

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name: ROHTO Pharmaceutical Co., Ltd. Stock Exchange listing: TSE, First Section
 Stock code: 4527 URL: <http://www.rohto.co.jp/>
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 Scheduled date of Annual General Meeting of Shareholders: June 23, 2017
 Scheduled date of filing of Annual Securities Report: June 26, 2017
 Scheduled date of dividend payment: June 9, 2017
 Supplementary materials for financial results: Yes
 Financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 11, 2017 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages for net sales and incomes 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, 2017	154,599	(7.4)	15,451	(1.5)	15,964	4.1	10,011	10.0
Fiscal year ended Mar. 31, 2016	167,016	10.0	15,683	19.2	15,339	8.8	9,098	5.4

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2017: 9,305 (up 193.4%)
 Fiscal year ended Mar. 31, 2016: 3,171 (down 77.9%)

	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, 2017	87.95	87.57	8.8	8.8	10.0
Fiscal year ended Mar. 31, 2016	80.04	79.70	8.3	8.6	9.4

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2017: (195)
 Fiscal year ended Mar. 31, 2016: (442)

(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, 2017	181,543	118,436	64.7	1,030.96
As of Mar. 31, 2016	179,573	111,271	61.4	969.22

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2017: 117,441 As of Mar. 31, 2016: 110,240

(3) Consolidated cash flow

	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, 2017	13,428	(9,511)	(2,335)	23,466
Fiscal year ended Mar. 31, 2016	11,324	(6,066)	(5,898)	22,495

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, 2016	-	10.00	-	10.00	20.00	2,278	25.0	2.1
Fiscal year ending Mar. 31, 2017	-	10.00	-	11.00	21.00	2,392	23.9	2.1
Fiscal year ending Mar. 31, 2018 (forecast)	-	11.00	-	11.00	22.00		24.6	

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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
First half	73,000	2.4	6,200	(4.1)	6,500	(4.7)	4,300	2.6	37.75
Full year	158,500	2.5	15,600	1.0	16,000	0.2	10,200	1.9	89.54

*** 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: 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 15 of the attachments “3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements” for further information.

(3) Number of common shares issued

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

As of Mar. 31, 2017: 117,936,284 shares As of Mar. 31, 2016: 117,929,250 shares

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

As of Mar. 31, 2017: 4,021,078 shares As of Mar. 31, 2016: 4,187,266 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2017: 113,837,744 shares Fiscal year ended Mar. 31, 2016: 113,672,205 shares

Note: Numbers of shares of treasury shares as of March 31, 2016 and March 31, 2017 include the Company’s stock held by the ESOP trust (168,600 shares and 2,300 shares respectively at the end of the each period).

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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, 2017	89,561	0.3	10,695	(0.0)	12,817	0.9	7,442	4.5
Fiscal year ended Mar. 31, 2016	89,264	8.6	10,695	31.3	12,705	39.1	7,118	42.2

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	65.38	65.10
Fiscal year ended Mar. 31, 2016	62.63	62.36

(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, 2017	127,815	96,702	75.2	843.98
As of Mar. 31, 2016	122,547	90,840	73.7	793.66

Reference: Shareholders’ equity (Millions of yen): As of Mar. 31, 2017: 96,142 As of Mar. 31, 2016: 90,272

Note 1: This summary report is not subject to the audit.

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, etc., (1) Overview of Results of Operations”.

Contents of Attachments

1. Overview of Results of Operations and Other Information	2
(1) Overview of Results of Operations	2
(2) Overview of Financial Position	4
(3) Overview of Cash Flows	4
(4) Basic Policy of Profit Distribution and Dividends for the Current and Next Fiscal Years	5
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Major Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Change in Shareholders' Equity	11
(4) Consolidated Statements of Cash Flows	13
(5) Notes to Consolidated Financial Statements	15
Going Concern Assumption	15
Changes in accounting policies	15
Additional Information	15
Segment and Other Information	15
Per-share Information	18
Material Subsequent Events	18

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, 2017	154,599	15,451	15,964	10,011
Fiscal year ended Mar. 31, 2016	167,016	15,683	15,339	9,098
Year-on-year change (%)	(7.4)	(1.5)	4.1	10.0

In the fiscal year under review, Japanese economy experienced a mild recovery trend as corporate profits and the employment situation improved. However, the outlook remains uncertain due to concerns about the situation overseas including a slowdown in the emerging economies led by China, political risk in Europe, U.S. policy trends 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 154,599 million yen. In Japan, hay fever products and high-value-added eye drops sold well. Overseas, sales fell due to the effect of the yen's appreciation and the strong impact of China's economic slowdown.

Regarding profits, operating income decreased 1.5% year-on-year to 15,451 million yen, due to ongoing up-front investments to enter new business fields, despite efficient use of selling, general and administrative expenses. Ordinary income increased 4.1% to 15,964 million yen and profit attributable to owners of parent rose by 10.0% to a record-high of 10,011 million yen.

Results by reportable segment are as follows.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2016	Fiscal year ended Mar. 31, 2017	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	96,937	96,884	(52)	(0.1)
	America	8,378	6,906	(1,471)	(17.6)
	Europe	8,008	7,026	(981)	(12.3)
	Asia	51,621	41,899	(9,721)	(18.8)
	Subtotal	164,945	152,716	(12,228)	(7.4)
Others		2,071	1,882	(189)	(9.2)
Total		167,016	154,599	(12,417)	(7.4)

Japan

Sales to customers were roughly flat, a decrease of 0.1% year-on-year to 96,884 million yen.

Among the core eye care products, the new "V Rohto Premium," contact lens products and hay fever products sold well. Among skincare products, although sales fell for the "Hada-Labo" series, which continued to face increasingly fierce competition, 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 4.7 % year-on-year to 10,040 million yen, due to an efficient use of other selling, general, and administrative expenses, although up-front investments in new business fields, such as research and development costs, increased.

America

Sales to customers decreased 17.6 % year-on-year to 6,906 million yen.

Overall sales stagnated due to the foreign currency exchange impact of the strong yen as well as falling sales of the core lip cream products and slower sales of “Oxy,” which continued to face fierce competition. Meanwhile, sales of eye drops were strong partly benefited from the launch of an eye drop for dry eye.

Segment profit (operating income) returned to profit and reached 96 million yen (compared with 266 million yen loss in the previous fiscal year) due to effective use of advertising and sales promotion expenses.

Europe

Sales to customers decreased 12.3% year-on-year to 7,026 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) increased 2.2% year-on-year to 338 million yen.

Asia

Sales to customers decreased 18.8 % year-on-year to 41,899 million yen.

Although our group companies in Vietnam and elsewhere in the ASEAN region performed well, sales fell overall due to China’s worsening economic environment and increasing competition.

Segment profit (operating income) decreased 13.2% year-on-year to 4,879 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 1,882 million yen.

Segment profit (operating income) decreased 33.1% year-on-year to 115 million yen.

Note: The above amounts do not include consumption taxes.

Outlook for the fiscal year ending Mar. 31, 2018

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2018 (forecast)	158,500	15,600	16,000	10,200
Fiscal year ended Mar. 31, 2017 (results)	154,599	15,451	15,964	10,011
Year-on-year change (%)	2.5	1.0	0.2	1.9

Regarding the economic outlook, despite an overall slow recovery trend, uncertainty about the future is likely to remain high due to such factors as concerns for the slowdown in the Chinese economy, stagnation in the emerging economies, and the impact of a downturn in the global economy accompanied by increasing geopolitical risk.

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, 2018, we anticipate that net sales will rise 2.5% year-on-year to 158.5 billion yen. In Asia, especially, we expect a sales recovery in China in addition to strong sales in Vietnam. We expect operating income to rise 1.0% to 15.6 billion yen, and ordinary income to rise 0.2% to 16 billion yen. We expect profit attributable to owners of parent to rise 1.9% to 10.2 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 1,969 million yen from the end of the previous fiscal year to 181,543 million yen. This was mainly due to increases of 6,096 million yen in investment securities, 850 million yen in cash and deposits and 705 million yen in merchandise and finished goods, while there were decreases of 2,206 million yen in property, plant and equipment, 1,266 million yen in notes and accounts receivable-trade and 1,129 million yen in electronically recorded monetary claims-operating.

Total liabilities decreased 5,194 million yen from the end of the previous fiscal year to 63,107 million yen. This was mainly due to decreases of 3,546 million yen in accrued expenses, 1,099 million yen in short-term loans payable, 1,093 million yen in income taxes payable and 971 million yen in net defined benefit liability, while there were increases of 789 million yen in provision for loss on guarantees and 771 million yen in long-term loans payable.

Net assets increased 7,164 million yen from the end of the previous fiscal year to 118,436 million yen. This was mainly due to increases of 7,627 million yen in retained earnings, 614 million yen in remeasurements of defined benefit plans and 423 million yen in valuation difference on available-for-sale securities, while there was a decrease of 1,735 million yen in foreign currency translation adjustment.

(3) Overview of Cash Flows

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2016	Fiscal year ended Mar. 31, 2017	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	25,093	22,495	(2,597)
Cash flows from operating activities	11,324	13,428	2,103
Cash flows from investing activities	(6,066)	(9,511)	(3,444)
Cash flows from financing activities	(5,898)	(2,335)	3,563
Effect of exchange rate changes on cash and cash equivalents	(1,998)	(633)	1,364
Increase (decrease) in cash and cash equivalents	(2,638)	947	3,586
Increase in cash and cash equivalents from newly consolidated subsidiary	40	22	(18)
Cash and cash equivalents at the end of the period	22,495	23,466	970

During the current fiscal year, there was a net increase of 970 million yen in cash and cash equivalents to 23,466 million yen.

Operating activities

Net cash provided by operating activities increased 2,103 million yen year-on-year to 13,428 million yen. There were profit before income taxes of 14,752 million yen, and inflow factors of depreciation of 5,552 million yen and a decrease of 1,274 million yen in notes and accounts receivable-trade, while there were outflow factors of income tax paid of 6,140 million yen and gain on sales of investment securities of 1,329 million yen and an increase of 827 million yen in inventories.

Investing activities

Net cash used in investing activities increased 3,444 million yen year-on-year to 9,511 million yen. This was mainly due to the purchase of property, plant and equipment of 3,777 million yen, purchase of investment securities of 7,092 million yen and payments into time deposits of 835 million yen, while there were proceeds from sales and redemption of investment securities of 1,922 million yen.

Financing activities

Net cash used in financing activities decreased 3,563 million yen year-on-year to 2,335 million yen. This was mainly due to cash dividends paid of 2,278 million yen, a net decrease in short-term loans payable of 750 million yen, the repayment of long-term loans payable of 678 million yen, and the proceeds from long-term loans payable of 1,123 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 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 auditing of accounts carried out in accordance with the Companies Act and the resolution by the Board of Directors, the Company plans to distribute a year-end dividend of 11 yen per share for the fiscal year ended on March 31, 2017. Added to the interim dividend of 10 yen, which has been distributed already, this will bring the annual dividend to 21 yen per share.

For the fiscal year ending on March 31, 2018, with our gratitude to all the shareholders who support us on a regular basis, we plan to pay interim dividends of 11 yen per share, year-end dividends of 11 yen per share bringing the annual total to 22 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, 2016)	Current Fiscal Year End (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	23,073	23,924
Notes and accounts receivable-trade	37,327	36,061
Electronically recorded monetary claims-operating	11,654	10,524
Merchandise and finished goods	13,241	13,946
Work in process	2,260	2,391
Raw materials and supplies	7,534	7,272
Deferred tax assets	3,796	4,053
Other	3,020	3,263
Allowance for doubtful accounts	(157)	(489)
Total current assets	101,752	100,948
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,350	44,397
Accumulated depreciation	(23,027)	(24,191)
Buildings and structures, net	21,322	20,206
Machinery, equipment and vehicles	45,053	45,031
Accumulated depreciation	(34,814)	(35,644)
Machinery, equipment and vehicles, net	10,239	9,387
Tools, furniture and fixtures	12,414	12,540
Accumulated depreciation	(10,269)	(10,676)
Tools, furniture and fixtures, net	2,144	1,863
Land	12,956	12,901
Construction in progress	1,224	1,325
Other	224	227
Accumulated depreciation	(70)	(77)
Other, net	153	150
Total property, plant and equipment	48,040	45,834
Intangible assets		
Goodwill	1,130	735
Other	2,372	1,927
Total intangible assets	3,502	2,663
Investments and other assets		
Investment securities	21,405	27,502
Long-term loans receivable	2,570	3,203
Deferred tax assets	1,815	1,617
Other	2,172	2,058
Allowance for doubtful accounts	(1,686)	(2,284)
Total investments and other assets	26,277	32,096
Total non-current assets	77,821	80,594
Total assets	179,573	181,543

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current Fiscal Year End (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,796	9,593
Electronically recorded obligations-operating	2,559	2,558
Short-term loans payable	4,452	3,353
Accrued expenses	27,280	23,734
Income taxes payable	3,645	2,551
Accrued consumption taxes	351	460
Deferred tax liabilities	242	142
Provision for bonuses	2,064	2,092
Provision for directors' bonuses	30	30
Provision for sales returns	1,239	750
Provision for sales rebates	2,290	2,380
Other	5,405	5,775
Total current liabilities	59,357	53,422
Non-current liabilities		
Long-term loans payable	994	1,765
Deferred tax liabilities	2,300	2,492
Net defined benefit liability	5,381	4,410
Provision for loss on guarantees	-	789
Other	268	227
Total non-current liabilities	8,944	9,684
Total liabilities	68,301	63,107
Net assets		
Shareholders' equity		
Capital stock	6,411	6,415
Capital surplus	5,738	5,737
Retained earnings	98,675	106,302
Treasury shares	(5,207)	(4,938)
Total shareholders' equity	105,618	113,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438	5,862
Foreign currency translation adjustment	1,296	(439)
Remeasurements of defined benefit plans	(2,113)	(1,498)
Total accumulated other comprehensive income	4,621	3,924
Subscription rights to shares	568	560
Non-controlling interests	462	434
Total net assets	111,271	118,436
Total liabilities and net assets	179,573	181,543

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

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	167,016	154,599
Cost of sales	67,250	63,254
Gross profit	99,766	91,344
Provision for sales returns	539	-
Gross profit-net	99,226	91,344
Selling, general and administrative expenses		
Promotion expenses	21,173	18,614
Advertising expenses	26,815	22,255
Salaries and bonuses	11,198	10,975
Provision for bonuses	916	964
Provision for directors' bonuses	30	30
Retirement benefit expenses	462	544
Depreciation	1,087	985
Amortization of goodwill	404	371
Research and development expenses	5,811	6,123
Provision for doubtful accounts	43	426
Other	15,601	14,601
Total selling, general and administrative expenses	83,543	75,893
Operating income	15,683	15,451
Non-operating income		
Interest income	264	208
Dividend income	393	509
Other	259	417
Total non-operating income	918	1,135
Non-operating expenses		
Interest expenses	166	135
Share of loss of entities accounted for using equity method	442	195
Foreign exchange losses	275	77
Other	378	214
Total non-operating expenses	1,262	623
Ordinary income	15,339	15,964

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Extraordinary income		
Gain on sales of investment securities	71	1,329
Total extraordinary income	71	1,329
Extraordinary losses		
Loss on disposal of fixed assets	-	172
Impairment loss	462	540
Loss on valuation of investment securities	-	457
Loss on valuation of shares of subsidiaries and associates	309	6
Provision for doubtful accounts	275	570
Provision for doubtful accounts for subsidiaries and associates	59	5
Provision for loss on guarantees	-	789
Total extraordinary losses	1,107	2,541
Profit before income taxes	14,303	14,752
Income taxes-current	5,834	5,091
Income taxes-deferred	△616	△353
Total income taxes	5,217	4,738
Profit	9,085	10,013
Profit (loss) attributable to non-controlling interests	(12)	2
Profit attributable to owners of parent	9,098	10,011

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Profit	9,085	10,013
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,214)	429
Foreign currency translation adjustment	(4,343)	(1,680)
Remeasurements of defined benefit plans, net of tax	(494)	614
Share of other comprehensive income of entities accounted for using equity method	138	(71)
Total other comprehensive income	(5,913)	(708)
Comprehensive income	3,171	9,305
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,212	9,333
Comprehensive income attributable to non-controlling interests	(40)	(28)

(3) Consolidated Statements of Change in Shareholders' Equity

Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,411	5,738	92,315	(5,451)	99,013
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			(2,278)		(2,278)
Profit attributable to owners of parent			9,098		9,098
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		245	245
Change in scope of consolidation			(250)		(250)
Change in scope of equity method			(210)		(210)
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	6,360	244	6,604
Balance at end of current period	6,411	5,738	98,675	(5,207)	105,618

	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	6,646	5,479	(1,618)	10,507
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	(1,208)	(4,182)	(495)	(5,886)
Total changes of items during period	(1,208)	(4,182)	(495)	(5,886)
Balance at end of current period	5,438	1,296	(2,113)	4,621

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	568	425	110,516
Changes of items during period			
Issuance of new shares			-
Dividends of surplus			(2,278)
Profit attributable to owners of parent			9,098
Purchase of treasury shares			(0)
Disposal of treasury shares			245
Change in scope of consolidation			(250)
Change in scope of equity method			(210)
Change in ownership interest of parent due to transactions with non-controlling interests			-
Net changes of items other than shareholders' equity	-	36	(5,849)
Total changes of items during period	-	36	755
Balance at end of current period	568	462	111,271

Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,411	5,738	98,675	(5,207)	105,618
Changes of items during period					
Issuance of new shares	4	4			8
Dividends of surplus			(2,278)		(2,278)
Profit attributable to owners of parent			10,011		10,011
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				268	268
Change in scope of consolidation			(106)		(106)
Change in scope of equity method					-
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Net changes of items other than shareholders' equity					
Total changes of items during period	4	(0)	7,627	268	7,898
Balance at end of current period	6,415	5,737	106,302	(4,938)	113,517

	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	5,438	1,296	(2,113)	4,621
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	423	(1,735)	614	(697)
Total changes of items during period	423	(1,735)	614	(697)
Balance at end of current period	5,862	(439)	(1,498)	3,924

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	568	462	111,271
Changes of items during period			
Issuance of new shares			8
Dividends of surplus			(2,278)
Profit attributable to owners of parent			10,011
Purchase of treasury shares			(0)
Disposal of treasury shares			268
Change in scope of consolidation			(106)
Change in scope of equity method			-
Change in ownership interest of parent due to transactions with non-controlling interests			(5)
Net changes of items other than shareholders' equity	(8)	(28)	(734)
Total changes of items during period	(8)	(28)	7,164
Balance at end of current period	560	434	118,436

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	14,303	14,752
Depreciation	6,044	5,552
Impairment loss	462	540
Amortization of goodwill	404	371
Increase (decrease) in allowance for doubtful accounts	17	362
Increase (decrease) in provision for bonuses	211	29
Increase (decrease) in net defined benefit liability	847	(695)
Increase (decrease) in provision for sales returns	539	(489)
Increase (decrease) in provision for sales rebates	100	90
Increase (decrease) in provision for loss on guarantees	-	789
Provision for doubtful accounts	275	570
Provision for doubtful accounts for subsidiaries and associates	59	5
Loss on disposal of fixed assets	-	172
Loss (gain) on sales of investment securities	(71)	(1,329)
Loss (gain) on valuation of investment securities	-	457
Loss on valuation of shares of subsidiaries and associates	309	6
Interest and dividend income	(658)	(718)
Interest expenses	166	135
Share of (profit) loss of entities accounted for using equity method	442	195
Decrease (increase) in notes and accounts receivable - trade	(13,189)	1,274
Decrease (increase) in inventories	(1,390)	(827)
Increase (decrease) in notes and accounts payable - trade	3,284	165
Other, net	1,189	(2,457)
Subtotal	13,348	18,953
Interest and dividend income received	680	722
Interest expenses paid	(174)	(141)
Income taxes paid	(2,957)	(6,140)
Income taxes refund	427	35
Net cash provided by (used in) operating activities	11,324	13,428
Cash flows from investing activities		
Payments into time deposits	(1,056)	(835)
Proceeds from withdrawal of time deposits	1,083	906
Purchase of property, plant and equipment	(4,563)	(3,777)
Purchase of intangible assets	(168)	(203)
Purchase of investment securities	(2,382)	(7,092)
Proceeds from sales and redemption of investment securities	2,158	1,922
Net decrease (increase) in short-term loans receivable	(198)	91
Payments of long-term loans receivable	(926)	(730)
Other, net	(13)	206
Net cash provided by (used in) investing activities	(6,066)	(9,511)

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,370)	(750)
Proceeds from long-term loans payable	661	1,123
Repayments of long-term loans payable	(1,190)	(678)
Proceeds from sales of treasury shares	245	268
Cash dividends paid	(2,278)	(2,278)
Proceeds from share issuance to non-controlling shareholders	77	-
Other, net	(44)	(20)
Net cash provided by (used in) financing activities	(5,898)	(2,335)
Effect of exchange rate change on cash and cash equivalents	(1,998)	(633)
Net increase (decrease) in cash and cash equivalents	(2,638)	947
Cash and cash equivalents at beginning of period	25,093	22,495
Increase in cash and cash equivalents from newly consolidated subsidiary	40	22
Cash and cash equivalents at end of period	22,495	23,466

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

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 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 current fiscal year is insignificant.

Additional Information

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

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 and food (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, 2015 – Mar. 31, 2016)

(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	96,937	8,378	8,008	51,621	164,945	2,071	167,016	-	167,016
(2) Inter-segment sales and transfers	1,767	1,479	3	3,087	6,338	25	6,364	Δ6,364	-
Total	98,705	9,858	8,011	54,708	171,283	2,097	173,381	Δ6,364	167,016
Segment profit (loss)	9,591	Δ266	331	5,620	15,276	172	15,448	234	15,683
Segment assets	128,244	26,117	8,020	61,488	223,870	1,389	225,259	Δ45,686	179,573
Segment liabilities	40,981	5,506	1,461	24,925	72,874	512	73,387	Δ5,085	68,301
Other items									
Depreciation	3,888	257	372	1,127	5,645	19	5,664	-	5,664
Amortization of goodwill	243	88	72	-	404	-	404	-	404
Increase in property, plant and equipment and intangible fixed assets	3,363	421	74	612	4,472	40	4,512	-	4,512

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. (1) “Adjustment” to segment profit (loss) of 234 million yen indicates elimination for intersegment transactions.

(2) “Adjustment” to segment assets of (45,686) million yen and liabilities of (5,085) million yen indicate an elimination for intersegment transactions.

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

Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)

(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	96,884	6,906	7,026	41,899	152,716	1,882	154,599	-	154,599
(2) Inter-segment sales and transfers	2,246	1,293	49	2,834	6,423	43	6,467	△6,467	-
Total	99,131	8,199	7,075	44,733	159,140	1,925	161,066	△6,467	154,599
Segment profit	10,040	96	338	4,879	15,353	115	15,468	△17	15,451
Segment assets	134,209	27,256	7,739	57,969	227,174	1,399	228,574	△47,031	181,543
Segment liabilities	40,780	3,144	1,569	20,736	66,231	383	66,614	△3,507	63,107
Other items									
Depreciation	3,786	245	312	975	5,320	19	5,339	-	5,339
Amortization of goodwill	243	65	62	-	371	-	371	-	371
Increase in property, plant and equipment and intangible fixed assets	3,377	94	132	474	4,077	22	4,099	-	4,099

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. (1) “Adjustment” to segment profit of (17) million yen indicates elimination for intersegment transactions.

(2) “Adjustment” to segment assets of (47,031) million yen and liabilities of (3,507) 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, 2015 – Mar. 31, 2016)

1. Products and services information

(Millions of yen)

	Eye care products	Skincare products	Internal medicines and food	Others	Total
Sales to customers	31,944	113,327	17,118	4,626	167,016

Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)

1. Products and services information

(Millions of yen)

	Eye care products	Skincare products	Internal medicines and food	Others	Total
Sales to customers	31,820	101,844	17,200	3,734	154,599

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	969.22	1,030.96
Basic net income per share	80.04	87.95
Diluted net income per share	79.70	87.57

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, 2015 – Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)
Basic net income per share		
Profit attributable to owners of parent	9,098	10,011
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	9,098	10,011
Average number of common stock shares outstanding during the period (thousand shares)	113,672	113,837
Diluted net income per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	489	483
[of which subscription rights to shares (thousand shares)]	[489]	[483]
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, 2016)	Current Fiscal Year End (As of Mar. 31, 2017)
Total net assets on the balance sheets	111,271	118,436
Deduction from total net assets	1,030	994
[of which subscription rights to shares]	[568]	[560]
[of which non-controlling interests]	[462]	[434]
Net assets applicable to common stock	110,240	117,441
Number of common stock shares used in calculation of net assets per share (thousand shares)	113,741	113,915

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. In addition, for the calculation of net assets per share, this ESOP trust stock is included in treasury shares, which is deducted from the number of shares outstanding at the end of the fiscal year.

For the calculation of basic net income per share and diluted net income per share, the average number of shares of treasury shares that was excluded were 238,423 for Prior Fiscal Year and 78,223 for Current Fiscal Year. For the calculation of net assets per share, the number of shares of treasury shares that was excluded were 168,600 for Prior Fiscal Year End and 2,300 for Current Fiscal Year End.

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.*