

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

[Japanese GAAP]

Company name:	ROHTO Pharmaceutical Co., Ltd.	Stock Exchange listing:	TSE, First Section
Stock code:	4527	URL:	https://www.rohto.co.jp/
Representative:	Masashi Sugimoto, President and COO		
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Scheduled date of Annual General Meeting of Shareholders:		June 27, 2022	
Scheduled date of filing of Annual Securities Report:		June 28, 2022	
Scheduled date of dividend payment:		June 13, 2022	
Supplementary materials for financial results:		Yes	
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 Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	%
Fiscal year ended Mar. 31, 2022	199,646	-	29,349	-	29,084	-	21,018	-
Fiscal year ended Mar. 31, 2021	181,287	(3.7)	22,990	(0.4)	23,910	5.2	16,743	8.6

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2022: 26,772 -%
Fiscal year ended Mar. 31, 2021: 19,794 75.6%

	Basic net income per share	Diluted net income per share	ROE	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2022	184.26	183.73	12.6	11.6	14.7
Fiscal year ended Mar. 31, 2021	146.78	146.36	11.7	10.8	12.7

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2022: 143
Fiscal year ended Mar. 31, 2021: 396

Note 1: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), from the beginning of the current fiscal year, and the figures for the fiscal year ended March 2022 are after the application of the said accounting standard. The percentage changes from the same period of the previous fiscal year are not stated.

Note 2: The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2021 have been restated accordingly.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2022	274,627	183,832	64.8	1,559.62
As of Mar. 31, 2021	226,149	156,612	68.8	1,363.42

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2022: 177,905 As of Mar. 31, 2021: 155,525

Note: The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2021 have been restated accordingly.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Mar. 31, 2022	27,250	(16,406)	3,470	70,905
Fiscal year ended Mar. 31, 2021	20,008	(10,237)	(2,347)	52,254

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividends on Equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2021	-	13.00	-	15.00	28.00	3,193	19.1	2.2
Fiscal year ended Mar. 31, 2022	-	15.00	-	21.00	36.00	4,106	19.5	2.5
Fiscal year ending Mar. 31, 2023 (forecast)	-	18.00	-	19.00	37.00		21.6	

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	218,000	9.2	28,000	(4.6)	28,000	(3.7)	19,500	(7.2)	170.95

Note: From the viewpoint of promoting constructive dialogue for medium-to long-term corporate value enhancement, we will disclose the earnings forecast for the full year only.

*** Notes**

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

(2) 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: For details, please refer “(5) Notes to Consolidated Financial Statements”, under “3. Consolidated Financial Statements and Major Notes” on page 16 of the attachment

(3) Number of common shares issued

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

As of Mar. 31, 2022: 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 Mar. 31, 2022: 4,019,262 shares As of Mar. 31, 2021: 4,019,044 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2022: 114,070,031 shares Fiscal year ended Mar. 31, 2021: 114,070,140 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2022	101,207	-	16,723	-	17,516	-	13,035	-
Fiscal year ended Mar. 31, 2021	101,009	(5.1)	13,018	(1.9)	12,564	(12.6)	8,920	27.8

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Mar. 31, 2022	114.27		113.94	
Fiscal year ended Mar. 31, 2021	78.20		77.97	

Notes: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), from the beginning of the current fiscal year, and the figures for the fiscal year ended March 2022 are after the application of the said accounting standard. The percentage changes from the same period of the previous fiscal year are not stated.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2022	172,621	122,859	71.0	1,073.69
As of Mar. 31, 2021	153,277	114,864	74.7	1,003.60

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2022: 122,476 As of Mar. 31, 2021: 114,481

Note 1: This summary report is not subject to the audit 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 2 of the attachments "1. Overview of Results of Operations and Other Information, (1) Overview of Results of Operations."

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1. Overview of Results of Operations and Other Information

(1) Overview of Results of Operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ended Mar. 31, 2022	199,646	29,349	29,084	21,018
Fiscal year ended Mar. 31, 2021	181,287	22,990	23,910	16,743
Year-on-year change (%)	-	-	-	-

During the current fiscal year, the Japanese economy showed signs of gradual recovery in economic activities, although the situation remained severe due to the influence of COVID-19 infections. Overseas, the situation remains unpredictable due to soaring crude oil prices and high raw material costs resulting from economic slowdown due to China's zero-COVID policy and Russia's invasion of Ukraine.

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.

Consequently, the consolidated net sales increased significantly to 199,646 million yen in the current fiscal year.

Compared to the same period of the previous year, when sales fell sharply due to the influence of COVID-19 infections, progress in vaccination and the resumption of economic activity led to a recovery in consumer sentiment, which contributed to sales growth.

As a result of a significant sales growth and efforts to efficiently utilize selling, general and administrative expenses, the Company achieved a significant increase in all profit categories, with an operating income of 29,349 million yen, ordinary income of 29,084 million yen, and net income attributable to owners of the parent of 21,018 million yen.

Note: From the beginning of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Consequently, the accounting treatment of revenues differs from that of the previous fiscal year. The percentage changes from the previous fiscal year are not stated.

The rate of change from the prior first half was not given in the narrative. If we were to apply the new revenue recognition standard to the prior first half, the rate of change was as follows: sales rose 15.6%, Cost of sales 1.4%, operating income 27.8.%, ordinary income 21.7%, and profit attributable to owners of parent 25.7% year-on-year. Sales and profits at all levels increased to all-time highs.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2021	Fiscal year ended Mar. 31, 2022	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	115,629	121,417	-	-
	America	7,687	10,037	2,350	30.6.
	Europe	8,149	10,297	2,147	26.4
	Asia	48,056	55,988	7,931	16.5
	Subtotal	179,522	197,740	-	-
Others		1,764	1,906	141	8.0
Total		181,287	199,646	-	-

Japan

Sales to outside customers totaled 121,417 million yen. Sales of high-value eye drops increased due in part to an increase in the number of people complaining of eyestrain as a result of longer contact time with digital devices due to the COVID-19 pandemic, and the anti-pollen allergy products brand eye drops "ROHTO Alguard" also contributed to the increase in sales.

Net sales of sunscreens, which declined significantly due to the impact of the COVID-19 pandemic in the previous fiscal year, grew above the pre-COVID-19 levels driven by the strong performance of "SKIN AQUA." In addition, sales of "MELANO CC," "HADALABO," "DEOCO," and "ROHTO V5" continued to be strong. Moreover, the COVID-19 (SARS-CoV-2) antigen rapid test kits also contributed to the increase in sales.

In addition to ROHTO pharmaceuticals Co., Ltd. standalone, Nitten Pharmaceutical Co., Ltd. (the company name changed to Rohtonitten K.K. as of April 1 2011), which newly launched "lacrimal duct tube" this fiscal year, Qualitech Pharma Co., Ltd., and Amato Pharmaceutical Products, Ltd., which has "BORRAGINOL®," as its main product and became subsidiaries in August 2021 also contributed to the increase in sales. Meanwhile, sales of lip balms, especially colored ones, were sluggish due to the habit of wearing masks.

Segment income (operating income) increased significantly to 19,547 million yen due to the substantial increase in sales and reduction in cost of sales ratio.

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 half, sales rose 13.5% and operating income 33.5% year-on-year.

America

Sales to customers significantly increased 30.6% year-on-year to 10,037 million yen.

Hydrox Laboratories, which became a subsidiary in October 2021 and manufactures and sells alcohol disinfectants and other products, also contributed to the increase in sales.

Segment income (operating income) was 216 million yen (down 52.8% year-on-year) due to an increase in procurement costs for raw materials and supplies as well as a deterioration in the cost of sales ratio due to the impact of labor shortages.

Europe

Sales to customers significantly increased 26.4% year-on-year to 10,297 million yen.

Sales of the main-stay anti-inflammatory analgesic products performed well.

The Company also began cultivating the eye drop market with the May 2021 launch of "Rohto Dry Aid," an eye drop that has obtained the CE marking. Segment income (on an operating income basis) increased to 563 million yen (up 50.2 % year-on-year) as a result of efforts to efficiently utilize selling, general and administrative expenses, despite a deterioration in the cost of sales ratio due to an increase in procurement costs for raw materials and supplies as well as the impact of labor shortages.

Asia

Sales to customers significantly increased 16.5% year-on-year to 55,988 million yen.

As for sales, sunscreen and lip balm, which fell sharply in the previous fiscal year due to the COVID-19 pandemic, showed a recovery trend. And eye drops also performed well thanks to the launch of new products and aggressive sales promotion activities. "Acnes", an acne treatment, continued to contribute to sales growth due to an increase in skin problems associated with the wearing of masks. While sales in China and Hong Kong continued to perform well due to the economic recovery from the COVID-19 pandemic, sales were sluggish in Vietnam due to the lockdown policy and the resulting decline in factory capacity utilization.

Segment income (operating income) increased significantly to 8,365 million yen (up 20.8% year-on-year) due to

strong sales.

Outlook for the fiscal year ending Mar. 31, 2023

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2023 (forecast)	218,000	28,000	28,000	19,500
Fiscal year ended Mar. 31, 2022 (results)	199,646	29,349	29,084	21,018
Year-on-year change after adjustment (%)	9.2	(4.6)	(3.7)	(7.2)

The future economic outlook remains uncertain due to the continuing spread of COVID-19 infections and economic slowdown by China's zero-COVID policy, affecting business activities and markets in some areas. In addition, following Russia's invasion of Ukraine, the supply of products to both countries has been suspended and the situation continues to be unpredictable due to soaring crude oil prices, etc.

Under such conditions, the Rohto Group will adapt to the changes in the business environment, aiming to expand business further and improve earnings by creating new products that respond appropriately to changing customer needs. The Group is also taking on the challenge of various innovations including alliances with a wide range of companies.

Based on this situation, for the next fiscal year, the Company projects net sales of 218.0 billion yen, operating income of 28.0 billion yen partly due to an increase in R&D expenses resulting from progress in developing regenerative medicine and medical-use ophthalmic drugs in Japan segment, ordinary income of 28.0 billion yen, and profit attributable to owners of parent to be 19.5 billion yen.

These forecasts are based on an exchange rate of 125 yen to the U.S. dollar.

(2) Overview of Financial Position

Total assets at the end of the current fiscal year increased 48,477 million yen from the end of the previous fiscal year to 274,627 million yen. This was mainly due to increases of 19,827 million yen in cash and deposit, 9,532 million yen in buildings and structures, and 3,845 million yen in merchandise and finished goods, while there was a decrease of 1,020 million yen in construction in progress. Total liabilities increased 21,257 million yen from the end of the previous fiscal year to 90,794 million yen. This was mainly due to increases of 7,563 million yen in long-term loans payable, 5,720 million yen in short-term loans payable, and 4,056 million yen in notes and accounts payable- trade, despite the decrease of income taxes payable of 1,891 million yen. Net assets increased 27,220 million yen from the end of the previous fiscal year to 183,832 million yen. This was mainly due to increases of 16,684 million yen in retained earnings and 6,055 million yen in foreign currency translation adjustment, while there was a decrease of 724 million yen in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2021	Fiscal year ended Mar. 31, 2022	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	44,665	52,254	7,589
Cash flows from operating activities	20,008	27,250	7,242
Cash flows from investing activities	(10,237)	(16,406)	(6,169)
Cash flows from financing activities	(2,347)	3,470	5,818
Effect of exchange rate changes on cash and cash equivalents	96	4,335	4,239
Increase (decrease) in cash and cash equivalents	7,519	18,650	11,130
Increase in cash and cash equivalents from newly consolidated subsidiaries	69	-	(69)
Cash and cash equivalents at the end of the period	52,254	70,905	18,650

During the current fiscal year, there was a net increase of 18,650 million yen in cash and cash equivalents to 70,950 million yen.

Operating activities

Net cash provided by operating activities increased 7,242 million yen year-on-year to 27,250 million yen. This was because profit before income taxes was 27,953 million yen, and there were 7,216 million yen of depreciation and amortization and 3,323 million yen of increase in trade payables as cash flow increasing factors, while there were 8,823 million yen of income tax paid and 3,061 million yen of increase in inventories as cash flow decreasing factors.

Investing activities

Net cash used in investing activities increased 6,169 million yen year-on-year to 16,406 million yen. This was mainly due to payments of 10,267 million yen for the purchase of property, plant and equipment and 3,697 million yen for the purchase of investment securities.

Financing activities

Net cash provided by financing activities amounted to 3,470 million yen in the current fiscal year (vs negative cash flow of 2,347 million yen in the same period of the previous year). This was mainly due to proceeds from long-term loans payable of 9,450 million yen, while there were 3,422 million yen of cash dividends paid, and 3,133 million yen of repayment of long-term loans payable.

(4) Basic Policy of Profit Distribution and Dividends for the Current and Next Fiscal Years

Constantly and consistently returning to shareholders the profits earned through business activities is one of our highest priorities. The fundamental policy is to pay a dividend based on results of operations. Retained earnings will be used effectively for development of new products, investments in manufacturing equipment, entering into new businesses and other attempts to respond appropriately to changes in the operating environment. We believe that these investments will contribute to future earnings, thereby enabling the Company to pay a large and stable dividend to shareholders.

Regarding dividends, following the resolution by the Board of Directors, the Company plans to distribute a year-end dividend of 21 yen per share for the fiscal year ended on March 31, 2022. Added to the interim dividend of 15 yen, which has been distributed already, this will bring the annual dividend to 36 yen per share.

For the fiscal year ending on March 31, 2023, with our gratitude to all the shareholders who support us on a regular basis, we plan to pay interim dividends of 18 yen per share, year-end dividends of 19 yen per share bringing the annual total to 37 yen per share.

2. Basic Approach to the Selection of Accounting Standards

The Rohto Group will continue to prepare consolidated financial statements using the generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

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

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Fiscal Year End (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	52,964	72,791
Notes and accounts receivable-trade	31,207	33,310
Electronically recorded monetary claims-operating	16,943	18,551
Merchandise and finished goods	13,848	17,694
Work in process	2,799	3,264
Raw materials and supplies	11,278	12,569
Other	4,315	6,304
Allowance for doubtful accounts	(285)	(179)
Total current assets	133,071	164,306
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,683	62,272
Accumulated depreciation	(29,303)	(33,359)
Buildings and structures, net	19,379	28,912
Machinery, equipment and vehicles	51,474	60,109
Accumulated depreciation	(43,434)	(50,183)
Machinery, equipment and vehicles, net	8,040	9,926
Tools, furniture and fixtures	15,642	17,739
Accumulated depreciation	(13,474)	(15,217)
Tools, furniture and fixtures, net	2,167	2,521
Land	12,887	15,121
Construction in progress	6,609	5,588
Other	1,371	1,284
Accumulated depreciation	(666)	(515)
Other, net	705	769
Total property, plant and equipment	49,790	62,839
Intangible assets		
Goodwill	3,304	2,954
Other	4,590	6,337
Total intangible assets	7,894	9,292
Investments and other assets		
Investment securities	26,226	28,132
Long-term loans receivable	3,361	5,420
Deferred tax assets	4,606	5,297
Other	5,170	6,092
Allowance for doubtful accounts	(3,971)	(6,754)
Total investments and other assets	35,392	38,188
Total non-current assets	93,078	110,320
Total assets	226,149	274,627

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Fiscal Year End (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,603	13,660
Electronically recorded obligations-operating	1,727	2,609
Short-term loans payable	2,312	8,033
Accrued expenses	22,566	16,266
Income taxes payable	4,948	3,056
Accrued consumption taxes	1,190	129
Provision for bonuses	2,612	3,048
Provision for directors' bonuses	30	40
Provision for sales returns	792	-
Provision for sales rebates	2,410	-
Refund liability	-	14,116
Other	8,277	10,528
Total current liabilities	56,471	71,488
Non-current liabilities		
Long-term loans payable	5,787	13,350
Deferred tax liabilities	998	1,450
Net defined benefit liability	3,451	3,332
Provision for loss on guarantees	1,675	55
Other	1,153	1,117
Total non-current liabilities	13,066	19,306
Total liabilities	69,537	90,794
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,787
Retained earnings	145,511	162,195
Treasury shares	(4,936)	(4,936)
Total shareholders' equity	152,741	169,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,717	5,992
Foreign currency translation adjustment	(3,062)	2,992
Remeasurements of defined benefit plans	(870)	(631)
Total accumulated other comprehensive income	2,784	8,354
Subscription rights to shares	382	382
Non-controlling interests	704	5,543
Total net assets	156,612	183,832
Total liabilities and net assets	226,149	274,627

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statements of Income**

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	181,287	199,646
Cost of sales	74,326	83,157
Gross profit	106,960	116,488
Provision for sales returns	234	-
Gross profit-net	106,726	116,488
Selling, general and administrative expenses		
Promotion expenses	20,228	11,575
Advertising expenses	20,297	26,539
Salaries and bonuses	13,967	16,308
Provision for bonuses	1,187	1,340
Provision for directors' bonuses	30	40
Retirement benefit expenses	680	692
Depreciation	1,438	1,640
Amortization of goodwill	372	457
Research and development expenses	7,903	8,740
Provision for doubtful accounts	90	(133)
Other	17,540	19,937
Total selling, general and administrative expenses	83,736	87,139
Operating income	22,990	29,349
Non-operating income		
Interest income	341	368
Dividend income	1,051	380
Share of profit of entities accounted for using equity method	396	143
Gain on investments in investment partnerships	140	-
Other	708	684
Total non-operating income	2,639	1,580
Non-operating expenses		
Interest expenses	145	248
Provision for doubtful accounts	1,124	1,158
Other	448	438
Total non-operating expenses	1,718	1,844
Ordinary income	23,910	29,084

	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Extraordinary income		
Gain on change in equity	37	-
Gain on sales of investment securities	29	76
Gain on sales of shares of subsidiaries and associates	2,723	-
Gain on bargain purchase	-	430
National subsidies	-	128
Total extraordinary income	2,791	636
Extraordinary losses		
Loss on disposal of fixed assets	82	-
Impairment loss	1,609	892
Loss on valuation of investment securities	1,484	642
Loss on sales of shares of subsidiaries and associates	16	-
Loss on valuation of shares of subsidiaries and associates	502	232
Total extraordinary losses	3,695	1,767
Profit before income taxes	23,006	27,953
Income taxes-current	8,207	7,480
Income taxes-deferred	(1,971)	(677)
Total income taxes	6,236	6,803
Profit	16,770	21,150
Profit attributable to non-controlling interests	27	131
Profit attributable to owners of parent	16,743	21,018

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Profit	16,770	21,150
Other comprehensive income		
Valuation difference on available-for-sale securities	2,572	(733)
Foreign currency translation adjustment	(461)	6,115
Remeasurements of defined benefit plans, net of tax	972	239
Share of other comprehensive income of entities accounted for using equity method	(59)	0
Total other comprehensive income	3,024	5,622
Comprehensive income	19,794	26,772
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	19,843	26,588
Comprehensive income attributable to non-controlling interests	(48)	183

(3) Consolidated Statements of Change in Shareholders' Equity

Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,504	5,661	131,985	(4,935)	139,215
Cumulative effects of changes in accounting policies					-
Restated balance	6,504	5,661	131,985	(4,935)	139,215
Changes of items during period					
Dividends of surplus			(2,965)		(2,965)
Profit attributable to owners of parent			16,743		16,743
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					-
Change in scope of consolidation			(205)		(205)
Decrease in retained earnings due to exclusion of equity method companies			(46)		(46)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	13,525	(0)	13,525
Balance at end of current period	6,504	5,661	145,511	(4,936)	152,741

	Accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	4,144	(2,617)	(1,843)	(316)
Cumulative effects of changes in accounting policies				
Restated balance	4,144	(2,617)	(1,843)	(316)
Changes of items during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Decrease in retained earnings due to exclusion of equity method companies				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	(2,572)	(445)	972	3,100
Total changes of items during period	(2,572)	(445)	972	3,100
Balance at end of current period	6,717	(3,062)	(870)	(2,784)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	382	749	140,032
Cumulative effects of changes in accounting policies			-
Restated balance	382	749	140,032
Changes of items during period			
Dividends of surplus			(2,965)
Profit attributable to owners of parent			16,743
Purchase of treasury shares			(0)
Disposal of treasury shares			-
Change in scope of consolidation			(205)
Decrease in retained earnings due to exclusion of equity method companies			(46)
Change in ownership interest of parent due to transactions with non-controlling interests			-
Net changes of items other than shareholders' equity	-	(45)	3,055
Total changes of items during period	-	(45)	16,580
Balance at end of current period	382	704	156,612

Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,504	5,661	145,511	(4,936)	152,741
Cumulative effects of changes in accounting policies			(912)		(912)
Restated balance	6,504	5,661	144,599	(4,936)	151,828
Changes of items during period					
Dividends of surplus			(3,422)		(3,422)
Profit attributable to owners of parent			21,018		21,018
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Change in scope of consolidation					-
Decrease in retained earnings due to exclusion of equity method companies					-
Change in ownership interest of parent due to transactions with non-controlling interests		126			126
Net changes of items other than shareholders' equity					
Total changes of items during period	-	126	17,596	(0)	17,722
Balance at end of current period	6,504	5,787	162,195	(4,936)	169,551

	Accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	6,717	(3,062)	(870)	2,784
Cumulative effects of changes in accounting policies				
Restated balance	6,717	(3,062)	(870)	2,784
Changes of items during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Decrease in retained earnings due to exclusion of equity method companies				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	(724)	6,055	239	5,570
Total changes of items during period	(724)	6,055	239	5,570
Balance at end of current period	5,992	2,992	(631)	8,354

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	382	704	156,612
Cumulative effects of changes in accounting policies			(912)
Restated balance	382	704	155,700
Changes of items during period			
Dividends of surplus			(3,422)
Profit attributable to owners of parent			21,018
Purchase of treasury shares			(0)
Disposal of treasury shares			0
Change in scope of consolidation			-
Decrease in retained earnings due to exclusion of equity method companies			-
Change in ownership interest of parent due to transactions with non-controlling interests			126
Net changes of items other than shareholders' equity		4,839	10,409
Total changes of items during period	-	4,839	28,132
Balance at end of current period	382	5,543	183,832

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	23,006	27,953
Depreciation	6,376	7,216
Impairment loss	1,609	892
Amortization of goodwill	372	457
Increase (decrease) in allowance for doubtful accounts	(233)	(139)
Increase (decrease) in provision for bonuses	(44)	288
Increase (decrease) in net defined benefit liability	384	77
Increase (decrease) in provision for sales returns	234	-
Increase (decrease) in provision for sales rebates	231	-
Increase (decrease) in provision for loss on guarantees	(11)	-
Provision for doubtful accounts	1,124	1,158
Loss on disposal of fixed assets	82	-
Loss (gain) on sales of investment securities	(29)	(76)
Gain on bargain purchase	-	(430)
Loss (gain) on valuation of investment securities	1,484	642
Loss on valuation of shares of subsidiaries and associates	502	232
Loss (gain) on sales of subsidiaries and associates	(2,707)	-
National Subsidiaries	-	(128)
Interest and dividend income	(1,393)	(752)
Interest expenses	145	248
Share of (profit) loss of entities accounted for using equity method	(396)	(143)
Loss (gain) on change in equity	(37)	-
Decrease (increase) in notes and accounts receivable - trade	2,464	(30)
Decrease (increase) in inventories	3,188	(3,061)
Increase (decrease) in notes and accounts payable - trade	(2,811)	3,323
Other, net	(5,272)	(634)
Subtotal	28,268	37,093
Interest and dividend income received	1,390	738
Interest expenses paid	(143)	(228)
Payments for performance of guarantee obligation	(1,735)	(1,622)
Income taxes paid	(7,798)	(8,823)
Income taxes refund	27	92
Net cash provided by (used in) operating activities	20,008	27,250

	(Millions of yen)	
	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(692)	(1,918)
Proceeds from withdrawal of time deposits	634	963
Purchase of property, plant and equipment	(8,721)	(10,267)
Proceeds from sales of property, plant and equipment	597	12
Purchase of intangible assets	(1,583)	(1,061)
Purchase of investment securities	(1,514)	(3,697)
Proceeds from sales and redemption of investment securities	3,416	1,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,516)	(1,203)
Subsidies received	-	128
Payments of long-term loans receivable	(966)	(404)
Collection of long-term loans receivable	108	41
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(10,237)	(16,406)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(169)	1,273
Proceeds from long-term loans payable	2,883	9,450
Repayments of long-term loans payable	(1,880)	(3,133)
Cash dividends paid	(2,965)	(3,422)
Cash dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries resulting in no change in scope of consolidation		(489)
Other, net	(214)	(208)
Net cash provided by (used in) financing activities	(2,347)	(3,470)
Effect of exchange rate change on cash and cash equivalents	96	4,335
Net increase (decrease) in cash and cash equivalents	7,519	18,650
Cash and cash equivalents at beginning of period	44,665	52,254
Increase in cash and cash equivalents from newly consolidated subsidiary	69	-
Cash and cash equivalents at end of period	52,254	70,905

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

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 such cases, the Company estimates the amount of the variable portion of the transaction consideration. It includes in the transaction price only the portion of transaction price that is not likely to have significant reduction in the recognized revenue. In addition, the Company has changed its accounting method for consideration paid to customers, such as sales commissions. They were previously included in selling, general and administrative expenses, but now deducted from the transaction price.

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, for the current fiscal year, net sales decreased 8,887 million yen, cost of sales increased 0 million yen, reversal of provision for sales returns decreased 287 million yen, gross profit-net decreased 9,175 million yen, selling, general and administrative expenses decreased 9,072 million yen, and operating income, ordinary income and profit before income taxes decreased 103 million yen respectively. In addition, the balance of retained earnings at the beginning of the current fiscal year decreased 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, etc. that were presented under current liabilities in the consolidated balance sheets in the previous fiscal year are, from the current fiscal year, included in the refund liabilities under 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 89-3 of the Accounting Standard for Revenue Recognition, the Company has not presented the disaggregated information on revenues from contracts with customers for 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.

(Business Combinations)**Finalization of provisional accounting treatment for business combinations**

The Company had used a provisional accounting treatment for the business combination with Interstem Co., Ltd. on March 23, 2021, but it was finalized in the current fiscal year. With the finalization of this provisional accounting treatment, there was a significant change in acquisition cost allocation. As a result, other under intangible assets increased mainly, and the amount of goodwill, provisionally calculated as 1,972 million yen at the previous fiscal year end, decreased by 658 million yen to 1,313 million yen after the accounting treatment was finalized. The intangible assets identified from the acquisition cost allocation process was 1,070 million yen of in-process research and development costs. The key assumptions in this measurement include milestone achievements (including the launch of developed products using the Cultured Chondrocyte Implantation (CCI) kit), probability of R&D success, post-launch sales revenue and raw material unit cost projections, and discount rates.

Segment and Other Information

Segment Information

1. Overview of reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Company undertakes manufacture and sales activities mainly in the health and beauty care categories. Within Japan, these operations are mainly handled by the Company. Overseas, operations are mainly handled by The Mentholatum Company, Inc. in America, The Mentholatum Company Ltd. (UK) in Europe, and The Mentholatum (Asia Pacific) Ltd. and Mentholatum (China) Pharmaceutical Co., Ltd. in Asia, together with overseas affiliates. These affiliates each operate as autonomous business units, formulating comprehensive strategies in each region and developing business activities for the products and services they undertake.

Accordingly, the Company comprises the four geographical reportable segments of Japan, America, Europe, and Asia based on our manufacturing and sales structure. In each segment, we manufacture and sell eye care (including eye drops and eyewash preparations), skincare (including dermal medicines, lip balm, sunscreens, and functional cosmetics, etc.), internal medicines (including gastrointestinal medicines, traditional Chinese herbal medicines and supplements), and other products and services, such as in-vitro test kits.

2. Calculation methods for net sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements" presented in the Group's annual securities report (*Yuka Shoken Hokokusho*.)

Profits for reportable segments are generally operating income figures. Inter-segment sales and transfers are determined based on market prices.

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 current fiscal year decreased by 8,887 million yen and segment profit decreased by 103 million yen, compared with the previous method.

3. Information related to net sales, profit/loss, assets, liabilities, and other items for each reportable segment
Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in consolidated statements of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
(1) Sales to customers	115,629	7,687	8,149	48,056	179,522	1,764	181,287	-	181,287
(2) Inter-segment sales and transfers	3,351	1,090	52	3,137	7,632	28	7,660	(7,660)	-
Total	118,980	8,778	8,202	51,193	187,154	1,793	188,947	(7,660)	181,287
Segment profit	14,656	458	375	6,926	22,416	118	22,534	455	22,990
Segment assets	164,120	17,038	8,940	64,885	254,985	1,745	256,730	(30,580)	226,149
Segment liabilities	47,758	2,287	2,319	18,906	71,272	375	71,648	(2,110)	69,537
Other items									
Depreciation	4,268	257	303	1,042	5,872	31	5,904	-	5,904
Amortization of goodwill	227	56	88	-	372	-	372	-	372
Increase in property, plant and equipment and intangible fixed assets	8,695	113	106	1494	10,410	24	10,434	-	10,434

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. (1) "Adjustment" to segment profit of 455 million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (30,580) million yen and liabilities of (2,110) million yen indicate an elimination for intersegment transactions.

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

5. The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The segment information for the fiscal year ended March 31, 2020 have been restated accordingly.

Current Fiscal Year (Apr. 1, 2021– Mar. 31, 2022)

(Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in consolidated statements of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
Revenue									
From Contracts with Customers	121,417	10,037	10,297	55,988	197,740	1,906	199,646	-	199,646
(1) Sales to customers	121,417	10,037	10,297	55,988	197,740	1,906	199,646	-	199,646
(2) Inter-segment sales and transfers	3,383	1,149	46	2,927	7,507	58	7,565	(7,565)	-
Total	124,800	11,187	10,344	58,915	205,247	1,964	207,212	(7,565)	199,646
Segment profit	19,547	216	563	8,365	28,693	171	28,864	484	29,349
Segment assets	198,238	20,171	9,667	74,789	302,866	1,714	304,580	(29,953)	274,627
Segment liabilities	66,036	3,820	2,424	20,331	92,612	258	92,871	(2,076)	90,794
Other items									
Depreciation	4,842	331	317	1,030	6,522	35	6,557	-	6,557
Amortization of goodwill	356	9	91	-	457	-	457	-	457
Increase in property, plant and equipment and intangible fixed assets	10,704	119	158	936	11,918	29	11,948	-	11,948

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. (1) "Adjustment" to segment profit of 484million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (29,953) million yen and liabilities of (2,076) million yen indicate an elimination for intersegment transactions.

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

Related information

Prior Fiscal Year (Apr. 1, 2020– Mar. 31, 2021)

1. Products and services information (Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	42,071	111,063	23,333	4,820	181,287

Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)

1. Products and services information (Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	43,102	124,055	25,604	6,884	199,646

Impairment loss on fixed assets for each reportable segment

Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Impairment losses on fixed assets	1,536	-	-	72	1,609	-	-	1,609

Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Impairment losses on fixed assets	384	-	508	-	892	-	-	892

Information on gain on negative goodwill by reportable segment.

Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

No reportable information.

Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Gain on bargain purchase	430	-	-	-	430	-	-	430

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	1,363.42	1,559.62
Basic net income per share	146.78	184.26
Diluted net income per share	146.36	183.73

Notes: 1. Basis for calculation of basic net income per share and diluted net income per share are as follows. (Millions of yen)

Item	Prior Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)	Current Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)
Basic net income per share		
Profit attributable to owners of parent	16,743	21,018
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	16,743	21,018
Average number of common stock shares outstanding during the period (thousand shares)	114,070	114,070
Diluted net income per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	330	330
[of which subscription rights to shares (thousand shares)]	[330]	[330]
Summary of dilutive shares not included in the calculation of “diluted net income per share” since there was no dilutive effect.		-

2. Basis for calculation of net assets per share is as follows. (Millions of yen)

Item	Prior Fiscal Year End (As of Mar. 31, 2021)	Current Fiscal Year End (As of Mar. 31, 2022)
Total net assets on the balance sheets	156,612	183,832
Deduction from total net assets	1,087	5,926
[of which subscription rights to shares]	[382]	[382]
[of which non-controlling interests]	[704]	[5,543]
Net assets applicable to common stock	155,525	177,905
Number of common stock shares used in calculation of net assets per share (thousand shares)	114,070	114,069

Material Subsequent Events

No reportable information.

** 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.*