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Consolidated Financial Statements for the Second Quarter Ended September 30, 2016 FY2017 (April 1, 2016 - March 31, 2017) [UNAUDITED]

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 Stock exchange listings: Tokyo Stock Exchange (1st section)
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 Quarterly statement filing date (as planned): November 10, 2016

- Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Results for the six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

(1) Operating results

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Six months ended September 30, 2016		Six months ended September 30, 2015	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	107,509	0.5	106,934	5.7
Operating income(loss)	5,207	34.2	3,880	18.5
Ordinary income(loss)	5,614	29.8	4,326	26.2
Net income (loss) attributable to owners of the parent	3,177	25.8	2,525	38.1
Net income (loss) per share (Yen)	15.79		12.55	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income	(6,296)	-	1,413	18.1

(2) Financial position

	As of September 30, 2016	As of March 31, 2016
	(Millions of yen)	(Millions of yen)
Total assets	241,556	253,253
Net assets	147,345	156,148
Equity ratio (%)	50.9	51.5
(Reference) Equity	122,882	130,386

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2016	Year ending March 31, 2017	Year ending March 31, 2017 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	12.00		12.00
Annual	12.00		12.00

Notes: Correction of dividend forecast from the most recent dividend forecast : No
 The year-end dividend for FY2016 included a commemorative dividend of ¥1.00

3. Forecast for the year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Year ending March 31, 2017	
	(Millions of yen)	(%)
Net sales	234,100	3.9
Operating income(loss)	12,600	7.9
Ordinary income(loss)	13,300	3.6
Net income (loss) attributable to owners of the parent	8,200	16.2
Net income (loss) per share (Yen)	40.75	

Note: Correction of financial forecast from the most recent financial forecast : Yes

4. Others

- (1) Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change in specific subsidiaries) : No
- (2) Applying of specific accounting treatments of the quarterly consolidated financial statements : No
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes based on revisions of accounting standard : Yes
 - 2) Changes other than ones based on revisions of accounting standard : No
 - 3) Changes in accounting estimates : No
 - 4) Restatement : No
- (4) Number of outstanding shares (common stock)
 - 1) Number of outstanding shares at year end (Treasury stocks are included)
 - As of September 30, 2016 : 217,699,743
 - As of March 31, 2016 : 217,699,743
 - 2) Number of treasury stocks at year end
 - As of September 30, 2016 : 16,475,499
 - As of March 31, 2016 : 16,475,391
 - 3) Average number of outstanding shares
 - Six months ended September 30, 2016 : 201,224,317
 - Six months ended September 30, 2015 : 201,225,317

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1. Qualitative Information for the Six Months Ended September 30, 2016

(1) Consolidated Financial Results

In the six months ended September 30, 2016, although the Japanese economy maintained a moderate recovery as the hiring and income environment improved, personal spending remained weak.

On the other hand, overseas, while the American economy continued on a recovery path, there was continued uncertainty for the future of the global economy caused by the downside risk in emerging country economies, the Brexit issue in the U.K. and other issues.

Under these economic circumstances, moving into the final fiscal year of the Takara Group Medium-Term Management Plan FY2017, which is the second step of efforts toward achieving the Takara Group Vision 2020, our long-term vision, the Group continued to make efforts to improve domestic business profitability and to expand and grow our overseas business while working on steady business activities with aim of transforming into a well-balanced business structure that can hold up well to business environment changes by accelerating growth in our Biomedical Business.

As a result, in the six months ended September 30, 2016, net sales were up by 0.5% year on year to ¥107,509 million. Gross profit rose 4.3% year on year to ¥43,435 million. Operating income increased by 34.2% year on year to ¥5,207 million while ordinary income rose 29.8% year on year to ¥5,614 million. Net income attributable to owners of the parent increased by 25.8% year on year to ¥3,177 million.

Results by business segment were as follows.

[Takara Shuzo Group]

For alcoholic beverages, in the six months ended September 30, 2016, while sales of shochu and sake declined compared with the same period of the previous fiscal year, sales of light-alcohol refreshers increased as sales of Takara Shochu High Ball remained robust.

As sales of other alcoholic beverages such as whiskey also rose, sales of alcoholic beverages overall increased.

In the Seasonings Business, sales increased due to healthy sales of mirin and cooking sake while sales of raw alcohol, etc. and transportation sales declined.

In the Japanese Food Wholesale Business in overseas markets, sales at FOODEX S.A.S. (France), Cominport Distribución S.L. (Spain), and Tazaki Foods Ltd (U.K.) increased.

As a result, net sales for the Takara Shuzo Group rose 0.7% year on year to ¥92,489 million. Cost of sales decreased by 0.6% to ¥58,188 million. As a result, gross profit rose 2.9% year on year to ¥34,301 million. SG&A expenses were up by 1.1% year on year to ¥30,746 million due to the increases in promotion expenses and transportation expenses. Accordingly, the Takara Shuzo Group recorded operating income up 21.8% year on year to ¥3,554 million in the six months ended September 30, 2016.

[Takara Bio Group]

Net sales for the six months ended September 30, 2016 decreased by 0.4% year on year to ¥13,199 million despite increased sales on the local currency basis overseas, reflecting stronger Japanese yen. Cost of sale decreased by 12.7% year on year at ¥5,152 million as the cost rate fell due to changes in the structure of sales for each product and other factors. Consequently, gross profit increased by 9.4% year on year to ¥8,046 million. SG&A expenses were unchanged year on year at ¥6,669 million as expenses related to an acquisition of the shares of WaferGen Bio-systems, Inc. arose although research and development expenses declined. As a result, the Takara Bio Group recorded operating income up 101.2% year on year to ¥1,377 million in the six months ended September 30, 2016.

[Takara Healthcare]

Net sales for the six months ended September 30, 2016 fell by 4.4% year on year to ¥913 million due to falling sales of OEM cosmetics. Cost of sales was down by 21.6% year on year to ¥370 million. Consequently, gross profit increased by 12.4% year on year to ¥543 million. SG&A expenses were up by 20.5% year on year to ¥540 million, mainly due to the increases in advertising expenses and administrative expenses. As a result, Takara Healthcare's operating income decreased by 91.0% year on year to ¥3 million.

[Other]

Net sales of business segments other than the reported segments for the six months ended September 30, 2016 increased by 3.7% year on year to ¥2,804 million. Cost of sales increased by 1.7% year on year to ¥2,426 million. Consequently, gross profit increased by 18.9% year on year to ¥377 million. SG&A expenses were down by 1.9% year on year to ¥330 million. As a result, operating income of ¥47 million was recorded, compared to a ¥19 million operating loss recorded in the same period of the previous fiscal year.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2015, to September 30, 2015)	Period under Review (from April 1, 2016, to September 30, 2016)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo Group			
Shochu	29,707	28,374	95.5
Sake	9,817	9,671	98.5
Light-alcohol refreshers	14,246	15,651	109.9
Other alcoholic beverages	6,712	6,929	103.2
Alcoholic beverages total	60,484	60,627	100.2
<i>Hon Mirin</i>	7,073	7,093	100.3
Other seasonings	4,358	4,639	106.4
Seasonings total	11,432	11,732	102.6
Raw alcohol, etc.	3,494	3,460	99.0
Transportation	5,953	5,242	88.0
Japanese food wholesale business in overseas markets	9,796	10,768	109.9
Other	711	658	92.5
Total	91,872	92,489	100.7
Takara Bio Group	13,257	13,199	99.6
Takara Healthcare	955	913	95.6
Other	2,703	2,804	103.7
Sales not allocated to business segments and intersegment transactions	(1,855)	(1,897)	-
Total	106,934	107,509	100.5

Notes: Amounts include alcohol tax but do not include consumption tax.

(2) Consolidated Financial Position

Total assets stood at ¥241,556 million as of September 30, 2016, down by ¥11,696 million from March 31, 2016. Current assets stood at ¥150,322 million, down by ¥8,751 million. This decrease primarily resulted from a decline of ¥1,207 million in notes and accounts receivable-trade and a decline of ¥9,319 million in securities despite an increase of ¥1,882 million in cash and deposits.

Non-current assets decreased by ¥2,945 million from the end of the previous fiscal year to ¥91,234 million. The main factors were decreases of ¥1,517 million in property, plant and equipment, and ¥1,728 million in intangible assets.

Total liabilities amounted to ¥94,210 million as of September 30, 2016, down by ¥2,893 million from March 31, 2016. Current liabilities rose ¥7,184 million from the end of the previous fiscal year to ¥54,832 million. This was primarily due to a ¥10,000 million increase in current portion of bonds and decreases of ¥719 million in notes and accounts payable-trade, ¥907 million in accrued expenses and ¥746 million in income taxes payable.

Non-current liabilities declined ¥10,077 million from the end of the previous fiscal year to ¥39,378 million. This was primarily due to a ¥10,000 million decrease resulting from the transfer of bonds to current liabilities.

Net assets stood at ¥147,345 million as of September 30, 2016, down ¥8,803 million from the end of the previous fiscal year. The main factor was a decline of ¥8,301 million in foreign currency translation adjustment.

Net cash provided by operating activities in the six months ended September 30, 2016 was ¥2,343 million, an increase of ¥3,251 million compared with the six months ended September 30, 2015. Major factors included income before income taxes and minority interests of ¥5,575 million, depreciation and amortization of ¥2,492 million, an increase of ¥1,445 million in inventories, and income taxes paid of ¥3,147 million.

Net cash provided by investing activities in the six months ended September 30, 2016 amounted to ¥3,088 million, an increase of ¥8,765 million compared with the six months ended September 30, 2015. Inflows came in the form of ¥14,765 million from the sale and redemption of marketable securities and proceeds of ¥4,263 million from the withdrawal of time deposits while outflows came in the form of payments of ¥9,387 million for the purchase of investment securities, ¥3,777 million for time deposits, and ¥2,518 million for the purchase of property, plant and equipment, and intangible assets.

Net cash used in financing activities in the six months ended September 30, 2016 was ¥2,625 million, a decrease of

¥6,441 million compared with the six months ended September 30, 2015, when there were outflows of ¥5,000 million for the redemption of bonds and ¥2,022 million for the purchase of stocks of subsidiaries and affiliates not accompanied by changes in the scope of consolidation. Major factors included cash dividends paid of ¥2,410 million.

As a result, cash and cash equivalents as of September 30, 2016, including a decrease of ¥2,436 million in translation differences related to cash and cash equivalents, stood at ¥32,905 million, up ¥369 million from the previous fiscal year-end.

(3) Qualitative Information Regarding Consolidated Forecasts

The Company has revised the consolidated forecasts for the fiscal year ending March 31, 2017 released on May 9, 2016, based on consideration of business performance in the six months ended September 30, 2016 and recent performance trends.

Although the initial foreign exchange rates assumptions have been revised to account for further appreciation of Japanese yen, the Company revised net sales and profits upwards, reflecting the robust performance of the Domestic Alcoholic Beverages Business and contribution of Mutual Trading Co., Inc., which is planned to become a new consolidated subsidiary of the Company from the fourth quarter of the current fiscal year.

With regard to Mutual Trading Co., Inc., which is planned to become a consolidated subsidiary of the Company, please refer to the press release entitled “Notice Regarding Subscription to Third-Party Allotment of Shares of Mutual Trading Co., Inc. by Consolidated Subsidiary (Takara Shuzo Co., Ltd.)” released on November 10, 2016.

2. Summary Information (Notes)

(1) Change in Accounting Policy and Retrospective Restatement of Accounting Estimates

(Change in Accounting Policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In the three month period ended June 30, 2016, certain consolidated subsidiaries applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and profit before income taxes and minority interests for the six month period ended September 30, 2016 is immaterial.

(2) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has been applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the beginning of the three month period ended June 30, 2016.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2016	As of Sept. 30, 2016
Assets		
Current assets		
Cash and deposits	38,386	40,268
Notes and accounts receivable-trade	53,602	52,394
Securities	28,238	18,919
Merchandise and finished goods	29,739	28,683
Work in process	1,077	1,501
Raw materials and supplies	3,401	3,091
Other	4,859	5,660
Allowance for doubtful accounts	(231)	(196)
Total current assets	159,073	150,322
Noncurrent assets		
Property, plant and equipment	53,065	51,547
Intangible assets		
Goodwill	6,975	5,964
Other	4,035	3,317
Total intangible assets	11,010	9,281
Investments and other assets		
Investment securities	24,747	25,176
Other	5,468	5,320
Allowance for doubtful accounts	(112)	(92)
Total investments and other assets	30,103	30,405
Total noncurrent assets	94,179	91,234
Total assets	253,253	241,556

(Millions of Yen)

	As of Mar. 31, 2016	As of Sept. 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,201	14,481
Short-term loans payable	4,994	4,697
Current portion of bonds	-	10,000
Accrued alcohol tax	7,855	7,442
Accrued expenses	4,965	4,058
Income taxes payable	2,307	1,561
Provision for bonuses	2,235	2,576
Other provision	1,954	2,025
Other	8,133	7,988
Total current liabilities	47,648	54,832
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	10,255	10,235
Net defined benefit liability	8,544	8,627
Long-term deposits received	5,379	5,349
Other	5,277	5,165
Total noncurrent liabilities	49,456	39,378
Total liabilities	97,104	94,210
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,879	1,879
Retained earnings	113,663	114,426
Treasury stock	(9,938)	(9,938)
Total shareholders' equity	118,830	119,593
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,822	7,339
Deferred gains or losses on hedges	(445)	(918)
Foreign currency translation adjustment	5,548	(2,752)
Remeasurements of defined benefit plans	(370)	(378)
Total accumulated other comprehensive income	11,555	3,289
Noncontrolling interests	25,762	24,463
Total net assets	156,148	147,345
Total liabilities and net assets	253,253	241,556

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Six Months Ended September 30, 2016 and 2015)**

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Sept. 30, 2015)	FY2017 (Apr. 1, 2016 – Sept. 30, 2016)
Net sales	106,934	107,509
Cost of sales	65,302	64,073
Gross profit	41,632	43,435
Selling, general and administrative expenses	37,751	38,228
Operating income	3,880	5,207
Non-operating income		
Dividends income	248	266
Equity in earnings of affiliates	123	163
Other	387	300
Total non-operating income	759	731
Non-operating expenses		
Interest expenses	225	213
Other	87	110
Total non-operating expenses	312	324
Ordinary income	4,326	5,614
Extraordinary income		
Gain on sales of noncurrent assets	11	20
Other	260	0
Total extraordinary income	271	21
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	50	42
Loss on valuation of investment securities	23	15
Other	-	2
Total extraordinary losses	73	60
Income before income taxes and minority interests	4,525	5,575
Income taxes-current	2,117	2,321
Income taxes-deferred	(298)	(239)
Total income taxes	1,819	2,082
Net income	2,705	3,492
Net income attributable to the noncontrolling interest	180	315
Net income attributable to owners of the parent	2,525	3,177

(Consolidated Quarterly Statements of Comprehensive Income)
(For the Six Months Ended September 30, 2016 and 2015)

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Sept. 30, 2015)	FY2017 (Apr. 1, 2016 – Sept. 30, 2016)
Net income	2,705	3,492
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,116)	516
Deferred gains or losses on hedges	(316)	(477)
Foreign currency translation adjustment	128	(9,375)
Remeasurements of defined benefit plans	(37)	(1)
Share of other comprehensive income of associates accounted for using equity method	50	(450)
Total other comprehensive income	(1,292)	(9,788)
Comprehensive income	1,413	(6,296)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,159	(5,088)
Comprehensive income attributable to noncontrolling interest	253	(1,207)

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Sep. 30, 2015)	FY2017 (Apr. 1, 2016 – Sep. 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,525	5,575
Depreciation and amortization	2,494	2,492
Interest and dividends income	(386)	(364)
Interest expenses	225	213
Decrease (increase) in notes and accounts receivable-trade	854	108
Decrease (increase) in inventories	(1,747)	(1,445)
Increase (decrease) in notes and accounts payable-trade	(528)	(221)
Increase (decrease) in liquor taxes payable	(185)	(410)
Increase (decrease) in accrued consumption taxes	(1,896)	278
Decrease (increase) in other current assets	(1,140)	(778)
Other, net	(458)	(143)
Subtotal	1,755	5,304
Interest and dividends income received	425	399
Interest expenses paid	(234)	(212)
Income taxes paid	(2,854)	(3,147)
Net cash provided by (used in) operating activities	(908)	2,343
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,475)	(3,777)
Proceeds from withdrawal of time deposits	6,370	4,263
Purchase of securities	(10,053)	(9,387)
Proceeds from sales and redemption of securities	5,112	14,765
Purchase of property, plant and equipment and intangible assets	(3,236)	(2,518)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(309)
Other, net	(394)	52
Net cash provided by (used in) investing activities	(5,677)	3,088
Net cash provided by (used in) financing activities		
Redemption of bonds	(5,000)	-
Cash dividends paid	(2,011)	(2,410)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,022)	-
Other, net	(33)	(215)
Net cash provided by (used in) financing activities	(9,067)	(2,625)
Effect of exchange rate change on cash and cash equivalents	103	(2,436)
Net increase (decrease) in cash and cash equivalent	(15,549)	369
Cash and cash equivalents at beginning of period	42,749	32,536
Cash and cash equivalents at end of period	27,199	32,905

(4) Notes on Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes on Material Changes in Shareholders' Equity)

No items to report.

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2015 to September 30, 2015)

1. Net Sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	91,741	12,811	954	105,507	1,196	106,704	230	106,934
Intersegment	131	446	1	578	1,507	2,086	(2,086)	-
Total	91,872	13,257	955	106,086	2,703	108,790	(1,855)	106,934
Segment income (loss)	2,918	684	35	3,638	(19)	3,619	260	3,880

- Notes:
- Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
 - Details of adjustment amounts are as follows.
 - Net sales to external customers are income from real estate rent recognized by the Company.
 - Segment income (loss) comprises intersegment eliminations of ¥37 million and income of the Company not allocated to business segments of ¥223 million.
 - Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report.

II. Period under Review (From April 1, 2016 to September 30, 2016)

1. Net Sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	92,370	12,769	912	106,052	1,224	107,276	232	107,509
Intersegment	118	429	1	549	1,579	2,129	(2,129)	-
Total	92,489	13,199	913	106,602	2,804	109,406	(1,897)	107,509
Segment income	3,554	1,377	3	4,934	47	4,981	225	5,207

- Notes:
- Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
 - Details of adjustment amounts are as follows.
 - Net sales to external customers are income from real estate rent recognized by the Company.
 - Segment income comprises intersegment eliminations of ¥49 million and income of the Company not allocated to business segments of ¥175 million.
 - Segment income has been adjusted to the operating loss of consolidated quarterly statements of income.

2. Matters concerning Changes to Reporting Segments

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

As stated in Change in Accounting Policy, in the three month period ended June 30, 2016, certain consolidated subsidiaries applied Practical Solution on a change in depreciation method due to Tax Reform 2016, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on segment income for the six month period ended September 30, 2016 is immaterial.

3. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report.