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August 4, 2023

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

Company name: TOHO HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8129
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Scheduled date to file quarterly securities report:

August 14, 2023

Scheduled date to commence dividend payments:

—

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing:

None

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

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

(1) Consolidated operating results (cumulative)

(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 | % |
| Three months ended June 30, 2023 | 351,179 | 8.3 | 1,853 | -18.2 | 2,521 | -19.8 | 1,529 | -25.8 |
| June 30, 2022 | 324,267 | — | 2,266 | — | 3,142 | 39.1 | 2,061 | 19.1 |

Note: Comprehensive income For the three months ended June 30, 2023: ¥5,241 million [47.7%]
 For the three months ended June 30, 2022: ¥3,548 million [277.0%]

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2023 | 23.07 | 21.12 |
| June 30, 2022 | 29.22 | 26.86 |

Note: Owing to the change in presentation method from the first quarter of the fiscal year ending March 31, 2024, net sales and operating profit for the first quarter of the fiscal year ended March 31, 2023 are shown after the retrospective reclassification, and percentage changes are not shown. Net sales and operating profit for the first quarter of the fiscal year ended March 31, 2023 before the reclassification were 323,397 million yen and 1,397 million yen, respectively.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|---------------------|-----------------|-----------------|-----------------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2023 | 734,461 | 241,103 | 32.8 |
| March 31, 2023 | 715,288 | 242,916 | 33.9 |

Reference: Equity As of June 30, 2023: ¥240,860 million
 As of March 31, 2023: ¥242,678 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 March 31, 2023 | — | 16.00 | — | 16.00 | 32.00 |
| Fiscal year ending March 31, 2024 | — | | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | 18.00 | — | 18.00 | 36.00 |

Note: Revision to the forecast of cash dividends most recently announced: None

3. Consolidated projected results of operations during fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net income per share |
|------------|-----------------|------|------------------|-------|-----------------|-------|---|------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First Half | 651,000 | -4.5 | 3,800 | -34.9 | 5,000 | -32.4 | 6,700 | 86.2 | 102.38 |
| Full year | 1,325,000 | -4.8 | 11,500 | -29.7 | 13,800 | -28.0 | 12,300 | -9.8 | 189.15 |

Note: 1. Revision of consolidated projected results of operations most recently announced: None

2. Owing to the change in presentation method from the first quarter of the fiscal year under review, the percentage change in net sales and operating profit are calculated using the reclassified figures for the same period of the previous fiscal year, which reflect the change.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: —

Excluded: —

(2) Adoption of accounting treatment 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 | 78,270,142 shares |
| As of March 31, 2023 | 78,270,142 shares |

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

| | |
|----------------------|-------------------|
| As of June 30, 2023 | 13,663,235 shares |
| As of March 31, 2023 | 11,302,582 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|----------------------------------|-------------------|
| Three months ended June 30, 2023 | 66,293,007 shares |
| Three months ended June 30, 2022 | 70,540,732 shares |

* 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

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 Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2024 on page 3 of this report (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 Three Months Ended June 30, 2023

(1) Explanation of Management Results

In the first quarter under review, the prescription pharmaceuticals market continued to be affected by measures to curtail medical expenses, such as the interim-period NHI drug price revisions in April 2023. In addition, while the reclassification of COVID-19 as a Class V infectious disease has led to the normalization of socioeconomic activities, the market remains uncertain owing to concerns about the impact of growing opportunities for people to go out on the infection situation and the health care delivery system.

Under these circumstances, the Group has newly formulated the Medium-term Management Plan 2023-2025 “Create the Next Generation,” which covers three years from the fiscal year ending March 31, 2024. As a corporate group engaged in the areas of medical care, healthcare, and nursing care, we believe that the mission of the Group is to provide added value to medical institutions, patients, and other stakeholders and to contribute to society for the current and next generations. With a view to creating a foundation for steadily carrying out the mission in the course of implementing the new Medium-term Management Plan, we will implement concrete measures through active alliances, the introduction of DX, etc. based on four basic policies: (1) Business transformation, (2) Investment for growth and improvement of profitability, (3) Sustainability management, and (4) Improvement of capital efficiency and enhancement of shareholder returns.

In particular, in Business transformation, in order to promote the transformation of pharmaceutical wholesaling business, which is one of its concrete measures, TOHO PHARMACEUTICAL, a consolidated subsidiary constituting the core of our wholesaling business, made a major organizational change, mainly in the sales division. We have restructured into an organization and teams that enable community-based activities revolving around the concept area of secondary medical. We have also been actively promoting the unification of pharmaceuticals and reagents as well as the integration of offices. In April this year, we established a joint research laboratory with the National Institute of Advanced Industrial Science and Technology (AIST), and eight researchers on loan from the Group and 16 in-house researchers are participating in joint research to solve issues related to medical access and to implement new technologies, systems, and services in society.

The Company’s consolidated operating results for the three months ended June 30, 2023 recorded 351,179 million yen for net sales (an increase of 8.3% on a year-on-year basis), 1,853 million yen for operating profit (a decrease of 18.2% on a year-on-year basis), 2,521 million yen for ordinary profit (a decrease of 19.8% on a year-on-year basis), and 1,529 million yen for profit attributable to owners of parent (a decrease of 25.8% on a year-on-year basis).

We have decided to include revenues from information service fees, etc., which were previously recorded as non-operating income in net sales, beginning with the first quarter of the fiscal year under review. In order to reflect this change in the presentation method, revenues from information service fees, etc. for the previous fiscal year have been reclassified to net sales.

The outline of business segment operating results are as follows.

In the pharmaceutical wholesaling business, sales of limited-handling products for selected wholesalers, such as specialty pharmaceuticals, steadily expanded, contributing significantly to total sales. In price negotiations with medical institutions, we continued to strive to negotiate unit prices for individual products, commensurate with individual product values and distribution costs, in order to promote distribution improvement. As for customer support systems, the number of customers who have installed ENIFvoiceSP, FutureENIF and other systems has increased, contributing to profit growth. As a result, the pharmaceutical wholesaling business posted net sales of 339,117 million yen (an increase of 8.5% on a year-on-year basis) and segment profit (operating profit) of 2,223 million yen (an increase of 3.3% on a year-on-year basis) for the three months ended June 30, 2023 under review.

In the dispensing pharmacy business, in order to promote transformation to respond to digitalization and contribute to home health care, we worked to strengthen online medication instructions and introduce electronic prescriptions, as well as to strengthen cooperation with clinics specializing in medical care at home. In addition, while the number of prescriptions filled increased in line with the pickup in the number of patients as they no longer refrained from seeing a doctor, the end of transitional measures for the community support system incentives, whose calculation requirements were significantly revised in the revision of dispensing fees in April 2022, and other factors resulted in net sales were 22,827 million yen (an increase of 2.7% year on year) and segment profit (operating profit) was 112 million yen (a decrease of 16.1% year on year).

In the pharmaceutical manufacturing and sales business, the Group has been engaged in the stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system and establishing a planned production system. In addition, we launched 1 ingredient and 3 products of generic drugs when supplementary products were listed in the NHI price list in June 2023. As of the end of June 2023, the product lineup was composed of 87 ingredients and 200 generic products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 2,658 million yen (an increase of 7.0% on a year-on-year basis.) and segment profit (operating profit) of 293 million yen (an increase of 1.8% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 1,473 million yen (a decrease of 2.4% on a year-on-year basis.) and segment profit (operating profit) was 35 million yen (a decrease of 62.3% on a year-on-year basis.).

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 2.7 % from the end of the previous consolidated fiscal year to 548,154 million yen with an increase in cash and deposits of 6,549 million yen, notes and accounts receivable-trade of 11,401 million yen, and a decrease in merchandise and finished goods of 3,790 million yen in other.

Non-current assets increased 2.5% from the end of the previous consolidated fiscal year to 186,306 million yen with an increase in investment securities of 5,239 million yen, and a decrease in property, plant and equipment of 1,081 million yen in other.

As a result, consolidated net assets increased 2.7% from the end of the previous consolidated fiscal year, to 734,461 million yen.

(Liabilities)

Current liabilities decreased 0.5% from the end of the previous consolidated fiscal year to 437,838 million yen with an increase in notes and accounts payable-trade of 18,335 million yen, and a decrease in current portion of bonds payable of 20,003 million yen in other.

Non-current liabilities increased 72.5% from the end of the previous consolidated fiscal year to 55,519 million yen with an increase in bonds payable of 22,109 million yen in other.

As a result, total liabilities increased 4.4 % from the end of the previous consolidated fiscal year, to 493,358 million yen.

(Net assets)

Total net assets decreased 0.7% from the end of the previous consolidated fiscal year to 241,103 million yen with an increase in valuation difference on available-for-sale securities of 3,708 million yen, and an increase in treasury shares of 6,000 million yen in other.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2024

There are no changes in the projected consolidated results of operations for the first half of fiscal year ending March 2024 and the full-term of the fiscal year published on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|-------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 86,201 | 92,751 |
| Notes and accounts receivable-trade | 316,696 | 328,097 |
| Merchandise and finished goods | 91,217 | 87,427 |
| Raw materials and supplies | 206 | 204 |
| Other | 39,573 | 40,051 |
| Allowance for doubtful accounts | -376 | -377 |
| Total current assets | 533,519 | 548,154 |
| Non-current assets | | |
| Property, plant and equipment | 90,270 | 89,189 |
| Intangible assets | | |
| Goodwill | 514 | 446 |
| Other | 4,863 | 4,797 |
| Total intangible assets | 5,377 | 5,244 |
| Investments and other assets | | |
| Investment securities | 72,604 | 77,844 |
| Other | 15,462 | 16,028 |
| Allowance for doubtful accounts | -1,947 | -2,000 |
| Total investments and other assets | 86,120 | 91,872 |
| Total non-current assets | 181,768 | 186,306 |
| Total assets | 715,288 | 734,461 |

(Unit: million yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 385,140 | 403,476 |
| Short-term borrowings | 9,800 | 9,218 |
| Current portion of bonds payable | 20,003 | - |
| Income taxes payable | 5,152 | 1,635 |
| Provision for bonuses | 3,214 | 4,834 |
| Provision for bonuses for directors | 42 | 10 |
| Asset retirement obligations | 40 | 178 |
| Other | 16,794 | 18,483 |
| Total current liabilities | 440,188 | 437,838 |
| Non-current liabilities | | |
| Bonds payable | — | 22,109 |
| Long-term borrowings | 6,472 | 6,372 |
| Retirement benefit liability | 2,508 | 2,505 |
| Asset retirement obligations | 2,747 | 2,641 |
| Provision for loss on Antimonopoly Act | 4,849 | 4,849 |
| Other | 15,605 | 17,042 |
| Total non-current liabilities | 32,183 | 55,519 |
| Total liabilities | 472,372 | 493,358 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,649 | 10,649 |
| Capital surplus | 49,146 | 49,146 |
| Retained earnings | 191,531 | 192,005 |
| Treasury shares | -23,107 | -29,108 |
| Total shareholders' equity | 228,219 | 222,693 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 18,734 | 22,443 |
| Revaluation reserve for land | -4,276 | -4,276 |
| Total accumulated other comprehensive income | 14,458 | 18,167 |
| Share acquisition rights | 146 | 146 |
| Non-controlling interests | 92 | 95 |
| Total net assets | 242,916 | 241,103 |
| Total liabilities and net assets | 715,288 | 734,461 |

(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 First Quarter]

(Unit: million yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 324,267 | 351,179 |
| Cost of sales | 297,884 | 324,287 |
| Gross profit | 26,383 | 26,892 |
| Selling, general and administrative expenses | | |
| Remuneration, salaries and allowances for directors | 10,004 | 9,998 |
| Provision for bonuses | 1,712 | 1,664 |
| Provision for bonuses for directors | 10 | 10 |
| Retirement benefit expenses | 69 | 67 |
| Welfare expenses | 1,929 | 1,904 |
| Vehicle expenses | 266 | 246 |
| Provision of allowance for doubtful accounts | -86 | 54 |
| Depreciation | 1,360 | 1,467 |
| Amortization of goodwill | 75 | 67 |
| Rent expenses | 1,997 | 2,124 |
| Taxes and dues | 532 | 546 |
| Non-deductible temporary paid consumption tax expense | 1,619 | 1,682 |
| Other | 4,623 | 5,203 |
| Total selling, general and administrative expenses | 24,116 | 25,038 |
| Operating profit | 2,266 | 1,853 |
| Non-operating income | | |
| Interest income | 13 | 10 |
| Dividend income | 500 | 412 |
| Share of profit of entities accounted for using equity method | — | 91 |
| Rental income from real estate | 206 | 209 |
| Other | 327 | 172 |
| Total non-operating income | 1,048 | 897 |
| Non-operating expenses | | |
| Interest expenses | 20 | 15 |
| Share of loss of entities accounted for using equity method | 67 | — |
| Bond issuance costs | — | 83 |
| Other | 84 | 131 |
| Total non-operating expenses | 172 | 230 |
| Ordinary profit | 3,142 | 2,521 |

(Unit: million yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|--|-------------------------------------|-------------------------------------|
| Extraordinary income | | |
| Gain on sales of non-current assets | 64 | 18 |
| Gain on liquidation of investment securities | 16 | — |
| Other | — | 0 |
| Total extraordinary income | 80 | 18 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 6 | 41 |
| Impairment losses | 19 | — |
| Other | 173 | 5 |
| Total extraordinary losses | 200 | 47 |
| Profit before income taxes | 3,023 | 2,492 |
| Income taxes-current | 1,799 | 1,706 |
| Income taxes-deferred | -845 | -746 |
| Total income taxes | 953 | 959 |
| Net profit | 2,069 | 1,533 |
| Profit attributable to non-controlling interests | 8 | 3 |
| Profit attributable to owners of parent | 2,061 | 1,529 |

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

(Unit: million yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Net profit | 2,069 | 1,533 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,467 | 3,662 |
| Share of other comprehensive income of entities accounted for using equity method | 11 | 46 |
| Total other comprehensive income | 1,478 | 3,708 |
| Comprehensive income | 3,548 | 5,241 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 3,540 | 5,238 |
| Comprehensive income attributable to non-controlling interests | 8 | 3 |

(3) Notes Concerning Quarterly Consolidated Financial Statements
(Notes Concerning Premise of a Going Business)
Not applicable.

(Notes Concerning Material Changes in Shareholders' Equity)
Not applicable.

(Change in the Presentation of Consolidated Financial Statements)

Traditionally, revenues from information service fees earned from pharmaceutical manufacturers, etc. were recorded as "commission income" under "non-operating income," and membership revenues earned from medical institutions, etc. were recorded as "other" under "non-operating income." However, effective from the first quarter of the fiscal year under review, such income is now included in "net sales."

The Group established the Medium-term Management Plan 2023-2025 "Create the Next Generation", with the fiscal year ending March 31, 2024 as the beginning and the fiscal year ending March 31, 2026 as the final year, and has been promoting measures to achieve continuous growth and improve profitability over the medium to long term since April 2023. In the transformation of pharmaceutical wholesaling business, one of the concrete measures, TOHO PHARMACEUTICAL, a consolidated subsidiary, has made organizational changes to strengthen planning, promotion, and management of strategies to accelerate income, including revenues from information service fees.

In this way, we have positioned information services, which are expected to become even more important going forward owing to changes in the information business environment, as one of our main sales activities. This has prompted us to change the method of presentation as described above to better present the results of the Group's sales activities.

In order to reflect this change in presentation method, the consolidated financial statements for the first quarter of the previous year have been reclassified. As a result, net sales and operating profit for the first quarter of the previous fiscal year increased by 869 million yen compared with those before the reclassification, with net sales and operating profit amounting to 324,267 million yen and 2,266 million yen, respectively. There is no impact on ordinary profit or profit before income taxes. In addition, "accounts receivable - other" of 473 million yen, which were presented in "other" under current assets in the consolidated balance sheet for the previous fiscal year, have been reclassified to "notes and accounts receivable - trade." As a result, notes and accounts receivable-trade amounted to 316,696 million yen and "other" under current assets amounted to 39,573 million yen.

(Segmental Information)

As described in Change in the Presentation of Consolidated Financial Statements, revenues from information service fees, etc. have been reclassified to net sales from the first quarter of the fiscal year ending March 31, 2024. In order to reflect this change in presentation method, the Segmental Information for the first quarter of the previous year have been reclassified.

As a result, net sales and segment profit in the pharmaceutical wholesaling business for the first quarter of the previous fiscal year increased by 869 million yen compared with those before the reclassification.

I Previous consolidated first quarter (from April 1, 2022 to June 30, 2022)

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

| | Reportable segments | | | | | Adjustments (million yen) (Note 1) | Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2) |
|---------------------------------|--|---|---|--|------------------------|--|---|
| | Pharmaceutical Wholesaling (million yen) | Dispensing Pharmacy (million yen) | Pharmaceutical Manufacturing and Sales (million yen) | Other Peripheral Businesses (million yen) | Total (million yen) | | |
| Net Sales | | | | | | | |
| (1) Sales to external customers | 300,278 | 22,223 | 612 | 1,152 | 324,267 | — | 324,267 |
| (2) Inter-segment sales | 12,383 | 0 | 1,872 | 356 | 14,612 | -14,612 | — |
| Total | 312,662 | 22,223 | 2,485 | 1,508 | 338,879 | -14,612 | 324,267 |
| Segment profit | 2,151 | 133 | 288 | 94 | 2,668 | -401 | 2,266 |

(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 profit in the reportable segments were subsequently adjusted with the amount of operating profit on the quarterly consolidated profit and loss statement.

2. Information about impairment losses on non-current assets or goodwill by each business segment

Not applicable.

II This consolidated first quarter (from April 1, 2023 to June 30, 2023)

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

| | Reportable segments | | | | | Adjustments (million yen) (Note 1) | Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2) |
|---------------------------------|--|---|---|--|------------------------|--|---|
| | Pharmaceutical Wholesaling (million yen) | Dispensing Pharmacy (million yen) | Pharmaceutical Manufacturing and Sales (million yen) | Other Peripheral Businesses (million yen) | Total (million yen) | | |
| Net Sales | | | | | | | |
| (1) Sales to external customers | 326,610 | 22,825 | 608 | 1,134 | 351,179 | — | 351,179 |
| (2) Inter-segment sales | 12,507 | 1 | 2,050 | 338 | 14,897 | -14,897 | — |
| Total | 339,117 | 22,827 | 2,658 | 1,473 | 366,077 | -14,897 | 351,179 |
| Segment profit | 2,223 | 112 | 293 | 35 | 2,664 | -810 | 1,853 |

(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 profit in the reportable segments were subsequently adjusted with the amount of operating profit on the quarterly consolidated profit and loss statement.

2. Information about impairment losses on non-current assets or goodwill by each business segment

Not applicable.