

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (Three Months Ended June 30, 2023)

[Japanese GAAP]

Company name: ROHTO PHARMACEUTICAL CO.,LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 4527

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Scheduled date of filing of Quarterly Report: August 10, 2023

Scheduled date of dividend payment: -

Supplementary materials for quarterly financial results: Yes

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

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	61,171	17.1	11,292	36.1	12,242	26.9	9,090	30.0
June 30, 2022	52,255	23.5	8,296	37.7	9,649	47.6	6,991	47.2

(Note) Comprehensive income (Millions of yen): Three months ended June 30, 2023: 13,729 2.3%
Three months ended June 30, 2022: 13,418 86.5%

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	39.85	39.73
June 30, 2022	30.65	30.56

(Note 1): The provisional accounting treatment for the business combinations was finalized in the second quarter of the fiscal year ending March 31, 2023. The figures for the first quarter of the fiscal year ended March 31, 2023 have been changed accordingly.

(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 fiscal year ended March 31, 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	318,871	226,002	69.0
March 31, 2023	309,677	215,078	67.6

(Reference) Equity (Millions of yen): As of June 30, 2023: 219,915
As of March 31, 2023: 209,187

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2024	-	20.00	-	12.00	-
Fiscal year ending March 31, 2024 (Forecast)	-	12.00	-	12.00	24.00

(Note) Revision to the forecast for dividends announced most recently: No

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 Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	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	263,000	10.2	37,000	9.0	38,000	6.8	27,500	4.3	120.54

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the 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, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2023: 236,178,310 shares

March 31, 2023: 236,178,310 shares

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

June 30, 2023: 8,039,389 shares

March 31, 2023: 8,039,356 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 228,138,946 shares

Three months ended June 30, 2022: 228,139,656 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, 2023.

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 experienced a moderate recovery in economic activity as more and more people were out and about, resuming their normal lives in response to the easing of behavioral restrictions in line with the downgrading of COVID-19 to a Class 5 infectious disease in Japan. Nevertheless, the outlook of the Japanese economy remained uncertain owing to sharp rises in commodity prices, the impact of foreign exchange rates, geopolitical risks, etc. Although personal consumption recovered as behavioral restrictions eased, the cost of living is rising because of higher utility costs and increased product prices owing to rising raw material prices, and consumers are becoming more frugal.

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 61,171 million yen (up 17.1% year-on-year). In Japan, sales increased, reflecting product proposals that meet customer needs as well as signs of a recovery in inbound demand. Overseas, sales also increased thanks to product proposals that meet customer needs and depreciation of the yen, despite sharp rises in raw material prices.

As for profits, in addition to a significant increase in net sales, efforts to improve the cost of sales ratio and efficiently utilize selling, general and administrative expenses resulted in significant increases in all profit categories: operating profit of 11,292 million yen (up 36.1% year-on-year), ordinary profit of 12,242 million yen (up 26.9% year-on-year), and profit attributable to owners of parent of 9,090 million yen (up 30.0% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased significantly to 36,899 million yen (up 17.3% year-on-year).

Sales of “Melano CC” remained brisk thanks to strong sales of the enzyme face wash marketed under this brand. “Hadalabo” skincare products and “Rohto V5” supplements continue to perform strongly. Sales of lip balm, which had declined due to the habit of wearing masks, recovered and exceeded the pre-COVID-19 pandemic level. Domestic group companies also contributed to sales growth, including Amato Pharmaceutical Products, Ltd., which has “Borriginol®” as its main product.

Segment profit (operating profit basis) increased significantly to 7,323 million yen (up 41.1% year-on-year) owing to a significant increase in sales and improvement of the cost of sales ratio.

America

Sales to outside customers increased significantly to 4,234 million yen (up 12.1% year-on-year).

Hydrox Laboratories, which manufactures and sells medical disinfectants and other products, continued to perform strongly and made a significant contribution to the increase in sales.

Segment profit (operating profit basis) increased significantly to 319 million yen (up 135.7% year-on-year) due to efficient use of selling, general and administrative expenses, in addition to a significant increase in sales and improvement of the cost of sales ratio.

Europe

Sales to outside customers increased significantly to 3,470 million yen (up 12.6% year-on-year).

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 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 528 million yen (up 66.8% year-on-year) owing to the impact of higher sales and efficient use of selling, general and administrative expenses.

Asia

Sales to outside customers increased significantly to 15,890 million yen (up 18.6% year-on-year).

Sales were driven by Hong Kong and Malaysia, which maintained high growth, and China, where a recovery trend became evident in the aftermath of the COVID-19 pandemic. Sunscreens, lip balm, “Selsun” anti-dandruff shampoo, eye drops, “50 Megumi” brand hair care products, and “Hadalabo” skincare products contributed to the increase in sales.

Segment profit (operating profit basis) increased to 2,857 million yen (up 5.0% year-on-year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year were 318,871 million yen, an increase of 9,193 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,239 million yen in investment securities, an increase of 3,165 million yen in "Other" under current assets, and an increase of 2,680 million yen in merchandise and finished goods, while cash and deposits decreased by 1,871 million yen.

Total liabilities were 92,868 million yen, a decrease of 1,730 million yen from the end of the previous fiscal year. The main factors were an increase of 4,154 million yen in notes and accounts payable - trade, while "Other" under current liabilities and provision for bonuses decreased by 2,713 million yen and 1,528 million yen, respectively.

Net assets totaled 226,002 million yen, an increase of 10,923 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 6,284 million yen and 2,468 million yen, respectively.

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

(Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024)

	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)	259,000	35,000	36,000	26,500	116.16
Revised forecast (B)	263,000	37,000	38,000	27,500	120.54
Change (B - A)	4,000	2,000	2,000	1,000	-
Percentage change (%)	1.5	5.7	5.6	3.8	-

We have revised the consolidated earnings forecast announced on May 12, 2023, as the Japan segment performed well in the first quarter of the current fiscal year and its robust performance is expected to continue from the second quarter onward. 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 130 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.

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

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	79,951	78,080
Notes and accounts receivable - trade	39,686	39,455
Electronically recorded monetary claims - operating	21,327	20,771
Merchandise and finished goods	22,451	25,131
Work in process	3,407	4,277
Raw materials and supplies	15,204	17,146
Other	8,575	11,741
Allowance for doubtful accounts	(357)	(468)
Total current assets	190,246	196,136
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,626	29,899
Other, net	36,555	36,781
Total property, plant and equipment	66,182	66,681
Intangible assets		
Goodwill	2,564	2,468
Other	6,996	6,999
Total intangible assets	9,561	9,467
Investments and other assets		
Investment securities	33,637	37,876
Other	17,182	15,597
Allowance for doubtful accounts	(7,132)	(6,887)
Total investments and other assets	43,687	46,586
Total non-current assets	119,431	122,735
Total assets	309,677	318,871

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,025	20,180
Electronically recorded obligations - operating	2,693	3,521
Short-term borrowings	4,177	4,163
Accrued expenses	20,777	20,265
Income taxes payable	5,048	3,847
Provision for bonuses	3,535	2,007
Provision for bonuses for directors (and other officers)	50	12
Other	27,854	25,141
Total current liabilities	80,162	79,138
Non-current liabilities		
Long-term borrowings	7,516	6,943
Retirement benefit liability	3,104	3,166
Provision for loss on guarantees	42	47
Other	3,773	3,573
Total non-current liabilities	14,436	13,730
Total liabilities	94,599	92,868
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	5,292	5,292
Retained earnings	184,005	190,290
Treasury shares	(4,938)	(4,938)
Total shareholders' equity	190,864	197,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,951	9,929
Foreign currency translation adjustment	10,649	13,117
Remeasurements of defined benefit plans	(277)	(280)
Total accumulated other comprehensive income	18,323	22,766
Share acquisition rights	382	382
Non-controlling interests	5,508	5,703
Total net assets	215,078	226,002
Total liabilities and net assets	309,677	318,871

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	52,255	61,171
Cost of sales	22,659	25,399
Gross profit	29,595	35,772
Selling, general and administrative expenses	21,299	24,479
Operating profit	8,296	11,292
Non-operating income		
Interest income	253	316
Dividend income	255	257
Share of profit of entities accounted for using equity method	50	74
Gain on investments in investment partnerships	345	-
Reversal of allowance for doubtful accounts	-	246
Other	548	307
Total non-operating income	1,453	1,202
Non-operating expenses		
Interest expenses	57	46
Provision of allowance for doubtful accounts	9	-
Loss on investments in investment partnerships	-	77
Other	34	127
Total non-operating expenses	100	252
Ordinary profit	9,649	12,242
Profit before income taxes	9,649	12,242
Income taxes	2,587	2,990
Profit	7,061	9,252
Profit attributable to non-controlling interests	69	161
Profit attributable to owners of parent	6,991	9,090

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

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	7,061	9,252
Other comprehensive income		
Valuation difference on available-for-sale securities	404	2,000
Foreign currency translation adjustment	5,992	2,479
Remeasurements of defined benefit plans, net of tax	(40)	(2)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	6,356	4,477
Comprehensive income	13,418	13,729
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,237	13,534
Comprehensive income attributable to non-controlling interests	181	195

(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.

Segment Information

I. Prior 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	5,188	135	316	2,720	8,361	50	8,412	-115	8,296

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.

5. The provisional accounting treatment for business combinations has been finalized in the second quarter of the fiscal year ended March 31, 2023. 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, 2023 - Jun. 30, 2023)

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	36,899	4,234	3,470	15,890	60,495	676	61,171	—	61,171
(1) Sales to customers	36,899	4,234	3,470	15,890	60,495	676	61,171	—	61,171
(2) Inter-segment sales and transfers	775	411	29	1,076	2,293	12	2,306	-2,306	—
Total	37,675	4,646	3,500	16,967	62,789	688	63,478	-2,306	61,171
Segment profit	7,323	319	528	2,857	11,028	65	11,093	199	11,292

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 199 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.