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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 131st General Meeting of Shareholders scheduled for March 28, 2023 (the "General Meeting of Shareholders"). In the Report, ISS recommends that Torii's shareholders approve Proposal 6, Proposal 7, Proposal 8 and Proposal 9, 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. Proposals 6 and 7

ISS recommends that Torii's shareholders approve Proposal 6: Appropriation of Surplus and Proposal 7: Repurchase of Treasury Stock, assuming that additional returns should be feasible without causing problems for the company's financial health, based on the level of Torii's shareholder's equity, etc.

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.

Torii sees shareholder returns as one of its most important management goals, and always strives to pay stable and continuous dividends. At the same time, Torii sees the achievement of increased corporate value over the medium-/long-term as being the greatest return to shareholders. Based on this belief, Torii will give priority to using cash on hand for business investments, and continue to grow its sales and profits through business investments, and aim to enhance medium-/long-term corporate value with awareness of the cost of capital.

In order for pharmaceutical companies to achieve increased corporate value over the medium-/long-term, it is essential to create and sell new drugs. For a company like Torii that has limited R&D functions, in-licensing

is a very effective way of acquiring new drugs. The nature of the business of investment with respect to in-licensing does not allow Torii to decide the investment amount, timing, or other matters on its own in advance, and thereby makes it difficult for Torii to present concrete plans. However, in order to deepen the understanding of all of the shareholders and investors, with regard to capital allocation, Torii set, in the Medium-Term Management Plan 2023-2025 (the “New Medium-Term Management Plan”) announced on February 10, 2023, the next five years through 2027 as an intensive business investment period and has indicated its intention to use approximately JPY 40.0 billion for business investments for in-licensing, among others. In addition, in consideration of the need for a certain amount of cash on hand as working capital for ordinary business operations and as investment capacity from FY 2027, Torii will regularly evaluate the adequacy of its lineup of in-licensed drugs and its financial situation, etc., and provide the appropriate shareholder returns.

In light of the above, while comprehensively considering Torii’s current performance, its medium-/long-term business prospects and progress in respect of its products in development and the status of its acquisition of in-licensed drugs, Torii reviewed the level of dividends that will enable Torii to make stable and continuous dividend payments while making proactive business investments to increase Torii’s medium-/long-term corporate value. As a result of this review, in regard to Torii’s proposal for the appropriation of surplus at the General Meeting of Shareholders, Torii proposed to pay a dividend of JPY 76 per share at the end of FY2022. If this proposal is approved, the full-year dividend per share for FY 2022 will be JPY 100, an increase of JPY 52 from the full-year dividend per share of JPY 48 for FY 2021. In addition, in FY 2023 and thereafter, Torii will maintain our basic policy of stable and continuous dividends while further enhancing Torii’s shareholder returns, and in the New Medium-Term Management Plan, Torii has indicated that it will review the progress Torii has made in our business operations and investments while striving to improve dividend on equity ratio (DOE) over the medium-/long-term, aiming for a DOE level that compares favorably with that of other companies within the same industry in the future.

ISS recommends shareholders to vote in favor of the shareholder proposal which calls for the appropriation of surplus, the amount of which far exceeds the amount of the appropriation of surplus proposed by Torii at the General Meeting of Shareholders, and a large-scale repurchase of treasury stock; however, the analysis of the Report is based primarily on Torii’s current financial situation, etc. only without consideration of the characteristics of the pharmaceutical business or Torii’s growth strategy. There are concerns about the risk that it will be difficult to achieve results from in-licensing if this proposal is approved; therefore, Torii has determined that it will not lead to increased corporate value in the medium-/long-term.

For the above reasons, Torii is opposed to Proposals 6 and 7.

2. Proposal 8

ISS recommends shareholders to vote in favor of Proposal 8: Partial Amendment to the Articles of Incorporation (Disclosure of Remuneration for Directors with Representative Authority) as 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 has established a decision-making policy with regard to the content of remuneration for each Director, including the Representative Director (the “Decision-Making Policy”), and in accordance with such Decision-Making Policy, etc., remuneration is determined through an appropriate process. Independent outside directors now constitute a majority of the Board of Directors, leading to a system to enhance the independence and objectivity of the function of the Board of Directors and accountability of the Board of Directors. Therefore, the appropriateness of the Representative Directors’ remuneration is secured.

In addition, in accordance with applicable laws and regulations, Torii appropriately discloses Directors’ remuneration, including an overview of the Decision-Making Policy and the total amount of remuneration for each position and total remuneration by type, including restricted stock compensation, in its business reports and annual securities reports. Accordingly, Torii believes that it discloses sufficient information for shareholders and the stock market to properly assess the performance of Torii’s Representative Director and its corporate governance system.

This proposal calls for provisions to be newly established that require the individual disclosure of remuneration for Directors with representative authority; however, such provisions are not aligned with the provisions of the Articles of Incorporation, which constitute the fundamental rules of a company, and given that the amount of Director remuneration is determined through an appropriate process in Torii as described above, Torii believes that this proposal is inappropriate.

For the above reasons, Torii is opposed to Proposal 8.

3. Proposal 9

ISS recommends that Torii’s shareholders approve Proposal 9: Partial Amendment to the Articles of Incorporation (Disclosure of Result of Examination of Fund Management through CMS) because, among other reasons, it would promote the Board of Director’s accountability concerning financial arrangements through CMS (cash management system) with its parent company, Japan Tobacco Inc., and potentially accelerate the reduction of the use of CMS.

Further, ISS states that Torii mentioned nothing about CMS in its Corporate Governance Report.

Given the recent discussions for strengthening corporate governance over the transactions between parent and subsidiary companies, and based on the policy to reduce funds managed through CMS to the amount necessary for the purpose of using CMS as a fund settlement account, the balance of Torii’s funds in CMS as of December 31, 2022 amounted to 11,217 million yen, a reduction of approximately 52% from the previous year. As indicated as the opinion of the Board of Directors regarding the shareholder proposal, by the end of FY 2023, Torii plans to further reduce the outstanding balance to the extent required in light of the use of CMS as a fund settlement account and taking into account the advantages of using CMS as a fund settlement account (such as

reduction of payment fees, exchange contracts at favorable exchange rates, etc.).

In addition, with respect to transactions, etc., including CMS, with controlling shareholders, Torii states, “We use the loan (omitted) from the parent company at our own discretion, as a means of the cash settlement, etc. with one of the business partners that would bring benefits to us, considering commissions and other factors. In accordance with internal rules, we will decide on (omitted) transactions with the major shareholders, including the parent company, at the Board of Directors, etc. and report annual transaction results to the Board of Directors. In addition, when making decisions on transactions, etc. with major shareholders, including the parent company, we will obtain opinions from outside experts as necessary, and seek opinions from outside officers who have no interest in such major shareholders.” in “4. Guidelines for Measures for Protection of Minority Shareholders upon Conducting Transactions, etc. with Controlling Shareholders” under “I Basic Approach to Corporate Governance and Capital Structure, Corporate Profile and Other Basic Information” of Torii’s Corporate Governance Report dated February 13, 2023, and Torii discloses its policy for the use of CMS and appropriateness of transactions, etc., including CMS, with the controlling shareholders.

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; however, this proposal is not aligned with the provisions of the Articles of Incorporation, which constitute the fundamental rules of a company, and, as mentioned above, Torii is using CMS appropriately after clarifying the purposes as above, and given that the Board of Directors, the majority of which consists of independent outside directors, checks the status of the use of CMS and properly discloses such status in accordance with applicable laws and regulations, Torii believes that this proposal is inappropriate.

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

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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