

February 7, 2025

Company name: Torii Pharmaceutical Co., Ltd.

Representative: Goichi Matsuda (Code: 4551 Tokyo Stock Exchange Prime)

Contact: Corporate Planning Dept. (TEL 03-3231-6814)

Update of initiatives to improve corporate value, including measures to realize capital cost and stock price-conscious management

At the Board of Directors meeting on February 7, 2025, the Board resolved to implement initiatives to improve corporate value. This includes measures to establish management practices that take into account capital costs and stock prices in the ways described below.

Please note that this statement reflects our thinking as of February 2025. In the future, we will continue to work toward further increasing our corporate value.

1. Assessment of current situation

While our price-to-book ratio (PBR) was 1.1 as of December 31, 2024, we will continue to focus on maintaining the PBR level above 1 and improving it even further.

We view two steps in particular as important to achieving further PBR improvement. The first is to present and execute a growth strategy that shareholders and investors will find acceptable and intuitive. The second is to spur improvement in return on equity (ROE), currently hovering at around 4%, to over 8%, which is the level we are aiming at.

We believe that it is vital for us to be more transparent and proactive in our communication with our shareholders and investors.

2. Goals

In order to increase corporate value, we have set the following goals in December 2023:

- ① Achieve targets of our medium- to long-term business vision “VISION2030” (“Net sales: Over ¥80 billion” and “Operating income: Bringing a new record-high in 2032 within reach”)
- ② Achieve an ROE of 8% or more by 2030, or as soon as possible thereafter (We will announce our ROE targets and timeframe for achieving them after we have made some progress with our concentrated business investments and can better project our medium- to long-term growth.)

- ③ Achieve a DOE level (currently around 3.5%) comparable to our competitors while emphasizing sales and income growth through our business investments
(We will announce our timeframe for achieving this goal after we have made some progress with our concentrated business investments and can better project our medium- to long-term growth.)

3. Main updates in this announcement

In this announcement, we made updates in disclosure mainly to the points detailed below:

- ① Growth strategy
 - ✓ Recognition of expectations from the capital markets
 - Articulate a highly acceptable growth strategy centered on the growth-driving areas of skin disease and allergens
 - ✓ Update points
 - Show changes of net sales in each area leading to achievement of VISION2030
 - Show medium-term outlook in the allergen area centered on growth driver CEDARCURE
 - Give fuller explanation of details of investment status and progress during the period of concentrated business investment (2023 to 2027)
- ② Capital allocation
 - ✓ Recognition of expectations from capital markets
 - Show quantitative capital allocation
 - ✓ Update point
 - Present specific figures and quantitatively display capital allocation occurring from 2023 to 2027
- ③ ROE
 - ✓ Recognition of expectations from capital markets
 - Clarify and move up the timing of ROE target (8% or more) achievement
 - ✓ Update points
 - Expand explanation of steps and processes aimed at ROE target achievement
 - Show the timing for arriving at 5% ROE within the ROE target achievement process



Initiatives to Improve Corporate Value

February 7, 2025

Torii Pharmaceutical Co., Ltd.

AGENDA

- **Key points in this disclosure**
- Specific initiatives to improve corporate value
 - ① Growth Strategy
 - ② Improving ROE
 - ③ Capital Allocation
 - ④ Communication with Capital Markets

Goals

Established the following in 2023 to achieve further improvement in corporate value

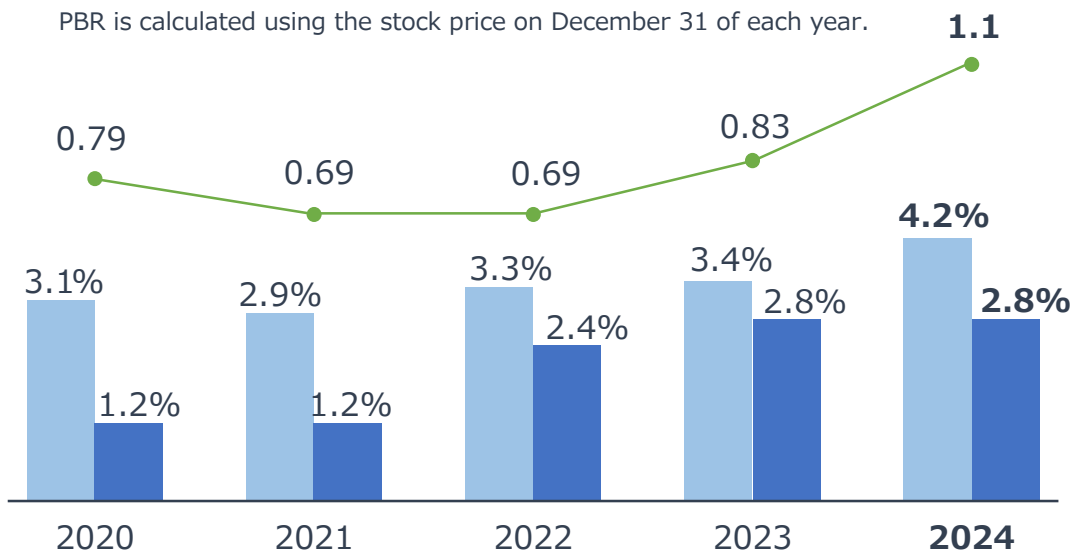
- ✓ **Achieve targets of our medium- to long-term vision “VISION2030”**
(“Net sales: Over ¥80 billion” and “Operating income: Bringing a new record-high in 2032 within reach”)
- ✓ **Achieve an ROE of 8% or more by 2030, or as soon as possible thereafter**
(We will announce our ROE targets and timeframe for achieving them after we have made some progress with our concentrated business investment and can better project our medium- to long-term growth.)
- ✓ **Achieve a DOE level (currently around 3.5%) comparable to our competitors while emphasizing sales and income growth through our business investments**
(We will announce our timeframe for achieving this goal after we have made some progress with our concentrated business investment and can better project our medium- to long-term growth.)

Assessment of Current Situation

01 Changes in PBR/ROE/DOE

— PBR* ■ ROE ■ DOE

PBR is calculated using the stock price on December 31 of each year.

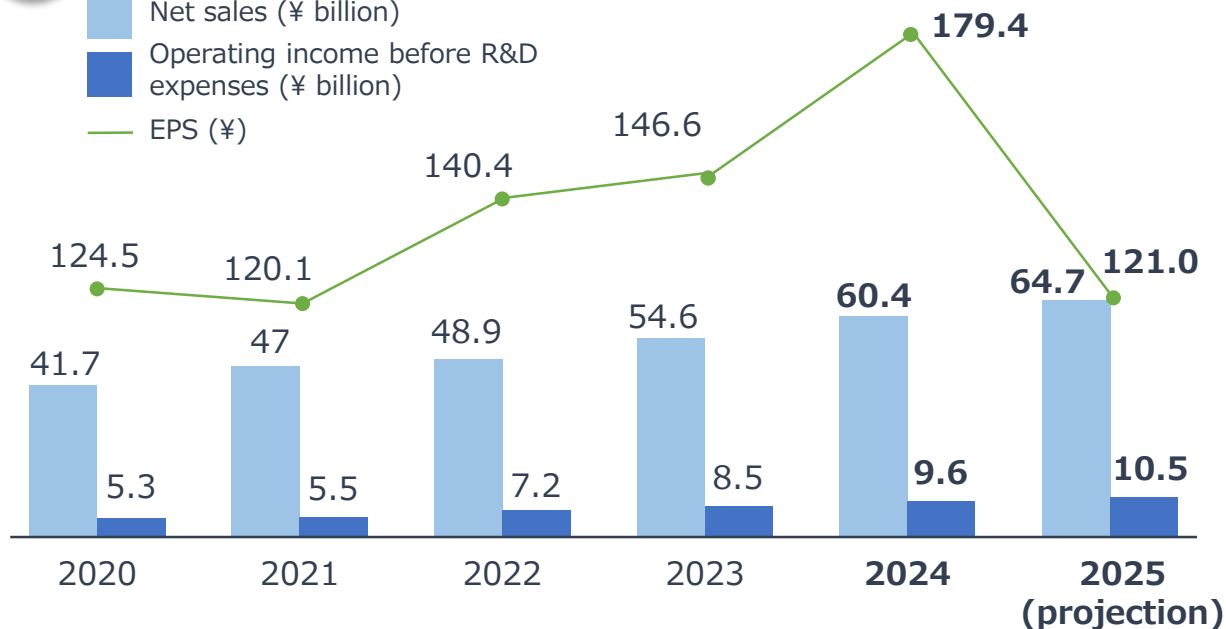


02 Performance changes

■ Net sales (¥ billion)

■ Operating income before R&D expenses (¥ billion)

— EPS (¥)



03 Analysis and assessment

PBR

PBR reached 1.1 at the end of 2024. However, we recognize that continuing to focus on the items detailed below is essential to maintain the PBR level above 1 and improve it even further.

- ✓ Improved clarity of growth strategy, acceptable explanations
- ✓ Improvement to a level that exceeds market expectations despite exceeding 4% ROE

ROE

ROE in the 4% range remains below what we recognize as the capital market expectation (5-8%). We recognize this as being attributable to the causes below.

- ✓ Major increase in shareholders' equity caused by one-time payment received in 2019
- ✓ Business model that requires time to reduce shareholders' equity, since investment in new drug in-licensing and development is recorded under assets until launch

Main Update Points from the Previous Announcement

Expectations from capital markets

01

Articulate a highly acceptable growth strategy centered on the growth-driving areas of skin disease and allergens

- Show changes in the percentage of net sales in each area leading to achievement of VISION2030
- Show medium-term outlook in the allergen area centered on growth driver CEDARCURE
- Give fuller explanation of details of investment status and progress during the period of concentrated business investment

(see [Financial Results Briefing for the Fiscal Year Ended December 2024](#) & [Medium-Term Management Plan 2024-2026](#) for details)

02

Show quantitative capital allocation

- Present specific figures and quantitatively display capital allocation occurring from 2023 to 2027 (see [slide 15](#) for details)

03

Clarify and move up the timing of ROE target achievement

- Show the timing for arriving at 5% ROE within the ROE target (8%) achievement process
- Expand explanation of steps and processes aimed at ROE target (8%) achievement (see [slide 13](#) for details)

Update points

AGENDA

- Key points in this disclosure
- **Specific initiatives to improve corporate value**
 - ① **Growth Strategy**
 - ② Improving ROE
 - ③ Capital Allocation
 - ④ Communication with Capital Markets

Maximizing New Drug Uptake, Cultivation and Value in the Growth Period, and New Drug Development Promotion

- Retain three franchise areas (skin disease, allergens, renal disease and hemodialysis)
- Position areas of skin disease and allergens as growth drivers for achieving VISION2030

Skin disease

- ✓ Focus on further market penetration of CORECTIM and value maximization
- ✓ Focus on early market penetration of VTAMA and TO-208
 - ✓ TO-208 expected to launch in 2025 as a treatment for molluscum contagiosum
- ✓ Respond to a range of conditions through rapid launch of developed products, conducting development ahead of market penetration, and adding to our lineup
 - ✓ TO-208 (Intended indication: Common warts)
 - ✓ TO-210 (Intended indication: Acne)

Allergens

- ✓ Pursue new growth in CEDARCURE and MITICURE
- ✓ With CEDARCURE we will continue to steadily implement measures to support a stable supply, and continue limited shipments tracking trends in demand, all while gradually increasing shipment volume in line with the operation of new manufacturing facilities in 2025
- ✓ Conduct development to quickly launch and penetrate the market for sublingual tablet for grass pollen allergies

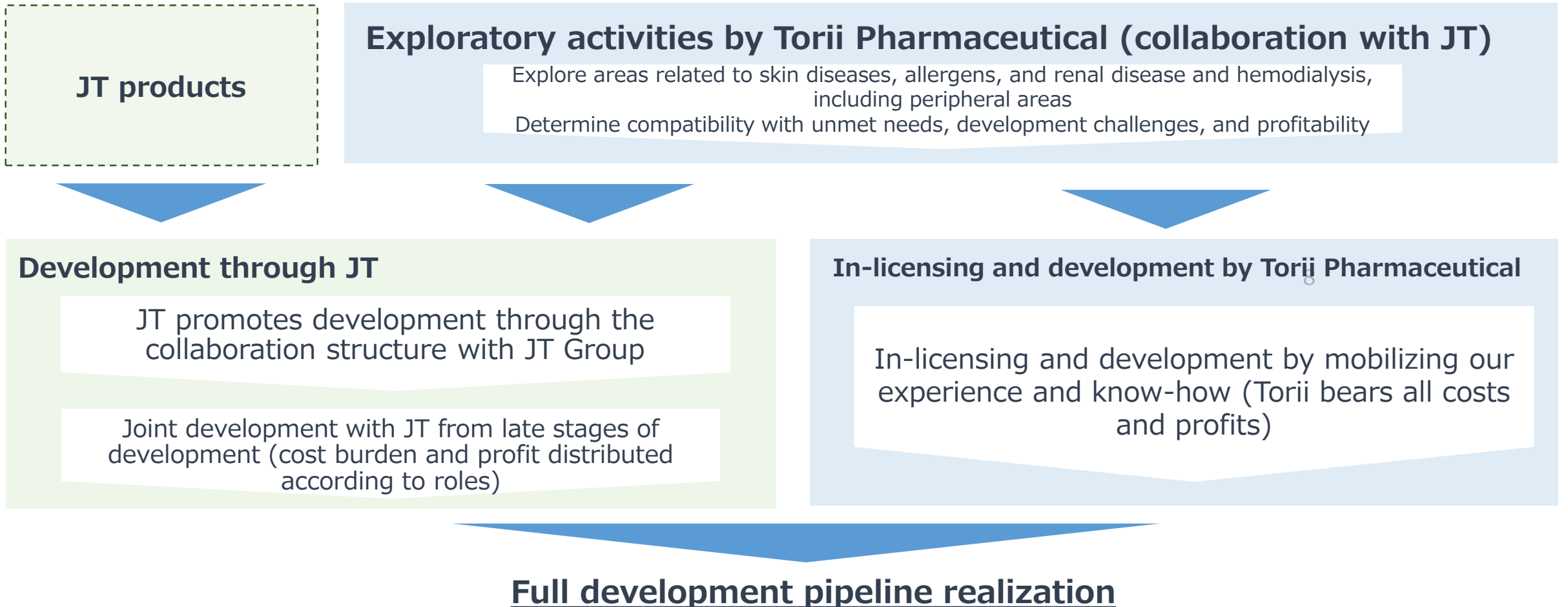
Renal disease and hemodialysis

- ✓ Seek further penetration of Riona and ENALOY, and promote efforts to secure positioning of products in the renal disease and hemodialysis area
- ✓ Continue exploratory and in-licensing activities aimed at pipeline expansion as in both the skin disease and allergen areas

*For details, see [the Financial Results Briefing Material for the Fiscal Year Ended December 2024](#) and [Medium-Term Management Plan2025-2027](#).

Enhancing Development Pipeline through In-licensing

- Aggressive exploratory activities and business investments for a full development pipeline through in-licensing
- Proactively challenge ourselves with our own in-licensing and development efforts, including in peripheral areas, while maintaining focus on the value maximization of current franchise areas



Sources of Our Competitive Edge: Human and Intellectual Capital

- The main sources of our competitiveness in achieving VISION2030 are our human capital, intellectual capital, and unique business model

Human capital

We view “expertise,” “agility” and “collaboration” in our organization and human resources as necessary for achieving VISION2030 and executing business strategy. Human resource development and organizational and environmental improvements all take place based on this approach.

Expertise

Our human resources must have a high level of expertise to seek out and acquire valuable pharmaceuticals and to accurately grasp what is needed in the medical field, help increase the value of the products and effectively deliver them to medical professionals and patients.

Agility

Delivering valuable pharmaceuticals faster to medical professionals and patients, and activities for the timely supply and gathering of suitable information linked directly to frontline medical needs, both demand rapid decision-making with respect to both judgment and action.

Collaboration

Appropriate cooperation with various external organizations and partners is a demand of our business model, which concentrates our resources into core functions of the value chain, and promotes collaboration with external companies possessing high-level expertise, all while flexibly adapting to environment changes. Mutual collaboration between diverse organizations and human resources in-house is another requirement.

Intellectual capital

The expansion of our lineup of valuable new drugs and of our development pipeline is also an important source of our competitive edge.

- ✓ High-level expertise and presence honed over many years in franchise areas, trust-based relationships with medical professionals
- ✓ Lineup of valuable new drugs and development pipeline
- ✓ Concentrated business investment through 2027
- ✓ ¥2,824 million in R&D expenses (fiscal year ended Dec. 2024)

Sources of Our Competitive Edge: Unique Business Model

- The main sources of our competitiveness in achieving VISION2030 are our human capital, intellectual capital, and unique business model

The advantages of our business model

Our unique business model

- ✓ A structure without an in-house factory and with minimal research and development functions
- ✓ Manufacturing and research are covered through collaboration with outside companies with high levels of expertise



Our strengths

- ✓ Along with having a stable profit structure with streamlined management, we can respond agilely and flexibly to changes in and outside the Company
- ✓ By selecting the most suitable partner for each case and flexibly building and strengthening cooperative systems, we maximize the value we deliver to the medical field

The merits of our collaboration structure with JT

Collaborating with JT

- ✓ The two companies develop an integrated value chain and establish an efficient system of collaboration
 - JT handles research and development, while Torii Pharmaceutical is responsible for manufacturing, sales and promotion
 - Costs and profits are shared based on the role played by each company



Benefits we receive

- ✓ Besides doing business using an efficient collaborative system, we can also flexibly and proactively invest in our areas of expertise
- ✓ We can utilize JT's knowledge, know-how, and human resources when seeking new products to in-license, doing evaluation and independent in-licensing, and developing products

Status of Concentrated Business Investment from 2023-2027*1

- The specific amount of investment planned as of the end of 2024 is approx. ¥16 billion (approx. ¥5.5 billion of this has been paid/confirmed)

Major capital investments

Investment	Amount	Initiatives to increase production
Capital investment in API manufacturing for CEDARCURE	Approx. ¥3 billion	Complete and start operating new API manufacturing facility in July 2025, and gradually increase shipment volume from around fall 2025

Main in-licensing and development

		Development schedule	(Ref.) Patients in Japan*2
TO-208 (Molluscum contagiosum)	Total of over ¥12 billion (¥1.6 billion of this has been paid)	Application for marketing approval: Dec. 2024	Molluscum contagiosum: Approx. 20,000
TO-208 (Common warts)		Clinical trials: Scheduled to start in 2025	Viral warts: Approx. 400,000
TO-210 (Acne)		Phase I launched in 2024	Acne: Approx. 500,000
Sublingual tablet for grass pollen		Clinical trials: Scheduled to start in 2025	Grass pollen allergies: --

*1 Only major investments decided upon by Dec. 2024 are listed. The timing of payments will vary on a case-by-case basis. In addition, the amount paid in Japanese yen may vary depending on whether no payment occurs due to development status or the exchange rate at the time of payment.

*2 Source: Ministry of Health, Labour and Welfare's "2023 Patient Survey(Japanese only)" (total number of patients, basic classification of injury/illness). However, data specific to the indication for grass pollen sublingual tablets is not included in the source, and therefore it has not been stated.

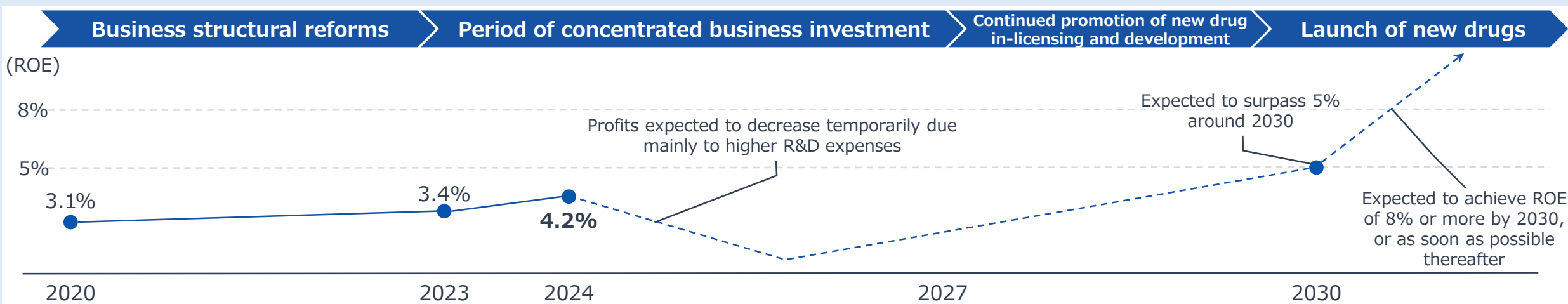
AGENDA

- Key points in this disclosure
- **Specific initiatives to improve corporate value**
 - ① Growth Strategy
 - ② **Improving ROE**
 - ③ Capital Allocation
 - ④ Communication with Capital Markets

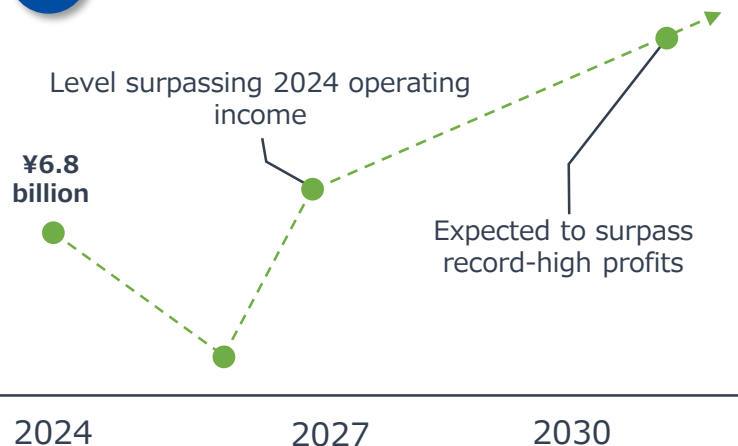
ROE Improvement Process Image

01 ROE improvement process

*Image of ROE improvement based on an assumption of continuation of the same level of shareholder returns as 2024



02 Operating income



- ✓ Due largely to high R&D expenses accompanying pipeline progress, operating income is expected to dip temporarily from 2025
- ✓ From 2027, while research and development will continue, operating income is expected to increase atop efforts to maximize the value of existing products
- ✓ New record-high profits to be within reach in 2030

03 Shareholders' equity

Prior to around 2030

- ✓ Utilize cash reserves to aggressively in-license new drugs
- ✓ Since the depreciation of investments pertaining to in-licensing new drugs will follow product launch, a significant reduction of shareholders' equity cannot be expected

From around 2030 onward

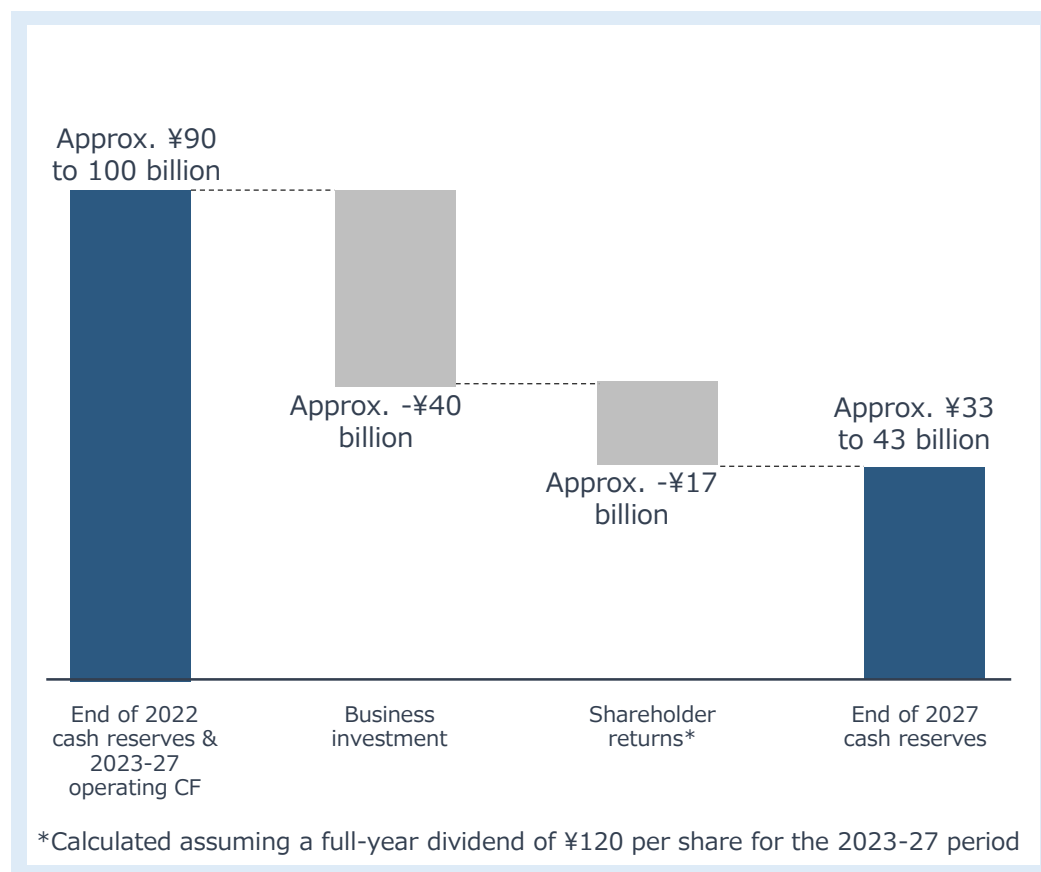
- ✓ Launch of new drugs accompanied by full-scale profit growth and depreciation of investments

AGENDA

- Key points in this disclosure
- **Specific initiatives to improve corporate value**
 - ① Growth Strategy
 - ② Improving ROE
 - ③ **Capital Allocation**
 - ④ Communication with Capital Markets

Capital Allocation

01 2023-2027 Capital allocation



02 Business investment

Position

- ✓ Positioning the years 2023 to 2027 as a period for concentrated business investment, aim to improve medium- to long-term corporate value by “maximizing the value of existing and developing products” and “acquiring new in-licensed products.” Anticipated business investment of around ¥40 billion by the end of 2027
- ✓ This is investment designed to achieve sustainable growth; in the event that future growth accuracy rises in step with investment progress, the total amount of investment may ultimately be less than ¥40 billion

Investment progress as of 2024

- ✓ Approx. ¥16 billion of investment slated as of Dec. 31, 2024 (refer to [slide 11](#) for details)

03 Shareholder returns

- ✓ Refer to [slide 16](#) for details

04 Cash reserves at end of 2027

- To achieve the main goals below, cash reserves must also be maintained at a certain level from 2028 onward
- ✓ Investment capacity required to continue investments such as in-licensing of new drugs and capital investment
 - ✓ Working capital necessary for business operations to meet responsibilities around stable product supplies

Shareholder Return Policy and Dividends

Shareholder return policy

- ✓ Our basic policy for shareholder returns is to provide continuous and stable dividends, with the belief that increasing our corporate value through business investment over the medium to long term will meet the expectations of our shareholders
- ✓ For now, we will use DOE as the shareholder return indicator. In the future, we hope to achieve a level comparable to our competitors (currently around 3.5%). We will regularly evaluate the fullness of our development pipeline, financial status, and other factors, and take a flexible approach to considering further enhancement of shareholder returns, including raising dividend levels
- ✓ Furthermore, with respect to additional shareholder returns including the acquisition of treasury stock, we will explore whether to do so and the scale following consideration of a comprehensive range of factors, such as future outlook, business environment, and investment progress

01 Dividends

■ **Full-year dividend for 2024 and 2025: ¥120(planned)**
(interim dividend ¥60, year-end dividend ¥60)

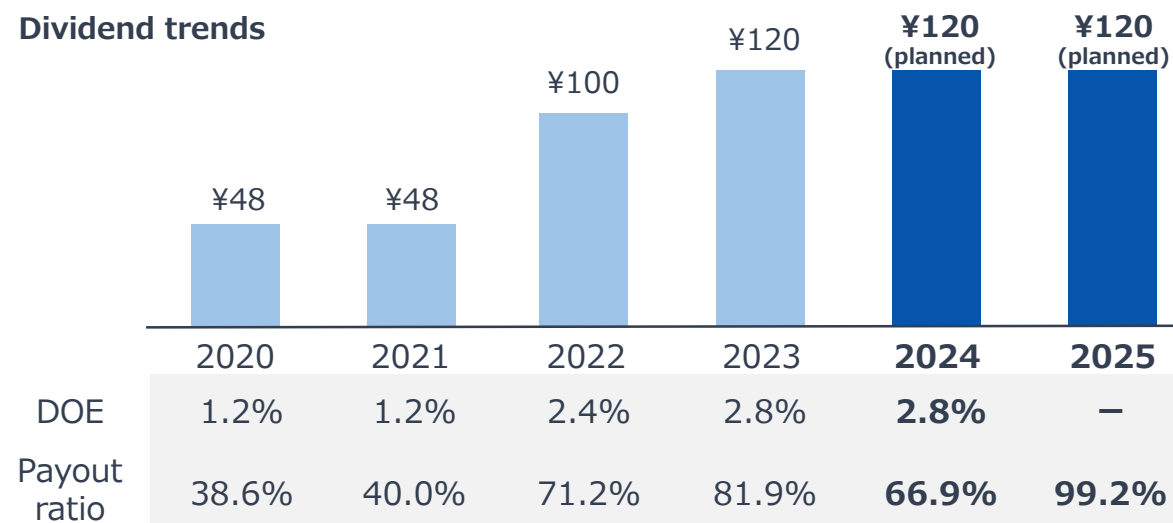
- ✓ The period up to 2027 is set as one of concentrated business investment; aggressive business investment including in-licensing of new drugs remains the policy going forward, and since we need to maintain a certain level of cash reserves for the time being, dividend amounts are to remain at the current level

* From 2025 to 2026, a substantial increase in R&D expenses is expected, with profit projected to temporarily fall below 2024 results. For this reason, if the full-year dividend remains at ¥120, the total amount of profit for the next few years should not considerably exceed the total dividend amounts for the same period. Accordingly, we do not expect cash reserves to increase further at present

* We will consider dividend levels for 2025 and beyond based on our shareholder return policy and evaluation of the fullness of our development pipeline, financial status, and other factors

02 Dividends per share

Dividend trends



DOE	1.2%	1.2%	2.4%	2.8%	2.8%	—
Payout ratio	38.6%	40.0%	71.2%	81.9%	66.9%	99.2%

AGENDA

- Key points in this disclosure
- **Specific initiatives to improve corporate value**
 - ① Growth Strategy
 - ② Improving ROE
 - ③ Capital Allocation
 - ④ **Communication with Capital Markets**

Information Disclosure and Communication with Capital Markets

01 Status of interviews and information sharing

No. of investor interviews in 2024: 48

- ✓ Main respondents to investor interviews are the Executive Deputy President, executive officers and key IR/SR personnel
- ✓ Financial results briefings held twice annually. Participation by the President and CEO and Executive Deputy President, with explanation of financial details and Q&A
- ✓ Integrated Report published in June 2024

02 Status of feedback for Directors

- Report for senior management: 4 times annually
- IR/SR-related discussions by members of the Board of Directors (2024): 4 times

- ✓ Regular submission of reports to Directors and other senior management, including the content of IR/SR activities, matters of interest to capital markets, share price analysis and similar content
- ✓ Regular meetings for confirmation of matters of interest to capital markets and discussion of response measures and IR/SR strategy by Board members

03 Main conversation themes and points of interest

Recognition of high interest in pathway to achieving VISION2030, ROE improvement and policy for utilization of cash reserves

- ✓ Clear medium- to long-term strategy
- ✓ Future outlook regarding CEDARCURE
- ✓ Investment progress and content during the concentrated investment period (2023-2027)
- ✓ Pathway to improving capital efficiency and details regarding capital allocation

04 Conversation outcomes

<u>Topics</u>	<u>Initiatives</u>
Disclosure of clear growth strategy	Presentation of investment progress and content during the concentrated investment period; presentation of medium- to long-term outlook for CEDARCURE
Disclosure related to improvement in capital efficiency and utilization of cash reserves	Presentation of pathways to improving ROE and quantitative capital allocation
Information sharing	Integrated report publication and robust financial results briefing materials

Important Notice

The performance forecasts and other forward-looking statements in this document are based on information available as of the date of publication of this document. They contain risks and uncertainties. The Company offers no guarantee that it will achieve these forecasts.

Please be aware that actual business results may vary significantly from these forecasts based on a number of factors. Further, regardless of new information, future events or other results, the Company may not revise or update its forecasts.

While information about pharmaceuticals (including those in development) is included here, it is not intended as an advertisement or medical advice.

[Contact information]

Corporate Planning Dept., Torii Pharmaceutical Co., Ltd.

Phone: 03-3231-6811

E-mail: webmaster@torii.co.jp



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.