August 7, 2024

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Three Months Ended June 30, 2024)

[Japanese GAAP]

Company name: ROHTO PHARMACEUTICAL CO.,LTD.
Listing: Tokyo
Securities code: 4527
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	68,356	11.7	11,790	4.4	12,273	0.2	8,482	(6.7)
June 30, 2023	61,171	17.1	11,292	36.1	12,242	26.9	9,090	30.0

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 16,071 million [17.1%]
Three months ended June 30, 2023: ¥ 13,729 million [2.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	37.18	37.08
June 30, 2023	39.85	39.73

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	408,731	257,249	63.0
March 31, 2024	346,175	247,036	71.0

(Reference) Equity: As of June 30, 2024: ¥ 257,404 million
As of March 31, 2024: ¥ 245,942 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	12.00	-	15.00	27.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		16.00	-	17.00	33.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	320,000	18.2	43,200	7.9	44,200	4.2	32,200	4.1	141.14

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 38 (Company name: Soar R2M Pte. Ltd., Eu Yan Sang International Ltd., and 36 others)

Excluded: - (Company name:)

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.

(2) Adoption of accounting treatment specific to the 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, changes in accounting estimates, and restatement

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

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2024: 236,178,310 shares

March 31, 2024: 236,178,310 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 8,039,536 shares

March 31, 2024: 8,039,532 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 228,138,775 shares

Three months ended June 30, 2023: 228,138,946 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

*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

During the first three month of the current fiscal year, the Japanese economy was on a recovery track due to the lifting of behavioral restrictions and an increase in inbound demand caused by an increase in the number of travelers from abroad. Although personal consumption recovered as behavioral restrictions eased, the burden of living expenses is increasing due in part to rising utility bills and price hikes on goods caused by rising raw material prices, and thus consumers are becoming more frugal. On the other hand, the outlook of the Japanese economy remains uncertain owing to the accelerated depreciation of the yen, concerns about a slowdown in overseas economies, ongoing rises in the prices of commodities and semi-processed raw materials against the backdrop of the protracted conflict in Ukraine, and rising domestic prices.

In these circumstances, the Rohto Group is endeavoring under the slogan “Connect for Well-being” to enable people all over the world to feel energized both mentally and physically, and spend every day filled with laughter and happiness throughout the various stages of their lives. With the aim of further increasing corporate value, we are working to realize the Rohto Group Comprehensive Management Vision 2030.

Consequently, net sales increased significantly to 68,356 million yen (up 11.7% year-on-year). In Japan, sales increased, reflecting product proposals that meet customer needs as well as a recovery in inbound demand. Overseas, sales also increased due to product proposals that meet customer needs and depreciation of the yen.

Profits increased due to a significant increase in net sales despite deterioration in the cost of sales ratio and to efforts to efficiently utilize selling, general and administrative expenses, resulting in operating profit of 11,790 million yen (up 4.4% year-on-year), ordinary profit of 12,273 million yen (up 0.2% year-on-year), and profit attributable to owners of parent of 8,482 million yen (down 6.7% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased to 40,534 million yen (up 9.9% year-on-year).

Sales of “Melano CC” remained brisk thanks to strong sales of the enzyme face wash marketed under this brand. “Hadalabo,” skincare products, “Rohto V5” supplements, and sunscreens continued to perform strongly. Among the domestic group companies, Qualitech Pharma Co., Ltd., in particular, contributed to sales growth.

Segment profit (operating profit basis) decreased to 6,565 million yen (down 10.3% year-on-year) owing to deterioration in the cost of sales ratio as well as a planned increase in the selling, general and administrative expenses, including research and development expenses.

Americas

Sales to outside customers increased significantly to 5,015 million yen (up 18.4% year-on-year).

Sales of OTC eye drops were strong due to their expanded distribution. Our consolidated subsidiaries in Brazil also made a significant contribution to the increase in sales.

Segment profit (operating profit basis) decreased to 304 million yen (down 4.7% year-on-year) owing to deterioration in the cost of sales ratio.

Europe

Sales to outside customers increased significantly to 3,888 million yen (up 12.0% year-on-year).

Sales of the mainstay anti-inflammatory analgesic products decreased due to timing discrepancies in shipments to the Middle East. However, Dax Cosmetics, based in Poland, contributed to the increase in sales due to the strong sales of “Perfecta” and “Hadalabo Tokyo.” In addition, the Company has been developing the eye drop market since 2021 with “Rohto Dry Aid,” whose sales remained strong.

Segment profit (operating profit basis) decreased to 356 million yen (down 32.5% year-on-year) owing to the deterioration of the cost of sales ratio as well as an increase in selling, general and administrative expenses.

Asia

Sales to outside customers increased significantly to 18,091 million yen (up 13.8% year-on-year).

Sales remained strong mainly in Indonesia, Hong Kong, and Taiwan, while sales in China and Vietnam showed signs of recovery, contributing to the increase in sales. Regarding the performance of particular products, “Hadalabo,” sunscreens, and “Selsun” antidandruff shampoo contributed to the increase in sales.

Segment profit (operating profit basis) increased significantly to 4,320 million yen (up 51.2% year-on-year) owing to the increase in sales as well as improvement in the cost of sales ratio and efficient utilization of selling, general and administrative expenses.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year were 408,731 million yen, an increase of 62,556 million yen from the end of the previous fiscal year. This was mainly due to an increase of 45,706 million yen in goodwill, an increase of 13,721 million yen in other, net under property, plant and equipment, and an increase of 9,178 million yen in merchandise and finished goods, while cash and deposits decreased by 15,587 million yen.

Total liabilities were 151,481 million yen, an increase of 52,342 million yen from the end of the previous fiscal year. The main factors were an increase of 21,233 million yen in short-term borrowings and an increase of 14,141 million yen in long-term borrowings, while accrued expenses decreased by 1,596 million yen.

Net assets totaled 257,249 million yen, an increase of 10,213 million yen from the end of the previous fiscal year. This was mainly due to increases in foreign currency translation adjustment and retained earnings of 6,282 million yen and 5,349 million yen, respectively, while capital surplus decreased by 1,444 million yen.

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

(Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
Previous forecast (A)	Millions of yen 300,000	Millions of yen 43,000	Millions of yen 44,000	Millions of yen 32,000	Yen 140.27
Revised forecast (B)	320,000	43,200	44,200	32,200	141.14
Change (B – A)	20,000	200	200	200	-
Percentage change (%)	6.7	0.5	0.5	0.6	-

The Company has revised the consolidated financial earnings forecast announced on May 13, 2024 to reflect the earnings of Eu Yan Sang International Ltd. and Mono chem-pharm Produkte GmbH, whose shares the Company has acquired as was announced in the first quarter, in the consolidated earnings forecast from the third quarter onwards. Net sales, operating profit, ordinary profit, and profit attributable to owners of parent are all expected to exceed the previous forecast, resulting in increased sales and profits. The expected exchange rates remain unchanged at 148 yen to the US dollar and 20 yen to the Chinese yuan.

For details, please refer to the “Notice of Revision of Earnings Forecast and Dividend Forecast (Dividend Increase)” announced today (August 7, 2024).

*The above forecasts are based on information available as of the date of announcement. Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	89,210	73,623
Notes and accounts receivable - trade	44,744	46,395
Electronically recorded monetary claims - operating	24,779	21,566
Merchandise and finished goods	26,414	35,593
Work in process	3,914	4,759
Raw materials and supplies	16,329	19,446
Other	9,773	10,740
Allowance for doubtful accounts	(408)	(437)
Total current assets	214,759	211,687
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,871	31,257
Other, net	38,736	52,458
Total property, plant and equipment	68,607	83,716
Intangible assets		
Goodwill	2,285	47,992
Other	6,931	8,557
Total intangible assets	9,217	56,549
Investments and other assets		
Investment securities	44,337	48,282
Other	16,262	15,660
Allowance for doubtful accounts	(7,008)	(7,165)
Total investments and other assets	53,590	56,777
Total non-current assets	131,415	197,043
Total assets	346,175	408,731

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,991	21,182
Electronically recorded obligations - operating	4,132	4,672
Short-term borrowings	5,304	26,538
Accrued expenses	21,985	20,389
Income taxes payable	5,071	4,077
Provision for bonuses	3,685	2,812
Provision for bonuses for directors (and other officers)	50	12
Other	29,865	39,852
Total current liabilities	87,087	119,536
Non-current liabilities		
Long-term borrowings	5,190	19,332
Retirement benefit liability	2,548	2,729
Provision for loss on guarantees	37	19
Other	4,275	9,863
Total non-current liabilities	12,051	31,944
Total liabilities	99,138	151,481
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	4,516	3,071
Retained earnings	209,399	214,749
Treasury shares	(4,939)	(4,939)
Total shareholders' equity	215,480	219,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,276	12,581
Foreign currency translation adjustment	18,594	24,876
Remeasurements of defined benefit plans	591	559
Total accumulated other comprehensive income	30,461	38,018
Share acquisition rights	382	382
Non-controlling interests	710	(537)
Total net assets	247,036	257,249
Total liabilities and net assets	346,175	408,731

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	61,171	68,356
Cost of sales	25,399	29,280
Gross profit	35,772	39,076
Selling, general and administrative expenses	24,479	27,285
Operating profit	11,292	11,790
Non-operating income		
Interest income	316	439
Dividend income	257	289
Share of profit of entities accounted for using equity method	74	1
Reversal of allowance for doubtful accounts	246	-
Other	307	133
Total non-operating income	1,202	865
Non-operating expenses		
Interest expenses	46	65
Provision of allowance for doubtful accounts	-	165
Loss on investments in investment partnerships	77	20
Other	127	131
Total non-operating expenses	252	382
Ordinary profit	12,242	12,273
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	39
Total extraordinary income	-	39
Extraordinary losses		
Impairment losses	-	16
Loss on valuation of investment securities	-	201
Total extraordinary losses	-	218
Profit before income taxes	12,242	12,094
Income taxes	2,990	3,609
Profit	9,252	8,484
Profit attributable to non-controlling interests	161	1
Profit attributable to owners of parent	9,090	8,482

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	9,252	8,484
Other comprehensive income		
Valuation difference on available-for-sale securities	2,000	1,306
Foreign currency translation adjustment	2,479	6,312
Remeasurements of defined benefit plans, net of tax	(2)	(32)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	4,477	7,586
Comprehensive income	13,729	16,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,534	16,039
Comprehensive income attributable to non-controlling interests	195	32

(3) Notes to Quarterly Consolidated Financial Statements

Changes in Accounting Policies

Application of "Accounting Standard for Current Income Taxes," etc.

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereafter referred to as the "Revised Accounting Standard of 2022") and other relevant standards from the beginning of the first quarter of the current fiscal year.

With regard to revisions to categories for recording current income taxes (taxation on other comprehensive income), the Company complies with the transitional treatment stipulated in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment stipulated in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereafter referred to as the "Revised Guidance of 2022"). These changes in the accounting policy do not affect the quarterly consolidated financial statements.

In addition, since the beginning of the first quarter of the current fiscal year, the Revised Guidance of 2022 has also been applied to the amendments related to the review of the treatment in consolidated financial statements when profits or losses arising from the sale of subsidiary shares, etc. between consolidated companies are deferred for tax purposes. These changes in the accounting policy have been applied retroactively, and the quarterly consolidated financial statements and the consolidated financial statements for the previous fiscal year reflect the changes that have been applied retroactively. These changes in the accounting policy do not affect the quarterly consolidated financial statements and the consolidated financial statements for the previous fiscal year.

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

Calculation of tax expense

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

Segment Information

I. Prior First Quarter (Apr. 1, 2023 – Jun. 30, 2023)

1. Information related to net sales and profit and disaggregation of revenue 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	Americas	Europe	Asia	Subtotal				
Net sales									
Revenue from contracts with customers	36,899	4,234	3,470	15,890	60,495	676	61,171	—	61,171
(1) Sales to customers	36,899	4,234	3,470	15,890	60,495	676	61,171	—	61,171
(2) Inter-segment sales and transfers	775	411	29	1,076	2,293	12	2,306	-2,306	—
Total	37,675	4,646	3,500	16,967	62,789	688	63,478	-2,306	61,171
Segment profit	7,323	319	528	2,857	11,028	65	11,093	199	11,292

Notes: 1. "Americas" includes the business activities of overseas entities in the U.S., 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 199 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 First Quarter (Apr. 1, 2024 – Jun. 30, 2024)

1. Information related to net sales and profit and disaggregation of revenue 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	Americas	Europe	Asia	Subtotal				
Net sales Revenue from contracts with customers	40,534	5,015	3,888	18,091	67,530	826	68,356	―	68,356
(1) Sales to customers	40,534	5,015	3,888	18,091	67,530	826	68,356	―	68,356
(2) Inter-segment sales and transfers	925	486	32	1,188	2,633	28	2,661	-2,661	―
Total	41,460	5,502	3,920	19,280	70,163	854	71,018	-2,661	68,356
Segment profit	6,565	304	356	4,320	11,547	56	11,603	187	11,790

Notes: 1. "Americas" includes the business activities of overseas entities in the U.S., 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 187 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

In the Asia segment, the Company acquired shares in Eu Yan Sang International Ltd., making it a consolidated subsidiary. The increase in goodwill resulting from this event was 44,792 million yen for the first quarter of the current fiscal year.
The Japan segment recorded impairment loss on non-current assets. The impairment loss recorded for the first quarter of the current fiscal year was 16 million yen.

3. Information on assets by reportable segments

During the first quarter of the current fiscal year, the Company acquired shares in Eu Yan Sang International Ltd. and included it in the scope of consolidation. This, in conjunction with other factors, resulted in increases of 99,465 million yen in the assets of the Asia segment and 335 million yen in the assets of the Others segment compared to the end of the previous fiscal year.

Significant Changes in Shareholders' Equity

No reportable information.

Going Concern Assumption

No reportable information.

Notes to Statements of Cash Flows

The Company has not prepared a quarterly consolidated statements of cash flows for the first quarter of the current fiscal year. Depreciation (including amortization related to intangible assets other than goodwill), and amortization of goodwill for the three months ended June 30 are as shown below.

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,907	2,155
Amortization of goodwill	103	91

Changes in the Scope of Consolidation and the Scope of Application of Equity Method

Significant changes in the scope of consolidation

Starting from the first quarter of the current fiscal year, Soar R2M Pte. Ltd., which the Company has newly established, and Eu Yan Sang International Ltd and 36 other companies, whose shares it has newly acquired, have been included in the scope of consolidation.

Significant changes in the scope of application of equity method

Starting from the first quarter of the current fiscal year, CAFÉ COMPANY Inc. has been excluded from the scope of application of equity method due to the sale of its shares by the Company.

Business Combination, etc.

Business combination through acquisition

1. Outline of the business combination

(1) Name of the acquired company and description of its business

Name of the acquired company: Eu Yan Sang International Ltd.

Description of business: Manufacture and sale of Chinese herbal medicines, food, etc.

(2) Main reasons for the business combination

We are developing business based on our purpose, that is, to lead all individuals and society surrounding us to "well-being" by delivering "health" to people around the world through our products and services. Under the Business Domain Vision 2030, we aim to further expand and strengthen our core businesses of OTC drugs, skincare, and food. By product and service sales, the skincare business currently accounts for 65% of net sales. In order to offer solutions for all aspects of health, however, it is essential to further strengthen OTC drugs and food businesses, and further growth is expected in the Asian region, which accounts for approximately 30% of sales by region. By combining the strong competitiveness of Eu Yan Sang International Ltd.'s products and brand in Asia with our R&D and sales capabilities, we aim to create an innovative business and realize an unprecedented health business.

(3) Date of business combination

June 3, 2024 (Deemed acquisition date: June 30, 2024)

(4) Legal form of business combination

Share acquisition in cash

(5) Name of company after combination

No change

(6) Percentage of voting rights acquired

85.91%

(7) Primary reason for determining the acquiring company

Acquisition of shares in cash by the Group

2. The period of financial results of the acquired company included in the quarterly consolidated financial statements for the quarterly consolidated accounting period

Since June 30, 2024 is the deemed acquisition date, and only the balance sheets are consolidated for the first quarter of the current fiscal year, the financial results of the acquired company are not included.

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	694.5 million Singapore dollars (80,840 million yen)
Acquisition cost		694.5 million Singapore dollars (80,840 million yen)

4. Description and amount of major acquisition-related costs

Advisory fees, etc. 196 million yen

5. Amount and cause of goodwill, amortization method, and amortization period

(1) Resulting amount of goodwill

44,792 million yen

The amount above is provisionally calculated since the allocation of the acquisition cost has not been complete at the end of the first quarter of the current fiscal year.

(2) Cause

The goodwill is based on the excess earning power expected as a result of future business expansion.

(3) Method and period of amortization

Straight-line amortization over 20 years

** 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.*