

**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021
(Nine Months Ended December 31, 2020)**

[Japanese GAAP]

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

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

February 12, 2021

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Yes

Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 – December 31, 2020)**

(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, 2020	129,611	(6.2)	17,062	(5.9)	17,426	(3.6)	11,083	(11.8)
Nine months ended Dec. 31, 2019	138,119	2.5	18,126	5.4	18,072	2.6	12,562	15.6

Note: Comprehensive income (Millions of yen):
Nine months ended Dec. 31, 2020: 10,757 (14.0%)
Nine months ended Dec. 31, 2019: 9,434 (11.5%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	97.16	96.88
Nine months ended Dec. 31, 2019	110.17	109.82

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2020	215,226	147,772	68.2
As of Mar. 31, 2020	215,301	140,032	64.5

Reference: Shareholders' equity (Millions of yen): As of Dec. 31, 2020: 146,728 As of Mar. 31, 2020: 138,899

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	13.00	-	13.00	26.00
Fiscal year ending Mar. 31, 2021	-	13.00	-		
Fiscal year ending Mar. 31, 2021 (forecast)				14.00	27.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	183,000	(2.8)	218,000	(5.6)	22,100	(2.8)	14,000	(9.2)	122.73

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

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.

(4) Number of common shares issued

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

As of Dec. 31, 2020:	118,089,155 shares	As of Mar. 31, 2020:	118,089,155 shares
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2) Number of shares of treasury shares at the end of the period:

As of Dec. 31, 2020:	4,019,044 shares	As of Mar. 31, 2020:	4,018,988 shares
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3) Average number of shares outstanding during the period:

Nine months ended Dec. 31, 2020:	114,070,149 shares	Nine months ended Dec. 31, 2019:	114,030,580 shares
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Note 1: This summary report is not subject to the quarterly review conducted by certified public accountants or audit firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual results of operations may differ significantly from the forecasts depending on various factors. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.”

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the severe business environment continued as the spread of Covid-19 greatly restricted economic activity. In terms of consumer spending, consumer confidence declined further as the outlook for the economy remained uncertain.

Under these circumstances, the Rohto Group has created the slogan of “Connect for Well-being,” suggesting people around the world living energetically and happily each day, both physically and mentally, throughout the various stages of their lives. We are endeavoring to further increase corporate value.

In total, net sales decreased 6.2% year-on-year to 129,611 million yen. In Japan, despite a temporary economic recovery, sales of lip balm and other products fell due to factors including a resurgence in Covid-19 infections from November onwards and the establishment of a mask-wearing culture. On the other hand, sales of Nitten Pharmaceutical Co., Ltd., which became a subsidiary in March 2020, contributed to an increase. Overseas sales decreased in each region due to the impact of the global spread of Coronavirus pandemic.

Regarding profits, operating income decreased 5.9% year-on-year to 17,062 million yen due to lower sales and higher R&D expenses, despite an efficient use of selling, general and administrative expenses. Ordinary income decreased 3.6% to 17,426 million yen. Profit attributable to owners of parent decreased 11.8% to 11,083 million yen due to impairment loss on fixed assets at a subsidiary despite a gain on sales of shares of subsidiaries and associates. Results by reportable segment are as follows.

Japan

Sales to customers decreased 3.8% year-on-year to 83,671 million yen.

Sales of lip balm and other products fell due to a resurgence of Covid-19 infections and the establishment of a mask-wearing culture, and demand from foreign tourists visiting Japan was sluggish. On the other hand, “Melano CC” and “Deoco” continued to perform well and sales of “Wakansen” series and “Rohto V5 Grain” increased. In addition, Nitten Pharmaceutical Co., Ltd. performed strongly.

Segment profit (operating income) fell 8.6% year-on-year to 10,485 million yen. Despite efforts to make efficient use of selling, general and administrative expenses, profit declined due to a fall in sales combined with a rise in research and development expenses for prescription drugs.

America

Sales to customers decreased 11.7% year-on-year to 5,852 million yen.

Although sales of eye drops and lip balm were lower because people refrained from going out due to Covid-19, “Mentholatum Ointment” sold well.

Segment profit (operating income) increased 267.1% year-on-year to 170 million yen due to reductions in selling, general and administrative expenses, while sales were sluggish.

Europe

Sales to customers decreased 12.6% year-on-year to 5,942 million yen.

Sales of the leading anti-inflammatory analgesic products and cosmetics decreased due to lockdowns for Covid-19.

Segment profit (operating income) increased 134.9% year-on-year to 479 million yen due to lower sales promotion and advertising expenses.

Asia

Sales to customers decreased 9.6% year-on-year to 32,877 million yen.

Economic activity has returned to normal in Taiwan and other places that have effectively controlled the impact of Covid-19, and strong sales were achieved in ASEAN countries such as Indonesia and Vietnam. In our core market of China, although sales experienced a significant decline in the first half, from the second half, sales of eye drops and skincare-related products such as “50-no-Megumi” showed signs of recovery, while lip balm sales struggled.

Segment profit (operating income) decreased 7.1% year-on-year to 5,612 million yen despite efforts to reduce sales promotion and advertising expenses in a difficult business environment.

Others

In “Others,” excluded from reportable segments, sales to customers decreased 3.0% year-on-year to 1,266 million yen.

Segment profit (operating income) decreased 31.1% year-on-year to 64 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 74 million yen from the end of the previous fiscal year to 215,226 million yen. This was mainly due to increases of 3,894 million yen in cash and deposit, 2,007 million yen in merchandise and finished goods and 1,621 million yen in raw materials and supplies, while there were decreases of 6,665 million yen in electronically recorded monetary claims-operating and 2,807 million yen in notes and accounts receivable-trade.

Total liabilities decreased 7,815 million yen from the end of the previous fiscal year to 67,453 million yen. This was mainly due to increases of 1,143 million yen in long-term loans payable and 1,110 million yen in notes and accounts payable-trade, while there were decreases of 5,577 million yen in accrued expenses and 1,833 million yen in income taxes payable.

Net assets increased 7,740 million yen from the end of the previous fiscal year to 147,772 million yen. This was mainly due to increases of 8,071 million yen in retained earnings and 1,518 million yen in valuation difference on available-for-sale securities, while there was a decrease of 1,878 million yen in foreign currency translation adjustment.

(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 May 12, 2020. Results of operations for the first half trended generally in line with our plan.

Note: The forecasts are based on information available at the time this report was prepared. Actual results of operations may differ from the forecasts depending on various factors.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2020)	Current Third Quarter End (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	45,307	49,201
Notes and accounts receivable-trade	32,900	30,093
Electronically recorded monetary claims- operating	17,893	11,228
Merchandise and finished goods	16,504	18,512
Work in process	3,218	2,607
Raw materials and supplies	10,903	12,524
Other	3,757	4,582
Allowance for doubtful accounts	(377)	(238)
Total current assets	130,108	128,512
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,048	19,481
Other, net	28,412	29,965
Total property, plant and equipment	48,460	49,447
Intangible assets		
Goodwill	3,373	2,973
Other	1,945	2,847
Total intangible assets	5,318	5,820
Investments and other assets		
Investment securities	23,880	24,586
Other	10,258	9,706
Allowance for doubtful accounts	(2,725)	(2,846)
Total investments and other assets	31,413	31,446
Total non-current assets	85,192	86,714
Total assets	215,301	215,226

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2020)	Current Third Quarter End (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,324	12,435
Electronically recorded obligations-operating	2,919	2,363
Short-term loans payable	2,105	2,341
Accrued expenses	25,629	20,052
Income taxes payable	4,555	2,722
Provision for bonuses	2,643	1,262
Provision for directors' bonuses	40	22
Provision for sales returns	557	497
Provision for sales rebates	2,178	2,257
Other	10,161	9,353
Total current liabilities	62,117	53,308
Non-current liabilities		
Long-term loans payable	5,190	6,334
Net defined benefit liability	4,317	4,375
Provision for loss on guarantees	1,957	1,903
Other	1,685	1,532
Total non-current liabilities	13,151	14,145
Total liabilities	75,269	67,453
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,661
Retained earnings	131,985	140,057
Treasury shares	(4,935)	(4,936)
Total shareholders' equity	139,215	147,287
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,144	5,662
Foreign currency translation adjustment	(2,617)	(4,495)
Remeasurements of defined benefit plans	(1,843)	(1,725)
Total accumulated other comprehensive income	(316)	(558)
Subscription rights to shares	382	382
Non-controlling interests	749	661
Total net assets	140,032	147,772
Total liabilities and net assets	215,301	215,226

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

	Prior Third Quarter (Apr. 1, 2019 – Dec. 31, 2019)	Current Third Quarter (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	138,119	129,611
Cost of sales	55,175	52,910
Gross profit	82,944	76,701
Provision for sales returns	100	-
Reversal of provision for sales returns	-	60
Gross profit-net	82,843	76,761
Selling, general and administrative expenses	64,717	59,699
Operating income	18,126	17,062
Non-operating income		
Interest income	371	260
Dividend income	502	329
Share of profit of entities accounted for using equity method	-	332
Other	479	476
Total non-operating income	1,353	1,398
Non-operating expenses		
Interest expenses	95	97
Foreign exchange loss	-	290
Share of loss of entities accounted for using equity method	1,124	-
Provision of allowance for doubtful accounts	-	282
Other	188	364
Total non-operating expenses	1,408	1,034
Ordinary income	18,072	17,426
Extraordinary income		
Gain on change in equity	-	37
Gain on sales of fixed assets	153	-
Gain on sales of investment securities	1,428	29
Gain on sales of shares of subsidiaries and associates	-	2,723
Total extraordinary income	1,581	2,791
Extraordinary losses		
Loss on disposal of fixed assets	-	82
Impairment loss	-	1,435
Loss on valuation of investment securities	377	1,411
Loss on sales of shares of subsidiaries and associates	-	16
Loss on valuation of shares of subsidiaries and associates	144	247
Provision for doubtful accounts	149	-
Provision for doubtful accounts for subsidiaries and associates	20	-
Total extraordinary losses	690	3,192
Profit before income taxes	18,962	17,024
Income taxes	6,353	5,927
Profit	12,609	11,097
Profit attributable to non-controlling interests	47	13
Profit attributable to owners of parent	12,562	11,083

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

	(Millions of yen)	
	Prior Third Quarter (Apr. 1, 2019 – Dec. 31, 2019)	Current Third Quarter (Apr. 1, 2020 – Dec. 31, 2020)
Profit	12,609	11,097
Other comprehensive income		
Valuation difference on available-for-sale securities	(883)	1,518
Foreign currency translation adjustment	(2,119)	(1,916)
Remeasurements of defined benefit plans, net of tax	91	118
Share of other comprehensive income of entities accounted for using equity method	(263)	(59)
Total other comprehensive income	(3,174)	(339)
Comprehensive income	9,434	10,757
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,447	10,841
Comprehensive income attributable to non-controlling interests	(12)	(83)

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

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements

Calculation of tax expense

Tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes for the fiscal year, and multiplying that rate by the quarterly income before income taxes.

Additional Information

Influence of Covid-19

There are no significant changes to the accounting estimates assumptions, including the future spread of Covid-19 and the timing of its convergence, described in (Additional information) in the annual securities report for the previous fiscal year.

Segment Information

I. Prior Third Quarter (Apr. 1, 2019 – Dec. 31, 2019)

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	87,012	6,626	6,803	36,371	136,813	1,305	138,119	-	138,119
(2) Inter-segment sales and transfers	2,592	1,084	58	2,574	6,309	29	6,339	(6,339)	-
Total	89,605	7,710	6,861	38,945	143,123	1,335	144,458	(6,339)	138,119
Segment profit	11,472	46	204	6,044	17,766	92	17,859	266	18,126

Notes: 1. "America" includes the business activities of overseas entities in the U.S. and Brazil, and others; "Europe" those in the U.K., Poland and South Africa; and "Asia" those in China, Taiwan, Vietnam, and others.

2. "Others" is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. "Adjustment" to segment profit of 266 million yen indicates elimination for intersegment transactions.

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

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

No reportable information.

II. Current Third Quarter (Apr. 1, 2020 – Dec. 31, 2020)

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	83,671	5,852	5,942	32,877	128,344	1,266	129,611	-	129,611
(2) Inter-segment sales and transfers	2,314	823	35	2,561	5,734	21	5,756	(5,756)	-
Total	85,986	6,675	5,977	35,439	134,079	1,288	135,367	(5,756)	129,611
Segment profit	10,485	170	479	5,612	16,747	64	16,811	251	17,062

Notes: 1. “America” includes the business activities of overseas entities in the U.S. and Brazil, and others; “Europe” those in the U.K., Poland and South Africa and others; and “Asia” those in China, Taiwan, Vietnam, and others.

2. “Others” is the business that is excluded from reportable segments, and includes the business activities of entities in Australia.

3. “Adjustment” to segment profit of 251 million yen indicates elimination for intersegment transactions.

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

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

Impairment loss on fixed assets was recognized in “Japan” segment. The amount of impairment loss was 1,435 million for the nine months ended December 31, 2020.

** 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.*