

# Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 14, 2022

Company name: KEY COFFEE INC  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2594  
 URL: <https://www.keycoffee.co.jp/>  
 Representative: Yutaka Shibata, Representative Director and President  
 Contact: Akihiro Mizutani, General Manager, Finance Department  
 Phone: +81-3-3433-3311  
 Scheduled date of filing quarterly securities report: November 14, 2022  
 Scheduled date of commencing dividend payments: November 30, 2022  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled (for analysts and trade papers)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	30,310	11.3	514	72.8	623	32.3	457	48.2
September 30, 2021	27,242	7.3	297	–	471	–	308	–

(Note) Comprehensive income: Six months ended September 30, 2022: ¥562 million [48.7%]  
 Six months ended September 30, 2021: ¥378 million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	21.37	–
September 30, 2021	14.42	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	46,567	30,938	65.8
As of March 31, 2022	43,429	30,481	69.5

(Reference) Equity: As of September 30, 2022: ¥30,646 million  
 As of March 31, 2022: ¥30,204 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	5.00	–	5.00	10.00
Fiscal year ending March 31, 2023	–	5.00			
Fiscal year ending March 31, 2023 (Forecast)			–	5.00	10.00

(Note) Revision to the forecast for dividends announced most recently: None

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	64,000	14.9	550	35.7	700	(31.5)	500	(32.7)	23.35

(Note) Revision to the financial results forecast announced most recently: None

#### \* Notes:

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation)  
Newly included: – (Company name: –)  
Excluded: – (Company name: –)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
  - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):
 

September 30, 2022:	22,689,000 shares
March 31, 2022:	22,689,000 shares
  - 2) Total number of treasury shares at the end of the period:
 

September 30, 2022:	1,276,656 shares
March 31, 2022:	1,277,756 shares
  - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
 

Six months ended September 30, 2022:	21,412,344 shares
Six months ended September 30, 2021:	21,409,344 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (267,400 shares on September 30, 2022, 268,500 shares on March 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E). In calculation of the average number of shares during the period, the number of treasury shares deducted includes the shares of the Company (267,400 shares on September 30, 2022, 270,400 shares on September 30, 2021) held by Custody Bank of Japan, Ltd. (Trust Account E).

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

#### \* Explanation of the proper use of financial results forecast and other notes

- Forward-looking statements and other statements about the future that are included in this material are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results and others may differ significantly due to various factors. For the assumptions for financial results forecast and precautions for using financial results forecasts, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 6 of the attached document.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022), the Japanese economy showed indications of a recovery in socioeconomic activity due to the gradual easing of various restrictions associated with the COVID-19 pandemic. However, the onset of the seventh wave of infections, as well as factors such as continued price hikes due to soaring energy and raw material prices and the rapid depreciation of the yen, leave the outlook uncertain.

In the coffee market, consumption in the HORECA market increased year on year due to the easing of restrictions on activities imposed due to COVID-19. Meanwhile, consumption in the Household market slightly declined due to slackening stay-at-home consumption as a result of increased opportunities to go out, as well as increases in retail prices by manufacturers.

In addition, the coffee market price, which heavily influences KEY COFFEE's financial results, remained at a high level due to factors such as the downward revision of production in Brazil in the current fiscal year, concerns for next year's crop due to dry weather in production areas, and the low level of certified inventories in the coffee futures market. In addition, the continuation of the record-breaking depreciation of the yen in the foreign exchange market has elevated the cost of procuring green coffee beans, resulting in a severe business environment.

Under these circumstances, the KEY COFFEE Group established the three pillars of "reforming the business structure," "strengthening profitability," and "reinforcing the comprehensive strengths of the Group," based on our long-held "quality-first principle," and engaged in the creation of new demand, developed products which meet the needs of consumers, and promoted solution-oriented business activities that contribute to the financial results of clients, in order to fulfill our corporate philosophy, to "pursue the ultimate in coffee, focus on our customers, and create a coffee culture which enriches the heart."

In addition, we have established "Coffee and KISSA as a Sustainable Company" as our new message for 2030 with the aim of keeping the coffee culture alive and realizing sustainable coffee production. As part of this, we established a new specialized department, "Future of Coffee Department," which promotes a wide range of sustainability activities, including collaboration with coffee-producing countries and the development of new coffee varieties.

Net sales for the KEY COFFEE Group for the six months ended September 30, 2022 were 30,310 million yen (an 11.3% increase compared with the same period of the previous fiscal year), operating profit was 514 million yen (a 72.8% increase compared with the same period of the previous fiscal year), and ordinary profit was 623 million yen (a 32.3% increase compared with the same period of the previous fiscal year). Profit attributable to owners of parent was 457 million yen (a 48.2% increase compared with the same period of the previous fiscal year).

### <Consolidated Operating Results>

(Unit: Millions of yen)

	Six months ended Sept. 30, 2021	Six months ended Sept. 30, 2022	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)
Net sales	27,242	30,310	3,067	11.3%
Operating profit	297	514	216	72.8%
Ordinary profit	471	623	152	32.3%
Profit attributable to owners of parent	308	457	148	48.2%

An overview of segment operations is provided below.

(Unit: Millions of yen)

Business segment	Net sales			Operating profit (loss)		
	Six months ended Sept. 30, 2022	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)	Six months ended Sept. 30, 2022	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)
Coffee-related businesses	26,407	2,745	11.6	722	171	31.1
Restaurant-related businesses	1,834	156	9.3	(131)	85	–
Other	2,067	165	8.7	124	(41)	(24.8)
Adjustment	–	–	–	(200)	1	–
Total	30,310	3,067	11.3	514	216	72.8

(Note) Adjustment amounts are mainly the elimination of internal transactions between segments, adjustment amounts for inventories, and general and administrative expenses that do not belong to the reportable segments.

(Coffee-related businesses)

In the HORECA market, we promoted sales of highly differentiated coffees such as “Clé d’Or” series, a gourmet coffee brand made from carefully selected green beans, TOARCO TORAJA, HYO-ON Aging Liquid Coffee, and certified coffees, and also strengthened and worked to expand sales of the commercial food items we handle. In addition, in order to acquire new customers, we launched a website introducing commercial products and services to restaurant operators and those planning to open restaurants.

As measures to revitalize our clients, we promoted both a monthly planning proposal offering limited quantities of superior-quality coffees from throughout the world, and the introduction of “COLD CREMA,” a new type of iced coffee, and as part of our seasonal sales promotion planning, we held a “Curry Fair” offering a range of recommended curries from our restaurants.

In addition, the Company opened three new “KEY’S CAFE” (Shop Opening Service), our model cafe that can be opened in various location environments that we work on to offer aid in opening a cafe, bringing the number of introduced cafes to 75.

We also proceeded with the revision of prices of roasted coffee bean products and products for HORECA market delivered to our clients, from October, as in October last year, based on the rise in the cost of procuring green coffee beans and the purchase price of such commercial products.

Sales grew significantly compared to the same period of the previous fiscal year, due to the increased sales volume of coffee and commercial food items to our clients, partly as a result of the widespread easing of restrictions on activities.

In the Household market, we completely renewed our flagship brands “GRAND TASTE” and “Liquid Coffee Tetra Prisma” series as spring and summer products. In addition, as an expansion of our brands under “KYOTO INODA COFFEE,” a long-established coffee shop in Kyoto with which we have a business alliance agreement, we introduced a total of six new products: “Original Blend / Mocha Blend,” “Organic Coffee KOTO-NO-AJIWAI BLEND” in the DRIP ON series, “Organic Coffee KOTO-NO-AJIWAI BLEND” FLEXIBLE PACK (Ground Coffee), and Liquid Iced Coffee “Non sugar / Less sugar.”

For gift items, we lined up a total of 27 items for the mid-year gift season, including the DRIP ON series, the classic “HYO-ON Aging Liquid Coffee Gift” and “Beverage Assorted Gift,” and “Liquid Coffee & Drink Gift” that can be enjoyed by everyone from adults to children.

We also proceeded with the revision of our shipping prices of roasted coffee bean products and coffee-related products delivered to clients from October, as in October last year.

Last year's revision to our shipping prices of roasted coffee bean products resulted in sales at a similar level as in the same period of the previous fiscal year, but sales volume declined due to the impact of higher sales prices at stores.

In the ingredient market, sales volume to clients continued to recover to the pre-COVID-19 level, and sales increased compared to the same period of the previous fiscal year.

Operating profit increased compared with the same period of the previous fiscal year, mainly due to higher sales to the HORECA market and continued efforts in cost containment, such as labor and fixed costs.

Consequently, in the six months ended September 30, 2022, net sales for our coffee-related businesses were 26,407 million yen (an 11.6% increase compared with the same period of the previous consolidated fiscal year), and operating profit was 722 million yen (a 31.1% increase compared with the same period of the previous consolidated fiscal year).

(Restaurant-related businesses)

Italian Tomato Co., Ltd. worked to enhance our ability to attract customers by strengthening the product appeal of our morning, lunch, and other time-of-day menus, introducing monthly limited-edition drink, food, and cake menu items featuring seasonal ingredients, and offering white peach and mango frozen drinks, "Cold Pasta with Whitebait and Takana" and "Red Rice Prawn and Tomato Cold Pasta," and shine muscat cake. In terms of merchandise, we also sold three "Summer Lucky Grab Bag" products, containing items such as coffee and baked confectioneries.

In response to demand for takeout, we strived to improve convenience by expanding the number of stores offering delivery services in collaboration with home delivery operators, and introducing an electronic prepaid order delivery service. In addition, we focused on openings of limited-time-only stores in train stations and exhibition halls at department stores, and online sales of frozen cakes through a mail-order website specializing in cakes.

On the management front, we worked to improve productivity and reduce waste loss by assigning personnel and ordering and managing foodstuffs in response to changes in sales conditions, and promoted optimization of labor and raw material costs. In addition, due to soaring raw material prices, we revised prices of our coffee, drink, and food menu items.

In store development, we reopened the two existing "ITALIAN TOMATO Cafe Jr" stores in AEON MALL Atsuta and AEON MALL Kitaoji as new brand stores "Caffè ITALIAN TOMATO." In addition, we newly opened one directly managed store and two franchise stores, and liquidated unprofitable stores that are unlikely to recover profitability, resulting in a total of 153 stores (51 directly managed stores and 102 franchise stores).

Regarding our financial results, net sales exceeded the results for the same period of the previous fiscal year due to factors such as an increase in the flow of people as a result of eased restrictions on activities, and a rise in the number of customers visiting our stores as a result of fewer stores refraining from operating compared with the previous fiscal year. In terms of profits, we recorded an operating loss despite improvements achieved through the continued introductions of high-value-added menus, menu price revisions, and efforts to strengthen control of labor and raw material costs.

Consequently, in the six months ended September 30, 2022, net sales in the restaurant-related businesses were 1,834 million yen (a 9.3% increase compared with the same period of the previous consolidated fiscal year), and operating loss was 131 million yen (operating loss was 216 million yen in the same period of the previous consolidated fiscal year). As non-operating income, 60 million yen was recorded, mainly in subsidy income from various municipalities related to reduced operating hours.

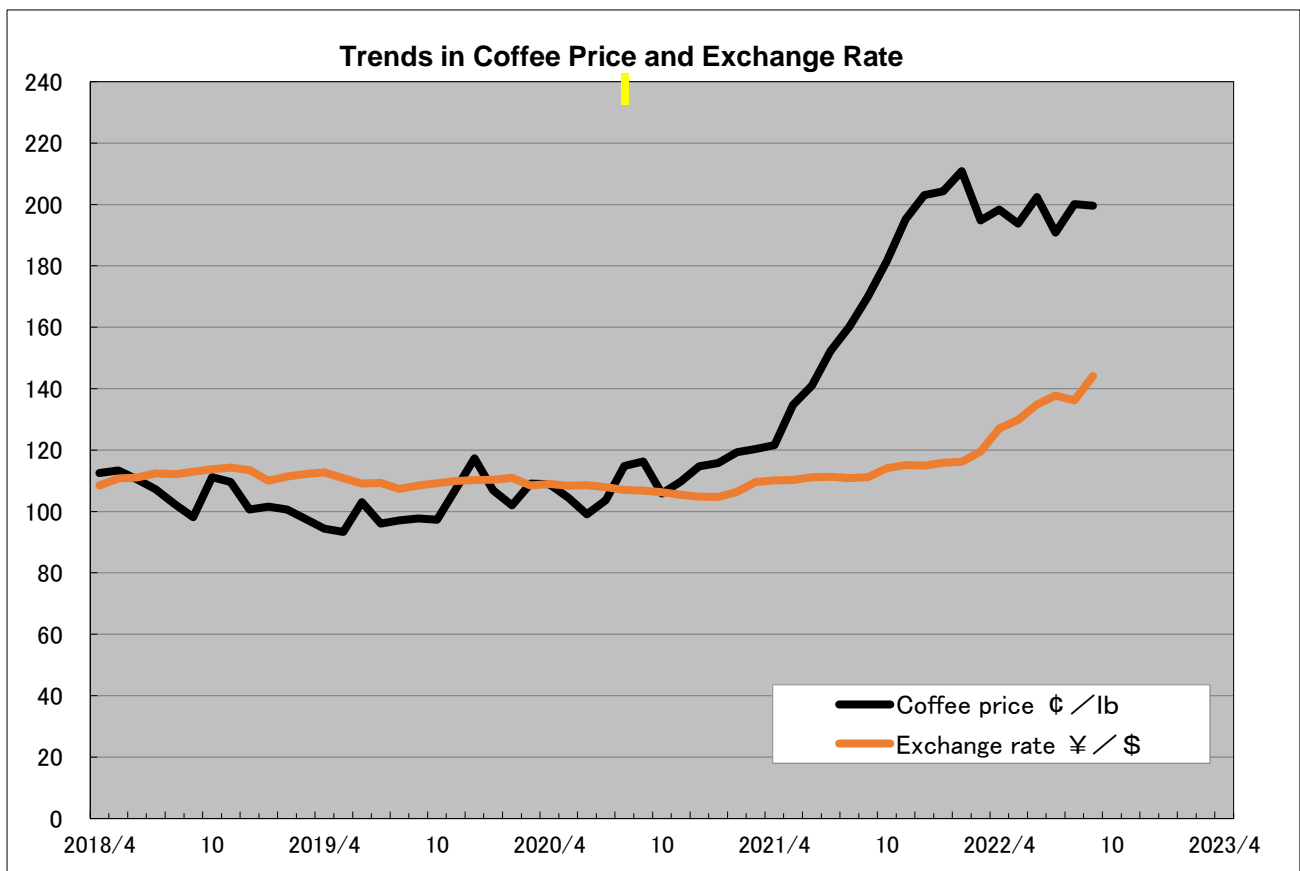
(Other)

Honu KATO COFFEE Inc., which operates an e-commerce business, maintained sales on par with the strong performance of the same period of the previous fiscal year, as a result of efforts to strengthen contact points with customers, including by participating in live demonstration sales events sponsored by major malls. In

terms of profits, we strived to secure appropriate profits by revising prices and reducing sales promotion costs and various other costs amid soaring coffee market prices and increases in various other costs. However, profits decreased substantially.

Nic Foods Co., Ltd. experienced a recovery in orders mainly for beverages, due to increased demand primarily in the HORECA market, as a result of the easing of restrictions on activities imposed due to COVID-19, as well as a hot summer, and sales rose compared with the same period of the previous fiscal year. In terms of profits, in addition to sales growth, we made efforts to reduce product costs and optimize SG&A expenses, and also reflected the rising cost of raw materials, materials, and energy in price revisions, resulting in a significant increase in profits.

Consequently, in the six months ended September 30, 2022, net sales for other businesses were 2,067 million yen (an 8.7% increase compared with the same period of the previous consolidated fiscal year) and operating profit was 124 million yen (a 24.8% decrease compared with the same period of the previous consolidated fiscal year).



(Coffee Price: ICO Composite Indicator Price [I-CIP])

## (2) Explanation of Financial Position

### (Assets)

Total assets increased by 3,137 million yen from the end of the previous consolidated fiscal year to 46,567 million yen.

Current assets increased by 2,981 million yen to 29,375 million yen. This was primarily due to increases in notes and accounts receivable - trade (up 862 million yen), merchandise and finished goods (up 675 million yen), and raw materials and supplies (up 1,580 million yen).

Non-current assets increased by 155 million yen to 17,192 million yen. Intangible assets increased by 102 million yen and investments and other assets increased by 54 million yen.

### (Liabilities)

Liabilities increased by 2,680 million yen from the end of the previous consolidated fiscal year to 15,629 million yen.

Current liabilities increased by 2,807 million yen to 13,774 million yen. This was primarily due to an increase in notes and accounts payable - trade (up 3,430 million yen) and a decrease in accounts payable - other (down 584 million yen).

Non-current liabilities decreased by 127 million yen to 1,854 million yen. This was primarily due to a decrease in retirement benefit liability (down 77 million yen).

### (Net assets)

Net assets increased by 456 million yen from the end of the previous consolidated fiscal year to 30,938 million yen. This was primarily due to an increase in retained earnings (up 349 million yen).

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

At this time, there are no changes with regard to the financial results forecast for the fiscal year ending March 31, 2023, which was announced on May 16, 2022.



## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	5,443	5,293
Notes and accounts receivable - trade	11,625	12,487
Merchandise and finished goods	2,474	3,149
Work in process	194	203
Raw materials and supplies	5,976	7,557
Other	758	763
Allowance for doubtful accounts	(79)	(79)
Total current assets	26,393	29,375
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,099	4,080
Machinery, equipment and vehicles, net	1,269	1,222
Land	6,570	6,570
Other, net	590	654
Total property, plant and equipment	12,530	12,528
Intangible assets		
Goodwill	115	146
Other	539	611
Total intangible assets	655	758
Investments and other assets		
Investment securities	2,716	2,744
Long-term loans receivable	37	34
Deferred tax assets	109	96
Guarantee deposits	767	779
Other	384	416
Allowance for doubtful accounts	(165)	(165)
Total investments and other assets	3,850	3,905
Total non-current assets	17,036	17,192
Total assets	43,429	46,567

(Million yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,972	10,403
Short-term borrowings	82	209
Accounts payable - other	2,185	1,600
Income taxes payable	259	216
Provision for bonuses	321	362
Other	1,145	982
Total current liabilities	10,966	13,774
Non-current liabilities		
Deferred tax liabilities	141	141
Deferred tax liabilities for land revaluation	478	478
Provision for share awards	47	55
Other provisions	3	4
Retirement benefit liability	486	408
Asset retirement obligations	434	439
Other	389	325
Total non-current liabilities	1,981	1,854
<b>Total liabilities</b>	<b>12,948</b>	<b>15,629</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,628	4,628
Capital surplus	5,106	5,106
Retained earnings	25,317	25,667
Treasury shares	(2,543)	(2,541)
Total shareholders' equity	32,509	32,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	342	380
Revaluation reserve for land	(2,736)	(2,736)
Foreign currency translation adjustment	(9)	13
Remeasurements of defined benefit plans	98	128
Total accumulated other comprehensive income	(2,304)	(2,214)
Non-controlling interests	276	291
<b>Total net assets</b>	<b>30,481</b>	<b>30,938</b>
<b>Total liabilities and net assets</b>	<b>43,429</b>	<b>46,567</b>

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

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	27,242	30,310
Cost of sales	19,966	22,707
Gross profit	7,275	7,602
Selling, general and administrative expenses		
Advertising and sample expense	571	600
Packing and transportation costs	1,225	1,222
Vehicle expenses	209	205
Provision of allowance for doubtful accounts	0	1
Remuneration for directors (and other officers)	132	133
Salaries and bonuses	2,179	2,206
Provision for bonuses	211	275
Retirement benefit expenses	61	53
Welfare expenses	374	394
Rent expenses	493	423
Depreciation	160	137
Supplies expenses	99	89
Research and development expenses	88	85
Other	1,169	1,258
Total selling, general and administrative expenses	6,978	7,087
Operating profit	297	514
Non-operating income		
Interest income	0	0
Dividend income	11	11
Foreign exchange gains	6	2
Rental income from real estate	33	33
Subsidy income	170	60
Other	28	34
Total non-operating income	251	143
Non-operating expenses		
Interest expenses	2	3
Share of loss of entities accounted for using equity method	61	22
Rental expenses on real estate	7	7
Other	5	1
Total non-operating expenses	77	35
Ordinary profit	471	623

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Extraordinary income		
Gain on sale of investment securities	28	–
Total extraordinary income	28	–
Extraordinary losses		
Impairment losses	11	–
Total extraordinary losses	11	–
Profit before income taxes	487	623
Income taxes - current	94	153
Income taxes - deferred	65	0
Total income taxes	160	154
Profit	327	468
Profit attributable to non-controlling interests	18	11
Profit attributable to owners of parent	308	457

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	327	468
Other comprehensive income		
Valuation difference on available-for-sale securities	24	40
Foreign currency translation adjustment	9	24
Remeasurements of defined benefit plans, net of tax	25	30
Share of other comprehensive income of entities accounted for using equity method	(8)	(2)
Total other comprehensive income	50	93
Comprehensive income	378	562
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	358	547
Comprehensive income attributable to non-controlling interests	19	14

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

I For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Coffee-related businesses	Restaurant- related businesses	Total				
Net sales							
Net sales to outside customers	23,662	1,677	25,339	1,902	27,242	—	27,242
Inter-segment net sales or transfers	276	4	280	705	986	(986)	—
Total	23,939	1,681	25,620	2,608	28,228	(986)	27,242
Segment income (loss)	551	(216)	334	165	499	(202)	297

(Notes) 1. The “Other” section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. The adjustment of negative 202 million yen to segment profit (loss) includes an elimination of internal transactions of negative 3 million yen, an inventories adjustment of 36 million yen, and corporate expenses not allocated to reportable segments of negative 235 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.

3. Segment profit (loss) has been adjusted with operating profit in quarterly statements of income.

II For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Coffee-related businesses	Restaurant- related businesses	Total				
Net sales							
Net sales to outside customers	26,407	1,834	28,242	2,067	30,310	–	30,310
Inter-segment net sales or transfers	349	5	355	830	1,185	(1,185)	–
Total	26,757	1,839	28,597	2,898	31,495	(1,185)	30,310
Segment income (loss)	722	(131)	590	124	715	(200)	514

(Notes) 1. The “Other” section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. The adjustment of negative 200 million yen to segment profit (loss) includes an elimination of internal transactions of negative 2 million yen, an inventories adjustment of 66 million yen, and corporate expenses not allocated to reportable segments of negative 264 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.

3. Segment profit (loss) has been adjusted with operating profit in quarterly statements of income.

(Significant subsequent events)

Not applicable.