

# Summary of Financial Results for the Third Quarter of Fiscal Year Ending December 2022 [Japanese Standards] (Consolidated)

November 8, 2022

Name of Listed Company: Pigeon Corporation (Stock code: 7956)  
 Listing: Prime Market, Tokyo Stock Exchange  
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 Scheduled Filing Date of Quarterly Report: November 9, 2022  
 Scheduled Commencement Date of Dividend Payments: —  
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes  
 Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts and institutional investors)

## 1. Consolidated Business Performance for the First Three Quarters of Fiscal Year Ending December 31, 2022 (January 1 to September 30, 2022)

### (1) Consolidated Operating Results (cumulative)

(Millions of yen, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
3Q ended September 30, 2022	70,707	1.8%	9,103	(12.8)%	10,774	(8.5)%	6,948	(3.3)%
3Q ended September 30, 2021	69,426	(6.0)%	10,444	(17.5)%	11,774	(13.2)%	7,185	(23.3)%

(Note) Comprehensive income: 3Q ended September 30, 2022      ¥13,232 million (40.6%)  
 3Q ended September 30, 2021      ¥9,411 million (9.7%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
3Q ended September 30, 2022	58.07	—
3Q ended September 30, 2021	60.06	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
3Q ended September 30, 2022	103,917	81,031	74.7
FY ended December 31, 2021	98,042	76,810	75.4

(Reference) Shareholders' Equity: 3Q ended September 30, 2022      ¥77,650 million  
 FY ended December 31, 2021      ¥73,885 million

## 2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2021	—	37.00	—	37.00	74.00
FY ending December 31, 2022	—	38.00	—		
FY ending December 31, 2022 (Forecast)				38.00	76.00

(Note) Changes in dividend forecasts from the most recent announcement: None

### 3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2022 (January 1 to December 31, 2022)

(% figures denote year-on-year change from the previous term)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	95,000	2.1	12,000	(10.0)	13,000	(11.3)	8,550	(2.7)	71.46

(Note) Revision of forecasts from the most recent announcement: None

#### Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None

New: — (Company name: — ), Excluded: — (Company name: — )

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting-based estimates, and restatements

- 1) Changes in accounting policies associated with revision of accounting standards: Yes
- 2) Changes in accounting policies other than the above 1): None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the period-end (including treasury stock)

3Q ended September 30, 2022: 121,653,486

FY ended December 31, 2021: 121,653,486

2) Amount of treasury stock at the period-end

3Q ended September 30, 2022: 1,996,448

FY ended December 31, 2021: 2,018,072

3) Average number of shares outstanding during the period (quarter accumulation)

3Q ended September 30, 2022: 119,649,732

3Q ended September 30, 2021: 119,635,556

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (102,956 shares as of 3Q ended September 30, 2022; 124,800 shares as of FY ended December 31, 2021). Company shares held by the BIP trust for compensation of directors are also included in the treasury stock subtracted in the calculation of the average number of shares outstanding during the period.

\* Summaries of quarterly financial results are exempt from quarterly review by certified public accountants and auditing corporations.

\* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.

In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Future Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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## 1. Qualitative Information Regarding the Financial Results for the Current Quarter

### (1) Explanation of Business Performance

During the consolidated first-nine-month period under review, conflicting factors were at work in the Japanese and global economies. In the Japanese economy, despite rising prices for raw materials and crude oil and rapid depreciation of the Japanese yen against the US dollar, personal consumption continued to recover gradually, as restrictions on activity were eased following a new wave of COVID-19 infections. In the global economy, recovery began as the worldwide COVID-19 pandemic shifted into an endemic phase. However, rapid increases in the prices of goods, supply squeezes and other factors heightened the risk of economic downturn, blunting the pace of recovery. Amid such circumstances, the Group has established three basic strategies (brand strategy, core product strategy, and regional strategy) in its Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022) that was formulated in February 2020. Now, in the final year of the Plan, guided by these basic strategies, we are implementing various measures for business growth, as well as to realize our purpose which is “we want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs.”

Sales results varied by region during the period under review. Unforgiving conditions persisted for the China Business, as the COVID-19 pandemic continued its spread from the start of the fiscal year and the government imposed a zero-COVID policy, including lockdowns in Shanghai and elsewhere in 2Q, in response. On the other hand, sales were brisk in the Singapore Business and Lansinoh Business, and depreciation in the Japanese yen gave a boost to revenue figures. Net sales appreciated slightly to ¥70,707 million (up 1.8% YOY). In earnings, globally high raw-material prices and shipping expenses caused a deterioration in cost rates while the reopening of economic activity in various countries prompted concerted use of selling, general and administrative expenses. Operating income dropped to ¥9,103 million (down 12.8% YOY), ordinary income fell to ¥10,774 million (down 8.5% YOY) and net income attributable to owners of parent slipped to ¥6,948 million (down 3.3% YOY).

The main exchange rates used in the preparation of this nine-month period's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:

- 1 US\$: 128.31 yen (108.54 yen)
- 1 CNY: 19.38 yen (16.77 yen)

Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

From the fiscal year ended December 31, 2020, the Group has a total of four reporting segments: the Japan Business, China Business, Singapore Business, and Lansinoh Business.

An outline of each segment is given below.

#### Japan Business

This segment consists of businesses such as the Baby Care Business, Child Care Service Business, and Health & Elder Care Business. Net sales for the entire segment amounted to ¥26,726 million (down 8.7% YOY). Segment profit decreased compared to the same period of the previous fiscal year to ¥924 million (down 45.2% YOY), pulled down by factors such as a decrease in gross profit caused by the decline in net sales and high procurement prices.

In the Baby Care Business (childcare and feminine products), net sales were down year-on-year. Contributing factors included a seventh wave of COVID-19 infections, which prompted people to restrict their own outings, and a reorientation of consumer sentiment toward lower-priced options as a result of inflation. On the other hand, sales continued to be strong for nursing bottles and breast pumps, both mainstay product areas for Pigeon, particularly products overhauled in February. However, some consumables, such as baby wipes, declined YOY amid intensified price competition. In the skincare category, sales struggled as overseas demand declined but, as a new

product-value proposition, the Group enhanced its product line with offerings such as attractively packaged moisturizing lotions adopting eco-friendly paper-cube packs. Additionally, Pigeon launched sonaetta, its first disaster preparedness series for babies, in August, and POCHitto, a steam disinfecting and drying solution for nursing bottles that automates all processes from steam disinfection to drying, in September, at baby-product boutiques across Japan.

The Group was also active in direct communications. We offered live presentations of the Breastfeeding Seminar, a maternity seminar that provides a fun way to learn about breastfeeding. Over 2,400 expectant mothers and others attended these seminars. For medical professionals, the Group presented an online seminar that attracted over 1,100 viewers. In order to alleviate the anxiety of mothers and fathers in the era of living with COVID-19, we are continuing to work to energize mutual communication and support content provided via the internet and social media. We will also continue to make further improvements according to the needs of our customers in the contents of “Pigeon Info,” which is a website that supports women during pregnancy, childbirth, and childcare.

In products for health and elder care, net sales decreased YoY, as the Group rejigged this category’s product lineup to improve gross profit margin from the previous fiscal year. However, an improving effect on profit margin is gradually emerging. The Group is continuing its thorough implementation of measures such as bolstering sales activities with respect to retail outlets, elder-care facilities and other partners and improving the quality of elder-care services.

Regarding child care service, during the consolidated first nine-month period under review, we currently provide services at 64 in-company child-care facilities, and shall continue to develop this business further while striving to improve the quality of service content.

### **China Business**

Net sales in this segment amounted to ¥26,220 million (down 5.1% YOY), and segment profit also decreased compared to the same period of the previous fiscal year to ¥8,100 million (down 11.6% YOY). As China continued to face the spread of the COVID-19 pandemic from the beginning of this fiscal year, lockdowns were imposed in Shanghai in 2Q and lifted in June. Pigeon manufacturing and sales activities revived from July onward and logistical disruptions generally drew to a close. However, a strict “zero COVID” policy remains in effect in China.

In Mainland China, the Group completed product-line revisions on online sales channels for the Shizen Jikkan nursing bottle series (marketed as Bonyu Jikkan® in Japan), whose overhaul and start of advance sales had been accomplished in September 2021. On offline channels, the switchover is proceeding step by step. In the skin-care product category, the Group drew on research on babies’ skin to launch a line of skin-care products for children ages three and up, thereby expanding its range of categories in the China market.

This fiscal year the Group is launching sales of Pigeon-brand baby products in North America. By disseminating information, mainly online, and through communication with experts, the Group is striving to increase recognition and brand value.

Going forward, the Group plans to expand interactive communication activities with consumers through its e-commerce platform, while continuing to strengthen activities at hospitals, maternity clinics and the like. In these ways, we are working to multiply contact points with customers and expand our operations.

### **Singapore Business**

Net sales of the segment amounted to ¥10,772 million (up 17.5% YOY), and segment profit increased to ¥1,978 million (up 46.1% YOY).

This segment is responsible for operations in the ASEAN region and India. As these regions continued to recover from the COVID-19 pandemic, net sales and profits both rose in key countries such as India, Indonesia, Malaysia and Singapore. In the nursing-bottle category, the Group began a revamp of its mainstay SofTouch nursing bottle series (marketed as Bonyu Jikkan® in Japan), starting with China and Japan and proceeding to other major countries in August, and sequentially rolled out nursing bottles made with T-Ester, a new plastic as transparent as glass. In the skin-care category, the Group deployed Natural Botanical Baby, a new skin-care series, in more than 15 countries and regions, and is now extending sales at major retailers in each country.

Moving forward, we will continue to advance the development and launch of products for the upper-middle class, while actively developing sales and marketing activities to achieve market penetration of Group brands.

### **Lansinoh Business**

Net sales of the segment amounted to ¥12,384 million (up 29.5% YOY), while segment profit decreased to ¥476 million (down 33.7% YOY).

North America and Europe, two vital markets for the segment, suffered continued delays in product arrivals and shipments due to disruptions in logistics. In North America, net sales in this region rose YOY in local-currency terms, as sales were firm for nipple care creams and breast pumps, which are mainstay products, and sales swelled for prenatal and postnatal care products, launched the previous year. Meanwhile, in parts of Europe such as Germany and the United Kingdom, the high cost of living dampened consumer activity, causing net sales in this region to fall YOY in local-currency terms.

Profits were down YoY. Logistical costs such as marine transportation expenses persisted at a high level, affecting unit costs, shipping expenses and other factors. Product development and vigorous marketing activities also contributed to expenses.

Moving forward, to expand its business further, the Group is implementing initiatives such as enhancing our product lineup, strengthening e-commerce, implementing marketing activities tailored to consumer behavior in each region, and carrying out brand-strengthening activities.

## **(2) Explanation of Financial Position**

### **(Assets)**

As of September 30, 2022, our Group recorded total assets of ¥103,917 million, up ¥5,874 million from the previous consolidated fiscal year ended December 31, 2021. Current assets increased by ¥2,564 million, and fixed assets increased by ¥3,310 million.

Current assets increased mainly due to increases in notes and accounts receivable - trade of ¥1,629 million and in merchandise and finished goods of ¥1,862 million, despite a decrease in cash and deposits of ¥2,200 million.

Fixed assets increased mainly due to increases in buildings and structures of ¥1,285 million and in other tangible fixed assets of ¥1,705 million.

### **(Liabilities)**

As of September 30, 2022, our Group recorded total liabilities of ¥22,885 million, up ¥1,653 million from the previous consolidated fiscal year ended December 31, 2021. Current liabilities increased by ¥1,607 million, and fixed liabilities increased by ¥46 million.

Current liabilities increased mainly due to an increase in notes and accounts payable - trade of ¥1,684 million.

Fixed liabilities increased mainly due to an increase in net defined benefit liability of ¥146 million.

### **(Net Assets)**

As of September 30, 2022, our Group recorded total net assets of ¥81,031 million, up ¥4,221 million from the previous consolidated fiscal year ended December 31, 2021.

Net assets increased mainly due to an increase in foreign currency translation adjustment of ¥5,745 million, despite a decrease in retained earnings of ¥2,033 million.

## **(3) Explanation of Consolidated Performance Forecast and Other Future Predictions**

The number of new COVID-19 infections is declining worldwide, while vaccination rates are improving. Against this background, the reopening of economies (restarting of economic activity) is progressing. However, the outlook for trends in the foreign-exchange market and other matters is unclear at the time of writing. Consequently, the impact of these factors on the business results of the Pigeon Group are challenging to calculate. However, in view of the business results for the consolidated first half of this fiscal year, the forecast of the Group's business results for the full

fiscal year, announced on February 15, 2022, is revised as follows: As of August 9, 2022, the Group forecasts net sales of ¥95,000 million (down 3.7% from the previous forecast), operating income of ¥12,000 million (down 15.5% from the previous forecast), ordinary income of ¥13,000 million (down 9.1% from the previous forecast) and net income attributable to owners of parent of ¥8,550 million (down 10.0% from the previous forecast).

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	At December 31, 2021	At September 30, 2022
<b>ASSETS</b>		
<b>I. Current Assets:</b>		
Cash and deposits	35,218	33,018
Notes and accounts receivable - trade	16,253	17,882
Merchandise and finished goods	8,723	10,585
Work in process	623	607
Raw materials and supplies	3,359	4,566
Other current assets	2,270	2,404
Allowance for doubtful accounts	(194)	(246)
<b>Total Current Assets</b>	<b>66,254</b>	<b>68,818</b>
<b>II. Fixed Assets:</b>		
<b>1. Tangible Fixed Assets:</b>		
Buildings and structures, net	9,125	10,411
Land	7,272	7,427
Other tangible fixed assets, net	10,695	12,401
<b>Total Tangible Fixed Assets</b>	<b>27,093</b>	<b>30,239</b>
<b>2. Intangible Fixed Assets:</b>		
Goodwill	534	479
Other intangible fixed assets	2,037	2,175
<b>Total Intangible Fixed Assets</b>	<b>2,572</b>	<b>2,654</b>
<b>3. Investments and Other Assets:</b>		
Other	2,123	2,205
Allowance for doubtful accounts	(0)	(0)
<b>Total Investments and Other Assets</b>	<b>2,122</b>	<b>2,204</b>
<b>Total Fixed Assets</b>	<b>31,788</b>	<b>35,099</b>
<b>Total Assets</b>	<b>98,042</b>	<b>103,917</b>
<b>LIABILITIES</b>		
<b>I. Current Liabilities:</b>		
Notes and accounts payable - trade	4,087	5,771
Electronically recorded obligations - operating	1,623	1,628
Income taxes payable	1,180	1,410
Accrued bonuses to employees	882	1,448
Provision for expenses related to voluntary product recall	18	—
Provision for loss on litigation	9	8
Other current liabilities	7,268	6,411
<b>Total Current Liabilities</b>	<b>15,072</b>	<b>16,679</b>
<b>II. Fixed Liabilities:</b>		
Net defined benefit liability	478	625
Provision for share-based remuneration	313	288
Other fixed liabilities	5,367	5,292
<b>Total Fixed Liabilities</b>	<b>6,159</b>	<b>6,206</b>
<b>Total Liabilities</b>	<b>21,232</b>	<b>22,885</b>



(Millions of yen)

	At December 31, 2021	At September 30, 2022
<b>NET ASSETS</b>		
<b>I. Shareholders' Equity:</b>		
Capital stock	5,199	5,199
Capital surplus	5,179	5,131
Retained earnings	61,163	59,129
Treasury stock	(1,479)	(1,387)
<b>Total Shareholders' Equity</b>	<b>70,062</b>	<b>68,072</b>
<b>II. Accumulated Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	16	26
Foreign currency translation adjustment	3,805	9,551
<b>Total Accumulated Other Comprehensive Income</b>	<b>3,822</b>	<b>9,577</b>
<b>III. Non-controlling Interests</b>	<b>2,925</b>	<b>3,381</b>
<b>Total Net Assets</b>	<b>76,810</b>	<b>81,031</b>
<b>Total Liabilities and Net Assets</b>	<b>98,042</b>	<b>103,917</b>

**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**

Quarterly Consolidated Statement of Income  
(Scope of Consolidation of Third Quarter)

(Millions of yen)

	Nine months ended September, 2021	Nine months ended September 30, 2022
<b>I. Net Sales</b>	69,426	70,707
<b>II. Cost of Sales</b>	36,247	37,510
<b>Gross profit</b>	33,179	33,197
<b>III. Selling, General and Administrative Expenses</b>	22,735	24,093
<b>Operating Income</b>	10,444	9,103
<b>IV. Non-operating Income:</b>		
Interest income	125	121
Dividend income	126	12
Subsidy income	708	761
Foreign exchange gains	274	631
Other non-operating income	162	240
<b>Total Non-operating Income</b>	1,397	1,768
<b>V. Non-operating Expenses:</b>		
Interest expenses	46	69
Other non-operating expenses	21	27
<b>Total Non-operating Expenses</b>	67	97
<b>Ordinary Income</b>	11,774	10,774
<b>VI. Extraordinary Income:</b>		
Gain on sales of fixed assets	5	5
Gain on sales of investment securities	54	—
<b>Total Extraordinary Income</b>	59	5
<b>VII. Extraordinary Loss:</b>		
Loss on sales of fixed assets	1	1
Loss on disposal of fixed assets	36	29
Expenses related to voluntary product recall	866	—
<b>Total Extraordinary Loss</b>	903	31
<b>Income before Income Taxes</b>	10,930	10,749
Income taxes - current	3,722	3,674
Income taxes - deferred	(124)	(35)
<b>Total Corporate Income Tax</b>	3,597	3,638
<b>Net Income</b>	7,332	7,110
<b>Net Income Attributable to Non-controlling Interests</b>	147	162
<b>Net Income Attributable to Owners of Parent</b>	7,185	6,948

Quarterly Consolidated Statement of Comprehensive Income  
(Scope of Consolidation of Third Quarter)

(Millions of yen)

	Nine months ended September, 2021	Nine months ended September 30, 2022
<b>Net Income</b>	7,332	7,110
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	0	10
Foreign currency translation adjustment	2,078	6,112
<b>Total Other Comprehensive Income</b>	2,078	6,122
<b>Quarterly Comprehensive Income</b>	9,411	13,232
<b>(Break down)</b>		
Quarterly comprehensive income on parent company	9,311	12,696
Quarterly comprehensive income on non-controlling interests	99	536

**(3) Notes on Consolidated Financial Statements  
(Notes Regarding Going Concern Assumptions)**

Not applicable.

**(Change in Accounting Policy)**

(Application of Accounting Standards, etc., Related to Fair Value Measurement)

The Group applies the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “the Accounting Standard for Fair Value Measurement”) from the beginning of the consolidated first quarter of this fiscal year. In accordance with the transitional handling stipulated in the Accounting Standard for Fair Value Measurement, Paragraph 19, as well as the Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2, the Group applies the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. going forward. This change does not affect the quarterly consolidated financial statements.

**(Notes Regarding Substantial Changes in Shareholders' Equity)**

Not applicable.

**(Segment Information)**

Nine months ended September 30, 2021

## Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	26,878	27,451	5,553	9,543	69,426	—	69,426
Internal sales or exchange between segments	2,389	188	3,617	19	6,214	(6,214)	—
Total	29,267	27,640	9,170	9,562	75,641	(6,214)	69,426
Segment profit	1,686	9,161	1,354	718	12,920	(2,476)	10,444

(Notes)

1. The negative amount of ¥2,476 million from adjustments in segment profit includes negative ¥31 million in elimination of intersegment transactions and negative ¥2,444 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.

2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

Nine months ended September 30, 2022

## 1. Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	25,272	25,821	7,241	12,372	70,707	—	70,707
Internal sales or exchange between segments	1,453	398	3,531	12	5,396	(5,396)	—
Total	26,726	26,220	10,772	12,384	76,104	(5,396)	70,707
Segment profit	924	8,100	1,978	476	11,480	(2,376)	9,103

(Notes)

1. The negative amount of ¥2,376 million from adjustments in segment profit includes negative ¥23 million in elimination of intersegment transactions and negative ¥2,353 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.

2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.