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Company name: Rohto Pharmaceutical Co., Ltd.
 Representative: Masashi Sugimoto, President and COO
 (Code: 4527, Tokyo Prime Market)
 Contact: Yukiko Tobe, General Manager, Public Relations & CSV Promotion Department
 (TEL. +81-6-6758-1211)

Rohto Group Medium- to Long-Term Growth Strategy 2025–2035

Rohto Pharmaceutical Co., Ltd. (the “Company”) hereby announces that it has formulated the Rohto Group Medium- to Long-Term Growth Strategy 2025–2035, a growth strategy designed to realize the Company’s purpose and corporate philosophy, covering fiscal years 2025 through 2035, as well as the Management Policy for Achieving Long-Term Growth. An overview of each is provided below. For details on the strategies and management policies for individual business segments, please refer to the related document below.

1. Basic Management Policy

At Rohto, we define our purpose as “to lead all individuals and society surrounding us to ‘well-being’ by delivering ‘health’ to people around the world through our products and services and to make people happier and make the future brighter.” With our original business in OTC drugs as the core, we define our business scope to include the Self-care Domain, which encompass quasi-drugs, cosmetics, health foods and food products, and the Professional Domain, which includes prescription pharmaceuticals, medical devices, development of cellular therapy products, and related CDMO businesses, all contributing to the realization of a society with well-being. We aim to realize our purpose by strengthening our corporate culture as a “science-based” company — namely a passion to uncover the unknown — and by giving top priority to addressing unmet needs of customers and patients in a long-term and sustainable manner.

2. Overview of Medium- to Long-Term Growth Strategy

Advancing Rohto Science: From Core Self-Care to Professional Care:
 Creating the Future Expanding the Circle of Well-Being into the Future

Challenges	Strategies
Strengthening business profitability	Global expansion of the Self-care business and entry into new fields ■Delivering new value in Eye Care and Skincare both in Japan and overseas ■Establishing a solid position in new fields such as Hair Care and Feminine Care
Deepening and expanding technological and product capabilities	Providing well-being-oriented lifestyles ■Advancing research on materials in Phyto-Science* and introducing supplements ■Offering gastrointestinal and post-treatment care and leveraging synergies with Eu Yan Sang International Ltd. (EYS) in Internal Medicine and Food Products fields

Building a foundation for the Medical Business	Establishing a Medical Business foundation and network ■Expanding CDMO from Chemical to Biopharmaceutical and Cell-processing ■Integrating Ophthalmology businesses within the group; cosmetics developed for dermatological settings ■Developing new ophthalmic pharmaceuticals and regenerative medicine products
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3. Financial targets for 2030

With an eye toward 10 years from now (2035), we have set financial targets through fiscal 2030 as medium-term quantitative goals in order to achieve sustained growth. We aim to achieve net sales of 415.0 billion yen, a ratio of operating income to net sales of 13%, and EBITDA of 17.5% in fiscal year 2030. In terms of shareholder returns, we will continue to raise our dividends in a stable and sustainable manner, and work to simultaneously achieve a sound financial structure, growth investment, and higher shareholder returns.

	FY2024	FY2027	FY2030
Net sales	308.6 billion yen	365.0 billion yen	415.0 billion yen
Operating income and share of net sales	38.8 billion yen (12.6%)	46.0 billion yen (12.6%)	54.0 billion yen (13.0%)
EBITDA margin	16.9%	17.9%	18.2%
Dividend payout ratio (DOE)	30% or higher (3.5% or higher), aiming for stable and progressive increase		

* Phyto-Science: One of the new business strategies pursued by Rohto Pharmaceutical, aimed at developing the health industry and solving social issues through the use of local natural materials and technologies. Focusing on the active properties and functions of plant-based materials (“Phyto-Power”), we aim to unlock their value and potential using cutting-edge science, working toward the creation of a sustainable society.

●Related document

<https://contents.xj-storage.jp/xcontents/AS09061/25f93c5c/b9e0/4af2/9b05/0bd95c2755f1/20250509163425164s.pdf>

Management Policy for Achieving Long-Term Growth: Medium- to Long-Term Strategy 2025–2035

●Basic Management Policy

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●Basic business policy for achieving medium- to long-term growth

To achieve sustainable, long-term growth, the core of our policy is to develop businesses from a long-term perspective. We recognize the importance of forming a well-balanced and sound portfolio that reflects the different business cycles within each business segment — the period spanning from R&D process including basic research through to when the resulting products are used by customers or patients. Specifically, we assess business viability with consideration for market conditions and environmental changes, using the following typical timeframes as a guide: cosmetics: 2–3 years; OTC drugs: 3–5 years; ethical drugs: 10–15 years; food products: 2–10 years; cellular therapy: 10–20 years; and CDMO: 3–5 years. Throughout these cycles, we aim to enhance both financial and non-financial value such as customer loyalty and brand image in order to increase our overall corporate value and ensure sustainable growth.

●Approach to growth investment

To achieve sustained growth and enhancement of corporate value, we proactively invest in R&D (including intellectual property acquisition), capital expenditures, human resources, and DX, and proactively pursue synergistic M&A and investments to strengthen our long-term competitiveness. We aim to continuously invest up to 5% of consolidated net sales in R&D to bolster our scientific capabilities in both core and new domains. Capital investments are made with global demand and supply chain enhancement in mind. By investing in human resource development to realize mutual growth between the Company and individuals, and in DX to help individuals maximize their capabilities, we aim to enhance the productivity of each individual.

●Approach to global investment

We have long been active in overseas markets, particularly in emerging economies, and continue to benefit from early-mover advantages to this day. In markets such as Hong Kong, China, Vietnam, and Indonesia, we have over 25 years of business experience and are now entering a stage of reaping the rewards, enjoying strong industry positioning, high growth, and the high ratio of operating income to net sales. We aim to reinvest this profit into other promising overseas markets to further increase sustainable value. Specifically, we are pursuing investments over a 5–7 year span in Central/Eastern Europe, South America, South Asia, and the Middle East, and over a 7–10 year span in Africa.

●Approach to capital policy

We believe it is important to deliver value to our shareholders through sustainable growth and long-term corporate value enhancement driven by our contribution to global well-being. To this end, we prioritize maintaining sufficient shareholder equity in order to enable growth-oriented investment and to allow for the acceptance of risk. In terms of profitability and efficiency, we aim to maintain an ratio of operating income to net sales of over 12% and an ROE of over 10%, respectively, to simultaneously achieve a sound financial structure, growth investment, and higher shareholder returns.

●Approach to shareholder returns (dividends and purchase of treasury stocks)

We prioritize allocating generated cash flows to growth investments that support sustainable growth, aiming to strengthen our business foundation and enhance capital efficiency over the medium to long term, ultimately contributing to enhance our corporate value. Based on this, our basic policy for shareholder returns is to steadily and progressively increase returns, targeting a consolidated dividend payout ratio of at least 30% and a DOE of 3.5% or higher. By monitoring these two indicators, we aim to provide comprehensive returns to shareholders. As for the purchase of treasury stocks, we will consider and implement it in a comprehensive manner by taking into account factors such as capital structure optimization, investment opportunities, and stock price trends.

●Our M&A strategy

Our M&A objectives are to acquire new technologies and innovations that support our medium- to long-term business strategy, and to secure management resources we do not currently possess or work with partners, including ventures and small-scale firms, that can generate added value or synergy with our existing businesses. We conduct M&A taking our corporate scale and capital policy into consideration.

●Approach to corporate management and operational execution system

We have voluntarily established a Nomination Committee and Compensation Committee, in which a majority of members are Outside Directors, to strengthen oversight functions for business execution and enhance governance transparency. Under this system, the Board of Directors serves both as a management decision-making body for a broad range of businesses from a long-term and diverse perspective. The Board also serves as a management oversight body. Internal Directors are selected through a well-balanced combination of long-serving employees and external professionals with advanced expertise and top-tier knowledge. The (part-time) Independent Outside Directors, meanwhile, bring independence and are tasked with providing advice and assistance to help the Company make appropriate progress toward our management targets. We consider it essential that the Board of Directors should have a well-balanced combination of these directors and an adequate number of members. With this structure, we seek to facilitate Internal Directors, who are well-versed in the Company's business operations and the technologies that support them, and Outside Directors, who bring independence and specialized expertise in governance, to engage in discussions from diverse perspectives, while ensuring effective checks and balances.

●Approach to strengthening of governance

We maintain a Board of Directors with Outside Directors accounting for at least one-third of its members to strengthen oversight of management. When selecting Directors, we take diversity into consideration, including gender representation, and strive to ensure a balanced mix of the expertise and capabilities required to maintain sound governance. In addition, Audit & Supervisory Board Members who are employees with long-standing internal experience, together with Outside Audit & Supervisory Board Members who bring independence and supervise the execution of business with expertise from their respective fields, work in coordination with the Internal Audit Office to oversee the legality and appropriateness of business execution. To ensure that Audit & Supervisory Board Members can focus on more independent auditing activities, we have designed the framework of a company with an audit and supervisory board.

●Nomination Committee and Compensation Committee

We have put in place the Nomination Committee and the Compensation Committee as voluntarily-established committees independent from the Board of Directors, with the aim of enhancing the transparency, objectivity, and accountability of the processes for the selection of Directors and the determination of the amounts of compensation for individual Directors. The Nomination Committee consists of at least three Directors, with a majority being Outside Directors. As authorized by the Board of Directors, the Nomination Committee drafts proposals for the selection and dismissal of Directors, proposals for the selection and dismissal of Representative Directors, and proposals concerning the positions of Directors, etc., and submits them to the Board of Directors. The Compensation Committee, meanwhile, consists of at least three Directors, with a majority being Outside Directors, and prepares drafts for the amounts of compensation for individual Directors, as delegated by the Board of Directors. In addition, it prepares drafts for Directors' compensation policies, procedures, and structures, as well as drafts proposals regarding Directors' compensation that require approval at the General Meeting of Shareholders and submits the drafts to the Board of Directors.

●Approach to compensation for Directors

Compensation for Directors consists of basic compensation and performance-based compensation, designed to encourage a diverse and highly qualified team to contribute to medium- to long-term corporate value enhancement. Basic compensation is paid on a fixed basis according to the scale of their responsibilities and roles, while performance-based compensation takes into account both short- and long-term performance. In the short term, compensation is based on individual evaluations that vary according to the degree of contribution to Company-wide medium- to long-term issues (ESH [environment, society, and health]) and results in the business areas under the control of each officer during the relevant period, as well as the degree of achievement of consolidated operating income targets for the previous fiscal year. In the long term, evaluations consider each Director’s contributions to the "realization of well-being through business," which the Company identifies as its highest-priority material issue, as well as their contributions to the formulation and execution of strategies that continuously strengthen corporate capabilities and enhance corporate value, the recruitment, development, and organization of talent to realize these strategies, and the building of strong, lasting relationships with external stakeholders. The specific composition of each Director’s compensation package is deliberated and determined in an objective and rigorous manner by the Compensation Committee, a voluntarily established body in which Outside Directors make up the majority of members.

●Policy on dialogue with shareholders

We place building trust with individual and institutional investors as a key management priority and strive for appropriate information disclosure. We engage with individual investors through IR seminars and online sessions, and communicate with institutional investors through a variety of formats such as meetings and briefings. In principle, the Chief Financial Officer (CFO) and the IR team conduct dialogue with institutional investors. We actively create opportunities for dialogue, and valuable feedback we receive from shareholders through CFO or persons in charge of investor relations (IR) is shared with the senior management and the Board of Directors members, and is used as a reference to further enhance our corporate value.

●Approach to social contribution activities

“We will work together with those around us to address social issues and share the resulting benefits.” This is an important objective for us. We believe our business activities, i.e. our core business operations, serve as the primary means of “realizing a society with well-being,” which lies at the heart of our corporate purpose and represents our form of social contribution. We conduct social contribution activities under the themes of “supporting the next generation,” “health awareness enhancement activities,” “coexistence with local communities,” and “development of medicine.” We position these initiatives as strategic efforts that contribute to further business expansion and the building of trust-based relationships with stakeholders, while also enhancing our corporate image, brand value, and customer loyalty — ultimately contributing to the sustainable enhancement of corporate value.