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July 28, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under Japanese GAAP)



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 Listing: Tokyo Stock Exchange
 Securities code: 9384
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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: September 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | | | |
| June 30, 2023 | 16,231 | (31.1) | 2,271 | (27.6) | 2,443 | (26.9) | 1,646 | (27.4) |
| June 30, 2022 | 23,552 | 53.2 | 3,139 | 88.8 | 3,343 | 92.9 | 2,269 | 95.6 |

Note: Comprehensive income For the six months ended June 30, 2023: ¥2,461 million [(22.3)%]
 For the six months ended June 30, 2022: ¥3,167 million [111.9%]

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| June 30, 2023 | 168.97 | — |
| June 30, 2022 | 233.00 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2023 | 23,037 | 19,377 | 80.3 |
| December 31, 2022 | 22,133 | 17,510 | 75.2 |

Reference: Equity
 As of June 30, 2023: ¥18,504 million
 As of December 31, 2022: ¥16,643 million

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2022 | — | 30.00 | — | 55.00 | 85.00 |
| Fiscal year ending December 31, 2023 | — | 40.00 | | | |
| Fiscal year ending December 31, 2023 (Forecast) | | | — | 45.00 | 85.00 |

Note: Revisions to the most recently announced dividend forecasts: None

3. Consolidated financial result forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 42,700 | (9.8) | 5,700 | (14.7) | 5,860 | (14.8) | 4,030 | (13.4) | 413.71 |

Note: Revisions to the most recently announced financial result forecasts: None

Financial results forecasts for the fiscal year ending December 31, 2023 announced on February 10, 2023 are under review. Should any fact that requires disclosure arise, the Company will promptly disclose it.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Application of accounting method specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of June 30, 2023 | 10,698,000 shares |
| As of December 31, 2022 | 10,698,000 shares |

- (ii) Number of treasury shares at the end of the period

| | |
|-------------------------|----------------|
| As of June 30, 2023 | 946,747 shares |
| As of December 31, 2022 | 953,847 shares |

- (iii) Average number of shares outstanding during the period

| | |
|--------------------------------|------------------|
| Six months ended June 30, 2023 | 9,746,381 shares |
| Six months ended June 30, 2022 | 9,738,624 shares |

Note: The Company's shares held by Custody Bank of Japan, Ltd. as trust assets of the Employee Stock Ownership Plan (J-ESOP) are included in the number of treasury shares to be deducted in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

The forward-looking statements, such as earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly depending on a variety of factors in the future.

The Company plans to hold a financial results briefing on August 8, 2023. The financial results briefing materials to be distributed at this briefing will be promptly posted on the Company's website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023), the Japanese economy has been seeing a gradual recovery in economic activity owing to easing of behavioral restrictions due to the COVID-19 epidemic. On the other hand, global inflation has caused rising prices that are affecting daily living, and the outlook remains uncertain.

In terms of the current situation of marine transport, freight rates, which had soared until last year, have continued to fall due to the normalization of the supply-demand balance of container space.

Under such circumstances, the Group's financial results were lower than the previous year, due to falling freight rates and a decrease in the volume of freight handled.

Consequently, for the six months ended June 30, 2023, the Company posted net sales of ¥16,231 million (down 31.1% year on year), operating profit of ¥2,271 million (down 27.6% year on year), ordinary profit of ¥2,443 million (down 26.9% year on year), and profit attributable to owners of parent of ¥1,646 million (down 27.4% year on year), showing a year-on-year decrease in net sales and profit.

Operating results by segment are as follows.

1) Japan

Export consolidation cargo services are the mainstay of the international freight transportation business in Japan. In the six months ended June 30, 2023, net sales and profit on a non-consolidated basis decreased, reflecting a fall in freight rates and a decrease in the volume of freight handled.

Among domestic subsidiaries, UCI Airfreight Japan, Inc. posted lower net sales and profit due to a reduction in demand for mainstay air transportation. Meanwhile, Flying Fish Inc. recorded lower net sales due to lower transaction volume and other factors in food imports, its specialty, as a result of inventory adjustments and as the stay-at-home demand that lasted until last year calmed down, but achieved higher profit as a result of efforts to secure profit.

As a result, net sales of the Japan segment decreased by ¥5,851 million (33.5%) year on year to ¥11,596 million, and segment profit (operating profit) also decreased by ¥618 million (27.7%) year on year to ¥1,613 million.

2) Overseas

The Group has 11 consolidated subsidiaries in Asia and the United States. At these overseas subsidiaries, the majority of net sales come from the handling of freight from Japan. In recent years, however, the Group has also been enhancing and promoting services that are not relating to freight from and to Japan.

During the six months ended June 30, 2023, both net sales and profit decreased due to lower freight rates and a decrease in consolidation cargo from Japan.

As a result, net sales of the Overseas segment decreased by ¥1,469 million (24.1%) year on year to ¥4,634 million, and segment profit (operating profit) also decreased by ¥249 million (27.4%) year on year to ¥660 million.

(2) Explanation of Financial Position

Total assets at the end of the six months ended June 30, 2023 amounted to ¥23,037 million (up ¥903 million from the end of the previous fiscal year). The main reason for the change is an increase of ¥2,157 million in buildings and structures despite a decrease of ¥846 million in accounts receivable - trade.

Total liabilities amounted to ¥3,659 million (down ¥964 million from the end of the previous fiscal year). The main reasons for the change are decreases of ¥184 million in accounts payable - trade and ¥783 million in income taxes payable.

In addition, net assets amounted to ¥19,377 million (up ¥1,867 million from the end of the previous fiscal year). The main reasons for the change are increases of ¥1,109 million in retained earnings and ¥732 million in foreign currency translation adjustment.

Cash and cash equivalents at the end of the six months ended June 30, 2023 amounted to ¥13,625 million, down ¥668 million from the end of the previous fiscal year. The cash flows for the six months ended June 30, 2023 are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the six months ended June 30, 2023 was ¥1,411 million (¥2,349 million provided in the same period of the previous year). The main cash inflows include ¥2,450 million in profit before income taxes. The main cash outflows include ¥1,450 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the six months ended June 30, 2023 was ¥1,978 million (¥28 million used in the same period of the previous year). The main cash outflows include ¥1,995 million in purchase of property, plant and equipment. The main cash inflows include ¥59 million of proceeds from sale of investment securities.

(Cash Flows from Financing Activities)

Net cash used in financing activities in the six months ended June 30, 2023 was ¥695 million (¥339 million used in the same period of the previous year). The main cash outflows include ¥537 million in dividends paid and ¥70 million in repayments of lease liabilities.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As business conditions have worsened beyond expectations due to impacts from the sluggishness of container freight rates, the Group has revised its consolidated financial results forecast for net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the six months ended June 30, 2023 downward on June 15, 2023.

With regard to the full-year consolidated financial results forecast, the economic environment surrounding the Group remains uncertain despite the measures as set out in the Medium-term Management Plan being taken to improve results. Therefore, the full-year financial results forecast is currently under examination and we will promptly disclose the revised financial results forecast if it is judged that revisions become necessary in the future.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|--|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,294,693 | 13,625,822 |
| Accounts receivable - trade | 2,968,085 | 2,121,388 |
| Supplies | 6,244 | 7,442 |
| Other | 939,109 | 1,219,633 |
| Allowance for doubtful accounts | (13,482) | (13,327) |
| Total current assets | 18,194,649 | 16,960,959 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 3,248,103 | 5,501,176 |
| Accumulated depreciation | (743,161) | (838,651) |
| Buildings and structures, net | 2,504,942 | 4,662,524 |
| Machinery, equipment and vehicles | 222,735 | 232,030 |
| Accumulated depreciation | (152,713) | (161,943) |
| Machinery, equipment and vehicles, net | 70,021 | 70,086 |
| Land | 372,233 | 374,514 |
| Leased assets | 6,241 | 6,241 |
| Accumulated depreciation | (653) | (1,224) |
| Leased assets, net | 5,587 | 5,016 |
| Right of use assets | 516,032 | 545,932 |
| Accumulated depreciation | (280,735) | (358,388) |
| Right of use assets, net | 235,296 | 187,544 |
| Other | 463,313 | 503,978 |
| Accumulated depreciation | (343,095) | (377,740) |
| Other, net | 120,218 | 126,238 |
| Total property, plant and equipment | 3,308,300 | 5,425,924 |
| Intangible assets | | |
| Goodwill | 7,829 | 4,898 |
| Software | 43,359 | 41,187 |
| Other | 5,939 | 20,299 |
| Total intangible assets | 57,128 | 66,384 |
| Investments and other assets | | |
| Investment securities | 121,782 | 67,923 |
| Guarantee deposits | 303,986 | 315,887 |
| Long-term accounts receivable - other | 18,572 | 108,276 |
| Long-term deposits | 6,014 | 5,204 |
| Deferred tax assets | 114,219 | 131,793 |
| Other | 27,826 | 63,077 |
| Allowance for doubtful accounts | (18,572) | (108,276) |
| Total investments and other assets | 573,828 | 583,886 |
| Total non-current assets | 3,939,257 | 6,076,195 |
| Total assets | 22,133,907 | 23,037,155 |

(Thousands of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|--|-------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,534,228 | 1,349,320 |
| Lease liabilities | 144,756 | 135,600 |
| Accrued expenses | 268,112 | 220,336 |
| Income taxes payable | 1,418,302 | 634,506 |
| Provision for bonuses | 14,106 | 42,194 |
| Other | 416,216 | 356,351 |
| Total current liabilities | 3,795,723 | 2,738,311 |
| Non-current liabilities | | |
| Lease liabilities | 107,464 | 68,392 |
| Deferred tax liabilities | 151,044 | 242,249 |
| Provision for retirement benefits for directors (and other officers) | 4,024 | 5,074 |
| Provision for share awards | 55,324 | 67,657 |
| Retirement benefit liability | 448,490 | 474,834 |
| Other | 61,672 | 62,685 |
| Total non-current liabilities | 828,020 | 920,894 |
| Total liabilities | 4,623,744 | 3,659,205 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 243,937 | 243,937 |
| Capital surplus | 304,327 | 316,464 |
| Retained earnings | 16,216,106 | 17,325,293 |
| Treasury shares | (1,002,198) | (994,589) |
| Total shareholders' equity | 15,762,173 | 16,891,105 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16,607 | 15,748 |
| Foreign currency translation adjustment | 859,807 | 1,592,018 |
| Remeasurements of defined benefit plans | 5,337 | 5,838 |
| Total accumulated other comprehensive income | 881,752 | 1,613,604 |
| Non-controlling interests | 866,237 | 873,239 |
| Total net assets | 17,510,163 | 19,377,949 |
| Total liabilities and net assets | 22,133,907 | 23,037,155 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended June 30

(Thousands of yen)

| | For the six months ended June 30, 2022 | For the six months ended June 30, 2023 |
|--|---|---|
| Net sales | 23,552,320 | 16,231,186 |
| Cost of sales | 17,595,131 | 10,979,445 |
| Gross profit | 5,957,188 | 5,251,740 |
| Selling, general and administrative expenses | 2,818,054 | 2,980,063 |
| Operating profit | 3,139,134 | 2,271,677 |
| Non-operating income | | |
| Interest income | 11,776 | 55,260 |
| Foreign exchange gains | 168,888 | 93,107 |
| Rental income from real estate | 16,080 | 16,080 |
| Subsidy income | 4,607 | – |
| Recoveries of written off receivables | – | 13,498 |
| Other | 10,658 | 14,500 |
| Total non-operating income | 212,010 | 192,447 |
| Non-operating expenses | | |
| Interest expenses | 2,400 | 2,383 |
| Share issuance costs | – | 13,884 |
| Commission expenses | 3,753 | 3,639 |
| Other | 1,097 | 830 |
| Total non-operating expenses | 7,251 | 20,737 |
| Ordinary profit | 3,343,893 | 2,443,387 |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 7,080 |
| Total extraordinary income | – | 7,080 |
| Profit before income taxes | 3,343,893 | 2,450,467 |
| Income taxes - current | 971,299 | 685,140 |
| Income taxes - deferred | 47,238 | 77,508 |
| Total income taxes | 1,018,537 | 762,648 |
| Profit | 2,325,355 | 1,687,818 |
| Profit attributable to non-controlling interests | 56,234 | 40,939 |
| Profit attributable to owners of parent | 2,269,121 | 1,646,878 |

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended June 30

(Thousands of yen)

| | For the six months ended June 30, 2022 | For the six months ended June 30, 2023 |
|--|---|---|
| Profit | 2,325,355 | 1,687,818 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (6,610) | (859) |
| Foreign currency translation adjustment | 848,923 | 774,014 |
| Remeasurements of defined benefit plans, net of tax | 249 | 527 |
| Total other comprehensive income | 842,562 | 773,681 |
| Comprehensive income | 3,167,918 | 2,461,500 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,040,314 | 2,378,731 |
| Comprehensive income attributable to non-controlling interests | 127,604 | 82,769 |

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

| | For the six months ended June 30, 2022 | For the six months ended June 30, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,343,893 | 2,450,467 |
| Depreciation | 150,997 | 168,939 |
| Amortization of goodwill | 9,975 | 3,099 |
| Increase (decrease) in provision for bonuses | 23,429 | 24,979 |
| Increase (decrease) in retirement benefit liability | 16,714 | 19,055 |
| Increase (decrease) in allowance for doubtful accounts | (884) | 81,881 |
| Interest and dividend income | (13,241) | (56,034) |
| Interest expenses | 2,400 | 2,383 |
| Foreign exchange losses (gains) | (132,538) | (109,900) |
| Subsidy income | (4,607) | – |
| Recoveries of written off receivables | – | (13,498) |
| Loss (gain) on sale and retirement of non-current assets | (365) | (1,088) |
| Loss (gain) on sale of investment securities | – | (7,080) |
| Decrease (increase) in trade receivables | (493,493) | 928,188 |
| Decrease (increase) in inventories | (328) | (841) |
| Increase (decrease) in trade payables | 322,850 | (222,346) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 933 | 1,050 |
| Increase (decrease) in provision for share awards | 12,850 | 12,333 |
| Share issuance costs | – | 13,884 |
| Increase (decrease) in accrued expenses | (21,451) | (75,354) |
| Decrease (increase) in long term accounts receivable other | 836 | (82,680) |
| Decrease (increase) in other assets | (119,316) | (227,147) |
| Increase (decrease) in other liabilities | 76,589 | (101,837) |
| Subtotal | 3,175,244 | 2,808,452 |
| Interest and dividends received | 13,241 | 56,034 |
| Interest paid | (2,400) | (2,383) |
| Income taxes paid | (841,620) | (1,450,413) |
| Subsidies received | 4,607 | – |
| Net cash provided by (used in) operating activities | 2,349,072 | 1,411,689 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (22,786) | (1,995,548) |
| Proceeds from sale of property, plant and equipment | 1,483 | 1,426 |
| Purchase of intangible assets | (2,382) | (21,059) |
| Proceeds from sale of investment securities | – | 59,700 |
| Proceeds from recoveries of written off receivables | – | 13,498 |
| Payments of guarantee deposits | (11,458) | (8,891) |
| Proceeds from refund of guarantee deposits | 6,585 | 5,084 |
| Other, net | (3) | (32,244) |
| Net cash provided by (used in) investing activities | (28,562) | (1,978,034) |
| Cash flows from financing activities | | |
| Payments for issuance of shares | – | (13,884) |
| Repayments of lease liabilities | (63,506) | (70,245) |
| Dividends paid | (273,442) | (537,684) |
| Dividends paid to non-controlling interests | (2,301) | (8,417) |
| Proceeds from disposal of treasury shares | 176 | – |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | – | (65,117) |
| Net cash provided by (used in) financing activities | (339,073) | (695,349) |
| Effect of exchange rate change on cash and cash equivalents | 643,163 | 592,823 |
| Net increase (decrease) in cash and cash equivalents | 2,624,599 | (668,870) |
| Cash and cash equivalents at beginning of period | 8,678,028 | 14,294,693 |
| Cash and cash equivalents at end of period | 11,302,627 | 13,625,822 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(Segment information)

I. For the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

1. Information on net sales, profit or loss, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

| | Reportable segment | | | Adjustment (Note 1) | Amount recorded in consolidated financial statements (Note 2) |
|--|--------------------|-----------|------------|------------------------|--|
| | Japan | Overseas | Total | | |
| Net sales | | | | | |
| Revenue from contracts with customers | 17,447,415 | 6,104,905 | 23,552,320 | – | 23,552,320 |
| Net sales to outside customers | 17,447,415 | 6,104,905 | 23,552,320 | – | 23,552,320 |
| Inter-segment net sales or transfers | 606,910 | 1,429,834 | 2,036,744 | (2,036,744) | – |
| Total | 18,054,325 | 7,534,739 | 25,589,064 | (2,036,744) | 23,552,320 |
| Segment profit | 2,231,337 | 909,228 | 3,140,565 | (1,431) | 3,139,134 |

Notes: 1. The ¥(1,431) thousand adjustment to segment profit represents company-wide expenses not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss or non-current assets and goodwill by reportable segment

Not applicable.

II. For the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

1. Information on net sales, profit or loss, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

| | Reportable segment | | | Adjustment (Note 1) | Amount recorded in consolidated financial statements (Note 2) |
|--|--------------------|-----------|------------|------------------------|--|
| | Japan | Overseas | Total | | |
| Net sales | | | | | |
| Revenue from contracts with customers | 11,596,222 | 4,634,963 | 16,231,186 | – | 16,231,186 |
| Net sales to outside customers | 11,596,222 | 4,634,963 | 16,231,186 | – | 16,231,186 |
| Inter-segment net sales or transfers | 387,624 | 929,788 | 1,317,412 | (1,317,412) | – |
| Total | 11,983,846 | 5,564,752 | 17,548,599 | (1,317,412) | 16,231,186 |
| Segment profit | 1,613,163 | 660,010 | 2,273,173 | (1,495) | 2,271,677 |

Notes: 1. The ¥(1,495) thousand adjustment to segment profit represents company-wide expenses not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill by reportable segment

Not applicable.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “Notes (Segment information, etc.)”