

NEVER SAY NEVER



HEALTH VALUES REPORT 2019

Rohto Pharmaceutical Health Values Report 2019

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Rohto Pharmaceutical celebrated its 120th anniversary in 2019.

Our core value of “Health” has been consistent since the Company’s establishment, and we will continue to move forward in the long term with this core value while also promoting values in the areas of “Environment” and “Social.”

Corporate Philosophy



We recognize that Rohto’s greatest responsibility is to continue to contribute to people’s mental and physical health so that they can lead affluent, happy lives. Therefore, we shall implement management objectives from a long-term perspective and strive to create value in order to achieve our goals.



Being mindful of our mission as a public entity, 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.

*Articles of Incorporation were partially amended with approval of the shareholders during the General Meeting of Shareholders in June 2019. Corporate philosophy has been added to Article 2, in order to manage the Company to focus on public benefits and long-term development.



Seven Pledges

- 1 We work wholeheartedly to support society, to help create a better world.
- 2 To this end, we are resolved to learn with humility and strive continuously toward self-improvement.
- 3 We place the highest importance in earning the trust and respect of our colleagues and our external business partners.
- 4 We take pride in our corporate culture that fosters lofty ideals, stirs passionate debate, and generates energetic actions.
- 5 We delight in constantly challenging each other to create waves of happy surprises for our customers worldwide.
- 6 Our people are our greatest asset. Our hard working culture, spirit of close cooperation, determination, passion, and leadership provide the fuel that drives the company.
- 7 We firmly pledge to serve the people, the society, and the environment, and are thankful for our meaningful existence.

Corporate Identity

NEVER SAY NEVER

What is “Never Say Never”?

In order to make the world a healthier place, we look ahead clearly to the path that we should be taking. And, despite any difficulties, we keep challenging ourselves to go forward and move beyond the boundaries of common sense.

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Editorial Policy

We issued this Health Values Report in the hope that we gain the full understanding and support of everyone surrounding us, as we communicate the philosophies that we value and explain our larger goals. We will be gratified if the values that we are promoting in the areas of “Health,” “Environment,” and “Social” resonate with you.

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 derived from data that is readily available as of the date of this report and is in accordance with the management’s decisions. Therefore, the actual results may greatly differ from the forecasts due to various factors that may affect the performance. We appreciate your understanding of this matter.

MESSAGE FROM THE CHAIRMAN



We will keep challenging ourselves to move
beyond the boundaries of common sense
To build a sustainable society where people
can lead long, happy, and healthy lives.

Chairman
Kunio Yamada

Sustainability is a topic that is now being questioned in society. We are facing many incidents around the world on the impact of climate change. In Japan, the issues of a declining birthrate and an increasingly aging population are becoming more serious by the year. These problems make it more difficult for us to have hopes for a bright future, and these challenges that the society is facing are closely related to each other. In the food industry, for example, we face issues related to food shortages and food processing, and these issues are also deeply related to the environment and energy. We must come up with solutions to these issues from the viewpoint of cyclical sustainability. It is important to look ahead 30 to 50 years into the future and not just consider the short term, as we need to create a sustainable society now. When we think about our lives 50 years from now, we can picture the children of our younger employees being active participants in the society. From that perspective, it is not very far in the future, as we realize it is our future. That is why it is extremely important for our corporate strategy to think of our future from a long-term point of view and look 30 to 50 years ahead. The goals we set for the future of sustainable society is our current business strategy. In the fields of health and medicine, treatment techniques are expected to advance tremendously over the next 30 to 50 years. In addition, diagnostic techniques to quickly detect diseases, and techniques to prevent from getting any diseases will likely be developed as well. Consequently, people will live even longer lives. Japan is known throughout the world as a country whose people have exceptional longevity. If we can be successful in creating a society in which people enjoy longevity and lead happy lives, we can set an example for other countries who will also experience an increase in longevity with their people. Our Company will contribute to establishing a new social system in which people can be healthy and enjoy a long life. Our efforts encompass a wide range of health benefits, including not only treatment with medicines but also preventive care and diagnoses

and creating health through food. At the same time, we wish to be actively involved in building a company where the employees can be happy and a structure of society, allowing us to create an innovative and unique company model.

We plan to form a large team with many people and partners who are associated with us, and as team members, we strive to build a new social system and an innovative business model. We need to be open-minded and get rid of walls, not separating the Company or the country with others. We will welcome young people from abroad to create true diversity, as we face the ongoing issue of a lower birthrate and an aging population in Japan. Employees of our Company multi-tasks, as he or she assumes roles in family life and in local communities in addition to company duties. We will not keep the employees solely tied to the Company, but we encourage each of them to be independent and have strong connection to life outside of the Company as we already allow employees to have secondary jobs. By doing so, they can contribute to the world as standout individuals.

Since the founding, our Company's core value of Health remains at the center of our mission. With Health as our core, we also strive to promote values in Environment and Social. We maintain a long-term view and work together with people who have connections to our Company to address social issues and challenges we face. We hope that all the people who are associated with the Company understand and agree with the values we treasure and the goals we are aiming for, and will always offer us long-term support as we meet these challenges.

November 2019

Chairman

山田邦雄

Our Social Mission and the Values We Must Realize

“Healthy and Happy Longevity” We Challenge Ourselves to Create a New Society.

Social issues such as a lower birthrate and an aging population, climate change and issues concerning energy are closely related to each other, and they are “difficult issues”.

It is crucial to look firmly ahead 30 to 50 years from now to tackle these issues. And the keyword that is instrumental in successfully addressing them is “Health,” which Rohto believes to be most important.

By continuing to proactively create the core value of “Health”, we will challenge to build a new society where people can spend a healthy and happy long life in Japan, which is an advanced country with longevity that the world has ever seen and globally where aging population will increase.

At the same time, we will stay forward-thinking as we build a new business model, by actively engaging in creating a company where people working can be happy or a structure of the society.

Social

There are still so many things we can do for the world and for other people. Rohto Pharmaceutical Company strongly believes in this, and the Company is determined to contribute in its own way to making the world and its people healthier and more wholesome.



Health

Since the founding, Rohto has dedicated itself to beauty and health of the people worldwide, and we will continue courageously challenging ourselves to move beyond the boundaries of common sense and creating the future of health.

The Values We Must Realize



Environment

The health of the earth is crucial for realizing a healthy and long living society. Rohto is striving, and will continue to strive, to follow our unique endeavors in constant consideration of the environment.



MESSAGE FROM THE PRESIDENT

**By expanding business areas in which the Company has advantages and accepting challenges in new business opportunities, we will realize our Management Vision 2030
“Connect for Well-being.”**

Working toward realizing Management Vision 2030

We wish to continue to contribute to the beauty and health of people all over the world, and we also wish people around us to maintain their high expectations in our presence. In order to express our thoughts and hopes clearly on where we wish the Company to be in 2030, we developed a management vision called “Connect for Well-being” in February 2019 upon our 120th anniversary.

“Well-being” means that individual people are healthy both physically and mentally and that the society is healthy as well. Moreover, it is a state where people are living his or her daily life feeling happy. The word “happiness” means not only physical and mental health but also spending active time while feeling happy. Our Company will continue to contribute to realizing healthy and long living

society so that people around the world can enjoy a state of well-being for a long time, by being a pharmaceutical company that not only sells medicine but also connects various areas of our business, including existing medical products and skincare products. In addition to the management vision “Connect for Well-being”, we clarified the areas of business which we will target in the next ten years and defined “Business Area Vision” for each business sector. The Business Area Vision consists of six areas: OTC medicines (general drug

products), skincare, functional foods, ophthalmology area, regenerative medicines, and contract development and manufacturing organization (CDMO).

For example, in the field of OTC medicines, we will further strengthen our main product lines. At the same time, we will pursue a strategy to enter new categories through collaborations and M&As to enhance our product portfolio. We hope to become a leading provider of OTC medicines in Japan. In the areas of pre-symptomatic diseases and prevention,

we will put our efforts into functional foods so that we can attain our third corporate pillar in these areas. We will also solidify our regenerative medicine business in the field of life science.

By clearly articulating our goals through Management Vision 2030 and Business Area Vision, we will promote active collaborations with business partners who can share the same goals and values. “Connect for Well-being” will be realized by searching for various forms of collaboration and cooperation.



President
Masashi Sugimoto

Great opportunities for OTC medicines and functional foods

As medical finances become tighter, Japan as a country needs to seriously consider which areas to use its limited financial resources. In order to control increasing medical costs, it is expected that patients “switching to OTC” from prescription medicines will further increase. Also, “self-medication,” in which a patient takes care of his or her own health before going to see a doctor, will play an important role in reducing medical costs and prolonging one’s healthspan. We believe that with growing significance of switch OTC and self-medication, there will be higher dependency on OTC medicines to achieve longer healthspan. As a result, the OTC medicine market will naturally expand. We already have products in several categories, such as ophthalmic, dermatological, digestive, and Chinese herbal medicines. We plan to pay special attention to expanding these markets and enhancing our OTC medicine lines by building a new brand and collaborating with other companies. In this way, we will establish a company structure that contributes to people and society promoting health and longevity, all while being ahead of our time. In addition to expanding our presence in the OTC medicine market, we plan to strengthen our efforts in the food business, including functional food products. It is difficult to only rely on medicines and

advances in medical treatment to expand our healthspan. That is why the care for pre-symptomatic diseases and prevention is important. We will support the prolonging of people’s healthspan by offering functional food products that are developed with clear evidence of their effectiveness, and a balanced, nutritious diet through food.

The world is paying close attention to Japan as we tackle the issue of a severely aging population. China and other countries in Asia are also expected to have large aging populations 20 years behind Japan. Therefore, we will make full use of our experience in Japan for other countries including those in Asia in the future.

Connecting vision, strategies, and organizational structure

For the realization of our Management Vision 2030 and Business Area Vision, we will specify our strategic plans and build an organizational structure so that such strategies can be confidently carried out. In order to “connect” our wide range of businesses, we need to have close collaboration between organizations within the Company. It is crucial that organizations and employees are joined together with a strong trust so they “connect” in unity.

Since its founding, Rohto has followed a familial management style in which each employee is highly valued. Such management style has encouraged many of our employees to be more loyal to the Company and more supportive of the Company and the community. In addition, our Company has a great DNA of “positive persistence,” “taking on challenges,” and “doing what others won’t do” in our blood. Our employees have tackled extremely difficult challenges which no one thinks they can do, with a mindset “to do because it’s difficult”. We have accumulated our



experience through successes and failures from such challenges.

Our corporate culture of taking on challenges is a strength that is not found in other companies, and it has led to the development of each employee’s independence and skills. Now, we will further strengthen the teamwork and the relationships between the divisions, based on each employee’s individual abilities and skills. We will start to develop a structure and procedures to promote teamwork and collaboration among divisions and create an organization where people have an affinity for one another, a place in which everyone can build genuine, trustworthy relationships. The main point is to build an organization with strong roots and have each employee understand the Company’s vision. This is my role as the president of the Company. Our visions are shared so that we can all look in the same direction and engage in active discussions with our fellow employees. We will work hard toward realizing these management and business visions.

Realizing the values of “ESH” to contribute to social health

By striving to “Connect for Well-being,” we will contribute to creating a lifestyle of social health wherein people can live happily. On the world stage, the United Nations adopted “Sustainable Development Goals (SDGs),” and ESG management is being sought to promote awareness of social values. As a company that continues to devote itself to beauty and health, we will take our own active approach in promoting “ESH” to realize the values in the areas of “Environment” and “Social,” all while maintaining the core value of “Health” as our central pillar. In the area of “Social,” roles that our Company should play include rejuvenation of local communities and rural regions, as well as support for children of the future generation. As the over-concentration in the Tokyo area accelerates, I believe that rejuvenating the local communities and rural regions prosperously and supporting the health and learning of the children with the future will

contribute to re-energizing the society as a whole. I also believe that having people put down their roots in local communities and regions and building communities where children can live a healthy life will lead to greater health and sustainability for the entire society.

In the area of “Environment,” as we introduced refill pouches for cosmetics products ahead of other companies, we will continue moving forward with ideas and methods to protect the earth’s health, such as replacing plastic bottles with bio-plastic bottles. Consideration for the environment is now a well-recognized trait among our customers and in society generally, and the awareness is only spreading. We have developed our own unique environmental symbol which will be used on our product packaging in the future.

Needless to say, sound corporate governance is crucial to promote such ESH initiatives. In order to realize our Management Vision 2030, we will enhance the effectiveness of the board of directors’ meeting, further strengthen the corporate functions, and maintain financial stability. We will offer our active commitment to social health and will keep challenging ourselves to promote ESH values while paying attention to being healthy and sound as a company.

Our Company will continue to move beyond the boundaries of common sense and contribute to the health of people and society. We will realize Management Vision 2030 “Connect for Well-being”, by building strong organizational bonds within our Company and promoting collaboration and cooperation with our partners by sharing our values. We appreciate your continued long-term support and guidance.

November 2019

President

杉本雅史

Management Vision 2030

Connect for Well-being

“Well-being” means you are both healthy physically and in good spirits. You smile at every stage of your life.

Rohto wishes people all over the world to feel the *Well-being* for a long time.

We will create innovations in many diverse areas, including medicines and skincare products, and we will *Connect* them together.

To make it happen, we closely *Connect* our colleagues and also organizations within the Company.

Furthermore, we will develop talent of our human resources on a foundation of trust chains, and build a coherent, unified organization that will further *Connect* to the *Well-being* of all people.

—Connect for Well-being—



Business Area Vision 2030

We deliver quality products and services in our focused areas of medicine, cosmetics and food. These products and services are geared toward various phases of life, such as when one is healthy or dealing with a pre-symptom disease or an actual diseases.

OTC Medicines (general drug products)



Aim to be a leading OTC medicines company in Japan

Ophthalmology Area



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

Skincare



Create skincare products that regenerate healthy skin by working on foundational functions of the skin

Regenerative Medicines



Commercialize innovative life science technologies

Functional Foods



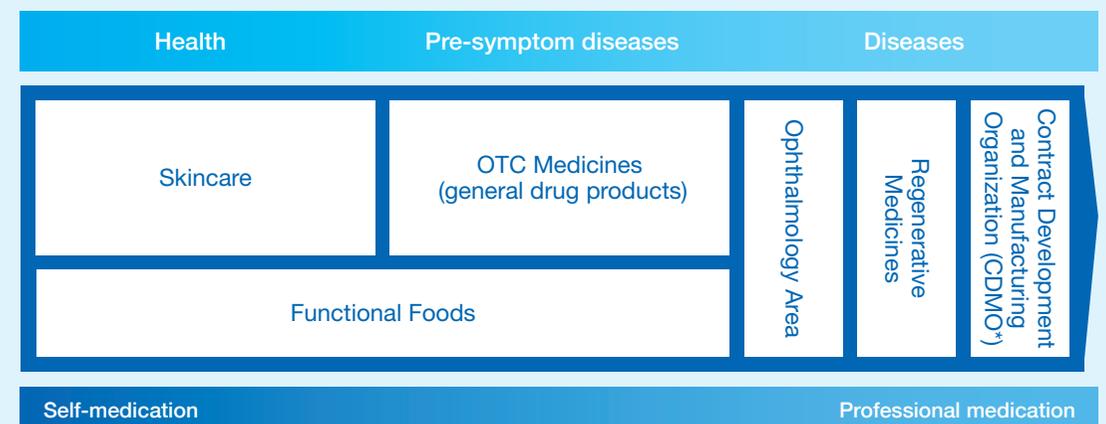
Develop food business based on evidence and trust as our third pillar

Contract Development and Manufacturing Organization (CDMO*)



Evolve into contract development and manufacturing organization with uniquely added development skills

Areas that Rohto will pursue

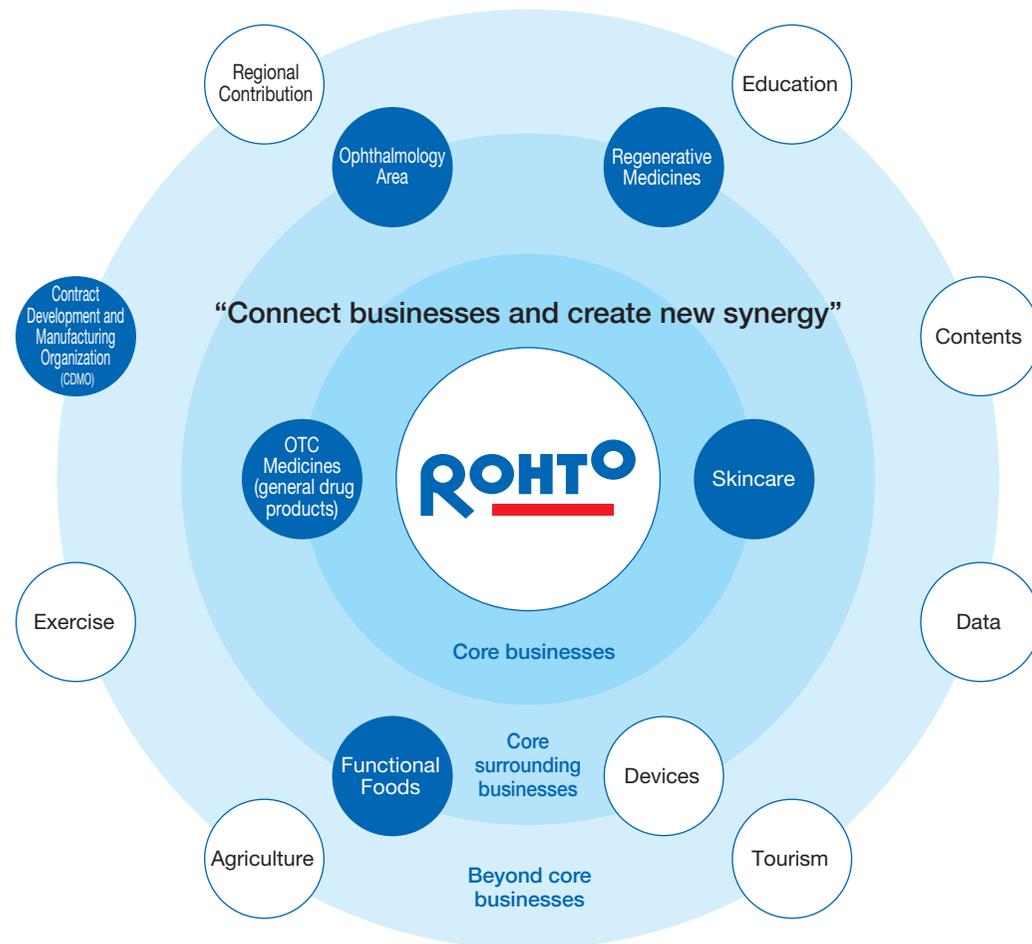


* CDMO: Contract Development Manufacturing Organization

What does it mean to “connect” businesses?

Going over the industry barriers and connecting businesses

In order to accomplish the goals of the management vision for 2030, Rohto will develop active businesses in six business areas by having a vision for each area. We will also connect each business by climbing over industry barriers and collaborating and cooperating with our partners. We believe that growth opportunities appear when we reach across industries or between boundaries. We will act like an “amoeba” so that we can move around freely among businesses, industries, and boundaries to create new synergy.



Topics

Jumping across national borders and cultural barriers to connect resources and knowledge from each region

Rohto has built a network covering more than 110 countries and regions developing products and services that address people's health around the world.

In 1988, The Mentholatum Company became our affiliate, and since then, Rohto has been growing its overseas business. We have applied our medicine and skincare technologies as well as our marketing approach in Japan to other countries especially in Asia. We will continue to take the same strategy in countries where explosive population growth is expected, such as those in Africa. At the same time, we will look closely at the consumer needs in each region, in addition to referencing the success story in Japan. We will connect to local knowledge and ideas that are original to each region so that we can expand our businesses. One example is “Hada Labo,” our main skincare brand developed in Japan. We keep the original product concept but develop the product further to respond to local needs and deliver these products to our customers worldwide, and as a result it has grown to be a global brand.

There are many types of people within the Rohto Group. We will continue to combine their knowledge to respond to the needs of people everywhere.



Connecting “food,” the source of health, from production to daily life of customers

The power of medicine is great, but true “health” is the absence of necessary medicines. Our Company is paying attention to types of “food” that can be a source for making bodies strong enough to fight diseases and stresses. We are exploring the possibilities of “food” while connecting agricultural and food industries. At Yaeyama Farm on Ishigaki Island, we are linking livestock and agriculture to develop an ecological recycling agricultural system. The Company is challenging “development of sixth-order industry,” which connects livestock and agriculture to food processing, distribution and sales, so that we can offer safe, delicious produce and food. Likewise, Hajimari-ya in Uda City, Nara Prefecture was certified organic by JAS and is contributing to health through food.

Restaurant Shunkoku Shunsai, which opened in April of 2013 and is directly managed by the Company, uses food produced at Yaeyama Farm and Hajimari-ya. The restaurant is providing menus that not only feature tasty dishes but also include dishes that are seasonal and accommodating to customers' dietary needs. We are connecting everyone's active spirit every day through food.



Promoting longevity to the world by connecting through health.

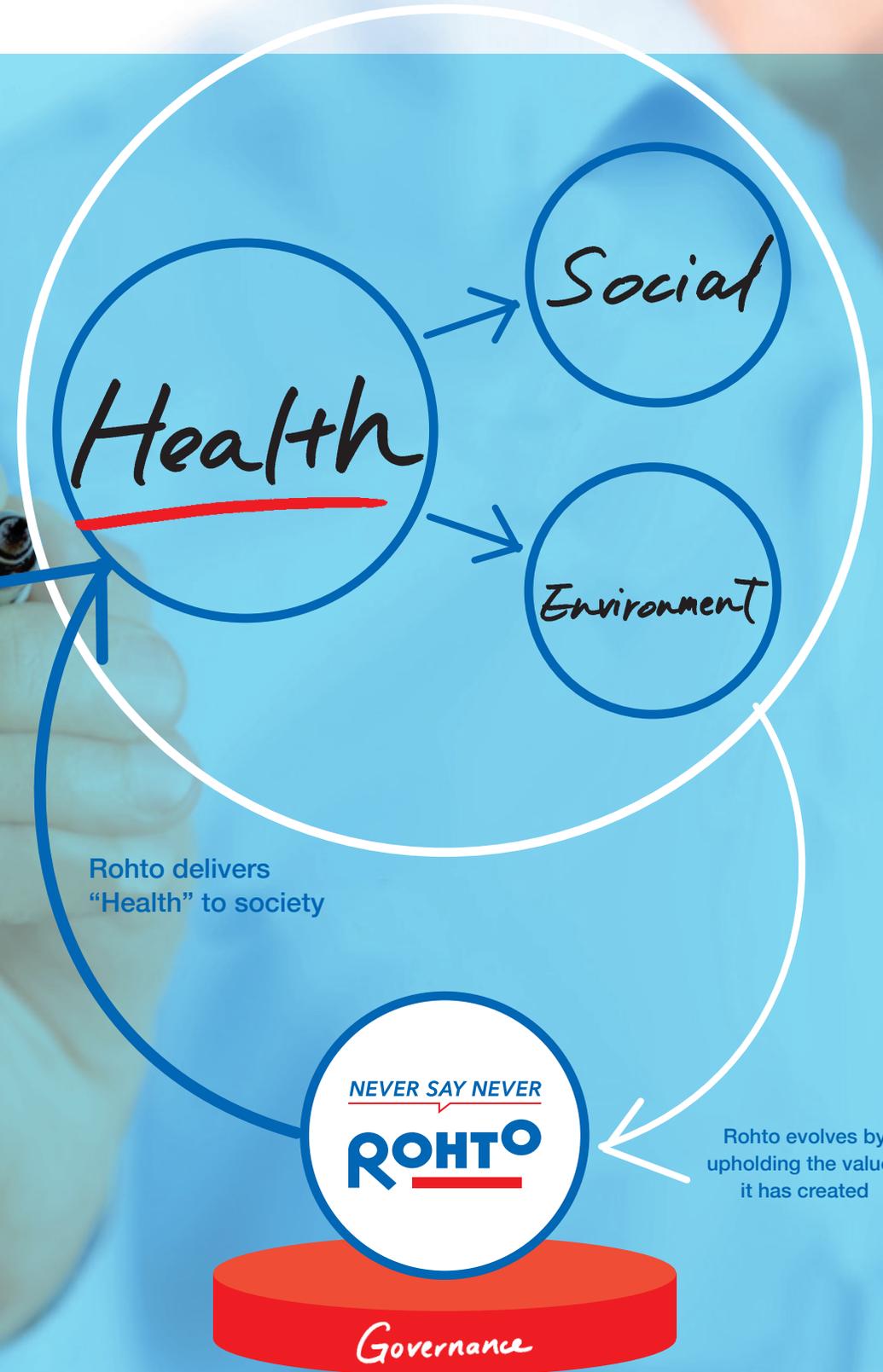
“Health” is the core value of Rohto and is an important key to facing current social issues and building the social system of the future.

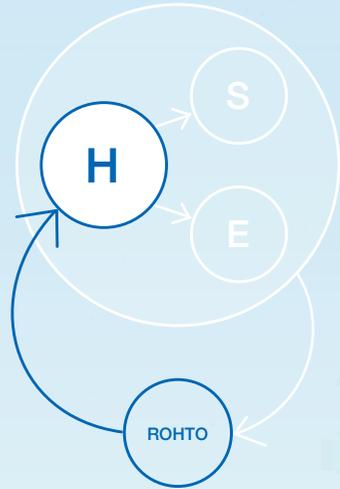
While Rohto provides “Health” through its products and services, we also create our original values of “Social” and “Environment” from the point of view of health.

Rohto is connecting with the society through “Health”, and by collaborating and cooperating with the people surrounding us to promote ESH, we strive to realize a society in which people can enjoy a long, healthy, and happy life.

What is “ESH” for Rohto?

“ESH” for Rohto is the value of “Health” which is a core value that has been consistent since the company’s establishment, and the value of “Social” and “Environment” created originally from the point of view of health. For sustainable creation of values, we will take the initiative with a long-term view.





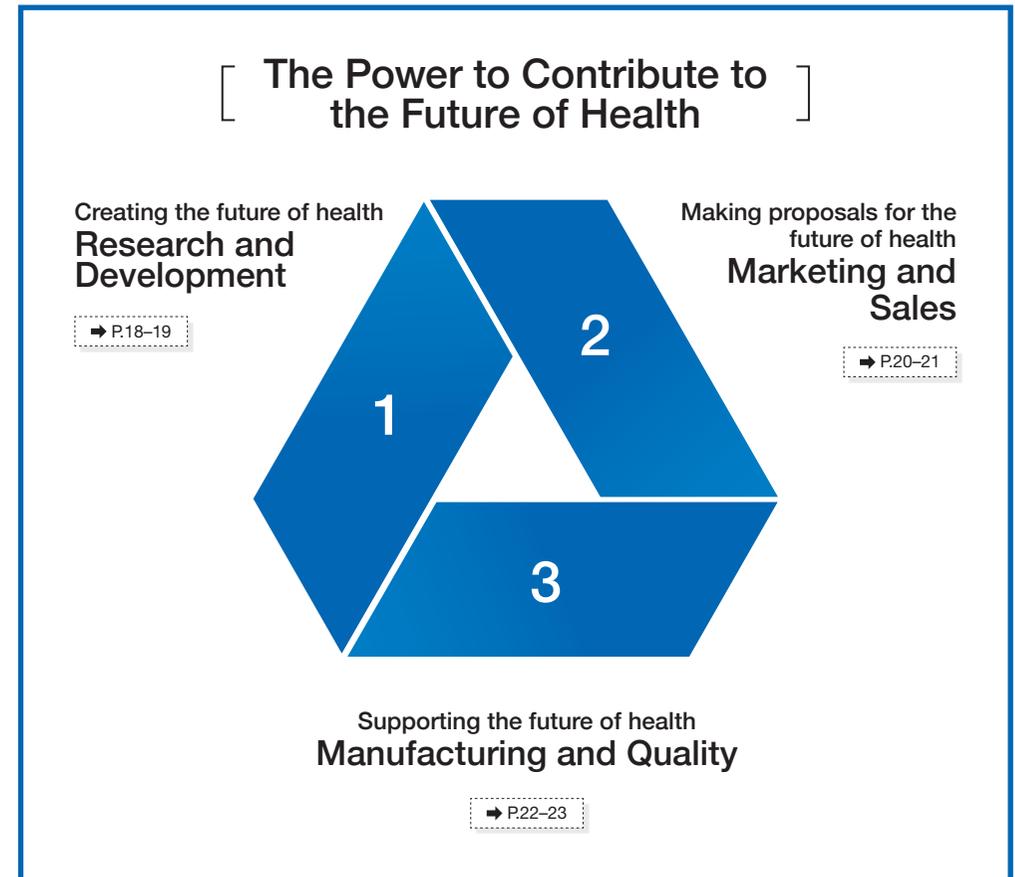
Health

Since its founding, Rohto has dedicated itself to beauty and health of people around the world, and we will continue courageously challenging ourselves to move beyond the boundaries of common sense and create the future of health.



Delivering Beauty and Health All Over the World

Everyone wishes for “good health,” which is a source of happiness. Rohto defines “health” as being more than the avoidance of illness. Being healthy leads to one’s family being healthy, and by extension, this radiance of health outspreads into society at large. We consider true “health” as not just being about mental and physical aspects, but also contributing to society. Since its founding, we have been developing variety of products including gastrointestinal medicines, eye drops, and topical products such as Mentholatum Ointment. In recent years, we have entered the field of beauty-related products, with leading product lines including “Obagi” and “Hada Labo.” Furthermore, we have taken on new challenges in the food business for future health and also in the advanced medical area of regenerative medicines. Through these businesses, we are engaging in beauty and health from many different angles. We are determined to keep creating new, unique products and services that go beyond the boundaries of common sense to deliver beauty and health to the world, with the hope of making every individual and community healthier so that they don’t have to depend solely on medicine to stay healthy.



[The Power to Contribute to the Future of Health]



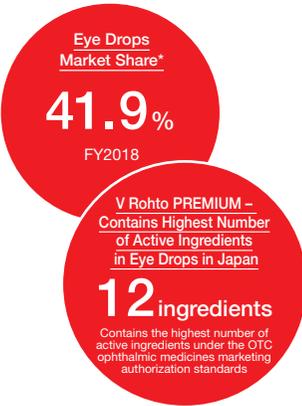
Creating the future of health Research and Development

With 120 years of experience and accumulated knowledge, we are conducting research and development to develop not only functional and effective products, but also focusing on a comfortable product feel so that customers wish to continue to use them for a long time.

Rohto's Eye Care, Staying on Top

The Company's first eye drops product was “Rohto Eye Drops,” which was launched in 1909. We have led the eye care market by continuing to further develop new technologies and products to respond to eye troubles that change with time and the lifestyle shifts. We will continue to offer products that meet the customer needs which evolve as time passes.

* INTAGE SRI eye drops category: Accumulated JPY sales share for the period of April 2018 to March 2019



1909	1987	1987	1995	2008	2016
Rohto Eye Drops The product was developed to treat epidemic eye diseases. In 1931, we introduced an innovative eye drops container combining a bottle and a dropper for the first time in Japan, and Rohto's eye drops became a top brand.	Rohto Zi The product became popular among youths, with a refreshing and strong cooling sensation and a stylish square bottle. It led the eye drops market, targeting younger generation who had tired eyes from using computers or video games.	Aguard We created a new market with these eye drops designed to treat pollen allergies. In 2009, we introduced new eye drops to treat allergies that could be used while wearing contact lenses for the first time in Japan.	Rohto C Cube This is a brand that provides comfort for those who wear contact lenses. The number of contact lens users has been increasing, and the products help to reduce the discomfort from wearing contact lenses for a long period.	Rohto V11 The product contains three anti-inflammatory ingredients to prevent the inflammation caused by overused eyes. A total of 11 active ingredients are contained in the formula and have a good balance.	V Rohto PREMIUM The product contains the highest number of active ingredients under the OTC ophthalmic medicines marketing authorization standards in Japan, with 12 active ingredients. It is the result of the research we have conducted on accumulated fatigue of the eyes.

Skincare That Emphasizes Functionality and Comfort During Use

Our Company's skincare business started with “Mentholatum.” At present, we are engaged in developing functional cosmetics in which new ingredients and formulation technologies are utilized. We continuously strive to research and develop formulas that are even more effective and is actively involved in the development of new products.

Stabilized dissolution of 25% vitamin C



In order to dissolve 25% L-ascorbic acid, it is said that the temperature of the solution needs to be higher than 40°C. Even if it is dissolved, there is still the issue of crystallization when the solution is cooled. To resolve this issue, we took the following approaches.

- Search for ingredients that can promote the solubilization of L-ascorbic acid
- Search for ingredients that can control the crystallization of L-ascorbic acid

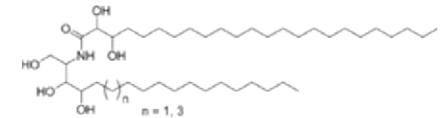
As a result, we succeeded in the solubilization and stabilization of highly concentrated vitamin C solutions. We will continue with our research on the stabilization of products containing vitamin C and its effectiveness.

Successful Compounding of New Ceramide*1 to Cosmetics

World-first
Successful compounding of new ceramide**1

Ceramide has the important role of keeping the skin from drying and protecting it from external irritations. Rohto was the first company to successfully compound new ceramide to cosmetics products, and we also found that ceramide compounds*2 have the effect of enhancing the barrier function of the skin. We will continue the ceramide research and product development to find further applications for dry skin and sensitive skin.

*1 Dihydroxy lignocelloyl phytosphingosine+
*2 Compound of dihydroxy lignocelloyl phytosphingosine and ceramide 6 II



* Structure of dihydroxy lignocelloyl phytosphingosine

Obtaining and Use of Intellectual Property

Our Company ranked second among Japanese companies on the 2018 Ranking of Capability to Prevent Other Companies from Obtaining Patent Rights in the Pharmaceutical Industry. This means that we are an advanced company who has filed a large number of patents related to prior art that could be defensive factors when other companies try to obtain patent rights.



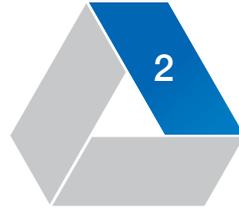
2018 Ranking of Capability to Prevent Other Companies from Obtaining Patent Rights in the Pharmaceutical Industry

2nd
among Japanese companies

	Name of Company	Number of Referenced Patents
1	NOVARTIS (Switzerland)	304
2	F. HOFFMANN LA ROCHE (Switzerland)	276
3	PFIZER (U.S.A.)	170
4	MERCK SHARP & DOHME (U.S.A.)	167
5	TAKEDA PHARMACEUTICAL CO. (Japan)	166
6	GENENTECH (U.S.A.)	155
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13	GLAXO GROUP (England)	99
<b>13</b>	<b>ROHTO PHARMACEUTICAL (Japan)</b>	<b>99</b>
15	BRISTOL-MYERS SQUIBB (U.S.A.)	98
16	ELI LILLY (U.S.A.)	91
17	TAISHO PHARMACEUTICAL (Japan)	89
18	ASTELLAS PHARMA (Japan)	87

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

[ The Power to Contribute to the Future of Health ]



# Making proposals for the Future of Health Marketing and Sales

There is a reason why people have loved our products for a long time. We look closely at the potential needs of our customers with the motto “uncommon can be common”, and we will open new markets. We will keep responding to customers’ expectations with our one-to-one communication skills.

## Long-selling and Successful Products Make “Total Care” Possible

“V-Rohto” has been sold for 55 years since its launch in 1964. Now updated to the current “New V-Rohto,” the product is still being used by many customers. “Hada Labo,” which was introduced to the market in 2004, has held the number one spot (for the number of units sold in the cosmetic lotion category) for 12 consecutive years. We developed “refill pouches” for Hada Labo products at an early stage, and the total accumulated sales for the brand has reached 145 billion Japanese yen. Such long-selling and successful products make it possible for the Company to offer “total care” to our customers.

*Share of the Hada Labo line among the total number of cosmetic lotion units sold. INTAGE SRI cosmetic lotion market: number of unit sales from April 2007 to March 2019

### Long-selling and Successful Products

**V-Rohto**  
Sold for 55 years and counting



1964      2012

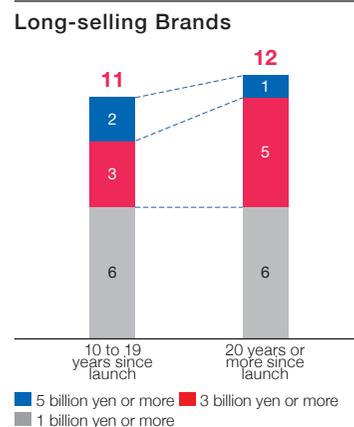
**Hada Labo**  
Number 1 for 12 consecutive years



Long-selling Products

**23** Brands

Brands sold for more than 10 years with FY2018 sales of one billion yen or higher



## Exploring New Markets While Catering to and Supporting Women

With the aim of supporting self-medication and contributing to the health of society, we have been developing pregnancy test kits and ovulation prediction kits. In addition to test kits, we have launched products including “Exiv” an athlete’s foot remedy targeted towards women, “Refrea” which was developed through the research of odor care and development of new technologies, and “Deoco” addressing changes in female body odor. We focused on branding, packaging design, and product specifications so that female consumers will know that the products are designed especially for them, and as a result, we were successful in creating a new market targeted specifically towards women.

Pioneer of Test Kits

Since  
**1980s**



## Sharing “Surprise” and “Happiness” with “Happy Surprise Voices”



**Example of a “Happy Surprise Voices”**

I knew that a baby would be a gift from above, but I was feeling very stressed with our attempts to conceive. Thank you to Rohto for understanding my feelings and offering support. I want to thank you wholeheartedly. (Product used: Dotest LHa)

In 1949, we started enclosing questionnaire cards in our products for the first time in Japan. At the time, we received 256 cards back from our customers in only two days. Now, we hear from more than 1,000 customers a year. We greatly appreciate all the comments from our customers, feel encouraged to work harder, and utilize them for new product planning.

Number of “Happy Surprise Voices”

**1,191**

FY2018

## Standing Close By and Supporting Customers with Total Healthcare

As an OTC manufacturer, we can promote “self-medication.” We have extensive product lines, so our customers can come across our products anytime and anywhere, whether at a convenience store, a supermarket, a drug store, or a department store.

Points of Sale (in Japan)

**More than 100 Thousand**

FY2018

### Examples of Approaches at the Points of Sale



**Creating a detailed “point of purchase”**

We provide across-the-board support from making proposals to retail headquarters to providing information to stores, and we also provide maintenance and sales support for each “point of purchase.”



**“Product development” applied to each sales channel**

In addition to the direct counter sales in department stores, we put effort into online business to build more direct relationships with our customers.

[ The Power to Contribute to the Future of Health ]



# Supporting the future of health Manufacturing and Quality

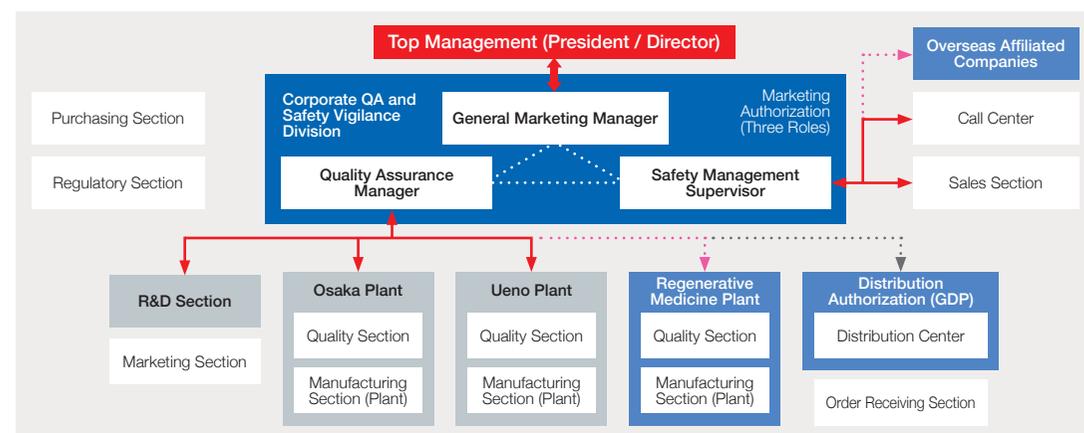
We are supporting the future of health with our manufacturing structure that assures safety and quality and with spontaneous proposals (findings) from our employees working at the forefront of manufacturing sites.

## Management Is Committed to Quality Assurance Through the Company Quality System

We have a single organization to cover all of our products, wherein those in three roles (General Marketing Manager, Quality Assurance Manager, and Safety Management Supervisor) liaise to manage the system. Based on this structure, we have built a system in which the entire Company including not only the manufacturing and quality sections, but also the management commit themselves to quality and safety.



### Rohto's Quality System (One company-wide system)



## Working on Improving Manufacturing Sites Always with a Fresh Mind

With the aim to improve QCD (Quality, Cost, Delivery), we formed a group called “Kaisen Tai (Improvement Promotion Team)” within our manufacturing sites in 2005 in order to maintain and continue the cycle of improvement. We named the group with the hope of “working on improvements always with a fresh mind.” The basic idea is “we will try and we will change” anything that will lead to an improvement in QCD. All personnel are striving with a strong will to solve issues using their findings.

### Rohto's Three Pillars for “Kaisen” Activities

- Looking for Findings**  
Develop an eye for spotting an issue
- 5S (Sort, Set, Shine, Standardize, Sustain) Activities**  
Create an environment where issues can be spotted easily
- Projects with Themes**  
Learn methods to solve problems and increase the number of personnel who can solve issues



The Activities of the Improvement Promotion Team

### TOPICS

## Challenge for Regenerative Medicine

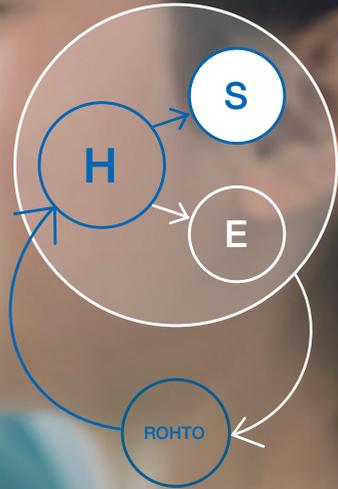
The Company is engaged not only in the area of cures for diseases but also in the area of regenerative medicine, which can lead to preventive care in the future. We established the Regenerative Medicine Research & Planning Division in 2013. We focus on the “stem cell,” which is the source of the 60 trillion cells that make up our bodies, and we are working together with research institutes and universities on our research.

We were able to start working on regenerative medicine, because we could utilize our “technologies for handling cells” that we gained through the research and development of skincare products as well as “manufacturing technologies of sterile products” that we gained through the mass-production of eye drops. We became the first company in Japan to successfully develop “automated cultivation equipment” that stably produces cells with the same level of quality. In 2016, we obtained a “cell processing license” and are working toward success.

In 2017, we started the first clinical trial in Japan with Niigata University for treatment of cirrhosis of the liver. We also signed a licensing contract with Shionogi & Company, Ltd. The knowledge we gained through our regenerative medicine research is being utilized fully in product development in our existing businesses, such as eye care and skincare.



Automated cultivation equipment successfully developed for the first time in Japan



*Social*

There are still so many things we can do for the world and for other people. Rohto strongly believes in this, and we are determined to contribute to making the world and its people healthier and more wholesome.

### Making a Habit of “Taking Good Care of the Eyes” with Customers:

In 1996, Rohto opened an office in Vietnam, which was the first country in which we started an overseas business from scratch. At the time, it was not customary for Vietnamese people to use eye drops regularly. Therefore, we promoted a message about how important one’s eyes are and offered free eye exams at schools. We also introduced a new custom of using eye drops for tired eyes. Starting in 2006, we began holding “Customer Gathering” events every weekend to hear opinions directly from customers, and those opinions are utilized in our new product development.



Number of Customer Gathering Participants  
**More than 8,500 total**  
2006 to present

### Supporting both Japan’s and the “World’s Sight”

Number of people who received cataract surgeries  
**1,024**  
In FY2018

#### Going Beyond Just Business

In a program called “Social Partners” which started in 2016, we engage in supportive activities for the treatment of cataracts with our business partners supporting our efforts, donating a portion of our eye drops sales to foundations that are engaged in supporting ophthalmologic care in regions including Asia and Africa.



#### Incorporated NPO, Japan Tanzania Eye Medical Support Team

Tanzania has a shortage of ophthalmologists and funding to provide adequate eye treatment for its people. The team started its ophthalmologic support efforts in 2007. They help the local development of ophthalmology care by providing technical assistance on cataract surgeries, supplying medical equipment and medicines which are in short supply, and providing assistance regarding the management of equipment and medicine. In addition, the team provides training opportunities for Tanzanian doctors in Japan.



#### Giving the “StrengthString to See” to More People with Intraocular Lenses

PT. Rohto Laboratories Indonesia was established in 1996 as the first company in the ASEAN region to manufacture and sell intraocular lenses (IOLs), which are used for cataract surgeries. At that time, it was a challenge to get local ophthalmologists to understand the quality of our IOLs, but we managed to overcome this issue, and we now sell our IOLs in 13 countries including Indonesia. IOLs can reduce the number of people with loss of vision caused by cataracts, and it is an important business for us as it leads to social contribution. We are now actively involved with the IOL business, occasionally offering free IOLs.



#### Providing the “Joy of Seeing” in Rural Areas

In 2016, the “Amazonian Cataract Project” was started to help indigenous Brazilian communities where people could not easily receive eye care treatments. Under this project, people can receive ophthalmology consultations and the like. Ophthalmos Rohto has been donating instruments and products for cataract surgeries and sending volunteer staff to help with the project.



Number of Customer Gathering Participants  
**6,351**  
2016 to present

## Supporting the Health and Learning of the Next Generation

Rohto is involved with numerous activities in the hopes of offering support aimed at improving the health and learning of the children who will carry our future.

### Medicine Education Class at Schools

In 2007, Rohto, as a pharmaceutical manufacturer, started the "Medicine Education Class at Schools" program in order to educate teachers and children about medicine and promote a healthy lifestyle. Our employees visit schools to give classes on how to choose and use medicine. In addition to facilitating visits by these volunteer employees, we develop materials for teachers that can be used for the "Proper Use of Medicine" unit in physical education courses at middle schools.

Number of On-site Classes  
**21 times**  
2014 to 2018



Workbook for Teachers



### KidZania Koshien

Based on our desire for children to "think on their own, be diverse, and create value for products" and to take an interest in science through research and development activities, we are providing fun learning experiences for children at KidZania Koshien, which has a pavilion called the "Medicine Research Lab."

* Rohto is an official sponsor of KidZania Koshien.

Number of Child Visitors  
**333,281**  
2009 to 2018



### Yasukazu Murakami Senobic Dream Table Tennis Classes / Rohto Pharmaceutical Cup · National Hopes Table Tennis Tournament

Rohto holds table tennis classes in collaboration with Mr. Yasukazu Murakami (the former coach of the Japanese women's national table tennis team and the current coach of the Nippon Life Insurance Company's women's table tennis team) and is a special sponsor of the historical table tennis tournament "Rohto Pharmaceutical Cup National Hopes Table Tennis Tournament to support children's healthy bodybuilding."

### Science Castle

Science Castle is an academic conference designed for middle school and high school researchers. The conference has a goal of training young people to identify issues on their own and work toward solving them. We promote middle school and high school students who will support the future of science technologies in Japan.

## Helping to Develop the Medical Industry in Japan

Number of Researchers Supported  
**179 total**  
As of October 2019

Rohto offers support to women and young researchers for their excellent research in order to realize a healthier and more affluent society.

### ROHTO AWARD

This award was established in 1995 with the purpose of further developing and progressing ophthalmology research in Japan. Awards are granted to young ophthalmology researchers who demonstrate high achievement in both fundamental research and clinical research at a college/university or equivalent research institute.



### Rohto Women's Health Science Research Award

Society for Women's Health Science Research was established in 2009. At present, Rohto Women's Health Science Research Award is given to researchers who demonstrate high achievement in the research fields of pregnancy, childbirth, and women's health-spans for the purpose of the further development and progress of obstetrics and gynecology research in Japan.

### Geriatric Dermatology Research Fund: Rohto Award

The fund was established in 2007 with the purpose of supporting a wide range of fundamental and clinical surveys and research in geriatric dermatology. This is the only award offered by the Japanese Association of Geriatric Dermatology Research.

### Dermatological Research Fund (Endowment by Rohto Pharmaceutical)

The fund was established in 2008 with the purpose of contributing to progress in the field of dermatology. The Company supports the early stages of research and young researchers, which leads to the future development of dermatology.

## Rohto Employees Actively Contributing to Society as Individuals

As we are all part of our society, we believe in genuinely making contributions, and we have social contribution activities that our employees can participate in.

Number of Children Who Have Received Scholarships  
**811**  
As of October 2019

### The MICHINOKU Future Fund

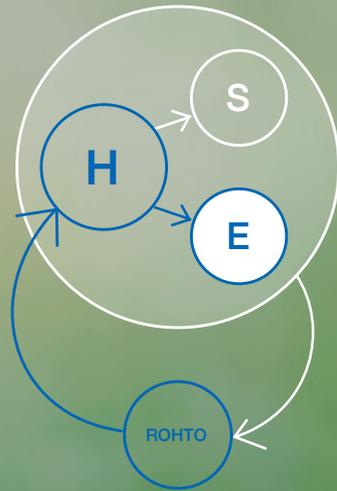
After the Great East Japan Earthquake of March 2011, Rohto and two other companies collaborated to establish a scholarship fund to help children who lost parents in the disaster attain further education after graduating from high school. The number of companies backing this cause is increasing every year, and support is crossing boundaries in a wide range of industries. We will continue to offer this support for a total of approximately 25 years until the children who were in mother's body at the time of the disaster will complete their education.



### Karugamo Fund

The fund is used to support social welfare and education every year. Employee contributions are matched by the Company for this fund.





## Environment

The health of the earth is crucial for personal health and longevity. Rohto will strive today, tomorrow, and in the future to follow our unique endeavors in constant consideration of the environment.

### Rohto's View of the Environment

We strive to challenge ourselves in the field of “health-spans.” Everyone wishes for “good health,” which is a source of happiness. In Rohto’s view, “health” means that each person is healthy both physically and mentally. This view of health also extends to the health and well-being of society and the earth. The health of the earth is crucial for its people to live healthily. Therefore, we are determined to promote environmentally sustainable activities for our future. We desire both healthy people and a healthy earth.



## Considering the Environment from our Employees' Perspectives

In our project “ARK*2003” involving volunteer employees, we promoted various ideas for the Company and executed activities, such as using hybrid cars, obtaining an ISO 14001 certificate, and installing solar panels on the roof of the Company's headquarters. These were original ideas proposed by individual employees participating in the project. As of today, most of the company cars used for employees' sales activities are hybrid cars, and electricity generated by solar panels is being effectively utilized at our manufacturing sites.



*ARK: A (Ashita: tomorrow), R (Rohto) and K (Kangaeru: think about) Please see page 33 for more details on the ARK Project.

## “Hada Labo,” A Pioneer in Cosmetics Refill Package



“Refill Pouches” for cosmetic lotions are common now, but “Hada Labo” was the first brand to offer such packaging to the market for cosmetic products. With the Hada Labo concept of “thoroughly get rid of the unnecessary,” we introduced resource-saving and economical plastic bottles and refill pouches for our skincare brand for the first time with Hada Labo products. We will continue to pay special attention to eco-friendliness in the manufacturing and development of our products.

## Original Environmental Symbol on Rohto's Products

In recent years, society is becoming increasingly aware of environmental considerations, and many of our customers have become more environmentally conscious. To embrace this, we developed an original “R eco symbol”, which represents our hopes for further increasing public interest in the environment. The symbol was developed mainly by the members in the product planning section, and the symbol will soon be printed on Rohto products that are environmentally friendly, such as Hada Labo.



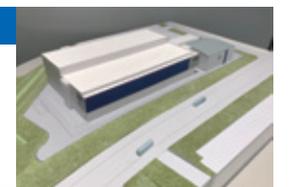
## Building A New Plant That Is Friendly to People and the Environment



The Ueno Technocenter in Mie Prefecture is a hub for manufacturing, quality control, and distribution not only throughout Japan but also all over the world. With our policy of efficiently manufacturing high-quality medicine and cosmetics, our “Kaisen activities” have been in effect since 2005. In the new plant which is expected to start operation in 2021, we will pay further attention to the environment as we aim to make it a kinder facility for our future.

### Points of Focus in the New Plant

- ▶ Reduce energy consumption by 20% compared to our existing plants by using renewable energy and investing in highly efficient and energy-saving facilities and equipment.
- ▶ Realize a “smart factory” that reduces human labor hours by using collaborative robots and network cameras.



1899: Shintendo Yamada Anmin Pharmacy founded in Osaka. "Ikatsu" gastrointestinal medicine launched.  
 1909: "Rohto Eye Drops" launched.  
 1931: "Rohto Eye Drops" launched in a new type of container with an integrated dropper, causing a major revolution in the eye drops market.  
 1949: Rohto Pharmaceutical Co., Ltd. established.  
 1954: "Siron" gastrointestinal medicine launched.  
 1959: Current corporate headquarters and plant completed in Ikuno-ku, Osaka City. Fuse Plant and others moved to the new location.  
 1961: Company listed in the Second Section of the Osaka Stock Exchange.  
 1962: Company listed in the Second Section of the Tokyo Stock Exchange.  
 1964: Company listed in the First Section of both the Tokyo Stock Exchange and the Osaka Stock Exchanges.  
 1965: Kiro Yamada, the president of the Company at the time, set up "Yamada Swimming Club" with his personal assets for revitalizing Japanese swimming, and the club trained a swimmer who later won a gold medal at the 1972 Munich Summer Olympics.  
 1975: Skincare business started.  
 Exclusive trademark license acquired from The Mentholatum Company (U.S.A.).  
 Topical medicine "Mentholatum Ointment" and quasi-drug "Mentholatum Medicated Lip" launched.  
 Business expanded to topical products, making the Mentholatum brand the third pillar.  
 1985: Pregnancy test kit "Checker" launched in pharmacies.  
 Advocated for maternal protection and continued to be vocal about the necessity of the commercial availability of pregnancy test kits, and the product was sold in pharmacies for the first time in Japan.  
 1988: The Mentholatum Company acquired.  
 1991: "Mentholatum (China) Pharmaceuticals Company Limited" established as a locally incorporated company in China.  
 1997: "Rohto-Mentholatum (Vietnam) Co., Ltd." established as a locally incorporated company in Vietnam.

## Rohto's corporate culture that we have built and will continue to nurture

Our corporate culture, which is backed by 120 years of the Company's history, is our strength. It is a major source of value creation under Rohto's core value of "Health."  
 We will keep developing our corporate culture to lead us to the future.

2001: "Obagi" functional cosmetics launched.  
 A groundbreaking boom for vitamin C, which was the pioneer of functional cosmetics, was triggered.  
 2004: "Hada Labo" launched.  
 2011: "Earthquake Reconstruction Support Office" established.  
 "The MICHINOKU Future Fund" established to offer scholarships to children who lost parents in the Great East Japan Earthquake.  
 2013: Expansion into the food and regenerative medicine businesses.  
 "Shunkoku Shunsai" opened in the Grand Front Osaka building.  
 Regenerative Medicine Research & Planning Division established.  
 2016: New corporate identity "Never Say Never" established.  
 June 10 2017 declared "Rohto's Day."  
 It is a "Health Declaration Day" where we declare our endeavors for better health.  
 2019: Joined the "Consortium of Corporations for Tobacco Control."  
 Aiming to reach a zero smoking rate by joining hands with other companies.

[ A Corporate Culture That Uniquely Rohto ]

Independence That Moves an Organization

→ P.32-33



Flexibility That Is Unfazed by Change

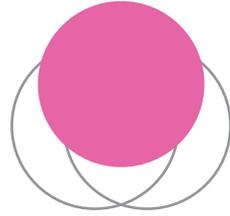
→ P.34-35

Diversity in Each Individual Thrives

→ P.36-37

The phrase "Never Say Never" represents the Company's great DNA and serves as our declaration for the future which we will be challenging. In order to make the world a healthier place, we will look ahead clearly to the path that we should be taking. And, despite any difficulties, we will keep challenging ourselves to go forward and move beyond the boundaries of common sense. At the same time, we will continue to nurture our unique and cherished corporate culture.

[ A Corporate Culture That Is Uniquely Rohto ]



# Independence That Moves an Organization

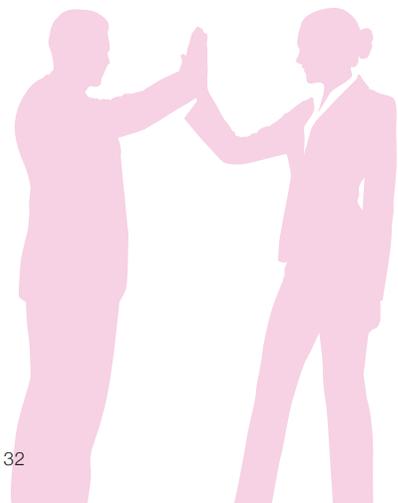
## Rohto's Culture of "Raising Our Own Hands"

As a company, we believe that it is important to develop "independent people" who can contribute to society. In the Company's Seven Pledges, it is stated "our people are our greatest asset. Our hard working culture, spirit of close cooperation, determination, passion, and leadership provide the fuel that drives the company." We encourage our employees to raise their own hands and for them to be independent and become "professionals" who continuously grow as people. Promotions for a new post, internal department transfers, and participation in projects all start with raising one's hands, and this also leads to motivation in everyone's work.

Percentage of employees who are proud of their work and role

**82%**

Source: 2017 In-house survey



## Proposals by Employees for the Future of Rohto

Number of Project Participants  
**267** total  
As of March 2019

### ARK Project (since 2003) and Asutsuku Project (since 2018)

The ARK Project, in which employees nominate themselves to participate, started in 2003 as a project for thinking about the future of Rohto. In this project, employees work on important assignments related to the environment, social contribution, human affairs, and health management, all to make the future of Rohto better. To date, the project has proposed many ideas that have been executed, including the use of company hybrid cars, medicine education, and personnel management strategies including second jobs.

* ARK: stands for A (Ashita: tomorrow), R (Rohto) and K (Kangaeru: think about)

### Asutsuku Project 2018

All the employees worked together to come up with 100 ideas to make Rohto's tomorrow (future) better, and three of those ideas were chosen as main themes for the project which started in 2018. Many innovative ideas, including an intra-company social media platform to promote better communication, are already being implemented.



#### Three Main Themes of the Asutsuku Project

- Visualization and distribution of information
- Promotion of work-style reform
- Proposals for education and training programs

## Going Beyond "Sections" and "Company" Boundaries

### In-house double job

In this program, a portion of an employee's working hours is spent in a different section to improve the quality of his or her work and to promote development of the individual.

Number of In-house Double Job Participants  
**70** total  
As of March 2019

### External challenge work

This is a program for employees who believe their regular jobs are important but also want to spend some of their time contributing to their communities. Through this program, we will develop independent and self-sufficient individuals.

Number of Applicants for External Challenge Work  
**84**  
As of March 2019

### To Develop Truly Independent Employees

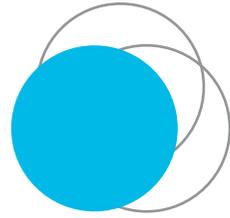


Deputy Division Manager, General Affairs and Human Resources Division

**Akiko Yamamoto**

We believe that an important factor of personal development is having multiple opportunities to grow. We thought the Company needed to give our employees a chance to face a multitude of possibilities. That is why we introduced new programs such as the in-house double job and external challenge work. When an employee takes advantage of the in-house double job program, he or she is not at his or her regular job full-time. As a result, some employees have commented that both the employees who participated in the program and also those around them have developed themselves for the better. There are many interesting effects that have started to appear from the program. As this kind of diverse way of working spreads, the work styles of all our employees will eventually change, and we believe that is the moment we will realize true independence for our employees.

[ A Corporate Culture That Is Uniquely Rohto ]

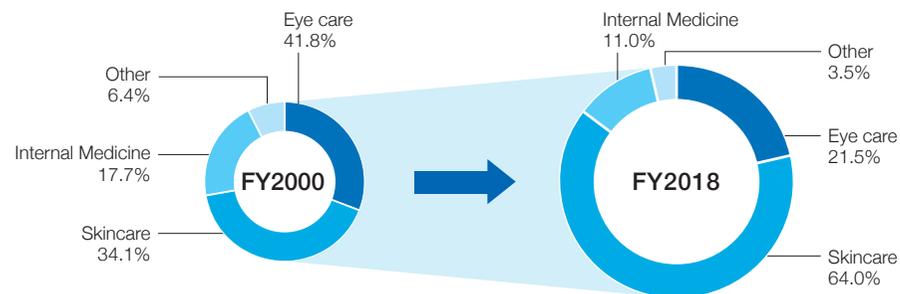


# Flexibility That Is Unfazed by Change

## Rohto Is Constantly Changing Beyond the Boundaries of Common Sense

Rohto started its business by from producing gastrointestinal medicines and eye drops to treat epidemic diseases, and we have grown our business by developing untapped areas where other companies had not existed. We followed our mottoes of “doing what others won’t do” and “to do because they are difficult,” and we continued moving forward through many changes. We believe that our flexibility has led to our current “strength.”

Changes in Sales by Business Category (Consolidated)



Since the launch of “Obagi” functional cosmetics in 2001, we expanded our skincare business significantly. As a result, our business structure has dramatically changed.

## Creating a Culture of Recognizing One Another as a Professionals

Our efforts to introduce a culture of recognizing each other as professionals started in 1994. To encourage better communications among employees with different positions and working experience, we removed walls and partitions in offices, and all employees started to call each other by his or her name and “san” instead of calling each other by their work title. In 2005, to make the office atmosphere even more light and airy, we introduced the “Rohto Name” system, where each employee selects his or her casual Rohto nickname and is called by that nickname regardless of position or working experience.

### Product Development Through Open Innovation Inside the Company

We launched “Mentholatum Hand Veil Beauty Premium North Moist” in 2018, which is a product developed through a collaboration between the R&D section and the Sales Division. During the “Open Lab” held by R&D, which exhibited seeds for new product development, the Sales Division had an opportunity to discuss new products with R&D. Through the discussion, we were able to develop a product which matched the local needs of an extremely cold area of Hokkaido. Our employees in the Sales Division working in the area proposed it as a new product, and now, our customers enjoy this new Hokkaido-exclusive product. This is a great example of our strength, where we are flexible in taking on different opinions and perspectives.



## “Kaisen Activity” Starts with Changing Day-to-day WorkOne

### Aspirations of the Improvement Promotion Team

“Kaisen activities” is based on the fundamental motto that “we try every idea that is proposed.” Even if the idea is small, experiencing “a problem being solved with my own idea” raises everyone’s motivation towards their work step by step. The first step toward having an independent mind is to discard the idea that “someone will do it”, and to have the will to “do it voluntarily.”

Please also see page 23 for more details on the Improvement Promotion Team (Kaisen Tai).



Ueno Plant Manager and Team Manager of the Improvement Promotion Team (Kaisentai)  
**Hiroyuki Tanaka**

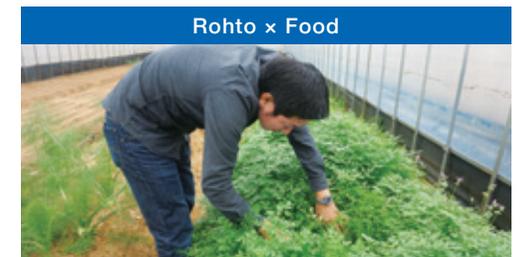
Number of Proposals for Findings  
**864** per month  
FY2018

## Rohto's Changes and Challenges



### A Challenge for Unprecedented New Medical Treatment

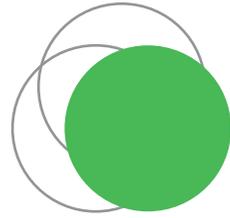
With our belief that regenerative medicine will not only treat diseases but also provide preventive medical care for the future, the Regenerative Medicine Research & Planning Division was established in 2013. Our challenge in the area of this new medical treatment has already begun.



### The Pursuit of Health through the Everyday Diet

True health means there is no need for medicine. Food is the source of building bodies that are strong enough to fight diseases and stresses. We are going further with our exploration of “health” beyond just “medicine.”

[ A Corporate Culture That Is Uniquely Rohto ]



# Diversity in Each Individual Thrives

## Taking root and Facing the World

Rohto has built a network covering more than 110 countries and regions of the world, including Europe, the U.S., Asia, and Africa. Each region or country has its own needs and regulations, so we cater to the local people by offering products that they desire in each country. Our research scientists from overseas who are working at Rohto in Japan assume the important role of being a bridge between the Company and local people in faraway places. They take the skills gained in Japan and utilize them in their local region or country and make a positive contribution to the world. In Japan, our female employees and employees who joined Rohto from other companies are working actively, demonstrating their diverse views within the Company. Through such endeavors, we strive to keep changing for the better.



Group Network  
More Than  
**110**  
Countries and Regions

## Global Human Resources Connect Organically and Make Contributions to the Future

In order for the Rohto Group to respond to the needs of people around the world, researchers in different countries and regions with different backgrounds need to have constructive discussions and work together on research and development. We systematically hire researchers from overseas, and at present, about 15% of our researchers (excluding administrative employees) are from overseas.

### Comment from our Researcher from Overseas

I value the communication with various departments. I share my knowledge and skills with the local staff members in other countries, which helps with timely product development and enhances their basic research skills.



Basic Research Development Division  
**Sendy Junedi**  
(From Indonesia)

Percentage of Researchers Who Are Foreign Nationals  
**Approx. 15%**  
(11 Countries)  
As of December 2018

## Making a Work Environment Where Both Women and Men Can Thrive

The ratio of female employees at Rohto is currently about 60%. Our efforts to provide a work environment where everyone can thrive regardless of their gender started a long time ago. We strive to make an atmosphere which reflects the many different perspectives of our employees and considers people's health.

Male to Female Ratio  
**4:6**  
As of March 2019

### A Work Environment Where Abilities Are Demonstrated Regardless of Gender



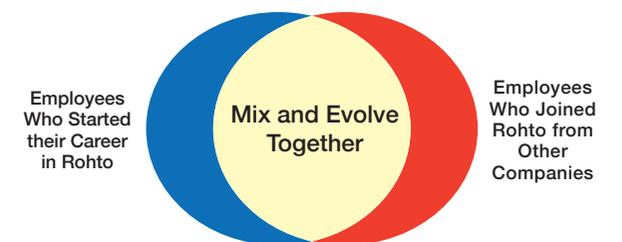
Director  
Division Manager, Product Marketing Division  
**Masako Rikiishi**

In our Company, there are many female employees who are thriving in their work. We have not introduced any special policy to promote so-called female advancement, and I think that the reason why female employees thrive here regardless is that the Company thinks it is only natural that anyone can be successful regardless of their gender. We have been actively hiring female workers, and these employees see their female seniors thrive. As a result, we have many female employees who are successful with their careers in many different fields.

## Evolution Through Interweaving

We believe that it is important that different diverse views are interwoven in order to create new, unprecedented products. We continue to evolve with the mix of experiences from the employees who started their career in Rohto and understand the corporate culture well, and other employees who joined Rohto from other companies and have new viewpoints. Furthermore, putting together fresh new ideas from people who do not have much knowledge in a certain field and other ideas from people who have accumulated a lot of knowledge in that field have resulted in the birth of innovation.

Ratio of Employees Who Started at Rohto to Employees Who Joined Rohto from Other Companies  
**44:56**  
As of March 2019





## Rohto's Health Management

Rohto Pharmaceutical Co., Ltd.

# Health Management Declaration

Rohto has the goal of becoming an organization brimming with “healthy human resources” where everyone can stay healthy and work energetically for a long time.

We hereby declare that we will further promote health management so that the health of our employees will lead to greater health for society and the next generation.

In 2018, we established a health management declaration with the aim being that “working at Rohto makes you healthy,” and we also set our health goal for 2020.



Executive Vice President  
Chief Health Officer (CHO)  
**Lekh Raj Juneja**

## Message from the CHO

In our Company's health management, the concept of our employees playing leading roles is deeply connected to the idea that the health of each employee can make for a healthy society.

In the same way that positive energies of people can transmit to people around them, if our employees are healthy, it can also spread to their surroundings, to employees' families, friends, communities, and further to the world.

For this reason, we value our employees' health first. Let's enjoy being healthy together.

### About the Chief Health Officer (CHO)

We believe that contribution to the health of our employees, customers, and society is our Company's reason for being. The position of CHO was established in 2014 to reinforce our business development in this area, well ahead of other companies. Having our CHO as a leader, we seek to accelerate our healthcare-related social contribution activities, domestic and overseas businesses, and research and development. We have a clear management policy prioritizing health management and are determined to become a company that supports not only our employees' health but also the health of society.

## Yuto Nagatomo Appointed As “Sports Yell Officer” (SYO)*

### Comment from Mr. Nagatomo

Through this role, I would like to share my experiences and what I have learned as an athlete. I would also like to offer support in making everyone at Rohto healthy by utilizing the “powers of sports.” Furthermore, I hope to encourage many more athletes to get involved in promoting the health of working people.

* Sports Yell Officer (SYO) is a position with responsibilities in furthering initiatives to establish and improve exercise habits which promote the health of our employees.

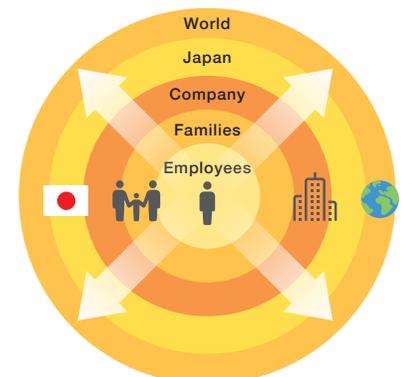


Professional Soccer Player  
Galatasaray S.K.  
**Yuto Nagatomo**

## From the Health of Employees to the Health of Society

Health in Rohto's view is not simply being free of illness. “True Health” is based on mental and physical health, which allows a person to work with passion (purpose and meaning) and experience personal growth. We believe that these employees are the “healthy human resources” who can support the health of society.

The most important thing is that each one of our “healthy human resources” can work energetically. We believe that the positive energies created by our employees spread to our families and friends and reach our customers through our products and services.



The Positive Energy of One Person Spreads to the World

# Topics

## Creating “Programs to Enjoy a Healthy Life” Established “Health Management Promotion Group” from the Open Recruitment Project “ARK”

As part of the health promotion efforts at our Company, many ideas were proposed by mainly young employees, in addition to the leadership of our CHO. As a result, the “Health Management Promotion Group” was established in 2016. We introduced a unique company coin reward system that recognizes how healthy activities can lead to better health. We are actively creating fun programs in which our employees can enjoy doing healthy activities such as making exercise a habit, discontinuing smoking, and promoting women's health.

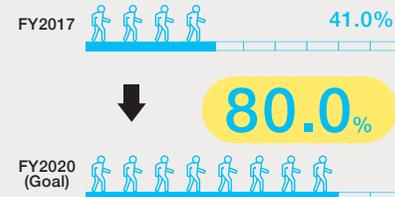
* Please see page 33 for more details on the ARK Project.

### Rohto Health Currency “ARUCO”

In 2016, we provided fitness-tracking devices to all employees for the purpose of promoting their health. We started a program to encourage walking 8,000 steps a day, in addition to 20 minutes of brisk walking daily. In January 2019, the Rohto health currency, “ARUCO”, was introduced. Employees can earn and accumulate ARUCO coins according to the amount and degree of healthy activities they participate in, including the number of steps they walk daily, the amount of time they spend walking briskly, time spent on sports activities, and non-smoking. The coins earned can be used for various activities to further enhance mental and physical health. We expect that this program will encourage the employees who have not yet been successful at reforming their lifestyles or improving their health to get motivated. It is important to not only be “health-conscious,” but also bring positive “changes” to our daily life.



Percentage of Employees Who Perform 8,000 Steps and 20-minute Brisk Walk Daily



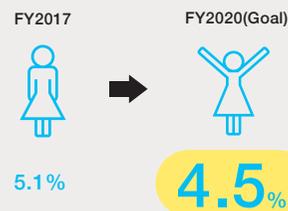
### Being a Leading Company in the Area of “Creating Women's Health”

With 60% of the Company's employees being female, we offer various support to female employees at different stages of their life so they can continue to energetically work for Rohto. We put effort into the health of our female employees and provide them with a pleasant working environment.

- Free breast cancer screening and uterine cervix cancer screening
- Free measurement of serum ferritin*1
- Free rubella and measles antibody testing, free MR immunization vaccines

*1 Ferritin is a blood protein that reflects the body's iron reserves, and is an important index to check for iron deficiency.

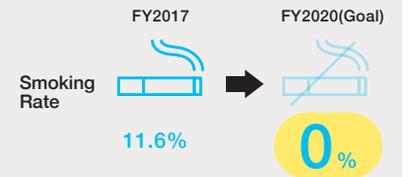
*2 Hemoglobin (Hb) level of under 10.9g/dl



Anemia Level of Female Employees*2

### Support to Quit Smoking While Respecting Self-Initiatives

We have a goal of achieving a 0% smoking rate among our employees before the end of FY2020. With respect for the “self-initiative” of smokers, we conduct activities in this area, including a “Derby” race to promote the smokers to quit smoking in which their colleagues cheer and support them. In addition, we offer individual consultations to help employees set their goals to quit smoking.



### Ever-Changing “Morning Exercise” and Health Quiz

We have been doing morning exercises since the 1970s. In addition to increasing health consciousness, employees continuously come up with new, original exercises to make the morning exercises more fun and effective. To increase health literacy levels among employees, we also give health-related quizzes every morning.



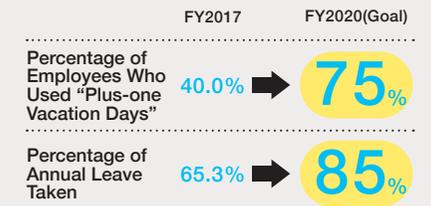
### Promoting Sports While Having Fun

Since the 1980s, we have had many sporting events in the Company, including field days or table tennis tournaments, which are planned, organized, and participated in by our employees. These events promote intra-company communication and enable younger employees to improve their planning skills. Since 2002, we have also been conducting physical fitness tests. “Physical ages” are determined and ranked, encouraging all employees to review their physical abilities.



### Plus-one Vacation Days

We believe that time spent refreshing our mind and body and training ourselves is very important. To encourage well-planned vacations with consecutive days off, we have adopted a “Plus-one Vacation Days” program (if an employee takes four consecutive days off, he or she is entitled to receive one additional day off). We actively strive to improve the working styles and resting habits of our employees.



### Achievements in Health Management

2015: Selected under the “1st Health & Productivity Stock Selection Program

2017 to 2019: Selected under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)”

2017 to 2018: Certified as a “Sports Yell Company” by the Japan Sports Agency



# Corporate Governance That Supports ESH Promotion

## Basic Views of Corporate Governance

Along with fulfilling our corporate social responsibility, we strive to gain the trust and meet the expectations of all our stakeholders, including shareholders, consumers, business partners, and employees, and aim for coexistence and co-prosperity. 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. Furthermore, in accordance with our corporate identity and management philosophy, we will implement a ROHTO CSR Code of Conduct and ROHTO CSR Charter, and promote compliance with laws and regulations.

Please refer to "The status of our corporate governance" for our basic ideas on corporate governance and management policies.  
<https://www.rohto.co.jp/ir/strategy/governance/policy/>

## Transitions in Rohto's Corporate Governance

- 2005:** ROHTO CSR Charter was established
- 2012:** Appointed one external director
- 2014:** Appointed a foreign national to the post of CHO (Chief Health Officer)  
Appointed a female external director for the first time
- 2016:** Introduced a new corporate identity "NEVER SAY NEVER"  
Established a "Compensation/Nomination Advisory Committee"
- 2019:** Increased the number of external directors from 2 to 3  
Established a "Nomination Committee" and a "Compensation Committee"  
Updated the internal control system

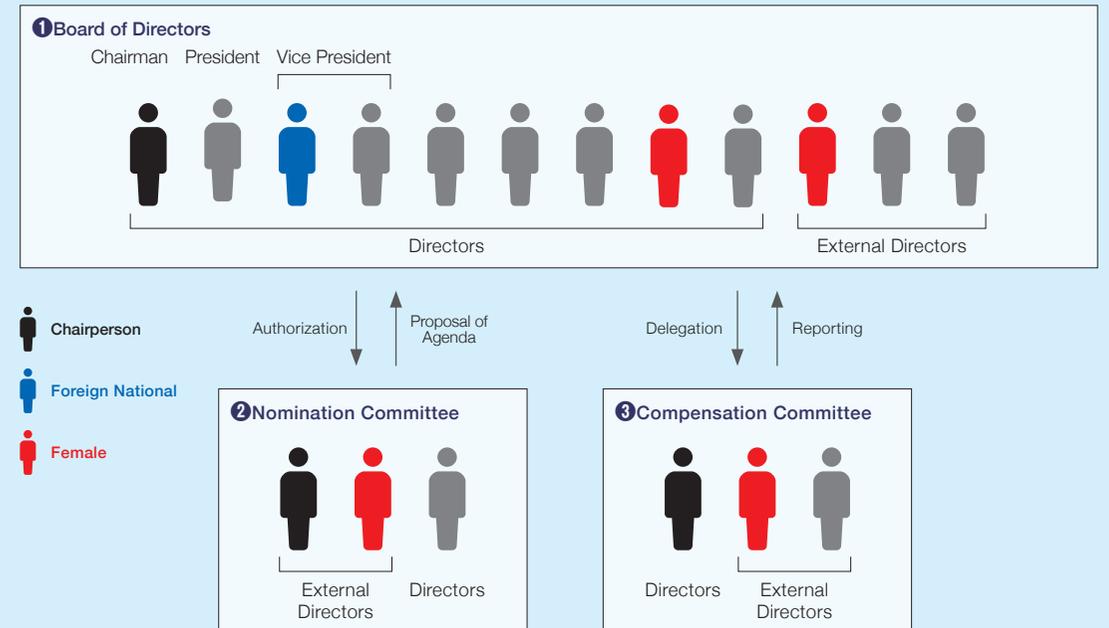
### Current Corporate Governance Status (as of March 2019)

Major categories	Contents
Type of Organization	Company with audit and supervisory board
Number of directors (External directors)	12 (3)
Number of independent officers	5
Term of office for directors	1 year
Advisory bodies to the board of directors	Nomination Committee, Compensation Committee
Auditing company	Ernst & Young ShinNihon LLC

## Evaluation of the Effectiveness of the Board of Directors

The self-evaluation (questionnaire) participated in by all directors for FY2019 overall showed a positive and similar response to that of FY2018. However, there was a request made for training opportunities that meet the individual needs of each director. We will work to provide appropriate training opportunities in the future.

## Rohto's Governance Structure That Reflects Its Diversity



### 1 Board of Directors

The Board of Directors accepts its fiduciary responsibility and accountability to shareholders. For the common benefit of the various stakeholders including our group companies and shareholders, it strives to contribute to our group companies' sustainable growth and to improve mid- to long-term corporate value.

### 2 Nomination Committee

The Nomination Committee has the duty of drafting proposals for the selection and dismissal of directors and executive directors, whose rights are authorized by the Board of Directors. This committee submits such proposals to the board of directors.

### 3 Compensation Committee

Upon delegation by the Board of Directors, the Compensation Committee examines individual compensation. The committee also prepares drafts for directors' compensation policies, procedures, and structures, in addition to drafting proposals regarding directors' compensations that are presented at the shareholders' meetings. The committee also submits drafts to the Board of Directors.

## Anti-corruption Practices

The Company aspires to contribute to a truly healthy and evolving society. To accomplish this goal, the Company disapproves of any form of corruption, including bribery, and is working hard to prevent it from happening.

The Company has implemented a comprehensive whistleblowing system (Rohto Hotline) in order to prevent any kind of corruption from taking place, including not only monetary bribes but also non-monetary favors or accommodations. If a whistle-blowing report is made at our subsidiary or our group company in Japan or overseas, the Internal Audit Office will immediately gather information to manage the risk imposed on the entire Rohto group.

For details, please visit the URL below  
<https://www.rohto.co.jp/csr/charter/>

## MESSAGE FROM EXTERNAL DIRECTOR



External Director  
Professor, Waseda Business School  
(Graduate School of Business and Finance)

**Akie Iriyama**

“ I support Rohto in its efforts to tackle its long-term challenges while considering the benefits for its various stakeholders. ”



There are several definitive reasons behind my decision to become an external director for Rohto in 2019. Ten years ago, when I was in the U.S., I had the chance to meet an employee of Rohto. Eventually, I learned about the various activities in which the Company was involved. The Company has been sincerely working on many long-term issues related to health, society, and the environment. The Company took a leadership role in establishing the MICHINOKU Future Fund right after the Great East Japan Earthquake, supporting children who lost their parents in the disaster. Rohto has also been involved in many other recovery efforts. Furthermore, Rohto was the first major organization in Japan to promote the concept of having a “second job.” I took notice and shared the same view for these activities conducted by Rohto.

Currently, under the SDGs and the idea of CSR, companies are expected to help solve long-term social issues. However, I personally feel unsure as to whether Japanese companies are earnestly tackling such issues. Climate change is a serious problem that the earth is facing, and we cannot lose any time. The unexpected Typhoon Hagibis hit Japan in October 2019, and one cannot help but assume it was caused by climate change. I believe that the seriousness of the climate change is finally being recognized in Japan.

In addition to climate change, humankind today

is facing many other serious problems, such as food scarcity, poverty, health, and hygiene. If we don't address these problems, we will leave debts to the later generations of our children and grandchildren, and these problems will eventually erode their economic prosperity. Companies will not be able to conduct businesses anymore.

For these reasons, we hope that Rohto, which is already ahead of other companies in dealing with social issues, will accelerate its efforts to tackle health, social, and environmental issues. I also hope Rohto will grow further as a company. As an external director, I support Rohto's challenges regarding long-term social issues, while also paying attention to the Company's corporate governance and the benefits it provides to its various stakeholders, including shareholders, employees, and business partners.

### Biography

Dr. Iriyama graduated from the Faculty of Economics at Keio University and earned a master's degree at the Graduate School of Economics also at Keio University. He joined Mitsubishi Research Institute, Inc. and engaged in consulting work mainly for automobile makers and governmental institutions in Japan and overseas. In 2008, Dr. Iriyama obtained a Ph.D. at the Graduate School of Business at the University of Pittsburgh in the United States. That same year, Dr. Iriyama started teaching as an assistant professor at the University of Buffalo School of Management, The State University of New York. Dr. Iriyama took the position of an associate professor in 2013 and became a professor in April 2019 at Waseda Business School (Graduate School of Business and Finance). Dr. Iriyama's areas of expertise are management strategy theories and international management theories. He authored the bestselling book “What Management Scholars of the World Are Thinking,” published by Eiji Press in 2012. Currently, Dr. Iriyama writes columns for “World-class Management Theories” in “DIAMOND Harvard Business Review,” and he is active on various media platforms.

## A Financial Foundation That Makes ESH Promotion Possible

### Our Core Ways of Thinking On Finance

Rohto is working on social issues from a long-term perspective while maintaining our current standard of a 10% operating margin. We will increase sales and profit and reinvest for the future. At the same time, we strive to appropriately share profits with our stakeholders.

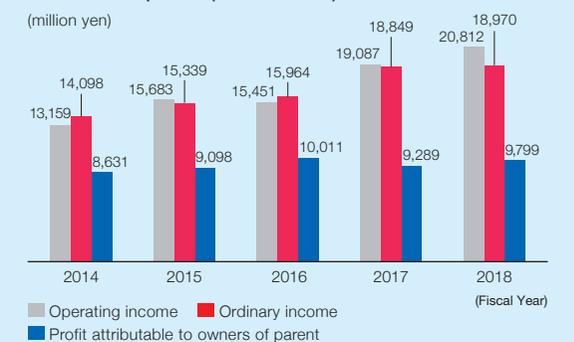
### Growth

Our top line is steadily growing, and our operating margin has been consistent over the years.

Sales/Operating margin (consolidated)  
(million yen)



Operating income/Ordinary income/Profit attributable to owners of parent (consolidated)  
(million yen)



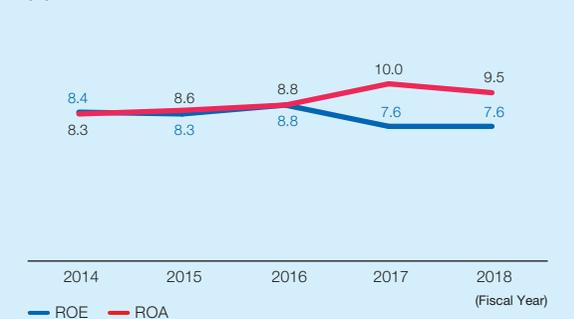
### Profitability

Higher returns above capital costs have been consistently attained.

ROIC (consolidated)  
(%)



ROE/ROA (consolidated)  
(%)



## Efficiency

Assets are efficiently utilized for sales by consistently decreasing the inventory.

**Total asset turnover/Inventory turnover (consolidated)**  
(Times)



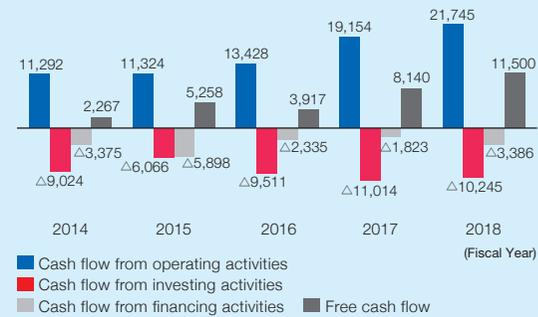
## Stability

While we make investments for the future, high and stable operating cash flow are being attained. Free cash flow is used for new investments within an appropriate amount where positive returns are expected.

**Equity Ratio (consolidated)**  
(%)



**Cash flow (consolidated)**  
(million yen)



## Shareholder Returns

Appropriate returns are made to shareholders, who are our stakeholders. Retained earnings are reinvested as we aim to grow further.

**Net income per share/Dividend per share/Dividend ratio (consolidated)**  
(yen)



**Net income per share**  
(yen)



## Rohto's Profit-Sharing Policy

In 2019, Rohto made partial amendments to its articles of incorporation with the mission of being a "public instrument for society." We have reiterated our determination to address issues concerning society from a long-term point of view in collaboration with all the people surrounding us and share the benefits gained thereby. Profits earned through solid businesses will be reinvested with the ideal goal of realizing a healthier and more sound society. At the same time, profits will be shared appropriately with our stakeholders who also support us from a long-term point of view.

## Stakeholders That Support Rohto



## Data

(Fiscal Year)

ESH – Indicators (non-consolidated)	2014	2015	2016	2017	2018
<b>Value of “Health” -&gt; pages 16 to 23</b>					
R&D expenses (consolidated) (million yen)	5,585	5,811	6,123	6,553	<b>6,831</b>
“Pleasantly Surprised Testimonials” ^{*1} (count)	1,338	1,405	1,669	1,293	<b>1,191</b>
Kaisen Activities (count)	13,590	11,292	11,758	10,637	<b>10,367</b>
<b>Value of “Social” -&gt; pages 24 to 27</b>					
Employees Donating to the MICHINOKU Future Fund (people)	840	871	854	866	<b>858</b>
Employees Donating to the Karugamo Fund (people)	982	969	934	945	<b>929</b>
<b>Value of “Environment” -&gt; pages 28 to 29</b>					
Changes in crude oil equivalent (kℓ)	8,167	8,319	8,160	8,175	<b>8,015</b>
Total GHG emissions (t/year)	16,370	16,559	15,846	15,772	<b>14,669</b>
Relative to sales (t/million yen)	199	186	177	163	<b>141</b>
Electricity usage (1,000kWh/year)	23,989	24,428	23,994	23,711	<b>24,289</b>
Relative to sales (1,000kWh/million yen)	292	274	268	245	<b>233</b>
City gas usage (1,000m ³ /year)	2,329	2,383	2,395	2,410	<b>2,087</b>
Relative to sales (1,000m ³ /million yen)	28	27	27	25	<b>20</b>
Water usage (1,000m ³ /year)	305	292	275	290	<b>266</b>
Sales intensity (1,000m ³ /million yen)	3.7	3.3	3.1	3.0	<b>2.5</b>

### A Corporate Culture That Is Uniquely Rohto – Indicators (non-consolidated) -> pages 30 to 37

Employees Participating in Open Recruitment Projects ^{*2} (people)	77	—	—	—	<b>51</b>
Employees Having In-house Double Jobs (people)	—	—	36	49	<b>70</b>
Employees Participating in External Challenge Work (people)	—	—	25	63	<b>84</b>
Employee Turnover Rate ^{*3} (%)	4.0	4.2	4.6	5.4	<b>5.3</b>
Paid Annual Leave Taken by Employees (%)	64.6	63.4	62.2	65.3	<b>70.1</b>
Females In Management Positions (%)	20.2	19.1	18.6	19.2	<b>21.1</b>
Employees with Disabilities (%)	1.68	1.87	1.90	1.84	<b>2.08</b>
Employees Taking Maternity Leave ^{*4} (people)	63	61	64	105	<b>100</b>
Number of Employees (people)	1,516	1,524	1,562	1,400	<b>1,474</b>
Female Employees (people)	909	907	918	805	<b>857</b>
Male Employees (people)	607	617	644	595	<b>617</b>

### Rohto's Health Management – Indicators (non-consolidated) -> pages 38 to 41

Employees Performing 8,000 Steps and 20-minute Brisk Walks Daily (%)	—	—	28.2	41.0	<b>44.4</b>
Obesity Rate (Male) (%)	20.7	22.4	21.9	24.0	<b>22.5</b>
Obesity Rate (Female) (%)	13.2	9.9	13.7	15.3	<b>15.2</b>
Smoking Rate (%)	12.1	13.5	12.5	11.6	<b>7.7</b>
Rate of Anemia (%)	3.9	5.1	7.3	5.1	<b>4.9</b>

### Financial Foundation That Makes ESH Promotion Possible – Indicators (consolidated) -> pages 45 to 46

Sales (million yen)	151,774	167,016	154,599	171,742	<b>183,582</b>
Operating income (million yen)	13,159	15,683	15,451	19,087	<b>20,812</b>
Ordinary income (million yen)	14,098	15,339	15,964	18,849	<b>18,970</b>
Profit attributable to owners of parent company (million yen)	8,631	9,098	10,011	9,289	<b>9,799</b>
ROA: Return on Assets (%)	8.3	8.6	8.8	10.0	<b>9.5</b>
ROE: Return on Equity (%)	8.4	8.3	8.8	7.6	<b>7.6</b>
Capital adequacy ratio (%)	61.7	61.4	64.7	64.2	<b>65.1</b>

*1: Positive feedback and letters of appreciation received from customers

*2: Number of participants in the Company's Open Recruitment Projects (“ARK” Project in FY2014; Asutsuku Project in FY2018)

*3: Figures do not include retirees and part-time employees

*4: Return rates for maternity leave is almost 100% every year, including when leave periods carry over to the following fiscal year.

## Corporate Data (as of March 31, 2019)

### Company Profile

Company Name	ROHTO Pharmaceutical Co., Ltd.
Foundation	February 22, 1899
Incorporation	September 15, 1949
Capital	6,446 million yen
Number of Employees	6,355 <consolidated basis> 1,474 <non-consolidated basis>

### Stock Information

Securities Code	4527
Total Number of Authorized Shares	399,396,000 shares
Total Number of Issued Shares	113,971,083 shares (excludes 4,018,825 shares of treasury stock)
Number of Shareholders	16,657
Fiscal Year	April 1 to March 31 of the following year
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
Stock Listing	Tokyo Stock Exchange, Inc. (First Section)

### Directors and Officers (as of June 27, 2019)

#### Board of Directors

Chairman  
Kunio Yamada

President  
Masashi Sugimoto

Executive Vice President Global Head of International Business and Research & Development Chief Health Officer  
Lekh Raj Juneja

Executive Vice President  
Masaya Saito

Director  
Shinichi Kunisaki

Director  
Tetsumasa Yamada

Director  
Hidetou Uemura

Director  
Masako Rikiishi

Director  
Hidetoshi Segi

External Director  
Mari Matsunaga

External Director  
Shingo Torii

External Director  
Akie Iriyama

#### Auditors

Full-time Auditor  
Masanori Kimura

Full-time Auditor  
Takeshi Masumoto

Auditor  
Mitsuo Fujimaki

Auditor  
Katsusuke Amano

### Website Information

Please visit the Company's website for more details about our business, IR information, and ESG/CSR information.

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



### Contact Information

Rohto Pharmaceutical Co., Ltd.  
ESG Promotion Group, Public Relations & Creating Shared Value Division