

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020**

**(Three Months Ended June 30, 2019)**

**[Japanese GAAP]**

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 Scheduled date of filing of Quarterly Report: August 9, 2019  
 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, 2020**

**(April 1, 2019 – June 30, 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	%
Three months ended Jun. 30, 2019	41,910	3.1	3,860	(23.7)	3,924	(25.8)	2,217	(35.5)
Three months ended Jun. 30, 2018	40,638	13.4	5,061	47.4	5,292	47.1	3,440	51.2

Note: Comprehensive income (Millions of yen):  
 Three months ended Jun. 30, 2019: 1,498 (64.4%)  
 Three months ended Jun. 30, 2018: 4,211 66.2%

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	19.46	19.38
Three months ended Jun. 30, 2018	30.20	30.07

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2019	194,435	131,742	67.0
As of Mar. 31, 2019	200,953	132,189	65.1

Reference: Shareholders' equity (Millions of yen): As of Jun. 30, 2019: 130,311 As of Mar. 31, 2019: 130,773

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	11.00	-	14.00	25.00
Fiscal year ending Mar. 31, 2020	-				
Fiscal year ending Mar. 31, 2020 (forecast)		13.00	-	13.00	26.00

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

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: 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: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

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.

(4) Number of common shares issued

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

As of Jun. 30, 2019:	117,989,908 shares	As of Mar. 31, 2019:	117,989,908 shares
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2) Number of shares of treasury shares at the end of the period:

As of Jun. 30, 2019:	4,018,825 shares	As of Mar. 31, 2019:	4,018,825 shares
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3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2019:	113,971,083 shares	Three months ended Jun. 30, 2018:	113,928,547 shares
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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

In the first quarter of the current fiscal year, 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 concerns over US-China trade friction, political risks in Europe, economic trends in Asian countries and other factors.

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 3.1% year-on-year to 41,910 million yen. In Japan, although demand from foreign tourists visiting Japan slowed, high value-added products sold well while seasonal products, such as sunscreens and antiperspirants, performed strongly. Overseas, sales grew steadily in China, Vietnam and other ASEAN countries.

Regarding profits, there were increases in ongoing up-front investments to enter new business fields and business structure reform expenses. As a result, operating income decreased by 23.7% year-on-year to 3,860 million yen, ordinary income decreased by 25.8% to 3,924 million yen, and profit attributable to owners of parent decreased 35.5% to 2,217 million yen.

Results by reportable segment are as follows.

#### Japan

Sales to customers increased 1.7% year-on-year to 26,377 million yen.

Among the core eye care products, high value-added products such as the high-performance ophthalmic remedy “V Rohto Active Premium” and contact lens products performed well. However, eye care sales decreased due to strong sales of “Rohto Lycée” series in collaboration with Pretty Guardian Sailor Moon in last year. Sales from foreign visitors in Japan also fell year-on-year despite a recovery trend in demand. Concerning skincare products, the beauty serum “Obagi C25 Serum Neo” launched for omnidirectional care from pores to skin resilience performed strongly, and sunscreen products also sold well in the clement weather.

Segment profit (operating income) decreased 36.3% year-on-year to 1,805 million yen, partly influenced by undergoing business structural reforms to strengthen our core business in Japan, a primary profit base. Other aims of the reforms include improving speed and quality of manufacturing and optimizing business processes.

#### America

Sales to customers decreased 1.7% year-on-year to 2,140 million yen.

Although the U.S. economy experienced a mild recovery trend due to a steady rise in personal consumption, sales struggled to grow due to intense competition for eye drops.

Segment loss (operating loss) was 172 million yen (compared with 43 million yen loss in prior first quarter) due to sluggish sales.

**Europe**

Sales to customers increased 9.9% year-on-year to 2,346 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 loss (operating loss) was 21 million yen (compared with segment profit of 151 million yen in prior first quarter), due to sales promotion activities strengthened for the leading anti-inflammatory analgesic “Deep Heat” series, despite strong sales.

**Asia**

Sales to customers increased 7.3% year-on-year to 10,591 million yen.

Sales of eye drops and men’s cosmetics remained strong though a slower economic growth in China due to the concern over US-China trade friction. Strong performances in Vietnam and other ASEAN countries also contributed to the increase in sales.

Segment profit (operating income) increased 10.3% year-on-year to 2,114 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 decreased 13.5% year-on-year to 453 million yen.

Segment profit (operating income) increased 11.0% year-on-year to 35 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 decreased 6,518 million yen from the end of the previous fiscal year to 194,435 million yen. This was mainly due to decreases of 3,992 million yen in notes and accounts receivable-trade, 2,569 million yen in electronically recorded monetary claims-operating and 1,061 million yen in other property, plant and equipment, while there were increases of 1,157 million yen in other current assets, 493 million yen in raw materials and supplies.

Total liabilities decreased 6,071 million yen from the end of the previous fiscal year to 62,692 million yen. This was mainly due to decreases of 2,348 million yen in accrued expenses, 1,641 million yen in income taxes payable, 1,055 million yen in provision for bonuses, 733 million yen in provision for sales rebates and 562 million yen in short-term loans payable, while there was an increase of 657 million yen in notes and accounts payable-trade.

Net assets decreased 446 million yen from the end of the previous fiscal year to 131,742 million yen. This was mainly due to decreases of 416 million yen in valuation difference on available-for-sale securities and 359 million yen in foreign currency translation adjustment, while there was an increase of 271 million yen in retained earnings.

**(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 10, 2019. 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, 2019)	Current First Quarter End (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	37,856	36,867
Notes and accounts receivable-trade	32,217	28,224
Electronically recorded monetary claims-operating	12,540	9,971
Merchandise and finished goods	17,495	17,751
Work in process	2,638	2,894
Raw materials and supplies	10,127	10,621
Other	3,918	5,075
Allowance for doubtful accounts	(393)	(243)
Total current assets	116,402	111,164
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,907	19,818
Other, net	27,514	26,452
Total property, plant and equipment	47,421	46,270
Intangible assets		
Goodwill	1,083	1,417
Other	2,481	2,463
Total intangible assets	3,565	3,880
Investments and other assets		
Investment securities	28,530	28,302
Other	7,587	7,363
Allowance for doubtful accounts	(2,553)	(2,546)
Total investments and other assets	33,563	33,120
Total non-current assets	84,550	83,271
Total assets	200,953	194,435

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2019)	Current First Quarter End (As of Jun. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	11,005	11,662
Electronically recorded obligations-operating	3,063	2,852
Short-term loans payable	3,745	3,183
Accrued expenses	25,954	23,606
Income taxes payable	3,548	1,906
Provision for bonuses	2,274	1,218
Provision for directors' bonuses	40	10
Provision for sales returns	606	665
Provision for sales rebates	2,594	1,861
Other	7,928	7,690
Total current liabilities	60,760	54,658
Non-current liabilities		
Long-term loans payable	1,424	1,224
Net defined benefit liability	3,584	3,577
Provision for loss on guarantees	1,742	1,742
Other	1,252	1,490
Total non-current liabilities	8,004	8,034
Total liabilities	68,764	62,692
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,446	6,446
Capital surplus	5,603	5,603
Retained earnings	119,989	120,261
Treasury shares	(4,935)	(4,935)
Total shareholders' equity	127,105	127,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,279	5,862
Foreign currency translation adjustment	(1,161)	(1,520)
Remeasurements of defined benefit plans	(1,449)	(1,406)
Total accumulated other comprehensive income	3,667	2,934
Subscription rights to shares	498	498
Non-controlling interests	917	932
Total net assets	132,189	131,742
Total liabilities and net assets	200,953	194,435

**(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, 2018 – Jun. 30, 2018)	Current First Quarter (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	40,638	41,910
Cost of sales	16,729	17,551
Gross profit	23,908	24,359
Provision for sales returns	-	59
Reversal of provision for sales returns	1	-
Gross profit-net	23,909	24,299
Selling, general and administrative expenses	18,848	20,438
Operating income	5,061	3,860
Non-operating income		
Interest income	77	113
Dividend income	208	211
Other	65	135
Total non-operating income	352	459
Non-operating expenses		
Interest expenses	29	33
Share of loss of entities accounted for using equity method	42	205
Foreign exchange losses	2	112
Other	47	44
Total non-operating expenses	121	395
Ordinary income	5,292	3,924
Extraordinary income		
Gain on sales of fixed assets	-	153
Total extraordinary income	-	153
Extraordinary losses		
Loss on valuation of investment securities	121	748
Loss on valuation of shares of subsidiaries and associates	-	92
Provision for doubtful accounts	80	50
Provision for doubtful accounts for subsidiaries and associates	-	3
Total extraordinary losses	201	894
Profit before income taxes	5,090	3,183
Income taxes	1,640	959
Profit	3,450	2,224
Profit attributable to non-controlling interests	10	6
Profit attributable to owners of parent	3,440	2,217



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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2018 – Jun. 30, 2018)	Current First Quarter (Apr. 1, 2019 – Jun. 30, 2019)
Profit	3,450	2,224
Other comprehensive income		
Valuation difference on available-for-sale securities	569	(414)
Foreign currency translation adjustment	242	(379)
Remeasurements of defined benefit plans, net of tax	21	43
Share of other comprehensive income of entities accounted for using equity method	(72)	25
Total other comprehensive income	760	(725)
Comprehensive income	4,211	1,498
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,229	1,484
Comprehensive income attributable to non-controlling interests	(18)	14

**(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.

**Changes in Accounting Policies**

(1) Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606 — Revenue From Contracts With Customers

From the first quarter of this fiscal year, some overseas consolidated subsidiaries have applied ASC 606 “Revenue From Contracts With Customers.”

Accordingly, revenue is recognized, when promised goods or services are transferred to a customer, in amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For applying this standard, the Rohto Group adopts a method to recognize the cumulative effect of applying the new standard at the date of initial application in accordance with transitional measures. Retained earnings at the beginning of the first quarter have been adjusted.

As a result, retained earnings at the beginning of the first quarter of this fiscal year decreased 349 million yen. Net sales, operating income, ordinary income and profit before income taxes decreased 56 million yen, respectively.

(2) International Financial Reporting Standards (IFRS) 16 — Leases

From the first quarter of this fiscal year, some overseas consolidated subsidiaries have applied IFRS 16 “Leases.” For applying this standard, the Rohto Group adopts a method to recognize the cumulative effect of applying the new standard at the date of initial application in accordance with transitional measures. Retained earnings at the beginning of the first quarter have been adjusted.

For leases that were classified as operating leases by the lessee under the previous standard, IAS 17 “Leases,” the right-of-use assets and lease liabilities are recognized at the application start date. In addition, some assets recorded as other under Investments and other Assets are reclassified to right-of-use assets.

As a result, other, net under property, plant and equipment in the consolidated balance sheets increased by 751 million yen, other under current liabilities increased by 129 million yen and other under non-current liabilities increased by 258 million yen, while other under investments and other assets decreased by 365 million yen.

The change had a minimal impact on operating income, ordinary income and profit before income taxes for the first quarter of this fiscal year.

**Segment Information**

## I. Prior 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 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 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.

## II. Current First Quarter (Apr. 1, 2019 – Jun. 30, 2019)

## 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	26,377	2,140	2,346	10,591	41,456	453	41,910	-	41,910
(2) Inter-segment sales and transfers	864	268	8	896	2,038	12	2,050	(2,050)	-
Total	27,242	2,408	2,354	11,488	43,494	466	43,960	(2,050)	41,910
Segment profit (loss)	1,805	(172)	(21)	2,114	3,726	35	3,761	98	3,860

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 98 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.