

Summary Report of Consolidated Financial Results

For the Nine Months Period ended December 31, 2016



February 9, 2017
TSE-1st section

Company name: NIPRO CORPORATION

Code No.8086

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Payment date of cash dividends: -

Supplemental material on quarterly reporting: No

Presentation on quarterly results: No

(Note: Amounts are truncated to one million yen)

1. Consolidated Results for the Nine Months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

(1) Consolidated Results of Operations

(Note: % of change from the same period a year ago)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
9 months ended December 31, 2016	270,187	(1.4)	26,148	41.9	23,700	70.7	14,071	0.7
9 months ended December 31, 2015	274,061	14.1	18,431	34.3	13,884	(24.9)	13,968	(3.8)

Note: Comprehensive income 9 months ended December 31, 2016: (3,833) million yen (- %) 9 months ended December 31, 2015: 5,696 million yen ((70.1)%)

	Earnings per share		Diluted Earnings per share	
	Yen		Yen	
9 months ended December 31, 2016	83.52		75.82	
9 months ended December 31, 2015	82.35		-	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
9 months ended December 31, 2016	723,904	163,855	21.3
Year ended March 31, 2016	708,882	175,507	23.4

Note: Equity 9 months ended December 31, 2016: 154,049 million yen Year ended March 31, 2016: 165,997 million yen

2. Dividends

	Annual Dividends per Year				
	First-quarter	Second-quarter	Third-quarter	Year-end Dividends	Annual Dividends
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	17.00	-	16.50	33.50
Year ending March 31, 2017	-	7.50	-		
Year ending March 31, 2017 (Forecast)				17.00	24.50

Note: Revisions to the forecast of cash dividends in the current quarter: No

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Note: The % displays in the line of year ending March 31, 2017 show increase/decrease ratio against the year ended March 31, 2016)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2017	363,000	(1.0)	29,000	19.8	20,000	36.8	12,500	(36.6)	74.44

Note: Revisions to the forecast of consolidated financial results in the current quarter: No

*Notes

(1) Change in Significant Subsidiaries during the Current Period

(Change in specified subsidiaries caused a change in the scope of consolidation): No

Additional: 0

Removal: 0

(2) Adoption of Accounting Treatments Simplified or Unique for Preparation: No

(3) Change in Accounting Policies and Accounting Estimate and Restatement

[1] Changes in accounting policies by a newly issued accounting pronouncement : Yes

[2] Changes other than [1] : No

[3] Change in accounting estimate : No

[4] Restatement : No

Note: More information can be found in P.5 "2. Summary (Other) Information, (3) Changes in Accounting Policies and Accounting Estimate and Restatement" in the attachment.

(4) Issued Shares (Common stock)

[1] Number of issued shares at end of the period (including treasury stock):

9 months ended December 31, 2016: 171,459,479 shares Year ended March 31, 2016: 171,459,479 shares

[2] Number of treasury stock at end of the period:

9 months ended December 31, 2016: 5,342,911 shares Year ended March 31, 2016: 1,666,187 shares

[3] Average number of shares during the period:

9 months ended December 31, 2016: 168,483,700 shares 9 months ended December 31, 2015: 169,629,310 shares

Note: Number of the treasury stocks as of December 31, 2016 included 503,100 shares, and as of March 31, 2016 included 716,300 shares owned by Trust and Custody Service Bank, Ltd (Trust Account E).

*Information regarding the quarterly review procedure

This quarterly summary report is exempt from quarterly review procedure based on the Financial Instruments and Exchanges Act. It is under the review procedure process at the time of disclosure of this report.

*Disclaimer regarding projection information including appropriate use of forecasted financial result, and other special notes

The projection figures shown above are based on information that was available at the time of preparation and may contain certain uncertainties. Actual performance and other factors may differ from these projections due to changes in circumstances and other developments. More information concerning these forecasts can be found in P.4 "1. Qualitative Information for the Nine-Month Period Ended December 31, 2016, (3) Commentary on Forward-Looking Statements Including Forecast of Consolidated Financial Results" in the attachment.

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1. Qualitative Information for the Nine-Month Period Ended December 31, 2016

(1) Commentary on Business Results

For the third quarter of the consolidated cumulative period, in terms of the global economy, gradual economic recovery in United States and Europe continues, while China also shows signs of improvement. As for the Japanese economy, the results of the US Presidential election underpinned depreciation of the yen, and corporate earnings and personal consumption also remained steady. However, due to a sense of unease toward the new US administration and the trend toward anti-globalization which has manifested as Brexit, there is a growing sense of uncertainty about the future.

As a result, sales for the third quarter of the consolidated cumulative period were JPY 270,187 million. Sales for the same period of the previous year included JPY 11,403 million in sales from the subsidiary company Nipro Diagnostics Inc, which was sold at the end of the previous quarter, and due to the appreciation of the yen that continued during the current period, year-to-year, there was a 1.4% reduction. In the context of profitability, operating income increased year-to-year by 41.9% to JPY 26,148 million due to lowered cost of sales and other factors, and ordinary income increased year-to-year by 70.7% to JPY 23.7 billion. Additionally, the third quarter net income attributed to the shareholders of the parent company is JPY 14,071 million. Extraordinary loss decreased by JPY 1,882 million compared to the same period of the previous year. On the other hand, in a year-to-year comparison, because of the application of tax effect accounting on the estimated gain on the sale of Nipro Diagnostics Inc., corporate tax adjustments decreased by JPY 6,624 million (reduction in tax burden rate), which is an increase of 0.7% from the same period of the previous year.

The overview of the results for the current quarter period under review by business segment is as follows.

(i) Medical-Related Business

Domestic sales of Medical-Related Business saw a tougher market situation due to the revisions to medical service fees and drug prices in April 2016. Under such circumstances, the sales of the Medical Sales Division remained solid in each field such as injection-transfusion products, enteral-alimentation products, testing products, dialysis products, cardiovascular products and cardiac surgery (CVS) products. Sales largely increased in multiple fields; especially HDF filter and dialysis monitoring devices in the field of dialysis products, “HeartMate II ®,” or Left Ventricular Assist Device, in the field of cardiac surgery (CVS) products, and then “SeQuent®Please,” or Drug Eluting Balloon Catheter, in the field of cardiovascular products. As for the Pharmaceutical Sales Division, the sales were steady due to the sales growth of the existing products and the expansion of the market with the promotion policy of generic drugs and the launch of addenda listing items in June and December 2016. However, the competitive environment of domestic market became fiercer by the appearance of manufactures of original drugs running sideline business. In addition, large markets of new big listing items have being continuously entered by over dozens of competitors and initial sales of AG (authorized generic) allows to market occupation, that made the market price competition more intensified to impact significantly to sales and profit. Therefore, we will further strengthen the sales promotion to dispensing pharmacies, diagnosis procedure combination (DPC) hospitals and prescribers. As well, we are trying to increase the share of drugs for oral and external use and worked harder for information offering activities of injectable drugs based on the collaboration with pharmaceutical wholesalers.

Meanwhile, overseas sales, despite an increase in sales quantity of mainstay dialysis products such as dialyzers and hospital products, decreased from the same period of the previous year due to appreciation of the yen which lowered unit prices of the products and also due to the sale of Nipro Diagnostics, Inc., a consolidated subsidiary. However, earnings before income taxes increased thanks to foreign exchange gains related to revaluation of assets denominated in foreign currencies at the end of the current quarter. We will promote direct sales activities by actively strengthening overseas sales networks in order to quickly respond to front-line needs and expand sales. In India, a country which we place a particular focus on, we established offices for our Indian sales subsidiary in three states (Assam, Bihar and Odisha)

during the current quarter period under review, totaling 16 offices. Through these sales offices, we have enhanced our presence in the market by providing more locally-oriented and finely-tuned services and responding to front-line needs. New overseas manufacturing facilities (India, Indonesia, Bangladesh and Hefei in China) further improved their production system and realized stable production expansion under established quality system to promote their sales widely in their countries and surrounding areas.

As a result, net sales of this business decreased by 3.5% from the same period of the previous year to 195,656 million yen.

(ii) Pharmaceutical-Related Business

In the Pharmaceutical-Related Business, we have broadened our contracted manufacturing operation to encompass contracts to develop products from the formulation design of drugs and to develop products using our expertise developing and supplying vials, syringes, bags, and other packaging containers. We also endeavored to expand the contracted business by offering a diverse range of detailed yet wide-ranging contract services, such as support for lifecycle management where we believe we can enhance the value-added features and realize distinct service differentiation. Furthermore, efforts to upgrade and expand our contracted manufacturing capabilities for the dedicated biopharmaceuticals line and the lines at the high potency active pharmaceutical ingredients manufacturing plant contributed to strong sales.

Sales of pharmaceutical containers and the devices for pharmaceutical preparation or administration steadily increased by offering containers and systems suitable to each pharmaceutical product which we developed by ourselves or through joint development with pharmaceutical manufactures. Such efforts were made to meet various needs in the medical front, including small-volume bags, materials for pre-filled syringes (plastic and glass), etc., on top of rubber stoppers for pharmaceutical and vaccine use and containers for kit products. In addition, under the government's policy to curb medical expenses, we have worked together with domestic and foreign pharmaceutical manufactures in enhancing comprehensive lifecycle management of pharmaceutical products, taking into consideration the development of combination products (our original collaboration between pharmaceutical products and medical devices), self-injection systems, and dosage form/administrating path modification in the future.

As a result, net sales of this business increased 14.3% from the same period of the previous year to 52,902 million yen.

(iii) PharmaPackaging Business

In the PharmaPackaging Business, adding to the business of our conventional products, we have made efforts to engage in marketing through academic channels, by attending academic conferences for example, to understand the needs of globalizing customers and acquire new demand. We have also promoted the development of new technologies and new products domestically and overseas to support injectable formulations and filling processes, which require quality with high stability.

For domestic department, under the policies of "One Nipro" and "One Stop Solution," we changed the trade flow to pharmaceutical companies in Japan starting this fiscal year and have started to sell pharmaceutical packaging materials through the Pharmaceutical Business Division, aiming to achieve synergy with the Pharmaceutical-Related Business in the areas of customer service, marketing, and product development. While sales for the current quarter increased, led by strong sales of vials and thermos bottles, sales were affected by an increase in the elimination of internal sales between segments caused by the change of trade flow. On the manufacturing end, despite the decline in production at the Biwako Factory and the cost increase due to inventory adjustments at pharmaceutical companies of some products, we are striving to thoroughly improve quality and the manufacturing process through the introduction of new equipment, among other methods.

As for overseas sales, the continuing appreciation of yen during the current period and the uncertainty around the future of the US and European market due to Brexit and the US presidential election, as well as the Chinese government's push to strengthen GMP which has led to the decrease of pharmaceutical companies has created a difficult market environment. Regardless, we have succeeded in aggressively expanding sales of high-value-added products. The resulting net sales amounted to almost the same level as the previous year, excluding the negative impact of foreign currency conversion due to the appreciation of the yen. In manufacturing, in addition to the surge in shipments of high-value-added products such as sterile syringes and VIALEX®, we pushed forward with automating manufacturing processes at each factory, stabilization and improvement of quality through improved productivity efficiency, and cost reduction. As a result, the rate of return has increased.

As a comprehensive manufacturer of pharmaceutical packaging materials, the PharmaPackaging Business Division will continue to strive to expand business by developing and introducing to the market advanced products that meet the medical needs of countries all over the world.

As a result, net sales of this business decreased 13.3% from the same period of the previous year to 21,605 million yen.

(iv) Other Business

Among other business, sales from the real-estate rental business were 22 million yen (down by 7.2% from the same period of the previous year).

(2) Analysis Concerning Financial Position

Analysis Concerning the Conditions of Assets, Liabilities and Net Assets

Total assets increased by 15,022 million yen from the end of the previous year to 723,904 million yen. Current assets increased by 12,773 million yen primarily due to an increase of 6,634 million yen in notes and accounts receivable - trade, and noncurrent assets increased by 2,248 million yen primarily due to an increase of 6,202 million yen in investment securities.

Total liabilities increased by 26,673 million yen from the end of the previous year to 560,049 million yen. Current liabilities increased by 3,835 million yen primarily due to an increase of 7,406 million yen in short-term loans payable, and noncurrent liabilities increased by 22,838 million yen primarily due to an increase of 23,093 million yen in long-term loans payable.

Total net assets decreased by 11,651 million yen from the end of the previous year to 163,855 million yen. Shareholders' equity increased by 5,206 million yen and accumulated other comprehensive income decreased by 17,154 million yen. As a result, capital adequacy ratio decreased by 2.1% from the end of the previous year to 21.3%.

(3) Commentary on Forward-Looking Statements Including Forecast of Consolidated Financial Results

The future is becoming more and more uncertain due to the unease regarding the new US administration and the growing trend for countries around the world to look inward and prioritize domestic affairs. Even in this current environment, our group continues to work toward achieving a consolidated sales goal of JPY 500 billion by FY 2020. We will focus on accelerating the development of new technologies and new products, and making social contributions through technological innovation, which in turn leads to business development, and will continue to further the concept of local production and consumption.

At this moment, we have not made any revision to the forecast of consolidated financial results for the year ending March 31, 2017, which was announced on November 8, 2016.

2. Summary (Other) Information

(1) Changes in Significant Consolidated Subsidiaries

N/A

(2) Accounting Treatments Simplified or Unique for Preparation

N/A

(3) Changes in Accounting Policies and Accounting Estimate and Restatement

(Change in Accounting Policies)

Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016

Following the Revisions of the Corporate Tax Law, the Company adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) from the three-month period ended June 30, 2016 and has applied the straight line method in place of declining balance method to the facilities and structures of buildings acquired on or after April 1, 2016.

As a result, consolidated operating income, consolidated ordinary profit and surplus before income taxes in the nine months ended December 31, 2016 increased by 227 million yen respectively in comparison with the previous method.

(4) Additional Information

Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

The Company has applied Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016) from the three-month period ended June 30, 2016.

5. Consolidated Financial Statements
(1) [Consolidated Balance Sheets]

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current Assets		
Cash and deposits	126,667	124,367
Notes and accounts receivable-trade	113,235	119,870
Merchandise and finished goods	68,683	72,278
Work in process	10,167	12,255
Raw materials and supplies	23,851	24,817
Deferred tax assets	6,380	5,863
Other	20,115	22,370
Allowance for doubtful accounts	(983)	(931)
Total current assets	368,117	380,891
Noncurrent assets		
Property, plant and equipment		
Bulidings and structures	184,037	192,986
Accumulated depreciation and impairment loss	(84,826)	(88,141)
Buildings and structures, net	99,211	104,844
Machinery, equipment and vehicles	217,074	221,371
Accumulated depreciation and impairment loss	(154,911)	(158,177)
Machinery equipment and vehicles, net	62,162	63,193
Land	21,123	21,101
Lease assets	3,229	3,689
Accumulated depreciation	(2,208)	(2,468)
Lease assets, net	1,021	1,220
Construction in progress	27,643	24,898
Other	46,976	47,817
Accumulated depreciation and impairment loss	(34,382)	(35,809)
Other, net	12,594	12,008
Total property, plant and equipment	223,756	227,266
Intangible assets		
Goodwill	28,876	26,003
Lease assets	2,469	2,283
Other	13,566	11,950
Total intangible assets	44,913	40,237
Investments and other assets		
Investment securities	58,560	64,763
Net defined benefit asset	253	268
Deferred tax assets	3,947	2,340
Other	15,625	13,735
Allowance for doubtful accounts	(6,292)	(5,598)
Total investments and other assets	72,094	75,509
Total noncurrent assets	340,764	343,013
Total assets	708,882	723,904

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,185	57,866
Short-term loans payable	125,848	133,255
Commercial papers	10,000	10,000
Current portion of bonds	2,262	880
Lease obligations	1,044	1,147
Accounts payable-other	12,004	11,772
Accrued directors' bounuses	389	—
Income taxes payable	4,266	5,388
Provision for bounuses	3,733	3,814
Provision for directors' bounuses	79	309
Notes payable-facilities	12,753	14,910
Other	23,579	16,637
Total current liabilities	252,147	255,983
Noncurrent liabilities		
Bonds payable	18,330	17,900
Convertible bond-type bonds with subscription rights to shares	25,000	25,000
Long-term loans payable	224,945	248,039
Lease obligations	3,132	2,943
Deferred tax liabilities	1,985	1,846
Net defined benefit liability	5,017	5,128
Provision for directors' retirement benefits	553	543
Provision for loss on litigation	18	16
Other	2,245	2,649
Total noncurrent liabilities	281,227	304,066
Total liabilities	533,375	560,049
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Capital surplus	—	1
Retained earnings	73,067	83,079
Treasury stock	(1,475)	(6,282)
Total shareholders' equity	155,990	161,197
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,347)	(612)
Deferred gains or losses on hedges	(12)	(232)
Foreign currency translation adjustment	14,187	(5,593)
Remeasurements of defined benefit plans	(821)	(709)
Total accumulated other comprehensive income	10,007	(7,147)
Non-controlling interests	9,509	9,806
Total net assets	175,507	163,855
Total liabilities and net assets	708,882	723,904

(2) [Consolidated Statements of Income and Consolidated Statement of Comprehensive Income]
 Consolidated Statements of Income

(Millions of yen)

	FY2015 (From April 1, 2015 to December 31, 2015)	FY2016 (From April 1, 2016 to December 31, 2016)
Net sales	274,061	270,187
Cost of sales	187,281	180,597
Gross profit	86,779	89,589
Selling, general and administrative expenses	68,348	63,441
Operating income	18,431	26,148
Non-operating income		
Interest income	588	366
Dividends income	881	925
Reversal of allowance for doubtful accounts	455	22
Other	1,032	940
Total non-operating income	2,958	2,254
Non-operating expenses		
Interest expenses	3,225	2,775
Share of loss of entities accounted for using equity method	95	—
Foreign exchange losses	2,239	209
Other	1,945	1,717
Total non-operating expenses	7,505	4,702
Ordinary income	13,884	23,700
Extraordinary income		
Gain on sales of noncurrent assets	272	68
Gain on sales of investments in capital of subsidiaries and associates	1,601	—
State subsidy	50	799
Other	130	9
Total extraordinary income	2,054	877
Extraordinary loss		
Loss on sales of noncurrent assets	23	480
Loss on retirement of noncurrent assets	199	265
Impairment loss	51	0
Loss on sales of investment securities	289	0
Loss on step acquisitions	2,238	—
Provision of allowance for doubtful accounts	816	—
Loss on reduction of non-current assets	47	784
Other	234	485
Total extraordinary losses	3,900	2,017
Income before income taxes	12,038	22,560
Income taxes-current	5,863	7,588
Income taxes-deferred	(7,830)	651
Total income taxes	(1,967)	8,240
Net income	14,006	14,320
Net income attributable to non-controlling interests	37	249
Net income attributable to owners of parent	13,968	14,071

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2015 (From April 1, 2015 to December 31, 2015)	FY2016 (From April 1, 2016 to December 31, 2016)
Net income	14,006	14,320
Other comprehensive income		
Valuation difference on available-for-sale securities	1,648	2,734
Deferred gains or losses on hedges	(53)	(220)
Foreign currency translation adjustment	(9,982)	(20,781)
Remeasurements of defined benefit plans	79	112
Share of other comprehensive income of entities accounted for using equity method	(1)	—
Total other comprehensive income	(8,309)	(18,154)
Comprehensive income	5,696	(3,833)
Comprehensive income attributable to owners of parent	5,903	(3,083)
Comprehensive income attributable to non-controlling interests	(206)	(750)

(3) Notes Regarding Consolidated Financial Statement

(Notes regarding going concern)

N/A

(Notes regarding significant changes in the amount of shareholders' equity)

The Company repurchased 3,889,200 shares of its own common stocks in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to the provisions of Paragraph 3, Article 165 of the Companies Act, after authorization at the Board of Directors' Meeting held on June 28, 2016.

Due to the repurchase, treasury shares increased by 4,806 million yen during the three-month period ended December 31, 2016 to 6,282 million yen as of the end of that period.

(Segment Information)

I FY2015 (From April 1, 2015 to December 31, 2015)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmaceutical- Related	Pharma- Packaging	Total				
Net sales								
(1)Sales to third parties	202,837	46,267	24,932	274,037	24	274,061	-	274,061
(2)Inter-segment sales and transfers	1,327	6,425	685	8,438	28	8,466	(8,466)	-
Total	204,164	52,692	25,618	282,475	52	282,528	(8,466)	274,061
Segment profit	21,555	8,168	(1,063)	28,660	50	28,711	(10,280)	18,431

(Notes)

1. "Other" is the business segment which is not included in the segment and consist of real estate income and sales by headquarter.
2. Adjustment for the segment profit of (10,280) million yen includes deduction of intercompany profits on inventories of (201) million yen and corporate cost of (10,078) million yen. Corporate cost consisted primarily of general and administrative expenses and research and development cost which do not belong to the reporting segment.
3. Segment profit is adjusted to the operating income on the consolidated statements of income.

2. Information about Impairment Loss on Fixed Assets and Goodwill by Reportable Operating Segment

Significant Change in Amount of Goodwill

In Medical-Related Business, we have consolidated Infraredx, Inc. after acquisition of its stocks. Due to this, Goodwill increased by 6,478 million yen from the end of the previous fiscal year.

II FY2016 (From April 1, 2016 to December 31, 2016)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmaceutical- Related	Pharma- Packaging	Total				
Net sales								
(1)Sales to third parties	195,656	52,902	21,605	270,164	22	270,187	-	270,187
(2)Inter-segment sales and transfers	1,202	7,296	0	8,499	483	8,983	(8,983)	-
Total	196,859	60,198	21,605	278,664	505	279,170	(8,983)	270,187
Segment profit	24,198	12,732	(760)	36,169	65	36,235	(10,086)	26,148

(Notes)

1. "Other" is the business segment which is not included in the segment and consists of real estate income and sales by headquarter.
2. Adjustment for the segment profit of (10,086) million yen includes realization of intercompany profits on inventories of 1,513 million yen and corporate cost of (11,599) million yen. Corporate cost consists primarily of general and administrative expenses and research and development cost which do not belong to the reporting segment.
3. Segment profit is adjusted to the operating income on the consolidated statements of income.

2. Changes in Reportable Segments

The Company has changed a name of reportable segment from the beginning of the first quarter in FY2016. Former Glass-Related Business is newly named PharmaPackaging Business.

The change is only in name and has no effects on the business classification or the figures from the third quarter in the previous fiscal year. The Segment Information for FY2015 (From April 1, 2015 to December 31, 2015) reflects this change and the current segment name is used.

3. Information on Impairment Loss on Fixed Assets and on Goodwill by Reportable Segment

N/A