

Pharmaceutical business



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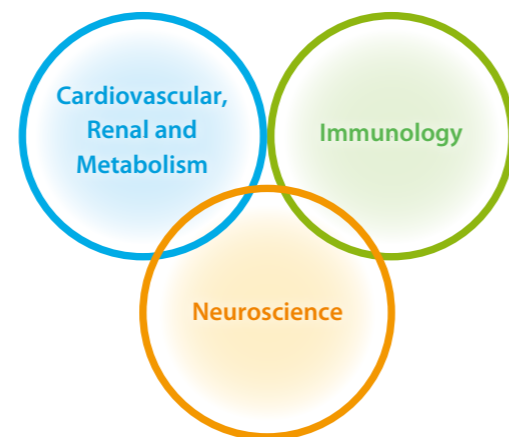
Quoting our business’s Purpose, “Respecting science, technology and people, we will contribute to patients’ lives” as we pursue research and development. We are proud to have received manufacturing and marketing approval in Japan for CORECTIM® Ointment 0.5% and 0.25% for indications of atopic dermatitis, and ENAROY® Tablets 2 mg and 4 mg for the treatment of anemia associated with chronic kidney disease. We will continue making steady progress with R&D to help ensure sustainable profit growth.

Purpose **Respecting science, technology and people, we will contribute to patients’ lives**

Pharmaceutical business basic strategy

- We focus our pharmaceutical business on contribution to stable profits for the entire Group. Its basic strategies are:
- Relentless pursuit of better drug discovery;
 - Focus on R&D investment for next-generation strategic products and out-licensing them with optimal timing; and
 - Maximizing the value of each product.

The pharmaceutical business focuses its R&D on these areas: Cardiovascular, Renal and Metabolism (CVRM); immunology; and neuroscience.

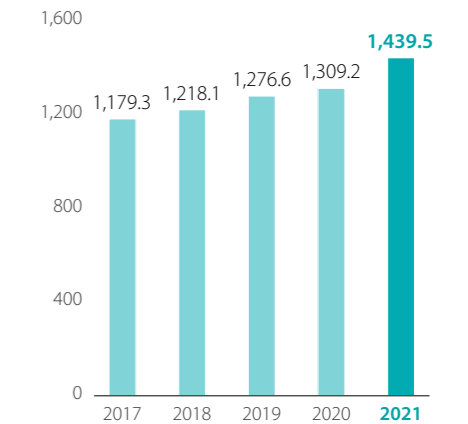


Business environment

SWOT analysis of the pharmaceutical business



Worldwide pharmaceutical market* (USD BN)



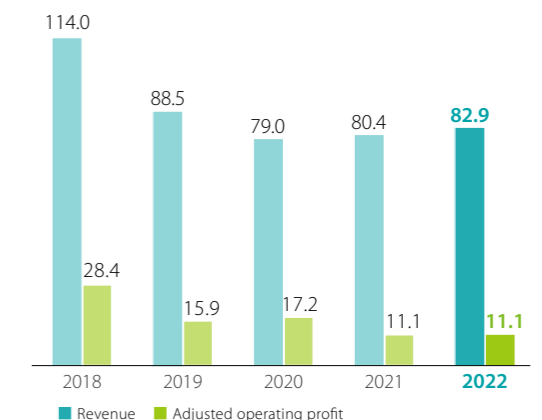
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Performance over the last five years

Revenue grew by 3.1% year on year, driven by top-line growth at consolidated subsidiary Torii Pharmaceutical and partially offset by a decrease in overseas royalty income. Torii Pharmaceutical reported major growth in sales of drugs for skin diseases and allergies, leading its top-line growth.

Adjusted operating profit grew by 0.5% year on year as a result of increased R&D costs offsetting revenue increases.

Revenue and adjusted operating profit (JPY BN)



Pharmaceutical business

Sustainability initiatives through business activities

Case study: Developing original drugs to help people recover from disease

Our pharmaceutical business's sustainability strategy designates "products and services" as one of the focus areas. We aim to create innovative, original drugs to support patients in the shortest time possible. We continue to make further strides in new drug R&D through ongoing investment in three specific therapeutic areas: Cardiovascular, Renal and Metabolism (CVRM); immunology; and neuroscience. In 2022, we invested 29.8 billion yen in R&D. Our clinical development as of February 14, 2023, can be found [here](#).

As a result of our initiatives, in Japan we launched ENAROY® Tablets 2 mg and 4 mg (generic name: enarodustat) for an indication of anemia associated with chronic kidney disease, and CORECTIM® Ointment 0.5% (generic name: delgocitinib) for an indication of atopic dermatitis in 2020, as well as

CORECTIM® Ointment 0.25% for pediatric patients with atopic dermatitis in 2021.

From the beginning, we had developed CORECTIM® ointment for pediatric patients in mind since atopic dermatitis is common among not only adults but also children. In 2022 we completed all clinical trials in Japan with atopic dermatitis patients under two years of age, and revised supplemental documentation in January 2023 supporting extended application of the drug to infants. To enrich the lives of people of all ages suffering from health issues and their families, we will continue to seek and develop original drugs that can be used safely and with peace of mind.



Our sustainability strategy and focus areas

For the pharmaceutical business, we selected three focus areas and set five specific targets for them in 2019, and have been reporting on progress every year. For details see "KPI progress."

KPI progress



Products and services

Aspirational goals

We will create innovative, original drugs to support patients in the shortest time possible. As this business has a direct impact on human health and life, we not only strictly comply with all laws, regulations, and industry standards, but are also guided by a strong sense of ethics and responsibility. This is particularly the case in areas such as clinical trials and promoting drugs, as well as animal experiments and managing chemical substances.



Investing in people

Aspirational goals

We will strive to nurture talent development which enables us to create first-in-class (FIC) drugs. We strictly adhere to specific processes to ensure that our pharmaceutical business activities are always carried out in a responsible and appropriate way. We provide e-learning to help employees

understand the importance of drug safety and quality assurance. All of the employees in our pharmaceutical business complete a mandatory e-learning course every year. We also have an internal educational activity to foster employees' ethical awareness and sense of responsibility towards saving patients.

Product safety and responsibility

Aspirational goals

We will strictly comply with all relevant laws, regulations, and industry standards in order to deliver safe drugs to patients. We have developed our own guidelines on how to conduct annual inspections to ensure that our production methods fully comply with government recommendations. We started annual inspections in accordance with these guidelines in 2017. Since 2018, we have been operating inspections at all of our contracted factories. We will continue to operate these guidelines. We also have our own standard on the ethical promotion of prescription drugs,

based on the guidelines on sales information provision activities by the Ministry of Health, Labour and Welfare. Medical Representatives of our subsidiary company Torii Pharmaceutical Co., Ltd. provide and gather information on pharmaceutical drugs to/from medical professionals appropriately, and regularly participate in training programs to ensure adherence to these guidelines. Through internal communication, we provide relevant and detailed information to our Medical Representatives to keep them up to date with the latest guidelines.

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