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

November 7, 2018

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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
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Scheduled date of filing securities report: November 14, 2018
Scheduled date of commencing dividend payment: December 4, 2018
Supplementary materials on financial results (yes/no): Yes
Holding of quarterly earnings announcement (yes/no): Yes (for institutional investors and financial analysts)

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

1. Consolidated Financial Results for the First Six Months of FY2018 (April 1, 2018 to September 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	
First Six Months of	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	137,423	27.2	12,961	92.1	11,761	34.4	28,202	355.3
FY2017	108,066	8.2	6,748	51.2	8,748	40.3	6,193	44.2

(Note) Comprehensive income: First six months of FY2018 ¥31,593 million (346.3%) First six months of FY2017 ¥7,079 million (51.4%)

	Net income per share	Diluted net income per share
First Six Months of	Yen	Yen
FY2018	347.20	331.67
FY2017	76.25	72.78

(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 September 30, 2018	473,860	198,103	34.0	1,985.46
As of March 31, 2018	239,389	136,156	55.7	1,641.82

(Reference) Equity capital: As of September 30, 2018 ¥161,275 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	-	23.00			
FY2018 (Forecast)			-	21.00	44.00

(Note) Revisions to the most recently announced dividends forecast for FY2018: Yes
For the revision of dividends forecast, please refer to the “Announcement of the dividend of retained earnings (interim dividend)” announced on November 7, 2018 (in Japanese only).

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
Full-year	277,100	22.6	21,700	61.6	19,400	16.2	32,400	175.1	398.87

(Note) Revisions to the most recently announced forecast of consolidated financial results for FY2018: Yes

*** 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 September 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 September 30, 2018	3,247,883 shares	As of March 31, 2018	3,247,735 shares

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

Second quarter of FY2018	81,228,710 shares	Second quarter of FY2017	81,228,851 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 Six Months of FY2018 (3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements".

Supplementary materials on quarterly financial results and details of presentation at earnings announcement

Earnings announcement is planned to be held on November 13, 2018 for institutional investors and financial analysts. Video of the presentation will be promptly posted on the Company's website following the meeting.

Contents of the Appendix Materials

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

(1) Explanation of Operating Results

During the first six 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 various issues such as effects of rising trade tensions on the global economy, the uncertainty in overseas economies, volatility of capital markets as well as the economic impacts of a series of natural disasters.

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 has increased year-on-year, reaching for the first nine months (January–September) at 23.46 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. On the other hand, there is a concern that natural disasters such as an earthquake that struck north of Osaka, a number of typhoons, and Hokkaido Eastern Iburi Earthquake will negatively impact the demand for inbound tourism, as shown by the fact that monthly number of foreign visitors to Japan in September 2018 declined from the year earlier.

A review of passenger traffic during the first six months 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, although the pace of growth in passenger volume has slowed since July 2018 due to natural disasters. International flights at Narita International Airport also increased year-on-year because of robust passenger traffic as well as additional flights following the disaster that hit Kansai International Airport.

Under these circumstances, the Japan Airport Terminal ("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, JAT group is 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, the boarding stations near the North Pier of Terminal 2 began operating in May 2018. 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. In addition, renovation project started at Terminal 1 from October 2018 to improve passenger convenience and terminal environment. 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, Haneda Future Research Institute Inc. was established 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 at the arrival hall in 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 stores of "Air BIC CAMERA" that were opened at Chubu Centrair International Airport in April and June

2018 have shown strong results by offering products that meet the needs of foreign travelers. To leverage the profit opportunity created by foreign travelers' spending outside of the airport, a new store was opened at Divercity Tokyo Plaza on November 2, 2018, followed after the store opening at Aqua City Odaiba. "THE HANEDA HOUSE", business mall project which targets business people, is now being prepared for opening in December 2018.

Additionally, ¥30,000 million was financed on August 31, 2018 through Hybrid Loan (subordinated debt), a strategic financing scheme that achieves both financial stability and improvement in return on capital. As this Hybrid Loan is recognized by a credit rating agency to qualify for equity classification to a certain extent, it serves essentially to strengthen financial structure without diluting its shares.

Consolidated financial results for the cumulative fiscal first half (April 1, 2018 - September 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 half increased 27.2% compared with the same period of the previous year to ¥137,423 million. Operating income rose to ¥12,961 million (up 92.1% year-on-year), ordinary income to ¥11,761 million (up 34.4% year-on-year) and net income (attributable to owners of the parent) to ¥28,202 million (up 355.3% year-on-year).

In September 2018, Haneda Airport's passenger terminals were awarded "5-Star Airport" quality ranking, the highest global standard, for the fifth consecutive year in the "Global Airport Rating" evaluated by the Skytrax (UK). As a sky gateway to Tokyo metropolitan area, we ensure a high level of professionalism shared by all airport staffs as well as customer-oriented airport facility and services. Furthermore, in pursuit of the ideal of Haneda Airport, we aim to be the airport that earns the long-term trust of customers from all over the world.

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 what was recognized as revenue from outsourced operation at international terminal in previous years is now offset.

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 fueled by strong demand for business travelers and inbound travelers using domestic routes increased user charges revenue for domestic terminal facilities, despite flight cancellations due to natural disasters.

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 ¥43,343 million (up 48.0% year-on-year). Operating income for the segment was ¥8,446 million (up 123.0% year-on-year).

[Merchandise Sales]

Since TIAT became a consolidated subsidiary, sales at duty-free shops at Haneda's international terminal was added, while what was recognized as the revenue from wholesaling in previous years 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. Despite the revenue drop at the shops we operate at Kansai International Airport due to the airport's temporary closure, monthly merchandise sales in September 2018 increased year-on-year due to growth in Haneda, Narita and Chubu airports.

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

As a result, operating revenues from merchandise sales operations increased to ¥87,034 million (up 23.8% year-on-year) and operating income rose to ¥8,102 million (up 55.4% 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 what was recognized as the revenue from the outsourced operations at international terminal in previous years 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 ¥11,523 million (up 3.2% year-on-year) and operating income rose to ¥492 million (up 11.5% year-on-year).

(2) Explanation of Financial Position

[Assets]

Current assets increased by ¥60,958 million from the previous fiscal year end to ¥132,943 million, primarily due to an increase in cash and deposits by ¥56,163 million and in other current assets by ¥4,110 million, despite a decrease in accounts receivable by ¥2,409 million.

Fixed assets increased by ¥173,512 million from the previous fiscal year end to ¥340,916 million, primarily due to an increase in buildings and structures by ¥114,051 million.

As a result, total assets increased by ¥234,470 million from the previous fiscal year end to ¥473,860 million.

[Liabilities]

Current liabilities increased by ¥8,103 million from the previous fiscal year end to ¥45,788 million, primarily due to an increase in short-terms loans payable by ¥5,592 million.

Fixed liabilities increased by ¥164,420 million from the previous fiscal year end to ¥229,967 million, primarily due to an increase in long-term loans payable by ¥132,812 million.

As a result, total liabilities increased ¥172,523 million from the previous fiscal year end to ¥275,756 million.

[Net assets]

Total net assets increased by ¥61,947 million to ¥198,103 million primarily because retained earnings increased by ¥26,252 million.

As a result, equity ratio was 34.0% (compared to 55.7% at the previous fiscal year end).

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

Consolidated revenue for the first half surpassed forecasts in merchandise sales and food and beverage, and sales at airport-style in-city duty-free shops exceeded forecasts in particular. These results were due to better-than-expected passenger numbers both on domestic and international flights despite negative impacts caused by natural disasters. Consolidated profits also surpassed forecasts (operating income, ordinary income and net income (attributable to owners of the parent)) driven by revenue growth. Also, some of the maintenance costs and outsourcing costs that were scheduled in the first half have been postponed to the second half.

For the second half, we expect that the revenue will grow further because passenger volume will outnumber original forecasts. On the other hand, as a number of projects are speeding up in preparations for 2020, costs are expected to increase due to an increase in maintenance costs following new construction projects in passenger terminals and an increase in personnel costs needed to secure human resources, as well as costs that were originally scheduled in the first half that have been carried over to the second half.

Accordingly, full-year consolidated forecasts that were previously announced on May 11, 2018 have been partly revised as follows:

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

(Millions of yen)

	Operating revenues	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous Forecasts (A)	266,000	20,500	18,100	31,300	385.33
Revised Forecasts (B)	277,100	21,700	19,400	32,400	398.87
Change (B-A)	11,100	1,200	1,300	1,100	13.54
Change (%)	4.2	5.9	7.2	3.5	3.5
Reference: FY 2017 results	225,953	13,429	16,696	11,776	144.98

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Six Months of FY2018 (As of September 30, 2018)
ASSETS		
Current assets		
Cash and deposits	42,487	98,650
Accounts receivable	19,566	17,157
Merchandise and finished products	6,512	9,615
Raw materials and stored goods	161	146
Other current assets	3,294	7,405
Allowance for doubtful accounts	(37)	(30)
Total current assets	71,985	132,943
Fixed assets		
Tangible fixed assets		
Buildings and structures	281,100	444,471
Accumulated depreciation and impairment loss	(204,919)	(254,239)
Buildings and structures (net)	76,180	190,231
Machinery, equipment and vehicles	11,827	21,922
Accumulated depreciation and impairment loss	(8,821)	(12,636)
Machinery, equipment and vehicles (net)	3,005	9,286
Land	11,371	11,371
Lease assets	1,159	1,193
Accumulated depreciation and impairment loss	(537)	(618)
Lease assets (net)	621	575
Construction in progress	21,496	51,346
Other tangible fixed assets	32,101	55,114
Accumulated depreciation and impairment loss	(26,789)	(45,164)
Other tangible fixed assets (net)	5,311	9,950
Total tangible fixed assets	117,987	272,761
Intangible fixed assets	1,889	40,728
Investments and other assets		
Investment securities	31,953	17,267
Long-term loans receivable	6,665	2
Deferred tax assets	5,789	5,856
Net defined benefit assets	298	545
Other investments	2,820	3,753
Total investments and other assets	47,527	27,426
Total fixed assets	167,404	340,916
TOTAL ASSETS	239,389	473,860

(Millions of yen)

	FY2017 (As of March 31, 2018)	First Six Months of FY2018 (As of September 30, 2018)
LIABILITIES		
Current liabilities		
Accounts payable	9,707	9,179
Short-term loans payable	7,790	13,382
Income taxes payable	3,202	4,669
Allowance for employees' bonuses	1,673	1,729
Allowance for directors' bonuses	250	118
Other current liabilities	15,061	16,710
Total current liabilities	37,685	45,788
Fixed liabilities		
Bonds	-	11,195
Bonds with stock acquisition rights	30,070	30,058
Long-term loans payable	28,210	161,022
Lease obligations	504	452
Allowance for directors' retirement benefits	-	49
Net defined benefit liabilities	3,304	3,301
Asset retirement obligations	471	475
Other fixed liabilities	2,986	23,411
Total fixed liabilities	65,547	229,967
TOTAL LIABILITIES	103,233	275,756
NET ASSETS		
Shareholders' equity		
Common stock	17,489	17,489
Capital surplus	21,337	21,337
Retained earnings	92,826	119,078
Treasury stock	(3,245)	(3,246)
Total shareholders' equity	128,408	154,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,276	6,304
Deferred gains (losses) on hedges	(1,259)	288
Foreign currency translation adjustment	54	52
Remeasurements of defined benefit plans	(116)	(30)
Total accumulated other comprehensive income	4,954	6,616
Non-controlling interests	2,793	36,827
TOTAL NET ASSETS	136,156	198,103
TOTAL LIABILITIES AND NET ASSETS	239,389	473,860

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	First Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Operating revenues		
Rent revenue	6,639	8,693
Facility user charges revenue	9,448	21,663
Other revenues	13,773	10,442
Sales of merchandise	69,587	86,422
Sales of food and beverage	8,617	10,201
Total operating revenue	108,066	137,423
Cost of sales		
Cost of sales of merchandise	52,573	61,112
Cost of sales of food and beverage	5,473	5,616
Total cost of sales	58,047	66,729
Gross profit	50,019	70,694
Selling, general and administrative expenses		
Salaries and wages	4,571	5,202
Provision for employees’ bonuses	1,462	1,627
Provision for directors’ bonuses	114	118
Expenses for retirement benefits	493	481
Rent expenses	6,105	8,530
Outsourcing and commission	12,621	14,701
Depreciation expenses	5,233	11,998
Other costs and expenses	12,668	15,071
Total selling, general and administrative expenses	43,270	57,732
Operating income	6,748	12,961
Non-operating income		
Interest income	313	13
Dividends income	227	226
Equity in earnings of affiliates	1,371	169
Miscellaneous income	300	539
Total non-operating income	2,212	948
Non-operating expenses		
Interest expenses	159	1,517
Loss on retirement of fixed assets	33	24
Fee and commission expenses	0	533
Miscellaneous expenses	19	72
Total non-operating expenses	212	2,148
Ordinary income	8,748	11,761

(Millions of yen)

	First Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	First Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Extraordinary gains		
Gain on sales of fixed assets	1	-
Gain on offsetting assets and liabilities	-	5,626
Gain on negative goodwill	-	20,126
Other extraordinary gains	-	207
Total extraordinary gains	1	25,960
Extraordinary loss		
Loss on retirement of fixed assets	4	9
Loss on valuation of other investments	8	-
Loss of step acquisition	-	2,725
Other extraordinary loss	-	63
Total extraordinary loss	12	2,798
Quarterly income before income taxes and non-controlling interests	8,736	34,923
Income taxes – current	2,454	5,279
Quarterly income	6,281	29,644
Quarterly net income attributable to non-controlling interests	87	1,442
Quarterly net income attributable to owners of the parent	6,193	28,202

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	First Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Quarterly income	6,281	29,644
Other comprehensive income		
Valuation difference on available-for-sale securities	461	25
Deferred gains (losses) on hedges	-	566
Foreign currency translation adjustment	0	(1)
Remeasurements of defined benefit plans	123	92
Share of other comprehensive income of associates accounted for using equity method	211	1,265
Total other comprehensive income	797	1,948
Comprehensive income	7,079	31,593
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	6,970	29,864
Comprehensive income attributable to non-controlling interests	108	1,729

(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.

Although not falling under the category of changes in specified subsidiary, Haneda Future Research Institute Inc. was newly established during the second quarter and included in the scope of consolidation.

(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 second 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 have been presented under investments and other assets and deferred tax liabilities under fixed liabilities.

(Segment Information, etc.)

Segment Information

I. First six months of FY2017 (from April 1, 2017 to September 30, 2017)

1. Sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Adjustments Note 1	Quarterly consolidated financial statements Note2
	Facilities Management	Merchandise Sales	Food and Beverage	Total		
Operating revenues						
Sales to external customers	28,305	69,895	9,866	108,066	-	108,066
Intersegment sales and transfers	989	415	1,303	2,708	(2,708)	-
Total	29,294	70,310	11,169	110,775	(2,708)	108,066
Segment income	3,787	5,215	441	9,444	(2,695)	6,748

(Notes) 1. Adjustments to the segment income include ¥2,699 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 six months of FY2018 (from April 1, 2018 to September 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	40,661	86,560	10,201	137,423	-	137,423
Intersegment sales and transfers	2,682	473	1,322	4,478	(4,478)	-
Total	43,343	87,034	11,523	141,902	(4,478)	137,423
Segment income	8,446	8,102	492	17,042	(4,080)	12,961

(Notes) 1. Adjustments to the segment income include ¥4,089 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 ¥175,926 million for "Facilities Management", ¥6,547 million for "Merchandise Sales", and ¥628 million for "Food and Beverage".

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

Not applicable