

NEVER SAY NEVER



ROHTO Well-being Report

Integrated Report

2023



Providing well-being to people all over the world through the provision of the value of health

Since our founding, "health" has been Rohto's core value and we have provided many people with accessible "health" through our over-the-counter (OTC) drug products and skincare products.

By extending the healthy life expectancy for each consumer and improving their quality of life, the economic activities of society as a whole will be revitalized.

Increasing social security costs will be curbed, and a sustainable society of healthy longevity will be realized.

The purpose of our company "Rohto" is to lead all individuals and society surrounding us to "well-being" by delivering "health" to people around the world through our products and services.

We will continue to contribute to the well-being of people all over the world through our business activities and aim to realize a sustainable society in which people can live healthy and happy lives.

Well-being as envisioned by Rohto

A state of happiness that is fulfilled in all aspects, including physical health, mental health, social health, and the health of the environment that surrounds them.

Corporate Philosophy

Chapter 1, Article 2 of the Articles of Association

For the people to enjoy their fulfilled and happy life, the Company takes the greatest responsibility to contribute to their mental and physical health continuously, and to attain such responsibility, the Company endeavors to operate its business from a long-term perspective and generate value.

Being fully aware of its mission as a public organ, the Company endeavors to cooperate with all persons surrounding the Company to solve social issues and share with them all benefits gained through such efforts.

Rohto's Corporate Identity

NEVER SAY NEVER

Rohto's NEVER SAY NEVER means that we will continue to challenge the future by focusing on moving forward and taking on challenges, while exceeding the frame of perceived wisdom to make the world a healthier place.

Rohto's Vision

Rohto Group Comprehensive Management Vision 2030

-Connect for Well-being-

"Well-being" means that people feel energized both mentally and physically, and they spend every day filled with laughter and happiness throughout the various stages of their life.

Rohto strives to be innovative in the fields of medicine and skincare products, as well as other business areas, so that people all over the world can experience "Well-being" then together.

In order to fully realize this goal, we closely "connect" members to those inside and outside of company. We also "connect" organizations to each other.

We train our staff members in our chain of trust, so that we can create an organization with a sense of unity and then "connect" them to further people's "well-being".

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Editorial Policy

We are issuing Rohto Well-being Report 2023 in order to help a deeper understanding of our initiatives to increase Rohto's medium- to long-term corporate value for the benefit of all our stakeholders, in particular shareholders and investors. It includes an overview of Rohto, our medium- to long-term strategy centered on Well-being, and ESG information. Any information concerning finances, research and development, or other matters that is not included in this report can be found on our website. <https://www.rohto.co.jp/>

Reporting Period

From April 1, 2022 to March 31, 2023 (some information included also pertains to outside this period)

Please Note

Any business, planning, or strategic information included in this report which is not based on the Company's past performance is a forecast made by management using data that was readily available as of the date of the creation of this report. Therefore, actual results may greatly differ from the forecasts due to various factors that may affect business performance. We appreciate your understanding of this matter.

Message from the President

Well-being management in the pursuit of health and happiness is the source of the Company's growth

'What business strategies are the pillars of Rohto Pharmaceutical's growth?' 'Where are you setting your numerical targets for the future?' These are the kinds of questions that I am often asked.

While, of course, the efforts of our employees are a major contributor, whenever I receive these kinds of questions, I explain that the source of our growth is our well-being management. Our goal of ensuring that our stakeholders are healthy and happy is our very management strategy.

In my message for the ROHTO Well-being Report 2023, I will talk about well-being management as we at Rohto see it.

Masashi Sugimoto

President and Chief Operating Officer



Our mission is to contribute to the beauty and health of people around the world

When we reflect on the history of Rohto Pharmaceutical since the year 2000, we have been steadily expanding our business areas, releasing Obagi, a pioneer in functional cosmetics, in 2001 and venturing into the functional foods area in 2015.

We have progressed even further by embarking on the challenge of prescription medicines in the areas of regenerative medicine and ophthalmology and entering the Contract Development and Manufacturing Organization (CDMO) field. In the Rohto Group Comprehensive Management Vision 2030 ("Management Vision 2030"), which we formulated in 2019, we defined six business areas, namely OTC drugs, skincare, functional foods, ophthalmology, regenerative medicine, and contract development and manufacturing organization (CDMO).

The history of Rohto dates back 124 years, and the image that many people who have known Rohto since before 2000 may have is that of a company that manufactures and sells gastrointestinal drugs such as "Pansiron," eye drops such as "V Rohto" and topical products such as "Mentholatum." However, our business portfolio has changed greatly in the past 20 years, and today, the skincare business accounts for some 60% of total sales.

I am pleased to report that, in the year ended March 31, 2023, we recorded sales of 238.6 billion yen, operating income of 33.9 billion yen, and return on equity

(ROE) of 13.6%. These figures were the highest they have been in the past five years.

Where do the strengths of Rohto Pharmaceutical, with its sustainable growth, lie? Those strengths are, without doubt, the efforts of our employees, our research and development, and our business strategies. However, I would like to stress that, above all else, it is the positioning of well-being as the pillar of our management that is the source of our growth. We clearly expressed this concept of well-being in the slogan for the Management Vision 2030, "Connect for Well-being," in 2019. However, this well-being DNA is not something that began in 2019. Indeed, it is something that has been in place since the company's founding.

Rohto's mission is to contribute to the beauty and health of people around the world. This mission will not change. When we formulated the Management Vision 2030, deriving from that mission, we adopted the word "well-being" as a softer expression that verbalizes in a comprehensive way the concept of a state of happiness that is fulfilled in all aspects, including mental health as well as physical health, and, further, a socially healthy state and the health of the environment that surrounds them.

As we expand the scope of our business fields, we have set out clearly that we will contribute to society by positioning our respective businesses and connecting them within that concept of well-being.

"Selecting" and "diversifying" businesses with well-being

Not only are our businesses connected by our mission of well-being, but we also place importance on the well-being of our employees. I firmly believe that one factor in our growth is the fact that so many of our employees are enjoying their lives in good physical and mental health and pressing forward with their work freely and in an open and natural way. I view not only our business portfolio but also the well-being of our employees as crucial to our well-being management.

I joined Rohto in January 2019, and I was immediately impressed by how many employees have such avidly curious minds. I believe that, in the 124 years of the Company's history, a culture of employees taking on challenges has taken firm root.

That curiosity and spirit of challenge has become the basis for the expansion of our business domains since 2000. However, there is a risk that taking on challenges as far as curiosity leads us could result in the over-extension of our business. For this reason, I believe that my mission as President is to watch to ensure that such challenges are not straying from our pursuit of society's health and happiness and that they are in line with our mission.

"Selection and concentration" is a common theme in corporate management, but here at Rohto, we value "selection and diversification." We "select" the business scope of well-being. On the other hand, when actually rolling out business, we have OTC drugs, skincare, prescription medicines, and regenerative medicine as well. This is where we "diversify."

To take a simple example, on November 29, 2022, we formed a business alliance with AHB Inc., a company that operates Pet Plus pet shops throughout Japan with the philosophy of "realizing a society of happiness and harmony between animals and humans," and launched a companion animal business.

While companion animals may be more conventionally thought of in terms of the more familiar word "pet," there has been a significant change in their purpose, value, and role. The happiness of companion animals, which are an indispensable presence in people's lives, will also lead to the well-being of people. In the same way as humans, we believe that, for companion animals as well, everything stems from their physical and mental health. We will support the health of companion animals by adapting the research and networks we have cultivated to date, while occasionally collaborating with partner companies. We

Message from the President

also envisage the use of regenerative medicine technologies and the development of skincare products. Our decision to call this new business the companion animal business also stems from our belief that viewing

animals as partners to humans brings them within our business scope of well-being.

Business domains of focus can change over time

As we expand into different fields within our business scope of well-being, one major goal is that, instead of each business expanding independently, we connect our businesses with each other to cover the scope of well-being. As well as growing the businesses that we embark on, we will also develop breakthrough products that will connect the individual businesses. I also believe that we need to generate synergies among our businesses.

Although we defined six business domains in the Management Vision 2030, the business domains of our focus can change over time.



Our vision draws a picture of what the Company should be like five years, or ten years, from now. The social environment has undergone a dramatic transformation since the COVID-19 pandemic. When thinking about the future another five or ten years on, it is essential that we review our vision from time to time. While our mission of contributing to the beauty and health of people around the world must not change, I believe that it is only proper that we change our vision. If it is something that will contribute to well-being, it is fine for us to actively incorporate a new vision. The companion animal business is part of that.

One new business domain may be wearable devices that are able to measure vital signs. Besides, if non-invasive testing technologies advance, our test kit business may also advance further. I have mentioned these simply as possibilities, and the specifics are for each of our young employees to consider. With well-being as the horizontal link, if our individual businesses complement each other and synergies are generated among them, our vision based on six business domains may change in the future. If we can continue to pursue the possibility, I believe that we will be able to accomplish the sustainable growth of Rohto Pharmaceutical.

Measures for the well-being of employees

One area that we are emphasizing for the Company's growth is our personnel measures, including human resources development. At the risk of repeating myself, the well-being of our employees is essential to the growth of our business.

Personnel measures that we have launched include External Challenge Work (secondary employment) and Internal Double Jobs (concurrent positions), based on a concept devised by a volunteer group of employees in 2016. External Challenge Work allows employees to gain experiences that are difficult to access when working exclusively for the Company by working outside of the Company's bounds, with the objective of connecting those experiences to personal growth that will benefit the Company's business. The Internal Double Jobs program allows employees to volunteer to work in another division of the Company within their working hours, to encourage them to explore their own new possibilities by working outside the bounds of their division. By promoting multiple jobs both externally and within the Company, our

aim is to produce talented people who are able to contribute to society in various ways.

Another scheme that has been in place for some time is the "My Vision" form that employees are asked to complete once a year. We ask them to write down things like what kind of work they hope to be doing in three years' time and what kind of career goals they have. The completed My Vision forms are submitted directly to senior management, without going through the employees' immediate superiors, and the executive management team takes time to read them carefully. The information they provide may then be put to use in actual personnel movements and business strategies of organization change.

The My Vision form gives employees the opportunity to inform the Company what they are really thinking. However, I would like to add that the purpose of the My Vision forms is less about allowing the executive management team to hear the employees' thoughts and wishes, and more about encouraging employees in their

own, individual career growth. Rather, it could be described as a once-a-year opportunity for them to reflect themselves.

In a similar vein of reflection and raising motivation, in April 2022, we started conducting a "Well-being Points" survey on a six-monthly basis. In this survey, employees are asked to indicate, on a scale of 1 to 10, their views on questions such as "Are you contributing to society?", "Do you have a sense of growth?", and "Are you contributing to teamwork?" The factors that give a sense of reward in one's work differ for everyone. However, by giving all employees a chance to reflect, we want them to recognize any changes in their motivation themselves and to raise that motivation alongside their colleagues around them. Of course, such assessment also connects to an assessment of management, so we executive managers must constantly think about measures for the improvement of well-being.

In October 2022, we launched our new personnel system, Rohto WAY 2020. The objective of this new system is for our personnel to not only improve their operational skills, but also to keep growing as people who are better able to contribute to society. To further encourage continued growth as "professional workers" based on the concept of "autonomy and growth," while

securing remuneration levels that are on a par with our competitors, we have eliminated seniority-based elements and designed a system in which employees are remunerated in a way that is commensurate with the value of their work and their outcomes, regardless of age. It is designed to encourage each individual employee to grow into autonomous human resources, with the aim of realizing the "co-development of individuals and company."

Furthermore, we announced our "New Workstyle Declaration" in June 2023. This is one of our major policies for fiscal 2023. Working until late every night is not going to raise the standard of individual employees' well-being. As one means of improving this situation, we have declared that we will aim for "zero overtime" as a symbolic goal.

What I want to emphasize is that eliminating overtime is not the ends, but the means of raising the standard of well-being. It means leaving work at the regular time and using time for the sake of one's family or for self-development, such as some kind of training for one's own growth. It is my belief that raising the standard of well-being will help to strengthen our management foundations.

Oriented toward long-term stable growth

For the year ending March 31, 2024, we have forecast a 10.2% year on year increase in net sales to 263.0 billion yen and a 9.0% increase in operating income to 37.0 billion yen. We also plan to increase our annual dividend for the 20th consecutive year.

OTC drugs, skincare, and functional foods remain the core of our business. Since the pandemic, the Japanese populace has become more conscious of boosting their immune system in their everyday lives, and the self-medication and self-care markets are expected to keep growing for some time.

Against this market background, we believe that there is ample room to achieve our fiscal 2023 targets. Nevertheless, we are taking this opportunity to question anew, within the company, our consciousness of carefully building up these three businesses. Just like the saying "clouds always follow the sunshine," in corporate management, there is always the risk that arrogance in the good times will lead us into pitfalls. I believe that our only option is to look carefully at our customers and to accomplish development without compromise right to the end, steadfast in our intentions of contributing to customers' well-being.

Meanwhile, in the area of prescription medicines, we are now at the stage of making upfront investments. This involves development directed not at general consumers but the medical profession, making it a completely different business model from that of OTC drugs, skincare, and functional foods. We are continuing our development efforts with the goal of receiving approval of prescription medicines within the next several years, and

we hope to build an earnings structure that is likely to produce returns.

Rohto Pharmaceutical is oriented toward long-term stable growth. We do not intend to set targets like multiplying net sales by many times in certain years. I hope to steer the Company's management in the direction of stable growth over the long term, steadily year by year, by contributing to well-being.

Viewing our customers, business partners, shareholders, employees, and the whole of the society surrounding Rohto Pharmaceutical as our stakeholders, we will make our contributions to ensure that our stakeholders remain healthy and happy.





Rohto's "well-being management"

In order to expand the circle of well-being both inside and outside of the Company, we will continue to take on challenges hand in hand with our colleagues inside and outside the Company, based on our business strengths and cultural qualities such as health, beauty, high quality based on science, and a corporate culture where each individual is autonomous and continues to take on challenges, aiming to create a social environment where the Company and people all over the world can live long lives while enjoying healthy, happy days with a smile.

Management from a long-term perspective

As a company that is a "Public organ of society," we will continue to contribute to society from a long-term perspective, rather than seeking short-term profits, in order to return the profits obtained through our business activities to all stakeholders in a sustainable manner.

Self-supporting manufacturing in each region

We value self-supporting manufacturing, which encompasses all processes from development to sales, in each region.

Pursuing the necessary perspective and commitment to quality in each region and society will lead to the delivery of well-being to people all over the world.

We believe that, by building a distinctive management structure that allows each Group company to run on its own, we can minimize supply chain risks for the entire Group.

Enhancement of health portfolio

We aim to contribute to the health of more people by providing solutions in various fields. As a result, we will form multiple strong business pillars and build a stable business foundation.

Commitment to stakeholders who co-create well-being

Profit-sharing policy

Shareholders and investors

We will take a long-term perspective and strive to increase our corporate value in a stable and sustainable manner by becoming a company that truly contributes to society. We will pay dividends that reflect business performance while aiming for a dividend payout ratio of 25%.

Consumers and future generations

We will contribute to mental and physical health by offering high-quality products and services at fair prices. We will also help improve people's well-being by sharing knowledge and engaging in health promotion activities.

Business partners (suppliers/distributors)

By increasing our sales steadily, we will contribute to not only the earnings growth of our business partners, but also their creation of employment opportunities.

Rohto's employees and their families

We will reward our employees and their families appropriately through remuneration, benefits, and training by creating jobs based on steady growth in sales and profits.

We will also support the physical and mental health of our employees and their families through the promotion of health and productivity management.

Countries and local communities

We will pay taxes on profits generated by our business activities and fulfill our social responsibilities.

We will also contribute to the revitalization of local communities and the creation of a society with well-being through our business activities and social contribution activities.

Environment (global society)

We will work to reduce greenhouse gas emissions, conserve resources and the environment, build a resource recycling-based society, and take other environmental considerations into account.

Message from the CFO

For the further leap in the growth of the Rohto Group, we will simultaneously achieve a sound financial structure, growth investments, and stable shareholder returns



Masaya Saito | Executive Vice President
Chief Financial Officer (CFO)

In fiscal 2022, although the movement restrictions of the COVID-19 pandemic were eased, and social and economic activities started to return to normal, the progression of global inflation, soaring prices of energy and raw materials, and other factors led to a growing tendency toward economizing in Japan. As such, we faced a considerably severe business environment during the year. Under our financial policy, we aim for operations that maintain a balance between sound financial structure, growth investments, and stable shareholder returns. In fiscal 2022, we were able to achieve each of these goals while generating record high profits at each income level, even in an unstable market environment.

Our ability to continue making growth investments in new areas, while also steadily growing our core businesses, for the realization of the Rohto Group Comprehensive Management Vision 2030 is, I believe, one of our financial strengths. Engaging in growth investment areas, including the area of regenerative medicine that we are currently pursuing, will further enhance the value chain of the Group's future products and services, and their organic connection will create major added value, leading in a significant way to the improvement of well-being in society and the enhancement of our corporate value. For this reason, in addition to consolidating the foundations of our core businesses of OTC drugs and skincare, allocating and passing on the profits generated by those businesses in a properly balanced manner to investments in future growth opportunities, R&D, human capital investment, environmental responses, and shareholder returns will be essential to the realization of future sustainable growth.

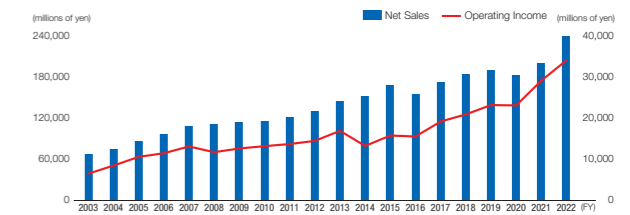
In addition, the importance of ESG management is increasing year by year against the background of growing expectations of corporate social responsibility and requirements for the disclosure of non-financial information. As well as conducting information disclosures in response to external demands, we will examine those areas where our disclosures and initiatives are insufficient, and step up our responses in those areas, including the establishment of targets in non-financial areas for the realization of our corporate purpose of leading all individuals and society surrounding us to "well-being." We will also formulate and thoroughly enforce a Group tax policy to ensure that our responses to tax affairs in the individual countries and regions where we operate our businesses are consistently fair and appropriate.

Going forward, I will pay careful attention to the strengthening of cash flow management and the maintenance of a sound financial structure in the Group as a whole. Further, taking non-financial value fully into consideration as the officer in charge of ESG, I will strive to realize the Rohto Group Comprehensive Management Vision 2030 and the enhancement of corporate value. Also, to ensure deeper stakeholder understanding of the Group's vision and strategies, I hope to further enhance dialogues with stakeholders taking advantage of opportunities including financial and non-financial disclosures and briefing sessions.

Improvement of profitability

For the continued growth of our business, we are placing importance on the expansion of demand (sales growth ratio) and firm profitability to make such expansion possible. As a result of ongoing structural reforms since 2019, we have improved the ratio of operating income to net sales through reductions in general, selling and administrative costs resulting from marketing approach reforms, the reduction of returned goods, productivity improvements in Group plants, and the reduction of cost of sales ratio resulting from reviews of the procurement of raw materials and merchandise. The harsh situation of soaring raw materials costs continues, but we will continue to pursue activities for the improvement of profitability.

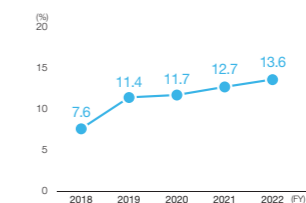
Trends in Net Sales and Operating Income



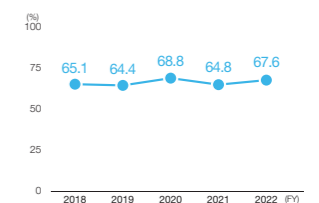
Sound financial structure

Securing a sound, solid financial foundation is also crucial if we are to place efforts into aggressive growth investments. In readiness for increasingly unpredictable future changes in the environment, the Rohto Group secured a high current ratio of 237% and high equity ratio of 67.6% at the end of fiscal 2022. Return-on-equity (ROE) is also increasing every year, reaching 13.6% in fiscal 2022 for a five-year average of 11.4%.

ROE



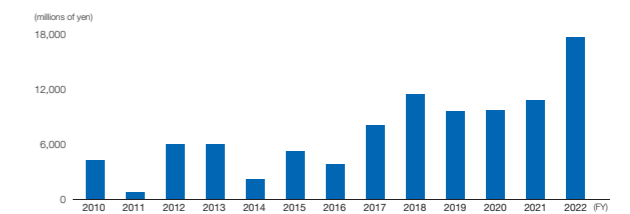
Equity Ratio



Active growth investment

We continue to achieve stable growth and global expansion in our existing businesses. Meanwhile, for new businesses 10 to 20 years into the future, we are undertaking long-term investment actions as a way of exploring knowledge. Further, for the sake of sustainable corporate growth, we are firmly allocating investments to R&D, as well as human capital, environmental responses, and spending on facilities and equipment. While actively carrying out these kinds of investments, we are generating stable free cash flow through sufficient operating cash flow.

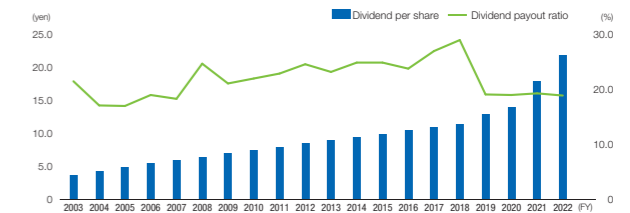
Free Cash Flow



Stable shareholder returns

Our basic policy on shareholder returns is to enhance them in a stable manner through dividends with the target of around 25% payout ratio. In fiscal 2022, we reached record highs for net sales and at each income level and raised our dividend for the 19th consecutive year. We also plan to raise our dividend in fiscal 2023. Moving forward, we will continue to place our utmost efforts into the long-term enhancement of corporate value through business growth.

Trends in Dividend Per Share and Dividend Payout Ratio



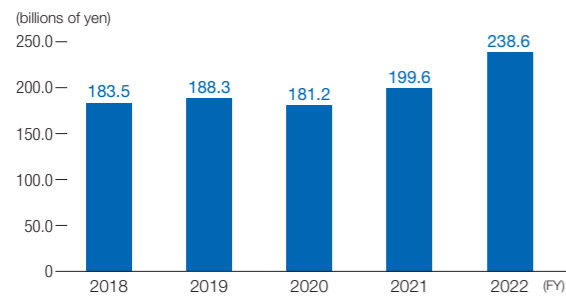
In January 2023, the Company conducted two-for-one stock split of its common stock. The objectives of this stock split were the improvement of stock liquidity and expansion of the investor base by lowering the amount per investment unit. At the end of fiscal 2022, the number of shareholders increased by 2,400 from the end of the previous fiscal year, primarily with individual shareholders, to 18,688. Our individual shareholders are valued supporters who patronize our products. We will continue in our efforts to enhance long-term corporate value by increasing our growth investments and continuing to develop and deliver products that will make our customers happy.

Financial and Non-Financial Highlights

Consolidated Financial Highlights

Net Sales

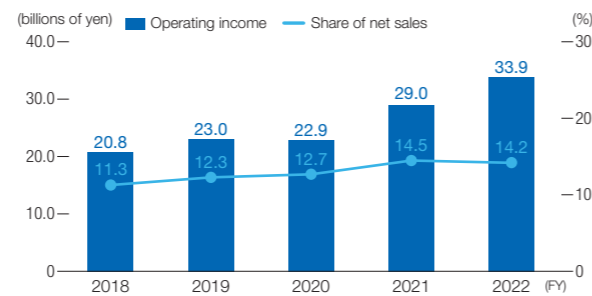
238.6 billion yen



• The recovery of consumer confidence, proposal of new products which meet customers' needs, and depreciation of the yen contributed to significant sales growth, albeit the impact of COVID-19.

Operating Income and Share of Net Sales

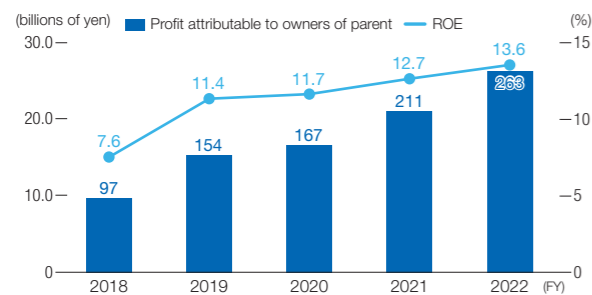
33.9 billion yen / **14.2%**



• As a result of a significant sales growth and efforts to efficiently utilize selling, general and administrative expenses, the Company achieved a significant increase in profit, despite a worsening cost of sales ratio due to higher raw material prices.

Profit Attributable to Owners of Parent and Return on Equity

26.3 billion yen / **13.6%**



• We also posted a record amount of profit attributable to owners of parent, with five-year average ROE risen to 11.4%.

Price Book-value Ratio

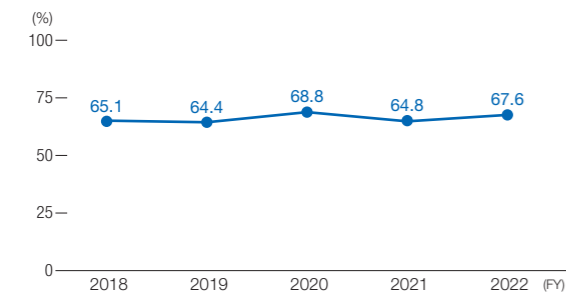
3.55 X (as of the end of March 2023)



• PBR trended stably around 2.5x, and is around 3.5x lately. This is considered to be the result of ROE exceeding the cost of capital. We will continuously aim to improve the return on capital.

Equity Ratio

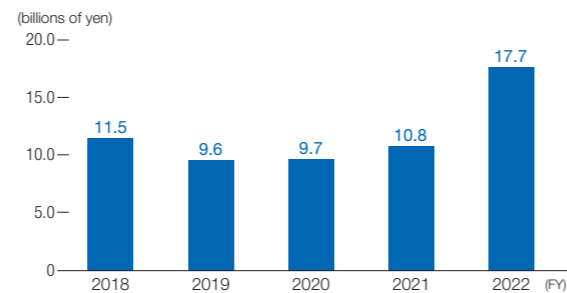
67.6%



• Despite the continuance of a harsh business environment due to various social situations, we have been able to stably maintain the equity ratio at a high level.

Free Cash Flow

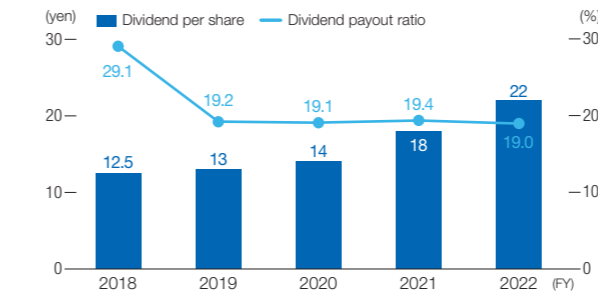
17.7 billion yen



• We ensured that free cash flow always remained positive while still investing in new projects and spending on facilities and equipment.

Dividend per Share and Dividend Payout Ratio

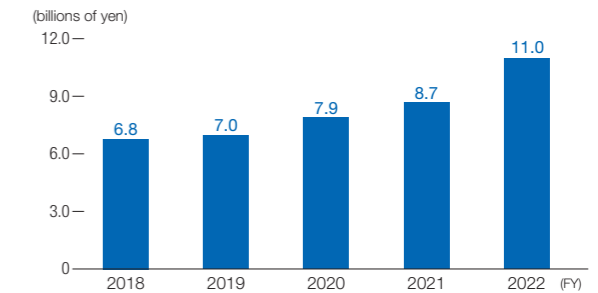
22 yen / **19.0%**



• We plan to realize an annual dividend of 24 yen for fiscal 2023. This will be the 20th consecutive year that we have raised our dividend.
* The Company implemented a stock split on January 1, 2023. The figures were calculated on the assumption that the stock split was implemented at the beginning of fiscal 2018.

R&D Expenses

11.0 billion yen



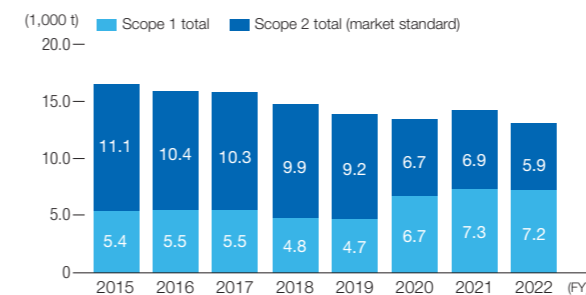
• We carried out advanced investment aimed at medium- to long-term growth in the ophthalmology area and regenerative medicine.

Non-Financial Highlights

* Rohto Pharmaceutical Co., Ltd. only (non-consolidated)

Environment CO₂ Emissions (Scope 1 and 2)

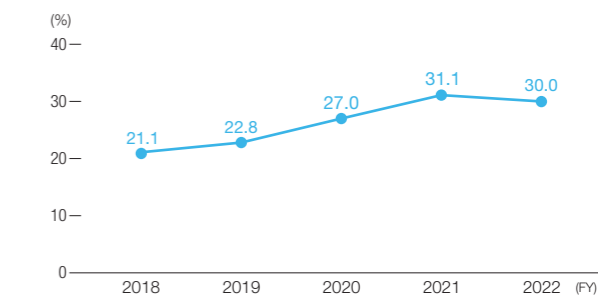
13,120 t/year



• Although we consumed more energy than before due to increased production and full-scale operation at a new plant, CO₂ emissions decreased due to the utilization of solar power generation and partial conversion to carbon-free electricity.

HR Ratio of Female Managers

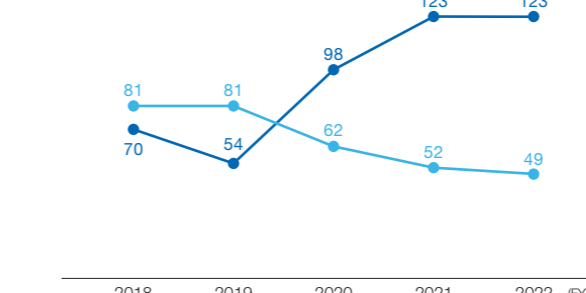
30.0%



• We are actively recruiting women. In addition, the ratio of women in management positions remains high. We are promoting the creation of a pleasant workplace where employees can make the best of their ability regardless of gender.

HR External Challenge Work and Internal Double Jobs

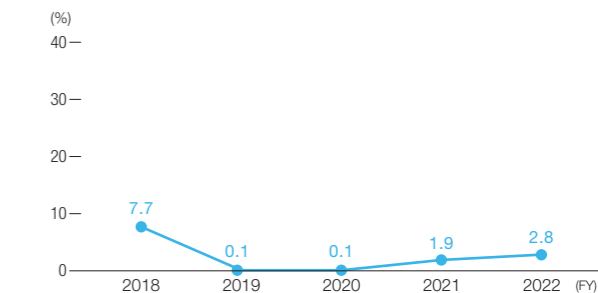
123 persons



• We further expand our employees' potential through their work in multiple jobs.

HR Smoking Rate

2.8%



• We will continue to work toward our zero smoking rate goal.

At a Glance

Fiscal 2022 Net Sales

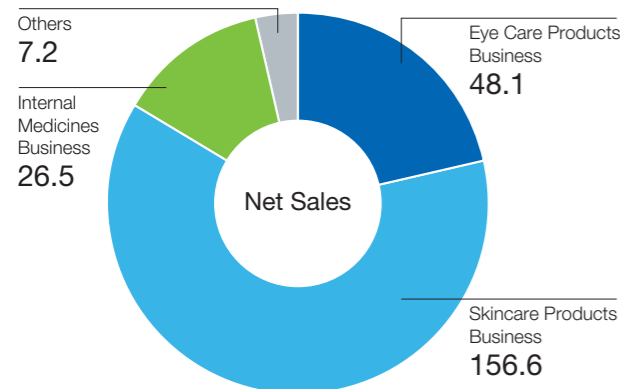
238.6 billion yen

Operating Income

33.9 billion yen

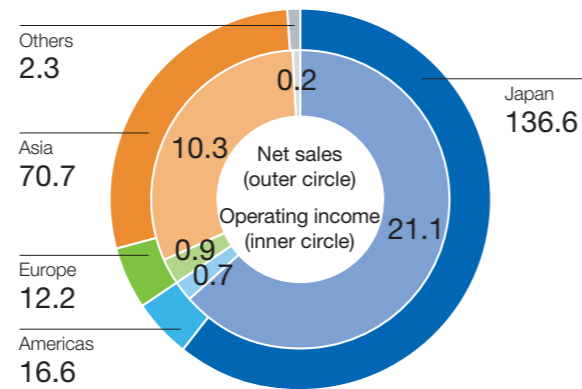
Net Sales by Business Segment

(billions of yen)



Net Sales and Operating Income by Region

(billions of yen)



* Amounts less than 0.1 billion yen are rounded down.
 * The total amount of operating income includes an adjustment amount (0.5 billion yen) in addition to the amounts by region. The adjustment amount consists entirely of elimination of inter-segment transactions.

Number of the Group Companies and Employees

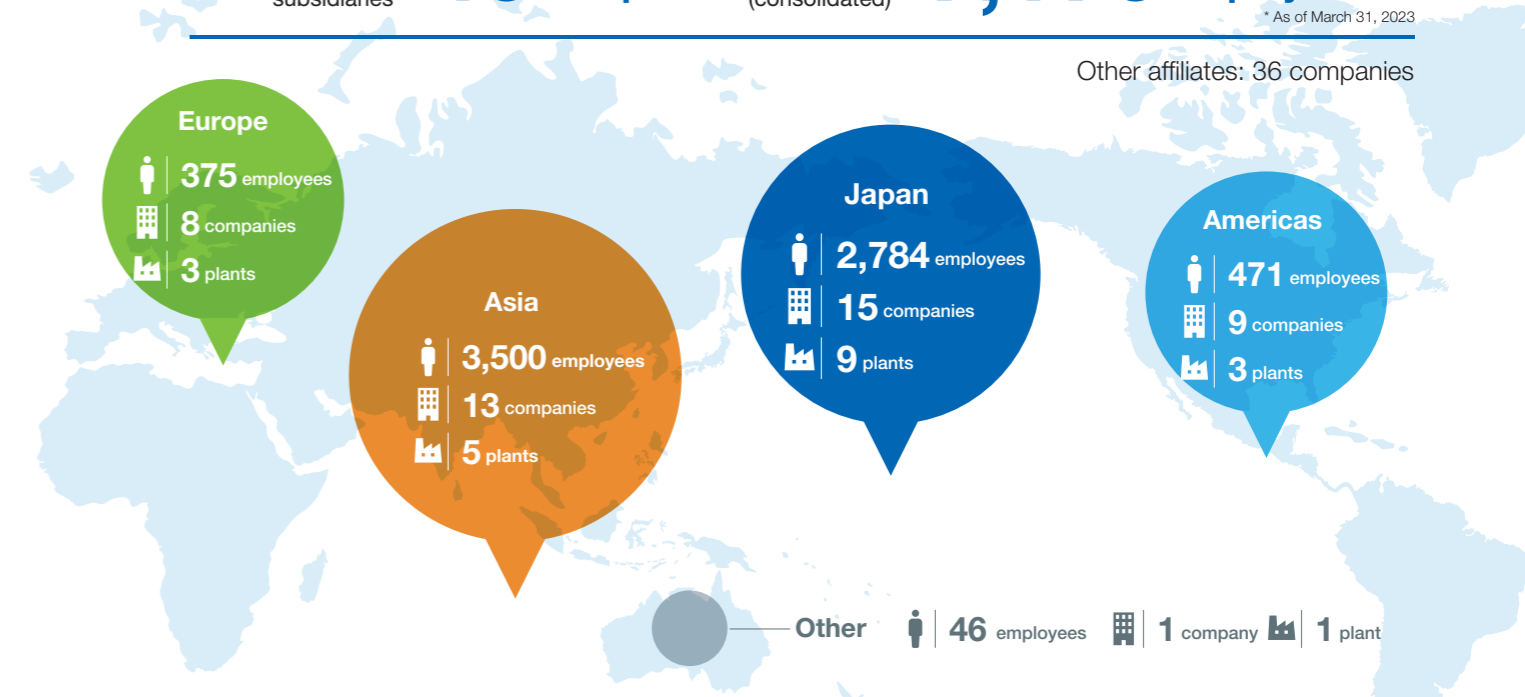
Rohto and consolidated subsidiaries

46 companies

Number of employees (consolidated)

7,176 employees

* As of March 31, 2023



Eye care products

Eye drops, eyewash preparation, contact lenses, and contact lens care products are manufactured and sold.



Skincare products

Dermal medicines, hemorrhoid remedies, and other medicines and functional cosmetics, lip balms, sunscreens, hair care products, and other cosmetics are manufactured and sold.



Internal Medicines Business

Gastrointestinal medicines, laxatives, allergy medicines, *kampo-yaku* (Chinese herbal medicines), and other internal medicines, as well as supplements and other foods are manufactured and sold.



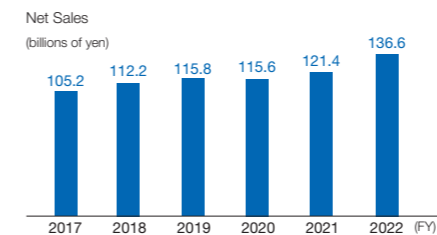
Other

In-vitro test kits and medical devices are manufactured and sold, and cell-processing business is operated.



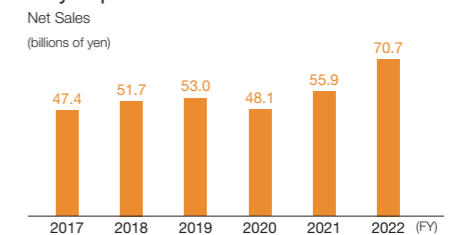
Japan

Rohto operates a wide range of businesses including eye care, internal medicines, food, and skincare products. Its subsidiaries market internal medicines, eye drops, medical devices, and hemorrhoid remedies.



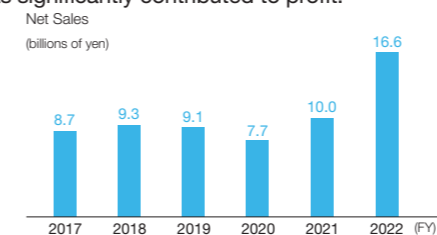
Asia

A wide range of products are marketed including eye drops, sunscreens hair care products, and basic skincare products including Hada Labo and Dermacept. The marketing of supplements is gradually expanded.



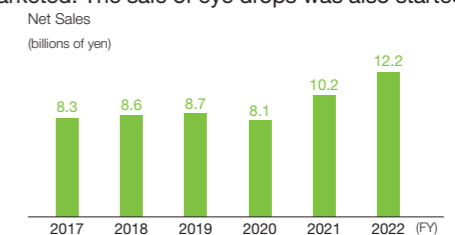
Americas

Products including eye drops, OXY, Mentholatum Ointment, lip balms, and other products are marketed. Hydrox Laboratories, Inc. became a subsidiary in fall 2021, whose medical disinfectants has significantly contributed to profit.



Europe

Deep series for topical anti-inflammatory analgesics, the main brand, as well as skincare products including HADALABO TOKYO, and cosmetics including Perfecta by Dax Cosmetics are marketed. The sale of eye drops was also started.



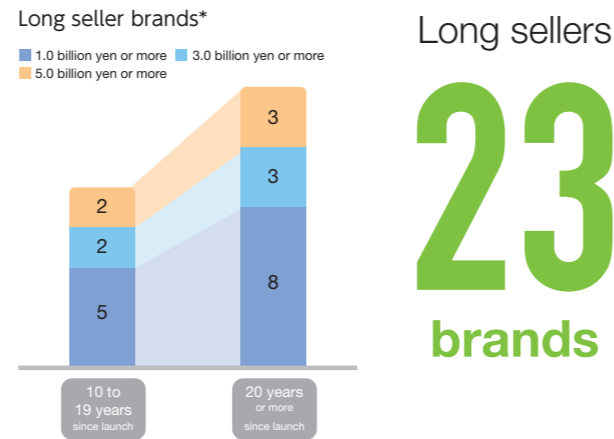
For details, see p.25

Rohto's Strengths by Numbers

Brand power

that delivers timeless attractiveness

In the healthcare category, we have a broad lineup of products, including many brands that have been loved by customers for a long time. Since the launch of the V Rohto in 1964, we have delivered many products from the V Rohto series and they are still loved by many people today. Our long-selling and hit products, from drugs to skincare, such as Pansiron, Obagi, and Hada Labo, continue to grow as they contribute to the health promotion of consumers.



* Number of brands that have been continuously sold for more than 10 years since their launch and have sales of more than 1 billion yen in fiscal 2022.

Long sellers
23
brands



New products
76
items
(FY2022)

*Only national brand products are counted. Limited edition products excluded.

Speed capabilities

of reading the times and delivering appropriately

The sales, marketing, customer support, R&D, and production departments work together to create an environment conducive to capturing signs of ongoing change to develop products and make proposals that meet the needs of customers in a speedy and agile manner. We will continue to make new proposals in order to deliver well-being to everyone every day.

Technological capabilities and R&D capabilities

— Wide range of research fields represented by our six pillars —

With our know-how and perfection accumulated over 124 years since our foundation, we are conducting research and development that pursues not only functionality and effectiveness, but also comfort of use for a long time to come. Our R&D activities cover a wide range of fields, including gastrointestinal medicines, eye drops, hay fever treatments, dermal medicines, kampo-yaku (Chinese herbal medicine), hair regrowth agents, in vitro diagnostics, contact lenses, skin care, odor care, functional foods, foods, agriculture, livestock breeding, and regenerative medicine. The exchange of researchers internally in a wide range of fields creates synergy across disciplines, and joint research externally in a wide range of fields, both in industry and academia, makes new discoveries and applications possible. We aim for further evolution.

124 years
of history and technology

Comprehensive strength of ophthalmological medicine patents

Intellectual Property

backed by advanced technological capabilities

Ranking of Comprehensive Strength of Ophthalmological Medicine-Related Technology Patents*

- 1 **Rohto Pharmaceutical**
- 2 **Santen Pharmaceutical**
- 3 **Senju Pharmaceutical**
- 4 **NOVARTIS**
- 5 **ABBVIE**
- 6 **PFIZER**
- 7 **Kowa Company**
- 8 **F. HOFFMANN LA ROCHE**
- 9 **BRISTOL-MYERS SQUIBB**
- 10 **UNIVERSITY OF CALIFORNIA**

In the ophthalmological medicine field, we were ranked first in overall strength of ophthalmological medicine-related technology patents in the ranking where quality and quantity of patents are comprehensively taken into consideration.

We will continue to contribute to the well-being of society by linking our advanced research to the development of novel and highly unique products.

* Source: Research by Patent Result Co., Ltd. Patents issued between January 1993 and September 9, 2022 are included. The spelling of the companies' names is based on the names published by Patent Result Co., Ltd.

Global — Localized development —

We are aggressively expanding overseas in cooperation with our subsidiary, The Mentholatum Company. Rohto Group products are currently sold in over 110 countries, and the ratio of consolidated overseas sales to total sales is as high as approximately 40%. Our businesses in East and Southeast Asia in particular are driving our growth, and following Europe, North America, and Asia, we have now established local subsidiaries in emerging countries in regions such as South America and Africa to promote our business. This worldwide network is one of our strengths. In every region, we need to develop our business in accordance with not only the climate, customs, and preferences of each country, but also the regulations of each country. While staying true to the important aspects of our brands and products, we engage in our business in each region with an emphasis on our self-supporting manufacturing, from development to sales, and human resource development.

Sales network in more than
110
countries

Happy surprise
2,400
cases
(FY2022)



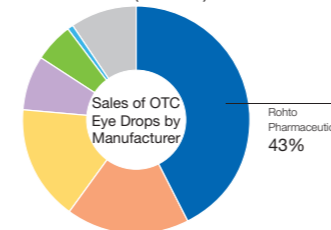
Thorough customer perspective

We share customer feedback with all of our members as "Happy Surprise" testimonials. We are grateful for and encouraged by the voices of our customers, and incorporate them into product improvements and the planning of the next products. It all started in 1952 with a questionnaire postcard called User's Voice survey card enclosed with Rohto Peni-my Eye Drops. Since then, for more than 70 years, we have treasured the feedback we have received from our customers in various forms, including postcards, phone calls, and emails.

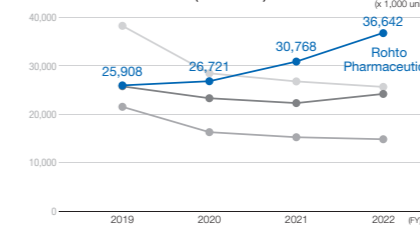
Aim for category top

Eyecare-related products account for 20.2% of our sales, and skincare-related products account for 65.6%. In both these areas, we enjoy overwhelming support from customers. In Japan, our OTC eye drops have maintained a high market share for many years. In fiscal 2022, we achieved a 43%*1 share of the market and held the top position in this category. Our skincare products increased its market share rapidly and became the No. 1 manufacturer*2 in fiscal 2022 at last. With our development capabilities and customer perspective, we will strive to win great support in other categories that we enter in the years ahead.

Sales of OTC Eye Drops by Manufacturer (FY2022)



Sales of Skincare Products by Manufacturer (FY2022)



OTC eye drops

No.1*1
in sales

Basic skincare products

No.1*2
in sales

*1 Intage SRI+ eye drops
Estimated sales volume from April 2022 to March 2023
*2 Intage SRI+ total cosmetics (5 categories)
Estimated sales volume from April 2022 to March 2023

Improvements and findings

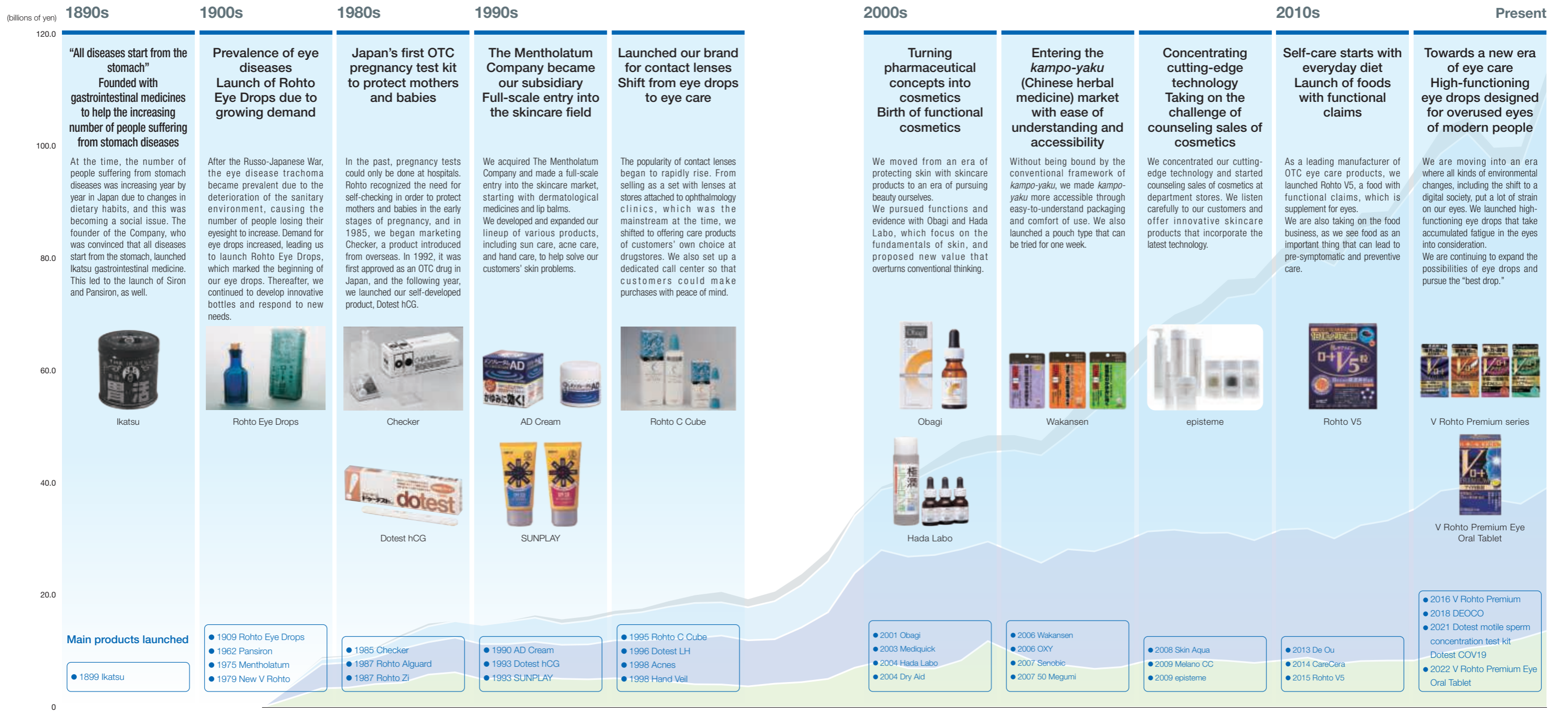
10,813
cases
(FY2022)

High quality achieved by improvements

In 2005, we launched the "Kaisen-tai" to improve QCD (Quality, Cost, Delivery time) and to maintain and continue the improvement cycle. At Rohto, we view "improvements" born of awareness by our people as the true seeds of evolution, and with the basic stance of "try first and try to change things" that leads to QCD improvement, each and every one of us is working with determination to achieve both quality improvement and cost reduction. This has led to the development of human resources that realize high quality.

History of Value Creation

Rohto was founded at the beginning of the Meiji era with the desire to protect the health of people suffering from stomach diseases. Since then, with health as our core value, we have responded to the needs of the times and society, accumulated wisdom and research, and delivered health to people around the world through valuable products and services. We will continue to tackle problems and take on challenges through innovation.



Plant	1959 Opened Osaka Plant	M&A	2002 MG PHARMA Inc.	New business	2013 Started regenerative medicine research	M&A	2020 Nitten Pharmaceutical Co., Ltd. (currently Rohto Nitten Co., Ltd.)
M&A	1988 The Mentholatum Company (U.S.A.)	Lab.	2006 Opened Research Village Kyoto	M&A	2015 Mayado Pharmaceutical Co., Ltd.	M&A	2021 Amato Pharmaceutical Products, Ltd.
Plant	1998 Opened Vietnam Plant	M&A	2007 Meguro Kako Inc. (currently Qualitech Pharma Co., Ltd.)	New business	2019 Entered the medical ophthalmology area	M&A	2021 Olympus RMS Corporation (currently Interstem Co., Ltd.)
Plant	1999 Opened Ueno Plant					Plant	2022 Opened new Ueno Plant building
						New business	2022 Entered the companion animal business domain

Other
Skincare products
Eye care products
Internal medicine and food products

Value Creation Process

Since its foundation, Rohto has delivered health to people all over the world through its business activities and has acquired many assets, as well as business and cultural strengths. Rohto is now leveraging these assets and strengths to develop, manufacture, and market a wide range of products and services, contributing to well-being around the world. As a public organ of society, we also return the profits we generate to our stakeholders and

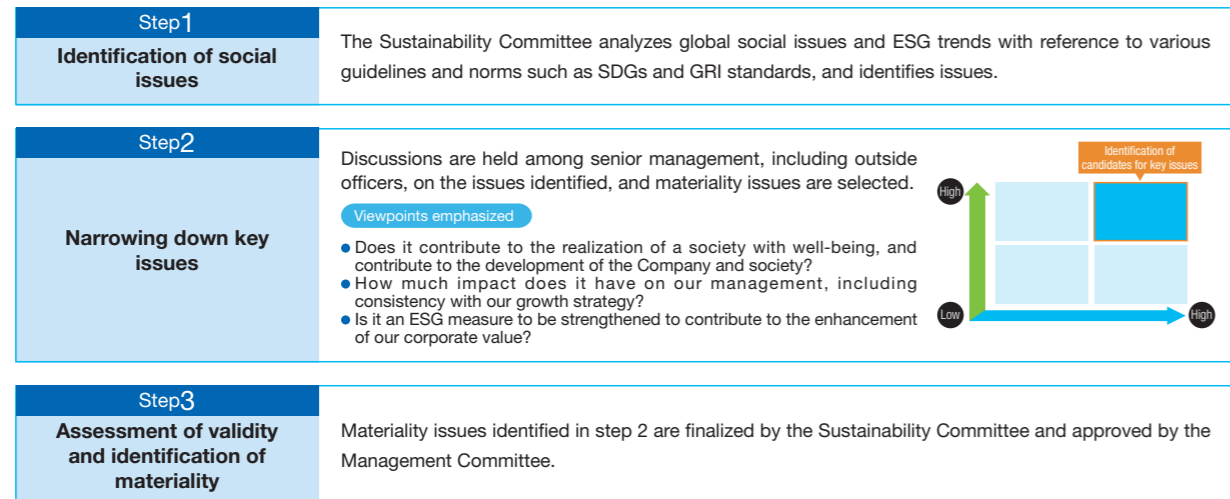
actively invest in the future to further strengthen our assets and strengths to create new value. Through this value creation process, we aim to realize sustainable growth and a society with well-being.



Materiality (Key Issues)

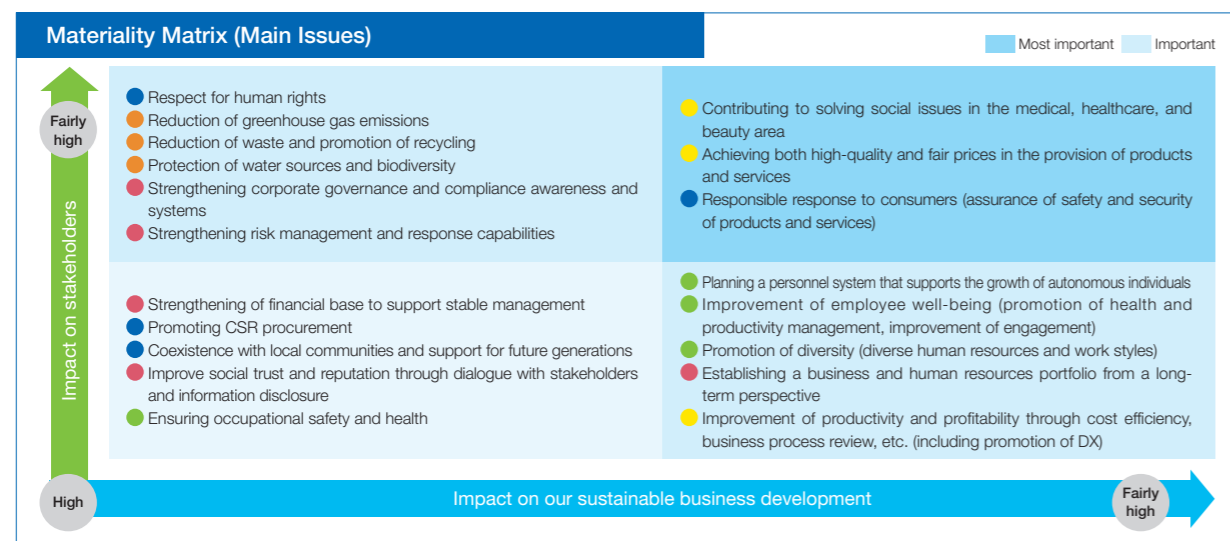
In order to promote efforts to resolve priority issues in sustainability, we have identified five materiality issues from the perspective of ESG/SDGs that we should prioritize through business activities. We will promote initiatives for each materiality issue to enhance corporate value and achieve sustainable growth.

Materiality identification process



Five materiality issues

Materiality	Related SDGs
1 Realization of well-being through business Strengthen development capabilities and competitiveness of businesses and well-being products and services to contribute to the realization of a society with well-being	3, 8, 12, 17
2 Maximizing human capital to enhance corporate value Promoting co-growth between the Company and members	3, 5, 8, 10
3 Contributing to a sustainable global environment Prevention of global warming and harmony with the natural environment	3, 6, 7, 12, 13, 14, 15, 17
4 Coexistence with society Building trust with stakeholders to become needed and trusted by society	3, 4, 5, 9, 10, 11, 13, 17
5 Further strengthening of business foundations Strengthening financial and organizational foundations to support sustainable growth	3, 9, 17



Realization of Well-being through Business

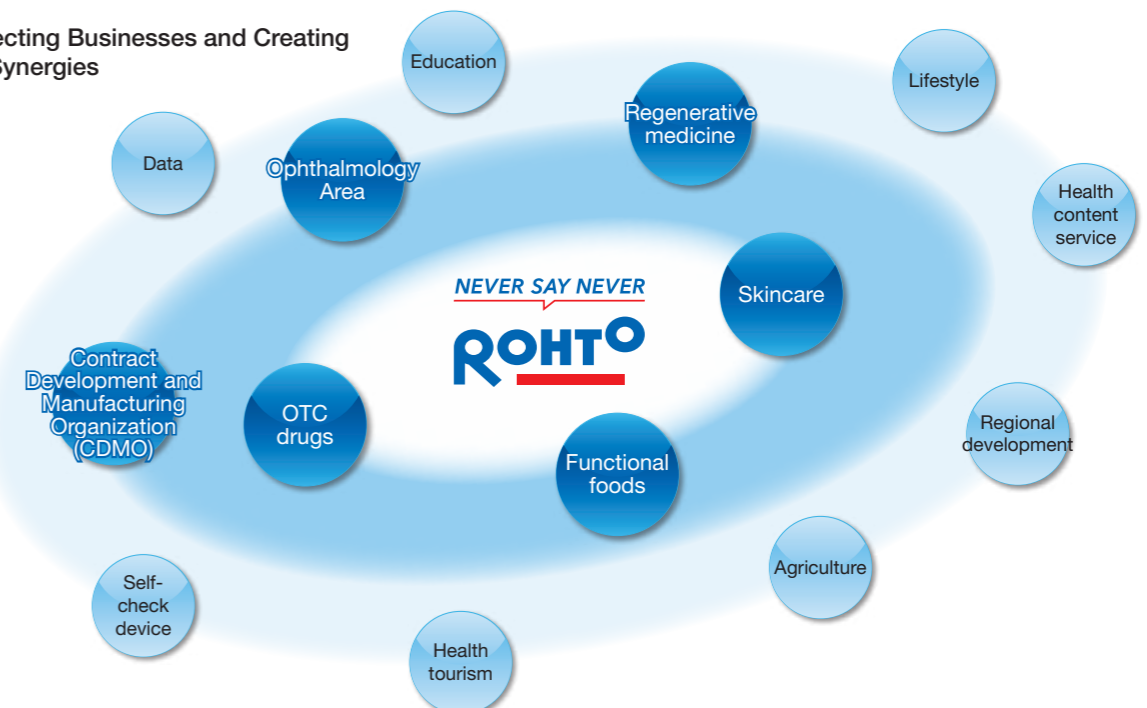
Rohto Group Comprehensive Management Vision 2030

Connect for Well-being

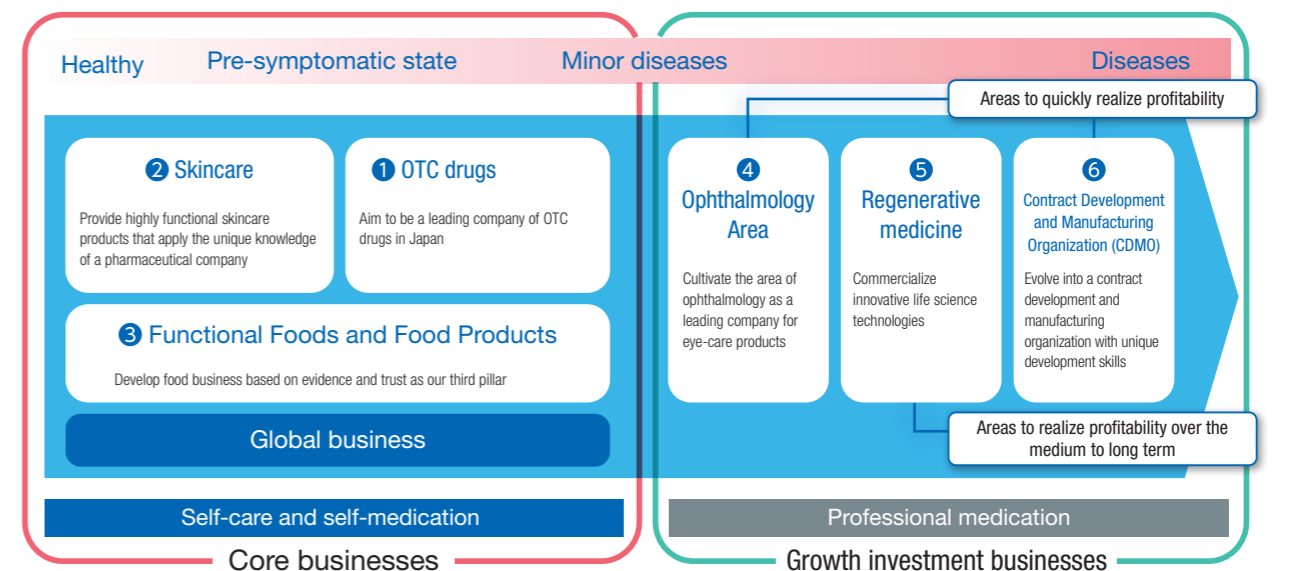
Rohto will continue to contribute to the beauty and health of people around the world and continue to be a company that people around us expect to exist. In February 2019, Rohto Pharmaceutical celebrated the 120th anniversary of its founding, and in order to clarify its aspirations, we have established the “Rohto Group Comprehensive Management Vision 2030,” which outlines our vision for the year 2030. In addition, we have also clarified the business domains that we will focus on over the next 10 years, and established the “Business Domain Vision 2030” as the vision we aim to achieve in each domain.

By connecting people all over the world with health, we aim to deliver well-being to people around the world and achieve a sustainable society where people can live long, healthy, and happy lives.

Connecting Businesses and Creating New Synergies



Domains addressed in Business Area Vision 2030



Core Businesses

OTC drugs

Aim to be a leading company of OTC drugs in Japan

Health awareness has increased and values have changed among people in response to the spread of COVID-19, and OTC drugs have come to play an increasingly important role, not only in treating diseases, but also in diagnosis, prevention, and the treatment of pre-symptomatic conditions.

We are developing products that meet health needs by expanding into new fields through our subsidiaries and by leveraging our existing wide range of categories such as eye care products, skin medicines, gastrointestinal medicines, *kampo-yaku* (traditional Chinese medicines), and in-vitro test kits. By providing products that help meet the growing demand for self-medication, we aim to contribute to a social environment where all individuals can live safe and healthy lives.

FY2022 Overview

Achievements

We actively developed a wide range of categories to meet various needs brought about by rising health awareness

- Due to the spread of infectious diseases, the need for self-testing increased, and our new rapid COVID-19 antigen test kits contributed significantly to sales. Moreover, we invested in iXensor Co., Ltd., a Taiwanese mobile health company, with the aim of expanding our test kit business and developing a new diagnostic business.
- Sales of high-valuable eye drops increased by 5.6% year-on-year due to increased demand for self-care products, exceeding pre-COVID-19 sales.
- We achieved sales of 1.0 billion yen for our new category hair growth brand "REGRO" in the 5th year since its release.
- We revitalized the brand for MILMAG, a non-irritating laxative, with new forms of communication, including a redesigned package that emphasizes the product's ability to prevent stomach pain, and a commercial featuring an original character.



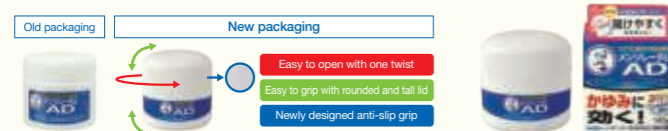
Challenges and opportunities

- In addition to continuing to strengthen our successful high-valuable eye drops, as a leading OTC eye care company, we are committed to addressing the eye health of people around the world and carrying out activities to support the "joy of seeing" by sharing information on eye care and conducting educational activities.
- In order to strengthen our internal medicines, we will leverage our brand strength in eye care and skincare to drive product development, addressing our customer's concerns both inside and outside of the body. We will also rebuild branding and communication for existing products to suit people's lifestyles, with the aim of acquiring new customers.
- Demand for rapid antigen test kits is expected to decline due to the reclassification of COVID-19 as a Category V Infectious Disease. However, as awareness of diagnosis and prevention increases, we will carry out educational activities for a wide range of testing and diagnostic drugs with pregnancy test kits, ovulation predictor kits, and rapid influenza virus antigen test kits, as well as promoting our test kit business and new diagnostic business with iXensor.

TOPICS

New packaging incorporating a universal design

"Mentholatum AD Cream m" is a long-selling brand celebrating its 33rd year since release. We receive approximately 800 comments from customers every year, and based on the requests for ease of use, we redesigned the packaging to make it easier to open with less force. For our products in pharmaceuticals category, we continuously pursue ease of use while maintaining their effectiveness, and aim to create products that will be loved by many people for a long time.



New proposal for the feminine care market Launch of Mentholatum Cabrena Emulsion

We have pursued a formulation that empathize to women's concerns, alleviate distressing symptoms in delicate areas, and allows women to live comfortably.

We have been dedicating ourselves to years of research to address the delicate concerns of women, prioritizing not only the effectiveness as pharmaceutical products but also product development from a customer perspective, focusing on ease of use and accessibility for purchase.



Skincare

Provide highly functional skincare products as a pharmaceutical company

With the rise in mask wearing and changes in lifestyles, people are spending more time on skincare, and with the dissemination of information from the user's perspective via social media, there has been a rise in awareness for skincare. The way people choose skincare products has changed significantly, and more emphasis is being placed on ingredients and functions that are effective for skin concerns.

Focusing on functional skincare as a pharmaceutical company, including our Hada Labo brand that has achieved the No.1 sold skincare brand* for 15 consecutive years, as well as Melano CC and Obagi, we search for ingredients that address the skin concerns of people of all ages and utilize high-concentration, high-penetration technology to deliver functional skincare that meets the needs of each and every customer.

* Number of units sold based on Intage SRI, SRI+ 5 Basic Skincare Categories (lotions, emulsions, beauty serums, creams, face masks) Self + Medicinal Market: by major series from June 2007 to May 2017 (SRI), from June 2017 to May 2022 (SRI+)

FY2022 Overview

Achievements

Functional cosmetics grew significantly, and we became the number one manufacturer^{*1} for sales of basic skincare products

- In the skincare business, growth in functional cosmetics was particularly strong, with Hada Labo's growth exceeding pre-COVID-19 levels, and the strong performance of Melano CC's Enzyme Face Wash making a major contribution as well.
- In the sunscreen category, the Skin Aqua brand, which has expanded its lineup of well-performing tone-up essences, achieved No.1 in sales^{*2} for the third consecutive year with sales exceeding pre-COVID-19 levels.



*1 Intage SRI+ total cosmetics (5 categories) estimated sales volume from April 2022 to March 2023
*2 Intage SRI+ sunscreen (gel) market, sales by major series from June 2019 to May 2022

Challenges and opportunities

- The market for lip balms, which had been in decline due to the habit of wearing masks, has started to recover due to the reclassification of COVID-19 as a Category V Infectious Disease and people starting to remove their masks. Going forward, colored lip products are expected to become popular with customers enjoying variety of colors and textures, and we will offer a wide range of proposals from care to colored lip products in line with needs and trends.
- In the skincare category, Obagi, as well as Hada Labo products in high-price range performed well. Ingredients and functionality are attracting increasing attention, and as a pioneer in functional cosmetics, we will strengthen our research and development by exploring functional ingredients and leveraging our knowledge of regenerative medicine research. In addition, to respond to people's values and needs for skincare that change with the times, we will strengthen the development of existing brands and the launch of new brands.



TOPICS

50 Megumi Anti-Grey Hair Essence No.1 market share* in Hong Kong hair care market

Adopting an original formulation based on scalp and hair research, it was released in Hong Kong in March 2021. Supported by women in Hong Kong, who are highly conscious about hair care, the 50 Megumi brand has achieved No.1 market share* in the hair care market. We have also been offering this product to Japanese customers since 2022. We will strengthen scalp and hair research and promote the expansion of the hair care market.



* Nielsen ScanTrack Data (Total KA) MAT Sep 2020-2021 (2019 Oct - 2021 Sep)

History of functional skincare development

As a pharmaceutical company, we manufacture products with particular attention to formulation, effectiveness, and quality. We will continue our research on skin and explore functional ingredients to meet the needs of our customers and the times.

2001		Our first functional skincare brand, that aims to create healthy, beautiful skin by harnessing the natural power of the skin.
2004		A brand committed to the core value of "Perfect Simple", brimming with only the best things for your skin.
2009		A brand focused on effectiveness with the concept of vitamin C.
		Our top skincare brand, infused with the history of pharmaceutical research and cutting-edge research theory.

Rohto's Future Growth Areas

Functional Foods and Food Products

Develop food business based on evidence and trust as our third pillar

We believe this is an area with high growth potential, as rising health awareness is causing changes not only in OTC drugs but also in the selection of functional foods and food products. Utilizing the material technologies and manufacturing facilities of Group companies and partners, we develop evidence-based foods with functional claims, and provide food products that can be easily incorporated into one's diet and healthy menus at restaurants. In this way, our food business meets a wide range of health needs, from those who are more health conscious to those who seek delicious and healthy food.

FY2022 Overview

Achievements

We developed the Rohto V5 brand and started offering the new food brand ROHTO RECIPE

- Through the development of the eye supplement Rohto V5 brand, the cumulative total sales of the series exceeded 10 million units*, achieving sales exceeding pre-COVID-19 levels. We launched Rohto V5 Memory Support, which focuses on cognitive functions, and expanded the Rohto V5 brand centered around our strength in eye care.
- By collaborating with MG PHARMA Inc.'s original functional ingredient METAP**2, which suppresses fat absorption, and other companies' products, we were able to expand our material supply and sales channels. We devised products at the intersection between daily eating habits and health, such as the first melon bread in Japan labeled with functional claims, and contributed to expanding awareness of functional ingredients.
- In the food business, we launched a new brand, ROHTO RECIPE, which provides a delicious, healthy, and sustainable food experience based on the concept of "energizing from the bottom of your stomach." Connecting our food and agriculture-related businesses, we provided well-being from everyday foods through foods and beverages, product sales, and services.

*1 Cumulative shipment results of Rohto V5, Rohto V5 ACT-VISION, and Rohto V5a as of the end of December 2022

**2 Peptide mixture containing the Valine-Valine-Tyrosine-Proline (VVP) tetrapeptide

Challenges and opportunities

- Challenges going forward include continuing to strengthen and develop the Rohto V5 brand, while also launching new categories other than eye care. We will strengthen our exploration and development of functional ingredients that take advantage of synergies with skincare, which is one of our strengths, and aim to expand into functional foods and food products in the beauty category.
- Foods with functional claims such as Rohto V5 are attracting a lot of attention and demand overseas, and therefore we are aiming to expand sales channels through active overseas expansion.
- We will expand the functionality of existing ingredients and strengthen the development of new ingredients, as well as use a variety of approaches to deliver health through food, such as supplements for those who are highly health and beauty conscious, guilt-free foods to casually replace unhealthy foods, and suggestions for delicious and healthy daily foods.
- Through ROHTO RECIPE, we will promote the development and messaging of the Rohto's food brands.



Ophthalmology area

Cultivate the area of ophthalmology as a leading company for eye-care products and quickly realize profitability in the new business

Eye diseases are increasing with the rise of the elderly population, and the ophthalmology area is expected to play an increasingly important role in the future. Various symptoms caused by eye diseases are directly associated with a decline in quality of life, therefore the maintenance of eye health is essential to maintaining a healthy lifespan. Harnessing our technical prowess cultivated as the manufacturer with the top market share in the OTC drugs eye care category for many years, we aim to develop ophthalmology medicines and medical devices specifically tailored to medical issues to contribute to the further development and improvement of ophthalmology.

FY2022 Overview

Achievements

We made satisfactory progress in product pipeline and proposed novel medical devices

- The early phase II trial of ROH-201 for dry eye patients including those with Sjögren's syndrome, which began in 2021, was completed, and the late phase II trial began in September 2022. We will continue to advance the development of this drug towards approval.
- We launched handpieces, essential medical devices for ophthalmic surgery, which is increasing as the population ages. We contributed to the field of ophthalmic surgery by offering a safe and efficient medical device with a double-tube structure.
- Rohto Nitten Co., Ltd. received approval to manufacture and sell glaucoma treatment agent Bimatoprost Ophthalmic Solution 0.03% "Nitten." Preparations for launch of the product are currently underway.

Challenges and opportunities

- To meet the needs of medical professionals and patients, we will continue to work with our partners to develop new ophthalmology medicines for various indications.
- Rohto Nitten Co., Ltd. focuses on products that are easy on the eyes, and aims to develop high-valuable products such as preservative-free products, room-temperature storage, and easy-to-use containers.
- We will aim to improve the satisfaction levels of medical professionals and patients by proactively providing information and raising awareness of the correct way to administer eye drops to maximize the effectiveness of treatment.

Pipeline of Ophthalmology Area (as of February 2023)

Domain	Code	Indications	Planned regions	Partners	Stage					Target*1
					Non-clinical	P1	P2	P3	Application	
Ophthalmology area	ROH-101	CMV*2 Corneal endotheliitis	Japan	Théa, M'z Science	[Progress bar]					▶ Approval in 2025
	ROH-201	Dry eyes*3	Japan	Japan Tobacco	[Progress bar]					▶ Approval in 2027
	ROH-202	Ophthalmic treatment agent	Japan	D. Western Therapeutics Institute, Inc.	[Progress bar]					—
	ROH-001	Suppression of myopia progression	Japan	Tsubota Laboratory, Inc.	[Progress bar]					—

*1 Targets are for Rohto and are not agreed upon by partners. *2 Cytomegalovirus *3 Dry eye patients including those with Sjögren's syndrome

TOPICS

ROHTO RECIPE offers a food experience

ROHTO RECIPE, a new brand in the food business that offers delicious, healthy, and sustainable meals based on the concept of "energizing from the bottom of your stomach," has opened the ROHTO RECIPE Chayamachi Store, a shopping complex with cafes, restaurants, and markets, as well as a new brand of side dishes, "ROHTO RECIPE Shunkoku Shunsai."

Since its founding, Rohto has been committed to the development of gastrointestinal medicines and the connection between diet and gastrointestinal health, based on the belief that all diseases start from the stomach. Leveraging that wisdom and experience, we promote "Well-being" foods by delivering foods that are good for the body and society as a whole. In addition, we will take on a variety of initiatives while creating synergies with the Rohto Group's food-related business.



Development of collaboration products using functional ingredients

We have launched collaboration products containing globin peptide (METAP), which inhibits the elevation of neutral fat level after meals. We will promote a variety of healthy proposals for daily eating, such as "Browned Butter Melon Bread" such as Japan's first melon bread labeled with functional claims, and "Kameda-no-Kakinotane (Kameda Crisps)"



TOPICS

Launched medical device for ophthalmic surgery, I/A handpiece.

It has a double-tube structure, and by aligning the holes on the inner tube and outer tube, it is possible to adjust the size of the suction hole simply by turning a dial. This product contributes to improving the safety and technology of cataract surgery. It won 1st place in the Innovative category of the European Society of Cataract and Refractive Surgeons (ESCRS).



Instruction sheets for patients

To protect patients' precious eyes and maximize the effectiveness of eye drops, we have created instruction sheets for patients which explain the correct way to apply eye drops. We have also prepared instruction sheets on how to use each product and precautions for storage and handling. We are working to provide continual support to help patients to administer eye drops correctly.



Regenerative medicine

Commercialize innovative life science technologies

Although regenerative medicine has great potential to meet unmet medical needs, it is still limited to the treatment of a select few diseases. Therefore, we aim to contribute to unmet medical needs by offering solutions that combine regenerative medicine products, cell preparations, and culture media.

FY2022 Overview

Achievements

Satisfactory progress with pipeline and initiatives for overseas expansion

- Plans for some clinical trials were forced to change due to the pandemic, but progress was generally as expected as the pandemic slowed down. We will continue to aim for the stage completion targets as planned.
- Aiming for early overseas expansion, we signed joint venture agreements with multiple companies, including Bloomage Biotechnology Co., Ltd. and BIOMIMETICS SYMPATHIES Inc., to establish a joint venture company that will serve as the foundation for research, development and business expansion of regenerative medicine and cell culture media in China.

Challenges and opportunities

- As we see a growing demand for regenerative medicine, the challenge we face is the need to increase manufacturing capacity to accommodate the expanding market for cell preparations. We will actively invest in equipment to strengthen our manufacturing system and create a stable supply system for the industrialization of regenerative medicine.
- In order to promote expansion not only in Japan but also overseas, including in China, we will proceed with building a cell type portfolio centered on human adipose-derived mesenchymal stem cells, and actively explore and research the possibility of new indications that take advantage of their characteristics.

Pipeline of Regenerative Medicines (as of August 2023)						Stage					Current stage completion target*1
Domain	Cell type	Code	Indications	Planned regions	Partners	Non-clinical	P1	P2	P3	Application	
Regenerative medicine	Human adipose-derived stem cells	ADR-001	Cirrhosis of the liver	Japan	Shionogi	██████████	██████████	██████████			→ FY2023
		ADR-002K	Severe cardiac failure	Japan		██████████	██████████				(P2 in preparation)
		ADR-001	Kidney diseases	Japan		██████████	██████████				(P2 in preparation)
		ADR-001	Severe leg ischemia	Japan		██████████	██████████				→ FY2024
		ADR-001	Lung fibrosis	Japan		██████████	██████████				→ FY2024
		ADR-001	COVID-19 pneumonia	Japan		██████████	██████████				→ FY2023
	Human umbilical cord-derived stem cells	UDI-001	Neurodegenerative diseases	Japan		██████████	██████████				→ FY2023
	Cartilage cell kit*2		Traumatic cartilage defects	Japan		██████████	██████████				(Application for approval in FY2023 in preparation)
			Osteoarthritis	Japan		██████████	██████████				→ FY2024

*1 Targets are for Rohto and are not agreed upon by partners. *2 Produced by Interstem Co., Ltd. (our subsidiary)

COLUMN

Obtained approval to manufacture and sell AutoloGel System

In Japan, as the population ages and the number of diabetes patients increases, patients with diabetic ulcers and other chronic wounds are expected to increase. In recent years, the effectiveness of Platelet-Rich Plasma (PRP) therapy for wounds has been reported both domestically and internationally, and we are proceeding with its development as a new medical device. We have obtained approval to manufacture and sell the AutoloGel System, a wound treatment system that uses PRP therapy for the purpose of "promoting wound healing using PRP gel for wounds that do not respond to existing treatments," and we are currently preparing for insurance coverage.

This medical device is expected to become a new treatment option for wounds that do not respond to existing treatments.



Contract Development and Manufacturing Organization (CDMO)

Evolve into a contract development and manufacturing organization with unique development skills

From basic research to manufacturing and sales, the development of prescription medicines is time-consuming and costly. Contract manufacturing organization (CMO) has long been used to deliver products to patients quickly and at a reasonable price. But now, technological capabilities that enable stable, high-quality production are required, and contract development and manufacturing organization (CDMO), which assumes quality control and manufacturing control from the development stage, is attracting attention. Moreover, in recent years, demand has increased not only for internal medicines but also for biopharmaceuticals that use cells, further expanding the role played by CDMO. In order to meet a variety of needs, we will continue to improve quality and strengthen our stable supply system by leveraging our advanced technological capabilities and know-how with Qualitech Pharma Co., Ltd. for internal medicines, with our research facility and plants (Cell Factory Kyoto) and our specific cell-processed product manufacturing facility in Daiba, Tokyo and Interstem Co., Ltd. for regenerative medicine.

FY2022 Overview

Achievements

We strengthened our development and manufacturing capacity by establishing a new research facility

- In internal medicines, we completed construction of the Chemistry, Manufacturing, and Controls (CMC) Development Center and Kakegawa Laboratory within the Kakegawa Plant of Qualitech Pharma Co., Ltd. in December 2022. We strengthened the development and manufacturing capacity to enable independent manufacturing, including formulation design and analysis development.
- In regenerative medicine, Cell Factory Kyoto not only manufactures its own cell preparations, but also conducts and offers contract manufacturing of clinical trials drugs and regenerative medicine products.



Challenges and opportunities

- In order to respond to the increasing demand for CDMO, we will proactively expand our production capacity while strengthening our foundation.
- In response to increasingly complex customer needs, we will leverage our expertise in formulation development and manufacturing, centered on our new research facility, to provide high-quality, detailed solutions.
- In order to respond to the growing demand for biopharmaceuticals, we will proactively strengthen our system to ensure stable supply, and going forward, we will continue to build a new system for early overseas expansion.

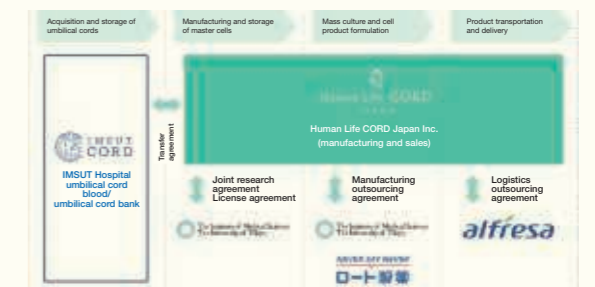
TOPICS

Won the 5th Japan Open Innovation Prize "Minister of Health, Labour and Welfare Award"

An initiative and project promoted by Human Life CORD Japan Inc., IMSUT Hospital, The Institute of Medical Science, The University of Tokyo, Alfresa Corporation, and the Company won the Minister of Health, Labour and Welfare Award.

This initiative built an all-in-one supply chain organization, covering everything from the procurement of umbilical cords as raw materials for regenerative medicines, the mass culture of umbilical cord-derived mesenchymal cells for commercialization, and the transportation and sale of these cell products to medical institutions. Using these cell products, we are conducting clinical trials for intractable diseases with no effective treatments. We aim to socially implement a "cell therapy platform of domestic production and consumption model" that uses umbilical cords collected in Japan as raw materials.

Role of each company in this project



Global Expansion

Providing Well-being to People Around the World through the Provision of the Value of Health

One of Rohto Group's strengths is its worldwide network. We develop different products for each country and region, taking into account the market environment and consumer needs. In addition to our mainstay skincare and eye care products, we will accelerate business expansion with a focus on hair care going forward.

Japan

In addition to Rohto Pharmaceutical's eye care and skincare products which form our core businesses, Qualitech Pharma Co., Ltd., whose main business is contract development and manufacturing of prescription medicines, Amato Pharmaceutical Products, Ltd. and Rohto Nitten Co., Ltd. which respectively focus on hemorrhoid medication and prescription eye drops, are promoting their business in the Japanese market, which accounts for approximately 60% of the Group's sales.

In FY2022, the Group's performance in the Japanese market was driven by Rohto Pharmaceutical, the core company of the Group, thanks to the support of customers for its wide lineup of healthcare products, including eye drops, gastrointestinal medicines, and skincare products, which have been mainstay products since its founding. Subsidiaries Amato Pharmaceutical Products, Ltd. and Rohto Nitten Co., Ltd. also contributed to consolidated sales and profits.

Although Japan is experiencing a decline in population, the market for self-care and self-medication is expected to expand. In anticipation of the expanding needs for high-quality OTC drugs and highly functional cosmetics, the new plant at Ueno Techno Center has begun operations with enhanced production capacity and strengthened compliance with international pharmaceutical manufacturing standards. As a future investment, Rohto Pharmaceutical is investing in the regenerative medicine business and prescription medicine business, and is working toward further growth.



Asia

China and Hong Kong are driving growth along with Southeast Asian regions such as Vietnam, Indonesia, Taiwan, and Malaysia. Asia currently accounts for approximately 30% of the Group's total sales. All regional segments reported strong performance centered on the core skincare and eye care products, with particularly strong growth in Vietnam, Malaysia, and Indonesia, and among others, sales of our anti-dandruff shampoo Selsun increased. In East Asia, Hong Kong's 50 Megumi achieved No.1* sales in the hair care category.

In response to the growing market, we operate state-of-the-art plants in China, Vietnam, and Indonesia, supplying products to Asian markets as well as globally. In addition, we will strengthen our production capacity in Vietnam through M&As. In Indonesia, we are expanding our eye drop production lines and building a manufacturing system that will meet growing demand in Asia going forward.



*Nielsen ScanTrack Data (Total HK hair care) MAT Dec 2022, Total HK hair care here is referring to sum of shampoo, conditioner and treatment

Americas

In Americas, we have a subsidiary in the U.S., The Mentholatum Company, Inc., as well as other subsidiaries in Canada, Mexico, Brazil, and other countries, and are developing our business with a focus on eye care and skincare related products. The Mentholatum Company's mainstay lip balm and Mentholatum Ointment are selling well, and the skincare business, including Hada Labo, is growing in Brazil.

We are also developing businesses in the medical field, including Hydrox Laboratories, Inc. (U.S.A.), which manufactures and sells medical disinfectants, etc., and Ophthalmos S.A. (Brazil), which deals in ophthalmic surgery devices as well as an eye drops business. Although hikes in raw material procurement costs and rising labor costs caused by labor shortages pose a challenge, we are working to make efficient use of marketing costs.



Hydrox Laboratories and its products

Europe (including the Middle East and Africa)

We are developing our business with a focus on skincare-related products, centered on The Mentholatum Company, Ltd. (U.K.) and Dax Cosmetics Spolka Z Organizacjona Odpowiedzialnoscia (Poland). In the African region, we have subsidiaries in Kenya and South Africa, and are expanding our business. The Deep series for topical anti-inflammatory analgesics is performing well with sales increasing significantly, especially in the Middle East. In addition, Hada Labo Tokyo has been successful, winning the Cosmopolitan's Beauty Award in the UK, and becoming established in the drug store chain Watsons in Dubai. Currently, it is also expanding its sales channels to major Middle Eastern countries and South Africa.



In eye care, we are developing the market with Rohto Dry Aid, an eye drop for dry eyes that received CE certification* and began sales in May 2021. We are expanding our sales channels in the UK, where we won the Best OTC Packaging Design Award, as well as in Poland, Turkey, the United Arab Emirates, and Saudi Arabia.

* By obtaining CE certification, which certifies that the product meets the safety standards of EU member countries, it became possible to sell the product as a medical device in EU member countries.

Connecting and Evolving Local Business Foundations Globally to Accelerate Group Growth

Based on our self-supporting manufacturing system, which encompasses all processes from development and production to marketing and sales in each region, we place top priority on human resource development and maintain the belief that the strength of our global business lies in delivering high-quality products that are needed in each region and society.

In particular, in Asia, which is a key driver of the Group's growth, we have established manufacturing bases in China, Vietnam, and Indonesia equipped with cutting-edge equipment to develop and produce eye care, skincare, and hair care products, building a system to supply high-quality products in Asian regions as well as globally.

We will accelerate the growth of the Group by connecting human resources and organizations globally and continuously strengthening and evolving our local business foundations.

Emphasis on Face-to-face Communication

With the aim of fostering a corporate core and sense of unity as a Group, we strive to sense and capture various consumer needs through daily operations, and promptly translate them into product development. We aim to deepen cooperation among countries and improve efficiency, while at the same time exchanging researchers and improving synergies in the marketing department.

World Wide Meeting

We hold the Worldwide Meetings twice a year so that companies of the Rohto Group in various countries can communicate smoothly and closely. This provides a place to share the latest initiatives and future plans of each country and region, as well as the identity of each country, and to foster a sense of unity as the Rohto Group.

R&D Global Meeting

We have created a global meeting where researchers from each country can introduce and discuss their research results and new products. In addition, by providing a place for participants to gather at a research laboratory and deepen mutual learning in their research fields, we make it easier to create synergies.

Enabling Quick Understanding with Visualization using Digital Technology

Up until now, data has been individually optimized in each country, and ICT infrastructure has been built separately, but by connecting organically across the globe, regardless of vertical or horizontal boundaries, we will create more value than was previously possible in each country.



Global Expansion

Localization that Accommodates Diverse Lifestyle Habits and Values

We have a flexible localization system that allows us to solve challenges and express our brands in ways that suit the environment of each country and region, while still retaining the core values and ideas of the brand. The charm of various countries lies in their different and diverse cultures, customs and tastes. In addition to complying with each country's regulations and business practices, we actively take measures to adapt our operations to suit each country while carefully protecting the values promised through our brands. Understanding the people of each country and supporting their health directly connects to the growth of the Rohto Group as a whole.

Hada Labo Tokyo

Hada Labo, whose brand concept is "Perfect and Simple," values the idea of eliminating unnecessary things and focusing only on ingredients that are good for your skin, and is a brand that is loved by many people.

The brand's "made in Japan" quality and simple packaging are popular in Asian countries, but because climates, skincare habits, and needs differ from country to country, we have developed unique product lineups for each country.

On the other hand, in Europe and North America, we are expanding our products by changing not only the lineup and formulation, but also the packaging design, while keeping the core elements of the brand the same. Since the skin types and skincare habits in Europe and North America are different from those in Japan and Asia, we are strengthening our lineup in the cream category, which is most valued in Europe and North America, and introducing skincare methods centered on lotions. As for the packaging design, we purposely include cherry blossoms to easily convey that the product is made in Japan, while using English writing instead of Japanese. Hada Labo Tokyo, which was launched in the United States in 2013, has now expanded to European countries, South Africa, the Middle East, Australia, and Canada, and is starting to take root in each country.

Rather than focusing on our successful experience in Japan, we will continue to localize our products in various countries and regions, and continue to evolve so that the brand can be loved by even more customers across borders.



Hada Labo (Japan)



Hada Labo Tokyo

ROHTO Brand

In Japan, the name "Rohto" often makes one think of eye drops, and ROHTO is currently the No.1 eye care brand* in the world. In the 1980s, Rohto began its overseas eye care business in earnest with the launch of products in Asia, and in recent years, we have been expanding our sales channels to European countries such as the UK, Poland, and Turkey, as well as South Africa and the Middle East, focusing on Rohto Dry Aid, which aims to expand globally.

Rohto Dry Aid is an eye drop that focuses on the structure of the human tear fluid, realizes the stabilization of the oil layer that covers the entire tear fluid, and improves the symptoms of dry eye, which causes pain that makes you want to close your eyes. During the COVID-19 pandemic, it is said that the number of

people overseas suffering from dry eye symptoms rose due to increased digital usage, and it is expected that awareness of eye health will further increase going forward. Eye care awareness and eye drop usage habits vary from country to country, as do the places where eye drops are purchased. While emphasizing verification of effectiveness and safety, we conduct sales and marketing activities in collaboration with experts such as doctors, pharmacists, and universities around the world, and make sales to medical institutions (for specialists). Thus, we develop our products according to the situation in each country.

As a leading eye drop company, we will continue to contribute to the eye health of people around the world.



Rohto Dry Aid

*Euromonitor International Limited; Consumer Health Eye Care definition, retail value share, 2022 data

50 Megumi

50 Megumi started in Japan as an all-in-one skincare brand containing 50 types of nourishing ingredients, and has grown as a skincare cosmetics brand thanks to its simplified skincare steps and support for its ingredient concept.

On the other hand, in Hong Kong, the brand entered the market targeting anti-aging hair care with a focus on hair essences, and is continuously releasing unique product lineups that are not available in Japan, such as shampoo and treatment series that can be selected according to hair concerns, an Anti-grey series that focuses on black hair, and products for men. With the brand's growth, it has gained the No.1 share* in the hair care market in Hong Kong. With the message of "never too early, never too late," the brand aims to present a value proposition to Hong Kong women, who are said to be highly conscious about hair care, by going beyond product proposals to focus on age-related scalp and hair concerns. 50 Megumi also carries out awareness-raising activities about damage that causes hair loss, such as aging, childbirth, perms, and frequent hair washing, and offers suggestions for maintaining healthy, beautiful hair.

The brand will continue to contribute to the beauty and health of people in each country while maintaining its important concepts.



50 Megumi (Japan)



50 Megumi

* Nielsen ScanTrack Data (Total HK hair care) MAT Dec 2022, Total HK hair care here is referring to sum of shampoo, conditioner and treatment

Mentholatum Lip Balms

The Mentholatum lip balm series is No.1* in terms of units sold in the Japanese lip balm market. Our subsidiary, The Mentholatum Company, has been actively developing overseas markets for a long time, and our lip balm products are loved by many customers not only in Japan, but all around the world. The symbol of Mentholatum, a design featuring a little nurse, continues to evolve while incorporating the needs and tastes of each country.

Lip balms are also a category enjoyed by younger generations. Therefore, in addition to usage characteristics such as the softness and ease of application of the formulation, local consumer preferences such as flavor, color, aroma, and design greatly influence product selection. Not only do our products moisturize lips, but they also quickly incorporate seasonal trends and offer consumers the joy of finding products that suit their tastes. We will continue to make propositions that enrich people's lives while incorporating local trends.



China

Hong Kong

Vietnam

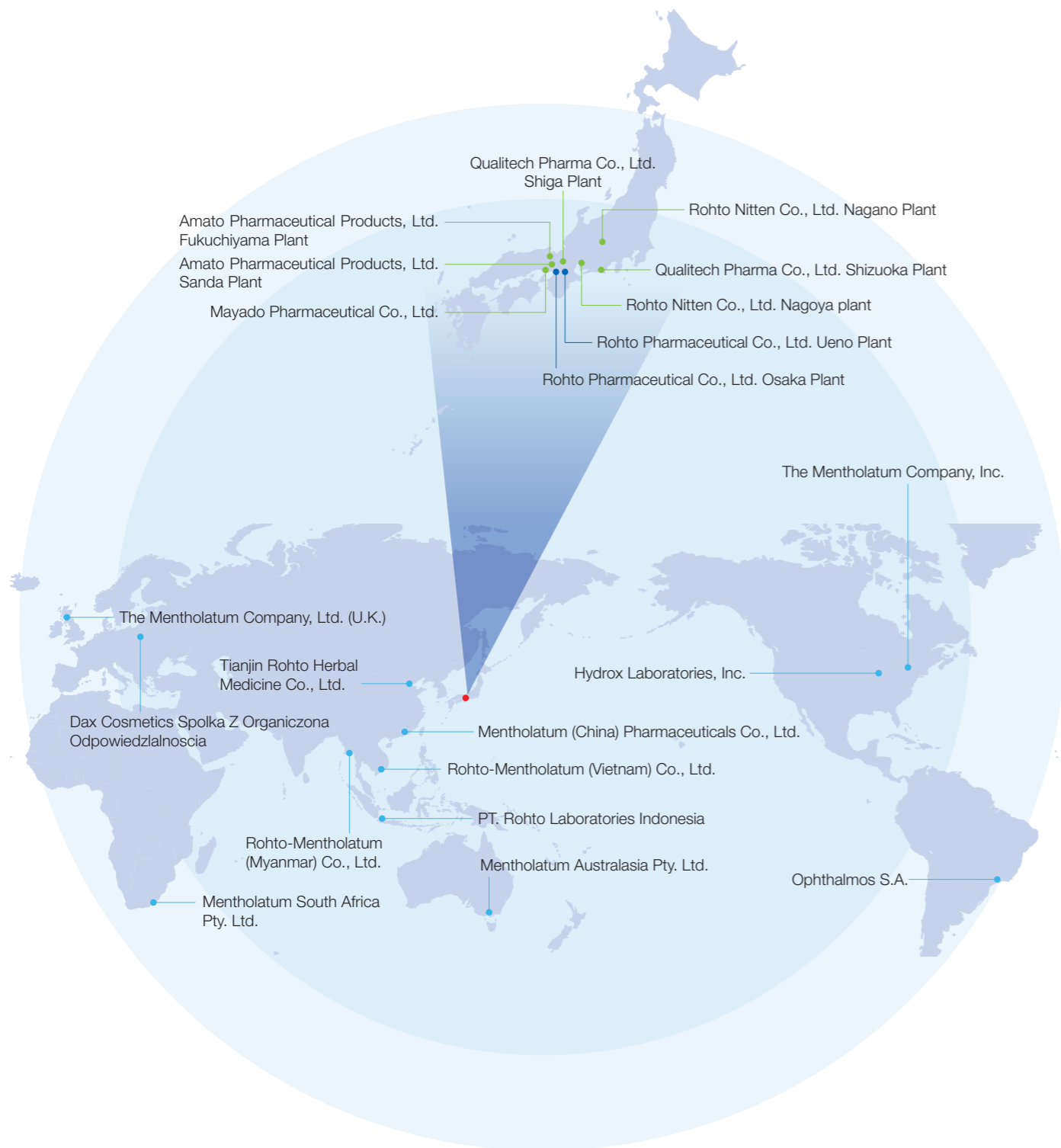
Indonesia

* Intage SRI+ lip balms estimated sales volume from April 2022 to March 2023

Manufacturing Capital Enhancement

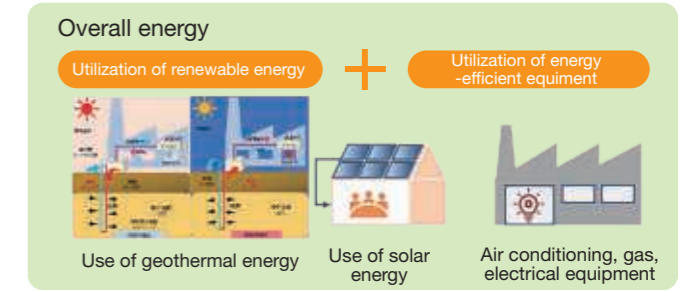


Major production sites **21** locations



Evolution of our Central Plant

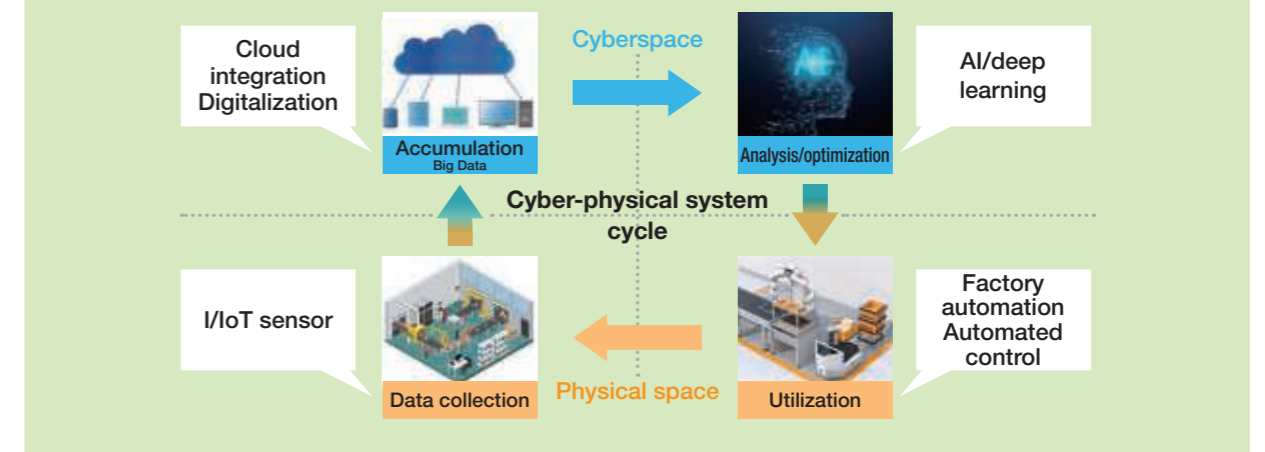
The construction of a new plant building at the Ueno Techno Center, our quality control and logistics base, was undertaken to meet growing demand, such as the increasing need for high-quality OTC drugs due to the growing trend toward self-medication and the expectations of highly functional cosmetics in beauty-related products. Production in the new plant building began in September 2022. This plant building will be a “smart plant” (i.e., a plant that is friendly to people and the environment) that ensures worker safety and efficiency through collaboration between robots and humans, and aims to reduce energy consumption by 20% compared to existing plants. With a cyber-physical system that utilizes IoT and AI technologies, Rohto Pharmaceutical will further promote work styles that allow people to thrive as well as initiatives to reduce environmental impact, which the Company has been promoting.



Cyber-physical System (CPS)

A CPS is a system that collects a variety of data in physical space (real space) by using sensor networks, etc., and analyzes and converts the data into applicable knowledge using leveraging large-scale data processing technology, etc. in cyberspace (virtual space), so that the information and value created can be used to revitalize industries and solve social issues.

Rohto is collaborating with the Fujisawa Laboratory of the Institute of Mathematics for Industry, Kyushu University and First Loop Technologies, Inc. to verify CPS toward implementation at the new Ueno plant building, and in the future, we aim to realize the well-being of not only our employees but also the customers who use our services by turning the entire Group into a “smart plant”.



Reinforcement of Production Facilities in Vietnam

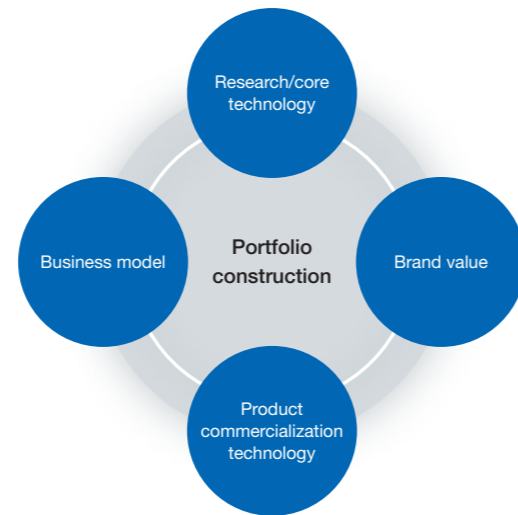
Since its completion in 1998, the Vietnam Plant has been the Group's main plant responsible to produce eye drops and dermal medicines. Rohto-Mentholatum (Vietnam) Co., Ltd., the company that owns the Vietnam Plant, acquired Naris Cosmetics Vietnam Co., Ltd., which produces cosmetics in the country, in December 2022 and expanded its production facilities. With two factories in Binh Duong Province, Vietnam, the Group aims to achieve sustainable growth over the medium- to long-term by responding to the increasing demand for our cosmetics in Southeast Asian regions including Vietnam, where economic growth continues.

Intellectual Capital Enhancement

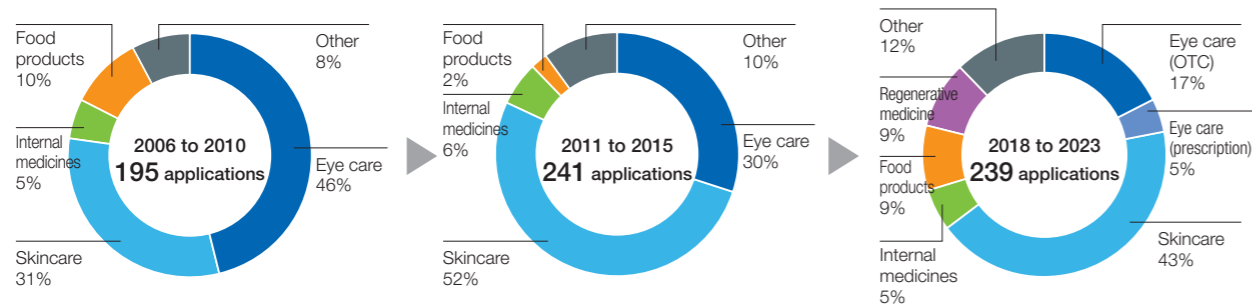
The Rohto Group believes that intellectual property will play an increasingly important role in creating new value. Positioning intellectual property as an important management resource, we are working to strengthen our global intellectual property capabilities in order to create new value, lead the Group to sustainable growth, and thereby contribute to the realization of a sustainable society.

Changes in the Number of Patent Applications

With health as the core value of our business, we have continuously faced changes in society and our customers and continued to create value. Starting with the establishment of a healthcare business centered on eye care, we have seen the growth of our functional cosmetics business in recent years, and now we are moving forward with management based on more business pillars. At the same time, our intellectual property activities are also evolving in many ways. We will strategically build an optimal portfolio and strive to strengthen our future competitiveness.



Number of Patent Applications

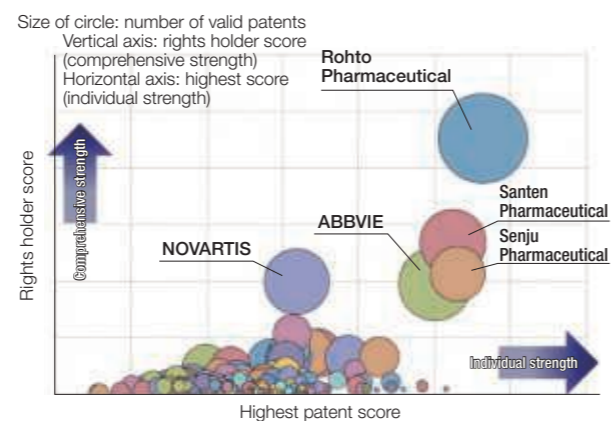


Strengthening Core Technology and Product Commercialization Technology

By taking on the challenge of research and development ahead of other companies, we have improved our technological capabilities and product capabilities as the source of our competitiveness. Through these efforts, we have been able to hold highly useful patents.

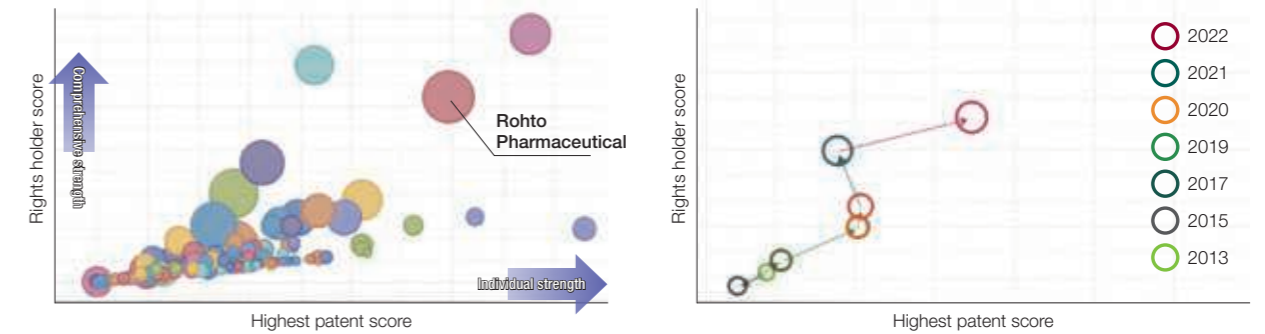
We will continue to create products that not only ensure the efficacy and safety of our products and the stability of our formulations, but also pursue the comfort and convenience of our customers and patients. In order to continue to be a company that is supported, we will appropriately protect and use technologies that is needed to be protected.

Ophthalmological Medicine Patents



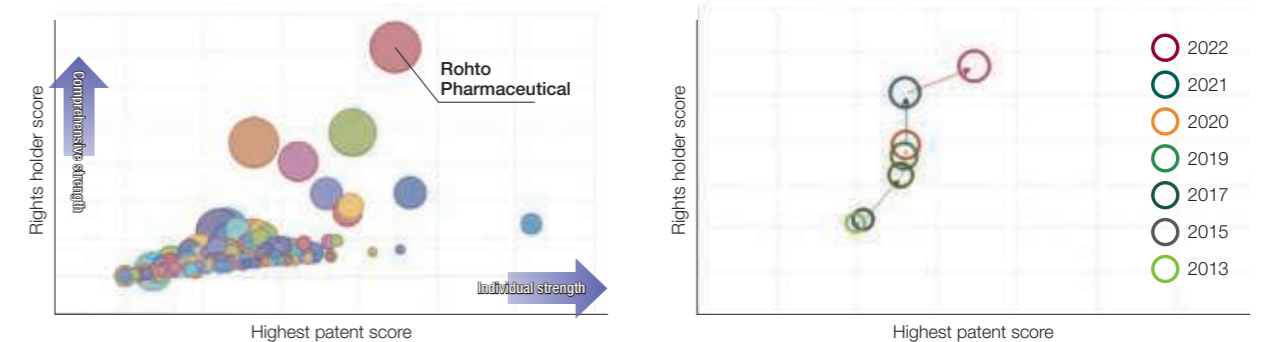
Cosmetics x Ascorbic Acid (Vitamin C) Patents Held

Size of circle: number of valid patents



Cosmetics x Hyaluronic Acid Patents Held

Size of circle: number of valid patents



*Created by the Company using Patent Result Co., Ltd.'s patent analysis tool "BizCruncher." The size of the circle indicates the number of valid patents in the relevant field, the horizontal axis shows the score of the single patent with the highest value among the patent group of each rights holder, and the vertical axis shows the sum of the scores of each rights holder's patents.

Strengthening Brand Value

To develop a strong brand, it is vital to create an attractive concept, devise trademarks and designs that embody the concept, and protect them. We collaborate with the Marketing and R&D department to manage the procedures for timely research, application, and registration.

In addition, protecting intellectual property is essential, not only to protect and develop the brand and secure profits, but also to ensure the trust of customers and protect the company's credibility. We will work to enhance our brand value throughout the Group.

Brand Protection

As the number of brands that are widely loved by customers has increased, and the world's commercial flow has changed significantly with the emergence of many platforms that allow people to easily sell products to anyone anywhere in the country, now the damage caused by counterfeit products has become a major social issue.

To ensure that all customers can use our products with peace of mind, we take a resolute stance against counterfeiting and work together to address this issue as an industry-wide problem. This not only protects and prevents damage to our brands, but also minimizes health damage to our customers.

We want to offer a daily life filled with "surprise" and "joy." This idea is at the base of our manufacturing. Our brands are important assets that have grown through the gratitude and encouragement we feel from the "happy surprise" testimonials of our many customers. We will continue to listen to the voices of each and every customer and work hard every day to maintain trust and a sense of security in our product brands.

Intellectual Property Utilization through Open Innovation

We license our patented technologies to contribute in solving social issues by using our technologies to drive innovation in various fields. Based on the technologies we have accumulated so far, we will develop new businesses in collaboration with partners and contribute to the realization of a world of well-being.

Maximizing Human Capital

Basic Approach to Human Resources

Strengthen initiatives aimed at human capital management: The mutual growth of the Company and our company members by respecting each “individual”

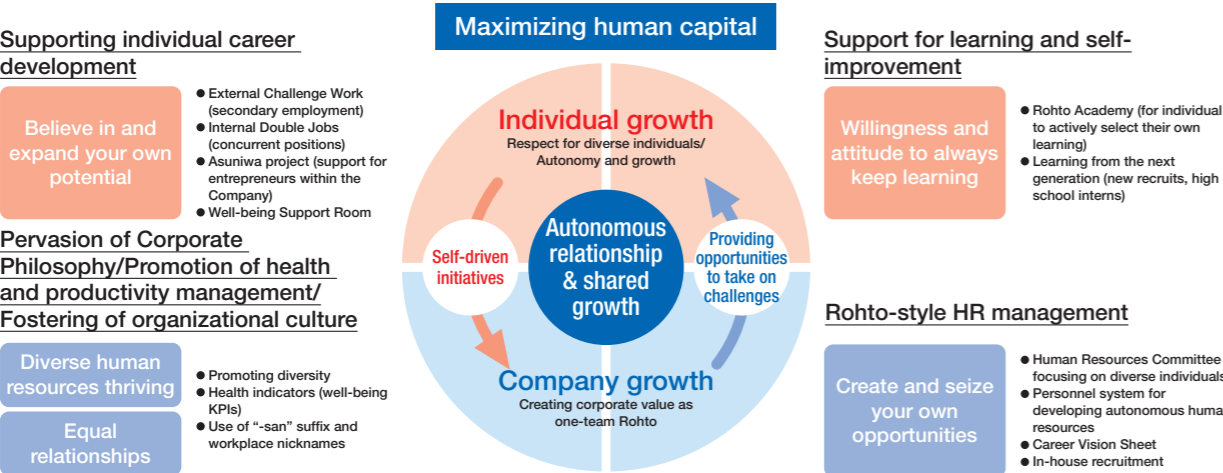
In order to continue to contribute to the “realization of a society with well-being,” which is our purpose (reason for being), it is essential for us to create sustainable corporate value. Needless to say, each and every one of our members is a driver of these processes and, without members' growth, there can be no growth of the Company. To that end, in today's world significance is placed on respect for the individual and the mutual growth of the individual and the company. Key factors in achieving this are: respect for diverse individuals, the linkage between our Corporate Philosophy and business strategy as its centripetal force, and coordination with human resource management that maximize the potential of diverse individuals who will carry out our strategies in line with changes. Our basic approach to our human capital (personnel system) is that the Company and employees have a relationship of mutual growth, rather than viewing our employees as possessions of the Company. In other words, the Company is able to grow due to employees proactively participating in business activities and creating value for society, and in turn, the Company's growth provides various “opportunities for active engagement” for individual employees, which creates a virtuous cycle for the Company and employees to grow together.

The “autonomous” career that we seek for individuals is for them to become human capital who share the Company's purpose, proactively participate in business activities, and continue to learn to create value for society as “Professional SHIGOTONIN,” professionals with responsibility and proactiveness. To this end, we ask our employees to always consider their future direction and what they should do now to

achieve it by asking themselves what their purpose is, taking into account the needs of society and our customers, as well as the expectations from those around them and their roles. We do this because we believe that understanding oneself through the process of figuring out what is expected of oneself now, what actions one should take, and what factors one lacks in order to take action, is the first step toward autonomous career development. On the other hand, a company cannot address individual growth with a one-size-fits-all approach. For this reason, the top management takes the time to read the career visions of all employees each year, and organizes and assigns personnel based on these visions. In addition, in order for employees to be able to develop their careers on their own initiative without the Company inhibiting their growth opportunities, we respect the individual's will as much as possible and believe in the potential of the individual, and engage in initiatives to draw out their strengths. Such efforts include Internal Double Jobs (concurrent positions) and External Challenge Work (secondary employment), as well as holding semiannual “FEED-FORWARD” interviews (future-oriented interviews) for each work line to address the careers of each individual.

Going forward, we will continue to develop an organization that maximizes the potential of our diverse individuals, regardless of simple attributes such as age, gender, or nationality, rather than the one-size-fits-all human resources development model. We will also develop an organizational culture that each individual seeks to learn continuously. In this way, we will strive for mutual growth for our individual employees and our Company.

Conceptual Diagram of the Company's Human Capital Maximization



Initiatives for Maximizing Human Capital

Revision of the New Personnel System

Rohto focuses on human resource development with the aim of realizing a society with well-being through shared growth for both the Company and our company members based on respect for the individual. In order for the company to grow, it is important to continue creating new value sought by society, by positioning well-being at the core. We believe that this can be made possible by the strong will of each and every employee to deliver new value to the world, and their actions based on this will.

Rohto revised its personnel system in FY2022 for the first time in approximately 20 years, in order to enable diverse individuals to play a proactive role and to respond to organizational expansion and the highly uncertain and changing business environment. The new personnel system places emphasis on supporting and promoting autonomy and self-reliance as a “Professional SHIGOTONIN,” simultaneously pursuing the creation of value in work and the realization of well-being, and encouraging diverse and versatile work styles that enable autonomous career development. We are implementing four measures designed to promote well-being management in which each employee autonomously drives their own purpose and career growth, while working toward a common goal as part of the organization as a whole.

What is a “Professional SHIGOTONIN?”

A “Professional SHIGOTONIN” is someone who has aspirations, who is willing to overcome difficulties to realize a society with well-being, and who continuously creates value both inside and outside the Company positioning Rohto as a public organ of society. Rather than just completing tasks they are given, “Professional SHIGOTONIN” is self-reliant and capable of finding and taking on challenges and tasks on their own. This natural desire to continue learning and growing as a “Professional SHIGOTONIN,” not to gain anything, but in order to give to those around you, is an idea expressed in our “Seven Pledges” as “Our people are our greatest asset,” and it serves as our vision.

*Seven Pledges = Rohto's Code of Values and Conduct

Four Measures to Drive Mutual Growth of the Individual and the Organization

- Personnel transfers and organization building through dynamic human resource management - selection and appointment with an eye to nurturing the individual and to seeing the bigger picture**
Rohto's top management looks over each employee's “My Vision Sheet,” which details the jobs each employee wants to take on as well as their career plans. Based on this information, we consider such questions as “What responsibilities should we assign to this employee to help their growth?” or “Is now the right time to transfer them to another position? If not, what experience do they need right now?” Through this process, we select and appoint employees based on a comprehensive consideration of both individual growth and strategic human capital allocation as an organization.
- Evaluation based on the value of work as a “Professional SHIGOTONIN” - Rohto Value Points (RVP) (semi-annual evaluation)**
Rohto Value Points (RVP) are a numerical measure of the value of each employee's work using the same scale for all employees, regardless of seniority, stage (rank), position, etc. The review process starts by each employee evaluating the value of their own work as “Professional SHIGOTONIN,” and then an evaluation is finalized through multifaceted consideration by an Evaluation Committee made up of members of management.
In order to increase the value of one's work, each and every person working at Rohto values dialogue and reflection with their supervisors and co-workers, both at milestones and on a daily basis.
- Improving the well-being of each individual - Well-being Points (WBP) (semi-annual self-assessment)**
This is a survey conducted at the same time as the work evaluation (RVP), where employees self-assess their own situations using five questions on a scale of 1 to 10. The Company emphasizes this survey as a form of employee engagement. Even if an employee has showed high work performance, if the person in question is not able to work in good spirits, well-being has not been achieved. We believe that caring about the mental well-being of employees is also an organization's responsibility, and we use this information to take action to raise the overall well-being of each and every employee to an even higher level.

Review of Well-being (Well-being Points)

1. I am able to serve and contribute to society through my work.
2. I enjoy my work and my life has been enriched.
3. I feel that I have grown through my work.
4. I have goals for the future and have high expectations for my future career development.
5. I am part of a team and contributing to teamwork.

May 2022: 6.37 points → October 2022: 6.74 points

*Average score for items 1 to 5 (self-assessment on a scale of 1 to 10)
Target: All employees (all employment types)

④ **Aiming for autonomous career development and continued learning - career ownership: encouraging secondary employment and concurrent positions**
Enhancing the employee experience

External Challenge Work (secondary employment) and Internal Double Jobs (concurrent positions) are programs to encourage autonomous career development and continued learning, introduced with the aim of enhancing employee experience. What is important is the individual's work experience and learning, and we believe that it is essential for the Company to support the provision of such opportunities.

Initiatives for Autonomous Career Development
1999: Introduced a self-nominated promotion system and a self-career-declaration system (now known as "My Vision Sheet")
2016: External Challenge Work (secondary employment)
2016: Internal Double Jobs (concurrent positions)
2020: Asuniwa project (support for entrepreneurs within the Company)
2021: Rohto Academy (for individuals to actively select their own learning)

External Challenge Work (secondary employment)	Internal Double Jobs (concurrent positions)	Asuniwa project (support for entrepreneurs within the Company)	Rohto Academy
<ul style="list-style-type: none"> Total from FY2016 to FY2022: 144 people FY2022: 49 people 	<ul style="list-style-type: none"> FY2022: 123 people 	<ul style="list-style-type: none"> Projects that led to establishment of a company (as of June 2023): 7 	<ul style="list-style-type: none"> Total number of participants in FY2022: 1,520 people

➔ **— Support for Autonomous Career Development —**

Rohto Academy

Rohto Academy is a learning platform that enables members to face their own careers and choose the skills they need to learn so that they can continue to learn proactively. We focus on content to enhance future insight.



Well-being Support Room (with external partners)

Through consultations with outside experts about concerns related to careers, work, management, etc., the Well-being Support Room provides support for individuals' well-being and growth.

Human Resource Acquisition Initiatives

➔ **New graduate recruitment focuses on alignment with our corporate philosophy and vision**

When recruiting new graduates, we emphasize on their thoughts on the Company's corporate philosophy (purpose) and vision. In our recruitment activities for FY2022, we are striving to match the thoughts and growth vectors of individuals and the Company, with application requirements that include applicants' thoughts on the Company's corporate philosophy and their own future career vision.

➔ **Comeback Recruits who Understand our Business, Culture and Are Able to Contribute Immediately**

We welcome people who have left Rohto and built-up networks through diverse activities outside the Company to take on new challenges again at Rohto.

➔ **Diverse Mid-career Recruitment that maximizes "Individuals"**

To enable employees to play an active role based on their own aspirations and values, we also thoroughly confirm each individual's purpose when hiring mid-career employees, and carefully communicate with them regarding the duties and roles they will be responsible for.

Moreover, in order to promote new businesses, we are strengthening the recruitment of highly specialized human resources as well as global human resources in the R&D field, conducting joint research with graduate schools, and hiring freelance workers with digital expertise.

Fostering a Work-friendly Culture

➔ **Creating a Work-friendly Environment**

Use of "-san" suffix and workplace nicknames

In 1994, we began addressing all employees by the "-san" honorific suffix so that they could address each other by name rather than position titles, out of respect for the fact that all employees are important partners and equal in their work. Subsequently, the Company launched an initiative to further stimulate communication by calling each other by workplace nicknames. Workplace nicknames are used on employee ID cards, in-house newsletters, and in many other situations.



Workplace nicknames used on employee ID cards
Fitness-tracking devices for earning ARUCO coins

39 (Thank You) ARUCO campaign

We have implemented the "39 (Thank You) ARUCO" campaign to encourage employees to express their appreciation for each other and to instill a culture of praise and recognition. "ARUCO" is a system that allows employees to earn internal currency (ARUCO coins) that they receive based on their implementation of healthy lifestyle habits. The coins can also be earned by expressing gratitude to each other. This naturally leads to the expansion of the circle of appreciation beyond departments.



➔ **Support for Voluntary Activities**

ARK Project

Since 2003, we have been implementing the ARK "Thinking about the Future of Rohto" project, in which employees proactively volunteer and participate in. With the participation of a wide range of employees, from young to experienced, we face and realize important themes such as the environment, social contribution, human resources, and health and productivity management. External Challenge Work (secondary employment) and Internal Double Jobs (concurrent positions) were also conceived and implemented in this project.



➔ **Promotion of Internal Connections**

In-house newsletters

Through "Seiryu," our paper-based in-house newsletter, and "SHI-ROHTO+," our Web-based in-house newsletter, we communicate the latest topics at the time of issue, including new internal initiatives, messages from management, and personal anecdotes of our employees. "Seiryu" conveys the philosophy that runs through the Company and the ideas we wish to pass on, while "SHI-ROHTO+" conveys the latest news in a timely manner, to help employees communicate with each other, and create new value.



Company-wide events

Through the "Grand Sports Day" and a walking event in which all employees participate, we are building connections among employees and promoting their health. Volunteer project members plan and manage the "Grand Sports Day," and participants, who are divided into teams in advance, prepare for the day of the event by practicing the competitions in their respective teams. Through this series of events, we promote employee interaction and foster teamwork while having fun.



Promotion of Diversity

In order to realize one of our materiality issues, “Maximizing human capital to enhance corporate value,” we have identified particular items to focus on, set targets as “Sustainability Targets 2030,” and promoted initiatives while monitoring progress towards achieving these targets.

Materiality	Social issues	Non-financial KPI	Results	Targets
			FY2022	FY2030
Maximizing human capital and coexistence with society [Society (S)]	Respect for human rights	Implementation of education on human rights and harassment for all employees	Irregular implementation	100%
		Uptake of parental leave among men	26.5%	100%
	Promotion of diversity (including workstyle reforms)	Employment of people with disabilities	2.30%	3.0% or more
		Career training for employees over 50 years old	Not implemented	100%
		Installation of gender-neutral bathrooms at company-owned offices	Implementation as early as possible no later than FY2025	
		Paid leave taken	72.9%	80% or more
		Paid leave taken for five or more consecutive days	23.0%	80% or more
		Ensuring occupational safety and health	Number of serious work-related accidents (lost work)	2 cases
	Improving employee engagement	Well-being survey score (Well-being points) *Self-evaluation of employee well-being	Average of 6.8 points for 5 items	Full score for all items

Promoting Health and Productivity Management

We believe that health is the foundation for realizing personal growth and individual well-being, and we established the Health and Productivity Management Declaration in 2018 with the aim of “working at Rohto to bring health benefits.”

Rohto’s definition of “health” is not simply “not being ill.” “True health” is founded on both mental and physical health and allows us to bring passion (a sense of meaning in our jobs and our lives) to our daily work. We believe that employees possessing true health will support a healthy society as “healthy human resources.” We further cultivate “healthy human resources” by focusing on creating opportunities for employees to make their own positive efforts to stay healthy.

Rohto’s Health and Productivity Management Declaration

Our aim is to become a company fully staffed by “healthy human resources”
who will always be able to healthily thrive in their daily work.

We hereby declare that we will strive to further promote health and
productivity management so that our healthy employees will lead to a healthy society,
and on to a healthy next generation.

External Evaluation

In March 2023, Rohto was selected as one of the White 500 Certified Health & Productivity Management Outstanding Organizations sponsored by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

In February 2023, we were certified as a “Sports Yell Company 2023” by the Japan Sports Agency. The Company received “Bronze” level certification awarded for certification of five consecutive years and earned a “+” certification awarded to companies whose implementation rate of playing sports once or more in a week is at least 70%.



Health Indicators

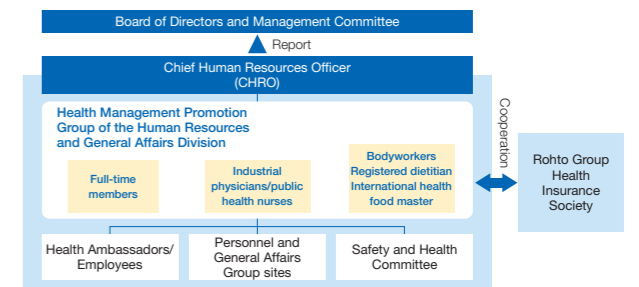
We believe that health is the foundation for realization of well-being, and we have established health indicators that look ahead to the health of the next generation, in addition to those that prepare for current and future health risks. By setting specific targets, we promote health and productivity management with the aim of enabling each employee to review their daily life and make their own efforts toward the realization of well-being.

KPI	Present (prevention of presenteeism and absenteeism)	Future (prevention of lifestyle-related diseases, physical diseases, and mental health issues)	Next generation (prevention of health effects on the next generation)	FY2022 results	FY2023 targets
Result indicators (physical health)	Proportion of persons with metabolic syndrome or pre-metabolic syndrome	●	●	14.8% (6.1%+8.7%)	0%
	Proportion of female with anemia*1	●	●	14.2%	0%
	Proportion with a lower health age than chronological age*2	●	●	59.6%	80%
Behavioral indicators (lifestyle)	Proportion of smokers	●	●	2.8%	0%
	Proportion using alcohol in moderation*3	●	●	76.9%	100%
	Proportion sleeping for at least 6.5 hours	●	●	32.4%	50%
	Proportion of persons taking 30 min. of exercise at least twice a week	●	●	38.3%	50%
	Proportion of persons who walk 8,000 steps and practice 20 minutes of brisk walking per day	●	●	54.9%*4	50%

*1 Anemia is defined as a hemoglobin level of less than 12.0 g/dl.
 *2 Lower health age than chronological age is defined as demonstrating younger results than actual age in terms of physical fitness measurement results (physical fitness age, walking age, brain activity age).
 *3 A single serving is defined as less than approximately 360mL for men and less than approximately 180mL for women.
 *4 Average during the walking event Winter 2022 (3 weeks)

Promotion System

At our company, under the Chief Human Resources Officer (CHRO), the Health Management Promotion Group of the Human Resources and General Affairs Division takes the lead in promoting health and productivity management initiatives in collaboration with the human resources and general affairs department of each base, Health Ambassadors, Safety and Health Committee Members, and Rohto Group Health Insurance Society.



Concrete Actions

In addition to enhancing health checkups and providing dental checkups and influenza vaccinations every year, we also implement initiatives that encourage employees to get involved and make health maintenance a habit.

Moreover, since FY2022, in addition to the Human Resources and General Affairs Division and the Health Care Office, we have established an external contact point (The CARE) exclusively for Rohto employees, where employees can consult with qualified medical professionals (nurses, midwives, public health nurses) about various concerns such as pregnancy, childbirth, childcare, balancing illness and work, and mental health.

Occupational Safety and Health

Basic Approach to Occupational Safety and Health

Occupational safety and health are the foundation for the continuation of our business activities, that is, to protect the lives and health of workers involved in our business, and we consider occupational safety and health in the workplace to be of the highest priority in order to continue providing our customers with “safety and security,” the foundation of the products and services we offer.

Basic Policies on Occupational Safety and Health

Based on the recognition that protecting the occupational safety and health of our employees is the most important issue for business continuity, we are working to create a safe and comfortable work environment based on our Basic Policies on Occupational Safety and Health.

Sustainable Global Environment

It is our duty to protect the global environment for future generations. We therefore set out an Environmental Policy in 2005 and work to prevent environmental pollution and continuously improve the environment, both locally and globally, through our corporate activities. In particular, based on the recognition that reducing greenhouse gas (GHG) emissions to prevent global warming is a society-wide concern, we have been implementing a variety of initiatives to conserve energy use at offices, plants, and other sites and reduce the environmental impact of our activities including business travel and transportation.

Environmental Policy

1. Assessing environmental impacts brought about by our business activities, products, and services, setting environmental objectives and goals, and establishing environmental management system, Rohto will regularly examine that system to update and improve it constantly.
2. Rohto will take initiatives to protect the environment, abiding by applicable laws, ordinances, regulations, regional agreements, and other guidelines.
3. Rohto will facilitate the efficient utilization of limited resources and energy.
4. Rohto will facilitate the proper management and the reduction of chemical substances that affect the environment.
5. Rohto will facilitate the reduction and recycling of waste.
6. Rohto will advance with the introduction of novel environmental technology to prevent pollution and continuously improve the environment.
7. Rohto will strive to develop products that reduce the environmental burden at each process, from design, formulation, manufacturing, transportation, distribution, and use to disposal.
8. Rohto will continuously promote environmental education for all our officers and employees to enhance their understanding and appreciation of pollution prevention and environmental conservation.
9. As a member of local society, Rohto will proactively join in regional activities for environmental conservation to pursue coexistence with local communities.
10. This Environmental Policy is documented and publicly announced, and Rohto will keep all the officers and employees informed about the policy.

Responding to Climate Change (TCFD)

Taking seriously the impact of natural disasters caused by global warming, in June 2021 we announced our endorsement of the recommendations made by the Task Force on Climate-related Financial Disclosure (TCFD) and set our CO₂ emission reduction target.*

* For Rohto Pharmaceutical's non-consolidated basis only.

→ Governance

In September 2021, the Company established a Sustainability Committee to discuss risks and opportunities related to climate change, determine policies for addressing them, and roll out these policies to the Group. The Board of Directors receives reports on the content of these deliberations and discussions, and deliberates on the Group's response to climate change, including disclosure to and dialogue with stakeholders and capital expenditure plans from a long-term perspective, and supervises the implementation of these plans. The Sustainability Committee consists of two Directors and one Outside Audit & Supervisory Board member who serves as an advisor, and is chaired by an Executive Vice President. The Executive Vice President concurrently holds the position of Chief Financial Officer (CFO) of the Group, and is responsible for evaluating and managing environmental issues as financial issues.

→ Strategy

We evaluate the impact of risks and opportunities related to climate change on our business, focusing primarily on the financial impact. We have local development and production bases in major countries with business footprint and have built a system that is resilient to the fragmentation of the value chain caused by climate change. Here, we assumed a 2°C scenario and analyzed the comprehensive impact on our major global operation bases: Japan, China, Vietnam, the Americas, and others. At this point, we are only assessing the 2°C scenario. However, going forward, we will assess and evaluate various scenarios on an ongoing basis and deliberate on countermeasures to enhance our resilience to an uncertain future.

Transition risks and opportunities

Category	Subcategory	Impact on business	Degree of impact	Measures being taken
			2°C scenario	
Policy and regulations	Introduction of carbon tax	Increased cost of sales and selling, general and administrative (SG&A) expenses due to rising transportation costs (risk) Increased cost of sales due to rising costs to dispose of defective products, etc. (risk)	Medium	Promote efficient deliveries and palletization
			Medium	Reduce inventory and returned goods, and sell older products and returned goods in an ethical manner
	Regulatory control of CO ₂ emissions	Increased cost of sales and SG&A expenses due to rising electricity costs as a result of switching to renewable energy (risk)	Medium	Install solar generation (private power generation) and exhaust-heat utilization systems
Market	Changing demand and consumer preferences	Increased cost of sales due to increase of development and raw material costs incurred by the development of environmentally friendly products (risk) Increased sales due to higher needs for environmentally friendly products and improved market recognition of these efforts (opportunities)	Medium	Reduce raw material usage by adopting label-free packaging and reducing package inserts
			Medium	Adopt label-free packaging, reduce package inserts, and use environmentally friendly materials

Physical risks and opportunities

Category	Subcategory	Impact on business	Degree of impact	Measures being taken
			2°C scenario	
Chronic	Rising average temperatures and extreme weather events	Increased procurement costs due mainly to a supply shortage of natural materials (risk) Increased energy bills due to extended use of air-conditioners (risk)	Medium	Diversify sources of procurement and optimize inventory levels
			Small	Introduce summer time, allow business casual attire, and accelerate other energy conservation efforts Prevent unnecessary overtime chiefly by reforming work styles
	Rising sea levels	Flooding of plants and offices in the lowlands (risk)	—	Expect almost no impact at present
	Fluctuations in demand for seasonal products	Reduced sales of anti-dryness products (risk) Increased sales of sunscreen and the like (opportunity)	Medium Medium	Create a portfolio not relying on particular products
Acute		Typhoons and other natural disasters and extreme weather events	Reduced earnings due to the stoppage of procurement and supply caused by supply chain disruptions (risk)	Large

→ Risk Management

In accordance with the framework proposed by the TCFD and the prediction of changes in the external environment, the Sustainability Committee identifies the degree of business impact of the risks posed by climate change, based on our resources and the services we provide. The Sustainability Committee manages the identified risks and holds discussions on their responses. The Committee convenes the heads of related sections as necessary to confirm more specific measures and promote them in a flexible manner. The Sustainability Committee also evaluates and manages risks other than environmental issues that may affect the sustainability of our business in a comprehensive manner. Depending on the case, the Sustainability Committee will also discuss with the Compliance Committee, which is chaired by the President and Chief Operating Officer, to formulate a BCP.

→ Metrics and Targets

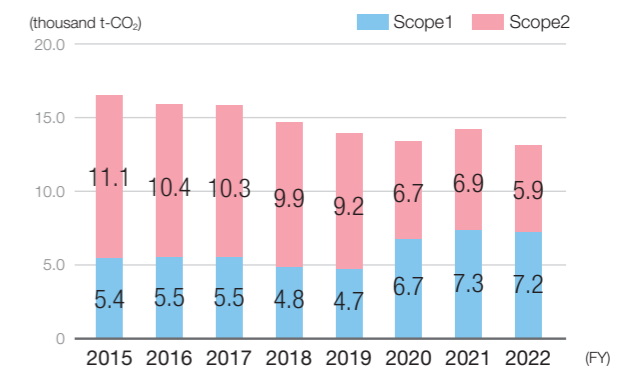
We have set our CO₂ emission reduction target for Scope 1 and 2 for 2030 at a 46% reduction compared to fiscal 2013 levels, and are taking actions to achieve this goal. CO₂ emissions in fiscal 2022 were 13,120 tons for Scope 1 and 2 combined (reduction of 17% compared to fiscal 2013 levels). Going forward, we will calculate Scope 1 and 2 emissions by summing the emissions of domestic and overseas subsidiaries with major production bases, and we will work toward refining the calculation of emissions and setting a target for Scope 3.

Initiatives to Achieve a Low-Carbon Society

→ Trends in CO₂ Emissions (Scope 1 and 2)

We have been working toward our goal of reducing CO₂ emissions from Scope 1 and 2 by 46% (compared to fiscal 2013 levels) by 2030.

In fiscal 2022, we achieved a 17% reduction in CO₂ emissions, while expanding the scale of our business to 137% of fiscal 2013 levels. This was attributable to a switch to carbon-free electricity from renewable energy sources and the operation of solar generation facilities.

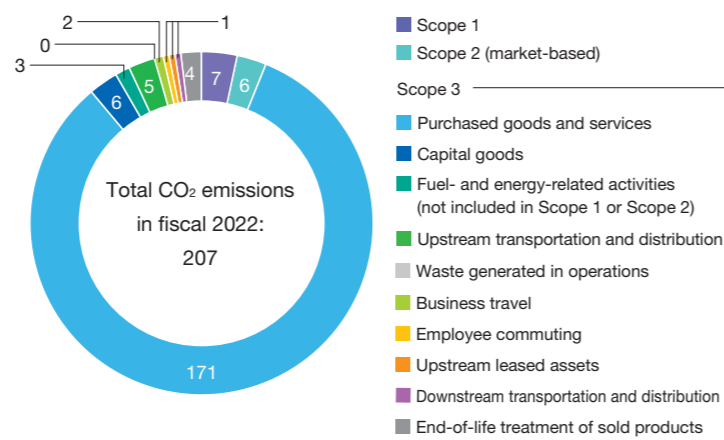


Note: As we changed the calculation standards in fiscal 2021 to conform to the GHG Protocol, some of the figures above include emissions from gasoline and other sources.

CO₂ Emission for Entire Value Chain

(thousand t-CO₂)

In fiscal 2021, we started measuring CO₂ emissions in our entire value chain—from raw material procurement to manufacturing, transportation, marketing, and post-use disposal—based on compliance with the GHG Protocol Scope 3 Standard. In fiscal 2022, our CO₂ emissions per unit of net sales increased only slightly year on year, however, total emissions increased owing to soaring raw material prices and strong net sales. Going forward, we will continue working to enhance measurement accuracy. In parallel, we will endeavor to reduce our environmental impact, primarily by accelerating the development of environmentally friendly products that will result in less Scope 3 Category 1 (purchased goods and services) emissions in particular, as those account for the vast majority of our emissions.



Initiatives for a Recycling-Based Society

We believe that “the health of our planet is essential for the health of people,” and in order to make effective use of limited natural capital, we not only use environmentally friendly ingredients and materials, but also actively work to reduce the amount of waste after use by our customers. While paying close attention to customer needs and ease of use, we are switching to environmentally friendly materials and displaying the “R-eco” symbol on applicable products.



Environmentally Friendly Product Development and Materials Selection

Reduction of plastic usage

Offering refillable products

We have started offering refillable cream products with four stock-keeping units (SKUs) under three brands: Obagi, Episteme, and SKIO. Using an Obagi refill pod reduces plastic by 91% compared to buying a new container.



Offering refill pouches

In 2005, the Hada Labo brand launched refills, and since then, we have actively adopted refills in new brands. In fiscal 2022, this resulted in a reduction of 1,100 tons or more in plastic usage.



Reducing blister packs

We have also been simplifying product packaging with consideration for the environment. In 2022, we ceased to use blister packs for the De Ou deodorants. This has made waste sorting easier for customers, and enabled us to cut back on the use of plastic and paper.



Reducing eye-catching stickers

Since 2021, we have been gradually eliminating plastic eye-catching stickers attached to our products in an effort to reduce the amount of plastic used. In fiscal 2022, our Acnes products ceased to use eye-catching stickers and, instead, started to print the information directly on the product containers.



Use of materials with low environmental impact

Using biomass materials

We are gradually switching the material for bottles and pouches to biomass plastic made from plant-derived biomass. In fiscal 2022, we switched the 50 Megumi product bottles to biomass plastic ones, and launched the Repair One lip balm sticks that use biomass plastic containers.



Using recycled plastic

We are gradually switching the material for bottles, pouches, and blister packs to mechanically-recycled PET made from recycled used PET bottles. Also, we started using recycled polypropylene for the middle layer of the De Ou bottle in fiscal 2022.



Using pallets upcycled from ocean waste

In an effort to reduce the environmental impact of our logistics operations, we introduced plastic pallets made in part from ocean-bound plastic (OBP)* to store, load, and unload products at our distribution centers. Those pallets have been progressively put into use since August 2022.

* Plastic material collected from communities with no formal waste-management system within 50 km of the shoreline.

Reduction of paper usage

Elimination of enclosed separate package inserts

By printing the necessary package inserts for OTC medicines on the inside of the paper box, we have reduced the amount of paper used for the package inserts that used to be enclosed, as well as the amount of paper discarded. This initiative has progressively been introduced to certain eye drops and dermal medicines.



Reduction of packing materials

We reviewed ways of packing for transportation, as a result of which some products that were put into inner boxes are now packed using cardboard dividers.

Utilization of environmentally friendly paper materials

We promote the utilization of environmentally friendly paper in our business activities, including paper used for product boxes, package inserts, pamphlets, and sales promotion materials. As a result, 63% of our product boxes* are made from paper certified by the Forest Stewardship Council (FSC).

* Product SKU basis.



Initiatives with Business Partners

Sale of older products left behind by product updates through the Go Ethical initiative

Since July 2020, we have been participating in Go Ethical, an initiative that aims to reduce loss from product wastage in the popular OUTLET section of the LOHACO by ASKUL, an online shopping platform for general consumers run by ASKUL Corporation. We are reducing loss from the wastage of products that have no quality defects but would previously have been destined for disposal*, by reselling them in the outlet section.

The Go Ethical initiative received the Commissioner of the Consumer Affairs Agency Commendation at the Fiscal 2022 Award for Good Practices of Consumer-Oriented Management.

* Unopened, discontinued products returned from distributors and wholesalers.





Coexistence with Society

Initiatives for Water Resources Conservation

With economic development and population growth, the world's demand for water is increasing rapidly. Limited water resources also pose a major challenge to society in terms of its quality. Our business activities require a certain amount of water use. Based on the recognition that our business is closely related to water resources, we consider the effective use of water resources to be our social responsibility. In accordance with our Environmental Policy, we engage in environmental preservation activities such as effective use of water resources, reduction of water usage, and prevention of water pollution from our entire business.

Efficient use of water

Our main plant, the Ueno Plant, uses groundwater. The wastewater generated in the groundwater refining process is reprocessed and recycled in an effort to efficiently use our precious water resources.

Reduction of water usage

Water use is essential to our products themselves, and water use will increase as production volume increases. Water is also required for washing and other production processes to maintain quality. We are working to effectively reduce the amount of water used so that we can minimize environmental impact as much as possible while maintaining product quality. In addition to water usage at our plants, we are also working to control water consumption in flushing of toilets and hand washing in offices.

Improvement of wastewater quality

Through regular daily monitoring and adjustments, we strive to reduce the impacts caused by wastewater discharge.

Initiatives for Biodiversity Conservation

Recognizing that all of our business activities benefit from and impact the natural environment, we are committed to preserving biodiversity for a sustainable society by working in harmony with the natural environment.

- 1 We will strive to understand how our business activities relate to and impact biodiversity, and work to avoid or minimize the impact.
- 2 We will strive to conduct our business activities in a manner that takes into consideration the ecosystems of the regions in which we operate.
- 3 We will strive to preserve the environment by promoting the development of products and technologies that take biodiversity into consideration.
- 4 We will strive to raise employee awareness of biodiversity and support and promote environmental preservation activities through cooperation and partnerships with a variety of related stakeholders.
- 5 We will comply with national and international agreements and laws regarding biodiversity.

Dealing with microplastic beads

Microplastic beads are sometimes contained in cosmetics such as cleansing agents, but recently concerns have been raised both in Japan and overseas regarding their environmental impact, such as marine pollution. We stopped adding microplastic beads to our new cleansing products in 2010, and in 2016 we completed the switch to microplastic bead-free formulas for our existing cleansing products.

Utilization of sustainable raw materials

Palm oil is a vegetable oil obtained from the oil palm tree, some of which is also used as a cosmetic ingredient (fatty acids and glycerin). In recent years, however, various problems have arisen, including the destruction of tropical rainforests in relation to the development of oil palm plantations. We select and procure sustainable raw materials as much as possible. We will continue to work with suppliers to utilize sustainable raw materials.

Consideration for marine pollution and coral protection

We have been making efforts to develop sunscreen that does not contain ingredients with concerns of causing marine pollution and coral die-off. These ingredients are essential for sunscreen effectiveness, and are found in many sunscreen products. However, we have developed sunscreen products equipped with high sunscreen effectiveness, comfort of use, and environmental friendliness, without containing these ingredients by making full use of our formulation technology. Our efforts culminated in February 2022 in the launch of the NEXTA sunscreen series, which was enhanced in January 2023 by adding a new product. We will continue to develop products that offer both environmental friendliness and the ease and comfort of use.



Respect for Human Rights

➔ Basic Approach to Respect for Human Rights

With the aim to realize a society with well-being, we are expanding our business activities not only in Japan but also throughout the world, and respect for human rights is the foundation of all our business activities. We recognize that we may directly or indirectly affect human rights in the process of conducting our business. We support and respect international norms related to human rights, such as the United Nations' International Bill of Human Rights*, the ILO Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), and conventions related to workers' rights, including wages and working hours. We uphold the Ten Principles of the United Nations Global Compact as its signatory company and support the Guiding Principles on Business and Human Rights, and will implement initiatives based on these principles. We will also comply with the laws and regulations applicable in each country or region where we conduct our business activities. In the event of a conflict between internationally recognized human rights and the laws and regulations of a country or region, we will pursue measures that respect international human rights principles.

* The International Bill of Human Rights is the collective name for the following three documents: the Universal Declaration of Human Rights and its treaties, namely the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

➔ Human Rights Issues of Particular Importance

Prohibition of discrimination and harassment

- Prohibition of all forms of discrimination and harassment, respect of diversity, and provision of equal opportunity

Guarantee of workers' rights

- Prohibition of child labor and forced labor (including slavery and human trafficking)
- Respect for freedom of association and the right to collective bargaining
- Prevention of low-wage work (work below minimum and living wage) and long working hours
- Ensuring of occupational safety and health (including workers' physical and mental health)

Respect for privacy

- Respect for privacy, such as the protection of personal information, including those of customers and employees

We will endeavor to establish and work toward the ongoing implementation of a human rights due diligence system to identify, prevent or mitigate negative impact to human rights, and to take appropriate and effective remedial measures.

➔ Labor and Management Cooperating to Address Human Rights Issues

The Company guarantees basic labor rights to its employees and allows them to organize a labor union and retain the right to collective bargaining. In labor-management consultations, labor and management work closely together to share information on issues such as working conditions as well as the working environment, and labor and management engage in a unified effort to resolve issues. At our overseas locations, we strive to build good labor-management relations with labor unions in accordance with the labor laws and regulations of each country.

Example of human rights initiatives: Same-sex partner registration system

In order to recognize the diversity of our employees and promote a corporate culture that encourages a sense of well-being through mutual respect, in January 2022 we introduced a same-sex partner registration system for sexual minority (LGBTQ) employees directly hired by us. This allows the use of special leave for marriage, childbirth, and other reasons, as well as application for childcare and nursing care leave, etc., in the same manner as marriages between persons of the opposite sex.

Building a Sustainable Supply Chain

➔ Sustainable and Responsible Sourcing

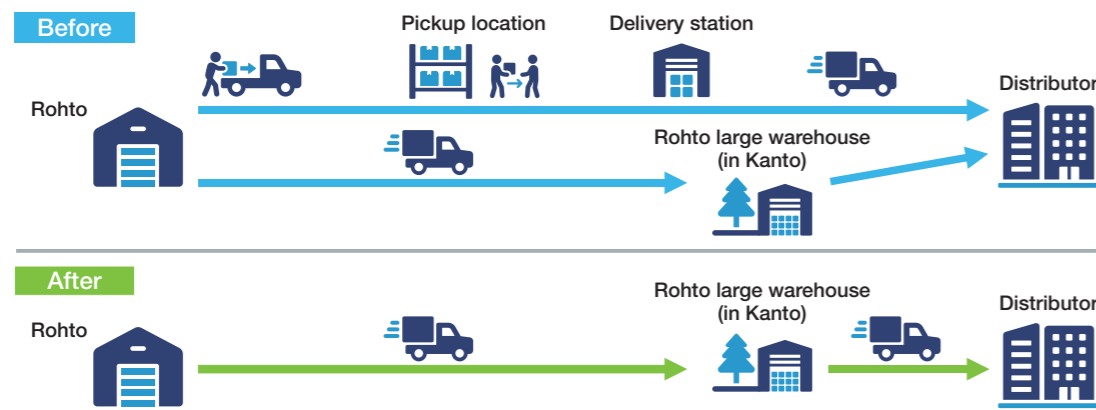
In order to achieve stable raw material procurement, we have been working to diversify our procurement bases by utilizing our global network. Local procurement and local production also contribute to risk diversification.

Moreover, we have established Rohto Group CSR Procurement Guidelines, with the aim of contributing to the realization of a sustainable society together with our partner suppliers. We work to familiarize Group companies and suppliers with these guidelines, while joining hands with procurement stakeholders to promote activities in compliance therewith, so that we can detect various risks and rectify issues relating to procurement activities at an early stage wherever they occur in the supply chain. Through these efforts, we are committed to solving social issues and enhancing the corporate value of both our Group and suppliers.

➔ Achieving Sustainable Delivery with Business Partners

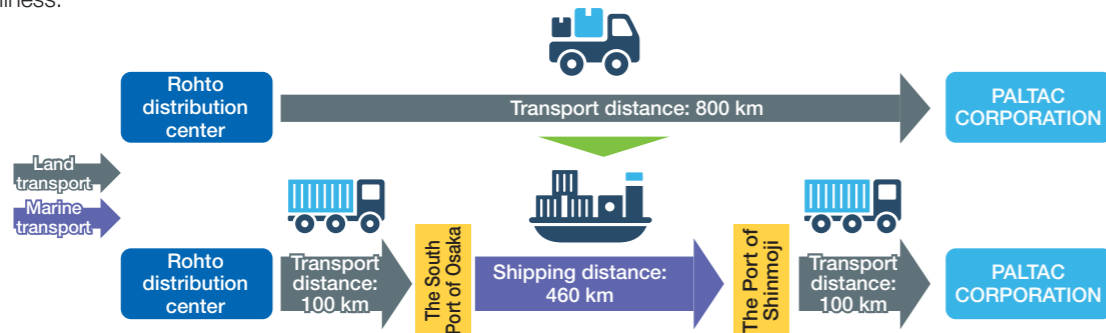
Amid the concern for a logistics crisis caused by driver shortages and soaring fuel prices, we are implementing initiatives not only to reduce the environmental burden of logistics activities but also to promote the well-being of drivers by improving delivery efficiency.

Since our products are mostly pharmaceuticals and cosmetics, they tend to be relatively small in size and each delivery tends to be a small quantity of a variety of products. Therefore, with the cooperation of business partners, we are making various efforts such as bulk deliveries and ordering by pallet tiers. This has reduced the loading and unloading work that used to burden the drivers, and changing the delivery time enabled the reduction of waiting times at the delivery and pickup locations. In addition, we work on making deliveries to distributors by utilizing the unused upper space of trailers that deliver products to our large warehouses. This makes it possible to reduce transportation that would be made by 76 trucks with a capacity of 10 tons each.



With respect to transporting products to the Kyushu region, Rohto and its business partner PALTAC CORPORATION have been advancing a modal shift since fiscal 2021. As a result, the modal shift rate has doubled, leading to improved working conditions for long-distance truck drivers as well as reduced CO₂ emissions.

Going forward, we will continue to cooperate with our business partners to improve efficiency and environmental friendliness.



CO₂ emissions from transporting 1 ton of cargo 1 km can be reduced by approximately 80% when using a ferry.

Quality and Safety Assurance

In order to provide reliable and safe products, we established our Quality Policy in January 2004, and all members work together in accordance with this policy in their daily operations. Our Quality Policy is reviewed to keep pace with the times and the expansion of our products with the aim of constantly meeting the growing needs of our customers and patients. In April 2022, we introduced a new Quality Policy, having reviewed the previous policy with a view to ensuring higher quality and safer use of our products by customers as we make a full-scale entry into the prescription medicines business. We will pursue even higher levels of quality and safety for all our products and activities.



Rohto pledges to provide all people with happiness and security by:

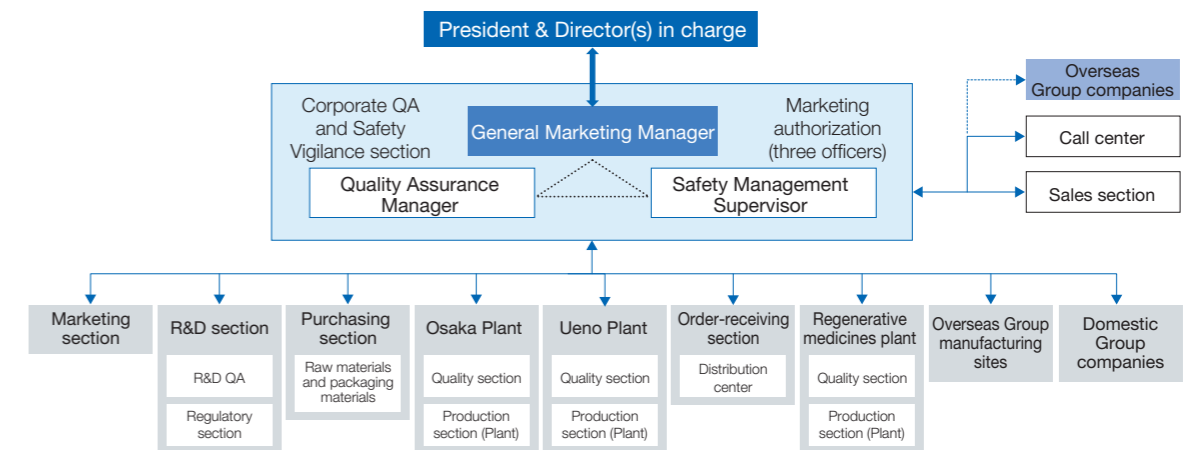
1. ensuring compliance and endeavor to communicate the truth;
2. controlling risks based on scientific evidence and pursuing high quality and safety; and
3. valuing the communication and continuing to improve by promoting transparency of information.

President and Chief Operating Officer
Masashi Sugimoto

Our Quality Policy is a guideline for providing safe products. To familiarize all of our members with the policy, we have distributed Our Principles Cards to them and installed a Quality Policy board in each facility. These initiatives reflect our belief that quality efforts should be spearheaded by the President and other management members.

➔ Company-wide Commitment to Quality Assurance Involving the Top Management

We have an organization in which the three officers of the manufacturing authorization (General Marketing Manager, Quality Assurance Manager, and Safety Management Supervisor) work together to guarantee the quality of all our products. We promote a system in which not only the manufacturing and quality sections, but also the entire Company including the management team, is committed to quality and safety. The same Quality Policy applies to our Group companies, and we have a system in place to realize a high level of quality assurance.



➔ Further Quality Enhancement through Cooperation among Group Companies

The Rohto Group Marketing Authorization Holder Joint Meeting is regularly held as a forum for information sharing and discussion among five Group companies (Rohto Pharmaceutical Co., Ltd., Rohto Nitten Co., Ltd., Amato Pharmaceutical Products, Ltd., Mayado Pharmaceutical Co., Ltd., and Qualitech Pharma Co., Ltd.) with the aim of enhancing the quality and safety of the Group's domestic manufacturing plants and building a platform for such enhancement. In addition, we check manufacturing operations, records, sanitation standards, and other plant-related details to ensure that there are no discrepancies with approval documents, while conducting mutual inspections to make sure that there are no irregularities. We also endeavor to enhance the management capabilities and solve the issues of individual companies by introducing outstanding human resources. These initiatives are aimed at raising efficiency through human resource development and collaboration, creating a compliance system, and sharing information on safety activities. Our Group companies are composed of various predecessors, each of which has a quality system that has been cultivated over many years. Building on the strengths of individual companies, the entire Group works together to provide even higher quality products.

➔ Safety Initiatives

We read through all information from our customers and patients, as well as from academic societies and overseas, to regularly check and evaluate whether our products are safe and that they are being used correctly. In cases when it is considered necessary to alert the public about safety or usage, we will revise the Precautions and other information as well as communicate the information to the public. These activities are conducted in compliance with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, GVP Ministerial Ordinance*, and other regulations. The ultimate goal of our safety measures is the well-being of our customers and patients by ensuring that our products are used correctly and safely.

* Good Vigilance Practice (GVP) Ministerial Ordinance: A law to ensure that companies properly implement safety measures.



➔ Compliance with Legal Guidelines

There has been a series of misconduct in the pharmaceutical industry. Based on the legal compliance guidelines issued by the Ministry of Health, Labour and Welfare, we have prepared a document titled "Rohto Legal Compliance System" and made it available to all employees. In addition, we provide all employees with compliance training using e-learning (Rohto Academy) on the contents of "Rohto Legal Compliance System" to deepen their understanding of the importance of legal compliance and our system, thereby solidifying our compliance system.

➔ Quality Management System

Our manufacturing, quality control, and logistics base, Ueno Techno Center, has a highly automated eye care production line that enables us to produce a wide variety of products. The high quality assurance system and flexible production lines cultivated in pharmaceutical manufacturing, advanced aseptic and foreign material control technology, and centralized control of test data using a Laboratory Information Management System (LIMS), etc. enable high quality and highly efficient production systems. The center was the first Japanese pharmaceutical manufacturer's facility to comply with FDA Part*1, and has also acquired ISO13485*2 and CE marking*3, and is actively promoting the provision of products overseas.

*1. FDA Part 11 is standards for electronic records management stipulated by the U.S. Food and Drug Administration.

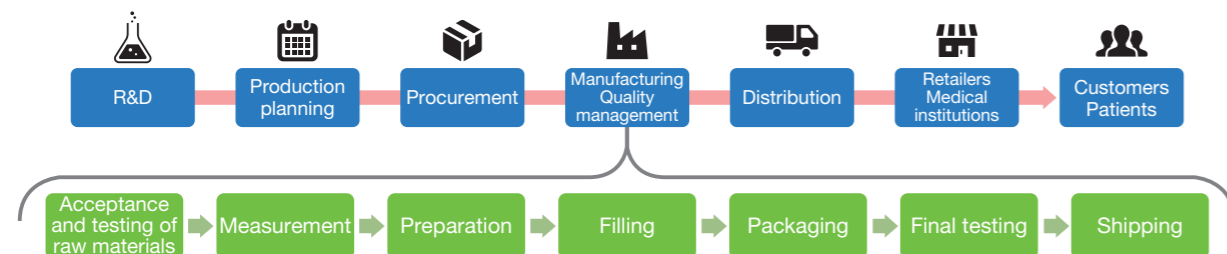
*2. ISO 13485 is an international standard on quality assurance specifically for medical devices.

*3. CE marking is used to indicate a product has passed European safety testing.



➔ Efforts to Provide Safe and High-Quality Products

With the aim to realize a society with well-being, we bring a variety of products and services to society. To contribute to the well-being of the earth and all the people living on it, we make every effort to provide even safer and higher-quality products, at all stages from development to raw material procurement, manufacturing, distribution, sales, and use.



Initiatives for Society

As part of our corporate philosophy, we state that "We shall address issues concerning society at large in collaboration with all of the people connected to the Company, and we will share the benefits gained through these endeavors." Accordingly, we are actively engaged in activities that contribute to society and consider them to be an important theme of our business activities. Among other things, we are committed to health and support of the next generation, vitalization of local communities, and development of medicine, over the long term in order to realize a society with well-being.

➔ Support for Next Generations

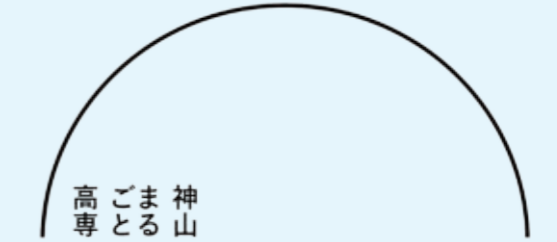
The Michinoku Future Fund providing support for orphans from the Great East Japan Earthquake

The Michinoku Future Fund is a post-high school scholarship fund for orphans from the Great East Japan Earthquake. The Fund is run by four companies: Kagome Co., Ltd., Calbee, Inc., Ebara Foods Industry, Inc., and Rohto. The circle of support has expanded beyond industry boundaries, with donations totaling 5.3 billion yen and the number of scholarship recipients reaching 1,099 as of April 30, 2023. We will continue to provide long-term support for approximately 25 years until the children who were in the womb at the time of the disaster graduate from university, so that they can continue to pursue their dreams and hopes without having to give up due to financial reasons.



Participating in the scholarship partner program of Kamiyama Marugoto College of Design, Engineering and Entrepreneurship

Having opened in April 2023, Kamiyama Marugoto College of Design, Engineering and Entrepreneurship provides novel education that combines the three pillars of technology, design, and entrepreneurship, with the goal of fostering entrepreneurs who can change society by leveraging their ability to create things and generate innovations. We endorse the college's ideal and have joined its scholarship partner program that is aimed to make tuition free through donations. We intend to create opportunities for the scholarship recipients and companies to work together for a better future.



ROHTO Foundation for Children's Future

In 2021, we established the ROHTO Foundation for Children's Future to support children, who are the future of society, by respecting their individuality and fostering their perspectives to explore and support their diverse learning. In fiscal 2022, we provided funds and mentoring to seven children to support their research. We also signed a cooperation agreement with SPACE inc. and the Endowed Institute for Empowering Gifted Minds at the University of Tokyo Graduate School of Arts and Sciences; a project cooperation agreement with the Board of Education of Higashiosaka City in Osaka Prefecture; a cooperation agreement with SPACE inc. and the Board of Education of Kamakura City in Kanagawa Prefecture; and a comprehensive cooperation agreement with the Board of Education of Toyooka City in Hyogo Prefecture. We are committed to contributing to the well-being of individual children through ongoing efforts to expand their well-being network.



➔ Coexistence with Local Communities

Comprehensive cooperation agreement with Ishigaki City

In Ishigaki City of Okinawa Prefecture, we have worked to create the so-called sextic industry—which integrates production, processing, and sale of agricultural and livestock farming products—as a recycling-oriented, environmentally friendly business through our subsidiary Yaeyama Farm Co., Ltd., a specific agricultural production company. In parallel, we have made a variety of efforts to enhance the health of people and invigorate communities in Ishigaki City. For example, as part of the nation's hometown tax donation system, we provide the agricultural products we have grown and its processed products as the city's gifts in return for such donations. Moreover, we have donated table tennis tables to the city and organized the Ishigaki mayor's cup table tennis tournament so that children can engage in sports despite the ever-changing island weather. In February 2023, the city of Ishigaki, Rohto, and Yaeyama Farm concluded a comprehensive cooperation agreement to realize sustainable community development. We aim to help solve the city's issues, such as the provision of food education for children, who are the future of Ishigaki, and the enhancement of the health of local people. At the same time, we are committed to helping Ishigaki City implement its comprehensive regional strategy, develop a sustainable community, and become a SDGs Future City as it aspires to.



Helping increase the consumption of milk and dairy products in Obihiro City

During the prolonged COVID-19 pandemic, the consumption of milk and dairy products remained low partly due to a temporary suspension of school meals. In light of the situation, we undertook an initiative to stimulate the consumption of milk and dairy products and increase people's understanding of nutrients essential for children in the growth phase, together with the city of Obihiro in Hokkaido during the period of March to April when school meals were not available. Specifically, we provided all of the city's 8,000 schoolchildren with a leaflet explaining the calcium in milk as well as a free sample of our Senobio powdered drink (milk cocoa flavor) that is dissolved in milk before drinking and supports children in the growth phase. We are determined to help local communities solve problems and support the healthy growth of children, who are the future of society.



Karugamo Fund: Corporate matching gift

The Karugamo Fund is financed through a combination of employees' voluntary contributions to a reserve fund and matched donations from the Company. Each year, the employees decide on the recipients of the Fund, and use them to support welfare and educational activities that are needed in society. The Fund was started in 2004, and is participated by 1,213 employees as of March 31, 2023.



We engage in many other community activities. For details, please visit our website at: <https://www.rohto.co.jp/sustainability/society/community/> (in Japanese).

➔ Contributing to the Development of Medicine

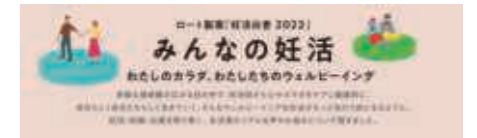
We are contributing to the enhancement and development of medicine by widely funding science and technology, basic research, and clinical research to realize a healthy and prosperous society with well-being. We will continue to support young researchers, particularly in ophthalmology, dermatology, and obstetrics and gynecology.

Science and technology	1977 -	Yamada Science Foundation	Established by Kiro Yamada, our first president, to subsidize and promote basic research in the natural sciences and with the aim to contribute to the enhancement of science and technology and public welfare.
Eyes	1995 -	ROHTO AWARD	The award is given to young researchers who have made outstanding achievements in both basic and clinical research, with the aim of advancing ophthalmology research. The award has produced human resources that will be future leaders in ophthalmology.
Skin	2007 -	Japanese Association of Geriatric Dermatology Research: Rohto Prize	Established by the Japanese Association of Geriatric Dermatology Research and the Company to widely encourage and aid basic and clinical research and study on age-related dermatology.
Skin	Since 2008	Rohto Dermatological Research Fund: Endowment by Rohto Pharmaceutical	The Fund provides research grants for innovative and budding research, with the aim of supporting and promoting basic research that is expected to make a significant contribution to the development of dermatological medicine.
Women	2009 -	Rohto Women's Health Research Award	Developed from the Society for Women's Health Science Research, this award is presented to an institute that has made a significant contribution to the development and enhancement of obstetrics and gynecology research.

➔ Health Awareness Enhancement Activities

Publication of Fact-finding survey on pregnancy

Through our Dotest pregnancy test and ovulation predictor kit, we have closely supported our customers who wish to become mothers and fathers. In the course of providing information in various places, we have come to realize that there is a lack of information about pregnancy and childbirth, and that many people are anxious and worried about these issues. Therefore, since 2018, we have conducted ongoing surveys to understand the current situation regarding pregnancy and childbirth and to disseminate information, and published an annual Fact-Finding Survey on Pregnancy. The 2022 Fact-Finding Survey on Pregnancy, the fifth issue, revealed that about a half of the young adult respondents said they do not want children. However, while reflecting their anxiety and worry over society's direction, the survey shed light on the knowledge and efforts of people who try to conceive. Working hand in hand with the media, we continue to provide a wider range of reliable information so that we can help create a society with well-being in which everyone takes care of oneself and lives one's own way.



Initiatives to extend healthy life expectancy and the ability to walk without assistance

In March 2023, Rohto acquired a stake in ORPHE Inc., a company developing and marketing sensors to be embedded in footwear, by subscribing for a third-party allocation of new shares. At the same time, Rohto reached an agreement with ORPHE and ASICS Corporation on launching initiatives to extend healthy life expectancy and walking ability using gait data, with the cooperation of Shimokitazawa Hospital. One initiative is to develop an algorithm that quantifies the degree of ambulatory ability by reference to gait characteristics in both healthy and presymptomatic populations, and import the algorithm into a module for wider use by individuals, corporations, municipalities, medical institutions, and other entities. The algorithm will be developed by combining and analyzing data provided by respective partners: in particular, pedometer and walking pattern data to be collected through ORPHE's sensors; the unique knowledge on foot and gait that the ASICS Institute of Sport Science has developed over the years; and the clinical and medical data that Shimokitazawa Hospital possesses. Another initiative is to develop a package that will be utilized in the medical area when providing rehabilitation and guidance to outpatients with knee osteoarthritis (OA) and other foot conditions in the acute to recovery phase.



As a Leading Eye Care Company

We have engaged in various researches together with universities and medical institutions for more than 100 years, focusing on the eyes with the desire to make people healthy. As a leading eye care company, we are committed to reexamining eye health issues faced by people around the world, and will strive to contribute to the Joy of Seeing beyond national borders.

Bringing the Joy of Seeing to the World beyond National Borders

In June 2022, the Rohto Group companies worldwide jointly launched a Joy of Seeing (JoS) project with a view to advancing efforts to maintain the eye health of people around the world.

▶ Raising awareness of and providing support for children's eye health and myopia

The first theme the project has been focusing on since 2022 is children's eye health and myopia, which is considered a major global health issue, especially in Japan and other Asian countries. To help combat the issue, we undertake social initiatives such as hosting awareness-raising events, disseminating information, offering free eye check-ups, and providing eyeglasses.



The logo represents our wish that the project will bring the Joy of Seeing to the world beyond national borders with the "o" of joy signifying the globe and colors and the "ee" of seeing depicted as the eyes of a smiling face.



Eye Care Support in Developing Countries

▶ Appropriate eye care for indigenous peoples in remote areas. The Joy of Seeing has no borders

To help indigenous Brazilian communities where people could not easily receive eye care treatments, we continue to support the Amazonian Cataract Project, which has been ongoing for more than 20 years. Several medical camps are held each year to improve quality of life in remote areas. Ophthalmos Rohto is contributing to healthcare beyond regional and ethnic barriers by participating through volunteer staff and providing instruments and products for cataract surgeries free of charge.



▶ Providing intraocular lenses for free to help as many people as possible regain their sight

PT. Rohto Laboratories Indonesia, established in 1996, was the first company in the ASEAN region to manufacture and sell intraocular lenses (IOLs) for cataract surgeries. The company overcame challenges such as the difficulty in getting local ophthalmologists to understand the quality of its IOLs, and now sells its products in 15 countries, including Indonesia. We believe that IOLs, which can reduce the number of people with loss of vision caused by cataracts, are an important business that also leads to social contribution. We are actively developing support for "vision," including conducting charity cataract surgeries (offering IOLs for free) in collaboration with ophthalmologists.



▶ Creating the custom of taking care of eyes with our customers

Vietnam was the first country in which we developed an overseas market from scratch, and we established a local office in 1996. While there is no culture or custom of using eye drops as health care medicine, we continue to conduct educational activities to promote the importance of eye care and free eye examinations for schools and the general public. We also support the free cataract surgeries provided at eye hospitals that are committed to sustainable business models.



Together with Our Business Partners

As part of our activities to support the Joy of Seeing for people around the world, we have been donating to eye care support activities in Asian and African countries in cooperation with our business partners since 2016. This is an initiative in which the Company and our retail business partners work together as social partners in social contribution activities that transcend business boundaries. Cataracts are the leading cause of blindness in the world, and tens of millions of people are thought to be blind today. In Japan, the rate of blindness due to cataracts has become very low due to advances in surgical treatment. Globally, however, many people are losing their sight due to cataracts, not only because of poverty, but also because they are not properly screened and diagnosed due to lack of medical personnel and equipment, or unable to receive treatment due to poor surgical techniques.

In fiscal 2022, the seventh term, we matched a portion of the sales of eye drops made by 11 social partners during the period and donated 992,380 yen to an organization engaged in international eye care support activities. We take a sense of mission and pride in our support activities, and will continue to implement them.

Recipients of Support

◆ OUI Inc.

OUI is a startup that aspires to reduce the number of people going blind by 50% worldwide and help people with their overall health starting with their eyes. Advocating the concept of making available the expert eyes of ophthalmologists to the world, the company has developed the "Smart Eye Camera" (SEC), an ophthalmic diagnostic device used by attaching to smartphones. Using the simple portable SEC device, a pilot demonstration test has been underway since 2022 in Vietnam, Cambodia, Indonesia, and Mozambique in collaboration with the medical institutions and ophthalmologists of the respective countries.



A SEC pilot test conducted by Kenya's medical institution in a rural community

◆ Asia Prevention of Blindness Association (NPO)

This organization works to prevent as many people of low-income as possible from losing their sight in Vietnam and other countries of the Indochina Peninsula and the rest of Asia. To that end, it offers free ophthalmic treatment, teaches techniques in ophthalmology, and provides medical goods such as ophthalmic devices and materials. In 2022, the organization dedicated its energy to Vietnam where the zero-COVID policy was enforced, offering IOLs for free and teaching medical techniques in Vinh Phuc and Dak Lak Provinces. Furthermore, in the cities of Hanoi, Hue, and Haiphong, it helped the underprivileged who could not afford eye treatment to consult with an ophthalmologist, performed eye examinations, and engaged in other awareness-raising activities.



A surgery performed locally by the Asia Prevention of Blindness Association

Protecting the Eyes of Protecting the Eyes of the Next Generation

An increase in children with myopia has been a serious social problem in recent years. Studies indicate that the earlier the onset of myopia, the greater the risk of high myopia later in life;^{*1} and that the higher the degree of myopia, the greater the risk of eye diseases leading to vision loss down the road.^{*2} Whereas the increase in myopia cases is attributable in part to genetic factors, the recent rise is thought to have been largely caused by environmental factors, such as less time spending outdoors, more time spent in close works and changes in sleeping hours. Given that myopia progression is fastest in children who are in the growth phase, it is paramount to focus preventive efforts on those children. Rohto has been making active efforts to help children maintain lifelong vision health.

*1. Chua SY, et al. Ophthalmic Physiol Opt. 2016. *2. Flitcroft DJ. Prog Retin Eye Res. 2012.

▶ Obu City's project to prevent children's myopia

Rohto signed a memorandum of understanding concerning the project of Obu City in Aichi Prefecture to prevent children's myopia, with the city, Department of Ophthalmology Protective Care for Sensory Disorders, Nagoya University Graduate School of Medicine, and Sugi Pharmacy Co., Ltd. Working hand in hand with these three partners, Rohto intends to support initiatives and make awareness-raising efforts aimed at preventing children's myopia.



▶ Encouraging preschoolers to adopt healthy eye habits



These days, smartphones and tablets are prevalent even among preschoolers. Whereas expectations are high that tablets will facilitate learning, there is growing concern among parents about the adverse effects of these devices on children's eye health. From June to late September 2022, Rohto implemented an initiative to protect the eye health of preschoolers, who are in the eye development phase, together with Benesse Corporation's Kodomo Challenge brand that supports the education and development of preschoolers. Specifically, on our website, we provided a poster for parents and children to check visual acuity while having fun; anime for children to learn tips to protect eye health with Shimajiro, Kodomo Challenge's main character; and information for parents. We continue to help children adopt healthy eye habits.

A Conversation Between the Chairman of the Board and an Outside Director

Governance at Rohto for achieving sustainable

Captivated by the Company's Attitude and Attracted by the Chairman's Intentions

Could you tell us how you came to be appointed as an Outside Director of Rohto Pharmaceutical?

Iriyama: Of course, I had known the name before then, but the presence of the company known as Rohto Pharmaceutical first became deeply engraved in my mind in March 2011 after the Great East Japan Earthquake. Back then, I was working at a university in the United States, so I was constantly worrying about the tragedy in Japan and feeling powerless to do anything. When I read an online news article about Rohto Pharmaceutical having set up the Reconstruction Support Office within two weeks of the earthquake and, in October that year, having established the Michinoku Future Fund to support orphans from the Great East Japan Earthquake until they finished graduate school*, I was deeply moved by this kind of company that is seriously working for social good.

(*Established by Rohto Pharmaceutical and two other companies)

On my return to Japan, I was introduced to Mr. Yamada through a mutual acquaintance. That would have been around 2015. However, I had no inkling at the time that I would one day become an Outside Director.

Yamada: With that chance encounter, I was very inspired by Professor Iriyama, finding him to be very impressive and to have opinions from broad perspectives.

Iriyama: I was greatly impressed by Mr. Yamada's friendly approach and his willingness to listen to people's opinions regardless of their rank or social standing, and his almost too uninhibited, very aggressive dynamism. I was asked to become an Outside Director several years after that meeting, but what surprised me most was that Mr. Yamada contacted me directly with the offer via a social media messenger app, dispensing with all the conventional formalities.

Yamada: You have a very good memory.

Iriyama: Not long after, Mr. Yamada suddenly turned up, on his own, at my research lab at my university. With no mention whatsoever about remuneration, he talked eloquently about Rohto Pharmaceutical's challenges and what he wanted to do, and about what kind of role he expected of me. I was convinced that my first impressions had not been mistaken, and, deciding that I wanted to work to be of service to society through this company, I accepted the offer.

Having Outside Directors who speak up brings new life to the Board

Chairman Yamada, could you tell us your reasons for selecting Professor Iriyama as an Outside Director?

Yamada: The first person we asked to be an Outside Director was Professor Toshihiro Kanai of Kobe University. At the time, I had been feeling the need for human resources development related to management, so I approached Professor Kanai, who is a leader in that field.

Iriyama: So, Professor Kanai was the very first Outside Director for the Company.

Yamada: Even after that, by inviting people with specialist experience and knowledge about the key management issues at various times to join the Board, we have been increasing the number of Outside Directors. Although I had also studied the basics of management at business school, I approached Professor Iriyama because I wanted someone whom I could ask for opinions from perspectives that differed from my own,

while considering what is happening now at the cutting edge of business administration.

Iriyama: If I may ask again, why me?

Yamada: You are researching business administration both widely and deeply. Amid many economists who are conducting deeper research in narrow fields, I thought that your multifaceted perspectives would be invaluable. You also have global insights from your time at an American university, and, in fact, I decided from our very first meeting that I wanted you to join our Board of Directors. I worried that if I left it for too long, you would be swamped with offers from other companies, and we would miss the chance to have you join our Board. I thought we would surely regret it if that were to happen, which is why I visited you out of the blue.

Iriyama: You really did arrive out of the blue. In fact, I did receive many offers from other companies several years later.



Pharmaceutical growth

Kunio Yamada
Chairman and Chief Executive Officer
(Chairman of the Board of Directors)

Akie Iriyama
Outside Director

Governance that creates “good” over a longer timeframe

Professor Iriyama, what are your impressions and assessment of Rohto Pharmaceutical's Board of Directors and governance?

Iriyama: While it depends on what is being asked of the Board of Directors, I was somewhat bewildered initially because it was not the typical, textbook Board that I had imagined. I had served as an Outside Director for a certain foreign-capital company, and the Board of Directors of that company was of a typical foreign style, in that, every time, they would probe into the numbers as far as they possibly could. In contrast, the way that Rohto Pharmaceutical's Board of Directors was run was a clear departure from those kinds of Boards. Of course, they do care about the numbers, but a great deal more time is devoted to identifying the essence of issues and to visions for the future. I found it to be a very unique company in this respect, so I reasoned that it may also be able to create a governance structure that would take advantage of Rohto Pharmaceutical's unique characteristics and look different from the common image of governance.

That reasoning turned to conviction when Ms. Haruka Mera joined the Board as an Outside Director. As an academic, I am less likely to be hesitant in voicing my candid opinions, but I am no match for Ms. Mera. I felt that this ability to select such talent as Outside Directors and the way the Board of Directors meetings are run are both unique characteristics and strengths of Rohto Pharmaceutical.



Yamada: Thanks to our Outside Directors, who speak up without hesitation from independent perspectives, I feel that we have created a good quality governance structure that is not just a matter of making up the numbers.

Iriyama: There are many cases in which Japanese companies have somehow adopted American governance methods, but there is actually no perfect definition of governance. One global leader in governance research claims that making proper returns to investors is what constitutes good governance. Other people insist that the definition of governance changes with the times. If you were to ask me to define governance, I would say that it is a system that controls the company in a sound way to make things better for society, the company, its employees, and its stakeholders. Whatever the definition, there is no doubt that governance is essential for building the foundations of management of the future.

Yamada: As evidenced by use of the English word “governance” as is in Japan, there is no word in Japanese that fits it perfectly. The Japanese words that mean “control” and “rule” feel too unilateral, and “administration,” “supervision” and “audit” are also not quite right. Focusing on money and providing returns to investors would be the most primitive interpretation in a capitalist society, but it seems to me that this is more of a short-range thing. Companies that, while they may be making profits, are destroying the environment and society would not be allowed to survive into the future. In that respect, I think that what governance is all about is checking to see whether or not, and how well, the company is providing “good” to society, the company, its employees, and its stakeholders over a longer timeframe.

It is from this position that we are enhancing the various functions as required, such as the Sustainability Committee, Compliance Committee, and Information Security Management Committee. My hope is that Professor Iriyama and the other Outside Directors will check, or rather watch over, how much “good” we are generating not only from internal logic, but also from social perspectives.

Toward a Board of Directors that is not all about adopting resolutions, but that has more heated debate

Professor Iriyama, could you tell us what ways the Board of Directors could improve and how you have approached such areas for improvement to date?

Iriyama: Every company has its own issues, and I believe that resolving those issues one by one is what will lead to sustainable growth. If I may be presumptuous about my own achievements, I do have a sense that my

suggestions have led to the Board of Directors changing little by little.

For example, in terms of how the Board meetings are run, whereas in the past, they had mostly been run on a proposal basis, lately, we have been able to strengthen the discussion element of the meetings. Given the outstanding line-up of internal Directors and the variety of Outside Directors, I suggested creating time for more in-depth discussion about long-term topics, and I am

pleased to say that my suggestion was accepted. Another was the establishment of “executive sessions,” in which only the Outside Directors gather to discuss future issues and what should be done about them. Rohto Pharmaceutical is a very unique company, and I want it to keep being unique long into the future, so I set up these sessions as a mechanism to match that uniqueness.

As to what has changed as a result, while Mr. Yamada still serves as the chair of the Board of Directors meetings, during the free discussion part of the meetings, I now act as a facilitator. This came about because of an opinion expressed by another Outside Director that Mr. Yamada should also have more opportunities to express

his own opinions. Because I am not aware of the internal circumstances, I have more freedom to ask questions, and the other Directors have also become more proactive in speaking up, which I believe has given new life to the Board meetings. What do you think?

Yamada: I completely agree. The Board of Directors is a body for making resolutions on matters specified by law, so there is a tendency for meetings to become just a repetitive process of explanations and resolutions. By having Professor Iriyama facilitate the discussion section, I am able to say what I want without hesitation, and the discussions progress very constructively.

Strong individuality and the pursuit of the essence are typical traits of Rohto Pharmaceutical

Professor Iriyama, what do you see as the typical traits of Rohto Pharmaceutical?



Iriyama: Seen from my position as an outsider, Rohto Pharmaceutical is so unique and distinctive, I could never run out of things to say about it, which makes it an extremely interesting company. I think that it is a company that places great value in the essence of why they do what they do and what the purpose of their existence is. With governance as well, it is clear from their selection of Outside Directors that they are not merely playing lip service and that they are trying to think seriously about what the true essence is of that governance.

To the trained eye, it would be obvious from the lineup of its Outside Directors, putting myself aside, what kind of company Rohto Pharmaceutical is and what it wants to achieve. If we also look at the employees, this company has brought together people who want to make society a place that is overflowing with happiness and do good things for society, and who want to enjoy themselves while they do so, so the company is brimming with vitality.

However, if I could make one small criticism, I think that the company could do a better job at verbalizing those intentions. For example, even though the company has all these cosmetics brands that are being used by so many people, many of those users do not even know

that the products they are using come from Rohto Pharmaceutical.

Yamada: You may have a point (laughs).

Iriyama: Deciding that it may be my role to help put that true picture into words, I started up a YouTube channel for in-house PR purposes. The channel, which is now available also for public view, features various people from within the company who talk freely about why they work for Rohto Pharmaceutical and what kinds of intentions they have behind their work. One thing that struck me after starting the YouTube channel was that, even though it has such a diverse workforce, at a fundamental level, the company's people all have something in common that is the essence of Rohto Pharmaceutical. Verbalizing those strong intentions as commonalities and manifesting them will, I believe, make Rohto Pharmaceutical an even stronger company.

Yamada: Not only is Professor Iriyama active in the Board of Directors, but he has also jumped in among the employees, communicating messages, and doing other things that go beyond previous notions of what an Outside Director does. This is why I am convinced that I was not mistaken in approaching him to join our Board. However, on that question of verbalization, I always feel that it is truly difficult to get the balance right. Messages that make the Company's policies and goals clearer would be easy to understand for people both inside and outside of the company, but conversely, they could also cause employees in particular to become complacent. This is actually my biggest concern, in that verbalization runs the risk that employees' thinking will stop at ‘This is what the company does, so that's all we need to do.’ For the Company to create value and grow in a sustained manner, we need people who are constantly thinking, learning, and growing. For that very reason, I want us to cherish an environment in which, instead of management simply giving them the answers and directions, our employees are constantly thinking for themselves. I believe that this will maintain a good sense of tension and

Corporate Governance

Basic Approach to Corporate Governance

At the same time as fulfilling our social responsibility, we are striving to earn the trust and meet the expectations of our shareholders, consumers, business partners, employees, and all other stakeholders, and achieve coexistence and co-prosperity. We recognize that enhancing and strengthening corporate governance to achieve this is an important management challenge. We will develop an organizational structure for management and implement the necessary measures for ensuring transparency and fairness in management and responding to changes in the management environment in a prompt and accurate manner.

Efforts to Strengthen Corporate Governance

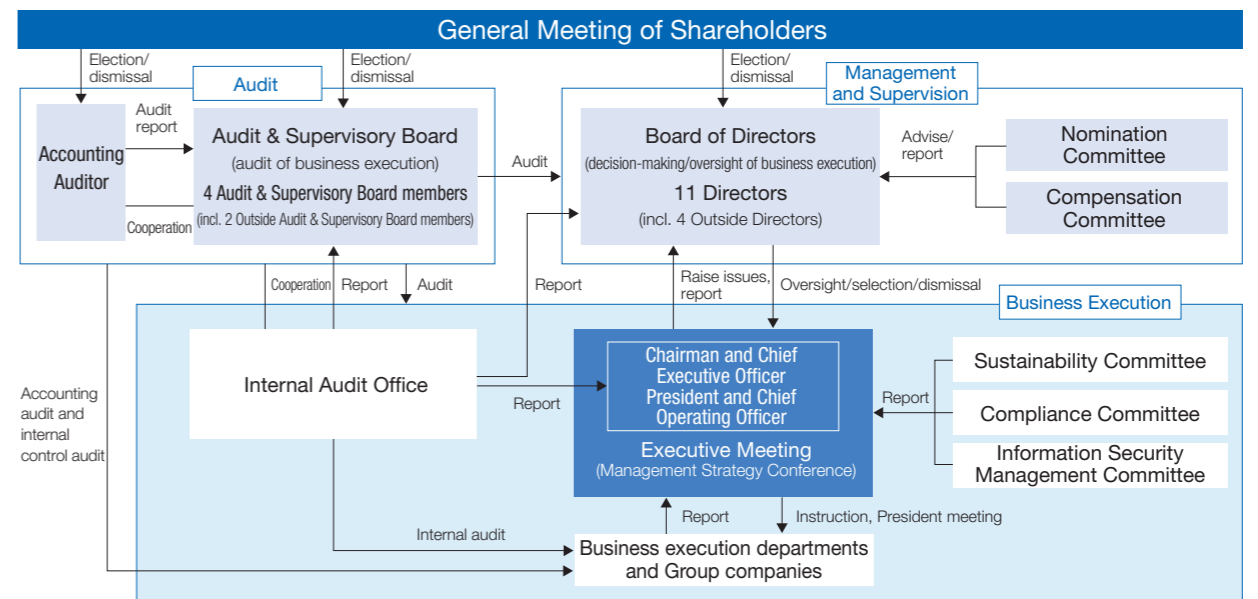
We have been making ongoing efforts to enhance the corporate governance system with a view to a sustained increase in corporate value.

	No. of Outside Directors / Total no. of Directors		No. of female Directors / Total no. of Directors		No. of Outside Audit & Supervisory Board members / Total no. of Audit & Supervisory Board members		
2013	1/10	10.0%	0/10	0%	2/4	50%	An Independent Outside Director elected
2014	2/13	15.4%	1/13	7.7%			A female Outside Director elected
2015	2/12	16.7%	1/12	8.3%			
2016	2/11	18.2%	1/11	9.1%			Nomination and Compensation Advisory Committee created
2017	3/11	27.3%	↓	↓			Evaluation of the Board of Directors' effectiveness initiated
2018	3/12	25.0%	2/12	16.7%			A female (internal) Director elected
2019	↓	↓	↓	↓			Nomination Committee and Compensation Committee created
2020	3/9	33.3%	2/9	22.2%			Compliance Committee created
2021	↓	↓	↓	↓			Sustainability Committee created
2022	4/11	36.4%	3/11	27.3%	2/4	50%	

An Overview of Corporate Governance System

Rohto has adopted the framework of a company with an audit and supervisory board. Through the appointment of four Outside Directors and two Outside Audit & Supervisory Board members, we aim to incorporate outside perspectives at the same time as strengthening management monitoring functions. Cooperation between the Audit & Supervisory Board and the Internal Audit Office has enhanced the effectiveness and efficiency of audits. We have also increased the transparency of management through the establishment of the optional Nomination Committee and Compensation Committee. In addition to the regular meetings of the Board of Directors, extraordinary meetings of the Board of Directors are held flexibly or resolutions are adopted in writing, to speed up the decision-making process in order to respond to changes in the business environment promptly and accurately.

Corporate Governance System (as of June 30, 2023)



lead to the development of our people. From the viewpoint of competitive strategy as well, it is because Rohto Pharmaceutical has been able to keep turning the cycle of being seen as a company that is difficult to understand and somewhat nebulous, and then coming up with something unexpected, that we have been able to maintain our competitive advantage in business. There are still many challenges regarding verbalizing and

messaging, as Professor Iriyama points out, and we will make efforts to improve. I would be grateful if people understand that, for the sake of our sustainable growth, we give comprehensive consideration to our relevant stakeholders and continue to explore areas for improvement.

To be a company that always thinks seriously about long into the future

Could you tell us your image of Rohto Pharmaceutical going forward?

Iriyama: I have mentioned repeatedly that Rohto Pharmaceutical is a unique and distinctive company. Good companies are all a bit peculiar in this way. Japan has a tendency, when something is different, to stereotype it as “peculiar,” but it is actually those companies that are unique and that persistently pursue original value that make longer contributions to society.

Rohto Pharmaceutical is quite a peculiar company, but what makes it interesting is that it continues to produce steady results. It is this point that is so amazing to people like me who have studied textbook business administration. When record high earnings are achieved, ordinarily, the Board of Directors would be jumping for joy. However, at this company, instead of rejoicing, the atmosphere is more one of ‘Yes, but Mr. Iriyama, we have even more important issues to consider.’ I am quite enamored of the serious thought that is always being given to what the essence is.

Yamada: Partly due to the fact that we are a mid-tier company based in Osaka that has had to compete with the large companies from Tokyo, and that even though we have grown significantly as a whole, if we look closer at individual business domains, we were not even followers, but merely a niche operator, we would not have been able to survive unless we kept challenging the big players. In the areas of regenerative medicine and food, if we looked up, there was no end in sight, and we have had no choice but to keep up the challenge while demonstrating our uniqueness among global competition. It is the repetition of those kinds of challenges that has brought us to where we are today.

Iriyama: Rohto Pharmaceutical does not have a single product genre that it can make profit with ease, does it?

Yamada: The market for beauty products is a firm one, but that makes the competition much more intense, and if we venture overseas, we come up against the giant companies.

Iriyama: If I were to put that phenomenon into words, while I doubt that Rohto Pharmaceutical is aiming to make trillions of yen in sales, it has continued to grow steadily by 2-3% every year by surely sowing small seeds of innovation and nurturing them over many years until they are ready for plucking. This is something that is understood by both the market and society, which is why it has also earned the confidence of shareholders.

Moreover, the Company is constantly thinking about the distant future and actively investing in that future, such as in regenerative medicine. While each individual investment may be small, they take a long time. In embarking on many different challenges, there will also be many failures, but by persisting diligently, the buds of those challenges may eventually emerge. Once such possibilities have emerged, I believe that the Company has made the next investment to make those buds blossom and bear fruit. This seems to be such a typical Japanese business model, but in fact, global companies do the same. Those companies are more practical minded about it, but in Rohto Pharmaceutical's case, your intentions are aimed at a more long-term future.

Yamada: Thank you for verbalizing what we do so appropriately. If we were to only think about dividends for shareholders, raising earnings would be our top priority, but if we are to focus on sounder, more sustainable corporate growth, we cannot dispense with investment in R&D and human resources. Without that, we would lose the strength to generate long-term social good. While Japanese companies in particular have the capability and capital to make investments from long-term perspectives, I feel that many of them are not that enthusiastic about doing so. If that does not change, the future for Japan will become quite bleak. If I may speak of my own dream, it is that society and people will live long, healthy and happy lives, and that we use Rohto as the tool to make society better and better.

Corporate Governance

Management and Supervision

Board of Directors

The Board of Directors is composed of all Directors and operates with the attendance of Audit & Supervisory Board members who have an obligation to attend. The Board of Directors is chaired by the Chairman and Chief Executive Officer.

Based on its fiduciary responsibility and accountability to shareholders, the Board of Directors aims to achieve the sustainable growth of the Group and enhance its corporate value over the medium to long term for the common interest of the Group, its shareholders, and all other stakeholders. Toward that end, it makes decisions on important matters related to management and supervises the execution of business by each Director, in accordance with laws, regulations, and the Articles of Incorporation. Directors perform their duties under the direction and supervision of Representative Directors and in accordance with the responsibilities and division of duties determined by the Board of Directors. Directors report the state of execution of their duties to the Board of Directors quarterly. Outside Directors provide suitable advice and opinions as appropriate at meetings of the Board of Directors from an independent standpoint, based on their broad knowledge and extensive experience, in order to contribute to the enhancement of corporate value over the medium to long term. In holding meetings of the Board of Directors, the secretariat of the Board of Directors provides the Outside Directors with preliminary materials and briefings to make the deliberations at the meetings more substantive. In addition, Outside Audit & Supervisory Board members hold an Audit & Supervisory Board prior to the Board of Directors' meeting to discuss and review the agenda of the Board of Directors' meeting in advance. This makes the Board of Directors' meeting a forum for constructive discussion, and thus they are striving for the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term.

In fiscal 2022, the Board of Directors met eight times to deliberate primarily on sustainability (mainly the environment and human capital), human resources strategy, new business strategy, M&As, and donations.

Audit & Supervisory Board

The Audit & Supervisory Board is composed of four members: two Outside Audit & Supervisory Board members; and two Full-time Audit & Supervisory Board members from within the Company. The Audit & Supervisory Board is chaired by a Full-time Audit & Supervisory Board member elected by and from among the Audit & Supervisory Board members. Based on its fiduciary responsibility and accountability to shareholders, the Audit & Supervisory Board ensures the soundness of management with the aim of achieving sustainable growth and enhancement of the corporate value of the Group over the medium to long term, and acts in the common interests of the Group, its shareholders, and all other stakeholders. In accordance with the audit policy and audit plan established by the Audit & Supervisory Board, each Audit & Supervisory Board member attends meetings of the Board of Directors and other important meetings, audits the execution of business by Directors, and offers advice and opinions as appropriate. Audit & Supervisory Board members collaborate regularly and as appropriate with the Internal Audit Office, which is in charge of internal audits, and the Accounting Auditor to enhance the effectiveness of their audits.

In fiscal 2022, the Audit & Supervisory Board met 28 times to discuss primarily on the formulation of an audit policy and audit plan, preparation of audit reports, refusal of reelection of the Accounting Auditor, and audit of proposals to be submitted to the Ordinary General Meeting of Shareholders. In addition, Full-time Audit & Supervisory Board members performed their separate duties, such as liaising with the Internal Audit Office, conducting onsite audits of subsidiaries, and attending Board of Directors meetings and other important internal meetings.

Nomination Committee

The Nomination Committee is composed of three Directors, the majority of whom are Outside Directors. The Committee is chaired by a member elected by and from among the Committee members. The Nomination Committee drafts the proposals for the selection and dismissal of Directors, the proposals for the selection and dismissal of Representative Directors, and the proposals concerning the positions of Directors, etc., and submits them to the Board of Directors, which it is authorized to do by the Board of Directors.

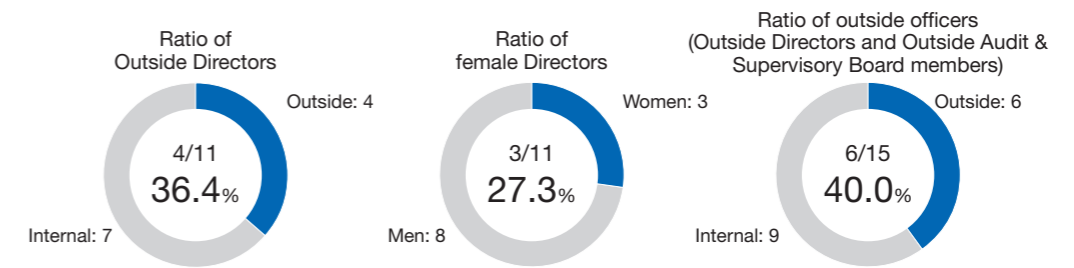
In fiscal 2022, the Nomination Committee met three times to deliberate primarily on the selection of Directors and securing of talent.

Compensation Committee

The Compensation Committee is composed of three Directors, the majority of whom are Outside Directors in order to secure more objectivity. The Committee is chaired by a member elected by and from among the Committee members. Upon delegation by the Board of Directors, the Compensation Committee formulates the amount of individual compensation. The Committee also prepares drafts for Directors' compensation policies, procedures, and structures. It also drafts proposals regarding Directors' compensation that require approval at the General Meeting of Shareholders and submits the drafts to the Board of Directors. The total amount of compensation for Directors determined, as well as the allocation of basic compensation (fixed compensation) and performance-based compensation (variable compensation), is reported to the Board of Directors.

In fiscal 2022, the Compensation Committee met four times to deliberate primarily on the determination of the amounts of compensation and performance-based bonuses for individual Directors and matters related to governance.

Composition of the Board of Directors



Board of Directors' Diversity (Directors' Skills Matrix)

Name	Corporate management/governance	Finance/accounting	Social relationship	Well-being management	Technology management	Business development/alliance	Global business	Legal affairs / risk management
Kunio Yamada	●		●	●	●			
Masashi Sugimoto	●		●			●		●
Masaya Saito	●	●					●	
Shinichi Kunisaki	●			●	●			
Hidetoshi Segi	●					●	●	
Yasunori Kawasaki	●		●	●				
Yoshie Okochi	●		●			●		
Akie Iriyama	●	●			●			
Haruka Mera	●				●	●		
Tatsuo Uemura	●							●
Eriko Hayashi							●	●

Note: The table above indicates highly specialized skills of each Director. Not all knowledge and experience of each person is indicated.

Policy on Selection and Nomination of Directors

The Company aims to achieve sustainable growth and medium- to long-term enhancement of corporate value for the common interest of all stakeholders. Therefore, the Company believes it is important that the Board of Directors of the Company consists of Directors who possess the diverse knowledge, experience, capabilities, insight, and values necessary to ensure appropriate and flexible decision-making with respect to the Company's business activities and supervision of business execution. The Company also believes it is important to ensure a highly transparent and objective corporate governance structure. Regarding internal Directors, the Company emphasizes that they should have experience of diverse business divisions and management experience at the Company's subsidiaries, etc. and an understanding of their issues in order to formulate the Group's management strategy. Regarding Independent Outside Directors, the Company emphasizes that they should have diverse experience and expertise that are unavailable solely from internal Directors and, at meetings of the Board of Directors, be able to offer the Company advice and suggestions contributing to enhancement of corporate value.

Reasons for Appointment of Outside Directors

Name	Reasons for appointment
Akie Iriyama	Akie Iriyama worked at various institutions and organizations, specializing in management strategy and global management, before being appointed as a professor at Waseda Business School. His advice and suggestions based on his wide-ranging knowledge of cutting-edge management have greatly contributed to vitalization of the Board of Directors of the Company. His high-level of awareness of the issues is the catalyst for vigorous discussion at Board of Directors meetings. He has been effectively utilizing his insight at the Board of Directors. The Company expects him to continue to fulfill his duties as an Outside Director as he is a suitable person to contribute to the enhancement of corporate value of the Company.
Haruka Mera	Haruka Mera launched the READYFOR crowdfunding service in 2011 and has continued to support people taking up challenges. She is creating new trends as one of Japan's leading next-generation managers and is also a member of the Cabinet Secretariat's Council of New Form of Capitalism Realization. At the Board of Directors, she has been providing suggestions that contribute to financial value and social value of the Company and effectively utilizing her insight and track record as a new-generation manager. The Company expects her to continue to fulfill her duties as an Outside Director as she is a suitable person to contribute to the enhancement of corporate value of the Company.
Tatsuo Uemura	Tatsuo Uemura is a legal research specialist who is a university professor and has experience as a member of the Companies Act Subcommittee of the Legislative Council of the Ministry of Justice and a member of the Self-Regulation Committee of the Tokyo Stock Exchange. In addition to extensive knowledge and expertise in capital markets and corporate law, he has a wealth of experience, including serving as an independent outside director of other companies. He is effectively utilizing his knowledge and expertise as well as experience at the Board of Directors, which greatly contributes to strengthening corporate governance to support medium- to long-term growth. The Company expects him to continue to fulfill his duties as an Outside Director as he is a suitable person to contribute to the enhancement of corporate value of the Company.
Eriko Hayashi	Eriko Hayashi is a licensed attorney who has held various positions and public offices due to her high level of knowledge and experience in global corporate legal affairs. She also manages her own law firm and has experience as an outside director and audit & supervisory board member of other companies. She is effectively utilizing her insight and experience in global risk management and other legal affairs at the Board of Directors. The Company expects her to continue to fulfill her duties as an Outside Director as she is a suitable person to contribute to the enhancement of corporate value of the Company.

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

The Company conducted a self-evaluation (survey) of all the Directors in order to analyze and evaluate the effectiveness of the Board of Directors in fiscal 2022. We rated each question on a five-point scale from three perspectives: effectiveness of the Board of Directors, evaluation of oneself as a Director, and evaluation of operation. The evaluation was generally positive. However, the following issues were raised: succession planning, including CEO and future Director candidates, for the Board of Directors; timing of agenda proposals and distribution of materials; opportunities for study and training tailored to individual Directors; and ensuring sufficient time for deliberation of each agenda item at the Board of Directors' meetings. We will make improvements in these areas through operation. The results of the evaluation of effectiveness were reported to the Board of Directors' meeting held on June 28, 2023, where Directors also discussed ways to improve the operation of the Board of Directors during the current fiscal year.

Compensation of Officers

Matters related to determining the amount and the method of calculation of compensation, etc. for officers

The Company has established a compensation system (level of compensation and determination process) based on the following policies:

- (1) To motivate contribution to the enhancement of the corporate value of the Company from a long-term perspective in order to achieve the philosophy specified in the Articles of Incorporation.
- (2) To enable the philosophy to be put into practice and to be appropriate to the roles and responsibilities of each person.
- (3) To ensure objectivity, transparency, and rationality that can be explained to all stakeholders.

Based on these policies, which have been resolved by the Board of Directors, the compensation for each Director is deliberated and determined by the Compensation Committee, the majority of whose members are Outside Directors, within the scope of the total amount of compensation, etc., approved in advance by the General Meeting of Shareholders. The Compensation Committee is composed of three Directors, the majority of whom are Outside Directors. The Committee is chaired by the Chairman and Chief Executive Officer. Compensation for Audit & Supervisory Board members is decided in consultation with Audit & Supervisory Board members within the scope of the total amount of compensation, etc., approved in advance by the General Meeting of Shareholders.

The 78th Ordinary General Meeting of Shareholders held on June 24, 2014 approved an annual amount of up to 700 million yen as the maximum amount of compensation for Directors (not including employee salaries for Directors who serve concurrently as employees). The Company's Articles of Incorporation at the time of this Ordinary General Meeting of Shareholders stated, "The Company shall have up to 15 Directors." In addition, the 84th Ordinary General Meeting of Shareholders held on June 26, 2020 also approved an annual amount of up to 70 million yen as the maximum amount of compensation for Audit & Supervisory Board members. The Company's Articles of Incorporation at the time of this Ordinary General Meeting of Shareholders stated, "The Company shall have up to four Audit & Supervisory Board members."

(a) Structure of compensation for Directors

The compensation for the Company's Directors consists of basic compensation (fixed compensation) based on the scale of their responsibilities and roles, and performance-based compensation (variable compensation) based on the evaluation of individual Directors and business performance in the most recent fiscal year. However, Outside Directors are paid basic compensation only as they are responsible for independent supervision.

(i) Basic compensation

The Company pays fixed compensation to individual officers according to the scale of their responsibilities and their roles. The level of compensation at other companies is taken into consideration in determining fixed compensation.

(ii) Performance-based compensation (compensation based on individual evaluations and performance-linked compensation)

Performance-based compensation consists of compensation based on individual evaluations that varies according to the degree of contribution to Company-wide medium- to long-term issues (ESH [environment, society, and health]) and results in the business areas under the control of each officer during the relevant period, and performance-linked compensation that varies according to the degree of achievement of consolidated operating income targets for the previous fiscal year.

The ratio of basic compensation and performance-based compensation varies according to position and role. However, as a rough guideline, approximately 75% of the total compensation for internal Directors is allocated to basic compensation and approximately 25% is allocated to performance-based compensation. This ratio is based on a viewpoint that emphasizes management with a long-term perspective, and in terms of performance-based compensation, the Company also places more importance on degree of achievement in initiatives to address medium- to long-term issues. Compensation is paid in cash only. The annual amount of compensation during the term of each officer determined by the Compensation Committee is divided into 12 and paid once a month in the same amount. The target for the indicator related to performance-linked compensation for fiscal 2022 was 33,000 million yen, and the actual result was 33,959 million yen.

(b) Structure of compensation for Audit & Supervisory Board members

Audit & Supervisory Board members are paid basic compensation only as they are responsible for independent supervision. Compensation is determined through consultation among the Audit & Supervisory Board members taking into consideration the nature of their duties.

Total Amount of Compensation, etc. for Each Category of Officer, Total Amount of Each Type of Compensation, etc., and Number of Eligible Officers

Category of officer	Total amount of compensation, etc. (million yen)	Total amount of each type of compensation, etc. (million yen)		Number of eligible officers
		Fixed compensation	Performance-linked compensation	
Directors (excluding Outside Directors)	441	391	50	7
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	40	40	—	2
Outside officers	46	46	—	7

Total Amount, etc. of Consolidated Compensation, etc. for Each Officer

Name (category of officer)	Total amount of consolidated compensation, etc. (million yen)	Company category	Amount of each type of consolidated compensation, etc. (million yen)	
			Fixed compensation	Performance-linked compensation
Kunio Yamada (Director)	205	Filing company	183	22

Note: Information is only provided for those whose total amount of consolidated compensation, etc. is 100 million yen or more.

Business Execution

Executive Meeting

In order to respond quickly and accurately to changes in the business environment, the Company has strengthened cooperation between sections that execute day-to-day operations, and established a Strategic Design Headquarters that addresses management challenges from a medium- to long-term perspective. Every other week the Company holds Executive Meetings (management strategy conference), which are attended principally by internal Directors and executive officers, to promote appropriate decision-making and encourage more in-depth discussions at meetings of the Board of Directors. President meetings are also held every other week to share information on important decisions made by each section and company-wide issues with all section heads in a timely manner. Directors have the function of executing and supervising all of these operations. In order to respond quickly and accurately to changes in the business environment and to achieve sustainable growth and enhance corporate value, we have a management structure that enables speedy decision-making and the execution of measures based on roles and responsibilities. We work to increase the agility of decision-making related to management strategies, and strengthen the mobility of management, by clarifying the executive officers in each area.

Sustainability Committee

The Sustainability Committee serves as an advisory committee to the Board of Directors to promote sustainability measures. The Committee discusses on ESG, SDGs, and other sustainability-related issues as well as relevant policies and measures. Based thereon, it decides how to address the issues identified, formulates action plans, and monitors and evaluates the progress. The deliberations of the Committee are reported and suggested to the Board of Directors as appropriate, and particularly important matters are discussed and resolved by the Board of Directors. The Committee is chaired by the Executive Vice President (CFO and in charge of ESG) and composed of a Director appointed by the chair and one Outside Audit & Supervisory Board member who serves as an advisor.

Compliance Committee

As an organization directly reporting to the Board of Directors, the Compliance Committee is tasked with advancing the measures needed to develop and strengthen the Company's compliance system.

The Committee is responsible for and discusses various compliance-related matters: for example, developing compliance policy, system, and rules; raising compliance awareness and providing compliance education and training; investigating compliance violations and devising and implementing measures to prevent recurrence; and administering contact points where employees can report or consult on compliance issues. The Committee is chaired by the President and Chief Operating Officer, and consists of members who are appointed by the chair.

Information Security Management Committee

The Information Security Management Committee is tasked with ensuring the proper management of all information held by the Company, which includes personal information of customers, shareholders, and employees; classified information of the Company; and classified information received from other companies. To that end, the Committee has created an information security system. The Committee appoints and is chaired by the Information Security Management Supervisor.

Strengthen Corporate Governance

Internal Controls

Recognizing that the objective is to ensure the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations, and to safeguard assets, Rohto has established an Internal Audit Office (staffed by four employees) as an organization independent from sections that execute business to conduct internal audits from a fair and objective standpoint, based on a mutually cooperative relationship with Audit & Supervisory Board members. We also implement a management framework where subsidiaries are required to report to or seek approval from the parent company on important matters in accordance with the Rohto Group Management Regulations. In regard to risk management, we have a system in place where, if an unforeseen event occurs, a Crisis Management Committee will be set up to promptly deal with the situation and prevent losses from arising or escalating while listening to the opinions of legal counsel and other outside advisors.

Corporate Governance

Risk Management

Risk Management System

Risk management is based on the principle that each section takes appropriate preventive measures in anticipation of risks that may occur in the course of or in connection to the execution of operations, and that if a risk should occur, the risk is handled appropriately with the support of the related sections. We have a system in place where, if an unforeseen event occurs, a Crisis Management Committee will be set up to promptly deal with the situation and prevent losses from arising or escalating while listening to the opinions of legal counsel and other outside advisors. With regard to preventive measures against the manifestation of potential risks, the Compliance Committee, an advisory committee to the Board of Directors, oversees the formulation and promotion of company-wide plans for compliance risks, including risks relating to ethics and legal compliance.

Business Risks

The business performance and financial condition of the Group are expected to be affected by a variety of risks described below. Given the potential for those business risks, the Group is striving to avoid and handle the risk when it occurs. This section contains the forward-looking statements made at the decision and assumption of the Group as of the end of fiscal 2022.

1	Risks related to legal restrictions and system and governmental actions	The Group's businesses are subject to legal restrictions (including deregulations) under the Pharmaceutical and Medical Device Act and related laws and regulations. Any future changes in those restrictions may have an impact on the Group's business results and financial condition.
2	Risks associated with overseas expansion	As the Group has expanded businesses globally, in recent years the share of overseas sales has reached certain levels (for fiscal 2022, overseas sales accounted for 43.5% of consolidated net sales). As a result, the unexpected deterioration of the political or economic situation, or changes in the laws and regulations in any country or region may have an impact on the Group's business results and financial condition.
3	Risks associated with the reliance on specific client companies	Currently, the top three client companies account for 35.3% of the volume of the Group's business. This fact shows that, if the Group suffers the loss of bad debts due to the financial difficulty, bankruptcy or a similar situation of any of those client companies, it may have an impact on the Group's business results and financial condition.
4	Risks associated with the dissolution of a business alliance with other companies	The Group has built business alliances with other companies in various ways, such as joint development, joint distribution, and the introduction of products (including the manufacturing and distribution of products under a license agreement). Accordingly, if such an alliance is dissolved for any reason in the future, it may have an impact on the Group's business results and financial condition.
5	Risks associated with business investment	To expand existing businesses and pursue new business development, as necessary, the Group will enhance existing business alliances or form a new partnership within the Group and with other non-affiliated companies. For that purpose, the Group has established and may establish new companies jointly with other entities; also, it has conducted and may conduct investment activities, such as investing in existing corporations. Accordingly, if the corporate value or the market price of the stock or the like of any portfolio company declines, it may have an impact on the Group's business results and financial condition.
6	Risks associated with discontinuation of distribution and recall of products	If any of the Group's products have trouble, such as a defect, unexpected side-effect, and the inclusion of foreign materials, the Group is likely to be required to stop or end the distribution or recall them. It may have an impact on the Group's business results and financial condition.
7	Risks related to intellectual property rights and litigation	If the Group fails to protect its intellectual property rights adequately, the competing power of the Group may be affected by the exploitation of the Group's technology and know-how by third parties. The Group intends not to infringe on a third party's intellectual property rights with the utmost attention and conducts research regarding the same. Nevertheless, in the event of infringement on a third party's intellectual property right, the third party is likely to file a claim for damages or another legal proceeding against the Group; or the Group may be required to pay a certain amount of consideration or to make similar performance. Those factors may have an impact on the Group's business results and financial condition. Other than the intellectual property right-related action, the Group is exposed to litigation risk relating to product liability, environmental issues, and other matters. Accordingly, in some cases, the substance or the outcome of the litigation may have an impact on the Group's business results and financial condition.
8	Risks related to the information system and information management	As the Group conducts business activities by using various information systems, the suspension or the malfunction of any system may interfere with the efficient operation of the business. Also, retaining a vast amount of information, including personal information, the Group is striving to establish its internal control structure and enhance information management. However, if any information leak occurs, the loss of public confidence may have an impact on the Group's business results and financial condition.
9	Risks associated with natural and other disasters	The Group manufactures main products to be distributed domestically at the Osaka Plant, the Ueno Plant, etc. and ships them out from the Central Distribution Center or elsewhere. The Group has taken great care to the safety control; nevertheless, if the operation of such factories and distribution center is shut down because of fire, earthquake, or other disasters, it may have an impact on the Group's business results and financial condition.
10	Risks associated with the fluctuation of the foreign exchange rate, stock price, and interest	As the Group has been expanding its businesses globally, the fluctuation of the foreign exchange rate may have an impact on the Group's business results and financial condition. The Group also holds securities with market value and interest-bearing liabilities; thus, the fluctuation or trend of stock price and interest may have an impact on the Group's business results and financial condition.
11	Risks associated with addressing climate change and other societal challenges	Climate change impacts are expected to cause raw material and fuel prices to continue rising, which may lead to increased cost of sales. The Group's businesses are also susceptible to changes in consumer and customer needs. Thus, if customer needs for sustainability increase, rises in development costs to provide more sustainable products and services may have an impact on the Group's business results.
12	Risks related to other external factors	The amount of shipments and returns of products fluctuates due to seasonal factors, such as cold summer, warm winter, pollen dispersion, and the like. Also, the market price of products may fall unexpectedly in a harsh competitive environment. Those factors may have an impact on the Group's business results and financial condition.

Note: There are various other business risks. Thus, the above is not an exhaustive list of risks that may affect the Group.

Compliance

Basic Approach to Compliance

Over the years, the Group has earned the reputation of being trustworthy. We believe it is the trust placed in us that has helped us grow to what we are today. To take the Group to the next level, we must meet the wants and expectations of customers and all other stakeholders as a public organ of society. To make it possible, we have established a clear code of conduct that guides each employee toward responsible, legally compliant behavior.

Compliance Promotion System

Based on the recognition that the promotion of compliance is one of the most important management issues, in 2020 we established a Compliance Committee chaired by the President and Chief Operating Officer. The Committee comprehensively promotes compliance with social norms and the strengthening of corporate ethics, and promptly reports important compliance matters the Committee is involved in to the Board of Directors. In March 2023, we created a Compliance Division to reinforce the compliance promotion system.

Initiatives to Instill Compliance Awareness

ROHTO Group Action Agenda for Compliance

The Group has developed ROHTO Group Action Agenda for Compliance, which summarize and explain the ethics and values that employees must observe. These guidelines serve as a code of conduct that guides employees when they find it difficult to make decisions on how to respond to customers and business partners or conduct day-to-day work.

Compliance awareness survey

We regularly conduct awareness surveys on all employees to ascertain current status and confirm effectiveness by tracking changes over time and to periodically review compliance-related standards of conduct.

Training for managers and employees

We provide compliance webinars for division heads, and harassment training as part of training sessions for newly appointed managers and leaders. Moreover, in 2022 we started providing all employees with compliance training that consists of lectures and tests, to bring home the importance of legal compliance and ensure their understanding of the Group's compliance system. The topics covered by compliance training for all employees include drug-induced suffering, which used to be taught to employees of the relevant sections only. We will continue working to enhance employees' understanding of compliance on a Group-wide basis.

Greater dissemination of compliance information

We issue *Compliance Newsletter* every two months for all employees with the aim of sharing information on overall compliance, including legal matters and harassment. In addition, we endeavor to routinely inculcate knowledge about, and raise awareness of, compliance, for example by giving a compliance quiz on our email newsletter every month. In fiscal 2022, we issued a total of 60 email newsletters. In addition, managers are given compliance case studies on a weekly basis as they are required to have higher levels of ethics and knowledge.

Anti-corruption

Our goal is to create a truly healthy and progressive society. To accomplish this goal, we deny and work to prevent any form of corruption, including bribery. We do not respond to any act of obstruction or harassment, or any request for unfair benefits. We do business in over 110 countries. Overseas, we must abide by the laws and common sense of the local country and follow the culture and customs of that country. However, we do not follow practices that are considered wrong by international standards, such as bribery. Through our corporate activities, we will strive to contribute to the economic, social, and cultural development of the country in which we operate.

Internal and External Reporting Systems

The Group has a whistleblowing system and whistleblower contact points in place. These are aimed at detecting, at an early stage, misconduct such as legal violations, internal rule breaches, human rights infringements, and conduct against social norms, thereby preventing scandals; and at enhancing the soundness of Group management by carrying out necessary rectification. The system was expanded by including 10 Group companies in January 2022, and introducing a web-based channel in July 2023. In these ways, ongoing efforts have been made toward the system enhancement. The Rohto Group Alert Line has two contact points. The former is an external phone contact point, and the latter is an internet contact point which is administered by an internal Compliance Division. We have also created a Business Partner Alert Line, a compliance contact point where the officers and employees of our business partners can consult or report on the compliance violations of our Group personnel. We hope that this contact point for external partners will help us detect and rectify compliance violations at an early stage by informing us of compliance issues that the Group itself is unaware or ignorant of.

Directors and Audit & Supervisory Board Members (As of June 28, 2023)

Directors



Kunio Yamada

Chairman and Chief Executive Officer

April 1980 Joined the Company
 June 1991 Director and Assistant to President of the Company
 June 1992 Senior Managing Director and General Manager of Sales Department of the Company
 June 1996 Executive Vice President of the Company
 July 1998 Chairman of The Mentholatum Company (current position)
 June 1999 President of the Company
 June 2009 Chairman and Chief Executive Officer (CEO) of the Company
 August 2018 Chairman (CEO) and President of the Company
 June 2019 Chairman and Chief Executive Officer of the Company (current position)
 March 2021 Outside Director of Bacchus Bio innovation Co., Ltd. (current position)



Masashi Sugimoto

President and Chief Operating Officer

April 1984 Joined Takeda Pharmaceutical Company Limited
 October 2009 President of Healthcare Company
 April 2017 President and Representative Director of Takeda Consumer Healthcare Company Limited
 January 2019 Joined the Company, Strategic Advisor
 June 2019 President and Chief Operating Officer of the Company (current position)
 August 2021 Representative Director and Chairman of Amato Pharmaceutical Products, Ltd. (current position)



Masaya Saito

Executive Vice President
 Chief Financial Officer (CFO)

April 1986 Joined the Company
 May 1998 General Director of Rohto-Mentholatum (Vietnam) Co., Ltd.
 April 2008 Deputy General Manager of Corporate Planning & Administration Department of the Company
 June 2011 Director and General Manager of Corporate Planning Department of the Company
 June 2017 Director of Headquarters for Promotion of Corporate Strategy of the Company
 June 2018 Executive Vice President of the Company (current position)
 President and Director of The Mentholatum Company (current position)
 Chief Executive Officer of Rohto-Mentholatum (Vietnam) Co., Ltd. (current position)
 March 2022 Chief Financial Officer (CFO) of the Company (current position)



Tatsuo Uemura

Outside Director

April 1986 Professor of School of Law, Senshu University
 August 1990 Professor of College of Law and Politics, Rikkyo University
 April 1997 Professor of School of Law, Waseda University
 October 2003 Director of the 21st Century Center of Excellence, Waseda Institute for Corporation Law and Society Professor of Graduate School of Law
 June 2004 Outside Director of Jasdaq Securities Exchange, Inc.
 September 2004 Professor of Faculty of Law, Waseda University
 June 2006 Outside Director of Shiseido Company, Limited
 September 2006 Dean of Faculty of Law and Dean of School of Law, Waseda University
 July 2008 Director of the Global Center of Excellence, Waseda Institute for Corporation Law and Society
 April 2012 NHK Governor
 April 2019 Professor Emeritus of Waseda University (current position)
 July 2020 Outside Director of Meiji Yasuda Life Insurance Company (current position)
 May 2022 Outside Director of Shochiku Co., Ltd. (current position)
 June 2022 Outside Director of the Company (current position)



Eriko Hayashi

Outside Director

October 2001 Registered as attorney at law, joined Oh-Ebashi Law Offices
 June 2007 Registered as New York State Attorney
 January 2010 Partner, Oh-Ebashi LPC & Partners
 June 2010 Chief Representative of Shanghai Office, Oh-Ebashi LPC & Partners
 March 2019 Outside Audit & Supervisory Board Member of Kaizen Platform, Inc. (current position)
 November 2019 Established ERI LAW OFFICE. Assumed office as Representative (current position)
 December 2019 Outside Director of Change Inc.
 August 2021 Representative Employee, ERIO G.K. (current position)
 March 2022 Outside Audit & Supervisory Board Member of Mujin, Inc. (current position)
 June 2022 Outside Director of the Company (current position)



Shinichi Kunisaki

Executive Vice President
 Chief Technical Officer (CTO)

April 1981 Joined Suntry Limited (currently, Suntry Holdings Limited)
 January 2007 Joined the Company, Corporate Officer
 February 2007 General Manager of Research & Development Department of the Company
 June 2010 Director of the Company
 June 2017 Director of Headquarters for Promotion of Corporate Strategy of the Company
 June 2018 President and Representative Director of Qualitech Pharma Co., Ltd. (current position)
 June 2020 Managing Director of the Company
 E. Designer of Production/SCM Strategic Design Headquarters of the Company
 March 2022 Chief Technical Officer (CTO) of the Company (current position)
 June 2023 Executive Vice President of the Company (current position)



Hidetoshi Segi

Managing Director
 Chief Strategy Officer (CSO)

April 1985 Joined Nippon Vicks KK (currently, P&G Japan G.K.)
 June 1997 Joined the Company, Corporate Officer
 June 2018 Director of the Company
 March 2022 Chief Strategy Officer (CSO) of the Company (current position)
 June 2023 Director of the Company
 June 2023 Managing Director of the Company (current position)



Yasunori Kawasaki

Director
 Chief Human Resources Officer (CHRO)

April 1982 Joined Nippon Life Insurance Company
 April 1986 Joined the Company
 October 2011 Director, Michinoku Future Fund (current position)
 July 2021 Corporate Officer of the Company
 March 2023 Responsible for HR Development & Training, the Company (current position)
 June 2023 Director of the Company (current position)
 Chief Human Resources Officer (CHRO) of the Company (current position)



Yoshie Okochi

Director
 Chief Communication Officer (CCO)

April 1992 Joined The Nikko Securities Co., Ltd. (current SMBC Nikko Securities Inc.)
 August 2008 Assistant Professor of School of Management, University at Buffalo, The State University of New York
 November 2007 Managing Director, General Manager, Corporate Planning Division of Aqualine Ltd.
 May 2017 Joined the Company
 March 2022 Executive Designer, Strategic Design Headquarters of the Company (current position)
 April 2022 Corporate Officer of the Company
 March 2023 Deputy General Manager, Corporate Planning Division of the Company (current position)
 June 2023 Director of the Company (current position)
 Chief Communication Officer (CCO) of the Company (current position)
 Unaffiliated Director of Morishita Jintan Co., Ltd. (current position)



Akie Iriyama

Outside Director

April 1998 Joined Mitsubishi Research Institute, Inc.
 August 2008 Assistant Professor of School of Management, University at Buffalo, The State University of New York
 August 2013 Associate Professor of Waseda Business School
 April 2019 Professor of Waseda Business School (current position)
 June 2019 Outside Director of the Company (current position)
 June 2020 Outside Director of Sanoh Industrial Co., Ltd. (current position)
 December 2020 Outside Director of SEPTENI HOLDINGS CO., LTD. (current position)
 June 2021 Outside Director of SORACOM, INC. (current position)



Haruka Mera

Outside Director

March 2011 Launched READYFOR crowdfunding service
 July 2014 Founded READYFOR, Inc.
 Representative Director & CEO of READYFOR, Inc. (current position)
 June 2020 Outside Director of the Company (current position)

Audit & Supervisory Board Members



Masanori Kimura

Audit & Supervisory Board member (Full-time)

April 1982 Joined the Company
 May 2003 Corporate Officer and Deputy General Manager of Corporate Planning & Administration Department
 April 2009 General Manager of General Affairs Division of the Company
 July 2004 General Manager of Manufacturing Business Department of the Company
 June 2005 Director of the Company
 May 2008 General Manager of Corporate Planning & Administration Department of the Company
 May 2009 General Manager of Healthcare Business Department of the Company
 June 2013 General Manager of Agri-Farm Division of the Company
 June 2016 Audit & Supervisory Board Member of the Company (current position)



Hideto Uemura

Audit & Supervisory Board member (Full-time)

April 1982 Joined the Company
 May 2003 Deputy General Manager of Business Development of the Company
 April 2009 Deputy General Manager of Research & Development Department of the Company
 May 2010 Senior Corporate Officer, General Manager of Marketing Department of the Company
 May 2015 Department of the Company
 June 2017 Director of Headquarters for Promotion of Corporate Strategy of the Company
 June 2018 Director and Head of Ueno Techno Center of the Company
 June 2020 Audit & Supervisory Board Member of the Company (current position)



Katsusuke Amano

Outside Audit & Supervisory Board member

April 1978 Registered as attorney at law, joined Norio Tamura Law Office
 April 1983 Transferred to Kitahama Law Office (currently Kitahama Law Office/ Foreign Law Joint Enterprise)
 January 1985 Partner of Kitahama Law Office (currently same as above)
 February 2003 Outside Corporate Auditor of Aoyama Capital Co., Ltd. (current position)
 June 2010 Outside Director of Gunze Ltd.
 June 2012 Outside Audit & Supervisory Board member of the Company (current position)
 January 2020 Partner Attorney at Kitahama Law Office (current position)
 March 2020 Outside Corporate Auditor of TOYO TIRE Co., Ltd. (current position)



Yasuhiro Tani

Outside Audit & Supervisory Board member

October 1981 Joined Asahi Accounting Co. (currently KPMG AZSA LLC)
 April 1985 Registered as a certified public accountant
 April 1986 Established Certified Public Accountant Tani Accounting Office (current position)
 May 2003 Registered as a tax accountant
 April 2006 Professor, GLOBIS University Graduate School of Management (current position)
 June 2020 Outside Audit & Supervisory Board member of the Company (current position)
 March 2021 Outside Director of Noritz Corporation (current position)

Key Financial Data (11-Year Summary)

(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business Performance											
Net sales (million yen)	129,146	143,822	151,774	167,016	154,599	171,742	183,582	188,327	181,287	199,646	238,664
Gross profit (million yen)	75,873	86,157	90,599	99,226	91,344	101,049	109,624	114,240	106,726	116,170	137,421
Share of net sales (%)	58.8	59.9	59.7	59.4	59.1	58.8	59.7	60.7	58.9	58.2	57.6
Selling, general and administrative expenses (million yen)	61,493	69,336	77,440	83,543	75,893	81,962	88,812	91,154	83,736	87,154	103,461
Share of net sales (%)	47.6	48.2	51.0	50.0	49.1	47.7	48.3	48.4	46.2	43.7	43.4
Operating income (million yen)	14,380	16,821	13,159	15,683	15,451	19,087	20,812	23,085	22,990	29,015	33,959
Share of net sales (%)	11.1	11.7	8.7	9.4	10.0	11.1	11.3	12.3	12.7	14.5	14.2
Ordinary income (million yen)	14,730	17,100	14,098	15,339	15,964	18,849	18,970	22,735	23,910	28,750	35,568
Share of net sales (%)	11.4	11.9	9.3	9.2	10.3	11.0	10.3	12.1	13.2	14.4	14.9
Profit attributable to owners of parent (million yen)	8,087	8,947	8,631	9,098	10,011	9,289	9,799	15,410	16,743	21,127	26,377
Share of net sales (%)	6.3	6.2	5.7	5.4	6.5	5.4	5.3	8.2	9.2	10.6	11.1
R&D expenses (million yen)	4,062	4,547	5,585	5,811	6,123	6,553	6,831	7,050	7,903	8,740	11,065
Depreciation (million yen)	5,256	5,735	6,059	6,044	5,552	5,593	6,159	6,058	6,376	7,232	7,418
Profitability Indicators											
Return on assets (ROA) (%)	10.3	10.9	8.3	8.6	8.8	10.0	9.5	10.9	10.8	11.5	12.2
Return on equity (ROE) (%)	9.2	9.4	8.4	8.3	8.8	7.6	7.6	11.4	11.7	12.7	13.6
Efficiency Indicators											
Total asset turnover (Times)	0.90	0.92	0.89	0.94	0.86	0.90	0.92	0.90	0.82	0.80	0.82
Trade receivable turnover (Times)	4.05	4.44	4.22	3.80	3.24	3.54	3.86	3.94	3.66	4.01	4.25
Inventory turnover (Times)	6.89	7.04	6.91	7.32	6.63	6.89	6.50	6.19	6.19	6.50	6.40
Stability Indicators											
Current ratio (%)	156.3	146.5	162.6	171.4	189.0	186.2	191.6	209.5	235.7	229.8	237.3
Equity ratio (%)	61.7	60.2	61.7	61.4	64.7	64.2	65.1	64.4	68.8	64.8	67.6
Interest coverage ratio (Times)	118.7	126.7	78.0	80.6	138.8	165.2	184.6	197.7	194.7	149.5	148.4
Debt-to-equity ratio (Times)	0.10	0.13	0.11	0.07	0.07	0.07	0.06	0.08	0.07	0.14	0.08
Financial Position											
Total assets (million yen)	150,643	162,249	177,509	179,573	181,543	198,166	200,953	215,644	226,149	274,876	309,677
Net assets (million yen)	93,771	98,627	110,516	111,271	118,436	128,440	132,189	140,032	156,612	183,994	215,078
Cash Flows											
Free cash flow* (million yen)	6,107	6,041	2,268	5,258	3,917	8,140	11,500	9,635	9,771	10,844	17,748
Cash and cash equivalents at end of period (million yen)	19,867	23,026	25,093	22,495	23,466	30,063	37,345	44,665	52,254	70,905	77,691
Per Share Information											
Net income per share (¥)	34.39	38.57	38.03	40.02	43.97	40.77	43.00	67.57	73.39	92.61	115.62
Net assets per share (¥)	394.91	430.74	482.09	484.61	515.48	557.97	573.71	608.83	681.71	780.30	916.93
Dividends per share (¥)	8.5	9	9.5	10	10.5	11	12.5	13	14	18	22
Dividend payout ratio (%)	24.7	23.3	25.0	25.0	23.9	27.0	29.1	19.2	19.1	19.4	19.0
Other Financial Information											
Price-earnings ratio (Times)	18.7	23.6	22.5	25.6	23.7	36.5	33.0	21.9	20.1	19.9	24.0
Price-book value ratio (Times)	1.6	2.1	1.8	2.1	2.0	2.7	2.5	2.4	2.2	2.4	3.0

*Net cash provided by operating activities + Net cash used in investing activities

(Note) 1. The provisional accounting treatment for business combinations has been finalized in fiscal 2020, 2021, and 2022. The figures for fiscal 2019, 2020, and 2021 have been restated accordingly.
2. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of fiscal 2021, and the figures for fiscal 2021 and beyond are after the application of the said accounting standard and other standards.
3. As of January 1, 2023, the Company conducted two-for-one stock split of its common stock. Per share information was calculated on the assumption that the stock split was implemented at the beginning of fiscal 2012.

Non-Financial Data

Rohto Pharmaceutical Co., Ltd. only (non-consolidated)

(FY)	2017	2018	2019	2020	2021	2022
Employees and Workstyles						
Employees (persons)	1,400	1,474	1,529	1,595	1,599	1,628
Women (persons)	805	857	883	918	933	967
Men (persons)	595	617	646	677	666	661
Turnover rate*1 (%)	5.4	5.3	3.1	2.7	2.4	3.0
Participants in internal double jobs (persons)	49	70	54	98	123	123
Participants in external challenge work (persons)	63	81	81	62	52	49
Paid annual leave taken (%)	65.3	70.1	71.6	67.4	61.3	72.2
Ratio of female managers (%)	19.2	21.1	22.8	27.0	31.1	30.0
Uptake of parental leave (persons)	105	100	94	100	48	83
Women (persons)	104	99	93	95	40	74
Men (persons)	1	1	1	5	8	9
Uptake of parental leave among women (%)	98	93	95	100	100	97.6
Uptake of parental leave among men (%)	—	—	—	—	22.2	26.5
Return to work after parental leave among women*2 (%)	96	100	95	98	100	97.6
Employment of people with disabilities (%)	1.84	2.08	2.10	2.30	2.42	2.30
Products and Quality						
Pleasantly surprised testimonials*3 (cases)	1,293	1,191	1,963	2,403	2,866	2,400
Improvements and findings (cases)	10,637	10,367	9,585	10,465	10,634	10,813
Social Contributions						
Donors to Karugamo Fund (persons)	945	929	953	944	968	1,213
Environment						
Energy consumption (GJ)	321,829	315,057	322,235	310,345	326,137	360,005
Electricity consumption (1,000 kWh/year)	23,711	24,289	25,110	24,914	26,055	28,645
Per unit of net sales (1,000 kWh/million yen)	0.245	0.233	0.236	0.247	0.257	0.248
City gas consumption (1,000 m ³ /year)	2,410	2,087	2,072	2,913	3,014	3,073
Per unit of net sales (m ³ /million yen)	25	20	19	29	30	29
Water usage (1,000 m ³ /year)	290	266	271	248	263	276
Per unit of net sales (m ³ /million yen)	3.0	2.5	2.5	2.5	2.6	2.4
Total CO ₂ emissions (t/year) (Scope 1 and 2)	15,772	14,669	13,957	13,327	14,249*4	13,120*4
Per unit of net sales (t/million yen)	0.163	0.141	0.131	0.132	0.141	0.114
Total CO ₂ emissions (t/year) (Scope 3)	—	—	—	—	168,720	193,926
Per unit of net sales (t/million yen)	—	—	—	—	1.667	1.681
Health Management						
Employees performing 8,000-step walking and 20-min. brisk walking per day at the time of events (%)	41.0	44.4	48.5	29.3*5	52.3	54.9
Smoking rate (%)	11.6	7.7	0.1	0.1	1.9	2.8
Anemia among female employees (%)	5.1	4.9	5.1	14.3*6	14.8	14.2

*1 Excludes mandatory retirees and part-time employees.
 *2 Most people leave the Company due to a job relocation of their spouse.
 *3 Positive responses such as letters of appreciation from customers
 *4 Changed the calculation standards to match the GHG Protocol from FY2021.
 *5 Implemented in 2020 during Japan's state of emergency.
 *6 Changed the diagnostic criteria in 2020 (to align with the WHO criteria).

Corporate Data (as of March 31, 2023)

Company Profile

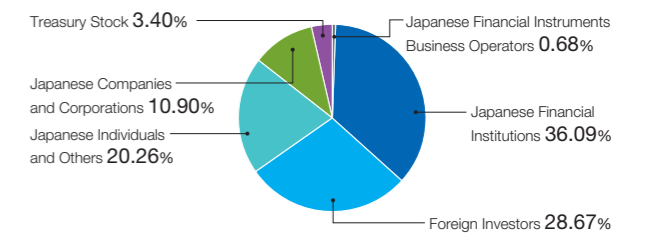
Company Name Rohto Pharmaceutical Co., Ltd.
Founded February 22, 1899

Incorporated September 15, 1949
Capital 6,504 million yen
Number of Employees 7,176 (consolidated basis)
 1,628 (non-consolidated basis)

Shares

Number of Shares Authorized 798,792,000 shares
Number of Shares Issued 228,138,954 shares
 (excl. 8,039,356 treasury stocks)
Number of Shareholders 18,688

Shareholdings by Shareholder Type

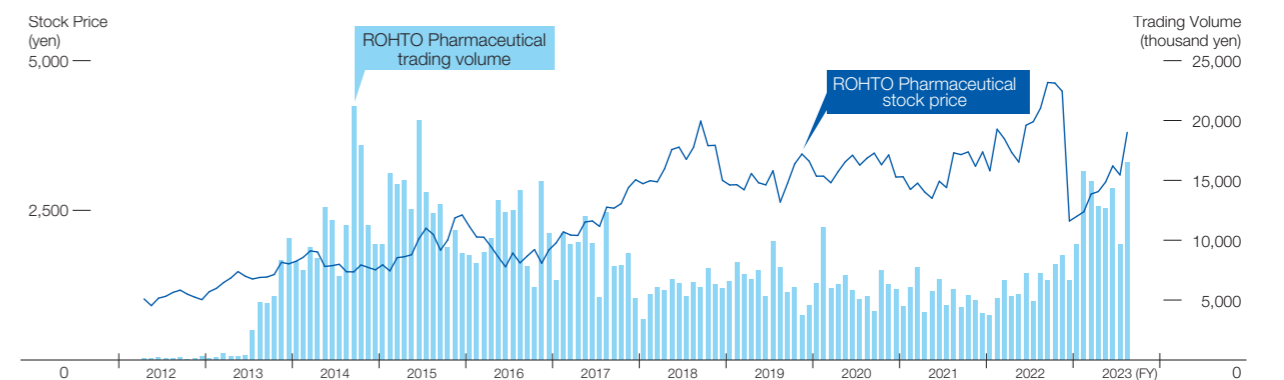


Major Shareholders (Top 10)

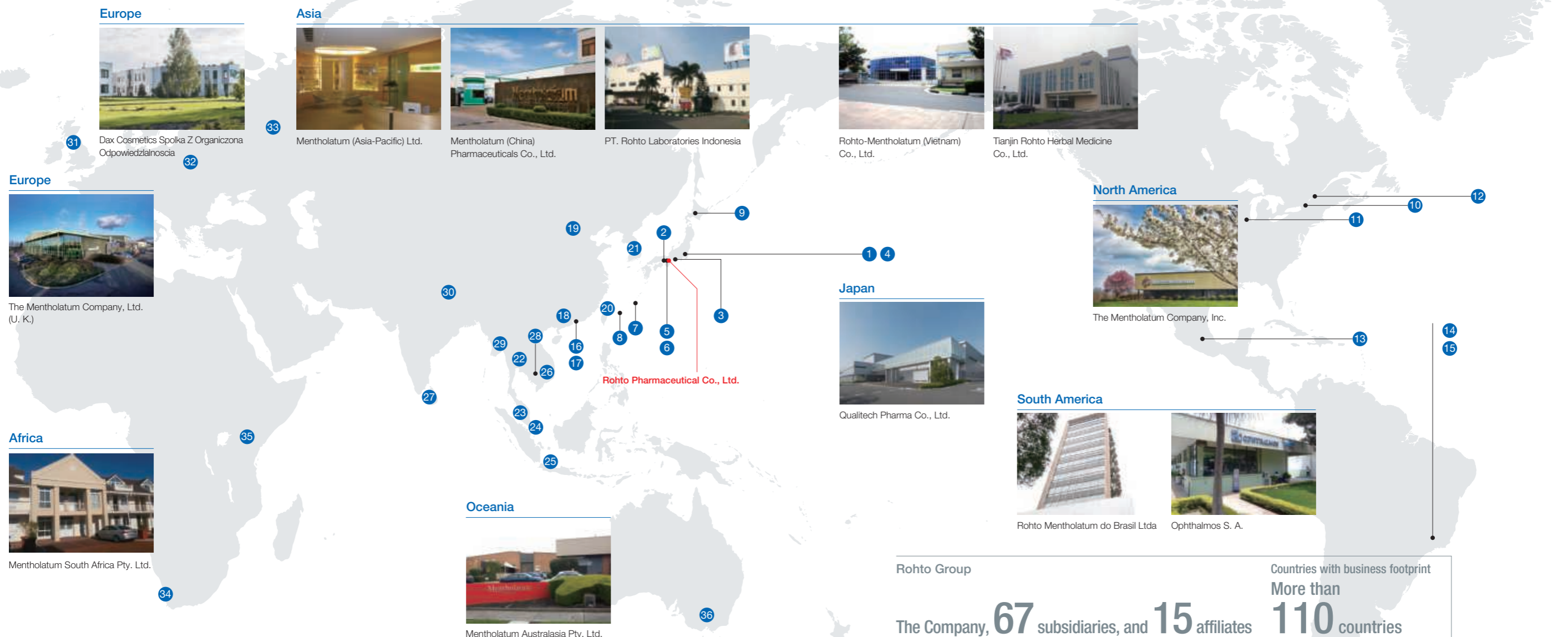
Shareholder	Shareholdings (thousand shares)	Voting stake (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	38,236	16.76
Custody Bank of Japan, Ltd. (Trust account)	19,268	8.44
STATE STREET BANK AND TRUST COMPANY 505223	16,232	7.11
MUFG Bank, Ltd.	7,601	3.33
Kiyoko Yamada	5,937	2.60
Yamada Kosan Limited Private Company	5,615	2.46
Sansho Kosan Co., Ltd.	5,096	2.23
Nippon Life Insurance Company	4,238	1.85
Kunio Yamada	3,908	1.71
Rohto Group Shareholding Association	3,201	1.40

(Note) The Holding Ratio has been calculated by deducting the treasury stock (8,039,356 stocks).

Changes in Stock Price and Trading Volume



Global Network



As of March 31, 2023

Main Subsidiaries and Affiliates

	Company Name	Location
Japan ● 14 consolidated subsidiaries ● 3 affiliated companies accounted for by the equity-method ● 15 other companies	1 Qualitech Pharma Co., Ltd.	Minato-ku, Tokyo
	2 Mayado Pharmaceutical Co., Ltd.	Kobe, Hyogo Pref.
	3 Rohto Nitten Co., Ltd.	Nagoya, Aichi Pref.
	4 Interstem Co., Ltd.	Hachioji, Tokyo
	5 Amato Pharmaceutical Products, Ltd.	Toyonaka, Osaka Pref.
	6 MG Pharma Inc.	Ibaraki, Osaka Pref.
	7 Ceres Okinawa Co., Ltd.	Ogimi, Okinawa Pref.
	8 Yaeyama Farm Co., Ltd. (Specific agricultural production company)	Ishigaki, Okinawa Pref.
	9 Hokushinfoods Co., Ltd.	Ebetsu, Hokkaido Pref.
Americas ● 9 consolidated subsidiaries ● 6 other companies	10 The Mentholatum Company, Inc.	New York, U.S.A.
	11 Hydrox Laboratories, Inc.	Illinois, U.S.A
	12 The Mentholatum Company of Canada, Ltd.	Ontario, Canada
	13 Mentholatum de México S. A. de C. V.	Mexico City, Mexico
	14 Rohto Mentholatum do Brasil Ltda	Sao Paulo, Brazil
Asia	15 Ophthalmos S. A.	Sao Paulo, Brazil
	16 Mentholatum (Asia-Pacific) Ltd.	Hong Kong, China
	17 Rohto Advanced Research HK Ltd.	Hong Kong, China
	18 Mentholatum (China) Pharmaceuticals Co., Ltd.	Guangdong Province, China

	Company Name	Location
Asia ● 13 consolidated subsidiaries ● 1 non-consolidated affiliated company accounted for by the equity-method ● 11 other companies	19 Tianjin Rohto Herbal Medicine Co., Ltd.	Tianjin, China
	20 Mentholatum Taiwan Ltd.	Taipei, Taiwan
	21 Mentholatum (AP) Ltd., Korea Branch	Seoul, South Korea
	22 Rohto-Mentholatum (Thailand) Ltd.	Bangkok, Thailand
	23 Rohto-Mentholatum (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia
	24 Rohto-Mentholatum Singapore Office	Singapore
	25 PT. Rohto Laboratories Indonesia	Jakarta, Indonesia
	26 Rohto-Mentholatum (Vietnam) Co., Ltd.	Binh Duong, Vietnam
	27 Rohto-Mentholatum (Lanka) Pvt. Ltd.	Colombo, Sri Lanka
	28 Rohto-Mentholatum (Cambodia) Co., Ltd.	Phnom Penh, Cambodia
	29 Rohto-Mentholatum (Myanmar) Co., Ltd.	Yangon, Myanmar
Europe and Africa ● 8 consolidated subsidiaries ● 1 other company	30 Rohto-Mentholatum (Nepal) Pvt. Ltd.	Kathmandu, Nepal
	31 The Mentholatum Company, Ltd. (U. K.)	Scotland, U.K.
	32 Dax Cosmetics Spolka Z Organizczona Odpowiedzialnoscia	Mazowieckie Province, Poland
Oceania ● 1 consolidated subsidiary	33 Rohto Mentholatum RU LLC	Moscow, Russia
	34 Mentholatum South Africa Pty. Ltd.	Cape Town, South Africa
	35 Rohto-Mentholatum (Kenya) Ltd.	Nairobi, Kenya
	36 Mentholatum Australasia Pty. Ltd.	Victoria, Australia



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