

Financial Data

Ten-Year Financial Summary

	December 31 2014* ¹	2015	2016	2017	2018	2019	2020	2021	2022* ²	December 31, 2023
For the Year Millions of Yen										
Net sales	43,504	62,378	60,206	64,135	62,551	42,998	41,700	46,987	48,896	54,638
Gross profit	22,917	31,564	29,919	32,841	30,707	22,295	21,737	24,338	23,379	24,791
Operating income	4,032	4,919	3,819	6,281	4,951	1,430	4,738	4,656	5,540	5,035
Income before income taxes	3,781	5,258	4,056	6,373	3,030	37,700	4,225	4,767	5,722	5,593
Net income	2,419	3,527	2,839	4,718	1,164	27,367	3,495	3,374	3,944	4,119
Capital expenditures	1,514	2,207	891	931	811	330	392	822	1,788* ³	478* ³
R&D expenses	3,400	5,237	4,654	4,608	4,138	2,956	596	832	1,661	3,490
Net cash provided by (used in) operating activities	(609)	4,940	3,402	6,349	8,259	42,499	(3,443)	(156)	2,420	(3,123)
Net cash provided by (used in) investing activities	499	957	1,361	(7,593)	(27,068)	2,099	7,625	(1,498)	(13,676)	(3,779)
Net cash used in financing activities	(1,410)	(1,582)	(2,289)	(1,546)	(1,432)	(1,433)	(1,425)	(1,546)	(1,698)	(3,835)
At Fiscal Year-End Millions of Yen										
Total assets	92,550	98,868	98,525	104,741	103,253	139,943	126,026	130,810	133,689	133,432
Total equity	80,225	82,826	83,556	87,119	87,092	113,125	115,091	117,015	119,224	120,134
Number of shares issued (Thousands)	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Number of employees	1,047	1,058	1,059	1,074	1,049	660	568	560	563	583
Per Share Data Yen										
Total equity	2,834.8	2,926.8	2,978.8	3,105.7	3,103.3	4,029.3	4,097.5	4,165.4	4,243.1	4,274.5
Net income	85.5	124.7	100.4	168.2	41.5	975.0	124.5	120.1	140.4	146.6
Cash dividends	40	48	48	48	48	48	48	48	100	120
Key Ratios %										
Operating income ratio	9.3	7.9	6.3	9.8	7.9	3.3	11.4	9.9	11.3	9.2
Return on equity (ROE)	3.0	4.3	3.4	5.5	1.3	27.3	3.1	2.9	3.3	3.4
Return on assets (ROA)	2.6	3.7	2.9	4.6	1.1	22.5	2.6	2.6	3.0	3.1
Shareholders' equity ratio	86.7	83.8	84.8	83.2	84.3	80.8	91.3	89.5	89.2	90.0
Dividend payout ratio	46.8	38.5	47.8	28.5	115.6	4.9	38.6	40.0	71.2	81.9

*1 Fiscal year 2014 was a nine-month period from April 1, 2014 to December 31, 2014 due to a change in the Company's fiscal year-end.

*2 The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc. have been applied from the beginning of the fiscal year ended December 31, 2022.

*3 Figures include long-term prepaid expenses.

Management's Analysis of Financial Conditions, Financial Results and Statement of Cash Flows

Financial Results for FY2023

During FY2023, business environment surrounding the pharmaceutical industry was extremely challenging, including increased investment risk due to the increasing sophistication and difficulty of R&D, soaring prices of resources and raw materials in line with heightened geopolitical risks such as the situation in Ukraine and the Middle East, the sharp depreciation of the yen and the accompanying inflation, as well as the reform of the NHI drug pricing system (including annual NHI drug price revisions) as a measure to curb medical costs, and effects of the promotion of generic product usage.

In these circumstances, the Company formulated the Medium-Term Management Plan 2023-2025 and has been implementing measures for its growth strategy and measures to maintain the trust of stakeholders in order to realize its Medium-/Long-Term Business Vision "VISION2030."

■ Net Sales

Despite a decrease due to the impact of NHI drug price revisions, net sales amounted to ¥54,638 million, an increase of ¥5,742 million (11.7%) year on year owing to such factors as increased sales volume in the allergens area and in the skin disease area.

Sales of mainstay products in franchise areas were as follows:

- In the renal disease and hemodialysis area, sales of Riona (a therapeutic agent for hyperphosphatemia and a therapeutic agent for iron deficiency anemia) amounted to ¥7,515 million, an increase of ¥575 million (8.3%) year on year. However, sales of REMITCH (an oral antipruritic agent for hemodialysis patients) were ¥2,725 million, a decrease of ¥811 million (22.9%) year on year, affected by generic products in addition to the impact of NHI drug price revisions.
- In the skin disease area, sales of CORECTIM (Topical Janus kinase (JAK) inhibitor) amounted to ¥7,450 million, an increase of ¥1,981 million (36.2%) year on year, owing to increased sales volume, including pediatric prescriptions. Sales of ANTEBATE (topical corticosteroid) were ¥4,533 million, an increase of ¥538 million (13.5%) year on year.
- In the allergens area, due to the further spread of allergen immunotherapy, sales of CEDARCURE (allergen immunotherapy) amounted to ¥11,356 million, an increase of ¥1,748 million (18.2%) year on year, and sales of MITICURE (allergen immunotherapy) amounted to ¥10,148 million, an increase of ¥1,454 million (16.7%) year on year.

■ Cost of Sales and SG&A Expenses

Cost of sales increased by ¥4,330 million (17.0%) year on year to ¥29,847 million, mainly owing to increased sales volume, higher purchasing unit prices, and the effect of foreign exchange rates. SG&A expenses increased by ¥1,916 million (10.7%) to ¥19,755 million year on year, as the result of a significant increase in R&D expenses mainly stemming from upfront licensing fees for license agreement.

■ Operating Income, Ordinary Income and Net Income

As a result of the above, operating income was ¥5,035 million, a decrease of ¥504 million (9.1%) year on year. Ordinary income was ¥5,307 million, a decrease of ¥229 million (4.1%) year on year, mainly owing to an increase in interest on securities under non-operating income, as well as the recording of a cancellation penalty of a manufacturing contract under non-operating expenses in FY2022. Net income was ¥4,119 million, an increase of ¥175 million (4.4%) year on year mainly owing to increased gain on sale of investment securities due to reduction of policy shareholdings under extraordinary income, and reduced income taxes based on the application of the "R&D taxation system."

Operating income before R&D expenses was ¥8,526 million, an increase of ¥1,324 million (18.4%) year on year.

Management's Analysis of Financial Conditions, Financial Results and Statement of Cash Flows

Financial Conditions at December 31, 2023

■ Assets, Liabilities and Equity

Total assets decreased by ¥256 million (0.2%) from the end of FY2022 to ¥133,432 million as of December 31, 2023. Current assets decreased by ¥3,454 million (3.8%) from the end of FY2022 to ¥88,148 million, mainly due to a ¥7,539 million decrease in deposits in the cash management system included in other and a ¥4,198 million decrease in cash and deposits, despite a ¥5,623 million increase in accounts receivable - trade, a ¥1,111 million increase in raw materials and supplies, and a ¥661 million increase in finished products and merchandise. Non-current assets increased by ¥3,198 million (7.6%) from the end of FY2022 to ¥45,284 million mainly due to a ¥3,687 million increase in investment securities.

Total liabilities decreased by ¥1,165 million (8.1%) from the end of FY2022 to ¥13,298 million. Reasons for this change included a ¥1,243 million decrease in accounts payable - other.

Total equity rose by ¥909 million (0.8%) from the end of FY2022 to ¥120,134 million. Contributing factors included surplus dividends of ¥3,540 million and net income of ¥4,119 million.

■ Statement of Cash Flows for FY2023

At ¥34,681 million, cash and cash equivalents as of the end of FY2023 were ¥10,738 million (23.6%) lower than at the end of FY2022.

Cash Flows from Operating Activities

Net cash used in operating activities amounted to ¥3,123 million. (Net cash provided by operating activities for FY2022 totaled ¥2,420 million.) This result reflected income before income taxes of ¥5,593 million, depreciation and amortization of ¥459 million, an increase of ¥5,638 million in trade accounts receivable, an increase of ¥1,772 million in inventories and income taxes paid of ¥1,803 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥3,779 million. (Net cash used in investing activities for FY2022 totaled ¥13,676 million.) Major items included inflows of ¥16,500 million in proceeds from sale and redemption of marketable securities and ¥6,527 million in proceeds from sale and redemption of investment securities. These inflows were offset by outflows of ¥17,588 million in purchases of investment securities and ¥9,001 million in purchases of marketable securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥3,835 million, consisting mainly of ¥3,540 million in dividends paid. (Net cash used in financing activities for FY2022 totaled ¥1,698 million.)

■ Resources for Capital and Liquidity of Funds

Torii mainly requires funds for working capital to procure raw materials for the manufacturing of products, purchase merchandise, and secure goods, services, etc. for operating activities, as well as for strategic investments such as capital expenditures, acquisition of new in-licensed drugs to achieve sustainable growth, co-development with JT, and for payment of dividends. The Company procures these required funds from its own funds. With regard to the liquidity of funds, Torii secures liquid assets such as cash and deposits to be prepared for working capital and certain strategic investments.

As of the date of submission of the annual securities report (March 27, 2024), Torii has no plans for significant capital expenditures.

Balance Sheet

Millions of Yen

	FY2022	FY2023
ASSETS		
CURRENT ASSETS:		
Cash and deposits	9,203	5,004
Notes receivable - trade	–	14
Accounts receivable - trade	22,865	28,488
Securities	38,489	38,999
Finished products and merchandise	6,165	6,827
Raw materials and supplies	2,804	3,915
Prepaid expenses	307	663
Other current assets	11,767	4,235
Total current assets	91,603	88,148
NON-CURRENT ASSETS:		
PROPERTY, PLANT AND EQUIPMENT:		
Buildings	3,290	3,291
Accumulated depreciation	(2,437)	(2,493)
Buildings, net	852	798
Structures	69	69
Accumulated depreciation	(68)	(68)
Structures, net	0	0
Machinery and equipment	133	133
Accumulated depreciation	(133)	(133)
Machinery and equipment, net	0	0
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	0	0
Tools, furniture and fixtures	757	865
Accumulated depreciation	(617)	(654)
Tools, furniture and fixtures, net	139	210
Land	344	344
Lease asset	2,281	2,244
Accumulated depreciation	(1,336)	(1,503)
Lease asset, net	944	740
Total property, plant and equipment	2,282	2,095
INTANGIBLE ASSETS:		
Leasehold interests in land	69	69
Software	415	326
Other intangible assets	31	34
Total intangible assets	517	429
INVESTMENTS AND OTHER ASSETS:		
Investment securities	30,282	33,970
Long-term prepaid expenses	7,709	7,279
Deferred tax assets	650	863
Other investments and other assets	644	644
Total investments and other assets	39,286	42,758
Total non-current assets	42,086	45,284
Total	133,689	133,432

Millions of Yen

	FY2022	FY2023
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	6,584	6,981
Current portion of long-term lease obligations	283	222
Accounts payable - other	3,800	2,557
Accrued expenses	337	494
Income taxes payable	1,120	1,151
Deposits received	257	265
Accrued employees' bonuses	402	422
Accrued bonuses to directors and Audit and Supervisory Committee members	14	15
Other investments and other assets	420	393
Total current liabilities	13,221	12,504
LONG-TERM LIABILITIES:		
Long-term lease obligations	241	22
Liability for retirement benefits	707	478
Asset retirement obligations	54	54
Other long-term liabilities	239	239
Total long-term liabilities	1,242	794
Total liabilities	14,464	13,298
EQUITY:		
Shareholders' equity		
Common stock—authorized, 54,000,000 shares; issued, 28,800,000 shares in December 2023 and 2022	5,190	5,190
Capital surplus:		
Additional paid-in capital	6,416	6,416
Other capital surplus	37	44
Total capital surplus	6,453	6,460
Retained earnings:		
Legal reserve	1,297	1,297
Other retained earnings		
General reserve	56,130	56,130
Retained earnings brought forward	51,418	51,997
Total other retained earnings	108,846	109,425
Treasury stock—at cost, 694,772 shares in December 2023 and 701,362 shares in December 2022	(1,381)	(1,369)
Total shareholders' equity	119,107	119,706
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	117	427
Total valuation and translation adjustments	117	427
Total equity	119,224	120,134
Total	133,689	133,432

Statement of Income

Millions of Yen

	FY2022	FY2023
NET SALES		
Net sales of goods	22,629	24,960
Net sales of finished goods	25,933	29,378
Other sales	332	299
Total net sales	48,896	54,638
COST OF SALES		
Beginning inventory of finished products and merchandise	5,542	6,165
Cost of purchased goods	12,204	14,333
Cost of products manufactured	13,870	16,126
Total	31,617	36,625
Finished goods transfer to other account	14	12
Ending inventory of finished products and merchandise	6,165	6,827
Net	25,437	29,786
Other costs	79	60
Total cost of sales	25,516	29,847
Gross profit	23,379	24,791
SG&A EXPENSES		
Promotion expenses	1,581	1,582
Salaries and allowances	4,515	4,715
Provision for employees' bonuses	385	374
Retirement benefit expenses	166	72
License fees	1,707	2,033
Commission fees	2,642	2,154
Depreciation and amortization of intangible assets	234	218
R&D expenses	1,661	3,490
Other selling, general and administrative expenses	4,943	5,112
Total SG&A expenses	17,839	19,755
Operating income	5,540	5,035

Millions of Yen

	FY2022	FY2023
NON-OPERATING INCOME:		
Interest income	1	0
Interest on securities	166	287
Dividend income	145	112
Other non-operating income	27	20
Total non-operating income	341	421
NON-OPERATING EXPENSES:		
Interest expenses	0	0
Foreign exchange losses	132	101
Loss on investments in investment partnerships	62	46
Cancellation penalty	141	0
Other non-operating expenses	7	0
Total non-operating expenses	344	149
Ordinary income	5,537	5,307
EXTRAORDINARY INCOME		
Gain on sale of investment securities	187	349
Total extraordinary income	187	349
EXTRAORDINARY LOSS		
Loss on retirement of non-current assets	2	36
Loss on sale of investment securities	–	26
Total extraordinary loss	2	63
INCOME BEFORE INCOME TAXES	5,722	5,593
INCOME TAXES:		
Current	1,611	1,824
Deferred	166	(350)
Total income taxes	1,778	1,473
Net income	3,944	4,119

Statement of Changes in Equity

FY2023

Millions of Yen

	Shareholders' equity										Valuation and translation adjustments		Total Equity
	Common Stock	Capital Surplus			Retained Earnings				Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Total Valuation and Translation Adjustments	
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus	Legal Reserve	Other Retained Earnings	Retained Earnings Brought Forward	Total Other Retained Earnings					
BALANCE, DECEMBER 31, 2022	5,190	6,416	37	6,453	1,297	56,130	51,418	108,846	(1,381)	119,107	117	117	119,224
Change in the year													
Cash dividends paid, ¥120.0 per share							(3,540)	(3,540)		(3,540)			(3,540)
Net income							4,119	4,119		4,119			4,119
Repurchase of treasury stock									(0)	(0)			(0)
Disposal of treasury stock			7	7					13	20			20
Net changes in items other than shareholders' equity											310	310	310
Total changes in the year	-	-	7	7	-	-	579	579	12	599	310	310	909
BALANCE, DECEMBER 31, 2023	5,190	6,416	44	6,460	1,297	56,130	51,997	109,425	(1,369)	119,706	427	427	120,134

Statement of Cash Flows

Millions of Yen

	FY2022	FY2023
OPERATING ACTIVITIES:		
Income before income taxes	5,722	5,593
Depreciation and amortization	454	459
Interest and dividend income	(313)	(401)
Interest expenses	0	0
Loss (gain) on sale and retirement of non-current assets	1	36
Decrease (increase) in trade accounts receivable	(854)	(5,638)
Decrease (increase) in inventories	(206)	(1,772)
Increase (decrease) in trade payables	791	396
Increase (decrease) in accounts payable - other	(523)	(220)
Increase (decrease) in accrued consumption taxes	(4)	(19)
Decrease (increase) in long-term prepaid expenses	(361)	427
Other—net	(613)	(643)
Subtotal	4,094	(1,780)
Interest and dividends received	345	460
Interest paid	(0)	(0)
Payments for business structure reform expenses	(12)	–
Income taxes refund (paid)	(2,006)	(1,803)
Net cash provided by (used in) operating activities	2,420	(3,123)

Millions of Yen

	FY2022	FY2023
INVESTING ACTIVITIES:		
Purchases of marketable securities	(12,309)	(9,001)
Proceeds from sale and redemption of marketable securities	12,100	16,500
Purchases of property, plant and equipment	(120)	(162)
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	(161)	(54)
Purchases of investment securities	(19,136)	(17,588)
Proceeds from sale and redemption of investment securities	5,564	6,527
Other—net	385	–
Net cash provided by (used in) investing activities	(13,676)	(3,779)
FINANCING ACTIVITIES:		
Repurchase of treasury stock	(0)	(0)
Dividends paid	(1,348)	(3,540)
Repayments of lease obligations	(348)	(293)
Net cash used in financing activities	(1,698)	(3,835)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,954)	(10,738)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	58,374	45,420
CASH AND CASH EQUIVALENTS, END OF YEAR	45,420	34,681

		FY2019	FY2020	FY2021	FY2022	FY2023
CO ₂ emissions (Head office)	(t-CO ₂)	347	326	323	326	344
CO ₂ emissions (Sales vehicles)	(t-CO ₂)	1,303	791	874	956	931
Waste recycling rate (Head office)	(%)	98.4	97.8	98.5	98.0	98.6
Number of employees		660	568	560	563	583
Percentage of female employees in management positions	(%)	8.1	9.9	10.0	10.6	9.8
Percentage of female employees in all employees	(%)	21.7	21.8	22.1	22.7	23.7
Percentage of the number of female employees to the total number of workers they employed	(%)	27.8	44.4	42.9	33.3	40.6
Percentage of average wages of female employees to average wages of male employees* ¹	Regular employees	(%)	–	–	85.3	83.7
	Non-regular employees	(%)	–	–	42.2	43.6
	All employees	(%)	–	–	81.7	80.1
Average years of continuous service between Male vs Female	Male	(years)	13.8	13.8	14.6	15.4
	Female	(years)	10.3	10.8	11.2	11.3
Average age	(years old)	38.7	39.1	39.7	40.4	41.0
Average wages	(thousands of yen)	7,776	7,903	8,047	8,224	8,271
Average overtime per month	(hours)	13.8	14.5	17.6	17.1	15.2
Percentage of employees taking childcare leave	Male	(%)	–	–	32.0	64.5
	Female	(%)	–	–	100	100
Acquisition of taking annual paid leave* ²	Percentage of taking annual paid leave	(%)	80.2	59.1	68.4	79.6
	Average number of days of	(days)	–	–	14.1	16.3
		As of March 27, 2024				
Number of Directors		5				
(of which, Outside Directors)		3				
Number of Board of Directors meetings* ³	(times)	13				

*1 The main reason for the difference in average wages between male and female employees is that the percentage of male employees in management positions is higher than that of female employees, for both regular and non-regular employees. We are promoting efforts to increase the percentage of female workers in management positions as a goal of our "General Employer Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life."

*2 For the period from April to March

*3 Held in FY2023

Corporate Information

Corporate Overview

Corporate name	Torii Pharmaceutical Co., Ltd.
Established	November 1, 1921
Paid-in capital	¥5,190 million
Business line	Manufacturing and marketing of pharmaceutical products
Number of employees	583 (as of December 31, 2023)
Stock exchange listing	The Prime Market of the Tokyo Stock Exchange (Securities code: 4551)
Head office	〒103-8439 4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo 103-8439, Japan TEL: +81-3-3231-6811

Head Office and Branch Offices

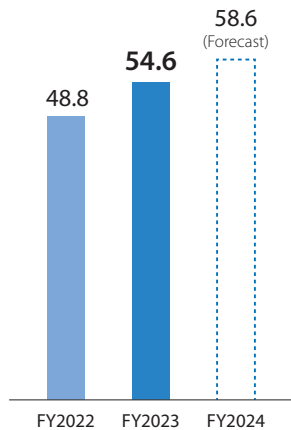
- Head office / South Shutoken Branch Office (Chuo-ku, Tokyo)
- ① Hokkaido Tohoku Branch Office (Sendai-shi, Miyagi Prefecture)
- ② Kanto Shinetsu Branch Office (Saitama-shi, Saitama Prefecture)
- ③ Chubu Branch Office (Nagoya-shi, Aichi Prefecture)
- ④ Kansai Branch Office (Osaka-shi, Osaka Prefecture)
- ⑤ Chushikoku Branch Office (Hiroshima-shi, Hiroshima Prefecture)
- ⑥ Kyushu Branch Office (Fukuoka-shi, Fukuoka Prefecture)



Corporate Data

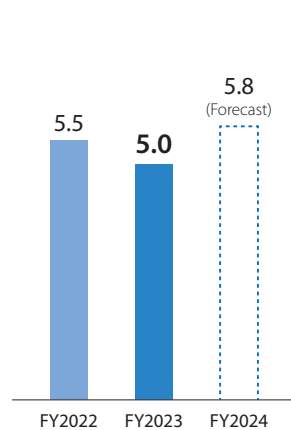
Net Sales

(Billions of Yen)



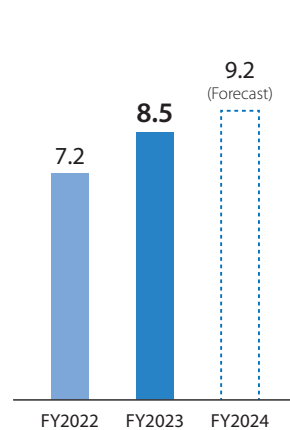
Operating Income

(Billions of Yen)



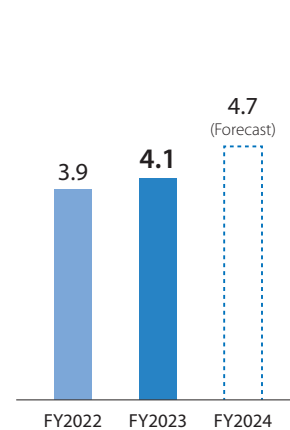
Operating income before R&D expenses

(Billions of Yen)



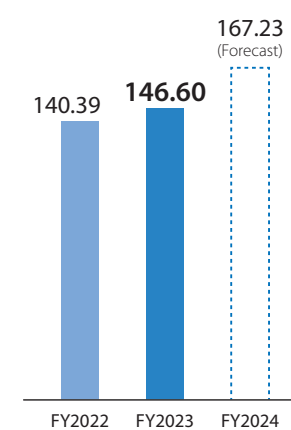
Net Income

(Billions of Yen)



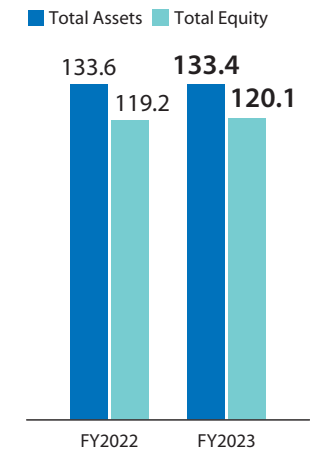
Earnings per Share (EPS)

(Yen)



Total Assets and Total Equity

(Billions of Yen)



Stock Information (as of December 31, 2023)

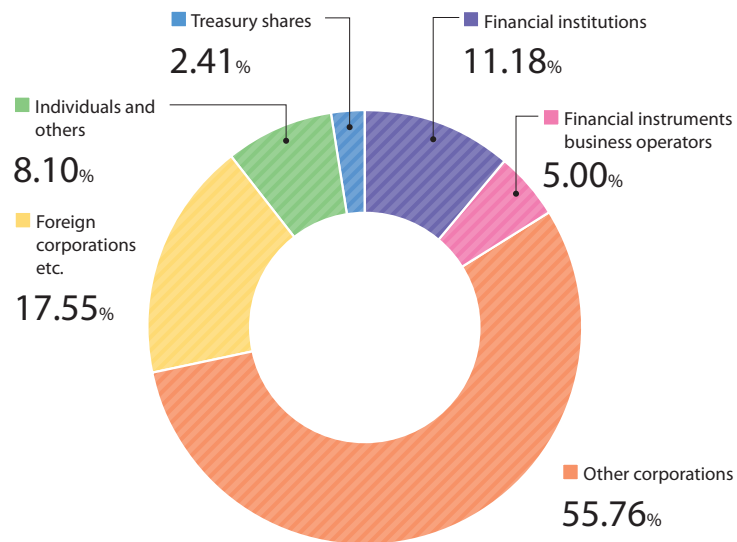
Number of Shares

Total number of shares authorized to be issued	54,000,000
Total number of issued shares	28,800,000

Number of Shareholders

Number of shareholders (including shareholders with less than one unit of shares)	4,111
---	-------

Composition of Shareholders



Major Shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
Japan Tobacco Inc.	15,398,800	54.78
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,954,700	6.95
Tachibana Securities Co., Ltd	952,900	3.39
Custody Bank of Japan, Ltd. (Trust Account)	778,000	2.76
JEFFERIES LLC-SPEC CUST AC FBO CUSTOMER	471,400	1.67
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2	347,100	1.23
Torii Pharmaceutical Co., Ltd. Employee Shareholdings Association	246,114	0.87
GOLDMAN SACHS INTERNATIONAL	216,100	0.76
Nomura Securities Co., Ltd.	215,365	0.76
MLI FOR SEGREGATED PB CLIENT	200,000	0.71

Note: Shareholding ratios are calculated after deducting treasury shares (694,772 shares).