

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018
(Six Months Ended September 30, 2017)

[Japanese GAAP]

Company name: ROHTO Pharmaceutical Co., Ltd.	Stock Exchange listing: TSE, First Section
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Scheduled date of filing of Quarterly Report:	November 13, 2017
Scheduled date of dividend payment:	December 7, 2017
Supplementary materials for quarterly financial results:	Yes
Quarterly financial results meeting:	Yes

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018
(April 1, 2017 – September 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	%
Six months ended Sep. 30, 2017	78,498	10.1	8,655	33.9	8,754	28.3	5,647	34.8
Six months ended Sep. 30, 2016	71,298	(7.8)	6,465	(9.9)	6,822	(9.1)	4,191	(14.0)

Note: Comprehensive income (Millions of yen): Six months ended Sep. 30, 2017: 6,209(-%)
Six months ended Sep. 30, 2016: (766)(-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	49.58	49.37
Six months ended Sep. 30, 2016	36.83	36.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2017	187,409	123,305	65.3
As of Mar. 31, 2017	181,543	118,436	64.7

Reference: Shareholders' equity (Millions of yen): As of Sep. 30, 2017: 122,318 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	-	11.00	-	-	-
Fiscal year ending Mar. 31, 2018 (forecast)	-	-	-	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
Full year	165,000	6.7	16,800	8.7	16,900	5.9	10,500	4.9	92.17

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 11 of the attachments “2. Quarterly Consolidated Financial Statements and Major Notes, (4) 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 Sep. 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 Sep. 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:

Six months ended Sep. 30, 2017:	113,917,155 shares	Six months ended Sep. 30, 2016:	113,792,632 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 4 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 half of the current fiscal year, the Japanese economy experienced a mild recovery trend as corporate profits and the employment and household income environments 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 10.1% year-on-year to 78,498 million yen. In Japan, high value-added products such as “V Rohto Premium” and “Hada-Labo Shirojyun Premium” series sold well while demand from foreign tourists in Japan also contributed to higher sales. Overseas, sales in China continued to recover and America and Europe segments also contributed to the increase in sales.

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 33.9% year-on-year to 8,655 million yen and ordinary income rose by 28.3% to 8,754 million yen. Profit attributable to owners of parent rose by 34.8% to 5,647 million yen.

Results by reportable segment are as follows.

Japan

Sales to customers increased 10.3% year-on-year to 51,843 million yen.

Among the core eye care products, the high-performance ophthalmic remedy “V Rohto Premium” and new “V Rohto Active Premium” performed well. In addition, “Rohto Z!,” “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, “Obagi C Enzyme Face Wash Powder” and the sunscreen “Skin Aqua Super Moisture Gel” performed strongly. Also “Melano CC medicated intensive spot correcting serum” recorded high sales driven by demand from foreign tourists in Japan. Moreover, internal medicines and food-related products also contributed to higher 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 30.2% year-on-year to 6,413 million yen due to an efficient use of selling, general and administrative expenses as well as strong sales.

America

Sales to customers increased 8.7% year-on-year to 3,367 million yen.

The U.S. economy showed signs of moderate recovery due to a steady rise in personal consumption, and 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 156 million yen (compared with 481 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 12.3% year-on-year to 4,085 million yen.

Despite the impact of foreign exchange rates, sales remained steady as Dax Cosmetics achieved double-digit growth in sales. The core anti-inflammatory analgesic “Deep Heat” series sold well.

Segment profit (operating income) increased 5.1% year-on-year to 291 million yen due to an effective use of advertising and sales promotion expenses.

Asia

Sales to customers increased 9.5% year-on-year to 18,178 million yen.

Sales increased due to the recovery in China. Especially our core eye drops and “Hada-Labo” series contributed to higher sales.

Segment profit (operating income) increased 16.0% year-on-year to 1,874 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 increased 5.1% year-on-year to 1,023 million yen.

Segment profit (operating income) increased 58.2% year-on-year to 83 million yen.

Note: The above amounts do not include consumption taxes.

(2) Explanation of Financial Position**1) Balance sheet position**

Total assets at the end of the second quarter increased 5,865 million yen from the end of the previous fiscal year to 187,409 million yen. This was mainly due to increases of 2,690 million yen in investment securities, 1,942 million yen in electronically recorded monetary claims-operating, 1,489 million yen in raw materials and supplies, and 955 million yen in merchandise and finished goods, while there was a decrease of 1,819 million yen in notes and accounts receivable-trade.

Total liabilities increased 996 million yen from the end of the previous fiscal year to 64,103 million yen. This was mainly due to increases of 2,503 million yen in notes and accounts payable-trade, 874 million yen in short-term loans payable, 323 million yen in electronically recorded obligations-operating, and 295 million yen in provision for loss on guarantees, while there was a decrease of 3,434 million yen in accrued expenses.

Net assets increased 4,869 million yen from the end of the previous fiscal year to 123,305 million yen. This was mainly due to increases of 4,046 million yen in retained earnings and 648 million yen in valuation difference on available-for-sale securities.

2) Consolidated cash flow position

During the first half of the current fiscal year, there was a net increase of 348 million yen in cash and cash equivalents to 23,814 million yen.

Operating activities

Net cash provided by operating activities increased 2,321 million yen year-on-year to 5,846 million yen. Profit before income taxes was 8,284 million yen, and there were inflow factors of depreciation of 2,646 million yen and an increase of 2,500 million yen in notes and accounts payable-trade, while there were outflow factors of a decrease of 3,208 million yen in accrued expenses, income tax paid of 2,596 million yen, and an increase of 2,432 million yen in inventories.

Investing activities

Net cash used in investing activities increased 493 million yen year-on-year to 5,172 million yen. This was mainly due to the purchase of property, plant and equipment of 2,604 million yen, and purchase of investment securities of 2,071 million yen.

Financing activities

Net cash used in financing activities decreased 1,171 million yen year-on-year to 302 million yen. This was mainly due to cash dividends paid of 1,253 million yen, a net increase in short-term loans payable of 592 million yen and proceeds from long-term loans payable of 540 million yen.

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

There is no change in the full-year consolidated earnings forecast that was released on November 2, 2017.

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 Second Quarter End (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	23,924	24,311
Notes and accounts receivable-trade	36,061	34,241
Electronically recorded monetary claims-operating	10,524	12,467
Merchandise and finished goods	13,946	14,902
Work in process	2,391	2,460
Raw materials and supplies	7,272	8,762
Other	7,316	7,913
Allowance for doubtful accounts	(489)	(595)
Total current assets	100,948	104,463
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,206	20,688
Other, net	25,628	25,676
Total property, plant and equipment	45,834	46,365
Intangible assets		
Goodwill	735	695
Other	1,927	1,816
Total intangible assets	2,663	2,512
Investments and other assets		
Investment securities	27,502	30,192
Other	6,879	6,306
Allowance for doubtful accounts	(2,284)	(2,431)
Total investments and other assets	32,096	34,068
Total non-current assets	80,594	82,945
Total assets	181,543	187,409

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2017)	Current Second Quarter End (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,593	12,096
Electronically recorded obligations-operating	2,558	2,882
Short-term loans payable	3,353	4,228
Accrued expenses	23,734	20,299
Income taxes payable	2,551	2,280
Provision for bonuses	2,092	2,237
Provision for directors' bonuses	30	15
Provision for sales returns	750	810
Provision for sales rebates	2,380	2,280
Other	6,378	6,805
Total current liabilities	53,422	53,935
Non-current liabilities		
Long-term loans payable	1,765	1,835
Net defined benefit liability	4,410	4,166
Provision for loss on guarantees	789	1,084
Other	2,720	3,080
Total non-current liabilities	9,684	10,167
Total liabilities	63,107	64,103
Net assets		
Shareholders' equity		
Capital stock	6,415	6,415
Capital surplus	5,737	5,737
Retained earnings	106,302	110,349
Treasury shares	(4,938)	(4,935)
Total shareholders' equity	113,517	117,568
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,862	6,510
Foreign currency translation adjustment	(439)	(317)
Remeasurements of defined benefit plans	(1,498)	(1,443)
Total accumulated other comprehensive income	3,924	4,750
Subscription rights to shares	560	560
Non-controlling interests	434	427
Total net assets	118,436	123,305
Total liabilities and net assets	181,543	187,409

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

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)	Current Second Quarter (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	71,298	78,498
Cost of sales	29,787	33,202
Gross profit	41,511	45,295
Provision for sales returns	-	60
Reversal of provision for sales returns	20	-
Gross profit-net	41,531	45,235
Selling, general and administrative expenses	35,065	36,580
Operating income	6,465	8,655
Non-operating income		
Interest income	97	115
Dividend income	359	180
Other	198	233
Total non-operating income	655	529
Non-operating expenses		
Interest expenses	66	69
Share of loss of entities accounted for using equity method	168	286
Other	62	73
Total non-operating expenses	297	429
Ordinary income	6,822	8,754
Extraordinary losses		
Loss on valuation of investment securities	329	2
Loss on valuation of shares of subsidiaries and associates	6	0
Provision for doubtful accounts	360	170
Provision for doubtful accounts for subsidiaries and associates	3	3
Provision for loss on guarantees	-	295
Total extraordinary losses	698	470
Profit before income taxes	6,123	8,284
Income taxes	1,939	2,633
Profit	4,184	5,650
Profit (loss) attributable to non-controlling interests	(6)	2
Profit attributable to owners of parent	4,191	5,647

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

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)	Current Second Quarter (Apr. 1, 2017 – Sep. 30, 2017)
Profit	4,184	5,650
Other comprehensive income		
Valuation difference on available-for-sale securities	(96)	634
Foreign currency translation adjustment	(4,754)	(98)
Remeasurements of defined benefit plans, net of tax	150	55
Share of other comprehensive income of entities accounted for using equity method	(251)	(33)
Total other comprehensive income	(4,951)	559
Comprehensive income	(766)	6,209
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(693)	6,216
Comprehensive income attributable to non-controlling interests	(73)	(7)

(3) Quarterly Consolidated Statements of Cash Flows**(For the Six-month Period)**

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)	Current Second Quarter (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	6,123	8,284
Depreciation	2,662	2,646
Amortization of goodwill	178	104
Increase (decrease) in allowance for doubtful accounts	80	91
Increase (decrease) in provision for bonuses	(10)	146
Increase (decrease) in net defined benefit liability	(199)	(320)
Increase (decrease) in provision for sales returns	(509)	60
Increase (decrease) in provision for sales rebates	(90)	(100)
Increase (decrease) in provision for loss on guarantees	-	295
Provision for doubtful accounts	360	170
Provision for doubtful accounts for subsidiaries and associates	3	3
Loss (gain) on valuation of investment securities	329	2
Loss on valuation of shares of subsidiaries and associates	6	0
Interest and dividend income	(456)	(296)
Interest expenses	66	69
Share of (profit) loss of entities accounted for using equity method	168	286
Decrease (increase) in notes and accounts receivable - trade	6,896	88
Decrease (increase) in inventories	(3,466)	(2,432)
Increase (decrease) in notes and accounts payable - trade	1,811	2,500
Increase (decrease) in accrued expenses	(6,419)	(3,208)
Other, net	(777)	(241)
Subtotal	6,758	8,151
Interest and dividend income received	466	312
Interest expenses paid	(47)	(42)
Income taxes paid	(3,675)	(2,596)
Income taxes refund	23	22
Net cash provided by (used in) operating activities	3,524	5,846
Cash flows from investing activities		
Payments into time deposits	(433)	(493)
Proceeds from withdrawal of time deposits	512	450
Purchase of property, plant and equipment	(1,617)	(2,604)
Purchase of intangible assets	(93)	(139)
Purchase of investment securities	(2,670)	(2,071)
Proceeds from sales and redemption of investment securities	-	7
Net decrease (increase) in short-term loans receivable	189	30
Payments of long-term loans receivable	(674)	(351)
Other, net	107	(0)
Net cash provided by (used in) investing activities	(4,679)	(5,172)

(Millions of yen)

	Prior Second Quarter (Apr. 1, 2016 – Sep. 30, 2016)	Current Second Quarter (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(130)	592
Proceeds from long-term loans payable	50	540
Repayments of long-term loans payable	(378)	(165)
Cash dividends paid	(1,139)	(1,253)
Other, net	123	(16)
Net cash provided by (used in) financing activities	(1,474)	(302)
Effect of exchange rate change on cash and cash equivalents	(1,783)	(125)
Net increase (decrease) in cash and cash equivalents	(4,412)	244
Cash and cash equivalents at beginning of period	22,495	23,466
Increase in cash and cash equivalents from newly consolidated subsidiary	-	103
Cash and cash equivalents at end of period	18,083	23,814

(4) 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 Second Quarter (Apr. 1, 2016 – Sep. 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	46,994	3,096	3,638	16,595	70,324	973	71,298	-	71,298
(2) Inter-segment sales and transfers	1,083	613	0	1,518	3,217	20	3,238	(3,238)	-
Total	48,077	3,710	3,639	18,114	73,542	994	74,536	(3,238)	71,298
Segment profit (loss)	4,927	(481)	277	1,615	6,339	52	6,391	73	6,465

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 73 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 Second Quarter (Apr. 1, 2017 – Sep. 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	51,843	3,367	4,085	18,178	77,474	1,023	78,498	-	78,498
(2) Inter-segment sales and transfers	1,252	585	9	1,314	3,162	44	3,207	(3,207)	-
Total	53,096	3,952	4,095	19,493	80,637	1,068	81,705	(3,207)	78,498
Segment profit (loss)	6,413	(156)	291	1,874	8,423	83	8,507	148	8,655

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 148 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.