

* Notes

- (1) Important changes in subsidiaries for the six months ended September 30, 2017 (changes in specified subsidiaries resulting in change in scope of consolidation): Applicable
New: 1 companies Stuart Street Holdings LLC
Exception: –
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting principles and changes or restatements of accounting estimates
- (i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable
 - (ii) Changes in accounting principles other than (i): Not applicable
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatement of accounting estimates: Not applicable
- (4) Number of shares outstanding (common stock)
- (i) Total number of shares outstanding (including treasury stock) as of the end of each period:
 - As of September 30, 2017: 329,120,000 shares
 - As of March 31, 2017: 329,120,000 shares
 - (ii) Total number of treasury stock as of the end of each period:
 - As of September 30, 2017: 77 shares
 - As of March 31, 2017: 77 shares
 - (iii) Average number of issued shares for each period (cumulative period):
 - As of September 30, 2017: 329,119,923 shares
 - As of September 30, 2016: 329,119,923 shares

* Status of a quarterly review

* Cautionary note regarding use of the Forecast of Financial Results, and other special notations

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that actual results may be different due to various factors. For preconditions underlying the forecasts and notes to the forecasts, refer to “(3) Qualitative information on consolidated earnings forecast” of “1. Qualitative Information on Consolidated Operating Results, etc. for the six months ended September 30, 2017” on page 7 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the Second Quarter of FY 2017

(1) Qualitative information on consolidated financial results

In the office leasing market for the six months ended September 30, 2017, the occupancy rates remained high, and market rents were rising in some areas. In the condominium sales market, demand remained firm for condominiums in central Tokyo, although sales prices remained high. In the suburbs, however, there were some condominiums for which sales were prolonged.

In this environment, operating revenue amounted to ¥72,792 million (up ¥4,246 million, or 6.2% year-on-year), operating income was ¥15,550 million (up ¥4,220 million, or 37.3%), and ordinary income was ¥14,819 million (up ¥5,028 million, or 51.4 %). Profit attributable to owners of parent was ¥9,659 million (up ¥3,373 million, or 53.7 %).

Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Offices/Retail Business	41,615	45,207
Residential Business	19,215	21,468
Total operating revenue in reported segments	60,831	66,675
Other	10,565	8,642
Eliminations	(2,851)	(2,525)
Total	68,545	72,792

(Note1) The numbers do not include consumption tax. Operating revenue in each segment include inter-segment internal revenues and transfers.

(Note2) “Eliminations” refers to internal revenues and transfers duplicated in more than one segment.

1) Offices/Retail Business

In the offices/retail business for the six months ended September 30, 2017, operating revenue increased ¥3,591 million to ¥45,207 million (up 8.6% year-on-year), despite a contribution to revenue of the expiry of free rent at existing properties such as Shinagawa Season Terrace (Minato-ku, Tokyo), Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo). Operating income increased ¥4,287 million to ¥16,611 million (up 34.8%).

In this quarter, UD Yumesaki Building (Osaka-shi, Osaka) was completed and started operation. Development projects currently under way include Otemachi 2-Chome Area 1st class Urban Redevelopment Project Building A (Chiyoda-ku, Tokyo), Shimbashi 1-chome Project (Minato-ku, Tokyo), etc.

The table below shows operating revenue etc. by use of properties in the Offices/Retail business. All figures are consolidated results.
(Million yen)

Classification		Six months ended September 30, 2016	Six months ended September 30, 2017
Office/Commercial	Operating revenue	41,387	42,303
	Rentable area	1,136,792 m ² (Of the above, sub-leases: 99,140 m ²)	1,118,459 m ² (Of the above, sub-leases: 92,685 m ²)
Sales of revenue-generating real estate	Operating revenue	—	—
Other	Operating revenue	228	2,903
Total operating revenue		41,615	45,207

(Note1) “Rentable areas” figures are as of the end of September of each fiscal year.

(Note2) The rentable area of sub-leases does not include the area that has been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate by area.

Classification	September 2016	December 2016	March 2017	June 2017	September 2017
Five wards of central Tokyo	3.9%	2.9%	3.2%	2.1%	2.0%
Nationwide	4.5%	4.1%	4.1%	3.6%	3.3%

(Note1) The numbers above are vacancy rate as of the end of each month.

(Note2) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.

2) Residential business

In the residential business, the number of condominiums delivered amounted to 408 units with the sales of Wellith Daizawa (Setagaya-ku, Tokyo) and Wellith Suitayamatecho West-East (Suita-shi, Osaka) completed upon the delivery. The average sales price per unit in the six months ended September 30, 2017 was ¥40 million.

As a result, for the six months ended September 30, 2017, operating revenue in the residential business increased ¥2,253 million, or 11.7%, to ¥ 21,468 million, and operating income was increased ¥21 million, or 1.7%, to ¥1,279 million.

In this quarter, the Company began distribution of Wellith Ōtakanomori south arena (Nagareyama-shi, Chiba).

The table below shows operating revenue in the residential business. All figures are consolidated results.

(Million yen)

Classification	Six months ended September 30, 2016	Six months ended September 30, 2017
Residential property sales	18,325	20,423
Residential rentals	889	1,045
Other	—	—
Total operating revenue	19,215	21,468

The table below shows operating revenue, etc. in the residential business by operation type and area.

Classification		Six months ended September 30, 2016		Six months ended September 30, 2017	
		Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	232	11,845	346	13,950
	Other regions	64	4,514	62	2,575
Completed in inventories		506	—	510	—
Residential Lots, etc.					
Units delivered	Tokyo metropolitan area	40	1,292	27	877
	Other regions	37	673	168	2,269
Completed in inventories		70	—	268	—
Subtotal (Condominiums/Residential Lots, etc.)					
Units delivered	Tokyo metropolitan area	272	13,138	373	14,827
	Other regions	101	5,187	230	4,845
Completed in inventories		576	—	779	—
Residential property sales other					
Units delivered	Tokyo metropolitan area	—	—	—	—
	Other regions	—	—	1	750
Completed in inventories		—	—	—	—
Operating revenue		—	18,325	—	20,423

(Note1) For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

(Note2) "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the six months ended September 30, 2016 and for the six months ended September 30, 2017 include 58 units and 51 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the six months ended September 30, 2016 and for the six months ended September 30, 2017 include 27 lots and 227 lots for which a contract has been completed but ownership has not yet been transferred.

(Note 3) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other

Operating revenue in other business for the six months ended September 30, 2017 was ¥8,642 million (down ¥1,923 million, or 18.2%), and operating income was ¥655 million (down ¥205 million, or 23.9%).

(2) Qualitative information on consolidated financial position

1) Consolidated balance sheet

(Assets)

Total assets at the end of the six months ended September 30, 2017 were ¥1,015,866 million, up ¥9,968 million from the end of the fiscal year ended March 2017. Current assets stood at ¥131,397 million, decline ¥6,418 million from the end of the fiscal year ended March 2017. Main factors for this result was a decline of ¥5,267 million in note and operating accounts receivable attribute to delivery of condominium.

Non-current assets amounted to ¥884,468 million, up ¥16,386 million from the end of the fiscal year ended March 2017. This rise primarily reflected an increase in property, plant and equipment as a result of the investment in new development properties of ¥19,308 million.

(Liabilities)

Total liabilities at the end of the six months ended September 30, 2017 were ¥750,294 million, up ¥2,953 million from the end of the fiscal year ended March 2017. This was mainly due to an increase of ¥26,622 million in interest-bearing debt (balance at the end of the six months ended September 30, 2016: ¥548,705 million) despite a fall of ¥18,078 million in current liabilities (other) and ¥2,715 million in operating accounts payable—trade as a result of a decline in accounts payable of construction costs.

Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., were ¥525,667 million, rising ¥27,699 million from the end of the fiscal year ended March 2017.

(Net assets)

Net assets at the end of the six months ended September 30, 2017 were ¥ 265,571 million, up ¥ 7,014 million from the end of the fiscal year ended March 2017. This was mainly increase in shareholders' equity (¥6,697 million).

(ii) Consolidated Cash Flows

The following is an explanation on the situation and factors for each category of cash flow for the six months ended September 30, 2017.

(Net cash provided by (used in) operating activities)

Cash flow in operating activities was a cash-in of ¥16,671 million (down ¥443 million year-on-year). This mainly reflected a cash-in of ¥23,774 million (up ¥4,885 million) attributable to income before income taxes and minority interests and depreciation and a cash-out of ¥6,965 million (down ¥8,065 million from a cash-in of ¥1,100 million in the six months ended September 30, 2016) due to payment of income taxes paid.

(Net cash provided by (used in) investing activities)

Cash flow in investing activities was a cash-out of ¥40,504 million, with the outflow expansion ¥25,516 million. This was primarily because a cash-out of ¥27,158 million due to purchase of property, plant and equipment (expansion ¥11,771 million) and a cash-out of ¥10,549 million due to purchase of investments in subsidiaries resulting in charge in scope of consolidation.

(Free cash flow)

Free cash flow was a cash-out of ¥23,833 million (down ¥25,960 million from a cash-in of ¥2,127 million in the six months ended September 30, 2016).

(Note) The calculating formula of the free cash flow is as follows:

Free cash flow = (Net cash provided by (used in) operating activities) + (Net cash provided by (used in) investing activities)

(Net cash provided by (used in) financing activities)

Cash flow in financing activities was a cash-in of ¥22,778 million (up ¥24,015 million from a cash-out of ¥1,236 million in the six months ended September 30, 2016). This was largely a reflection of financing (¥45,000 million of long-term loans payable and ¥3,433 million of short-term loans payable) in response to the cash-out due to the free cash flow described previously (a cash-out of ¥23,833 million), the repayment of long-term loans payable (¥21,723 million), and cash dividends paid (¥2,962 million).

As a result, cash and cash equivalents at the end of the six months ended September 30, 2017 was ¥22,877 million, increasing ¥1,076 million from the end of the previous fiscal year.

(3) Qualitative information on consolidated earnings forecast

Results for the six months ended September 30, 2017 were almost in line with the earnings forecast. Therefore, the consolidated earnings forecast announced on May 11, 2017 has not been changed.

The consolidated earnings forecast for the fiscal year ending March 2018 is as follows:

Consolidated earnings forecast for fiscal year ending March 2018

(Million yen)

Item	Annual
Operating revenue	163,000
Operating income	29,000
Ordinary income	27,000
Profit attributable to owners of parent	17,500

Consolidated segment forecast for fiscal year ending March 2018

(Million yen)

Item	Annual
Operating revenue	163,000
Offices/Retail Business	90,000
Residential Business	58,000
Other	20,000
Eliminations	(5,000)
Operating income	29,000
Offices/Retail Business	30,000
Residential Business	5,000
Other	1,500
Eliminations/Corporate	(7,500)

In the Offices/Retail Business, the Company will focus on securing profitability by reinforcing its relationships with customers and will strengthen competitiveness by enhancing the efficiency and the quality of building services and by implementing strategic renewals, thereby seeking to ensure stable growth.

In addition, the Company will aim to strengthen its revenue sources by implementing hotel development in locations with universal value and mixed-use property development and will continue its efforts in the global business for the purpose of diversifying its asset portfolio.

In the Residential Business, the Company will focus on product planning to reflect changes in customer demands with an eye to the growing tendency to return to the city center in light of changing lifestyles and population dynamics and will expand initiatives for the renovation, etc. of used condos. Moreover, the Company will endeavor to expand its business domains, including the business for senior citizens, such as serviced senior housing, and the business for rental housing.

In the Other Business, The Company will seek to boost the value of the assets in which it is involved by implementing asset replacement, using the real estate investment trust (REIT) to which the Company is linked, and grow the fee business, including building management and property management operations.

(Note) Forward-looking statements in this section are based on judgments of the Group as of the date of the announcement of this document.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Six months ended September 30, 2017 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	16,945	18,026
Notes and operating accounts receivable	9,026	3,759
Real estate for sale	25,156	25,432
Real estate for sale in progress	68,204	68,906
Costs on uncompleted construction contracts	423	535
Raw materials and supplies	81	57
Lease investment assets	2,074	1,997
Deposits paid	7,208	5,011
Deferred tax assets	572	711
Other	8,123	6,960
Allowance for doubtful accounts	(0)	(0)
Total current assets	137,816	131,397
Non-current assets		
Property, plant and equipment		
Buildings and structures	633,167	652,109
Accumulated depreciation	(348,630)	(356,382)
Buildings and structures (net)	284,536	295,727
Machinery, equipment and vehicles	11,731	11,867
Accumulated depreciation	(10,438)	(10,591)
Machinery, equipment and vehicles (net)	1,292	1,276
Land	501,023	503,656
Lease assets	201	199
Accumulated depreciation	(138)	(143)
Lease assets (net)	63	55
Construction in progress	7,998	4,476
Other property, plant and equipment	14,108	14,801
Accumulated depreciation	(11,465)	(11,745)
Other property, plant and equipment (net)	2,642	3,056
Total property, plant and equipment	797,557	808,248
Intangible assets	25,228	25,913
Investments and other assets		
Investment securities	22,518	27,564
Long-term prepaid expenses	14,571	14,334
Net defined benefit asset	276	276
Deferred tax assets	440	435
Other	8,292	8,497
Allowance for doubtful accounts	(802)	(802)
Total investments and other assets	45,296	50,306
Total non-current assets	868,081	884,468
Total assets	1,005,898	1,015,866

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Six months ended September 30, 2017 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	6,002	3,286
Short-term loans payable	6,611	10,150
Lease obligations	32	31
Current portion of long-term loans payable	27,364	74,155
Current portion of bonds payable	19,998	20,999
Income taxes payable	6,748	3,877
Deferred tax liabilities	4	4
Other	46,030	27,952
Total current liabilities	112,792	140,456
Non-current liabilities		
Bonds payable	90,982	89,984
Long-term loans payable	377,125	353,416
Lease obligations	49	39
Lease and guarantee deposits received	75,024	76,150
Negative goodwill	21,037	20,079
Deferred tax liabilities	59,367	59,399
Provision for directors' retirement benefits	34	24
Net defined benefit liability	7,731	8,057
Asset retirement obligations	2,803	2,527
Other	392	158
Total non-current liabilities	634,548	609,838
Total liabilities	747,341	750,294
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	31,648	31,648
Retained earnings	129,195	135,893
Treasury shares	(0)	(0)
Total shareholders' equity	209,604	216,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,590	2,623
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	1,100	1,097
Remeasurements of defined benefit plans	(625)	(597)
Total accumulated other comprehensive income	3,067	3,125
Non-controlling interests	45,884	46,143
Total net assets	258,556	265,571
Total liabilities and net assets	1,005,898	1,015,866

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated Statements of Income)
(Six month ended September 30, 2016 and 2017)

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Operating revenue	68,545	72,792
Operating cost	48,215	47,995
Operating gross profit	20,330	24,796
Selling, general and administrative expenses	9,000	9,246
Operating income	11,329	15,550
Non-operating income		
Interest income	3	4
Dividends income	74	162
Amortization of negative goodwill	963	963
Equity in earnings of affiliates	177	398
Other	178	52
Total non-operating income	1,396	1,581
Non-operating expenses		
Interest expenses	2,582	2,258
Other	353	53
Total non-operating expenses	2,935	2,312
Ordinary income	9,790	14,819
Extraordinary income		
Loss on retirement of non-current assets	177	189
Total extraordinary income	177	189
Income before income taxes and minority interests	9,612	14,629
Total income taxes	2,331	3,959
Profit	7,280	10,669
Profit attributable to non-controlling interests	994	1,009
Profit attributable to owners of parent	6,286	9,659

(Consolidated statements of comprehensive income)

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Profit	7,280	10,669
Other comprehensive income		
Valuation difference on available-for-sale securities	(246)	32
Deferred gains or losses on hedges	(61)	0
Foreign currency translation adjustment	(5,873)	(3)
Remeasurements of defined benefit plans	45	28
Total other comprehensive income	(6,137)	58
Comprehensive income	1,143	10,728
(Breakdown)		
Comprehensive income attributable to owners of the parent	148	9,718
Comprehensive income attributable to non-controlling interests	995	1,009

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,612	14,629
Depreciation and amortization	9,276	9,144
Amortization of negative goodwill	(963)	(963)
Amortization of goodwill	5	5
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in net defined benefit liability	74	367
Interest and dividends income	(77)	(166)
Interest expenses	2,582	2,258
Equity in (earnings) losses of affiliates	(177)	(398)
Loss on retirement of non-current assets	177	189
Decrease (increase) in lease investment assets	73	77
Decrease (increase) in notes and accounts receivable-trade	4,345	5,278
Decrease (increase) in inventories	(1,032)	(1,139)
Increase (decrease) in notes and accounts payable-trade	(4,710)	(3,024)
Increase (decrease) in lease and guarantee deposits received	1,472	570
Other	(1,990)	(1,127)
Subtotal	18,669	25,700
Interest and dividends income received	95	184
Interest expenses paid	(2,750)	(2,248)
Income taxes paid or refunded	1,100	(6,965)
Net cash provided by (used in) operating activities	17,114	16,671
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(15,387)	(27,158)
Proceeds from sales of property, plant and equipment	-	0
Purchase of investment securities	-	(2,653)
Proceeds from repayment of investment securities	1,594	33
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(10,549)
Other	(1,194)	(176)
Net cash provided by (used in) investing activities	(14,987)	(40,504)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	29,285	3,433
Proceeds from long-term loans payable	17,000	45,000
Repayments of long-term loans payable	(23,600)	(21,723)
Redemption of bonds	(20,000)	-
Cash dividends paid	(2,961)	(2,962)
Cash dividends paid to minority shareholders	(942)	(955)
Other	(17)	(13)
Net cash provided by (used in) financing activities	(1,236)	22,778
Effect of exchange rate change on cash and cash equivalents	(275)	(22)
Net increase (decrease) in cash and cash equivalents	615	(1,076)
Cash and cash equivalents at beginning of year	16,106	23,954
Cash and cash equivalents at end of period	16,722	22,877

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable

(Note if there is a considerable change to shareholders' equity)

Not applicable

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	41,119	19,205	60,324	8,220	68,545	—	68,545
(2) Inter-segment internal revenues and transfers	496	10	506	2,344	2,851	(2,851)	—
Total	41,615	19,215	60,831	10,565	71,396	(2,851)	68,545
Segment profits	12,323	1,258	13,581	861	14,442	(3,113)	11,329

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of -¥3,113 million in segment profits includes elimination of inter-segment transactions of -¥17 million and company-wide expenses of -¥3,095 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

II. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	44,669	21,463	66,132	6,659	72,792	—	72,792
(2) Inter-segment internal revenues and transfers	538	5	543	1,982	2,525	(2,525)	—
Total	45,207	21,468	66,675	8,642	75,317	(2,525)	72,792
Segment profits	16,611	1,279	17,891	655	18,546	(2,995)	15,550

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of -¥2,995 million in segment profits includes elimination of inter-segment transactions of -¥21 million and company-wide expenses of -¥3,017 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

(Significant subsequent events)
Not applicable