

Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



July 26, 2023

Company name: SHIKOKU KASEI HOLDINGS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 4099

URL: <https://www.shikoku.co.jp/eng/>

Representative: Mitsunori Watanabe, President

Contact: Yoshiaki Ando, Director in charge of Corporate Management

Phone: +81-877-22-4111

Scheduled date of filing quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: September 5, 2023

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2023	30,880	—	3,786	—	4,720	—	3,212	—
September 30, 2022	31,297	23.9	4,371	15.2	5,480	33.1	3,707	26.0

(Note) Comprehensive income: Six months ended June 30, 2023: ¥5,361 million [— %]

Six months ended September 30, 2022: ¥3,084 million [4.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	61.22	—
September 30, 2022	69.29	—

The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. Accordingly, the previous second quarter period (from April 1, 2022 to September 30, 2022), which is a period for comparison, does not match the period of the second quarter under review (from January 1, 2023 to June 30, 2023). Therefore, the percentage changes from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	125,800	83,671	66.0
As of December 31, 2022	117,176	81,806	69.4

(Reference) Equity: As of June 30, 2023: ¥82,986 million

As of December 31, 2022: ¥81,323 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	Yen –	Yen 13.00	Yen –	Yen 13.00	Yen 26.00
Fiscal year ending December 31, 2023	–	14.00			
Fiscal year ending December 31, 2023 (Forecast)			–	14.00	28.00

(Note) Revisions to the cash dividends forecast most recently announced: Yes

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	63,000	–	7,500	–	8,300	–	6,800	–	131.64

(Notes) 1. Revisions to the financial results forecast most recently announced: Yes

- The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. The fiscal year ended December 31, 2022 is therefore a transitional period comprising the nine months from April 1, 2022 to December 31, 2022 for the Company and all of its consolidated subsidiaries. Therefore, the percentage changes from the previous corresponding period are not presented.
- Please also refer to the Notice Regarding Revision of Financial Results Forecast, Dividends of Surplus (Interim Dividend) and Revision of Year-end Dividend Forecast (Japanese only) released today (July 26, 2023) regarding the consolidated financial results forecast.

* Notes:

- Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - Changes in accounting policies due to the revision of accounting standards: No
 - Changes in accounting policies other than 1) above: No
 - Changes in accounting estimates: No
 - Retrospective restatement: No
- Total number of issued shares (ordinary shares)
 - Total number of issued shares at the end of the period (including treasury shares):
 - June 30, 2023: 50,870,663 shares
 - December 31, 2022: 52,973,563 shares
 - Total number of treasury shares at the end of the period:
 - June 30, 2023: 176,010 shares
 - December 31, 2022: 206,031 shares
 - Average number of shares during the period:
 - Six months ended June 30, 2023: 52,476,931 shares
 - Six months ended September 30, 2022: 53,514,089 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms

* Explanation regarding the appropriate use of financial results forecasts and other special items

Forward-looking statements such as operating results forecasts and other projections contained in this report are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the operating results forecasts and cautionary notes concerning their use, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 4 of the attached documents to the quarterly financial statements.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption)	10
(Notes in the case of significant changes in shareholders' equity)	10
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)	10
(Regarding the quarterly consolidated statement of income)	10
(Segment information, etc.)	11

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

The Company has changed the last day of the fiscal year from March 31 to December 31, beginning with the previous fiscal year. All consolidated subsidiaries of the Company have also changed their fiscal year-end date from March to December. Therefore, for the comparison with the previous period, the six-month period from January 2022 to June 2022 is compared with the reference figure calculated for the “same period of the previous year.”

In addition, as described in “(4) Notes to Quarterly Consolidated Financial Statements (Segment information, etc.),” the Company has changed the measurement method of segment profit starting from the three months ended March 31, 2023. The following comparison with the same period of the previous year is calculated by restating the figures for the same period of the previous year after the change.

The Japanese economy during the six months ended June 30, 2023 continued to pick up moderately, particularly in consumer spending, as COVID-19 has been contained and economic activities have normalized. In overseas economies, although the current employment situation in the U.S. remained strong, the manufacturing industry entered a phase of global adjustment due to cumulative interest rate increases causing demand for goods to decline and shift to a demand for services, which resulted in an extremely difficult business environment for Japan’s export industry.

Under these circumstances, for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023), the Group posted net sales of ¥30,880 million (up 0.6% year-on-year), operating profit of ¥3,786 million (down 5.7% year-on-year), ordinary profit of ¥4,720 million (down 8.0% year-on-year) and profit attributable to owners of parent of ¥3,212 million (down 12.3% year-on-year).

Although market conditions for the Company became more challenging in the second quarter under review, the Chemicals and Housing Materials operations secured an increase in revenue due to factors including pass-through pricing and yen depreciation, while operating profit decreased due to factors such as increased production costs and selling expenses. Ordinary profit and profit attributable to owners of parent also decreased, due to the absence of significant foreign exchange gains and gain on sale of investment securities posted in the previous year in the second quarter under review.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, remained sluggish due to a slowdown in supply and demand in the Chinese and other markets. As for sales of carbon disulfide for rayon and cellophane, domestic sales increased, and exports also remained solid due to the development of new customers. As for sales of sodium sulfate for bath agents and detergents, the Company strove to improve profitability by the price pass-through of the impact of hiking purchase price due to yen depreciation in exchange rates in domestic sales.

(Organic chemicals)

Regarding chlorinated isocyanurates for disinfectants, the domestic market remained at the same level as the previous year. In the U.S. market, despite declining demand due to customer stockpiling and inventory adjustments, unit sale prices remained high due to factors including the impact of the depreciating yen and diversification of selling outlets, exceeding that of the previous year.

(Fine chemicals)

Regarding electronic chemicals, particularly Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, sales fell short of actual demand due to distributor and supply chain inventory adjustments caused by worsening market conditions in the semiconductor and electronics markets. For advanced & specialty chemicals, despite sluggish sales of epoxy resin curing agent (imidazoles) and resin modifier (glycoluril derivatives, etc.) resulting from deteriorating market conditions in the electronics industry, sales of semiconductor process materials largely surpassed that of the previous year due to evaluation demands and project

wins.

As a result, net sales for the chemicals operations segment were ¥20,830 million (up 0.0% year-on-year). However, segment profit was ¥2,898 million (down 6.3% year-on-year) due to the amortization load of the Company's new plant of chlorinated isocyanurates (NEO2022), which began operation, and sluggish sales trends for highly profitable electronics materials in the fine chemicals business, despite the favorable impact of yen depreciation in exchange rates and lower export logistics costs.

2) Housing Materials operations

The number of new housing starts remained weak for owned houses, and demand for interior, exterior finishes, and paving materials and exterior products remained sluggish. Despite the price revision implemented in January 2023 of the current fiscal year and efforts to pass on high raw material costs, sales were lower than the previous year due to a rush incoming orders before the price revision took effect, while selling expenses increased as a result of factors including soaring raw material costs and resumption of sales activities after COVID-19, which led to decreased profit.

As a result, net sales for the housing materials operations segment were ¥9,570 million (up 2.2% year-on-year), and segment profit was ¥715 million (down 15.5% year-on-year).

Reference information

[Overseas net sales]

	Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)		Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	4,317	14.1	2,657	8.6
North America	7,076	23.0	7,464	24.2
Other regions	1,249	4.1	954	3.1
Total	12,644	41.2	11,075	35.9
Consolidated net sales	30,705		30,880	

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets increased by ¥8,624 million from the end of the previous fiscal year to ¥125,800 million. Major increases were ¥2,857 million in investment securities and ¥1,747 million in construction in progress, and a major decrease was ¥857 million in machinery, equipment and vehicles.

Liabilities increased by ¥6,758 million from the end of the previous fiscal year to ¥42,128 million. Major increases were ¥2,346 million in deferred tax liabilities and ¥1,983 million in current portion of long-term borrowings, and a major decrease was ¥847 million in long-term borrowings.

Net assets increased by ¥1,865 million from the end of the previous fiscal year to ¥83,671 million. A major increase was ¥1,976 million in valuation difference on available-for-sale securities, and a major decrease was ¥503 million in retained earnings.

As a result, equity ratio fell to 66.0% from 69.4% at the end of the previous fiscal year.

(Status of cash flows)

Cash flows provided by operating activities totaled ¥6,010 million (an increase of ¥2,623 million year-on-year). Major cash inflows were profit before income taxes of ¥4,700 million and depreciation of ¥1,623 million.

Cash flows used in investing activities totaled ¥3,162 million (an increase of ¥1,673 million year-on-year). A

major cash inflow was ¥3,000 million of proceeds from redemption of securities. Major cash outflows were purchase of securities of ¥3,000 million and purchase of property, plant and equipment of ¥2,358 million.

Cash flows used in financing activities totaled ¥1,814 million (a decrease of ¥123 million year-on-year). The major component was purchase of treasury shares of ¥3,039 million.

As a result, cash and cash equivalents totaled ¥38,080 million (an increase of ¥1,397 million from the end of the previous fiscal year).

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

The full-year financial results forecast has been revised from the initial plan (announced on January 27, 2023). Assumptions for the exchange rates of major currencies are ¥135 to U.S. dollar and ¥150 to Euro. For details of the revision, please refer to the Notice Regarding Revision of Financial Results Forecast, Dividends of Surplus (Interim Dividend) and Revision of Year-end Dividend Forecast (Japanese only) announced today (July 26, 2023).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	23,283	24,430
Notes receivable - trade	879	866
Electronically recorded monetary claims - operating	3,166	3,166
Accounts receivable - trade	13,362	13,682
Securities	16,400	16,900
Merchandise and finished goods	8,770	8,714
Work in process	37	49
Raw materials and supplies	4,140	4,339
Other	602	888
Allowance for doubtful accounts	(0)	(4)
Total current assets	70,642	73,033
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,780	6,301
Machinery, equipment and vehicles, net	7,969	7,111
Land	8,509	8,689
Construction in progress	687	2,435
Other, net	685	677
Total property, plant and equipment	23,632	25,214
Intangible assets	501	495
Investments and other assets		
Investment securities	21,008	23,866
Deferred tax assets	412	1,869
Retirement benefit asset	411	416
Other	572	907
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	22,400	27,056
Total non-current assets	46,533	52,767
Total assets	117,176	125,800

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,483	7,594
Electronically recorded obligations - operating	570	536
Short-term borrowings	2,530	3,570
Current portion of long-term borrowings	3,083	5,066
Accrued expenses	1,105	1,517
Income taxes payable	160	1,446
Accrued consumption taxes	117	300
Notes payable - facilities	25	2
Electronically recorded obligations - facilities	140	1,068
Other	3,068	2,443
Total current liabilities	18,284	23,548
Non-current liabilities		
Long-term borrowings	14,534	13,686
Deferred tax liabilities	49	2,395
Deferred tax liabilities for land revaluation	1,004	1,004
Provision for retirement benefits for directors (and other officers)	67	59
Retirement benefit liability	656	710
Asset retirement obligations	381	370
Provision for share awards	64	36
Other	328	316
Total non-current liabilities	17,085	18,580
Total liabilities	35,370	42,128
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	62,808	62,305
Treasury shares	(240)	(217)
Total shareholders' equity	75,147	74,667
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,766	5,742
Revaluation reserve for land	2,288	2,288
Foreign currency translation adjustment	136	297
Remeasurements of defined benefit plans	(15)	(9)
Total accumulated other comprehensive income	6,175	8,319
Non-controlling interests	482	685
Total net assets	81,806	83,671
Total liabilities and net assets	117,176	125,800

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

(Million yen)

	Six months ended September 30, 2022	Six months ended June 30, 2023
Net sales	31,297	30,880
Cost of sales	18,572	19,137
Gross profit	12,724	11,742
Selling, general and administrative expenses		
Transportation and storage costs	3,844	2,788
Advertising expenses	313	467
Salaries	1,129	1,181
Retirement benefit expenses	72	75
Provision for retirement benefits for directors (and other officers)	8	5
Research and development expenses	754	867
Other	2,230	2,568
Total selling, general and administrative expenses	8,353	7,955
Operating profit	4,371	3,786
Non-operating income		
Interest income	43	103
Dividend income	232	271
Foreign exchange gains	826	554
Miscellaneous income	21	35
Total non-operating income	1,124	964
Non-operating expenses		
Interest expenses	13	17
Donations	–	10
Miscellaneous losses	1	3
Total non-operating expenses	15	31
Ordinary profit	5,480	4,720
Extraordinary income		
Subsidy income	21	–
Gain on bargain purchase	–	32
Total extraordinary income	21	32
Extraordinary losses		
Loss on retirement of non-current assets	24	52
Loss on valuation of investment securities	327	–
Total extraordinary losses	352	52
Profit before income taxes	5,149	4,700
Income taxes	1,461	1,482
Profit	3,688	3,217
Profit (loss) attributable to non-controlling interests	(19)	4
Profit attributable to owners of parent	3,707	3,212

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30 and June 30

(Million yen)

	Six months ended September 30, 2022	Six months ended June 30, 2023
Profit	3,688	3,217
Other comprehensive income		
Valuation difference on available-for-sale securities	(876)	1,976
Foreign currency translation adjustment	263	161
Remeasurements of defined benefit plans, net of tax	8	6
Total other comprehensive income	(604)	2,143
Comprehensive income	3,084	5,361
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,103	5,356
Comprehensive income attributable to non-controlling interests	(19)	4

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,149	4,700
Depreciation	1,288	1,623
Gain on bargain purchase	–	(32)
Increase (decrease) in retirement benefit liability	(12)	15
Decrease (increase) in retirement benefit asset	(4)	(6)
Interest and dividend income	(276)	(374)
Interest expenses	13	17
Loss (gain) on valuation of investment securities	327	–
Subsidy income	(21)	–
Loss on retirement of property, plant and equipment	24	52
Decrease (increase) in trade receivables	1,170	134
Decrease (increase) in inventories	(454)	86
Increase (decrease) in trade payables	(1,481)	(95)
Increase (decrease) in accrued consumption taxes	238	57
Other, net	(980)	(355)
Subtotal	4,981	5,823
Interest and dividends received	277	375
Interest paid	(13)	(18)
Subsidies received	21	–
Income taxes refund (paid)	(1,881)	(169)
Net cash provided by (used in) operating activities	3,386	6,010
Cash flows from investing activities		
Purchase of securities	–	(3,000)
Proceeds from redemption of securities	–	3,000
Purchase of property, plant and equipment	(1,224)	(2,358)
Payments for retirement of property, plant and equipment	(20)	(28)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(81)
Purchase of investment securities	(5)	(706)
Proceeds from sale and redemption of investment securities	–	500
Other, net	(238)	(488)
Net cash provided by (used in) investing activities	(1,488)	(3,162)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	1,000
Proceeds from long-term borrowings	100	3,000
Repayments of long-term borrowings	(49)	(2,080)
Purchase of treasury shares	(1,328)	(3,039)
Dividends paid	(647)	(687)
Dividends paid to non-controlling interests	(3)	–
Other, net	(9)	(6)
Net cash provided by (used in) financing activities	(1,937)	(1,814)
Effect of exchange rate change on cash and cash equivalents	657	363
Net increase (decrease) in cash and cash equivalents	617	1,397
Cash and cash equivalents at beginning of period	35,755	36,683
Cash and cash equivalents at end of period	36,373	38,080

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

(Purchase of treasury shares)

The Company resolved on May 30, 2023 to purchase its treasury shares pursuant to the provisions of the articles of incorporation, as set forth in Article 459, Paragraph 1 of the Companies Act, and purchased 2,102,900 shares of treasury shares. As a result, during the six months ended June 30, 2023, treasury shares increased by ¥3,038 million.

(Cancellation of treasury shares)

The Company resolved on May 30, 2023 to cancel its treasury shares pursuant to the provisions in Article 178 of the Companies Act, and cancelled 2,102,900 shares of treasury shares on June 9, 2023. As a result, during the six months ended June 30, 2023, retained earnings and treasury shares decreased by ¥3,028 million and ¥3,028 million, respectively.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company makes a reasonable estimate of the effective tax rate after the application of tax effect accounting to profit before income taxes for the current fiscal year, including the second quarter under review, and multiplies profit before income taxes for the quarter by the estimated effective tax rate.

Income taxes - deferred is included in income taxes.

(Regarding the quarterly consolidated statement of income)

(Gain on bargain purchase)

Gain on bargain purchase was recognized in connection with the acquisition of the shares of Masuda Chemical Industries co., LTD. to convert it into a consolidated subsidiary.

(Segment information, etc.)

I. 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 and information on composition of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	7,088	–	7,088	–	7,088	–	7,088
Organic chemicals	10,314	–	10,314	–	10,314	–	10,314
Fine chemicals	4,927	–	4,927	–	4,927	–	4,927
Interior, exterior finishes and paving materials	–	647	647	–	647	–	647
Exterior products	–	7,784	7,784	–	7,784	–	7,784
Other	–	–	–	522	522	–	522
Revenue from contracts with customers	22,330	8,432	30,762	522	31,284	–	31,284
Other revenue	–	–	–	12	12	–	12
Net sales to outside customers	22,330	8,432	30,762	534	31,297	–	31,297
Inter-segment net sales or transfers	0	1	2	123	125	(125)	–
Total	22,330	8,433	30,764	657	31,422	(125)	31,297
Segment profit	3,862	454	4,316	55	4,371	(0)	4,371

(Notes) 1. The “Other” category represents business segments not included in the reportable segments and includes the IT systems operations and food operations.

2. The adjustment for segment profit of ¥(0) million includes profit (loss) and others not allocated to each reportable segment.

3. Segment profit is adjusted with operating profit on the quarterly consolidated statement of income.

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

1. Information on net sales and profit (loss) by reportable segment and information on composition of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	6,785	–	6,785	–	6,785	–	6,785
Organic chemicals	9,796	–	9,796	–	9,796	–	9,796
Fine chemicals	4,249	–	4,249	–	4,249	–	4,249
Interior, exterior finishes and paving materials	–	633	633	–	633	–	633
Exterior products	–	8,937	8,937	–	8,937	–	8,937
Other	–	–	–	465	465	–	465
Revenue from contracts with customers	20,830	9,570	30,401	465	30,866	–	30,866
Other revenue	–	–	–	13	13	–	13
Net sales to outside customers	20,830	9,570	30,401	478	30,880	–	30,880
Inter-segment net sales or transfers	3	1	5	150	155	(155)	–
Total	20,834	9,572	30,406	629	31,036	(155)	30,880
Segment profit	2,898	715	3,614	56	3,671	115	3,786

(Notes) 1. The “Other” category represents business segments not included in the reportable segments and includes the IT systems operations and food operations.

2. The adjustment for segment profit of ¥115 million includes profit (loss) and others not allocated to each reportable segment.

3. Segment profit is adjusted with operating profit on the quarterly consolidated statement of income.

2. Matters related to changes in reportable segments

(Changes in measurement methods)

Beginning with the three months ended March 31, 2023, due to the change in management structure resulting from the shift to a pure holding company, corporate expenses previously not allocated to each segment are now allocated to each segment based on reasonable standards. Segment information for the previous year’s first six months is disclosed based on the measurement method after the change.