

This is an English translation of the official announcement in Japanese that was released on November 11, 2016. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



Summary of Financial Data and Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (JP GAAP, Consolidated)

November 11, 2016

Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

Code No.: 6425 URL: <http://www.universal-777.com>

Representative: (Name) Jun Fujimoto (Title) Representative Director and President

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Scheduled Submission Date of Quarterly Report: November 11, 2016

Scheduled Commencement Date of Dividend Payment: -

Supplementary Briefing Materials for Quarterly Settlement of Accounts: None available

Briefing on Quarterly Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

1. Consolidated Business Results for the Second Quarter of Fiscal Year Ending March 31, 2017 (Period from April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results

(Percentages refer to changes from the same quarter in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
2nd Quarter of Fiscal Year Ending March 31, 2017	56,585	25.3	15,550	90.9	23,809	362.8	15,801	318.6
2nd Quarter of Fiscal Year Ended March 31, 2016	45,165	17.5	8,146	(11.5)	5,144	(45.3)	3,775	(12.8)

(Note) Comprehensive income

2nd Quarter of Fiscal Year Ending March 31, 2017: (16,450) million yen (-%)

2nd Quarter of Fiscal Year Ended March 31, 2016: 7,038 million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2nd Quarter of Fiscal Year Ending March 31, 2017	215.33	215.25
2nd Quarter of Fiscal Year Ended March 31, 2016	51.44	51.44

(2) Consolidated Financial Status

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2016	406,650	212,643	52.1	2,886.44
As of March 31, 2016	369,580	229,072	61.7	3,108.92

(Reference) Shareholders' equity

As of September 30, 2016: 211,817 million yen

As of March 31, 2016: 228,143 million yen

2. Status of Dividends

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Fiscal Year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Fiscal Year Ending March 31, 2017	-	0.00			
Fiscal Year Ending March 31, 2017 (Forecast)			-	-	-

(Note) Revision from the dividend forecast most recently announced: None

The dividend forecast for the fiscal year ending March 31, 2017 is to be determined.

3. Consolidated Business Results Forecast for the Fiscal Year Ending March 31, 2017

(Period from April 1, 2016 to March 31, 2017)

(Percentages refer to changes from the previous corresponding period)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	Yen
Full Fiscal Year	110,000	19.9	16,800	(0.6)	16,800	(24.8)	9,200	(41.3)

(Note) Revision from the business forecasts most recently announced: None

* Matters of Note

- (1) Changes in material subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
 Newly added: None
 Excluded: None

- (2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements : None

- (3) Changes in accounting policies, changes in accounting estimates and/or restatements
- 1) Changes in accounting policies accompanying revision of accounting standards, etc. : Yes
 - 2) Changes in accounting policies other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Restatements : None

- (4) Number of outstanding shares (common stock)

- 1) Shares issued at end of fiscal period (including treasury shares)
 - As of September 30, 2016: 80,195,000 shares
 - As of March 31, 2016: 80,195,000 shares
- 2) Number of treasury shares at end of fiscal period
 - As of September 30, 2016: 6,811,232 shares
 - As of March 31, 2016: 6,811,232 shares
- 3) Average number of shares during fiscal period
 - 2nd Quarter of Fiscal Year Ending March 31, 2017: 73,383,768 shares
 - 2nd Quarter of Fiscal Year Ended March 31, 2016: 73,383,836 shares

* Information Regarding the Implementation of Quarterly Review Procedures

This Summary of Financial Data and Business Results is exempt from the quarterly review procedures under the Financial Instruments and Exchange Act of Japan. At time of disclosure of this Summary of Financial Data and Business Results, the quarterly review procedures for the quarterly financial statements have been completed.

* Explanation on Proper Usage of Business Results Forecast and Other Noteworthy Items

The forward-looking statements regarding business results, etc. as featured herein are based on information that is currently available and certain assumptions that are determined to be reasonable, but are not promises by the Company regarding future performance. Actual business results may vary significantly due to a number of factors. For preconditions for business forecasts, notes on the usage of business forecasts and so forth, please see "1. Qualitative Information Pertaining to Quarterly Settlement of Accounts, (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements" on page 3 of the Attached Materials.

Attached Materials: Table of Contents

1. Qualitative Information Pertaining to Quarterly Settlement of Accounts	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Status	3
(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
(Quarterly Consolidated Statement of Income)	
(The Cumulative Second Quarter of the Consolidated Fiscal Year)	7
(Quarterly Consolidated Statement of Comprehensive Income)	
(The Cumulative Second Quarter of the Consolidated Fiscal Year)	8
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
(Notes Pertaining to Going Concern)	11
(Changes in Accounting Policies)	11
(Notes in Event of Significant Fluctuation in Amount of Shareholders' Equity)	11
(Significant Subsequent Events)	11
(5) Additional Information	12

1. Qualitative Information Pertaining to Quarterly Settlement of Accounts

(1) Explanation of Operating Results

(Million yen)

First half of fiscal year ending March 31, 2017	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Non-consolidated	56,525	17,396	19,147	12,652
Consolidated	56,585	15,550	23,809	15,801

In the first half of the current consolidated fiscal year, Universal Entertainment Corporation (the “Company”) posted net sales of 56,585 million yen (an increase of 25.3% year on year), operating income of 15,550 million yen (an increase of 90.9% year on year), ordinary income of 23,809 million yen (an increase of 362.8% year on year), and net income attributable to owners of the parent of 15,801 million yen (an increase of 318.6% year on year).

Business segment performance was as follows. Sales and earnings are prior to adjustments for inter-segment sales or transfers.

(i) Pachislot and Pachinko Business

The Pachislot and Pachinko Business posted net sales of 55,080 million yen (an increase of 27.0% year on year) and operating income of 24,129 million yen (an increase of 57.9% year on year).

Driven by strong sales of Pachislot machines, this segment posted favorable results in the second quarter. This was also a time when the industry found itself in a challenging situation as it had to cope up with changes in Pachislot machine testing methods and take measures to comply with the “Statement of Promoting the Soundness of the Pachinko and Pachislot Industry” announced by the Pachinko and Pachislot Industry 21st Century Club.

In the second quarter, the Company launched Pachislot titles as follows.

The Company launched following three titles: “Versus,” the sixth title of the A PROJECT under the “Revival” theme, “SLOT DEAD OR ALIVE 5,” which introduced as an ART-type model that complies with Japan’s new standards, and “SLOT Maho Shojō Madoka ☆ Magika 2,” the successor model of “SLOT Maho Shojō Madoka ☆ Magika” which continues to be popular three years after its original launch.

In the Pachinko category, the Company started selling “CR Etotama,” a tie-up title of popular animated TV show “Etotama” in September.

(ii) Other

Other Business posted net sales of 1,511 million yen (a decrease of 16.0% year on year) and an operating loss of 2,947 million yen (compared with an operating loss of 2,066 million yen in the same period of the previous consolidated fiscal year.)

In the Media Content Business, the Company distributed simulator applications of Pachislot title “Oki-Doki! Paradise” on App Store, Google Play and the members-only mobile website “Univa Kingdom.”

The Company started distributing “Univa Kingdom for Google Play,” an app for members to register on Google account, on “Univa Kingdom.” Launch of the Google Play version of the app has enabled a much larger number of people to play, helped maintain its high rankings at Google Play and earned a good reputation.

In the Broadcasting Business, Japan Amusement Broadcasting operates “Pachinko★Pachislot TV!,” the Japan’s largest channel specializing in the Pachinko and Pachislot field. On July 1, a video distribution site “Pachitele! Net

Premium” was renewed to revise and newly add its service plans in order to increase viewer numbers. As a result, the number of subscribers has increased. In the Content Distribution Business, there was a growth in sales of content which was started distributing in the previous consolidated fiscal year.

(2) Explanation of Financial Status

(Assets)

The amount of total assets at the end of the second quarter of the current consolidated fiscal year amounted to 406,650 million yen, an increase of 37,070 million yen over the end of the previous consolidated fiscal year. This was mainly due to a 24,031 million yen increase in cash and deposits and a 27,888 million yen increase in construction in progress, while there were decreases of 2,954 million yen in merchandise and finished goods, 8,721 million yen in investment securities and 4,042 million yen in long-term deposits for affiliates.

(Liabilities)

The amount of liabilities at the end of the second quarter of the current consolidated fiscal year amounted to 194,007 million yen, an increase of 53,499 million yen over the end of the previous consolidated fiscal year. This was mainly due to a 69,672 million yen increase in long-term loans payable and a 12,510 million yen decrease in notes and accounts payable-trade.

(Net Assets)

The amount of net assets at the end of the second quarter of the current consolidated fiscal year amounted to 212,643 million yen, a decrease of 16,429 million yen over the end of the previous consolidated fiscal year. This was mainly due to a 15,801 million yen increase in retained earnings and a 32,150 million yen decrease in foreign currency translation adjustment due to fluctuations in exchange rates.

As a result, the ratio of shareholders’ equity was 52.1% compared with 61.7% at the end of the previous consolidated fiscal year.

(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements

(i) Pachislot and Pachinko Business

In the third quarter, the Company introduced “Cranky Celebration,” the seventh title of the A PROJECT under the “Revival” theme and “Basilisk: The Koga Ninpocho III,” the latest title in the “Basilisk: The Koga Ninpocho” series which is overwhelmingly popular even today three years after its initial launch. Sales remains strong following the favorable performance in the first half.

Furthermore, the deadline for the removal of Pachinko machines under the “Statement of Promoting the Soundness of the Pachinko and Pachislot Industry” is December 31, 2016. The Company is developing and selling attractive Pachislot and Pachinko machines that offer wholesome entertainment, can become the driving force in attracting customers and minimize the effects of the removal of old machines on hall operators.

(ii) Other

In the Media Content Business, the Company is continuing to perform R&D activities with the aim of supplying high-quality simulator applications to users. The goal for “Univa Kingdom,” a members-only mobile website, is to consistently add more apps and functions in order to make this a place where people stay a long time to enjoy games.

Japan Amusement Broadcasting operates “Pachinko★Pachislot TV,” the Japan’s largest channel specializing in the Pachinko and Pachislot field. A new program added on this channel in October and special programming is planned in December. The framework for the existing broadcast and content distribution business will be strengthened as well in order to produce programs that offer more enjoyable content.

OKADA MANILA®, Asia's newest world-class resort, entertainment, dining, shopping and casino, under construction in Manila, Philippines is scheduled to open facilities for general customers in stages starting at the end of the year. Sufficient funds have been raised for the first phase which covers 22 hectares of the overall 44 -hectare property. Service systems that will assure customer satisfaction are being put in place and the resort is getting ready to welcome its first guests. From the viewpoint of business strategy and facility maintenance, the initial opening of the property, including the hotel except staterooms for VIPs, food and beverage outlets, casino and other major attractions, will take place at the end of December.

(iii) Forecast of Consolidated Business Results

As in the second quarter, orders for machines scheduled for delivery in third quarter are favorable. However, we are not changing our previous forecasts as it is difficult to estimate the effects on any exchange rate changes after the third quarter and accurately access sales trends in the fourth quarter.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2016)	The 2nd Quarter of the Current Consolidated Fiscal Year (September 30, 2016)
Assets		
Current assets		
Cash and deposits	52,280	76,312
Notes and accounts receivable-trade	13,842	15,552
Securities	14	11
Merchandise and finished goods	4,994	2,039
Work in process	15,141	15,606
Raw materials and supplies	23,926	21,909
Other	9,450	9,081
Allowance for doubtful accounts	(7)	(7)
Total current assets	119,643	140,506
Non-current assets		
Property, plant and equipment		
Land	7,330	7,121
Construction in progress	117,158	145,046
Other	21,047	22,113
Total property, plant and equipment	145,536	174,282
Intangible assets		
Other	1,965	1,988
Total intangible assets	1,965	1,988
Investments and other assets		
Investment securities	61,376	52,654
Long-term deposits	6,999	6,004
Long-term deposits for affiliates	30,034	25,992
Other	4,932	6,145
Allowance for doubtful accounts	(2,840)	(2,631)
Total investments and other assets	100,502	88,164
Total non-current assets	248,004	264,434
Deferred assets	1,932	1,709
Total assets	369,580	406,650

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2016)	The 2nd Quarter of the Current Consolidated Fiscal Year (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,566	10,056
Accounts payable-other	13,854	16,778
Short-term loans payable	14,274	10,186
Income taxes payable	6,020	5,260
Provision for bonuses	270	271
Other	4,699	7,071
Total current liabilities	61,686	49,625
Non-current liabilities		
Bonds payable	70,588	64,388
Long-term loans payable	-	69,672
Other	8,233	10,321
Total non-current liabilities	78,821	144,382
Total liabilities	140,507	194,007
Net assets		
Shareholders' equity		
Capital stock	98	98
Capital surplus	10,852	10,852
Retained earnings	217,673	233,474
Treasury shares	(14,296)	(14,296)
Total shareholders' equity	214,326	230,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(577)	(554)
Foreign currency translation adjustment	14,395	(17,755)
Total accumulated other comprehensive income	13,817	(18,310)
Subscription rights to shares	73	94
Non-controlling interests	854	730
Total net assets	229,072	212,643
Total liabilities and net assets	369,580	406,650

(2) Quarterly Consolidated Statement of Income and
Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(The Cumulative Second Quarter of the Consolidated Fiscal Year)

(Million yen)

	The Cumulative 2nd Quarter of the Previous Consolidated Fiscal Year (April 1 to September 30, 2015)	The Cumulative 2nd Quarter of the Current Consolidated Fiscal Year (April 1 to September 30, 2016)
Net sales	45,165	56,585
Cost of sales	21,555	23,452
Gross profit	23,609	33,132
Selling, general and administrative expenses	15,463	17,582
Operating income	8,146	15,550
Non-operating income		
Interest income	27	50
Dividend income	221	7
Foreign exchange gains	-	8,396
Equity in earnings of affiliates	-	27
Other	43	73
Total non-operating income	292	8,554
Non-operating expenses		
Interest expenses	379	160
Foreign exchange losses	1,689	-
Commission fee	79	72
Sales discounts	97	21
Equity in losses of affiliates	965	-
Other	82	42
Total non-operating expenses	3,294	295
Ordinary income	5,144	23,809
Extraordinary income		
Gain on sales of non-current assets	5	0
Gain on liquidation of subsidiaries	1,758	-
Other	8	-
Total extraordinary income	1,771	0
Extraordinary losses		
Loss on retirement of non-current assets	6	-
Loss on business of subsidiaries and associates	-	267
Total extraordinary losses	6	267
Income before income taxes and others	6,909	23,543
Income taxes-current	2,789	4,769
Income taxes-deferred	580	3,096
Total income taxes	3,369	7,865
Net income	3,540	15,677
Net loss attributable to non-controlling interests	(234)	(124)
Net income attributable to owners of the parent	3,775	15,801

(Quarterly Consolidated Statement of Comprehensive Income)
 (The Cumulative Second Quarter of the Consolidated Fiscal Year)

(Million yen)

	The Cumulative 2nd Quarter of the Previous Consolidated Fiscal Year (April 1 to September 30, 2015)	The Cumulative 2nd Quarter of the Current Consolidated Fiscal Year (April 1 to September 30, 2016)
Net income	3,540	15,677
Other comprehensive income		
Valuation difference on available-for-sale securities	23	23
Foreign currency translation adjustment	3,474	(32,150)
Total other comprehensive income	3,498	(32,127)
Comprehensive income	7,038	(16,450)
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,273	(16,326)
Comprehensive income attributable to non-controlling interests	(234)	(124)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	The Cumulative 2nd Quarter of the Previous Consolidated Fiscal Year (April 1 to September 30, 2015)	The Cumulative 2nd Quarter of the Current Consolidated Fiscal Year (April 1 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes and others	6,909	23,543
Depreciation	1,706	1,934
Loss(gain) on liquidation of affiliates	(1,758)	-
Equity in (earnings) losses of affiliates	965	(27)
Increase (decrease) in provision for bonuses	19	1
Increase (decrease) in allowance for doubtful accounts	249	(137)
Interest and dividend income	(249)	(57)
Interest expenses	379	160
Loss on retirement of property, plant and equipment and intangible assets	6	-
Loss on business of subsidiaries and associates	-	267
Foreign exchange losses (gains)	(796)	(8,439)
Decrease (increase) in notes and accounts receivable-trade	19,392	(1,709)
Decrease (increase) in inventories	(1,847)	4,435
Decrease (increase) in accounts receivable-other	(24)	(125)
Increase (decrease) in notes and accounts payable-trade	(1,688)	(12,508)
Increase (decrease) in accrued consumption taxes	(1,397)	2,988
Increase (decrease) in accounts payable-other	(872)	1,465
Increase (decrease) in advances received	(1,044)	82
Decrease (increase) in other current assets	(1,178)	(957)
Increase (decrease) in other current liabilities	(632)	(180)
Increase (decrease) in other non-current liabilities	(28)	10
Other	250	44
Subtotal	18,361	10,789
Interest and dividend income received	249	57
Interest expenses paid	(379)	(160)
Income taxes (paid) refund	(6,358)	(5,529)
Net cash provided by (used in) operating activities	11,873	5,157

(Million yen)

	The Cumulative 2nd Quarter of the Previous Consolidated Fiscal Year (April 1 to September 30, 2015)	The Cumulative 2nd Quarter of the Current Consolidated Fiscal Year (April 1 to September 30, 2016)
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,074)	(44,727)
Proceeds from sales of property, plant and equipment	17	0
Purchase of intangible assets	(236)	(393)
Purchase of investment securities	(1,465)	(13)
Decrease (increase) in deposits paid	(2,419)	-
Payments for lease and guarantee deposits	(218)	(180)
Payments of long-term loans receivable	-	(1,625)
Other	412	7
Net cash provided by (used in) investing activities	(26,985)	(46,931)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(14,373)	(3,160)
Proceeds from long-term loans payable	-	75,834
Proceeds from issuance of bonds	70,855	-
Redemption of bonds	(250)	-
Cash dividends paid	(3,302)	-
Decrease (increase) in pledged deposit	(934)	425
Payment for sales and purchasebacks	(615)	-
Proceeds from sales and leasebacks	6,243	-
Payment for sales and leasebacks	(187)	(330)
Other	133	-
Net cash provided by (used in) financing activities	57,568	72,768
Effect of exchange rate change on cash and cash equivalents	2,320	(6,453)
Net increase (decrease) in cash and cash equivalents	44,777	24,540
Cash and cash equivalents at beginning of consolidated fiscal year	39,356	51,518
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(338)	-
Cash and cash equivalents at end of consolidated fiscal year	83,795	76,059

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current consolidated fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change is insignificant.

(Notes in Event of Significant Fluctuation in Amount of Shareholders' Equity)

There is no applicable information.

(Significant Subsequent Events)

(Issuance of Bonds)

The Company's Board of Directors approved a resolution on October 4, 2016 to issue unsecured corporate bonds with a payment date of October 14, 2016 under following terms.

Universal Entertainment Corporation 2nd Foreign-registered Private Placement Bond

1. Total amount of issue: 400 million U.S. dollars
2. Issue price: 100% of face value
3. Interest rate: 8.5%
4. Redemption date: August 24, 2020
5. Use of funds: Construction and development of OKADA MANILA®

(5) Additional Information

(Litigation)

The lawsuit involving Wynn Resorts, Limited (NASDAQ: WYNN) is currently in the stage of disclosure of evidence including discovery and recording of testimony. Next will be a trial with witness examinations and other activities that will result in a verdict. Consequently, taking into account the difficulty of estimating with certainty the effects that could potentially arise from the results of filing this countersuit on the financial status, operating results, and cash flow status of the corporate group consisting of the Company and its consolidated subsidiaries, etc. in a particular period of time, the Wynn Resorts stock has been valued at the acquisition cost since the end of March 2013.

Interest payments for the long-term note issued by Wynn Resorts for the past four years (38,728,852.63 U.S. dollars each year) have been paid to the clerk of the court for deposit in the court trust account. However, since the Company believes the interest payments do not belong to the Group based on the principle of the right to claim, the Company has concluded that it is very likely that there will be no need to recognize the interest paid by this check as interest received for either accounting or tax purposes. Consequently, the Company's consolidated financial statements do not reflect the issuance of this check with an interest payment.

In February 2015, the Company, with Aruze USA Inc. and others, filed a lawsuit in the Court of First Instance of the Macau Special Administrative Region against Wynn Resorts (Macau) S.A. and four of its directors, including Steve Wynn. The pending suit asks for the dissolution of Wynn Resorts (Macau) S.A., payment of damages totaling about 8 billion Macau patacas and other actions.

(Borrowing Costs into the Acquisition Cost)

Finance from loans and corporate bonds/debentures (private placement bonds) has formed part of the construction funds required by the Casino Resort Business for its long-term projects. Given the significance of these amounts, we have included borrowing costs that are funding ongoing construction periods into our calculation of the acquisition cost.

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

The Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the current consolidated fiscal year.