

Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2024 [Japanese Standards] (Consolidated)

Aug 9, 2024

Listed company name: CARTA HOLDINGS, Inc. Listed stock exchange: TSE Prime Market
 Stock Code No.: 3688 URL: <https://cartaholdings.co.jp/en/ir/>
 Representative: Title President and Representative Director Name: Shinsuke Usami
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 Date to submit the Securities Report: Aug 9, 2024
 Scheduled date of dividend payments: Sep 9, 2024
 Availability of supplementary information: Yes
 Holding investors' meeting: Yes
 (For security analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated Financial Results for FY 2024 First Six Months (January 1, 2024 – June 30, 2024)

(1) Consolidated results of operations (cumulative total)

(The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY 2024 first six months	11,778	(2.4)	1,118	382.7	1,446	148.3	966	—
FY 2023 first six months	12,062	(8.5)	231	(87.0)	582	(76.3)	(1,194)	—

(Note) Comprehensive Income: FY 2024 first six months: ¥1,116 million (-)%
 FY 2023 first six months: ¥(759) million (-)%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2024 first six months	38.29	—	1,991	595.6
FY 2023 first six months	(47.46)	—	334	(91.8)

* 1. EBITDA noted above (earnings before interest, tax, depreciation, and amortization) is calculated by adding interest expenses, depreciation, amortization, amortization of goodwill, loss on retirement of non-current assets, and impairment loss to the Company's profit before income taxes.

2. Diluted net income per share for the first six months of FY2023 is not presented because net income per share was negative, although dilutive shares did exist.

3. Diluted net income per share for the first six months of FY2024 is not presented because potentially dilutive shares did not exist.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
June 30, 2024	43,872	24,371	55.0	954.42
December 31, 2024	49,863	23,833	47.2	935.06

(Reference) Owned capital: June 30, 2024: ¥24,147 million
 December 31, 2023: ¥23,534 million

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2023	—	27.00	—	27.00	54.00
FY 2024	—	27.00			
FY 2024 (Forecast)			—	27.00	54.00

(Note) Revisions to dividend forecast for the current quarter: No

3. Forecast of Consolidated Financial Results for FY 2024 (January 1, 2024 – December 31, 2024)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	24,000	(0.5)	2,000	53.6	2,100	16.8	1,600	—	63.38	3,200	174.9

(Note) Revisions to performance results forecast for the current quarter: Yes

※ Notes

- (1) Changes in significant subsidiaries during the period : None
(Change of specified subsidiaries that lead to a change in the scope of consolidation)
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements : Yes
Please see “2. Consolidated Financial Statements (4) Notes to Condensed Interim Consolidated Financial Statements (Adoption of Accounting Method Specific to Preparation of Interim Consolidated Financial Statements)” on page 12 of the attached documents.
- (3) Changes in accounting policies, changes in accounting estimates, corrections and restatements and retrospective restatements
- 1) Changes in accounting policy resulting from revisions to accounting standards : None
- 2) Changes in accounting policy other than above : None
- 3) Changes in accounting estimates : None
- 4) Retrospective restatements : None

(4) Number of shares issued (common stock)

1) Number of shares issued and outstanding (including treasury stock)

As of June 30, 2024	25,300,971	As of December 31, 2023	25,168,971
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2) Number of treasury stock issued and outstanding

As of June 30, 2024	25	As of December 31, 2023	—
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Six months ended June 30, 2024	25,244,329	Six months ended June 30, 2023	25,163,971
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※ Semi-annual financial results reports are exempt from interim audit conducted by certified public accountants or an audit firm.

※ Explanations related to appropriate use of the performance forecast other special instructions (Note on forward-looking statements)

Earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions judged to be reasonable. Therefore, these statements do not constitute a guarantee of achievement. Actual results may differ materially for various reasons.

Please refer to “1. Overview of Operating Results, etc. (3) Notice Concerning Revision of Full-Year Consolidated Earnings Forecasts” on page 5 of the attached documents.

(Supplementary materials)

Supplementary materials on financial results are on our website (in English and Japanese).

Attachment

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1. Overview of Operating Results, etc.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Interim Period under Review

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2023 internet advertising spending grew to ¥3,333.0 billion, up 7.8% year on year, owing to rising demand for video advertising on account of growing use of connected TVs(*) and growth in the market for digital promotion.

In addition, among internet advertising spending, internet advertising medium expenditures amounted to ¥2,687.0 billion, up 8.3% year on year, a substantial increase. In addition to rising TV media-related advertising expenditures against the backdrop of greater use of connected TVs and other factors, this was attributable to higher advertising expenditures for product sales-related EC platforms due to at-home demand becoming more prevalent.

Under these circumstances, the Group announced its “new medium-term management policy” in February 2023, and promoted business based on its strategy and business policy.

As a result, the Group posted net sales of ¥11,778 million, or a decrease of 2.4% year on year, and operating income of ¥1,118 million, or an increase of 382.7% year on year, due to lower selling, general and administrative expenses owing to having taken cost reduction measures. Ordinary income amounted to ¥1,446 million, or an increase of 148.3% year on year, and profit attributable to owners of parent was ¥966 million (loss attributable to owners of parent of ¥1,194 million for the same period of the previous fiscal year).

*TVs with internet connections.

Financial results for each segment were as follows. Sales of each segment include intersegment sales and transfers.

1) Digital Marketing Business

The Digital Marketing Business provides digital marketing support to advertising agencies, clients, and others, as well as media DX support.

Despite growth in the performance of the “TELECY” operational TV advertising platform, reservation-based advertising placements remained at a low level from the previous fiscal year and net sales amounted to ¥8,016 million, or a decrease of 5.2% year on year, while segment income was ¥785 million, or an increase of 4,401.9% year on year, due to falling selling, general and administrative expenses owing to cost cutting measures.

2) Internet-related Business

In addition to providing media solutions, the Internet-related Business administers services in the EC and HR domains.

The Internet-related Business recorded net sales of ¥3,800 million, or an increase of 5.0% year on year, and segment income of ¥332 million, or an increase of 55.2% year on year.

(2) Overview of Financial Position for the Interim Period under Review

1) Assets, Liabilities and Net Assets

(Assets)

Consolidated assets as of the end of the period under review totaled ¥43,872 million, a decrease of ¥5,991 million from the end of the previous fiscal year. This was mainly attributable to decreases in accounts receivable - trade and lease and guarantee deposits.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥19,500 million, a decrease of ¥6,529 million from the end of the previous fiscal year. This was mainly attributable to decreases in accounts payable – trade and account payable - other.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥24,371 million, an increase of ¥538 million from the end of the previous fiscal year. This was primarily due to an increase in retained earnings on account of recording of profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents at the end of the period under review (hereinafter, “funds”) totaled ¥15,169 million, an increase of ¥1,641 million from the end of the previous fiscal year.

The following is the status and factors of each cash flow during the period under review.

(Net cash flows from operating activities)

Net cash flows provided by operating activities amounted to ¥2,405 million (¥2,943 million was provided in the same period of the previous year). The main positive factors included an increase in funds resulting from a decrease in notes and accounts receivable - trade.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥472 million (¥1,671 million was used in the same period of the previous year). The main negative factors included a decrease in funds resulting from purchase of property, plant and equipment.

(Net cash flows from financing activities)

Net cash flows used in financing activities amounted to ¥517 million (¥834 million was used in the same period of the previous year). The main negative factors included a decrease in funds resulting from cash dividends paid.

(3) Notice Concerning Revision of Full-Year Consolidated Earnings Forecasts

As for the outlook of the consolidated financial results for the fiscal year under review, in the previously announced forecast, we conservatively took into consideration factors such as that there was uncertainty in the economic trends, an impact was anticipated from the discontinuation of the use of third-party cookies in the Google Chrome browser, and we were planning to make advertising investments to capture new customers and resume activities to recruit mid-career hires as investment for growth of new businesses, despite the full-fledged contribution of the effect of cutting of selling, general and administrative expenses which was carried out in the previous year. Based on the foregoing, we forecasted net sales of ¥24,000 million, operating profit of ¥1,500 million, ordinary profit of ¥1,400 million, profit attributable to owners of parent of ¥800 million, and EBITDA of ¥2,300 million.

With regard to the current business environment, net sales are expected to be ¥24,000 million, unchanged from the previously announced forecast, due to a continued decline in the reservation-based advertising placements, despite positive factors of steady growth in the direct sales volume as well as the sales volume from the new alliance with the Dentsu Group Inc. in the Digital Marketing Business and the withdrawal of discontinuation of the use of third-party cookies in the Google Chrome browser.

Operating income is expected to be ¥2,000 million, a ¥500 million increase from the previously announced forecast, as we have been successfully spending selling, general and administrative expenses in an efficient manner through cost-control measures.

Ordinary income is expected to be ¥2,100 million, a ¥700 million increase from the previously announced forecast, due partly to the recording of foreign exchange gains in the second quarter of the fiscal year ending December 31, 2024, in addition to the increase in operating income.

Profit attributable to owners of parent is expected to be ¥1,600 million, a ¥800 million increase from the previously announced forecast, due not only to an increase in ordinary income but also the recording of gain on sales of investment securities and a decrease in income taxes associated with the liquidation of a consolidated subsidiary.

Dividends are forecasted to be ¥27 for the interim dividend per share and ¥27 for the year-end dividend per share, resulting in a total of ¥54 per share; the details have not been changed from what were announced on February 13, 2024.

For details, please refer to “Notice Regarding Revisions to Full-Year Consolidated Financial Results Forecast” announced today (August 9, 2024).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	13,528	15,169
Accounts receivable - trade	17,496	12,639
Securities	1,765	1,840
Merchandise	101	164
Supplies	379	103
Other	4,494	3,025
Allowance for doubtful accounts	(95)	(154)
Total current assets	37,669	32,788
Non-current assets		
Property, plant and equipment	1,908	1,846
Intangible assets		
Goodwill	600	535
Other	1,567	1,525
Total intangible assets	2,168	2,061
Investments and other assets		
Investment securities	5,195	5,455
Deferred tax assets	260	250
Lease and guarantee deposits	2,635	1,453
Other	26	15
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,117	7,175
Total non-current assets	12,194	11,083
Total assets	49,863	43,872
Liabilities		
Current liabilities		
Accounts payable – trade	15,543	10,654
Asset retirement obligations	52	–
Provision for bonuses	8	37
Provision for special retirement benefits	18	8
Provision for point card certificates	499	450
Provision for head office relocation	131	–
Provision for settlements	175	–
Account payable – other	3,460	1,463
Income taxes payable	535	565
Deposits received	3,872	4,191
Other	1,406	1,823
Total current liabilities	25,704	19,195
Non-current liabilities		
Deferred tax liabilities	16	–
Other	309	304
Total non-current liabilities	325	304
Total liabilities	26,030	19,500

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Net assets		
Shareholders' equity		
Capital stock	1,517	1,614
Capital surplus	12,445	12,542
Retained earnings	9,021	9,308
Treasury shares	—	(0)
Total shareholders' equity	22,985	23,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	478	558
Foreign currency translation adjustment	71	123
Total accumulated other comprehensive income	549	681
Share acquisition rights	66	3
Non-controlling interests	231	219
Total net assets	23,833	24,371
Total liabilities and net assets	49,863	43,872

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Net sales	12,062	11,778
Cost of sales	1,396	1,165
Gross profit	10,666	10,613
Selling, general and administrative expenses	*1 10,434	*1 9,495
Operating profit	231	1,118
Non-operating income		
Interest income and dividends income	33	101
Investment dividend	291	—
Gain on investments in partnership	34	15
Foreign exchange gains	108	225
Share of gain of entities accounted for using equity method	—	27
Other	30	13
Total non-operating income	498	384
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	66	—
Loss on investments in partnership	74	54
Other	6	2
Total non-operating expenses	147	56
Ordinary profit	582	1,446
Extraordinary income		
Gain on sales of investment securities	16	91
Gain on sales of investments in subsidiaries	—	14
Other	2	—
Total extraordinary income	19	106
Extraordinary losses		
Loss on retirement of non-current assets	5	34
Impairment loss	*2 980	—
Loss on valuation of investment securities	39	38
Head office relocation expenses	*3 735	—
Other	24	—
Total extraordinary losses	1,785	73
Profit before income taxes	(1,184)	1,479
Income taxes	(69)	494
Profit	(1,114)	984
Profit attributable to non-controlling interests	79	17
Profit attributable to owners of parent	(1,194)	966

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Profit	(1,114)	984
Other comprehensive income		
Valuation difference on available-for-sale securities	257	89
Foreign currency translation adjustment	1	2
Share of other comprehensive income of entities accounted for using equity method	97	41
Total other comprehensive income	355	132
Comprehensive income	(759)	1,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(839)	1,099
Comprehensive income attributable to non-controlling interests	79	17

(3) Overview of Cash Flows for the Fiscal Year under Review

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	(1,184)	1,479
Stock compensation expenses	14	14
Depreciation	380	412
Amortization of goodwill	152	64
Interest and dividend income	(33)	(101)
Share of (profit) loss of entities accounted for using equity method	66	(27)
Investment dividend	(291)	—
Impairment loss	980	—
Loss (gain) on sales of investment securities	(16)	(91)
Loss (gain) on valuation of investment securities	39	38
Loss on retirement of non-current assets	5	34
Head office relocation expenses	735	—
Decrease (increase) in notes and accounts receivable – trade	3,010	4,858
Decrease (increase) in inventories	167	212
Decrease (increase) in accounts receivable – other	628	(85)
Decrease (increase) in consumption taxes receivable	1,064	690
Increase (decrease) in notes and accounts payable – trade	(3,159)	(4,888)
Increase (decrease) in allowance for doubtful accounts	37	58
Increase (decrease) in provision for bonuses	(3)	28
Increase (decrease) in provision for point card certificates	12	(49)
Increase (decrease) in provision for head office relocation	—	(131)
Increase (decrease) in provision for special retirement benefits	—	(10)
Increase (decrease) in provision for settlements	—	(175)
Increase (decrease) in accounts payable – other	(108)	(504)
Increase (decrease) in deposits received	70	319
Increase (decrease) in accrued consumption taxes	(1)	314
Other, net	119	(47)
Subtotal	2,687	2,413
Interest and dividend income received	33	101
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	222	(109)
Net cash provided by (used in) operating activities	2,943	2,405
Cash flows from investing activities		
Purchase of property, plant and equipment	(221)	(1,628)
Purchase of intangible assets	(97)	(179)
Purchase of assist retirement obligations	—	(52)
Purchase of investment securities	(1,830)	(1,495)
Proceeds from sales of investment securities	356	1,395
Proceeds from share of profits on investments in capital	313	7
Payments for lease and guarantee deposits	—	(3)
Proceeds from collection of lease and guarantee deposits	3	1,148
Purchase of loans receivable	(50)	(1)
Proceeds from loans receivable	121	335
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	(262)	—
Other, net	(3)	—
Net cash provided by (used in) investing activities	(1,671)	(472)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(147)	—
Purchase of treasury shares	—	(0)
Cash dividends paid	(677)	(678)
Proceeds from exercise of share options	—	193
Repayments of lease obligations payable	(4)	(3)
Cash dividends paid to minority shareholders	—	(29)
Other, net	(4)	—
Net cash provided by (used in) financing activities	(834)	(517)
Effect of exchange rate change on cash and cash equivalents	49	225
Net increase (decrease) in cash and cash equivalents	487	1,641
Cash and cash equivalents at beginning of period	16,101	13,528
Cash and cash equivalents at end of period	16,589	15,169

**(4) Notes to Condensed Interim Consolidated Financial Statements
(Going Concern Assumption)**

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None

**(Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated
Financial Statements)**

(Calculation of tax expenses)

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Notes to Interim Consolidated Statements of Income)

*1 Major items and their amounts included in selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)
Salaries	4,408	4,095
System usage fees	1,288	1,324
Advertising and promotion expenses	902	555

*2 Impairment loss

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

The Group recorded impairment losses on the following asset groups.

(Millions of yen)			
Location	Usage	Type	Impairment loss
Shibuya-ku, Tokyo	Head office (CARTA HOLDINGS, Inc.)	Buildings	370
		Lease deposits	14
Chuo-ku, Tokyo	Head office (CARTA COMMUNICATIONS Inc.)	Buildings	571
		Furniture and fixtures	16
Shibuya-ku, Tokyo	Business assets (Digital Marketing Business)	Software	7

The Group, in the recognition of impairment losses, basically groups its assets according to the classifications in management accounting, by which income and expenditure are monitored on an ongoing basis.

At the Board of Directors meeting held on February 13, 2023, the Company resolved to integrate the head offices of CARTA HOLDINGS, Inc. (Shibuya-ku, Tokyo) and CARTA COMMUNICATIONS Inc. (Chuo-ku, Tokyo), which are our major business locations, to a new head office (planned relocation to Minato-ku, Tokyo), as part of the management integration. As a result, the carrying amount of the asset group with no prospects for future use was reduced to the recoverable amount. The recoverable amount used in the calculation of impairment losses of this asset group was measured at its net realizable value. However, since the relocation was expected to have an obligation of restitution to the original state, involving disposal of interior furnishings, at the cancellation of the lease, it was valued at zero.

In the Digital Marketing Business, the carrying amount of certain software was reduced to the recoverable amount because the initially expected earnings of the software are no longer expected. The reduced amount was recorded as impairment loss under extraordinary losses.

*3 Head office relocation expenses

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

At the Board of Directors meeting held on February 13, 2023, the Company resolved to integrate the head offices of CARTA HOLDINGS, Inc. (Shibuya-ku, Tokyo) and CARTA COMMUNICATIONS Inc. (Chuo-ku, Tokyo), which are our major business locations, to a new head office (planned relocation to Minato-ku, Tokyo), as part of the management integration. As a result, the Company recorded provision for head office relocation for relocation-related expenses, etc.

(Segment Information, etc.)

[Segment Information]

I For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

1. Information on sales and income or loss, and information on disaggregation of profit, by reportable business segment

(Millions of yen)

	Reportable Segments			Adjustment	Consolidation (Note)
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	8,444	3,618	12,062	—	12,062
Other profit	—	—	—	—	—
Outside Sales	8,444	3,618	12,062	—	12,062
Intersegment Sales or Transfer	10	—	10	(10)	—
Total	8,454	3,618	12,073	(10)	12,062
Segment Income	17	214	231	—	231

(Note) Segment income is adjusted against operating profit in the Consolidated Statements of Income.

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment
(Material impairment loss on non-current assets)

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Impairment loss	7	—	7	972	980

In the Digital Marketing Business segment, the Company has recorded an impairment loss on the entire carrying amount of its non-current assets for which profitability has declined, with the recoverable amount being zero.

The Company resolved to integrate the head offices of CARTA HOLDINGS, Inc. (Shibuya-ku, Tokyo) and CARTA COMMUNICATIONS Inc. (Chuo-ku, Tokyo), which are our major business locations, to a new head office (Minato-ku, Tokyo), as part of the management integration. As a result of this relocation, in the interim period ended June 30, 2024, the Company recorded an impairment loss of ¥972 million on the non-current assets of existing offices. This impairment loss is included in the impairment loss under extraordinary losses in the interim consolidated statements of income.

(Material changes in goodwill)

In the period under review, the Company acquired shares of D-Marketing Academy, inc. and included it in the scope of consolidation. The increase in goodwill in the Digital Marketing Business segment due to this business was ¥256 million.

(Material profit from negative goodwill)

None

II For the six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)

1. Information on sales and income or loss, and information on disaggregation of profit, by reportable business segment

(Millions of yen)

	Reportable Segments			Adjustment	Consolidation (Note)
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	7,978	3,800	11,778	—	11,778
Other profit	—	—	—	—	—
Outside Sales	7,978	3,800	11,778	—	11,778
Intersegment Sales or Transfer	38	—	38	(38)	—
Total	8,016	3,800	11,816	(38)	11,778
Segment Income	785	332	1,118	—	1,118

(Note) Segment income is adjusted against operating profit in the Consolidated Statements of Income.

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment

(Material impairment loss on non-current assets)

None

(Material changes in goodwill)

None

(Material profit from negative goodwill)

None

(Significant Subsequent Events)

None