

Financial Results for the First Six Months of Fiscal Year Ending December 2023

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※ This material is prepared based on Japan GAAP.

※ Amounts are rounded down to the nearest million yen.

※ The forecasts presented in this material are forward-looking statements. Reflecting assumptions based on information available on the date of publication, 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.

July 31, 2023



TORII PHARMACEUTICAL CO., LTD.

I Summary Information

The forecasts for the FY2023 have been changed from the previous forecasts announced at the FY2022 financial results announcement on February 10, 2023.

※ R&D expenses fluctuate significantly due to aggressive business investments for medium-/long-term growth. For this reason, Torii sets operating income before deduction of R&D expenses as a numerical income indicator in the medium-term management plan.

① Financial Results

(Millions of Yen)	FY2022		FY2023		Change B-A	Change (%) (B-A)/A	FY2022 Full year	FY2023 Revised forecast C	Progress ratio (%) B/C
	First six months	First six months	Change	Change (%)					
	A	B	B-A	(B-A)/A					
Net sales	23,102	25,699	2,596	11.2		48,896	52,700	48.8	
Operating income	2,682	1,510	(1,171)	(43.7)		5,540	4,100	36.8	
Ordinary income	2,468	1,543	(925)	(37.5)		5,537	4,400	35.1	
Net income	1,845	1,086	(758)	(41.1)		3,944	3,100	35.1	
(Reference)									
R&D expenses	583	2,413	1,829	313.5		1,661	3,530	68.4	
Operating income before deduction of R&D expenses ※	3,266	3,924	658	20.2		7,201	7,630	51.4	
Earnings per share (EPS) (¥)	65.69	38.68	(27.01)			140.39	110.32		
Return on equity (ROE) (%)	1.6	0.9	(0.7)			3.3			
Ratio of ordinary income to total assets (%)	1.9	1.2	(0.7)			4.2			
Ratio of operating income to net sales (%)	11.6	5.9	(5.7)			11.3			
Return on assets (ROA) (%)	1.4	0.8	(0.6)			3.0			

② Financial Conditions

(Millions of Yen)	December 31,		June 30,		Change B-A	Change (%) (B-A)/A
	2022	2023	2022	2023		
	A	B	B	A		
Total assets	133,689	131,670	(2,019)	(1.5)		
Total equity	119,224	118,666	(558)	(0.5)		
Equity ratio (%)	89.2	90.1	0.9			
Book value per share (BPS) (¥)	4,243.08	4,222.19	(20.89)			

③ Statement of Cash Flows

(Millions of Yen)	FY2022		FY2023		Change B-A
	First six months	First six months	Change	Change (%)	
	A	B	B-A	(B-A)/A	
Net cash used in operating activities	694	(1,461)	(2,156)		
Net cash used in investing activities	(3,581)	(5,180)	(1,598)		
Net cash used in financing activities	(829)	(2,287)	(1,458)		
Cash and cash equivalents, end of period	54,658	36,490	(18,167)		

④ Capital Expenditures

(Millions of Yen)	FY2022		FY2023		Change B-A	Change (%) (B-A)/A	FY2022 Full year	FY2023 Revised forecast
	First six months	First six months	Change	Change (%)				
	A	B	B-A	(B-A)/A				
Capital expenditures	549	73	(475)	(86.6)		662	290	
PP&E	398	60	(338)	(84.8)		504	210	
Intangible assets	150	12	(137)	(91.4)		158	80	

⑤ Depreciation/Amortization

(Millions of Yen)	FY2022		FY2023		Change B-A	Change (%) (B-A)/A	FY2022 Full year	FY2023 Revised forecast
	First six months	First six months	Change	Change (%)				
	A	B	B-A	(B-A)/A				
Depreciation and amortization of intangible assets	208	222	14	6.7		454	460	
Amortization of long-term prepaid expenses	394	334	(60)	(15.3)		767	670	

II Financial Results for the First Six Months of FY2023

The forecasts for the FY2023 have been changed from the previous forecasts announced at the FY2022 financial results announcement on February 10, 2023.

※ R&D expenses fluctuate significantly due to aggressive business investments for medium-/long-term growth. For this reason, Torii sets operating income before deduction of R&D expenses as a numerical income indicator in the medium-term management plan.

① Statement of Income

(Millions of Yen)	FY2022	FY2023	Change	Change (%)	FY2023 Revised forecast	Progress ratio (%)
	First six months	First six months				
	A	B				
Net sales	23,102	25,699	2,596	11.2	52,700	48.8
Sales of products	22,926	25,547	2,621	11.4	52,400	48.8
Renal disease and hemodialysis	5,736	5,626	(110)	(1.9)	11,170	50.4
Skin disease	6,201	6,876	674	10.9	13,540	50.8
Allergens	8,401	10,009	1,608	19.1	21,500	46.6
Other	2,586	3,034	448	17.4	6,190	49.0
Other sales	176	151	(24)	(14.1)	300	50.5
Cost of sales	12,049	13,770	1,720	14.3	28,300	48.7
Cost of products sold	12,023	13,743	1,720	14.3		
Other cost	26	26	(0)	(0.8)		
Gross profit	11,052	11,928	876	7.9	24,400	48.9
Selling, general and administrative expenses	8,370	10,418	2,047	24.5	20,300	51.3
R&D expenses	583	2,413	1,829	313.5	3,530	68.4
Others	7,786	8,004	217	2.8	16,770	47.7
Operating income	2,682	1,510	(1,171)	(43.7)	4,100	36.8
Operating income before deduction of R&D expenses	※ 3,266	3,924	658	20.2	7,630	51.4
Non-operating income and expenses	(213)	32	246			
Ordinary income	2,468	1,543	(925)	(37.5)	4,400	35.1
Extraordinary income and loss	187	(2)	(189)			
Income before income taxes	2,655	1,540	(1,115)	(42.0)		
Income taxes	810	453	(356)			
Net income	1,845	1,086	(758)	(41.1)	3,100	35.1

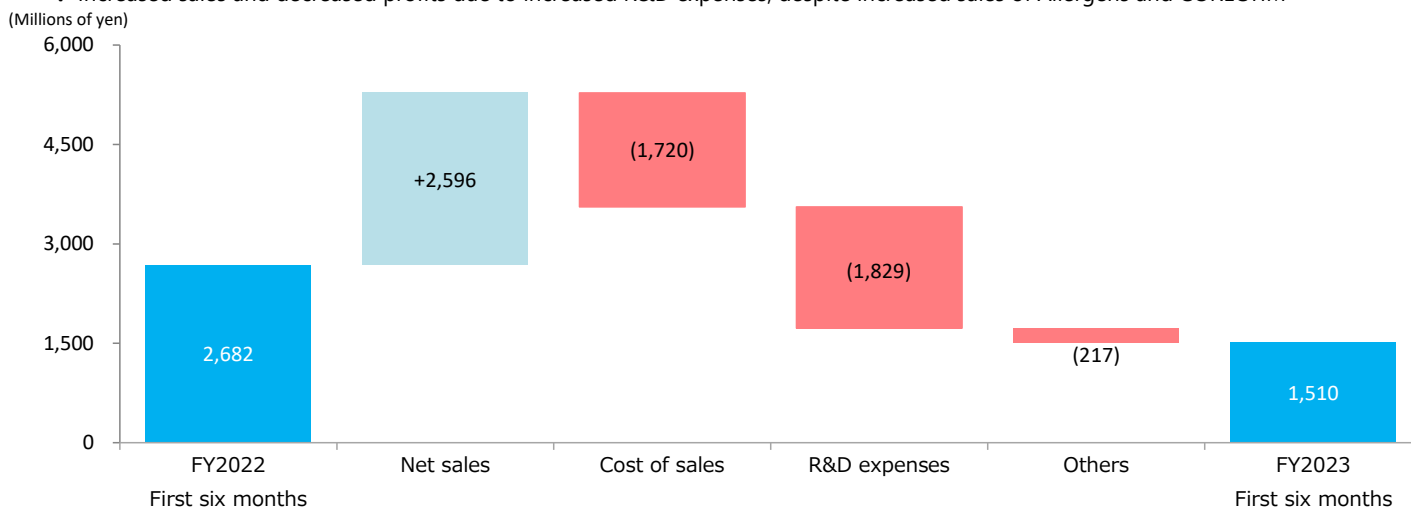
(Reference) Ratio to net sales

(%)	FY2022	FY2023	Change
	First six months	First six months	
	A	B	
Cost of sales	52.2	53.6	1.4
SG&A	36.2	40.5	4.3
R&D expenses	2.5	9.4	6.9
Operating income	11.6	5.9	(5.7)
Operating income before deduction of R&D expenses	※ 14.1	15.3	1.2
Ordinary income	10.7	6.0	(4.7)
Net income	8.0	4.2	(3.8)

[Factors in increase/decrease compared with the same term of the last fiscal year]

Operating income (¥1,510 million : Decrease ¥1,171 million year-on-year)

✓ Increased sales and decreased profits due to increased R&D expenses, despite increased sales of Allergens and CORECTIM



Major factors in increase/decrease (Rounded down to the nearest 0.1 billion yen)

Net sales	Renal disease and hemodialysis	: Decrease ¥0.1 billion in sales	REMITCH Decrease ¥0.4 billion (impact of generic drugs and drug price revisions) Riona Increase ¥0.2 billion (increase in sales quantity)
	Skin disease	: Increase ¥0.6 billion in sales	CORECTIM Increase ¥0.8 billion (increase in sales quantity)
	Allergens	: Increase ¥1.6 billion in sales	CEDARCURE Increase ¥0.9 billion, MITICURE Increase ¥0.6 billion (increase in sales quantity)
	Other	: Increase ¥0.4 billion in sales	BIO-THREE Increase ¥0.2 billion, ORLADEYO Increase ¥0.1 billion (increase in sales quantity)
Cost of sales		: Increase in sales quantity	
		: Increase in purchasing unit price	
		: Increase due to the effect of foreign exchange rates	
R&D expenses		: Increase due to upfront licensing fees for license agreement with Nogra Pharma Limited	
		: Increase in clinical study expenses (TO-208)	
Others		: Increase in sales-linked expenses	
		: Increase in sales promotion expenses	
		: Payment of one-time special allowance to employees (inflation allowance)	
		: Decrease in contract MR	

Ordinary income (¥1,543 million : Decrease ¥925 million year-on-year)

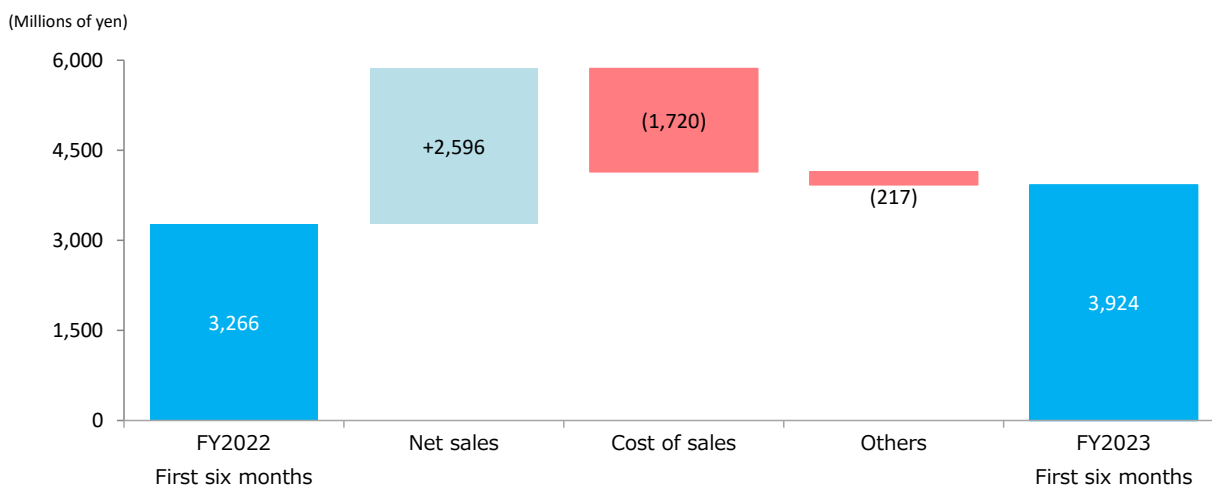
(FY2022) Non-operating expenses : Cancellation penalty of a manufacturing contract ¥140 million

Net income (¥1,086 million : Decrease ¥758 million year-on-year)

(FY2022) Extraordinary income : Gain on sales of investment securities due to reduction of policy shareholdings ¥187 million

(Reference)

Operating income before deduction of R&D expenses (¥3,924 million : Increase ¥658 million year-on-year)



② Sales of Products

(Millions of Yen)	FY2022		FY2023		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	B	A		
Sales of Products	22,926	25,547	25,547	22,926	2,621	11.4
[Renal disease and hemodialysis]						
Riona Agent for hyperphosphatemia, Iron-deficiency anemia	3,232	3,493	3,493	3,232	260	8.1
REMITCH Oral anti-pruritus agent	1,781	1,366	1,366	1,781	(415)	(23.3)
KAYEXALATE ※ Agent for hyperkalemia	616	528	528	616	(88)	(14.4)
Others	105	238	238	105	132	125.9
Total	5,736	5,626	5,626	5,736	(110)	(1.9)
[Skin disease]						
CORECTIM Topical Janus kinase (JAK) inhibitor	2,684	3,570	3,570	2,684	886	33.0
ANTEBATE ※ Topical corticosteroid	2,039	2,086	2,086	2,039	47	2.3
LOCOID ※ Topical corticosteroid	771	751	751	771	(20)	(2.6)
ZEFNART Topical antifungal agent	545	468	468	545	(77)	(14.2)
Others	161	(0)	(0)	161	(161)	—
Total	6,201	6,876	6,876	6,201	674	10.9
[Allergens]						
CEDARCURE ※ Japanese cedar pollinosis (Allergen Immunotherapy)	4,307	5,223	5,223	4,307	916	21.3
MITICURE ※ House dust mite allergy (Allergen Immunotherapy)	3,995	4,685	4,685	3,995	689	17.3
Others	98	100	100	98	1	1.7
Total	8,401	10,009	10,009	8,401	1,608	19.1
[Other]						
BIO-THREE Viable bacterial preparations	1,567	1,854	1,854	1,567	286	18.3
ORLADEYO Plasma kallikrein inhibitor	542	736	736	542	193	35.7
Others	475	444	444	475	(31)	(6.7)
Total	2,586	3,034	3,034	2,586	448	17.4

※ In-house products

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2022		FY2023		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	B	A		
Sales of in-house products	12,183	13,706	13,706	12,183	1,522	12.5
Ratio of in-house product sales (%)	53.1	53.6	53.6	53.1	0.5	—

③ Research and Development

Development code 「Product Name」	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Skin disease								
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 exclusive development and commercialization in the skin disease area in Japan License agreement signed with JT for joint development and commercialization in Japan
	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 exclusive development and commercialization in the skin disease area in Japan License agreement signed with JT for joint development and commercialization in Japan
	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 exclusive development and commercialization in the skin disease area in Japan License agreement signed with JT for joint development and commercialization in Japan
TO-208	Molluscum contagiosum	Topical			Phase III			<ul style="list-style-type: none"> 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 ※)			<ul style="list-style-type: none"> 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 on April 28,2023 :

None

Additional Information

•In January 2023, Torii entered into a licence agreement with Nogra Pharma Limited(Nogra) for an exclusive licence in Japan to develop and commercialize NAC-GED-0507,a treatment drug for acne vulgaris developed by Nogra.

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. For the clinical research and development of JT, please refer to the following company's website.

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

III Financial Forecasts for the FY2023

The forecasts for the FY2023 have been changed from the previous forecasts announced at the FY2022 financial results announcement on February 10, 2023.

※ R&D expenses fluctuate significantly due to aggressive business investments for medium-/long-term growth. For this reason, Torii sets operating income before deduction of R&D expenses as a numerical income indicator in the medium-term management plan.

① Statement of Income

(Millions of Yen)	FY2023	FY2023	Change	FY2022	Change	Change (%)
	Previous forecast	Revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Net sales	50,900	52,700	1,800	48,896	3,803	7.8
Sales of products	50,600	52,400	1,800	48,563	3,836	7.9
Renal disease and hemodialysis	10,850	11,170	320	12,013	(843)	(7.0)
Skin disease	13,130	13,540	410	12,391	1,148	9.3
Allergens	20,360	21,500	1,140	18,499	3,000	16.2
Other	6,260	6,190	(70)	5,658	531	9.4
Other sales	300	300	—	332	(32)	(9.9)
Cost of sales	26,800	28,300	1,500	25,516	2,783	10.9
Gross profit	24,100	24,400	300	23,379	1,020	4.4
SG&A	20,000	20,300	300	17,839	2,460	13.8
R&D expenses	3,530	3,530	—	1,661	1,868	112.5
Others	16,470	16,770	300	16,177	592	3.7
Operating income	4,100	4,100	—	5,540	(1,440)	(26.0)
Operating income before deduction of R&D expenses	※ 7,630	7,630	—	7,201	428	5.9
Ordinary income	4,400	4,400	—	5,537	(1,137)	(20.5)
Net income	3,100	3,100	—	3,944	(844)	(21.4)

(Reference) Ratio to net sales

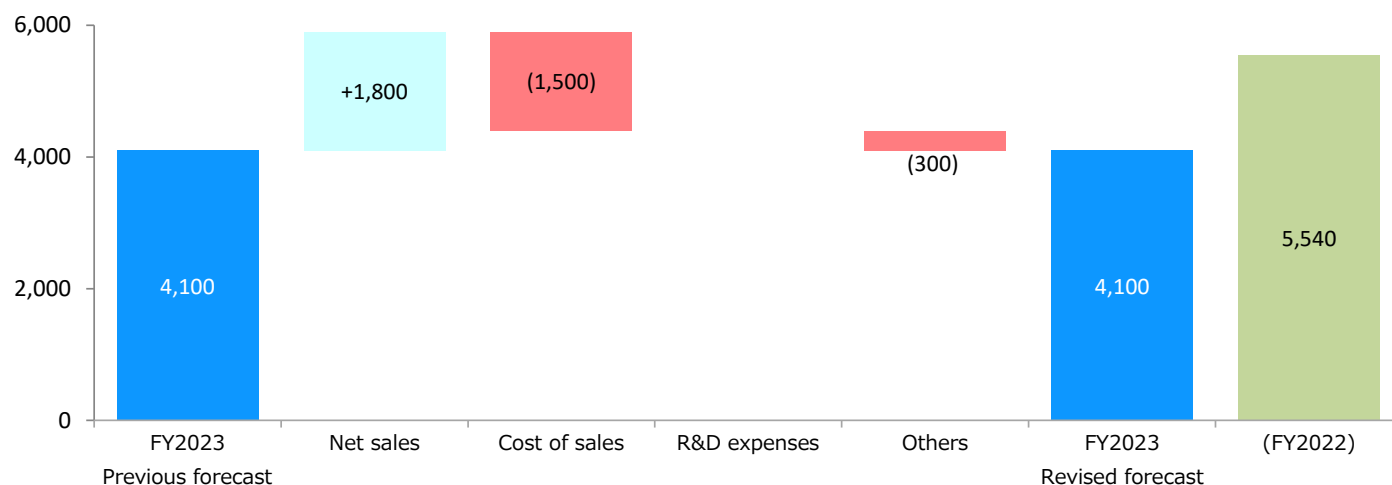
(%)	FY2023	FY2023	Change	FY2022	Change
	Previous forecast	Revised forecast			
	A	B	B-A	C	B-C
Cost of sales	52.7	53.7	1.0	52.2	1.5
SG&A	39.2	38.5	(0.7)	36.5	2.0
R&D expenses	6.9	6.7	(0.2)	3.4	3.3
Operating income	8.1	7.8	(0.3)	11.3	(3.5)
Operating income before deduction of R&D expenses	※ 15.0	14.5	(0.5)	14.7	(0.2)
Ordinary income	8.6	8.3	(0.3)	11.3	(3.0)
Net income	6.1	5.9	(0.2)	8.1	(2.2)

[Factors in increase/decrease compared with the previous forecast for the FY2023]

Operating income (¥4,100 million : No modification)

✓ Although net sales of Allergens and other primary areas are expected to increase, profits are not expected to change due to increased cost of sales and SG&A.

(Millions of yen)



Major factors in increase/decrease (Rounded down to the nearest 0.1 billion yen)

Net sales	Renal disease and hemodialysis	: Increase ¥0.3 billion in sales	Riona Increase ¥ 0.2 billion (increase in sales quantity)
	Skin disease	: Increase ¥0.4 billion in sales	CORECTIM Increase ¥ 0.3billion (increase in sales quantity)
	Allergens	: Increase ¥1.1 billion in sales	CEDARCURE Increase ¥ 0.8 billion, MITICURE Increase ¥ 0.2 billion (increase in sales quantity)
	Other	: Decrease ¥0.0 billion in sales	ORLADEYO Decrease ¥0.3 billion (decrease in sales quantity), BIO-THREE Increase ¥0.2 billion (impact of drug price revisions)
Cost of sales		: Increase in sales quantity	
		: Increase in purchasing unit price	
		: Increase due to sales mix	
		: Increase due to the effect of foreign exchange rates	
Others		: Increase in sales-linked expenses	
		: Increase in expenses for operating activities	

Ordinary income (¥4,400 million : No modification)

None

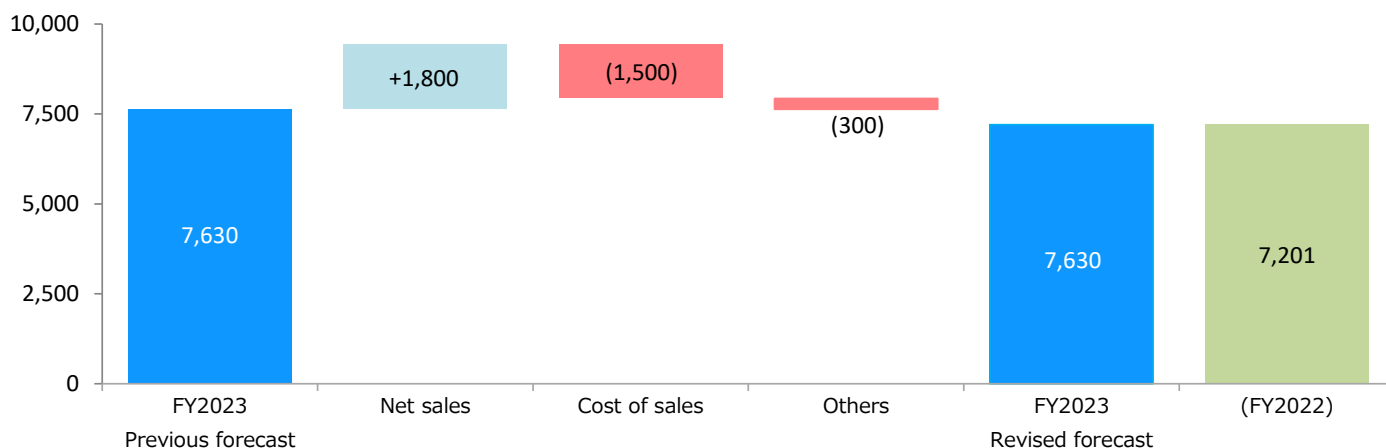
Net income (¥3,100 million :No modification)

None

(Reference)

Operating income before deduction of R&D expenses (¥7,630 million : No modification)

(Millions of yen)



② Sales of Products

(Millions of Yen)	FY2023	FY2023	Change	FY2022	Change	Change(%)
	Previous forecast	Revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of Products	50,600	52,400	1,800	48,563	3,836	7.9
[Renal disease and hemodialysis]						
Riona	6,630	6,920	290	6,939	(19)	(0.3)
Agent for hyperphosphatemia, Iron-deficiency anemia						
REMITCH	2,630	2,670	40	3,536	(866)	(24.5)
Oral anti-pruritus agent						
KAYEXALATE ※	1,030	1,040	10	1,230	(190)	(15.5)
Agent for hyperkalemia						
Others	560	540	(20)	306	233	76.2
Total	10,850	11,170	320	12,013	(843)	(7.0)
[Skin disease]						
CORECTIM	6,850	7,160	310	5,469	1,690	30.9
Topical Janus kinase (JAK) inhibitor						
ANTEBATE ※	3,900	3,940	40	3,995	(55)	(1.4)
Topical corticosteroid						
LOCOID ※	1,350	1,400	50	1,476	(76)	(5.2)
Topical corticosteroid						
ZEFNART	1,030	1,040	10	1,091	(51)	(4.7)
Topical antifungal agent						
Others	—	—	—	358	(358)	(100.0)
Total	13,130	13,540	410	12,391	1,148	9.3
[Allergens]						
CEDARCURE ※	10,390	11,230	840	9,608	1,621	16.9
Japanese cedar pollinosis (Allergen Immunotherapy)						
MITICURE ※	9,800	10,070	270	8,694	1,375	15.8
House dust mite allergy (Allergen Immunotherapy)						
Others	170	200	30	196	3	1.6
Total	20,360	21,500	1,140	18,499	3,000	16.2
[Other]						
BIO-THREE	3,510	3,800	290	3,361	438	13.1
Viable bacterial preparations						
ORLADEYO	1,880	1,500	(380)	1,313	186	14.2
Plasma kallikrein inhibitor						
Others	870	890	20	983	(93)	(9.5)
Total	6,260	6,190	(70)	5,658	531	9.4

※ In-house products

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2023	FY2023	Change	FY2022	Change	Change(%)
	Previous forecast	Revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of in-house products	27,300	28,600	1,300	25,933	2,666	10.3
Ratio of in-house product sales (%)	54.0	54.6	0.6	53.4	1.2	—