



Consolidated Financial Results for the First Quarter of 2018 (Three Months Ended March 31, 2018)

[Japanese GAAP]

May 7, 2018

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Stock code: 2429

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Listing: Tokyo Stock Exchange, First Section

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Scheduled date of filing of Quarterly Report:

May 14, 2018

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of 2018 (January 1 to March 31, 2018)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Mar. 31, 2018	30,111	3.6	570	(69.1)	553	(69.5)	148	(86.6)
Three months ended Mar. 31, 2017	29,074	27.9	1,845	11.0	1,810	10.6	1,108	9.2

Note: Comprehensive income (millions of yen) Three months ended Mar. 31, 2018: 180 (down 84.3%)

Three months ended Mar. 31, 2017: 1,150 (up 13.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2018	8.83	8.68
Three months ended Mar. 31, 2017	66.31	65.29

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	78,097	17,934	21.2	985.97
As of Dec. 31, 2017	80,039	19,140	22.3	1,059.91

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2018: 16,583

As of Dec. 31, 2017: 17,818

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2017	-	0.00	-	82.70	82.70
2018	-	-	-	-	-
2018 (forecast)	-	0.00	-	82.80	82.80

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for 2018 (January 1 to December 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	61,064	7.4	1,154	(61.3)	1,050	(64.4)	656	(68.2)	39.04
Full year	145,137	14.1	7,288	3.2	7,083	1.1	4,635	0.5	275.73

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 10 for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Mar. 31, 2018:	16,940,500 shares	As of Dec. 31, 2017:	16,932,500 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2018:	120,876 shares	As of Dec. 31, 2017:	120,846 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2018:	16,815,313 shares	Three months ended Mar. 31, 2017:	16,710,998 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of 2018, the slow recovery of the Japanese economy continued with the support of firm internal and external demand. The pace of economic growth was somewhat slower mainly because of the yen's appreciation and the rising cost of crude oil. In the March Bank of Japan tankan report, a business sentiment diffusion index of large companies and manufacturers was 24, 2 points below the previous survey in December 2017 and the first decline in two years. The primary cause was increasing expenses associated mostly with the higher cost of raw materials, the yen's appreciation and Japan's labor shortage. Nevertheless, business sentiment is still at approximately the same high level as it was before the start of the global financial crisis. However, the employment conditions diffusion index declined further because of Japan's persistently tight supply of labor. In addition, the average job openings-to-applicants ratio in the first quarter of 2018 has remained high at 1.59, showing that the labor shortage at companies is becoming increasingly severe.

In the core Human Resources and Education Business, the operating environment is on the verge of a significant shift caused by 2013 amendments to the Labor Contracts Act, and 2015 amendments to the Worker Dispatching Act. The performance of the World Holdings Group benefited significantly from the ongoing implementation of our medium-term management plan. This plan has the goal of establishing a new position for our group in the human resources and education sector by creating new businesses and services.

In the Real Estate Business, first quarter sales and earnings declined. The cause was adjustments to the timing of some property sales associated with development projects to reflect market conditions. The national average official land price announced by the Ministry of Land, Infrastructure, Transport and Tourism has increased for three consecutive years. The renovation business, which is the most important activity in this business, continued to perform well. As a result, we made progress with building a balanced profit structure based on the goals of the medium-term management plan.

The performance of the Information and Telecommunications Business, where Japan's mobile phone sector is at the saturation level, benefited from activities in prior years to build a network of outstanding stores, upgrade customer services and make other improvements. Sales and earnings were higher as the number of smartphones sold increased significantly.

Net sales increased 3.6% year on year to 30,111 million yen. Operating profit decreased 69.1% to 570 million yen, ordinary profit decreased 69.5% to 553 million yen, and profit attributable to owners of parent decreased 86.6% to 148 million yen.

Results by business segment are described below.

Factory Staffing Business

Sales in this segment were supported by large contracts primarily in the semiconductor and machinery sectors and by the growth in the provision of logistics workers, which is a major strength of the Factory Business. Extensive negotiations to increase fees in order to reflect the higher value of the people we send to client companies also contributed to sales.

We have been receiving increasingly larger orders as companies requiring workers recognize the World Holdings Group's outstanding compliance with amended laws, transparency of operations, and commitment to training and retaining people. To handle these large projects, we are making numerous up-front investments. For example, we hired several hundred people and started giving them skills needed for assignments in order to be prepared for upcoming projects. There were also training activities and the establishment of a new administrative structure in order to prepare for the opening of a new location in the second quarter or later that will serve logistics companies.

The number of people registered on our Job Paper website is now more than 53,000 as we continue to add more target segments for our recruitment activities. Furthermore, the number of new graduates that we recruited was about 240 in the first quarter, almost twice as many as one year earlier. All of these new people were quickly given assignments.

In Fukushima prefecture, a project we have been performing on an outsourcing basis to find employment for people affected by the March 2011 earthquake and tsunami has created jobs for more than 15,000 people during the eight-year period since this disaster. In addition to this employment assistance project, we operate the Job Department Store that helps women raising children to find work, started operating a telework base and have other activities to create jobs for people affected by this disaster.

As a result, sales were 11,320 million yen, up 29.6% year on year and segment profit decreased 7.6% to 653 million yen.

Technology Staffing Business

There is strong demand in Japan for engineers specializing in the fields of mechanical design development and system design development. We upgraded training capabilities in order to provide a stable supply of these engineers, which resulted in more growth in the number of people on assignments and sales. To handle the increasing number of contracts in this business, we expanded operating bases to Sendai, Utsunomiya and other cities. This creates a sound infrastructure for continued growth in this business category.

We have been working on growth of the education and training business for some time. We invested in the training of mechanical design engineers, a program that uses CATIA and other courses with the support of Advan Inc., and for the training of system integration engineers that includes Java programming and other training. In the construction section, which specializes in construction engineers, we upgraded training programs for Tfas and other CAD skills. This course gives people with no experience in this field a way to acquire the knowledge required for construction project assignments.

To recruit sufficient numbers of people, we used our enlarged training activities to increase the number of inexperienced people we hire. In addition, our new graduate recruiting unit has established strong ties with many universities. Due to these activities, we hired inexperienced individuals as well as more than 100 new college graduates during the first quarter.

The repair section, which handles audio-visual products and home appliances, performed well because of the success of a reexamination of business channels. Most significant was a big improvement in the profit margin at NIKKEN TECHNO CO., LTD., which repairs cameras, due to structural reforms.

SAIHI JOHO SERVICE CO., LTD. (SAINS), a company with much experience handling outsourced projects, was acquired for the purpose of giving the system design development section a stronger framework for performing outsourced work. SAINS is included only in the consolidated balance sheet in the first quarter of 2018 and is to be included in the consolidated statement of income starting in April.

Sales were 3,151 million yen, up 9.9% year on year and segment profit decreased 14.7% to 250 million yen.

R&D Staffing Business

There were many initiatives in this business involving recruiting, training and creating proposals for customers in order to grow in value-added market sectors, mainly involving chemicals and biotechnology. Taking these actions resulted in higher fees, which contributed to increases in sales and earnings. Other measures included building a training environment for research personnel, a key element of this business, and further improving the training environment for supervisory personnel. By developing a team of workers who are loyal to the World Holdings Group, our goal is to strengthen our capabilities and workforce retention rate and achieve more improvements in the quality of our people and services. To recruit new graduates, we concentrated on improvements in our recruiting organization and methods and our branding in order to attract skilled research engineers. In all, we recruited about 70 people during the first quarter, mostly people with a master's or PhD degree.

DOT WORLD CO., LTD. is a clinical research outsourcing company that performs clinical trials for client companies. Sales and earnings were higher than planned because of growth in orders for research projects.

Sales were 1,594 million yen, up 11.7% year on year and segment profit increased 4.6% to 100 million yen.

Sales & Marketing Staffing Business

To further increase the speed of business model reforms that started in 2017, WORLD STAFFING CO., LTD. was established as a company that specializes in temporary placements based on registrations. To enter fields with more added value, we reexamined the job categories and business domains and made up-front investments to reinforce administrative sections and make other improvements.

Sales were 1,046 million yen, down 33.5% year on year and segment loss was 12 million yen, compared with a segment profit of 72 million yen in the first quarter of 2017.

Real Estate Business

The Real Estate Business has the strategic objective of maintaining a business portfolio that has a stable foundation and can aim for the highest possible earnings. In the first quarter, this business continued to generate sales with a well-balanced composition by pursuing this strategy.

The performance of each category of this segment was as follows.

The real estate development business completed the sale of 27.5 condominium units and sold one site for business use. The result was property sales of 3,220 million yen. Sales from real estate brokerage and other activities totaled 699 million yen.

In the renovation business, where the first quarter is usually the busiest period of every year, 162 residences were sold, mainly at Mikuni Co., Ltd. This was an increase of about 50% from one year earlier. Sales totaled 3,337 million yen. During the first quarter, offices were opened in Saitama and Nara prefectures as this business continues to expand to more areas of Japan.

In the detached house business, Hoei Construction Co., Ltd. sold 64 custom-built houses. This company has been the largest builder of custom-built houses in the city of Sapporo for the past two years, according to Hokkaido Jutaku Tsushin. Sales were 1,608 million yen. By taking advantage of synergies with the World Holdings Group, Hoei Construction opened a branch in the Sendai area, where the group already has real estate development activities. This positions the detached house business for more growth.

In the prefabricated house business, Omachi World Co., Ltd. has a rental business and sells prefabricated houses. Sales totaled 331 million yen.

Sales were 9,194 million yen, down 24.3% year on year and segment profit decreased 79.8% to 217 million yen.

Information and Telecommunications Business

There was a big increase in the number of smartphones sold even though sales of mobile phones are slowing down in all areas of Japan. The main reason was the success of recent measures to build a network of outstanding stores. We renovated and relocated stores and gave our people training to improve their customer interaction skills. Although sales were higher, earnings were down from one year earlier because of upfront investments in the 16 stores added during 2017 and employee training programs.

This business also includes services that enable small and midsize companies to cut costs. We started a sales agent business for the distribution of LED lights and other products and now have a large number of distributors for these products. This gives us a sound base for increasing sales of these products.

Sales were 3,349 million yen, up 56.6% year on year and segment profit decreased 44.8% to 37 million yen.

Others

Advan Inc., which operates PC schools, recorded higher sales and earnings because of strong sales in its creative sector, which covers subjects such as website design and online sales. Furthermore, Advan significantly contributed to improve the skills of engineers, mainly in the Technology Staffing Business, by creating synergy with the Human Resources and Education Business.

Farm Co., Ltd., which operates agricultural parks, and its subsidiary made upgrades to facilities, such as the addition of exercise equipment, and started preparations for other new activities. The objective is to attract more

people during the busy spring season. Also, by using synergies with other World Holdings Group companies, Farm played an instrumental role in receiving a management outsourcing contract to operate the Kitakyushu Municipal Agriculture Center for the city of Kitakyushu. The center is operated by World Mikuni Joint Venture, which is led by World Intec Co., Ltd. and includes Mikuni and Farm.

Sales were 454 million yen, up 152.5% year on year and there was a segment loss of 196 million yen, compared with a segment profit of 13 million yen in the first quarter of 2017.

(2) Explanation of Financial Position

Assets

Total assets decreased 1,942 million yen from the end of 2017 to 78,097 million yen at the end of the first quarter of 2018. This was mainly due to a decrease of 4,546 million yen in cash and deposits, increases of 356 million yen in merchandise and finished goods, 812 million yen in real estate for sale, and 774 million yen in real estate for sale in process.

Liabilities

Total liabilities decreased 736 million yen from the end of 2017 to 60,163 million yen. This was mainly due to increases of 634 million yen in short-term loans payable to fund purchases of real estate for sale, 477 million yen in provision for bonuses, decreases of 1,011 million yen in income taxes payable and a 1,091 million yen in long-term loans payable.

Net assets

Net assets decreased 1,205 million yen from the end of 2017 to 17,934 million yen mainly due to a 1,245 million yen decrease in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The Company maintains its first-half and full-year consolidated forecasts that were announced in the “Consolidated Financial Results for 2017” on February 13, 2018.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	2017 (As of Dec. 31, 2017)	First quarter of 2018 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	18,227	13,680
Notes and accounts receivable-trade	10,204	9,898
Merchandise and finished goods	889	1,246
Real estate for sale	12,324	13,137
Work in process	117	137
Real estate for sale in process	24,684	25,459
Deferred tax assets	416	423
Other	3,499	4,767
Allowance for doubtful accounts	(48)	(47)
Total current assets	70,315	68,703
Non-current assets		
Property, plant and equipment	4,707	4,759
Intangible assets		
Goodwill	1,552	1,402
Other	368	344
Total intangible assets	1,921	1,747
Investments and other assets		
Investment securities	821	576
Deferred tax assets	659	661
Lease and guarantee deposits	847	869
Other	845	858
Allowance for doubtful accounts	(77)	(77)
Total investments and other assets	3,094	2,888
Total non-current assets	9,724	9,394
Total assets	80,039	78,097
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,286	1,647
Accounts payable-real estate	1,187	817
Short-term loans payable	33,094	33,729
Accrued expenses	5,827	4,957
Income taxes payable	1,509	498
Accrued consumption taxes	1,323	1,137
Provision for bonuses	72	550
Other	4,874	6,174
Total current liabilities	49,175	49,511
Non-current liabilities		
Long-term loans payable	9,566	8,474
Provision for directors' retirement benefits	547	572
Net defined benefit liability	1,181	1,236
Other	428	367
Total non-current liabilities	11,724	10,652
Total liabilities	60,899	60,163

	(Millions of yen)	
	2017 (As of Dec. 31, 2017)	First quarter of 2018 (As of Mar. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	768	773
Capital surplus	949	955
Retained earnings	16,169	14,923
Treasury shares	(126)	(126)
Total shareholders' equity	17,761	16,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36	38
Foreign currency translation adjustment	11	6
Remeasurements of defined benefit plans	9	11
Total accumulated other comprehensive income	57	57
Subscription rights to shares	133	130
Non-controlling interests	1,187	1,219
Total net assets	19,140	17,934
Total liabilities and net assets	80,039	78,097

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Three-month Period)**

(Millions of yen)

	First three months of 2017 (Jan. 1 – Mar. 31, 2017)	First three months of 2018 (Jan. 1 – Mar. 31, 2018)
Net sales	29,074	30,111
Cost of sales	23,256	24,909
Gross profit	5,818	5,201
Selling, general and administrative expenses	3,973	4,631
Operating profit	1,845	570
Non-operating income		
Subsidy income	5	9
Other	38	35
Total non-operating income	43	45
Non-operating expenses		
Interest expenses	57	47
Other	21	15
Total non-operating expenses	78	63
Ordinary profit	1,810	553
Extraordinary losses		
Loss on disaster	-	11
Total extraordinary losses	-	11
Profit before income taxes	1,810	541
Income taxes	662	359
Profit	1,148	181
Profit attributable to non-controlling interests	40	33
Profit attributable to owners of parent	1,108	148

(Quarterly Consolidated Statement of Comprehensive Income)
(For the Three-month Period)

(Millions of yen)

	First three months of 2017 (Jan. 1 – Mar. 31, 2017)	First three months of 2018 (Jan. 1 – Mar. 31, 2018)
Profit	1,148	181
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	2
Foreign currency translation adjustment	(1)	(6)
Remeasurements of defined benefit plans, net of tax	7	2
Total other comprehensive income	1	(1)
Comprehensive income	1,150	180
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,111	148
Comprehensive income attributable to non-controlling interests	39	32

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries during the Period

Not applicable.

The following information is provided even though these three actions were not a change in a significant subsidiary.

SAIHI JOHO SERVICE CO., LTD. became a consolidated subsidiary in the first quarter of 2018 following the acquisition of its shares by the Company on February 28, 2018.

NIKKEN SERVICE CO., LTD., which was a consolidated subsidiary in 2017, is no longer included in the consolidated financial statements because this company was dissolved following its absorption and merger with consolidated subsidiary NIKKEN TECHNO CO., LTD. on January 1, 2018.

WORLD STAFFING CO., LTD., which was a non-consolidated subsidiary in 2017, is included in the consolidated financial statements starting in the first quarter of 2018 because of the increasing significance of this company.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

The tax expenses are calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year in which the quarter under review falls, and multiplying that rate by the profit before income taxes for the quarter under review. However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

Segment Information

I. First three months of 2017 (Jan. 1 – Mar. 31, 2017)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni- cations Business	Subtotal				
Net sales											
Sales to external customers	8,738	2,866	1,426	1,572	12,151	2,138	28,894	180	29,074	-	29,074
Inter-segment sales and transfers	-	113	-	126	4	3	247	15	262	(262)	-
Total	8,738	2,980	1,426	1,699	12,155	2,141	29,142	195	29,337	(262)	29,074
Segment profit	706	294	95	72	1,076	67	2,312	13	2,326	(481)	1,845

- Notes:
1. "Others" represent businesses not included in reportable segments and include outsourced government agency tasks, the operation of personal computer schools and other services.
 2. The -481 million yen adjustment to segment profit includes elimination for inter-segment transactions of 5 million yen, and -475 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Goodwill was booked in the "Real Estate Business" segment as the Company has acquired the shares of Hoen Construction and made it a consolidated subsidiary.

The event caused the amount of goodwill to increase by 446 million yen during the first quarter of 2017.

Goodwill was booked in the "Others" segment as the Company has acquired the shares of Farm Co., Ltd. and made it a consolidated subsidiary.

The event caused the amount of goodwill to increase by 452 million yen during the first quarter of 2017.

Significant gain on bargain purchase

Not applicable.

II. First three months of 2018 (Jan. 1 – Mar. 31, 2018)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni- cations Business	Subtotal				
Net sales											
Sales to external customers	11,320	3,151	1,594	1,046	9,194	3,349	29,656	454	30,111	-	30,111
Inter-segment sales and transfers	-	115	-	39	3	4	163	21	184	(184)	-
Total	11,320	3,266	1,594	1,085	9,198	3,354	29,819	475	30,295	(184)	30,111
Segment profit (loss)	653	250	100	(12)	217	37	1,246	(196)	1,049	(478)	570

- Notes:
1. "Others" represent businesses not included in reportable segments and include the operation and management of agricultural parks, the operation of personal computer schools, the production of websites and other services.
 2. The -478 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 12 million yen, and -491 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profits (loss) are adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.