



Kyoritsu Maintenance Co., Ltd.
(Securities Code: 9616)

**Summary of Financial Statement
for the Six Month Period Ended September 30, 2019**
[JGAAP] (Consolidated)

November 2019



Summary of Financial Statements for the Six Month Period Ended September 30, 2019 [JGAAP] (Consolidated)

November 8, 2019

Company Name: Kyoritsu Maintenance Co., Ltd. Stock Exchange listing: Tokyo
 Stock Code: 9616, URL: <https://www.kyoritsugroup.co.jp/>
 Representative: Takumi Ueda, President
 Contact: Koji Nakamura, Executive Managing Director; Tel: +81-3-5295-7778
 Scheduled date of quarterly securities report submission (Projected): November 11, 2019
 Scheduled date of dividend payment commencement (Projected): December 5, 2019
 Supplementary materials for the first half financial statements: Yes
 Presentation to explain for the first half financial statements: Yes (for institutional investors and analysts)

(Million JPY, rounded down to the nearest million)

1. Consolidated financial results for the first half of the fiscal year Ended September 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Year to date)

(% figures represent changes over the same period of the previous year)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/20 H1	93,815	18.4	9,066	12.7	8,972	14.5	6,114	14.9
FY3/19 H1	79,204	11.7	8,044	11.5	7,839	11.0	5,319	14.8

(Note) Comprehensive income: ¥5,776 million (+5.0% YoY) in FY3/20 H1; ¥5,501 million (+17.9% YoY) in FY3/19 H1

	EPS	Fully Diluted EPS
	Yen	Yen
FY3/20 H1	156.82	—
FY3/19 H1	136.45	125.74

Note: Fully diluted EPS in FY3/20 H1 is not showed because there were no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	208,955	84,370	40.4	2,163.88
As of March 31, 2019	202,531	79,570	39.3	2,040.75

(Reference) Own capital: ¥84,370 million as of September 30, 2019; ¥79,570 million as of March 31, 2019

2. Dividends

	Annual Dividend Per Share				
	Q1-End	Q2-End	Q3-End	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	—	20.00	—	25.00	45.00
FY3/20	—	22.00	—	—	—
FY3/20 (Projected)	—	—	—	25.00	47.00

(Note) Modifications in the dividend projections from the latest announcement: None

3. Forecasts for consolidated operating results for FY3/20 (April 1, 2019 to March 31, 2020)

(% figures represent changes from previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company		EPS
	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Yen
FY3/20	183,000	12.4	15,700	7.8	15,400	7.5	10,200	6.6	261.60

(Note) Modifications in consolidated operating results from the latest announcement: None

Notes

- (1) Changes in significant subsidiaries during the period, including changes in specified subsidiaries resulting in the change in consolidation scope: None
- (2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements: Applicable
 (Note) Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to quarterly consolidated financial statements (Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)” on page 14 for more details.
- (3) Changes in accounting policies, changes in accounting estimates and restatements:
 - 1. Changes in accounting policies required by revision in accounting standards: None
 - 2. Changes in accounting policies other than 1: None
 - 3. Changes in accounting estimates: None
 - 4. Restatements: None

(4) Number of shares outstanding (common stock)

- 1. Number of shares outstanding (including treasury stock) at term end
- 2. Number of shares of treasury stock as of term end
- 3. Average number of outstanding shares (H1)

September 30, 2019	39,218,330	March 31, 2019	39,218,330
September 30, 2019	227,994	March 31, 2019	227,634
FY3/20 H1	38,990,519	FY3/19 H1	38,984,507

* This summary of quarterly financial statements is exempt from quarterly review procedures by auditors.

* Note to ensure appropriate use of forecasts, and other noteworthy items:

(Notes on all forecasts in this document)

All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ. Moreover, for information regarding financial forecast earnings and the assumptions upon which they are based, and the usage of this financial forecast, please refer to the section, “1. Financial highlights for the six month period ended September 30, 2019, (3) Outlook for FY 3/20” on page 7.

(Method for obtaining supplementary explanatory information on quarterly financial results)

The Company will post supplementary explanatory information on quarterly financial results on its website.

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1. Financial highlights for the six month period ended September 30, 2019

(1) Business Performance

Our business environment remained favorable for our core business of dormitory and hotel mainly due to an increase in foreign students attending Japanese universities/colleges, in the higher-level educational establishment-going rate, and in companies to introduce a system of dormitories for employees, continued growth in the number of inbound tourism and a growing demand for domestic travel coming from ten-day Golden Week holiday in May. At the same time, there were still areas of concern, including labor shortages, the US-China trade dispute and deteriorating relations between Japan and South Korea. In addition, we were also affected by unexpected natural disasters such as torrential rainfall in the northern area of Kyushu and large typhoons. Under the circumstances, we proactively pursued further improvement of customer satisfaction and advanced development which are the two core components of the medium-term management plan.

As a result, revenue in the first half increased 18.4% year on year to ¥93,815 million mainly driven by the opening of new facilities and ten-day Golden Week holiday. The company recorded the expenses related to preparations to open new facilities, as well as the huge renewal expenses for further improvement of customer satisfaction in the first half, but these were fully offset by revenue growth and sales and lease back of real estate same as the first half of the previous fiscal year. Consequently, operating profit increased 12.7% year on year to ¥9,066 million, ordinary profit increased 14.5% to ¥8,972 million and profit attributable to owners of the company increased 14.9% to ¥6,114 million. The Company reached the highest-ever profit for the first half.

We provide details of financial performance in the first half by business segment as follows:

Dormitory Business

In the dormitory business, we have opened a total of 13 new dormitories with 1,451 rooms nationwide in the first half, including the Meiji University Global Village, a dormitory for international student exchange opened in April. The dormitory business for students achieved solid growth partially driven by an increase in foreign students attending Japanese universities/colleges, and the dormitory business for employees also saw an increase in companies to introduce a system of dormitory, as well as an increase in companies with whom we have already had transactions. As a result, initial occupancy rates at the beginning of the fiscal year in April increased 1.0 pp year on year to 98.7%, getting the year off to a good start. As a result, revenue increased 3.7% year on year to ¥25,177 million and operating profit increased 3.1% to ¥3,841 million, fully offsetting the approximately ¥190 million in expenses for the preparations to open new dormitories and approximately ¥70 million in large-scale renovation expenses for existing facilities.

Hotel Business

With respect to the Dormy Inn business, we have opened a total of 3 hotels of “Natural Hot Spring Myogi no Yu Dormy Inn Maebashi,” “Natural Hot Spring Habutae no Yu Dormy Inn Fukui,” and “Natural Hot Spring Sansa no Yu Dormy Inn Morioka,” in the first half. The number of travelers from South Korea decreased due to deterioration relations between Japan and South Korea. However, this negative impact was fully offset by growth in the number of guests from other countries, particularly China and Hong Kong. As a result, the number of inbound guests continued to increase. RevPar (the average room price multiplied by the occupancy rate for each room), one of the key performance indicators, undercut levels in the same period of the previous fiscal year in the Osaka region (*1) where the impact from the change of the number of inbound guests is high and other competitors have been focusing on supplying their new hotels. However, our nationwide expansion enabled us to cover this, and our characteristic service and unique features gave our hotels a strong popularity among domestic guests. As a result, RevPar exceeded levels in the same period of the previous year by 2.3% for existing Dormy Inn nationwide. Coupled with an increase in the number of available rooms, these factors boosted revenue and operating profit.

(*1) Although RevPar in the Osaka region undercut levels in the same period of the previous year, our RevPar by area remained the highest in the country.

In the resort business, we have opened “Echigo Yuzawa hot spring Yukemuri no Yado Yuki no Hana” and “Kotohira hot spring Oyado Shikishimakan” in the first half. Although some resort hotels were closed over a fixed time period due to construction work for renovations and natural disasters also had a negative impact, we moved our focus to a price strategy and as a result, RevPar in existing resort hotels exceeded levels in the previous fiscal year by 2.8%. Moreover, we thoroughly implemented tight control of cost by means of flexible personnel assignments tailored to occupancy conditions. As a result, although some reservations were cancelled due to natural disasters such as large typhoons, revenue increased 9.2% year on year to ¥42,632 million, and operating profit increased 10.4% to ¥5,277 million, fully offsetting the approximately ¥890 million in expenses related to preparations to open new facilities, etc. including the portion arising from new facilities scheduled to be opened in the future, as well as the approximately ¥64 million for large-scale renovation expenses for existing facilities.

Comprehensive Building Management business

In the comprehensive building management business, revenue increased 8.5% year on year to ¥8,074 million and operating profit increased 635.4% to ¥231 million mainly driven by an increase in construction projects and contracts for building custodial service.

Food Service Business

In the food service business, revenue increased 7.4% year on year to ¥3,673 million and operating profit increased 240.9% to ¥86 million mainly due to growth in the number of contracted hotel restaurants managed.

Development Business

In the development business, revenue increased 20.5% year on year to ¥11,723 million and operating profit increased 1.4 % to ¥1,061 million mainly driven by progress with development and the sales and lease back of real estate.

Other business

Our other business segments are the Senior Life business (management of senior citizen housing), the Public Kyoritsu Partnership business (PKP: commissioned services business for regional government bodies), single life support business and insurance agency business, comprehensive human resource services business, and financing and administrative outsourcing services. Revenue of the other business segments increased 9.8% year on year to ¥6,844 million and operating profit totaled ¥397 million, in comparison with an operating loss of ¥43 million in the same period of the previous fiscal year, mainly driven by steady growth of the Senior Life business and the PKP business.

(2) Consolidated Financial Position

1. Assets, Liabilities and Net assets

(Assets)

Total assets as of September 30, 2019 were ¥208,955 million, reflecting an increase of ¥6,423 million compared to the end of the previous fiscal year mainly due to an increase in cash and deposits and notes and accounts receivable-trade.

(Liabilities)

Total liabilities as of September 30, 2019 were ¥124,584 million, reflecting an increase of ¥1,623 million compared to the end of the previous fiscal year due to an increase in interest-bearing debt.

(Net assets)

Total net assets as of September 30, 2019 were ¥84,370 million, reflecting an increase of ¥4,800 million compared to the end of the previous fiscal year due to an increase in retained earnings.

Consequently, the shareholders' equity ratio at the end of the first half increased by 1.1 pp from the end of the previous fiscal year to 40.4%.

2. Consolidated Cash Flow

Consolidated cash and cash equivalents at the end of the first half increased by ¥3,787 million from the end of the previous year to ¥19,857 million.

(Cash Flow from Operating Activities)

The net cash inflow from operating activities increased by ¥5,811 million from the same period of the previous fiscal year to ¥11,924 million due to improvement in inventories.

(Cash Flow from Investing Activities)

Net cash used in investing activities increased by ¥2,936 million from the same period of the previous fiscal year to ¥13,842 million due to an increase in purchase of property, plant and equipment.

(Cash Flow from Financing Activities)

A net cash inflow in financing activities decreased by ¥1,837 million from the same period of the previous fiscal year to ¥5,747 million due to a decrease in net increase in interest-bearing debt.

(3) Outlook for FY3/20

The Company got the year off to a good start and plans to do some additional sales and lease backs of real estate in future, but in light of concerns such as the impact of Typhoon Hagibis in October and the relationship between Japan and South Korea, which remains uncertain, at this point we do not change the FY3/20 consolidated financial forecasts announced on May 15, 2019.

In addition, the company will primarily use the funds generated by the acceleration in the sales and lease back of real estate compared to the target in the medium-term management plan, to make additional investments in development to generate additional profits in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 H1 (September 30, 2019)
Assets		
Current assets		
Cash and deposits	16,643	20,413
Notes and accounts receivable–trade	9,273	13,028
Real estate for sale	288	213
Real estate for sale in process	6,815	5,147
Costs on uncompleted construction contracts	297	963
Others excluding allowance for loan losses	7,763	8,064
Allowance for loan losses	(25)	(48)
Total current assets	41,056	47,782
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,411	47,444
Land	44,598	42,999
Construction in progress	17,615	13,217
Others, net	3,365	3,720
Total property, plant and equipment	108,991	107,382
Intangible assets	3,236	3,402
Investments and other assets		
Investment securities	5,126	4,836
Guarantee deposits	16,462	16,490
Lease deposits	14,981	15,130
Others excluding allowance for doubtful accounts	12,201	13,505
Allowance for doubtful accounts	(202)	(209)
Total investments and other assets	48,569	49,753
Total non-current assets	160,796	160,537
Deferred assets	678	634
Total assets	202,531	208,955

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(Unit: Millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 H1 (September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	6,788	8,330
Short-term loans payable	10,420	20,962
Current portion of bonds	5,730	5,505
Income taxes payable	2,985	3,301
Provision for bonuses	2,359	1,588
Provision for directors' bonuses	495	263
Provision for warranties for completed construction	9	9
Provision for point card certificates	3	3
Others	21,247	15,204
Total current liabilities	50,040	55,168
Non-current liabilities		
Bonds payable	39,100	36,460
Convertible bond-type bonds with subscription rights to shares	19,995	19,995
Long-term loans payable	7,707	6,779
Director retirement benefit reserve	271	250
Provision for point card certificates	6	5
Net defined benefit liability	1,083	1,115
Others	4,757	4,809
Total non-current liabilities	72,921	69,416
Total liabilities	122,961	124,584
Net assets		
Shareholders' equity		
Capital stock	7,960	7,960
Capital surplus	12,816	12,816
Retained earnings	59,186	64,326
Treasury shares	(349)	(351)
Total shareholders' equity	79,613	84,751
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	367	213
Foreign currency translation adjustment	(422)	(603)
Remeasurements of defined benefit plans	11	8
Total accumulated other comprehensive income	(43)	(381)
Total net assets	79,570	84,370
Total liabilities and net assets	202,531	208,955

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(2) Quarterly consolidated income statement and comprehensive income statement
(Quarterly consolidated income statement – H1)

(Unit: Millions of yen)

	FY3/19 H1 (April 1, 2018 to September 30, 2018)	FY3/20 H1 (April 1, 2019 to September 30, 2019)
Revenue	79,204	93,815
Cost of goods sold	59,777	72,780
Gross profit	19,427	21,034
Selling, general and administrative expenses	11,383	11,967
Operating profit	8,044	9,066
Non-operating profit		
Interest income	35	37
Dividend income	47	66
Settlement money received	—	80
Others	84	97
Total non-operating profit	166	281
Non-operating expense		
Interest expenses	215	174
Others	156	201
Total non-operating expenses	372	375
Ordinary profit	7,839	8,972
Extraordinary profit		
Gain on sales of investment securities	18	217
Others	—	2
Total extraordinary profit	18	219
Extraordinary losses		
Loss due to disaster	20	—
Loss on sales of property, plant and equipment	3	—
Loss on valuation of golf club membership	—	5
Total extraordinary losses	24	5
Profit before income taxes	7,833	9,187
Income tax expenses	2,514	3,073
Net profit	5,319	6,114
Profit attributable to owners of the Company	5,319	6,114

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(Quarterly consolidated comprehensive income statements – H1)

(Unit: Millions of yen)

	FY3/19 H1 (April 1, 2018 to September 30, 2018)	FY3/20 H1 (April 1, 2019 to September 30, 2019)
Net profit	5,319	6,114
Other comprehensive income		
Valuation difference on available-for-sale securities	124	(153)
Cumulative translation adjustment	59	(181)
Remeasurements of defined benefit plans	(1)	(2)
Total other comprehensive income	181	(337)
Comprehensive income	5,501	5,776
(Details)		
Comprehensive income attributable to owners of the Company	5,501	5,776

(3) Quarterly Consolidated Statement of Cash Flow– H1

(Unit: million yen)

	FY3/19 H1 (April 1, 2018 to September 30, 2018)	FY3/20 H1 (April 1, 2019 to September 30, 2019)
Cash flow from operating activities		
Profit before income taxes	7,833	9,187
Depreciation expenses	2,266	2,506
Amortization of long-term prepaid expenses	159	170
Amortization of guarantee deposits	140	125
Increase (decrease) in provision for bonuses	(718)	(771)
Interest and dividend income	(82)	(103)
Interest expenses	215	174
Loss (gain) on sales of investment securities	(18)	(217)
Loss on valuation of golf club memberships	—	5
Loss (gain) on sales of property, plant and equipment	3	—
Loss due to disaster	20	—
Increase (decrease) in accrued expenses	8	(354)
Decrease (increase) in notes and accounts receivable – trade	2,500	(3,759)
Decrease (increase) in accounts receivable - other	535	409
Decrease (increase) in inventories	(2,216)	10,746
Increase (decrease) in notes and accounts payable – trade	54	1,544
Increase (decrease) in advances received	(2,268)	(2,832)
Increase (decrease) in accounts payable – other	717	(139)
Increase (decrease) in accrued consumption taxes	203	(1,038)
Increase (decrease) in deposits received	(402)	(882)
Increase (decrease) in guarantee deposits received	15	(10)
Others	(244)	4
Subtotal	8,721	14,763
Interest and dividend income received	48	69
Interest expenses paid	(215)	(179)
Income taxes refund	0	0
Income taxes paid	(2,442)	(2,729)
Cash flow from operating activities	6,112	11,924
Cash flow from investing activities		
Purchase of securities	(275)	—
Proceeds from sales of securities	46	286
Purchase of property, plant and equipment	(8,098)	(12,294)
Proceeds from sales of property, plant and equipment	2	686
Purchase of intangible assets	(127)	(264)
Payments of loans receivable	(365)	(702)
Collection of loans receivable	157	158
Payments for lease and guarantee deposits	(1,421)	(1,056)
Proceeds from collection of lease and guarantee deposits	81	100
Purchase of insurance funds	(550)	(558)
Proceeds from cancellation of insurance funds	—	9
Others	(355)	(207)
Cash flow from investing activities	(10,906)	(13,842)

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(Unit: million yen)

	FY3/19 H1 (April 1, 2018 to September 30, 2019)	FY3/20 H1 (April 1, 2019 to September 30, 2020)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	14,848	10,597
Repayments of long-term loans payable	(3,989)	(983)
Redemption of bonds	(2,385)	(2,866)
Purchase of treasury shares	(7)	(1)
Cash dividends paid	(856)	(974)
Others	(24)	(24)
Cash flow from financing activities	7,584	5,747
Effect of exchange rate change on cash and cash equivalents	16	(42)
Net increase (decrease) in cash and cash equivalents	2,808	3,787
Cash and cash equivalents at beginning of period	16,972	16,070
Increase in cash and cash equivalents resulting from merger	9	—
Cash and cash equivalents at end of period	19,790	19,857

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable

(Significant Changes in the amount of Shareholders' Equity)

Not applicable

(Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)

(Calculation of income tax expenses)

The Company applies the method that reasonably estimates an effective tax rate to be assessed on profit before income tax expenses for FY3/20, including the first six month ended September 30, 2019, after accounting for the tax effects, and multiplies profit before income tax expenses during the six month ended September 30, 2019 by this estimated effective tax rate. However, in the event that the estimate for the effective tax rate appears to lack logical rationale, then the legally determined effective tax rate is employed.

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(Segment information)

I. First half of FY3/19 (From April 1, 2018 to September 30, 2018)

1. Revenue, profit and loss by reporting segment

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in quarterly consolidated financial statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	24,115	38,959	3,558	637	5,966	73,237	5,966	79,204	—	79,204
Intersegment revenue and transfers	168	84	3,881	2,783	3,765	10,682	265	10,948	(10,948)	—
Total	24,283	39,043	7,440	3,420	9,732	83,920	6,232	90,153	(10,948)	79,204
Profit and loss	3,727	4,782	31	25	1,046	9,613	(43)	9,570	(1,525)	8,044

- (Notes) 1. “Others” is not considered as a reporting business segment and is incorporated in the Senior Life business (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services and other related services.
2. Adjustment for segment loss of ¥1,525 million includes profit of ¥36 million for inter-segment transaction eliminations and loss of ¥1,562 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily made up of corporate management divisions’ expenses.
3. Segment profit or loss has been adjusted to operating profit described in the quarterly consolidated income statement.

2. Impairment accounting losses and goodwill amortization of fixed assets by reporting segment

Not applicable

II. First half of FY3/20 (From April 1, 2019 to September 30, 2019)

1. Revenue, profit and loss by reporting segment

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in quarterly consolidated financial statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	25,017	42,559	3,810	683	15,193	87,265	6,549	93,815	—	93,815
Intersegment revenue and transfers	159	72	4,263	2,989	(3,469)	4,016	294	4,310	(4,310)	—
Total	25,177	42,632	8,074	3,673	11,723	91,281	6,844	98,125	(4,310)	93,815
Profit and loss	3,841	5,277	231	86	1,061	10,497	397	10,895	(1,829)	9,066

- (Notes) 1. “Others” is not considered as a reporting business segment and is incorporated in the Senior Life business (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services and other related services.
2. Adjustment for segment loss of ¥1,829 million includes loss of ¥158 million for inter-segment transaction eliminations and loss of ¥1,670 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily made up of corporate management divisions’ expenses.
3. Segment profit or loss has been adjusted to operating profit described in the quarterly consolidated income statement.

2. Impairment accounting losses and goodwill amortization of fixed assets by reporting segment

Not applicable