

Summary of Business Results for the Third Quarter Ended March 31, 2019

[Japan GAAP] (Consolidated)

May 13, 2019

Company **HOUSE DO Co., Ltd.**
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Listed on the TSE

Expected date of filing of quarterly report: May 14, 2019 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Holding of quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended March 2019 (July 1, 2018 through March 31, 2019)

(1) Consolidated results of operations (% change 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 Mar. 31, 2019	21,567	44.6	1,915	44.1	1,794	50.5	1,251	68.5
Nine months ended Mar. 31, 2018	14,910	15.9	1,329	42.6	1,192	47.1	742	43.9

(Note) Comprehensive income:

Nine months ended Mar. 31, 2019: 1,226 million yen (up 65.6%)

Nine months ended Mar. 31, 2018: 740 million yen (up 43.3%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Mar. 31, 2019	64.49		62.25	
Nine months ended Mar. 31, 2018	37.26		36.28	

(Note) The Company conducted a 2-for-1 stock split on July 1, 2018. Net income per share and diluted net income per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	36,654	10,501	28.6	539.21
As of Jun. 30, 2018	30,621	9,686	31.6	498.52

(Reference) Shareholders' equity:

As of Mar. 31, 2019: 10,471 million yen

As of Jun. 30, 2018: 9,664 million yen

(Note) The Company conducted a 2-for-1 stock split on July 1, 2018. Net assets per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

* The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Figures as of June 30, 2018 have been adjusted retrospectively in accordance with these amendments.

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2018	-	0.00	-	45.00	45.00
Fiscal year ending Jun. 30, 2019	-	0.00	-		
Fiscal year ending Jun. 30, 2019 (forecast)				31.00	31.00

(Notes) 1. Revisions to the most recently announced dividend forecast: None

2. The Company conducted a 2-for-1 common stock split on July 1, 2018. Dividends for the fiscal year ended June 30, 2018 are the actual amounts before the stock split.

3. Forecast of consolidated business results for the fiscal year ending June 2019

(July 1, 2018 through June 30, 2019)

(% change from the previous corresponding period)

	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
Fiscal year ending Jun. 30, 2019	27,499	22.1	3,246	53.4	3,000	57.2	1,983	55.0	102.32

(Note) Revisions to the most recently announced business forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements:
Yes

(Note) Please refer to the section “2. (3) Notes to Quarterly Consolidated Financial Statements” on page 9 of the attachments for further information.

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

- | | |
|--|--------|
| 1) Changes in accounting policies associated with revision of 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 issued (common stock)

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

As of Mar. 31, 2019	19,420,800 shares
As of Jun. 30, 2018	19,386,800 shares

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

As of Mar. 31, 2019	466 shares
As of Jun. 30, 2018	466 shares

3) Average number of shares during the period (cumulative)

Nine months ended Mar. 31, 2019	19,401,633 shares
Nine months ended Mar. 31, 2018	16,997,508 shares

*** The current quarterly financial report is not subject to quarterly reviews by certified public accountants or auditing firms.**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution Concerning Forward-looking Statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

HOUSEDO has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Financial statements in the prior fiscal year have been adjusted retrospectively in accordance with these amendments in order to facilitate comparisons with performance in the current fiscal year and other analysis.

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending on June 30, 2019, although there were concerns over the effects on the global economy of a slowing Chinese economy and the U.S.-China trade friction, domestic demand continued to improve due to the Japanese government’s support of an extremely accommodative monetary policy and large expenditures to support the economy. Nevertheless, there are concerns about the economic outlook in Japan and overseas because of U.S. economic policies, concerns about slowing economic growth overseas and Japan’s planned consumption tax hike and other events.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about the upward pressure on prices of properties as the cost of land continues to climb and the cost of raw materials moves up. But demand for housing is remaining firm with the support of improvements in the labor market and personal income, tax deductions that lower the cost of buying residences, and the continuation of monetary easing by the Bank of Japan.

The HOUSEDO Group is currently implementing a medium-term plan that will end on June 30, 2019. Increasing the share of sales derived from operations in our business portfolio that generate steady income is one goal in order to earn consistent profits and achieve steady growth. In the Franchisee Business, we launched the RENT Do! brand in order to add real estate rental activities to the existing real estate buying and selling franchising business. The aim of this new brand is to increase the number of franchised stores and offer a larger selection of services. The House-Leaseback Business increased its earnings by building a base of steady income by purchasing rental properties and by establishing a scheme for generating capital gains by selling properties to real estate funds, real estate companies and other buyers. In the Real Estate Finance Business, we continued to strengthen operations that combine real estate and financing by providing loans secured by real estate and using alliances with financial institutions to guarantee reverse mortgages.

In the Real Estate Buying and Selling Business, we increased purchases of real estate for sale, mainly in locations served by our directly operated stores. With the Real Estate Brokerage Business serving as the foundation for all operations, our aim is to capture synergies by using a unified three-part business scheme encompassing real estate brokerage, buying and renovation. By leveraging these synergies while continuing to function as a one-stop source of housing services, we concentrated on meeting our customers’ needs.

The HOUSEDO Group reported net sales of 21,567 million yen (up 44.6% year on year), operating profit of 1,915 million yen (up 44.1% year on year), ordinary profit of 1,794 million yen (up 50.5% year on year) and profit attributable to owners of parent of 1,251 million yen (up 68.5% year on year).

Results by business segment were as follows.

(As of March 31, 2019)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	2,046	103 new franchisee contracts, raising total to 578 101 new franchised stores, raising total to 481
House-Leaseback Business	8,344	383 properties purchased, raising holdings to 543; 404 properties sold
Real Estate Finance Business	573	135 real estate secured loans; 101 guarantees for reverse mortgages
Real Estate Buying and Selling Business	6,908	305 transactions
Real Estate Brokerage Business	1,389	2,247 brokered properties
Renovation Business	2,282	1,710 contracts; 1,622 renovation completions
Other Business	22	(Europe/US style) real estate agent and auto loan businesses, and overseas business expenses
Total	21,567	-

a. Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first nine months of the current fiscal year. Measures to encourage real estate companies in urban areas to become franchisees and advertising and promotional activities using television, radio and other media contributed to this growth. In addition, the increasing number of franchised stores is raising public awareness and the value of the corporate brand of and public trust in HOUSEDO. There is a need for dual stores that are both satellite stores and stores specializing in buying houses and other real estate in order to raise earnings by combining real estate brokerage and buying. Furthermore, the recently launched RENT Do! brand is generating a steadily increasing volume of calls from potential franchisees. During the first nine months of the current fiscal year, there were 103 new franchisee contracts, raising the total to 578 at the end of March 2019.

The establishment of a franchisee follow-up system using supervisors and upgrades to a variety of new services further contributed to the performance of this business. Due in part to these actions, we opened 101 stores during the first nine months of the current fiscal year, raising the total to 481 at the end of March 2019.

As a result, the segment recorded sales of 2,046 million yen (up 13.0% year on year) and segment profit of 1,227 million yen (up 9.8%).

b. House-Leaseback Business

Television, radio and other advertising and marketing activities raised public awareness of this business and enhanced public trust in HOUSEDO. As a result, there are now more than 1,000 inquiries from prospective customers every month. The ability of this business to meet needs for the effective use of real estate and the conversion of real estate into a source of cash flows contributed to a strong performance in the first nine months of the current fiscal year. This business completed the purchase of 383 new properties, and the number of residential properties owned by this business was 543 at the end of the first nine months of the current fiscal year. All of these properties are generating leasing income. In addition, this business resold, sold to funds or sold in other ways a total of 404 properties in order to earn capital gains that contribute to earnings growth.

As a result, the segment recorded sales of 8,344 million yen (up 189.4% year on year) and segment profit of 1,055 million yen (up 128.9%).

c. Real Estate Finance Business

This business provides loans secured by real estate and reverse mortgage guarantees by using the HOUSEDO Group's nationwide network of real estate assessment expertise, one of the Group's core strengths. Both of these businesses combine real estate and financing in order to meet customers' financing requirements through the use of real estate. During the first nine months of the current fiscal year, there were 135 new loans secured by real estate and 101 reverse mortgage guarantee as this business met a broad array of customers' financing requirements and formed alliances with more financial institutions. In addition, selling, general and administrative expenses increased as we developed our internal system in preparation for an expected increase in financing deals and up-front investments in human resources.

As a result, the segment recorded sales of 573 million yen (up 59.5% year on year) and segment profit of 89 million yen (down 13.1%).

d. Real Estate Buying and Selling Business

There is strong demand among people in Japan to buy houses as interest rates on mortgages remain extremely low. To meet this demand, we are purchasing properties that match the requirements of brokerage customers in areas served by our directly operated stores. Due to these activities, there was steady progress with selling real estate for sale, and there were 305 transactions (up 18.7% year on year) during the first nine months of the current fiscal year. On the other hand, advertising and promotion expenses increased due to activities to raise the number of transactions, and brokerage fee associated with buying and selling transactions also increased.

As a result, the segment recorded sales of 6,908 million yen (up 10.0% year on year) and segment profit of 581 million yen (down 3.1%).

e. Real Estate Brokerage Business

We used a variety of advertising and marketing activities to bring in more people to our stores. Activities include our own website advertisements, newspaper inserts, television and radio commercials and other media promotions, and the distribution of local real estate information individually to people living near stores. To shift more people to our core business operations, one directly operated store was closed. Due to this change, the number of brokerage transactions was 2,247 (down 1.1% year on year). However, real demand for houses has been consistently strong because interest rates on mortgages are still extremely low.

As a result, the segment recorded sales of 1,389 million yen (up 2.6% year on year) and segment profit of 366 million yen (up 11.9%).

f. Renovation Business

This business used a collaboration with the Real Estate Brokerage Business to sell existing homes with renovation orders as a single package. Moreover, we held many joint renovation fairs with housing equipment manufacturers to attract customers. During the first nine months of the current fiscal year, 1,710 renovation contracts were made, up 5.6% from one year earlier, and the number of renovation completions was 1,622, up 1.6%.

As a result, the segment recorded sales of 2,282 million yen (up 2.7% year on year) and segment profit of 228 million yen (up 19.8%).

(2) Explanation of Financial Condition

Assets

Total assets amounted to 36,654 million yen at the end of the third quarter under review, an increase of 6,033 million yen over the end of the previous fiscal year.

This was mainly attributable to increases of 4,357 million yen in cash and deposits and 1,830 million yen in operating loans, while there was a decrease of 422 million yen in property, plant and equipment due to sales of non-current assets in the House-Leaseback Business.

Liabilities

Liabilities totaled 26,153 million yen, an increase of 5,218 million yen over the end of the previous fiscal year.

There were increases of 6,327 million yen in short-term loans payable and 202 million yen in current portion of long-term loans payable, while there was a decrease of 1,381 million yen in long-term loans payable.

Net assets

Net assets totaled 10,501 million yen, an increase of 814 million yen over the end of the previous fiscal year.

Retained earnings increased 1,251 million yen because of the booking of profit attributable to owners of parent for the first nine months, while there was a decrease of 436 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2018 (As of Jun. 30, 2018)	Third quarter of FY2019 (As of Mar. 31, 2019)	Change
Total assets	30,621	36,654	6,033
Liabilities	20,934	26,153	5,218
Net assets	9,686	10,501	814

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

HOUSEDO is making no revisions to the full-year consolidated forecasts that were announced in the Summary of Business Results for the Fiscal Year Ended June 30, 2018 dated August 13, 2018.

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

	(Thousands of yen)	
	FY2018 (As of Jun. 30, 2018)	Third quarter of FY2019 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	3,694,496	8,051,705
Accounts receivable from completed construction contracts	95,612	80,258
Accounts receivable-trade	89,868	90,262
Real estate for sale	4,859,001	3,700,146
Real estate for sale in process	1,686,378	2,882,206
Costs on uncompleted construction contracts	54,497	59,506
Operating loans	5,587,154	7,417,987
Other	280,848	401,713
Allowance for doubtful accounts	(9,544)	(16,764)
Total current assets	16,338,314	22,667,023
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,487,939	5,374,812
Accumulated depreciation	(1,026,847)	(1,099,285)
Buildings and structures, net	4,461,091	4,275,527
Land	8,584,424	8,183,200
Other	137,562	299,897
Accumulated depreciation	(102,361)	(100,359)
Other, net	35,200	199,537
Total property, plant and equipment	13,080,716	12,658,265
Intangible assets		
Goodwill	19,989	15,127
Other	76,236	121,385
Total intangible assets	96,226	136,513
Investments and other assets		
Investment securities	475,689	440,889
Deferred tax assets	110,229	153,978
Other	520,104	598,257
Allowance for doubtful accounts	(155)	(231)
Total investments and other assets	1,105,868	1,192,893
Total non-current assets	14,282,811	13,987,671
Total assets	30,621,125	36,654,694

	(Thousands of yen)	
	FY2018 (As of Jun. 30, 2018)	Third quarter of FY2019 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	547,143	485,353
Short-term loans payable	5,426,740	11,754,650
Current portion of long-term loans payable	1,825,386	2,028,146
Lease obligations	6,263	4,278
Accounts payable-other	245,480	290,927
Accrued expenses	428,348	339,982
Income taxes payable	400,862	277,214
Accrued consumption taxes	153,025	83,006
Advances received on uncompleted construction contracts	321,753	343,837
Advances received	321,362	448,814
Provision for bonuses	-	42,195
Provision for warranties for completed construction	4,790	5,108
Provision for sales promotion expenses	-	6,948
Other	378,883	312,122
Total current liabilities	10,060,040	16,422,585
Non-current liabilities		
Long-term loans payable	8,354,890	6,973,268
Lease obligations	2,938	-
Long-term guarantee deposits	1,934,248	2,096,536
Deferred tax liabilities	521,081	520,715
Asset retirement obligations	35,486	94,838
Provision for warranties for completed construction	26,156	25,147
Other	-	20,449
Total non-current liabilities	10,874,801	9,730,955
Total liabilities	20,934,841	26,153,541
Net assets		
Shareholders' equity		
Capital stock	3,334,959	3,343,455
Capital surplus	3,353,454	3,361,950
Retained earnings	2,981,106	3,796,152
Treasury shares	(410)	(410)
Total shareholders' equity	9,669,110	10,501,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,644)	(29,440)
Total accumulated other comprehensive income	(4,644)	(29,440)
Share acquisition rights	21,817	29,446
Total net assets	9,686,283	10,501,153
Total liabilities and net assets	30,621,125	36,654,694

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

	(Thousands of yen)	
	First nine months of FY2018 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 2019)
Net sales	14,910,494	21,567,164
Cost of sales	8,834,839	13,856,347
Gross profit	6,075,655	7,710,816
Selling, general and administrative expenses	4,745,927	5,795,029
Operating profit	1,329,727	1,915,787
Non-operating income		
Interest and dividend income	743	3,267
Gain on sales of investment securities	841	-
Commission fee	21,944	12,959
Insurance income	13,840	29,206
Penalty income	8,680	3,900
Other	10,724	16,171
Total non-operating income	56,774	65,504
Non-operating expenses		
Interest expenses	137,218	141,978
Share issuance cost	40,500	-
Other	16,710	44,816
Total non-operating expenses	194,429	186,795
Ordinary profit	1,192,073	1,794,496
Extraordinary income		
Gain on sales of non-current assets	107	3,955
Gain on reversal of share acquisition rights	-	1,322
Total extraordinary income	107	5,277
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	4,190	830
Total extraordinary losses	4,190	830
Profit before income taxes	1,187,989	1,798,944
Income taxes	445,503	547,705
Profit	742,486	1,251,238
Profit attributable to owners of parent	742,486	1,251,238

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

	(Thousands of yen)	
	First nine months of FY2018 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 2019)
Profit	742,486	1,251,238
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,974)	(24,796)
Total other comprehensive income	(1,974)	(24,796)
Comprehensive income	740,512	1,226,441
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	740,512	1,226,441

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements

The tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the current fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Additional Information

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment Information

I First nine months of FY2018 (Jul. 1, 2017 – Mar. 31, 2018)

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

(Thousands of yen)

	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Real Estate Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	1,810,898	2,883,328	359,295	6,280,740	1,354,398	2,221,831	14,910,494	-	14,910,494	-	14,910,494
Inter-segment sales and transfers	61,378	2,658	-	-	152,165	-	216,201	-	216,201	(216,201)	-
Total	1,872,276	2,885,986	359,295	6,280,740	1,506,563	2,221,831	15,126,695	-	15,126,695	(216,201)	14,910,494
Segment profit	1,117,368	461,178	103,502	600,438	327,288	190,634	2,800,410	-	2,800,410	(1,470,683)	1,329,727

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of education businesses. However, this business was terminated in April 2017.
 2. The negative adjustment of 1,470.683 million yen to segment profit includes elimination for inter-segment transactions of negative 71.266 million yen, corporate expenses of negative 1,404.792 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 5.376 million yen. 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 recorded in the quarterly consolidated statement of income.

II First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 2019)

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

(Thousands of yen)

	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Real Estate Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	2,046,206	8,344,489	573,184	6,908,502	1,389,566	2,282,515	21,544,464	22,699	21,567,164	-	21,567,164
Inter-segment sales and transfers	52,253	10,071	39,333	-	115,275	-	216,933	-	216,933	(216,933)	-
Total	2,098,460	8,354,560	612,517	6,908,502	1,504,842	2,282,515	21,761,398	22,699	21,784,098	(216,933)	21,567,164
Segment profit (loss)	1,227,378	1,055,497	89,919	581,866	366,214	228,470	3,549,347	(14,700)	3,534,646	(1,618,859)	1,915,787

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent and auto loan businesses, and overseas business expenses.
 2. The negative adjustment of 1,618.859 million yen to segment profit includes elimination for inter-segment transactions of 47.938 million yen, corporate expenses of negative 1,668.383 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 1.585 million yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

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.