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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 14, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3825
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 Scheduled date of filing quarterly securities report: February 14, 2024
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not Scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (cumulative) (% 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	%
Nine months ended December 31, 2023	14,936	(37.1)	1,270	—	1,294	—	1,339	(62.8)
December 31, 2022	23,745	16.4	(1,629)	—	(1,442)	—	3,606	(13.0)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥1,339 million [(62.8)%]
 Nine months ended December 31, 2022: ¥3,606 million [(13.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	11.27	11.27
December 31, 2022	30.08	29.86

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	19,693	18,238	92.6
As of March 31, 2023	19,271	16,826	87.3

(Reference) Equity: As of December 31, 2023: ¥18,230 million
 As of March 31, 2023: ¥16,819 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year- end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 0.00	Yen —	Yen 2.00	Yen 2.00
Fiscal year ending March 31, 2024	—	0.00	—		
Fiscal year ending March 31, 2024 (forecast)				—	—

(Note) Revision to the dividend forecasts announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Electricity trading prices tend to rise sharply in the winter months when supply and demand is tight. Additionally, the impact of international conflicts on energy prices is uncertain. Furthermore, payment of capacity contribution,* which will begin in the fiscal year ending March 31, 2025, is likely to impact electricity trading prices in the fiscal year under review. As a result, it is difficult to reasonably estimate results for the fiscal year under review and thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at the present time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

*“Capacity contribution” is payment to be made by retail electricity suppliers and general power transmission and distribution operators to the Organization for Cross-regional Coordination of Transmission Operators, Japan in order to secure supply capability in the capacity market (the market for ensuring future supply capabilities (kW)).

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly included: 2 companies (ZERO MEDICAL, INC. and one other company)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common stock)

1) Number of issued shares at the end of the period (including treasury shares):

December 31, 2023: 122,717,800 shares

March 31, 2023: 122,717,800 shares

2) Number of treasury shares at the end of the period:

December 31, 2023: 2,435,000 shares

March 31, 2023: 4,060,000 shares

3) Average number of shares during the period:

Nine months ended December 31, 2023: 118,840,982 shares

Nine months ended December 31, 2022: 119,900,932 shares

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

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

(Caution regarding forward-looking statements)

The forward-looking statements herein are based on information that is currently available and certain assumptions deemed reasonable by the Company.

For matters to note concerning conditions serving as the basis for financial forecasts and the use of financial forecasts, etc., see "1. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements" on page 5 of the attached materials.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Operating Results

For the nine months ended December 31, 2023 (April 1, 2023 – December 31, 2023), net sales decreased by 37.1% year on year to ¥14,936 million. Operating profit was ¥1,270 million (compared to operating loss of ¥1,629 million in the previous corresponding period), ordinary profit was ¥1,294 million (compared to ordinary loss of ¥1,442 million in the previous corresponding period), and profit attributable to owners of parent decreased by 62.8% year on year to ¥1,339 million.

The Company, with a share capital of ¥10 million, may include an amount of losses that have been included in deductible expenses under the blue return system in deductible expenses up to the amount of income of the business year. As a result, the amount of income taxes - current was ¥6 million.

Operating results by business segment for the nine months ended December 31, 2023 are as follows. Net sales amounts given here for each segment do not include inter-segment net sales.

The Group's reportable segments have been determined based on sections of high importance in accordance with the evaluation of operating results, the building of business strategies, the allocation of management resources, etc., and, up to the end of the previous fiscal year, were organized into five sections as the "energy business," "used car business," "resilience business," "financial business," and "other businesses."

In the finance business, the Group sold 51% of its equity in BITPoint Japan Co., Ltd. (hereinafter, "BPJ"), which had been included in the financial business segment as a consolidated subsidiary, to a group company of SBI Holdings, Inc. on July 1, 2022, then sold the remaining 49% of BPJ's shares, also to a group company of SBI Holdings, Inc. on March 31, 2023. As a result, the financial business section was discontinued on May 12, 2023. Accordingly, from the three months ended June 30, 2023, profit and loss from the business has been included in "other businesses," and profit and loss from investments related to cryptoasset-related businesses, which were treated as operating transactions, are reported under non-operating income or expenses.

The Group also resolved, on February 14, 2023, to discontinue the used car business segment by around March 31, 2023, in order to focus its management resources and promote the reconstruction of its business portfolio, at the Board of Directors meeting. Some product inventory from this business remained as of March 31, 2023, but this was completely sold as of June 30, 2023. As this business segment is discontinued and only an immaterial amount of profit and loss was generated from this segment during the three months ended June 30, 2023, profit and loss from the business are included in "other businesses" from the three months ended June 30, 2023.

In addition, as announced in the press release titled "Notification Concerning Acquisition of ZERO MEDICAL, INC. as a Wholly-owned Subsidiary through Simplified Share Exchange," dated October 26, 2023, the Company concluded a share exchange agreement with ZERO MEDICAL, INC., a company that pursues its business to solve social issues mainly in the areas of health and welfare (Head office: 1-5-4 Higashiyama, Meguro-ku, Tokyo; Representative Director: Yukihiro Hara) (hereinafter, "ZERO MEDICAL"), in which the Company becomes a wholly-owning parent company resulting from the share exchange and ZERO MEDICAL becomes a wholly-owned subsidiary company resulting from the share exchange. The Company made ZERO MEDICAL a wholly-owned subsidiary on December 1, 2023, the effective date of the agreement.

As a result of making ZERO MEDICAL a wholly-owned subsidiary, the business operated by ZERO MEDICAL has been included in the reportable segment as "medical business."

Since the deemed acquisition date of ZERO MEDICAL is December 31, 2023, only its balance sheet has been consolidated, not its operating results.

As a result, beginning from the nine months ended December 31, 2023, the Group's reportable segments comprised the "energy business," "resilience business," "medical business," and "other businesses."

Moreover, whereas segment profit was hitherto treated as ordinary profit due to the inclusion of the results of BPJ in the finance business segment as an equity method affiliate, segment profit has been changed from ordinary profit to operating profit pursuant to the sale of the Company's entire shareholding in BPJ. In addition, for year-on-year comparisons, the figures for the previous corresponding period have been changed to those on the operating profit basis.

Energy business

In the energy business, the Company is engaged primarily in the electric power retail business. During the nine months ended December 31, 2023, monthly averages of system prices on the Japan Electric Power Exchange (hereafter referred to as "JEPX," and such system price as the "Market Prices") from April to December 2023 were ¥10.97/kWh, remaining at a lower level than in the previous corresponding period (¥22.23/kWh) due to lower fuel prices compared to the previous corresponding period, affected by a decrease in demand for energy caused by the economic slowdown in China and higher-than-usual level of LNG (liquefied natural gas) inventories in Europe. As the Company has increased the ratio of market-linked plans in which electricity sales prices are linked to JEPX Market Prices for both high-voltage and low-voltage electricity, when JEPX Market Prices drop, net sales also decline. In addition, the contracted capacity of high-voltage users, which account for 70% of revenue, decreased compared to the previous corresponding period. As a result, net sales declined. Currently, the contracted capacity of high-voltage users is on a gradual upward trend.

In addition, until the previous fiscal year, the Company had used electricity futures contracts to ensure fixed prices for a certain percentage of procured electricity, for the purpose of hedging against the risk caused by a sharp rise in the JEPX Market Prices, and thus profit and loss had significantly fluctuated for accounting purposes subject to changes in electricity futures prices. During the nine months ended December 31, 2023, the Company was able to transfer risk of fluctuation of JEPX Market Prices to electricity sales prices without using electricity futures contracts, by offering user contracts of market-linked plans, fixed-unit-price plans, and a mix of market-linked plan and fixed-unit-price plan, and procurement costs at JEPX were kept low due to lower JEPX prices. Consequently, the Company was able to secure a stable amount of profit.

As a result, net sales for the segment decreased by 20.8% year on year to ¥14,205 million and segment profit (operating profit) was ¥1,708 million (segment loss [operating loss] was ¥1,166 million in the previous corresponding period).

Resilience business

The resilience business consists of the energy saving consulting business, the infection control business and the storage batteries business. During the nine months ended December 31, 2023, sales of energy-saving products in the energy saving consulting business, income from subsidies awarded, as well as sales of MA-T System products ("Amazing Water" Series), the mainstay products of the infection control business decreased year on year. However, in the storage batteries business, the production slowdown of storage batteries from the global shortage of semiconductors ameliorated, and the Company's original-brand home-use storage battery systems (remixbattery) were recognized for their high safety and quality, obtaining third-party JET grid-interconnection certification, and net sales and profit increased, with the steady increase in the number of storage batteries sold as a result of the development of sales agent for storage batteries and active promotion of sales activities.

As a result, net sales for the segment increased by 49.6% year on year to ¥628 million and segment profit (operating profit) increased by 567.5% year on year to ¥49 million.

Others

Other businesses include the marketing consulting business and newly launched businesses. It also includes profit and loss from the used car business, for which business discontinuation was completed in the three months ended June 30, 2023, and the financial business, which the Company resolved to discontinue in the three months ended June 30, 2023. The figures for the previous corresponding period have been reclassified to include profit and loss from these businesses, leading to a substantial decrease in net sales and profits year on year.

As a result, net sales for the segment decreased by 98.1% year on year to ¥102 million and segment profit (operating profit) decreased by 83.4% year on year to ¥26 million.

(2) Explanation of Financial Position

At the end of the third quarter under review, total assets were ¥19,693 million, an increase of ¥421 million from the end of the previous fiscal year (¥19,271 million). The main factors for this include increases of ¥1,958 million in cash and deposits and ¥629 in goodwill, along with decreases of accrued income taxes of ¥1,133 million, trade receivables and contract asset of ¥1,061 million, and ¥231 million in leasehold and guarantee deposits.

Total liabilities were ¥1,454 million, a decrease of ¥991 million from the end of the previous fiscal year (¥2,445 million). The main factors for this include an increase of ¥450 million in long-term borrowings, along with decreases of ¥774 million of income taxes payable, ¥314 million in accounts payable - other, and ¥195 million in deposits received.

Total net assets were ¥18,238 million, an increase of ¥1,412 million from the end of the previous fiscal year (¥16,826 million). The main factors for this include an increase of ¥1,339 million due to profit attributable to owners of parent, along with a decrease of ¥237 million due to the payment of dividends. In accordance with the resolution of the 20th annual general meeting of shareholders held on June 28, 2023, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements

1) Performance outlook for the fiscal year under review

In the electric power retail business, which constitute the Energy Division of the Group, while the sharp rise in energy, crude oil and natural gas prices that was triggered by Russia's invasion of Ukraine and other such factors, and that was apparent in 2022, began to show signs of abating from the start of 2023, it remains difficult to predict fluctuations in electricity trading prices, which are susceptible to trends in economic conditions, market environment, and industry systems and other factors, including trends of electricity trading prices for this winter, when supply and demand will be tight.

In addition, the Group have a policy of actively investing, acquiring businesses, and developing businesses in areas where new business opportunities are created, with the aim of increasing corporate value and maximizing profit.

The Group has a policy of seeking to adapt appropriately to such changes in the management climate, however, from the perspective of making flexible investment decisions in the future, at the present time it is difficult to reasonably estimate sales and profits. Thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at this time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

2) Dividend outlook for the fiscal year under review

The Company's core approach to capital policy is to seek an appropriate balance between healthy financial underpinnings, improving capital efficiency and the strengthening of shareholder returns, while also increasing corporate value by growing and expanding businesses and by improving management efficiency and profitability. The Company considers the returning of profits to our shareholders to be a priority management policy.

Regarding the fiscal year ending March 31, 2024, as noted above, environments that impact the Company's businesses are unclear, making it difficult to reasonably estimate results at the present time. As a result, year-end dividend forecast has not yet been determined.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	11,173	13,132
Trade receivables and contract asset	4,061	3,000
Finished goods	16	3
Merchandise	221	271
Raw materials and supplies	69	62
Work in process	–	0
Accrued income taxes	1,173	39
Owned cryptoassets	120	56
Operational investment securities	355	–
Other	623	654
Allowance for doubtful accounts	(196)	(209)
Total current assets	17,620	17,011
Non-current assets		
Property, plant and equipment	107	269
Intangible assets		
Goodwill	–	629
Other	83	88
Total intangible assets	83	718
Investments and other assets		
Investment securities	70	104
Leasehold and guarantee deposits	1,389	1,158
Fixed loan	2	2
Other	1	432
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	1,461	1,694
Total non-current assets	1,651	2,682
Total assets	19,271	19,693

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	520	425
Accounts payable - other	430	115
Deposits received	348	152
Current portion of long-term borrowings	–	96
Income taxes payable	774	0
Other	371	209
Total current liabilities	2,445	1,000
Non-current liabilities		
Long-term borrowings	–	450
Deferred tax liabilities	0	3
Total non-current liabilities	0	454
Total liabilities	2,445	1,454
Net assets		
Shareholders' equity		
Share capital	7,877	10
Capital surplus	3,268	10,662
Retained earnings	7,629	8,732
Treasury shares	(1,956)	(1,173)
Total shareholders' equity	16,819	18,230
Share acquisition rights	6	7
Total net assets	16,826	18,238
Total liabilities and net assets	19,271	19,693

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	23,745	14,936
Cost of sales	23,004	12,391
Gross profit	741	2,544
Selling, general and administrative expenses	2,370	1,274
Operating profit (loss)	(1,629)	1,270
Non-operating income		
Interest income	0	0
Dividend income	0	3
Share of profit of entities accounted for using equity method	5	–
Consulting fee income	140	–
Penalty income	–	9
Foreign exchange gains	4	–
Subsidy income	–	14
Gain on investments in investment partnerships	10	37
Other	42	8
Total non-operating income	205	73
Non-operating expenses		
Share acquisition rights issuance costs	1	1
Share issuance costs	6	–
Loss on valuation of cryptoassets	–	43
Provision of allowance for doubtful accounts	4	–
Commission expenses	2	–
Other	2	4
Total non-operating expenses	18	49
Ordinary profit (loss)	(1,442)	1,294
Extraordinary income		
Gain on sale of non-current assets	–	0
Gain on sale of shares of subsidiaries and associates	8,226	–
Gain on reversal of share acquisition rights	–	1
Total extraordinary income	8,226	2
Profit before income taxes	6,784	1,297
Income taxes - current	3,152	6
Income taxes - refund	–	(52)
Income taxes - deferred	25	3
Total income taxes	3,177	(42)
Profit	3,606	1,339
Profit attributable to owners of parent	3,606	1,339

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	3,606	1,339
Comprehensive income	3,606	1,339
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,606	1,339
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

During the nine months ended December 31, 2022, the Group's share capital and legal capital surplus increased by ¥697 million each due to the issuance of new shares following the partial exercise of paid-in stock options (share acquisition rights) issued to the Company's directors, employees and others as the 11th Share Acquisition Rights, 14th Share Acquisition Rights, 17th Share Acquisition Rights and 19th Share Acquisition Rights.

In accordance with the resolution of the 19th annual general meeting of shareholders, ¥4,627 million of capital surplus was transferred to retained earnings to cover the deficit.

In addition, based on the resolution of the Board of Directors meeting held on May 13, 2022, the Company acquired 4,000,000 treasury shares, resulting in an increase of ¥1,938 million in treasury shares.

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

In accordance with the resolution of the 20th annual general meeting of shareholders, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

In addition, the Company issued 1,625,000 treasury shares pursuant to making ZERO MEDICAL, INC. (hereinafter "ZERO MEDICAL") a wholly-owned subsidiary through simplified share exchange on December 1, 2023. As a result, treasury shares decreased by ¥783 million and other capital surplus decreased by ¥472 million as a loss on disposal of treasury shares.

(Additional information)

(Operational investment securities)

The Company discontinued the financial business on May 12, 2023. As a result, on the consolidated balance sheets, ¥341 million of "operational investment securities" were reclassified into ¥237 million of "other" under investments and other assets and ¥104 million of "investment securities," effective the same day.

In addition, profits of ¥37 million related to investment securities and others above were recorded as gain on investments in investment partnerships under non-operating income.

(Segment information, etc.)

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Others	Total		
Net sales						
Net sales to outside customers	17,939	420	5,385	23,745	-	23,745
Inter-segment net sales or transfers	-	-	0	0	(0)	-
Total	17,939	420	5,385	23,745	(0)	23,745
Segment profit (loss)	(1,166)	7	160	(998)	(630)	(1,629)

(Notes) 1. The adjustment for segment profit (loss) of negative ¥630 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. The segment profit (loss) is adjusted with operating loss in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill and other items by reportable segment

There is no relevant information.

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Medical business	Others	Total		
Net sales							
Net sales to outside customers	14,205	628	-	102	14,936	-	14,936
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	14,205	628	-	102	14,936	-	14,936
Segment profit	1,708	49	-	26	1,784	(514)	1,270

(Notes) 1. The adjustment for segment profit of negative ¥514 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. The segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

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

The Company recorded goodwill pursuant to making ZERO MEDICAL as a consolidated subsidiary of the Company in the medical business segment. The increase in goodwill due to this event for the nine months ended December 31, 2023 was ¥629 million.

3. Information on assets by reportable segment
(Significant increase in assets due to acquisition of a subsidiary)

As a result of ZERO MEDICAL becoming a consolidated subsidiary, the amount of assets in the medical business at the end of the third quarter under review increased by ¥1,374 million from the end of the previous fiscal year.

4. Matters related to changes in reportable segments, etc.

During the three months ended June 30, 2023, the financial business was discontinued pursuant to the sale of the Company's entire shareholding in BPJ, previously an equity method affiliate of the Company. The used car business was also discontinued to promote the optimal allocation of management resources.

During the third quarter under review, "medical business" was included as a new reportable segment pursuant to the addition of ZERO MEDICAL, INC. as a consolidated subsidiary.

Profit and loss of ZERO MEDICAL, INC. will be included after January 1, 2024, and only its balance sheet has been consolidated for the nine months ended December 31, 2023.

From the nine months ended December 31, 2023, the Company has the following four reportable segments: "energy business," "resilience business," "medical business," and "other businesses."

Additionally, whereas segment profit (loss) had previously been changed from operating profit (loss) to ordinary profit (loss) in order to continue to include the results of BITPoint Japan Co., Ltd. (hereinafter, "BPJ") in the financial business segment pursuant to its reclassification from a consolidated subsidiary to an equity method affiliate on July 1, 2022, the Company's entire shareholding in BPJ has subsequently been sold, as described above, and the Company no longer records a share of profit or loss of BPJ. Therefore, segment profit (loss) has been changed from ordinary profit (loss) to operating profit (loss) from the three months ended June 30, 2023.

Segment information for the nine months ended December 31, 2022 is disclosed based on the classifications and segment profit (loss) after the change.

(Significant subsequent events)

There is no relevant information.