

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2017

July 31, 2017

Listed exchanges : Tokyo
 Listed company name: Kobayashi Pharmaceutical Co., Ltd.
 Code : 4967
 URL : <http://www.kobayashi.co.jp/english/index.shtml>
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 Expected date for submitting quarterly securities report: August 8, 2017
 Expected date for starting payment of dividends: September 7, 2017
 Preparation of supplementary explanation documents for quarterly financial results: Yes
 Holding of an analyst meeting for quarterly financial results: Yes (For institutional investors and analysts)

(Any fraction less than 1 million yen is rounded down to the nearest million yen.)

1. Consolidated Results for 2nd Quarter of Fiscal Year Ending December 31, 2017 (January 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (accumulation)

(% figures represent changes from same period in previous year)

	Q2 of FY ending December 31, 2017		Q2 of FY ending December 31, 2016	
Net sales	67,307	millions of yen — %	74,366	millions of yen — %
Operating income	10,363	—	11,861	—
Ordinary income	10,244	—	11,646	—
Net income attributable to owners of the parent	7,037	—	8,109	—
Net income per share	89.44	yen	101.00	yen
Net income per share after full dilution	89.31		100.93	

(Note) Comprehensive income: Q2 of FY ending December 31, 2017: 8,106 million yen (—%)
 Q2 of FY ending December 31, 2016: 4,068 million yen (—%)

Following approval of the proposal "Partial Amendment to the Articles of Incorporation" at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the previous consolidated fiscal year was a transitional period for the change in accounting period and so the year-on-year percentage changes have been omitted in the table above.

(2) Consolidated Financial Position

	Q2 of FY ending December 31, 2017	As of December 31, 2016
Total assets	199,625	201,234
Net assets	144,505	143,320
Shareholders' equity ratio	72.4 %	71.2 %
Net assets per share	1,830.97	1,818.10

(Reference) Shareholders' equity

Q2 of FY ending December 31, 2017: 144,456 million yen As of December 31, 2016: 143,252 million yen

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2. Dividends

	FY ended December 2016	FY ending December 2017	FY ending December 2017 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	25.00 yen	28.00 yen	
Q3 end	—		—
Year-end	27.00		26.00
Total	52.00		54.00

(Note) Revision of the latest dividend forecast: None

3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(% figures represent changes from previous year)			
Full year			
Net sales	150,000 millions of yen	—	%
Operating income	20,000	—	
Ordinary income	21,000	—	
Net income attributable to owners of the parent	15,100	—	
Earnings per share	191.91 yen		

(Note) Revision of the latest forecasts of operational results: None

Following approval of the proposal "Partial Amendment to the Articles of Incorporation" at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the previous consolidated fiscal year was a transitional period for the change in accounting period and so the year-on-year percentage changes have been omitted in the table above.

[Reference] The year-on-year percentage change (after adjustments) is shown below by assuming that the accounting period is 12 months (January 1, 2016 to December 31, 2016) for the Group for the purpose of comparison with the forecasts for the fiscal year ending December 31, 2017.

Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		(millions of yen)
150,000	3.6%	20,000	8.4%	21,000	3.1%	15,100	0.5%	

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* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying changes of the scope of consolidation): None
 Newly included: — (company name:); Excluded: — (company name:)

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None

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

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

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(4) Issued shares (common shares)

① Number of shares issued at period-end (including treasury stock):

Q2 of FY ending December 31, 2017	82,050,000 shares	FY ended December 31, 2016	85,050,000 shares
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② Number of shares of treasury stock at period-end:

Q2 of FY ending December 31, 2017	3,154,137 shares	FY ended December 31, 2016	6,257,437 shares
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③ Average number of shares outstanding during period (consolidated cumulative quarters):

Q2 of FY ending December 31, 2017	78,680,730 shares	Q2 of FY ended December 31, 2016	80,292,684 shares
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* This brief report of quarterly financial statements is not subject to audit procedures.

* Notes on proper use of forecasts and other matters

The forward-looking statements in this document concerning forecasting of operational results, etc. are based on currently available information and assumptions considered reasonable by the Company. Actual operational results may be significantly different from these statements due to various factors. For the assumptions used as the basis for forecasts of operational results and important matters to be noted when using the forecast of performance, please refer to “1. Qualitative Information on Quarterly Results, (3) Explanation of future forecast information, such as forecast of consolidated results” on page 4 of the attachment.

(Method to obtain supplementary explanation documents for quarterly financial results)

The supplementary explanation documents for quarterly financial results will be made available on the Company’s website after the analyst meeting for quarterly financial results scheduled on Thursday, August 3, 2017.

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1. Qualitative Information on Quarterly Results

Following approval of the proposal “Partial Amendment to the Articles of Incorporation” at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the previous consolidated fiscal year was a transitional period for the change in accounting period, meaning an irregular period, and the 2nd Quarter of the previous consolidated operating period covers six months (April 1, 2016 to September 30, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to nine months (January 1, 2016 to September 30, 2016) for consolidated subsidiaries that close their accounts in December. Therefore, the year-on-year percentage change has been omitted.

(1) Explanation of operational results

During the first six-month period of the consolidated fiscal year under review, the Japanese economy witnessed a recovery trend as shown in the improvement of corporate earnings and employment helped by the continued economic stimulus measures implemented by the government. On the other hand, however, consumer spending continued to face a tough situation.

Under these circumstances, the Group launched new products that satisfy customers’ needs, strengthened its existing product lineups, and invested in businesses with high future growth potential, with the brand slogan “You make a wish and we make it happen.”

As a result, net sales, operating income and ordinary income were 67,307 million yen, 10,363 million yen and 10,244 million yen, respectively, and net income attributable to owners of the parent was 7,037 million yen.

Business results by segment were as follows:

Domestic Consumer Products Business

In the Domestic Consumer Products Business, the Company launched 11 new products. The products that contributed to the growth in sales were *Kurocure* (a therapeutic drug for dark rough elbows and knees), *Keshimin Cream EX* (a specially formulated skin care cream for spots), *Nightmin Hana Kokyu Tape* (a nasal breathing tape that is attached to the lips during sleep to facilitate breathing through the nose), and *Sawaday Kaoru Stick Aroma* (a fragrance for indoor use containing select scented oils).

Existing healthcare products that recorded robust sales included medicated skincare products, such as *Senacure* (a therapeutic drug for blotches on the back or décolleté) and *Curelea* (a therapeutic drug for itchiness and rash on face), and kampo and herbal medicines, such as *Inochi No Haha A* (a women’s health medicine), *Chikunain* (a remedy for empyema) and *Dusmock* (a kampo medicine that ameliorates persistent coughing and bronchitis). Household products that contributed to the growth in sales were *Sarasaty* (a sheet for absorbing vaginal discharge) and *Bluelet* (a toilet deodorizer and bowl bleach tablet). Skincare products such as *Keshimin* (a skincare product for spots) and *EAUDE MUGE* (a medicated lotion) also sold well.

As a result, net sales and segment income (ordinary income) were 56,647 million yen and 9,900 million yen, respectively. Meanwhile, operating income was 9,956 million yen.

Net sales include inter-segment sales or transfers, which totaled 2,731 million yen in the first six-month period of the consolidated fiscal year under review.

(Breakdown of sales to external customers)

	Q2 ended September 30, 2016	Q2 ended June 30, 2017
	(April 1, 2016 to September 30, 2016)	(January 1, 2017 to June 30, 2017)
	Amount	Amount
	(millions of yen)	(millions of yen)
Healthcare products	27,306	27,483
Household products	26,521	22,680
Skin care	2,754	2,983
Body warmers	771	768
Total	57,353	53,915

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Overseas Consumer Products Business

In the Overseas Consumer Products Business, the Company markets, mostly in the United States, China and Southeast Asia, the body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory), and sought to expand sales by investing aggressively, principally in advertising and sales promotions.

As a result, net sales and segment loss (ordinary loss) were 8,360 million yen and 19 million yen, respectively. Operating income was 57 million yen.

Net sales include inter-segment sales or transfers, which totaled 450 million yen in the first six-month period of the consolidated fiscal year under review.

(Breakdown of sales to external customers)

	Q2 ended September 30, 2016	Q2 ended June 30, 2017
	(April 1, 2016 to September 30, 2016)	(January 1, 2017 to June 30, 2017)
	Amount	Amount
	(millions of yen)	(millions of yen)
United States	3,888	2,331
China	3,420	2,287
Southeast Asia	2,809	2,176
Others	1,122	1,114
Total	11,240	7,909

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove to attract new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, such as advertising and direct mail.

Consequently, the Company reported net sales of 4,943 million yen and segment loss (ordinary loss) of 67 million yen. Meanwhile, operating loss was 67 million yen.

Net sales do not include inter-segment sales or transfers.

Other Businesses

Businesses in this segment include the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production, etc. The companies in this business segment operate individually on a financially independent basis, and their delivery prices of materials and services were reviewed and revised as necessary.

As a result, the Company posted net sales of 2,972 million yen and segment income (ordinary income) of 766 million yen. Operating income was 396 million yen.

Net sales include inter-segment sales or transfers, which totaled 2,432 million yen in the first six-month period of the consolidated fiscal year under review.

(2) Explanation of financial position

Total assets decreased by 1,608 million yen from the balance as of the end of the previous consolidated fiscal year, to 199,625 million yen. This is attributable mainly to a decrease of 3,723 million yen in cash and deposits, a decline of 6,992 million yen in notes and accounts receivable-trade, an increase of 2,800 million yen in short-term investment securities, a rise of 3,349 million yen in merchandise and finished goods, and an increase of 3,422 in investment securities.

Liabilities decreased by 2,793 million yen from the balance as of the end of the previous consolidated fiscal year, to 55,120 million yen. This was attributable mainly to a decrease of 2,819 million yen in accounts payable-other, and an increase of 699 million yen in income taxes payable.

Net assets grew by 1,185 million yen from the balance as of the end of the previous consolidated fiscal year, to 144,505 million yen, bringing the capital adequacy ratio to 72.4%. This is mainly attributable to a decrease of 775 million yen in capital surplus, a decline of 7,717 million yen in retained earnings, a fall of 8,626 million yen in treasury stock, and a decrease of 689 million yen in foreign currency translation adjustment.

Cash flows from operating activities

Net cash provided by operating activities totaled 9,191 million yen (6,827 million yen provided in the previous year). Major increases were: income before income taxes of 9,765 million yen, depreciation of 1,420 million yen, decrease in notes and accounts receivable-trade of 6,887 million yen, and increase in notes and accounts payable-trade of 590 million yen. Major decreases were: increase in inventories of 3,484 million yen, decrease in accounts payable-other of 2,558 million yen, and income taxes paid of 3,232 million yen.

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Cash flows from investing activities

Net cash provided by investing activities totaled 4,813 million yen (2,976 million yen used in the previous year). Major factors affecting this cash flow were: payments into time deposits of 31,676 million yen, proceeds from the withdrawal of time deposits of 39,349 million yen, purchase of property, plant and equipment of 1,528 million yen, and purchase of investment securities of 1,048 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 7,025 million yen (4,157 million yen used in the previous year). Major factors affecting this cash flow were: cash dividends paid of 2,134 million yen and purchase of treasury stock of 5,068 million yen.

Consequently, cash and cash equivalents as of June 30, 2017 totaled 35,069 million yen, an increase of 6,746 million yen from the end of the previous fiscal year.

(3) Explanation of future forecast information, such as forecast of consolidated results

The Group did not revise its forecast of consolidated results for the fiscal year ending December 31, 2017, which the Group announced via the “Summary of Financial Statements for the Fiscal Year ended December 31, 2016” released on February 1, 2017.

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2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated quarterly balance sheet

(millions of yen)

	Previous consolidated fiscal year (December 31, 2016)	End of 1st six-month period of FY ending December 2017 (June 30, 2017)
ASSETS		
Current assets		
Cash and deposits	58,173	54,450
Notes and accounts receivable-trade	47,045	40,053
Short-term investment securities	5,500	8,300
Merchandise and finished goods	9,222	12,572
Work in process	751	881
Raw materials and supplies	2,832	2,703
Deferred tax assets	2,899	3,351
Other	2,267	2,390
Allowance for doubtful accounts	(45)	(43)
Total current assets	128,646	124,658
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,377	8,161
Machinery, equipment and vehicles, net	3,478	3,635
Tools, furniture and fixtures, net	1,407	1,404
Land	3,552	3,575
Leased assets, net	628	598
Construction in progress	388	297
Total property, plant and equipment	17,833	17,672
Intangible assets		
Goodwill	4,729	4,026
Trademark rights	480	434
Software	962	900
Other	1,051	969
Total intangible assets	7,223	6,331
Investments and other assets		
Investment securities	40,281	43,703
Long-term loans receivable	171	209
Deferred tax assets	383	474
Real estate for investment, net	2,967	2,996
Other	3,991	3,887
Allowance for doubtful accounts	(265)	(307)
Total investments and other assets	47,529	50,963
Total non-current assets	72,587	74,966
Total assets	201,234	199,625

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(millions of yen)

	Previous consolidated fiscal year (December 31, 2016)	End of 1st six-month period of FY ending December 2017 (June 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,169	8,419
Electronically recorded obligations-operating	7,849	8,083
Short-term loans payable	192	192
Accounts payable-other	20,191	17,372
Lease obligations	56	55
Income taxes payable	3,357	4,056
Accrued consumption taxes	1,090	614
Provision for sales returns	1,409	1,114
Provision for bonuses	1,147	1,990
Asset retirement obligations	37	38
Other	3,472	2,069
Total current liabilities	46,975	44,007
Non-current liabilities		
Lease obligations	581	554
Deferred tax liabilities	3,841	4,065
Net defined benefit liability	4,337	4,284
Provision for directors' retirement benefits	33	34
Provision for loss on business liquidation	—	18
Asset retirement obligations	80	80
Other	2,063	2,074
Total non-current liabilities	10,938	11,112
Total liabilities	57,914	55,120
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,958	4,183
Retained earnings	147,901	140,183
Treasury stock	(21,088)	(12,461)
Total shareholders' equity	135,221	135,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,481	11,123
Deferred gains or losses on hedges	40	15
Foreign currency translation adjustment	680	(8)
Re-measurements of retirement benefit plans	(2,171)	(2,029)
Total accumulated other comprehensive income	8,031	9,100
Subscription rights to shares	67	49
Total net assets	143,320	144,505
Total liabilities and net assets	201,234	199,625

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(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income

(Consolidated quarterly statements of income)

(For the first six-month period of the fiscal year ending December 31, 2017)

(millions of yen)

	Six-month period ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Net sales	74,366	67,307
Cost of sales	28,903	24,736
Gross profit	45,463	42,571
Selling, general and administrative expenses	33,602	32,208
Operating income	11,861	10,363
Non-operating income		
Interest income	119	124
Dividend income	180	192
Real estate rent	146	148
Other	209	161
Total non-operating income	655	626
Non-operating expenses		
Interest expenses	9	9
Sales discounts	326	298
Rent cost of real estate	38	42
Foreign exchange losses	386	178
Other	108	216
Total non-operating expenses	869	745
Ordinary income	11,646	10,244
Extraordinary income		
Gain on sales of non-current assets	2	0
Other	—	0
Total extraordinary income	2	0
Extraordinary loss		
Loss on sales and retirement of non-current assets	35	50
Impairment loss	268	331
Loss on business liquidation	9	—
Provision for loss on business liquidation	596	18
Loss on sales of investment securities	—	0
Other	29	78
Total extraordinary loss	940	478
Income before income taxes	10,708	9,765
Income taxes - current	3,514	3,781
Income taxes - deferred	(886)	(1,052)
Total income taxes	2,628	2,728
Net income	8,080	7,037
Net loss attributable to non-controlling interests	(28)	—
Net income attributable to owners of the parent	8,109	7,037

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(Consolidated quarterly statements of comprehensive income)
 (For the first six-month period of the fiscal year ending December 31, 2017)

(millions of yen)

	Six-month period ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Net income	8,080	7,037
Other comprehensive income		
Valuation difference on available-for-sale securities	(493)	1,641
Deferred gains or losses on hedges	(87)	(24)
Foreign currency translation adjustment	(3,526)	(689)
Adjustment for retirement benefits	95	141
Total other comprehensive income	(4,011)	1,069
Quarterly comprehensive income	4,068	8,106
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	4,108	8,106
Comprehensive income attributable to non-controlling interests	(39)	—

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(3) Consolidated statement of cash flows

(millions of yen)

	Six-month period ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Income before income taxes	10,708	9,765
Depreciation	1,346	1,420
Impairment loss	268	331
Amortization of goodwill	332	303
Increase (decrease) in allowance for doubtful accounts	75	40
Increase (decrease) in net defined benefit liability	81	(53)
Interest and dividend income	(299)	(317)
Interest expenses	9	9
Loss (gain) on sales of investment securities	—	0
Loss (gain) on sales and retirement of non-current assets	31	50
Decrease (increase) in notes and accounts receivable-trade	(6,836)	6,887
Decrease (increase) in inventories	(2,957)	(3,484)
Increase (decrease) in notes and accounts payable-trade	3,068	590
Increase (decrease) in accounts payable-other	1,875	(2,558)
Increase (decrease) in accrued consumption taxes	(17)	(471)
Increase (decrease) in provision for loss on business liquidation	596	18
Other	118	(411)
Subtotal	8,401	12,120
Interest and dividend income received	299	310
Interest expenses paid	(7)	(7)
Income taxes paid	(1,866)	(3,232)
Net cash provided by (used in) operating activities	6,827	9,191
Cash flows from investing activities		
Payments into time deposits	(43,472)	(31,676)
Proceeds from withdrawal of time deposits	45,400	39,349
Purchase of property, plant and equipment	(1,965)	(1,528)
Proceeds from sales of property, plant and equipment	10	1
Purchase of intangible assets	(441)	(173)
Purchase of investment securities	(11)	(1,048)
Proceeds from sales of investment securities	—	5
Purchase of investment assets and other assets	(60)	(72)
Proceeds from sales of investment assets and other assets	94	43
Decrease (increase) in short-term loans receivable	(0)	(0)
Payments of long-term loans receivable	(49)	(37)
Collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,477)	—
Other	(1)	(50)
Net cash provided by (used in) investing activities	(2,976)	4,813

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	Six-month period ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	19	0
Purchase of treasury stock	(2,261)	(5,068)
Proceeds from disposal of treasury stock	48	205
Cash dividends paid	(1,927)	(2,134)
Repayment of lease obligations	(36)	(29)
Net cash provided by (used in) financing activities	(4,157)	(7,025)
Effect of exchange rate change on cash and cash equivalents	(1,802)	(231)
Net increase (decrease) in cash and cash equivalents	(2,110)	6,746
Cash and cash equivalents at beginning of period	25,428	28,322
Increase in cash and cash equivalents from newly consolidated subsidiary	0	—
Cash and cash equivalents at end of period	23,318	35,069

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(4) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on a significant change in shareholders' equity)

Based on the resolution made at the Board of Directors meeting held on February 1, 2017, the Company cancelled 3,000,000 shares of treasury stock on February 17, 2017, resulting in decreases of 770 million yen in capital surplus, 9,339 million yen in retained earnings, and 10,110 million yen in treasury stock. In addition, according to the resolution made at the Board of Directors meeting held on February 1, 2017 and approved at the 99th Ordinary General Meeting of Shareholders held on March 30, 2017, the Company disposed of treasury stock through a third-party allotment, resulting in decreases of 3,261 million yen in treasury stock and 3,260 million yen in retained earnings. Furthermore, based on the resolution made at the Board of Directors meeting held on February 1, 2017, the Company acquired treasury stock, resulting in an increase of 4,999 million yen in treasury stock.

Consequently, capital surplus, retained earnings and treasury stock were 4,183 million yen, 140,183 million yen and 12,461 million yen, respectively, as of the end of the first six-month period of the consolidated fiscal year ending December 31, 2017.

(Segment information, etc.)

[Segment information]

I. Six-month period ended September 30, 2016 (April 1, 2016 to September 30, 2016)

1. Information on net sales, income or loss by reportable segment

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	57,353	11,240	4,600	73,194	1,172	74,366	—	74,366
Inter-segment sales or transfers	2,983	659	—	3,642	2,387	6,029	(6,029)	—
Total	60,336	11,900	4,600	76,837	3,559	80,396	(6,029)	74,366
Segment income (loss)	11,041	310	(176)	11,176	602	11,779	(132)	11,646

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of -132 million yen in segment income (loss) are eliminations among segments, and profits and expenses not distributed to each relevant business segment.
3. Segment income (loss) is adjusted with ordinary income in the consolidated quarterly statements of income.

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

(Significant impairment loss on non-current assets)

In the Domestic Consumer Products Business segment, regarding business assets that are not expected to be used so often, the Group has reduced their book value to their recoverable value and has posted the reduced amount as impairment loss. The resulting impairment loss amounted to 268 million yen in the first six-month period of the consolidated fiscal year ended December 31, 2016.

(Significant change in the value of goodwill)

In the Overseas Consumer Products Business segment, the Group has acquired a stake in Berlin Industries, Inc. and Perfecta Products, Inc., turning the two firms into its wholly owned subsidiaries. The resulting increase in the value of goodwill amounted to 2,238 million yen in the first six-month period of the consolidated fiscal year ended December 31, 2016. Please note that the value of goodwill is provisional, since the allocation of the acquisition cost has not yet been completed.

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II. Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)

1. Information on net sales, income or loss by reportable segment

(millions of yen)

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	53,915	7,909	4,943	66,768	539	67,307	—	67,307
Inter-segment sales or transfers	2,731	450	—	3,182	2,432	5,615	(5,615)	—
Total	56,647	8,360	4,943	69,950	2,972	72,922	(5,615)	67,307
Segment income (loss)	9,900	(19)	(67)	9,814	766	10,580	(336)	10,244

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of -336 million yen in segment income (loss) are eliminations among segments, and profits and expenses not distributed to each relevant business segment.
3. Segment income (loss) is adjusted with ordinary income in the consolidated quarterly statements of income.

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

(Significant impairment loss on non-current assets)

In the Domestic Consumer Products Business segment, regarding business assets that the Group finds it difficult to recoup its investment in, the Group has reduced their book value to their recoverable value and has posted the reduced amount as impairment loss. The resulting impairment loss amounted to 331 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2017.

(Significant change in the value of goodwill)

In the Domestic Consumer Products Business segment, the Group has recorded impairment loss for goodwill that the Group finds it difficult to recoup its investment in. The resulting decrease in the value of goodwill amounted to 227 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2017. The impairment loss on goodwill is included in the above-mentioned significant impairment loss on non-current assets.

(Significant subsequent events)

Not applicable.