Corporate Governance Report

CORPORATE GOVERNANCE Rohto Phrmaceutical Co, Ltd.

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Rohto Phrmaceutical Co, Ltd.

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http://www.rohto.co.jp/

The corporate governance of Rohto Phramceutical Co, Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

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. To fulfill our social responsibilities over the long term and in a sustainable manner, we place the highest priority on addressing the unmet needs of our customers and patients. At the same time, we aim to build mutual prosperity and coexistence by earning the trust and meeting the expectations of all our stakeholders, including shareholders, consumers, business partners, and employees. We recognize that enhancing and strengthening corporate governance is a critical management issue to achieve these goals. In addition to ensuring transparency and fairness in management, we will continue to establish an effective organizational structure and implement the necessary measures to swiftly and accurately respond to changes in the business environment. In line with our corporate philosophy, we have established the ROHTO Group Compliance Code of Conduct as the foundation of our compliance framework, and we are committed to promoting legal and ethical conduct throughout the organization. For further details regarding our basic policy and corporate governance structure, please refer to the following section of our corporate website:
https://www.rohto.co.jp/ir/strategy/governance/

Reasons for Non-compliance with the Principles of the Corporate Governance Code

■ **Supplementary Principle 2.4.1**: Ensuring Diversity in the Promotion of Core Personnel We believe that in order for the Company to continuously evolve and enhance its corporate value over the medium to long term, it is essential to secure human resources with diverse values and backgrounds. ROHTO is actively engaged in recruiting women, non-Japanese nationals, and mid-career professionals, and we have consistently maintained high ratios in these areas.

(Please refer to: https://www.rohto.co.jp/sustainability/library/data/) Regarding appointments to managerial and other leadership positions, our approach is based on assigning individuals who are capable of undertaking work that creates value for society and contributes to the enhancement of corporate value. Therefore, we have not set specific numerical targets, such as for the ratio of female managers. As of the end of fiscal year 2025 (March 2026), the percentage of women in managerial positions stands at 31.0%. To further promote diversity, we recognize the importance of not only providing a comfortable and inclusive working environment but also offering opportunities that stimulate growth and challenge. In this regard, we are advancing initiatives such as external concurrent employment ("Challenge Work"), internal dual job roles ("Double Job"), and internal venture programs, to cultivate a workplace where individuals can continuously grow and take on new challenges.

Disclosure Based on each Principle of the Corporate Governance Code

■ **Principle 1-4**: Cross-Shareholdings (Policy Shareholdings) 1. Policy on Cross-Shareholdings The Company holds shares of listed companies not only for pure investment purposes but also for strategic reasons. These include maintaining and developing business relationships and technological alliances related to product development within our business domain. Such holdings are aimed at expanding and enhancing our business opportunities, and we believe they contribute to our medium- to long-term corporate value. Each year, the Board of Directors evaluates each cross-shareholding individually from the perspective of medium- to long-term corporate value enhancement. This includes reviewing the purpose of the holding, the associated benefits and risks, and its economic rationale. Shares deemed to lack sufficient significance will be sold, taking into account the market impact and ensuring the understanding of the investee company, in an effort to reduce cross-shareholdings. Specifically, with respect to cross-shareholdings, our policy is to maintain the total amount of holdings of both listed and unlisted shares at or below 10% of consolidated net assets. As of the end of fiscal year 2025 (March 31, 2026), the holdings ratio was 7.8% of consolidated net assets and we remain within this target. In addition, should a shareholder holding our shares for policy purposes express an intent to sell, we will not hinder such action by, for example, implying a reduction in business transactions. 2. Verification of the Appropriateness of Cross-Shareholdings For each individual stock held as a cross-shareholding, we assess both quantitative and qualitative factors. These include the purpose of the holding, transaction volume (if applicable), annual dividends received, and unrealized gains or losses, as well as strategic significance, potential for future business development, risks associated with not holding the shares, and the benefits and risks of continued holding. Details on the current status and rationale for each holding are disclosed in our Annual Securities Report.

3. Standards for the Exercise of Voting Rights

・ Basic Policy: We consider the exercise of voting rights to be a vital means of influencing the management of investee companies and enhancing shareholder value. We do not make blanket decisions based on short-term perspectives but assess whether proposals contribute to medium- to long-term corporate value.

・ Voting Process: Voting decisions are made by thoroughly examining the content of each proposal on a case-by-case basis, taking into consideration the management policies and circumstances of the investee company.

■ **Principle 1-7**: Related Party Transactions

In the event that a significant related party transaction arises, we review the terms and the appropriateness of the decision-making process at a meeting of the Board of Directors attended by independent outside directors, deliberate on the matter after excluding any directors having a conflict of interest in such transaction, and determine whether to approve the transaction accordingly. Transactions involving our directors are subject to deliberation by the Board of Directors and are monitored through either approval or reporting at the Board meeting. In addition, we have established certain quantitative criteria for assessing the importance of transactions.

■ **Principle 2-6**: Roles of Corporate Pension Funds as Asset Owners

We fully recognize the importance of managing corporate pension assets not only for the stable asset formation of our employees but also for its potential impact on our financial position. To ensure pension benefits are reliably provided to beneficiaries into the future, we aim to secure the required total returns over the long term, taking into account the associated risks. The management of pension assets is entrusted to professional asset managers. We regularly conduct hearings with these managers regarding the performance of the pension funds and revise investment products as needed.

■ **Principle 3-1**: Enhancement of Information Disclosure

(1) Group Philosophy and Group Management Plan

We have established the "Seven Declarations" as a guiding set of values for all corporate activities, representing the universal principles of our business. With the purpose of delivering health to people around the world and leading all those connected with our Company toward greater well-being, we have positioned our business scope to include both:

- the Self-Care Domain, encompassing over-the-counter pharmaceuticals (our founding business), quasi-drugs, cosmetics, health foods, and general food products; and
- the Professional Domain, including prescription pharmaceuticals, medical devices, cellular therapy, and related CDMO businesses.

We aim to strengthen a "science-based" corporate foundation - driven by a passion to explore the unknown - and as a core management policy, we prioritize addressing unmet needs of customers and patients in a long-term and sustainable manner.
Furthermore, in May 2026, we set forth "Connect for Well-being & Longevity" as our corporate vision, and we seek to realize a sustainable society where people around the world can live healthy, fulfilling, and longer lives through our activities.
In addition, under our Group Management Plan, our basic policy is to ensure that the principles, values, quality standards, and ethical standards to be shared across the Group are thoroughly implemented as a common foundation, while respecting the autonomy and independence of each region and subsidiary with regard to specific business strategies. Each Group company makes decisions in accordance with its respective business characteristics, industry environment, and competition landscape, thereby achieving sustainable growth rooted in local business environments and communities.
Moreover, we actively promote collaboration and co-creation not only within our Group, but also with diverse stakeholders both inside and outside the Group, including regional business partners and distribution partners, with the aim of enhancing competitiveness and creating new value in each region.

(2) Basic Approach to Corporate Governance
Please refer to section "I-1 Basic Approach" of this report for our fundamental policies on corporate governance.

(3) Director Compensation
We have established a policy for director compensation, under which the compensation structure, including compensation levels and the decision-making process, is designed in accordance with the following principles:
a. To motivate contributions to the enhancement of our corporate value from a long-term perspective in order to realize the philosophy set forth in our Articles of Incorporation;
b. To ensure compensation is commensurate with the roles and responsibilities borne by each individual and supports the practical realization of the philosophy; and
c. To ensure objectivity, transparency, and reasonableness that can be appropriately explained to all stakeholders.
Based on this policy approved by the Board of Directors, compensation for each director is deliberated and determined by the Nomination and Compensation Committee, a majority of whose members are outside directors, within the total amount of compensation approved in advance at the General Meeting of Shareholders. The Nomination and Compensation Committee consists of three directors, with a majority being outside directors. The three members of the Committee are: Mr. Akie Iriyama (Outside Director) , Ms. Haruka Mera

(Outside Director), Mr. Kunio Yamada (Chairman and Representative Director), and Mr. Akie Iriyama serves as Chairperson of the Committee.
At the 78th Annual General Meeting of Shareholders held on June 24, 2014, it was resolved that the annual maximum amount of director compensation shall be within 700 million yen (excluding salaries for directors concurrently serving as employees). In addition, the Articles of Incorporation in effect at the time provided that the number of directors shall be 15 or fewer.

An outline of the policy for director compensation is as follows:
Compensation for directors consists of basic compensation (fixed compensation) corresponding to the scale of responsibilities and roles within the Company, and performance-based compensation (variable compensation) reflecting individual performance and the results of the most recent fiscal year. However, all outside directors, who serve in independent supervisory capacity, receive only fixed basic compensation.

(i) Basic Compensation
Fixed compensation is provided to each director according to the scale of their responsibilities and roles. Compensation levels are determined with reference to compensation levels at companies of similar size and within the same industry in Japan and overseas. Such compensation levels are reviewed annually.

(ii) Performance-Based Compensation (Individual Performance-Based Compensation and Company Result-Linked Compensation)
Variable compensation is determined based on 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 the 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 and contributions toward a sustainable global environment. In addition, when determining individual performance-based compensation, the degree of achievement against ESG-related indicators* resolved by the Nomination and Compensation Committee is incorporated as a coefficient in the evaluation process.
The compensation is paid solely in cash, and while the ratio differs depending on position and

role, the general guideline for internal directors is approximately 50% basic compensation and 50% performance-based compensation.

* ESG-related indicators include CO2 emissions (Scope 1 and 2), well-being survey scores, the number of product liability incidents and major quality incidents, and external ESG ratings.

(4) Policy and Procedures for the Nomination of Directors and Audit & Supervisory Board Members

We aim to achieve sustainable growth and enhance its corporate value over the long term for the common benefit of all stakeholders. Therefore, we believe it is important for the Board of Directors to be composed of both internal and external directors with diverse knowledge, experience, capabilities, insights, and values, regardless of attributes such as gender, race, nationality, or age, while also ensuring a governance framework with a high degree of transparency and objectivity. In accordance with this policy, candidates for directors are deliberated by the Nomination and Compensation Committee, a majority of whose members are independent outside directors, and are proposed to the Board of Directors. Following deliberation and resolutions by the Board, the proposal for the election of directors is submitted to the General Meeting of Shareholders.

With respect to the nomination of Audit & Supervisory Board Members, we select candidates who possess appropriate experience and capabilities, as well as the necessary knowledge of finance, accounting, and legal areas. In addition, it is desirable that at least one of Audit & Supervisory Board Members possess substantial expertise in finance and accounting. Candidates for Audit & Supervisory Board Members are submitted to the General Meeting of Shareholders following deliberation and consent by the Audit & Supervisory Board.

(5) Explanation Regarding the Nomination of Individual Candidates

The reasons for nominating each director and auditor candidate are disclosed annually in the Notice of Convocation of the General Meeting of Shareholders.

■ **Supplementary Principle 3.1.3**: Initiatives on Sustainability

We position sustainability at the core of its management under our management vision, “Connect for Well-being & Longevity,” based on the belief that “human health” and the “health of the planet and society” are inseparable. To promote sustainability initiatives, we have established a Sustainability Committee, chaired by the Executive Vice President and joined by outside Audit & Supervisory Board Members as advisors. The committee is responsible for formulating company-wide policies and medium- to long-term targets in response to global sustainability issues surrounding our Group, and we develop internal frameworks to promote such initiatives. In addition, in order to further strengthen responses to environmental issues, we have established the Environmental Management Promotion Committee as a subordinate organization, which is responsible for promoting specific initiatives relating to climate change, resource circulation, biodiversity, and other environmental matters. The activities and

discussions of each committee are reported to the Board of Directors as appropriate, and under the proper supervision and monitoring of the Board, we strive to enhance sustainable corporate value and promote value sharing with diverse stakeholders.
Under such governance structure, we promote initiatives to extend healthy life expectancy and advance preventive healthcare through its pharmaceutical, cosmetics, and food businesses, while pursuing management that simultaneously enhances corporate value and addresses social issues from environmental, social, and governance (ESG) perspectives.
In the environmental field, we are working toward achieving carbon neutrality by 2050 and are promoting reductions in greenhouse gas (GHG) emissions arising from its business activities. At domestic production facilities, we are introducing energy-efficient equipment and improving manufacturing process efficiency, while also expanding the use of electricity derived from renewable energy sources. In addition, we are working to reduce CO2 emissions from transportation through logistics optimization and to reduce environmental impacts throughout the supply chain.
With respect to resource circulation initiatives, we are promoting reductions in plastic resource consumption by expanding refillable products and reviewing container designs to reduce packaging weight and plastic usage. In sales operations, we promote initiatives to reduce product returns, while manufacturing sites advance waste recycling efforts and continuously work to reduce waste sent to incineration and landfill.
In consideration of biodiversity, we have adopted procurement policies that take into account the impact of raw material sourcing on forests and ecosystems. The Company is a member of the Roundtable on Sustainable Palm Oil (RSPO) and promotes the procurement of sustainable palm oil. We are proceeding in stages toward its goal of transitioning to 100% certified palm oil by 2030 and the responsible sourcing practices that take into consideration deforestation and human rights issues.
From a social perspective, the Company positions “Health and Productivity Management” as an important management issue and promotes employee health enhancement, the creation of comfortable working environments, and the prevention of occupational accidents. In addition to improving health checkup participation rates, supporting lifestyle improvements, and implementing mental health measures, the Company has introduced flexible working arrangements such as a flextime system without core working hours and the “Beyond Work” program, as well as systems supporting diverse career development opportunities, such as “internal dual-job programs” and “external challenge work”. Furthermore, the Company actively promotes diversity, equity, and inclusion (DE&I) through initiatives such as increasing the ratio of women in managerial positions, encouraging male employees to take childcare leave, and advancing internal initiatives relating to LGBTQ+ issues.
With respect to human rights initiatives, the Company promotes human rights due diligence throughout the ROHTO Group in accordance with its Human Rights Policy. In transactions

with suppliers, we have established the ROHTO Group CSR Procurement Guidelines, which clearly set forth compliance requirements relating to human rights, labor, environmental practices, and ethics. In addition, in order to build a sustainable supply chain, we conduct Supplier CSR Assessments to understand suppliers' sustainability initiatives and identify issues within the Company's supply chain. Summaries of assessment results are shared with suppliers, and the Company works together with them to analyze and promote improvement measures.
The Company also actively works to address social issues through its business activities by fostering new healthcare businesses through investments in regenerative medicine and collaborations with start-up companies. In addition, through its agricultural business, the Company is taking on the challenge of promoting health through food. Furthermore, the Company advances co-creation with society through health awareness activities, cooperation with school education programs, and support for local communities.
As described above, the Company practices management that creates environmental, social, and economic value simultaneously, with "health" as its starting point. The Company's distinctive approach lies not only in reducing environmental impacts but also in addressing social issues through its businesses themselves, including preventive medicine, regenerative medicine, food-related initiatives, and co-creation with local communities. Through these efforts, we aim to achieve both a sustainable society and sustainable corporate growth.

■ **Supplementary Principle 4,1,1**: Scope of Delegation to Management
We have clearly defined the matters to be deliberated and decided by the Board of Directors in our Board Regulations. Based on these criteria, the Board conducts discussions and makes decisions accordingly. In addition to resolutions required under the Companies Act and other regulations, the Company has established forums such as Management Strategy Discussions chaired by an Outside Director, through which the Board deliberates on a wide range of topics necessary for achieving sustainable medium- to long-term growth. Matters delegated to the executive side are subject to our approval and authorization standards, which specify the authority levels of department heads, directors, and representative directors based on the content of each matter. To enhance agility in decision-making related to management strategies and strengthen organizational responsiveness, we have adopted and operate a CxO (Chief Officer) system.

■ **Supplementary Principle 4.1.3**: Succession Planning for the CEO
We recognize that developing a successor for the CEO is one of the most critical responsibilities of the incumbent CEO. With a clear vision aligned with our corporate philosophy and long-term goals, we foster director candidates and other senior executives as potential successors. The Board of Directors appropriately supervises the formulation and

implementation of the succession planning process. The Nomination and Compensation Committee monitors the process and provides necessary advice. The final successor is selected after the Nomination and Compensation Committee evaluates whether both internal and external candidates possess the qualities required for the CEO role, prepares a draft proposal, and submits it to the Board of Directors, upon which the Board deliberates and makes the final decision.
The details of the succession plan are disclosed on the Company's website;
https://www.rohto.co.jp/en/ir/strategy/governance

■ **Supplementary Principles 4.3,2 and 4,3,3:** Appointment and Dismissal of the CEO
The appointment of the CEO is carried out through deliberations within the Nomination and Compensation Committee, which ensures fairness and transparency. The committee evaluates candidates based on qualities such as capability, execution skills, leadership, and past achievements, formulates a proposal, and submits the proposal to the Board of Directors for resolution. The proposed draft is deliberated and determined by the Board of Directors, without the relevant candidate in the deliberation and decision-making process. The dismissal of the CEO is conducted in accordance with the provisions of the Companies Act.

■ **Principle 4-8:** Effective Use of Independent Outside Directors
To enhance the oversight function of the Board and improve management transparency while leveraging the extensive experience and broad perspectives of external experts, we appoint independent outside directors to comprise at least one-third of the Board. As of the end of June 2026, we have five independent outside directors.
The Board of Directors has established Management Strategy Discussions chaired by an independent outside director, through which broad-ranging discussions are conducted to achieve sustainable medium- to long-term growth. In addition, the Company's independent outside directors actively express their opinions at meetings of the Board of Directors, and regarding important management matters, independent outside directors hold discussions exclusively among themselves as necessary and the details of these discussions are incorporated into the Board's deliberations. Through these measures, the Company's independent outside directors enhance the supervisory function from an independent and objective perspective. Furthermore, executive sessions consisting solely of Independent Outside Directors and Outside Audit & Supervisory Board Members are held following meetings of the Board of Directors, during which advice and recommendations are provided to enhance the effectiveness of the Board of Directors.

■ **Principle 4,9:** Criteria for Determining Independence of Independent Directors
When assessing the independence of outside directors and outside Audit & Supervisory Board

members, we refer to the independence criteria established by the Tokyo Stock Exchange and the legal requirements for outside officers under the Companies Act, ensuring an objective and appropriate determination.

■ **Supplementary Principle 4.10.1**: Use of Voluntary Committees
The Company has established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors in order to strengthen the objectivity, transparency, and fairness of procedures relating to the nomination and compensation of directors and to further enhance its corporate governance framework.
The Committee consists of three directors. To ensure its independence, a majority of the members are independent outside directors, and in fiscal year 2026, the chairperson of the Committee is an independent outside director.
In response to consultations from the Board of Directors, the Committee deliberates on important matters relating to the nomination and compensation of directors, including policies concerning the appointment of directors, matters relating to the selection of specific director candidates, matters relating to succession planning for next-generation management, policies concerning the compensation structure and compensation levels for directors, and the details of individual directors' compensation, and provides recommendations to the Board of Directors.

■ **Supplementary Principle 4.11.1**: Preconditions for Ensuring Board Effectiveness
To ensure sustainable growth and contribute to health and well-being in society, our Board of Directors collectively engages in appropriate and agile decision-making and oversight of management and business operations. We maintain an optimal board size and ensure diversity in terms of knowledge, experience, capabilities, and insight. We disclose this through a skills matrix. This skill matrix is disclosed in the reference documents for the General Meeting of Shareholders included in the Notice of Convocation of the General Meeting of Shareholders.
the Notice of Convocation of the General Meeting of Shareholders:
https://www.rohto.co.jp/~/Media/cojp/files/pdf/ir/meeting/en-meeting2026_01.pdf

In accordance with the Corporate Governance Code, we appoint independent outside directors to comprise at least one-third of the Board. As of the end of June 2026, the Board of Directors consists of 14 members: 9 internal directors (including 3 women) and 5 independent outside directors (including 3 women). Director nominations follow a transparent and fair process: the Nomination and Compensation Committee deliberates and drafts proposals, which are then submitted to the Board for resolution and subsequently proposed to the General Meeting of Shareholders. Our Audit & Supervisory Board consists of 2 full-time Audit & Supervisory

Board Members and 3 outside members. The outside members include:

- 1 certified public accountant with expertise in finance and accounting
- 2 attorneys with knowledge and experience in legal affairs This composition ensures appropriate and professional auditing and oversight.

■ **Supplementary Principle 4.11.2:** Concurrent Positions of Independent Outside Officers
Some directors and Audit & Supervisory Board Members concurrently serve as officers of other listed companies. However, we ensure that such concurrent roles do not interfere with the performance of their duties at our company. The status of concurrent positions is disclosed annually in statutory reports, such as the Business Report.

■ **Supplementary Principle 4.11.3:** Board Effectiveness Evaluation
To assess the effectiveness of the Board of Directors, we conduct a self-evaluation survey targeting all directors. Directors rate each question every year on a five-point scale across three categories:

1. Overall evaluation of the Board
2. Effectiveness of the Board
3. Evaluation of its operational management

For fiscal year 2025, all directors excluding newly appointed directors evaluated that the effectiveness of the Board of Directors had improved compared with the previous fiscal year. On the other hand, issues identified included the need for further refinement in determining matters to be addressed by the Board of Directors, as well as the need for deeper discussions regarding the governance framework and risk management for overseas businesses. We will continue to work on improvements in these areas through operational reforms. The results of the effectiveness evaluation were reported at the Board meeting held on June 24, 2026, where discussions were also held regarding improvements to the operation of the Board in the current fiscal year.

■ **Supplementary Principle 4.14.2:** Training for Directors and Audit & Supervisory Board Members Directors and Audit & Supervisory Board Members, entrusted by shareholders to be involved in the overall management of the company, are expected not only to possess expertise in specific areas but also to make decisions from a company-wide and strategic perspective. To help acquire the necessary knowledge, we provide training and development opportunities for our directors and senior executives. These programs are designed to encourage proactive learning and the cultivation of a holistic management mindset. The company provides both the necessary financial resources and access to such opportunities. Given the nature of their auditing responsibilities, Audit & Supervisory Board Members are expected to possess advanced knowledge in legal and accounting fields. Accordingly, we offer them access to relevant training programs, including those provided by external institutions.

■ **Principle 5-1**: Policy for Constructive Dialogue with Shareholders
[Policy and Implementation of Shareholder Engagement]
Under the supervision of the Director and Executive Vice President serving as CFO (Chief Financial Officer), the Company has promoted IR activities primarily through the IR function within the Corporate Planning Department in cooperation with related departments, including the Corporate Planning Department, Accounting and Finance Department, Public Relations and CSV Promotion Department, and Sustainable Management Promotion Office. In addition, the Company newly established the Corporate Communication Department in March 2026 in order to further enhance engagement with a broad range of domestic and international shareholders and investors and to strengthen two-way communication.
Major opportunities for dialogue with shareholders and investors include the General Meeting of Shareholders, as well as financial results briefings for analysts and institutional investors held in May and November by the Representative Director and in August and February by the CFO. At these meetings, the Company provides comprehensive information not only on financial results and earnings forecasts, but also on medium- to long-term management strategies and progress thereon, capital policy and shareholder returns, and differences between earnings forecasts and actual results.
In October 2025, the Company held a Medium- to Long-term Management Strategy Briefing, at which the Representative Director, CFO, and an outside director presented the Company's Medium- to Long-Term Growth Strategy. In addition, Q&A relating to management strategies for achieving the Company's long-term growth has been disclosed on the Company's website below and we enhance information disclosure.
https://www.rohto.co.jp/en/ir/strategy/growth
Opinions and matters of interest raised by shareholders and investors through such dialogues are appropriately fed back to management and relevant departments through the responsible officers and are utilized in management decision-making, discussions at the Board of Directors, and improvements to IR activities and disclosure practices.
Furthermore, in order to ensure the proper management of insider information, directors and management executives submit confidentiality pledges, and the Company continuously provides training regarding the handling of undisclosed information in the course of dialogue with shareholders and investors.
We will continue to deepen mutual understanding with the market through proactive disclosure and constructive dialogue, while striving to reduce capital costs and sustainably enhance corporate value.
The Company's shareholder engagement activities for fiscal year 2025 are described in "III. Status of Implementation of Measures for Shareholders and Other Stakeholders" of this

report.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

In alignment with the fundamental principle—clearly stated in our Articles of Incorporation—that a company is a "public institution of society," we follow our proprietary Profit Share Policy. Under this policy, profits generated from sound business operations are reinvested to help realize a healthier and more sustainable society, while also being appropriately distributed to all stakeholders who support the company from a long-term perspective.

In allocating capital to enhance corporate value, we operate with a clear understanding of capital cost and under proper financial discipline, aiming for a balanced realization of:

- Growth investments
- Shareholder returns
- Financial soundness

With the cost of shareholders' equity recognized as approximately 6% to 8%, the Company has set a target ROE of 10% or higher to consistently exceed this level. In addition, the Company aims to maintain and improve ROIC at a level exceeding WACC, thereby contributing to the sustainable enhancement of corporate value.

In pursuit of efficient asset utilization, we regularly review the strategic rationale for cross-shareholdings. As of the end of March 2026, the ratio of policy shareholdings to consolidated net assets stood at 7.8%, a low level. Nonetheless, we continue efforts to reduce such holdings by assessing both:

- Quantitative factors, such as annual dividend income and unrealized gains/losses
- Qualitative factors, including strategic significance, future business potential, and associated risks and benefits

Cash flows generated through business activities are used to support investments for sustainable growth. Any surplus capital remaining after such investments is returned to shareholders based on future outlooks, with a target payout ratio of 30% or more and DOE (dividend on equity ratio) of 3.5% or more, under a policy of gradually increasing shareholder returns over the long term.

Through this capital cycle, we aim to optimize our capital structure and enhance long-term shareholder value.

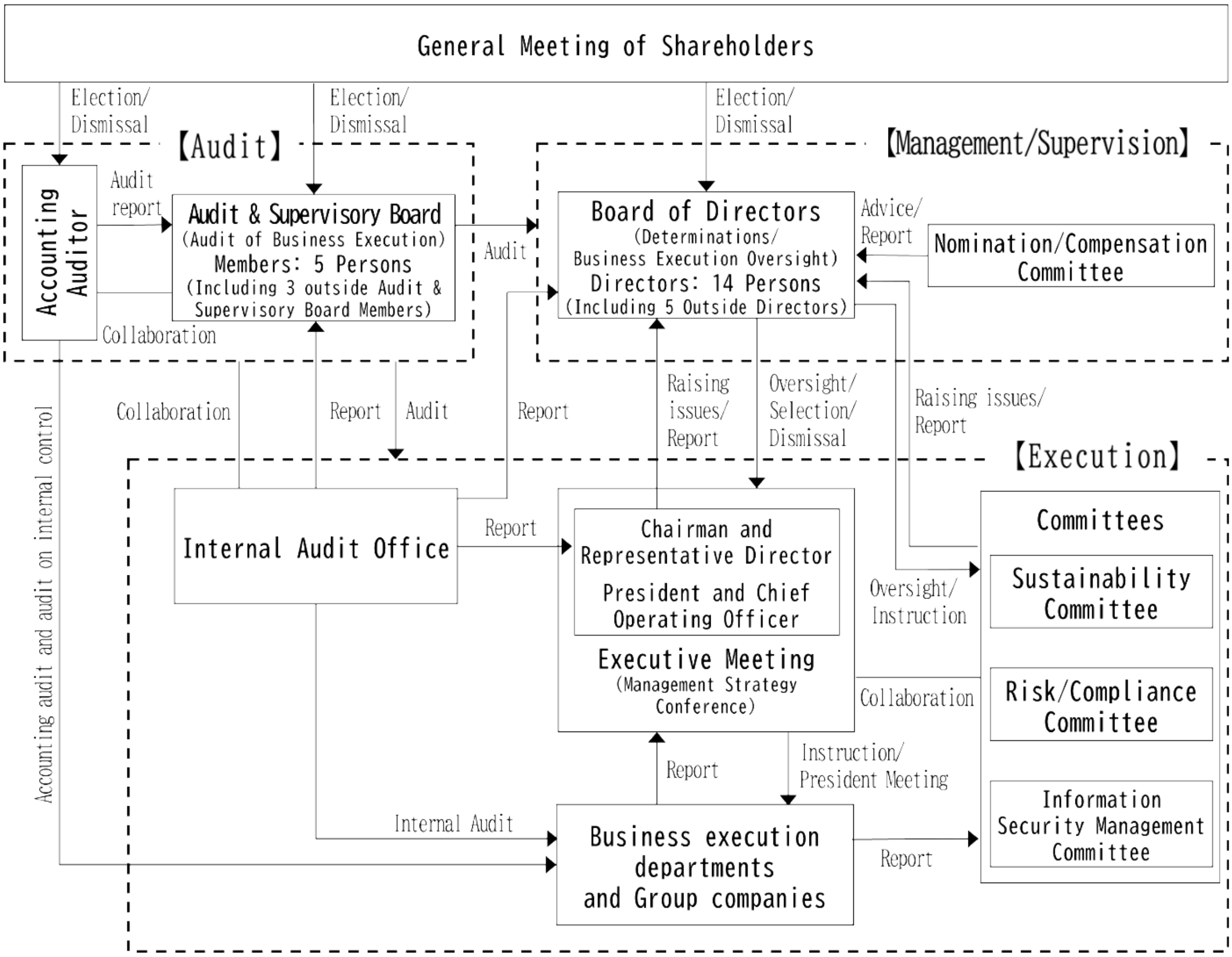
To ensure transparency and sound governance, we have strengthened our Board-led governance system. Important decisions regarding the allocation of key management resources are made through multifaceted discussions and rigorous deliberation.

Our medium- to long-term management policies and growth strategies are clearly articulated in:

- ROHTO Group Integrated Management Vision 2030
- ROHTO Group Medium- to Long-Term Growth Strategy 2025–2035

- Well-being Report, among other disclosures.

Furthermore, we proactively engage with shareholders through General Meetings and earnings briefings, providing clear and comprehensive explanations of our initiatives. Constructive feedback received from these engagements is carefully considered and, where appropriate, reflected in Board-level discussions and management revisions.



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