

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023
(Three Months Ended June 30, 2022)

[Japanese GAAP]

Company name:	ROHTO Pharmaceutical Co., Ltd.	Stock Exchange listing:	Tokyo Stock Exchange
Stock code:	4527	URL:	https://www.rohto.co.jp/
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Scheduled date of filing of Quarterly Report:		August 10, 2022	
Scheduled date of dividend payment:		-	
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, 2023
(April 1, 2022 – June 30, 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	%
Three months ended Jun. 30, 2022	52,255	23.5	8,302	37.8	9,655	47.7	6,994	47.3
Three months ended Jun. 30, 2021	42,315	-	6,026	-	6,539	-	4,749	-

Note: Comprehensive income (Millions of yen):
 Three months ended Jun. 30, 2022: 13,422 86.6%
 Three months ended Jun. 30, 2021: 7,194 -%

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	61.32	61.14
Three months ended Jun. 30, 2021	41.64	41.52

Note 1: The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the previous fiscal year, and the figures for the first quarter of the fiscal year ended March 31, 2022 are after the adoption of these accounting standards, therefore, year-on-year percentage changes are not shown.

Note 2: The provisional accounting treatment for the business combinations was finalized at the end of the fiscal year ended March 31, 2022. The figures for the first quarter of the fiscal year ended March 31, 2022 have been restated accordingly.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2022	293,159	194,847	64.4
As of Mar. 31, 2022	274,627	183,832	64.8

Reference: Equity (Millions of yen): As of Jun. 30, 2022: 188,749 As of Mar. 31, 2022: 177,905

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	15.00	-	21.00	36.00
Fiscal year ending Mar. 31, 2023	-				
Fiscal year ending Mar. 31, 2023 (forecast)		20.00	-	20.00	40.00

Note: Revisions to the most recently announced dividend forecast: Yes

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	225,000	12.7	30,000	2.2	31,000	6.6	21,500	2.3	188.48

Note: Revisions to the most recently announced consolidated forecast: Yes

* 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, 2022: 118,089,155 shares As of Mar. 31, 2022: 118,089,155 shares

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

As of Jun. 30, 2022: 4,019,390 shares As of Mar. 31, 2022: 4,019,262 shares

3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2022: 114,069,828 shares Three months ended Jun. 30, 2021: 114,070,111 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

During the first three months of the current fiscal year, the Japanese economy showed signs of a gradual recovery, although conditions remained challenging due to the impact of the COVID-19 pandemic. In the overseas markets, the situation remains unpredictable due to soaring crude oil prices and high raw material costs resulting from China's zero-COVID-19 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. To this end, we are working toward the realization of the “Management Vision 2030”.

Consequently, the consolidated net sales increased significantly to 52,255 million yen (up 23.5% year-on-year). In Japan, sales increased due to the progress of vaccination and the recovery of consumer confidence with the resumption of economic activities, and product proposals that meet customers' needs. Overseas, sales also increased due to a recovery in economic activity, despite surging raw material prices and sharp exchange rate fluctuations.

Regarding profits, in addition to a significant increase in revenue, efforts to efficiently use selling, general and administrative expenses resulted in substantial increases in all profit categories: operating income amounted to 8,302 million yen (up 37.8% year-on-year), ordinary income amounted to 9,655 million yen (up 47.7% year-on-year), and net income attributable to owners of the parent company amounted to 6,994 million yen (up 47.3% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to customers significantly increased 19.2% year-on-year to 31,449 million yen.

Sales of eye-drops for contact lenses were robust due to an increase in opportunities to go out as a result of the easing of restrictions on activities, and sales of high-value eye drops remained steady, due in part to an increase in the number of people complaining of eyestrain as a result of longer contact time with digital devices, etc.

“Skin Aqua,” a sunscreen with new functions, continued to perform well and contributed to revenue growth. In addition, sales of “Hada-Labo,” “Obagi,” “Melano CC” and “Rohto V5 Grain” continued to be strong. Lip balm, where sales had been sluggish due to the mask-wearing lifestyle, began to recover. In addition, COVID-19 (SARS-CoV-2) antigen rapid test kits also contributed to the increase in sales.

In addition to the ROHTO pharmaceutical Co., Ltd. standalone, Rohto Nitten Co., Ltd., which newly launched “lacrimonal” in the previous fiscal year, and Amato Pharmaceutical Products, Ltd., which has “Borraginol®,” as its main product and became a subsidiary in August 2021, also contributed to the increase in sales.

Segment income (operating income basis) increased significantly to 5,195 million yen (up 32.2% year-on-year) due to a significant increase in sales and efficient utilization of selling, general and administrative expenses.

America

Sales to customers significantly increased 86.9% year-on-year to 3,778 million yen.

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

Segment income (operating income basis) increased to 135 million yen (up 26.9% year-on-year) mainly due to increased capacity utilization and a review of product prices, despite increased procurement costs of raw materials and supplies, higher transportation costs, and higher factory labor costs due to labor shortages resulting in aggravated manufacturing cost ratio.

Europe

Sales to customers significantly increased 19.4% year-on-year to 3,081 million yen.

Sales of the main-stay anti-inflammatory analgesic products performed well, contributing to revenue growth. "Hada-Labo Tokyo" also performed well thanks to advertising utilizing social networking services. In addition, the Company continues to develop the eye drop market with Rohto Dry Aid, a dry eye ophthalmic solution that launched in May 2021 after obtaining the CE marking.

Segment income (operating income basis) increased significantly by 316 million yen (34.3% increase year-on-year) mainly due to an increase in capacity utilization, despite an increase in procurement costs of raw materials and supplies as well as factory labor costs due to labor shortages resulting in higher manufacturing cost ratio.

Asia

Sales to customers significantly increased 23.5% year-on-year to 13,394 million yen.

China continued to grow sales despite the impact of city lockdowns under the zero-COVID-19 policy in March, which affected the market and lifestyle aspects of the country. Vietnam also achieved V-shaped recovery thanks to the economic recovery from the COVID-19 pandemic, while Indonesia also maintained a strong performance.

As for product sales, sales of eye drops were favorable in Hong Kong and Southeast Asia. Sales of cosmetics for men increased due to the launch of new products in China, Hong Kong and Taiwan. In addition, "50 Megumi" contributed to sales increase in Hong Kong.

Segment income (operating income basis) increased significantly to 2,720 million yen (up 69.6% year-on-year) due to strong sales.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year were 293,159 million yen, an increase of 18,532 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,464 million yen in cash and deposits, an increase of 4,135 million yen in merchandise and finished goods, and an increase of 2,932 million yen in other under property, plant and equipment, while electronically recorded monetary claims-operating decreased by 699 million yen.

Total liabilities increased 7,517 million yen from the end of the previous fiscal year to 98,312 million yen. This was mainly due to a decrease of 1,303 million yen in provision for bonuses, while notes and accounts payable-trade and accrued expenses increased by 4,459 million yen and 2,653 million yen, respectively.

Net assets increased 11,014 million yen from the end of the previous fiscal year to 194,847 million yen. This was mainly due to increases of 5,905 million yen in foreign currency translation adjustment and 4,599 million yen in retained earnings.

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

(Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023)

	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
Previous forecast (A)	218,000	28,000	28,000	19,500	170.95
Revised forecast (B)	225,000	30,000	31,000	21,500	188.48
Change (B – A)	7,000	2,000	3,000	2,000	-
Percentage change (%)	3.2	7.1	10.7	10.3	-

With regard to the consolidated earnings forecast, the Company expects the Japan segment to perform well in the second quarter and beyond, as in the first quarter of the current fiscal year, despite the continuing impact of COVID-19. In addition, factoring in the impact of foreign currency translation due to yen depreciation mainly in Asian subsidiaries, the Company has revised its consolidated earnings forecast announced on May 12, 2022. Net sales, operating income, ordinary income, and profit attributable to owners of the parent are all expected to increase over the previous forecast. The Company keeps an exchange rate assumption at 125 yen to the US dollar.

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, 2022)	Current First Quarter End (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	72,791	77,255
Notes and accounts receivable - trade	33,310	35,450
Electronically recorded monetary claims - operating	18,551	17,851
Merchandise and finished goods	17,694	21,829
Work in process	3,264	3,194
Raw materials and supplies	12,569	14,979
Other	6,304	7,377
Allowance for doubtful accounts	(179)	(254)
Total current assets	164,306	177,684
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,912	29,314
Other, net	33,927	36,860
Total property, plant and equipment	62,839	66,174
Intangible assets		
Goodwill	2,954	2,852
Other	6,337	6,438
Total intangible assets	9,292	9,290
Investments and other assets		
Investment securities	28,132	29,331
Other	16,810	17,434
Allowance for doubtful accounts	(6,754)	(6,755)
Total investments and other assets	38,188	40,010
Total non-current assets	110,320	115,475
Total assets	274,627	293,159

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2022)	Current First Quarter End (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,660	18,119
Electronically recorded obligations - operating	2,609	3,255
Short-term loan payable	8,033	8,044
Accrued expenses	16,266	18,919
Income taxes payable	3,056	3,929
Provision for bonuses	3,048	1,745
Provision for directors' bonuses	40	12
Other	24,774	24,290
Total current liabilities	71,488	78,317
Non-current liabilities		
Long-term loans payable	13,350	12,759
Net defined benefit liability	3,332	3,399
Provision for loss on guarantees	55	57
Other	2,567	3,778
Total non-current liabilities	19,306	19,995
Total liabilities	90,794	98,312
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,787	5,787
Retained earnings	162,195	166,794
Treasury shares	(4,936)	(4,937)
Total shareholders' equity	169,551	174,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,992	6,373
Foreign currency translation adjustment	2,992	8,898
Remeasurements of defined benefit plans	(631)	(672)
Total accumulated other comprehensive income	8,354	14,599
Subscription rights to shares	382	382
Non-controlling interests	5,543	5,714
Total net assets	183,832	194,847
Total liabilities and net assets	274,627	293,159

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2021 – Jun. 30, 2021)	Current First Quarter (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	42,315	52,255
Cost of sales	18,188	22,659
Gross profit	24,126	29,595
Selling, general and administrative expenses	18,100	21,292
Operating income	6,026	8,302
Non-operating income		
Interest income	74	253
Dividend income	479	255
Share of profit of entities accounted for using equity method	-	50
Gain on investments in partnership	224	345
Other	141	548
Total non-operating income	920	1,453
Non-operating expenses		
Interest expenses	32	57
Share of loss of entities accounted for using equity method	51	-
Provision for doubtful accounts	299	9
Other	23	34
Total non-operating expenses	407	100
Ordinary income	6,539	9,655
Extraordinary losses		
Loss on valuation of investment securities	109	-
Total extraordinary losses	109	-
Profit before income taxes	6,429	9,655
Income taxes	1,661	2,589
Profit	4,768	7,065
Profit attributable to non-controlling interests	19	71
Profit attributable to owners of parent	4,749	6,994

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2021 – Jun. 30, 2021)	Current First Quarter (Apr. 1, 2022 – Jun. 30, 2022)
Profit	4,768	7,065
Other comprehensive income		
Valuation difference on available-for-sale securities	(387)	404
Foreign currency translation adjustment	2,810	5,992
Remeasurements of defined benefit plans, net of tax	2	(40)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	2,426	6,356
Comprehensive income	7,194	13,422
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,152	13,240
Comprehensive income attributable to non-controlling interests	42	182

(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 Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy prescribed by the Implementation Guideline on Accounting Standard for Fair Value Measurement shall be applied prospectively. There is no impact from this change in accounting policy.

Application of FASB Accounting Standards Codification (ASC) No. 842 "Leases"

Effective from the beginning of the first quarter of the current fiscal year, the Company's foreign subsidiaries that have adopted U.S. GAAP applied ASC No. 842, "Leases," and, in principle, all leases by lessees are recognized as assets and liabilities on the balance sheet. The Company applies this accounting standard in accordance with the transitional treatment and recognizes the cumulative effect of a change in accounting policy at the date of adoption.

As a result, other under property, plant and equipment increased 2,132 million yen, other current liabilities increased 506 million yen, other non-current liabilities increased 1,487 million yen and other under investments and other assets decreased 194 million yen at the end of the first quarter of the current fiscal year. The effect of this change on profit and loss for the first three months of the current fiscal year is immaterial.

Additional Information

Treatment of Accounting Procedures and Disclosures in Connection with the Application of the Japanese Group Relief System.

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a stand-alone taxation system to the Japanese Group Relief System. Accordingly, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting were changed to Practical Solution on the Accounting and Disclosure Under the Japanese Group Relief System (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42").

Segment Information

I. Prior 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	3,931	106	235	1,603	5,877	37	5,914	111	6,026

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 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.

5. The provisional accounting treatment for business combinations has been finalized at the end of the fiscal year ended March 31, 2022. 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

No reportable information.

II. Current First Quarter (Apr. 1, 2022 – Jun. 30, 2022)

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	31,449	3,778	3,081	13,394	51,704	551	52,255	-	52,255
(1) Sales to customers	31,449	3,778	3,081	13,394	51,704	551	52,255	-	52,255
(2) Inter-segment sales and transfers	931	244	4	1,002	2,183	13	2,196	(2,196)	-
Total	32,381	4,022	3,086	14,396	53,887	564	54,452	(2,196)	52,255
Segment profit	5,195	135	316	2,720	8,367	50	8,418	(115)	8,302

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 (115) 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.

** 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.*