BANDAI NAMCO

BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2015

August 5, 2014

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange
Code Number: 7832
(URL: http://www.bandainamco.co.jp/)

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Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2015 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 8, 2014
Scheduled starting date for dividend payments: –
The additional materials of the Financial Results for the Quarter: Yes
The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results (For the Three Months Ended June 30, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2015	**122,504**	**15.7**	**16,847**	**26.2**	**17,633**	**22.1**
First Quarter of the Fiscal Year Ended March 31, 2014	105,867	(2.6)	13,347	(17.4)	14,438	(12.4)

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2015	**11,632**	**22.3**	**52.95**	**52.94**
First Quarter of the Fiscal Year Ended March 31, 2014	9,508	(7.0)	43.28	43.28

(Note) Comprehensive income: 10,167 million yen [(23.8)%] (FY2015.3 1Q), 13,341 million yen [38.4%] (FY2014.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2014	**390,526**	**273,001**	**69.8**
As of March 31, 2014	405,092	267,951	66.0

(Reference) Equity: 272,555 million yen (as of June 30, 2014), 267,521 million yen (as of March 31, 2014)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2014	–	¥12.00	–	¥23.00	¥35.00
Fiscal Year Ending March 31, 2015	–				
Fiscal Year Ending March 31, 2015 (Projections)		¥12.00	–	¥12.00	¥24.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2015: No

3. Consolidated Projections for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2014	255,000	11.6	25,000	(5.3)	25,000	(12.4)	16,000	(18.4)	72.83
Full Fiscal Year	500,000	(1.5)	45,000	0.7	45,000	(5.2)	28,000	11.8	127.45

(Note) Revision to the projections: Yes

Consolidated projections for the Six Months Ending September 30, 2014 (announced on May 8, 2014) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated Projections for the Second Quarter (Six Months)" announced today (August 5, 2014).

*** Notes**

(1) Changes in Significant Subsidiaries during the Period
(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes
(Note) For more details, please refer to the section of "(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements" of "2. Matters Regarding Summary Information (Notes)" on page 5 of the attached material.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement
a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b) Changes in accounting policies due to revisions to other reasons: No
c) Changes in accounting estimation: No
d) Restatement: No
(Note) For more details, please refer to the section of "(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement" of "2. Matters Regarding Summary Information (Notes)" on page 5 of the attached material.

(4) Number of Issued Shares (Common Stock)
a) Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2014	222,000,000 shares
As of March 31, 2014	222,000,000 shares

b) Number of shares of treasury stock at the end of the period

As of June 30, 2014	2,313,143 shares
As of March 31, 2014	2,312,098 shares

c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the First Quarter of the Fiscal Year Ending March 31, 2015	219,687,326 shares
For the First Quarter of the Fiscal Year Ended March 31, 2014	219,690,279 shares

* Implementation status of quarterly review
This Consolidated Financial Report for the First Quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the first quarter disclosing, quarterly review for the quarterly consolidated financial statements is under way.

* Explanation on appropriate use of the projections of business results, etc.
- Forward-Looking Statements:
This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of "(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements" of "1. Qualitative Information Regarding Consolidated Results for the First Quarter" on page 4 of the attached material for matters pertaining to the earnings projections.
- To obtain the additional materials:
The additional materials of the Financial Results for the Quarter will be posted on the Company's website on August 5, 2014.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the First Quarter

(1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2015, although there were bright signs in Japan such as economic recovery and improved corporate profitability, the economic outlook remained uncertain, as illustrated by a pullback from the last minute demand due to the consumption tax increase implemented on April 1, 2014. In North America and Europe, economic conditions and individual consumption both followed moderate recovery trends.

In this environment, the BANDAI NAMCO Group ("the Group") implemented various measures aimed at medium- to long-term growth, focusing on its IP (intellectual property; including intellectual property of characters) axis strategy, under the concept of "Empower, Gain Momentum, Accelerate Evolution," which is the vision of the Group's Mid-term Plan, started in April 2012. On the business front, sales were favorable in the Content Business in game software in North America and Europe as well as network content and visual and music content in Japan. In addition, the Toys and Hobby Business in Japan had favorable sales of long-established IP products and new IP products.

Consequently, the Group's consolidated results for the first quarter (three months) were net sales of 122,504 million yen (year-on-year increase of 15.7%), operating income of 16,847 million yen (year-on-year increase of 26.2%), recurring income of 17,633 million yen (year-on-year increase of 22.1%), and net income of 11,632 million yen (year-on-year increase of 22.3%).

Operating Results by Segment

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to cross-functional efforts undertaken across all businesses for long-established IP products such as *Mobile Suit Gundam*, *Tokkyuger* (the *Power Rangers* series), and *KAMEN RIDER GAIM*, in addition to products of new IP *Yokai Watch* and *Aikatsu!* for girls. The Group also strived to broaden the variety of its target customers by such means as stepping up development of products for babies and pre-school children, and also for adults to steadily move toward achieving our objective of becoming No. 1 in each target and market in Japan by an overwhelming margin.

Overseas, in North America and Europe, products of the *Power Rangers* series sold steadily. In the Asian region, toys, plastic models, collectable toys for adults and card products became popular thanks to developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were 46,546 million yen (year-on-year increase of 25.7%), and segment income was 3,945 million yen (year-on-year increase of 106.2%).

Content Business

Looking at the Content Business, in Japan, key titles in social games and application games for smartphones sold stably, while new application game titles such as *JOJO's BIZARRE ADVENTURE: STARDUST SHOOTERS* and *ONE PIECE Treasure Cruise* sold favorably.

In addition, visual and music content such as *LoveLive! School idol project* and *Mobile Suit Gundam UC (Unicorn) episode 7: Over the Rainbow*, which are IPs for which visual content was developed in conjunction with music content, sold favorably and contributed to performance.

Overseas, in North America and Europe, there were strong sales of *DARK SOULS II*, a video game launched in the previous fiscal year, particularly for the PC version.

As a result, net sales in the Content Business were 65,708 million yen (year-on-year increase of 15.2%), and segment income was 13,359 million yen (year-on-year increase of 10.5%).

Amusement Facility Business

In the Amusement Facility Business, the Group pushed ahead with a range of measures aimed at rebuilding the business, such as strengthening the allocation of personnel and measures to attract customers, and promoted the development of differentiated facilities that offer the experience of the Group’s distinctive worldview of specific IPs. However, sales of existing facilities declined to 91.0% of the same period of the previous fiscal year.

As a result, net sales in the Amusement Facility Business were 12,907 million yen (year-on-year decrease of 0.3%), and segment loss was 616 million yen (compared with segment loss of 705 million yen for the same period of the previous fiscal year).

Number of Facilities as of June 30, 2014

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
235	1,049	4	1,288

Other Businesses

Other Businesses consist of companies that conduct businesses such as logistics support, printing, and other kinds of administration and operational support for each of the Group’s strategic business units: Toys and Hobby SBU, Content SBU, and Amusement Facility SBU. We are making efforts to manage such operations related to group support in an efficient manner.

As a result, net sales in the Other Businesses were 6,803 million yen (year-on-year increase of 9.4%), and segment income was 570 million yen (year-on-year increase of 34.8%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2015, total assets stood at 390,526 million yen, a decrease of 14,566 million yen from the end of the previous fiscal year. The main factors were decreases of 5,833 million yen in cash and time deposits, 11,297 million yen in trade receivables, and 3,983 million yen in short-term investments included in other current assets, while there were increases of 3,903 million yen in finished goods and merchandise and 2,015 million yen in taxes receivable included in other current assets.

Total liabilities amounted to 117,525 million yen, a decrease of 19,615 million yen from the end of the previous fiscal year. The main factors were decreases of 4,926 million yen in trade payables, 6,113 million yen in accrued income taxes included in other current liabilities mainly due to income taxes paid, 8,530 million yen in accounts payable-other included in other current liabilities, and 7,907 million yen in accrued employee bonuses included in other current liabilities mainly due to employee bonuses paid, while there was an increase of 7,841 million yen in deposits receivables included in other current liabilities.

Total net assets stood at 273,001 million yen, an increase of 5,049 million yen from the end of the previous fiscal year. The main factor was an increase of 6,539 million yen in retained earnings thanks to the recording of favorable net income, despite cash dividends paid of 5,055 million yen, while there were decreases of 701 million yen in unrealized gains or losses on other securities, net of tax, and 508 million yen in foreign currency translation adjustment due to foreign exchange fluctuation.

As a result, the equity ratio became 69.8% compared with 66.0% at the end of the previous fiscal year.

(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements

Looking ahead, although there are some bright signs in Japanese economic trends, the business environment is expected to remain beset by uncertainties, including the impact on consumption from the consumption tax increase and economic trends in North America and Europe. Such factors are also expected to have an impact on the entertainment industry, in which the Group is extensively involved, resulting in ongoing uncertainty in this business environment.

Facing these circumstances, the Group will develop and strengthen the foundations for medium- and long-term growth for the Group in light of achievements and issues yet to be solved under the current Mid-term Plan, looking ahead to its next Mid-term Plan starting in April 2015. On the business front, in the strongly performing Toys and Hobby Business in Japan and the Content Business, the Group will vigorously push forward with its IP strategy with the aim of further growing its share. Meanwhile, in the Toys and Hobby Business in North America and Europe and the Amusement Facility Business, which are operating under difficult conditions, the Group will press ahead with measures to construct a stable business foundation. In addition, a project will be started for the 35th anniversary of the Group's mainstay IP, the *Mobile Suit Gundam* series. The Group will work to maximize the IP value in the medium- and long-term by offering products and services and holding events across the Group with a focus on new films.

In the Toys and Hobby Business, the Group's plan for the Japanese market is to further strengthen the business foundation through the stable deployment of popular IP series such as *Mobile Suit Gundam*, *Super Sentai* (*Power Rangers*), *KAMEN RIDER*, *PRETTY CURE!* and *Aikatsu!*. The Group will also expand its IP lineup by such means as introducing IP for elementary-school-age boys and for adults, and launch products and services targeting a variety of customers, and will aim to be No. 1 in Japan by an overwhelming margin. Overseas, in North America and Europe, the Group aims to develop a stable portfolio with multiple IP by launching new IP products in addition to the *Power Rangers* series, the mainstay IP. The Group will also strive to construct a business foundation in the regions of North America and Europe by pressing forward with fundamental reform of the organizational framework and revenue structure. In Asian areas, the Group aims to expand its IP lineup and areas of operation and achieve growth through developments in conjunction with Japan, focusing on plastic models, collectable toys for adults and card products that are popular in Japan.

In the Content Business, to further enhance its IP axis strategy for offering products and services in a wide variety of categories with a focus on IP, the Group will not only respond swiftly to changes in the business environment and new outlets but also strengthen its creation and development of new IP. In addition, by fusion of the virtual and the real such as through the synergistic linking of products and services with concerts and live events, the Group will strive to create new added value and maximize IP value.

In the network content area, the Group will work to achieve stable development of content by launching new titles that appeal to changing user tastes and releasing timely upgrades of existing titles. In home video game software, the Group will respond to new platforms by approaching them as new outlets in its IP strategy, while deploying a well-balanced software lineup consisting of titles for Japan utilizing IP that is in vogue, titles released worldwide, and titles utilizing network functions. In arcade game machines, the Group will work on the development and sale of popular game machines and their prizes. In the area of visual and music content, the Group will work to create new IP with films, in addition to the sales of various new packages of software.

In the Amusement Facility Business, in Japan, the Group will strive to realize our unique capability by such means as developing of facilities that can offer the experience of IP worldviews, and closely coordinated efforts with other Group businesses including the arcade game machine business. In addition, the Group aims to build new business pillars by directing efforts toward the theme park business and new business formats.

In light of results in the first quarter (three months) and recent business trends in each business, the Group has revised its consolidated projections for the six months ending September 30, 2014, which were announced on May 8, 2014, as shown in the table below.

The consolidated projections for the full fiscal year have not been revised in light of coming Christmas and New Year selling season and the continuation of dramatic changes in the market environment.

Revision to the consolidated projections for the six months
(April 1, 2014 to September 30, 2014)

	Net Sales (¥ million)	Operating Income (¥ million)	Recurring Income (¥ million)	Net Income (¥ million)	Net Income per Share
Previous projections (A)	235,000	20,000	20,000	12,500	56.90 yen
Revised projections (B)	255,000	25,000	25,000	16,000	72.83 yen
Change in amount (B–A)	20,000	5,000	5,000	3,500	–
Change (%)	8.5	25.0	25.0	28.0	–
Reference: Results for the same period of the previous fiscal year (April 1, 2013 to September 30, 2013)	228,528	26,389	28,553	19,607	89.25 yen

2. Matters Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements

Calculation of taxes

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the current first quarter, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

Regarding the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the “Statement No. 26”)) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the “Guidance No. 25”)), effective from the current first quarter, the Company and its consolidated domestic subsidiaries have applied the provisions of the main clauses of the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25, reviewed its calculation method for retirement benefit obligations and current service costs. Accordingly, the Company and its consolidated domestic subsidiaries changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis. Concerning the determination method of the bond maturity that forms the basis for determination of discount rate, the Company and its consolidated domestic subsidiaries have changed from a method that is based on a period approximate to the expected average remaining years of service of the employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the change in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings at the beginning of the current first quarter.

As a result of the application, net defined benefit liability increased 47 million yen, and retained earnings decreased 37 million yen at the beginning of the current first quarter. In addition, the effect of this change on operating income, recurring income and income before income taxes and minority interests for the first quarter (three months) is immaterial.

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2014)	Current 1st quarter (As of June 30, 2014)
Assets		
Current assets		
Cash and time deposits	131,403	125,569
Trade receivables	76,587	65,289
Finished goods and merchandise	15,276	19,180
Work in process	23,274	23,803
Raw materials and supplies	6,463	6,191
Other current assets	31,987	31,172
Allowance for doubtful receivables	(594)	(584)
Total current assets	284,398	270,622
Fixed assets		
Property, plant and equipment	51,972	51,283
Intangible assets	10,145	10,269
Investments and other assets		
Other investments and assets	59,592	59,290
Allowance for doubtful receivables	(1,015)	(938)
Total investments and other assets	58,576	58,351
Total fixed assets	120,694	119,904
Total assets	405,092	390,526

(¥ million)

	Prior Fiscal Year (As of March 31, 2014)	Current 1st quarter (As of June 30, 2014)
Liabilities		
Current liabilities		
Trade payables	51,625	46,698
Short-term borrowings	5,501	5,289
Provision	3,553	2,012
Other current liabilities	59,454	46,714
Total current liabilities	120,134	100,715
Long-term liabilities		
Provision	263	186
Net defined benefit liability	8,062	8,089
Other long-term liabilities	8,680	8,534
Total long-term liabilities	17,006	16,810
Total liabilities	137,141	117,525
Net assets		
Stockholders’ equity		
Common stock	10,000	10,000
Additional paid-in capital	52,245	52,245
Retained earnings	214,416	220,955
Treasury stock	(2,390)	(2,393)
Total stockholders’ equity	274,271	280,808
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	6,226	5,525
Deferred gains or losses on hedges, net of tax	194	(161)
Revaluation reserve for land, net of tax	(5,743)	(5,743)
Foreign currency translation adjustment	(5,145)	(5,653)
Remeasurements of defined benefit plans	(2,282)	(2,218)
Total accumulated other comprehensive income	(6,749)	(8,252)
Subscription rights to shares	44	44
Minority interests	385	401
Total net assets	267,951	273,001
Total liabilities and net assets	405,092	390,526

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Operations)

(¥ million)

	Prior 1st quarter (From April 1, 2013 to June 30, 2013)	Current 1st quarter (From April 1, 2014 to June 30, 2014)
Net sales	105,867	122,504
Cost of sales	62,764	72,183
Gross profit	43,102	50,320
Selling, general and administrative expenses	29,754	33,473
Operating income	13,347	16,847
Non-operating income		
Dividend income	343	358
Foreign exchange gains	363	–
Equity in gain of affiliated companies	123	327
Other non-operating income	347	266
Total non-operating income	1,177	953
Non-operating expenses		
Foreign exchange losses	–	57
Other non-operating expenses	86	110
Total non-operating expenses	86	167
Recurring income	14,438	17,633
Extraordinary income		
Gain on sales of investment securities	11	331
Other extraordinary income	24	28
Total extraordinary income	35	359
Extraordinary loss		
Loss on impairment of fixed assets	–	94
Loss on valuation of investment securities	9	–
Other extraordinary loss	5	35
Total extraordinary loss	15	129
Income before income taxes and minority interests	14,459	17,863
Income taxes	4,898	6,195
Income before minority interests	9,560	11,667
Minority interests	52	35
Net income	9,508	11,632

(Quarterly Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st quarter (From April 1, 2013 to June 30, 2013)	Current 1st quarter (From April 1, 2014 to June 30, 2014)
Income before minority interests	9,560	11,667
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	891	(711)
Deferred gains or losses on hedges, net of tax	152	(354)
Foreign currency translation adjustment	2,712	(504)
Remeasurements of defined benefit plans, net of tax	–	63
Share of other comprehensive income of associates accounted for using equity method	23	7
Total other comprehensive income	3,780	(1,499)
Comprehensive income	13,341	10,167
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,251	10,129
Comprehensive income attributable to minority interests	89	38

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I. Prior 1st quarter (From April 1, 2013 to June 30, 2013)

1. Information regarding the amounts of net sales and income/loss by reportable segment

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	35,341	55,184	12,935	103,461	2,405	105,867	–	105,867
Inter-segment sales and transfers	1,692	1,867	14	3,574	3,814	7,388	(7,388)	–
Total	37,034	57,051	12,950	107,036	6,219	113,255	(7,388)	105,867
Segment income (loss)	1,913	12,092	(705)	13,300	422	13,723	(375)	13,347

Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
2. Included in the 375 million yen deducted from segment income (loss) as adjustment are an addition of 256 million yen in inter-segment eliminations, and a deduction of 632 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 1st quarter (From April 1, 2014 to June 30, 2014)

1. Information regarding the amounts of net sales and income/loss by reportable segment

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	44,136	62,760	12,883	119,780	2,723	122,504	–	122,504
Inter-segment sales and transfers	2,409	2,947	24	5,381	4,079	9,461	(9,461)	–
Total	46,546	65,708	12,907	125,161	6,803	131,965	(9,461)	122,504
Segment income (loss)	3,945	13,359	(616)	16,689	570	17,259	(412)	16,847

Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
2. Included in the 412 million yen deducted from segment income (loss) as adjustment are an addition of 172 million yen in inter-segment eliminations, and a deduction of 584 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.