

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name:	ROHTO Pharmaceutical Co., Ltd.	Stock Exchange listing:	Tokyo Stock Exchange
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Scheduled date of filing of Quarterly Report:			November 11, 2022
Scheduled date of dividend payment:			December 1, 2022
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, 2023 (April 1, 2022 – September 30, 2022)

(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	110,313	21.2	16,269	18.3	17,963	33.1	13,192	19.7
Six months ended Sep. 30, 2021	91,019	-	13,752	-	13,495	-	11,022	-

Note: Comprehensive income (Millions of yen):
 Six months ended Sep. 30, 2022: 24,834 (83.1%)
 Six months ended Sep. 30, 2021: 13,560 (-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	115.65	115.32
Six months ended Sep. 30, 2021	96.63	96.35

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2022	302,366	205,653	66.1
As of Mar. 31, 2022	274,876	183,994	64.8

Reference: Equity (Millions of yen): As of Sep. 30, 2022: 199,734 As of Mar. 31, 2022: 178,017

Note 1: The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the previous fiscal year, and the figures for the second quarter of the fiscal year ended March 31, 2022 are after the adoption of these accounting standards, therefore, year-on-year percentage changes are not shown.

Note 2: The provisional accounting treatment for the business combinations was finalized at the end of the fiscal year ended March 31, 2022 and the second quarter of the fiscal year ending March 31, 2023. The figures for the fiscal year ended March 31, 2022 and the second quarter of the fiscal year ending March 31, 2022 have been changed accordingly.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	15.00	-	21.00	36.00
Fiscal year ending Mar. 31, 2023	-	20.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecast)	-	-	-	10.00	-

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

The Company plans to conduct a 2-for-1 stock split on January 1, 2023, and the year-end dividend for the fiscal year ending March 31, 2023 is based on the number of shares reflecting this stock split.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	230,000	15.2	31,000	6.8	32,000	11.3	22,000	4.1	96.43

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

The Company plans to conduct a 2-for-1 stock split of shares of common stock on January 1, 2023, and calculates net income per share based on the average number of shares outstanding during the fiscal year reflecting this stock split.

* 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: 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 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, 2022: 118,089,155 shares

2) Number of shares of treasury shares at the end of the period:

As of Sep. 30, 2022: 4,019,452 shares As of Mar. 31, 2022: 4,019,262 shares

3) Average number of shares outstanding during the period:

Six months ended Sep. 30, 2022: 114,069,774 shares Six months ended Sep. 30, 2021: 114,070,103 shares

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.”

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the second quarter of the current fiscal year, the Japanese economy showed some signs of recovery in social activities due to progress in easing behavioral restrictions, although the impact of the spread of COVID-19 variant continued to be felt in general. On the other hand, sharp fluctuations in exchange rates resulting from global monetary tightening coupled with the prolonged Russia's invasion of Ukraine and China's zero-COVID policy, caused a remarkable rise in prices of goods and services. There is still a high degree of uncertainty about the future recovery of the international economy. 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".

Consequently, the consolidated sales increased significantly to 110,313 million yen (up 21.2% year-on-year). In Japan, sales increased due to a recovery in consumer confidence with the resumption of economic activities as well as product proposals that meet customer needs. Overseas, sales also increased due to the recovery in economic activity and exchange rate fluctuations, despite a sharp rise in raw material prices.

As for profits, in addition to a significant increase in revenue, efforts to efficiently utilize selling, general and administrative expenses resulted in significant increases in all profit levels: operating income of 16,269 million yen (up 18.3% year-on-year), ordinary income of 17,963 million yen (up 33.1% year-on-year), and net income attributable to owners of the parent of 13,192 million yen (up 19.7% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased 15.2% year-on-year to 65,576 million yen.

Sales of "Melano CC," a new launched enzyme face wash that brought strong sales, and "Skin Aqua," a sunscreen product with new functions added, were strong. Also, "Hadalabo," "Obagi" and "Rohto V5 Grain" continued to perform steadily.

Sales of lip balm, experiencing sluggish growth due to the habit of wearing masks, also began to recover, and COVID-19 (SARS-CoV-2) antigen rapid test kits also contributed to the increase in sales.

Domestic group companies also contributed to sales growth, including Rohto Nitten Co., Ltd., and Amato Pharmaceutical Products, Ltd., which has "Borraginol®," as its main product and became subsidiaries in August 2021.

Segment income (operating income basis) increased significantly to 10,428 million yen (up 11.7% year-on-year) due to the substantial increase in sales and efficient use of selling, general and administrative expenses.

America

Sales to outside customers significantly increased 90.0% year-on-year to 7,649 million yen.

Hydrox Laboratories, which became a subsidiary in October 2021 that manufactures and sells medical disinfectants and other products, made a significant contribution to the increase in sales.

Segment income (operating income basis) decreased to 96 million yen (down 34.6% year-on-year) due to higher raw material procurement costs and labor costs caused by labor shortages, as well as amortization of customer related assets and goodwill of Hydrox Laboratories.

Europe

Sales to outside customers significantly increased to 6,231 million yen, up 22.9% year-on-year.

Sales of the main-stay anti-inflammatory analgesic products continued to perform well and contributed to the increase in sales. “Hadalabo Tokyo” also performed well as we began to expand from the UK market to key countries in the Middle East. The Company continues to develop the eye drop market with Rohto Dry Aid, a dry eye ophthalmic solution that launched in May 2021 after obtaining the CE marking.

Segment income (operating income basis) increased significantly to 596 million yen (up 54.7% year-on-year) as a result of efficient use of selling, general and administrative expenses, despite higher energy costs and increased procurement costs of raw materials.

Asia

Sales to outside customers significantly increased 23.3% year-on-year to 29,673 million yen.

Despite a major lockdown in China due to zero-COVID policy through June, foreign exchange effects led to an increase in revenue. Taiwan also showed economic recovery from COVID-19 and began to increase sales. Malaysia is showing high growth, and Southeast Asia, including Vietnam and Indonesia, is performing well.

On a product basis, eye drops performed well in Hong Kong and Southeast Asia. Sales of men's cosmetics products in China, Hong Kong, and Taiwan increased due in part to the launch of new products. In addition, “50 Megumi” contributed to sales growth in Hong Kong and China.

Segment income (operating income basis) increased significantly to 4,965 million yen (up 38.1% year-on-year) due to strong sales.

(2) Explanation of Financial Position**1) Balance sheets position**

Total assets at the end of the second quarter of the current fiscal year were 302,366 million yen, an increase of 27,489 million yen from the end of the previous fiscal year. This was mainly due to an increase of 6,650 million yen in notes and accounts receivable-trade, an increase of 5,695 million yen in merchandise and finished goods, and an increase of 5,431 million yen in cash and deposits.

Total liabilities increased 5,830 million yen from the end of the previous fiscal year to 96,712 million yen. This was mainly due to an increase of 3,638 million yen in notes and accounts payable-trade and an increase of 1,689 million yen in income taxes payable, respectively, while short-term loans payable decreased by 2,178 million yen.

Net assets increased 21,658 million yen from the end of the previous fiscal year to 205,653 million yen. This was mainly due to increases in foreign currency translation adjustments and retained earnings of 11,031 million yen and 10,796 million yen, respectively.

2) Consolidated cash flow position

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year increased by 5,196 million yen from the end of the previous fiscal year to 76,101 million yen.

Operating activities

Net cash provided by operating activities decreased 879 million yen year-on-year to 11,125 million yen in the second quarter of the current consolidated fiscal year. Profit before income taxes was 17,810 million yen, and there were inflow factors of a decrease of 4,188 million yen in depreciation, and an increase of 3,101 million yen in notes and accounts payable-trade, while there were outflow factors of an increase of 6,577 million yen in inventories and notes and accounts receivable-trade of 4,037 million yen.

Investing activities

Net cash used in investing activities amounted to 5,367 million yen in the second quarter of the current fiscal year, compared with 3,023 million yen provided a year earlier. This was mainly due to payments of 4,134 million yen for the purchase of property, plant and equipment, and 1,608 million yen for the purchase of investment securities.

Financing activities

Net cash used in financing activities amounted to 7,775 million yen in the second quarter of the current fiscal year, compared with 754 million yen used a year earlier. This was mainly due to the repayment of long-term loans payable in the amount of 4,099 million yen and cash dividends paid in the amount of 2,395 million yen.

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

(Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023)

	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)	225,000	30,000	31,000	21,500	188.48
Revised forecast (B)	230,000	31,000	32,000	22,000	96.43
Change (B – A)	5,000	1,000	1,000	500	-
Percentage change (%)	2.2	3.3	3.2	2.3	-

Regarding the consolidated earnings forecast, the Japan segment performed better than expected in the second quarter. However, from the third quarter onward, the impact of high prices has increased uncertainty about the future recovery of the domestic economy. In addition, the cost of sales ratio is expected to deteriorate due to soaring raw material costs and other factors. We have revised the consolidated earnings forecast announced on August 9, 2022, taking into account the foreign currency effect due to the yen's depreciation mainly at our Asian subsidiaries. Sales, operating income, ordinary income, and net income attributable to shareholders of the parent company are all expected to increase over the previous announcement. The exchange rate has been revised to 135 yen to the dollar.

*The above forecasts are based on information available as of the date of announcement. Actual results may differ from the forecasts due to various factors. The revised forecast of net income per share for the fiscal year ending March 31, 2023 takes into account the effect of the stock split, and net income per share without the stock split would be 192.86 yen.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Prior Fiscal Year End (As of Mar. 31,2022)	Current Second Quarter End (As of Sep. 30,2022)
Assets		
Current assets		
Cash and deposits	72,791	78,222
Notes and accounts receivable - trade	33,310	39,960
Electronically recorded monetary claims - operating	18,551	18,428
Merchandise and finished goods	17,694	23,389
Work in process	3,264	3,476
Raw materials and supplies	12,569	15,610
Other	6,304	6,889
Allowance for doubtful accounts	(179)	(295)
Total current assets	164,306	185,683
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,912	29,626
Other, net	33,927	38,135
Total property, plant and equipment	62,839	67,761
Intangible assets		
Goodwill	2,954	2,756
Other	6,586	7,053
Total intangible assets	9,541	9,810
Investments and other assets		
Investment securities	28,132	28,774
Other	16,810	17,297
Allowance for doubtful accounts	(6,754)	(6,962)
Total investments and other assets	38,188	39,109
Total non-current assets	110,569	116,682
Total assets	274,876	302,366

(Million yen)

	Prior Fiscal Year End (As of Mar. 31,2022)	Current Second Quarter End (As of Sep. 30,2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,660	17,298
Electronically recorded obligations - operating	2,609	3,231
Short-term loan payable	8,033	5,854
Accrued expenses	16,266	16,933
Income taxes payable	3,056	4,746
Provision for bonuses	3,048	3,477
Provision for bonuses for directors	40	25
Other	24,774	26,386
Total current liabilities	71,488	77,954
Non-current liabilities		
Long-term loan payable	13,350	11,530
Net defined benefit liability	3,332	3,023
Provision for loss on guarantees	55	43
Other	2,655	4,161
Total non-current liabilities	19,393	18,758
Total liabilities	90,882	96,712
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,791	5,292
Retained earnings	162,304	173,101
Treasury shares	(4,936)	(4,937)
Total shareholders' equity	169,663	179,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,992	6,196
Foreign currency translation adjustment	2,992	14,024
Remeasurements of defined benefit plans	(631)	(448)
Total accumulated other comprehensive income	8,354	19,773
Subscription rights to shares	382	382
Non-controlling interests	5,594	5,535
Total net assets	183,994	205,653
Total liabilities and net assets	274,876	302,366

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(For the six months)

(Million yen)

	Prior Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)	Current Second Quarter (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	91,019	110,313
Cost of sales	38,610	47,833
Gross profit	52,408	62,480
Selling, general and administrative expenses	38,656	46,211
Operating profit	13,752	16,269
Non-operating income		
Interest income	171	431
Dividend income	484	271
Share of profit of entities accounted for using equity method	-	64
Foreign exchange gains	-	456
Other	275	900
Total non-operating income	930	2,124
Non-operating expenses		
Interest expenses	73	123
Share of loss of entities accounted for using equity method	66	-
Provision for doubtful accounts	927	207
Other	121	98
Total non-operating expenses	1,188	429
Ordinary profit	13,495	17,963
Extraordinary income		
Gain on sale of investment securities	76	-
Gain on bargain purchase	685	-
Total extraordinary income	762	-
Extraordinary losses		
Loss on disposal of fixed assets	-	153
Loss on valuation of investment securities	109	-
Loss on valuation of shares of subsidiaries and associates	72	-
Total extraordinary losses	182	153
Profit before income taxes	14,075	17,810
Income taxes	3,022	4,526
Profit	11,052	13,283
Profit attributable to non-controlling interests	30	91
Profit attributable to owners of parent	11,022	13,192

Quarterly Consolidated Statements of Comprehensive Income
(For the six months)

(Million yen)

	Prior Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)	Current Second Quarter (Apr. 1, 2022 – Sep. 30, 2022)
Profit	11,052	13,283
Other comprehensive income		
Valuation difference on available-for-sale securities	(425)	218
Foreign currency translation adjustment	2,898	11,148
Remeasurements of defined benefit plans, net of tax	34	183
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	2,507	11,551
Comprehensive income	13,560	24,834
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,454	24,611
Comprehensive income attributable to non-controlling interests	106	223

(3) Quarterly Consolidated Statements of Cash Flows

(For the six months)

(Million yen)

	Prior Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)	Current Second Quarter (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	14,075	17,810
Depreciation	3,211	4,188
Amortization of goodwill	224	191
Increase (decrease) in allowance for doubtful accounts	(213)	86
Increase (decrease) in provision for bonuses	228	413
Increase (decrease) in net defined benefit liability	36	74
Provision for doubtful accounts	927	207
Loss (gain) on sales shares of investment securities	(76)	-
Gain on bargain purchase	(685)	-
Loss on disposal of fixed assets	-	153
Loss (gain) on valuation of investment securities	109	-
Loss on valuation of shares of subsidiaries and associates	72	-
Interest and dividend income	(655)	(702)
Interest expenses	73	123
Share of loss (profit) of entities accounted for using equity method	66	(64)
Decrease (increase) in notes and accounts receivable - trade	3,463	(4,037)
Decrease (increase) in inventories	(2,740)	(6,577)
Increase (decrease) in notes and accounts payable - trade	4,554	3,101
Other, net	(5,176)	(1,885)
Subtotal	17,496	13,082
Interest and dividends received	667	718
Interest expenses paid	(24)	(121)
Payments for performance of guarantee obligation	(1,622)	-
Income taxes paid	(4,521)	(2,544)
Income taxes refund	9	(9)
Net cash provided by (used in) operating activities	12,005	11,125
Cash flows from investing activities		
Payments into time deposits	(573)	(683)
Proceeds from withdrawal of time deposits	430	623
Purchase of property, plant and equipment	(4,668)	(4,134)
Proceeds from sale of property, plant and equipment	5	20
Purchase of intangible assets	(302)	(531)
Purchase of investment securities	(2,723)	(1,608)
Proceeds from sale and redemption of investment securities	580	1,256
Purchase of shares of subsidiaries resulting in change in scope of consolidation	10,335	-
Payments of long-term loans receivable	(100)	(180)
Collection of long-term loans receivable	40	1
Other, net	(0)	(130)
Net cash provided by (used in) investing activities	3,023	(5,367)

(Million yen)

	Prior Second Quarter (Apr. 1, 2021 – Sep. 30, 2021)	Current Second Quarter (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	222	(190)
Proceeds from long-term loans payable	1,992	52
Repayments of long-term loans payable	(1,153)	(4,099)
Cash dividends paid	(1,711)	(2,395)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(762)
Other, net	(104)	(382)
Net cash provided by (used in) financing activities	(754)	(7,775)
Effect of exchange rate change on cash and cash equivalents	2,040	7,214
Net increase (decrease) in cash and cash equivalents	16,314	5,196
Cash and cash equivalents at beginning of period	52,254	70,905
Cash and cash equivalents at end of period	68,569	76,101

(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 Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy prescribed by the Implementation Guideline on Accounting Standard for Fair Value Measurement shall be applied prospectively. There is no impact from this change in accounting policy.

Application of FASB Accounting Standards Codification (ASC) No. 842 "Leases"

Effective from the beginning of the first quarter of the current fiscal year, the Company's foreign subsidiaries that have adopted U.S. GAAP applied ASC No. 842, "Leases," and, in principle, all leases by lessees are recognized as assets and liabilities on the balance sheet. The Company applies this accounting standard in accordance with the transitional treatment and recognizes the cumulative effect of a change in accounting policy at the date of adoption.

As a result, other under property, plant and equipment increased 2,204 million yen, other current liabilities increased 574 million yen, other non-current liabilities increased 1,488 million yen, and other under investments and other assets decreased 205 million yen at the end of the second quarter of the current fiscal year. The effect of this change on profit and loss for the six months ended September 30, 2022 was immaterial.

Additional Information

Treatment of Accounting Procedures and Disclosures in Connection with the Application of the Japanese Group Relief System.

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a stand-alone taxation system to the Japanese Group Relief System. Accordingly, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting were changed to Practical Solution on the Accounting and Disclosure Under the Japanese Group Relief System (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42").

Segment Information

I. Prior 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	9,339	147	385	3,596	13,468	81	13,550	201	13,752

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 of 201 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 was finalized at the end of the previous consolidated fiscal year and in the second quarter of the current consolidated fiscal year, and the segment information for the second quarter of the previous consolidated fiscal year is presented after reflecting such revisions.

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 685 million yen for the second quarter of the previous consolidated fiscal year.

II. Current First Quarter (Apr. 1, 2022 – Sep. 30, 2022)

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	65,576	7,649	6,231	29,673	109,131	1,182	110,313	-	110,313
(1) Sales to customers	65,576	7,649	6,231	29,673	109,131	1,182	110,313	-	110,313
(2) Inter-segment sales and transfers	1,987	644	9	1,957	4,598	26	4,624	(4,624)	-
Total	67,563	8,293	6,241	31,630	113,729	1,208	114,938	(4,624)	110,313
Segment profit	10,428	96	596	4,965	16,087	125	16,212	56	16,269

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 of 56 million yen indicates elimination for intersegment transactions.

4. Segment profit 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

No reportable information.

** 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.*