

**Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024
(Six Months Ended September 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 dividend payment: December 7, 2023

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 Six Months Ended September 30, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	127,869	15.9	20,966	28.9	22,678	26.2	16,594	25.8
September 30, 2022	110,313	21.2	16,269	18.3	17,963	33.1	13,192	19.7

(Note) Comprehensive income (Millions of yen): Six months ended September 30, 2023: 26,530 6.8%
Six months ended September 30, 2022: 24,834 83.1%

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	72.74	72.53
September 30, 2022	57.83	57.66

(Note): 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	%
September 30, 2023	334,957	238,800	69.4
March 31, 2023	309,677	215,078	67.6

(Reference) Equity (Millions of yen): As of September 30, 2023: 232,557
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 20.00	Yen -	Yen 12.00	Yen -
Fiscal year ending March 31, 2024	-	12.00	-	-	-
Fiscal year ending March 31, 2024 (Forecast)	-	-	-	15.00	27.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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	270,000	13.1	38,500	13.4	40,000	12.5	29,000	9.9	127.12

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 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 11 of the attachments "2. Quarterly Consolidated Financial Statements and Major Notes, (4) 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):

September 30, 2023: 236,178,310 shares

March 31, 2023: 236,178,310 shares

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

September 30, 2023: 8,039,419 shares

March 31, 2023: 8,039,356 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 228,138,931 shares

Six months ended September 30, 2022: 228,139,549 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 4 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 six months of the current fiscal year, the Japanese economy experienced a moderate recovery in economic activity reflecting an increase in the number of travelers from abroad in addition to the easing of behavioral restrictions in line with the downgrading of COVID-19 to a Class 5 infectious disease in Japan. On the other hand, the outlook of the Japanese economy remained uncertain owing to accelerating depreciation of the yen, concerns about a possible slowdown of overseas economies, and ongoing sharp rises in the prices of commodities and semi-processed raw materials against the backdrop of the protracted conflict in Ukraine. 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 127,869 million yen (up 15.9% 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 20,966 million yen (up 28.9% year-on-year), ordinary profit of 22,678 million yen (up 26.2% year-on-year), and profit attributable to owners of parent of 16,594 million yen (up 25.8% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased significantly to 76,411 million yen (up 16.5% 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. 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.

Segment profit (operating profit basis) increased significantly to 13,233 million yen (up 26.9% 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 8,765 million yen (up 14.6% 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 564 million yen (up 487.3% year-on-year) owing to a significant increase in sales and improvement of the cost of sales ratio.

Europe

Sales to outside customers increased significantly to 7,047 million yen (up 13.1% 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 881 million yen (up 47.8% year-on-year) owing to the impact of a significant increase in sales and improvement of the cost of sales ratio.

Asia

Sales to outside customers increased significantly to 34,223 million yen (up 15.3% year-on-year).

Sales were driven by Hong Kong, Malaysia, and Taiwan, which maintained high growth, and China, where a recovery trend became evident in the aftermath of the COVID-19 pandemic. Lip balm, sunscreens, “Selsun” anti-dandruff shampoo, and eye drops contributed to the increase in sales.

Segment profit (operating profit basis) increased significantly to 5,847 million yen (up 17.8% year-on-year) owing to the impact of a significant increase in sales and improvement of the cost of sales ratio.

(2) Explanation of Financial Position

1) Balance sheets position

Total assets at the end of the second quarter of the current fiscal year were 334,957 million yen, an increase of 25,279 million yen from the end of the previous fiscal year. This was mainly due to an increase of 6,740 million yen in investment securities, an increase of 5,491 million yen in notes and accounts receivable - trade, and an increase of 4,890 million yen in merchandise and finished goods, while “Other” under “Investments and other assets” decreased by 1,047 million yen.

Total liabilities were 96,156 million yen, an increase of 1,557 million yen from the end of the previous fiscal year. The main factors were an increase of 2,581 million yen in notes and accounts payable - trade and an increase of 1,552 million yen in electronically recorded obligations - operating, while long-term borrowings decreased by 1,693 million yen.

Net assets totaled 238,800 million yen, an increase of 23,722 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 13,788 million yen and 7,285 million yen, respectively.

2) Consolidated cash flow position

Cash and cash equivalents amounted to 76,970 million yen at the end of the second quarter of the current fiscal year, a decrease of 721 million yen from the end of the previous fiscal year.

Operating activities

Net cash provided by operating activities in the first six months of the current fiscal year amounted to 8,811 million yen, a decrease of 2,314 million yen from the same period of the previous fiscal year. While profit before income taxes amounted to 22,544 million yen, and depreciation and an increase in trade payables, which are factors contributing to a cash flow increase, amounted to 3,922 million yen and 3,699 million yen, respectively, there were a 6,010 million yen increase in trade receivables and a 5,782 million yen increase in inventories, which are factors contributing to a cash flow decrease.

Investing activities

Net cash used in investing activities in the first six months of the current fiscal year amounted to 8,351 million yen, an increase of 2,984 million yen for the same period of the previous fiscal year. This was mainly due to payments of 3,906 million yen for the purchase of property, plant and equipment and 3,605 million yen for the purchase of investment securities.

Financing activities

Net cash used in financing activities in the first six months of the current fiscal year amounted to 4,902 million yen, a decrease of 2,873 million yen for the same period of the previous fiscal year. This was mainly due to dividends paid of 2,737 million yen and repayments of long-term borrowings of 1,740 million yen.

(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
Previous forecast (A)	Millions of yen 263,000	Millions of yen 37,000	Millions of yen 38,000	Millions of yen 27,500	Yen 120.54
Revised forecast (B)	270,000	38,500	40,000	29,000	127.12
Change (B - A)	7,000	1,500	2,000	1,500	-
Percentage change (%)	2.7	4.1	5.3	5.5	-

We have revised the consolidated earnings forecast announced on August 9, 2023, as the Japan segment performed better than expected in the second quarter and its robust performance is expected to continue from the third 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 rates have been revised to 140 yen to the US dollar and 19.7 yen to the Chinese yuan.

*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 September 30, 2023
Assets		
Current assets		
Cash and deposits	79,951	79,341
Notes and accounts receivable - trade	39,686	45,177
Electronically recorded monetary claims - operating	21,327	23,583
Merchandise and finished goods	22,451	27,342
Work in process	3,407	4,035
Raw materials and supplies	15,204	17,208
Other	8,575	11,486
Allowance for doubtful accounts	(357)	(431)
Total current assets	190,246	207,744
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,626	30,066
Other, net	36,555	38,289
Total property, plant and equipment	66,182	68,356
Intangible assets		
Goodwill	2,564	2,372
Other	6,996	6,957
Total intangible assets	9,561	9,329
Investments and other assets		
Investment securities	33,637	40,377
Other	17,182	16,135
Allowance for doubtful accounts	(7,132)	(6,986)
Total investments and other assets	43,687	49,526
Total non-current assets	119,431	127,212
Total assets	309,677	334,957

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,025	18,606
Electronically recorded obligations - operating	2,693	4,246
Short-term borrowings	4,177	4,171
Accrued expenses	20,777	19,424
Income taxes payable	5,048	5,530
Provision for bonuses	3,535	3,614
Provision for bonuses for directors (and other officers)	50	25
Other	27,854	27,347
Total current liabilities	80,162	82,966
Non-current liabilities		
Long-term borrowings	7,516	5,823
Retirement benefit liability	3,104	3,215
Provision for loss on guarantees	42	31
Other	3,773	4,121
Total non-current liabilities	14,436	13,190
Total liabilities	94,599	96,156
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	5,292	5,292
Retained earnings	184,005	197,794
Treasury shares	(4,938)	(4,938)
Total shareholders' equity	190,864	204,652
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,951	10,265
Foreign currency translation adjustment	10,649	17,934
Remeasurements of defined benefit plans	(277)	(294)
Total accumulated other comprehensive income	18,323	27,905
Share acquisition rights	382	382
Non-controlling interests	5,508	5,859
Total net assets	215,078	238,800
Total liabilities and net assets	309,677	334,957

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	110,313	127,869
Cost of sales	47,833	53,909
Gross profit	62,480	73,960
Selling, general and administrative expenses	46,211	52,993
Operating profit	16,269	20,966
Non-operating income		
Interest income	431	671
Dividend income	271	268
Share of profit of entities accounted for using equity method	64	86
Foreign exchange gains	456	467
Other	900	694
Total non-operating income	2,124	2,187
Non-operating expenses		
Interest expenses	123	109
Provision of allowance for doubtful accounts	207	-
Loss on investments in investment partnerships	-	104
Other	98	262
Total non-operating expenses	429	476
Ordinary profit	17,963	22,678
Extraordinary losses		
Loss on retirement of non-current assets	153	-
Loss on valuation of investment securities	-	134
Total extraordinary losses	153	134
Profit before income taxes	17,810	22,544
Income taxes	4,526	5,719
Profit	13,283	16,824
Profit attributable to non-controlling interests	91	229
Profit attributable to owners of parent	13,192	16,594

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

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	13,283	16,824
Other comprehensive income		
Valuation difference on available-for-sale securities	218	2,360
Foreign currency translation adjustment	11,148	7,360
Remeasurements of defined benefit plans, net of tax	183	(17)
Share of other comprehensive income of entities accounted for using equity method	1	1
Total other comprehensive income	11,551	9,705
Comprehensive income	24,834	26,530
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,611	26,176
Comprehensive income attributable to non-controlling interests	223	353

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	17,810	22,544
Depreciation	4,188	3,922
Amortization of goodwill	191	199
Increase (decrease) in allowance for doubtful accounts	86	44
Increase (decrease) in provision for bonuses	413	71
Increase (decrease) in retirement benefit liability	74	115
Bad debt expense	207	-
Loss on retirement of non-current assets	153	-
Loss (gain) on valuation of investment securities	-	134
Interest and dividend income	(702)	(939)
Interest expenses	123	109
Share of loss (profit) of entities accounted for using equity method	(64)	(86)
Decrease (increase) in trade receivables	(4,037)	(6,010)
Decrease (increase) in inventories	(6,577)	(5,782)
Increase (decrease) in trade payables	3,101	3,699
Other, net	(1,885)	(5,118)
Subtotal	13,082	12,901
Interest and dividends received	718	992
Interest paid	(121)	(108)
Income taxes paid	(2,544)	(5,011)
Income taxes refund	(9)	37
Net cash provided by (used in) operating activities	11,125	8,811
Cash flows from investing activities		
Payments into time deposits	(683)	(622)
Proceeds from withdrawal of time deposits	623	703
Purchase of property, plant and equipment	(4,134)	(3,906)
Proceeds from sale of property, plant and equipment	20	138
Purchase of intangible assets	(531)	(494)
Purchase of investment securities	(1,608)	(3,605)
Proceeds from sale and redemption of investment securities	1,256	-
Long-term loan advances	(180)	(565)
Proceeds from collection of long-term loans receivable	1	0
Other, net	(130)	-
Net cash provided by (used in) investing activities	(5,367)	(8,351)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(190)	30
Proceeds from long-term borrowings	52	-
Repayments of long-term borrowings	(4,099)	(1,740)
Dividends paid	(2,395)	(2,737)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(762)	-
Other, net	(382)	(454)
Net cash provided by (used in) financing activities	(7,775)	(4,902)
Effect of exchange rate change on cash and cash equivalents	7,214	3,698
Net increase (decrease) in cash and cash equivalents	5,196	(744)
Cash and cash equivalents at beginning of period	70,905	77,691
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	23
Cash and cash equivalents at end of period	76,101	76,970

(4) 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 Second Quarter (Apr. 1, 2022 - Sep. 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	65,576	7,649	6,231	29,673	109,131	1,182	110,313	—	110,313
(1) Sales to customers	65,576	7,649	6,231	29,673	109,131	1,182	110,313	—	110,313
(2) Inter-segment sales and transfers	1,987	644	9	1,957	4,598	26	4,624	(4,624)	—
Total	67,563	8,293	6,241	31,630	113,729	1,208	114,938	(4,624)	110,313
Segment profit	10,428	96	596	4,965	16,087	125	16,212	56	16,269

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 56 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.

II. Current Second Quarter (Apr. 1, 2023 - Sep. 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	76,411	8,765	7,047	34,223	126,448	1,421	127,869	—	127,869
(1) Sales to customers	76,411	8,765	7,047	34,223	126,448	1,421	127,869	—	127,869
(2) Inter-segment sales and transfers	1,541	842	43	2,274	4,702	13	4,715	(4,715)	—
Total	77,952	9,607	7,091	36,497	131,150	1,435	132,585	(4,715)	127,869
Segment profit	13,233	564	881	5,847	20,528	130	20,659	307	20,966

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 307 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.*