

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017
(Six Months Ended September 30, 2016)

[Japanese GAAP]

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(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, 2017
(April 1, 2016 – September 30, 2016)

(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, 2016	71,298	(7.8)	6,465	(9.9)	6,822	(9.1)	4,191	(14.0)
Six months ended Sep. 30, 2015	77,341	15.0	7,173	38.0	7,509	33.4	4,873	36.2

Note: Comprehensive income (Millions of yen): Six months ended Sep. 30, 2016: (766) (-%)
 Six months ended Sep. 30, 2015: 3,974 (up 8.3%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	36.83	36.68
Six months ended Sep. 30, 2015	42.88	42.70

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2016	167,895	109,509	64.7
As of Mar. 31, 2016	179,573	111,271	61.4

Reference: Shareholders' equity (Millions of yen): As of Sep. 30, 2016: 108,559 As of Mar. 31, 2016: 110,240

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	10.00	-	10.00	20.00
Fiscal year ending Mar. 31, 2017	-	10.00			
Fiscal year ending Mar. 31, 2017 (forecast)			-	11.00	21.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	150,500	(9.9)	13,100	(16.5)	13,400	(12.6)	7,500	(17.6)	65.88

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 5 of the attachments "2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Preparation of 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 5 of the attachments "2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting Estimates, and Restatements" 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, 2016:	117,936,284 shares	As of Mar. 31, 2016:	117,929,250 shares
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2) Number of shares of treasury shares at the end of the period:

As of Sep. 30, 2016:	4,098,166 shares	As of Mar. 31, 2016:	4,187,266 shares
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3) Average number of shares outstanding during the period:

Six months ended Sep. 30, 2016:	113,792,632 shares	Six months ended Sep. 30, 2015:	113,634,884 shares
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Note: Numbers of shares of treasury shares as of September 30, 2016 and March 31, 2016 include the Company's stock held by the ESOP trust (79,500 shares and 168,600 shares respectively at the end of the each period).

Note 1: Indication of quarterly review procedure implementation status

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for these consolidated financial statements have not been completed.

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 Forecast and Other Forward-looking Statements."

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the Japanese economy experienced a mild recovery trend amid higher corporate revenues and an improving employment and household income environment. However, the outlook remains uncertain due to concerns about a slowdown in the global economy, especially in China, Brexit and other factors.

The Rohto Group has moved into new fields with customer-oriented product development and marketing activities. In its existing categories, the Group has developed high value-added products in response to changing consumer needs and endeavored to reinvigorate markets.

In total, net sales decreased 7.8% year-on-year, to 71,298 million yen. In Japan, this decrease was influenced by factors including continued intensifying competition, unseasonable weather as well as changes made to rebate system that lowered pharmaceutical products shipping prices. Overseas, sales fell due to the effect of the yen's appreciation and the strong impact of China's economic slowdown in Asia.

Regarding profits, operating income decreased 9.9% year-on-year to 6,465 million yen and ordinary income decreased 9.1% to 6,822 million yen, and profit attributable to owners of parent decreased 14.0% to 4,191 million yen. These falls were attributable to a decline in sales as well as ongoing up-front investments to enter new business fields.

Results by business segment are as follows.

Japan

Sales to customers decreased 2.0% year-on-year, to 46,994 million yen.

The core eyecare products such as eyedrops for the middle-aged and older and contact lenses products performed well while sales of skincare products, internal medicines and food products struggled. Sales for the core "Hada-Labo" series fell sharply. In addition, the severe late summer heat that lasted longer caused a delay in updating seasonal merchandising at stores, resulting in deferred shipment of autumn and winter skincare products. Meanwhile, the "DeOu" men's deodorant brand sold well while the "Melano CC medicated intensive spot correcting serum" and other products also sold strongly, helped by demand from foreign visitors to Japan.

Segment profit (operating income) matched those of the previous first half to reach 4,927 million yen as efforts to make efficient use of other selling, general, and administrative expenses such as research and development expenses offset costs for up-front investments to enter new business fields.

America

Sales to customers decreased 14.3 % year-on-year, to 3,096 million yen.

The effects of the strong yen led to slow sales for the core lip cream products and for "Oxy," which continued to face fierce competition, although sales of eye drops performed well.

Segment loss (operating loss) was 481 million yen (compared with 693 million yen loss in the same period of the previous fiscal year). The loss improved due to effective use of advertising and sales promotion expenses.

Europe

Sales to customers decreased 15.3% year-on-year, to 3,638 million yen.

Strong performances from the “*Deep Heat*” series of anti-inflammatory analgesic products as well as steady results of Dax Cosmetics, a subsidiary acquired in 2014, contributed to a rise in sales on a local currency basis.

Segment profit (operating income) decreased 20.9% year-on-year to 277 million yen.

Asia

Sales to customers decreased 18.7 % year-on-year, to 16,595 million yen.

Although our group companies in Vietnam, Indonesia, and elsewhere performed well, sales fell overall due to China’s worsening economic environment and increasing competition.

Segment profit (operating income) decreased 31.9% year-on-year, to 1,615 million yen due to weak sales, despite effective use of advertising and sales promotion expenses.

Others

In “Others,” excluded from reportable segments, sales to customers decreased 7.4% year-on-year, to 973 million yen.

Segment profit (operating income) decreased 40.5% year-on-year, to 52 million yen.

Note: The above amounts do not include consumption taxes.

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

Total assets at the end of the second quarter decreased 11,677 million yen from the end of the previous fiscal year to 167,895 million yen. This was mainly due to decreases of 7,859 million yen in notes and accounts receivable-trade, 4,569 million yen in cash and deposits, and 1,414 million yen in electronically recorded monetary claims-operating, while there was an increase of 1,772 million yen in investment securities.

Total liabilities decreased 9,915 million yen from the end of the previous fiscal year to 58,386 million yen. This was mainly due to decreases of 7,941 million yen in accrued expenses, 1,891 million yen in income taxes payable, 509 million yen in provision for sales returns, and 481 million yen in short-term loans payable, while there was an increase of 985 million yen in notes and accounts payable-trade.

Net assets decreased 1,762 million yen from the end of the previous fiscal year to 109,509 million yen. This was mainly due to a decrease of 4,931 million yen in foreign currency translation adjustment, while there was an increase of 3,052 million yen in retained earnings.

2) Consolidated cash flow position

During the first half of the current fiscal year, there was a net decrease of 4,412 million yen in cash and cash equivalents to 18,083 million yen.

Operating activities

Net cash provided by operating activities decreased 1,968 million yen year-on-year to 3,524 million yen. Profit before income taxes was 6,123 million yen, and there were inflow factors of a decrease of 6,896 million yen in notes and accounts receivable-trade, depreciation of 2,662 million yen and an increase of 1,811 million yen in notes and accounts payable-trade, while there were outflow factors of a decrease of 6,419 million yen in accrued expenses, income tax paid of 3,675 million yen, and an increase of 3,466 million yen in inventories.

Investing activities

Net cash used in investing activities increased 3,143 million yen year-on-year to 4,679 million yen. This was mainly due to purchase of investment securities of 2,670 million yen, purchase of property, plant and equipment of 1,617 million yen, and payments of long-term loans receivable of 674 million yen., while there were proceeds from withdrawal of time deposits of 512 million yen.

Financing activities

Net cash used in financing activities decreased 1,466 million yen year-on-year to 1,474 million yen. This was mainly due to cash dividends paid of 1,139 million yen and the repayment of long-term loans payable of 378 million yen.

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

(Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017)

	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)	163,000	15,500	15,200	9,500	83.47
Revised forecast (B)	150,500	13,100	13,400	7,500	65.88
Change (B – A)	(12,500)	(2,400)	(1,800)	(2,000)	-
Percentage change (%)	(7.7)	(15.5)	(11.8)	(21.1)	-

Taking into account the first half results, the foreign exchange effects of the strong yen, and changes in the market environment in Japan and other countries, we are revising the full-year consolidated earnings forecast released on May 13, 2016 as mentioned above.

The Company has revised the exchange rate from 110 yen to the U.S. dollar to 105 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. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No reportable information.

(2) 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.

(3) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in accounting policies

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

The effect of this change on the operating income, ordinary income and profit before income taxes for the second quarter is insignificant.

(4) Additional Information

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current Second Quarter End (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	23,073	18,504
Notes and accounts receivable-trade	37,327	29,467
Electronically recorded monetary claims-operating	11,654	10,240
Merchandise and finished goods	13,241	14,904
Work in process	2,260	2,715
Raw materials and supplies	7,534	7,785
Other	6,817	7,776
Allowance for doubtful accounts	(157)	(287)
Total current assets	101,752	91,106
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,322	20,577
Other, net	26,717	25,338
Total property, plant and equipment	48,040	45,916
Intangible assets		
Goodwill	1,130	892
Other	2,372	1,972
Total intangible assets	3,502	2,865
Investments and other assets		
Investment securities	21,405	23,178
Other	6,558	6,780
Allowance for doubtful accounts	(1,686)	(1,951)
Total investments and other assets	26,277	28,007
Total non-current assets	77,821	76,788
Total assets	179,573	167,895

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current Second Quarter End (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,796	10,781
Electronically recorded obligations-operating	2,559	2,703
Short-term loans payable	4,452	3,971
Accrued expenses	27,280	19,338
Income taxes payable	3,645	1,753
Provision for bonuses	2,064	2,047
Provision for directors' bonuses	30	15
Provision for sales returns	1,239	730
Provision for sales rebates	2,290	2,200
Other	5,999	6,412
Total current liabilities	59,357	49,953
Non-current liabilities		
Long-term loans payable	994	936
Net defined benefit liability	5,381	5,029
Other	2,568	2,467
Total non-current liabilities	8,944	8,433
Total liabilities	68,301	58,386
Net assets		
Shareholders' equity		
Capital stock	6,411	6,415
Capital surplus	5,738	5,742
Retained earnings	98,675	101,727
Treasury shares	(5,207)	(5,063)
Total shareholders' equity	105,618	108,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438	5,334
Foreign currency translation adjustment	1,296	(3,635)
Remeasurements of defined benefit plans	(2,113)	(1,962)
Total accumulated other comprehensive income	4,621	(263)
Subscription rights to shares	568	560
Non-controlling interests	462	389
Total net assets	111,271	109,509
Total liabilities and net assets	179,573	167,895

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

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2015 – Sep. 30, 2015)	Current Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	77,341	71,298
Cost of sales	31,803	29,787
Gross profit	45,538	41,511
Provision for sales returns	60	-
Reversal of provision for sales returns	-	20
Gross profit-net	45,478	41,531
Selling, general and administrative expenses	38,304	35,065
Operating income	7,173	6,465
Non-operating income		
Interest income	145	97
Dividend income	261	359
Share of profit of entities accounted for using equity method	36	-
Other	134	198
Total non-operating income	578	655
Non-operating expenses		
Interest expenses	88	66
Share of loss of entities accounted for using equity method	-	168
Foreign exchange losses	69	23
Other	85	38
Total non-operating expenses	242	297
Ordinary income	7,509	6,822
Extraordinary income		
Gain on sales of investment securities	91	-
Total extraordinary income	91	-
Extraordinary losses		
Loss on valuation of investment securities	175	329
Loss on valuation of shares of subsidiaries and associates	56	6
Provision for doubtful accounts	100	360
Provision for doubtful accounts for subsidiaries and associates	38	3
Total extraordinary losses	369	698
Profit before income taxes	7,231	6,123
Income taxes	2,362	1,939
Profit	4,869	4,184
Loss attributable to non-controlling interests	(4)	(6)
Profit attributable to owners of parent	4,873	4,191

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

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2015 – Sep. 30, 2015)	Current Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)
Profit	4,869	4,184
Other comprehensive income		
Valuation difference on available-for-sale securities	(812)	(96)
Foreign currency translation adjustment	(147)	(4,754)
Remeasurements of defined benefit plans, net of tax	43	150
Share of other comprehensive income of entities accounted for using equity method	21	(251)
Total other comprehensive income	(894)	(4,951)
Comprehensive income	3,974	(766)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,975	(693)
Comprehensive income attributable to non-controlling interests	(0)	(73)

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

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2015 – Sep. 30, 2015)	Current Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	7,231	6,123
Depreciation	3,072	2,662
Amortization of goodwill	159	178
Increase (decrease) in allowance for doubtful accounts	59	80
Increase (decrease) in provision for bonuses	160	(10)
Increase (decrease) in net defined benefit liability	60	(199)
Increase (decrease) in provision for sales returns	60	(509)
Increase (decrease) in provision for sales rebates	240	(90)
Provision for doubtful accounts	100	360
Provision for doubtful accounts for subsidiaries and associates	38	3
Loss (gain) on sales of investment securities	(91)	-
Loss (gain) on valuation of investment securities	175	329
Loss on valuation of shares of subsidiaries and associates	56	6
Interest and dividend income	(407)	(456)
Interest expenses	88	66
Share of (profit) loss of entities accounted for using equity method	(36)	168
Decrease (increase) in notes and accounts receivable - trade	(1,518)	6,896
Decrease (increase) in inventories	(2,535)	(3,466)
Increase (decrease) in notes and accounts payable - trade	4,068	1,811
Increase (decrease) in accrued expenses	(3,683)	(6,419)
Other, net	(1,191)	(777)
Subtotal	6,104	6,758
Interest and dividend income received	368	466
Interest expenses paid	(86)	(47)
Income taxes paid	(1,306)	(3,675)
Income taxes refund	413	23
Net cash provided by (used in) operating activities	5,493	3,524
Cash flows from investing activities		
Payments into time deposits	(458)	(433)
Proceeds from withdrawal of time deposits	630	512
Purchase of property, plant and equipment	(2,284)	(1,617)
Purchase of intangible assets	(89)	(93)
Purchase of investment securities	(1,210)	(2,670)
Proceeds from sales and redemption of investment securities	2,124	-
Net decrease (increase) in short-term loans receivable	0	189
Payments of long-term loans receivable	(213)	(674)
Other, net	(34)	107
Net cash provided by (used in) investing activities	(1,535)	(4,679)

	(Millions of yen)	
	Prior Second Quarter (Apr. 1, 2015 – Sep. 30, 2015)	Current Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,821)	(130)
Proceeds from long-term loans payable	550	50
Repayments of long-term loans payable	(720)	(378)
Cash dividends paid	(1,139)	(1,139)
Proceeds from share issuance to non-controlling shareholders	77	-
Other, net	112	123
Net cash provided by (used in) financing activities	(2,940)	(1,474)
Effect of exchange rate change on cash and cash equivalents	99	(1,783)
Net increase (decrease) in cash and cash equivalents	1,116	(4,412)
Cash and cash equivalents at beginning of period	25,093	22,495
Cash and cash equivalents at end of period	26,209	18,083

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

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Segment Information**I. Prior Second Quarter (Apr. 1, 2015 – Sep. 30, 2015)****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	47,957	3,612	4,298	20,422	76,290	1,051	77,341	-	77,341
(2) Inter-segment sales and transfers	803	661	2	1,569	3,037	8	3,045	(3,045)	-
Total	48,760	4,274	4,300	21,991	79,327	1,059	80,387	(3,045)	77,341
Segment profit (loss)	4,926	(693)	351	2,373	6,958	88	7,046	126	7,173

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 126 million yen indicates elimination for intersegment transactions.

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

II. Current Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)**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	46,994	3,096	3,638	16,595	70,324	973	71,298	-	71,298
(2) Inter-segment sales and transfers	1,083	613	0	1,518	3,217	20	3,238	(3,238)	-
Total	48,077	3,710	3,639	18,114	73,542	994	74,536	(3,238)	71,298
Segment profit (loss)	4,927	(481)	277	1,615	6,339	52	6,391	73	6,465

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 73 million yen indicates elimination for intersegment transactions.

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

** 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.*