

**QUARTERLY FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

(Based on JAPANESE GAAP) (Consolidated)

February 9, 2017

Company name: SECOM CO., LTD. (URL: <http://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Representative: Yasuo Nakayama, President and Representative Director
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 Scheduled date of filing Quarterly Securities Report: February 14, 2017
 Scheduled date of dividend payout: —
 Preparation of quarterly supplementary materials: None
 Holding of quarterly results information meeting: None

1. Consolidated financial results for the Nine-month period ended December 31, 2016 (April 1, 2016– December 31, 2016)

(1) Consolidated operating results (In millions of yen, figures rounded down)

	Nine-month Period Ended December 31	
	2015	2016
Revenue	622,722 3.8%	670,160 7.6%
Operating profit	91,854 3.4%	96,278 4.8%
Ordinary profit	97,867 (3.3%)	108,603 11.0%
Net income attributable to owners of the parent	61,822 3.6%	66,040 6.8%
Basic net income per share (in yen)	283.25	302.58
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Nine-month period ended December 31, 2016: JPY 59,437 million [(3.9%)]

Nine-month period ended December 31, 2015: JPY 61,820 million [(23.4%)]

Note 2: There is no diluted net income per share as there are no shares with dilutive effect.

Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

(2) Consolidated financial position (In millions of yen, figures rounded down)

	March 31, 2016	December 31, 2016
Total assets	1,568,052	1,586,094
Net assets	943,144	971,554
Equity ratio	53.1%	54.0%
Net assets per share (in yen)	3,817.82	3,922.87

Note 1: Equity as of:

December 31, 2016 : JPY 856,207 million

March 31, 2016 : JPY 833,284 million

Note 2: Equity is calculated by deducting noncontrolling interests from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of each period-end.

2. Dividends

	Years ended March 31		
	2016	2017	2017 (projected)
1 st quarter dividends per share (in yen)	–	–	
2 nd quarter dividends per share (in yen)	65.00	70.00	
3 rd quarter dividends per share (in yen)	–	–	
Year-end dividends per share (in yen)	70.00		75.00
Annual dividends per share (in yen)	135.00		145.00

Note: Revision of projected dividends from that most recently disclosed: None

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(In millions of yen)

	Year ending March 31, 2017
Projected revenue	933,900 6.0%
Projected operating profit	130,000 1.1%
Projected ordinary profit	135,100 0.2%
Projected net income attributable to owners of the parent	82,300 6.8%
Projected basic net income per share (in yen)	377.07

Note 1: Revision of projections for the consolidated financial results from those most recently disclosed: None

Note 2: Projected basic net income per share for the fiscal year ending March 31, 2017 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 2016, assuming that it remains the same until March 31, 2017.

Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

※ Note

1. Significant changes in subsidiaries during the nine-month period ended December 31, 2016 (changes in specified subsidiaries accompanied with changes in scope of consolidation): None
2. Adoption of unique accounting treatment for preparation of consolidated quarterly financial statements: None
3. Changes in accounting policies, accounting estimates and/or restatements:
 - ① Changes in accounting policies associated with amendment of accounting standards: Applicable
 - ② Other changes in accounting policies: None

- ③ Changes in accounting estimates: None
- ④ Restatements: None
- 4. Number of common shares outstanding :
 - ① Number of common shares outstanding, including treasury stock, as of:
 - December 31, 2016 : 233,288,717 shares
 - March 31, 2016 : 233,288,717 shares
 - ② Number of shares of treasury stock, as of:
 - December 31, 2016 : 15,027,977 shares
 - March 31, 2016 : 15,026,824 shares
 - ③ Number of average common shares outstanding over:
 - The nine-month period ended December 31, 2016: 218,261,345 shares
 - The nine-month period ended December 31, 2015: 218,262,999 shares

Note on status of quarterly review procedures

This report is excluded from the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for quarterly financial statements have not been completed at the time of disclosure of this report.

Note on appropriate use of projections for the financial results; other special items

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2016 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

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1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2016

(1) Qualitative Information Regarding Consolidated Financial Results

During the nine-month period ended December 31, 2016, while Japanese economy has been in moderate upward trend as shown in improvements in employment and individual income environment, continual attentions to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets have been required.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their security, peace of mind, convenience and comfort, with the aim of realizing our vision for the future, “Social System Industry,” a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-quality products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the bond of the Group as a whole with a view to hastening our advance to growth. Furthermore, preparing for future Japanese society, we promote the effort to develop innovative services through ALL SECOM concept, in terms of key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation, based on a foundation of our security services.

In December 2016, we announced “Secom My Doctor Watch”, wearable wristband terminal for health management and emergency medical service, to be launched in 2017 early summer. “Secom My Doctor Watch” was developed capitalizing our broad range of service for providing security and peace of mind. We, as a whole Secom group, have implemented environmentally friendly behaviors in every business practice with the consideration of reduction in CO2 emissions and greenhouse effect gas. In October 2016, we have been awarded a position on “the Climate A List”, the highest evaluation, for our efforts and achievements in the survey of corporations for their actions and strategies in response to climate change conducted by CDP (formerly, the Carbon Disclosure Project), an international environmental NGO.

Consolidated revenue for the nine-month period ended December 31, 2016 increased by 7.6% to 670.1 billion yen and consolidated operating profit increased by 4.8% to 96.2 billion yen, chiefly owing to the contribution of Asahi Security Co., Ltd., a subsidiary newly consolidated from December 2015. Consolidated ordinary profit increased by 11.0% to 108.6 billion yen, mainly due to the increase in net gains on private equity investment in the U.S. (16/12: 8.3 billion yen, 15/12: 0.2 billion yen) Consolidated net income attributable to owners of the parent increased by 6.8% to 66.0 billion yen. For the nine-month period ended December 31, 2016, consolidated revenue, consolidated operating profit, consolidated ordinary profit and consolidated net income attributable to owners of the parent have reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 10.8% to 394.5 billion yen, mainly due to brisk

sales of on-line security systems for commercial and residential use and security merchandise including access control systems and owing to the contribution of Asahi Security Co., Ltd., a newly consolidated subsidiary. Operating profit went up by 0.1% to 84.0 billion yen,

In the fire protection services segment, revenue decreased by 6.3% to 80.9 billion yen and operating profit was down by 11.3% to 6.1 billion yen, mainly attributable to the contribution of large-scale projects in the previous corresponding period, despite of active marketing efforts. Revenue tends to increase toward the end of the fiscal year, due to the fact that this segment is greatly affected by the construction industry.

In the medical services segment, revenue increased by 5.1% to 49.8 billion yen, mainly due to the firm increase in sales of pharmaceutical products and owing to the contribution of Takshasila Hospitals Operating Pvt. Ltd., a newly consolidated general hospital business subsidiary in India. Operating profit decreased by 1.0% to 4.1 billion yen, chiefly owing to the increase in cost ratio.

In the insurance services segment, revenue increased by 3.8% to 30.5 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit went up by 79.7% to 3.5 billion yen, mainly owing to the decrease in underwriting expenses ascribed to the decrease in sales agent commission.

In the geographic information services segment, revenue decreased by 4.0% to 35.0 billion yen, reflecting the decrease in revenue in public division and international division. Operating loss was 0.4 billion yen, from an operating loss of 0.2 billion yen in the previous corresponding period, mainly due to the decrease in revenue. Revenue tends to concentrate toward the end of the fiscal year, due to the fact that deliveries of public-sector contracts, which is the primary market for this segment, are mainly made at the end of March.

In the information and communication related services segment, revenue increased by 2.9% to 36.4 billion yen, chiefly owing to the contribution of “SECOM *Anshin* My Number Service” launched in the previous fiscal year. Operating profit increased by 45.9% to 5.6 billion yen, chiefly owing to the decrease in operation costs relating to data center facilities.

In the real estate and other services segment, revenue increased by 35.6% to 42.6 billion yen, mainly due to the increase in the real estate development and sales business. Operating profit went up by 76.0% to 5.0 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of December 31, 2016 amounted to 1,586.0 billion yen, 1.2% or 18.0 billion yen higher than that at the end of the previous fiscal year. Total current assets, at 722.0 billion yen, were up 4.7% or 32.2 billion yen. This was largely attributable to increases in cash on hand and in banks by 15.0% or 34.2 billion yen to 262.6 billion yen and cash deposits for armored car services by 24.4% or 31.3 billion yen to 159.6 billion yen, despite the decreases in notes and accounts receivable, trade by 20.8% or 25.3 billion yen to 96.7 billion yen and other current assets by 26.7% or 7.3 billion yen to 20.0 billion yen.

Total fixed assets, at 864.0 billion yen, were down 1.6% or 14.2 billion yen. This was mainly attributable to decreases in investment securities by 1.8% or 4.6 billion yen to 259.7 billion yen, intangible assets by 3.6% or 4.2 billion yen to 115.2 billion yen, and other by 5.8% or 3.2 billion yen to 51.7 billion yen.

Total liabilities amounted to 614.5 billion yen, 1.7% or 10.3 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 338.1 billion yen, down 2.7% or 9.5 billion yen, owing to the decreases in bank loans by 26.5% or 14.6 billion yen to 40.6 billion yen, accrued income taxes by 49.7% or 11.1 billion yen to 11.2 billion yen, accrued bonuses by 64.2% or 9.9 billion yen to 5.5 billion yen, notes and accounts payable, trade by 11.8% or 4.9 billion yen to 36.8 billion yen, and payables-other by 8.8% or 3.3 billion yen to 35.0 billion yen, despite the increase in deposits received for armored car services by 33.4% or 33.8 billion yen to 135.1 billion yen. Long-term liabilities decreased by 0.3% or 0.8 billion yen to 276.4 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the decreases in long-term loans by 12.9% or 2.5 billion yen to 17.4 billion yen, other by 21.2% or 0.8 billion yen to 3.2 billion yen, and guarantee deposits received by 2.4% or 0.8 billion yen to 34.1 billion yen, despite the increase in deferred income taxes by 22.7% or 3.1 billion yen to 17.2 billion yen.

Total net assets amounted to 971.5 billion yen, 3.0% or 28.4 billion yen higher than that at the end of the previous fiscal year, mainly due to the increases in retained earnings by 4.8% or 36.0 billion yen, noncontrolling interests by 5.0% or 5.4 billion yen, and unrealized gains on securities by 22.0% or 4.3 billion yen, despite the decrease in foreign currency translation adjustments by 838.1% or 18.4 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

The financial results for the nine-month period ended December 31, 2016 were generally within our projections. Accordingly, projections for the consolidated financial results for the fiscal year ending March 31, 2017 have not been changed from those disclosed on May 11, 2016.

(Notes for financial projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2017, are based on management's assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain from making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group's operations, market trends, legislative changes, occurrences of natural disasters, recalls of products sold and the results of contingency.

2. Items Regarding the Summary Information (Other)

(1) Significant Changes in Subsidiaries in the Nine-month Period Ended December 31, 2016

Not applicable.

(2) Adoption of Unique Accounting Treatment for Preparation of Consolidated Quarterly

Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Accounting Estimates and/or Restatements

Changes in Accounting Policies

[Application of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”]

The Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016 (hereinafter, “Guidance No.26”)) from the first quarter ended June 30, 2016 and revised certain accounting for recoverability of deferred tax assets accordingly.

The Company and its domestic subsidiaries followed the provisional treatments in Article 49 (4) of Guidance No.26. The differences between deferred tax assets and liabilities as of April 1,2016 that were computed in accordance with ① to ③ of Article 49 (3) and those as of March 31, 2016, were adjusted to retained earnings as of April 1, 2016.

As a result, deferred income taxes (investments and others) increased by 381 million yen, deferred income taxes (long-term liabilities) decreased by 256 million yen, retained earnings increased by 526 million yen, and noncontrolling interests increased by 111 million yen as of April 1, 2016

3. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2016	December 31, 2016
ASSETS:		
Current assets:	689,744	722,028
Cash on hand and in banks	228,458	262,689
Cash deposits for armored car services	128,267	159,606
Notes and accounts receivable, trade	122,048	96,712
Due from subscribers	31,812	33,741
Short-term investments	34,448	30,243
Lease receivables and investment in leased assets	39,542	40,263
Merchandise and products	13,099	13,400
Real estate inventories	3,527	2,642
Work in process	5,557	5,929
Costs on uncompleted construction contracts	9,070	14,581
Work in process for real estate inventories	23,024	20,129
Raw materials and supplies	8,579	8,309
Deferred income taxes	12,728	9,984
Short-term loans receivable	4,086	5,390
Other	27,375	20,063
Allowance for doubtful accounts	(1,883)	(1,660)
Fixed assets:	878,293	864,061
Tangible assets:	376,305	375,507
Buildings and improvements, net	148,828	148,847
Security equipment and control stations, net	71,447	71,730
Land	116,613	116,948
Other, net	39,415	37,981
Intangible assets	119,505	115,236
Investments and others:	382,482	373,317
Investment securities	264,400	259,714
Long-term loans receivable	39,401	38,780
Net defined benefit asset	30,796	29,996
Deferred income taxes	8,602	8,041
Other	54,978	51,777
Allowance for doubtful accounts	(15,698)	(14,993)
Deferred assets	14	4
Total assets	1,568,052	1,586,094

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2016	December 31, 2016
LIABILITIES:		
Current liabilities:	347,633	338,119
Notes and accounts payable, trade	41,794	36,856
Bank loans	55,283	40,642
Current portion of straight bonds	2,582	2,390
Lease obligations	4,724	4,770
Payables - other	38,376	35,016
Accrued income taxes	22,341	11,236
Accrued consumption taxes	6,611	6,453
Accrued expenses	5,562	5,010
Deposits received for armored car services	101,306	135,137
Deferred revenue	31,389	30,967
Accrued bonuses	15,524	5,552
Provision for losses on construction contracts	1,397	1,562
Other	20,738	22,520
Long-term liabilities:	277,274	276,420
Straight bonds	8,251	7,475
Long-term loans	20,033	17,455
Lease obligations	11,954	11,856
Guarantee deposits received	35,002	34,172
Deferred income taxes	14,026	17,206
Accrued retirement benefits for directors and audit and supervisory board members	1,387	1,265
Net defined benefit liability	22,816	22,399
Investment deposits by policyholders, unearned premiums and other insurance liabilities	159,636	161,305
Other	4,166	3,283
Total liabilities	624,907	614,539
NET ASSETS:		
Shareholders' equity:	816,340	852,324
Common stock	66,377	66,377
Capital surplus	80,326	80,309
Retained earnings	743,353	779,363
Common stock in treasury, at cost	(73,717)	(73,727)
Accumulated other comprehensive income (losses):	16,944	3,883
Unrealized gains on securities	19,964	24,360
Deferred losses on hedges	(40)	(32)
Foreign currency translation adjustments	(2,196)	(20,603)
Remeasurements of defined benefit plans, net of taxes	(783)	158
Noncontrolling Interests	109,859	115,347
Total net assets	943,144	971,554
Total liabilities and net assets	1,568,052	1,586,094

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

Consolidated Statements of Income

(In millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016
Revenue	622,722	670,160
Costs of revenue	410,966	443,797
Gross profit	211,755	226,362
Selling, general and administrative expenses	119,900	130,084
Operating profit	91,854	96,278
Non-operating income	9,066	15,938
Non-operating expenses	3,053	3,613
Ordinary profit	97,867	108,603
Extraordinary profit	978	153
Extraordinary losses	976	1,342
Income before income taxes	97,869	107,414
Income taxes - current	25,387	28,089
Income taxes - deferred	5,695	6,001
Total income taxes	31,083	34,090
Net income	66,786	73,323
Net income attributable to noncontrolling interests	4,964	7,282
Net income attributable to owners of the parent	61,822	66,040

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016
Net income	66,786	73,323
Other comprehensive income (losses):	(4,966)	(13,885)
Unrealized gains (losses) on securities	(347)	4,635
Foreign currency translation adjustments	(1,576)	(14,603)
Remeasurements of defined benefit plans, net of taxes	242	722
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(3,284)	(4,640)
Comprehensive income	61,820	59,437
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	57,171	52,979
Comprehensive income attributable to noncontrolling interests	4,648	6,458

(3) Notes Regarding the Consolidated Quarterly Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable.

[Notes Regarding Significant Changes in Shareholders' Equity]

Not applicable.

(4) Segment Information, etc.

[Segment Information]

I. Nine-month Period Ended December 31, 2015

1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	355,999	86,389	47,401	29,464	36,556
Intersegment	9,121	3,034	133	2,239	71
Subtotal	365,121	89,423	47,535	31,703	36,627
Segment profit (loss)	84,018	6,904	4,160	1,952	(256)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	35,455	591,266	31,455	622,722	-	622,722
Intersegment	5,450	20,050	1,481	21,531	(21,531)	-
Subtotal	40,906	611,317	32,936	644,254	(21,531)	622,722
Segment profit (loss)	3,847	100,626	2,856	103,483	(11,628)	91,854

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of $\triangle 139$ million yen and corporate expenses not allocated to each reportable segment of 11,767 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

2. Information About Assets by Reportable Segments

There were significant changes in the amount of assets by reportable segment in the nine-month period ended December 31, 2015, compared to the amount at the end of the previous fiscal year. The summary information is as follows:

In the security services segment, the amount of segment assets increased by 227,399 million yen, mainly arising from the acquisition of Asahi Security Co., Ltd. in the nine-month period ended December 31, 2015.

3. Information About Impairment Loss on Fixed Assets and Goodwill by Reportable Segments

(Significant Changes in Goodwill)

In the security services segment, goodwill increased due to the acquisition of Asahi Security Co., Ltd. in the nine-month period ended December 31, 2015. The amount of goodwill increased by 66,463 million yen in the nine-month period ended December 31, 2015, which was a provisional amount as the purchase price allocation has not been completed.

II. Nine-month Period Ended December 31, 2016

1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	394,555	80,962	49,827	30,571	35,082
Intersegment	8,834	2,319	138	2,371	126
Subtotal	403,389	83,281	49,966	32,942	35,208
Segment profit (loss)	84,084	6,125	4,118	3,510	(480)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	36,498	627,498	42,662	670,160	-	670,160
Intersegment	5,245	19,034	1,425	20,460	(20,460)	-
Subtotal	41,743	646,532	44,087	690,620	(20,460)	670,160
Segment profit (loss)	5,612	102,970	5,028	107,998	(11,720)	96,278

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of $\triangle 218$ million yen and corporate expenses not allocated to each reportable segment of 11,939 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

(5) Significant Subsequent Events

Not applicable.