

May 13, 2026

Company name: ROHTO Pharmaceutical Co., Ltd.
Representative: Hidetoshi Segi,
President and Representative Director
(Code: 4527 TSE Prime)
Contact: Masaya Saito, Vice President and CFO
(TEL: 06-6758-8223)

Regarding the Board of Directors' Opinion on Shareholder Proposals

Rohto Pharmaceutical Co., Ltd. (the "Company") hereby announces that the Company has received two shareholder proposals regarding the 90th Ordinary General Meeting of Shareholders scheduled to be held on June 24, 2026: one from AVI JAPAN OPPORTUNITY TRUST PLC, a shareholder of the Company (hereinafter referred to as "Shareholder Proposal 1"), and another from LONGCHAMP SICAV, a shareholder of the Company (hereinafter referred to as "Shareholder Proposal 2"). At its meeting held today, the Board of Directors of the Company resolved to **oppose all proposals in both Shareholder Proposal 1 and Shareholder Proposal 2** as follows.

Note

[Shareholder Proposal 1]

1. Proposing shareholder

AVI JAPAN OPPORTUNITY TRUST PLC

2. Agenda item in Shareholder Proposal 1

Dismissal of one director

3. Summary of the proposal and reasons for the proposal in Shareholder Proposal 1

As described in Appendix 1, "Contents of Shareholder Proposal 1."

4. Board of Directors' opinion on Shareholder Proposal 1

Dismissal of one director

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company recognizes the appointment and dismissal of directors as important matters directly related to enhancing corporate value and securing the common interests of shareholders, and we believe that such matters should be judged from the perspective of how each individual director currently contributes to the Company. Accordingly, we believe that it is not appropriate to seek the dismissal of a director solely on the basis of external factors such as being from the founding family or length of tenure. This shareholder proposal seeks the dismissal of Mr. Kunio Yamada on the basis of his attributes, length of tenure, and the status of the Company's information disclosure; however, we have not identified any fact indicating that Mr. Yamada's continued appointment has caused concrete harm to the Company's corporate value or the common interests of shareholders. In addition, the term of office of the Company's directors is one year, and a proposal for the reappointment of Mr. Yamada has also been submitted to this Ordinary General Meeting of Shareholders. Accordingly, shareholders have the opportunity to judge the appropriateness of Mr. Yamada serving as a director of the Company through their votes for or against such reappointment proposal.

Since Mr. Yamada assumed the position of President and Representative Director in June 1999, the Company has increased sales by more than six times, from JPY 55.7 billion to JPY 343.7 billion, and operating income by more than eight times, from JPY 4.8 billion to JPY 41.1 billion. Even after assuming the position of Chairman and Representative Director in 2009, he has increased sales by more than three times, from JPY 113.4 billion to JPY 343.7 billion, and operating income by more than three times, from JPY 12.5 billion to JPY 41.1 billion, while also expanding the overseas sales ratio from 29% to 50.7%, thereby leading the Company's development into a global company. Over the past five years, sales have increased by 1.9 times, from JPY 181.2 billion to JPY 343.7 billion, and operating income by 1.8 times, from JPY 22.9 billion to JPY 41.1 billion, and we expect continued growth going forward.

Furthermore, in the area of M&A strategy, Mr. Yamada has contributed significantly to enhancing the corporate value of the Group, including by growing sales, on a local currency basis, from the time of acquisition to fiscal 2024 by 8.6 times at DAX Cosmetics, 2.6 times at Ophthalmos S.A., and 2.2 times at ROHTO NITTEN.

In addition, the Company reviews the appropriateness of continuing to appoint directors through procedures that ensure objectivity and transparency, within the Nomination Committee, a majority of whose members are independent outside directors and whose chair is an independent outside director. Mr. Yamada has likewise been subject to rigorous deliberation within this framework. Through such procedures, he has in fact repeatedly received the confidence of shareholders at General Meetings of Shareholders.

With respect to the assertion in this proposal that substantial investments have been made in the medical business and that information disclosure regarding such business is insufficient, we do not believe that the status of the Company's information disclosure serves as a basis for the appropriateness of dismissal. The

Company's research and development expenses, including those for the medical business such as regenerative medicine, are controlled at an appropriate level of approximately 4% to 5%, which is reasonable compared with peer companies, and are not expected to become excessive in the future. In addition, the disclosure of the progress of research and development and the results of clinical trials relates to matters that directly affect business viability. Prematurely disclosing detailed information while scientific verification is still in progress may lead to excessive expectations or misunderstandings and entails the risk of providing shareholders and investors with misleading information for their judgment. Furthermore, disclosing details of research content or development plans could damage the Company's technological advantage or invite imitation by competitors, and therefore careful handling is essential.

We consider it of utmost importance to ensure transparency for shareholders and investors while maintaining careful and appropriate information management, and will, as before, actively provide information to the extent possible within the scope of disclosure.

As described above, we have not identified any objective facts that would serve as a basis for the appropriateness of dismissing Mr. Yamada, and believe that his continued service in his role will contribute to enhancing the Company's corporate value and securing the common interests of shareholders.

For the reasons stated above, the Board of Directors **opposes this proposal.**

[Shareholder Proposal 2]

1. Proposing shareholder

LONGCHAMP SICAV

2. Agenda item in Shareholder Proposal 2

- 1) Amendment to the Articles of Incorporation regarding the establishment of a Strategic Review Committee
- 2) Amendment to the Articles of Incorporation regarding the decision-making body for dividends from surplus and other distributions
- 3) Repurchase of shares
- 4) Approval of compensation amount for the restricted stock compensation plan
- 5) Amendment to the Articles of Incorporation regarding the composition of outside directors
- 6) Amendment to the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and share price
- 7) Amendment to the Articles of Incorporation regarding the record date for the ordinary general meeting of shareholders

3. Summary of the proposal and reasons for the proposal in Shareholder Proposal 2

As described in Appendix 2, “Contents of Shareholder Proposal 2.”

4. Board of Directors’ opinion on Shareholder Proposal 2

- 1) Amendment to the Articles of Incorporation regarding the establishment of a Strategic Review Committee

(1) Board of Directors’ opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company believes that it is appropriate for the Board of Directors to oversee and deliberate on important matters such as reviewing our business portfolio, determining whether to continue, strengthen, or restructure individual businesses, determining the direction of our capital policy, and considering strategic options, after the Company has conducted sufficient consideration from the perspective of enhancing medium- to long-term corporate value and the common interests of shareholders. The matters addressed in this shareholder proposal all relate to the core of the Company’s management strategy and capital policy, and should, in principle, be handled integrally and comprehensively by the Board of Directors within the framework of normal management judgment and oversight.

In particular, the nature of our business portfolio and the positioning of individual businesses cannot be judged solely on current profitability or market valuation. We believe that these matters should be continuously considered from a multifaceted perspective, including the progress of research and development, the feasibility of commercialization, the competitive environment, the investment burden,

the relationship with other businesses, and consistency with overall capital allocation. Furthermore, improving capital efficiency, reviewing capital policy, responding to acquisition proposals and other strategic options, and the nature of dialogue and disclosure with shareholders are not matters to be discussed in isolation. These matters are closely related to our business and financial strategies and must be judged by the Board of Directors, taking overall consistency into consideration.

Accordingly, the establishment of a Strategic Review Committee composed solely of outside directors and capable of independently selecting external advisors, as requested in this shareholder proposal, and the matters to be considered by such committee are matters that should, in principle, be overseen and deliberated on responsibly by the Board of Directors. We do not believe that separating these matters and handling them through a committee stipulated in the Articles of Incorporation is necessarily appropriate. Rather, establishing such a standing committee may not only make the division of roles and responsibilities between the Board of Directors and the committee unclear, but also create a mixture of supervision and execution, make the process of review and decision-making multi-layered, and cause a mismatch between responsibility and authority.

For the reasons stated above, the Board of Directors **opposes this proposal.**

2) Amendment to the Articles of Incorporation regarding the decision-making body for dividends from surplus and other distributions

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company recognizes shareholder returns as one of its important management issues and continuously considers its capital policy, including the nature of returns, through dialogue with shareholders and investors. We consider the opinions received from shareholders to be important factors in considering our capital policy from the perspectives of return levels, capital efficiency, investment capacity, and other aspects. The Company strives to improve its capital policy based on the insights gained through such dialogue.

On the other hand, we believe that dividends from surplus and other distributions should not be judged as a standalone return policy, but rather as an integral part of the overall capital allocation, including growth investments, financial discipline, and shareholder returns. Therefore, rather than isolating and judging individual proposals at the General Meeting of Shareholders, we believe it is more appropriate for the Board of Directors to make comprehensive judgments within the overall capital policy, based on continuous dialogue with shareholders and investors.

Furthermore, in its Medium- to Long-Term Growth Strategy announced on May 13, 2025, the Company has set targets for cash allocation until 2030, including a shareholder return of 80.0 billion yen over the six years from 2025 to 2030, and a dividend payout ratio of 30% or more and a DOE of 3.5% or more, demonstrating its commitment to enhancing stable returns over the medium- to long-term. For the fiscal year ended March 31, 2026, the Company plans to pay an annual dividend of 46 yen per share, marking its 22nd consecutive year of dividend increases. Under these policies, and taking into account dialogue with shareholders and investors, the Board of Directors makes appropriate decisions regarding dividends from surplus and other distributions within the overall framework of capital allocation, including growth investments, financial discipline, and shareholder returns.

This shareholder proposal seeks to amend the Articles of Incorporation so that decisions regarding dividends from surplus and other distributions can be made at the General Meeting of Shareholders. We believe it is appropriate to make decisions regarding dividends from surplus and other distributions within the context of the Company's overall capital policy, taking into account dialogue with shareholders. We also believe that maintaining the current framework of the Board of Directors is the appropriate way to make such decisions.

For the reasons stated above, the Board of Directors **opposes this proposal**.

3) Repurchase of shares

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal**.

(2) Reasons for opposition

In the Medium- to Long-Term Growth Strategy announced by the Company on May 13, 2025, the Company set forth its policy of balancing the acceleration of growth investments, such as production facilities, research and development, and M&A, with stable and continuous shareholder returns, and has comprehensively designed its overall capital allocation, including growth investments, financial discipline, and shareholder returns.

We fully recognize the importance of capital efficiency and market valuation, and consider share buybacks as one of our capital policy options. On the other hand, we believe that the necessity, timing, and scale of share buybacks should not be considered as a standalone return measure, but rather as a comprehensive decision based on our financial balance, future investment capacity, financing policy, and alignment with our overall shareholder return strategy, taking into account our balance sheet strategy, market environment, and share price levels.

Furthermore, regarding shareholder returns, the Company aims for a dividend payout ratio of 30% or more

and a DOE of 3.5% or more, and plans to pay an annual dividend of 46 yen per share for the fiscal year ended March 31, 2026, marking its 22nd consecutive year of dividend increases. In addition, the Company has consistently maintained a double-digit ROE, and we believe that enhancing corporate value should be achieved not solely through one-time, fixed-scale share buybacks, but through a comprehensive approach that includes sustainable profit growth, appropriate investment, maintenance of financial discipline, and improved shareholder returns.

This shareholder proposal calls for a share buyback of up to JPY 55.0 billion within one year from the conclusion of this Ordinary General Meeting of Shareholders. From the Company's perspective, predetermining such a fixed scale and timing at the General Meeting of Shareholders would not only risk being inconsistent with the Company's current balance sheet strategy, financial capacity, and future investment capacity, but must also be regarded as being based on a short-term perspective. If such a proposal is approved, the balance of the Company's overall capital allocation, including growth investments, financial discipline, and shareholder returns, may be significantly impaired, potentially harming the enhancement of the Company's medium- to long-term corporate value and the common interests of shareholders.

We believe that decisions regarding share buybacks should be made by the Board of Directors based on the future business environment, investment opportunities, financial balance, and the market valuation of the Company.

For the reasons stated above, the Board of Directors **opposes this proposal.**

4) Approval of compensation amount for the restricted stock compensation plan

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company's director compensation system consists of basic compensation and performance-based compensation. Specifically, basic compensation is fixed compensation paid according to responsibilities and roles, while performance-based compensation is determined based on the degree of achievement of annual performance targets and the evaluation of contributions to enhancing medium- to long-term corporate value. In addition, the Company has established a Compensation Committee, a majority of whose members are independent outside directors, and determines the amount of compensation for each director through a process that ensures objectivity and transparency, including by referring to trends and survey data regarding compensation levels at companies of a similar business scale to the Company.

On that basis, the Company currently intends to review its overall executive compensation system,

including consideration of the introduction of a restricted stock compensation plan, and recognizes the importance of doing so. The Company has a business structure that seeks sustainable growth through continuous investment in research and development and the development of new businesses. Accordingly, directors are required to make management decisions based on the perspective of enhancing medium- to long-term corporate value, without being overly influenced by short-term market valuations or financial indicators. Therefore, we believe that it is essential to carefully examine the design of any new compensation system, including stock-based compensation, in light of its consistency with the Company's business characteristics and the timeframe for management decisions, and to optimize it within the overall compensation system. This shareholder proposal would individually determine in advance a portion of the comprehensive review process for the compensation system that the Company plans to undertake, and we believe that it is not necessarily appropriate from the perspective of consistency and appropriateness of the Company's overall compensation system.

Accordingly, we believe that the specific details of the director compensation system should be continuously considered and reviewed within the framework of the Compensation Committee and other relevant bodies, taking into account consistency with the Company's management strategy, business characteristics, and personnel requirements. The compensation system should be designed as a whole, comprehensively taking into account the composition and weighting of each element, such as fixed compensation, performance-linked compensation, compensation based on ESG indicators, and stock-based compensation, for the purpose of providing appropriate incentives. We believe that individually determining such details at the General Meeting of Shareholders may impair the Company's ability to design the system flexibly and agilely in response to changes in the management environment.

For the reasons stated above, the Board of Directors **opposes this proposal.**

5) Amendment to the Articles of Incorporation regarding the composition of outside directors

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company established a Nomination Committee in 2019, a majority of whose members are independent outside directors, to consider important matters concerning the nomination of directors and other officers. The Nomination Committee reviews the composition of the Board of Directors through a process that ensures independence and objectivity, comprehensively taking into account the expertise, diversity, and overall effectiveness of the Board of Directors necessary for executing the Company's management strategy.

In particular, outside directors perform not only a supervisory function over management but also an advisory function from specialized and diverse perspectives. We believe that appropriately combining

internal and external knowledge is important for ensuring the effectiveness of the Board of Directors. In fact, the Company's current outside directors have diverse expertise in a wide range of fields, including business administration, venture management, law, startup investment support, and corporate founding. We recognize that this is an optimal composition for appropriately overseeing management from the perspective of the capital markets toward the achievement of the Medium- to Long-Term Growth Strategy announced by the Company on May 13, 2025.

We understand that the ratio of independent outside directors should be determined based on each company's business characteristics, organizational structure, and other individual circumstances, and that a uniform numerical standard is not absolutely required. On the other hand, the Corporate Governance Code provides that Prime Market listed companies should appoint independent outside directors representing at least one-third of the Board of Directors. In light of the importance of this principle, the Company has increased the ratio of outside directors from 15.4% in fiscal 2014, or 2 out of 13 directors, to 35.7% in fiscal 2025, or 5 out of 14 directors, thereby satisfying the level required under the Corporate Governance Code. In addition to such formal aspects, from the perspective of actual operation, the Company has also established a framework in which the opinions of independent outside directors are respected and multifaceted and active deliberations take place at meetings of the Board of Directors.

This shareholder proposal would fix the ratio of outside directors in the Articles of Incorporation. However, we believe that doing so may restrict the Company's ability to flexibly consider the optimal composition of the Board of Directors in accordance with the management issues and personnel requirements at any given time, and may impair the agility of director appointments. The Company will continue to consider the appropriate composition of the Board of Directors, without being bound by a uniform framework, in order to enhance corporate value and, ultimately, contribute to the interests of shareholders.

For the reasons stated above, the Board of Directors **opposes this proposal**.

6) Amendment to the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and share price

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal**.

(2) Reasons for opposition

The Company fully recognizes the importance of management that is conscious of the cost of capital and share price. From the perspective of enhancing corporate value in the medium to long term and securing the common interests of shareholders, we believe it is important to continuously work on improving capital efficiency, appropriate capital allocation, and constructive dialogue with shareholders and investors. In fact, these matters are positioned as important management issues within the Company's Medium- to Long-

Term Growth Strategy, capital policy, and shareholder return policy.

In the Medium- to Long-Term Growth Strategy announced by the Company on May 13, 2025, the Company disclosed its approach to capital measures in relation to the Tokyo Stock Exchange's request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." The Company has set forth the objective of "maintaining ROE of 10% or higher," and its ROE for the fiscal year ended March 31, 2026 reached 12.1%. In addition, the Company recognizes its cost of shareholders' equity as 6 to 8%, and will continue constructive dialogue with the capital market while aiming to enhance corporate value in the medium to long term and maximize the common interests of shareholders by securing profitability that exceeds its cost of shareholders' equity.

However, capital allocation based on the cost of shareholders' equity, various measures conscious of share price, and the nature of shareholder returns, dialogue, and disclosure are all matters closely related to the Company's business strategy and capital policy. We believe that the proper division of roles is for such matters to be specifically considered and implemented in the course of business execution, with the Board of Directors overseeing and deliberating on their content. We also believe that these matters should be reviewed continuously and flexibly, taking into account the business environment, investment opportunities, capital market conditions, and other various factors. Therefore, we believe that rigidly defining the content of measures and the nature of disclosure regarding management conscious of the cost of capital and share price in the Articles of Incorporation, as proposed in this shareholder proposal, may not only hollow out the Company's ordinary framework for review and oversight, but also impair the flexibility and agility of management decisions.

For the reasons stated above, the Board of Directors **opposes this proposal.**

7) Amendment to the Articles of Incorporation regarding the record date for the ordinary general meeting of shareholders

(1) Board of Directors' opinion

The Board of Directors **opposes this proposal.**

(2) Reasons for opposition

The Company fully recognizes the importance of disclosing its Annual Securities Report prior to the Ordinary General Meeting of Shareholders, in light of the fact that the Annual Securities Report contains important information that is useful for investment decisions and from the perspective of further enhancing constructive dialogue with shareholders and investors. Accordingly, the Company is considering measures to ensure that its Annual Securities Report is disclosed at a time that allows shareholders sufficient time to review the information when exercising their voting rights.

However, we believe that careful consideration is still required as to whether changing the record date for voting rights from the current March 31 to May 15 each year is the most appropriate means of achieving this at this time, in light of the various practical issues described below.

First, if only the record date for voting rights is separated while the fiscal year-end and the record date for year-end dividends remain unchanged, the process of determining shareholders as of the record date would need to be conducted twice, and the mailing of related documents would be separated, thereby increasing administrative burden and costs. Second, the timing of director appointments would be delayed, which would affect the timing of the transition to the new management structure. In addition, disclosure work related to first-quarter financial results and preparation work for the General Meeting of Shareholders would overlap during a busy period, raising concerns about an increase in administrative burden. Third, as the period from the fiscal year-end to the submission of the business report would be extended, the period for reviewing subsequent events subject to audit would also become longer. In addition, if the Ordinary General Meeting of Shareholders were to be held in July or August, it would be necessary to consider the impact on shareholders' attendance and the need to ensure their safety due to the meeting being held during the extreme heat of midsummer.

To begin with, this proposal cites, as its reasons, securing a sufficient review period from the disclosure of the Annual Securities Report to the exercise of voting rights and diversifying the timing of general meetings of shareholders. However, Article 13 of the Company's Articles of Incorporation provides that the Ordinary General Meeting of Shareholders shall be convened in June each year. Therefore, even if only the record date for voting rights were changed to May, the restriction under the Articles of Incorporation that the General Meeting of Shareholders must be held during June would remain in place. In other words, there is a gap in effectiveness between the stated purpose of this shareholder proposal and the specific means proposed, and it is structurally impossible to achieve the proponent's objective through this proposal alone.

Furthermore, Paragraph 2 of this shareholder proposal would newly establish a provision allowing the Board of Directors to set a different record date. However, providing in advance in the Articles of Incorporation for the possibility of changing the record date for the Ordinary General Meeting of Shareholders may reduce the predictability of the record date for exercising voting rights for shareholders. We believe that the record date for voting rights relating to the Ordinary General Meeting of Shareholders should be clear and stable for shareholders.

Accordingly, we believe that this proposal leaves practical issues unresolved with respect to the specific means of implementation and lacks sufficient consideration for shareholders' predictability regarding the record date.

For the reasons stated above, the Board of Directors **opposes this proposal.**

End

(Appendix 1)

Contents of Shareholder Proposal 1

* The shareholder proposal submitted by the proposing shareholder (AVI JAPAN OPPORTUNITY TRUST PLC) was originally submitted in Japanese, and the English translation below has been prepared by the Company based on the original Japanese text for reference purposes.

1. Proposed Agenda Item

Dismissal of one director

2. Summary of the Proposal and Reasons for the Proposal

(1) Summary of the Proposal

Dismissal of the following director:

Kunio Yamada, Chairman and Representative Director

(2) Reasons for the Proposal

1) Despite a series of questionable management decisions as the top of management, Mr. Yamada continues to have significant influence over the Company's management decisions

Mr. Kunio Yamada is the fourth-generation member of the Company's founding family. He assumed office as President and Representative Director of the Company in June 1999, and has served as Chairman and Representative Director since June 2009. In total, he has been in a position to oversee the Company's management for an extremely long period of approximately 27 years. His contribution to enhancing the Company's corporate value, particularly during his tenure as President and Representative Director in the 2000s, should be recognized to a certain extent, including the management decision in 2001, two years after he became president, to enter the skincare business, which now accounts for more than half of the Company's sales. However, in recent years, during his tenure as Chairman and Representative Director, there have been a number of management decisions that raise serious questions, including the rapid expansion of investment in the medical business area and substantial underachievement against the post-investment business plans for large-scale overseas M&A transactions such as Eu Yan Sang International Ltd. With respect to Mr. Yamada's influence over such management decisions, the Company states in its disclosed Q&A on management strategy that "The Chairman takes a long-term, group-wide view—crafting vision and building external networks. The President leads line organizations, executing mid-term strategy and overseeing day-to-day operations." It is therefore clear from the Company's own public disclosures that Mr. Yamada, as Chairman and Representative Director, continues to serve as the top of the Company's management.

2) The founding-family-led management structure has continued without legitimate reason, despite the absence of commensurate capital backing

From the perspective of the relationship between the founding family and the Company, the founding family's shareholding ratio, calculated by aggregating the holdings of Yamada Kosan Limited Private Company, Sansyo Kosan Co., Ltd., and Ms. Kiyoko Yamada, is less than 8% of the Company's issued shares. Looking only at the shareholding ratio of the asset management company of which Mr. Kunio Yamada is a director, the figure is even lower, at 3.56%. Despite this shareholder composition, since the founding of Shintendo Yamada Anmin Pharmacy, the predecessor of the Company, in 1899, members of the founding family have continued to hold the positions of chairman or president over four generations. In particular, Mr. Yamada served as President and Representative Director for approximately 10 years from 1999 and has served as Chairman and Representative Director for 17 years since 2009, for a total tenure of 27 years. This is an extremely long tenure compared with the average CEO tenure of Japanese companies, which is concentrated in the range of four to six years. (Reference Material 1 for the Ministry of Economy, Trade and Industry's "Study Group on Sustainable Enhancement of Corporate Value," May 7, 2024) In this way, while members of the Yamada family, the founding family, have consistently overseen management as representative directors, internal directors and executive officers, including the president, have been replaced periodically. However, this consistent founding-family-controlled management structure cannot be justified, at least from the perspective of shareholding ratio, and the basis for the current chairman-led management structure, which has continued for approximately 30 years, is unclear. With respect to owner- or family-led management, the Tokyo Stock Exchange has also expressed concerns that business strategies may "prioritize the wishes of the family" and that business decisions may be made that "lack economic rationality from the perspective of the capital market," thereby creating a gap with investors' perspectives. (Materials published by the Listing Department of the Tokyo Stock Exchange, "Future Measures for the Standard Market," February 18, 2026)

- 3) The Company has failed to monetize the regenerative medicine-related business despite many years of substantial investment, and has failed to fulfill its accountability by neglecting sufficient disclosure to investors and shareholders that is conscious of the cost of capital

In addition, under the leadership of Mr. Yamada, the Company entered the regenerative medicine field in 2013 as a medium- to long-term growth theme. Based on the Company's past disclosure materials and publicly available information, while substantial management resources have been allocated to this business, including investments and acquisitions related to companies in regenerative medicine alone amounting to around JPY 10.0 billion, cumulative research and development expenses of approximately JPY 2.0 billion, and significant personnel and other expenses, the Company has disclosed that the business is not expected to make any profit contribution at least until 2030, approximately 17 years after the business was launched. Furthermore, according to the Company's Q&A on management strategy, annual investment of JPY 1.0 to 2.0 billion is expected to continue for research and development. In the Company's Medium- to Long-Term Growth Strategy, the Company plans to monetize the business through the market launch or out-licensing of pipelines from around 2030. However, even today, 13 years after the business began, there is no prescription drug that has reached market launch, nor is there any development product that has even reached Phase III clinical trials, the expanded verification stage of efficacy and safety conducted prior to market launch. In addition, according to the Well-being Report 2025 disclosed by the Company in 2025, as of September 2025, none of the pipelines had yet reached the start of Phase III clinical trials. Under

these circumstances, from the perspective of shareholders and investors, it is highly unclear whether the management resources invested since 2013 will generate investment returns such that the present value of cash flows discounted by the cost of capital will become positive from 2030 onward. Nevertheless, disclosure regarding the healthcare business, particularly regenerative medicine, in the context of business portfolio management conscious of the cost of capital is extremely limited. Specifically, public information regarding healthcare-related businesses, such as regenerative medicine and prescription ophthalmology, is grouped together under the “Medical Business.” The only management indicator disclosed is the sales target, namely a target of JPY 32.8 billion for fiscal 2030, almost flat compared with fiscal 2027, and a broad target range of JPY 55.0 to 65.0 billion for fiscal 2035. With respect to profitability, however, there is no specific disclosure whatsoever, not only of actual results but even of targets. In addition, research and development budgets are disclosed only on an aggregate basis for all businesses, and even within the broad category of “Medical Business,” budgets by business are not disclosed. Such business investment without accountability must be regarded as extremely inappropriate from the perspective of disclosure to investors and shareholders. It must also be said that the Company has failed to comply with Principle 5-2 of the Corporate Governance Code, which states that companies should clearly explain, in words and logic that are easily understandable to shareholders, what specific actions they will take with respect to the review of the business portfolio and the allocation of management resources, including capital investment, research and development investment, and investment in human capital. In addition, in the examples of “companies with gaps from investors’ perspectives” disclosed by the Tokyo Stock Exchange in November 2024 in connection with the realization of management conscious of the cost of capital and stock price, the TSE noted that even indicating policies or views on the downsizing or withdrawal of existing businesses would provide reassurance to investors. However, there is no reference whatsoever to such matters in the Company’s disclosure materials, such as the Rohto Group Medium- to Long-Term Growth Strategy 2025–2035. The Company states that, with respect to expanded investments including the medical business, it limits research and development expenses to 5% of consolidated sales. However, this must be regarded as a mere stopgap measure that papers over the issue, and it is clear that the Board of Directors is seeking to avoid its responsibility to disclose the essential business portfolio. Against this backdrop, Mr. Yamada stated in a past media interview that, “The management approach of ‘selection and concentration’ is emphasized. However, I do not really accept this.” (Nikkei Business, December 2025) He also stated, with respect to the Company’s disclosed Medium- to Long-Term Management Strategy 2025–2035, that it is “not so much a target, but more like, if we continue doing the various things we are doing now, it will probably end up around this level; it is more of an ‘outlook’ than a ‘plan.’” (NewsPicks, October 2025) These statements are clearly typical examples of a gap with investors’ perspectives in management conscious of the cost of capital and stock price, as described above. They must also be said to run counter to Supplementary Principle 5.2.2 of the Corporate Governance Code, which forms part of the listing rules and provides that “recognizing that a mid-term business plan (chuuki keiei keikaku) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan”. Under these circumstances, at the Company’s 89th Ordinary General Meeting of Shareholders held on June 26, 2025, the approval rate for the proposal to elect Mr. Yamada as a director was 87.16%, which was lower than the approval rates of 90% or more for each proposal to elect the Company’s internal directors other than Mr. Yamada. This is evidence that shareholders have not sufficiently understood or supported Mr.

Yamada's management structure, under which he continues family management despite the fact that the shareholding ratio of Mr. Yamada himself and his asset management company is less than 5%, or the manner in which he fulfills accountability for business portfolio management.

- 4) Mr. Yamada should be dismissed, rather than merely retire, because he has failed to fulfill his responsibilities as a director

As described above, the current management of the Company under Mr. Yamada has tolerated investments that cannot be justified from the perspective of the cost of capital for more than 10 years and has failed to provide appropriate disclosure that would contribute to investors' and shareholders' understanding. It can therefore be said that this has damaged the Company's corporate value, and from the perspective of corporate governance, breaking away from this management structure is an urgent issue. The Company should immediately transition away from the founding-family management that has been passed down for more than 120 years since the Company's founding in 1899, and move to a structure capable of making management decisions that contribute to maximizing corporate value in the true medium- to long-term and sustainable sense, from the perspective of management conscious of the cost of capital and stock price. Mr. Yamada has continued this problematic management structure and has failed to fulfill the responsibilities he should fulfill as a director. Accordingly, in order to make clear his responsibility, he should be removed by dismissal rather than retire upon the expiration of his term of office.

End

(Appendix 2)

Contents of Shareholder Proposal 2

* The shareholder proposal submitted by the proposing shareholder (LONGCHAMP SICAV) was originally submitted in Japanese, and the English translation below has been prepared by the Company based on the original Japanese text for reference purposes.

Section 1. Proposed Agenda Items

1. Amendment to the Articles of Incorporation regarding the establishment of a Strategic Review Committee
2. Amendment to the Articles of Incorporation regarding the decision-making body for dividends from surplus and other distributions
3. Repurchase of shares
4. Approval of compensation amount for restricted stock compensation plan
5. Amendment to the Articles of Incorporation regarding the composition of outside directors
6. Amendment to the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and share price
7. Amendment to the Articles of Incorporation regarding the record date for the Ordinary General Meeting of Shareholders

Section 2. Summary of the Proposals and Reasons for the Proposals

1. Amendment to the Articles of Incorporation regarding the establishment of a Strategic Review Committee

(1) Summary of the Proposal

The following provisions shall be newly established in Chapter 4, “Directors and the Board of Directors,” of the Company’s Articles of Incorporation, and the existing Articles 29 and thereafter shall each be renumbered accordingly. If formal adjustments to the provisions stated in this proposal, including adjustments to article numbers, are required due to the approval of other proposals at the Ordinary General Meeting of Shareholders, including company proposals, such provisions shall be replaced with the provisions after such necessary adjustments have been made.

(Establishment of a Strategic Review Committee)

Article 29

For the purpose of enhancing corporate value and securing the common interests of shareholders, the Company shall establish a Strategic Review Committee under the Board of Directors.

- ② The Strategic Review Committee shall be composed solely of outside directors.
- ③ The Strategic Review Committee shall review and evaluate the following matters, report the results to the Board of Directors, and, as necessary, report at the General Meeting of Shareholders and appropriately disclose to shareholders and stakeholders the summary and results of its review:

- 1) Optimization of the business portfolio, including withdrawal, separation, sale or other restructuring of

businesses with low profitability and capital efficiency, including the Medical Business;

- 2) Improvement of capital efficiency taking into account the cost of capital, and consideration of measures to further improve ROE;
 - 3) Consideration of acquisition proposals by third parties, going-private transactions and other strategic options;
 - 4) Review of capital policy to enhance corporate value and taking into account the cost of capital; disclosure of the Company's approach to the cost of capital; and verification of whether each business generates returns exceeding its cost of capital; and
 - 5) Establishment of a framework to enhance constructive dialogue with shareholders, and ensuring appropriate involvement of top management and outside directors in such dialogue.
- ④ The Strategic Review Committee may receive advice from external experts to the extent necessary for the performance of its duties.
- ⑤ In addition to these Articles of Incorporation, other matters concerning the Strategic Review Committee shall be governed by the Strategic Review Committee Rules prescribed by the Board of Directors.

(2) Reasons for the Proposal

The Company has high profitability and strong track records in its Eye Care and Skin Care businesses. On the other hand, the medical business, which the Company positions as a growth business, has continued to require substantial investment, while its sales scale remains limited and there are doubts regarding the feasibility of recovering such investment. Although a sales target for 2030 has been disclosed, there is no disclosure from the perspective of investment recovery taking into account the cost of capital, and no policy has been disclosed regarding withdrawal, separation, sale or other measures. In addition, the Company has adopted capital policies that raise questions regarding consistency with the interests of existing shareholders, such as the issuance of convertible bonds involving share dilution.

In light of the above, we propose this proposal because we believe that establishing a Strategic Review Committee composed solely of outside directors, and having such committee objectively review the business portfolio, including strategic options such as withdrawal, separation or sale of the Medical Business, as well as capital efficiency improvements and capital policies that take into account shareholder value and the cost of capital, and appropriately disclose the summary and results of such review, will contribute to enhancing corporate value and securing the common interests of shareholders.

2. Amendment to the Articles of Incorporation regarding the decision-making body for dividends from surplus and other distributions

(1) Summary of the Proposal

Article 39 of the Company's Articles of Incorporation shall be amended as follows. If formal adjustments to the provisions stated in this proposal, including adjustments to article numbers, are required due to the approval of other proposals at the Ordinary General Meeting of Shareholders, including company proposals, such provisions shall be replaced with the provisions after such necessary adjustments have been made.

The underlined portions indicate the amendments.

Before Amendment	After Amendment
Decision-Making Body for Dividends from Surplus and Other Distributions	Decision-Making Body for Dividends from Surplus and Other Distributions
Article 39 The Company shall determine matters concerning dividends from surplus and other matters set forth in each item of Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, without a resolution of the General Meeting of Shareholders, except as otherwise provided by laws and regulations.	Article 39 The Company <u>may</u> determine matters concerning dividends from surplus and other matters set forth in each item of Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, except as otherwise provided by laws and regulations_ <u>and except where such matters are determined by resolution of the General Meeting of Shareholders.</u>

(2) Reasons for the Proposal

Under the Company's Articles of Incorporation, the decision-making body for dividends from surplus and other distributions is the Board of Directors, and such matters are determined by resolution of the Board of Directors. This restricts shareholders' rights with respect to dividends from surplus and other distributions. Accordingly, in addition to allowing dividends from surplus and other distributions to be determined by resolution of the Board of Directors, the Articles of Incorporation should be amended so that, where a proposal is submitted by a shareholder, such matters may be determined by resolution of the General Meeting of Shareholders.

3. Repurchase of Shares

(1) Summary of the Proposal

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall repurchase its common shares, by cash payment, within one year from the conclusion of this Ordinary General Meeting of Shareholders, up to a maximum of 22,600,000 shares and a maximum aggregate acquisition price of JPY 55,000,000,000; provided, however, that if the Board of Directors of the Company resolves to repurchase treasury shares during the period from April 1, 2026 to the date of this Ordinary General Meeting of Shareholders, the aggregate acquisition price of such repurchase shall be deducted from the above maximum aggregate acquisition price.

(2) Reasons for the Proposal

The Company's average ROE over the past 10 years has remained at approximately 10%, significantly lagging behind global peers. In order to improve ROE, in addition to continuous profit growth, it is essential to improve capital efficiency through further enhancement of shareholder returns. Although the Company announced a share repurchase of up to JPY 3.0 billion in March 2026, the scale of such repurchase is clearly insufficient as a measure to improve capital efficiency.

In the Q&A on management strategy, the Company has disclosed its recognition that its actual share price is low relative to its theoretical share price. Repurchasing shares at an undervalued level would not only contribute to increasing corporate value through the improvement of earnings per share and book value per share, but would also

have the effect of reducing the future dividend burden by decreasing the total number of issued shares. This is not a short-term share price measure, but a measure that contributes to enhancing corporate value in the medium to long term.

In light of the above, we believe that, for the purpose of enhancing corporate value in the medium to long term through improved capital efficiency, the Company should repurchase treasury shares equivalent to approximately 10% of the total number of issued shares.

4. Approval of compensation amount for restricted stock compensation plan

(1) Summary of the Proposal

The maximum amount of compensation for the Company's directors was approved at the Ordinary General Meeting of Shareholders held on June 24, 2014 as an annual amount of up to JPY 700 million, excluding employee salaries for directors concurrently serving as employees. In addition to this, the Company shall newly grant monetary compensation claims for the grant of restricted stock to the Company's directors, including directors who are outside directors, in an annual amount of up to JPY 700 million and with an upper limit of 300,000 shares to be granted.

The specific timing and allocation of payments shall be determined by the Board of Directors, but the plan shall be designed as a performance-linked incentive plan. Various KPIs, including ROE and TSR, or total shareholder return, may be considered as performance indicators, but the specific indicators should be appropriately determined by the Board of Directors in light of the Company's management strategy and business environment. In addition, if the performance targets are met, the plan shall be designed so that restricted stock equivalent in aggregate to three times fixed compensation will be granted over the next three years.

(2) Reasons for the Proposal

The Proponent believes that the greatest weakness of Japanese boards of directors is the lack of shareholder perspective resulting from the low level of share ownership by directors. At the Company as well, excluding members of the founding family, directors hold only a small number of shares, most compensation depends on basic compensation, and although performance-linked compensation has been introduced, value sharing with shareholders cannot be said to be sufficient. In order to align the interests of directors and shareholders, the introduction and expansion of stock-based compensation linked to share price is essential.

The benchmark for stock-based compensation designed to promote value sharing between directors and shareholders is considered to be an amount equivalent to three times fixed compensation. However, the Company has not introduced a restricted stock compensation plan, and its incentive design for sharing interests with shareholders is insufficient. Because restricted stock compensation lacks effectiveness unless it is granted during the director's term of office, grants of a certain scale over a shorter period are necessary.

In Europe and the United States, guidelines generally require top management to hold shares equivalent to three to five times basic compensation and even outside directors to hold shares equivalent to approximately one times basic compensation. The Company should also establish and disclose such guidelines.

5. Amendment to the Articles of Incorporation regarding the composition of outside directors

(1) Summary of the Proposal

In order to make a majority of the Company’s directors outside directors, Article 19 of the Company’s Articles of Incorporation shall be amended as follows. If formal adjustments to the provisions stated in this proposal, including adjustments to article numbers, are required due to the approval of other proposals at the Ordinary General Meeting of Shareholders, including company proposals, such provisions shall be replaced with the provisions after such necessary adjustments have been made.

The underlined portions indicate the amendments.

Before Amendment	After Amendment
Number of Directors	Number of Directors
Article 19 The number of directors of the Company shall be 15 or less.	Article 19 The number of directors of the Company shall be 15 or less.
<u>2. (Newly established)</u>	<u>2. For as long as the Company remains a listed company, a majority of the Company’s directors shall be outside directors as defined in Article 2, Item 15 of the Companies Act.</u>

(2) Reasons for the Proposal

Principle 4-8 of the Corporate Governance Code provides that Prime Market-listed companies should appoint independent outside directors representing at least one-third of the Board of Directors and that, where necessary, a majority of independent outside directors should be appointed.

At the Company, only five of the 14 directors are outside directors. Although this formally satisfies the requirement, there remains room for improvement from the perspective of the independence of the Board of Directors and the effectiveness of its supervisory function. By making outside directors a majority of the Board of Directors, discussions based on perspectives independent from management will be promoted, and it will be possible to build a governance structure that contributes to enhancing the Company’s medium- to long-term corporate value.

In addition, with respect to outside directors, not only the number but also the quality of such directors is important. The Company should consider appointing personnel who are well-versed in the capital markets, particularly personnel with extensive experience and skills as analysts. Such personnel would bring investors’ perspectives to the Board of Directors and contribute to improving the quality of decision-making aimed at enhancing corporate value.

6. Amendment to the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and share price

(1) Summary of the Proposal

The following provision shall be newly established in the Company’s Articles of Incorporation. If formal adjustments to the provisions stated in this proposal, including adjustments to article numbers, are required due to the approval of other proposals at the Ordinary General Meeting of Shareholders, including company proposals, such provisions shall be replaced with the provisions after such necessary adjustments have been made.

The underlined portions indicate the amendments.

Before Amendment	After Amendment
(Newly established)	Chapter 8 Disclosure
	Disclosure regarding management that is conscious of the cost of capital and share price
	Article 42 For as long as the Company remains a listed company, the Company shall verify the appropriateness of its initiatives and disclosure based on the “Key Points and Examples Considering the Investor’s Point of View in Regard to Management Conscious of Cost of Capital and Stock Price” published by the Tokyo Stock Exchange on February 1, 2024, and shall disclose the content of its initiatives in accordance with the items set forth in such Key Points and Examples in its Corporate Governance Report and on the Company’s website.

(2) Reasons for the Proposal

The Tokyo Stock Exchange requests all listed companies to take “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” (the “TSE Request”), and, in order to ensure the effectiveness of such action, requests companies to respond based on the “Key Points and Examples Considering the Investor’s Point of View in Regard to Management Conscious of Cost of Capital and Stock Price” (the “Key Points and Examples”). The Company has already made disclosure based on the TSE Request. However, the Company has not disclosed targets for capital profitability, such as ROE or ROIC, nor has it disclosed any assessment of whether each of its diversified businesses generates returns exceeding its cost of capital. This indicates that the Company’s response to the “fundamental initiatives with an awareness of appropriate allocation of management resources” set out in the Key Points and Examples is insufficient, and serious issues remain with respect to effectiveness.

We believe that disclosing specific details based on the Key Points and Examples will promote the visualization of capital efficiency in each business and the appropriate allocation of management resources, thereby enabling the Company to meet the expectations of shareholders with a medium- to long-term perspective.

7. Amendment to the Articles of Incorporation regarding the record date for the Ordinary General Meeting of Shareholders

(1) Summary of the Proposal

Article 14 of the Company’s Articles of Incorporation shall be amended as follows. If formal adjustments to the provisions stated in this proposal, including adjustments to article numbers, are required due to the approval of other proposals at the Ordinary General Meeting of Shareholders, including company proposals, such provisions shall be replaced with the provisions after such necessary adjustments have been made.

The underlined portions indicate the amendments.

Before Amendment	After Amendment
Record Date for the Ordinary General Meeting of Shareholders	Record Date for the Ordinary General Meeting of Shareholders
Article 14 The record date for voting rights at the Company’s Ordinary General Meeting of Shareholders shall be March 31 of each year.	Article 14 The record date for voting rights at the Company’s Ordinary General Meeting of Shareholders shall be <u>May 15</u> of each year.
<u>2. (Newly established)</u>	<u>2. Notwithstanding the preceding paragraph, if necessary, the Company may set a record date by resolution of the Board of Directors upon giving prior public notice.</u>

(2) Reasons for the Proposal

Currently, the record date for voting rights at the Ordinary General Meeting of Shareholders is March 31, and the General Meeting of Shareholders is held by the end of June in accordance with the Companies Act. The Annual Securities Report is a statutory disclosure document that comprehensively contains information necessary for shareholders to make decisions on the exercise of voting rights. However, at the Company, it is disclosed immediately before the General Meeting of Shareholders, and shareholders are not provided with a substantive review period sufficient for investors to analyze its contents.

By changing the record date for voting rights to mid-May, it will become possible to design a reasonable schedule for disclosure of the Annual Securities Report and other materials before the General Meeting of Shareholders. This would create an environment in which investors, proxy advisory firms and others can carefully review the information and appropriately reflect it in their views on each agenda item.

In addition, this proposal would encourage the dispersion of Ordinary General Meeting of Shareholders dates, which have historically been excessively concentrated in late June, and would contribute to realizing shareholder democracy by creating an environment in which shareholders can attend general meetings of more companies.

This proposal does not involve any change to the fiscal year-end and would not affect business operations or accounting procedures. Rather, it would contribute to improving the quality of disclosure and the effectiveness of dialogue with the market.

End