

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 the Previous Medium-Term Management Plan

The Medium-Term Management Plan 2021 was completed in fiscal 2021. While the business environment for the pharmaceutical industry became increasingly challenging owing to the drastic reform of the NHI drug pricing system and other developments, the emergence of generic products following the expiration of the patent for REMITCH, one of our mainstay products, and termination of the licensing agreements for six anti-HIV drugs had a significant financial impact on Torii. We launched the Medium-Term Management Plan 2021 in fiscal 2019 in order to promote transformation of Torii to overcome such adversity.

The initial target of the Medium-Term Management Plan 2021 was to turn operating income (excluding expenses relating to new business investments) positive in fiscal 2022, after the completion of the plan, as we assumed that the Company would remain unprofitable during the three-year period covered by the plan. However, we achieved this target in fiscal 2019, the first year of the plan. So, we revised the targets of the plan to keep operating income (excluding expenses relating to new business investments) positive and to increase profit throughout the period covered by the plan. Although operating income in fiscal 2021 decreased somewhat from the previous fiscal year, we achieved profitable

operation for the three years and net sales, which had been decreasing, increased in fiscal 2021.

Under the Medium-Term Management Plan 2021, we implemented three key measures: business structure reform, growth strategy, and maintaining the trust of stakeholders. With regard to business structure reform, in response to the situation in which we lost a large portion of the previous earnings base, we made tough decisions and carried out initiatives in order to improve the profit structure through fixed cost reduction, including consolidation and elimination of branches, integration of R&D functions into Japan Tobacco Inc. (JT), transfer of the Sakura Plant, and implementation of a special program supporting employees' career changes. In terms of the growth strategy, we expanded our product lineups and added new lines from 2020 onward, including launches of ENAROY Tablets, CORECTIM Ointment, and ORLADEYO Capsules as well as additional indication for Riona Tablets. As for in-licensing, we entered into new licensing agreements for three products, including the above-mentioned ORLADEYO Capsules, during the period covered by the plan.

Regarding maintaining the trust of stakeholders, 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 have implemented measures to prevent recurrence of the violation of the Antimonopoly Act and taken all possible steps to comply with various regulations. We have put in place a system to ensure thorough compliance and enhanced corporate governance.

Despite restrictions on sales activities due to the impact of COVID-19 from fiscal 2020 onward, we responded to the situation by making effective use of IT and maintained profit throughout the period covered by the Medium-Term Management Plan 2021 and achieved steady results with the three key measures. Thus, I think we were able to reinforce the foundation, which was the goal of the previous plan. As the head of Torii, I would like to express my deepest appreciation to our stakeholders for their understanding and support while I strengthen my resolve to make further strides toward Torii's sustainable growth.

Background to Formulation of the New Corporate Philosophy and Aspirations

Torii formulated its new corporate philosophy called Torii Pharmaceutical's Purpose and announced its corporate philosophy system based on the purpose and consisting of TORII's POLICY (Our Important Values) and the 4S MODEL (Basic Management Stance).

While change continues in the external environment surrounding the pharmaceutical industry, our internal environment has also changed as a result of the business structure reform. In light of these environmental changes, Torii, once again, recognized the need to clarify the significance of its existence and its unchanging aspirations for the future. This was the background to formulation of the new corporate philosophy.

Torii celebrated the 100th anniversary of its establishment in 2021, which is followed in 2022 by the 150th anniversary of our founding. While retaining its corporate culture and the trust of stakeholders earned over its long history, Torii has defined its unchanging aspirations for the future as "Torii Pharmaceutical's Purpose" and made it Torii's new corporate philosophy.

TORII's POLICY was established through repeated discussion involving employees as part of the reform of the corporate culture we have been promoting in recent years. The policy defines the values we should share and is incorporated in the corporate philosophy system. On the other hand, the 4S MODEL has been an element of The Corporate Mission of Torii. Positioning the 4S

MODEL as Torii's basic management stance, we are committed to fulfilling our responsibilities to our customers, shareholders, society, and employees in a balanced way and enhancing their overall satisfaction.

VISION2030 and New Medium-Term Management Plan

Coinciding with the formulation of the new corporate philosophy, we formulated the Medium-/Long-Term Business Vision toward 2030, "VISION2030" to indicate what Torii is aiming for in the medium- to long-term. Although it is difficult to accurately forecast the change in the market and society nine years ahead and envisage the prospects of our business, we clarified our vision, taking into account the possible prospects available at this point in time.

Through VISION2030, we aim to achieve stable growth by overcoming fluctuations. What Torii aims for in 2030 is to be a pharmaceutical company with presence. The numerical targets for fiscal 2030 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).

For achievement of VISION2030, decisive action is required. Torii will work more aggressively than before on business investments for in-licensed drugs and will develop internal systems and improve the capabilities to accurately communicate the value of its products to medical professionals and patients. To this end, as key initiatives of our business strategy, we will work to enhance in-licensed activities and create a framework for maximizing product value.



Positioning the first three years as the first stage for realization of VISION2030, we formulated and launched the Medium-Term Management Plan 2022-2024. Under this new three-year management plan, our policy is to enhance the development pipeline by executing aggressive investments centering on acquisition of in-licensed drugs, while seeking to increase earnings by means of new drugs in the growth phase. For maximization of product value, while complying with the guidelines on sales information provision activities for drugs, we will implement an effective approach, such as introduction of digital tools and other new methods.

Starting with the Medium-Term Management Plan 2022-2024, Torii will formulate its medium-term management plan on a rolling basis. Therefore, instead of setting numerical targets for three years ahead, we present guidance in the form of rough estimates at a point in time, as reference values for three years ahead. Currently, we estimate new sales for fiscal 2024 in the range from ¥52.0 billion to ¥55.0 billion and operating income before deduction of research and development expenses in the range from ¥8.0 billion to ¥9.0 billion. In the current fiscal year, we are making good progress by implementing key measures of the Medium-Term Management Plan 2022-2024.

To Our Stakeholders

The business environment surrounding the pharmaceutical industry is rapidly changing. In order for Torii to continue to fulfill its responsibility to stakeholders, it is becoming increasingly necessary to continue to create new drugs that meet medical needs. In particular, during the period of the Medium-Term Management Plan 2022-2024, Torii will be more aggressive than before in making business investments centering on acquisition of in-licensed drugs. Taking this into account, regarding shareholder returns for fiscal 2022, Torii intends to maintain the current level of annual dividends of ¥48 per share.

In April 2022, Torii moved to the Prime Market in accordance with the Tokyo Stock Exchange market restructuring. In recent years, we have been reinforcing corporate governance, including response to the revision of the Corporate Governance Code. Going forward, we will step up our efforts to further enhance corporate governance, including strengthening of responses to sustainability issues and of information disclosure in view of the compliance with the governance standard required by the Tokyo Stock Exchange.

As stated in the 4S MODEL, we will fulfill our responsibilities to our stakeholders in a balanced way and enhance their overall satisfaction. 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, 2022)

Development code (Product name)	Indication	Formulation / Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Skin diseases								
JTE-052 [CORECTIM® Ointment]	Atopic dermatitis in infant	Topical			Phase III			<ul style="list-style-type: none"> ● JT's original compound ● License agreement signed with JT for co-development and commercialization in Japan
JTE-061	Atopic dermatitis	Topical			Phase III			<ul style="list-style-type: none"> ● 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 ● Licensing agreement signed with JT for development and commercialization
	Proriasis Vulgaris	Topical			Phase III			<ul style="list-style-type: none"> ● 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 ● Licensing agreement signed with JT for development and commercialization
	Atopic dermatitis in children	Topical		Phase II				<ul style="list-style-type: none"> ● 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 ● Licensing agreement signed with JT for development and commercialization
Allergens								
TO-203 [MITICURE® House Dust Mite Sublingual Tablets]	House dust mite induced allergic asthma (Allergen immunotherapy)	Sublingual tablet			Phase II/III (Study completed*)			<ul style="list-style-type: none"> ● License agreement signed with ALK for exclusive development and sales rights in Japan ● In-house * Examining the future development policy

Additional Information

● In March 2021, Torii has entered into a license agreement with Verrica Pharmaceuticals Inc. for an exclusive license to develop and commercialize VP-102 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 R&D functions.

For JT's clinical development of pharmaceuticals, please refer to the following posted on JT's website:

https://www.jt.com/investors/results/S_information/pharmaceuticals/