

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019
(Nine Months Ended December 31, 2018)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report:
Scheduled date of dividend payment:
Supplementary materials for quarterly financial results:
Quarterly financial results meeting:

Stock Exchange listing: TSE, First Section
URL: <https://www.rohto.co.jp/>

February 14, 2019

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Yes

Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 – December 31, 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	%
Nine months ended Dec. 31, 2018	134,695	8.5	17,192	10.2	17,621	11.9	10,871	7.6
Nine months ended Dec. 31, 2017	124,109	11.4	15,607	25.9	15,753	21.5	10,102	20.1

Note: Comprehensive income (Millions of yen):
Nine months ended Dec. 31, 2018: 8,459 (44.6%)
Nine months ended Dec. 31, 2017: 15,276 (up 116.9%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	95.40	95.03
Nine months ended Dec. 31, 2017	88.68	88.31

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2018	202,231	134,206	65.8
As of Mar. 31, 2018	198,166	128,440	64.2

Reference: Shareholders' equity (Millions of yen): As of Dec. 31, 2018: 133,009 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	-	11.00	-		
Fiscal year ending Mar. 31, 2019 (forecast)				14.00	25.00

Note: Revisions to the most recently announced dividend forecast: Yes

Breakdown of the year-end dividend for the fiscal year ending March 31, 2019 (forecast):

Ordinary dividend: 12.00 yen Commemorative dividend: 2.00 yen

As for the revisions to the dividend forecasts, please refer to the public disclosure titled "Notice of Revisions to Dividend Forecasts (Commemorative dividend) for the fiscal year ending March 31, 2019" posted on February 13, 2019.

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	183,300	6.7	21,400	12.1	21,800	15.7	13,300	43.2	116.70

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 Dec. 31, 2018:	117,989,908 shares	As of Mar. 31, 2018:	117,936,284 shares
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2) Number of shares of treasury shares at the end of the period:

As of Dec. 31, 2018:	4,018,882 shares	As of Mar. 31, 2018:	4,018,851 shares
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3) Average number of shares outstanding during the period:

Nine months ended Dec. 31, 2018:	113,951,302 shares	Nine months ended Dec. 31, 2017:	113,917,259 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 nine months 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 rising uneasiness over economies outside Japan, including concerns about US-China trade friction.

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 8.5% year-on-year to 134,695 million yen. In Japan, high value-added products sold well but continuing warm winter led to sluggish growth in moisturizing skin care products. Moreover, the growth rate of demand from foreign tourists visiting Japan is slowing. Overseas, sales grew steadily despite concerns about the impact of US-China trade friction in Asia. America and Europe segments also contributed to the increase in sales.

Regarding profits, due to strong growth in sales, operating income rose by 10.2% year-on-year to 17,192 million yen, ordinary income rose by 11.9% to 17,621 million yen, and profit attributable to owners of parent increased 7.6% to 10,871 million yen.

Results by reportable segment are as follows.

Japan

Sales to customers increased 6.2% year-on-year to 84,249 million yen.

Among the core eye care products, the high-performance ophthalmic remedy “V Rohto Active Premium” performed well. “Rohto Lycée” series in collaboration with a popular anime also contributed to increased sales. In addition, the new contact lens product “1 DAY Fresh View” also sold well. On the other hand, concerning skincare products, the moisturizing market remained sluggish as the warm winter trend continued. Consequently, sales of “Mentholatum AD Cream,” lip cream, hand cream, and other products dropped. Moreover, declining demand from foreign tourists visiting Japan for products like “Melano CC medicated intensive spot correcting serum” resulted in lower sales. Two new products, “Regro” and “Deoco” contributed to higher revenue. “Regro” is a hair growth product which contains the highest concentration of Minoxidil nationwide, an active ingredient effective for stimulating hair regrowth and prevention of anti-hair loss, commonly seen for people with premature alopecia. “Deoco,” is a deodorant female body wash, a treatment for body odor that changes with age. As 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 and “Rohto V5 Grain,” contributed to higher sales.

Segment profit (operating income) increased 4.3% year-on-year to 10,761 million yen due to strong sales.

America

Sales to customers increased 22.6% year-on-year to 6,756 million yen.

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

Segment profit (operating income) decreased 72.4% year-on-year to 14 million yen, due to an increase in advertising expenses, despite strong sales.

Europe

Sales to customers increased 5.7% year-on-year to 6,576 million yen.

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

Segment profit (operating income) decreased 11.1% year-on-year to 319 million yen due to an increase in advertising expenses, despite strong sales.

Asia

Sales to customers increased 13.5% year-on-year to 35,665 million yen.

Lip, balm, Hada Labo brand launched Kouji (malted rice) moisturizing line and eye drops performed well. By country, sales in China remained steady and ASEAN countries including Indonesia also performed strongly.

Segment profit (operating income) increased 25.8% year-on-year to 5,751 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 11.7% year-on-year to 1,448 million yen.

Segment profit (operating income) decreased 12.3% year-on-year to 132 million yen.

Note: The above amounts do not include consumption taxes.

(2) Explanation of Financial Position

Total assets at the end of the third quarter increased 4,065 million yen from the end of the previous fiscal year to 202,231 million yen. This was mainly due to increases of 4,828 million yen in merchandise and finished goods, 3,714 million yen in cash and deposits, 1,577 million yen in raw materials and supplies, while there were decreases of 3,580 million yen in electronically recorded monetary claims-operating, 2,829 million yen in notes and accounts receivable-trade, and 1,365 million yen in investment securities.

Total liabilities decreased 1,700 million yen from the end of the previous fiscal year to 68,025 million yen. This was mainly due to decreases of 1,214 million yen in provision for bonuses and 836 million yen in income taxes payable, while there was an increase of 415 million yen in notes and accounts payable-trade.

Net assets increased 5,766 million yen from the end of the previous fiscal year to 134,206 million yen. This was mainly due to an increase of 8,364 million yen in retained earnings, while there were decreases of 1,963 million yen in valuation difference on available-for-sale securities and 465 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 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 to the full-year consolidated earnings forecast that was released on November 13, 2018. Results of operations for the first nine months 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 Third Quarter End (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	30,532	34,246
Notes and accounts receivable-trade	37,042	34,213
Electronically recorded monetary claims-operating	13,305	9,725
Merchandise and finished goods	14,918	19,746
Work in process	2,620	2,727
Raw materials and supplies	8,690	10,267
Other	3,322	4,706
Allowance for doubtful accounts	(383)	(465)
Total current assets	110,050	115,169
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,547	20,098
Other, net	26,645	27,835
Total property, plant and equipment	47,193	47,933
Intangible assets		
Goodwill	1,503	1,153
Other	2,604	2,321
Total intangible assets	4,108	3,474
Investments and other assets		
Investment securities	32,328	30,963
Other	7,049	7,548
Allowance for doubtful accounts	(2,562)	(2,857)
Total investments and other assets	36,815	35,653
Total non-current assets	88,116	87,062
Total assets	198,166	202,231

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2018)	Current Third Quarter End (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,098	12,514
Electronically recorded obligations-operating	2,974	3,060
Short-term loans payable	4,151	4,345
Accrued expenses	24,599	24,772
Income taxes payable	3,827	2,990
Provision for bonuses	2,285	1,071
Provision for directors' bonuses	30	30
Provision for sales returns	696	705
Provision for sales rebates	2,742	2,232
Other	7,926	7,905
Total current liabilities	61,332	59,628
Non-current liabilities		
Long-term loans payable	1,702	1,516
Net defined benefit liability	3,968	3,771
Provision for loss on guarantees	1,491	1,709
Other	1,231	1,399
Total non-current liabilities	8,393	8,396
Total liabilities	69,725	68,025
Net assets		
Shareholders' equity		
Capital stock	6,415	6,446
Capital surplus	5,737	5,603
Retained earnings	112,696	121,061
Treasury shares	(4,935)	(4,935)
Total shareholders' equity	119,915	128,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,220	6,256
Foreign currency translation adjustment	463	(1)
Remeasurements of defined benefit plans	(1,474)	(1,421)
Total accumulated other comprehensive income	7,209	4,833
Subscription rights to shares	560	498
Non-controlling interests	755	698
Total net assets	128,440	134,206
Total liabilities and net assets	198,166	202,231

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

(Millions of yen)

	Prior Third Quarter (Apr. 1, 2017 – Dec. 31, 2017)	Current Third Quarter (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	124,109	134,695
Cost of sales	51,487	54,495
Gross profit	72,622	80,200
Provision for sales returns	100	9
Gross profit-net	72,522	80,191
Selling, general and administrative expenses	56,915	62,998
Operating income	15,607	17,192
Non-operating income		
Interest income	178	267
Dividend income	313	368
Other	257	249
Total non-operating income	748	885
Non-operating expenses		
Interest expenses	101	109
Share of loss of entities accounted for using equity method	370	74
Other	130	272
Total non-operating expenses	602	456
Ordinary income	15,753	17,621
Extraordinary losses		
Loss on disposal of fixed assets	-	151
Loss on valuation of investment securities	2	170
Loss on valuation of shares of subsidiaries and associates	0	299
Provision for doubtful accounts	240	210
Provision for doubtful accounts for subsidiaries and associates	3	9
Provision for loss on guarantees	295	218
Total extraordinary losses	540	1,058
Profit before income taxes	15,212	16,563
Income taxes	5,109	5,652
Profit	10,102	10,910
Profit attributable to non-controlling interests	0	38
Profit attributable to owners of parent	10,102	10,871

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

	(Millions of yen)	
	Prior Third Quarter (Apr. 1, 2017 – Dec. 31, 2017)	Current Third Quarter (Apr. 1, 2018 – Dec. 31, 2018)
Profit	10,102	10,910
Other comprehensive income		
Valuation difference on available-for-sale securities	3,813	(1,947)
Foreign currency translation adjustment	1,238	(564)
Remeasurements of defined benefit plans, net of tax	67	52
Share of other comprehensive income of entities accounted for using equity method	54	7
Total other comprehensive income	5,173	(2,451)
Comprehensive income	15,276	8,459
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	15,277	8,494
Comprehensive income attributable to non-controlling interests	(0)	(35)

(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 Third Quarter (Apr. 1, 2017 – Dec. 31, 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	79,305	5,513	6,221	31,429	122,470	1,639	124,109	-	124,109
(2) Inter-segment sales and transfers	1,904	1,046	15	2,213	5,179	60	5,240	(5,240)	-
Total	81,209	6,559	6,236	33,643	127,650	1,700	129,350	(5,240)	124,109
Segment profit	10,313	53	359	4,570	15,296	151	15,447	159	15,607

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 of 159 million yen indicates elimination for intersegment transactions.

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

II. Current Third Quarter (Apr. 1, 2018 – Dec. 31, 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	84,249	6,756	6,576	35,665	133,247	1,448	134,695	-	134,695
(2) Inter-segment sales and transfers	2,575	938	129	2,403	6,047	84	6,132	(6,132)	-
Total	86,824	7,695	6,705	38,069	139,294	1,532	140,827	(6,132)	134,695
Segment profit	10,761	14	319	5,751	16,847	132	16,980	212	17,192

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 of 212 million yen indicates elimination for intersegment transactions.

4. Segment profit 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.*