



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2019 [Japanese GAAP]

August 7, 2018

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Scheduled date of filing quarterly report: August 10, 2018
 Scheduled date of dividend payment: -
 Supplementary materials on quarterly financial results: Yes
 Quarterly financial results briefing: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-months Ended June 30, 2018	44,553	4.8	2,390	11.0	2,487	12.9	1,432	21.2
Three-months ended June 30, 2017	42,531	2.2	2,152	(25.0)	2,204	(24.0)	1,182	(33.1)

(Note) Comprehensive income: 6,884 million yen in the Three-months Ended June 30, 2018 (526.8%)
 1,098 million yen in the Three-months ended June 30, 2017 (-50.9%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Three-months Ended June 30, 2018	10.94	-
Three-months ended June 30, 2017	9.33	8.99

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three-months Ended June 30, 2018	162,694	60,957	36.8
Year ended March 31, 2017	165,993	61,450	36.3

(Reference) Equity: 59,804 million yen for the Three-months Ended June 30, 2018
 60,320 million yen for the year ended March 31, 2017

(Note) "Partial Amendments to" Accounting Standards for Tax Effect Accounting "(ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the current consolidated fiscal year, The consolidated financial position related to the fiscal year is the figure after applying the accounting standards etc. back.

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	14.00	—	14.00	28.00
Year ending March 31, 2018	—	—	—	—	—
Year ending March 31, 2018 (Forecast)	—	14.00	—	14.00	28.00

(Note) Revisions to most recently announced dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	90,100	6.1	3,700	18.8	3,650	16.1	1,890	51.6	14.43
Year ending March 31, 2019	195,600	5.1	13,960	27.2	13,880	24.0	7,920	19.6	60.48

(Note) Revisions to most recently announced earnings forecasts: No

*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates, and restatements

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q1 FY3/2019	139,679,977 shares	FY3/2018	139,679,977 shares
Q1 FY3/2019	8,736,470 shares	FY3/2018	8,736,412 shares
Q1 FY3/2019	130,943,526 shares	Q1 FY3/2018	126,765,243 shares

2) Number of shares of treasury stock at the end of each period:

3) Average number of shares during the period (cumulative):

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(416,600 stocks at Q1 FY3/2019, 416,600 stocks at FY3/2018) And the company shares held in ESOP trust accounts are included in the treasury stock, which is subtracted from calculations of the average number of shares during the period (416,600 shares for the Three-months Ended June 31, 2018; 418,841 shares for the Three-months ended June 30, 2018).

* Quarterly financial results not covered by quarterly review

* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

Breakdown of dividends with capital surplus as dividend resource

Of the dividends for the fiscal year ending March 31, 2017, the breakdown of dividends for capital surplus as dividend is as follows.

Reference date	Year-Ended	Total
Dividend per share (Yen)	0.79	0.79
Total dividends (Millions of yen)	100	100

(Note) Reduction ratio of net assets 0.003

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1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of Consolidated Operating Performance

During the first three months of the fiscal year ending March 31, 2019, the Japanese economy was on a gradual recovery trend, with an upturn in personal consumption and steady improvement in employment conditions. However, the general economic outlook remains clouded due to uncertainties in overseas economies, such as trade issues started in the US.

The current fiscal year ending March 31, 2019 is the second year of TOKAI Group's medium-term management plan Innovation Plan 2020 "JUMP." Under the four-year plan which began in the previous fiscal year, the Group aims to achieve further growth with the following four main themes: (1) "Switch from defensive to proactive management," (2) "Progress with M&A," (3) "Prioritize profit growth and ROE," and (4) "Shareholders are always a priority."

Under such circumstances, in the three months ended June 30, 2018, the number of continuing customers increased by 313 thousand (up 12.2% year on year from 2,570 thousand at June 30, 2017) owing to M&A activities conducted in the previous fiscal year and initiatives to acquire customers in each business. As a result, the Group booked sales of 44,553 million yen (up 4.8% year on year) and posted significant growth in all profit categories, with operating profit of 2,390 million yen (up 11.0% year on year), recurring profit of 2,487 million yen (up 12.9% year on year), and quarterly net income attributable to owners of the parent of 1,432 million yen (up 21.2% year on year).

As of June 30, 2018, the number of continuing customers increased by seven thousand from March 31, 2018 to 2,883 thousand and members of the TLC Membership Service increased by 32 thousand to 731 thousand.

Performance by segment was as follows.

(Gas and Petroleum)

In the liquefied petroleum gas (LP gas) business, the Group focused on increasing the customer count amid intensifying competition, through efforts to attract new customers and prevent service cancellations in established areas, and start services in new areas.

As a result, the number of customers rose by three thousand from March 31, 2018 to 610 thousand. While LP gas sales volume decreased on higher temperature compared with the same period in the previous fiscal year, unit sales price rose accompanied by an increase in raw material prices. Consequently, sales of the LP gas business came to 14,737 million yen (up 0.4% year on year).

In the city gas business, the number of customers was 55 thousand, unchanged from the level as of March 31, 2018, but sales rose 5.8% year on year to 2,871 million yen due to a higher unit sales price stemming from the fuel cost adjustment regulations and other factors.

As a result, segment sales increased 1.2% year on year to 17,608 million yen, but operating profit fell 15.5% year on year to 610 million yen on lower LP gas sales volume due to higher temperature.

(Building and Real Estate)

In the Building and Real Estate business, renovation and building construction projects increased. As a result, segment sales were 4,166 million yen (up 15.2% year on year) and operating profit was 64 million yen (versus an operating loss of 51 million yen in the three months ended June 30, 2017).

(CATV)

In the CATV business, the Group aimed to increase customers through enhanced price competitiveness in the form of discounts offered to customers signing up for broadcasting and communications packaged services, and discounts for smartphone-related packaged services through alliances with major mobile phone carriers, and also worked to prevent service cancellations. The Group also aimed to improve customer satisfaction in the following areas. In broadcasting services, it broadcasted programs with extensive regional information, and promoted a switch to fiber-optic services that support 4K broadcasting. In telecommunications services, the Group launched a new ultra-high-speed fiber-optic network service with a maximum speed of 10Gbps. As a result of such measures, subscribers to the broadcasting service rose by three thousand from March 31, 2018 to 778 thousand, and those to the telecommunications service increased by four thousand to 261 thousand.

The number of subscribers grew steadily in existing areas as well as from M&A activities conducted in the previous fiscal year, resulting in segment sales of 7,511 million yen (up 17.2% year on year) and operating profit of 1,074 million yen (up 43.0% year on year).

(Information and Communications Services)

In consumer-oriented services, amid intensifying competition from major mobile carriers, the number of Hikari Collaboration customers increased by four thousand from March 31, 2018 to 327 thousand. However, the number of customers for conventional internet service providers (ISPs) fell by 14 thousand to 451 thousand. Meanwhile, the number of customers in the TOKAI-brand MVNO service LIBMO rose by three thousand to 32 thousand. As a result, segment sales totaled 7,777 million yen (down 1.2% year on year).

In corporate services, growth of recurring-revenue operations and an increase in contracted system development projects led to a 3.5% year on year increase in sales to 4,736 million yen.

Due to these factors, segment sales came to 12,513 million yen (up 0.5% year on year), but operating profit was 430 million yen (down 6.0% year on year) on higher costs of communications services including a rise in NTT connection charges.

(Aqua)

In the Aqua business, the Group continued to push forward with customer acquisition activities for “The gift of delicious water: Ulunom” brand, mainly targeting large-scale commercial facilities. Consequently, the Group succeeded in increasing the number of customers to 151 thousand, up by five thousand from March 31, 2018.

As a result, segment sales came to 1,653 million yen (up 13.5% year on year) and operating profit to 36 million yen (no profit in the three months ended June 30, 2017).

(Others)

In the nursing care business, an increase in the number of users led to sales of 261 million yen (up 6.5% year on year). In the shipbuilding business, sales were down 17.2% year on year to 325 million yen on a decrease in work volume for ship repairs. In the bridal events business, sales were down 11.6% year on year to 336 million yen on a decline in the number of wedding ceremonies.

Due to these factors, segment sales were 1,100 million yen (down 9.1% year on year) and operating profit was 25 million yen (down 67.5% year on year).

(2) Explanation of Consolidated Financial Condition

1) Assets, Liabilities, and Net Assets

As of June 30, 2018, total assets amounted to 162,694 million yen, down 3,299 million yen from March 31, 2018. This is primarily attributed to a decrease in notes and accounts receivable–trade by 3,268 million yen owing to seasonal factors.

Total liabilities were 101,736 million yen, down 2,807 million yen from March 31, 2018. The decline is mainly attributable to a 2,433 million yen fall in notes and accounts payable–trade due to seasonal factors.

As of June 30, 2018, net assets totaled 60,957 million yen, down 492 million yen from March 31, 2018. Although the Group booked 1,432 million yen in quarterly net income attributable to owners of the parent, net assets fell by 1,839 million yen due to dividend payments.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at June 30, 2018 totaled 2,707 million yen, down 296 million yen from March 31, 2018.

Cash flows from each activity during the three months under review and the factors behind them are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 4,348 million yen (down 502 million yen year on year). Funds increased chiefly due to quarterly net income before income taxes and the effect of depreciation and amortization expenses (non-cash items).

(Cash flows from investing activities)

Net cash used in investing activities was 3,484 million yen (down 614 million yen year on year). This is mainly due to the acquisition of tangible and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 1,159 million yen (up 1,102 million yen year on year). Cash was mainly used for the payment of dividends.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Earnings results for the three months ended June 30, 2018 were generally in line with forecasts, and the Company maintains its consolidated earnings forecasts for the fiscal year ending March 31, 2019, which was announced on May 8, 2018.

Forecasts are judgments based on currently available information. Actual performance may differ from forecasts due to a variety of factors going forward.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2018	Three Months Ended June 30, 2018
Assets		
Current assets		
Cash and deposits	3,143	2,852
Notes and accounts receivable–trade	23,806	20,537
Merchandise and finished goods	3,723	3,786
Work in process	849	896
Raw materials and supplies	817	814
Other	7,990	8,818
Allowance for doubtful accounts	(379)	(375)
Total current assets	39,951	37,331
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,280	33,718
Machinery, equipment and vehicles, net	23,096	22,709
Land	22,842	22,859
Other, net	16,591	16,776
Total property, plant and equipment	96,810	96,064
Intangible assets		
Goodwill	5,430	5,374
Other	5,767	5,803
Total intangible assets	11,198	11,177
Investments and other assets		
Net defined benefit asset	2,650	2,665
Other	15,898	16,011
Allowance for doubtful accounts	(518)	(559)
Total investments and other assets	18,030	18,117
Total non-current assets	126,038	125,359
Deferred assets	3	3
Total assets	165,993	162,694

(Millions of yen)

	Fiscal Year Ended March 31, 2018	Three Months Ended June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,670	13,237
Short-term loans payable	23,672	27,159
Current portion of bonds	198	198
Income taxes payable	2,966	1,177
Accruals	1,657	285
Other	19,540	20,673
Total current liabilities	63,705	62,731
Non-current liabilities		
Bonds payable	398	368
Long-term loans payable	26,711	24,878
Accruals	132	108
Net defined benefit liability	575	615
Other	13,020	13,033
Total non-current liabilities	40,837	39,004
Total liabilities	104,543	101,736
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,525	25,525
Retained earnings	17,768	17,362
Treasury stock	(2,223)	(2,223)
Total shareholders' equity	55,069	54,663
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,548	2,497
Foreign currency translation adjustment	(3)	(8)
Remeasurement of defined benefit plans	2,706	2,652
Total accumulated other comprehensive income	5,250	5,141
Non-controlling interests	1,130	1,153
Total net assets	61,450	60,957
Total liabilities and net assets	165,993	162,694

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Three Months Ended June 30, 2018)

(Millions of yen)

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Sales	42,531	44,553
Cost of sales	24,897	26,587
Gross profit	17,633	17,965
Selling, general and administrative expenses	15,481	15,575
Operating profit	2,152	2,390
Non-operating profit		
Interest income	2	2
Dividend income	106	102
Commission fee	23	22
Other	66	90
Total non-operating profit	198	217
Non-operating expenses		
Interest expenses	114	95
Other	32	24
Total non-operating expenses	147	120
Recurring profit	2,204	2,487
Extraordinary income		
Gain on sales of non-current assets	0	0
Transmission line facility subsidies	18	22
Subsidy income	-	2
Gain on sales of investment securities	-	0
Total extraordinary income	19	25
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	259	161
Bad debt losses	15	-
Total extraordinary losses	274	161
Quarterly net income before income taxes	1,948	2,352
Income taxes (current)	958	1,061
Income taxes (deferred)	(217)	(172)
Total income taxes	741	889
Quarterly net income	1,207	1,463
Quarterly net income attributable to non-controlling interests	25	30
Quarterly net income attributable to owners of the parent	1,182	1,432

(Consolidated Statements of Comprehensive Income)
(Three Months Ended June 30, 2018)

	(Millions of yen)	
	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Quarterly net income	1,207	1,463
Other comprehensive income		
Valuation difference on available-for-sale securities	427	(50)
Deferred gains (losses) on hedges	(381)	—
Foreign currency translation adjustment	(1)	1
Remeasurement of defined benefit plans, net of tax	(46)	(54)
Share of other comprehensive income of entities accounted for using the equity method	2	(6)
Total other comprehensive income	0	(108)
Quarterly comprehensive income	1,207	1,354
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,182	1,323
Quarterly comprehensive income attributable to non- controlling interests	24	30

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Quarterly net income before income taxes	1,948	2,352
Depreciation	3,502	3,351
Amortization of goodwill	293	290
Increase (decrease) in provision for bonuses	(1,244)	(1,240)
Increase (decrease) in net defined benefit asset and liability	(75)	(52)
Interest and dividend income	(108)	(104)
Loss (gain) on sales of investment securities	-	(0)
Interest expenses	114	95
(Gain) loss on sales of non-current assets	(0)	Δ0
Loss on retirement of non-current assets	259	161
(Increase) decrease in notes and accounts payable	4,207	3,250
(Increase) decrease in inventories	(10)	Δ105
Increase (decrease) in notes and accounts payable—trade	(2,451)	Δ2,441
Increase (decrease) in accrued consumption taxes	37	196
Increase (decrease) in deposits received	2,724	2,669
Other	(170)	(707)
Subtotal	9,024	7,714
Income taxes paid	(4,173)	(3,365)
Net cash provided by (used in) operating activities	4,851	4,348
Cash flows from investing activities		
Interest and dividend income received	131	118
Purchase of securities	(3)	(3)
Proceeds from sales of securities	-	0
Purchase of tangible and intangible assets	(3,065)	(3,877)
Proceeds from sales of tangible and intangible assets	66	49
Collection of loans receivable	7	3
Other	(7)	224
Net cash provided by (used in) investing activities	(2,870)	(3,484)
Cash flows from financing activities		
Interest expenses paid	(110)	(93)
Net increase (decrease) in short-term loans payable	3,500	4,112
Repayments of lease obligations	(950)	(930)
Repayment of long-term loans payable	(2,670)	(2,458)
Proceeds from share issuance to non-controlling shareholders	20	—
Payments for acquisition of treasury stock	(0)	(0)
Proceeds from disposal of treasury shares	0	-
Cash dividends paid	(2,045)	(1,754)
Other	(5)	(35)
Net cash provided by (used in) financing activities	(2,262)	(1,159)
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Net increase (decrease) in cash and cash equivalents	(281)	(296)
Cash and cash equivalents at beginning of period	3,111	3,004
Cash and cash equivalents at end of period	2,829	2,707

(4) Notes on Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

(Application of "Partial revision of "Accounting standard for deferred tax accounting" etc.)

"Partial Amendments to the" Accounting Standards for Tax Effect Accounting "(ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current consolidated fiscal year, and deferred tax assets Are presented in the classification of investments and other assets, and deferred tax liabilities are presented in the category of fixed liabilities.

(Board Benefit Trust (BBT))

(1) Overview of Transactions

At a Board of Directors Meeting held on May 10th, 2016, the Company approved the introduction of a board benefit trust (BBT) plan as a new stock-based compensation system (hereinafter referred to as "the System") for the Company's Directors, Executive Officers, Administrative Officers, and the Directors and Administrative Officers of some of the Company's subsidiaries (excluding Outside Directors; hereinafter referred to as "Executives"). This Executive compensation was approved at the 5th Annual General Meeting of Shareholders held on June 24, 2016.

The System is a stock-based compensation system in which the Company will acquire the shares of the Company using funds the Company first contributes. The Company's shares and the amount of cash equivalent to the market price of the Company's shares as of the date of the Executive's retirement (hereinafter referred to as the "Company's Shares, etc.") will be provided through the trust to the Executives in accordance with executive stock-based compensation rules stipulated by the Company and subsidiaries of the Company covered by the System. In principle, Executives shall receive the Company's Shares, etc. upon their retirement.

The Company has applied the gross method for this transaction in accordance to "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(2) Company stock remaining in the trust

The Company is recording Company stock which remains in the trust as treasury stocks under net assets at book value (excluding attached expenses). The book value of such Company stocks was 259 million yen as of March 31, 2018, 259 million yen as of June 30 2018. The number of stock was 416,600 shares as of March 31, 2017, 416,600 shares as of June 30, 2018.

(Segment Information, etc.)

[Segment Information]

I. Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	17,392	3,617	6,406	12,447	1,456	41,319	1,211	42,531	—	42,531
Intersegment sales and transfers	35	307	196	708	6	1,253	48	1,302	(1,302)	—
Subtotal	17,427	3,925	6,603	13,155	1,462	42,573	1,260	43,833	(1,302)	42,531
Segment income (loss)	722	(51)	751	457	0	1,880	77	1,957	194	2,152

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	17,608	4,166	7,511	12,513	1,653	43,452	1,100	44,553	—	44,553
Intersegment sales and transfers	34	226	185	708	6	1,161	44	1,206	(1,206)	—
Subtotal	17,642	4,393	7,697	13,221	1,659	44,614	1,145	45,759	(1,206)	44,553
Segment income (loss)	610	64	1,074	430	36	2,217	25	2,242	148	2,390

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.