

The Mentholatum Company Limited

Annual report and financial statements

Registered number 00197071

28 February 2021

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Directors and advisers

Directors	S Hossenlopp RWO Yateman M A Misztak L McColgan M Saito
Secretary	L McColgan
Auditor	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered office	Tricor Suite 4 th Floor 50 Mark Lane London EC3R 7QR
Bankers	Barclays Bank PLC Aurora 1 st Floor 120 Bothwell Street Glasgow G2 7JT

Strategic report

The directors present their Strategic report for the year ended 28 February 2021.

Principal activities

The company's core activities during the year continued to be the manufacture and supply of pharmaceutical and other consumer healthcare products. Mentholatum specialises in family healthcare, producing the UK's No. 1 selling pain relief heat and freeze brands, helping people manage muscular and joint pain.

Review of business and future prospects

Situated in East Kilbride, Scotland, The Mentholatum Company Ltd specialises in the manufacture and supply of high quality healthcare products. From this site it manufactures and markets its products for sale in the UK, Europe, Africa and the Middle East. It is an acknowledged leader in the sale of topical pain relief products, in particular the iconic Deep Heat and Deep Freeze brands. In addition, it produces Deep Relief, and non-medicinal products such as Muscle Rescue and Regenovex. The successful addition of the Hada Labo Tokyo (HLT) skincare brand to our portfolio has contributed to sales growth and added diversity and opportunity to our business growth strategy.

Innovation is at the heart of what it does. As an industry leader which truly understands the everyday needs of its consumers, Mentholatum continually improves its products to fulfil its regulatory obligations and achieve the highest standards of quality. The company's research and development team of health scientists constantly investigates new ingredients and formulations to enhance performance, helping to keep people healthy and active throughout all stages of life. It continues to invest in R&D and the directors regard such investment as necessary for the continued success of the business, in both the medium and long term.

The company has achieved another satisfactory result for the year to 28 February 2021, against very challenging competitive and trading environments. Turnover decreased by £3.7 million from £35.2 million in 2020 to £31.5 million in the year to 28 February 2021. This 10.5% decrease on the prior year is due to the dual impact of uncertainty around Brexit and other regulatory changes, coupled with the coronavirus pandemic, which prevailed through the whole of the financial year.

The company's key measurement of effectiveness of its operations are Gross Margin and Operating Income. Gross Profit decreased from £17.5 million in 2020 to £16.5 million in 2021 due to lower sales, however Gross Margin increased from 49.6% to 52.2% in the same period. The main contributors to improved profitability are a change in product mix, less raw material price volatility and maintaining good factory efficiencies. Operating profit increased from £3.0 million (8.4%) in the previous year to £3.7 million (11.6%) due to strict cost control measures implemented from the beginning of the pandemic.

The business remains strong and anticipates that sales will return to pre Covid-19 levels as retailers and consumers adjust to the environment where restrictions should be reduced as a vaccine is deployed across the country. The future sales position will see a modest growth as HLT reaches a steady rate of sale and our topical analgesics business returns to a normal demand pattern. In terms of the OTC market, we have seen products which are reliant on a cough and cold season experiencing significant declines, however, products such as Deep Heat, Deep Freeze and Deep Relief have seen a greater resilience, despite the category declining in volume this year. The enforced UK national lockdown and work from home directive by the UK government have prompted a more active nation, resulting in an increase of minor injuries and benefiting products which fit into the minor ailment category of topical analgesics such as our Deeps portfolio.

Other financial performance indicators:

	2021	2020	Measure
Financial			
Return on capital	14.1%	13.0%	Profit before tax/net assets
Current ratio	3.70	3.17	Current assets: current liabilities
Stock turnover	2.20	2.80	Cost of sales/average stock
Sales per employee (£000)	306	342	Turnover/average number of employees
Operating profit per employee (£000)	35	29	Operating profit/average number of employees

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the company's environmental impact and energy consumption.

Non-financial

Lost time accidents	nil	nil	Reportable accidents
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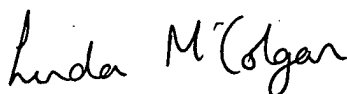
Strategic report (continued)

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- **Covid-19 pandemic:** The COVID-19 global pandemic significantly impacted the UK economy beginning in March 2020 when the government implemented various measures to control the spread of the virus. Mitigating the unfavourable impacts caused by Covid-19 required the business to adapt to new ways of working in order to keep our employees safe whilst managing to ensure continuity of supply to our customers. Despite periods of severe lockdown across large areas of the UK, Mentholatum maintained near normal operating levels in its manufacturing, laboratory and warehouse facilities, and sales remained buoyant throughout fiscal 2020-21, giving us confidence of our robustness to maintain strong market share throughout the pandemic. We focus on operating efficiently within the constraints placed upon us, whilst taking all necessary measures to protect our colleagues and the sustainability of our products through this unprecedented event. One year into this period of disruption, with an established and diversified customer and product base, the Company remains in a profitable position, with a cash generative model and a strong balance sheet.
- **Brexit:** the result of the UK's decision to leave the European Union has had an impact on the business. The Company continues to monitor and assess the complexities of post Brexit trading activities. Despite a No Deal outcome being avoided, the business will still feel a significant impact due to the lack of any Mutual Recognition Agreement (MRA) being in place. Therefore, planning for a "No Deal" scenario, which had significant implications on resource (time and cost) was a good decision and has avoided some potential issues. Preparations continue through 2021 as the Company is legally required to transfer its MAs (Marketing Authorisations) across to an EU entity to be able to maintain continuity of supply. This process has been established using a trusted partner in Germany. In addition, mandatory QC and QP procedures add cost and time to the supply chain and product release processes.
- **Raw material availability and prices:** the company monitors raw material sources on a global basis and negotiates forward purchase contracts, where appropriate, with key suppliers. Continuity of supply is essential to the continuous operations of the business and the company seeks to second source all of its key raw material and packaging components.
- **The effect of legislation or other regulatory activities:** the company monitors forthcoming and current legislation regularly. All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third-party rights.
- **Debtors:** the company is exposed to the risk of default by its trade debtors. The directors manage this risk through maintaining strong relationships with each of its key customers, establishing rigorous credit control processes and ongoing monitoring of trade debtors to identify any bad debt exposure. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the company maintains credit insurance for its export businesses in Europe, Africa and the Middle East, whereby the majority of outstanding debts are insured.
- **Major disruption/disaster:** business continuity planning is reviewed regularly.
- **Competitive risk:** the company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the magnitude of any negative effect on Mentholatum arising from action by any single competitor.

On behalf of the board



L McColgan
Director

1 Redwood Avenue
Peel Park Campus
East Kilbride
Glasgow
G74 5PE

30 June 2021

Directors' report

The directors present their annual report and audited financial statements of The Mentholatum Company Ltd for the year ended 28 February 2021.

Results and dividends

The profit for the year after taxation amounted to £2,721,000 (2020: £2,249,000). A dividend of £nil was paid during the year (2020: £nil). The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year, and up to the date of this report, are as follows:

RWO Yateman
S Hossenlopp
MA Misztak
CM Brown – resigned 14th December 2020
L McColgan
M Saito

During the year, the company maintained liability insurance for its directors.

The directors retiring by rotation are M Saito and RWO Yateman who, being eligible, offer themselves for re-election.

Financial instruments

The company's policy is to minimise the use of complex financial instruments.

Research and development

The company has a commitment to organic growth necessitating a focused development programme of new products and commercial claims. Resources will continue to be enhanced and systems improved to facilitate this strategy. The primary sector for these products is Over-the-Counter (OTC) medicines and other healthcare products in defined categories, intended for sale in the UK, Europe, the Middle East and South Africa.

Future developments

Although 2021 will remain challenging due to the Covid-19 pandemic, the directors are cautiously optimistic. They aim to maintain and evolve the management policies that have resulted in the company's sustained growth in recent years. Particularly as the UK Government's vaccination programme progresses, and as the wider economy emerges from the pandemic, the directors consider that there are opportunities for growth in sales, driven by expansion into new products and new markets, including opportunities in e-commerce. In the UK the TV advertising campaign for Deep Relief helps to drive growth in this product, whilst the increased emphasis on digital media and greater focus on digital marketing, will also fuel sales growth across the portfolio. Opportunities in the Middle East to expand in new and existing markets, with both current and new product ranges, also present encouraging growth potential.

Going concern

The company's business activities and current financial position are contained within this report and the notes to the accounts.

Whilst working capital requirements can fluctuate over the course of a year, cash flow requirements are managed closely. Cash flow forecasts are prepared and reviewed regularly. The day-to-day working capital requirements are met through existing cash resources. At 28 February 2021, the company has cash resources of £13.6 million (2020: £11.1 million).

The Company's cash generation over the year, enabled the return of funds received from the UK Government under the Coronavirus Job Retention Scheme (CJRS) together with withdrawal from the scheme altogether.

In light of the unique and wide-ranging impact of the Covid-19 pandemic, the company has carried out a careful and detailed assessment of going concern. At this time, it is not possible to guide with any accuracy what the impact will be, however appropriate financial modelling, including various downside and upside scenarios, has been undertaken to support the assessment of the business as a going concern. We have also given consideration to the following factors:

- The majority of the company's sales are generated in retail and pharmaceutical outlets which are permitted to stay open by government on the basis that they provide essential services such as food and medicines. We have based our assumptions that social distancing measures will remain in place to some extent in the medium term.
- In the downside scenarios we have assumed 15% - 30% reduction in revenues and a significant increase in working capital days, whilst further actions are available to conserve cash if required.

Directors' report *(continued)*

Our stress testing of the financial model demonstrates that, due to the strength of the balance sheet and the stability of the core business, the company would be able to withstand the impact of these scenarios by making adjustments to its operating plans within the normal course of business. Due to the significant cash resources within the business, and its ability to control marketing and overhead spending to a certain degree, we have been unable to demonstrate any significant threat to the liquidity of the business within the next 12 months, despite the uncertainty of Covid-19.

As of the signing date of these financial statements, remote work and other work arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures. In addition, our capital and financial resources, and overall liquidity position, have not been adversely affected by the Covid-19 pandemic. While it is premature to accurately predict the ultimate impact of Covid-19, we anticipate that our 2021 results will not be adversely impacted.

The directors, having made their own assessment of the company's financial position have a reasonable expectation that the company has adequate financial resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Existence of branches outside the UK

The company has a branch, as defined in section 1046(3) of the Companies Act 2006, outside of the UK in Poland. The business activity of the branch is the supply of pharmaceutical and other consumer healthcare products.

Political and charitable donations

The company made no political donations during the year (2020: *nil*) and charitable contributions totalling £nil (2020: £2,247).

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Re-appointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board



L McColgan
Director

1 Redwood Avenue
Peel Park Campus
East Kilbride
Glasgow
G74 5PE
30 June 2021

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of The Mentholatum Company Limited

Opinion

We have audited the financial statements of The Mentholatum Company Limited for the year ended 28 February 2021 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 February 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of The Mentholum Company Limited *(continued)*

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk.


Independent auditor's report to the members of The Mentholatum Company Limited *(continued)*

- We incorporated data analytics into our journal entry testing. We have incorporated unpredictability into our testing of manual journals and into our testing of revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved conducting management enquiries, substantively testing the legal expenses account and testing journals identified by specific risk criteria such as round number journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Janie McMinn (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
30 June 2021

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 28 February 2021

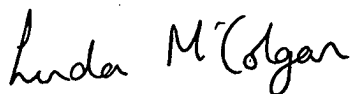
	<i>Note</i>	2021 £000	2020 £000
Turnover	2	31,511	35,196
Cost of sales		(15,049)	(17,739)
Gross profit		16,462	17,457
Distribution costs		(8,751)	(10,098)
Administrative expenses		(4,057)	(4,408)
Operating profit		3,654	2,951
Other interest receivable and similar income	6	2	54
Interest payable and similar expenses	7	(182)	(200)
Profit before taxation		3,474	2,805
Tax on profit	8	(753)	(556)
Profit for the financial year		2,721	2,249
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of the net defined benefit liability		479	(633)
Income tax on defined benefit liability remeasurement	8	(91)	108
Total other comprehensive income/(expense) for the year		388	(525)
Profit for the year		2,721	2,249
Total comprehensive income for the year		3,109	1,724

All operations in the current and preceding year are continuing.

Balance Sheet
at 28 February 2021

	Note	2021 £000	£000	2020 £000	£000
Fixed assets					
Tangible assets	9	4,713		5,312	
Investments	10	11		11	
			4,724		5,323
Current assets					
Stocks	11	7,783		5,896	
Debtors	12	6,424		8,144	
Cash at bank and in hand		13,606		11,114	
			27,813		25,154
Creditors: amounts falling due within one year	13		(7,515)		(7,938)
Net current assets			20,298		17,216
Total assets less current liabilities			25,022		22,539
Provisions for liabilities					
Deferred tax liability	14	(633)		(474)	
Defined benefit pension asset / (liability)	15	331		(454)	
			(302)		(928)
Net assets			24,720		21,611
Capital and reserves					
Called up share capital	16	1,900		1,900	
Profit and loss account		22,820		19,711	
Equity shareholder's funds			24,720		21,611

These financial statements were approved by the board of directors on 30 June 2021 and were signed on its behalf by:



L McColgan
Director

Company registered number: 00197071

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 March 2019	1,900	17,987	19,887
Total comprehensive income for the period			
Profit or loss	-	2,249	2,249
<i>Other comprehensive income</i>			
Remeasurement of the net pension scheme liability	-	(633)	(633)
Tax on remeasurement of the net pension scheme liability	-	108	108
Total comprehensive income for the period	-	1,724	1,724
Balance at 29 February 2020	1,900	19,711	21,611

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 March 2020	1,900	19,711	21,611
Total comprehensive income for the period			
Profit or loss	-	2,721	2,721
<i>Other comprehensive income</i>			
Remeasurement of the net pension scheme liability	-	479	479
Tax on remeasurement the net of pension scheme liability	-	(91)	(91)
Total comprehensive income for the period	-	3,109	3,109
Balance at 28 February 2021	1,900	22,820	24,720

Notes

(forming part of the financial statements)

1 Accounting policies

The Mentholatum Company Limited (the “Company”) is a private company incorporated, domiciled and registered in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Rohto Pharmaceutical Company Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Rohto Pharmaceutical Company Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 29F Grand Front Osaka Tower B, 3-1 Ofuka-cho, Kita-ku, Osaka 530-0011, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Rohto Pharmaceutical Company Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Whilst working capital requirements can fluctuate over the course of a year, cash flow requirements are managed closely. Cash flow forecasts are prepared and reviewed regularly. The day-to-day working capital requirements are met through existing cash resources. At 28 February 2021, the company has cash resources of £13.6 million (2020: £11.1 million).

The Company’s cash generation over the year, enabled the return of funds received from the UK Government under the Coronavirus Job Retention Scheme (CJRS) together with withdrawal from the scheme altogether.

In light of the unique and wide-ranging impact of the Covid-19 pandemic, the company has carried out a careful and detailed assessment of going concern. At this time, it is not possible to guide with any accuracy what the impact will be, however appropriate financial modelling, including various downside and upside scenarios, has been undertaken to support the assessment of the business as a going concern. We have also given consideration to the following factors:

- The majority of the company’s sales are generated in retail and pharmaceutical outlets which are permitted to stay open by government on the basis that they provide essential services such as food and medicines. We have based our assumptions that social distancing measures will remain in place to some extent in the medium term.
- In the downside scenarios we have assumed 15% - 30% reduction in revenues and a significant increase in working capital days, whilst further actions are available to conserve cash if required.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Our stress testing of the financial model demonstrates that, due to the strength of the balance sheet and the stability of the core business, the company would be able to withstand the impact of these scenarios by making adjustments to its operating plans within the normal course of business. Due to the significant cash resources within the business, and its ability to control marketing and overhead spending to a certain degree, we have been unable to demonstrate any significant threat to the liquidity of the business within the next 12 months, despite the uncertainty of Covid-19.

As of the signing date of these financial statements, remote work and other work arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures. In addition, our capital and financial resources, and overall liquidity position, have not been adversely affected by the Covid-19 pandemic. While it is premature to accurately predict the ultimate impact of Covid-19, we anticipate that our 2021 results will not be adversely impacted.

The directors, having made their own assessment of the company's financial position have a reasonable expectation that the company has adequate financial resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of the Polish branch, which does not have sterling as its functional currency, are translated into sterling at the exchange rate at the reporting date. The income and expenses of the branch are translated into sterling at average exchange rates for the year.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- buildings over 25 years
- vehicles, plant and machinery 3 – 10 years

No depreciation is provided on freehold land or on assets in the course of construction.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Government grants

Amounts received under government grants relating to capital expenditure are credited to deferred income and are released to the profit and loss account over the useful lives of the related assets.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads based on normal operating capacity.

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

The Company operates a defined contribution pension scheme which is available to all staff.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The Company operates a defined benefit scheme which has been closed to new members since 1994.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Where assets have no quoted market price, the fair value is obtained by direct confirmation with the counterparty or asset custodian, which may be based on information such as policy surrender valuations.

1.10 Turnover

Revenue is the net invoiced sales value, after deducting relevant promotional costs and exclusive of value added tax of goods supplied to external customers during the year. Sales are recorded based on the price specified in the sales invoices, net of any agreed discounts and rebates.

Revenue is recognised upon the transfer of title of the product to the buyer, when the amount can be measured reliably, and when it is probable that future economic benefits will flow to the entity. Transfer of title occurs depending upon the shipment terms agreed with the customer. Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the company's customers in respect of these discounts and rebates, based on historical experience.

Notes (continued)

1 Accounting policies (continued)

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Notes (continued)

1 Accounting policies (continued)

1.14 Dividends of shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.15 Interest capitalisation

For assets under construction, interest is capitalised in fixed assets up until the date of practical completion. From that date interest is charged to the profit and loss account.

2 Turnover

Turnover which is attributable to one continuing activity, the manufacture and supply of pharmaceutical products, is based on the invoiced value of sales to customers and is exclusive of value added tax.

	2021 £000	2020 £000
<i>By geographical market</i>		
United Kingdom	18,797	18,689
Africa	2,274	2,573
Europe	7,445	9,865
Middle East	2,808	3,967
Other	187	102
	<hr/>	<hr/>
Total turnover	31,511	35,196
	<hr/>	<hr/>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	781	722
Research and development expenditure	1,082	1,374
Foreign exchange loss	182	199
Gain on sale of fixed assets	1	-
Rental under operating leases – land and buildings	362	307
– motor vehicles	44	70
Release of government grants	-	(100)
	<hr/>	<hr/>

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	47	45
Amounts receivable by the company's auditor in respect of:		
Assurance services on behalf of the parent undertaking	19	18
All other services	15	11
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Full-time directors and other executives	28	26
Administration	47	48
Production personnel	28	29
	<u>103</u>	<u>103</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	4,643	4,609
Social security costs	508	476
Pension costs (see note 15)	454	425
	<u>5,605</u>	<u>5,510</u>

5 Directors' remuneration

	2021	2020
	£000	£000
Directors' remuneration	561	569
Company contributions to a defined contribution pension scheme	19	21
	<u></u>	<u></u>

The aggregate of remuneration of the highest paid director was £302,000 (2020: £293,000), and company pension contributions of £nil (2020: nil) were made to a defined contribution scheme on his behalf.

The aggregate of remuneration for 3 non-UK Directors who are remunerated through other Rohto Group companies in relation to services rendered to The Mentholatum Company limited was £4,000 (2020: £10,000).

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution scheme	2	2
	<u></u>	<u></u>

6 Other interest receivable and similar income

	2021	2020
	£000	£000
Bank interest	2	54
	<u></u>	<u></u>

Notes (continued)

7 Interest payable and similar expenses

	2021 £000	2020 £000
Foreign exchange loss	182	199
Other interest payable	-	1
	<hr/>	<hr/>
Total interest payable and similar charges	182	200
	<hr/>	<hr/>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	£000	2020 £000	£000
<i>Current tax</i>				
UK corporation tax on income for the period	685		418	
Adjustments in respect of prior periods	-		(1)	
	<hr/>		<hr/>	
Total current tax		685		417
<i>Deferred tax (see note 14)</i>				
Origination and reversal of timing differences	(57)		81	
Adjustments in respect of prior periods	1		6	
Change in rate	65		-	
Deferred tax change in relation to pensions	150		(56)	
	<hr/>		<hr/>	
Total deferred tax		159		31
		<hr/>		<hr/>
Total tax		844		448
		<hr/>		<hr/>

	Current tax £000	2021 Deferred tax £000	Total tax £000	Current tax £000	2020 Deferred tax £000	Total tax £000
Recognised in Profit and loss account	685	68	753	417	139	556
Recognised in other comprehensive income	-	91	91	-	(108)	(108)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	685	159	844	417	31	448
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	2021 £000	2020 £000
Analysis of current tax recognised in profit and loss		
UK corporation tax	672	400
Double taxation relief	13	18
Adjustments in respect of prior periods	-	(1)
	<hr/>	<hr/>
Total current tax recognised in profit and loss	685	417
	<hr/>	<hr/>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate in the profit and loss account

	2021 £000	2020 £000
Profit for the year	2,721	2,249
Total tax expense	753	556
Profit excluding taxation	3,474	2,805
Tax using the UK corporation tax rate of 19% (2020: 19%)	660	533
Increase in the tax rate on deferred tax balances	65	-
Non-deductible expenses	12	34
Pension contributions in excess of profit and loss charge	-	(6)
Under provided in prior years	1	5
Other	15	(10)
Total tax expense included in profit or loss	753	556

The main UK corporation tax rate reduced from 20% to the current rate of 19% on 1 April 2017. The Finance Act 2016 included legislation that would reduce the tax rate further to 17% from 1 April 2020. This rate was enacted when The Finance Act 2016 received Royal Assent on 15 September 2016. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and have not been reflected in the measurement of deferred tax balances at the period end.

9 Tangible fixed assets

	Freehold land and buildings £000	Vehicles, plant and machinery £000	Total £000
Cost			
Balance at 1 March 2020	6,719	9,340	16,059
Additions	5	180	185
Disposals	-	(68)	(68)
Balance at 28 February 2021	6,724	9,452	16,176
Depreciation and impairment			
Balance at 1 March 2020	3,608	7,139	10,747
Depreciation charge for the year	211	570	781
Disposals	-	(65)	(65)
Balance at 28 February 2021	3,819	7,644	11,463
Net book value			
At 1 March 2020	3,111	2,201	5,312
At 28 February 2021	2,905	1,808	4,713

Notes (continued)

9 Tangible fixed assets (continued)

Tangible assets includes £59,000 (2020: £64,000) in respect of capitalised interest of which £nil was capitalised in the year.

Land and Buildings

The net book value of land and buildings includes £178,000 (2020: £178,000) in respect of freehold land on which no depreciation is charged.

10 Fixed asset investments

	£000
Cost	
At the beginning and end of the year	11

The investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

Name of company	Registered address	Nature of business	Country of registration, incorporation and operation	Proportion of allotted ordinary shares held
Mentholatum (Overseas) Limited	Tricor Suite, 4th Floor, 50 Mark Lane, London, EC3R 7QR	Holding company	England	100%
Mentholatum South Africa (Pty) Limited	1st Floor, Silverberg Terrace, Steenberg Office Park, Silverwood Close, Tokai, 7945, South Africa	OTC Pharmaceuticals	South Africa	100%*
Farmacas BV	Herikerbergweg 88, 1101 CM Amsterdam, The Netherlands	Holding company	Netherlands	100%
RCL Investments (Pty) Limited	11 Imam Haron Road, Claremont, Cape Town, 7708, South Africa	Holding company	South Africa	100%*
A.J. North (Pty) Limited	11 Imam Haron Road, Claremont, Cape Town, 7708, South Africa	Manufacturing	South Africa	100%*

*Held by a subsidiary undertaking

In addition to the above subsidiary companies, Mentholatum (Overseas) Limited hold 2% of the issued ordinary share capital of Mentholatum (Nigeria) Limited, a company incorporated and operating in Nigeria. Distribution of undistributed profits of Mentholatum (Nigeria) Limited would require approval by the Central Bank of Nigeria.

11 Stocks

	2021 £000	2020 £000
Raw materials and consumables	2,745	1,743
Work in progress	26	17
Finished goods	5,012	4,136
	<u>7,783</u>	<u>5,896</u>

The difference between purchase price and production cost of stocks and their replacement cost is not material. The amount of inventories recognised as an expense during the period was £14,267,000 (2020: £16,537,000).

Notes (continued)

12 Debtors

	2021 £000	2020 £000
Trade debtors	5,537	7,006
Amounts owed by group companies	517	724
Prepayments and accrued income	370	414
	<u>6,424</u>	<u>8,144</u>

13 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	3,377	3,068
Amounts owed to group companies	91	416
Other taxation and social security	490	422
Corporation tax	76	191
Accruals and deferred income	3,481	3,841
	<u>7,515</u>	<u>7,938</u>

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £000	2020 £000	Liabilities 2021 £000	2020 £000	Net 2021 £000	2020 £000
Accelerated capital allowances	-	-	613	600	613	600
Employee benefits	-	(77)	72	-	72	(77)
Other timing differences	(52)	(49)	-	-	(52)	(49)
	<u>(52)</u>	<u>(126)</u>	<u>685</u>	<u>600</u>	<u>633</u>	<u>474</u>
Tax (assets)/liabilities	52	126	(52)	(126)	-	-
Net of tax liabilities/(assets)	<u>-</u>	<u>-</u>	<u>633</u>	<u>474</u>	<u>633</u>	<u>474</u>

No significant net reversal of deferred tax assets and liabilities is expected to occur in the next reporting period, aside from balances associated with the defined benefit pension scheme which is dependent on movements in actuarial assumptions.

Notes (continued)

15 Employee benefits

The company operates both a defined contribution and a defined benefit pension and life assurance scheme.

Defined benefit pension scheme

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

Net pension asset/(liability)

	2021 £000	2020 £000
Defined benefit obligation	(5,332)	(5,746)
Plan assets	5,663	5,292
Net pension asset/(liability)	331	(454)

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At beginning of year	(5,746)	(5,320)
Interest expense	(95)	(143)
Remeasurement actuarial gains/(losses)	154	(367)
Benefits paid	355	84
At end of year	(5,332)	(5,746)

Movements in fair value of plan assets

	2021 £000	2020 £000
At beginning of year	5,292	5,193
Expected return on plan assets	89	57
Contributions by employer	306	306
Actuarial gains/(losses)	331	(180)
Benefits paid	(355)	(84)
At end of year	5,663	5,292

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Interest on defined benefit pension plan obligation	5	-
Total expense recognised in profit or loss	5	-

Notes (continued)

15 Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000		2020 Fair value £000	%
Cash	243	4%	243	5%
Administration contract	3,818	68%	3,435	65%
Annuities	1,602	28%	1,614	30%
	<u>5,663</u>	<u>100%</u>	<u>5,292</u>	<u>100%</u>
Actual return on plan assets	<u>420</u>		<u>(37)</u>	

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2021 %	2020 %
Discount rate	1.90%	1.70%
Retail price inflation	3.20%	2.85%
Pension in payment increases	3.65%	3.50%

The last full actuarial valuation was published on 8 May 2020 and measured the defined benefit obligations of the scheme as at 1 May 2019. The valuation detailed the company's obligation to the remaining 20 deferred scheme members and defined the required annual contributions from the company. These were agreed by the company on 6 May 2020.

In valuing the liabilities of the pension fund at 28 February 2021, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

- Current pensioner aged 60: 26.6 years (male), 28.3 years (female).
- Future retiree upon reaching 60: 28.4 years (male), 29.5 years (female).

The actuarial valuation of the scheme as at 1 May 2019 showed a funding shortfall (technical provisions minus value of assets) of £421,000. To eliminate this funding shortfall, the Trustees and the Employer agreed that additional contributions would be paid to the scheme of £25,500 per month until October 2020.

Defined contribution plans

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £454,000 (2020: £425,000). Contributions from employees and the company amounting to £44,000 (2020: £35,000) were payable to the scheme and are included in creditors.

Notes (continued)

16 Capital and reserves

Share capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
1,900,000 ordinary shares of £1 each	1,900	1,900

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

The aggregate amount of dividends comprises:

	2021 £000	2020 £000
Interim dividends paid in respect of the current year	-	-

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	381	404
Between one and five years	1,071	1,107
More than five years	1,525	1,870
	2,977	3,381

18 Commitments

Capital commitments

The Company had no capital commitments at year end.

19 Related parties and related undertakings

Identity of related parties with which the Company has transacted

Related parties comprise wholly owned Group companies. Transactions with related parties were carried out at arm's length agreed terms, conditions and prices. The Company has taken advantage of the exemption with FRS 102 Section 33 paragraph 33.1A from the requirement to disclose transactions with other wholly owned companies in the same group.

Transactions with key management personnel

The directors are considered to be key management personnel. Their total remuneration is disclosed in note 5.

The Company's related undertakings are the parent undertakings disclosed in note 20 and subsidiary undertakings disclosed in note 10.

Notes (continued)

20 Ultimate parent company and parent company of larger group of which the company is a member

The ultimate holding company and controlling party is Rohto Pharmaceutical Company Limited, a company incorporated in Japan.

The company's immediate parent undertaking is The Mentholatum Company Inc, a company which is incorporated in the United States of America.

The smallest and largest group in which the results of the company are consolidated is that headed by Rohto Pharmaceutical Company Limited. The consolidated financial statements are available from 29F Grand Front Osaka Tower B, 3-1 Ofuka-cho, Kita-ku, Osaka 530-0011, Japan.

21 Accounting Estimates and Judgements

In the application of the Company's accounting policies, the directors have considered the company's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the company's accounting policies.

Critical accounting policies

The directors are satisfied that the critical accounting policies are appropriate to the company.

Key sources of uncertainty and critical judgements in applying the company's accounting policies

Estimates, judgements and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The company makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered doubtful. In determining whether particular receivable could be doubtful, the following factors are taken into consideration:

- Age of receivable,
- Customer's current financial status; and
- Disputes with customers

Inventory

Management identifies impairment of inventory on an ongoing basis. Impairment and adjustments are raised against inventory when their ability to sell is considered doubtful. In determining whether a particular item of inventory should be impaired, the following factors are taken into consideration:

- Expiry date;
- Year on year sales analysis; and
- Order history

Pensions

The company has obligations with regard to a Defined Benefit pension scheme that has been closed to new members since October 1994. These obligations relate wholly to members with deferred benefits. The cost of these benefits and present value of the obligations depend on a number of factors including life expectancy, asset valuations and the discount rate on corporate bonds. Relevant estimates on these factors are included within the net pension obligation detailed in the balance sheet.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

[Japanese GAAP]

Company name: ROHTO Pharmaceutical Co., Ltd.
 Stock code: 4527
 Representative: Masashi Sugimoto, President and COO
 Contact: Masaya Saito, Vice President and Director
 Telephone: 81-(0) 6-6758-8223

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

Scheduled date of Annual General Meeting of Shareholders: June 24, 2021

Scheduled date of filing of Annual Securities Report: June 25, 2021

Scheduled date of dividend payment: June 10, 2021

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, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	181,287	(3.7)	22,990	(0.4)	23,910	5.2	16,743	8.6
Fiscal year ended Mar. 31, 2020	188,327	2.6	23,085	10.9	22,735	19.8	15,410	57.3

Note: Comprehensive income (Millions of yen): Fiscal year ended Mar. 31, 2021: 19,794 75.6%
 Fiscal year ended Mar. 31, 2020: 11,275 83.7%

	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, 2021	146.78	146.36	11.7	10.8	12.7
Fiscal year ended Mar. 31, 2020	135.13	134.71	11.4	10.9	12.3

Reference: Equity in earnings of affiliates (Millions of yen): Fiscal year ended Mar. 31, 2021: 396
 Fiscal year ended Mar. 31, 2020: (1,192)

Note: The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2020 have been restated accordingly.

(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, 2021	225,790	156,612	68.9	1,363.42
As of Mar. 31, 2020	215,644	140,032	64.4	1,217.67

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2021: 155,525 As of Mar. 31, 2020: 138,899

Note: The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2020 have been restated accordingly.

(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, 2021	20,008	(10,237)	(2,347)	52,254
Fiscal year ended Mar. 31, 2020	19,040	(9,405)	(1,603)	44,665

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, 2020	-	13.00	-	13.00	26.00	2,965	19.2	2.2
Fiscal year ended Mar. 31, 2021	-	13.00	-	15.00	28.00	3,193	19.1	2.2
Fiscal year ending Mar. 31, 2022 (forecast)	-	15.00	-	15.00	30.00		20.0	

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	182,000	0.4	23,100	0.5	23,900	(0.0)	17,100	2.1	149.91

Note 1: 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.

Note 2: As the Company will apply the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29) from the beginning of the fiscal year ending March 31, 2022, the above consolidated earnings forecast is prepared based on such accounting standards.

*** 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, 2021: 118,089,155 shares As of Mar. 31, 2020: 118,089,155 shares

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

As of Mar. 31, 2021: 4,019,044 shares As of Mar. 31, 2020: 4,018,988 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2021: 114,070,140 shares Fiscal year ended Mar. 31, 2020: 114,039,721 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	101,009	(5.1)	13,018	(1.9)	12,564	(12.6)	8,920	27.8
Fiscal year ended Mar. 31, 2020	106,477	2.0	13,264	1.9	14,374	(5.4)	6,978	44.9

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	78.20	77.97
Fiscal year ended Mar. 31, 2020	61.19	61.00

(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, 2021	153,277	114,864	74.7	1,003.60
As of Mar. 31, 2020	146,375	106,337	72.4	928.85

Reference: Shareholders' equity (Millions of yen): As of Mar. 31, 2021: 114,481 As of Mar. 31, 2020: 105,954

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, 2021	181,287	22,990	23,910	16,743
Fiscal year ended Mar. 31, 2020	188,327	23,085	22,735	15,410
Year-on-year change (%)	(3.7)	(0.4)	5.2	8.6

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

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

In total, net sales decreased 3.7% year-on-year to 181,287 million yen. In Japan, despite a temporary economic recovery, sales fell due to factors including a resurgence in Covid-19 infections and the establishment of a mask-wearing culture. On the other hand, sales of Nitten Pharmaceutical Co., Ltd., which became a subsidiary in March 2020, contributed to an increase. Overseas sales decreased in each region due to the impact of the global spread of Coronavirus pandemic.

Regarding profits, operating income decreased slightly by 0.4% year-on-year to 22,990 million yen due to lower sales and higher R&D expenses, despite an efficient use of selling, general and administrative expenses. Due to the higher dividend income and other factors, ordinary income and profit attributable to owners of parent increased 5.2% to 23,910 million yen and 8.6% to 16,743 million yen, respectively, and both reached record highs.

Results by reportable segment are as follows.

(Millions of yen)

		Net sales (Sales to customers)			
		Fiscal year ended Mar. 31, 2020	Fiscal year ended Mar. 31, 2021	Year-on-year change (Amount)	Year-on-year change (%)
Reportable segment	Japan	115,767	115,629	(138)	(0.1)
	America	9,121	7,687	(1,434)	(15.7)
	Europe	8,740	8,149	(590)	(6.8)
	Asia	52,971	48,056	(4,915)	(9.3)
	Subtotal	186,601	179,522	(7,078)	(3.8)
Others		1,726	1,764	38	2.2
Total		188,327	181,287	(7,040)	(3.7)

Japan

Sales to customers decreased 0.1% year-on-year to 115,629 million yen.

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

Segment profit (operating income) fell 1.3% year-on-year to 14,656 million yen. Despite strong sales at Qualitech Pharma Co., Ltd. and efforts to make efficient use of selling, general and administrative expenses, profit declined due to a fall in sales combined with a rise in research and development expenses for prescription drugs.

America

Sales to customers decreased 15.7% year-on-year to 7,687 million yen.

Although sales of eye drops and lip balm were lower because people refrained from going out due to Covid-19, some skincare products such as "Hada-Labo" sold well.

Segment profit (operating income) increased 61.5% year-on-year to 458 million yen due to reductions in advertising expenses, while sales were sluggish.

Europe

Sales to customers decreased 6.8% year-on-year to 8,149 million yen.

Although sales of the leading anti-inflammatory analgesic products and sunscreens decreased due to lockdowns for Covid-19, "Hada-Labo" performed well.

Segment profit (operating income) increased 72.6% year-on-year to 375 million yen due to lower sales promotion and advertising expenses.

Asia

Sales to customers decreased 9.3% year-on-year to 48,056 million yen.

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

Segment profit (operating income) decreased 4.1% year-on-year to 6,926 million yen despite efforts to reduce sales promotion and advertising expenses in a difficult business environment.

Others

In "Others," excluded from reportable segments, sales to customers increased 2.2% year-on-year to 1,764 million yen.

Segment profit (operating income) decreased 17.0% year-on-year to 118 million yen.

Note: The above amounts do not include consumption taxes.

Outlook for the fiscal year ending Mar. 31, 2022

	(Millions of yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending Mar. 31, 2022 (forecast)	182,000	23,100	23,900	17,100
Fiscal year ended Mar. 31, 2021 (results)	172,643	22,973	23,893	16,726
Year-on-year change after adjustment (%)	5.4	0.6	0.0	2.2

*The year-on-year changes after adjustment show the year-on-year changes between the results of the Company and its consolidated subsidiaries for the year ended March 31, 2021 adjusted by applying “Accounting Standard for Revenue Recognition” and the forecast of consolidated earnings for the year ending March 31, 2022.

With Covid-19 continuing to spread, the economic outlook remains highly uncertain. Expectations are growing that vaccinations will bring the virus under control and that various countries will implement fiscal stimulus measures, but the situation remains unpredictable due to the emergence of variant strains and other factors causing further spread of the virus.

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 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.

Based on this outlook, in the fiscal year ending March 31, 2022, we anticipate that net sales will be 182 billion yen, operating income will be 23.1 billion yen, and ordinary income will be 23.9 billion yen. We expect profit attributable to owners of parent to be 17.1 billion yen.

These forecasts are based on an exchange rate of 108 yen to the U.S. dollar.

(2) Overview of Financial Position

Total assets at the end of the current fiscal year increased 10,145 million yen from the end of the previous fiscal year to 225,790 million yen. This was mainly due to increases of 7,656 million yen in cash and deposit, 3,956 million yen in construction in progress and 2,345 million yen in investment securities, while there were decreases of 2,954 million yen in merchandise and finished goods and 1,693 million yen in notes and accounts receivable-trade.

Total liabilities decreased 6,434 million yen from the end of the previous fiscal year to 69,178 million yen. This was mainly due to decreases of 3,063 million yen in accrued expenses and 1,721 million yen in notes and accounts payable-trade, while there were increases of 596 million yen in long-term loans payable and 392 million yen in income taxes payable.

Net assets increased 16,580 million yen from the end of the previous fiscal year to 156,612 million yen. This was mainly due to increases of 13,525 million yen in retained earnings and 2,572 million yen in valuation difference on available-for-sale securities, while there was a decrease of 445 million yen in foreign currency translation adjustment.

The provisional accounting treatment for business combinations has been finalized in the current fiscal year. For comparison, finalized amounts of provisional accounting treatment are reflected on the previous year's financial position.

(3) Overview of Cash Flows

(Millions of yen)			
Item	Fiscal year ended Mar. 31, 2020	Fiscal year ended Mar. 31, 2021	Year-on-year change (Amount)
Cash and cash equivalents at the beginning of the period	37,345	44,665	7,320
Cash flows from operating activities	19,040	20,008	967
Cash flows from investing activities	(9,405)	(10,237)	(832)
Cash flows from financing activities	(1,603)	(2,347)	(744)
Effect of exchange rate changes on cash and cash equivalents	(781)	96	878
Increase (decrease) in cash and cash equivalents	7,250	7,519	269
Increase in cash and cash equivalents from newly consolidated subsidiaries	69	69	(0)
Cash and cash equivalents at the end of the period	44,665	52,254	7,589

During the current fiscal year, there was a net increase of 7,589 million yen in cash and cash equivalents to 52,254 million yen.

Operating activities

Net cash provided by operating activities increased 967 million yen year-on-year to 20,008 million yen. Profit before income taxes was 23,006 million yen, and there were inflow factors of depreciation of 6,376 million yen, a decrease of 3,188 million yen in inventories, a decrease of 2,464 million yen in notes and accounts receivable-trade and impairment loss of 1,609 million yen, while there were outflow factors of income tax paid of 7,798 million yen, a decrease of 2,811 million yen in notes and accounts payable-trade, gain on sales of shares of subsidiaries and associates of 2,707 million yen and the payments for fulfillment of guarantees of 1,735 million yen.

Investing activities

Net cash used in investing activities increased 832 million yen year-on-year to 10,237 million yen. This was mainly due to the purchase of property, plant and equipment of 8,721 million yen, purchase of intangible assets of 1,583 million yen, purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,516 million yen and purchase of investment securities of 1,514 million yen, while there were proceeds from sales and redemption of investment securities of 3,416 million yen and proceeds from withdrawal of time deposits of 634 million yen.

Financing activities

Net cash used in financing activities increased 744 million yen year-on-year to 2,347 million yen. This was mainly due to proceeds from long-term loans payable of 2,883 million yen, while there were cash dividends paid of 2,965 million yen, repayments of long-term loans payable of 1,880 million yen and a net decrease in short-term loans payable of 169 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 appropriately 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 resolution by the Board of Directors, the Company plans to distribute a year-end dividend of 15 yen per share for the fiscal year ended on March 31, 2021. Added to the interim dividend of 13 yen, which has been distributed already, this will bring the annual dividend to 28 yen per share.

For the fiscal year ending on March 31, 2022, with our gratitude to all the shareholders who support us on a regular basis, we plan to pay interim dividends of 15 yen per share, year-end dividends of 15 yen per share bringing the annual total to 30 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, 2020)	Current Fiscal Year End (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	45,307	52,964
Notes and accounts receivable-trade	32,900	31,207
Electronically recorded monetary claims-operating	17,893	16,943
Merchandise and finished goods	16,803	13,848
Work in process	3,517	2,799
Raw materials and supplies	10,903	11,278
Other	3,757	4,315
Allowance for doubtful accounts	(377)	(285)
Total current assets	130,706	133,071
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,089	48,683
Accumulated depreciation	(28,935)	(29,303)
Buildings and structures, net	20,154	19,379
Machinery, equipment and vehicles	51,497	51,474
Accumulated depreciation	(42,313)	(43,434)
Machinery, equipment and vehicles, net	9,184	8,040
Tools, furniture and fixtures	15,055	15,642
Accumulated depreciation	(12,841)	(13,474)
Tools, furniture and fixtures, net	2,213	2,167
Land	13,499	12,887
Construction in progress	2,652	6,609
Other	1,368	1,371
Accumulated depreciation	(533)	(666)
Other, net	835	705
Total property, plant and equipment	48,539	49,790
Intangible assets		
Goodwill	2,445	4,014
Other	2,685	3,520
Total intangible assets	5,130	7,535
Investments and other assets		
Investment securities	23,880	26,226
Long-term loans receivable	3,097	3,361
Deferred tax assets	4,146	4,606
Other	2,869	5,170
Allowance for doubtful accounts	(2,725)	(3,971)
Total investments and other assets	31,268	35,392
Total non-current assets	84,938	92,719
Total assets	215,644	225,790

	(Millions of yen)	
	Prior Fiscal Year End (As of Mar. 31, 2020)	Current Fiscal Year End (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,324	9,603
Electronically recorded obligations-operating	2,919	1,727
Short-term loans payable	2,105	2,312
Accrued expenses	25,629	22,566
Income taxes payable	4,555	4,948
Accrued consumption taxes	1,173	1,190
Provision for bonuses	2,643	2,612
Provision for directors' bonuses	40	30
Provision for sales returns	557	792
Provision for sales rebates	2,178	2,410
Other	8,987	8,277
Total current liabilities	62,117	56,471
Non-current liabilities		
Long-term loans payable	5,190	5,787
Deferred tax liabilities	716	639
Net defined benefit liability	4,317	3,451
Provision for loss on guarantees	1,957	1,675
Other	1,312	1,153
Total non-current liabilities	13,495	12,707
Total liabilities	75,612	69,178
Net assets		
Shareholders' equity		
Capital stock	6,504	6,504
Capital surplus	5,661	5,661
Retained earnings	131,985	145,511
Treasury shares	(4,935)	(4,936)
Total shareholders' equity	139,215	152,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,144	6,717
Foreign currency translation adjustment	(2,617)	(3,062)
Remeasurements of defined benefit plans	(1,843)	(870)
Total accumulated other comprehensive income	(316)	2,784
Subscription rights to shares	382	382
Non-controlling interests	749	704
Total net assets	140,032	156,612
Total liabilities and net assets	215,644	225,790

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statements of Income**

	(Millions of yen)	
	Prior Fiscal Year	Current Fiscal Year
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Net sales	188,327	181,287
Cost of sales	74,135	74,326
Gross profit	114,192	106,960
Provision for sales returns	-	234
Reversal of provision for sales returns	48	-
Gross profit-net	114,240	106,726
Selling, general and administrative expenses		
Promotion expenses	23,533	20,228
Advertising expenses	24,394	20,297
Salaries and bonuses	13,100	13,967
Provision for bonuses	1,195	1,187
Provision for directors' bonuses	40	30
Retirement benefit expenses	662	680
Depreciation	1,226	1,438
Amortization of goodwill	349	372
Research and development expenses	7,050	7,903
Provision for doubtful accounts	(2)	90
Other	19,603	17,540
Total selling, general and administrative expenses	91,154	83,736
Operating income	23,085	22,990
Non-operating income		
Interest income	484	341
Dividend income	510	1,051
Share of profit of entities accounted for using equity method	-	396
Gain on investments in investment partnerships	209	140
Other	403	708
Total non-operating income	1,607	2,639
Non-operating expenses		
Interest expenses	125	145
Share of loss of entities accounted for using equity method	1,192	-
Provision for doubtful accounts	204	1,124
Other	436	448
Total non-operating expenses	1,958	1,718
Ordinary income	22,735	23,910

	Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)	Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)
Extraordinary income		
Gain on change in equity	-	37
Gain on sales of fixed assets	153	-
Gain on sales of investment securities	1,973	29
Gain on sales of shares of subsidiaries and associates	-	2,723
National subsidies	110	-
Total extraordinary income	2,237	2,791
Extraordinary losses		
Loss on disposal of fixed assets	-	82
Loss on tax purpose reduction entry of non-current assets	110	-
Impairment loss	1,052	1,609
Amortization of goodwill	529	-
Loss on valuation of investment securities	1,263	1,484
Loss on sales of shares of subsidiaries and associates	-	16
Loss on valuation of shares of subsidiaries and associates	285	502
Total extraordinary losses	3,241	3,695
Profit before income taxes	21,730	23,006
Income taxes-current	7,492	8,207
Income taxes-deferred	(1,044)	(1,971)
Total income taxes	6,448	6,236
Profit	15,282	16,770
Profit attributable to non-controlling interests	(127)	27
Profit attributable to owners of parent	15,410	16,743

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)	Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)
Profit	15,282	16,770
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,087)	2,572
Foreign currency translation adjustment	(1,271)	(461)
Remeasurements of defined benefit plans, net of tax	(393)	972
Share of other comprehensive income of entities accounted for using equity method	(253)	(59)
Total other comprehensive income	(4,007)	3,024
Comprehensive income	11,275	19,794
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	11,426	19,843
Comprehensive income attributable to non-controlling interests	(150)	(48)

(3) Consolidated Statements of Change in Shareholders' Equity

Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,446	5,603	119,989	(4,935)	127,105
Cumulative effects of changes in accounting policies			(349)		(349)
Restated balance	6,446	5,603	119,639	(4,935)	126,755
Changes of items during period					
Issuance of new shares	57	57			115
Dividends of surplus			(3,078)		(3,078)
Profit attributable to owners of parent			15,410		15,410
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			13		13
Decrease in retained earnings due to exclusion of equity method companies					-
Net changes of items other than shareholders' equity					
Total changes of items during period	57	57	12,345	(0)	12,460
Balance at end of current period	6,504	5,661	131,985	(4,935)	139,215

	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	6,279	(1,161)	(1,449)	3,667
Cumulative effects of changes in accounting policies				
Restated balance	6,279	(1,161)	(1,449)	3,667
Changes of items during period				
Issuance of new shares				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Change in scope of consolidation				
Decrease in retained earnings due to exclusion of equity method companies				
Net changes of items other than shareholders' equity	(2,135)	(1,455)	(393)	(3,984)
Total changes of items during period	(2,135)	(1,455)	(393)	(3,984)
Balance at end of current period	4,144	(2,617)	(1,843)	(316)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	498	917	132,189
Cumulative effects of changes in accounting policies			(349)
Restated balance	498	917	131,839
Changes of items during period			
Issuance of new shares			115
Dividends of surplus			(3,078)
Profit attributable to owners of parent			15,410
Purchase of treasury shares			(0)
Change in scope of consolidation			13
Decrease in retained earnings due to exclusion of equity method companies			-
Net changes of items other than shareholders' equity	(115)	(168)	(4,267)
Total changes of items during period	(115)	(168)	8,193
Balance at end of current period	382	749	140,032

Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,504	5,661	131,985	(4,935)	139,215
Cumulative effects of changes in accounting policies					-
Restated balance	6,504	5,661	131,985	(4,935)	139,215
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			(2,965)		(2,965)
Profit attributable to owners of parent			16,743		16,743
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(205)		(205)
Decrease in retained earnings due to exclusion of equity method companies			(46)		(46)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	13,525	(0)	13,525
Balance at end of current period	6,504	5,661	145,511	(4,936)	152,741

	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	4,144	(2,617)	(1,843)	(316)
Cumulative effects of changes in accounting policies				
Restated balance	4,144	(2,617)	(1,843)	(316)
Changes of items during period				
Issuance of new shares				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Change in scope of consolidation				
Decrease in retained earnings due to exclusion of equity method companies				
Net changes of items other than shareholders' equity	2,572	(445)	972	3,100
Total changes of items during period	2,572	(445)	972	3,100
Balance at end of current period	6,717	(3,062)	(870)	2,784

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	382	749	140,032
Cumulative effects of changes in accounting policies			-
Restated balance	382	749	140,032
Changes of items during period			
Issuance of new shares			-
Dividends of surplus			(2,965)
Profit attributable to owners of parent			16,743
Purchase of treasury shares			(0)
Change in scope of consolidation			(205)
Decrease in retained earnings due to exclusion of equity method companies			(46)
Net changes of items other than shareholders' equity	-	(45)	3,055
Total changes of items during period	-	(45)	16,580
Balance at end of current period	382	704	156,612

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior Fiscal Year	Current Fiscal Year
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	21,730	23,006
Depreciation	6,058	6,376
Impairment loss	1,052	1,609
Amortization of goodwill	879	372
Increase (decrease) in allowance for doubtful accounts	(63)	(233)
Increase (decrease) in provision for bonuses	234	(44)
Increase (decrease) in net defined benefit liability	(66)	384
Increase (decrease) in provision for sales returns	(48)	234
Increase (decrease) in provision for sales rebates	(415)	231
Increase (decrease) in provision for loss on guarantees	215	(11)
Provision for doubtful accounts	204	1,124
Loss on disposal of fixed assets	-	82
Loss (gain) on sales of investment securities	(1,973)	(29)
Loss (gain) on valuation of investment securities	1,263	1,484
Loss on valuation of shares of subsidiaries and associates	285	502
Loss (gain) on sales of subsidiaries and associates	-	(2,707)
National Subsidies	(110)	-
Loss on tax purpose reduction entry of non-current assets	110	-
Loss (gain) on sales of property, plant and equipment	(153)	-
Interest and dividend income	(994)	(1,393)
Interest expenses	125	145
Share of (profit) loss of entities accounted for using equity method	1,192	(396)
Loss (gain) on change in equity	-	(37)
Decrease (increase) in notes and accounts receivable - trade	(4,304)	2,464
Decrease (increase) in inventories	892	3,188
Increase (decrease) in notes and accounts payable - trade	(900)	(2,811)
Other, net	(444)	(5,272)
Subtotal	24,769	28,268
Interest and dividend income received	1,018	1,390
Interest expenses paid	(130)	(143)
Payments for performance of guarantee obligation	-	(1,735)
Income taxes paid	(6,644)	(7,798)
Income taxes refund	27	27
Net cash provided by (used in) operating activities	19,040	20,008

	(Millions of yen)	
	Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)	Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from investing activities		
Payments into time deposits	(886)	(692)
Proceeds from withdrawal of time deposits	739	634
Purchase of property, plant and equipment	(5,586)	(8,721)
Proceeds from sales of property, plant and equipment	2,128	597
Purchase of intangible assets	(847)	(1,583)
Purchase of investment securities	(2,700)	(1,514)
Proceeds from sales and redemption of investment securities	3,615	3,416
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,755)	(1,516)
Subsidies received	110	-
Payments of long-term loans receivable	(343)	(966)
Collection of long-term loans receivable	118	108
Other, net	2	(0)
Net cash provided by (used in) investing activities	(9,405)	(10,237)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,649)	(169)
Proceeds from long-term loans payable	5,032	2,883
Repayments of long-term loans payable	(714)	(1,880)
Cash dividends paid	(3,078)	(2,965)
Cash dividends paid to non-controlling interests	(8)	(0)
Other, net	(184)	(214)
Net cash provided by (used in) financing activities	(1,603)	(2,347)
Effect of exchange rate change on cash and cash equivalents	(781)	96
Net increase (decrease) in cash and cash equivalents	7,250	7,519
Cash and cash equivalents at beginning of period	37,345	44,665
Increase in cash and cash equivalents from newly consolidated subsidiary	69	69
Cash and cash equivalents at end of period	44,665	52,254

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Additional Information**Influence of Covid-19**

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

Business Combinations**Finalization of provisional accounting treatment for business combinations**

In the previous fiscal year, the Company accounted for provisionally its acquisition of Nitten Pharmaceutical Co., Ltd. dated on March 2, 2020. With the completion of the measurement in the current fiscal year, the Company has recognized a significant change to the amount of the acquisition cost initially allocated.

As a result, Other in "Intangible assets" increased largely. Goodwill, provisionally calculated as 2,674 million yen at the previous fiscal year end, decreased by 927 million yen to 1,746 million yen after the accounting treatment was finalized.

Business combination through acquisition**1. Summary of business combination****(1) Name of acquired company and its business outline**

Name of acquired company: Olympus-RMS Corporation (Olympus RMS)

Business outline: Research and development on innovative regenerative medicine and assessment technologies

(2) Primary reasons for business combination

Established in December 2008, Olympus RMS mainly has been engaged in research and development on therapy with autologous cultured chondrocytes implantation. Since November 2018, Olympus RMS has been performing clinical tests of CCI (Cultured Chondrocyte Implantation) kit, an internally developed product, on knee joint cartilage loss cases. CCI kits intend to achieve a minimally invasive treatment, using a biological tissue adhesive (fibrin glue). The purpose of the stock acquisition is to add an orthopaedic element to the development portfolio of regenerative medicine products and to accelerate the growth of the regenerative medicine business into one of the Company's core businesses in the future.

In addition, with synergies arising from the combination of the two companies, Olympus RMS and Rohto, together with Rohto's cell manufacturing technology, the Company expects to reduce manufacturing costs and create new and unique pipelines. Rohto will continue to contribute to medical care by delivering excellent and state-of-the-art regenerative medical products to patients and medical professionals as quickly as possible.

(3) Date of business combination

March 23, 2021 (deemed acquisition date: March 31, 2021)

(4) Legal form of business combination

Acquisition of shares with cash

(5) Name of the acquired company after business combination

Interstem Co., Ltd. (The company name was changed from Olympus RMS Corporation on March 23, 2021.)

(6) Percentage of voting rights acquired

100%

(7) Basis for choosing the acquiring company

Rohto acquired the shares in exchange for consideration in cash.

2. Period of the acquired company's performance included in the consolidated financial statements

As the assumed acquisition date is March 31, 2021, the Company consolidated only the balance sheet of Interstem Co., Ltd. and its statement of income was not consolidated in the current fiscal year.

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

Payment for the acquisition (Cash): 1,622 million yen

Acquisition cost: 1,622 million yen

4. Details of major acquisition-related costs

Attorney and commission fees: - million yen

5. Goodwill resulting from the acquisition

(1) Amount of goodwill

1,972 million yen

The amount is provisionally recognized due to time constraint between the acquisition date and closing date of group reporting. As the Company has not yet determined identifiable assets and liabilities as well as fair value remeasurement at the acquisition date, the allocation of the acquisition cost has not been completed.

(2) Origin of goodwill

Goodwill originates from expected excess earning power from future business developments.

(3) Amortization method and amortization period

Goodwill is amortized by the straight-line method over the period of time in which the benefits are estimated to be consumed.

6. Breakdown of assets acquired and liabilities assumed on the acquisition date

Current assets: 245 million yen

Non-current assets: 0 million yen

Total assets: 246 million yen

Current liabilities: 96 million yen

Non-current liabilities: 500 million yen

Total liabilities: 596 million yen

7. Estimated effect of the business combination on the consolidated statement of income and its calculation method provided that the business combination was completed at the beginning of the current fiscal year

Net sales: 0 million yen

Operating income: (597) million yen

(Method for calculating the estimated impact)

The estimated amount of the effect of the business combination is the difference between consolidated sales and operating income provided that the business combination was completed at the beginning of the current fiscal year and the consolidated sales and operating income of the Company of current fiscal year. This footnote has not been audited.

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 (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, 2019 – Mar. 31, 2020)

(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	115,767	9,121	8,740	52,971	186,601	1,726	188,327	-	188,327
(2) Inter-segment sales and transfers	3,439	1,358	149	3,289	8,237	34	8,271	(8,271)	-
Total	119,206	10,480	8,890	56,261	194,838	1,760	196,599	(8,271)	188,327
Segment profit	14,852	283	217	7,220	22,573	142	22,716	369	23,085
Segment assets	155,199	15,095	8,708	64,329	243,333	1,435	244,769	(29,124)	215,644
Segment liabilities	50,309	3,178	2,083	21,864	77,436	330	77,766	(2,153)	75,612
Other items									
Depreciation	3,991	306	288	1,037	5,623	25	5,649	-	5,649
Amortization of goodwill	53	86	209	-	349	-	349	-	349
Increase in property, plant and equipment and intangible fixed assets	5,803	179	206	817	7,007	62	7,069	-	7,069

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. (1) "Adjustment" to segment profit of 369 million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (29,124) million yen and liabilities of (2,153) million yen indicate an elimination for intersegment transactions.

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

5. In addition to amortization of goodwill as selling, general and administrative expenses, there was "Amortization of goodwill" of 529 million yen as extraordinary loss belonging to "America".

6. The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2020 have been restated accordingly.

Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

(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	115,629	7,687	8,149	48,056	179,522	1,764	181,287	-	181,287
(2) Inter-segment sales and transfers	3,351	1,090	52	3,137	7,632	28	7,660	(7,660)	-
Total	118,980	8,778	8,202	51,193	187,154	1,793	188,947	(7,760)	181,287
Segment profit	14,656	458	375	6,926	22,416	118	22,534	455	22,990
Segment assets	163,761	17,038	8,940	64,885	254,625	1,745	256,371	(30,580)	225,790
Segment liabilities	47,399	2,287	2,319	18,906	70,913	375	71,289	(2,110)	69,178
Other items									
Depreciation	4,268	257	303	1,042	5,872	31	5,904	-	5,904
Amortization of goodwill	227	56	88	-	372	-	372	-	372
Increase in property, plant and equipment and intangible fixed assets	8,695	113	106	1,494	10,410	24	10,434	-	10,434

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. (1) "Adjustment" to segment profit of 455 million yen indicates elimination for intersegment transactions.

(2) "Adjustment" to segment assets of (30,580) million yen and liabilities of (2,110) 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, 2019 – Mar. 31, 2020)

1. Products and services information (Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	40,004	120,072	22,436	5,813	188,327

Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

1. Products and services information (Millions of yen)

	Eye care products	Skincare products	Internal medicines	Others	Total
Sales to customers	42,071	111,063	23,333	4,820	181,287

Impairment loss on fixed assets for each reportable segment

Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)

1. Products and services information (Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Impairment losses on fixed assets	414	637	-	-	1,052	-	-	1,052

Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)

1. Products and services information (Millions of yen)

	Reportable segment					Others	Adjustment	Total
	Japan	America	Europe	Asia	Subtotal			
Impairment losses on fixed assets	1,536	-	-	72	1,609	-	-	1,609

Per-share Information

(Yen)

	Prior Fiscal Year (Apr. 1, 2019 – Mar. 31, 2020)	Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	1,217.67	1,363.42
Basic net income per share	135.13	146.78
Diluted net income per share	134.71	146.36

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, 2019 – Mar. 31, 2020)	Current Fiscal Year (Apr. 1, 2020 – Mar. 31, 2021)
Basic net income per share		
Profit attributable to owners of parent	15,410	16,743
Amount not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	15,410	16,743
Average number of common stock shares outstanding during the period (thousand shares)	114,039	114,070
Diluted net income per share		
Adjusted to profit attributable to owners of parent	-	-
Increase in the number of common stock shares (thousand shares)	354	330
[of which subscription rights to shares (thousand shares)]	[354]	[330]
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, 2020)	Current Fiscal Year End (As of Mar. 31, 2021)
Total net assets on the balance sheets	140,032	156,612
Deduction from total net assets	1,132	1,087
[of which subscription rights to shares]	[382]	[382]
[of which non-controlling interests]	[749]	[704]
Net assets applicable to common stock	138,899	155,525
Number of common stock shares used in calculation of net assets per share (thousand shares)	114,070	114,070

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.

Independent Auditors' Report

June 25, 2021

The Board of Directors
Rohto Pharmaceutical Co., Ltd.

Ernst & Young ShinNihon LLC

Kaname Matsumoto

Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takao Oshitani

Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying consolidated financial statements of Rohto Pharmaceutical Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021 and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements

that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Purchase price allocation for the acquisition of Nitten Pharmaceutical Co., Ltd.	
The Key Audit Matter	How the matter was addressed in our audit
<p>As described in the Note “Business Combinations”, the provisional accounting treatment for the acquisition of Nitten Pharmaceutical Co., Ltd. dated on March 2, 2020 has been finalized in the current fiscal year.</p> <p>As a result, the intangible assets were identified and the goodwill, provisionally calculated as 2,674 million yen at the previous fiscal year end, decreased by 927 million yen to 1,746 million yen after the accounting treatment was finalized.</p> <p>The identified intangible assets are mainly customer-related assets. Assumptions such as the expected future sales and profitability from existing customers, the expected customer defection rate and the discount rate are mainly used to value the customer-related assets.</p> <p>These assumptions are dependent on management judgment and the evaluation of these assumptions requires a high</p>	<p>We mainly conducted the following audit procedures to assess the valuation of intangible assets at the time of acquisition.</p> <ul style="list-style-type: none"> • In order to understand the transaction, we inspected related materials such as the minutes of meetings of the Board of Directors and the share transfer agreement. • We examined the consistency between the purpose of the transaction and the accounting treatment by inquiring the key management concerned in this matter, including President of the company. • Regarding the expected future sales and profitability from existing customers, we reconciled those data with the business plan and also inspected the basic transaction contracts. For the expected customer defection rate, we performed a trend analysis based on actual past performances • We have experts from our network firm

degree of auditors' judgment. In addition, the amount of goodwill is affected by the calculation results. Therefore, we determined the purchase price allocation as a key audit matter.	involved in our work where we examined valuation models and discount rate used to allocate intangible assets.
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Valuation of allowance for doubtful accounts	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Company provides loans to companies inside and outside the Rohto group. Allowance for doubtful accounts of 3,971 million yen was recorded for these long-term loans as of Mar 31, 2021.</p> <p>As described in the “4. Concerning matters pertaining to accounting policies, (3) Standards on recognition of material allowances, ① Allowance for doubtful accounts” to the Note “The significant matters that serve as the basis for preparation of consolidated financial statements”, to provide for losses due to bad debt, the Company records a reserve for specific receivables when those become uncollectible.</p> <p>As described in the Note “Important Accounting Estimates”, the estimated bad debt allowance is calculated based on the evaluation of debtor's financial position as well as the recoverable amount of a real estate held by the debtor when it is sold. The estimated disposal amount of the real estate is considered to be an important accounting estimate, based on the real estate appraisal amount.</p> <p>To evaluate the reasonability of the real estate appraisal, an involvement of</p>	<p>We mainly conducted the following audit procedures regarding the recoverable amount of the real estate held by the debtor.</p> <ul style="list-style-type: none"> • In order to understand the Company's receivable collections policy, we inspected the minutes of meetings of the Board of Directors and inquired the director in charge and the person in charge in the Company. • Regarding the evaluation of debtor's financial position, we inquired the director in charge and the person in charge. • Regarding the market conditions near the end of the fiscal year in the area where the debtor holds the real estate, we inquired the person in charge and compared that information with available external data. In addition, we inspected the agent's report on the real estate sales negotiation. • The management referred to the methodology of the real estate appraisal prepared by experts in order to value the real estate, which would constitute the basis of the recoverable amount. We have experts from our network firm involved in our work to validate the estimate.

specialists is required in the implementation of audit procedures and the evaluation of audit evidence obtained. Therefore, we determined the valuation of allowance for doubtful accounts as a key audit matter.	
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Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence

that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period as the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.