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November 14, 2023

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year 2024 (FY06/2024) [Japanese standards] (Consolidated)

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 Stock exchange listing: Tokyo
 Securities code: 3300 URL: <https://am-bition.jp/>
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Scheduled date to file Quarterly Securities Report: November 14, 2023
 Scheduled date to commence dividend payments: N/A
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one mil. yen are rounded down)

1. Consolidated financial results of the first quarter of FY06/2024 (July 1, 2023 – September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
1Q of FY06/2024	7,100	(0.7)	(185)	—	(234)	—	(181)	—
1Q of FY06/2023	7,152	5.4	159	38.8	135	36.3	51	70.4
(Note) Comprehensive profit	1Q of FY06/2024:		(177) mil. yen [—%]		1Q of FY06/2023:		53 mil. yen [(40.5)%]	

	Net profit (loss) per share	Diluted net profit (loss) per share
	yen	yen
1Q of FY06/2024	(26.46)	—
1Q of FY06/2023	7.53	7.43

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
1Q of FY06/2024	21,416	4,273	19.9	619.37
FY06/2023	20,516	4,600	22.3	667.24

(Reference) Shareholders equity 1Q of FY06/2024: 4,255 mil. yen
 FY06/2023: 4,584 mil. yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
FY06/2023	—	0.00	—	22.00	22.00
FY06/2024	—	—	—	—	—
FY06/2024 (forecasts)	—	0.00	—	25.00	25.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated performance forecasts for FY06/2024 (July 1, 2023 – June 30, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent		Net profit (loss) per share
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	yen
Full term	37,760	4.2	2,006	25.1	1,677	13.2	1,104	14.9	160.75

(Note) Revisions to performance forecasts published most recently: No

***Notes**

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

- ① Total number of issued shares at the end of the period (including treasury stock)

1Q of FY06/2024:	6,871,600 shares	FY06/2023:	6,871,000 shares
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- ② Number of treasury stock at the end of the period

1Q of FY06/2024:	93 shares	FY06/2023:	93 shares
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- ③ Average number of shares during the period (quarterly cumulative)

1Q of FY06/2024:	6,871,083 shares	1Q of FY06/2023:	6,804,352 shares
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* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the earnings forecast and other special notes

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 4, "1. Qualitative Information regarding the Financial Results of the Current Quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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1. Qualitative Information regarding the Financial Results of the Current Quarter

(1) Descriptions regarding operating results

During the first quarter consolidated cumulative period, business environment around the Group has presented some recovery trends in personal spending and employment situations, thus maintaining moderate upward momentum. On the other hand, we are still in unpredictable situations against the backgrounds of, for example, fluctuating financial/capital markets, energy prices remaining at high levels, and price escalation caused by steep price rise of raw materials.

In such a business environment, the Group aims at its own business reform and also reforming the whole industry to which it belongs, through DX (digital transformation), and sets its vision as “To reform real estate business through DX and become a sole real estate digital platformer which fuses digital and real world together”. Having its three major policies as “Business reform by promoting DX”, “Efforts to discrete business expansion such as promoting M&A” and “Industry reform by development/sales of novel real estate DX products”, the Company plans to achieve its business performance with net sales of 50 billion yen and operating profit of 3 bln. yen, by the end of FY06/2026.

During the first quarter consolidated cumulative period, our principal Leasing DX Property Management Business segment has worked on increasing the number of houses under its management and at the same time made use of the next-generation management system named “AMBITION Cloud” that helped higher productivity in the process of receiving property management contract through to gathering information about rooms where residents thereof are going to vacate. And further, investment in human resources greatly contributed to our greater leasing abilities which resulted in occupancy rate of our subleased houses reaching record-high 98.4%.

Leasing DX Leasing Brokerage Business segment could achieve higher net sales by taking measures and increasing personnel in preparation for peak season, but increased investment in human resources and DX measures as well as increased advertising expenses and other factors resulted in lower operating profit YoY.

For the Sales/Purchase DX Investment Business segment, delivery period of the newly-built condominium “PREMIUM CUBE Ikebukuro Honcho” has been delayed to the second quarter and therefore revenues in the current first quarter consolidated cumulative period decreased YoY. However, such a situation will have no impact on our full-term business performance.

Real Estate DX Business that is our new driver for growth has mainly promoted development of its own application for residents called “AMBITION Me”, as such it would realize improvement in both satisfaction and engagement for residents, and also maximization of their LTV (Life Time Value). In addition, implementation of proactive M&A and alliance is under consideration.

As a result, financial results in the current first quarter consolidated cumulative period were as follows: Net sales: 7,100,767 thousand yen (decrease by 0.7% [51,790 thousand yen] YoY); Operating loss: 185,443 thousand yen (as opposed to Operating profit of 159,764 thousand yen in the previous FY); Ordinary loss: 234,551 thousand yen (as opposed to Ordinary profit of 135,206 thousand yen in the previous FY); and Net loss attributable to owners of parent: 181,802 thousand yen (as opposed to Net profit attributable to owners of parent of 51,232 thousand yen in the previous FY).

(Leasing DX Property Management Business)

This business segment is the Group’s principal one which undertakes mainly subleasing of residential real estates, and has its basic policies as to increase number of houses under its management and to maintain high occupancy rates. “AMBITION Cloud” transforms every operation for real estate leasing management to a digitalized one, and realizes much higher operational efficiency and improved productivity.

During the current first quarter consolidated cumulative period, number of houses under its management smoothly increased to 24,610 (increase by 525 YoY), as well as 13,996 subleased houses (increase by 267 YoY). Overall occupancy rate as of the end of the current first quarter consolidated cumulative period is 98.4% (it was 96.6% as of the end of the previous FY), which is the highest as compared to any historical first quarter records since foundation. Moreover, efforts have been put to controlling management cost with a variety of DX measures, resulting in substantial increase in both net sales and profit rate.

These operations resulted in Net sales of 4,904,876 thousand yen (increase by 7.0% [322,572 thousand yen] YoY), and Segment profit (Operating profit) of 393,205 thousand yen (increase by 20.5% [67,027 thousand yen] YoY).

(Leasing DX Leasing Brokerage Business)

This business segment undertakes brokerage business for leased properties, mainly those managed by the Company. AMBITION AGENCY Co., Ltd. (which operates “ROOMPIA”) and AMBITION VALOR Co., Ltd. (which operates “VALOR”), both of which are subsidiaries, run 19 shops in total including 9 in Tokyo, 9 in Kanagawa Pref. and 1 in Saitama Pref. High leasing ability of this segment contributes to the high occupancy rates maintained by the principal Property Management Business segment.

During the current first quarter consolidated cumulative period, by making use of an AIxRPA tool named “RAC·TECH”, the Company continued to work on personnel downsizing for inputting work and increase in the number of response. In addition, various measures are taken for attracting guests, including those on the WEB by strengthened advertising strategies, as well as enhanced non-face-to-face services such as remote customer services, VR preview, and electronic contract. Also, measures for attracting guests via WEB by strengthened advertising strategies, and enhanced non-face-to-face services such as remote customer services / VR preview and an electronic contract package integrated with our unique electronic signature system called “AMBITION Sign” which utilizes blockchain (distributed ledger)

technologies, have realized improvement in our customers' values of experiences with room searching. These measures and increased personnel in preparation for peak season led to higher net sales, but operating loss of this segment became wider due to increased investment in personnel and DX measures, increased advertising expenses and other factors.

These operations resulted in Net sales of 162,963 thousand yen (increase by 6.7% [10,280 thousand yen] YoY) and Segment loss (Operating loss) of 52,997 thousand yen (which was 41,821 thousand yen in the previous FY).

(Sales/Purchase DX Investment Business)

This business is carried out by Investment Division of the Company which develops its business around selling renovated condominium apartments with emphasis on location, in collaboration with VERITAS INVESTMENT Co., Ltd., a subsidiary of the Company, which develops its business around selling self-developed newly built designers' condominiums for investment focusing on "Good location", "Good design" and "Superior equipment specification", supported by wide variety of procurement channels.

For the current first quarter consolidated cumulative period, since allocating sales of "PREMIUM CUBE Ikebukuro Honcho" sold by VERITAS has been delayed to the next second quarter, actual number of houses sold (by VERITAS) during the first quarter was just seven (decrease by 44 YoY). Meanwhile, Investment Division of the Company has reinforced preparedness for procurement taking risks consistently into account and maintained high level of inventory turnover rate, consequently having sold 24 houses during the current first quarter consolidated cumulative period (increase by 7 YoY).

These operations resulted in Net sales of 1,777,273 thousand yen (decrease by 22.8% [524,767 thousand yen] YoY) and Segment loss (Operating loss) of 58,026 thousand yen (as opposed to Segment profit of 253,803 thousand yen in the previous FY).

(Incubation Business)

In this business segment, investment in venture companies which carry out businesses highly compatible with those of the Group, capital tie-up, and support for invested companies and other operations, are undertaken by AMBITION VENTURES Co., Ltd. which is a subsidiary.

As of the end of the current first quarter consolidated cumulative period, it has invested in 30 venture companies. During the current first quarter consolidated cumulative period, one of our investees was newly listed and additional one company has been newly invested. Since no sales was carried out during the current first quarter consolidated cumulative period, net sales was not allocated.

These operations resulted in Segment loss (Operating loss) of 2,497 thousand yen (which was 403 thousand yen in the previous FY).

(Other Business)

Other Business segment consists collectively of Real Estate DX Business (including an overseas subsidiary for system development) and Small Amount Short-term Insurance Business. For Real Estate DX Business, the next-generation management system "AMBITION Cloud" has been developed mainly by our overseas subsidiary, AMBITION VIETNAM Co., Ltd., and internal DX is promoted on a priority basis. Leasing DX Property Management Business segment makes use of "AMBITION Cloud" to develop a variety of systems for real estate leasing management operations, such as those for contract progress management, repair management, and offering management, realizing substantial improvement in operational efficiency and productivity. Also, an electronic contract package integrated with the Company's unique electronic signature system called "AMBITION Sign" which utilizes IT-enabled explanation of important matters and blockchain (distributed ledger) technologies, has been provided to Leasing DX Business segment. Moreover, the DX application "AMBITION Me" for residents will be further developed, and by keeping relationship with customers from move-in, renewal through to vacation, it becomes possible to provide various services including online healthcare service which was started to be provided recently, as such new business development can be anticipated.

Since the current first quarter consolidated cumulative period, online healthcare service has been newly provided via "AMBITION Me". In addition, Re-Tech RaaS Inc., a subsidiary which was recently merged, continues to sell "RAC·TECH" and also works on enhancing functions of "RAC·TECH Auto-input", thereby reinforcing its sales activities. Application for searching for rooms called "Room concierge" which is the Group's first BtoC matching service has continuously acquired increasing number of registered users. Small Amount Short-term Insurance Business has continued to obtain new contracts smoothly during the current first quarter consolidated cumulative period, along with playing a role in facilitating DX in the Group by using the "MONOLITH" system developed by a subsidiary, in which the whole process from application through to payment can be completed on a paperless basis. ZEH/Utilities Business is undertaken by DRAFT Inc., which manages ZEH (Net Zero Energy House) business activities for sales of electricity-generating / energy-saving facilities such as storage batteries, photovoltaics and exterior painting, as well as agency operations for opening/switching services of utilities operators and also sales of water-servers. For the future, its synergies with the Leasing DX Business are anticipated as well, such as providing services also to residents of properties under our management and customers of our Leasing Brokerage Business.

These operations resulted in Net sales of 255,654 thousand yen (increase by 121.3% [140,123 thousand yen] YoY) and Segment loss (Operating loss) of 15,095 thousand yen (in comparison, it was 39,898 thousand yen in the previous FY).

(2) Descriptions regarding financial position

Total assets at the end of the current first quarter consolidated fiscal period was 21,416,994 thousand yen, i.e. increase by 900,407 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Real estate for sale by 967,531 thousand yen, in Land by 434,542 thousand yen, in Buildings and structures (net) by 253,222 thousand yen and in Real estate for sale in process by 203,238 thousand yen on one hand, whereas decrease in Cash and deposits by 1,150,205 thousand yen on the other.

Total liabilities was 17,143,990 thousand yen, i.e. increase by 1,228,347 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Short-term loans payable by 787,783 thousand yen, in Long-term loans payable by 515,918 thousand yen and in Current portion of long-term loans payable by 266,079 thousand yen on one hand, whereas decrease in Income taxes payable by 305,985 thousand yen and in Operating accounts payable by 90,184 thousand yen on the other.

Total net assets was 4,273,003 thousand yen, i.e. decrease by 327,940 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to net profit attributable to owners of parent of 181,802 thousand yen and paying dividends to shareholders of 151,159 thousand yen.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

For the current first quarter consolidated cumulative period, consolidated performance forecasts for FY06/2024 as announced on August 14, 2023 have been unchanged.

In the event of any modification being deemed necessary in the future, it will be noticed promptly.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

	Previous consolidated fiscal year (June 30, 2023)	Current first quarter consolidated fiscal period (September 30, 2023)
(thousand yen)		
Assets		
Current assets		
Cash and deposits	5,639,629	4,489,424
Operating accounts receivable	318,538	356,195
Real estate for sale	2,817,537	3,785,068
Real estate for sale in process	5,322,704	5,525,943
Supplies	9,752	9,422
Operational investment securities	240,225	253,071
Others	582,084	644,494
Allowance for doubtful accounts	(28,375)	(41,621)
Total current assets	14,902,096	15,021,998
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	891,079	1,144,301
Land	2,545,044	2,979,586
Others (net)	27,868	31,588
Total property, plant and equipment	3,463,992	4,155,476
Intangible assets		
Goodwill	908,869	865,058
Others	194,351	205,173
Total intangible assets	1,103,221	1,070,231
Investments and other assets		
Investment securities	97,412	98,373
Guarantee deposits	150,595	150,698
Deferred tax assets	279,694	356,548
Others	538,795	585,681
Allowance for doubtful accounts	(21,498)	(23,877)
Total investment and other assets	1,045,000	1,167,424
Total non-current assets	5,612,214	6,393,133
Deferred assets		
Bond issuance cost	2,276	1,862
Total deferred assets	2,276	1,862
Total assets	20,516,587	21,416,994

(thousand yen)

	Previous consolidated fiscal year (June 30, 2023)	Current first quarter consolidated fiscal period (September 30, 2023)
Liabilities		
Current liabilities		
Operating accounts payable	443,093	352,909
Short-term loans payable	2,200,250	2,988,033
Current portion of long-term loans payable	3,058,988	3,325,068
Current portion of bonds	125,400	91,400
Accounts payable - other	137,740	123,712
Accrued expenses	332,027	254,360
Income taxes payable	335,729	29,743
Consumption taxes payable	26,277	24,878
Advances received	1,476,692	1,541,002
Operating deposits received	230,239	237,916
Provision for bonuses	2,000	45,885
Others	153,314	218,603
Total current liabilities	8,521,753	9,233,513
Non-current liabilities		
Bonds payable	49,900	49,900
Long-term loans payable	6,553,908	7,069,827
Long-term guarantee deposits	719,559	723,484
Deferred tax liabilities	—	848
Others	70,520	66,417
Total non-current liabilities	7,393,889	7,910,477
Total liabilities	15,915,643	17,143,990
Net assets		
Shareholders' equity		
Capital stock	401,508	401,704
Capital surplus	483,957	484,153
Retained earnings	3,691,252	3,358,290
Treasury stock	(99)	(99)
Total shareholders' equity	4,576,619	4,244,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,263	11,215
Foreign currency translation adjustment	631	726
Total accumulated other comprehensive income	7,895	11,942
Subscription rights to shares	2,928	2,927
Non-controlling interests	13,500	14,085
Total net assets	4,600,943	4,273,003
Total liabilities and net assets	20,516,587	21,416,994

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

(Quarterly Consolidated Statements of Income)

(For the first quarter consolidated cumulative period)

(thousand yen)

	Previous first quarter consolidated cumulative period (Jul. 1, 2022 – Sep. 30, 2022)	Current first quarter consolidated cumulative period (Jul. 1, 2023 – Sep. 30, 2023)
Net sales	7,152,558	7,100,767
Cost of sales	5,846,786	5,996,001
Gross profit	1,305,772	1,104,766
SG&A expenses	1,146,007	1,290,210
Operating profit (loss)	159,764	(185,443)
Non-operating profit (loss)		
Interest income	26	25
Dividend income	61	29
Brokerage income	0	0
Referral fee	744	477
Gain on forfeiture of unclaimed dividends	162	107
Gain on investments in partnership	2,433	2,635
Subsidy income	6,978	—
Miscellaneous income	558	1,445
Total non-operating profit	10,964	4,721
Non-operating expenses		
Interest expenses	29,597	38,480
Amortization of bond issuance cost	420	413
Foreign exchange losses	502	400
Commission fee	4,633	13,885
Miscellaneous loss	368	648
Total non-operating expenses	35,522	53,828
Ordinary profit (loss)	135,206	(234,551)
Net profit (loss) before income taxes and minority interests	135,206	(234,551)
Income taxes	78,313	23,281
Income taxes - deferred	5,713	(76,614)
Total income taxes	84,027	(53,333)
Net profit (loss)	51,178	(181,217)
Net profit (loss) attributable to non-controlling shareholders	(53)	585
Net profit (loss) attributable to owners of parent	51,232	(181,802)

(Quarterly Consolidated Statements of Comprehensive Income)
(For the first quarter consolidated cumulative period)

(thousand yen)

	Previous first quarter consolidated cumulative period (Jul. 1, 2022 – Sep. 30, 2022)	Current first quarter consolidated cumulative period (Jul. 1, 2023 – Sep. 30, 2023)
Net profit (loss)	51,178	(181,217)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,668	3,951
Foreign currency translation adjustment	547	94
Total other comprehensive income (loss)	2,215	4,046
Comprehensive income (loss)	53,394	(177,170)
(detail)		
Comprehensive income (loss) attributable to owners of parent	53,447	(177,756)
Comprehensive income (loss) attributable to non-controlling interests	(53)	585

(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

【Segment Information】

I Previous first quarter consolidated cumulative period (Jul. 1, 2022 – Sep. 30, 2022)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments					Other Business (see Note)	Total
	Leasing DX Property Management Business	Leasing DX Leasing Brokerage Business	Sales/Purchase DX Investment Business	Incubation Business	Subtotal		
Net sales							
Sales to external customers	4,582,304	152,683	2,302,040	—	7,037,027	115,531	7,152,558
Inter-segment sales or transfer	6,139	40,861	—	—	47,001	6,161	53,162
Total	4,588,444	193,544	2,302,040	—	7,084,028	121,692	7,205,721
Segment profit (loss)	326,178	(41,821)	253,803	(403)	537,756	(39,898)	497,857

Note: "Other Business" refers to business segment not included in the reportable segments, which includes Real Estate DX Business (including an overseas subsidiary for system development), Small Amount Short-term Insurance Business and Hotel Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Amount
Reportable segments total	537,756
“Other” profit	(39,898)
Corporate expenses (see Note)	(338,093)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	159,764

Note: Corporate expenses comprises of SG&A expenses not attributable to reportable segments.

II Current first quarter consolidated cumulative period (Jul. 1, 2023 – Sep. 30, 2023)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments					Other Business (see Note)	Total
	Leasing DX Property Management Business	Sales/Purchase DX Investment Business	Leasing DX Leasing Brokerage Business	Incubation Business	Subtotal		
Net sales							
Sales to external customers	4,904,876	162,963	1,777,273	—	6,845,113	255,654	7,100,767
Inter-segment sales or transfer	5,922	44,451	—	—	50,373	15,828	66,201
Total	4,910,798	207,415	1,777,273	—	6,895,487	271,482	7,166,969
Segment profit (loss)	393,205	(52,997)	(58,026)	(2,497)	279,684	(15,095)	264,588

Note: “Other Business” refers to business segment not included in the reportable segments, which includes Real Estate DX Business (including an overseas subsidiary for system development), Small Amount Short-term Insurance Business, and ZEH/Utilities Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Amount
Reportable segments total	279,684
“Other” profit	(15,095)
Corporate expenses (see Note)	(450,032)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	(185,443)

Note: Corporate expenses comprises of SG&A expenses not attributable to reportable segments.

(Significant Post-Balance Sheet Events)

Not applicable.