

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023
(Nine Months Ended December 31, 2022)

[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 Third Quarter of the Fiscal Year Ending March 31, 2023
(April 1, 2022 –December 31, 2022)

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Dec. 31, 2022	176,263	22.4	28,598	22.5	29,540	25.5	21,637	26.5
Nine months ended Dec. 31, 2021	144,022	-	23,345	-	23,537	-	17,110	-

Note: Comprehensive income (Millions of yen):
 Nine months ended Dec. 31, 2022: 34,918 (74.4%)
 Nine months ended Dec. 31, 2021: 20,026 (-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	94.84	94.57
Nine months ended Dec. 31, 2021	75.00	74.78

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2022	311,832	213,452	66.5
As of Mar. 31, 2022	274,876	183,994	64.8

Reference: Equity (Millions of yen): As of Dec. 31, 2022: 207,394 As of Mar. 31, 2022: 178,017

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 third 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 and in the second quarter of the fiscal year ending March 31, 2023. The figures for the fiscal year ended March 31, 2022 and the third quarter of the fiscal year ended March 31, 2022 have been changed accordingly.

Note 3: The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023. Basic net income per share and diluted net income per share are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2022.

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	-	20.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecast)	-	-	-	12.00	32.00

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

The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023. The year-end dividend for the fiscal year ending March 31, 2023, with a record date of March 31, 2023, is based on the number of shares reflecting this stock split.

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 profit		Ordinary profit		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	236,000	18.2	33,000	13.7	33,000	14.8	24,000	13.6	105.20

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

The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023, and calculates its basic net income per share based on the average number of shares outstanding during the fiscal year reflecting this stock split.

* 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 Dec. 31, 2022: 236,178,310 shares As of Mar. 31, 2022: 236,178,310 shares

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

As of Dec. 31, 2022: 8,039,062 shares As of Mar. 31, 2022: 8,038,524 shares

3) Average number of shares outstanding during the period:

Nine months ended Dec. 31, 2022: 228,139,461 shares Nine months ended Dec. 31, 2021: 228,140,144 shares

The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023. Therefore, the number of common shares issued is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2022.

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 nine months of the current fiscal year, the Japanese economy showed some signs of recovery in social activities due to progress in easing behavioral restrictions, although the impact of the spread of a COVID-19 variant continued to be felt in general. On the other hand, in addition to the prolonged Russian invasion of Ukraine and disruption caused by China's zero-COVID policy and the lifting of this policy in December 2022, the trend of rising prices of goods and services became more pronounced. Furthermore, global monetary tightening and sharp fluctuations in exchange rates have made the outlook of the global economy increasingly uncertain.

In these circumstances, under the slogan "Connect for Well-being," the Rohto Group is endeavoring to enable people all over the world to feel energized both mentally and physically, and spend every day filled with laughter and happiness throughout the various stages of their life. With the aim of further increasing corporate value, we are working to realize the Rohto Group Comprehensive Management Vision 2030.

Consequently, net sales increased significantly to 176,263 million yen (up 22.4% year-on-year). In Japan, sales increased due to a recovery in consumer confidence with the resumption of economic activity as well as product proposals that meet customer needs. Overseas, sales also increased due to the recovery in economic activity and depreciation of the yen, despite a sharp rise in raw material prices.

As for profits, in addition to a significant increase in sales, efforts to efficiently utilize selling, general and administrative expenses resulted in significant increases in all profit categories: operating profit of 28,598 million yen (up 22.5% year-on-year), ordinary profit of 29,540 million yen (up 25.5% year-on-year), and profit attributable to owners of parent of 21,637 million yen (up 26.5% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased 14.0% year-on-year to 100,820 million yen.

Sales of "Melano CC" remained brisk thanks to strong sales of the enzyme face wash marketed under this brand. "Skin Aqua," a sunscreen product with new functions added, "Hadalabo," "Obagi" and "Rohto V5 Grain" continued to perform strongly.

A renewed upward trend in sales of lip balm, which had been experiencing sluggish growth due to the habit of wearing masks, took hold. In addition, COVID-19 (SARS-CoV-2) antigen rapid test kits also contributed to the increase in sales.

Domestic group companies also contributed to sales growth, including Amato Pharmaceutical Products, Ltd., which has "Borraginol®," as its main product and became a subsidiary in August 2021, and Rohto Nitten Co., Ltd.

Segment income (operating profit basis) increased significantly to 17,241 million yen (up 14.3% year-on-year) due to the substantial increase in sales and efficient use of selling, general and administrative expenses.

America

Sales to outside customers increased significantly to 12,459 million yen (up 84.5% year-on-year).

Hydrox Laboratories, which became a subsidiary in October 2021 that manufactures and sells medical disinfectants and other products, made a significant contribution to the increase in sales.

Segment income (operating profit basis) was 327 million yen (up 155.2% year-on-year) due to efficient use of selling, general and administrative expenses, despite deterioration of the cost of sales ratio due to higher raw material procurement costs and labor costs caused by labor shortages.

Europe

Sales to outside customers increased significantly to 9,438 million yen (up 20.7% year-on-year).

Sales of the mainstay anti-inflammatory analgesic products continued to perform well and contributed to the increase in sales. “Hadalabo Tokyo” also performed well in the UK and key countries in the Middle East. In addition, the Company continues to develop the eye drop market with Rohto Dry Aid, a dry eye ophthalmic solution that was launched in May 2021 after obtaining the CE marking.

Segment income (operating profit basis) increased to 755 million yen (up 33.8% year-on-year) due to efficient use of selling, general and administrative expenses, despite deterioration of the cost of sales ratio due to higher energy costs and increased procurement costs of raw materials.

Asia

Sales to outside customers increased significantly to 51,740 million yen (up 30.8% year-on-year).

Sales continued to be strong in Hong Kong, where “50 Megumi” brand hair care products are popular, as well as in Southeast Asia, including Vietnam, Malaysia, and Indonesia. In China, sales remained firm despite the impact of the zero-COVID policy.

On a product basis, “50 Megumi” mentioned above, eye drops, and “Selsun” anti-dandruff shampoo popular in Southeast Asia, performed well. Furthermore, “Hadalabo,” sunscreens, and lip balm also contributed to the increase in sales.

Segment income (operating profit basis) increased significantly to 9,865 million yen (up 37.5% year-on-year) due to strong sales.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year were 311,832 million yen, an increase of 36,955 million yen from the end of the previous fiscal year. This was mainly due to an increase of 11,023 million yen in notes and accounts receivable - trade, an increase of 5,550 million yen in merchandise and finished goods, and an increase of 4,849 million yen in cash and deposits.

Total liabilities were 98,379 million yen, an increase of 7,497 million yen from the end of the previous fiscal year. The main factors were an increase of 4,135 million yen in notes and accounts payable - trade and an increase of 3,280 million yen in accrued expenses, while short-term borrowings decreased by 3,321 million yen.

Net assets totaled 213,452 million yen, an increase of 29,457 million yen from the end of the previous fiscal year. This was mainly due to increases in retained earnings and foreign currency translation adjustment of 16,961 million yen and 11,754 million yen, respectively.

(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 profit	Ordinary profit	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)	230,000	31,000	32,000	22,000	96.43
Revised forecast (B)	236,000	33,000	33,000	24,000	105.20
Change (B – A)	6,000	2,000	1,000	2,000	-
Percentage change (%)	2.6	6.5	3.1	9.1	-

We have revised the consolidated earnings forecast announced on November 10, 2022, taking into account that the Japan segment and the Asia segment performed better than expected in the third quarter of the current fiscal year. Net sales, operating profit, ordinary profit, and profit attributable to owners of parent are all expected to exceed the previous forecast and both sales and profit increases are expected. The assumed exchange rate remains at 135 yen to the dollar.

*The above forecasts are based on information available as of the date of announcement. Actual results may differ from the forecasts due to various factors. The revised forecast of net income per share for the fiscal year ending March 31, 2023 takes into account the effect of the stock split.

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

(Million of yen)

	Prior Fiscal Year End (As of Mar. 31,2022)	Current Third Quarter End (As of Dec. 31,2022)
Assets		
Current assets		
Cash and deposits	72,791	77,641
Notes and accounts receivable - trade	33,310	44,333
Electronically recorded monetary claims - operating	18,551	20,892
Merchandise and finished goods	17,694	23,244
Work in process	3,264	3,459
Raw materials and supplies	12,569	16,724
Other	6,304	8,671
Allowance for doubtful accounts	(179)	(311)
Total current assets	164,306	194,655
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,912	30,277
Other, net	33,927	37,490
Total property, plant and equipment	62,839	67,768
Intangible assets		
Goodwill	2,954	2,660
Other	6,586	6,987
Total intangible assets	9,541	9,648
Investments and other assets		
Investment securities	28,132	29,965
Other	16,810	16,820
Allowance for doubtful accounts	(6,754)	(7,026)
Total investments and other assets	38,188	39,760
Total non-current assets	110,569	117,176
Total assets	274,876	311,832

(Million of yen)

	Prior Fiscal Year End (As of Mar. 31,2022)	Current Third Quarter End (As of Dec. 31,2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,660	17,795
Electronically recorded obligations - operating	2,609	2,797
Short-term borrowings	8,033	4,712
Accrued expenses	16,266	19,547
Income taxes payable	3,056	5,305
Provision for bonuses	3,048	1,565
Provision for bonuses for directors (and other officers)	40	37
Other	24,774	28,180
Total current liabilities	71,488	79,942
Non-current liabilities		
Long-term borrowings	13,350	10,991
Retirement benefit liability	3,332	3,031
Provision for loss on guarantees	55	42
Other	2,655	4,372
Total non-current liabilities	19,393	18,437
Total liabilities	90,882	98,379
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	5,791	5,292
Retained earnings	162,304	179,265
Treasury shares	(4,936)	(4,937)
Total shareholders' equity	169,663	186,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,992	6,951
Foreign currency translation adjustment	2,992	14,747
Remeasurements of defined benefit plans	(631)	(428)
Total accumulated other comprehensive income	8,354	21,269
Subscription rights to shares	382	382
Non-controlling interests	5,594	5,674
Total net assets	183,994	213,452
Total liabilities and net assets	274,876	311,832

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(For the nine months)

(Million of yen)

	Prior Third Quarter (Apr. 1, 2021 – Dec. 31, 2021)	Current Third Quarter (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	144,022	176,263
Cost of sales	60,291	74,828
Gross profit	83,730	101,435
Selling, general and administrative expenses	60,384	72,837
Operating profit	23,345	28,598
Non-operating income		
Interest income	275	643
Dividend income	653	451
Share of profit of entities accounted for using equity method	108	19
Other	505	1,503
Total non-operating income	1,543	2,619
Non-operating expenses		
Interest expenses	118	194
Provision of allowance for doubtful accounts	1,025	271
Donations	-	1,000
Other	207	211
Total non-operating expenses	1,351	1,677
Ordinary profit	23,537	29,540
Extraordinary income		
Gain on change in equity	-	125
Gain on sale of investment securities	76	15
Gain on bargain purchase	685	-
Total extraordinary income	762	140
Extraordinary losses		
Impairment losses	51	-
Loss on retirement of non-current assets	-	153
Loss on valuation of investment securities	557	-
Loss on valuation of shares of subsidiaries and associates	88	-
Total extraordinary losses	698	153
Profit before income taxes	23,602	29,527
Income taxes	6,374	7,692
Profit	17,227	21,835
Profit attributable to non-controlling interests	117	197
Profit attributable to owners of parent	17,110	21,637

Quarterly Consolidated Statements of Comprehensive Income
(For the nine months)

(Million of yen)

	Prior Third Quarter (Apr. 1, 2021 – Dec. 31, 2021)	Current Third Quarter (Apr. 1, 2022 – Dec. 31, 2022)
Profit	17,227	21,835
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,392)	996
Foreign currency translation adjustment	4,145	11,882
Remeasurements of defined benefit plans, net of tax	44	202
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	2,798	13,082
Comprehensive income	20,026	34,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,893	34,553
Comprehensive income attributable to non-controlling interests	132	364

(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 1,784 million yen, other current liabilities increased 545 million yen, other non-current liabilities increased 1,082 million yen, and other under investments and other assets decreased 204 million yen at the end of the third quarter of the current fiscal year. The effect of this change on profit and loss for the nine months ended December 31, 2022 was 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).

Segment Information

I. Prior Third Quarter (Apr. 1, 2021 – Dec. 31, 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	88,449	6,751	7,817	39,553	142,572	1,449	144,022	-	144,022
(1) Sales to customers	88,449	6,751	7,817	39,553	142,572	1,449	144,022	-	144,022
(2) Inter-segment sales and transfers	2,593	838	37	2,243	5,713	48	5,761	(5,761)	-
Total	91,042	7,590	7,855	41,797	148,286	1,497	149,784	(5,761)	144,022
Segment profit	15,085	128	564	7,173	22,951	121	23,073	272	23,345

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 272 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 was finalized at the end of the previous fiscal year and in the first six months of the current fiscal year, and the segment information for the first nine months of the previous fiscal year is presented after reflecting such revisions.

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

In the “Japan” segment, the Company acquired shares of Amato Pharmaceutical Products, Ltd. and one other company, which became consolidated subsidiaries, resulting in a gain on bargain purchase. The gain on bargain purchase is included in extraordinary income and has not been allocated to any reportable segment. Accordingly, the amount of gain on bargain purchase was 685 million yen for the third quarter of the previous consolidated fiscal year.

Impairment loss on non-current assets was recognized in “Japan” segment. The amount of impairment loss was 51 million for the nine months ended December 31, 2021.

II. Current Third Quarter (Apr. 1, 2022 – Dec. 31, 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	100,820	12,459	9,438	51,740	174,459	1,803	176,263	-	176,263
(1) Sales to customers	100,820	12,459	9,438	51,740	174,459	1,803	176,263	-	176,263
(2) Inter-segment sales and transfers	2,850	1,063	14	2,762	6,690	42	6,732	(6,732)	-
Total	103,671	13,523	9,452	54,503	181,150	1,846	182,996	(6,732)	176,263
Segment profit	17,241	327	755	9,865	28,188	188	28,377	221	28,598

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 221 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.*