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## Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 10, 2023

Company name: Menicon Co., Ltd.  
Stock exchange listing: Tokyo, Nagoya  
Code number: 7780

URL: <https://www.menicon.com>

Representative: Hidenari Tanaka

CEO

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Scheduled date of filing quarterly securities report: February 10, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	82,463	10.4	10,585	31.7	10,411	28.6	6,858	28.0
December 31, 2021	74,705	17.8	8,038	16.3	8,093	12.4	5,358	8.9

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 7,987 million [ 37.9%]  
Nine months ended December 31, 2021: ¥ 5,791 million [ 6.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	90.44	83.45
December 31, 2021	70.89	65.35

(Note) Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Accordingly, the basic earnings per share and the diluted earnings per share are calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2022	150,511	73,981	47.8
March 31, 2022	130,978	67,045	49.7

(Reference) Equity: As of December 31, 2022: ¥ 71,873 million  
As of March 31, 2022: ¥ 65,093 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	20.00	20.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (Forecast)				20.00	20.00

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	108,500	8.3	11,700	17.5	11,200	11.4	7,400	14.2	97.55

(Note) Revision to the financial results forecast announced most recently: Yes

### \* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2022: 76,467,888 shares

March 31, 2022: 76,421,288 shares

2) Total number of treasury shares at the end of the period:

December 31, 2022: 574,932 shares

March 31, 2022: 645,332 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 75,836,080 shares

Nine months ended December 31, 2021: 75,585,137 shares

(Note) 1. Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. The average number of shares during the period is calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

2. The Company's shares held by "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)" are included in treasury shares, which are used in calculating the total number of treasury shares at the end of the period and deducted in calculating the average number of shares during the period.

\* **This summary of financial results is exempt from audit procedures.**

\* **Explanation regarding appropriate use of business results forecasts and other special instructions**

- Forecasts regarding future performance presented in this material include the outlook for the future, assumptions on which the plan is based, and projections as of the date of announcement of this material. Actual results may differ from the forecasts presented in this material due to various factors.
- For matters concerning the forecast of business results, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information” on Page 4 of the appendix.

## Table of contents of appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	4
(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information .....	4
2. Quarterly Consolidated Financial Statements and 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
(Notes on going concern assumption) .....	9
(Notes on significant changes in amount of shareholders' equity) .....	9
(Additional information) .....	9
(Segment information) .....	10

## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Business Results

During the period under review, the global economy continued to be on a path toward recovery with the normalization of economic activities. However, the outlook is becoming increasingly uncertain with concerns over future recession in many regions due to factors such as global inflation and the impact of the consequent financial tightening policy of governments around the world. The Japanese economy showed signs of recovery as the transition to a lifestyle in the era of living with COVID-19 progressed; however, the conspicuous price rises due in part to soaring prices of raw materials continues creating concerns about the impact on personal consumption trends.

In the contact lens market, there is an expansion trend in the overseas market for disposable contact lenses centering on daily disposable contact lenses, and demand for orthokeratology lenses effective on correcting vision is growing steadily. In the domestic market, the demand for daily disposable contact lenses made of highly safe silicone hydrogel materials is increasing. In addition, the demand for bifocal contact lenses increases steadily with the aging of the users and the increasing close work by teleworking.

Under these circumstances, the Group worked on the realization of our Vision 2030 slogan, “New Vision of Miru for the World” in accordance with our policy of promoting the provision of products and services that enable people to experience happiness and affluence through the five senses.

Performances in individual businesses are as follows.

#### [Domestic Vision Care Business]

According to the Group’s policy, in the Domestic Vision Care Business we are aiming to expand the market share of daily disposable contact lenses and to increase the number of MELS Plan members.

As for product measures, we launched “XC,” disposable contact lenses that can be replaced every three months, as well as “XC bifocal” which is a bifocal type of XC. These products are RGP contact lenses with high oxygen permeability, which achieved the specifications of the replacement every three months. Because of the regular replacement, users can enjoy the comfort of using lenses in a good condition on a regular basis, and in addition, it makes it easier for users to have spare lenses on hand. Furthermore, users can replace lenses as soon as they feel the lens malfunctioning, which makes it more convenient and comfortable to use RGP contact lenses.

In terms of promotional measures, we implemented the “Newly Launched - XC GeGeGe! Campaign” tied up with the animation “GeGeGe-no-Kitaro” in the period under review in step with the launch of “XC.” We also undertook to increase the number of MELS Plan members by implementing “MELS Plan Referral Campaign” to encourage new customers to join through referrals from existing members. In addition, as for the bifocal contact lens series “Lactive,” which newly include the aforementioned new product “XC bifocal,” we have continually invited Mr. Sho Sakurai as brand ambassador since the previous fiscal year to carry out promotion activities to enhance brand image and worked to catch demand for bifocal contact lenses, which is increasing in Japan.

#### [Overseas Vision Care Business]

According to the Group’s policy, in the Overseas Vision Care Business we are working on developing new sales channels and strengthening relationships to expand sales of disposable contact lenses and on strengthening the foundation of the myopia progression control business.

In Europe, net sales of daily disposable contact lenses and care products are in a trend of recovery as economic activity resumes despite an impact of inflation due in part to soaring energy prices. We worked on activities to increase sales, mainly of daily disposable contact lenses, by promoting sales of private brands and introducing our products to major mass retailers in the European region. In addition, we have built relationships with prescribers to establish a business foundation for the myopia progression control business mainly through activities in the academic area and pushed forward with the creation of a system toward fostering prescribers who are essential for popularizing the Menicon Bloom brand products.

In North America, despite being affected by ongoing inflation as in the case of Europe, soaring logistics costs and delivery delays in the supply chain have been eased. With the stabilization of the supply chain, the sales are on an expansion trend driven by online sales of care products. We are also developing new channels to further expand sales of daily disposable contact lenses to local mass retailers.

In China, we conducted sales activities while taking infection prevention measures under this circumstance, even though our sales and logistics functions were constrained by the impact of the city-centered ‘Zero-COVID’ policy. As a result, sales of our mainstay orthokeratology lenses and care products remained steady.

[Others]

The healthcare and life care businesses are concentrating on challenging to create health support and joy for people through the five senses.

In the period under review, the Food Business at the year-end trade war boosted the sales of overseas markets, besides we undertook to expand overseas sales channels for the composting promotion system resQ materials. In addition, based on “Dog Future Guarantee,” a core service of “&D,” we newly opened “&HAUS” in Kasama City of Ibaraki Prefecture as a facility to manage and operate services like adopt dogs that can no longer live with their owners, take care of those dogs for life or transfer them to new owners.

As a result of these efforts, the Group’s consolidated business results for the nine months ended December 31, 2022 were as follows.

Net sales increased by 10.4% year on year to ¥82,463 million as the result of the global economic recovery and the steady increasing sales in China as well as the impact of foreign exchange fluctuation. Operating profit increased by 31.7% year on year to ¥10,585 million and ordinary profit rose by 28.6% year on year to ¥10,411 million as a result of an increase in net sales and the efficient use of selling, general and administrative expenses. As a result of these efforts, profit attributable to owners of parent increased by 28.0% year on year to ¥6,858 million.

Business results by segment are as follows.

#### 1) Vision Care Business

Sales of the Vision Care Business were ¥76,693 million, an increase of 9.6% year on year. Segment profit was ¥14,365 million, an increase of 21.9% year on year. The details are as follows.

Sales of the Vision Care Business increased by ¥6,748 million year on year. This was primarily due to the recovery from the impact of COVID-19 and the steady increasing sales of orthokeratology lenses and care products in China. Overseas and domestic sales posted year-on-year increases of ¥5,007 million and ¥1,741 million, respectively. MELS Plan sales increased by ¥790 million year on year, mainly due to an increase in the membership of daily disposal contact lenses, which have higher average spend per head.

Segment profit increased by ¥2,580 million year on year due to the strong sales in the Overseas Vision Care Business.

#### 2) Others

Sales of Other business were ¥5,769 million for the nine months ended December 31, 2022, an increase of 21.2% year on year, mainly due to an increase in overseas sales in the Food Business.

Segment loss was ¥514 million, compared with a segment loss of ¥558 million for the same period of the previous year.

## (2) Explanation of Financial Position

### (Assets)

Total assets at the end of the third quarter of the fiscal year under review were ¥150,511 million, having increased by ¥19,532 million from the end of the previous fiscal year. Current assets increased by ¥12,862 million to ¥77,051 million mainly owing to an increase in cash and deposits resulting from the issuance of bonds. Non-current assets increased by ¥6,669 million to ¥73,460 million, primarily due to investment related to the construction of a manufacturing facility for daily disposable contact lenses at Menicon Malaysia Sdn. Bhd.

### (Liabilities and net assets)

Liabilities increased by ¥12,596 million from the end of the previous fiscal year to ¥76,529 million mainly due to the issuance of bonds.

Net assets increased by ¥6,936 million from the end of the previous fiscal year to ¥73,981 million mainly due to an increase in retained earnings resulting from profit attributable to owners of parent.

As a result, the capital adequacy ratio was 47.8%.

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

Business results for the nine months ended December 31, 2022 saw net sales trend firmly, as the sales of orthokeratology lenses-related products in Asia including China and the sales of daily disposable contact lenses in global market have been strong. Profit items in the earnings hierarchy below operating profit processed faster than expected in the consolidated business results forecast for the full year released on May 12, 2022 (the “previous forecast”), which is a result of high utilization efficiency of selling, general and administrative expenses. In the fourth quarter, net sales are expected to exceed the previous forecast resulted from the ongoing robust sales of orthokeratology lenses-related products in China and the revision of projected exchange rates. On the other hand, in the fourth quarter, the selling, general and administrative expenses to sales ratio is expected to increase as we plan to expend on advertising and sales promotion in order to attract customers during Japan’s peak demand season-spring, as well as to expand sales of products such as daily disposable contact lenses overseas, and to improve the corporate brand awareness. Considering the aforementioned scenario, we have revised the full-year consolidated business results forecast as released on May 12, 2022. The above business results forecast is based on information currently available to the Company as of the date of publication of these materials and actual results may differ from these forecasts due to various factors including foreign exchange fluctuations and the global trend of the COVID-19 pandemic.

Revised consolidated financial forecasts for the full fiscal year ending March 31, 2023.

(April 1, 2022 to March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast A	107,800	10,400	10,100	6,800	89.66
Revised forecast B	108,500	11,700	11,200	7,400	97.55
Difference B – A	700	1,300	1,100	600	–
Percentage change (%)	0.6%	12.5%	10.9%	8.8%	–
(Reference) Results of the previous year (Fiscal year ending March 31, 2022)	100,172	9,957	10,055	6,481	85.72

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
<b>Assets</b>		
Current assets		
Cash and deposits	33,046	42,026
Notes and accounts receivable - trade	11,269	13,032
Securities	-	20
Merchandise and finished goods	11,454	12,480
Work in process	1,304	1,053
Raw materials and supplies	3,025	3,479
Other	4,227	5,120
Allowance for doubtful accounts	(140)	(161)
Total current assets	64,188	77,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,286	27,939
Accumulated depreciation	(11,804)	(12,548)
Buildings and structures, net	14,481	15,391
Machinery, equipment and vehicles	26,617	28,460
Accumulated depreciation	(18,142)	(18,710)
Machinery, equipment and vehicles, net	8,475	9,750
Tools, furniture and fixtures	9,609	10,174
Accumulated depreciation	(7,998)	(8,524)
Tools, furniture and fixtures, net	1,611	1,649
Land	4,983	4,990
Leased assets	2,217	2,234
Accumulated depreciation	(516)	(689)
Leased assets, net	1,700	1,544
Right of use assets	6,462	7,062
Accumulated depreciation	(2,227)	(2,743)
Right of use assets, net	4,235	4,318
Construction in progress	13,924	18,637
Other	10	46
Accumulated depreciation	-	-
Other, net	10	46
Total property, plant and equipment	49,421	56,330
Intangible assets		
Goodwill	2,748	2,460
Patent right	484	379
Other	8,368	8,591
Total intangible assets	11,601	11,432
Investments and other assets		
Investment securities	515	544
Deferred tax assets	2,499	2,208
Other	2,764	2,944
Allowance for doubtful accounts	(11)	(0)
Total investments and other assets	5,767	5,697
Total non-current assets	66,790	73,460
<b>Total assets</b>	<b>130,978</b>	<b>150,511</b>



(Million yen)

	As of March 31,2022	As of December 31,2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,894	5,754
Short-term borrowings	82	106
Current portion of bonds payable	826	826
Current portion of long-term borrowings	1,891	1,637
Lease liabilities	2,000	1,606
Accounts payable - other	4,748	3,474
Income taxes payable	1,657	907
Provision for bonuses	2,028	1,184
Provision for point card certificates	14	10
Other	4,542	7,065
Total current liabilities	22,688	22,574
Non-current liabilities		
Bonds payable	2,226	16,500
Convertible-bond-type bonds with share acquisition rights	22,902	22,928
Long-term borrowings	7,459	6,006
Lease liabilities	5,049	4,841
Long-term accounts payable - other	1,330	1,299
Retirement benefit liability	705	739
Deferred tax liabilities	995	1,280
Asset retirement obligations	111	112
Other	462	245
Total non-current liabilities	41,244	53,955
Total liabilities	63,933	76,529
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,462	5,478
Capital surplus	7,249	7,266
Retained earnings	52,302	57,608
Treasury shares	(1,330)	(1,015)
Total shareholders' equity	63,684	69,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83	134
Foreign currency translation adjustment	1,325	2,401
Total accumulated other comprehensive income	1,409	2,536
Share acquisition rights	1,902	2,056
Non-controlling interests	49	51
Total net assets	67,045	73,981
Total liabilities and net assets	130,978	150,511

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	74,705	82,463
Cost of sales	35,318	38,091
Gross profit	39,386	44,372
Selling, general and administrative expenses	31,348	33,786
Operating profit	8,038	10,585
Non-operating income		
Interest income	13	24
Dividend income	11	12
Share of profit of entities accounted for using equity method	50	-
Foreign exchange gains	34	-
Subsidy income	44	32
Other	213	245
Total non-operating income	367	314
Non-operating expenses		
Interest expenses	266	274
Bond issuance costs	-	79
Share of loss of entities accounted for using equity method	-	10
Foreign exchange losses	-	87
Other	45	36
Total non-operating expenses	312	488
Ordinary profit	8,093	10,411
Extraordinary income		
Gain on sale of non-current assets	1	3
Total extraordinary income	1	3
Extraordinary losses		
Loss on retirement of non-current assets	32	43
Other	6	1
Total extraordinary losses	38	45
Profit before income taxes	8,056	10,369
Income taxes - current	2,484	3,003
Income taxes - deferred	214	504
Total income taxes	2,698	3,508
Profit	5,357	6,860
Profit (loss) attributable to non-controlling interests	(1)	2
Profit attributable to owners of parent	5,358	6,858

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

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	5,357	6,860
Other comprehensive income		
Valuation difference on available-for-sale securities	(26)	51
Foreign currency translation adjustment	459	1,044
Share of other comprehensive income of entities accounted for using equity method	1	31
Total other comprehensive income	433	1,126
Comprehensive income	5,791	7,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,792	7,985
Comprehensive income attributable to non-controlling interests	(1)	2

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in amount of shareholders' equity)

Not applicable.

(Additional information)

(Transaction to grant the Company's shares to employees, etc. through the trust)

We conducted transactions to grant the Company's shares to the Employee Shareholder Association through the trust with the purpose of enhancing employee benefits and providing incentives for improving the Company's corporate value.

#### 1. Overview of Transaction

We introduced a "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)" (hereinafter, the "Plan") in September 2021.

With the introduction of the Plan, the Company, as the settlor, entered into a "Stock Benefit Trust (Employee Shareholder Association Purchase-Type) Agreement" (hereinafter, the "Trust Agreement" ; and the trust established pursuant to the Trust Agreement is hereinafter referred to as the "Trust") with the trustee, Mizuho Trust & Banking Co., Ltd. (hereinafter, the "Trustee"). Additionally, the Trustee entered into a re-trust agreement with the Custody Bank of Japan, Ltd. regarding management of securities and other trust assets with the Custody Bank of Japan, Ltd. as the sub-trustee.

The Custody Bank of Japan, Ltd. has been entitled to collectively acquire in advance to the Trust E Account established at the Custody Bank of Japan, Ltd. a number of the Company's shares equivalent to the number of shares anticipated to be purchased by the Shareholder Association over the next five years, and then regularly sell the Company's shares when the shares are purchased by the Shareholder Association. If proceeds from sale of shares are accumulated in trust assets for the Trust up through the time of expiration of the Trust through the sale of the Company's shares from the Trust E Account to the Shareholder Association, such proceeds shall be distributed as residual assets to members of the Shareholder Association who satisfy the beneficiary eligibility requirements.

Additionally, since the Company provides a guarantee when the Trustee takes out a loan in order for the Trust E Account to acquire the Company's shares, if the Trustee has an outstanding loan balance equal to loss on the sale of shares as of the time of expiration of the Trust due to a decline in the Company's share price, etc., the Company will pay off the outstanding loan balance pursuant to the guarantee agreement.

#### 2. Residual Company's Shares Held in the Trust

The residual Company's shares held in the Trust are recorded at the book value in the trust (excluding incidental expenses) as treasury shares under net assets. The book value and number of shares of such treasury shares are ¥1,007 million and 225 thousand shares, respectively, for the previous fiscal year, and ¥692 million and 154 thousand shares, respectively, for the third quarter of the fiscal year under review.

#### 3. Book Value of Borrowings Recorded Through the Application of Total Amount Method

¥1,073 million for the previous consolidated fiscal year, ¥864 million for the third quarter of the fiscal year under review.

(Accounting estimate for the impact of the spread of COVID-19 infection)

There are no significant changes to assumptions, including about the future spread of COVID-19 and the timing of its containment, as described in (Additional information) in the Annual Securities Report for the previous consolidated fiscal year.

(Segment information)

For the nine months ended December 31, 2021

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment		Others (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	69,945	69,945	4,760	74,705
Inter-segment net sales or transfers	—	—	—	—
Total	69,945	69,945	4,760	74,705
Segment profit (loss)	11,784	11,784	(558)	11,225

(Note) “Others” is a business segment not included in the reportable segment, including the healthcare and life care businesses.

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	11,784
Profit of “Others” (loss)	(558)
Corporate expenses (Note)	(3,187)
Operating profit stated in the consolidated statement of income	8,038

(Note) Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

For the nine months ended December 31, 2022

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment		Others (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	76,693	76,693	5,769	82,463
Inter-segment net sales or transfers	—	—	—	—
Total	76,693	76,693	5,769	82,463
Segment profit (loss)	14,365	14,365	(514)	13,851

(Note) “Others” is a business segment not included in the reportable segment, including the healthcare and life care businesses.

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	14,365
Profit of “Others” (loss)	(514)
Corporate expenses (Note)	(3,265)
Operating profit stated in the consolidated statement of income	10,585

(Note) Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.