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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 4, 2022

Company name: OCHI Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
 Securities code: 3166
 URL: <https://www.ochiholdings.co.jp>
 Representative: Michihiro Ochi, Representative Director, President and Chief Executive Officer
 Inquiries: Naoyuki Shiraishi, Executive Officer, General Manager of Finance Department
 Telephone: +81-92-711-9173
 Scheduled date to file quarterly securities report: November 7, 2022
 Scheduled date to commence dividend payments: December 5, 2022
 Preparation of supplementary materials
 on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2022	56,307	10.3	1,493	28.7	1,792	29.8	1,213	28.0
September 30, 2021	51,042	6.8	1,160	105.4	1,380	96.6	947	12.6

(Note) Comprehensive income: Six months ended September 30, 2022: ¥1,132 million [30.3%]

Six months ended September 30, 2021: ¥868 million [(10.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2022	94.22	—
September 30, 2021	72.75	—

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan in February 2022, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of average number of shares during the period for the purpose of calculating basic earnings per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	63,165	20,505	32.4	1,588.92
As of March 31, 2022	62,834	19,814	31.5	1,537.51

(Reference) Equity: As of September 30, 2022: ¥20,478 million

As of March 31, 2022: ¥19,774 million

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of total number of issued shares at the end of the period for the purpose of calculating net assets per share.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	15.00	—	35.00	50.00
Fiscal year ending March 31, 2023	—	25.00			
Fiscal year ending March 31, 2023 (Forecast)			—	25.00	50.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	115,500	3.2	2,700	(11.9)	3,150	(11.2)	2,000	(42.0)	155.51

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements:
None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None
- (4) Total number of shares issued (common shares)
1) Total number of shares issued at the end of the period (including treasury shares):
September 30, 2022: 13,610,970 shares
March 31, 2022: 13,610,970 shares
- 2) Total number of treasury shares at the end of the period:
September 30, 2022: 722,828 shares
March 31, 2022: 749,828 shares
- 3) Average number of shares during the period:
Six months ended September 30, 2022: 12,874,375 shares
Six months ended September 30, 2021: 13,024,040 shares
- The total number of treasury shares at the end of the period includes the number of shares of the Company held by the Board Benefit Trust (BBT) as trust assets (103,300 shares as of September 30, 2022 and 109,800 shares as of March 31, 2022). The number of treasury shares deducted in the calculation of the average number of shares during the period includes the number of the Company's shares held by the trust (106,532 shares for the six months ended September 30, 2022 and 112,932 shares for the six months ended September 30, 2021).
 - The total number of treasury shares at the end of the period includes the number of shares of the Company held by a trust established exclusively for the OCHI Holdings Employee Shareholding Association (E-Ship Trust) as trust assets (145,500 shares as of September 30, 2022 and 166,000 shares as of March 31, 2022). The number of treasury shares deducted in the calculation of the average number of shares during the period includes the number of the Company's shares held by the trust (156,035 shares for the six months ended September 30, 2022 and – shares for the six months ended September 30, 2021).

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecast and precautions regarding their use, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results for the Period” on page 4 of the attachment.

(Method of obtaining supplementary explanatory materials on financial results)

The Company will hold a briefing session for institutional investors and analysts on Monday, December 5, 2022. The supplementary explanatory materials on financial results for the briefing session will be posted on the Company's website soon after the session.

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1. Qualitative Information on Quarterly Financial Results for the Period

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the Japanese economic activities and trends that had been recovering were adversely affected due to the sharp increase in the number of new COVID-19 cases across the country from July 2022. Furthermore, the economic outlook remains uncertain due to the surge in energy and raw materials prices caused by Russia's invasion of Ukraine, the sharp depreciation of the yen, and other factors.

In the housing industry, challenges still persist, such as continued price hikes in housing construction due to increases in construction materials and housing equipment prices. As a result, new housing starts for the six-month period decreased by 0.7% year-on-year. Meanwhile, the number of housing starts for owner-occupied houses and built-for-sale detached houses, which represent the main targets for the Group, registered a 6.2% year-on-year decline.

Against this backdrop, the Group pursued business opportunities with a focus on growth fields by promoting sales of products aimed at achieving carbon neutrality, capturing remodeling/renovation demand, and reaching out to non-housing markets, among other efforts.

In July 2022, we acquired All Japan Data Service, Co., Ltd. and made it a new subsidiary. The company, headquartered in Tokyo, is mainly engaged in the diagnosis and investigation of civil engineering structures such as bridges and other facilities in various areas from the Tohoku region to the Kyushu region, aiming to expand the Engineering Business and further pursue synergy within the Group, in a bid to realize sustainable growth.

As a result, in the six-month period, net sales increased by 10.3% year-on-year to 56,307 million yen, while operating profit increased by 28.7% year-on-year to 1,493 million yen, ordinary profit increased by 29.8% year-on-year to 1,792 million yen, and profit attributable to owners of parent increased by 28.0% year-on-year to 1,213 million yen.

Results by segment were as follows:

<Construction Materials Business>

While new construction starts for owner-occupied houses and built-for-sale detached houses were on the decline, the Group focused on expanding sales of products aimed at achieving carbon neutrality, including solar power generation systems, storage batteries, high-efficiency water heaters, and LED lighting, capturing demand for remodeling/renovation to enhance comfort in wet areas and improve air quality, and promoting the introduction of wooden structures and wooden interior decorations to non-housing buildings. In addition to focusing on online sales promotion, via members-only websites, online conference systems, and other means, we organized "I Love Home Fair," an exhibition of construction materials and housing equipment in Nagasaki Prefecture in September 2022 for the first time in about three years, to reinforce sales by creating demand, such as stimulating new demand and capturing remodeling demand.

As a result, net sales of this business increased by 5.7% year-on-year to 34,485 million yen and operating profit increased by 3.6% year-on-year to 610 million yen.

<Air-conditioning, Heating and Cooling, and Household Products Business>

In the Air-conditioning, Heating and Cooling, and Household Products Business, which mainly operates in the Hokkaido, Tohoku, and Kanto regions, sales of household products decreased owing to changes in some commercial distribution channels. Sales and installation work of refrigeration/freezing equipment also declined because of a delay in the supply of equipment.

Nevertheless, net sales of this business increased by 20.6% year-on-year to 8,491 million yen, buoyed by the performance of Terada Co., Ltd., which became a subsidiary in October 2021. Operating profit increased by 67.9% year-on-year to 98 million yen owing to a steady growth of sales and installation work of air-conditioning equipment.

<Pre-cut Lumber Business>

While lumber prices remained at high levels despite some showing signs of decline, we did our utmost to sell lumber products at reasonable prices. At the same time, we made greater efforts to win orders for non-housing projects, including nursing homes, shops, and other facilities, in addition to detached houses, our mainstay.

As a result, net sales of this business increased by 38.1% year-on-year to 9,763 million yen and operating profit increased by 42.7% year-on-year to 845 million yen.

<Engineering Business>

In the Engineering Business, we construct commercial facilities and other properties, engage in interior work for condominiums, office buildings, and other structures, and provide civil engineering services for public works projects. Net sales of this business decreased by 23.8% year-on-year to 2,262 million yen partly because of delayed construction schedule. However, operating profit increased by 21.6% year-on-year to 217 million yen, primarily owing to civil engineering works with high-profit margins.

All Japan Data Service, Co., Ltd., which became our subsidiary in July 2022, is consolidated only in terms of the balance sheet as of September 30, 2022, and its profit and loss will be recorded on the consolidated financial results from the nine months ending December 31, 2022.

<Other>

The business of Taihei Shoko Co., Ltd., which sells industrial materials, is classified into the Other Business that is not included in any reportable segment.

Net sales of this business increased by 0.2% year-on-year to 1,567 million yen and operating profit increased by 21.1% year-on-year to 45 million yen because of a rise in sales of electric insulating materials for industrial use, despite a decline in automotive-related sales due to the semiconductor shortage.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Total assets rose by 330 million yen, or 0.5%, from the previous fiscal year-end to 63,165 million yen. This was mainly attributable to decreases of 621 million yen in notes and accounts receivable - trade, and contract assets, 530 million yen in electronically recorded monetary claims - operating, 177 million yen in other under current assets, and 147 million yen in other, net under property, plant and equipment, and increases of 676 million yen in merchandise, 561 million yen in goodwill, 437 million yen in cash and deposits, and 176 million yen in costs on construction contracts in progress.

Total liabilities decreased by 360 million yen, or 0.8%, from the previous fiscal year-end to 42,659 million yen. This was mainly attributable to increases of 742 million yen in long-term borrowings and 350 million yen in short-term borrowings, and decreases of 787 million yen in electronically recorded obligations - operating, 336 million yen in notes and accounts payable - trade, and 128 million yen in other under non-current liabilities.

Total net assets rose by 690 million yen, or 3.5%, from the previous fiscal year-end to 20,505 million yen. This was mainly attributable to a decrease of 85 million yen in valuation difference on available-for-sale securities and an increase of 753 million yen in retained earnings.

2) Cash flows

Cash and cash equivalents at the end of the six months ended September 30, 2022 increased by 417 million yen, or 3.4%, from the previous fiscal year-end to 12,576 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2022 amounted to 544 million yen (564 million yen provided in the corresponding period of the previous fiscal year).

This was mainly attributable to a decrease in trade payables of 1,148 million yen, income taxes paid of 817 million yen, an increase in inventories of 577 million yen, and a decrease in other current liabilities of 248 million yen, as well as profit before income taxes of 1,941 million yen, a decrease in trade receivables of 1,172 million yen, and depreciation of 354 million yen.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2022 amounted to 244 million yen (149 million yen used in the corresponding period of the previous fiscal year).

This was mainly attributable to purchase of shares of subsidiaries resulting in change in scope of consolidation of 206 million yen and purchase of property, plant and equipment of 38 million yen.

(Cash flows from financing activities)

Net cash provided by financial activities for the six months ended September 30, 2022 amounted to 117 million yen (860 million yen used in the corresponding period of the previous fiscal year).

This was mainly attributable to repayments of long-term borrowings of 666 million yen, dividends paid of 459 million yen, and proceeds from long-term borrowings of 1,300 million yen.

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

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2023 from the earlier forecast announced on May 10, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	12,195	12,632
Notes and accounts receivable - trade, and contract assets	21,061	20,439
Electronically recorded monetary claims - operating	3,332	2,802
Merchandise	5,107	5,784
Costs on construction contracts in progress	731	907
Other	834	656
Allowance for doubtful accounts	(30)	(32)
Total current assets	43,231	43,191
Non-current assets		
Property, plant and equipment		
Land	8,354	8,352
Other, net	4,403	4,255
Total property, plant and equipment	12,757	12,608
Intangible assets		
Goodwill	579	1,140
Other	724	695
Total intangible assets	1,303	1,835
Investments and other assets		
Retirement benefit asset	241	241
Other, net	5,316	5,305
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	5,541	5,529
Total non-current assets	19,602	19,973
Total assets	62,834	63,165

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,479	15,142
Electronically recorded obligations - operating	16,481	15,694
Short-term borrowings	3,223	3,573
Income taxes payable	796	784
Provision for bonuses	657	649
Other	2,035	1,937
Total current liabilities	38,673	37,783
Non-current liabilities		
Long-term borrowings	1,663	2,405
Provision for retirement benefits for directors (and other officers)	434	389
Provision for share awards for directors (and other officers)	57	53
Retirement benefit liability	653	618
Other	1,537	1,409
Total non-current liabilities	4,346	4,876
Total liabilities	43,019	42,659
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	18,786	19,539
Treasury shares	(791)	(758)
Total shareholders' equity	19,392	20,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	392	306
Remeasurements of defined benefit plans	(10)	(8)
Total accumulated other comprehensive income	381	298
Non-controlling interests	40	27
Total net assets	19,814	20,505
Total liabilities and net assets	62,834	63,165

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

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	51,042	56,307
Cost of sales	44,278	48,649
Gross profit	6,763	7,658
Selling, general and administrative expenses	5,603	6,164
Operating profit	1,160	1,493
Non-operating income		
Interest income	2	1
Dividend income	23	33
Purchase discounts	67	104
Rental income from real estate	87	84
Other	95	122
Total non-operating income	276	347
Non-operating expenses		
Interest expenses	11	10
Rental expenses on real estate	19	20
Depreciation	14	12
Other	11	4
Total non-operating expenses	56	48
Ordinary profit	1,380	1,792
Extraordinary income		
Gain on sale of non-current assets	0	2
Gain on sale of investment securities	80	148
Gain on bargain purchase	11	–
Total extraordinary income	93	150
Extraordinary losses		
Loss on sale of non-current assets	0	1
Loss on retirement of non-current assets	0	0
Loss on sale of investment securities	–	0
Total extraordinary losses	0	1
Profit before income taxes	1,473	1,941
Income taxes - current	569	691
Income taxes - deferred	(45)	34
Total income taxes	524	726
Profit	948	1,214
Profit attributable to non-controlling interests	1	1
Profit attributable to owners of parent	947	1,213

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	948	1,214
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	(85)
Remeasurements of defined benefit plans, net of tax	2	2
Total other comprehensive income	(80)	(82)
Comprehensive income	868	1,132
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	867	1,130
Comprehensive income attributable to non-controlling interests	1	1

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,473	1,941
Depreciation	374	354
Amortization of goodwill	76	70
Increase (decrease) in allowance for doubtful accounts	(2)	2
Increase (decrease) in provision for bonuses	24	(49)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9	(45)
Increase (decrease) in provision for share awards for directors (and other officers)	(3)	(3)
Increase (decrease) in retirement benefit liability	5	(34)
Interest and dividend income	(26)	(34)
Interest expenses	11	10
Loss (gain) on sale of non-current assets	(0)	(0)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	(80)	(148)
Gain on bargain purchase	(11)	–
Decrease (increase) in trade receivables	(1,189)	1,172
Decrease (increase) in inventories	634	(577)
Decrease (increase) in other current assets	17	60
Decrease (increase) in other non-current assets	(9)	57
Increase (decrease) in trade payables	1,282	(1,148)
Increase (decrease) in other current liabilities	(1,318)	(248)
Increase (decrease) in other non-current liabilities	2	(40)
Other, net	–	(1)
Subtotal	1,270	1,337
Interest and dividends received	26	34
Interest paid	(11)	(10)
Income taxes paid	(721)	(817)
Net cash provided by (used in) operating activities	564	544

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from investing activities		
Payments into time deposits	(15)	(10)
Proceeds from withdrawal of time deposits	38	14
Decrease (increase) in short-term loans receivable	0	(0)
Purchase of property, plant and equipment	(252)	(38)
Proceeds from sale of property, plant and equipment	1	2
Purchase of intangible assets	(26)	(21)
Purchase of investment securities	(16)	(21)
Proceeds from sale and redemption of investment securities	113	3
Proceeds from collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(206)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5	–
Proceeds from cancellation of insurance funds	–	8
Purchase of investment property	–	(0)
Other, net	1	25
Net cash provided by (used in) investing activities	(149)	(244)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(104)	0
Proceeds from long-term borrowings	300	1,300
Repayments of long-term borrowings	(738)	(666)
Repayments of lease liabilities	(94)	(68)
Repayments of installment payables	(0)	–
Purchase of treasury shares	(0)	–
Proceeds from sale of treasury shares	–	26
Dividends paid	(223)	(459)
Dividends paid to non-controlling interests	–	(15)
Net cash provided by (used in) financing activities	(860)	117
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	(445)	417
Cash and cash equivalents at beginning of period	10,711	12,158
Cash and cash equivalents at end of period	10,266	12,576

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year. Accordingly, the Company will prospectively apply the new accounting policies stipulated in the Fair Value Measurement Guidance in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance. This change will not have any impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	29,234	6,345	6,543	181	42,305	1,564	—	43,869
Revenue from construction work	3,262	694	450	2,488	6,896	—	—	6,896
Other revenue	20	—	—	256	276	—	—	276
Revenue from contracts with customers	32,517	7,040	6,993	2,926	49,477	1,564	—	51,042
Sales to external customers	32,517	7,040	6,993	2,926	49,477	1,564	—	51,042
Intersegment sales or transfers	104	—	75	41	221	0	(221)	—
Total	32,622	7,040	7,068	2,967	49,698	1,564	(221)	51,042
Segment profit	589	58	592	179	1,420	37	(297)	1,160

- (Notes) 1. "Other" comprises business segments not included in reportable segments and contains sales of industrial materials.
2. Adjustment for segment profit of (297) million yen includes corporate expenses of (298) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit is reconciled with operating profit in the quarterly consolidated statements of income.

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	31,075	8,120	9,211	172	48,579	1,567	—	50,146
Revenue from construction work	3,262	370	421	1,833	5,888	—	—	5,888
Other revenue	15	—	—	256	272	—	—	272
Revenue from contracts with customers	34,353	8,491	9,632	2,262	54,740	1,567	—	56,307
Sales to external customers	34,353	8,491	9,632	2,262	54,740	1,567	—	56,307
Intersegment sales or transfers	131	0	130	—	262	—	(262)	—
Total	34,485	8,491	9,763	2,262	55,003	1,567	(262)	56,307
Segment profit	610	98	845	217	1,773	45	(325)	1,493

- (Notes) 1. “Other” comprises business segments not included in reportable segments and contains sale of industrial materials.
2. Adjustment for segment profit of (325) million yen includes corporate expenses of (330) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit is reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets or goodwill, and other items, by reportable segment
(Significant changes in the amount of goodwill)

On July 7, 2022, the Company acquired shares of All Japan Data Service, Co., Ltd. and made it a new consolidated subsidiary, which resulted in goodwill of 631 million yen incurred in the Engineering Business.

(Business combinations)

(Business combination via share acquisition)

At the Board of Directors' meeting held on March 23, 2022, the Company passed a resolution to acquire all of the issued shares of All Japan Data Service, Co., Ltd. (hereinafter "All Japan Data Service") and make it the Company's consolidated subsidiary. The Company acquired the shares of All Japan Data Service on July 7, 2022.

1. Outline of the business combination

(1) Name of acquired company and its business outline

Name of acquired company: All Japan Data Service, Co., Ltd.

Business outline: Construction consulting

(2) Main reason for business combination

All Japan Data Service is headquartered in Itabashi-ku, Tokyo, Japan, and is mainly engaged in the diagnosis and investigation of civil engineering structures from the Tohoku region to the Kyushu region.

After the combination, we aim to expand the Engineering Business and further pursue synergy within the Group, in a bid to realize sustainable growth.

(3) Date of business combination

July 7, 2022

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after the combination

No change

(6) Percentage of voting rights acquired

100%

(7) Major basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

2. Period of the acquired company's financial results included in the quarterly consolidated statements of income for the quarterly consolidated accounting period

As the deemed acquisition date is July 31, 2022, only the balance sheet is consolidated for the six months ended September 30, 2022.

3. Acquisition cost of the acquired company and related details of each class of consideration

Consideration for acquisition—Cash and deposits	2,069 million yen
Acquisition cost	2,069 million yen

4. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

631 million yen

(2) Reasons for the goodwill incurred

Future profitability expected from future business development of All Japan Data Service

(3) Method and period of amortization

Straight-line method over five years

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “Notes (Segment information, etc.).”

(Significant subsequent events)

(Business combination via share acquisition)

At the Board of Directors’ meeting held on October 27, 2022, the Company passed a resolution to acquire all of the issued shares excluding treasury shares of Hagaya Construction Co., Ltd. (hereinafter “Hagaya Construction”) and make it the Company’s consolidated subsidiary. The Company acquired the shares of Hagaya Construction on October 28, 2022.

1. Outline of the business combination

(1) Name of acquired company and its business outline

Name of acquired company: Hagaya Construction Co., Ltd.

Business outline: Construction business and civil engineering business

(2) Main reason for business combination

Hagaya Construction was founded in Utsunomiya City, Tochigi Prefecture in 1931 under the name of Hagaya Lumber Shop. Since its establishment, Hagaya Construction has expanded its businesses and is mainly engaged in construction and civil engineering works. Hagaya Construction has set a company goal to develop the land of Tochigi Prefecture and improve the safety and convenience of the people’s lives there, and has built up a firm position in the local community based on its technological capabilities accumulated over the years.

After the combination, we aim to expand the Engineering Business in the Kanto region and further pursue synergy within the Group, in a bid to realize sustainable growth.

(3) Date of business combination

October 28, 2022

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after the combination

No change

(6) Percentage of voting rights acquired

100%

(7) Major basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

2. Acquisition cost of the acquired company and related details of each class of consideration

The acquisition cost is not disclosed due to the confidentiality required under the provisions of the share transfer agreement.

3. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

To be determined.