

Directors

*As of March 27, 2024



Four male and one female (percentage of female Director: 20.0%)

1 Representative Director, President and Chief Executive Officer Goichi Matsuda

Apr. 1990 Joined Japan Tobacco Inc.
Jan. 2009 Vice President, Planning Dept., Soft Drink Business Division, Food Business Headquarters of Japan Tobacco Inc.
Jun. 2009 Member of the Board, Director of JT Beverage Inc.
Jul. 2010 Vice President, Planning Dept., Soft Drink Business Division of Japan Tobacco Inc.
Jul. 2012 Senior Manager, Soft Drink Business Division of Japan Tobacco Inc.
Jul. 2012 Member of the Board, Senior Vice President of Japan Beverage Holdings Inc.
Jun. 2013 Senior Vice President, Head of Beverage Business, of Japan Tobacco Inc.
Jun. 2013 Member of the Board, Director of JT Beverage Inc.
Jan. 2016 Senior Vice President, Deputy President, Pharmaceutical Business of Japan Tobacco Inc.
Jan. 2017 Corporate Advisor of Pharmaceutical Division of Japan Tobacco Inc.
Mar. 2017 Member of the Board, Director, Deputy Head of Pharmaceutical Marketing & Promotion Group and Vice President, Marketing Planning Dept. of the Company
Mar. 2019 Representative Director, President and Chief Executive Officer of the Company (current position)

2 Representative Director, Executive Deputy President Nobumasa Kondo

Apr. 1992 Joined Japan Tobacco Inc.
Jul. 2012 Vice President, CSR Division of Japan Tobacco Inc.
Oct. 2015 Senior Manager of Business Planning Dept., Pharmaceutical Division of Japan Tobacco Inc.
Jan. 2016 Senior Manager of Business Administrative Dept., Pharmaceutical Division of Japan Tobacco Inc.
Mar. 2016 Vice President, Corporate Planning Dept. of the Company
Mar. 2019 Executive Officer, Head of Planning & Administration Group and Vice President, Corporate Planning Dept. of the Company
Oct. 2019 Executive Officer, Head of Planning & Administration Group of the Company
Mar. 2020 Senior Executive Officer, Head of Planning & Administration Group of the Company
Mar. 2024 Representative Director, Executive Deputy President of the Company (current position)

3 Outside Director, Audit and Supervisory Committee Member Takaharu Matsumura

Oct. 2000 Registered as lawyer (Tokyo Bar Association)
Jun. 2002 Joined New Tokyo International (later Bingham Sakai Mimura Aizawa – Foreign Law Joint Enterprise through office consolidation)
Apr. 2010 Partner of Bingham Sakai Mimura Aizawa – Foreign Law Joint Enterprise
Apr. 2015 Partner of Anderson Mori & Tomotsune (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise) through office consolidation (current position)
Apr. 2017 Outside Audit & Supervisory Board Member of PROPOLIFE GROUP INC. (currently LogProstyle Group Inc.) (current position)
Mar. 2018 Outside Audit & Supervisory Board Member of the Company
Jun. 2022 Corporate Auditor of Nippon Cultural Broadcasting Inc.(current position)
Jun. 2023 Outside Audit & Supervisory Board Member of MOS FOOD SERVICES, INC. (current position)
Mar. 2024 Outside Director, Audit and Supervisory Committee Member of the Company (current position)

4 Outside Director, Audit and Supervisory Committee Member Mihoko Manabe

Jun. 1982 Joined Nissho Iwai American Corporation (currently Sojitz Corporation of America)
May 1988 Joined Moody's Investors Service, Inc.
May 2013 Senior Vice President of Moody's Investors Service, Inc.
May 2017 Associate Managing Director of Moody's Japan K.K.
Jan. 2019 Member of the Board, Director of Moody's Japan K.K.
Oct. 2023 Financial consultant (sole proprietor) (current position)
Mar. 2024 Outside Director, Audit and Supervisory Committee Member of the Company (current position)

5 Outside Director, Audit and Supervisory Committee Member Kenichi Fujita

Apr. 1983 Joined ALPS ELECTRIC CO., LTD. (currently ALPS ALPINE CO., LTD.)
Jun. 1994 Director of Alpine Electronics GmbH (currently Alps Alpine Europe GmbH)
Jun. 2001 General Manager of Corporate Strategy Dept. and Principal Consultant of Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)
Sept. 2007 Representative Director and CEO of Siemens VDO Automotive K.K. (currently Continental Automotive Japan)
Oct. 2009 Energy Sector Business Development Director of Siemens AG
Oct. 2011 Senior Executive Officer, Energy Sector Lead of Siemens Japan K.K. (currently Siemens Healthcare K.K.)
Oct. 2014 Senior Executive Officer, General Manager of Power & Gas Business Division, General Manager of Power Generation Service Business Division, and General Manager of Wind Power & Renewable Energy Business Division of Siemens Japan K.K.
Oct. 2016 Representative Director, President and CEO, General Manager of Power & Gas Business Division, General Manager of Power Generation Service Business Division of Siemens K.K.
Mar. 2018 Representative Director, President and CEO, General Manager of Energy Management Business Division and General Manager of Mobility Business Division of Siemens K.K.
Oct. 2020 Representative Director and Chairman of Siemens K.K.
Jan. 2021 Representative Director and President of K-BRIC, Ltd. (currently K-BRIC&Associates, Ltd.) (current position)
Mar. 2021 Outside Director of ENECHANGE Ltd. (current position)
Mar. 2023 Outside Director of OUTSOURCING Inc. (current position)
Mar. 2024 Outside Director, Audit and Supervisory Committee Member of the Company (current position)

Executive Officers

Senior Executive Officer	Head of Innovation Group	Atsuyuki Kakee
Senior Executive Officer	Head of Pharmaceutical Marketing & Promotion Group	Katsunobu Fujiwara
Executive Officer	Head of Pharmacovigilance & Quality Assurance Group	Noriaki Nishino
Executive Officer	Head of Production Group	Koji Matsuda
Executive Officer	Head of Planning & Administration Group	Shinichiro Arikawa

Skill Matrix

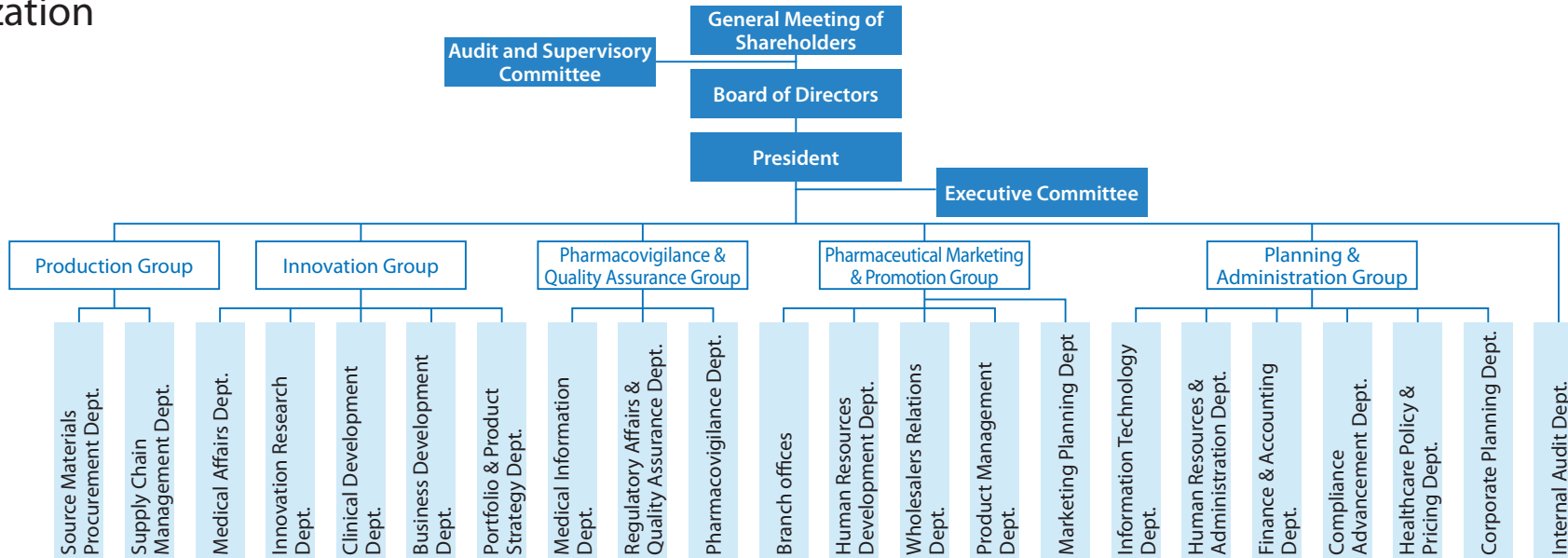
The Board of Directors is composed of well-balanced members with knowledge, expertise, and experience in various fields in accordance with their respective roles and responsibilities in order to achieve sustainable growth and enhance corporate value of the Company over the medium-/long-term. In addition, the Company has introduced an executive officer system for the purpose of separating management decision-making and supervision from business execution.

Under the structure of the Board of Directors and Executive Officers, the expertise, experience, etc. to be prepared for the realization of the Company's corporate philosophy and the Medium/Long-Term Business Vision "VISION2030" are selected from the perspective of the fundamentals of business operations (stable supply of pharmaceutical products and quality assurance, compliance) and the execution of business strategies (maximization of the value of existing products and those in development, acquisition of new in-licensed drugs), in addition to extensive experience and insight into corporate management in general.

The expertise, experience, etc. of each Director and Executive Officer are indicated in the table on the right.

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

Organization



Message from the Executive Deputy President



Sustainable Growth and Medium-/Long-term Enhancement of Corporate Value Under the New Governance Structure

Nobumasa Kondo

Representative Director,
Executive Deputy President

Corporate Governance at Torii to Date

At Torii, we recognize that the enhancement and reinforcement of our corporate governance is directly linked to our sustainable growth and the medium-/long-term enhancement of our corporate value. As a listed subsidiary, we are required to implement a higher level of governance than other listed

companies. In addition, corporate governance is not something that can be left alone after building a once-effective system; rather, it must constantly be revised and improved in line with rising demand from capital markets and changes in internal and external environments. As such, we have long positioned corporate governance as a key management issue.

Based on this approach, we have implemented the necessary initiatives as per the relevant laws and regulations and the Corporate Governance Code put together by the Tokyo Stock Exchange. However, through dialogue with our shareholders and investors, we have realized that simply adhering to laws and regulations and the Corporate Governance Code does not allow us to sufficiently meet the needs of capital markets. Taking on board the opinions of our shareholders and investors, we recognized the need to build an appropriate and thorough governance structure in line with the company's circumstances.

From this standpoint, we felt that there was a need to revise our governance structure as our own course of action had changed significantly. In 2019, we terminated a license agreement relating to our exclusive marketing rights to sell six of the anti-HIV drugs in Japan, among other things. This management decision was based on the idea that the payment we would receive as consideration from the termination of the agreement could be used as funds for future growth. However, we could not avoid a temporary drop in business performance, and so for a while following the termination of the agreement, we focused on business structure reforms that included the optimization of the workforce and the consolidation and reorganization of our organizations. At the same time, we created a governance structure that could flexibly and boldly take on these reforms. Now, however, having steadily implemented these painful business structure reforms and made improvements to our business performance, we have transitioned to a stage in which we can aim for further growth using funds in hand. As such, we saw the need to revise our governance structure to one that is suited to this new stage of growth.

This led to the major and recent revisions to our corporate governance structure.

Message from the Executive Deputy President

Transition to a Company with an Audit and Supervisory Committee

Following the 132nd Annual General Meeting of Shareholders held in March 2024, we transitioned from a company with an Audit & Supervisory Board to one with an Audit and Supervisory Committee. In a company with an Audit and Supervisory Committee, Directors who are members of the Audit and Supervisory Committee are given voting rights at Board of Director meetings, and the Board of Directors can delegate a substantial portion of its decision-making authority regarding business execution to the executive Directors. Under this new organizational design, we will reinforce the supervisory functions of the Board of Directors and ensure even prompter decision-making in management. The Companies Act states that an Audit and Supervisory Committee must be made up of three or more Directors, of which more than half are Outside Directors who are not responsible for business execution. The Audit and Supervisory Committee at Torii comprises three Directors, all of whom are Independent Outside Directors, ensuring even stronger audit and supervisory functions toward the Board of Directors. Moreover, as a voluntary advisory body we have also established the Nomination and Compensation Advisory Committee, comprising three Independent Outside Directors. In addition to further enhancing discussions on matters related to nomination and compensation for Directors and Executive Officers, this will also further improve the transparency, objectivity, and fairness of the relevant procedures.

In line with the opinions of our shareholders and investors, and to ensure the high level of governance required of a listed subsidiary, these changes to our organizational design were made following much in-house deliberation. Through proper management of these new company systems, and in turn by enhancing discussions and enabling appropriate decision-making, we believe that we can increase the confidence that capital markets have in Torii.

Revising the Composition of the Board of Directors

Alongside our transition to a company with an Audit and Supervisory Committee, we also revised the composition of the Board of Directors. Previously, the Board of Directors comprised three Directors (of which more than half (two) were Independent Outside Directors), as we believed that a smaller structure would enable flexible decision-making and ensure steady implementation of our business structure reforms. Now, however, we have transitioned to a new stage in which we are aiming for further growth. As such, to enhance our discussions and decision-making capabilities with Directors who have a more diverse range of expertise and experience, we have increased the size of the Board of Directors to comprise five Directors. (The majority (three) is still made up of Independent Outside Directors to ensure independence from controlling shareholders and protect minority shareholders.) Our three new Independent Outside Directors hail from different backgrounds and have helped us create a well-balanced Board of Directors with diverse expertise and experience. We have made particular reinforcements to our expertise in international and sustainability matters, and with one female Director, we have been able to enhance the diversity of the Board of Directors as a whole.

We have already held numerous discussions and made decisions with these new Board of Directors members, and it is clear to see that more active, high-quality discussions are underway. Moreover, with the Outside Directors offering suggestions from new perspectives, we can already see the benefits that this will bring moving forward. Through enhanced discussions and decision-making under the new composition of the Board of Directors, we will strive to achieve sustainable growth and enhance our medium-/long-term corporate value.

Future Initiatives

Our foremost focus is to properly operate this new governance structure in an effective manner. At the same time, however, we believe that appropriately communicating our initiatives and gaining the understanding of our shareholders and investors is of equal importance. In terms of our information disclosure and



communication with shareholders and investors, in addition to regular financial results briefings and individual meetings and small meetings with shareholders and investors upon request, we also proactively engage in dialogue with those responsible for exercising voting rights. While we have always worked to enhance and reinforce these opportunities, we recognize that there is still plenty of room for improvement and will therefore continue implementing initiatives for further advancement.

As above, the enhancement and reinforcement of our corporate governance is something that requires continuous attention. Moving forward, we will earnestly take on board the opinions of capital markets and strive to meet the expectations of our shareholders and investors. We will also continue implementing the necessary initiatives to facilitate sustainable growth and the enhancement of our medium-/long-term corporate value.

Corporate Governance

Transition to a Company with an Audit and Supervisory Committee

Torii aims to enhance and reinforce its corporate governance by strengthening the supervisory function of the Board of Directors, which is to be coupled with the provision of consideration to the realization of further prompt decision-making in relation to management issues. With the intention of achieving these aims, we have transitioned to a company with an Audit and Supervisory Committee, which enables the Board of Directors to delegate its decision-making authority regarding business execution to the executive Directors, following approval from the 132nd Annual General Meeting of Shareholders held on March 27, 2024.

Basic Stance toward Corporate Governance

At Torii, corporate governance means the structure to enable the Company to respond to changes in the business environment quickly and appropriately and to conduct fair and transparent management to achieve sustainable growth of the Company and enhance corporate value over the medium-/long-term under Torii Pharmaceutical's Purpose, the corporate philosophy, and 4S MODEL, the basic management stance.

We recognize that the enhancement of corporate governance will lead to the sustainable growth and medium-/long-term enhancement of corporate value.

While respecting the Group management policy of JT, Torii's parent company, Torii aims to ensure management autonomy and independence as a listed company.

Based on the stance described above, we have defined the Corporate Governance Policy and are working to achieve effective corporate governance.

For details,
please refer to: ▶

<https://www.torii.co.jp/company/governance.html> (Japanese only)

Corporate Governance Structure

The corporate governance organs adopted by Torii under the Companies Act of Japan include the General Meeting of Shareholders, the Directors, the Board of Directors, the Audit and Supervisory Committee and the accounting auditors.

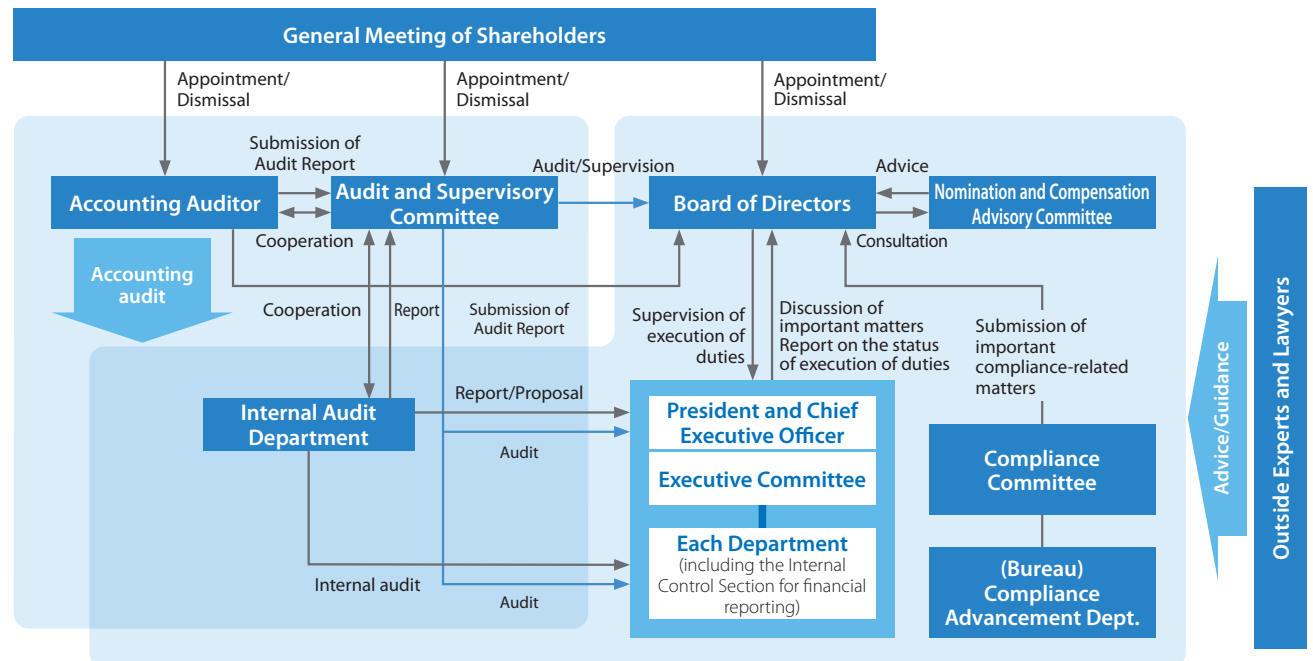
Moreover, as a voluntary advisory body to the Board of Directors, we have also established the Nomination and Compensation Advisory Committee comprising solely Independent Outside Directors. Through this Committee, we aim to further improve the transparency, objectivity, and fairness of procedures, and enhance discussions, related to nomination and compensation for Directors, etc.

Below is an overview of our corporate governance structure.

With the aim of separating management decision-making and supervision from business execution, the Company has introduced an executive officer system and delegated appropriate authority to Executive Officers from the viewpoint of ensuring swift decision-making concerning business execution.

In addition, the Company has established the Executive Committee, the Compliance Committee, the Compliance Advancement Department and the Internal Audit Department from the perspective of building an effective corporate structure and has appointed Independent Outside Directors in order to enhance corporate governance through operation and maintenance of the basic policies regarding the development of internal control system.

Overview of Corporate Governance Structure



Corporate Governance

Overview of Corporate Governance

Organization format	Company with an Audit and Supervisory Committee
Chairperson of the Board of Directors	Independent Outside Director
Number of Directors (of which, Independent Outside Directors)	5 (3)
Ratio of female Directors	20% (1 Director)
Number of Directors who are members of the Audit and Supervisory Committee (of which, Independent Outside Directors)	3 (3)
Number of Board of Directors meetings in 2023	13 times
Number of Audit & Supervisory Board meetings in 2023*	15 times
Voluntary committees	Nomination and Compensation Advisory Committee Comprising solely Independent Outside Directors
Number of Executive Officers	5
Accounting Auditor	Deloitte Touche Tohmatsu LLC

*The number of meetings held in FY2023 is for the Audit & Supervisory Board, prior to our transition to a company with an Audit and Supervisory Committee.

Activities of the Board of Directors

The Board of Directors is responsible for discussions and deliberations on agenda items as per the relevant laws and regulations, the Articles of Incorporation, and the Board of Director Regulations. In FY2023, the Board of Directors discussed, approved, and reported on various matters, including the update to the Medium-/Long-Term Business Vision, the formulation of the Medium-Term Management Plan, the transition to a company with an Audit and Supervisory Committee, matters related to financial

statements, and decisions on executive personnel and Director compensation. Other activities included the consideration of the appropriateness of policy shareholdings, reports on the status of implementation of the Corporate Governance Policy, reports on the creation and operation of internal control systems, and the conclusion of important contracts (license agreement with Nogra and ALK, etc.).

Evaluation of Effectiveness of the Board of Directors

In FY2023, Torii evaluated the effectiveness of the Board of Directors by sending a questionnaire to all Directors and Audit & Supervisory Board Members. Items for evaluation included the contents of materials, explanations of agenda items, deliberation on agenda items, communication, the way in which meetings are held, etc. Questionnaire results as summarized by Independent Outside Directors showed that each item for evaluation was generally regarded as appropriate. However, in terms of deliberation on agenda items, responses showed the need to scrutinize medium-/long-term issues and to further improve the quality of discussions, including at meetings other than the Board of Directors. Moreover, other responses indicated the need to further improve communication between Directors and Executive Officers. Based on these results, we will implement further improvements.

Matters with Possible Significant Impact on Corporate Governance

Collaboration with Japan Tobacco Inc. (JT)

JT is Torii's parent company and owns 54.8% of Torii's voting shares. Torii and JT (specifically, the pharmaceutical division of the company) each leverage their own pharmaceutical product and service strengths. Torii is primarily responsible for manufacturing and marketing functions, while JT is responsible for research and development functions. The allocation of functions is for the purpose of optimization to realize our corporate philosophy. Also, this enables us to conduct appropriate business activities by ensuring a certain level of independence while also maintaining close cooperation with the parent company.

Parent Company's Policies on Group Management

The policies of JT, Torii's parent company, on Group management are as follows:

We aim for the Group's sustainable profit growth and increase of corporate value over the medium- and long-term by pursuing the 4S model, our management principle, and sharing the JT Group Purpose on a Group-wide basis. Based on our belief that better corporate governance contributes to achieving the aforementioned goals, we strive to optimize the Group structure by defining functions and regulations shared in the Group and managing the Group as a whole. In addition, we coordinate compliance (including internal reporting system), internal auditing, assurance of reliability of financial reporting and more with our subsidiaries and maintain these activities. We strive to give the best consideration to assure independence of listed subsidiaries and to protect the interests of minor shareholders.

Approach to and Measures for Ensuring Independence from Parent Company

In our collaboration with JT, the allocation of functions allows us to ensure a certain degree of independence while conducting appropriate business activities while also maintaining close cooperation. To reinforce its supervisory functions and ensure management transparency, we have created a structure in which the majority of the Board of Directors is made up of Independent Outside Directors, and in which an Independent Outside Director assumes the role of chairperson.

Moreover, in decisions related to transactions, etc. with JT, after obtaining the views of outside experts as necessary, we seek the opinions from outside officers who have no interest in major shareholders. In addition, in accordance with internal regulations, decisions on transactions with JT are made at the Board of Directors, etc., and annual transaction results are reported to the Board of Directors.

Furthermore, as a voluntary advisory body to the Board of Directors, we have also established the Nomination and Compensation Advisory Committee comprising solely Independent Outside Directors. Through this Committee, we aim to further

Corporate Governance

improve the transparency, objectivity, and fairness of procedures, and enhance discussions, related to nomination and compensation for Directors and Executive Officers.

■ Compensation for Directors, etc.

Policies and Procedures for Determining Compensation for Directors and Executive Officers

The Board of Directors makes decisions on compensation for Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Executive Officers based on the following policies and procedures.

- The Nomination and Compensation Advisory Committee discusses matters related to the compensation system, compensation levels, and individual compensation amounts, etc., for Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Executive Officers, and final decisions are made by the Board of Directors.
- Executive Director compensation consists of monthly compensation and bonuses based on positions. The bonus is granted based on the achievement of the individual and business performance. Non-Executive Director compensation, on the other hand, consists of monthly compensation based on positions. Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) are also eligible for the restricted stock compensation plan as a medium-/long-term incentive.
- Executive Officer compensation consists of monthly compensation and bonuses. The bonus is granted based on the achievement of the individual and business performance. Executive Officers are also eligible for the restricted stock compensation plan as a medium-/long-term incentive.

Compensation for Directors Who Are Members of the Audit and Supervisory Committee

Compensation for Directors who are members of the Audit and Supervisory Committee consists solely of monthly compensation based on full- or part-time status, and the amount is discussed and determined by the Audit and Supervisory Committee.

The amount of compensation for Directors who are members of the Audit and Supervisory Committee was approved at the 132nd Annual General Meeting of Shareholders held on March 27, 2024, as no more than ¥90 million per year.

Matters Related to the Policy for Determining the Composition of Individual Compensation for Directors

The Board of Directors has formulated a policy for determining the composition of individual compensation, etc. for Directors (hereinafter "Determination Policy"). An overview of the Determination Policy is below.

Compensation for Directors (Excluding Directors Who Are Members of the Audit and Supervisory Committee)

- Compensation for Directors (excluding Directors who are members of the Audit and Supervisory Committee) is determined for each position, and when setting the compensation level, it is determined in consideration of objective data such as compensation surveys conducted by external organizations and maintaining a balance with the compensation level of Torii's employees, etc. In addition, the ratio of monthly compensation, bonuses, and restricted stock compensation is determined as incentives to pursue Torii's sustainable growth and enhance its medium- to long-term corporate value.
- The amount of compensation (including bonuses) for Directors was approved at the 132nd Annual General Meeting of Shareholders held on March 27, 2024, as no more than ¥300 million per year. Moreover, the amount of compensation for granting restricted stock for Directors (excluding Directors who are members of the Audit and Supervisory Committee and Independent Outside Directors) was approved at the said Annual General Meeting of Shareholders as no more than ¥66 million per year, which is separate from the monetary compensation above.
- Executive Director compensation consists of monthly compensation and bonuses based on positions.
- To incentivize the sustainable enhancement of the Torii's corporate value, and to further share value with our shareholders, Directors (excluding Directors who are members of the Audit and Supervisory Committee and Independent Outside Directors) are eligible for the restricted stock compensation plan.

- Non-Executive Director compensation consists solely of monthly compensation based on positions to ensure independence from business execution.

Executive Director Bonuses

- Bonuses consist of a portion reflecting individual evaluations (base amount is monthly compensation $\times 2$, ± 1 depending on results of individual evaluations) and a portion linked to the Company's performance (base amount is monthly compensation $\times 2$, ± 2 depending on level of achievement; level of achievement of initial targets for net sales and operating income before R&D expenses compared to results at the end of the current fiscal year).
- Indicators for the portion of bonuses which is linked to the Company's performance are net sales and operating income before R&D expenses. These have been chosen because net sales and operating income are management indicators that directly reflect business performance, as well as are linked to the numerical targets in VISION2030 ("Net sales: Over ¥80.0 billion," "Operating income: Operating income comes within the range of breaking the all-time high (¥13.3 billion) in 2032"), and also because operating income before R&D expenses is linked to the indicators in the Medium-Term Management Plan 2024-2026.
- The formula for calculating bonuses is below.
Portion reflecting individual evaluations (base bonus amount based on monthly compensation amount (by position) \times individual evaluation result coefficient [1-3]) + portion linked to the Company's performance (base bonus amount based on monthly compensation amount (by position) \times coefficient for level of achievement of initial net sales target compared to results at end of fiscal year [0-2.0] + base bonus amount based on monthly compensation amount (by position) \times coefficient for level of achievement of initial operating income before R&D expenses target compared to results at end of fiscal year [0-2.0])

Corporate Governance

- The targets and results for performance-linked bonus indicators in FY2023 are below.

Evaluation indicator*	Evaluation standard	Evaluation ratio (%)	Targets (Billions of yen)	Results (Billions of yen)
Net sales	Level of FY2023 achievement compared to net sales target (Less than ¥46.4 billion / ¥55.4 billion or more)	50.0	50.9	54.6
operating income before R&D expenses	Level of FY2023 achievement compared to operating income before R&D expenses target (Less than ¥5.38 billion / ¥9.88 billion or more)	50.0	7.63	8.52

*For performance-linked bonuses in FY2023, the indicator was the level of achievement of net sales and operating income before R&D expenses at the end of the fiscal year compared to the initial targets.

Method for Determining Specific Amount of Individual Compensation for Directors (Excluding Directors Who Are Members of the Audit and Supervisory Board)

The amount of monthly compensation and performance-based bonuses for Directors (excluding Directors who are members of the Audit and Supervisory Board) is determined individually based on the Decision Policy, etc., and within the range of compensation approved at the 132nd Annual General Meeting of Shareholders held on March 27, 2024. To ensure transparency, objectivity, and fairness in procedures related to Director compensation, the specific amount and timing of payment is discussed by the Nomination and Compensation Advisory Committee, comprising solely Independent Outside Directors, and final decisions are made by the Board of Directors.

Method for Determining Compensation for the Distribution of Restricted Stock for Directors

With regard to restricted stock compensation for Directors (excluding Directors who are members of the Audit and Supervisory Committee and Independent Outside Directors), the specific timing and allocation of the compensation to each eligible Director is decided by the Board of Directors based on the details

approved at the 132nd Annual General Meeting of Shareholders held on March 27, 2024.

In our restricted stock compensation plan, eligible Directors shall tender all monetary claim awarded based on a resolution of the Company's Board of Directors as a contribution in kind to have shares of the Company's common stock granted. The transfer restriction period will be predetermined by the Board of Directors as a period of time between 3 and 20 years. If a Director falls under certain grounds, such as the Director retiring for any reason other than that deemed reasonable, the Company will acquire the shares granted without contribution.

Selection of Director Candidates, etc.

Policy and Procedures Related to the Selection of Director Candidates, etc.

- The Nomination and Compensation Advisory Committee holds discussions on Director candidates, and for candidates for Directors who are members of the Audit and Supervisory Committee, candidates are referred for discussion to the Board of Directors following prior agreement from the Audit and Supervisory Committee, and decisions are made following Board of Director resolutions.

- The Nomination and Compensation Advisory Committee holds discussions on Executive Officer candidates, and final decisions are made by the Board of Directors.
- When appointing an individual with previous experience as a representative director as a counselor, advisor, or any other similar position, the Nomination and Compensation Advisory Committee holds discussions on the candidates and final decisions are made by the Board of Directors.
- In the event that there is a serious legal violation and other problems in the execution of business by a Director causing a significant loss to the Company, or if any other incidents occur that require the dismissal of a Director, the Nomination and Compensation Advisory Committee holds discussions before the Board of Directors makes a decision on whether to remove the relevant Representative Director or Director with a title from their positions. The Board of Directors then makes a decision on the submission of a proposal to the General Meeting of Shareholders to dismiss the Director in question.
- When referring a proposal for the election of a Director to the General Meeting of Shareholders, the reasons for the election of each candidate will be disclosed in the Notice of the General Meeting of Shareholders.
- The Nomination and Compensation Advisory Committee holds discussions on policies related to Representative Director succession plans.

Total Compensation Amount for Each Officer Category, Total Amount by Type of Compensation, and the Number of Eligible Officers for FY2023*

Officer category	Total compensation amount (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible officers
		Basic compensation	Performance-linked compensation (bonus)	Non-monetary compensation (restricted stock compensation)	
Directors (excluding Outside Directors)	62	37	16	8	1
Outside Directors	24	24	–	–	2
Total	86	61	16	8	3
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	22	22	–	–	1
Outside Audit & Supervisory Board Members	21	21	–	–	2
Total	44	44	–	–	3

*The above information relates to the Audit & Supervisory Board, prior to our transition to a company with an Audit and Supervisory Committee.

Message from Outside Directors



Going Beyond the Role of Auditor to Support the Creation of Personnel Who Can Overcome Risk

Takaharu Matsumura

Outside Director, Audit and Supervisory Committee Member

Monitoring and Advising Business Execution Using Expertise in Legal Affairs

I had been an Outside Audit & Supervisory Board Member since 2018, and was appointed Outside Director, Audit and Supervisory Committee Member in line with Torii's transition to a company with an Audit and Supervisory Committee. In terms of changes, I have been given voting rights at Board of Director meetings. That said, rather than simply fulfilling my role as an auditor by exclusively conducting legal audits and limited operational audits, my approach has always been to actively speak out at Board of Director and Executive Committee meetings from a broad perspective, and President Goichi Matsuda and other members of management

have taken onboard these opinions. As such, I do not feel as though my role has changed drastically.

Having worked as a lawyer specializing in labor cases, M&As, and crisis management for corporate misconduct, for example, while I do not have first-hand experience in corporate management or business, I have monitored and advised the execution of business using my expertise in legal affairs. Torii is a listed subsidiary of a listed parent company, and so to ensure the effectiveness of its corporate governance, protecting the interests of minority shareholders is a key role for us as Outside Directors.

Five years ago, Torii experienced a significant deterioration in business performance in line with the termination of a license agreement relating to its exclusive marketing rights to sell six of the anti-HIV drugs in Japan, among other things. Having overcome this

period, with the acquisition of promising in-licensed drugs and products from its new drug development pipeline driving growth, the business is growing steadily. To ensure that Torii does not experience this deterioration in performance again, one of my roles is to use my perspective from outside the company to shed light on various angles and ascertain any unseen risks related to in-licensing and development, as well as stable supplies.

A Nomination and Compensation Advisory Committee Comprising Only Outside Directors

Another one of my roles as an Outside Director is to guarantee the soundness and legitimacy of nomination and compensation functions as a member of the Nomination and Compensation Advisory Committee. In particular, it is important that I contribute to the development of management successors and next-generation leaders. As part of painful business structure reforms implemented five years ago, calls for voluntary retirement and other measures led to a large number of retirees and in turn the reduction of the company's human resources. As such, a current in-house challenge is the development of personnel to ensure sustainable growth.

The Nomination and Compensation Advisory Committee comprises three members including the chairperson, all of whom are Outside Directors. It is a highly independent structure that helps to enhance the effectiveness of the Torii's corporate governance. As Outside Directors, we interact with personnel from the business execution side of the company through Executive Committee meetings and individual consultations, ascertaining their qualities and aptitudes to offer effective recommendations at Nomination and Compensation Advisory Committee meetings.

Ms. Manabe and Mr. Fujita, who were appointed as Outside Directors, Audit and Supervisory Committee Members alongside me, have a wealth of experience in corporate management and rich expertise and knowledge. Together with my experience in the legal industry, we broadly cover the Board of Directors' skills matrix. Using our individual strengths and working with one another, we will do everything we can to contribute to the further development of Torii.



Message from Outside Directors



Contributing to the Company's Diversity and Revitalization with Financial and Management Experience

Mihoko Manabe

Outside Director, Audit and Supervisory Committee Member

Expertise in Communicating with Investors and the Capital Markets

I worked for many years at the US headquarters of a global financial institution as a securities analyst. I then relocated to the company's Japanese subsidiary to lead corporate finance, where I oversaw the corporate analysis of a wide range of sectors. I believe that I can contribute to Torii my 36 years' experience in finance and corporate strategy. A longtime career goal of mine has been to contribute to society and business as an outside director, and I am delighted and honored to have this opportunity at Torii.

I believe that one of my responsibilities expected as an Outside Director is to use my experience in communicating with investors and the capital markets. With 17.5% of Torii's shareholders domiciled abroad (as of December 2023), I expect opportunities to utilize my bilingual skills and global network.

In recent years, Torii has garnered attention for its growing sales of Japanese cedar allergy drugs. To earn the trust of investors and the stock market, however, the company must effectively communicate not only news on individual drugs, but also its medium-/long-term growth narrative and corporate strategy. When the story is unclear, investors can be unduly conservative about Torii's prospects and potential value. Torii therefore needs to remain

vigilant to investors' understanding of and satisfaction with the company's direction, and thereby ensure its value is reflected appropriately in the share price.

Promoting Diversity that Contributes to Corporate Value

Another focus of mine has been empowering women in public life. I believe that information and awareness programs can expand opportunities for women and enrich society. To that end, I hope to play a role in promoting diversity at Torii.

As of December 2023, the percentage of female managers was only 9.8%, falling well short of the government's target of 30%.

Diversity can drive innovation at a company, as well as help revitalize the workplace and boost employee engagement. For a healthcare company like Torii, empowering women marks a shift toward a more diverse corporate culture that is essential in executing its growth strategy.

Empowering women will require not only supportive personnel policies, but also mentors and role models who can help women advance in their careers. Building a gender-balanced pipeline to develop such talent will require the full support and buy-in from the male staff.

I look forward to engaging with Torii's employees and initiating opportunities for dialogue.

Message from Outside Directors



Proactively Promoting an Enhancement of Corporate Value in the Company's New Stage of Growth

Kenichi Fujita

Outside Director, Audit and Supervisory Committee Member

Aligning with the Company's Revival and New Stage of Growth

Having worked overseas for a Japanese electronics manufacturer and as a consultant of a financial think tank, I then moved to a global technology company where I worked at the German head office before becoming president of its Japanese subsidiary. I have been involved in cutting-edge management at overseas companies in areas such as managerial accounting, marketing, human resources management, and compliance and governance, while I have also worked to align these methods with the characteristics of Japanese market, bridging any gaps. As an Outside Director at Torii,

my role is to make use of such experience and knowhow, and I am committed to doing so to the best of my ability.

Torii has successfully overcome a significant deterioration in performance and has revitalized itself through a new business model. One of my personal qualities is developing new businesses with an entrepreneurial approach, and so I strongly resonate with this sentiment.

This new stage of growth could be called a second incubation of the company. As such, One of the key challenges for Torii is how to accurately and timely provide information through the market communications and IR activities, in order to enhance market recognition and deepen understanding of its initiatives. In line with the 4S MODEL, another challenge for the company in its future

growth strategies is to examine how to maintain its relationship with stakeholders and optimize the balance between investments and returns. As a pharmaceutical company, Torii must not only meet the expectations of shareholders and investors but also strike a balance that reflects a broader social responsibility.

A Company That Continues to Improve Every Day

As an Outside Director, it is my role to guarantee effective governance and protect the interests of minority shareholders and others. To maximize the interests that the company can offer them, I will proactively work with the company to expand its corporate value.

Elsewhere, the development of next-generation leaders for the future of the company requires the continuation of expertise and knowhows such through lectures and experiences. Through succession plans and mentor-mentee activities, I look forward to sharing my own management experiences with the company.

For the pharmaceutical industry, compliance is a prerequisite for business continuation. To maximize profit using appropriate means with a compliance-based mindset, I will promote the accurate measurement of risks and risk management with decisive action. To do so, the launch of an in-house organization such as a Risk Management & Compliance Committee could be an effective means.

My belief is that growth is essential for any company. A company that does not grow is bound to decline, and this applies not only to profit growth but also to value propositions and engagement. I look forward to seeing Torii continuously improve and become better each day.

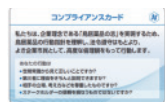
Compliance

Compliance Measures

Compliance as a Pharmaceutical Company

Pharmaceutical companies are required to constantly maintain a high level of ethics and transparency in their corporate activities.

Torii defines compliance as maintaining the trust of stakeholders and not disappointing them. To this end, we distribute a compliance book that defines concrete action standards serving as guidelines for specific actions as well as values and ethics that all employees should share, and we engage awareness-raising activities. Regarding promotional activities, Torii has defined various internal standards such as the Torii Pharmaceutical Promotion Code based on the JPMA Code of Practice by the Japan Pharmaceutical Manufacturers Association and the guidelines on sales information provision activities (the “Sales Guidelines”) by the Ministry of Health, Labour and Welfare, and engages in promotional activities.



Compliance Card



Compliance Book

Compliance Promotion Structure

Torii positions ensuring compliance as one of the foundations for business operation. In order to ensure heightened effectiveness, we formulated rules for the compliance structure and established the Compliance Committee. Chaired by the President, this committee directly reports to the Board of Directors and deliberates on compliance promotion issues. Furthermore, each division of the Company formulates and implements compliance promotion measures.

The Compliance Advancement Department, which spearheads company-wide compliance promotion operations, also supervises Torii’s sales information provision activities in response to the Sales Guidelines which came into force in 2019. The department screens Torii’s academic information materials and monitors information provision activities to confirm whether the information provision activities are in compliance with the Sales Guidelines. The department also conducts review of research support.

Employee Awareness-Raising and Education

We conduct compliance training for all employees once a year, as well as for new employees when they join the Company. In addition, we implement drug injury education for all employees to deepen the knowledge of drug-related injuries and foster awareness on patients’ use of drugs.

Response to the Violation of the Antimonopoly Act

In March 2020, Torii received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission (JFTC) pursuant to the Antimonopoly Act for a violation of the Antimonopoly Act. Taking these orders gravely and seriously, we revised the Code of Conduct and established and notified the guidelines as measures to prevent recurrence. We are holding regular training sessions and continuing implementation of strengthened supervisory functions in order to keep the need for vigilance at the forefront of our minds. We will continue our efforts to ensure thorough compliance with laws and regulations in order to prevent recurrence and restore trust as soon as possible.

Compliance Questionnaires

We regularly administer compliance questionnaires to understand and evaluate employees’ attitudes towards compliance, current company and workplace compliance conditions, and compliance implementation conditions, and we use these findings in our future compliance promotion activities.

The results of these questionnaires are posted for viewing by all employees. Moreover, the issues identified through these

questionnaires are utilized, for example, when formulating compliance promotion measures.

Reporting and Consultation Contact Point (Hotline)

We have placed and manage various internal rules in accordance with the Act Partially Amending the Whistleblower Protection Act. We also have an internal reporting and consultation desk, an external reporting contact point (lawyer), and an internal reporting desk affiliated with the Audit and Supervisory Committee in place, in order to promptly identify and minimize the threats posed to the company by legal violations. In addition to our company-wide reporting and consultation desk, we have also established consultation desks within individual groups.

Transparency Initiatives

Collaboration with universities and other research institutions and medical institutions is vital and essential for us to contribute to peoples’ health as a pharmaceutical company. During the course of these activities, we sometimes pay medical institutions compensation for their contributions, and we believe that we must maintain transparency in our relationships with them. We also believe that we must guarantee transparency in the relationships between patient groups and pharmaceutical companies so that the opinions and input from patients and supporters can be sufficiently leveraged within medical treatment as a social resource.

Based on this philosophy, we have defined Transparency Guideline for the Relation between Corporate Activities and Medical Institutions and Transparency Guidelines for the Relation between Corporate Activities and Patient Groups. We will fulfill our responsibility to society through our activities, which are based on these guidelines.

For details,
please refer to: ▶


<https://www.torii.co.jp/sustainability/efforts/guideline.html> (Japanese only)

Risk Management

Torii's business performance could be affected by various factors that may occur in the future. The main risks that may possibly affect Torii's business performance are outlined below. The forward-looking statements for these items are based on the Company's assumptions as of March 27, 2024.

Item name	Details
(1) Risks related to laws and regulations for ethical pharmaceutical products and trends in pharmaceutical administration	<p>As the development, manufacture, sale, and other operations related to ethical pharmaceutical products are subject to regulations under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and other relevant laws. If these regulations are tightened, it may affect Torii's business performance. Trends in administrative measures, such as revision of the healthcare system, the promotion of generic product usage, and revision of the NHI drug price standards, may also affect Torii's business performance.</p> <p>We collect the latest information on various regulations, the healthcare system, and administrative systems, and appropriately adheres to the relevant regulations.</p>
(2) Risks related to R&D	<p>The R&D of new drugs is a long process that requires significant investments. Delays or changes may occur in the process leading to the market launch of new drugs, and there may also be cases where development needs to be discontinued. Furthermore, even if we file applications for manufacturing and marketing approval, they may also be rejected. In such cases, future growth potential and profitability may decline, which may affect Torii's business performance.</p> <p>We confirm the continuation of R&D activities through various meetings when transitioning to the development stage, thereby managing our portfolio appropriately. In this manner, we respond to a variety of uncertainties.</p>
(3) Risks related to side effects	<p>Side effects may potentially occur in the usage of pharmaceutical products. If any serious side effects occur, they may affect Torii's business performance. We collect safety information related to our products such as data on side effects. We evaluate and analyze the safety information collected, and when the results indicate the need for additional information on proper use, we revise the risk management plan (RMP) and drug package inserts and update the drug information. At the same time, we also notify medical professionals of such information to ensure product safety and promote their proper use.</p>

Item name	Details
(4) Risks related to suspension of supply and recall of products	<p>The products we sell are manufactured by specific manufacturers in Japan and overseas. In addition, some products are manufactured from raw materials procured from specific manufacturers and natural raw materials such as cedar pollen. Therefore, if these manufacturers close or suspend operations due to technical or regulatory issues, fires, earthquakes or other disasters, or if continued production becomes difficult due to the disrupted procurement of raw materials, electricity, heat, or other resources due to climate change or other reasons, or if our logistics and other functions stagnate, we may be forced to suspend the supply of these products, which may affect Torii's business performance.</p> <p>Furthermore, in the event of quality defects and other issues with our products, we may recall these products in accordance with orders from the national or local government, or based on Torii's independent decision. In such case, it may affect Torii's business performance.</p> <p>By formulating a business continuity plan (BCP) for disasters, we have established a system to ensure the stable supply of products. Under this system, we are carrying out initiatives such as enabling the procurement of drug substances and raw materials from multiple suppliers. In anticipation of a large-scale disaster or other incidents, we have also established two logistics centers, one in eastern Japan and the other in western Japan, to be prepared for an event where one of these centers is affected by a disaster. In addition, under a quality control system based on standards for manufacturing control and quality control of pharmaceutical products (Good Manufacturing Practice, or GMP), we manufacture products while checking the quality of each process. We also regularly visit manufacturing sites of our products to confirm the status of manufacturing control and quality control. In the event of quality defects that require a product recall, our highest priority is to ensure the safety of patients. Under the direction of the Chief Pharmaceutical Officer, we report to the administrative authorities, share information with medical institutions and other organizations, rapidly recall affected products, identify the cause of the issue, and implement improvement measures. We also review and revise supply schedules and provide information on alternative products.</p>



Risk Management

Item name	Details
(5) Risks related to the environment surrounding our products	<p>If the sales of our products decrease as a result of changes in the operating environment surrounding our products due to the market launch of competing drugs or generic products and the emergence of new therapies or new technologies, etc., it may affect Torii's business performance.</p> <p>We are working to review and revise our product portfolio based on the competitive landscape, NHI drug pricing system, and other information. We are also working to expand indications and develop formulations and routes of administration for products to reduce impact on this front.</p>
(6) Risks related to alliances with other companies	<p>We have various business alliances with other companies in areas such as R&D, manufacturing, and sales. If these business alliances are changed or discontinued for any reason, it may affect Torii's business performance.</p> <p>When concluding contracts pertaining to business alliances, we anticipate potential risks and work to conclude contracts that mitigate these risks. We also collaborate closely with partners to understand and manage risks associated with these business alliances.</p>
(7) Risks related to the alliance with the parent company	<p>Through a business alliance with JT, our parent company, R&D functions for new drugs in the ethical pharmaceutical product business are concentrated at JT, while Torii takes charge of the manufacturing and sales functions. We also collaborate with JT to explore new in-licensed products and conduct joint development. If this business alliance is changed or discontinued for any reason, it may affect Torii's business performance.</p> <p>We strive to maintain and develop our alliance with JT by exploring new in-licensed products and conducting joint development, etc.</p> <p>In the event of changes to the alliance with the parent company, we will take measures such as obtaining opinions from external experts as necessary then seeking opinions from Outside Directors who have no conflict of interest in JT.</p>
(8) Risks related to IT security and information management	<p>As we use various IT systems, any system failures, computer viruses, and other issues may impede our business operations. We also possess a large amount of confidential information including personal information. If such information is leaked outside the Company due to unforeseen circumstances, it may affect Torii's business performance.</p> <p>We establish and continuously review internal rules and manuals related to IT security and information management, and conduct internal training on an ongoing basis to ensure appropriate management and operation.</p>

Item name	Details
(9) Risks related to litigation	<p>In the course of continuing our business activities, we may be subject to litigation concerning product liability (PL), the occurrence of side effects, and patent infringement. This may affect Torii's business performance.</p> <p>Should such an event occur, we will collaborate and consult with lawyers and other experts to implement appropriate measures.</p>
(10) Risks related to compliance	<p>In conducting our business activities, We are subject to various laws and regulations such as labor-related laws, the Antimonopoly Act, and product liability. In the event of a serious violation of laws and regulations, it may affect Torii's social credibility and business performance.</p> <p>Torii sees promoting compliance as one of its important management issues for realizing our corporate philosophy. To this end, we have established the Compliance Committee, consisting of Directors and Heads of Group, which deliberates on compliance promotion issues. In addition, the Compliance Advancement Department conducts compliance questionnaires, compliance training, and study sessions for employees. Through such measures, we are working to ensure thorough compliance. We have also established an internal reporting desk and an external reporting contact point (lawyer) in order to promptly identify and minimize the risks posed to the company by legal violations.</p>
(11) Risks related to infectious diseases	<p>The outbreak of infectious diseases could affect Torii's business activities in various ways, such as cause us to suspend the supply of products and hinder information provision to medical professionals.</p> <p>By formulating a business continuity plan (BCP) for infectious diseases, we take necessary measures such as establishing systems for ensuring the safety of employees and a stable supply of products, and carrying out important tasks (including information provision to medical professionals, etc.) that have been selected in advance.</p>