



Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 [Japanese GAAP]

October 29, 2020

Company name:	TOKAI Holdings Corporation	Stock listing:	Tokyo Stock Exchange
Stock code:	3167	URL:	https://www.tokaiholdings.co.jp/english/
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Scheduled date of filing quarterly report:	November 12, 2020		
Scheduled date of dividend payment:	November 30, 2020		
Supplementary materials on quarterly financial results:	Yes		
Quarterly financial results briefing:	Yes (For institutional investors)		

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six-months Ended September 30, 2020

(April 1, 2020 to September 30, 2020)

(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	%
Six-months Ended September 30, 2020	89,836	-3.4	5,452	-0.9	5,499	-1.9	3,279	-6.1
Six-months ended September 30, 2019	93,015	4.7	5,500	58.3	5,608	56.6	3,492	101.1

(Note) Comprehensive income: 5,256 million yen in the Six-months Ended September 30, 2020 (79.8%)
2,924 million yen in the Six-months ended September 30, 2019 (3.7%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Six-months Ended September 30, 2020	25.04	-
Six-months ended September 30, 2019	26.67	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Six-months Ended September 30, 2020	167,687	69,398	40.5
Year ended March 31, 2020	169,972	65,982	38.0

(Reference) Equity: 67,946 million yen for the Six-months Ended September 30, 2020
64,595 million yen for the year ended March 31, 2020

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, 2020	—	14.00	—	14.00	28.00
Year ending March 31, 2021	—	14.00			
Year ending March 31, 2018 (Forecast)			—	14.00	28.00

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

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2020 (April 1, 2020 to March 31, 2021)

(% 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
Year ending March 31, 2021	205,300	4.8	15,000	5.5	14,870	2.7	8,460	2.7	64.60

(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):

Q2 FY3/2021	139,679,977 shares	FY3/2020	139,679,977 shares
Q2 FY3/2021	8,713,096 shares	FY3/2020	8,722,345 shares
Q2 FY3/2021	130,960,773 shares	Q2 FY3/2020	130,951,794 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.(391,300 stocks at Q2 FY3/2021, 400,700 stocks at FY3/2020)

In addition, the average number of shares to be deducted for the period (cumulative period) includes our shares held by the Stock Payment Trust (BBT) (397,515 shares at Q2 FY3/2021, 407,378 shares at Q2 FY3/2020).

* 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.

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

(1) Explanation of Consolidated Operating Performance

In the first six months of the fiscal year ending March 31, 2021, the Japanese economy deteriorated rapidly due to stagnation in economic activity caused by impact from the novel coronavirus (COVID-19) pandemic. However, signs of improvement in personal consumption continue to be seen thanks primarily to various economic measures taken by the government in response to the pandemic. Nevertheless, projections regarding how to properly balance economic activity with infectious disease prevention remains extremely uncertain.

Under these conditions, the TOKAI Group entered the fourth and final year of its medium-term management plan, Innovation Plan 2020 “JUMP.” The Group’s primary earnings base rests on its ongoing business with general consumers. Furthermore, we strive to provide daily life-related infrastructure to all households and have assumed direct responsibility for customer contact points. Consistent with these efforts, we regard business continuity and preventing the spread of COVID-19 through appropriate countermeasures and policies that protect the safety of customers and employees as top-priority issues. Accordingly, we actively conducted remote sales activities that do not involve direct human contact, including Internet-based information transmission and business meetings. As of September 30, 2020, our number of continuing customers had risen to 3,042,000, up 39,000 from its level as of March 31, 2020, and TLC Membership Service members numbered 938,000, up 42,000.

As a result of these circumstances, the Group recorded sales of 89,836 million yen (-3.4% year on year) in the six months ended September 30, 2020. The decline in sales occurred despite an increase in customer count due in part to a decrease in gas selling prices associated with a drop in procurement prices and lower renovation and facility equipment sales resulting from the COVID-19 pandemic. Meanwhile, operating profit came to 5,452 million yen (-0.9% year on year), recurring profit was 5,499 million yen (-1.9% year on year), and net income attributable to owners of the parent finished at 3,279 million yen (-6.1% year on year).

The Group is aiming to expand its earnings base by broadening its business area. During the six months ended September 30, 2020, we pursued this target by establishing new sales bases for the LP gas business in Kasugai, Aichi Prefecture and Yokkaichi, Mie Prefecture in June 2020. Through our Construction, Equipment, and Real Estate segment, we acquired shares in Chuo Denki Koji Co., Ltd., an electrical construction company in Nagoya, Aichi Prefecture, and converted it into a consolidated subsidiary in August 2020. This acquisition will expand the segment’s business operations in the Chukyo metropolitan area. In addition to this move, we converted MIEN TRUNG GAS JOINT STOCK COMPANY and V-GAS PETROLEUM CORPORATION, two companies located in the Socialist Republic of Vietnam, into equity-method affiliates and successfully entered the Vietnamese LP gas market.

Performance by segment is indicated below. Effective from the start of the fiscal year ending March 31, 2021, we have changed the names of our reportable segments as follows: the “Gas and Petroleum” segment has become the “Energy” segment, and the “Building and Real Estate” segment has been renamed the “Construction, Equipment, and Real Estate” segment. These name changes do not accompany any impact on segment performance.

(Energy)

In the LP gas business, despite restrictions on in-person sales activities, customer count rose by 15,000 during the six months ended September 30, 2020, reaching 667,000 customers thanks to the application of telemarketing and online sales activities. Despite the rise in customer count, sales declined to 27,842 million yen (-4.8% year on year) due to a decrease in selling prices linked to a decline in procurement prices and lower volumes of industrial and commercial gas

sold.

In the city gas business, the number of customers was 61,000, mostly unchanged from its level as of March 31, 2020. However, sales fell to 5,587 million yen (-14.4% year on year) due in part to a decline in selling prices associated with the gas rate adjustment system.

As a result, segment sales were 33,430 million yen (-6.5% year on year) and segment operating profit was 1,041 million yen (+32.3% year on year).

(Construction, Equipment, and Real Estate)

In the Construction, Equipment, and Real Estate segment, sales were 9,074 million yen (-6.8% year on year) and operating profit came to 242 million yen (-50.3% year on year). The decline in performance was primarily due to lower renovation and facility equipment sales resulting from a delay in sales activities caused by the COVID-19 pandemic.

(CATV)

Through its CATV business, the Group carefully and steadily maintained its sales activities in accordance with the actual circumstances facing each region as a community-based service provider amid the COVID-19 crisis. As a result, our broadcasting services customer count increased to 868,000, up 6,000 from its level as of March 31, 2020, and our communications services customer count rose by 19,000 to 311,000.

Consequently, segment sales amounted to 16,490 million yen (+5.8% year on year) and segment operating profit was 2,392 million yen (+3.8% year on year).

(Information and Communications)

In the Information and Communications business for individual customers, the Group responded to intensifying competition from major mobile phone carriers and increasing communications services demand associated with the COVID-19 pandemic by enhancing set plans accompanying the Hikari Collaboration (including a high 30 GB storage capacity plan for LIBMO, a TOKAI-brand MVNO service) and acquiring customers through the Internet. Consequently, our total number of individual customers increased by a net 1,000 compared to March 31, 2020, after declining for the previous six fiscal years, and finished at 762,000 (conventional ISP customers fell by 3,000 to 710,000, and LIBMO customers rose by 4,000 to 51,000). As a result, sales were 13,142 million yen (-9.8% year on year).

Through its Information and Communications business for corporate clients, the Group achieved progress in the field of cloud services and captured demand associated with teleworking, both factors that led to recurring-revenue business expansion. As a result, sales came to 11,988 million yen (+5.6% year on year).

Due to the above factors, segment sales were 25,131 million yen (-3.0% year on year) and segment operating profit was 1,415 million yen (-14.6% year on year).

(Aqua)

The number of customers in the Aqua (bottled drinking water delivery) business was 161,000, mostly level with the number booked on March 31, 2020 due to stagnation in event-based sales and marketing caused by self-imposed operational limitations at shopping malls and other commercial facilities. At the same time, the number of bottles sold per customer rose as a result of demand from consumers who refrained from going outdoors in response to the COVID-19 pandemic.

Consequently, segment sales were 3,880 million yen (+3.4% year on year) and segment operating profit was 273 million yen (+6.0% year on year).

(Others)

Turning to other businesses, sales in the nursing care business totaled 655 million yen (+14.1% year on year) thanks to contributions from Tender Co., Ltd. (Gero, Gifu Prefecture), which became a consolidated subsidiary during the previous fiscal year. Sales in the shipbuilding business fell to 660 million yen (-9.1% year on year) as a result of a decrease in the number of vessels repaired. Sales in the bridal events business declined to 112 million yen (-80.4% year on year) due to wedding ceremony postponements and the application of self-restraint associated with the holding of banquets in response to the COVID-19 pandemic.

As a result of these factors, segment sales were 1,828 million yen (-18.9% year on year) and segment operating loss was 140 million yen (versus operating profit of 51 million yen in the same period of the previous fiscal year).

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

As of September 30, 2020, total assets amounted to 167,687 million yen, down 2,285 million yen from March 31, 2020. This mainly reflected a decline of 5,474 million yen in notes and accounts receivable–trade stemming from seasonal factors, which was partially offset by an increase of 1,441 million yen in property, plant and equipment mainly caused by business acquisition and a rise of 2,124 million yen in the “other” account under “investments and other assets” that was primarily due to the acquisition of shares in affiliated companies.

Total liabilities stood at 98,288 million yen, down 5,701 million yen from March 31, 2020. This was primarily due to a decrease of 1,946 million yen in notes and accounts payable–trade stemming from seasonal factors and a decline of 3,538 million yen in the “other” account under “current liabilities” resulting mainly from lower derivative liabilities.

Net assets totaled 69,398 million yen, up 3,415 million yen from March 31, 2020. This mainly reflected the booking of 3,279 million yen in net income attributable to owners of the parent and a 1,423 million yen increase in deferred gains on hedges, which were partially offset as the Company issued a 1,839 million-yen dividends of surplus.

2) Cash Flows

As of September 30, 2020, cash and cash equivalents stood at 4,105 million yen, up 59 million yen from March 31, 2020.

Cash flows from all activities during the period under review and the factors behind them are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 14,805 million yen, up 4,099 million yen from the same period of the previous fiscal year. Cash inflows stemming primarily from net income before income taxes, a decrease in trade receivables, and depreciation (a non-cash item) exceeded cash outflows caused mainly by income taxes paid and a decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 10,696 million yen, up 3,836 million yen from the same period of the previous fiscal year. The primary uses of cash were the purchase of property, plant and equipment and intangible assets, the purchase of shares of subsidiaries and associates, and payments for the acquisition of businesses.

(Cash flows from financing activities)

Net cash used in financing activities was 4,048 million yen, up 389 million yen from the same period of the previous fiscal year. This result was primarily due to repayments of short-term loans payable and lease obligations and dividend payments that exceeded proceeds from long-term loans payable.

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

Earnings results for the six months ended September 30, 2020 were generally in line with forecast, and the Group maintains its consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced on May 8, 2020.

The earnings forecast is based on information currently available to the Company. Actual results may differ from the forecast due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2020	Six Months Ended September 30, 2020
Assets		
Current assets		
Cash and deposits	4,629	4,530
Notes and accounts receivable—trade	25,859	20,385
Merchandise and finished goods	3,679	3,556
Work in process	944	1,559
Raw materials and supplies	930	955
Other	8,623	7,721
Allowance for doubtful accounts	- 399	- 377
Total current assets	44,268	38,330
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,256	34,225
Machinery, equipment and vehicles, net	23,773	24,122
Land	23,068	23,892
Other, net	17,254	17,554
Total property, plant and equipment	98,353	99,795
Intangible assets		
Goodwill	5,125	5,372
Other	5,705	5,543
Total intangible assets	10,831	10,916
Investments and other assets		
Net defined benefit asset	1,601	1,609
Other	15,294	17,418
Allowance for doubtful accounts	- 377	- 383
Total investments and other assets	16,518	18,644
Total non-current assets	125,703	129,355
Deferred assets	1	1
Total assets	169,972	167,687

(Millions of yen)

	Fiscal Year Ended March 31, 2020	Six Months Ended September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,034	13,087
Short-term loans payable	19,921	15,071
Current portion of bonds	118	108
Income taxes payable	2,244	1,881
Provision for loss on litigation	1,161	1,184
Other provision	1,782	1,819
Other	20,354	16,815
Total current liabilities	60,617	49,969
Non-current liabilities		
Bonds payable	112	63
Long-term loans payable	28,121	33,016
Accruals	238	363
Net defined benefit liability	876	908
Other	14,024	13,967
Total non-current liabilities	43,372	48,319
Total liabilities	103,989	98,288
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,542	25,545
Retained earnings	26,426	27,866
Treasury stock	- 2,221	- 2,219
Total shareholders' equity	63,746	65,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	879
Deferred gains or losses on hedges	- 883	539
Foreign currency translation adjustment	- 7	- 88
Remeasurements of defined benefit plans	1,449	1,421
Total accumulated other comprehensive income	848	2,752
Non-controlling interests	1,387	1,452
Total net assets	65,982	69,398
Total liabilities and net assets	169,972	167,687

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Six-months Ended September 30, 2020)

	(Millions of yen)	
	Six Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Sales	93,015	89,836
Cost of sales	55,850	51,604
Gross profit	37,165	38,231
Selling, general and administrative expenses	31,664	32,779
Operating profit	5,500	5,452
Non-operating profit		
Interest income	5	6
Dividend income	117	103
Commission fee	16	14
Subsidy income	10	68
Share of profit of entities accounted for using equity method	64	—
Other	101	121
Total non-operating profit	306	313
Non-operating expenses		
Interest expenses	153	149
Share of loss of entities accounted for using equity method	—	63
Other	44	53
Total non-operating expenses	198	266
Recurring profit	5,608	5,499
Extraordinary income		
Gain on sales of non-current assets	13	51
Transmission line facility subsidies	—	228
Gain on sales of investment securities	49	53
Gain on sales of investment securities	108	—
Total extraordinary income	171	334
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	384	322
Loss on sales of investment securities	9	0
Loss on valuation of investment securities	—	55
Provision for loss on litigation	—	23
Other	115	—
Total extraordinary losses	508	401
Quarterly net income before income taxes	5,271	5,431
Income taxes (current)	1,786	2,059
Income taxes (deferred)	-123	19
Total income taxes	1,662	2,078
Quarterly net income	3,608	3,353
Quarterly net income attributable to non-controlling interests	116	73
Quarterly net income attributable to owners of the parent	3,492	3,279

(Consolidated Statements of Comprehensive Income)
(Six-months Ended September 30, 2020)

	(Millions of yen)	
	Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Quarterly net income	3,608	3,353
Other comprehensive income		
Valuation difference on available-for-sale securities	-236	589
Deferred gains (losses) on hedges	-351	1,423
Foreign currency translation adjustment	0	- 0
Remeasurements of defined benefit plans, net of tax	-92	- 27
Share of other comprehensive income of entities accounted for using equity method	-5	- 81
Total other comprehensive income	-684	1,903
Quarterly comprehensive income	2,924	5,256
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	2,808	5,183
Quarterly comprehensive income attributable to non- controlling interests	115	73

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Quarterly net income before income taxes	5,271	5,431
Depreciation	7,080	7,300
Amortization of goodwill	535	597
Increase (decrease) in net defined benefit asset and liability	-122	-29
Interest and dividend income	-123	-109
Loss (gain) on sales of investment securities	-99	0
Interest expenses	153	149
Loss (gain) on sales of non-current assets	-13	-51
Loss (gain) on valuation of investment securities	—	55
Loss on retirement of non-current assets	384	322
Decrease (increase) in notes and accounts receivable – trade	3,346	6,081
(Increase) decrease in inventories	249	-480
Decrease (increase) in guarantee deposits	-341	1,636
Increase (decrease) in notes and accounts payable–trade	-1,312	-1,981
Other	-2,178	-1,729
Subtotal	13,172	17,193
Income taxes paid	-2,466	-2,388
Net cash provided by (used in) operating activities	10,706	14,805
Cash flows from investing activities		
Interest and dividend income received	146	132
Purchase of securities	-6	-8
Proceeds from sales of securities	247	70
Purchase of tangible and intangible assets	-5,750	-6,917
Proceeds from sales of tangible and intangible assets	107	158
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,408	-828
Purchase of shares of subsidiaries and associates	-248	-2,112
Payments for transfer of business	-180	-1,630
Collection of short-term loans receivable	10	9
Other	221	430
Net cash provided by (used in) investing activities	-6,859	-10,696
Cash flows from financing activities		
Interest expenses paid	-162	-153
Net increase (decrease) in short-term loans payable	-375	-5,850
Repayments of lease obligations	-1,858	-2,034
Proceeds from long-term loans payable	5,400	10,736
Repayment of long-term loans payable	-4,722	-4,841
Redemption of bonds	-94	-59
Payments for acquisition of treasury stock	-0	-0
Proceeds from disposal of treasury shares	0	—
Cash dividends paid	-1,838	-1,838
Other	-8	-7
Net cash provided by (used in) financing activities	-3,659	-4,048
Effect of exchange rate change on cash and cash equivalents	-1	-0
Net increase (decrease) in cash and cash equivalents	185	59
Cash and cash equivalents at beginning of period	4,018	4,046
Cash and cash equivalents at end of period	4,204	4,105

(4) Notes on Quarterly Consolidated Financial Statements
(Notes to Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. Six-months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

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
	Energy	Building equipment real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	35,766	9,736	15,593	25,911	3,752	90,760	2,255	93,015	—	93,015
Intersegment sales and transfers	87	494	344	1,746	98	2,771	85	2,857	△2,857	—
Subtotal	35,853	10,231	15,937	27,658	3,851	93,532	2,340	95,872	△2,857	93,015
Segment income (loss)	787	487	2,304	1,657	257	5,494	51	5,545	△45	5,500

(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. Six-months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)

1. 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
	Energy	Building equipment real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	33,430	9,074	16,490	25,131	3,880	88,007	1,828	89,836	—	89,836
Intersegment sales and transfers	107	454	306	1,751	96	2,716	65	2,782	-2,782	—
Subtotal	33,538	9,529	16,797	26,882	3,977	90,724	1,894	92,618	-2,782	89,836
Segment income (loss)	1,041	242	2,392	1,415	273	5,364	△140	5,223	228	5,452

(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.

2. Changes in reportable segments

Effective from the first quarter of the current fiscal year, the Company changed the name of reportable segments from "Gas and Oil" to "Energy," "Buildings and Real Estate" to "Building equipment real estate." There is no impact on the performance of each segment due to the change in segment name.

Reportable segment information for the second quarter of the previous fiscal year is presented under the new name.

(Significant Subsequent Events)

Resolution of important lawsuits

On February 3, 2020, TOKAI Communications Corporation filed a petition in the Supreme Court for appeal and accepted an appeal against Hitachi Solutions, Ltd. as a plaintiff (anti-appeal defendant) in the case against Hitachi Solutions, Ltd. (anti-appeal plaintiff). The Supreme Court rejected the appeal of TOKAI Communications Corporation on October 20, 2020 and decided not to accept the appeal as an appeal. As a result, TOKAI Communications Corporation has finalized an appeals verdict ordering Hitachi Solutions, Ltd. to pay damages of ¥766 million and late damages thereon.