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FOR IMMEDIATE RELEASE

**Torii's Views on Report from ISS, a Proxy Advisory Firm,
on Proposals for Torii's General Meeting of Shareholders**

Torii Pharmaceutical Co., Ltd. ("Torii") (TSE: 4551) confirmed that Institutional Shareholder Services Inc., ("ISS"), a proxy advisor, published an approval or disapproval recommendation report (the "Report") on the proposals submitted to the 132nd General Meeting of Shareholders scheduled for March 27, 2024 (the "General Meeting of Shareholders"). In the Report, ISS recommends that Torii's shareholders approve Proposal 9, Proposal 10 and Proposal 11, which were proposed by a shareholder. Torii hereby announces its views on this matter as follows.

Torii would like to ask all of its shareholders for their understanding in respect of its views and to make decisions on the exercise of their voting rights.

1. Proposal 9

With respect to Proposal 9 of Repurchase of Treasury Stock, ISS has pointed out that there are issues in the balance sheet of Torii and recommends shareholders to vote in favor of Proposal 9 because Proposal 9 does not actually require the repurchase of treasury stock and only sets the maximum number of shares that can be repurchased and shareholders can express to Torii their concerns about the capital efficiency and balance sheet by approving Proposal 9.

However, the reasons for such recommendation in the Report does not refer to the characteristics of the pharmaceutical business, Torii's growth strategy, or capital allocation based thereon, etc.

ISS has pointed out that there are issues in the balance sheet because Torii has a large amount of cash and investment securities. However, Torii has indicated in the capital allocation that Torii would secure working capital, etc. necessary for its business and would use them for business investment and shareholder return (please see the chart below).

Capital Allocation from 2023 until the end of 2027 (Image)



"Acquiring New In-Licensed Drugs" is considered essential for the continued existence and growth of the companies such as Torii, which have limited R&D functions. Considering the current state of the pipeline and development risks, Torii has made the investment to acquire in-licensed drugs that are adequate in quality and quantity.

The important factors will be to have sufficient cash on hand and be able to proceed flexibly in acquiring in-licensed drugs. In addition, Torii prioritizes the use of cash on hand because there is a risk of failure in

development after in-licensing and it takes a long time to create revenue after development. Specifically, Torii sets the five years from 2023 through 2027 as an intensive business investment period, and intends to use approximately 40.0 billion yen for business investments for the acquisition of the in-licensed drugs, etc. In FY2023, Torii was able to acquire two new in-licensed drugs (NAC- GED-0507 and GRAZAX), and in regard to business investments, Torii has executed and made decisions on investments totaling over 5.0 billion yen.

Torii sees shareholder return as one of its important management issues, and Torii will maintain its basic policy of continuous and stable dividends while further enhancing its shareholder returns. Specifically, Torii will review the progress Torii has made in its business operations and investments while striving to improve the DOE over the medium-/long-term, aiming for a DOE level (approximately 3.5% at present) that compares favorably with that of other companies within the same industry in the future. Based on this view and policy, Torii has proposed increasing the full-year dividend per share for FY2023 by 20 yen from the previous fiscal year to 120 yen at the General Meeting of Shareholders. If approved, the dividend will increase for the second consecutive year.

Torii will consider the repurchase of treasury stock after comprehensively taking into account its business circumstances and investment progress, as Torii recognizes this as one of the options for shareholder return. However, Torii believes that it is indispensable for Torii to conduct proactive business investments for acquiring new in-licensed drugs in order to ensure sustainable growth in the future under its current business circumstances, and that Torii must secure adequate cash on hand for flexible investment.

ISS has pointed out that Proposal 9 does not actually require the repurchase of treasury stock and only sets the maximum number of shares that can be repurchased. However, if Proposal 9 is approved, expectations for the repurchase of treasury stock will be created in the capital markets, and if it is not implemented, shareholders and investors' trust in Torii may be eroded. At the same time, Torii believes that there is a concern that confusion may arise in the stock market that has expected the implementation.

For the above reasons, Torii is opposed to Proposal 9.

2. Proposal 10

ISS recommends shareholders to vote in favor of Proposal 10 of Partial Amendment to the Articles of Incorporation (Disclosure of Compensation for Directors with Representative Authority) because disclosure of individual compensation levels promotes accountability and helps shareholders make better-informed decisions on director elections and compensation-related proposals.

In this regard, the Board of Directors, which has a majority of independent outside directors, has established a decision-making policy with regard to the content of compensation for each director, including the representative director (the "Decision-Making Policy"), and in accordance with such Decision-Making Policy, etc., compensation is determined through the appropriate procedures.

In addition, Torii appropriately discloses directors' compensation, including an overview of the Decision-Making Policy and the total amount of compensation for each position and total amount of compensation by type, including restricted stock compensation, in its business reports and annual securities reports.

Furthermore, as Torii intends to make the transition to a company with an Audit and Supervisory Committee, from the viewpoint of ensuring independence from controlling shareholders and protecting minority shareholders, Torii plans to maintain the system under which independent outside directors constitute a majority of the Board of Directors, and, with regard to the nomination and compensation procedures for directors which were previously discussed and reviewed by all directors, Torii plans to establish the Nomination and Compensation Advisory Committee, which will be comprised only of independent outside directors, as a voluntary advisory body to the Board of Directors, in order to further improve the transparency, objectivity, and fairness of the procedures and enhance deliberations. Therefore, Torii believes that it is not necessary to disclose individual compensation for directors with representative authority.

For the above reasons, Torii is opposed to Proposal 10.

3. Proposal 11

ISS recommends to shareholders to vote in favor of Proposal 11 of Partial Amendment to the Articles of Incorporation (Disclosure of Result of Examination of Fund Management through CMS) because it will promote the Board of Director's accountability concerning CMS with its parent company, Japan Tobacco Inc. ("JT"), and

potentially accelerate the reduction of the use of CMS.

Torii has already properly conducted the reviews by the Board of Directors regarding CMS described in the shareholder proposal and the disclosure in the Corporate Governance Report.

Specifically, the Board of Directors, which has a majority of independent outside directors, regularly checks and reviews the significance and status of the use of the cash management system (CMS) and makes appropriate disclosures in accordance with laws and regulations. The policy on the use of CMS is as follows: “As a means of fund settlement, etc., Torii will use CMS as one of the advantageous counterparties, taking into account fees and other factors at its own discretion. In addition, given the use of CMS as a fund settlement account, Torii will utilize CMS to the extent necessary, taking into consideration the advantages of using CMS (i.e., reduced payment fees and forward exchange contracts at favorable exchange rates, etc.)”. This was disclosed in the Corporate Governance Report in March 2023. The contents of such disclosure align with the contents of the “Enhancement of Information Disclosure on Protection of Minority Shareholders and Group Management” that was announced by the Tokyo Stock Exchange dated on December 26, 2023 (Torii’s disclosure was introduced as a sample disclosure in “Sample Disclosures (in Japanese only)”).

In addition, ISS has referred to the concerns about conflicts of interest arising from the listing of the parent company (JT) and its subsidiary (Torii). However, Torii has the system under which independent outside directors constitute a majority of the Board of Directors, decisions on transactions with major shareholders, including the parent company, are made by the Board of Directors, etc. in accordance with internal rules, and annual transaction results are reported to the Board of Directors. In addition, when making decisions on transactions, etc. with major shareholders, including the parent company, Torii obtains opinions from outside experts as necessary, and seeks opinions from outside officers who have no interest in such major shareholders.

Furthermore, ISS has pointed out that the percentage of the directors who effectively represent JT will increase in the composition of the Board of Directors after the transition to a company with an Audit and Supervisory Committee. However, Torii’s directors are appointed through an appropriate and transparent process. Specifically, the representative director selects persons of excellent personal characteristics who possess the ability and insight to appropriately perform their duties as a director, formulates a proposal for director candidates, and, prior to submitting the proposal to the Board of Directors, secures an opportunity to obtain appropriate advice from independent outside directors. Thereafter, ultimately, the final determination is made by a resolution of the Board of Directors, the majority of which consists of independent outside directors. In this manner, Torii reviews the appointment of directors by ensuring the objectivity and transparency, etc. of the procedures and by considering whether the appointment will contribute to enhancing Torii’s corporate value and the interest of shareholders. Accordingly, ISS’s concern that the directors of Torii from JT effectively represent JT is unfounded.

From the viewpoint of ensuring independence from controlling shareholders and protecting minority shareholders, Torii plans to maintain the system under which independent outside directors constitute a majority of the Board of Directors after the transition to a company with an Audit and Supervisory Committee and establish the Nomination and Compensation Advisory Committee, which will be comprised only of independent outside directors, as a voluntary advisory body to the Board of Directors. As a result, the transparency, objectivity, and fairness of the procedures for nomination and compensation of directors will be further improved and the deliberations will be enhanced. Therefore, Torii believes that the concerns pointed out by ISS are unfounded.

For the above reasons, Torii is opposed to Proposal 11.

Again, Torii would like to ask all of its shareholders for their understanding in respect of its views as stated above and to make decisions on the exercise of their voting rights.

End

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