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Securities code: 4551
March 8, 2022

To Shareholders with Voting Rights:

Goichi Matsuda
President and
Representative Director
Torii Pharmaceutical Co., Ltd.
4-1, Nihonbashi-Honcho 3-chome,
Chuo-ku, Tokyo, Japan

**NOTICE OF
THE 130th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We hereby inform you that the 130th Annual General Meeting of Shareholders of Torii Pharmaceutical Co., Ltd. (the “Company”) will be held as described below.

From the viewpoint of preventing the spread of COVID-19, we would like to ask you to refrain from attending the General Meeting of Shareholders in person whenever possible and to exercise your voting rights in writing or by electromagnetic means (the Internet, etc.) in advance.

Please review the Reference Documents for the General Meeting of Shareholders shown below and exercise your voting rights in accordance with the “Guide to the Exercise of Voting Rights (pages 3 to 5) (Japanese version only)” by 5:30 p.m. (JST) on Monday, March 28, 2022.

- 1. Date and Time:** Tuesday, March 29, 2022 at 10:00 a.m. (JST)
(Reception opens at 9:00 a.m. (JST))
- 2. Place:** 10F Meeting Room at the Company’s head office in Torii Nihonbashi Bldg.,
4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:** The Business Report and Financial Statements for the Company’s 130th Fiscal Year (from January 1, 2021 to December 31, 2021)
 - Matters to be resolved:**
 - <Proposals by the Company (Proposals 1 to 6)>**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Partial Amendment to the Articles of Incorporation
 - Proposal 3:** Election of One (1) Director
 - Proposal 4:** Election of One (1) Audit & Supervisory Board Member
 - Proposal 5:** Election of One (1) Substitute Director
 - Proposal 6:** Election of One (1) Substitute Audit & Supervisory Board Member
 - <Proposals by Shareholder (Proposals 7 to 12)>**
 - Proposal 7:** Partial Amendment to the Articles of Incorporation (Prohibition of Appointment of Officials from Japan Tobacco Inc.)
 - Proposal 8:** Partial Amendment to the Articles of Incorporation (Prohibition of Providing Funds to Japan Tobacco Inc. through CMS)
 - Proposal 9:** Partial Amendment to the Articles of Incorporation (Experience of Directors)

- Proposal 10:** Partial Amendment to the Articles of Incorporation (Disclosure of Cost of Capital)
Proposal 11: Appropriation of Surplus
Proposal 12: Repurchase of Treasury Stock

The details of each proposal are shown in the Reference Documents for the General Meeting of Shareholders below. However, **the Board of Directors opposes the proposals by shareholder (Proposals 7 to 12).**

- Any amendments to the Reference Documents for the General Meeting of Shareholders, Business Report and Financial Statements will be posted on the Company's website (<https://www.torii.co.jp/en/>).
- To institutional investors:
Nominee shareholders (including standing proxies) such as management trust banks can use the electronic voting system platform operated by ICJ, Inc. if application for the use of the platform is made in advance.

Reference Documents for the General Meeting of Shareholders

Proposals and References

<Proposals by the Company (Proposals 1 to 6)>

Proposal 1: Appropriation of Surplus

Appropriation of surplus is as follows.

Matters concerning year-end dividends

The Company's basic policy is to distribute its surplus dividends in a stable and continuous manner based on the understanding that generating appropriate shareholder returns is one of the key roles of management.

Based on the above basic policy, and while considering business investments for future growth, we propose the following year-end dividend for the 130th fiscal year.

- (1) Matters concerning the allocation of dividend assets to shareholders and the total amount thereof
Dividend per share of common stock of the Company: ¥24 Total: ¥674,217,480
As a result, the annual dividend for the fiscal year under review, including the interim dividend of ¥24, will be ¥48 per share.
- (2) Effective date of dividends of surplus
March 30, 2022

Proposal 2: Partial Amendment to the Articles of Incorporation

1. Reasons for amendments

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will come into force on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for provision of materials for general meetings of shareholders in electronic format, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 15, Paragraph 1 provides that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided in electronic format.
- (2) The proposed Article 15, Paragraph 2 shall be established to limit the scope of matters to be included in the written documents to be delivered to shareholders who have requested the delivery of the written documents.
- (3) The provisions related to disclosure on the Internet and deemed provision of reference documents for the general meeting of shareholders, etc. (Article 15 of the current Articles of Incorporation) will become unnecessary and shall therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows.

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Disclosure on the Internet and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>Article 15 The Company may, when convening a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the Internet in accordance with the provisions of the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p>(Measures for Provision in Electronic Format, Etc.)</p> <p><u>Article 15 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p><u>2. Among the matters to be provided in electronic format, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the written documents to be delivered to shareholders who have requested the delivery of the written documents by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Articles 16 to 38 (Omitted)</p> <p>(Newly established)</p>	<p>Articles 16 to 38 (Unchanged)</p> <p><u>Supplementary Provisions</u></p> <p><u>(Transitional Measures Concerning Measures for Provision in Electronic Format, Etc.)</u></p> <p><u>Article 1 The deletion of Article 15 (Disclosure on the Internet and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the establishment of the proposed Article 15 (Measures for Provision in Electronic Format, Etc.) shall come into effect on the date that the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) come into force (the “Effective Date”).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to the general meeting of shareholders to be held on a date within six months from the Effective Date.</u></p> <p><u>3. This Article shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of One (1) Director

The term of office of Director Toshio Fukuoka will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) Director. The candidate for Director is as follows:

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Toshio Fukuoka (April 8, 1954) [Reappointment] [Outside Director] [Independent]	April 1979 Joined Tokyo Regional Taxation Bureau July 2015 Retired from the position of District Director of Kawasaki-Kita Tax Office August 2015 Registered as tax accountant, established Toshio Fukuoka Tax Accountant Office, Representative (current position) March 2016 Outside Audit & Supervisory Board Member of the Company June 2016 Outside Audit & Supervisory Board Member of FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD. (current position) March 2018 Outside Director of the Company (current position)	1,200
[Reasons for nomination as a candidate for Outside Director and outline of expected roles] Although Mr. Toshio Fukuoka has never been involved in corporate management other than as an outside officer, he has accumulated experience as an official of the national taxation system and as a tax accountant, and has abundant expertise in taxation, finance and accounting. The Company expects him to fulfill the role of management supervision by making statements, etc., at meetings of the Board of Directors as an Outside Director by utilizing his experience and expertise, etc., and therefore, the Company requests that he continue to be elected as an Outside Director.		

- Notes:
1. There is no conflict of interest between Mr. Toshio Fukuoka and the Company.
 2. Mr. Toshio Fukuoka is a candidate for Outside Director.
 3. The Company has submitted a notification of the appointment of Mr. Toshio Fukuoka as Independent Director in accordance with the stipulations of the Tokyo Stock Exchange.
 4. Mr. Toshio Fukuoka has served as an Outside Director of the Company since March 28, 2018 and has been in office for four (4) years at the conclusion of this Annual General Meeting of Shareholders since his appointment.
 5. The Company has entered into a contract with Mr. Toshio Fukuoka in accordance with the Articles of Incorporation of the Company to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The limit amount of liability pursuant to the contract is the amount stipulated by laws and regulations. If Mr. Fukuoka is elected, the Company intends to renew such contract with him.
 6. The Company has entered into a directors and officers liability insurance contract with an insurance company, where the insurance covers the damages to be borne by the insured (referring to damages (legal damages and litigation costs) incurred by the insured due to a claim for damages made against the insured during the insurance period, which may result from the business activities engaged in by the insured). However, there are certain exemptions, such as in the case of a claim for damages arising from an action taken by the insured with the knowledge that such an action is in violation of laws and regulations, and a certain amount of deductible is stipulated. The insured parties of the insurance contract are Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Company bears the entire premium for all the insured parties. Mr. Toshio Fukuoka is currently insured under the insurance contract and will continue to be insured under the insurance contract if he is elected. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
 7. The Company received a cease and desist order and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission on March 5, 2020, when Mr. Toshio Fukuoka was serving as an Outside Director, for violation of the Antimonopoly Act concerning the setting of the wholesale price of the CALVAN Tablets. Mr. Toshio Fukuoka has been regularly making statements from the perspective of legal compliance at meetings of the Board of Directors, etc., and has been fulfilling his responsibilities since the revelation of this matter, including making proposals on measures to further ensure legal compliance and prevent recurrence.

Proposal 4: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Takaharu Matsumura will expire at the conclusion of this Annual General Meeting of Shareholders.

Accordingly, the Company proposes the election of one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given consent to this Proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
Takaharu Matsumura (March 11, 1970) [Reappointment] [Outside Audit & Supervisory Board Member] [Independent]	October 2000 Registered as lawyer (Tokyo Bar Association) June 2002 Joined New Tokyo International (later Bingham Sakai Mimura Aizawa –Foreign Law Joint Enterprise through office consolidation) April 2010 Partner of Bingham Sakai Mimura Aizawa – Foreign Law Joint Enterprise April 2015 Partner of Anderson Mori & Tomotsune (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise) through office consolidation (current position) April 2017 Outside Audit & Supervisory Board Member of PROPOLIFE GROUP INC. (current position) March 2018 Outside Audit & Supervisory Board Member of the Company (current position)	0
[Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member] Although Mr. Takaharu Matsumura has never been involved in corporate management other than as an outside officer, he has accumulated experience as an attorney-at-law and possesses abundant expertise. The Company believes that he will be able to audit the Company as an Outside Audit & Supervisory Board Member by utilizing his experience and expertise, etc., and therefore, the Company requests that he continue to be elected as an Outside Audit & Supervisory Board Member.		

- Notes:
1. There is no conflict of interest between Mr. Takaharu Matsumura and the Company.
 2. Mr. Takaharu Matsumura is a candidate for Outside Audit & Supervisory Board Member.
 3. The Company has submitted a notification of the appointment of Mr. Takaharu Matsumura as Independent Audit & Supervisory Board Member in accordance with the stipulations of the Tokyo Stock Exchange.
 4. Mr. Takaharu Matsumura has served as an Outside Audit & Supervisory Board Member of the Company since March 28, 2018 and has been in office for four (4) years at the conclusion of this Annual General Meeting of Shareholders since his appointment.
 5. The Company has entered into a contract with Mr. Takaharu Matsumura in accordance with the Articles of Incorporation of the Company to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The limit amount of liability pursuant to the contract is the amount stipulated by laws and regulations. If he is elected, the Company intends to renew such contract with him.
 6. The Company has entered into a directors and officers liability insurance contract with an insurance company, where the insurance covers the damages to be borne by the insured (referring to damages (legal damages and litigation costs) incurred by the insured due to a claim for damages made against the insured during the insurance period, which may result from the business activities engaged in by the insured). However, there are certain exemptions, such as in the case of a claim for damages arising from an action taken by the insured with the knowledge that such an action is in violation of laws and regulations, and a certain amount of deductible is stipulated. The insured parties of the insurance contract are Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Company bears the entire premium for all the insured parties. Mr. Takaharu Matsumura is currently insured under the insurance contract and will continue to be insured under the insurance contract if he is elected. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
 7. The Company received a cease and desist order and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission on March 5, 2020, when Mr. Takaharu Matsumura was serving as an Outside Audit & Supervisory Board Member, for violation of the

Antimonopoly Act concerning the setting of the wholesale price of the CALVAN Tablets. Mr. Takaharu Matsumura has been regularly making statements from the perspective of legal compliance at meetings of the Board of Directors, etc., and has been fulfilling his responsibilities since the revelation of this matter, including making proposals on measures to further ensure legal compliance and prevent recurrence.

(Reference) The Board of Directors and the Audit & Supervisory Board are composed of well-balanced members with knowledge, expertise, and experience in various fields in accordance with their respective roles and responsibilities in order to achieve sustainable growth and enhance corporate value of the Company over the medium- to long-term. In addition, the Company has introduced an executive officer system for the purpose of separating management decision-making and supervision from business execution.

The expertise, experience, etc. of each Director, Audit & Supervisory Board Member and Executive Officer in the event that Proposals 3 and 4 are approved as originally proposed at this Annual General Meeting of Shareholders are as follows :

	Name	Position	Responsibility	Expertise / Experience							Certification
				Corporate management / Management strategy	Legal affairs / Compliance / Risk management	Finance / Accounting	Sales / Marketing	Business development	Research and development	Production / Quality assurance	
Directors	Goichi Matsuda	Representative Director, President and Chief Executive Officer		●	●	●	●	●			
	Masao Torikai	Member of the Board, Director (Outside)			●						Attorney-at-law
	Toshio Fukuoka	Member of the Board, Director (Outside)				●					Tax accountant
Audit & Supervisory Board Members	Ken Yamamoto	Standing Audit & Supervisory Board Member		●		●					
	Eiichi Izumo	Audit & Supervisory Board Member (Outside)				●					Certified public accountant
	Takaharu Matsumura	Audit & Supervisory Board Member (Outside)			●						Attorney-at-law
Executive Officers	Atsuyuki Kakee	Senior Executive Officer	Head of Innovation Group and Vice President, Business Development Dept.	●				●	●		
	Katsunobu Fujiwara	Senior Executive Officer	Head of Pharmaceutical Marketing & Promotion Group	●			●				
	Nobumasa Kondo	Senior Executive Officer	Head of Planning & Administration Group	●	●	●					
	Masaki Sunami	Executive Officer	Head of Production Group	●					●	●	
	Noriaki Nishino	Executive Officer	Head of Pharmacovigilance & Quality Assurance Group	●					●	●	Pharmacist

Proposal 5: Election of One (1) Substitute Director

The Company proposes the election of one (1) Substitute Director in advance, in case the number of Directors falls short of the number stipulated in laws and regulations.

The appointment may be revoked by a resolution of the Board of Directors only prior to the assumption of office.

The candidate for Substitute Director is as follows:

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Nobumasa Kondo (September 28, 1968)	April 1992 Joined Japan Tobacco Inc.	2,512
	April 2008 Senior General Manager, Corporate Planning Division of Japan Tobacco Inc.	
	July 2012 Vice President, CSR Division of Japan Tobacco Inc.	
	October 2015 Senior Manager of Business Planning Dept., Pharmaceutical Division of Japan Tobacco Inc.	
	January 2016 Senior Manager of Business Administrative Dept., Pharmaceutical Division of Japan Tobacco Inc.	
	March 2016 Vice President, Corporate Planning Dept. of the Company	
	March 2019 Executive Officer, Head of Planning & Administration Group and Vice President, Corporate Planning Dept. of the Company	
	October 2019 Executive Officer, Head of Planning & Administration Group of the Company March 2020 Senior Executive Officer, Head of Planning & Administration Group of the Company (current position)	
<p>[Reasons for nomination as a candidate for Substitute Director] Mr. Nobumasa Kondo has a high level of insight into corporate management in general gained through his abundant business experience in the corporate planning departments of the Company and its parent company. He also participates in the management of the Company as an Executive Officer of the Company. The Company believes that he will be able to appropriately perform his duties as a Director of the Company by utilizing his experience and insight, and therefore, the Company requests that he continue to be elected as a Substitute Director.</p>		

- Notes:
1. There is no conflict of interest between Mr. Nobumasa Kondo and the Company.
 2. Mr. Nobumasa Kondo was an employee of Japan Tobacco Inc., the parent company of the Company, until March 26, 2019. His position and responsibilities as an executive at the parent company during the past 10 years are as stated in “Career summary, positions, responsibilities, and significant concurrent positions.”
 3. The Company has entered into a directors and officers liability insurance contract with an insurance company, where the insurance covers the damages to be borne by the insured (referring to damages (legal damages and litigation costs) incurred by the insured due to a claim for damages made against the insured during the insurance period, which may result from the business activities engaged by the insured). However, there are certain exemptions, such as in the case of a claim for damages arising from an action taken by the insured with the knowledge that such an action is in violation of laws and regulations, and a certain amount of deductible is stipulated. The insured parties of the insurance contract are Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Company bears the entire premium for all the insured parties. Mr. Nobumasa Kondo is currently insured as an Executive Officer of the Company under the insurance contract and will continue to be insured under the insurance contract if he assumes the position of Director. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.

Proposal 6: Election of One (1) Substitute Audit & Supervisory Board Member

The Company proposes the election of one (1) Substitute Audit & Supervisory Board Member as a substitute for Outside Audit & Supervisory Board Members in advance, in case the number of Audit & Supervisory Board Members falls short of the number stipulated in laws and regulations.

The appointment may be revoked by a resolution of the Board of Directors after obtaining the Audit & Supervisory Board's consent only prior to the assumption of office.

The Audit & Supervisory Board has given consent to this Proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
<p>Hisashi Kumano (August 14, 1954)</p> <p>[Substitute Outside Audit & Supervisory Board Member] [Independent]</p>	<p>April 1974 July 2005</p> <p>Joined Sendai Regional Taxation Bureau Special Officer (International Taxation), International Examination of Large Enterprise Division, First Large Enterprise Examination Department of Tokyo Regional Taxation Bureau</p> <p>July 2015 August 2015</p> <p>Retired as Special Examiner of Azabu Tax Office Registered as tax accountant Established Hisashi Kumano Tax Accountant Office Representative of Hisashi Kumano Tax Accountant Office (current position)</p>	<p>0</p>
<p>[Reasons for nomination as a candidate for Substitute Outside Audit & Supervisory Board Member] Although Mr. Hisashi Kumano has never been directly involved in corporate management, he has accumulated experience as an official of National Tax Agency and as a certified tax accountant, and has abundant expertise in taxation, finance and accounting. The Company believes that he will be able to audit the Company as an Outside Audit & Supervisory Board Member by utilizing his experience and expertise, etc., and therefore, the Company requests that he continue to be elected as a substitute Outside Audit & Supervisory Board Member.</p>		

- Notes:
1. Mr. Hisashi Kumano is the Representative of Hisashi Kumano Tax Accountant Office, with which the Company has an advisory contract. The total amount of remuneration paid by the Company to this office during the fiscal year under review was less than ¥1,500,000, which does not affect his performance of duties as an Outside Audit & Supervisory Board Member, and the Company believes that his independence has been sufficiently secured.
 2. Mr. Hisashi Kumano is a candidate for Substitute Outside Audit & Supervisory Board Member.
 3. The Company plans to submit a notification of the appointment of Mr. Hisashi Kumano as Independent Audit & Supervisory Board Member in accordance with the stipulations of the Tokyo Stock Exchange, if he assumes the position of Outside Audit & Supervisory Board Member.
 4. The Company plans to enter into a contract with Mr. Hisashi Kumano in accordance with Articles of Incorporation of the Company to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, if he assumes the position of Outside Audit & Supervisory Board Member. The limit amount of liability pursuant to the contract is the amount stipulated by laws and regulations.
 5. The Company has entered into a directors and officers liability insurance contract with an insurance company, where the insurance covers the damages to be borne by the insured (referring to damages (legal damages and litigation costs) incurred by the insured due to a claim for damages made against the insured during the insurance period, which may result from the business activities engaged by the insured). However, there are certain exemptions, such as in the case of a claim for damages arising from an action taken by the insured with the knowledge that such an action is in violation of laws and regulations, and a certain amount of deductible is stipulated. The insured parties of the insurance contract are Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Company bears the entire premium for all the insured parties. Mr. Hisashi Kumano will be insured under the insurance contract if he assumes the position of Outside Audit & Supervisory Board Member. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.

<Proposal by Shareholder (Proposals 7 to 12)>

Proposals 7 to 12 are proposals made by one shareholder (number of voting rights held: 300) (the “Proposing Shareholder”) (the “Shareholder Proposal”).

The following details of each proposal (summary of the proposal) and reason for proposal are the relevant portions of the shareholder proposal document submitted by the Proposing Shareholder in their original text (the reasons for proposal are the summaries of the original text submitted by the Proposing Shareholder) unless otherwise noted.

Proposal 7: Partial Amendment to the Articles of Incorporation (Prohibition of Appointments of Officials from Japan Tobacco Inc.)

(1) Summary of the Proposal

The Proposing Shareholder proposes to establish the following new article in the Company’s Articles of Incorporation:

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
(N/A)	<u>(Prohibition of Appointments of Officials from Japan Tobacco Inc.)</u> <u>Article 19-2 The Company shall not propose as a candidate for director anyone who has worked as an officer or an employee for five years or longer at Japan Tobacco Inc., or any of its subsidiaries or affiliates.</u>

(2) Reason for Proposal (Summary)

Since Japan Tobacco Inc. (“JT”) acquired a majority stake in the Company in 1998, multiple former employees of JT have been appointed as Representative Director, and the R&D Department of the Company has been transferred to JT, leading the Company to specialize in sales and marketing. However, sales of pharmaceutical products developed by JT are limited, and we cannot expect a synergistic effect between the parent and the subsidiary. We can reasonably assume that there is almost no mention of the Company in the management plan that JT announced in 2021 because the goals that JT had when it acquired a majority stake in the Company have now been abandoned.

In addition, the contract for exclusive marketing rights to sell anti-HIV drugs created by the U.S. company Gilead Sciences, Inc. has been terminated, and the Company has lost this pillar of its revenue. It has become easier for users to obtain information about pharmaceutical products on the Internet, weakening the very competitive strength of the Company’s sales and marketing business divisions staffed by medical representatives (“MRs”).

Against this backdrop, the Company has entered a phase of seeking a new business model, and appointments of officials from JT are not appropriate for selecting personnel. No information has been disclosed regarding the details of JT’s rights to nominate the Company’s officials, the reasons for appointing former employees of JT who are not experts in the pharmaceutical business, and other related matters. Without this information, the Company’s minority shareholders cannot make an objective assessment of the validity of personnel selection.

In the first place, the Corporate Governance Code of the Tokyo Stock Exchange states, “Controlling shareholders should respect the common interests of the company and its shareholders and should not treat minority shareholders unfairly, and accordingly, companies with a controlling shareholder are required to develop a governance system to protect the interest of minority shareholders.” (Notes to the General Principle 4)

In particular, regarding the nomination of senior management teams of a listed subsidiary, the Ministry of Economy, Trade and Industry’s “Practical Guidelines on Group Governance Systems” state, “Parent companies that are controlling shareholders have the actual authority to appoint listed subsidiary’s senior management teams, and have a great impact on the nomination process,” and, therefore, the Guidelines point out, “Regarding the nomination of listed subsidiary’s senior management teams, given the risk of conflict of interest between controlling shareholders and other shareholders, it is a challenge to select personnel who can contribute to improving corporate value of the listed subsidiary, by giving consideration to the interests of other shareholders.”

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

Directors of the Company are appointed through an appropriate and transparent process. In particular, regarding candidates for Directors, the Representative Director selects individuals who have the ability and insight to appropriately perform their duties as Directors, as well as excellent personal characteristics. The Representative Director prepares candidate proposals and explains them to Independent Outside Directors before submitting proposals to the Board of Directors, to secure opportunities to obtain appropriate advice from Independent Outside Directors. Ultimately, candidates for Directors are determined by resolution of the Board of Directors, the majority of which are Independent Outside Directors. (Currently, the Board of Directors consists of three Directors, of which two are Independent Outside Directors, and it is not possible to determine candidates for Directors at the sole discretion of the Representative Director.)

In this way, the Company has ensured the objectivity and transparency of the process for selecting Directors and the President and Representative Director, through which the Company examines whether the selection of a candidate will contribute to the improvement of corporate value and shareholder returns. As such, it is incorrect for the Proposing Shareholder to allege that the appointment of former employees of Japan Tobacco Inc. (“JT”) to some officers of the Company is improper.

Norihiko Matsuo and Shoichiro Takagi, who previously have served as President and Representative Director of the Company, and current President and Representative Director Goichi Matsuda, are former employees of JT. All of them have a wealth of experience and insight into company management in general. Since they were deemed capable of using these advantages to appropriately execute their duties, the Company appointed them as President and Representative Director. This decision was made by the Company independent of the parent company JT. During the period when Norihiko Matsuo or Shoichiro Takagi served as the President and Representative Director, after launching a generic drug for the core product FUTHAN, they made a full-scale entry into the HIV field and cultivated this into one of the Company’s core fields. In addition, their steady business judgment and decision-making led to the current profit/financial foundation and future growth, such as cultivation of the renal diseases and hemodialysis area through acquisition of in-licensed drugs and start of development and launch of allergen immunotherapy drugs, etc. After Goichi Matsuda took office as President and Representative Director, he steadily rebuilt the Company’s management foundation and implemented the growth strategy, by making business structural reforms after returning sales rights for anti-HIV drugs, developing and launching multiple new products, increasing market penetration of allergen immunotherapy drugs, and concluding in-licensed contracts for several drugs.

In addition, the Board of Directors needs to examine and decide on the selection of candidates for Directors from various perspectives, regardless of whether or not they worked for JT. Therefore, the Board of Directors considers it inappropriate to stipulate the content of the Shareholder Proposal in the Articles of Incorporation, which constitutes the fundamental rules of the Company.

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

Proposal 8: Partial Amendment to the Articles of Incorporation (Prohibition of Providing Funds to Japan Tobacco Inc. through CMS)

(1) Summary of the Proposal

The Proposing Shareholder proposes to add the following new article in the Company's Articles of Incorporation:

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
(N/A)	<u>Chapter 7 Prohibition of Providing Funds to the Controlling Shareholders through CMS</u> <u>(Prohibition of Providing Funds to the Controlling Shareholders through CMS)</u> <u>Article 39 The Company shall not provide funds to Japan Tobacco Inc. or its subsidiaries or affiliates through the cash management system (CMS).</u>

(2) Reason for Proposal (Summary)

The Company must not be a “piggy bank” for its parent company. However, as of September 30, 2021, ¥25.7 billion or 30% of the Company's market capitalization had been deposited in JT's account via the cash management system (CMS), through which the parent company centrally manages group funds. The significance and necessity of providing so much cash to JT have not been fully explained from the perspective of protecting minority shareholders.

It has been noted that CMS is a type of transaction that may harm the interests of minority shareholders of subsidiary companies (20th Meeting of the Companies Act Subcommittee of the Legislative Council held in May 2012). The 13th Corporate Governance System Study Group of the Ministry of Economy, Trade and Industry (held in January 2019) has also pointed out CMS as an example of a “specific situation where a conflict of interest may occur in a listed subsidiary” (Document 4).

Since CMS may harm the interests of minority shareholders of subsidiaries, the “Interim Report of Review of Minority Shareholder Protection or Other Framework of Listed Companies with Controlling Shareholders or Quasi-Controlling Shareholders” published by the Tokyo Stock Exchange states, “It is important to enhance information disclosure by listed companies on transactions that listed companies with Controlling Shareholders or Quasi-Controlling Shareholders may differently perceive from investors in terms of significance, including loans and deposits through the cash management system of the Controlling Shareholder's corporate group.” (Note 14 on page 8*).

In 2019, the Company obtained more than ¥40.0 billion through the termination of the contract with Gilead, but the existence of CMS is a testament to the fact that management of the Company has not been able to properly utilize large amounts of cash, and has postponed capital allocation that contributes to protecting minority shareholders. Accumulated cash through CMS excessively inflates shareholders' equity and raises the cost of capital. This results in a long-term PBR (price-to-book ratio) of less than 1, which is equivalent to the liquidation value.

Therefore, in order to correct the unhealthy relationship with JT, the Company should prohibit providing funds through CMS to JT or its subsidiaries or affiliates.

* Note 14 on page 7 in the interim report in English (reference translation)

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

The Company intends to make more aggressive efforts than before on business investments to in-licensed drugs, in order to recover quickly from the decrease in business volume after the return of sales rights for anti-HIV drugs, achieve the goals of our newly formulated Medium-/Long-Term Business Vision “VISION2030,” and ensure sustainable growth thereafter. With consideration given to the current status of the lineup of products in development and development risks, the Company aims to acquire in-licensed drugs that are adequate in quality and quantity. In order to succeed in in-licensing, it is necessary to prepare adequate cash on hand available for flexible use.

The Company manages some of this cash on hand with CMS (cash management system) operated by its parent company, JT. With consideration given to interest rates, fees, and convenience of fund settlement, the Company, not JT, has made the independent and proactive choice to manage funds through CMS. In fact, the interest rate obtained from the management of CMS is comparable to the market interest rate; therefore, the criticism that the existence of CMS has harmed the interests of the Company’s minority shareholders is unjustified.

Given the recent discussions for strengthening corporate governance between parent and subsidiary companies, the Company is already re-examining the management of funds through CMS. Over the next few years, the Company plans to reduce funds managed through CMS to the amount necessary for the purpose of using CMS as a fund settlement account.

However, the timing and amount of reduction of funds managed through CMS should be determined and implemented based on comparison and balance with other measures of fund management. In addition, there are some advantages to using CMS as a fund settlement account (such as reduction of payment fees, exchange contracts at favorable exchange rates, etc.); therefore, the Company has determined that it is not appropriate to uniformly prohibit management of funds through CMS.

The Company also believes that provisions regarding management of cash on hand, a discrete matter related to management, do not fit in with provisions of the Articles of Incorporation, which constitutes the fundamental rules of the Company.

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

Proposal 9: Partial Amendment to the Articles of Incorporation (Experience of Directors)

(1) Summary of the Proposal

The Proposing Shareholder proposes to add the following new paragraph in the Company's Articles of Incorporation:

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
<p>(Method of Appointing Directors) Article 19 Directors shall be appointed by resolution of a general meeting of shareholders. (2) Resolutions to appoint directors shall be made by a majority of voting rights of shareholders in attendance who have at least one-third of voting rights and can exercise voting rights. (3) Resolutions to appoint directors shall not be based on cumulative votes.</p>	<p>(Appointment Method) Article 19 (Paragraphs 1 to 3 remain the same as at present) <u>(4) At least two-thirds of directors of the Company, excluding outside directors, shall have at least 10 years of experience working in the pharmaceutical business.</u></p>

(2) Reason for Proposal (Summary)

The Company has entered a phase of breaking away from appointments of officials from among its parent company's executives. Because of the termination of the contract with Gilead, the Company's focus in recent years has been to lower its break-even point. However, cost-cutting has reached its end, and operating income has been positive. Now, the Company's future challenge should shift to the revision of its business model and capital allocation. Therefore, internal Directors responsible for the management of the Company must have a wealth of knowledge and experience in the pharmaceutical business.

However, Norihiko Matsuo, Shoichiro Takagi, and Goichi Matsuda, President and Representative Directors of the Company, who were employees of JT, do not appear to have abundant insight into the pharmaceutical business. Goichi Matsuda is currently the only internal Director of the Company and was an employee of JT. At JT, he had been engaged in work that is clearly outside his current domain for a long time, such as serving as Vice President of the Planning Department in the Soft Drink Business Division, and Senior Manager of the Soft Drink Business Division, as well as Head of the Beverage Business of JT; therefore, it cannot be said that he has abundant insight into the pharmaceutical business. In spite of this, he suddenly took office as Deputy President of the Pharmaceutical Business of JT, perhaps as a stepping stone to an official of the Company. Just one year later, he was appointed as Corporate Advisor of the Pharmaceutical Division of JT, and two months after that, he was appointed as Deputy Head of the Pharmaceutical Marketing & Promotion Group and Vice President of the Marketing Planning Department of the Company. After only two years of this work, he was appointed as President and Representative Director of the Company.

In order to guarantee a composition of the Board of Directors suitable for the Company's new pharmaceutical business, we propose to establish a provision in the Articles of Incorporation that requires experience working in the pharmaceutical business as a professional qualification for a certain percentage of internal Directors. Of course, this proposal also has the aim of supporting internal promotion of career employees, and is expected to contribute to raising the motivation of employees.

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

Goichi Matsuda, who has abundant experience and insight into corporate management in general, currently serves as President and Representative Director, and under such management system led by him, the Company achieved favorable results during the period of the Medium-Term Management Plan 2021, by making business structural reforms after returning sales rights for anti-HIV drugs, developing and launching multiple new products, and increasing market penetration of allergen immunotherapy drugs. The Company is also steadily implementing measures that will lead to future growth, such as concluding in-licensed contracts for several drugs.

Based on these activities, the Company's Board of Directors, including internal Directors, is confident that the Company has achieved and continues to achieve results that will lead to improvement of corporate value and shareholder returns; therefore, the allegations made by the Proposing Shareholder are incorrect.

In addition, the Company has introduced an executive officer system for the purpose of accelerating decision-making in business execution and separating management decision-making and supervision from business execution. The Company's business execution is conducted by Executive Officers who have been delegated appropriate authority by the Representative Director. Four of the five Executive Officers have more than 25 years of experience in the pharmaceutical business. Executive Officers also participate in the business strategy planning process and contribute significantly to achieving the results described above. For these reasons, we believe that the current management system is appropriate for the operation of our pharmaceutical business. Under this management system, we will continue to strive towards improving corporate value and shareholder returns.

The proposal to appoint Goichi Matsuda as Director was approved with a high approval vote of more than 90% at the General Meeting of Shareholders of the Company in March 2021. In addition, given the high approval votes in recent years, the Company sees that its Board of Directors, including internal Directors, has gained support of many shareholders in terms of its structure.

The Company believes that restriction of the experience of Directors in the Articles of Incorporation as in the Shareholder Proposal will deprive the company of a timely and flexible decision-making structure for the Board of Directors, which may result in losing diversity of skills and flexibility of management in the Board of Directors, and may in turn diminish corporate value.

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

Proposal 10: Partial Amendment to the Articles of Incorporation (Disclosure of Cost of Capital)

(1) Summary of the Proposal

The Proposing Shareholder proposes to establish the following new chapter and article in the Company’s Articles of Incorporation:

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
(N/A)	<p data-bbox="791 398 1310 461"><u>Chapter 8 Disclosure of Shareholders’ Cost of Capital</u></p> <p data-bbox="770 495 1331 748"><u>(Disclosure of Shareholders’ Cost of Capital)</u> <u>Article 40 In Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company, the Company shall disclose the shareholders’ cost of capital which it has ascertained within one month before the date of submission of the report, along with the basis for calculation of the cost.</u></p>

(2) Reason for Proposal (Summary)

Minority shareholders of the Company have been forced to exercise patience as the Company’s stock price has been constantly below a level equivalent to PBR (price-to-book ratio) of 1, which is the liquidation value, and this means that ROE (return on equity) is not reaching the level required by investors, or the cost of capital as seen from shareholders (shareholders’ cost of capital). As described above, future management issues for the Company after restructuring will shift to the revision of the business model itself and capital allocation, and the effective means to measure this is the shareholders’ cost of capital.

The Corporate Governance Code of the Tokyo Stock Exchange stipulates, “When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company’s cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets” in “Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans.”

Therefore, the Company should also “present” the shareholders’ cost of capital as “targets for profitability and capital efficiency” and “should provide explanations that are clear and logical to shareholders on what specific measures will be taken with respect to review of business portfolio and allocation of management resources including investments in capital expenditure, R&D, and human capital in order to achieve the plans and targets.” This will catalyze dialogue between the Company and its shareholders and improve the poor valuation of the Company’s shares on the market.

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

The Company has regarded the “4S MODEL,” which represents the fulfillment of the Company’s responsibilities to various stakeholders (consumers, shareholders, society and employees) in a well-balanced manner and increase in their total satisfaction as its basic concept for management.

Under this management policy, the Company intends to make more aggressive efforts than before on business investments to in-licensed drugs, in order to recover quickly from the decrease in business volume after the return of sale rights for anti-HIV drugs, achieve the goals of our newly formulated Medium-/Long-Term Business Vision “VISION2030,” and ensure sustainable growth thereafter. Through the business investment, the Company will sustainably grow our sales and profits and aim to improve medium- to long-term corporate value with awareness of cost of capital.

The Company makes decisions after properly understanding the cost of capital, with consideration given to the cost of capital in each phase of business, including in-licensing and promotion of new drug development. Competition to acquire in-licensed drugs is intensifying, and in many cases, acquisition is achieved among a crowded field of competitors through tough negotiations. In light of this, there is concern that disclosure of our cost of capital to the general public, which is the information that affects competition, may cause disadvantages in negotiations for investment projects conducted by the Company in the future.

Principle 5.2 of the Corporate Governance Code does not require disclosure of figures of the cost of capital or the basis for their calculation in reports on corporate governance. In accordance with the intent of this principle of the Corporate Governance Code, the Company does not consider it to be important for the company to disclose cost of capital figures or the basis for their calculation, but considers it to be important to explain the medium- to long-term business strategy formulated with consideration given to the cost of capital through dialogue with our shareholders as necessary.

In addition, the Company believes that provisions regarding disclosure of the cost of capital do not fit in with provisions of the Articles of Incorporation, which constitutes the fundamental rules of the Company.

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

Proposal 11: Appropriation of Surplus

(1) Summary of the Proposal

The Proposing Shareholder proposes that appropriation of surplus be as described below.

This proposal should be treated as an independent and additional proposal when the Board of Directors of the Company proposes appropriation of surplus at the General Meeting of Shareholders.

a. Type of dividend assets

Cash

b. Dividend per share

The amount obtained by deducting the amount of dividend of surplus per share of common stock in the Company proposed by the Board of Directors of the Company at this General Meeting of Shareholders and approved at this Meeting from ¥114 (or ¥114 if the Board of Directors of the Company does not propose appropriation of surplus at this General Meeting of Shareholders).

c. Matters regarding allocation of dividend assets and their total amount

The amount of dividend per share in b. above per share of common stock in the Company (The total amount of dividend is calculated by multiplying the dividend per share by the total number of common stock issued by the Company as of December 31, 2021 [excluding treasury stock].)

d. Date when the dividend of surplus takes effect

Date of this General Meeting of Shareholders

e. Start date of dividend payment

Three weeks from the business day following the date of this General Meeting of Shareholders

(2) Reason for Proposal (Summary)

The Company is not an asset management company. In spite of this, as of September 30, 2021, the Company recorded cash and deposits equivalent to approximately ¥4.5 billion, CMS deposits of approximately ¥25.7 billion, marketable securities recorded as current assets reaching approximately ¥36.4 billion, and investment securities recorded as noncurrent assets amounting to approximately ¥21.5 billion. The total amount of assets under management, which does not contribute to the Company's main business and have high liquidity but offer low returns, has reached nearly ¥90.0 billion, far exceeding the market capitalization of approximately ¥80.0 billion. In addition, since the Company has no debts, it falls below the liquidation value at the current stock price, and moreover, the business value is rated as "negative." This low market rating is the result of neglecting capital allocation and abandoning surplus capital. At the end of last year, the Company decided to select and apply for the "Prime Market," a new market category on the Tokyo Stock Exchange. Improvement of capital efficiency is essential for a listed company whose business value is rated as "negative" to achieve a "prime" rating.

At present, the Company has not announced in any way how it will review its business model or what its capital allocation policy will be. Thus, there is uncertainty as to whether or not the Company can shift toward a business model that generates returns in excess of the cost of capital. With consideration given to the risk of corporate value being diminished in the future, due to assets such as cash and deposits, CMS, investment securities to be maintained and preserved, as well as a further increase in shareholders' equity and a rise in the cost of capital without clear guidelines for capital allocation, shareholder returns contribute to protecting minority shareholders, in order to put an end to the vicious cycle of continuous degradation of the Company's capital efficiency.

To this end, it will be necessary to have a dividend payout ratio of at least 100%. As described in (1) above, we propose to pay a dividend of ¥114 per share, which is equivalent to the net income per share of the Company's earnings forecast for the fiscal year ended December 31, 2021.

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

In the pharmaceutical business, after a product is launched and its patent period eventually expires, other generic products become available on the market. This will reduce the sales of proprietary products rapidly and drastically. Therefore, when pharmaceutical companies fail to create and sell new drugs in a continuous manner, not only their growth but their very survival can be at stake.

For a company like the Company that has limited R&D functions, in-licensing is a very effective way of acquiring new drugs. The Company will work more aggressively than before on business investments to in-licensed drugs, in order to recover quickly from the decrease in business volume after the return of sales rights for anti-HIV drugs, achieve the goals of our newly formulated Medium-/Long-Term Business Vision “VISION2030” (“Net sales break the all-time high” and “Operating income comes within the range of breaking the all-time high”) and ensure sustainable growth thereafter. With consideration given to the current state of the lineup of products in development and development risks, we aim to acquire in-licensed drugs that are adequate in quality and quantity.

Competition to acquire in-licensed drugs is intensifying, and considering the fact that acquisition is achieved among a crowded field of competitors through tough negotiations and the possibility that there may be multiple opportunities to acquire promising in-licensed drugs at the same time, important factors will be to have sufficient cash on hand and be able to proceed flexibly. In addition, preparation of sufficient cash on hand is needed because there is a risk of failure in development after in-licensing and it takes a long time to create revenue after development.

The Company sees shareholder returns as one of its most important management goals, and we always strive to pay stable and continuous dividends. At the same time, the Company sees the achievement of increased corporate value over the medium- to long-term as being the greatest return to shareholders. Based on this belief, the Company will position the “Medium-Term Management Plan 2022-2024” (FY2022 to FY2024) as the period in which we will focus our efforts in proactive business investment, and will give priority to using cash on hand for such investment. The nature of the business of investment for in-licensing does not allow the Company to decide the investment amount, timing, or other matters on its own in advance, and thereby makes it difficult for the Company to present concrete plans. However, the Company will continue to grow its sales and profits through business investment, and aim to improve medium- to long-term corporate value with awareness of the cost of capital. Going forward, the Company will regularly evaluate adequacy of its lineup of in-licensed drugs and its financial situation, and flexibly review the capital policy, including shareholder returns.

Based on the above, the Company believes that appropriation of surplus as stated in the Shareholder Proposal is based on a short-term perspective, without consideration given to the characteristics of the pharmaceutical business or the need for the Company to conduct proactive business investments. There are concerns about the risk that it will be difficult to achieve results from in-licensing if this proposal is approved; therefore, the Company has determined that it will not lead to increased corporate value in the medium- to long-term.

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

Proposal 12: Repurchase of Treasury Stock

(1) Summary of the Proposal

In accordance with the provisions of Article 156, Paragraph 1 of the Companies Act, within one year from the conclusion of this General Meeting of Shareholders, the Company shall acquire its common stock of up to 1,968,000 shares in total, with a total acquisition price of up to ¥5,614,000,000, by delivering cash (However, if the total acquisition price permitted under the Companies Act (the “distributable amount” as defined in Article 461 of the Companies Act) is less than such amount, the maximum amount of the total acquisition price permitted under the Companies Act).

(2) Reason for Proposal (Summary)

“Correcting” surplus capital is an urgent issue for the Company’s capital allocation. The shareholders’ cost of capital was 11% as of January 7, as indicated by the Bloomberg information terminal, which is widely used by institutional investors. In contrast, the average ROE over the past 10 years was just over 3%, excluding abnormal values in the fiscal year ended on December 31, 2019, when the Company gained an extraordinary income of more than ¥40.0 billion due to the termination of the contract with Gilead. As such, both of the shareholder value and corporate value of the Company have been damaged continuously.

The Company’s capital-to-asset ratio was 90% on September 30, 2021, the highest-ever level. Even if the profit scale continues to be at a level equivalent to the scale of previous years and the dividend payout ratio continues to be 100%, so long as surplus capital and low-return assets under management as described above are preserved, corrections cannot be made to the inefficient capital allocation in which ROE is lower than shareholders’ cost of capital.

The Company has not announced how it will review its business model or what its capital allocation policy will be. Thus, there is uncertainty as to whether or not the Company can shift toward a business model that generates returns which exceed the cost of capital. Therefore, if the ratio of the total amount of shareholder returns which is the sum of the dividend payment and share buybacks to the Company’s market capitalization does not reach the shareholders’ cost of capital that is at least 11%, it is likely that PBR will be kept below 1.

The total amount of dividend payment of ¥114 per share proposed in “5. Appropriation of Surplus” above* is equivalent to approximately 4% of the Company’s market capitalization as of January 7. In order for the ratio of total shareholder returns to market capitalization to reach 11% of shareholders’ cost of capital, the Company must buy back shares equivalent to approximately 7% of its market capitalization. As mentioned in item 5 above*, the amount of assets under management that do not contribute to the main business is at least 100% of its market capitalization; therefore, the Company has more than adequate funds for the repurchase of treasury stock. In view of this, as described in (1) above, we propose to acquire up to 1,968,000 shares of common stock in the Company by delivering cash up to a total of ¥5,614,000,000, which is equivalent to approximately 7% of the Company’s market capitalization.

* Refers to Proposal 11: Appropriation of Surplus

Opinion of the Board of Directors

The Board of Directors **opposes this proposal** for the reasons stated below.

The Company sees the repurchase of treasury stock as one of the options to return profits to its shareholders. However, as stated in the opinion of the Board of Directors on Proposal 11 “Appropriation of Surplus”, the Company believes that it is indispensable for the Company to conduct proactive business investments for acquiring new in-licensed drugs in order to ensure sustainable growth in the future under the Company’s current business circumstances, and that the Company must secure adequate cash on hand for that purpose.

The Company believes that a large-scale repurchase of treasury stock as stated in the Shareholder Proposal is based on a short-term perspective without considering the characteristics of the pharmaceutical business or the necessity for the Company to conduct proactive business investments. There are concerns about the serious risk that it will be difficult to achieve results from in-licensing if this proposal is approved; therefore, the Company has determined that it will not lead to increase of the corporate value in the medium- to long-term.

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