February 12, 2025

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2025

(Nine Months Ended December 31, 2024)

[Japanese GAAP]

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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 Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	225,895	12.3	32,267	(8.5)	33,383	(10.4)	24,806	(5.2)
December 31, 2023	201,163	14.1	35,262	23.3	37,247	26.1	26,157	20.9

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 26,099 million [(28.5)%]
Nine months ended December 31, 2023: ¥ 36,479 million [4.5%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2024	108.73	108.42
December 31, 2023	114.66	114.33

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	403,859	267,179	63.3
March 31, 2024	346,175	247,036	71.0

(Reference) Equity: As of December 31, 2024: ¥ 255,688 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	-	16.00	-		
Fiscal year ending March 31, 2025 (Forecast)				20.00	36.00

(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 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	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: None

* Notes:

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

Newly included: 44 (Company name: Soar R2M Pte. Ltd., Rohto-Mentholatum Austria GmbH, Eu Yan Sang International Ltd., and 41 others)

Excluded: 2 (Company name: Mentholatum Shanghai Cosmetics Company Ltd. and 1 other)

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):

December 31, 2024: 236,178,310 shares
March 31, 2024: 236,178,310 shares

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

December 31, 2024: 8,039,572 shares
March 31, 2024: 8,039,532 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 228,138,753 shares
Nine months ended December 31, 2023: 228,138,911 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 nine months of the current fiscal year, the Japanese economy failed to achieve a full-fledged economic recovery, despite a modest pick-up in personal consumption owing to improvements in the employment and income environment and increased visitors from abroad. On the other hand, the outlook of the Japanese economy is still uncertain on account of future trends of US policy, continued concerns of a slowdown in overseas economies, persistent instability in financial markets, such as with exchange rate and stock price fluctuations, and rising domestic prices due to soaring resource and materials prices against the backdrop of the protracted conflict in Ukraine, and other factors.

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 225,895 million yen (up 12.3% year-on-year). In Japan, sales increased, reflecting product proposals that meet customer needs as well as rising inbound demand. Overseas, sales also increased due to product proposals that meet customer needs, depreciation of the yen and addition of Singapore Chinese herbal medicine manufacturing and sales company Eu Yan Sang International Ltd. and Mono chem-pharm Produkte GmbH, based in Austria, whose shares were newly acquired by the Company, to the scope of consolidation.

Profits decreased as a result of a rising cost of sales ratio as well as increased selling, general and administrative expenses due to a planned increase in research and development expenses, resulting in operating income of 32,267 million yen (down 8.5% year-on-year), ordinary income of 33,383 million yen (down 10.4% year-on-year), and profit attributable to owners of parent of 24,806 million yen (down 5.2% year-on-year).

Results by reportable segment are as follows.

Japan

Sales to outside customers increased to 126,245 million yen (up 6.9% year-on-year).

Sales were brisk for new lip balm products and “Rohto V5” supplements, and sales remained strong for “Hadalabo” skincare products, “Melano CC,” and high-end eye drops. Among the domestic group companies, Rohto Nitten Co., Ltd. and Qualitech Pharma Co., Ltd., in particular, contributed to sales growth.

Segment profit (operating income basis) decreased to 18,483 million yen (down 14.7% year-on-year) due to a rising 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 15,147 million yen (up 10.6% year-on-year).

Sales of OTC eye drops were strong in the U.S. and Hydrox Laboratories, which manufactures and sells medical disinfectants and other products, also performed strongly. In addition, our consolidated subsidiaries in Brazil, which experienced strong sales for “Hadalabo,” also made a contribution to the increase in sales.

Segment profit (operating income basis) increased significantly to 1,084 million yen (up 12.4% year-on-year) owing to profit improvements at Hydrox Laboratories and the consolidated subsidiaries in Brazil.

Europe

Sales to outside customers increased significantly to 13,410 million yen (up 27.4% 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,” whose target countries of sale have been expanded. In addition, the Company has been developing the eye drop market since 2021 with “Rohto Dry Aid,” whose sales remained strong. Furthermore, Mono chem-pharm Produkte GmbH has also contributed to sales.

Segment profit (operating income basis) decreased to 977 million yen (down 6.3% year-on-year) due to a decrease in sales of the mainstay

anti-inflammatory analgesic products as well as a rising cost of sales ratio.

Asia

Sales to outside customers increased significantly to 68,547 million yen (up 20.8% year-on-year).

Sales remained strong in Vietnam, Indonesia, and other Southeast Asian countries. In addition, Eu Yan Sang International Ltd. contributed to sales. On the other hand, stricter import regulations in Myanmar led to difficulties in the import of raw materials and products, which resulted in continued significant decrease in sales. Regarding the performance of particular products, “Selsun” antidandruff shampoo, “Hadalabo,” sunscreens, and others contributed to the increase in sales.

Segment profit (operating income basis) was 10,815 million yen (down 0.2% year-on-year), due to amortization of goodwill of Eu Yan Sang International Ltd. as well as the decrease in sales in Myanmar.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year were 403,859 million yen, an increase of 57,684 million yen from the end of the previous fiscal year. This was mainly due to an increase of 43,731 million yen in goodwill, an increase of 15,327 million yen in other, net under property, plant and equipment, and an increase of 9,865 million yen in merchandise and finished goods, while cash and deposits decreased by 27,497 million yen.

Total liabilities were 136,680 million yen, an increase of 37,541 million yen from the end of the previous fiscal year. The main factors were an increase of 15,713 million yen in short-term borrowings and an increase of 12,597 million yen in long-term borrowings, while accrued expenses decreased by 1,622 million yen.

Net assets totaled 267,179 million yen, an increase of 20,143 million yen from the end of the previous fiscal year. This was mainly due to increases in retained earnings and non-controlling interests of 12,584 million yen and 10,397 million yen, respectively.

(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 August 7, 2024. Results of operations for the nine months trended generally in line with our plan.

*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 December 31, 2024
Assets		
Current assets		
Cash and deposits	89,210	61,713
Notes and accounts receivable - trade	44,744	54,581
Electronically recorded monetary claims - operating	24,779	19,810
Merchandise and finished goods	26,414	36,280
Work in process	3,914	4,821
Raw materials and supplies	16,329	20,154
Other	9,773	8,596
Allowance for doubtful accounts	(408)	(511)
Total current assets	214,759	205,445
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,871	32,760
Other, net	38,736	54,063
Total property, plant and equipment	68,607	86,824
Intangible assets		
Goodwill	2,285	46,017
Other	6,931	8,539
Total intangible assets	9,217	54,556
Investments and other assets		
Investment securities	44,337	48,077
Other	16,262	16,316
Allowance for doubtful accounts	(7,008)	(7,361)
Total investments and other assets	53,590	57,032
Total non-current assets	131,415	198,413
Total assets	346,175	403,859

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,991	20,277
Electronically recorded obligations - operating	4,132	3,653
Short-term borrowings	5,304	21,018
Accrued expenses	21,985	20,363
Income taxes payable	5,071	5,452
Provision for bonuses	3,685	2,324
Provision for bonuses for directors (and other officers)	50	37
Other	29,865	33,546
Total current liabilities	87,087	106,672
Non-current liabilities		
Long-term borrowings	5,190	17,788
Retirement benefit liability	2,548	2,696
Provision for loss on guarantees	37	-
Other	4,275	9,522
Total non-current liabilities	12,051	30,007
Total liabilities	99,138	136,680
Net assets		
Shareholders' equity		
Share capital	6,504	6,504
Capital surplus	4,516	-
Retained earnings	209,399	221,983
Treasury shares	(4,939)	(4,939)
Total shareholders' equity	215,480	223,548
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,276	11,296
Foreign currency translation adjustment	18,594	20,281
Remeasurements of defined benefit plans	591	561
Total accumulated other comprehensive income	30,461	32,139
Share acquisition rights	382	382
Non-controlling interests	710	11,108
Total net assets	247,036	267,179
Total liabilities and net assets	346,175	403,859

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	201,163	225,895
Cost of sales	83,743	96,898
Gross profit	117,419	128,997
Selling, general and administrative expenses	82,156	96,729
Operating income	35,262	32,267
Non-operating income		
Interest income	1,095	982
Dividend income	470	545
Share of profit of entities accounted for using equity method	69	154
Other	1,058	728
Total non-operating income	2,694	2,412
Non-operating expenses		
Interest expenses	180	564
Foreign exchange losses	-	55
Provision of allowance for doubtful accounts	-	352
Loss on investments in investment partnerships	165	-
Other	363	323
Total non-operating expenses	710	1,296
Ordinary income	37,247	33,383
Extraordinary income		
Gain on sale of investment securities	-	2,224
Gain on sale of shares of subsidiaries and associates	-	39
National subsidies	230	55
Total extraordinary income	230	2,318
Extraordinary losses		
Impairment losses	-	16
Loss on tax purpose reduction entry of non-current assets	230	55
Loss on valuation of investment securities	676	811
Loss on valuation of shares of subsidiaries and associates	-	23
Total extraordinary losses	906	906
Income before income taxes	36,570	34,795
Income taxes	10,039	10,183
Net income	26,530	24,611
Profit (loss) attributable to non-controlling interests	372	(194)
Profit attributable to owners of parent	26,157	24,806

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

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net income	26,530	24,611
Other comprehensive income		
Valuation difference on available-for-sale securities	1,538	20
Foreign currency translation adjustment	8,416	1,498
Remeasurements of defined benefit plans, net of tax	(7)	(30)
Share of other comprehensive income of entities accounted for using equity method	1	(1)
Total other comprehensive income	9,948	1,487
Comprehensive income	36,479	26,099
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36,012	26,484
Comprehensive income attributable to non-controlling interests	467	(384)

(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.

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.

Notes to Statements of Cash Flows

The Company has not prepared a quarterly consolidated statements of cash flows for the third quarter of the current fiscal year. Depreciation (including amortization related to intangible assets other than goodwill), and amortization of goodwill for the nine months ended December 31 are as shown below.

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	6,009	7,660
Amortization of goodwill	295	838

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.
Starting from the second quarter of the current fiscal year, Rohto-Mentholatum Austria GmbH, which the Company has newly established, and Mono chem-pharm Produkte GmbH and 3 other companies, whose shares it has newly acquired, have been included in the scope of consolidation. Additionally, Mentholatum Shanghai Cosmetics Company Ltd. has been excluded from the scope of consolidation due to liquidation.

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.

Segment Information

I. Prior Third Quarter (Apr. 1, 2023 – Dec. 31, 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	America	Europe	Asia	Subtotal				
Net sales Revenue from contracts with customers	118,078	13,699	10,528	56,748	199,055	2,107	201,163	—	201,163
(1) Sales to customers	118,078	13,699	10,528	56,748	199,055	2,107	201,163	—	201,163
(2) Inter-segment sales and transfers	2,417	1,253	106	3,461	7,239	37	7,277	(7,277)	—
Total	120,495	14,953	10,634	60,210	206,294	2,145	208,440	(7,277)	201,163
Segment profit	21,660	964	1,042	10,839	34,507	200	34,708	554	35,262

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 554 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, 2024 – Dec. 31, 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	America	Europe	Asia	Subtotal				
Net sales Revenue from contracts with customers	126,245	15,147	13,410	68,547	223,351	2,543	225,895	―	225,895
(1) Sales to customers	126,245	15,147	13,410	68,547	223,351	2,543	225,895	―	225,895
(2) Inter-segment sales and transfers	2,836	1,473	123	4,117	8,550	69	8,619	(8,619)	―
Total	129,082	16,621	13,533	72,664	231,902	2,612	234,515	(8,619)	225,895
Segment profit	18,483	1,084	977	10,815	31,361	210	31,571	696	32,267

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, Austria, and others; and "Asia" those in China, Singapore, Malaysia, 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 696 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 nine months of the current fiscal year.
In the Europe segment, the Company acquired shares in Mono chem-pharm Produkte GmbH, making it a consolidated subsidiary. The increase in goodwill resulting from this event was 1,715 million yen for the nine months of the current fiscal year.
The Japan segment recorded impairment loss on non-current assets. The impairment loss recorded for the nine months 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., making it a consolidated subsidiary. Additionally, during the second quarter of the current fiscal year, the Company acquired shares in Mono chem-pharm Produkte GmbH, making it a consolidated subsidiary. These resulted in increases of 53,293 million yen in the assets of the Asia segment, 10,766 million yen in the assets of the Europe segment, and 340 million yen in the assets of the Others segment for the nine months of the current fiscal year, compared to the end of the previous fiscal year.

** 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.*