NEVER SAY NEVER
ROHTO

May 11, 2018

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

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Stock Exchange listing: TSE, First Section
URL: http://www.rohto.co.jp/

Scheduled date of Annual General Meeting of Shareholders: June 22, 2018
Scheduled date of filing of Annual Securities Report: June 25, 2018
Scheduled date of dividend payment: June 8, 2018
Supplementary materials for financial results: Yes
Financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	%
Fiscal year ended Mar. 31, 2018	171,742	11.1	19,087	23.5	18,849	18.1	9,289	(7.2)
Fiscal year ended Mar. 31, 2017	154,599	(7.4)	15,451	(1.5)	15,964	4.1	10,011	10.0

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2018: 12,167 (up 30.8%)
Fiscal year ended Mar. 31, 2017: 9,305 (up 193.4%)

	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, 2018	81.55	81.20	7.6	9.9	11.1
Fiscal year ended Mar. 31, 2017	87.95	87.57	8.8	8.8	10.0

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2018: (782)
Fiscal year ended Mar. 31, 2017: (195)

(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, 2018	200,836	128,440	63.3	1,115.94
As of Mar. 31, 2017	181,543	118,436	64.7	1,030.96

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2018: 127,124 As of Mar. 31, 2017: 117,441

(3) Consolidated cash flows

	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, 2018	19,154	(11,014)	(1,823)	30,063
Fiscal year ended Mar. 31, 2017	13,428	(9,511)	(2,335)	23,466

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, 2017	-	10.00	-	11.00	21.00	2,392	23.9	2.1
Fiscal year ended Mar. 31, 2018	-	11.00	-	11.00	22.00	2,506	27.0	2.0
Fiscal year ending Mar. 31, 2019 (forecast)	-	11.00	-	12.00	23.00		22.0	

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	176,000	2.5	19,500	2.2	19,600	4.0	11,900	28.1	104.46

Note: From the viewpoint of promoting constructive dialogue for medium-to long-term corporate value enhancement, we will disclose the earnings forecast for the full year only from this year-end.

*** 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: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

(3) Number of common shares issued

1) Number of shares outstanding at the end of the period (including treasury shares):
As of Mar. 31, 2018: 117,936,284 shares As of Mar. 31, 2017: 117,936,284 shares

2) Number of shares of treasury shares at the end of the period:
As of Mar. 31, 2018: 4,018,851 shares As of Mar. 31, 2017: 4,021,078 shares

3) Average number of shares outstanding during the period:
Fiscal year ended Mar. 31, 2018: 113,917,300 shares Fiscal year ended Mar. 31, 2017: 113,837,744 shares

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).

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	96,880	8.2	12,864	20.3	14,843	15.8	7,634	2.6
Fiscal year ended Mar. 31, 2017	89,561	0.3	10,695	(0.0)	12,817	0.9	7,442	4.5

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	67.01	66.73
Fiscal year ended Mar. 31, 2017	65.38	65.10

(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, 2018	140,776	104,143	73.6	909.28
As of Mar. 31, 2017	127,815	96,702	75.2	843.98

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2018: 103,583 As of Mar. 31, 2017: 96,142

Note 1: This summary report is not subject to the audit 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 2 of the attachments "1. Overview of Results of Operations and Other Information, (1) Overview of Results of Operations."

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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, 2018	**171,742**	**19,087**	**18,849**	**9,289**
Fiscal year ended Mar. 31, 2017	154,599	15,451	15,964	10,011
Year-on-year change (%)	11.1	23.5	18.1	(7.2)

In the fiscal year under review, the Japanese economy experienced a mild recovery trend as corporate profits and the employment situation improved. Overseas, the Asian economies also expanded steadily due primarily to personal consumption in China while the U.S. economy maintained its underlying strength backed by steady personal consumption and capital investment.

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 11.1% year-on-year to 171,742 million yen and updated our record high. In Japan, high value-added products sold well while hay fever products and sunscreens performed strongly. In addition, demand from foreign tourists in Japan contributed to higher sales. Overseas, sales in Asia 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 23.5% year-on-year to 19,087 million yen, ordinary income rose by 18.1% to 18,849 million yen and updated our record high.

However, profit attributable to owners of parent decreased 7.2% to 9,289 million yen. This was due to temporary income tax expense of 1,840 million yen imposed under the Tax Cuts and Jobs Act, newly enacted in the United States.

Results by reportable segment are as follows.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2017	**Fiscal year ended Mar. 31, 2018**	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	96,884	**105,242**	8,357	8.6
	America	6,906	**8,750**	1,843	26.7
	Europe	7,026	**8,277**	1,251	17.8
	Asia	41,899	**47,396**	5,496	13.1
	Subtotal	152,716	**169,666**	16,949	11.1
Others		1,882	**2,076**	194	10.3
Total		154,599	**171,742**	17,143	11.1

Japan

Sales to customers increased 8.6% year-on-year to 105,242 million yen.

Among the core eye care products, high value-added products such as the high-performance ophthalmic remedy "V Rohto Premium" and "V Rohto Active Premium" performed well while contact lens products and hay fever products sold well. Regarding skincare products, the high value-added products such as "Hada-Labo Gokujyun Premium" series and "Obagi C Enzyme Face Wash Powder" continued to perform strongly. In addition, "Mentholatum Melty Cream Lip," a new high-moisturizing lip balm, sold well. Other factors contributing to sales growth included strong sales of products such as the instagrammable new sunscreen "Skin Aqua Tone Up UV Essence," due in part to high temperatures nationwide, and growing demand from foreign tourists in Japan for products such as "Melano CC medicated intensive spot correcting serum."

Segment profit (operating income) increased 21.7% year-on-year to 12,223 million yen due to an efficient use of selling, general and administrative expenses as well as strong sales.

America

Sales to customers increased 26.7% year-on-year to 8,750 million yen.

The U.S. economy continued to expand due to a steady rise in personal consumption, and our core lip balm products showed a recovery trend. Regarding eye drops, sales also remained steady due in part to the launch of "Rohto Dry Aid" as well as "Rohto Ice."

Segment profit (operating income) increased 337.4% year-on-year to 420 million yen due to an efficient use of selling, general and administrative expenses as well as strong sales.

Europe

Sales to customers increased 17.8% year-on-year to 8,277 million yen.

Sales remained steady as the main anti-inflammatory analgesic "Deep Heat" series sold well due in part to the launch of new products. In addition, Dax Cosmetics achieved double-digit sales growth and contributed to higher sales as Rohto products for the Russian market performed well.

Despite strong sales, segment profit (operating income) fell slightly by 9.8% year-on-year to 305 million yen due to an increase in advertising and sales promotion expenses for Dax Cosmetics.

Asia

Sales to customers increased 13.1% year-on-year to 47,396 million yen.

Sales rose due to a recovery in Chinese market conditions. Skincare products such as lip balm and men's cosmetics brand of "Mentholatum for Men" and eye care products performed well. In addition, strong performances in Vietnam and other ASEAN countries contributed to higher sales.

Segment profit (operating income) increased 16.2% year-on-year to 5,670 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 10.3% year-on-year to 2,076 million yen.

Segment profit (operating income) increased 36.1% year-on-year to 157 million yen.

Note: The above amounts do not include consumption taxes.

Outlook for the fiscal year ending Mar. 31, 2019

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2019 (forecast)	**176,000**	**19,500**	**19,600**	**11,900**
Fiscal year ended Mar. 31, 2018 (results)	171,742	19,087	18,849	9,289
Year-on-year change (%)	2.5	2.2	4.0	28.1

Regarding the economic outlook, the gradual recovery trend including an improvement in corporate profits and employment is expected to continue as the government persists with economic measures. Nevertheless, uncertainty about the future is likely to remain high owing to such factors as foreign exchange fluctuation risks, concerns over a slowdown in the emerging economies and the impact of global 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, 2019, we anticipate that net sales will rise 2.5% year-on-year to 176 billion yen, operating income to rise 2.2% to 19.5 billion yen, and ordinary income to rise 4.0% to 19.6 billion yen. We expect profit attributable to owners of parent to rise 28.1% to 11.9 billion yen.

All of the figures above for sales and incomes are expected to update the record highs.

These forecasts are based on an exchange rate of 105 yen to the U.S. dollar.

(2) Overview of Financial Position

Total assets at the end of the current fiscal year increased 19,293 million yen from the end of the previous fiscal year to 200,836 million yen. This was mainly due to increases of 6,607 million yen in cash and deposits, 4,825 million yen in investment securities, 2,780 million yen in electronically recorded monetary claims-operating, 1,418 million yen in raw materials and supplies, 981 million yen in notes and accounts receivable-trade, 971 million yen in merchandise and finished goods, 844 million yen in construction in progress and 768 million yen in goodwill.

Total liabilities increased 9,288 million yen from the end of the previous fiscal year to 72,395 million yen. This was mainly due to increases of 2,505 million yen in notes and accounts payable-trade, 1,275 million yen in income taxes payable, 1,033 million yen in deferred tax liabilities on non-current liabilities, 864 million yen in accrued expenses, 797 million yen in short-term loans payable, 702 million yen in provision for loss on guarantees and 416 million yen in electronically recorded obligations-operating.

Net assets increased 10,004 million yen from the end of the previous fiscal year to 128,440 million yen. This was mainly due to increases of 6,394 million yen in retained earnings, 2,358 million yen in valuation difference on available-for-sale securities and 902 million yen in foreign currency translation adjustment.

(3) Overview of Cash Flows

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2017	**Fiscal year ended Mar. 31, 2018**	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	22,495	**23,466**	970
Cash flows from operating activities	13,428	**19,154**	5,726
Cash flows from investing activities	(9,511)	**(11,014)**	(1,503)
Cash flows from financing activities	(2,335)	**(1,823)**	512
Effect of exchange rate changes on cash and cash equivalents	(633)	**(191)**	442
Increase (decrease) in cash and cash equivalents	947	**6,125**	5,177
Increase in cash and cash equivalents from newly consolidated subsidiary	22	**471**	449
Cash and cash equivalents at the end of the period	23,466	**30,063**	6,597

During the current fiscal year, there was a net increase of 6,597 million yen in cash and cash equivalents to 30,063 million yen.

Operating activities

Net cash provided by operating activities increased 5,726 million yen year-on-year to 19,154 million yen. Profit before income taxes was 16,820 million yen, and there were inflow factors of depreciation of 5,593 million yen and an increase of 3,094 million yen in notes and accounts payable-trade, share of loss of entities accounted for using equity method of 782 million yen and an increase of 702 million yen in provision for loss on guarantees while there were outflow factors of income tax paid of 5,169 million yen, an increase of 2,818 million yen in notes and accounts receivable-trade and an increase of 2,186 million yen in inventories.

Investing activities

Net cash used in investing activities increased 1,503 million yen year-on-year to 11,014 million yen. This was mainly due to the purchase of investment securities of 5,246 million yen, the purchase of property, plant and equipment of 5,000 million yen, payments into time deposits of 552 million yen and purchase of intangible assets of 452 million yen while there were proceeds from withdrawal of time deposits of 555 million yen.

Financing activities

Net cash used in financing activities decreased 512 million yen year-on-year to 1,823 million yen. This was mainly due to cash dividends paid of 2,506 million yen, repayments of long-term loans payable of 333 million yen while there were proceeds from long-term loans payable of 591 million yen and a net increase in short-term loans payable of 479 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, 2018. Added to the interim dividend of 11 yen, which has been distributed already, this will bring the annual dividend to 22 yen per share.

For the fiscal year ending on March 31, 2019, 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 12 yen per share bringing the annual total to 23 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, 2017)	Current Fiscal Year End (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	23,924	30,532
Notes and accounts receivable-trade	36,061	37,042
Electronically recorded monetary claims-operating	10,524	13,305
Merchandise and finished goods	13,946	14,918
Work in process	2,391	2,620
Raw materials and supplies	7,272	8,690
Deferred tax assets	4,053	4,378
Other	3,263	3,322
Allowance for doubtful accounts	(489)	(383)
Total current assets	100,948	114,428
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,397	45,997
Accumulated depreciation	(24,191)	(25,450)
Buildings and structures, net	20,206	20,547
Machinery, equipment and vehicles	45,031	47,063
Accumulated depreciation	(35,644)	(37,681)
Machinery, equipment and vehicles, net	9,387	9,382
Tools, furniture and fixtures	12,540	13,232
Accumulated depreciation	(10,676)	(11,281)
Tools, furniture and fixtures, net	1,863	1,951
Land	12,901	12,981
Construction in progress	1,325	2,170
Other	227	245
Accumulated depreciation	(77)	(84)
Other, net	150	160
Total property, plant and equipment	45,834	47,193
Intangible assets		
Goodwill	735	1,503
Other	1,927	2,604
Total intangible assets	2,663	4,108
Investments and other assets		
Investment securities	27,502	32,328
Long-term loans receivable	3,203	2,799
Deferred tax assets	1,617	577
Other	2,058	1,964
Allowance for doubtful accounts	(2,284)	(2,562)
Total investments and other assets	32,096	35,106
Total non-current assets	80,594	86,407
Total assets	181,543	200,836

(Millions of yen)

	Prior Fiscal Year End (As of Mar. 31, 2017)	Current Fiscal Year End (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,593	12,098
Electronically recorded obligations-operating	2,558	2,974
Short-term loans payable	3,353	4,151
Accrued expenses	23,734	24,599
Income taxes payable	2,551	3,827
Accrued consumption taxes	460	630
Deferred tax liabilities	142	131
Provision for bonuses	2,092	2,285
Provision for directors' bonuses	30	30
Provision for sales returns	750	696
Provision for sales rebates	2,380	2,742
Other	5,775	7,295
Total current liabilities	53,422	61,464
Non-current liabilities		
Long-term loans payable	1,765	1,702
Deferred tax liabilities	2,492	3,525
Net defined benefit liability	4,410	3,968
Provision for loss on guarantees	789	1,491
Other	227	243
Total non-current liabilities	9,684	10,931
Total liabilities	63,107	72,395
Net assets		
Shareholders' equity		
Capital stock	6,415	6,415
Capital surplus	5,737	5,737
Retained earnings	106,302	112,696
Treasury shares	(4,938)	(4,935)
Total shareholders' equity	113,517	119,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,862	8,220
Foreign currency translation adjustment	(439)	463
Remeasurements of defined benefit plans	(1,498)	(1,474)
Total accumulated other comprehensive income	3,924	7,209
Subscription rights to shares	560	560
Non-controlling interests	434	755
Total net assets	118,436	128,440
Total liabilities and net assets	181,543	200,836

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	154,599	171,742
Cost of sales	63,254	70,746
Gross profit	91,344	100,996
Reversal of provision for sales returns	-	53
Gross profit-net	91,344	101,049
Selling, general and administrative expenses		
Promotion expenses	18,614	21,863
Advertising expenses	22,255	22,982
Salaries and bonuses	10,975	12,395
Provision for bonuses	964	1,096
Provision for directors' bonuses	30	30
Retirement benefit expenses	544	512
Depreciation	985	982
Amortization of goodwill	371	321
Research and development expenses	6,123	6,553
Provision for doubtful accounts	426	(101)
Other	14,601	15,326
Total selling, general and administrative expenses	75,893	81,962
Operating income	15,451	19,087
Non-operating income		
Interest income	208	354
Dividend income	509	323
Other	417	319
Total non-operating income	1,135	998
Non-operating expenses		
Interest expenses	135	143
Share of loss of entities accounted for using equity method	195	782
Foreign exchange losses	77	90
Other	214	219
Total non-operating expenses	623	1,236
Ordinary income	15,964	18,849

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Extraordinary income		
Gain on sales of investment securities	1,329	-
Total extraordinary income	1,329	-
Extraordinary losses		
Loss on disposal of fixed assets	172	-
Impairment loss	540	-
Loss on valuation of investment securities	457	471
Loss on valuation of shares of subsidiaries and associates	6	522
Provision for doubtful accounts	570	310
Provision for doubtful accounts for subsidiaries and associates	5	22
Provision for loss on guarantees	789	702
Total extraordinary losses	2,541	2,028
Profit before income taxes	14,752	16,820
Income taxes-current	5,091	6,523
Income taxes-deferred	△353	960
Total income taxes	4,738	7,483
Profit	10,013	9,336
Profit attributable to non-controlling interests	2	47
Profit attributable to owners of parent	10,011	9,289

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Profit	10,013	9,336
Other comprehensive income		
Valuation difference on available-for-sale securities	429	2,309
Foreign currency translation adjustment	(1,680)	397
Remeasurements of defined benefit plans, net of tax	614	24
Share of other comprehensive income of entities accounted for using equity method	(71)	99
Total other comprehensive income	(708)	2,830
Comprehensive income	9,305	12,167
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,333	12,133
Comprehensive income attributable to non-controlling interests	(28)	34

(3) Consolidated Statements of Change in Shareholders' Equity

Prior 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

Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,415	5,737	106,302	(4,938)	113,517
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			(2,506)		(2,506)
Profit attributable to owners of parent			9,289		9,289
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		3	3
Change in scope of consolidation			(343)		(343)
Change in scope of equity method			(45)		(45)
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	6,394	3	6,397
Balance at end of current period	6,415	5,737	112,696	(4,935)	119,915

	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	5,862	(439)	(1,498)	3,924
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	2,358	902	24	3,285
Total changes of items during period	2,358	902	24	3,285
Balance at end of current period	8,220	463	(1,474)	7,209

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	560	434	118,436
Changes of items during period			
Issuance of new shares			-
Dividends of surplus			(2,506)
Profit attributable to owners of parent			9,289
Purchase of treasury shares			(0)
Disposal of treasury shares			3
Change in scope of consolidation			(343)
Change in scope of equity method			(45)
Change in ownership interest of parent due to transactions with non-controlling interests			-
Net changes of items other than shareholders' equity	-	321	3,606
Total changes of items during period	-	321	10,004
Balance at end of current period	560	755	128,440

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	14,752	16,820
Depreciation	5,552	5,593
Impairment loss	540	-
Amortization of goodwill	371	321
Increase (decrease) in allowance for doubtful accounts	362	(151)
Increase (decrease) in provision for bonuses	29	194
Increase (decrease) in net defined benefit liability	(695)	(456)
Increase (decrease) in provision for sales returns	(489)	(53)
Increase (decrease) in provision for sales rebates	90	362
Increase (decrease) in provision for loss on guarantees	789	702
Provision for doubtful accounts	570	310
Provision for doubtful accounts for subsidiaries and associates	5	22
Loss on disposal of fixed assets	172	-
Loss (gain) on sales of investment securities	(1,329)	-
Loss (gain) on valuation of investment securities	457	471
Loss on valuation of shares of subsidiaries and associates	6	522
Interest and dividend income	(718)	(678)
Interest expenses	135	143
Share of (profit) loss of entities accounted for using equity method	195	782
Decrease (increase) in notes and accounts receivable - trade	1,274	(2,818)
Decrease (increase) in inventories	(827)	(2,186)
Increase (decrease) in notes and accounts payable - trade	165	3,094
Other, net	(2,457)	771
Subtotal	18,953	23,769
Interest and dividend income received	722	682
Interest expenses paid	(141)	(147)
Income taxes paid	(6,140)	(5,169)
Income taxes refund	35	19
Net cash provided by (used in) operating activities	13,428	19,154
Cash flows from investing activities		
Payments into time deposits	(835)	(552)
Proceeds from withdrawal of time deposits	906	555
Purchase of property, plant and equipment	(3,777)	(5,000)
Purchase of intangible assets	(203)	(452)
Purchase of investment securities	(7,092)	(5,246)
Proceeds from sales and redemption of investment securities	1,922	7
Net decrease (increase) in short-term loans receivable	91	35
Payments of long-term loans receivable	(730)	(373)
Other, net	206	12
Net cash provided by (used in) investing activities	(9,511)	(11,014)

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(750)	479
Proceeds from long-term loans payable	1,123	591
Repayments of long-term loans payable	(678)	(333)
Proceeds from sales of treasury shares	268	3
Cash dividends paid	(2,278)	(2,506)
Cash dividends paid to non-controlling interests	-	(18)
Other, net	(20)	(39)
Net cash provided by (used in) financing activities	(2,335)	(1,823)
Effect of exchange rate change on cash and cash equivalents	(633)	(191)
Net increase (decrease) in cash and cash equivalents	947	6,125
Cash and cash equivalents at beginning of period	22,495	23,466
Increase in cash and cash equivalents from newly consolidated subsidiary	22	471
Cash and cash equivalents at end of period	23,466	30,063

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Additional Information

The Tax Cuts and Jobs Act in the United States was enacted on December 22, 2017 and the federal corporate income tax rate was reduced from 35% to 21% starting from January 1, 2018.
As a result of the tax reform, deferred tax assets (net of deferred tax liabilities) decreased by 734 million yen, while there were increases of 934 million yen in income taxes payable, 94 million yen in foreign currency translation adjustment, 77 million yen in remeasurements of defined benefit plans, 969 million yen in income taxes-current and 870 million yen in income taxes-deferred.

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, 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.

Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)

(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	105,242	8,750	8,277	47,396	169,666	2,076	171,742	-	171,742
(2) Inter-segment sales and transfers	2,624	1,375	21	2,778	6,799	74	6,874	(6,874)	-
Total	107,867	10,125	8,298	50,174	176,465	2,151	178,616	(6,874)	171,742
Segment profit	12,223	420	305	5,670	18,619	157	18,776	310	19,087
Segment assets	146,055	28,522	8,595	62,132	245,305	1,585	246,891	(46,054)	200,836
Segment liabilities	47,514	3,911	1,680	22,311	75,417	489	75,907	(3,511)	72,395
Other items									
Depreciation	3,555	284	340	998	5,178	20	5,198	-	5,198
Amortization of goodwill	58	195	68	-	321	-	321	-	321
Increase in property, plant and equipment and intangible fixed assets	4,836	270	101	677	5,885	46	5,932	-	5,932

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. (1) “Adjustment” to segment profit of 310 million yen indicates elimination for intersegment transactions.
(2) “Adjustment” to segment assets of (46,054) million yen and liabilities of (3,511) 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, 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

Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)

1. Products and services information

(Millions of yen)

	Eye care products	Skincare products	Internal medicines and food	Others	Total
Sales to customers	36,322	111,725	18,590	5,103	171,742

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	1,030.96	1,115.94
Basic net income per share	87.95	81.55
Diluted net income per share	87.57	81.20

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, 2016 – Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 – Mar. 31, 2018)
Basic net income per share		
Profit attributable to owners of parent	10,011	9,289
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	10,011	9,289
Average number of common stock shares outstanding during the period (thousand shares)	113,837	113,917
Diluted net income per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	483	482
[of which subscription rights to shares (thousand shares)]	[483]	[482]
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, 2017)	Current Fiscal Year End (As of Mar. 31, 2018)
Total net assets on the balance sheets	118,436	128,440
Deduction from total net assets	994	1,315
[of which subscription rights to shares]	[560]	[560]
[of which non-controlling interests]	[434]	[755]
Net assets applicable to common stock	117,441	127,124
Number of common stock shares used in calculation of net assets per share (thousand shares)	113,915	113,917

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 held by the ESOP trust that was excluded were 78,223 for Prior Fiscal Year and 177 for Current Fiscal Year. For the calculation of net assets per share, the number of shares of treasury shares held by the ESOP trust that was excluded were 2,300 for Prior 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.*