

# Review of the “Medium-Term Management Plan 2021”

## Overview of the Medium-Term Management Plan 2021

**Initial target:**  
to turn operating  
income\* positive  
in FY2022

**Achieved profitability in FY2019, earlier than planned,  
reviewed the target**

**To keep operating income\* positive and to increase profit throughout the period covered  
by the Medium-Term Management Plan 2021**

### Business structure reform

- Optimization of the organizational structure, functions, and workforce
- Review of resource allocation and maximization of performance

### Growth strategy

- Maximization of the value of products currently under co-development with JT
- Co-development of new innovative drugs with JT and acquisition of new in-licensed drugs
- Reinforcement of organizations and functions

### Maintaining the trust of stakeholders

- Continuing initiatives for enhancing and reinforcing corporate governance and promoting compliance
- Responding to the changing needs of society

\*Operating income excluding expenses relating to new business investments (investments including those for acquiring new in-licensed drugs and M&A)

#### Results of major initiatives ① Business structure reform

- Optimization of the organizational structure, functions, and workforce
- Review of resource allocation and maximization of performance
- Implementation of a special program supporting employees' career changes (supporting employees who wish to retire voluntarily and embark on a new career) (FY2019)
- Reorganization (consolidation and elimination of branches, integration of R&D functions into JT, and reorganization of the head office) (FY2019)
- Transfer of production of long-term listed drugs to other companies (FUTHAN: FY2019, URINORM: FY2020)
- Introduction of a new sales support system and tablet terminals (FY2019)
- Transfer of the Sakura Plant to IWAKI SEIYAKU CO., LTD. (FY2020)

#### Results of major initiatives ② Growth strategy

- Maximization of the value of products currently under co-development with JT
- Co-development of new innovative drugs with JT and acquisition of new in-licensed drugs
- Reinforcement of organizations and functions

#### Renal diseases and hemodialysis

- Torii and ASKA Pharmaceutical Co., Ltd. entered into a co-promotion agreement covering the additional indication of iron deficiency anemia for Riona Tablets (June 2020).
- Launched ENAROY Tablets (2mg, 4mg), a drug for the treatment of anemia associated with chronic kidney disease (December 2020)
- Received approval for an additional indication of iron deficiency anemia for Riona Tablets and started promotion (March 2021)

#### Skin diseases

- Signed a license agreement with JT for co-development and commercialization of tapinarof (JTE-061) in Japan (January 2020), and started the Phase III clinical study for indications of atopic dermatitis and psoriasis vulgaris in Japan (October 2021)
- Launched CORECTIM Ointment 0.5% for the treatment of atopic dermatitis (June 2020)
- Received approval for CORECTIM Ointment 0.5% for an additional indication of pediatric atopic dermatitis (March 2021), and launched CORECTIM Ointment 0.25% (June 2021)
- Entered into a license agreement with U.S. Verrica Pharmaceuticals Inc. for exclusive development and commercialization of Verrica's skin disease treatment drug VP-102 in Japan (March 2021)

#### Other

- Invested in a newly established fund in the life science field (July 2020)
- Launched ORLADEYO Capsules for the suppression of the onset of attacks in hereditary angioedema (HAE) (April 2021)

#### Results of major initiatives ③ Maintaining the trust of stakeholders

- Initiatives for enhancing and reinforcing corporate governance and compliance and for responding to various regulations
- Establishment of the Group for Supervision of Sales Information Provision and the Screening and Supervisory Committee based on the guidelines on sales information provision activities, introduction of document screening systems (FY2019)
- Response to the revision of the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (FY2020 and FY2021)
- Revision of the management system to further separate management supervision from business execution (FY2020)
  - Independent Outside Directors constitute a majority of the Board of Directors.
  - Each Head of Group is assigned the role of executive officer and is responsible for the execution of business operations.
- Application for listing on the Prime Market in accordance with the TSE market restructuring and response to the revision of the Corporate Governance Code (FY 2021)

#### 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 are implementing measures to prevent recurrence. 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.

#### Management target achievement level

- Management target (after revisions made on February 6, 2020):

To keep operating income\* positive and to increase profit throughout the period covered by the Medium-Term Management Plan 2021

	Results for FY2019	Results for FY2020	Results for FY2021
Net sales	¥42.9 billion	¥41.7 billion	¥46.9 billion
Operating income	¥1.4 billion	¥4.7 billion	¥4.6 billion

\* Operating income excluding expenses relating to new business investments (investments including those for acquiring new in-licensed drugs and M&A)

#### Surplus dividends for FY2021

- In accordance with the basic policy of distributing dividends in a continuous and stable manner, Torii continued to pay an annual dividend of ¥48 per share in FY2021, the final year of the Medium-Term Management Plan 2021, while considering business investments for future growth.