August 8, 2016

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017 (Three Months Ended June 30, 2016)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: August 9, 2016
Scheduled date of dividend payment: -
Supplementary materials for quarterly financial results: None
Quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on August 8, 2016 at 15:00 (GMT +9).

(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, 2017 (April 1, 2016 – June 30, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2016	32,879	(7.2)	2,217	19.4	2,432	13.1	1,373	3.4
Three months ended Jun. 30, 2015	35,428	18.0	1,857	166.1	2,150	94.9	1,328	104.7

Note: Comprehensive income (Millions of yen): Three months ended Jun. 30, 2016: (133) (-%)
Three months ended Jun. 30, 2015: 2,654 (up 362.2%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	12.07	12.02
Three months ended Jun. 30, 2015	11.69	11.64

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2016	169,402	110,099	64.4
As of Mar. 31, 2016	179,573	111,271	61.4

Reference: Shareholders' equity (Millions of yen): As of Jun. 30, 2016: 109,103 As of Mar. 31, 2016: 110,240

2. Dividends

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

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

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

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	75,000	(3.0)	7,000	(2.4)	6,800	(9.5)	4,300	(11.8)	37.78
Full year	163,000	(2.4)	15,500	(1.2)	15,200	(0.9)	9,500	4.4	83.47

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting methods for preparation of quarterly consolidated financial statements: Yes

Note: Please refer to page 4 of the attachments “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements” for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to page 4 of the attachments “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting Estimates, and Restatements” for further information.

(4) Number of common shares issued

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

As of Jun. 30, 2016:	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 Jun. 30, 2016:	4,125,366 shares	As of Mar. 31, 2016:	4,187,266 shares

3) Average number of shares outstanding during the period:

Three months ended Jun. 30, 2016:	113,765,218 shares	Three months ended Jun. 30, 2015:	113,612,163 shares

Note: Numbers of shares of treasury shares as of June 30, 2016 and March 31, 2016 include the Company’s stock held by the ESOP trust (106,700 shares and 168,600 shares respectively at the end of the each period).

Note 1: Indication of quarterly review procedure implementation status

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

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

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, outlook for the Japanese economy remained uncertain as there were concerns about an economic slowdown outside Japan, especially in China, in addition to the yen's appreciation and falling stock prices from the start of the year, despite the consistent impact of monetary policies from the Japanese government and the Bank of Japan.

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 7.2% year-on-year, to 32,879 million yen. In Japan, demand from foreign tourists continued to contribute to sales, but a review of the rebate situation lowered the shipping price of pharmaceutical products and continued intensifying competition influenced sales of skincare products, which were weak. Overseas, sales fell due to the yen's appreciation and economic slowdown in China.

Regarding profits, efforts were made to deploy selling, general, and administrative expenses effectively. As a result, despite a fall in sales due to the effects of the exchange rate and other factors, operating income rose 19.4% year-on-year to 2,217 million yen and ordinary income rose 13.1% to 2,432 million yen, and profit attributable to owners of parent rose 3.4% to 1,373 million yen.

Results by business segment are as follows.

Japan

Sales to customers decreased 2.4% year-on-year, to 21,035 million yen.

Sales for sunscreen, which is in an increasingly fierce competition, and the core "*Hada-Labo*" series were sluggish. Meanwhile, products including the "*DeOu*" men's deodorant brand; "*50-no-Megumi*," with the addition of color treatment that is gentle to the skin with a dependable dye; and the "*SUGAO*" series with the addition of "*SUGAO Chiffon Powder*" sold well, with spending from foreign tourists in Japan contributing to sales.

Segment profits (operating income) decreased 9.8% year-on-year, to 1,109 million yen because of lower sales and higher cost of sales ratio.

America

Sales to customers decreased 11.2 % year-on-year, to 1,596 million yen.

The U.S. economy showed signs of a mild recovery with a steady rise in consumer spending. Sales of eye drops performed well but sales for the core lip cream products fell.

Segment losses (operating losses) were 232 million yen (down from 651 million yen in the same period of the previous fiscal year). The loss improved sharply due to effective use of advertising and sales promotion expenses.

Europe

Sales to customers decreased 9.2% year-on-year, to 1,870 million yen.

Despite the negative impact of exchange rates in yen equivalent, sales generally performed well on a local-currency basis. Sales of the *"Deep Heat"* series of anti-inflammatory analgesic products was especially strong.

Segment profits (operating income) increased 37.4% year-on-year to 172 million yen mainly due to an improvement in cost of sales ratio.

Asia

Sales to customers decreased 17.4 % year-on-year, to 7,836 million yen.

Overall, sales struggled as China's economy slowed. However, sales in Vietnam, Indonesia, and elsewhere performed well, rising around 20% on a local-currency basis.

Segment profits (operating income) increased 9.2% year-on-year, to 1,136 million yen due to effective use of advertising and sales promotion expenses, despite weak sales.

Others

In "Others," excluded from reportable segments, sales to customers increased 1.1% year-on-year, to 539 million yen.

Segment profits (operating income) decreased 26.6% year-on-year, to 28 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 10,170 million yen from the end of the previous fiscal year to 169,402 million yen. This was mainly due to decreases of 8,577 million yen in notes and accounts receivable-trade and 3,022 million yen in electronically recorded monetary claims-operating, while there was an increase of 1,509 million yen in merchandise and finished goods.

Total liabilities decreased 8,998 million yen from the end of the previous fiscal year to 59,303 million yen. This was mainly due to decreases of 4,499 million yen in accrued expenses, 2,666 million yen in income taxes payable, 1,134 million yen in provision for bonuses, 590 million yen in provision for sales rebates, and 579 million yen in provision for sales returns, while there was an increase of 408 million yen in notes and accounts payable-trade.

Net assets decreased 1,172 million yen from the end of the previous fiscal year to 110,099 million yen. This was mainly due to decreases of 997 million yen in foreign currency translation adjustment and 531 million yen in valuation difference on available-for-sale securities, while there was an increase of 234 million yen in retained earnings.

(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 13, 2016. Results of operations for the first quarter trended generally in line with our plan.

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

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No reportable information.

(2) Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements

Calculation of tax expense

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

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

Changes in accounting policies

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

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

(4) Additional Information

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

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current First Quarter End (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	23,073	23,435
Notes and accounts receivable-trade	37,327	28,749
Electronically recorded monetary claims-operating	11,654	8,632
Merchandise and finished goods	13,241	14,751
Work in process	2,260	2,628
Raw materials and supplies	7,534	8,163
Other	6,817	7,114
Allowance for doubtful accounts	(157)	(275)
Total current assets	101,752	93,197
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,322	21,182
Other, net	26,717	26,078
Total property, plant and equipment	48,040	47,260
Intangible assets		
Goodwill	1,130	1,058
Other	2,372	2,198
Total intangible assets	3,502	3,256
Investments and other assets		
Investment securities	21,405	20,746
Other	6,558	6,824
Allowance for doubtful accounts	(1,686)	(1,883)
Total investments and other assets	26,277	25,687
Total non-current assets	77,821	76,204
Total assets	179,573	169,402

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2016)	Current First Quarter End (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,796	10,204
Electronically recorded obligations-operating	2,559	2,438
Short-term loans payable	4,452	4,340
Accrued expenses	27,280	22,781
Income taxes payable	3,645	978
Provision for bonuses	2,064	929
Provision for directors' bonuses	30	7
Provision for sales returns	1,239	660
Provision for sales rebates	2,290	1,700
Other	5,999	6,621
Total current liabilities	59,357	50,662
Non-current liabilities		
Long-term loans payable	994	983
Net defined benefit liability	5,381	5,325
Other	2,568	2,331
Total non-current liabilities	8,944	8,640
Total liabilities	68,301	59,303
Net assets		
Shareholders’ equity		
Capital stock	6,411	6,415
Capital surplus	5,738	5,742
Retained earnings	98,675	98,910
Treasury shares	(5,207)	(5,107)
Total shareholders’ equity	105,618	105,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438	4,907
Foreign currency translation adjustment	1,296	299
Remeasurements of defined benefit plans	(2,113)	(2,063)
Total accumulated other comprehensive income	4,621	3,142
Subscription rights to shares	568	560
Non-controlling interests	462	435
Total net assets	111,271	110,099
Total liabilities and net assets	179,573	169,402

(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, 2015 – Jun. 30, 2015)	Current First Quarter (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	35,428	32,879
Cost of sales	15,091	14,343
Gross profit	20,336	18,535
Reversal of provision for sales returns	30	90
Gross profit-net	20,366	18,625
Selling, general and administrative expenses	18,509	16,408
Operating income	1,857	2,217
Non-operating income		
Interest income	61	47
Dividend income	261	188
Share of profit of entities accounted for using equity method	17	-
Other	63	81
Total non-operating income	403	317
Non-operating expenses		
Interest expenses	44	33
Share of loss of entities accounted for using equity method	-	54
Other	65	14
Total non-operating expenses	110	102
Ordinary income	2,150	2,432
Extraordinary losses		
Loss on valuation of investment securities	-	217
Loss on valuation of shares of subsidiaries and associates	-	6
Provision for doubtful accounts	40	210
Provision for doubtful accounts for subsidiaries and associates	-	2
Total extraordinary losses	40	435
Profit before income taxes	2,110	1,996
Income taxes	787	628
Profit	1,322	1,368
Loss attributable to non-controlling interests	(5)	(5)
Profit attributable to owners of parent	1,328	1,373

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	Prior First Quarter (Apr. 1, 2015 – Jun. 30, 2015)	Current First Quarter (Apr. 1, 2016 – Jun. 30, 2016)
Profit	1,322	1,368
Other comprehensive income		
Valuation difference on available-for-sale securities	393	(536)
Foreign currency translation adjustment	920	(929)
Remeasurements of defined benefit plans, net of tax	0	49
Share of other comprehensive income of entities accounted for using equity method	17	(85)
Total other comprehensive income	1,331	(1,501)
Comprehensive income	2,654	(133)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,663	(105)
Comprehensive income attributable to non-controlling interests	(9)	(27)

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

No reportable information.

Segment Information

I. Prior First Quarter (Apr. 1, 2015 – Jun. 30, 2015)

1. Information related to net sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment (Note 1)					Others (Note 2)	Total	Adjustment (Note 3)	Reported in quarterly consolidated statement of income (Note 4)
	Japan	America	Europe	Asia	Subtotal				
Net sales									
(1) Sales to customers	21,546	1,798	2,061	9,489	34,895	533	35,428	-	35,428
(2) Inter-segment sales and transfers	362	280	0	691	1,335	6	1,341	(1,341)	-
Total	21,908	2,079	2,062	10,181	36,231	539	36,770	(1,341)	35,428
Segment profit (loss)	1,229	(651)	125	1,040	1,743	39	1,783	74	1,857

Notes: 1. "America" includes the business activities of overseas entities in the U.S. and Canada; "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 74 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, 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; "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 200 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.*