

Consolidated Financial Results (Japanese Accounting Standards)

For the Third Quarter Ended 30 June 2020

6 August 2020

Company Name BEENOS Inc. Stock Exchange Listing Tokyo
 Stock Code 3328 URL <http://www.beenos.com>
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 Scheduled filing date of the Annual Securities Report 13 August 2020 Scheduled date of commencement of dividend payment —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for Analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter Ended 30 June 2020

(1 October 2019 – 30 June 2020)

(1) Consolidated Results of Operations (Accumulated Total) (% show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY2020	19,501	11.1	2,756	—	2,718	—	1,784	—
3Q FY2019	17,561	4.6	△76	—	△62	—	△129	—

(Note) Comprehensive Income 3Q FY2020 1,769 Mil. yen (—%) 3Q FY2019 △383 Mil. yen (—%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
3Q FY2020	143.20	—
3Q FY2019	△10.72	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY2020	21,346	11,353	52.8	893.55
FY2019	18,811	10,171	45.3	713.16

(Reference) Shareholders' equity 3Q FY2020 11,275 Million yen FY2019 8,512 Million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	0.00	—	18.00	18.00
FY2020	—	0.00	—		
FY2020(Forecast)				18.00	18.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending 30 September 2020

(1 October 2019 – 30 September 2020)

(Percentage figures for the fiscal year represent the changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Year ending	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	24,500	△3.1	2,750	61.0	2,700	57.5	1,600	48.6	128.41
	~26,000	~2.9	~3,140	~83.9	~3,140	~83.2	~1,900	~76.4	~152.49

(Note) Adjustments from the most recently released forecast: Yes

※ Notes

(1) Changes of important subsidiaries during period : None

New companies: - (Company name: -) Excluded companies: - (Company name: -)

(2) Application of any special accounting procedures in creating the quarterly consolidated financial statement :

None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Number of shares outstanding (common shares)

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

3Q FY2020	13,335,995 Shares	FY2019	12,332,600 Shares
3Q FY2020	716,733 Shares	FY2019	396,747 Shares
3Q FY2020	12,459,437 Shares	2Q FY2019	12,053,258 Shares

② Number of treasury shares at end of period

③ Average number of shares outstanding during the term

※ Status of a quarterly review

This financial summary does not need to undergo auditing.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

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1. Qualitative Information for this Fiscal Year's Results

(1) Business Performance Report

The BEENOS Group aims to be on the "Global Platform Frontier" and continue to create platforms that will connect Japan with the world. We combine the expertise accumulated in the Cross Border Business with our global investment network in the Incubation Business to create new technology and internet-based markets.

Our focus this year is to evolve our current businesses while actively taking part in creating new ones. We aim to add a fourth business domain, the Inbound Business, to the existing Cross Border Business, Value Cycle Business, and Retailing and Licensing (Entertainment) Business. With these four domains we will attain the following: "the global expansion of Japanese products and secondary distribution," "the centralized support for resolving issues in the entertainment field," and "the establishment of an inbound travel platform utilizing data and AI."

We have taken the following measures to adapt to the sudden changes that have been forced upon us due to the global COVID-19 pandemic. In the E-Commerce Business, we have increased the shipping methods for the Cross Border Business and focused on selling our merchandise in the Retailing and Licensing business on EC sites. We have prioritized our resources to the most important measures and optimized operational efficiency to reduce costs in the Value Cycle Business. We have sold about 3 Billion JPY worth of our operational investment securities through 3 quarters in the Incubation Business.

As a result, the 3rd quarter consolidated net sales were 19,501 Million JPY(+11.1% from 3Q FY2019), operating income was 2,756 Million JPY(operating loss for 3Q FY2019 was 76 Million JPY), ordinary income was 2,718 Million JPY(ordinary loss for 3Q FY2019 was 62 Million JPY) and the net profit attributable to owners of the parent company was 1,784 Million JPY(net loss attributable to owners of the parent company for 3Q FY2019 was 129 Million JPY).

The consolidated GMV for the 3rd quarter was 36.2 Billion JPY (37.6 Billion JPY in 3Q FY2019).

We will continue to conduct our business operations with the premise that the current COVID-19 pandemic will have long term effects on the global economy. We will monitor the situation closely and make any necessary provisions.

The achievements of each business segment are as follows.

① E-Commerce Business

1-1 Cross-Border Business

The Package Forwarding and Proxy Purchasing Business (From Japan), has formed a business alliance with Mercari, Inc. from 1Q. Buyee, the proxy purchasing service, will provide support by translating shipping and handling customer support. As a result, we were able to sell products that are listed on Mercari to customers in more than 100 countries. Buyee has also added the following six languages to its website: Indonesian, Thai, Korean, Spanish, German, and Russian so more customers around the world can enjoy a greater convenience when shopping. The website now supports a total of 10 languages in addition to the current Japanese, English, Simplified and Traditional Chinese. In addition, we are working to improve customer satisfaction by introducing cheaper delivery methods to Taiwan, one of our focal regions, and by preparing additional delivery methods for as many countries and regions as possible to disperse risk in the event of an emergency. With regard to the impact of COVID-19, Japan Post Co.,Ltd. has suspended its services to a select number of countries and regions. As routine international shipping methods started to resume operations in the 3rd quarter and with alternate shipping methods implemented, the delay in exporting has been reduced to near-normal levels of operation. As we see an massive acceleration towards a shift to digital platforms we are seeing a heightened demand in Cross Border EC in both the selling side (domestic EC sites) and the purchasing side (foreign consumers).

As a result, GMV, sales and operating profit all recorded record highs as of 3Q FY2020.

The Global Shopping Business (To Japan) worked to increase sales through ongoing SEO measures and customer-focused marketing. At the same time, we aggressively strengthened our profit structure by automating

operations and restructuring distribution schematics. The effects of COVID-19 have continued to spread throughout California, where the US warehouse is located, but our logistics facilities are currently operational, thus has had no impact at this point in time.

As a result, the consolidated net sales were 4,216 Million JPY (+14.0% from 3Q FY2019) and the operating income was 1,140 Million JPY (+111.3% from 3Q FY2019).

1-2 Value Cycle Business

The Apparel Reuse Business has seen a drop in sales due to consumers cutting back on spending amidst the stay at home orders given out by the effects of COVID-19, but since the lift of the declaration of state of emergency we have seen an increase in sales and we have taken measures to improve the cost efficiency of advertising costs by giving out coupons. We have opened our first brick and mortar "Brandear" store in Ebisu, Tokyo to appraise and purchase merchandise from customers who are hesitant to ship their valuables. For those who cannot physically come to our brick and mortar store because of the distance or out of caution of the ongoing pandemic, we have also started "Brandear Bell," a service where we can appraise and purchase merchandise from customers via live video chat. As a result, we have seen a great improvement in operating profit and profit margins despite a decrease in purchases and sales year-on-year. On 14 January 2020, we converted Defactostandard, Ltd., which operates the Internet shopping and sales business Brandear, into a wholly owned subsidiary through a simple share exchange. We are working to increase its corporate value by utilizing the management resources of the entire Group, formulating long-term business strategies, and making swift decisions. (For details, please refer to our announcement on 24 December 2019, "BEENOS Inc. to make Defactostandard, Ltd. a Wholly Owned Subsidiary through Simple Share Exchange (Revised Abbreviated Version)".)

We have opened our 3rd store in Tokyo (7th store nationally) in Roppongi in the Liquor Mediation Business. We have received numerous requests to open in Roppongi from both individuals as well as restaurant businesses which now gives us an even greater coverage of doing business in Tokyo which has led to an increase in items purchased. As we continue to provide more services tailored to our customers in each area, we have also been able to improve the time between a purchase and listing it for sale which has led to a quicker turnaround of inventory. We released the "MyCellar" app in June 2020 which allows users to record the alcoholic beverages they own and see how much it is worth and, if desired, request for it to be purchased all within the app. This is the first alcoholic beverage asset management and appraising app in the industry.

As a result, the consolidated net sales were 9,061 Million JPY (-8.6% from 3Q FY2019) and the operating income was 16 Million JPY (operating loss for 3Q FY2019 was 204 Million JPY).

1-3 Retailing and Licensing Business

Sales declined in the Entertainment Business despite efforts to focus on sales of goods through e-commerce via online events and other means due to the impact of events being cancelled due to COVID-19.

In March 2020, a new line of cosmetics featuring the popular game character, Kirby, was released. It was released throughout 1,000 stores nationwide and its first installment of 50,000 units sold out immediately. The Fragrance and Body Care brand, SWATi, has teamed up with our Cross Border EC service "Buyee" and has seen improvement in online sales.

As a result, the consolidated net sales were 2,966 Million JPY (-21.7% from 3Q FY2019) and the operating loss was 64 Million JPY (operating income for 3Q FY2019 was 107 Million JPY).

For the E-Commerce Business as a whole, net sales were 16,244 Million JPY (+6.7% from 3Q FY2019) and operating income was 1,093 Million JPY (+146.9% from 3Q FY2019).

② Incubation Business

The Investment and Consultation Business has focused on investing in startups in online marketplaces and

online payments in emerging countries and Japanese inbound tourism in Japan. We have also been monetizing these investments at the opportune moments and have sold about 3 Billion JPY worth of our operational investment securities through 3Q.

Due to COVID-19 we are seeing markets shift to digital in rapid succession which is benefiting general marketplaces that sell daily necessities. They are seeing a high increase in users and orders. However, specialized marketplaces, especially in non-essential items such as fashion and automobiles, are being hit hard as consumers are cutting back on spending. We are confident that this shift to digital will continue to accelerate even after COVID-19 is subdued. In the meantime, every company is producing ways to adapt to the digital shift and create new services. Regarding the fund-raising situation of each company, while companies that had planned to raise funds with enhanced valuations are forced to postpone their fund-raising plans as new investments are held back for the foreseeable future, they have already taken measures such as procuring funds mainly from existing shareholders and securing working capital for 12 months or more. At this point, there is no impact on our market value evaluation. However, because of the possibility of a slowdown in growth, such as delays in the timing of fund-raising by investee companies, we are working more actively than ever to communicate with them to ascertain the situation.

In new businesses, we are actively working to create new businesses in the Entertainment and Inbound business domains to realize integrated support for solving entertainment issues and the creation of a travel platform that utilizes data and AI.

In October 2019, we collaborated with Shopee, one of the largest e-commerce malls in Taiwan and Southeast Asia, to support Japanese companies open their stores on Shopee. We are increasing overseas sales and offering opportunities for Japanese companies to expand their potential through this partnership. We are also working to collaborate with foreign companies to expand the overseas sales market.

COVID-19 has put an abrupt halt on travel and live entertainment which are two areas we have been focusing on in creating new businesses. As we predict that it will not recover for the foreseeable future, we are cutting down on marketing costs and delaying other preliminary investment plans in these services that we had initially decided to use our resources for.

As a result, the consolidated net sales were 3,325 Million JPY (net sales in 3Q FY2019 was 168 Million JPY) and the operating income was 2,275 Million JPY (operating loss for 3Q FY2019 was 233 Million JPY).

The book value of operational investment securities as of 31 March 2020 was 4.1 Billion JPY, with a market value of 22.6 Billion JPY. The market value for listed companies is calculated at its stock price. Unlisted companies are calculated based on our number of shares with the price of the most recent stock issuance (if a company has recorded allowance for loss on investments, it is priced at book value). This amount has been calculated internally and has not gone through the auditing process.

(2) Financial Status Report

① Financial Status Analysis

(i) Assets

Total assets at the end of the 3Q of the fiscal year under review amounted to 21,346 Million JPY, an increase of 2,535 Million JPY from the end of the previous fiscal year.

Current assets totaled 18,749 Million JPY, an increase of 2,342 Million JPY from the end of the previous fiscal year. Major components included an increase of 1,835 Million JPY in cash and deposits, an increase of 882 Million JPY in accounts receivable-other and a decrease of 1,834 Million JPY in notes and accounts receivable-trade.

Total fixed assets amounted to 2,597 Million JPY, up 193 Million JPY from the end of the previous fiscal year. Major components included an increase of 202 Million JPY in investment securities, an increase of 129 Million JPY in goodwill, and a decrease of 164 Million JPY in deferred tax assets.

(ii) Liabilities

Total liabilities at the end of the 3Q of the fiscal year under review amounted to 9,993 Million JPY, an increase

of 1,353 Million JPY from the end of the previous fiscal year.

Current liabilities amounted to 8,005 Million JPY, down 153 Million JPY from the end of the previous fiscal year. Major components included a decrease of 1,950 Million JPY in short-term loans payable, a decrease of 170 Million JPY in notes and accounts payable-trade, an increase of 790 Million JPY in income taxes payable, and an increase of 563 Million JPY in deposits received.

Total long-term liabilities amounted to 1,987 Million JPY, an increase of 1,506 Million JPY from the end of the previous fiscal year. Major components included an increase of 1,722 Million JPY in long-term loans payable and a decrease of 219 Million JPY in deferred tax liabilities.

(iii) Net assets

Net assets totaled 11,353 at the end of the 3Q of the fiscal year under review, up 1,182 Million JPY from the end of the previous fiscal year. Major factors included an increase of 1,361 Million JPY in retained earnings, an increase of 1,569 Million JPY in retained earnings, and a decrease of 1,602 Million JPY in non-controlling interests.

(3) Outlook for FY2020

We have made the following adjustments to our FY2020 forecast announced on 28 April 2020 as we reviewed the effects of COVID-19 to our financial results and have been able to make adjustments to the range that was previously announced.

The effects of COVID-19 and forecast for each business segment are as follows:

E-Commerce Business

- Cross Border Business: There have been suspensions and delays in shipping in certain regions of the world, but as operations are beginning to resume and as we released original logistic services we have relieved most all of the backed up packages. Furthermore, we are receiving an increase in orders as we are seeing a global shift towards digital commerce.

- Value Cycle Business: We have seen a decrease in sales due to the stay at home order in 2Q, but as of late May sales have been on an upward trend. We are also improving profit margins as we control advertising expenses.

- Retailing and Licensing Business: The outlook on live events continues to be unknown so we have forecasted that events will not happen for the remainder of this fiscal year. On the other hand, we are seeing an increase in sales on the EC front.

Incubation Business

We were able to record sales on operational investment securities in the 3Q, but the outlook on opportunities to sell investments in 4Q remains unclear.

3. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	3Q FY2020 (30 June 2020)
Assets		
Current assets		
Cash and deposits	5,175,775	7,011,627
Notes and accounts receivable	2,527,865	693,785
Operational investment securities	4,176,825	4,884,024
Products	2,689,382	2,227,115
Accounts receivable	862,433	1,745,013
Other	975,034	2,188,194
Total current assets	16,407,315	18,749,760
Fixed assets		
Tangible Assets		
Buildings and structures	603,067	622,616
Accumulated depreciation	△256,794	△293,021
Buildings and structures, net	346,272	329,595
Vehicles	9,614	9,610
Accumulated depreciation	△7,753	△8,509
Vehicles, net	1,861	1,101
Tools, materials and supplies	192,338	205,229
Accumulated depreciation	△122,589	△141,761
Tools, materials and supplies, net	69,748	63,468
Total tangible assets	417,882	394,165
Intangible assets		
Goodwill	303,842	433,734
Other	150,753	182,632
Total intangible assets	454,596	616,366
Investments etc.		
Investment securities	887,065	1,089,992
Deferred tax assets	215,992	51,767
Other	428,433	444,852
Total investments etc.	1,531,491	1,586,611
Total fixed assets	2,403,970	2,597,144
Total assets	18,811,286	21,346,904

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	3Q FY2020 (30 June 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	384,508	213,537
Short-term loan	3,550,000	1,600,000
Current portion of long-term loans payable	-	300,000
Accounts payable-other	2,956,824	2,870,750
Deposits received	714,796	1,278,226
Income taxes payable	89,157	880,063
Other	463,805	863,034
Total current liabilities	8,159,091	8,005,611
Fixed liabilities		
Long-term loans payable	-	1,722,123
Deferred tax liabilities	287,680	68,109
Asset retirement obligations	193,043	197,231
Total fixed liabilities	480,724	1,987,464
Total liabilities	8,639,815	9,993,075
Net assets		
Shareholders' equity		
Capital stock	2,775,840	2,775,840
Capital surplus	2,542,577	3,903,953
Retained earnings	3,966,442	5,535,785
Treasury Stock	△567,835	△777,255
Total shareholders' equity	8,717,025	11,438,324
Other accumulated comprehensive income		
Valuation difference on securities	△314,461	△278,210
Foreign currency translation adjustments	109,571	115,851
Total other accumulated comprehensive income	△204,890	△162,359
Share subscription rights	46,677	67,527
Non-controlling shareholders' equity	1,612,657	10,336
Total net assets	10,171,470	11,353,829
Total liabilities and net assets	18,811,286	21,346,904

(2) Quarterly Consolidated Profit & Loss Statement and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Profit & Loss Statement
Consolidated Cumulative 3rd Quarter

(Unit:1,000 JPY)

	3Q FY2019 1 October 2018 30 June 2019	3Q FY2020 1 October 2019 30 June 2020
Net sales	17,561,111	19,501,979
Cost of sales	9,273,184	8,964,039
Gross profit	8,287,927	10,537,939
Selling, general and administrative expenses	8,364,282	7,781,089
Operating income (△ losses)	△76,355	2,756,849
Non-operating income		
Interest income	34	54
Equity in earnings of affiliates	22,930	257
Subsidy income	9,177	29,084
Settlement received	14,193	-
Gain on investments in partnerships	2,402	15,177
Other	19,243	32,691
Total non-operating income	67,982	77,265
Non-operating expenses		
Interest expenses	8,810	7,114
Foreign exchange losses	42,363	13,853
Commissions paid	2,663	93,455
Other	478	871
Total non-operating expenses	54,316	115,294
Ordinary income (loss) (△)	△62,689	2,718,821
Extraordinary income		
Gain on reversal of subscription rights to shares	-	10,330
Total extraordinary income	-	10,330
Income (△) before income taxes and minority interests	△62,689	2,729,151
Income taxes	214,486	1,073,475
Income taxes-deferred	△87,025	△71,729
Total income taxes	127,460	1,001,745
Net Income or Loss (△)	△190,149	1,727,405
Loss (△) attributable to non-controlling interests	△60,926	△56,782
Net income (△) attributable to owners of parent	△129,223	1,784,188

Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative 3rd Quarter

(Unit:1,000 JPY)

	3Q FY2019 1 October 2018 30 June 2019	3Q FY2020 1 October 2019 30 June 2020
Net Income or Loss (△)	△190,149	1,727,405
Other comprehensive income		
Valuation difference on securities	△56,145	36,275
Foreign currency translation adjustments	△129,724	6,649
Share of other comprehensive (loss) income in associates	△7,200	△394
Total other comprehensive income	△193,070	42,531
Quarterly Comprehensive income	△383,220	1,769,936
(Breakdown)		
Comprehensive income attributable to owners of parent	△322,293	1,826,719
Comprehensive income attributable to non-controlling interests	△60,926	△56,782

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding the premise of on-going concerns)

Not Applicable

(Notes regarding significant changes in the amount of shareholder's equity)

As of 14 January 2020, our subsidiary, Defactostandard, Ltd., became a wholly owned subsidiary through share exchange. As a result, capital surplus increased by 1,545 Million JPY in the first half of the current fiscal year.

(Segment Information, etc.)

【Segment Information】

I Previous Consolidated Cumulative 3rd Quarter(1 October 2018 – 31 June 2019)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note)1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note)2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customer	3,694,549	9,913,691	3,787,694	17,395,936	165,175	17,561,111	-	17,561,111
Internal Sales or Transfer Between Segment	4,040	171	3,560	7,772	3,000	10,772	△10,772	-
Total	3,698,590	9,913,863	3,791,255	17,403,708	168,175	17,571,884	△10,772	17,561,111
Segment Earnings	539,753	△204,486	107,489	442,756	△233,633	209,123	△285,478	△76,355

(Note) 1. The segment earnings or loss adjustment of △285 Million JPY includes the deletion of inter-segment transactions of △390 Million JPY, company-wide revenue of 669 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △564 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Earnings are adjusted in the operating income of the Quarterly Consolidated Profit & Loss Statement.

2. Information regarding impairment losses of Fixed Assets or Goodwill per reporting segment

(Major impairment losses of Fixed Assets)

Not Applicable

(Major changes in amount for Goodwill)

Not Applicable

(Generating income for Negative Goodwill)

Not Applicable

II Current Consolidated Cumulative 3rd Quarter(1 October 2019 – 30 June 2020)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note)1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note)2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customer	4,207,248	9,061,180	2,966,783	16,235,212	3,266,766	19,501,979	-	19,501,979
Internal Sales or Transfer Between Segment	9,082	-	99	9,182	58,508	67,690	△67,690	-
Total	4,216,331	9,061,180	2,966,882	16,244,395	3,325,275	19,569,670	△67,690	19,501,979
Segment Earnings	1,140,408	16,944	△64,242	1,093,110	2,275,534	3,368,645	△611,795	2,756,849

(Note) 1. The segment earnings or loss adjustment of △611 Million JPY includes the deletion of inter-segment transactions of △1,827 Million JPY, company-wide revenue of 2,148 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △932 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Earnings are adjusted in the operating income of the Quarterly Consolidated Profit & Loss Statement.

2. Information regarding impairment losses of Fixed Assets or Goodwill per reporting segment

(Major impairment losses of Fixed Assets)

Not Applicable

(Major changes in amount for Goodwill)

Not Applicable

(Generating income for Negative Goodwill)

Not Applicable