

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021

(Six Months Ended September 30, 2020)

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: November 13, 2020
 Scheduled date of dividend payment: December 3, 2020
 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, 2021

(April 1, 2020 – September 30, 2020)

(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, 2020 | 83,004 | (8.2) | 10,779 | 3.7 | 11,090 | 1.9 | 6,178 | (15.4) |
| Six months ended Sep. 30, 2019 | 90,428 | 3.6 | 10,393 | (3.0) | 10,883 | (1.8) | 7,305 | (0.2) |

Note: Comprehensive income (Millions of yen): Six months ended Sep. 30, 2020: 5,765 (21.0%)
 Six months ended Sep. 30, 2019: 4,762 (32.9%)

| | Basic net income per share | Diluted net income per share |
|--------------------------------|----------------------------|------------------------------|
| | Yen | Yen |
| Six months ended Sep. 30, 2020 | 54.17 | 54.01 |
| Six months ended Sep. 30, 2019 | 64.07 | 63.86 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Sep. 30, 2020 | 214,788 | 144,310 | 66.7 |
| As of Mar. 31, 2020 | 215,301 | 140,032 | 64.5 |

Reference: Shareholders' equity (Millions of yen): As of Sep. 30, 2020: 143,260 As of Mar. 31, 2020: 138,899

2. Dividends

| | Dividend per share | | | | |
|---|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended Mar. 31, 2020 | - | 13.00 | - | 13.00 | 26.00 |
| Fiscal year ending Mar. 31, 2021 | - | 13.00 | | | |
| Fiscal year ending Mar. 31, 2021 (forecast) | | | - | 14.00 | 27.00 |

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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 | 183,000 | (2.8) | 21,800 | (5.6) | 22,100 | (2.8) | 14,000 | (9.2) | 122.73 |

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

*** Notes**

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

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

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

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

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

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

3) Changes in accounting estimates: None

4) Restatements: None

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

(4) Number of common shares issued

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

| | | | |
|----------------------|--------------------|----------------------|--------------------|
| As of Sep. 30, 2020: | 118,089,155 shares | As of Mar. 31, 2020: | 118,089,155 shares |
|----------------------|--------------------|----------------------|--------------------|

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

| | | | |
|----------------------|------------------|----------------------|------------------|
| As of Sep. 30, 2020: | 4,019,012 shares | As of Mar. 31, 2020: | 4,018,988 shares |
|----------------------|------------------|----------------------|------------------|

3) Average number of shares outstanding during the period:

| | | | |
|---------------------------------|--------------------|---------------------------------|--------------------|
| Six months ended Sep. 30, 2020: | 114,070,160 shares | Six months ended Sep. 30, 2019: | 114,013,590 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

In the first half of the current fiscal year, the global spread of Covid-19 sharply highlighted the economic sluggishness in Japan. Despite signs of a moderate recovery in consumer spending following the lifting of the state of emergency, concerns over the risks of an economic downturn, including job insecurity, rose and consumers increasingly tended to economize. In foreign countries as well, uncertainty about the future continued due to restrictions on economic activity resulting from orders to stay at home, discontinued corporate activity, and free mobility restrictions.

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.

In total, net sales decreased 8.2% year-on-year to 83,004 million yen. In Japan, sales of sunscreens, lip balm and contact lens products fell in reaction to the surge in demand prior to the 2019 consumption tax hike and the impact of voluntary restraint on going outside. On the other hand, high value-added eye drops sold well and sales of Nitten Pharmaceutical Co., Ltd. which became a subsidiary in March contributed to an increase as well. Overseas sales decreased in each region due to the impact of the global spread of Coronavirus pandemic.

Profits benefited from an efficient use of selling, general and administrative expenses despite lower sales. As a result, operating income increased by 3.7% year-on-year to 10,779 million yen, ordinary income increased by 1.9% to 11,090 million yen, and profit attributable to owners of parent decreased 15.4% to 6,178 million yen.

Results by reportable segment are as follows.

Japan

Sales to customers decreased 5.2% year-on-year to 55,356 million yen.

Sales of sunscreen, lip balm and contact lens products fell due to the impact of voluntary restraint on going outside following the spread of Covid-19, and demand from foreign tourists visiting Japan was sluggish. Sales also fell in reaction to the surge in demand prior to the 2019 consumption tax hike.

On the other hand, high value-added eye drops and “Deoco” sold well. In addition, Nitten Pharmaceutical Co., Ltd. and another group company for pharmaceutical drugs contract development and manufacturing performed strongly. Segment profit (operating income) rose 9.9% year-on-year to 7,797 million yen. The increase despite sluggish sales came from efforts to reduce costs and make efficient use of selling, general and administrative expenses. As other factors, the fees of structural reforms, which we have been working on since 2018, were all paid out. Additionally, Nitten Pharmaceutical Co., Ltd., a new subsidiary to the Group, also contributed to profits.

America

Sales to customers decreased 12.2% year-on-year to 3,787 million yen.

Although sales of eye drops were sluggish because people refrained from going out due to Covid-19, “Mentholatum Ointment” sales increased.

Segment profit (operating income) slightly bounced back to 88 million yen (from 182 million yen loss in prior first half) due to efficient use of selling, general and administrative expenses, while sales struggled to grow.

Europe

Sales to customers decreased 15.9% year-on-year to 3,691 million yen.

Sales of the leading anti-inflammatory analgesic products and cosmetics significantly decreased due to lockdowns for Covid-19.

Segment profit (operating income) increased 308.7% year-on-year to 248 million yen due to lower sales promotion and advertising expenses.

Asia

Sales to customers decreased 13.7% year-on-year to 19,338 million yen.

Economic activity has returned to normal in Taiwan and other places that have effectively controlled the impact of Covid-19, and Vietnam's domestic sales have also performed strongly. Sales in our core market of China are also on a recovery trend.

Segment profit (operating income) decreased 16.5% year-on-year to 2,690 million yen despite efforts to reduce sales promotion and advertising expenses in a difficult sales environment.

Others

In "Others," excluded from reportable segments, sales to customers decreased 9.0% year-on-year to 830 million yen. Segment profit (operating income) decreased 32.9% year-on-year to 40 million yen.

Note: The above amounts do not include consumption taxes.

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

Total assets at the end of the second quarter decreased 512 million yen from the end of the previous fiscal year to 214,788 million yen. This was mainly due to increases of 1,751 million yen in cash and deposit, 2,285 million yen in merchandise and finished goods and 1,499 million yen in raw materials and supplies, while there was a decrease of 5,854 million yen in electronically recorded monetary claims-operating.

Total liabilities decreased 4,791 million yen from the end of the previous fiscal year to 70,477 million yen. This was mainly due to increases of 1,481 million yen in long-term loans payable and 1,114 million yen in notes and accounts payable-trade, while there were decreases of 4,391 million yen in accrued expenses and 1,808 million yen in income taxes payable.

Net assets increased 4,278 million yen from the end of the previous fiscal year to 144,310 million yen. This was mainly due to an increase of 4,695 million yen in retained earnings and 1,122 million yen in valuation difference on available-for-sale securities, while there was a decrease of 1,539 million yen in foreign currency translation adjustment.

2) Consolidated cash flow position

During the first half of the current fiscal year, there was a net increase of 1,731 million yen in cash and cash equivalents to 46,397 million yen.

Operating activities

Net cash provided by operating activities decreased 878 million yen year-on-year to 6,586 million yen. Profit before income taxes was 9,050 million yen, and there were inflow factors of depreciation of 2,943 million yen and a decrease of 6,584 million yen in notes and accounts receivable-trade, while there were outflow factors of an increase of 4,110 million yen in inventories, income tax paid of 4,610 million yen and a decrease of 4,025 million yen in accrued expenses.

Investing activities

Net cash used in investing activities increased 1,851 million yen year-on-year to 4,309 million yen. This was mainly due to the purchase of property, plant and equipment of 3,482 million yen and purchase of investment securities of 543 million yen, while there were proceeds from withdrawal of time deposits of 349 million yen.

Financing activities

Net cash used in financing activities increased 4,108 million yen year-on-year to 398 million yen. This was mainly due to proceeds from long-term loans payable of 2,883 million yen, while there were cash dividends paid of 1,482 million yen and repayments of long-term loans payable of 939 million yen.

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

There is no change in the full-year consolidated earnings forecast that was released on May 12, 2020. Results of operations for the first half trended generally in line with our plan.

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

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

| | (Millions of yen) | |
|---|--|---|
| | Prior Fiscal Year End (As of Mar. 31, 2020) | Current Second Quarter End (As of Sep. 30, 2020) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 45,307 | 47,058 |
| Notes and accounts receivable-trade | 32,900 | 31,449 |
| Electronically recorded monetary claims- operating | 17,893 | 12,039 |
| Merchandise and finished goods | 16,504 | 18,789 |
| Work in process | 3,218 | 3,003 |
| Raw materials and supplies | 10,903 | 12,403 |
| Other | 3,757 | 4,917 |
| Allowance for doubtful accounts | (377) | (246) |
| Total current assets | 130,108 | 129,415 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 20,048 | 20,029 |
| Other, net | 28,412 | 28,554 |
| Total property, plant and equipment | 48,460 | 48,584 |
| Intangible assets | | |
| Goodwill | 3,373 | 3,072 |
| Other | 1,945 | 1,880 |
| Total intangible assets | 5,318 | 4,952 |
| Investments and other assets | | |
| Investment securities | 23,880 | 24,616 |
| Other | 10,258 | 10,197 |
| Allowance for doubtful accounts | (2,725) | (2,977) |
| Total investments and other assets | 31,413 | 31,836 |
| Total non-current assets | 85,192 | 85,373 |
| Total assets | 215,301 | 214,788 |

| | (Millions of yen) | |
|---|--|---|
| | Prior Fiscal Year End (As of Mar. 31, 2020) | Current Second Quarter End (As of Sep. 30, 2020) |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 11,324 | 12,439 |
| Electronically recorded obligations-operating | 2,919 | 2,485 |
| Short-term loans payable | 2,105 | 2,574 |
| Accrued expenses | 25,629 | 21,238 |
| Income taxes payable | 4,555 | 2,747 |
| Provision for bonuses | 2,643 | 2,513 |
| Provision for directors' bonuses | 40 | 15 |
| Provision for sales returns | 557 | 507 |
| Provision for sales rebates | 2,178 | 2,255 |
| Other | 10,161 | 8,952 |
| Total current liabilities | 62,117 | 55,727 |
| Non-current liabilities | | |
| Long-term loans payable | 5,190 | 6,672 |
| Net defined benefit liability | 4,317 | 4,316 |
| Provision for loss on guarantees | 1,957 | 1,947 |
| Other | 1,685 | 1,813 |
| Total non-current liabilities | 13,151 | 14,750 |
| Total liabilities | 75,269 | 70,477 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,504 | 6,504 |
| Capital surplus | 5,661 | 5,661 |
| Retained earnings | 131,985 | 136,681 |
| Treasury shares | (4,935) | (4,935) |
| Total shareholders' equity | 139,215 | 143,911 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,144 | 5,266 |
| Foreign currency translation adjustment | (2,617) | (4,156) |
| Remeasurements of defined benefit plans | (1,843) | (1,761) |
| Total accumulated other comprehensive income | (316) | (651) |
| Subscription rights to shares | 382 | 382 |
| Non-controlling interests | 749 | 667 |
| Total net assets | 140,032 | 144,310 |
| Total liabilities and net assets | 215,301 | 214,788 |

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

(Millions of yen)

| | Prior Second Quarter (Apr. 1, 2019 – Sep. 30, 2019) | Current Second Quarter (Apr. 1, 2020 – Sep. 30, 2020) |
|---|--|--|
| Net sales | 90,428 | 83,004 |
| Cost of sales | 36,812 | 34,046 |
| Gross profit | 53,615 | 48,957 |
| Provision for sales returns | 49 | - |
| Reversal of provision for sales returns | - | 50 |
| Gross profit-net | 53,565 | 49,008 |
| Selling, general and administrative expenses | 43,172 | 38,228 |
| Operating income | 10,393 | 10,779 |
| Non-operating income | | |
| Interest income | 238 | 184 |
| Dividend income | 287 | 200 |
| Share of profit of entities accounted for using equity method | - | 178 |
| Other | 382 | 315 |
| Total non-operating income | 907 | 878 |
| Non-operating expenses | | |
| Interest expenses | 64 | 65 |
| Share of loss of entities accounted for using equity method | 195 | - |
| Provision of allowance for doubtful accounts | - | 263 |
| Other | 156 | 239 |
| Total non-operating expenses | 417 | 567 |
| Ordinary income | 10,883 | 11,090 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 153 | - |
| Total extraordinary income | 153 | - |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | - | 82 |
| Impairment loss | - | 379 |
| Loss on valuation of investment securities | 298 | 1,331 |
| Loss on sales of shares of subsidiaries and associates | - | 16 |
| Loss on valuation of shares of subsidiaries and associates | 143 | 229 |
| Provision for doubtful accounts | 109 | - |
| Provision for doubtful accounts for subsidiaries and associates | 7 | - |
| Total extraordinary losses | 558 | 2,040 |
| Profit before income taxes | 10,478 | 9,050 |
| Income taxes | 3,149 | 2,864 |
| Profit | 7,329 | 6,186 |
| Profit attributable to non-controlling interests | 24 | 7 |
| Profit attributable to owners of parent | 7,305 | 6,178 |

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

(Millions of yen)

| | Prior Second Quarter (Apr. 1, 2019 – Sep. 30, 2019) | Current Second Quarter (Apr. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Profit | 7,329 | 6,186 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (446) | 1,121 |
| Foreign currency translation adjustment | (2,185) | (1,612) |
| Remeasurements of defined benefit plans, net of tax | 78 | 81 |
| Share of other comprehensive income of entities accounted for using equity method | (12) | (11) |
| Total other comprehensive income | (2,566) | (421) |
| Comprehensive income | 4,762 | 5,765 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 4,748 | 5,843 |
| Comprehensive income attributable to non-controlling interests | 14 | (78) |

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

(Millions of yen)

| | Prior Second Quarter (Apr. 1, 2019 – Sep. 30, 2019) | Current Second Quarter (Apr. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Cash flows from operating activities | | |
| Income before income taxes and non-controlling interests | 10,478 | 9,050 |
| Depreciation | 2,864 | 2,943 |
| Impairment loss | - | 379 |
| Amortization of goodwill | 236 | 265 |
| Increase (decrease) in allowance for doubtful accounts | (88) | (130) |
| Increase (decrease) in provision for bonuses | 85 | (127) |
| Increase (decrease) in net defined benefit liability | (119) | 87 |
| Increase (decrease) in provision for sales returns | 49 | (50) |
| Increase (decrease) in provision for sales rebates | (133) | 76 |
| Provision for doubtful accounts | 109 | 263 |
| Provision for doubtful accounts for subsidiaries and associates | 7 | - |
| Loss on disposal of fixed assets | - | 82 |
| Loss (gain) on valuation of investment securities | 298 | 1,331 |
| Loss on valuation of shares of subsidiaries and associates | 143 | 229 |
| Loss (gain) on sales shares of subsidiaries and associates | - | 16 |
| Loss (gain) on sales of fixed assets | (153) | - |
| Interest and dividend income | (525) | (385) |
| Interest expenses | 64 | 65 |
| Share of (profit) loss of entities accounted for using equity method | 195 | (178) |
| Decrease (increase) in notes and accounts receivable - trade | 2,588 | 6,584 |
| Decrease (increase) in inventories | (949) | (4,110) |
| Increase (decrease) in notes and accounts payable - trade | (9) | 1,024 |
| Increase (decrease) in accrued expenses | (2,230) | (4,025) |
| Other, net | (2,550) | (2,592) |
| Subtotal | 10,363 | 10,799 |
| Interest and dividend income received | 542 | 401 |
| Interest expenses paid | (25) | (19) |
| Income taxes paid | (3,420) | (4,610) |
| Income taxes refund | 5 | 15 |
| Net cash provided by (used in) operating activities | 7,464 | 6,586 |

| | (Millions of yen) | |
|---|--|--|
| | Prior Second Quarter (Apr. 1, 2019 – Sep. 30, 2019) | Current Second Quarter (Apr. 1, 2020 – Sep. 30, 2020) |
| Cash flows from investing activities | | |
| Payments into time deposits | (335) | (389) |
| Proceeds from withdrawal of time deposits | 422 | 349 |
| Purchase of property, plant and equipment | (2,251) | (3,482) |
| Proceeds from sales of fixed assets | 2,129 | 125 |
| Purchase of intangible assets | (507) | (211) |
| Purchase of investment securities | (1,896) | (543) |
| Purchase of Investments in subsidiaries with change in scope of consolidation | - | (0) |
| Payments of long-term loans receivable | (141) | (218) |
| Collection of long-term loans receivable | 101 | 61 |
| Other, net | 21 | (0) |
| Net cash provided by (used in) investing activities | (2,457) | (4,309) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,998) | 33 |
| Proceeds from long-term loans payable | 532 | 2,883 |
| Repayments of long-term loans payable | (562) | (939) |
| Cash dividends paid | (1,595) | (1,482) |
| Other, net | (84) | (95) |
| Net cash provided by (used in) financing activities | (3,709) | 398 |
| Effect of exchange rate change on cash and cash equivalents | (1,580) | (944) |
| Net increase (decrease) in cash and cash equivalents | (282) | 1,731 |
| Cash and cash equivalents at beginning of period | 37,345 | 44,665 |
| Cash and cash equivalents at end of period | 37,062 | 46,397 |

(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.

Additional Information

Influence of Covid-19

There are no significant changes to the accounting estimates assumptions, including the future spread of Covid-19 and the timing of its convergence, described in (Additional information) in the annual securities report for the previous fiscal year.

Segment Information

I. Prior Second Quarter (Apr. 1, 2019 – Sep. 30, 2019)

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 | 58,409 | 4,315 | 4,387 | 22,403 | 89,515 | 912 | 90,428 | - | 90,428 |
| (2) Inter-segment sales and transfers | 1,821 | 608 | 30 | 1,733 | 4,193 | 18 | 4,211 | (4,211) | - |
| Total | 60,230 | 4,923 | 4,418 | 24,136 | 93,709 | 931 | 94,640 | (4,211) | 90,428 |
| Segment profit (loss) | 7,098 | (182) | 60 | 3,222 | 10,199 | 60 | 10,259 | 133 | 10,393 |

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 133 million 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

No reportable information.

II. Current Second Quarter (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

| | Reportable segment (Note 1) | | | | | Others (Note 2) | Total | Adjustment (Note 3) | Reported in quarterly consolidated statement of income (Note 4) |
|--|-----------------------------|---------|--------|--------|----------|--------------------|--------|------------------------|--|
| | Japan | America | Europe | Asia | Subtotal | | | | |
| Net sales | | | | | | | | | |
| (1) Sales to customers | 55,356 | 3,787 | 3,691 | 19,338 | 82,173 | 830 | 83,004 | - | 83,004 |
| (2) Inter-segment sales and transfers | 1,573 | 503 | 19 | 1,620 | 3,717 | 13 | 3,730 | (3,730) | - |
| Total | 56,929 | 4,291 | 3,710 | 20,959 | 85,891 | 844 | 86,735 | (3,730) | 83,004 |
| Segment profit (loss) | 7,797 | (88) | 248 | 2,690 | 10,649 | 40 | 10,689 | 89 | 10,779 |

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 89 million yen indicates elimination for intersegment transactions.

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

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

Impairment loss on fixed assets was recognized in "Japan" segment. The amount of impairment loss was 379 million for the three months ended September 30, 2020.

Material Subsequent Events

(Sales of Investment Securities)

At the board of directors meeting held on September 25, 2020, the Company resolved to sell some of investment securities and signed the share transfer agreement on October 2.

1. Reason for the sales of investment securities

To streamline the Company's assets

2. Details of the sale of investment securities

(1) Investment securities to be sold : Unlisted shares

(2) Sale dates : October 2, 2020

(3) Sale Value : About 30 million dollars (about 3.2 billion yen)

3. Amount of impact on profit and loss of the event

Due to the sale of the investment securities, a gain of about 2.7 billion yen will be recorded as extraordinary income in the third quarter of the fiscal year 2021.

* 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.