

Translation

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Consolidated Financial Results for the Six Months Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

Company name: MAEDAKOSEN CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 7821 URL <https://www.maedakosen.jp/>
 Representative: President Takahiro Maeda
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 Scheduled date to file Quarterly Securities Report: February 14, 2024
 Scheduled date to commence dividend payments: February 26, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended December 31, 2023	28,441	16.2	5,661	41.7	5,473	39.8	3,760	39.2
Six months ended December 31, 2022	24,482	—	3,994	—	3,914	—	2,701	—

Note: Comprehensive income For the six months ended December 31, 2023: ¥3,252 million [30.5%]
 For the six months ended December 31, 2022: ¥2,492 million [—%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2023	123.86	110.36
Six months ended December 31, 2022	85.64	76.61

Note: The Company has changed the fiscal year-end from September 20 to June 30 from the fiscal year ended June 30, 2022. In line with this change, the length of the six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022) is different from that of the six months ended March 20, 2021 (from September 21, 2021 to March 20, 2022) to be compared with. Thus, the year-on-year changes for the six months ended December 31, 2022 are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	76,072	46,316	60.8
As of June 30, 2023	74,821	43,430	58.0

Reference: Equity
 As of December 31, 2023: ¥46,248 million
 As of June 30, 2023: ¥43,361 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	14.00	—	14.00	28.00
Fiscal year ending June 30, 2024	—	20.00			
Fiscal year ending June 30, 2024 (Forecast)			—	20.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	54,500	8.6	10,100	18.9	10,000	15.1	6,800	29.3	223.89

Note: Revisions to the consolidated financial results forecasts most recently announced: Yes

4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	32,260,200 shares	As of June 30, 2023	32,260,200 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	1,881,749 shares	As of June 30, 2023	1,901,149 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2023	30,365,522 shares	Six months ended December 31, 2022	31,545,195 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. Please refer to “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” of “1. Qualitative information on quarterly financial results for the period under review” on page 4 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Table of contents of attached materials**Index**

1. Qualitative information on quarterly financial results for the period under review.....	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position.....	3
(3) Information regarding consolidated earnings forecasts and other forward-looking statements	5
2. Quarterly consolidated financial statements and significant notes thereto	6
(1) Consolidated balance sheets.....	6
(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative).....	8
Consolidated statements of income (cumulative).....	8
Consolidated statements of comprehensive income (cumulative).....	9
(3) Consolidated statements of cash flows.....	10
(4) Notes to quarterly consolidated financial statements	11
(Notes on going concern assumptions).....	11
(Notes in the event of significant changes in the amount of shareholders' equity)	11
(Segment information)	11
(Revenue recognition)	12

1. Qualitative information on quarterly financial results for the period under review

(1) Explanation of operating results

During the six months ended December 31, 2023, economic and social activities in Japan progressed toward normalization as a result of the impact of COVID-19 becoming limited, and the nation's economy continued to show gradual recovery. Meanwhile, amid increases in prices of raw materials and energy brought on by the prolonged situation of Ukraine, sharp fluctuations in currency exchange accompanying global monetary tightening, and soaring prices due to rising personnel expenses, etc., the risk of a weakening of economic activity in the global economy is growing, and the economic activity in Japan continued to be unstable.

Operating under these conditions, the Group has been operating under the corporate message of “MAEDAKOSEN is a company that can be creating ‘Mixing’” since our 100th anniversary in 2018. Embedded in this corporate message is the Group's strong commitment to achieving sustainable growth. We believe that our efforts to “mix” all of the Group's management resources will serve as the driving force for taking active steps to achieve our growth strategies of “M&A,” “Overseas Business,” and “Human Resource Development.” In our M&A strategy, we will create new products and technologies not confined to the textile and resin processing technologies that the Group has cultivated to date by “mixing” the various technologies and know-how possessed by different fields.

In our overseas business, we aim to expand the market for the Group's products. To achieve this, we will enhance and expand our production capacity at overseas bases and leverage our domestic and overseas technologies and sales networks through business alliances with foreign companies.

In human resource development, we will build an innovative organizational culture by making all of the Group's employees a powerful workforce, while recruiting and fostering diverse personnel, and “mixing” the human resources born from those abilities and experiences. In addition, based on the idea that “the health of our employees determines the future of the company,” the Group resolved to be deeply involved in the health of all employees and made a “Health Declaration.” Going forward, we will continue to take various measures to create a healthy and rewarding workplace.

Aiming to translate the above growth strategies into concrete measures, the Group has developed the next medium-term business plan as “PART II” (for fiscal years 2024 to 2027) of the GLOBAL VISION ∞.

(Millions of yen)

	Fiscal year ended June 30, 2023 (Actual)	Fiscal year ending June 30, 2024 (Planned)	Fiscal year ending June 30, 2027 (Planned)
Net sales	50,204	54,500	70,000
Operating profit	8,493	10,100	12,000
EBITDA	11,682	13,400	15,000
Profit attributable to owners of parent	5,258	6,800	8,000

In the PART II, facility investments amounting to approximately ¥15 billion over the four years are planned as the investments to growing areas in the Group's businesses. We will work to boost our production capability to meet robust demand while promoting automation and labor-saving measures for the production lines. Additionally, we have set an M&A investment budget amounting to approximately ¥20 billion over the four years and plan to accelerate the growth of the Group, targeting projects aimed at synergy with existing businesses and expansion of business domains. Further, as part of the global development of the Group's businesses, we have made it a goal to increase the overseas sales ratio of the Group up to 30% in the fiscal year ending June 30, 2027.

Net sales for the six months ended December 31, 2023 were ¥28,441 million (up 16.2% year on year). In terms of profits, operating profit was ¥5,661 million (up 41.7% year on year), ordinary profit was ¥5,473 million (up 39.8% year on year), and profit attributable to owners of parent was ¥3,760 million (up 39.2% year on year).

Operating results by segment are as follows.

(Social Infrastructure Business)

In our public works business, while regional differences emerged in the recovering trend of ground reinforcement material sales, sales of concrete structure repair/reinforcement materials, riverbank protection materials, ocean civil engineering items, and landscape materials remained strong. Regarding profits, we have steadily passed on the increased prices of raw materials to our selling prices and also reduced manufacturing costs, which resulted in profits to perform strong. Sales and profits of non-woven fabric products returned poor results due to stagnant sales of spunbond (continuous, long fiber non woven fabric) for automotive and other industrial materials as well as decreased orders for medical and health materials (e.g., masks).

Sales and profits fell year on year for MIRAI no Agri CO., LTD., which is our subsidiary dealing with harmful animal control products, horticultural greenhouses, and agricultural supplies. This was the result of stagnant orders of horticultural greenhouses and agricultural supplies such as dairy farming products, despite strong orders for harmful animal control products. MIRAI TECHNO CO., LTD., which is our subsidiary dealing with awnings and canvas products, progressed smoothly to plan due to the recovery in sales of products for the Japan Ministry of Defense toward the second quarter-end, as well as the winning of orders for some large scale projects and the expanding of its sales of ocean civil engineering products. Sales and profits for MAEDAKOSEN VIETNAM CO., LTD., which is our overseas subsidiary, progressed smoothly to plan due to the expansion of its product range, despite the negative effect from the escalated prices of raw materials.

Net sales of this business were ¥17,458 million (up 10.9% year on year), and operating profit was ¥4,059 million (up 16.4% year on year).

(Industrial Infrastructure Business)

Both sales and profits were significantly higher than in the same period of the previous fiscal year for BBS Japan Co., Ltd., our subsidiary that manufacturers and sells forged automobile wheels. This was due to the supply of OEM products to automobile manufacturers and sales of aftermarket products performing strongly, in combination with significant growth in performance of BBS Japan's German subsidiary BBS Motorsport GmbH.

Sales and profits progressed smoothly to plan at MIRAI KOSEN CO., LTD., which is our subsidiary that manufacturers, processes, and sells wiping cloth products used in precision equipment manufacturing and circular-knit products for apparel and various industrial materials, due to the recovery trend of the sales of wiping cloth for precision equipment, despite the negative effect of an increase in costs related to the higher electricity rates and purchasing costs.

Net sales of this business were ¥10,983 million (up 25.6% year on year), and operating profit was ¥2,106 million (up 103.5% year on year).

(2) Explanation of financial position

① Assets, Liabilities and Net assets

(Assets)

As of December 31, 2023, total assets amounted to ¥76,072 million, an increase of ¥1,250 million from the end of the previous fiscal year.

Current assets increased by ¥4,307 million from the end of the previous fiscal year. This was mainly due to increases of ¥3,695 million in cash and deposits, ¥1,636 million in electronically recorded

monetary claims - operating, and ¥899 million in merchandise and finished goods, despite decreases of ¥545 million in work in process, ¥512 million in raw materials and supplies, and ¥501 million in notes and accounts receivable - trade, and contract assets.

Non-current assets decreased by ¥3,057 million from the end of the previous fiscal year. This was mainly due to a ¥3,062 million decrease in investments and other assets.

(Liabilities)

As of December 31, 2023, total liabilities amounted to ¥29,755 million, a decrease of ¥1,636 million from the end of the previous fiscal year.

Current liabilities decreased by ¥1,460 million from the end of the previous fiscal year. This was mainly due to decreases of ¥1,343 million in short-term borrowings, ¥800 million in income taxes payable, and ¥695 million in provision for bonuses, despite increases of ¥754 million in electronically recorded obligations - operating and ¥598 million in other under current liabilities.

Non-current liabilities decreased by ¥175 million from the end of the previous fiscal year. This was mainly due to a ¥184 million decrease in long-term borrowings.

(Net assets)

As of December 31, 2023, total net assets amounted to ¥46,316 million, an increase of ¥2,886 million from the end of the previous fiscal year. This was mainly due to a ¥3,355 million increase in retained earnings.

② Cash flows

At the end of the second quarter, cash and cash equivalents totaled ¥18,261 million, an increase of ¥3,695 million (up 25.4%) from the end of the previous fiscal year.

The status of each cash flow and their factors during the six months ended December 31, 2023 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥4,981 million. This was mainly due to inflows such as profit before income taxes of ¥5,444 million and depreciation of ¥1,572 million, and outflows such as income taxes paid of ¥1,894 million and an increase in trade receivables of ¥1,140 million.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥1,036 million. This was mainly due to inflows such as ¥2,150 million of proceeds from sale of investment securities, and outflows such as ¥1,442 million of the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥2,264 million. This was mainly due to outflows such as ¥1,343 million of net decrease in short-term borrowings, ¥424 million of dividends paid, and ¥310 million of repayments of lease liabilities.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

Based on our operating results for the six months ended December 31, 2023, we have revised the full-year consolidated financial results forecast and year-end dividends forecast for the fiscal year ending June 30, 2024 announced on August 10, 2023.

During the six months ended December 31, 2023, the Social Infrastructure Business for public works projects performed well, while the forged automotive wheel business, as production at Japanese and European automakers recovered, OEM products supply to automobile manufacturers from BBS Japan Co., Ltd. and BBS Motorsport GmbH increased, which resulted to perform strongly. Accordingly we exceeded our initial forecasts both sales and profit for the six months ended December 31, 2023, we have revised the full-year forecast.

Please note that the impact of the Noto Peninsula Earthquake of 2024 on our group's business performance is currently unknown, so it is not included in our full-year business forecast.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous forecast (A)	Millions of yen 53,000	Millions of yen 9,000	Millions of yen 9,000	Millions of yen 5,900	Yen 194.34
Revised forecast (B)	54,500	10,100	10,000	6,800	223.89
Change (B-A)	1,500	1,100	1,000	900	
Change (%)	2.8	12.2	11.1	15.3	
(Reference) Results for the fiscal year ended June 30, 2023	50,204	8,493	8,690	5,258	169.47

In conjunction with the upward revision of the full-year consolidated financial results forecast, we have also revised our annual dividend forecast for the fiscal year ending June 30, 2024 to ¥40 per share, up ¥10 from the initial forecast of ¥30 per share. As a result, the Company has resolved to pay an interim dividend of ¥20 per share for the fiscal year ending June 30, 2024, half of the projected annual dividend per share, and has revised its year-end dividends forecast to ¥20 per share as well.

For details, please refer to the “Notice of Revision of Full-year Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024 and Revisions of Dividends of Surplus (Interim Dividends) and Dividends Forecast (in Japanese only)” announced today.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	14,576	18,271
Notes and accounts receivable - trade, and contract assets	9,389	8,888
Electronically recorded monetary claims - operating	4,000	5,637
Merchandise and finished goods	5,880	6,779
Work in process	2,295	1,750
Raw materials and supplies	5,486	4,974
Current portion of long-term loans receivable from subsidiaries and associates	120	-
Other	640	404
Allowance for doubtful accounts	(31)	(40)
Total current assets	42,358	46,665
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,071	14,881
Accumulated depreciation	(6,054)	(6,155)
Buildings and structures, net	9,016	8,725
Machinery, equipment and vehicles	20,975	21,432
Accumulated depreciation	(13,964)	(14,716)
Machinery, equipment and vehicles, net	7,011	6,716
Land	4,405	4,316
Leased assets	4,692	5,014
Accumulated depreciation	(1,277)	(1,544)
Leased assets, net	3,414	3,470
Construction in progress	719	1,462
Other	3,997	4,048
Accumulated depreciation	(3,285)	(3,355)
Other, net	711	693
Total property, plant and equipment	25,278	25,384
Intangible assets		
Software	89	72
Software in progress	37	30
Trademark right	509	485
Asset of technology	15	-
Other	771	735
Total intangible assets	1,423	1,323
Investments and other assets		
Investment securities	4,205	902
Long-term loans receivable	-	120
Deferred tax assets	997	662
Other	558	1,013
Total investments and other assets	5,760	2,698
Total non-current assets	32,463	29,406
Total assets	74,821	76,072

(Millions of yen)

	As of June 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,835	1,711
Electronically recorded obligations - operating	1,762	2,516
Short-term borrowings	2,379	1,036
Current portion of long-term borrowings	1,152	1,149
Current portion of bonds with share acquisition rights	12,010	12,004
Accounts payable - other	1,365	1,472
Lease liabilities	578	630
Income taxes payable	2,178	1,378
Provision for bonuses	975	279
Other	748	1,347
Total current liabilities	24,988	23,527
Non-current liabilities		
Long-term borrowings	944	759
Long-term accounts payable - other	613	612
Lease liabilities	3,532	3,529
Deferred tax liabilities	27	38
Provision for retirement benefits for directors (and other officers)	34	35
Retirement benefit liability	1,205	1,205
Other	46	46
Total non-current liabilities	6,403	6,227
Total liabilities	31,391	29,755
Net assets		
Shareholders' equity		
Share capital	3,472	3,472
Capital surplus	3,461	3,469
Retained earnings	39,763	43,099
Treasury shares	(4,966)	(4,915)
Total shareholders' equity	41,731	45,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	759	350
Foreign currency translation adjustment	872	773
Remeasurements of defined benefit plans	(1)	(1)
Total accumulated other comprehensive income	1,630	1,122
Share acquisition rights	68	68
Total net assets	43,430	46,316
Total liabilities and net assets	74,821	76,072

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	24,482	28,441
Cost of sales	15,810	17,977
Gross profit	8,671	10,464
Selling, general and administrative expenses	4,676	4,803
Operating profit	3,994	5,661
Non-operating income		
Interest income	0	11
Interest on securities	6	6
Dividend income	2	3
Insurance claim income	4	13
Gain on sale of non-current assets	5	36
Other	33	29
Total non-operating income	52	101
Non-operating expenses		
Interest expenses	48	99
Foreign exchange losses	37	117
Loss on retirement of non-current assets	6	44
Commission for purchase of treasury shares	29	–
Other	10	26
Total non-operating expenses	133	288
Ordinary profit	3,914	5,473
Extraordinary loss		
Loss on sale of investment securities	–	29
Total extraordinary loss	–	29
Profit before income taxes	3,914	5,444
Income taxes - current	1,021	1,124
Income taxes - deferred	191	559
Total income taxes	1,212	1,683
Profit	2,701	3,760
Profit attributable to owners of parent	2,701	3,760

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Profit	2,701	3,760
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	(408)
Foreign currency translation adjustment	(87)	(99)
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	(208)	(508)
Comprehensive income	2,492	3,252
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,492	3,252

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,914	5,444
Depreciation	1,479	1,572
Share-based payment expenses	50	31
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2)	1
Increase (decrease) in retirement benefit liability	36	(0)
Increase (decrease) in provision for bonuses	(567)	(695)
Interest and dividend income	(9)	(21)
Interest expenses	48	99
Commission for purchase of treasury shares	29	–
Foreign exchange losses (gains)	(43)	33
Loss (gain) on sale of investment securities	–	29
Insurance claim income	(4)	(13)
Decrease (increase) in trade receivables	(2,525)	(1,140)
Decrease (increase) in inventories	(1,387)	118
Increase (decrease) in trade payables	513	633
Other, net	559	855
Subtotal	2,092	6,947
Interest and dividends received	3	15
Interest paid	(48)	(101)
Proceeds from insurance income	175	13
Income taxes paid	(137)	(1,894)
Net cash provided by (used in) operating activities	2,084	4,981
Cash flows from investing activities		
Payments into time deposits	(10)	(10)
Proceeds from withdrawal of time deposits	10	10
Purchase of property, plant and equipment	(2,648)	(1,442)
Proceeds from sale of property, plant and equipment	60	332
Purchase of intangible assets	(270)	(7)
Purchase of investment securities	(4)	(9)
Proceeds from sale of investment securities	–	2,150
Other, net	(6)	13
Net cash provided by (used in) investing activities	(2,869)	1,036
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	939	(1,343)
Proceeds from long-term borrowings	499	–
Repayments of long-term borrowings	(206)	(185)
Repayments of lease liabilities	(209)	(310)
Dividends paid	(409)	(424)
Other, net	(1)	–
Net cash provided by (used in) financing activities	611	(2,264)
Effect of exchange rate change on cash and cash equivalents	26	(58)
Net increase (decrease) in cash and cash equivalents	(147)	3,695
Cash and cash equivalents at beginning of period	12,798	14,566
Cash and cash equivalents at end of period	12,651	18,261

(4) Notes to quarterly consolidated financial statements**(Notes on going concern assumptions)**

Not applicable.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)

I. For the six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

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

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Social Infrastructure Business	Industrial Infrastructure Business	Total		
Net sales					
Income from contracts with customers	15,735	8,746	24,482	–	24,482
Sales from external customers	15,735	8,746	24,482	–	24,482
Inter-segment sales and transfers	5	7	13	△13	–
Total	15,740	8,754	24,495	△13	24,482
Segment income	3,488	1,035	4,523	△528	3,994

Notes: 1. Adjustments for segment income of ¥(528) million are corporate expenses not allocated to an individual reportable segment. Corporate expenses primarily consist of expenses related to the administrative departments of the Company.

2. Segment income is adjusted to the operating profit recorded on the quarterly consolidated statements of income.

II. For the three months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

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

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Social Infrastructure Business	Industrial Infrastructure Business	Total		
Net sales					
Income from contracts with customers	17,458	10,983	28,441	–	28,441
Sales from external customers	17,458	10,983	28,441	–	28,441
Inter-segment sales and transfers	3	1	5	(5)	–
Total	17,461	10,985	28,447	(5)	28,441
Segment income	4,059	2,106	6,166	(505)	5,661

Notes: 1. Adjustments for segment income of ¥(505) million are corporate expenses not allocated to an individual reportable segment. Corporate expenses primarily consist of expenses related to the administrative departments of the Company.

2. Segment income is adjusted to the operating profit recorded on the quarterly consolidated statements of income.

(Revenue recognition)

Information on disaggregation of revenue from contracts with customers is presented in “(4) Notes to quarterly consolidated financial statements (Segment information).”