Annual Report 2022

For the year ended December 31, 2022

TORII PHARMACEUTICAL CO., LTD.

Corporate Philosophy

Torii Pharmaceutical's Purpose

We are committed to sincerely serving patients, their families, and those involved in medical care.
We contribute to the healthy recovery of patients, as well as to a happy, enriched life free from fear of illness.

We will flexibly change and adapt to meet the needs of the times and the environment,
while retaining the trust we have earned over our long history,
and we will continue to take on the challenge of contributing to healthcare that only we can make.

Corporate Philosophy System

■ Corporate Philosophy:
Torii Pharmaceutical's Purpose

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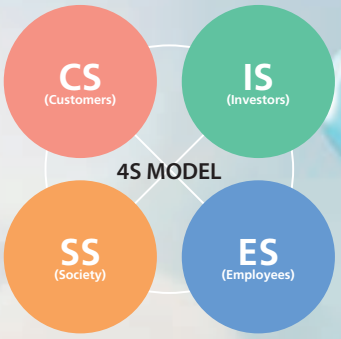
■ Our Important Values: **TORII's POLICY**

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

■ Basic Management Stance: **4S MODEL**

Through the circulation/expansion of capital generated by our high-quality business activities, we will fulfill our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhance their overall satisfaction.



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

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

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

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

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

CONTENTS

■ Organizational scope

Torii Pharmaceutical Co., Ltd.

■ Period covered by this report

Fiscal 2022 (from January 1, 2022 to December 31, 2022) Some information on and after January 2023 is included.

■ Cautionary statement regarding forward-looking statements

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

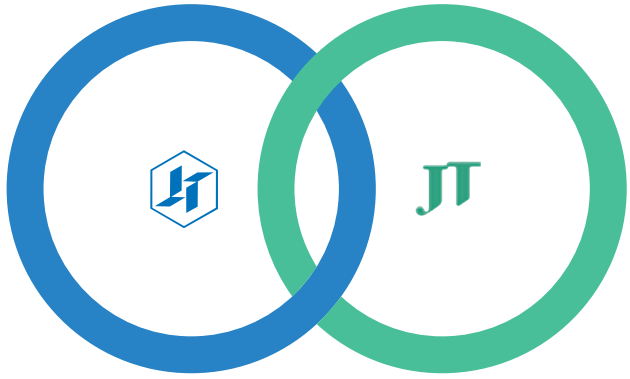
Summary of Business

Collaboration with Japan Tobacco Inc. (JT)

In the pharmaceutical industry, the technology required to develop new drugs is becoming increasingly sophisticated, and R&D costs are generally rising. At the same time, the requirements for new drug approval are becoming ever more demanding. As a result, it often takes many years to release a new product to market. In keeping with our tradition of always seeking and maximizing synergies, built over a corporate history dating back more than 130 years, Torii joined the JT Group in 1998. In 1999, we established a business collaboration with JT, which envisioned R&D oriented pharmaceutical activities. In this new partnership, R&D for new drugs came under the control of JT, while Torii took over sales and marketing functions.

In April 2006, Torii also extended its manufacturing operations to include those of JT.

This partnership has enabled JT and Torii to continuously supply high-quality pharmaceutical products.



Sales and Marketing

Torii has about 300 medical representatives (MRs) working at seven branch offices throughout Japan. In order to distribute information relating to pharmaceutical products, the MRs use Torii's marketing support system to access the information they need to provide prompt responses to specific needs. This marketing support system is crucial to effective information distribution, and also enhances clients' confidence in Torii through disseminating information widely shared by MRs and other business units to medical professionals. The Pharmaceutical Marketing & Promotion Group formulates business strategies based on analyses of market needs and projections of future changes in the market environment. It also supports initiatives to enhance the quality of the pharmaceutical information that MRs provide to medical professionals.

In principle, new ethical pharmaceutical products developed by JT are marketed in Japan by Torii, which is strengthening its marketing and distribution system in preparation for the introduction of new drugs. Torii also works actively with JT to in-license products that can be brought to the Japanese market.

Manufacturing

We outsource the entire process of pharmaceutical production. As a pharmaceutical company, in cooperation with our contract manufacturers, we work daily to fulfill our responsibility to ensure the quality and stable supply of our products.

Highly sophisticated quality assurance and safety management systems are required for pharmaceutical products that directly affect people's lives and health.

We have built a strong system of cooperation with pharmaceutical manufacturing sites and established a thorough quality management system of pharmaceutical products to maintain quality throughout all of our manufacturing processes and provide customers with an invisible feeling of reassurance. Each and every one of our employees is constantly aware that beyond the pharmaceutical products we manufacture, there are the patients and their families who need these products.

In order to provide pharmaceutical products that patients can use with the utmost confidence, we regularly visit pharmaceutical manufacturing sites to confirm manufacturing control and quality control with our own eyes.

Under the quality control system based on Good Manufacturing Practices (GMP)*, manufacturing sites produce pharmaceutical products while confirming quality for each process, conduct the prescribed tests, and release only those that pass the tests.

We also share information regarding product quality with each manufacturing site to implement process improvements and quality improvements on a daily basis.

*Standards for manufacturing control and quality control of pharmaceutical products

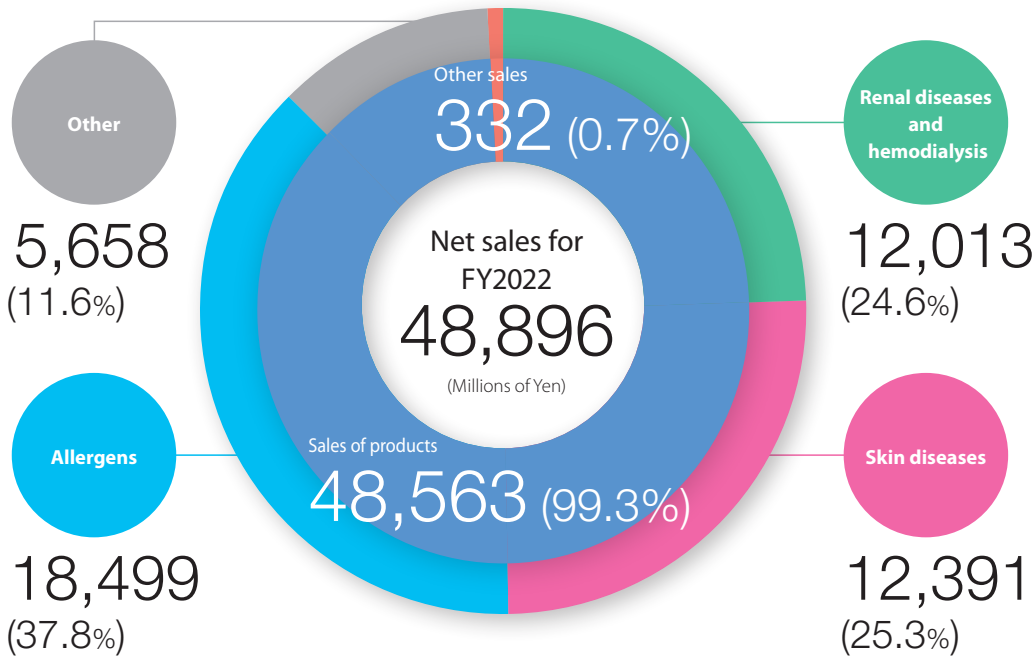
Research and Development

In the allocation of functions concerning R&D with JT, R&D functions for novel compounds are concentrated at JT.

JT is actively investing business resources to enhance and strengthen its R&D capabilities, aiming to create innovative, original drugs by building up a unique, world-class pharmaceutical business driven by R&D.

JT's Central Pharmaceutical Research Institute consists of six specialized research facilities that collaborate closely on new drug R&D in the Group's priority areas: (1) glucose and lipid metabolism, (2) immune disorders and inflammation, and (3) virus research.

Net Sales by Disease Area



Mainstay Products

*In-house products

Riona Tablets

Therapeutic agent for hyperphosphatemia/
Therapeutic drug for iron deficiency anemia (IDA)

Net sales

FY2021	FY2022
¥6,863 million	**¥6,939 million**

REMITCH

Oral antipruritic agent

Net sales

FY2021	FY2022
¥5,058 million	**¥3,536 million**

CORECTIM

Topical Janus kinase (JAK) inhibitor

Net sales

FY2021	FY2022
¥4,025 million	**¥5,469 million**

ANTEBATE*

Topical corticosteroid

Net sales

FY2021	FY2022
¥4,825 million	**¥3,995 million**

CEDARCURE Japanese Cedar Pollen Sublingual Tablets*

Japanese cedar pollinosis
(allergen immunotherapy)

Net sales

FY2021	FY2022
¥8,325 million	**¥9,608 million**

MITICURE House Dust Mite Sublingual Tablets*

House dust mite allergy
(allergen immunotherapy)

Net sales

FY2021	FY2022
¥7,386 million	**¥8,694 million**

Message from the President

We operate our business from day to day in line with Torii Pharmaceutical's Purpose: a commitment to "sincerely serving patients, their families, and those involved in medical care" and to "contributing to the healthy recovery of patients, as well as to a happy, enriched life free from fear of illness." Moreover, in achieving this, we "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."

As we strive to fulfill Torii Pharmaceutical's Purpose, we will continue to take on the challenge of contributing to healthcare that only we can make. We would like to express our sincere thanks to everyone for their continued support and understanding.

Goichi Matsuda
Representative Director,
President and Chief Executive Officer

Review of Operations in Fiscal 2022

The business environment surrounding the pharmaceutical industry was extremely challenging, owing mainly to soaring prices of raw materials and other resources, inflation resulting from the sharp depreciation of the yen, annual NHI drug price revisions. Furthermore, business activities were affected to a certain extent by factors associated with the prolonged COVID-19 pandemic, such as the tendency of patients to refrain from visiting medical institutions and self-imposed restrictions on visits to medical institutions by medical representatives (MRs).

In these circumstances, in order to realize its Medium-/Long-Term Business Vision "VISION2030" toward fiscal 2030, Torii launched the Medium-Term Management Plan 2022-2024 and is pursuing initiatives based on the growth strategy. As a result, for fiscal 2022, we achieved net sales of ¥48,896 million (up 4.1% year on year, including the impact of the application of the Accounting Standard for Revenue Recognition), operating income of ¥5,540 million (up 19.0% year on year), ordinary income of ¥5,537 million (up 14.2% year on year), and net income of ¥3,944 million (up 16.9% year on year), and we made a good start for the first year of the Medium-Term Management Plan 2022-2024.

Net sales in fiscal 2022 were driven by increased sales volumes in the allergens area and the skin disease area. In the allergens area, sales volumes of CEDARCURE and MITICURE increased due to further spread of allergen immunotherapy. In the skin disease area, along with greater market penetration of CORECTIM, its sales volume increased, including formulations with additional pediatric indication.

In terms of profit, although cost of sales increased owing to foreign exchange fluctuations, and sales-linked expenses and clinical trial expenses increased, these increases were offset by an increase in net sales.

Progress of Medium-Term Management Plan and Future Development

The numerical indicators of VISION2030 announced in February 2022 are net sales breaking the all-time high (¥64.1 billion for fiscal 2017) and operating income coming within the range of breaking the all-time high (¥13.3 billion for fiscal 2001) in fiscal 2030. To achieve these targets, we are implementing a business strategy focusing on reinforcement of in-licensing activities and creation of a framework for maximizing product value. We intend to generate good results through the Medium-Term Management Plan. The Medium-Term Management Plan is on a rolling basis and we will review the plan for the next three years annually based on changes in the market environment to respond quickly and flexibly to changes in the market environment.

In the first year of the Medium-Term Management Plan 2022-2024, the initiative to spread, cultivate, and maximize the value of new drugs in the growth phase, namely, ENAROY, Riona, CORECTIM, CEDARCURE, MITICURE, and ORLADEYO, led to increases in the sales volume of each of these products, resulting in the gratifying financial results mentioned above. We will continue to focus on expanding indications and adding new dosage and administration to spread, cultivate, and maximize the value of new drugs in the growth phase.

In new drug development, we are making good progress for drugs in the pipeline. We are conducting Phase III clinical study of JTE-061 in Japan, a topical skin disease treatment drug, for the indications of atopic dermatitis and psoriasis vulgaris, and have obtained the top-line results of the Phase III clinical study in Japan for each indication. We began Phase III clinical study of TO-208 in Japan, another skin disease treatment drug for indications of molluscum contagiosum.

As for in-licensing activities, our negotiations with Nogra Pharma Limited, an Irish company, bore fruit and Torii entered into a license agreement with Nogra Pharma Limited on January 26, 2023 with respect to the exclusive development and commercialization of Nogra's skin disease treatment drug NAC-GED-0507 in Japan.

In fiscal 2023, Torii has formulated the Medium-Term Management Plan 2023-2025 that covers the period from fiscal 2023 to fiscal 2025. As we made good progress in major initiatives and financial results in fiscal 2022, we will not make any major strategy changes, and will continue with the two pillars of "growth strategy" and "maintaining the trust of stakeholders."

Net sales for fiscal 2023 are expected to increase compared to the previous fiscal year owing to an increase in sales volumes of CEDARCURE and MITICURE in the allergens area as allergen immunotherapy becomes more widespread, and an increase in sales volume of CORECTIM in the skin disease area, including pediatric indications. On the other hand, with respect to profit, R&D expenses are expected to increase because of an upfront licensing fee associated with the in-licensing of the above-mentioned NAC-GED-0507. Based on the above assumptions, we forecast an increase in net sales and decreases in profits for fiscal 2023, with net sales of ¥50.9 billion (up 4.1% from fiscal 2022), operating income of ¥4.1 billion (down 26.0%), ordinary income of ¥4.4 billion (down 20.5%), and net income of ¥3.1 billion (down 21.4%). However, since our financial results fluctuate greatly due to the recording of R&D expenses, in the Medium-Term Management Plan we use operating income before deduction of R&D expenses as an indicator of profit growth. Operating income before deduction of R&D expenses in the fiscal 2023 forecast is expected to be ¥7,630 million (up 6.0%), maintaining the profit growth trend.

Financially, the next five years through fiscal 2027 are positioned as a period of intensive business investment, with a rough estimate of ¥40.0 billion to be used for in-licensing and other purposes. Centering on in-licensing, we also envisage investment in equipment and systems. We will work to implement the Medium-Term Management Plan thoroughly to establish the foundation for sustainable growth and enhancement of corporate value while continuing to contribute to healthcare.

Basic Policy on Sustainability and Materiality

Torii established the Basic Policy on Sustainability in February 2023 and identified material issues (materiality) to be addressed based on this policy. In view of the Basic Policy on Sustainability and the identified materiality, we added "initiatives on sustainability" as a measure for maintaining the trust of shareholders in the Medium-Term Management Plan 2023-2025 that I explained earlier.

To date, based on the 4S MODEL, we have been striving to fulfill our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhance their overall satisfaction through the circulation/expansion of capital generated by our high-quality business activities. The Basic Policy on Sustainability is reorganization of the 4S MODEL from the perspective of contributing to a sustainable society, and shows our commitment to realizing our corporate philosophy, Torii Pharmaceutical's Purpose.

The material issues identified are classified into materiality related to our business and materiality related to our management foundation. Materiality related to our business includes themes such as exploration and development of new drugs, provision of medical information, quality and safety, stable supply, and co-

creation with diverse partners. Materiality related to our management foundation includes themes such as human resources development, corporate culture, working environment, corporate governance, compliance, and environmental protection.

Going forward, we will continue to work to promote sustainability based on the 4S MODEL, and we will enhance the initiatives we carry out based on our Basic Policy on Sustainability and materiality. We plan to disclose details regarding these initiatives and related information through our website, etc.

To Our Stakeholders

Placing an emphasis on distributing dividends in a continuous and stable manner, we have continued to pay annual dividends of ¥48 per share (interim dividend of ¥24 and year-end dividend of ¥24) since fiscal 2015. In view of our investment and financial status from a medium- to long-term perspective focused on business growth, we have decided to enhance our shareholder returns. Accordingly, we increased the year-end dividend from the initial plan of ¥24 per share to ¥76 per share. Together with the interim dividend of ¥24 per share, the annual dividend amounted to ¥100 per share. For fiscal 2023, we also plan to pay an annual dividend of ¥100 per share, consisting of an interim dividend of ¥50 and a year-end dividend of ¥50. We will maintain our basic policy of continuous and stable dividends while further enhancing our shareholder returns. In order to meet our shareholders' expectations, while working to further improve our financial performance, we will strive to improve the dividend on equity ratio (DOE) over the medium to long term, aiming for a DOE level that compares favorably with that of other companies within the same industry.

In recent years, we have been promoting business structure reform to respond to changes in the external environment and our earnings base, and have established a foothold for renewed growth. As a result, we are poised for the next leap forward, securing new growth potential and strengthening profitability through steady progress with our R&D pipeline, maximizing product value, and acquiring new in-licensing opportunities.

In closing, I would like to reiterate that, to realize our corporate philosophy, Torii Pharmaceutical's Purpose, with the aim of surely attaining VISION2030, we are committed to definitely achieving the results that will lead to sustainable growth. We look forward to your continued support in our endeavors to develop the business from now on.

Principal Products in the Research and Development Pipeline (As of February 10, 2023)

Development code [Product name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Skin diseases								
JTE-061	Atopic dermatitis	Topical			Phase III			●Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for an exclusive license to develop and commercialize skin diseases in Japan ●License agreement signed with JT for development and commercialization
JTE-061	Psoriasis Vulgaris	Topical			Phase III			●Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for exclusive development and commercialization in the skin disease area in Japan ●License agreement signed with JT for development and commercialization
JTE-061	Atopic dermatitis in children	Topical		Phase II				●Compounds for which JT has entered into a license agreement with Dermavant Sciences GmbH for exclusive development and commercialization in the skin disease area in Japan ●License agreement signed with JT for development and commercialization
TO-208	Molluscum contagiosum	Topical			Phase III			●License agreement signed with Verrica Pharmaceuticals Inc. for exclusive development and commercialization in Japan ●In-house ●Verrica Pharmaceuticals Inc. the development code: VP-102
Allergens								
TO-203 [MITICURE® House Dust Mite Sublingual Tablets]	House dust mite induced allergic asthma (Allergen immunotherapy)	Sublingual tablet		Phase II/III (Study completed)*				●License agreement signed with ALK for providing exclusive development and sales rights in Japan ●In-house *Examining the future development policy

Update since the previous announcement of financial results and reference materials on October 31, 2022

● In January 2023, revised the package insert based on the results of Phase III clinical study of JTE-052 [CORECTIM® Ointment] (atopic dermatitis in infant) by JT. (Previous announcement: Development stage Phase III)

Additional Information

● In January 2023, Torii entered into a license agreement with Nogra Pharma Limited (Nogra) with respect to the exclusive development and commercialization of Nogra's skin disease treatment drug NAC-GED-0507 for the treatment of acne 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

Medium-/Long-Term Business Vision "VISION2030" and Medium-Term Management Plan

With respect to plans over the next three years, Torii formulates its medium-term management plan on a rolling basis, reviewing the plan annually based on changes in the market environment to respond quickly and flexibly to changes in the market environment.

Torii will continue to implement measures for its growth strategy and measures to maintain the trust of stakeholders under the medium-term management plan in order to realize Medium-/Long-Term Business Vision "VISION 2030."

Medium-/Long-Term Business Vision "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.

Target of VISION2030

Net sales break the all-time high[*1]
Operating income comes within the range of breaking the all-time high[*2]

*1: ¥64.1 billion (fiscal year ended December 31, 2017)
*2: ¥13.3 billion (fiscal year ended March 31, 2001)

Progress of Medium-Term Management Plan 2022-2024 in FY2022

Progress of numerical indicators in FY2022

	Initial plan for FY2022	Results for FY2022	Increase/decrease
Net sales	**¥48.2** billion	**¥48.8** billion	+ **¥0.6** billion
Operating income (before deduction of research and development expenses)[*3]	**¥6.7** billion	**¥7.2** billion	+ **¥0.4** billion

*3: It is difficult to foresee research and development expenses at this point in time, as these expenses fluctuate significantly due to aggressive business investments for medium-/long-term growth. For this reason, Torii sets operating income before deduction of research and development expenses as a numerical income indicator.

Major initiatives of the Medium-Term Management Plan 2022-2024

Growth strategy

- **Spread, cultivate, and maximize the value of new drugs in the growth phase** (ENAROY, Riona, CORECTIM, CEDARCURE, MITICURE, ORLADEYO)
- **Promote new drug development** (JTE-061, TO-208)
- **Reinforce in-licensing systems**
- **Maintenance of human resource systems in line with management strategies and work-style reforms**
- **Corporate culture reform**

Maintaining the trust of stakeholders

- **Improve and strengthen stable supply systems**
- **Compliance with pharmaceutical regulations and quality assurance**
- **Reinforce compliance**
- **Reinforce corporate governance**

Main topics of major initiatives (as of February 10, 2023)

1 Spread, cultivate, and maximize the value of new drugs in the growth phase (ENAROY, Riona, CORECTIM, CEDARCURE, MITICURE, ORLADEYO)

▶ Steady growth of each product (increased sales year-on-year)
▶ CORECTIM: Improved convenience, increased value by expanding target patients

✓ Launched 10g tubes of CORECTIM Ointment 0.5% (July 2022)
✓ Revised CORECTIM Ointment drug package inserts (reflected the results of Phase III clinical study for infant patients with atopic dermatitis) (January 2023)

2 Promote new drug development (JTE-061, TO-208)

▶ Favorable progress in development of each product

✓ Announced the top-line results of Phase III clinical study of JTE-061 in patients with atopic dermatitis in Japan (July 2022)
✓ Announced the top-line results of Phase III clinical study of JTE-061 in patients with psoriasis vulgaris in Japan (September 2022)
✓ Began Phase III clinical study of TO-208 for indications of molluscum contagiosum (July 2022)

3 Reinforce in-licensing systems

▶ Obtained one new in-licensed drug through active in-licensed activities

✓ Concluded a license agreement with Nogra Pharma Limited with respect to Nogra's skin disease treatment drug in Japan (NAC-GED-0507) (January 2023)

4 Reinforce corporate governance

▶ We implemented the following initiatives and measures, taking into consideration the internal and external environment and the expectations of stakeholders.

✓ Initiatives on sustainability (formulated the basic policy and identified material issues)
✓ Terms of office of directors to be shortened (from two years to one year) (a proposal to be submitted at the General Meeting of Shareholders to be held in March 2023)

Medium-Term Management Plan 2023-2025

Numerical indicators for the Medium-Term Management Plan 2023-2025

Torii sets net sales and operating income before deduction of research and development expenses as numerical indicators for the Medium-Term Management Plan 2023-2025, in order to realize what VISION2030 aims for.

Forecast for FY2023	Guidance for FY2025*2	What VISION2030 aims for
Net sales ¥50.9 billion	Net sales ¥54.0 – 57.0 billion	Net sales break the all-time high*3
Operating income (before deduction of research and development expenses)*1 ¥7.6 billion	Operating income (before deduction of research and development expenses)*1 ¥9.0 – 10.0 billion	Operating income comes within the range of breaking the all-time high*4

*1: It is difficult to foresee research and development expenses at this point in time, as these costs fluctuate significantly due to aggressive business investments for medium-/long-term growth. For this reason, Torii sets operating income before deduction of research and development expenses as a numerical income indicator.
*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: ¥64.1 billion (fiscal year ended December 31, 2017)
*4: Operating income: ¥13.3 billion (fiscal year ended March 31, 2001)

Major initiatives of the Medium-Term Management Plan 2023-2025

1. Made good progress in major initiatives and financial results in FY2022
⇒We will not make any major strategy changes, and will continue with the two pillars of "growth strategy" and "maintaining the trust of stakeholders."
2. Newly added "Initiatives on sustainability" to major initiatives

Growth strategy

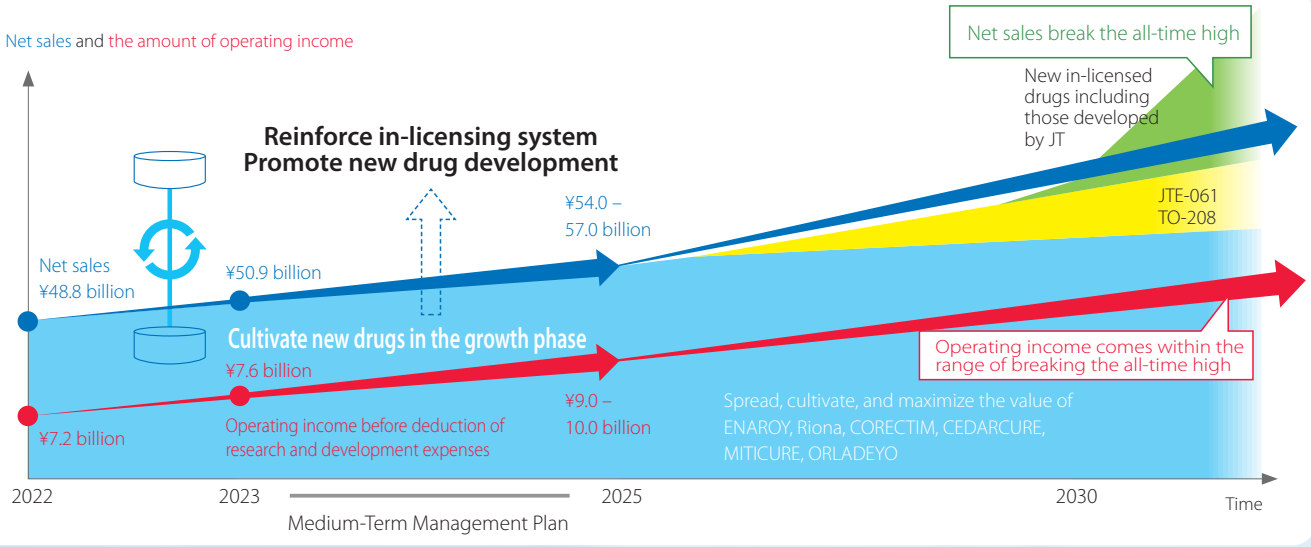
- **Spread, cultivate, and maximize the value of new drugs in the growth phase** (ENAROY, Riona, CORECTIM, CEDARCURE, MITICURE, ORLADEYO)
- **Promote new drug development** (JTE-061, TO-208)
- **Reinforce in-licensing systems**
- **Maintenance of human resource systems in line with management strategies and work-style reforms**
- **Corporate culture reform**

Maintaining the trust of stakeholders

- **Improve and strengthen stable supply systems**
- **Compliance with pharmaceutical regulations and quality assurance**
- **Reinforce compliance**
- **Reinforce corporate governance**
- **Initiatives on sustainability (new)**

Medium-Term Management Plan 2023-2025 and VISION2030

Overview of the strategy, measures, and numerical indicators



Formulation of the Basic Policy on Sustainability and identification of materiality

Based on our basic management stance, the 4S MODEL, we meet the expectations and needs of all of our stakeholders, such as customers, investors, society, and employees found by collaborating with them through our communications and cooperation. We do so in a way that balances our responsibilities to each of our stakeholders and enhances their overall satisfaction. We recognize that our constant efforts to do this have not only contributed to our sustainable growth and the improvement of our medium- to long-term corporate value, but also to the realization of a sustainable society. Based on the recognition mentioned above, we have taken on challenges related to sustainability, such as environmental issues, human rights issues, labor environment, and diversity within our company, including the promotion of the active participation by female employees.

From the perspective of maintaining the trust of stakeholders, we have formulated a basic policy on sustainability with the aim of achieving sustainable growth and improving our medium- to long-term corporate value, and we have identified material issues (materiality) that we should address.

Going forward, we will continue to work to promote sustainability based on the 4S MODEL, and we will enhance the initiatives we carry out based on our Basic Policy on Sustainability and material issues (materiality).

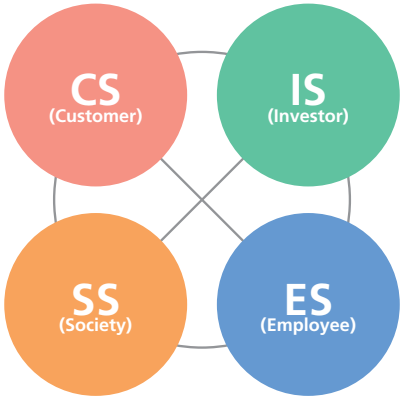
We plan to disclose details regarding these initiatives and related information through our website, etc.

Basic Policy on Sustainability

In order to realize Torii Pharmaceutical's Purpose permanently, our corporate philosophy, we will work ceaselessly to fulfill our responsibilities in a well-balanced manner for each of our stakeholders and enhance their overall satisfaction, based on the 4S MODEL*, our basic management stance. Through this, we will not only achieve sustainable growth and improve our medium- to long-term corporate value, but we will also contribute to the realization of a sustainable society.

To promote the implementation of our sustainability initiatives, we have identified material issues (materiality) which have a large impact on the sustainability of society and of our business and which we should therefore give high priority. In identifying these material issues, we have taken into consideration the expectations and needs of stakeholders recognized by collaborating with them through our communications and cooperation, and therefore we will work appropriately to solve these issues.

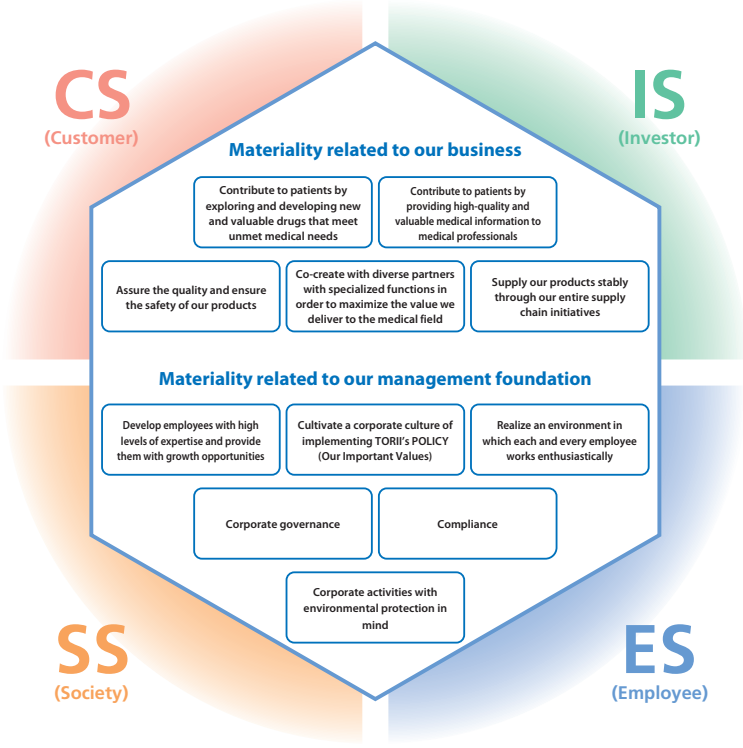
***Basic Management Stance**
4S MODEL



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

Through the circulation/expansion of capital generated by our high-quality business activities, we will fulfill our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhance their overall satisfaction.

Materiality



CS (Customers)

Our Responsibility to Customers

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

Quality Management

Quality Management Measures

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

Quality Assurance Policy

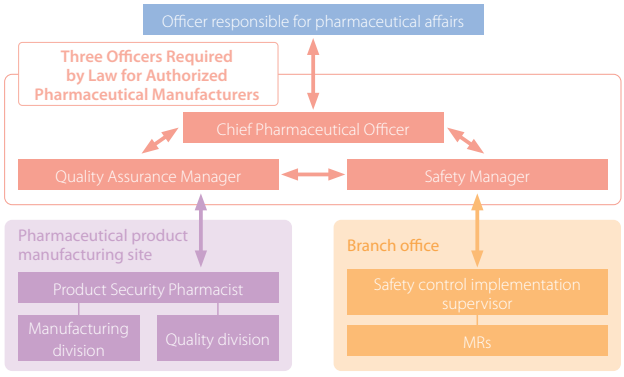
1. We are attentive to the opinions and requests of customers and actively strive to improve the quality of our products.
2. We work closely with manufacturing sites to maintain a constant supply of products with stable quality.
3. We bring together our knowledge and experience to carry out quality assurance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

Quality Assurance and Safety Control System

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

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

Quality Assurance and Safety Control System



GQP- and GMP-based Product Assurance

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

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

Response to Product Recall

In the event of quality defects that require a pharmaceutical product recall, our highest priority is to ensure the safety of patients. Under the direction of the Chief Pharmaceutical Officer, we report to the administrative authorities, share information with medical institutions and other organizations, rapidly recall affected products, identify the cause of the issue, and implement improvement measures. We also review and revise supply schedules and provide information on alternative products to avoid inconveniencing the patients that use the pharmaceutical product in question.

Considerations for Packaging, Labeling and Individual Product Boxes

We consider and revise designs of packaging and labeling, reflecting information from medical institutions and patients as well as the industry guidelines. In order to increase visibility, identification, and convenience of individual product boxes, we engage in discussions with related divisions and make necessary improvements, such as change of the font size of text, incision of perforated lines on the boxes for scrapping, as desirable, for ease of disposal by medical institutions, and change of sealing tapes in accordance with the industry guidelines.

Stable Supply

Stable Supply Measures

Providing a stable supply of pharmaceutical products is one of the most important missions of companies that handle pharmaceutical products, on which people's lives directly depend.

Providing a stable supply of pharmaceutical products requires measures that encompass entire supply chains, and involve Torii itself and numerous partners responsible for every phase from the procurement of drug substances (active pharmaceutical ingredients) and other raw materials to manufacturing of pharmaceutical products, inventory optimization, and logistics.

We have put in place systems in preparation for various contingencies, including procurement of drug substances and raw materials from multiple suppliers. We are striving to ensure stable supply to provide the amounts of pharmaceutical products needed, when needed, where needed.

Measures for Managing Logistics while Ensuring Quality

To fulfill our duty as a pharmaceutical company, we have built a system ensuring stable supply of safe, high-quality pharmaceutical products manufactured under strict quality control.

With regard to temperature control, our logistics center stores pharmaceutical products in a refrigerated or room-temperature warehouse in accordance with the temperature control category (refrigerated storage or room-temperature storage) defined for each pharmaceutical product.

For management of logistics, we exclusively use dedicated temperature-controlled vehicles for pharmaceutical product transport and regularly monitor temperature of the vehicles for thorough quality control during transport.

With regard to risk management, anticipating the possibility of a large-scale disaster, we operate two logistics centers, one in East Japan and the other in West Japan. Under this system, if one center is affected by the disaster, the other center can continue to supply pharmaceutical products.

Appropriate Information Provision

Information Collection and Provision

Torii strives to promote the proper use of pharmaceutical products, and through our MRs we collect safety information from medical professionals such as data on side effects.

The information we collected and analyzed is provided on an ongoing steady basis as feedback to medical professionals, contributing to the safe and effective use of pharmaceutical products by patients.

We also participate in relevant academic society meetings and update product information sites for medical professionals to provide a wide range of information on the proper use of pharmaceutical products.

Measures through MRs

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

MRs work to promote the proper use of pharmaceutical products for the sake of patients by providing information to medical professionals as well as collecting information from them.

Promotion of Proper Use

In order to ensure safer use of pharmaceutical products, we constantly collect safety information such as on side effects. We evaluate and analyze the safety information collected, and when the results indicate the need for additional information on proper use, we revise the risk management plan (RMP) and drug package inserts and update the drug information. We have implemented measures so that our pharmaceutical products are used more safely by notifying medical professionals of the contents of these revisions.

MR Education and Training

We carry out a range of education and training programs to ensure that our MRs properly provide information on our pharmaceutical products to medical professionals and collect their feedback.

Various divisions of Torii collaborate in human resource development of MRs so that they can earn the trust of medical professionals. Practical training is designed to cultivate a mindset attuned to attending to the needs of individual patients and developing the ability to propose the optimum treatment for the patient.

Customer Support Department

Customer Support Department Initiatives

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

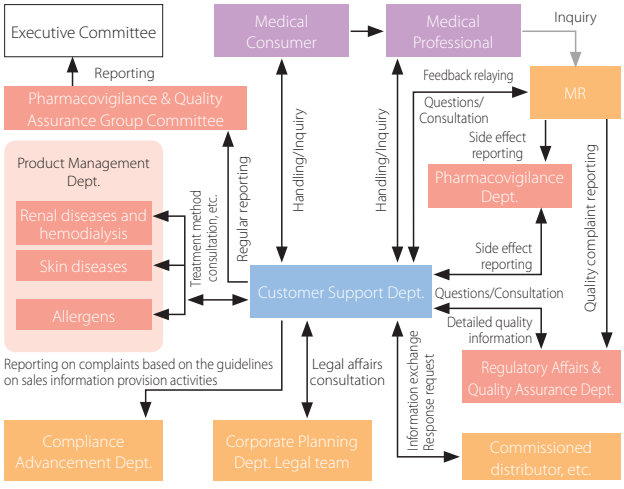
No matter how excellent a pharmaceutical product may be, it is only effective when used properly. To this end, we have worked to provide high-quality, appropriate, science-based drug information that takes into account the needs of our customers.

Sharing Customer Feedback within the Company

As an open corporate contact point with customers, the Customer Support Department shares questions and opinions from customers with corresponding divisions, enabling them to consider future actions based on the latest information on safety, interaction, usage method and others.

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

System for Sharing Information within the Company

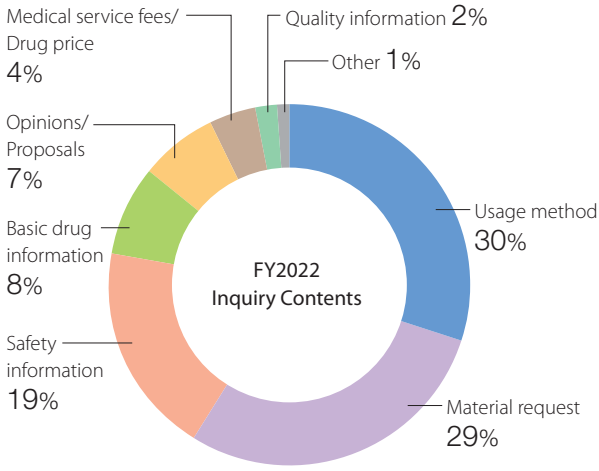


Customer Support Education

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

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

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



IS (Investors)

Our Responsibility to Shareholders

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

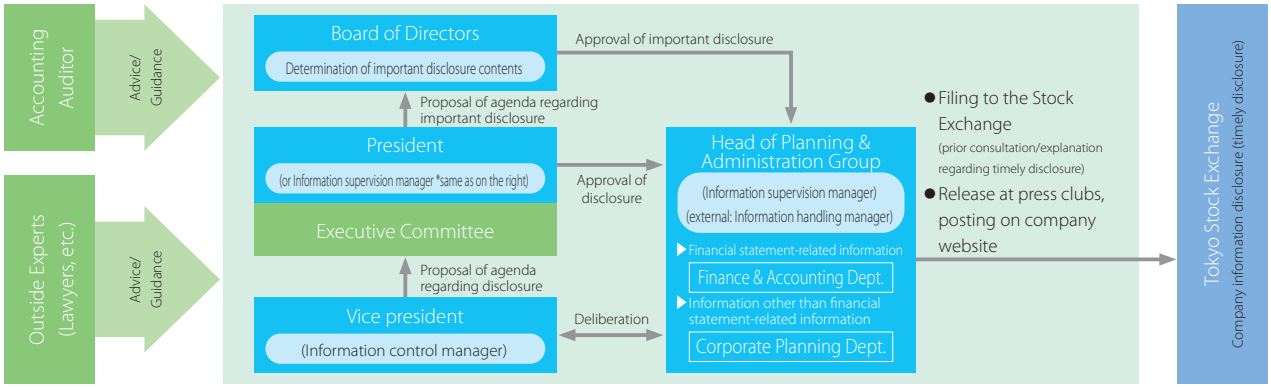
Information Disclosure

Information Disclosure Measures

Communication with our shareholders and investors

In order to promote dialogue with our shareholders and investors, Torii holds individual consultations upon request, as well as endeavors to disclose information in a timely and appropriate manner by posting financial highlights, financial results, securities reports, annual reports, press releases, and other information on the Torii website.

Overview of Torii's Timely Disclosure System



Dividend Policy

Torii recognizes that generating appropriate shareholder returns is one of the key issues of management, and our basic policy is distributing surplus dividends in a continuous and stable manner.

Torii's basic approach is to pay surplus dividends twice per year in the form of an interim dividend and a year-end dividend. The interim dividend is decided by the Board of Directors, and the year-end dividend is decided by the General Meeting of Shareholders. The Articles of Incorporation of Torii stipulate that interim dividends may be decided by resolution of the Board of Directors.

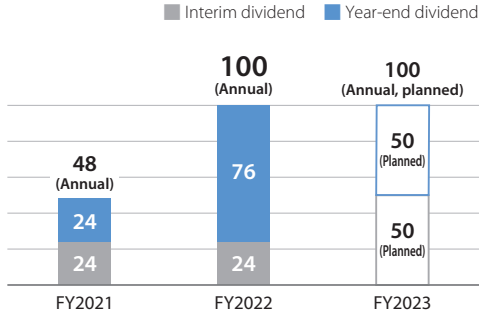
In view of our investment and financial status from a medium- to long-term perspective focused on business growth, we intend to enhance our shareholder returns. At the 131st General Meeting of Shareholders, held on March 28, 2023, it was resolved that Torii will pay a year-end dividend of ¥76 per share for the current fiscal year. Together with the ¥24 per share paid in interim dividends, this amounts to an annual dividend of ¥100 per share. Surplus dividends whose record date falls within the current fiscal year are as follows.

Resolution date	Total dividends (Millions of Yen)	Dividend per share (Yen)
July 29, 2022 Resolution by Board of Directors meeting	674	24
March 28, 2023 Resolution by General Meeting of Shareholders	2,135	76

For fiscal 2023, in accordance with the policy and concept above, we plan to pay an annual dividend of ¥100 per share.

We will maintain our basic policy of continuous and stable dividends while further enhancing our shareholder returns, and in the future we will review the progress we have made in our business operations and investments while striving to improve dividend on equity ratio (DOE) over the medium to long term, aiming for a DOE level that compares favorably with that of other companies within the same industry.

Dividend per share (Yen)



	FY2021	FY2022	FY2023
DOE	1.2%	2.4%	—
ROE	2.9%	3.3%	—
Dividend payout ratio	40.0%	71.2%	90.6%

SS (Society)

Our Responsibility to Society

We strive to mitigate global warming as we maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society in order to be a good corporate citizen.

Torii Pharmaceutical Environmental Charter

Basic Policy on the Environment

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

Code of Conduct

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

Environmental Action Plan

Achieved Unachieved

Item		FY2022 Environmental Action Plan	FY2022 Results	Evaluation	FY2023 Environmental Action Plan
Greenhouse gas emissions reductions	Head office	FY2022 target: 328 t-CO_2 or less [Main measures] ■ Continue installing energy-saving vending machines and review the number of vending machines installed ■ Continue implementing Cool Biz and Warm Biz energy-saving initiatives ■ Strengthen initiatives for paperless operation	FY2022 result: 326 t-CO_2 (Result excluding 9 t-CO_2 attributable to increased floor area) [Measures implemented] ■ Continued installing energy-saving vending machines and review the number of vending machines installed ■ Continued implementing Cool Biz and Warm Biz energy-saving initiatives ■ Strengthened initiatives for paperless operation	☺	**FY2023 target: 335 t-CO_2 or less** [Main measures] ■ Review usage of energy-saving equipment, lighting, etc. ■ Continue and review implementing Cool Biz and Warm Biz energy-saving initiatives ■ Enhance employees' awareness about environmental protection
	Sales vehicles	FY2022 target: 874 t-CO_2 or less [Main measures] ■ Continue selecting fuel-efficient vehicles such as hybrids ■ Continue promotion of eco-drive awareness and education activities ■ Introduce telematics to reduce fuel consumption by minimizing sudden start, sudden braking, etc.	FY2022 result: 956 t-CO_2 [Measures implemented] ■ Continued selecting fuel-efficient vehicles such as hybrids ■ Continued promotion of eco-drive awareness and education activities ■ Introduced telematics to reduce fuel consumption by minimizing sudden start, sudden braking, etc.	☹	**FY2023 target: 956 t-CO_2 or less** [Main measures] ■ Continue selecting fuel-efficient vehicles such as hybrids ■ Continue promotion of eco-drive awareness and education activities ■ Continue introduction of telematics to reduce fuel consumption by minimizing sudden start, sudden braking, etc.
Maintain/increase waste recycling rate	Head office	FY2022 target: 98% or above [Main measures] ■ Continue to consign disposal to industrial waste processors with high recycling rates and continue monitoring of industrial waste processors ■ Continue selling off items with value	FY2022 result: 98.04% [Measures implemented] ■ Continued to consign disposal to industrial waste processors with high recycling rates and continue monitoring of industrial waste processors ■ Continued selling off items with value	☺	**FY2023 target: 98% or above** [Main measures] ■ Continue to consign disposal to industrial waste processors with high recycling rates and continue monitoring of industrial waste processors ■ Strengthen initiatives for paperless operation

Overview of Business Activities and Their Environmental Impacts

Head office / Branch offices

INPUT

Total energy usage

Electricity:	1,048,000 kWh
City gas:	1,323,000 m^3
Gasoline:	412 kL

Offices

Planning and administration, Information systems, General office work, sales

OUTPUT

Waste and generation of items with value

Total waste discharge:	18.3t
Items with value sold:	0.0t
Recycling volume:	18.0t
Final disposal volume:	0.3t

Emissions into the atmosphere

CO_2	1,404t

Compliance Measures

Response to the violation of the Antimonopoly Act

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

Compliance as a Pharmaceutical Company

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

Torii has defined various internal standards such as the Torii Pharmaceutical Promotion Code based on the JPMA Code of Practice by the Japan Pharmaceutical Manufacturers Association and the guidelines on sales information provision activities by the Ministry of Health, Labor and Welfare, and engages in compliance-oriented activities.

Compliance Promotion Structure

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

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

Employee Awareness-Raising and Education

Torii defines compliance as maintaining the trust of stakeholders and not disappointing them. To this end, we distribute a compliance book that defines concrete action standards serving as guidelines for specific actions as well as values and ethics that all employees should share, and we engage in education and awareness-raising activities on a continual basis. We conduct compliance training when new employees join the Company and when new General Managers take office. We also conduct compliance training for all employees once a year. Each division of the Company formulates and implements compliance promotion measures.

Besides, we implement drug injury education for all employees to deepen the knowledge of drug-related injuries and foster awareness on patients' use of drugs.

Compliance Questionnaires

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

The results of these questionnaires are posted for viewing by all employees on our company intranet. Moreover, the issues identified through these questionnaires are utilized, for example, when formulating compliance promotion measures.

Compliance Book

Compliance Card

Reporting and Consultation Contact Point (Hotline)

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

Transparency Initiatives

Collaboration with universities and other research institutions and medical institutions is vital and essential for us to contribute to peoples' health as a pharmaceutical company.

During the course of these activities, we sometimes pay medical institutions compensation for their contributions, and we believe that we must maintain transparency in our relationships with them. We also believe that we must guarantee transparency in the relationships between patient groups and pharmaceutical companies so that the opinions and input from patients and supporters can be sufficiently leveraged within medical treatment as a social resource.

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

4S Initiatives

ES (Employee)

Our Responsibility to Employees

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

Human Resources Development

We offer not only position-specific training but also elective training for which employees apply as well as distance learning programs focused on the business skills that we believe employees need to conduct their work, continuously implementing measures that support and promote employees' self-led development.

In addition, training programs for managerial personnel are designed to enhance their human resources development- and management-related skills and knowledge in areas such as subordinate development, career development support, strengthening of interdepartmental collaboration, encouragement of departments and teams, and appropriate evaluation.

Training Participation Results (Fiscal 2022)

Learning and training	Number of participants
Life planning training (information provision)	10 (16)
Topic-specific training (business basics, team power, global)	17 (11)
Management training (including e-learning)	258 (435)
Position-specific training (excluding new employee training)	61 (81)
New employee training	7 (12)
Distance learning/e-learning (self-improvement)	135 (124)

Note: Figures in brackets are the previous year's figures.

Creating Better Working Environments

Measures for Realizing Working Environments in which Each and Every Employee Works Enthusiastically

For Torii to achieve sustainable growth and enhancement of corporate value over the medium to long term, flexible and swift actions are required. As individuals' values diversify and the environment continuously changes, employees' ability to work autonomously is essential. Therefore, we are pursuing an initiative from the perspectives of organizational support for employees' growth, raising awareness, and improvement of working environments to enable each and every employee to work enthusiastically.

As one element of this initiative, we have also formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children.

Status of Measures for Promoting Active Participation by Female Employees

Items	As of December 31st, 2022 *Figures in "()" are the previous year's figures
Percentage of female employees in management positions	10.6% (10.0%)
Percentage of female employees in all employees	22.7% (22.1%)
Percentage of the number of female employees to the total number of workers they employed	33.3% (42.9%)
Percentage of average wages of female employees to average wages of male employees	Regular employees: 85.3% (–) Non–regular employees: 42.2% (–) All employees: 81.7% (–) The main reason for the difference in average wages between male and female employees is that the percentage of male employees in management positions is higher than that of female employees, for both regular and non– regular employees. We are promoting efforts to increase the percentage of female workers in management positions as a goal of our "General Employer Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life".
Average years of continuous service between Male vs Female	Male: 15.2 years, Female: 11.7 years (Male: 14.6 years, Female: 11.2 years)
Average overtime per month	17.1 hours (17.6 hours)
Percentage of employees taking childcare leave (*) (January 2022 to December 2022)	Male: 32.0% (–), Female100% (–)
Acquisition of taking annual paid leave (April 2022 to March 2023)	Percentage of taking annual paid leave: 79.3% (68.4%) Average number of days of: 16.3 days (14.1 days)

*New items to be listed

Cultivation of Corporate Culture

We aim to cultivate a corporate culture in which employees have the habit of deepening their interpretation of Torii Pharmaceutical's Purpose on a daily basis, and in which individuals and the organization consistently practice TORII's POLICY, a set of important values for accomplishing Torii Pharmaceutical's Purpose. To this end, we are continuously creating opportunities for Directors and Audit & Supervisory Board Members to exchange opinions with employees on Torii Pharmaceutical's Purpose and TORII's POLICY and supporting the implementation of TORII's POLICY.

Human Rights Measures

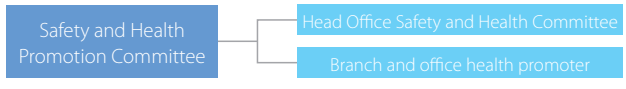
We believe it is important that people working in the same workplaces respect one another and build relationships of mutual trust, and that as members of society all people always respect the rights of others. This is why on December 10, Human Rights Day, we carry out measures aimed at developing a shared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

Occupational Safety and Health

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

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

Company-Wide Safety and Health Control Organizations



*A Safety and Health Committee is established for worksites with 50 or more full-time workers.

*A Health promoter officer is appointed for worksites with 10 or more but less than 50 full-time workers.

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.

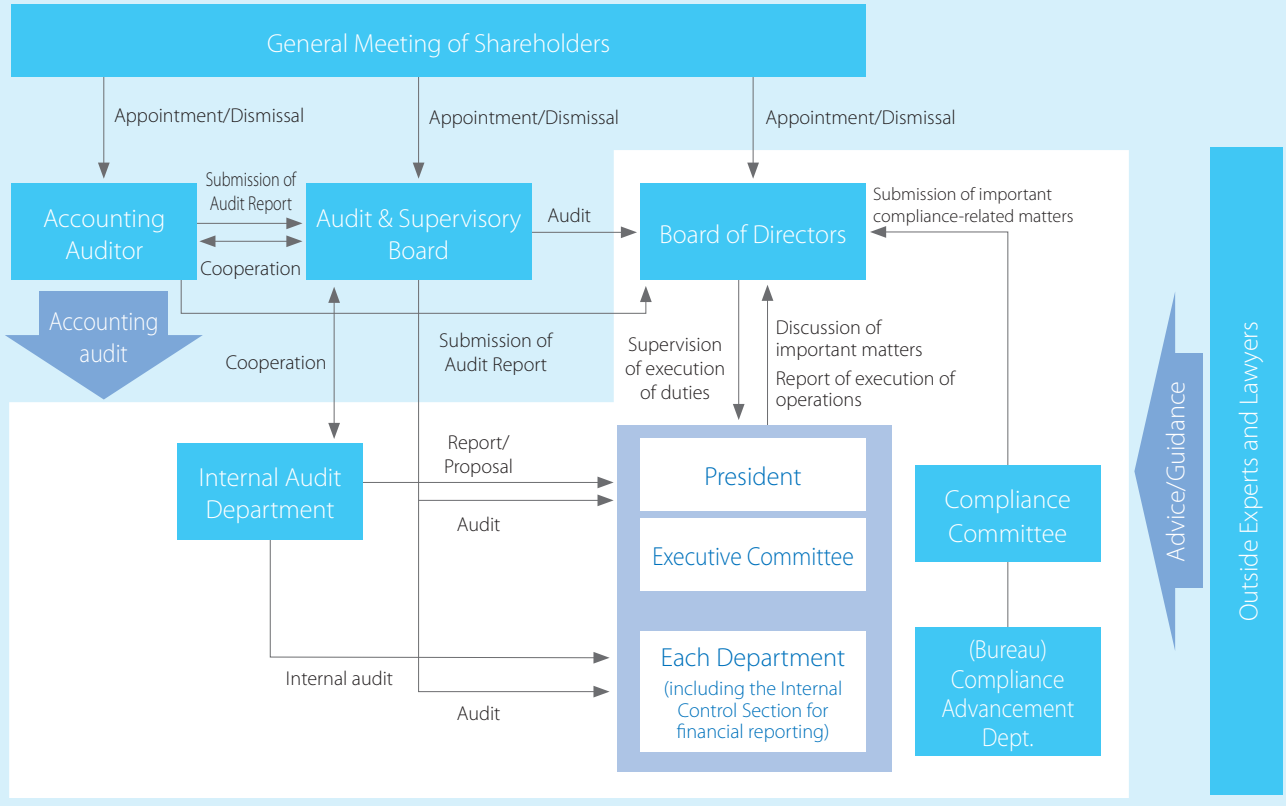
Corporate Governance Structure

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 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

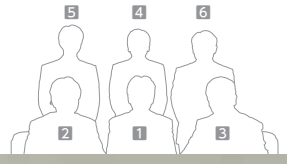
The policies of JT, Torii's parent company, on Group management are as follows:

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.

Directors and Audit & Supervisory Board Members



Representative Director,
President and Chief Executive Officer

Goichi Matsuda 1

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

Member of the Board, Director (Outside)

Masao Torikai 2

Apr. 1994 Registered as lawyer (The Dai-ichi Tokyo Bar Association)
Apr. 1994 Joined Momo-o, Matsuo & Namba
Sep. 2000 Registered as lawyer in New York State
Jan. 2002 Partner of Momo-o, Matsuo & Namba (current position)
Jun. 2010 Audit & Supervisory Board Member of the Company
Jun. 2013 Member of the Board, Director of the Company (current position)

Member of the Board, Director (Outside)

Toshio Fukuoka 3

Apr. 1979 Joined Tokyo Regional Taxation Bureau
Jul. 2015 Retired from the position of District Director of KawasakiKita Tax Office
Aug. 2015 Registered as tax accountant, established Toshio Fukuoka Tax Accountant Office, Representative (current position)
Mar. 2016 Audit & Supervisory Board Member of the Company
Jun. 2016 Outside Audit & Supervisory Board Member of FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD. (current position)
Mar. 2018 Member of the Board, Director of the Company (current position)

Standing Audit & Supervisory Board Member

Ken Yamamoto 4

Apr. 1984 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)
Apr. 2005 Senior Manager of Business Planning Dept., Pharmaceutical Division of Japan Tobacco Inc.
Jan. 2016 Senior Manager of Business Administrative Dept., Pharmaceutical Division of Japan Tobacco Inc.
Mar. 2016 Vice President of Accounting Dept. of the Company
Jan. 2017 Senior Vice President, Accounting Dept. of the Company
Mar. 2018 Executive Officer, Accounting Dept. of the Company
Oct. 2019 Executive Officer, Finance & Accounting Dept. of the Company
Mar. 2020 Audit & Supervisory Board Member of the Company (current position)

Audit & Supervisory Board Member (Outside)

Eiichi Izumo 5

Apr. 1995 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Apr. 1998 Registered as certified public accountant
Jul. 2010 Partner of Deloitte Touche Tohmatsu LLC
Feb. 2015 Established Izumo CPA Office, Representative (current position)
Jun. 2015 Outside Audit & Supervisory Board member of Benesse Holdings, Inc. (current position)
Mar. 2016 Audit & Supervisory Board Member of the Company (current position)
Sep. 2020 Outside Audit and Supervisory Board Member of Lasertec Corporation (current position)

Audit & Supervisory Board Member (Outside)

Takaharu Matsumura 6

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

Executive Officers

Senior Executive Officer	Head of Innovation Group	**Atsuyuki Kakee**
Senior Executive Officer	Head of Pharmaceutical Marketing & Promotion Group	**Katsunobu Fujiwara**
Senior Executive Officer	Head of Planning & Administration Group	**Nobumasa Kondo**
Executive Officer	Head of Production Group	**Masaki Sunami**
Executive Officer	Head of Pharmacovigilance & Quality Assurance Group	**Noriaki Nishino**

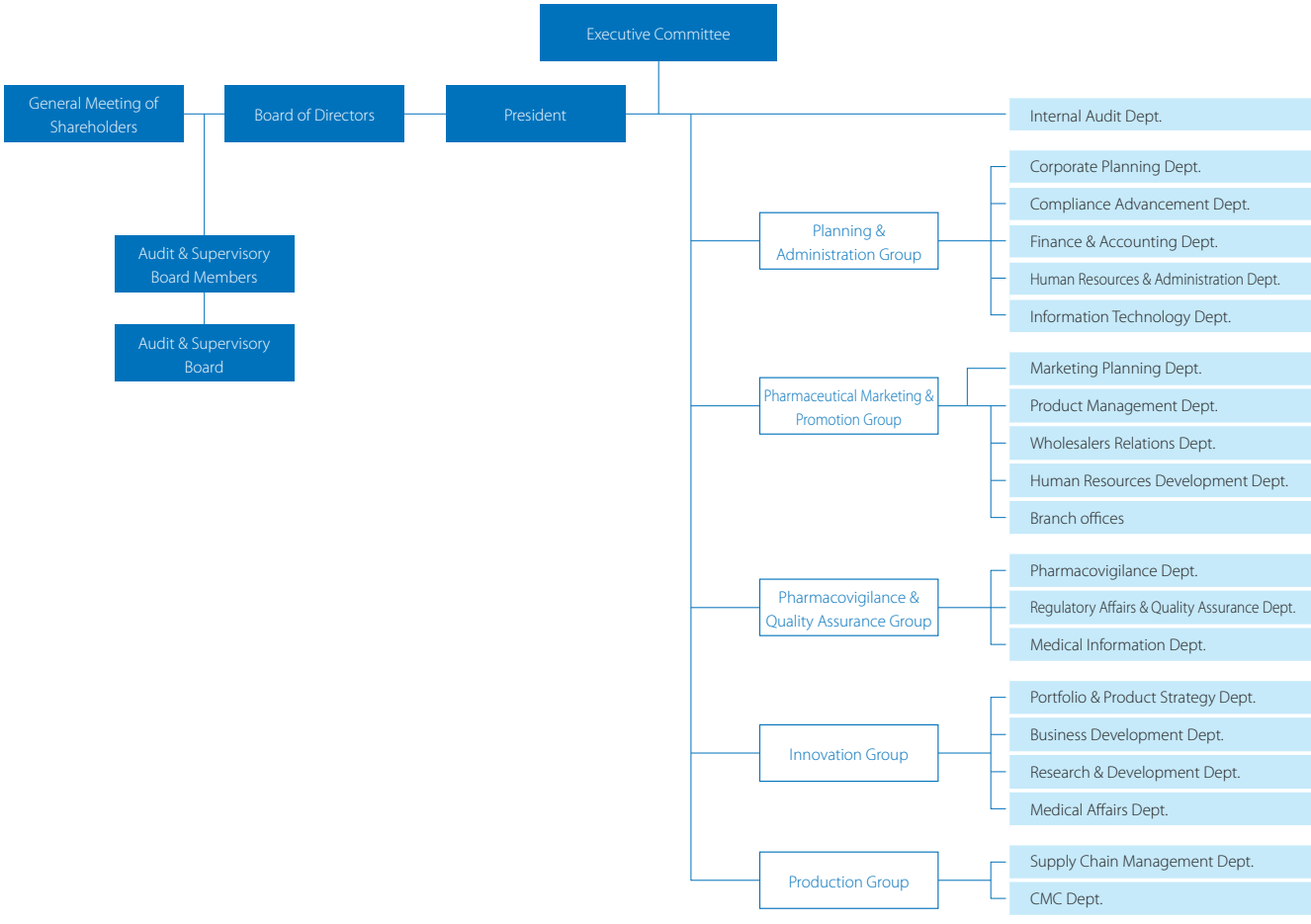
Skill Matrix

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

The expertise, experience, etc. of each Director, Audit & Supervisory Board Member and Executive Officer are indicated in the table below.

	Name	Position	Responsibility	Expertise / Experience							Certification
				Corporate management / Management strategy	Legal affairs / Compliance / Risk management	Finance / Accounting	Sales / Marketing	Business development	Research and development	Production / Quality assurance	
Directors	Goichi Matsuda	Representative Director, President and Chief Executive Officer		●	●	●	●	●			
	Masao Torikai	Member of the Board, Director (Outside)			●						Attorney at-law
	Toshio Fukuoka	Member of the Board, Director (Outside)				●					Tax accountant
Audit & Supervisory Board Members	Ken Yamamoto	Standing Audit & Supervisory Board Member		●		●					
	Eiichi Izumo	Audit & Supervisory Board Member (Outside)				●					Certified public accountant
	Takaharu Matsumura	Audit & Supervisory Board Member (Outside)			●						Attorney at-law
Executive Officer	Atsuyuki Kakee	Senior Executive Officer	Head of Innovation Group and Vice President, Business Development Dept.	●				●	●		
	Katsunobu Fujiwara	Senior Executive Officer	Head of Pharmaceutical Marketing & Promotion Group	●			●				
	Nobumasa Kondo	Senior Executive Officer	Head of Planning & Administration Group	●	●	●					
	Masaki Sunami	Executive Officers	Head of Production Group	●					●	●	
	Noriaki Nishino	Executive Officer	Head of Pharmacovigilance & Quality Assurance Group	●					●	●	Pharmacist

Organization



Financial Section

Ten-Year Financial Summary

	Millions of Yen					
	March 31	December 31				
	2014	2014*2	2015	2016	2017	2018
For the Year						
Net sales	¥58,109	¥43,504	¥62,378	¥60,206	¥64,135	¥62,551
Gross profit	31,842	22,917	31,564	29,919	32,841	30,707
Operating income	4,987	4,032	4,919	3,819	6,281	4,951
Income before income taxes	5,133	3,781	5,258	4,056	6,373	3,030
Net income	3,352	2,419	3,527	2,839	4,718	1,164
Capital expenditures	1,202	1,514	2,207	891	931	811
Research and development costs	6,662	3,400	5,237	4,654	4,608	4,138
Net cash provided by (used in) operating activities	(201)	(609)	4,940	3,402	6,349	8,259
Net cash provided by (used in) investing activities	17,706	499	957	1,361	(7,593)	(27,068)
Net cash used in financing activities	(1,319)	(1,410)	(1,582)	(2,289)	(1,546)	(1,432)
At Fiscal Year-End						
Total assets	¥93,137	¥92,550	¥98,868	¥98,525	¥104,741	¥103,253
Total equity	79,018	80,225	82,826	83,556	87,119	87,092
Number of shares issued (Thousands)	28,800	28,800	28,800	28,800	28,800	28,800
Number of employees	1,009	1,047	1,058	1,059	1,074	1,049

	Yen					
Per Share Data						
Total equity	¥2,792.1	¥2,834.8	¥2,926.8	¥2,978.8	¥3,105.7	¥3,103.3
Net income	118.5	85.5	124.7	100.4	168.2	41.5
Cash dividends	40	40	48	48	48	48

	%					
Key Ratios						
Operating income ratio	8.6	9.3	7.9	6.3	9.8	7.9
Return on equity (ROE)	4.3	3.0	4.3	3.4	5.5	1.3
Return on assets (ROA)	3.6	2.6	3.7	2.9	4.6	1.1
Shareholders' equity ratio	84.8	86.7	83.8	84.8	83.2	84.3
Dividend payout ratio	33.8	46.8	38.5	47.8	28.5	115.6

*1 All dollar figures in this report refer to U.S. currency. Dollar figures in this report have been translated from yen, for convenience only, at the rate of ¥132.70=US$1.00, the approximate exchange rate prevailing on December 31, 2022.
*2 Fiscal year 2014 was a nine-month period from April 1, 2014 to December 31, 2014 due to a change in the Company's fiscal year-end.
*3 The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc. have been applied from the beginning of the fiscal year ended December 31, 2022.

	Millions of Yen				Thousands of U.S. Dollars*1
	2019	2020	2021	December 31 2022	December 31 2022
For the Year					
Net sales	¥42,998	¥41,700	¥46,987	**¥48,896**	**$368,470**
Gross profit	22,295	21,737	24,338	**23,379**	**176,181**
Operating income	1,430	4,738	4,656	**5,540**	**41,750**
Income before income taxes	37,700	4,225	4,767	**5,722**	**43,123**
Net income	27,367	3,495	3,374	**3,944**	**29,724**
Capital expenditures	330	392	822	**662**	**4,992**
Research and development costs	2,956	596	832	**1,661**	**12,519**
Net cash provided by (used in) operating activities	42,499	(3,443)	(156)	**2,420**	**18,241**
Net cash provided by (used in) investing activities	2,099	7,625	(1,498)	**(13,676)**	**(103,064)**
Net cash used in financing activities	(1,433)	(1,425)	(1,546)	**(1,698)**	**(12,799)**
At Fiscal Year-End					
Total assets	¥139,943	¥126,026	¥130,810	**¥133,689**	**$1,007,454**
Total equity	113,125	115,091	117,015	**119,224**	**898,454**
Number of shares issued (Thousands)	28,800	28,800	28,800	**28,800**	**28,800**
Number of employees	660	568	560	**563**	**563**

	Yen				U.S. Dollars*1
Per Share Data					
Total equity	¥4,029.3	¥4,097.5	¥4,165.4	**¥4,243.1**	**$31.98**
Net income	975.0	124.5	120.1	**140.4**	**1.06**
Cash dividends	48	48	48	**100**	**0.75**

	%			
Key Ratios				
Operating income ratio	3.3	11.4	9.9	**11.3**
Return on equity (ROE)	27.3	3.1	2.9	**3.3**
Return on assets (ROA)	22.5	2.6	2.6	**3.0**
Shareholders' equity ratio	80.8	91.3	89.5	**89.2**
Dividend payout ratio	4.9	38.6	40.0	**71.2**

Management's Analysis of Financial Conditions, Operating Results and Cash Flows

Financial Results for the Year Ended December 31, 2022

During the fiscal year ended December 31, 2022, the business environment surrounding the pharmaceutical industry was extremely challenging, characterized by rapid changes, including increased investment risk due to the increasing sophistication and difficulty of R&D, soaring prices of resources and raw materials in line with the protracted situation in Ukraine, the sharp depreciation of the yen and the accompanying inflation, as well as the drastic reform of the NHI drug pricing system (including annual NHI drug price revisions) and changes in information provision activities. Moreover, in view of COVID-19, the trend among patients to refrain from seeking consultations at medical institutions and self-imposed restrictions on visits to medical institutions by medical representatives (MRs) continued and had a certain impact on business activities.

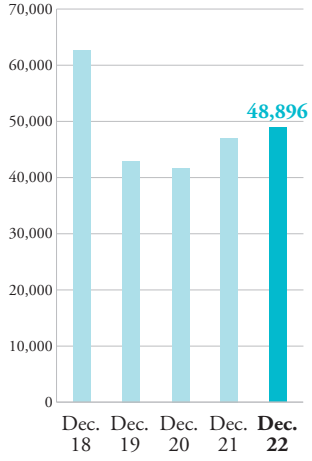
In these circumstances, the Company defined a new corporate philosophy and formulated the Medium-/Long-Term Business Vision "VISION2030" and the Medium-Term Management Plan 2022-2024, and has been implementing measures for its growth strategy and measures to maintain the trust of stakeholders in order to realize its Medium-/Long-Term Business Vision.

Net Sales

Despite a decrease resulting from the application of the Accounting Standard for Revenue Recognition and other standards and due to the impact of NHI drug price revisions, net sales amounted to ¥48,896 million (¥46,987 million for the previous fiscal year) owing to such factors as increased sales volume in the allergens area and in the skin disease area.

Net Sales

(Millions of Yen)



Sales of Mainstay Products

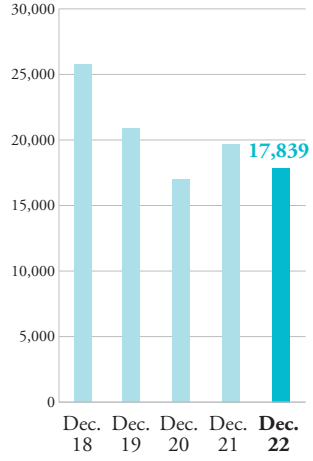
(Millions of Yen)

	Dec. 2021	Dec. 2022	Change*
CEDARCURE	¥8,325	¥9,608	–
MITICURE	7,386	8,694	–
Riona	6,863	6,939	–
CORECTIM	4,025	5,469	–
REMITCH	5,058	3,536	–

*"Accounting Standard for Revenue Recognition" etc. have been applied from the beginning of the current fiscal year.
The standard is different from the revenue recognition in the results for the FY2021. Increase (Decrease) in products is not listed.

Selling, General and Administrative Expenses

(Millions of Yen)



Sales of mainstay products in franchise areas were as follows:

- In the renal disease and hemodialysis area, sales of Riona Tablets (a therapeutic agent for hyperphosphatemia and a therapeutic agent for iron deficiency anemia) amounted to ¥6,939 million (¥6,863 million for the previous fiscal year). Sales of REMITCH (an oral antipruritic agent for hemodialysis patients) were ¥3,536 million (¥5,058 million for the previous fiscal year), affected by generic products in addition to the impact of NHI drug price revisions.
- In the skin disease area, sales of CORECTIM ointment (topical JAK inhibitor) amounted to ¥5,469 million (¥4,025 million for the previous fiscal year) owing to increased sales volume, including prescriptions for children. Sales of ANTEBATE (topical corticosteroid) were ¥3,995 million (¥4,825 million for the previous fiscal year), owing to the impact of NHI drug price revisions.
- In the allergens area, sales of CEDARCURE Japanese Cedar Pollen Sublingual Tablets (allergen immunotherapy) amounted to ¥9,608 million (¥8,325 million for the previous fiscal year), due to the further spread of allergen immunotherapy. Sales of MITICURE House Dust Mite Sublingual Tablets (allergen immunotherapy) amounted to ¥8,694 million (¥7,386 million for the previous fiscal year).

Cost of Sales

Cost of sales was ¥25,516 million (¥22,649 million for the previous fiscal year) mainly owing to increased sales volume and increased manufacturing costs resulting from continued yen depreciation.

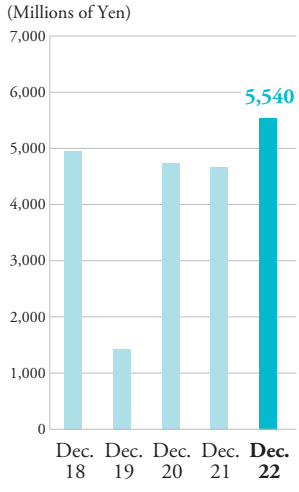
Selling, General and Administrative Expenses

Although research and development expenses increased, selling, general and administrative expenses were ¥17,839 million (¥19,682 million for the previous fiscal year), mainly attributable to a decrease resulting from the application of the Accounting Standard for Revenue Recognition and other standards.

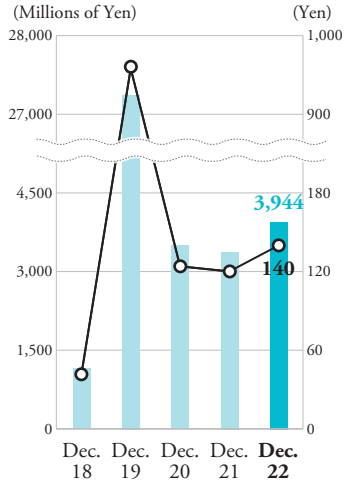
Operating Income and Net Income

As a result of the above, operating income was ¥5,540 million, an increase of ¥884 million (19.0%) year on year. Net income was ¥3,944 million, an increase of ¥569 million (16.9%) year on year due to the recording of gain on sale of investment securities due to reduction of policy shareholdings under extraordinary income.

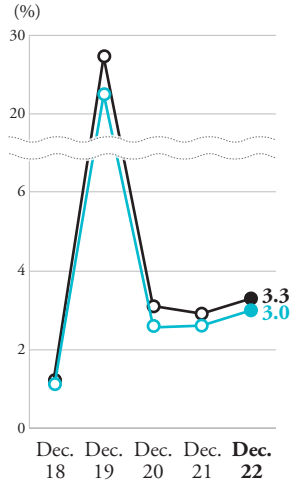
Operating Income



Net Income
Net Income per Share



Return on Equity (ROE)
Return on Assets (ROA)



Financial Position at December 31, 2022

Assets, Liabilities and Equity

Total assets increased by ¥2,878 million (2.2%) from the end of the previous fiscal year to ¥133,689 million as of December 31, 2022. Current assets decreased by ¥5,689 million (5.8%) to ¥91,603 million, mainly due to a ¥12,954 million decrease in cash and cash equivalents, despite a ¥6,291 million increase in marketable securities and a ¥905 million increase in receivables. Net property, plant and equipment increased by ¥203 million (9.8%) from the end of the previous fiscal year to ¥2,282 million mainly due to a ¥388 million increase in leased assets. Investment and other assets increased by ¥8,363 million (26.6%) from the end of the previous fiscal year to ¥39,803 million mainly due to a ¥7,973 million increase in investment securities and a ¥396 million increase in long-term prepaid expenses.

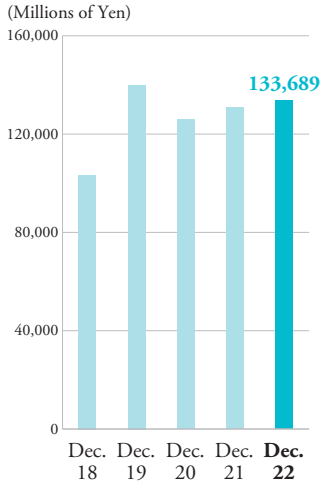
Total liabilities increased by ¥668 million (4.8%) from the end of the previous fiscal year to ¥14,464 million. Reasons for this change included a ¥1,264 million increase in payables, despite a ¥416 million decrease in income taxes payable and a ¥129 million decrease in liability for retirement benefits.

Total equity rose by ¥2,209 million (1.9%) from the end of the previous fiscal year to ¥119,224 million. Contributing factors included surplus dividends of ¥1,348 million and net income of ¥3,944 million.

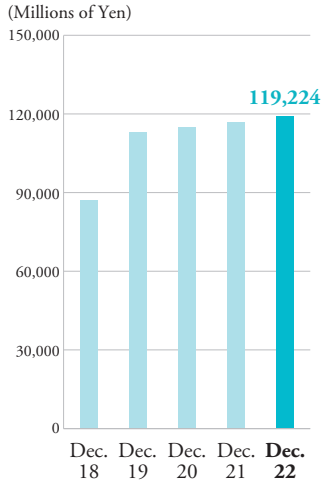
Cash Flows for the Year Ended December 31, 2022

At ¥45,420 million, cash and cash equivalents as of December 31, 2022 were ¥12,954 million (22.2%) lower than at the end of the previous fiscal year.

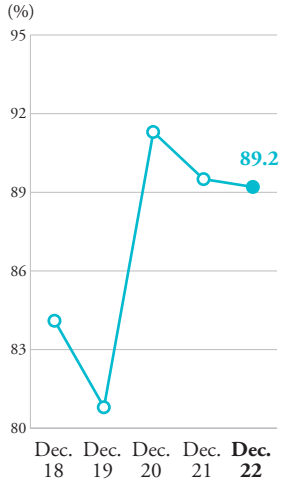
Total Assets



Total Equity



Shareholders' Equity Ratio



Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,420 million. (Net cash used in operating activities for the previous year totaled ¥156 million.) This result reflected income before income taxes of ¥5,722 million, an increase of ¥806 million in trade accounts payable, depreciation and amortization of ¥454 million, an increase of ¥320 million in trade accounts receivable, an increase of ¥206 million in inventories and income taxes paid of ¥2,006 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥13,676 million. (Net cash used in investing activities for the previous year totaled ¥1,498 million.) Major items included inflows of ¥12,100 million in proceeds from sale and redemption of marketable securities and ¥5,564 million in proceeds from sale and redemption of investment securities. These inflows were offset by outflows of ¥19,136 million in purchases of investment securities and ¥12,309 million in purchases of marketable securities.

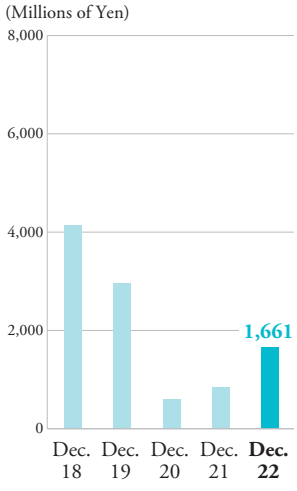
Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,698 million, consisting mainly of ¥1,348 million in dividends paid. (Net cash used in financing activities for the previous year totaled ¥1,546 million.)

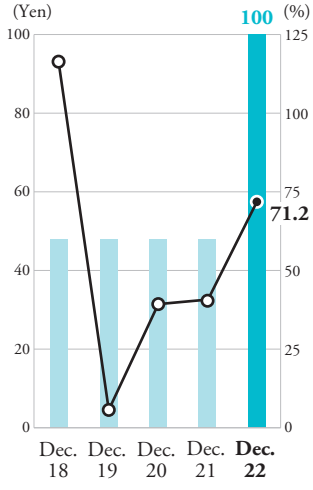
Resources for Capital and Liquidity of Funds

Torii mainly requires funds for working capital to procure raw materials for the manufacturing of products, purchase merchandise, and secure goods, services, etc. for operating activities, as well as for strategic investments such as capital expenditures, acquisition of new in-licensed drugs to achieve sustainable growth, co-development with JT, and for payment of dividends. The Company procures these required funds from its own funds. With regard to the liquidity of funds, Torii secures liquid assets such as cash and deposits to be prepared for working capital and certain strategic investments.

Research and Development Costs



Cash Dividends
Dividend Payout Ratio



Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2022	December 31, 2021	December 31, 2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 13 and 14)	¥ 45,420	¥ 58,374	$ 342,277
Marketable securities (Notes 4 and 13)	13,489	7,198	101,655
Receivables (Note 13):			
Trade accounts	20,622	20,302	155,408
Parent	2,303	1,754	17,356
Other	319	283	2,411
Inventories (Note 6)	8,970	8,763	67,596
Prepaid expenses and other current assets	477	615	3,595
Total current assets	91,603	97,292	690,301
PROPERTY, PLANT AND EQUIPMENT:			
Land	344	344	2,595
Buildings and structures	3,359	3,310	25,317
Machinery and equipment	134	134	1,013
Furniture and fixtures	757	741	5,705
Lease asset (Note 12)	2,281	1,892	17,191
Construction in progress			
Total	6,877	6,423	51,823
Accumulated depreciation	(4,594)	(4,345)	(34,622)
Net property, plant and equipment	2,282	2,078	17,201
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	30,282	22,309	228,205
Software	415	408	3,134
Long-term prepaid expenses	7,709	7,312	58,093
Deferred tax assets (Note 9)	650	641	4,900
Other long-term assets	745	767	5,616
Total investments and other assets	39,803	31,439	299,951
Total	¥133,689	¥130,810	$1,007,454

See notes to financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2022	December 31, 2021	December 31, 2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payable:			
Trade accounts	¥ 4,342	¥ 4,084	$ 32,724
Parent (Note 14)	2,297	1,761	17,311
Other	3,745	3,275	28,224
Current portion of long-term lease obligations (Note 12)	283	211	2,139
Income taxes payable	1,120	1,536	8,446
Accrued expenses	337	405	2,541
Accrued employees' bonuses	402	394	3,031
Accrued bonuses to directors and Audit & Supervisory Board members	14	13	107
Asset retirement obligations		14	
Other current liabilities	678	674	5,109
Total current liabilities	13,221	12,372	99,635
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	707	837	5,332
Long-term lease obligations (Note 12)	241	275	1,822
Asset retirement obligations	54	53	407
Other long-term liabilities	239	256	1,801
Total long-term liabilities	1,242	1,423	9,364
EQUITY (Note 8):			
Common stock—authorized, 54,000,000 shares; issued,			
28,800,000 shares in December 2022 and 2021	5,190	5,190	39,110
Capital surplus:	6,453	6,445	48,630
Additional paid-in capital	6,416	6,416	48,349
Other capital surplus	37	29	280
Retained earnings:			
Legal reserve	1,297	1,297	9,777
Unappropriated	107,548	104,952	810,464
Unrealized gain on available-for-sale securities	117	523	883
Treasury stock—at cost, 701,362 shares in December 2022 and 707,605 shares in December 2021	(1,381)	(1,393)	(10,412)
Total equity	119,224	117,015	898,454
Total	¥133,689	¥130,810	$1,007,454

Statement of Income

Torii Pharmaceutical Co., Ltd.
Year ended December 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2022
NET SALES (Note 10)	**¥ 48,896**	¥ 46,987	**$ 368,470**
COST OF SALES	**25,516**	22,649	**192,288**
Gross profit	**23,379**	24,338	**176,181**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**17,839**	19,682	**134,431**
Operating income	**5,540**	4,656	**41,750**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**313**	281	**2,363**
Loss on disposal of property, plant and equipment	**(2)**	(37)	**(18)**
Business structure reform expenses (Note 15)		(12)	
Other—net	**(129)**	(120)	**(972)**
Other income (expenses) —net	**182**	111	**1,373**
INCOME BEFORE INCOME TAXES	**5,722**	4,767	**43,123**
INCOME TAXES (Note 9):			
Current	**1,611**	1,396	**12,145**
Deferred	**166**	(3)	**1,254**
Total income taxes	**1,778**	1,392	**13,399**
NET INCOME	**¥ 3,944**	¥ 3,374	**$ 29,724**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	**¥ 140.4**	¥ 120.1	**$ 1.06**
Cash dividends applicable to the period	**100.0**	48.0	**0.75**

See notes to financial statements.

Statement of Changes in Equity

Torii Pharmaceutical Co., Ltd.
Year ended December 31, 2022

		Millions of Yen								
			Capital Surplus (Note 8)			Retained Earnings (Note 8)				
	Outstanding Number of Shares of Common Stock	Common Stock (Note 8)	Additional Paid-in Capital	Other Capital Surplus	Stock Acquisition Rights (Note 8)	Legal Reserve	Unappropriated	Unrealized Gain (Loss) on Available-for-Sale Securities	Treasury Stock	Total Equity
BALANCE, DECEMBER 31, 2020	**28,085,442**	**¥ 5,190**	**¥ 6,416**	**¥ 21**	**¥ 10**	**¥ 1,297**	**¥ 102,926**	**¥ 636**	**¥ (1,407)**	**¥ 115,091**
Net income							3,374			3,374
Cash dividends paid, ¥48.0 per share							(1,348)			(1,348)
Repurchase of treasury stock	(48)								(0)	(0)
Disposal of treasury stock	7,001			7					13	20
Net change in the year					(10)			(112)		(122)
BALANCE, DECEMBER 31, 2021	**28,092,395**	**5,190**	**6,416**	**29**		**1,297**	**104,952**	**523**	**(1,393)**	**117,015**
Net income							3,944			3,944
Cash dividends paid, ¥48.0 per share							(1,348)			(1,348)
Repurchase of treasury stock	(309)								(0)	(0)
Disposal of treasury stock	6,552			8					12	20
Net change in the year								(406)		(406)
BALANCE, DECEMBER 31, 2022	**28,098,638**	**¥ 5,190**	**¥ 6,416**	**¥ 37**		**¥ 1,297**	**¥ 107,548**	**¥ 117**	**¥ (1,381)**	**¥ 119,224**

	Thousands of U.S. Dollars (Note 1)								
		Capital Surplus (Note 8)			Retained Earnings (Note 8)				
	Common Stock (Note 8)	Additional Paid-in Capital	Other Capital Surplus	Stock Acquisition Rights (Note 8)	Legal Reserve	Unappropriated	Unrealized Gain (Loss) on Available-for-Sale Securities	Treasury Stock	Total Equity
BALANCE, DECEMBER 31, 2021	**$ 39,110**	**$ 48,349**	**$ 219**		**$ 9,777**	**$ 790,903**	**$ 3,947**	**$ (10,502)**	**$ 881,805**
Net income						29,724			29,724
Cash dividends paid, $0.36 per share						(10,162)			(10,162)
Repurchase of treasury stock								(6)	(6)
Disposal of treasury stock			60					97	158
Net change in the year							(3,063)		(3,063)
BALANCE, DECEMBER 31, 2022	**$ 39,110**	**$ 48,349**	**$ 280**		**$ 9,777**	**$ 810,464**	**$ 883**	**$ (10,412)**	**$ 898,454**

See notes to financial statements.

Statement of Cash Flows

Torii Pharmaceutical Co., Ltd.
Year ended December 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 5,722	¥ 4,767	$ 43,123
Adjustments for:			
Income taxes refund (paid)	(2,006)	21	(15,123)
Depreciation and amortization	454	413	3,423
Business structure reform expenses		12	
Payments for Business structure reform expenses	(12)	(11)	(91)
Changes in assets and liabilities:			
Increase (decrease) in accrued consumption taxes	(4)	330	(32)
Decrease (increase) in trade accounts receivable	(320)	(1,345)	(2,416)
Increase in inventories	(206)	(1,610)	(1,555)
Increase in trade accounts payable	806	577	6,076
Other—net	(2,012)	(3,310)	(15,163)
Total adjustments	(3,301)	(4,923)	(24,882)
Net cash provided by (used in) operating activities	2,420	(156)	18,241
INVESTING ACTIVITIES:			
Purchases of marketable securities	(12,309)	(14,900)	(92,759)
Proceeds from sale and redemption of marketable securities	12,100	18,420	91,183
Purchases of property, plant and equipment	(120)	(150)	(904)
Purchases of investment securities	(19,136)	(9,376)	(144,211)
Proceeds from sale and redemption of investment securities	5,564	5,360	41,934
Payments for investments in capital		(200)	
Other—net	224	(651)	1,693
Net cash used in investing activities	(13,676)	(1,498)	(103,064)
FINANCING ACTIVITIES:			
Repurchase of treasury stock	0	0	(6)
Dividends paid	(1,348)	(1,348)	(10,162)
Repayments of lease obligations	(348)	(198)	(2,629)
Net cash used in financing activities	(1,698)	(1,546)	(12,799)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,954)	(3,201)	(97,622)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	58,374	61,576	439,900
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 45,420	¥ 58,374	$ 342,277

See notes to financial statements.

Notes to Financial Statements

1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 financial statements to conform to the classifications used in 2022.

The financial statements are stated in Japanese yen, the currency of the country in which Torii Pharmaceutical Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥132.70 to $1, the approximate rate of exchange at December 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Figures in the Company's financial statements and other items are generally rounded down.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. No consolidation—The Company has no subsidiaries as of December 31, 2022.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, short-term investments, and deposits in the cash management system, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Inventories are stated at the lower of cost, determined by the weighted-average method, or net selling value.

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent as available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is from 15 to 50 years for buildings and structures, and from 2 to 15 years for furniture and fixtures. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

f. Software—Software is carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years.

g. Retirement and Pension Plans—The Company has a contributory defined pension plan covering substantially all of its employees and an unfunded retirement lump-sum grants plan. The Company participates in a contributory multiemployer pension plan, the "Tokyo Pharmaceutical Company Pension Fund." For the contributory multiemployer pension plan, contributions to that plan are charged to income when paid. Plan assets contributed to this fund are not recorded in the balance sheet. The defined benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 5 years within the average remaining service period.

The liability for retirement benefits is accounted for based on defined benefit obligations and plan assets at the balance sheet date.

h. Asset Retirement Obligations— An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

i. Research and Development Costs—Research and development costs are charged to income as incurred.

j. Leases— Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

k. Bonuses to Directors and Audit & Supervisory Board Members—Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

m. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon the shareholders' approval.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

o. Derivatives and Hedging Activities—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as either assets or liabilities and measured at fair value.

Gains or losses on derivative transactions are recognized in the statement of income.

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, which was 28,096,794 shares and 28,090,290 shares for the years ended December 31, 2022 and 2021, respectively.

Diluted net income per share is not disclosed because there were no dilutive potential common shares that were outstanding during the year ended December 31, 2022.

Cash dividends per share presented in the accompanying statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

q. Accounting Changes and Error Corrections— Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following the revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

r. Accounting Standard for revenue and expense— "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

The Company mainly manufactures and sells medicines and recognizes the consideration in exchange for the products as revenue when its customers obtain control of the products. Revenue from the sale of products is recognized at the time of shipment if the period between shipment and delivery to customers is normal. Revenue is measured at the consideration promised in contracts with customers, net of returns, discounts and rebates, and is not measured based on estimation. In addition, considerations of the transaction have been received within one year since the fulfillment of the performance obligation, and do not include any significant financial factors.

s. New Accounting Pronouncements—"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(a) Overview

It stipulates the treatment of the calculation and notes of the market value of investment trusts and the treatment of the notes of the market value of investment in partnerships, etc. in which the amount equivalent to equity is recorded on the balance sheet on a net basis.

(b) Scheduled Date of Adoption

The Company expects to apply the guidance for the period beginning on January 1, 2023.

(c) Effect of Adoption

The impact is under evaluation at the time of preparation of the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATE

Evaluation of long-term prepaid expenses

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	December 31, 2022	December 31, 2022
Long-term prepaid expenses	¥ 7,709	$ 58,093

(2) Information on the significant accounting estimate

We have recorded long-term prepaid expenses related to marketing rights that are deemed to be highly recoverable due to future earnings from expenditures related to in-licensing contracts, evenly expensed over the period of effect, and have accounted for the large portion of long-term prepaid expenses of ¥7,709 million as of December 31, 2022.

If the actual earnings of each pharmaceutical product are continuously negative, or if the future earnings based on the sales plan developed by the management will not be achieved, there is a possibility that there will be impairment indications of the marketing rights. If there are impairment indications and the total amount of expected future cash flows before discounts is less than the carrying amount of the marketing rights, an impairment loss will be recognized.

4 ACCOUNTING CHANGE

(1) Application of Accounting Standards for Revenue Recognition

Effective January 1, 2022, the Company adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" (thereinafter: "Revenue Recognition Accounting Standard") and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 31, 2020 and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

As a result, part of the sales promotion expenses, which were previously recorded as selling, general and administrative expenses, are deducted from net sales. Part of the freight storage expenses and advertising expenses, which were previously recorded as selling, general and administrative expenses, are recorded as cost of sales. In addition, the allowance for sales returns, which was previously recorded as an independent account in current liability, is included in other current liabilities as a refund liability.

The Company applies the alternative treatment set forth in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue upon shipment of goods or products if the period between the time of shipment and the time when control of such goods or products is transferred to the customer is the normal period.

With regard to the application of the Revenue Recognition Accounting Standards, etc., the transitional treatment stipulated in the proviso in Article 84 of the Revenue Recognition Accounting Standards is followed. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year.

As a result, net sales decreased by ¥2,865 million, cost of sales increased by ¥357 million, and selling, general and administrative expenses decreased by ¥3,222 million. However, there was no effect on operating income, and income before income taxes. There was also no impact on the beginning balance of retained earnings. In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Accounting Standard, no reclassifications have been made for the previous fiscal year.

In addition, in accordance with the transitional treatment stipulated in Article 89-3 of the Revenue Recognition Accounting Standard, the revenue recognition related notes for the previous fiscal year have not been presented.

(2) Application of Accounting Standards for Fair Value Measurement

Effective January 1, 2022, the Company adopted ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" issued on July 4, 2019. In accordance with the transitional treatment stipulated in Article 19 of the above standard and Article 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy will be applied in the future. There is no impact on the financial statements.

In addition, in the note of financial instruments and related disclosures, the Company decided to disclose the breakdown of fair value of financial instruments by level, etc. However, in accordance with the transitional treatment stipulated in Article 7-4 of the "Implementation Guidance on Disclosure of Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the relevant information for the previous fiscal year is not stated.

5 MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of December 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	December 31, 2022
Current:			
Government and corporate bonds	¥ 10,989	¥ 3,197	$ 82,810
Trust fund investments and other	2,500	4,000	18,844
Total	¥ 13,489	¥ 7,198	$ 101,655
Noncurrent:			
Equity securities	¥ 926	¥ 1,220	$6,981
Government and corporate bonds	26,021	17,683	196,090
Trust fund investments and other	3,335	3,405	25,134
Total	¥ 30,282	¥ 22,309	$ 228,205

The costs and aggregate fair values of marketable and investment securities as of December 31, 2022 and 2021, were as follows:

	Millions of Yen			
December 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 280	¥ 535		¥ 816
Debt securities	37,377		¥ 367	37,010
Other	5,835	1	0	5,836

December 31, 2021				
Available-for-sale:				
Equity securities	¥ 357	¥ 752		¥ 1,110
Debt securities	20,883	27	¥ 29	20,881
Other	7,405	0		7,405

	Thousands of U.S. Dollars			
December 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 2,116	$ 4,036		$ 6,152
Debt securities	281,668		$ 2,768	278,900
Other	43,973	7	2	43,979

Available-for-sale securities whose fair value was not readily determinable as of December 31, 2022 and 2021, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	December 31, 2022
Available-for-sale—Unlisted equity securities	¥ 110	¥ 110	$ 828
Investment in limited partnership	¥ 818	¥ 886	$ 6,164
Total	¥ 928	¥ 996	$ 6,993

6 INVENTORIES

Inventories as of December 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	December 31, 2022
Finished products and merchandise	¥ 6,165	¥ 5,542	$ 46,465
Raw materials and supplies	2,804	3,221	21,131
Total	¥ 8,970	¥ 8,763	$ 67,596

7 RETIREMENT AND PENSION PLANS

Employees whose service with the Company is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payments than in the case of voluntary termination. Additional retirement benefits which may be paid to employees upon retirement have not been included in the actuarial calculation of the projected benefit obligation. The net liabilities for retirement benefits as of December 31, 2022 and 2021, consisted of the following:

(1) The changes in defined benefit obligation for the years ended December 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2022
Balance at beginning of period	¥ 6,285	¥ 6,226	$ 47,363
Current service cost	307	302	2,317
Interest cost	37	37	284
Actuarial losses (gains)	(1,339)	(36)	(10,091)
Benefits paid	(248)	(243)	(1,870)
Decrease due to transfer of business			
Balance at end of period	¥ 5,042	¥ 6,285	$ 38,002

(2) The changes in plan assets for the years ended December 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2022
Balance at beginning of period	¥ 6,029	¥ 5,741	$ 45,433
Expected return on plan assets	120	114	908
Actuarial gains	(329)	184	(2,481)
Contributions from the employer	227	217	1,716
Benefits paid	(234)	(229)	(1,764)
Decrease due to transfer of business			
Balance at end of period	¥ 5,813	¥ 6,029	$ 43,812

(3) Reconciliation between the liability recorded in the balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	December 31, 2022
Funded defined benefit obligation	¥ 4,867	¥ 5,602	$ 36,677
Plan assets	(5,813)	(6,029)	(43,812)
	(946)	(426)	(7,134)
Unfunded defined benefit obligation	175	682	1,325
Unrecognized actuarial losses	1,478	581	11,142
Net liability arising from defined benefit obligation	¥ 707	¥ 837	$ 5,332

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	December 31, 2022
Liability for retirement benefits	¥ 707	¥ 837	$ 5,332
Net liability arising from defined benefit obligation	¥ 707	¥ 837	$ 5,332

(4) The components of net periodic benefit costs for the years ended December 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2022
Service cost	¥ 307	¥ 302	$ 2,317
Interest cost	37	37	284
Expected return on plan assets	(120)	(114)	(908)
Recognized actuarial (gains) losses	(112)	(104)	(847)
Net periodic benefit costs	¥ 112	¥ 120	$ 844

(5) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	December 31, 2022	December 31, 2021
Debt investments	45%	47%
Equity investments	24	25
General account of life insurance companies	10	8
Others	21	20
Total	100%	100%

Note: "Others" mainly includes insurance-linked products and hedge funds.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(6) Assumptions used for the years ended December 31, 2022 and 2021, were set forth as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Discount rate	1.8%	0.6%
Expected rate of return on plan assets	2.0	2.0

(7) Multiemployer pension plan

Contributions to the multiemployer pension plan of ¥58 million ($438 thousand) and ¥54 million are disclosed in selling, general and administrative expenses for the years ended December 31, 2022 and 2021 respectively, for which plan assets could not be allocated to each participating employer.

The funded status of the multiemployer pension plan as of December 31, 2022 (based on information available as of March 31, 2022) and December 31, 2021 (based on information available as of March 31, 2021) to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31		
	2022	2021	2022
Fair value of plan assets	¥ 182,141	¥ 166,870	$ 1,372,578
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	151,351	150,293	1,140,556
Difference	¥ 30,789	¥ 16,577	$ 232,021

The Company's contribution percentage for the multiemployer pension plan as of December 31, 2022 and 2021, was as follows:

	December 31, 2022	December 31, 2021
Contribution percentage	0.9%	0.8%

Notes (March 31, 2022):

1. The difference mainly resulted from prior service cost of ¥ (6,169) million ($(46,488) thousand), surplus brought forward of ¥11,809 million ($88,990 thousand) and special reserve fund of ¥25,149 million ($189,517 thousand).
2. Prior service cost is the present value of the amount of special contributions and the method of amortization is principal and interest equal repayment. The ratio of employer contribution is 0.7%. The remaining term of amortization is 2 years and 5 months as of March 31, 2022.

Notes (March 31, 2021):
1. The difference mainly resulted from prior service cost of ¥ (8,572) million, surplus brought forward of ¥13,336 million ($115,945 thousand) and special reserve fund of ¥11,813 million.
2. Prior service cost is the present value of the amount of special contributions and the method of amortization is equal to the payment terms. The ratio of employer contribution is 0.7%. The remaining term of amortization is 3 years and 5 months as of March 31, 2021.

8 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9 INCOME TAXES

The Company is subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.6% for the years ended December 31, 2022 and 2021, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of December 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	**December 31, 2022**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 73**	¥ 94	**$ 552**
Liabilities for retirement benefits	**216**	256	**1,631**
Accrued expenses	**54**	47	**413**
Prepayment of research and development costs	**98**	45	**745**
Accrued bonuses to employees	**123**	120	**927**
Loss on valuation of inventories	**51**	15	**391**
Other	**140**	311	**1,058**
Less valuation allowance	**(50)**	(29)	**(382)**
Total	**708**	862	**5,338**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**51**	226	**389**
Other	**6**	(5)	**48**
Total	**58**	220	**438**
Net deferred tax assets	**¥ 650**	¥ 641	**$ 4,900**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates as reflected in the accompanying statement of income for the year ended December 31, 2022, with the corresponding figures for 2021, is as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Normal effective statutory tax rate	**30.6%**	30.6%
Expenses not deductible for income tax purposes	**0.5**	0.2
Dividend income deductible for income tax purposes	**(0.0)**	(0.0)
Per capita levy	**0.6**	0.7
Tax credits	**(0.9)**	(0.9)
Increase in valuation allowance	**0.4**	(0.3)
Other—net	**(0.1)**	(1.1)
Actual effective tax rate	**31.1%**	29.2%

10 REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the year ended December 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Products and services		
Renal dialysis	¥ 12,013	$ 90,528
Skin disease	12,391	93,382
Allergens	18,499	139,409
Others	5,658	42,641
Other revenues from contracts with customers	332	2,507
Total	¥ 48,896	$ 368,470

Note: Real estate rental income of 2 million yen is included in other revenues from contracts with customers.

(2) Basic Information to Understand Revenue from Contracts with Customers

The notes are omitted because the same content is described in "[Notes] 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — s. Accounting Standard for revenue and expense."

(3) Information to Understand Amount of Revenue in Current Fiscal Year onwards

1. Outstanding Contract Assets and Liabilities
   Not applicable
2. Transaction price allocated to remaining performance obligations
   Since there are no significant transactions with an individual expected contract term exceeding one year, we will use practical expediency methods. Therefore, information on remaining performance obligations is not presented. In addition, there are no such amount in the consideration arising from contracts with customers as a significant variable consideration that was not included in transaction price.

11 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,661 million ($12,519 thousand) and ¥832 million for the years ended December 31, 2022 and 2021, respectively.

12 LEASES

The Company leases certain office space and other assets under operating leases.

Total rental expenses including lease payments under finance leases for the years ended December 31, 2022 and 2021, were ¥765million ($5,768 thousand) and ¥491 million, respectively.

The minimum rental commitments under noncancelable operating leases were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022 Operating Leases	2022 Operating Leases
Due within one year	¥ 19	$ 147
Due after one year	9	73
Total	¥ 29	$ 220

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for Financial Instruments
To prepare for new business investment, the Company invests surplus funds in financial instruments, which are selected primarily by considering liquidity and security. Derivatives are used to manage exposure to financial risks described in (2) below, but not for speculative purposes.

(2) Nature of Financial Instruments and Related Risks, and Risk Management Systems

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Company manages due dates and outstanding balances for individual customers in accordance with its credit management rules. The Company has also established a system to monitor the credit status of major customers on a biannual basis.

Marketable and investment securities consist mainly of bonds held with the aim of investing surplus funds, and shares in companies with which the Company has business relationships. These bonds and shares are exposed to the credit risk of the issuers and to the risk of market price fluctuation.

Most trade accounts and accrued payments, which are operating liabilities, have due dates within one year. Some of these items are denominated in foreign currencies and are therefore exposed to the risk of exchange rate fluctuations. Derivatives are forward foreign currency contracts, which are used to manage exposure to financial risks from changes in foreign currency exchange rates of payables.

(3) Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair values of financial instruments
Fair values of financial instruments are as follows. Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, payables, accrued expenses, income taxes payables, receivables, money trust (included in marketable securities) with the same nature as cash deposit, etc. are not disclosed because their maturities are short and the carrying values approximate fair value.

	Millions of Yen		
December 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities—Available-for-sale securities	**42,844**	**42,844**	

December 31, 2021			
Marketable and investment securities—Available-for-sale securities	29,397	29,397	

	Thousands of U.S. Dollars		
December 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities—Available-for-sale securities	**322,868**	**322,868**	

(b) Financial instruments without quoted market price

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	**December 31, 2022**
Unlisted shares	**¥ 110**	¥ 110	**$ 828**
Investment in limited partnership	**818**	886	**6,164**
Total	**¥ 928**	¥ 996	**$ 6,993**

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

December 31, 2022	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 45,419		
Receivables:			
Trade accounts	20,622		
Parent	2,303		
Marketable and investment securities—Available-for-sale securities with contractual maturities	12,989	¥ 14,824	¥ 1,992
Total	¥ 81,335	¥ 14,824	¥ 1,992

December 31, 2021	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 58,374		
Receivables:			
Trade accounts	20,302		
Parent	1,754		
Marketable and investment securities—Available-for-sale securities with contractual maturities	7,198	¥ 11,067	¥ 2,301
Total	¥ 87,629	¥ 11,067	¥ 2,301

December 31, 2022	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 342,274		
Receivables:			
Trade accounts	155,408		
Parent	17,356		
Marketable and investment securities—Available-for-sale securities with contractual maturities	97,887	$ 111,715	$ 15,015
Total	$ 612,928	$ 111,715	$ 15,015

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1 fair value: Input used to measure fair value is observable, and fair value of target assets or liabilities is measured at quoted prices at active markets.

Level 2 fair value: Input used to measure fair value is observable, and fair value is measured with inputs other than those used in Level 1.

Level 3 fair value: Input used to measure fair value is not observable.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial instruments measured at the fair values in the balance sheet

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities:	**816**	**39,510**		**40,327**
Available-for-sale securities:				

	Thousands of U.S. Dollars			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities:	**6,152**	**297,745**		**303,898**
Available-for-sale securities:				

Note: Investment trusts to which the transitional provisions of Article 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) have been applied are not included in the above table. The amount of these investment trusts on the balance sheet is ¥2,517 million ($18,970 thousand).

(b) The financial instruments not measured at the fair values in the balance sheet
Not applicable

The following is a description of valuation methodologies and inputs used for measurement of the fair value of Instruments:

Marketable and Investment Securities
The fair values of listed equity securities are measured at the quoted market price from stock exchange, and bonds and others are measured at the price from stock exchange or financial institutions. Listed equity securities are categorized as Level 1 since they are traded in active markets. Bonds and others are categorized as Level 2 since they are not traded frequently, and quoted price in active markets cannot be recognized.

14 RELATED PARTY TRANSACTIONS

Transactions of the Company with the parent company for the years ended December 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended December 31, 2022	Year Ended December 31, 2021	**Year Ended December 31, 2022**
Purchases	**¥ 6,733**	¥ 6,059	**$ 50,744**
Forward exchange contracts	**7,862**	8,192	**59,251**

The balances due to or from the parent company as of December 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2022	December 31, 2021	**December 31, 2022**
Deposits included in cash and cash equivalents	**¥ 11,217**	¥ 23,362	**$ 84,529**
Trade accounts payable	**2,242**	1,708	**16,898**

15 BUSINESS STRUCTURE REFORM EXPENSES

Business structure reform expenses are the amount of labor cost-related losses related to the transfer of Sakura Plant in 2020.

16 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Information relating to business segments is omitted as the Company operated solely in the pharmaceutical business for the years ended December 31, 2022 and 2021.

Sales to major customers were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Name of Customer	**Year Ended December 31, 2022**	Year Ended December 31, 2021	**Year Ended December 31, 2022**
Alfresa Corporation	**¥ 11,088**	¥ 10,678	**$ 83,560**
Mediceo Corporation	**10,884**	10,467	**82,022**
Suzuken Co., Ltd.	**10,238**	10,101	**77,158**
Toho Pharmaceutical Co., Ltd.	**5,787**	5,257	**43,612**

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Torii Pharmaceutical Co., Ltd.:

Opinion

We have audited the financial statements of Torii Pharmaceutical Co., Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2022, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Determination of Indicators of Impairment of Marketing Rights	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Company has recorded long-term prepaid expenses related to marketing rights that are deemed to be highly recoverable due to future earnings from expenditures related to in-licensing contracts, which accounted for the majority of long-term prepaid expenses of ¥7,709 million as of December 31, 2022. As described in notes to the financial statements "SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATE," "Evaluation of long-term prepaid expenses," the Company has recorded long-term prepaid expenses related to marketing rights that is expected to generate future revenues, and has assessed for indications of impairment for each of the marketing rights for its pharmaceutical products. The Company assessed for impairment indicators by using the earning forecast based on the sales plan developed by the management. If the actual earnings of each pharmaceutical product are continuously negative, or if the future earning forecast based on the sales plan developed by the management is not achieved, there is a possibility that there will be impairment indications of the marketing rights. If there are impairment indications and the total amount of expected future cash flows before discount is less than the carrying amount of the marketing rights, an impairment loss is recognized. As described above, the earning forecast based on the sales plan depends on future forecast and involves management judgments. Since these management's judgments have a significant impact on the determination of impairment indications of marketing rights, we have identified the determination of indicators of impairment of marketing rights to be a key audit matter.	Our audit procedures on the determination of indicators of impairment of marketing rights included the following, among others: • We tested the design and operating effectiveness of internal controls over the process to ensure the material for the determination of impairment indication is appropriately prepared and reviewed. • We made inquiries of management and read the minutes to evaluate that there are no changes that could have a significant impact on the future earning forecast based on the sales plan developed by the management. • We obtained management analysis for the impairment indication testing and evaluated whether the actual earnings of each pharmaceutical products continued to be negative. • We considered whether an indication of management bias existed in management's forecast of the earnings of each pharmaceutical product by comparing the earning forecast based on the sales plan developed by management with actual results.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

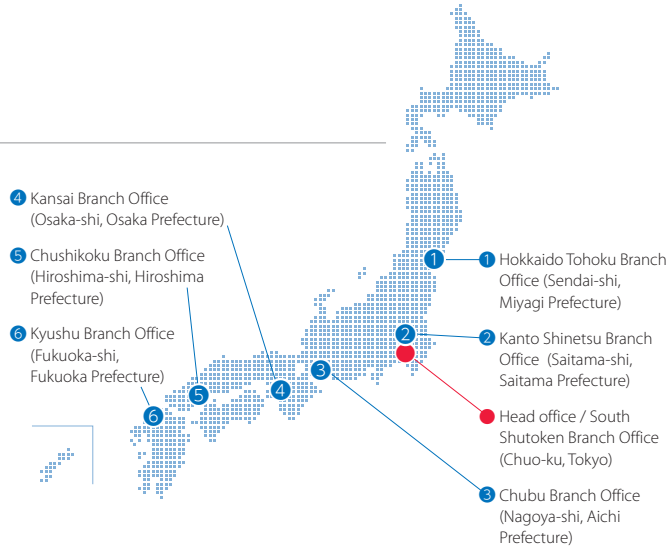
Deloitte Touche Tohmatsu LLC

April 17, 2023

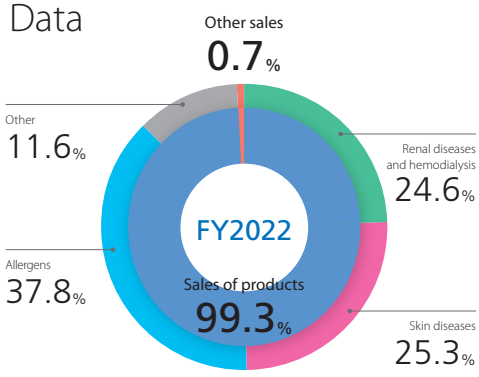
Corporate Information

Corporate Overview

Corporate name	Torii Pharmaceutical Co., Ltd.
Established	November 1, 1921
Paid-in capital	¥5,190 million
Business line	Manufacturing and marketing of pharmaceutical products
Number of employees	563 (as of December 31, 2022)
Stock exchange listing	The Prime Market of the Tokyo Stock Exchange (Securities code: 4551)
Head office	〒103-8439 4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo 103-8439, Japan TEL: +81-3-3231-6811



Corporate Data



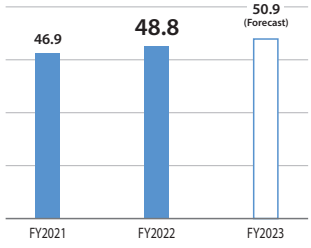
Net sales by disease area

(Millions of Yen)

	FY2021	FY2022
Net sales	46,987	**48,896**
Sales of products	46,290	**48,563**
Renal diseases and hemodialysis	13,502	**12,013**
Skin diseases	11,992	**12,391**
Allergens	15,971	**18,499**
Other	4,824	**5,658**
Other sales	697	**332**

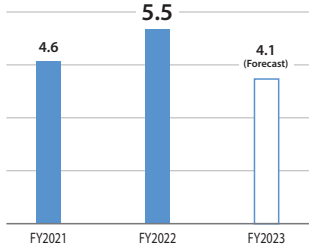
Net Sales

(Billions of Yen)



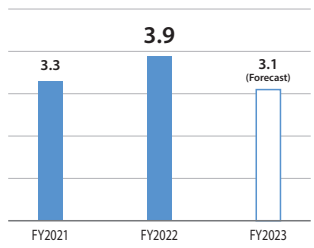
Operating Income

(Billions of Yen)



Net Income

(Billions of Yen)



Mainstay Products (as of December 31, 2022)

Riona Tablets Therapeutic agent for hyperphosphatemia/ Therapeutic drug for iron deficiency anemia (IDA)

Riona is a medication that treats hyperphosphatemia in patients with chronic kidney disease, including hemodialysis, peritoneal dialysis, and non-dialysis chronic kidney disease patients. Approval for an additional indication of iron deficiency anemia (IDA) was received in March 2021.

REMITCH Oral antipruritic agent

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

CORECTIM Topical Janus kinase (JAK) inhibitor

CORECTIM Ointment is the world's first topical JAK inhibitor for treatment of atopic dermatitis that suppresses the overactivation of immune responses. Additional approval was obtained in March 2021 for dosage and administration of this drug for pediatric indication.

ANTEBATE Topical corticosteroid

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

CEDARCURE Japanese Cedar Pollen Sublingual Tablets
Japanese cedar pollinosis (allergen immunotherapy)

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

MITICURE House Dust Mite Sublingual Tablets
House dust mite allergy (allergen immunotherapy)

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

Stock Information (as of December 31, 2022)

Number of Shares

Total number of shares authorized to be issued	54,000,000
Total number of issued shares	28,800,000

Number of Shareholders

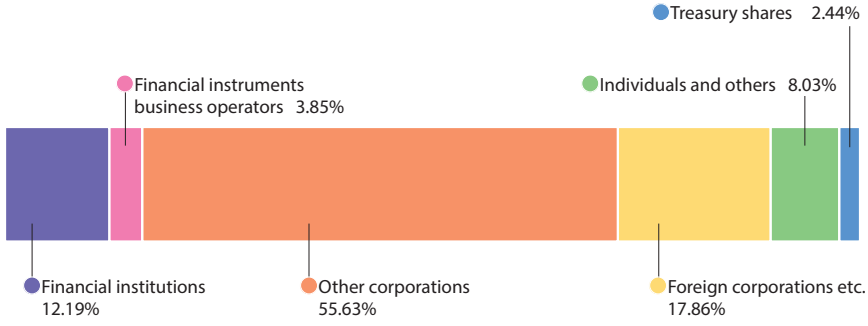
Number of shareholders (including shareholders with less than one unit of shares)	3,913

Major Shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
Japan Tobacco Inc.	15,398,800	54.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,037,700	7.25
Tachibana Securities Co., Ltd	965,800	3.43
Custody Bank of Japan, Ltd. (Trust Account)	793,900	2.82
JEFFERIES LLC-SPEC CUST AC FBO CUSTOMER	560,000	1.99
MSIP CLIENT SECURITIES	327,834	1.16
GOLDMAN SACHS INTERNATIONAL	327,700	1.16
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	300,700	1.07
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	290,767	1.03
Torii Pharmaceutical Co., Ltd. Employee Shareholdings Association	231,004	0.82

Note: Shareholding ratios are calculated after deducting treasury shares (701,362 shares).

Composition of Shareholders



TORII PHARMACEUTICAL CO., LTD.

4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo, 103-8439, Japan
TEL: +81-3-3231-6811　FAX: +81-3-5203-7333

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