

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022

(Three Months Ended June 30, 2021)

[Japanese GAAP]

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 Supplementary materials for quarterly financial results: Yes
 Quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 – June 30, 2021)

(1) Consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2021	42,315	-	6,008	-	6,521	-	4,731	-
Three months ended Jun. 30, 2020	38,641	(7.8)	3,575	(7.4)	3,802	(3.1)	1,747	(21.2)

Note: Comprehensive income (Millions of yen):
 Three months ended Jun. 30, 2021: 7,176 1,250.7%
 Three months ended Jun. 30, 2020: 531 (64.5%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2021	41.48	41.36
Three months ended Jun. 30, 2020	15.32	15.27

Note 1: Beginning with the first quarter of the fiscal year ending on March 31, 2022, the Company has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the first quarter incorporate this accounting standard and comparisons with the first quarter of the previous fiscal year are omitted.

Note 2: The provisional accounting treatment for business combinations has been finalized at the end of the fiscal year ended March 31, 2021. The figures for the first quarter of the fiscal year ended March 31, 2021 have been restated accordingly.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2021	232,431	161,166	68.9
As of Mar. 31, 2021	225,790	156,612	68.9

Reference: Equity (Millions of yen): As of Jun. 30, 2021: 160,036 As of Mar. 31, 2021: 155,525

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	13.00	-	15.00	28.00
Fiscal year ending Mar. 31, 2022	-				
Fiscal year ending Mar. 31, 2022 (forecast)		15.00	-	15.00	30.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	182,000	0.4	23,100	0.5	23,900	(0.0)	17,100	2.1	149.91

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

* Notes

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

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

Note: Please refer to page 8 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements” for further information.

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

1) Changes in accounting policies due to revisions in accounting standards: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to page 8 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements” for further information.

(4) Number of common shares issued

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

As of Jun. 30, 2021: 118,089,155 shares As of Mar. 31, 2021: 118,089,155 shares

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

As of Jun. 30, 2021: 4,019,044 shares As of Mar. 31, 2021: 4,019,044 shares

3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2021: 114,070,111 shares Three months ended Jun. 30, 2020: 114,070,167 shares

Note 1: This summary report is not subject to the quarterly review conducted by certified public accountants or audit firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual results of operations may differ significantly from the forecasts depending on various factors. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.”

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the economic situation remained severe due to the impact of COVID-19. The outlook is expected to improve as measures to prevent the spread of the infection are implemented, but close attention must be paid to the danger that downside risks might increase should infections rise. The future of consumer spending is also uncertain.

Under these circumstances, the Rohto Group has created the slogan of “Connect for Well-being,” suggesting people around the world living energetically and happily each day, both physically and mentally, throughout the various stages of their lives. We are endeavoring to further increase corporate value. To this end, we are working toward the realization of the “Management Vision 2030”.

In total, net sales were 42,315 million yen. In Japan, sales rose despite a resurgence of COVID-19 infections as consumers got tired of self-restraint and began to spend more. Overseas, while the risk of the coronavirus variants spread is still imminent, COVID-19 vaccination rates increased and signs of economic recovery were seen in some regions.

Regarding profits, there was a sharp increase at all levels. Due to higher sales and efficient use of selling, general and administrative expenses, operating income, ordinary income and profit attributable to owners of parent increased to 6,008 million yen, 6,521 million yen and 4,731 million yen, respectively.

Note: Beginning with the first quarter of the fiscal year ending on March 31, 2022, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). As a result, the accounting treatment for revenue differs from the first quarter of the previous fiscal year. The rate of change from the prior first quarter year was not given in the narrative. If we were to apply the new revenue recognition standard to the prior first quarter, the rate of change was as follows: sales rose 15.4%, operating income 67.6%, ordinary income 71.1%, and profit attributable to owners of parent 169.3% year-on-year.

Results by reportable segment are as follows.

Japan

Sales to customers were 26,380 million yen.

Although the third state of emergency was declared, sales of sunscreens, contact lens and contact lens care solution increased, and “Melano CC” and “Deoco” continued to perform well. “Rohto V5 Grain” and the Chinese herbal medicine brand “Wakansen” also sold well.

Segment profit (operating income) was 3,913 million yen due to efforts to make efficient use of selling, general and administrative expenses.

Note: As described in the note for “(1) Explanation of Results of Operations,” if we were to apply the new revenue recognition standard to the prior first quarter, sales rose 10.1% and operating income 50.7% year-on-year.

America

Sales to customers decreased 5.1% year-on-year to 2,021 million yen.

Sales of eye drops and sunscreens performed well as falling COVID-19 infections increasingly led people to venture outdoors, while sales of Mentholatum Ointment decreased following extraordinary demand related to the coronavirus last year.

Despite slow sales, segment profit (operating income) turned profitable at 106 million yen (compared with 69 million yen loss in prior first quarter) due to reductions in advertising expenses.

Europe

Sales to customers sharply increased 39.3% year-on-year to 2,580 million yen.

Sales of the leading anti-inflammatory analgesic products and “Hada-Labo” performed well. There were also signs of recovery at Dax Cosmetics Spolka Z Organiczna Odpowiedzialnoscia, which posted sluggish cosmetics sales in the previous fiscal year due to the COVID crisis.

Segment profit (operating income) sharply increased 300.1% year-on-year to 235 million yen due to strong sales.

Asia

Sales to customers significantly increased 30.7% year-on-year to 10,844 million yen.

Sales of sunscreens, lip balms, and eye drops recovered and performed well as a fall in COVID-19 infections led to greater opportunities to go outside. Additionally, demand for the “Acnes” a treatment for acne surged due to skin problems associated with mask use. In our core market of China, sales grew strongly as the market steadily recovered from the impact of COVID-19.

Segment profit (operating income) significantly increased 52.1% year-on-year to 1,603 million yen due to higher sales.

Others

In “Others,” excluded from reportable segments, sales to customers increased 16.7% year-on-year to 488 million yen.

Segment profit (operating income) increased 26.9% year-on-year to 37 million yen.

(2) Explanation of Financial Position

Total assets at the end of the first quarter increased 6,640 million yen from the end of the previous fiscal year to 232,431 million yen. This was mainly due to increases of 5,379 million yen in cash and deposit, 1,948 million yen in other under property, plant and equipment, and 1,577 million yen in merchandise and finished goods, while there was a decrease of 5,628 million yen in electronically recorded monetary claims-operating.

Total liabilities increased 2,086 million yen from the end of the previous fiscal year to 71,264 million yen. This was mainly due to decreases of 7,629 million yen in accrued expenses and 2,705 million yen in income taxes payable, while there were increases of 10,451 million yen in other current liabilities and 3,938 million yen in notes and accounts payable-trade.

Net assets increased 4,553 million yen from the end of the previous fiscal year to 161,166 million yen. This was mainly due to increases of 2,108 million yen in retained earnings and 2,787 million yen in foreign currency translation adjustment, while there was a decrease of 387 million yen in valuation difference on available-for-sale securities.

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

There is no change in the full-year consolidated earnings forecast that was released on May 12, 2021. Results of operations for the first quarter trended generally in line with our plan.

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

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

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2021)	Current First Quarter End (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	52,964	58,343
Notes and accounts receivable-trade	31,207	29,668
Electronically recorded monetary claims-operating	16,943	11,314
Merchandise and finished goods	13,848	15,426
Work in process	2,799	3,054
Raw materials and supplies	11,278	12,300
Other	4,315	5,215
Allowance for doubtful accounts	(285)	(236)
Total current assets	133,071	135,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,379	19,344
Other, net	30,411	32,359
Total property, plant and equipment	49,790	51,703
Intangible assets		
Goodwill	4,014	3,936
Other	3,520	3,510
Total intangible assets	7,535	7,447
Investments and other assets		
Investment securities	26,226	27,527
Other	13,138	14,938
Allowance for doubtful accounts	(3,971)	(4,272)
Total investments and other assets	35,392	38,193
Total non-current assets	92,719	97,343
Total assets	225,790	232,431

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2021)	Current First Quarter End (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,603	13,542
Electronically recorded obligations-operating	1,727	2,188
Short-term loans payable	2,312	2,934
Accrued expenses	22,566	14,936
Income taxes payable	4,948	2,242
Provision for bonuses	2,612	1,428
Provision for directors' bonuses	30	10
Provision for sales returns	792	-
Provision for sales rebates	2,410	-
Other	9,467	19,919
Total current liabilities	56,471	57,202
Non-current liabilities		
Long-term loans payable	5,787	7,114
Net defined benefit liability	3,451	3,419
Provision for loss on guarantees	1,675	1,675
Other	1,792	1,851
Total non-current liabilities	12,707	14,062
Total liabilities	69,178	71,264
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,661
Retained earnings	145,511	147,619
Treasury shares	(4,936)	(4,936)
Total shareholders' equity	152,741	154,849
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,717	6,330
Foreign currency translation adjustment	(3,062)	(275)
Remeasurements of defined benefit plans	(870)	(867)
Total accumulated other comprehensive income	2,784	5,187
Subscription rights to shares	382	382
Non-controlling interests	704	746
Total net assets	156,612	161,166
Total liabilities and net assets	225,790	232,431

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2020 – Jun. 30, 2020)	Current First Quarter (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	38,641	42,315
Cost of sales	16,712	18,188
Gross profit	21,929	24,126
Reversal of provision for sales returns	132	-
Gross profit-net	22,061	24,126
Selling, general and administrative expenses	18,486	18,118
Operating income	3,575	6,008
Non-operating income		
Interest income	93	74
Dividend income	186	479
Share of income of entities accounted for using equity method	29	-
Gain on investments in partnership	-	224
Other	164	141
Total non-operating income	473	920
Non-operating expenses		
Interest expenses	32	32
Share of loss of entities accounted for using equity method	-	51
Foreign exchange losses	49	-
Provision for doubtful accounts	62	299
Loss on investments in partnership	71	-
Other	30	23
Total non-operating expenses	246	407
Ordinary income	3,802	6,521
Extraordinary losses		
Impairment loss	125	-
Loss on valuation of investment securities	987	109
Total extraordinary losses	1,112	109
Profit before income taxes	2,689	6,411
Income taxes	933	1,661
Profit	1,756	4,750
Profit attributable to non-controlling interests	9	19
Profit attributable to owners of parent	1,747	4,731

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2020 – Jun. 30, 2020)	Current First Quarter (Apr. 1, 2021 – Jun. 30, 2021)
Profit	1,756	4,750
Other comprehensive income		
Valuation difference on available-for-sale securities	738	(387)
Foreign currency translation adjustment	(1,998)	2,810
Remeasurements of defined benefit plans, net of tax	40	2
Share of other comprehensive income of entities accounted for using equity method	(5)	0
Total other comprehensive income	(1,225)	2,426
Comprehensive income	531	7,176
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	617	7,134
Comprehensive income attributable to non-controlling interests	(85)	42

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements**Calculation of tax expense**

Tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes for the fiscal year, and multiplying that rate by the quarterly income before income taxes.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. As a result, as for sales with a right of return, previously recorded as a provision for sales returns based on the amount of gross profit, instead of recognizing revenue at the time of sale, we now recognize a refund liability for goods or products that are expected to be returned in the amount of the consideration received or receivable in accordance with the provisions on variable consideration. Furthermore, for some transactions for which no provision for sales rebates was previously recorded, additional refund liabilities have been recognized as the new standard clarifies how to account for these cases. In addition, sales rebates, previously treated as selling, general and administrative expenses, for transactions with a provisional price, the Company recognized revenue at the provisional price at the time of sale and subsequently reviewed the amount according to the status of negotiations with the customer. However, the Company has changed to a method of estimating the amount of the variable portion of the consideration for the transaction and including in the transaction price only that portion of the revenue recognized that is highly unlikely to be significantly reduced.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting standard to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method prescribed in Paragraph 86, Article 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales decreased 1,643 million yen, cost of sales increased 0 million yen, reversal of provision for sales returns decreased 408 million yen, gross profit-net decreased 2,052 million yen, and selling, general and administrative expenses decreased 2,232 million yen. Operating income, ordinary income and profit before income taxes increased 180 million yen each in the first quarter of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first quarter by 912 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, the provision for sales returns and provision for sales rebates that were presented under the current liabilities in the consolidated balance sheets in the previous fiscal year is, from the first quarter of the current fiscal year, included in the other current liabilities. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented the disaggregation of revenue from contracts with customers for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). As a result of this change, the corporate bonds, which were previously considered to be financial instruments that were extremely difficult to determine the fair value and the Company used the acquisition cost as the quarterly consolidated balance sheet value, is now evaluated at the fair value. Even in cases where observable inputs are not available, the fair value is calculated using unobservable inputs based on the best available information.

Segment Information

I. Prior First Quarter (Apr. 1, 2020 – Jun. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in quarterly consolidated statement of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
(1) Sales to customers	25,943	2,130	1,852	8,295	38,222	419	38,641	-	38,641
(2) Inter-segment sales and transfers	776	184	11	797	1,769	8	1,778	(1,778)	-
Total	26,720	2,315	1,863	9,092	39,992	427	40,419	(1,778)	38,641
Segment profit (loss)	2,587	(69)	58	1,054	3,630	29	3,660	(85)	3,575

Notes: 1. "America" includes the business activities of overseas entities in the U.S. and Canada, and others; "Europe" those in the U.K., Poland and South Africa, and others; and "Asia" those in China, Taiwan, Vietnam, and others.

2. "Others" is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. "Adjustment" to segment profit (loss) of (85) million yen indicates elimination for intersegment transactions.

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

5. The provisional accounting treatment for business combinations has been finalized at the end of the fiscal year ended March 31, 2021. The figures for the first quarter of the previous fiscal year have been restated accordingly.

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

Impairment loss on fixed assets was recognized in "Japan" segment. The amount of impairment loss was 125 million for the three months ended June 30, 2020.

II. Current First Quarter (Apr. 1, 2021 – Jun. 30, 2021)

1. Information related to net sales and profit and disaggregation of revenue for each reportable segment (Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in quarterly consolidated statement of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales Revenue from contracts with customers	26,380	2,021	2,580	10,844	41,826	488	42,315	-	42,315
(1) Sales to customers	26,380	2,021	2,580	10,844	41,826	488	42,315	-	42,315
(2) Inter-segment sales and transfers	882	214	21	708	1,826	27	1,854	(1,854)	-
Total	27,263	2,235	2,602	11,552	43,653	516	44,169	(1,854)	42,315
Segment profit	3,913	106	235	1,603	5,859	37	5,896	111	6,008

Notes: 1. “America” includes the business activities of overseas entities in the U.S. and Brazil, and others; “Europe” those in the U.K., Poland and South Africa, and others; and “Asia” those in China, Taiwan, Vietnam, and others.

2. “Others” is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. “Adjustment” to segment profit of 111 million yen indicates elimination for intersegment transactions.

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

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

No reportable information.

3. Matters regarding reportable segment, etc.

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, the calculation for segment information has also been changed accordingly.

As a result of this change, net sales in the “Japan” segment for the first quarter of the current fiscal year decreased by 1,643 million yen and segment profit increased by 180 million yen, compared with the previous method.

** This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*