



TORII PHARMACEUTICAL CO., LTD.



# Integrated Report 2023

*For the year ended December 31, 2023*



# Corporate Philosophy System

At Torii, while carrying forward the corporate culture and the trust of each stakeholder we have built up throughout our long history, we have defined our Corporate Philosophy as Torii Pharmaceutical's Purpose to express our unchanging ambitions for the future. We place TORII's POLICY as our important values and the 4S MODEL as our fundamental management stance, and strive to fulfill Torii Pharmaceutical's Purpose.

## Corporate Philosophy **Torii Pharmaceutical's Purpose**

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.

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.

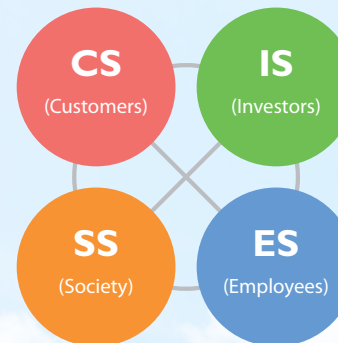
## Our Important Values **TORII's POLICY**

- Treasure all human connections
- Sincerity and commitment are Torii's finest qualities
- We all have a stake. We all have a role
- Try new things without fear
- All of our past experiences fuel our continued growth

## Basic Management Stance

### 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.



(Note) 4S is the collective term for CS, IS, SS, and ES.

**CS (Customer Satisfaction):** Our Responsibility to Customers  
We strive to improve the quality of life (QOL) of patients by supplying superior medicines and accurate information through medical professionals.

**IS (Investor Satisfaction):** Our Responsibility to Shareholders  
We disclose timely, accurate corporate information and endeavor to generate appropriate shareholder returns and improve our corporate value.

**SS (Social Satisfaction):** Our Responsibility to Society  
We maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society.

**ES (Employee Satisfaction):** Our Responsibility to Employees  
We aim to provide motivation and fulfillment to all our employees by respecting every individual, ensuring equal opportunities for career advancement, and by treating employees fairly on the basis of unbiased assessments.

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## Editorial Policy

This Integrated Report has been published to provide a comprehensive range of financial and non-financial information to further enhance understanding of Torii's activities among shareholders, investors, and various other stakeholders.

More detailed information on Torii is disclosed on our corporate website.

► <https://www.torii.co.jp/en/>

### Period covered by this report:

Fiscal 2023 (from January 1, 2023 to December 31, 2023)  
Some information on and after January 2024 is included.

**Organizational scope:** Torii Pharmaceutical Co., Ltd.

**Date of publication:** June 2024

### Reporting guidelines, etc.:

The International Integrated Reporting Framework; IFRS Foundation Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue For Collaborative Value Creation; Ministry of Economy, Trade and Industry

## Cautionary statement

The forecasts presented in this report are forward-looking statements. Reflecting assumptions based on information available on the date of disclosure, these statements are subject to inherent risks and uncertainties. Accordingly, unforeseen factors may cause actual results to differ materially from the projections contained herein. Torii will not necessarily revise this material regardless of any new information, future events or other results.

# The History of Torii

Since its founding in 1872, Torii has undergone reforms through flexible ideas and smart action without being limited to the past, while also valuing the trust it has cultivated through more than 150 years of business.

Going forward, we will continue to take on challenges to make contributions to the medical field that are unique to Torii.

## Renal disease and hemodialysis

**2009**  
Oral anti-pruritus agent  
Launch of REMITCH Capsules



**2014**  
Agent for hyperphosphatemia  
Launch of Riona Tablets



**2020**  
Therapeutic agent for Anemia Associated with CKD  
Launch of ENAROY Tablets



## Skin disease

**1975**  
Topical corticosteroid  
Launch of LOCOID Ointment and Cream

**1993**  
Topical corticosteroid  
Launch of ANTEBATE ointment and cream



**2020**  
Topical Janus kinase (JAK) inhibitor  
Launch of CORECTIM ointment



## Allergens

**1963**  
Allergy diagnosis and immunotherapy drug  
Launch of ALLERGEN (allergenic extracts)

**2014**  
Japanese cedar pollinosis (allergen immunotherapy)  
Launch of CEDARTOLEN SUBLINGUAL DROP — Japanese Cedar Pollen  
\*Discontinued in 2021

**2015**  
House dust mite allergy (allergen immunotherapy)  
Launch of MITICURE



**2018**  
Japanese cedar pollinosis (allergen immunotherapy)  
Launch of CEDARCURE



## Torii Events

**1872**  
Tokubei Torii established a company named Uenoya, at Sakai-Machi, Yokohama, for import of pharmaceuticals from the West.

**1909**  
Establishment of Uenoya's research laboratories, and start of dealing in Japanese pharmacopoeial drugs under the Torii brand name.



**1911**  
Establishment of branch office (the current head office) in Nihonbashi-honcho, Chuo-ku, Tokyo.

**1921**  
Uenoya reorganized as Torii Shoten K.K.

**1949**  
Company name changed to Torii Pharmaceutical Co., Ltd.

**1963**  
Torii went public with over-the-counter stock transactions at the Tokyo Securities Dealers Association.

**1977**  
A new plant constructed at Sakura, Chiba Prefecture.

**1983**  
Merck & Co., Inc. purchased more than 50% of Torii's stock and became a parent company.

**1988**  
Asahi Breweries, Ltd. purchased more than 50% of Torii's stock and became a parent company.

**1990**  
Current Head Office building completed.

**1993**  
Torii's stock listed on the second section of the Tokyo Stock Exchange.

**1995**  
Torii's stock listed on the first section of the Tokyo Stock Exchange.

**1998**  
Japan Tobacco Inc.(JT) purchased more than 50% of Torii's stock and became a parent company.

**1999**  
JT and Torii established a collaboration arrangement (Torii concentrates on marketing and JT, on R&D.)

**2019**  
A license agreement for Torii's exclusive sales rights in Japan for six anti-HIV drugs comes to an end

**2020**  
Torii transferred Sakura Plant to IWAKI SEIYAKU CO., LTD.

**2022**  
Torii's stock transferred from the First Section of the Tokyo Stock Exchange to the Prime Market due to the revision of market segments

## Other

**2021**  
Launched ORLADEYO Capsules, a plasma kallikrein inhibitor indicated for the suppression of the attacks in hereditary angioedema (HAE)



# Torii in Numbers

## Mainstay Products

### Allergens

#### ■ CEDARCURE

Japanese cedar pollinosis (Allergen immunotherapy)



FY2023

¥11,356 million

(vs. FY2022  
+18.2%)

CEDARCURE is an allergen immunotherapy drug for Japanese cedar pollinosis. This fast-dissolving sublingual tablet is available for adult and pediatric patients.

#### ■ MITICURE

House dust mite allergy (Allergen Immunotherapy)



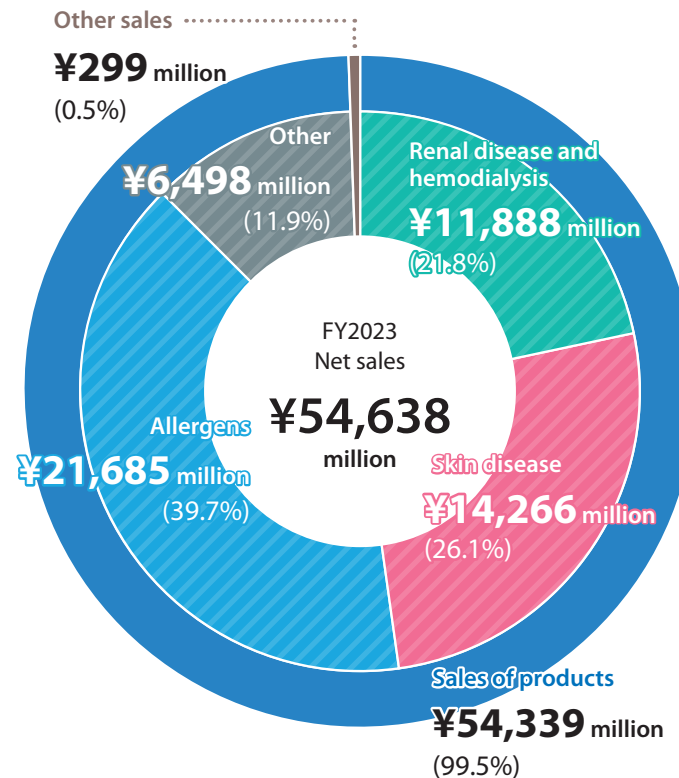
FY2023

¥10,148 million

(vs. FY2022  
+16.7%)

MITICURE is an allergen immunotherapy drug for house dust mite-induced allergic rhinitis. This fast-dissolving sublingual tablet is available for adult and pediatric patients.

## Net Sales by Disease Area



### Renal disease and hemodialysis

#### ■ Riona Tablets

Agent for hyperphosphatemia/Iron-deficiency anemia



FY2023

¥7,515 million

(vs. FY2022  
+8.3%)

Riona is a medication with two indications: hyperphosphatemia in patients with chronic kidney disease, including hemodialysis, peritoneal dialysis, and non-dialysis chronic kidney disease patients, and iron deficiency anemia.

#### ■ REMITCH Oral anti-pruritus agent



FY2023

¥2,725 million

(vs. FY2022  
(22.9%)

REMITCH is a treatment for pruritus in patients on dialysis and with chronic liver disease for which conventional antipruritic medications are ineffective.

### Skin disease

#### ■ CORECTIM Topical Janus kinase (JAK) inhibitor



FY2023

¥7,450 million

(vs. FY2022  
+36.2%)

CORECTIM Ointment is the world's first topical JAK inhibitor for treatment of atopic dermatitis (AD) that suppresses the overactivation of immune responses. In January 2023, clinical trial results for patients with atopic dermatitis aged 6 months to 2 years were added to the drug package insert.

#### ■ ANTEBATE Topical corticosteroid



FY2023

¥4,533 million

(vs. FY2022  
+13.5%)

ANTEBATE is a treatment that improves the symptoms in patients with skin disease, such as atopic dermatitis and contact dermatitis, by suppressing inflammation.

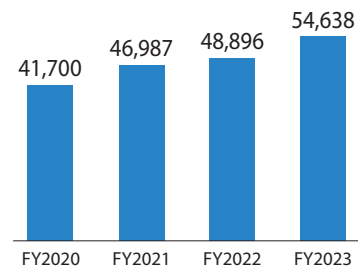
## Torii in Numbers

## Financial Indicators

## Net sales

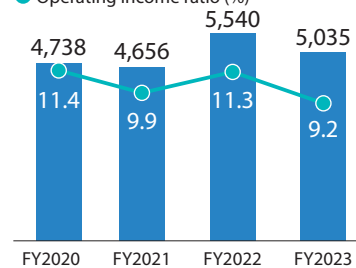
¥54.6 billion

(Millions of Yen)

Operating income/  
operating income ratio

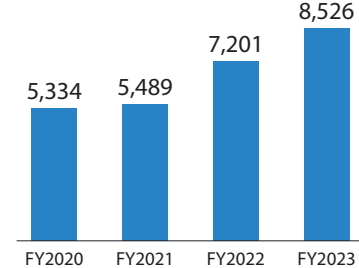
¥5.0 billion / 9.2%

■ Operating income (Millions of Yen)  
● Operating income ratio (%)

Operating income before  
R&D expenses

¥8.5 billion

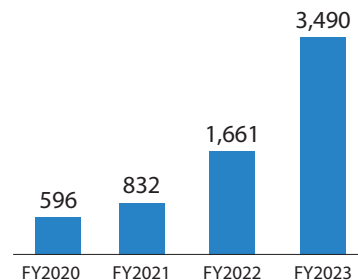
(Millions of Yen)



## R&amp;D expenses

¥3.4 billion

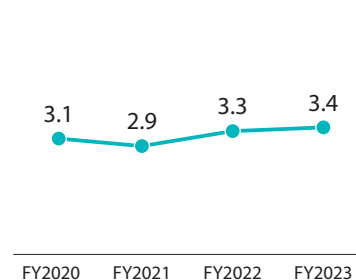
(Millions of Yen)



## ROE

3.4%

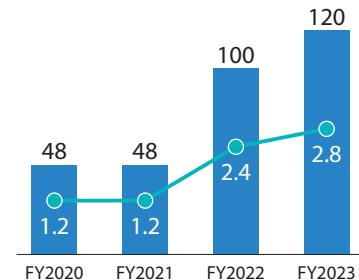
(%)



## Dividend/DOE

¥120 / 2.8%

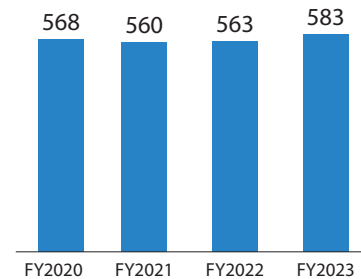
■ Dividend (Yen) ● DOE (%)



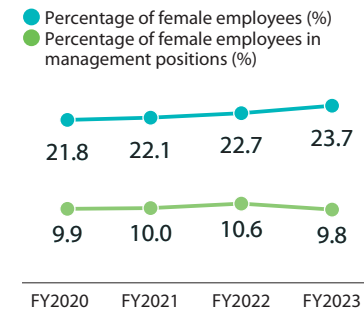
## Non-financial Indicators

## Number of employees

583

Percentage of female employees /  
percentage of female employees  
in management positions

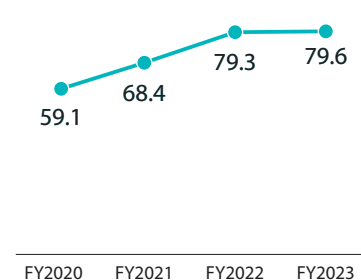
23.7% / 9.8%



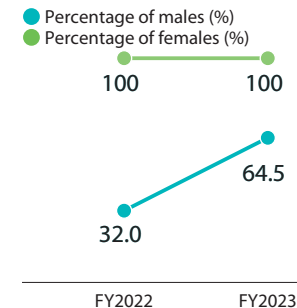
## Paid Leave Utilization Rate

79.6%

(%)


Percentage of employees  
taking childcare leave  
(by gender)

Male 64.5% / Female 100%



\*Tabulated for the period from April to March

## Message from the President



# Building a Foundation for Value Creation and Entering a Phase of Growth Expansion

**Goichi Matsuda**

Representative Director,  
President and Chief Executive Officer

## The Thoughts Behind Torii Pharmaceutical's Purpose

This year marks our first publication of an Integrated Report in place of our previous Annual Report. Through this Integrated Report, we aim to communicate with our stakeholders and enhance their understanding of the type of value that Torii offers to society and how we will develop sustainably in the future, as well as our vision and specific examples of our initiatives. In sharing our value creation stories with our stakeholders through this Report, we will explain our corporate philosophy system, including its background, which comprises our corporate philosophy, Torii Pharmaceutical's Purpose; TORII's POLICY, which outlines the core values that will help us achieve this purpose; and the 4S MODEL, which embodies our basic management stance.

We formulated Torii Pharmaceutical's Purpose in 2022, marking about 100 years since the company's establishment and 150 years since the founding of its predecessor, Uenoya. About three years prior to this in 2019, the year in which I became President, we terminated a license agreement related to our exclusive marketing rights to sell six of the anti-HIV drugs in Japan. These drugs were a key pillar of our business. Although we prepared for a temporary yet significant drop in net sales and profit, we determined that the consideration received from the return of such marketing rights would provide us with the funds to aim for future growth. In addition to launching the Medium-Term Management Plan 2021 that year, we also implemented decisive business structure reforms. The three years of the plan were a period of hardship and upheaval, but thanks to decisive business structure reforms, the hard work of our employees, and the support of our stakeholders, we were able to overcome the challenges we faced, achieving a recovery in business performance earlier than we initially anticipated.

Seeing this as a new start for future development, and realizing the need to clearly showcase the significance of our existence and the future vision, we newly defined our corporate philosophy as Torii Pharmaceutical's Purpose, showing our commitment to

## Message from the President

maintaining the corporate culture we have developed throughout our long history and carrying forward the trust of our stakeholders well into the future.

As part of Torii Pharmaceutical's Purpose, we describe our resolve to "continue to take on the challenge of contributing to healthcare that only we can make." Throughout our long history, we have used innovation to overcome numerous hardships and crises, and accumulated a portfolio of tangible and intangible assets along the way. This includes the strong relationships of trust we have built with medical professionals; extensive experience, knowledge, and high-level expertise in specialized franchise areas; and the quality of our human capital, which underpins our business development. Our purpose shows our desire to utilize these assets to further refine our contributions to healthcare and promote continuous value creation.

Elsewhere, following a series of discussions primarily led by employees, TORII's POLICY was formulated to share the values that guide our decision-making processes and day-to-day operations. Specifically, it outlines the organizational characteristics we must continue to maintain, as well as the attitudes we must change moving forward, in order to promote business structure reform and the creation of a corporate culture for the future.

The 4S MODEL was established as a corporate mission prior to the formulation of Torii Pharmaceutical's Purpose. It shows our commitment to fulfilling our responsibilities to our customers, shareholders, society, and employees in a balanced way, and enhancing their overall satisfaction, so that we can reinforce our bonds with stakeholders and aim for coexistence and co-prosperity. We positioned the 4S MODEL at the foundation of our corporate philosophy system as an expression of our universal management principles.

However, if employees do not understand and resonate with this corporate philosophy system, it has no meaning. Since establishing the corporate philosophy system, we have therefore implemented various measures to enhance understanding among our employees. Placing particular importance on dialogue between executives and employees, we are proactively setting up the

relevant opportunities to do so. Specifically, we have started executive feedback sessions, which are held between once and twice a year, for all executives and employees to participate in. Moreover, in 2023 we started President-employee dialogue sessions as a platform for me to personally convey my vision and message. We have been conducting a dialogue with all employees for about a year and a half. Truthfully, although on occasion some feedback from employees are hard to hear, we will continue with these dialogue sessions moving forward to ensure the thorough dissemination of our corporate philosophy.

Under the corporate philosophy system described here, we will aim to support patients' health through contributions to healthcare, and in turn create even greater social value.

[See P29 for more on President-employee dialogue sessions](#)

## Review of FY2023 and Future Outlook

Aiming to achieve our Medium-/Long-Term Business Vision "VISION2030," which defines what Torii aims for in 2030, every term on a rolling basis we review and formulate our three-year medium-term management plan. In the Medium-Term Management Plan 2023-2025, which began in FY2023, we are making steady progress with key measures for our growth strategies, and have made improvements in our business performance.

[See P16 for more on Medium-Term Management Plan 2023-2025](#)

When looking at the medium-term management plan numerical indicators for FY2023, net sales were ¥54.638 billion (up 11.7% from FY2022), and operating income before R&D expenses was ¥8.526 billion (up 18.4% from FY2022). In both indicators we achieved double-digit growth and far exceeded the plan we set at the beginning of the fiscal year. In particular, strong sales of CORECTIM and ANTEBATE for skin disease, as well as CEDARCURE and MITICURE for allergens, drove an increase in overall sales and profit.

In terms of our development pipeline, in September 2023 we filed an application for the manufacturing and marketing approval in Japan for JTE-061, a product we developed jointly with JT, for the indications of atopic dermatitis and plaque psoriasis. Elsewhere, in December 2023, we received favorable top-line results of the Phase III clinical study of TO-208 in molluscum contagiosum patients, with the next step expected to be the filing of an application for the manufacturing and marketing approval in Japan.

For new in-licensed drugs, we concluded two new license agreements, one for acne treatment drug from Nogra Pharma Limited (Nogra), and one for an allergen immunotherapy drug for grass pollen allergy from ALK- Abelló A/S (ALK).

With strong business performance, the major progress we made in FY2023, the development of new drugs and the acquisition of new in-licensed drugs, made it a year in which we felt a great sense of accomplishment. In line with this progress, in our new rolling three-year medium-term management plan, Medium-Term Management Plan 2024-2026, our numerical indicator targets for FY2026 are net





## Message from the President

sales of between ¥63.0 billion and ¥66.0 billion, and operating income before R&D expenses of between ¥9.0 and ¥10.0 billion.

We have also taken this opportunity to revise our numerical targets for VISION2030. Specifically, we have revised our net sales and operating income targets. For net sales, whereas previously our aim was to surpass ¥64.1 billion and achieve an all-time high, we have revised this upward and are aiming to achieve over ¥80.0 billion. For operating income, previously our aim was to come within the range of breaking the all-time high (¥13.3 billion), and now we are aiming to come within the range of breaking the all-time high in 2032.

**See P17 for more on VISION2030 and Medium-Term Management Plan 2024-2026**

In FY2024, we anticipate a further growth in sales of CORECTIM for skin disease and CEDARCURE and MITICURE for allergens. Moreover, with the market launch of JTE-061 expected to contribute to our business performance, we again anticipate an increase in both sales and profit, with net sales of ¥58.6 billion (up 7.3% year on year) and operating income before R&D expenses of ¥9.250 billion (up 8.5% year on year). In terms of business investments, we are keeping with our policy of around ¥40.0 billion over five years between FY2023 and FY2027, and will predominantly use these funds for the acquisition of new in-licensed drugs and capital investments.

For CEDARCURE, we have two types available for patients: an increased dosage formulation for those newly starting to take the drug, and a maintenance formulation for those continuing to take the drug. However, due to orders for increased dosage formulations far exceeding our expectations, we are currently limited shipments of increased dosage formulations to ensure a stable supply of maintenance formulations for customers who continue to take the drug. We sincerely apologize for any inconvenience this is causing both to patients and medical professionals. To address this issue moving forward, mainly through the Source Materials Procurement Department we set up in August 2023, we will work to increase our collection volume of cedar pollen, which is a key raw material, and

at the same time implement capital investments to increase our production capacity for active pharmaceutical ingredient to quickly increase our product supply volume. Thank you for your understanding.

## Changes to Our Organizational Design and Members of the Board of Directors

At Torii, to date we have worked hard to enhance and reinforce our corporate governance. Since 2019, we have implemented business structure reforms and built foundations to support our sustainable growth. To support these efforts and establish a more efficient business execution system, we have also sought to optimize the structure of our Board of Directors to enable quick decision-making, and at the same time create a system under which Independent Outside Directors constitute the majority to ensure the highly effective supervision of management. Moreover, to further separate management supervision and business execution, as Executive Officers, group heads have concentrated on business execution to speed up the business execution process. This system has suited the scale and phase of our businesses, and functioned effectively to help us overcome any challenges.

However, with the recovery of our business performance and our transition to a phase of accelerated growth, we have transformed our organizational design and members of the Board of Directors. We believe these are more suited to the achievement of growth and that the change will allow fairer and more transparent decision-making.


In terms of organizational design, following approval from the 132nd Annual General Meeting of Shareholders held on March 27, 2024, we transitioned to a company with an Audit and Supervisory Committee. This has given Directors who are members of the Audit and Supervisory Committee voting rights at Board of Director meetings and enabled the Board of Directors to delegate a substantial portion of its decision-making authority regarding business execution to the executive Directors, leading to strengthen the supervisory function of the Board of Directors, and

to realize further prompt decision-making. Moreover, to ensure independence from controlling shareholders and protect minority shareholders, Independent Outside Directors will continue to constitute a majority of the Board of Directors. We have also set up the Nomination and Compensation Advisory Committee, comprising exclusively Independent Outside Directors, to enhance objectivity, transparency, and fairness in matters related to nomination and compensation.

We have also established a new structure for the Board of Directors. The previous structure functioned highly effectively as we worked to promote business structure reforms, and its members with rich expertise in legal affairs, labor, financial affairs, and accounting were suited to the circumstances of the Company at the time. Under the new structure, to enhance the corporate value of Torii more than ever before over the medium-/long-term, we have selected a balanced composition of diverse members with extensive experience and expertise in corporate management and management strategy, legal affairs, compliance, and risk management, and finance and accounting. We look forward to receiving useful suggestions and advice on the future expansion of our businesses from our Independent Outside Directors.

We have also newly appointed Representative Director, Executive Deputy President, bringing the total number of Representative Directors to two. As a result, in addition to allowing us to address management issues more appropriately and quickly than ever before, this has reinforced our ability to make decisions and execute business from a companywide perspective.

The enhancement and reinforcement of our corporate governance is something that we must continue to address with a sense of urgency and that has no end. That is, we must constantly work to optimize our systems and functions, and improve our measures, in line with changes in our external and internal environments. With this in mind, we must first ensure that the changes in our organizational design and new members of the Board of Directors, and then continue to work to further enhance and reinforce our corporate governance.



## Message from the President



### Enhancement of Corporate Value and Shareholder Returns

In FY2023, we paid an annual dividend of ¥120 per share, marking a ¥20 increase from ¥100 in f FY2022. This was thanks to the increasing certainty of our future growth, with our strong business performance in FY2023 and new in-licensed drugs and developments making a particularly significant contribution.

On the other hand, there are still many issues we must address if we are to achieve our ROE target of 8% or higher, as well as our aim to achieve a DOE level that compares favorably with that of other companies within the same industry. Although it is important that we make steady improvements to our business performance, at the same time, it is imperative that we build a foundation for future growth by implementing around ¥40.0 billion in business investments from now until 2027, which is our intensive business investment period.

The termination of our license agreement in 2019, for exclusive marketing rights to sell six of the anti-HIV drugs in Japan, among other things, led to a deterioration in our business performance, while we also faced a difficult period during the business structure reforms that followed. Now, however, we are back on a growth trajectory, and the structural reforms have given us a robust business structure from which to operate. By implementing focused business investments using the cash we acquired from the return of such marketing rights, we believe that further growth is well within our reach.

Although it is still unclear when we will hit these targets, as soon as we see a return on our investments, achievement of our ROE and DOE targets will not be far off. At this point we will clarify our forecast for when we will achieve our targets.

With regards to shareholder returns, even during the current period of intensive business investment, we intend to further enhance shareholder returns while keeping with our basic policy of distributing continuous and stable dividends.

Since becoming President in 2019, I have tackled the issues before me head on, and worked hard to implement a PDCA cycle of management in an honest and steady way. While more than five years have passed since then, looking back on this period, I am proud to say that we have made major progress in various areas, such as management system and business structure reforms, and a steady recovery in business performance. Through this experience, I have come to realize that despite the difficulties, the continuous accumulation of even small successes is hugely important. Precisely because we have entered this new phase of growth, I will continue to maintain this approach as I steer the company forward.

We would like to express our sincere thanks to our stakeholders for their continued support.

# Value Creation Process

To fulfill our Corporate Philosophy: Torii Pharmaceutical's Purpose, we strive to maximize the value we create, grounded in TORII's POLICY, which embodies our important values, the 4S MODEL, which reflects our fundamental management stance.

## Torii Pharmaceutical's Purpose

“ 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. 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. ”

Maximizing the value

### Capital Strategy P11

- The human capital and intellectual capital that uphold our competitive advantage as we aim to achieve VISION2030 and continuous enhancement of corporate value

### A Business Model that Creates Competitive Advantage P12

- Concentrate in-house resources in core functions of the value chain
- Create an integrated value chain with JT and establish an efficient collaborative structure

### Business Strategy P14

- Enhance in-licensed activities
- Create a framework for maximizing product value

#### Focus Areas

Renal disease and hemodialysis

Skin disease

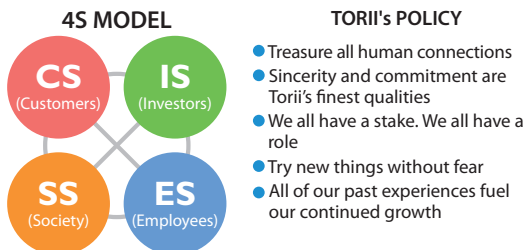
Allergens

### Materiality P20

Materiality related to our business

Materiality related to our management foundation

### 4S MODEL/TORII's POLICY P1



(Note) 4S is the collective term for CS, IS, SS, and ES.

### Value Created by Torii

#### Social Value

##### CS: Our Responsibility to Customers

- Recover patients' health and improve QOL
- Provide high-quality medical information
- Provide new, valuable pharmaceutical products
- Stable supply of products and quality assurance

##### IS: Our Responsibility to Shareholders

- Generate appropriate profit returns and enhance corporate value
- Implement quick, fair, and transparent management, and maximize corporate value
- Disclose timely, accurate corporate information
- Provide proper shareholder returns through continuous and stable dividend payments

##### SS: Our Responsibility to Society

- Maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society
- Corporate activities with environmental protection in mind

##### ES: Our Responsibility to Employees

- Respect individuals and treat employees fairly on the basis of unbiased assessments
- Develop employees with high levels of expertise and provide growth opportunities
- Realize an environment in which each and every employee works enthusiastically

#### Economic Value

##### VISION2030

P13

- Net sales Over ¥80.0 billion
  - Operating income Operating income comes within the range of breaking the all-time high in 2032
- \*Operating income: ¥13.3 billion (fiscal year ended March 31, 2001)

#### - What Torii aims for in 2030 -

To be a pharmaceutical company with presence: A company that has a deep understanding of the medical needs, leverages our expertise and impetus to co-create optimal solutions with all stakeholders, and delivers new, valuable pharmaceutical products to meet those needs.

### Recognition of the external environment P18

Environmental changes in the society, governmental and medical institutions, and the pharmaceutical industry

# Capital Strategy

We believe that the core capital to support our competitiveness that will help us fulfill our Corporate Philosophy:

Torii Pharmaceutical's Purpose, achieve VISION2030, and realize the sustainable enhancement of the Torii's corporate value, is our human capital and intellectual capital.

## Human Capital

- Human capital with high levels of expertise and specialized human capital who can enhance value by collaborating with external partners as necessary  
Number of employees: 583 \*As of December 31, 2023

## Intellectual Capital

- High levels of expertise, market presence, and relationships of trust with medical professionals built up over many years in franchise areas
- Product lineup and development pipeline of new, valuable pharmaceutical products
- Implementation of intensive business investments up to 2027
- R&D expenses: ¥3,490 million (As of December 31, 2023)

## Social and Relations Capital

- Partnerships with highly specialized external companies for manufacturing and research on a project basis
- Collaboration with JT for efficient business execution; utilization of JT's expertise, knowhow, and human resources; and flexible, proactive business investments

## Financial Capital

- A stable profit structure through a streamlined management system with no in-house factories and minimal research and development functions
- Funds in hand that can be flexibly used for the acquisition of in-licensed drugs

## Natural Capital

- As a company aspiring to contribute to the health and happiness of people through pharmaceutical products, consider protection of the global environment to be an important issue and achieve business activities with environmental protection in mind (greenhouse gas emissions reductions and maintain/increase waste recycling rate)

## Manufacturing Capital

- A manufacturing system with no in-house factories that can respond to internal and external environmental changes in a nimble and flexible manner
- A thorough management system to maintain quality levels through strong collaborative relationships with external manufacturing sites

## Human Capital Management

To achieve VISION2030 and execute its relevant business strategies, we believe that our organizations and human resources must possess expertise, impetus, and the ability to co-create. Based on this mindset, we are working to develop human resources and improve our organizations and environments.

### Expertise

It is essential for our human capital to possess advanced expertise to explore and acquire valuable pharmaceutical products, enhance their value by accurately ascertaining needs in the medical field, and deliver the products to medical professionals and patients in a correct manner.

### Impetus

It is essential that our organizations can take quick action and make rapid decisions to deliver valuable pharmaceutical products to medical professionals and patients as quickly as possible, and to provide and collect accurate information in a timely manner in line with the needs of the medical field.

### Co-creation

In our business model, in which in-house resources are focused on core functions in the value chain, and in which we collaborate with highly specialized external companies while flexibly responding to environmental changes, it is essential that we collaborate appropriately with diverse external organizations and associates. In addition, it is also essential that our diverse internal organizations and human resources work closely together.

See P28 for specific initiatives

## Reinforcement of Intellectual Capital

Torii Pharmaceutical's Purpose states that "we will continue to take on the challenge of contributing to healthcare that only we can make." Alongside our human capital, we believe that enhancing our lineup and development pipeline of new, valuable pharmaceutical products is a key means to strengthening our competitive advantage. In the areas of skin disease, allergens, and renal disease and hemodialysis, we have a long and strong track record of developing and selling unique pharmaceutical products. The high levels of expertise, strong relationships of trust with medical professionals, and significant market presence in these areas that we have developed through the process are among our greatest strengths.

In particular, in the area of skin disease, the addition of developed products to our lineup enables us to provide solutions to a wide range of diseases, while in the area of allergens, the government's pollinosis countermeasures have put allergen immunotherapy in the spotlight, increasing demand for CEDARCURE and MITICURE. As such, we believe that each area will drive growth for our achievement of VISION2030.

Going forward, while continuing to focus on the exploration and acquisition of new pharmaceutical products in franchise areas, we will also work diligently on exploration and acquisition activities in adjacent areas (mainly immune disorders and inflammation) as we aim to enhance and reinforce our unique product lineup and development pipeline.

## Business Model

We develop our competitive superiority through a unique business model, and aim to maximize the value we provide in the medical field.

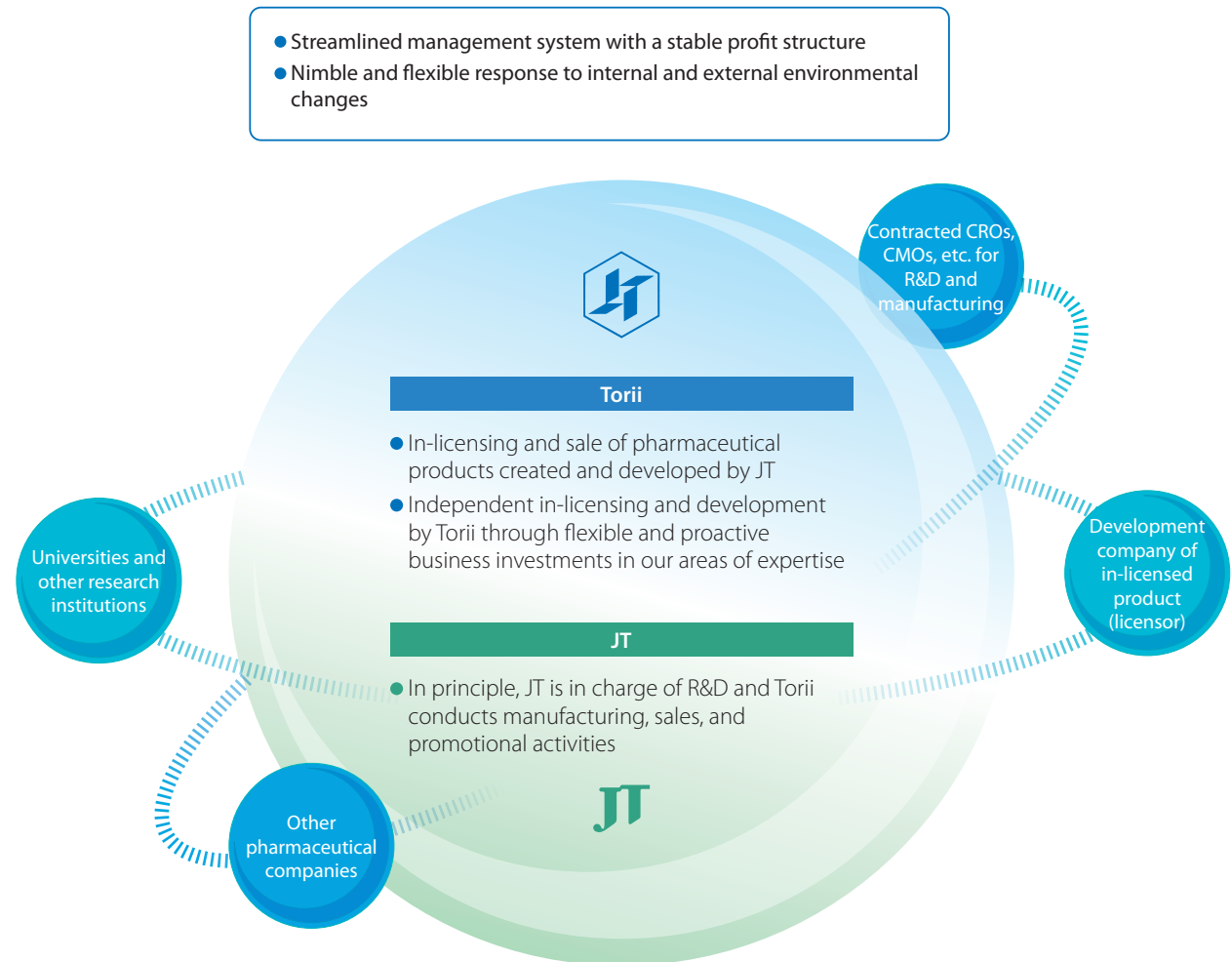
### Concentrate in-house resources in core functions of the value chain

Since the business structure reform implemented as part of the Medium-Term Management Plan 2021, we have concentrated our in-house resources on the core functions of the value chain, with no in-house factories and minimal R&D functions. This change in the system has enabled us to instantly respond to internal and external environmental changes in a nimble and flexible manner, in addition to creating a streamlined management system with a stable profit structure. In terms of our manufacturing and R&D functions, we are supplementing our capabilities through collaboration with highly specialized external companies (outsourcing and in-licensing). However, due to the increasingly specialized functions of these external companies, there are significant advantages in being able to flexibly establish and strengthen our collaborative partnerships with each specialized company by choosing the optimal partner for each project, against the backdrop of rapidly changing industry environments.

### Create an integrated value chain with JT and establish an efficient collaborative structure

JT is in charge of R&D, while we take charge of manufacturing, sales, and promotional activities. By creating an integrated value chain in this manner, we have established an efficient collaborative structure. In addition to enabling the in-licensing and sale of pharmaceutical products created and developed by JT, this collaborative structure allows us to independently in-license and develop our own products through flexible and proactive business investments as necessary in our areas of expertise.

Moreover, when exploring and assessing in-licensed drugs from outside the JT Group, we are able to utilize JT's network and scientific expertise. We can also benefit from JT's support as necessary even in cases where we independently in-license and develop our own products.

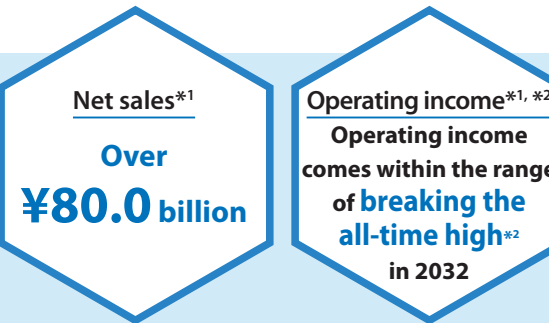


## Medium-/Long-Term Business Vision “VISION2030”

At Torii, we have formulated a vision for 2030 titled VISION2030 in order to fulfill our Corporate Philosophy, Torii Pharmaceutical's Purpose.

### VISION2030 - What Torii aims for in 2030 -

To be a pharmaceutical company with presence: A company that has a deep understanding of the medical needs, leverages our expertise and impetus to co-create optimal solutions with all stakeholders, and delivers new, valuable pharmaceutical products to meet those needs.

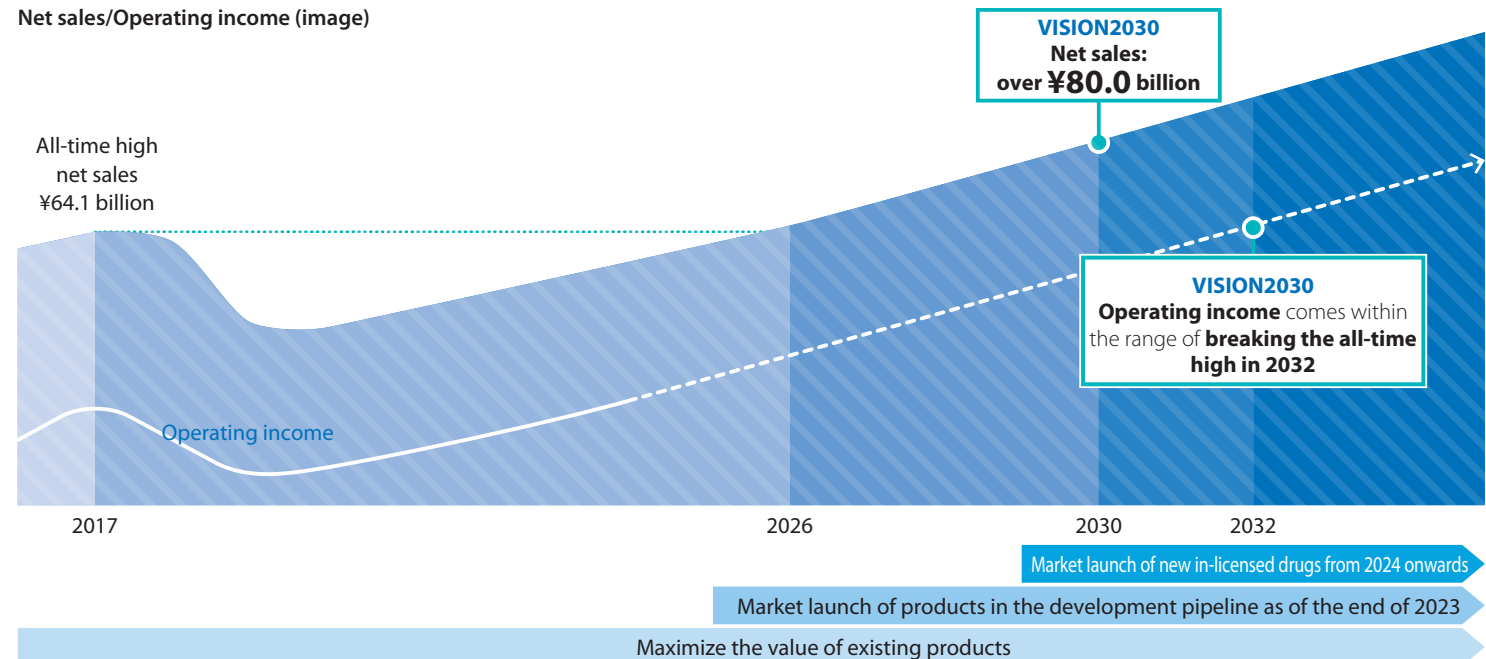


\*1: As a risk affecting medium-/long-term financial results, if CEDARCURE and MITICURE continue their recent net sales growth, they may be subject to market expansion repricing (drug price reduction) within the next few years. This risk has been estimated to a certain extent and reflected in the guidance for FY2026 and VISION2030.

\*2: Although we will continue to invest in R&D beyond 2030, we expect to have completed our intensive investment to a certain extent. For this reason, Torii sets operating income as an indicator for numerical targets of VISION2030. (All-time high operating income: ¥13.3 billion (fiscal year ended March 31, 2001))

In 2030, we aim to achieve net sales of over ¥80.0 billion, marking an almost twofold increase in net sales compared to our most recent low of ¥41.7 billion in FY2020, mainly through an increase in sales of our existing products and the market launch of developed products of current pipeline. Going forward, we will continue with investments aimed at acquiring in-licensed drugs and enhance our development pipeline for our sustainable growth beyond 2030.

Net sales/Operating income (image)



# Business Strategy

Torii's business strategies for the achievement of VISION2030 are to enhance in-licensing activities and to create a framework for maximizing product value. These initiatives will predominantly focus on the following three areas: renal disease and hemodialysis, skin disease, and allergens.

## Enhance in-licensed activities

### Proactively engaging in exploration activities and business investments aimed at the in-licensing of new drugs

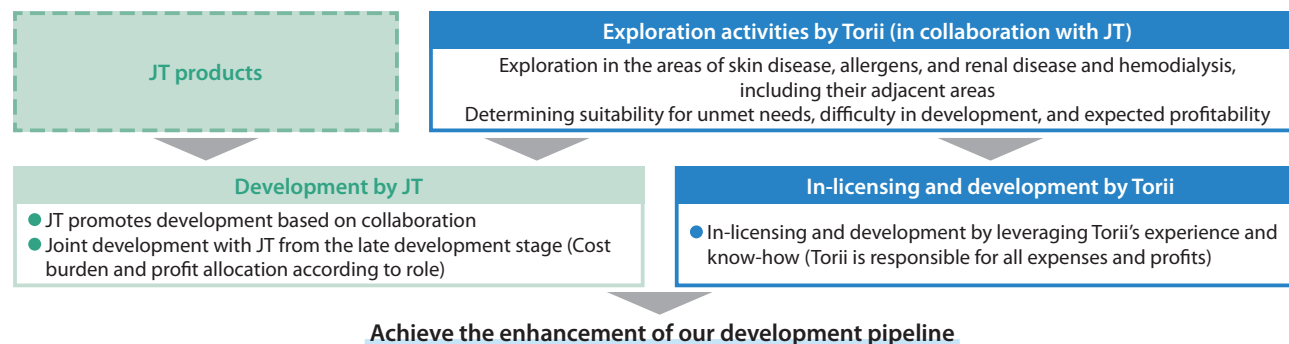
For a company like Torii with limited R&D functions, a useful method to acquire new drugs is through in-licensing (licensing agreements for developed products, etc.). As such, we are proactively engaged in exploration activities and business investments aimed at in-licensing. In addition to independent activities by the departments in charge, we also collaborate with JT, which possesses overseas sites, predominantly in Europe and the U.S. to collect a broad range of information on in-licensing candidates. Moreover, we also make use of external institutions as necessary, and collect information through investments in life-science funds. In terms of exploration targets, rather than limiting ourselves to diseases in our current franchise areas, we also look at adjacent areas (mainly immune disorders and inflammation), increasing our scope to areas where we believe Torii can maximize the value of potential in-licensed products. In the selection of promising in-licensing candidates based on this information and negotiations aimed at in-licensing, it is essential that we examine whether the candidate could become a revolutionary pharmaceutical product that responds to unmet needs. It is

therefore key that we possess the capabilities to appropriately assess the value of the in-licensing candidate, including any potential development difficulties and profitability when launched.

To improve these capabilities, we continue to focus on the development of our human resources so that we can accurately gauge market trends and medical needs, and equip our employees with high-level expertise on various diseases.

### Aggressively take on the challenge of pursuing Torii's own in-licensing and development, including areas adjacent to franchise

Under our collaborative structure in the JT Group, in principle, JT oversees the in-licensing and development of in-licensed products, and Torii conducts their manufacture and sale. However, we proactively engage in independent in-licensing and development in areas where we can leverage the experience and know-how we have accumulated to date. In these cases, while we are responsible for covering all development costs, we also take all profits. In the future, we will pursue in-house in-licensing and development while thoroughly examining business feasibility, difficulty in development, and other risk factors, and minimizing these risks as much as possible.



## TOPICS

### Proactive in-licensing as the cornerstone for medium-/long-term enhancement of corporate value, sustainable growth.

**Atsuyuki Kakee** Senior Executive Officer,  
Head of Innovation Group

In addition to being essential to improving our corporate value over the medium-/long-term, the enhancement of our development pipeline is a key mission as we work to achieve sustainable growth into the future. With the recent increase in difficulty in drug discovery activities, using only products in R&D by JT could lead to insufficiencies in our pipeline. As such, we are enhancing our in-licensing activities from other pharmaceutical manufacturers, including biotech startups in Europe and the U.S., to acquire external resources. In 2023, we in-licensed two products from European companies, one from Nogra and one from ALK. Amidst increasingly fierce in-licensing competition with peer companies, in addition to our current franchise areas, we are also exploring further for products in other compatible disease areas. In terms of regions, alongside Europe and the U.S., we are also exploring products in China and other regions that have made major scientific progress in recent years. As to our methods, we explore products through international meetings in the biotechnology industry, network with investors who have rich industry relations, and use other proprietary and innovative methods in our activities to ensure our competitive superiority. We also focus on fostering relationships of trust with the partner companies with whom we have concluded in-licensing agreements. We work to understand their corporate culture in our communications and optimize our development strategies after the in-licensing is complete. These efforts are helping to boost our presence and recognition within the industry.

## ■ Create a framework for maximizing product value

### Growth drivers for realizing VISION2030 are the skin disease area and the allergens area

Although our focus is on the three areas of skin disease, allergens, and renal disease and hemodialysis, we are putting particular priority on skin disease and allergens, positioning them as important growth drivers for the achievement of VISION2030. For skin disease, while concentrating on further market penetration for CORECTIM, we are also engaged in efforts for the smooth progress of development, early market launch, and quick market penetration of JTE-061, TO-208, and TO-210. For allergens, we are aiming for further growth in sales of CEDARCURE, an allergen immunotherapy tablet for Japanese cedar pollinosis, and of MITICURE, an allergen immunotherapy tablet for house dust mite allergy. For GRAZAX, an allergen immunotherapy tablet for grass pollinosis, we are moving forward with development for early market launch and market penetration. Lastly, for renal disease and hemodialysis, we will appropriately use the knowledge and information we have accumulated in the area to date, and provide an expansive product lineup with the potential for further acquisition of in-licensed products in the future. In doing so, we will continue to contribute to as many patients as possible.

### Building a flexible and diverse systems for information provision and collection

To ensure the success of these initiatives, we believe that the provision and collection of information based on high-level expertise is essential. As such, we are educating our medical representatives to update their information and improve their level of knowledge. Moreover, with the spread of COVID-19 and issues with doctors' workstyles, the manner of provision and collection activities of information has changed significantly. As such, we are making proactive investments aimed at diversifying touchpoints with the medical field, including the establishment of new methods for providing and collecting information using digital technologies.

## Principal Products in the Research and Development Pipeline (As of April 26, 2024)

Development code [Product name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
<b>Skin disease</b>								
JTE-061	Atopic dermatitis	Topical				Application		<ul style="list-style-type: none"> <li>Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for an exclusive license to develop and commercialize skin disease in Japan</li> <li>License agreement signed with JT for development and commercialization</li> <li>JT has filed application for approval of manufacturing and marketing in September 2023</li> </ul>
	Plaque psoriasis	Topical				Application		<ul style="list-style-type: none"> <li>Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for an exclusive license to develop and commercialize skin disease in Japan</li> <li>License agreement signed with JT for development and commercialization</li> <li>JT has filed application for approval of manufacturing and marketing in September 2023</li> </ul>
	Atopic dermatitis in pediatric patients	Topical			Phase III			<ul style="list-style-type: none"> <li>Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for an exclusive license to develop and commercialize skin disease in Japan</li> <li>License agreement signed with JT for development and commercialization</li> </ul>
TO-208	Molluscum contagiosum	Topical			Phase III			<ul style="list-style-type: none"> <li>License agreement signed with Verrica Pharmaceuticals Inc. for exclusive development and commercialization in Japan</li> <li>In-house</li> <li>Verrica Pharmaceuticals Inc. the development code: VP-102</li> </ul>
TO-210	Acne	Topical	Phase I					<ul style="list-style-type: none"> <li>License agreement signed with Nogra Pharma Limited for exclusive development and commercialization in Japan</li> <li>In-house</li> <li>Nogra Pharma Limited the development code: NAC-GED-0507</li> </ul>
<b>Allergens</b>								
TO-203 [MITICURE House Dust Mite Sublingual Tablets]	House dust mite induced allergic asthma (Allergen immunotherapy)	Sublingual tablet			Phase II/III (Study completed)*			<ul style="list-style-type: none"> <li>License agreement signed with ALK for providing exclusive development and sales rights in Japan</li> <li>In-house</li> <li>*Examining the future development policy</li> </ul>

Changes effective from the announcement of the fy2023 financial results (February 9, 2024)

- Addition of TO-210 (Nogra Pharma Limited development code: NAC-GED-0507; Planned indication: Acne)

Additional Information

#### ● December 2023

Torii entered into a license agreement with ALK-Abelló A/S with respect to the exclusive development and commercialization of ALK-Abelló's allergen immunotherapy (sublingual immunotherapy) drug GRAZAX for grass pollinosis in Japan

Torii and its parent company JT (specifically, the pharmaceutical division of JT) each leverage their own pharmaceutical product and service strengths. Torii is primarily responsible for manufacturing and marketing functions, while the parent company is responsible for research and development functions. For JT's clinical research and development, please refer to the following posted on JT's website: [https://www.jt.com/investors/results/S\\_information/pharmaceuticals/index.html](https://www.jt.com/investors/results/S_information/pharmaceuticals/index.html)



# Progress in FY2023 toward the Medium-Term Management Plan 2023-2025

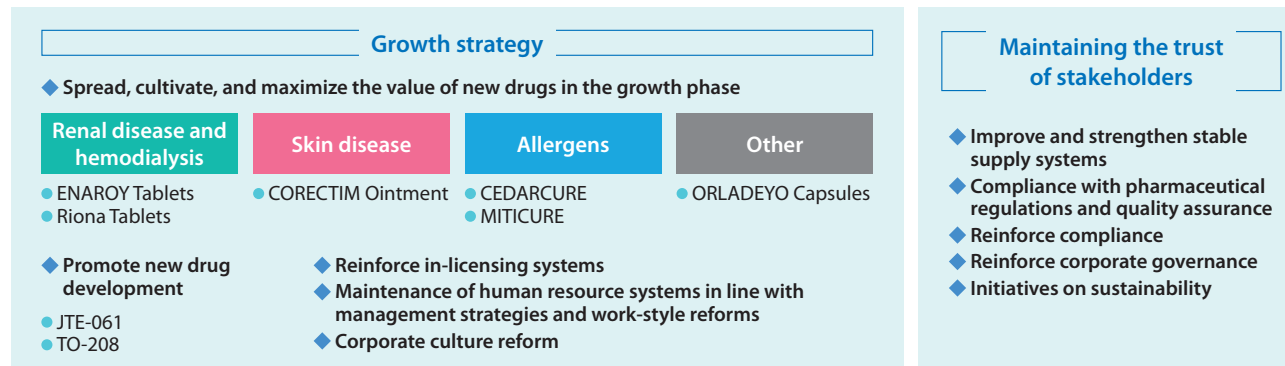
Torii formulated the Medium-Term Management Plan 2023-2025 that covers the three-year period from FY2023 to FY2025, and has been implementing measures for its growth strategy and measures to maintain the credibility of stakeholders in order to realize its Medium-/Long-Term Business Vision "VISION2030"

## Numerical Indicators

	Initial plan for FY2023	Results for FY2023	Increase/decrease
Net sales	¥50.9 billion	¥54.6 billion	+ ¥3.7 billion
Operating income (before R&D expenses)*1	¥7.6 billion	¥8.5 billion	+ ¥0.8 billion

\*1: We actively invest in R&D for the time being, in order to obtain in-licensed drugs in the future. For this reason, Torii sets operating income before R&D expenses as a numerical income indicator for the Medium-Term Management Plan.

## Major Initiatives



**Major Investments** Decided on the following investment in FY2023 (expecting business investments of approx. JPY 40.0 BN in the five years until the end of 2027)

### Major investments that have been decided\*2

#### License agreement for skin disease treatment drug (NAC-GED-0507)

- Investment amount in FY2023: Approx. ¥1.6 billion
- Outline of investment
  - License agreement with respect to the exclusive development and commercialization of skin disease treatment drug (NAC-GED-0507) in Japan
  - Milestone payments will be made in accordance with the progress of development, etc.

#### License agreement for allergen immunotherapy drug for grass pollinosis (GRAZAX)

- Milestone payments of approx. ¥2.0 billion will be made in accordance with the progress of development, etc.

#### Capital investment toward strengthening production capacity of CEDARCURE

- Investment amount that have been decided: Approx. ¥3.0 billion
- Outline of investment
  - Capital investment in drug substance manufacturing in order to respond to increased sales volumes of CEDARCURE

## Key Topics (As of February 9, 2024)

### Growth strategy

#### Steady growth in net sales of new drugs in the growth phase

- Double-digit year-on-year growth in numerical indicator of net sales

#### Favorable progress in development of JTE-061

- Began Phase III clinical study in pediatric patients with atopic dermatitis (children ages 2 years or older and under 12 years old) in Japan (August 2023)
- Japan Tobacco Inc. (JT) filed application for approval of manufacturing and sales in Japan for indications of atopic dermatitis and psoriasis vulgaris (September 2023)

#### Favorable progress in development of TO-208

- Announced the top-line results of Phase III clinical study for indications of molluscum contagiosum in Japan (December 2023)

#### Obtain new in-licensed drugs

- Skin disease treatment drug : Nogra Pharma Limited, NAC-GED-0507 (January 2023)
- Allergen immunotherapy drug for grass pollinosis : ALK, GRAZAX (December 2023)

### Maintaining the credibility of stakeholders

#### Provide stable supply of CEDARCURE

- Government request concerning cedar pollinosis (May 2023)
- Established the Source Materials Procurement Dept. as a new department centrally responsible for cedar pollen procurement (August 2023)
- Decided on capital investment in drug substance manufacturing equipment (scheduled to begin operations in 2025)

#### Reinforce corporate governance

- Resolved to transition to a company with an Audit and Supervisory Committee at the Board of Directors, subject to approval at the General Meeting of Shareholders to be held in March 2024 (November 2023)

#### Initiatives on sustainability

- Formulation of the Basic Policy on Sustainability, identification of materiality, and external announcement (February 2023)
- Organize links between materiality and business strategies, major initiatives of the Medium-Term Management Plan, etc.

\*2 Only previously disclosed investments that were decided in 2023 are listed. Payment timing varies by project.

# Formulation of the Medium-Term Management Plan 2024-2026 and updated Numerical Targets of Medium-/Long-Term Business Vision “VISION2030”

Based on the updated sales forecasts for existing products and JTE-061, and in light of our favorable progress in obtaining new in-licensed drugs and developing new drugs, as well as our forecast that we will be able to achieve the all-time high net sales ahead of schedule, we have upwardly revised net sales in “VISION2030,” and for operating income, clearly indicated the fiscal year in which we expect to break the all-time high operating income.

## Numerical Targets and Guidance of Medium-Term Management Plan 2024-2026 and Medium-/Long-Term Business Vision “VISION2030”

Torii sets net sales and operating income before R&D expenses as numerical income indicators for the Medium-Term Management Plan 2024-2026

Forecast for FY2024	Guidance for FY2026 <sup>*2, *3</sup>	What VISION2030 aims for <sup>*3</sup>
<b>Net sales</b> <b>¥58.6 billion</b>	<b>Net sales</b> <b>¥63.0-66.0 billion</b>	<b>Net sales</b> <b>Over ¥80.0 billion</b>
<b>Operating income</b> (before R&D expenses) <sup>*1</sup> <b>¥9.2 billion</b>	<b>Operating income</b> (before R&D expenses) <sup>*1</sup> <b>¥9.0-10.0 billion</b>	<b>Operating income<sup>*4</sup> comes within the range of breaking the all-time high<sup>*4</sup> in 2032</b>

\*1: We actively invest in R&D for the time being, in order to obtain in-licensed drugs in the future. For this reason, Torii sets operating income before R&D expenses as a numerical income indicator for the Medium-Term Management Plan.

\*2: A reference value that represents a rough estimate for Torii at this point in time and is not positioned as a target to be achieved.

\*3: As a risk affecting medium-/long-term financial results, if CEDARCURE and MITICURE continue their recent net sales growth, they may be subject to market expansion repricing (drug price reduction) within the next few years. This risk has been estimated to a certain extent and reflected in the guidance for FY2026 and VISION2030.

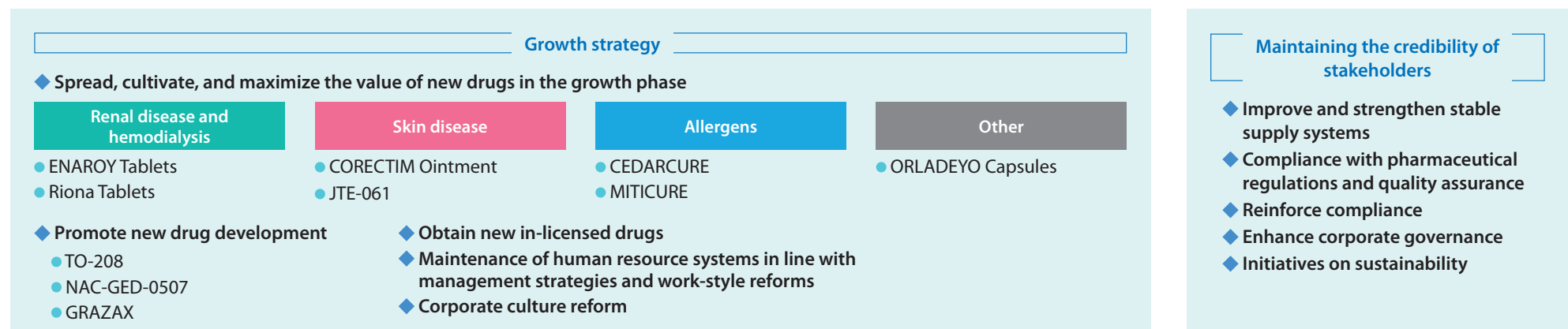
\*4: Although we will continue to invest in R&D beyond 2030, we expect to have completed our intensive investment to a certain extent. For this reason, Torii sets operating income as an indicator for numerical targets of VISION2030. (All-time high operating income: ¥13.3 billion (fiscal year ended March 31, 2001))

## Major Initiatives: Outline of the Medium-Term Management Plan 2024-2026

Torii continues two pillars of “growth strategy” and “maintaining the credibility of stakeholders” due to no change of business environment as well as making good progress in major initiatives and financial results in FY2023

For details, please refer to: ▶

[https://www.torii.co.jp/en/release/2024/20240209\\_E1.pdf](https://www.torii.co.jp/en/release/2024/20240209_E1.pdf)



# Recognition of the External Environment / Risks and Opportunities

Torii has classified external environmental factors into three categories: overall society, governmental and medical institutions, and the pharmaceutical industry. We are gauging risks in each category and linking solution opportunities for each issue with each materiality.

\*See P20 for further details on materiality. (The numbers next to each opportunity show the links with each materiality)

Recognition of the external environment	Risks	Opportunities
<b>Overall society</b> <ul style="list-style-type: none"> <li>● Declining birthrate and aging population</li> <li>● Environmental changes that are difficult to predict (Rising geopolitical risks and infectious diseases, etc.)</li> <li>● Rising importance of ensuring diversity</li> <li>● Management that is conscious of cost of capital and stock price</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental changes that are difficult to predict</li> <li>● Decline in trust due to insufficient climate change initiatives</li> <li>● Decline in productivity and human resource shortages due to delays in creating working environments suited to diverse human resources</li> <li>● Rising and diversifying requirements from capital markets</li> </ul>	<ul style="list-style-type: none"> <li>● Collaboration with multiple partners and distribution of business risks...<sup>3</sup></li> <li>● Corporate activities with environmental protection in mind...<sup>6</sup></li> <li>● Promotion of processes to acquire ideal human resources...<sup>7,11</sup></li> <li>● Promotion of diverse workstyles, expansion of environments for diverse human resources to thrive...<sup>7,8,9</sup></li> <li>● Continuous activities aimed at enhancement of corporate value and appropriate disclosures...<sup>10,11</sup></li> </ul>
<b>Governmental and medical institutions</b> <ul style="list-style-type: none"> <li>● Movements to reduce medical expenses due to tightening medical finances</li> <li>● Changing needs in the medical field (Diversifying activities for collecting and providing information)</li> <li>● Governmental pollinosis countermeasures</li> </ul>	<ul style="list-style-type: none"> <li>● Shrinking pharmaceutical market due to reduction in social security spending (curbed drug costs)</li> <li>● Response to diversifying needs in the medical field</li> <li>● Response to governmental and market needs</li> </ul>	<ul style="list-style-type: none"> <li>● Establishment of a system that can quickly collect and provide information on needs and changes in the medical field, and that can respond appropriately and flexibly...<sup>1,2,3,4</sup></li> <li>● Timely and appropriate response to governmental and market needs...<sup>1,2,3,4</sup></li> </ul>
<b>The pharmaceutical industry</b> <ul style="list-style-type: none"> <li>● Stagnant domestic ethical pharmaceutical product market</li> <li>● Expansion of healthcare needs (Importance of prevention and prognosis)</li> <li>● Advancement and rising difficulty of R&amp;D</li> <li>● Increasingly fierce in-licensing competition</li> <li>● Emergence of incidents that damage confidence in pharmaceutical companies</li> <li>● Changing requirements of pharmaceutical companies</li> </ul>	<ul style="list-style-type: none"> <li>● Expiration of product patents</li> <li>● Entry of different industries into healthcare areas</li> <li>● Rising challenges in drug creation and acquisition of in-licensed drugs</li> <li>● Tightening of various regulations relating to stable supply and quality assurance</li> <li>● Use of naturally derived raw materials with high yield variability due to weather, etc.</li> <li>● Dependence on specific collaborative partners</li> </ul>	<ul style="list-style-type: none"> <li>● Maximization of value of existing products and promotion of in-licensed drug acquisition and new drug development...<sup>1,2</sup></li> <li>● Development of businesses that do not depend on ethical pharmaceutical product market in line with broadening healthcare needs...<sup>1,2,3</sup></li> <li>● Stable supply of products that appropriately meet various regulations and establishment of quality assurance system...<sup>3,4,5</sup></li> <li>● Stable acquisition of naturally derived raw materials and efficiency improvement of manufacturing processes...<sup>4</sup></li> <li>● Collaboration with partners with different strengths...<sup>3,7</sup></li> </ul>

## Items of Materiality

### Materiality related to our business

- 1 Contribute to patients by providing high-quality and valuable medical information to medical professionals
- 2 Contribute to patients by exploring and developing new and valuable drugs that meet unmet medical needs
- 3 Co-create with diverse partners with specialized functions in order to maximize the value we deliver to the medical field
- 4 Supply our products stably through our entire supply chain initiatives
- 5 Assure the quality and ensure the safety of our products

### Materiality related to our management foundation

- 6 Corporate activities with environmental protection in mind
- 7 Develop employees with high levels of expertise and provide them with growth opportunities
- 8 Cultivate a culture of implementing TORII's POLICY (Our Important Values)
- 9 Realize an environment in which each and every employee works enthusiastically
- 10 Compliance
- 11 Corporate governance

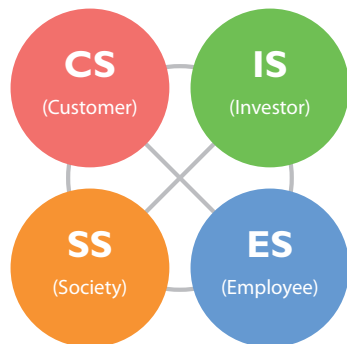
# Sustainability

At Torii, we have formulated the Basic Policy on Sustainability to maintain stakeholder trust, promote the sustainable growth of the Company, and enhance our corporate value over the medium-/long-term. As part of this basic policy, we have identified a set of material issues (materiality) that we must address.

Going forward, we will enhance the initiatives we carry out based on our 4S MODEL, Basic Policy on Sustainability and materiality.

## Basic Policy on Sustainability

In order to realize Torii Pharmaceutical's Purpose permanently, our corporate philosophy, we will work ceaselessly to fulfill our responsibilities in a well-balanced manner for each of our stakeholders and enhance their overall satisfaction, based on the 4S MODEL, our basic management stance. Through this, we will not only achieve sustainable growth and improve our medium- to long-term corporate value, but we will also contribute to the realization of a sustainable society. To promote the implementation of our sustainability initiatives, we have identified material issues (materiality) which have a large impact on the sustainability of society and of our business and which we should therefore give high priority. In identifying these material issues, we have taken into consideration the expectations and needs of stakeholders recognized by collaborating with them through our communications and cooperation, and therefore we will work appropriately to solve these issues.



(Note) 4S is the collective term for CS, IS, SS, and ES.

## CS Customer Satisfaction Our Responsibility to Customers

We strive to improve the quality of life (QOL) of patients by supplying superior medicines and accurate information through medical professionals.

## Investor Satisfaction IS Our Responsibility to Shareholders

We disclose timely, accurate corporate information and endeavor to generate appropriate shareholder returns and improve our corporate value.

### Materiality related to our business

Contribute to patients by exploring and developing new and valuable drugs that meet unmet medical needs

Contribute to patients by providing high-quality and valuable medical information to medical professionals

Assure the quality and ensure the safety of our products

Co-create with diverse partners with specialized functions in order to maximize the value we deliver to the medical field

Supply our products stably through our entire supply chain initiatives

### Materiality related to our management foundation

Develop employees with high levels of expertise and provide them with growth opportunities

Cultivate a culture of implementing TORII's POLICY (Our Important Values)

Realize an environment in which each and every employee works enthusiastically

Corporate governance

Compliance

Corporate activities with environmental protection in mind

We maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society.

We aim to provide motivation and fulfillment to all our employees by respecting every individual, ensuring equal opportunities for career advancement, and by treating employees fairly on the basis of unbiased assessments.

## SS Social Satisfaction Our Responsibility to Society

## Employee Satisfaction ES Our Responsibility to Employees

# Materiality

As below, we have linked the material issues (materiality) that we must address in line with the Basic Policy on Sustainability with our business strategies and the major initiatives in our Medium-Term Management Plan.

## Links between materiality and business strategies, major initiatives of the Medium-Term Management Plan, etc., and the overview of major promotion measures

	Materiality	Business strategies, major initiatives of the Medium-Term Management Plan, etc.	Overview of major promotion measures
Materiality related to our business	① Contribute to patients by providing high-quality and valuable medical information to medical professionals	[Business strategy] Create a framework for maximizing product value Spread, cultivate, and maximize the value of new drugs in the growth phase	<ul style="list-style-type: none"> <li>Strengthen our system and capability for providing and collecting information on our pharmaceutical products</li> <li>Utilization of digital technology</li> </ul>
	② Contribute to patients by exploring and developing new and valuable drugs that meet unmet medical needs	[Business strategy] Enhance in-licensed activities	<ul style="list-style-type: none"> <li>Initiatives to enhance in-licensed activities</li> <li>Promote new drug development</li> </ul>
	③ Co-create with diverse partners with specialized functions in order to maximize the value we deliver to the medical field	VISION2030 (our business model): Focus on core functions × collaboration with companies specializing in each function	<ul style="list-style-type: none"> <li>Continue and upgrade the initiatives in each division of focusing on core functions × collaborating with companies specializing in each function</li> </ul>
	④ Supply our products stably through our entire supply chain initiatives	[Foundation for business operation] Improve and strengthen stable supply systems	<ul style="list-style-type: none"> <li>Strengthen the CEDARCURE production system</li> <li>Appropriate supply and demand management</li> <li>Establish a commercial production system for developed drugs</li> </ul>
	⑤ Assure the quality and ensure the safety of our products	[Foundation for business operation] Compliance with pharmaceutical regulations and quality assurance	<ul style="list-style-type: none"> <li>Respond to various revisions in pharmaceutical regulations</li> <li>Implementation based on schedule for developed drugs and in-licensed drugs</li> </ul>
Materiality related to our management foundation	⑥ Corporate activities with environmental protection in mind	Environmental response	<ul style="list-style-type: none"> <li>Formulate and promote the environmental action plan</li> </ul>
	⑦ Develop employees with high levels of expertise and provide them with growth opportunities	Education and training/human resource development	<ul style="list-style-type: none"> <li>Company-wide training, job-specific training</li> <li>Career development support</li> <li>Self-improvement support</li> </ul>
	⑧ Cultivate a culture of implementing TORII's POLICY (Our Important Values)	Corporate culture reform	<ul style="list-style-type: none"> <li>Understanding and dissemination of the corporate philosophy system</li> <li>Conduct corporate culture reform working groups</li> </ul>
	⑨ Realize an environment in which each and every employee works enthusiastically	Maintenance of human resource systems in line with management strategies and work-style reforms	<ul style="list-style-type: none"> <li>Improve human resource systems</li> <li>Initiatives to promote the active participation of women and support the development of the next generation</li> <li>Promote of health and productivity management</li> </ul>
	⑩ Compliance	[Foundation for business operation] Reinforce compliance	<ul style="list-style-type: none"> <li>Compliance with various laws and regulations</li> <li>Compliance with industry rules</li> </ul>
	⑪ Corporate governance	Enhance corporate governance	<ul style="list-style-type: none"> <li>Enhance information disclosure</li> <li>Action to implement management that is conscious of cost of capital and stock price</li> <li>Transition to a company with an Audit and Supervisory Committee</li> <li>Established the Nomination and Compensation Advisory Committee</li> </ul>

CS

## Our Responsibility to Customers

We strive to improve the quality of life (QOL) of patients by supplying superior medicines and accurate information through medical professionals.

### Quality Management

#### Quality Management Measures

We have established a thorough quality management system for pharmaceutical products to maintain quality throughout all of our manufacturing processes and provide customers with the intangible value of reassurance. Each and every one of our employees is constantly aware that beyond the pharmaceutical products we manufacture, there are the patients and their families who need these products. To ensure that our employees maintain this mentality, we have formulated a Quality Assurance Policy, and conduct quality assurance operations in accordance with this policy.

#### Quality Assurance Policy

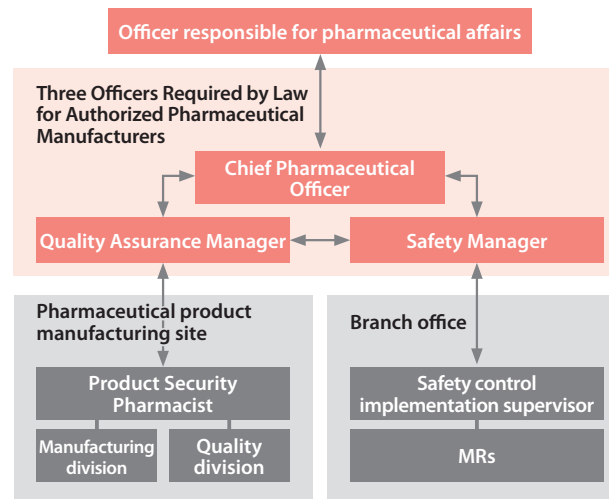
- ① We are attentive to the opinions and requests of customers and actively strive to improve the quality of our products.
- ② We work closely with manufacturing sites to maintain a constant supply of products with stable quality.
- ③ We bring together our knowledge and experience to carry out quality assurance activities based on facts and data.

#### Quality Assurance and Safety Control System

In order to comply with various laws, ordinances, and regulations, we have established the three officers required by law for authorized pharmaceutical manufacturers (Chief Pharmaceutical Officer, Quality Assurance Manager, and Safety Manager) under the Officer responsible for pharmaceutical affairs. These three work closely together to thoroughly ensure the quality assurance and the safety of pharmaceutical products after their launch.

We perform quality assurance of pharmaceutical products through proper operation on a daily basis including making appropriate decisions on market release and managing and supervising domestic and overseas manufacturers responsible for manufacturing active ingredients, and handling quality information and quality defects.

#### Quality Assurance and Safety Control System



#### GQP- and GMP-based Product Assurance

GQP, which stands for Good Quality Practice, refers to standards that define the method of quality control of pharmaceutical products and stipulate the necessary operations for pharmaceutical manufacturers and distributors to ensure the quality of the products they manufacture and sell. GMP, short for Good Manufacturing Practice, refers to standards for manufacturing control and quality control of pharmaceutical products and defines

the requirements for pharmaceutical products manufacturing sites to ensure that pharmaceutical products are consistently produced and controlled in accordance with quality standards.

Under the GQP-based control system, the Company regularly visits manufacturing sites that manufacture drug substances and formulations to confirm manufacturing control and quality control based on GMP. While sharing information regarding product quality with each manufacturing site on a daily basis, we are working to achieve process improvements and to further ensure stable quality with the aim of providing pharmaceutical products that patients can use with the utmost confidence.

#### Response to Product Recall

In the event of quality defects that require a pharmaceutical 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 to avoid inconveniencing the patients that use the pharmaceutical product in question.

#### Considerations for Packaging, Labeling and Individual Product Boxes

We consider and revise designs of packaging and labeling as necessary, reflecting information from medical institutions and patients as well as the industry guidelines. Moreover, aiming for even better packaging for our individual product boxes, we are making improvements as necessary in line with industry and other guidelines.

## Our Responsibility to Customers

### ■ Stable Supply

#### Stable Supply Measures

Providing a stable supply of pharmaceutical products is one of the most important missions of companies that handle pharmaceutical products, on which people's lives directly depend. Providing a stable supply of pharmaceutical products requires measures that encompass entire supply chains, and involve Torii itself and numerous partners responsible for every phase from the procurement of drug substances (active pharmaceutical ingredients) and other raw materials to manufacturing of pharmaceutical products, inventory optimization, and logistics. We have put in place systems in preparation for various contingencies, including procurement of drug substances from multiple suppliers. We are striving to ensure stable supply to provide the amounts of pharmaceutical products needed, when needed, where needed.

#### Measures for Managing Logistics while Ensuring Quality

To fulfill our duty as a pharmaceutical company, we have built a system ensuring stable supply of safe, high-quality pharmaceutical products manufactured under strict quality control. With regard to temperature control, our logistics center stores pharmaceutical products in a refrigerated or room-temperature warehouse in accordance with the temperature control category (refrigerated storage or room-temperature storage) defined for each pharmaceutical product. For management of logistics, we exclusively use dedicated vehicles for pharmaceutical product transport and regularly monitor temperature of the vehicles for thorough quality control during transport. With regard to risk management, anticipating the possibility of a large-scale disaster, we operate two logistics centers, one in East Japan and the other in West Japan. Under this system, if one center is affected by the disaster, the other center can continue to supply pharmaceutical products.

### ■ Appropriate Information Provision

#### Information Collection and Provision

Torii strives to promote the proper use of pharmaceutical products, and through our MRs we collect safety information from medical professionals such as data on side effects. The information we collected and analyzed is provided on an ongoing steady basis as feedback to medical professionals, contributing to the safe and effective use of pharmaceutical products by patients. We also participate in relevant academic society meetings and update product information sites for medical professionals to provide a wide range of information on the proper use of pharmaceutical products.

#### Promotion of Proper Use

In order to ensure safer use of pharmaceutical products, we constantly collect safety information such as 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. We have implemented measures so that our pharmaceutical products are used more safely by notifying medical professionals of the contents of these revisions.

#### Measures through MRs

The mission of our MRs is to accurately convey various information on pharmaceutical products to medical professionals, collect information such as that on the safety of products after launch, and provide information on proper use obtained as a result of the evaluation and analysis of this information by the Pharmacovigilance Department to medical professionals. This helps ensure that pharmaceutical products are used properly. MRs work to promote the proper use of pharmaceutical products for the sake of patients by providing information to medical professionals as well as collecting information from them.

#### MR Education and Training

We carry out a range of education and training programs to ensure that our MRs properly provide information on our pharmaceutical products to medical professionals and collect their feedback. Various divisions of Torii collaborate in human resource development of MRs so that they can earn the trust of medical professionals. Practical training is designed to cultivate a mindset attuned to attending to the needs of individual patients and developing the ability to propose the optimum treatment for the patient.

## Our Responsibility to Customers

### Customer Support Department

#### Customer Support Department Initiatives

Our Customer Support Department interfaces directly with medical professionals, patients, and their families, handling a broad range of inquiries.

No matter how excellent a pharmaceutical product may be, it is only effective when used properly. To this end, we have worked to provide high-quality, appropriate, science-based drug information that takes into account the needs of our customers.

#### Sharing Customer Feedback within the Company

As an open corporate contact point with customers, the Customer Support Department shares questions and opinions from customers with corresponding divisions, enabling them to consider

future actions based on the latest information on safety, interaction, usage method and others.

In order to meet customers' expectations, we will continue to reflect customer feedback in product improvements and the provision of high-quality information, contributing to patients' health.

#### Customer Support Education

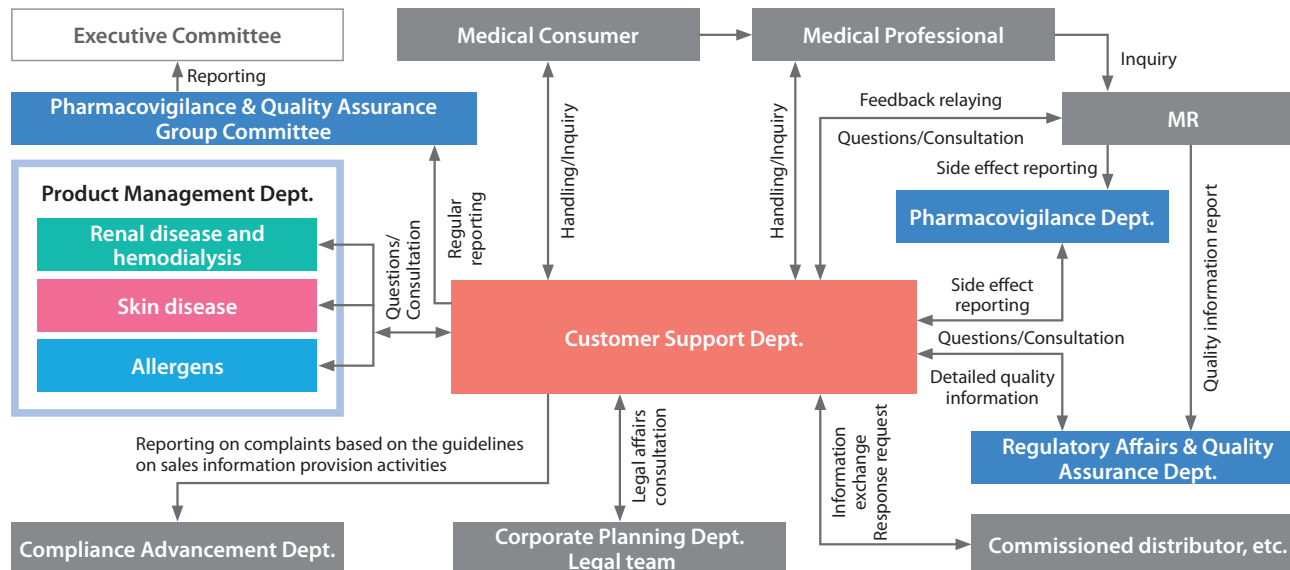
We participate in external training related to customer service both inside and outside the pharmaceutical industry, to ensure that each and every customer is treated with integrity. Staff members who deal with customers are trained using the same continually updated materials as are used by MRs, and participate actively in study sessions held by related divisions, workshops, and academic society meetings so that they understand the latest drug

information. This enables them to provide customers with accurate, appropriate information.

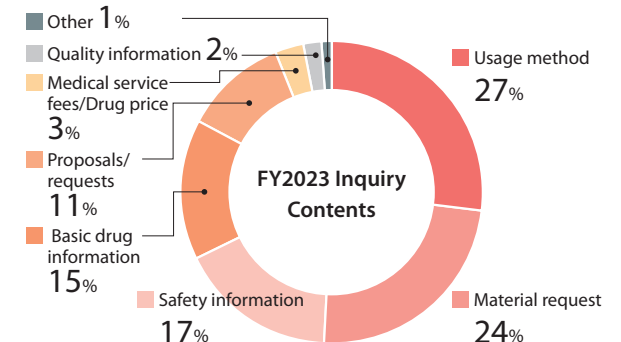
#### Communication and Awareness-Raising through the Website "Health Information" Section and Pamphlets for Patients

The "Health Information" section of our website provides health-related information such as information regarding disease mechanisms and symptoms. We have created websites such as "Touseki no Kayumi (Dialysis Pruritus).jp" and "Torii-san's Allergen Immunotherapy Navigation," through which we provide information to foster an accurate understanding of disorders. Furthermore, we have created PDF versions of pamphlets such as "Jozuna Rin to Kalium no Torikata (How to Efficiently Control Intake of Phosphorous and Potassium)" and "Kichinto Shirou Atopic Dermatitis (Atopic Dermatitis Navigation)," which are available on our website. We provide this information to help patients deepen their understanding of diseases, their treatments, and points to remember in everyday life, in order to contribute to the health of patients.

#### System for Sharing Information within the Company



For details, please refer to: <https://www.tousekinokayumi.jp/>  
<https://www.torii-alg.jp/> (Japanese only)





IS

## Our Responsibility to Shareholders

We disclose timely, accurate corporate information and endeavor to generate appropriate shareholder returns and improve our corporate value.

### Initiatives for Enhancement of Corporate Value

Our PBR has been less than 1.0x since FY2019, and has also remained in the 0.8 to 0.9x range in FY2023. There are various reasons as to why our PBR remains less than 1.0x. For example, our

ROE continues to be at a low level of around 3%. In addition, investors and shareholders are unsure of our growth strategies, highlighting the need for more clear and convincing explanations. Moreover, because we are a listed subsidiary, our corporate governance requires even further enhancements.

In line with the above, we have set the following targets to further enhance our corporate value, and are currently implementing various initiatives to meet them.

Furthermore, to address the above issues, we are also working to further reinforce our communication with the capital markets.

#### Targets for enhancement of corporate value

##### ▶ Achieve the targets of Medium-/Long-Term Business Vision “VISION2030”

- Net sales: over ¥80.0 billion
- Operating income: operating income comes within the range of breaking the all-time high in 2032

##### ▶ Achieve ROE of 8% or higher in 2030 or as soon as possible thereafter

- Specific ROE target and timeline for its achievement will be disclosed once sufficient progress has been made in intensive business investment, allowing for a clearer outlook on mid- to long-term growth.

##### ▶ Achieve a DOE level that compares favorably with that of other companies within the same industry (currently approx. 3.5%), while focusing on sales and profit growth through business investment

- Specific timeline for its achievement will be disclosed once sufficient progress has been made in intensive business investment, allowing for a clearer outlook on mid- to long-term growth.

#### Initiatives for enhancement of corporate value

##### ▶ Realize what the Medium-/Long-Term Business Vision “VISION2030” aims for

- Focus on “maximizing the value of existing products and developed products” and “obtaining new in-licensed drugs.”
- To this end, implement ¥40.0 billion in intensive business investments by 2027

##### ▶ Improve ROE

- Aim for steady improvement of ROE through increases in sales and profit
- Following the period of intensive business investments through to 2027, we believe ROE will improve in line with the following factors
  - The market launch of developed products will lead to the start of amortization of previously capitalized upfront licensing payments and the reduction of shareholders’ equity
  - Market launch of developed products as core products will lead to an increase in sales and profit

(Although we will conduct intensive business investments in the period up to 2027, some upfront in-licensing payments and milestone payments in line with development progress will be capitalized, rather than recording them as costs. As such, in-licensing process will not directly result in a reduction of shareholders’ equity, and amortization will begin after the product is launched. Furthermore, it will take a certain amount of time to achieve sufficient sales and profit after market launch. Therefore, we anticipate that gradual improvements in ROE will begin from 2028 onwards)

##### ▶ Enhance corporate governance

- Under the new Board of Directors structure since transitioning to a company with an Audit and Supervisory Committee, we will continue to ensure independence from controlling shareholders and protect minority shareholders, while simultaneously improving corporate value by incorporating more diverse values into management

##### ▶ Shareholder returns See P25 for more on initiatives for shareholder returns

## Our Responsibility to Shareholders

### Shareholder returns

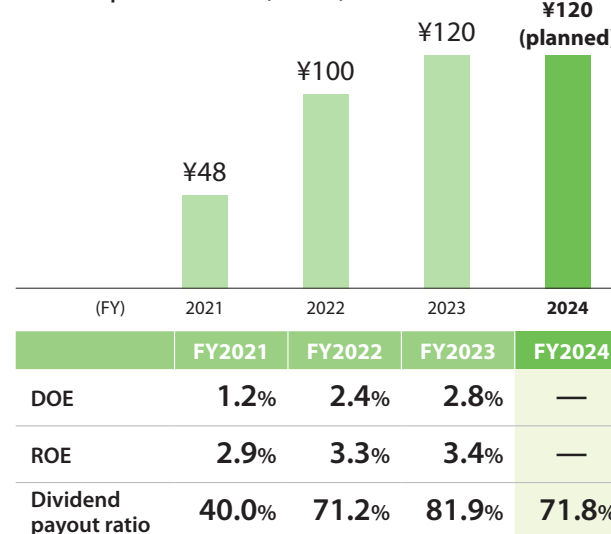
Torii recognizes that generating appropriate shareholder returns is the key issue of management. Our basic policy on shareholder returns is to provide continuous and stable dividends. In addition, we recognize that meeting shareholder expectations also requires enhancing our medium-/long-term corporate value through business investment. Based on this understanding, we will prioritize the use of funds in hand for business investments to continuously increase sales and profit, with the aim of enhancing our medium- to long-term corporate value with a focus on capital costs. Moreover, regarding the repurchase of treasury stock, we will consider whether or not to implement and their scale, comprehensively taking into consideration the business environment and the progress of investments, etc.

With regard to shareholder return indicators, we believe it is appropriate to use dividend on equity ratio (DOE) which is based on shareholders' equity, rather than using dividend payout ratio which is impacted by net income, in light of our business characteristics in which R&D investments can drastically impact our profits. Going forward, we aim to achieve a DOE level that compares favorably with that of other companies within the same industry (currently around 3.5%), while focusing on sales and profit growth through business investment. However, as a certain amount of time is required for licensed products to reach market launch, and several years are typically needed post-launch for them to generate sufficient sales and profit as a core product, we believe it will be challenging to reduce shareholders' equity and increase profit in the short term. Although drastic improvements in DOE will take at least around five years, we will continue to provide continuous and stable dividends in line with our basic policy. Specific timeline for DOE achievement will be disclosed once sufficient progress has been made in intensive business investment, allowing for a clearer outlook on mid- to long-term growth.

Regarding appropriation of surplus for FY2023, based on the fact that the probability of future growth has increased in our medium-/long-term financial forecasts, as a result of progress in major initiatives in FY2023 toward the Medium-Term Management Plan 2023-2025, such as favorable progress in promoting new drug development (filed application for approval of manufacturing and sales of JTE-061, top-line results of TO-208 Phase III clinical study) and acquisition of two new in-licensed drugs (NAC- GED-0507, GRAZAX), we increased the annual dividend by ¥20 from FY2022, bringing it to ¥120 per share. In line with our concept to enhancing shareholder returns.

For FY2024, in accordance with the policy and concept above, we plan to pay an annual dividend of ¥120 per share.

Dividend per share trend (annual)



### Communication with capital markets

We recognize the importance of dialogue with investors and shareholders, and we will continue to enhance communication by improving opportunities for dialogue and methods of information dissemination moving forward.

In FY2023, we held 53 meetings with our investors and shareholders, which was 13 more compared to FY2022. Looking ahead, to ensure we can engage in constructive dialogue with as many investors and shareholders as possible, we will aim to further increase our opportunities for communication. The details of these conversations with investors and shareholders are regularly reported to the Directors via the departments in charge, and the information is used in initiatives for enhancement of corporate value.

Moreover, aiming to enhance our methods of communication with investors and shareholders, we are increasing opportunities for dialogue with Directors including Outside Directors, publishing an integrated report, continuing regular financial briefings, creating easy-to-understand disclosure materials, among other measures.

For details,  
please refer to: ▶

[https://www.torii.co.jp/company/pdf/2024\\_cg\\_h\\_k.pdf](https://www.torii.co.jp/company/pdf/2024_cg_h_k.pdf) (Japanese only)

SS

## Our Responsibility to Society

We maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society.

### Torii Pharmaceutical Environmental Charter

#### Basic Policy on the Environment




As a company aspiring to contribute to the health and happiness of people through pharmaceutical products, Torii Pharmaceutical considers protection of the global environment to be an important issue and conducts business activities with environmental protection in mind.

#### Code of Conduct

- Throughout our business activities from R&D to production, distribution, provision of information on pharmaceutical products, and sales, we comply with environmental laws and regulations applicable to our operations and internal rules. At the same time, we recognize the impact of our operations on the environment and strive to reduce it.
- Upon grasping and understanding the Environmental Action Plan, we actively collaborate on company-wide measures concerning environmental issues in addition to engaging in the environmental initiatives of our own departments.
- While promoting resource saving and energy saving and endeavoring to realize a low carbon society, we strive to reduce waste and facilitate recycling.
- We monitor industrial waste processors to which disposal is consigned, raw materials suppliers, etc. to confirm their compliance with laws and regulations and their initiatives for environmental issues.
- We actively collaborate on company-wide social contribution activities in addition to engaging in the social contribution activities of our own departments.
- We also strive to take action concerning environmental issues and endeavor to make social contributions in our private lives.

### Environmental Action Plan

 Achieved  Unachieved

Item	FY2023 Environmental Action Plan	FY2023 Results	Evaluation	FY2024 Environmental Action Plan
Greenhouse gas emissions reductions	<b>Head office</b> <b>FY2023 target: 335t-CO<sub>2</sub> or less</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Review usage of energy-saving equipment, lighting, etc.</li> <li>Continue and review implementing Cool Biz and Warm Biz energy-saving initiatives</li> <li>Enhance employees' awareness about environmental protection</li> </ul>	<b>FY2023 result: 344t-CO<sub>2</sub></b> <b>Measures implemented</b> <ul style="list-style-type: none"> <li>Reviewed usage of energy-saving equipment, lighting, etc.</li> <li>Implemented Cool Biz and Warm Biz throughout the year</li> <li>Enhanced employees' awareness about environmental protection</li> </ul>		<b>FY2024 target: 344t-CO<sub>2</sub> or less</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Renew energy-saving equipment, review usage of lighting, etc.</li> <li>Enhance employees' awareness about environmental protection</li> <li>Examine introduction of renewable energy</li> </ul>
	<b>Sales vehicles</b> <b>FY2023 target: 956t-CO<sub>2</sub> or less</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Continue selecting fuel-efficient vehicles such as hybrids</li> <li>Continue promotion of eco-drive awareness and education activities</li> <li>Continue introduction of telematics to reduce fuel consumption by minimizing sudden start, sudden braking, etc.</li> </ul>	<b>FY2023 result: 931t-CO<sub>2</sub></b> <b>Measures implemented</b> <ul style="list-style-type: none"> <li>Introduced fuel-efficient vehicles such as hybrids</li> <li>Continued promotion of eco-drive awareness and education activities</li> <li>Introduced telematics to reduce fuel consumption by minimizing sudden start, sudden braking, etc.</li> </ul>		<b>FY2024 target: 1,000t-CO<sub>2</sub> or less</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Continue selecting environmentally friendly vehicles such as hybrids</li> <li>Examine introduction of EVs</li> <li>Continue promotion of eco-drive awareness and education activities</li> <li>Continue introduction of telematics to reduce fuel consumption by minimizing sudden braking, etc.</li> </ul>
Maintain/increase waste recycling rate	<b>Head office</b> <b>FY2023 target: 98% or above</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Continue to consign disposal to industrial waste processors with high recycling rates and continue monitoring of industrial waste processors</li> <li>Strengthen initiatives for paperless operation</li> </ul>	<b>FY2023 result: 98.6%</b> <b>Measures implemented</b> <ul style="list-style-type: none"> <li>Continue to consign disposal to industrial waste processors with high recycling rates and continue monitoring of industrial waste processors</li> <li>Strengthen initiatives for paperless operation</li> </ul>		<b>FY2024 target: 98% or above</b> <b>Main measures</b> <ul style="list-style-type: none"> <li>Monitor industrial waste processors</li> <li>Strengthen initiatives for paperless operation</li> <li>Strengthen recycling of paper documents</li> </ul>

## Our Responsibility to Society

### Overview of Business Activities and Their Environmental Impacts (Head Office / Branch Offices)



### Climate Change Initiatives

In addition to implementing initiatives on sustainability based on the 4S MODEL, we have identified "Corporate activities with environmental protection in mind" as one materiality, and are implementing appropriate responses to address relevant challenges.

To further examine the impact that climate change could have on our business in line with the framework provided by the Task Force on Climate-related Financial Disclosures (TCFD), following discussions among management, we set up an examination and preparation team in FY2023. We are currently moving forward with these examinations while sharing our understanding of the background of the TCFD recommendations and the necessity and importance of scenario analyses.

In FY2024, we began defining the scenarios related to the transition to a decarbonized society and the progression of climate change, assessing the impacts they could have on our business, and examining the necessary countermeasures. We are also aiming for information disclosure related to the four elements which are key to corporate management and operation, namely Governance, Strategy, Risk Management, and Metrics and Targets, by the end of FY2024.

### Internal Awareness-Raising Education

To enhance understanding on environmental issues, we have conducted an environmental e-learning program for all employees. In a post-program awareness survey, 97% or more employees responded that their understanding of environmental issues had improved. Going forward, to continue implementing corporate activities with environmental protection in mind, we will further proceed with activities aimed at improving understanding of environmental issues.

### Social Contribution Activities

In collaboration with the Japanese Red Cross Tokyo Metropolitan Blood Center, we have continued to host blood donation events since 1971. In FY2023, we held two blood donation events in the grounds of our head office building, and numerous local residents attended in addition to our employees.

Moreover, we also host sales stalls for bread and other products, with the cooperation of a social welfare corporation managed by a municipal lifestyle support facility for people with intellectual disabilities in Chuo-ku, Tokyo. These sales events were held three times in our head office lobby during FY2023.

Going forward, we will continue to support the creation of opportunities for people to flourish in cooperation with our local communities.

ES

## Our Responsibility to Employees

We aim to provide motivation and fulfillment to all our employees by respecting every individual, ensuring equal opportunities for career advancement, and by treating employees fairly on the basis of unbiased assessments.

### Human Capital

See P11 for more on the background and strategies of human capital initiatives

#### Acquisition of Required Human Resources For Executing Business Strategies

While looking at the quantity and quality of the human resources required for us to execute our medium-/long-term business strategies, we visualize the aspects that we are currently lacking, and recruit, develop, and assign human resources to address the gap between the current situation and the plan. In doing so, we are improving our working environment so that we can acquire human resources with advanced expertise in a stable manner.

#### Logical Development of Medical Representatives (MRs) Over the Medium-/Long-term

In line with our medium-/long-term business plans, we have logically identified a set of expertise and skills, as well as their required levels, that we require our MRs to possess in order for us to execute our business strategies. Based on them, we create a roadmap for developing such personnel in a systematic manner. We are regularly checking on the results and issues of these development activities, and reviewing the process annually to further enhance the effectiveness of the development program. In this manner, we are developing MRs with high levels of expertise who can engage in high-value information provision and collection activities.

#### Maintenance of Human Resource Systems in Line with Management Strategies

To realize VISION2030 and promote the sustainable growth of both our employees and the company, we are examining the direction for revising our human resources systems to promote the improvement of employees' expertise and ensure more role- and results-based treatment than ever before. We are aiming to create systems that promote the growth of our employees by indicating their expected roles and levels more appropriately, and creating more variation in their assessment and treatment.

#### Support for Self-Directed Career Development

At Torii, we provide support for employees to develop their careers in a self-directed manner. Through promoting self-understanding and understanding of organizations and duties, as well as providing opportunities for training programs on an application basis, we support employees in creating and achieving self-directed career plans. We also offer position- and topic-specific training, life planning training, distance learning, and e-learning. Furthermore, we also promote systematic human resource development of organizations and work to match it with self-directed career development of individuals.

#### Improvement of Environments for Diverse Human Resources to Thrive

An environment where diverse human resources can thrive is essential for us to co-create value with diverse organizations and individuals inside and outside the Company. As such, we are working to improve our working environment so that diverse individuals can thrive, regardless of their gender, background (new graduate hire or mid-career hire), or other personal attributes, or their individual circumstances, such as whether they are raising children or providing nursery care. Our indicators and results for the above initiatives are as follows.

Indicators	FY2023 (FY2022)	
Percentage of female employees in management positions*	9.8%	(10.6%)
Percentage of female employees in all employees	23.7%	(22.7%)

\*Target: 11% or above

#### Human Rights Measures

We believe it is important that people working in the same workplaces respect one another and build relationships of mutual trust, and that as members of society all people always respect the rights of others. On December 10, Human Rights Day, we carry out measures aimed at developing a shared awareness of human rights throughout workplaces and heightening respect for human rights. These measures include familiarizing employees with pamphlets created by the Human Rights Bureau of the Ministry of Justice containing information regarding human rights issues and initiatives.

#### Acquisition of the Kurumin Certification

As individuals' values diversify and the environment continuously changes, as one part of our initiatives to improve working environments to enable each and every employee to work enthusiastically, we have formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. Having achieved the targets we set out in an action plan spanning between April 1, 2019 and March 31, 2022, and meeting other certification criteria, we acquired the Kurumin Certification from the Minister of Health, Labour and Welfare as a company with outstanding support for childcare.



## Our Responsibility to Employees

### Corporate Culture Reform

In addition to respecting a diverse range of values, we have formulated TORII's POLICY as our important values as we aim to fulfill our corporate philosophy, Torii Pharmaceutical's Purpose, and we are working to share and implement these values. Every year, we conduct a corporate culture reform survey that measures factors including the degree of implementation of TORII's POLICY. In addition to gauging employees' level of understanding and implementation, we examine and implement improvement measures in line with any issues we discover. In this manner, we

ensure the consistent implementation of TORII's POLICY among both individuals and organizations, and aim to improve systems and develop human resources that will realize Torii Pharmaceutical's Purpose.

### Implement Health and Productivity Management

For both the company and its employees to grow in a sustainable manner, it is essential to ensure that each and every employee is in good physical and psychological health, and to create environments in which they can work enthusiastically. Based on our

Health Declaration, we are implementing measures to maintain and promote employee health (including measures to reduce absenteeism and presenteeism). Through these measures, we are aiming to prevent future workforce losses and improve work engagement, and to realize environments where each and every employee can work enthusiastically. Our indicators and results for the above initiatives are as follows.

Indicators	FY2023 (FY2022)	
Percentage of taking annual paid leave*1	79.6%	(79.3%)
Average number of days of*1,*2	16.4 days	(16.3 days)
Average overtime per month	15.2 hours	(17.1 hours)

\*1: Results for April 2023 to March 2024 \*2: Target: more than 14 days

Furthermore, we were recognized under the 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program (Large Enterprise Category) as part of a program jointly run by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi to certify large enterprises implementing outstanding health management measures.



## Cultivation of Corporate Culture

To cultivate a corporate culture that will enable us to realize Torii Pharmaceutical's Purpose, we are providing opportunities for dialogue between executives and employees, as well as cross-departmental initiatives for employees to take the lead in solving issues.

In terms of dialogue between executives and employees, since 2022 we have held public hearing from executives for employees for all executives and employees to participate in. We continue to hold public hearing from executives for employees today. Furthermore, since 2023 we have held President-employee dialogue sessions, which is held with the aim of allowing the President and employees to communicate directly in small groups. As part of these sessions, the President visits each department in the head office, and each of the nationwide branches and offices. Participants in these sessions have commented that hearing directly from the President about the thoughts incorporated in the corporate philosophy has improved their awareness of and sympathy for the corporate philosophy. As a result, employee satisfaction has improved.

For cross-departmental initiatives in which employees take the lead in solving issues, we have continued to hold corporate culture reform working groups since 2021. Multiple employee representatives from each region comprise the key members of the working groups, several of which are set up at the head office and different branches. Each working group independently formulates and implements measures to enhance the corporate culture, operation improvements, and employee fulfillment at their respective workplaces. Members of these working groups regularly interact, and cooperate with other departments and worksites depending on the issue to work on solutions. The predecessor to these working groups was a project that formulated the important values in TORII's POLICY, and as such, the working groups have been positioned as a platform to implement TORII's POLICY.



President-employee dialogue sessions



Corporate culture reform working groups

## Occupational Safety and Health

Each of our work sites carries out safety and health measures in order to achieve safe and healthy work environments.

In addition to the holding of a monthly meeting of the Safety and Health Promotion Committee, the head office carries out Health Officer inspections (once per week), Industrial Physician inspections (once per month), and Safety and Health Committee inspections (held for each floor five times per year), and labor and management work to improve workplace environments through deliberations at Head Office Safety and Health Committee meetings held each month.

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

## Skill Matrix

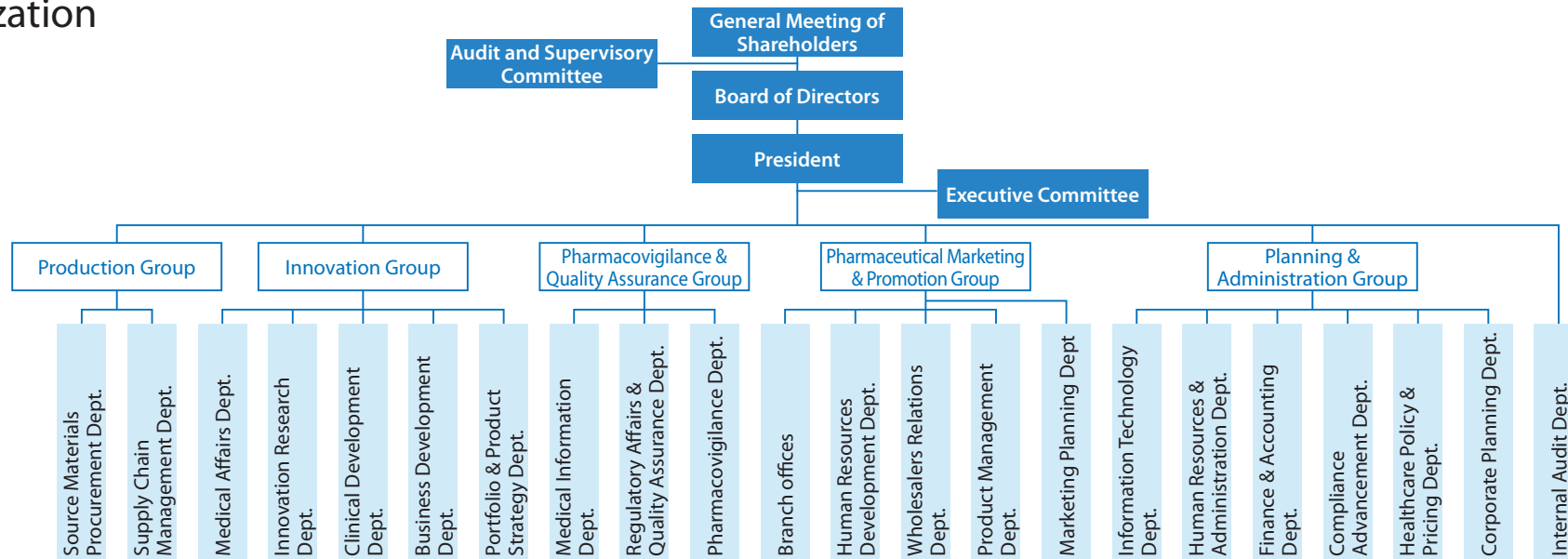
The Board of Directors is composed of well-balanced members with knowledge, expertise, and experience in various fields in accordance with their respective roles and responsibilities in order to achieve sustainable growth and enhance corporate value of the Company over the medium-/long-term. In addition, 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.

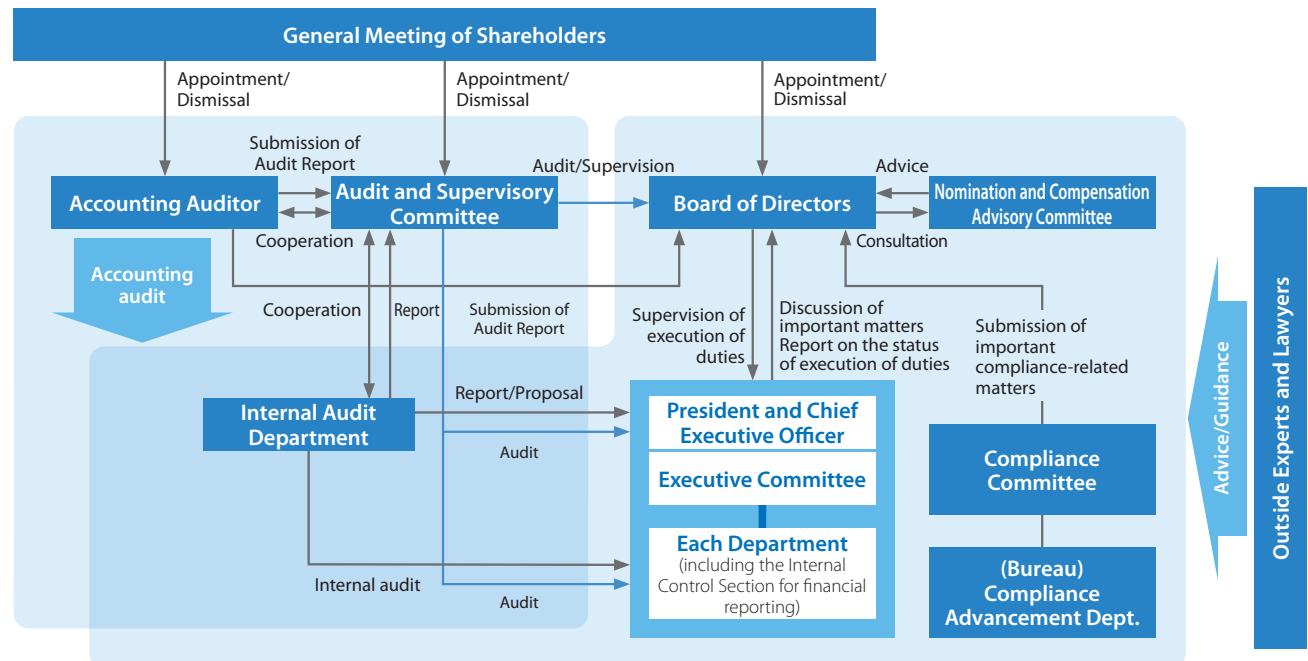
Moreover, as a voluntary advisory body to the Board of Directors, we have also established the Nomination and Compensation Advisory Committee comprising solely Independent Outside Directors. Through this Committee, we aim to further improve the transparency, objectivity, and fairness of procedures, and 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  $\times 2$ ,  $\pm 1$  depending on results of individual evaluations) and a portion linked to the Company's performance (base amount is monthly compensation  $\times 2$ ,  $\pm 2$  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
<b>Total</b>	<b>86</b>	<b>61</b>	<b>16</b>	<b>8</b>	<b>3</b>
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	22	22	–	–	1
Outside Audit & Supervisory Board Members	21	21	–	–	2
<b>Total</b>	<b>44</b>	<b>44</b>	<b>–</b>	<b>–</b>	<b>3</b>

\*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.

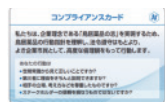
# Compliance

## 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&amp;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&amp;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&amp;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&amp;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>

# Financial Data

## Ten-Year Financial Summary

	December 31 2014* <sup>1</sup>	2015	2016	2017	2018	2019	2020	2021	2022* <sup>2</sup>	December 31, 2023
<b>For the Year</b> 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* <sup>3</sup>	478* <sup>3</sup>
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)
<b>At Fiscal Year-End</b> 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
<b>Per Share Data</b> 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
<b>Key Ratios</b> %										
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
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
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
<b>Total current assets</b>	<b>91,603</b>	<b>88,148</b>
<b>NON-CURRENT ASSETS:</b>		
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
<b>Total property, plant and equipment</b>	<b>2,282</b>	<b>2,095</b>
INTANGIBLE ASSETS:		
Leasehold interests in land	69	69
Software	415	326
Other intangible assets	31	34
<b>Total intangible assets</b>	<b>517</b>	<b>429</b>
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
<b>Total investments and other assets</b>	<b>39,286</b>	<b>42,758</b>
<b>Total non-current assets</b>	<b>42,086</b>	<b>45,284</b>
<b>Total</b>	<b>133,689</b>	<b>133,432</b>

Millions of Yen

	FY2022	FY2023
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
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
<b>Total current liabilities</b>	<b>13,221</b>	<b>12,504</b>
<b>LONG-TERM LIABILITIES:</b>		
Long-term lease obligations	241	22
Liability for retirement benefits	707	478
Asset retirement obligations	54	54
Other long-term liabilities	239	239
<b>Total long-term liabilities</b>	<b>1,242</b>	<b>794</b>
<b>Total liabilities</b>	<b>14,464</b>	<b>13,298</b>
<b>EQUITY:</b>		
<b>Shareholders' equity</b>		
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
<b>Total capital surplus</b>	<b>6,453</b>	<b>6,460</b>
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
<b>Total other retained earnings</b>	<b>108,846</b>	<b>109,425</b>
Treasury stock—at cost, 694,772 shares in December 2023 and 701,362 shares in December 2022	(1,381)	(1,369)
<b>Total shareholders' equity</b>	<b>119,107</b>	<b>119,706</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	117	427
<b>Total valuation and translation adjustments</b>	<b>117</b>	<b>427</b>
<b>Total equity</b>	<b>119,224</b>	<b>120,134</b>
<b>Total</b>	<b>133,689</b>	<b>133,432</b>



# Statement of Income

Millions of Yen

	FY2022	FY2023
<b>NET SALES</b>		
Net sales of goods	22,629	24,960
Net sales of finished goods	25,933	29,378
Other sales	332	299
<b>Total net sales</b>	<b>48,896</b>	<b>54,638</b>
<b>COST OF SALES</b>		
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
<b>Gross profit</b>	<b>23,379</b>	<b>24,791</b>
<b>SG&amp;A EXPENSES</b>		
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
<b>Operating income</b>	<b>5,540</b>	<b>5,035</b>

Millions of Yen

	FY2022	FY2023
<b>NON-OPERATING INCOME:</b>		
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
<b>NON-OPERATING EXPENSES:</b>		
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
<b>Ordinary income</b>	<b>5,537</b>	<b>5,307</b>
<b>EXTRAORDINARY INCOME</b>		
Gain on sale of investment securities	187	349
Total extraordinary income	187	349
<b>EXTRAORDINARY LOSS</b>		
Loss on retirement of non-current assets	2	36
Loss on sale of investment securities	–	26
Total extraordinary loss	2	63
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,722</b>	<b>5,593</b>
<b>INCOME TAXES:</b>		
Current	1,611	1,824
Deferred	166	(350)
Total income taxes	1,778	1,473
<b>Net income</b>	<b>3,944</b>	<b>4,119</b>

# 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
<b>OPERATING ACTIVITIES:</b>		
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)
<b>Net cash provided by (used in) operating activities</b>	<b>2,420</b>	<b>(3,123)</b>

Millions of Yen

	FY2022	FY2023
<b>INVESTING ACTIVITIES:</b>		
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	–
<b>Net cash provided by (used in) investing activities</b>	<b>(13,676)</b>	<b>(3,779)</b>
<b>FINANCING ACTIVITIES:</b>		
Repurchase of treasury stock	(0)	(0)
Dividends paid	(1,348)	(3,540)
Repayments of lease obligations	(348)	(293)
<b>Net cash used in financing activities</b>	<b>(1,698)</b>	<b>(3,835)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,954)</b>	<b>(10,738)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>58,374</b>	<b>45,420</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>45,420</b>	<b>34,681</b>

		FY2019	FY2020	FY2021	FY2022	FY2023
CO <sub>2</sub> emissions (Head office)	(t-CO <sub>2</sub> )	347	326	323	326	344
CO <sub>2</sub> emissions (Sales vehicles)	(t-CO <sub>2</sub> )	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* <sup>1</sup>	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* <sup>2</sup>	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* <sup>3</sup>	(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

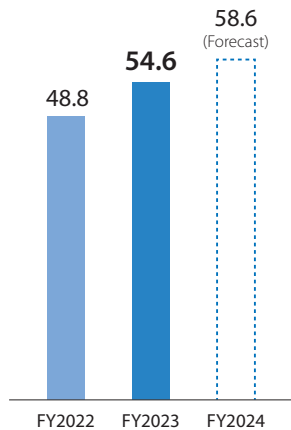
- Head office / South Shutoken Branch Office (Chuo-ku, Tokyo)
- ① Hokkaido Tohoku Branch Office (Sendai-shi, Miyagi Prefecture)
- ② Kanto Shinetsu Branch Office (Saitama-shi, Saitama Prefecture)
- ③ Chubu Branch Office (Nagoya-shi, Aichi Prefecture)
- ④ Kansai Branch Office (Osaka-shi, Osaka Prefecture)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



## Corporate Data

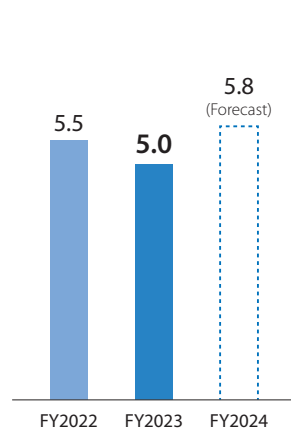
### Net Sales

(Billions of Yen)



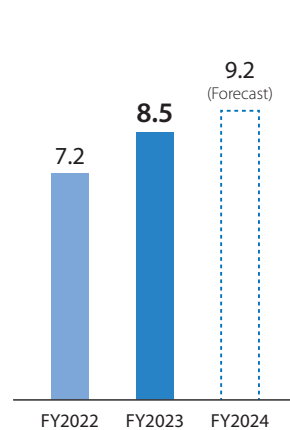
### Operating Income

(Billions of Yen)



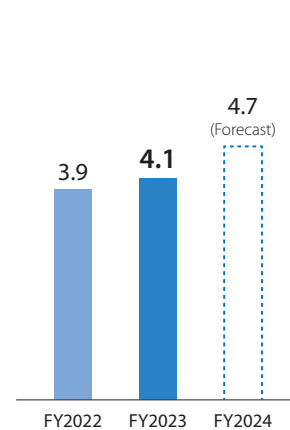
### Operating income before R&D expenses

(Billions of Yen)



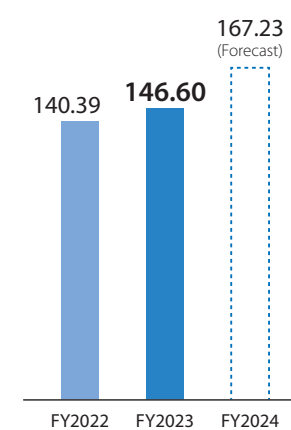
### Net Income

(Billions of Yen)



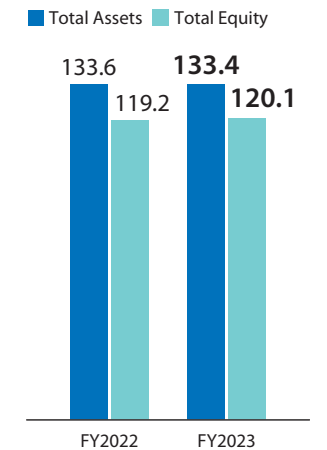
### Earnings per Share (EPS)

(Yen)



### Total Assets and Total Equity

(Billions of Yen)



## Stock Information (as of December 31, 2023)

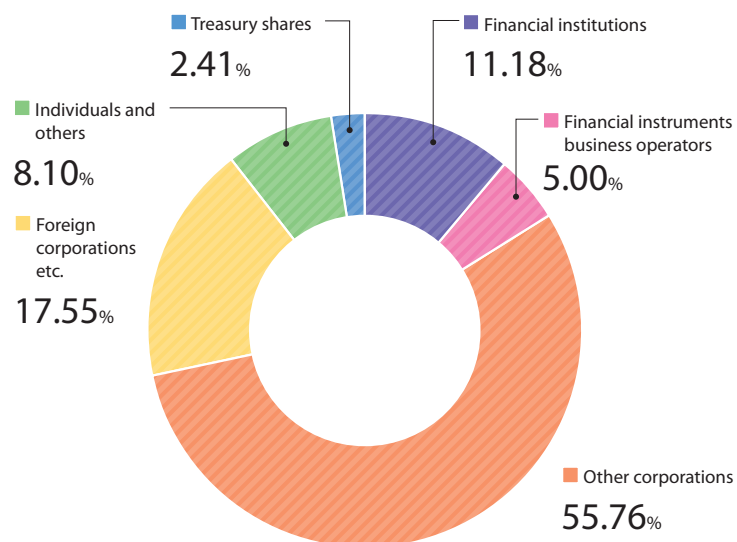
### Number of Shares

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
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### 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).



4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo, 103-8439, Japan

TEL: +81-3-3231-6811 FAX: +81-3-5203-7333

<https://www.torii.co.jp/en/>