

**Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2019**  
**(Six Months Ended September 30, 2018) (Based on J-GAAP)**

October 30, 2018

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 Financial results supplementary explanation documents: Yes  
 Financial results presentation: Yes

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

**1. Consolidated Financial Results for the Half of Fiscal Year Ending March 31, 2019 (April 1, 2018 – Sep. 30, 2018)**

(1) Consolidated results of operations (six month) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY 2019	239,795	(3.7)	6,873	15.6	10,205	70.1	6,885	76.5
1H FY 2018	248,911	(2.9)	5,947	(0.7)	6,000	(0.2)	3,901	(2.5)

(Note) Comprehensive income (million yen): 1H FY 2019: 6,893 / 80.8% 1H FY 2018: 3,813 / (8.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2019	123.56	—
1H FY 2018	70.00	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2019	164,672	41,814	25.4
FY 2018	159,923	36,473	22.8

Reference: Shareholders' equity (million yen): 1H FY 2019: 41,803 FY 2018: 36,445

**2. Dividends**

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	—	27.50	—	27.50	55.00
FY 2019	—	36.50			
FY 2019 (forecasts)			—	36.50	73.00

Note: Revisions to the dividend forecast in the current quarter: None

**3. Consolidated forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)**

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	540,000	(2.3)	14,900	3.1	20,000	30.4	13,500	32.9	242.24

Note: Revisions to the financial forecast in the current quarter: None

Disclaimer: these financial statements have been prepared in accordance with generally accepted accounting principles in Japan. This English translation is prepared for the reader's convenience. When there are any discrepancies between the original Japanese version and English translation version, the original Japanese version always prevails.

**Notes**

- (1) Changes in significant subsidiaries during the consolidated period (six month) under review  
(changes in subsidiaries accompanying change in the scope of consolidation): None  
New: None (Company name: )  
Excluded: None (Company name: )

(2) Changes in accounting procedures specific to creation of quarterly consolidated financial statements: None

- (3) Changes in accounting principles, estimates and restatement  
1) Changes in accounting principles caused by revision of accounting standards: None  
2) Changes in accounting principles other than those mentioned above: None  
3) Changes in accounting estimates: None  
4) Restatement: None

(4) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period	1H FY 2019	79,074,000 shares	FY 2018	79,074,000 shares
2) Number of treasury stock at end of period	1H FY 2019	23,345,828 shares	FY 2018	23,345,796 shares
3) Average number of shares outstanding during the period (six month)	1H FY 2019	55,728,192 shares	1H FY 2018	55,728,204 shares

\* Implementation of quarterly review procedures

The consolidated financial statement is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of the consolidated financial statement, the audit procedures of consolidated financial statements pursuant to the FIEA are already completed.

\* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements)

These materials contain forward-looking information including earnings projections based on information currently available to the Company and certain assumptions considered reasonable in the judgment of the Company. Nothing contained in these materials is meant to suggest that the Company promises to attain the said projections. Moreover, due to various factors, actual results may materially differ from projections. Concerning matters to be observed regarding the assumptions underlying earnings projections and concerning the use of earnings projections, please refer to “(3) Qualitative information concerning consolidated business performance forecast” under “1. Qualitative Information Concerning the Second Quarter Financial Results” on page3 of the Attachment to the summary of quarterly financial statement.

(Concerning 1H earnings supplementary explanatory documents)

\*1H earning presentation for Institutional Investors & Analysts will be made on November 8, 2018.

1H earnings supplementary explanatory documents will be posted on the English site for Investors of T-Gaia Corp. after the presentation.

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**1. Qualitative Information Concerning the First Half Financial Results**

Beginning with the first quarter of the current fiscal year, the Company applies the Partially Amendments to Accounting Standard for Tax Effect Accounting (Business Accounting Standard No. 28 of February 16, 2018), etc. With regard to the 1. "Qualitative Information Concerning the First Half Financial Results, (2) Explanation of financial position," prior-year comparisons and analyses use prior-year data that have been adjusted to the subject accounting standard.

**(1) Explanation of operating performance**

The Japanese economy in the period under review (April - September 2018) continued on a moderate recovery track. Against the backdrop of the government's economic policy measures and sustained monetary easing by the Bank of Japan, personal consumption showed signs of rebounding amid improving conditions surrounding employment and household incomes. However, the further outlook calls for vigilance over the effects on the global economy from trade issues arising in the wake of mounting protectionism.

In the market for mobile phone handsets, which forms the core business field of the Group (the Company and its consolidated subsidiaries and equity-method affiliates), the range of customer choices widened as telecommunications carriers offered new rate plans while sub-brands and Mobile Virtual Network Operators (MVNO) became widespread. Meanwhile, telecommunications carriers have been addressing to maintain and expand their customer bases over the long term by diversifying their service offerings with enhanced point schemes and service contents.

In this operating environment, sales of mobile handsets, etc., at the Group posted 1,945,000 units, marking a decline compared with the same year-earlier period due to a changed commercial distribution involving part of the Company's sales channels. However, compared to plan targets, despite some differences among telecom carriers, performance has been favorable overall. The Company continues in its efforts to raise company-level productivity through measures such as promoting flexible working hours and utilizing ICT including camera-based solutions. Furthermore, with a view to improving operations at each department, arrangements to incorporate inputs from employees have been put into place through a company-internal contest and permanently installed opinion boxes. At the same time, the Company pursues development of new earnings platforms by identifying projects including M&A, and through business development, etc.

Consolidated business results for the period under review marked net sales of 239,795 million yen (-3.7% compared with the year-earlier period), with operating income of 6,873 million yen (+15.6%).

In December 2017, the Group integrated QUO CARD Co., Ltd. as a subsidiary, with income consolidation starting in the fourth quarter of the previous fiscal year (January - March 2018). Due to the recognition of 3,272 million yen in non-operating income from hoarded cards recognized in the period under review, ordinary income rose 70.1% from the year-earlier period to 10,205 million yen, with 6,885 million yen (+76.5%) in net income for the quarter attributable to shareholders of the parent company.

Results by business segment for the period under review are described below. Beginning with the first quarter, the presentation of segment income has been changed from operating income to quarterly net income attributable to the shareholders of the parent company. The year-earlier comparison is therefore based on restated data for the first half of the previous fiscal year.

(Millions of yen)

	Mobile Telecommunications Business	Enterprise Solution Business	Settlement Services Business and Other Business	Total
Net Sales	203,652 (2.6%)	13,006 8.7%	23,135 (16.7%)	239,795 (3.7%)
Net income attributable to shareholders of the parent company	3,705 33.0%	715 9.5%	2,464 433.9%	6,885 76.5%
Supplementary information - Operating income	5,485 26.2%	1,030 10.4%	357 (46.5%)	6,873 15.6%

\* Percentages refer to changes compared with the year-earlier period

**(Mobile Telecommunications Business)**

At the mobile telecommunications business, unit sales fell below the year-earlier result as explained above.

Income benefited from efforts to enhance profitability. Specifically, we aimed to raise unit sales prices per customer and together with handsets sales offered various services including optical lines and smartphone related products such as security related contents and accessories. Additionally, with a view to the future, we promoted investment in human resources and took steps to strengthen store capabilities through measures such as reinforcing and expanding carrier shops and investment in new MVNO shops along with the hiring and training of new graduates. Moreover, through measures such as proactively recommending store visit reservations to reduce waiting times and by offering instructional classes for smartphone users, efforts are under way at creating stores which will encourage customers to make repeated visits.

As a result, net sales marked 203,652 million yen (-2.6% compared with the year-earlier period) with net income attributable to shareholders of the parent of 3,705 million yen (+33.3% compared with the year-earlier period).

**(Enterprise Solution Business)**

In mobile solutions for corporate clients, with tailwinds from companies' aggressive ICT investment on the back of favorable corporate earnings, unit sales increased compared with the previous fiscal year as we proactively offered propositions for the introduction and application of smart devices delivering business efficiency gains. Additionally, we have been addressing to offer an attractive array of solution services consistent with companies' needs, including helpdesk services and kitting services.

Furthermore, under strengthened cooperation with group companies, we offered one-stop services including Wi-Fi environment configuration and operation as well as remote monitoring for specific industries such as education, where the potential for ICT utilization is huge. Additionally, together with group companies, we initiated the introduction and operations support for Robotic Process Automation (RPA), given rising demand as a means of improving business efficiency.

In products related to fixed-line telecommunications, the division has been working to strengthen its sales capabilities by seeking to identify new partner companies and nurturing existing resale wholesalers for the Company's own "TG Hikari" fiber-optics access service. As a result, the cumulative number of corporate customer lines has been steadily increasing.

As a result, net sales marked 13,006 million yen (+8.7% compared with the year-earlier period), with net income attributable to shareholders of the parent of 715 million yen (+9.5% compared with the year-earlier period).

**(Settlement Services Business and Other Business)**

The settlement service business marked a decline in gross sales compared with the same year-earlier period, due to effects from the restructuring of pre-existing sales channels mainly at convenience stores. However, compared with the first quarter, the start of trading through major sales channels to trade in gift card products brought strong growth in the number of participating stores and gross sales.

In the overseas settlement service business, gift card and house card operations in Singapore have been steady. Meanwhile, operations in Malaysia and Thailand started selling house cards to major local retailing companies.

At consolidated subsidiary QUO CARD Co., Ltd. the QUO Card brand has been making further nationwide inroads for use as a gift. This has been simulating demand for QUO Card as a corporate gift in large quantities for sales promotion and for corporations' shareholder benefit schemes. As a result, the issuance amount of outstanding QUO Cards increased. Meanwhile, in addition to the development of the "Digital QUO Card," the operator company continues to work toward the launch of the service.

Efforts at increasing QUO Card issuance have connected to a growing number of corporate clients and sales channels using existing QUO Cards while part of the Company's directly operated carrier shops are now able to accommodate settlement with QUO Card.

As a result, although net sales decreased to 23,135 million yen (-16.7% compared with the year-earlier period), net income for the quarter attributable to shareholders of the parent company rose to 2,464 million yen (+433.9%), reflecting the recognition of 3,272 million yen in non-operating income from hoarded cards as explained above.

**(2) Explanation of financial position**

**(Assets)**

Consolidated current assets at the end of the period under review were 146,458 million yen, which was 3,166 million yen higher than at the end of the previous fiscal year. Main factors comprised a 11,959 million yen increase in cash and deposits, a 5,268 million yen increase in guarantee deposits, a 4,271 million yen decrease in notes and accounts receivable-trade, a 2,051 million yen decrease in operational investment securities, and a 627 million yen decrease in merchandise. Non-current assets were 18,214 million yen, which was 1,582 million yen higher than at the end of the previous fiscal year. Main factor was a 1,446 million yen increase in deferred tax assets.

As a result, consolidated total assets posted 164,672 million yen, which was 4,748 million yen higher than at the end of the previous fiscal year.

**(Liabilities)**

Consolidated current liabilities at the end of the period under review were 118,138 million yen, which was 1,695 million yen higher than at the end of the previous fiscal year. Main factors comprised a 3,070 million yen increase in accounts payable-other and a 2,375 million yen decreased in accounts payable-trade. Non-current liabilities were 4,719 million yen, which was 2,287 million yen lower than at the end of the previous fiscal year. Main factor was a 2,314 million yen decline in long-term loans due to repayment.

As a result, consolidated total liabilities posted 122,857 million yen, which was 592 million yen lower than at the end of the previous fiscal year.

**(Net assets)**

Consolidated net assets at the end of the period under review were 41,814 million yen, which was 5,341 million yen higher than at the end of the previous fiscal year. Main factors comprised 6,885 million yen recognized in net income attributable to shareholders of the parent company and 1,532 million yen in payment of dividends of earned surplus.

**(3) Explanation of forward-looking information including the consolidated financial forecasts**

The earnings estimates for the full year to March 2019 released on May 1, 2018, remain intact.

Six months (April - September 2018) net sales represent 44.4 percent of the full-year estimate released on May 1, 2018, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent at 46.1 percent, 51.0 percent, and 51.0 percent, respectively.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2018 (As of March 31, 2018)	1H FY 2019 (As of September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	18,941	30,900
Notes and accounts receivable - trade	19,536	15,264
Operational investment securities	2,051	—
Products	34,953	28,746
Inventories	136	73
Other accounts receivable	13,156	11,673
Guarantee deposits	53,522	58,790
Other current assets	1,098	1,197
Allowance for doubtful accounts	(104)	(188)
<b>Total current assets</b>	<b>143,291</b>	<b>146,458</b>
Fixed assets		
Tangible fixed assets	3,744	3,413
Intangible fixed assets		
Goodwill	2,243	2,112
Others	1,389	1,593
<b>Total intangible fixed assets</b>	<b>3,632</b>	<b>3,705</b>
Investments and other assets	9,254	11,094
<b>Total fixed assets</b>	<b>16,631</b>	<b>18,214</b>
<b>Total assets</b>	<b>159,923</b>	<b>164,672</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	8,901	6,525
Short-term borrowings	133	—
Long-term borrowings payable within one year	4,628	4,628
Accounts payable – other	13,224	16,294
Unpaid taxes	3,068	5,017
Reserve of bonuses	1,922	2,093
Allowance for early subscription cancellations	128	28
Card deposits	83,313	82,548
Others	1,122	1,003
<b>Total current liabilities</b>	<b>116,443</b>	<b>118,138</b>
Long-term liabilities		
Long-term borrowings	4,616	2,302
Years of service gratuity reserve provision	63	96
Net defined benefit liability	367	357
Asset retirement obligations	1,515	1,544
Others	444	418
<b>Total long-term liabilities</b>	<b>7,006</b>	<b>4,719</b>
<b>Total liabilities</b>	<b>123,450</b>	<b>122,857</b>
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,154	3,154
Capital surplus	5,177	5,177
Retained earnings	49,412	54,765
Acquisition of own stock	(21,526)	(21,526)
<b>Total shareholders' equity</b>	<b>36,217</b>	<b>41,570</b>
Accumulated other comprehensive income		
Net unrealized holding gain on securities	225	230
Foreign currency translation adjustment	8	6
Remeasurements of defined benefit plans	(6)	(4)
<b>Total accumulated other comprehensive income</b>	<b>228</b>	<b>232</b>
Non-controlling interests	27	11
<b>Total net assets</b>	<b>36,473</b>	<b>41,814</b>
<b>Total Liabilities and Net Assets</b>	<b>159,923</b>	<b>164,672</b>

**(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income**  
**(Quarterly consolidated statements of income)**  
**(Consolidated first half period)**

(Millions of yen)

	1H FY 2018 (from April 1, 2017 to September 30, 2017)	1H FY 2019 (from April 1, 2018 to September 30, 2018)
Net Sales	248,911	239,795
Cost of Sales	218,905	206,534
Gross Profit	30,006	33,260
Selling, General and Administrative Expenses	24,059	26,386
Operating Income	5,947	6,873
Non-operating Income		
Interest income	0	1
Dividend income	6	6
Equity in earnings of affiliates	27	11
Income from hoarded cards	—	3,272
Others	52	53
Total non-operating income	86	3,345
Non-operating Expenses		
Interest expenses	22	9
Others	10	3
Total non-operating expenses	33	12
Ordinary Income	6,000	10,205
Extraordinary Gains		
Gain on sales of fixed assets	4	8
Gain on sales of shares of subsidiaries and associates	—	12
Total extraordinary gains	4	20
Extraordinary Losses		
Loss on removal of fixed assets	9	14
Loss on sales of fixed assets	9	24
Total extraordinary losses	18	38
Net income before income taxes	5,985	10,187
Income Taxes – Current	1,895	4,700
Income Taxes – Deferred	186	(1,402)
Total Income Taxes	2,082	3,298
Net Income for the Period	3,903	6,889
Net Income Attributable to Non-controlling Interests	2	3
Net Income Attributable to Shareholders of the Parent Company	3,901	6,885

**(Quarterly consolidated statements of comprehensive income)**  
**(Consolidated first half period)**

(Millions of yen)

	1H FY 2018 (from April 1, 2017 to September 30, 2017)	1H FY 2019 (from April 1, 2018 to September 30, 2018)
Net Income for the Period	3,903	6,889
Other Comprehensive Income		
Net unrealized holding gain on securities	(90)	4
Foreign currency translation adjustment	0	—
Remeasurements of defined benefit plans, net of tax	—	1
Equity amount in equity-method affiliates	—	(2)
Total other comprehensive income	(89)	4
Quarterly Comprehensive Income	3,813	6,893
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	3,811	6,890
Comprehensive income attributable to non-controlling interests	2	3

(3) Quarterly consolidated statements of cash flows

(Million yen)

	1H FY 2018 (from April 1, 2017 to September 30, 2017)	1H FY 2019 (from April 1, 2018 to September 30, 2018)
<b>Cash Flows from Operating Activities</b>		
Income for the period before income taxes	5,985	10,187
Depreciation	828	933
Amortization of goodwill	331	238
Increase (decrease) in allowance for doubtful accounts	5	83
Increase (decrease) in reserve for employees' bonuses	65	170
Increase (decrease) in allowance for early subscription cancellations	(48)	(100)
Increase (decrease) in pension obligation liabilities	(3)	(9)
Increase (decrease) in years of service gratuity reserve provision	—	33
Interest and dividend income	(6)	(7)
Interest expenses	22	9
Equity in (earnings) losses of affiliates	(27)	(11)
Loss (gain) on sales of shares of subsidiaries and associates	—	(12)
Loss (gain) on sales of fixed assets	5	5
Loss on removal of fixed assets	9	24
Decrease (increase) in investment securities for sale	—	2,043
Decrease (increase) in accounts receivable	(2,287)	4,056
Decrease (increase) in accounts receivable – other	98	1,482
Decrease (increase) in inventories	8,508	6,270
Decrease (increase) in guarantee deposits	—	(5,268)
Increase (decrease) in accounts payable	(1,104)	(2,226)
Change in other accounts payable	(493)	3,214
Increase (decrease) in card deposits	—	(764)
Others	51	(162)
Subtotal	11,941	20,189
Interests and dividends received	16	18
Interests paid	(23)	(11)
Income taxes paid	(1,686)	(2,755)
Net cash provided by operating activities	10,248	17,440
<b>Cash Flows from Investing Activities</b>		
Payment for purchase of property, plant and equipment	(528)	(358)
Proceeds from sales of property, plant and equipment	18	19
Payment for purchase of software	(207)	(530)
Payment for purchase of investment securities	(71)	(0)
Purchase of shares of subsidiaries and associates	(139)	(508)
Proceeds from sales of shares of subsidiaries and associates	—	189
Payment for loans receivable	(1)	(1)
Proceeds from collection of loans receivable	2	3
Expenditure for loans to affiliates	—	(28)
Payment for leasehold deposits	(125)	(74)
Proceeds from return of leasehold deposits	84	80
Payments for transfer of business	—	(200)
Others	(88)	(47)
Net cash used in investing activities	(1,056)	(1,455)
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in short term borrowings	(3,500)	(100)
Decrease in long-term borrowings	(3,189)	(2,314)
Cash dividends paid	(1,453)	(1,530)
Dividend paid to non-controlling interests	(5)	(5)
Purchase of treasury shares	—	(0)
Net cash used in financing activities	(8,147)	(3,949)
Effect of exchange rate changes on Cash and Cash Equivalents	0	—
Increase (Decrease) in Cash and Cash Equivalents	1,044	12,035
Cash and Cash Equivalents at Beginning of Period	1,901	16,850
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(75)
Cash and Cash Equivalents at End of Period	2,946	28,810

**(4) Notes to quarterly consolidated financial statements**  
(Notes on the going-concern assumption) Not applicable.

(Notes on significant changes in shareholders' equity) Not applicable.

(Segment information)

Segment Information

I. 1H FY 2018 (from April 1, 2017 to September 30, 2017)

1. Information by reportable segment on net sales and income/loss amounts

(Millions of yen)

	Mobile Telecommunications Business	Enterprise Solution Business	Settlement Services Business and Other Business	Total
Net Sales	209,191	11,962	27,757	248,911
Segment Income (Net income attributable to shareholders of the parent company)	2,786	653	461	3,901

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statement of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

The aggregate total amount of segment earnings matches the amount of net income for the quarter attributable to shareholders of the parent company stated on the quarterly consolidated statements of income.

3. Matters concerning the impairment loss from fixed assets or goodwill of reportable segment: Not applicable.

II. 1H FY 2019 (from April 1, 2018 to September 30, 2018)

1. Information by reportable segment on net sales and income/loss amounts

(Millions of yen)

	Mobile Telecommunications Business	Enterprise Solution Business	Settlement Services Business and Other Business	Total
Net Sales	203,652	13,006	23,135	239,795
Segment Income (Net income attributable to shareholders of the parent company)	3,705	715	2,464	6,885

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statement of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

The aggregate total amount of segment earnings matches the amount of net income for the quarter attributable to shareholders of the parent company stated on the quarterly consolidated statements of income.

3. Matters concerning changes, etc., in reportable segments

The Company has in previous fiscal years used operating income as the indicator (segment income) for the assessment and analysis of business segment units. Beginning with the first quarter, the indicator for segment income has been changed to net income for the quarter attributable to shareholders of the parent company. This change was implemented so as to achieve assessments and analyses that more closely reflect actual circumstances as regards the business results of business segments units, taking into account the increased number of affiliates and the material effects that quarterly net income of affiliates has on consolidated business results.

Segment information for the first half of the previous fiscal year is presented restated in accordance with this change.

4. Matters concerning the impairment loss from fixed assets or goodwill of reportable segments: Not applicable.

(Significant subsequent events) Not applicable.