

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017

(Nine Months Ended December 31, 2016)

[Japanese GAAP]

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 Supplementary materials for quarterly financial results: Yes
 Quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 8, 2017 at 15:00 (GMT +9).

(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, 2017

(April 1, 2016 – December 31, 2016)

(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, 2016	111,422	(7.4)	12,392	4.5	12,966	6.1	8,414	7.8
Nine months ended Dec. 31, 2015	120,323	12.0	11,859	31.7	12,222	26.7	7,807	33.5

Note: Comprehensive income (Millions of yen):
 Nine months ended Dec. 31, 2016: 7,044 (up 3.6%)
 Nine months ended Dec. 31, 2015: 6,797 (35.1%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	73.93	73.62
Nine months ended Dec. 31, 2015	68.69	68.40

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2016	175,638	116,282	65.7
As of Mar. 31, 2016	179,573	111,271	61.4

Reference: Shareholders' equity (Millions of yen): As of Dec. 31, 2016: 115,330 As of Mar. 31, 2016: 110,240

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	10.00	-	10.00	20.00
Fiscal year ending Mar. 31, 2017	-	10.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecast)	-	-	-	11.00	21.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	150,500	(9.9)	13,100	(16.5)	13,400	(12.6)	7,500	(17.6)	65.85

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 4 of the attachments “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Preparation of 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 4 of the attachments “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting Estimates, and Restatements” 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 Dec. 31, 2016:	117,936,284 shares	As of Mar. 31, 2016:	117,929,250 shares
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2) Number of shares of treasury shares at the end of the period:

As of Dec. 31, 2016:	4,035,636 shares	As of Mar. 31, 2016:	4,187,266 shares
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3) Average number of shares outstanding during the period:

Nine months ended Dec. 31, 2016:	113,815,171 shares	Nine months ended Dec. 31, 2015:	113,653,436 shares
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Note: Numbers of shares of treasury shares as of December 31, 2016 and March 31, 2016 include the Company’s stock held by the ESOP trust (16,900 shares and 168,600 shares respectively at the end of the each period).

Note 1: Indication of quarterly review procedure implementation status

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for these consolidated financial statements have not been completed.

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 Forecast and Other Forward-looking Statements.”

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, corporate profits and the employment and household income environments continued to improve as well as the stock market recovered following the U.S. presidential elections in November 2016. However, the outlook for the Japanese economy remains uncertain due to concerns about a slowdown in the global economy, especially in China, Brexit 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 decreased 7.4% year-on-year, to 111,422 million yen. In Japan, autumn and winter products sold well. Overseas, sales fell due to the effect of the yen's appreciation and the strong impact of China's economic slowdown in Asia.

Regarding profits, operating income increased 4.5% year-on-year to 12,392 million yen and ordinary income increased 6.1% to 12,966 million yen, and profit attributable to owners of parent increased 7.8% to 8,414 million yen. These raise were attributable to effective use of selling, general and administrative expenses, despite a decline in sales as well as ongoing up-front investments to enter new business fields.

Results by reportable segment are as follows.

Japan

Sales to customers decreased 0.1% year-on-year, to 71,975 million yen.

Among the core eye care products, the new "V Rohto Premium" and contact lens products sold well. Among skincare products, although sales fell for the "Hada-Labo" series, which continued to face increasingly fierce competition, autumn and winter skincare products and the "DeOu" men's deodorant brand sold strongly while the "Melano CC medicated intensive spot correcting serum" and other products also performed well, helped by demand from foreign visitors to Japan. Moreover, the launch of internal medicines and food-related products, including the "Tsuraresu" series, new from the Chinese herbal medicine brand "Wakansen," that respond to women's troubles, also contributed to sales.

Segment profit (operating income) increased 5.2 % year-on-year, to 8,087 million yen, due to an efficient use of other selling, general, and administrative expenses, although anticipatory investments in new business fields such as research and development costs increased.

America

Sales to customers decreased 19.2 % year-on-year, to 4,800 million yen.

Overall sales stagnated due to foreign currency exchange impact of strong yen as well as slow sales of the core lip cream products and "Oxy," which continued to face fierce competition, although sales of eye drops performed well. Segment loss (operating loss) was 177 million yen (compared with 666 million yen loss in the same period of the previous fiscal year). The loss improved due to effective use of advertising and sales promotion expenses.

Europe

Sales to customers decreased 14.6% year-on-year, to 5,329 million yen.

Strong performances from the "Deep Heat" series of anti-inflammatory analgesic products as well as steady results of Dax Cosmetics, a subsidiary acquired in June 2014, contributed to a rise in sales on a local currency basis.

Segment profit (operating income) decreased 7.1% year-on-year to 326 million yen.

Asia

Sales to customers decreased 19.2 % year-on-year, to 27,846 million yen.

Although our group companies in ASEAN region such as Vietnam and Indonesia performed well, sales fell overall due to China's worsening economic environment and increasing competition.

Segment profit (operating income) decreased 0.3% year-on-year, to 4,088 million yen due to weak sales, despite effective use of advertising and sales promotion expenses.

Others

In "Others," excluded from reportable segments, sales to customers decreased 9.2% year-on-year, to 1,470 million yen.

Segment profit (operating income) decreased 40.2% year-on-year, to 81 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 decreased 3,935 million yen from the end of the previous fiscal year to 175,638 million yen. This was mainly due to decreases of 5,811 million yen in notes and accounts receivable-trade and 5,098 million yen in electronically recorded monetary claims-operating, while there were increases of 4,714 million yen in investment securities, 1,938 million yen in merchandise and finished goods, and 1,833 million yen in cash and deposits.

Total liabilities decreased 8,945 million yen from the end of the previous fiscal year to 59,355 million yen. This was mainly due to decreases of 6,416 million yen in accrued expenses, 1,993 million yen in income taxes payable, 1,199 million yen in provision for bonuses, and 937 million yen in short-term loans payable, while there were increases of 807 million yen in notes and accounts payable-trade and 802 million yen in long-term loans payable.

Net assets increased 5,010 million yen from the end of the previous fiscal year to 116,282 million yen. This was mainly due to a decrease of 2,412 million yen in foreign currency translation adjustment, while there was an increase of 6,136 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 forecast that was released on November 11, 2016.

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. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No reportable information.

(2) 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.

(3) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in accounting policies

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32 dated June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on the operating income, ordinary income and profit before income taxes for the third quarter is insignificant.

(4) Additional Information

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current Third Quarter End (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	23,073	24,907
Notes and accounts receivable-trade	37,327	31,515
Electronically recorded monetary claims-operating	11,654	6,555
Merchandise and finished goods	13,241	15,179
Work in process	2,260	2,392
Raw materials and supplies	7,534	7,953
Other	6,817	7,596
Allowance for doubtful accounts	(157)	(222)
Total current assets	101,752	95,879
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,322	20,522
Other, net	26,717	25,751
Total property, plant and equipment	48,040	46,274
Intangible assets		
Goodwill	1,130	850
Other	2,372	1,917
Total intangible assets	3,502	2,768
Investments and other assets		
Investment securities	21,405	26,120
Other	6,558	6,748
Allowance for doubtful accounts	(1,686)	(2,152)
Total investments and other assets	26,277	30,716
Total non-current assets	77,821	79,758
Total assets	179,573	175,638

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current Third Quarter End (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,796	10,604
Electronically recorded obligations-operating	2,559	2,392
Short-term loans payable	4,452	3,515
Accrued expenses	27,280	20,864
Income taxes payable	3,645	1,651
Provision for bonuses	2,064	864
Provision for directors' bonuses	30	22
Provision for sales returns	1,239	810
Provision for sales rebates	2,290	2,090
Other	5,999	6,554
Total current liabilities	59,357	49,369
Non-current liabilities		
Long-term loans payable	994	1,796
Net defined benefit liability	5,381	5,159
Other	2,568	3,030
Total non-current liabilities	8,944	9,986
Total liabilities	68,301	59,355
Net assets		
Shareholders' equity		
Capital stock	6,411	6,415
Capital surplus	5,738	5,742
Retained earnings	98,675	104,811
Treasury shares	(5,207)	(4,962)
Total shareholders' equity	105,618	112,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438	6,422
Foreign currency translation adjustment	1,296	(1,116)
Remeasurements of defined benefit plans	(2,113)	(1,984)
Total accumulated other comprehensive income	4,621	3,322
Subscription rights to shares	568	560
Non-controlling interests	462	391
Total net assets	111,271	116,282
Total liabilities and net assets	179,573	175,638

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

(Millions of yen)

	Prior Third Quarter (Apr. 1, 2015 – Dec. 31, 2015)	Current Third Quarter (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	120,323	111,422
Cost of sales	48,741	46,080
Gross profit	71,581	65,342
Provision for sales returns	130	60
Gross profit-net	71,451	65,282
Selling, general and administrative expenses	59,592	52,889
Operating income	11,859	12,392
Non-operating income		
Interest income	204	136
Dividend income	393	499
Other	196	335
Total non-operating income	794	972
Non-operating expenses		
Interest expenses	131	99
Share of loss of entities accounted for using equity method	145	82
Foreign exchange losses	-	61
Other	155	154
Total non-operating expenses	432	397
Ordinary income	12,222	12,966
Extraordinary income		
Gain on sales of investment securities	71	220
Total extraordinary income	71	220
Extraordinary losses		
Loss on disposal of fixed assets	-	136
Loss on valuation of investment securities	200	385
Loss on valuation of shares of subsidiaries and associates	131	6
Provision for doubtful accounts	170	440
Provision for doubtful accounts for subsidiaries and associates	39	3
Total extraordinary losses	541	970
Profit before income taxes	11,752	12,216
Income taxes	3,954	3,798
Profit	7,798	8,417
Profit (loss) attributable to non-controlling interests	(9)	3
Profit attributable to owners of parent	7,807	8,414

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

(Millions of yen)

	Prior Third Quarter (Apr. 1, 2015 – Dec. 31, 2015)	Current Third Quarter (Apr. 1, 2016 – Dec. 31, 2016)
Profit	7,798	8,417
Other comprehensive income		
Valuation difference on available-for-sale securities	(160)	990
Foreign currency translation adjustment	(924)	(2,231)
Remeasurements of defined benefit plans, net of tax	63	128
Share of other comprehensive income of entities accounted for using equity method	20	(261)
Total other comprehensive income	(1,000)	(1,373)
Comprehensive income	6,797	7,044
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,833	7,114
Comprehensive income attributable to non-controlling interests	(35)	(70)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Segment Information**I. Prior Third Quarter (Apr. 1, 2015 – Dec. 31, 2015)****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	72,055	5,941	6,238	34,467	118,702	1,620	120,323	-	120,323
(2) Inter-segment sales and transfers	1,325	1,084	2	2,317	4,730	15	4,745	(4,745)	-
Total	73,380	7,025	6,241	36,785	123,432	1,636	125,068	(4,745)	120,323
Segment profit (loss)	7,688	(666)	351	4,102	11,476	136	11,613	245	11,859

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 245 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 Third Quarter (Apr. 1, 2016 – Dec. 31, 2016)**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	71,975	4,800	5,329	27,846	109,951	1,470	111,422	-	111,422
(2) Inter-segment sales and transfers	1,662	998	1	2,264	4,927	29	4,956	(4,956)	-
Total	73,637	5,799	5,330	30,110	114,878	1,500	116,378	(4,956)	111,422
Segment profit (loss)	8,087	(177)	326	4,088	12,325	81	12,407	(15)	12,392

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 (15) 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.*