


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

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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



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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.



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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 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

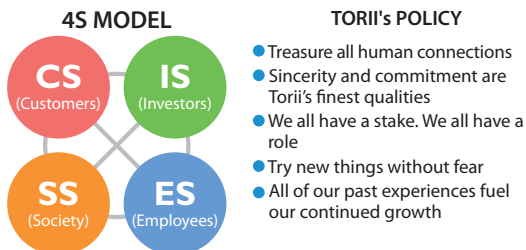
Allergens

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.

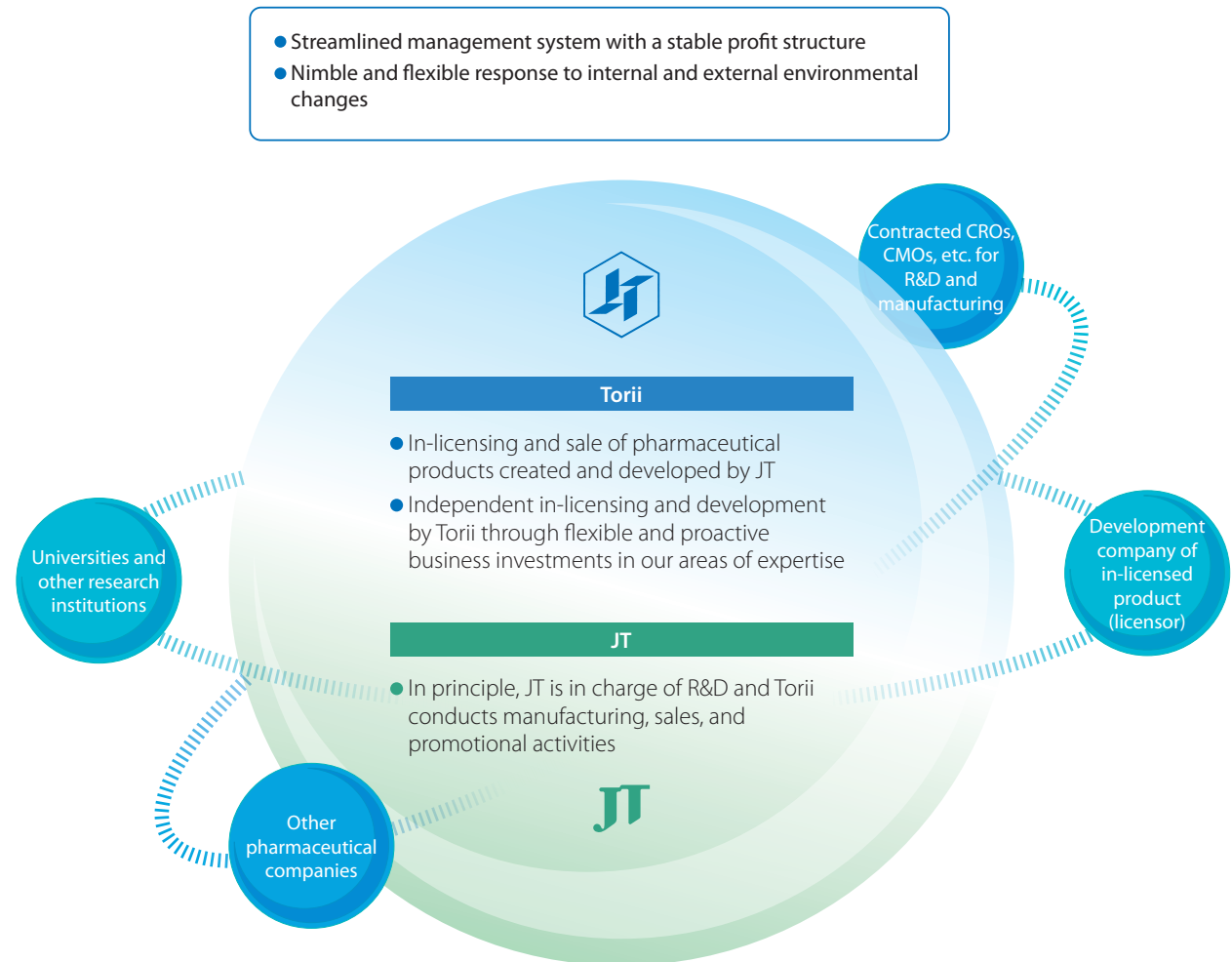
Concentrate in-house resources in core functions of the value chain

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.

Net sales*1
Over
¥80.0 billion

Operating income*1, *2
Operating income
comes within the range
of **breaking the
all-time high*2**
in 2032

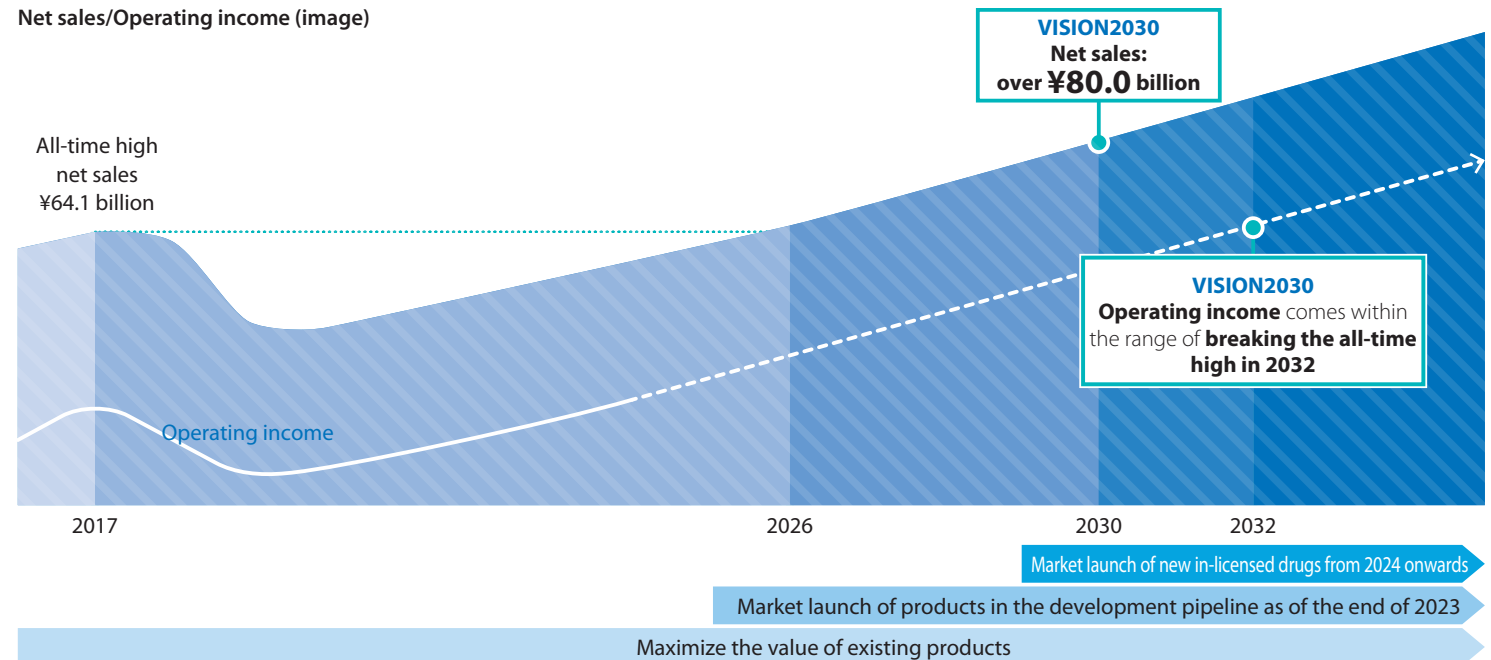
*1: As a risk affecting medium-/long-term financial results, if CEDARCURE and MITICURE continue their recent net sales growth, they may be subject to market expansion repricing (drug price reduction) within the next few years. This risk has been estimated to a certain extent and reflected in the guidance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

All-time high
net sales
¥64.1 billion



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

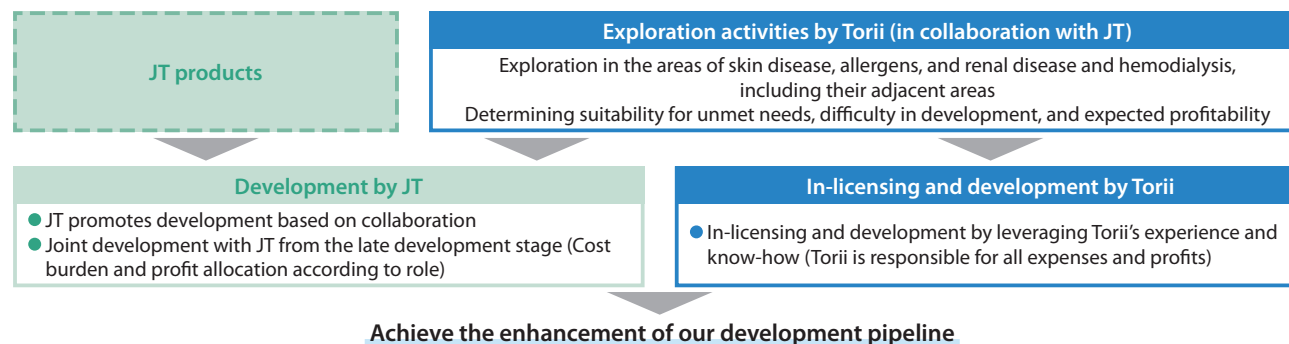
For a company like Torii with limited R&D functions, a useful method to acquire new drugs is through in-licensing (licensing agreements for developed products, etc.). As such, we are proactively engaged in exploration activities and business investments aimed at in-licensing. In addition to independent 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	
Skin disease								
JTE-061	Atopic dermatitis	Topical				Application	<ul style="list-style-type: none"> 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 License agreement signed with JT for development and commercialization JT has filed application for approval of manufacturing and marketing in September 2023 	
	Plaque psoriasis	Topical				Application	<ul style="list-style-type: none"> 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 License agreement signed with JT for development and commercialization JT has filed application for approval of manufacturing and marketing in September 2023 	
	Atopic dermatitis in pediatric patients	Topical			Phase III		<ul style="list-style-type: none"> 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 License agreement signed with JT for development and commercialization 	
TO-208	Molluscum contagiosum	Topical			Phase III		<ul style="list-style-type: none"> License agreement signed with Verrica Pharmaceuticals Inc. for exclusive development and commercialization in Japan In-house Verrica Pharmaceuticals Inc. the development code: VP-102 	
TO-210	Acne	Topical	Phase I				<ul style="list-style-type: none"> License agreement signed with Nogra Pharma Limited for exclusive development and commercialization in Japan In-house Nogra Pharma Limited the development code: NAC-GED-0507 	
Allergens								
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"> License agreement signed with ALK for providing exclusive development and sales rights in Japan In-house *Examining the future development policy 	

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

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

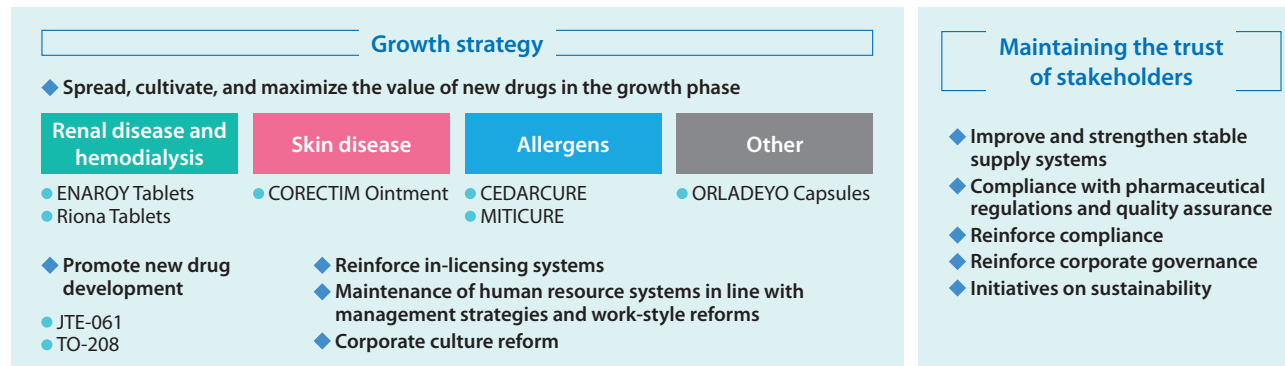
Torii formulated the Medium-Term Management Plan 2023-2025 that covers the three-year period from FY2023 to FY2025, and has been implementing measures for its growth strategy and measures to maintain the credibility of stakeholders in order to realize its Medium-/Long-Term Business Vision "VISION2030"

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 ^{*2, *3}	What VISION2030 aims for ^{*3}
Net sales ¥58.6 billion	Net sales ¥63.0-66.0 billion	Net sales Over ¥80.0 billion
Operating income (before R&D expenses) ^{*1} ¥9.2 billion	Operating income (before R&D expenses) ^{*1} ¥9.0-10.0 billion	Operating income^{*4} comes within the range of breaking the all-time high^{*4} in 2032

*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.

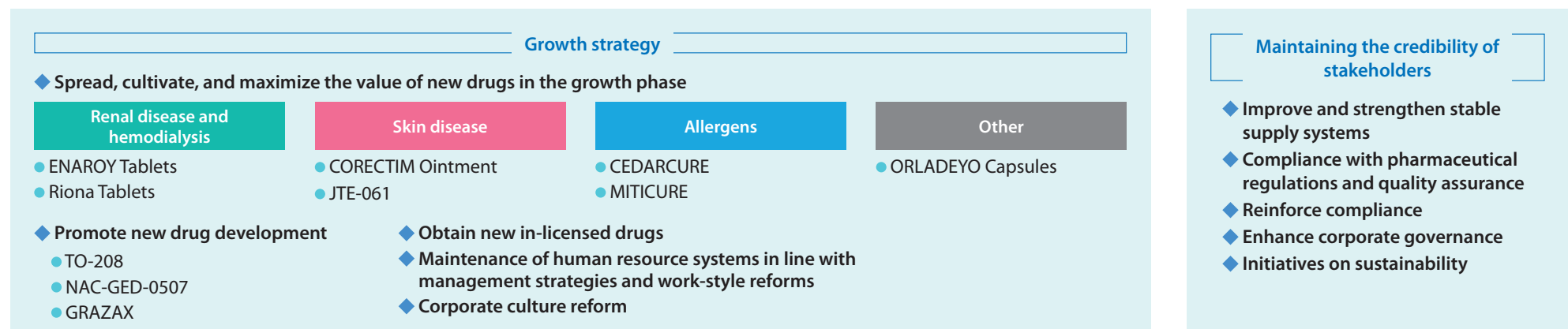
*4: Although we will continue to invest in R&D beyond 2030, we expect to have completed our intensive investment to a certain extent. For this reason, Torii sets operating income as an indicator for numerical targets of VISION2030. (All-time high operating income: ¥13.3 billion (fiscal year ended March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



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
Overall society <ul style="list-style-type: none"> ● Declining birthrate and aging population ● Environmental changes that are difficult to predict (Rising geopolitical risks and infectious diseases, etc.) ● Rising importance of ensuring diversity ● Management that is conscious of cost of capital and stock price 	<ul style="list-style-type: none"> ● Environmental changes that are difficult to predict ● Decline in trust due to insufficient climate change initiatives ● Decline in productivity and human resource shortages due to delays in creating working environments suited to diverse human resources ● Rising and diversifying requirements from capital markets 	<ul style="list-style-type: none"> ● Collaboration with multiple partners and distribution of business risks...3 ● Corporate activities with environmental protection in mind...6 ● Promotion of processes to acquire ideal human resources...711 ● Promotion of diverse workstyles, expansion of environments for diverse human resources to thrive...789 ● Continuous activities aimed at enhancement of corporate value and appropriate disclosures...1011
Governmental and medical institutions <ul style="list-style-type: none"> ● Movements to reduce medical expenses due to tightening medical finances ● Changing needs in the medical field (Diversifying activities for collecting and providing information) ● Governmental pollinosis countermeasures 	<ul style="list-style-type: none"> ● Shrinking pharmaceutical market due to reduction in social security spending (curbed drug costs) ● Response to diversifying needs in the medical field ● Response to governmental and market needs 	<ul style="list-style-type: none"> ● 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...1234 ● Timely and appropriate response to governmental and market needs...1234
The pharmaceutical industry <ul style="list-style-type: none"> ● Stagnant domestic ethical pharmaceutical product market ● Expansion of healthcare needs (Importance of prevention and prognosis) ● Advancement and rising difficulty of R&D ● Increasingly fierce in-licensing competition ● Emergence of incidents that damage confidence in pharmaceutical companies ● Changing requirements of pharmaceutical companies 	<ul style="list-style-type: none"> ● Expiration of product patents ● Entry of different industries into healthcare areas ● Rising challenges in drug creation and acquisition of in-licensed drugs ● Tightening of various regulations relating to stable supply and quality assurance ● Use of naturally derived raw materials with high yield variability due to weather, etc. ● Dependence on specific collaborative partners 	<ul style="list-style-type: none"> ● Maximization of value of existing products and promotion of in-licensed drug acquisition and new drug development...12 ● Development of businesses that do not depend on ethical pharmaceutical product market in line with broadening healthcare needs...123 ● Stable supply of products that appropriately meet various regulations and establishment of quality assurance system...345 ● Stable acquisition of naturally derived raw materials and efficiency improvement of manufacturing processes...4 ● Collaboration with partners with different strengths...37

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