

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022
(Nine Months Ended December 31, 2021)

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: February 14, 2022
 Scheduled date of dividend payment: -
 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 Third Quarter of the Fiscal Year Ending March 31, 2022
(April 1, 2021 – December 31, 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	%
Nine months ended Dec. 31, 2022	144,022	-	23,548	-	23,740	-	16,933	-
Nine months ended Dec. 31, 2021	129,611	△6.2	16,452	△9.2	16,816	△6.9	10,707	△14.8

Note: Comprehensive income (Millions of yen):
 Nine months ended Dec. 31, 2022: 19,897 (-%)
 Nine months ended Dec. 31, 2021: 10,382 (10.0%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	148.45	148.02
Nine months ended Dec. 31, 2021	93.87	93.60

Note 1: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the third quarter are after the application of the said accounting standard, etc. Therefore, the percentage change from the same period of the previous year is not stated.

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 third quarter 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	%
As of Dec. 31, 2022	265,056	177,395	64.5
As of Mar. 31, 2021	225,790	156,612	68.9

Reference: Shareholders' equity (Millions of yen): As of Dec. 31, 2022: 171,028 As of Mar. 31, 2021: 155,525

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	13.00	-	15.00	28.00
Fiscal year ending Mar. 31, 2022	-	15.00	-		
Fiscal year ending Mar. 31, 2022 (forecast)				21.00	36.00

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

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	195,000	7.6	28,000	21.8	28,000	17.1	19,500	16.5	170.95

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 8 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (3) 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: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to page 8 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (3) 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 Dec. 31, 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 Dec. 31, 2022:	4,019,198 shares	As of Mar. 31, 2021:	4,019,044 shares
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3) Average number of shares outstanding during the period:

Nine months ended Dec. 31, 2022:	114,070,072 shares	Nine months ended Dec. 31, 2021:	114,070,149 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 3 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) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements	9
Changes in Accounting Policies	9
Segment Information	11

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Operating Results

During the first nine months of the current fiscal year, the Japanese economy continued to face difficulties due to the impact of COVID-19, but economic activity showed signs of a gradual recovery following the lifting of the state of emergency declaration in October.

Under these circumstances, the Rohto Group is working toward the realization of the “Management Vision 2030” to further enhance its corporate value under the slogan of “Connect for Well-being” which suggest people around the world can enjoy happy and fulfilling lives in various stages of life with vigor and vitality both physically and mentally.

Net sales increased significantly to 144,022 million yen

In the same period of the previous fiscal year, net sales fell sharply due to the impact of COVID-19, but in the current fiscal year, vaccinations have progressed, economic activities have resumed in many countries, and a recovery trend have been shown in consumer sentiment.

The Company achieved a significant increase in all profit levels, with operating income of 23,548 million yen, ordinary income of 23,740 million yen, and net income attributable to owners of the parent of 16,933 million yen, as a result of the significant increase in sales and efforts to efficiently utilize selling, general and administrative expenses.

Note: From beginning of 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 that of the previous consolidated cumulative third quarter. Therefore, the year-on-year changes are not stated here. Assuming that the new accounting standards had been applied in the fiscal year ended March 31, 2021, the year-on-year change would be: 16.9% increase in net sales, 1.74% improvement in the cost of sales ratio, 44.1% increase in operating income, 42.2% increase in ordinary income, and 59.9% increase in net income attributable to owners of the parent. Sales and all profit levels achieved record highs.

Results by reportable segment are as follows.

Japan

Sales to customers totaled 88,449 million yen.

Demand for eye drops rose as more people complaining of eye strain due to increased screen time in the COVID-19 pandemic. Therefore, Sales grew especially for high-end eye drops, while sales of “Melano CC,” “Hada Labo,” “Deoco” and “Rohto V5 Grain” continued to be strong. Moreover, the COVID-19 (SARS-CoV-2) antigen rapid test kit also contributed to the increase in sales.

In addition, Nitten Pharmaceutical Co., Ltd. and Qualitech Pharma Co., Ltd, as well as Amato Pharmaceutical Products, Ltd., which became a subsidiary in August 2021, also contributed to the increase in sales.

Segment income (operating income) increased significantly to 15,253 million yen due to the substantial increase in sales and efficient use of selling, general and administrative expenses.

Note : As described in the (Note) for “(1) Explanation of Operating Results,” assuming that the new accounting standards had been applied in the fiscal year ended March 31, 2021, the percentage changes year-on-year were 14.5% increase for net sales and 56.3% increase for operating income.

America

Sales to customers significantly increased 15.4% year-on-year to 6,751 million yen.

Eye drops contributed to sales growth, mainly due to a recovery in consumer sentiment as the number of people infected with COVID-19 decreased.

Segment income (operating income) was 162 million yen (down 4.3% year-on-year) due to an increase in procurement costs for raw materials and supplies as well as a deterioration in the cost of sales ratio due to the impact of labor shortages.

Europe

Sales to customers significantly increased 31.5% year-on-year to 7,817 million yen.

Sales of the main-stay anti-inflammatory analgesic products performed well.

Segment income (operating income) increased to 564 million yen (up 17.7% year-on-year) due to strong sales.

Asia

Sales to customers significantly increased 20.3% year-on-year to 39,553 million yen.

Net sales of eye drops performed well due to the launch of new products and vigorous sales promotion activities.

“Acnes” , the treatment for acne and men's cosmetics also continued to perform well due to an increase in skin problems associated with masks worn under the new-normal.

While sales in China and Hong Kong continued to perform well due to the economic recovery from the COVID-19 pandemic, sales were sluggish in Vietnam due to the lockdown policy and the plant shutdown.

Segment income (operating income) increased significantly to 7,173 million yen (up 27.8% year-on-year) due to strong sales.

Others

Sales to customers in this business segment, which is excluded from reportable segments, increased 14.4% year-on-year to 1,449 million yen.

Segment income (operating income) increased to 121 million yen (up 90.4% year-on-year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year were 265,056 million yen, an increase of 39,265 million yen from the end of the previous fiscal year.

This was mainly due to an increase of 14,439 million yen in cash and deposits, an increase of 7,213 million yen other, net under property, plant and equipment, and 4,507 million yen in merchandise and finished goods, despite a decrease of 1,972 million yen in electronically recorded monetary claims-operating.

Total liabilities amounted to 87,660 million yen, an increase of 18,481 million yen from the end of the previous fiscal year. This was mainly due to increases of 14,254 million yen in other under current liabilities and 7,195 million yen in long-term loans payable, and decreases of 8,539 million yen in accrued expenses and 2,410 million yen in provision for sales rebates.

Net assets totaled 177,395 million yen, an increase of 20,783 million yen from the end of the previous fiscal year.

This was mainly due to increases of 12,599 million yen in retained earnings and 5,279 million yen in non-controlling interests, a decrease of 1,361 million yen in valuation difference on available-for-sale securities.

(3) Explanations regarding the forecast of consolidated financial results and other future information

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

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecasts (A) (Announced on November 11, 2021)	Millions of yen 190,000	Millions of yen 25,000	Millions of yen 25,000	Millions of yen 18,000	Yen 157.80
Revised forecasts (B)	195,000	28,000	28,000	19,500	170.95
Change (B-A)	5,000	3,000	3,000	1,500	
Percentage change (%)	2.6	12.0	12.0	8.3	
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2021)	181,287	22,990	23,910	16,743	146.78

With regard to the consolidated earnings forecast, the Company has revised the consolidated earnings forecast announced on November 11, 2021, based on the strong performance in the first nine months of the current fiscal year and the forecast for the fourth quarter of the current fiscal year, despite the ongoing impact of the COVID-19 pandemic. Net sales, operating income, ordinary income, and profit attributable to owners of parent are all expected to exceed the previous announcement and reach new record highs.

For details, please refer to the “Notice of Revisions to the Earnings Forecasts and Dividend Forecast (Dividend Increase)” released today (February 10, 2022).

*The above forecasts are based on information available as of the date of announcement, and actual results 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 Third Quarter End (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	52,964	67,403
Notes and accounts receivable-trade	31,207	35,010
Electronically recorded monetary claims-operating	16,943	14,970
Merchandise and finished goods	13,848	18,356
Work in process	2,799	2,677
Raw materials and supplies	11,278	13,714
Other	4,315	5,984
Allowance for doubtful accounts	(285)	(238)
Total current assets	133,071	157,877
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,379	22,376
Other, net	30,411	37,624
Total property, plant and equipment	49,790	60,001
Intangible assets		
Goodwill	4,014	5,572
Other	3,520	3,751
Total intangible assets	7,535	9,324
Investments and other assets		
Investment securities	26,226	27,598
Other	13,138	16,875
Allowance for doubtful accounts	(3,971)	(6,621)
Total investments and other assets	35,392	37,852
Total non-current assets	92,719	107,178
Total assets	225,790	265,056

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Third Quarter End (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,603	15,631
Electronically recorded obligations-operating	1,727	2,763
Short-term loans payable	2,312	7,454
Accrued expenses	22,566	14,027
Income taxes payable	4,948	4,714
Provision for bonuses	2,612	1,443
Provision for directors' bonuses	30	30
Provision for sales returns	792	-
Provision for sales rebates	2,410	-
Other	9,467	23,722
Total current liabilities	56,471	69,786
Non-current liabilities		
Long-term loans payable	5,787	12,982
Net defined benefit liability	3,451	3,493
Provision for loss on guarantees	1,675	53
Other	1,792	1,343
Total non-current liabilities	12,707	17,873
Total liabilities	69,178	87,660
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,781
Retained earnings	145,511	158,110
Treasury shares	(4,936)	(4,936)
Total shareholders' equity	152,741	165,460
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,717	5,355
Foreign currency translation adjustment	(3,062)	1,038
Remeasurements of defined benefit plans	(870)	(825)
Total accumulated other comprehensive income	2784	5,568
Subscription rights to shares	382	382
Non-controlling interests	704	5,984
Total net assets	156,612	177,395
Total liabilities and net assets	225,790	265,056

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

(Millions of yen)

	Prior Third Quarter (Apr. 1, 2020 – Dec. 31, 2020)	Current Third Quarter (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	129,611	144,022
Cost of sales	53,511	60,028
Gross profit	76,099	83,993
Reversal of provision for sales returns	60	-
Gross profit-net	76,160	83,993
Selling, general and administrative expenses	59,707	60,445
Operating income	16,452	23,548
Non-operating income		
Interest income	260	275
Dividend income	329	653
Share of income of entities accounted for using equity method	332	108
Other	476	505
Total non-operating income	1,398	1,543
Non-operating expenses		
Interest expenses	97	118
Foreign exchange loss	290	-
Provision for doubtful accounts	282	1,025
Other	364	207
Total non-operating expenses	1,034	1,351
Ordinary income	16,816	23,740
Extraordinary income		
Gain on change in equity	37	-
Gain on sales of investment securities	29	76
Gain on sales of shares of subsidiaries and associates	2,723	-
Gain on bargain purchase	-	430
Total extraordinary income	2,791	507
Extraordinary losses		
Loss on disposal of fixed assets	82	-
Impairment loss	1,435	51
Loss on valuation of investment securities	1,411	557
Loss on sales of shares of subsidiaries and associates	16	-
Loss on valuation of shares of subsidiaries and associates	247	88
Total extraordinary losses	3,192	698
Profit before income taxes	16,414	23,549
Income taxes	5,693	6,451
Profit	10,721	17,098
Profit attributable to non-controlling interests	13	164
Profit attributable to owners of parent	10,707	16,933

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

(Millions of yen)

	Prior Third Quarter (Apr. 1, 2020 – Dec. 31, 2020)	Current Third Quarter (Apr. 1, 2021 – Dec. 31, 2021)
Profit	10,721	17,098
Other comprehensive income		
Valuation difference on available-for-sale securities	1,518	(1,392)
Foreign currency translation adjustment	(1,916)	4,146
Remeasurements of defined benefit plans, net of tax	118	44
Share of other comprehensive income of entities accounted for using equity method	(59)	0
Total other comprehensive income	(339)	2,799
Comprehensive income	10,382	19,897
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	10,465	19,718
Comprehensive income attributable to non-controlling interests	(83)	178

(3) 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, for the first nine months of the current fiscal year, net sales decreased 6,882 million yen, cost of sales increased 0 million yen, reversal of provision for sales returns decreased 317 million yen, gross profit-net decreased 7,200 million yen, selling, general and administrative expenses decreased 6,880 million yen, and operating income, ordinary income and profit before income taxes decreased 319 million yen respectively. In addition, the balance of retained earnings at the beginning of the current fiscal year decreased 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 third quarter 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 Third Quarter (Apr. 1, 2020 – Dec. 31, 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	83,671	5,852	5,942	32,877	128,344	1,266	129,611	-	129,611
(2) Inter-segment sales and transfers	2,314	823	35	2,561	5,734	21	5,756	(5,756)	-
Total	85,986	6,675	5,977	35,439	134,079	1,288	135,367	(5,756)	129,611
Segment profit	9,874	170	479	5,612	16,137	64	16,201	251	16,452

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 of 251 million yen indicates elimination for intersegment transactions.
4. Segment profit 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 third quarter 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 1435 million for the third quarter of the previous fiscal year.

II. Current Third Quarter (Apr. 1, 2021 – Dec. 31, 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	88,449	6,751	7,817	39,553	142,572	1,449	144,022	-	144,022
(1) Sales to customers	88,449	6,751	7,817	39,553	142,572	1,449	144,022	-	144,022
(2) Inter-segment sales and transfers	2,593	838	37	2,243	5,713	48	5,761	(5,761)	-
Total	91,042	7,590	7,855	41,797	148,286	1,497	149,784	(5,761)	144,022
Segment profit (loss)	15,253	162	564	7,173	23,154	121	23,276	272	23,548

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 272million 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 third quarter of the current fiscal year.

Also, the Company recorded an impairment loss on fixed assets in “Japan” segment. The amount of the impairment loss was 51 million yen for the first nine months 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 third quarter of the current fiscal year decreased by 6,882 million yen and segment profit increased by 319 million yen, compared with the previous method.

4. Information related to assets for each reportable segment

Due to the acquisition of shares of Amato Pharmaceutical Products, Ltd. and one other company during the second quarter of the current fiscal year and their inclusion in the scope of consolidation, segment assets in “Japan” increased by 26,732 million yen compared to 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.