

CONSOLIDATED FINANCIAL RESULTS
FOR THE FIRST QUARTER ENDED JUNE 30, 2016
[Japanese GAAP]

August 4, 2016

Company name: EBARA CORPORATION
 Stock exchange listings: Tokyo
 Code number: 6361
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Scheduled date for submission of quarterly report: August 5, 2016

Scheduled date for dividend payment: —

Preparing supplementary material on financial results: Yes

Holding financial results presentation meeting (for institutional investors and analysts): Yes

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

1. Results for the Three Months Ended June 30, 2016

(1) Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Three Months Ended June 30, 2016	92,055	2.8%	(307)	—	(2,043)	—	(1,468)	—
Three Months Ended June 30, 2015	89,579	4.7%	(2,059)	—	(2,635)	—	(2,426)	—

Note : Comprehensive Income: Three months ended June 30, 2016; (8,314) million yen —%
 Three months ended June 30, 2015; (1,664) million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Three Months Ended June 30, 2016	(3.16)	—
Three Months Ended June 30, 2015	(5.22)	—

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2016	555,794	239,880	41.5%
As of March 31, 2016	579,543	250,444	41.6%

Reference : Shareholders' Equity (Net assets excluding subscription rights to shares and non-controlling interests) :

As of June 30, 2016; 230,430 million yen

As of March 31, 2016; 241,016 million yen

2. Dividends

	Dividends per Share (Yen)				
	End of 1 st Quarter	End of 2 nd Quarter	End of 3 rd Quarter	Year-End	Annual
Fiscal Year Ended March 31, 2016	—	6.00	—	6.00	12.00
Fiscal Year Ending March 31, 2017	—				
Fiscal Year Ending March 31, 2017 (Forecast)		6.00	—	30.00	—

Note : Revisions to forecast of dividends in this quarter: None

Ebara Corporation plans to conduct a consolidation of common shares at a rate of one share for every five shares with an effective date of October 1, 2016. Consequently, the impact of this consolidation of shares is factored into the figures for the cash dividends per share for the fiscal year ending March 31, 2017 (Forecast), and the total figures for annual cash dividends are omitted. The fiscal year-end cash dividends per share for the fiscal year ending March 31, 2017 (Forecast) without the consolidation of shares factored in would be ¥6.00 and the annual cash dividends per share would be ¥12.00. For further details, please refer to “Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters”.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2017

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share (Yen)
Fiscal Year Ending March 31, 2017	480,000	(1.3)%	37,000	(2.7)%	36,500	0.1%	21,000	21.7%	225.73

Note : Revisions to forecast of financial results in this quarter: None

The impact of the consolidation of shares is factored into the net income per share in the forecast of financial results for the fiscal year ending March 31, 2017. For further details, please refer to “Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters”.

4. Other Information

(1) Changes in significant subsidiaries during the three months under review (Changes in specified subsidiaries involving changes in scope of consolidation): None

Included: — (—)

Excluded: — (—)

(2) Adoption of specific accounting methods for preparation of quarterly financial statements: Yes

Note: For further details, please refer to “2. Summary Information (Notes)” on page 8.

(3) Changes in accounting policies, Changes in accounting estimates, and Restatement of prior financial statements after error corrections

(i) Changes due to revisions of accounting standards, etc.: None

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior financial statements after error corrections: None

(4) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)

As of June 30, 2016	466,093,596	As of March 31, 2016	466,044,596
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(ii) Number of treasury stocks

As of June 30, 2016	911,720	As of March 31, 2016	909,563
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(iii) Average number of common stocks

Three Months Ended June 30, 2016	465,164,073	Three Months Ended June 30, 2015	464,770,471
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Recording of Implementation Conditions Regarding Auditing Procedures

This financial report does not fall within the scope of the Auditing Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the financial report, the quarterly review procedures for its quarterly financial statements have not been completed.

Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters

1. The forecasts of performance and other forward-looking statements contained in this report are based on information that was available to Ebara Corporation as of the time of the issuance of this report and on certain assumptions about uncertainties that may have an impact on the Group's performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors. For further information on the assumptions made in the preparation of the forecasts of performance, please refer to "Explanation of Forecast of Consolidated Financial Results" on page 7.
2. This report has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated report and the Japanese original, the original shall prevail. Also, Ebara Corporation assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Cash dividends forecast and forecast of financial results following the consolidation of shares)

Ebara Corporation plans to conduct a consolidation of shares at a rate of one share for every five shares with the effective date of October 1, 2016, following the approval and adoption of proposal for the consolidation of shares at the Company's 151st general meeting of shareholders held on June 24, 2016. In accordance with this, the cash dividend forecast and the forecast of financial results for the fiscal year ending March 31, 2017, calculated without factoring in the consolidation of shares are as follows.

1. Cash dividend forecast for the fiscal year ending March 31, 2017

Cash dividends per share

Second quarter-end: ¥6.00 (Note1)

Fiscal year-end: ¥6.00 (Note2)

2. Forecast of financial results for the fiscal year ending March 31, 2017

Net Income per Share

Fiscal year-end: ¥45.15

Note1: Cash dividends per share for the second quarter-end will be paid in accordance with the number of shares before the consolidation shares.

Note2: This is the amount of cash dividends calculated without factoring in the consolidation of shares.

Note3: Annual cash dividends for the fiscal year ending March 31, 2017 (without factoring in the consolidation of shares) will be ¥12.00.

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1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

During the first quarter (three months) ended June 30, 2016, the world economy's future prospects were unclear as the repercussions of the oil price slump still remained, and fluctuations in the financial market were caused by the rise in interest rates in the United States. However, economies including the United States and Europe slowly recovered. Meanwhile, in Japan, recovery was seen in the private capital investment and housing construction and the economy as a whole slowly recovered, despite some weaknesses still persisting in the public investment sector.

During the three months ended June 30, 2016, orders received ran at about the same level in the previous fiscal year due to a decrease in the Fluid Machinery & Systems ("FMS") Company and the Environmental Engineering ("EE") Company despite an increase in the Precision Machinery ("PM") Company. On the other hand, sales increased due to an increase in the PM Company and the EE Company. An increase in profits for the PM Company contributed to an improvement in operating income on the whole.

Consolidated net sales for the three months amounted to ¥92,055 million (an increase of 2.8% year on year), operating loss amounted to ¥307 million (¥1,752 million better year on year), ordinary loss amounted to ¥2,043 million (¥591 million better year on year) and loss attributable to owners of parent amounted to ¥1,468 million (¥957 million better year on year).

Operating results by business segments are as follows:

Fluid Machinery & Systems

In the pump business, in overseas countries, we received plenty of orders for LNG plant products in the same period of previous fiscal year, but demand was lower during this period, resulting in a decrease in the volume of orders. We did, however, receive downstream oil and gas orders from customers such as a North American petrochemical plant and an Indian fertilizer plant, and an order from an LNG receiving terminal in the Middle East. We also received many orders for spare parts for pumps from Middle Eastern oil and gas related plants. In Japan, we received steady orders from thermal power plants in the private electricity market. In the construction and facilities market, there were prospects for an upturn in the number of building construction starts, but demand remained low and we received around the same number of orders as in the same period of the previous fiscal year. In the public sector, the overall volume orders exceeded those of the previous period because of the receipt of orders for large-scale pump installations and other projects, even though investments for the renewal and maintenance of the social infrastructure were level with the same period of the previous fiscal year.

In the compressor and turbines business, customers in the oil and gas markets continued to delay placing orders and making investment judgments because of the impact of the decline in oil prices. In addition, orders remained low due to the shrinkage in the market accompanying the slowdown in the Chinese economy and increased price competition for new projects. However, we did receive some orders from customers, primarily medium and small ones, as well as orders from new oil refinery plant customers in North America, South Korea, and the Middle East. We also made use of our comprehensive service and support capabilities, a key strength of ours, to obtain a total service order from a Middle Eastern petrochemical plant and large volume of orders for parts from oil refinery and petrochemical plants in regions such as India and the Middle East. As a result, the volume of orders was greater than in the same period of the previous fiscal year.

In the chillers business, although the competitive environment became severer because of the deceleration of

growth in the Chinese market, there was a trend toward recovery in demand in Japan. Amid these conditions, overall orders ran at about the same level as in the same period of the previous fiscal year.

Sales in the FMS Company for the three months amounted to ¥58,629 million (a decrease of 6.6% year on year). The segment loss amounted to ¥3,164 million (¥413 million better year on year).

Environmental Engineering

In the EE Company, in the engineering, procurement, and construction (EPC) for municipal waste incinerating facilities field, and in design, build, and operate (DBO) services, new orders ran at about the same level as in the previous period. In the operating and maintenance (O&M) for existing facilities, new orders ran at about the same level as in a typical year. Meanwhile, accompanying revisions to Japan's national energy policy, plans for power generation facilities using sources such as biomass in private companies increased. Amid these conditions, we received an order for construction of wood fiber biomass power generation facilities in the first quarter of this fiscal year.

Sales in the EE Company for the three months amounted to ¥11,496 million (an increase of 21.0% year on year). The segment income amounted to ¥132 million (a decrease of 16.6% year on year).

Precision Machinery

In the PM Company, while demand for computers and smartphones decreased, trends for investment in cutting-edge logistics devices improved, and there was steady investment in 3D NAND flash memories for purposes such as storage. This increased demand for the Company's core CMP devices.

Sales in the PM Company for the three months amounted to ¥21,536 million (an increase of 27.8% year on year). The segment income amounted to ¥2,603 million (an increase of 117.7% year on year).

(2) Explanation of Financial Position

An analysis of assets, liabilities and net assets is as follows:

Total Assets

Total assets as of June 30, 2016 were ¥555,794 million, ¥23,748 million lower than as of March 31, 2016.

Principal changes in asset items included an increase of ¥30,157 million in cash and deposits, an increase of ¥5,766 million in work in process, and a decrease of ¥63,106 million in notes and accounts receivable-trade.

Total Liabilities

Total liabilities as of June 30, 2016 were ¥315,914 million, ¥13,184 million lower than as of March 31, 2016.

Principal changes in liability items included a decrease of ¥12,399 million in notes and accounts payable-trade.

Net Assets

Net assets as of June 30, 2016 were ¥239,880 million, ¥10,564 million lower than as of March 31, 2016. Principal changes affecting net asset items were cash dividends paid of ¥2,790 million, loss attributable to owners of parent for the quarter of ¥1,468 million, and a decrease of ¥7,259 million in translation adjustments. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥230,430 million, and equity ratio was 41.5%.

(3) Explanation of Forecast of Consolidated Financial Results

The forecast of financial results for the fiscal year ending March 31, 2017, and the assumptions made in the preparation of the forecast, since the previous announcement on May 11, 2016, have not been revised.

Forecast of Financial Results for the Fiscal Year Ending March 31, 2017

(% represents percentage change from a comparable previous period)

	Millions of yen	
	Fiscal Year Ending March 31, 2017	
Net Sales	480,000	(1.3)%
Operating Income	37,000	(2.7)%
Ordinary Income	36,500	0.1%
Profit Attributable to Owners of Parent	21,000	21.7%

Forecast of Net Sales and Operating Income by Business Segment

(% represents composition ratio)

Millions of yen

	Net Sales		Segment Income	
Fluid Machinery & Systems	310,000	64.6%	18,000	48.7%
Environmental Engineering	70,000	14.6%	7,000	18.9%
Precision Machinery	98,000	20.4%	12,000	32.4%
Others	2,000	0.4%	0	0.0%
Total	480,000	100.0%	37,000	100.0%

Factors that may have an influence on the Group's actual performance include those listed below; however, such factors are not limited to those on this list.

1. Market Risk
2. Large-scale projects and overseas business activities
3. Business realignments, etc.
4. Exchange risk
5. Risks related to the interest rate and funding
6. Risks related to the impact of natural disasters and impairment of the social infrastructure
7. Deferred tax assets
8. Material procurement
9. Legal restrictions
10. Risk of Litigation and other conflicts
11. Litigation about sales of the Company's former headquarters and its Haneda Plant
12. Risk of collection of export receivables
13. Projected benefit obligation

2. Summary Information (Notes)

(1) Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements

Tax expenses on income before income taxes for the three months under review are calculated by multiplying income before income taxes for the three months under review by the reasonably estimated annual effective tax rate for the entire fiscal year with application of tax effect accounting.

(2) Additional Information

(Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from April 1, 2016, the Group has applied “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on March 28, 2016).

(Progress about Fire Accident)

On October 23, 2015, a fire broke out at the waste processing facility for bulky refuse at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, as Ebara Environmental Plant Co., Ltd. (“EEP”), the Company’s consolidated subsidiary, was making repairs on the facility. Please note that EEP is responsible for the operation and management of a refuse incinerating facility that is located next to the bulky refuse processing plant where the fire occurred.

Regarding this incident, the Company is discussing with Gifu City the construction work required to make the damaged facility operational again and compensation for related damages. At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group’s consolidated statements of income for the fiscal year ending March 31, 2017.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2016	As of June 30, 2016
ASSETS		
Current Assets		
Cash and deposits	89,589	119,747
Notes and accounts receivable-trade	216,310	153,204
Electronically recorded monetary claims	727	1,423
Securities	4,599	5,201
Merchandise and finished goods	13,046	13,110
Work in process	47,121	52,888
Raw materials and supplies	28,740	28,174
Others	26,500	26,581
Allowance for doubtful accounts	(3,233)	(3,093)
Total current assets	<u>423,402</u>	<u>397,237</u>
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	41,780	40,593
Machinery and equipment, net	26,644	25,934
Others, net	36,543	37,588
Total tangible assets	<u>104,968</u>	<u>104,116</u>
Intangible assets	11,143	10,704
Investments and other assets		
Investment securities	26,662	23,427
Others	18,166	25,215
Allowance for doubtful accounts	(4,800)	(4,906)
Total investments and other assets	<u>40,029</u>	<u>43,736</u>
Total fixed assets	<u>156,140</u>	<u>158,557</u>
Total Assets	<u>579,543</u>	<u>555,794</u>

	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	68,905	56,506
Electronically recorded obligations	47,550	50,020
Short-term loans payable	77,714	77,349
Bonus payment reserve	9,200	11,356
Directors' bonus payment reserve	311	331
Reserve for losses on construction completion guarantees	3,889	3,401
Reserve for product warranties	3,506	3,123
Reserve for construction losses	7,748	8,411
Reserve for expenses related to the sales of land	254	254
Others	40,520	38,191
Total current liabilities	259,600	248,945
Long-term Liabilities		
Bonds payable	10,000	10,000
Bonds with subscription rights to shares	19,988	19,988
Long-term loans payable	9,870	9,213
Reserve for directors' retirement benefits	160	147
Provision for loss on litigation	6,457	6,464
Net defined benefit liability	16,681	15,390
Asset retirement obligations	1,899	1,939
Others	4,440	3,824
Total long-term liabilities	69,498	66,968
Total Liabilities	329,099	315,914
NET ASSETS		
Shareholders' Equity		
Common stock	68,760	68,768
Capital surplus	72,691	72,699
Retained earnings	102,446	98,619
Treasury stock	(408)	(409)
Total shareholders' equity	243,490	239,677
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	2,739	2,035
Deferred gains (losses) on hedges	(12)	(1)
Translation adjustments	5,878	(1,380)
Remeasurements of defined benefit plans	(11,080)	(9,899)
Total accumulated other comprehensive income	(2,473)	(9,246)
Subscription Rights to Shares	952	1,033
Non-Controlling Interests	8,475	8,416
Total Net Assets	250,444	239,880
Total Liabilities and Net Assets	579,543	555,794

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Net Sales	89,579	92,055
Cost of Sales	68,712	69,647
Gross Profit	20,866	22,408
Selling, General and Administrative Expenses	22,925	22,716
Operating Loss	(2,059)	(307)
Non-operating Income		
Interest income	47	46
Dividends income	70	84
Foreign exchange gains	103	—
Others	101	141
Total non-operating income	323	272
Non-operating Expenses		
Interest expenses	317	295
Equity in losses of affiliates	261	259
Foreign exchange losses	—	1,389
Others	320	64
Total non-operating expenses	899	2,008
Ordinary Loss	(2,635)	(2,043)
Extraordinary Income		
Gain on sales of fixed assets	11	94
Gain on sales of investment securities	22	40
Total extraordinary income	33	134
Extraordinary Loss		
Loss on sales of fixed assets	2	0
Loss on retirement of fixed assets	3	17
Others	0	0
Total extraordinary loss	5	17
Loss before Income Taxes	(2,607)	(1,926)
Income Taxes	(417)	(773)
Loss	(2,190)	(1,153)
Profit Attributable to Non-Controlling Interests	236	315
Loss Attributable to Owners of Parent	(2,426)	(1,468)

Consolidated Statements of Comprehensive Income

Millions of yen

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Loss	(2,190)	(1,153)
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	925	(688)
Deferred gains (losses) on hedges	(41)	10
Translation adjustment	(225)	(7,648)
Remeasurements of defined benefit plans, net of tax	(73)	1,180
Share of other comprehensive income of associates accounted for using equity method	(59)	(15)
Total other comprehensive income	525	(7,161)
Comprehensive Income	(1,664)	(8,314)
Comprehensive income attributable to:		
Owners of parent	(1,882)	(8,241)
Non-controlling interests	217	(72)

(3) Consolidated Statements of Cash Flows

Millions of yen

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Cash Flows from Operating Activities:		
Loss before income taxes	(2,607)	(1,926)
Depreciation and amortization	2,853	3,135
Loss (gain) on sales of securities and investment securities	(22)	(40)
Increase (decrease) in reserve	2,015	1,840
Increase (decrease) in net defined benefit liability	(297)	(1,160)
Loss (gain) on sales of fixed assets	(8)	(94)
Interest and dividends income	(118)	(130)
Interest expenses	317	295
Decrease (increase) in notes and accounts receivable-trade	50,303	59,541
Decrease (increase) in inventories	(9,246)	(7,204)
Increase (decrease) in notes and accounts payable-trade	(6,349)	(9,573)
Others	(1,450)	(2,349)
Sub-total	<u>35,387</u>	<u>42,332</u>
Interest and dividends income received	300	771
Interest expenses paid	(306)	(260)
Income taxes paid	(2,120)	(3,765)
Net cash provided by operating activities	<u>33,261</u>	<u>39,078</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(4,052)	(5,300)
Proceeds from sales of fixed assets	36	115
Purchase of securities and investment securities	(3,965)	(2,488)
Proceeds from sales and redemption of securities and investment securities	1,835	2,799
Payments into time deposits	(494)	(462)
Proceeds from withdrawal of time deposits	494	457
Payments of loans receivable	(40)	(9)
Collection of loans receivable	321	173
Others	87	86
Net cash used in investing activities	<u>(5,775)</u>	<u>(4,629)</u>
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	2,723	2,240
Repayment of long-term loans payable	(1,701)	(1,733)
Purchase of treasury stocks	(1)	(1)
Cash dividends paid	(3,834)	(2,790)
Dividends paid to non-controlling interests	—	(68)
Others	(182)	(309)
Net cash used in financing activities	<u>(2,996)</u>	<u>(2,663)</u>
Translation Adjustments	16	(2,184)
Increase (Decrease) in Cash and Cash Equivalents	<u>24,505</u>	<u>29,601</u>
Cash and Cash Equivalents at Beginning of Period	<u>95,604</u>	<u>91,185</u>
Increase (Decrease) in Cash and Cash Equivalents Resulting from change of scope of consolidation	—	536
Cash and Cash Equivalents at End of Period	<u>120,110</u>	<u>121,323</u>

(4) Note for Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Note for Significant Changes in the Amount of Shareholders' Equity)

None

(Segment Information)

Three Months Ended June 30, 2015

1. Information regarding sales and income (loss) by reportable segment

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	62,800	9,501	16,857	89,159	419	89,579	—	89,579
Intersegment and transfer	139	0	—	140	831	971	(971)	—
Total	62,940	9,501	16,857	89,299	1,251	90,550	(971)	89,579
Segment Income (Loss)	(3,577)	159	1,196	(2,221)	135	(2,086)	26	(2,059)

Notes: 1. The "Others" item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The "Adjustments" item for Segment Income (Loss) shows eliminations among intersegment sales and transfers.

3. Segment Income (Loss) has been adjusted with operating loss in the quarterly consolidated statements of income.

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

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

Three Months Ended June 30, 2016

1. Information regarding sales and income (loss) by reportable segment

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	58,629	11,496	21,536	91,661	394	92,055	—	92,055
Intersegment and transfer	50	0	—	51	832	883	(883)	—
Total	58,680	11,496	21,536	91,712	1,226	92,938	(883)	92,055
Segment Income (Loss)	(3,164)	132	2,603	(427)	118	(308)	1	(307)

Notes: 1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The “Adjustments” item for Segment Income (Loss) shows eliminations among intersegment sales and transfers.

3. Segment Income (Loss) has been adjusted with operating loss in the quarterly consolidated statements of income.

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

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None