

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022

(Six Months Ended September 30, 2021)

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: November 12, 2021
 Scheduled date of dividend payment: December 2, 2021
 Supplementary materials for quarterly financial results: Yes
 Quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 – September 30, 2021)

(1) Consolidated results of operations

(Percentages represent 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 Sep. 30, 2022	91,019	-	13,771	-	13,514	-	10,756	-
Six months ended Sep. 30, 2021	83,004	△8.2	10,173	△2.1	10,484	△3.7	5,797	△20.6

Note: Comprehensive income (Millions of yen): Six months ended Sep. 30, 2022: 13,306 (–%)
 Six months ended Sep. 30, 2021: 5,384 (13.0%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Six months ended Sep. 30, 2022	94.30		94.03	
Six months ended Sep. 30, 2021	50.83		50.68	

Note 1: Beginning with the first half of the fiscal year ending on March 31, 2022, the Company has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the first half incorporate this accounting standard and comparisons with the first quarter of the previous fiscal year are omitted.

Note 2: The provisional accounting treatment for business combinations has been finalized at the end of the fiscal year ended March 31, 2022. The figures for the first half of the fiscal year ended March 31, 2021 have been restated accordingly.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	%
As of Sep. 30, 2022	261,458		172,567		63.5	
As of Mar. 31, 2021	225,790		156,612		68.9	

Reference: Shareholders' equity (Millions of yen): As of Sep. 30, 2022: 166,101 As of Mar. 31, 2021: 155,525

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2021	Yen -	Yen 13.00	Yen -	Yen 15.00	Yen 28.00
Fiscal year ending Mar. 31, 2022	-	15.00			
Fiscal year ending Mar. 31, 2022 (forecast)			-	15.00	30.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	190,000	(4.8)	25,000	(8.7)	25,000	(4.6)	18,000	(7.5)	157.80

Note: Revisions to the most recently announced consolidated forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting methods for preparation of quarterly consolidated financial statements: Yes

Note: Please refer to page 11 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to Quarterly Consolidated Financial Statements” for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to page 11 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to Quarterly Consolidated Financial Statements” for further information.

(4) Number of common shares issued

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

As of Sep. 30, 2022:	118,089,155 shares	As of Mar. 31, 2021:	118,089,155 shares
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2) Number of shares of treasury shares at the end of the period:

As of Sep. 30, 2022:	4,019,085 shares	As of Mar. 31, 2020:	4,019,044 shares
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3) Average number of shares outstanding during the period:

Six months ended Sep. 30, 2022:	114,070,103 shares	Six months ended Sep. 30, 2021:	114,070,160 shares
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Note 1: This summary report is not subject to the quarterly review conducted by certified public accountants or audit firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual results of operations may differ significantly from the forecasts depending on various factors. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 4 of the attachments “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.”

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Major Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11
Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements	12
Segment Information	13

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the severe economic situation continued due to the impact of COVID-19. However, the numbers of infected and seriously ill people fell as the vaccination rate rose, and at the end of September the government decided to lift the state of emergency. While the future remains uncertain, the economy is expected to recover.

Under these circumstances, the Rohto Group has created the slogan of “Connect for Well-being,” suggesting people around the world living energetically and happily each day, both physically and mentally, throughout the various stages of their lives. We are endeavoring to further increase corporate value. To this end, we are working toward the realization of the “Management Vision 2030”.

In total, net sales rose sharply to 91,019 million yen. The impact of COVID-19 caused a sharp fall in sales in the same period of the previous year, but in the current period, despite the spread of new variants, there was a substantial increase in vaccination rate which enabled economic activities to restart. Consumer sentiment also showed the sign of recovery, resulting in a significant boost to sales.

Regarding profits, there was a sharp increase at all levels. Due to the significant increase in sales and efficient use of selling, general and administrative expenses, operating income, ordinary income and profit attributable to owners of parent increased to 13,771 million yen, 13,514 million yen and 10,756 million yen, respectively.

Note: Beginning with the first quarter of the fiscal year ending on March 31, 2022, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). As a result, the accounting treatment for revenue differs from the first half of the previous fiscal year. The rate of change from the prior first half was not given in the narrative. If we were to apply the new revenue recognition standard to the prior first half, the rate of change was as follows: sales rose 15.5%, operating income 36.7%, ordinary income 30.2%, and profit attributable to owners of parent 88.9% year-on-year. Sales and profits at all levels increased to all-time highs.

Results by reportable segment are as follows.

Japan

Sales to customers were 56,901 million yen.

Although the state of emergency was declared, sales of sunscreens, contact lens and contact lens care solution increased, and “Melano CC,” “Deoco” and “Rohto V5 Grain” continued to perform well. Moreover, the OEM rapid test kit for the COVID-19 antigen aided sales growth.

In addition, Qualitech Pharma Co., Ltd. and Nitten Pharmaceutical Co., Ltd. also contributed to the increase in sales. Segment profit (operating income) amounted to 9,359 million yen as a significant rise in sales absorbed the increase in selling, general, and administrative expenses.

Note: As described in the note for “(1) Explanation of Results of Operations,” if we were to apply the new revenue recognition standard to the prior first half, sales rose 11.3% and operating income 32.0% year-on-year.

America

Sales to customers increased 6.3% year-on-year to 4,026 million yen.

With the numbers of the COVID-19 infected declining, people started to go out more often. As a result, sales of eye drops and “OXY,” an acne treatment, progressed strongly.

Despite higher procurement costs for raw materials and supplies, segment profit (operating income) turned profitable at 147 million yen (compared with 88 million yen loss in prior first half) due to efficient use of selling, general and

administrative expenses.

Europe

Sales to customers sharply increased 37.4% year-on-year to 5,070 million yen. Sales of the leading anti-inflammatory analgesic products and “Hadalabo Tokyo” performed well.

Segment profit (operating income) sharply increased 55.0% year-on-year to 385 million yen due to strong sales.

Asia

Sales to customers significantly increased 24.4% year-on-year to 24,057 million yen.

Eye drops performed well due to the sale of new products and promotional products. The “Acnes” a treatment for acne also continued to sell well, with skin problems associated with the “new normal” of wearing masks sustaining its demand. A recovery in sales of men’s cosmetics further contributed to the increase in revenue.

Segment profit (operating income) significantly increased 33.7% year-on-year to 3,596 million yen due to higher sales.

Others

In “Others,” excluded from reportable segments, sales to customers increased 16.1% year-on-year to 964 million yen.

Segment profit (operating income) increased 102.4% year-on-year to 81 million yen.

(2) Explanation of Financial Position

1) Balance sheets position

Total assets at the end of the second quarter increased 35,668 million yen from the end of the previous fiscal year to 261,458 million yen. This was mainly due to increases of 16,621 million yen in cash and deposit, 6,904 million yen in other, net under property, plant and equipment, and 3,269 million yen in other under investments and other assets, while there was a decrease of 923 million yen in electronically recorded monetary claims-operating.

Total liabilities increased 19,713 million yen from the end of the previous fiscal year to 88,891 million yen. This was mainly due to increases of 22,649 million yen in other current liabilities and 4,764 million yen in notes and accounts payable-trade, while there were decreases of 9,874 million yen in accrued expenses and 2,410 million yen in provision for sales rebates.

Net assets increased 15,954 million yen from the end of the previous fiscal year to 172,567 million yen. This was mainly due to increases of 8,133 million yen in retained earnings and 2,839 million yen in foreign currency translation adjustment, while there was a decrease of 431 million yen in valuation difference on available-for-sale securities.

2) Consolidated cash flow position

During the first half of the current fiscal year, there was a net increase of 16,314 million yen in cash and cash equivalents to 68,569 million yen.

Operating activities

Net cash provided by operating activities increased 5,418 million yen year-on-year to 12,005 million yen. Profit before income taxes was 13,840 million yen, and there were inflow factors of an increase of 4,554 million yen in notes and accounts payable-trade, a decrease of 3,463 million yen in notes and accounts receivable-trade and depreciation of 3,209 million yen, while there were outflow factors of a decrease of 6,969 million yen in accrued expenses, income taxes paid of 4,521 million yen and an increase of 2,793 million yen in inventories.

Investing activities

Net cash provided by investing activities amounted to 3,023 million yen, compared with 4,309 million yen used a year earlier. This was mainly due to the purchase of property, plant and equipment of 4,668 million yen and purchase of

investment securities of 2,723 million yen, while there were proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 10,335 million yen.

Financing activities

Net cash used in financing activities amounted to 754 million yen, compared with 398 million yen provided a year earlier. This was mainly due to proceeds from long-term borrowings of 1,992 million yen, while there were cash dividends paid of 1,711 million yen and repayments of long-term borrowings of 1,153 million yen.

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

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	182,000	23,100	23,900	17,100	149.91
Revised forecast (B)	190,000	25,000	25,000	18,000	157.80
Change (B – A)	8,000	1,900	1,100	900	7.89
Percentage change (%)	4.4	8.2	4.6	5.3	5.3

Consolidated first-half results showed a significant rise in both sales and profits, recovering from a huge decline in sale and profits in previous period due to COVID-19. However, this surge is expected to settle down in the first half.

Taking into account first half results and the acquisition of Amato Pharmaceutical Products, Ltd., we are revising upward our consolidated earnings forecast for net sales, operating income, ordinary income, and profit attributable to owners of parent released on May 12, 2021.

The Company has revised the exchange rate from 108 yen to the U.S. dollar to 112 yen for the full-year consolidated earnings forecast.

Note: The forecasts are based on information available at the time this report was prepared. Actual results of operations may differ from the forecasts depending on various factors.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Second Quarter End (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	52,964	69,585
Notes and accounts receivable-trade	31,207	31,427
Electronically recorded monetary claims-operating	16,943	16,019
Merchandise and finished goods	13,848	16,642
Work in process	2,799	3,070
Raw materials and supplies	11,278	12,756
Other	4,315	5,859
Allowance for doubtful accounts	(285)	(83)
Total current assets	133,071	155,278
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,379	22,600
Other, net	30,411	37,315
Total property, plant and equipment	49,790	59,916
Intangible assets		
Goodwill	4,014	3,819
Other	3,520	3,499
Total intangible assets	7,535	7,318
Investments and other assets		
Investment securities	26,226	29,060
Other	13,138	16,407
Allowance for doubtful accounts	(3,971)	(6,522)
Total investments and other assets	35,392	38,945
Total non-current assets	92,719	106,180
Total assets	225,790	261,458

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Second Quarter End (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,603	14,368
Electronically recorded obligations-operating	1,727	2,423
Short-term loans payable	2,312	5,490
Accrued expenses	22,566	12,691
Income taxes payable	4,948	4,628
Provision for bonuses	2,612	2,984
Provision for directors' bonuses	30	20
Provision for sales returns	792	-
Provision for sales rebates	2,410	-
Other	9,467	32,117
Total current liabilities	56,471	74,723
Non-current liabilities		
Long-term loans payable	5,787	9,326
Net defined benefit liability	3,451	3,428
Provision for loss on guarantees	1,675	53
Other	1,792	1,359
Total non-current liabilities	12,707	14,167
Total liabilities	69,178	88,891
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,661
Retained earnings	145,511	153,644
Treasury shares	(4,936)	(4,936)
Total shareholders' equity	152,741	160,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,717	6,285
Foreign currency translation adjustment	(3,062)	(222)
Remeasurements of defined benefit plans	(870)	(835)
Total accumulated other comprehensive income	2,784	5,227
Subscription rights to shares	382	382
Non-controlling interests	704	6,082
Total net assets	156,612	172,567
Total liabilities and net assets	225,790	261,458

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statements of Income
(For the Six-month Period)**

	(Millions of yen)	
	Prior Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)	Current Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	83,004	91,019
Cost of sales	34,647	38,557
Gross profit	48,357	52,461
Reversal of provision for sales returns	50	-
Gross profit-net	48,407	52,461
Selling, general and administrative expenses	38,234	38,689
Operating income	10,173	13,771
Non-operating income		
Interest income	184	171
Dividend income	200	484
Share of income of entities accounted for using equity method	178	-
Other	315	275
Total non-operating income	878	930
Non-operating expenses		
Interest expenses	65	73
Share of loss of entities accounted for using equity method	-	66
Provision for doubtful accounts	263	927
Other	239	121
Total non-operating expenses	567	1,188
Ordinary income	10,484	13,514
Extraordinary income		
Gain on sales of investment securities	-	76
Gain on bargain purchase	-	430
Total extraordinary income	-	507
Extraordinary losses		
Loss on disposal of fixed assets	82	-
Impairment loss	379	-
Loss on valuation of investment securities	1331	109
Loss on sales of shares of subsidiaries and associates	16	-
Loss on valuation of shares of subsidiaries and associates	229	72
Total extraordinary losses	2,040	182
Profit before income taxes	8,444	13,840
Income taxes	2,638	3,041
Profit	5,805	10,798
Profit attributable to non-controlling interests	7	41
Profit attributable to owners of parent	5,797	10,756

Quarterly Consolidated Statements of Comprehensive Income
(For the Six-month Period)

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)	Current Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)
Profit	5,805	10,798
Other comprehensive income		
Valuation difference on available-for-sale securities	1,121	(425)
Foreign currency translation adjustment	(1,612)	2,898
Remeasurements of defined benefit plans, net of tax	81	34
Share of other comprehensive income of entities accounted for using equity method	(11)	0
Total other comprehensive income	(421)	2,507
Comprehensive income	5,384	13,306
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	5,462	13,199
Comprehensive income attributable to non-controlling interests	(78)	106

(3) Quarterly Consolidated Statements of Cash Flows**(For the Six-month Period)**

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)	Current Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	8,444	13,840
Depreciation	2,998	3,209
Impairment loss	379	-
Amortization of goodwill	218	259
Increase (decrease) in allowance for doubtful accounts	(130)	(213)
Increase (decrease) in provision for bonuses	(127)	228
Increase (decrease) in net defined benefit liability	87	36
Increase (decrease) in provision for sales returns	(50)	-
Increase (decrease) in provision for sales rebates	76	-
Provision for doubtful accounts	263	927
Loss on disposal of fixed assets	82	-
Loss (gain) on sales shares of investment securities	-	(76)
Gain on bargain purchase	-	(430)
Loss (gain) on valuation of investment securities	1331	109
Loss on valuation of shares of subsidiaries and associates	229	72
Loss (gain) on sales shares of subsidiaries and associates	16	-
Interest and dividend income	(385)	(655)
Interest expenses	65	73
Share of (profit) loss of entities accounted for using equity method	(178)	66
Decrease (increase) in notes and accounts receivable - trade	6584	3,463
Decrease (increase) in inventories	(3,512)	(2,793)
Increase (decrease) in notes and accounts payable - trade	1,024	4,554
Increase (decrease) in accrued expenses	(4,025)	(6,969)
Other, net	(2,592)	1,793
Subtotal	10,799	17,496
Interest and dividend income received	401	667
Interest expenses paid	(19)	(24)
Payments for performance of guarantee obligation		(1,622)
Income taxes paid	(4,610)	(4,521)
Income taxes refund	15	9
Net cash provided by (used in) operating activities	6,586	12,005

	(Millions of yen)	
	Prior Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)	Current Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from investing activities		
Payments into time deposits	(389)	(573)
Proceeds from withdrawal of time deposits	349	430
Purchase of property, plant and equipment	(3,482)	(4,668)
Proceeds from sales of fixed assets	125	5
Purchase of intangible assets	(211)	(302)
Purchase of investment securities	(543)	(2,723)
Proceeds from sales of investment securities	-	580
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(0)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	10,335
Payments of long-term loans receivable	(218)	(100)
Collection of long-term loans receivable	61	40
Other, net	0	(0)
Net cash provided by (used in) investing activities	(4,309)	3,023
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	33	222
Proceeds from long-term loans payable	2,883	1,992
Repayments of long-term loans payable	(939)	(1,153)
Cash dividends paid	(1,482)	(1,711)
Other, net	(95)	(104)
Net cash provided by (used in) financing activities	398	(754)
Effect of exchange rate change on cash and cash equivalents	(944)	2,040
Net increase (decrease) in cash and cash equivalents	1,731	16,314
Cash and cash equivalents at beginning of period	44,665	52,254
Cash and cash equivalents at end of period	46,397	68,569

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements**Calculation of tax expense**

Tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes for the fiscal year, and multiplying that rate by the quarterly income before income taxes.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. As a result, as for sales with a right of return, previously recorded as a provision for sales returns based on the amount of gross profit, instead of recognizing revenue at the time of sale, we now recognize a refund liability for goods or products that are expected to be returned in the amount of the consideration received or receivable in accordance with the provisions on variable consideration. Furthermore, for some transactions for which no provision for sales rebates was previously recorded, additional refund liabilities have been recognized as the new standard clarifies how to account for these cases. In addition, sales rebates, previously treated as selling, general and administrative expenses, for transactions with a provisional price, the Company recognized revenue at the provisional price at the time of sale and subsequently reviewed the amount according to the status of negotiations with the customer. However, the Company has changed to a method of estimating the amount of the variable portion of the consideration for the transaction and including in the transaction price only that portion of the revenue recognized that is highly unlikely to be significantly reduced.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting standard to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method prescribed in Paragraph 86, Article 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales decreased 3,968 million yen, cost of sales decreased 1 million yen, reversal of provision for sales returns decreased 337 million yen, gross profit-net decreased 4,304 million yen, and selling, general and administrative expenses decreased 4,352 million yen. Operating income, ordinary income and profit before income taxes increased 48 million yen each in the first half of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first half by 912 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, the provision for sales returns and provision for sales rebates that were presented under the current liabilities in the consolidated balance sheets in the previous fiscal year is, from the first quarter of the current fiscal year, included in the other current liabilities. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented the disaggregation of revenue from contracts with customers for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). As a result of this change, the corporate bonds, which were previously considered to be financial instruments that were extremely difficult to determine the fair value and the Company used the acquisition cost as the quarterly consolidated balance sheet value, is now evaluated at the fair value. Even in cases where observable inputs are not available, the fair value is calculated using unobservable inputs based on the best available information.

Segment Information

I. Prior Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in quarterly consolidated statement of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
(1) Sales to customers	55,356	3,787	3,691	19,338	82,173	830	83,004	-	83,004
(2) Inter-segment sales and transfers	1,573	503	19	1,620	3,717	13	3,730	(3,730)	-
Total	56,929	4,291	3,710	20,959	85,891	844	86,735	(3,730)	83,004
Segment profit (loss)	7,191	(88)	248	2,690	10,043	40	10,083	89	10,173

Notes: 1. "America" includes the business activities of overseas entities in the U.S. and Canada, and others; "Europe" those in the U.K., Poland and South Africa; and "Asia" those in China, Taiwan, Vietnam, and others.

2. "Others" is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. "Adjustment" to segment profit (loss) of 89 million yen indicates elimination for intersegment transactions.

4. Segment profit (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

5. The provisional accounting treatment for business combinations has been finalized at the end of the fiscal year ended March 31, 2021. The figures for the first half of the previous fiscal year have been restated accordingly.

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

Impairment loss on fixed assets was recognized in "Japan" segment. The amount of impairment loss was 379 million for the first half of the previous fiscal year.

II. Current Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)

1. Information related to net sales and profit and disaggregation of revenue for each reportable segment (Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in quarterly consolidated statement of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
Revenue from contracts with customers	56,901	4,026	5,070	24,057	90,054	964	91,019	-	91,019
(1) Sales to customers	56,901	4,026	5,070	24,057	90,054	964	91,019	-	91,019
(2) Inter-segment sales and transfers	1,883	533	35	1,459	3,912	37	3,949	(3,949)	-
Total	58,784	4,559	5,106	25,516	93,967	1,001	94,968	(3,949)	91,019
Segment profit (loss)	9,359	147	385	3,596	13,448	81	13,570	201	13,771

Notes: 1. “America” includes the business activities of overseas entities in the U.S. and Brazil, and others; “Europe” those in the U.K., Poland and South Africa and others; and “Asia” those in China, Taiwan, Vietnam, and others.

2. “Others” is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. “Adjustment” to segment profit (loss) of 201million yen indicates elimination for intersegment transactions.

4. Segment profit (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

In the “Japan” segment, the Company acquired shares of Amato Pharmaceutical Products, Ltd. and one other company, which became consolidated subsidiaries, resulting in a gain on bargain purchase. The gain on bargain purchase is included in extraordinary income and has not been allocated to any reportable segment. Accordingly, the amount of gain on bargain purchase was 430 million yen for the first half of the current fiscal year.

3. Matters regarding reportable segment, etc

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition. The calculation for segment information has also been changed accordingly.

As a result of this change, net sales in the “Japan” segment for the first half of the current fiscal year decreased by 3,968 million yen and segment profit increased by 48 million yen, compared with the previous method.

4. Information related to assets for each reportable segment

In the second quarter of the current fiscal year, the Company acquired shares of Amato Pharmaceutical Products, Ltd. and one other company and included them in the scope of consolidation. Accordingly, segment assets in the “Japan” segment increased by 28,223 million yen compared with the end of the previous fiscal year.

** This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*