

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[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	
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Scheduled date of Annual General Meeting of Shareholders:	June 27, 2019
Scheduled date of filing of Annual Securities Report:	June 28, 2019
Scheduled date of dividend payment:	June 13, 2019
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, 2019 (April 1, 2018 – March 31, 2019)

(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	%
Fiscal year ended Mar. 31, 2019	183,582	6.9	20,812	9.0	18,970	0.6	9,799	5.5
Fiscal year ended Mar. 31, 2018	171,742	11.1	19,087	23.5	18,849	18.1	9,289	(7.2)

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2019: 6,138 (49.6%)
 Fiscal year ended Mar. 31, 2018: 12,167 30.8%

	Basic net income per share	Diluted net income per share	ROE	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	86.00	85.66	7.6	9.5	11.3
Fiscal year ended Mar. 31, 2018	81.55	81.20	7.6	10.0	11.1

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2019: (2,404)
 Fiscal year ended Mar. 31, 2018: (782)

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 current fiscal year. Consolidated results of operations for the year ended March 31, 2018 was reclassified retrospectively in accordance with this accounting standard.

(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, 2019	200,953	132,189	65.1	1,147.42
As of Mar. 31, 2018	198,166	128,440	64.2	1,115.94

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2019: 130,773 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 current fiscal year. Consolidated financial position for the year ended March 31, 2018 was reclassified retrospectively in accordance with this accounting standard.

(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, 2019	21,745	(10,245)	(3,386)	37,345
Fiscal year ended Mar. 31, 2018	19,154	(11,014)	(1,823)	30,063

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, 2018	-	11.00	-	11.00	22.00	2,506	27.0	2.0
Fiscal year ended Mar. 31, 2019	-	11.00	-	14.00	25.00	2,849	29.1	2.2
Fiscal year ending Mar. 31, 2020 (forecast)	-	13.00	-	13.00	26.00		22.0	

Note: Breakdown of the year-end dividend for the fiscal year ended March 31, 2019:

Ordinary dividend: 12.00 yen Commemorative dividend: 2.00 yen

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	184,000	0.2	21,500	3.3	21,300	12.3	13,500	37.8	118.45

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: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Number of common shares issued

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

As of Mar. 31, 2019: 117,989,908 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 Mar. 31, 2019: 4,018,825 shares As of Mar. 31, 2018: 4,018,851 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2019: 113,955,858 shares Fiscal year ended Mar. 31, 2018: 113,917,300 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2019	104,381	7.7	13,014	1.2	15,188	2.3	4,815	(36.9)
Fiscal year ended Mar. 31, 2018	96,880	8.2	12,864	20.3	14,843	15.8	7,634	2.6

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	42.26	42.10
Fiscal year ended Mar. 31, 2018	67.01	66.73

(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, 2019	137,979	104,525	75.4	912.76
As of Mar. 31, 2018	138,352	104,143	74.9	909.28

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2019: 104,027 As of Mar. 31, 2018: 103,583

Note 1: This summary report is not subject to the audit 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 2 of the attachments "1. Overview of Results of Operations and Other Information, (1) Overview of Results of Operations."

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1. Overview of Results of Operations and Other Information

(1) Overview of Results of Operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ended Mar. 31, 2019	183,582	20,812	18,970	9,799
Fiscal year ended Mar. 31, 2018	171,742	19,087	18,849	9,289
Year-on-year change (%)	6.9	9.0	0.6	5.5

In the fiscal year ended March 31, 2019, the Japanese economy continued its recovery at a moderate pace supported by improved corporate profits and the employment situation. However, the future remained uncertain due to rising uneasiness over economies outside Japan, including US-China trade friction and a slowdown in the emerging economies.

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 6.9% year-on-year to 183,582 million yen.

In Japan, high value-added products sold well while hay fever products and sunscreens performed strongly. The demand from foreign tourists visiting Japan remained firm although the rate of growth is slowing. The license agreement we entered into with Shionogi & Co., Ltd in September also advanced revenue growth. The license agreement is about development and sale of liver cirrhosis treatment we currently research with our regenerative medicine technology. Overseas, sales grew steadily despite concerns about the impact of US-China trade friction in Asia. The 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 9.0% year-on-year to 20,812 million yen. Ordinary income increased slightly by 0.6% to 18,970 million yen due to an increase of share of loss of entities accounted for using equity method. Profit attributable to owners of parent increased 5.5% to 9,799 million yen.

Results by reportable segment are as follows.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2018	Fiscal year ended Mar. 31, 2019	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	105,242	112,166	6,924	6.6
	America	8,750	9,293	542	6.2
	Europe	8,277	8,555	277	3.4
	Asia	47,396	51,664	4,268	9.0
	Subtotal	169,666	181,679	12,013	7.1
Others		2,076	1,903	(173)	(8.3)
Total		171,742	183,582	11,839	6.9

Japan

Sales to customers increased 6.6% year-on-year to 112,166 million yen.

Among the core eye care products, high value-added products such as the high-performance ophthalmic remedy “V Rohto Active Premium” and “V Rohto Dry Eye Premium” performed well. New contact lens products such as “1 DAY Fresh View” and hay fever products also sold well. Concerning skincare products, high value-added products performed strongly, including the beauty serum “Obagi C25” launched for multifunctional care from pores to skin resilience and sunscreen products also sold well in a warm winter. Meanwhile, sales of lip cream and moisturizing products struggled to grow as the warm winter trend continued, and demand slowed from foreign tourists visiting Japan for products such as “Melano CC medicated intensive spot correcting serum.”

Segment profit (operating income) increased 7.8% year-on-year to 13,181 million yen due to strong sales and the efficient use of selling, general and administrative expenses.

America

Sales to customers increased 6.2% year-on-year to 9,293 million yen.

The U.S. economy experienced a mild recovery trend due to a steady rise in personal consumption. Eye drops including “Rohto Cool Max” and lip balm performed well.

Segment profit (operating income) decreased 31.9% year-on-year to 286 million yen, due to an increase in selling, general and administrative expenses, despite strong sales.

Europe

Sales to customers increased 3.4% year-on-year to 8,555 million yen.

The leading anti-inflammatory analgesic “Deep Heat” series performed well. In addition, at Dax Cosmetics, a strong performance from sunscreens contributed to higher sales.

Segment profit (operating income) increased 15.5% year-on-year to 352 million yen due to strong sales.

Asia

Sales to customers increased 9.0% year-on-year to 51,664 million yen.

As market conditions in China recovered, eye drops and skin care products, such as “Hada Labo” products and sunscreens, performed strongly. Strong performances in Vietnam and other ASEAN countries also contributed to the increase in sales.

Segment profit (operating income) increased 14.6% year-on-year to 6,497 million yen due to an effective use of advertising expenses and promotion expenses as well as a recovery in sales.

Others

In “Others,” excluded from reportable segments, sales to customers decreased 8.3% year-on-year to 1,903 million yen.

Segment profit (operating income) increased 4.3% year-on-year to 163 million yen.

Note: The above amounts do not include consumption taxes.

Outlook for the fiscal year ending Mar. 31, 2020

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2020 (forecast)	184,000	21,500	21,300	13,500
Fiscal year ended Mar. 31, 2019 (results)	183,582	20,812	18,970	9,799
Year-on-year change (%)	0.2	3.3	12.3	37.8

Regarding the economic outlook, the gradual recovery trend including an improvement in corporate profits and employment is expected to continue as the government persists with economic measures. Nevertheless, uncertainty about the future is likely to remain high owing to such factors as the planned consumption tax hike in October, rising concerns over the global economy, and the impact of trade policies in each country.

Under such conditions, the Rohto Group will adapt to the changes in the business environment, aiming to expand business further and improve earnings by creating new products and brands that respond appropriately to changing customer needs. The Group is also taking on the challenge of various innovations including alliances with a wide range of companies.

In the fiscal year ending March 31, 2020, we anticipate that net sales will rise 0.2% year-on-year to 184 billion yen, operating income to rise 3.3% to 21.5 billion yen, and ordinary income to rise 12.3% to 21.3 billion yen. We expect profit attributable to owners of parent to rise 37.8% to 13.5 billion yen.

These forecasts are based on an exchange rate of 110 yen to the U.S. dollar.

(2) Overview of Financial Position

Total assets at the end of the current fiscal year increased 2,787 million yen from the end of the previous fiscal year to 200,953 million yen. This was mainly due to increases of 7,323 million yen in cash and deposits, 2,577 million yen in merchandise and finished goods and 1,437 million yen in raw materials and supplies, while there were decreases of 4,825 million yen in notes and accounts receivable-trade and 3,797 million yen in investment securities.

Total liabilities decreased 961 million yen from the end of the previous fiscal year to 68,764 million yen. This was mainly due to decreases of 1,093 million yen in notes and accounts payable-trade, 732 million yen in deferred tax liabilities, 406 million yen in Short-term loans payable and 383 million yen in net defined benefit liability, while there were increases of 1,355 million yen in accrued expenses and 251 million yen in provision for loss on guarantees.

Net assets increased 3,748 million yen from the end of the previous fiscal year to 132,189 million yen. This was mainly due to an increase of 7,292 million yen in retained earnings, while there were decreases of 1,940 million yen in valuation difference on available-for-sale securities and 1,625 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 current fiscal year. The comparisons are made with prior fiscal year end balance sheets reclassified retrospectively in accordance with this accounting standard.

(3) Overview of Cash Flows

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2018	Fiscal year ended Mar. 31, 2019	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	23,466	30,063	6,597
Cash flows from operating activities	19,154	21,745	2,590
Cash flows from investing activities	(11,014)	(10,245)	769
Cash flows from financing activities	(1,823)	(3,386)	(1,562)
Effect of exchange rate changes on cash and cash equivalents	(191)	(832)	(641)
Increase (decrease) in cash and cash equivalents	6,125	7,281	1,155
Increase in cash and cash equivalents from newly consolidated subsidiary	471	-	(471)
Cash and cash equivalents at the end of the period	30,063	37,345	7,281

During the current fiscal year, there was a net increase of 7,281 million yen in cash and cash equivalents to 37,345 million yen.

Operating activities

Net cash provided by operating activities increased 2,590 million yen year-on-year to 21,745 million yen. Profit before income taxes was 16,300 million yen, and there were inflow factors of depreciation of 6,159 million yen, a decrease of 5,342 million yen in notes and accounts receivable-trade, and share of loss of entities accounted for using equity method of 2,404 million yen, while there were outflow factors of income tax paid of 5,984 million yen and an increase of 4,359 million yen in inventories.

Investing activities

Net cash used in investing activities decreased 769 million yen year-on-year to 10,245 million yen. This was mainly due to the purchase of property, plant and equipment of 6,416 million yen, purchase of investment securities of 3,045 million yen, payments into time deposits of 924 million yen and purchase of intangible assets of 501 million yen, while there were proceeds from withdrawal of time deposits of 846 million yen.

Financing activities

Net cash used in financing activities increased 1,562 million yen year-on-year to 3,386 million yen. This was mainly due to proceeds from long-term loans payable of 101 million yen, while there were cash dividends paid of 2,506 million yen, repayments of long-term loans payable of 646 million yen and a net decrease in short-term loans payable of 91 million yen,.

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

Constantly and consistently 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 14 yen per share for the fiscal year ended on March 31, 2019, consisting of an ordinary dividend of 12 yen and a commemorative dividend of 2 yen for the Company's 120th anniversary. Added to the interim dividend of 11 yen, which has been distributed already, this will bring the annual dividend to 25 yen per share.

For the fiscal year ending on March 31, 2020, with our gratitude to all the shareholders who support us on a regular basis, we plan to pay interim dividends of 13 yen per share, year-end dividends of 13 yen per share bringing the annual total to 26 yen per share.

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, 2018)	Current Fiscal Year End (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	30,532	37,856
Notes and accounts receivable-trade	37,042	32,217
Electronically recorded monetary claims-operating	13,305	12,540
Merchandise and finished goods	14,918	17,495
Work in process	2,620	2,638
Raw materials and supplies	8,690	10,127
Other	3,322	3,918
Allowance for doubtful accounts	(383)	(393)
Total current assets	110,050	116,402
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,997	46,504
Accumulated depreciation	(25,450)	(26,597)
Buildings and structures, net	20,547	19,907
Machinery, equipment and vehicles	47,063	48,180
Accumulated depreciation	(37,681)	(39,142)
Machinery, equipment and vehicles, net	9,382	9,038
Tools, furniture and fixtures	13,232	13,858
Accumulated depreciation	(11,281)	(11,822)
Tools, furniture and fixtures, net	1,951	2,035
Land	12,981	14,858
Construction in progress	2,170	1,423
Other	245	240
Accumulated depreciation	(84)	(82)
Other, net	160	158
Total property, plant and equipment	47,193	47,421
Intangible assets		
Goodwill	1,503	1,083
Other	2,604	2,481
Total intangible assets	4,108	3,565
Investments and other assets		
Investment securities	32,328	28,530
Long-term loans receivable	2,799	2,837
Deferred tax assets	2,285	2,220
Other	1,964	2,529
Allowance for doubtful accounts	(2,562)	(2,553)
Total investments and other assets	36,815	33,563
Total non-current assets	88,116	84,550
Total assets	198,166	200,953

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2018)	Current Fiscal Year End (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,098	11,005
Electronically recorded obligations-operating	2,974	3,063
Short-term loans payable	4,151	3,745
Accrued expenses	24,599	25,954
Income taxes payable	3,827	3,548
Accrued consumption taxes	630	603
Provision for bonuses	2,285	2,274
Provision for directors' bonuses	30	40
Provision for sales returns	696	606
Provision for sales rebates	2,742	2,594
Other	7,295	7,324
Total current liabilities	61,332	60,760
Non-current liabilities		
Long-term loans payable	1,702	1,424
Deferred tax liabilities	987	255
Net defined benefit liability	3,968	3,584
Provision for loss on guarantees	1,491	1,742
Other	243	997
Total non-current liabilities	8,393	8,004
Total liabilities	69,725	68,764
Net assets		
Shareholders' equity		
Capital stock	6,415	6,446
Capital surplus	5,737	5,603
Retained earnings	112,696	119,989
Treasury shares	(4,935)	(4,935)
Total shareholders' equity	119,915	127,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,220	6,279
Foreign currency translation adjustment	463	(1,161)
Remeasurements of defined benefit plans	(1,474)	(1,449)
Total accumulated other comprehensive income	7,209	3,667
Subscription rights to shares	560	498
Non-controlling interests	755	917
Total net assets	128,440	132,189
Total liabilities and net assets	198,166	200,953

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statements of Income**

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	171,742	183,582
Cost of sales	70,746	74,048
Gross profit	100,996	109,533
Reversal of provision for sales returns	53	90
Gross profit-net	101,049	109,624
Selling, general and administrative expenses		
Promotion expenses	21,863	23,086
Advertising expenses	22,982	24,593
Salaries and bonuses	12,395	13,136
Provision for bonuses	1,096	1,048
Provision for directors' bonuses	30	40
Retirement benefit expenses	512	478
Depreciation	982	1,134
Amortization of goodwill	321	245
Research and development expenses	6,553	6,831
Provision for doubtful accounts	(101)	81
Other	15,326	18,135
Total selling, general and administrative expenses	81,962	88,812
Operating income	19,087	20,812
Non-operating income		
Interest income	354	377
Dividend income	323	374
Other	319	448
Total non-operating income	998	1,200
Non-operating expenses		
Interest expenses	143	148
Share of loss of entities accounted for using equity method	782	2,404
Foreign exchange losses	90	-
Other	219	488
Total non-operating expenses	1,236	3,042
Ordinary income	18,849	18,970

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Loss on disposal of fixed assets	-	151
Loss on valuation of investment securities	471	1,179
Loss on valuation of shares of subsidiaries and associates	522	456
Provision for doubtful accounts	310	250
Provision for doubtful accounts for subsidiaries and associates	22	11
Provision for loss on guarantees	702	251
Special severance pay	-	370
Total extraordinary losses	2,028	2,669
Profit before income taxes	16,820	16,300
Income taxes-current	6,523	6,506
Income taxes-deferred	960	(24)
Total income taxes	7,483	6,481
Profit	9,336	9,818
Profit attributable to non-controlling interests	47	18
Profit attributable to owners of parent	9,289	9,799

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Profit	9,336	9,818
Other comprehensive income		
Valuation difference on available-for-sale securities	2,309	(1,926)
Foreign currency translation adjustment	397	(1,749)
Remeasurements of defined benefit plans, net of tax	24	24
Share of other comprehensive income of entities accounted for using equity method	99	(28)
Total other comprehensive income	2,830	(3,680)
Comprehensive income	12,167	6,138
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	12,133	6,257
Comprehensive income attributable to non-controlling interests	34	(119)

(3) Consolidated Statements of Change in Shareholders' Equity

Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,415	5,737	106,302	(4,938)	113,517
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			(2,506)		(2,506)
Profit attributable to owners of parent			9,289		9,289
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		3	3
Change in scope of consolidation			(343)		(343)
Change in scope of equity method			(45)		(45)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	6,394	3	6,397
Balance at end of current period	6,415	5,737	112,696	(4,935)	119,915

	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 current period	5,862	(439)	(1,498)	3,924
Changes of items during period				
Issuance of new shares				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Change in scope of equity method				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	2,358	902	24	3,285
Total changes of items during period	2,358	902	24	3,285
Balance at end of current period	8,220	463	(1,474)	7,209

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	560	434	118,436
Changes of items during period			
Issuance of new shares			-
Dividends of surplus			(2,506)
Profit attributable to owners of parent			9,289
Purchase of treasury shares			(0)
Disposal of treasury shares			3
Change in scope of consolidation			(343)
Change in scope of equity method			(45)
Change in ownership interest of parent due to transactions with non-controlling interests			-
Net changes of items other than shareholders' equity	-	321	3,606
Total changes of items during period	-	321	10,004
Balance at end of current period	560	755	128,440

Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	6,415	5,737	112,696	(4,935)	119,915
Changes of items during period					
Issuance of new shares	31	31			62
Dividends of surplus			(2,506)		(2,506)
Profit attributable to owners of parent			9,799		9,799
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Change in scope of consolidation					-
Change in scope of equity method					-
Change in ownership interest of parent due to transactions with non-controlling interests		(165)			(165)
Net changes of items other than shareholders' equity					
Total changes of items during period	31	(134)	7,292	(0)	7,190
Balance at end of current period	6,446	5,603	119,989	(4,935)	127,105

	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 current period	8,220	463	(1,474)	7,209
Changes of items during period				
Issuance of new shares				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Change in scope of equity method				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	(1,940)	(1,625)	24	(3,541)
Total changes of items during period	(1,940)	(1,625)	24	(3,541)
Balance at end of current period	6,279	(1,161)	(1,449)	3,667

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	560	755	128,440
Changes of items during period			
Issuance of new shares			62
Dividends of surplus			(2,506)
Profit attributable to owners of parent			9,799
Purchase of treasury shares			(0)
Disposal of treasury shares			0
Change in scope of consolidation			-
Change in scope of equity method			-
Change in ownership interest of parent due to transactions with non-controlling interests			(165)
Net changes of items other than shareholders' equity	(62)	162	(3,441)
Total changes of items during period	(62)	162	3,748
Balance at end of current period	498	917	132,189

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	16,820	16,300
Depreciation	5,593	6,159
Amortization of goodwill	321	245
Increase (decrease) in allowance for doubtful accounts	(151)	64
Increase (decrease) in provision for bonuses	194	(8)
Increase (decrease) in net defined benefit liability	(456)	(382)
Increase (decrease) in provision for sales returns	(53)	(90)
Increase (decrease) in provision for sales rebates	362	(148)
Increase (decrease) in provision for loss on guarantees	702	251
Provision for doubtful accounts	310	250
Provision for doubtful accounts for subsidiaries and associates	22	11
Loss on disposal of fixed assets	-	151
Loss (gain) on valuation of investment securities	471	1,179
Loss on valuation of shares of subsidiaries and associates	522	456
Interest and dividend income	(678)	(752)
Interest expenses	143	148
Share of (profit) loss of entities accounted for using equity method	782	2,404
Special severance pay	-	370
Decrease (increase) in notes and accounts receivable - trade	(2,818)	5,342
Decrease (increase) in inventories	(2,186)	(4,359)
Increase (decrease) in notes and accounts payable - trade	3,094	(984)
Other, net	771	853
Subtotal	23,769	27,464
Interest and dividend income received	682	754
Interest expenses paid	(147)	(150)
Income taxes paid	(5,169)	(5,984)
Income taxes refund	19	33
Special severance payments	-	(370)
Net cash provided by (used in) operating activities	19,154	21,745
Cash flows from investing activities		
Payments into time deposits	(552)	(924)
Proceeds from withdrawal of time deposits	555	846
Purchase of property, plant and equipment	(5,000)	(6,416)
Purchase of intangible assets	(452)	(501)
Purchase of investment securities	(5,246)	(3,045)
Proceeds from sales and redemption of investment securities	7	-
Net decrease (increase) in short-term loans receivable	35	(13)
Payments of long-term loans receivable	(373)	(341)
Other, net	12	150
Net cash provided by (used in) investing activities	(11,014)	(10,245)

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	479	(91)
Proceeds from long-term loans payable	591	101
Repayments of long-term loans payable	(333)	(646)
Proceeds from sales of treasury shares	3	0
Cash dividends paid	(2,506)	(2,506)
Cash dividends paid to non-controlling interests	(18)	(1)
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-	(200)
Other, net	(39)	(41)
Net cash provided by (used in) financing activities	(1,823)	(3,386)
Effect of exchange rate change on cash and cash equivalents	(191)	(832)
Net increase (decrease) in cash and cash equivalents	6,125	7,281
Cash and cash equivalents at beginning of period	23,466	30,063
Increase in cash and cash equivalents from newly consolidated subsidiary	471	-
Cash and cash equivalents at end of period	30,063	37,345

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Changes in presentation

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 current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified under Investments and other assets and Non-current liabilities, respectively.

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, 2017 – Mar. 31, 2018)

(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									
(1) Sales to customers	105,242	8,750	8,277	47,396	169,666	2,076	171,742	-	171,742
(2) Inter-segment sales and transfers	2,624	1,375	21	2,778	6,799	74	6,874	(6,874)	-
Total	107,867	10,125	8,298	50,174	176,465	2,151	178,616	(6,874)	171,742
Segment profit	12,223	420	305	5,670	18,619	157	18,776	310	19,087
Segment assets	143,448	28,467	8,587	62,132	242,635	1,585	244,221	(46,054)	198,166
Segment liabilities	44,907	3,856	1,672	22,311	72,748	489	73,237	(3,511)	69,725
Other items									
Depreciation	3,555	284	340	998	5,178	20	5,198	-	5,198
Amortization of goodwill	58	195	68	-	321	-	321	-	321
Increase in property, plant and equipment and intangible fixed assets	4,836	270	101	677	5,885	46	5,932	-	5,932

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. (1) "Adjustment" to segment profit of 310 million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (46,054) million yen and liabilities of (3,511) million yen indicate an elimination for intersegment transactions.

4. Segment profit is adjusted with operating income reported in the consolidated statements of income.

Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)

(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									
(1) Sales to customers	112,166	9,293	8,555	51,664	181,679	1,903	183,582	-	183,582
(2) Inter-segment sales and transfers	3,579	1,228	46	3,137	7,992	108	8,100	(8,100)	-
Total	115,746	10,521	8,601	54,802	189,672	2,011	191,683	(8,100)	183,582
Segment profit	13,181	286	352	6,497	20,317	163	20,481	330	20,812
Segment assets	143,462	28,191	8,876	64,731	245,261	1,506	246,767	(45,814)	200,953
Segment liabilities	43,399	4,374	1,949	23,020	72,744	392	73,137	(4,372)	68,764
Other items									
Depreciation	3,958	330	331	1,010	5,631	20	5,652	-	5,652
Amortization of goodwill	6	168	69	-	245	-	245	-	245
Increase in property, plant and equipment and intangible fixed assets	5,522	357	187	517	6,585	31	6,617	-	6,617

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. (1) “Adjustment” to segment profit of 330 million yen indicates elimination for intersegment transactions.

(2) “Adjustment” to segment assets of (45,814) million yen and liabilities of (4,372) 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, 2017 – Mar. 31, 2018)

1. Products and services information

(Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	36,322	111,725	18,590	5,103	171,742

Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)

1. Products and services information

(Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	39,428	117,488	20,244	6,422	183,582

Notes: we have changed the name of products and services from “Internal medicines and food” to “Internal medicines” from the current fiscal year. There is no effect on the amount of product and services information by this change.

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	1,115.94	1,147.42
Basic net income per share	81.55	86.00
Diluted net income per share	81.20	85.66

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, 2017 – Mar. 31, 2018)	Current Fiscal Year (Apr. 1, 2018 – Mar. 31, 2019)
Basic net income per share		
Profit attributable to owners of parent	9,289	9,799
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	9,289	9,799
Average number of common stock shares outstanding during the period (thousand shares)	113,917	113,955
Diluted net income per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	482	441
[of which subscription rights to shares (thousand shares)]	[482]	[441]
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, 2018)	Current Fiscal Year End (As of Mar. 31, 2019)
Total net assets on the balance sheets	128,440	132,189
Deduction from total net assets	1,315	1,416
[of which subscription rights to shares]	[560]	[498]
[of which non-controlling interests]	[755]	[917]
Net assets applicable to common stock	127,124	130,773
Number of common stock shares used in calculation of net assets per share (thousand shares)	113,917	113,971

3. Company stock held by the ESOP trust that is included in treasury shares in shareholders' equity is treated as treasury shares and is thus excluded from the average number of shares used to calculate basic net income per share and diluted net income per share.

For the calculation of basic net income per share and diluted net income per share, the average number of shares of treasury shares held by the ESOP trust that was excluded was 177 for Prior 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.*