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Tokyo, May 7, 2025

FOR IMMEDIATE RELEASE

Announcement of Expression of Opinion in Support of the Tender Offer for Our Shares by Shionogi & Co., Ltd. and Recommendation to Tender Shares in the Tender Offer

TORII PHARMACEUTICAL CO., LTD. (the "Company") hereby announces that, at its Board of Directors' meeting held today, the Company adopted a resolution to express its opinion in support of the tender offer for shares of the Company's common stock (the "Company Stock") by Shionogi & Co., Ltd. (the "Tender Offeror") (the "Tender Offer") and to recommend the Company's shareholders to tender their shares in the Tender Offer, as detailed below.

The resolution of the Board of Directors mentioned above was adopted on the assumption that the Tender Offeror intends to make the Company its wholly-owned subsidiary through the Tender Offer and the subsequent series procedures and that the Company Stock will be delisted.

1. Overview of the Tender Offeror

(1)	Name	Shionogi & Co., Ltd. (TSE Prime Code No. 4507)	
(2)	Address	1-8, Doshomachi 3-chome, Chuo-ku, Osaka	
(3)	Representative's name and title	Isao Teshirogi, Ph.D., Representative Director, President and CEO	
(4)	Description of business	Research and development, purchase, manufacturing and distribution of ethical drugs, and services incidental to the above	
(5)	Capital	21,279,000,000 yen (as of December 31, 2024)	
(6)	Date of incorporation	June 5, 1919	
(7)	Major shareholders and their stakes (as of September 30, 2024)	The Master Trust Bank of Japan, Ltd. (Trust Account)	18.55%
		Custody Bank of Japan, Ltd. (Trust Account)	8.50%
		Sumitomo Life Insurance Company	6.49%
		SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	3.30%
		Nippon Life Insurance Company	2.93%
		BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED (Standing proxy: Citibank, N.A., Tokyo Branch)	2.21%
		STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2.15%
		JPMorgan Securities Japan Co., Ltd.	1.60%
		STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.36%
		STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.17%

(8)	Relationship between the Company and the Tender Offeror	
	Capital relationship	The Tender Offeror holds 1 share of the Company.
	Personal relationship	Not applicable.
	Transactional relationship	The Company had transactions in the past with the Tender Offeror's consolidated subsidiary Shionogi Pharma Co., Ltd. whereby the Company contracted out services related to the quality assessment of pharmaceuticals; however, the amounts of the transactions were negligible.
	Status as related parties	Not applicable.

2. Tender Offer Price

6,350 yen per common share (the "Tender Offer Price")

3. Details of, and Grounds and Reasons for, the Company's Opinion on the Tender Offer

(1) Details About the Company's Opinion on the Tender Offer

At its Board of Directors meeting held today, the Company adopted a resolution to express its opinion in support of the Tender Offer and to recommend that the Company's shareholders tender their shares in the Tender Offer, on the grounds and for the reasons described in "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" below.

The resolution of the Board of Directors mentioned above was adopted in the manner described in "(F) Unanimous Approval by All of the Non-interested Directors of the Company, Including the Audit and Supervisory Committee Members" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(2) Grounds and Reasons for the Company's Opinion on the Tender Offer

Of the statements contained in this sub-section "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer," those statements that relate to the Tender Offeror are based on the explanations the Company received from the Tender Offeror.

(A) Overview of the Tender Offer

At its Board of Directors meeting held today, the Tender Offeror adopted a resolution to conduct the Tender Offer as part of a transaction to make the Company a wholly-owned subsidiary of the Tender Offeror by acquiring all shares of the Company Stock listed on the Prime Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") (excluding the shares of the Company Stock directly held by the Tender Offeror and the treasury shares held by the Company) (the "Transaction"). As of today, the Tender Offeror holds 1 share (Note 1) (shareholding percentage (Note 2: 0.00%) of the Company Stock.

The Transaction consists of the following and is intended to eventually make the Tender Offeror the sole shareholder of the Company: (i) the Tender Offer by the Tender Offeror; (ii) a consolidation of the Company Stock to be carried out by the Company under Article 180 of the Companies Act (Act No. 86 of 2005, as amended thereafter; the "Companies Act")in order to make the Tender Offeror and Japan Tobacco Inc. ("Japan Tobacco"; collectively with the Tender Offeror, the "Tender Offer Related Parties"), which is the parent company and the largest shareholder of the Company, the only shareholders of the Company (the "Stock Consolidation"), if, after consummation of the Tender Offer, the Tender Offeror fails to acquire all of the Company Stock (excluding the 15,398,800 shares (shareholding percentage: 54.78%) of the

Company Stock held by Japan Tobacco (the “Agreed Untendered Shares” and the treasury shares held by the Company; hereinafter the shares of the Company Stock excluding the shares of the Company Stock held by the Tender Offeror, the Agreed Untendered Shares and the treasury shares held by the Company are referred to collectively as the “Tender Offer Target Shares”); (iii) the Tender Offeror’s provision of funding to the Company (which is expected to be handled via a loan by the Tender Offeror to the Company or through a third-party allocation of new shares in which the Tender Offeror is the subscriber (Note 3) or through other means) (the “Funding”), as well as a reduction in the amounts of the Company’s stated capital and capital reserves pursuant to Article 447, paragraph (1) and Article 448, paragraph (1) of the Companies Act (the “Capital Reduction” (Note 4), each of which is intended to secure the funds and distributable amount necessary for the Company to acquire the Agreed Untendered Shares after the Stock Consolidation becomes effective (the “Treasury Share Acquisition”); and (iv) the Treasury Share Acquisition. For further details about the Stock Consolidation, please see “(4) Policy for Organizational Restructuring after the Tender Offer (Information on the ‘Two-Step Acquisition’)” below.

Note 1: Effective on April 28, 2025, the Tender Offeror acquired 1 share of the Company Stock from an employee of the Company, via negotiations, at 4,340 yen per share (i.e., the closing price of the Company Stock on the Prime Market of the Tokyo Stock Exchange on April 28, 2025), for purposes of requesting access to, and copies of, the shareholder register of the Company.

Note 2: “Shareholding Percentage” of a certain number of shares of the Company means the percentage the relevant number of shares represents with regard to the total number of issued and outstanding shares of the Company as of March 31, 2025 (28,800,000 shares), as stated in the Financial Results for the First Three Months of Fiscal Year Ending December 2025 released by the Company on April 25, 2025 (the “Company’s Financial Results”) less the number of treasury shares held by the Company as of that same date ((688,848 shares) (28,111,152 shares) (rounded to two decimal places; the same applies hereinafter to all calculations of the Shareholding Percentage).

Note 3: According to the Tender Offeror, if such a third-party allocation of new shares is conducted, in order to ensure that the spirit of uniformity of the tender offer price (Article 27-2, paragraph (3) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended thereafter; the “Act”)) will not be violated, the Tender Offeror intends to: (i) evaluate the value of the Company Stock, based on which evaluation the amount to be paid-in by the Tender Offeror per share of the common stock of the Company will be determined, at the same price as the Tender Offer Price; and (ii) set the amount to be paid-in at a price that is not “particularly favorable” (Article 199, paragraph (3) of the Companies Act) (however, the Tender Offeror intends to make pro forma adjustment based on the ratio of consolidation of the Company Stock in the Stock Consolidation). Therefore, none of the terms of such a third-party allocation of new shares will be more favorable than those relating to the Tender Offer Price.

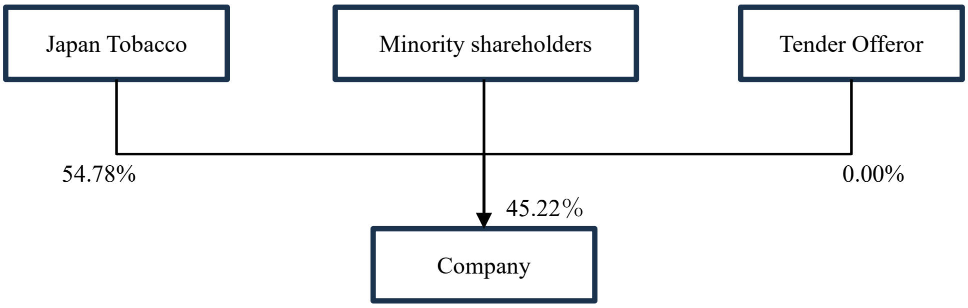
Note 4: The Tender Offeror intends to request that the Company implement the Capital Reduction only if the Tender Offeror fails to secure the distributable amount of the Company necessary for the Treasury Share Acquisition.

Prior to the Transaction, the Tender Offeror signed an agreement relating to Tender Offer with Japan Tobacco, effective as of May 7, 2025, pursuant to which, among other matters: (i) the Agreed Untendered Shares held by Japan Tobacco shall not be tendered to the Tender Offer, (ii) the Tender Offer Related Parties shall vote for all proposals that are necessary for the Stock Consolidation and will be submitted to the Company’s General Meeting of Shareholders; and (iii) Japan Tobacco shall sell the Agreed Untendered Shares via the Treasury Share Acquisition (the “Agreement”). For further details about the Agreement, please see “(A) Agreement on a Tender Offer” under “4. Matters Regarding Material Agreements Between the Tender Offeror and Shareholders of the Company Relating to Tendering of Shares in the Tender Offer” below.

[Schematic Diagrams of the Transaction]

(a) Before the Tender Offer (the existing condition)

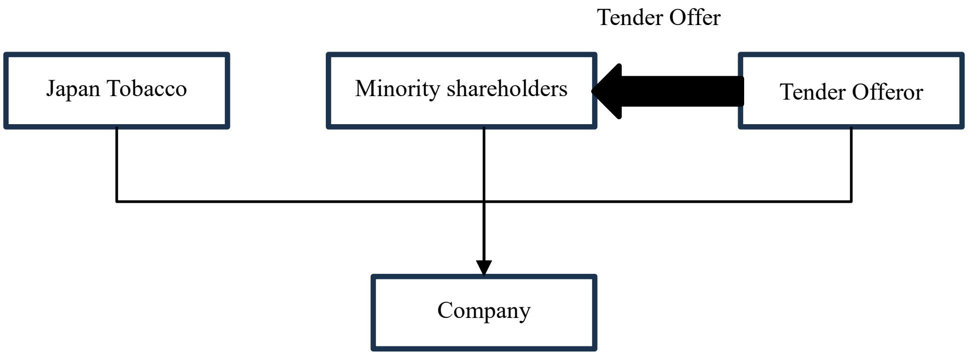
As of today, the Tender Offeror holds 1 share (Shareholding Percentage: 0.00%) and Japan Tobacco holds 15,398,800 shares (Shareholding Percentage: 54.78%) of the Company Stock, with the remaining 12,712,351 shares being held by the minority shareholders (Shareholding Percentage: 45.22% (Note)).



Note: The number of shares of the Company held by minority shareholders is calculated by subtracting the number of treasury shares held by the Company as of March 31, 2025 (688,848 shares) from the total number of issued shares as of March 31, 2025, as stated in the Company's Financial Results (28,800,000 shares), and further subtracting the number of shares of the Company held by the Tender Offer as of today (1 share) and the number of shares of the Company held by Japan Tobacco as of today (15,398,800 shares).

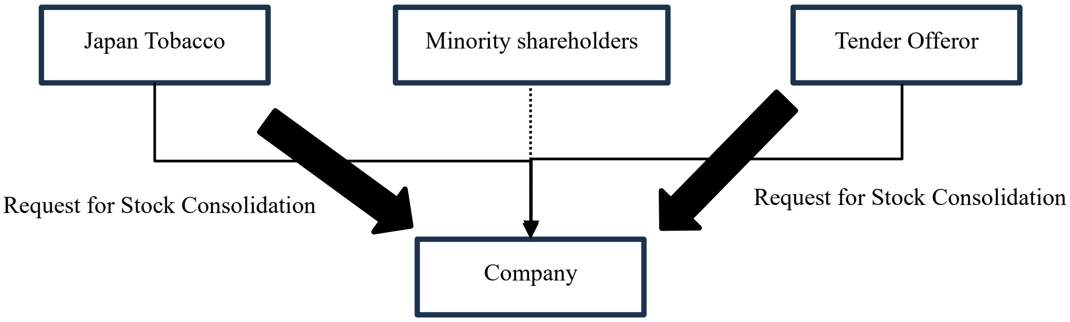
(b) The Tender Offer by the Tender Offeror (until around mid-June 2025)

The Tender Offeror will carry out the Tender Offer, in which it intends to acquire all of the Tender Offer Target Shares.



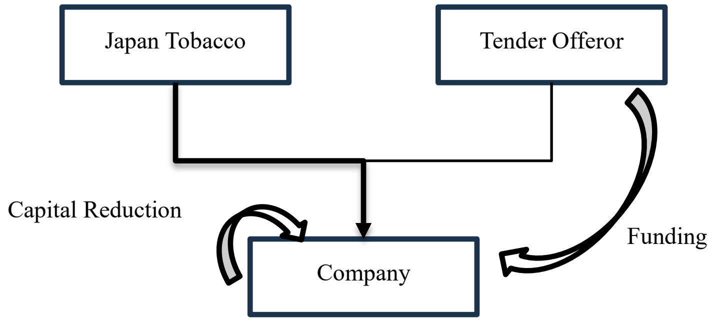
(c) Stock Consolidation (until around early September 2025)

If the Tender Offer Related Parties fails to acquire all of the Tender Offer Target Shares through the Tender Offer, the Tender Offeror will request that the Company carry out the Stock Consolidation to make the Tender Offer Related Parties the only shareholders of the Company. The Company will take this action.



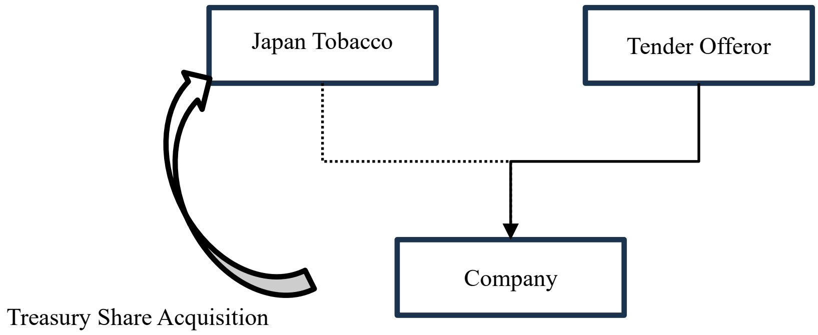
(d) Funding and Capital Reduction (until around early September 2025)

After the Company Stock has been delisted and the Stock Consolidation has taken effect, the Funding and the Capital Reduction will take place to secure the funds and distributable amount necessary for the Treasury Share Acquisition.

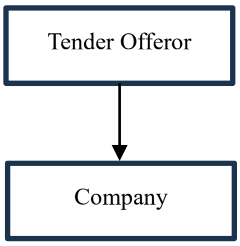


(e) Treasury Share Acquisition (until around early September 2025)

Using the funds and distributable amount secured through the Funding and the Capital Reduction, the Company will implement the Treasury Share Acquisition to acquire all of the Agreed Untendered Shares held by Japan Tobacco.



(f) After the Transaction



The Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at 3,342,000 shares (Shareholding Percentage: 11.89 %). If the total number of share certificates, etc. tendered in the Tender Offer (the "Tendered Share Certificates") falls below the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will not purchase or otherwise acquire any of the Tendered Share Certificates.

On the other hand, the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, since the Tender Offeror intends to take the Company private and eventually make it a wholly-owned subsidiary of the Tender Offeror by acquiring all of the Tender Offer Target Shares in the Tender Offer. If the total number of Tendered Share Certificates is equal to or more than the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates.

The minimum number of shares to be purchased (3,342,000 shares) was calculated by: (i) multiplying (a) the number of voting rights (281,111 voting rights) represented by the total number of issued shares as of March 31, 2025 stated in the Company's Financial Results (28,800,000 shares) minus the number of treasury shares held by the Company as of the same date (688,848 shares) (28,111,152 shares) by (b) two-thirds (187,408 voting rights; rounded up to the nearest whole number), (ii) subtracting from the product the number of voting rights (0 voting right) represented by the shares of the Company Stock held by the Tender Offeror as of today (1 share) and the number of voting rights (153,988 voting rights) represented by the Agreed Untendered Shares held by Japan Tobacco as of today (15,398,800 shares) (33,420 voting rights), and (iii) multiplying the balance by the share unit number of the Company (100 shares) (3,342,000 shares). This minimum number of shares to be purchased was set because: (i) the Tender Offer intends to make the Tender Offer Related Parties the only shareholders of the Company, and if, despite consummation of the Tender Offer, not all of the Tender Offer Target Shares are acquired in the Tender Offer and the procedure for the Stock Consolidation needs to be carried out as described in "(4) Policy for Organizational Restructuring after the Tender Offer (Information on the 'Two-Step Acquisition')" below, this will require a special resolution by the General Meeting of Shareholders as set forth in Article 309, paragraph (2) of the Companies Act; and (ii) this requirement will be met by allowing the Tender Offer Related Parties to hold at least two-thirds of the voting rights of all shareholders of the Company after the Tender Offer in order to ensure consummation of the Transaction, since the Tender Offeror has agreed with Japan Tobacco that Japan Tobacco will not tender the Agreed Untendered Shares in the Tender Offer, and that once the Tender Offer is consummated, the Tender Offer Related Parties will vote for all proposals for the Stock Consolidation.

The Tender Offeror plans to cover the funds required for settlement, etc. of the Tender Offer using its own funds, which will be applied to settlement, etc., of the Tender Offer. The Treasury Share Acquisition will take place within the limits of the Company's distributable amount. The Tender Offeror intends to secure the funds for the Company's consummation of the Treasury Share Acquisition and to cover any shortfall in the Company's distributable amount, by providing the Funding and having the Company make the Capital Reduction, subject to the Stock Consolidation becoming effective, by taking into account, among other things: the amount of funds required by the Company to consummate the Treasury Share Acquisition, the amount of cash and deposits held by the Company, and the amount of cash and deposits required by the Company to operate its business. According to the Tender Offeror, the Treasury Share Acquisition aims to balance between maximization of the Tender Offer Price (6,350 yen per share of Company Stock), on the one hand, and the fairness among shareholders, on the other hand, by (i) setting the price at which the Treasury Share Acquisition takes place (the price per share before stock consolidation, the "Treasury Share Acquisition Price," which is planned to be set at 4,568 yen as of today) based on the amount at which the after-tax amount that would be received by Japan Tobacco if it tendered the Agreed Untendered Shares in the Tender Offer would be equal to the after-tax amount when it sells the Agreed Untendered Shares in the Treasury Share Acquisition, in light of the fact that Japan Tobacco is expected to be subject to the provisions of the Corporation Tax Act (Act No. 34 of 1965, as amended thereafter) stating that deemed dividends shall not be included in gross revenue, and (ii) keeping the Treasury Share Acquisition Price low (the Treasury Share Acquisition Price will be 1,782 yen lower than the Tender Offer Price) to increasing the amount to be distributed to the minority shareholders of the Company.

(B) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer, and the Management Policy After the Tender Offer

The Company has received the following explanations from the Tender Offeror regarding the background, purpose and decision-making process leading the Tender Offeror to decide to implement the Tender Offer and regarding the management policy after the Tender Offer.

(i) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer

The Tender Offeror's founder Gisaburo Shiono, Sr. launched Shiono Gisaburo Shoten as a drug wholesaler in March 1878. It was reorganized into a joint stock company in June 1919, with its company name being changed to Shionogi Shoten Co., Ltd. In July 1943, the company was renamed Shionogi Seiyaku K.K. (now Shionogi & Co., Ltd.). In May 1949, the Tender Offeror listed its shares on the Tokyo Stock Exchange and Osaka Securities Exchange Co., Ltd. (the "Osaka Securities Exchange"). As of today, the Tender Offeror's shares are listed on the Prime Market of the Tokyo Stock Exchange due to the integration of the Tokyo Stock Exchange and the Osaka Securities Exchange and the reorganization of the market categories of the Tokyo Stock Exchange in April 2022. Under the company policy (SHIONOGI Group Heritage) that states "SHIONOGI strives constantly to supply the best possible medicine (healthcare solution) to protect the health and wellbeing of the patients we serve," the Tender Offeror is undergoing transformation to a HaaS (Healthcare as a Service) company that provides not only ethical drugs but also various healthcare services that meet the needs of its customers, in order to solve problems facing patients and communities worldwide in a more comprehensive manner. In 2020, the Tender Offeror established the SHIONOGI Group Vision for 2030, "Building Innovation Platforms to Shape the Future of Healthcare," and developed its medium-term business plan, the SHIONOGI Transformation Strategy 2030 (STS2030), to realize the vision. Since that time, the Tender Offeror group (Note 1) has made concerted efforts pursuant to that strategy. During the three-year period from fiscal 2020 to fiscal 2022, the Tender Offeror, with the aim of putting an end to the COVID (SARS-CoV-2) pandemic as soon as possible, not only provided therapeutic medicines but also worked to provide solutions for detection (prediction of epidemics), prevention, diagnosis, and prevention of deterioration, toward realization of total care for COVID-19. These efforts have evolved the Tender Offeror's ability to discover drugs, as seen in the totally unprecedented quickness – in approximately three years since the beginning of R&D with which the Tender Offeror was granted regular approval for Xocova, a treatment for COVID-19, in Japan where it generally takes approximately 9 to 16 years for a new ethical drug to be granted approval in Japan after the start of R&D for the drug (Note 2). The Tender Offeror also has been successful in expanding its products and services to include those other than ethical drugs, such as the Tender Offeror group's first vaccine product and the Tender Offeror group's wastewater-based epidemiology surveillance service. The results and lessons obtained from these efforts showed a clearer path to achieve the SHINOGI Group Vision, which prompted the Tender Offeror to revise the STS2030 in 2023 to make a fresh start under the Revised STS2030. While the former STS2030 called the five years from fiscal 2020 to fiscal 2024 as "STS Phase 1" and the following period ending in fiscal 2030, "STS Phase 2," the Revised STS2030 calls the three years from fiscal 2023 to fiscal 2025 the new "STS Phase 2," which aims to accelerate the company's growth through innovation based on the phase's basic policy, "achieving global top-line growth centered on the infectious disease area" and "realizing the development of growth drivers through active investment."

Note 1: The Tender Offeror group (i.e., the Tender Offeror and its associated companies) consists of the Tender Offeror, its 41 consolidated subsidiaries, 5 affiliated companies, and 2 jointly controlled entities (as of today) and constitutes a single segment whose businesses include R&D, purchasing, manufacturing, and marketing of ethical drugs, and services incidental to the foregoing.

Note 2: Source: "JPMA Guide 2024" by Japan Pharmaceutical Manufacturers Association.

On the other hand, the Company was established in 1872 by Tokubei Torii as Uenoya, an importer of pharmaceuticals from the West. In 1909, Uenoya established research laboratories and started to deal in Japanese pharmacopeial drugs under the brand name "Torii". In November 1921, Uenoya was reorganized into a joint stock company as Torii Shoten K.K. In May 1949, Torii Shoten K.K merged with Torii Pharmaceutical K.K and changed its company name to Torii

Pharmaceutical Co., Ltd.

With regard to the Company Stock, the Company went public with over-the-counter stock transactions at the Tokyo Securities Dealers Association in June 1963. The Company Stock was listed on the second section of the Tokyo Stock Exchange in October 1993 and then on the first section of the same exchange in September 1995. Due to the reorganization of the market categories of the Tokyo Stock Exchange in April 2022, the Company Stock is listed on the Prime Market of the Tokyo Stock Exchange as of today. In the meantime, the Company allotted new shares to U.S. Merck & Co., Inc. in October 1983, making it the parent company of the Company holding 50.5% of all issued shares of the Company. In May 1988, ASAHI BREWERIES, LTD. acquired shares of the Company Stock from U.S. Merck & Co., Inc. Then in December 1998, Japan Tobacco acquired 53.5% of the total issued shares of the Company Stock from ASAHI BREWERIES, LTD. and others. From that time until the present, Japan Tobacco has been the parent company of the Company. Subsequently, in October 1999 the Company formed a business alliance with Japan Tobacco, pursuant to which an efficient collaborative structure has been established by both companies by developing an integrated value chain in which Japan Tobacco is in charge of R&D and the Company in charge of manufacturing, marketing, and promotional activities.

The Company's corporate philosophy, or "Torii Pharmaceutical's Purpose," is : "We are committed to sincerely serving patients, their families, and those involved in medical care. We contribute to the healthy recovery of patients, as well as to a happy, enriched life free from fear of illness"; and, to this end, "We will flexibly change and adapt to meet the needs of the times and the environment, while retaining the trust we have earned over our long history, and we will continue to take on the challenge of contributing to healthcare that only we can make." In addition, the Company has established its basic management stance, which is the "4S MODEL: Through the circulation/expansion of capital generated by our high-quality business activities, we will fulfill our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhance their overall satisfaction."

In February 2022, the Company released its medium-/long-term business vision for 2030, "VISION2030," which established the following numerical targets: "Net sales break the all-time high (¥64.1 billion)"; and "Operating income comes within the range of breaking the all-time high (¥13.3 billion)." In order to achieve these VISION 2030 targets and to ensure sustainable growth after 2030, the Company focuses on "maximizing the value of existing and developing products" and "obtaining new in-licensed drugs." In "maximizing the value of existing and developing products," the areas of allergens and skin disease have played leading roles as growth drivers, with 2024 net sales increasing by 10.6% year-on-year. In addition, on October 29, 2024 the Company launched VTAMA Cream, a treatment for atopic dermatitis and plaque psoriasis that was developed by the Company. The Company also has worked actively on "obtaining new in-licensed drugs," and signing license agreements for a "treatment for plaque psoriasis" and for an "allergen immunotherapy (sublingual immunotherapy) drug for grass pollen allergy" in 2023.

The efforts described above resulted in an upward revision of the VISION 2030 numerical targets in February 2024, with the Company now aiming for the following: "Net sales: Over ¥80 billion" (all-time high net sales: ¥64.1 billion fiscal year ended December 2017) and "Operating income: Bringing a new record-high in 2032 (¥13.3 billion) within reach" (the all-time high operating income: ¥13.3 billion fiscal year ended March 2001).

Recent years have seen rapid changes in the outer environment surrounding the healthcare industry, such as the global population increase, acceleration of demographic aging in high- and medium-income countries, climate change and other global changes to the environment and related changes in the disease composition and the needs for healthcare, the dramatic evolution of AI, the diversification of people's values, and innovative changes in the way drug discovery R&D is undertaken and new drugs are launched in the global market, which were triggered by the COVID-19 (SARS-CoV-2) pandemic. In addition, amid pressures for medication cost containment in advanced countries due to financial tightness in their health insurance structures, the business environment has become harsher in Japan, as seen in the annual revisions of ethical drug prices since fiscal 2021. Furthermore, the geopolitical and other risks facing us are becoming increasingly evident, such as the risk of stagnation of business development and the procurement and supply of raw materials for pharmaceuticals in foreign countries.

In its efforts relating to the Revised STS2030, as described above, since the beginning of 2024 the Tender Offeror has considered a collaboration with Japan Tobacco's pharmaceutical business (the "JT Pharmaceutical Business") and the Company to realize the Tender Offeror's vision, "Building Innovation Platforms to Shape the Future of Healthcare." After consideration, the Tender Offeror concluded that acquiring the JT Pharmaceutical Business and making the Company a wholly-owned subsidiary of the Tender Offeror was highly significant to realizing the vision. Accordingly, in early August 2024 the Tender Offeror made a proposal for the Tender Offeror's acquisition of the JT Pharmaceutical Business by absorption-type split (the "Absorption-type Split") and for the Transaction to Japan Tobacco and the Company (for the Absorption-type Split, please see "Notice of the Execution of an Agreement for Company Split (Simplified Absorption-type Split) of the Pharmaceutical Business of Japan Tobacco Inc. and for Acquisition of Shares in Akros Pharma Inc. by Shionogi Inc. (to Make Akros Pharma Inc. a Sub-subsidiary of Shionogi & Co., Ltd.)" released by the Tender Offeror on May 7, 2025) (Note).

Note: The Tender Offeror believes that the consideration for the Absorption-type Split is not contrary to the intent of the restriction to ensure uniformity of the tender offer price (Article 27-2, paragraph (3) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended thereafter), on the grounds that the consideration for the Absorption-type Split is not intended to provide consideration for the Tender Offer, since it was calculated based on the value of the JT Pharmaceutical Business and was discussed independently of whether or not Japan Tobacco agrees to the Tender Offer.

The Tender Offeror plans to implement the following specific measures and expects the following specific business synergies after the Transaction.

(a) Strengthening the Tender Offeror's Domestic Business

The Tender Offeror promotes appropriate information-providing activities in order to realize its company basic policy, "SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." The Tender Offeror believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain "share of voice" (Note 1). Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Tender Offeror believes that providing this information to additional hospital departments in which the Company has strong sales skills, i.e., the departments of dermatology, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Tender Offeror believes that it will be able to strengthen the information-providing activities relating to the Company's dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Tender Offeror also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. With regard to the Tender Offeror's and the Company's respective development pipelines (Note 2), the Tender Offeror believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Company's strong sales capabilities.

(b) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the whole group. The Tender Offeror understands that the Company currently is engaged in domestic development jointly with the JT Pharmaceutical Business. The Tender Offeror believes that the Transaction will increase the possibilities for the Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Company's aggressive efforts to search for license-in candidates and to make business investments, the Tender Offeror believes that the Transaction will allow the Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and human resources with expertise.

(c) Realizing Flexible Manufacturing and Sales Structures

In principle, the Tender Offeror, in owning Shionogi Pharma Co., Ltd. as its manufacturing division, has built and improved its global supply chain by manufacturing its pharmaceutical products at its own manufacturing sites. The Tender Offeror's understanding is that, supply chains are more volatile due to factors such as geopolitical issues, quality issues at multiple companies, and increases in stock outages and limited shipments, and that it is becoming more difficult to control costs due to the impact of exchange rates and rising raw materials prices, among other factors. In these circumstances, the Tender Offeror believes that the Transaction will bring the following advantages for pharmaceutical products of the JT Pharmaceutical Business and the Company by drawing on the Tender Offeror's capabilities (Note 3), as seen in the fact that the Tender Offeror has manufactured pharmaceutical products and built a global supply chain successfully, on its own as described above, and by utilizing the Tender Offeror's manufacturing facilities: (a) establishing a flexible production structure, on its own, that allows for increases in product production, along with other matters, and (b) stronger negotiation skills for the pharmaceutical products of the JT Pharmaceutical Business and the Company, by securing backup sites (Note 4) owned by the Tender Offeror. The Tender Offeror believes that this will increase its business competitiveness and contribute to reducing manufacturing costs.

Note 1: "Share of voice" means an indicator of the share of activities of a company in connection with providing information on its products (such as the number of visits to doctors and the number of information sessions) in the entire market.

Note 2: "Development pipeline" means products under development that may become candidates for new ethical drugs.

Note 3: "Capabilities" means the strengths of a company's entire organization that cover the entire business owned by the company.

Note 4: "Backup sites" means spare premises and/or facilities that are used to continue a business when the main manufacturing facilities for the business become unusable due to a disaster or for similar reasons.

The Tender Offeror believes that making prompt, flexible decisions through an agile management system is important to maximize agile cooperation between the Tender Offeror and the Company to achieve the synergies described above. Therefore, the Tender Offeror believes that it must make the Company its wholly-owned subsidiary through the Transaction rather than forming a business alliance with the Company which remains listed. Specifically, designing and implementing measures to increase the Company's medium- and long-term corporate value, such as large-scale capital investments, may entail risks of causing a temporary drop in the Company's stock price due to a short-term increase in investments. This means that allowing the Company Stock to remain listed may result in potential conflicts of interest between general shareholders and the Tender Offeror, which aims to increase its medium- and long-term corporate value. In terms of business cooperation, allowing the Company Stock to remain listed will make it difficult for both companies to share their respective customer information, sales information, etc., with one another promptly, due to their independence as listed companies. Due to these and other factors, allowing the Company Stock to remain listed is likely to constitute a restricting factor for the Tender Offeror and the Company in pursuing an optimal strategy as a single group. For these and other reasons, the Tender Offeror has concluded that it is imperative to make the Company its wholly-owned subsidiary. The Tender Offeror believes that this will allow the Tender Offeror's group managerial resources to be distributed in a manner optimal for the whole group, including the Company, and will allow for speedy, flexible achievement of the synergies expected of the Transaction.

While the Tender Offeror is aware that taking the Company Stock private as a result of the Transaction will have a certain impact, such as a lower visibility of the Company resulting from the privatization, which could affect, the relationships between the Company and its business partners and the Company's recruitment activities, the Tender Offeror believes that the Company will have synergies that more than offset this impact, by engaging in integrated recruitment activities, joint marketing activities, etc., as part of the Tender Offeror Group.

To receive assistance with considering the Transaction thoroughly, in late May, 2024 the Tender Offeror appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as its financial advisor and third-party appraiser that is independent of the Company and the Tender Offer Related Parties and consulted SMBC Nikko Securities about the Transaction. In late June 2024, the Tender Offeror appointed Nishimura & Asahi (Gaikokuho Kyodo Jigyo) as its legal advisor.

Subsequently, the Tender Offeror expressed its initial intention for the Tender Offer to the Company on August 6, 2024. Then the Tender Offeror performed legal, financial, tax, and other due diligence investigations of the Company during the period from late August 2024 to early October of the same year. In addition, the Tender Offeror fully discussed and considered the Tender Offer Price with the Company until May 7, 2025.

Specifically, after taking the information disclosed during the due diligence investigation into account in a comprehensive manner, on October 2, 2024 and the results of SMBC Nikko Securities' valuation of the Company Stock obtained using market share price analysis, comparable listed company analysis, and discounted cash flow analysis (the "DCF Analysis"), the Tender Offeror made an initial proposal to set the Tender Offer Price at 5,878 yen (which represented a premium of 50.72% (rounded to two decimal places; the same applies hereafter to other premium percentages) on 3,900 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 56.75% on 3,750 yen, which was the simple average closing price over the past one-month period (rounded to the closest whole number; the same applies hereinafter to other simple average closing prices), a premium of 61.17% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 57.59% on 3,730 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,239 yen (which represented a premium of 8.69% on 3,900 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 13.04% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 16.23% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 13.65% on 3,730 yen, which was the simple average closing price over the past six-month period). In response, on October 15, 2024 the Company requested an increase to the proposed Tender Offer Price on the following grounds, even though the Company appreciated the proposed Tender Offer Price to certain extent based on the understanding that the proposed Tender Offer Price represented a premium similar to those found in cases similar to the Transaction: (i) the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Company Stock itself; (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium, but should be based on whether or not a proper valuation of the Company

Stock was made; (iii) in light of the Company's future growth potential based on its business plans, the proposed Tender Offer Price was considerably low; and (iv) the specific synergies of the Transaction should be projected, quantified and reflected in the corporate value of the Company after taking into account its feasibility. In response, on October 28, 2024 the Tender Offeror made a second proposal to set the Tender Offer Price at 6,062 yen (which represented a premium of 56.64% on 3,870 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 54.29% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 63.66% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 62.35% on 3,734 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,334 yen (which represented a premium of 11.99% on 3,870 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 10.31% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 17.01% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 16.07% on 3,734 yen, which was the simple average closing price over the past six-month period), which the Tender Offeror claimed reflected the intrinsic value of the Company after fully taking into account the Company's future growth potential. With regard to the year-end dividend for the fiscal year ending December 2024, the Tender Offeror explained that the proposed Tender Offer Price dated October 2, 2024 was based on the assumption that no such year-end dividend would be distributed. In response, on November 11, 2024 the Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Company's belief that the Tender Offer Price proposed in the second proposal could not possibly be deemed to represent the full intrinsic value of the Company, leaving room to raise the Tender Offer Price further, and that the proposed Tender Offer Price could not yet be evaluated as being at a satisfactory level, considering the synergies of the Transaction. On the other hand, the Tender Offeror was required to obtain clearance from the Japan Fair Trade Commission ("JFTC") for the share acquisition through the Tender Offer (the "Share Acquisition") pursuant to Article 10, paragraph (2) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended). During the preliminary consultation with the JFTC carried out on November 1, 2024, it turned out that it would take longer than originally expected to go through the JFTC's preliminary review of the Share Acquisition (the "Preliminary Review"). Therefore, on November 5, 2024, the Tender Offeror proposed a suspension of negotiations on the Tender Offer Price to the Company. Subsequently, after some progress was made in consultations with the JFTC for purposes of acquiring its clearance, on January 10, 2025 the Tender Offeror expressed its intent to resume negotiations on the Tender Offer Price to the Company, by setting March 5, 2025 as the expected date of announcement of the Transaction. However, during the preliminary consultations with the JFTC that subsequently continued, it again turned out that the Preliminary Review would take longer. Therefore, on February 4, 2025 the Tender Offeror proposed another suspension of negotiations on the Tender Offer Price to the Company. After the preliminary consultations with the JFTC that subsequently continued, it became likely that the Preliminary Review by the JFTC would be completed. Therefore, on March 13, 2025 the Tender Offeror proposed a resumption of negotiations on the Tender Offer Price to the Company, by setting May 7, 2025 as the expected date of announcement of the Transaction. Then, on April 11, 2025, the Tender Offeror made a third proposal to set the Tender Offer Price at 6,181 yen (which represented a premium of 46.12% on 4,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 37.11% on 4,508 yen, which was the simple average closing price over the past one-month period, a premium of 35.73% on 4,554 yen, which was the simple average closing price over the past three-month period, and a premium of 37.45% on 4,497 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,450 yen (which represented a premium of 5.20% on 4,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a discount of 1.29% on 4,508 yen, which was the simple average closing price over the past one-month period, a discount of 2.28% on 4,554 yen, which was the simple average closing price over the past three-month period, and a discount of 1.05% on 4,497 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, on April 15, 2025 the Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Company's belief that the Tender Offer Price proposed in the third proposal still did not represent the full intrinsic value of the Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the Tender Offer Price proposed in the third proposal over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Company found difficult to consider and determine to be sufficient compared with those seen in similar past cases. In response, on April 18, 2025, the Tender Offeror made a fourth proposal to set the Tender Offer Price at 6,283 yen (which represented a premium of 39.62% on 4,500 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 40.78% on 4,463 yen, which was the simple average closing price over the past one-month period, a premium of 38.58% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 39.31% on 4,510 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,522 yen (which represented a premium of 0.49% on 4,500 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 1.32% on 4,463 yen, which was the simple average closing price over the past one-month period, a discount of 0.26% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 0.27% on 4,510 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, on April 21, 2025 the Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds that (i) while the Company believed that the Tender Offer Price proposed in the fourth proposal reflected that the Tender Offeror had given some consideration to the assertions made by the Company until that time, the Company believed that there was still room to propose a higher tender offer price by, among other things, : (a) putting a higher value on the Company's stock by fully considering the Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration; and (ii) the premiums represented by the proposed Tender Offer Price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels.

In response, on April 25, 2025, the Tender Offeror made a fifth proposal to set the Tender Offer Price at 6,326 yen (which represented a premium of 42.64% on 4,435 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 42.96% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 40.39% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 39.62% on 4,531 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,551 yen (which represented a premium of 2.62% on 4,435 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 2.85% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 1.00% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 0.44% on 4,531 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, on April 28, 2025 the Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds that while the tender offer price proposed in the fifth proposal had been raised from that proposed in the fourth proposal, with that small increase it would still not necessarily be at a level where sufficient consideration was given to the Company's general shareholders. In response, on May 1, 2025, the Tender Offeror made a sixth proposal to set the Tender Offer Price at 6,350 yen (which represented a premium of 30.93% on 4,850 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 44.42% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 42.09% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 39.47% on 4,553 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,568 yen (which represented a discount of 5.81% on 4,850 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 3.89% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 2.22% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 0.33% on 4,553 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, on May 2, 2025 the Tender Offeror received from the Company a reply of acceptance of the sixth proposal, thus reached an agreement with the Tender Offeror that the Tender Offer Price and the Treasury Share Acquisition Price would be 6,350 yen and 4,568 yen, respectively.

(ii) Management Policy after the Tender Offer

The Tender Offeror intends to promote their respective management measures to achieve the synergies described in "(i) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" above.

The composition of the Company's officers after consummation of the Transaction has not been determined as of today, as the Tender Offeror has no specific plan for the composition. The Tender Offeror intends to consider, through discussion with the Company, developing an optimal system for implementing the measures mentioned above and further strengthening both companies' management base.

(C) The Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor

As described in "(i) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" under "(B) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer, and the Management Policy After the Tender Offer" above, the Company received the proposal from the Tender Offeror on August 6, 2024 and confirmed the intention of its parent company, Japan Tobacco, to proceed with consideration of the proposal from the Tender Offeror.

Based on the proposal, in early August 2024 the Company appointed Mizuho Securities Co., Ltd. ("Mizuho Securities") as its financial advisor and third-party appraiser and Nagashima Ohno & Tsunematsu as its legal advisor. The Company immediately started to build a system to engage in negotiations and make decisions independently from the Tender Offer Related Parties in order to deal with the following issues and to ensure the fairness of the Transaction, in light of the fact that, even though the Tender Offer is not a tender offer by the controlling shareholder, (i) the interests of Japan Tobacco, which is the Company's parent company and largest shareholder holding 15,398,800 shares (shareholding percentage: 54.78%) of the Company Stock, and those of the minority shareholders of the Company may not always be consistent with one another since (a) the Tender Offeror and Japan Tobacco, which is the Company's parent company and largest shareholder, intend to sign the Agreement whereby, among other things, the Agreed Untendered Shares held by Japan Tobacco will not be tendered in the Tender Offer, the Tender Offer Related Parties will vote for all proposals that are necessary to consummate the Stock Consolidation and will be submitted to the General Meeting of Shareholders of the Company, and Japan Tobacco will sell the Agreed Untendered Shares in response to the Treasury Share Acquisition, and (b) the Tender Offeror intends to acquire the JT Pharmaceutical Business from Japan Tobacco; and (ii) the Tender Offer is not absolutely free from the issue of potential conflicts of interest that may arise in the process of the Company's consideration of the Transaction or the issue of information asymmetry with the minority shareholders since the Tender Offer will be carried out as part of the Transaction which is intended to make the Company a wholly-owned subsidiary of the Tender Offeror.

Specifically, as described in "(C) The Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, at its Board of Directors meeting held on August 9, 2024 the Company established a special committee (the "Special Committee") which is independent of both the Tender Offer Related Parties and the Company and consists of the following three members, all of whom are Outside Directors of the Company: Mr. Kenichi Fujita (Outside Director and Audit and Supervisory Committee Member of the Company, Representative Director and President of Green Bridge Solutions Ltd., and Representative Director and President of K-BRIC & Associates, Ltd.), Mr. Takaharu Matsumura (Outside Director and Audit and Supervisory Committee Member of the Company and Attorney-at-Law and Partner at Anderson Mori & Tomotsune Foreign Law Joint Enterprise, Corporate Auditor of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.); and Ms. Mihoko Manabe (Outside Director and Audit and Supervisory Committee Member of the Company and a financial consultant (as a sole proprietor)) (for how the Special Committee was established, what it discussed, and the decisions it made, please see "(C) The Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below).

The Company also established a system for conducting discussions and negotiations and making decisions relating to the Tender Offer independently from the Tender Offeror group and the Company group (including the scope and duties of officers and employees of the Company involved in discussions, negotiations, and decision-making relating to the Tender Offer), as described in "(E) Establishment of an Independent Discussion System at the Company" and "(F) Unanimous Approval by All of the Non-interested Directors of the Company, Including the Audit and Supervisory Committee Members" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

After establishing the system described above, the Company carried out several discussions and negotiations with the Tender Offeror concerning whether or not the Tender Offer should be carried out, based on the negotiation policy confirmed by the Special Committee in advance and based on the Special Committee's opinions, instructions, requests, etc., given or made during critical phases of the negotiations, and with advice from Mizuho Securities and Nagashima Ohno & Tsunematsu.

Specifically, in response to the written proposal received from the Tender Offeror in early August 2024, the Company sent questions to the Tender Offeror on August 16, 2024 regarding the significance of the Transaction and the Tender Offeror's management policy after the proposed acquisition, before the Company considered whether or not the Tender Offeror's proposal deserved consideration from the viewpoint of increasing the Company's corporate value and whether or not the Tender Offeror's proposal made it worthwhile to agree to the proposed legal, financial, tax ,and other due diligence investigations. Based on the answers received from the Tender Offeror on August 21, 2024 to the effect that the proposal appropriately evaluated the Company's strengths in the areas of skin disease, allergens, and renal dialysis, and that the proposal reflected the synergies from the proposed management integration with the Company, the Company concluded that the Tender Offeror's proposal deserved consideration from the perspective of increasing the Company's corporate value, and the Company decided to agree to the proposed due diligence investigations.

Subsequently, on October 2, 2024, the Company received an initial proposal from the Tender Offeror to set the Tender Offer Price at 5,878 yen (which represented a premium of 50.72% on 3,900 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 56.75% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 61.17% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 57.59% on 3,730 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,239 yen (which represented a premium of 8.69% on 3,900 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 13.04% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 16.23% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 13.65% on 3,730 yen, which was the simple average closing price over the past six-month period). This proposal was made by the Tender Offeror after taking into account the information disclosed during the due diligence investigation in a comprehensive manner, and the results of SMBC Nikko Securities' valuation of the Company Stock, which was obtained by using market share price analysis, comparable listed company analysis, and the DCF Analysis. However, on October 15, 2024, the Company, through its Special Committee, requested an increase to the proposed Tender Offer Price on the following grounds, even though the Company appreciated the proposed Tender Offer Price to certain extent based on the understanding that the proposed Tender Offer Price represented a premium similar to those found in cases similar to the Transaction: (i) the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Company Stock itself; (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium, but should be based on whether or not a proper valuation of the Company Stock was made; (iii) in light of the Company's future growth potential based on its business plans, the proposed Tender Offer Price was considerably low, and (iv) the specific synergies of the Transaction should be projected, quantified and reflected in the corporate value of the Company after taking into account its feasibility. Subsequently, on October 28, 2024 the Company received a second proposal from the Tender Offeror, to set the Tender Offer Price at 6,062 yen (which represented a premium of 56.64% on 3,870 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 54.29% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 63.66% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 62.35% on 3,734 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,334 yen (which represented a premium of 11.99% on 3,870 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 10.31% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 17.01% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 16.07% on 3,734 yen, which was the simple average closing price over the past six-month period), which the Tender Offeror claimed reflected the intrinsic value of the Company after fully taking into account the Company's future growth potential. However, on November 11, 2024, the Company, through its Special Committee, again requested an increase to the the proposed Tender Offer Price, based on the belief that the Tender Offer Price proposed in the second proposal could not possibly be deemed to represent the full intrinsic value of the Company, leaving room to raise the Tender Offer Price further, and that the proposed Tender Offer Price could not yet be evaluated as being at a satisfactory level, considering the synergies of the Transaction. Thereafter, as described in "(i) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" in "(B) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer, and the Management Policy After the Tender Offer" above, discussions on the Tender Offer Price were suspended because the Preliminary Review took longer than expected. Then it became likely that the Preliminary Review would be completed, and on April 11, 2025, the Company received a third proposal from the Tender Offeror, to set the Tender Offer Price at 6,181 yen (which represented a premium of 46.12% on 4,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 37.11% on 4,508 yen, which was the simple average closing price over the past one-month period, a premium of 35.73% on 4,554 yen, which was the simple average closing price over the past three-month period, and a premium of 37.45% on 4,497 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,450 yen (which represented a premium of 5.20% on 4,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a discount of 1.29% on 4,508 yen, which was the simple average closing price over the past one-month period, a discount of 2.28% on 4,554 yen, which was the simple average closing price over the past three-month period, and a discount of 1.05% on 4,497 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, on April 15, 2025 the Company, through its Special Committee, once again requested an increase to the proposed Tender Offer Price, based on the belief that the Tender Offer Price proposed in the third proposal still did not fully represent the intrinsic full value of the Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the Tender Offer Price proposed in the third proposal over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Company found difficult to consider and determine to be sufficient compared with those seen in similar past cases. Thereafter, on April 18, 2025, the Company received a fourth proposal from the Tender Offeror, to set the Tender Offer Price at 6,283 yen (which represented a premium of 39.62% on 4,500 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 40.78% on 4,463 yen, which was the simple average closing price over the past one-month period, a premium of 38.58% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 39.31% on 4,510 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,522 yen (which represented a premium of 0.49% on 4,500 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 1.32% on 4,463 yen, which was the simple average closing price over the past one-month period, a discount of 0.26% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 0.27% on 4,510 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. However, on April 21, 2025, the Company, through its Special Committee, once again requested an increase in the proposed Tender Offer Price, on the grounds: (i) that, while the Company believed that the Tender Offer Price proposed in the fourth proposal reflected that the Tender Offeror had given some consideration to the assertions made by the Company until that time, the Company believed that there was still room to propose a higher tender offer price by, among other things (a) putting a higher value on the Company's stock by fully considering the Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration; and (ii) that the premiums represented by the proposed Tender Offer Price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels. Subsequently, on April 25, 2025, the Company received from the Tender Offeror a fifth proposal to set the Tender Offer Price at 6,326 yen (which represented a premium of 42.64% on 4,435 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 42.96% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 40.39% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 39.62% on 4,531 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,551 yen (which represented a premium of 2.62% on 4,435 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 2.85% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 1.00% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 0.44% on 4,531 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. On April 28, 2025 the Special Committee made another request to the Tender Offeror to increase the proposed Tender Offer Price, on the grounds that while the tender offer price proposed in the fifth proposal had been raised from that proposed in the fourth proposal, with that small increase it was still not necessarily at a level where sufficient consideration was given to the Company's general shareholders. Subsequently, on May 1, 2025, the Company received from the Tender Offeror a final proposal to set the Tender Offer Price at 6,350 yen (which represented a premium of 30.93% on 4,850 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 44.42% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 42.09% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 39.47% on 4,553 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,568 yen (which represented a discount of 5.81% on 4,850 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 3.89% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 2.22% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 0.33% on 4,553 yen, which was the simple average closing price over the past six-month period), on the assumption that Company would refrain from paying dividends for fiscal 2025. In response, the Special Committee, after careful discussions and deliberations, replied to the Tender Offeror on May 2, 2025 that the committee concluded that the Tender Offer Price and the Treasury Share Acquisition Price of 6,350 yen and 4,568 yen, respectively, were appropriate.

Then, on May 7, 2025, the Company carefully discussed and considered the Transaction from perspectives such as whether the Transaction would increase the corporate value of the Company and whether the conditions for the Transaction were appropriate, based on the content of the stock valuation report received from Mizuho Securities on May 2, 2025 (the "Company Stock Valuation Report") and on the legal advice received from Nagashima Ohno & Tsunematsu as the Company's legal advisor regarding points to note when making decisions relating to the Transaction, including the Tender Offer, and with maximum respect for the content of the report dated May 7, 2025 submitted by the Special Committee (for a summary of the report, please see "(C) The Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(6) Measures to Ensure the Fairness of Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below).

As a result, the Company has reached the conclusion that the Transaction will contribute to increasing the corporate value of the Company, from the following perspectives.

The Company believes that, while going private as a result of the Transaction may produce certain disadvantages in terms of reputation from business partners and recruitment, the Company will have synergies that more than offset the expected impact of those disadvantages, by engaging in integrated recruitment activities, joint marketing activities, etc. as part of the Tender Offeror Group. Specifically, the major expected synergies are as follows.

(a) Strengthening the Company's Domestic Business

As understood by the Tender Offeror, the Company believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly of products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information about anti-viral drugs to combat COVID 19 and the influenza virus and has felt the necessity to provide more doctors with information on the proper uses of these drugs, the Company believes that providing this information to additional hospital departments in which the Company has strong sales skills, i.e., departments of dermatology, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs . On the other hand, the Company believes that it will be able to strengthen the information-providing activities relating to its dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Company also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. As for the Tender Offeror's and the Company's respective development pipelines, the Company believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Company's strong sales skills.

(b) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the group as a whole. On the other hand, the Company currently engages mainly in domestic development jointly with the JT Pharmaceutical Business. The Company believes that the Transaction will increase the possibilities for the Company to develop its future development pipeline products on a global basis, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Company's aggressive efforts to search for license-in candidates and to make business investments, the Company believes that the Transaction will allow the Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and expert human resources.

(c) Realizing Flexible Manufacturing and Sales Structures

The Company has had no manufacturing function of its own since 2020. The Company contracts out all manufacturing to external parties. Most of the license-in products from oversea that are imported by the Company are manufactured by the licensors. For these reasons, the Company believes, as understood by the Tender Offeror, that using Shionogi Pharma Co., Ltd., which is owned by the Tender Offeror as the Company's manufacturing division and contracting out part of the manufacturing to that manufacturing division may allow the Company to deal with the volatility of supply chains caused by such factors as geopolitical issues, quality issues in multiple companies, and increases in stock shortfalls and limited shipments, and will lead to (a) development of a flexible production structure that allows for increases in product production among other things, and (b) stronger negotiation skills to secure backup sites, etc. The Company believes that this will increase its business competitiveness and contribute to reducing manufacturing cost.

With regard to the Tender Offer Price, the Company has concluded that the Tender Offer Price is appropriate and will provide the Company's shareholders a reasonable opportunity to sell their shares in the Company, based on the discussions and negotiations described in this paragraph "(C) The Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" and on the following grounds, among others: (i) the Tender Offer Price is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis, according to the valuation of the Company Stock described in the Company Stock Valuation Report prepared by Mizuho Securities mentioned in "(B) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" in "(6) Measures to Ensure the Fairness of Tender Offer, Including Measures to Ensure the Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below; (ii) the Tender Offer Price represents a premium of 21.41% on 5,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the base date of May 2, 2025 (which was the business day immediately preceding the announcement date of the Tender Offer), a premium of 43.28% on 4,432 yen, which was the simple average closing price over the one-month period up to the base date, a premium of 41.68% on 4,482 yen, which was the simple average closing price over the three-month period up to the base date, and a premium of 39.28% on 4,559 yen, which was the simple average closing price over the six-month period up to the base date, and (a) when these premium levels are compared with those seen in certain cases similar to the Transaction (i.e., the premium levels seen in the 34 tender offer cases involving the privatization of a company listed on the Prime Market or the First Section of the TSE by a third party which was announced during the past five years (i.e., the period from May 3, 2020 to May 2, 2025) and in which a tender offer was consummated on or before May 2, 2025 (excluding management buyout (MBO) cases), namely, a median of 43.51% and an average of 53.36% on the stock price on the business day immediately preceding the date of announcement, a median of 44.55% and an average of 55.95% on the simple average closing price over the one-month period up to the business day immediately preceding the date of announcement, a median of 56.53% and an average of 60.22% on the simple average closing price over the three-month period up to the business day immediately preceding the date of announcement, and a median of 54.08% and an average of 63.34% on the simple average closing price over the six-month period up to the business day immediately preceding the date of announcement), while the premium level on the closing price on the immediately preceding business day is somewhat low, it would be reasonable, to some extent, to take more medium to long-term stock price levels into consideration because there is an undeniable possibility that the approximately 20% increase (from 4,340 yen to 5,230 yen) in the closing price of Company Stock during the short period of three business days from April 28, 2025 to May 2, 2025 was temporary, in light of, among other things, (x) the fact that the turnover of the Company Stock during the three business days increased significantly from the immediately preceding average turnover of approximately 100,000 shares (i.e., the average turnover for the period from March 26, 2025 to April 25, 2025) to a level between 310,000 shares and 560,000 shares), and (y) the fact that the Company made no timely disclosure during the three business days, which means that the change in the price of Company Stock did not at least reflect any specific announcement by the Company, and a comparison of the premium rates represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium rates represented by the Tender Offer Price can be considered to be at an appropriate level, based on which the Company believes that the Tender Offer Price is not unreasonable in terms of premium rates on market share price, and (b) when the Tender Offer Price is adjusted by subtracting from it the value per share of the Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of ¥79.1 billion and do not normally attract a premium, the adjusted Tender Offer Price per share is 3,537 yen, which represents a premium of 46.34% on 2,417 yen, which is the price obtained by adjusting likewise the closing price of 5,230 yen on the business day immediately preceding the announcement date, a premium of 118.51% on 1,619 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,432 yen over the past one-month period, a premium of 111.94% on 1,669 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,482 yen over the past three-month period, and a premium of 102.64% on 1,746 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,559 yen over the past six-month period, based on which the Tender Offer Price can be considered to represent a sufficient level of premiums; and (iii) the Tender Offer Price was determined under the circumstances where the measures to ensure the fairness of the Tender Offer were taken as described in "(F) Unanimous Approval by All of the Non-interested Directors of the Company, Including the Audit and Supervisory Committee Members" under "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, and the Tender Offer Price was increased to a level at which the Tender Offeror had claimed multiple times that there was no more room for increasing the Tender Offer Price, after sufficient negotiations between the Company and the Tender Offeror with the substantive involvement of the Special Committee.

For the reasons described above, the Company, at its Board of Directors meeting held today, adopted a resolution to express the Company's opinion in support of the Tender Offer and to recommend the Company's shareholders to tender their shares in the Tender Offer.

For the details of how the resolution was adopted by the Company's Board of Directors, please see "(F) Unanimous Approval by All of the Non-interested Directors of the Company, Including the Audit and Supervisory Committee Members" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(3) Information on Valuation

(A) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

(i) The Appraiser's Name and Relationship with the Company and the Tender Offer Related Parties

The Company requested Mizuho Securities, which served as the Company's third-party appraiser that is independent of the Tender Offer Related Parties and the Company, to evaluate the value of the Company Stock. The Company received the Company Stock Valuation Report on May 2, 2025. Mizuho Securities is not a related party to the Tender Offer Related Parties or the Company and does not have any material interest in the Transaction, including the Tender Offer. Mizuho Securities is a member of Mizuho Financial Group, Inc., as with Mizuho Bank, Ltd. ("Mizuho Bank"), which conducts financing transactions and other activities with Japan Tobacco as part of the ordinary banking transactions, but which has no material interest to be disclosed in respect of the Transaction, including the Tender Offer. Pursuant to applicable law, i.e., Article 36, paragraph (2) of the Act and Article 70-4 of the Cabinet Office Order on Financial Instruments Business (Cabinet Office Order No. 52 of 2007, as amended thereafter), Mizuho Securities built and implemented appropriate systems, such as information barriers, for managing conflicts of interest between Mizuho Securities and Mizuho Bank, which allowed Mizuho Securities to evaluate the value of the Company Stock in a position independent of Mizuho Bank's status as a lender. In evaluating its stock value, the Company appointed Mizuho Securities as its third-party appraiser based on the judgment that Mizuho Securities had built and implemented appropriate systems for managing conflicts of interest. The Company has not obtained from Mizuho Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion), since the Company believes that sufficient consideration has been given to the interests of minority shareholders of the Company in light of the other measures to ensure the fairness of the Tender Offer Price and the measures to avoid conflicts of interest, in each case taken for the Transaction (for specific details of these measures, please refer to "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below). While the fees payable to Mizuho Securities in connection with the Transaction include a contingency fee payable subject to such conditions as the successful consummation of the Transaction, the Company has concluded that the fact that this contingency fee is included in the fees payable to Mizuho Securities does not deny the independence of Mizuho Securities when taking into consideration, among other things, general business practices in similar transactions and whether or not it is appropriate to use a fee system that imposes reasonable financial burden on the Company if the Transaction fails to take place.

(ii) Summary of Valuation

After reviewing the valuation methods used in the Tender Offer, Mizuho Securities evaluated the value of the Company Stock per share using the following methods based on the belief that it is appropriate to evaluate the value of the Company Stock in a multifaceted manner, on the assumption that the Company is a going concern: (a) average market share price analysis, since the Company Stock is listed on the Prime Market of the Tokyo Stock Exchange and its market price is available; (b) comparable company analysis, since there are listed companies comparable to the Company, which makes it possible to infer the stock value of the Company by means of comparison with the stock values of comparable companies; (c) precedent transaction analysis, since it allows an inference about the stock value of the Company to be drawn by means of comparison with the amounts at which comparable transactions took place; and (d) DCF Analysis, to reflect the Company's future business activities in the evaluation.

The ranges of stock values per share of Company Stock calculated by Mizuho Securities using the methods described above are as follows:

Average market share price analysis:	4,432 yen to 5,230 yen
Comparable company analysis:	3,318 yen to 4,215 yen
Precedent transaction analysis:	4,144 yen to 4,213 yen
DCF Analysis:	4,979 yen to 7,080 yen

In the average market share price analysis, with May 2, 2025 as the base date for valuation, the stock value per share of the Company Stock was determined to be between 4,432 yen and 5,230 yen, based on the closing price of the Company Stock on the base date which was 5,230 yen, the simple average closing price over the past one-month period which was

4,432 yen, the simple average closing price over the past three-month period which was 4,482 yen, and the simple average closing price over the past six-month period which was 4,559 yen.

In the comparable company analysis, the stock value per share of the Company Stock was determined to be between 3,318 yen and 4,215 yen by comparing the Company's market share price and certain financial indicators showing the Company's profitability with certain equivalent listed companies engaged in businesses that are relatively similar to that carried out by the Company.

In the precedent transaction analysis, the stock value per share of the Company Stock was determined to be between 4,144 yen and 4,213 yen by comparing the prices to be used in the Transaction and certain financial indicators showing the Transaction's profitability with certain equivalent past transactions involving pharmaceutical companies that are relatively similar to the Company.

In the DCF Analysis, the stock value per share of the Company Stock was determined to be between 4,979 yen and 7,080 yen, by determining the corporate value and the stock value of the Company by discounting to present value, at a certain discount rate, the free cash flow that is expected to be generated by the Company in and after the fiscal year ending April 2025, based on revenue forecasts and investment plans contained in the business plans prepared by the Company for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033.

The business plans of the Company based on which the DCF Analysis was performed cover some fiscal years for which a considerable increase or decrease in operating profit and free cash flow is expected.

Specifically, a 74.5% year-on-year decrease in operating profit is expected for the fiscal year ending December 2026 due to expected R&D expenses relating to products under development that is being prepared for launch. However, since the Company will no longer be making development milestone payments for the products under development that were scheduled to take place during the previous fiscal year, a significant year-on-year increase in the Company's free cash flow is expected, and it is expected to turn positive where previously it was negative. For the fiscal year ending December 2027, a 584.2% year-on-year increase in operating profit and a 68.3% year-on-year increase in free cash flow are expected, due to a reduction in R&D expenses relating to the products under development that were expected during the prior fiscal year. For the fiscal year ending December 2028, a negative free cash flow and a significant year-on-year decrease in free cash flow are expected due to development milestone payments scheduled for products under development. However, since the Company no longer will be making development milestone payments during the fiscal year ending December 2029, a positive free cash flow and a significant year-on-year increase in free cash flow are expected for that fiscal year. For the fiscal year ending December 2030, a 41.8% year-on-year increase in operating profit and a 56.2% year-on-year increase in free cash flow are expected, due to expected growth in sales of developed products. Similarly, for the fiscal year ending December 31, 2031, a 41.4% year-on-year increase in free cash flow is expected due to expected growth in sales of developed products. The synergies that are expected to be achieved as a result of the Transaction are not reflected in these forecasts, because it is difficult to estimate their impact on the Company's profit specifically at this point.

In determining the value of the Company Stock, Mizuho Securities used the information received from the Company and publicly available information, data, etc. without making any changes to them in principle and without independently verifying the accuracy or completeness of the data, information, etc., assuming that all of them were accurate and complete. Mizuho Securities did not independently evaluate or assess the assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the Company or its associated companies, nor did it request that any third-party institution perform any such evaluation or assessment. Mizuho Securities assumes that the information on the Company's financial forecasts was reasonably prepared by the Company's management team based on the best estimates and judgment that could be obtained at the relevant point. The Special Committee had Q&A sessions with the Company regarding these financial forecasts and confirmed the validity of their content, assumptions, etc.

(B) The Tender Offeror's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

(i) The Appraiser's Name and Relationship with the Company and the Tender Offer Related Parties

In determining the Tender Offer Price, the Tender Offeror requested that SMBC Nikko Securities, which served as the Tender Offeror's financial advisor and third-party appraiser that is independent of the Tender Offer Related Parties and the Company, to evaluate the value of the Company Stock in order to ensure the fairness of the Tender Offer Price. The Tender Offeror received a stock valuation report dated May 2, 2025 (the "Tender Offeror Stock Valuation Report"). SMBC Nikko Securities is not a related party of the Tender Offeror Related Parties or the Company and does not have any material interest in the Tender Offer. SMBC Nikko Securities is a member of Sumitomo Mitsui Financial Group, Inc., like Sumitomo Mitsui Banking Corporation which engages in financing transactions and other activities with the Tender Offeror group and the Company group as part of the ordinary banking transactions. The Tender Offeror appointed SMBC Nikko Securities as its financial advisor and third-party appraiser based on: (i) SMBC Nikko Securities' track record as a third-party appraiser; and (ii) the facts that, according to SMBC Nikko Securities, (a) it has taken measures to block the transfer of information between the department performing the valuation of the stock value of the Company, on the one hand, and other departments of SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation, on the other hand, as required by internal rules as measures to prevent negative effects, (b) the Tender Offeror and SMBC Nikko Securities engages in transactions with one another on the same terms and conditions as those implemented with general customers, which ensures the independence of SMBC Nikko Securities as a financial advisor and third-party appraiser, and (c) SMBC Nikko Securities is not a related party of the Tender Offeror or the Company and there seems to be no specific problem with the Tender Offeror's requesting that SMBC Nikko Securities evaluate the stock value of the Company. The Tender Offeror has not obtained an opinion letter on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities, since the Tender Offeror believes that sufficient consideration has been given to the interests of minority shareholders of the Company in light of the other measures to ensure the fairness of the Tender Offer Price and the measures to avoid conflicts of interest taken, in each case with regard to the Transaction.

(ii) Summary of Valuation

SMBC Nikko Securities reviewed multiple methods of stock valuation to select valuation methods that should be employed to evaluate the value of the Company Stock. SMBC Nikko Securities evaluated the value of the Company Stock by using the following methods: (i) the market share price analysis, since the Company is listed on the Prime Market of the Tokyo Stock Exchange and its stock price is available; (ii) the comparable listed company analysis, since it possible to infer the stock value of the Company by means of comparison with the stock values of comparable listed companies; and (iii) the DCF Analysis, so as to reflect the Company's future business activities in the valuation. The valuation results of the per-share value of the Company's stock by SMBC Nikko Securities are as follows.

Market share price analysis:	4,432 yen to 4,559 yen
Comparable listed company analysis:	3,532 yen to 3,724 yen
DCF Analysis:	4,740 yen to 6,358 yen

In the market share price analysis, with May 2, 2025 as the base date for valuation, the stock value per share of the Company Stock was determined to be from 4,432 yen to 4,559 yen, based on the simple average closing price of the Company Stock over the past one-month period which was 4,432 yen, the simple average closing price over the past three-month period which was 4,482 yen, and the simple average closing price over the past six-month period which was 4,559 yen.

In the comparable listed company analysis, the value of the Company Stock was evaluated by comparing the Company's market share price and certain financial indicators showing the Company's profitability with the equivalents of some listed companies engaged in a business similar to that conducted by the Company. The stock value per share of the Company Stock was determined to be from 3,532 yen to 3,724 yen.

In the DCF Analysis, the stock value per share of the Company Stock was determined to be from 4,740 yen to 6,358 yen, by evaluating the corporate value and the stock value of the Company by discounting to the present value, at a certain discount rate, the free cash flow that is expected to be generated by the Company in and after the fiscal year ending April 2025, based on the business plans for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033 submitted by the Company and publicly available information, among other factors. The business plans of the Company based on which the DCF Analysis was performed cover some fiscal years for which a considerable increase or decrease in operating profit and free cash flow is expected.

Specifically, a negative operating profit is expected for the fiscal year ending December 2026 due to R&D expenses relating to products under development that is being prepared for launch. However, since the Company will no longer be making development milestone payments for the products under development that were scheduled to take place during the previous fiscal year, a significant year-on-year increase in the Company's free cash flow is expected, and it is expected to turn positive where previously it was negative. For the fiscal year ending December 2027, a change in operating profit from negative to positive and a significant year-on-year increase in operating profit are expected, due to a reduction in R&D expenses relating to the products under development that were expected during the prior fiscal year. For the fiscal year ending December 2028, a negative free cash flow and a significant year-on-year decrease in free cash flow are expected due to development milestone payments scheduled for products under development. However, since the Company will no longer be making the development milestone payments during the fiscal year ending December 2029, a positive free cash flow and a significant year-on-year increase in free cash flow are expected for that fiscal year. For the fiscal year ending December 2030, a 71.9% year-on-year increase in operating profit and a 418.2% year-on-year increase in free cash flow are expected, due to expected growth in sales of developed products. For the fiscal year ending December 2031, a 98.1% year-on-year increase in free cash flow is expected due to expected growth in sales of developed products. Similarly, for the fiscal year ending December 2032, a 42.5% year-on-year increase in operating profit is expected due to expected growth in sales of developed products. The synergies that are expected to be achieved as a result of the Transaction are not reflected in these forecasts, because it is difficult to estimate their impact on the Company's profit specifically at this point.

At its Board of Directors meeting held on May 7, 2025, the Tender Offeror eventually decided to set the Tender Offer Price at 6,350 per share: (i) after taking comprehensively into account, among other things, (a) the results of valuation contained in the Tender Offeror Stock Valuation Report received from SMBC Nikko Securities, (b) the results of the due diligence investigation of the Company conducted by the Tender Offeror, (c) whether or not the Company's Board of Directors supported the Tender Offer, (d) the trends in the market value of the Company Stock, and (e) the expected turnout in the Tender Offer; and (ii) based also on the outcome of discussions and negotiations with the Company.

The Tender Offer Price of 6,350 yen includes: a premium of 21.41% on 5,230 yen, which was the closing price for the Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on May 2, 2025, which was the business day immediately preceding the date announcement of the Tender Offer; a premium of 43.28% on 4,432 yen, which was the simple average closing price over the one-month period up to the same date; a premium of 41.68% on 4,482 yen, which was the simple average closing price over the three-month period up to the same date; and a premium of 39.28% on 4,559 yen, which was the simple average closing price over the six-month period up to the same date.

Effective on April 28, 2025, the Tender Offeror acquired 1 share of the Company Stock from an employee of the Company by negotiation at 4,340 yen (i.e., the closing price of the Company Stock on the Prime Market of the Tokyo Stock Exchange on April 28, 2025), for the purpose of requesting access to, and copies of, the shareholder register of the Company. While there is a 2,010-yen gap between the Tender Offer Price (6,350 yen) and the above purchase price (4,340 yen), this purchase price represents no premium on that closing price unlike the acquisition in the Tender Offer.

(4) Policy for Organizational Restructuring After the Tender Offer (Information on the 'Two-Step Acquisition')

As described in "(A) Overview of the Tender Offer" under "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" above, the Tender Offeror's policy is to eventually make the Company its wholly-owned subsidiary. If the Tender Offeror fails to acquire all of the Tender Offer Target Shares in the Tender Offer, it is planned that, after the consummation of the Tender Offer, the Company will follow a series of processes to make the Tender Offer Related Parties the only shareholders of the Company, as follows.

Specifically, after completion of the settlement of the Tender Offer, the Tender Offer Related Parties will request that the Company promptly hold an extraordinary general meeting of shareholders (the "Extraordinary General Meeting of Shareholders") the agenda of which includes: a proposal for the Stock Consolidation; and a proposal for amendment of the articles of incorporation to abolish the provision relating to the share unit number, subject to the Stock Consolidation becoming effective. At the same time, the Tender Offer Related Parties will request that the Company make an announcement of the record date for the Extraordinary General Meeting of Shareholders during the Tender Offer Period, so that the record date will be close to the start of settlement of the Tender Offer. This is because the Tender Offer Parties believe that it is desirable to hold the Extraordinary General Meeting of Shareholders as soon as possible from the perspective of increasing the corporate value of the Company. While the date of the Extraordinary General Meeting of Shareholders has not been determined at this time, it is scheduled for early August 2025 as of today.

If the Company receives the request from the Tender Offeror, the Company will accept the request. The Tender Offer Related Parties intend to approve those proposals at the Extraordinary General Meeting of Shareholders.

If the proposal for the Stock Consolidation is approved at the Extraordinary General Meeting of Shareholders, effective as of the effective date of the Stock Consolidation, the Company's shareholders will hold a number of shares of the Company Stock as will be determined by the ratio of the Stock Consolidation approved at the Extraordinary General Meeting of Shareholders. If the Stock Consolidation results in fractions of less than one share, the shareholders of the Company who come to hold those fractional shares will receive cash in the amount that would be obtained by selling the total number of the fractional shares of the Company Stock (with the total number rounded down to the nearest whole number; the same applies hereinafter) to the Tender Offeror or the Company in accordance with the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The Tender Offeror intends to request that the Company file a petition with the court for permission to purchase those fractional shares of the Company Stock by private contract, by setting the purchase price for the total number of these fractional shares so that the amount of cash received by all holders of fractional shares as a result of the purchase will be equal to the price obtained by multiplying the Tender Offer Price by the number of shares of the Company Stock held by these shareholders. While the consolidation ratio for the Company Stock has not been determined as of today, the Tender Offeror intends to request that the Company determine the ratio in a manner such that all shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Company and the Tender Offer Related Parties) each will have only a fractional share of Company Stock that is less than one share, in order for the Tender Offer Related Parties to hold all of the shares of Company Stock (excluding the treasury shares held by the Company).

For purposes of protecting the rights of minority shareholders in connection with the Stock Consolidation, the Companies Act provides that if the Stock Consolidation occurs and results in fractions of less than one share, the Company's shareholders , acting in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations, may: (i) demand that the Company purchase all of their respective fractions less than one share at a fair price; and (ii) file a petition with court for determination of the price of the Company Stock. As described above, the Stock Consolidation will result in all shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Company and the Tender Offer Related Parties) each coming to hold only a fractional share of the Company Stock that is less than one share. Therefore, all shareholders of the Company who dissent from the Stock Consolidation will be entitled to make such a demand and file such a petition, as described above. If such a petition is filed, the purchase price of the Company Stock ultimately will be determined by the court.

The procedures for the Stock Consolidation may be changed in terms of the method and timing depending on amendments to or enforcement of, the competent authorities' interpretation of, or other circumstances relating to, relevant laws and regulations, as well as depending on the ratios at which the Tender Offer Related Parties hold Share Certificates and the ratios at which other shareholders of the Company hold the Company Stock after the Tender Offer, among other things. However, even in such a case, subject to consummation of the Tender Offer, the Tender Offeror intends to employ a method whereby each of the shareholders of the Company who does not tender its shares in the Tender Offer (excluding the Company and the Tender Offer Related Parties) ultimately will receive cash consideration in an amount calculated by multiplying (a) the number of shares of the Company Stock held by the shareholder by (b) the Tender Offer Price.

The specific procedures to be followed in each of the foregoing cases and the expected timing and other details of the procedures will be discussed by the Tender Offeror and the Company and promptly announced by the Company once they are determined.

Please note that the Tender Offer is not intended in any way to solicit the Company's shareholders' approval at the Extraordinary Meeting of Shareholders. All shareholders of the Company are solely responsible for seeking their own specialized tax advice with regard to the tax consequences of tendering their shares in the Tender Offer or of any of the procedures described above.

(5) Prospects and Reasons for Delisting

The Company Stock is listed on the Prime Market of the Tokyo Stock Exchange as of today. However, since the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, the Company Stock may be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange, depending on the outcome of the Tender Offer.

Even in the event that the delisting criteria are not met upon consummation of the Tender Offer, the Tender Offeror intends to follow the series of procedures described in "(4) Policy for Organizational Restructuring after the Tender Offer (Information on the 'Two-Step Acquisition')" after the consummation of the Tender Offer, in order to make the Tender Offer Related Parties the only shareholders of the Company. If this is the case, the delisting criteria of the Tokyo Stock Exchange will be met, and the Company Stock will be delisted via the prescribed procedures. After delisting, the Company Stock no longer can be traded on the Prime Market of the Tokyo Stock Exchange. For the reasons why the Tender Offer intends to delist the Company Stock, the impact of the delisting on the minority shareholders, and the Tender Offeror's attitude towards this impact, please see: "(B) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer, and the Management Policy After the Tender Offer" in "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" above and "(4) Policy for Organizational Restructuring after the Tender Offer (Information on the 'Two-Step Acquisition')" above.

(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

The Tender Offer is not a tender offer by the controlling shareholder, since the Company is not a subsidiary of the Tender Offeror as of today. The Transaction, including the Tender Offer, is not a "management buyout" (MBO) either, since neither all nor part of the Company's management team intends to make any direct or indirect capital contributions to the Tender Offeror. However, the Tender Offeror and the Company have taken the following measures to ensure the fairness and transparency of the Transaction by eliminating potential arbitrariness and conflicts of interest that may arise in the decision-making process leading to the decision to implement the Tender Offer, while ensuring the fairness of the Tender Offer Price, considering the following, among other things: (i) the interest of Japan Tobacco, which is the Company's parent company and largest shareholder, and that of minority shareholders of the Company may not always be consistent with each other because (a) the Tender Offeror and Japan Tobacco, which is the Company's parent company and largest shareholder, intend to sign the Agreement whereby, among other things, (x) the Agreed Untendered Shares held by Japan Tobacco will not be tendered in the Tender Offer, (y) the Tender Offer Related Parties will vote for all proposals that are necessary to consummate the Stock Consolidation and are submitted to the General Meeting of Shareholders of the Company, and (z) Japan Tobacco will sell the Agreed Untendered Shares in response to the Treasury Share Acquisition, and (b) the Tender Offeror intends to acquire the JT Pharmaceutical Business from Japan Tobacco; and (ii) the Tender Offer will be carried out as part of the Transaction which is intended to make the Company a wholly-owned subsidiary of the Tender Offeror.

The Tender Offeror has not set the minimum number of shares to be purchased by the "majority of minority" in the Tender Offer because Japan Tobacco holds 15,398,800 shares (Shareholding Percentage: 54.78%) of the Company Stock as of today, due to which the setting of a minimum number of shares to be purchased by the "majority of minority" in the Tender Offer may make the successful consummation of the Tender Offer unstable, which, in turn, may be disadvantageous to minority shareholders who wish to tender their shares in the Tender Offer. The Company still believes that sufficient consideration has been given to the interests of minority shareholders of the Company, since the measures described in (A) through (G) below have been taken by the Company and the Tender Offeror.

(A) The Tender Offeror's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

In determining the Tender Offer Price, the Tender Offeror requested that SMBC Nikko Securities, which served as the Tender Offeror's financial advisor and third-party appraiser independent of the Tender Offer Related Parties and the Company, to evaluate the value of the Company Stock in order to ensure the fairness of the Tender Offer Price. The Tender Offeror received a Tender Offeror Stock Valuation Report dated May 2, 2025.

For more details about the Tender Offeror Stock Valuation Report received by the Tender Offeror from SMBC Nikko Securities, please see "(ii) Summary of Valuation" in "(B) The Tender Offeror's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" of "(3) Information on Valuation" above.

(B) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

Before expressing its opinion on the Tender Offer, the Company requested that Mizuho Securities, which served as the Company's financial advisor and third-party appraiser independent of the Tender Offer Related Parties and the Company, to evaluate the value of the Company Stock. The Company received a Company Stock Valuation Report dated May 2, 2025.

For more details about the Company Stock Valuation Report received by the Company from Mizuho Securities, please see "(ii) Summary of Valuation" in "(A) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" of "(3) Information on Valuation" above.

(C) The Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee

At its meeting held on August 9, 2024, the Company's Board of Directors adopted a resolution to establish, and thus the

Company established on the same day, the Special Committee which was independent of both the Tender Offer Related Parties and the Company and consisted of the following three members, for the purpose of eliminating potential arbitrariness and conflicts of interest that may arise in the Company's decision-making and ensuring the fairness, transparency, and objectivity of the decision-making process before the Company's Board of Directors discussed and made resolutions on the Transaction: Mr. Kenichi Fujita (Director and Audit and Supervisory Committee Member of the Company, Representative Director and President of Green Bridge Solutions Ltd., and Representative Director and President of K-BRIC & Associates, Ltd.); Mr. Takaharu Matsumura (Director and Audit and Supervisory Committee Member of the Company, Attorney-at-Law and Partner at Anderson Mori & Tomotsune Foreign Law Joint Enterprise, Corporate Auditor of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.); and Ms. Mihoko Manabe (Director and Audit and Supervisory Committee Member of the Company and a financial consultant (as a sole proprietor)). Please note that the fees for the members of the Special Committee are fixed and include no contingency fees. The Company appointed the above three members as the original members of the Special Committee, none of whom has been replaced.

Upon making the decision to establish the Special Committee, the Company's Board of Directors consulted the Special Committee on the following matters: (i) whether the purpose of the Transaction is legitimate and reasonable (including whether or not the Transaction will contribute to increasing the corporate value of the Company); (ii) whether the terms and conditions of the Transaction are appropriate (including whether the method of, and the kind of consideration for, the Transaction are appropriate); (iii) whether the procedures involved in the Transaction are fair (including what measures to ensure the fairness should be taken to what extent); (iv) whether or not the Company's Board of Directors should support the Tender Offer and recommend the Company's shareholders to tender their shares in the Tender Offer; and (v) whether making a decision to conduct the Transaction (including the Company's Board of Directors expressing its opinion in support of the Tender Offer and recommending the Company's shareholders to tender their shares in the Tender Offer) will not be disadvantageous to the general shareholders (including the minority shareholders) of the Company (collectively, the "Consultative Matters"). The Company's Board of Directors also adopted a resolution: (a) to respect the Special Committee's report as much as possible in making important decisions on the Transaction; and (b) to refrain from making a decision to conduct the Transaction (including refraining from supporting the Tender Offer and from recommending shareholders to tender their shares in the Tender Offer) if the Special Committee concludes that the terms and conditions, etc. of the Transaction are not appropriate.

In addition, the Company's Board of Directors authorized the Special Committee: (i) to provide necessary advice to the Company's executive directors and others in their consideration of the Transaction; (ii) to review the Company's policies for discussions and negotiations with the Tender Offeror on the Transaction in advance, to receive reports on the status of those discussions and negotiations in a timely manner, to express the committee's opinion regarding discussions and negotiations on the Transaction, to make recommendations and requests to the Company's Board of Directors, and to directly discuss and negotiate with third parties, including the Tender Offeror, where necessary and to the extent permitted by law; (iii) to review the Company's policies, express the committee's opinion, and make recommendations and requests regarding the Company's system for conducting discussions and negotiations and making decisions on the Transaction; (iv) to request reports and information on the progress of, the status of discussion on, and other aspects of, the Transaction from the Company's executive directors and others at any time; and (v)(a) to appoint advisors or equivalents for the committee at the Company's expense, to the extent necessary to fulfill the functions of the Special Committee, and (b) to evaluate the Company's advisors and equivalents, and express the committee's opinion on, or give the committee's approval (including subsequent approval) to, their appointment.

The Special Committee held a total of 21 meetings during the period from August 19, 2024 to May 7, 2025, where the Consultative Matters were carefully discussed and considered.

Specifically, the Special Committee approved Mizuho Securities, which is the Company's third-party appraiser and financial advisor, as such and Nagashima Ohno & Tsunematsu, which is the Company's legal advisor, as such and confirmed that Mizuho

Securities and Nagashima Ohno & Tsunematsu are eligible to provide professional advice to the Special Committee where necessary, on the grounds that neither had any problem with its independence or expertise.

The Special Committee also approved the Company's system for discussing the Transaction established at the Company, including the scope and duties of officers and employees of the Company involved in discussions, negotiations, and decision-making relating to the Transaction, after confirming that there was no problem with the system in terms of its independence.

Then, the Special Committee received from Nagashima Ohno & Tsunematsu explanations on, among other things, the background requiring the establishment of the Special Committee and the functions of the Special Committee, and considered measures to be taken to ensure the fairness of the procedures involved in the Transaction, based on the advisor's legal advice on the decision-making process and method, and other points to consider in making decisions relating to the Transaction.

In the process of negotiations on the Transaction, the Special Committee expressed its opinion to the Company in critical phases of the negotiations, including confirming the Company's view regarding: the background and history of the Transaction; whether or not the Transaction is expected to result in increasing the corporate value of the Company; the significance and purpose of the Transaction; the Company's management policy after the Transaction, and the terms and conditions and other details of the Transaction. The Special Committee also confirmed the Company's view regarding the following matters, among others, in light of the content of the Tender Offeror's proposal for the Transaction: the Company's business condition, business environment, and business challenges; the content of the Company's business plans; the significance of the Transaction; the Transaction's effect of increasing the corporate value of the Company; and Transaction's impact on the Company's business.

In addition, the Special Committee received from the Company explanations on how its business plans were prepared and on their content, and confirmed the validity of the business plans in terms of their content and important assumptions and how they were prepared, among other things. Then, the Special Committee received from Mizuho Securities, which evaluated the value of the Company Stock based on the Company's business plans as described in "(A) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" under "(3) Information on Valuation" above, explanations on: the methods for determining the value of the Company Share used in the evaluation; the reasons for employing those methods of valuation; and the details of, and important assumptions for, each of the valuation methods, including the comparable companies selected in the comparable company analysis and the reasons and other assumptions for selecting those comparable companies, the numerical values for the weighted average cost of capital (WACC) and other parameters used in the DCF Analysis, and the method for determining the terminal value of the Company and the reasons for employing the method. The Special Committee confirmed the validity of the above details after Q&A sessions and deliberations and discussions.

Furthermore, after the Company's receipt of the first proposal on the Tender Offer Price and other matters from the Tender Offeror on October 2, 2024, the Special Committee continued to be substantively involved in the process of negotiations on the terms and conditions of the Transaction, including the Tender Offer Price, by receiving reports from the Company and its advisors as appropriate, expressing the committee's opinion on the terms and conditions of the Tender Offer, or sending written answers directly to the Tender Offeror.

After carefully discussing and considering the Consultative Matters as described above, on May 7, 2025 the Special Committee submitted, with the unanimous approval of its members, a report dated May 7, 2025 regarding the Consultative Matters, whose summary is provided below, to the Company's Board of Directors.

(a) Details of the Report

With the unanimous approval of all members of the Special Committee, the Committee reports its opinions on the Consultative

Matters as follows:

(i) The Committee finds that the Transaction will contribute to increasing the corporate value of the Company and is legitimate and reasonable.
(ii) The Committee finds that the Tender Offer Price proposed for the Tender Offer and the other terms and conditions of the Transaction are appropriate.
(iii) The Committee finds that sufficient measures have been taken to ensure the fairness of the procedures involved in the Transaction, and that the procedures involved in the Transaction are therefore fair.
(iv) The Company's Board of Directors should resolve that the Company express its opinion in support of the Tender Offer and recommend the Company's shareholders to tender their shares in the Tender Offer.
(v) Conducting the Transaction is not disadvantageous to the general shareholders (including the minority shareholders) of the Company.

(b) Reasons for the Report

1. Discussion on Whether or Not the Transaction Will Contribute to Increasing the Corporate Value of the Company

(1) The Tender Offeror's Opinion

According to the Tender Offeror's answers to the questions about the Transaction submitted by the Committee to the Tender Offeror and to the draft Tender Offer Statement prepared by the Tender Offeror, the significance and purpose of the Transaction and the synergies expected from the Transaction, as contemplated by the Tender Offeror, can be summarized as follows:

(I) Background of the Tender Offeror's Consideration of the Transaction

Under the company policy (SHIONOGI Group Heritage) that states "SHIONOGI strives constantly to supply the best possible medicine (healthcare solution) to protect the health and wellbeing of the patients we serve," the Tender Offeror is undergoing transformation to a HaaS (Healthcare as a Service) company that provides not only ethical drugs but also various healthcare services that meet the needs of its customers, in order to solve problems facing patients and communities worldwide in a more comprehensive manner. In 2020, the Tender Offeror established the SHIONOGI Group Vision for 2030, "Building Innovation Platforms to Shape the Future of Healthcare," and developed its medium-term business plan, the SHIONOGI Transformation Strategy 2030 (STS2030), to realize the vision. Since that time, the Tender Offeror group has made concerted efforts pursuant to that strategy. During the three-year period from fiscal 2020 to fiscal 2022, the Tender Offeror, with the aim of putting an end to the COVID (SARS-CoV-2) pandemic as soon as possible, not only provided therapeutic medicines but also worked to provide solutions for detection (prediction of epidemics), prevention, diagnosis, and prevention of deterioration, toward realization of total care for COVID-19. These efforts have evolved the Tender Offeror's ability to discover drugs, as seen in the totally unprecedented quickness – in approximately three years since the beginning of R&D with which the Tender Offeror was granted regular approval for Xocova, a treatment for COVID-19, in Japan where it generally takes approximately 9 to 16 years for a new ethical drug to be granted approval in Japan after the start of R&D for the drug. The Tender Offeror also has been successful in expanding its products and services to include those other than ethical drugs, such as the Tender Offeror group's first vaccine product and the Tender Offeror group's wastewater-based epidemiology surveillance service. The results and lessons obtained from these efforts showed a clearer path to achieve the SHINOGI Group Vision, which prompted the Tender Offeror to revise the STS2030 in 2023 to make a fresh start under the Revised STS2030. While the former STS2030 called the five years from fiscal 2020 to fiscal 2024 as "STS Phase 1" and the following period ending in fiscal 2030, "STS Phase 2," the Revised STS2030 calls the three years from fiscal 2023 to fiscal 2025 the new "STS Phase 2," which aims to accelerate the company's growth through innovation based on the phase's basic policy, "achieving global top-line growth centered on the infectious disease area" and "realizing the development of growth drivers through active investment."

In its efforts relating to the Revised STS2030, as described above, since the beginning of 2024 the Tender Offeror has considered a collaboration with the JT Pharmaceutical Business and the Company to realize the Tender Offeror's vision, "Building Innovation Platforms to Shape the Future of Healthcare." After consideration, the Tender Offeror concluded that acquiring the JT Pharmaceutical Business and making the Company a wholly-owned subsidiary of the Tender Offeror will significantly contribute to realizing the vision.

(II) Synergies Expected by the Tender Offer from the Transaction

(A) Strengthening the Tender Offeror's Domestic Business

The Tender Offeror promotes appropriate information-providing activities in order to realize its company basic policy, "SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." The Tender Offeror believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Tender Offeror believes that providing this information to additional hospital departments in which the Company has strong sales skills, i.e., the departments of dermatology, internal medicine, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Tender Offeror believes that it will be able to strengthen the information-providing activities relating to the Company's dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Tender Offeror also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. With regard to the Tender Offeror's and the Company's respective development pipelines, the Tender Offeror believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Company's strong sales capabilities.

(B) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the whole group. The Tender Offeror understands that the Company currently is engaged in domestic development jointly with the JT Pharmaceutical Business. The Tender Offeror believes that the Transaction will increase the possibilities for the Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Company's aggressive efforts to search for license-in candidates and to make business investments, the Tender Offeror believes that the Transaction will allow the Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and human resources with expertise.

(C) Realizing Flexible Manufacturing and Sales Structures

In principle, the Tender Offeror, in owning Shionogi Pharma Co., Ltd. as its manufacturing division, has built and improved its global supply chain by manufacturing its pharmaceutical products at its own manufacturing sites. The Tender Offeror's understanding is that supply chains are more volatile due to factors such as geopolitical issues, quality issues at multiple companies, and increases in stock outages and limited shipments, and that it is becoming more difficult to control costs due to the impact of exchange rates and rising raw materials prices, among other factors. In these circumstances, the Tender Offeror believes that the Transaction will bring the following advantages for pharmaceutical products of the JT Pharmaceutical Business and the Company by drawing on the Tender Offeror's capabilities, as seen in the fact that the Tender Offeror has manufactured pharmaceutical products and built a global supply chain successfully, on its own as described above, and by utilizing the Tender Offeror's manufacturing facilities: (a) establishing a flexible production structure, on its own, that allows for increases in product production, along with other matters, and (b) stronger negotiation skills for the pharmaceutical products of the JT Pharmaceutical Business and the Company, by securing backup sites owned by the Tender Offeror. The Tender Offeror believes that this will increase its business competitiveness and contribute to reducing manufacturing costs.

(2) The Company's Management Team's Opinion

(I) Synergies Expected from the Transaction

According to the explanations provided by the Company's personnel during the interviews and other activities conducted by the Committee and to other explanations provided during the process of deliberations by the Committee, the synergies expected by the Company from the Transaction are as follows:

(A) Strengthening the Company's Domestic Business

As understood by the Tender Offeror, the Company believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Company believes that providing this information to additional hospital departments in which the Company has strong sales skills, i.e., departments of dermatology, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Company believes that it will be able to strengthen the information-providing activities relating to its dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Company also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. As for the Tender Offeror's and the Company's respective development pipelines, the Company believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Company's strong sales capabilities.

(B) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the whole group. On the other hand, the Company currently is engaged in domestic development jointly with the JT Pharmaceutical Business. The Company believes that the Transaction will increase the possibilities for the Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Company's aggressive efforts to search for license-in candidates and to make business investments, the Company believes that the Transaction will allow the Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and human resources with expertise.

(C) Realizing Flexible Manufacturing and Sales Structures

The Company has had no manufacturing function of its own since 2020. The Company contracts out all manufacturing to external parties. Most of the license-in products from overseas that are imported by the Company are manufactured by the licensors. For these reasons, the Company believes, as understood by the Tender Offeror, that using Shionogi Pharma Co., Ltd., which is owned by the Tender Offeror as the Company's manufacturing division and contracting out part of the manufacturing to that manufacturing division may allow the Company to deal with the volatility of supply chains caused by such factors as geopolitical issues, quality issues in multiple companies, and increases in stock shortfalls and limited shipments, and will lead to (a) development of a flexible production structure that allows for increases in product production among other things, and (b) stronger negotiation skills to secure backup sites, etc. The Company believes that this will increase its business competitiveness and contribute to reducing manufacturing costs.

(D) Potential Disadvantages That May Arise from the Transaction

According to the explanations provided by the Company's personnel during the interviews and other activities conducted by the Committee and to other explanations provided during the process of deliberations by the Committee, it is possible that going private as a result of the Transaction may produce certain disadvantages in terms of recruitment and customer reputation, and that, depending on the Company's locations and staffing after the Transaction, some employees may leave the Company. It is also possible that the Transaction may have some impact on the relationships between the Company and its important business partners involved in the Company's products for sublingual immunotherapy, where the Company has been in a competitive relationship with the Tender Offeror.

(3) The Committee's Opinion

After careful deliberations and discussions based on the above, the Committee has found that the Tender Offeror's and the Company's explanations on the synergies expected from the Transaction are specific to some extent and are reasonable.

As described in (2)(B) above, the possibility cannot be denied that the Transaction may result in some disadvantages. However, the Committee considers that the risk posed by the generally expected disadvantages of going private, such as an increased difficulty in recruitment and a lower reputation among customers, will be limited, because the Company's advantage in the recruitment market and the Company's social reputation, both of which have been developed by the Company through its business activities over the years, will not be lost as a result of being delisted, and because, after the Transaction, the Company will be able to conduct recruitment activities together with the Tender Offeror as a team, and to maintain is reputation among customers as a member of the Tender Offeror group. In addition, the Committee has received from the Tender Offeror an answer to the effect that the Tender Offeror's policy on the Company's locations and staffing after the Transaction is to give sufficient consideration to individual employees' productive life, self-realization, and fairness and to consider most appropriate staffing to prevent adverse impact on the Company's business resulting from employee turnover.

As for the relationships between the Company and its important business partners involved in the Company's products for sublingual immunotherapy, the Committee has no serious concerns after receiving the following explanations from the Tender Offeror: (i) the Tender Offeror's business related to its products for sublingual immunotherapy is already planned to be closed, and the Tender Offeror has taken or intends to take certain measures to prevent the Company's relationship with those important business partners from being affected by the Transaction; (ii) the Tender Offeror intends to continue to focus on the Company's sublingual immunotherapy products after consummation of the Transaction; and (iii) the Tender Offeror has taken or intends to take certain measures to prevent any legal obstacles to the company's continuation of the business related to these products from arising after the Company becomes a subsidiary of the Tender Offeror as a result of the Transaction.

While the Committee cannot go so far as to say that it has serious concerns about the potential disadvantages of conducting the Transaction, for which reasonable measures have been taken or will be taken or reasonable explanations have been provided, conducting the Transaction is expected to generate synergies that will more than offset those disadvantages. Therefore, the Committee is not uncomfortable with the conclusion that the Transaction will contribute to increasing the corporate value of the Company.

2. Discussion on the Appropriateness of the Terms and Conditions of the Transaction

(1) Appropriateness of the Tender Offer Price

(a) Procedure for Making Business Plans and the Content of Business Plans

The Company requested Mizuho Securities, which served as the Company's third-party appraiser that is independent of the Company and the Tender Offeror, to evaluate the value of the Company Stock. The Company received the Company Stock Valuation Report on May 2, 2025.

The valuation contained in the Company Stock Valuation Report is based on the financial forecasts that are based on the Company's business plans for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033, which were prepared by the Company's management team by taking into consideration such factors as the Company's business performance and publicly available information and were approved by the Committee and were subsequently revised where necessary based on changes in the Company's business environment, such as full-year financial results and updates on the status of development of products under development, which revisions were reported to the Committee (the "Business Plans"). The Committee approved the Business Plans after concluding that there were no circumstances casting doubt over the fairness of the process of preparation of the Business Plans, and that nothing unreasonable was found in the Business Plans, based on the explanations provided by the Company's management team to the Committee and on the questions and answers exchanged between the management team and the Committee.

(b) Discussion on Valuation Results

Based on the explanations provided by Mizuho Securities to the Committee and on the questions and answers exchanged between Mizuho Securities and the Committee regarding the content of the Company Stock Valuation Report, the Committee finds as follows: (i) the valuation methods employed by Mizuho Securities to evaluate the stock value are commonly used to determine stock values in going private transactions, and there is nothing unreasonable about the reasons for which these valuation methods were employed; and (ii) there is nothing unreasonable about the validity of the details of the valuation performed by Mizuho Securities. Therefore, the Committee concludes that the Company Stock Valuation Report can be relied upon in evaluating the value of the Company Stock.

The ranges of the stock value per share of the Company Stock found in the Company Stock Valuation Report are as follows. The assumptions for, and points to note in, the preparation of the Company Stock Valuation Report and the evaluation and analysis based on which the report was prepared are as described in the Note below.

Average market share price analysis:	4,432 yen to 5,230 yen
Comparable company analysis:	3,318 yen to 4,215 yen
Precedent transaction analysis:	4,144 yen to 4,213 yen
DCF Analysis:	4,979 yen to 7,080 yen

Note: In determining the value of the Company Stock, Mizuho Securities used the information received from the Company and publicly available information, data, etc. without making any changes to them in principle and without independently verifying the accuracy or completeness of the data, information, etc., assuming that all of them were accurate and complete. Mizuho Securities did not independently evaluate or assess the assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the Company or its associated companies, nor did it request that any third-party institution perform any such evaluation or assessment. Mizuho Securities assumes that the information on the Company's financial forecasts was reasonably prepared by the Company's management team based on the best estimates and judgment that could be obtained at the relevant point.

As compared to the results of valuation of the Company Stock found in the Company Share Valuation Report, the Tender Offer Price (6,350 yen per share of Company Stock) is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis.

(c) Analysis of Premiums

The Tender Offer Price represents a premium of 21% (rounded to the closest whole number; the same applies hereinafter to other premium percentages) on 5,230 yen, which was the closing price for the Company Stock quoted on the Tokyo Stock Exchange on May 2, 2025, i.e., the business day immediately preceding the date of the Report (today), a premium of 43% on 4,432 yen, which was the simple average closing price over the past one-month period (rounded to the closest whole number; the same applies hereinafter to other simple average closing prices), a premium of 42% on 4,482 yen, which was the simple average closing price over the past three-month period, and a premium of 39% on 4,559 yen, which was the simple average closing price over the past six-month period.

When these premium levels are compared with those seen in certain cases similar to the Transaction (i.e., the premium levels seen in the 34 tender offer cases involving the privatization of a company listed on the Prime Market or the First Section of the TSE by a third party which was announced during the past five years (i.e., the period from May 3, 2020 to May 2, 2025) and in which a tender offer was consummated on or before May 2, 2025 (excluding management buyout (MBO) cases), namely, a median of 44% and an average of 53% on the stock price on the business day immediately preceding the date of announcement, a median of 45% and an average of 56% on the simple average closing price over the one-month period up to the business day immediately preceding the date of announcement, a median of 57% and an average of 60% on the simple average closing price over the three-month period up to the business day immediately preceding the date of announcement, and a median of 54% and an average of 63% on the simple average closing price over the six-month period up to the business day immediately preceding the date of announcement), the Tender Offer Price is relative low in terms of the closing price on immediately preceding business day. However, it would be reasonable, to some extent, to take more medium- to long-term stock price levels into consideration because there is an undeniable possibility that the approximately 20% increase (from 4,340 yen to 5,230 yen) in the closing price of Company Stock during the short period of three business days from April 28, 2025 to May 2, 2025 was temporary, in light of, among other things, (i) the fact that the turnover of the Company Stock during the three business days increased significantly from the immediately preceding average turnover of approximately 100,000 shares (i.e., the average turnover for the period from March 26, 2025 to April 25, 2025) to a level between 310,000 shares and 560,000 shares), and (ii) the fact that the Company made no timely disclosure during the three business days, which means that the change in the price of Company Stock did not at least reflect any specific announcement by the Company, and a comparison of the premium rates represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium rates represented by the Tender Offer Price can be considered to be at an appropriate level, based on which the Company believes that the Tender Offer Price is not unreasonable in terms of premium rates on market share price.

In addition, when the Tender Offer Price is adjusted by subtracting from it the value per share of the Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of ¥79.1 billion and do not normally attract a premium, the adjusted Tender Offer Price per share is 3,537 yen, which represents a premium of 46% on 2,417 yen, which is the price obtained by adjusting likewise the closing price of 5,230 yen on the business day immediately preceding the announcement date, a premium of 119% on 1,619 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,432 yen over the past one-month period, a premium of 112% on 1,669 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,482 yen over the past three-month period, and a premium of 103% on 1,746 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,559 yen over the past six-month period, based on which the Tender Offer Price can be considered to represent a sufficient level of premiums.

(d) Course of Negotiations on the Tender Offer Price

On October 2, 2024, the Company received from the Tender Offeror a proposal to set the Tender Offer Price at 5,878 yen per share.

At the 7th meeting of the Special Committee held on September 30, 2024, the Special Committee received from Mizuho Securities an interim report on the results of valuation of the Company Stock. At the 8th and 9th meetings of the Special Committee held on October 7, 2024 and October 15, 2024, respectively, the Special Committee appreciated, to some extent, the price proposed by the Tender Offeror based on the understanding that the proposed tender offer price represents a premium similar to those found in cases similar to the Transaction. However, the Special Committee concluded that the Company should request an increase in the proposed Tender Offer Price and should negotiate on the price with the Tender Offeror in order to maximize the interests of the minority shareholders, on the following grounds: (i) the Special Committee believes that the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Company Stock itself; (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium but based on whether or not a proper valuation of the Company Stock was made; (iii) in light of the Company's future growth potential based on its business plans, the proposed tender offer price was considerably low; and (iv) the Transaction's feasibility should be taken into account, quantified and reflected in the corporate value of the Company, after taking into account the specific synergies of the Transaction.

Subsequently, in a letter dated October 15, 2024, the Special Committee requested an increase in the Tender Offer Price. The Special Committee received an answer from the Tender Offeror, in a letter dated October 28, 2024, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,062 yen.

In response, at the 12th and 13th meetings of the Special Committee held on November 5, 2024 and November 11, 2024, respectively, the Special Committee concluded that the Company should make another request for an increase in the Tender Offer Price and should negotiate the price with the Tender Offeror, on the grounds that the price proposed by the Tender Offeror could not possibly be deemed to fully represent the intrinsic value of the Company, leaving room for further raising the Tender Offer Price, and that the proposed tender offer price could not yet be evaluated as a satisfactory level, considering the synergies of the Transaction.

Subsequently, in a letter dated November 11, 2024, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 11, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,181 yen.

In response, at the 17th meeting of the Special Committee held on April 15, 2025, the Special Committee concluded that the Company should make a request to reconsider the proposed Tender Offer Price to make another increase and should negotiate on the price with the Tender Offeror, based on the Special Committee's belief that the price proposed by the Tender Offeror still did not fully represent the intrinsic value of the Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the above proposed price over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Special Committee found it difficult to consider and determine to be sufficient as compared to those seen in similar past cases.

Subsequently, in a letter dated April 15, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 18, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,283 yen.

In response, at the 18th meeting of the Special Committee held on April 21, 2025, the Special Committee concluded that the Company should make a request to reconsider the proposed Tender Offer Price to make another increase and should negotiate the price with the Tender Offeror, on the grounds: (i) that, while the Special Committee considered that the price proposed by the Tender Offeror reflected some consideration given by the Tender Offeror based on the assertions that had been made by the Company until then, the Special Committee believed that there was still room for proposing a higher tender offer price by, among other things, (a) putting a higher value on the Company's stock by fully considering the Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration; and (ii) that the premiums represented by the proposed tender offer price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels.

Subsequently, in a letter dated April 21, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 26, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,326 yen, and that the Tender Offeror had no intention to further change the economic terms and conditions in favor of the Company. In response, at the 19th meeting of the Special Committee held on April 28, 2025, the Committee concluded that the Company should make another request for increase in the proposed Tender Offer Price and should negotiate the price with the Tender Offeror, on the grounds that while the price proposed by the Tender Offeror had been raised from that proposed in the fourth proposal, with that small increase the Special Committee believed that it was still not necessarily at a level where sufficient consideration was given to the Company's general shareholders.

Subsequently, in a letter dated April 28, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Committee Special received an answer from the Tender Offeror, in a letter dated May 1, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,350 yen, and that the Tender Offeror had no intention to further change the economic terms and conditions in favor of the Company.

In light of the course of negotiations described above, the Special Committee concluded that the Tender Offer Price of 6,350 yen was the Tender Offeror's final proposed price with no room for increase through further negotiations.

Based on the above, the Special Committee finds that the Tender Offer Price has been determined as a result of serious negotiations between the Company and the Tender Offeror, with the aim of ensuring acquisition of the Company upon terms and conditions that are as favorable as possible to the Company's shareholders.

(e) Sub-summary

Based on the discussion above, the Tender Offer Price can be considered fair and appropriate, in light of the following: (i) as compared to the results of valuation of the Company Stock found in the Company Stock Valuation Report, the Tender Offer Price is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis; (ii) the Committee believes that the premium levels represented by the Tender Offer Price are not unreasonable, in light of the following; (a) while the premium level represented by the Tender Offer Price on the closing price on the business day immediately preceding the date of Report (today) is somewhat low as compared to those seen in the similar cases, it would be reasonable, to some extent, to take medium- to long-term stock price levels into consideration because there is an undeniable possibility that the recent increase in the price of Company Stock was temporary, and a comparison of the premium levels represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium levels represented by the Tender Offer Price can be considered to be appropriate, and (b) the premiums represented by the Tender Offer Price can be considered to be at a sufficient level when these premiums are analyzed based on the Tender Offer Price per share after adjustment by subtracting the value per share of the Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of ¥79.1 billion and do not normally attract a premium; and (iii) the Special Committee finds that the Tender Offer Price has been determined as a result of serious negotiations between the Company and the Tender Offeror.

(2) Appropriateness of the Scheme

The Transaction employs a scheme where in the first stage the Tender Offer is conducted by setting the minimum number of shares to be purchased at a number at which the Tender Offeror and Japan Tobacco will acquire at least two-thirds of all voting rights in the Company after the Tender Offer, and in the second stage a squeeze-out is carried out through stock consolidation to make the Tender Offeror and Japan Tobacco the only shareholders of the Company, followed by a Treasury Share Acquisition after the stock consolidation becomes effective. This is a scheme employed relatively commonly as a means to take a listed company with a parent company private. Any shareholders of the Company who are dissatisfied with the tender offer price are entitled to file a petition with the court for determination of price in the process of the stock consolidation.

As for the Treasury Share Acquisition, the Special Committee has received an explanation that the Treasury Share Acquisition aims to balance between the maximization of the Tender Offer Price, on the one hand, and the fairness between shareholders, on the other hand, by: (i) setting the purchase price to be used in the Treasury Share Acquisition based on the amount at which the after-tax amount that would be received by Japan Tobacco if it tendered the Agreed Untendered Shares in the Tender Offer would be equal to the after-tax amount when it sells the Agreed Untendered Shares in the Treasury Share Acquisition, in light of the fact that Japan Tobacco is expected to be subject to the provisions of the Corporation Tax Act stating that deemed dividends shall not be included in gross revenue; and (ii) keeping the purchase price to be used in the Treasury Share Acquisition low to increase the amount to be distributed to the minority shareholders of the Company. Therefore, the Special Committee considers that the involvement of the Treasury Share Acquisition in the Transaction will not result in Japan Tobacco gaining unfair profit at the sacrifice of the interests of the Company's minority shareholders but will in fact contribute to the interests of the Company's general shareholders.

In addition, the Special Committee has confirmed, from sources including answers received from the Tender Offeror and Japan Tobacco, that, in regard to the proposed acquisition of the JT Pharmaceutical Business by the Tender Offeror through the Absorption-type Split in connection with the Transaction, the Absorption-type Split has been discussed and negotiated between the Tender Offeror and Japan Tobacco as a separate, independent transaction from the Transaction between the Company and the Tender Offeror, with the consideration for the absorption-type split determined based on the business value of the JT Pharmaceutical Business, so as to prevent the spirit of uniformity of the tender offer price from being violated through the Absorption-type Split. Negotiations on the Tender Offer Price have taken place consistently between the Company and the Tender Offeror from the beginning, without the involvement of Japan Tobacco. In light of these circumstances, the Special Committee does not believe that the terms and conditions of the Absorption-type Split have had any adverse impact on the terms and conditions of the Tender Offer, including the Tender Offer Price.

Based further on the fact that any coerciveness has been eliminated from the Tender Offer as described in 3 (7) below, the Special Committee finds nothing unreasonable about the scheme for the Transaction and therefore finds it appropriate.

(3) Sub-summary

The Special Committee finds that the terms and conditions of the Transaction are fair and appropriate since, as described above: (i) both the Tender Offer Price and the consideration to be paid to the Company's shareholders in the proposed squeeze-out procedure are considered appropriate, based on (a) their comparison with the results of valuation of the Company Stock submitted by the third-party appraiser, (b) their comparison with the premium levels seen in past similar transactions, and (c) the course of negotiations; and (ii) the scheme for the Transaction is considered appropriate.

3. Discussion on the Fairness of the Procedure for Considering the Transaction

(1) Establishment, etc. of an Independent Special Committee at the Company

The Company established the Special Committee based on a resolution of the Board of Directors dated August 9, 2024. Before the establishment of the Special Committee, and since early August 2024, the Company had, partly on the advice of Nagashima Ohno & Tsunematsu: (i) provided the Company's independent outside directors who had no material interest in the Tender Offeror with an explanation, on an individual basis, to the effect, among others, that sufficient measures to ensure the fairness of the terms and conditions of the Transaction, including establishing the Special Committee, must be taken in conducting discussions, negotiations, etc. on the Transaction; and (ii)(a) provided those outside directors with (x) an explanation to the effect that the Company must ensure sufficient fairness of the procedures involved in the Transaction in order to address the issue of potential conflicts of interest and the issue of information asymmetry, and (y) explanations about the functions and other aspects of the Special Committee, and (b) exchanged questions and answers with these outside directors regarding the topics described in (a) and (b) above. In conjunction with the above, the Company, on the advice of Nagashima Ohno & Tsunematsu, reviewed the independence, qualifications, etc. of the Company's independent outside directors, who were candidates for members of the Special Committee, and checked that they had no material interest in the Tender Offeror and that they had no material interest that is different from the interest of the Company's general shareholders in whether or not the Transaction is consummated. After subsequent discussions between the Company and its independent outside directors with advice from Nagashima Ohno &Tsunematsu, it was confirmed that there were no objections to their nomination as candidates for members of the Special Committee. The Company thus nominated the following three persons as candidates for members of the Special Committee: Mr. Kenichi Fujita (Director and Audit and Supervisory Committee Member of the Company, Representative Director and President of Green Bridge Solutions Ltd., and Representative Director and President of K-BRIC & Associates, Ltd.); Mr. Takaharu Matsumura (Director and Audit and Supervisory Committee Member of the Company, Attorney-at-Law and Partner at Anderson Mori & Tomotsune Gaikokuho-Kyodo-Jigyo, Audit & Supervisory Board Member of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.); and Ms. Mihoko Manabe (Director and Audit and Supervisory Committee Member of the Company and a financial consultant (as a sole proprietor) (the Committee has been chaired by Mr. Kenichi Fujita, who is a Director and Audit and Supervisory Committee Member of the Company, with none of the original members of the Special Committee having been replaced since its establishment).

The resolution of the Company's Board of Directors mentioned above also resolved that the Company's Board of Directors shall respect the Special Committee's report as much as possible in making important decisions on the Transaction and refrain from supporting the Tender Offer and from recommending shareholders to tender their shares if the Special Committee concludes that the terms and conditions of the Transactions are not appropriate. In addition, the Company, based on its Board of Directors' resolution mentioned above, authorized the Special Committee: (a) to provide necessary advice to the Company's executive directors and others in their consideration of the Transaction; (b) to review the Company's policies for discussions and negotiations with the Tender Offeror on the Transaction in advance, to receive reports on the status of those discussions and negotiations in a timely manner, to express the committee's opinion regarding discussions and negotiations on the Transaction, to make recommendations and requests to the Company's Board of Directors, and to directly discuss and negotiate with third parties, including the Tender Offeror, where necessary and to the extent permitted by law; (c) to request reports and information on the progress of, the status of discussion on, and other aspects of, the Transaction from the Company's executive directors and others at any time; and (d)(a) to appoint advisors or equivalents for the committee at the Company's expense, to the extent necessary to fulfill the functions of the committee, and (b) to evaluate the Company's advisors and equivalents, and express the committee's opinion on, or give the committee's approval (including subsequent approval) to, their appointment. The members of the Special Committee are supposed to receive a fixed fee in consideration of their services, separately from their remuneration as outside directors, which is a system to ensure that the Special Committee members have no interest in whether or not the Transaction is consummated.

The resolution of the Company's Board of Directors mentioned above was deliberated by the five directors of the Company and was unanimously adopted by them.

As described above, the Special Committee is an independent special committee at the Company and has been granted authority that allows the Special Committee to effectively function in the procedure for considering the Transaction. The Special Committee considers that it did actually function effectively. In particular, during price negotiations with the Tender Offeror, the Company sought confirmation from the Special Committee in advance of negotiations with the Tender Offeror on the Tender Offer Price. This allowed the Special Committee to secure a situation that allowed the Special Committee to exert substantive impact on the process of negotiations on the terms and conditions of the Transaction, by receiving reports on the status of negotiations in a timely manner, or by expressing its opinion, giving instructions, or making requests in critical phases, or by directly sending written answers to the Tender Offeror. As for confirmation of the significance and purpose of the Transaction and as for the potential disadvantages that may result from the Transaction, the Special Committee obtained important information, including non-public information on the Transaction, on behalf of the Company's general shareholders by such means as interviewing the Company's management team and the Tender Offeror, and conducted discussions and made decisions based on such information.

(2) The Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

As described in 2 (1)(a) above, the Company received the Company Stock Valuation Report from Mizuho Securities before expressing its opinion on the Tender Offer. While the fees payable to Mizuho Securities in connection with the Transaction include a success-based fee payable subject to such conditions as the successful consummation of the Transaction as well as a fixed fee payable regardless of whether or not the Transaction is consummated, the Committee believes that the fact that this contingency fee is included in the fees payable to Mizuho Securities does not deny the independence of Mizuho Securities when taking into consideration, among other things, general business practices in similar transactions and whether or not it is appropriate to use a fee system that imposes reasonable financial burden on the Company if the Transaction fails to take place. The Company has not obtained from Mizuho Securities an assessment of the fairness of the Tender Offer Price (a fairness opinion). However, in light of, among other things, the measures taken to ensure fairness in order to consider the Transaction, the Committee believes that sufficient consideration has been given to the interests of the Company's minority shareholders and that no question arises as to the fairness of the procedure involved.

(3) Advice from an Independent Financial Advisor Received by the Company

In order to ensure the fairness and appropriateness of the process through which the Company's Board of Directors makes decisions relating to the Transaction, the Company appointed Mizuho Securities as its financial advisor that is independent of the Company and the Tender Offeror. The Company received from the financial advisor financial advice including, among others, advice on measures to be taken to ensure the fairness of the procedures involved in the Transaction and on the method and process by which the Company makes decisions relating to the Transaction.

According to Mizuho Securities' explanation, Mizuho Securities is not a related party to the Company, the Tender Offeror or Japan Tobacco and has no material interest in the Transaction, including the Tender Offer.

(4) Advice from an Independent Legal Advisor Received by the Company

In order to ensure the fairness and appropriateness of the process through which the Company's Board of Directors makes decisions relating to the Transaction, the Company appointed Nagashima Ohno & Tsunematsu as its legal advisor that is independent of the Company and the Tender Offeror. The Company received from the legal advisor legal advice including, among others, advice on measures to be taken to ensure the fairness of the procedures involved in the Transaction and on the method and process by which the Company makes decisions relating to the Transaction.

According to Nagashima Ohno & Tsunematsu's explanation, Nagashima Ohno & Tsunematsu is not a related party to the Company, the Tender Offeror or Japan Tobacco and has no material interest in the Transaction, including the Tender Offer. Fees for Nagashima Ohno & Tsunematsu are calculated by multiplying the number of hours worked by their hourly rate, regardless of whether or not the Transaction is consummated, and do not include any contingency fee that would otherwise be payable subject to consummation of the Transaction.

(5) Establishment of an Independent Discussion System at the Company

In order to eliminate potential conflicts of interest that may arise in connection with the Transaction, the Company established within itself a system for conducting discussions and negotiations and making decisions relating to the Transaction independently of the Tender Offeror.

Specifically, on August 6, 2024 the Company received from the Tender Offeror an initial proposal for the Tender Offer, upon which the Company decided, for the purpose of eliminating potential conflicts of interest, to eliminate the involvement of the Company's officers and employees who concurrently served as officers or employees of Japan Tobacco in the process of negotiations between the Company and the Tender Offeror on the terms and conditions of the Transaction, including the Tender Offer Price, and the Company established within itself a system for conducting discussions and negotiations and making decisions relating to the Transaction independently of the Tender Offeror.

The system for discussing the Transaction described above was built by consulting the Special Committee, among others, in order to ensure independence and fairness.

(6) Tender Offer Period

The tender offer period for the Tender Offer is 30 business days. This ensures that the Company's shareholders, including the minority shareholders, are given a fair opportunity to make their decision on whether or not to tender their shares in the

Tender Offer, and that entities other than the Tender Offeror are given an opportunity to make a tender offer for the Company Stock or to take any other action.

(7) Elimination of Coerciveness

The Transaction employs a scheme where in the first stage the Tender Offer is conducted by setting the minimum number of shares to be purchased at a number at which the Tender Offeror will acquire at least two-thirds of all voting rights in the Company upon completion of the Tender Offer. This ensures that a squeeze-out will be carried out after consummation of the Tender Offer. In the squeeze-out procedure involved in the Transaction, the amount of money to be paid to the Company's squeezed-out shareholders in compensation for it will be set at the amount calculated by multiplying the Tender Offer Price by the number of shares of the Company Stock held by these shareholders. This will be announced at the beginning of the Tender Offer. Therefore, the Special Committee finds that the above ensures that the Company's shareholders, including the minority shareholders, are given an appropriate opportunity to make their decision on whether or not to tender their shares in the Tender Offer, and that consideration is given through these measures to prevent coerciveness.

(8) No Deal Protection Provisions

The Company and the Tender Offeror have not entered into any agreement with each other that contains deal protection provisions or the like that would prohibit the Company from contacting any counter offeror, or any other agreement whatsoever that would restrict any counter offeror from contacting the Company. The Committee finds that, by ensuring that opportunities for counter offers and the like are not hindered, the Tender Offeror gives consideration to ensuring the fairness of the Tender Offer.

(9) Sub-summary

As described in (1) through (8) above, the Special Committee finds that, since the above-described measures to ensure fairness have been taken in discussing the Transaction, fair procedures have been followed in discussing the Transaction, and that sufficient consideration has been given to the interests of the Company's shareholders through these procedures.

The Tender Offeror has not set the minimum number of shares to be purchased by the so-called "majority of the minority" because Japan Tobacco holds a total of 15,398,800 shares (shareholding percentage: 54.78%) of the Company Stock, due to which the setting of a minimum number of shares to be purchased by the "majority of the minority" in the Tender Offer may make the successful consummation of the Tender Offer unstable, which, in turn, may be disadvantageous for minority shareholders who wish to tender their shares in the Tender Offer. The Committee has concluded that the mere lack of a "majority of minority" requirement should not be associated with the evaluation that appropriate measures to ensure fairness have not been taken, in light of, among other things, that other sufficient measures to ensure fairness seem to have been taken.

4. Summary

As described in sections 1 through 3 above, the Tender Offer is likely to contribute to increasing the corporate value of the Company, are subject to appropriate terms and conditions, and involves fair procedures. Therefore, the Committee concludes: (i) that the Company should adopt a resolution to express its opinion in support of the Tender Offer and to recommend the Company's shareholders to tender their shares in the Tender Offer; and (ii) that the Transaction is not disadvantageous to the general shareholders (including the minority shareholders) of the Company.

(D) Advice from an Independent Law Firm Received by the Company

In order to ensure the fairness and appropriateness of the process through which the Company's Board of Directors makes decisions relating to the Transaction, the Company appointed Nagashima Ohno & Tsunematsu as its legal advisor that is independent of both the Tender Offer Related Parties and the Company. The Company received legal advice from the legal advisor about the method and process by which the Company's Board of Directors makes decisions relating to the Tender Offer, as well as on other points to note in making decisions relating to the Tender Offer.

Nagashima Ohno & Tsunematsu is not a related party of any of the Tender Offer Related Parties or the Company and does not have any material interest in the Transaction, including the Tender Offer. The fees of Nagashima Ohno & Tsunematsu are calculated by multiplying the number of hours worked by the firm's hourly rates, whether or not the Transaction is consummated, and do not include any contingency fee that otherwise would be payable subject to consummation of the Transaction or any other condition.

(E) Establishment of an Independent Discussion System at the Company

As described in "(C) The Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" in "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" above, the Company established an internal system to carry out discussions and negotiations and make decisions relating to the Transaction independent of the Tender Offer Related Parties.

Specifically, on August 6, 2024 the Company was approached with a proposal to commence discussions relating to implementation of the Transaction. In response, the Company set up a project team (which consisted of eight officers and employees, including the Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda and (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo) to discuss the Transaction (including preparation of a business plan based on which the value of the Company's stock would be evaluated) and to discuss and negotiate with the Tender Offeror and Japan Tobacco. The project team consisted, and continues to consist, solely of officers and employees of the Company who do not serve concurrently as officers or employees of any of the Japan Tobacco Group companies (excluding the Company). The Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda left the project team upon retirement from the post of Representative Director, President and Chief Executive Officer effective March 27, 2025.

The Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda and (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo both were formerly employed by Japan Tobacco for a certain period. However, they both were transferred from Japan Tobacco to the Company before Japan Tobacco started to consider the Transaction (former) Representative Director, President and Chief Executive Officer Goichi Matsuda was transferred to the Company in March 2017, while (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo was transferred to the Company in March 2019), and neither of them currently serves concurrently as an officer or employee of Japan Tobacco or is in a position to receive directions from Japan Tobacco after his transfer. In addition, neither of them has been involved, or has been in a position to be involved, in any way in the process through which Japan Tobacco has considered the Transaction. For these reasons, the Company concluded that participation of these directors in the project team presented no potential conflicts of interest in connection with the Company's decision-making relating to the Transaction. Consequently, those directors are on the project team.

The Company's Special Committee has approved the Company's discussion system (including the scope and work of officers and employees of the Company involved in discussions, negotiations, and decision-making relating to the Transaction), including the participation of the above-named directors in the project team, in terms of satisfactory independence and fairness of the system.

(F) Unanimous Approval by All of the Non-interested Directors of the Company, Including the Audit and Supervisory Committee Members

Based on the legal advice received from Nagashima Ohno & Tsunematsu and on the content of the Company Stock Valuation Report, and with maximum respect for the content of the report dated May 7, 2025 submitted by the Special Committee, the Company carefully discussed and considered the Transaction from such viewpoints as increasing the corporate value of the Company and whether the conditions for the Transaction were appropriate.

After the discussion and consideration, the Company concluded, as described in "(C) The Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" in "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" above, that the Transaction, including the Tender Offer, would contribute to increasing the corporate value of the Company, and that the Tender Offer Price was reasonable and would provide the Company's shareholders with a reasonable opportunity to sell their shares. Accordingly, at its Board of Directors meeting held today, the Company adopted a resolution to express its opinion in support of the Tender Offer and recommending that the Company's shareholders tender their shares in the Tender Offer.

In this regard, as described in "(E) Establishment of an Independent Discussion System at the Company" above, one of the directors of the Company, namely Nobumasa Kondo, who serves as Representative Director, President and Chief Executive Officer, formerly was employed by Japan Tobacco for a certain period. However, he was transferred from Japan Tobacco to the Company (in March 2019) before Japan Tobacco started to consider the Transaction, and does not currently serve as an officer or employee of Japan Tobacco or is in a position to receive directions from Japan Tobacco after his transfer. In addition, Nobumasa Kondo has not been involved, or been in a position to be involved, in any way in the process through which Japan Tobacco has considered the Transaction. For these reasons, the Company concluded that his participation in the project team presented no potential conflict of interest in connection with the Company's decision-making relating to the Transaction. Consequently, Nobumasa Kondo has participated in the deliberation and resolution of agenda items relating to consideration of the Transaction.

(G) Measures to Secure Opportunities for Other Potential Offerors to Make Offers

While the minimum statutory period for a tender offer is 20 business days, the Tender Offeror has set the Tender Offer Period at 30 business days. By setting a Tender Offer Period that is relatively longer than the minimum statutory period, the Tender Offeror intends to ensure the fairness of the Tender Offer, through ensuring that the Company's shareholders are given an appropriate opportunity to make decisions on whether or not to tender their shares in the Tender Offer, and that any counter offeror is given an opportunity to make a counter tender offer for the Company Stock or to take any other action.

In addition, the Tender Offeror and the Company have not made any agreements with one another that contains deal protection provisions that would prohibit the Company from contacting any counter offeror, or any other agreement that would restrict any counter offeror from contacting or otherwise approaching the Company. By securing opportunities for counter offers and the like, as well as setting the relatively long Tender Offeror Period described above, the Tende Offeror is giving consideration to ensuring the fairness of the Tender Offer.

4. Matters Regarding Material Agreements Between the Tender Offeror and Shareholders of the Company Relating to Tendering of Shares in the Tender Offer

(A) Agreement on a Tender Offer

Prior to the Tender Offer, the Tender Offeror entered into the Agreement dated May 7, 2025 with Japan Tobacco whereby Japan Tobacco agrees not to tender the Agreed Untendered Shares in the Tender Offer, not to transfer, provide as security, or otherwise dispose of all or any part of the Agreed Untendered Shares unless otherwise provided in the Agreement, and not to acquire any shares of the Company Shares or any rights therein. However, the Agreement provides that if, on or before the last day of the tender offer period (hereinafter referred to as the "Expiration Date" in this paragraph), any person other than the Tender Offeror announces its intention to acquire shares of the Company Stock (through a tender offer, reorganization or any other means to the extent that the tender offer sets no maximum number of shares to be purchased or otherwise the transaction intends to make the Company a wholly-owned subsidiary of that person) at a price at least 5% higher than the Tender Offer Price (a "Counterproposal"), Japan Tobacco may request discussion with the Tender Offeror regarding a revision of the Tender Offer Price and the Treasury Share Acquisition Price. In such case, the Agreement entitles Japan Tobacco to accept the Counterproposal: (i) if, on or before the earlier of (a) the day on which 5 business days have elapsed since the date of the request or (b) the day immediately preceding the Expiration Date, the Tender Offeror fails to change the Tender Offer Price to a price above the purchase price proposed in the Counterproposal or fails to change the Treasury Share Acquisition Price to a price substantially above the acquisition price proposed in the Counterproposal considering tax effects; and (ii) if, after a comprehensive comparison is made between the Tender Offeror's proposal for the Transaction and the Counterproposal, Japan Tobacco reasonably believes that not accepting the Counterproposal is specifically likely to constitute a breach of its directors' duty of due care of a prudent manager.

The Agreement prohibits Japan Tobacco, during the period from May 7, 2025 until the date of consummation of the Treasury Share Acquisition, from making an agreement with a third party for a transaction that competes with, or is inconsistent or conflicts with, the Transaction whether directly or indirectly (a "Conflicting Transaction"), or making an offer to a third party for an agreement on a Conflicting Transaction, or inviting, consenting to, discussing, negotiating, or soliciting, or providing information on, offers for an agreement with a third party on a Conflicting Transaction. However, if, without Japan Tobacco's breach of its obligations described above, a third party other than the Tender Offeror makes a serious, specific proposal in writing for a Conflicting Proposal (which proposal must be specifically and reasonably likely to lead to a Counterproposal), Japan Tobacco is not precluded by the Agreement from providing information to, or discussing or negotiating with, the third party in connection with the proposal.
Japan Tobacco is required to fulfill the obligations described above subject to the satisfaction of all of the following conditions. Japan Tobacco may, at its own discretion, fulfill such obligations by waiving any of the following conditions.

(1) That the Special Committee submits a report to the effect that it is reasonable for the Company's Board of Directors to support the Transaction and to express its opinion to shareholders of the Company recommending tendering their shares in the Tender Offer, and that the report has not been amended or withdrawn.
(2) That the Company's Board of Directors adopts a resolution to support the Transaction and to express its opinion to shareholders of the Company recommending tendering their shares in the Tender Offer, that the resolution is announced pursuant to applicable laws, regulations, etc., and that the expression of such opinion has not been amended or withdrawn.
(3) That no decision or the like by a judicial or administrative agency or the like has been rendered, or is specifically threatened to be rendered, that restrict or prohibits any part of the Transaction.
(4) That all of the Tender Offeror's obligations set forth in the Agreement have been fulfilled or complied with in all material respects.
(5) That all of the Tender Offeror's representations and warranties (Note) set forth in the Agreement are true and accurate in all material respects.
(6) That it is reasonably certain that the Japan Fair Trade Commission's notification that no cease and desist order will be issued will be completed at least 10 Business Days prior to the Expiration Date.
(7) That the agreement on the Absorption-type Split has been duly and validly executed and is continuing.

It is also agreed under the Agreement that: (i) if the Tender Offer is consummated and if not all of the Tender Offer Target Shares are acquired by the Tender Offeror, the Tender Offeror and Japan Tobacco shall request the Company to hold a shareholders meeting to which proposals necessary to implement the Stock Consolidation are submitted and at which the Tender Offeror and Japan Tobacco will exercise their voting rights in support of those proposals; (ii) the Funding and Capital Reduction shall take place after the Stock Consolidation becomes effective and on the date separately agreed upon between Japan Tobacco

and the Tender Offeror, in order to secure the distributable amount necessary to implement the Treasury Share Acquisition; and (iii) after the Stock Consolidation becomes effective (or, if the Capital Reduction is made, after the Capital Reduction becoming effective) (and as promptly as practicably possible on or after September 1, 2025), Japan Tobacco shall sell all of the shares of the Company Stock held by it to the Company in exchange for receipt of the full amount of Treasury Share Acquisition Price, and Japan Tobacco and the Tender Offeror shall procure that the Company purchases all of such shares of the Company Stock and pays the full amount of Treasury Share Acquisition Price to Japan Tobacco.
The Agreement contains agreements on the following among others: (a) provisions on the terms and conditions of the Tender Offer; (b) the Tender Offeror's and Japan Tobacco's representations and warranties (Note); (c) the obligation to make efforts to obtain competition law clearance; (d) Japan Tobacco's obligation not to solicit officers or employees of the Company; (e) the Tender Offeror's and Japan Tobacco's indemnification obligations applicable in the event of breach of their obligations or representations or warranties; (f) their obligation to pay taxes and public charges and expenses incurred by them respectively; (g) their confidentiality obligations; (h) their obligation not to transfer their contractual rights or obligations; and (i) provisions on termination of the Agreement, specifying the grounds for termination such as where the non-terminating party commits a breach of any of its obligations or a serious breach of any of its representations or warranties, where a petition for commencement of bankruptcy proceedings is filed against the non-terminating party, where the Tender Offer is not commenced within 6 months following the date of execution of the Agreement, or where Japan Tobacco chooses to accept a Counterproposal.

Note: In the Agreement, Japan Tobacco makes representations and warranties regarding: (1) the validity of its incorporation and existence; (2) its authority and power necessary to execute and perform the Agreement and its completion of all procedures required by relevant laws and regulations and Japan Tobacco's internal rules to execute and perform the Agreement; (3) the validity and enforceability of the Agreement; (4) Japan Tobacco's receipt of such permits, licenses, etc. and its completion of such other procedures required under applicable laws, regulations, etc. as are necessary to execute and perform the Agreement; (5) non-existence of conflicts between Japan Tobacco's execution and performance of the Agreement, on the one hand, and applicable laws, regulations, etc., Japan Tobacco's internal rules, and decisions by judicial or administrative agencies or the like, on the other hand; (6) Japan Tobacco's not being insolvent and non-existence of any petition for commencement of bankruptcy proceedings or the like filed against Japan Tobacco; (7) Japan Tobacco's not having business with or being involved in any antisocial force; and (8) Japan Tobacco's lawful and valid ownership of the Agreed Untendered Shares. The Tender Offeror makes representations and warranties regarding: (1) the validity of its incorporation and existence; (2) its authority and power necessary to execute and perform the Agreement and its completion of all procedures required by relevant laws and regulations and the Tender Offeror's internal rules to execute and perform the Agreement; (3) the validity and enforceability of the Agreement; (4) the Tender Offeror's receipt of such permits, licenses, etc. and its completion of such other procedures required under applicable laws, regulations, etc. as are necessary to execute and perform the Agreement; (5) non-existence of conflicts between the Tender Offeror's execution and performance of the Agreement, on the one hand, and applicable laws, regulations, etc., Japan Tobacco's internal rules, and decisions by judicial or administrative agencies or the like, on the other hand; (6) the Tender Offeror's not being insolvent and non-existence of any petition for commencement of bankruptcy proceedings or the like filed against the Tender Offeror; (7) the Tender Offeror's not having business with or being involved in any antisocial force; and (8) the Tender Offeror's funding.

5. Provision of Profit by the Tender Offeror or Its Special Related Parties

Not applicable.

6. Policy for Addressing Basic Policy concerning Company Control

Not applicable.

7. Questions for Tender Offeror

Not applicable.

8. Request for Extension of the Tender Offer Period

Not applicable.

9. Future Outlook

Please see "(B) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer, and the Management Policy After the Tender Offer" in "(2) Grounds and Reasons for the Company's Opinion on the Tender Offer" above, as well as "(4) Policy for Organizational Restructuring after the Tender Offer (Information on the 'Two-Step Acquisition')" and "(5) Prospects and Reasons for Delisting," of "3. Details of, and Grounds and Reasons for, the Company's Opinion on the Tender Offer" above.

10. Matters concerning a Transaction, etc. with the Controlling Shareholder

(1) Whether or Not the Transaction Constitutes the Company's Transaction, etc. with Its Controlling Shareholder, and Conformity with the Company's Policy on Measures to Protect Minority Shareholders

The Company has concluded that its Board of Director's expression of its opinion on the Tender Offer constitutes to a transaction, etc. with the Company's controlling shareholder, since the Agreement has been entered into between the Company's controlling shareholder (i.e., parent company) Japan Tobacco and the Tender Offeror, and the Tender Offer will be carried out as part of the Transaction and will involve the Treasury Share Acquisition, which is planned to take place after consummation of the Tender Offer and the Stock Consolidation.

The Company states the following under the heading, "Policies on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder" in its Corporate Governance Report released on March 27, 2025: "Major transactions with the Company's parent company include purchases of pharmaceuticals. The Company conducts these transactions at appropriate price levels and upon appropriate terms of business and signs contracts on an item-by-item basis, as with transactions with other companies. These contracts are revised appropriately from time to time according to changes in the environment. … For the purpose of strengthening the Board of Director's supervisory function and ensuring the transparency of their management activities, a majority of the Company's Board of Directors consists of independent outside directors. The relevant internal regulations require that all transactions with the Company's major shareholders, including the parent company, be subject to a decision by the Board of Directors, etc. and that annual transaction records be reported to the Board of Directors. When making a decision on a transaction, etc. with a major shareholder, including the parent company, the Company takes measures such as obtaining opinions from outside experts and seeking opinions from outside officers who have no interest in the major shareholder." As described in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" in "3. Details of, and Grounds and Reasons for, the Company's Opinion on the Tender Offer" above, the Company has taken measures to ensure the fairness of the Tender Offer and to avoid conflicts of interest. The Company believes these efforts conform to the policies described above.

(2) Matters concerning Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

Please see "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" in "3. Details of, and Grounds and Reasons for, the Company's Opinion on the Tender Offer" above.

(3) Overview of an Opinion Obtained from an Entity With No Interest in the Controlling Shareholder That the Transaction, etc., Is Not Disadvantageous to Minority Shareholders

On May 7, 2025, the Company received a report from the Special Committee dated May 7, 2025 to the effect that the Company's decision to implement the Transaction would not create disadvantages to the minority shareholders of the Company. For details, please see "(C) The Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" of "3. Details of, and Grounds and Reasons for, the Company's Opinion on the Tender Offer" above.

11. Other Information

(1) Release of "Notice Regarding Revision of the Interim and Year-end Dividend Forecasts (Nil Dividend) for the Fiscal Year Ending December 2025"

At its Board of Directors meeting held today, the Company adopted a resolution to pay no interim dividend and no year-end dividend for the fiscal year ending December 2025. For details, please see "Notice Regarding Revision of the Interim and Year-end Forecasts (Nil Dividend) for the Fiscal Year Ending December 2025" released today.

End

(Ref.) Overview of the Tender Offer (Attachment)

Please see "Notice of Commencement of Tender Offer for Shares of TORII PHARMACEUTICAL CO., LTD. (Securities Code: 4551)" released today by the Tender Offeror.

PRESSRELEASE

SHIONOGI

May 7, 2025

Company name:	Shionogi & Co., Ltd.
Representative:	Isao Teshirogi, Ph.D., Representative Director, President and CEO (TSE Prime Code No. 4507)
Contact:	Yoshimasa Kyokawa, Vice President, Corporate Communications Department TEL: 06-6209-7885

Notice of Commencement of Tender Offer for Shares of TORII PHARMACEUTICAL CO., LTD. (Securities Code: 4551)

Shionogi & Co., Ltd. (Head Office: Chuo-ku, Osaka; Chief Executive Officer: Isao Teshirogi, Ph.D.; hereafter, the "Tender Offeror") hereby announces that, at its Board of Directors meeting held today, the Tender Offeror adopted a resolution to purchase shares of the common stock of TORII PHARMACEUTICAL CO., LTD. (listed on the Prime Market of Tokyo Stock Exchange, Inc. (hereafter, the "Tokyo Stock Exchange") with securities code 4551; hereafter, the "Target Company") (hereafter, the "Target Company Stock") by way of a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended thereafter; hereafter, the "Act") (hereafter, the "Tender Offer"), as detailed below.

1. Purpose of the Tender Offer

(1) Overview of the Tender Offer

At its Board of Directors' meeting held today, the Tender Offeror adopted a resolution to conduct the Tender Offer as part of a transaction to make the Target Company a wholly-owned subsidiary of the Tender Offeror by acquiring all of the Target Company Stock listed on the Tokyo Stock Exchange (excluding the treasury shares held by the Target Company) (hereafter, the "Transaction"). As of today, the Tender Offeror holds 1 share (Note 1) (shareholding percentage (Note 2: 0.00%) of the Target Company Stock.

The Transaction consists of the following and is intended to eventually make the Tender Offeror the sole shareholder of the Target Company: (i) the Tender Offer by the Tender Offeror, (ii) a consolidation of the Target Company Stock, to be carried out by the Target Company under Article 180 of the Companies Act (Act No. 86 of 2005, as amended thereafter; hereafter, the "Companies Act"), in order to make the Tender Offer Related Parties the only shareholders of the Target Company (hereafter, the "Stock Consolidation") if, after consummation of the Tender Offer, the Tender Offeror fails to acquire all of the Target Company Stock (excluding the 15,398,800 shares (shareholding percentage 54.78%) of the Company Stock held by Japan Tobacco Inc. (hereafter, "Japan Tobacco"; collectively with the Tender Offeror, hereafter, the "Tender Offer Related Parties"), which is the parent company and the largest shareholder of the Target Company (hereafter, the "Agreed Untendered Shares") and the treasury shares held by the Target Company; hereinafter, the shares of Target Company Stock, excluding the shares of the Target Company Stock held by the Tender Offeror, the Agreed Untendered Shares, and the treasury shares held by the Target Company, are referred to collectively as "Tender Offer Target Shares"), (iii) the Tender Offeror's provision of funding to the Target Company (which is expected to be handled via a loan by the Tender Offeror to the Target Company or through a third-party allocation of new shares in which the Tender Offeror is the subscriber (Note 3) or through other means) (hereafter, the "Funding"), as well as a reduction in the amount of the Target Company's stated capital and capital reserves pursuant to Article 447, paragraph (1) and Article 448, paragraph (1) of the Companies Act (hereafter, the "Capital Reduction" (Note 4)), each of which is intended to secure the funds and distributable amount necessary for the Target Company to acquire the Agreed Untendered Shares after the Stock Consolidation becomes effective (hereafter, the "Treasury Share Acquisition"), and (iv) the Treasury Share Acquisition. For further details about the Stock Consolidation, please see "(4) Policy for Organizational Restructuring After the Tender Offer (Information on the 'Two-Step Acquisition')" below.

Note 1: Effective on April 28, 2025, the Tender Offeror acquired 1 share of the Target Company Stock from an employee of the Target Company, via negotiations, at a price of 4,340 yen (i.e., the closing price of the Target Company Stock on the Prime Market of the Tokyo Stock Exchange on April 28, 2025), for purposes of requesting access to, and copies of, the shareholder register of the Target Company.

Note 2: "Shareholding percentage" of a certain number of shares of the Target Company means the percentage the relevant number of shares represents with regard to the total number of issued and outstanding shares of the Target Company as of March 31, 2025 (28,800,000 shares), as set forth in the Financial Results for the First Three Months of Fiscal Year Ending December 2025, released by the Target Company on April 25, 2025 ("Target Company's Financial Results"), less the number of treasury shares held by the Target Company as of that same date (688,848 shares) (28,111,152 shares) (rounded to two decimal places; the same applies hereafter to all calculations of Shareholding Percentages).

Note 3: If such a third-party allocation of new shares is conducted, in order to ensure that the spirit of uniformity of the tender offer price (Article 27-2, paragraph (3) of the Act) will not be violated, the Tender Offeror intends to: (i) evaluate the value of the Target Company Stock, based on which evaluation the amount to be paid in by the Tender Offeror per share of common stock of the Target Company will be determined, at the same price as the price at which the Target Company Stock is purchased or otherwise acquired in the Tender Offer (hereafter, the "Tender Offer Price"), and (ii) set the amount to be paid-in at a price that is not "particularly favorable" (Article 199, paragraph (3) of the Companies Act) (however, the Target Company intends to make pro forma adjustment based on the ratio of consolidation of the Target Company Stock in the Stock Consolidation). Therefore, none of the terms of such a third-party allocation of new shares will be more favorable than those relating to the Tender Offer Price.

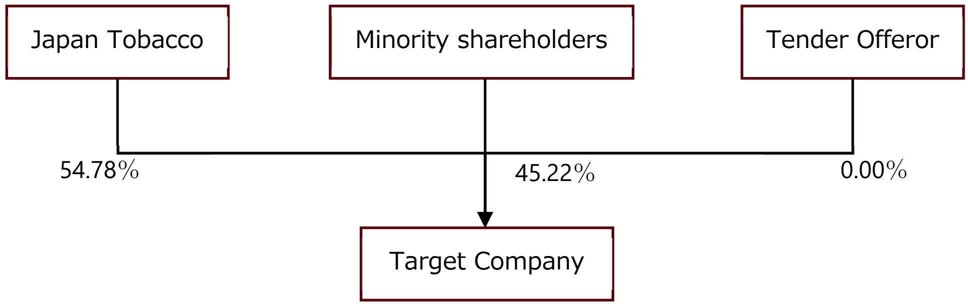
Note 4: The Tender Offeror intends to request that the Target Company implement the Capital Reduction only if the Tender Offeror fails to secure the distributable amount necessary for the Treasury Share Acquisition.

Prior to the Transaction, the Tender Offeror signed an agreement relating to a tender offer with Japan Tobacco, effective on today (hereafter, the "Agreement"), pursuant to which, among other matters: (i) the Agreed Untendered Shares held by Japan Tobacco shall not be tendered in the Tender Offer, (ii) the Tender Offer Related Parties shall vote in favor of all proposals that are necessary for the Stock Consolidation and will be submitted to the Target Company's General Meeting of Shareholders, and (iii) Japan Tobacco shall sell the Agreed Untendered Shares via the Treasury Share Acquisition. For further details about the Agreement, please see "(A) The Tender Offer Agreement" in "(6) Matters Regarding Material Agreements Relating to the Tender Offer" below.

[Schematic Diagrams of the Transaction]

(A) Before the Tender Offer (existing condition)

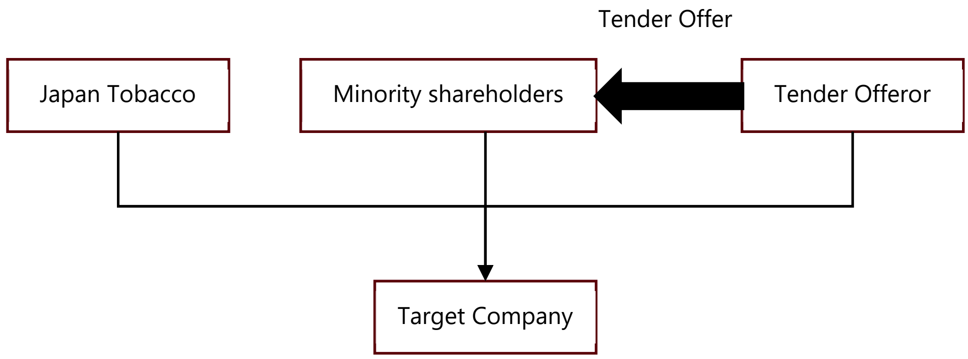
As of today, the Tender Offeror holds 1 share (shareholding percentage: 0.00%) and Japan Tobacco holds 15,398,800 shares (Shareholding Percentage: 54.78%) of the Target Company Stock, with the remaining 12,712,351 shares being held by the minority shareholders (Shareholding Percentage: 45.22% (Note 1)).



Note 1: The number of shares of the Company held by minority shareholders is calculated by subtracting the number of treasury shares held by the Target Company as of March 31, 2025 (688,848 shares) from the total number of issued shares as of March 31, 2025, as stated in the Target Company's financial statements (28,800,000 shares), and further subtracting the number of shares of the Target Company held by the Tender Offeror as of today (1 share) and the number of shares of the Company held by Japan Tobacco as of today (15,398,800 shares).

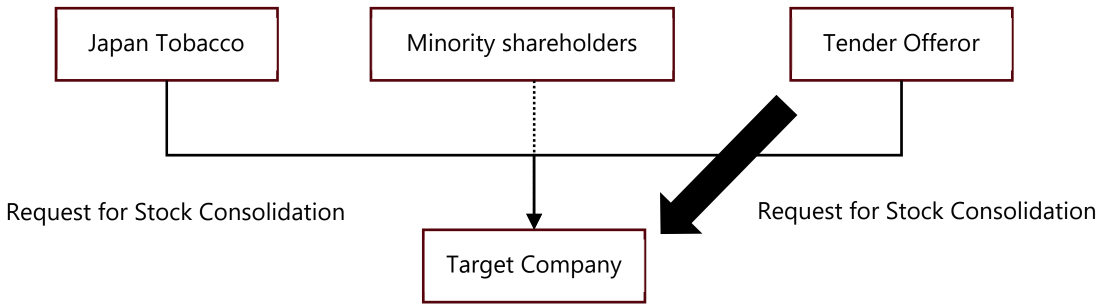
(B) The Tender Offer by the Tender Offeror (until around mid-June 2025)

The Tender Offeror will carry out the Tender Offer, in which it intends to acquire all of the Tender Offer Target Shares.



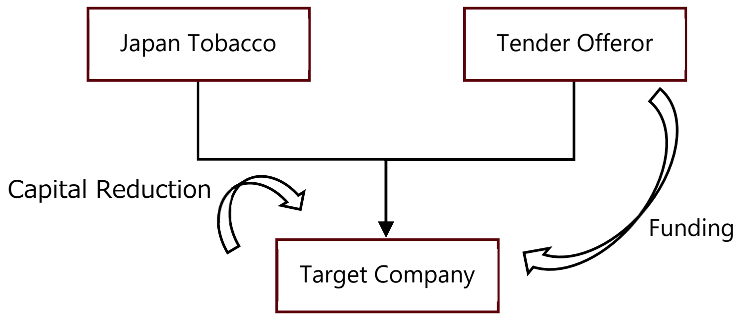
(C) Stock Consolidation (until around early September 2025)

If the Tender Offeror Related Parties fail to acquire all of the Tender Offer Target Shares through the Tender Offer, the Tender Offeror will request that the Target Company carry out the Stock Consolidation to make the Tender Offer Related Parties the only shareholders of the Target Company. The Target Company will take this action.



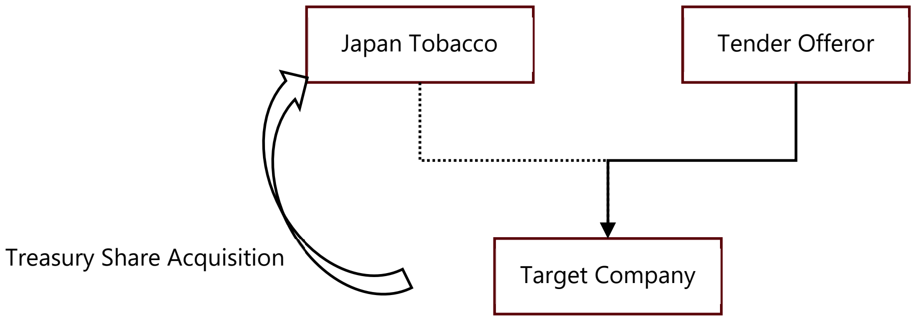
(D) Funding and Capital Reduction (until around early September 2025)

After the Target Company Stock has been delisted and the Stock Consolidation has taken effect, the Funding and the Capital Reduction will take place to secure the funds and distributable amount necessary for the Treasury Share Acquisition.

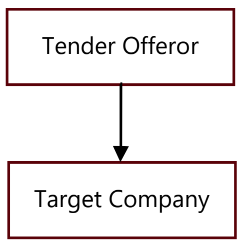


(E) Treasury Share Acquisition (until around early September 2025)

Using the funds and distributable amount secured through the Funding and the Capital Reduction, the Target Company will implement the Treasury Share Acquisition to acquire all of the Agreed Untendered Shares held by Japan Tobacco.



(F) After the Transaction



The Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at 3,342,000 shares (shareholding percentage: 11.89 %). If the total number of share certificates, etc. tendered in the Tender Offer (hereafter, the "Tendered Share Certificates") falls below the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will not purchase or otherwise acquire any of the Tendered Share Certificates. On the other hand, the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, since the Tender Offeror intends to take the Target Company private and eventually make it a wholly-owned subsidiary of the Tender Offeror by acquiring all of the Tender Offer Target Shares in the Tender Offer. If the total number of Tendered Share Certificates is equal to or more than the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates.

The minimum number of shares to be purchased (3,342,000 shares) was calculated by: (i) multiplying (a) the number of voting rights (281,111 voting rights) represented by the total number of issued shares as of March 31, 2025 stated in the Target Company's Financial Results (28,800,000 shares) minus the number of treasury shares held by the Target Company as of the same date (688,848 shares) (28,111,152 shares) by (b) two-thirds (187,408 voting rights; rounded up to the nearest whole number), (ii) subtracting from the product the number of voting rights (153,988 voting rights) represented by the Agreed Untendered Shares held by Japan Tobacco as of the same date (15,398,800 shares) (33,420 voting rights), and (iii) multiplying the balance by the share unit number of the Target Company (100 shares) (3,342,000 shares). This minimum number of shares to be purchased was set because: (i) the Tender Offer intends to make the Tender Offer Related Parties the only shareholders of the Target Company and if, despite consummation of the Tender Offer, not all of the Tender Offer Target Shares are acquired in the Tender Offer and the procedure for the Stock Consolidation needs to be carried out as described in "(4) Policy for Organizational Restructuring After the Tender Offer (Information on the 'Two-Step Acquisition')" below, this will require a special resolution by the General Meeting of Shareholders as set forth in Article 309, paragraph (2) of the Companies Act, and (ii) this requirement will be met by allowing the Tender Offer Related Parties to hold at least two-thirds of the voting rights of all shareholders of the Target Company after the Tender Offer in order to ensure consummation of the Transaction, since the Tender Offeror has agreed with Japan Tobacco that Japan Tobacco will not tender the Agreed Untendered Shares in the Tender Offer, and that once the Tender Offer is consummated, the Tender Offer Related Parties will vote for all proposals for the Stock Consolidation.

The Tender Offeror intends to cover the funds required for settlement, etc., of the Tender Offer using its own funds, which will be applied to settlement, etc., of the Tender Offer. The Treasury Share Acquisition will take place within the limits of the Target Company's distributable amount. The Tender Offeror intends to secure the funds for the Target Company's consummation of the Treasury Share Acquisition and to cover any shortfall in the Target Company's distributable amount by providing the Funding and having the Target Company make the Capital Reduction, subject to the Stock Consolidation becoming effective, by taking into account, among other things: the amount of funds required by the Target Company to consummate the Treasury Share Acquisition, the amount of cash and deposits held by the Target Company, and the amount of cash and deposits required by the Target Company to operate its business. The Treasury Share Acquisition aims to balance between maximization of the Tender Offer Price (6,350 yen per share of Target Company Stock), on the one hand, and fairness among shareholders, on the other hand, by: (i) setting the purchase price that will apply to the Treasury Share Acquisition (per share before the stock consolidation, hereafter, the "Treasury Share Acquisition Price," which will be set at 4,568 yen as of today) based on the amount at which the after-tax amount that would be received by Japan Tobacco if it tendered the Agreed Untendered Shares in the Tender Offer would be equal to the after-tax amount when it sells the Agreed Untendered Shares in the Treasury Share Acquisition, in light of the fact that Japan Tobacco is expected to be subject to the provisions of the Corporation Tax Act (Act No. 34 of 1965, as amended thereafter) stating that deemed dividends shall not be included in gross revenue, and (ii) keeping the Treasury Share Acquisition Price low (the Treasury Share Acquisition Price will be 1,782 yen lower than the Tender Offer Price) to increasing the amount to be distributed to the minority shareholders of the Target Company.

According to the "Announcement of Expression of Opinion in Support of the Tender Offer for Our Shares by Shionogi & Co., Ltd. and Recommendation to Tender Shares in the Tender Offer" released today by the Target Company (hereafter, the "Target Company's Press Release"), at its Board of Directors meeting held on the same date, the Target Company adopted a resolution to express the company's opinion in support of the Tender Offer and recommending that the Target Company's shareholders tender their shares in the Tender Offer. For details of the decision-making process of the Target Company's Board of Directors, please see the Target Company's Press Release, as well as "(B) Target Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer" and "(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer

(A) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer

The Tender Offeror's founder, Gisaburo Shiono, Sr., launched Shiono Gisaburo Shoten as a drug wholesaler in March 1878. It was reorganized into a joint stock company in June 1919, with its company name being changed to Shionogi Shoten Co., Ltd. In July 1943, the company was renamed Shionogi Seiyaku K.K. (now Shionogi & Co., Ltd.). In May 1949, the Tender Offeror listed its shares on the Tokyo Stock Exchange and Osaka Securities Exchange Co., Ltd. (hereafter, the "Osaka Securities Exchange"). As of today, the Tender Offeror's shares are listed on the Prime Market of the Tokyo Stock Exchange due to the integration of the Tokyo Stock Exchange and the Osaka Securities Exchange and the reorganization of the market categories of the Tokyo Stock Exchange in April 2022. Under the company policy (SHIONOGI Group Heritage) that states "SHIONOGI strives constantly to supply the best possible medicine healthcare solution to protect the health and wellbeing of the patients we serve," the Tender Offeror is undergoing transformation to a HaaS (Healthcare as a Service) company that provides not only ethical drugs but also various healthcare services that meet the needs of its customers, in order to solve problems facing patients and communities worldwide in a more comprehensive manner. In 2020, the Tender Offeror established the SHIONOGI Group Vision for 2030, "Building Innovation Platforms to Shape the Future of Healthcare," and developed its medium-term business plan, the SHIONOGI Transformation Strategy 2030 (STS2030), to realize the vision. Since that time, the Tender Offeror group (Note 1) has made concerted efforts pursuant to that strategy. During the three-year period from fiscal 2020 to fiscal 2022, the Tender Offeror, with the aim of putting an end to the COVID (SARS-CoV-2) pandemic as soon as possible, not only provided therapeutic medicines but also worked to provide solutions for detection (prediction of epidemics), prevention, diagnosis, and prevention of deterioration, toward realization of total care for COVID-19. These efforts have furthered the Tender Offeror's ability to discover drugs, as seen in the totally unprecedented quickness—approximately three years since the beginning of R&D—with which the Tender Offeror was granted regular approval for Xocova, a treatment for COVID-19, where it generally takes approximately 9 to 16 years (Note 2) for a new ethical drug to be granted approval in Japan after the start of R&D for the drug. The Tender Offeror also has been successful in expanding its products and services to include those other than ethical drugs, such as the Tender Offeror Group's first vaccine product and the Tender Offeror Group's wastewater-based epidemiology surveillance service. The results and lessons obtained from these efforts showed a clearer path to achieve the SHINOGI

Group Vision, which prompted the Tender Offeror to revise the STS2030 in 2023 to make a fresh start under the Revised STS2030. While the former STS2030 called the five years from fiscal 2020 to fiscal 2024 as "STS Phase 1" and the following period, ending in fiscal 2030, "STS Phase 2," the Revised STS2030 calls the three years from fiscal 2023 to fiscal 2025 the new "STS Phase 2," which aims to accelerate the company's growth through innovation based on the phase's basic policy: "achieving global top-line growth centered on the infectious disease area" and "realizing the development of growth drivers through active investment."

Note 1: The "Tender Offeror Group" (i.e., the Tender Offeror and its associated companies) consists of the Tender Offeror, its 41 consolidated subsidiaries, 5 affiliated companies, and 2 jointly controlled entities (as of today) and constitutes a single segment whose businesses include R&D, purchasing, manufacturing, and marketing of ethical drugs, and services incidental to the foregoing.

Note 2: Source: "Japan Pharmaceutical Manufacturers Association Guide 2024" by Japan Pharmaceutical Manufacturers Association.

On the other hand, the Target Company was established in 1872 by Tokubei Torii as Uenoya, an importer of pharmaceuticals from the West. In 1909, Uenoya established research laboratories and started to deal in Japanese pharmacopeial drugs under the brand name "Torii." In November 1921, Uenoya was reorganized into a joint stock company as Torii Shoten K.K. In May 1949, Torii Shoten K.K merged with Torii Pharmaceutical K.K and changed its company name to Torii Pharmaceutical Co., Ltd.

With regard to the Target Company Stock, the Target Company went public with over-the-counter stock transactions at the Tokyo Securities Dealers Association in June 1963. The Target Company Stock was listed on the second section of the Tokyo Stock Exchange in October 1993 and then on the first section of the same exchange in September 1995. Due to the reorganization of the market categories of the Tokyo Stock Exchange in April 2022, the Target Company Stock is listed on the Prime Market of the Tokyo Stock Exchange as of today. In the meantime, the Target Company allotted new shares to U.S. Merck & Co., Inc. in October 1983, making it the parent company of the Target Company, holding 50.5% of all issued shares of the Target Company. In May 1988, ASAHI BREWERIES, LTD. acquired shares of the Target Company Stock from U.S. Merck & Co., Inc. Then, in December 1998, Japan Tobacco acquired 53.5% of the total issued shares of the Target Company Stock from ASAHI BREWERIES, LTD. and others. From that time until the present, Japan Tobacco has been the parent company of the Target Company. Subsequently, in October 1999, the Target Company formed a business alliance with Japan Tobacco, pursuant to which an efficient collaborative structure has been established by both companies, by developing an integrated value chain in which Japan Tobacco is in charge of R&D and the Target Company is in charge of manufacturing, marketing, and promotional activities.

The Target Company's corporate philosophy, or "Torii Pharmaceutical's Purpose," is: "We are committed to sincerely serving patients, their families, and those involved in medical care. We contribute to the healthy recovery of patients, as well as to a happy, enriched life free from fear of illness;" and, to this end, "We will flexibly change and adapt to meet the needs of the times and the environment, while retaining the trust we have earned over our long history, and we will continue to take on the challenge of contributing to healthcare that only we can make." In addition, the Target Company has established its basic management stance, which is the "4S MODEL: Through the circulation/expansion of capital generated by our high-quality business activities, we will fulfill our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhance their overall satisfaction."

In February 2022, the Target Company released its medium-/long-term business vision for 2030, "VISION 2030," which established the following numerical targets: "Net sales break the all-time high (¥64.1 billion)," and "Operating income comes within the range of breaking the all-time high (¥13.3 billion)." In order to achieve these VISION 2030 targets and to ensure sustainable growth after 2030, the Target Company focuses on “maximizing the value of existing and developing products” and “obtaining new in-licensed drugs.” In “maximizing the value of existing and developing products,” the areas of allergens and skin disease have played leading roles as growth drivers, with 2024 net sales increasing by 10.6% year-on-year. In addition, on October 29, 2024 the Target Company launched VTAMA Cream, a treatment for atopic dermatitis and plaque psoriasis that was developed by the Target Company. The Target Company also has worked actively on “obtaining new in-licensed drugs,” and signing license agreements for a “treatment for plaque psoriasis” and for an “allergen immunotherapy (sublingual immunotherapy) drug for grass pollen allergy” in 2023.

The efforts described above resulted in an upward revision of the VISION 2030 numerical targets in February 2024, with the Target Company now aiming for the following: “Net sales: Over ¥80 billion” (all-time high net sales: ¥64.1 billion fiscal year ended December 2017) and “Operating income: Bringing a new record-high in 2032 (¥13.3 billion) within reach” (the all-time high operating income: ¥13.3 billion fiscal year ended March 2001).

Recent years have seen rapid changes in the outer environment surrounding the healthcare industry, such as the global population increase, acceleration of demographic aging in high- and medium-income countries, climate change and other global changes to the environment, and related changes in disease composition and the need for healthcare, the dramatic evolution of AI, the diversification of people’s values, and innovative changes in the way drug discovery R&D is undertaken and new drugs are launched in the global market, which were triggered by the COVID-19 (SARS-CoV-2) pandemic. In addition, amid pressures for medication cost containment in advanced countries due to financial tightness in their health insurance structures, the business environment has become harsher in Japan, as seen in the annual revisions of ethical drug prices since fiscal 2021. Furthermore, the geopolitical and other risks facing us are becoming increasingly evident, such as the risk of stagnation of business development and the procurement and supply of raw materials for pharmaceuticals in foreign countries.

In its efforts relating to the Revised STS2030, as described above, since the beginning of 2024 the Tender Offeror has considered a collaboration with Japan Tobacco’s pharmaceutical business (hereafter, the “JT Pharmaceutical Business”) and the Target Company to realize the Tender Offeror’s vision, “Building Innovation Platforms to Shape the Future of Healthcare.” After consideration, the Tender Offeror concluded that acquiring the JT Pharmaceutical Business and making the Target Company a wholly-owned subsidiary of the Tender Offeror was highly significant to realizing the vision. Accordingly, in early August 2024, the Tender Offeror made a proposal for the Tender Offeror’s acquisition by absorption-type split (hereafter, the “Absorption-type Split”) of the JT Pharmaceutical Business and for the Transaction to Japan Tobacco and the Target Company (for the Absorption-type Split, please see “Notice of the Execution of an Agreement for Company Split (Simplified Absorption-type Split) of the Pharmaceutical Business of Japan Tobacco Inc. and for Acquisition of Shares in Akros Pharma Inc. by Shionogi Inc. (to Make Akros Pharma Inc. a Sub-subsidiary of Shionogi & Co., Ltd.)” released today by the Tender Offeror).(Note 1)

Note 1: The Tender Offeror believes that the consideration for the Absorption-type Split is not contrary to the intent of the restriction to ensure uniformity of the tender offer price (Article 27-2, paragraph (3) of the Act), on the grounds that the consideration for the Absorption-type Split is not intended to provide consideration for the Tender Offer, since it was calculated based on the value of the JT Pharmaceutical Business and was discussed independently of whether or not Japan Tobacco agrees to the Tender Offer.

The Tender Offeror plans to take the following specific measures and expects the following specific business synergies after the Transaction.

(i) Strengthening the Tender Offeror’s Domestic Business

The Tender Offeror promotes appropriate information-providing activities in order to realize its company basic policy, “SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.” The Tender Offeror believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Target Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain “share of voice” (Note 1). Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus, and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Tender Offeror believes that providing this information to additional hospital departments in which the Target Company has strong sales skills, i.e., the departments of dermatology, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Tender Offeror believes that it will be able to strengthen the information-providing activities relating to the Target Company’s dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror’s resources. The Tender Offeror also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. With regard to the Tender Offeror’s and the Target Company’s respective development pipelines (Note 2), the Tender Offeror believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror’s high R&D abilities and the Target Company’s strong sales capabilities.

(ii) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions, and its own sales activities, overseas and to globalize the whole group. The Tender Offeror understands that the Target Company currently is engaged in domestic development jointly with the JT Pharmaceutical Business. The Tender Offeror believes that the Transaction will increase the possibilities for the Target Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing of R&D and sales data in Japan and abroad. In terms of the Target Company’s aggressive efforts to search for license-in candidates and to make business investments, the Tender Offeror believes that the Transaction will allow the Target Company to develop even more efficient and effective activities by utilizing the Tender Offeror’s networks and human resources with expertise.

(iii) Realizing Flexible Manufacturing and Sales Structures

In principle, the Tender Offeror, in owning Shionogi Pharma Co., Ltd. as its manufacturing division, has built and improved its global supply chain by manufacturing its pharmaceutical products at its own manufacturing sites. The Tender Offeror’s understanding is that supply chains are more volatile due to factors such as geopolitical issues, quality issues at multiple companies, and increases in stock outages and limited shipments, and that it is becoming more difficult to control costs due to the impact of exchange rates and rising raw materials prices, among other factors. In these circumstances, the Tender Offeror believes that the Transaction will bring the following advantages for pharmaceutical products of the JT Pharmaceuticals Business and the Target Company by drawing on the Tender Offeror’s capabilities (Note 3), as seen in the fact that the Tender Offeror has manufactured pharmaceutical products and built a global supply chain successfully, on its own, as described above, and by utilizing the Tender offeror’s manufacturing facilities: (a) establishing a flexible production structure, on its own, that allows for increases in product production, along with other matters, and (b) stronger negotiation skills for the pharmaceutical products of the JT Pharmaceutical Business and the Target Company, by securing backup sites (Note 4) owned by the Tender Offeror. The Tender Offeror believes that this will increase its business competitiveness and contribute to reducing manufacturing costs.

Note 1: "Share of voice" means an indicator of the share of activities of a company in connection with providing information about its products (such as the number of visits to doctors and the number of information sessions) in the entire market.

Note 2: "Development pipeline" means products under development that may become candidates for new ethical drugs.

Note 3: "Capabilities" means the strengths of a company's entire organization that cover the entire business owned by the company.

Note 4: "Backup sites" means spare premises and/or facilities that are used to continue a business when the main manufacturing facilities for the business become unusable due to a disaster or for similar reasons.

The Tender Offeror believes that making prompt, flexible decisions through an agile management system is important to maximize agile cooperation between the Tender Offeror and the Target Company to achieve the synergies described above. Therefore, the Tender Offeror believes that it must make the Target Company its wholly-owned subsidiary through the Transaction, rather than forming a business alliance with the Target Company which remains listed. Specifically, designing and implementing measures to increase the Target Company's medium- and long-term corporate value, such as large-scale capital investments, may entail risks of causing a temporary drop in the Target Company's stock price due to a short-term increase in investments. This means that allowing the Target Company Stock to remain listed may result in potential conflicts of interest between general shareholders and the Tender Offeror, which aims to increase its medium- and long-term corporate value. In terms of business cooperation, allowing the Target Company Stock to remain listed will make it difficult for both companies to share their respective customer information, sales information, etc., with one another promptly, due to their independence as listed companies. Due to these and other factors, allowing the Target Company Stock to remain listed is likely to constitute a restricting factor for the Tender Offeror and the Target Company in pursuing an optimal strategy as a single group. For these and other reasons, the Tender Offeror has concluded that it is imperative to make the Target Company its wholly-owned subsidiary. The Tender Offeror believes that this will allow the Tender Offeror's group managerial resources to be distributed in a manner optimal for the whole group, including the Target Company, and will allow for speedy, flexible achievement of the synergies expected of the Transaction.
While the Tender Offeror is aware that taking the Target Company Stock private as a result of the Transaction will have a certain impact, such as a lower visibility of the Target Company resulting from the privatization, which could affect, the relationships between the Target Company and its business partners and the Target Company's recruitment activities, the Tender Offeror believes that the Target Company will have synergies that more than offset this impact, by engaging in integrated recruitment activities, joint marketing activities, etc., as part of the Tender Offeror Group.

To receive assistance with considering the Transaction thoroughly, in late May 2024 the Tender Offeror appointed SMBC Nikko Securities Inc. (hereafter, the "SMBC Nikko Securities") as its financial advisor and third-party appraiser that is independent of the Target Company and the Tender Offer Related Parties and consulted SMBC Nikko Securities about the Transaction. In late June 2024, the Tender Offeror appointed Nishimura & Asahi (Gaikokuho Kyodo Jigyo) as its legal advisor.

Subsequently, on August 6, 2024, the Tender Offeror expressed its initial intention for the Tender Offer to the Target Company. Then the Tender Offeror performed legal, financial, tax, and other due diligence investigations of the Target Company during the period from late August 2024 to early October of the same year. In addition, the Tender Offeror fully discussed and considered the Tender Offer Price with the Target Company until today.

Specifically, after taking the information disclosed during the due diligence investigation into account in a comprehensive manner, on October 2, 2024 and the results of SMBC Nikko Securities' valuation of the Target Company Stock obtained using the market share price analysis, the comparable listed company analysis, and the discounted cash flow analysis (hereafter, the "DCF Analysis"), the Tender Offeror made an initial proposal to set the Tender Offer Price at 5,878 yen (which represented a premium of 50.72% (rounded to two decimal places; the same applies hereafter to other premium percentages) on 3,900 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 56.75% on 3,750 yen, which was the simple average closing price over the past one-month period (rounded to the closest whole number; the same applies hereinafter to other simple average closing prices), a premium of 61.17% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 57.59% on 3,730 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,239 yen (which represented a premium of 8.69% on 3,900 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 13.04% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 16.23% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 13.65% on 3,730 yen, which was the simple average closing price over the past six-month period). In response, on October 15, 2024 the Target Company requested an increase to the proposed Tender Offer Price on the following grounds, even though the Target Company appreciated the proposed Tender Offer Price to certain extent based on the understanding that the proposed Tender Offer Price represented a premium similar to those found in cases similar to the Transaction: (i) the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Target Company Stock itself, (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium, but should be based on whether or not a proper valuation of the Target Company Stock was made, (iii) in light of the Target Company's future growth potential based on its business plans, the proposed Tender Offer Price was considerably low, and (iv) specific synergies of the Transaction should be projected, quantified and reflected in the corporate value of the Target Company after taking into account its feasibility. In response, on October 28, 2024, the Tender Offeror made a second proposal, to set the Tender Offer Price at 6,062 yen (which represented a premium of 56.64% on 3,870 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 54.29% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 63.66% on 3,704yen, which was the simple average closing price over the past three-month period, and a premium of 62.35% on 3,734 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,334 yen (which represented a premium of 11.99% on 3,870 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 10.31% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 17.01% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 16.07% on 3,734 yen, which was the simple average closing price over the past six-month period), which the Tender Offeror claimed reflected the intrinsic value of the Target Company after fully taking into account the Target

Company’s future growth potential. With regard to the year-end dividend for the fiscal year ending December 2024, the Tender Offeror explained that the proposed Tender Offer Price dated October 2, 2024 was based on the assumption that no such year-end dividends would be distributed. In response, on November 11, 2024 the Target Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Target Company’s belief that the Tender Offer Price proposed in the second proposal could not possibly be deemed to represent the full intrinsic value of the Target Company, leaving room to raise the Tender Offer Price further, and that the proposed Tender Offer Price could not yet be evaluated as being at a satisfactory level, considering the synergies of the Transaction. On the other hand, the Tender Offeror was required to obtain clearance from the Japan Fair Trade Commission (hereafter, the “JFTC”) for the share acquisition through the Tender Offer (hereafter, the “Share Acquisition”) pursuant to Article 10, paragraph (2) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; hereafter, the “Antimonopoly Act”). During the preliminary consultations with the JFTC carried out on November 1, 2024, it turned out that it would take longer than originally expected to go through the JFTC’s preliminary review of the Share Acquisition (hereafter, the “Preliminary Review”). Therefore, on November 5, 2024, the Tender Offeror proposed a suspension of negotiations on the Tender Offer Price to the Target Company. Subsequently, after some progress was made in consultations with the JFTC for purposes of acquiring clearance, on January 10, 2025, the Tender Offeror expressed its intent to resume negotiations on the Tender Offer Price to the Target Company, by setting March 5, 2025 as the expected date of announcement of the Transaction. However, during the preliminary consultations with the JFTC that subsequently continued, it again turned out that the Preliminary Review would take longer. Therefore, on February 4, 2025 the Tender Offeror proposed another suspension of negotiations on the Tender Offer Price to the Target Company. After the preliminary consultations with the JFTC that subsequently continued, it became likely that the Preliminary Review by the JFTC would be completed. Therefore, on March 13, 2025, the Tender Offeror proposed resumption of negotiations on the Tender Offer Price to the Target Company, by setting May 7, 2025 as the expected date of announcement of the Transaction. Then, on April 11, 2025, the Tender Offeror made a third proposal to set the Tender Offer Price at 6,181 yen (which represented a premium of 46.12% on 4,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 37.11% on 4,508 yen, which was the simple average closing price over the past one-month period, a premium of 35.73% on 4,554 yen, which was the simple average closing price over the past three-month period, and a premium of 37.45% on 4,497 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,450 yen (which represented a premium of 5.20% on 4,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a discount of 1.29% on 4,508 yen, which was the simple average closing price over the past one-month period, a discount of 2.28% on 4,554 yen, which was the simple average closing price over the past three-month period, and a discount of 1.05% on 4,497 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 15, 2025, the Target Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Target Company’s belief that the Tender Offer Price proposed in the third proposal still did not represent the full intrinsic value of the Target Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the Tender Offer Price proposed in the third proposal over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Target Company found it difficult to consider and determine to be sufficient compared with those seen in similar past cases. In response, on April 18, 2025, the Tender Offeror made a fourth proposal to set the Tender Offer Price at 6,283 yen (which represented a premium of 39.62% on 4,500 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 40.78% on 4,463 yen, which was the simple average closing price over the past one-month period, a premium of

38.58% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 39.31% on 4,510 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,522 yen (which represented a premium of 0.49% on 4,500 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 1.32% on 4,463 yen, which was the simple average closing price over the past one-month period, a discount of 0.26% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 0.27% on 4,510 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 21, 2025 the Target Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds that (i) while the Target Company believed that the Tender Offer Price proposed in the fourth proposal reflected that the Tender Offeror had given some consideration to the assertions made by the Target Company until that time, the Target Company believed that there was still room to propose a higher tender offer price by, among other things, : (a) putting a higher value on the Target Company's stock by fully considering the Target Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration, and (ii) the premiums represented by the proposed Tender Offer Price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels. In response, on April 25, 2025, the Tender Offeror made a fifth proposal to set the Tender Offer Price at 6,326 yen (which represented a premium of 42.64% on 4,435 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 42.96% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 40.39% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 39.62% on 4,531 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,551 yen (which represented a premium of 2.62% on 4,435 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 2.85% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 1.00% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 0.44% on 4,531 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 28, 2025, the Target Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds that while the Tender Offer Price proposed in the fifth proposal had been raised from that proposed in the fourth proposal, with that small increase it would still not necessarily be at a level where sufficient consideration was given to the Target Company's general shareholders. In response, on May 1, 2025, the Tender Offeror made a sixth proposal to set the Tender Offer Price at 6,350 yen (which represented a premium of 30.93% on 4,850 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 44.42% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 42.09% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 39.47% on 4,553 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,568 yen (which represented a discount of 5.81% on 4,850 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 3.89% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 2.22% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 0.33% on 4,553 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on May 2, 2025 the Tender Offeror received from the Target Company a reply of acceptance of the sixth proposal, thus reaching an agreement with the Tender Offeror that the Tender Offer Price and the Treasury Share Acquisition Price would be 6,350 yen and 4,568 yen, respectively.

(B) Target Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor

As described in "(A) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" above, the Target Company received the proposal from the Tender Offeror on August 6, 2024 and confirmed the intention of its parent company, Japan Tobacco, to proceed with consideration of the proposal from the Tender Offeror.

Based on the proposal, in early August 2024 the Target Company appointed Mizuho Securities Co., Ltd. (hereafter, the "Mizuho Securities") as its financial advisor and third-party appraiser and Nagashima Ohno & Tsunematsu as its legal advisor. The Target Company immediately started to build a system to engage in negotiations and make decisions independently from the Tender Offer Related Parties, in order to deal with the following issues and to ensure the fairness of the Transaction, in light of the fact that, even though the Tender Offer is not a tender offer by the controlling shareholder, (i) the interests of Japan Tobacco, which is the Target Company's parent company and largest shareholder, holding 15,398,800 shares (Shareholding Percentage: 54.78%) of the Target Company Stock, and those of the minority shareholders of the Target Company may not always be consistent with one another since (a) the Tender Offeror and Japan Tobacco, which is the Target Company's parent company and largest shareholder, intend to sign the Agreement whereby, among other things, the Agreed Untendered Shares held by Japan Tobacco will not be tendered in the Tender Offer, the Tender Offer Related Parties will vote for all proposals that are necessary to consummate the Stock Consolidation that will be submitted to the General Meeting of Shareholders of the Target Company, and Japan Tobacco will sell the Agreed Untendered Shares in response to the Treasury Share Acquisition, and (b) the Tender Offeror intends to acquire the JT Pharmaceutical Business from Japan Tobacco, and (ii) the Tender Offer is not absolutely free from the issue of potential conflicts of interest that may arise in the process of the Target Company's consideration of the Transaction or the issue of information asymmetry with the minority shareholders since the Tender Offer will be carried out as part of the Transaction, which is intended to make the Target Company a wholly-owned subsidiary of the Tender Offeror.

Specifically, as described in "(C) The Target Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, at its Board of Directors meeting held on August 9, 2024 the Target Company established a special committee (hereafter, the "Special Committee") which is independent of both the Tender Offer Related Parties and the Target Company and consists of the following three members, all of whom are Outside Directors of the Target Company: Mr. Kenichi Fujita (Outside Director and Audit and Supervisory Committee Member of the Target Company, Representative Director and CEO of Green Bridge Solutions Ltd., and President and Representative Director of K-BRIC & Associates, Ltd.), Mr. Takaharu Matsumura (Outside Director and Audit and Supervisory Committee Member of the Target Company, Attorney-at-Law and Partner at Anderson Mori & Tomotsune Foreign Law Joint Enterprise, Corporate Auditor of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.), and Ms. Mihoko Manabe (Outside Director and Audit and Supervisory Committee Member of the Target Company and a financial consultant (as a sole proprietor)) (for how the Special Committee was established, what it discussed, and the decisions it made, please see "(C) The Target Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below).

The Target Company also established a system for conducting discussions and negotiations and making decisions relating to the Tender Offer independently from the Tender Offeror Group and the Target Company group (including the scope of officers and employees of the Target Company involved in discussions, negotiations, and decision-making relating to the Tender Offer), as described in "(E) Establishment of an Independent Discussion System at the Target Company" and "(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

After establishing the system described above, the Target Company carried out several discussions and negotiations with the Tender Offeror concerning whether or not the Tender Offer should be carried out, based on the negotiation policy confirmed by the Special Committee in advance and based on the Special Committee's opinions, instructions, requests, etc., given or made during critical phases of the negotiations, and with advice from Mizuho Securities and Nagashima Ohno & Tsunematsu.

Specifically, in response to the written proposal received from the Tender Offeror in early August 2024, the Target Company sent questions to the Tender Offeror on August 16, 2024 regarding the significance of the Transaction and the Tender Offeror's management policy after the proposed acquisition, before the Target Company considered whether or not the Tender Offeror's proposal deserved consideration from the viewpoint of increasing the Target Company's corporate value and whether or not the Tender Offeror's proposal made it worthwhile to agree to the proposed legal, financial, tax, and other due diligence investigations. Based on the answers received from the Tender Offeror on August 21, 2024 to the effect that the proposal appropriately evaluated the Target Company's strengths in the areas of skin disease, allergens, and renal dialysis, and that the proposal reflected the synergies from the proposed management integration with the Target Company, the Target Company concluded that the Tender Offeror's proposal deserved consideration from the perspective of increasing the Target Company's corporate value, and the Target Company decided to agree to the proposed due diligence investigations.

The Target Company believes that, while going private as a result of the Transaction may produce certain disadvantages in terms of recruitment and reputation from business partners, the synergies produced by the Transaction will be greater than the expected impact of those disadvantages. Specifically, the expected synergies are as follows.

(a) Strengthening the Target Company's Domestic Business

As understood by the Tender Offeror, the Target Company believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Target Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly of products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information about anti-viral drugs to combat COVID 19 and the influenza virus, and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Target Company believes that providing this information to additional hospital departments in which the Target Company has strong sales skills, i.e., departments of dermatology, internal medicine, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Target Company believes that it will be able to strengthen the information-providing activities relating to its dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Target Company also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. As for the Tender Offeror's and the Target Company's respective development pipelines, the Target Company believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of their respective strengths.

(b) Accelerating Global Development

The Tender Offeror has global development functions and sales networks mainly in the U.S. and Europe, and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the group as a whole. On the other hand, the Target Company currently engages mainly in domestic development jointly with the JT Pharmaceutical Business. The Target Company believes that the Transaction will increase the possibilities for the Target Company to develop its future pipeline products on a global basis, and will lead to stronger sales performance, by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Target Company's aggressive efforts to search for license-in candidates and to make business investments, the Target Company believes that the Transaction will allow the Target Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and expert human resources.

(c) Realizing Flexible Manufacturing and Sales Structures

The Target Company has had no manufacturing functions of its own since 2020. The Target Company contracts all manufacturing out to external parties. Most of the license-in products from overseas that are imported by the Target Company are manufactured by the licensors. For these reasons, the Target Company believes, as understood by the Tender Offeror, that using Shionogi Pharma Co., Ltd., which is owned by the Tender Offeror, as the Target Company's manufacturing division and contracting out part of the manufacturing to that manufacturing division may allow the Target Company to deal with the volatility of supply chains caused by such factors as geopolitical issues, quality issues in multiple companies, and increases in stock shortfalls and limited shipments, and will lead to (a) development of a flexible production structure that allows for increases in product production, among other things, and (b) stronger negotiation skills to secure backup sites, etc. The Target Company believes that this will increase its business competitiveness and contribute to reducing manufacturing costs.

With regard to the Tender Offer Price, based on the discussions and negotiations described in "(B) Target Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" above: (i) the Tender Offer Price is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis, according to the valuation of the Target Company Stock described in the stock valuation report by Mizuho Securities mentioned in "(B) The Target Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below ("Target Company Stock Valuation Report), and (ii) the Tender Offer Price represents a premium of 21.41% on 5,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the base date of May 2, 2025 (which was the business day immediately preceding the announcement date of the Tender Offer), a premium of 43.28% on 4,432 yen, which was the simple average closing price over the one-month period up to the base date, a premium of 41.68% on 4,482 yen, which was the simple average closing price over the three-month period up to the base date, and a premium of 39.28% on 4,559 yen, which was the simple average closing price over the six-month period up to the base date, and (a) when these premium levels are compared with those seen in certain cases similar to the Transaction (i.e., the premium levels seen in the 34 tender offer cases involving the privatization of a company listed on the Prime Market or the First Section of the TSE by a third party which was announced during the past five years (i.e., the period from May 3, 2020 to May 2, 2025) and in which a tender offer was consummated on or before May 2, 2025 (excluding management buyout (MBO) cases), namely, a median of 43.51% and an average of 53.36% on the stock price on the business day immediately preceding the date of announcement, a median of 44.55% and an average of 55.95% on the simple average closing price over the one-month period up to the business day immediately preceding the date of announcement, a median of 56.53% and an average of 60.22% on the simple average closing price over the three-month period up to the business day immediately preceding the date of announcement, and a median of 54.08% and an average of 63.34% on the simple average closing price over the six-month period up to the business day immediately preceding the date of announcement), while the premium level on the closing price on the immediately preceding business day is somewhat low, it would be reasonable, to some extent, to take more medium- to long-term stock price levels into consideration because there is an undeniable possibility that the approximately 20% increase (from 4,340 yen to 5,230 yen) in the closing price of Target Company Stock during the short period of three business days from April 28, 2025 to May 2, 2025 was temporary, in light of, among other things, (x) the fact that the turnover of the Target Company Stock during the three business days increased significantly from the immediately preceding average turnover of approximately 100,000 shares (i.e., the average turnover for the period from March 26, 2025 to April 25, 2025) to a level between 310,000 shares and 560,000 shares), and (y) the fact that the Target Company made no timely disclosure during the three business days, which means that the change in the price of Target Company Stock did not at least reflect any specific announcement by the Target Company, and a comparison of the premium rates represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium rates represented by the Tender Offer Price can be considered to be at an appropriate level, based on which the Target Company believes that the Tender Offer Price is not unreasonable in terms of premium rates on market share price, and (b) when the Tender Offer Price is adjusted by subtracting from it the value per share of the Target Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of 79.1 billion and do not normally attract a premium, the adjusted Tender Offer Price per share is 3,537 yen, which represents a premium of 46.34% on 2,417 yen, which is the price obtained by adjusting likewise the closing price of 5,230 yen on the business day immediately preceding the announcement date, a premium of 118.51% on 1,619 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,432 yen over the past one-month period, a premium of 111.94% on 1,669 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,482 yen over the past three-month period, and a premium of 102.64% on 1,746 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,559 yen over the past six-month period, based on which the Tender Offer Price can be considered to represent a sufficient level of premiums; and (iii) the Tender Offer Price was determined under the circumstances where the measures to ensure the fairness of the Tender Offer were taken as described in "(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, and the Tender Offer Price was increased to a level at which the Tender Offeror had claimed multiple times that there was no more room for increasing the Tender Offer Price, after sufficient negotiations between the Target Company and the Tender Offeror with the substantive involvement of the Special Committee.

For the reasons described above, the Target Company, at its Board of Directors meeting held today, adopted a resolution to express the Target Company's opinion in support of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer.

For the details of how the resolution was adopted by the Target Company's Board of Directors, please see "(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(C) Management Policy After the Tender Offer

The Tender Offeror and the Target Company intend to promote their own, respective management measures to achieve the synergies described in "(A) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" above.

The composition of the Target Company's officers after consummation of the Transaction has not been determined as of today, as the Tender Offeror has no specific plan for the composition. The Tender Offeror intends to consider, through discussions with the Target Company, developing an optimal system for implementing the measures mentioned above and further strengthening both companies' management base.

(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

The Tender Offer is not a tender offer by the controlling shareholder, since the Target Company is not a subsidiary of the Tender Offeror as of today. The Transaction, including the Tender Offer, is not a "management buyout" (MBO) either, since neither all nor part of the Target Company's management team intends to make any direct or indirect capital contributions to the Tender Offeror. However, the Tender Offeror and the Target Company have taken the following measures to ensure the fairness and transparency of the Transaction, by eliminating potential arbitrariness and conflicts of interest that may arise in the decision-making process leading to the decision to implement the Tender Offer, while ensuring the fairness of the Tender Offer Price, considering the following, among other things: (i) the interests of Japan Tobacco, which is the Target Company's parent company and largest shareholder, and that of the Target Company may not always be consistent with each other because (a) the Tender Offeror and Japan Tobacco, which is the Target Company's parent company and largest shareholder, intend to sign the Agreement whereby, among other things, (x) the Agreed Untendered Shares held by Japan Tobacco will not be tendered in the Tender Offer, (y) the Tender Offer Related Parties will vote for all proposals that are necessary to consummate the Stock Consolidation and are submitted to the General Meeting of Shareholders of the Target Company, and (z) Japan Tobacco will sell the Agreed Untendered Shares in response to the Treasury Share Acquisition, and (b) the Tender Offeror intends to acquire the JT Pharmaceutical Business from Japan Tobacco, and (ii) the Tender Offer will be conducted as part of the Transaction, which is intended to make the Target Company a wholly-owned subsidiary of the Tender Offeror.

The Tender Offeror has not set the minimum number of shares to be purchased by the "majority of minority" in the Tender Offer because Japan Tobacco holds 15,398,800 shares (Shareholding Percentage: 54.78%) of Target Company Stock as of today, due to which the setting of a minimum number of shares to be purchased by the "majority of the minority" in the Tender Offer may make the successful consummation of the Tender Offer unstable, which, in turn, may be disadvantageous for minority shareholders who wish to tender their shares in the Tender Offer. The Tender Offeror still believes that sufficient consideration has been given to the interests of minority shareholders of the Target Company, since the following measures have been taken to ensure the fairness and transparency of the Transaction by eliminating potential arbitrariness and conflicts of interest that may arise in the decision-making process leading to the decision to implement the Tender Offer, while ensuring the fairness of the Tender Offer Price.

Please note that, of the following statements, those concerning the measures implemented by the Target Company are based on the Target Company's Press Release and on explanations received from the Target Company.

(A) The Tender Offeror's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

In determining the Tender Offer Price, the Tender Offeror requested that SMBC Nikko Securities, which served as the Tender Offeror's financial advisor and third-party appraiser that is independent of the Target Company and the Tender Offer Related Parties, to evaluate the value of the Target Company Stock in order to ensure the fairness of the Tender Offer Price. The Tender Offeror received a stock valuation report dated May 2, 2025 (hereafter, the "Stock Valuation Report"). SMBC Nikko Securities is not a related party of the Target Company or the Tender Offer Related Parties and does not have any material interest in the Tender Offer. SMBC Nikko Securities is a member of Sumitomo Mitsui Financial Group, Inc., like Sumitomo Mitsui Banking Corporation, which engages in financing transactions and other activities with the Tender Offeror Group and the Target Company group as part of the bank's ordinary banking transactions. The Tender Offeror appointed SMBC Nikko Securities as its financial advisor and third-party appraiser based on: (i) SMBC Nikko Securities' track record as a third-party appraiser, and (ii) according to SMBC Nikko Securities, (a) it has taken measures to block the transfer of information between the department performing the valuation of the stock value of the Target Company, on the one hand, and other departments of SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation, on the other hand, as required by internal rules as measures to prevent negative effects, (b) the Tender Offeror and SMBC Nikko Securities engage in transactions with one another on the same terms and conditions as those implemented with general customers, which ensures the independence of SMBC Nikko Securities as a financial advisor and third-party appraiser, and (c) SMBC Nikko Securities is not a related party of the Tender Offeror or the Target Company, and there seems to be no specific problem with the Tender Offeror's requesting that SMBC Nikko Securities evaluate the stock value of the Target Company. The Tender Offeror has not obtained an opinion letter on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities, since the Tender Offeror believes that sufficient consideration has been given to the interests of minority shareholders of the Target Company in light of the other measures to ensure the fairness of the Tender Offer Price and the measures to avoid conflicts of interest taken, in each case, with regard to the Transaction.

For a summary of the Stock Valuation Report received by the Tender Offeror from SMBC Nikko Securities, please see "(A) Basics of Valuation" and "(B) Background of Valuation" in "(4) Basis for Calculation of the Tender Offer Price" of "2. Overview of the Purchase, etc." below.

(B) The Target Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

(i) The Appraiser's Name and Relationship with the Target Company and the Tender Offer Related Parties

The Target Company requested that Mizuho Securities, which served as the Target Company's third-party appraiser that is independent of the Tender Offer Related Parties and the Target Company, to evaluate the value of the Target Company Stock. The Target Company received the Target Company Stock Valuation Report on May 2, 2025. Mizuho Securities is not a related party of the Tender Offer Related Parties or the Target Company and does not have any material interest in the Transactions, including the Tender Offer. Mizuho Securities is a member of Mizuho Financial Group, Inc., like Mizuho Bank, Ltd. (hereafter, the "Mizuho Bank"), which engages in financing transactions and other activities with Japan

Tobacco as part of the ordinary banking transactions, but has no material interest to be disclosed with respect to the Transaction, including the Tender Offer. Pursuant to applicable law, i.e., Article 36, paragraph (2) of the Act and Article 70-4 of the Cabinet Office Ordinance on Financial Instruments Business (Cabinet Office Ordinance No. 52 of 2007, as amended thereafter), Mizuho Securities built and implemented appropriate systems, such as information barriers, to manage conflicts of interest between Mizuho Securities and Mizuho Bank, which allowed Mizuho Securities to evaluate the value of the Target Company Stock in a position independent from Mizuho Bank's status as a lender. In evaluating its stock value, the Target Company appointed Mizuho Securities as its third-party appraiser based on the judgment that Mizuho Securities had built and implemented appropriate systems for managing conflicts of interest. The Target Company has not obtained an opinion letter on the fairness of the Tender Offer Price (a fairness opinion) from Mizuho Securities, since the Target Company believes that sufficient consideration has been given to the interests of minority shareholders of the Target Company in light of the other measures to ensure the fairness of the Tender Offer Price and the measures to avoid conflicts of interest taken, in each case, in connection with the Transaction. While the fees payable to Mizuho Securities in connection with the Transaction include a contingency fee payable subject to conditions such as the successful consummation of the Transaction, the Target Company has concluded that the fact that this contingency fee is included in the fees payable to Mizuho Securities does not negate the independence of Mizuho Securities, taking into consideration, among other things, general business practices in similar transactions and whether or not it is appropriate to use a fee system that imposes reasonable financial burden on the Target Company if the Transaction fails to take place.

(ii) Summary of Valuation

After reviewing the valuation methods used in the Tender Offer, Mizuho Securities evaluated the value of the Target Company Stock per share using the following methods based on the belief that it is appropriate to evaluate the value of the Target Company Stock in a multifaceted manner, on the assumption that the Target Company is a going concern: (a) the average market share price analysis, since the Target Company Stock is listed on the Prime Market of the Tokyo Stock Exchange and its market price is available; (b) the comparable company analysis, since there are listed companies comparable to the Target Company, which makes it possible to infer the stock value of the Target Company by means of comparison with the stock values of comparable companies; (c) precedent transaction analysis, since this allows for inference of the stock value of the Target Company by means of comparison with the amounts at which comparable transactions took place; and (d) the DCF Analysis, so as to reflect the Target Company's future business activities in the evaluation.

The ranges of the stock value per share of the Target Company Stock calculated by Mizuho Securities using the methods described above are as follows:

Average market share price analysis:	4,432 yen to 5,230 yen
Comparable company analysis:	3,318 yen to 4,215 yen
Precedent transaction analysis:	4,144 yen to 4,213 yen
DCF Analysis:	4,979 yen to 7,080 yen

In the average market share price analysis, with May 2, 2025 as the base date for valuation, the stock value per share of the Target Company Stock was determined to be from 4,432 yen to 5,230 yen, based on the closing price of the Target Company Stock on the base date which was 5,230 yen, the simple average closing price over the past one-month period which was 4,432 yen, the simple average closing price over the past three-month period which was 4,482 yen, and the simple average closing price over the past six-month period which was 4,559 yen.

In the comparable company analysis, the stock value per share of the Target Company Stock was determined to be from 3,318 yen to 4,215 yen by comparing the Target Company's market share price and certain financial indicators showing the Target Company's profitability with the equivalents of some listed companies engaged in a business relatively similar to that conducted by the Target Company.

In the precedent transaction analysis, the stock value per share of the Target Company Stock was determined to be from 4,144 yen to 4,213 yen by comparing the prices to be used in the Transaction and certain financial indicators showing the Transaction's profitability with the equivalents of some past transactions involving pharmaceutical companies that are relatively similar to the Target Company.

In the DCF Analysis, the stock value per share of the Target Company Stock was determined to be from 4,979 yen to 7,080 yen, by determining the corporate value and the stock value of the Target Company by discounting to the present value, at a certain discount rate, the free cash flow that is expected to be generated by the Target Company in and after the fiscal year ending April 2025, based on the revenue forecasts and investment plans contained in the business plans prepared by the Target Company for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033.

The business plans of the Target Company based on which the DCF Analysis was performed cover some fiscal years for which a considerable increase or decrease in operating profit and free cash flow is expected.

Specifically, a 74.5% year-on-year decrease in operating profit is expected for the fiscal year ending December 2026 due to R&D expenses relating to products under development that is being prepared for launch. However, since the Target Company will no longer be making development milestone payments for the products under development that were scheduled to take place during the previous fiscal year, a significant year-on-year increase in the Target Company's free cash flow is expected, and it is expected to turn positive where previously it was negative. For the fiscal year ending December 2027, a 584.2% year-on-year increase in operating profit and a 68.3% year-on-year increase in free cash flow are expected, due to a reduction in R&D expenses in relation to the products under development that were expected during the previous fiscal year. For the fiscal year ending December 2028, a negative free cash flow and a significant year-on-year decrease in free cash flow are expected due to development milestone payments scheduled for products under development. However, since the Target Company will no longer be making development milestone payments during the fiscal year ending December 2029, a positive free cash flow and a significant year-on-year increase in free cash flow are expected for that fiscal year. For the fiscal year ending December 2030, a 41.8% year-on-year increase in operating profit and a 56.2% year-on-year increase in free cash flow are expected, due to expected growth in sales of developed products. Similarly, for the fiscal year ending December 2031, a 41.4% year-on-year increase in free cash flow is expected due to expected growth in sales of developed products. The synergies that are expected to be achieved as a result of the Transaction are not reflected in these forecasts, because it is difficult to estimate their impact on the Target Company's profit specifically at this point.

In determining the value of the Target Company Stock, Mizuho Securities used the information received from the Target Company and publicly available information, data, etc. without making any changes to them in principle and without independently verifying the accuracy or completeness of the data, information, etc., assuming that are all of them were accurate and complete. Mizuho Securities did not independently evaluate or assess the assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the Target Company or its associated companies, nor did it request any third-party institution perform any such evaluation or assessment. Mizuho Securities assumes that the information on the Target Company's financial forecasts was reasonably prepared by the Target Company's management team based on the best estimates and judgment which could be obtained at the relevant point.　The Special Committee had Q&A sessions with the Target Company regarding these financial forecasts and confirmed the validity of their content, assumptions, etc.

(C) The Target Company's Establishment of an Independent Special Committee and Receipt of a Written Report from the Special Committee

At its meeting held on August 9, 2024, the Target Company's Board of Directors adopted a resolution to establish, and thus the Target Company established on the same day, the Special Committee which was independent of both the Tender Offer Related Parties and the Target Company and consisted of the following three members, for the purpose of eliminating potential arbitrariness and conflicts of interest that may arise in the Target Company's decision-making and ensuring the fairness, transparency, and objectivity of the decision-making process before the Target Company's Board of Directors discussed and made resolutions on the Transaction: Mr. Kenichi Fujita (Director and Audit and Supervisory Committee Member of the Target Company, Representative Director and CEO of Green Bridge Solutions Ltd., and President and Representative Director of K-BRIC & Associates, Ltd.); Mr. Takaharu Matsumura (Director and Audit and Supervisory Committee Member of the Target Company, Attorney-at-Law and Partner at Anderson Mori & Tomotsune Gaikokuho-Kyodo-Jigyo, Audit & Supervisory Board Member of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.); and Ms. Mihoko Manabe (Director and Audit and Supervisory Committee Member of the Target Company and a financial consultant (as a sole proprietor)).　Please note that the fees for the members of the Special Committee are fixed and include no contingency fees.　The Target Company appointed the above three members as the original members of the Special Committee, none of whom has been replaced.

Upon making the decision to establish the Special Committee, the Target Company's Board of Directors consulted the Special Committee on the following matters: (i) whether the purpose of the Transaction is legitimate and reasonable (including whether or not the Transaction will contribute to increasing the corporate value of the Target Company); (ii) whether the terms and conditions of the Transaction are appropriate (including whether the method of, and the kind of consideration for, the Transaction are appropriate); (iii) whether the procedures involved in the Transaction are fair (including what measures to ensure the fairness should be taken to what extent); (iv) whether or not the Target Company's Board of Directors should support the Tender Offer and recommend the Target Company's shareholders to tender their shares in the Tender Offer; and (v) whether making a decision to conduct the Transaction (including the Target Company's Board of Directors expressing its opinion in support of the Tender Offer and to recommend the Target Company's shareholders to tender their shares in the Tender Offer) will not be disadvantageous to the general shareholders (including the minority shareholders) of the Target Company (collectively, the "Consultative Matters").　The Target Company's Board of Directors also adopted a resolution: (a) to respect the Special Committee's report as much as possible in making important decisions on the Transaction; and (b) to refrain from making a decision to conduct the Transaction (including refraining from supporting the Tender Offer and from recommending shareholders to tender their shares in the Tender Offer) if the Special Committee concludes that the terms and conditions, etc. of the Transaction are not appropriate.

In addition, the Target Company's Board of Directors authorized the Special Committee: (i) to provide necessary advice to the Target Company's executive directors and others in their consideration of the Transaction; (ii) to review the Target Company's policies for discussions and negotiations with the Tender Offeror on the Transaction in advance, to receive reports on the status of those discussions and negotiations in a timely manner, to express the committee's opinion regarding discussions and negotiations on the Transaction, to make recommendations and requests to the Target Company's Board of Directors, and to directly discuss and negotiate with third parties, including the Tender Offeror, where necessary and to the extent permitted by law; (iii) to review the Target Company's policies, express the committee's opinion, and make recommendations and requests regarding the Target Company's system for conducting discussions and negotiations and making decisions on the Transaction; (iv) to request reports and information on the progress of, the status of discussion on, and other aspects of, the Transaction from the Target Company's executive directors and others at any time; and (v)(a) to appoint advisors or equivalents for the committee at the Target Company's expense, to the extent necessary to fulfill the functions of the Special Committee, and (b) to evaluate the Target Company's advisors and equivalents, and express the committee's opinion on, or give the committee's approval (including subsequent approval) to, their appointment.

The Special Committee held a total of 21 meetings during the period from August 19, 2024 to May 7, 2025, where the Consultative Matters were carefully discussed and considered.

Specifically, the Special Committee approved Mizuho Securities, which is the Target Company's third-party appraiser and financial advisor, as such and Nagashima Ohno & Tsunematsu, which is the Target Company's legal advisor, as such and confirmed that Mizuho Securities and Nagashima Ohno & Tsunematsu are eligible to provide professional advice to the Special Committee where necessary, on the grounds that neither had any problem with its independence or expertise.

The Special Committee also approved the Target Company's system for discussing the Transaction established at the Target Company, including the scope and duties of officers and employees of the Target Company involved in discussions, negotiations, and decision-making relating to the Transaction, after confirming that there was no problem with the system in terms of its independence.

Then, the Special Committee received from Nagashima Ohno & Tsunematsu explanations on, among other things, the background requiring the establishment of the Special Committee and the functions of the Special Committee, and considered measures to be taken to ensure the fairness of the procedures involved in the Transaction, based on the advisor's legal advice on the decision-making process and method, and other points to consider in making decisions relating to the Transaction.

In the process of negotiations on the Transaction, the Special Committee expressed its opinion to the Target Company in critical phases of the negotiations, including confirming the Target Company's view regarding: the background and history of the Transaction; whether or not the Transaction is expected to result in increasing the corporate value of the Target Company; the significance and purpose of the Transaction; the Target Company's management policy after the Transaction, and the terms and conditions and other details of the Transaction. The Special Committee also confirmed the Target Company's view regarding the following matters, among others, in light of the content of the Tender Offeror's proposal for the Transaction: the Target Company's business condition, business environment, and business challenges; the content of the Target Company's business plans; the significance of the Transaction; the Transaction's effect of increasing the corporate value of the Target Company; and Transaction's impact on the Target Company's business.

In addition, the Special Committee received from the Target Company explanations on how its business plans were prepared and on their content, and confirmed the validity of the business plans in terms of their content and important assumptions and how they were prepared, among other things. Then, the Special Committee received from Mizuho Securities, which evaluated the value of the Target Company Stock based on the Target Company's business plans as described in "(B) The Target Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser" above, explanations on: the methods for determining the value of the Target Company Share used in the evaluation; the reasons for employing those methods of valuation; and the details of, and important assumptions for, each of the valuation methods, including the comparable companies selected in the comparable company analysis and the reasons and other assumptions for selecting those comparable companies, the numerical values for the weighted average cost of capital (WACC) and other parameters used in the DCF Analysis, and the method for determining the terminal value of the Target Company and the reasons for employing the method. The Special Committee confirmed the validity of the above details after Q&A sessions and deliberations and discussions.

Furthermore, after the Target Company's receipt of the first proposal on the Tender Offer Price and other matters from the Tender Offeror on October 2, 2024, the Special Committee continued to be substantively involved in the process of negotiations on the terms and conditions of the Transaction, including the Tender Offer Price, by receiving reports from the Target Company and its advisors as appropriate, expressing the committee's opinion on the terms and conditions of the Tender Offer, or sending written answers directly to the Tender Offeror.

After carefully discussing and considering the Consultative Matters as described above, on May 7, 2025 the Special Committee submitted, with the unanimous approval of its members, a report dated May 7, 2025 regarding the Consultative Matters (hereafter, the "Report"), whose summary is provided below, to the Target Company's Board of Directors.

(a) Details of the Report
With the unanimous approval of all members of the Special Committee, the Special Committee reports its opinions on the Consultative Matters as follows:

(i) The Special Committee finds that the Transaction will contribute to increasing the corporate value of the Target Company and is legitimate and reasonable.
(ii) The Special Committee finds that the Tender Offer Price proposed for the Tender Offer and the other terms and conditions of the Transaction are appropriate.
(iii) The Special Committee finds that sufficient measures have been taken to ensure the fairness of the procedures involved in the Transaction, and that the procedures involved in the Transaction are therefore fair.
(iv) The Target Company's Board of Directors should resolve that the Target Company express its opinion in support of the Tender Offer and recommend the Target Company's shareholders to tender their shares in the Tender Offer.
(v) Conducting the Transaction is not disadvantageous to the general shareholders (including the minority shareholders) of the Target Company.

(b) Reasons for the Report
1. Discussion on Whether or Not the Transaction Will Contribute to Increasing the Corporate Value of the Target Company

(1) The Tender Offeror's Opinion

According to the Tender Offeror's answers to the questions about the Transaction submitted by the Special Committee to the Tender Offeror and to the draft Tender Offer Statement prepared by the Tender Offeror, the significance and purpose of the Transaction and the synergies expected from the Transaction, as contemplated by the Tender Offeror, can be summarized as follows:

(I) Background of the Tender Offeror's Consideration of the Transaction

Under the company policy (SHIONOGI Group Heritage) that states "SHIONOGI strives constantly to supply the best possible medicine healthcare solution to protect the health and wellbeing of the patients we serve," the Tender Offeror is undergoing transformation to a HaaS (Healthcare as a Service) company that provides not only ethical drugs but also various healthcare services that meet the needs of its customers, in order to solve problems facing patients and communities worldwide in a more comprehensive manner. In 2020, the Tender Offeror established the SHIONOGI Group Vision for 2030, "Building Innovation Platforms to Shape the Future of Healthcare," and developed its medium-term business plan, the SHIONOGI Transformation Strategy 2030 (STS2030), to realize the vision. Since that time, the Tender Offeror Group has made concerted efforts pursuant to that strategy. During the three-year period from fiscal 2020 to fiscal 2022, the Tender Offeror, with the aim of putting an end to the COVID (SARS-CoV-2) pandemic as soon as possible, not only provided therapeutic medicines but also worked to provide solutions for detection (prediction of epidemics), prevention, diagnosis, and prevention of deterioration, toward realization of total care for COVID-19. These efforts have evolved the Tender Offeror's ability to discover drugs, as seen in the totally unprecedented quickness – in approximately three years since the beginning of R&D with which the Tender Offeror was granted regular approval for Xocova, a treatment for COVID-19, where it generally takes approximately 9 to 16 years for a new ethical drug to be granted approval in Japan after the start of R&D for the drug. The Tender Offeror also has been successful in expanding its products and services to include those other than ethical drugs, such as the Tender Offeror Group's first vaccine product and the Tender Offeror Group's wastewater-based epidemiology surveillance service. The results and lessons obtained from these efforts showed a clearer path to achieve the SHINOGI Group Vision, which prompted the Tender Offeror to revise the STS2030 in 2023 to make a fresh start under the Revised STS2030. While the former STS2030 called the five years from fiscal 2020 to fiscal 2024 as "STS Phase 1" and the following period ending in fiscal 2030 "STS Phase 2," the Revised STS2030 calls the three years from fiscal 2023 to fiscal 2025 the new "STS Phase 2," which aims to accelerate the company's growth through innovation based on the phase's basic policy, "achieving global top-line growth centered on the infectious disease area" and "realizing the development of growth drivers through active investment."

In its efforts relating to the Revised STS2030, as described above, since the beginning of 2024 the Tender Offeror has considered a collaboration with the JT Pharmaceutical Business and the Target Company to realize the Tender Offeror's vision, "Building Innovation Platforms to Shape the Future of Healthcare." After consideration, the Tender Offeror concluded that acquiring the JT Pharmaceutical Business and making the Target Company a wholly-owned subsidiary of the Tender Offeror will significantly contribute to realizing the vision.

(II) Synergies Expected by the Tender Offer from the Transaction

(A) Strengthening the Tender Offeror's Domestic Business

The Tender Offeror promotes appropriate information-providing activities in order to realize its company basic policy, "SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." The Tender Offeror believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Target Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Tender Offeror believes that providing this information to additional hospital departments in which the Target Company has strong sales skills, i.e., the departments of dermatology, pediatrics and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Tender Offeror believes that it will be able to strengthen the information-providing activities relating to the Target Company's dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Tender Offeror also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. With regard to the Tender Offeror's and the Target Company's respective development pipelines, the Tender Offeror believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Target Company's strong sales capabilities.

(B) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the whole group. The Tender Offeror understands that the Target Company currently is engaged in domestic development jointly with the JT Pharmaceutical Business. The Tender Offeror believes that the Transaction will increase the possibilities for the Target Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Target Company's aggressive efforts to search for license-in candidates and to make business investments, the Tender Offeror believes that the Transaction will allow the Target Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and human resources with expertise.

(C) Realizing Flexible Manufacturing and Sales Structures

In principle, the Tender Offeror, in owning Shionogi Pharma Co., Ltd. as its manufacturing division, has built and improved its global supply chain by manufacturing its pharmaceutical products at its own manufacturing sites. The Tender Offeror's understanding is that supply chains are more volatile due to factors such as geopolitical issues, quality issues at multiple companies, and increases in stock outages and limited shipments, and that it is becoming more difficult to control costs due to the impact of exchange rates and rising raw materials prices, among other factors. In these circumstances, the Tender Offeror believes that the Transaction will bring the following advantages for pharmaceutical products of the JT Pharmaceutical Business and the Target Company by drawing on the Tender Offeror's capabilities, as seen in the fact that the Tender Offeror has manufactured pharmaceutical products and built a global supply chain successfully, on its own as described above, and by utilizing the Tender Offeror's manufacturing facilities: (a) establishing a flexible production structure, on its own, that allows for increases in product production, along with other matters, and (b) stronger negotiation skills for the pharmaceutical products of the JT Pharmaceutical Business and the Target Company, by securing backup sites owned by the Tender Offeror. The Tender Offeror believes that this will increase its business competitiveness and contribute to reducing manufacturing cost.

(2) The Target Company's Management Team's Opinion

(I) Synergies Expected from the Transaction

According to the explanations provided by the Target Company's personnel during the interviews and other activities conducted by the Special Committee and to other explanations provided during the process of deliberations by the Special Committee, the synergies expected by the Target Company from the Transaction are as follows:

(A) Strengthening the Target Company's Domestic Business

As understood by the Tender Offeror, the Target Company believes that the Transaction will bring together the different respective strengths of the Tender Offeror and the Target Company with respect to hospital departments and facilities, which will extend the scope of information provided, as well as realizing the provision of appropriate information that meets the needs of doctors, which, in turn, will produce synergies from the perspective of maximizing value, particularly for products that require a certain share of voice. Specifically, while the Tender Offeror has promoted the provision of information on anti-viral drugs against COVID 19 and the influenza virus and has felt it necessary to provide more doctors with information on the proper uses of these drugs, the Target Company believes that providing this information to additional hospital departments in which the Target Company has strong sales skills, i.e., departments of dermatology, internal medicine, pediatrics, and otolaryngology, will provide more patients with access to these antiviral drugs. On the other hand, the Target Company believes that it will be able to strengthen the information-providing activities relating to its dermatology products, such as CORECTIM, in hospital departments other than dermatology (e.g., internal medicine, orthopedic surgery, etc.) by using the Tender Offeror's resources. The Target Company also believes that the Transaction will contribute to increasing customer satisfaction and increasing efficiency in business activities by allowing multiple products to be delivered to individual doctors and by providing them with a wider scope of information. As for the Tender Offeror's and the Target Company's respective development pipelines, the Target Company believes that the Transaction will allow both companies to develop their respective development and sales strategies that take advantage of the Tender Offeror's high R&D abilities and the Target Company's strong sales capabilities.

(B) Accelerating Global Development

The Tender Offeror has its global development functions and sales networks mainly in the U.S. and Europe and intends to continue to strengthen its development and regulatory functions and its own sales activities overseas and to globalize the whole group. On the other hand, the Target Company currently is engaged mainly in domestic development jointly with the JT Pharmaceutical Business. The Target Company believes that the Transaction will increase the possibilities for the Target Company to develop its future development pipeline products globally, and will lead to stronger sales performance by further collecting and assessing R&D and sales data in Japan and abroad. In terms of the Target Company's aggressive efforts to search for license-in candidates and to make business investments, the Target Company believes that the Transaction will allow the Target Company to develop even more efficient and effective activities by utilizing the Tender Offeror's networks and human resources with expertise.

(C) Realizing Flexible Manufacturing and Sales Structures

The Target Company [has had no manufacturing function of its own since 2020. The Target Company contracts out all manufacturing to external parties. Most of the license-in products from overseas that are imported by the Target Company are manufactured by the licensors. For these reasons, the Target Company believes, as understood by the Tender Offeror, that using Shionogi Pharma Co., Ltd., which is owned by the Tender Offeror as the Target Company's manufacturing division and contracting out part of the manufacturing to that manufacturing division may allow the Target Company to deal with the volatility of supply chains caused by such factors as geopolitical issues, quality issues in multiple companies, and increases in stock shortfalls and limited shipments, and will lead to (a) development of a flexible production structure that allows for increases in product production among other things, and (b) stronger negotiation skills to secure backup sites, etc. The Target Company believes that this will increase its business competitiveness and contribute to reducing manufacturing cost.]

(II) Potential Disadvantages That May Arise from the Transaction

According to the explanations provided by the Target Company's personnel during the interviews and other activities conducted by the Special Committee and to other explanations provided during the process of deliberations by the Special Committee, it is possible that going private as a result of the Transaction may produce certain disadvantages in terms of recruitment and customer reputation, and that, depending on the Target Company's locations and staffing after the Transaction, some employees may leave the Target Company. It is also possible that the Transaction may have some impact on the relationships between the Target Company and its important business partners involved in the Target Company's products for sublingual immunotherapy, where the Target Company has been in a competitive relationship with the Tender Offeror.

(3) The Special Committee's Opinion

After careful deliberations and discussions based on the above, the Special Committee has found that the Tender Offeror's and the Target Company's explanations on the synergies expected from the Transaction are specific to some extent and are reasonable.
As described in (2)(II) above, the possibility cannot be denied that the Transaction may result in some disadvantages. However, the Special Committee considers that the risk posed by the generally expected disadvantages of going private, such as an increased difficulty in recruitment and a lower reputation among customers, will be limited, because the Target Company's advantage in the recruitment market and the Target Company's social reputation, both of which have been developed by the Target Company through its business activities over the years, will not be lost as a result of being delisted, and because, after the Transaction, the Target Company will be able to conduct recruitment activities together with the Tender Offeror as a team, and to maintain is reputation among customers as a member of the Tender Offeror Group. In addition, the Special Committee has received from the Tender Offeror an answer to the effect that the Tender Offeror's policy on the Target Company's locations and staffing after the Transaction is to give sufficient consideration to individual employees' productive life, self-realization, and fairness and to consider most appropriate staffing to prevent adverse impact on the Target Company's business resulting from employee turnover.
As for the relationships between the Target Company and its important business partners involved in the Target Company's products for sublingual immunotherapy, the Special Committee has no serious concerns after receiving the following explanations from the Tender Offeror: (i) the Tender Offeror's business related to its products for sublingual immunotherapy is already planned to be closed, and the Tender Offeror has taken or intends to take certain measures to prevent the Target Company's relationship with those important business partners from being affected by the Transaction; (ii) the Tender Offeror intends to continue to focus on the Target Company's sublingual immunotherapy products after consummation of the Transaction; and (iii) the Tender Offeror has taken or intends to take certain measures to prevent any legal obstacles to the company's continuation of the business related to these products from arising after the Target Company becomes a subsidiary of the Tender Offeror as a result of the Transaction.
While the Special Committee cannot go so far as to say that it has serious concerns about the potential disadvantages of conducting the Transaction, for which reasonable measures have been taken or will be taken or reasonable explanations have been provided, conducting the Transaction is expected to generate synergies that will more than offset those disadvantages. Therefore, the Special Committee is not uncomfortable with the conclusion that the Transaction will contribute to increasing the corporate value of the Target Company.

2. Discussion on the Appropriateness of the Terms and Conditions of the Transaction

(1) Appropriateness of the Tender Offer Price

(a) Procedure for Making Business Plans and the Content of Business Plans

The Target Company requested Mizuho Securities, which served as the Target Company's third-party appraiser that is independent of the Target Company and the Tender Offeror, to evaluate the value of the Target Company Stock. The Target Company received the Target Company Stock Valuation Report on May 2, 2025.
The valuation contained in the Target Company Stock Valuation Report is based on the financial forecasts that are based on the Target Company's business plans for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033, which were prepared by the Target Company's management team by taking into consideration such factors as the Target Company's business performance and publicly available information and were approved by the Special Committee and were subsequently revised where necessary based on changes in the Target Company's business environment, such as full-year financial results and updates on the status of development of products under development, which revisions were reported to the Special Committee (hereafter, the "Business Plans" in this paragraph). The Special Committee approved the Business Plans after concluding that there were no circumstances casting doubt over the fairness of the process of preparation of the Business Plans, and that nothing unreasonable was found in the Business Plans, based on the explanations provided by the Target Company's management team to the Special Committee and on the questions and answers exchanged between the management team and the Special Committee.

(b) Discussion on Valuation Results

Based on the explanations provided by Mizuho Securities to the Special Committee and on the questions and answers exchanged between Mizuho Securities and the Special Committee regarding the content of the Target Company Stock Valuation Report, the Special Committee finds as follows: (i) the valuation methods employed by Mizuho Securities to evaluate the stock value are commonly used to determine stock values in going private transactions, and there is nothing unreasonable about the reasons for which these valuation methods were employed; and (ii) there is nothing unreasonable about the validity of the details of the valuation performed by Mizuho Securities. Therefore, the Special Committee concludes that the Target Company Stock Valuation Report can be relied upon in evaluating the value of the Target Company Stock.
The ranges of the stock value per share of the Target Company Stock found in the Target Company Stock Valuation Report are as follows. The assumptions for, and points to note in, the preparation of the Target Company Stock Valuation Report and the evaluation and analysis based on which the report was prepared are as described in the Note below.

Average market share price analysis:	4,432 yen to 5,230 yen
Comparable company analysis:	3,318 yen to 4,215 yen
Precedent transaction analysis:	4,144 yen to 4,213 yen
DCF Analysis:	4,979 yen to 7,080 yen

Note: In determining the value of the Target Company Stock, Mizuho Securities used the information received from the Target Company and publicly available information, data, etc. without making any changes to them in principle and without independently verifying the accuracy or completeness of the data, information, etc., assuming that all of them were accurate and complete. Mizuho Securities did not independently evaluate or assess the assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the

Target Company or its associated companies, nor did it request that any third-party institution perform any such evaluation or assessment. Mizuho Securities assumes that the information on the Target Company's financial forecasts was reasonably prepared by the Target Company's management team based on the best estimates and judgment that could be obtained at the relevant point.

As compared to the results of valuation of the Target Company Stock found in the Target Company Share Valuation Report, the Tender Offer Price (6,350 yen per share of Target Company Stock) is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis.

(c) Analysis of Premiums

The Tender Offer Price represents a premium of 21% (rounded to the closest whole number; the same applies hereinafter to other premium percentages) on 5,230 yen, which was the closing price for the Target Company Stock quoted on the Tokyo Stock Exchange on May 2, 2025, i.e., the business day immediately preceding the date of the Report, (i.e., May 7, 2025), a premium of 43% on 4,432 yen, which was the simple average closing price over the past one-month period, a premium of 42% on 4,482 yen, which was the simple average closing price over the past three-month period, and a premium of 39% on 4,559 yen, which was the simple average closing price over the past six-month period.
When these premium levels are compared with those seen in certain cases similar to the Transaction (i.e., the premium levels seen in the 34 tender offer cases involving the privatization of a company listed on the Prime Market or the First Section of the TSE by a third party which was announced during the past five years (i.e., the period from May 3, 2020 to May 2, 2025) and in which a tender offer was consummated on or before May 2, 2025 (excluding management buyout (MBO) cases), namely, a median of 44% and an average of 53% on the stock price on the business day immediately preceding the date of announcement, a median of 45% and an average of 56% on the simple average closing price over the one-month period up to the business day immediately preceding the date of announcement, a median of 57% and an average of 60% on the simple average closing price over the three-month period up to the business day immediately preceding the date of announcement, and a median of 54% and an average of 63% on the simple average closing price over the six-month period up to the business day immediately preceding the date of announcement), the Tender Offer Price is relative low in terms of the closing price on immediately preceding business day. However, it would be reasonable, to some extent, to take more medium- to long-term stock price levels into consideration because there is an undeniable possibility that the approximately 20% increase (from 4,340 yen to 5,230 yen) in the closing price of Target Company Stock during the short period of three business days from April 28, 2025 to May 2, 2025 was temporary, in light of, among other things, (i) the fact that the turnover of the Target Company Stock during the three business days increased significantly from the immediately preceding average turnover of approximately 100,000 shares (i.e., the average turnover for the period from March 26, 2025 to April 25, 2025) to a level between 310,000 shares and 560,000 shares), and (ii) the fact that the Target Company made no timely disclosure during the three business days, which means that the change in the price of Target Company Stock did not at least reflect any specific announcement by the Target Company, and a comparison of the premium rates represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium rates represented by the Tender Offer Price can be considered to be at an appropriate level, based on which the Target Company believes that the Tender Offer Price is not unreasonable in terms of premium rates on market share price.
In addition, when the Tender Offer Price is adjusted by subtracting from it the value per share of the Target Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of 79.1 billion and do not normally attract a premium, the adjusted Tender Offer Price per share is 3,537 yen,

which represents a premium of 46% on 2,417 yen, which is the price obtained by adjusting likewise the closing price of 5,230 yen on the business day immediately preceding the announcement date, a premium of 119% on 1,619 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,432 yen over the past one-month period, a premium of 112% on 1,669 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,482 yen over the past three-month period, and a premium of 103% on 1,746 yen, which is the price obtained by adjusting likewise the simple average closing price of 4,559 yen over the past six-month period, based on which the Tender Offer Price can be considered to represent a sufficient level of premiums.

(d) Course of Negotiations on the Tender Offer Price

On October 2, 2024, the Target Company received an initial proposal from the Tender Offeror to set the Tender Offer Price at 5,878 yen per share.

At the 7th meeting of the Special Committee held on September 30, 2024, the Special Committee received from Mizuho Securities an interim report on the results of valuation of the Target Company Stock. At the 8th and 9th meetings of the Special Committee held on October 7, 2024 and October 15, 2024, respectively, the Special Committee appreciated, to some extent, the price proposed by the Tender Offeror based on the understanding that the proposed Tender Offer Price represents a premium similar to those found in cases similar to the Transaction. However, the Special Committee concluded that the Target Company should request an increase in the proposed Tender Offer Price and should negotiate on the price with the Tender Offeror in order to maximize the interests of the minority shareholders, on the following grounds: (i) the Special Committee believes that the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Target Company Stock itself; (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium but based on whether or not a proper valuation of the Target Company Stock was made; (iii) in light of the Target Company’s future growth potential based on its business plans, the proposed Tender Offer Price was considerably low; and (iv) the Transaction’s feasibility should be taken into account, quantified and reflected in the corporate value of the Target Company, after taking into account the specific synergies of the Transaction.

Subsequently, in a letter dated October 15, 2024, the Special Committee requested an increase in the Tender Offer Price. The Special Committee received an answer from the Tender Offeror, in a letter dated October 28, 2024, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,062 yen.

In response, at the 12th and 13th meetings of the Special Committee held on November 5, 2024 and November 11, 2024, respectively, the Special Committee concluded that the Target Company should make another request for an increase in the Tender Offer Price and should negotiate the price with the Tender Offeror, on the grounds that the price proposed by the Tender Offeror could not possibly be deemed to fully represent the intrinsic value of the Target Company, leaving room for further raising the Tender Offer Price, and that the proposed Tender Offer Price could not yet be evaluated as a satisfactory level, considering the synergies of the Transaction.

Subsequently, in a letter dated November 11, 2024, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 11, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,181 yen.

In response, at the 17th meeting of the Special Committee held on April 15, 2025, the Special Committee concluded that the Target Company should make a request to reconsider the proposed Tender Offer Price to make another increase and should negotiate on the price with the Tender Offeror, based on the Special

Committee's belief that the price proposed by the Tender Offeror still did not fully represent the intrinsic value of the Target Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the above proposed price over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Special Committee found it difficult to consider and determine to be sufficient as compared to those seen in similar past cases.
Subsequently, in a letter dated April 15, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 18, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,283 yen.
In response, at the 18th meeting of the Special Committee held on April 21, 2025, the Special Committee concluded that the Target Company should make a request to reconsider the proposed Tender Offer Price to make another increase and should negotiate the price with the Tender Offeror, on the grounds: (i) that, while the Special Committee considered that the price proposed by the Tender Offeror reflected some consideration given by the Tender Offeror based on the assertions that had been made by the Target Company until then, the Special Committee believed that there was still room for proposing a higher tender offer price by, among other things, (a) putting a higher value on the Target Company's stock by fully considering the Target Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration; and (ii) that the premiums represented by the proposed Tender Offer Price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels.
Subsequently, in a letter dated April 21, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received a response from the Tender Offeror, in a letter dated April 26, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,326 yen, and that the Tender Offeror had no intention to further change the economic terms and conditions in favor of the Target Company. In response, at the 19th meeting of the Special Committee held on April 28, 2025, the Special Committee concluded that the Target Company should make another request for increase in the proposed Tender Offer Price and should negotiate the price with the Tender Offeror, on the grounds that while the price proposed by the Tender Offeror had been raised from that proposed in the fourth proposal, with that small increase the Special Committee believed that it was still not necessarily at a level where sufficient consideration was given to the Target Company's general shareholders.

Subsequently, in a letter dated April 28, 2025, the Special Committee requested a further increase in the Tender Offer Price. The Special Committee received an answer from the Tender Offeror, in a letter dated May 1, 2025, to the effect that the Tender Offeror raised the proposed Tender Offer Price to 6,350 yen, and that the Tender Offeror had no intention to further change the economic terms and conditions in favor of the Target Company.

In light of the course of negotiations described above, the Special Committee concluded that the Tender Offer Price of 6,350 yen was the Tender Offeror's final proposed price with no room for increase through further negotiations.

Based on the above, the Special Committee finds that the Tender Offer Price has been determined as a result of serious negotiations between the Target Company and the Tender Offeror, with the aim of ensuring acquisition of the Target Company upon terms and conditions that are as favorable as possible to the Target Company's shareholders.

(e) Sub-summary

Based on the discussion above, the Tender Offer Price can be considered fair and appropriate, in light of the following: (i) as compared to the results of valuation of the Target Company Stock found in the Target Company Stock Valuation Report, the Tender Offer Price is above the upper limit of the ranges calculated by the average market price analysis, comparable company analysis, and precedent transaction analysis, and above the median of the range calculated by the DCF Analysis; (ii) the Special Committee believes that the premium levels represented by the Tender Offer Price are not unreasonable, in light of the following -- (a) while the premium level represented by the Tender Offer Price on the closing price on the business day immediately preceding the date of Report (i.e., March 7, 2025) is somewhat low as compared to those seen in the similar cases, it would be reasonable, to some extent, to take medium- to long-term stock price levels into consideration because there is an undeniable possibility that the recent increase in the price of Target Company Stock was temporary, and a comparison of the premium levels represented by the Tender Offer Price on the simple average closing prices over the past one-, three-, and six-month periods with the median premium rates for the corresponding periods in the similar cases suggests that the premium levels represented by the Tender Offer Price can be considered to be appropriate, and (b) the premiums represented by the Tender Offer Price can be considered to be at a sufficient level when these premiums are analyzed based on the Tender Offer Price per share after adjustment by subtracting the value per share of the Target Company's cash, cash equivalents, and investment securities as of March 31, 2025, which amount to a total of 79.1 billion and do not normally attract a premium; and (iii) the Special Committee finds that the Tender Offer Price has been determined as a result of serious negotiations between the Target Company and the Tender Offeror.

(2) Appropriateness of the Scheme

The Transaction employs a scheme where in the first stage the Tender Offer is conducted by setting the minimum number of shares to be purchased at a number at which the Tender Offeror and Japan Tobacco will acquire at least two-thirds of all voting rights in the Target Company after the Tender Offer, and in the second stage a squeeze-out is carried out through stock consolidation to make the Tender Offeror and Japan Tobacco the only shareholders of the Target Company, followed by a Treasury Share Acquisition after the stock consolidation becomes effective. This is a scheme employed relatively commonly as a means to take a listed company with a parent company private. Any shareholders of the Target Company who are dissatisfied with the tender offer price is entitled to file a petition with the court for determination of price in the process of the stock consolidation.

As for the Treasury Share Acquisition, the Special Committee has received an explanation that the Treasury Share Acquisition aims to balance between the maximization of the Tender Offer Price, on the one hand, and the fairness between shareholders, on the other hand, by: (i) setting the purchase price to be used in the Treasury Share Acquisition based on the amount at which the after-tax amount that would be received by Japan Tobacco if it tendered the Agreed Untendered Shares in the Tender Offer would be equal to the after-tax amount when it sells the Agreed Untendered Shares in the Treasury Share Acquisition, in light of the fact that Japan Tobacco is expected to be subject to the provisions of the Corporation Tax Act stating that deemed dividends shall not be included in gross revenue; and (ii) keeping the purchase price to be used in the Treasury Share Acquisition low to increase the amount to be distributed to the minority shareholders of the Target Company. Therefore, the Special Committee considers that the involvement of the Treasury Share Acquisition in the Transaction will not result in Japan Tobacco gaining unfair profit at the sacrifice of the interests of the Target Company's minority shareholders but will in fact contribute to the interests of the Target Company's general shareholders.

In addition, the Special Committee has confirmed, from sources including answers received from the Tender Offeror and Japan Tobacco, that, in regard to the proposed acquisition of the JT Pharmaceutical Business by

the Tender Offeror through the Absorption-type Split in connection with the Transaction, the Absorption-type Split has been discussed and negotiated between the Tender Offeror and Japan Tobacco as a separate, independent transaction from the Transaction between the Target Company and the Tender Offeror, with the consideration for the absorption-type split determined based on the business value of the JT Pharmaceutical Business, so as to prevent the spirit of uniformity of the tender offer price from being violated through the Absorption-type Split. Negotiations on the Tender Offer Price have taken place consistently between the Target Company and the Tender Offeror from the beginning, without the involvement of Japan Tobacco. In light of these circumstances, the Special Committee does not believe that the terms and conditions of the Absorption-type Split have had any adverse impact on the terms and conditions of the Tender Offer, including the Tender Offer Price.
Based further on the fact that any coerciveness has been eliminated from the Tender Offer as described in 3 (7) below, the Special Committee finds nothing unreasonable about the scheme for the Transaction and therefore finds it appropriate.

(3) Sub-summary

The Special Committee finds that the terms and conditions of the Transaction are fair and appropriate since, as described above: (i) both the Tender Offer Price and the consideration to be paid to the Target Company's shareholders in the proposed squeeze-out procedure are considered appropriate, based on (a) their comparison with the results of valuation of the Target Company Stock submitted by the third-party appraiser, (b) their comparison with the premium levels seen in past similar transactions, and (c) the course of negotiations; and (ii) the scheme for the Transaction is considered appropriate.

3. Discussion on the Fairness of the Procedure for Considering the Transaction

(1) Establishment, etc. of an Independent Special Committee at the Target Company

The Target Company established the Special Committee based on the Board of Director's resolution dated August 9, 2024. Before the establishment of the Special Committee, and since early August 2024, the Target Company had, partly on the advice of Nagashima Ohno & Tsunematsu: (i) provided the Target Company's independent outside directors who had no material interest in the Tender Offeror with an explanation, on an individual basis, to the effect, among others, that sufficient measures to ensure the fairness of the terms and conditions of the Transaction, including establishing the Special Committee, must be taken in conducting discussions, negotiations, etc. on the Transaction; and (ii)(a) provided those outside directors with (x) an explanation to the effect that the Target Company must ensure sufficient fairness of the procedures involved in the Transaction in order to address the issue of potential conflicts of interest and the issue of information asymmetry, and (y) explanations about the functions and other aspects of the Special Committee, and (b) exchanged questions and answers with these outside directors regarding the topics described in (a) and (b) above. In conjunction with the above, the Target Company, on the advice of Nagashima Ohno & Tsunematsu, reviewed the independence, qualifications, etc. of the Target Company's independent outside directors, who were candidates for members of the Special Committee, and checked that they had no material interest in the Tender Offeror and that they had no material interest that is different from the interest of the Target Company's general shareholders in whether or not the Transaction is consummated. After subsequent discussions between the Target Company and its independent outside directors with advice from Nagashima Ohno &Tsunematsu, it was confirmed that there were no objections to their nomination as candidates for members of the Special Committee. The Target Company thus nominated the following three persons as candidates for members of the Special Committee: Mr. Kenichi Fujita (Director and Audit and Supervisory Committee Member of the Target Company, Representative Director and CEO of Green Bridge Solutions Ltd., and President and Representative Director of K-BRIC & Associates, Ltd.); Mr. Takaharu

Matsumura (Director and Audit and Supervisory Committee Member of the Target Company, Attorney-at-Law and Partner at Anderson Mori & Tomotsune Gaikokuho-Kyodo-Jigyo, Audit & Supervisory Board Member of Nippon Cultural Broadcasting Inc., and Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC.); and Ms. Mihoko Manabe (Director and Audit and Supervisory Committee Member of the Target Company and a financial consultant (as a sole proprietor) (the Special Committee has been chaired by Mr. Kenichi Fujita, who is a Director and Audit and Supervisory Committee Member of the Target Company, with none of the original members of the Special Committee having been replaced since its establishment).

The resolution of the Target Company's Board of Directors mentioned above also resolved that the Target Company's Board of Directors shall respect the Special Committee's report as much as possible in making important decisions on the Transaction and refrain from supporting the Tender Offer and from recommending shareholders to tender their shares if the Special Committee concludes that the terms and conditions of the Transactions are not appropriate. In addition, the Target Company, based on its Board of Directors' resolution mentioned above, authorized the Special Committee: (a) to provide necessary advice to the Target Company's executive directors and others in their consideration of the Transaction; (b) to review the Target Company's policies for discussions and negotiations with the Tender Offeror on the Transaction in advance, to receive reports on the status of those discussions and negotiations in a timely manner, to express the committee's opinion regarding discussions and negotiations on the Transaction, to make recommendations and requests to the Target Company's Board of Directors, and to directly discuss and negotiate with third parties, including the Tender Offeror, where necessary and to the extent permitted by law; (c) to request reports and information on the progress of, the status of discussion on, and other aspects of, the Transaction from the Target Company's executive directors and others at any time; and (d)(a) to appoint advisors or equivalents for the committee at the Target Company's expense, to the extent necessary to fulfill the functions of the committee, and (b) to evaluate the Target Company's advisors and equivalents, and express the committee's opinion on, or give the committee's approval (including subsequent approval) to, their appointment. The members of the Special Committee are supposed to receive a fixed fee in consideration of their services, separately from their remuneration as outside directors, which is a system to ensure that the Special Committee members have no interest in whether or not the Transaction is consummated.

The resolution of the Target Company's Board of Directors mentioned above was deliberated by the five directors of the Target Company and was unanimously adopted by them.

As described above, the Special Committee is an independent special committee at the Target Company and has been granted authority that allows the Special Committee to effectively function in the procedure for considering the Transaction. The Special Committee considers that it did actually function effectively. In particular, during price negotiations with the Tender Offeror, the Target Company sought confirmation from the Special Committee in advance of negotiations with the Tender Offeror on the Tender Offer Price. This allowed the Special Committee to secure a situation that allowed the Special Committee to exert substantive impact on the process of negotiations on the terms and conditions of the Transaction, by receiving reports on the status of negotiations in a timely manner, or by expressing its opinion, giving instructions, or making requests in critical phases, or by directly sending written answers to the Tender Offeror. As for confirmation of the significance and purpose of the Transaction and as for the potential disadvantages that may result from the Transaction, the Special Committee obtained important information, including non-public information on the Transaction, on behalf of the Target Company's general shareholders by such means as interviewing the Target Company's management team and the Tender Offeror, and conducted discussions and made decisions based on such information.

(2) The Target Company's Receipt of a Stock Valuation Report from Its Independent Third-Party Appraiser

As described in 2 (1)(a) above, the Target Company received the Target Company Stock Valuation Report from Mizuho Securities before expressing its opinion on the Tender Offer. While the fees payable to Mizuho Securities in connection with the Transaction include a success-based fee payable subject to such conditions as the successful consummation of the Transaction as well as a fixed fee payable regardless of whether or not the Transaction is consummated, the Special Committee believes that the fact that this contingency fee is included in the fees payable to Mizuho Securities does not deny the independence of Mizuho Securities when taking into consideration, among other things, general business practices in similar transactions and whether or not it is appropriate to use a fee system that imposes reasonable financial burden on the Target Company if the Transaction fails to take place. The Target Company has not obtained from Mizuho Securities an assessment of the fairness of the Tender Offer Price (a fairness opinion). However, in light of, among other things, the measures taken to ensure fairness in order to consider the Transaction, the Special Committee believes that sufficient consideration has been given to the interests of the Target Company's minority shareholders and that no question arises as to the fairness of the procedure involved.

(3) Advice from an Independent Financial Advisor Received by the Target Company

In order to ensure the fairness and appropriateness of the process through which the Target Company's Board of Directors makes decisions relating to the Transaction, the Target Company appointed Mizuho Securities as its financial advisor that is independent of the Target Company and the Tender Offeror. The Target Company received from the financial advisor financial advice including, among others, advice on measures to be taken to ensure the fairness of the procedures involved in the Transaction and on the method and process by which the Target Company makes decisions relating to the Transaction.
According to Mizuho Securities' explanation, Mizuho Securities is not a related party to the Target Company, the Tender Offeror or Japan Tobacco and has no material interest in the Transaction, including the Tender Offer.

(4) Advice from an Independent Legal Advisor Received by the Target Company

In order to ensure the fairness and appropriateness of the process through which the Target Company's Board of Directors makes decisions relating to the Transaction, the Target Company appointed Nagashima Ohno & Tsunematsu as its legal advisor that is independent of the Target Company and the Tender Offeror. The Target Company received from the legal advisor legal advice including, among others, advice on measures to be taken to ensure the fairness of the procedures involved in the Transaction and on the method and process by which the Target Company makes decisions relating to the Transaction.
According to Nagashima Ohno & Tsunematsu's explanation, Nagashima Ohno & Tsunematsu is not a related party to the Target Company, the Tender Offeror or Japan Tobacco and has no material interest in the Transaction, including the Tender Offer. Fees for Nagashima Ohno & Tsunematsu are calculated by multiplying the number of hours worked by their hourly rate, regardless of whether or not the Transaction is consummated, and do not include any contingency fee that would otherwise be payable subject to consummation of the Transaction.

(5) Establishment of an Independent Discussion System at the Target Company

In order to eliminate potential conflicts of interest that may arise in connection with the Transaction, the Target Company established within itself a system for conducting discussions and negotiations and making decisions relating to the Transaction independently of the Tender Offeror.

Specifically, on August 6, 2024 the Target Company received from the Tender Offeror an initial proposal for the Tender Offer, upon which the Target Company decided, for the purpose of eliminating potential conflicts of interest, to eliminate the involvement of the Target Company's officers and employees who concurrently served as officers or employees of Japan Tobacco in the process of negotiations between the Target Company and the Tender Offeror on the terms and conditions of the Transaction, including the Tender Offer Price, and the Target Company established within itself a system for conducting discussions and negotiations and making decisions relating to the Transaction independently of the Tender Offeror.

The system for discussing the Transaction described above was built by consulting the Special Committee, among others, in order to ensure independence and fairness.

(6) Tender Offer Period

The tender offer period for the Tender Offer (hereafter, the "Tender Offer Period") is 30 business days. This ensures that the Target Company's shareholders, including the minority shareholders, are given a fair opportunity to make their decision on whether or not to tender their shares in the Tender Offer, and that entities other than the Tender Offeror are given an opportunity to make a tender offer for the Target Company Stock or to take any other action.

(7) Elimination of Coerciveness

The Transaction employs a scheme where in the first stage the Tender Offer is conducted by setting the minimum number of shares to be purchased at a number at which the Tender Offeror will acquire at least two-thirds of all voting rights in the Target Company upon completion of the Tender Offer. This ensures that a squeeze-out will be carried out after consummation of the Tender Offer. In the squeeze-out procedure involved in the Transaction, the amount of money to be paid to the Target Company's squeezed-out shareholders in compensation for it will be set at the amount calculated by multiplying the Tender Offer Price by the number of shares of the Target Company Stock held by these shareholders. This will be announced at the beginning of the Tender Offer. Therefore, the Special Committee finds that the above ensures that the Target Company's shareholders, including the minority shareholders, are given an appropriate opportunity to make their decision on whether or not to tender their shares in the Tender Offer, and that consideration is given through these measures to prevent coerciveness.

(8) No Deal Protection Provisions

The Target Company and the Tender Offeror have not entered into any agreement with each other that contains deal protection provisions or the like that would prohibit the Target Company from contacting any counter offeror, or any other agreement whatsoever that would restrict any counter offeror from contacting the Target Company. The Special Committee finds that, by ensuring that opportunities for counter offers and the like are not hindered, the Tender Offeror gives consideration to ensuring the fairness of the Tender Offer.

(9) Sub-summary

As described in (1) through (8) above, the Special Committee finds that, since the above-described measures to ensure fairness have been taken in discussing the Transaction, fair procedures have been followed in discussing the Transaction, and that sufficient consideration has been given to the interests of the Target Company's shareholders through these procedures.

The Tender Offeror has not set the minimum number of shares to be purchased by the so-called "majority of the minority" because Japan Tobacco holds a total of 15,398,800 shares (shareholding percentage: 54.78%) of the Target Company Stock, due to which the setting of a minimum number of shares to be purchased by the "majority of the minority" in the Tender Offer may make the successful consummation of the Tender Offer unstable, which, in turn, may be disadvantageous for minority shareholders who wish to tender their shares in the Tender Offer. The Special Committee has concluded that the mere lack of a "majority of minority" requirement should not be associated with the evaluation that appropriate measures to ensure fairness have not been taken, in light of, among other things, that other sufficient measures to ensure fairness seem to have been taken.

4. Summary

As described in sections 1 through 3 above, the Tender Offer is likely to contribute to increasing the corporate value of the Target Company, are subject to appropriate terms and conditions, and involves fair procedures. Therefore, the Special Committee concludes: (i) that the Target Company should adopt a resolution to express its opinion in support of the Tender Offer and to recommend the Target Company's shareholders to tender their shares in the Tender Offer; and (ii) that the Transaction is not disadvantageous to the general shareholders (including the minority shareholders) of the Target Company.

(D) Advice Received by the Target Company from an Independent Law Firm

In order to ensure the fairness and appropriateness of the process through which the Target Company's Board of Directors makes decisions relating to the Transaction, the Target Company appointed Nagashima Ohno & Tsunematsu as its legal advisor that is independent of both the Tender Offer Related Parties and the Target Company. The Target Company received legal advice from the legal advisor about the method and process by which the Target Company's Board of Directors makes decisions relating to the Tender Offer, as well as on other points to note in making decisions relating to the Tender Offer.

Nagashima Ohno & Tsunematsu is not a related party of any of the Tender Offer Related Parties or the Target Company and does not have any material interest in the Transaction, including the Tender Offer. The fees of Nagashima Ohno & Tsunematsu are calculated by multiplying the number of hours worked by the firm's hourly rates, whether or not the Transaction is consummated, and do not include any contingency fee that otherwise would be payable subject to consummation of the Transaction or any other conditions.

(E) Establishment of an Independent Discussion System at the Target Company

As described in "(B) Target Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer" above, the Target Company established an internal system to carry out discussions and negotiations and make decisions relating to the Transaction independent of the Tender Offer Related Parties.

Specifically, on August 6, 2024 the Target Company was approached with a proposal to commence discussions relating to implementation of the Transaction. In response, the Target Company set up a project team (which consisted of eight officers and employees, including the Target Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda and (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo) to discuss the Transaction (including preparation of a business plan based on which the value of the Target Company's stock would be evaluated) and to discuss and negotiate with the Tender Offeror and Japan Tobacco. The project team consisted, and continues to consist, solely of officers and employees of the Target Company who do not serve concurrently as officers or employees of any of the Japan Tobacco Group companies (excluding the Target Company). The Target Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda left the project team upon retirement from the post of Representative Director, President and Chief Executive Officer effective March 31, 2025.

The Target Company's (former) Representative Director, President and Chief Executive Officer Goichi Matsuda and (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo both were formerly employed by Japan Tobacco for a certain period. However, they both were transferred from Japan Tobacco to the Target Company before Japan Tobacco started to consider the Transaction (former Representative Director, President and Chief Executive Officer Goichi Matsuda was transferred to the Target Company in March 2017, while (current) Representative Director, President and Chief Executive Officer Nobumasa Kondo was transferred to the Target Company in March 2019), and neither of them currently serves concurrently as an officer or employee of Japan Tobacco or is in a position to receive directions from Japan Tobacco after his transfer. In addition, neither of them has been involved, or has been in a position to be involved, in any way in the process through which Japan Tobacco has considered the Transaction. For these reasons, the Target Company concluded that participation of these directors in the project team presented no potential conflicts of interest in connection with the Target Company's decision-making relating to the Transaction. Consequently, those directors are on the project team.

The Target Company's Special Committee has approved the Target Company's discussion system (including the scope of officers and employees of the Target Company involved in discussions, negotiations, and decision-making relating to the Transaction), including the participation of the above-named directors in the project team, in terms of satisfactory independence and fairness of the system.

(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members

Based on the legal advice received from Nagashima Ohno & Tsunematsu and on the content of the Target Company Stock Valuation Report, and with maximum respect for the content of the Report submitted by the Special Committee, the Target Company carefully discussed and considered the Transaction from such viewpoints as increasing the corporate value of the Target Company and whether the conditions for the Transaction were appropriate.

After the discussion and consideration, the Target Company concluded, as described in "(B) Target Company's Decision-Making Process Leading to Its Decision to Support the Tender Offer and Reasons Therefor" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer" above, that the Transaction, including the Tender Offer, would contribute to increasing the corporate value of the Target Company, and that the Tender Offer Price was reasonable and would provide the Target Company's shareholders with a reasonable opportunity to sell their shares. Accordingly, at its Board of Directors meeting held today, the Target Company adopted a resolution to express its opinion in support of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer.

In this regard, as described in "(E) Establishment of an Independent Discussion System at the Target Company" above, one of the directors of the Target Company, namely Nobumasa Kondo, who serves as Representative Director, President and Chief Executive Officer, formerly was employed by Japan Tobacco for a certain period. However, he was transferred from Japan Tobacco to the Target Company (in March 2019) before Japan Tobacco started to consider the Transaction, and does not currently serve concurrently as an officer or employee of Japan Tobacco nor is he in a position to receive directions from Japan Tobacco after his transfer. In addition, Nobumasa Kondo has not been involved, or been in a position to be involved, in any way in the process through which Japan Tobacco has considered the Transaction. For these reasons, the Target Company concluded that his participation in the project team presented no potential conflict of interest in connection with the Target Company's decision-making relating to the Transaction. Consequently, Nobumasa Kondo has participated in the deliberation and resolution of agenda items relating to consideration of the Transaction.

(G) Securing an Objective Situation in Which the Fairness of the Tender Offer Is Ensured

While the minimum statutory period for a tender offer is 20 business days, the Tender Offeror has set the Tender Offer Period for 30 business days. By setting a Tender Offer Period that is longer than the minimum statutory period, the Tender Offeror intends to ensure the fairness of the Tender Offer, through ensuring that the Target Company's shareholders are given an appropriate opportunity to make decisions on whether or not to tender their shares in the Tender Offer, and that any counter offeror is given an opportunity to make a counter tender offer for the Target Company Stock or to take any other action.

In addition, the Tender Offeror and the Target Company have not made any agreements with one another that contains deal protection provisions that would prohibit the Target Company from contacting any counter offeror, or any other agreement that would restrict any counter offeror from contacting or otherwise approaching the Target Company. By securing opportunities for counter offers and the like, as well as setting the relatively long Tender Offeror Period described above, the Tender Offeror is giving consideration to ensuring the fairness of the Tender Offer.

(4) Policy for Organizational Restructuring After the Tender Offer (Information on the "Two-Step Acquisition")

As described in "(1) Overview of the Tender Offer" above, the Tender Offeror's policy is to eventually make the Target Company its wholly-owned subsidiary. If the Tender Offeror fails to acquire all of the Tender Offer Target Shares in the Tender Offer, it is planned that, after the consummation of the Tender Offer, the Target Company will follow a series of processes to make the Tender Offer Related Parties the only shareholders of the Target Company, as follows.

Specifically, after completion of the settlement of the Tender Offer, the Tender Offer Related Parties will request that the Target Company promptly hold an extraordinary general meeting of shareholders (hereafter, the "Extraordinary General Meeting of Shareholders") the agenda of which includes: a proposal for the Stock Consolidation and a proposal for amendment of the articles of incorporation to abolish the provision relating to the share unit numbers, subject to the Stock Consolidation becoming effective. At the same time, the Tender Offer Related Parties will request that the Target Company make an announcement of the record date for the Extraordinary General Meeting of Shareholders during the Tender Offer Period, so that the record date will be immediately after the start of settlement of the Tender Offer. This is because the Tender Offer Parties believe that it is desirable to hold the Extraordinary General Meeting of Shareholders as soon as possible from the perspective of increasing the corporate value of the Target Company. While the date of the Extraordinary General Meeting of Shareholders has not been determined at this time, it is scheduled for early August 2025 as of today. According to the Target Company's Press Release, if the Target Company receives the request from the Tender Offeror, the Target Company will accept the request. The Tender Offer Related Parties will approve those proposals at the Extraordinary General Meeting of Shareholders.

If the proposal for the Stock Consolidation is approved at the Extraordinary General Meeting of Shareholders, effective as of the effective date of the Stock Consolidation, the Target Company's shareholders will hold a number of shares of the Target Company Stock as will be determined by the ratio of the Stock Consolidation approved at the Extraordinary General Meeting of Shareholders. If the Stock Consolidation results in fractions of less than one share, the shareholders of the Target Company who come to hold those fractional shares will receive cash in the amount that would be obtained by selling the total number of the fractional shares of the Target Company Stock (with the total number rounded down to the nearest whole number; the same applies hereinafter) to the Tender Offeror or the Target Company in accordance with the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The Tender Offeror intends to request that the Target Company file a petition with the court for permission to purchase those fractional shares of the Target Company Stock by private contract, by setting the purchase price for the total number of these fractional shares so that the amount of cash received by all holders of fractional shares as a result of the purchase will be equal to the price obtained by multiplying the Tender Offer Price by the number of shares of the Target Company Stock held by these shareholders. While the consolidation ratio for the Target Company Stock has not been determined as of today, the Tender Offeror intends to request that the Target Company determine the ratio in a manner such that all shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Target Company and the Tender Offer Related Parties) each will have only a fractional share of Target Company Stock that is less than one share, in order for the Tender Offer Related Parties to hold all of the shares of Target Company Stock (excluding the treasury shares held by the Target Company).

For purposes of protecting the rights of minority shareholders in connection with the Stock Consolidation, the Companies Act provides that if the Stock Consolidation occurs and results in fractions of less than one share, the Target Company's shareholders, acting in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations, may: (i) demand that the Target Company purchase all of their respective fractions less than one share at a fair price, and (ii) file a petition with court for determination of the price of the Target Company Stock. As described above, the Stock Consolidation will result in all shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Target Company and the Tender Offer Related Parties) each coming to hold only a fractional share of the Target Company Stock that is less than one share. Therefore, all shareholders of the Target Company who dissent from the Stock Consolidation will be entitled to make such a demand and file such a petition, as described above. If such a petition is filed, the purchase price of the Target Company Stock ultimately will be determined by the court.

The procedures for the Stock Consolidation may be changed in terms of the method and timing depending on amendments to or enforcement of, the competent authorities' interpretation of, or other circumstances relating to, relevant laws and regulations, as well as depending on the ratios at which the Tender Offer Related Parties hold Share certificates, etc. and the ratios at which other shareholders of the Target Company hold the Target Company Stock after the Tender Offer, among other things. However, even in such a case, subject to consummation of the Tender Offer, the Tender Offeror intends to employ a method whereby each of the shareholders of the Target Company who does not tender its shares in the Tender Offer (excluding the Target Company and the Tender Offer Related Parties) ultimately will receive cash consideration in an amount calculated by multiplying (a) the number of shares of the Target Company Stock held by the shareholder by (b) the Tender Offer Price.

The specific procedures to be followed in each of the foregoing cases and the expected timing and other details of the procedures will be discussed by the Tender Offeror and the Target Company and promptly announced by the Target Company once they are determined. Please note that the Tender Offer is not intended in any way to solicit the Target Company's shareholders' approval at the Extraordinary Meeting of Shareholders. All shareholders of the Target Company are solely responsible for seeking their own specialized tax advice with regard to the tax consequences of tendering their shares in the Tender Offer or of any of the procedures described above.

(5) Prospects and Reasons for Delisting

The Target Company Stock is listed on the Prime Market of the Tokyo Stock Exchange as of today. However, since the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, the Target Company Stock may be delisted through the prescribed procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange, depending on the outcome of the Tender Offer.

Even in the event that the delisting criteria are not met upon consummation of the Tender Offer, the Tender Offeror intends to follow the series of procedures described in "(4) Policy for Organizational Restructuring After the Tender Offer (Information on the 'Two-Step Acquisition')" after the consummation of the Tender Offer, in order to make the Tender Offer Related Parties the only shareholders of the Target Company. If this is the case, the delisting criteria of the Tokyo Stock Exchange will be met, and the Target Company Stock will be delisted via the prescribed procedures. After delisting, the Target Company Stock no longer can be traded on the Prime Market of the Tokyo Stock Exchange. For the reasons why the Tender Offer intends to delist the Target Company Stock, the impact of the delisting on the minority shareholders, and the Tender Offeror's attitude toward this impact, please see: "(A) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer," and "(4) Policy for Organizational Restructuring After the Tender Offer (Information on the 'Two-Step Acquisition')."

(6) Matters Regarding Material Agreements Relating to the Tender Offer

(A) The Tender Offer Agreement

Prior to the Tender Offer, the Tender Offeror entered into an Agreement with Japan Tobacco today, wherein Japan Tobacco agrees not to tender the Agreed Untendered Shares in the Tender Offer, and, unless otherwise provided in the Agreement, not to transfer, provide as security, or otherwise dispose of all or any part of the Agreed Untendered Shares and not to acquire any shares of the Target Company Shares or any rights therein. However, the Agreement provides that if, on or before the last day of the Tender Offer Period (hereinafter referred to as the "Expiration Date" in this paragraph), any person other than the Tender Offeror announces its intent to acquire shares of Target Company Stock (through a tender offer, reorganization or any other means to the extent that the tender offer sets no maximum number of shares to be purchased or otherwise the transaction intends to make the Target Company a wholly-owned subsidiary of that person) at a price at least 5% higher than the Tender Offer Price ("Counterproposal"), Japan Tobacco may request discussions with the Tender Offeror regarding a revision of the Tender Offer Price and the Treasury Share Acquisition Price. In that case, the Agreement entitles Japan Tobacco to accept the Counterproposal: (i) if, on or before the earlier of (a) the day on which 5 business days have elapsed since the date of the request or (b) the day immediately preceding the Expiration Date, the Tender Offeror fails to change the Tender Offer Price to a price above the purchase price proposed in the Counterproposal or fails to change the Treasury Share Acquisition Price to a price substantially above the acquisition price proposed in the Counterproposal considering tax effects, and (ii) after a comprehensive comparison is made between the Tender Offeror's proposal for the Transaction and the Counterproposal, if it is reasonably believed that not accepting the Counterproposal is specifically likely to constitute a breach of the duty of due care of a prudent manager by the directors of Japan Tabacco.

The Agreement prohibits Japan Tobacco from making an agreement with a third party for a transaction that competes with, or is inconsistent or conflicts with, the Transaction, either directly or indirectly (hereafter, the

"Conflicting Transaction"), or making an offer to a third party for an agreement on a Conflicting Transaction, or inviting, consenting to, discussing, negotiating, or soliciting, or providing information on, offers for an agreement with a third party on a Conflicting Transaction during the period from May 7, 2025 until the date of consummation of the Treasury Share Acquisition. However, if there is no breach of Japan Tobacco's obligations described above, if a third party other than the Tender Offeror makes a serious, specific proposal in writing for a Conflicting Proposal (which proposal must be specifically and reasonably likely to lead to a Counterproposal), Japan Tobacco is not precluded by the Agreement from providing information to, or discussing or negotiating with, the third party in connection with the proposal.

Japan Tobacco is required to fulfill the obligations described above subject to the satisfaction of all of the following conditions. Japan Tobacco may fulfill these obligations by waiving any of the following conditions, at its own discretion.

(1) The Special Committee submits a report to the effect that it is reasonable for the Target Company's Board of Directors to support the Transaction and to express its opinion to shareholders of the Target Company recommending that they tender their shares in the Tender Offer, and the report has not been amended or withdrawn.
(2) The Target Company's Board of Directors adopts a resolution to support the Transaction and to express its opinion to shareholders of the Target Company recommending that they tender their shares in the Tender Offer, that the resolution is announced pursuant to applicable laws, regulations, etc., and that the expression of that opinion has not been amended or withdrawn.
(3) No decision or the like by a judicial or administrative agency or the like has been rendered, or is specifically threatened to be rendered, that restricts or prohibits any part of the Transaction.
(4) All of the Tender Offeror's obligations set forth in the Agreement have been fulfilled or complied with in all material respects.
(5) All of the Tender Offeror's representations and warranties (Note) set forth in the Agreement are true and accurate in all material respects.
(6) It is reasonably certain that the JFTC's notification that no cease and desist order will be issued will be completed at least 10 business days prior to the Expiration Date.
(7) The agreement on the Absorption-type Split has been duly and validly executed and is continuing.

It also is agreed in the Agreement that: (i) if the Tender Offer is consummated and all of the Tender Offer Target Shares are not acquired by the Tender Offeror, the Tender Offeror and Japan Tobacco shall request that the Target Company hold a shareholders' meeting at which proposals necessary to implement the Stock Consolidation are submitted and at which the Tender Offeror and Japan Tobacco will exercise their voting rights in support of those proposals, (ii) the Funding and Capital Reduction shall take place after the Stock Consolidation becomes effective on a date separately agreed upon by Japan Tobacco and the Tender Offeror, in order to secure the distributable amount necessary to implement the Treasury Share Acquisition, and (iii) after the Stock Consolidation becomes effective (or, if the Capital Reduction is made, after the Capital Reduction becomes effective) (and as promptly as practicably possible on or after September 1, 2025), Japan Tobacco shall sell all of the shares of the Target Company Stock held by it to the Target Company in exchange for the full amount of the Treasury Share Acquisition Price, and Japan Tobacco and the Tender Offeror shall ensure that the Target Company purchases all of those shares of the Target Company Stock and pays the full amount of Treasury Share Acquisition Price to Japan Tobacco.

The Agreement contains agreements on the following matters (and other matters): (a) provisions on the terms and conditions of the Tender Offer, (b) the Tender Offeror's and Japan Tobacco's representations and warranties (Note), (c) the obligation to make efforts to obtain competition law clearance, (d) Japan Tobacco's obligation not to solicit officers or employees of the Target Company, (e) the Tender Offeror's and Japan

Tobacco's indemnification obligations, which are applicable in the event of breach of their obligations or representations or warranties, (f) the parties' obligation to pay taxes and public charges and expenses incurred by them, respectively, (g) the parties' confidentiality obligations, (h) the parties' obligations not to transfer their contractual rights or obligations, and (i) provisions on termination of the Agreement, specifying the grounds for termination, for example, where the non-terminating party commits a breach of any of its obligations or a serious breach of any of its representations or warranties, where a petition for commencement of bankruptcy proceedings is filed against the non-terminating party, where the Tender Offer is not commenced within 6 months following the date of execution of the Agreement, or where Japan Tobacco chooses to accept a Counterproposal.

Note: In the Agreement, Japan Tobacco makes representations and warranties regarding: (1) the validity of its incorporation and existence, (2) its possession of the authority and power necessary to execute and perform the Agreement and its completion of all procedures required by relevant laws and regulations and Japan Tobacco's internal rules to execute and perform the Agreement, (3) the validity and enforceability of the Agreement, (4) Japan Tobacco's receipt of such permits, licenses, etc., and completion of such other procedures required under applicable laws, regulations, etc., as necessary to execute and perform the Agreement, (5) the non-existence of conflicts between Japan Tobacco's execution and performance of the Agreement, on the one hand, and applicable laws, regulations, etc., Japan Tobacco's internal rules, and decisions by judicial or administrative agencies or the like, on the other hand, (6) Japan Tobacco's not being insolvent and non-existence of any petition for commencement of bankruptcy proceedings or the like filed against Japan Tobacco, (7) Japan Tobacco's not having business with or being involved in any antisocial forces, and (8) Japan Tobacco's lawful and valid ownership of the Agreed Untendered Shares. The Tender Offeror makes representations and warranties regarding: (1) the validity of its incorporation and existence, (2) its possession of the authority and power necessary to execute and perform the Agreement and its completion of all procedures required by relevant laws and regulations and the Tender Offeror's internal rules to execute and perform the Agreement, (3) the validity and enforceability of the Agreement, (4) the Tender Offeror's receipt of such permits, licenses, etc., and completion of such other procedures required under applicable laws, regulations, etc., as are necessary to execute and perform the Agreement, (5) the non-existence of conflicts between the Tender Offeror's execution and performance of the Agreement, on the one hand, and applicable laws, regulations, etc., the Tender Offeror's internal rules, and decisions by judicial or administrative agencies or the like, on the other hand, (6) the Tender Offeror's not being insolvent and non-existence of any petition for commencement of bankruptcy proceedings or the like filed against the Tender Offeror, (7) the Tender Offeror's not having business with or being involved in any antisocial forces, and (8) the Tender Offeror's funding.

2. Overview of the Purchase, etc.

(1) Overview of the Target Company

(i)	Name	TORII PHARMACEUTICAL CO., LTD.
(ii)	Address	4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo
(iii)	Representative's name and title	Nobumasa Kondo, Representative Director, President and Chief Executive Officer
(iv)	Description of business	Manufacture and sale of pharmaceutical products

(v)	Capital (as of September 30, 2024)	5,190,000,000 yen	
(vi)	Date of incorporation	November 1, 1921	
(vii)	Major shareholders and their stakes (as of December 31, 2024) (Note)	Japan Tobacco Inc. 54.77% The Master Trust Bank of Japan, Ltd. (Trust Account) 5.15% Tachibana Securities Co., Ltd. 3.20% Custody Bank of Japan, Ltd. (Trust Account) 2.50% CEPLUX- THE INDEPENDENT UCITS PLATFORM 2 (standing proxy: Citi Bank, N.A., Tokyo Branch) 1.60% Tokai Tokyo Securities Co., Ltd. 1.15% Torii Pharmaceutical Co., Ltd. Employee Shareholdings Association 0.96% BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) 0.90% MATSUI SECURITIES CO., LTD. 0.88% RE FUND 107-CLIENT AC (standing proxy: Citibank, N.A., Tokyo Branch) 0.86%	
(viii)	Relationship between the Tender Offeror and the Target Company	Capital relationship	The Tender Offeror holds 1 share of the Target Company Stock (shareholding percentage: 0.00%).
		Personal relationship	Not applicable.
		Transactional relationship	Not applicable.
		Status as related parties	Not applicable.

Note: "Major shareholders and their stakes" is an excerpt from the "Major shareholders" section of the Annual Securities Report for the 133rd fiscal year (in Japanese) submitted by the Target Company on March 27, 2025 (hereafter, the "Target Company's Annual Securities Report").

(2) Schedule, etc.

(A) Schedule

Date of the Board of Directors' resolution	Wednesday, May 7, 2025
Date of public notice of commencement of the Tender Offer	Thursday, May 8, 2025 An electronic public notice will be issued, and this will be published in the *Nihon Keizai Shimbun*. (URL for electronic public notice: https://disclosure2.edinet-fsa.go.jp/)
Date of submission of the Tender Offer Statement	Thursday, May 8, 2025

(B) Period of the Initial Tender Offer after Submission of the Tender Offer Statement

From Thursday, May 8, 2025 to Wednesday, June 18, 2025 (30 business days)

(C) Possibility of Extension at the Target Company's Request
Not applicable.

(3) Tender Offer Price
6,350 yen per common share

(4) Basis for Calculation of the Tender Offer Price

(A) Basics of Valuation

In determining the Tender Offer Price, the Tender Offeror appointed SMBC Nikko Securities, which served as the Tender Offeror's financial advisor, as the Tender Offeror's third-party appraiser that is independent of the Tender Offeror and the Target Company, and requested SMBC Nikko Securities to evaluate the value of the Target Company Stock.

SMBC Nikko Securities reviewed multiple methods of stock valuation to select valuation methods that should be employed to evaluate the value of the Target Company Stock. SMBC Nikko Securities evaluated the value of the Target Company Stock by using the following methods: (i) the market share price analysis, since the Target Company is listed on the Prime Market of the Tokyo Stock Exchange and its stock price is available; (ii) the comparable listed company analysis, since it possible to infer the stock value of the Target Company by means of comparison with the stock values of comparable listed companies; and (iii) the DCF Analysis, so as to reflect the Target Company's future business activities in the valuation. The Tender Offeror received from SMBC Nikko Securities the Stock Valuation Report on the value of the Target Company Stock on May 2, 2025. The Tender Offeror has not received from SMBC Nikko Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).
The results of SMBC Nikko Securities' evaluation of the value per share of the Target Company Stock are as follows:

Market share price analysis:	4,432 yen to 4,559 yen
Comparable listed company analysis:	3,532 yen to 3,724 yen
DCF Analysis:	4,740 yen to 6,358 yen

In the market share price analysis, with May 2, 2025 as the base date for valuation, the stock value per share of the Target Company Stock was determined to be from 4,432 yen to 4,559 yen, based on the simple average closing price of the Target Company Stock over the past one-month period which was 4,432 yen, the simple average closing price over the past three-month period which was 4,482 yen, and the simple average closing price over the past six-month period which was 4,559 yen.

In the comparable listed company analysis, the value of the Target Company Stock was evaluated by comparing the Target Company's market share price and certain financial indicators showing the Target Company's profitability with the equivalents of some listed companies engaged in a business similar to that conducted by the Target Company. The stock value per share of the Target Company Stock was determined to be from 3,532 yen to 3,724 yen.

In the DCF Analysis, the stock value per share of the Target Company Stock was determined to be from 4,740 yen to 6,358 yen, by evaluating the corporate value and the stock value of the Target Company by discounting to the present value, at a certain discount rate, the free cash flow that is expected to be generated by the Target Company in and after the fiscal year ending April 2025, based on the business plans for the period from the fiscal year ending December 2025 to the fiscal year ending December 2033 submitted by the Target Company and publicly available information, among other factors. The business plans of the Target Company based on which the DCF Analysis was performed cover some fiscal years for which a considerable increase or decrease in profit is expected.

Specifically, a negative operating profit is expected for the fiscal year ending December 2026 due to R&D expenses relating to products under development that is being prepared for launch. However, since the Target Company will no longer be making development milestone payments for the products under development that were scheduled to take place during the previous fiscal year, a significant year-on-year increase in the Target Company's free cash flow is expected, and it is expected to turn positive where previously it was negative. For the fiscal year ending December 2027, a change in operating profit from negative to positive and a significant year-on-year increase in operating profit are expected, due to a reduction in R&D expenses relating to the products under development that were expected during the prior fiscal year. For the fiscal year ending December 2028, a negative free cash flow and a significant year-on-year decrease in free cash flow are expected due to development milestone payments scheduled for products under development. However, since the Target Company will no longer be making the development milestone payments during the fiscal year ending December 2029, a positive free cash flow and a significant year-on-year increase in free cash flow are expected for that fiscal year. For the fiscal year ending December 2030, a 71.9% year-on-year increase in operating profit and a 418.2% year-on-year increase in free cash flow are expected, due to expected growth in sales of developed products. For the fiscal year ending December 2031, a 98.1% year-on-year increase in free cash flow is expected due to expected growth in sales of developed products. Similarly, for the fiscal year ending December 31, 2032, a 42.5% year-on-year increase in operating profit is expected due to expected growth in sales of developed products. The synergies that are expected to be achieved as a result of the Transaction are not reflected in these forecasts, because it is difficult to estimate their impact on the Target Company's profit specifically at this point.
At its Board of Directors meeting held today, the Tender Offeror eventually decided to set the Tender Offer Price at 6,350 per share: (i) after taking comprehensively into account, among other things, (a) the results of valuation contained in the Stock Valuation Report received from SMBC Nikko Securities, (b) the results of the due diligence investigation of the Target Company conducted by the Tender Offeror, (c) whether or not the Target Company's Board of Directors supported the Tender Offer, (d) the trends in the market value of the Target Company Stock, and (e) the expected turnout in the Tender Offer; and (ii) based also on the outcome of discussions and negotiations with the Target Company.

The Tender Offer Price of 6,350 yen includes: a premium of 21.41% on 5,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on May 2, 2025, which was the business day immediately preceding the date announcement of the Tender Offer, a premium of 43.28% on 4,432 yen, which was the simple average closing price over the one-month period up to the same date; a premium of 41.68% on 4,482 yen, which was the simple average closing price over the three-month period up to the same date, and a premium of 39.28% on 4,559 yen, which was the simple average closing price over the six-month period up to the same date.
Effective on April 28, 2025, the Tender Offeror acquired 1 share of the Target Company Stock from an employee of the Target Company through and over-the-counter (off-market) transaction at 4,340 yen (i.e., the closing price of the Target Company Stock on the Prime Market of the Tokyo Stock Exchange on April 28, 2025), for the purpose of requesting access to, and copies of, the shareholder register of the Target Company. While there is a 2,010-yen gap between the Tender Offer Price (6,350 yen) and the above purchase price (4,340 yen), this purchase price represents no premium on that closing price, unlike the acquisition in the Tender Offer.

(B) Background of Valuation

(Background to the Decisions on the Tender Offer Price)

As described in "(A) Background, Purpose and Decision-Making Process Leading the Tender Offeror to Decide to Implement the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer" of "1. Purpose of the Tender Offer" above, the Tender Offeror expressed its initial intention for the Tender Offer to the Target Company on August 6, 2024. Then the Tender Offeror performed legal, financial, tax, and other due diligence investigations of the Target Company during the period from late August 2024 to early October of the same year. In addition, the Tender Offeror fully discussed and considered the Tender Offer Price with the Target Company until May 7, 2025.

Specifically, after taking the information disclosed during the due diligence investigation into account in a comprehensive manner, on October 2, 2024 and the results of SMBC Nikko Securities' valuation of the Target Company Stock obtained using the market share price analysis, the comparable listed company analysis, and the DCF Analysis, the Tender Offeror made an initial proposal to set the Tender Offer Price at 5,878 yen (which represented a premium of 50.72% on 3,900 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 56.75% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 61.17% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 57.59% on 3,730 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,239 yen (which represented a premium of 8.69% on 3,900 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 13.04% on 3,750 yen, which was the simple average closing price over the past one-month period, a premium of 16.23% on 3,647 yen, which was the simple average closing price over the past three-month period, and a premium of 13.65% on 3,730 yen, which was the simple average closing price over the past six-month period). In response, on October 15, 2024 the Target Company requested an increase to the proposed Tender Offer Price on the following grounds, even though the Target Company appreciated the proposed Tender Offer Price, based on the understanding that the proposed Tender Offer Price represented a premium similar to those found in cases similar to the Transaction: (i) the premium was determined by merely calculating and comparing statistical and other values from similar cases, instead of evaluating the value of the Target Company Stock itself, (ii) in light of the fact that a high tender offer price could be offered to the minority shareholders by taking advantage of tax advantages of the Treasury Share Acquisition in the Transaction, and that the Tender Offer Price would necessarily represent a higher premium than in cases where the tax advantages are not taken advantage of, the Tender Offer Price in the Transaction should not be determined based solely on the level of premium, but should be based on whether or not a proper valuation of the Target Company Stock was made, (iii) in light of the Target Company's future growth potential based on its business plans, the proposed Tender Offer Price was considerably low, and (iv) the specific synergies of the Transaction should be projected, quantified and reflected in the corporate value of the Target Company, after taking into account its feasibility. In response, on October 28, 2024, the Tender Offeror made a second proposal, to set the Tender Offer Price at 6,062 yen (which represented a premium of 56.64% on 3,870 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 54.29% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 63.66% on 3,704yen, which was the simple average closing price over the past three-month period, and a premium of 62.35% on 3,734 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,334 yen (which represented a premium of 11.99% on 3,870 yen, which was the closing price for the Target Company

Stock quoted on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the proposal, a premium of 10.31% on 3,929 yen, which was the simple average closing price over the past one-month period, a premium of 17.01% on 3,704 yen, which was the simple average closing price over the past three-month period, and a premium of 16.07% on 3,734 yen, which was the simple average closing price over the past six-month period), which the Tender Offeror claimed reflected the intrinsic value of the Target Company after fully taking into account the Target Company's future growth potential. With regard to the year-end dividend for the fiscal year ending December 2024, the Tender Offeror explained that the proposed Tender Offer Price dated October 2, 2024 was based on the assumption that no such year-end dividends would be distributed. In response, on November 11, 2024 the Target Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Target Company's belief that the Tender Offer Price proposed in the second proposal could not possibly be deemed to represent the full intrinsic value of the Target Company, leaving room to raise the Tender Offer Price further, and that the proposed Tender Offer Price could not yet be evaluated as being at a satisfactory level, considering the synergies of the Transaction. On the other hand, the Tender Offeror was required to obtain clearance from the JFTC for the Share Acquisition pursuant to Article 10, paragraph (2) of the Antimonopoly Act. During the preliminary consultations with the JFTC carried out on November 1, 2024, it turned out that it would take longer than originally expected to go through the JFTC's Preliminary Review. Therefore, on November 5, 2024, the Tender Offeror proposed a suspension of negotiations on the Tender Offer Price to the Target Company. Subsequently, after some progress was made in consultations with the JFTC for purposes of acquiring clearance, on January 10, 2025, the Tender Offeror expressed its intent to resume negotiations on the Tender Offer Price to the Target Company, by setting March 5, 2025 as the expected date of announcement of the Transaction. However, during the preliminary consultations with the JFTC that subsequently continued, it again turned out that the Preliminary Review would take longer. Therefore, on February 4, 2025 the Tender Offeror proposed another suspension of negotiations on the Tender Offer Price to the Target Company. After the preliminary consultations with the JFTC that subsequently continued, it became likely that the Preliminary Review by the JFTC would be completed. Therefore, on March 13, 2025, the Tender Offeror proposed resumption of negotiations on the Tender Offer Price to the Target Company, by setting May 7, 2025 as the expected date of announcement of the Transaction. Then, on April 11, 2025, the Tender Offeror made a third proposal to set the Tender Offer Price at 6,181 yen (which represented a premium of 46.12% on 4,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 37.11% on 4,508 yen, which was the simple average closing price over the past one-month period, a premium of 35.73% on 4,554 yen, which was the simple average closing price over the past three-month period, and a premium of 37.45% on 4,497 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,450 yen (which represented a premium of 5.20% on 4,230 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a discount of 1.29% on 4,508 yen, which was the simple average closing price over the past one-month period, a discount of 2.28% on 4,554 yen, which was the simple average closing price over the past three-month period, and a discount of 1.05% on 4,497 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 15, 2025, the Target Company made a request to reconsider the proposed Tender Offer Price to make another increase, based on the Target Company's belief that the tender offer price proposed in the third proposal still did not represent the full intrinsic value of the Target Company, that the Tender Offeror could propose a higher price considering the synergies of the Transaction, and that the premiums represented by the tender offer price proposed in the third proposal over the simple average closing prices over the past one-, three-, and six-month periods were all within the 30 to 39 percent range, a level that the Target Company found it difficult to consider and determine to be sufficient compared with those seen in similar past cases. In response, on April 18, 2025, the Tender Offeror made a fourth proposal to set the Tender Offer Price at 6,283 yen (which represented a premium of 39.62%

on 4,500 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 40.78% on 4,463 yen, which was the simple average closing price over the past one-month period, a premium of 38.58% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 39.31% on 4,510 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,522 yen (which represented a premium of 0.49% on 4,500 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 1.32% on 4,463 yen, which was the simple average closing price over the past one-month period, a discount of 0.26% on 4,534 yen, which was the simple average closing price over the past three-month period, and a premium of 0.27% on 4,510 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 21, 2025 the Target Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds: (i) that, while the Target Company believed that the tender offer price proposed in the fourth proposal reflected that the Tender Offeror had given some consideration to the assertions made by the Target Company until that time, the Target Company believed that there was still room to propose a higher tender offer price by, among other things, by: (a) putting a higher value on the Target Company's stock by fully considering the Target Company's intrinsic value based on its business plans, or (b) taking the amount of expected synergies into consideration, and (ii) that the premiums represented by the proposed Tender Offer Price over the market stock prices were not necessarily considered sufficient, in light of the current stock price levels. In response, on April 25, 2025, the Tender Offeror made a fifth proposal to set the Tender Offer Price at 6,326 yen (which represented a premium of 42.64% on 4,435 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 42.96% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 40.39% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 39.62% on 4,531 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,551 yen (which represented a premium of 2.62% on 4,435 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 2.85% on 4,425 yen, which was the simple average closing price over the past one-month period, a premium of 1.00% on 4,506 yen, which was the simple average closing price over the past three-month period, and a premium of 0.44% on 4,531 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on April 28, 2025 the Target Company made a request to reconsider the proposed Tender Offer Price and make another increase, on the grounds that while the tender offer price proposed in the fifth proposal had been raised from that proposed in the fourth proposal, with that small increase it would still not necessarily be at a level where sufficient consideration was given to the Target Company's general shareholders. In response, on May 1, 2025, the Tender Offeror made a sixth proposal to set the Tender Offer Price at 6,350 yen (which represented a premium of 30.93% on 4,850 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 44.42% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 42.09% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 39.47% on 4,553 yen, which was the simple average closing price over the past six-month period) and the Treasury Share Acquisition Price at 4,568 yen (which represented a discount of 5.81% on 4,850 yen, which was the closing price for the Target Company Stock quoted on the Prime Market of the Tokyo Stock Exchange on the date of the proposal, a premium of 3.89% on 4,397 yen, which was the simple average closing price over the past one-month period, a premium of 2.22% on 4,469 yen, which was the simple average closing price over the past three-month period, and a premium of 0.33% on 4,553 yen, which was the simple average closing price over the past six-month period), on the assumption that Target Company would refrain from paying dividends for fiscal 2025. In response, on May 2, 2025 the Tender Offeror received from the Target Company a reply of acceptance of the sixth proposal, thus reaching an agreement with the Tender Offeror that the Tender Offer Price and the Treasury Share Acquisition Price would be 6,350 yen and 4,568 yen, respectively.

(a) Names of Third Parties from Whom Opinions Were Collected before Valuation

The Tender Offeror determined the Tender Offer Price by using, as a reference, the stock valuation report received from SMBC Nikko Securities, which served as the Tender Offeror's financial advisor and third-party appraiser that is independent of the Target Company and the Tender Offer Related Parties. SMBC Nikko Securities is not a related party of the Tender Offeror or the Target Company and does not have any material interest in the Tender Offer. The Tender Offeror has not obtained an opinion letter on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities, since the Tender Offeror believes that sufficient consideration has been given to the interests of minority shareholders of the Target Company in light of, among other things, the measures described in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" in "1. Purpose of the Tender Offer" above.

(b) Summary of the Opinions Collected

SMBC Nikko Securities evaluated the value of the Target Company Stock by using the market share price analysis, the comparable listed company analysis, and the DCF Analysis. The ranges of the stock value per share of the Target Company Stock calculated by using these methods are as follows:

Market share price analysis:	4,432 yen to 4,559 yen
Comparable listed company analysis:	3,532 yen to 3,724 yen
DCF Analysis:	4,740 yen to 6,358 yen

(c) How the Tender Offer Price Was Determined Based on the Opinions

At its Board of Directors meeting held on May 7, 2025, the Tender Offeror eventually decided to set the Tender Offer Price at 6,350 per share: (i) after taking comprehensively into account, among other things, (a) the results of valuation contained in the Stock Valuation Report received from SMBC Nikko Securities, (b) the results of the due diligence investigation of the Target Company conducted by the Tender Offeror, (c) whether or not the Target Company's Board of Directors supported the Tender Offer, (d) the trends in the market value of the Target Company Stock, and (e) the expected turnout in the Tender Offer; and (ii) based also on the outcome of discussions and negotiations with the Target Company.

(C) Relationship with the Appraiser
SMBC Nikko Securities is not a related party of the Target Company or the Tender Offeror and does not have any material interest in the Tender Offer.

(5) Number of Share Certificates, etc. to be Purchased

Class of share certificates, etc.	Number of share certificates, etc. to be purchased	Minimum number of share certificates, etc. to be purchased	Maximum number of share certificates, etc. to be purchased
Common stock	12,712,351 (shares)	3,342,000 (shares)	– (shares)

Total	12,712,351 (shares)	3,342,000 (shares)	– (shares)

Note 1: If the total number of Tendered Share Certificates falls below the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will not purchase or otherwise acquire any of the Tendered Share Certificates. If the total number of Tendered Share Certificates is equal to or more than the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates.

Note 2: As no maximum number of Share certificates, etc. to be purchased is set for the Tender Offer, the number of Share certificates, etc. to be purchased represents the maximum number of Share certificates, etc. that may be acquired by the Tender Offeror in the Tender Offer. This maximum number (12,712,351 shares) is the total number of issued shares of the Target Company Stock as of March 31, 2025 as stated in the Target Company's Financial Results (28,800,000 shares), less: the number of treasury shares held by the Target Company as of the same date (688,848 shares), the number of shares of the Target Company Stock held by the Tender Offeror as of today (1 share), and the number of the Agreed Untendered Shares (15,398,800 shares).

Note 3: Shares less than one unit also are subject to the Tender Offer. If a right to demand purchase of shares less than one unit is exercised by a shareholder in accordance with the Companies Act, the Target Company may purchase its own shares during the Tender Offer Period in accordance with statutory procedures.

Note 4: The Tender Offeror does not intend to acquire the treasury shares held by the Target Company through the Tender Offer.

(6) Expected Changes in Ownership Percentage of Share Certificates, etc. Caused by the Purchase, etc. in the Tender Offer

Number of voting rights represented by share certificates, etc. held by the Tender Offeror before the purchase, etc.	–	(Ownership percentage of share certificates, etc. before the purchase, etc. –%)
Number of voting rights represented by share certificates, etc. held by special related parties before the purchase, etc.	153,988	(Ownership percentage of share certificates, etc. before the purchase, etc. 54.78 %)
Number of voting rights represented by share certificates, etc. held by the Tender Offeror after the purchase, etc.	127,123	(Ownership percentage of share certificates, etc. after the purchase, etc. 45.22 %)
Number of voting rights represented by share certificates, etc. held by special related parties after the purchase, etc.	153,988	(Ownership percentage of share certificates, etc. after the purchase, etc. 54.78 %)
Number of voting rights of all shareholders or equivalents of the Target Company	280,817	

Note 1: The "Number of voting rights represented by share certificates, etc. held by special related parties before the purchase, etc." and the "Number of voting rights represented by share certificates, etc. held by special related parties after the purchase, etc." represents the total number of voting rights represented by the share certificates, etc. held by all special related parties (excluding parties excluded from special related parties under Article 3, paragraph (2), item (i) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer [Ordinance

of the Ministry of Finance Ordinance No. 38 of 1990, as amended thereafter; hereafter, the "Cabinet Office Ordinance"] in the calculation of shareholding percentage of Share certificates, etc. under the items of paragraph (1) of Article 27-2 of the Act). However, since the Tender Offer is made only for the Share certificates, etc. representing the shares of the Target Company Stock held by special related parties other than the Agreed Untendered Shares held by Japan Tobacco or the treasury shares held by the Target Company, the "Number of voting rights represented by share certificates, etc. held by special related parties after the purchase, etc." is equal only to the number of voting rights represented by the Agreed Untendered Shares held by Japan Tobacco (15,398,800 shares) (153,988 voting rights). The Tender Offeror intends to issue an amended press release if, after today, confirmation of the share certificates, etc. of the Target Company held by special related parties reveals a necessity to amend this press release.

Note 2: The "Number of voting rights represented by share certificates, etc. held by the Tender Offeror after the purchase, etc." represents the number of voting rights represented by the number of shares to be purchased in the Tender Offer (12,712,351 shares).

Note 3: "Number of voting rights of all shareholders or equivalents of the Target Company" represents the number of voting rights of all shareholders or equivalents as of December 31, 2024 as stated in the Target Company's Annual Securities Report. However, since shares equal to less than one unit also are subject to the Tender Offer, the denominator used for calculation of the "Ownership percentage of share certificates, etc. before the purchase, etc." and the "Ownership percentage of share certificates, etc. after purchase, etc." was the number of voting rights (281,111 voting rights) represented by the number of shares (28,111,152 shares) calculated by subtracting the number of treasury shares held by the Target Company as of March 31, 2025 (688,848 shares) from the total number of issued shares of the Target Company as of the same date as stated in the Target Company's Financial Results (28,800,000 shares).

Note 4: The "Ownership percentage of share certificates, etc. before the purchase, etc." and the "Ownership percentage of share certificates, etc. after the purchase, etc." have been rounded to two decimal places.

(7) Payment for Purchase

80,723,428,850 yen

Note: "Payment for Purchase" represents the amount calculated by multiplying the total number of share certificates, etc. to be purchased in the Tender Offer (12,712,351 shares) by the Tender Offer Price (6,350 yen).

(8) Procedure for Settlement

(A) Name and Head Office Address of the Financial Instruments Business Operator, Bank or the Like Authorized to Make Settlement of Purchase, etc.

SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan

(B) Settlement Commencement Date
Wednesday, June 25, 2025

(C) Procedure for Settlement

A notice of purchase, etc. by way of the Tender Offer will be mailed to the address or location of each of the shareholders or equivalents wishing to accept the Tender Offer for their Share certificates, etc. or to offer their share certificates, etc. for sale in the Tender Offer (hereafter, the "Tendering Shareholders") (or to his/her/its Standing Proxy in case of a foreign shareholder or equivalent) promptly after the end of the Tender Offer Period. In the case of an application made through the Tender Offer Agent's online trading service (https://trade.smbcnikko.co.jp/) (hereafter, the "Nikko Easy Trade"), a notice of purchase, etc. by way of the Tender Offer will be delivered by electronic means.

Payment of the consideration will be made in cash. The purchase price for the share certificates or equivalents purchased will be transferred from the Tender Offer Agent to the location designated by the Tendering Shareholder (or the Standing Proxy in the case of a foreign shareholder or equivalent) promptly after the settlement commencement date as instructed by the Tendering Shareholder (or the Standing Proxy in the case of a Foreign Shareholder).

(D) Procedure for Returning Share Certificates, etc.

If all Tendered Share Certificates are not purchased as per the conditions set forth in "(A) Existence and Details of Conditions Set Forth in the Items of Paragraph (4) of Article 27-13 of the Act" or "(B) Existence and Details of Conditions of Withdrawal, etc. of the Tender Offer and Method of Disclosure of Withdrawal, etc." in "(9) Other Conditions and Methods of Purchase, etc." below, the Tendered Share Certificates that need to be returned will be returned by the Tender Offer Agent to each Tendering Shareholder on the second business day after the last day of the Tender Offer Period (or on the date of withdrawal or the like in the event of withdrawal or the like of the Tender Offer), by restoring the record of the share certificates, etc. in the Tendering Shareholder Account with the Tender Offer Agent to the status that existed at the time of the relevant tender. (The phrase "status that existed at the time of the relevant tender" means the status where the execution of the order to tender the share certificates, etc. in the Tender Offer has been voided.)

(9) Other Conditions and Methods of Purchase, etc.

(A) Existence and Details of Conditions Set Forth in the Items of Paragraph (4) of Article 27-13 of the Act

If the total number of Tendered Share Certificates falls below the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will not purchase or otherwise acquire any of the Tendered Share Certificates. If the total number of Tendered Share Certificates is equal to or more than the minimum number of shares to be purchased (3,342,000 shares), the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates.

(B) Existence and Details of Conditions of Withdrawal, etc. of the Tender Offer and Method of Disclosure of Withdrawal, etc.

The Tender Offer may be withdrawn or otherwise canceled upon the occurrence of any of the events listed in Article 14, paragraph (1), item (i), sub-items (a) through (j) and (m) through (s), item (ii), sub-items (a) through (h) and (j), and item (iv), and Article 14, paragraph (2), items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended thereafter; hereafter, the "Enforcement Order").

In this regard, the phrase "facts equivalent to those set forth in sub-items (a) through (i)" in Article 14, paragraph (1), item (iii), sub-item (j) of the Enforcement Order means situations in which it is found that any statutory disclosure document submitted by the Target Company in the past contains false statements or omissions about material facts to be disclosed.

In addition, if, with respect to the Tender Offeror's Prior Notification to the JFTC, (i) the Tender Offeror receives a Prior Notice of Cease and Desist Order from the JFTC ordering the Tender Offeror to dispose of all or part of the Target Company Stock or to transfer any part of its business, (ii) the Waiting Period does not expire, or (iii) a petition for an urgent suspension order is filed with a court against the Tender Offeror on the grounds of it having engaged in activities that are suspected of violating the provisions of Article 10, paragraph (1) of the Antimonopoly Act, in each case on or before the day preceding the date of expiration of the Tender Offer Period (including any extension thereof), the Tender Offeror may withdraw or otherwise cancel the Tender Offer on the grounds of a failure to obtain the "permission, etc." as referred to in Article 14, paragraph (1), item (iv) of the Enforcement Order.

If the Tender Offeror intends to withdraw or otherwise cancel the Tender Offer, the Tender Offeror will provide electronic public notice thereof and publish an announcement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to provide that notice during the Tender Offer Period, the Tender Offeror will make public announcements by the method specified in Article 20 of the Cabinet Office Ordinance and shall provide public notice immediately thereafter.

(C) Existence and Details of Conditions of Reduction of Tender Offer Price and Method of Disclosure of Reduction

If the Target Company engages in any of the acts set forth in Article 13, paragraph (1) of the Enforcement Order at any time during the Tender Offer Period, the Tender Offeror may reduce the Tender Offer Price in accordance with the criteria set forth in Article 19, paragraph (1) of the Cabinet Office Ordinance, pursuant to Article 27-6, paragraph (1), item (i) of the Act.

If the Tender Offeror intends to reduce the Tender Offer Price, the Tender Offeror will provide electronic public notice thereof and publish an announcement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to provide that notice during the Tender Offer Period, the Tender Offeror will make public announcements by the method specified in Article 20 of the Cabinet Office Ordinance and shall provide public notice immediately thereafter.

If the Tender Offer Price is reduced, the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates, including those tendered before the date of public notice, at the reduced Tender Offer Price.

(D) Information on Tendering Shareholders' Right of Cancellation

A Tendering Shareholder may cancel his/her/its agreement to participate in the Tender Offer at any time during the Tender Offer Period.

To cancel the agreement, the Tendering Shareholder must deliver, or send, or otherwise provide a writing that states the Tendering Shareholder's intent to cancel the agreement to the Tender Offer (hereafter, the "Cancellation Document") to the person specified below, no later than 15:30 on the last day of the Tender Offer Period. (Please note that business hours may differ between offices. Please check the business hours and other details about the office where you wish to have your Cancellation Document processed in advance.) If the Cancellation Document is sent to the office, the cancellation is subject to the Cancellation Document being received by the person specified below no later than 15:30 on the last day of the Tender Offer Period. (Please note that business hours may differ between offices. Please check the business hours and other details about the office where you wish to have your Cancellation Document processed in advance.)

If a Tendering Shareholder has executed the agreement to the Tender Offer via Nikko Easy Trade, the Tendering Shareholder may cancel the agreement by logging into the Nikko Easy Trade website and completing the cancellation procedure as prompted on the screen no later than 15:30 on the last day of the Tender Offer Period.

Entity authorized to receive Cancellation Documents:

SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan
(and other branch offices of SMBC Nikko Securities Inc. located in Japan)

The Tender Offeror will not claim any compensation for damages or any penalty from any Tendering Shareholder for his/her/its cancellation of an agreement for the Tender Offer. The cost of returning the Tendered Share Certificates will be borne by the Tender Offeror. Upon receipt of a notice of cancellation from a Tendering Shareholder, the Tendered Share Certificates will be returned via the procedure described in "(D) Procedure for Returning Share Certificates, etc." in "(8) Procedure for Settlement" above, promptly after completion of the procedure related to the notice of cancellation.

(E) Procedure for Disclosure in Case of Changes to the Terms or Other Details of the Tender Offer

The Tender Offeror may change the terms or other details of the Tender Offer during the Tender Offer Period, unless prohibited under Article 27-6, paragraph (1) of the Act and Article 13 of the Enforcement Order.

If the Tender Offeror intends to change the terms or other details of the Tender Offer, the Tender Offeror will provide electronic public notice thereof and publish an announcement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to provide that notice during the Tender Offer Period, the Tender Offeror will make public announcements by the method specified in Article 20 of the Cabinet Office Ordinance and shall provide public notice immediately thereafter.

In the event of changes to the terms or other details of the Tender Offer, the Tender Offeror will purchase or otherwise acquire all of the Tendered Share Certificates, including those tendered before the date of public notice, subject to the terms and other details of the Tender Offer as changed.

(F) Procedure for Disclosure in Case of Submission of an Amended Statement

If the Tender Offeror submits an amendment to this Tender Offer Statement to the Director-General of the Kanto Local Finance Bureau (except in the case set forth in the proviso to Article 27-8, paragraph (11) of the Act), the Tender Offeror will make an immediate public announcement of the details of the amended statement, to the extent relevant to the information contained in the public notice of commencement of the Tender Offer, by the method specified in Article 20 of the Cabinet Office Ordinance. The Tender Offeror also will amend the Tender Offer Explanation immediately and provide the amended Tender Offer Explanation to the Tendering Shareholders who already received the former version of the Tender Offer Explanation. However, if the extent of the amendments is limited, the Tender Offeror will convey the changes to the Tendering Shareholders by preparing and delivering to the Tendering Shareholders a document stating the reasons for the amendments, the matters amended, and the details thereof.

(G) Procedure for Disclosure of Results of the Tender Offer

The Tender Offeror will announce the results of the Tender Offer by the methods set forth in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Office Ordinance on the day following the last day of the Tender Offer Period.

(10) Date of Public Notice of the Tender Offer
Thursday, May 8, 2025

(11) Tender Offer Agent
SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan

3. Policy, etc. after the Tender Offer and Future Outlook

(1) Policy, etc. after the Tender Offer

Please see "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and the Management Policy After the Tender Offer," "(4) Policy for Organizational Restructuring After the Tender Offer (Information on the "Two-Step Acquisition")," and "(5) Prospects and Reasons for Delisting" in "1. Purpose of the Tender Offer" above.

(2) Future Outlook

A review is currently underway of the impact of the Transaction on the Tender Offeror's consolidated business results for the fiscal year ending March 2026. Any findings that should be disclosed will be announced promptly.

4. Other Information

(1) Agreements Between the Offeror and the Target Company or Its Officers and Details of Those Agreements
(A) Support for the Tender Offer

According to the Target Company's Press Release, the Target Company, at its Board of Directors meeting held on today, adopted a resolution to express the company's opinion in support of the Tender Offer and to recommending that the Target Company's shareholders to tender their shares in the Tender Offer.

For details, please see the Target Company's Press Release, as well as "(F) Unanimous Approval by All of the Non-interested Directors of the Target Company, Including the Audit and Supervisory Committee Members" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" of "1. Purpose of the Tender Offer" above.

(2) Other Information That Is Considered Necessary for Investors to Decide Whether or Not to Accept the Tender Offer
(A) Financial Results for the First Three Months of Fiscal Year Ending December 2025 (Non-consolidated) [Based on Japanese GAAP]

The Target Company released the Target Company's Financial Results dated April 25, 2025, an overview of which is provided below. The Target Company's Financial Results have not been reviewed by an audit firm in accordance with Article 193-2, paragraph (1) of the Act. The following overview consists of excerpts from the information released by the Target Company. For further details, please see the information released by the Target Company.

(i) Profit and Loss

Fiscal period	First 3 months of the fiscal year ending December 2025
Net sales	14,683 million yen
Cost of sales	8,059 million yen
Selling, general and administrative expenses	4,920 million yen
Non-operating income	171 million yen
Non-operating expenses	15 million yen
Net income for the 3 months	1,391 million yen

(ii) Per Share Information

Fiscal period	First 3 months of the fiscal year ending December 2025
Net income for the 3 months per share	49.51 yen
Net assets per share	4,311.60 yen

(B) “Notice of Revision of the Interim and Year-end Dividend Forecast (Nil Dividend) for the Fiscal Year Ending December 2025”

According to the “Notice Regarding Revision of the Interim and Year-end Dividend Forecast (Nil Dividend) for the Fiscal Year Ending December 2025” released by the Target Company today, the Target Company, at its Board of Directors meeting held on the same date, adopted a resolution to refrain from paying interim or year-end dividends for the fiscal year ending December 2025. For further details, please see the notice released by the Target Company.

(Ref.) Consolidated Earnings Forecast (for the FY from April 1, 2024 to March 31, 2025) (Released on January 31, 2025) and Previous Results

	Sales revenue	Operating profit	Income before income taxes	Current profit belonging to parent company owners	Basic current profit per share
Current consolidated earnings forecast (FY ending March 2025)	460,000 million yen	165,000 million yen	206,000 million yen	171,000 million yen	201.03 yen
Previous results (FY ended March 2024)	435,081 million yen	153,310 million yen	198,283 million yen	162,030 million yen	558.51 yen

[Contact]
Inquiry form on Shionogi's website:
https://www.shionogi.com/jp/ja/quest.html#3.

[Regulations on Solicitation]

- This press release is intended to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. Before making an offer to sell their shares, all tendering shareholders are asked to carefully read the Tender Offer Explanation Statement and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement relating to the Tender Offer.

[U.S. Regulations]

- The Tender Offer intends to acquire the Target Company Stock, which was incorporated in Japan. The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards set forth in Japanese acts. These procedures and information disclosure standards are not entirely the same as their applicable U.S. equivalents. In particular, Section 13(e) or Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended thereafter; hereinafter the same) and the rules established under either of those sections do not apply to the Tender Offer, which means that the Tender Offer does not conform to the procedures and standards established under those sections and rules. The financial information contained in this press release was prepared in accordance with Japanese or international accounting standards, which may differ substantially from general accounting principles in the U.S. or other countries. As the Tender Offeror and the Target Company were incorporated outside of the U.S. and some or all of their respective directors are non-U.S. residents, it may be difficult to enforce any rights or claims arising under U.S. securities laws. In addition, it may not be possible to institute legal actions against a non-U.S. company or its directors in a non-U.S. court by reason of violations of U.S. securities laws. Furthermore, a company incorporated outside of the U.S. and its subsidiaries and affiliates may not always be made subject t the jurisdiction of U.S. courts.
- The respective financial advisors of the Tender Offeror, the Target Company, and Japan Tobacco, as well as the Tender Offer Agent (including their affiliates), may offer to purchase shares of the Target Company or take steps to make such offers through means other than the Tender Offer, in their ordinary course of business, to the extent permissible under the Japanese Financial Instruments and Exchange Act and other applicable laws and regulations, in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934, for their own account or their customers' account, during the Tender Offer Period. These offers for purchase may be made at market price through market transactions or at prices determined through off-market negotiations. If information relating to any such offers for purchase is disclosed in Japan, disclosures also will be made on the English websites (or through other methods of disclosure) of the financial advisors, the Target Company, or the Tender Offer Agent, as the case may be, who made the offer for purchase.
- All procedures relating to the Tender Offer will be carried out entirely in Japanese. Part or all of the documents relating to the Tender Offer are prepared in the English language; however, if there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.

[Forward-Looking Statements]

- This press release contains "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933 (as amended thereafter) and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results may differ substantially from what is expressed or implied in these "forward-looking statements" due to known or unknown risks, uncertainties, or other factors. Neither the Tender Offeror nor any of its related parties assures that the expected results expressed or implied in those "forward-looking statements" will be achieved. The "forward-looking statements" in this press release were prepared based on information available to the Tender Offeror as of the date hereof, and neither the Tender Offeror nor any of its related parties is obligated to change or modify those statements to reflect any future event or circumstances, unless required by any applicable law or regulation.

[Other Countries]

- Some countries or regions may impose restrictions on the announcement, issue or distribution of this press release. In such cases, please take note of such restrictions and comply with them. The announcement, issue or distribution of this press release shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.