

Awakening ROHTO

Asset Value Investors Limited
30th April 2026

About AVI

Asset Value Investors Limited (AVI) Overview

- A listed investment trust manager established in London, UK in 1985
- Managing client funds investing in global equities for over 40 years
- Accepted the Principles for Responsible Institutional Investors (Japanese version of the Stewardship Code), and is committed to constructive “purposeful dialogue” (engagement) to enhance corporate value and sustainable growth
- As a closed-ended trust listed on the London Stock Exchange, AVI Global Trust (AGT: approx. AUM JPY 27 bn¹) and AVI Japan Opportunity Trust (AJOT : approx. AUM JPY 9 bn¹) are its flagship funds with Japan exposure

Investment in the Japanese market

- Currently, approximately JPY 180 bn¹ is invested in Japanese equities through AGT, AJOT and other funds
- Targeting companies that are considered to be undervalued by the market in relation to their intrinsic value, and engaging with them from a long-term perspective



ROHTO Shareholder Register

AVI is currently the sixth largest shareholder of Rohto Pharmaceutical.

#	Shareholders	Ownership (%)	Market Value ¹ (JPY bn)	No. of shares (mm)
1	MFS International, Ltd.	7.6%	412.1	17.3
2	Yamada family (founder) ²	7.6%	408.0	17.1
3	Mitsubishi UFJ Financial Group	6.8%	368.4	15.4
4	The Vanguard Group, Inc.	3.8%	205.6	8.6
5	Nomura Asset Management Co., Ltd.	3.2%	173.8	7.3
6	Asset Value Investors Limited	2.0%	108.4	4.5
7	Nippon Life Insurance Co.	1.9%	103.8	4.3
8	Norges Bank Investment Management	1.6%	84.5	3.5
9	Daiwa Asset Management Co., Ltd.	1.5%	78.8	3.3
10	Amova Asset Management Co., Ltd.	1.4%	77.1	3.2
11	BlackRock Fund Advisors	1.2%	66.2	2.8
12	Orbis Investments, Ltd.	1.2%	62.9	2.6
13	The Hyakugo Bank, Ltd.	0.9%	47.8	2.0
14	Senshu Ikeda Holdings, Inc.	0.7%	35.7	1.5
15	Towers Watson Investment Management, Ltd.	0.6%	33.2	1.4

Note 1: As at 27th April 2026

Note 2: The number of shares held by Yamada Kosan, Yamasho Kosan, and Yamada Kiyoko have been combined based on the disclosure of securities reports, etc. However, there was no disclosure of the most recent semi-annual report for the number of shares held by Yamada Kunio, and according to a dialogue with the board of directors in March 2025, it was stated that there was a possibility that the shares held by Yamada Kunio had been transferred to an asset management company, and so they have been excluded from the number of shares held stated above

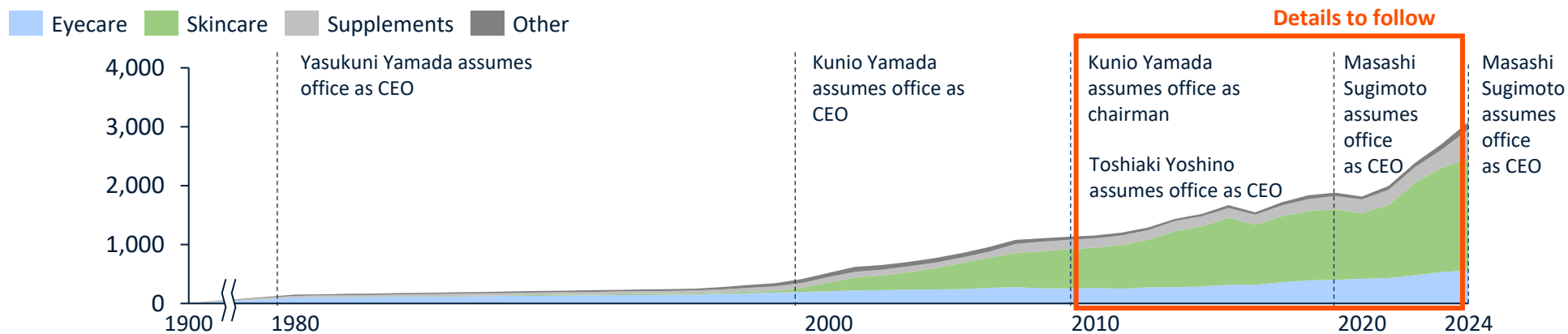
Source: AVI, based on Rohto Pharmaceutical Co Ltd's annual securities reports, large shareholding reports from various companies, and other publicly available materials. The Rohto Pharmaceutical Employee Stock Ownership Group has been removed from the above list because the number of shares held by the group was not stated in the annual securities report for the fiscal year ending March 2024

Evolution of Rohto's Business Portfolio (1/2)

Since its founding in 1899, Rohto has expanded beyond its original business of gastrointestinal medicines to encompass a wide range of products, including eye drops and skincare, and its revenue has grown to 300 billion yen in 2024



Rohto Pharmaceutical's revenue by business¹, JPY Bn, ~FY2024 (31 March 2025)

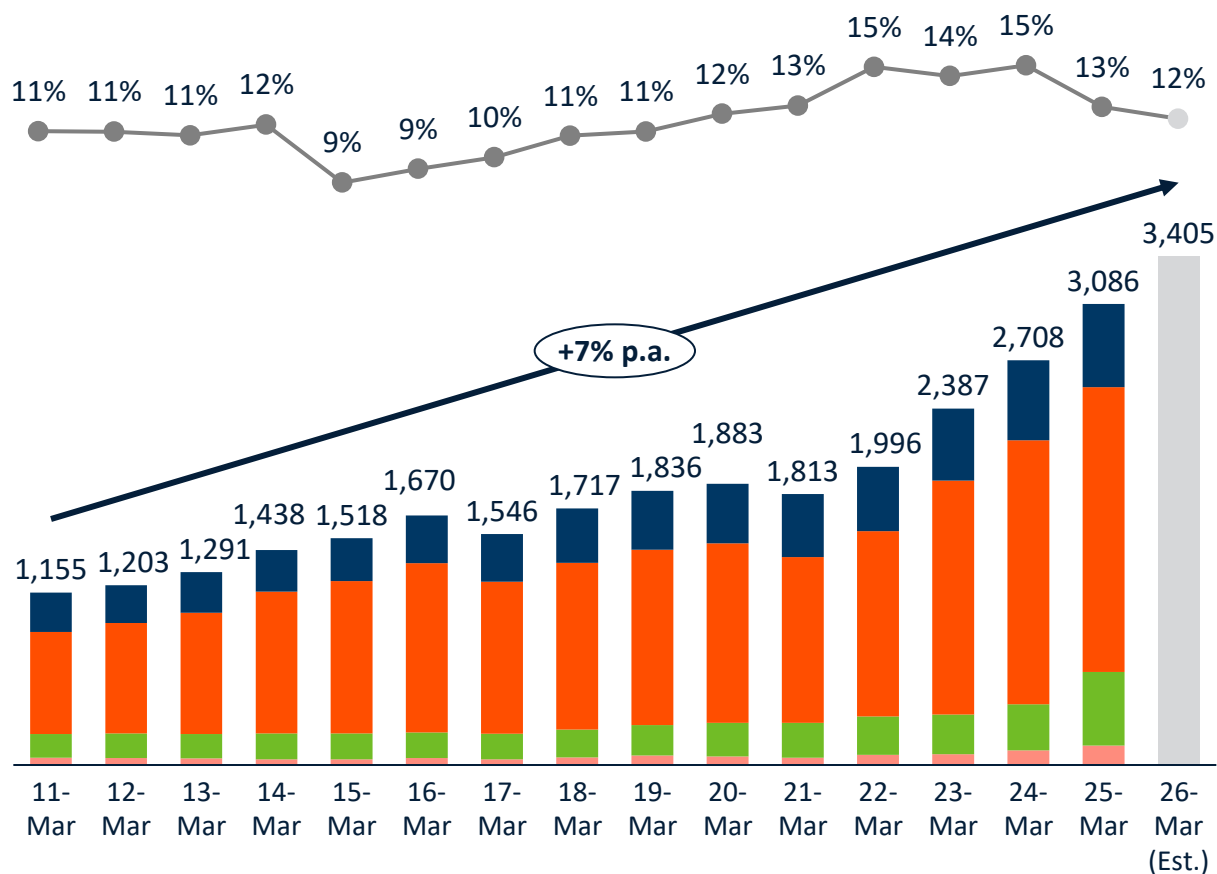


Note 1: Total sales for the period ending March 2001 and sales by business segment for the period ending March 2005 are estimated values.
Source: Rohto Pharmaceutical website, Rohto Pharmaceutical Annual Securities Report

Evolution of Rohto's Business Portfolio (2/2)

Over the past 15 years, the skincare business has grown to account for >50% of total revenue, contributing significantly to sales growth. The OP margin has generally remained in the low-mid 10% range, but has recently shown a downward trend due to M&A.

Revenue / OP margin trajectory by segment¹; JPY bn, %, FY11/3~26/3



Main products in each segment

Eyecare :

Eye drops, contact lenses and care products, intraocular lenses, etc.



Skincare:

Skin medications, lip balms, sunscreens, body cleansers, hair care products, etc.



Supplements:

Gastrointestinal medicines, traditional Chinese medicines, supplements, etc.



Other:

regenerative medicine products, disinfectants, etc.

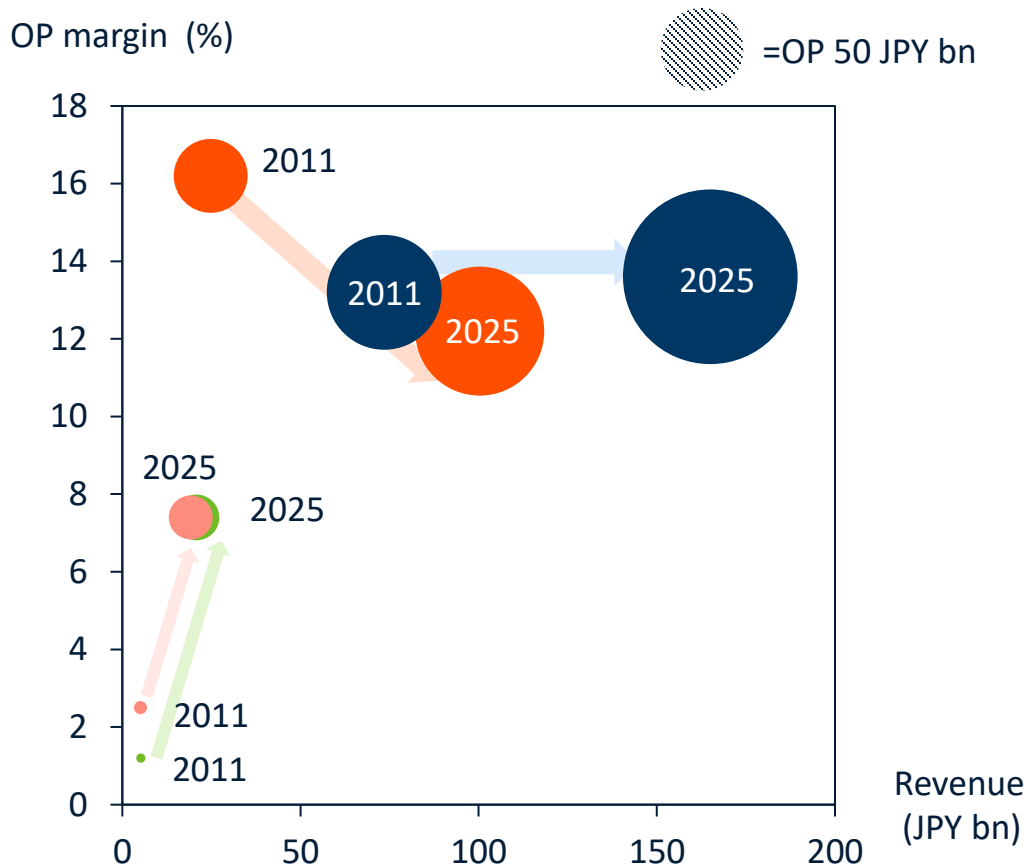


Note 1: FY26/3 forecast is according to Rohto Pharmaceutical's revised earnings forecast (12th February 2026)
Source: Rohto Pharmaceutical Co., Ltd. IR materials

Trends in Sales and Operating Profit by Region

Whilst sales in Japan—which had been the mainstay of Rohto’s revenue—have plateaued, Asia, Europe and the U.S. market have expanded. On the other hand, profit margins in Asia have declined following the acquisition of EYS, making it essential to improve profitability through PMI¹.

Revenue and OP margin by region; JPY bn, %, FY11/3 vs. FY25/3
 (Bubble size indicates operating profit)



Regional Trends

XX% Revenue CAGR; FY11/3–FY25/3

Japan 5.9%	Revenue growth has stagnated compared to other regions , due to its population decline and the rise of South Korean skincare products
Asia 10.5%	Although it has achieved robust sales growth as a key revenue driver, the OP margin has fallen significantly following the acquisition of EYS
America 10.4%	Although sales are growing steadily in both regions and OP margins are trending upwards, each revenue remains at approx. 20 JPY bn , which is negligible compared to Japan and Asia
Europe 9.9%	

Note 1: Abbreviation for Post-Merger Integration
 Source: Rohto Pharmaceutical Financial Results Briefing

Shareholder returns

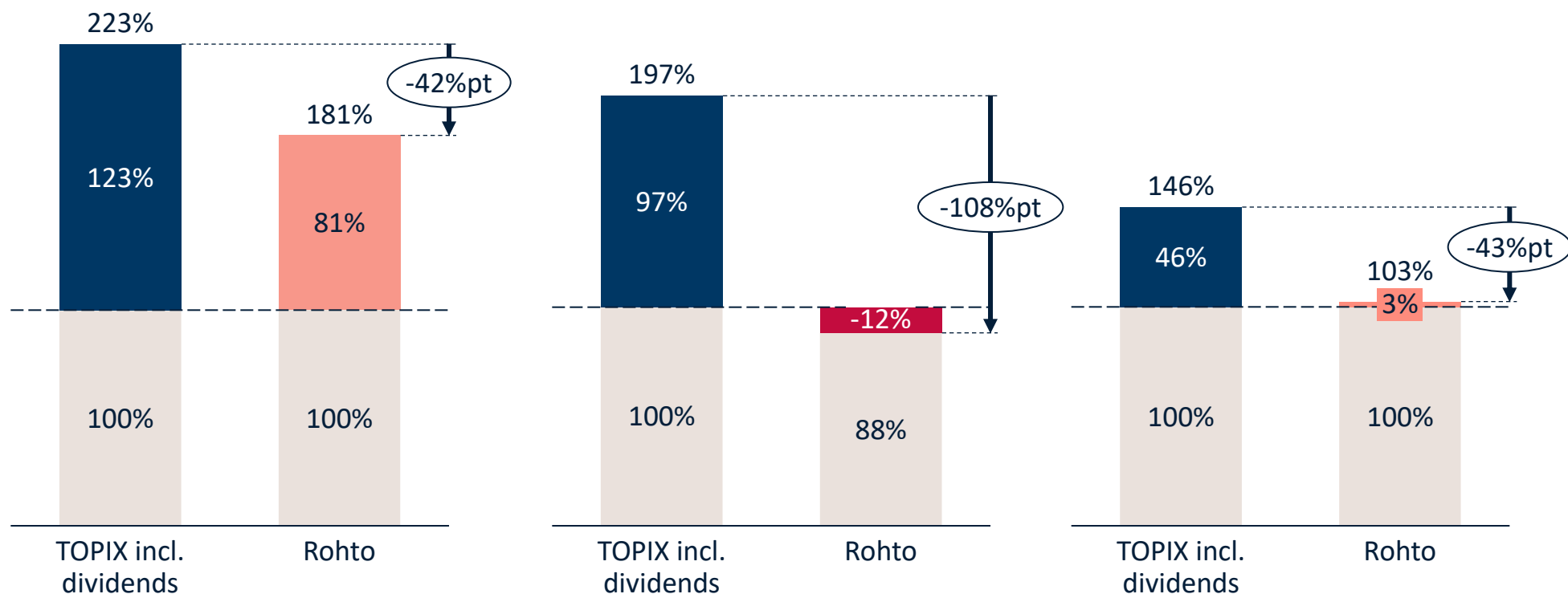
Over the past five years, Rohto Pharmaceutical has consistently underperformed the TOPIX index in terms of shareholder returns

Total Shareholder Returns (“TSR”) ¹

Last 3yrs

Last 3yrs

Last 1yr



Note 1: As of 29 April 2026
Source: Capital IQ

Market valuation

Despite the stable business performance, Rohto is significantly undervalued in the stock market, compared to its industry peers.

EV/EBITA multiple¹

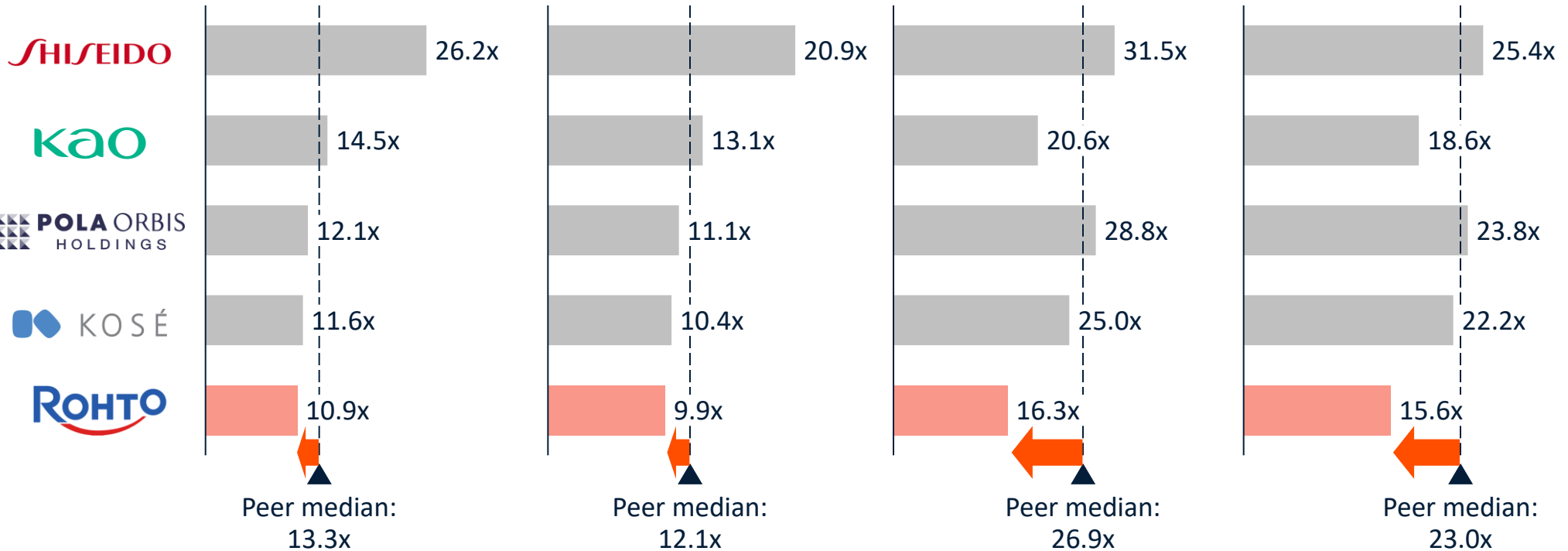
NTM

2Y Fwd.

P/E multiple²

NTM

2Y Fwd.



Note 1: Enterprise value is calculated after taking into account after-tax securities and after-tax long-term net financial assets at a tax rate of 31.52%. NTM is the expected EV/EBITA multiple as of the end of December 2026 and two years later as of the end of December 2027. Share price as of 29 April 2026

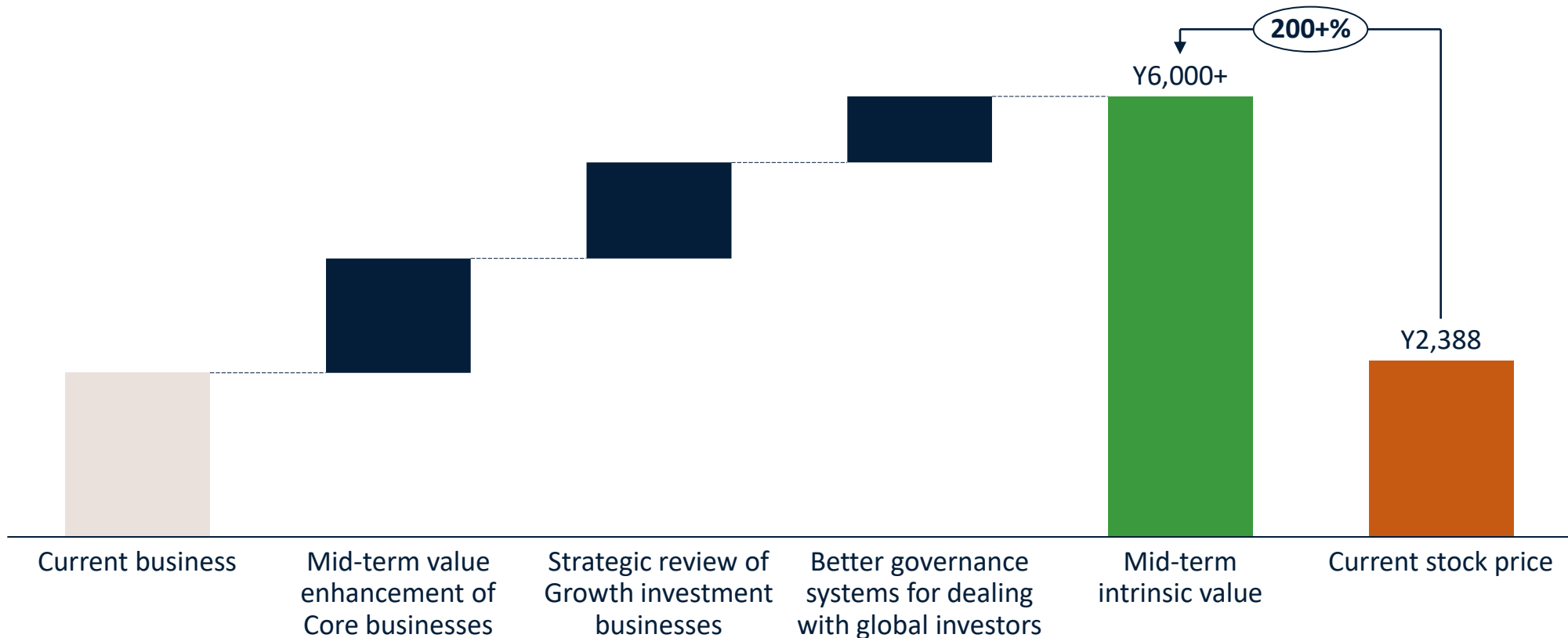
Note 2: NTM is the expected PER ratio as of the end of December 2026 and the expected PER ratio two years ahead as of the end of December 2027. Share price as of 29 April 2026

Source: Each company's annual securities report, Capital IQ, AVI analysis

The Intrinsic Value of Rohto Exceeds Y6,000/share

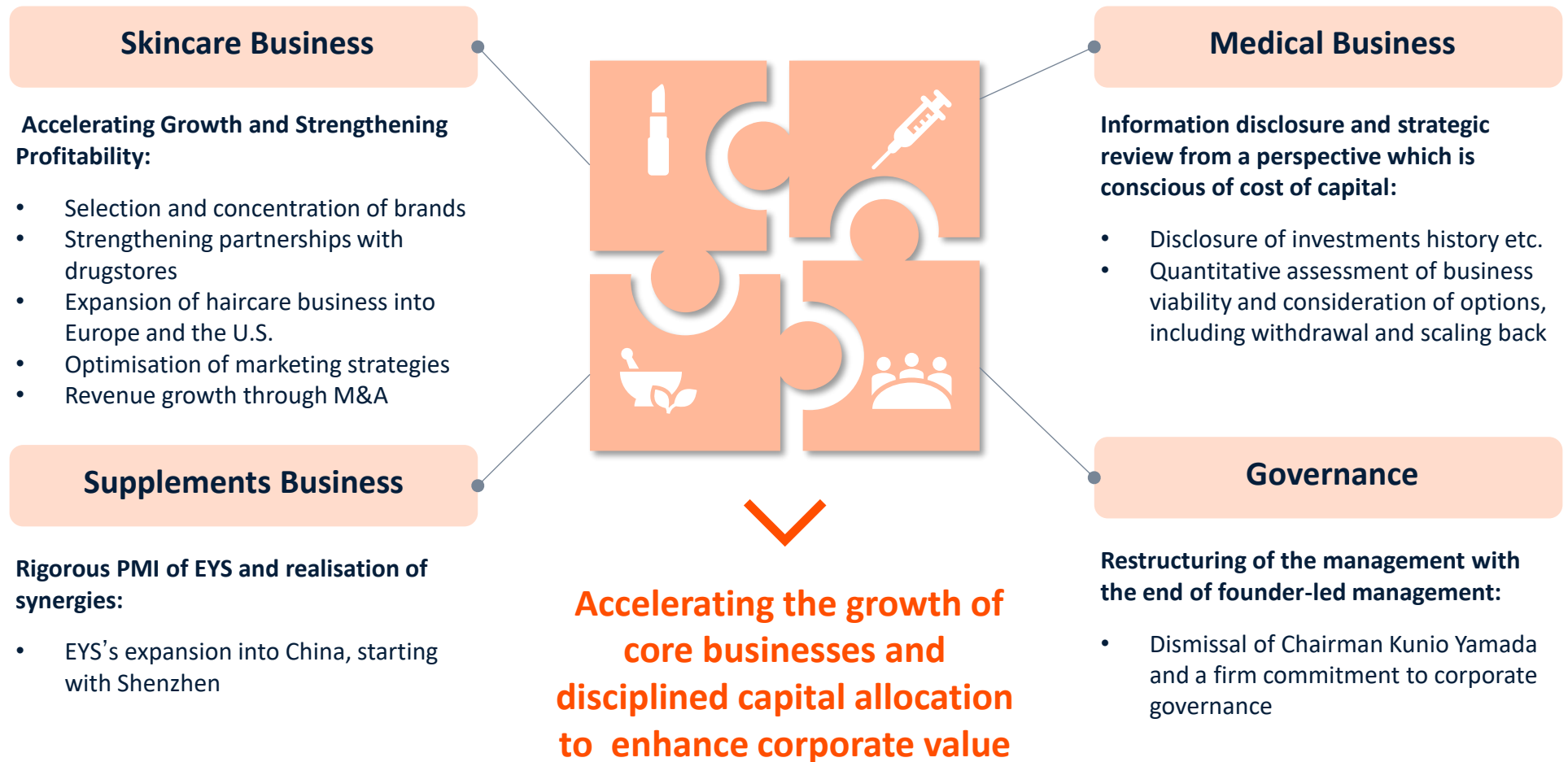
If Rohto takes appropriate measures to enhance its corporate value, such as strengthening IR by appropriately engaging in dialogue with shareholders and clarifying its business focus, then the intrinsic value is at least three times the current share price.

Estimation of intrinsic value of Rohto, JPY per share



Suggestions to Enhance Corporate Value

4 key levers should contribute to enhance Rohto's corporate value: accelerating growth in skincare business, realising synergies with EYS, careful strategic review of the regenerative medicine business, and moving away from founder-led management



Shareholder Proposal Summary

Issues that could impair Rohto's corporate value have been identified in the management structure under Chairman Kunio Yamada; therefore, his dismissal is proposed:



Mr. Kunio Yamada
(4th generation of
the founding family)
1999–2008 CEO
2009– Chairman



Personal commitment to the regenerative medicine business and continuous investment disregarding the Cost of Capital

Prompted by his own experience of regenerative medicine treatment, he has been led reckless investment of **JPY 15~30 bn over the past 13 years**



Management philosophy detached from “selection and focus”

Fundamentally **rejects “selection and focus,”** a core principle of management resource allocation. **Expanded the portfolio with no clear exit criteria,** under the belief that “doing what others do not is good.”



Disregard for the mid-term plan and lack of commitment

The mid-term plan demanded by shareholders was **only formulated and disclosed in 2025.** It is effectively a **“forecast rather than a plan,”** lacking quantitative backing.

From the perspective of management conscious of capital costs and share price, the dismissal of Chairman Kunio Yamada is proposed, regardless of his term expiry, to ensure management decisions that truly maximise Rohto's corporate value

AVI believes voting in favour of the proposal to dismiss Chairman Kunio Yamada is in shareholders' common interests. Shareholders are requested to consider voting in favour based on their own independent judgement.

1 Skincare Business

2 Supplements Business

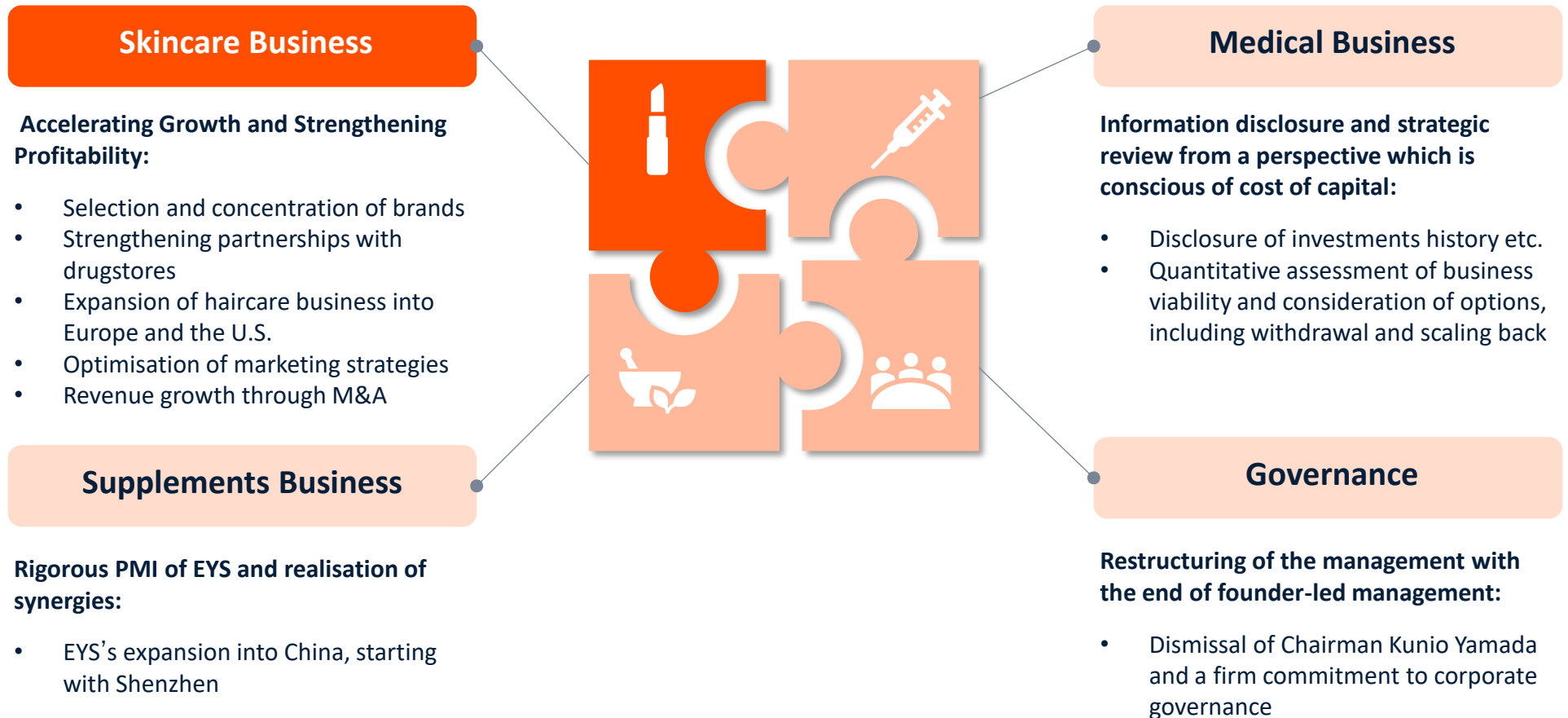
3 Medical Business

4 Governance

 Agenda

Suggestions to Enhance Corporate Value: Skincare Business

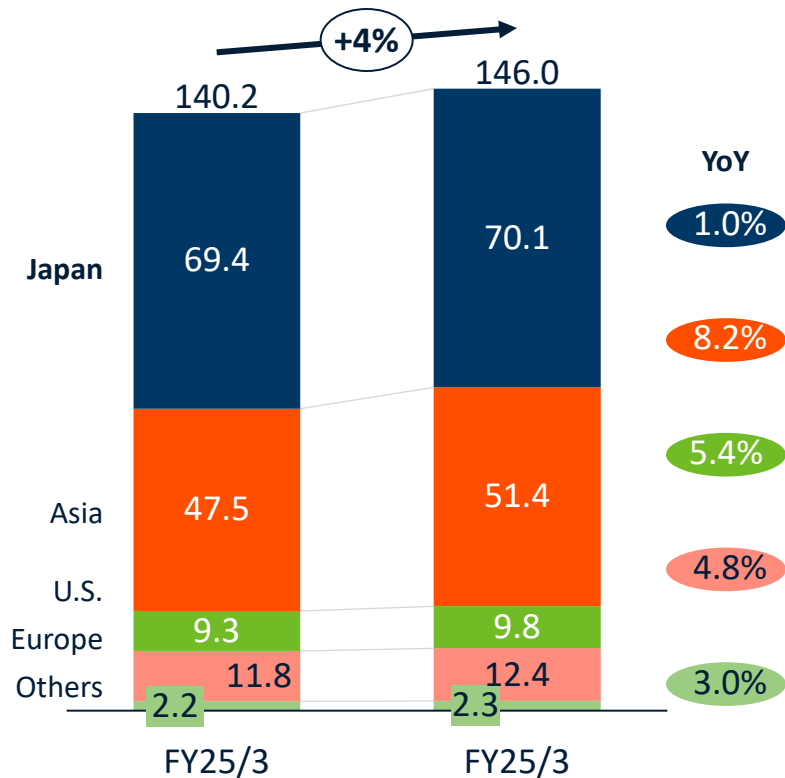
4 key levers should contribute to enhance Rohto's corporate value: accelerating growth in skincare business, realising synergies with EYS, careful strategic review of the regenerative medicine business, and moving away from founder-led management



Overview of the Skincare Business

Skincare sales grew steadily, driven by growth in Asia. However, room for business improvement was identified, including in the stagnating Japanese market and the still-small U.S. and European markets

Revenue from Skincare Business by Region (Q1–Q3 Cumulative)¹ ; JPY bn, FY25/3 – 26/3



Suggestions for further growth in Skincare Business

- Although the Asian market is achieving robust growth, growth in the Japanese market is stagnating compared to other regions. Furthermore, the proportion of sales in Europe and the US remains limited, and future growth is anticipated
- To expand sales and profits, the following areas for growth have been identified:

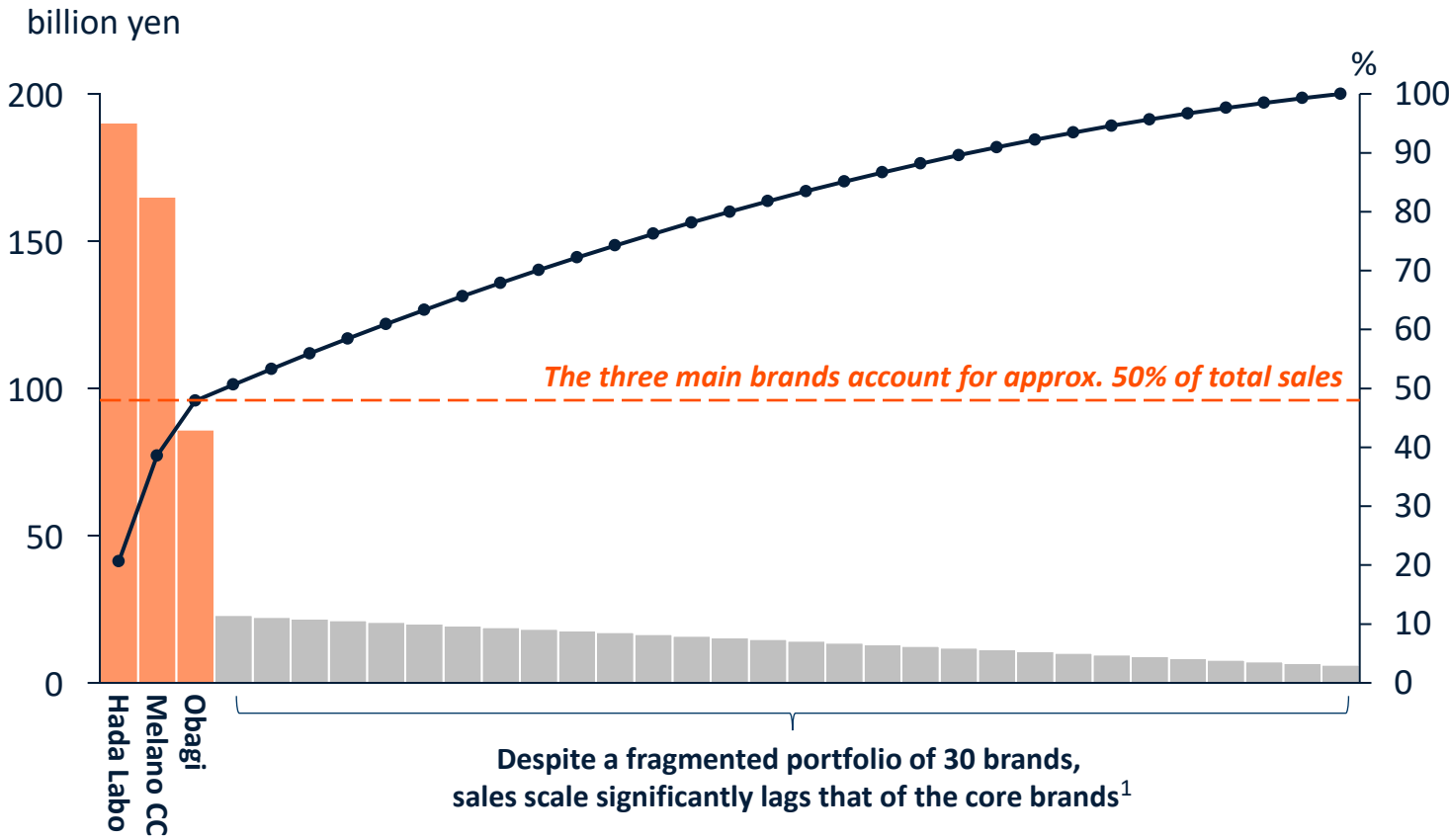
- ① Selection and concentration of brands
- ② Strengthening partnerships with drugstores
- ③ Expansion of haircare business into Europe and the U.S.
- ④ Optimisation of marketing strategies
- ⑤ Revenue growth through M&A

1

[Brand Consolidation] Sales by Skincare Brand

The skincare business has 33 brands, yet ~50% of domestic sales depend on Hada Labo, Melano CC and Obagi. Brands with limited sales contribution should be reviewed to focus manufacturing and promotional resources.

Domestic sales by brand; JPY bn, % of total domestic sales, FY25/3



Rohto lists **33 brands** in its "Beauty & Skincare" category, yet half of sales are concentrated in the top three brands.















With **many brands making only limited sales contributions**, there appears to be room to **focus resources through brand consolidation**.

Note 1: As numerical data for brands other than the three main brands is not disclosed, the graph regarding other brands sales is conceptual
Source: Rohto Pharmaceutical website, IR materials

1

[Brand Consolidation] Rohto's Market Share by Price Range

Rohto has traditionally focused on low-price skincare, while also offering some premium brands such as Obagi. Although Bloomio was newly launched in 2023 in the mid-price segment, its market share remains limited.

Rohto's products example by price range				Drug Store Market Share Estimates
Toner	Emulsion	Serum	Cream	
8,000 yen~	 17,050 yen 8,800 yen	 17,050 yen 8,800 yen	 8,800 yen 11,000 yen	Obagi ~1.5%
5,000–8,000 yen	 5,500 yen 4,950 yen	 5,500 yen	 7,700 yen 7,150 yen	
3,000–5,000 yen	 3,520 yen 4,620 yen	 3,850 yen 3,850 yen	 3,850 yen 3,960 4,180	Hada Labo ~3.8%
1,000–3,000 yen	 1,100 yen 1,100 yen	 1,180 yen 2,530 yen	 1,210 yen 1,628 yen	
~1,000 yen	 814 yen 990 990	 814 yen 990 990		

In 2023, Rohto launched the anti-ageing care brand “Bloomio” in the mid-price segment, aiming to enter a segment where it had historically been underrepresented.

However, amid consumer polarisation toward low- and high-price segments and intensifying competition in the mid-price segment, Bloomio has struggled.

Source: AVI analysis

1 [Brand Consolidation] Bloomio's Struggles

The mid-price segment targeted through Bloomio has proven more challenging than initially expected.

Background to penetrate to mid-price Segment

- Launched Bloomio in September 2023 to target the mid-price segment, where Rohto had historically limited presence
- At launch, the products were displayed in over 500 stores, with accelerated advertising investment, including a TV commercial featuring Yuki Uchida



At the time, I actually thought it was quite a threat. As for the display, they used integrated fixtures **to create a blue aesthetic**.
(Industry expert)



同業他社ロート製薬BLOOMIO(ブルームイオ)「実感」篇 TVCM

Results Following the Launch of Bloomio

Multiple interviews revealed that Bloomio's brand strategy is struggling



When I spoke to the drug stores, I **didn't understand what Blue Ceramide actually does**. I don't know where this cosmetic or ingredient works, **or how it differs from others** (Industry expert)



It didn't stand out well on the shelves. I suspect it ended up fading into obscurity **without any new additions to new lineup** six months or a year later
(Industry expert)



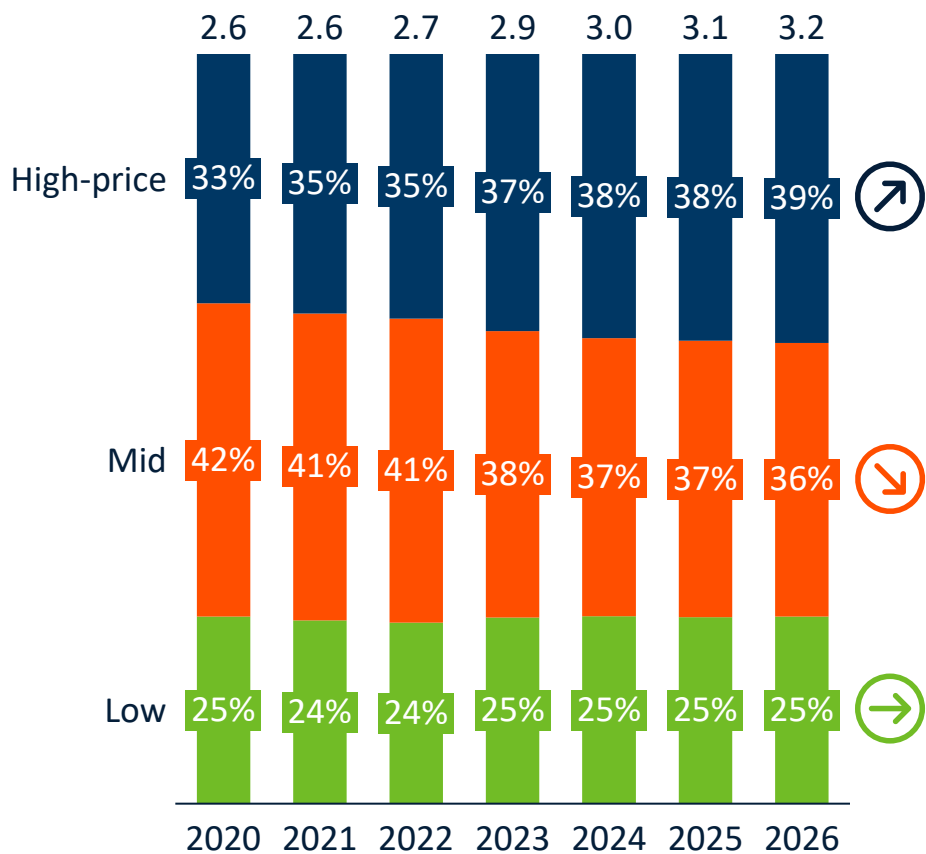
The official website mentions keywords such as 'Blue Ceramide' and 'moisturising sensation', but there are no specific claims regarding efficacy or before-and-after examples, making it difficult to understand the value proposition

1

[Brand Consolidation] Bloomio's Struggles

The mid-price segment is experiencing sluggish growth due to polarisation among consumers, and competitors have also announced the withdrawal of their brands

Cosmetics market size by price segment¹; JPY tn, 2020–26



The Struggling Mid-Price Segment

Consumer polarisation is intensifying, leading to stagnant growth in the mid-price segment. Meanwhile, competition is becoming increasingly fierce due to the rise of mass-market counselling brands and Korean cosmetics.

With major competitors struggling—such as Kao discontinuing sales of its mid-price make-up brand ‘AUBE’ in August 2024—Rohto should also reconsider its mid-price strategy



Note 1: Total of skincare, fragrance, haircare / hair makeup, men's cosmetics, base makeup, point makeup and body care. Price segment definitions vary by category; for skincare, low-price is defined as below ¥2,000, mid-price as ¥2,000 to below ¥6,000, and high-price as ¥6,000 or above.

Source: AVI Research, Fuji Keizai 'Cross-Sectional Analysis of Cosmetics Market Trends 2025', WWD

1

[Brand Consolidation] Bloomio's Struggles, Carecera's Success

On review sites, Rohto's CareCera products launched after Bloomio received higher ratings. Negative comments on fragrance are seen for both old and new Bloomio products, suggesting insufficient product development reflecting consumer feedback.



	Product	Release Date	Average rating (out of 7)		Number of reviews	
			<5.0	=>5.0	Repeat customers ¹	
Bloomio	Deep Boost Serum	September 2025	5.3	14	190	
	Deep Boost Serum (Old)	September 2023	4.9	21	1,069	
	Moisture Repair Cream	September 2023	4.8	2	98	
	Deep Moist Lotion	September 2023	4.4	0	100	
CareCera	Highly Moisturising Cream Wrap Mask	January 2026	5.4	2	265	
	High-Moisturising Barrier Emulsion	September 2024	5.3	255	1,674	
	High-Moisturising Barrier Skin Balm	September 2024	5.4	32	368	
	Moisture Barrier Lip Balm	July 2024	5.4	44	183	

There were some negative comments regarding the fragrance in the revamped serum

I find **the fragrance unpleasant** every time. I'd prefer it without **the menthol tingling sensation**

The smell is a bit strong, so I hold **my breath whilst using it**

Similar reviews were also seen for the old products, suggesting that improvements based on consumer feedback may have been insufficient.

The scent is distinctive; I don't dislike it, but it **might be a bit off-putting until I get used to it**

The scent is quite strong, and even after some time has passed, I catch a whiff of it now and then

Note 1: Reviews tagged with 'Repeat'
Source: @cosme (as of 23 April 2026)







1

[Brand Consolidation] The Success of Carecera

Within the body lotion and milk category, Carecera is highly rated compared to competitors' products; it receives many positive reviews from consumers and is considered a brand with high brand loyalty

Body Lotion & Milk Category Review Rankings¹



Rank	Product	Average Rating (out of 7)	Number of Reviews
1	 Kao Curel Deep Moisture Spray	5.6	8,794
2	 Rohto Pharmaceutical Carecera AP Face & Body Lotion	5.5	3,046
3	 FANCL Body Milk Brightening & Anti-Ageing Care	5.2	2,836
4	 Kao Curel Lotion	5.3	4,899
5	 Naturie Hatomugi Skin Conditioner	5.1	4,287
6	 Vaseline Advanced Repair Body Lotion	5.2	357

Positive reviews from consumers

“ I have dry, sensitive skin and have repurchased Carecera more than ten times. Occasionally, I try other creams just for a change, but I always end up coming back to this one. It's non-irritating and has never caused any skin problems, and as it's a lotion-type product, it's not at all sticky.

...is a winner of Best Cosmetics Award

2025年ベストコスメ アイテム賞受賞



ケアセラ ♡ Like Have

APフェイス&ボディ乳液

[乳液・ボディローション・ミルク]

★★★★☆ 5.5 | クチコミ3046件

税込価格：200ml / 370ml(詰め替え) / 400ml (オープン価格) (編集部調べ) | 発売日：2017/8/29 (2023/9/1追加発売)

購入サイトへ

Note 1: Review ranking in the Body Lotion & Milk category on @cosme (as of 27 April 2026)
Source: @cosme

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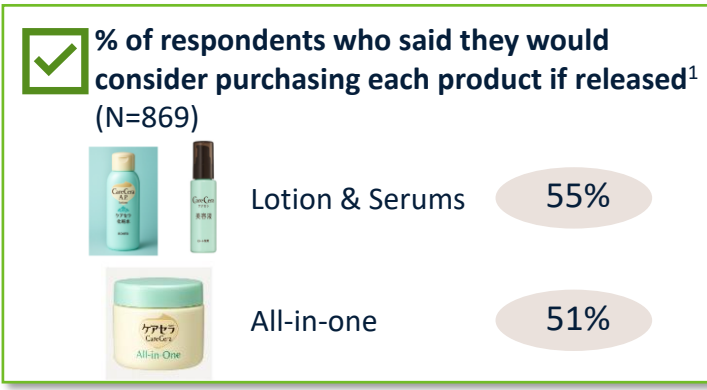
[Brand Consolidation] Expansion of Carecera and Integration with Bloomio

A consumer survey conducted by AVI has identified demand for new Carecera facial care products. Furthermore, there is potential to expand the new products through integration with Bloomio

Suggestions for concentration on Carecera

Face Care Products Expansion

A consumer survey conducted by AVI identified a high level of purchasing intent for Carecera's face care line. It is suggested that expanding the product range could lead to increased sales



Integration with Bloomio

Given that the struggling Bloomio contains ceramides and promotes moisturisation, as well as CareCera – the sales could be boosted by integrating it into CareCera as a new line and relaunching

Product image upon integration:



Suggestion

- From the perspective of sales contribution and profitability, Rohto should consolidate brands and rigorously focus resources.
- For CareCera in particular, where sales upside is expected, product development integrating face-care products and Bloomio's technologies should be considered.

Note 1: The percentage of respondents who selected either 'Definitely considering a purchase', 'Highly likely to consider a purchase' or 'Might consider a purchase' in a consumer survey conducted by AVI targeting 869 Hada Labo consumers
Source: AVI analysis

2

[Collaboration with Drugstores] The Rise of Private Labels

As consumer awareness of private label products within drugstores grows, the development and launch of collaborative private label products with major brands is progressing

Growing recognition of drugstore private products



Matsukiyo's own-brand products are displayed right next to 'Melano CC'

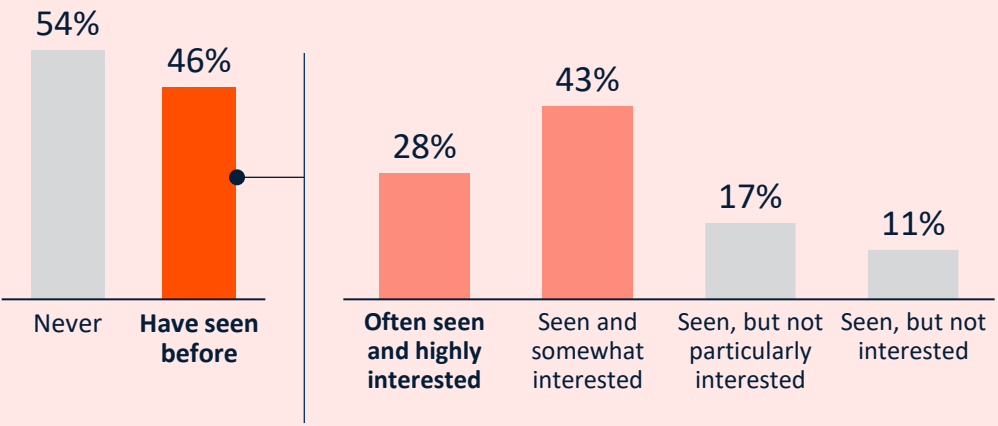


Recent co-development with major skincare manufacturers



Kose **co-developed** a private brand called 'Receptio' with **Matsumoto Kiyoshi**. They considered whether there was a 'white space' where Kose's strengths could be utilised. Although similar skin-whitening cosmetics were available at the time, sales of those products did not decline, and **Receptio became a success story** (Industry Expert)

Survey results on awareness of drugstore private-label brands, including Matsumoto Kiyoshi's "matsukiyo Ultra High-Pressure Vitamin C Mist Toner" and "The Retinotime"¹ (N=869)



In response to the rise of drugstore private labels, joint development enables companies to secure their own sales and prevent customer churn

Note 1: A consumer survey conducted by AVI targeting 869 Hada Labo consumers
Source: AVI survey, in-store research, WWD

[Collaboration with Drugstores] IT and Data Utilisation (1/2)

Drugstore product development under the 'Private Brand 3.0' initiative is progressing, with a detailed understanding of customer needs based on big data

Drugstores are accelerating data-driven product development based on customer data under the banner of 'PB 3.0'



- Matsukiyo possesses > 150 mmcustomer touchpoints, combining membership cards, apps and LINE
- For each category, they accumulate specifications and sales data for National Brand (NB) products across manufacturers to analyse customer purchasing behaviour

Recursive can contribute to Rohto's sales expansion and streamline development



Rohto Pharmaceutical entered into a capital and business alliance with the AI start-up Recursive in June 2024. By utilising the its expertise, it may be possible to streamline R&D and strengthen marketing



[Collaboration with Drugstores] IT and Data Utilisation (2/2) The Case of Melano CC

Rohto has successfully grown its brand, Melano CC, through collaborations with the Matsukiyo Group, utilising customer data and expanding sales of face mask products. Similar initiatives should be expanded to other products

The History of Melano CC

- 2005年 薬用メンソレータムメラノバスター新発売
皮膚用薬をイメージし、悩み部分に塗りこむ美容液を発売
- 2009年 ブランド名を「メラノCC」へリニューアル
浸透性技術でシミ予防を集中対策するシリーズへ
- 2010年 幅広いラインナップでシミ予防提案
使用シーンや目的に合わせて選べるラインナップ
- 2014年 処方リニューアル、化粧水新発売
シミ予防へのアプローチを強化、ニキビ跡へのうるおいケアも提案
- 2021年 「薬用しみ 集中対策プレミアム美容液」
ワンランク上のケアを求めるお客様へ
「メラノCC Men」新発売
男性のシミ予防徹底対策シリーズ
- 2022年 「ディープクリア酵素洗顔」、「乳液」新発売
活きたままの酵素で毛穴ケアができるチューブタイプ
- 2023年 「ディープデイクアUV乳液」新発売

Collaboration with Matsukiyo Group contributed to brand growth

Although the mask sheets were initially sold in box packs, sales were sluggish. **Following a proposal from a Matsumoto Kiyoshi representative, the product was switched to a large pouch format** and test sales were launched



... then became **viral on social media**, leading to shortages and stock-outs both in-store and online



“Using the various data held by Matsukiyo, areas of untapped opportunity were jointly identified. Today, retailers are closer than manufacturers to real consumer behaviour.”
— Ayumu Tsukada, Head of Product & Brand Marketing, Rohto

Partnerships with drugstores have proved successful in expanding sales of Melano CC, highlighting the importance of leveraging the consumer insights and data held by drugstores

[Collaboration with Drugstores] Rohto and Competitor Case Studies

Rohto should collaborate with drugstores to boost sales and awareness of their existing brands, as well as to jointly develop new brands

Direction of collaboration

Advance / exclusive products under existing brands

New Brand Development

Examples of Rohto's products



Melano CC Intensive Care Premium Mask: High Moisture Type (Matsumoto Kiyoshi)



Hada Labo Gokujyun Perfect UV Gel (Cocokara Fine)



RESTA (Welcia)



Orezo (Tsuruha Drug)



Competitor Success Stories

Kao: Launched 'Biore UV Aqua Rich Watery Hold Cream' exclusively through MatsKiyoko and Cocokara Fine Group in 2025, with cumulative shipments > 1 mm units



Kose: Developed 'Sekkisei' in collaboration with 7-Eleven Japan in 2004. Sales exceeded 30 JPY bn in 2016



Suggestion

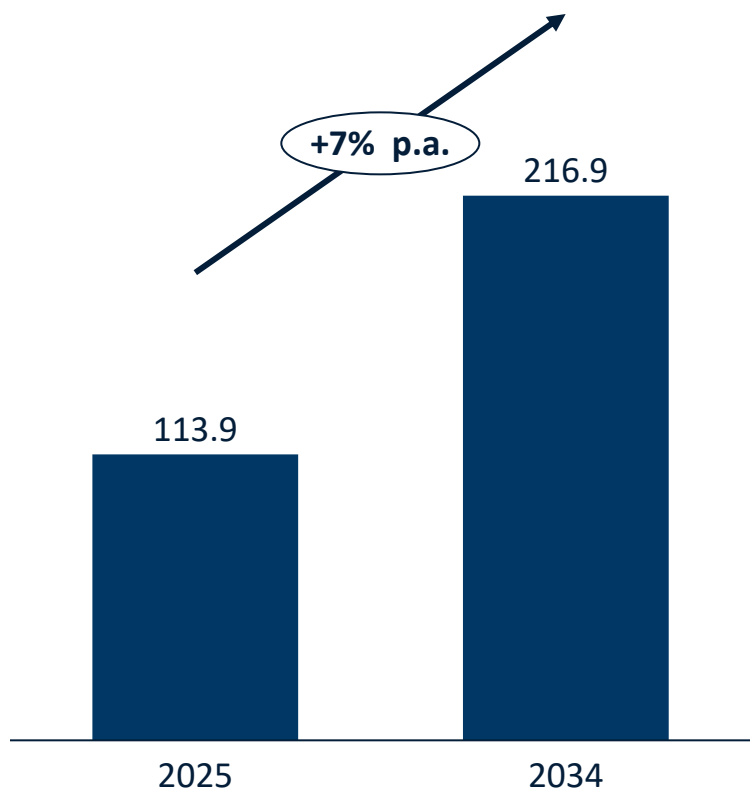
Peer examples have contributed to sales growth through collaboration with drugstores etc.
Rohto could further accelerate skincare growth by expanding existing brands and PB products through stronger IT and data collaboration with drugstores.

3

[Expansion of Hair Care Products in Europe and the US] Expansion of the Global Hair Care Market

The global hair care market is forecast to grow at CAGR 7%.
As demand for hair care rises, L'Oréal's hair care brand 'Kérastase' has exceeded 1 EUR bn in sales in 2022

Global Hair Care Market; USD bn, 2025–2034



Consumer trend towards high-quality hair care products

Growing Interest in 'Skinification'

A trend towards caring for hair and scalp with high-quality products, much like skincare and facial care.
In Japan, demand for hair care is on the rise, with @cosme citing 'spending on hair' as a beauty trend for 2024

[L'Oréal's Success Story]

In December 2022, its haircare brand 'Kérastase' surpassed 1 EUR bn in sales. The hair care business recorded 12% yoy growth:

Haircare has achieved 12% growth and is becoming **a new category within skincare**.
With longer hair and more diverse hairstyles becoming commonplace, **beautiful hair is increasingly seen as a sign of good health...**

Nicolas Jéronimus, CEO of L'Oréal Group

L'ORÉAL



3

[Expansion of Hair Care Products into Europe and the US] Gyutto's Rapid Growth in Japan

Rohto's "Gyutto" hair mask, launched in 2024, achieved sales over 400% of plan within one year and received strong reviews. Given the expanding global haircare market, overseas expansion should be accelerated.

Sales Growth of Rohto's "Gyutto"

Launched in September 2024 as a texture-repair hair mask for adult frizz and waviness. By May 2025, **sales exceeded 400% of plan**, driving growth within the skincare business.

On major review site @cosme, as of April 2026, Gyutto had over **1,200 reviews, a strong 4.9 rating, and ranked 9th in the hair pack / treatment category**

Suggestion

Gyutto has already achieved sales growth in Japan; overseas expansion should capture rising global haircare demand and increase overseas sales.

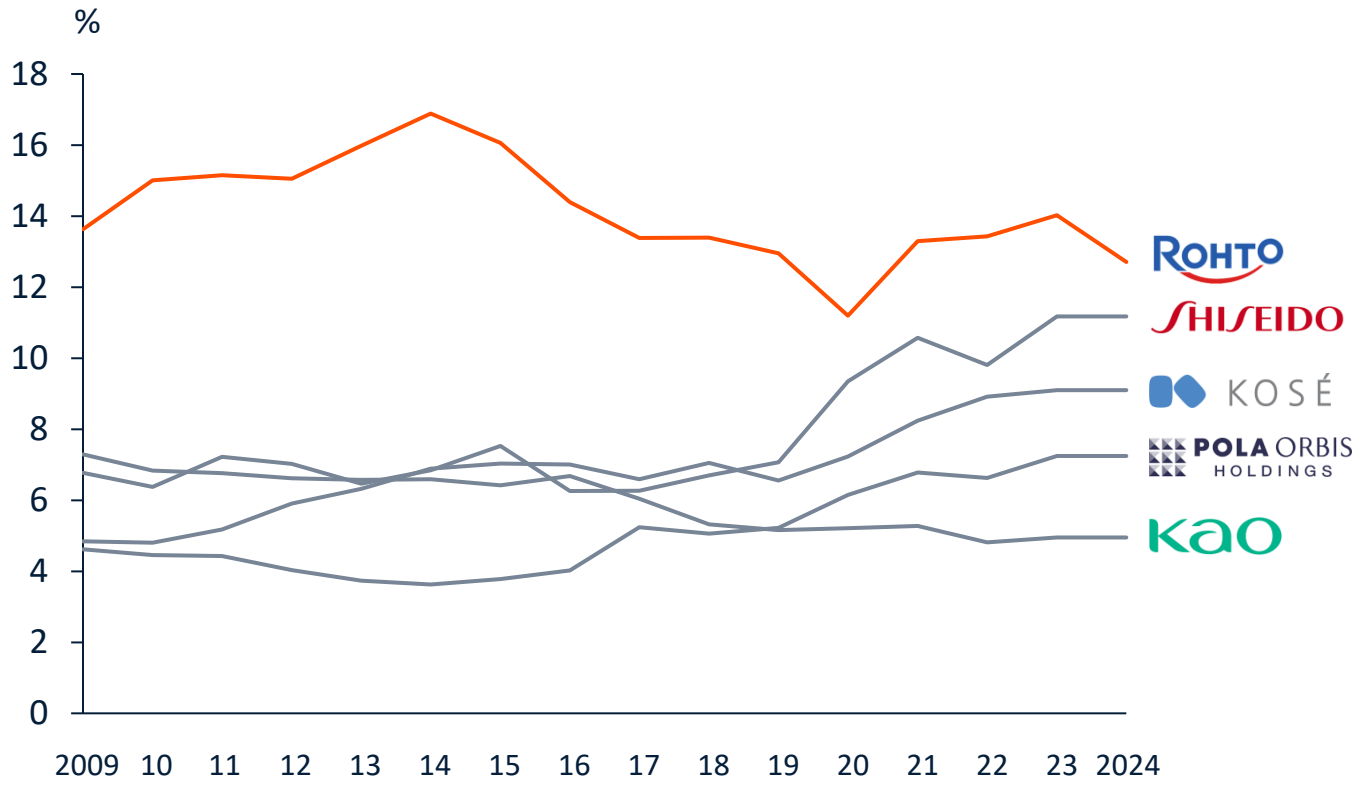


4

[Marketing Strategy] Historically high advertising expense levels

Rohto's advertising expense ratio is higher than peers, consistently exceeding 10% of sales, likely driven by a skew toward mass advertising in the skincare business.

Advertising expenses per revenue¹; %, FY2009-24



Rohto has continued to spend more on advertising than peers over the past 15 years

Currently, **skincare accounts for approx. 70% of advertising expenses.** Although TV remains the main channel, **online advertising has risen to around 15%...**
 (2016 Osaka Ads Association Award-winning company interview — Kazuhiro Shimasaki, Deputy Head of Marketing Division, Rohto)



Given that skincare advertising accounts for over half of total advertising expenses, there is room to review the marketing strategy in skincare business

Note 1: Based on each company's earnings releases. Fiscal years are as follows: Rohto: 1 April to 31 March; Shiseido: 1 April to 31 March until 2014, and 1 January to 31 December from 2015; KOSÉ: 1 April to 31 March until 2020, and 1 January to 31 December from 2021; POLA ORBIS: 1 January to 31 December; Kao: 1 April to 31 March until 2011, and 1 January to 31 December from 2012. For transition years following fiscal year-end changes, consolidated results are based on each company's applicable transition period.





Source: Company earnings releases; Osaka Advertising Association 70th anniversary project website.

4

[Marketing Strategy]

Structural drivers of the high advertising expense ratio

High advertising expense ratio likely reflects awareness-heavy TV advertising, mass advertising to secure shelf space, and lower efficiency from many brands and low LTV¹

Details to follow	Current state of Rohto	Potential levers for cost reduction
<p>Awareness-focused advertising strategy with limited conversion to purchases</p> 	<p>Reliance on past success has led to concentrated investment in mass advertising for awareness, without effectively converting it into purchasing behaviour</p>	<p>Horizontal rollout of successful cases such as “Melano CC,” centred on social media reviews and buzz generation</p>
<p>Mass advertising to secure shelf space</p> 	<p>Business structure centred on wholesale to drugstores, requiring mass advertising to secure shelf space</p>	
<p>Expansion in the number of brands</p> 	<p>Currently operating 33 skincare brands, requiring awareness investment for each brand, resulting in inefficiency</p>	<p>Withdraw underperforming brands and focus advertising expenses on key products (Details mentioned above)</p>
<p>LTV structure of low-priced products</p> 	<p>Low-priced products are the mainstay, resulting in low LTV and a volume-driven advertising strategy to recover CPA²</p>	<p>Raise prices for core low-price brands including Hada Labo and Melano CC to improve LTV (Mitigated by the price increases from April 2026)</p>

Note 1: LTV stands for Lifetime Value.
Note 2: CPA stands for Cost Per Acquisition.
Source: AVI research.

[Marketing Strategy] Over-investment in awareness advertising

Rohto has focused on mass advertising since its founding, resulting in a structurally high advertising cost base. While TV commercials historically succeeded in building awareness, the cost-effectiveness of current marketing initiatives is questionable

In the past, Rohto acquired mass recognition through TV commercials...

...While advertising methods have diversified, Rohto remains overly reliant on awareness-focused advertising



“ We have concentrated advertising investment in the most effective mass media of each era. (...) Around 1975, the entire newspaper and radio advertising budget was shifted to TV. It may seem bold, but this ‘no half-measures’ approach may be part of Rohto’s culture. **70% of TV advertising spend was on single-sponsor programmes, and 30% on spot ads...**

(2016 Osaka Advertising Association Award-winning company interview — Kazuhiro Shimada, Deputy Head of Marketing Division, Rohto Pharmaceutical)

Short drama-style ads on social media

Promotion events



Rohto’s products appear for only a few seconds, making it difficult to view this as a highly effective promotional strategy

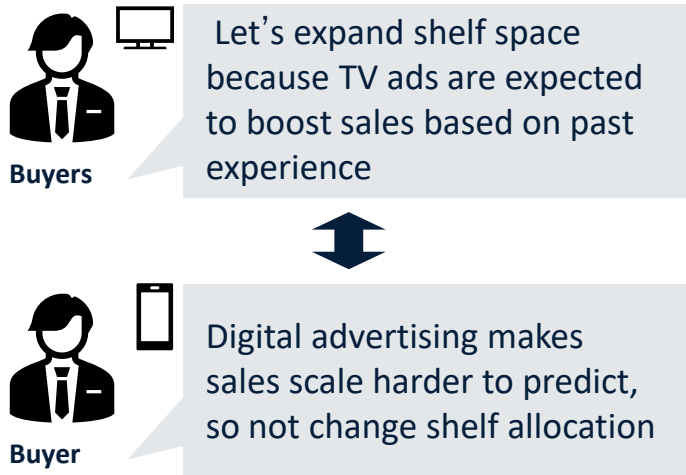


A strategy focused on product awareness, with conversion to purchase not necessarily high

[Marketing Strategy] Melano CC: Success without Mass Advertising

Manufacturers selling through drugstores have historically favoured TV commercials to secure shelf space, but recent cases such as Melano CC have succeeded through word-of-mouth without mass advertising.

Shelf-space allocation practices in the retail industry



As buyers determine shelf-space allocation based on past experience, they tend to favour TV commercials, where sales figures are relatively easier to gauge

For CPG¹ manufacturers, where in-store customer interaction is crucial, this results in a greater emphasis on TV advertising



On the other hand, Melano CC succeeded without mass advertising

Melano CC has grown without mass ads such as TV commercials. This contrasts sharply with Hada Labo, a similar brand, which launched TV commercials in its first year.

Melano CC has only used some train advertising, and no other mass advertising.

Instead, the focus was on how customers would talk about the product. Influencers represent customers...

(21 August 2023, BUSINESS INSIDER interview — Ayumu Tsukada, Head of Product & Brand Marketing, Rohto)

Even today, securing shelf-space in the skincare section at drugstores








Note1: CPG stands for Consumer Packaged Goods
Source: BUSINESS INSIDER, AVI Research

4

[Marketing Strategy]

Reduce ads expenses through horizontal rollout of Melano CC model

While maintaining a certain level of awareness advertising, Rohto should improve margins through an advertising strategy focused on strengthening in-store touchpoints that directly drive purchases.

Funnel	Examples of marketing initiatives
Attention	Mass advertising (TV adverts), Use of influencers 
Interest	Social media short dramas, Brand content, Experiential events 
Desire	Product review videos, comparative and ingredient-focused content, listing on review sites 
Memory	Securing shelf space and end-of-aisle displays, official LINE account posts 
Action	In-store POP and display, distribution of free samples, special offers and coupons 

Suggestion

Rohto should follow the Melano CC model and implement marketing initiatives that lead to purchases, through word-of-mouth product appeal and stronger in-store touchpoints via collaboration with drugstores.

By analysing brand-level awareness and advertising efficiency, Rohto should avoid inefficient awareness advertising and strengthen shelf space through consumer appeal such as word-of-mouth.

5

[Promoting M&A] Proactive promotion of M&A in Asia market

Rohto acquired Thai emerging skincare company Than Oryza in 2026. As M&A in the cosmetics and personal care market is increasing, particularly in Asia, Rohto should continue to strengthen M&A in the Asian skincare business.

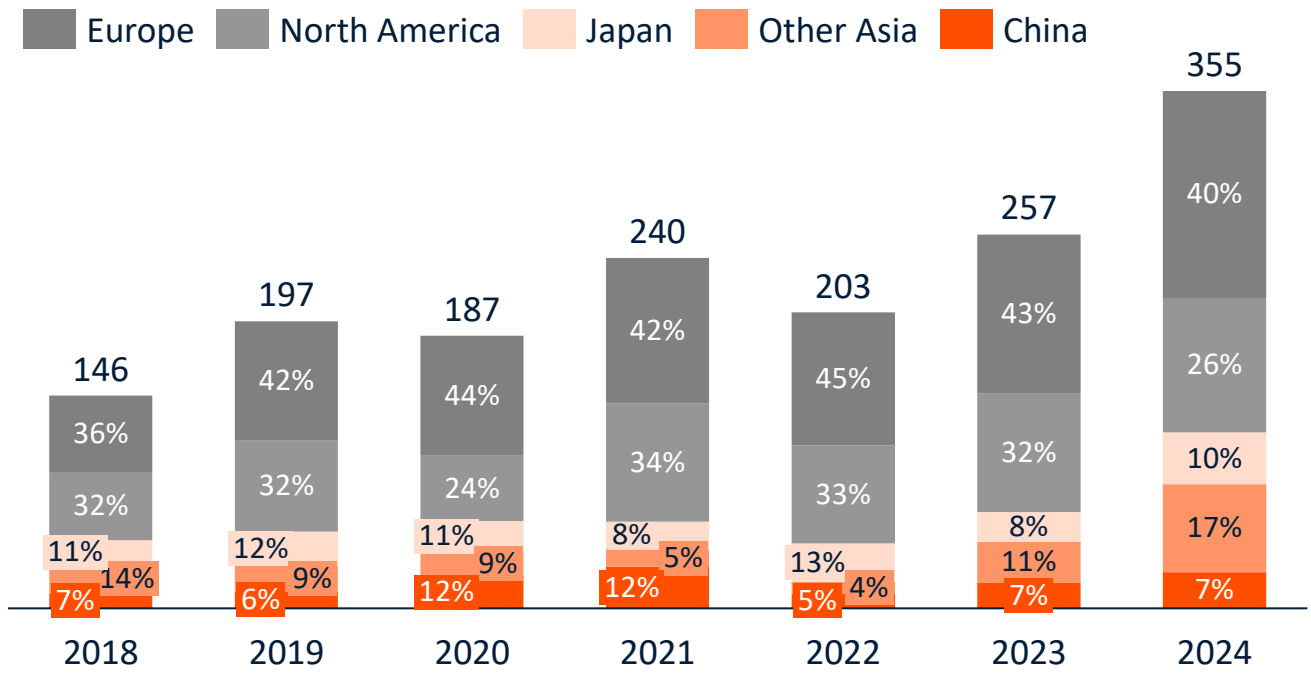
Rohtos's Acquisition of Tan Oriza

In January 2026, Rohto acquired Thailand-based wellness firm THANN Oriza.

THANN, the skincare and lifestyle brand operated by the company, has expanded its business primarily across Asia, including the opening of a flagship store in Azabudai Hills



M&A Trends in the Cosmetics and Personal Care Sector; # of deals, 2018–24



In recent years, the number of M&A deals has been on the rise, particularly in the Asian region. This aligns with the growth potential of Rohto's skincare business, which is expanding primarily in Asia

Source: Rohto Pharmaceutical press release, Keaney 'M&A in the Cosmetics and Personal Care Industry 2025–26: Attractive Opportunities from the Perspective of 50 Practitioners'

1 Skincare Business

2 Supplements Business

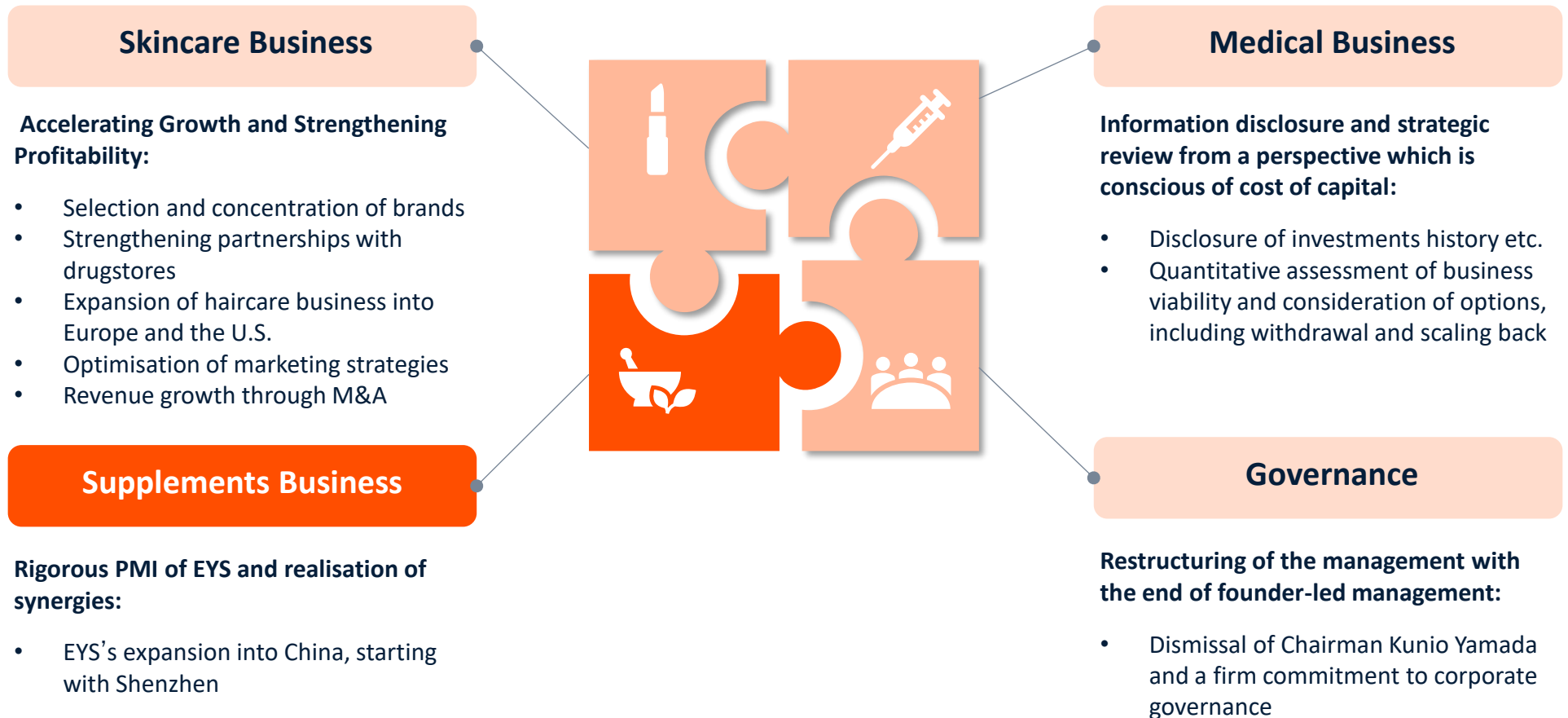
3 Medical Business

4 Governance

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Suggestions to Enhance Corporate Value: Supplements Business

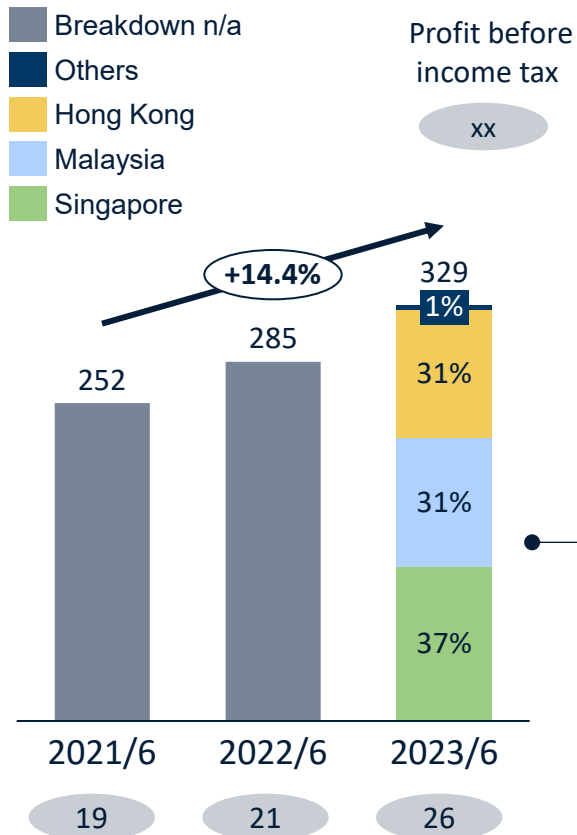
4 key levers should contribute to enhance Rohto's corporate value: accelerating growth in skincare business, realising synergies with EYS, careful strategic review of the regenerative medicine business, and moving away from founder-led management



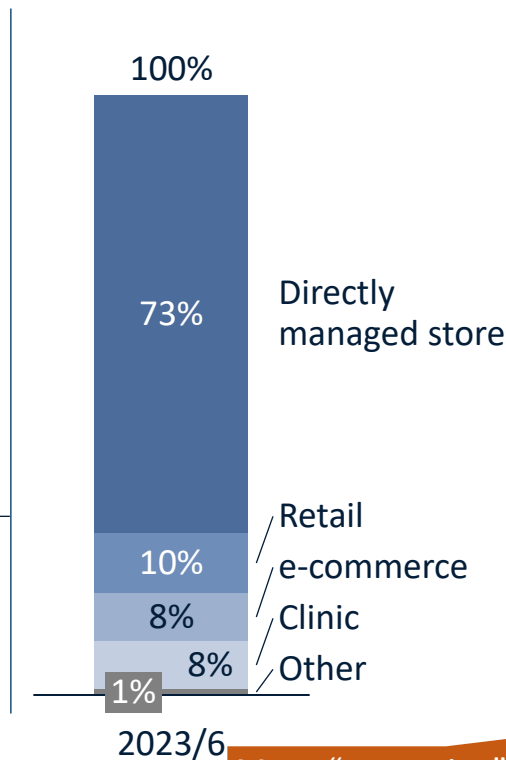
Eu Yan Sang International Ltd. (EYS) Overview

EYS is a rapidly growing Traditional Chinese Medicine (TCM) and natural consumer health company, operating mainly in three countries with various sales channels. Though attractive, Rohto's acquisition may have been overpriced – PMI efforts are crucial

EYS revenue¹, JPY bn



Channel mix, %

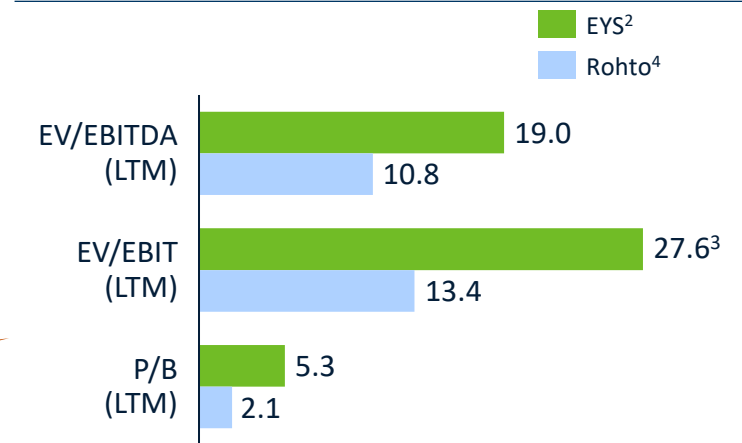


Acquisition by Rohto in 2024

Ownership structure, %



Valuation multiple comparison



More "expensive" investment than Rohto itself

Note 1: Original data is in SGD, conversion rate 1 SGD = 110.8 JPY
 Note 2: 2024/6 figure is operating profit before audit, 2: Quarterly data not available, latest FY end data
 Note 3: Based on disclosed FY2023 financials and does not include long-term securities
 Note 4: Based on FY2024 operating profit due to data availability
 Sources: PRTIMES, Rohto Pharmaceutical financial results for the fiscal years ending March 2024 and June 2024, and materials released by each company

Current status of EYS after the acquisition

EYS earnings guidance was revised down in Q3 FY2026/3, impacted by the competitive environment in Hong Kong and weaker consumer spending

EYS's performance remains sluggish

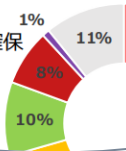
アジア 大幅な増収増益

売上高：910億87百万円 前期比 +32.9%
 営業利益：132億83百万円 同 +26.3%

売上高910.87億円：計画を上回る進捗

- ベトナム、インドネシアなど東南アジアが好調を継続
- 2Qよりミャンマーで輸入ライセンスを取得できた事で生産が可能となり増収に貢献
- 香港、中国の市況は依然として低調なものの、現地通貨ベースで香港・中国で増収を確保
- EYSが連結効果で売上に寄与するもシンガポール・香港市場減速の影響を受ける
- EYS売上：現地通貨ベース対前1桁半ば%減収、計画未達
- 「肌ラボ」、「アクネス」、フケ抑制シャンプー「セルサン」、目薬等が好調に推移

アジアの国別売上

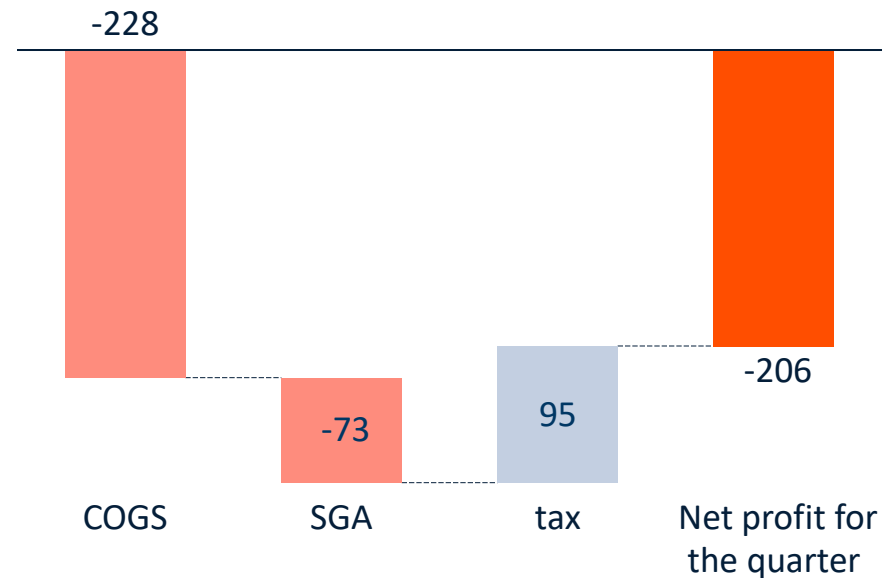


EYS downward revision attributed to external factors:

The main reason is that **sales in Hong Kong have not recovered**. While EYS holds the No. 1 market share position in Singapore and Malaysia, **it ranks No. 3 in Hong Kong, where competition from Chinese players is intense**. In addition, sales have been impacted by **weaker demand for high-priced products amid a stagnant market environment**. The major fire in Hong Kong and the resulting restraint on promotional activities also had an impact



Revised consolidated cumulative Q3 P/L for FY26/3; JPY bn



Despite acquiring EYS at a high multiple, Rohto revised down sales and quarterly net profit by 228 JPN mm and 206 JPY mm, respectively, citing external factors

Suggestion: Business expansion from Hong Kong to Shenzhen

As consumer demand shifts from Hong Kong to mainland China, including Shenzhen, EYS should promptly consider store expansion in mainland China

Comments on EYS sales weakness

(from past discussions with CFO Saito)



Singapore and Hong Kong markets have been challenging, with consumers holding back or shopping abroad. High-priced EYS products have been affected. Singapore is recovering, but **Hong Kong remains severely negative**

(11th December 2025)



The major gap stems from external factors, especially weaker purchasing power for high-priced products in Hong Kong and Singapore. **Consumers are increasingly shopping in cheaper locations such as Shenzhen and Malaysia**

(8th September 2025)

'Northbound consumption' trend in Hong Kong

Since full reopening of travel between mainland China and Hong Kong in 2023, more consumers have been travelling from Hong Kong to Shenzhen for shopping, driven by lower prices and other factors



Suggestion

EYS should move beyond its existing Hong Kong retail-led strategy and consider expansion into mainland China, including Shenzhen

Market entry in China (1/3) The Attractiveness of the Chinese Market

EYS currently operates primarily in Hong Kong, Malaysia and Singapore, but the Chinese market is highly attractive in terms of market size and product fit

Geographical expansion assessment

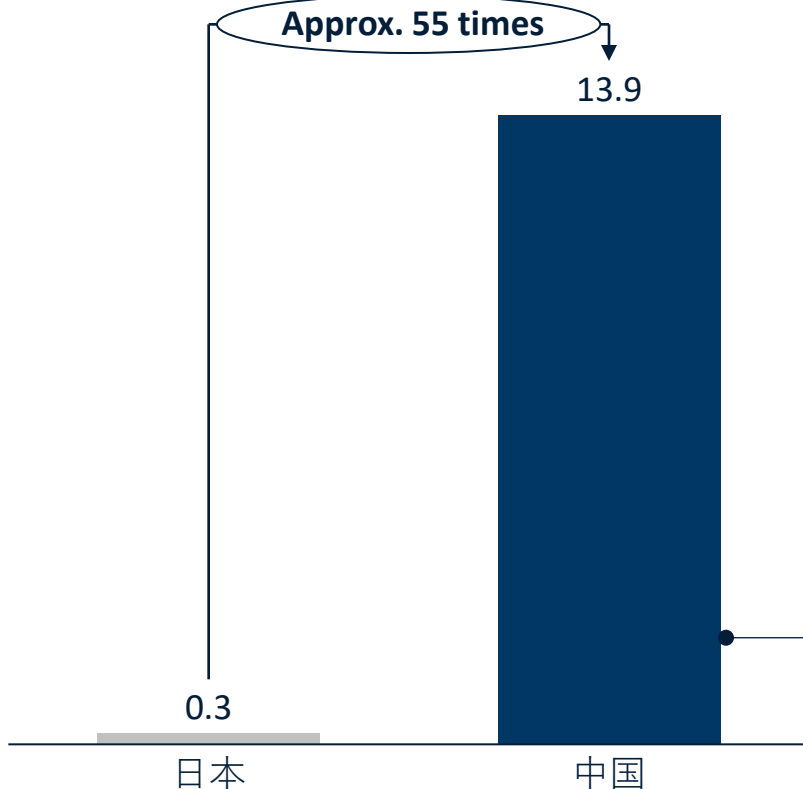
Attractiveness for new entrants (fit with EYS): Low ← → High

Criteria	Mainland China	Taiwan	Japan (OTC)	Japan (prescription)	US
Market size	Massive market of 13.9 JPY Tn	Sizable market of ~0.1 JPY Tn	Small market of < 0.1 JPY Tn	Sizable market of ~0.2 JPY Tn	Small and dispersed market
Competition	Quite a few competitors but highly fragmented	Quite a few competitors but highly fragmented	Krasie has ~30% but the rest is fragmented, and Rohto has ~10%	Dominated by Tsumura (85%) and Krasie (10%)	Mostly mom-and-pop stores in Chinatown
Product fit	TCM is well-known among the general public	TCM is well-known among the general public	TCM is not well known as Kampo is the mainstream	TCM is not well known as Kampo is the mainstream	TCM is well-known among the Chinese population
Legal requirements	May face backlash from the local government	Mentholatum already operates in Taiwan	Rohto already operates in Japan	Approval may take time	EYS already imports products to the US
Sales & Distribution	Can take advantage of Mentholatum	Can take advantage of Mentholatum	Can take advantage of domestic resources	Can take advantage of Rohto Nitten	Can take advantage of Mentholatum

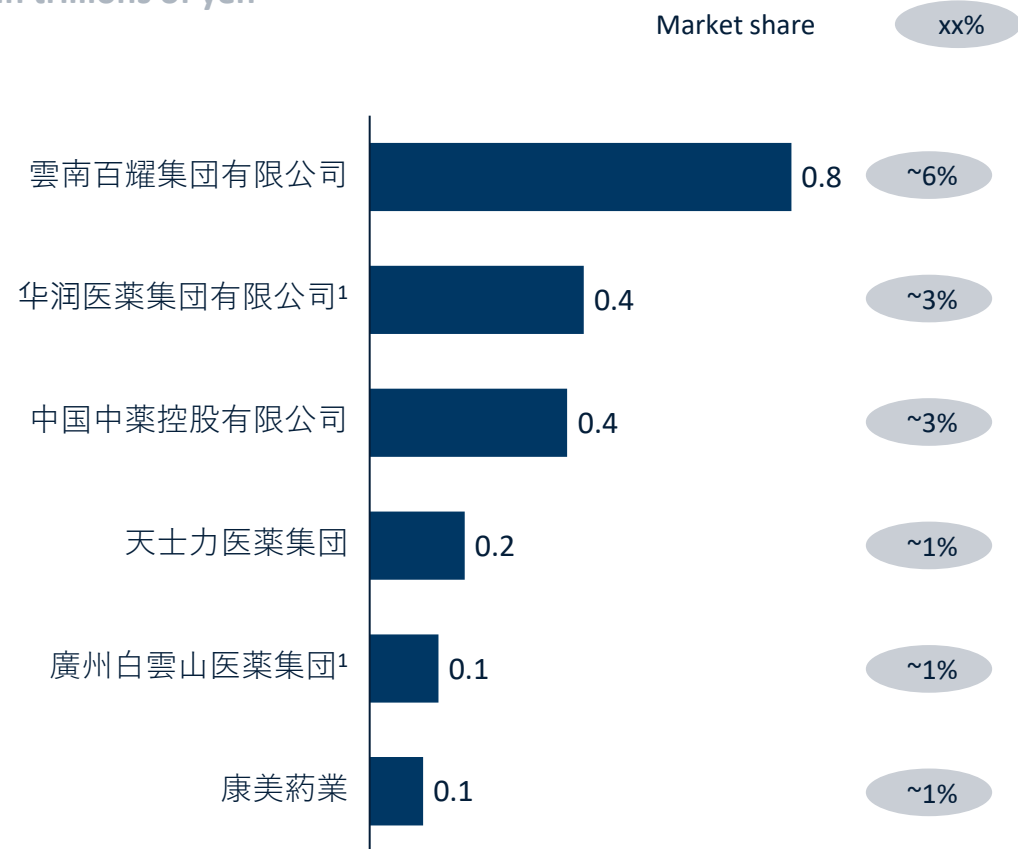
Market entry in China (2/3) TCM market size and competition in China

The Chinese traditional Chinese medicine market is worth approximately 13.9 trillion yen, boasting a scale roughly 55 times that of Japan's Kampo market. However, there are no companies with a dominant market share, and the market is highly fragmented.

Size of the Japanese Kampo medicine market and the Chinese traditional Chinese medicine market, trillion yen



Major Traditional Chinese Medicine Companies (e.g., by revenue), in trillions of yen



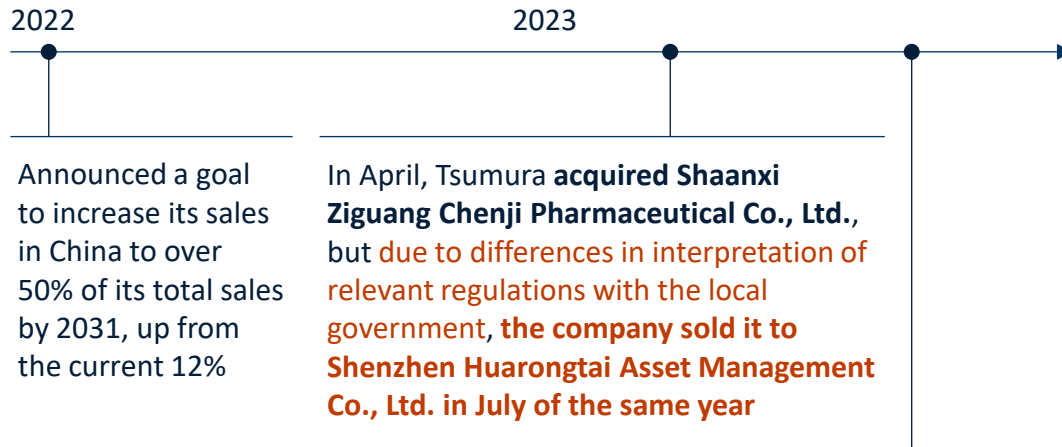
Note 1: Sales of TCM only

Source: Tsumura website, annual reports of respective companies

Market entry in China (3/3) Considerations when entering the market

Since around 2022, Tsumura has aimed at expanding its traditional Chinese medicine business. However, it should take care when selecting local partners, drawing on lessons from the experience of others.

Progress of Tsumura’s entry into mainland China market



“ The primary goal is to complete an M&A transaction. We aim to enter the Chinese market by acquiring a company that already holds a license for traditional Chinese medicine (TCM), thereby obtaining sales rights and manufacturing facilities. In addition to acquisitions, we will explore various possibilities, including business partnerships. The objective is to finalize this by the end of the 2024 fiscal year ”

Tsumura CFO, Muneki Handa

Nikkei Interview

Considerations for entry into mainland China

Selection of partners

- It is necessary to acquire local entities holding sales rights or to establish joint ventures.
- Attention must also be paid to local legal regulations during this process.

Selection of markets

- Since the competitive environment and brand recognition of EYS vary significantly by region, selecting the right market to enter is critically important.
- Although the competitive environment in cities like Shenzhen and Guangzhou is tough, their large economic scale and proximity to Hong Kong, where the EYS brand is well recognized, should also be considered as potential footholds.

1 Skincare Business

2 Supplements Business

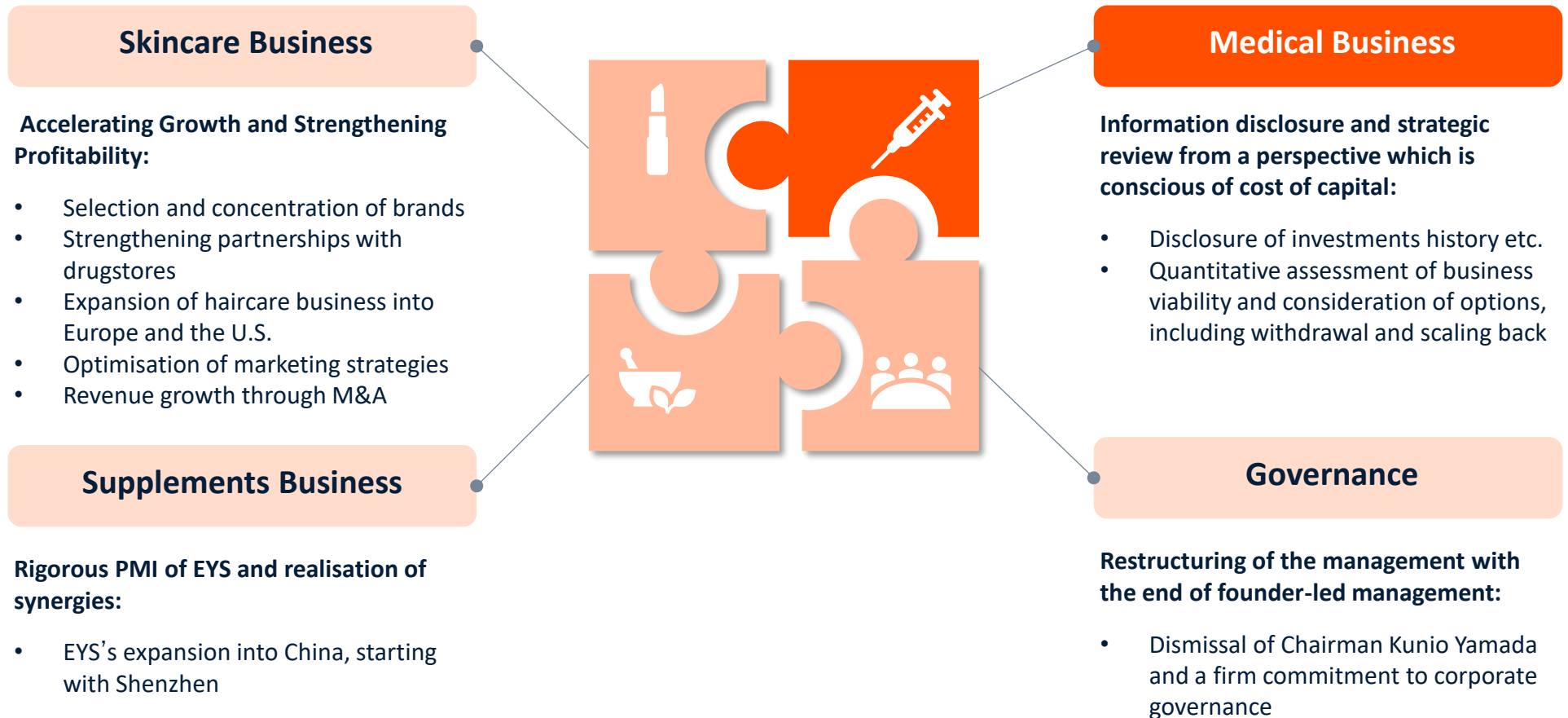
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Suggestions to Enhance Corporate Value: Medical Business

4 key levers should contribute to enhance Rohto's corporate value: accelerating growth in skincare business, realising synergies with EYS, careful strategic review of the regenerative medicine business, and moving away from founder-led management



Overview of the Medical Business

Since 2013, the Medical Business—comprising regenerative medicine and medical ophthalmology—has been designated as a growth investment business, with the aim of achieving sales of over 55 JPY bn by 2035

Rohto is focusing on the Medical Business as a growth investment area

事業領域ビジョン2030で取り組むドメイン

セルフケア領域 プロフェッショナルケア領域

健康 未病 軽度疾患 病気

アイケア事業

スキンケア事業

食品事業

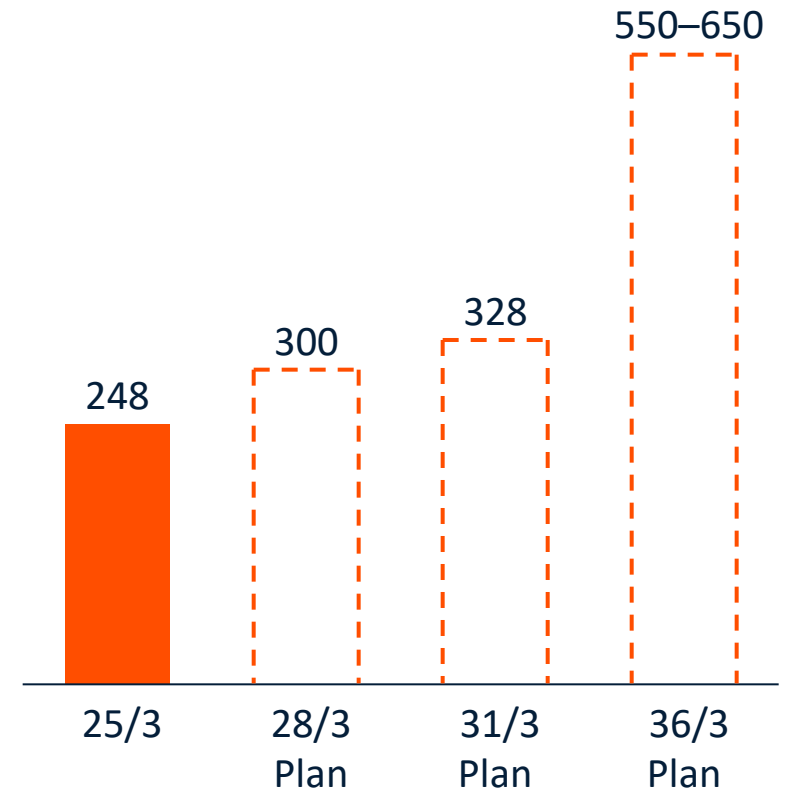
内服薬事業

検査薬事業 ほか

メディカル事業

- ・医療用眼科領域
- ・再生医療
- ・開発製造受託(CDMO)
- 再生医療/内服

Medical Business revenue; JPY bn, FY25/3-36/3

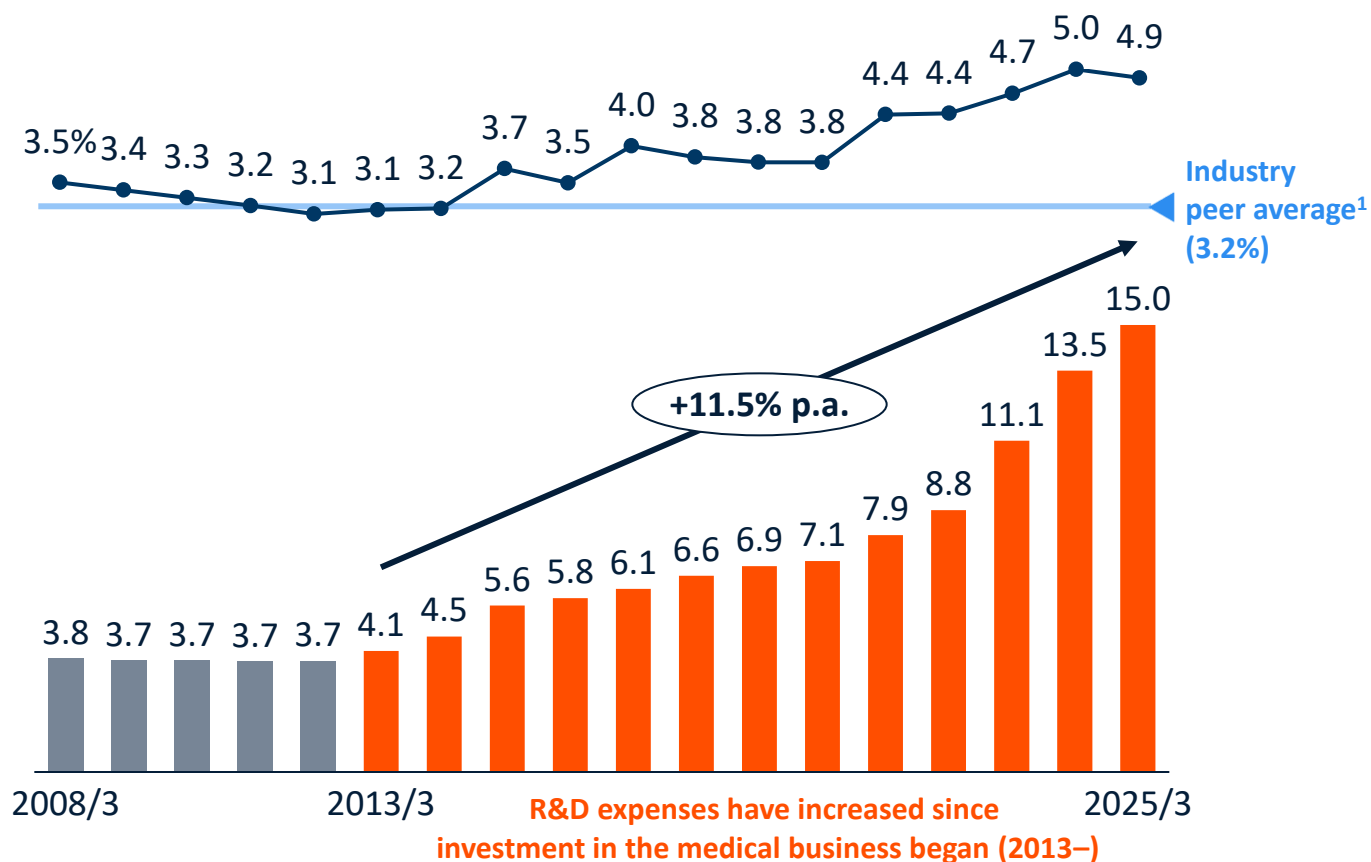


As part of our medical business, Rohto attempts to invest in the medical ophthalmology sector and the regenerative medicine including contract development and manufacturing organization business (CDMO)

Rising R&D expenses since the launch of the medical business

Despite difficulties in regenerative medicine and ophthalmic prescription drugs, Rohto's consolidated R&D expenses continue to rise. While not explicitly attributed to the medical business, urgent disclosure is required

Trajectory of Rohto's R&D expense, JPY bn, ratio per revenue



Since starting medical business investment in 2013, R&D expenses have increased. While the cause is not clearly disclosed, IR has stated that the medical business accounts for at least part of the increase:

“R&D investment in existing businesses has not increased. The increase since 2013 can be viewed as investment in regenerative medicine and ophthalmic prescription drugs.”
(Response in Rohto–AVI dialogue)

Even if driven by skincare, Rohto's R&D expense ratio is high at 4.9% of sales vs. the cosmetics peer average of 3.2%, making cost reduction an urgent issue.

Disclosure of R&D expense breakdown by business is essential

Note 1: Simple average R&D expense-to-sales ratio for four peers — Shiseido, Kao, POLA ORBIS and KOSÉ — in FY2024
Source: Company earnings releases; engagement dialogue with Rohto and AVI,

Disclosure regarding investment amounts in the Medical Business

Rohto's disclosure on cumulative investment and plans remains company-wide, with no business-level disclosure. Some disclosure has been made for regenerative medicine, but details such as capex remain undisclosed.

Cash allocation plan according to mid-term plan

キャッシュ・アロケーション (2025-2030の6年間)

インフロー		アウトフロー		
		用途	金額	
資金調達 (200億円)	➔	成長投資	設備投資	1,000億円
営業CF (研究開発費控除前) 3,300億円			研究開発費	900億円
			DX/IT投資	300億円
			M&A・出資	500億円
		株主還元	配当 など	800億円

Disclosure remains company-wide; investment in the medical business alone is unclear

Disclosed Investment in regenerative medicine business

Q18 再生医療に関連するこれまでの投資額及び、中長期でのリターン見込みはどうなっているのか？

これまで再生医療に関連する企業への出資、買収に関わる投資額は、15年間総計で約100億円となりますが、今後は中期見通しである2030年までに500億円という総M&A投資額の中で、適宜投資機会を探索していきます。一方開発費のうち規模の大きなものは各段階における治験にかかわる費用となりますが、ここまでの段階では総計20億円程度となり、今後については年度ごとに変動はあるものの、おおむね年間10~20億円の規模を見込んでおります。ただし、治験各段階における継続判断は、その時点で見込まれる市場環境により、戦略的に取捨選択していく方針です。

Disclosed investment comprises only investments / acquisitions of related companies and clinical trial costs. Capex and other details remain undisclosed

As designated growth investment areas, continuous cost-effectiveness reviews conscious of capital costs are required. Disclosure should be enhanced for both ophthalmic prescription drugs and regenerative medicine

Likelihood of investment recovery in the regenerative medicine business

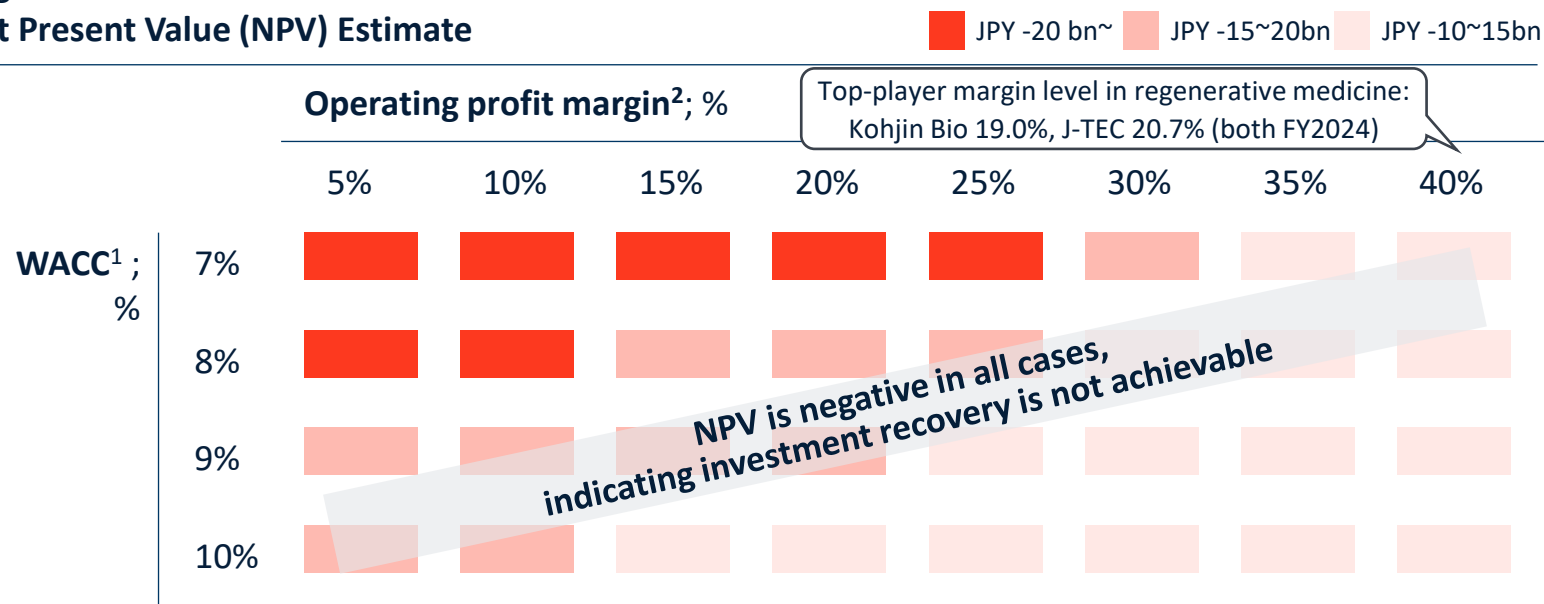
Considering past acquisitions / investments, cumulative losses, R&D expenses and capex, recovering investment in regenerative medicine appears difficult even if peer-level operating margins are achieved.

Key Assumptions

Based on Rohto IR materials and discussions, estimated under the following assumptions:

- Sales: JPY 1.0bn in 2017 and JPY 1.5bn in 2024, growing at a 6% CAGR thereafter (JPY 24.7bn in 2035)
- Profit: Reflects R&D expenses and capex recorded at Rohto, as well as earnings / losses of related companies

Regenerative Medicine Business Net Present Value (NPV) Estimate



Considering past investments, losses at related companies and the mid-term management plan, achieving a positive NPV in regenerative medicine appears difficult. Given that some peers, such as Medinet, are currently loss-making, the likelihood of investment recovery appears extremely low

Note 1: Rohto's WACC is 7.2%, based on a risk-free rate of 2.4% (10-year JGB), levered beta of 0.57 (calculated from the median unlevered beta and median D/E ratio of eight comparable companies), MRP of 6.0%, pre-tax cost of debt of 1.5% (Rohto's average cost of debt from 2011-24), and an effective tax rate of 31.52%. WACC derived using the share price method, based on the same assumptions and a perpetual growth rate of 2.0%, is 9.0%.

Note 2: Assumed operating margin in 2040

Source: Rohto Pharmaceutical Annual Reports and Financial Results Presentation Materials, AVI Research

Recent Strengthening Business & Capital Alliance with Wakamoto

Rohto Pharmaceutical and Wakamoto formed a business alliance in 2020 and have since collaborated closely, including joint product sales, and in 2025, Rohto acquired 11.46% of Wakamoto's voting rights.

Collaboration between Rohto and Wakamoto to date



Ratachimo Combination Eye Drop 'Nitten

- Efficacy: Glaucoma, ocular hypertension
- Manufacturer: Rohto Nitten Pharma Co., Ltd.
- Distributor: Wakamoto Pharmaceutical Co., Ltd.

Since the comprehensive business alliance in 2020, Rohto and its subsidiaries have maintained a close business relationship with Wakamoto for five years.

Rohto public disclosure (Japanese; Feb 2025)

2025年2月6日

各 位

会社名 ロート製薬株式会社
 代表者名 代表取締役社長 杉本 雅史
 (コード番号 4527 東証プライム)
 問合せ先 広報・CSV推進部 部長 塚田 歩
 (TEL. 06-6758-1211)

Notice regarding the purchase of Wakamoto Pharmaceutical stock わかもと製薬株式会社(証券コード 4512)株式の買集め行為に該当する 株式取得についてのお知らせ

当社は、本日わかもと製薬株式会社(所在地:東京都中央区、代表取締役社長:五十嵐新、以下「わかもと製薬」という。)の株式を株式会社東京証券取引所における単一銘柄取引で以下の通り取得(以下「本株式取得」という。)することといたしました。

なお、本株式取得は、わかもと製薬の議決権の5%以上の取得となり、金融商品取引法第167条第1項および同法施行令第31条に規定する「公開買付けに準ずる行為として政令で定める買集め行為」に該当することから、お知らせします。

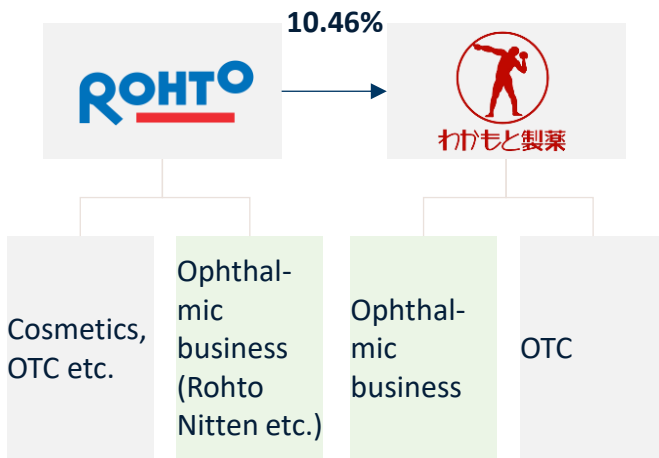
記

(1) 対象者の名称	わかもと製薬株式会社(証券コード 4512)
(2) 取得株式数	普通株式2,866,900株(予定)
(3) 総株主の議決権の数に対する割合	11.46%(予定)※
(4) 株式取得日	2025年2月6日(予定)

Carve-out of ophthalmic prescription drug business through JV formation

To demonstrate management that is conscious of capital efficiency in the future, amid intense competition in the ophthalmology sector, Rohto and Wakamoto should establish a JV for medical ophthalmology and seek third-party financing.

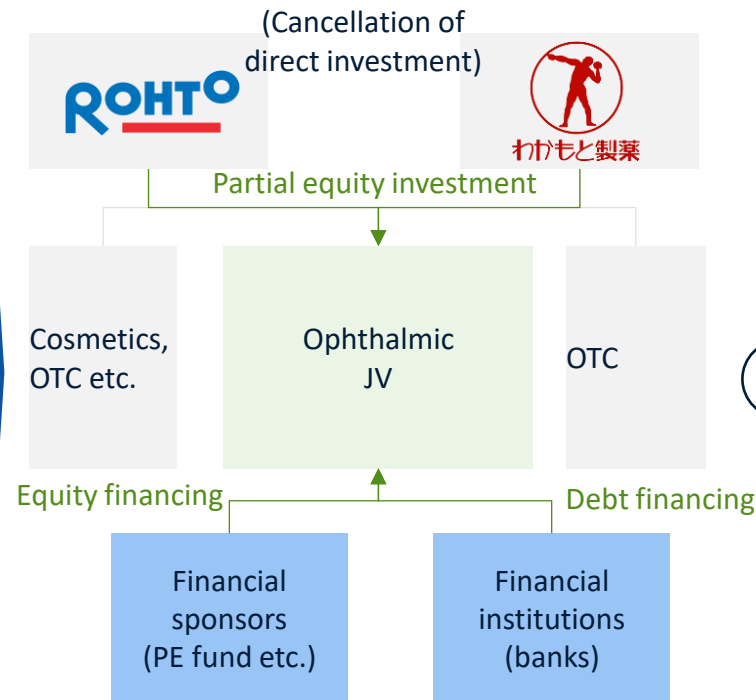
Current alliance status



Wakamoto already has eight products in the market



Forming JV in the ophthalmology field

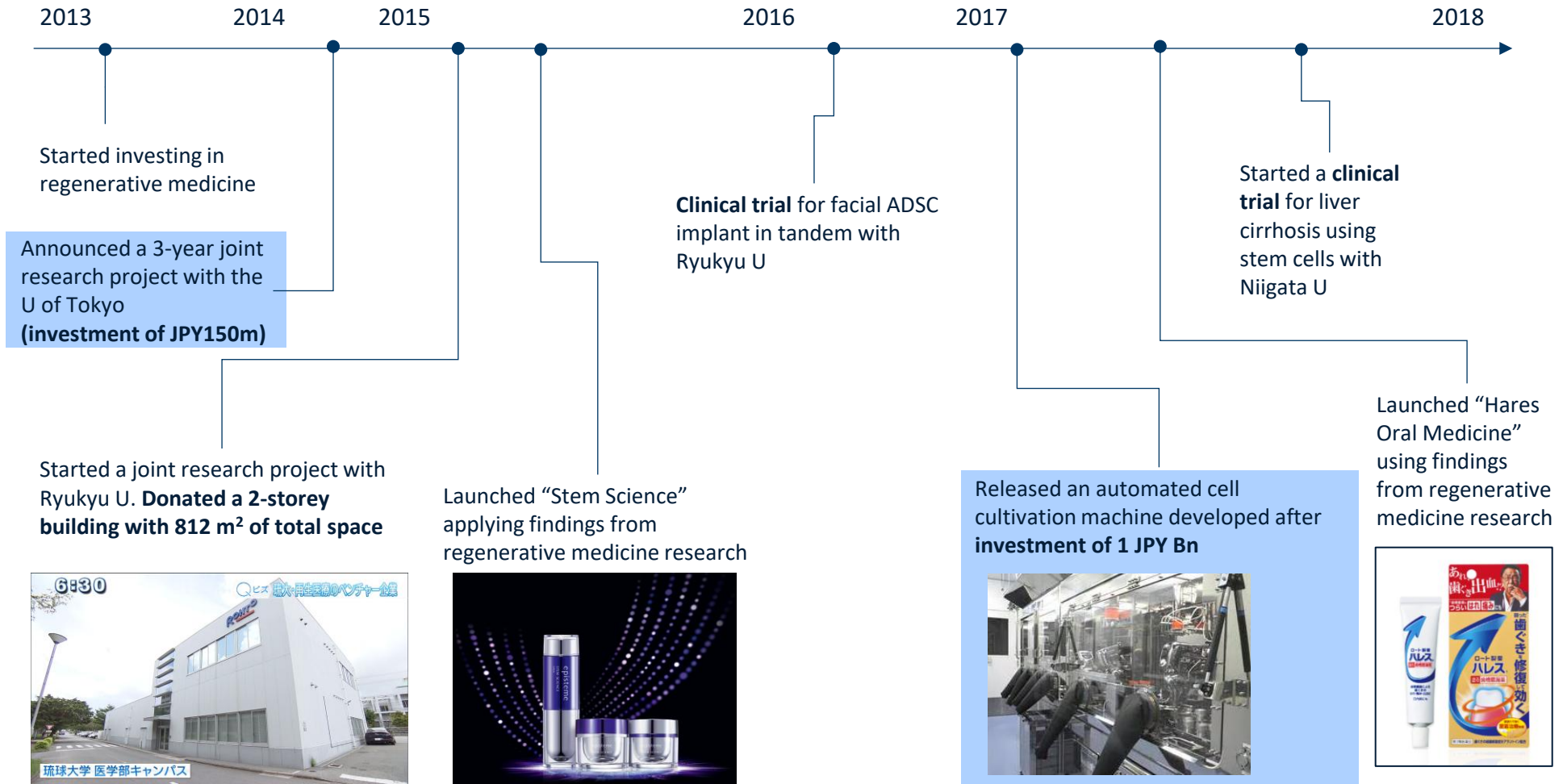


Suggestion

- To further develop the collaboration with Wakamoto in the field of ophthalmology, a JV shall be formed, and Rohto will invest equity in the JV.
- By covering the cost of R&D and other investments necessary for business growth from PE funds and banks, the ophthalmology business can achieve sustainable, high-growth management, while Rohto and Wakamoto can achieve capital-efficiency

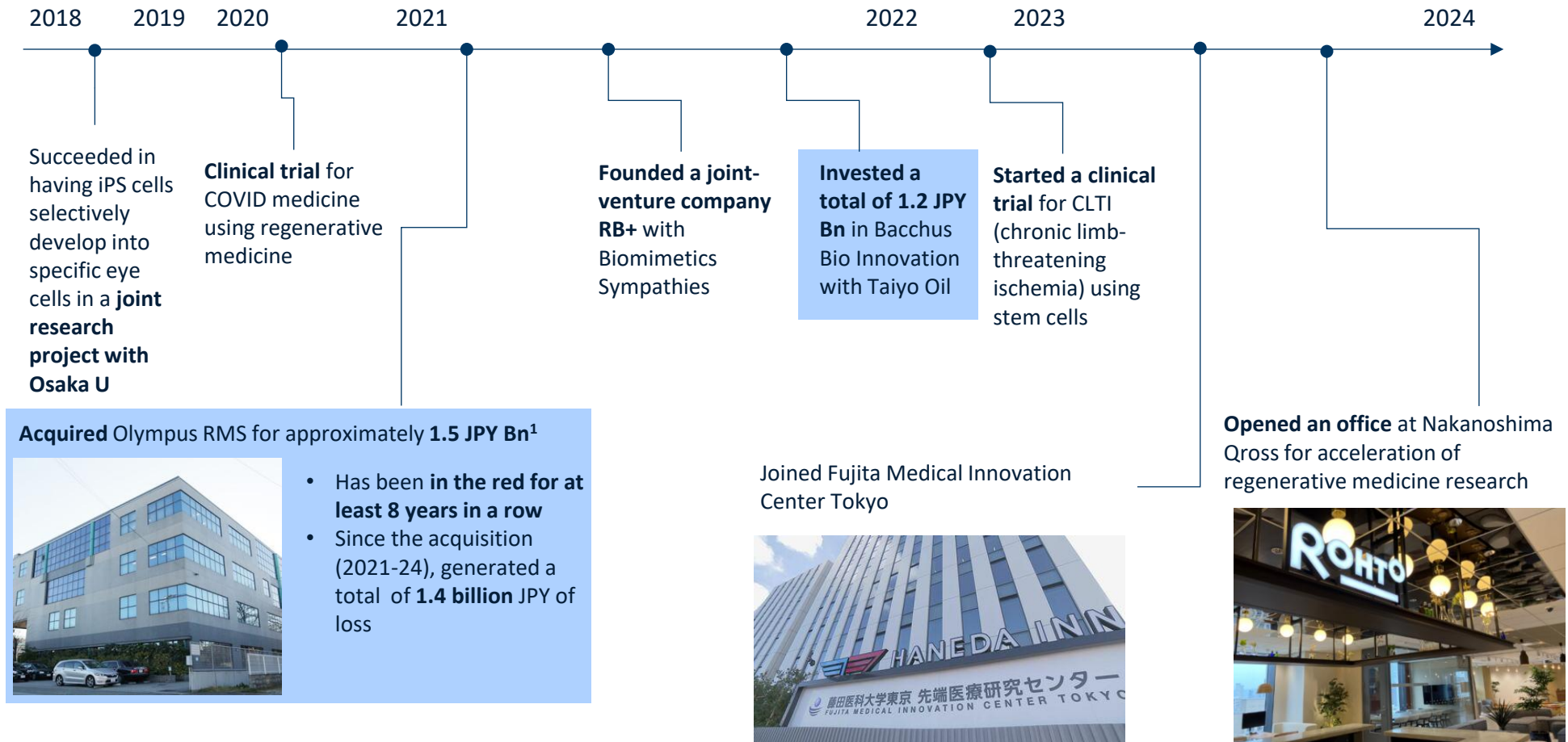
Rohto's Investment History in Regenerative Medicine (1/3)

Rohto has been actively investing in regenerative medicine, leading multiple joint research projects, conducting clinical trials, establishing joint ventures, and acquiring regenerative medicine research companies...



Rohto's Investment History in Regenerative Medicine (2/3)

...However, despite 13 years of continuous investment, the regenerative medicine business is yet to directly deliver profits.

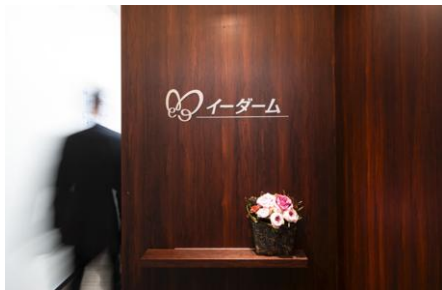
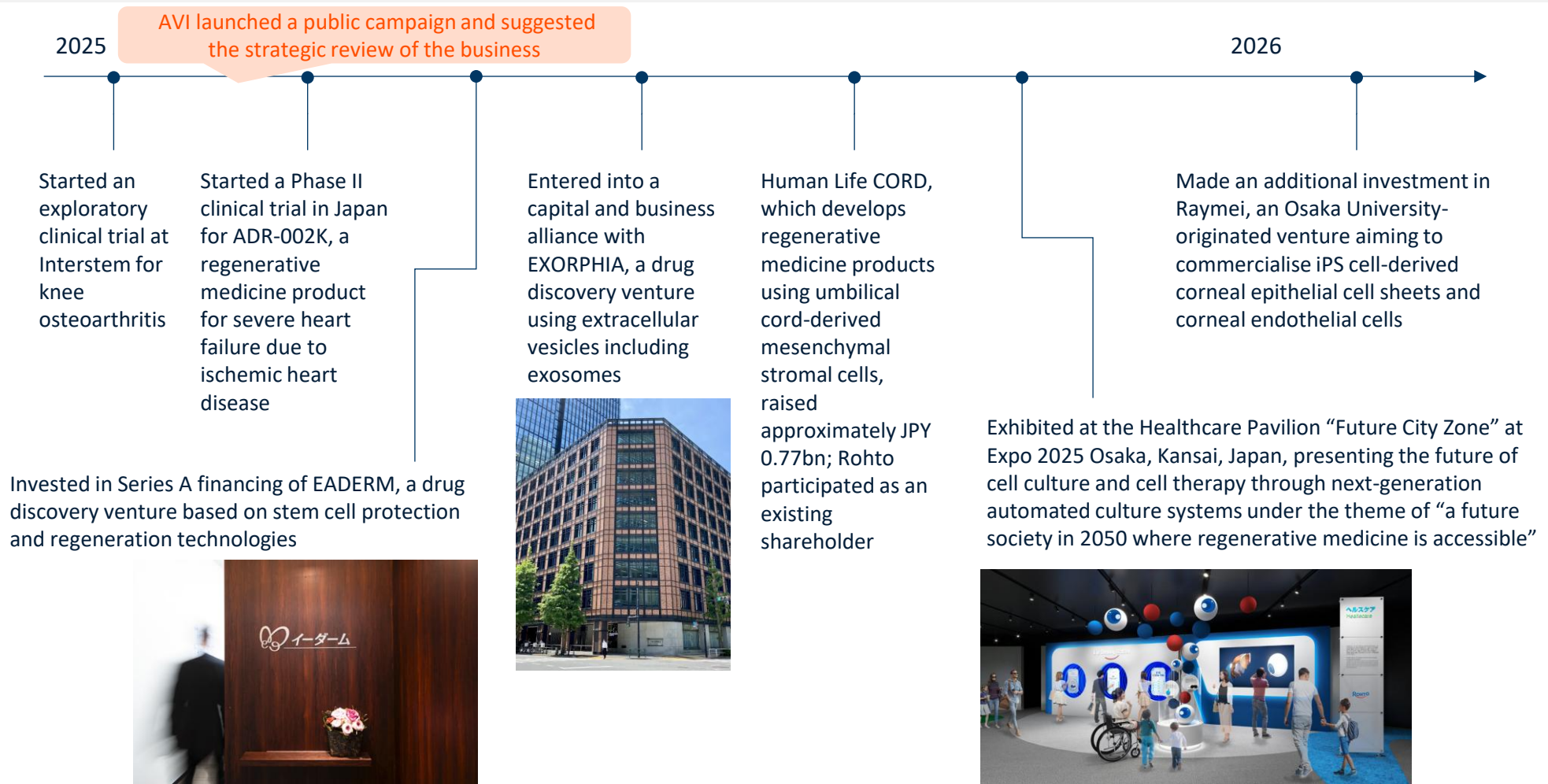


Note 1: The acquisition price has not been disclosed, but the net expenditure amount according to Rohto Pharmaceutical's securities report is around 1.5 billion yen.

Sources: Osaka University, Rohto Pharmaceutical press release, Rohto Pharmaceutical disclosure materials, Nikkei newspaper, Kobe University Graduate School of Science, Technology and Innovation, Ryukyu Shimpō

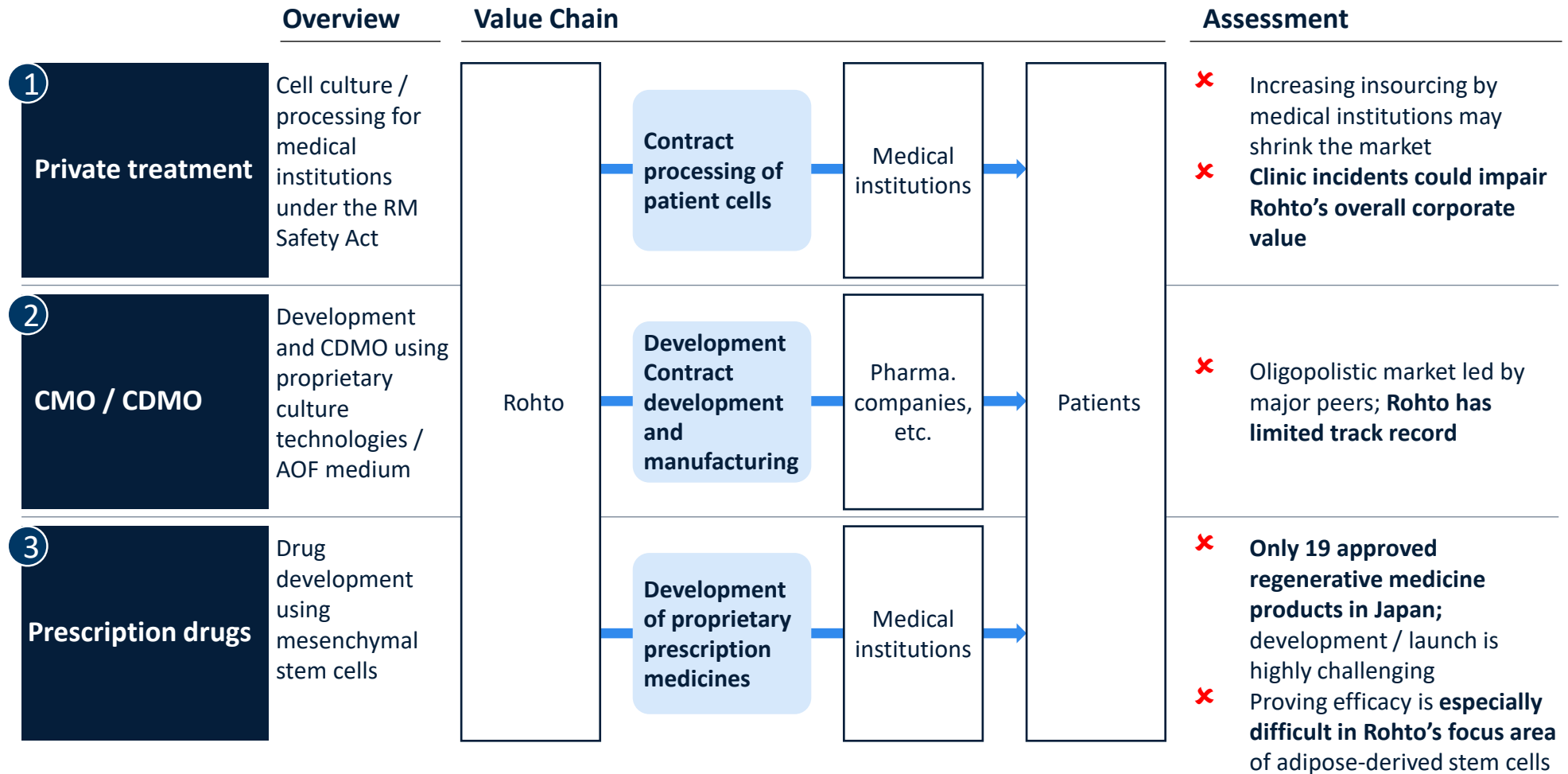
Rohto's Investment History in Regenerative Medicine (3/3)

Even after 2025, when AVI called for a strategic review of regenerative medicine business—including potential downsizing—through a public campaign, expenditure has been continued



Rohto's regenerative medicine business overview

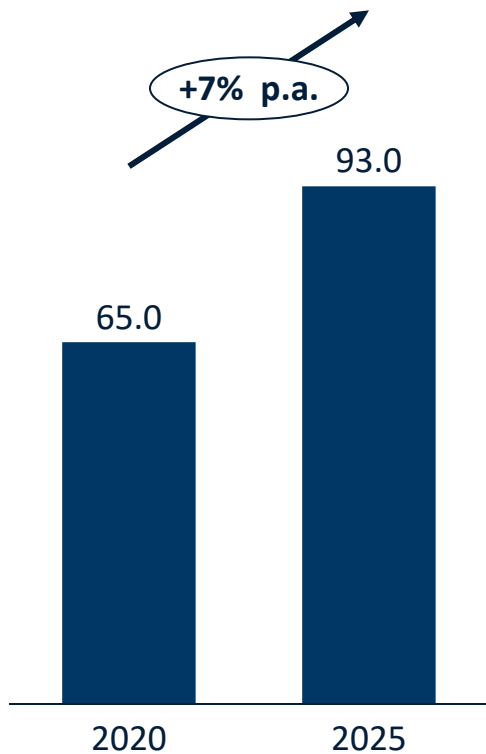
Limited synergy with existing businesses and unclear competitive advantage. Given reputational and other risks, Rohto should justify continued investment and consider scale-back or withdrawal



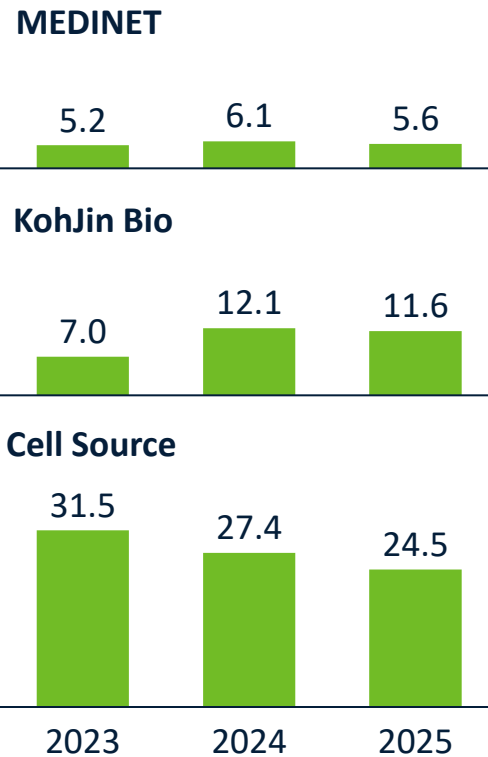
Private Treatment: Market Overview

Private medicine is growing moderately, but revenue growth at major players has stalled. As medical institutions appear to be increasingly insourcing, the outsourced market is expected to stagnate

Regenerative medicine private treatment market Size; JYP bn



Revenue trends by player¹; JPY bn, FY2023–25



While the market is growing steadily, competitors' sales are stagnating

Stagnation of the outsourcing market due to the trend towards in-house production in healthcare institutions

- Of facilities designated by the MHLW as cell processing facilities, **98% are in-house facilities at domestic medical institutions** (notified facilities), while only 2% are external facilities outside medical institutions or overseas (licensed / authorised facilities)
- **In-house facilities at domestic medical institutions increased by over 500 in the past five years**, reaching more than 3,500 as of 2025
- Medical institutions often outsource because they do not have in-house cell culture facilities. **As insourcing by medical institutions progresses, the outsourced market may shrink**

■ 外部に細胞加工を委託している理由

理由等	件数
・ 細胞培養施設(CPC)を保有していないため	12 件
・ 外注した方がコストが安い	1 件
・ 外部委託した方が安全性が高い	1 件
・ 外部委託した方が細胞の品質が良く、安全性が高い	1 件
・ 培養の手間やコストなどを考慮して外注している	1 件
・ 培養量の関係で自施設で対応できない場合は外部に委託	1 件

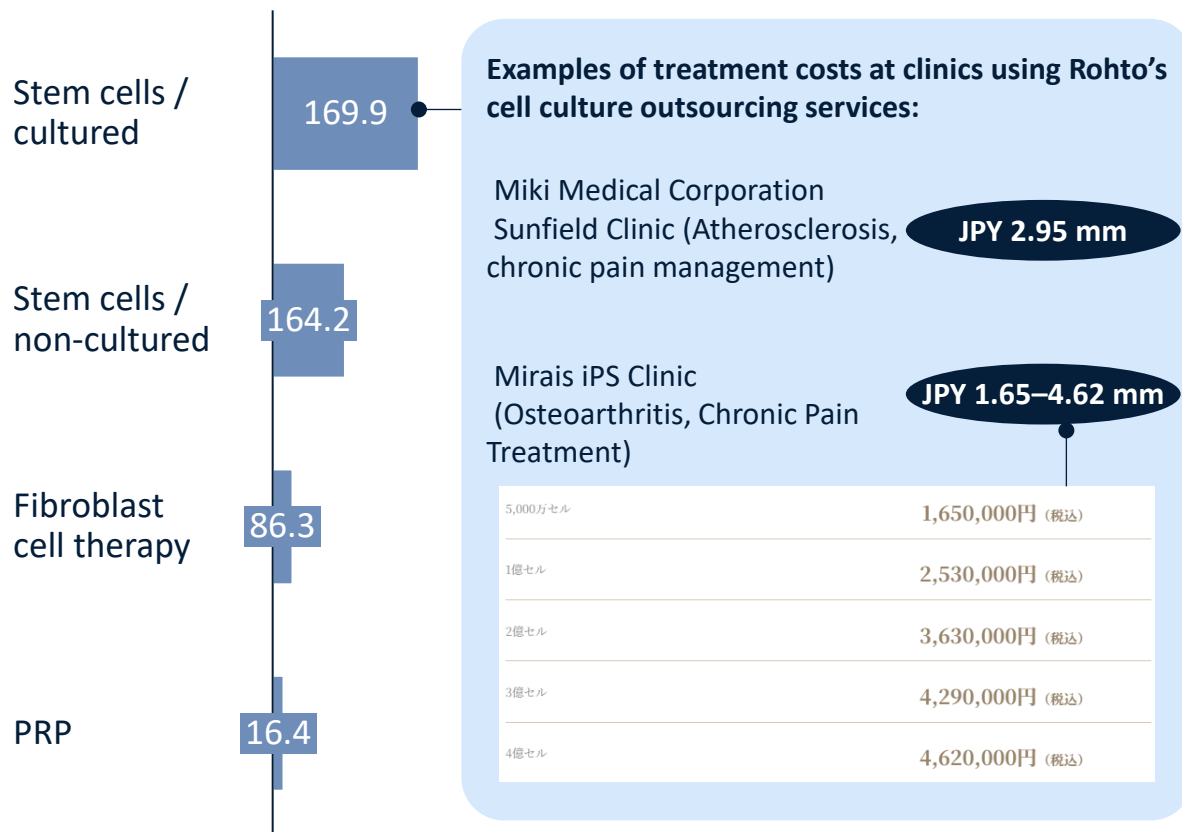
Note 1: CellSource refers to revenue from its "processing service business," Kohjin Bio to "cell processing business," and MEDINET to "specified processed cell manufacturing business." Fiscal years are as follows: MEDINET: 1 October to 30 September; Kohjin Bio: 1 April to 31 March; CellSource: 1 November to 31 October.
 Source: Fuji Keizai, Medical Institution Management Analysis of the Regenerative Medicine Private Practice Business Drastically Changing amid COVID-19; company IR materials; Market Research & Consulting Seed Planning, Current Status and Future Prospects of Stem Cell Therapy and PRP Therapy in Private Practice 2023; AVI research

Private Treatment: Price Range

Private-practice regenerative medicine is difficult to cover under insurance and offered to patients at high prices, potentially diverging from Rohto's vision and purpose of "delivering Well-being to people around the world"

Costs by treatment type for stem cells, PRP and fibroblasts;

JPY 10,000, 2023 average price



Rohto's Vision

これからも世界中の人々の美と健康に貢献し、
当社を取り巻く人々から存在を期待される企業であり続けたい。
私たちはその想いを明確にするため、
2030年のありたい姿を示す「ロートグループ総合経営ビジョン2030」を制定しました。

世界の人々と健康をつなぐ (Connect) ことで、
世界の人々にWell-beingをお届けし、
長寿を健康で幸せに過ごすことができる持続可能な社会の実現を目指します。

Rohto has acquired customers mainly through cosmetics and eye drops priced around JPY 3,000, supporting Well-being for a broad range of consumers.

By contrast, private-practice services accessible only to certain patient / customer segments may diverge from Rohto's vision

Private Treatment: Examples of serious incidents and risk of capital market sanction (1/2)

Kohjin Bio's share price declined following a fatal incident involving administration of its self-manufactured autologous adipose-derived mesenchymal stem cells

KohJin Bio Share Price Trend (Closing Price);

JPY



Details

- a** 27 August 2025 **[Fatal Accident]**
A patient suffering from chronic pain who had received treatment using autologous adipose-derived mesenchymal stem cells manufactured by Kohjin Bio died at a clinic in Tokyo
- b** 29 August 2025 **[Administrative Sanctions by MHLW (1)]**
Sanctions imposed, including a temporary suspension of manufacturing, regarding specified cell-processed products, etc.
- c** 23 January 2026 **[Administrative Sanctions by MHLW (2)]**
Following an MHLW on-site inspection of the company's CPC (cell processing centre), the ministry issued an improvement order, citing poor management, including failure to respond to frequent detection of bacteria above standard levels

Private Treatment: Examples of serious incidents and risk of capital market sanction (2/2)

Rohto has previously experienced a medical incident at a client medical institution. In private-practice medicine, medical incidents at clinics could potentially impair Rohto's overall value as a cell culture manufacturer

Medical incident involving products manufactured by Rohto

In November 2023, a patient at a Tokyo clinic experienced **visual impairment after receiving Rohto-cultured stem cells** — autologous adipose-derived mesenchymal stem cell therapy for symptoms associated with female menopausal disorders and reduced ovarian function.

The Anzen Mirai Certified Special Committee for Regenerative Medicine requested Rohto to **alert all facilities supplied with its products to the risks of DMSO and appropriate administration methods**



2024.07.17

【全国紙とテレビが報じなかった話】ロート製薬が製造した「幹細胞」で「両目の視力が一時なくなる」副作用…厚労省はなぜ動かないのか

||||| 現代ビジネス編集部

1回の投与で200～300万円の高額治療

日本が世界でもトップクラスの医療水準を誇るとされる再生医療の業界内で、最近、ある記事が波紋を呼んでいる。

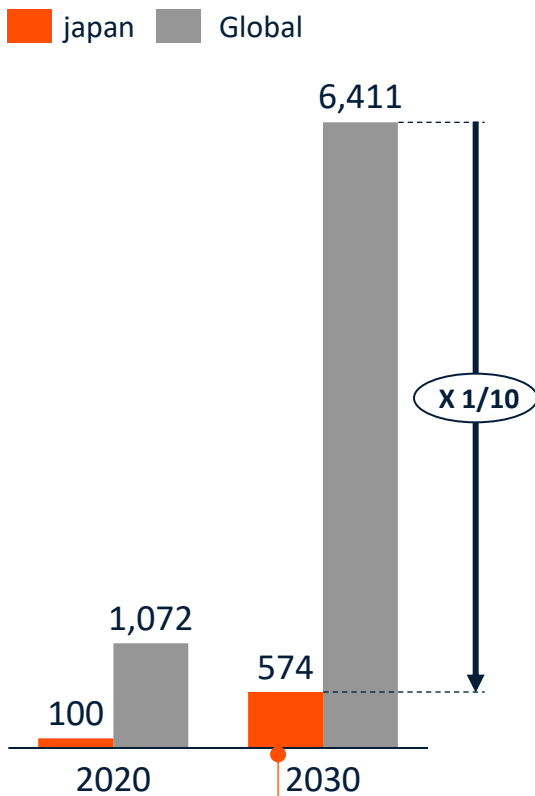
6月1日に共同通信が配信した「再生医療後に一時視力障害 ロート製造細胞、注意喚起」と題した記事がそれだ。自由診療の再生医療の一つである幹細胞治療で、製薬大手のロート製薬（大阪市）が製造した細胞を投与された3人の患者に一時的な視覚障害が発生し、同社が関係医療機関に注意喚起をしたことがわかった、という内容だった。

Particularly in private-practice medicine, medical incidents at clinics could expose Rohto, as a cell manufacturing / culture provider, to risks of corporate brand value impairment beyond regenerative medicine and share price decline

CDMO/CMO: Market Overview and Competitive Landscape

The domestic CDMO market is growing steadily, but remains small at one-tenth of the global market. In an already concentrated market led by major players, Rohto has a limited track record and has yet to gain traction with pharmaceutical R&D decision-makers.

Cell CDMO market size; JPY bn



Comparison of major domestic players: modalities and track record in contracted manufacturing for marketed products

Company	Estimated CDMO Revenue	iPS / ES	Tissue Stem Cells	Soma-tic cell	CAR-T ,TCR-T	Viral vec-tors	Plas-mid DNA	mRNA	Track record in manufacturing marketed products
Takara Biotech	JPY ~8 bn	○	○	○	○	○	○	○	None
NCLi (Nikon)	JPY ~4 bn	○	○	○	○	×	×	×	Partnered with Lonza to manufacture products for the Japanese market
J-TEC	JPY ~3 bn	○	○	○	○	×	×	×	None (commercial manufacturing agreement signed for AlliedCel's "JB-101", planned for launch in 2026)
S-RACMO	JPY ~3 bn	○	○	○	×	×	×	×	Manufactures Sumitomo Pharma's "Amshepre"
Rohto	JPY 1~2 bn	×	○	×	×	×	×	×	None (clinical trials only)



Enquired with Rohto regarding outsourced iPS cell manufacturing, but was **declined due to lack of manufacturing experience**— R&D lead, regenerative medicine start-up

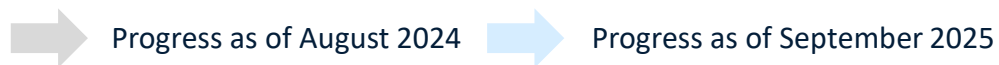
Rohto was not considered for outsourcing due to its **limited visible track record** and unclear GCTP / safety compliance— R&D lead, regenerative medicine company



Prescription Drugs: Difficulty of Reaching Market (1/2) R&D Pipeline

From August 2024 to September 2025, only two products advanced in clinical stage. Given delays in some P1–2 products, delivering the more challenging P3-to-launch process on schedule appears difficult

Rohto's Pipeline



Cell type	Intended indications	Pre-clinical	P1	P2	P3	Appli- cation	Goals for the current stage
Human Adipose-derived stem cell	ADR-001	Cirrhosis	→		No candidate has reached this stage		(End of P2)
	ADR-002K	Severe heart failure	→				FY 2029
	ADR-001	Kidney disease	→				(P2 in preparation) <i>*No progress since August 2024</i>
	ADR-001	Severe lower limb ischaemia	→				FY 2025 <i>*Postponed from the target set in August 2024</i>
	ADR-001	Pulmonary fibrosis	→				FY2025 <i>*Delayed from the target set in August 2024</i>
Human umbilical cord-derived	UDI-001	Neurodegenerative diseases	→				(End of P1) <i>*No progress since August 2024</i>
		Traumatic cartilage defects	→				(Application in preparation) <i>*No progress since August 2024</i>
Cartilage Cells kit	Degenerative Osteoarthritis	→					FY 2027

Difficulty of Phase 3

In P3, proving efficacy becomes more difficult, likely requiring further development time and R&D expenses:

“ *In P3, efficacy is assessed against existing treatments. A number of products fail because they cannot demonstrate superiority. Comparative trials against existing treatments for mesenchymal stem cells in osteoarthritis and cartilage defects have often dropped out, suggesting they may not outperform existing treatments*

- Pharmaceutical Company Expert

“ *In P3, R&D expenses increase by a further ~JPY 10bn*

- Pharmaceutical Company Expert

Prescription Drugs: Difficulty of reaching market launch (2/2)

Capital market risks due to development failure

Australia-based Mesoblast, which developed bone marrow-derived mesenchymal stem cell therapy, experienced a ~60% share price decline after FDA rejection. Rohto also faces corporate value impairment risk from potential development failures

Mesoblast Share Price Trend (ASX Closing Price); AUD



Mesoblast, an Australian biopharmaceutical company, submitted an application to the FDA for an allogeneic bone marrow-derived mesenchymal stem cell therapy

In August 2023, the company experienced a sharp fall in its share price after its second application was rejected due to insufficient data on cardiovascular conditions



After prolonged resource allocation, delays or failures in P3-to-application process could impair corporate value itself, creating significant risk

Source: AVI Research, Reuters

Prescription drugs: Difficulty of sustaining commercialisation and recovering investment (1/3)

Only 19 regenerative medicine products have received MHLW approval. Some products were discontinued after launch, highlighting the high difficulty of sustained commercialisation and investment recovery

19 stem cell products approved by MHLW

No	Product	Company	Approved	Discontinued
1	TEMCELL HS Inj.	JCR Pharma	2015	-
2	HeartSheet	Terumo	2015	2024
3	JACE	J-TEC	2007	-
4	Stemirac Inj.	Nipro	2018	-
5	Kymriah IV Inf.	Novartis	2019	-
6	Nepic	J-TEC	2020	-
7	Yescarta IV Inf.	Daiichi Sankyo	2021	-
8	Breyanzi IV Inf.	BMS	2021	-
9	Ocural	J-TEC	2021	-
10	Alofisel Inj.	Takeda	2021	2024
11	Sakuracy	CynosBio	2022	-
12	Carvykti IV Inf.	Janssen Pharma	2022	-
13	Biznova	Orion	2022	-
14	Jasmine	J-TEC	2023	-
15	Abecma IV Inf.	BMS	2023	-
16	Akuugo	SanBio	2024	-
17	JACC	J-TEC	2012	-
18	Amshepre	Sumitomo Pharma	2026	-
19	Revert	Krystal Biotech Japan	2026	-

Products withdrawn from sale after market launch



厚生労働省 薬事審議会における「ハートシート」の審議結果について

Received conditional and time-limited marketing authorisation as a heart failure treatment in September 2015. However, post-marketing clinical study results **failed to meet the achievement criteria** set at the time of initial approval, leading to the suspension of sales in 2024



Following the failure to meet the primary endpoint in overseas Phase 3 trials, sales were suspended in Europe, and **sales in Japan were discontinued** in February 2026

Details to follow

Source: AVI analysis, Pharmaceuticals and Medical Devices Agency (PMDA), Nikkan Yakugyo, Terumo official website

Prescription Drugs: Difficulty of sustaining commercialisation and recovering investment (2/3)

Even Takeda, with extensive clinical experience, discontinued Alofisel after achieving launch following prolonged investment, due to trial failure. This illustrates the difficulty of prescription drug development in regenerative medicine

Discontinuation of Takeda’s “Alofisel” sales



Failed to meet the primary endpoint in ADMIRE-CD II, a Phase 3 placebo-controlled, double-blind trial, **leading to discontinuation of sales in the EU and subsequently in Japan**

Resulted in an impairment loss of JPY 74 bn

- Even experienced pharmaceutical companies struggle to pass P3 trials
- P3 requires **proof of efficacy in addition to safety**, creating risk to approval and long-term sales continuation
- As a result, despite spending several JPY bn on R&D, companies may be forced to **recognise impairment losses** due to lost sales opportunities

Prescription drugs: Difficulty of sustaining commercialisation and recovering investment (3/3)

The adipose-derived stem cell field, where Rohto is particularly focused, faces significant difficulty in proving efficacy. Investment recovery appears extremely challenging; early withdrawal or scale-back should be considered

Rohto's Pipeline

Cell type	Intended indications
Human Adipose-derived stem cell	ADR-001 Cirrhosis
	ADR-002K Severe heart failure
	ADR-001 Kidney disease
	ADR-001 Severe lower limb ischaemia
	ADR-001 Pulmonary fibrosis
Human umbilical cord-derived	UDI-001 Neurodegenerative diseases
	Traumatic cartilage defects
Cartilage Cells kit	Degenerative Osteoarthritis

Difficulty of proving efficacy in adipose-derived stem cells

Development is highly challenging in this field, where Rohto has multiple focused pipelines, given the continued reliance on small-scale clinical trials and unclear mechanisms of action

(On adipose-derived stem cells for liver injury)
Suggested as a promising treatment option for liver injury. However, **further clinical trials with larger sample sizes are needed to convincingly demonstrate efficacy**

- *Adipose-Derived Stem Cells: Current Applications and Future Directions in the Regeneration of Multiple Tissues (Stem Cells Int. 2020)*

Although research on adipose-derived stem cells has advanced significantly, several issues remain. These include **lack of protocol standardisation, inconsistent dosing, small patient numbers in each treatment group, and variation in graft purity**. These factors make cross-study comparison highly difficult, leaving room for differing interpretations even among similar studies.

- *Current progress and limitations of research regarding the therapeutic use of adipose-derived stem cells: literature review (Journal of Umm Al-Qura University for Applied Sciences, 2025)*

In adipose-derived stem cells, where academia also recognises the difficulty of proving efficacy, the rationale for Rohto's continued R&D investment should be reassessed

Suggestion: Strategic review of the Medical Business

Medical business initiatives should be reassessed from a capital cost perspective, with an early decision on the policy, including potential scale-back or withdrawal

Current situation

- The regenerative medicine business lacks a clear path to success, given the market / competitive environment and Rohto's current R&D status
- Recovery of R&D and capex already invested beyond 2030 remains uncertain. While business continuation is described as being in a "monitoring" phase, no explicit scale-back or withdrawal policy has been disclosed

Suggestion

Rohto should set explicit criteria, including potential scale-back, withdrawal or carve-out, and objectively disclose whether to continue the business, ensuring accountability

1 Skincare Business

2 Supplements Business

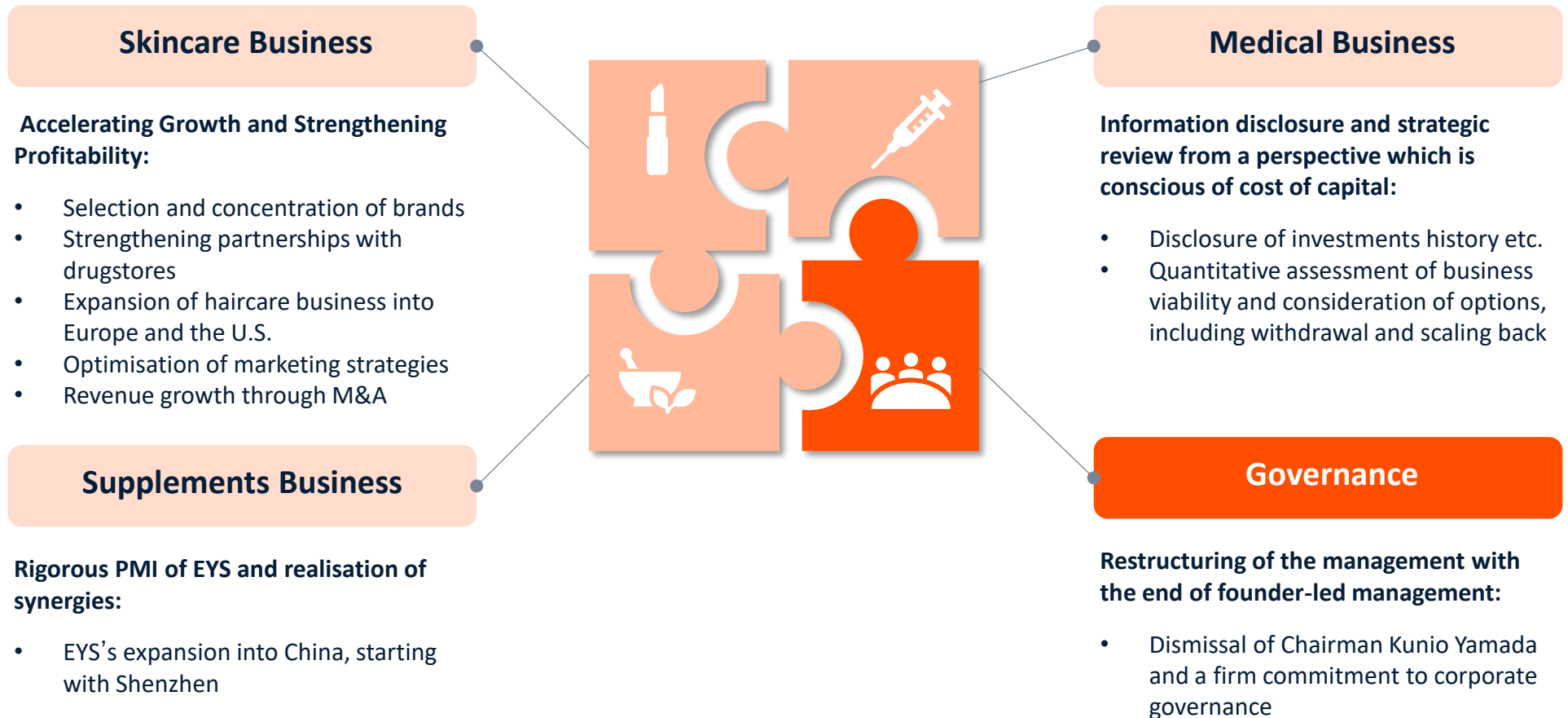
3 Medical Business

4 Governance

Agenda

Suggestions to Enhance Corporate Value: Governance

4 key levers should contribute to enhance Rohto's corporate value: accelerating growth in skincare business, realising synergies with EYS, careful strategic review of the regenerative medicine business, and moving away from founder-led management



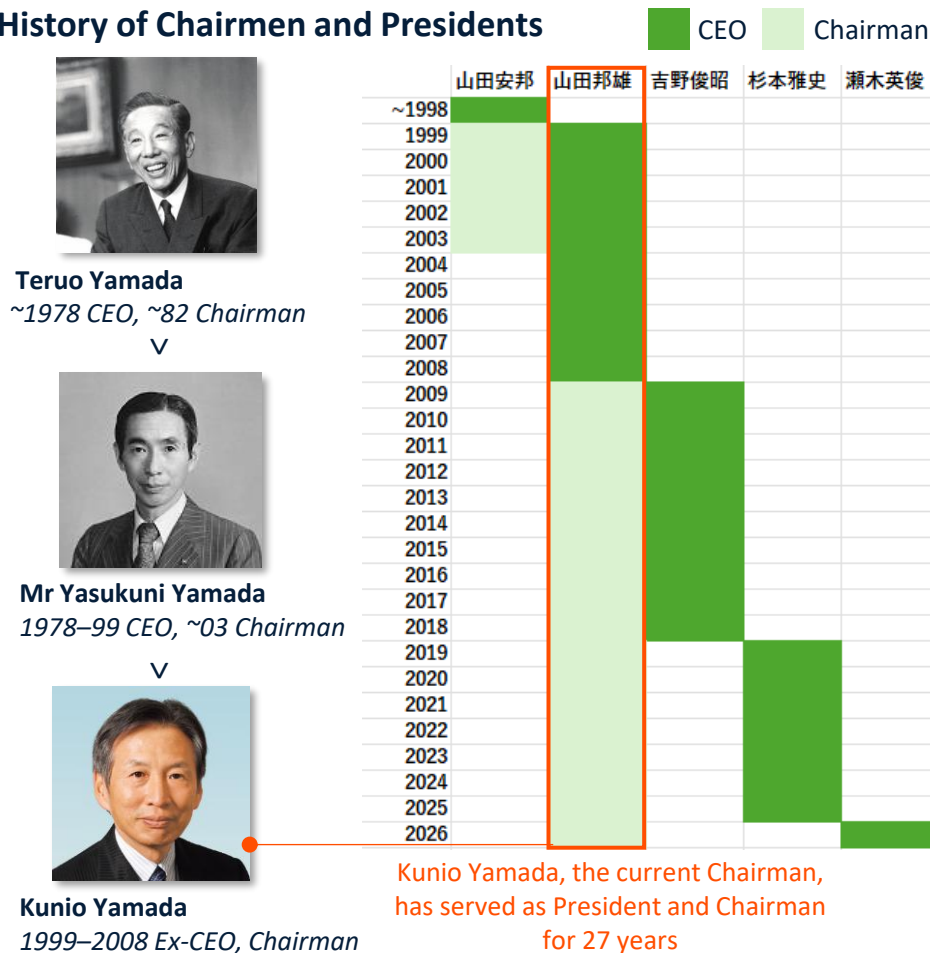
Share ownership and management by Rohto's founding family

Despite the Yamada founding family holding less than ~8% of Rohto shares, the Chairman and President roles have historically been passed down within the family, leaving the founding family in effective control of management

Rohto Major Shareholders

Rank	Shareholders	Ownership ¹ (%)
1	MFS International, Ltd.	7.6%
2	Yamada family (founder) ²	7.6%
3	Mitsubishi UFJ Financial Group	6.8%
4	The Vanguard Group, Inc.	3.8%
5	Nomura Asset Management Co., Ltd.	3.2%
6	Asset Value Investors Limited	2.0%
7	Nippon Life Insurance Co.	1.9%
8	Norges Bank Investment Management	1.6%
9	Daiwa Asset Management Co., Ltd.	1.5%
10	Amova Asset Management Co., Ltd.	1.4%
11	BlackRock Fund Advisors	1.2%
12	Orbis Investments, Ltd.	1.2%
13	The Hyakugo Bank, Ltd.	0.9%
14	Senshu Ikeda Holdings, Inc.	0.7%
15	Towers Watson Investment Management, Ltd.	0.6%

History of Chairmen and Presidents



Note 1: As at 27th April 2026

Note 2: The number of shares held by Yamada Kosan, Yamasho Kosan, and Yamada Kiyoko have been combined based on the disclosure of securities reports, etc. However, there was no disclosure of the most recent semi-annual report for the number of shares held by Yamada Kunio, and according to a dialogue with the board of directors in March 2025, it was stated that there was a possibility that the shares held by Yamada Kunio had been transferred to an asset management company, and so they have been excluded from the number of shares held stated above

Source: AVI, based on Rohto Pharmaceutical Co Ltd's annual securities reports, large shareholding reports from various companies, and other publicly available materials. The Rohto Pharmaceutical Employee Stock Ownership Group has been removed from the above list because the number of shares held by the group was not stated in the annual securities report for the fiscal year ending March 2024

TSE requests and Rohto's disclosure

Achieving TSE-requested capital-cost-conscious management requires portfolio optimisation. However, Rohto has not disclosed any scale-back / withdrawal policy or criteria for regenerative medicine

TSE examples of "gaps with investor expectations"



Since March 2023, the TSE has requested all Prime and Standard Market listed companies to take action to realise "management conscious of capital costs and share price."

Examples of gaps with investor expectations:

Insufficient review of scale-back / withdrawal from unprofitable businesses



Investor

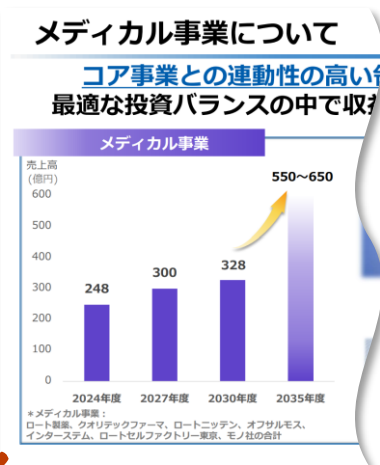
Many Japanese companies do not exit existing businesses, but if profitability remains below the cost of capital with no prospect of improvement, the decision not to scale back or withdraw lacks persuasiveness

- Fundamental measures, including scale-back / withdrawal of unprofitable businesses, such as divestment or carve-out, should be considered
- Simply presenting the policy or approach to scale-back / withdrawal would reassure investors

Recommended to present a scale-back / withdrawal policy when profitability falls below the cost of capital



Rohto's regenerative medicine targets in the mid-term plan



X Only sales targets are disclosed; KPIs remain undisclosed, leaving the likelihood of achieving sales targets unclear

インフロー	アウトフロー 用途	金額
資金調達 200億円	設備投資	1,000億円
営業CF (研究開発費控除前) 3,300億円	成長投資	研究開発費 900億円
		DX/IT投資 300億円
		M&A・出資 500億円
株主還元	配当など	800億円

X No business-level R&D expense breakdown is disclosed, making ROI unclear

Given over 10 years of cumulative investment with unclear profitability and investment recovery, Rohto should disclose a scale-back / withdrawal policy and explicit criteria

Chairman Kunio Yamada's management philosophy lacking corporate governance (1/2)

Chairman Kunio Yamada has expanded new businesses under a management philosophy favouring diversification over “selection and focus,” yet no exit criteria have been set, diverging from the TSE's request for “management conscious of capital costs

Comments by Chairman Kunio Yamada



Avoidance of “selection and focus”

“**Selection and focus**” is regarded as an important management approach. However, this is not something I fully endorse. (...) Diversification is necessary for companies to take on new challenges (Nikkei Business, 26 December 2025)



New business investments without exit criteria

(On exit criteria for new businesses)
It may be close to natural fade-out. There was an intention to pursue new initiatives, and the number of initiatives has increased since Chairman Yamada took charge. (...) The basic idea is whether something looks interesting or new. There is a belief that Rohto must do something different from others. (NewsPicks, 26 October 2025)



TSE requests on corporate governance



Appropriate allocation of management resources

[Purpose of the request for management conscious of capital costs and share price]
Expected for the Board of Directors to take the lead in achieving appropriate allocation of management resources, by promoting R&D, human capital investment and capex for sustainable growth, as well as business portfolio review



Explicit exit policy for unprofitable businesses

[Example of gap with investor expectations]
Fundamental measures, including scale-back or withdrawal of unprofitable businesses, such as divestment or carve-out, should be considered. While it may be difficult to disclose specific review status, simply presenting the policy or approach to scale-back / withdrawal would provide reassurance to investors

Chairman Kunio Yamada's management philosophy lacking corporate governance (2/2)

Moreover, the mid- to long-term management plan is described as “more of an outlook than a plan,” lacking commitment to budget targets and falling well short of compliance with the Corporate Governance Code

Comments by Chairman Kunio Yamada



Lack of commitment to budget plans

We have **not really prepared what is commonly called a mid-term plan.**

Of course, the hope is for businesses to succeed and growth to follow, but Rohto has never worked backwards from targets such as **‘how much in how many years’ to decide what businesses to pursue. Growth has been the result,** not something intentionally built up.

The latest disclosure was made because, as Rohto has grown, it has become harder to understand what the company is thinking. **It is less a target, and more an outlook — if current initiatives continue, this is roughly where Rohto may end up.**

(NewsPicks, 26 October 2025)



TSE requests on corporate governance



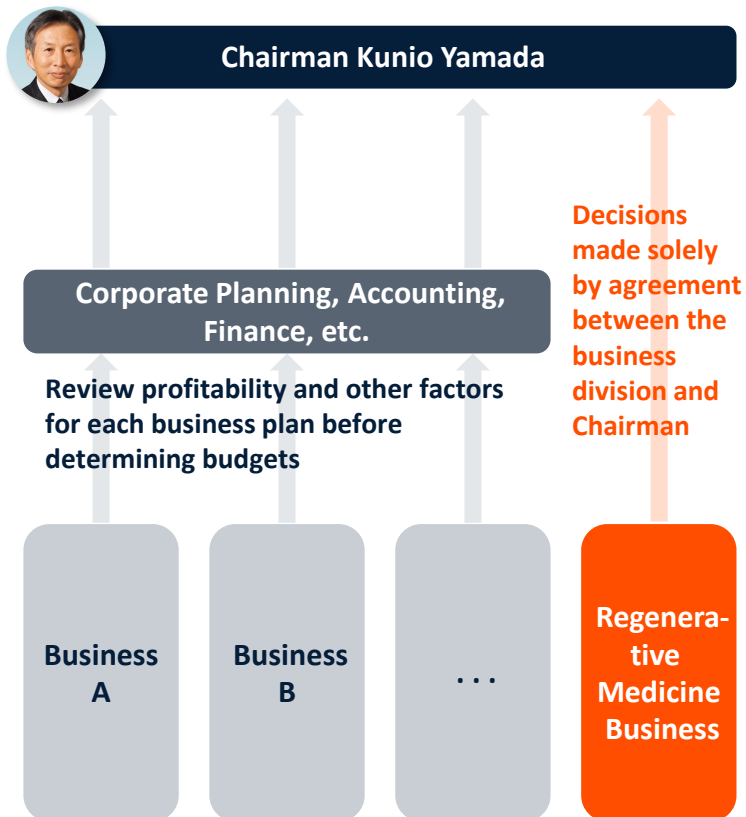
Commitment to the Medium-Term Plan

[Corporate Governance Code Supplementary Principle 4.1.2]
The Board and senior management should recognise **the mid-term management plan as a commitment to shareholders and make best efforts to achieve it.** **If the plan is not achieved, they should fully analyse the causes and actions taken, explain them to shareholders,** and reflect the analysis in future plans

Chairman Kunio Yamada's unilateral promotion of the regenerative medicine business

Regenerative medicine appears to have been launched from Chairman Kunio Yamada's personal experience, with budgets reportedly agreed directly between the Chairman and the business division

Rohto's budget planning process



” Originally, Chairman Yamada's own experience with private-practice treatment was the trigger. He received treatment for chronic pain and fatigue recovery, felt its effects, and wanted Rohto to pursue it. In 2013, there was no dedicated division, and only a few employees were involved.”
— Former Rohto employee

” Regenerative medicine reported directly to the Chairman. Decisions were made between him and the business division, without scrutiny from other departments on business viability. Even then-President Sugimoto was not always aware of matters in this area.
— Former Rohto employee

Business driven at Chairman Kunio Yamada's sole discretion, with ineffective governance

Employee reviews indicate internal concerns over investment in regenerative medicine:

Investment in regenerative medicine may have social value, but its profitability is questionable

Lacking the next business pillar, Rohto continues large investments in food and regenerative medicine despite limited results, missing the timing to exit

Internal and external views on Chairman Kunio Yamada's management structure

In a media feature on centralised management, Chairman Yamada ranked within the top 100 for executive compensation concentration and tenure. Employee reviews also include criticism of one-man management

'Real-name ranking of autocratic executives' (Diamond Online, 2023)

Executive compensation concentration ranking



51st: Mr Kunio Yamada

Executive compensation: JPY 196 mm
Compensation concentration: 45.3%

Ranking of Executives by "years at the top"



87th: Mr Kunio Yamada

Years at the Top: 23.6 years



Media reports have also highlighted Chairman Kunio Yamada's one-man management

Employee reviews also show mixed views on the Chairman-led management structure

While some praise his strong leadership...

The top executive, the Chairman, has exceptional leadership, which has helped Rohto succeed to date. Employees also seem to feel safe staying on the ship steered by the Chairman. This may have worked so far, but there are some concerns about the future



... some also point to one-man management and a culture of reading the Chairman's mood

The corporate culture is **one-man management by a charismatic Chairman**. **Internal proposals do not pass unless the Chairman says yes**. Work must proceed through constant consultation, limiting employees' autonomy



Employees do not grow in a **culture of working to please the owner**. **The business appears to be expanding based on the owner's personal interests, with no clear strategy**. This may have worked in the past, but growth is now slowing, and the organisation cannot respond quickly to change in the VUCA era



Outside directors supporting Chairman Kunio Yamada's management structure

External Director Akie Iriyama supports family management, long-tenured leadership and long-term new business investment, broadly aligning with Chairman Kunio Yamada's philosophy. If the current structure desired by Mr Iriyama and others is to be maintained, the rationale for remaining listed should be reassessed



Mr Akihiro Iriyama

Since June '19
External Director
of Rohto

Mr Iriyama's Management Philosophy



Supports family-own management and long-term tenure of management

- "On average in Japan, family-run companies outperform non-family companies."
- "Long-tenured leadership is acceptable as long as results are delivered."
- "Japanese companies should avoid fixed CEO terms, allow strong leaders to stay long enough to drive innovation, and dismiss them immediately if they become autocratic."



Criticises mid-term plans requiring management commitment under the CG Code, while supporting long-term investment

- "A three-year period is too short for corporate strategy; this short-termism may be one reason Japanese companies have lost growth potential."
- "Creating something new takes time. Returns on investment may come only after 10 or 15 years."

→ Aligns with Chairman Kunio Yamada's management philosophy of family management, long tenure and long-term investment



Then... what is the rationale for remaining listed?

- Rohto has a robust B/S with over **JPY 50bn of net cash** and **does not inherently require equity market funding**
- To maintain the current management structure and long-term investment in regenerative medicine, **remaining listed — which typically entails periodic management succession, appropriate shareholder returns and disclosure — is not necessarily required**

→ External directors should be asked again whether they are exercising independent oversight and discussing the rationale for remaining listed

Shareholder Proposal Summary

Issues that could impair Rohto's corporate value have been identified in the management structure under Chairman Kunio Yamada; therefore, his dismissal is proposed:



Mr. Kunio Yamada
(4th generation of
the founding family)
1999–2008 CEO
2009–present Chairman



Personal commitment to the regenerative medicine business and continuous investment disregarding the Cost of Capital

Prompted by his own experience of regenerative medicine treatment, he has been led reckless investment of **15~30 JPY bn over the past 13 years**



Management philosophy detached from “selection and focus”

Fundamentally **rejects “selection and focus,”** a core principle of management resource allocation. **Expanded the portfolio with no clear exit criteria,** under the belief that “doing what others do not is good.”



Disregard for the mid-term plan and lack of commitment

The mid-term plan demanded by shareholders was **only formulated and disclosed in 2025.** It is effectively a **“forecast rather than a plan,”** lacking quantitative backing.

From the perspective of management conscious of capital costs and share price, the dismissal of Chairman Kunio Yamada is proposed, regardless of his term expiry, to ensure management decisions that truly maximise Rohto's corporate value

AVI believes voting in favour of the proposal to dismiss Chairman Kunio Yamada is in shareholders' common interests. Shareholders are requested to consider voting in favour based on their own independent judgement.

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