

Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending December 31, 2020

August 7, 2020

Name of listed company: TOYO INK SC HOLDINGS CO., LTD.
Listings: Tokyo Stock Exchange
Code: 4634
URL: <https://schd.toyoinkgroup.com>
Representative: Satoru Takashima, President and Representative Director, Group COO
Contact: Hiroya Aoyama, Senior Managing Director, CFO TEL: +81-3-3272-5731
Scheduled date of submission of quarterly report: August 12, 2020
Scheduled date of commencement of dividend payment: September 1, 2020
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

1. Consolidated results for the first half of Fiscal Year 2020 ending December 31, 2020 (From January 1, 2,020 to June 30, 2020)

(1) Business results (cumulative totals) (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half, fiscal, 2020	123,290	-11.5	5,549	-9.2	4,933	-22.3	2,646	-4.5
First half, fiscal 2019	139,376	-1.1	6,111	-20.6	6,347	-15.0	2,770	-47.8

(Note) Comprehensive income:

First half, fiscal 2020 - 7,911 million yen (-%)

First half, fiscal 2019 - 1,030 million yen (-%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First half, fiscal 2020	45.31	45.23
First half, fiscal 2019	47.44	47.36

(2) Financial Position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First half, fiscal 2020	367,641	216,318	56.8
Fiscal 2019	376,130	226,892	58.3

(Note) Shareholders' equity:

First half, fiscal 2020: 208,937 million yen

Fiscal 2019: 219,439 million yen

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	45.00	—	45.00	90.00
Fiscal 2020	—	45.00			
Fiscal 2020 (Forecast)			—	45.00	90.00

(Note) Revision to dividend forecasts published most recently: No

3. Forecasts for the fiscal year ending December 2020 (From January 1, 2020 to December 31, 2020)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	260,000	-7.1	12,000	-8.9	11,500	-17.0	6,000	-29.5	102.72

(Note) Revision to consolidated business performance forecasts published most recently: Yes

* Notes

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: No
- Changes in accounting policies and changes or restatement of accounting estimates
- (i) Changes in accounting policies due to the modification of accounting methods: No
 - (ii) Changes in accounting policies other than (i): Yes
 - (iii) Changes in accounting estimates: No
 - (iv) Restatements: No
- (3) Number of shares issued (common shares)
- (i) Number of shares issued at the end of the terms (including treasury shares):
 - First half, fiscal 2020: 60,621,744 shares
 - Fiscal 2019: 60,621,744 shares
 - (ii) Numbers of treasury shares at the end of the terms:
 - First half, fiscal 2020: 2,206,853 shares
 - Fiscal 2019: 2,218,965 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 - First half, fiscal 2020: 58,407,998 shares
 - First half, fiscal 2019: 58,391,814 shares

*These quarterly financial results are not subject to quarterly audits by certified public accountants or audit corporations.

*Explanations about the proper use of financial forecasts and other important notes

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to “(3) Information on the consolidated earnings forecasts and other future forecasts ” of “1.Qualitative Information on Financial Results, etc.,for the First Half Ended June 30, 2020” on page 3 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on August 7, 2020 (Friday).
3. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company’s website after the close of the briefing.
 - August 18, 2020 (Tuesday): Briefing for institutional investors and security analysts.

Accompanying Materials – Contents

1. Qualitative Information on Financial Results, etc. for the First Half Ended June 30, 2020	2
(1) Details of operating results	2
(2) Details of financial position.....	3
(3) Information on the consolidated earnings forecasts and other future forecasts	3
2. Consolidated Financial Statements and Primary Notes.....	4
(1) Consolidated balance sheet.....	4
(2) Consolidated statements of income and consolidated statements of comprehensive income	6
(3) Consolidated statements of cash flows	8
(4) Notes to consolidated quarterly financial statements.....	9
(Notes on assumption of going business).....	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Changes in accounting policies).....	9
(Additional Information)	9
(Segment information, etc.)	10

1. Qualitative Information on Financial Results, etc., for the First Half Ended June 30, 2020

(1) Details of operating results

During the first half of the fiscal year under review, the situation surrounding the global economy became extremely serious, as it suffered from a sharp deterioration in consumer spending and corporate activities due to the prolonged spread of the COVID-19 coronavirus.

The Group has steadily promoted its policies of “strengthening internal and external collaboration in business to actively expand and creating steady results through focused investment,” “reducing costs through integrated production, sales and technology and steadily implementing business and regional structural reforms through profit creation,” and “boldly change to respond to repeated challenges to business reform.” However, the situation remained extremely challenging, given the occurrence of problems in raw materials procurement and production activities, in addition to sluggish sales growth due to worldwide stagnation in consumption activities.

As a result, net sales for the first half under review decreased 11.5% year on year to 123,290 million yen, and operating profit fell 9.2% to 5,549 million yen. Ordinary profit declined 22.3% to 4,933 million yen, and profit attributable to owners of parent decreased 4.5% to 2,646 million yen.

Operating results by segment are as follows.

(i) Colorants and Functional Materials Related Business

In high-functional pigments and materials for LCD display color filters, sales of high-functional products were sluggish due to weak demand for large TVs and smartphones, reflecting the impact of COVID-19 and the resulting cancellation of the Olympics and other events, although sales of displays for PCs and tablets grew. As a result, earnings were squeezed.

In commodity-type pigments, sales of printing inks continued to be sluggish, and sales of pigments for automobile coatings also remained weak due to a drop in sales of automobiles.

In plastic colorants, sales of products for hygiene-related containers grew in Japan, but growth in sales of products for beverage caps and cosmetics containers was sluggish due to people refraining from going out and a fall in inbound demand. Sales of products for building materials and solar cells also declined. Sales of plastic colorants for office equipment in Southeast Asia and automobile applications in North America also remained weak.

As a result, sales and profits both decrease in this segment. Net sales decreased 16.9% from the same period of the previous fiscal year to 28,757 million yen, and operating profit decreased 33.8% to 1,291 million yen.

(ii) Polymer and Coatings Related Business

In the coating materials segment, both sales and operating profit grew at a sluggish pace in general due to the weak smartphone market caused by supply chain disruption and a subsequent fall in demand, although the Group advanced the development and sale of electromagnetic shielding films for high-speed communication.

In the adhesives segment, while domestic sales of those for use in packaging remained firm, sales of those for use in lithium-ion batteries grew sluggishly. In the overseas business, sales in China and Southeast Asia were weak, reflecting the temporary suspension of business activities due to the COVID-19 coronavirus. In the adhesive compounds segment, sales of label adhesives were firm in Japan, but sales of products related to displays and for home electronics and automobile applications were sluggish. Sales also remained slack in South Korea and China.

In the can coatings (finishers) segment, sales of those for alcoholic beverage cans grew in Japan as people refrained from going out, but sales of products for use in coffee and cool beverage cans for vending machines grew at a sluggish pace. Sales also remained lackluster in China and North America.

As a result of the above, net sales in this segment decreased 8.5% year on year to 29,931 million yen, and operating profit decreased 12.2% to 2,449 million yen.

(iii) Packaging Materials Related Business

In Japan, inbound demand for mainstay gravure inks for packaging declined, but sales of gravure inks for frozen foods, retort pouched products and other home-use food products as well as for hygiene products remained firm, with people refraining from going out. Meanwhile, demand for gravure inks for publication continued to shrink, and sales of gravure inks for construction materials were also weak. Sales of solvents and equipment also fell.

Overseas, while sales in China, Southeast Asia, India and elsewhere were affected by the suspension of operations at customer production bases and the Group's own bases, the Group was relatively quick to restore operations because products in this segment are daily necessities, and sales of eco-friendly products also expanded.

In the gravure cylinder platemaking segment, sales of products for packaging were sluggish in the latter half of the period, but sales of precision plate making related to electronics expanded.

As a result, net sales in this segment decreased to 32,910 million yen (down 1.6% year on year), but operating profit increased to 1,916 million yen (up 66.9% year on year).

(iv) Printing and Information Related Businesses

Given the continued shrinkage of the information-related print market associated with the progress of digitization, the Group worked to secure profits by optimizing the scale of its business, collaborating with other companies in the same industry and strongly reducing costs in Japan, while expanding global bases overseas. The Group also focused on the development and sales expansion of highly sensitive UV ink and other products such as inkjet ink for on-demand printing and revised sales prices to pass on some of the increase in raw materials costs associated with environmental regulations.

However, as the spread of COVID-19 escalated and dragged on, people refrained from going out and events were cancelled, leading to a decline in handouts, advertisements and other printed materials and causing ink demand to weaken in Japan. Meanwhile in China, India and some other regions, businesses were forced to temporarily suspend activities.

As a result, net sales in this segment decreased to 30,813 million yen (down 18.1% year on year), and operating loss was 246 million yen (compared with an operating profit of 37 million yen in the same period of the previous fiscal year).

(v) Others

This segment covers businesses not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Net sales decreased to 3,319 million yen (down 9.1% year on year), and operating profit fell to 143 million yen (down 26.1% year on year) due to a review of considerations for services rendered and an increase in retirement benefit expenses, among other factors.

(2) Details of financial position

Total assets at the end of the second quarter under review stood at 367,641 million yen, a decrease of 8,489 million yen from the end of the previous fiscal year. Liabilities amounted to 151,322 million yen, an increase of 2,084 million yen from the end of the previous fiscal year. Net assets came to 216,318 million yen, a decrease of 10,573 million yen from the end of the previous fiscal year.

On the last day of the second quarter under review, the exchange value of the yen against foreign currencies rose above its level on the last day of the previous consolidated fiscal year. As a result, assets and liabilities held by overseas consolidated subsidiaries and foreign currency translation adjustment decreased. In addition, notes and accounts receivable-trade and notes and accounts payable-trade decreased. Moreover, investment securities, deferred tax liabilities and unrealized gains on available-for-sale securities decreased, reflecting falling stock prices in Japan. However, cash and deposits, short-term loans payable, and long-term loans payable increased due to refinancing following their reaching maturity and new borrowings to prepare for a prolonged COVID-19 pandemic.

(Status of cash flow)

Cash and cash equivalents (“cash”) at the end of the first half of the fiscal year under review increased by 11,258 million yen from the balance at the beginning of the fiscal year to 65,023 million yen.

Cash provided by operating activities stood at 4,612 million yen (down 5,482 million yen year on year). This was due mainly to an increase in cash flows due to the recording of profit before income taxes and a decrease in cash flows due to income taxes paid, etc.

Cash used in investing activities was 5,567 million yen (up 718 million yen year on year), largely as a result of a cash outflow from purchases of property, plant, and equipment.

Cash provided by financing activities was 12,829 million yen (4,585 million yen used in the same period of the previous fiscal year). This was mainly due to an increase in cash flows resulting from a net increase in short-term loans payable and a decrease in cash flows resulting from cash dividends paid.

(3) Information on the consolidated earnings forecasts and other future forecasts

Regarding future economic conditions, the economy is expected to gradually recover in line with the resumption of economic activities under the new normal, even if the risk of COVID-19 coronavirus infection is not eliminated. However, it will take time to return to the level of the previous fiscal year, and we do not expect that the recovery will be able to compensate for the slump in the first half of the fiscal year under review. Therefore, we have revised our full-year earnings forecast for the fiscal year ending December 2020 from the figures announced on February 17, 2020.

For details, please refer to the “Notice Regarding Revisions to Full-Year Consolidated Earnings Forecasts” announced today (August 7, 2020).

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of December 31, 2019)	End of the consolidated second quarter accounting period (As of June 30, 2020)
(Assets)		
Current assets		
Cash and deposits	56,691	67,305
Notes and accounts receivable - trade	90,173	80,766
Securities	29	52
Merchandise and finished goods	30,535	30,653
Work in process	1,319	1,312
Raw materials and supplies	16,654	18,741
Others	5,350	4,591
Allowance for doubtful accounts	-786	-872
Total current assets	199,969	202,550
Non-current assets		
Property, plant and equipment		
Buildings and structures	99,260	99,339
Accumulated depreciation	-63,319	-64,066
Buildings and structures, net	35,940	35,273
Machinery, equipment and vehicles	151,688	152,110
Accumulated depreciation	-129,921	-130,710
Machinery, equipment and vehicles, net	21,767	21,399
Tools, furniture, and fixtures	24,798	24,883
Accumulated depreciation	-21,925	-21,952
Tools, furniture, and fixtures, net	2,873	2,930
Land	30,669	30,569
Leased assets	5,006	4,889
Accumulated depreciation	-962	-1,093
Lease assets, net	4,043	3,796
Construction in progress	4,282	5,635
Total property, plant and equipment	99,577	99,604
Intangible assets	4,202	3,629
Investments and other assets		
Investment securities	61,071	50,177
Net defined benefit asset	7,964	8,090
Deferred tax assets	2,333	2,663
Others	1,194	1,113
Allowance for doubtful accounts	-182	-189
Total investments and other assets	72,381	61,857
Total noncurrent assets	176,161	165,091
Total assets	376,130	367,641

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2019)	End of the consolidated second quarter accounting period (As of June 30, 2020)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	59,543	47,997
Short-term loans payable	30,315	33,671
Income taxes payable	1,279	1,914
Other	15,608	16,800
Total current liabilities	106,747	100,383
Long-term liabilities		
Long-term loans payable	27,460	39,612
Deferred tax liabilities	9,584	5,899
Provision for environmental measures	2,348	2,347
Obligations for retirement pay	1,885	1,927
Asset retirement obligations	31	31
Other	1,179	1,119
Total non-current liabilities	42,490	50,938
Total liabilities	149,237	151,322
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,500	32,500
Retained earnings	146,627	146,643
Treasury shares	-4,969	-4,942
Total shareholders' equity	205,891	205,935
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,273	6,835
Foreign currency translation adjustment	-2,843	-5,998
Remeasurements of defined benefit plans	2,118	2,165
Total accumulated other comprehensive income	13,548	3,002
Subscription rights to shares	265	281
Non-controlling interests	7,187	7,100
Total net assets	226,892	216,318
Total liabilities and net assets	376,130	367,641

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

Consolidated statements of income

Consolidated first half

	(Million yen)	
	Previous first half period (From January 1, 2019 to June 30, 2019)	First half under review (From January 1, 2020 to June 30, 2020)
Net sales	139,376	123,290
Cost of sales	109,062	95,901
Gross profit	30,313	27,388
Selling, general and administrative expenses		
Packing and transportation costs	3,458	3,270
Salary and Allowance	5,915	5,645
Bonus	1,345	1,293
Welfare Expenses	1,503	1,440
Depreciation	922	965
Research and development expenses	1,631	1,482
Others	9,424	7,739
Total selling, general and administrative expenses	24,202	21,838
Operating profit	6,111	5,549
Non-operating income		
Interest income	96	118
Dividend income	567	765
Others	275	229
Total non-operating income	939	1,114
Non-operating expenses		
Interest expenses	322	270
Foreign exchange loss	117	938
Share of loss of entities accounted for using equity method	15	156
Others	246	365
Total non-operating expenses	702	1,730
Ordinary profit	6,347	4,933
Extraordinary income		
Gain on sales of non-current assets	23	6
Gain on sales of investment securities	359	-
Total extraordinary income	383	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	70	102
Shutdown costs	-	361
Allowance for environmental measures	2,688	-
Others	7	22
Total extraordinary loss	2,765	486
Profit before income taxes	3,965	4,453
Income taxes - current	2,478	2,498
Income taxes - deferred	-1,419	-883
Total income taxes	1,058	1,615
Profit	2,906	2,838
Profit attributable to non-controlling interests	136	191
Profit attributable to owners of parent	2,770	2,646

Consolidated statements of comprehensive income

Consolidated first half

	(Million yen)	
	Previous first half period (From January 1, 2019 to June 30, 2019)	First half under review (From January 1, 2020 to June 30, 2020)
Profit	2,906	2,838
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,671	-7,442
Foreign currency translation adjustment	-2,254	-3,231
Remeasurements of defined benefit plans, net of tax	41	47
Share of other comprehensive income of entities accounted for using equity method	-52	-123
Total other comprehensive income	-3,936	-10,749
Comprehensive income	-1,030	-7,911
Comprehensive income attributable to owners of parent	-974	-7,898
Comprehensive income attributable to non-controlling interests	-55	-12

(3) Consolidated statements of cash flows

	(Million yen)	
	Previous first half period (From January 1, 2019 to June 30, 2019)	First half under review (From January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Profit before income taxes	3,965	4,453
Depreciation	4,527	4,516
Interest and dividends income	-663	-884
Interest expenses	322	270
Share of (profit) loss of entities accounted for using equity method	15	156
Loss (gain) on sales of property, plant and equipment	-22	-5
Loss on retirement of property, plant and equipment	18	25
Loss (gain) on sales of investment securities	-359	-
Increase (decrease) in provision for environmental measures	2,653	-0
Decrease (increase) in notes and accounts receivable-trade	5,140	7,838
Decrease in inventories	-1,445	-3,260
Increase (decrease) in notes and accounts payable-trade	-5,360	-8,256
Others, net	2,697	905
Subtotal	11,488	5,758
Interest and dividends income received	680	882
Interest expenses paid	-314	-285
Income taxes paid	-1,759	-1,743
Net cash provided by (used in) operating activities	10,094	4,612
Cash flow from investing activities		
Payments into time deposits	-396	-265
Proceeds from withdrawal of time deposits	732	792
Purchase of property, plant and equipment	-4,485	-6,044
Proceeds from sales of property, plant and equipment	139	13
Purchase of shares of consolidated subsidiaries	-775	-
Others	-63	-63
Cash flow from investing activities	-4,848	-5,567
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	-1,632	15,706
Proceeds from long-term borrowings	38	12,381
Repayments of long-term borrowings	-83	-12,375
Repayments of lease obligations	-194	-183
Cash dividends paid	-2,623	-2,623
Cash dividends paid to non-controlling interests	-87	-75
Others, net	-2	-1
Net cash provided by (used in) financing activities	-4,585	12,829
Effect of exchange rate change on cash and cash equivalents	-468	-615
Net increase (decrease) in cash and cash equivalents	191	11,258
Cash and cash equivalents at beginning of period	50,958	53,765
Cash and cash equivalents at end of period	51,149	65,023

(4) Notes on consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

(Change in method of inventory valuation)

Previously, domestic consolidated subsidiaries primarily used the last purchase price method (the balance sheet value is calculated by writing down the book value based on a decline in profitability) as the method of merchandise valuation. From the first quarter of the current fiscal year, however, they have changed from this method to the cost method based on the gross average method (the balance sheet value is calculated by writing down the book value based on a decline in profitability).

The aim of this change is to take the review of the inventory management system as an opportunity to calculate income for the period more appropriately.

Because the impact of this change was immaterial, it has not been applied retroactively.

(Additional Information)

(Application of Tax Effect Accounting in the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

With respect to items subject to the review of the non-consolidated taxation system conducted to coincide with transition from the consolidated taxation system to the group tax sharing system, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No.39 issued March 31, 2020), and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

(Accounting estimates regarding the impact of the COVID-19 coronavirus pandemic)

We have made estimates and judgments regarding the impairment of non-current assets and the recoverability of deferred tax assets by the pandemic on the assumption that the economy will gradually recover as economic activities resume under the new normal, even if the risk of infection is not eliminated.

However, as these assumptions entail uncertainty, the estimates and judgments may be affected by future situations.

(Segment information, etc.)

I. From January 1, 2019 to June 30, 2019

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Businesses	Total				
Net sales									
Sales to customers	33,493	32,583	33,063	37,614	136,755	2,620	139,376	—	139,376
Intersegment sales	1,127	118	371	19	1,636	1,031	2,667	-2,667	—
Total	34,620	32,701	33,434	37,633	138,391	3,652	142,044	-2,667	139,376
Segment profit	1,949	2,789	1,148	37	5,925	193	6,119	-8	6,111

(Notes)

1. The “Other” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.
2. An adjustment of -8 million yen in segment profits mainly represents the deduction of intersegment transactions.
3. Segment profits have been adjusted with operating profit recorded in the consolidated quarterly income statement.

II. From January 1, 2020 to June 30, 2020

1. Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Businesses	Total				
Net sales									
Sales to customers	27,556	29,800	32,605	30,800	120,763	2,527	123,290	—	123,290
Intersegment sales	1,200	131	304	12	1,649	792	2,442	-2,442	—
Total	28,757	29,931	32,910	30,813	122,412	3,319	125,732	-2,442	123,290
Segment profit (loss) (-)	1,291	2,449	1,916	-246	5,410	143	5,554	-4	5,549

(Notes)

1. The “Other” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.
2. An adjustment of -4 million yen in segment profits mainly represents the deduction of intersegment transactions.
3. Segment profits have been adjusted with operating income recorded in the consolidated quarterly income statement.