January 30, 2019

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 [Japan Standards]

Company name: MAX Co., Ltd. Stock listing: Tokyo Stock Exchange
Securities code: 6454 URL: http://www.max-ltd.co.jp
Representative: Mitsuteru Kurosawa, President TEL: +81-3-3669-8106
Contact: Akio Kitaya, General Manager, General Affairs Dept.
Date of filing of financial statements February 8, 2019
Date of commencement of dividend payment —
Supplementary explanation document for the accounts is created. Yes
Briefing for the accounts (for investment analysts and fund managers) is held. Yes

(Millions of yen rounded down)

1. Consolidated Operating Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (Cumulative)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3/ FY ending March 2019	52,274	4.0	5,465	24.3	5,674	23.8	3,981	18.2
Q3/ FY ended March 2018	50,278	2.1	4,397	(5.1)	4,584	(6.7)	3,369	(8.5)

(Note) Comprehensive income
Q3/ FY ending March 2019: 3,570 million yen (-36.9%)
Q3/ FY ended March 2018: 5,656 million yen (26.1%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Q3/ FY ending March 2019	80.82	—
Q3/ FY ended March 2018	68.40	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2018	96,708	73,074	75.5	1,481.08
As of March 31, 2018	96,133	71,574	74.3	1,450.61

(Reference) Shareholders' equity
As of December 31, 2018: 72,968 million yen
As of March 31, 2018: 71,467 million yen

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 2018	—	—	—	42.00	42.00
FY ending March 2019	—	—	—		
FY ending March 2019 (Forecast)				44.00	44.00

(Note) Revision of forecasts on the dividends: None

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	70,400	3.3	6,650	8.3	6,900	13.5	4,800	3.1	97.43

(Note) Revision of forecasts on the consolidated operation results: None

* Notes

(1) Changes in material subsidiaries during the consolidated cumulative period under review (changes in specific subsidiaries affecting the scope of consolidation): None

New: − (Company name:) Excluded: − (Company name:)

(2) Application of specific accounting procedures for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, changes in accounting estimates and restatements

1) Changes due to revisions to accounting standards, etc.: None
2) Changes other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)
   As of December 31, 2018: 49,500,626 shares
   As of March 31, 2018: 49,500,626 shares
2) Amount of treasury stock at term-end
   As of December 31, 2018: 233,711 shares
   As of March 31, 2018: 233,440 shares
3) Amount of average stock during term (quarter accumulation)
   Nine months ended December 31, 2018: 49,267,027 shares
   Nine months ended December 31, 2017: 49,268,350 shares

*** This quarterly summary of consolidated financial results is excluded from quarterly review by certified public accountants or auditing corporations.**

***Explanation and other special notes regarding the appropriate use of the earnings forecast**

Statements on the future of our business in these materials, including the earnings forecast, are based on information available at this moment and certain preconditions which we judge as rational and appropriate. Therefore, actual results and other achievements may differ substantially from the above forecasts for various reasons. For the preconditions of our earnings forecast and matters to be noted when using the forecast, please refer to page 8 of the appendix, "1. Qualitative Information on Current Quarterly Results, (3) Explanation Concerning Forward-looking Statements Such as Forecasts of Consolidated Operating Results."

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[Qualitative Information and Financial Statements]

1. Qualitative Information on Current Quarterly Results

(1) Explanation Concerning Qualitative Information on Operating Results

1) Business results of all companies during the consolidated cumulative period under review

(Millions of yen, %)

	Cumulative Q3/ FY 2019 (Ending March 2019)	Cumulative Q3/ FY 2018 (Ended March 2018)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	52,274	50,278	+1,996	+4.0
Operating Income	5,465	4,397	+1,068	+24.3
Ordinary Income	5,674	4,584	+1,089	+23.8
Net Income Attributable to Shareholders of Parental Company	3,981	3,369	+611	+18.2
Net Income per Share (yen)	80.82 yen	68.40 yen	+12.42 yen	—
Operating Margin	10.5	8.7	+1.8 points	

During the consolidated cumulative period under review (April 1, 2018 to December 31, 2018), the Japanese economy displayed signs of a gentle recovery that included a recovery of private consumption and an increase in capital investment, backed by continuing improvements in employment and income conditions. In the external environment of the Group's Industrial Equipment segment, the number of new housing construction starts in Japan decreased as compared with the corresponding previous period due to a number of reasons including a decrease in the construction starts of rental housing that resulted from a tightening of credit standards for lending by financial institutions.

Looking overseas, the economic expansion trend continued in the U.S. with an increase in consumer spending and an increase in capital investment boosted by improvements in business conditions of the corporate world. In Europe as well, the economy showed a gradual recovery trend.

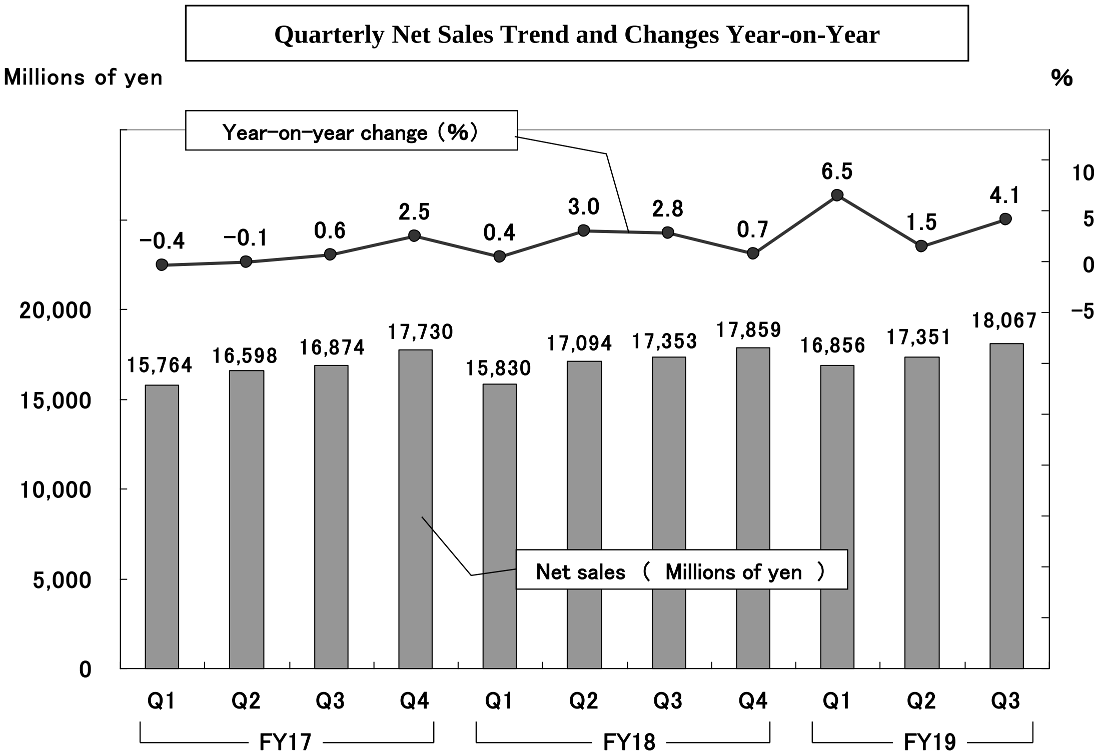
On the other hand, there has been a sense of uncertainty with regard to the business conditions surrounding the Group due to a number of reasons including price increases for steel materials, petroleum products, and other raw materials, intensification of trade conflicts as a result of the trade policies of the U.S. government, and an increasing uncertainty about the global economy.

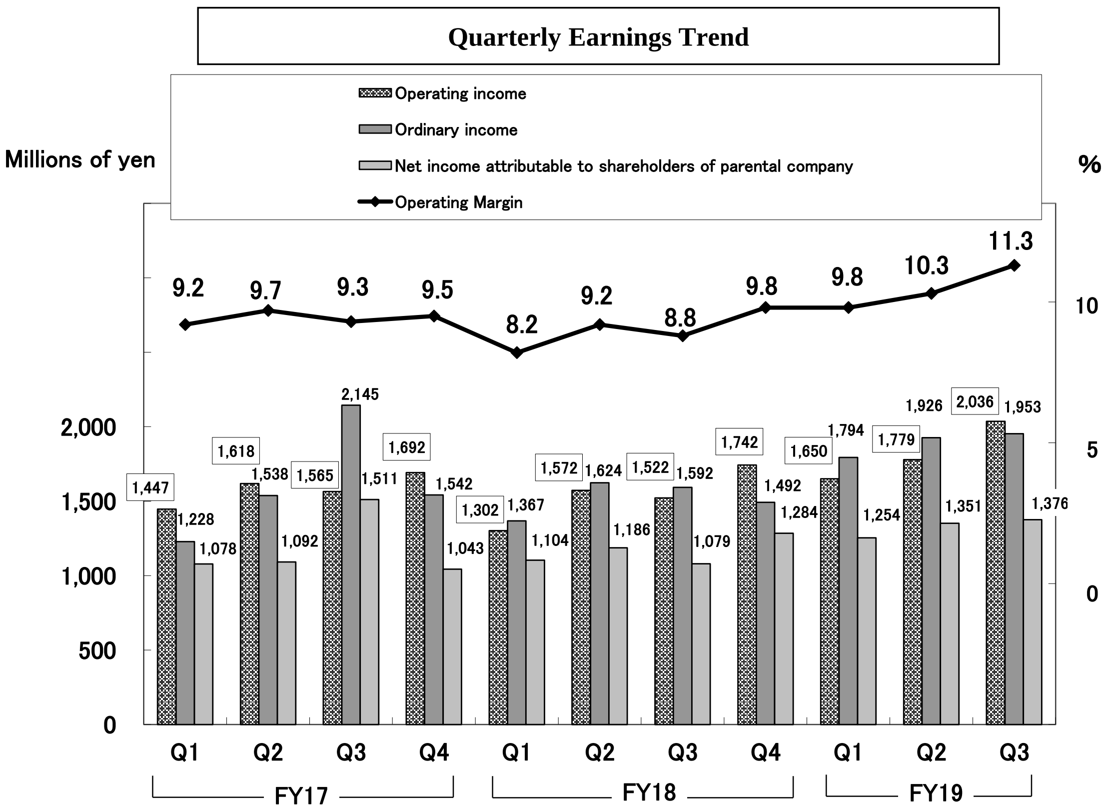
Under these circumstances, sales of our rebar tying tool TWINTIER that was released in the third quarter of the previous term increased for a number of reasons, such as expanding demand in the domestic market and the efforts the Group made to explore opportunities in overseas markets. As a result, the Group’s posted revenue increased. As for profits, although the prices for steel materials, petroleum products, and other raw materials increased causing an increase in costs during the period under review, the Group still posted increased profits in every category.

Net sales increased 4.0% from the previous corresponding period to ¥52,274 million, while operating income increased 24.3% from the previous corresponding period to ¥5,465 million. Ordinary income increased 23.8% from the previous corresponding period to ¥5,674 million, and net income attributable to shareholders of parental company also increased 18.2% from the previous corresponding period to ¥3,981 million.

As stated in "3) Items regarding changes, etc. in reported segments" on page 16, the calculation method for income of reported segments has been changed since the first quarter of this fiscal year. The expenses related to the Administrative Department of headquarters, which up until then had been distributed between the Office Equipment segment, the Industrial Equipment segment, and the HCR Equipment segment, are now posted in the adjustments relating to the profit/loss of the segments as overall expenses.

In connection with this change, the numerical values pertaining to the past business in the results by business segment listed in pages 4 to 6 have been recalculated using the new calculation method.


Quarterly Net Sales Trend and Changes Year-on-Year
Millions of yen
%
Year-on-year change (%)
-0.4
-0.1
0.6
2.5
0.4
3.0
2.8
0.7
6.5
1.5
4.1
15,764
16,598
16,874
17,730
15,830
17,094
17,353
17,859
16,856
17,351
18,067
Net sales (Millions of yen)
Q1
Q2
Q3
Q4
FY17
FY18
FY19


Quarterly Earnings Trend
Operating income
Ordinary income
Net income attributable to shareholders of parental company
Operating Margin
Millions of yen
%
9.2
9.7
9.3
9.5
8.2
9.2
8.8
9.8
9.8
10.3
11.3
1,447
1,228
1,078
1,618
1,538
1,092
1,565
2,145
1,511
1,692
1,542
1,043
1,302
1,367
1,104
1,572
1,624
1,186
1,522
1,592
1,079
1,742
1,492
1,284
1,650
1,794
1,254
1,779
1,926
1,351
2,036
1,953
1,376
Q1
Q2
Q3
Q4
FY17
FY18
FY19

2) Results by business segment for the consolidated cumulative period under review

Office Equipment Segment

(Millions of yen, %)

	Cumulative Q3/ FY 2019 (Ending March 2019)	Cumulative Q3/ FY 2018 (Ended March 2018)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	16,756	16,684	+72	+0.4
Operating Income	3,704	3,779	(74)	(2.0)
Operating Margin	22.1	22.7	(0.6) points	

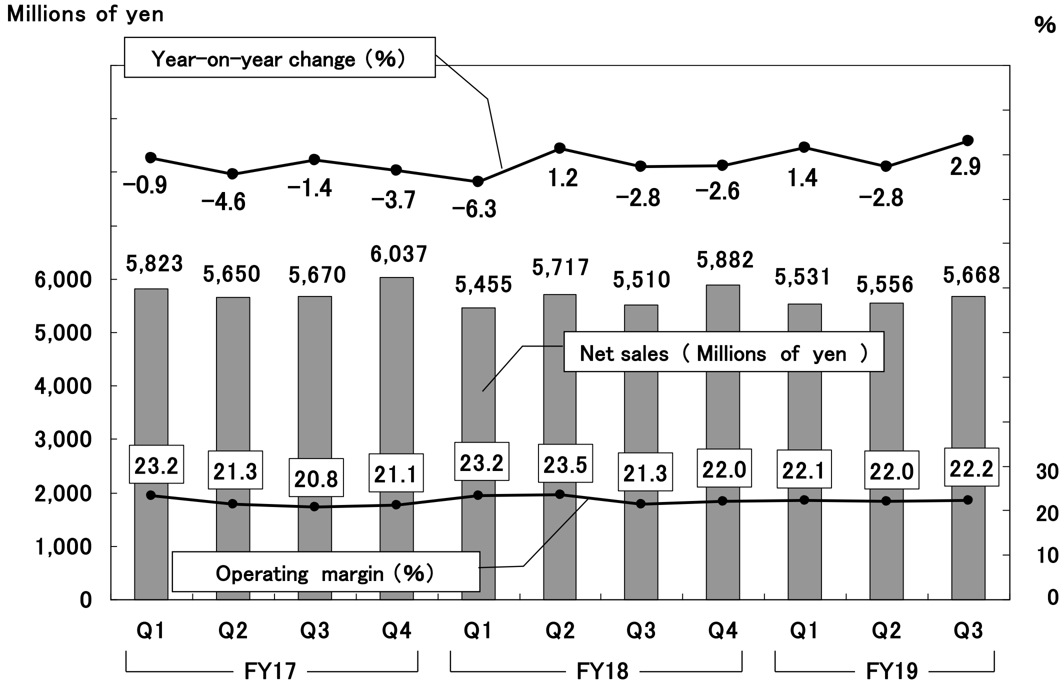
Business results for the Office Equipment segment were as follows: Net sales ¥16,756 million (an increase of 0.4% from the previous corresponding period), operating income ¥3,704 million (a decrease of 2.0% from the previous corresponding period), and operating margin 22.1%.

Although sales of the stationery-related products decreased, sales of the LETATWIN tube markers for electric installation, label printers for food labeling, etc. increased, and as a result, domestic office operations posted a slight increase in revenue.

Overseas office operations also posted a slight increase in revenue, in spite of sales of the LETATWIN tube markers decreasing, due to increased sales of the BEPOP label-making machines in the European market driven by sales promotion activities conducted by Lighthouse (UK) Ltd., a subsidiary of the Group in the UK, along with recovery in sales of stationery-related products in the Asian market.

As for auto-stapler operations, performance remained on the same level as the last fiscal year.

Office Equipment Segment Sales and Operating Margin Trend



Industrial Equipment Segment

(Millions of yen, %)

	Cumulative Q3/ FY 2019 (Ending March 2019)	Cumulative Q3/ FY 2018 (Ended March 2018)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	33,419	31,155	+2,264	+7.3
Operating Income	3,592	2,300	+1,291	+56.1
Operating Margin	10.8	7.4	+3.4 points	

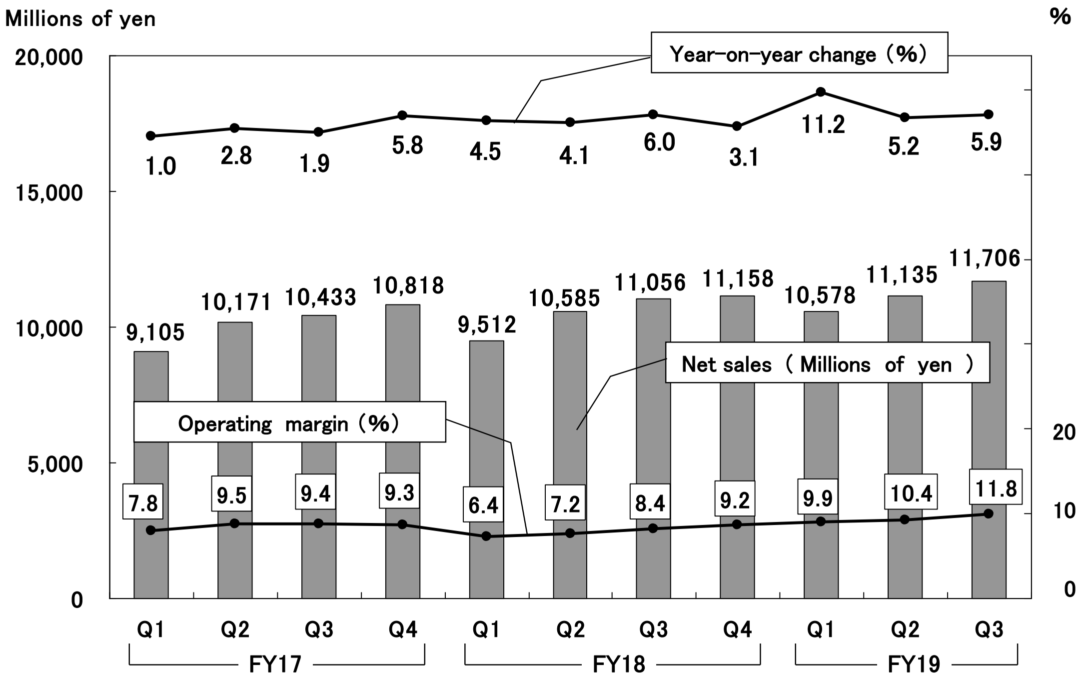
Business results for the Industrial Equipment segment were as follows: Net sales ¥33,419 million (an increase of 7.3% from the previous corresponding period), operating income ¥3,592 million (an increase of 56.1% from the previous corresponding period), and operating margin 10.8%.

In domestic industrial equipment product operations, although sales of tools for wooden structures decreased, the functionality of the rebar tying tool TWINTIER that was released in the previous term gained wide recognition, and there was widespread adoption of the series spurred by an expansion of its scope of application combined with efforts to explore opportunities in construction, engineering works, and other markets exploiting the demand for increased fruitful productivity. As a result, sales of tools for concrete structures increased, resulting in increased revenue for the segment.

In overseas industrial equipment product operations, sales of the TWINTIER rebar tying tools in Western markets accelerated due to adoption of the products in the civil engineering industry market and the construction site workers market. A substantial number of customers opted for replacement of former models with our new products, and our efforts to build new sales networks proved successful as well, resulting in increased revenue for the segment.

In residential environmental equipment operations, there was an increase in sales targeted to both detached houses and apartment houses of DRYFAN bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, and good progress was made with adoption of the series in the remodeling market. On the other hand, sales of ventilation systems and fire alarm devices decreased, resulting in a slight decrease in overall revenue for the segment.

Industrial Equipment Segment Sales and Operating Margin Trend



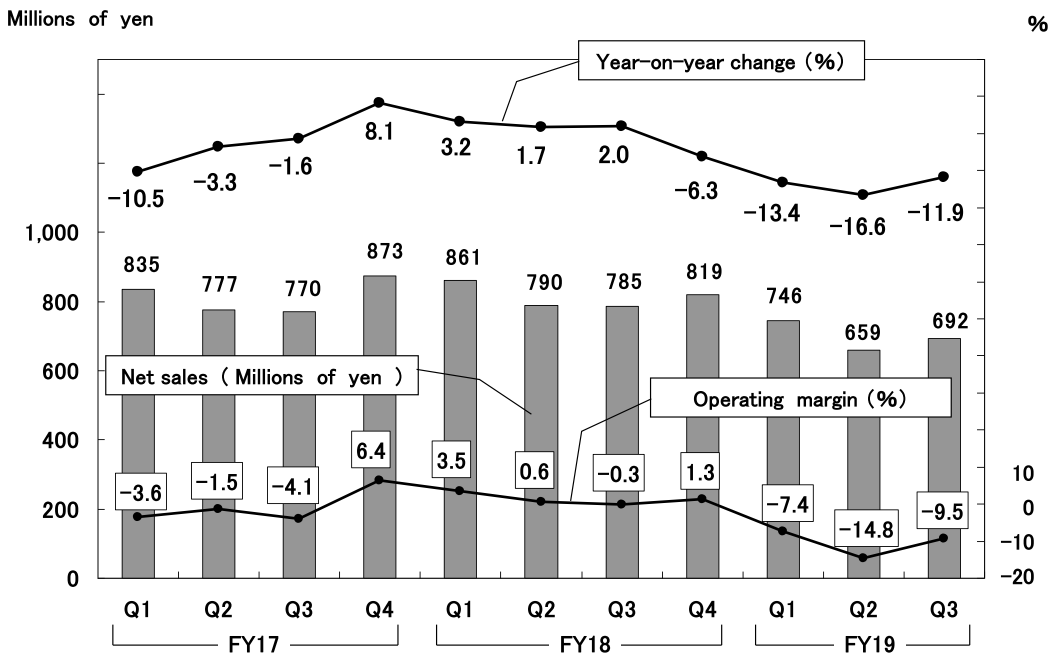
HCR Equipment Segment

(Millions of yen, %)

	Cumulative Q3/ FY 2019 (Ending March 2019)	Cumulative Q3/ FY 2018 (Ended March 2018)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	2,098	2,438	(340)	(14.0)
Operating Income	(219)	33	(252)	—
Operating Margin	(10.4)	1.4	(11.8) points	

The HCR Equipment Segment posted net sales of ¥2,098 million (a decrease of 14.0% from the previous corresponding period) and operating loss of ¥219 million as a result of a partial revision of the public nursing care insurance as well as a decrease in sales of high-unit-price wheelchairs, which drove sales in the previous period..

HCR Equipment Segment Sales and Operating Margin Trend



(2) Explanation Concerning Financial Position

1) Summary of Consolidated Balance Sheets

(Millions of yen, %)

	Q3/ FY 2019 (As of December 31, 2018)	FY 2018 (As of March 31, 2018)	Comparison with position at end of previous consolidated fiscal year	
			Increase (decrease)	Rate of increase (decrease)
Total Assets	96,708	96,133	+574	+0.6
Net Assets	73,074	71,574	+1,500	+2.1
Equity Ratio	75.5	74.3	+1.2 points	

Assets increased ¥574 million compared to the end of the previous consolidated fiscal year, to ¥96,708 million. Current assets decreased ¥2,800 million due to factors such as a fall of ¥2,341 million in cash and deposits. Non-current assets increased ¥3,374 million due to factors such as a rise of ¥2,438 million in investment securities and an increase of ¥886 million in property, plant and equipment.

Liabilities decreased ¥926 million compared to the end of the previous consolidated fiscal year, to ¥23,633 million. Current liabilities decreased ¥510 million due to factors such as a fall of ¥824 million in provision for bonuses. Non-current liabilities also decreased ¥415 million due to factors such as a drop of ¥399 million in net defined benefit liability.

Net assets increased ¥1,500 million compared to the end of the previous consolidated fiscal year, to ¥73,074 million. Shareholders' equity increased ¥1,912 million. One key factor was the ¥2,069 million paid out in cash dividends, offset by a net income attributable to shareholders of parental company of ¥3,981 million.

Accumulated other comprehensive income decreased ¥411 million, as valuation difference on available-for-sale securities declined ¥694 million.

2) Analysis of Consolidated Cash Flow

The balance of cash and cash equivalents ("funds") during the consolidated cumulative period under review was ¥21,381 million due to a decrease of ¥2,341 million.

Factors in the status of each type of cash flow in the consolidated cumulative period under review were as follows.

Cash flows from operating activities

Funds obtained from operating activities in the consolidated cumulative period under review amounted to ¥5,288 million. The key increases came from net income before income taxes of ¥5,664 million, depreciation of ¥1,621 million, and a decrease of ¥799 million in notes and accounts receivable-trade. The key decreases came from ¥1,902 million paid as income taxes and a decrease of ¥821 million in provision for bonuses.

Cash flows from investment activities

Funds used in investment activities in the consolidated cumulative period under review amounted to ¥5,326 million. The key increase came from proceeds of ¥4,513 million from sales and redemption of short-term and long-term investment securities. The key decreases came from purchase of short-term and long-term investment securities of ¥7,373 million and purchase of property, plant and equipment of ¥2,458 million.

Cash flows from financing activities

Funds used in financing activities in the consolidated cumulative period under review amounted to ¥2,236 million. The key decrease was ¥2,067 million in cash dividends paid.

(3) Explanation Concerning Forward-looking Statements Such as Forecasts of Consolidated Operating Results

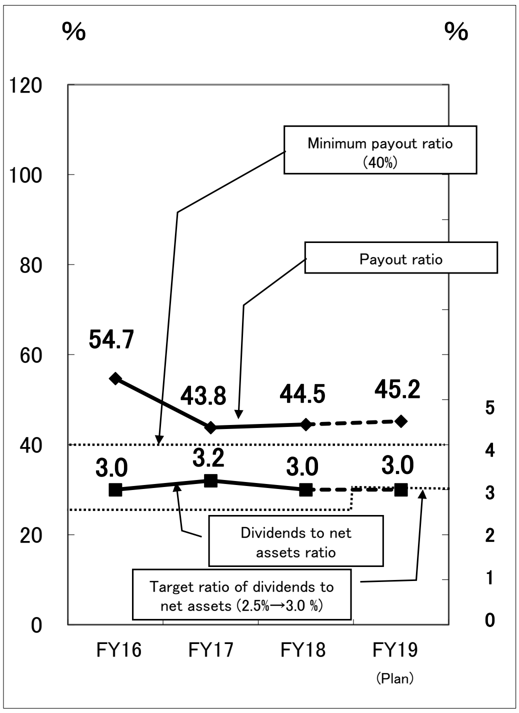
There are no changes to the forecast of consolidated operating results for the fiscal year ending March 31, 2019 announced on October 26, 2018.

Dividends

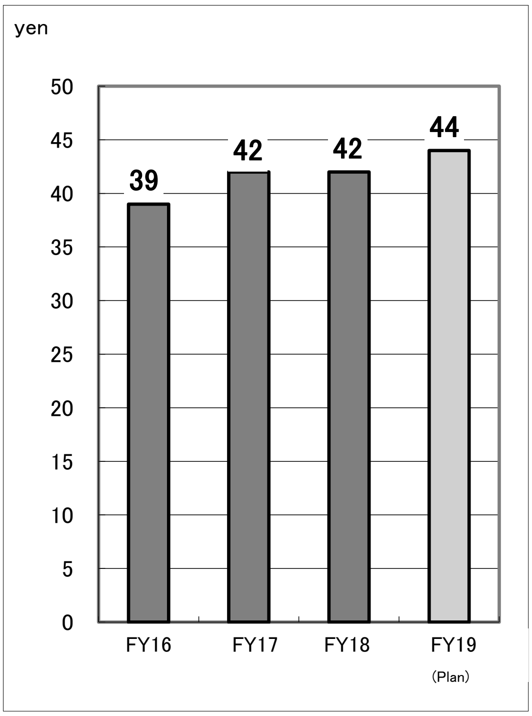
During the period under review, we made partial changes to the dividend policy increasing the target rate of dividends to net assets by 0.5%. The new dividend policy based on the consolidated financial statement now reads "maintaining a minimum of 40% payout ratio with a target ratio of dividends to net assets of 3.0%."

Although the Company's performance may be impacted by various factors such as the uncertain economic environment and exchange rate fluctuations, taking into account the Company's current steady corporate performance, we plan to increase the annual dividend by ¥2 from the previous fiscal year making the annual dividend payment ¥44 per share.

Payout ratio and dividends to net assets ratio



Dividends per share



2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY 2018 (As of March 31, 2018)	Q3/ FY 2019 (As of December 31, 2018)
ASSETS		
Current assets		
Cash and deposits	23,722	21,381
Notes and accounts receivable-trade	14,855	14,020
Marketable securities	5,925	5,316
Merchandise and finished goods	5,280	6,011
Work in process	812	873
Raw materials	1,189	1,194
Other	1,017	1,203
Allowance for doubtful accounts	(1)	(1)
Total current assets	52,801	50,000
Non-current assets		
Property, plant and equipment	18,097	18,984
Intangible assets	403	271
Investments and other assets		
Investment securities	20,100	22,539
Other	4,736	4,918
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	24,831	27,451
Total non-current assets	43,332	46,707
Total assets	96,133	96,708
LIABILITIES		
Current liabilities		
Accounts payable-trade	3,710	3,835
Short-term loans payable	1,850	1,850
Income taxes payable	940	935
Provision for bonuses	1,770	946
Provision for directors’ bonuses	42	33
Other	3,610	3,812
Total current liabilities	11,924	11,413
Non-current liabilities		
Long-term loans payable	150	150
Provision for product warranties	43	47
Net defined benefit liability	11,437	11,038
Asset retirement obligations	18	29
Negative goodwill	7	1
Other	978	953
Total non-current liabilities	12,635	12,219
Total liabilities	24,559	23,633

(Millions of yen)

	FY 2018 (As of March 31, 2018)	Q3/ FY 2019 (As of December 31, 2018)
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus	10,518	10,518
Retained earnings	49,029	50,941
Treasury stock	(278)	(279)
Total shareholders’ equity	71,636	73,548
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,947	1,252
Revaluation reserve for land	(338)	(338)
Foreign currency translation adjustment	59	(106)
Remeasurements of defined benefit plans	(1,837)	(1,387)
Total accumulated other comprehensive income	(169)	(580)
Non-controlling interests	106	106
Total net assets	71,574	73,074
Total liabilities and net assets	96,133	96,708

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income)

(Millions of yen)

	Cumulative Q3 in FY 2018 (From Apr. 1, 2017 to Dec. 31, 2017)	Cumulative Q3 in FY 2019 (From Apr. 1, 2018 to Dec. 31, 2018)
Net sales	50,278	52,274
Cost of sales	30,806	31,626
Gross profit	19,472	20,647
Selling, general and administrative expenses		
Salaries	4,196	4,271
Provision for bonuses	535	602
Provision for directors' bonuses	30	33
Retirement benefit expenses	1,244	821
Packing and delivery expenses	1,594	1,710
Promotion expenses	989	990
Depreciation	467	475
Other	6,015	6,276
Total selling, general and administrative expenses	15,074	15,181
Operating income	4,397	5,465
Non-operating income		
Interest income	55	49
Dividend income	133	140
Amortization of negative goodwill	5	5
Other	109	107
Total non-operating income	304	303
Non-operating expenses		
Interest expenses	29	29
Taxes and dues	3	4
Foreign exchange losses	58	28
Other	25	32
Total non-operating expenses	116	95
Ordinary income	4,584	5,674
Extraordinary income		
Gain on sales of non-current assets	32	—
Gain on sales of investment securities	0	10
Total extraordinary income	32	10
Extraordinary loss		
Loss on sales of non-current assets	—	3
Loss on abandonment of non-current assets	20	17
Total extraordinary loss	20	20
Net income before income taxes	4,596	5,664
Income taxes	1,333	1,678
Income taxes for prior periods	(106)	—
Net income	3,369	3,985
Net income (loss) attributable to non-controlling interests	(0)	3
Net income attributable to shareholders of parental company	3,369	3,981

(Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Cumulative Q3 in FY 2018 (From Apr. 1, 2017 to Dec. 31, 2017)	Cumulative Q3 in FY 2019 (From Apr. 1, 2018 to Dec. 31, 2018)
Net income	3,369	3,985
Other comprehensive income		
Valuation difference on available-for-sale securities	907	(694)
Foreign currency translation adjustment	587	(170)
Adjustments relating to retirement benefits	791	449
Total other comprehensive income	2,286	(414)
Comprehensive income	5,656	3,570
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	5,647	3,570
Comprehensive income attributable to non-controlling interests	8	0

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Cumulative Q3 in FY 2018 (From Apr. 1, 2017 to Dec. 31, 2017)	Cumulative Q3 in FY 2019 (From Apr. 1, 2018 to Dec. 31, 2018)
Cash flows from operating activities		
Net income before income taxes	4,596	5,664
Depreciation	1,603	1,621
Amortization of goodwill	101	104
Amortization of negative goodwill	(5)	(5)
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(868)	(821)
Increase (decrease) in provision for directors' bonuses	(23)	(8)
Increase (decrease) in provision for product warranties	(0)	3
Increase (decrease) in net defined benefit liability	807	247
Interest and dividend income	(188)	(190)
Interest expenses	29	29
Foreign exchange losses (gains)	(1)	(2)
Loss on abandonment of non-current assets	20	17
Loss (gain) on sales of non-current assets	(32)	3
Loss (gain) on sales of short-term and long-term investment securities	—	(10)
Decrease (increase) in notes and accounts receivable-trade	461	799
Decrease (increase) in inventories	(302)	(791)
Increase (decrease) in notes and accounts payable-trade	(7)	119
Increase (decrease) in accrued consumption taxes	(173)	15
Decrease (increase) in other assets	(115)	(202)
Increase (decrease) in other liabilities	190	358
Subtotal	6,090	6,951
Interest and dividend income received	253	260
Interest expenses paid	(29)	(20)
Income taxes (paid) refund	(2,053)	(1,902)
Cash flows from operating activities	4,260	5,288
Cash flows from investment activities		
Purchase of short-term and long-term investment securities	(3,678)	(7,373)
Proceeds from sales and redemption of short-term and long-term investment securities	2,900	4,513
Purchase of property, plant and equipment	(2,019)	(2,458)
Proceeds from sales of property, plant and equipment	45	9
Purchase of intangible assets	(55)	(51)
Payments of loans receivable	(2)	(12)
Collection of loans receivable	64	45
Cash flows from investment activities	(2,744)	(5,326)

(Millions of yen)

	Cumulative Q3 in FY 2018 (From Apr. 1, 2017 to Dec. 31, 2017)	Cumulative Q3 in FY 2019 (From Apr. 1, 2018 to Dec. 31, 2018)
Cash flows from financing activities		
Purchase of treasury shares	(6)	(0)
Cash dividends paid	(2,069)	(2,067)
Cash dividends paid to non-controlling shareholders	(1)	(0)
Repayments of lease obligations	(144)	(167)
Cash flows from financing activities	(2,222)	(2,236)
Effect of exchange rate change on cash and cash equivalents	305	(66)
Net increase (decrease) in cash and cash equivalents	(401)	(2,341)
Balance of cash and cash equivalents, beginning of the period	21,965	23,722
Quarterly balance of cash and cash equivalents at the end of the period	21,564	21,381

(4) Notes Relating to the Quarterly Consolidated Financial Statements

(Notes Relating to the Assumption of Going Concern)

None.

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

None.

(Changes in Material Subsidiaries During the Consolidated Cumulative Period Under Review)

None.

(Application of Specific Accounting Procedures for the Preparation of Quarterly Consolidated Financial Statements)

Calculation of Tax Expenses

Tax expenses are mainly calculated by multiplying pre-tax current net income for the fiscal year (including the third quarter currently under review) by an effective tax rate reasonably estimated by applying tax effect accounting to estimated income before income taxes.

(Additional Information)

Adoption of "Partial Amendments to 'Accounting Standards for Tax Effect Accounting,'" etc.

From the beginning of the first quarter of the current fiscal year, the Group has adopted the "Partial Amendments to 'Accounting Standards for Tax Effect Accounting'" (Guidance No. 28 issued on February 16, 2018 by the Accounting Standards Board of Japan), including deferred tax assets in the calculation of investments and other assets, and including deferred tax liabilities in the calculation of non-current liabilities.

(Segment Information)

Cumulative Q3 of FY 2018 (From April 1, 2017 to December 31, 2017)

1) Information on the amount of sales, profit and losses for each reported segment

(Millions of yen)

	Reported segments			Adjustments	Total
	Office Equipment	Industrial Equipment	HCR Equipment		
Net sales					
Net sales to outside customers	16,684	31,155	2,438	—	50,278
Inter-segment sales or transfers	—	—	—	—	—
Total	16,684	31,155	2,438	—	50,278
Segment profit	3,779	2,300	33	(1,716)	4,397

(Note) Segment profit is consistent with operating income in the quarterly consolidated statement of income.

2) Difference between the total amount of income (loss) of reported segments and the amount appropriated in the quarterly consolidated statement of income, as well as key details of said difference (items related to adjustment of differences)

None.

Cumulative Q3 of FY 2019 (From April 1, 2018 to December 31, 2018)

1) Information on the amount of sales, profit and losses for each reported segment

(Millions of yen)

	Reported segments			Adjustments	Total
	Office Equipment	Industrial Equipment	HCR Equipment		
Net sales					
Net sales to outside customers	16,756	33,419	2,098	—	52,274
Inter-segment sales or transfers	—	—	—	—	—
Total	16,756	33,419	2,098	—	52,274
Segment profit (loss)	3,704	3,592	(219)	(1,612)	5,465

(Note) Segment profit (loss) is consistent with operating income in the quarterly consolidated statement of income.

2) Difference between the total amount of income (loss) of reported segments and the amount appropriated in the quarterly consolidated statement of income, as well as key details of said difference (items related to adjustment of differences)

None.

3) Items regarding changes, etc. in reported segments

Since the first quarter of the current fiscal year, the calculation method for income of reported segments has been changed. The expenses related to the Administrative Department of the headquarters, which until then had been distributed between the Office Equipment segment, the Industrial Equipment segment, and the HCR Equipment segment are now posted in the adjustments relating to the profit/loss of the segment as overall expenses.

The reason for it is that since the first quarter of this fiscal year, the Group switched to a new performance management method, whereby segments are managed according to the pure profits or losses they post excluding the expenses related to the Administrative Department of the headquarters.

The information by segment for the consolidated cumulative third quarter of the previous fiscal year has been created anew using the new classification.