial waste treatment and manufacturing of woodchips, and made it a consolidated subsidiary. In September, the Group concluded agreements for acquiring shares of J-support Co., Ltd. (Chuo-ku, Fukuoka City) and Okinawa Cable Network Inc. (Naha City, Okinawa Prefecture). The Group thus made positive achievements in expansion of its business base.

Under these circumstances, for the first six months ended September 30, 2022, the Group posted net sales of 104,110 million yen (up 8.4% year on year). However, given rises in gas purchase costs and in expenses for gaining customers, operating profit was down 18.6% year on year to 4,253 million yen. Ordinary profit stood at 2,432 million yen, down 54.0% year on year, after posting investment losses including impairment losses associated with the goodwill of an affiliate in Vietnam. Profit attributable to owners of parent was 147 million yen, down 93.5% year on year, resulting chiefly from the posting of a loss on valuation of investment securities.

Performance by segment is indicated below.

(Energy)

In the LP gas business, the number of customers increased 16,000 from the end of the previous fiscal year, to 731,000, reflecting sustained Group efforts to attract customers. Net sales stood at 35,946 million yen (up 17.0% year on year), chiefly due to a rise in selling prices linked to purchase prices in the industrial gas business.

In the city gas business, the number of customers grew 3,000 from the end of the previous fiscal year, to 72,000. Net sales reached 8,106 million yen (up 49.0%), due to the effects of the gas rate adjustment system.

In this overall segment, net sales came to 44,053 million yen, up 21.9% year on year. However, the segment posted an operating loss of 216 million yen (compared with an operating profit of 635 million yen for the same period a year earlier), due mainly to a hike in the cost of gas.

(Construction, Equipment, and Real Estate)

In the Construction, Equipment and Real Estate business, net sales stood at 11,486 million yen, down 7.1% year on year, and operating profit at 227 million yen, down 33.3% year on year. These results are attributable to decreases in large facilities projects and in projects for the construction of new stores and other facilities.

(CATV)

In the CATV business, the Group focused on providing local information and the production of programs as a community-based service provider. The Group collaborated with major video distributors and made other efforts to enhance content. The Group continued steady sales activities based on actual conditions in each business area. The broadcasting services customer count rose to 894,000, an increase of 6,000 from the end of the previous fiscal year. The communications services customer count increased to

354,000, a rise of 10,000 from the end of the previous fiscal year.

Net sales in this segment stood at 16,574 million yen (up 3.1%), and operating profit came to 2,724 million yen (up 3.6%).

(Information and Communications)

In the business for consumers, the Group worked to acquire customers in an effort to achieve a net increase in customers. For example, it worked to gain customers in collaboration with major telecommunications carriers in the ISP business. In the mobile business, the Group broadened its service lineup and introduced package plans with fixed lines. These actions consequently achieved a net increase in the number of broadband customers, which surged 9,000 from the end of the previous fiscal year to 663,000. LIMBO customers increased by 7,000 to 62,000. However, a decrease in ARPU resulted in net sales of 12,026 million yen, down 1.8% year on year.

In the business for corporate clients, net sales came to 14,052 million yen, up 7.6% year on year, mainly reflecting steady growth in cloud services and an increase in the contract development projects.

Net sales in this segment thus stood at 26,078 million yen, up 3.1% year on year. Operating profit came to 1,609 million yen, down 6.7% year on year, reflecting an increase in expense for gaining broadband customers.

(Aqua)

In the Aqua (bottled drinking water delivery) business, the number of customers increased 2,000 from the end of the previous fiscal year to 167,000. That resulted from sales activities in events at large retail facilities and others as well as non-face-to-face sales activities such as efforts to win contracts online and telemarketing.

Net sales in this segment were 3,838 million yen, down 1.9% year on year, chiefly following a decline in consumption per household. However, as a result of cutting expenses for gaining customers, operating profit reached 80 million yen, up 146.2% year on year.

(Others)

Net sales in the nursing care business stood at 694 million yen (up 5.5%), reflecting an increase in the number of users. Net sales in the shipbuilding business came to 581 million yen (down 32.0%), due to a decrease in the number of ships that the Group repaired. In the bridal events business, net sales reached 398 million yen (up 41.2%), following a recovery in weddings and receptions.

In this segment, net sales stood at 2,077 million yen (down 7.6%) and operating profit at 23 million yen (while operating loss of 114 million was posted for the same period in the previous fiscal year).

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Total assets at the end of the first six months under review stood at 180,807 million yen, a decrease of 3,666 million yen from the end of the previous fiscal year. This slide was attributable primarily to a decrease of 5,024 million yen in notes and accounts receivable - trade and contract assets, a decrease of 608 million yen in cash and deposits, and a decrease of 483 million yen in *other* in current assets following a decline in short-term loans receivable and others, which were partially offset by an increase of 1,735 million yen in merchandise and finished goods and a rise of 799 million yen in work in process.

Total liabilities came to 102,948 million yen, a decrease of 2,579 million yen from the end of the previous fiscal year. This was due to a fall of 2,309 million yen in notes and accounts payable-trade due to seasonal and other factors and a decline of 2,693 million yen in *other* in current assets chiefly due to a decrease in deposits received, which were partially offset by an increase of 2,451 million yen in short-term borrowings.

Total net assets were 77,859 million yen, a decrease of 1,086 million yen from the end of the previous fiscal year. This resulted mainly from dividend of surplus of 2,233 million yen, which was partly offset by an increase of 523 million yen in foreign currency translation adjustment, a rise of 516 million yen in valuation difference on available-for-sale securities and posting of 147 million yen in profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents ("cash") as of September 30, 2022 were 3,838 million yen, a decrease of 608 million yen from the end of the previous fiscal year.

Cash flows in the first six months under review and major contributing factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 7,956 million yen (3,425 million yen less year on year). The cash inflows were attributable primarily to profit before income taxes, a decrease in trade receivables and depreciation as a non-cash account title, which were partially offset by income taxes paid, a decrease in trade payables, growth in inventories among other cash outflows.

(Cash flows from investing activities)

Net cash used in investing activities 6,861 million yen (2,135 million yen higher year on year). The cash outflows were attributable primarily to purchases of property, plant and equipment and intangible assets and to expenses for acquisition of securities.

(Cash flows from financing activities)

Net cash used in financing activities was 1,709 million yen (28 million yen less year on year). Loans payable and other cash inflows were more than offset by cash outflows, including repayment of loans payable, repayments of lease obligations and payment of cash dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

Results in the first six months of the fiscal year under review were roughly as forecast. The earnings forecasts for the fiscal year ending March 31, 2023 announced on May 10, 2022 remain unchanged.

The earnings forecasts are based on information available at the time of publication. Actual results may differ from the forecasts due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal Year Ended March 31, 2022	Six Months Ended September 30, 2022
Assets		
Current assets		
Cash and deposits	4,743	4,135
Notes and accounts receivable - trade, and contract assets	28,566	23,542
Merchandise and finished goods	4,030	5,765
Work in process	740	1,540
Raw materials and supplies	1,376	1,318
Other	8,072	7,589
Allowance for doubtful accounts	-431	-436
Total current assets	47,098	43,454
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,500	35,087
Machinery, equipment and vehicles, net	24,832	24,490
Land	24,911	24,842
Other, net	20,771	22,170
Total property, plant and equipment	106,017	106,591
Intangible assets		
Goodwill	6,040	5,873
Other	4,953	4,758
Total intangible assets	10,993	10,631
Investments and other assets		
Net defined benefit asset	3,769	3,802
Other	16,806	16,618
Allowance for doubtful accounts	-211	-290
Total investments and other assets	20,364	20,129
Total non-current assets	137,375	137,353
Total assets	184,473	180,807

(Millions of yen)

	Fiscal Year Ended March 31, 2022	Six Months Ended September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,668	16,358
Short-term borrowings	14,411	16,863
Income taxes payable	2,819	1,878
Other provisions	1,762	1,783
Other	20,160	17,466
Total current liabilities	57,822	54,351
Non-current liabilities		
Long-term borrowings	29,736	30,246
Other provisions	368	337
Retirement benefit liability	1,038	1,096
Other	16,561	16,915
Total non-current liabilities	47,704	48,596
Total liabilities	105,527	102,948
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,552	25,566
Retained earnings	36,395	34,310
Treasury stock	-2,332	-2,323
Total shareholders' equity	73,615	71,553
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	605	1,121
Foreign currency translation adjustment	369	893
Remeasurements of defined benefit plans	2,643	2,482
Total accumulated other comprehensive income	3,619	4,497
Share acquisition rights	9	22
Non-controlling interests	1,702	1,785
Total net assets	78,946	77,859
Total liabilities and net assets	184,473	180,807

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Six-months Ended September 30, 2022)

	(Millions of yen)	
	Six Months Ended June 30, 2021 (April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Sales	96,060	104,110
Cost of sales	57,321	64,874
Gross profit	38,739	39,236
Selling, general and administrative expenses	33,516	34,982
Operating profit	5,223	4,253
Non-operating profit		
Interest income	3	10
Dividend income	162	122
Commission fee	16	14
Other	165	192
Total non-operating profit	347	339
Non-operating expenses		
Interest expenses	135	132
Share of loss of entities accounted for using equity method	107	1,963
Other	43	64
Total non-operating expenses	286	2,160
Recurring profit	5,284	2,432
Extraordinary income		
Gain on sales of non-current assets	3	27
Gain on receipt of donated non-current assets	96	—
Gain on sale of investment securities	80	64
Transmission line equipment subsidy	26	3
Subsidy income	—	3
Total extraordinary income	207	156
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	382	401
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	314
Anniversary business expenses	208	—
Other	498	—
Total extraordinary losses	1,089	716
Quarterly net income before income taxes	4,402	1,873
Income taxes (current)	1,887	1,614
Income taxes (deferred)	151	22
Total income taxes	2,038	1,637
Quarterly net income	2,364	236
Quarterly net income attributable to non-controlling interests	82	88
Quarterly net income attributable to owners of the parent	2,281	147

(Consolidated Statements of Comprehensive Income)
(Six-months Ended September 30, 2022)

	(Millions of yen)	
	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Quarterly net income	2,364	236
Other comprehensive income		
Valuation difference on available-for-sale securities	-47	516
Deferred gains (losses) on hedges	668	—
Foreign currency translation adjustment	-5	-2
Remeasurements of defined benefit plans, net of tax	213	-161
Share of other comprehensive income of entities accounted for using equity method	55	529
Total other comprehensive income	882	881
Quarterly comprehensive income	3,247	1,117
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	3,164	1,025
Quarterly comprehensive income attributable to non- controlling interests	82	91

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended June 30, 2021 (April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Quarterly net income before income taxes	4,402	1,873
Depreciation	7,458	7,498
Amortization of goodwill	511	489
Increase (decrease) in net defined benefit asset and liability	-110	-204
Interest and dividend income	-165	-132
Loss (gain) on sales of investment securities	-80	-64
Interest expenses	135	132
	-3	-27
Loss (gain) on sales of non-current assets	107	1,963
Loss (gain) on valuation of investment securities	—	314
Loss on retirement of non-current assets	382	401
Decrease (increase) in trade receivables	5,470	5,625
Decrease (increase) in inventories	-13	-2,471
Increase (decrease) in trade payables	-2,115	-2,310
Increase (decrease) in deposits received	-318	-1,125
Other	-1,092	-867
Subtotal	14,568	11,094
Income taxes paid	-3,185	-3,137
Net cash provided by (used in) operating activities	11,382	7,956
Cash flows from investing activities		
Interest and dividend income received	191	172
Purchase of securities	-58	-1,150
Proceeds from sales of securities	207	95
Purchase of tangible and intangible assets	-7,006	-6,699
Proceeds from sales of tangible and intangible assets	171	251
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-2,664	-86
Loan advances	-571	—
Proceeds from collection of loans receivable	9	601
Other	723	-45
Net cash provided by (used in) investing activities	-8,997	-6,861
Cash flows from financing activities		
Interest expenses paid	-140	-135
Net increase (decrease) in short-term loans payable	1,620	2,300
Repayments of lease obligations	-2,103	-2,294
Proceeds from long-term loans payable	6,100	5,950
Repayment of long-term loans payable	-4,997	-5,288
Redemption of bonds	-49	—
Payments for acquisition of treasury stock	-0	-0
Cash dividends paid	-2,100	-2,231
Other	-8	-8
Net cash provided by (used in) financing activities	-1,680	-1,709
Effect of exchange rate change on cash and cash equivalents	-2	5
Net increase (decrease) in cash and cash equivalents	701	-608
Cash and cash equivalents at beginning of period	5,136	4,447
Cash and cash equivalents at end of period	5,837	3,838

(4) Notes on Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumptions)
Not applicable

(Notes on Significant Changes in Shareholders' Equity)
Not applicable

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Calculation of Fair Value)

The Company has applied the "Implementation Guidance on Accounting Standard for Calculation of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standard for Market Value Calculation") from the beginning of the first quarter of the current fiscal year, and decided to apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Market Value Calculation in accordance with the transitional treatment stipulated in Article 27-2 of the Implementation Guidance on Accounting Standard for Market Value Calculation in the future. The application of this accounting standard will have no impact on quarterly consolidated financial statements.

(Additional Information)

(Inappropriate use of expenses by former President and CEO)

The Company launched a special investigation committee including an outside lawyer and an outside certified public accountant in September 2022 to begin an investigation in connection with its former President and CEO's inappropriate use of expenses. After it was anticipated that it would take a considerable length of time to uncover the facts, the Company judged that it would be difficult to submit the financial report for the second quarter of the fiscal year ending March 31, 2023 not later than the statutory due date, and submitted an application for approval to reset the deadline for the report to December 15, 2022. Approval was obtained on November 14, 2022.

With regard to the investigation, the Company received an investigation report from the Special Investigation Committee on December 14, 2022. It found an inappropriate use of expenses with which relation with the Group's business could not be confirmed. Given that the impact of this inappropriate use of expenses on the consolidated and nonconsolidated financial statements is insignificant, the Company has decided not to revise the consolidated and nonconsolidated financial statements for past fiscal years and for the first quarter of the fiscal year ending March 31, 2023.

For the first six months of the fiscal year under review, an estimated amount of income taxes concerned with the incident was posted in a lump sum. However, the impact is insignificant.

(Segment Information, etc.)

[Segment Information]

I. Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statement of income ³
	Energy	Construction, Equipment, and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Net sales										
Sales to external customers	36,153	12,361	16,081	25,302	3,913	93,812	2,248	96,060	—	96,060
Intra-segment sales and transfer	101	966	264	2,144	104	3,582	52	3,634	-3,634	—
Subtotal	36,254	13,327	16,346	27,447	4,018	97,395	2,300	99,695	-3,634	96,060
Segment profit (loss)	635	341	2,628	1,726	32	5,364	-114	5,249	-26	5,223

(Notes) 1. The “Others” category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment profit (loss) are eliminations due to intra-segment transactions.

3. Segment profit (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statement of income ³
	Energy	Construction, Equipment, and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Net sales										
Sales to external customers	44,053	11,486	16,574	26,078	3,838	102,033	2,077	104,110	—	104,110
Intra-segment sales and transfer	98	479	245	2,038	125	2,987	177	3,165	-3,165	—
Subtotal	44,152	11,966	16,820	28,117	3,964	105,021	2,254	107,276	-3,165	104,110
Segment profit (loss)	-216	227	2,724	1,609	80	4,425	23	4,449	-195	4,253

(Notes) 1. The “Others” category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment profit (loss) are eliminations due to intra-segment transactions.

3. Segment profit (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.