

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

[Japanese GAAP]

Company name: ROHTO Pharmaceutical Co., Ltd. Stock Exchange listing: Tokyo Stock Exchange
 Stock code: 4527 URL: <https://www.rohto.co.jp/>
 Representative: Masashi Sugimoto, President and COO
 Contact: Masaya Saito, Vice President and CFO
 Telephone: 81-(0) 6-6758-8223
 Scheduled date of Annual General Meeting of Shareholders: June 28, 2023
 Scheduled date of filing of Annual Securities Report: June 29, 2023
 Scheduled date of dividend payment: June 14, 2023
 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, 2023 (April 1, 2022 – March 31, 2023)

(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	%
Fiscal year ended Mar. 31, 2023	238,664	19.5	33,959	17.0	35,568	23.7	26,377	24.9
Fiscal year ended Mar. 31, 2022	199,646	-	29,015	-	28,750	-	21,127	-

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2023: 36,544 36.3%
 Fiscal year ended Mar. 31, 2022: 26,810 -%

	Basic earnings per share	Diluted earnings per share	ROE	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2023	115.62	115.29	13.6	12.2	14.2
Fiscal year ended Mar. 31, 2022	92.61	92.34	12.7	11.5	14.5

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2023: 56
 Fiscal year ended Mar. 31, 2022: 143

(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, 2023	309,677	215,078	67.6	916.93
As of Mar. 31, 2022	274,876	183,994	64.8	780.30

Reference: Equity (Millions of yen): As of Mar. 31, 2023: 209,187 As of Mar. 31, 2022: 178,017

(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, 2023	30,924	(13,176)	(16,199)	77,691
Fiscal year ended Mar. 31, 2022	27,250	(16,406)	3,470	70,905

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

Note 2: The provisional accounting treatment for the business combinations was finalized in the fiscal year ended March 31, 2023. The figures for 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 earnings per share, diluted earnings per share, and net assets per share are calculated, assuming that the stock split was conducted at the beginning of the previous fiscal year.

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, 2022	-	15.00	-	21.00	36.00	4,106	19.4	2.5
Fiscal year ended Mar. 31, 2023	-	20.00	-	12.00	-	5,019	19.0	2.6
Fiscal year ending Mar. 31, 2024 (forecast)	-	12.00	-	12.00	24.00		20.7	

Note: The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023. The figure indicated for the second quarter-end of the fiscal year ended March 31, 2023 is the amount before the stock split and the figure indicated for the year-end of the fiscal year ended March 31, 2023 is the amount after the stock split. Regarding the total amount of dividends for the full year, annual dividend per share is not presented because simple addition is inappropriate because of the implementation of the stock split.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	259,000	8.5	35,000	3.1	36,000	1.2	26,500	0.5	116.16

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, 2023: 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 Mar. 31, 2023: 8,039,356 shares As of Mar. 31, 2022: 8,039,524 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2023: 228,139,360 shares Fiscal year ended Mar. 31, 2022: 228,140,061 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2023	115,355	14.0	18,612	11.3	22,462	28.2	16,568	27.1
Fiscal year ended Mar. 31, 2022	101,207	-	16,723	-	17,516	-	13,035	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended Mar. 31, 2023	72.62	72.42
Fiscal year ended Mar. 31, 2022	57.14	56.97

(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, 2023	191,886	136,582	71.0	597.00
As of Mar. 31, 2022	172,621	122,859	71.0	536.85

Reference: Equity (Millions of yen): As of Mar. 31, 2023: 136,199 As of Mar. 31, 2022: 122,476

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

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

Note 3: This summary report is not subject to the audit conducted by certified public accountants or audit firms.

Note 4: 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.”

Contents of Attachments

1. Overview of Results of Operations and Other Information	2
(1) Overview of Results of Operations	2
(2) Overview of Financial Position	4
(3) Overview of Cash Flows	5
(4) Basic Policy of Profit Distribution and Dividends for the Current and Next Fiscal Years	6
2. Basic Approach to the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Major Notes	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statements of Change in Shareholders' Equity	12
(4) Consolidated Statements of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
Going Concern Assumption	16
Changes in Accounting Policies	16
Additional Information	16
Business Combinations	16
Segment and Other Information	17
Per-share Information	21
Material Subsequent Events	21

1. Overview of Results of Operations and Other Information

(1) Overview of Results of Operations

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended Mar. 31, 2023	238,664	33,959	35,568	26,377
Fiscal year ended Mar. 31, 2022	199,646	29,015	28,750	21,127
Year-on-year change (%)	19.5	17.0	23.7	24.9

During the current fiscal year, the Japanese economy showed some signs of recovery in economic activity 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, consolidated net sales for the current fiscal year increased significantly to 238,664 million yen (up 19.5% 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 33,959 million yen (up 17.0% year-on-year), ordinary profit of 35,568 million yen (up 23.7% year-on-year), and profit attributable to owners of parent of 26,377 million yen (up 24.9% year-on-year).

The provisional accounting treatment for the business combinations was finalized in the current fiscal year, and the amounts after reflecting the revisions due to the finalization of the provisional accounting treatment are used for the comparison with the previous fiscal year.

Results by reportable segment are as follows.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	121,417	136,668	15,250	12.6
	America	10,037	16,655	6,617	65.9
	Europe	10,297	12,231	1,934	18.8
	Asia	55,988	70,773	14,785	26.4
	Subtotal	197,740	236,327	38,586	19.5
Others		1,906	2,337	431	22.6
Total		199,646	238,664	39,018	19.5

Japan

Sales to outside customers increased significantly to 136,668 million yen (up 12.6% year-on-year).

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,” 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, too. 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 profit (operating profit basis) increased significantly to 21,150 million yen (up 10.1% year-on-year).

America

Sales to outside customers increased significantly to 16,655 million yen (up 65.9% 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 profit (operating profit basis) increased significantly to 724 million yen (up 234.6% 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 higher labor costs caused by labor shortages.

Europe

Sales to outside customers increased significantly to 12,231 million yen (up 18.8% 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 Eastern Europe and the Middle East. In addition, Rohto Dry Aid, a dry eye ophthalmic solution that was launched in May 2021 after obtaining the CE marking, with which the Company continues to develop the eye drop market, performed well.

Segment profit (operating profit basis) increased significantly to 978 million yen (up 73.6% 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 70,773 million yen (up 26.4% year-on-year).

Sales were driven by Hong Kong, where “50 Megumi” brand hair care products are popular, as well as Southeast Asia, including Vietnam, Malaysia, and Indonesia, which are maintaining growth. In China, despite the slowing tempo of consumption behavior because of the nationwide spread of COVID-19 following the easing of the lockdown in December, sales were firm for the full year. 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 profit (operating profit basis) increased significantly to 10,392 million yen (up 24.2% year-on-year) due to strong sales.

Outlook for the fiscal year ending Mar. 31, 2024

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2024 (forecast)	259,000	35,000	36,000	26,500
Fiscal year ended Mar. 31, 2023 (results)	238,664	33,959	35,568	26,377
Year-on-year change after adjustment (%)	8.5	3.1	1.2	0.5

The future economic outlook remains uncertain. Although the impact of the COVID-19 pandemic on the economy is expected to diminish, sharply higher raw material and fuel prices as well as higher commodity prices due to heightened geopolitical risks are expected to persist, and a decline in consumer confidence coupled with households' frugality will have an impact on personal consumption.

In these circumstances, 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 endeavoring to achieve innovations, including through alliances with a wide range of companies.

In view of this situation, for the fiscal year ending March 31, 2024, the Company projects net sales of 259.0 billion yen, operating profit of 35.0 billion yen partly due to an increase in marketing costs in the Japan segment mainly for the launch of new brands, ordinary profit of 36.0 billion yen, and profit attributable to owners of parent of 26.5 billion yen.

These forecasts are based on an exchange rate of 130 yen to the U.S. dollar.

(2) Overview of Financial Position

Total assets at the end of the current fiscal year were 309,677 million yen, an increase of 34,800 million yen from the end of the previous fiscal year. This was mainly due to an increase of 7,160 million yen in cash and deposits, an increase of 6,376 million yen in notes and accounts receivable - trade, and an increase of 5,505 million yen in investment securities, while construction in progress decreased by 2,048 million yen.

Total liabilities were 94,599 million yen, an increase of 3,716 million yen from the end of the previous fiscal year. The main factors were an increase of 4,510 million yen in accrued expenses and an increase of 2,365 million yen in notes and accounts payable - trade, while long-term borrowings decreased by 5,833 million yen.

Net assets totaled 215,078 million yen, an increase of 31,083 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 21,701 million yen and 7,656 million yen, respectively.

(3) Overview of Cash Flows

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	52,254	70,905	18,650
Cash flows from operating activities	27,250	30,924	3,674
Cash flows from investing activities	(16,406)	(13,176)	3,230
Cash flows from financing activities	3,470	(16,199)	(19,669)
Effect of exchange rate changes on cash and cash equivalents	4,335	5,236	901
Increase (decrease) in cash and cash equivalents	18,650	6,786	(11,864)
Cash and cash equivalents at the end of the period	70,905	77,691	6,786

Cash and cash equivalents amounted to 77,691 million yen at the end of the current fiscal year, an increase of 6,786 million yen from the end of the previous fiscal year.

Operating activities

Net cash provided by operating activities in the current fiscal year amounted to 30,924 million yen, an increase of 3,674 million yen from the previous fiscal year. While profit before income taxes amounted to 34,290 million yen and depreciation, which is a factor contributing to a cash flow increase, amounted to 7,418 million yen, there were a 7,560 million yen increase in trade receivables, income taxes paid of 6,962 million yen, and a 6,105 million yen increase in inventories, which are factors contributing to a cash flow decrease.

Investing activities

Net cash used in investing activities in the current fiscal year amounted to 13,176 million yen, a decrease of 3,230 million yen from the previous fiscal year. This was mainly due to payments of 8,473 million yen for the purchase of property, plant and equipment and 4,417 million yen for the purchase of investment securities.

Financing activities

Net cash used in financing activities amounted to 16,199 million yen in the current fiscal year (compared with net cash provided by financing activities amounting to 3,470 million yen for the previous fiscal year). This was mainly due to repayments of long-term borrowings of 8,761 million yen and dividends paid of 4,676 million yen.

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

Consistently and continually 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 12 yen per share for the fiscal year ended on March 31, 2023. The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023, with the aim of increasing the liquidity of its shares and expanding the investor base. If calculated with reflecting the stock split, the total amount of dividends for the full year, including the interim dividend, which was already paid, would amount to 22 yen per share, an increase of 4 yen in real terms from the previous fiscal year.

For the fiscal year ending March 31, 2024, we plan to pay an interim dividend of 12 yen per share and a year-end dividend of 12 yen per share, which will bring the annual dividend per share to 24 yen.

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, 2022)	Current Fiscal Year End (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	72,791	79,951
Notes and accounts receivable - trade	33,310	39,686
Electronically recorded monetary claims - operating	18,551	21,327
Merchandise and finished goods	17,694	22,451
Work in process	3,264	3,407
Raw materials and supplies	12,569	15,204
Other	6,304	8,575
Allowance for doubtful accounts	(179)	(357)
Total current assets	164,306	190,246
Non-current assets		
Property, plant and equipment		
Buildings and structures	62,272	65,116
Accumulated depreciation	(33,359)	(35,489)
Buildings and structures, net	28,912	29,626
Machinery, equipment and vehicles	60,109	66,201
Accumulated depreciation	(50,183)	(53,790)
Machinery, equipment and vehicles, net	9,926	12,410
Tools, furniture and fixtures	17,739	19,126
Accumulated depreciation	(15,217)	(16,141)
Tools, furniture and fixtures, net	2,521	2,985
Land	15,121	15,046
Construction in progress	5,588	3,540
Other	1,284	3,615
Accumulated depreciation	(515)	(1,042)
Other, net	769	2,572
Total property, plant and equipment	62,839	66,182
Intangible assets		
Goodwill	2,954	2,564
Other	6,586	6,996
Total intangible assets	9,541	9,561
Investments and other assets		
Investment securities	28,132	33,637
Long-term loans receivable	5,420	5,687
Deferred tax assets	5,297	5,371
Other	6,092	6,123
Allowance for doubtful accounts	(6,754)	(7,132)
Total investments and other assets	38,188	43,687
Total non-current assets	110,569	119,431
Total assets	274,876	309,677

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2022)	Current Fiscal Year End (As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,660	16,025
Electronically recorded obligations - operating	2,609	2,693
Short-term borrowings	8,033	4,177
Accrued expenses	16,266	20,777
Income taxes payable	3,056	5,048
Accrued consumption taxes	129	1,182
Provision for bonuses	3,048	3,535
Provision for bonuses for directors (and other officers)	40	50
Refund liabilities	14,116	15,338
Other	10,528	11,334
Total current liabilities	71,488	80,162
Non-current liabilities		
Long-term borrowings	13,350	7,516
Deferred tax liabilities	1,537	1,173
Retirement benefit liability	3,332	3,104
Provision for loss on guarantees	55	42
Other	1,117	2,599
Total non-current liabilities	19,393	14,436
Total liabilities	90,882	94,599
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	5,791	5,292
Retained earnings	162,304	184,005
Treasury shares	(4,936)	(4,938)
Total shareholders' equity	169,663	190,864
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,992	7,951
Foreign currency translation adjustment	2,992	10,649
Remeasurements of defined benefit plans	(631)	(277)
Total accumulated other comprehensive income	8,354	18,323
Share acquisition rights	382	382
Non-controlling interests	5,594	5,508
Total net assets	183,994	215,078
Total liabilities and net assets	274,876	309,677

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	199,646	238,664
Cost of sales	83,476	101,243
Gross profit	116,170	137,421
Selling, general and administrative expenses		
Promotion expenses	11,575	14,415
Advertising expenses	26,539	32,052
Salaries and bonuses	16,308	18,282
Provision for bonuses	1,340	1,512
Provision for bonuses for directors (and other officers)	40	50
Retirement benefit expenses	692	625
Depreciation	1,656	1,956
Amortization of goodwill	457	383
Research and development expenses	8,740	11,065
Provision of allowance for doubtful accounts	(133)	198
Other	19,937	22,919
Total selling, general and administrative expenses	87,154	103,461
Operating profit	29,015	33,959
Non-operating income		
Interest income	368	962
Dividend income	383	461
Share of profit of entities accounted for using equity method	143	56
Gain on investments in investment partnerships	-	862
Other	684	1,355
Total non-operating income	1,580	3,697
Non-operating expenses		
Interest expenses	248	247
Provision of allowance for doubtful accounts	1,158	422
Donations	-	1,000
Other	438	418
Total non-operating expenses	1,844	2,089
Ordinary profit	28,750	35,568

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Extraordinary income		
Gain on change in equity	-	125
Gain on sale of investment securities	76	15
Gain on bargain purchase	685	-
National subsidies	128	220
Total extraordinary income	891	360
Extraordinary losses		
Loss on retirement of non-current assets	-	153
Impairment losses	892	965
Loss on tax purpose reduction entry of non-current assets	-	220
Loss on valuation of investment securities	642	103
Loss on valuation of shares of subsidiaries and associates	232	197
Total extraordinary losses	1,767	1,639
Profit before income taxes	27,874	34,290
Income taxes - current	7,480	9,022
Income taxes - deferred	(794)	(1,161)
Total income taxes	6,686	7,860
Profit	21,188	26,429
Profit attributable to non-controlling interests	60	52
Profit attributable to owners of parent	21,127	26,377

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Profit	21,188	26,429
Other comprehensive income		
Valuation difference on available-for-sale securities	(733)	2,016
Foreign currency translation adjustment	6,115	7,745
Remeasurements of defined benefit plans, net of tax	239	353
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	5,622	10,114
Comprehensive income	26,810	36,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,697	36,346
Comprehensive income attributable to non-controlling interests	112	197

(3) Consolidated Statements of Change in Shareholders' Equity

Prior 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 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 during period					
Dividends of surplus			(3,422)		(3,422)
Profit attributable to owners of parent			21,127		21,127
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		129			129
Net changes in items other than shareholders' equity					
Total changes during period	-	129	17,705	(0)	17,834
Balance at end of period	6,504	5,791	162,304	(4,936)	169,663

	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 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 during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
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 during period	(724)	6,055	239	5,570
Balance at end of period	5,992	2,992	(631)	8,354

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	382	704	156,612
Cumulative effects of changes in accounting policies			(912)
Restated balance	382	704	155,700
Changes during period			
Dividends of surplus			(3,422)
Profit attributable to owners of parent			21,127
Purchase of treasury shares			(0)
Disposal of treasury shares			0
Change in ownership interest of parent due to transactions with non-controlling interests			129
Net changes in items other than shareholders' equity	-	4,889	10,459
Total changes during period	-	4,889	28,294
Balance at end of period	382	5,594	183,994

Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,504	5,791	162,304	(4,936)	169,663
Cumulative effects of changes in accounting policies					-
Restated balance	6,504	5,791	162,304	(4,936)	169,663
Changes during period					
Dividends of surplus			(4,676)		(4,676)
Profit attributable to owners of parent			26,377		26,377
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		(498)			(498)
Net changes of items other than shareholders' equity					
Total changes during period	-	(498)	21,701	(1)	21,200
Balance at end of current period	6,504	5,292	184,005	(4,938)	190,864

	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 period	5,992	2,992	(631)	8,354
Cumulative effects of changes in accounting policies				
Restated balance	5,992	2,992	(631)	8,354
Changes during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	1,958	7,656	354	9,969
Total changes during period	1,958	7,656	354	9,969
Balance at end of period	7,951	10,649	(277)	18,323

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	382	5,594	183,994
Cumulative effects of changes in accounting policies			-
Restated balance	382	5,594	183,994
Changes during period			
Dividends of surplus			(4,676)
Profit attributable to owners of parent			26,377
Purchase of treasury shares			(1)
Disposal of treasury shares			-
Change in ownership interest of parent due to transactions with non-controlling interests			(498)
Net changes of items other than shareholders' equity	-	(86)	9,882
Total changes during period	-	(86)	31,083
Balance at end of period	382	5,508	215,078

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	27,874	34,290
Depreciation	7,232	7,418
Impairment losses	892	965
Amortization of goodwill	457	383
Increase (decrease) in allowance for doubtful accounts	(139)	164
Increase (decrease) in provision for bonuses	288	481
Increase (decrease) in retirement benefit liability	77	27
Bad debt expense	1,158	422
Loss on retirement of non-current assets	-	153
Loss on tax purpose reduction entry of non-current assets	-	220
National subsidies	(128)	(220)
Gain on bargain purchase	(685)	-
Loss (gain) on sale of investment securities	(76)	(15)
Loss (gain) on valuation of investment securities	642	103
Loss on valuation of shares of subsidiaries and associates	232	197
Interest and dividend income	(752)	(1,424)
Interest expenses	248	247
Share of loss (profit) of entities accounted for using equity method	(143)	(56)
Loss (gain) on change in equity	-	(125)
Decrease (increase) in trade receivables	(30)	(7,560)
Decrease (increase) in inventories	(2,743)	(6,105)
Increase (decrease) in trade payables	3,323	1,716
Other, net	(634)	5,461
Subtotal	37,093	36,747
Interest and dividends received	738	1,362
Interest paid	(228)	(247)
Payments for guarantee obligations	(1,622)	-
Income taxes paid	(8,823)	(6,962)
Income taxes refund	92	25
Net cash provided by (used in) operating activities	27,250	30,924

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from investing activities		
Payments into time deposits	(1,918)	(1,523)
Proceeds from withdrawal of time deposits	963	1,265
Purchase of property, plant and equipment	(10,267)	(8,473)
Proceeds from sale of property, plant and equipment	12	109
Payments for asset retirement obligations	-	(42)
Purchase of intangible assets	(1,061)	(1,435)
Purchase of investment securities	(3,697)	(4,417)
Proceeds from sale and redemption of investment securities	1,000	1,376
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,203)	-
Subsidies received	128	220
Long-term loan advances	(404)	(258)
Proceeds from collection of long-term loans receivable	41	2
Other, net	(0)	-
Net cash provided by (used in) investing activities	(16,406)	(13,176)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,273	(1,341)
Proceeds from long-term borrowings	9,450	220
Repayments of long-term borrowings	(3,133)	(8,761)
Dividends paid	(3,422)	(4,676)
Dividends paid to non-controlling interests	(0)	(20)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(489)	(762)
Other, net	(208)	(857)
Net cash provided by (used in) financing activities	3,470	(16,199)
Effect of exchange rate change on cash and cash equivalents	4,335	5,236
Net increase (decrease) in cash and cash equivalents	18,650	6,786
Cash and cash equivalents at beginning of period	52,254	70,905
Cash and cash equivalents at end of period	70,905	77,691

Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

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 fiscal year ended March 31, 2023, 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, at the end of the current fiscal year, "Other" under property, plant and equipment increased 2,081 million yen, accumulated depreciation corresponding to "Other" increased 492 million yen, "Other" under current liabilities increased 508 million yen, "Other" under non-current liabilities increased 939 million yen, and "Other" under investments and other assets decreased 191 million yen. The impact of this change on the consolidated statements of income for the 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).

Business Combinations

Finalization of provisional accounting treatment for business combinations

The Company had used a provisional accounting treatment for the business combination with Amato Pharmaceutical Products, Ltd. and one other company on August 31, 2021 through the acquisition of shares, but it was finalized in the current fiscal year.

With the finalization of this provisional accounting treatment, there was a significant change in the initial allocation of the acquisition cost.

As a result, the main increase was in "Other" under intangible assets, and the amount of gain on bargain purchase, provisionally calculated as 430 million yen, increased by 254 million yen to 685 million yen after reflecting the finalization of the accounting treatment.

The intangible assets identified from the acquisition cost allocation process are trademark rights pertaining to "Borraginol®" and are measured primarily by the discounted present value of future cash flows using the income approach (excess earnings method).

The future cash flows used for measurement of the trademark rights are based on a business plan of Amato Pharmaceutical Products, Ltd. prepared by management in which key assumptions are set, including forecasts of future net sales and operating margin of "Borraginol®" and other hemorrhoid drugs, as well as the discount rate.

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.

3. Information related to net sales, profit/loss, assets, liabilities, and other items for each reportable segment

Prior 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	19,213	216	563	8,365	28,359	171	28,530	484	29,015
Segment assets	198,487	20,171	9,667	74,789	303,116	1,714	304,830	(29,953)	274,876
Segment liabilities	66,123	3,820	2,424	20,331	92,700	258	92,958	(2,076)	90,882
Other items									
Depreciation	4,857	331	317	1,030	6,537	35	6,573	-	6,573
Amortization of goodwill	356	9	91	-	457	-	457	-	457
Increase in property, plant and equipment and intangible fixed assets	10,953	119	158	936	12,168	29	12,197	-	12,197

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 484 million 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.

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, 2022 have been restated accordingly.

Current Fiscal Year (Apr. 1, 2022– Mar. 31, 2023)

(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	136,668	16,655	12,231	70,773	236,327	2,337	238,664	-	238,664
(1)Sales to customers	136,668	16,655	12,231	70,773	236,327	2,337	238,664	-	238,664
(2)Inter-segment sales and transfers	3,842	1,421	16	3,622	8,902	44	8,947	(8,947)	-
Total	140,510	18,076	12,247	74,395	245,230	2,381	247,612	(8,947)	238,664
Segment profit	21,150	724	978	10,392	33,245	204	33,450	509	33,959
Segment assets	214,255	23,509	10,979	90,097	338,841	2,132	340,973	(31,296)	309,677
Segment liabilities	65,231	3,502	2,715	25,120	96,569	428	96,998	(2,399)	94,599
Other items									
Depreciation	5,495	498	201	1,189	7,385	33	7,418	-	7,418
Amortization of goodwill	356	27	-	-	383	-	383	-	383
Increase in property, plant and equipment and intangible fixed assets	7,641	745	742	2,857	11,987	36	12,024	-	12,024

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 509million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (31,296) million yen and liabilities of (2,399) 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, 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

Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)

1. Products and services information (Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	48,180	156,657	26,588	7,237	238,664

Impairment loss on fixed assets for each reportable segment

Prior 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

Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Impairment losses on fixed assets	965	-	-	-	965	-	-	965

Information on gain on negative goodwill by reportable segment.

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

(Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Gain on bargain purchase	685	-	-	-	685	-	-	685

Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)

No reportable information.

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	780.30	916.93
Basic earnings per share	92.61	115.62
Diluted earnings per share	92.34	115.29

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, 2021 – Mar. 31, 2022)	Current Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent	21,127	26,377
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	21,127	26,377
Average number of common stock shares outstanding during the period (thousand shares)	228,140	228,139
Diluted earnings per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	659	659
[of which subscription rights to shares (thousand shares)]	[659]	[659]
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, 2022)	Current Fiscal Year End (As of Mar. 31, 2023)
Total net assets on the balance sheets	183,994	215,078
Deduction from total net assets	5,976	5,890
[of which subscription rights to shares]	[382]	[382]
[of which non-controlling interests]	[5,594]	[5,508]
Net assets applicable to common stock	178,017	209,187
Number of common stock shares used in calculation of net assets per share (thousand shares)	228,139	228,138

3. Net assets per share, basic earnings per share, and diluted earnings per share for the previous fiscal year are calculated using the amounts that reflect the change described in “Finalization of provisional accounting treatment for business combinations” under “Business Combinations.”

4. The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2023. Basic earnings per share, diluted earnings per share, and net assets per share are calculated, assuming that the stock split was conducted at the beginning of the previous fiscal year.

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.