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Securities code: 4551

March 6, 2024

(Commencement date of measures for provision in electronic format: February 29, 2024)

**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 132nd 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 132nd Annual General Meeting of Shareholders of Torii Pharmaceutical Co., Ltd. (the “Company”) will be held as described below (the “General Meeting of Shareholders”).

In convening the General Meeting of Shareholders, the Company has taken measures for provision in electronic format regarding materials for the General Meeting of Shareholders, and has posted the matters subject to the measures for provision in electronic format on the Company’s website. Please access the Company’s website below, scroll down the screen and check the section of “Shareholders’ Meeting.”

The Company’s website <https://www.torii.co.jp/en/ir/stock/info.html>

In addition to the Company’s website, the matters subject to the measures for provision in electronic format are also posted on the website of the Tokyo Stock Exchange (“TSE”). Please access the TSE website below (Listed Company Search), enter and search for the issue name (company name) or the securities code (“Torii Pharmaceutical” or “4551”), and select “Basic information,” and “Documents for public inspection/PR information” to check the information.

TSE website (Listed Company Search)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you do not attend the General Meeting of Shareholders in person, you can exercise your voting rights in writing or by electromagnetic means (the Internet, etc.). 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 4 to 6) (Japanese version only)” by 5:30 p.m. (JST) on Tuesday, March 26, 2024.

- 1. Date and Time:** Wednesday, March 27, 2024 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  
132nd Fiscal Year (from January 1, 2023 to December 31, 2023)
- Matters to be resolved:**
- <Proposals by the Company (Proposals 1 to 8)>**
- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendment to the Articles of Incorporation
- Proposal 3:** Election of Two (2) Directors (Excluding Directors Who Are Members of  
the Audit and Supervisory Committee)
- Proposal 4:** Election of Three (3) Directors Who Are Members of the Audit and  
Supervisory Committee
- Proposal 5:** Election of One (1) Substitute Director Who Is a Member of the Audit and  
Supervisory Committee
- Proposal 6:** Determination of Amount of Compensation, etc. for Directors (Excluding  
Directors Who Are Members of the Audit and Supervisory Committee)
- Proposal 7:** Determination of Amount of Compensation, etc. for Directors Who Are  
Members of the Audit and Supervisory Committee
- Proposal 8:** Determination of Compensation for Granting Restricted Stock to Directors  
(Excluding Directors Who Are Members of the Audit and Supervisory  
Committee and Outside Directors)
- <Proposals by Shareholder (Proposals 9 to 11)>**
- Proposal 9:** Repurchase of Treasury Stock
- Proposal 10:** Partial Amendment to the Articles of Incorporation (Disclosure of Individual  
Compensation for Directors with Representative Authority)
- Proposal 11:** Partial Amendment to the Articles of Incorporation (Disclosure of Result of  
Examination of Fund Management through CMS)

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 of Proposals 9 to 11.**

- For the General Meeting of Shareholders, regardless of whether you requested delivery of documents, the Company has sent all shareholders a document containing the matters subject to the measures for provision in electronic format. Of the matters subject to the measures for provision in electronic format, the following have been omitted from the documents to be delivered to shareholders who have requested delivery of paper-based documents in accordance with laws and regulations and Article 15, Paragraph 2 of the Articles of Incorporation of the Company, and are not included in this document.
  - Statement of Changes in Equity
  - Notes to Non-Consolidated Financial Statements
 Accordingly, matters described in such document are part of the documents audited by Audit & Supervisory Board Members and Accounting Auditor in creating audit reports.
- Any amendments to the matters subject to the measures for provision in electronic format will be posted on the Company's website and the TSE website on the Internet mentioned above.
- 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 8)>

#### **Proposal 1:** Appropriation of Surplus

Appropriation of surplus is as follows.

#### Matters concerning year-end dividends

The Company understands that generating appropriate shareholder returns is one of the key issues of management. While our basic policy on shareholder returns is to distribute continuous and stable dividends, the Company recognizes that enhancing the Company's medium-/long-term corporate value through business investment is what will enable the Company to meet the expectations of shareholders.

Based on the above basic policy and views, and while considering investment from the medium-/long-term perspective focused on future business growth and the financial status, etc., the Company proposes the following year-end dividend for the 132nd 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: 70 yen      Total: 1,967,365,960 yen

As a result, the annual dividend for the fiscal year under review, including the interim dividend of 50 yen, will be 120 yen per share.

- (2) Effective date of dividends of surplus  
March 28, 2024

**Proposal 2: Partial Amendment to the Articles of Incorporation**

1. Reasons for amendments

- (1) The Company has thus far endeavored to enhance and reinforce its corporate governance by organizing the system under which Independent Outside Directors constitute a majority of the Board of Directors and implementing other necessary measures. The Company intends to make the transition to a company with an Audit and Supervisory Committee, for the purpose of promoting further consideration to the realization of faster decision-making by management by enabling the Board of Directors to delegate its decision-making authority regarding business execution to the Managing Directors, and further enhancing and reinforcing its corporate governance by strengthening the supervisory function of the Board of Directors. This proposal is to make the necessary changes, including the establishment of provisions concerning Directors who are members of the Audit and Supervisory Committee and the Audit and Supervisory Committee, and the deletion of provisions concerning Audit & Supervisory Board Members and the Audit & Supervisory Board, following the transition to a company with an Audit and Supervisory Committee.
- (2) The Company proposes to set the maximum number of Directors, taking into consideration the current corporate size and other factors, and to change Article 18 (Number of Directors) of the current Articles of Incorporation.
- (3) In view of the fact that the Company has not selected a Vice Chairman of the Board and a Director and Advisor, and does not intend to select Directors with these titles in the future, the Company proposes to delete provisions concerning the selection of a Vice Chairman of the Board and a Director and Advisor in Article 21 (Representative Director and Directors with Titles) of the current Articles of Incorporation.
- (4) The proposal is to clarify that a meeting of the Board of Directors may be held without following the convening procedures if all the Directors are in agreement.
- (5) To enable the Company to flexibly distribute dividends of surplus, etc. without requiring a resolution of the general meeting of shareholders even when it is difficult to hold a general meeting of shareholders due to unforeseen circumstances, the Company proposes newly establishing Article 31 (Organization to Determine Dividends of Surplus, etc.) to enable dividends of surplus, etc. to be made by a resolution of the Board of Directors, amending Article 37 (Dividends of Surplus) of the current Articles of Incorporation, and deleting Article 7 (Repurchase of Treasury Stock) of the current Articles of Incorporation, which overlaps with a part of the proposed amendment.  
The general meeting of shareholders may still pass resolutions for dividends of surplus, etc. even after the amendment to the Articles of Incorporation comes into effect.
- (6) The proposal is to make other necessary changes, including lexical corrections in accordance with the above amendments.
- (7) The amendments to the Articles of Incorporation in this proposal shall become effective at the conclusion of the General Meeting of Shareholders.

2. Details of amendments

The details of the amendments are as follows.

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I. GENERAL PROVISIONS	CHAPTER I. GENERAL PROVISIONS
Articles 1 to 3 (Omitted)	Articles 1 to 3 (Unchanged)
(Organs)	(Organs)
Article 4 The Company shall have, in addition to the general meeting of shareholders and Directors, the following organs: 1) Board of Directors 2) <u>Audit &amp; Supervisory Board Member</u> 3) <u>Audit &amp; Supervisory Board</u> 4) Accounting Auditor	Article 4 The Company shall have, in addition to the general meeting of shareholders and Directors, the following organs: 1) Board of Directors 2) <u>Audit and Supervisory Committee</u> (Deleted) 3) Accounting Auditor

Current Articles of Incorporation	Proposed Amendments
<p>Article 5 (Omitted)</p> <p style="text-align: center;">CHAPTER II. SHARES</p> <p>Article 6 (Omitted)</p> <p><u>(Repurchase of Treasury Stock)</u></p> <p><u>Article 7 The Company may, by a resolution of the Board of Directors, repurchase treasury stock in accordance with the provision of Article 165, Paragraph 2 of the Companies Act.</u></p> <p>Articles <u>8</u> to <u>9</u> (Omitted)</p> <p>(Shareholder Registry Administrator)</p> <p>Article <u>10</u> (Omitted)</p> <p>(2) <u>The shareholder registry administrator and the administrative work handling location thereof shall be determined by a resolution of the Board of Directors and public notice shall be given thereof.</u></p> <p>(3) (Omitted)</p> <p>(Share Handling Regulations)</p> <p>Article <u>11</u> In addition to applicable laws and regulations and these Articles of Incorporation, the procedures for exercising shareholder rights and other handling and charges relating to shares in the Company shall be in accordance with the Share Handling Regulations established by the Board of Directors.</p> <p style="text-align: center;">CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p> <p>Articles <u>12</u> to <u>17</u> (Omitted)</p> <p style="text-align: center;">CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors)</p> <p>Article <u>18</u> The number of Directors of the Company shall be <u>no less than three.</u></p> <p style="text-align: center;">(Newly established)</p>	<p>Article 5 (Unchanged)</p> <p style="text-align: center;">CHAPTER II. SHARES</p> <p>Article 6 (Unchanged)</p> <p style="text-align: center;">(Deleted)</p> <p>Articles <u>7</u> to <u>8</u> (Unchanged)</p> <p>(Shareholder Registry Administrator)</p> <p>Article <u>9</u> (Unchanged)</p> <p>(2) <u>The shareholder registry administrator and the administrative work handling location thereof shall be determined by a resolution of the Board of Directors or by a Director delegated by a resolution of the Board of Directors and public notice shall be given thereof.</u></p> <p>(3) (Unchanged)</p> <p>(Share Handling Regulations)</p> <p>Article <u>10</u> In addition to applicable laws and regulations and these Articles of Incorporation, the procedures for exercising shareholder rights and other handling and charges relating to shares in the Company shall be in accordance with the Share Handling Regulations established by the Board of Directors <u>or by a Director delegated by a resolution of the Board of Directors.</u></p> <p style="text-align: center;">CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p> <p>Articles <u>11</u> to <u>16</u> (Unchanged)</p> <p style="text-align: center;">CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors)</p> <p>Article <u>17</u> The number of Directors of the Company <u>(excluding Directors who are members of the Audit and Supervisory Committee) shall be no more than seven.</u></p> <p>(2) <u>The Company shall have no more than four Directors who are members of the Audit and Supervisory Committee.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Method of Appointing Directors)</p> <p>Article <u>19</u> Directors shall be appointed by a resolution of a general meeting of shareholders.</p> <p>(2) (Omitted) (3) (Omitted)</p> <p>(Term of Office of Directors)</p> <p>Article <u>20</u> The term of office of Directors shall expire at the conclusion of the annual general meeting of shareholders with respect to the last fiscal year ending within one year after their election.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Method of Appointing Directors)</p> <p>Article <u>18</u> Directors shall be appointed by a resolution of a general meeting of shareholders, <u>separating Directors who are members of the Audit and Supervisory Committee from other Directors.</u></p> <p>(2) (Unchanged) (3) (Unchanged)</p> <p>(Term of Office of Directors)</p> <p>Article <u>19</u> The term of office of Directors <u>(excluding Directors who are members of the Audit and Supervisory Committee)</u> shall expire at the conclusion of the annual general meeting of shareholders with respect to the last fiscal year ending within one year after their election.</p> <p>(2) <u>The term of office of Directors who are members of the Audit and Supervisory Committee shall expire at the conclusion of the annual general meeting of shareholders with respect to the last fiscal year ending within two years after their election.</u></p> <p>(3) <u>The effect of the pre-election of substitute Directors who are members of the Audit and Supervisory Committee shall continue until the start of the annual general meeting of shareholders with respect to the last fiscal year ending within two years after their election.</u></p>
<p>(Representative Director and Directors with Titles)</p> <p>Article <u>21</u> The Board of Directors shall appoint a Representative Director by its resolution.</p> <p>(2) <u>One Chairman of the Board, one Vice Chairman of the Board, and one Director and President, and a number of Directors and Executive Deputy Presidents, Senior Executive Directors, Executive Directors, and Directors and Advisors</u> may be appointed by a resolution of the Board of Directors.</p>	<p>(Representative Director and Directors with Titles)</p> <p>Article <u>20</u> The Board of Directors shall appoint a Representative Director <u>from among the Directors (excluding Directors who are members of the Audit and Supervisory Committee)</u> by its resolution.</p> <p>(2) One Chairman of the Board and one Director and President, and a number of Directors and Executive Deputy Presidents, Senior Executive Directors, <u>and Executive Directors</u> may be appointed <u>from among the Directors (excluding Directors who are members of the Audit and Supervisory Committee)</u> by a resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Notice of Convocation of the Board of Directors' Meeting)</p> <p>Article <u>22</u> A notice of convocation of the Board of Directors' meeting shall be sent to each Director <u>and Audit &amp; Supervisory Board Member</u> no later than three days prior to the date of the meeting; however, if necessary due to an emergency, this period can be shortened. (Newly established)</p> <p>(Newly established)</p>	<p>(Notice of Convocation of the Board of Directors' Meeting)</p> <p>Article <u>21</u> A notice of convocation of the Board of Directors' meeting shall be sent to each Director no later than three days prior to the date of the meeting; however, if necessary due to an emergency, this period can be shortened.</p> <p><u>(2) With the consent of all Directors, a meeting of the Board of Directors may be held without following the convening procedures.</u></p> <p><u>(Delegation of Important Decision-Making Regarding Business Execution)</u></p> <p>Article <u>22</u> <u>The Company may delegate to the Directors all or part of the important decision-making regarding business execution (excluding the matters provided for in each item of Article 399-13, Paragraph 5 of the Companies Act), in accordance with the provision of Article 399-13, Paragraph 6 of the Companies Act, by a resolution of the Board of Directors.</u></p>
<p>Articles 23 to 24 (Omitted)</p> <p>(Compensation, etc. for Directors)</p> <p>Article 25 Compensation, bonus, and other economic benefit to be paid by the Company to the Directors as compensation for the execution of duties <u>("Compensation, etc.")</u> shall be determined by a resolution of the general meeting of shareholders.</p>	<p>Articles 23 to 24 (Unchanged)</p> <p>(Compensation, etc. for Directors)</p> <p>Article 25 Compensation, bonus, and other economic benefit to be paid by the Company to the Directors as compensation for the execution of duties shall be determined by a resolution of the general meeting of shareholders, <u>separating Directors who are members of the Audit and Supervisory Committee from other Directors.</u></p>
<p>Article 26 (Omitted)</p> <p><u>CHAPTER V. AUDIT &amp; SUPERVISORY BOARD MEMBERS AND AUDIT &amp; SUPERVISORY BOARD</u></p> <p><u>(Number of Audit &amp; Supervisory Board Members)</u></p> <p>Article <u>27</u> <u>The number of Audit &amp; Supervisory Board Members of the Company shall be no less than three.</u></p>	<p>Article 26 (Unchanged)</p> <p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p><u>(Method of Appointing Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 28 Audit &amp; Supervisory Board Members shall be appointed by a resolution of a general meeting of shareholders.</u></p> <p><u>(2) A resolution on the election of Audit &amp; Supervisory Board Members shall be made by a majority of the voting rights of the shareholders at the meeting, at which shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present.</u></p>	(Deleted)
<p><u>(Effect of the Pre-Election of Substitute Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 29 The effect of the pre-election of substitute Audit &amp; Supervisory Board Members shall continue until the start of the annual general meeting of shareholders with respect to the last fiscal year ending within four years after their election.</u></p>	(Deleted)
<p><u>(Term of Office of Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 30 The term of office of Audit &amp; Supervisory Board Members shall expire at the conclusion of the annual general meeting of shareholders with respect to the last fiscal year ending within four years after their election.</u></p>	(Deleted)
<p><u>(Standing Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 31 The Audit &amp; Supervisory Board shall appoint standing Audit &amp; Supervisory Board Members by its resolution.</u></p>	(Deleted)
<p><u>(Notice of Convocation of the Audit &amp; Supervisory Board's Meeting)</u></p> <p><u>Article 32 A notice of convocation of the Audit &amp; Supervisory Board's meeting shall be sent to each Audit &amp; Supervisory Board Member no later than three days prior to the date of the meeting; however, if necessary due to an emergency, this period can be shortened.</u></p>	(Deleted)



Current Articles of Incorporation	Proposed Amendments
<p><u>(Regulations of the Audit &amp; Supervisory Board)</u></p> <p><u>Article 33 In addition to applicable laws and regulations and these Articles of Incorporation, matters relating to the Audit &amp; Supervisory Board shall be in accordance with the Regulations of the Audit &amp; Supervisory Board established by the Audit &amp; Supervisory Board.</u></p>	(Deleted)
<p><u>(Compensation, etc. for Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 34 The Compensation, etc. for Audit &amp; Supervisory Board Members shall be determined by a resolution of the general meeting of shareholders.</u></p>	(Deleted)
<p><u>(Limited Liability Contracts with Audit &amp; Supervisory Board Members)</u></p> <p><u>Article 35 The Company may enter into contracts with Audit &amp; Supervisory Board Members that assume liability to the extent of the amount provided for in laws and regulations, if acting in good faith and without gross negligence, with regard to such Audit &amp; Supervisory Board Members' responsibilities provided for in Article 423, Paragraph 1 of the Companies Act.</u></p>	(Deleted)
<p>(Newly established)</p>	<p><u>CHAPTER V. AUDIT AND SUPERVISORY COMMITTEE</u></p>
<p>(Newly established)</p>	<p><u>(Standing Audit and Supervisory Committee Members)</u></p> <p><u>Article 27 The Audit and Supervisory Committee may appoint standing Audit and Supervisory Committee members by its resolution.</u></p>
<p>(Newly established)</p>	<p><u>(Notice of Convocation of the Audit and Supervisory Committee's Meeting)</u></p> <p><u>Article 28 A notice of convocation of the Audit and Supervisory Committee's meeting shall be sent to each member of the Audit and Supervisory Committee no later than three days prior to the date of the meeting; however, if necessary due to an emergency, this period can be shortened.</u></p> <p><u>(2) With the consent of all members of the Audit and Supervisory Committee, a meeting of the Audit and Supervisory Committee may be held without following the convening procedures.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p>CHAPTER VI. ACCOUNTS</p> <p>Article <u>36</u> (Omitted)</p> <p>(Newly established)</p> <p>(Dividends of Surplus)</p> <p>Article <u>37</u> <u>The Company may, by a resolution of a general meeting of shareholders, distribute year-end dividends with December 31 of each year as the record date.</u>  <u>(2) The Company may distribute interim dividends by a resolution of the Board of Directors, with June 30 of each year as the record date.</u>  (Newly established)</p> <p>Article <u>38</u> (Omitted)</p>	<p><u>(Regulations of the Audit and Supervisory Committee)</u></p> <p>Article <u>29</u> <u>In addition to applicable laws and regulations and these Articles of Incorporation, matters relating to the Audit and Supervisory Committee shall be in accordance with the Regulations of the Audit and Supervisory Committee established by the Audit and Supervisory Committee.</u></p> <p>CHAPTER VI. ACCOUNTS</p> <p>Article <u>30</u> (Unchanged)</p> <p><u>(Organization to Determine Dividends of Surplus, etc.)</u></p> <p>Article <u>31</u> <u>Unless otherwise provided for in laws and regulations, the Company may, by a resolution of the Board of Directors, determine dividends of surplus and other matters set forth in each item of Article 459, Paragraph 1 of the Companies Act.</u></p> <p><u>(Record Date for Dividends of Surplus)</u></p> <p>Article <u>32</u> <u>The record date for the Company's year-end dividends shall be December 31 of each year.</u>  <u>(2) The record date for the Company's interim dividends shall be June 30 of each year.</u>  <u>(3) In addition to those provided for in the preceding 2 paragraphs, the Company may set record dates and distribute dividends of surplus.</u></p> <p>Article <u>33</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="180 226 483 255">Supplementary Provision</p> <p data-bbox="180 286 791 349"><u>(Transitional Measures Concerning Term of Office of Directors)</u></p> <p data-bbox="180 353 799 730"><u>Article 1 Notwithstanding the provision of Article 20, the term of office of the Director elected at the 130th Annual General Meeting of Shareholders held on March 29, 2022, shall expire at the conclusion of the Annual General Meeting of Shareholders with respect to the fiscal year ending on December 31, 2023. This Article shall be deleted after the date of the Annual General Meeting of Shareholders with respect to the fiscal year ending on December 31, 2023, has elapsed.</u></p> <p data-bbox="368 860 612 889">(Newly Established)</p>	<p data-bbox="812 226 1112 255">Supplementary Provision</p> <p data-bbox="1061 349 1176 378">(Deleted)</p> <p data-bbox="812 766 1430 860"><u>(Transitional Measures Concerning Limited Liability Contracts with Audit &amp; Supervisory Board Members)</u></p> <p data-bbox="812 864 1425 1240"><u>Article 1 Contracts to limit liability for damages under Article 423, Paragraph 1 of the Companies Act with respect to the acts by Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) prior to the conclusion of the 132nd Annual General Meeting of Shareholders shall be governed by the provision of Article 35 of the Articles of Incorporation prior to the amendment by a resolution of the 132nd Annual General Meeting of Shareholders.</u></p>

**Proposal 3: Election of Two (2) Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)**

The term of office of Directors Goichi Matsuda, Masao Torikai, and Toshio Fukuoka will expire at the conclusion of the General Meeting of Shareholders. In addition, subject to the approval and adoption of Proposal 2 “Partial Amendment to the Articles of Incorporation” as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee at the conclusion of the General Meeting of Shareholders.

Accordingly, the Company proposes the election of two (2) Directors (excluding Directors who are members of the Audit and Supervisory Committee, and the same applies hereinafter in this proposal) after the transition to a company with an Audit and Supervisory Committee.

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 “Partial Amendment to the Articles of Incorporation” take effect.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Goichi Matsuda (February 13, 1967)  [Reappointment]	<p>April 1990 January 2009</p> <p>Joined Japan Tobacco Inc. Vice President, Planning Dept., Soft Drink Business Division, Food Business Headquarters of Japan Tobacco Inc.</p> <p>June 2009</p> <p>Member of the Board, Director of JT Beverage Inc.</p> <p>July 2010</p> <p>Vice President, Planning Dept., Soft Drink Business Division of Japan Tobacco Inc.</p> <p>July 2012</p> <p>Senior Manager, Soft Drink Business Division of Japan Tobacco Inc.</p> <p>July 2012</p> <p>Member of the Board, Senior Vice President of Japan Beverage Holdings Inc.</p> <p>June 2013</p> <p>Senior Vice President, Head of Beverage Business, of Japan Tobacco Inc.</p> <p>June 2013</p> <p>Member of the Board, Director of JT Beverage Inc.</p> <p>January 2016</p> <p>Senior Vice President, Deputy President, Pharmaceutical Business of Japan Tobacco Inc.</p> <p>January 2017</p> <p>Corporate Advisor of Pharmaceutical Division of Japan Tobacco Inc.</p> <p>March 2017</p> <p>Member of the Board, Director, Deputy Head of Pharmaceutical Marketing &amp; Promotion Group and Vice President, Marketing Planning Dept. of the Company</p> <p>March 2019</p> <p>Representative Director, President and Chief Executive Officer of the Company (current position)</p>	18,231
<p>[Reasons for nomination as a candidate for Director] After serving as a Member of the Board, Director of a subsidiary in the beverage business division of the Company’s parent company, a Senior Vice President of the Company’s parent company, and a Member of the Board, Director of the Company, Mr. Goichi Matsuda holds a position as Representative Director, President and Chief Executive Officer of the Company and has a wealth of experience and insight into corporate management in general. 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 Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Nobumasa Kondo (September 28, 1968)  [New appointment]	<p>April 1992      Joined Japan Tobacco Inc.</p> <p>July 2012      Vice President, CSR Division of Japan Tobacco Inc.</p> <p>October 2015    Senior Manager of Business Planning Dept., Pharmaceutical Division of Japan Tobacco Inc.</p> <p>January 2016    Senior Manager of Business Administrative Dept., Pharmaceutical Division of Japan Tobacco Inc.</p> <p>March 2016      Vice President, Corporate Planning Dept. of the Company</p> <p>March 2019      Executive Officer, Head of Planning &amp; Administration Group and Vice President, Corporate Planning Dept. of the Company</p> <p>October 2019    Executive Officer, Head of Planning &amp; Administration Group of the Company</p> <p>March 2020      Senior Executive Officer, Head of Planning &amp; Administration Group of the Company (current position)</p>	4,106
<p>[Reasons for nomination as a candidate for 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 be newly elected as a Director.</p>			

- Notes: 1. There is no conflict of interest between each candidate for Director and the Company.
2. Mr. Goichi Matsuda was an employee of Japan Tobacco Inc., the parent company of the Company, until March 23, 2017. 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. 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.”
4. The Company has entered into a directors and officers liability insurance contract with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, 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. Currently, 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. Each Director will be insured under the insurance contract if Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and each candidate for Director is elected. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.

**Proposal 4:** Election of Three (3) Directors Who Are Members of the Audit and Supervisory Committee

Subject to the approval and adoption of Proposal 2 “Partial Amendment to the Articles of Incorporation” as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee at the conclusion of the General Meeting of Shareholders.

Accordingly, the Company proposes the election of three (3) Directors who are members of the Audit and Supervisory Committee.

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

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 “Partial Amendment to the Articles of Incorporation” take effect.

The candidates for Directors who are members of the Audit and Supervisory Committee are as follows:

Candidate No.	Name	Current positions and responsibilities in the Company
1	Takaharu Matsumura [New appointment] [Outside Director] [Independent]	Audit & Supervisory Board Member
2	Mihoko Manabe [New appointment] [Outside Director] [Independent]	
3	Kenichi Fujita [New appointment] [Outside Director] [Independent]	

Candidate No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Takaharu Matsumura (March 11, 1970) [New appointment] [Outside Director] [Independent]	<p>October 2000 Registered as lawyer (Tokyo Bar Association)</p> <p>June 2002 Joined New Tokyo International (later Bingham Sakai Mimura Aizawa -Foreign Law Joint Enterprise through office consolidation)</p> <p>April 2010 Partner of Bingham Sakai Mimura Aizawa – Foreign Law Joint Enterprise</p> <p>April 2015 Partner of Anderson Mori &amp; Tomotsune (currently Anderson Mori &amp; Tomotsune Foreign Law Joint Enterprise) through office consolidation (current position)</p> <p>April 2017 Outside Audit &amp; Supervisory Board Member of PROPOLIFE GROUP INC. (currently LogProstyle Group Inc.) (current position)</p> <p>March 2018 Outside Audit &amp; Supervisory Board Member of the Company (current position)</p> <p>June 2022 Corporate Auditor of Nippon Cultural Broadcasting Inc. (current position)</p> <p>June 2023 Outside Audit &amp; Supervisory Board Member of MOS FOOD SERVICES, INC.(current position)</p>	0
<p>[Reasons for nomination as a candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected roles]</p> <p>Mr. Takaharu Matsumura has accumulated experience as an attorney-at-law and possesses abundant expertise. As an Outside Audit &amp; Supervisory Board Member of the Company, he has participated in discussions at the Board of Directors meetings as well as discussions on business strategy, including those related to the formulation of the Medium-Term Management Plan, and he has acquired deep knowledge regarding the Company’s business and the pharmaceutical industry to which the Company belongs. The Company expects him to play a role in management as an Outside Director who is a member of the Audit and Supervisory Committee by utilizing his experience and expertise, and to fulfill the roles of management supervision and auditing by making statements, etc., at meetings of the Board of Directors. Therefore, the Company requests that he be newly elected as an Outside Director who is a member of the Audit and Supervisory Committee.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Mihoko Manabe (November 3, 1958) [New appointment] [Outside Director] [Independent]	<p>June 1982      Joined Nissho Iwai American Corporation (currently Sojitz Corporation of America)</p> <p>May 1988      Joined Moody's Investors Service, Inc.</p> <p>May 2013      Senior Vice President of Moody's Investors Service, Inc.</p> <p>May 2017      Associate Managing Director of Moody's Japan K.K.</p> <p>January 2019   Member of the Board, Director of Moody's Japan K.K.</p> <p>October 2023   Financial consultant (sole proprietor) (current position)</p>	0
<p>[Reasons for nomination as a candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected roles]</p> <p>Ms. Mihoko Manabe has many years of experience at a rating company and has a high level of insight into finance and accounting, along with abundant global experience. She has served as the Director of the Japanese subsidiary of a rating company, and has a high level of insight into corporate management in general. The Company expects her to play a role in management as an Outside Director who is a member of the Audit and Supervisory Committee by utilizing her experience and insight, and to fulfill the roles of management supervision and auditing by making statements, etc., at meetings of the Board of Directors. The Company also expects her to contribute to reflecting diverse values in management. Therefore, the Company requests that she be newly elected as an Outside Director who is a member of the Audit and Supervisory Committee.</p>			



Candidate No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Kenichi Fujita (March 18, 1959) [New appointment] [Outside Director] [Independent]	<p>April 1983      Joined ALPS ELECTRIC CO., LTD. (currently ALPS ALPINE CO., LTD.)</p> <p>June 1994      Director of Alpine Electronics GmbH (currently Alps Alpine Europe GmbH)</p> <p>June 2001      General Manager of Corporate Strategy Dept. and Principal Consultant of Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)</p> <p>September 2007      Representative Director and CEO of Siemens VDO Automotive K.K. (currently Continental Automotive Japan)</p> <p>October 2009      Energy Sector Business Development Director of Siemens AG</p> <p>October 2011      Senior Executive Officer, Energy Sector Lead of Siemens Japan K.K. (currently Siemens Healthcare K.K.)</p> <p>October 2014      Senior Executive Officer, General Manager of Power &amp; Gas Business Division, General Manager of Power Generation Service Business Division, and General Manager of Wind Power &amp; Renewable Energy Business Division of Siemens Japan K.K.</p> <p>October 2016      Representative Director, President and CEO, General Manager of Power &amp; Gas Business Division, General Manager of Power Generation Service Business Division of Siemens K.K.</p> <p>March 2018      Representative Director, President and CEO, General Manager of Energy Management Business Division and General Manager of Mobility Business Division of Siemens K.K.</p> <p>October 2020      Representative Director and Chairman of Siemens K.K.</p> <p>January 2021      Representative Director and President of K-BRIC, Ltd. (currently K-BRIC&amp;Associates, Ltd.) (current position)</p> <p>March 2021      Outside Director of ENECHANGE Ltd. (current position) (scheduled to retire on March 28, 2024)</p> <p>March 2023      Outside Director of OUTSOURCING Inc. (current position)</p>	0
<p>[Reasons for nomination as a candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected roles]</p> <p>Mr. Kenichi Fujita has many years of experience in a business corporation, possesses abundant global experience, and has a wealth of experience in corporate management and a high level of insight into general gained through serving as the Representative Director of the Japanese subsidiary of a global corporation. The Company expects him to play a role in management as an Outside Director who is a member of the Audit and Supervisory Committee by utilizing his experience and insight, and to fulfill the roles of management supervision and auditing by making statements, etc., at meetings of the Board of Directors. Therefore, the Company requests that he be newly elected as an Outside Director who is a member of the Audit and Supervisory Committee.</p>			

- Notes:
1. There is no conflict of interest between each candidate for Director who is a member of the Audit and Supervisory Committee and the Company.
  2. Each candidate for Director who is a member of the Audit and Supervisory Committee is a candidate for Outside Director.
  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 and if he is elected, the Company will continue to appoint him as Independent Director. If Ms. Mihoko Manabe and Mr. Kenichi Fujita are elected, the Company intends to submit a notification of the appointment of each candidate as Independent Director 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 six (6) years at the conclusion of the General Meeting of Shareholders since his appointment.
  5. Ms. Mihoko Manabe is a candidate for Director with foreign citizenship.
  6. 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 Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and if he is elected, the Company intends to renew the contract with him under the same conditions. If Ms. Mihoko Manabe and Mr. Kenichi Fujita are elected, the Company will conclude the contracts with them on the same terms and conditions as with Mr. Takaharu Matsumura.
  7. The Company has entered into a directors and officers liability insurance contract with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, 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. Currently, 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. Each Director who is a member of the Audit and Supervisory Committee will be insured under the insurance contract if Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and each candidate for Director who is a member of the Audit and Supervisory Committee is elected. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.

(Reference) The Board of Directors is 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-/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. Under the structure of the Board of Directors and executive officers, the expertise, experience, etc. to be prepared for the realization of the Company’s corporate philosophy and the Medium-/Long-Term Business Vision “VISION2030” are selected from the perspective of the fundamentals of business operations (stable supply of pharmaceutical products and quality assurance, compliance) and the execution of business strategies (maximization of the value of existing products and those in development, acquisition of new in-licensed drugs), in addition to extensive experience and insight into corporate management in general. The expertise, experience, etc. of each Director and Executive Officer in the event that Proposals 3 and 4 are approved as originally proposed at the General Meeting of Shareholders are as follows:

	Name	Position	Responsibility	Expertise / Experience									Certification	
				Corporate management / Management strategy	Legal affairs / Compliance / Risk management	Finance / Accounting	Sustainability	Sales / Marketing	Business development	Research and development	Production / Quality assurance	International experience		
Directors	Goichi Matsuda	Representative Director, President and Chief Executive Officer		●	●	●		●	●					
	Nobumasa Kondo	Representative Director, Executive Deputy President		●	●	●	●							
Directors who are members of the Audit and Supervisory Committee	Takaharu Matsumura	Outside Director			●								Attorney-at-law	
	Mihoko Manabe	Outside Director		●	●	●	●					●	Chartered Financial Analyst	
	Kenichi Fujita	Outside Director		●	●	●	●	●	●			●		
Executive Officers	Atsuyuki Kakee	Senior Executive Officer	Head of Innovation Group	●						●	●		●	
	Katsunobu Fujiwara	Senior Executive Officer	Head of Pharmaceutical Marketing & Promotion Group	●					●					
	Noriaki Nishino	Executive Officer	Head of Pharmacovigilance & Quality Assurance Group	●							●	●		Pharmacist
	Koji Matsuda	Executive Officer	Head of Production Group								●	●		Pharmacist
	Shinichiro Arikawa	Executive Officer	Head of Planning & Administration Group	●	●	●							●	

**Proposal 5:** Election of One (1) Substitute Director Who Is a Member of the Audit and Supervisory Committee

Subject to the approval and adoption of Proposal 2 “Partial Amendment to the Articles of Incorporation” as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee at the conclusion of the General Meeting of Shareholders.

Accordingly, the Company proposes the election of one (1) Substitute Outside Director who is a member of the Audit and Supervisory Committee in advance, in case the number of Directors who are members of the Audit and Supervisory Committee 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 and Supervisory Committee’s consent only prior to the assumption of office as Directors who are members of the Audit and Supervisory Committee.

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

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 “Partial Amendment to the Articles of Incorporation” take effect.

The candidate for Substitute Director who is a member of the Audit and Supervisory Committee is as follows:

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Hisashi Kumano (August 14, 1954)  [Substitute Outside Director] [Independent]	April 1974 July 2005  July 2015 August 2015  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 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)	0

[Reasons for nomination as a candidate for Substitute Outside Director who is a member of the Audit and Supervisory Committee and outline of expected roles]

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 expects him to play a role in management as an Outside Director who is a member of the Audit and Supervisory Committee by utilizing his experience and expertise, and to fulfill the roles of management supervision and auditing by making statements, etc., at meetings of the Board of Directors. Therefore, the Company requests that he be newly elected as a Substitute Outside Director who is a member of the Audit and Supervisory Committee.

- 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 compensation paid by the Company to this office during the fiscal year under review was less than 1,500,000 yen, which does not affect his performance of duties as an Outside Director who is a member of the Audit and Supervisory Committee, and the Company believes that his independence has been sufficiently secured.
  2. Mr. Hisashi Kumano is a candidate for Substitute Outside Director who is a member of the Audit and Supervisory Committee.
  3. The Company plans to submit a notification of the appointment of Mr. Hisashi Kumano as Independent Director in accordance with the stipulations of the Tokyo Stock Exchange, if he assumes the position of Outside Director who is a member of the Audit and Supervisory Committee.
  4. The Company plans to enter into a contract with Mr. Hisashi Kumano in accordance with the Articles of Incorporation of the Company to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, if Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and he assumes the position of Outside Director who is a member

of the Audit and Supervisory Committee. 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, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, 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. Currently, 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 Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and he assumes the position of Outside Director who is a member of the Audit and Supervisory Committee. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.

**Proposal 6:** Determination of Amount of Compensation, etc. for Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)

The amount of compensation, etc. for Directors of the Company was approved at the 115th Annual General Meeting of Shareholders held on June 21, 2007, as no more than 300 million yen per year (excluding the employee salary portion for Directors concurrently serving as employees). However, if Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved and adopted as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and therefore, the Company proposes that the amount of compensation, etc. for Directors (excluding Directors who are members of the Audit and Supervisory Committee) be no more than 300 million yen per year.

The Company believes that this proposal is appropriate because it was decided by the Board of Directors after ensuring the opportunity to explain the proposal to the Independent Outside Directors and to obtain appropriate advice, while comprehensively taking into account the economic situation, the Company’s business scale, the level of compensation at other companies, the number of Directors (excluding Directors who are members of the Audit and Supervisory Committee), and future trends.

The Company proposes that the compensation, etc. not include the employee salary portion for Directors concurrently serving as employees.

There are currently three (3) Directors. However, if Proposal 2 “Partial Amendment to the Articles of Incorporation” and Proposal 3 “Election of Two (2) Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)” are approved and adopted as originally proposed, the number of Directors (excluding Directors who are members of the Audit and Supervisory Committee) will be two (2).

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 “Partial Amendment to the Articles of Incorporation” take effect.

**Proposal 7:** Determination of Amount of Compensation, etc. for Directors Who Are Members of the Audit and Supervisory Committee

If Proposal 2 “Partial Amendment to the Articles of Incorporation” is approved and adopted as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and therefore, the Company proposes that the amount of compensation, etc. for Directors who are members of the Audit and Supervisory Committee be no more than 90 million yen per year. The Company believes that this proposal is appropriate because it was decided by comprehensively taking into account the economic situation, the Company’s business scale, the level of compensation at other companies, responsibilities and the number of Directors who are members of the Audit and Supervisory Committee, and future trends.

If Proposal 2 “Partial Amendment to the Articles of Incorporation” and Proposal 4 “Election of Three (3) Directors Who Are Members of the Audit and Supervisory Committee” are approved and adopted as originally proposed, the number of Directors who are members of the Audit and Supervisory Committee will be three (3).

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 “Partial Amendment to the Articles of Incorporation” take effect.

**Proposal 8:** Determination of Compensation for Granting Restricted Stock to Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee and Outside Directors)

The amount of compensation for granting restricted stock was approved at the 126th Annual General Meeting of Shareholders held on March 28, 2018 as no more than 66 million yen per year (excluding employee salary portion for Directors concurrently serving as employees), which is separate from the monetary compensation of no more than 300 million yen per year (excluding employee salary portion for Directors concurrently serving as employees) to Directors of the Company, with the aim of providing incentives for the Company's Directors (excluding Outside Directors) to contribute to the sustainable enhancement of the Company's corporate value and further promote their sharing of value with the Company's shareholders.

If Proposal 2 "Partial Amendment to the Articles of Incorporation" is approved and adopted as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee. Therefore, the Company proposes, subject to the approval and adoption of Proposal 2 "Partial Amendment to the Articles of Incorporation" as originally proposed at the General Meeting of Shareholders, to pay compensation for granting restricted stock to Directors of the Company (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors, hereinafter the "Eligible Directors") for the purpose of continuing to provide incentives for pursuing sustainable enhancement of the Company's corporate value and to further promote value sharing with shareholders. Compensation to be paid to Eligible Directors based on this proposal shall be a monetary claim, and the Company proposes that the amount of compensation for granting restricted stock be no more than 66 million yen per year (excluding employee salary portion for Directors concurrently serving as employees), which is separate from the amount of compensation to be approved in Proposal 6 "Determination of Amount of Compensation, etc. for Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)."

The Company believes that this proposal is appropriate because it relates to the transition to a company with an Audit and Supervisory Committee, the compensation details are substantially the same as the details approved at the 126th Annual General Meeting of Shareholders held on March 28, 2018, and it was decided by the Board of Directors after ensuring the opportunity to explain the proposal to the Independent Outside Directors and to obtain appropriate advice.

The specific timing and allocation of payment to each Eligible Director shall be decided by the Board of Directors. There are currently three (3) Directors (including two (2) Outside Directors). However, if Proposal 2 "Partial Amendment to the Articles of Incorporation" and Proposal 3 "Election of Two (2) Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)" are approved and adopted as originally proposed, the number of Eligible Directors will be two (2).

This proposal will take effect on the condition that the amendment to the Articles of Incorporation in Proposal 2 "Partial Amendment to the Articles of Incorporation" take effect.

In addition, the Eligible Directors shall, based on a resolution of the Company's Board of Directors, tender all monetary claim awarded according to this proposal as a contribution in kind to have shares of the Company's common stock issued thereto or disposed of thereafter. The total number of shares of the Company's common stock thus issued or disposed of shall not exceed 33,000 shares per year. Provided, however, that said total number may be adjusted within a reasonable range in the case that a stock split (including a gratis allotment) or a reverse stock split of the Company's common stock is conducted on or after the day when this proposal is approved and adopted or whenever any other reason arises that would require the adjustment of the total number of the Company's common shares that are issued or disposed of as shares with restrictions on transfer.

The amount to be paid per share shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the day when the relevant resolution is made by the Company's Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day). Regarding the issuance or disposal of the Company's common shares upon such payment, a contract on the allotment of shares with restrictions on transfer (hereinafter the "Allotment Contract") that includes the following provisions shall be concluded between the Company and an Eligible Director.

(1) Transfer restriction period

An Eligible Director must not transfer, create a security interest in or otherwise dispose of the shares of the Company's common stock that are allotted according to the Allotment Contract (hereinafter the "Allotted Shares") during a period prescribed by the Company's Board of Directors (hereinafter the "Transfer Restriction Period") between three (3) and twenty (20) years from the day when the Eligible



Director was allotted such shares according to the Allotment Contract. (Such restrictions are hereinafter collectively referred to as “Transfer Restrictions.”)

(2) Treatment upon retiring or resigning, etc.

If an Eligible Director retires or resigns from the position of Director, Executive Manager, Executive Officer not concurrently serving as Director, Audit & Supervisory Board Member, employee, counselor, advisor, or any other similar position (except part-time positions in the case of an employee, counselor, advisor, or any other similar position equivalent thereto) at the Company or its subsidiary prior to the expiration of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Shares without consideration, excluding cases when retirement or resignation is due to the end of term of office, mandatory retirement, death, or other justifiable reason.

(3) Lifting of the Transfer Restrictions

Notwithstanding the provisions of (1) above, the Company will lift the Transfer Restrictions on all of the Allotted Shares at the expiration of the Transfer Restriction Period on the condition that an Eligible Director has served as either Director, Executive Manager, Executive Officer not concurrently serving as Director, Audit & Supervisory Board Member, employee, counselor, advisor, or any other similar position (except part-time positions in the case of an employee, counselor, advisor, or any other position equivalent thereto) of the Company or a subsidiary thereof without a break throughout the Transfer Restriction Period. Provided, however, that, if an Eligible Director retires or resigns from the position set forth in (2) above before the Transfer Restriction Period expires due to the expiration of term of office, mandatory retirement, death, or other justifiable reasons set forth in (2) above, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which Transfer Restrictions shall be lifted and the timing of the lifting of Transfer Restrictions.

(4) Handling in case of reorganization

Notwithstanding the provision of (1) above, if a proposal for a merger agreement under which the Company will be absorbed, a share exchange agreement or a stock transfer plan under which the Company will become a wholly-owned subsidiary, or other forms or reorganization of the Company was approved by the Company’s General Meeting of Shareholders (or the Company’s Board of Directors, when such reorganization does not require approval of the Company’s General Meeting of Shareholders) during the Transfer Restriction Period, the Company will, by a resolution of its Board of Directors, lift the Transfer Restrictions for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of such approval, prior to the effective date of such reorganization. In addition, in the cases provided above, the Company shall automatically acquire the Allotted Shares without consideration for which the Transfer Restrictions have not been lifted at the time immediately after the Transfer Restrictions are lifted.

(5) Other matters determined by the Board of Directors

In addition to the aforementioned provisions, a method of indication of intention or notification under the Allotment Contract, a method of revising the Allotment Contract, and/or other matters determined by the Board of Directors shall constitute the provisions of the Allotment Contract.

[Reference]

In addition to the Eligible Directors, Executive Officers who do not concurrently serve as Directors of the Company shall be continuously paid the same restricted stock compensation as that paid to the Eligible Directors by a resolution of the Board of Directors, and the Company plans to newly issue or dispose of common stock of the Company.

### <Proposal by Shareholder (Proposals 9 to 11)>

Proposals 9 to 11 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 the original text (the reasons for proposal 11 “Partial Amendment to the Articles of Incorporation (Disclosure of Result of Examination of Fund Management through CMS)” is the summary of the original text submitted by the Proposing Shareholder)

#### **Proposal 9** 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 the General Meeting of Shareholders, the Company shall acquire its common stock of up to 1,580,000 shares in total, with a total acquisition price of up to 6,000,000,000 yen, by delivering cash (however, if the total acquisition price permitted under the Companies Act (i.e., 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

Since JT acquired a majority stake in the Company in 1998, the R&D Department of the Company has been transferred to JT, leading the Company to specialize in sales and marketing. However, considering the slump in the valuation of the Company’s shares, a synergistic effect between the parent and the subsidiary was not expected, and it is reasonably assumed that the goals that JT had when it acquired a majority stake in the Company have not been achieved.

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. As it is increasingly easier for customers to obtain information about pharmaceutical products via the Internet, the competitiveness of the Company’s sales and marketing business staffed by medical representatives (“MRs”) has weakened. While the Company has entered a phase of seeking a new business model, with the exception of the fiscal year ending December 2019, when the contract with Gilead was terminated and the Company earned extraordinary gains of more than 40.0 billion yen, the Company’s average return on shareholder’s equity (ROE) over the last 10 years was just approximately 3%. On the other hand, as a result of the continuous accumulation of assets under management, the Company’s PBR has remained less than 1.

The Company’s capital-to-asset ratio was approximately 90% as of September 30, 2023, 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%, as long as surplus capital and low-return assets under management are preserved, corrections cannot be made to the inefficient capital allocation in which ROE is lower than shareholders’ cost of capital.

Accordingly, a drastic share buyback is required. As stated above, the amount of cash and deposits and assets under management that do not contribute to the main business is approximately 80% of its market capitalization; therefore, the Company has more than adequate funds for the repurchase of treasury stock. The proposed total number of shares of common stock to be repurchased is equivalent to 20% of the sales price of the Company’s shares in the previous year and from a liquidity perspective, it is a reasonable level that the market can fully absorb.

## Opinion of the Board of Directors

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

As disclosed in “Initiatives to Enhance Corporate Value, including Measures to Achieve Cost of Capital and Stock Price Conscious Management\*” on December 28, 2023, as part of future efforts, the Company will focus on “Maximizing the Value of Existing and Developed Products” and “Acquiring New In-Licensed Drugs” in order to achieve the goals of the Medium-/Long-Term Business Vision “VISION2030” and ensure sustainable growth thereafter. Among these, “Acquiring New In-Licensed Drugs” is considered essential for the continued existence and growth of the companies such as the Company, which have limited R&D functions. Considering the current state of the pipeline and development risks, the Company intends 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, the Company will prioritize 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. By achieving sustainable growth in sales and profits through such business investments, the Company will aim to enhance the medium-/long-term corporate value with awareness of the cost of capital. Specifically, the Company set 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, the Company was able to acquire two new in-licensed drugs (NAC- GED-0507 and GRAZAX), and in regard to business investments, the Company has executed and made decisions on investments totaling over 5.0 billion yen.

The Company sees shareholder return as one of its important management issues, and the Company will maintain its basic policy of continuous and stable dividends while further enhancing the Company’s shareholder returns, and the Company will review the progress the Company 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 such view, while comprehensively considering the Company’s current performance, its medium-/long-term business prospects, progress in respect of its products in development and the status of its acquisition of in-licensed drugs, the Company reviewed the level of dividends that will enable the Company to pay continuous and stable dividends while making proactive business investments to enhance the Company’s medium-/long-term corporate value, and increased the full-year dividend per share from 48 yen for FY2021 to 100 yen for FY2022. As a result of the same review in FY2023, given the increased certainty of future growth due to progress in new in-licensed drugs as mentioned above and steady progress in the promotion of new drugs development (conducting the application for manufacturing and sales authorization in regard to JTE-061, and obtaining the preliminary results of phase III clinical trial in regard to TO-208), etc., in regard to the Company’s proposal for the appropriation of surplus at the General Meeting of Shareholders, the Company plans to propose paying a dividend of 70 yen per share at the end of FY2023. If this proposal is approved, the full-year dividend per share for FY2023 will be 120 yen, an increase of 20 yen from FY2022.

The Company will consider the repurchase of treasury stock after comprehensively taking into account its business circumstances and investment progress, as the Company recognizes this as one of the options for shareholder returns. However, 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 flexible investment.

On the other hand, the Company believes that the repurchase of treasury stock as stated in the Shareholder Proposal does not take into consideration the characteristics of the pharmaceutical business or the need for the Company to conduct proactive business investments. There are concerns about the risk that such a repurchase would make it difficult to achieve results from the medium-/long-term business investments including the acquisition of in-licensed drugs; therefore, the Company has determined that it will not lead to enhancement of the corporate value in the medium-/long-term.

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

\*For further information, please see “Initiatives to Enhance Corporate Value” (<https://www.torii.co.jp/ir/value/>). Please note that the information is only available in Japanese.

**Proposal 10** Partial Amendment to the Articles of Incorporation (Disclosure of Individual Compensation for Directors with Representative Authority)

(1) Summary of the Proposal

The Proposing Shareholder proposes to establish the new article below in the Company’s Articles of Incorporation. If a technical revision (including, but not limited to, an amendment to the number of articles) is required to be made to any of the provisions described in this proposal due to the passage of other proposals (including proposals by the Company) at the General Meeting of Shareholders, the provision pertaining to this proposal must be replaced with the amended provision to which the necessary revisions have been made.

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
(N/A)	(Compensation, etc. for Directors) Article 25 (Omitted) (2) <u>The amount, details, and determination methods of the compensation for each director with representative authority shall be disclosed annually in the business report and the annual securities report.</u>

(2) Reason for Proposal

Since the Company became a listed subsidiary of JT in 1998, multiple former employees of JT have been appointed as top management of the Company; however, Norihiko Matsuo, Shoichiro Takagi, and Goichi Matsuda, each a president and representative director of the Company, who were employees of JT, do not appear to have abundant insight into the pharmaceutical business. They have neglected capital allocation and have done nothing about PBR of less than 1. Meanwhile, no information has been disclosed regarding the details of JT’s rights to nominate the Company’s officers, the reasons for appointing former employees of JT who are not experts in the pharmaceutical business, and other related matters.

The Company’s Corporate Governance Report disclosed in December 2023, states that, with respect to the compensation for directors, “the compensation level of the directors is determined in consideration of objective data such as compensation surveys conducted by external organizations and maintaining a balance with the compensation level of the Company’s employees, etc., and the rates of monthly compensation, bonuses and restricted stock compensation for the directors are determined as incentives for pursuing sustainable growth and to enhance the medium-/long-term corporate value”; with respect to the compensation for managing directors, “it consists of monthly compensation and bonuses in accordance with each position. Bonuses consist of a portion linked to individual evaluations and a portion linked to the Company’s performance”; and “the directors (excluding outside directors) are eligible for the restricted stock compensation plan for the purpose of providing incentives for pursuing sustainable growth of the Company’s corporate value and further ensuring that the same perspective on corporate value is shared between the directors and shareholders.”

The Corporate Governance Code stipulates, “The board should design management compensation systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual compensation amounts appropriately through objective and transparent procedures. The proportion of management compensation linked to the medium-/long-term results and the balance between cash and stock should be set appropriately.” (June 2021 version, Supplementary Principle 4.2.1 [on page 16]). However, considering the Company’s situation where PBR of less than 1 is becoming the norm, the Company’s compensation system is unlikely to serve as an incentive to realize the interests of minority shareholders. Therefore, the individual compensation for those directors with representative authority, who were former employees of JT, needs to be disclosed.

## Opinion of the Board of Directors

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

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 described below.

- Compensation for directors is determined for each position, and when setting the compensation level, it is determined in consideration of objective data such as compensation surveys conducted by external organizations and maintaining a balance with the compensation level of the Company’s employees, etc.
- Compensation for managing directors consists of monthly compensation, bonuses, and restricted stock compensation, which are determined according to position. The ratio of monthly compensation, bonuses which consists of a portion reflecting individual evaluations and a portion linked to the Company’s performance and restricted stock compensation are determined as incentives to pursue the Company’s sustainable growth and enhance its medium-/long-term corporate value. The current representative director’s compensation consists of approximately 20% of the bonuses as the single-year incentive, and approximately 15% of the restricted stock compensation as the medium-/long-term incentive.
- The amount of monthly compensation and bonus is determined individually based on the Decision-Making Policy, and within the range of compensation approved at the 115th general meeting of shareholders held on June 21, 2007. The determination of the specific amount and timing of payment is at the sole discretion of president and representative director Goichi Matsuda; however, to ensure that such determination is made appropriately, each compensation amount is explained to and approved by the independent outside directors in advance.
- Based on the content approved at the 126th general meeting of shareholders held on March 28, 2018, the Board of Directors determines the specific timing and allocation of the restricted stock compensation to each eligible director. Since independent outside directors constitute a majority of the Board of Directors of the Company, and since the independent outside directors are not eligible for restricted stock compensation, in determining the specific timing and allocation of restricted stock compensation to each eligible director, a system has been established that ensures that the Board of Directors, containing the independent outside directors, makes appropriate decisions in the interest of providing incentives to pursue the Company’s sustainable growth and enhance its medium-/long-term corporate value.

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

Furthermore, as the Company 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, the Company plans to maintain the system under which independent outside directors constitute a majority of the Board of Directors. In addition, from the viewpoint of further improving the transparency, objectivity and fairness of the nomination and compensation procedures for directors which were previously discussed and reviewed by all directors, and further enhancing deliberations, the Company 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.

This proposal calls for provisions to be newly established that require the individual disclosure of compensation for directors with representative authority; however, the amount of director compensation is determined through the appropriate procedures in the Company as described above taking into consideration the incentives to achieve the enhancement of corporate value, and proper disclosure is made with respect to director compensation. The Company will establish the Nomination

and Compensation Advisory Committee, which will be comprised only of independent outside directors to further improve the transparency, objectivity and fairness of the procedures. In addition, the provisions regarding the disclosure of a discrete matter are not aligned with the provisions of the Articles of Incorporation, which constitute the fundamental rules of a company; therefore, the Company believes that this proposal is inappropriate.

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

**Proposal 11** Partial Amendment to the Articles of Incorporation (Disclosure of Result of Examination of Fund Management through CMS)

(1) Summary of the Proposal

The Proposing Shareholder proposes to establish the new chapter and article below in the Company’s Articles of Incorporation. If a technical revision (including, but not limited to, an amendment to the number of articles) is required to be made to any of the provisions described in this proposal due to the passage of other proposals (including proposals by the Company) at the General Meeting of Shareholders, the provision pertaining to this proposal must be replaced with the amended provision to which the necessary revisions have been made.

(The amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendment
(N/A)	<p data-bbox="842 622 1378 719"><u>Chapter 7 Disclosure of Result of Examination of Fund Management through CMS</u></p> <p data-bbox="842 757 1378 1093"><u>(Disclosure of Result of Examination of Fund Management through CMS)</u>  <u>Article 39 The Company shall examine the necessity of fund management through the cash management system (CMS), etc. at the Board of Directors’ meetings and shall specifically disclose the result of the examination in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.</u></p>

(2) Reason for Proposal (Summary)

As of the end of September 2023, the Company had 3.9 billion yen on deposit in JT’s account via the CMS, through which the parent company centrally manages group funds. The existence of CMS causes the Company to passively miss the opportunity to utilize the cash properly from the perspective of capital allocation, and this is one of the main causes the Company’s PBR has remained less than 1 for a prolonged period. The returns from CMS are more likely to be lower than the capital cost of the Company.

The significance and necessity of providing so much cash to JT have not been fully explained from the perspective of protecting minority shareholders by the Company. 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” (September 1, 2020), 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 the “Enhancement of Information Disclosure on Protection of Minority Shareholders and Group Management” announced by the Tokyo Stock Exchange on December 26, 2023, the “Parent company’s approach/policy regarding group management” was listed as an item for which information disclosure should be enhanced in the corporate governance reports of listed companies with a parent company. It is stated in such announcement that “If carrying out cash management with the parent company (e.g., participation in the parent company’s cash management system), the reasons for this” should be disclosed.

## **Opinion of the Board of Directors**

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

The Company's 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., the Company will use CMS as one of the advantageous counterparties, taking into account fees and other factors at the Company's own discretion. In addition, given the use of CMS as a fund settlement account, the Company 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 (the Company's disclosure was introduced as a sample disclosure in "Sample Disclosures (in Japanese only)").

Based on the policy to reduce the funds managed through CMS by the end of 2023 to the amount necessary for the purpose of using CMS as a fund settlement account, the balance of the Company's funds in CMS amounted to 11,217 million yen as of December 31, 2022, was reduced to 3,677 million yen (approximately 67.2% reduction) as of December 31, 2023.

Going forward, the Board of Directors will continue to periodically check and review the significance and status of the use of CMS and will appropriately disclose the Company's transactions with the parent company that were handled through CMS in order to promote better understanding of shareholders and investors.

This proposal calls for provisions to be newly established in the Articles of Incorporation that require the disclosure of the results of the review of management of cash on hand, which is a discrete matter related to management, and, as mentioned above, the Company is using CMS appropriately, with the Board of Directors periodically checking and reviewing the significance and status of the use of CMS and making appropriate disclosures. In addition, provisions regarding the disclosure of a discrete matter are not aligned with the provisions of the Articles of Incorporation, which constitute the fundamental rules of a company; therefore, the Company believes that this proposal is inappropriate.

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