



Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2019 (FY2018) [J-GAAP] (Consolidated)

August 9, 2018

This document has been translated from the Japanese original, for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Company name: Japan Airport Terminal Co., Ltd. Listed stock exchange: Tokyo, 1st Section
Code number: 9706 URL: <http://www.tokyo-airport-bldg.co.jp/>
Representative: Nobuaki Yokota, President and COO
Contact: Kazuhito Tanaka, Managing Director
TEL 03-5757-8409

Scheduled date of filing securities report: August 14, 2018
Scheduled date of commencing dividend payment: —
Supplementary materials on financial results (yes/no) No
Holding of quarterly earnings announcement (yes/no) No

(Figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Three Months of FY2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated Business Results (Cumulative) (%: Change from the same period of the previous year)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Three Months of FY2018	68,122	31.6	6,398	129.6	6,114	62.7	24,884	842.5
FY2017	51,759	5.9	2,787	61.6	3,758	39.5	2,640	45.3

(Note) Comprehensive income: First three months of FY2018 ¥26,782 million (722.1%) First three months of FY2017 ¥3,257 million (52.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
First Three Months of FY2018	306.35	292.68
FY2017	32.50	31.01

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2018	442,170	193,294	35.6	1,937.74
As of March 31, 2018	239,389	136,156	55.7	1,641.82

(Reference) Equity capital: As of June 30, 2018 ¥157,399 million As of March 31, 2018 ¥133,362 million

2. Dividends

	Dividends per share				
	Q1-End	Q2-End	Q3-End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	-	20.00	-	24.00	44.00
FY2018	-	-	-	-	-
FY2019 (Forecast)	-	21.00	-	21.00	42.00

(Note) Revisions to the most recently announced dividends forecast for FY2018: None

3. Forecast of Consolidated Financial Results for FY 2018 (April 1, 2018 to March 31, 2019)

(%: Change from the same period of the previous year)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First-half	131,200	21.4	11,000	63.0	9,900	13.2	27,000	335.9	332.39
Full-year	266,000	17.7	20,500	52.6	18,100	8.4	31,300	165.8	385.33

(Note) Revisions to the most recently announced forecast of consolidated financial results for FY2018: None

*** Notes**

(1) Significant changes in subsidiaries during the period under review (changes in specified subsidiaries involving changes in scope of consolidation): Yes

New: 1 company (Tokyo International Air Terminal Corp.) Excluded: None

(Note) For details, please refer to page 10 of the appendix materials “2. Quarterly Consolidated Financial Statements and Notes

(3) Notes on Quarterly Consolidated Financial Statements: Significant Changes in Subsidiaries during the Period under Review”.

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

(Note) For details, please refer to page 10 of the appendix materials “2. Quarterly Consolidated Financial Statements and Notes

(3) Notes on Quarterly Consolidated Financial Statements: Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements”.

(3) Changes in accounting policies, accounting estimates, and restatement of revisions

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

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

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the period-end (including treasury stock):

As of June 30, 2018	84,476,500 shares	As of March 31, 2018	84,476,500 shares
---------------------	-------------------	----------------------	-------------------

2) Number of treasury stock at the period-end:

As of June 30, 2018	3,247,775 shares	As of March 31, 2018	3,247,735 shares
---------------------	------------------	----------------------	------------------

3) Average number of shares outstanding (quarterly consolidated cumulative period):

First quarter of FY2018	81,228,749 shares	First quarter of FY2017	81,228,895 shares
-------------------------	-------------------	-------------------------	-------------------

*** This quarterly financial report is not subject to the quarterly review by certified public accountants or auditing firms.**

*** Statements regarding the proper use of financial forecast and other special remarks**

Notes on the use of forward-looking statements

The forecast of the business results reported herein was prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. The Company makes no guarantee that these figures will be achieved. Actual results may differ significantly from forecasts due to various factors. For the assumptions used in financial forecast and precautionary statements regarding the use of the forecasts, please refer to page 4 of the appendix materials “1. Qualitative Information on Consolidated Financial Results for the First Three Months of FY2018 (3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements”.

Contents of the Appendix Materials

1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST THREE MONTHS OF FY2018 (APRIL 1, 2018 TO JUNE 30, 2018)	- 2 -
(1) EXPLANATION OF OPERATING RESULTS	- 2 -
(2) EXPLANATION OF FINANCIAL POSITION	- 3 -
(3) EXPLANATION OF CONSOLIDATED FINANCIAL FORECASTS AND OTHER FORWARD-LOOKING STATEMENTS	- 4 -
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES	- 5 -
(1) QUARTERLY CONSOLIDATED BALANCE SHEETS.....	- 5 -
(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	- 7 -
<i>Quarterly Consolidated Statements of Income</i>	- 7 -
<i>Quarterly Consolidated Statements of Comprehensive Income</i>	- 9 -
(3) NOTES ON QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS.....	- 10 -
(NOTES ON THE PREMISE OF A GOING CONCERN)	- 10 -
(NOTES ON A SIGNIFICANT CHANGE IN SHAREHOLDERS' EQUITY).....	- 10 -
(SIGNIFICANT CHANGES IN SUBSIDIARIES DURING THE PERIOD UNDER REVIEW).....	- 10 -
(ADOPTION OF SPECIAL ACCOUNTING METHODS FOR PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS)	- 10 -
- 10 -	
(ADDITIONAL INFORMATION)	- 10 -
(SEGMENT INFORMATION)	- 11 -

1. Qualitative Information on Consolidated Financial Results for the First Three Months of FY2018 (April 1, 2018 to June 30, 2018)

(1) Explanation of Operating Results

During the first three months of the fiscal year ending March 31, 2019, the Japanese economy has experienced a gradual recovery. Looking ahead, continuing improvement in employment and income, coupled with various government policies, is expected to support moderate economic recovery, though it is important to prudently monitor the uncertainty in overseas economies and volatility of capital markets.

Looking at our business environment, the Japanese government targets 40 million annual inbound tourists for Japan in 2020. The volume of inbound tourists in 2018 is progressing steadily, reaching a record high for the first half (January-June) at 15.89 million due to growth in total seat capacity fueled by new routes and an increase in flights, as well as continuing promotional campaigns for traveling to Japan.

A review of passenger traffic during the first quarter shows that passenger volume at Haneda Airports, both on domestic and international flights, rose year-on-year since airline companies increased their nighttime flights at Haneda's international routes and offered various demand-based discount pricing. International flights at Narita International Airport, and at other airports, are also progressing well.

Under these circumstances, JAT Group has embraced its long-term vision "To be a World Best Airport" that satisfies the needs of all stakeholders. To achieve this long-term vision, the medium-term business plan has been developed and implemented as our five-year growth strategy until FY2020. This medium-term business plan was reviewed to keep up with the current corporate growth strategy and updated to reflect recent developments, including consolidation of Tokyo International Air Terminal Corp. ("TIAT") by subscribing for a third-party allotment of shares in April 2018, as well as the strengthening of airport functions to meet the increasing demand of international flights after 2020. Our main priority for FY2018 is to realize the intended effects and purpose of consolidation of TIAT, achieve appropriate results, respond to changes in the business environment, and further improve the performance of airport-style in-city duty-free shops. While pursuing these priorities, we are implementing various measures based on three strategic pillars: 1) Pursuit of the ideal of Haneda Airport, 2) Expansion of our business domain utilizing our strengths and the diversification of profits, and 3) Reconstruction of our profit base and the building of competitive advantages.

With regard to "Pursuit of the ideal of Haneda Airport", passenger terminal facilities are being constructed with a view toward re-expansion of Haneda international flights. As part of this project, in May 2018, the boarding station near the North Pier of Terminal 2 began operating and the satellite facility at the North Pier of Terminal 2 will commence operation in December 2018. Other re-expansion projects are proceeding in line with the construction schedule that will be completed for service by March 2020. Furthermore, in a drastically changing business environment, we believe that it is important not only to utilize our experience and know-how more extensively, but also to expand our business domain by bringing in expertise that our company does not possess, so that we can achieve more stable growth by taking full advantage of the prominent location of Haneda Airport. To this end, we have moved forward with preparations for setting up Haneda Future Research Institute Inc., which was incorporated on July 2, 2018. This business will be undertaken in consideration of the perspective that art and culture will play a vital role in supporting the Japanese economy after the 2020 Olympics. While we will contribute to regional revitalization by taking advantage of the premier location of Haneda Airport in connecting local municipalities and Haneda Airport, we will also create new values by promoting Japanese fine products, art, and culture. Furthermore, we will propose a future design of Japan, such as new lifestyle, while educating human resources who can meet the needs of the times and fulfilling the role as a think tank.

In terms of the "Expansion of our business domain utilizing our strengths and the diversification of profits", a duty-free shop in the arrival area at Haneda's international terminal was opened in April 2018, which has shown strong results by capturing potential shopping demand. At airport-style in-city duty-free shops "Japan Duty Free Ginza", due to sales promotion efforts such as the expansion of duty-free retail space and brands popular among Chinese travelers who are the main customers, actual results have surpassed projections.

With respect to the "Reconstruction of our profit base and the building of competitive advantages", two shops of "Air BIC CAMERA" that offer electronics and other goods were opened at Chubu Centrair International Airport in April and June 2018, respectively, which have shown strong results by meeting the needs of targeted foreign travelers. "THE HANEDA HOUSE", business mall project which targets business people, is now being prepared for opening in December 2018.

Consolidated financial results for the cumulative fiscal first quarter (April 1, 2018 - June 30, 2018) is affected by the changes in profit structure caused by consolidating the results of TIAT as a consolidated subsidiary and recognition of extraordinary income and loss. Under these circumstances, consolidated operating revenues for the cumulative fiscal first quarter increased 31.6% compared with the same period of the previous year to ¥68,122 million. Operating income rose to ¥6,398 million (up 129.6% year-on-year),

ordinary income to ¥6,114 million (up 62.7% year-on-year) and net income (attributable to owners of the parent) to ¥24,884 million (up 842.5% year-on-year).

In the Skytrax (UK) World Airport Awards in March 2018, Haneda Airport's passenger terminals were awarded third place in the World's Best Airports category, which comprehensively evaluates various aspects of international airports. We were also awarded first place in the World's Cleanest Airports (the fifth time, for the third year in a row) and World's Best Domestic Airports (for the sixth consecutive year). We will work cooperatively with TIAT as an entire airport to further improve the service level at Haneda Airport.

The following is a breakdown of earnings by segment. Note that the figures for operating income are equivalent to those for segment income.

[Facilities Management]

Since TIAT became a consolidated subsidiary, revenue at Haneda's international terminal was added including rental revenue, facility user charges, parking revenue, and sales from advertisement and at lounges, while revenue from outsourced operation at international terminal decreased.

Looking at factors other than the consolidation of TIAT, rental revenue rose from the same period of the previous year primarily due to an increase in rental spaces to airlines at domestic terminals.

Revenue from facility user charges rose from the same period of the previous year because a growth in domestic passenger volume increased user charges revenue for domestic terminal facilities.

Other revenues rose from the same period of the previous year primarily because revenue at lounge at domestic terminals increased.

As a result, operating revenues from facilities management operations increased to ¥20,549 million (up 48.9% year-on-year). Operating income for the segment was ¥4,204 million (up 150.3% year-on-year).

[Merchandise Sales]

Since TIAT became a consolidated subsidiary, sales at duty-free shops at Haneda's international terminal was added, while the revenue from wholesaling is now offset.

Looking at factors other than the consolidation of TIAT, sales at domestic terminal stores rose from the same period of the previous year as a result of an increase in domestic passenger volume and efforts to achieve higher average purchase price.

Sales at international terminal stores increased from the same period of the previous year, because international passenger volume grew at Haneda Airport, a new duty-free shop was opened at arrival floor, new shops were opened at Chubu Centrair International Airport, both the customer number and average price continue to increase at duty-free shops at airports as a result of efforts to offer the mix of merchandise to meet customer interests and to bring more operational efficiency, and the various measures were taken at airport-style in-city duty-free shops.

Other revenues rose because the wholesaling of products to regional airports progressed well.

As a result, operating revenues from merchandise sales operations increased to ¥43,678 million (up 28.6% year-on-year) and operating income rose to ¥4,153 million (up 76.9% year-on-year).

[Food and Beverage]

Since TIAT became a consolidated subsidiary, sales from food and beverage operations at Haneda's international terminal was added, while revenue from the outsourced operations at international terminal is now offset.

Looking at factors other than the consolidation of TIAT, sales from food and beverage operations decreased from the same period of the previous year because some restaurants and stores were closed due to renovations and construction for internationalization at domestic terminal.

Sales from in-flight meals rose from the same period of the previous year due to an increase in flights of foreign carriers, our clients in this business, and acquisition of new clients.

As a result, operating revenues from food and beverage operations increased to ¥5,541 million (up 4.0% year-on-year). Operating income for the segment was ¥150 million (down 2.6% year-on-year) due to the closure of some food and beverage stores.

(2) Explanation of Financial Position

[Assets]

Current assets increased by ¥43,766 million from the previous fiscal year end to ¥115,752 million, primarily due to an increase in cash and deposits by ¥42,043 million.

Fixed assets increased by ¥159,013 million from the previous fiscal year end to ¥326,418 million, primarily due to an increase in buildings and structures by ¥117,129 million.

As a result, total assets increased by ¥202,780 million from the previous fiscal year end to ¥442,170 million.

[Liabilities]

Current liabilities increased by ¥5,451 million from the previous fiscal year end to ¥43,136 million, primarily due to an increase in short-term loans payable by ¥6,040 million.

Fixed liabilities increased by ¥140,191 million from the previous fiscal year end to ¥205,738 million, primarily due to an increase in long-term loans payable by ¥107,692 million.

As a result, total liabilities increased by ¥145,642 million from the previous fiscal year end to ¥248,875 million.

[Net assets]

Total net assets increased by ¥57,137 million to ¥193,294 million primarily because non-controlling interests increased by ¥33,100 million and retained earnings increased by ¥22,934 million.

As a result, equity ratio was 35.6% (compared to 55.7% at the previous fiscal year end).

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

There have been no changes to the interim and full-year consolidated forecasts announced on May 11, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Three Months of FY2018 (As of June 30, 2018)
ASSETS		
Current assets		
Cash and deposits	42,487	84,531
Accounts receivable	19,566	15,603
Merchandise and finished products	6,512	10,106
Raw materials and stored goods	161	156
Other current assets	3,294	5,382
Allowance for doubtful accounts	(37)	(29)
Total current assets	71,985	115,752
Fixed assets		
Tangible fixed assets		
Buildings and structures	281,100	443,658
Accumulated depreciation and impairment loss	(204,919)	(250,348)
Buildings and structures (net)	76,180	193,310
Machinery, equipment and vehicles	11,827	21,444
Accumulated depreciation and impairment loss	(8,821)	(12,270)
Machinery, equipment and vehicles (net)	3,005	9,174
Land	11,371	11,371
Lease assets	1,159	1,163
Accumulated depreciation and impairment loss	(537)	(577)
Lease assets (net)	621	586
Construction in progress	21,496	33,956
Other tangible fixed assets	32,101	54,431
Accumulated depreciation and impairment loss	(26,789)	(44,290)
Other tangible fixed assets (net)	5,311	10,140
Total tangible fixed assets	117,987	258,539
Intangible fixed assets	1,889	41,258
Investments and other assets		
Investment securities	31,953	16,670
Long-term loans receivable	6,665	3
Deferred tax assets	5,789	5,952
Net defined benefit assets	298	459
Other investments	2,820	3,533
Total investments and other assets	47,527	26,619
Total fixed assets	167,404	326,418
TOTAL ASSETS	239,389	442,170

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Three Months of FY2018 (As of June 30, 2018)
LIABILITIES		
Current liabilities		
Accounts payable	9,707	9,227
Short-term loans payable	7,790	13,830
Income taxes payable	3,202	2,521
Allowance for employees' bonuses	1,673	816
Allowance for directors' bonuses	250	56
Other current liabilities	15,061	16,684
Total current liabilities	37,685	43,136
Fixed liabilities		
Bonds	-	11,230
Bonds with stock acquisition rights	30,070	30,064
Long-term loans payable	28,210	135,902
Lease obligations	504	468
Allowance for directors' retirement benefits	-	45
Net defined benefit liabilities	3,304	3,294
Asset retirement obligations	471	473
Other fixed liabilities	2,986	24,259
Total fixed liabilities	65,547	205,738
TOTAL LIABILITIES	103,233	248,875
NET ASSETS		
Shareholders' equity		
Common stock	17,489	17,489
Capital surplus	21,337	21,337
Retained earnings	92,826	115,761
Treasury stock	(3,245)	(3,245)
Total shareholders' equity	128,408	151,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,276	6,097
Deferred gains (losses) on hedges	(1,259)	(21)
Foreign currency translation adjustment	54	52
Remeasurements of defined benefit plans	(116)	(71)
Total accumulated other comprehensive income	4,954	6,057
Non-controlling interests	2,793	35,894
TOTAL NET ASSETS	136,156	193,294
TOTAL LIABILITIES AND NET ASSETS	239,389	442,170

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

Quarterly Consolidated Statements of Income

	(Millions of yen)	
	First Three Months of FY2017 (from April 1, 2017 to June 30, 2017)	First Three Months of FY2018 (from April 1, 2018 to June 30, 2018)
Operating revenues		
Rent revenue	3,295	4,333
Facility user charges revenue	4,453	10,551
Other revenues	6,251	4,954
Sale of merchandise	33,616	43,378
Sale of food and beverage	4,142	4,904
Total operating revenues	51,759	68,122
Cost of sales		
Cost of sales of merchandise	25,443	30,716
Cost of sales of food and beverage	2,646	2,709
Total cost of sales	28,090	33,426
Gross profit	23,669	34,696
Selling, general and administrative expenses		
Salaries and wages	2,301	2,643
Provision for employees' bonuses	665	771
Provision for directors' bonuses	58	56
Expenses for retirement benefits	239	239
Rent expenses	2,985	4,372
Outsourcing and commission	5,876	6,919
Depreciation expenses	2,585	5,940
Other costs and expenses	6,169	7,352
Total selling, general and administrative expenses	20,881	28,297
Operating income	2,787	6,398
Non-operating income		
Interest income	156	6
Dividends income	223	222
Equity in earnings of affiliates	572	64
Miscellaneous income	135	224
Total non-operating income	1,088	517
Non-operating expenses		
Interest expenses	81	744
Loss on retirement of fixed assets	25	5
Miscellaneous expenses	11	51
Total non-operating expenses	118	801
Ordinary income	3,758	6,114

	(Millions of yen)	
	First Three Months of FY2017 (from April 1, 2017 to June 30, 2017)	First Three Months of FY2018 (from April 1, 2018 to June 30, 2018)
Extraordinary gains		
Gain on offsetting assets and liabilities	-	5,626
Gain on negative goodwill	-	20,126
Other extraordinary gains	-	207
Total extraordinary gains	-	25,960
Extraordinary loss		
Loss on retirement of fixed assets	4	0
Loss on valuation of other investments	4	-
Loss of step acquisition	-	2,725
Total extraordinary loss	8	2,726
Quarterly income before income taxes and non-controlling interests	3,749	29,348
Income taxes – current	1,079	3,651
Quarterly income	2,669	25,697
Quarterly net income attributable to non-controlling interests	29	813
Quarterly net income attributable to owners of the parent	2,640	24,884

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Three Months of FY2017 (from April 1, 2017 to June 30, 2017)	First Three Months of FY2018 (from April 1, 2018 to June 30, 2018)
Quarterly income	2,669	25,697
Other comprehensive income		
Valuation difference on available-for-sale securities	499	(181)
Deferred gains (losses) on hedges	-	(42)
Foreign currency translation adjustment	(0)	(1)
Remeasurements of defined benefit plans	61	46
Share of other comprehensive income of associates accounted for using equity method	27	1,264
Total other comprehensive income	588	1,085
Comprehensive income	3,257	26,782
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	3,218	25,986
Comprehensive income attributable to non-controlling interests	39	795

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes on a Significant Change in Shareholders' Equity)

Not applicable

(Significant Changes in Subsidiaries during the Period under Review)

During the first quarter, TIAT became our consolidated subsidiary since the Company completed payment procedures with regard to subscribing for a third-party allotment of shares issued by TIAT. This acquisition changed TIAT's status for our consolidated accounting from an associate accounted for using the equity method to a consolidated subsidiary, which is included in the scope of consolidation. TIAT falls under the category of specified subsidiary.

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

Calculation of tax expenses

The effective tax rate on income before taxes for the consolidated fiscal year including the first quarter after the application of tax effect accounting is reasonably estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses.

(Additional Information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018) has been applied from the first quarter of the current fiscal year. Accordingly, deferred tax assets has been presented under investments and other assets and deferred tax liabilities under fixed liabilities.

(Segment Information)

Segment Information

I. First three months of FY2017 (from April 1, 2017 to June 30, 2017)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note 2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	13,283	33,756	4,719	51,759	-	51,759
Intersegment sales and transfers	517	196	609	1,322	(1,322)	-
Total	13,800	33,952	5,329	53,082	(1,322)	51,759
Segment income	1,679	2,348	154	4,182	(1,395)	2,787

(Notes) 1. Adjustments to the segment income include ¥1,395 million of administration expenses for the parent company's administration divisions and others at head office which are not allocated to each of the reportable segments.

2. Segment income is adjusted with operating income recorded in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

Not applicable

II. First three months of FY2018 (from April 1, 2018 to June 30, 2018)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note 2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	19,770	43,447	4,904	68,122	-	68,122
Intersegment sales and transfers	779	230	636	1,646	(1,646)	-
Total	20,549	43,678	5,541	69,769	(1,646)	68,122
Segment income	4,204	4,153	150	8,508	(2,109)	6,398

(Notes) 1. Adjustments to the segment income include ¥2,116 million of administration expenses for administration divisions at parent company's head office and some of the subsidiaries which are not allocated to each of the reportable segments.

2. Segment income is adjusted with operating income recorded in the Quarterly Consolidated Statements of Income.

3. During the first quarter, with the acquisition of TIAT's shares, TIAT became included in the scope of consolidation. Accordingly, amount of assets in each reportable segment increased by ¥174,897 million for "Facilities Management", ¥8,100 million for "Merchandise Sales" and ¥1,036 million for "Food and Beverage".

2. Information on impairment loss on fixed assets and goodwill, etc., by reportable segment

Gain on negative goodwill (¥20,126 million) was recognized from the inclusion of TIAT in the scope of consolidation as a result of share acquisitions of TIAT during the first quarter. This gain is not allocated to each reportable segment.