

July 31, 2023

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024
[Japan Standards]

Company name: MAX Co., Ltd. Stock listing: Tokyo Stock Exchange
Securities code: 6454 URL: <https://www.max-ltd.co.jp/>
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Date of filing of financial statements August 9, 2023
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 First Quarter of the Fiscal Year Ending March 31, 2024
(April 1, 2023 to June 30, 2023)

(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	%
Q1/ FY ending March 2024	21,200	4.2	3,510	60.2	4,196	36.2	2,918	31.4
Q1/ FY ended March 2023	20,336	18.5	2,191	22.3	3,082	70.0	2,220	67.8

(Note) Comprehensive income

Q1/ FY ending March 2024: 4,828 million yen (25.0%)
Q1/ FY ended March 2023: 3,864 million yen (186.8%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Q1/ FY ending March 2024	61.71	—
Q1/ FY ended March 2023	46.95	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	116,083	90,042	77.5	1,901.19
As of March 31, 2023	116,742	88,906	76.1	1,877.19

(Reference) Shareholders' equity

As of June 30, 2023: 89,930 million yen
As of March 31, 2023: 88,795 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 2023	—	—	—	78.00	78.00
FY ending March 2024	—	—	—	—	—
FY ending March 2024 (Forecast)	—	—	—	78.00	78.00

(Note) Revision of forecasts on the dividends: None

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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
First half	42,850	2.1	6,250	40.9	6,260	9.4	4,390	6.3	92.80
Full year	87,800	4.1	12,000	20.9	11,960	13.8	8,500	11.6	179.57

(Note) Revision of forecasts on the consolidated operation results: Yes

* 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 June 30, 2023: 47,537,426 shares

As of March 31, 2023: 47,537,426 shares

2) Amount of treasury stock at term-end

As of June 30, 2023: 235,503 shares

As of March 31, 2023: 235,275 shares

3) Amount of average stock during term (quarter accumulation)

Three months ended June 30, 2023: 47,301,996 shares

Three months ended June 30, 2022: 47,302,498 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 from the above forecasts for various reasons. For the preconditions of our earnings forecast and matters to be noticed when using the forecast, please refer to page 4 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, %)

	Q1/ FY 2023 (Ending March 2024)	Q1/ FY 2022 (Ended March 2023)	Year-on-year Change	
			Increase (Decrease)	Rate of Increase (Decrease)
Net Sales	21,200	20,336	+863	+4.2
Operating Income	3,510	2,191	+1,318	+60.2
Ordinary Income	4,196	3,082	+1,114	+36.2
Net Income Attributable to Shareholders of Parental Company	2,918	2,220	+698	+31.4
Net Income per Share	61.71 yen	46.95 yen	+14.76 yen	—
Operating Margin	16.6	10.8	+5.8 points	

During the consolidated cumulative period under review (April 1, 2023 to June 30, 2023), the global economy gradually declined due to high prices and monetary tightening on a global scale.

In the housing market, which affects the Group's Industrial Equipment segment, the number of new housing construction starts in Japan increased for rentals and unit sales, although the number of owner-occupied housing was stagnant. In the United States, the deceleration of housing starts ceased due to a perceived lull in rising interest rates, and construction investment trended firm. In Europe, economic recovery stopped due to factors such as the prolonged situation in Ukraine and concern regarding inflation.

Raw material prices and exchange rate fluctuations also continued to impact corporate earnings.

Under such circumstances, net sales increased 4.2% from the previous corresponding period to ¥21,200 million, and operating income increased 60.2% from the previous corresponding period to ¥3,510 million. Ordinary income increased 36.2% from the previous corresponding period to ¥4,196 million, and net income attributable to shareholders of parental company also increased 31.4% from the previous corresponding period to ¥2,918 million.

2) Business results by segment for the consolidated cumulative period under review

(Millions of yen, %)

		Q1/ FY 2023 (Ending March 2024)	Q1/ FY 2022 (Ended March 2023)	Year-on-year Change	
				Increase (Decrease)	Rate of Increase (Decrease)
Office Equipment	Net Sales	5,174	5,153	+20	+0.4
	Segment Profit	985	996	(10)	(1.1)
	Segment Profit Rate	19.0	19.3	(0.3) points	
Industrial Equipment	Net Sales	15,211	14,403	+807	+5.6
	Segment Profit	3,458	2,084	+1,374	+66.0
	Segment Profit Rate	22.7	14.5	+8.2 points	
HCR Equipment	Net Sales	814	779	+35	+4.5
	Segment Profit	10	(48)	+59	—
	Segment Profit Rate	1.3	(6.3)	+7.6 points	
Adjustments (Group-wide Expenses)		(944)	(839)	(104)	—
Group-wide	Net Sales	21,200	20,336	+863	+4.2
	Operating Income	3,510	2,191	+1,318	+60.2
	Operating Margin	16.6	10.8	+5.8 points	

Office Equipment Segment

Business results for the Office Equipment segment were as follows: Net sales of ¥5,174 million (an increase of 0.4% from the previous corresponding period), segment profit of ¥985 million (a decrease of 1.1% from the previous corresponding period), and segment profit rate of 19.0%.

In domestic office equipment product operations, net sales were ¥1,789 million (an increase of 6.2% from the previous corresponding period).

Sales of labelling and signage products such as BEPOP label-making machines and LETATWIN tube markers increased due to proposal-based activities using online seminars, as well as to factors such as the elimination of the shortage in electronic components which had occurred in the previous corresponding period.

In overseas office equipment product operations, net sales were ¥1,607 million (an increase of 16.6% from the previous corresponding period).

Sales of BEPOP label-making machines remained firm due to measures such as increased participation in tradeshows in Europe and strengthening of face-to-face sales.

In auto-stapler product operations, net sales were ¥1,777 million (a decrease of 15.0% from the previous corresponding period).

Sales of Auto Staplers and dedicated consumables decreased due to stagnating orders from customers.

Industrial Equipment Segment

Business results for the Industrial Equipment segment were as follows: Net sales of ¥15,211 million (an increase of 5.6% from the previous corresponding period), segment profit of ¥3,458 million (an increase of 66.0% from the previous corresponding period), and segment profit rate of 22.7%.

In domestic industrial equipment product operations, net sales were ¥4,922 million (an increase of 2.7% from the previous corresponding period).

Sales of air compressors continued to be strong, and sales of dedicated consumables for TWINTIER rebar tying tools remained firm.

In overseas industrial equipment product operations, net sales were ¥7,600 million (an increase of 6.0% from the previous corresponding period).

Sales of TWINTIER rebar tying tools and dedicated consumables grew in the North America due to factors such as increased construction expenditures in the non-housing construction market and alleviation of inventory adjustment in distribution. On the other hand, sales stagnated in Europe due to the uncertain economic outlook.

In residential environmental equipment operations, net sales were ¥2,689 million (an increase of 10.0% from the previous corresponding period).

Sales of DRYFAN bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, increased in both the housing stock for renovation & replacement, which is a focus of the segment, and the new-built housing market, with a focus on rental housing.

HCR Equipment Segment

Business results for the HCR Equipment segment were as follows: Net sales of ¥814 million (an increase of 4.5% from the previous corresponding period), segment profit of ¥10 million, and segment profit rate of 1.3%.

Revenue and profit increased due to measures such as promoting the usage of new products in the rental market.

(2) Explanation Concerning Financial Position

1) Summary of Consolidated Balance Sheets

(Millions of yen, %)

	Q1/ FY 2023 (As of June 30, 2023)	FY 2022 (As of March 31, 2023)	Comparison with Position at End of Previous Consolidated Fiscal Year	
			Increase (Decrease)	Rate of Increase (Decrease)
Total Assets	116,083	116,742	(659)	(0.6)
Net Assets	90,042	88,906	+1,136	+1.3
Equity Ratio	77.5	76.1	+1.4 points	

Assets decreased ¥659 million compared to the end of the previous consolidated fiscal year, to ¥116,083 million.

Current assets decreased ¥221 million due to factors such as a decrease of ¥1,031 million in cash and deposits, despite a rise of ¥348 million in notes and accounts receivable-trade and an increase of ¥333 million in raw materials.

Non-current assets decreased ¥437 million due to factors such as a decline of ¥108 million in investment securities.

Liabilities decreased ¥1,795 million compared to the end of the previous consolidated fiscal year, to ¥26,041 million.

Current liabilities decreased ¥1,662 million due to factors such as a fall of ¥1,313 million in income taxes payable. Non-current liabilities decreased ¥133 million due to factors such as a decline of ¥112 million in net defined benefit liability.

Net assets increased ¥1,136 million compared to the end of the previous consolidated fiscal year, to ¥90,042 million.

Despite having reached a net income attributable to shareholders of parental company of ¥2,918 million, shareholders' equity decreased ¥771 million due to ¥3,689 million in dividends of surplus.

Accumulated other comprehensive income increased ¥1,905 million due to factors such as a rise of ¥1,375 million in foreign currency translation adjustment.

2) Analysis of Consolidated Cash Flow

The balance of cash and cash equivalents (“funds”) during the consolidated cumulative period under review decreased ¥1,201 million compared to the end of the previous consolidated fiscal year, to ¥25,786 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 ¥1,604 million. The key increases came from net income before income taxes of ¥4,188 million and depreciation of ¥750 million. The key decreases came from a decrease of ¥1,026 million in provision for bonuses and ¥2,211 million paid as income taxes.

Cash flows from investment activities

Funds used in investment activities in the consolidated cumulative period under review amounted to ¥256 million. The key decreases came from purchase of short-term and long-term investment securities of ¥800 million, purchase of property, plant and equipment of ¥747 million and payments into time deposits of ¥294 million. The key increase came from proceeds of ¥1,500 million from sales and redemption of short-term and long-term investment securities.

Cash flows from financing activities

Funds used in financing activities in the consolidated cumulative period under review amounted to ¥3,401 million. The key decrease was ¥3,328 million in cash dividends paid.

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

We now predict that we will surpass the forecast of operating results announced on April 28, 2023 due to factors such as recent performance and changes made to the forecasted exchange rate. Therefore, we have revised our business forecast for the first half and full year for the fiscal year ending March 31, 2024.

For details, please refer to the “Notice of Changes to the First-half and Full-year Forecasts of Consolidated Operating Results” that was announced on July 31, 2023.

Dividends

Our basic dividend policy is to “maintain a minimum of 3.5% ratio of dividends to net assets with a target payout ratio of 50%, as based on consolidated financial results.”

In the fiscal year under review, there is the possibility that the Company's operating results will be impacted by factors such as the prolonged situation in Ukraine, the uncertain economic outlook in Europe and other aspects of the socioeconomic environment, and exchange rate fluctuations. At the current point in time, operating revenue is strong and there is no change in our plan to pay an annual dividend of ¥78 per share as announced on April 28, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY 2022 (As of March 31, 2023)	Q1/ FY 2023 (As of June 30, 2023)
ASSETS		
Current assets		
Cash and deposits	27,615	26,584
Notes and accounts receivable-trade	14,720	15,069
Marketable securities	6,203	6,203
Merchandise and finished goods	11,070	11,161
Work in process	989	1,069
Raw materials	1,806	2,139
Other	1,287	1,242
Allowance for doubtful accounts	(4)	(4)
Total current assets	63,688	63,466
Non-current assets		
Property, plant and equipment	26,017	26,015
Intangible assets	454	478
Investments and other assets		
Investment securities	20,701	20,593
Other	5,890	5,539
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	26,582	26,122
Total non-current assets	53,054	52,617
Total assets	116,742	116,083
LIABILITIES		
Current liabilities		
Accounts payable-trade	4,204	3,923
Short-term loans payable	1,850	1,850
Income taxes payable	2,378	1,064
Provision for bonuses	2,622	1,595
Provision for directors' bonuses	80	26
Provision for product warranties	154	148
Asset retirement obligations	—	5
Other	4,370	5,382
Total current liabilities	15,660	13,997
Non-current liabilities		
Long-term loans payable	125	125
Provision for product warranties	15	15
Net defined benefit liability	10,669	10,556
Asset retirement obligations	141	115
Other	1,224	1,229
Total non-current liabilities	12,176	12,043
Total liabilities	27,836	26,041

(Millions of yen)

	FY 2022 (As of March 31, 2023)	Q1/ FY 2023 (As of June 30, 2023)
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus	10,517	10,517
Retained earnings	63,521	62,750
Treasury stock	(414)	(414)
Total shareholders' equity	85,992	85,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,547	1,989
Revaluation reserve for land	(339)	(339)
Foreign currency translation adjustment	2,854	4,230
Remeasurements of defined benefit plans	(1,260)	(1,171)
Total accumulated other comprehensive income	2,802	4,708
Non-controlling interests	110	112
Total net assets	88,906	90,042
Total liabilities and net assets	116,742	116,083

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
Consolidated First Quarter

(Millions of yen)

	Q1/ FY 2022 (From April 1, 2022 to June 30, 2022)	Q1/ FY 2023 (From April 1, 2023 to June 30, 2023)
Net sales	20,336	21,200
Cost of sales	11,801	11,222
Gross profit	8,535	9,978
Selling, general and administrative expenses		
Salaries	1,494	1,521
Provision for bonuses	616	935
Provision for directors' bonuses	17	26
Retirement benefit expenses	170	201
Packing and delivery expenses	1,269	791
Promotion expenses	333	323
Depreciation	273	285
Other	2,167	2,383
Total selling, general and administrative expenses	6,343	6,468
Operating income	2,191	3,510
Non-operating income		
Interest income	18	44
Dividend income	61	80
Foreign exchange gains	787	555
Other	41	27
Total non-operating income	910	708
Non-operating expenses		
Interest expenses	13	8
Other	6	13
Total non-operating expenses	19	22
Ordinary income	3,082	4,196
Extraordinary income		
Gain on sales of non-current assets	3	0
Total extraordinary income	3	0
Extraordinary loss		
Loss on abandonment of non-current assets	28	7
Loss on sales of investment securities	—	0
Impairment loss	4	—
Total extraordinary loss	32	7
Net income before income taxes	3,052	4,188
Income taxes	830	1,268
Net income	2,222	2,919
Net income attributable to non-controlling interests	1	1
Net income attributable to shareholders of parental company	2,220	2,918

(Quarterly Consolidated Statement of Comprehensive Income)
 Consolidated First Quarter

(Millions of yen)

	Q1/ FY 2022 (From April 1, 2022 to June 30, 2022)	Q1/ FY 2023 (From April 1, 2023 to June 30, 2023)
Net income	2,222	2,919
Other comprehensive income		
Valuation difference on available-for-sale securities	234	442
Foreign currency translation adjustment	1,347	1,377
Adjustments relating to retirement benefits	59	88
Total other comprehensive income	1,641	1,908
Comprehensive income	3,864	4,828
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	3,855	4,824
Comprehensive income attributable to non- controlling interests	8	3

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Q1/ FY 2022 (From April 1, 2022 to June 30, 2022)	Q1/ FY 2023 (From April 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Net income before income taxes	3,052	4,188
Depreciation	722	750
Impairment loss	4	—
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for bonuses	(764)	(1,026)
Increase (decrease) in provision for directors' bonuses	(32)	(53)
Increase (decrease) in provision for product warranties	(13)	(6)
Increase (decrease) in net defined benefit liability	(13)	12
Interest and dividend income	(80)	(125)
Interest expenses	13	8
Foreign exchange losses (gains)	(656)	(444)
Loss on abandonment of non-current assets	28	7
Loss (gain) on sales of non-current assets	(3)	(0)
Loss (gain) on sales of short-term and long-term investment securities	—	0
Increase (decrease) in deposits received from employees	412	567
Decrease (increase) in notes and accounts receivable-trade	(222)	(79)
Decrease (increase) in inventories	(537)	74
Increase (decrease) in notes and accounts payable-trade	268	(336)
Decrease (increase) in consumption taxes refund receivable	722	112
Increase (decrease) in accrued consumption taxes	7	138
Decrease (increase) in other assets	(442)	(135)
Increase (decrease) in other liabilities	388	47
Subtotal	2,854	3,700
Interest and dividend income received	88	124
Interest expenses paid	(12)	(9)
Income taxes (paid) refund	(1,699)	(2,211)
Cash flows from operating activities	1,230	1,604
Cash flows from investment activities		
Payments into time deposits	(142)	(294)
Proceeds from withdrawal of time deposits	196	143
Purchase of short-term and long-term investment securities	(0)	(800)
Proceeds from sales and redemption of short-term and long-term investment securities	1,100	1,500
Purchase of property, plant and equipment	(514)	(747)
Payments for retirement of property, plant and equipment	(9)	(1)
Proceeds from sales of property, plant and equipment	4	—
Purchase of intangible assets	(97)	(63)
Payments of loans receivable	—	(0)
Collection of loans receivable	13	7
Cash flows from investment activities	548	(256)

(Millions of yen)

	Q1/ FY 2022 (From April 1, 2022 to June 30, 2022)	Q1/ FY 2023 (From April 1, 2023 to June 30, 2023)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,807)	(3,328)
Cash dividends paid to non-controlling shareholders	—	(1)
Repayments of lease obligations	(70)	(70)
Cash flows from financing activities	(2,877)	(3,401)
Effect of exchange rate change on cash and cash equivalents	1,073	852
Net increase (decrease) in cash and cash equivalents	(25)	(1,201)
Balance of cash and cash equivalents, beginning of the period	22,435	26,987
Quarterly balance of cash and cash equivalents at the end of the period	22,410	25,786

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

(Segment Information)

Q1 of FY 2022 (From April 1, 2022 to June 30, 2022)

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	5,153	14,403	779	—	20,336
Inter-segment sales or transfers	—	—	—	—	—
Total	5,153	14,403	779	—	20,336
Segment profit (loss)	996	2,084	(48)	(839)	2,191

(Notes) 1. Segment profit (loss) is consistent with operating income in the quarterly consolidated statement of income.

2. The segment profit adjustment of negative ¥839 million includes the negative ¥839 million of the Group-wide expenses, which are not allocated to the individual reported segments. Group-wide expenses are mainly comprised of general and administrative expenses not attributable to the reported segment.

2) Information on impairment loss on non-current assets, goodwill, etc., by reported segment

(Significant impairment loss on non-current assets)

An impairment loss of ¥4 million has been recorded for idle assets that we do not expect to use in the future.

The breakdown is ¥0 million in the “Office Equipment” segment and ¥3 million in the “Industrial Equipment” segment.

Q1 of FY 2023 (From April 1, 2023 to June 30, 2023)

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	5,174	15,211	814	—	21,200
Inter-segment sales or transfers	—	—	—	—	—
Total	5,174	15,211	814	—	21,200
Segment profit	985	3,458	10	(944)	3,510

(Notes) 1. Segment profit is consistent with operating income in the quarterly consolidated statement of income.

2. The segment profit adjustment of negative ¥944 million includes the negative ¥944 million of the Group-wide expenses, which are not allocated to the individual reported segments. Group-wide expenses are mainly comprised of general and administrative expenses not attributable to the reported segment.