

Consolidated Financial Results For the Six Months Ended July 31, 2016

(Japanese Accounting Standards)

Name of the Listed Company: **Poletowin Pitcrew Holdings, Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 3657
 URL: <http://www.poletowin-pitcrew-holdings.co.jp>
 Representative: Naoto Konishi, President
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Scheduled date to file Securities Report: September 13, 2016
 Scheduled date to commence dividend payments: –
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the six months ended July 31, 2016 (from February 1, 2016 to July 31, 2016)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
July 31, 2016	8,885	(3.9)	853	(34.9)	669	(48.6)	267	(65.2)
July 31, 2015	9,243	26.7	1,311	34.2	1,301	33.4	769	55.2

(Note) Comprehensive income

Six months ended July 31, 2016: ¥462 million (- %)

Six months ended July 31, 2015: ¥788 million (68.9%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
July 31, 2016	14.44	14.24
July 31, 2015	40.40	39.84

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
July 31, 2016	10,565	7,979	74.1
January 31, 2016	12,317	9,517	75.6

(Reference) Equity

As of July 31, 2016: ¥7,828 million

As of January 31, 2016: ¥9,316 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2016	–	0.00	–	18.00	18.00
Fiscal year ending January 31, 2017	–	0.00			
Fiscal year ending January 31, 2017(Forecasts)			–	19.00	19.00

(Notes)

Change in dividend forecasts for the fiscal year ending January 31, 2017 during the six months ended July 31, 2016: No

3. Consolidated financial forecasts for the fiscal year ending January 31, 2017

(from February 1, 2016 to January 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending January 31, 2017	20,531	13.3	2,466	4.5	2,386	7.1	1,387	7.1	72.40

(Note) Change in financial forecasts for the fiscal year ending January 31, 2017 during the six months ended July 31, 2016: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended July 31, 2016 (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

(2) Use of particular accounting treatments in preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to (2) Use of particular accounting treatments in preparation of quarterly consolidated financial statements, under 2. Notes to the Summary Information, on page 7 of the attachment materials to this report.

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

a. Changes in accounting standards due to revisions to accounting standards and other guidelines: Yes

b. Changes in accounting policies due to reasons other than a. above: No

c. Changes in accounting estimates: No

d. Restatement of revisions: No

(Note) For details, please refer to (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions, under 2. Notes to the Summary Information, on page 7 of the attachment materials to this report.

(4) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)

As of July 31, 2016 19,044,400 shares

As of January 31, 2016 19,043,200 shares

b. Number of shares of treasury stock at the end of the period

As of July 31, 2016 740,000 shares

As of January 31, 2016 — shares

c. Average number of shares (Cumulative)

For the six months ended July 31, 2016 18,543,901 shares

For the six months ended July 31, 2015 19,041,211 shares

* Disclosure of status of quarterly review procedures

This report falls outside the scope of quarterly review procedures as laid out in the Financial Instruments and Exchange Act. As of the time of the release of this report, the review procedures of the consolidated financial statements outlined in the Act had not been concluded.

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to (3) Qualitative Information on Consolidated Earnings Forecasts on page 6 of the Attachment Materials to this report.

(How to obtain supplementary materials explaining earnings for the quarter)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. The Company plans to hold an earnings results briefing for institutional investors and analysts on Tuesday, September 13, 2016. Along with the earnings presentation materials, streaming video of the briefing session and content are scheduled to be promptly posted on the Company's website following the briefing.

1. Qualitative Information on Financial Results

(1) Analysis of Operating Results

During the six months ended July 31, 2016, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. At the same time, with the weakness in overseas economies, the nation faced such downward risks as slowdowns in economies in China, developing countries and resource-rich countries. Under these circumstances, uncertainties about overseas economies, impact of financial and capital market fluctuations such as Brexit and economic impact of Kumamoto earthquake in 2016 warrant close attention.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the social games market, which major developers of software for consumer electronic game consoles also entered, amid the rising popularity of smartphones and tablet PCs. To increase opportunities to steadily recoup their development expenses, social game developers increasingly deployed their offerings globally, just as has happened with consumer electronic game software. As a result, demand expanded for localization in multiple languages and for user support, augmenting services in detecting defects (bugs). At the same time, sales were favorable in the consumer electronic game market for new next-generation game consoles and virtual reality Systems launched around the world.

In markets related to the Group's Internet Monitoring Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. This, in turn, is pushing up demand for monitoring postings and other types of user support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act (formerly the Pharmaceutical Affairs Act), the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians. As a result, monitoring work has increased, as have educational activities, including through leaflets and seminar lecturers.

The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. During the year under review, The Group made Entalize Co., Ltd., which provides localization (translation) services for consumer electronic game software, its consolidated subsidiary in March to prepare for globalization of software for consumer electronic game consoles. PITCREW CO., LTD increased floor space at the Sapporo Support Center and PITCREW COREOPS CO., LTD opened the Gifu BCP Center in February to accommodate order expansion. Collaboration has stepped up between eleven delivery centers in six countries and Japanese Group companies to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization, Internet monitoring, and user support.

As a result of these factors, consolidated net sales for the term were ¥8,885,772 thousand (down 3.9%). Operating income was ¥853,526 thousand (down 34.9%). Ordinary income was ¥669,592 thousand (down 48.6%) and Profit attributable to owners of parent was ¥267,690 thousand (down 65.2%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

Reflecting collaboration between eleven delivery centers in six countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers, outsourcing services including defect detection, localization, and user support (overseas) expanded. Side UK Limited, which became a consolidated subsidiary in the previous fiscal year, QaaS Co., Ltd., and Entalize Co., Ltd., which became a consolidated subsidiary at the previous term, contributed to revenues and earnings from the current fiscal year. However, owing to the impact of strong yen and decrease in orders for outsourcing services for the amusement equipment, Testing/Verification & Evaluation Business sales decreased 4.6% year on year, to ¥7,199,953 thousand. Operating income also fell 24.7%, to ¥1,033,457 thousand.

Internet Monitoring Business

In the Internet Monitoring Business, the Group received orders for outsourcing services including user support (domestic) from Internet companies, reflecting their vigorous efforts to cultivate business in the e-commerce market. The orders were for merchandise check services for Internet shopping, auction sites, and free market apps and for reviews of advertisements based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and also reflected increased demand for handling charges and product arrival inquiries from end-users. However, owing to downsizing among some client companies, Monitoring Business sales decreased 4.1%, to ¥1,570,632 thousand. There was an operating loss of ¥85,391 thousand, up from ¥15,984 thousand a year earlier.

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. IMAid Inc. offers medical staffing services. Sales of this segment increased 88.4%, to ¥115,186 thousand. There was an operating loss of ¥89,146 thousand, up from ¥56,916 thousand a year earlier.

(2) Qualitative information concerning consolidated financial position

Total Assets

Current assets decreased ¥1,480,156 thousand or 16.6% from January 31, 2016, to ¥7,455,973 thousand. This was mainly attributable to a ¥1,448,230 thousand decrease in cash and deposits. Noncurrent assets decrease ¥272,310 thousand or 8.1% to ¥3,109,192 thousand from January 31, 2016. This reflected decrease of ¥117,332 thousand in goodwill and ¥174,141 thousand in intangible assets, which offset an increase of ¥39,756 thousand in lease and guarantee deposits. As a result, total assets decreased ¥1,752,467 thousand or 14.2% year on year, to ¥10,565,166 thousand.

Liabilities

Current liabilities stood at ¥2,385,058 thousand, down ¥153,567 thousand or down 6.0% from January 31, 2016. The prime factors for this change were fall of ¥114,100 thousand in accounts payable-other and ¥169,493 thousand in other (deposits received), which offset an increase of ¥129,809 thousand in accrued expenses. Noncurrent liabilities decreased ¥60,829 thousand or 23.3%, to ¥200,552 thousand. This was mainly due to a ¥45,690 thousand decrease in deferred tax liabilities. As a result, total liabilities decreased ¥214,396 thousand or 7.7% year on year, to ¥2,585,611 thousand.

Net assets

Net assets decreased ¥1,538,070 thousand or 16.2%, to ¥7,979,555 thousand. This was because although profit attributable to owners of parent added ¥267,690 thousand to retained earnings, dividend payments detracted ¥342,777 thousand from retained earnings, while foreign currency translation adjustments declined by ¥680,221 thousand and treasury shares repurchase detracted ¥732,600 thousand.

(3) Qualitative Information on Consolidated Earnings Forecasts

In the Testing/Verification & Evaluation segment, software testing services for the PlayStation 4 and the PlayStation VR is gradually increasing. Trends in the amusement equipment market and rate of exchange continue to warrant close attention.

In the Internet Monitoring Business, although the Group has increased outsourcing services for the e-commerce market, rapid changes in competition environment also warrant close attention. In the third quarter, therefore, management expects to generally remain on target, and has therefore retained the consolidated earnings forecasts that it disclosed on March 8, 2016.

Note, however, that the earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

2. Notes to the Summary Information

(1) Changes in significant subsidiaries during the three months ended April 30, 2015

Not applicable

Although there were no such changes, during the period under review, the Group acquired entire stake in Entalize Co., Ltd. and its subsidiary CrossFunction Co., Ltd., so the both are included in the scope of consolidation.

(2) Use of particular accounting treatments in preparation of quarterly consolidated financial statements

(Calculation of income taxes payable)

The tax expenses of the Company and certain consolidated subsidiaries are estimated reasonably based on effective tax rates after applying tax effect accounting for income before income taxes and minority interests for the consolidated fiscal year, including the first quarter under review, multiplying quarterly income before income taxes and minority interests by the relevant estimated effective tax rate.

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

Change in accounting policy

(Change in depreciation method)

Upon revision of the Corporation Tax Act of Japan, from the three months ended April 30, 2016, the depreciation method based on the revised Act was applied to the property, plant and equipment acquired on or after April 1, 2016 by the Company and its domestic consolidated subsidiaries.

The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial for the three months ended April 30, 2016.

(4) Additional information

The Group adopted Section 39 of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013). In addition, the Group has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non- controlling interests”. To reflect these changes in presentation, the consolidated financial statements for the three months ended April 30, 2015 and the previous consolidated fiscal year have been reclassified.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2016 (As of January 31, 2016)	2Q Fiscal 2017 (As of July 31, 2016)
Assets		
Current assets		
Cash and deposits	5,636,472	4,188,242
Notes and accounts receivable-trade	2,485,451	2,557,222
Merchandise and finished goods	52,862	30,398
Work in process	48,904	117,033
Deferred tax assets	72,058	78,974
Other	650,642	493,217
Allowance for doubtful accounts	(10,261)	(9,114)
Total current assets	8,936,130	7,455,973
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	485,032	514,291
Accumulated depreciation	(191,461)	(227,645)
Buildings and structures, net	293,571	286,646
Machinery, equipment and vehicles	840	13,644
Accumulated depreciation	(840)	(10,009)
Machinery, equipment and vehicles, net	0	3,635
Tools, furniture and fixtures	858,933	820,102
Accumulated depreciation	(660,693)	(621,155)
Tools, furniture and fixtures, net	198,239	198,947
Total property, plant and equipment	491,810	489,228
Intangible assets		
Goodwill	1,514,355	1,397,023
Software	66,926	56,840
Other intangible assets	561,265	387,124
Other	2,244	2,244
Total intangible assets	2,144,792	1,843,232
Investments and other assets		
Investment securities	203,471	202,367
Lease and guarantee deposits	406,915	446,671
Deferred tax assets	44,401	47,167
Other	102,091	81,215
Allowance for doubtful accounts	(11,979)	(691)
Total investments and other assets	744,899	776,730
Total noncurrent assets	3,381,502	3,109,192
Total assets	12,317,633	10,565,166

(Thousands of yen)

	Fiscal 2016 (As of January 31, 2016)	2Q Fiscal 2017 (As of July 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-other	1,321,708	1,207,608
Accrued expenses	93,306	223,116
Income taxes payable	522,983	469,442
Provision for bonuses	30,515	79,722
Other	570,110	405,168
Total current liabilities	2,538,625	2,385,058
Noncurrent liabilities		
Provision for retirement benefits	56,686	56,074
Deferred tax liabilities	130,106	84,416
Other	74,589	60,062
Total noncurrent liabilities	261,382	200,552
Total liabilities	2,800,007	2,585,611
Net Assets		
Shareholders' equity		
Capital stock	1,236,323	1,236,418
Capital surplus	1,282,778	1,282,872
Retained earnings	6,258,446	6,183,360
Treasury shares	—	(732,600)
Total shareholders' equity	8,777,548	7,970,050
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,356	12,098
Foreign currency translation adjustments	527,066	(153,155)
Total accumulated other comprehensive income	539,422	(141,056)
Non-controlling interests	200,654	150,561
Total net assets	9,517,625	7,979,555
Total liabilities and net assets	12,317,633	10,565,166

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income
(Six-month period ended July 31, 2016)

(Thousands of yen)

	Six months ended July 31, 2015 (From February 1, 2015 to July 31, 2015)	Six months ended July 31, 2016 (From February 1, 2016 To July 31, 2016)
Net sales	9,243,898	8,885,772
Cost of sales	6,201,631	6,031,487
Gross profit	3,042,267	2,854,284
Selling, general and administrative expenses	1,730,706	2,000,757
Operating income	1,311,561	853,526
Non-operating income		
Interest income	700	780
Dividends income	704	1,663
Subsidy income	3,749	3,514
Insurance premiums refunded cancellation	4,452	16,210
Commission fees	1,959	3,559
Other	4,040	5,579
Total non-operating income	15,606	31,307
Non-operating expenses		
Interest expenses	—	1,390
Foreign exchange losses	23,984	209,526
Compensation expenses	1,342	2,619
Commission for purchase of treasury shares	—	1,140
Other	96	565
Total non-operating expenses	25,422	215,241
Ordinary income	1,301,745	669,592
Extraordinary gains		
Loss on retirement of noncurrent assets	100	—
Other	16	—
Total extraordinary gains	116	—
Extraordinary losses		
Loss on retirement of noncurrent assets	5,473	6,409
Loss on sales of noncurrent assets	—	2,643
Directors' retirement benefits	59,644	—
Other	1,276	—
Total non-operating expenses	66,394	9,052
Income before income taxes and minority interests	1,235,467	660,540
Income taxes	466,226	399,104
Net income	769,241	261,435
Profit attributable to non-controlling interests	—	(6,255)
Profit attributable to owners of parent	769,241	267,690

Consolidated Statement of Comprehensive Income
(Six-month period ended July 31, 2016)

	(Thousands of yen)	
	Six months ended July 31, 2015 (From February 1, 2015 to July 31, 2015)	Six months ended July 31, 2016 (From February 1, 2016 to July 31, 2016)
Profit	769,241	261,435
Other comprehensive income		
Valuation difference on available-for-sale securities	497	(257)
Foreign currency translation adjustments	18,488	(724,059)
Total other comprehensive income	18,986	(724,317)
Total comprehensive income	788,228	(462,881)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	788,228	(412,788)
Comprehensive income attributable to non-controlling interests	—	(50,092)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended July 31, 2015 (From February 1, 2015, to July 31, 2015)	Six months ended July 31, 2016 (From February 1, 2016, to July 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	1,235,467	660,540
Depreciation and amortization	84,586	149,521
Amortization of goodwill	103,805	122,477
Increase in allowance for doubtful accounts	6,129	(11,861)
Increase in provision for bonuses	44,869	49,207
Increase in net defined benefit liability	3,334	(612)
Interest and dividends income	(1,405)	(2,443)
Interest expenses	—	1,390
Foreign exchange (gains) losses	20,886	24,348
Loss on retirement of noncurrent assets	5,473	6,409
Loss on sales of noncurrent assets	—	2,643
Decrease in notes and accounts receivable-trade	(654,272)	(108,591)
Decrease in accounts receivable-other	9,590	(164,519)
Increase in accounts payable-other	105,065	56,207
Increase in accrued expenses	52,191	132,430
Increase in accrued consumption taxes	(129,891)	(55,851)
Increase in deposits received	(11,141)	32,536
Other, net	(27,636)	(57,875)
Subtotal	847,053	835,955
Interest and dividends income received	2,301	2,443
Interest expenses paid	—	(1,390)
Income taxes paid	(330,052)	(457,018)
Net cash provided by operating activities	519,301	379,990
Cash flows from investing activities		
Purchase of property, plant and equipment	(93,769)	(73,687)
Proceeds from sales of property, plant and equipment	—	72
Purchase of intangible assets	(29,329)	(1,260)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(145,933)
Purchase of investment securities	(50,596)	(47)
Payments of loans receivable	(327)	(6,934)
Collection of loans receivable	792	6,403
Payments for lease and guarantee deposits	(18,660)	(54,554)
Proceeds from collection of lease and guarantee deposits	14,268	17,650
Net cash used in investing activities	(177,622)	(258,291)
Cash flows from financing activities		
Repayments of long-term loans payable	—	(275,088)
Proceeds from issuance of common stock	314	188
Cash dividends paid	(304,659)	(342,777)
Purchase of treasury shares	—	(733,740)
Net cash used in financing activities	(304,345)	(1,351,418)
Effect of exchange rate change on cash of cash equivalents	(4,630)	(218,510)
Net increase in cash and cash equivalents	32,703	(1,448,230)
Cash and cash equivalents at beginning of period	5,343,681	5,636,472
Cash and cash equivalents at end of period	5,376,385	4,188,242

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

The Group repurchased 740,000 shares in accordance with the resolution made at the meeting of its board of directors held on March 8, 2016.

As a result, treasury shares increased ¥732,600 thousand for the six months ended July 31, 2016 and the amount of treasury shares was ¥732,600 thousand as of the end of this term.

(Segment Information)

1. Six months ended July 31, 2015 (from February 1, 2015 to July 31, 2015)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

Reporting segment				Others* ¹	Total	Adjustments* ²	Amounts in the consolidated statements of income* ³
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	7,544,763	1,637,991	9,182,754	61,144	9,243,898	—	9,243,898
Inter-segment sales and transfers	3,659	22,193	25,853	—	25,853	(25,853)	—
Total	7,548,423	1,660,184	9,208,607	61,144	9,269,752	(25,853)	9,243,898
Segment income (loss)	1,372,237	(15,984)	1,356,253	(56,916)	1,299,336	12,224	1,311,561

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.
2. Adjustment for segment income of ¥12,224 thousand comprises elimination of intersegment transactions of ¥260,094 thousand and unallocated corporate expenses of -¥247,869 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Segment income (loss) is adjusted against the operating income recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment

Not applicable

2. Six months ended July 31, 2016 (from February 1, 2016 to July 31, 2016)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

Reporting segment				Others* ¹	Total	Adjustments* ²	Amounts in the consolidated statements of income* ³
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	7,199,953	1,570,632	8,770,586	115,186	8,885,772	—	8,885,772
Inter-segment sales and transfers	13,773	7,761	21,535	—	21,535	(21,535)	—
Total	7,213,727	1,578,394	8,792,121	115,186	8,907,307	(21,535)	8,885,772
Segment income (loss)	1,033,457	(85,391)	948,065	(89,146)	858,918	(5,392)	853,526

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.
2. Adjustment for segment income of -¥5,392 thousand comprises elimination of intersegment transactions of ¥263,193 thousand and unallocated corporate expenses of -¥268,585 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Segment income (loss) is adjusted against the operating income recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment
(Material changes in goodwill)

In the Testing/Verification & Evaluation Business segment, Entalize Co., Ltd. became a consolidated subsidiary following the acquisition of its stock during the period under review, increasing goodwill by ¥291,865 thousand for the term.