

# Consolidated Financial Results for the 3rd Quarter ended December 31, 2022 (Japanese Generally Accepted Accounting Principles)



February 10, 2023

Name of company Yakult Honsha Co., Ltd.  
 Stock exchange listing Prime Market in Tokyo Stock Exchange  
 Code number 2267  
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 Scheduled date of filing Statutory quarterly financial report February 10, 2023  
 Scheduled date of payment of dividends —  
 Preparation of support documentation of results : Yes  
 Holding of briefing for analysts and institutional investors : Yes

(Figures less than 1 million yen have been rounded down)

## 1. Consolidated financial results for the 3rd quarter of FY2022, ended December 31, 2022 (April 1, 2022 - December 31, 2022)

### (1) Consolidated Financial Results (Accumulated) (Percentage figures presents year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3Q FY2022	367,868	16.2	58,342	25.1	68,478	17.1	46,283	10.1
3Q FY2021	316,539	6.9	46,634	16.4	58,499	10.0	42,022	12.5

(Note) Comprehensive income for 3Q FY2022 110,536 million yen {98.0%} 3Q FY2021 55,819 million yen {162.6%}

	Basic earnings per Share	Diluted earnings per Share
	yen	yen
3Q FY2022	296.16	—
3Q FY2021	261.96	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Asset Ratio
	million yen	million yen	%
3Q FY2022	770,194	562,061	66.2
FY2021	672,855	484,935	66.3

(Ref.) Equity for 3Q FY2022 509,941 million yen FY2021 446,068 million yen

## 2. Dividends

	Dividends per Share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year End	Total
	yen	yen	yen	yen	yen
FY2021	—	36.00	—	36.00	72.00
FY2022	—	45.00	—		
FY2022 (Forecast)				45.00	90.00

(Note) Revision of the latest dividend forecast : No

## 3. Forecast for consolidated financial results for FY2022 (April 1, 2022 - March 31, 2023)

(Percentage figures presents year-on-year changes)

	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
Annual	481,000	15.9	64,000	20.3	79,000	15.2	50,000	11.3	320.52

(Note) Revision of the latest financial forecast : No

\*Notes

- (1) Changes of important subsidiaries during the period : No  
(Change in specified subsidiary with change in scope of consolidation)
- (2) Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements : Yes  
(Note) Details are stated on pg. 10 under “Notes on Quarterly Consolidated Financial Statements.”
- (3) Change in accounting policies and estimates, correction of prior period errors
- |  |    |
|--|----|
| (a) Change in accounting policy with revision of accounting standard : | No |
| (b) Change in account policy other than (a) :                          | No |
| (c) Change in accounting estimates :                                   | No |
| (d) Correction of prior period errors :                                | No |
- (4) Shares issued (common stock)
- |  |             |
|--|-------------|
| (a) Number of shares issued (including treasury stocks)                  |             |
| 3Q FY2022  | 171,045,418 |
| FY2021   | 171,045,418 |
| (b) Number of treasury stocks  |             |
| 3Q FY2022  | 15,049,976  |
| FY2021   | 12,450,484  |
| (c) Weighted average of number of shares (cumulative figure for quarter) |             |
| 3Q FY2022  | 156,278,780 |
| 3Q FY2021  | 160,417,739 |

\* This financial report is not included in quarterly reviews by our external auditors.

\* Explanation for the appropriate use of the financial forecast and other comments

Note concerning statements about the future, etc.

The statements about the future, including earnings projections, contained in this report are based on information currently available as well as certain assumptions considered reasonable. Actual results may vary considerably from these projections owing to a range of factors.

Assumptions upon which the forecast is based and notes on the use of the forecast are stated on pg. 5 under “Disclaimer on Future Outlook Including Consolidated Financial Results Forecast.”

Procedure for obtaining supplementary information on financial results

We plan to hold a conference call for analysts and institutional investors on February 10, 2023.

Materials used in the conference call will be posted on the company’s website.

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## 1. Qualitative Information Regarding Quarterly Consolidated Financial Results

### (1) Business Performance Overview

#### 1 Performance Overview

During the third quarter of the fiscal year ending March 31, 2023, despite expectations of a recovery in economic conditions as economic and social activities proceeded to return to normal, the Japanese economy remained susceptible to downward risks due to global monetary tightening and other factors and to the impacts of rises in the cost of living and other factors.

Against this background, the Yakult Group worked to build awareness and understanding of the probiotics that constitute the bedrock of our operations, while striving to communicate the superiority of our products. The Group also sought to improve its performance by enhancing its sales organization, conducting research and development for new products, upgrading its production facilities, and actively engaging in its international and pharmaceutical businesses.

Following these efforts, consolidated net sales for the nine months of this fiscal year rose 16.2% from the same period of the previous year to 367,868 million yen. Operating profit increased 25.1% to 58,342 million yen, while ordinary profit increased 17.1% to 68,478 million yen. Profit attributable to owners of parent increased 10.1% to 46,283 million yen.

#### 2 Overview by Segment

##### Food and Beverages (Japan)

In dairy products, Yakult focused on broadening recognition of the science behind its proprietary living *Lactobacillus casei* strain Shirota<sup>1</sup> and *Bifidobacterium breve* strain Yakult by proactively conducting grassroots value dissemination initiatives, while also taking measures to prevent novel coronavirus infection.

In our home delivery channel, we utilized evidence in initiatives to encourage customers to drink Yakult products, focusing on the fermented milk drink *Yakult 1000* and the *Yakult 400* series. Further, we strengthened our customer contact points through our online ordering service, Yakult Delivery Net, and through the dissemination of information on our website and other means.

As for the retail store channel, we worked to improve visibility in store by introducing winter packaging for the *New Yakult* fermented milk drink series. We also conducted social media campaigns in our efforts to increase revenue.

In product-specific initiatives, we addressed in-store stock shortages of the fermented milk drink *Y1000* by increasing production capacity from November 2022. In addition, we aimed to increase product recognition of *Yakult 400W* with the airing of TV commercials featuring Shiro Ito and Yo Oizumi. We also sought to boost the hard-type yogurt brand *Sofuhl* by launching *Sofuhl Grape* as a limited-time item in November.

In other beverages, we implemented price revisions in November in response to rising raw material costs and the sudden sharp rise in logistics, fuel, and other costs.

In addition, we conducted activities to commemorate the Tokyo Yakult Swallows winning the Central League championship and to thank everyone for their support.

As a result of these efforts, consolidated net sales for the Food and Beverages (Japan) segment

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<sup>1</sup> Classified as *Lacticaseibacillus paracasei* strain Shirota as of April 2020.

increased 16.8% from the same period of the previous fiscal year, totaling 179,733 million yen.

### **Food and Beverages (Overseas)**

Yakult's operations outside Japan commenced in March 1964 with the establishment of Yakult Taiwan Co., Ltd., and now the manufacture and sale of *Yakult* outside of Japan spans 39 countries and regions centered around 29 companies and one research center, with average daily bottle sales of approximately 27.66 million bottles in December 2022.

Average daily bottle sales for January to December 2022, which is the accounting year for the overseas companies, was 31.54 million bottles.

The impact of the novel coronavirus varies across countries and regions depending on the extent of the infection's spread, as well as the policies and official guidance of local and national governments, among other factors. We are therefore taking measures appropriate to each location and following the instructions of governmental agencies as we conduct our operations and manufacturing activities.

#### **a. The Americas**

In the Americas, the fermented milk drink *Yakult* and other products are manufactured and sold by Yakult S/A Ind. E Com. (Brazil), Yakult S.A. De C.V. (Mexico), and Yakult U.S.A. Inc.

At Yakult U.S.A. Inc., introducing holiday packaging for *Yakult* and *Yakult Light* from October 2022, as well as boosting support for sales through publicity campaigns and other initiatives, resulted in a steady increase in sales figures.

As a result of these efforts, consolidated net sales in the Food and Beverages (The Americas) segment increased 36.1% from the same period of the previous year to 47,768 million yen.

#### **b. Asia and Oceania**

In Asia and Oceania, the fermented milk drink *Yakult* and other products are manufactured and sold by Hong Kong Yakult Co., Ltd.; Yakult (Singapore) Pte. Ltd.; PT. Yakult Indonesia Persada; Yakult Australia Pty. Ltd.; Guangzhou Yakult Co., Ltd.; Yakult (Malaysia) Sdn. Bhd.; Shanghai Yakult Co., Ltd.; Beijing Yakult Co., Ltd.; Yakult (China) Corporation; Yakult Vietnam Co., Ltd.; and Yakult Danone India Pvt. Ltd.; among others. In addition, Yakult Middle East FZCO and other companies import *Yakult* and other products for sale. At Yakult Myanmar Co., Ltd., we have temporarily suspended our sales and manufacturing activities in light of the political situation, among other considerations.

At PT. Yakult Indonesia Persada, we made efforts to increase sales revenue by launching sales of *Yakult Light* in the retail store channel in October 2022.

Meanwhile, Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd., Beijing Yakult Co., Ltd., and Yakult (China) Corporation were impacted by the effects of lockdowns and other measures in response to the spread of the novel coronavirus, and activities in many districts were restricted.

As a result of the above, consolidated net sales in the Food and Beverages (Asia and Oceania) segment rose 10.6% from the same period of the previous year to 110,354 million yen.

### c. Europe

In Europe, the fermented milk drink *Yakult* and other products are manufactured by Yakult Europe B.V., and sold by Yakult Nederland B.V., Yakult Belgium N.V./S.A., Yakult Europe B.V., Yakult UK Ltd., Yakult Deutschland GmbH, Yakult Oesterreich GmbH, and Yakult Italia S.r.l., among others.

In this region, where the promotion of probiotics faces strict regulation, we engaged in a variety of initiatives in our efforts to receive approval for health claims related to our products. At the same time, taking advantage of heightened health consciousness, we aimed for sustainable growth by conducting sales activities tailored to each individual country's market.

Meanwhile, the prolongation of the conflict between Russia and Ukraine means that, although we do not operate in either country, we will continue to pay close attention to the impact of the conflict on Europe as a whole.

As a result of these efforts, consolidated net sales in the Food and Beverages (Europe) segment increased 4.5% from the same period of the previous year to 7,388 million yen.

### Pharmaceuticals

Due to restrictions on visits to medical institutions to prevent the spread of the novel coronavirus, it remains impossible to hold face-to-face meetings with medical personnel in many facilities. To address this issue, we made use of the internet, among other methods, to promote awareness and the proper use of our products, particularly those specializing in oncology and related fields.

Regarding our mainstay, the antineoplastic drug *Elplat*, while medical institutions are increasingly switching to available generic versions in line with government policy, we leveraged our ability to provide relevant information about it, a Company strength as the developer of the original drug.

However, our revenue was impacted by revisions to National Health Insurance drug prices in April 2022, which reduced prices for most of Yakult's pharmaceutical products, and by the ending of the promotional agreement that we had with Nihon Servier Co., Ltd. for the antineoplastic drug, *Onivyde*®, in September 2022.

In R&D, we continued to progress with the clinical development of items in our pipeline, including the HDAC inhibitor resminostat [YHI-1001], licensed from 4SC AG (Germany).

As a result of the above factors, consolidated net sales in the Pharmaceuticals segment declined 22.4% from the same period of the previous year to 10,247 million yen.

### Others

This segment encompasses Yakult's cosmetics manufacturing and sales as well as its professional baseball team operations.

In our cosmetics operations, we worked to help customers realize their inner and outer beauty, and to increase the number of regular users of our cosmetics by focusing on initiatives to disseminate the value of our proprietary moisturizing agent *S.E. (Shirota Essence)*, which is the result of our extensive research on lactic acid bacteria since the Company's foundation.

As specific examples of such activities, in November 2022, we aired TV commercials featuring singer, Chisato Moritaka, for our *Lactdew* series of skincare products containing moisturizing ingredients derived from lactic acid bacteria, released a new product, *Lactdew S.E. Lotion 2*, and released a

revamped version of our *Lactdew S.E. Milk*. We also rolled out a brand-boosting campaign for our *Parabio* series of high-performance basic skin care products.

In addition, we implemented special initiatives to commemorate the Tokyo Yakult Swallows winning the Central League championship and to thank everyone for their support. These special initiatives related to *Yakult Medicated Apacoat S.E. Nanotechnology* toothpaste, among other products.

Meanwhile, in our professional baseball operations, cheered on by their fans, the Tokyo Yakult Swallows clinched their second consecutive Central League championship and proceeded to the Japan Series. Along with the lifting of restrictions on entry to Jingu Stadium, our efforts to improve the various fan service engagements and disseminate a range of information resulted in an increase in attendance.

As a result of the above factors, consolidated net sales in the Others segment rose 38.7% from the same period of the previous year to 20,566 million yen.

## (2) Financial Position

Total assets at the fiscal quarter-end amounted to 770,194 million yen, an increase of 97,339 million yen compared to the previous fiscal year-end, nine months prior.

Net assets increased 77,125 million yen from the previous fiscal year-end to 562,061 million yen. The main factors were an increase in foreign currency translation adjustments due to a weaker yen and an increase in retained earnings due to quarterly profit attributable to owners of parent, outweighing the effects of repurchase of shares as treasury stock.

The equity to asset ratio was 66.2%, a decrease of 0.1 percentage point from the previous fiscal year-end.

## (3) Disclaimer on Future Outlook Including Consolidated Financial Results Forecast

The aforementioned forecast is based on the information available to management at the time of announcement. Actual operating results may differ from these projections due to various factors in the future.

Although the COVID-19 pandemic has not yet been contained in many countries, at this point in time, the situation is generally proceeding within the realms of expectation. As such, we have made no changes to our financial results forecasts from those announced on November 11, 2022.

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

(Millions of yen)

	Fiscal year 2021 As of March 31, 2022	Fiscal year 2022 As of December 31, 2022
<b>Assets</b>		
Current Assets		
Cash and Deposits	202,941	244,608
Notes and accounts receivable-trade	52,581	69,511
Merchandises and Finished goods	10,312	10,104
Work in process	2,170	2,706
Raw materials and supplies	18,166	23,321
Others	14,463	16,275
Allowance for doubtful accounts	(236)	(311)
Total current assets	300,398	366,215
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	84,139	87,251
Others, net	127,017	145,559
Total Property, plant and equipment	211,156	232,811
Intangible assets		
Software	2,447	2,266
Others	2,938	3,391
Total intangible assets	5,386	5,658
Investments and other assets		
Investment securities	67,628	69,076
Shares of subsidiaries and associates	73,044	79,753
Others	15,325	16,767
Allowance for doubtful accounts	(84)	(87)
Total investments and other assets	155,913	165,509
Total non-current assets	372,456	403,979
<b>Total assets</b>	<b>672,855</b>	<b>770,194</b>



(Millions of yen)

	Fiscal year 2021 As of March 31, 2022	Fiscal year 2022 As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	26,039	33,648
Short-term loans payable	4,822	8,437
Current portion of long-term loans payable	5,417	5,870
Income taxes payable	4,324	10,576
Provision for bonuses	6,211	4,630
Others	42,465	44,843
Total current liabilities	89,281	108,006
Non-current liabilities		
Long-term loans payable	60,298	55,875
Provision for directors' retirement benefits	345	347
Net defined benefit liability	4,280	4,379
Asset retirement obligations	1,674	1,677
Others	32,039	37,848
Total non-current liabilities	98,639	100,127
Total liabilities	187,920	208,133
<b>Net assets</b>		
Shareholders' equity		
Capital stock	31,117	31,117
Capital surplus	41,116	38,368
Retained earnings	446,331	479,885
Treasury shares	(64,395)	(82,337)
Total shareholders' equity	454,169	467,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,327	19,671
Foreign currency translation adjustment	(24,086)	25,383
Remeasurements of defined benefit plans	(2,342)	(2,147)
Total accumulated other comprehensive income	(8,101)	42,906
Non-controlling interests	38,867	52,119
Total net assets	484,935	562,061
Total liabilities and net assets	672,855	770,194

**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**

## Quarterly Consolidated Statement of Income

(Millions of yen)

	Previous period From April 1, 2021 to December 31, 2021	Current period From April 1, 2022 to December 31, 2022
Net sales	316,539	367,868
Cost of sales	125,389	145,631
Gross profit	191,149	222,237
Selling, general and administrative expenses	144,514	163,894
Operating profit	46,634	58,342
Non-operating income		
Interest income	2,386	3,965
Dividend income	1,810	1,851
Share of profit of entities accounted for using equity method	5,750	3,315
Others	2,901	2,517
Total non-operating income	12,849	11,650
Non-operating expenses		
Interest expenses	519	504
Others	466	1,009
Total non-operating expenses	985	1,514
Ordinary profit	58,499	68,478
Extraordinary income		
Gain on sales of non-current assets	79	509
Gain on sales of investment securities	1,913	49
Gain on step acquisitions	1,180	-
Others	584	2,382
Total extraordinary income	3,757	2,940
Extraordinary losses		
Loss on sales of non-current assets	938	21
Loss on retirement of non-current assets	281	270
Loss on valuation of investment securities	-	212
Impairment loss	-	129
Others	3	0
Total extraordinary losses	1,223	633
Profit before income taxes	61,033	70,786
Income taxes	15,691	20,418
Profit	45,342	50,368
Profit attributable to non-controlling interests	3,319	4,084
Profit attributable to owners of parent	42,022	46,283

## Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous period From April 1, 2021 to December 31, 2021	Current period From April 1, 2022 to December 31, 2022
Profit	45,342	50,368
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,478)	1,334
Foreign currency translation adjustment	15,328	54,650
Remeasurements of defined benefit plans, net of tax	248	200
Share of other comprehensive income of entities accounted for using equity method	379	3,982
Total other comprehensive income	10,477	60,168
Comprehensive income	55,819	110,536
Comprehensive income attributable to:		
Owners of parent	50,928	97,291
Non-controlling interests	4,891	13,244

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

None.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

The third quarter of FY2022 (April 1 to December 31, 2022)

Further to a resolution at a meeting of its Board of Directors held on February 10, 2022, the Company repurchased 2,675,500 of its own shares as treasury stock, increasing the value of its treasury stock by 18,523 million yen. The purchase of shares of less than one unit increased the value of the Company's treasury stock by 1 million yen, the value of treasury stock declined by 583 million yen due to the divestment of shares in the parent company held by subsidiaries, and the value of the Company's treasury stock on December 31, 2022 was 82,337 million yen.

(Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements)

Calculation of Tax Expenses

Tax expenses for the Company and its consolidated subsidiaries in Japan are calculated by multiplying income before income taxes for the third quarter under review by the reasonably estimated effective tax rate after applying tax effect accounting to the income before income taxes for the current consolidated fiscal year, including the third quarter under review.

In addition, income taxes—deferred are included in income taxes.

(Notes to Quarterly Consolidated Statements of Income)

Other Extraordinary Income

This is mainly the receipt of compensation revenue of 2,352 million yen accompanying the ending of the promotional agreement in the Pharmaceuticals business.

(Segment Information)

I The third quarter of FY2021 (April 1 to December 31, 2021)

1. Net sales, profit (loss), and disaggregated revenue in each reportable segment

(Millions of yen)

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Net sales				
Revenue from contracts with customers	148,162	35,097	99,819	7,068
Other revenues	—	—	—	—
Net sales to external customers	148,162	35,097	99,819	7,068
Intersegment net sales or transfers	5,731	—	—	—
Total	153,893	35,097	99,819	7,068
Segment profit (loss)	22,123	9,457	23,423	894

	Pharmaceuticals	Others	Adjustments	Consolidated results
Net sales				
Revenue from contracts with customers	13,197	13,193	—	316,539
Other revenues	—	—	—	—
Net sales to external customers	13,197	13,193	—	316,539
Intersegment net sales or transfers	—	1,632	(7,363)	—
Total	13,197	14,825	(7,363)	316,539
Segment profit (loss)	2,309	(320)	(11,252)	46,634

Notes: 1. Adjustments are as follows.

The (11,252) million yen adjustment in segment profit (loss) includes (7,118) million yen of corporate expenses not allocated to specific reportable segments. Corporate expenses include those of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments. Starting from the first quarter of FY2021, based on the long-term vision formulated in that fiscal term, the details of corporate expenses were subjected to a review, with some of them being attributed to individual segments. Compared to the previous method, this change reduced the reported profits in each of the Food and Beverages regional segments by 1,707 million yen (Japan), 250 million yen (The Americas), 803 million yen (Asia and Oceania), and 57 million yen (Europe), while the adjustment amount for corporate expenses was 2,818 million yen lower.

2. Segment profits are adjusted with operating profit under the quarterly consolidated statement of income.

3. Countries / regions in each geographic segment outside Japan.

- (1) The Americas                      Mexico, Brazil, The United States of America
- (2) Asia and Oceania                Hong Kong, China, Indonesia, Singapore, Malaysia, Australia, India, Vietnam, The United Arab Emirates, Myanmar
- (3) Europe                              The Netherlands, The United Kingdom, Germany, Belgium, Austria, Italy

## II The third quarter of FY2022 (April 1 to December 31, 2022)

Net sales, profit (loss), and disaggregated revenue in each reportable segment

(Millions of yen)

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Net sales				
Revenue from contracts with customers	173,197	47,768	110,354	7,388
Other revenues	—	—	—	—
Net sales to external customers	173,197	47,768	110,354	7,388
Intersegment net sales or transfers	6,536	—	—	—
Total	179,733	47,768	110,354	7,388
Segment profit (loss)	37,756	12,341	18,254	303

	Pharmaceuticals	Others	Adjustments	Consolidated results
Net sales				
Revenue from contracts with customers	10,247	18,912	—	367,868
Other revenues	—	—	—	—
Net sales to external customers	10,247	18,912	—	367,868
Intersegment net sales or transfers	—	1,653	(8,189)	—
Total	10,247	20,566	(8,189)	367,868
Segment profit (loss)	569	1,893	(12,777)	58,342

Notes: 1. Adjustments are as follows.

The (12,777) million yen adjustment in segment profit (loss) includes (7,973) million yen of corporate expenses not allocated to specific reportable segments. Corporate expenses include those of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments.

2. Segment profits are adjusted with operating profit under the quarterly consolidated statement of income.
3. Countries / regions in each geographic segment outside Japan.

- (1) The Americas                      Mexico, Brazil, The United States of America
- (2) Asia and Oceania                Hong Kong, China, Indonesia, Singapore, Malaysia, Australia, India, Vietnam, The United Arab Emirates, Myanmar
- (3) Europe                             The Netherlands, The United Kingdom, Germany, Belgium, Austria, Italy