

Formulate of the “Medium-Term Management Plan 2021”

Aiming to return to an operating income in fiscal 2022 and achieving sustainable profit generation thereafter in view of the increasingly challenging business environment, the Company formulated the Medium-Term Management Plan 2021 that covers the three-year period from fiscal 2019 to fiscal 2021.

The outline of the “Medium-Term Management Plan 2021” is as follows:

I. Business Structure Reform

Optimization of the organizational structure, functions, and workforce

In order to optimize the organizational structure, functions, and workforce suitable for the scale of the business, Torii will introduce a special program supporting employees who wish to retire voluntarily and embark on a new career. At the same time, along with consolidation and elimination of branches, integration of R&D functions into JT, and reorganization of the head office, Torii will reduce the number of different products manufactured at our plant step by step.

Review of resource allocation and maximization of performance

Viewing “renal disease and hemodialysis,” “skin disease” and “allergens” as franchise areas, Torii will strategically allocate resources, taking into consideration the situations of each area and our strengths, and establish an efficient business structure and operate it efficiently while emphasizing appropriate allocation of limited resources. Regarding long term listed drug, Torii will promote their transfer or contracting of their production to other companies in light of the expected decline in profitability.

II. Growth Strategy

Maximization of value of products currently under co-development with JT

Torii will maximize value of JTT-751, JTE-052 (application), and JTZ-951 that are in Phase III clinical trials conducted jointly with JT.

Co-development new innovative drugs with JT and acquisition of new in-licensed drugs

In order to acquire new in-licensed drugs under Torii’s flexible strategy with JT, Torii will broaden the target for search and in-licensing to include candidates in and around the franchise areas. Also, Torii will steadily progress calcifediol extended-release capsules with JT.

Reinforcement of organization and function

In order to progress its growth strategy and explore long-term growth while monitoring current and future trends concerning medicine and healthcare, Torii will establish a new organization responsible for the product development strategy and increase the workforce in the Business Development Dept. and integrate the necessary functions. Moreover, Torii will establish a flexible activity structure that can meet the changing needs of society, such as the guidelines on sales information provision activities published by the Ministry of Health, Labor and Welfare as well as further enhancing capabilities of MRs and MSs.

III. Maintaining the Trust of Stakeholders

While continuing initiatives for enhancing and reinforcing corporate governance and promoting compliance, Torii will also appropriately respond to the changing needs of society, such as the revised Corporate Governance Code and the guidelines on sales information provision activities.

Financial Forecasts for Fiscal 2019

	December 31, 2018 results (Millions of Yen)	December 31, 2019 targets (Millions of Yen)	Change (Millions of Yen)	Change (%)
Net sales	¥62,551	¥38,000	¥(24,551)	(39.2)%
Operating income (loss)	4,951	(3,200)	(8,151)	—
Ordinary income (loss)	5,080	(3,100)	(8,180)	—
Net income	1,164	22,500	21,335	—

We forecast a significant decrease in net sales, although we are making efforts to maintain and expand existing products by viewing “renal disease and hemodialysis,” “skin disease” and “allergens” as franchise areas, due to the impact of the termination of the exclusive rights to market six anti-HIV drugs.

As for profits, we will implement business structure reforms, such as optimization of the workforce through the introduction of a special program supporting employees who wish to retire voluntarily and embark on a new career, as well as cost reductions. However, the impact of such reforms will be limited in the next fiscal year. Accordingly, we forecast an operating loss and an ordinary loss. In addition, we plan to post business structure reform expenses of ¥5.2 billion in extraordinary loss, including extra retirement payments in relation to the implementation of a special program supporting employees’ career changes. However, we will post a gain on transfer of marketing rights in extraordinary income of ¥40.6 billion in relation to the termination of the exclusive rights to market six anti-HIV drugs. As a result, we forecast a sharp increase in net income.