

# Corporate Governance

## Basic Stance toward Corporate Governance

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

We recognize that the enhancement of corporate governance will lead to the Company's sustainable growth and medium- to long-term improvement in corporate value.

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

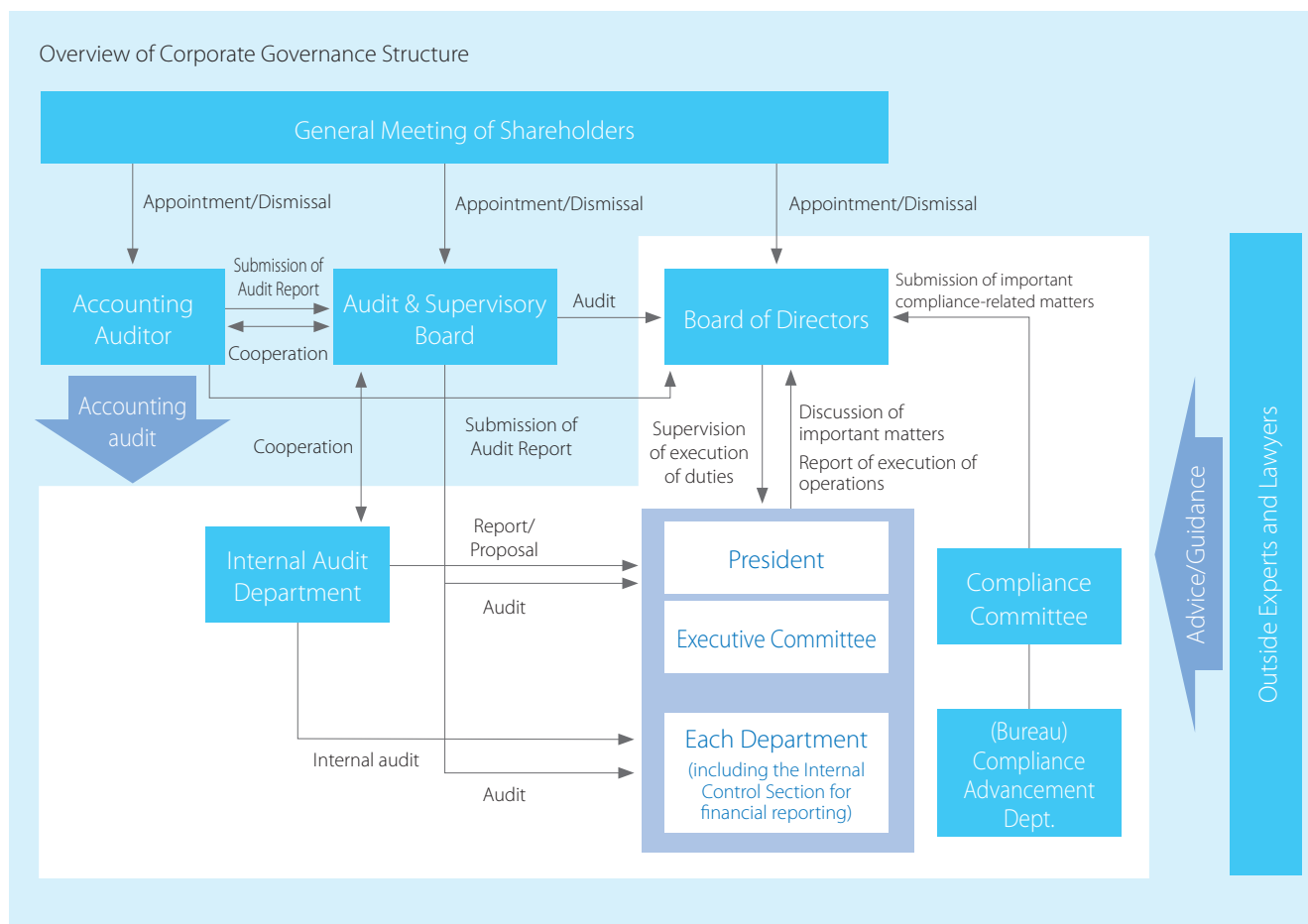
Based on the stance described above, we have defined the Corporate Governance Policy and are working to achieve effective corporate governance.

## Corporate Governance Structure

The corporate governance organs adopted by Torii under the Companies Act of Japan include the General Meeting of Shareholders, the Directors, the Board of Directors, the Audit & Supervisory Board Members, the Audit & Supervisory Board and the accounting auditors. Moreover, with the aim of separating management decision-making and supervision from business execution, the Company has introduced an executive officer system and delegated appropriate authority to Executive Officers from the viewpoint of ensuring swift decision-making concerning business execution.

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

Below is an overview of our corporate governance structure.



## Overview of Corporate Governance

Organization format	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	Non-Executive Director
Number of Directors*	3 (including 2 Outside Directors)
Number of Audit & Supervisory Board Members*	3 (including 2 Outside Audit & Supervisory Board Members)
Appointment of Independent Officers*	2 Outside Directors, 2 Outside Audit & Supervisory Board Members
Number of Board of Directors meetings in 2022	9 times
Number of Audit & Supervisory Board meetings in 2022	14 times

Remuneration for Each Director	Executive Director compensation consists of monthly remuneration and bonuses based on positions. The bonus is granted based on the achievement of the individual and business performance. Non-Executive Director compensation, on the other hand, consists of monthly remuneration based on positions. Directors (other than Outside Directors) are also subject to the Restricted Stock Compensation Plan as a medium- and long-term incentive.
Remuneration for Each Audit & Supervisory Board Member	Monthly remuneration based on full-time/part-time member status
Accounting Auditor	Deloitte Touche Tohmatsu LLC

\*Information as of March 28, 2023

## Evaluation of Effectiveness of the Board of Directors

In fiscal 2022, Torii evaluated the effectiveness of the Board of Directors by sending a questionnaire to all Directors and Audit & Supervisory Board Members. Items for evaluation included the contents of materials, explanations of agenda items, deliberation on agenda items, communication, the way in which meetings are held, etc. Questionnaire results as summarized by Independent Outside Directors showed that each item for evaluation was regarded as generally reasonable and appropriate. However, there were opinions that, regarding deliberation on agenda items, it is necessary to further improve the quality of discussions, including at meetings other than the Board of Directors, and that communication between Directors, Audit & Supervisory Board Members, and Executive Officers, needs to be further enhanced. Based on these results, we will implement further improvements.

## Matters with Possible Significant Impact on Corporate Governance

### Collaboration with Japan Tobacco Inc. (JT)

JT is Torii's parent company and owns 54.86% of Torii's voting shares.

Torii and its parent company JT (specifically, the pharmaceutical division of the company) each leverage their own pharmaceutical product and service strengths. Torii is primarily responsible for manufacturing and marketing functions, while the parent company is responsible for research and development functions. The allocation of functions is for the purpose of optimization to realize our corporate

philosophy. Also, this enables us to conduct appropriate business activities by ensuring a certain level of independence while also maintaining close cooperation with the parent company.

The parent company does not apply restrictions such as approval requirements to Torii's business activities. The parent company has dispatched 39 of its employees (as of December 31, 2022) to Torii with the aim of improving the efficiency of business operations and enhancing management. However, since these employees were dispatched in response to Torii's request, Torii believes it is able to make independent management decisions.

### Parent Company's Policies on Group Management

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

JT aims for the Group's sustainable profit growth and increase of corporate value over the medium to long term in pursuit of the 4S model, its management principle, by sharing and practicing the Group mission on a group-wide basis.

Based on its belief that better corporate governance contributes to achieving the aforementioned goals, JT strives to optimize the Group structure by defining functions and regulations shared in the Group and managing the Group as a whole. In addition, JT coordinates compliance (including the internal reporting system), internal auditing, assurance of reliability of financial reporting and more with its subsidiaries and maintains these activities.

JT strives to give the best consideration to assure the independence of its listed subsidiary and to respect the rights of minority shareholders.