

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019
(Three Months Ended June 30, 2018)

[Japanese GAAP]

Company name: ROHTO Pharmaceutical Co., Ltd. Stock Exchange listing: TSE, First Section
 Stock code: 4527 URL: <https://www.rohto.co.jp/>
 Representative: Kunio Yamada, Chairman and President
 Contact: Masaya Saito, Vice President and Director
 Telephone: 81-(0) 6-6758-8223
 Scheduled date of filing of Quarterly Report: August 10, 2018
 Scheduled date of dividend payment: -
 Supplementary materials for quarterly financial results: Yes
 Quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 – June 30, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2018	40,638	13.4	5,061	47.4	5,292	47.1	3,440	51.2
Three months ended Jun. 30, 2017	35,837	9.0	3,433	54.9	3,598	48.0	2,275	65.7

Note: Comprehensive income (Millions of yen): Three months ended Jun. 30, 2018: 4,211 (66.2%)
 Three months ended Jun. 30, 2017: 2,533 (-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	30.20	30.07
Three months ended Jun. 30, 2017	19.98	19.89

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2018	198,191	131,249	65.6
As of Mar. 31, 2018	198,166	128,440	64.2

Reference: Shareholders' equity (Millions of yen): As of Jun. 30, 2018: 130,004 As of Mar. 31, 2018: 127,124

Note: Rohto Pharmaceutical Co., Ltd. (the Company) has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Consolidated financial position for the year ended March 31, 2018 was reclassified retrospectively in accordance with this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	11.00	-	11.00	22.00
Fiscal year ending Mar. 31, 2019	-				
Fiscal year ending Mar. 31, 2019 (forecast)		11.00	-	12.00	23.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	176,000	2.5	19,500	2.2	19,600	4.0	11,900	28.1	104.42

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting methods for preparation of quarterly consolidated financial statements: Yes

Note: Please refer to page 8 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements” for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of common shares issued

1) Number of shares outstanding at the end of the period (including treasury shares):

As of Jun. 30, 2018:	117,980,805 shares	As of Mar. 31, 2018:	117,936,284 shares
----------------------	--------------------	----------------------	--------------------

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

As of Jun. 30, 2018:	4,018,884 shares	As of Mar. 31, 2018:	4,018,851 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2018:	113,928,547 shares	Three months ended Jun. 30, 2017:	113,916,916 shares
-----------------------------------	--------------------	-----------------------------------	--------------------

Note 1: This summary report is not subject to the quarterly review conducted by certified public accountants or audit firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual results of operations may differ significantly from the forecasts depending on various factors. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.”

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements	8
Additional Information	8
Segment Information	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy continued its recovery at a moderate pace. However, the future remained uncertain due to concerns over a rise in raw materials costs caused by a higher crude oil price, an increase in personnel fees resulting from labor shortages and global trade frictions.

The Rohto Group has moved into new fields with customer-oriented product development and marketing activities. In its existing categories, the Group has developed high value-added products in response to changing consumer needs and endeavored to reinvigorate markets.

In total, net sales increased 13.4% year-on-year to 40,638 million yen. In Japan, high value-added products sold well while new products including sunscreen “Skin Aqua Tone Up UV Essence” performed strongly. In addition, demand from foreign tourists in Japan contributed to higher sales. Overseas, sales in Asia continued to recover and America and Europe segments also contributed to the increase in sales.

Regarding profits, due to an efficient use of selling, general and administrative expenses, sales grew strongly despite ongoing up-front investments to enter new business fields. As a result, operating income rose by 47.4% year-on-year to 5,061 million yen, ordinary income rose by 47.1% to 5,292 million yen and profit attributable to owners of parent rose by 51.2% to 3,440 million yen.

Results by reportable segment are as follows.

Japan

Sales to customers increased 11.2% year-on-year to 25,927 million yen.

Among the core eye care products, the high-performance ophthalmic remedy “V Rohto Active Premium” performed well. The “Rohto Lycée” series in collaboration with Pretty Guardian Sailor Moon also sold well. Regarding skincare products, the high value-added products such as “Obagi C Enzyme Face Wash Powder” continued to perform strongly. Other factors contributing to sales growth included strong sales of products such as the new sunscreen “Skin Aqua Tone Up UV Essence,” due in part to high temperatures nationwide and growing demand from foreign tourists in Japan for products such as “Melano CC medicated intensive spot correcting serum.” Moreover, for internal medicines, products such as new “Rohto Bofu-Tsusho-Sanjo ZII,” launched from the Chinese herbal medicine brand “Wakansen” and effective for obese people with a large amount of subcutaneous fat and frequent constipation, contributed to higher sales.

Segment profit (operating income) increased 45.1% year-on-year to 2,834 million yen due to an efficient use of selling, general and administrative expenses as well as strong sales.

America

Sales to customers increased 29.2% year-on-year to 2,177 million yen.

The U.S. economy experienced a mild recovery trend due to a steady rise in personal consumption. Eye drops including “Rohto Dry Aid,” launched in the previous fiscal year, performed well. In addition, Ophthalmos S.A. in Brazil, newly consolidated from the end of the previous fiscal year, also contributed to higher sales.

Segment loss (operating loss) improved to 43 million yen (compared with 110 million yen loss in prior first quarter) due to strong sales.

Europe

Sales to customers increased 11.7% year-on-year to 2,134 million yen.

The main anti-inflammatory analgesic “Deep Heat” series sold well. In addition, Dax Cosmetics contributed to higher sales.

Segment profit (operating income) increased 14.5% year-on-year to 151 million yen due to strong sales.

Asia

Sales to customers increased 17.3% year-on-year to 9,874 million yen.

Sunscreen and eye drops performed well. By country, China sales recovered and ASEAN countries including Indonesia also performed strongly.

Segment profit (operating income) increased 45.5% year-on-year to 1,917 million yen due to an effective use of advertising and sales promotion expenses as well as strong sales.

Others

In “Others,” excluded from reportable segments, sales to customers increased 2.3% year-on-year to 524 million yen.

Segment profit (operating income) decreased 19.2% year-on-year to 32 million yen.

Note: The above amounts do not include consumption taxes.

(2) Explanation of Financial Position

Total assets at the end of the first quarter increased 25 million yen from the end of the previous fiscal year to 198,191 million yen. This was mainly due to increases of 2,458 million yen in merchandise and finished goods, 2,183 million yen in cash and deposits, 2,092 million yen in investment securities and 1,209 million yen in raw materials and supplies, while there were decreases of 5,663 million yen in notes and accounts receivable-trade and 2,614 million yen in electronically recorded monetary claims-operating,.

Total liabilities decreased 2,783 million yen from the end of the previous fiscal year to 66,942 million yen. This was mainly due to an increase of 1,617 million yen in notes and accounts payable-trade while there were decreases of 2,070 million yen in accrued expenses, 1,198 million yen in provision for bonuses, 880 million yen in provision for sales rebates and 803 million yen in income taxes payable.

Net assets increased 2,808 million yen from the end of the previous fiscal year to 131,249 million yen. This was mainly due to increases of 2,187 million yen in retained earnings, 622 million yen in valuation difference on available-for-sale securities and 146 million yen in foreign currency translation adjustment.

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. The comparisons are made with prior year fiscal year end balance sheets reclassified retrospectively in accordance with this accounting standard.

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

There is no change in the full-year consolidated earnings forecast that was released on May 11, 2018. Results of operations for the first quarter trended generally in line with our plan.

Note: The forecasts are based on information available at the time this report was prepared. Actual results of operations may differ from the forecasts depending on various factors.

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

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2018)	Current First Quarter End (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	30,532	32,716
Notes and accounts receivable-trade	37,042	31,379
Electronically recorded monetary claims-operating	13,305	10,690
Merchandise and finished goods	14,918	17,376
Work in process	2,620	2,972
Raw materials and supplies	8,690	9,900
Other	3,322	3,399
Allowance for doubtful accounts	(383)	(345)
Total current assets	110,050	108,091
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,547	20,360
Other, net	26,645	26,726
Total property, plant and equipment	47,193	47,087
Intangible assets		
Goodwill	1,503	1,404
Other	2,604	2,482
Total intangible assets	4,108	3,887
Investments and other assets		
Investment securities	32,328	34,420
Other	7,049	7,408
Allowance for doubtful accounts	(2,562)	(2,703)
Total investments and other assets	36,815	39,125
Total non-current assets	88,116	90,100
Total assets	198,166	198,191

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2018)	Current First Quarter End (As of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,098	13,715
Electronically recorded obligations-operating	2,974	3,339
Short-term loans payable	4,151	4,662
Accrued expenses	24,599	22,528
Income taxes payable	3,827	3,024
Provision for bonuses	2,285	1,086
Provision for directors' bonuses	30	10
Provision for sales returns	696	695
Provision for sales rebates	2,742	1,862
Other	7,926	7,449
Total current liabilities	61,332	58,374
Non-current liabilities		
Long-term loans payable	1,702	1,618
Net defined benefit liability	3,968	3,953
Provision for loss on guarantees	1,491	1,491
Other	1,231	1,505
Total non-current liabilities	8,393	8,568
Total liabilities	69,725	66,942
Net assets		
Shareholders' equity		
Capital stock	6,415	6,441
Capital surplus	5,737	5,614
Retained earnings	112,696	114,883
Treasury shares	(4,935)	(4,935)
Total shareholders' equity	119,915	122,004
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,220	8,843
Foreign currency translation adjustment	463	609
Remeasurements of defined benefit plans	(1,474)	(1,452)
Total accumulated other comprehensive income	7,209	8,000
Subscription rights to shares	560	508
Non-controlling interests	755	736
Total net assets	128,440	131,249
Total liabilities and net assets	198,166	198,191

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2017 – Jun. 30, 2017)	Current First Quarter (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	35,837	40,638
Cost of sales	15,685	16,729
Gross profit	20,151	23,908
Reversal of provision for sales returns	60	1
Gross profit-net	20,211	23,909
Selling, general and administrative expenses	16,777	18,848
Operating income	3,433	5,061
Non-operating income		
Interest income	55	77
Dividend income	180	208
Other	168	65
Total non-operating income	404	352
Non-operating expenses		
Interest expenses	32	29
Share of loss of entities accounted for using equity method	170	42
Other	35	49
Total non-operating expenses	239	121
Ordinary income	3,598	5,292
Extraordinary losses		
Loss on valuation of investment securities	2	121
Loss on valuation of shares of subsidiaries and associates	0	—
Provision for doubtful accounts	80	80
Total extraordinary losses	82	201
Profit before income taxes	3,515	5,090
Income taxes	1,235	1,640
Profit	2,279	3,450
Profit attributable to non-controlling interests	4	10
Profit attributable to owners of parent	2,275	3,440

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2017 – Jun. 30, 2017)	Current First Quarter (Apr. 1, 2018 – Jun. 30, 2018)
Profit	2,279	3,450
Other comprehensive income		
Valuation difference on available-for-sale securities	659	569
Foreign currency translation adjustment	(375)	242
Remeasurements of defined benefit plans, net of tax	27	21
Share of other comprehensive income of entities accounted for using equity method	(58)	(72)
Total other comprehensive income	253	760
Comprehensive income	2,533	4,211
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,542	4,229
Comprehensive income attributable to non-controlling interests	(9)	(18)

(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.

Additional Information

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified under Investments and other assets and Non-current liabilities, respectively.

Segment Information

I. Prior First Quarter (Apr. 1, 2017 – Jun. 30, 2017)

1. Information related to net sales and profit or loss 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									
(1) Sales to customers	23,309	1,684	1,911	8,419	35,324	512	35,837	-	35,837
(2) Inter-segment sales and transfers	602	223	4	606	1,436	21	1,457	(1,457)	-
Total	23,911	1,908	1,916	9,025	36,761	533	37,295	(1,457)	35,837
Segment profit (loss)	1,953	(110)	132	1,317	3,293	40	3,333	100	3,433

Notes: 1. "America" includes the business activities of overseas entities in the U.S. and Canada, and others; "Europe" those in the U.K., Poland and South Africa; and "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 (loss) of 100 million yen indicates elimination for intersegment transactions.

4. Segment profit (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

II. Current First Quarter (Apr. 1, 2018 – Jun. 30, 2018)

1. Information related to net sales and profit or loss 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									
(1) Sales to customers	25,927	2,177	2,134	9,874	40,113	524	40,638	-	40,638
(2) Inter-segment sales and transfers	879	182	2	736	1,801	17	1,819	(1,819)	-
Total	26,807	2,359	2,137	10,611	41,915	542	42,458	(1,819)	40,638
Segment profit (loss)	2,834	(43)	151	1,917	4,859	32	4,891	169	5,061

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 "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 (loss) of 169 million yen indicates elimination for intersegment transactions.

4. Segment profit (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

* 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.