

# Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019

February 1, 2019

Name of Listed Company: TOHO HOLDINGS CO., LTD.

Listed: Tokyo Stock Exchange

Securities Code Number: 8129

URL: <http://www.tohold.co.jp/>

Corporate Representative: Norio Hamada / Chairman of the Board and Representative Director, Chief Executive Officer (CEO)

Contact Representative: Makoto Kawamura / Director and General Manager, Public and Investor Relations Department  
TEL: +81-3-6838-2803

Scheduled Submission Date for Quarterly Report: February 14, 2019

Planned Date of Dividends Payment: —

Quarterly Supplemental Explanatory Material Prepared: None

Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Results of Operations during the Third Quarter of Fiscal Year Ending March 31, 2019

(from April 1, 2018 to December 31, 2018)

### (1) Consolidated Results of Operations (Cumulative)

(Percentages indicate the rate of change compared with the preceding fiscal year.)

|                                 | Net Sales   |      | Operating Income |      | Ordinary Income |      | Profit Attributable to Owners of Parent |      |
|---------------------------------|-------------|------|------------------|------|-----------------|------|---|------|
|                                 | Million yen | %    | Million yen      | %    | Million yen     | %    | Million yen                             | %    |
| Nine Months ended December 2018 | 927,183     | 0.4  | 10,270           | -7.5 | 14,592          | -7.2 | 9,451                                   | -4.7 |
| Nine Months ended December 2017 | 923,450     | -1.7 | 11,107           | -1.7 | 15,718          | -0.1 | 9,916                                   | -2.2 |

(Note) Comprehensive income: Nine Months ended December 2018: 7,320 million yen (-55.4%); Nine Months ended December 2017: 16,410 million yen (36.3%)

|                                 | Current Net Income per Share | Current Net Income per Share - Diluted |
|---------------------------------|------------------------------|--|
|                                 | Yen                          | Yen                                    |
| Nine Months ended December 2018 | 141.12                       | 121.38                                 |
| Nine Months ended December 2017 | 144.62                       | 131.35                                 |

### (2) Consolidated Financial Position

|                                 | Total Assets | Net Assets  | Shareholder's Equity Ratio |
|---------------------------------|--------------|-------------|----------------------------|
|                                 | Million yen  | Million yen | %                          |
| Nine Months ended December 2018 | 686,039      | 204,279     | 29.8                       |
| Fiscal Year ended March 2018    | 645,799      | 207,772     | 32.1                       |

(Reference) Shareholder's equity: Nine Months ended December 2018: 204,110 million yen; FY ended March 2018: 207,603 million yen.

## 2. Historical Payment of Dividends

|   | Annual Cash Dividend per Share |                   |                      |          |        |
|---|--------------------------------|-------------------|----------------------|----------|--------|
|   | End of first quarter           | End of first half | End of third quarter | Year-end | Annual |
|   | Yen                            | Yen               | Yen                  | Yen      | Yen    |
| Fiscal Year ended March 2018              | —                              | 15.00             | —                    | 15.00    | 30.00  |
| Fiscal Year ending March 2019             | —                              | 15.00             | —                    | —        | —      |
| Fiscal Year ending March 2019 (Projected) | —                              | —                 | —                    | 15.00    | 30.00  |

(Note) Revision of the dividend forecasts most recently announced: None

## 3. Projected Consolidated Results of Operations during Fiscal Year Ending March 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate the rate of change compared with the preceding fiscal year.)

|           | Net Sales   |      | Operating Income |       | Ordinary Income |       | Profit Attributable to Owners of Parent |       | Net Income per Share |
|-----------|-------------|------|------------------|-------|-----------------|-------|---|-------|----------------------|
|           | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen                             | %     | Yen                  |
| Full year | 1,195,000   | -1.5 | 12,100           | -36.4 | 17,700          | -29.3 | 10,100                                  | -29.8 | 151.53               |

(Note) Revision of consolidated projected results of operations most recently announced: None

※ Notes

- (1) Changes in material subsidiaries during the third quarter ended December 2018: N.A.  
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)  
 Inclusion — (Company name: ) Exclusion — (Company name: )
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement  
 (i) Changes in accounting policies with revisions in the accounting standards, etc.: N.A.  
 (ii) Changes in accounting policies other than those under the item (i): N.A.  
 (iii) Changes in the accounting estimates: N.A.  
 (iv) Correction and Restatement: N.A.

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)

|                                   |            |                              |            |
|-----------------------------------|------------|------------------------------|------------|
| Third Quarter ended December 2018 | 78,270,142 | Fiscal Year ended March 2018 | 78,270,142 |
|-----------------------------------|------------|------------------------------|------------|

(ii) Number of treasury stocks at end of fiscal year

|                                   |            |                              |           |
|-----------------------------------|------------|------------------------------|-----------|
| Third Quarter ended December 2018 | 12,590,833 | Fiscal Year ended March 2018 | 9,767,201 |
|-----------------------------------|------------|------------------------------|-----------|

(iii) The average number of shares during the third quarter

|                                   |            |                                   |            |
|-----------------------------------|------------|-----------------------------------|------------|
| Third Quarter ended December 2018 | 66,973,075 | Third Quarter ended December 2017 | 68,566,442 |
|-----------------------------------|------------|-----------------------------------|------------|

\*Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 2019 is unaudited information.

\* Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of the Attached Document for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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## 1. Qualitative Information on Financial Results for the Third Quarter ended December 2018

### (1) Explanation of Management Results

The prescription pharmaceuticals market during the third quarter of the fiscal year under review continued to face a severe environment as evidenced by the fact that NHI drug prices were slashed by 7.48% on a drug price basis, due primarily to the medical treatment fee revisions in April 2018 and the review of the promotional points addition system for new drug discovery, etc. carried out as part of the drastic reform of the drug pricing system.

The Group, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, is making a concerted effort to accelerate the shift towards a business model centered on value-added services which are actually useful in a wide range of areas, by developing and proposing customer support systems to offer solutions to problems faced by patients, medical institutions, etc., and by contributing to the establishment of community comprehensive healthcare systems. In addition, by promoting consolidation and standardization of operations as well as the appropriate allocation of personnel, the Group is striving to improve productivity, secure stable profits and increase profit levels.

In November 2018, TBC Hiroshima started operations as a new highly functional distribution center. We built full-scale systems, with the aim of both further enhancing our productivity by further advancing the automation technology we have developed so far, and even more, fulfilling our social mission of providing a steady supply of pharmaceuticals even during a disaster.

KYOSOMIRAI PHARMA CO., LTD., has been steadily providing high-quality and high-value-added generic drugs, while also expanding and enriching its product lineup. As of the end of February 2019, it dealt with 62 ingredients in 128 products. For reference, since October 1, 2018, marketing approvals for 26 ingredients of prescription pharmaceutical as well as the sales rights for 30 ingredients of prescription pharmaceutical sold by the same company have gradually been succeeded from FUJIFILM Pharma Co., Ltd. to KYOSOMIRAI PHARMA CO., LTD.,. The succession and sales transfer of all products will be completed by April 1, 2019.

The Company's consolidated operating results for nine months ended December 31, 2018 recorded 927,183 million yen for net sales (an increase of 0.4% on a year-on-year basis), 10,270 million yen for operating income (a decrease of 7.5% on a year-on-year basis), 14,592 million yen for ordinary income (a decrease of 7.2% on a year-on-year basis), and 9,451 million yen for profit attributable to owners of parent (a decrease of 4.7% on a year-on-year basis). The progress rate compared to the forecasts for the fiscal year ending March 2019 is net sales of 77.6%, operating income of 84.9%, ordinary income of 82.4%, and net income attributable to the shareholders of the parent company of 93.6%.

The outline of operating results by business segment is as follows:

In the pharmaceutical wholesaling business, we have made an effort to conduct unit price negotiations per single item based on the value of each product and in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies. We have also continued to press ahead with measures to decrease the number of express/frequent deliveries which impose a heavy burden on both the Company's and our customers' operations and achieve the most appropriate frequency of deliveries. We have also engaged in activities to promote and enhance sales of the Company's unique customer support systems such as the Appointment service for first patients, ENIFvoice SP+A / ENIFvoice Core and Core-POS.

As a result, the pharmaceutical wholesaling business posted net sales of 892,755 million yen (an increase of 0.8% on a year-on-year basis) and segment income (operating income) of 10,976 million yen (an increase of 9.8% on a year-on-year basis).

In the dispensing pharmacy business, we endeavored to improve profitability by responding to the dispensing fee revision and increasing management efficiency through standardization of store operations and consolidation of some operations into the headquarters. However, adversely affected by the dispensing fee revisions, the dispensing pharmacy business posted net sales of 69,674 million yen (a decrease of 4.9% on a year-on-year basis) and segment income (operating income) of 781 million yen (a decrease of 68.4% on a year-on-year basis).

In the SMO operations, net sales amounted to 234 million yen (an increase of 2.3% on a year-on-year basis) and segment income (operating income) was 61 million yen (an increase of 10.3% on a year-on-year basis). In the information equipment sales operations, net sales totaled 855 million yen (a decrease of 23.9% on a year-on-year basis), with segment loss (operating loss) of 93 million yen.

(Note) Segment sales include inter-segment transactions.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased 9.8% from the end of the previous consolidated fiscal year to 502,793 million yen with an increase in cash and deposits of 14,977 million yen, and an increase in notes and accounts receivable-trade of 24,675 million yen.

Noncurrent assets decreased 2.6% from the end of the previous consolidated fiscal year to 183,246million yen with a decrease in investment securities of 2,891 million yen.

As a result, consolidated net assets increased 6.2% from the end of the previous consolidated fiscal year to 686,039 million yen.

### (Liabilities)

Current liabilities increased 10.4% from the end of the previous consolidated fiscal year to 431,489 million yen with an increase in notes and accounts payable-trade of 34,087 million yen, and an increase in current portion of bonds of 13,413 million yen, and a decrease in income taxes payable of 4,694 million yen.

Noncurrent liabilities increased 6.5% from the end of the previous consolidated fiscal year to 50,271 million yen with an increase in long-term loans payable of 5,062 million yen.

As a result, total liabilities increased 10.0% from the end of the previous consolidated fiscal year to 481,760 million yen.

### (Net assets)

Total net assets decreased 1.7% from the end of the previous consolidated fiscal year to 204,279 million yen with an increase in retained earnings of 7,082 million yen, and an increase in treasury stock of 8,605 million yen.

## (3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2019

There are no changes in the projected consolidated results of the full-term of the year published on May 9, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes  
(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

|                                     | Previous consolidated fiscal year<br>(As of March 31, 2018) | End of this consolidated third quarter<br>(As of December 31, 2018) |
|-------------------------------------|---|---|
| <b>Assets</b>                       |   |   |
| Current assets                      |   |   |
| Cash and deposits                   | 67,943  | 82,921  |
| Notes and accounts receivable-trade | 281,657   | 306,332   |
| Merchandise and finished goods      | 73,088  | 80,215  |
| Other                               | 35,313  | 33,559  |
| Allowance for doubtful accounts     | -277  | -235  |
| Total current assets                | 457,724   | 502,793   |
| Noncurrent assets                   |   |   |
| Property, plant and equipment       | 90,709  | 90,143  |
| Intangible assets                   |   |   |
| Goodwill                            | 2,614   | 1,734   |
| Other                               | 2,545   | 2,578   |
| Total intangible assets             | 5,159   | 4,312   |
| Investments and other assets        |   |   |
| Investment securities               | 81,718  | 78,827  |
| Other                               | 13,071  | 12,556  |
| Allowance for doubtful accounts     | -2,584  | -2,593  |
| Total investments and other assets  | 92,206  | 88,789  |
| Total noncurrent asset              | 188,075   | 183,246   |
| Total assets                        | 645,799   | 686,039   |

(Unit: million yen)

|   | Previous consolidated fiscal year<br>(As of March 31, 2018) | End of this consolidated third quarter<br>(As of December 31, 2018) |
|---|---|---|
| <b>Liabilities</b>                                    |   |   |
| <b>Current liabilities</b>                            |   |   |
| Notes and accounts payable-trade                      | 369,179   | 403,267   |
| Short-term loans payable                              | 944   | 616   |
| Current portion of bonds                              | —   | 13,413  |
| Income taxes payable                                  | 6,335   | 1,640   |
| Provision for bonuses                                 | 3,541   | 1,701   |
| Provision for directors' bonuses                      | 69  | 51  |
| Provision for sales returns                           | 344   | 368   |
| Asset retirement obligations                          | 2   | —   |
| Other   | 10,410  | 10,428  |
| <b>Total current liabilities</b>                      | <b>390,827</b>  | <b>431,489</b>  |
| <b>Noncurrent liabilities</b>                         |   |   |
| Bonds payable   | 15,026  | 20,088  |
| Long-term loans payable                               | 5,898   | 5,664   |
| Net defined benefit liabilities                       | 1,918   | 1,979   |
| Asset retirement obligations                          | 1,093   | 1,111   |
| Negative goodwill                                     | 24  | 10  |
| Other   | 23,238  | 21,416  |
| <b>Total noncurrent liabilities</b>                   | <b>47,200</b>   | <b>50,271</b>   |
| <b>Total liabilities</b>                              | <b>438,027</b>  | <b>481,760</b>  |
| <b>Net assets</b>                                     |   |   |
| <b>Shareholders' equity</b>                           |   |   |
| Capital stock   | 10,649  | 10,649  |
| Capital surplus                                       | 47,874  | 48,077  |
| Retained earnings                                     | 140,317   | 147,400   |
| Treasury stock  | -16,612   | -25,218   |
| <b>Total shareholders' equity</b>                     | <b>182,228</b>  | <b>180,909</b>  |
| <b>Accumulated other comprehensive income</b>         |   |   |
| Valuation difference on available-for-sale securities | 29,708  | 27,577  |
| Revaluation reserve for land                          | -4,333  | -4,375  |
| <b>Total accumulated other comprehensive income</b>   | <b>25,374</b>   | <b>23,201</b>   |
| Subscription rights to shares                         | 168   | 168   |
| <b>Total net assets</b>                               | <b>207,772</b>  | <b>204,279</b>  |
| <b>Total liabilities and net assets</b>               | <b>645,799</b>  | <b>686,039</b>  |

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Profit and Loss Statement  
 [Cumulative Period for the Consolidated Third Quarter]

(Unit: million yen)

|  | Cumulative period for previous<br>consolidated third quarter<br>(From April 1, 2017<br>to December 31, 2017) | Cumulative period for this<br>consolidated third quarter<br>(From April 1, 2018<br>to December 31, 2018) |
|--|--|--|
| Net sales  | 923,450  | 927,183  |
| Cost of sales  | 840,987  | 845,007  |
| Gross profit   | 82,462   | 82,176   |
| Selling, general and administrative expenses                     |  |  |
| Directors' compensations, salaries and allowances                | 34,525   | 34,671   |
| Provision for bonuses  | 1,684  | 1,690  |
| Provision for directors' bonuses                                 | 51   | 51   |
| Retirement benefit expenses                                      | 165  | 167  |
| Welfare expenses   | 5,949  | 5,998  |
| Vehicle expenses   | 819  | 905  |
| Provision of allowance for doubtful accounts                     | 32   | -27  |
| Depreciation   | 3,315  | 3,388  |
| Amortization of goodwill   | 1,485  | 1,199  |
| Rent expenses  | 5,307  | 5,360  |
| Taxes and dues   | 1,289  | 1,308  |
| Expense before deduction of temporary<br>consumption tax payment | 3,966  | 3,924  |
| Other  | 12,760   | 13,265   |
| Total selling, general and administrative expenses               | 71,355   | 71,905   |
| Operating income   | 11,107   | 10,270   |
| Non-operating income   |  |  |
| Interest income  | 47   | 62   |
| Dividend income  | 1,361  | 1,115  |
| Commission fee   | 2,271  | 2,363  |
| Amortization of negative goodwill                                | 18   | 14   |
| Equity in earnings of affiliates                                 | 41   | 35   |
| Other  | 1,313  | 1,143  |
| Total non-operating income                                       | 5,054  | 4,734  |
| Non-operating expenses   |  |  |
| Interest expenses  | 40   | 22   |
| Expenses of real estate rent                                     | 283  | 203  |
| Other  | 119  | 186  |
| Total non-operating expenses                                     | 443  | 412  |
| Ordinary income  | 15,718   | 14,592   |

(Unit: million yen)

|  | Cumulative period for previous<br>consolidated third quarter<br>(From April 1, 2017<br>to December 31, 2017) | Cumulative period for this<br>consolidated third quarter<br>(From April 1, 2018<br>to December 31, 2018) |
|--|--|--|
| Extraordinary income                               |  |  |
| Gain on sales of noncurrent assets                 | 5  | 17   |
| Gain on liquidation of subsidiaries and affiliates | 39   | —  |
| Other  | 5  | 2  |
| Total extraordinary income                         | 50   | 20   |
| Extraordinary loss                                 |  |  |
| Loss on disposal of noncurrent assets              | 71   | 58   |
| Impairment loss                                    | 48   | 68   |
| Other  | 4  | 12   |
| Total extraordinary loss                           | 124  | 140  |
| Income before income taxes                         | 15,644   | 14,472   |
| Income taxes-current                               | 4,920  | 4,207  |
| Income taxes-deferred                              | 807  | 813  |
| Total income taxes                                 | 5,728  | 5,020  |
| Current net income                                 | 9,916  | 9,451  |
| Profit attributable to owners of parent            | 9,916  | 9,451  |

Quarterly Consolidated Statements of Comprehensive Income  
[Cumulative Period for the Consolidated Third Quarter]

(Unit: million yen)

|  | Cumulative period for previous<br>consolidated third quarter<br>(From April 1, 2017<br>to December 31, 2017) | Cumulative period for this<br>consolidated third quarter<br>(From April 1, 2018<br>to December 31, 2018) |
|--|--|--|
| Current net income   | 9,916  | 9,451  |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                  | 6,492  | -2,132   |
| Share of other comprehensive income of associates<br>accounted for using equity method | 1  | 0  |
| Total other comprehensive income   | 6,494  | -2,131   |
| Comprehensive income   | 16,410   | 7,320  |
| Comprehensive income attributable to   |  |  |
| Comprehensive income attributable to owners of the<br>parent                           | 16,410   | 7,320  |
| Comprehensive income attributable to<br>non-controlling interests                      | —  | —  |

(3)Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated third quarter (from April 1, 2018 to December 31, 2018)

Not applicable.

(Additional Information)

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) etc. from the beginning of the first quarter of the consolidated fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

## (Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2017 to December 31, 2017)

## 1. Information about sales and profit or loss by reportable segment

|   | Reportable segments                            |   |                      |  |                        | Adjustments<br>(million yen)<br>(Note 1) | Amount on the<br>quarterly<br>consolidated profit<br>and loss statement<br>(million yen)<br>(Note 2) |
|---|--|---|----------------------|--|------------------------|--|--|
|   | Pharmaceutical<br>Wholesaling<br>(million yen) | Dispensing<br>Pharmacy<br>(million yen) | SMO<br>(million yen) | Information<br>equipment<br>sales<br>(million yen) | Total<br>(million yen) |  |  |
| Net Sales   |  |   |                      |  |                        |  |  |
| (1) Net sales to external customers               | 849,460  | 72,987                                  | 228                  | 773  | 923,450                | —  | 923,450  |
| (2) Inter-segment internal net sales or transfers | 35,901   | 283                                     | —                    | 350  | 36,535                 | -36,535                                  | —  |
| Total   | 885,362  | 73,271                                  | 228                  | 1,123  | 959,985                | -36,535                                  | 923,450  |
| Segment profit                                    | 9,996  | 2,472                                   | 55                   | -58  | 12,465                 | -1,358                                   | 11,107   |

(Note) 1. The amount of the adjustments for segment profits shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

## 2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.

II Cumulative period for this consolidated third quarter (from April 1, 2018 to December 31, 2018)

## 1. Information about sales and profit or loss by reportable segment

|   | Reportable segments                            |   |                      |  |                        | Adjustments<br>(million yen)<br>(Note 1) | Amount on the<br>quarterly<br>consolidated profit<br>and loss statement<br>(million yen)<br>(Note2) |
|---|--|---|----------------------|--|------------------------|--|---|
|   | Pharmaceutical<br>Wholesaling<br>(million yen) | Dispensing<br>Pharmacy<br>(million yen) | SMO<br>(million yen) | Information<br>equipment<br>sales<br>(million yen) | Total<br>(million yen) |  |   |
| Net Sales   |  |   |                      |  |                        |  |   |
| (1) Net sales to external customers               | 856,834  | 69,443                                  | 234                  | 671  | 927,183                | —  | 927,183   |
| (2) Inter-segment internal net sales or transfers | 35,921   | 230                                     | —                    | 183  | 36,335                 | -36,335                                  | —   |
| Total   | 892,755  | 69,674                                  | 234                  | 855  | 963,519                | -36,335                                  | 927,183   |
| Segment profit                                    | 10,976   | 781                                     | 61                   | -93  | 11,725                 | -1,454                                   | 10,270  |

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

## 2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.