

NEVER SAY NEVER



ROHTO Well-being Report

Integrated Report

2022



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

◆ 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.

Chapter 1, Article 2 of the Articles of Association

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 the 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 2022 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, 2021 to March 31, 2022
(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.



Rohto's Well-being Management

In the well-being management aimed for by Rohto, 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.

Key Words for Sustainable Well-being Management

Management from a long-term perspective

As a company that is a "Public entity 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.

Expansion 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.

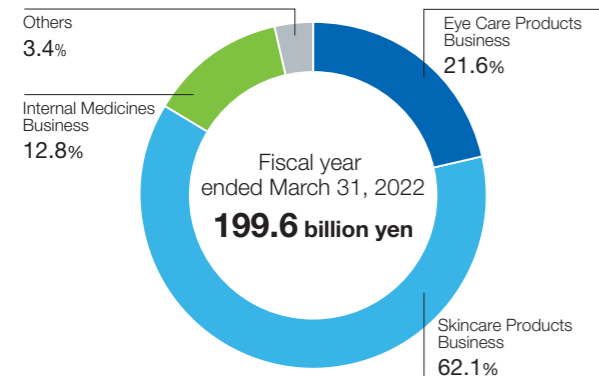
Self-supporting manufacturing in each region

In each region, we value on self-supporting manufacturing, which encompasses all processes from development to sales. 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. As a result, we believe that we can build a distinctive management structure that allows each Group company to run on its own and minimize supply chain risks for the entire Group.

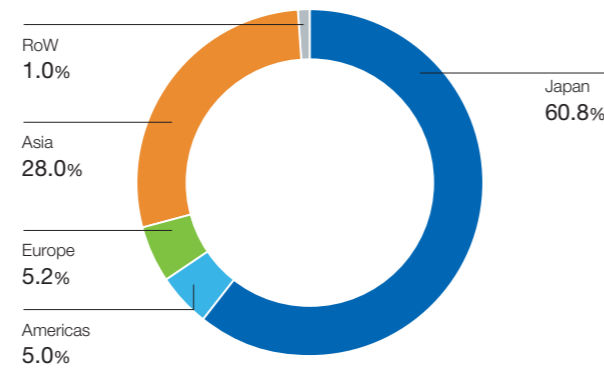


At a Glance

Net Sales by Business Segment

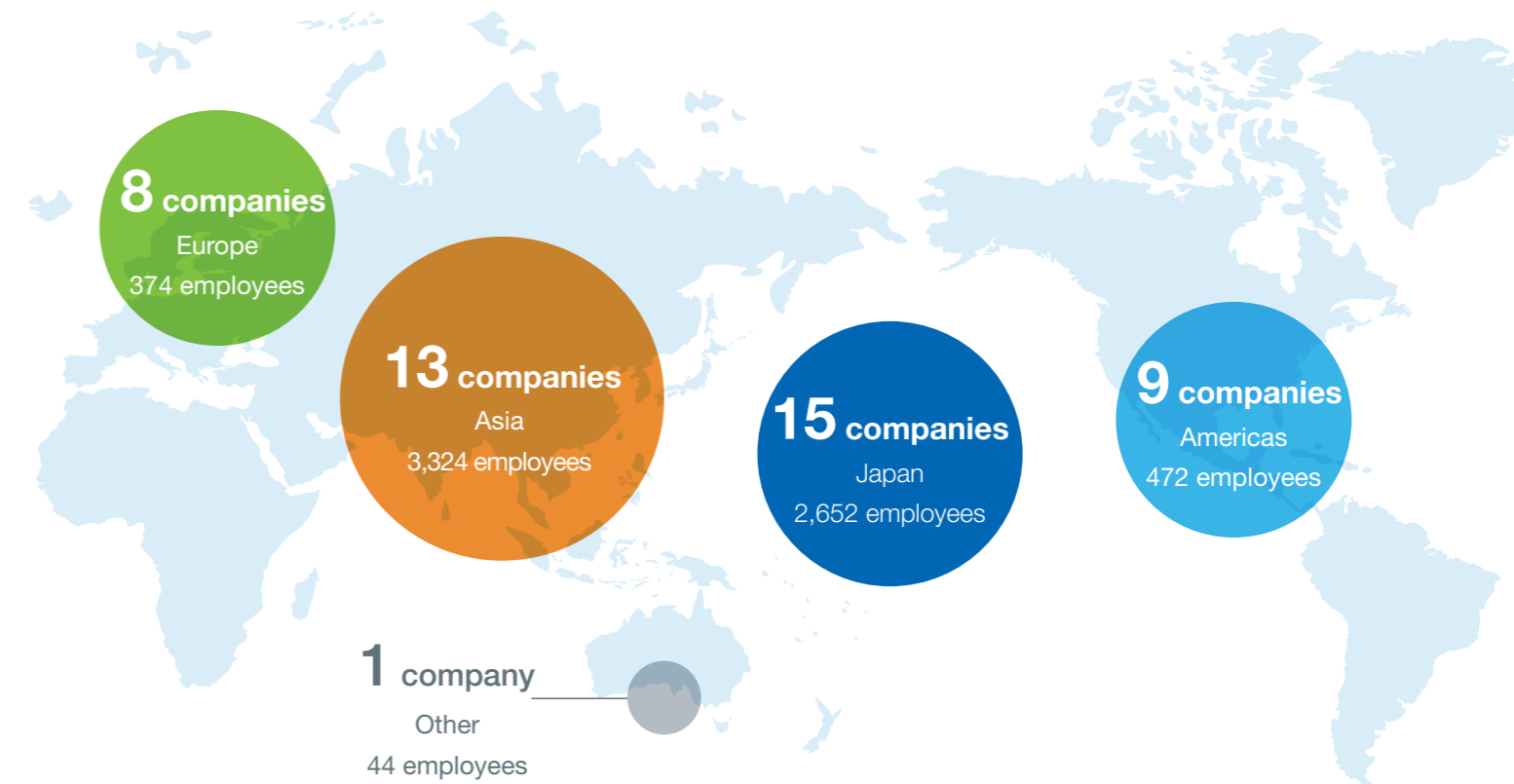


Net Sales by Region



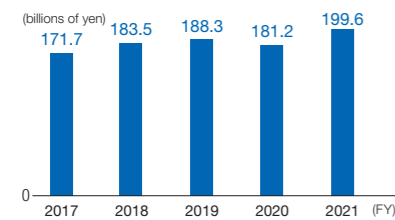
Number of the Group Companies and Employees

Rohto and consolidated subsidiaries: **46 companies**
 Number of employees (consolidated): **6,866 employees**
*As of March 31, 2022
 Other affiliates: 36 companies



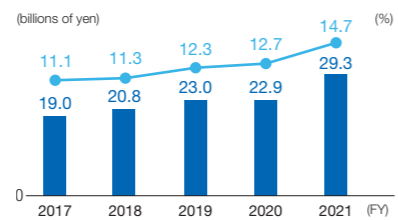
Net Sales

199.6 billion yen



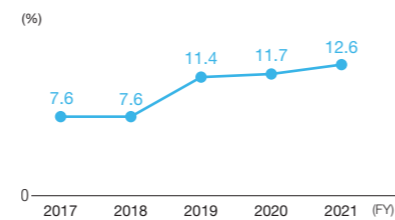
Operating Income and Share of Net Sales

29.3 billion yen / 14.7%



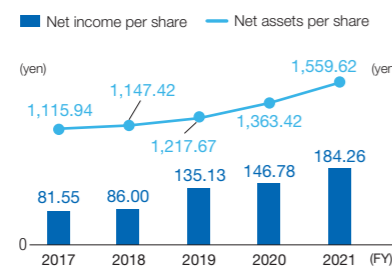
ROE

12.6%



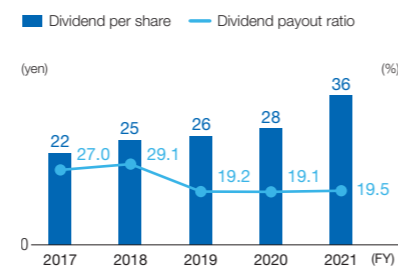
Net Income per Share and Net Assets per Share

184.26 yen / 1,559.62 yen



Dividend per Share and Dividend Payout Ratio

36 yen / 19.5%



*The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and the figures for the fiscal year ended March 31, 2022 are after the application of the said accounting standard, etc.

History of Value Creation

Rohto was founded in 1899 with the ambition of “making Japan healthy” by tackling the rampant stomach diseases that had become a social issue. Since then, with health as the core value of our business, we have constantly faced changes in society and our customers, and have created value while taking on new challenges. We will continue to deliver health to a wide range of people now and in the future.

1899

Taking on the challenge of social issues All diseases start from the stomach

At the beginning of the Meiji era, the number of people suffering from stomach diseases was increasing year by year in Japan due to changes in dietary habits, and this was becoming a social issue. The founder of the Company, who was convinced that all diseases start from the stomach, believed that the launch of effective gastrointestinal medicines was what Japan needed in the future. In 1899, Rohto began selling Ikatsu gastrointestinal medicine and founded Shintendo Yamada Anmin Pharmacy, which became the predecessor of the Company. With the advertising slogan “Ikatsu gastrointestinal medicine for stomach diseases, milk for crying children,” Ikatsu spread throughout Japan, attracting a large number of users. In 1954, we launched Siron, which was individually packaged in medicine wrappers to meet the postwar lifestyle, and in 1962, we launched Pansiron, which was granulated and easier to swallow, and now we are protecting the stomach of customers while dividing products into series according to each problem.

The spirit of the Company, which began with the aim of solving social issues, has been the basis for our subsequent development.



1909 Supporting innovative containers and needs Evolution of eye drops

After 1900, the eye disease trachoma spread in Japan and became a major problem, causing many people to lose their eyesight. The growing demand for eye drops led to the launch of Rohto Eye Drops in 1909, which marked the beginning of our eye drops.

In 1931, we revolutionized the world of eye drops by improving the eye drop bottle from a separate container and a dispenser to a convenient one-piece dual-end dropper bottle, and became the top brand in the eye drop industry overnight.

In 1952, Rohto Peni-my Eye Drops, a new type of eye drops in which a compound antibiotic tablet is dissolved into the eye drop at the time of use, was launched and became a huge hit. By enclosing Japan's first users' postcard, we received feedback from customers nationwide, which led to improvements and the development of new products. This stance of respecting the customers who use our products has been passed down to the present.

As the economy developed and living and sanitary conditions improved, there was a greater need for drugs that protect the health rather than cures for diseases. V Rohto, a multi-prescription product that met this need, was the beginning of the current V series. Since then, we have continued our research as a leading eye care manufacturer, delivering new value by addressing various eye problems and age-specific eye concerns, and by launching products with clearly defined functions.

1985

Protecting mothers and babies Widespread adoption of pregnancy test kits

Today, pregnancy can be checked by self-testing with a test kit. However, in the 1980s, pregnancy test kits were not approved as over-the-counter drugs in Japan and could only be confirmed at hospitals. In the very early stages of pregnancy, when the central organs of the fetus begin to form, it was not uncommon for a woman to overload her body without realizing she was pregnant, resulting in miscarriage. In response, we quickly recognized the need for an OTC pregnancy test kit and began its development. We continued to enthusiastically inform about the need for pregnancy test kits and spread knowledge about them.

In 1985, we began marketing Checker, a product introduced from overseas, and in 1992, it was first approved as an OTC drug in Japan, thus self-checking became an established practice. The following year, we launched Dotest hCG, a self-developed product that enabled one-step and quick testing by simply pouring urine over the product. Since then, improvements have been made to accuracy, ease of use, and determination time, and these improvements continue to this day.

In 1996, Dotest LH, an ovulation prediction kit, was launched to support couples suffering from infertility. In 2016, the product finally became available for sale in pharmacies and drugstores as an OTC drug.

Rohto is committed to research and development and the dissemination of information, placing importance on each and every customer's voice for consultations, with the desire to protect the precious bodies of mothers and help couples who want a baby.



2001~

Beauty beyond health Pioneering functional cosmetics

“Beautiful skin is synonymous with healthy skin, and it is important not only to moisturize the skin, but also to make it healthy from the inside out.” The Obagi brand was launched in support of the SHR theory advocated by Dr. Obagi. The highly concentrated vitamin C serum developed by gathering the best of technology was an unordinary cosmetic product in terms of both the product itself and the sales method. However, the concept of functional cosmetics, which seeks functionality in cosmetics and pursues evidence, is now widely recognized and spreading.

Hada Labo was born with the aim of realizing the pharmaceutical concept of delivering active ingredients to the affected area in skincare, and quickly became our top brand for its amazing moisturizing power and feel, thanks to its simple but thorough focus on hyaluronic acid.

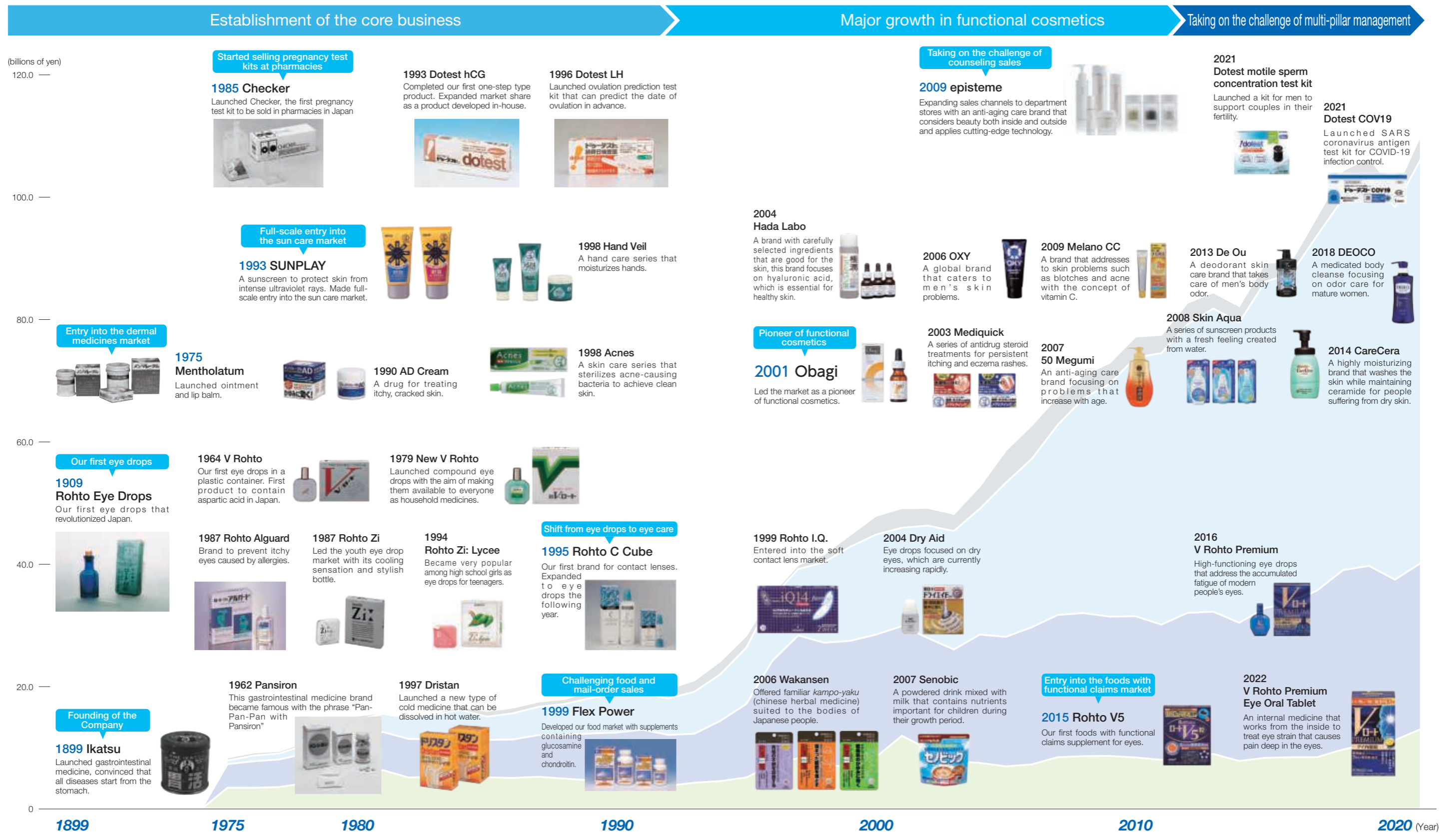
episteme, a brand created for counseling sales in department stores by concentrating our cutting-edge technology, incorporates the latest research in the field of regenerative medicine and continues to offer innovative skincare products.

These cosmetics, which are unique to the Company and go beyond the conventional, are based on new ideas and discoveries made possible by our research in a variety of fields, including internal medicines, eye drops, skin medicines, and regenerative medicine, and by our efforts to integrate these fields.

Cosmetics give us the joy of healthy skin as well as a healthy mind. Our challenges will continue.



History of Value Creation



- Plant 1959 Opened Osaka Plant
- M&A 1988 The Mentholatum Company (U.S.A.)
- Plant 1998 Opened Vietnam Plant
- Plant 1999 Opened Ueno Plant

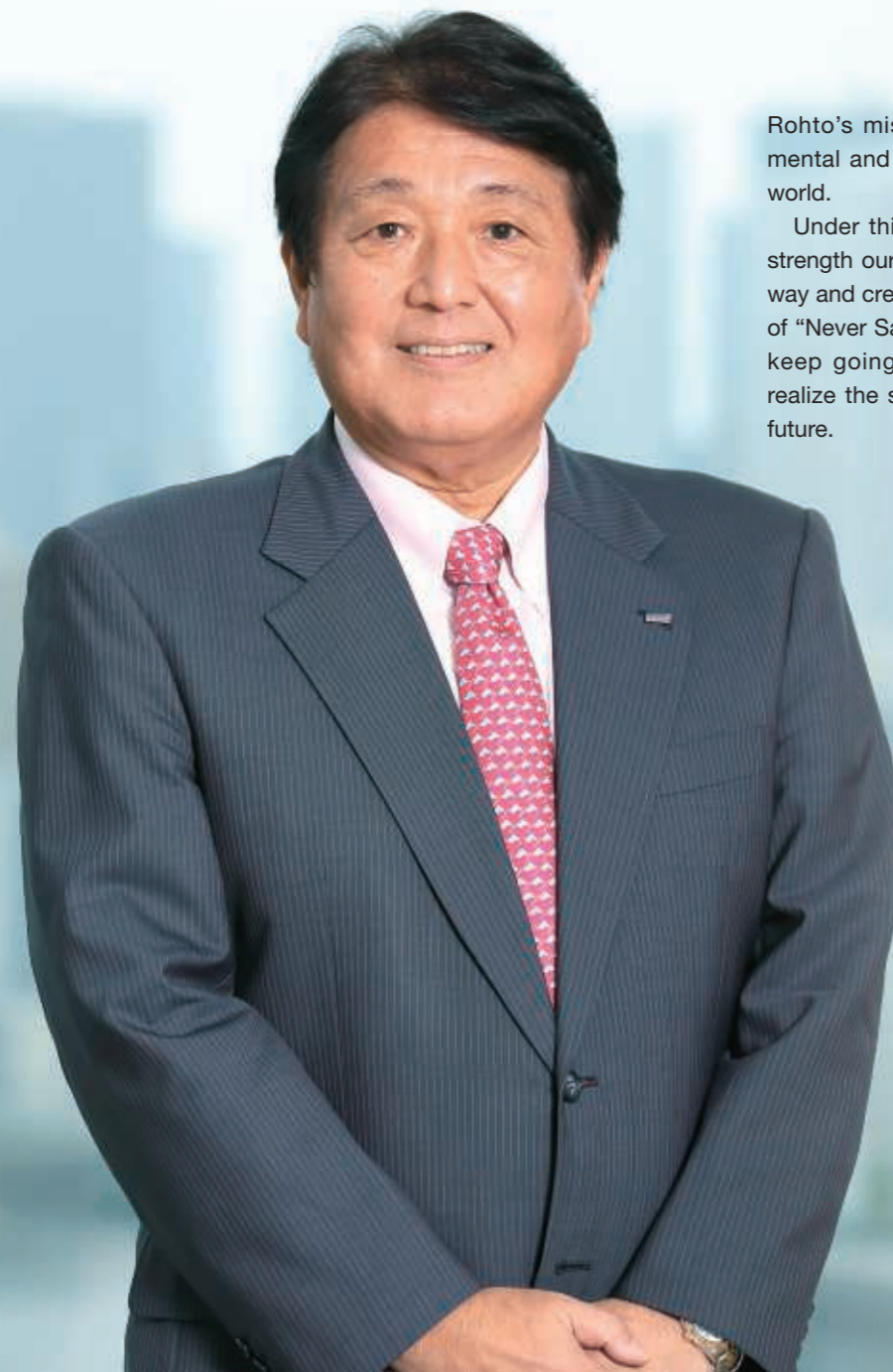
- M&A 2002 MG PHARMA Inc.
- Lab. 2006 Opened Research Village Kyoto
- M&A 2007 Meguro Kako Inc. (currently Qualitech Pharma Co., Ltd.)

- New business 2013 Started regenerative medicine research
- M&A 2015 Mayado Pharmaceutical Co., Ltd.
- New business 2019 Entered the medical ophthalmology area

- M&A 2020 Nitten Pharmaceutical Co., Ltd. (currently Rohto Nitten Co., Ltd.)
- M&A 2021 Amato Pharmaceutical Products, Ltd.
- M&A 2021 Olympus RMS Corporation (currently Interstem Co., Ltd.)

Message from the President

We will achieve medium- to long-term sustainable growth by realizing Connect for Well-being



Rohto's mission is to continue to contribute to mental and physical health of people around the world.

Under this unpredictable world, we will further strength our human resources in order to pave the way and create the future with the challenging spirit of "Never Say Never" that Rohto values. We will be keep going on to be "Connected", in order to realize the society that we want to achieve in the future.

Masashi Sugimoto

President and Chief Operating Officer

True health is not only mental and physical health, but also being able to contribute to society

It has been three years since I joined the Company in January 2019 and assumed the position of President in June of the same year. During that period, there was the unforeseen situation of the global economic stagnation caused by COVID-19. Despite the fact of this disaster, we were able to minimize the impact on our business performance with the corporation of whole group members. Even more, as in fiscal 2021, we were able to make a great leap forward with our highest ever profits. We are thankful to our customers who have chosen our products and have enabled us to continue to grow our business performance in such an environment.

I believe that Rohto's strength lies in its ability to firmly grasp the needs of consumers and to make new proposals quickly and honestly. However, we were not strong enough in terms of steadily generating profits, and I saw the improvement of the efficiency of our business as a challenge. I considered addressing these issues to be my mission, and immediately after joining the Company, I took the lead in planning business structure reforms and promoted them as a task for each and one of us. At the same time, we are further improving the efficiency of marketing, which is one of our strengths, and implementing effective promotions through a marketing mix.

Through these efforts, we have been able to establish a structure that can ensure not only stable sales but also profits, regardless in any circumstances. As we have now achieved significant results in terms of financial performance, we are convinced that these reforms were not a mistake.

In 2019, we also formulated the Rohto Group Comprehensive Management Vision 2030 with a view to the ideal state of the Rohto Group. Under the slogan "Connect for Well-being," we aim to create innovations in various businesses and connect them widely so that people all over the world can enjoy well-being for as long as possible. We aim to firmly connect colleagues inside and outside the Company to achieve this, and develop human resources based on the chain of trust to create an organization with a sense of unity, and connect to the further well-being of people.

In order to continue to deliver well-being to everyone, it is important for us to operate a sustainable organization and to grow continuously. By further implementing these reforms and firmly connecting with our stakeholders, we will strive to realize a society with well-being.

Aiming for medium- to long-term growth by establishing six business areas

The Business Area Vision 2030, which was announced in conjunction with the management vision, defines six business areas that we will focus on: (1) OTC drugs, (2) skincare, (3) functional foods, (4) ophthalmology, (5) regenerative medicines, and (6) contract development and manufacturing organization (CDMO), and clarifies our vision for each area. With self-care and self-medication as our core, we are engaged in business to extend healthy life expectancy and bring the world closer to the realization of a well-being world by proposing solutions to ensure good health in daily life, pursuing professional medication in the areas of regenerative medicines and ophthalmology, and delivering our products and services to a wider range of patients.

In our core business of OTC drugs, we have set a vision of aiming to become a leading OTC company. Furthermore, in order to maintain and strengthen our existing categories, we are actively working to expand into areas where we can still grow. One approach is to develop in-house, and another approach is to incorporate capabilities from outside the Company when the opportunity arises. At the end of August 2021, we acquired 67.19% of the outstanding shares of Amato Pharmaceutical Products, Ltd., which has been manufacturing and marketing the hemorrhoid remedy

BORRAGINOL[®] for 100 years, and made it a subsidiary to strengthen the hemorrhoid treatment category. In addition, we were among the first to develop a SARS coronavirus antigen kit, Dotest COV19, using our in vitro diagnostics technology, which is being used at medical facilities and for self-checks. The spread of COVID-19 has increased awareness of self-care and maintaining one's own health, and we intend to continue to expand our OTC area as we see opportunities.

The skincare business, which has become our mainstay business accounting for 60% of our sales, has been a major driver of our total sales expansion even during the COVID-19 pandemic. We are grateful to our customers for their renewed appreciation of the research and development capabilities we have built up over the years. In these times when the opinions of consumers have become widely known and it has become easier for companies to convey their messages, we believe that it is important for customers to understand not only our technological capabilities but also our corporate stance. We will continue to research sincerely and make corporate efforts to deliver our products in a good form to our customers. In addition, the increase in the amount of time spent at home and the reevaluation of needs for basic skincare have greatly contributed to the growth of

Message from the President

our basic skincare products in the COVID-19 pandemic. However, we consider it an issue that some categories, such as lip balms, have not fully recovered due to inadequate proposals in response for changes in lifestyles and preferences. Going forward, we will continue to offer new proposals.

Furthermore, we are promoting the food business to develop it into the third pillar of our core business. In order to maintain their health, it is important not only to rely on pharmaceuticals and healthcare, but also to care about everyday diets. We see food as an important business area that can lead to pre-symptomatic and preventive care. In the area of functional foods, Rohto V5, which supports the maintenance of eyesight, continues to perform strongly, and we intend to develop it into an even bigger brand. In the area of food, our development capabilities are still developing, and we must also expand our sales network in the future. With the increase in the number of subsidiaries and business partners, we have made progress in research and development collaboration and have begun to acquire a wider sales network. We will continue to leverage our online sales capabilities cultivated through the sale of Senobic and Rohto V5, while strengthening and expanding our other sales channels even further.

In terms of investment areas, we are moving forward with the ophthalmology field, regenerative medicines, and contract development and manufacturing.

In the ophthalmology area, we are harnessing our technical prowess as the manufacturer with the top market share in the OTC drugs eye care category for many years, and developing ophthalmology medicines along conducting regenerative medicine research in the ophthalmology area and development of ophthalmology devices. Regard to ophthalmology medicines, we have started domestic Phase I clinical trials in March 2022 for ROH-202, a new Rohto development code, and a total of three clinical trials are underway. In addition, the development of ROH-001, a drug aimed at inhibiting myopia progression, is also underway. The development of prescription medicines is time-consuming and costly. Although the upfront investment is significant. We are taking on the challenge by specializing in ophthalmology

where we have the skills and expertise, and we see this as a business that will further boost the Company's potential. Nitten Pharmaceutical Co., Ltd., which became a Group company in March 2020, became Rohto Nitten Co., Ltd. in April 2022. In fiscal 2021, it launched three new generic drugs, which have significantly increased sales. We intend to utilize the sales channels of Rohto Nitten Co., Ltd. in the future for our pipeline currently under development.

In the field of regenerative medicines, clinical trials for several indications such as cirrhosis of the liver, are going reasonably well. We are now able to present a pipeline and show progress so that everyone can easily understand the current status. Although there have been some delays due to difficulties in recruiting test subjects as we handle rare diseases, development is progressing smoothly.

In addition, we are also focusing on the surrounding businesses of regenerative medicines. We have started a business based on serum-free culture media that we manufacture and use for regenerative medicine, and we have also started a business that undertakes cell culturing itself, which could be called a regenerative medicine version of CDMO. Going forward, we will expand our potential in the cosmetics field as well. In 2018, we started clinical trials for a new challenge, the PRP therapy AutoloGel System, to confirm its efficacy and safety. We have now submitted an application for it to be used as a medical device. We aim to propose a new treatment method for intractable ulcers that have not shown improvement with existing treatments.

By expanding the scope of our business in this large framework, we will proceed to make them major pillars in terms of earnings as well.

We intend to develop each of these business areas to the point where they contribute to our overall business performance on a business basis, thereby leading to medium- to long-term growth. Also, rather than pursuing these businesses in isolation, we will deepen cooperation among them, "connect" them with a strong relationship of trust, and unite them into a single entity that will lead to further well-being.

Strengthening corporate strength by investing in human capital

In our Seven Pledges, which clearly state the values and code of conduct that have guided the Company since its founding, we state, "Our people are our greatest asset." When I joined the Company, I felt that Rohto is a good company that values people. We are investing in human resources with the aim of achieving further growth for both the organization and our members while respecting this fundamental principle. Every single one of our members is important human assets. We believe that management is only as good as its people, and that the growth of a company is only possible through the development of its people. We are committed to human resource development, providing support that draws out the potential within each individual and fostering independent individuals who can respond to a rapidly changing and challenging business environment.

We continue to implement our unique system to encourage our members to actively improve themselves and contribute to society and the organization.

Such as the External Challenge Work program to promote secondary employment, the Internal Double Jobs program to encourage members to take concurrent positions, and the Asuniwa project to support entrepreneurship. In addition, in fiscal 2021, we started measuring Well-being Points. This is an initiative to check whether each member is working with a sense of well-being on daily basis, and to promote career development with a sense of mental and physical health, enjoyment,

and contribution to society. We have long been a company that values people. In response to the changing times, in 1999 we created a new personnel system called Rohto WAY, and put in place a system that firmly evaluates results.

And now, as employment patterns, work styles, and the environment have changed dramatically.

We are moving forward to revise our personnel system in a more evolved manner. We are committed to further human resource development to reward those who grow, and support those who are motivated to become professionals, and to create a new form of human resource development that is more in line with diverse ways of working.

For sustainable management, it is important not only to deliver well-being to society as whole and to keep the Company itself in a state of well-being, but also to steadily increase sales and profits. Thanks to your support, we have continued to increase sales and profits, and we plan to increase dividends for the 19th consecutive year. Through our corporate activities, we will contribute to the well-being of society and continue to manufacture products with every one of our customers who will use our products in mind, as we work together with our stakeholders to build the society we aspire to create. We will continue to aim for a virtuous cycle that returns benefits to society as a whole.



Reinforcement of management structure and establishment of the Sustainability Committee

From April 2022, we have moved to the Prime Market. Against this backdrop, we have newly created six chief officer positions to strengthen our management structure, and are operating under a new organizational structure. In addition, the Company has increased the number of outside directors to four in 2022 in order to utilize their abundant experience and broad insight from outside the Company in the management of the Company, as well as to strengthen the supervisory function of the Board of Directors and improve the transparency of management.

Furthermore, in September 2021, we established the Sustainability Committee in order to respond to society's demands such as addressing ESG issues and disclosing non-financial information. We will strive to share values with various stakeholders under an appropriate monitoring system. With higher standards of governance, we will also work to enhance corporate value over the medium to long term and resolve social issues by achieving sustainable growth through realization of well-being, which is the unique value creation of the Rohto Group.

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 institution 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.

- Difference between average life expectancy and healthy life expectancy
- Declining birthrate and aging population
- Responding to climate change

Realization of well-being

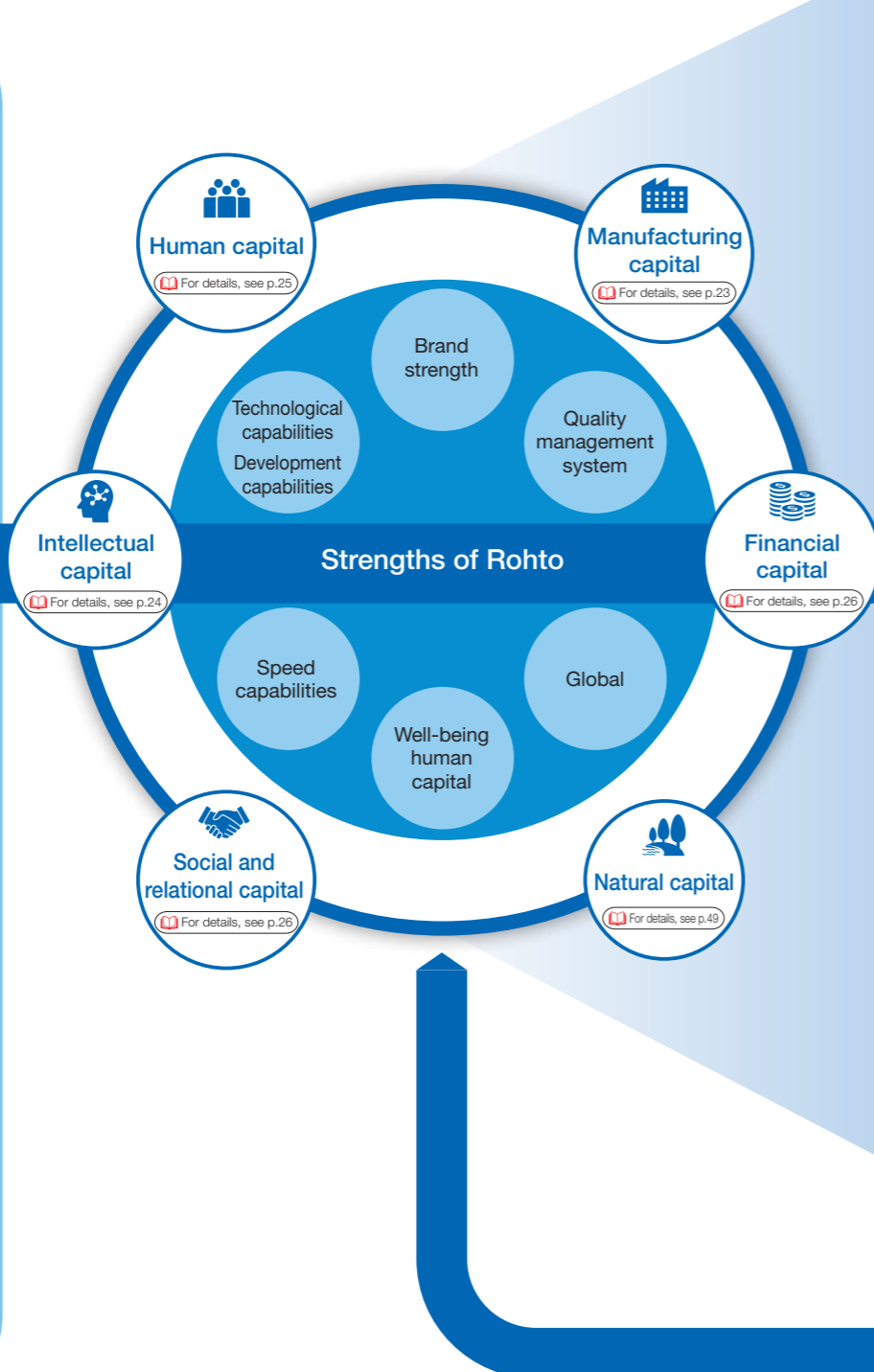
Maximizing human capital

- Response to natural disasters and infectious diseases
- Regional disparities
- Rapid transition to a digital society

Contributing to the global environment

Coexistence with society

Strengthening of business foundations



Rohto's business model

Stable management and creation of synergies through strategic selection and diversification

- OTC drugs
- Skincare
- Functional foods
- Ophthalmology area
- Regenerative medicines
- CDMO



Sustainability (For details, see p.39)

Corporate governance (For details, see p.59)

Materiality (Key Issues)

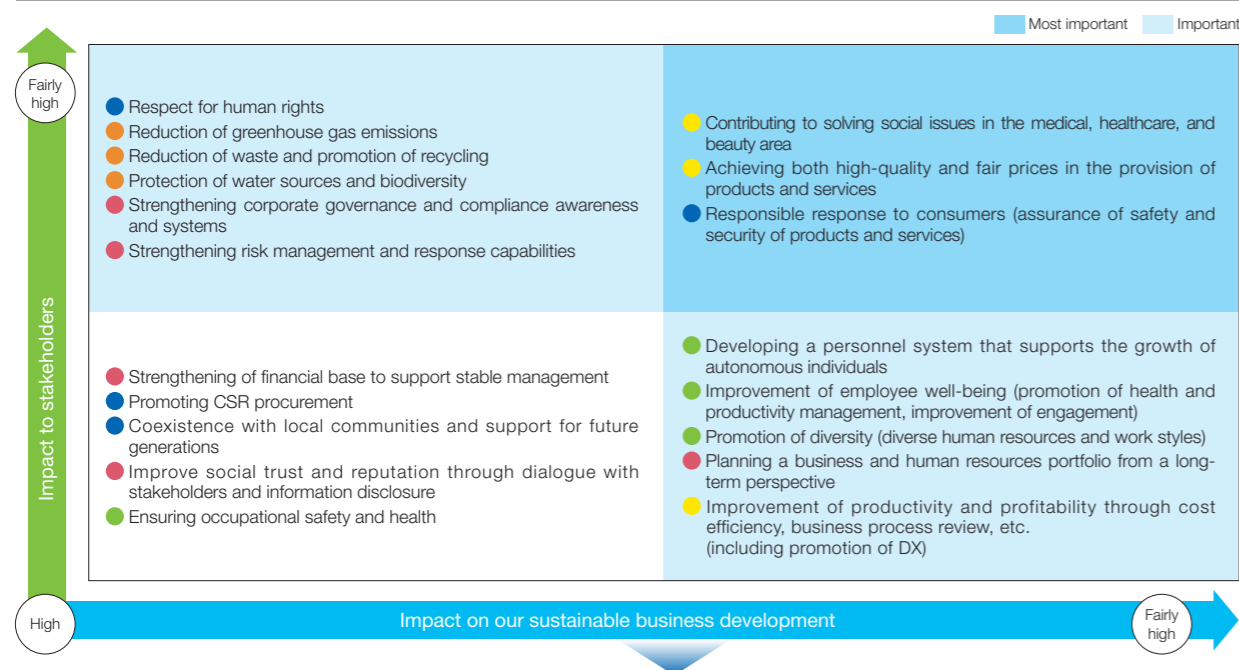
In order to promote efforts to resolve priority issues in sustainability, we have identified five materialities (key issues) from the perspective of ESG/SDGs that we should prioritize through business activities. We will promote initiatives for each materiality to enhance corporate value and achieve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

Materiality Identification

Materiality identification process

Step1	Identification of social issues	The Sustainability Committee analyzes global social issues and ESG trends with reference to various guidelines and norms such as SDGs and GRI standards, and identifies issues.
Step2	Narrowing down key issues	<p>Discussions are held among senior management, including outside officers, on the issues identified, and materialities are selected.</p> <p style="text-align: right; color: orange;">Identification of candidates for key issues</p> <p style="border: 1px solid orange; border-radius: 10px; padding: 2px; display: inline-block;">Viewpoints emphasized</p> <ul style="list-style-type: none"> Does it contribute to the realization of a society with well-being, and contribute to the development of the Company and society? How much impact does it have on our management, including consistency with our growth strategy? Is it an ESG measure to be strengthened to contribute to the enhancement of our corporate value?
Step3	Assessment of validity and identification of materiality	Materialities identified in step 2 are finalized by the Sustainability Committee and approved by the Management Committee.

Materiality Matrix



Five materialities	
1 Realization of "Well-being" through business	2 Maximizing human capital to enhance corporate value
3 Contributing to a sustainable global environment	4 Coexistence with society
5 Strengthening of business foundations	

Materiality and Related SDGs

Materiality (related SDGs)	Main issues
<p>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</p>	<ul style="list-style-type: none"> Contributing to solving social issues in the medical, healthcare, and beauty area Achieving both high-quality and fair prices in the provision of products and services Improvement of productivity and profitability through cost efficiency business process review, etc. (including promotion of DX) <p style="text-align: right;">p.27 Vision 2030 p.40 Our Commitment to Health</p>
<p>Maximizing human capital to enhance corporate value Promoting co-growth between the Company and members</p>	<ul style="list-style-type: none"> Planning a personnel system that supports the growth of autonomous individuals Improvement of employee well-being (promotion of health and productivity management, improvement of engagement) Promotion of diversity (diverse human resources and work styles) Ensuring occupational safety and health <p style="text-align: right;">p.44 Human Resources Initiatives</p>
<p>Contributing to a sustainable global environment Prevention of global warming and harmony with the natural environment</p>	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Reduction of waste and promotion of recycling Protection of water sources and biodiversity <p style="text-align: right;">p.49 Sustainable Global Environment</p>
<p>Coexistence with society Building trust with stakeholders to become needed and trusted by society</p>	<ul style="list-style-type: none"> Responsible response to consumers (assurance of safety and security of products and services) Respect for human rights Promoting CSR procurement Coexistence with local communities and support for future generations <p style="text-align: right;">p.54 Coexistence with Society</p>
<p>Further strengthening of business foundations Strengthening financial and organizational foundations to support sustainable growth</p>	<ul style="list-style-type: none"> Strengthening corporate governance and compliance awareness and systems Strengthening risk management and response capabilities Establishing a business and human resources portfolio from a long-term perspective Strengthening of financial base to support stable management Improve social trust and reputation through dialogue with stakeholders and information disclosure <p style="text-align: right;">p.60 Corporate Governance</p>

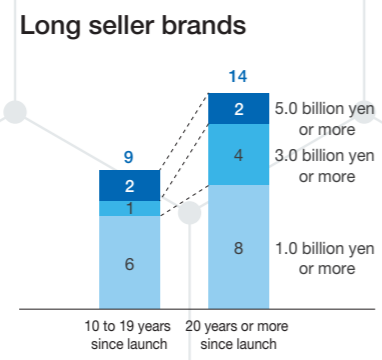
Rohto's Strengths

Brand strength
Delivering 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. In addition, Hada Labo, which was launched in 2004, has achieved the No.1 sold skincare brand*1 for 15 consecutive years. Our long-selling*2 and hit products are contributing to the health promotion of consumers.

*1 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+)
*2 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 2021.

Long sellers
23 brands



Customer thoughts and behavior have changed dramatically since the COVID-19 pandemic. In addition, as represented by Generation Z, the tastes and preferences of customers are changing on a daily basis. The sales, marketing, and customer support departments work together to develop products and make proposals that meet the needs of customers in a speedy manner, which is a long-lasting asset of our company. Currently, we have established an environment in which not only sales but also various departments such as marketing, production, and development can confirm realizations and signs in real time. We will continue to make new proposals in order to deliver well-being to everyone every day.

Speed capabilities
Reading the times and delivering appropriately

New products in fiscal 2021
(Only national brand products are counted. Limited edition products excluded.)

72 items

Technological capabilities
R&D capabilities
Wide range of research fields

With our know-how and perfection accumulated over 120 years, 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, skincare products, *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 medicines. 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.

Quality management system
High quality cultivated through pharmaceutical manufacturing

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 quality information management system (LIMS), etc., enable high quality and highly efficient production systems.



The center was the first Japanese pharmaceutical manufacturer to comply with FDA Part 11*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.

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 manufacturings from development to sales and human resource development.

Global
Localized development

More than 110 countries

Well-being human capital
Customer perspective
Spirit of challenge

We share Customer feedback with all of our members as Happy surprised 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. In the 70 years since then, we have treasured the feedback we have received from our customers in various forms, including postcards, phone calls, and emails.

In the ARK "Thinking about the Future of Rohto" project launched in 2003 by volunteer members, they themselves have been thinking about and deciding what Rohto can do to help create the world of tomorrow. In order to tackle medium and long-term issues within a broad framework, a variety of members, transcending divisions and generations, have come together to bring about numerous changes. This is also where the External Challenge Work program and Internal Double Jobs program were born.

Happy surprise
2,866 cases
(FY2021)

Management Capital Enhancement

Manufacturing capital

Major production bases improvements
18 locations **10,634**

Intellectual capital

Scale of patent assets Comprehensive strength of ophthalmological medicine patents R&D expenses
7 th **1** st **8.7** billion yen

Expansion of New Plant Building at Ueno Plant

The construction of the new plant building was undertaken to meet growing demand, such as the expanding need for high-quality OTC drugs and expectations for high-functioning cosmetics, due to the growing trend toward self-medication. The warehouse began operations in February 2022, and production started in the plant building in September. The plant will start its full-scale operations to serve as a production base for both domestic and overseas markets. This plant 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 people, and aims to reduce energy consumption by 20% compared to existing plants. We believe that the further evolution of our mother plant, which serves as the base for our quality control and logistics, will be the key to our future growth.



Rohto Group's major production bases



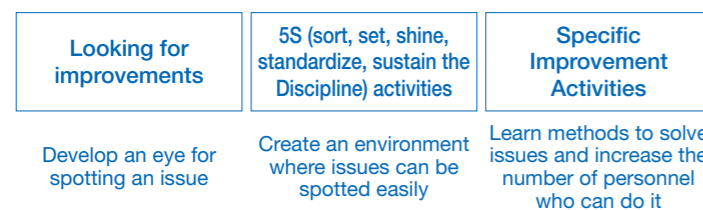
Production DX

We are promoting a project to develop digital human resources and strengthen literacy in the production and procurement department. We aim to bring agile development in-house by fundamentally reviewing the way we conduct business. In addition, we are working to transform the new Ueno Plant building into a smart factory through information data linkage of production facilities, visualization using CPS (Cyber-Physical System), and behavior analysis using 360° cameras.

Improvement Activities at Production Sites

In 2005, we launched the “Kaisen-tai” to improve QCD (Quality, Cost, Delivery time) and to maintain and continue the improvement cycle. With the basic stance of “try first and try to change things” that lead to QCD improvement, each and every one of us is working with determination to achieve both quality improvement and cost reduction.

Three Pillars for Improvement Activities



Intellectual Property Strategy Backed by Advanced Technological Capabilities

In the ranking of patents in the pharmaceutical industry, we were ranked 7th in terms of the scale of our patent assets and 19th in terms of firms' capability to prevent other companies from obtaining patents, based on both quality and quantity. Furthermore, in the ophthalmological medicine field, we were ranked first not only in the number of valid patents, but also in the overall strength of ophthalmological medicine-related technology patents.

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

2020 Ranking of Pharmaceutical Industry Patent Asset Scale		Ranking of Overall Strength of Ophthalmological Medicine-Related Technology Patents*	
1 F. HOFFMANN LA ROCHE	6 BAYER	1 Rohto Pharmaceutical	6 PFIZER
2 MERCK	7 Rohto Pharmaceutical	2 Santen Pharmaceutical	7 Kowa Company
3 PFIZER	8 ASTRAZENECA	3 Senju Pharmaceutical	8 F.HOFFMANN LA ROCHE
4 BOEHRINGER INGELHEIM INTERNATIONAL	9 NOVARTIS	4 NOVARTIS	9 BRISTOL-MYERS SQUIBB
5 Takeda Pharmaceutical	10 TOLERO PHARMACEUTICALS	5 ABBVIE	10 UNIVERSITY OF CALIFORNIA

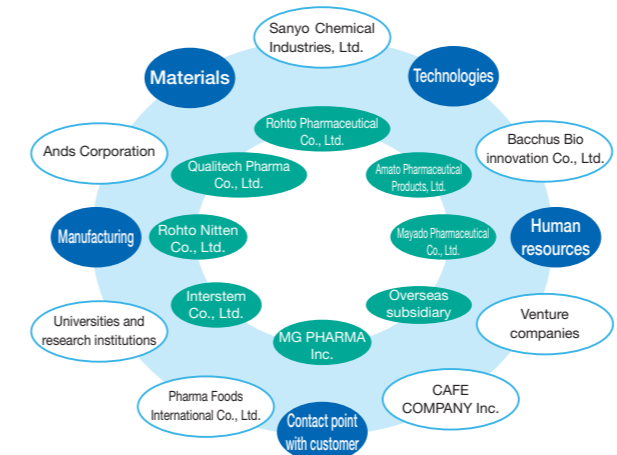
*Patents issued between January 1993 and September 9, 2022 are included.

2021 Ranking of Capability to Prevent Other Companies from Obtaining Patents in the Pharmaceuticals Industry		
1 MERCK	8 ABBOTT	15 ASTRAZENECA
2 BAYER	9 SANOFI	16 ABBVIE
3 F. HOFFMANN LA ROCHE	10 Takeda Pharmaceutical	17 NOVO NORDISK
4 NOVARTIS	11 BRISTOL-MYERS SQUIBB	18 Daiichi Sankyo
5 PFIZER	12 MERCK SHARP & DOHME	19 Rohto Pharmaceutical
6 GLAXOSMITHKLINE	13 GENENTECH	20 BOEHRINGER INGELHEIM INTERNATIONAL
7 Otsuka Pharmaceutical	14 AMGEN	

Source: Research by Patent Result Co., Ltd. The spelling of the companies' names is based on the names published by Patent Results Co., Ltd.

Connecting Beyond Established Frameworks

Our strength is our wide range of research areas and product lines. We connect them beyond established frameworks to create new value. In order to connect people to their health, it is important to take a holistic approach, rather than providing value in separate fields. We have established a system that allows us to utilize external solutions in every aspect, including materials, technologies, and human resources, as well as intra-Group connections, to link them organically and enhance our R&D capabilities.



Innovation Through Collaboration with Academia

New healthcare solutions from eye information
 A joint research agreement has been signed with the Department of Ophthalmology, Graduate School of Medicine, Faculty of Medicine, Osaka University and SAI Co., Ltd. to create new solutions to improve systemic health based on information obtained from the eye.

The joint research aims to create new healthcare businesses such as personalized medicine and preventive medicine by leveraging the ophthalmology knowledge, diagnostic technology, information science knowledge, and proprietary AI analysis technology of the joint research partners, as well as the cohort data and product and business development capabilities of the Company.

Science Advisory Committee

We have established a Science Advisory Committee with six experienced and knowledgeable scientists to further accelerate our evidence-based R&D. We have invited prominent professors in various fields to advise us on our future research and business, while incorporating their diverse knowledge, and will receive guidance for social implementation.

Utilization of big data

The Data Science Promotion Office was established within the Basic Research and Development Division to accelerate the creation of new value in R&D using data science.

Management Capital Enhancement



Human capital

Training cost per person

81,410 yen

Ratio of female managers

31.1 %



Financial capital

ROE

12.6 %

Equity Ratio

64.8 %

In order to contribute to the realization of a wellbeing society and to ensure our sustainable growth, it is important for each and every one of our members, who are responsible for constantly creating new value, to grow. We are committed to human resource development through a variety of measures, and have launched a new initiative to further strengthen our human capital. [Human Resources Initiatives p.44](#)

An Organization That Continues to Learn

We are constantly taking on new challenges, such as entering new businesses. In addition, advances in technology are accelerating changes in the world around us, and the future is becoming more chaotic in the age of VUCA due to factors including infectious disease outbreaks, natural disasters, and conflicts, and other factors. Each and every member's situation will change as he or she moves into a new department or life stage, and new learning will be required accordingly. In order to create the world of tomorrow, we are focusing on developing future insight and creating an organization that can continue to learn and change.

■ DX training for all employees

As the digital shift accelerates and the models of society and business are rapidly changing, each and every employee working in the field must have a new perspective and apply it to their work in order to improve the value we provide to our customers. In May 2021, we held an e-learning DX literacy training for all employees to deepen their insight and have a common understanding of DX. In addition, employees volunteering from each department were given advanced training, and DX leaders were created in each department. By having leaders with a high level of perspective within each department, rather than in the systems department, initiatives to solve issues with DX are being created one after another.

■ Learning from new comers

As part of our training program for new comers, we have a "Newcomer Teachers Day" which is a day for newcomers to present to their colleagues on their areas of expertise, such as their study fields from their colleges or trends among young people. The training is not a one-way presentation about companies or business, but rather an opportunity that aims for "co-development" for new comers and oldies. Currently, new comers are temporarily assigned to several departments during the two months period before being assigned to their new positions, and they are playing an active role as bridges between departments, which not only revitalizes the company but also leads to the growth of the training leaders of each department themselves.

■ Establishment of a learning platform

We launched the Rohto Academy in 2021. It 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. Focusing on content to enhance future insight, a total of 1,300 people have voluntarily enrolled in the first year since its establishment.



Enhancing Employee Engagement - Well-being Points -

We have started measuring "Well-being Points," in which each member is asked to express how he or she is "now" dealing with work on a daily basis with 1 to 10 points for five items. By reevaluating their own well-being and gain insights through discussions within the team, aiming for a better state for the team as a whole. The purpose of this program is to help build a stronger organization by allowing management to visualize where they are now and to have a dialogue about the the events and reasons behind the current situation. In order to achieve a society with well-being, we will practice management that enhances the well-being of our members, who are the bearers of that mission.

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

Maintaining a Stable Financial Base and Achieving a Capital Policy That Leads to Sustainable Growth

In fiscal 2021, consolidated sales were 199.6 billion yen (181.2 billion yen in the previous year) and operating income was 29.3 billion yen (22.9 billion yen in the previous year), reaching record highs at each income level. As a result, the equity ratio as of March 31, 2022 was 64.8%, and we received a long-term issuer credit rating of "A+" with a "Stable" outlook from Japan Credit Rating Agency, Ltd. (JCR) in recognition of its overall financial soundness, including virtually debt-free management and high operating margin of over 14%. While we are actively investing in growth through M&As and investments in new businesses such as regenerative medicine, we maintain financial soundness by paying attention to the balance between earning power and investments, including a solid investment policy that is conscious of investments within the range of positive free cash flow while ensuring stable cash flow generation through our OTC drugs and skincare businesses. This stable financial foundation has enabled us to increase dividends for 18 consecutive terms, and we will continue to invest in growth and distribute profits appropriately to shareholders, employees, and other stakeholders while securing sufficient funds for medium- and long-term investments by generating further operating cash flow.



Social capital

Rohto Group

82 companies

Number of points of purchase

More than 100,000 stores (in Japan)

The Rohto Group has 82 companies around the world, each of which has partnerships with suppliers and business partners to establish product distribution systems. In addition, our trust relationships with external research institutions, such as universities and companies, serve as a driving force for creating new value not only in R&D, but also in a variety of other settings. We also value direct and indirect relationships with our customers and strong engagement with our shareholders and investors, and will continue to strengthen our trusted relationships with each stakeholder.

■ Sales and marketing network that enables a wide range of product development

Our role is to contribute to the self-medication of consumers through a wide range of product categories, including OTC drugs, skincare, and functional foods. We have established a sales and marketing network through various channels, including drugstores, convenience stores, supermarkets, department stores, and e-commerce, to enable our customers to access our products anytime, anywhere, thereby enabling us to offer a wide range of products.

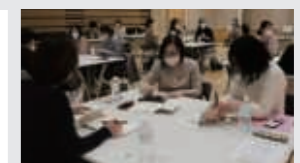
We also hold various workshops to enable us to provide information beyond our business activities to retailers who deliver products and health information directly to customers.

■ Women's Health Lab

To support the health of women and the next generation, we have been holding study groups since 2018 to learn, think, and act together to create the future, transcending the positions of business partners (retailers) and manufacturers.

Networks connect the world and all kinds of knowledge and information are easily disseminated, but biased information and excessive ideals are seriously affecting the health of women and the next generation.

Thirteen companies are participating in the fourth phase of the study group as colleagues who are learning and confronting the issues facing society.



Rohto Group Comprehensive Management Vision 2030

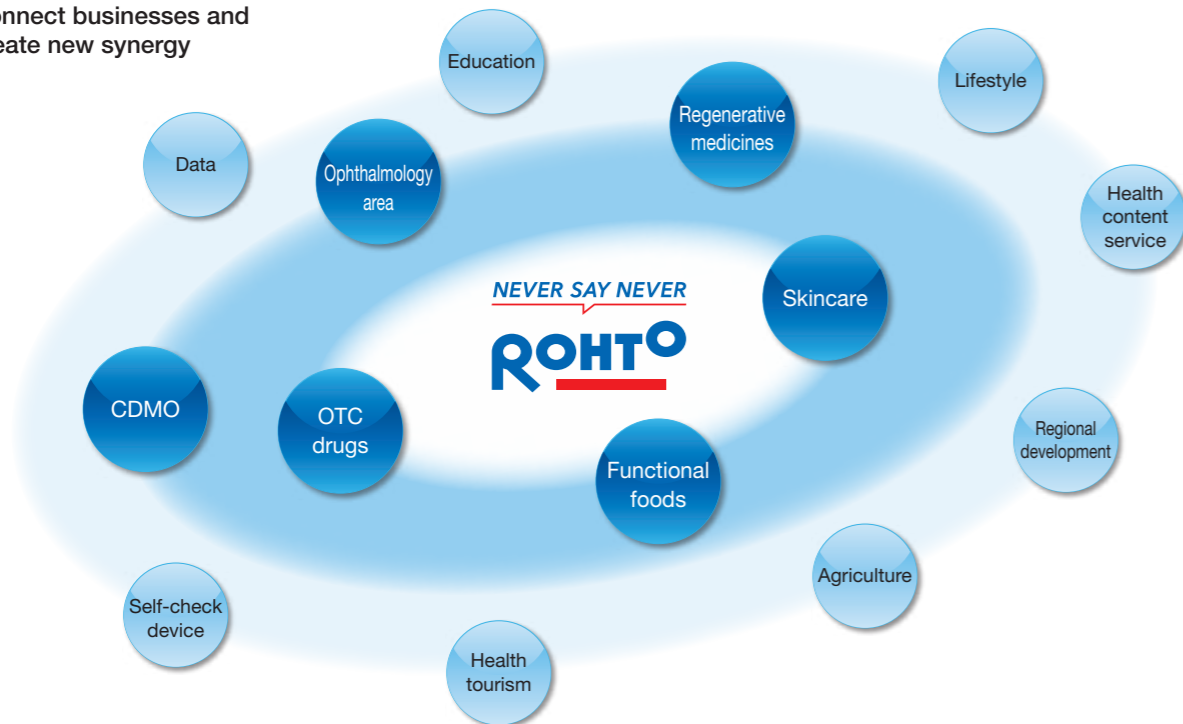
Connect for Well-being

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.

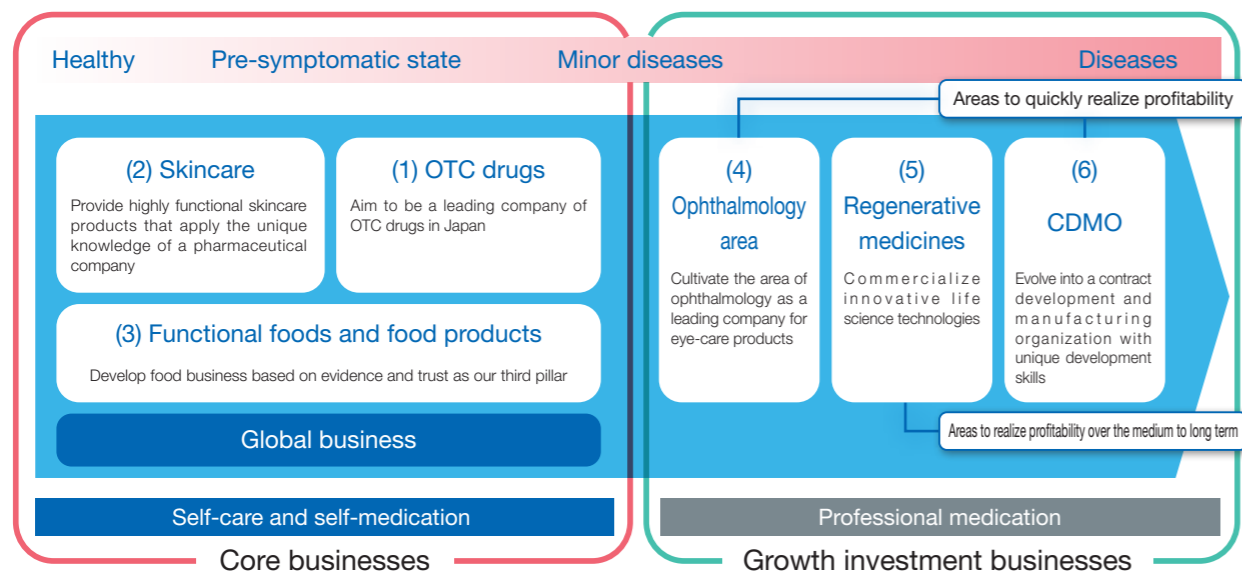
In February 2019, Rohto Pharmaceutical celebrated the 120th anniversary of its founding, and in order to clarify its aspirations, we have established the "Rohto Group Comprehensive Management Vision 2030," which outlines our vision for the year 2030. In addition, we have also clarified the business domains 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.

Connect businesses and create new synergy



Business Area Vision 2030



Core Businesses



OTC drugs

Aim to be a leading company of OTC drugs in Japan

The concept of self-medication is becoming increasingly important amidst the trend of expanding medical costs. In addition, demand for self-medication is expected to increase further, as the scope of the self-medication taxation system will be expanded from April 2022.

OTC drugs will be indispensable in contributing to the extension of healthy life expectancy. We aim to become a leading company in OTC drugs by leveraging our long-standing technologies and brand strength. Leading is not necessarily limited to size, but to being the industry leader in terms of customer satisfaction, market impact, and contribution to health awareness. In addition to existing eye-care products, skincare products, gastrointestinal medicines, *kampo-yaku*, and test kits, we will aggressively take on the challenge of entering the categories that meet the needs of an aging population and women's health. As well as focusing on technological innovation to maintain the superiority of our development and technological capabilities that form the foundation of our business, we are actively establishing an organic research structure by conducting joint research with venture companies and researchers in Japan and overseas. We will also strengthen alliances with other companies, including those in other industries, as necessary.

TOPICS 1

No. 1 in the comprehensive ranking of ophthalmic medicine patents. Continuously evolving eye care

For more than 110 years since the launch of Rohto eye drops in 1909, we have continued to conduct research to respond to the effects of lifestyle changes on the eyes. In the latest ranking of ophthalmic drug-related technologies, the company ranked first in terms of the number of active patents and continued to lead the list. In addition to the number of patents, the company received the highest rating of "A+++ for its patents that are attracting attention from other companies and for its patent score, which indicates the degree of attention given to individual patents, and was ranked first in terms of overall patent strength.

We will further evolve our technologies to deliver health to the eyes of the world. Source: Research by Patent Result Co., Ltd.



TOPICS 2

Amato Pharmaceutical Products, Ltd. became a subsidiary. Strengthening the Hemorrhoid Remedy Category

In August 2021, we acquired Amato Pharmaceutical Products, Ltd. as a subsidiary, which is engaged in the hemorrhoid treatment BORRAGINOL®. BORRAGINOL® has been a long-selling product for 100 years, and the company's products have a leading position and high market share in both prescription and OTC drugs in the hemorrhoid medication category.

By leveraging the sales network and marketing know-how of our overseas subsidiaries, we intend to grow the company significantly and deliver our products to customers all over the world in the future.



TOPICS 3

Sales of rapid COVID-19 antigen test kits

We obtained the approval to manufacture and market the rapid test kit for coronavirus (SARS-CoV-2) antigen, and began sales in June 2021. We will contribute to people's health through medical institutions and pharmacies.

Related article on p.34



For general consumers

For medical institutions

Core Businesses



Skincare

Provide highly functional skincare products that apply the unique knowledge of a pharmaceutical company

In the skincare business, which already accounts for more than 60% of our sales, we will continue to promote evidence-based R&D that pursues safety, efficacy, and mechanisms. Our strength lies in continuous provision of highly functional products based on the application of findings obtained in the process of regenerative medicine research and core technologies accumulated over many years of research. With an eye on DX, we will implement marketing that builds co-creation relationships with customers, and we will capture changes in preferences and behavior over time to make proposals that will enrich people's lives.

Focus areas

Moisturizing and barrier functions
Develop functional skincare products based on core technologies for strengthening moisturizing and barrier functions

Application of tissue regeneration technology
Develop next-generation skincare products applying expertise from tissue regeneration technology and regenerative medicines to skincare

Anti-aging care
Search for ingredients effective for dry fine lines and elasticity, and develop products suitable for aging skin

Skin tone
Development of skin care products to maintain even skin without blemishes, acne, or color irregularities

Scalp and hair care
Development of products that maintain healthy hair and scalp, such as medicated hair growth and hair regrowth agents and scalp care products that help their penetration

Odor control
Elucidate odor occurrence mechanisms and develop technologies for controlling odor

Rapid growth of Melano CC

Melano CC, the predecessor of the serum (Melano Buster) to address concerns, was launched in 2009. Since then, the lineup has expanded from a serum to a lineup of products in pursuit of functionality, and currently ranks third in terms of popularity* within our skincare brand. The brand will expand to a men's series in 2021, and the Deep Clear Enzyme Face Wash, launched in March 2022, is selling well and has high expectations for the future.

*Shipment volume



Functional Foods and Food Products

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

Functional foods are an area that can be a substitute for pharmaceuticals with the greatest potential for growth by 2030, and we are developing highly differentiated products targeting unmet needs in this field. We are striving to enhance customer satisfaction by fully utilizing the material technologies, manufacturing facilities, sales routes, and customer relationships of the Rohto Group and its partners, and are working on development in the areas of eyes, pregnancy, menopause, lifestyle-related diseases, skin, and immunology as our priority issues. We are also exploring and developing collaboration and branding with different industries.

TOPICS 1 Rohto V5 that grew significantly in Japan, starts overseas expansion

Rohto V5, which has grown significantly since its launch in 2015, and has recently grown 146%* year-on-year to support our growth, has also started its overseas expansion, with sales to begin in Hong Kong in 2020, and we are steadily nurturing its growth.

We will continue the overseas expansion with a focus on Asia.

*Shipment volume (April 2021 to March 2022)

TOPICS 2 Growth of supplements for children

Clear Vision Junior EX (sold exclusively through ophthalmology departments) and Clear Vision Junior (mail order, etc.), supplements containing crocetin that support children who work hard every day, grew 153%* year on year. At the Wellness Food Award 2021, a food award focusing on foods and food ingredients that improve people's quality of life, we received the overall Grand Prix and the Gold Award in the OYATSU (snacks) category.

*Shipment volume (April 2021 to March 2022)

TOPICS 3 Capital and business alliance with CAFE COMPANY Inc.

We entered into a capital and business alliance with CAFE COMPANY Inc. in August 2021. By combining our functional materials and production technology capabilities with CAFE COMPANY's food-based community planning, store operation, product development, and food industry network, we will further support healthy lifestyles for many customers, accelerate our communication to the world, and strengthen our structure to contribute to society through healthy, fun, and delicious "food".

TOPICS 4 MG PHARMA Inc. Launches functional foods containing METAP®

Subsidiary MG PHARMA Inc. jointly developed "Cheese Steamed Buns" & "Chocolate Steamed Buns" with other companies in March 2022 as the second product in the Foods with Functional Claims and Health Support Premium Series containing the proprietary ingredient globin peptide (METAP®), following Hokkaido Wheat *Tsubu-anpan*, the first *anpan* in Japan labeled as a food with functional claims. METAP® is a peptide mixture developed by MG PHARMA, Inc. after more than 30 years of research, containing the Valine-Valine-Tyrosine-Proline (VVYP) tetrapeptide, which is known to have strong inhibitory activity on neutral fat elevation. We will continue to help support customers' health with bread, a food that is easy to eat and easy to incorporate into daily life.

Rohto's Future Growth Areas



Ophthalmology Area

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

Harnessing our technical prowess as the manufacturer with the top market share in the OTC drugs eye care category for many years, we will cultivate the ophthalmology area as a new business area and grow it into a pillar of our future profit growth. In March 2020, we acquired Nitten Pharmaceutical Co., Ltd. (currently Rohto Nitten Co., Ltd.), an ophthalmology medicines manufacturer, securing resources for manufacturing and sales. Currently, we are developing ophthalmology products by working closely with other companies, while we also conduct regenerative medicine research in the ophthalmology area and development of devices for ophthalmology, with the aim of achieving early monetization of these products.

Pipelines of Ophthalmology Area (as of October 2022)

Domain	Code	Indications	Planned regions	Partners	Stage					Target*1
					Non-clinical	P1	P2	P3	Application	
Ophthalmology area	ROH-101	CMV*2 Corneal endothellitis	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	Myopia suppression	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 1 Name changed from Nitten Pharmaceutical Co., Ltd. to Rohto Nitten Co., Ltd.

Nitten Pharmaceutical Co., Ltd., which became a subsidiary in March 2020, celebrated its 60th anniversary in 2021. The company changed its name to Rohto Nitten to deepen cooperation with Rohto, as well as to broaden the scope of its business by adding medical device business, etc. that deals with such products as contact lenses and lacrimal duct tubes, to the generic eye drop business that has existed since its establishment. By strengthening our collaboration with Rohto Nitten Co., Ltd., we will contribute to eye care for people around the world through a wide range of products and services from eye drops to eye care, including the development and introduction of superior eye-care products that cannot be found anywhere else, as well as future entry into prescription medicines.



TOPICS 2 Development of contact lenses

We have been selling soft contact lenses since 1999. In March 2022, we launched a new one-day replacement contact lens, C Cube Rohto 1 Day Fresh View Air-Rich (1 Day Fresh View AR), which consists of silicone hydrogel. In June 2021, we received approval to manufacture and market 2-week replacement silicone hydrogel lenses, which we plan to sell through Rohto Nitten Co., Ltd. We will achieve high quality and low cost with the aim of growing the eye care business in the Rohto Group.



Regenerative medicines

Commercialize innovative life science technologies

In order to respond to unmet medical needs for which there are still no satisfactory treatment methods, we are conducting research and development of regenerative medicine and other products using stem cells. We are developing a proprietary regenerative medicine technology by leveraging our "cell-handling technology" cultivated through many years of research and development in the fields of ophthalmology and dermatology, and our "sterile formulation technology" for mass producing eye drops. Since establishing the Regenerative Medicine Research & Planning Division in 2013, we have focused on regenerative medicine and biotechnology business. In the development of regenerative medicine products using human adipose-derived mesenchymal stem cells, we started clinical trials for liver cirrhosis in 2017, and are currently conducting clinical trials for six diseases, including a trial for the treatment of severe pneumonia caused by COVID-19, which started in August 2020. In March 2021, we acquired Olympus RMS Corporation (currently Interstem Co., Ltd.), which promotes regenerative medicine approaches in the field of orthopedics, and are also working on drug development using cultured cartilage cells for diseases around the knee, where there are many target patients. By linking these regenerative medicine with our existing businesses, we will strive to create new well-being that only we can offer.

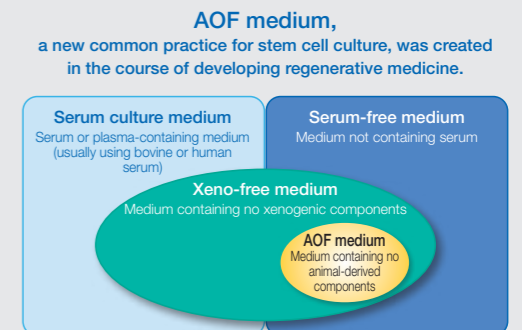
Pipelines of Regenerative Medicines (as of October 2022)

Domain	Cell type	Code	Indications	Planned regions	Partners	Stage					Target*1
						Non-clinical	P1	P2	P3	Application	
Regenerative medicines	Human adipose-derived stem cells	ADR-001	Cirrhosis of the liver	Japan	Shionogi	[Progress bar]					▶ To be completed in FY2022
		ADR-002K	Serious heart failure	Japan		[Progress bar]					▶ To be completed in FY2022
		ADR-001	Kidney diseases	Japan		[Progress bar]					▶ To be completed in FY2022
		ADR-001	Serious leg ischemia	Japan		[Progress bar]					▶ To be completed in FY2024
		ADR-001	Lung fibrosis	Japan		[Progress bar]					▶ To be completed in FY2023
		ADR-001	COVID-19 Pneumonia	Japan		[Progress bar]					▶ To be completed in FY2022
	Human umbilical cord-derived stem cells	UDI-001	Neurodegenerative diseases	Japan		[Progress bar]					▶ To be completed in FY2023
	Cartilage cell kit*2		Traumatic cartilage defects	Japan		[Progress bar]					▶ To be completed in FY2022
			Osteoarthritis	Japan		[Progress bar]					▶ To be completed in FY2024

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

TOPIC Businesses peripheral to the regenerative medicine business are also growing

The culture medium used to culture mesenchymal stem cells contains various proteins, many of which are derived from animals (including human) or animal cells (including human cells). In order to minimize the risk of contamination by infectious agents that may pose a health hazard to patients, we have developed a serum-free medium (AOF medium) called R:STEM that is composed of non-animal-derived ingredients. In addition to using it for our regenerative medicines research, we are also engaged in marketing business of the medium.



Rohto's Future Growth Areas



Contract Development and Manufacturing Organization (CDMO)

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

We will evolve our current contract manufacturing organization (CMO) business to achieve competitive advantage by promoting our contract development and manufacturing organization (CDMO) business, which provides a one-stop shop for the development and manufacture of bio-field products by leveraging our unique development capabilities. We are promoting contract development and manufacturing leveraging our advanced technology and know-how with Qualitech Pharma Co., Ltd. for internal medicines, with Rohto Nitten Co., Ltd. for ophthalmology medicines, with our research facility and plants in Kyoto (Cell Factory Kyoto) and our specific cell-processed product manufacturing facility in Daiba, Tokyo and Interstem Co., Ltd. for regenerative medicines.

TOPICS 1 Cell Factory Kyoto

We have established Cell Factory Kyoto (cell manufacturing plant) in our Research Village Kyoto. Along with the manufacture of its own cell preparations, it conducts contract manufacturing of investigational drugs and regenerative medicine products.

TOPICS 2 Reinforcement of Qualitech Pharma Co., Ltd.

We will establish a new research laboratory (Kakegawa Laboratory) in the Shizuoka Plant of Qualitech Pharma Co., Ltd., our subsidiary, to strengthen the system for contract development and manufacturing to meet customer needs. Construction began in March 2022 and is scheduled to be completed by the end of the year.

TOPICS 3 Contract manufacturing agreement with Human Life CORD Japan Inc.

In February 2022, we entered a contract manufacturing agreement with Human Life CORD Japan Inc. for the production of mesenchymal stem cells from umbilical cords collected in Japan. Human Life CORD Japan Inc. is a company that is engaged in research and development with the aim of becoming the first in the world to commercialize umbilical cord-derived mesenchymal stem cells as a pharmaceutical product, in order to bring cell medicine as soon as possible as a new treatment option to patients and their families suffering from intractable and rare diseases for which no established treatment is available even now. We plan to license the technology to enable more reliable production using our manufacturing know-how of ADR-001 (cell preparation consisting of allogeneic MSCs) for use in corporate clinical trials for regenerative medicine using allogeneic MSCs. Going forward, we will fully develop our CDMO business for cell manufacturing and contribute to the delivery of regenerative medicine to more patients through cell manufacturing.

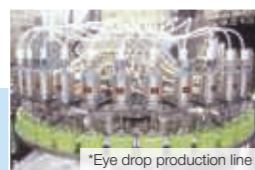
TOPICS 4 Regenerative medicine x CDMO

Starting in January 2022, we began contracted cell culture processing services from medical institutions. In addition to cartilage cells cultured inhouse, Interstem Co., Ltd. provides contract services mainly for processing adipose-derived mesenchymal stem cells in collaboration with the Company. In addition, we provide high-quality and stable stem cell contract processing using a technology that enables cell processing in a completely serum-free medium without using human or animal-derived serum.

High-quality and stable stem cell culture technology



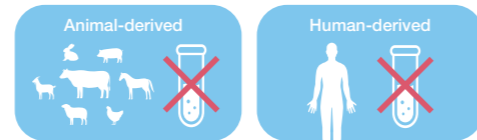
Culture technology used for clinical trials



Quality control cultivated through sterile manufacturing technology for eye drops

No use of raw materials of animal or human origin

Enabled the provision of highly safe regenerative medicine that takes immunogenicity and infection risks into consideration



Quick response from all perspectives enabled by multifaceted business development

NEVER SAY NEVER

For **COVID-19**

We are engaged in businesses that contribute to "health" from various perspectives in a wide range of categories. Even with regard to COVID-19 that society has faced, we have been quick to take action, emphasizing on things we can quickly contribute with our technologies and knowledge.

Corporate clinical trial of regenerative medicine for severe COVID-19 pneumonia

It is believed that a phenomenon called "cytokine storm," in which cytokines produced by the infected person's immune cells to fight the virus become uncontrollable and continue to be released, is involved in the severe manifestation of new Covid-19. It is believed that treatment against "cytokine storm" is necessary in addition to elimination of new Covid-19 itself. MSCs are believed to offer anti-inflammatory effects driven by multiple mechanisms and are expected to be effective for patients who do not respond to COVID-19 drugs approved in Japan.

We believe that establishing a MSCs-based therapy in Japan will be useful in combating COVID-19 and future infectious diseases. A Phase II study for COVID-19 severe pneumonia patients using "ADR-001," a cell preparation using adipose MSCs from other families, which we are developing, has been underway since June 2021.

Rapid COVID-19 antigen test kits contribute to prevention of infectious diseases

We possess technologies gained through research, development, and manufacturing of in vitro diagnostic products, including pregnancy test kits. By applying our technology for rapid influenza virus antigen test kits (Check Flu A and B), we immediately started the development and manufacturing of a rapid COVID-19 antigen test kit, Check MR-COV19, which detects nucleoproteins of COVID-19 (SARS-CoV-2) in nasopharyngeal and nasal swab fluid by immunochromatographic method, and launched it in June 2021. It is used by medical institutions to prevent the spread of COVID-19. We also launched Dotest COV19 for pharmacies from the Dotest brand, our leading brand of pregnancy and ovulation prediction test kits. Because the product does not require a dedicated measuring device, it enables simple and rapid testing and is being used for the prevention of infectious diseases. The performance of the test kit is evaluated through joint research with Osaka City University Graduate School of Medicine. We will continue to actively conduct R&D in industry-academia collaboration and contribute to people's health by meeting the needs of medical institutions and patients.



Responding to customer concerns with Hand lotions and hand sanitizers.

With the spread of the new Covid-19 infection, awareness of the need for cleanliness and hygiene has increased, and we have started to develop a product that protects the moisture of hand skin against dryness of hand skin caused by repeated hand washing and disinfection. In August 2020, we launched Mentholatum Hand Lotion 70 (R Mentholatum GA70), a hand lotion containing ethanol designed to clean and moisturize hand skin, and in August 2021, we launched Mentholatum Hand Veil Willfree Milk (R Rohto Medicated Hand Milk NM). This disinfectant can be used for hands that are rough from disinfection, and amid changing lifestyles, we continue to develop products in order to solve the problems of customers and deliver healthy lifestyles along with the times.

Prior to these efforts, we first established the "Medical Institution Support Office for COVID-19 Response" in April 2020, an organization under the direct control of the President, to provide support to medical professionals who are working day and night with dedication on the frontlines of medicine. Through our business and in areas not directly related to our business, Rohto and our members continue to earnestly consider what we can contribute as a member of society and continue its activities.



Global Expansion

Delivering New Value to the World Through the Provision of Health

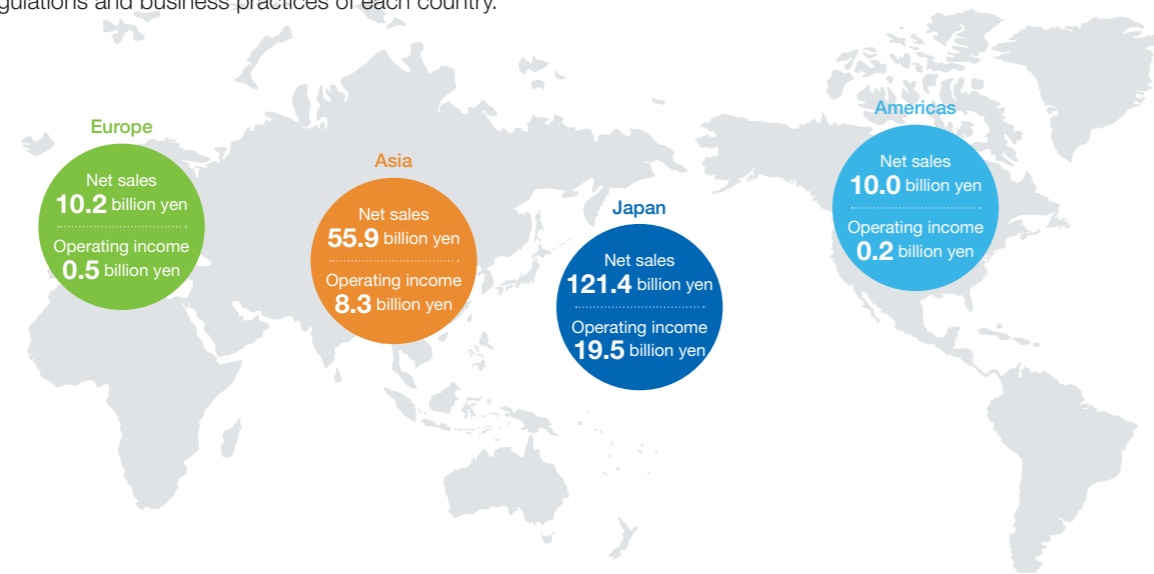
We will contribute to well-being from multiple perspectives by taking a country-specific approach to climate, regulations, logistics, etc., while staying close to local cultures and customs.

Collaboration and Synergy Enhancement among Group Companies

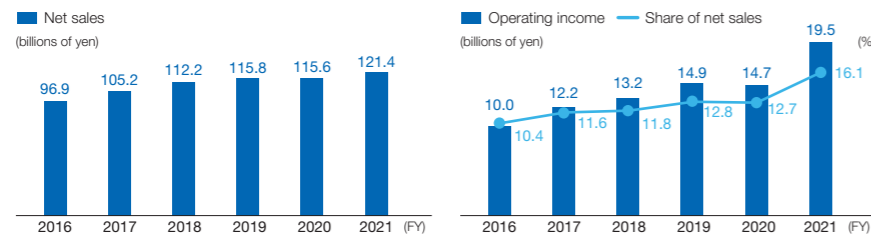
We aim to deepen cooperation and improve efficiency not only in product development but also in demand forecasting, systems for receiving and placing orders, and import and export operations among countries, while at the same time exchanging researchers and improving synergies in the marketing department.

Localization

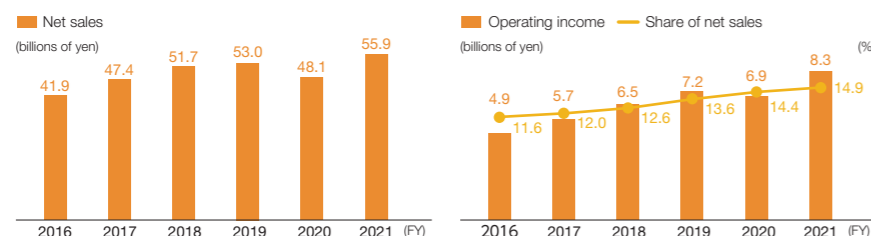
While maintaining the important qualities of our brands, we are promoting development and proposals that are suited to local markets, adapting them to the customs, climate, and preferences of consumers in each country, and to the regulations and business practices of each country.



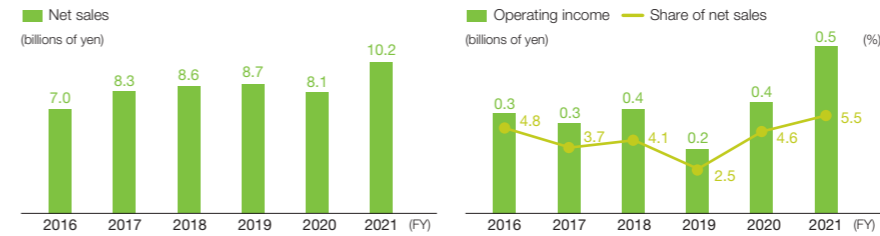
Japan Sales in Japan, which is led by Rohto, accounts for 60% of the Group's sales. Sales of sunscreen, which declined in the wake of COVID-19 pandemic, have recovered, and skincare sales are strong. Sales of eye care also increased thanks to the contribution of high-value eye drops, and new in vitro diagnostic products have greatly expanded the scope of business. On the other hand, a culture of people wearing masks continues to be a challenge for colored lip balms. In addition to Rohto, Group companies are gradually gaining their strength. Rohto Nitten Co., Ltd., Qualitech Pharma Co., Ltd., and Amato Pharmaceutical Products, Ltd. performed well, and the performance of pharmaceuticals, including OTC drugs, is expected to continue to be strong.



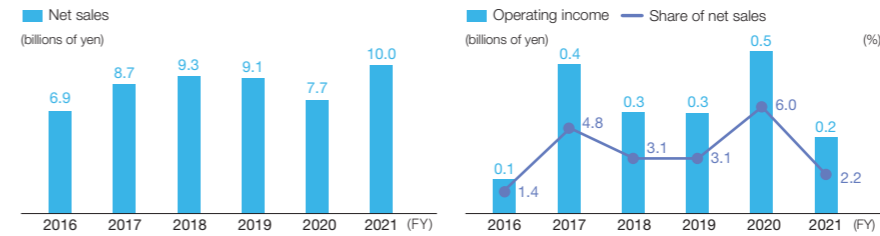
Asia Delivering new values to brands mainly in skincare and eye care, Asia is a key region accounting for 28% of the Rohto Group's total sales. In China, the decline in sales of our major brands, lip balm and sunscreen, has recovered, and eye care is also performing well. In addition, growth in the e-commerce market is significantly driving our sales. In Hong Kong, 50 Megumi continues to grow strongly, while eye care and Hada Labo are also performing well. We are also gradually developing the market for supplements. Hada Labo is also doing well in Taiwan and Malaysia.



Europe Our main brand, Deep series for topical anti-inflammatory analgesics is performing well. Furthermore, cosmetics by Dax Cosmetics are growing, and skincare products such as Hada Labo Tokyo are also expanding in the UK and the Middle East. Moreover, the development of the eye drop market has begun with the acquisition of CE marking. Further development is expected in the future.



Americas With the recovery of consumer confidence, eye drops grew profitably supported by the launch of new products. Our major brands, OXY, Mentholatum, and Softlips, performed well and have achieved a V-shaped recovery. In Canada, major brands OXY and Deep Relief (topical anti-inflammatory analgesic) are performing well. With the acquisition of Hydrox Laboratories, the scope of our business has also expanded. Profit margin has declined due to higher procurement costs for raw materials and supplies, as well as a worsening cost of sales ratio due to labor shortages, which is needed to be addressed.



Global Brand Expansion (Example)

	Japan	Asia	Americas	Europe
Eye drops				
Lip balms				
Skin Aqua				
Acnes				
Hada Labo				
50 Megumi				

Global Expansion

TOPICS 1 Obtained CE marking and started expanding eye drops worldwide

Rohto sells eye drops in Japan and other countries, and Rohto has become the No. 1 eye care brand* in the world. Starting in Hong Kong in 1983, Rohto led the Asian eye care market, and in 2003, it began its expansion in the United States, and then in Mexico and the Americas. In 2019, Rohto also began selling its products in Africa, promoting eye care awareness in each region.

The acquisition of CE marking in March 2020 enabled us to sell our products in European countries, starting with the UK and Poland in May 2021, and in October, we expanded our sales network to South Africa. Rohto Dry Aid, which has started its expansion in Europe, is an eye drop that stabilizes the oil layer of tear fluid and relieves the dry eye symptoms that many people suffer from worldwide. It is said that the number of dry eye patients will increase in the world in the future along with the aging society and the spread of digital devices. We will continue to bring eye health to everyone around the world.

*Euromonitor International Limited; Consumer Health Eye Care definition, retail value share, 2021



TOPICS 2 Successful early entry into the Hong Kong hair care market with 50 Megumi

In Japan, 50 Megumi is mainly focused on skincare products, but in Asia, it has emerged as a new force in the hair care market and achieved significant growth. Originally, our Selsun brand had been the top brand in the anti-dandruff shampoo market in Asia, but with 50 Megumi, we have expanded our market. In Hong Kong, where we are gaining momentum, along with the strong performance of our color treatment series, we have developed a new series, the Anti-grey series, which focuses on vibrant black hair. Anti-grey Hair Essence was launched in March 2021, and Anti-grey Shampoo/Conditioner was launched in August 2021. Women in Hong Kong are known to be extremely conscious about hair care, and the 50 Megumi brand, which was designed to quickly respond to changes in hair, scalp and the concerns of customers as they age, has gained the No.1 share* in the hair care market and is strongly supported by customers.

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



TOPICS 3 Acquired Hydrox as a subsidiary, expanding sales network to medical institutions

In 2021, Hydrox Laboratories (U.S.) became a subsidiary of The Mentholatum Company. Founded in 1913, Hydrox manufactures and sells rubbing alcohol, hydrogen peroxide, personal care products, and surgical instrument care products to medical institutions. The company's product development capabilities and sales network, which has provided reliable products for more than 100 years, will make it possible to expand sales channels and possibilities in North America.



TOPICS 4 Hada Labo brand loved around the world

Hada Labo is loved not only in Japan, but also around the world, and overseas sales of Hada Labo products have grown 1.2 fold the domestic sales in Japan.

In Asian countries, we offer unique products in categories such as face masks, beauty serums, and face washes that are tailored to local climates, skin types, customs, and needs while respecting the core values of the "Perfect Simple" brand, with a package design following the Japanese Hada Labo products. In Taiwan, our products have been used by many customers and was ranked No. 1* in the women's self cosmetics market for two consecutive years.

In North America and Europe, the Hada Labo Tokyo brand was launched in 2013 in the United States with a new logo and packaging to suit skincare habits that are completely different from those in Japan. In addition to communicating the world view of Hada Labo, we have been steadily promoting the skincare method of skin conditioning based on lotion, and this has been gradually spreading through Europe, including the U.K. and Poland. In 2022, Anti-Aging Super Hydrator was named Best Skincare Treatment at The Beauty Awards in U.K.

The Hada Labo brand is currently used in more than 40 countries and will continue to be widely distributed to people around the world.

*SURVEY electronic invoices; Open-shelf women's facial care products (including cleansing), sales database, July 2020 to June 2022



Sending Love&Care



Sending Love & Care is a social contribution activity conducted in seven countries and regions: China, Hong Kong, Malaysia, Taiwan, South Korea, Thailand, and Singapore. In fiscal 2021, the focus of activities was on children in various countries.



Establishment of children's homes

In China, we established a children's home with the China Foundation for Poverty Alleviation. Women from the village are employed to care for and educate the children.

Bringing health to children

In Thailand, we worked with two schools in poor communities to improve the quality of drinking water to reduce the risk of kidney stones. We are also providing meals and other daily necessities to children in other countries.

Creating educational opportunities for children

In Malaysia, we raised funds in cooperation with retailers to provide educational support to underprivileged students and set up mini libraries in schools. In Taiwan, we launched a limited edition Mentholatum Ointment, and the proceeds from the sale of 288,000 packages were donated to the Taipei Orphan Welfare Foundation to provide scholarships to 150 orphans.



Sustainability

In recent years, awareness of the need to realize a sustainable society has spread rapidly, and ESG/SDGs initiatives have become one of the criteria for judging corporate value, with expectations rising day by day for companies to contribute to sustainability.

We believe that sustainability is highly compatible with our business as it is an activity to solve various social issues related to health through our business, which in turn leads to corporate growth, creating both social value and corporate value. As we continue to engage in business activities aimed at achieving our purpose of realizing a society with well-being through our six business domains including our core OTC medicines and skincare businesses, we will further reflect the ESG/SDGs value criteria in our management.

To put this into practice, we established the Sustainability Committee as an advisory committee to the Board of Directors, and the ESH* Management Promotion Office as a dedicated department for practical operations, to identify materiality (key issues) in consideration of social issues in each ESG/SDGs field, thereby establishing a system to strongly promote sustainability initiatives.

On the environmental front, we have worked to calculate greenhouse gas emissions throughout our supply chain. Going forward, we will work to reduce environmental impact throughout the supply chain by reviewing energy sources, raw materials and packaging materials, effectively utilizing resources, and reducing waste in order to reduce emissions, in addition to working on calculations for Group companies in Japan and overseas.

On the social front, we are promoting initiatives to maximize human capital, which is our most important priority. We support to members by creating an

*ESH: Environment (E), Society (S), Health (H)

environment in which diverse human resources can play an active role and providing them with opportunities for growth, as well as by improving employee engagement through our goal of “mutual growth of the company and members. Awareness of human rights, employment, and other people-related issues is increasing worldwide. As a company that does business globally, we have established a Human Rights Policy and are strengthening our efforts to respect human rights as the foundation of our management.

On the quality front, in March 2022, we revised our Quality Policy to achieve higher quality and safety. On the governance front, we are also moving forward with necessary reforms, such as strengthening the structure of the Board of Directors and the Executive Committee.

We will continue to fulfill our corporate social responsibility and build a foundation for further sustainable growth through dialogue with our stakeholders and information disclosure.

Masaya Saito

Executive Vice President, CFO,
in charge of ESG
Chair of the Sustainability
Committee



Sustainability Policy

Based on our Corporate Philosophy, Code of Values and Conduct (Rohto's Seven Pledges), and various policies, we will work together with all stakeholders, including consumers, business partners, employees, shareholders and investors, and local communities, to fulfill our social responsibility toward the realization of a society with well-being and to enhance our corporate value.

Sustainability Action Guidelines

1. Contribute to the realization of a society with well-being and the resolution of environmental issues through our business activities.
2. Aim for co-prosperity with all stakeholders, as a company that is a “public institution of society.”
3. Conduct corporate activities under sound governance, and aim for fair, transparent and trustworthy management.

Sustainability Promotion System

The Sustainability Committee was established in September 2021 as an advisory committee to the Board of Directors to promote sustainability measures. The Committee is chaired by the Executive Vice President (CFO and in charge of ESG), with the Chief Human Resources Officer (CHRO) as a member and an Outside Audit & Supervisory Board member as an observer. The Corporate Planning Department and the Public Relations & Creating Shared Value Division serve as the secretariat for discussions on ESG, SDGs and other sustainability-related issues, policies and measures. The Committee formulates countermeasure policies and action plans for the identified issues, and monitors and evaluates 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. In addition, we established the ESH Management Promotion Office, a dedicated department for promoting ESG-related initiatives, within the Public Relations & Creating Shared Value Division in a reorganization in March 2022, thereby creating a practical promotion system.



Our Commitment to Health

Health Initiatives through Business Activities

Six Businesses under VISION2030 p.27 -

Supporting Health through Everyday Diets

In order to achieve “life without medication”, it is first important to maintain good health as much as possible. We are also committed to developing food products that enable each customer to take the nutrition they need at each stage of their life without difficulty and maintain good health in their daily lives. We propose products that support health in accordance with respective lifestyles, such as “Dalura,” which provides high-quality iron, folic acid, and dietary fiber in the form enjoyable as a daily meal; “Senobic” and “Propo Protein,” which provide additional nutrients that can be consumed without difficulty by children during growth spurts and people who are exercising; and various supplements that contain important nutrients packed in each tablet and can be easily consumed.



Delivering Health and Beauty Directly to Customers

Rohto Quality Aging Salon was launched in 2019 as a new concept salon that proposes “Quality Aging,” a rich and high quality way of aging. As the only health solution salon that delivers products and services related to health and beauty, and even learning about ways of thinking and healthy habits, we aim to be “a salon where you can enjoy your health by visiting, and the more you visit, the healthier you will become. The salon offers three types of care: eye care (offering the “Roth Eye Retreat” massage), skin care (counseling and sales of “Episteme” and “Obagi”), and inner care (sales of “QA Supplement,” a supplement available only at the salon), as well as a quality aging experience through the salon’s original fragrance.



The Science of Fragrances Applied to Lifestyles

We offer proposals that support the well-being of each and every one of our customers, enabling them to be active not only physically but also mentally, and to live fulfilling lives at various life stages. “BÉLAIR LAB,” our laboratory for fragrances and perceptions, is one such example. The laboratory scientifically verifies the physiological phenomena and behavioral changes that fragrances cause in the human body, and utilizes the diverse values of fragrances to help create a richer society.

In 2019, research and study of fragrances to enhance performance was conducted on players belonging to Iwaki FC of the Japan Football League to confirm their effectiveness. At the 16th Japan Society of Kansei Engineering Spring Conference in 2021, we presented the results of a scientific study on the effects of green aroma components on performance, rest and sleep in two professional e-sports players. We will continue to research the functionality of fragrances and apply them to product development.



Our Commitment to Health

As a Leading Eye Care Company

Rohto Pharmaceutical has 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 OTC 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.

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.



- ▶ Giving the "Strength to See" to more people through provision of free intraocular lenses

PT. Rohto Laboratories Indonesia, established in 1996, is 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 intraocular lenses, 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 free IOLs) 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 2021, the sixth term, we matched a portion of the sales of eye drops made by 11 social partners during the period and donated 1,008,910 yen to an organization engaged in international eye care support activities.

As a member of the healthcare industry, we take a sense of mission and pride in our support activities, and will continue to implement them.

Recipients of Support

◇OUI Inc.

Using the Smart Eye Camera, a portable ophthalmic examination device, the company conducted examinations together with local partners in South Africa and the Republic of Malawi. The Company also took an active role in examining patients at the Japan International Eye Hospital in Vietnam during free cataract surgery volunteer work.



◇Asia Prevention of Blindness Association (NPO)

The organization works to ensure that as many people as possible in Asian countries that lack adequate eye care and suffer from poverty and blindness do not lose their sight. In Vietnam, Myanmar, and Laos, it has provided free cataract surgeries, etc. to approximately 1,000 patients to date.



Protecting the Eyes of the Next Generation

Japan's myopia population is on the rise, the age at which myopia begins is getting earlier, and myopia and deteriorating vision in children are now major social issues.

Myopia increases the risk of various eye diseases in the future. Against this backdrop, the GIGA school concept is rapidly being realized, each child has a tablet PC, and ICT-based classes have begun. In addition, the environment surrounding people's eyes is changing for a wide range of generations, as the spread of COVID-19 infections has led to an increase in remote work among the working generation.

We have long conducted eye research, including eye drops, based on our desire to "protect the eyes of all generations and realize the happiness beyond the point of vision." In order to protect and maintain vision for a lifetime, it is necessary to quickly notice changes in eyesight (vision) and take appropriate measures. Therefore, we focused on children's eyes, when the early stage of myopia begins, and developed the "Almirun" vision measurement application jointly with ophthalmologists, considering what we, as a company involved in the eye domain, can do to help raise awareness of myopia through the internet and pamphlets. We hope that parents and children will enjoy measuring their eyesight together, and that by raising awareness on a regular basis, thereby creating an opportunity for eye examinations at ophthalmologists. We have also developed "Rohto Eye Care Teaching Materials" for the educational field to help students think about the importance of their eyes and learn necessary lifestyle habits in a fun way. Many schools and other educational institutions are using the program as an opportunity for students to learn how to deal with digital devices.



We are also engaged in activities overseas to protect children's eyes. In China, the Rohto Eyecare Program, launched in 2003, is now in its 19th year. The Program has worked with 12 million children in more than 10,000 schools in 11 cities, teaching them through booklets and lessons about the importance of eye protection and how to protect their eyes. Currently, we also offer online education and eye checks.



Our Commitment to Health

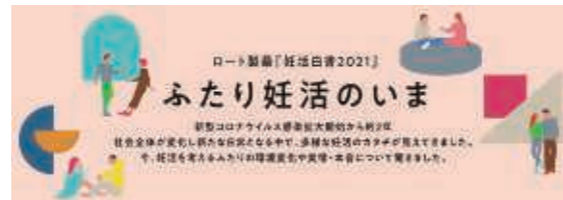
Health Awareness Enhancement Activities

The importance of self-care and self-medication has been growing in recent years through changes in the environment, such as the tightening of healthcare finances, changes in health awareness, the development of online medical care. The spread of COVID-19 has further enhanced people's health awareness, and their needs have also changed significantly, leading to a rapid spread of self-care and self-medication awareness. We are committed to providing people with more reliable information and support to help them take action on self-care.

Publication of Fact-finding survey on pregnancy

Through our pregnancy test and ovulation predictor kit "Dotest," 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 publish an annual "Fact-finding survey on pregnancy." Working hand in hand with the media, we will provide a wider range of reliable information and support the realization of a society in which people can make their own choices, whether they are considering pregnancy, do not want to become pregnant, or have decided to stop seeking pregnancy.



Enjoyable Health Promotion through Health Tourism

In September 2021, the "Health Promotion Monitor Tour," jointly planned by the three parties of Izumisano City Promotion Partnership Council (a general incorporated association that promotes tourism in Izumisano City, Osaka Prefecture), Osaka University of Health and Sport Sciences (the first sports university in the Kansai region), and the Company, was selected by the Japan Tourism Agency as a demonstration project for promoting regional cooperation through the refinement of local tourism resources.

Through our subsidiary Rinku Medical Management Co., Ltd., we have established the "Well Beiner Station" near Kansai International Airport (Izumisano City) as a base for disseminating information on health promotion, and are supporting the health promotion of each individual through health measurements using specialized equipment and holding events.

Going forward, the three parties will work together to create and establish a brand image of "Izumisano, a city with abundant resources for health promotion and well-being," and to educate people about health promotion while having fun, including through tourism.



Promotion of Vegetable Intake in Collaboration with Kagome at the Company's Restaurants

In July 2021, we developed a menu in collaboration with our restaurant "Shunkoku Shunsai," which uses ingredients delivered from our directly managed farms, and Kagome Co., Ltd., and offered a measurement experience with the Vege-Check® vegetable intake estimator.

We will contribute to the health of the public through the promotion of vegetable intake by communicating the delicious taste of vegetables and the importance of consuming them.



Human Resources Initiatives

Strengthen initiatives aimed at human capital management: "shared growth for both the Company and our company members based on respect for the 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. In recent years, the relationship between the individual and the company has reached a major turning point. The former organization-centered perspective has given way to an era in which it is increasingly important for individuals to demonstrate their strengths, and significance is placed on respect for the individual and the shared 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 makes the most of the 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 shared 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. To this end, we ask our employees to update their career vision every year by considering their future direction and what they should do now to achieve them, confronting their own purposes, taking into account the needs of society and our customers, as well as the expectations from those around them and their roles. 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, an one-size-fits-all approach is not ideal in addressing individual growth. For this reason, the 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, without tying them down with the will of the Company. 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 effectively utilizes each and every one 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 shared growth for our individual employees and our Company.

Chiharu Takakura

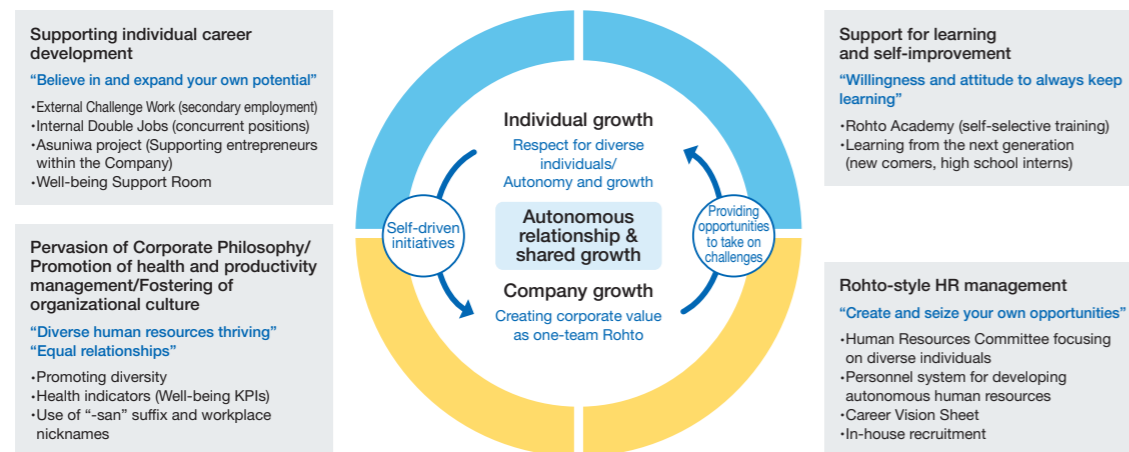
Director, CHRO



Human Resources Initiatives

Diversity Management

To enable our Company to contribute to realizing a society with well-being and achieve sustainable growth, we must continually create new value and make the Company vital to the world around us. Needless to say, each and every one of our employees is a driver of these processes and, without employees' growth, there can be no organizational growth. With the rapid diversification and globalization of our businesses, it is essential for us to have a diverse group of human resources who share values and work hard together to grow in order for the Company to continue to create value in the future. In order to promote well-being management, we promote Diversity Management so that employees can proactively participate in business activities and realize their career visions autonomously as professional workers. Moreover, we aim to create a society with well-being by creating an organization that makes the most of diverse individuals, so that both individual employees and the Company can grow together.



(4) Internal Double Jobs program (concurrent positions) (since February 2016)

This program allows employees to volunteer to work in another division of the Company within their working hours. By facilitating work beyond divisional limits, our aim is to allow employees to improve their skills and increase their job satisfaction, at the same time as encouraging them to explore their own new possibilities.

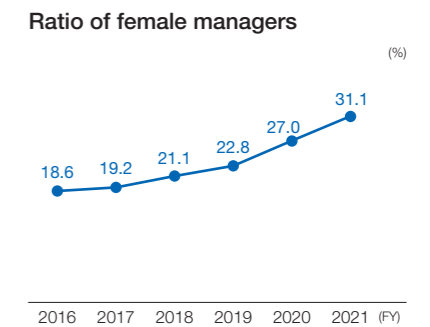
(5) Asuniwa project: Supporting entrepreneurs within the Company (since April 2020)

This project provides support for employees starting businesses building on their own passions and ideas to tackle social issues. To be eligible, businesses must be in domains connected to Well-being, in line with our management vision, "Connect for Well-being." We believe that the experience of starting a business will cultivate autonomous, self-directed people. As of March 2022, four companies have been established.

Promoting Further Diversity

(1) Promoting women's active participation

At Rohto, where approximately 60% of our employees are women, we believe that it is important to create environments where our female employees feel secure and can work with ease, in order to help each and every one to further thrive in her work. We also maintain high rates for uptake of parental leave and return to work and are enhancing our support programs, including providing free gynecological examinations and nursing care leave.



(2) Active involvement of employees of foreign nationality

We aim to increase the ratio of foreign nationals employed in sections relating to development and technology to 20% and are working on recruitment and training. Currently, foreign nationals with diverse backgrounds from around 10 different countries are playing an active role at Rohto.

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.

The Company has been selected as one of the "Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)" since the first edition in 2017. *Excluding 2020



As a company that actively promotes sports activities to improve the health of its employees, we were certified as a "Sports Yell Company 2022" by the Japan Sports Agency. As this is the fifth consecutive year of certification, we received "Bronze" level certification. The Company has also earned a "+" (plus) certification awarded to companies with a weekly sports implementation rate of at least 65%.



Our "Company-wide Walking Event 'Toko Challenge' - Efforts to Promote Employees' Health" was highly evaluated in the third "Kansai Sports Supporting Company Award," and received the Health and Productivity Management Award.

Support for Diverse Workstyles and Career Development

We encourage our company members to go beyond the bounds of the Company and gain experience in positively impacting society with a variety of companies and organizations, and to transcend the barriers between divisions within the Company to actively engage with their work from multiple perspectives. We believe that these independent workstyles and self-driven initiatives will allow our employees to gain new knowledge and contacts and facilitate further growth. Respecting the individual and seeing shared growth for the Company with each new challenge pursued, we aim to maximize our efforts to create social value.

(1) Strategic human resources management that utilizes the individual (since February 2020)

We have introduced human resources management tools that visualize employees' individual backgrounds and areas of expertise to allow each employee to clearly set out a career vision. Using this as a basis, management are working together to promote deliberation of human resource that focuses on growth of the individual. In the hope that employees will relevant our corporate philosophy as their own, we are promoting Company-wide dialogue in order to bring together employees' individual visions and our section and Company visions.

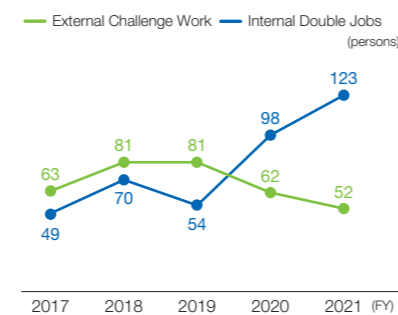
(2) Rohto Academy: supporting autonomous career creation for the future (since January 2021)

We have set up an online study platform in order to promote self-motivated study aimed at career autonomy. Using videos, seminars, and other content, we are providing learning opportunities and working to foster human resources who will continue to develop of their own volition.

(3) External Challenge Work program (secondary employment) (since February 2016)

This program recognizes diverse workstyles in the form of secondary employment. We believe that workstyles that go beyond the bounds of the Company allow employees to gain experiences that are difficult to access when working exclusively for the Company. Knowledge and experience gained in this way lead to significant growth and yield benefits for employees' principal jobs. Our aim is to further expand our employees' potential through their work in multiple jobs.

External Challenge Work and Internal Double Jobs



Human Resources Initiatives

Establishing Health Indicators as a Foundation for Well-being

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)	FY2021 results	FY2023 targets
Result indicators (physical health)	Proportion of persons with metabolic syndrome or pre-metabolic syndrome	○	○	○	14.1%	0%
	Proportion of persons (female) with anemia*1	○	○	○	14.8%	0%
	Proportion with a lower health age than chronological age*2	○	○		52.2%	80%
Behavioral indicators (lifestyle)	Proportion of smokers	○	○	○	1.9%	0%
	Proportion using alcohol in moderation*3	○	○	○	74.2%	100%
	Proportion sleeping for at least 6.5 hours	○	○		37.8%	50%
	Proportion of persons taking 30 min. of exercise at least twice a week	○	○		39.0%	50%
	Proportion of persons who walk 8,000 steps and practice 20 minutes of brisk walking per day	○	○		52.3%*4	50%

*1 Anemia is defined as a hemoglobin levels 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 Autumn 2021 (3 weeks)

Expanding Health and Productivity Management to the Entire Group

In order to extend the health and productivity management that we are promoting to Group companies and employees' families, we established the "Rohto Group Health Insurance Society" and launched its activities in April 2022. With the increase in the average age of employees, we believe that regular checkups are very important as an initiative for early detection and prevention of diseases, and we offer a full range of health checkups. The Company has been conducting "specified health examinations" for those aged 30 and above, which are generally for those aged 40 and above, and now the entire Group is able to conduct such examinations. In addition, while each office and Group company had different criteria for health checkups, and understanding health status was an issue, it is now possible to visualize health checkup data for the entire Group and introduce appropriate measures. We will strive further to maintain the health of our employees.

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 Rohto and the ideas we wish to pass on, while "SHI-ROHTO+" conveys the latest news in a timely manner, help employees communicate with each other, and create new value.



Company-wide events

Through the "Grand Sports Day," in which all employees participate, and the "Finish Line Challenge" walking event, 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, this initiative is designed to promote employee interaction and foster teamwork while having fun.



Occupational Safety and Health

Basic Approach to Occupational Safety and Health

Occupational safety and health is the foundation for the continuation of our business activities 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

1. In accordance with the Labor Standards Act and the Industrial Safety and Health Act, we aim to prevent and eliminate work-related accidents through thorough safety and health management in compliance with internal safety regulations and rules.
2. We will strive to enhance employees' awareness of occupational safety and health through education and awareness activities, and actively engage in 5S activities (sort, set, shine, standardize, and sustain the Discipline) in the workplace and the prevention and elimination of traffic accidents.
3. Through the promotion of health and productivity management, we will promote both physical and mental health and support employee health management, so that employees can feel rewarded and fulfilled in life and can fully demonstrate their abilities. In addition, we will improve the working environment to promote a comfortable workplace.
4. We will conduct regular drills and take measures before and during outbreaks of fires, natural disasters, epidemics of infectious diseases, etc., in order to enhance our ability to take response measures in an event of a disaster.



Sustainable Global Environment

Responding to Climate Change

It is our duty to protect the environment for future generations. We therefore set out an Environmental Policy in 2005 and work to prevent environmental pollution and continuously improve environments, both locally and globally, through our corporate activities. We are taking on the challenge of extending the healthy lifespan of the earth by developing environmentally friendly products and working with suppliers, retailers, and distributors in Japan and overseas. In addition, taking seriously the impact of natural disasters caused by global warming, in June 2021, we announced our endorsement of the recommendations made by the TCFD (Task Force on Climate-related Financial Disclosure) and set a CO₂ emission reduction target*.

*Non-consolidated basis only

Governance

(1) Oversight of risks and opportunities by the Board of Directors
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.

(2) Management's role in evaluating and managing climate change risks and opportunities
The Sustainability Committee consists of two Directors and one Outside Audit & Supervisory Board member who serves as an advisor, and is chaired by the 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 evaluated 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 and deliberate on countermeasures to enhance our resilience to an uncertain future.

*For details, please refer to our Annual Securities Report. <https://www.rohto.co.jp/-/media/cojp/files/pdf/ir/financial-report/y220628.pdf>

Risk management

(1) Identification and evaluation process for climate-related risks
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 impact which climate change risks poses to our business, based on our resources and the services we provide.

(2) Process for managing climate-related risks
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.

(3) A system to integrate the above process into the Company's comprehensive risk management
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 2021 are 14,249 tons for Scope 1 and 2 combined (reduction of 10% 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.

	FY2021	Compared to FY2013 levels
Total Scope 1 and 2 emissions	14,249t	-10%
Breakdown		
Scope 1 emissions	7,342t	+21%
Scope 2 emissions	6,906t	-29%

*Calculations for fiscal 2021 are based on the GHG Protocol standards.

For details, see p. 50

Initiatives to Achieve a Low-carbon Society

We consider addressing climate change to be a top priority issue, and recognize that reducing greenhouse gas (GHG) emissions in order to prevent global warming is a world-wide concern. Accordingly, we have been implementing a variety of initiatives in areas including energy conservation in our offices, plants, and other sites, and the reduction of environmental impact in sectors such as business travel and transportation. We have reviewed our CO₂ emission targets and are promoting activities with the goal of reducing CO₂ emissions from Scope 1 and 2 by 46% (compared to fiscal 2013 levels) by 2030. In fiscal 2021, we achieved a 10% reduction while expanding the scale of our business to 138%. In addition, we began calculating emissions for Scope 3 in fiscal 2021. We will continue to promote Company-wide efforts to reduce emissions.

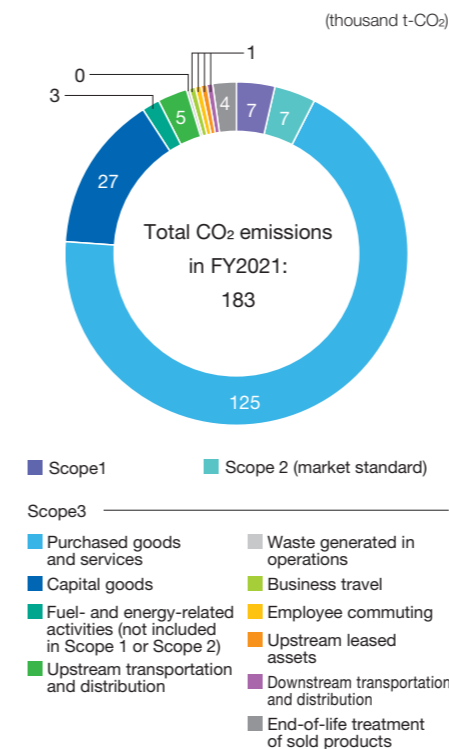
Set targets

- Reduce total Scope 1 and 2 CO₂ emissions by 46% in fiscal 2030 compared to fiscal 2013
- Interim target of a 30% reduction in fiscal 2025 compared to fiscal 2013

Achieving targets

- **Purchase of CO₂-free electricity**
Purchase electricity generated from renewable energy sources that do not generate CO₂, such as hydroelectric, wind, and solar power, and reduce CO₂ emissions from purchased electricity consumption by 27.6% by fiscal 2030
- **Installation of solar power generation equipment in the new building at the Ueno Plant**
Install solar power generation equipment in fiscal 2023 and 2024 in line with operating conditions, and reduce CO₂ emissions from power generation and purchased electricity consumption by 1 to 2% annually, combined with existing emissions
- **Preservation and operational improvement, waste heat utilization, energy conversion**
Reduce energy consumption by at least 1% per year by fiscal 2030

FY2021 CO₂ emissions by Scope



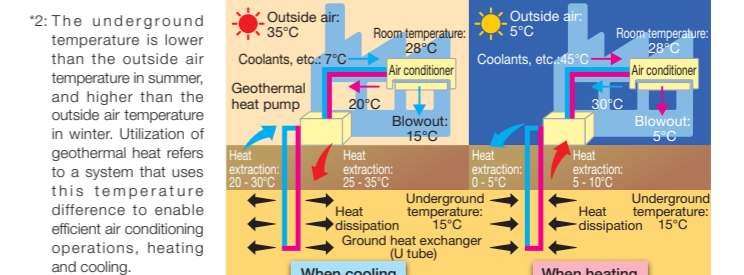
Expansion of smart plant that takes people and the environment into consideration

At the Ueno Techno Center in Mie Prefecture, we have additionally established a smart plant that takes people and environment into consideration. The new plant building will realize a Digital Twin*1 environment that fully utilizes IIoT and use renewable energy to aims to realize a "human- and environmentally-friendly plant" i.e., a "smart plant".

*1: This is a system that reproduces the environment of the real space within the virtual space by sending information from the real space to the virtual space in near real time utilizing IIoT and other technologies. By utilizing the Digital Twin environment of real and virtual space, it is possible to not only monitor the real space, but also run simulations, thereby improving efficiency and optimization in the real world, and even predicting future equipment failures for early maintenance.

Environmentally friendly plant

The new plant will utilize renewable energy such as geothermal heat*2 and solar power, and feature energy-efficient equipment, and aim to lower energy consumption by 20% compared to existing plants. We will also gradually switch to eco-friendly materials.



Sustainable Global Environment

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.



We established our own eco label, “R-eco” symbol, in 2019. We are introducing this symbol to our Hada Labo series and other environmentally friendly products.

Environmentally Friendly Product Development

Product containers and packaging not only maintain the stability and safety of the formulation, but also serve the role of conveying the usage and features of the product. However, since they are no longer needed after use and are discarded, we are committed to the development of environmentally friendly products.

Reduction of plastic usage

Proposal for refill pouches

In 2005, the Hada Labo series launched refills, and since then, we have actively adopted refills in new brands. This has led to a reduction of more than 1,100 tons of plastic per year.

Reduction of approximately 1,100 tons per year!



Reduction of eye-catching stickers

Starting in 2021, we will gradually eliminate plastic eye-catching stickers attached to our products to further promote the reduction of the amount of plastic used.



Lightweight containers

We reduced the thickness and weight of the bottle while maintaining its rigidity. This reduces not only the amount of plastic used, but also the energy required for production and transportation, leading to a reduction in environmental impact.

30% reduction!



*Compared to Rohto C-Cube Soft One conventional product

Container label reduction

By minimizing the use of labels on containers, the amount of plastic labels has been reduced by 50% compared to conventional products.

50% reduction!



*Compared to conventional products in the Rohto C-Cube series

Reduction of plastic by changing container molding method

We are working to reduce the amount of plastic used by changing the molding method of containers.



Elimination of plastic carrying bags for eye drops

We have eliminated the inclusion of plastic carrying bags for applicable eye drop products, with due consideration of quality and other factors.



Use of materials with low environmental impact

Use of biomass materials

We are gradually switching the material for bottles and pouches to “biomass plastic” made from plant-derived biomass.



Adoption of mechanical recycled PET

We are gradually switching the material for bottles, pouches, and blisters to “mechanical recycled PET” made from recycled used PET bottles.



Reduction of paper resources

Elimination of enclosed separate package inserts

By printing the necessary package inserts for OTC medicines on the inside of the paper box for the first time at our Company*, 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.



*Excluding limited edition products

Utilization of environmentally friendly paper materials

We promote the utilization of environmentally friendly paper for product boxes, package inserts, pamphlets, and sales promotion materials, as well as in our business activities.

Hada Labo, which has been our No. 1 skincare product for 15 consecutive years*, is a popular skincare brand around the world, therefore we believe that we have a significant role to play in reducing our environmental impact. We continue to evolve to use more environmentally friendly bottles as well as refill pouches.



*Percentage of sales of the Hada Labo series to the total sales of the five basic skincare categories. 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 range from June 2007 to May 2017 (SRI), from June 2017 to May 2022 (SRI+)

Initiatives with Retailers

Ethical consumption

LOHACO by ASKUL “Go Ethical”: Sale of Older Products Left Behind by Product Updates

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 product wastage for products that would previously have been destined for disposal* but that present no quality defects, by reselling them in the outlet section.



*Unopened, discontinued products returned from distributors and wholesalers.



Coexistence with Society

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 worker health 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: "establishment of a new registration system of a same-sex partner"

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

Sustainable Global Environment

Initiatives for Water Resources

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 Basic Environmental Policy, we will 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

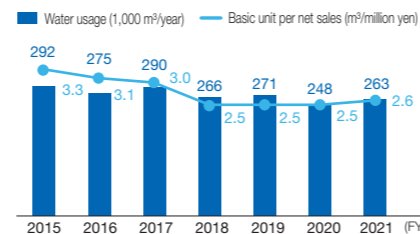
Our main plant, the Ueno Plant, uses groundwater. The wastewater generated in the groundwater refining process is reprocessed and recycled in an effort to efficiently use our precious water resources.

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 an ingredient used in products for cleansing and rinsing, 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

In February 2022, we launched a new 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 achieved high sunscreen effectiveness, comfort of use, and environmental friendliness, by making full use of our formulation technology.



Coexistence with Society

Quality Improvement: Providing Reliable and Safe Products

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 March 2022, we reviewed and revised our Quality Policy to ensure 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.

Quality Policy

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

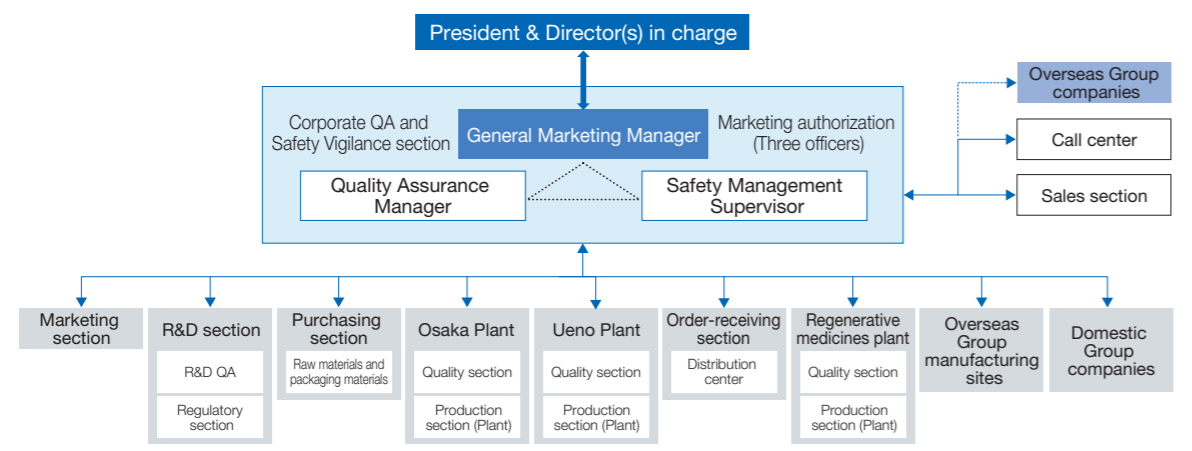
1. ensuring compliance and endeavor to communicate the truth;
2. controlling risks based on scientific evidence and pursuing high quality and safety; and
3. valuing the communication and continuing to improve by promoting transparency of information.

Our Quality Policy is a guideline for providing safe products. First, we distributed "Our Principles Card" to have all of our members understand the Quality Policy, and posted a Quality Policy Board in each facility. It is essential to accumulate many years of effort in order to maintain quality. We will continue to disseminate our Quality Policy to all members so that they understand the Quality Policy and act accordingly.



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 the three Group companies (Rohto Pharmaceutical Co., Ltd., Rohto Nitten Co., Ltd., and Amato Pharmaceutical Products, Ltd.) with the aim of enhancing the quality and safety of domestic manufacturing plants of the Rohto Group 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 and that there are no irregularities, and we work to enhance efficiency through human resource development and collaboration by introducing outstanding human resources to enhance each company's management capabilities, and solving issues at each company. Our Group companies are composed of various predecessors, each of which has a quality system that has been cultivated over many years. Going forward, we intend to expand the scope to include Mayado Pharmaceutical Co., Ltd. and Qualitech Pharma Co., Ltd. to further improve quality throughout the entire Group.

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, Labor and Welfare, we have prepared the "Rohto Legal Compliance System" and made it available to all members. In addition, we provide all members 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 establishing our compliance system.

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. We have also revised our CSR Guidelines for Suppliers, which were established to contribute to the realization of a sustainable society together with our partner suppliers, and newly established the CSR Procurement Guidelines on this occasion. We will further promote socially responsible manufacturing throughout our supply chain.

Achieving Sustainable Delivery with Business Partners

Amid the concern for a logistics crisis caused by driver shortages and soaring fuel prices, we implemented an initiative with one of our business partners, PALTAC CORPORATION, to not only reduce the environmental burden 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, we are promoting initiatives 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. The modal shift has led to a reduction in CO₂ emissions as well as improved long-distance transportation for drivers.

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

Reduced loading and unloading time
Changed from non-palletized loading to palletized loading, thereby reducing loading time to 1/8 and unloading to 1/4 or less

Reduced driver waiting time
Changed the delivery time to the afternoon, which resulted in zero waiting time

Modal shift
Implemented a modal shift by using trailers to reduce overland transport distance to 1/4

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

Coexistence with Society

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.

Established ROHTO Foundation for Children's Future

In recent years, it has become difficult for children to fully express their individuality in their environment, and it is said that there are few "places where they belong" in which they can focus on and continue to discover and explore their individuality. In order to realize a future society that respects the individuality of each child who will lead the next generation, we established the ROHTO Foundation for Children's Future to fostering children's perspectives to explore and supporting their diverse learning.



We will support the realization of children's ideas and contribute to the "realization of well-being" where everyone can continue to challenge themselves.

Comprehensive Cooperation Agreement with Kounosu City, Saitama Prefecture



We will promote sustainable community development by working together to improve health and welfare, address the declining birthrate and the aging population, support pregnancy and child rearing, preserve the environment, and promote industries by utilizing local resources.

By providing information and holding seminars on pregnancy and child-rearing support, we will contribute to the health of the Kounosu (meaning "stork's nest" in Japanese) City community and the children who will lead the next generation, as well as to regional development for realizing sustainable community development.

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 over 4 billion yen and the number of scholarship recipients reaching 1,045 as of April 2022. 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.



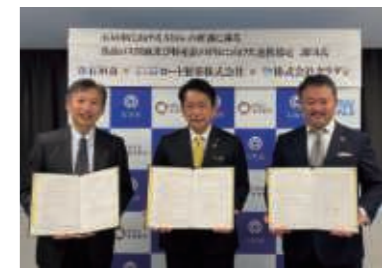
Regional Development Through Joint Research with Mie University

The Mie Hometown Creation Project was launched in 2014 as a cooperative project between industry, academia, and government, with the aim of promoting regional vitalization. "VISION" (Taki Town, Mie Prefecture), which was created through the project, opened as a commercial resort facility that combines diversity and expertise in order to vitalize the new local economy. In addition, a hot spring facility "HONZO Spa" opened in June 2021. We have developed a recipe for HONZO Spa based on the results of our joint research with Mie University. The facility also has an herb garden where medicinal herbs are cultivated, as well as a research laboratory, and offers a variety of herbal baths according to the season. We are working toward the realization of a society in which each individual can lead a healthy life both mentally and physically through community revitalization.



Ishigaki City x Kuradashi x Rohto Tri-party Initiatives to Address Local Issues

Ishigaki City, Okinawa Prefecture; Kuradashi Co., Ltd., which runs the "Kuradashi Challenge," a social contribution internship program that sends interns to local farmers suffering from a labor shortage; and the Company with its subsidiary Yaeyama Farm, the only organic pineapple grower in Japan, have signed a "Cooperation Agreement to Reduce Food Loss and Promote Local Products for the Promotion of the SDGs in Ishigaki City."



Through this cooperation, the three parties will make the most of their respective resources to solve local issues, and will continue to work on creating connected minds and building local industries, and to build a system that will enable the food of Ishigaki Island to reach more people.

Regional DMO x Osaka University of Health and Sport Sciences x Rohto: Attracting Tourists to Izumisano City Under the Theme of "Health Promotion"

The "Health Promotion Monitor Tour" jointly planned by the three parties of Izumisano City Promotion Partnership Council, Osaka University of Health and Sport Sciences of the incorporated educational institution Namisho Gakuen, and the Company, was selected by the Japan Tourism Agency as a "demonstration project for promoting regional cooperation through the refinement of local tourism resources." By holding the "Monitor Tour," we aim to brand Izumisano, which has been a transit city, as "a city with abundant resources for good health" by utilizing the knowledge and expertise of industry, academia, and government. Through this, we will create "value" and "purpose" for tourists to visit Izumisano, and thereby attract tourists to the area.

Established Kumejima Island Algae Research Laboratory "AMU LABORATORY"

We established an algae research base AMU LABORATORY jointly with OP Bio Factory Co., Ltd. With a focus on microalgae as an ethical and sustainable material with diverse possibilities, not only for use in healthcare, but also for solving environmental issues and building local ecosystems, the Laboratory is cultivating algae using a photobioreactor (outdoor microalgae cultivation facility) in Kumejima Town, Okinawa Prefecture.

Contributing to the Development of Medicine to Realize a Society with Well-being

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 achieved both basic and clinical research achievements, 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	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.

Karugamo Fund: Corporate matching Gift

The Karugamo Fund is financed through a combination of members' voluntary contributions to a reserve fund and matched donations from the Company. Each year, members 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, with 970 members (approximately 60%) participating in fiscal 2021.



Message from the Chairman of the Board



Kunio Yamada

Chairman of the Board
Chairman and Chief Executive Officer

In fiscal 2021, we were able to achieve record results in the sales and profit levels amidst a business environment in which the resumption of economic activity was gradual due to the prolonged COVID-19 pandemic. This was the result of the concerted efforts of all Group members to improve the well-being of our customers, and we are grateful to all of our members for their efforts. We are also grateful to all of our stakeholders for their tremendous support. Going forward, the business environment will continue to be always subject to waves of dramatic change. As a Board of Directors, we are continuously working to improve and strengthen our corporate governance system to ensure prompt decision-making and business execution and appropriate risk management to achieve sustainable growth.

While have been actively promoting diversity on the Board of Directors, and in fiscal 2021, we mainly promoted initiatives related to “activation of board discussion”, “sustainability”, and “governance”.

As measures to stimulate discussion, based on the notion that it is important to secure sufficient time for deliberation at meetings of the Board of Directors, we (1) delegated authority to officers in charge of matters for resolution and (2) thoroughly shared materials with Directors before meetings and provided prior explanations of agenda items. With regard to (1), some of the Board of Directors’ decision-making authority has been transferred to approval by multiple officers in charge. With respect to (2), we focused on ensuring that materials were sent to Directors to allow them, especially Outside Directors, sufficient time to

read the agenda materials before meetings and explained the materials to them prior to meetings. This has significantly shortened the time it takes to explain agenda items during meetings of the Board of Directors, thereby allowing more time for strategic discussions, and it has enabled us to expand, enrich, and deepen our discussions of topics such as business strategy, human capital strategy, and sustainability-related agenda items, more than ever before. For example, having the Board of Directors deliberate issues such as our personnel system, which in the past was often discussed by a few management members and the human resources section, resulted in lively discussions based on the diverse experience and knowledge of each Director and Audit & Supervisory Board member. We believe this is also the result of our efforts to incorporate diverse perspectives and ideas by reforming the Board of Directors and promoting diversity.

With regard to sustainability, the Sustainability Committee was established as an advisory committee to the Board of Directors. The Committee deliberated and promoted initiatives to address sustainability issues that are of great interest to stakeholders, and has established a system to proactively promote ESG-related actions that are increasingly demanded by society, such as calculating supply chain emissions and establishing materiality issues. We have established a system to proactively promote ESG-related actions that are increasingly required by society.

In terms of governance, six new chief officers, including the CFO, have been established. We have clarified the executive officers in each area, increased the agility of decision-making related to management strategies, and strengthened the mobility of management. As part of our effort to further strengthen our governance structure, we increased the number of Outside Directors to four in our new management structure for fiscal 2022, welcoming Mr. Tatsuo Uemura and Ms. Eriko Hayashi. Social demands related to sustainability and compliance are increasing in both Japan and overseas, and we believe that their experience and insight as experts in corporate governance and risk management will contribute to enhancing our corporate value.

Amidst the current uncertain environment, we will strive for sustainable growth while appropriately controlling risks in response to environmental changes and considering how we can contribute to the realization of a well-being society together with our stakeholders.

Corporate Governance

Basic Approach to Corporate Governance

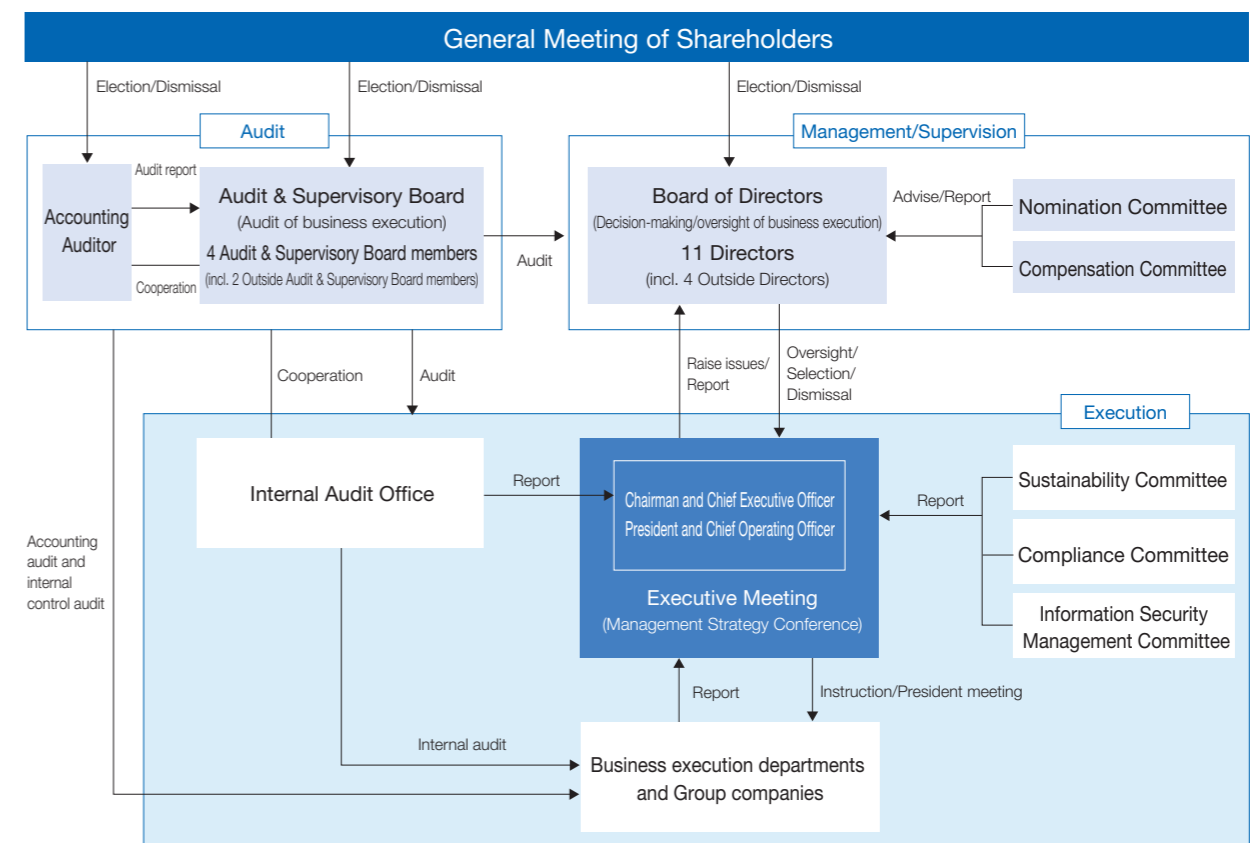
At the same time as fulfilling our social responsibility, we are striving to earn the trust and meet the expectations of our shareholders, consumers, business partners, employees, and all other stakeholders, and achieve co-existence and co-prosperity. We recognize that enhancing and strengthening corporate 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.

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 in order to speed up the decision-making process in order to respond to changes in the business environment promptly and accurately.

The Company's Audit & Supervisory Board rigorously checks the status of business execution by the Directors in cooperation with the Internal Audit Office and the Accounting Auditor, and we believe that we have put in place a system that provides adequate monitoring of management. Outside Audit & Supervisory Board members are also familiar with the Company's business operations, as they regularly exchange opinions with Representative Directors and Other Directors as well as Full-time Audit & Supervisory Board members. Moreover, Outside Audit & Supervisory Board members ask candid questions and express their opinions from an independent and objective standpoint at meetings of the Board of Directors, and we believe that the objectivity and neutrality of the management monitoring function is ensured.

Corporate Governance System (as of July 2022)



Roles and Activities of Each Meeting Body and Committee

Board of Directors

The Company has eleven Directors, four of whom are Outside Directors, and the Chairman and Chief Executive Officer serves as chair of the Board of Directors. The Board of Directors is composed of all Directors and operates with the attendance of Audit & Supervisory Board members (four, including two Outside Audit & Supervisory Board members) who have an obligation to attend.

Based on its fiduciary responsibility and accountability to shareholders, the Board of Directors aims to achieve sustainable growth and enhance the corporate value of the Group over the medium to long term for the common interest of the Group, its shareholders, and all other stakeholders.

The Company's Board of Directors makes decisions on important matters related to management in accordance with laws, regulations, and the Articles of Incorporation in addition to supervising the execution of business by each Director.

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.

Audit & Supervisory Board

The Company has four Audit & Supervisory Board members, two of whom are Outside Audit & Supervisory Board members and two of whom are 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 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.

Each Audit & Supervisory Board member attends meetings of the Board of Directors and other important meetings in accordance with the audit policy and audit plan established by the Audit & Supervisory Board, audits the execution of duties 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.

Nomination Committee

The Nomination Committee is composed of three Directors, the majority of whom are Outside Directors. The committee members are Akie Iriyama, an Outside Director, Haruka Mera, an Outside Director, and Kunio Yamada, Chairman and Chief Executive Officer, and the committee is chaired by Akie Iriyama, an Outside Director. The Nomination Committee drafts the proposals for the selection and dismissal of Directors, the proposals for the selection and dismissal of Executive 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.

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 members are Akie Iriyama, an Outside Director, Haruka Mera, an Outside Director, and Kunio Yamada, Chairman and Chief Executive Officer, and the committee is chaired by Kunio Yamada, Chairman and Chief Executive Officer. 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.

Diversity of the Board of Directors and the Audit & Supervisory Board

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	●			●	●			
Chiharu Takakura	●			●				●
Atsushi Hiyama	●		●			●		
Hidetoshi Segi	●					●	●	
Akie Iriyama	●	●			●			
Haruka Mera	●				●	●		
Tatsuo Uemura	●							●
Eriko Hayashi							●	●

Ratio of Independent Outside Directors **1/3** 4/11 Officers



Ratio of Female Officers **1/4** 3/11 Officers



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. The Company expects that he will continue to effectively offer his insight at meetings of the Board of Directors.
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 Council of New Form of Capitalism Realization. The Company expects that she will continue to make recommendations that will contribute to improving our financial and social value.
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. The Company believes that his extensive knowledge and expertise of capital markets and the Companies Act will greatly contribute to strengthening corporate governance to support medium- and long-term growth. The Company expects that he will effectively offer his knowledge and expertise at meetings of the Board of Directors.
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. The Company expects that she will effectively use her insight and accomplishments to promote our global risk management efforts in the future.

Messages from Newly Appointed Outside Directors



Tatsuo Uemura

Outside Director

The literal translation of the word “well-being” is “to be well” or “to exist well,” but Mr. Kinya Abe, a great authority on Western history whom I respect, said that culture means to live well and refers to a person’s way of life. An educated person is not an expository and intellectual person, but a person who seeks and follows a better way of life in society. It is possible for a craftsman who devotes his life to a single job to be a very educated person in his way of life, and for a university professor or a great politician to be completely illiterate, and such historical facts are too numerous to mention. The cultivation of a person like a hermit who is separated from society is self-satisfying, and it is only in relation to other people (society) that his or her way of life becomes meaningful.

By the way, the original meaning of the word “company” refers to “society.” Société, which means “company” in French, is an association (contract) in which people who come together to do a joint business. This is not a concept in corporate law, but in civil law. Even a large public stock company is merely a société anonyme (anonymous partnership). This is because, due to trading via the stock market, there is always a human involved, even if it is anonymous. The English word “company” means friends, companions, or a community. In Japanese, once upon a time we would use 座 (za), 組 (kumi), 講 (kou), 結い (yui), 寄り合い (yoriai), or 一揆 (ikki). Europeans conjure up images of companies with this linguistic nuance. To seek a way of life as “well-being” in a company or fund that does not have the scent of human beings, or that has little or no scent of human beings, would be tantamount to seeking fish by climbing a tree. As an Outside Director, I intend to support Rohto to ensure it can continue to be a company that strives to achieve its business objectives on behalf of humanity, and to be a company whose employees as well-being keep a close eye on what its management is like as well-being.



Eriko Hayashi

Outside Director

I was appointed as an Outside Director of Rohto at the General Meeting of Shareholders in June 2022. During the COVID-19 pandemic, the global environment changed dramatically. People are facing various health and social issues which made me reflect on the background to Rohto's steady performance. What I felt during my reflections was, first of all, that Rohto's corporate philosophy has a high public interest in providing well-being to people all over the world by delivering health. Secondly, Rohto is a company that can return to its corporate philosophy and think intrinsically when faced with changes in the business and social environment. Thirdly, Rohto continues to boldly take on new challenges in the spirit of “Never Say Never,” incorporating the free and open-minded suggestions and opinions of its employees, who are full of ideas. Lastly, in taking on such new challenges, Rohto is making business decisions based on thorough research and discussion, and is implementing appropriate risk controls.

As an attorney, I have been involved in the legal affairs of global companies for more than 20 years and I have also worked in the United States and China. I will continue to support Rohto through proposals, advice, and discussions at Board of Directors meetings based on my knowledge so that Rohto can continue to promote its business globally based on its management philosophy of delivering well-being to people around the world.

Furthermore, as an attorney, I emphasize a dialogue-based approach to problem solving, and as a career consultant, my other line of business, I support people that consult with me in the process of taking new action through dialogue. I will do my best in my duties to deepen understanding through dialogue with Rohto officers and employees, and to support them when they take new action.

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 the fiscal year ended March 31, 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 management. 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 operations. The results of the evaluation of effectiveness were reported to the Board of Directors' meeting held on June 27, 2022, and 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, with a majority of Outside Directors as its members, within the scope of the total amount of compensation, etc., previously approved by the General Meeting of Shareholders. The Compensation Committee is composed of three Directors, the majority of whom are Outside Directors. The committee members are Akie Iriyama, an Outside Director, Haruka Mera, an Outside Director, and Kunio Yamada, Chairman and Chief Executive Officer, and the committee is chaired by Kunio Yamada, 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., previously approved 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 the fiscal year ended March 31, 2022 was 28,000 million yen, and the actual result was 29,349 million yen.

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

Auditors 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 (excludes Outside Directors)	393	353	40	7
Audit & Supervisory Board members (excludes Outside Audit & Supervisory Board members)	39	39	—	2
Outside officers	40	40	—	6

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)	196	Filing company	178	18

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

Business Execution Structure

Initiatives to Improve the Efficiency of the Execution of Duties by Directors

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, while at the same time establishing an Strategic Design Headquarters to tackle medium- and long-term issues related to our health and beauty business, marketing, research and development, production, alliance promotion, promotion of well-being management, and DX promotion. Every other week the Company holds Executive Meetings (management strategy conference), which are attended 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 addition to regular meetings of the Board of Directors, the Board of Directors has established and operates a system of written resolutions and approval decisions so that time can be allocated for discussions on more important matters. The Board of Directors supervises the proper operation of this system by receiving reports on requests for approval. A Nomination Committee and Compensation Committee have been established as voluntary committees independent from the Board of Directors to enhance transparency and objectivity in the process of selecting candidates for Director and determining compensation for individual Directors. Both committees are composed of a majority of Outside Directors, and the Nomination Committee is chaired by an Outside Director.

In order to respond quickly and accurately to changes in the business environment and to achieve sustainable growth and enhance corporate value, we have established a new management structure (with 6 CXOs) that enables speedy decision-making and the execution of measures based on roles and responsibilities. We will increase the agility of decision-making related to management strategies, and strengthen the mobility of management by clarifying the executive officers in each area.

New Management Structure

Name	Position	Responsibilities
Masaya Saito	Chief Financial Officer	Overseas businesses, ESG management supervision
Shinichi Kunisaki	Chief Technical Officer	R&D, manufacturing
Chiharu Takakura	Chief Human Resource Officer	Well-being management, organizational development
Atsushi Hiyama	Chief Communication Officer	Public relations, customer relations
Hidetoshi Segi	Chief Strategy Officer	Corporate planning, strategies
Yuichi Itabashi	Chief Information Officer	IT systems, DX

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 3 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.

Development of a Subsidiary Company System

We have put together a Rohto Group Global Management Book to ensure the appropriateness of operations within the corporate group, which serves as a guideline for the independent management of our subsidiary companies. Important matters require the approval of the Board of Directors or the Representative Director of the Company that is the parent company, in accordance with our Rohto Group Management Regulations, and the section of the Company in charge of subsidiary management supervises the situation once approval has been given.

Risk Management

Our purpose is to deliver "health" to people around the world through our products and services. Value creation requires a safe and stable supply of products and services as our business activities. At the same time, social demands on companies in relation to consideration for the environment and sustainability are increasing. By managing risks and conducting appropriate risk control, we aim to maintain sound management, ensure stable profitability and growth, protect the safety, health and profits of our stakeholders, and fulfill our social responsibilities as a corporation.

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 established a Crisis Management Committee to deal with unforeseen circumstances, and have put in place a system to promptly deal with dangers and prevent losses or escalation 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.

Directors and Audit & Supervisory Board Members (As of June 27, 2022)



1. Kunio Yamada

Chairman and Chief Executive Officer

Significant concurrent positions

Chairman of The Mentholatum Company
Outside Director of Bacchus Bio innovation Co., Ltd.

2. Masashi Sugimoto

President and Chief Operating Officer

Significant concurrent positions

Representative Director and
Chairman of Amato Pharmaceutical Products, Ltd.

3. Masaya Saito

Executive Vice President
Chief Financial Officer (CFO)

Significant concurrent positions

President and Director of The Mentholatum Company
Chief Executive Officer of Rohto-Mentholatum (Vietnam) Co., Ltd.

4. Shinichi Kunisaki

Managing Director
Chief Technical Officer (CTO)

Significant concurrent positions

President and Representative Director of Qualitech Pharma Co., Ltd.

5. Chiharu Takakura

Director
Chief Human Resource Officer (CHRO)

Significant concurrent positions

Outside Audit & Supervisory Board Member of NGK SPARK PLUG CO., LTD.

6. Atsushi Hiyama

Director
Chief Communication Officer (CCO)

Significant concurrent positions

Representative Director & CEO of READYFOR, Inc.

7. Hidetoshi Segi

Director
Chief Strategy Officer (CSO)

8. Akie Iriyama

Outside Director

Significant concurrent positions

Professor of Waseda Business School
Outside Director of Sanoh Industrial Co., Ltd.
Outside Director of SEPTENI HOLDINGS CO., LTD.
Outside Director of SORACOM, INC.

9. Haruka Mera

Outside Director

Significant concurrent positions

Representative Director & CEO of READYFOR, Inc.

10. Tatsuo Uemura

Outside Director

Significant concurrent positions

Outside Director of Meiji Yasuda Life Insurance Company
Outside Director of Shochiku Co., Ltd.

11. Eriko Hayashi

Outside Director

Significant concurrent positions

Outside Audit & Supervisory Board Member of Kaizen Platform, Inc.
Representative of ERI LAW OFFICE
Outside Director of Change Inc.
Representative Partner of ERIO G.K.
Outside Audit & Supervisory Board Member of Mujin, Inc.

12. Masanori Kimura

Audit & Supervisory Board member
(Full-time)

13. Hideto Uemura

Audit & Supervisory Board member
(Full-time)

14. Katsusuke Amano

Outside Audit & Supervisory Board member

Significant concurrent positions

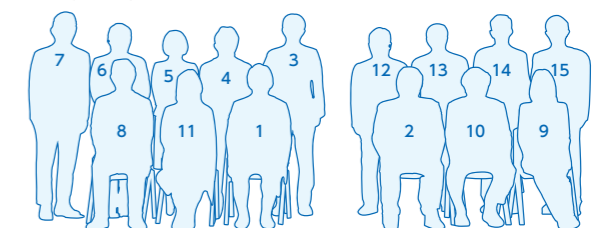
Attorney at Law
Attorney at Law, Kitahama Partners
Outside Corporate Auditor of Aoyama Capital Co., Ltd.
Outside Audit & Supervisory Board Member of Toyo Tire Corporation

15. Yasuhiro Tani

Outside Audit & Supervisory Board member

Significant concurrent positions

Certified Public Accountant, Representative of CPA Tani Accounting Office
Outside Director and member of the Audit & Supervisory Committee of Noritz Corporation.



Compliance

Basic Approach to Compliance

As a means of promoting compliance with laws and regulations, based on our corporate philosophy and the concept of "Never Say Never," our corporate identity, we have established a Rohto CSR Charter, which summarizes, in 10 principles, our approach to environmental protection, human rights protection, and anti-corruption as the foundation of our compliance system, and Rohto CSR Action Guidelines, which summarizes the ethics and values that all members should observe.

Rohto CSR Charter

1. We provide safe, reliable products and services.
2. We will engage in fair and free competition and practice correct business activities.
3. We disclose company information in a timely and appropriate manner to advance transparency of corporate activities.
4. We respect human rights of our employees, care for their health and safety, and treat them fairly.
5. We will actively work to conserve and protect the global environment.
6. We will encourage social contribution activities.
7. We resolutely confront anti-social forces.
8. We keep your personal information strictly confidential.
9. We properly manage company assets and information and prepare appropriate books and accounting records.
10. We make a clear distinction between business activities and private activities.

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 Representative Director. 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.

Initiatives to Ensure Thorough Compliance

[Compliance Awareness Survey]

We conduct employee awareness surveys to ascertain current awareness and confirm effectiveness by tracking changes over time and to periodically review compliance-related standards of conduct. In fiscal 2021, the survey targeted managers and leaders. We plan to expand the target in the future.

[Training for managers and employees]

We conducted compliance webinars for division heads and harassment training for newly appointed managers and leaders. We have also started to offer e-learning to all employees to ensure they understand the importance of legal compliance and Rohto's compliance system. We will continue to promote understanding throughout Rohto.

[Strengthening of transmission of compliance-related information]

- We publish a monthly "Compliance Newsletter" in an effort to share information on overall compliance, including legal matters and harassment.
- Case studies are presented to managers on a weekly basis, and a "compliance quiz" is given to all employees in order to consolidate compliance knowledge and raise awareness.

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.

Whistleblowing System

We have set up a Rohto Hotline, as an internal reporting system for employees to consult and report illegal or potentially illegal activities, including harassment and corruption in the workplace. The Rohto Hotline is connected to an outside law firm to ensure that whistleblowers are not subjected to any disadvantages, thereby providing a system for dealing with issues that are difficult to resolve within the workplace.

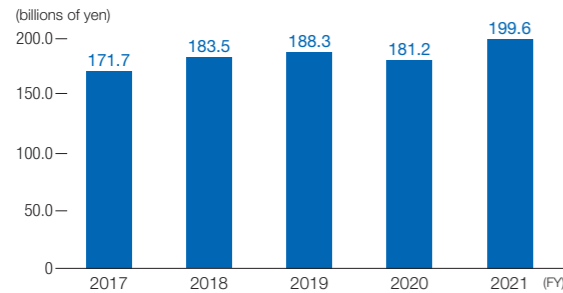
From January 2022, we strengthened the whistleblowing system by expanding the Rohto Hotline to incorporate 10 domestic Group companies and it became known as the Rohto Group Hotline.

Financial and Non-Financial Highlights

Consolidated Financial Highlights

Net Sales

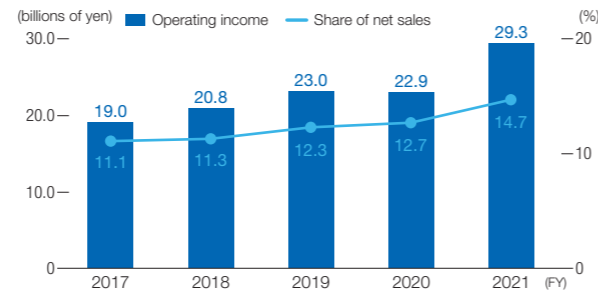
199.6 billion yen



Progress in vaccination and the resumption of economic activity led to a recovery in consumer sentiment, which contributed to sales growth.

Operating Income and Share of Net Sales

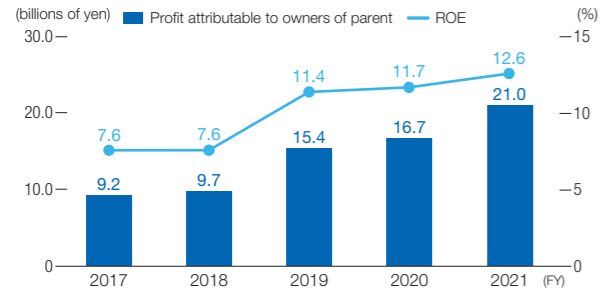
29.3 billion yen / **14.7** %



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.

Profit Attributable to Owners of Parent and Return on Equity

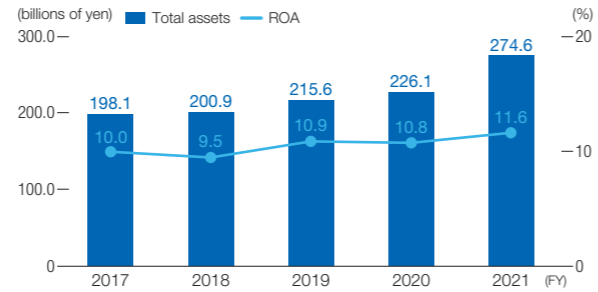
21.0 billion yen / **12.6** %



We also posted a record amount of profit attributable to owners of parent, with five-year average ROE rising to 10.1%.

Total Assets and Return on Assets

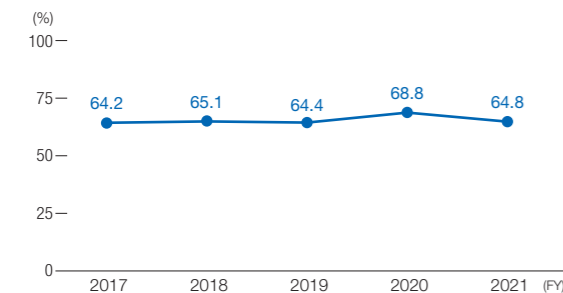
274.6 billion yen / **11.6** %



There was a steady increase in total and net assets, while ROA was maintained above 10%.

Equity Ratio

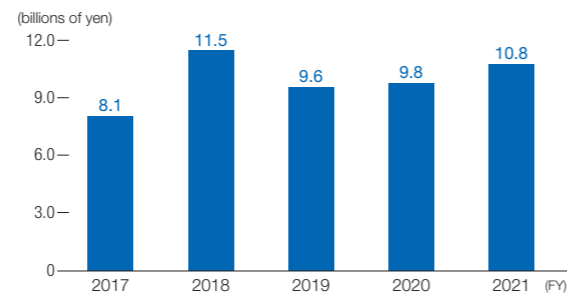
64.8 %



Despite the continuance of a harsh business environment due to the COVID-19 pandemic, we were able to stably maintain the equity ratio at a high level.

Free Cash Flow

10.8 billion yen

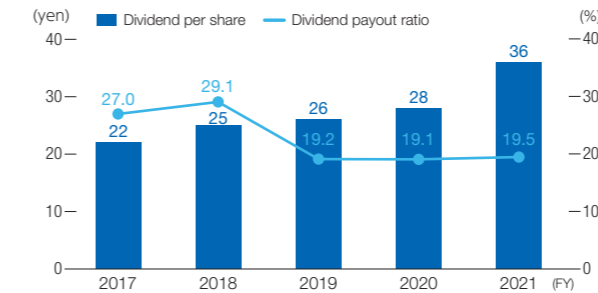


We ensured that free cash flow always remained positive while still investing in new projects and spending on facilities and equipment.

Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and the figures for the fiscal year ended March 31, 2022 are after the application of the said accounting standard, etc. The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2021 have been restated accordingly.

Dividend per Share and Dividend Payout Ratio

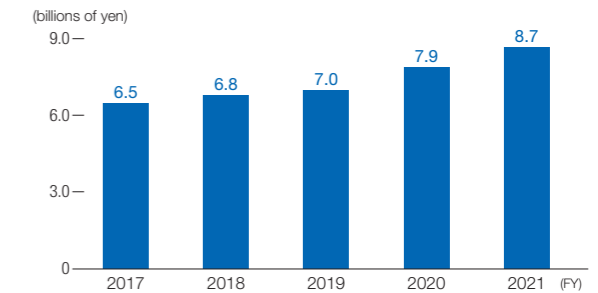
36 yen / **19.5** %



In fiscal 2021, the dividend was increased by 8 yen. We plan to realize an annual dividend of 40 yen for fiscal 2022. This will be the 19th consecutive year that we have raised our dividend.

R&D Expenses

8.7 billion yen



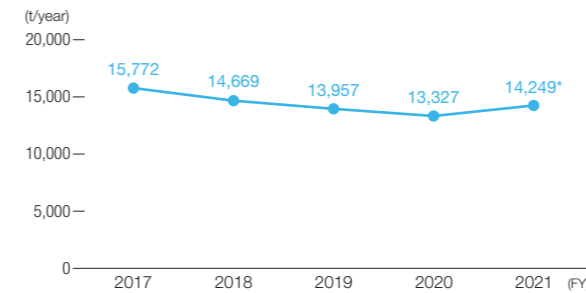
We carried out advanced investment aimed at medium- to long-term growth in the ophthalmology area and regenerative medicines.

Non-Financial Highlights

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

Environment CO₂ Emissions (Scope 1 and 2)

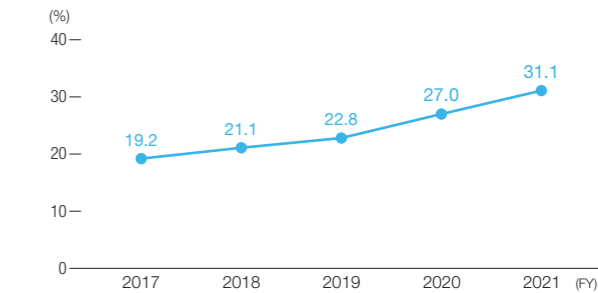
14,249* t/year



Although CO₂ emissions increased due to increased production and the start of operations at a new production facility, total CO₂ emissions increased only slightly due to the use of renewable energy and energy conversion through the expansion of solar power generation facilities and the upgrading of air conditioning units. *Changed the calculation standards to match the GHG Protocol from FY2021.

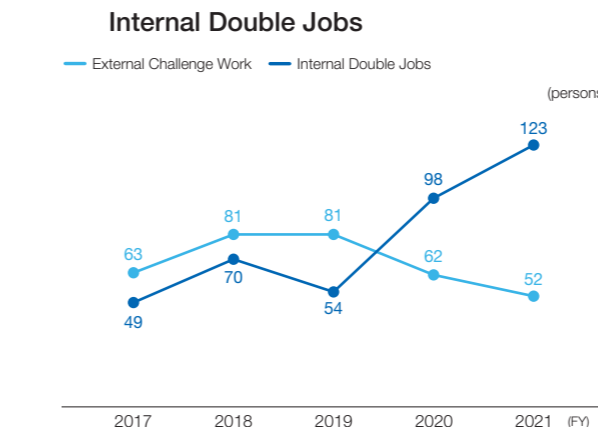
HR Ratio of Female Managers

31.1 %



We are actively recruiting women and steadily growing the ratio of women in management positions.

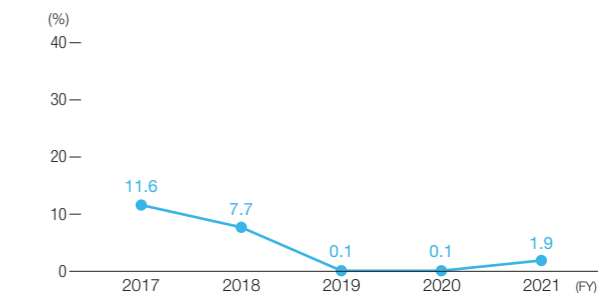
HR External Challenge Work and Internal Double Jobs



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

HR Smoking Rate

1.9 %



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

Key Financial Data (11-Year Summary)

(FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business Performance											
Net sales (million yen)	120,292	129,146	143,822	151,774	167,016	154,599	171,742	183,582	188,327	181,287	199,646
Gross profit (million yen)	70,495	75,873	86,157	90,599	99,226	91,344	101,049	109,624	114,240	106,726	116,488
Share of net sales (%)	58.6	58.8	59.9	59.7	59.4	59.1	58.8	59.7	60.7	58.9	58.3
Selling, general and administrative expenses (million yen)	56,871	61,493	69,336	77,440	83,543	75,893	81,962	88,812	91,154	83,736	87,139
Share of net sales (%)	47.3	47.6	48.2	51.0	50.0	49.1	47.7	48.3	48.4	46.2	43.6
Operating income (million yen)	13,624	14,380	16,821	13,159	15,683	15,451	19,087	20,812	23,085	22,990	29,349
Share of net sales (%)	11.3	11.1	11.7	8.7	9.4	10.0	11.1	11.3	12.3	12.7	14.7
Ordinary income (million yen)	13,684	14,730	17,100	14,098	15,339	15,964	18,849	18,970	22,735	23,910	29,084
Share of net sales (%)	11.4	11.4	11.9	9.3	9.2	10.3	11.0	10.3	12.1	13.2	14.6
Profit attributable to owners of parent (million yen)	8,184	8,087	8,947	8,631	9,098	10,011	9,289	9,799	15,410	16,743	21,018
Share of net sales (%)	6.8	6.3	6.2	5.7	5.4	6.5	5.4	5.3	8.2	9.2	10.5
R&D expenses (million yen)	3,717	4,062	4,547	5,585	5,811	6,123	6,553	6,831	7,050	7,903	8,740
Depreciation (million yen)	4,744	5,256	5,735	6,059	6,044	5,552	5,593	6,159	6,058	6,376	7,216
Profitability Indicators											
Return on assets (ROA) (%)	10.4	10.3	10.9	8.3	8.6	8.8	10.0	9.5	10.9	10.8	11.6
Return on equity (ROE) (%)	10.2	9.2	9.4	8.4	8.3	8.8	7.6	7.6	11.4	11.7	12.6
Efficiency Indicators											
Total asset turnover (Times)	0.92	0.90	0.92	0.89	0.94	0.86	0.90	0.92	0.90	0.82	0.80
Trade receivable turnover (Times)	3.90	4.05	4.44	4.22	3.80	3.24	3.54	3.86	3.94	3.66	4.01
Inventory turnover (Times)	7.01	6.89	7.04	6.91	7.32	6.63	6.89	6.5	6.19	6.19	6.50
Stability Indicators											
Current ratio (%)	158.6	156.3	146.5	162.6	171.4	189.0	186.2	191.6	209.5	235.7	229.8
Equity ratio (%)	60.9	61.7	60.2	61.7	61.4	64.7	64.2	65.1	64.4	68.8	64.8
Interest coverage ratio (Times)	74.1	118.7	126.7	78.0	80.6	138.8	165.2	184.6	197.7	194.7	149.5
Debt-to-equity ratio (Times)	0.13	0.1	0.13	0.11	0.07	0.07	0.07	0.06	0.08	0.07	0.14
Financial Position											
Total assets (million yen)	136,008	150,643	162,249	177,509	179,573	181,543	198,166	200,953	215,644	226,149	274,627
Net assets (million yen)	83,627	93,771	98,627	110,516	111,271	118,436	128,440	132,189	140,032	156,612	183,832
Cash Flows (Consolidated)											
Free cash flow* (million yen)	786	6,107	6,041	2,268	5,258	3,917	8,140	11,500	9,635	9,771	10,844
Cash and cash equivalents at end of period (million yen)	15,381	19,867	23,026	25,093	22,495	23,466	30,063	37,345	44,665	52,254	70,905
Per Share Information											
Net income per share (¥)	69.6	68.78	77.15	76.05	80.04	87.95	81.55	86.00	135.13	146.78	184.26
Net assets per share (¥)	703.93	789.83	861.49	964.18	969.22	1,030.96	1,115.94	1,147.42	1,217.67	1,363.42	1,559.62
Dividends per share (¥)	16	17	18	19	20	21	22	25	26	28	36
Dividend payout ratio (%)	23	24.7	23.3	25	25	23.9	27.0	29.1	19.2	19.1	19.5
Other Financial Information											
Price-earnings ratio (Times)	14.8	18.7	23.6	22.5	25.6	23.7	36.5	33	21.9	20.1	20.1
Price-book value ratio (Times)	1.5	1.6	2.1	1.8	2.1	2	2.7	2.5	2.4	2.2	2.4

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

Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and the figures for the fiscal year ended March 31, 2022 are after the application of the said accounting standard, etc. The provisional accounting treatment for business combinations has been finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2021 have been restated accordingly.

Non-Financial Data

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

(FY)	2016	2017	2018	2019	2020	2021
Employees and Workstyles						
Employees (persons)	1,562	1,400	1,474	1,529	1,595	1,599
Women (persons)	918	805	857	883	918	933
Men (persons)	644	595	617	646	677	666
Turnover rate ^{*1} (%)	4.6	5.4	5.3	3.1	2.7	2.4
Participants in internal double jobs (persons)	36	49	70	54	98	123
Participants in external challenge work (persons)	25	63	81	81	62	52
Paid annual leave taken (%)	62.2	65.3	70.1	71.6	67.4	61.3
Ratio of Female Managers (%)	18.6	19.2	21.1	22.8	27.0	31.1
Uptake of parental leave (persons)	64	105	100	94	100	48
Women (persons)	64	104	99	93	95	40
Men (persons)	0	1	1	1	5	8
Uptake of parental leave among women ^{*2} (%)	100	98	93	95	100	100
Return to work after parental leave among women ^{*2} (%)	95	96	100	95	98	100
Employment of people with disabilities (%)	1.90	1.84	2.08	2.10	2.30	2.40
Products and Quality						
Pleasantly surprised testimonials ^{*3} (cases)	1,669	1,293	1,191	1,963	2,403	2,866
Improvements and findings (cases)	11,758	10,637	10,367	9,585	10,465	10,634
Social Contributions						
Donors to Michinoku Future Fund (persons)	854	866	858	897	Ended ^{*4}	Ended^{*4}
Donors to Karugamo Fund (persons)	934	945	929	953	944	968
Environment						
Changes in crude oil equivalent (kl)	8,160	8,175	8,015	8,179	7,930	8,264
Total CO ₂ emissions (t/year) (Scope1 and 2)	15,846	15,772	14,669	13,957	13,327	14,249^{*5}
Sales intensity (t/million yen)	0.177	0.163	0.141	0.131	0.132	0.141
Total CO ₂ emissions (t/year) (Scope3)						168,720
Sales intensity (t/million yen)						1.667
Electricity consumption (1,000 kWh/year)	23,994	23,711	24,289	25,110	24,914	26,055
Sales intensity (1,000 kWh/million yen)	0.268	0.245	0.233	0.236	0.247	0.257
City gas consumption (1,000 m ³ /year)	2,395	2,410	2,087	2,072	2,913	3,014
Sales intensity (m ³ /million yen)	27	25	20	19	29	30
Water usage (1,000 m ³ /year)	275	290	266	271	248	263
Sales intensity (m ³ /million yen)	3.1	3.0	2.5	2.5	2.5	2.6
Health Management						
Employees performing 8,000-step walking and 20-min. Brisk walking at the time of events (%)	28.2	41.0	44.4	48.5	29.3 ^{*6}	52.3
Obesity (men; BMI ≥ 25) (%)	21.9	24.0	22.5	25.6	26.2	25.2
Obesity (women; BMI ≥ 25) (%)	13.7	15.3	15.2	16.4	16.6	17.4
Smoking rate (%)	12.5	11.6	7.7	0.1	0.1	1.9
Anemia among female employees (%)	7.3	5.1	4.9	5.1	14.3 ^{*7}	14.8

*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 This program ended following the end of the collection of donations.

*5 Changed the calculation standards to match the GHG Protocol from FY2021.

*6 Implemented in 2020 during Japan's state of emergency.

*7 Changed the diagnostic criteria in 2020 (to align with the WHO criteria).

Corporate Data (as of March 31, 2022)

Company Profile

Company Name	Rohto Pharmaceutical Co., Ltd.	Incorporated	September 15, 1949
Capital	6,504 million yen	Number of Employees	6,866 (consolidated basis) 1,599 (non-consolidated basis)
Founded	February 22, 1899		

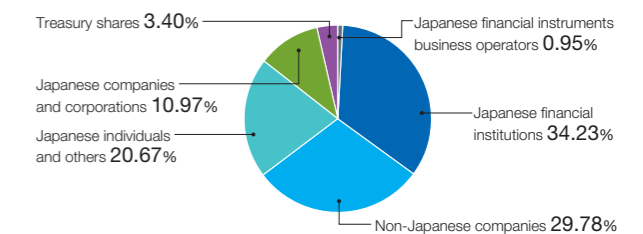
Directors and Officers

Directors	Audit & Supervisory Board Members		
Chairman and Chief Executive Officer	Kunio Yamada	Audit & Supervisory Board member (Full-time)	Masanori Kimura
President and Chief Operating Officer	Masashi Sugimoto	Audit & Supervisory Board member (Full-time)	Hideto Uemura
Executive Vice President	Masaya Saito	Outside Audit & Supervisory Board member	Katsusuke Amano
Managing Director	Shinichi Kunisaki	Outside Audit & Supervisory Board member	Yasuhiro Tani
Director	Chiharu Takakura		
Director	Atsushi Hiyama		
Director	Hidetoshi Segi		
Outside Director	Akie Iriyama		
Outside Director	Haruka Mera		
Outside Director	Tatsuo Uemura		
Outside Director	Eriko Hayashi		

Shares

Number of Shares Authorized	399,396,000 shares
Number of Shares Issued	114,069,893 shares (excl. 4,019,262 treasury shares)
Number of Shareholders	16,288

Shareholdings by Shareholder Type

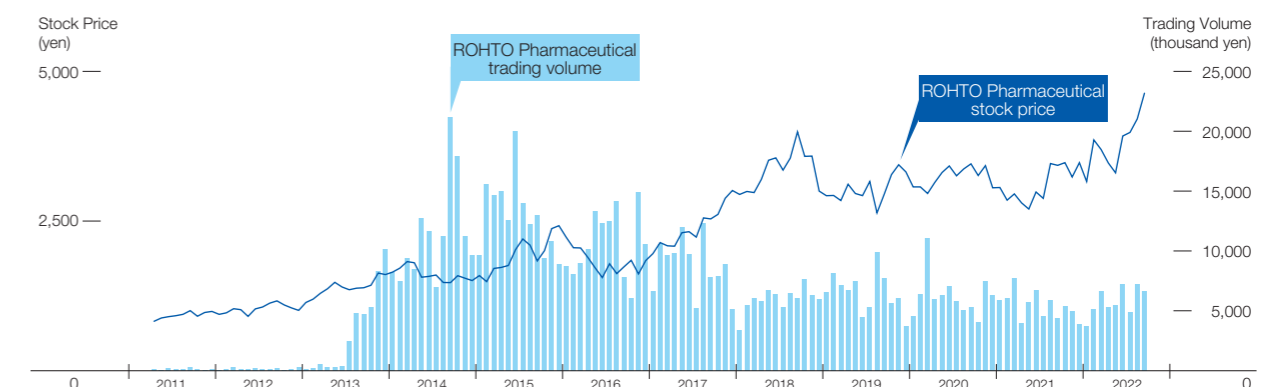


Major Shareholders (Top 10)

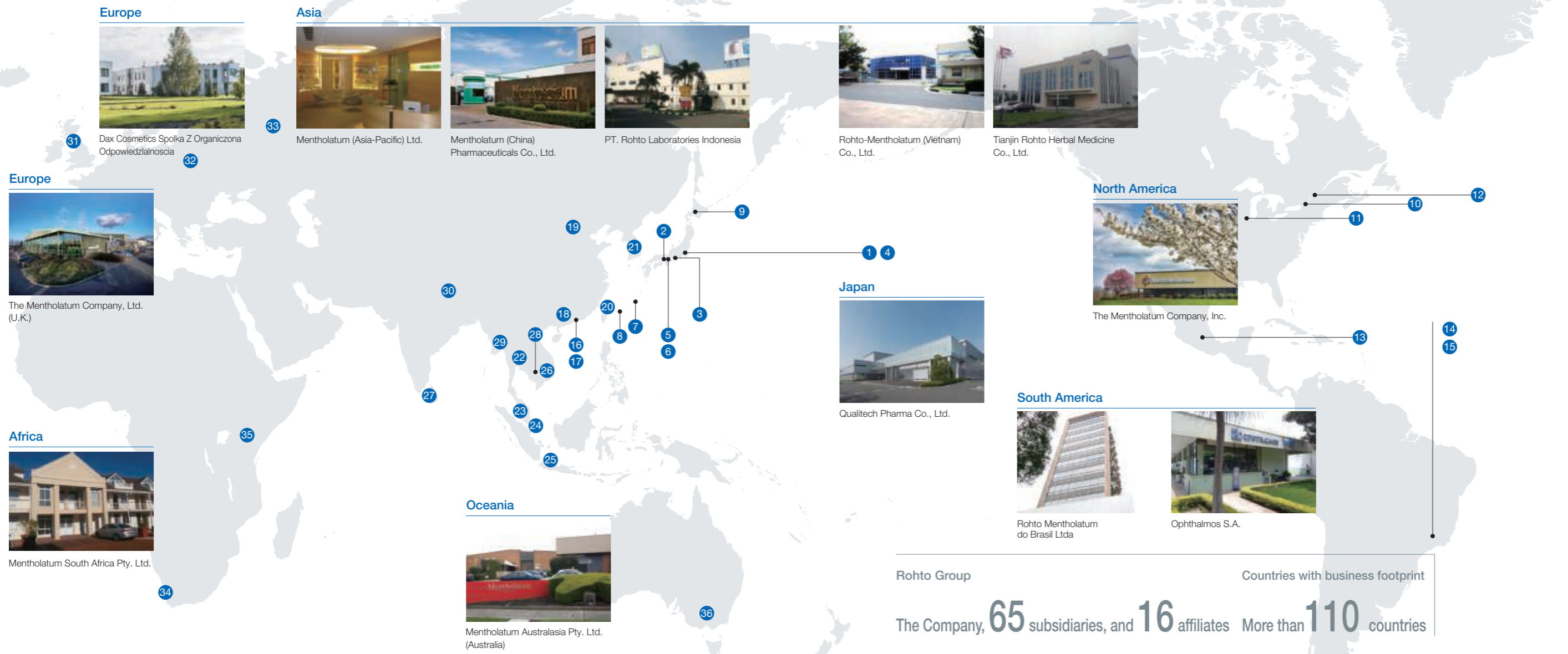
Shareholder	Shareholdings (thousand shares)	Voting stake (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	17,490	15.33
STATE STREET BANK AND TRUST COMPANY 505223	9,447	8.28
Custody Bank of Japan, Ltd. (Trust account)	8,923	7.82
MUFG Bank, Ltd.	3,800	3.33
Kiyoko Yamada	2,968	2.60
Yamada Kosan Limited Private Company	2,807	2.46
Sansho Kosan Co., Ltd.	2,548	2.23
Nippon Life Insurance Company	2,119	1.85
Kunio Yamada	1,954	1.71
HSBC-FUND SERVICES, HBAP CLTS UCITS A/C - IRELAND	1,806	1.58

Note) The Holding Ratio has been calculated by deducting the treasury stock (4,019,262 stocks).

Changes in Stock Price and Trading Volume



Global Network



Rohto Group Countries with business footprint
 The Company, **65** subsidiaries, and **16** affiliates More than **110** countries

Main Subsidiaries and Affiliates

	Company Name	Location
Japan ● The Company and 14 consolidated subsidiaries ● 3 affiliated companies accounted for by the equity-method ● 16 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 ● 9 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.	Ho Chi Minh, 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 ● 9 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



NEVER SAY NEVER

ROHTO

Rohto Pharmaceutical Co., Ltd.

<https://www.rohto.co.jp/>

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