

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 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 filing of Quarterly Report:	August 9, 2017
Scheduled date of dividend payment:	-
Supplementary materials for quarterly financial results:	Yes
Quarterly financial results meeting:	None

(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, 2018
(April 1, 2017 – June 30, 2017)

(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, 2017	35,837	9.0	3,433	54.9	3,598	48.0	2,275	65.7
Three months ended Jun. 30, 2016	32,879	(7.2)	2,217	19.4	2,432	13.1	1,373	3.4

Note: Comprehensive income (Millions of yen): Three months ended Jun. 30, 2017: 2,533 (-%)
Three months ended Jun. 30, 2016: (133) (-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	19.98	19.89
Three months ended Jun. 30, 2016	12.07	12.02

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2017	179,674	119,628	66.0
As of Mar. 31, 2017	181,543	118,436	64.7

Reference: Shareholders' equity (Millions of yen): As of Jun. 30, 2017: 118,644 As of Mar. 31, 2017: 117,441

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	10.00	-	11.00	21.00
Fiscal year ending Mar. 31, 2018	-				
Fiscal year ending Mar. 31, 2018 (forecast)		11.00	-	11.00	22.00

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

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

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 Jun. 30, 2017:	117,936,284 shares	As of Mar. 31, 2017:	117,936,284 shares
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2) Number of shares of treasury shares at the end of the period:

As of Jun. 30, 2017:	4,018,809 shares	As of Mar. 31, 2017:	4,021,078 shares
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3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2017:	113,916,916 shares	Three months ended Jun. 30, 2016:	113,765,218 shares
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Note: Numbers of shares of treasury shares as of March 31, 2017 include the Company’s stock held by the ESOP trust (2,300 shares at the end of March 31, 2017).

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

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.”

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements	8
Segment Information	8

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 experienced a mild recovery trend as corporate profits and the employment situation improved. However, the outlook remains uncertain due to concerns such as an increasingly serious labor shortage, political risks overseas, and economic trends in emerging countries.

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 9.0% year-on-year to 35,837 million yen. In Japan, new products such as “Hada-Labo Shirojyun Premium” series and “Skin Aqua” sunscreen products sold well while demand from foreign tourists in Japan also contributed to higher sales. Overseas, sales in China showed clear signs of recovery and the U.S. revenue further contributed to the increase.

Regarding profits, due to an efficient use of selling, general and administrative expenses, sales grew strongly despite ongoing up-front investments to enter new business fields. As a result, operating income rose by 54.9% year-on-year to 3,433 million yen and ordinary income rose by 48.0% to 3,598 million yen. Profit attributable to owners of parent also rose by 65.7% to 2,275 million yen.

Results by reportable segment are as follows.

Japan

Sales to customers increased 10.8% year-on-year to 23,309 million yen.

Among the core eye care products, the high-performance ophthalmic remedy “V Rohto Premium” performed well. In addition, “Rohto Z!” and “Rohto Gold 40” released in collaboration with “Dragon Quest” for celebrating the 30th anniversary of the Rohto Z! brand sold strongly. Regarding skincare products, the new products such as “Hada-Labo Shirojyun Premium” series, “50-no-Megumi Gray Hair Coverage for Outing,” “Obagi C Enzyme Face Wash Powder” and the sunscreen “Skin Aqua Super Moisture Gel” performed strongly. Moreover, internal medicines and food-related products also contributed to sales, including “Kiogood Granules,” the new product from the Chinese herbal medicine brand “Wakansen” to reduce memory loss starting in middle age.

Segment profit (operating income) increased 76.1% year-on-year to 1,953 million yen due to an efficient use of selling, general and administrative expenses as well as strong sales.

America

Sales to customers increased 5.5% year-on-year to 1,684 million yen.

The U.S. economy showed signs of moderate recovery due to a steady rise in personal consumption. Our core lip balm products also showed a recovery trend. Regarding eye drops, sales also remained steady due in part to the launch of “Rohto Dry Aid.”

Segment loss (operating loss) was 110 million yen (compared with 232 million yen loss in the same period of the previous fiscal year). The loss improved due to an effective use of advertising and sales promotion expenses as well as strong sales.

Europe

Sales to customers increased 2.2% year-on-year to 1,911 million yen.

Despite the impact of foreign exchange rates, sales remained steady on a local currency basis. The core anti-inflammatory analgesic “Deep Heat” series sold well and Dax Cosmetics also contributed to sales growth.

Segment profit (operating income) decreased 23.2% year-on-year to 132 million yen due to a deteriorating cost of sales ratio caused by the impact of the weak pound.

Asia

Sales to customers increased 7.4% year-on-year to 8,419 million yen.

Regarding sales, in addition to the recovery in China, our group companies in Vietnam and other ASEAN countries also performed steadily.

Segment profit (operating income) increased 15.9% year-on-year to 1,317 million yen due to an effective use of advertising and sales promotion expenses as well as a recovery in sales.

Others

In “Others,” excluded from reportable segments, sales to customers decreased 5.0% year-on-year to 512 million yen.

Segment profit (operating income) increased 39.3% year-on-year to 40 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 1,868 million yen from the end of the previous fiscal year to 179,674 million yen. This was mainly due to a decrease of 5,272 million yen in notes and accounts receivable-trade, while there were increases of 2,394 million yen in investment securities and 1,197 million yen in raw materials and supplies.

Total liabilities decreased 3,060 million yen from the end of the previous fiscal year to 60,046 million yen. This was mainly due to decreases of 3,410 million yen in accrued expenses, 1,146 million yen in provision for bonuses and 1,026 million yen in income taxes payable, while there were increases of 1,614 million yen in notes and accounts payable-trade and 455 million yen in long-term loans payable.

Net assets increased 1,192 million yen from the end of the previous fiscal year to 119,628 million yen. This was mainly due to increases of 674 million yen in retained earnings and 659 million yen in valuation difference on available-for-sale securities, while there was a decrease of 163 million yen in foreign currency translation adjustment.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

There is no change in the first-half and full-year consolidated earnings forecast that was released on May 11, 2017. 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 Sheet**

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2017)	Current First Quarter End (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	23,924	23,665
Notes and accounts receivable-trade	36,061	30,788
Electronically recorded monetary claims-operating	10,524	9,982
Merchandise and finished goods	13,946	14,335
Work in process	2,391	2,628
Raw materials and supplies	7,272	8,469
Other	7,316	7,679
Allowance for doubtful accounts	(489)	(478)
Total current assets	100,948	97,070
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,206	20,830
Other, net	25,628	25,365
Total property, plant and equipment	45,834	46,195
Intangible assets		
Goodwill	735	730
Other	1,927	1,844
Total intangible assets	2,663	2,574
Investments and other assets		
Investment securities	27,502	29,897
Other	6,879	6,272
Allowance for doubtful accounts	(2,284)	(2,335)
Total investments and other assets	32,096	33,834
Total non-current assets	80,594	82,604
Total assets	181,543	179,674

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2017)	Current First Quarter End (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,593	11,207
Electronically recorded obligations-operating	2,558	2,859
Short-term loans payable	3,353	3,527
Accrued expenses	23,734	20,323
Income taxes payable	2,551	1,525
Provision for bonuses	2,092	945
Provision for directors' bonuses	30	7
Provision for sales returns	750	690
Provision for sales rebates	2,380	1,850
Other	6,378	6,860
Total current liabilities	53,422	49,796
Non-current liabilities		
Long-term loans payable	1,765	2,220
Net defined benefit liability	4,410	4,181
Provision for loss on guarantees	789	789
Other	2,720	3,059
Total non-current liabilities	9,684	10,250
Total liabilities	63,107	60,046
Net assets		
Shareholders' equity		
Capital stock	6,415	6,415
Capital surplus	5,737	5,737
Retained earnings	106,302	106,977
Treasury shares	(4,938)	(4,935)
Total shareholders' equity	113,517	114,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,862	6,521
Foreign currency translation adjustment	(439)	(602)
Remeasurements of defined benefit plans	(1,498)	(1,471)
Total accumulated other comprehensive income	3,924	4,447
Subscription rights to shares	560	560
Non-controlling interests	434	423
Total net assets	118,436	119,628
Total liabilities and net assets	181,543	179,674

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2016 – Jun. 30, 2016)	Current First Quarter (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	32,879	35,837
Cost of sales	14,343	15,685
Gross profit	18,535	20,151
Reversal of provision for sales returns	90	60
Gross profit-net	18,625	20,211
Selling, general and administrative expenses	16,408	16,777
Operating income	2,217	3,433
Non-operating income		
Interest income	47	55
Dividend income	188	180
Other	81	168
Total non-operating income	317	404
Non-operating expenses		
Interest expenses	33	32
Share of loss of entities accounted for using equity method	54	170
Other	14	35
Total non-operating expenses	102	239
Ordinary income	2,432	3,598
Extraordinary losses		
Loss on valuation of investment securities	217	2
Loss on valuation of shares of subsidiaries and associates	6	0
Provision for doubtful accounts	210	80
Provision for doubtful accounts for subsidiaries and associates	2	—
Total extraordinary losses	435	82
Profit before income taxes	1,996	3,515
Income taxes	628	1,235
Profit	1,368	2,279
Profit (loss) attributable to non-controlling interests	(5)	4
Profit attributable to owners of parent	1,373	2,275

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

(Millions of yen)

	Prior First Quarter (Apr. 1, 2016 – Jun. 30, 2016)	Current First Quarter (Apr. 1, 2017 – Jun. 30, 2017)
Profit	1,368	2,279
Other comprehensive income		
Valuation difference on available-for-sale securities	(536)	659
Foreign currency translation adjustment	(929)	(375)
Remeasurements of defined benefit plans, net of tax	49	27
Share of other comprehensive income of entities accounted for using equity method	(85)	(58)
Total other comprehensive income	(1,501)	253
Comprehensive income	(133)	2,533
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(105)	2,542
Comprehensive income attributable to non-controlling interests	(27)	(9)

(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.

Segment Information

I. Prior First Quarter (Apr. 1, 2016 – Jun. 30, 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	21,035	1,596	1,870	7,836	32,339	539	32,879	-	32,879
(2) Inter-segment sales and transfers	550	273	0	674	1,497	13	1,510	(1,510)	-
Total	21,586	1,869	1,870	8,511	33,837	552	34,390	(1,510)	32,879
Segment profit (loss)	1,109	(232)	172	1,136	2,185	28	2,214	2	2,217

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 2 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, 2017 – Jun. 30, 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	23,309	1,684	1,911	8,419	35,324	512	35,837	-	35,837
(2) Inter-segment sales and transfers	602	223	4	606	1,436	21	1,457	(1,457)	-
Total	23,911	1,908	1,916	9,025	36,761	533	37,295	(1,457)	35,837
Segment profit (loss)	1,953	(110)	132	1,317	3,293	40	3,333	100	3,433

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 100 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.