

Translation

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MEMBERSHIP
August 7, 2018

CONSOLIDATED FINANCIAL RESULTS for the First Three Months of the Fiscal Year Ending March 31, 2019 <under Japanese GAAP>

Company name: **TOMY COMPANY, LTD.**
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 7867
URL: www.takaratomy.co.jp
Representative: Kazuhiro Kojima, Representative Director, President & COO
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Scheduled date to file quarterly securities report: August 9, 2018
Scheduled date to commence dividend payments: –
Supplementary material on quarterly financial results: No
Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first three months of the fiscal year ending March 31, 2019 (From April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

| Three months ended | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-----------------|-------|------------------|-------|-----------------|------|---|-----|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| June 30, 2018 | 38,315 | (0.4) | 1,671 | (8.9) | 1,989 | 17.1 | 1,226 | 0.7 |
| June 30, 2017 | 38,487 | 13.9 | 1,835 | – | 1,699 | – | 1,218 | – |

Note: Comprehensive income
Three months ended June 30, 2018: 3,445 million yen [186.2%]
Three months ended June 30, 2017: 1,203 million yen [–%]

| Three months ended | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| | yen | yen |
| June 30, 2018 | 12.96 | 12.91 |
| June 30, 2017 | 13.04 | 12.88 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | yen |
| June 30, 2018 | 142,951 | 59,650 | 41.4 | 621.17 |
| March 31, 2018 | 139,456 | 56,322 | 40.0 | 591.00 |

Reference: Equity
As of June 30, 2018: 59,123 million yen
As of March 31, 2018: 55,757 million yen

2. Cash dividends

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|----------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Year-end | Total |
| | yen | yen | yen | yen | yen |
| Fiscal year ended March 31, 2018 | – | 7.00 | – | 7.00 | 14.00 |
| Fiscal year ending March 31, 2019 | – | | | | |
| Fiscal year ending March 31, 2019 (Forecast) | | 7.00 | – | 7.00 | 14.00 |

Note: Revisions to the cash dividend forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|-----------------|-------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | yen |
| Six months ending September 30, 2018 (cumulative) | 87,000 | (1.1) | 5,500 | (16.3) | 5,800 | (9.7) | 3,800 | (10.1) | 40.15 |
| Fiscal year ending March 31, 2019 | 172,000 | (3.0) | 10,000 | (24.2) | 9,500 | (23.5) | 6,000 | (24.6) | 63.40 |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* **Notes**

(1) **Changes in significant subsidiaries during the three months under review** (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) **Application of specific accounting for preparing quarterly consolidated financial statements:**
Yes

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 13 of the attached material.

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

A. Changes in accounting policies due to revisions to accounting standards: None

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

(4) **Number of issued shares (common shares)**

A. Total number of issued shares at the end of the period (including treasury shares)

| | |
|----------------------|-------------------|
| As of June 30, 2018 | 96,290,850 shares |
| As of March 31, 2018 | 96,290,850 shares |

B. Number of treasury shares at the end of the period

| | |
|----------------------|------------------|
| As of June 30, 2018 | 1,110,569 shares |
| As of March 31, 2018 | 1,947,313 shares |

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|----------------------------------|-------------------|
| Three months ended June 30, 2018 | 94,637,476 shares |
| Three months ended June 30, 2017 | 93,461,957 shares |

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or audit corporation.

1. Qualitative Information Regarding Consolidated Operating Results

(1) Explanation of Operating Results

(Highlights of First Three Months of the Fiscal Year Ending March 31, 2019)

- Net sales were ¥38,315 million, which was roughly on a level with the same period of the previous fiscal year (down 0.4% year on year). This was attributable to robust domestic toy sales and overseas-bound exports of BEYBLADE BURST, which offset the effect of the shifting of the overseas-bound exports of TRANSFORMERS movie-related products to the second quarter and later, which has happened because the next movie is scheduled to be released in December 2018 whereas the previous one was released in June 2017.
- Operating profit was ¥1,671 million (down 8.9% year on year), close to the record-high operating profit achieved in the first three months of the previous fiscal year. This was attributable to the growth in gross profit, boosted by solid net sales and an improved product mix, among other factors, despite higher selling, general and administrative expenses.
- Ordinary profit was ¥1,989 million (up 17.1% year on year) a record-high for the first three months period. This was attributable to foreign exchange gains in contrast with foreign exchange losses in the same period a year earlier.
- Profit attributable to owners of parent was ¥1,226 million (up 0.7% year on year). The growth was driven by the increase in ordinary profit.
- In the Japanese market, the LICCA doll brand, long-standing products, remained popular. Meanwhile, in the PLARAIL brand, products related to the TV animation series SHINKALION likewise sold well. The trading card game DUEL MASTERS also gained popularity in response to enhancement of its product appeal.
- The TOMY International Group saw a decline in net sales, largely due to a decrease in sales of character-related toys, despite brisk sales of agricultural machinery toys.

Overview of Reportable Segments

<Overview of operating results by segment>

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change | Rate of change (%) |
|----------------------------|--|---|--------|--------------------|
| Net sales | 38,487 | 38,315 | (172) | (0.4) |
| Japan | 32,485 | 31,548 | (937) | (2.9) |
| Americas | 4,841 | 3,897 | (943) | (19.5) |
| Europe | 1,193 | 1,070 | (122) | (10.3) |
| Oceania | 463 | 397 | (65) | (14.2) |
| Asia (excl. Japan) | 13,582 | 12,772 | (810) | (6.0) |
| Eliminations and corporate | (14,079) | (11,372) | 2,706 | – |
| Operating profit/(loss) | 1,835 | 1,671 | (163) | (8.9) |
| Japan | 2,102 | 2,693 | 590 | 28.1 |
| Americas | (12) | (83) | (70) | – |
| Europe | (116) | (294) | (177) | – |
| Oceania | (5) | (35) | (29) | – |
| Asia (excl. Japan) | 222 | 136 | (86) | (38.7) |
| Eliminations and corporate | (353) | (744) | (391) | – |

Japan

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change |
|------------------|--|---|--------|
| Net sales | 32,485 | 31,548 | (937) |
| Operating profit | 2,102 | 2,693 | 590 |

Net sales in Japan for the first three months of the fiscal year were ¥31,548 million (down 2.9% year on year), while operating profit was ¥2,693 million (up 28.1% year on year).

In Japan, with respect to long-standing products, the LICCA doll brand, which celebrated its 50th anniversary in 2017, remained popular. Meanwhile, in the PLARAIL range, products related to SHINKALION, a TV animation series on the air since January, also sold briskly.

The trading card game DUEL MASTERS gained popularity in response to enhancement of its product appeal. Furthermore, overseas-bound exports of the next-generation spinning-top battle toy BEYBLADE BURST grew.

As for new products, the real moving kit toy ZOIDS WILD, part of a series with cumulative shipments of 44 million units to date, and the photogenic surprise doll L.O.L. SURPRISE! both began shipping in June.

At T-ARTS Company, Ltd., the amusement machine Pokémon Ga-Olé was well received.

On the downside, overseas-bound exports decreased. A major reason for this was that TRANSFORMERS movie-related products decreased because the next movie is scheduled to be released in December 2018 whereas the previous one was released in June 2017.

For the reason described above, net sales decreased. Meanwhile, operating profit increased due to the growth in gross profit, boosted by an improved product mix, among other factors, despite higher selling, general and administrative expenses.

Americas

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change |
|----------------|--|---|--------|
| Net sales | 4,841 | 3,897 | (943) |
| Operating loss | (12) | (83) | (70) |

Net sales in the Americas were ¥3,897 million (down 19.5% year on year), while operating loss was ¥83 million, compared with an operating loss of ¥12 million in the same period a year earlier. Despite brisk sales of agricultural machinery toys, sales of character-related toys were down, resulting in the decline in net sales.

Europe

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change |
|----------------|--|---|--------|
| Net sales | 1,193 | 1,070 | (122) |
| Operating loss | (116) | (294) | (177) |

Net sales in Europe were ¥1,070 million (down 10.3% year on year), while operating loss was ¥294 million, compared with an operating loss of ¥116 million in the same period a year earlier. The decline in net sales was due to lower sales of character-related toys and preschool-related products, despite brisk sales of agricultural machinery toys and baby products. The operating loss was attributable to a decrease in gross profit due to discounted sales of certain products.

Oceania

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change |
|----------------|--|---|--------|
| Net sales | 463 | 397 | (65) |
| Operating loss | (5) | (35) | (29) |

Net sales in Oceania were ¥397 million (down 14.2% year on year), while operating loss was ¥35 million, compared with an operating loss of ¥5 million in the same period a year earlier. These results reflected a decrease in sales of character-related toys, despite brisk sales of agricultural machinery toys and baby products.

Asia (excl. Japan)

(Millions of yen)

| | First three months of the fiscal year ended March 31, 2018 | First three months of the fiscal year ending March 31, 2019 | Change |
|------------------|--|---|--------|
| Net sales | 13,582 | 12,772 | (810) |
| Operating profit | 222 | 136 | (86) |

Net sales in Asia (excl. Japan) were ¥12,772 million (down 6.0% year on year), while operating profit was ¥136 million (down 38.7% year on year). The next-generation spinning-top battle toy BEYBLADE BURST continued to gain popularity owing to the broadcasts of that TV animation series in South Korea, Hong Kong, Taiwan, and various other regions in Asia, and a marketing campaign that included in-store, social media and Web marketing. Additionally, the TOMICA brand, which has broad business development across Asia, had robust sales. On the other hand, manufacturing subsidiary TOMY (Hong Kong) Ltd. saw a decline in shipments to Europe and North America, which was one of the main factors leading to the declines in net sales and operating profit.

(2) Overview of Financial Position

Assets, Liabilities and Net Assets

<Assets>

At the end of the first quarter of the fiscal year ending March 31, 2019, current assets stood at ¥91,064 million, up ¥3,034 million from the end of the previous fiscal year ended March 31, 2018. This is mainly attributable to an increase in merchandise and finished goods, despite a decrease in notes and accounts receivable - trade.

Non-current assets stood at ¥51,876 million, up ¥464 million from the end of the previous fiscal year. This is mainly attributable to an increase in intangible assets, despite a decrease in investments and other assets.

<Liabilities>

At the end of the first quarter, current liabilities stood at ¥54,122 million, up ¥784 million from the end of the previous fiscal year. This is mainly attributable to increases in notes and accounts payable - trade and lease obligations, despite a decrease in accrued expenses.

Non-current liabilities stood at ¥29,178 million, down ¥616 million from the end of the previous fiscal year. This is mainly attributable to a decrease in long-term loans payable.

<Net assets>

At the end of the first quarter, total net assets were ¥59,650 million, up ¥3,327 million from the end of the previous fiscal year. This is mainly attributable to increases in retained earnings and foreign currency translation adjustment.

Cash flows

Cash and cash equivalents (hereafter “cash”) at the end of the first quarter of the fiscal year ending March 31, 2019 was ¥46,009 million, a decrease of ¥196 million compared with the end of the previous fiscal year ended March 31, 2018.

Net cash provided by operating activities was ¥1,586 million, compared with ¥2,821 million used in the same period a year earlier. The main factors are an increase in notes and accounts payable - trade of ¥2,766 million, profit before income taxes of ¥2,118 million, depreciation of ¥1,686 million and a decrease in notes and accounts receivable - trade of ¥1,494 million, despite and a decrease in accrued expenses of ¥2,476 million, an increase in inventories of ¥2,250 million and income taxes paid of ¥1,765 million.

Net cash used in investing activities was ¥1,243 million, compared with ¥1,037 million used in the same period a year earlier. The main factors are purchase of property, plant and equipment of ¥995 million and purchase of intangible assets of ¥383 million.

Net cash used in financing activities was ¥766 million, compared with ¥13,673 million used in the same period a year earlier. The main factors are repayments of finance lease obligations of ¥782 million and repayments of long-term loans payable of ¥765 million, despite proceeds from disposal of treasury shares of ¥526 million and proceeds from sales and leasebacks of ¥500 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

In light of the recent business performance trends and other factors, we have revised today (August 7, 2018) the consolidated earnings forecasts for the six months ending September 30, 2018 that was announced on May 11, 2018. Please refer to today’s press release “Notice Concerning Revisions of Earnings Forecasts” for details regarding the revisions of earnings forecasts.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 46,302 | 46,106 |
| Notes and accounts receivable - trade | 23,582 | 22,231 |
| Merchandise and finished goods | 12,888 | 14,961 |
| Work in process | 393 | 457 |
| Raw materials and supplies | 1,045 | 1,265 |
| Other | 4,037 | 6,250 |
| Allowance for doubtful accounts | (219) | (209) |
| Total current assets | 88,030 | 91,064 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 12,748 | 12,743 |
| Accumulated depreciation | (7,919) | (7,991) |
| Accumulated impairment loss | (408) | (406) |
| Buildings and structures, net | 4,420 | 4,345 |
| Machinery, equipment and vehicles | 2,513 | 2,537 |
| Accumulated depreciation | (1,770) | (1,803) |
| Accumulated impairment loss | (17) | (17) |
| Machinery, equipment and vehicles, net | 726 | 715 |
| Tools, furniture and fixtures | 22,926 | 23,203 |
| Accumulated depreciation | (20,727) | (21,020) |
| Accumulated impairment loss | (589) | (574) |
| Tools, furniture and fixtures, net | 1,609 | 1,607 |
| Land | 3,991 | 3,994 |
| Leased assets | 7,174 | 7,743 |
| Accumulated depreciation | (3,313) | (3,495) |
| Accumulated impairment loss | (0) | (0) |
| Leased assets, net | 3,860 | 4,247 |
| Construction in progress | 661 | 378 |
| Total property, plant and equipment | 15,269 | 15,288 |
| Intangible assets | | |
| Goodwill | 18,006 | 18,377 |
| Other | 10,663 | 10,881 |
| Total intangible assets | 28,670 | 29,258 |
| Investments and other assets | | |
| Investment securities | 3,054 | 3,185 |
| Deferred tax assets | 2,147 | 1,837 |
| Other | 2,738 | 2,766 |
| Allowance for doubtful accounts | (468) | (459) |
| Total investments and other assets | 7,472 | 7,328 |
| Total non-current assets | 51,412 | 51,876 |
| Deferred assets | | |
| Bond issuance cost | 13 | 10 |
| Total deferred assets | 13 | 10 |
| Total assets | 139,456 | 142,951 |

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 9,976 | 12,896 |
| Short-term loans payable | 7,631 | 7,842 |
| Current portion of bonds | 10,000 | 10,000 |
| Current portion of long-term loans payable | 3,062 | 3,062 |
| Lease obligations | 2,642 | 2,902 |
| Accounts payable - other | 8,051 | 7,878 |
| Accrued expenses | 8,220 | 5,786 |
| Income taxes payable | 1,726 | 1,076 |
| Provision | 736 | 518 |
| Other | 1,288 | 2,158 |
| Total current liabilities | 53,338 | 54,122 |
| Non-current liabilities | | |
| Long-term loans payable | 22,098 | 21,333 |
| Lease obligations | 1,217 | 1,453 |
| Deferred tax liabilities | 1,078 | 1,114 |
| Deferred tax liabilities for land revaluation | 472 | 472 |
| Provision | 497 | 503 |
| Net defined benefit liability | 2,693 | 2,644 |
| Other | 1,737 | 1,655 |
| Total non-current liabilities | 29,795 | 29,178 |
| Total liabilities | 83,134 | 83,301 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,459 | 3,459 |
| Capital surplus | 9,095 | 9,135 |
| Retained earnings | 35,881 | 36,447 |
| Treasury shares | (1,271) | (724) |
| Total shareholders' equity | 47,165 | 48,317 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,083 | 1,166 |
| Deferred gains or losses on hedges | (140) | 442 |
| Revaluation reserve for land | 585 | 585 |
| Foreign currency translation adjustment | 7,727 | 9,279 |
| Remeasurements of defined benefit plans | (664) | (668) |
| Total accumulated other comprehensive income | 8,591 | 10,805 |
| Share acquisition rights | 175 | 133 |
| Non-controlling interests | 389 | 393 |
| Total net assets | 56,322 | 59,650 |
| Total liabilities and net assets | 139,456 | 142,951 |

**(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)**

(Millions of yen)

| | Three months ended June 30, 2017 | Three months ended June 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 38,487 | 38,315 |
| Cost of sales | 23,116 | 22,765 |
| Gross profit | 15,371 | 15,550 |
| Selling, general and administrative expenses | 13,535 | 13,878 |
| Operating profit | 1,835 | 1,671 |
| Non-operating income | | |
| Interest and dividend income | 68 | 55 |
| Foreign exchange gains | – | 285 |
| Rent income | 37 | 37 |
| Other | 18 | 52 |
| Total non-operating income | 124 | 430 |
| Non-operating expenses | | |
| Interest expenses | 150 | 73 |
| Foreign exchange losses | 52 | – |
| Other | 57 | 39 |
| Total non-operating expenses | 260 | 113 |
| Ordinary profit | 1,699 | 1,989 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 18 | 1 |
| Gain on reversal of share acquisition rights | 6 | 7 |
| Gain on sales of investments in capital | – | 166 |
| Total extraordinary income | 24 | 175 |
| Extraordinary losses | | |
| Impairment loss | – | 39 |
| Other | – | 7 |
| Total extraordinary losses | – | 46 |
| Profit before income taxes | 1,723 | 2,118 |
| Income taxes | 501 | 887 |
| Profit | 1,222 | 1,231 |
| Profit attributable to non-controlling interests | 4 | 4 |
| Profit attributable to owners of parent | 1,218 | 1,226 |

(Consolidated statement of comprehensive income)

(Millions of yen)

| | Three months ended June 30, 2017 | Three months ended June 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Profit | 1,222 | 1,231 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 137 | 83 |
| Deferred gains or losses on hedges | (42) | 582 |
| Foreign currency translation adjustment | (133) | 1,552 |
| Remeasurements of defined benefit plans, net of tax | 18 | (4) |
| Total other comprehensive income | (19) | 2,214 |
| Comprehensive income | 1,203 | 3,445 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,198 | 3,440 |
| Comprehensive income attributable to non-controlling interests | 4 | 5 |

(3) Consolidated statement of cash flows

(Millions of yen)

| | Three months ended June 30, 2017 | Three months ended June 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,723 | 2,118 |
| Depreciation | 2,017 | 1,686 |
| Impairment loss | – | 39 |
| Amortization of goodwill | 359 | 353 |
| Gain on reversal of share acquisition rights | (6) | (7) |
| Loss on sales of investments in capital | – | (166) |
| Increase (decrease) in allowance for doubtful accounts | (5) | (36) |
| Increase (decrease) in provision | (177) | (220) |
| Increase (decrease) in net defined benefit liability | (56) | (33) |
| Interest and dividend income | (68) | (55) |
| Interest expenses | 150 | 73 |
| Foreign exchange losses (gains) | 37 | (4) |
| Decrease (increase) in notes and accounts receivable - trade | (688) | 1,494 |
| Decrease (increase) in inventories | (2,559) | (2,250) |
| Decrease (increase) in prepaid expenses | (605) | (1,263) |
| Increase (decrease) in notes and accounts payable - trade | 1,486 | 2,766 |
| Increase (decrease) in accounts payable - other | (957) | 330 |
| Increase (decrease) in accrued expenses | (2,441) | (2,476) |
| Other, net | 758 | 1,032 |
| Subtotal | (1,031) | 3,381 |
| Interest and dividend income received | 68 | 55 |
| Interest expenses paid | (144) | (84) |
| Income taxes paid | (1,714) | (1,765) |
| Net cash provided by (used in) operating activities | (2,821) | 1,586 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (736) | (995) |
| Purchase of intangible assets | (295) | (383) |
| Proceeds from sales of investments in capital | – | 166 |
| Other, net | (5) | (31) |
| Net cash provided by (used in) investing activities | (1,037) | (1,243) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 0 | 358 |
| Repayments of long-term loans payable | (12,987) | (765) |
| Cash dividends paid | (429) | (602) |
| Repayments of finance lease obligations | (820) | (782) |
| Proceeds from disposal of treasury shares | 554 | 526 |
| Proceeds from sales and leasebacks | 11 | 500 |
| Other, net | (2) | (1) |
| Net cash provided by (used in) financing activities | (13,673) | (766) |
| Effect of exchange rate change on cash and cash equivalents | 16 | 227 |
| Net increase (decrease) in cash and cash equivalents | (17,515) | (196) |
| Cash and cash equivalents at beginning of period | 58,530 | 46,206 |
| Cash and cash equivalents at end of period | 41,015 | 46,009 |

(4) Notes Regarding Consolidated Financial Statements

(Notes regarding assumption of going concern)

Nothing to note.

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

Nothing to note.

(Application of specific accounting for preparing quarterly consolidated financial statements)

Tax expense calculation

Tax expenses on profit before income taxes for the three months under review are calculated by multiplying profit before income taxes for the three months under review by the reasonably estimated effective tax rate for the fiscal year including the first quarter under review after applying tax effect accounting.

Segment information

I. First three months of the fiscal year ended March 31, 2018 (April 1, 2017 to June 30, 2017)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

| | Japan | Americas | Europe | Oceania | Asia (excl. Japan) | Total |
|-----------------------------------|--------|----------|--------|---------|-----------------------|--------|
| Net sales | | | | | | |
| External customers | 29,369 | 4,813 | 1,192 | 463 | 2,649 | 38,487 |
| Inter-segment sales and transfers | 3,115 | 28 | 1 | – | 10,933 | 14,079 |
| Total | 32,485 | 4,841 | 1,193 | 463 | 13,582 | 52,567 |
| Segment profit (loss) | 2,102 | (12) | (116) | (5) | 222 | 2,189 |

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

| Profit | Amount |
|--|--------|
| Reportable segments total | 2,189 |
| Inter-segment eliminations | 254 |
| Corporate expenses (Note) | (608) |
| Operating profit on the quarterly consolidated statement of income | 1,835 |

(Note) Corporate expenses primarily comprise selling, general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

| | Japan | North America | | Other | Total |
|-----------|--------|---------------|-------|-------|--------|
| | | | U.S. | | |
| Net sales | 24,103 | 6,495 | 6,087 | 7,889 | 38,487 |

(Note) Net sales are categorized into a country or region based on the customer's location.

II. First three months of the fiscal year ending March 31, 2019 (April 1, 2018 to June 30, 2018)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

| | Japan | Americas | Europe | Oceania | Asia (excl. Japan) | Total |
|-----------------------------------|--------|----------|--------|---------|-----------------------|--------|
| Net sales | | | | | | |
| External customers | 29,427 | 3,866 | 1,062 | 397 | 3,561 | 38,315 |
| Inter-segment sales and transfers | 2,120 | 31 | 8 | – | 9,211 | 11,372 |
| Total | 31,548 | 3,897 | 1,070 | 397 | 12,772 | 49,687 |
| Segment profit (loss) | 2,693 | (83) | (294) | (35) | 136 | 2,416 |

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

| Profit | Amount |
|--|--------|
| Reportable segments total | 2,416 |
| Inter-segment eliminations | (11) |
| Corporate expenses (Note) | (733) |
| Operating profit on the quarterly consolidated statement of income | 1,671 |

(Note) Corporate expenses primarily comprise selling, general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

| | Japan | North America | | Other | Total |
|-----------|--------|---------------|-------|-------|--------|
| | | | U.S. | | |
| Net sales | 24,400 | 6,394 | 5,961 | 7,521 | 38,315 |

(Note) Net sales are categorized into a country or region based on the customer's location.