TORII PHARMACEUTICAL CO., LTD.

【Event Summary】

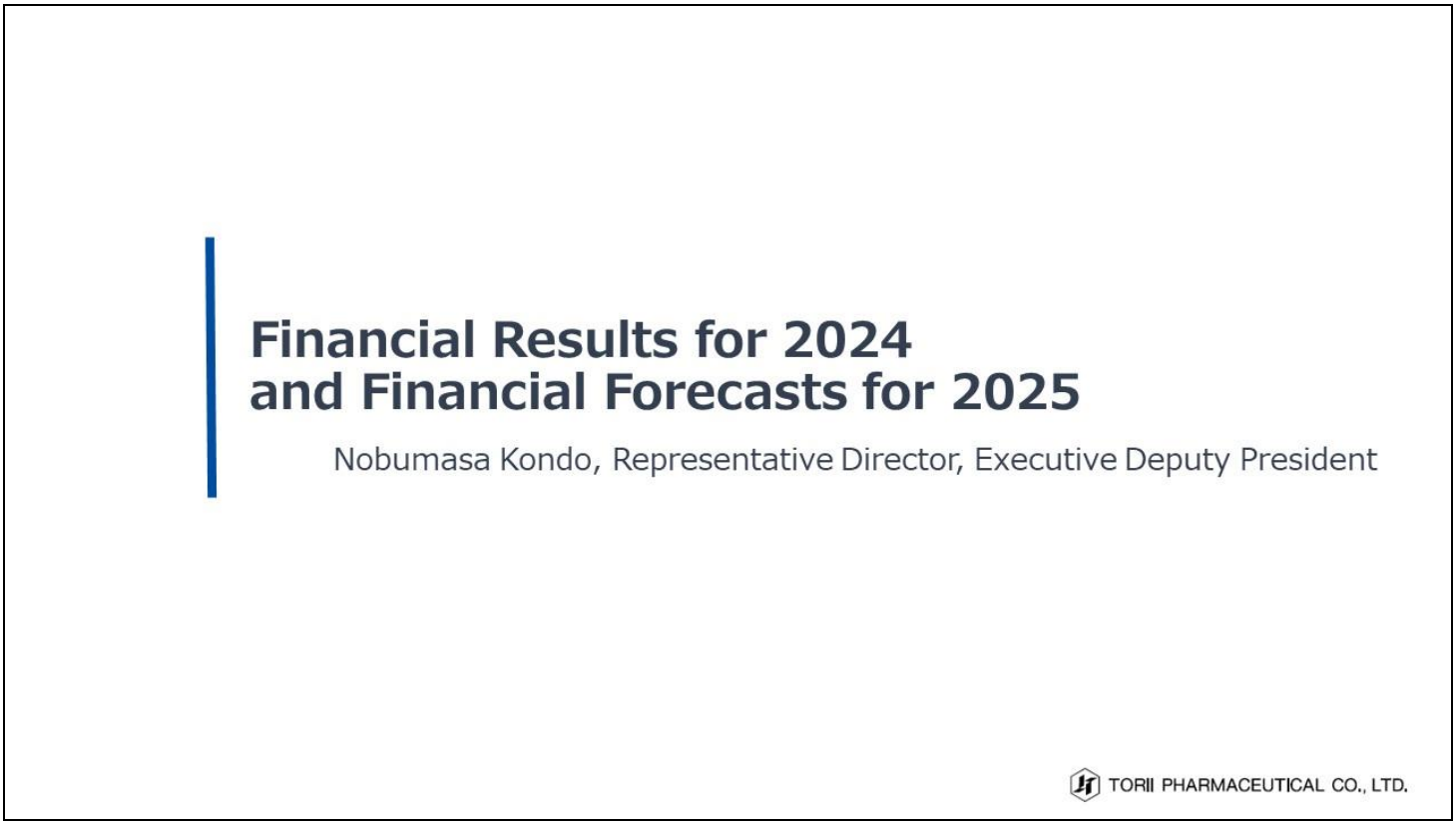
Company Name	: TORII PHARMACEUTICAL CO., LTD.
Company ID	: 4551
Event Type	: Earnings Announcement
Fiscal Period	: Year ended December 31, 2024
Date	: February 12, 2025
Time	: 11:00 AM–12:05 PM
	(Presentation: 40 minutes、Q&A: 25 minutes)
Venue	: Webcast
Number of Speakers	: 2

Goichi Matsuda	Representative Director, President and Chief Executive Officer
Nobumasa Kondo	Representative Director, Executive Deputy President

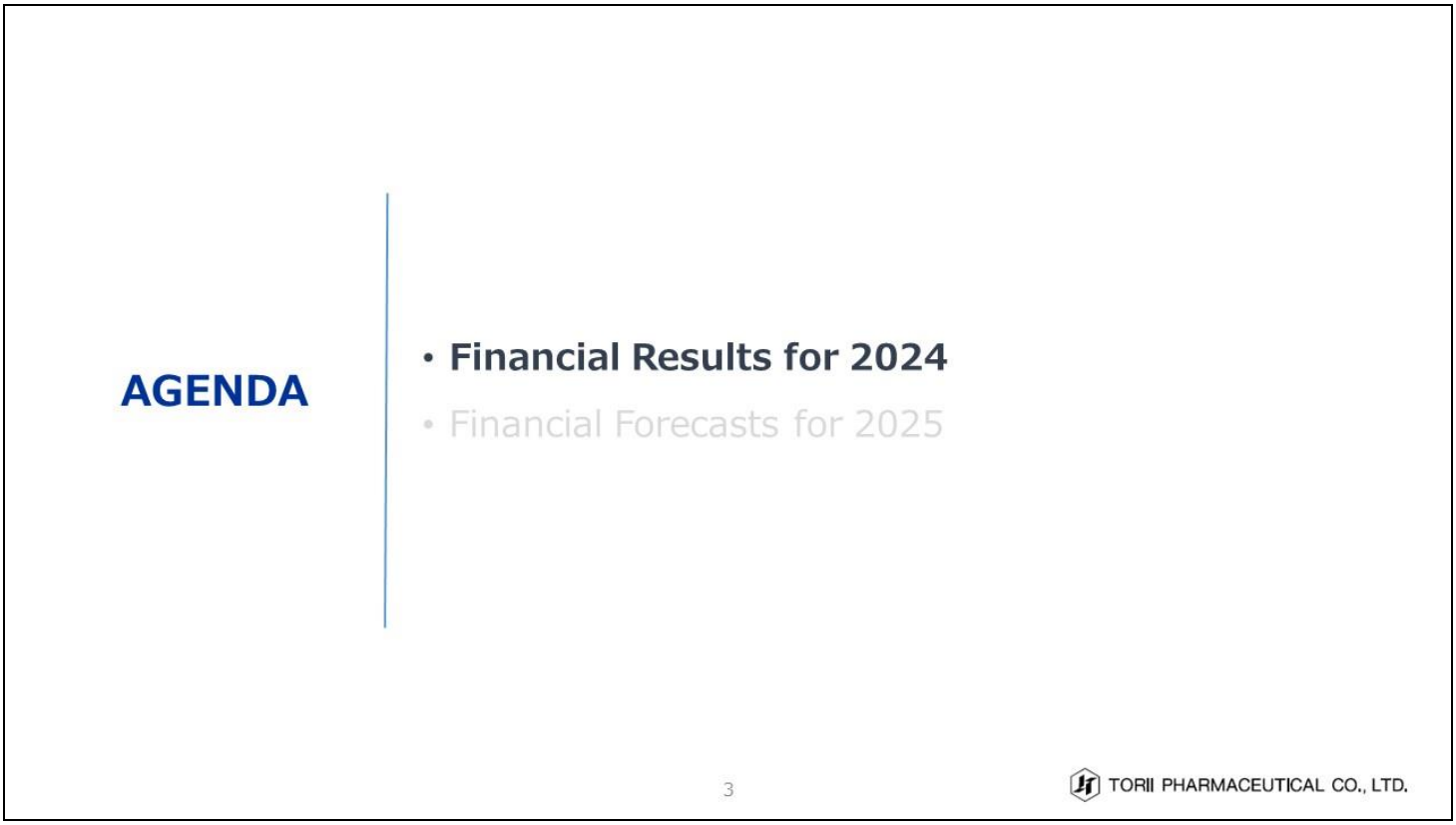
I'm Goichi Matsuda, President of Torii Pharmaceutical.

Thank you so much for taking part in today's financial results briefing.

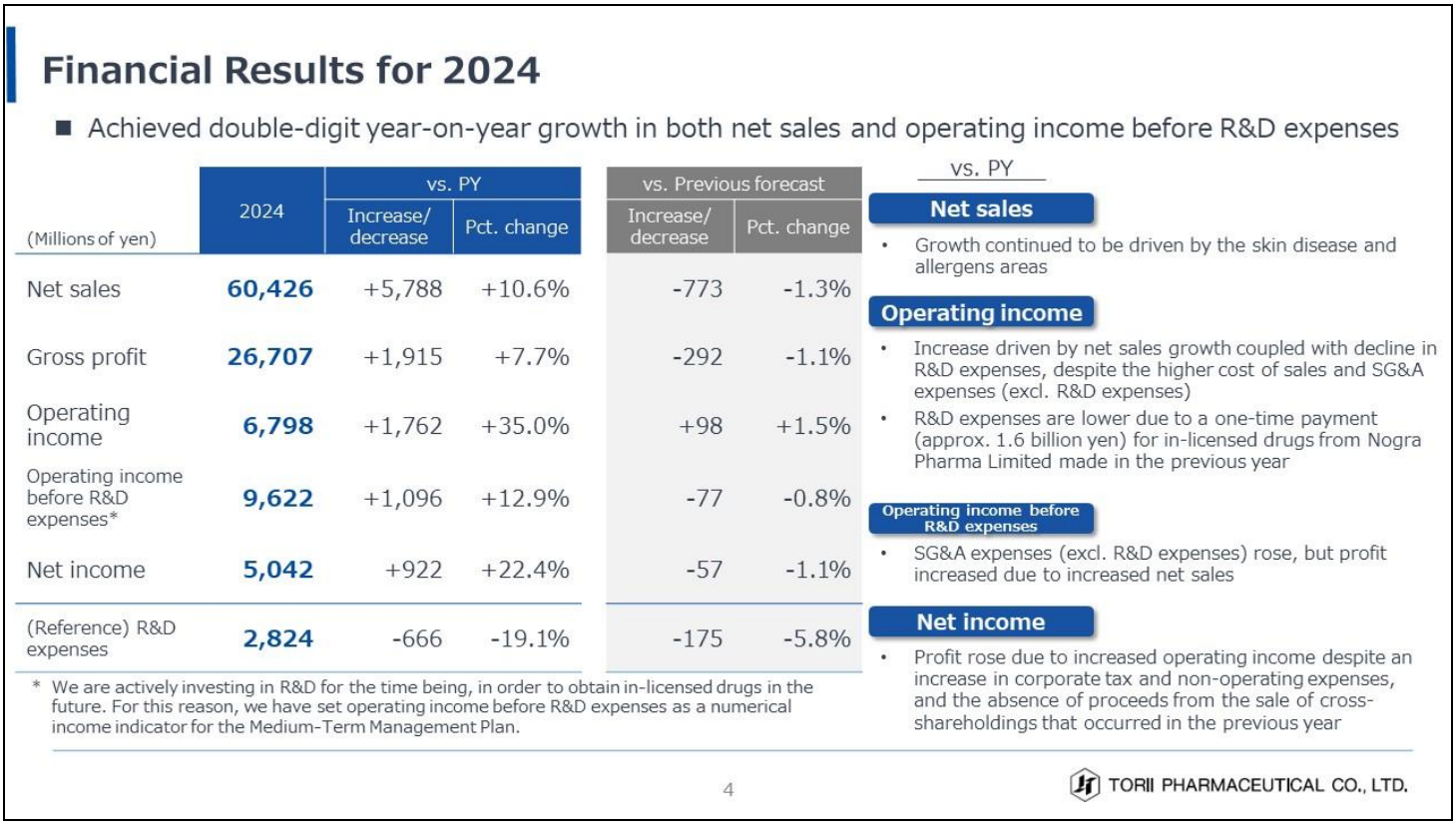
Without further ado, let's discuss results from the fiscal year ended December, 31, 2024.



First, I'll discuss 2024 results and the financial forecasts for 2025.



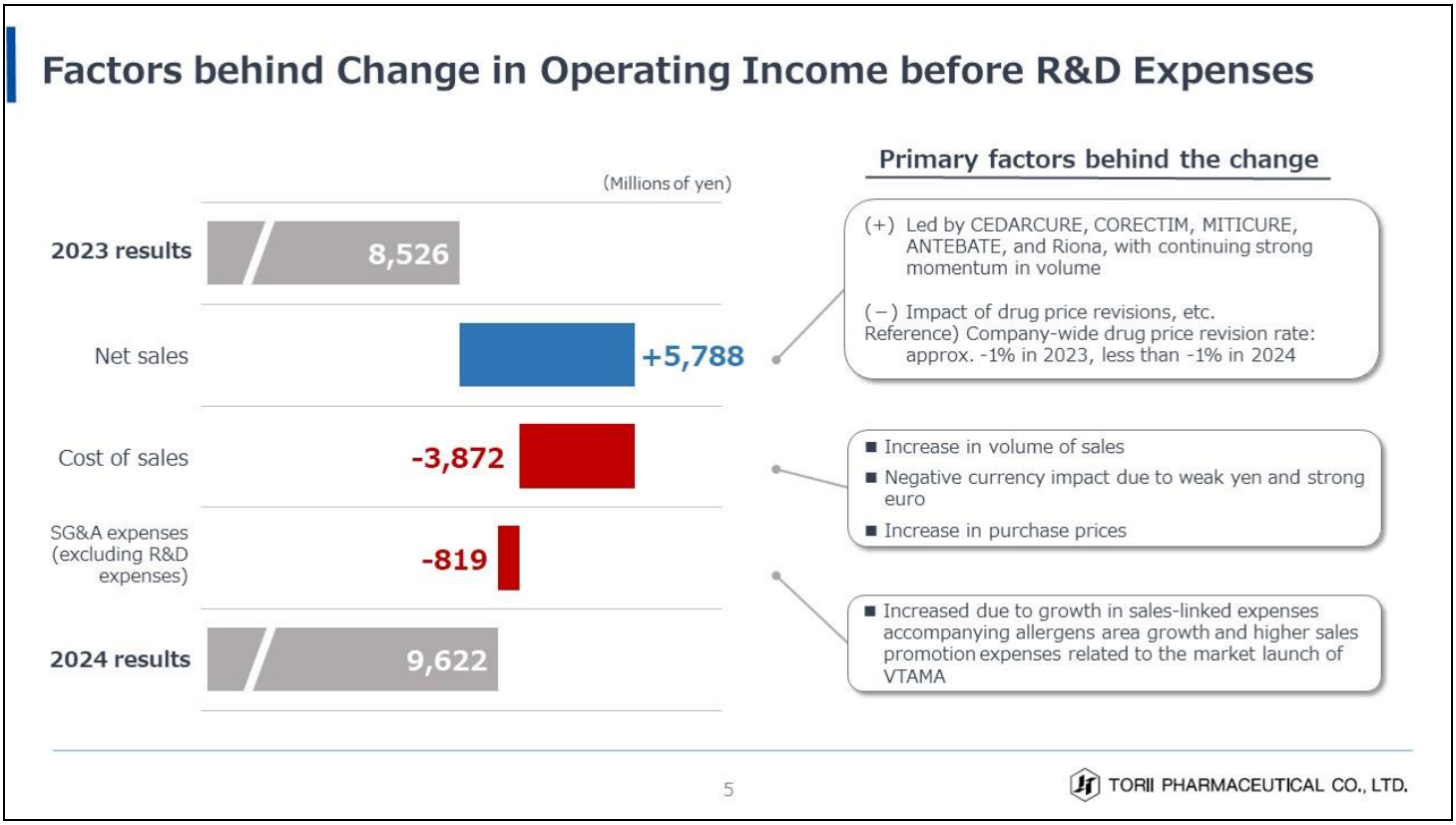
2024 results were as follows.



While the business environment remained adverse in 2024, we nonetheless achieved double-digit year on year growth in both net sales and operating income before R&D expenses.

As in the previous year, the skin disease and allergens areas continued to show strong growth, boosting net sales 10.6% higher than in the previous year.
Gross profit rose but leveled off at 7.7%, reflecting growth in the cost of sales.
Next up is operating income, which jumped 35.0% year on year, as growth in net sales and lower R&D expenses overcame increases in the cost of sales and selling, general and administrative (SG&A) expenses (excluding R&D expenses).
While R&D expenses are substantially lower due to the absence of a one-time payment (approx.1.6 billion yen) for in-licensed drugs reported in the previous year, R&D itself is progressing largely in line with initial plans.
Tracking growth in net sales, operating income before R&D expenses was up 12.9%, and came despite higher SG&A expenses (excluding R&D expenses).
Net income climbed 22.4% year on year, lifted by growth in operating income; this overcame increases in corporate tax and non-operating expenses, as well as the absence of proceeds from the sale of cross-shareholdings that occurred in the previous year.

Next is results versus previous forecasts.
Net sales were down 1.3% from the previous forecast, mainly as growth in the skin disease area struggled compared to the previous forecast. Operating income was up 1.5% from the previous forecast, as SG&A expenses fell compared to the previous forecast mainly due to efficient business execution.
R&D itself largely progressed in line with plans.
Operating income before R&D expenses was down 0.8% from the previous forecast as net sales fell below the previous forecast despite lower SG&A expenses (excluding R&D expenses) compared to the previous forecast thanks to efficient cost performance.

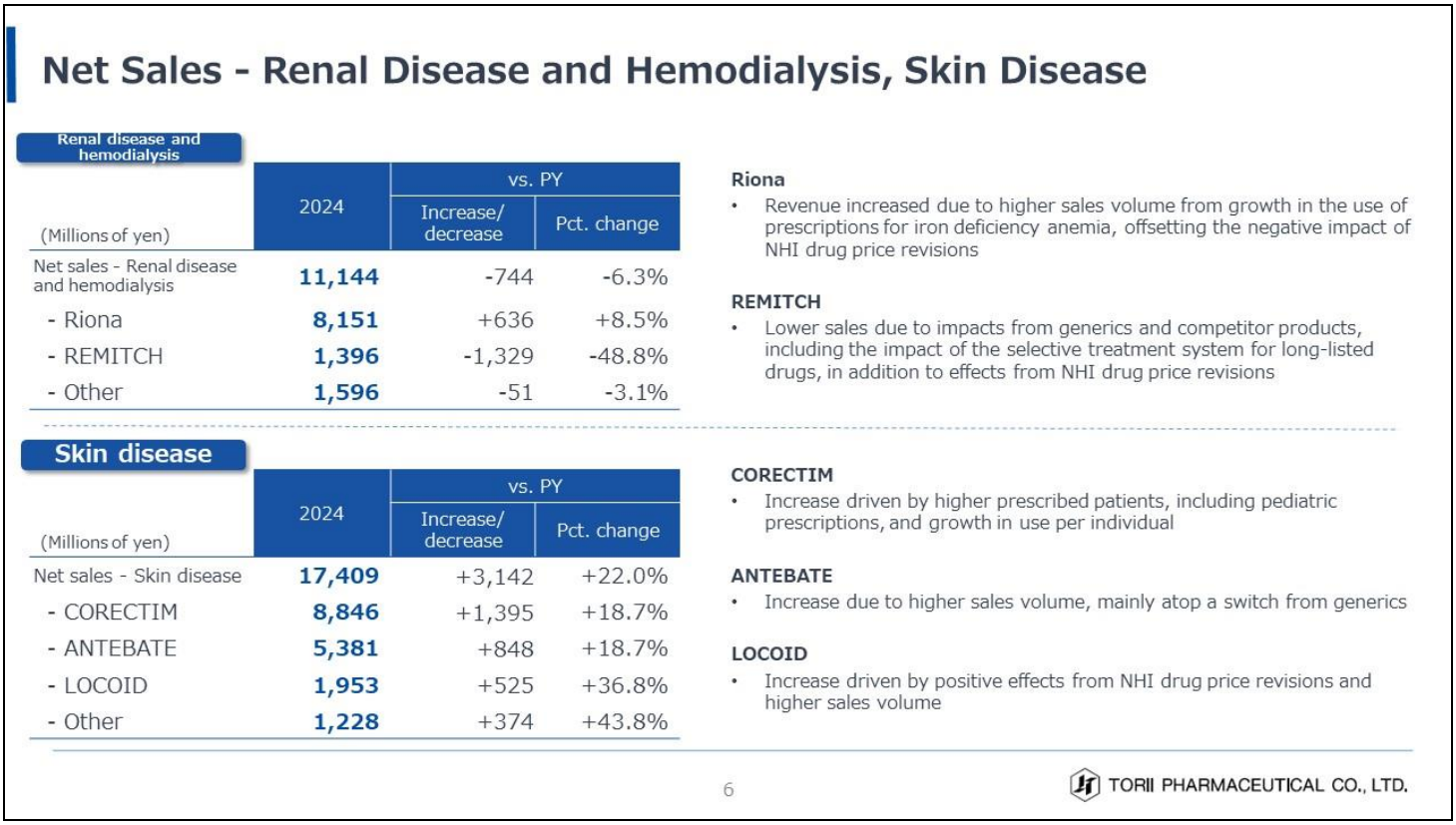


Let's now move to an explanation of factors affecting operating income before R&D expenses.

First, net sales grew by approximately 5.8 billion yen.
This outcome reflected strong volume growth in a range of products, notably CEDARCURE, CORECTIM, MITICURE, ANTEBATE and Riona, which overcame the negative impact of NHI drug price revisions.

That said, the cost of sales had a negative effect of roughly 3.9 billion yen, up from the previous year, tracking increased sales volume, in addition to negative currency exchange impacts and purchase price hikes.
SG&A expenses (excluding R&D expenses) increased by roughly 0.8 billion yen, mainly from growth in sales-linked expenses accompanying allergens area growth and higher sales promotion expenses related to the market launch of VTAMA.

As a result, operating income before R&D expenses in 2024 was approximately 9.6 billion yen, roughly 1.1 billion yen higher than the previous year.



Next, I'll discuss revenue in each area.

First, let's discuss the renal disease and hemodialysis area.
Riona saw revenue increase 8.5% year on year due to higher sales volume from growth in the use of prescriptions for iron deficiency anemia, offsetting the negative impact of NHI drug price revisions.

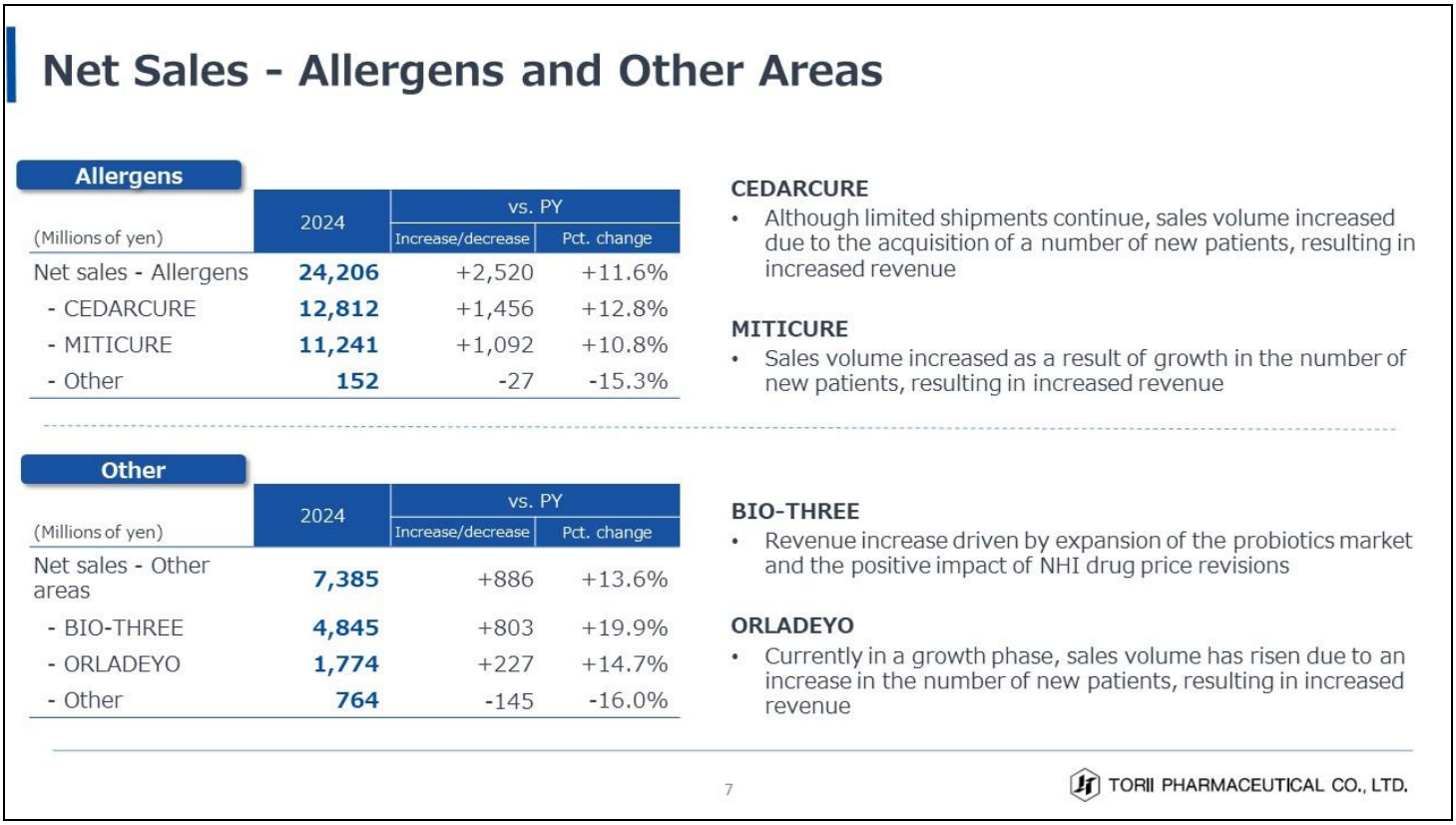
For REMITCH, sales fell 48.8% year on year due to impacts from generics and competitor products, including the impact of the selective treatment system for long-listed products, in addition to effects from NHI drug price revisions.

As a result, revenue in the renal disease and hemodialysis area declined 6.3% year on year.

Next, let's turn to the skin disease area.
CORECTIM continued to show strong growth, with sales up 18.7% from the previous year.
ANTEBATE, meanwhile, saw sales climb 18.7%, reflecting an ongoing switch away from generics as the price gap between ANTEBATE and generics has disappeared.

For LOCOID, sales increased 36.8%, driven by positive effects from NHI drug price revisions, in addition to higher sales volume.

As a result, revenue in the skin disease area rose 22.0% compared to a year earlier.



Next is a discussion of the allergens and other areas.

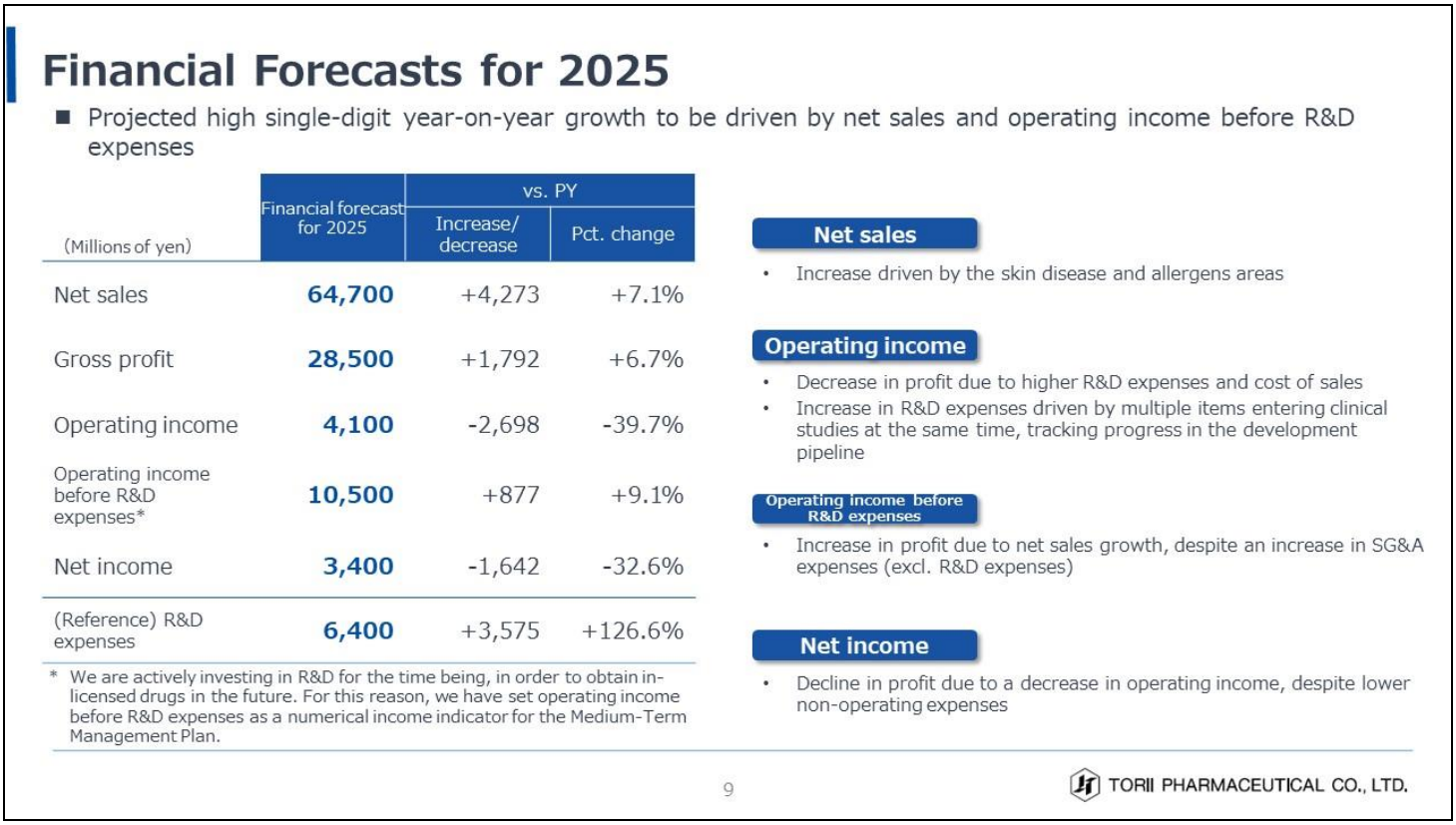
Let's first discuss the allergens area.
For CEDARCURE, although limited shipments continue even now, regardless of this status, sales volume increased due to the acquisition of a number of new patients, lifting revenue 12.8% year on year.

For MITICURE, sales increased by 10.8% year on year, reflecting the widespread use of allergen immunotherapy and continued growth in the number of new patients.

As a result, sales in the allergens area rose 11.6% from the previous year.

In the other area, sales improved by 13.6% from a year earlier, reflecting continued growth in BIO-THREE and ORLADEYO.

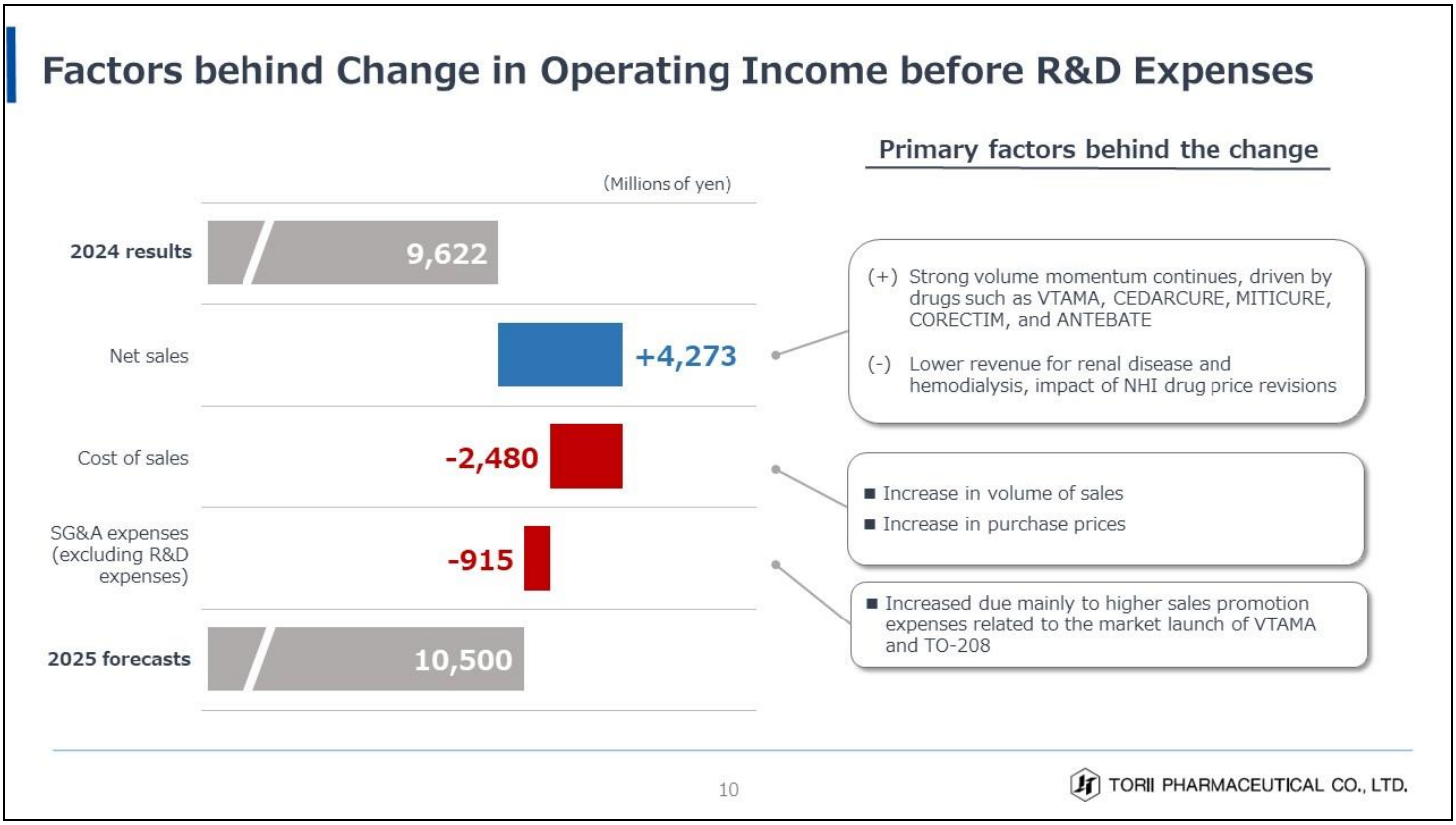
Next, I'll explain our performance forecasts for 2025.



Net sales are projected to increase 7.1% year on year, led by continued growth in the skin disease and allergens areas. Despite net sales growth, operating income is projected to decline 39.7% year on year, due to increases in R&D expenses and the cost of sales.
The key factor behind the increase in R&D expenses is progress in the development pipeline, the details of which I will explain a bit later.

Operating income before R&D expenses is projected to grow 9.1% year on year despite higher SG&A expenses (excluding R&D expenses), mainly atop higher net sales.

Net income for the year is projected to decline 32.6% from the previous year due to lower pretax profit, and despite lower non-operating expenses.



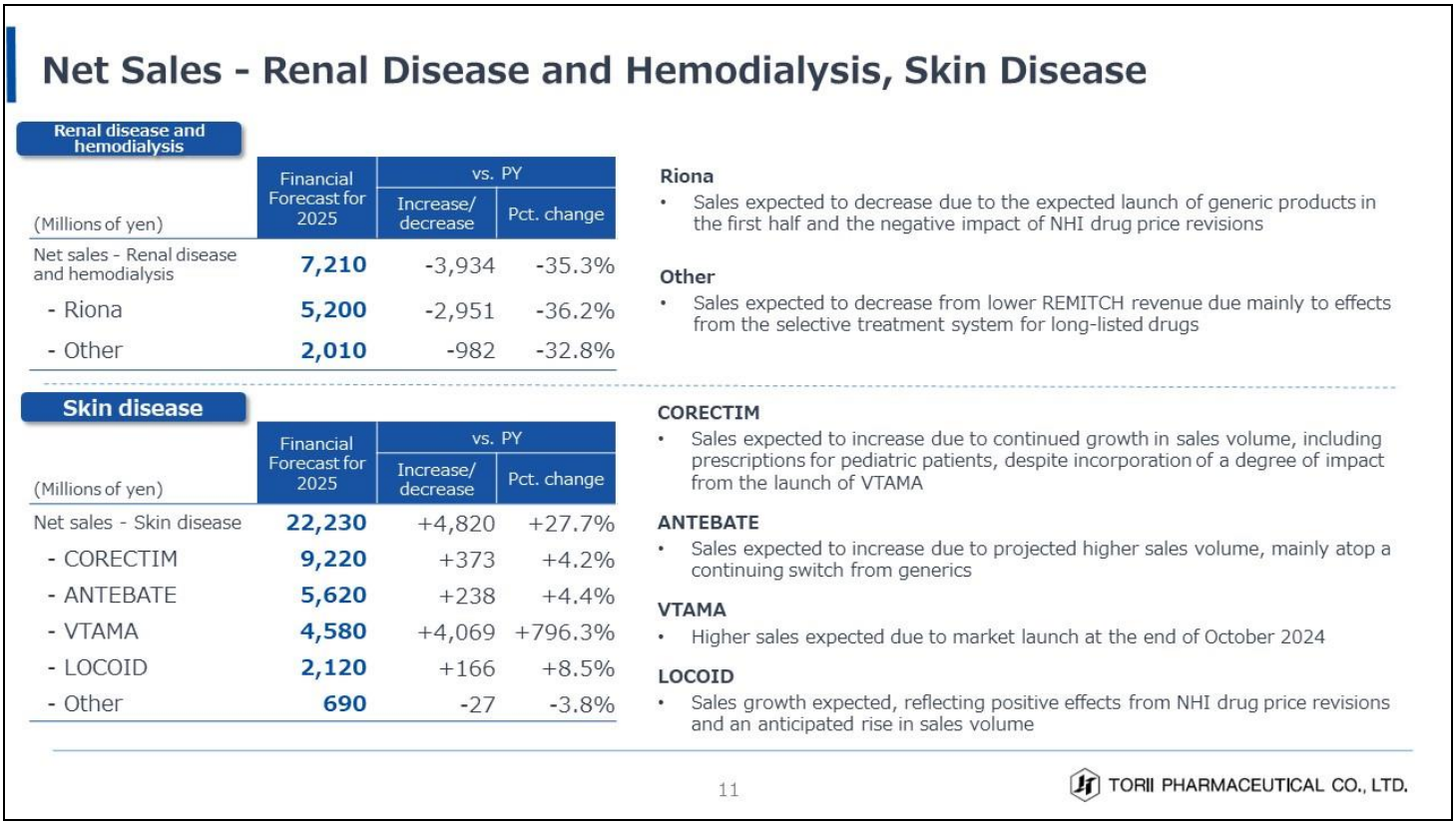
Continuing on, let's discuss factors behind changes in operating income before R&D expenses.

Net sales are projected to increase by around 4.3 billion yen.
This change reflects the impact of growth in sales volume for VTAMA, CEDARCURE, MITICURE, CORECTIM and ANTEBATE, and will outweigh a sales decline in the renal disease and hemodialysis area and negative effects from NHI drug price revisions.

Cost of sales, meanwhile, is projected to have a negative impact of roughly 2.5 billion yen, increasing in step with higher sales volume and purchase price hike effects.

SG&A expenses (excluding R&D expenses) are projected to increase by roughly 0.9 billion yen, mainly from higher sales promotion expenses related to the market launch of VTAMA and TO-208.

As a result, operating income before R&D expenses for 2025 is expected to be 10.5 billion yen, representing year on year growth of about 0.9 billion yen.

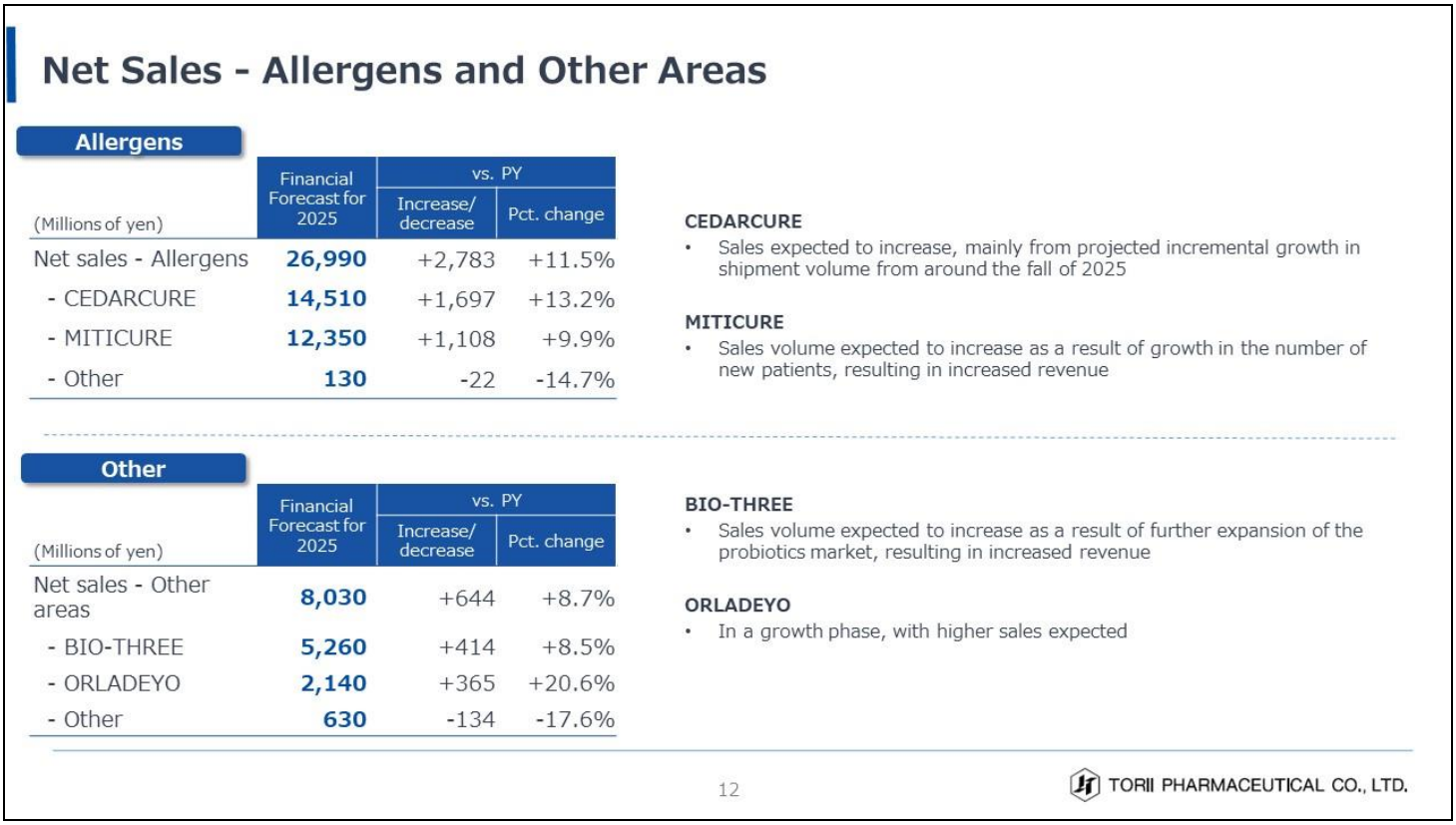


Let's turn now to a discussion of sales in each area.

First, let's look at the renal disease and hemodialysis area.
Given the negative impact of NHI price revisions and the predicted market launch of generics in the first half of the year, Riona is projected to see sales decline by 36.2% year on year. Furthermore, in the other area, sales are set to decline by 32.8%, with REMITCH revenue falling due to effects from the selective treatment system for long-listed drugs.

As a result, sales in the renal disease and hemodialysis area are projected to decline by 35.3% year on year.
Note that due to contraction in its monetary scale, REMITCH is now included for disclosure under "Other."

The next area is skin disease.
Sales for CORECTIM are expected to increase 4.2% year on year driven by continued growth in sales volume, including prescriptions to pediatric patients, despite incorporation of a degree of impact from the launch of VTAMA.
Sales of ANTEBATE are expected to increase 4.4% driven by higher sales volume, mainly atop a continuing switch from generics.
Significant year-on-year growth is expected in sales of VTAMA, which launched at the end of October 2024.
Sales of LOCOID are expected to grow by 8.5%, reflecting positive effects from drug price revisions in 2024, in addition to higher sales volume.
As a result, skin disease area sales are projected to rise 27.7% over the previous year.

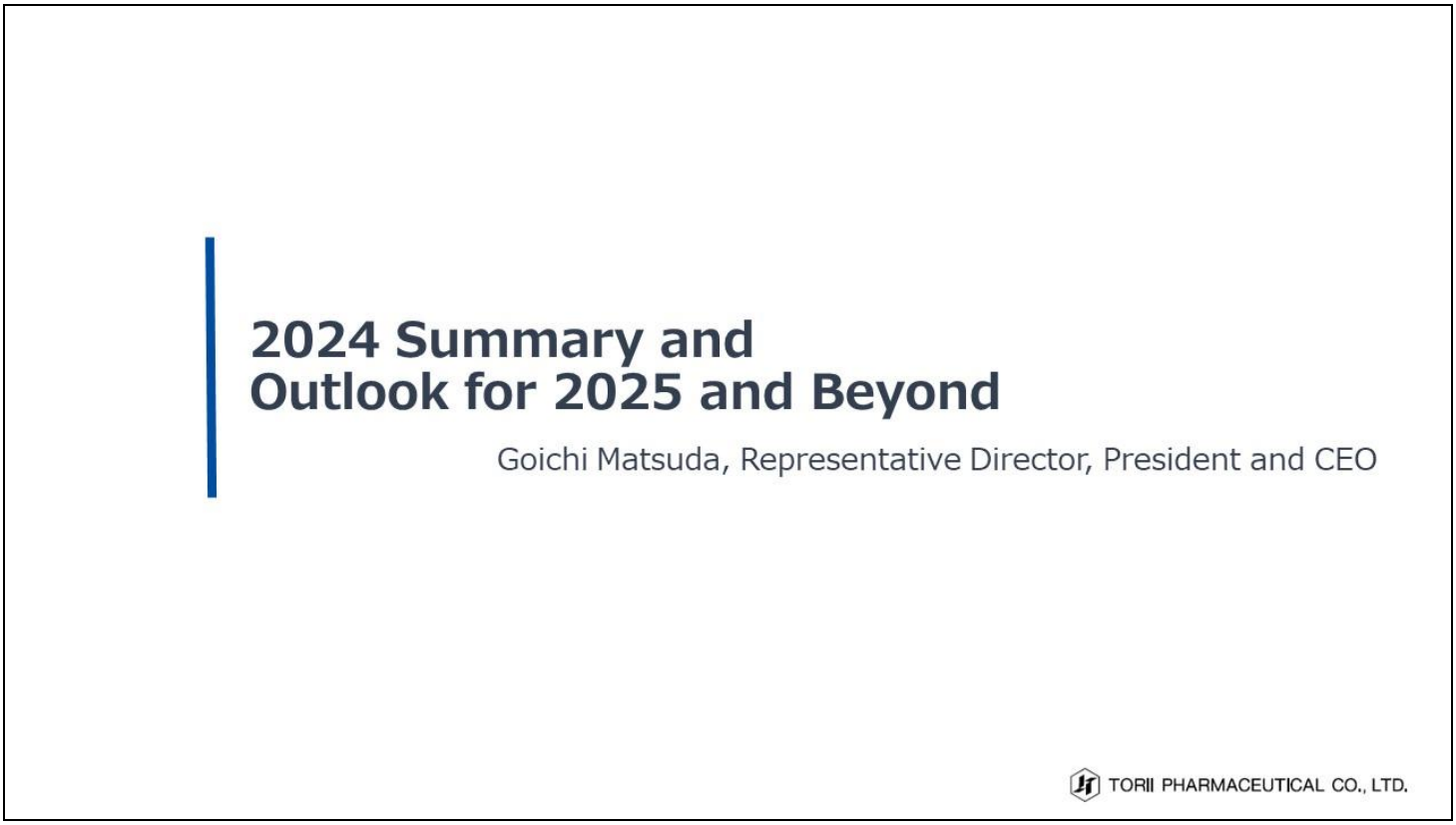


Next, let's move to a discussion of the allergens area and other area.

I'll begin with the allergens area.
Following the operational start of a new manufacturing facility in July 2025, with plans to incrementally increase shipments from around the fall of 2025, sales of CEDARCURE are projected to increase 13.2% year on year.
Later, I will talk more in depth about our system for boosting production and the outlook for this product.

For MITICURE, sales are expected to rise 9.9% year on year atop continued growth in sales volume due to growing patient numbers.
As a result, sales in the allergens area are projected to increase by 11.5% compared to a year earlier.

In the other area, we are expecting growth in both BIO-THREE and ORLADEYO, with sales set to grow by 8.7%.
This concludes my discussion of 2024 results and the performance outlook for 2025.



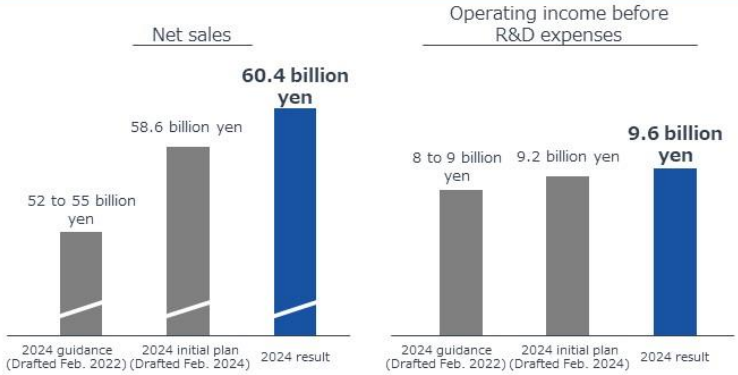
Next, if you'll indulge me, I'd like to offer an overview of 2024 and explain our outlook for 2025 and beyond from my perspective as president.

First, here's a recap of 2024.

2024 Summary

Key Topics in 2024

- ✓ Double-digit growth reported in both net sales and operating income before R&D expenses. Realized strong growth toward achieving VISION2030
- ✓ Market launch of VTAMA Cream, submission of application to approve manufacturing and marketing of TO-208, Phase I entry on TO-210, and other steady R&D progress
- ✓ Progress made as initially scheduled on expansion of CEDARCURE API manufacturing facilities and securing raw materials (pollen procurement)



✓ Achieved growth in both net sales and operating income before R&D expenses that surpassed 2024 guidance and initial plans for the year

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In 2024, with net sales of 60.4 billion yen and operating income before R&D expenses of 9.6 billion yen, we saw double-digit percent growth in both metrics, and were able to realize strong growth toward achieving VISION2030.

This outcome surpassed both our 2024 guidance and levels shown in our initial plan for 2024.

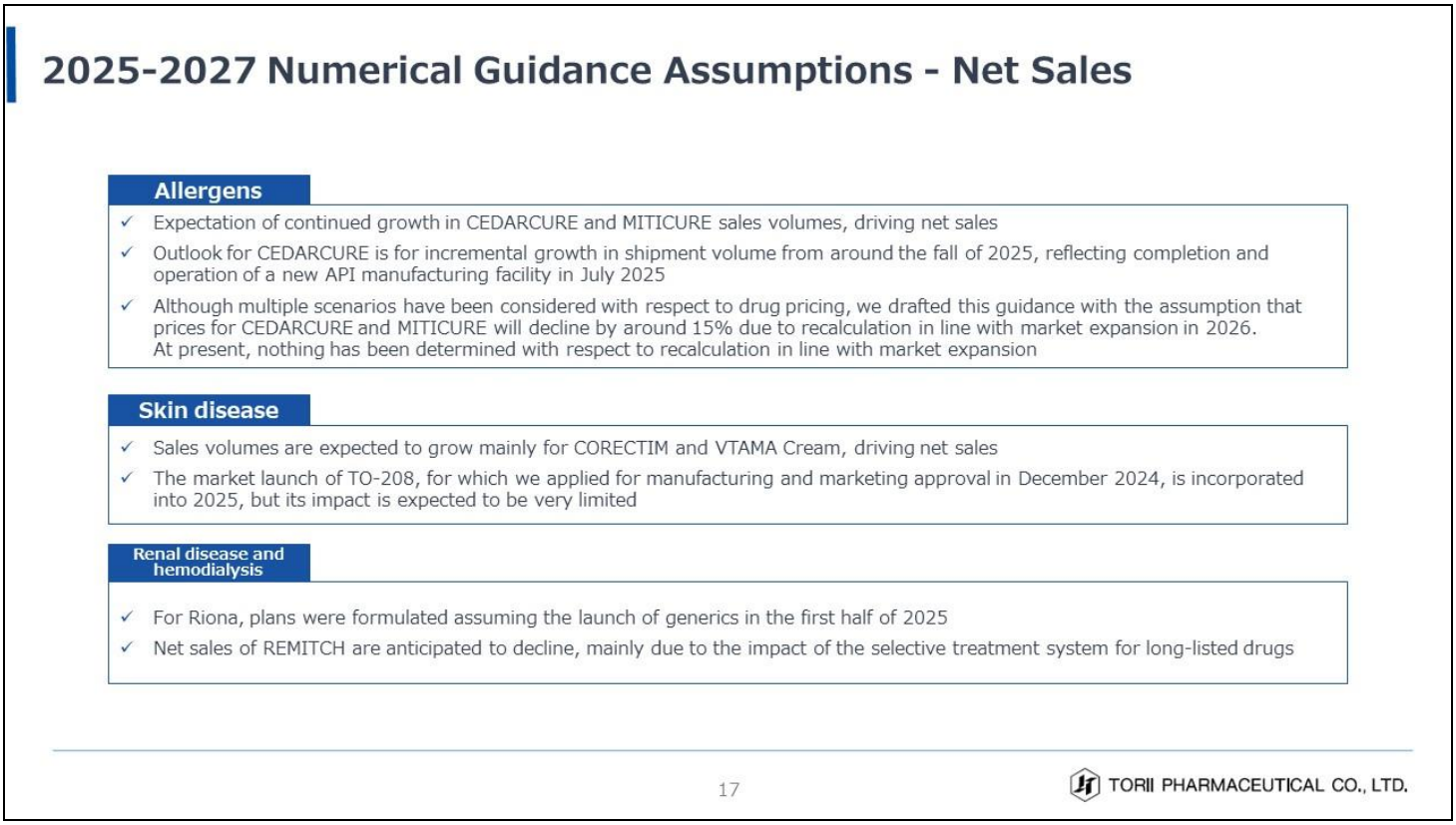
In R&D, we saw steady progress that included not only the market launch of VTAMA Cream in October 2024, but submission of an application to approve manufacturing and marketing of TO-208, a product indicated for the treatment of molluscum contagiosum, and Phase I entry on TO-210, indicated for the treatment of acne.

For CEDARCURE, we marked progress as initially planned on the expansion of API manufacturing facilities and the securing of raw materials, namely through pollen procurement.

AGENDA

- 2024 Summary
- **2025-2027 Numerical Guidance**
- Business Topics
- Initiatives to Improve Corporate Value
- Closing Remarks

From the next slide, I'll explain our numerical guidance for 2025 to 2027.



First, let me offer our top-line assumptions in each area.
In the allergens area, sales volumes will continue to grow for both CEDARCURE and MITICURE, with CEDARCURE in particular incorporating incremental growth in shipment volume from around the fall of 2025, in line with the operational start of the new API manufacturing facility.

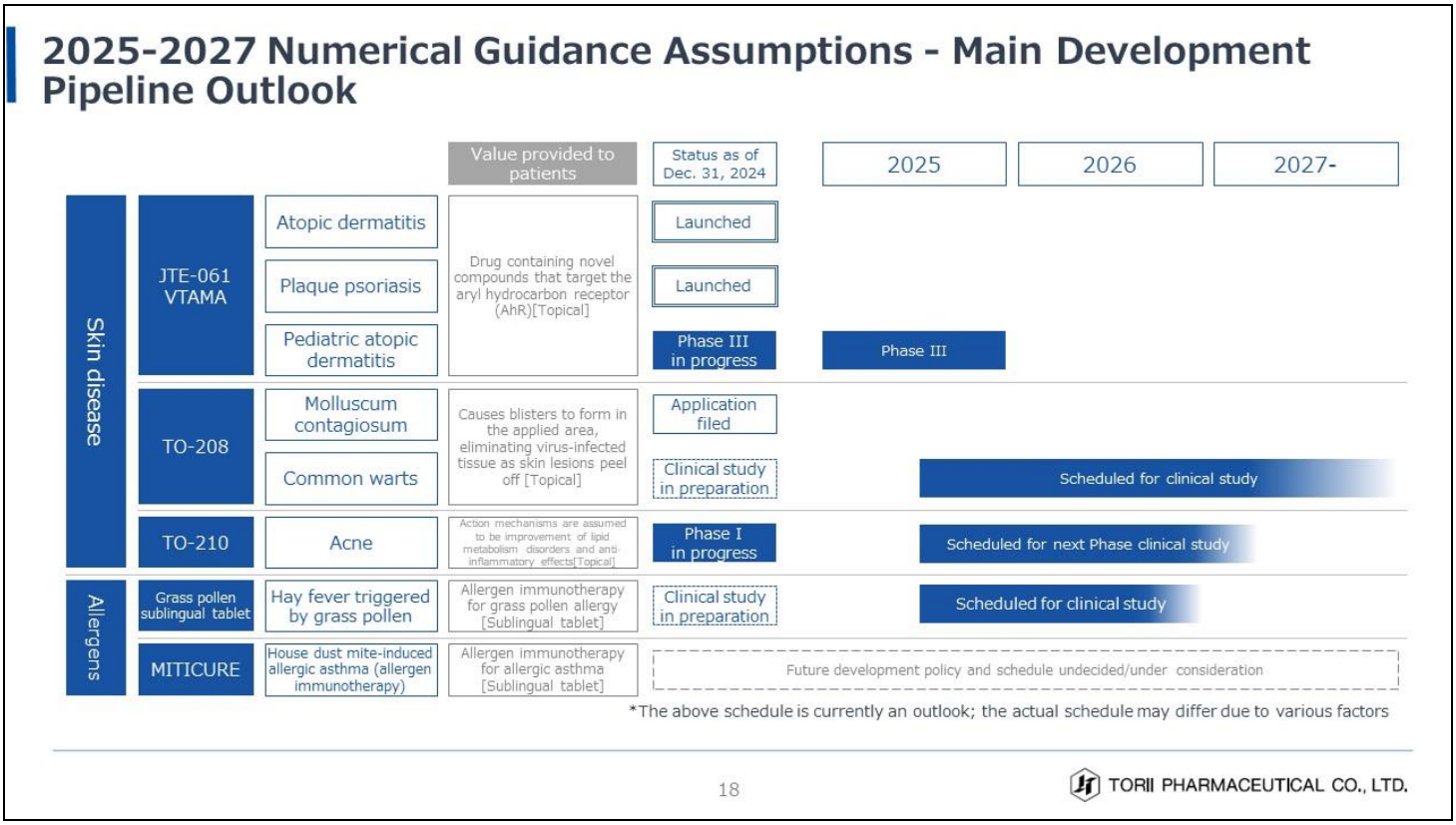
The current guidance was drafted with the assumption that prices for CEDARCURE and MITICURE will decline by around 15% due to NHI drug price revisions in line with market expansion in 2026.

Multiple scenarios have been considered with respect to drug pricing; at present, no facts involving NHI drug price revisions in line with market expansion have been determined.
Ultimately, please recognize that relevant items have been conservatively incorporated into the assumptions found in this guidance.

In the skin disease area, we anticipate that sales will be led by growth in sales volume mainly for CORECTIM and VTAMA Cream.

The market launch of TO-208, for which we applied for manufacturing and marketing approval in December 2024, is incorporated into 2025; however, the impact on sales in 2025 will be extremely limited.

In the renal disease and hemodialysis area, plans for Riona were drafted assuming the launch of generics in the first half of 2025.
For REMITCH, lower sales are anticipated due primarily to effects from the selective treatment system for long-listed drugs.

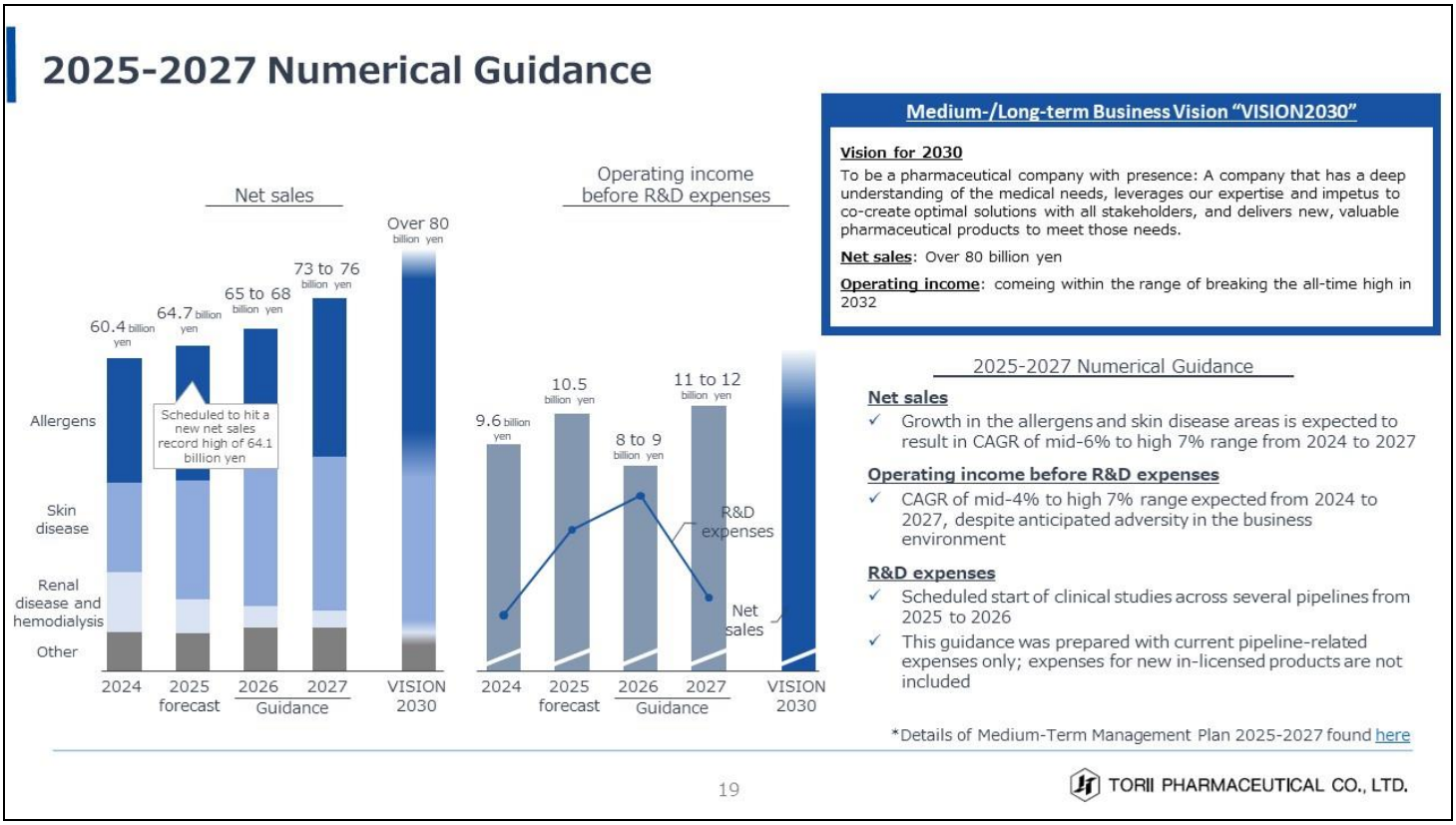


Next up is the development pipeline outlook.

R&D will continue to make progress during the period from 2025 to 2027, with clinical studies scheduled for TO-208, TO-210 and a grass pollen sublingual tablet particularly between 2025 and 2026.

With these actions, multiple products will be moving through research and development in parallel in 2025 and 2026, which is expected to result in higher R&D expenses.
Naturally, we intend to upgrade this development pipeline as needed going forward.

These efforts are part of the assumptions used to draft the 2025-2027 numerical guidance found on the next slide.



First, let me begin by assuring you that while I will discuss our VISION2030 medium- to long-term business vision, no changes have been made in terms of the content shown.

We remain focused on realizing the vision indicated on the slide, and on achieving our targets for net sales and operating income.

Now, I'll explain the 2025-2027 numerical guidance.

In net sales, growth will continue to be led by the allergens and skin disease areas as growth drivers.

In 2025, the outlook for net sales is a new record high of 64.1 billion yen, 65.0 billion to 68.0 billion yen in 2026, and around 73.0 billion to 76.0 billion yen in 2027.

Incidentally, the compound annual growth rate for 2024 to 2027 is projected to be in the mid-6% to high 7% range.

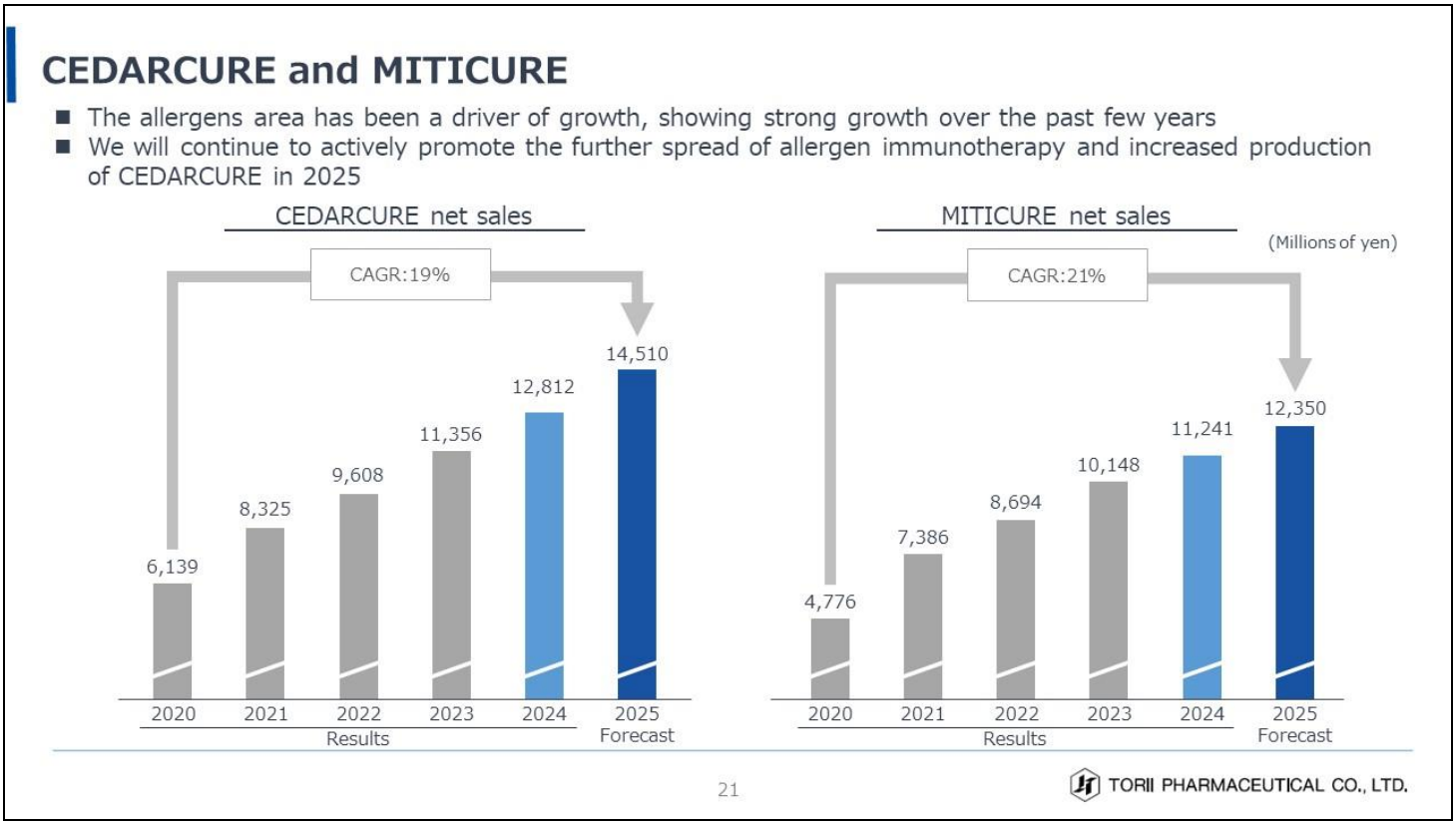
For operating income before R&D expenses, the outlook is for between 11.0 billion and 12.0 billion yen in 2027.

The compound annual growth rate here is projected to be in the mid-4% to high 7% range from 2024 to 2027.

R&D expenses will likely be higher as multiple products move through R&D simultaneously in 2025 and 2026.

Medium-Term Management Plan 2025-2027 is available on our website, so please refer to the links found in these materials for more details.

From the next slide, I'll discuss some key business topics.



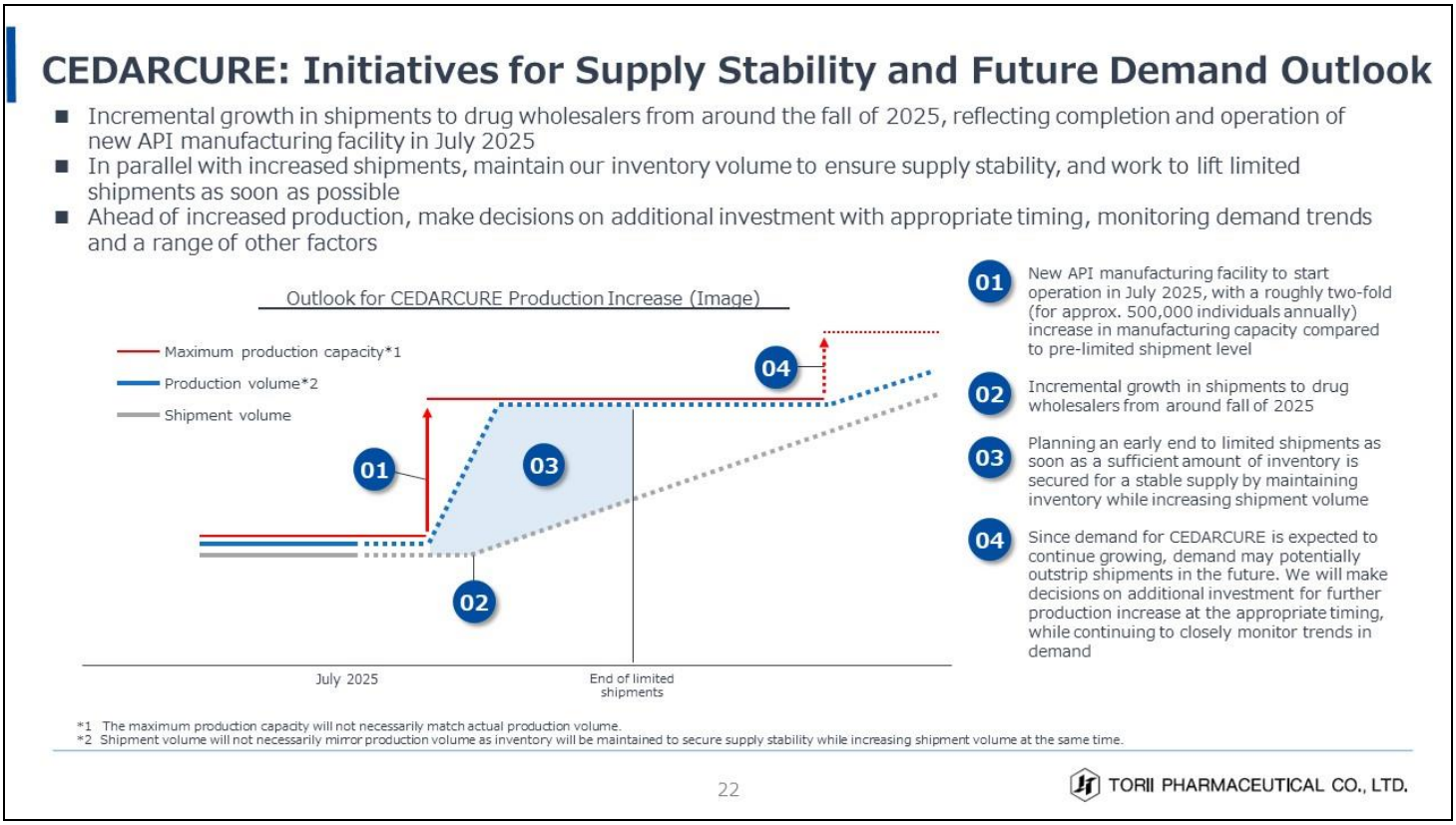
First, the allergens area.

The allergens area is positioned as one of our growth drivers, with robust growth continuing over the past several years. As shown on the slide, the compound annual growth rate for sales for CEDARCURE and MITICURE has been around 20% since 2020.

We believe this strong growth is largely attributable to the ongoing penetration of allergen immunotherapy.

As for CEDARCURE, orders for “increased dosage formulation” drugs continue to far surpass our expectations, with mechanisms in place for limited shipments of such drugs.

On the next slide, I’ll explain measures for boosting CEDARCURE production.



For API manufacturing, a key issue in the CEDARCURE manufacturing process especially for boosting production, we plan to complete construction and start the operation of a new manufacturing facility in July 2025, which is expected to spark significant improvement.

In other production processes, for pollen procurement, we have roughly quadrupled the number of entities contracted for this work compared to before the start of limited shipments; we have finished the development of systems for boosting production in the drug formulation and packaging processes, as well.

As a result, from this manufacturing facility we expect maximum production capacity to roughly double versus prior to the start of limited shipments, achieving capacity for approximately 500,000 individuals annually. Following the operational start of a new API manufacturing facility, we believe that we can incrementally increase shipments to drug wholesalers from around the fall of 2025.

Next, I'll discuss efforts to end shipment limitations.
In parallel with incremental increases in shipment volume from the operational start of a new manufacturing facility, we are moving to amass inventories to ensure the needed inventory to maintain supply stability.

By amassing inventories, along with ensuring sufficient inventory volume, we are aiming to lift shipment limitations as quickly as possible.

CEDARCURE has no substitute, and one of its characteristics is that once use begins, the drug must be taken for at least 3 years. Accordingly, we believe that we must be careful about ending limited shipments.
Please understand that to ensure the inventory volume necessary for supply stability, a certain amount of time will still be needed before limited shipments can be ended, even once the structure to boost production is developed.
Where the supply and demand outlook is concerned, demand for CEDARCURE is set to continue to grow, with demand

expected to possibly outstrip shipment volume.
As we continue to closely monitor demand trends, at the same time, we will make decisions on additional investment with appropriate timing.

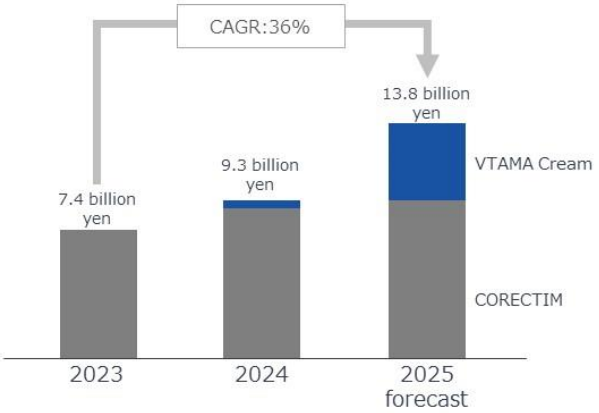
Once again, we sincerely apologize for the host of problems and inconvenience that these limited shipments pose for healthcare providers and patients alike.

We are taking this ongoing situation seriously; along with sincere reflection, we are pushing future investment forward that looks ahead to what we will need to address to prevent any situation in which limited shipments must inevitably be put in place again once the current limitations have been lifted.
I ask for your continued support and understanding as we take the steps necessary to do so.

VTAMA Cream

- In 2025, we are projecting approx. 4.6 billion yen in net sales, with CORECTIM and the skin disease area anticipated as drivers of growth
- We will continue to cultivate understanding of the unique properties of VTAMA, and will aggressively seek greater market penetration

Sales forecasts for CORECTIM and VTAMA Cream*



*CORECTIM indicated for atopic dermatitis; VTAMA Cream indicated for atopic dermatitis and plaque psoriasis

Overview of VTAMA Cream

	VTAMA Cream	(Reference) CORECTIM
Indications	Atopic dermatitis, plaque psoriasis	Atopic dermatitis
Action mechanism	Drug containing novel compounds targeting the aryl hydrocarbon receptor (AhR)	JAK inhibitor
Dosage form	Cream	Ointment
Use	Once daily	Twice daily

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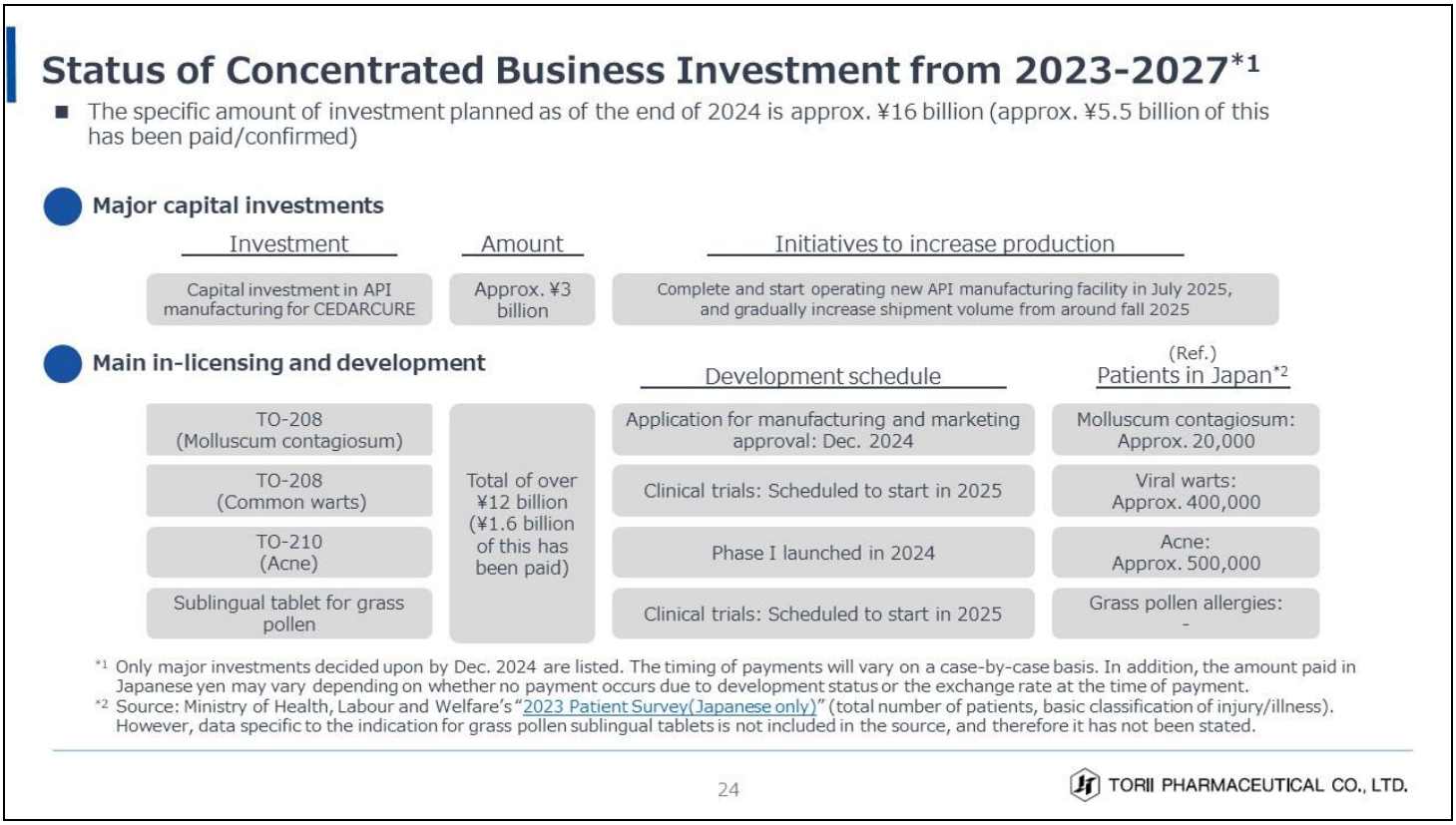
Let's now turn to the skin disease area.

October 2024 saw the market launch of VTAMA Cream, indicated for atopic dermatitis and plaque psoriasis.
2025 sales of VTAMA are projected to hit roughly 4.6 billion yen, with the product anticipated to join CORECTIM as a growth driver in the skin disease area.
We will continue to cultivate understanding of the unique properties of VTAMA, and will aggressively seek greater market penetration.



Now let's move to a discussion of the status of concentrated business investment from 2023 to 2027.

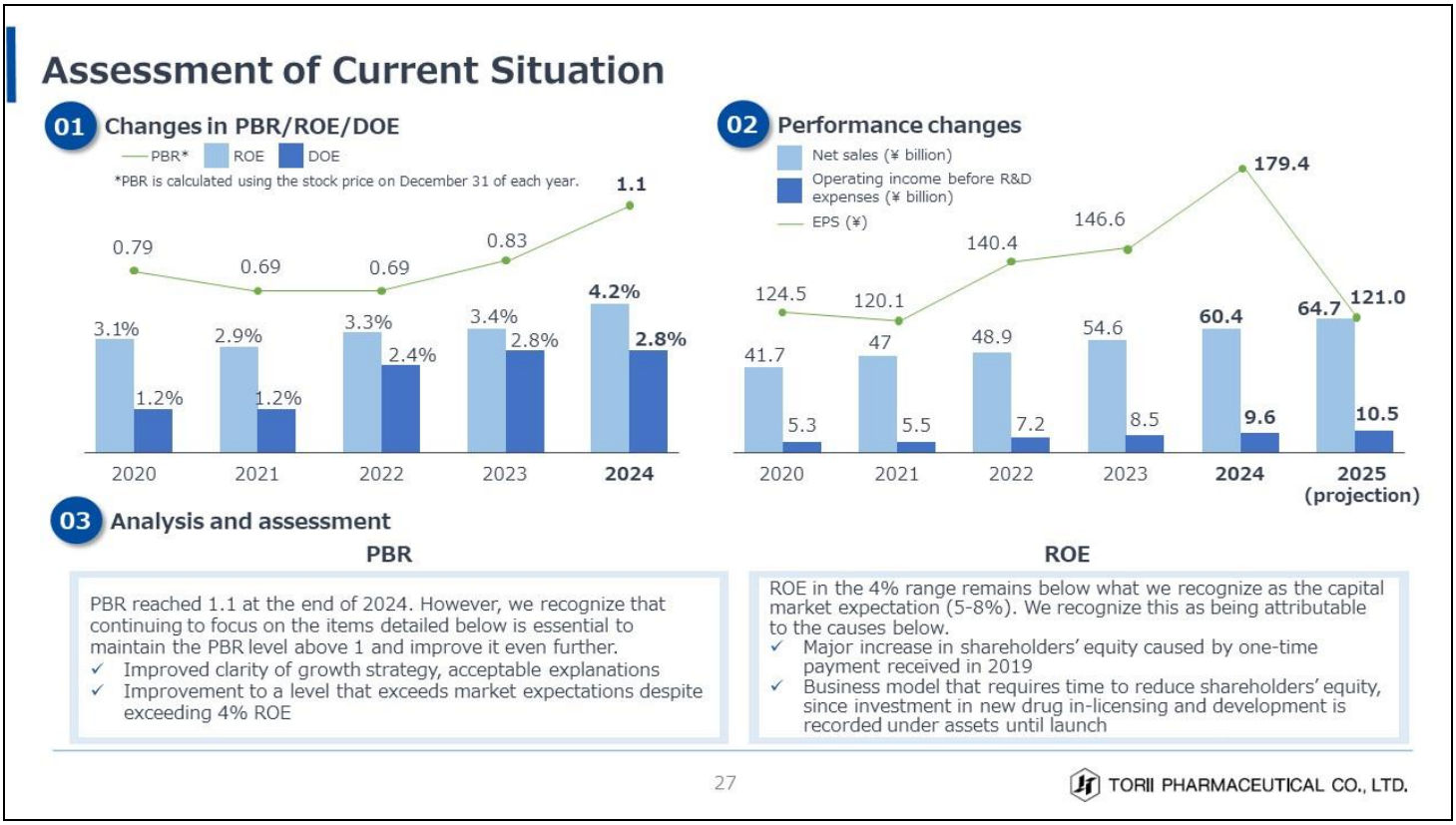
To enable sustainable growth from 2030 and beyond, we expect to make around 40 billion yen in investments during the five-year period from 2023 through 2027.
The specific amount of investment planned as of the end of 2024 is approximately 16 billion yen, of which roughly 5.5 billion yen has been paid or confirmed.
In terms of major investments, roughly 3.0 billion yen for capital investment necessary for API manufacturing to cope with higher sales volume for CEDARCURE; and a total of about 12.0 billion yen to pay for products currently under development in the pipeline, namely TO-208, TO-210, and a sublingual tablet for grass pollen allergies.

Payments related to in-licensing and development are paid in line with development progress; payments may not occur depending on development status.
We will continue to aggressively pursue business investment going forward, with an eye to achieving sustainable medium- to long-term growth.

From the next slide, we'll discuss "Initiatives to Improve Corporate Value."

First, we have pursued three goals at Torii Pharmaceutical since 2023. These are 1) to achieve the targets of our medium- to long-term vision "VISION2030," 2) to achieve an ROE of 8% or more by 2030, or as soon as possible thereafter, and 3) to achieve a DOE level comparable to our competitors while emphasizing sales and income growth through our business investments. These goals remain unchanged.

Check the link in the slide for details regarding "Initiatives to Improve Corporate Value" discussed today.



Now, I'll discuss our analysis and assessment of the current situation regarding various indicators.

First, PBR at the end of 2024 was 1.1 times, exceeding the 1.0 level.

However, we are still not satisfied with this level. In addition to maintaining the level above 1.0, we will continue to focus on raising PBR.

In particular, our stance is that it is vital to present a growth strategy that is both easily understood by and acceptable to shareholders and investors, one that we move steadily to implement and through which we can then improve ROE.

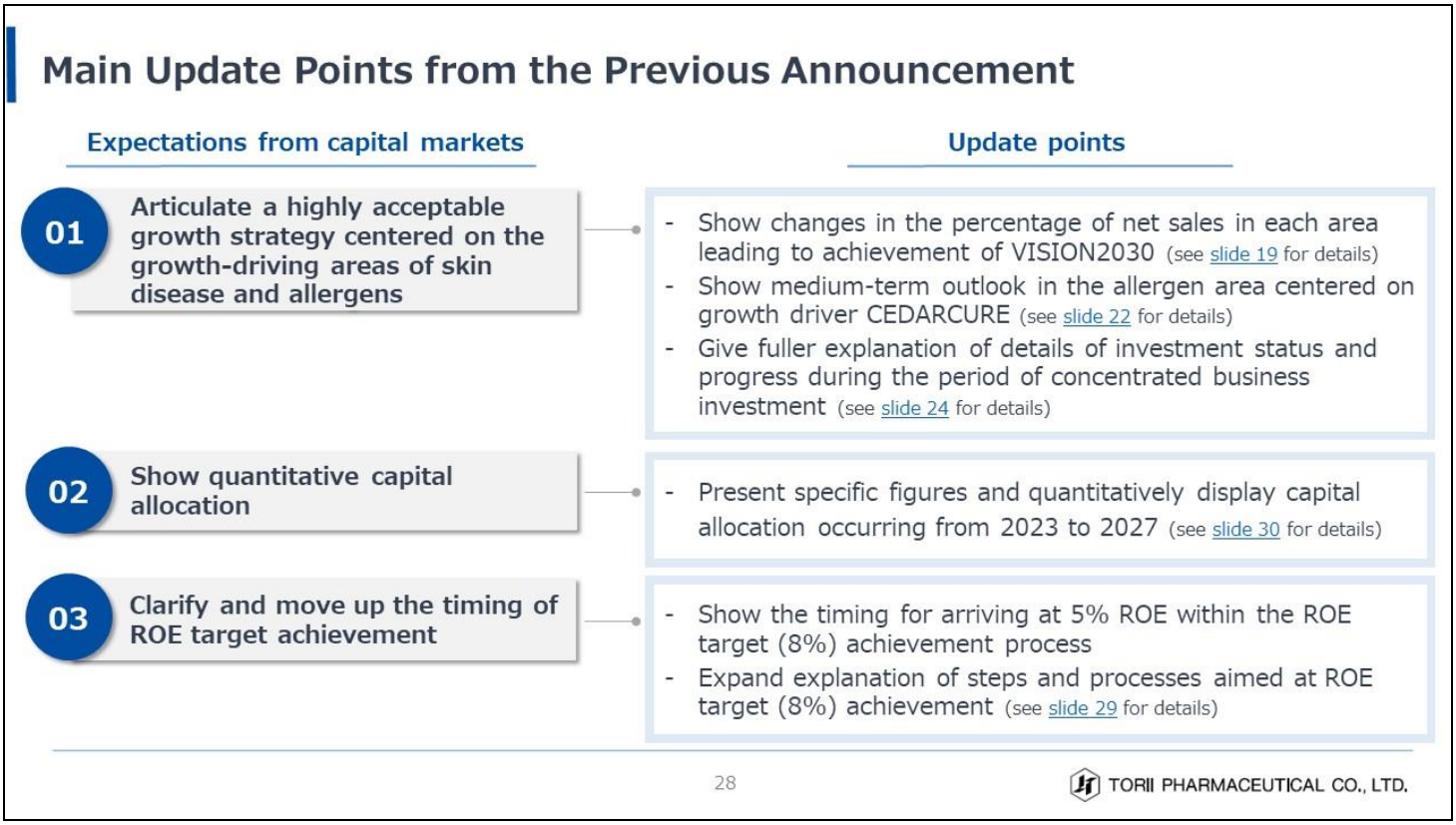
Speaking of ROE, although it improved to 4.2% in 2024, we recognize that this remains below capital market expectations and our own targets.

As a backdrop to the low level of ROE, in 2019, there was an increase in shareholders' equity due to the receipt of a one-time payment of 40.0 billion yen, in lieu of future profit we should have received, related to the return of marketing rights for anti-HIV drugs. Another key factor is that our business model requires time to reduce shareholders' equity, since investment in new drug in-licensing and development is recorded under assets until launch.

Our image for the medium- to long-term ROE improvement process going forward is explained in a later slide.

DOE in 2024 was 2.8%.

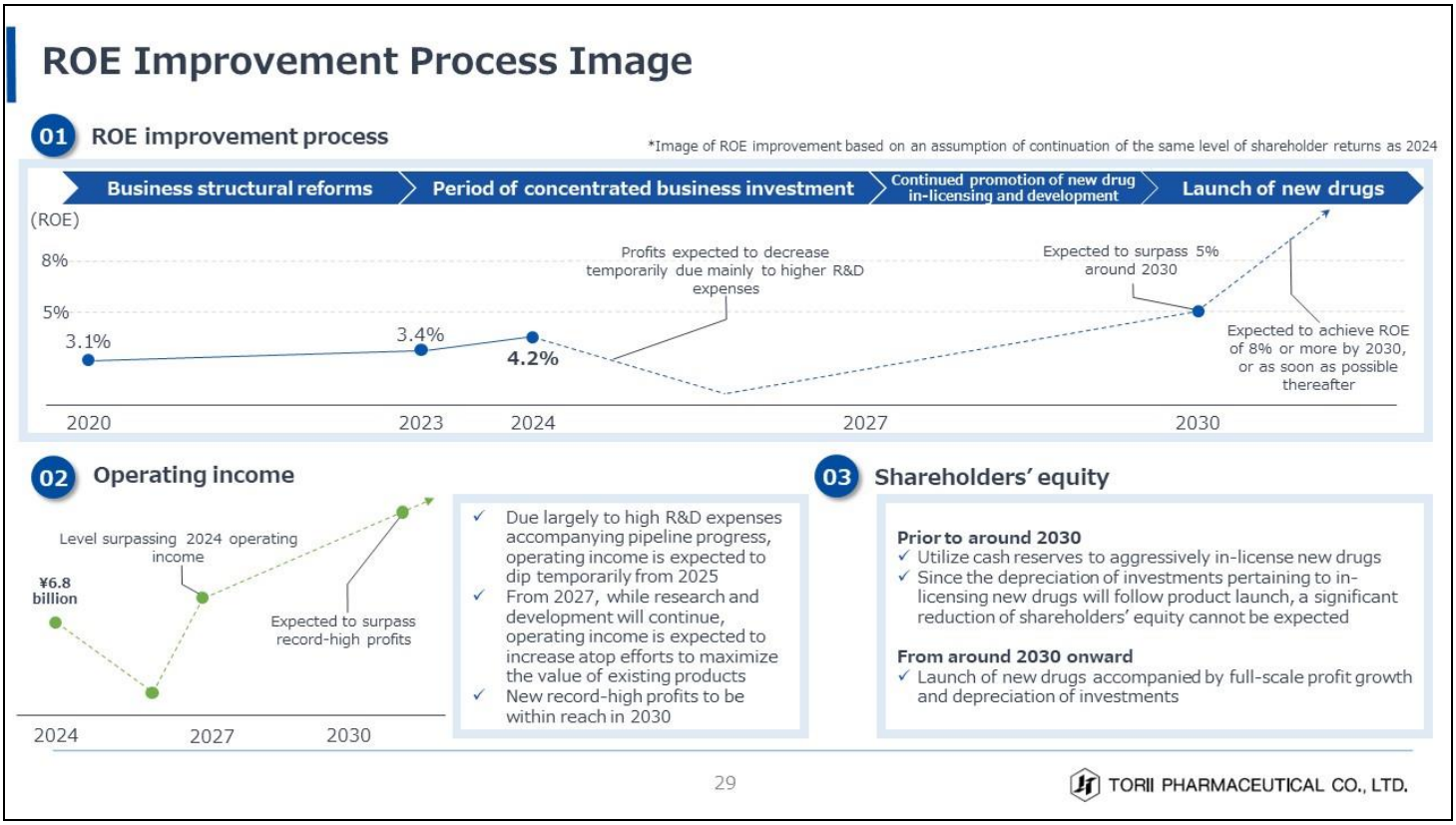
Here as well, we continue to aim to achieve a level commensurate with that of our competitors.



On this slide, here are the major update points with respect to our “Initiatives for Improving Corporate Value” announced last year.

Concerning growth strategy, in order to convey a growth strategy highly acceptable to shareholders and investors, in the earlier slides I’ve discussed, I’ve tried to offer robust information focused on points of particularly keen interest.

From the next slide on, I offer a detailed explanation of capital allocation and ROE, but will provide an even finer grained look than before to allow shareholders and investors to really grasp the future outlook with respect to these areas.



This slide shows an image of the medium- to long-term ROE improvement process.

As the graph of the ROE improvement process shows, ROE right now is improving. But while it hit 4.2% in 2024, it continues to remain below the level of 8%.

Although our aim is to improve ROE as quickly as possible, the outlook is for a temporary decline below the 2024 operating income mainly due to an increase in R&D expenses accompanying pipeline progress from 2025 to 2026.

Similarly, in shareholders' equity, while our policy is to utilize cash reserves for aggressive in-licensing of new drugs, since the depreciation of investments pertaining to new in-licensing happens after market launch, this is not expected to significantly reduce shareholders' equity in the interim.

From these, we anticipate that ROE from 2025 to 2026 will fall below the 2024 level.

In contrast, we believe that ROE will improve from 2027 on, given the outlook for higher operating income spurred by value maximization for existing products, while also pushing ahead with ongoing research and development.

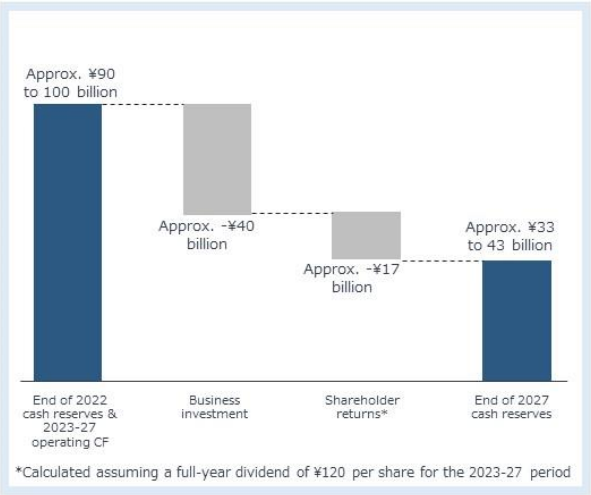
Nevertheless, since the reduction of shareholders' equity I mentioned earlier will take some time, the improvement in ROE from 2027 onward will likely be modest until around 2030.

From the full-scale market launch of new drugs, both the depreciation of investments and increased profits projected for around 2030 will push ROE up to about 5%, with the outlook that it will surpass 8% at the soonest possible stage thereafter.

Please note that this ROE improvement process image is based on the assumption that shareholder returns will remain at the same level as in 2024; the outlook for the improvement process will change depending on shareholder returns and the scale of business investment.

Capital Allocation

01 2023-2027 Capital allocation



02 Business investment

Position

- ✓ Positioning the years 2023 to 2027 as a period for concentrated business investment, aim to improve medium- to long-term corporate value by "maximizing the value of existing and developing products" and "acquiring new in-licensed products." Anticipated business investment of around ¥40 billion by the end of 2027
- ✓ This is investment designed to achieve sustainable growth; in the event that future growth accuracy rises in step with investment progress, the total amount of investment may ultimately be less than ¥40 billion

Investment progress as of 2024

- ✓ Approx. ¥16 billion of investment slated as of Dec. 31, 2024 (refer to slide 24 for details)

03 Shareholder returns

- ✓ Refer to slide 31 for details

04 Cash reserves at end of 2027

To achieve the main goals below, cash reserves must also be maintained at a certain level from 2028 onward

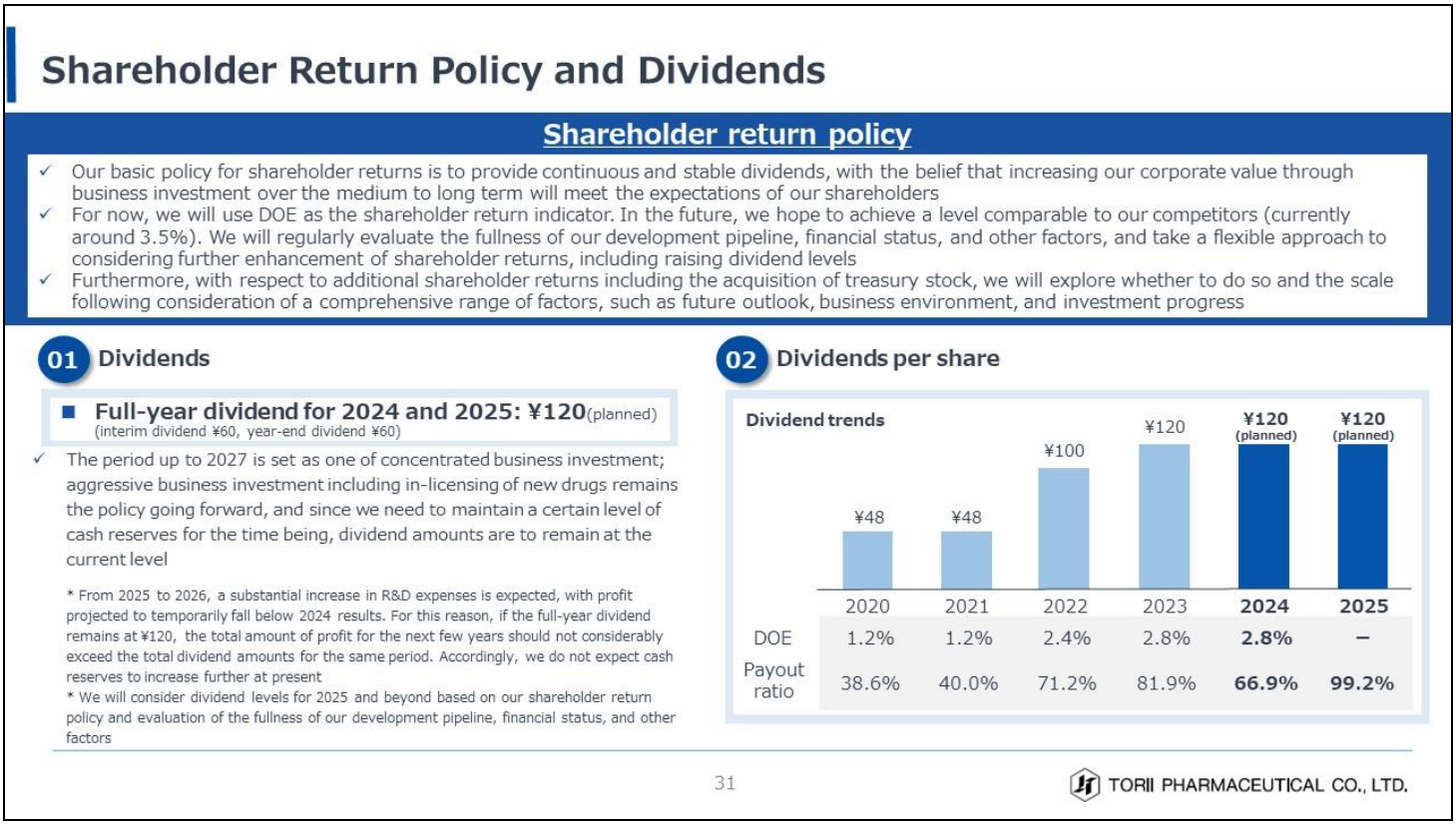
- ✓ Investment capacity required to continue investments such as in-licensing of new drugs and capital investment
- ✓ Working capital necessary for business operations to meet responsibilities around stable product supplies

Next is an explanation of capital allocation from 2023 to 2027.
First, cash reserves at the end of 2022 and operating cash flows for the five years from 2023 to 2027 will total somewhere between 90.0 billion and roughly 100.0 billion yen.
Turning to business investment, as in the past, we have positioned 2023 to 2027 as a period of concentrated business investment, with around 40.0 billion yen in business investment to happen over the five-year period.
Investment decisions valued at around 16.0 billion yen had taken place as of December 31, 2024, and our policy going forward remains to aggressively pursue investment mainly for the in-licensing of new drugs.

This investment is designed to achieve sustainable growth; in the event that the future growth accuracy rises in step with investment content and progress, we can imagine that the total amount of investment may ultimately be less than 40 billion yen.

As for shareholder returns, the total amount of dividends for the five-year period is around 17.0 billion yen.
However, this amount is calculated on the assumption that an annual dividend of 120 yen per share will continue from 2023 to 2027, and does not include dividend increases or non-dividend shareholder returns.

As a result, the outlook for cash reserves at the end of 2027 is roughly between 33.0 billion and 43.0 billion yen.
From 2028 and beyond, while the pace of in-licensing of new drugs will slow compared to the period of concentrated business investment, the ongoing in-licensing of new drugs to realize sustainable growth will continue to be an indispensable element for the Company, which will require investment capacity.
Furthermore, as a pharmaceutical manufacturer, we believe it necessary to ensure we have the working capital essential to operations in order to meet our responsibilities with respect to product supply stability.
We really don't consider the anticipated cash reserves at the end of 2027 to be at a high level compared to those seen within the pharmaceutical industry or even considering our own business scale.



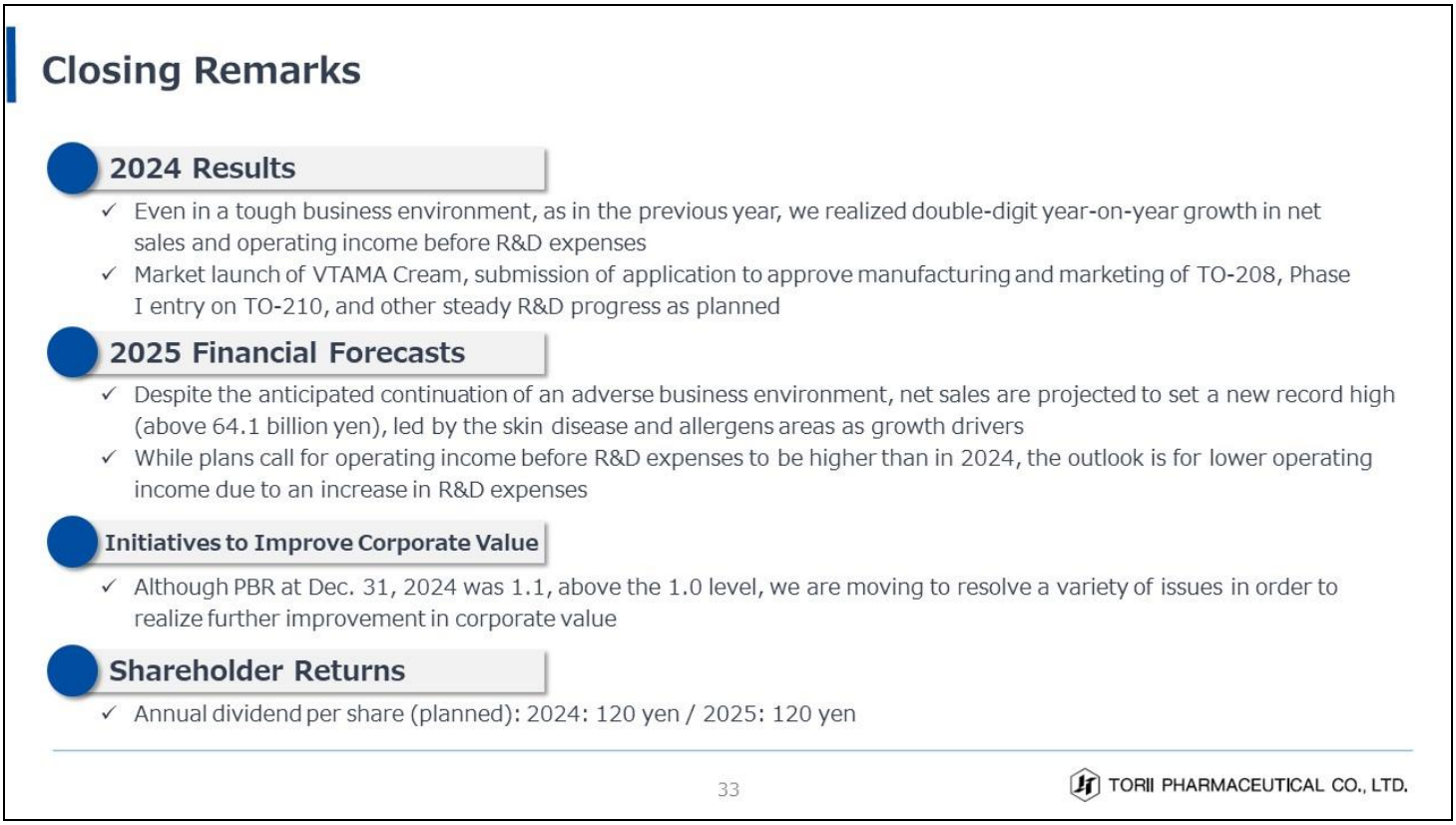
To continue, let's talk about our shareholder return policy and dividends.
First, our shareholder return policy is just as stated here.
The dividend per share for 2024 and 2025 is scheduled to be 120 yen, the same as in 2023.

With the years to 2027 positioned as a period of concentrated business investment, our policy remains to aggressively pursue business investments, beginning with in-licensing of new drugs. We've set the amount for dividends at the current level to ensure we have a certain level of cash reserves in the interim.

The outlook calls for profits to temporarily fall below 2024 results from 2025 to 2026, since R&D expenses will increase significantly.
Consequently, even in the case of an annual dividend of 120 yen, total profit for multiple years will not greatly exceed total dividends, so we don't expect to be able to amass cash reserves further.

The dividend level from 2025 on will be examined and decided in a comprehensive manner based on our shareholder return policy, as well as an evaluation of the degree of robustness of the development pipeline and financial condition, among other factors.

In closing, I'd like to summarize what I hope was conveyed in this briefing.



In terms of 2024 performance, even in a difficult business environment, we followed up last year's results with strong double-digit percent growth in both net sales and operating income before R&D expenses versus the previous year.

Similarly, in R&D, we made steady progress as planned, which included the market launch of VTAMA Cream, application submission to approve the manufacturing and marketing of TO-208, and the Phase I entry of TO-210.

For our 2025 business forecasts, we are projecting that net sales will surpass the record high of 64.1 billion yen set in 2017, with the skin disease and allergens areas anticipated as drivers of growth.

While operating income before R&D expenses is projected to surpass 2024 levels, operating income is expected to be lower due to an increase in R&D expenses.

Regarding initiatives to improve corporate value, although PBR at the end of 2024 was 1.1 times, above the 1.0 level, we are looking to solve various issues to achieve further enhancements in corporate value.

Finally, as for shareholder returns, the dividend per share for 2024 is, as shown, 120 yen; we plan to pay a dividend of the same amount in 2025.

This concludes my presentation. Thank you very much for listening.

Important Notice

The performance forecasts and other forward-looking statements in this document are based on information available as of the date of publication of this document. They contain risks and uncertainties. The Company offers no guarantee that it will achieve these forecasts.
Please be aware that actual business results may vary significantly from these forecasts based on a number of factors. Further, regardless of new information, future events or other results, the Company may not revise or update its forecasts.

While information about pharmaceuticals (including those in development) is included here, it is not intended as an advertisement or medical advice.

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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.

Minutes of Q&A Session at the Financial Results Briefing for the Fiscal Year Ended December 31, 2024

Date and Time: February 12, 2025, 11:00 AM-12:05 PM

Attendees:

- ✓ Goichi Matsuda, Representative Director, President and Chief Executive Officer
- ✓ Nobumasa Kondo, Representative Director, Executive Deputy President

Question 1

I'm hoping you can say more about the increase in R&D expenses going forward. Since this is pharmaceutical R&D, the rate of success isn't necessarily high and there's a certain degree of risk of failure. Tell us more about the expected returns and scale of investment by product category.

Answer 1 (Kondo)

When it comes to R&D expenses, these are decided in light of elements like R&D cost and the failure risk for each product under development, as well as confirmation of business viability. As shown on the slide, we verify the patient numbers for each product being developed, and develop products designed to address unmet medical needs.

In terms of risk, for example, for TO-208, indicated for treatment of molluscum contagiosum, we applied for approval of the manufacture and sale of the product in Japan. There are also a number of cases in which a product has first been developed and launched overseas; our grass pollen sublingual tablet, for example, is already on the market in Europe. In this way, in addition to foreseeing risk, we determine the chance of success before entering development.
We don't view our current pipeline as containing any major hits on the level of CEDARCURE or MITICURE; we see them as medium in scale. Going forward, while we want to target major drugs for in-licensing, rather than those only, we are also firmly addressing medium-scale products, and seeking to have those contribute to growth from 2030 onward.

Question 2

Going forward, it would be great if you could specifically highlight points like what unmet medical needs or what kind of value is a product able to deliver. I'm grateful to see that in disclosure related to the mass production system for CEDARCURE, this time has been significantly more quantitative than before. I'm also expecting robust disclosure pertaining to the future pipeline.

Answer 2 (Kondo)

Thank you so much. I'll continue reflecting on this feedback and do my utmost to deliver better disclosure. I really appreciate the valuable opinions you've shared with me today.

Question 3

Please tell us about your performance outlook for 2025. I was a little surprised by your recent 2025-2027 guidance. It feels like you may have opted for more subdued performance forecasts and guidance to avoid having to downwardly revise. I acknowledged the story that R&D expenses will increase in step with R&D progress, but burning through R&D expenses of this magnitude is also a significant hurdle.

I'd like to hear what the senior management team thinks about this latest guidance.

Answer 3 (Kondo)

The most recent guidance is the result of rational examination and is not more conservative than warranted. As for NHI drug price revisions due to market expansion for both CEDARCURE and MITICURE, while no facts have been decided as yet, we chose to incorporate it from a conservative stance. Furthermore, as a result of this impact overlapping with the effect of carrying out R&D for multiple items, the level of operating income was lowered for 2025 and 2026. And while operating income for 2025 and 2026 might look better if we were to push back R&D, not only are there patients waiting on new drugs, there are also patent concerns to consider. This is why we want to push ahead with development and market launch as quickly as possible.

So, while operating income in 2025 and 2026 will decline, and it may appear as though we are betraying expectations, I believe this is a good decision for improving medium- to long-term corporate value.

Further, we use operating income before R&D expenses as an indicator, one that suggests our so-called earning capacity, and it is definitely growing. And it is this definite improvement in earning capacity itself that enables us to develop multiple items simultaneously without falling into the red.

Question 4

What items factor into the substantial increase in R&D expenses?

Answer 4 (Matsuda)

The items accounting for a large proportion here are TO-208, indicated for common warts, TO-210 and a grass pollen sublingual tablet.

Question 5

What degree of impact did the selective treatment system for long-listed products have, including on REMITCH?

Answer 5 (Kondo)

For REMITCH, although we recognize that sales are declining because of the impact of the selective treatment system for long-listed products, clearly discerning the factors behind the decrease is difficult. With that said, the effect of the selective treatment system for long-listed products was bigger than we expected, which caused results for REMITCH to fall lower than the plans we unveiled in the third quarter of 2024.

Question 6

With respect to capital allocation, you presented that total business investment may not reach 40 billion yen if future growth accuracy rises. What does that progress look like currently?
Also, for shareholder returns, you've created capital allocation on the assumption that an annual dividend of 120 yen will continue through 2027. What are your thoughts on an increase or a reduction of dividends going forward?

Answer 6 (Kondo)

We anticipate that business investment between 2023 and 2027 will be on the order of 40 billion yen, but that doesn't mean that our aim is to invest 40 billion yen. Our approach is to conduct investment with emphasis on capturing in-licensed products that contribute to future growth. In the event that a new in-licensed drug can contribute to future growth, we may not reach 40 billion yen. On the other hand, we can imagine this figure surpassing 40 billion yen if we acquire a major in-licensed product that holds a significant business opportunity.
In terms of total dividends between 2023 and 2027, ultimately the assumption for capital allocation is an annual dividend of 120 yen for five continuous years. For the future, we are aiming for a DOE level comparable to that of our competitors. To the extent possible, we want to have robust shareholder returns after taking into consideration factors such as future in-licensing and investment, development pipeline status, immediate and future business performance projections, and financial position. We haven't necessarily decided completely that it will be 120 yen continuously going forward.

Question 7

In aiming for 3.5% DOE, what was the discussion process like in deciding on an annual dividend of 120 yen for 2024?

Answer 7 (Kondo)

During the period of concentrated business investment, we need to have a certain amount of funds to invest properly. Also, in addition to limited cash coming in 2025 and 2026 due to increased R&D expenses, we need to have a certain level of cash reserves for things like increasing inventory assets in line with inventory enhancement to ensure stable CEDARCURE shipments. We set the 2024 dividend at the current level based on these elements.

Question 8

With shipments of CEDARCURE currently limited, what was the driver behind net sales growth in 2024?

Answer8 (Kondo)

CEDARCURE is currently in limited shipments. Ultimately, we chose to do so because we can't fully meet demand, but are gradually increasing shipment volume even under these constraints. From the fact that shipment volume itself for "increased dosage formulations" prescribed to new patients, the current target population for our limited shipments, is climbing beyond pre-limited shipment levels, the number of new patients is growing.