

Financial Results for the First Six Months of Fiscal Year Ending December 2017

I Summary Information	P.1
① Financial Results	P.1
② Financial Conditions	P.1
II Financial Results for the First Six Months of FY2017	P.2
① Statement of Income	P.2
② Sales of Products	P.4
③ Balance Sheet	P.5
④ Statement of Cash Flows	P.6
⑤ Capital Expenditures	P.7
⑥ Depreciation/Amortization	P.7
⑦ Research and Development	P.7
III Financial Forecasts for the FY2017	P.8
① Statement of Income	P.8
② Sales of Products	P.10
③ Capital Expenditures	P.11
④ Depreciation/Amortization	P.11
⑤ Dividends	P.11
【Important notes on forward-looking statements】	P.11

※ This material is prepared based on Japan GAAP.

※ Amounts are rounded down to the nearest million yen.

July 27, 2017



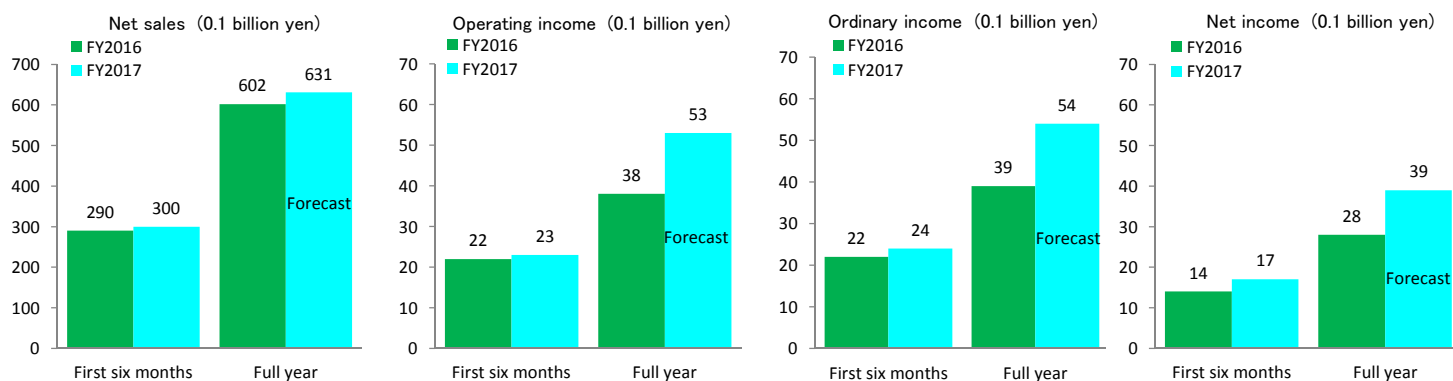
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2017 have been changed from the previous forecasts announced at the FY2016 financial results announcement on February 2, 2017.

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A	FY2016 Full year	FY2017 revised forecast	Progress ratio (%) B/C
	First six months A	First six months B	First six months C						
Net sales	29,013	30,090	60,206	63,100	1,076	3.7	60,206	63,100	47.7
Operating income	2,217	2,371	3,819	5,300	154	7.0	3,819	5,300	44.7
Ordinary income	2,291	2,413	3,999	5,400	121	5.3	3,999	5,400	44.7
Net income	1,483	1,761	2,839	3,900	277	18.7	2,839	3,900	45.2
(Reference)									
R&D expenses	2,038	2,222	4,654	4,670	184	9.0	4,654	4,670	47.6
Earnings per share (EPS) (¥)	52.43	62.78	100.41	139.04	10.35		100.41	139.04	
Return on equity (ROE) (%)	1.8	2.1	3.4	-	0.3		3.4	-	
Ratio of ordinary income to total assets (%)	2.3	2.4	4.1	-	0.1		4.1	-	
Ratio of operating income to net sales (%)	7.6	7.9	6.3	-	0.3		6.3	-	
Return on assets (ROA) (%)	1.5	1.8	2.9	-	0.3		2.9	-	



② Financial Conditions

(Millions of Yen)	December 31,		June 30,		Change B-A	Change (%) (B-A)/A
	2016 A	2017 B	2017 C			
Total assets	98,525	98,785	98,785	260	0.3	
Total equity	83,556	84,692	84,692	1,136	1.4	
Equity ratio (%)	84.8	85.7	85.7	0.9		
Book value per share (BPS) (¥)	2,978.80	3,019.24	3,019.24	40.44		

II Financial Results for the First Six Months of FY2017

① Statement of Income

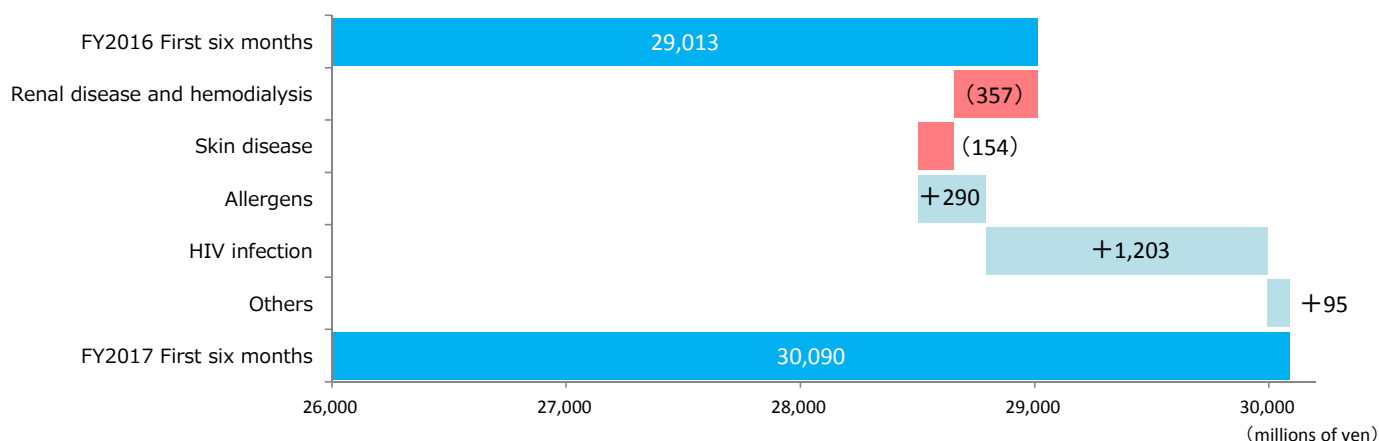
<i>(Millions of Yen)</i>	FY2016	FY2017	Change <i>B-A</i>	Change (%) <i>(B-A)/A</i>
	First six months <i>A</i>	First six months <i>B</i>		
Net sales	29,013	30,090	1,076	3.7
Sales of products	28,735	29,603	867	3.0
Renal disease and hemodialysis	12,231	11,874	(357)	(2.9)
Skin disease	4,951	4,796	(154)	(3.1)
Allergens	616	907	290	47.1
HIV infection	8,074	9,277	1,203	14.9
Other	2,861	2,748	(113)	(4.0)
Other sales	277	486	208	75.2
Cost of sales	14,155	14,773	618	4.4
Cost of products sold	14,124	14,746	622	4.4
Other cost	30	26	(3)	(12.2)
Gross profit	14,858	15,316	458	3.1
Selling, general and administrative expenses	12,640	12,944	303	2.4
R&D expenses	2,038	2,222	184	9.0
Others	10,602	10,721	119	1.1
Operating income	2,217	2,371	154	7.0
Non-operating income	74	48	(26)	–
Non-operating expenses	1	6	5	–
Ordinary income	2,291	2,413	121	5.3
Extraordinary loss	15	19	4	–
Income before income taxes	2,275	2,393	117	5.2
Income taxes	792	632	(159)	–
Net income	1,483	1,761	277	18.7

(Reference) Ratio to net sales

<i>(%)</i>	FY2016	FY2017	Change <i>B-A</i>
	First six months <i>A</i>	First six months <i>B</i>	
Cost of sales	48.8	49.1	0.3
SG&A	43.6	43.0	(0.6)
R&D expenses	7.0	7.4	0.4
Operating income	7.6	7.9	0.3
Ordinary income	7.9	8.0	0.1
Net income	5.1	5.9	0.8

【Factors in increase/decrease compared with the same term of the last fiscal year】

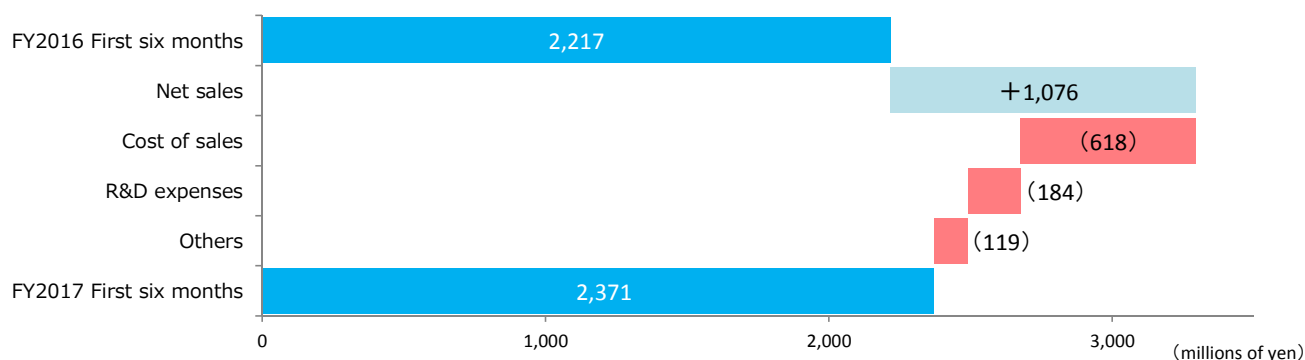
Net Sales (¥30,090 million : Increase ¥1,076 million year-on-year)



Major factors in increase/decrease

Sales of products	: Increase with increase in sales quantity Decrease with the drug price revision including market expansion re-pricing implemented on April 1, 2016					
Renal disease and hemodialysis	FUTHAN	Decrease	¥ 248 million	REMITCH	Decrease	¥ 129 million
	URINORM	Decrease	¥ 122 million	Riona	Increase	¥ 204 million
Allergens	CEDARTOLEN	Increase	¥ 172 million			
HIV infection	Descovy	Increase	¥ 3,522 million	Genvoya	Increase	¥ 2,794 million
	Truvada	Decrease	¥ 3,431 million	Stribild	Decrease	¥ 1,642 million
※ For details, please refer to "② Sales of Products" on page 4.						

Operating income (¥2,371 million : Increase ¥154 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase with increase in sales quantity and changes in sales mix among the products	
R&D expenses	: Increase in clinical study expenses (JTE-052) Decrease in clinical study expenses (TO-203 House dust mite induced allergic rhinitis in children)	

Ordinary income (¥2,413 million : Increase ¥121 million year-on-year)

Special remarks: None

Net income (¥1,761 million : Increase ¥277 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First six months A	First six months B	First six months B	First six months A		
Sales of Products	28,735	29,603	29,603	28,735	867	3.0
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	6,696	6,567	6,567	6,696	(129)	(1.9)
Descovy ※3 Antiviral agent for HIV [HIV infection]	–	3,522	3,522	–	3,522	–
ANTEBATE ※1 Topical corticosteroid [Skin disease]	3,166	3,104	3,104	3,166	(61)	(1.9)
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	2,635	2,840	2,840	2,635	204	7.8
Truvada Antiviral agent for HIV [HIV infection]	6,227	2,796	2,796	6,227	(3,431)	(55.1)
Genvoya ※2 Antiviral agent for HIV [HIV infection]	–	2,794	2,794	–	2,794	–
BIO-THREE Viable bacterial preparations [Other]	1,162	1,189	1,189	1,162	27	2.3
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	1,072	1,010	1,010	1,072	(62)	(5.8)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	1,200	952	952	1,200	(248)	(20.7)
LOCOID ※1 Topical corticosteroid [Skin disease]	710	713	713	710	2	0.4
ZEFNART Topical antifungal agent [Skin disease]	583	602	602	583	19	3.4
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	382	554	554	382	172	45.0
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	626	504	504	626	(122)	(19.5)
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	525	499	499	525	(25)	(4.8)
Stribild Antiviral agent for HIV [HIV infection]	1,731	89	89	1,731	(1,642)	(94.8)
Others	2,014	1,861	1,861	2,014	(152)	(7.6)

※1 In-house products

※2 Launched on July 8, 2016

※3 Launched on January 27, 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First six months A	First six months B	First six months B	First six months A		
Sales of in-house products	8,032	7,777	7,777	8,032	(255)	(3.2)
Ratio of in-house product sales (%)	28.0	26.3	26.3	28.0	(1.7)	–

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2016 A	June 30, 2017 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (June 30, 2017)
Current assets	80,123	80,428	304	0.4	81.4
Cash and deposits	22,393	17,596	(4,796)		
Deposits in the cash management system	7,091	4,321	(2,770)		
Notes and accounts receivable-trade	26,560	26,537	(23)		
Short-term investment securities	11,102	19,212	8,109		
Inventories	10,606	10,259	(347)		
Others	2,368	2,501	133		
Noncurrent assets	18,401	18,357	(44)	(0.2)	18.6
Property, plant and equipment	5,752	5,515	(236)		
Intangible assets	896	850	(46)		
Investments and other assets	11,752	11,991	239		
Investment securities	3,877	4,456	579		
Long-term prepaid expenses	6,486	6,171	(314)		
Others	1,389	1,362	(26)		
Total assets	98,525	98,785	260	0.3	100.0
Current liabilities	13,310	12,433	(877)	(6.6)	12.6
Accounts payable-trade	6,698	6,849	151		
Accounts payable-other	3,178	2,583	(595)		
Income taxes payable	767	758	(8)		
Accrued employees' bonuses	676	683	7		
Others	1,990	1,558	(432)		
Long-term liabilities	1,658	1,659	0	0.1	1.7
Total liabilities	14,969	14,092	(876)	(5.9)	14.3
Shareholders' equity	82,993	84,080	1,087	1.3	85.1
Unrealized gain on available-for-sale securities	558	604	46	8.3	0.6
Subscription rights to shares	4	7	2	57.1	0.0
Total equity	83,556	84,692	1,136	1.4	85.7
Total liabilities and equity	98,525	98,785	260	0.3	100.0

Major factors in increase/decrease

(Current assets)

Short-term

 investment securities : Increase with acquisition of debt securities and money trust

(Noncurrent assets)

Investment securities

: Increase with acquisition of debt securities
Decrease with transfer to short-term investment securities

④ Statement of Cash Flows

(Millions of Yen)	FY2016		FY2017		Change B-A
	First six months		First six months		
	A		B		
Income before income taxes	2,275		2,393		117
Depreciation and amortization of intangible assets	671		593		(77)
Decrease in trade notes and accounts receivable-trade	2,845		23		(2,822)
Decrease (Increase) in inventories	(1,926)		347		2,273
Increase (Decrease) in trade notes and accounts payable-trade	(125)		151		276
Decrease in accounts payable-other	(467)		(476)		(8)
Decrease (Increase) in long-term prepaid expenses	(156)		314		470
Income taxes paid	(1,863)		(692)		1,171
Other-net	(248)		(353)		(104)
Net cash provided by operating activities	1,005		2,302		1,296
Purchases of property, plant and equipment	(188)		(312)		(124)
Purchases of intangible assets	(151)		(134)		16
Other-net	600		(321)		(921)
Net cash used (provided) by investing activities	260		(768)		(1,029)
Net cash used in financing activities	(876)		(792)		83
Net Increase in cash and cash equivalents	390		741		350
Cash and cash equivalents, beginning of period	36,210		38,685		2,475
Cash and cash equivalents, end of period	36,600		39,426		2,826

(※) Cash and cash equivalents consist of cash on hand and in banks without time deposits with maturities more than three months, deposits in the cash management system and marketable securities of which the period from the date of acquisition to the date of redemption is not more than three months.

Major factors in increase/decrease

(Operating activities)

Decrease in trade notes and accounts payable-trade : FY2016 Decrease with decrease in sales

Decrease (Increase) in inventories : FY2016 Increase in inventories of products

⑤ Capital Expenditures

(Millions of Yen)	FY2016	FY2017	Change	Change (%)
	First six months	First six months		
	A	B	B-A	(B-A)/A
Capital expenditures	347	330	(17)	(5.0)
PP&E	252	223	(28)	(11.3)
Intangible assets	95	106	11	11.6

Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities aiming to maintain and improve productivity
 Intangible assets : Investment in software aiming to streamline operations

⑥ Depreciation/Amortization

(Millions of Yen)	FY2016	FY2017	Change	Change (%)
	First six months	First six months		
	A	B	B-A	(B-A)/A
Depreciation and amortization of intangible assets	671	593	(77)	(11.5)
Amortization of long-term prepaid expenses	500	524	23	4.7

⑦ Research and Development

Development code [Product Name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Renal disease and hemodialysis								
JTT-751 [Riona® Tablets]	Iron-deficiency anemia	Oral		Phase II				<ul style="list-style-type: none"> ·Licensing agreement signed with Keryx for development and commercialization of hyperphosphatemia drug in Japan ·Co-development with JT(Additional indication) ·Riona filed by JT has been approved as a treatment of hyperphosphatemia on January 17,2014, and is being promoted and distributed by Torii.
Skin disease								
JTE-052	Atopic dermatitis	Topical			Phase III			<ul style="list-style-type: none"> ·JT's original compound ·Licensing agreement signed with JT for development and commercialization
	Atopic dermatitis in children	Topical		Phase II				<ul style="list-style-type: none"> ·JT's original compound ·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"> ·Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan ·In-house ※Examining the future development policy
	House dust mite induced allergic rhinitis in children (Allergen Immunotherapy)	Sublingual tablet				Application		<ul style="list-style-type: none"> ·Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan ·In-house ·NDA filing by Torii on March 24, 2017
TO-206	Japanese cedar pollinosis (Allergen Immunotherapy)	Sublingual tablet				Application		<ul style="list-style-type: none"> ·In-house ·NDA filing by Torii on December 25, 2015

Updates since the previous announcement on April 27, 2017

·Two programs have entered into the clinical stage in Japan JTE-052(Phase III) and JTE-052(Phase II ,children)

More information is available at the following website:

http://www.torii.co.jp/en/release/2016/20160810_E.pdf

III Financial Forecasts for the FY2017

The forecasts for the FY2017 have been changed from the previous forecasts announced at the FY2016 financial results announcement on February 2, 2017.

① Statement of Income

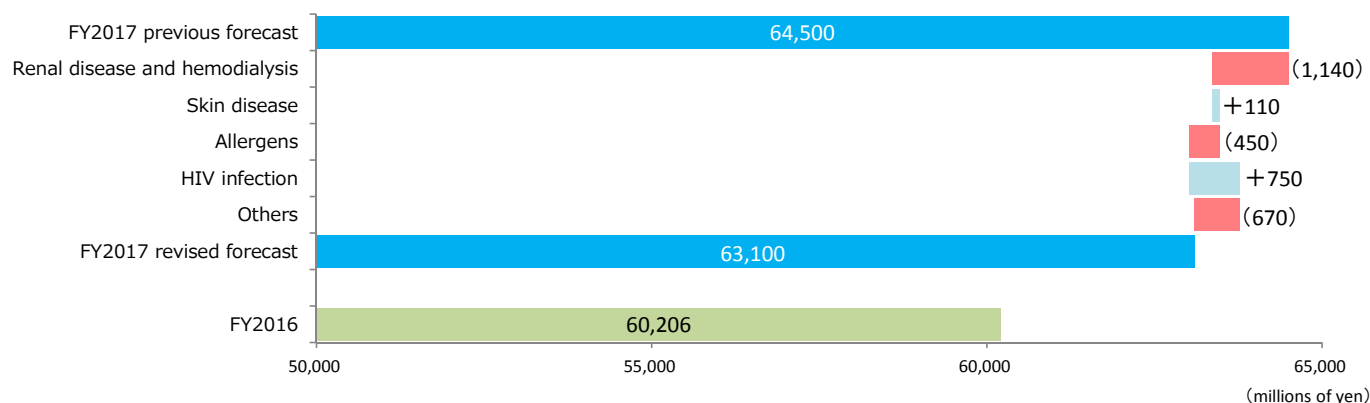
<i>(Millions of Yen)</i>	FY2017	FY2017	Change	FY2016	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Net sales	64,500	63,100	(1,400)	60,206	2,893	4.8
Sales of products	62,900	62,100	(800)	59,620	2,479	4.2
Renal disease and hemodialysis	26,400	25,260	(1,140)	25,141	118	0.5
Skin disease	9,490	9,600	110	9,811	(211)	(2.2)
Allergens	2,450	2,000	(450)	1,485	514	34.6
HIV infection	18,660	19,410	750	17,225	2,184	12.7
Other	5,900	5,830	(70)	5,956	(126)	(2.1)
Other sales	1,600	1,000	(600)	586	413	70.6
Cost of sales	31,700	30,800	(900)	30,287	512	1.7
Gross profit	32,800	32,300	(500)	29,919	2,380	8.0
SG&A	27,500	27,000	(500)	26,099	900	3.4
R&D expenses	4,820	4,670	(150)	4,654	15	0.3
Others	22,680	22,330	(350)	21,445	884	4.1
Operating income	5,300	5,300	—	3,819	1,480	38.8
Ordinary income	5,400	5,400	—	3,999	1,400	35.0
Net income	3,900	3,900	—	2,839	1,060	37.3

(Reference) Ratio to net sales

<i>(%)</i>	FY2017	FY2017	Change	FY2016	Change
	previous forecast	revised forecast			
	A	B	B-A	C	B-C
Cost of sales	49.1	48.8	(0.3)	50.3	(1.5)
SG&A	42.7	42.8	0.1	43.4	(0.6)
R&D expenses	7.5	7.4	(0.1)	7.7	(0.3)
Operating income	8.2	8.4	0.2	6.3	2.1
Ordinary income	8.4	8.6	0.2	6.6	2.0
Net income	6.0	6.2	0.2	4.7	1.5

[Factors in increase/decrease compared with the previous forecast for the FY2017]

Net sales (¥63,100 million : Decrease ¥1,400 million)

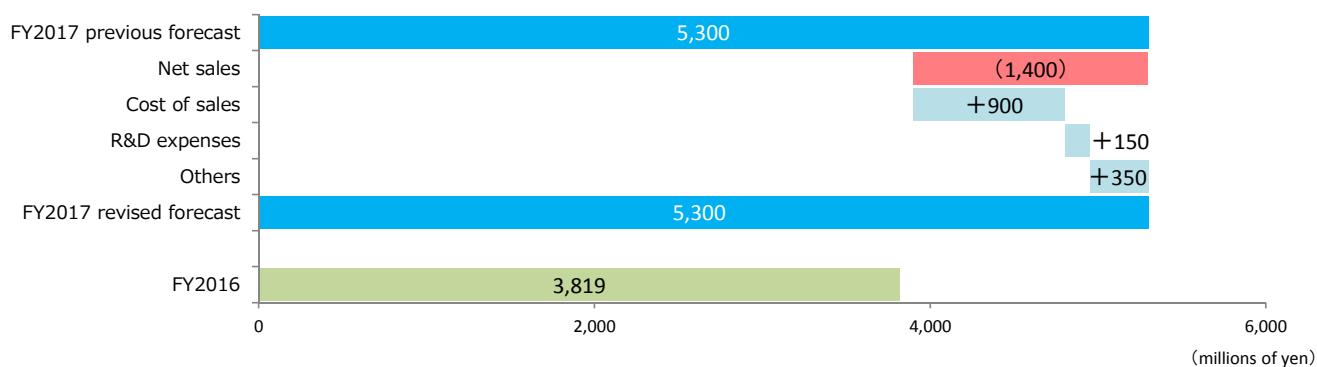


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Decrease ¥ 1,310 million	REMITCH	Increase ¥ 350 million
HIV infection	: Descovy	Increase ¥ 2,230 million	Genvoya	Increase ¥ 240 million
	: Truvada	Decrease ¥ 1,460 million	Stribild	Decrease ¥ 260 million
Others	: Commission income	Decrease ¥ 550 million		

※ For details, please refer to "② Sales of Products" on page 10.

Operating income (¥5,300 million : No modification)



Major factors in increase/decrease

Cost of sales	: Decrease in net sales
Others	: Decrease with cost reduction

Ordinary income (¥5,400 million : No modification)

Special remarks: None

Net income (¥3,900 million : No modification)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change (%)
	previous forecast A	revised forecast B				
Sales of Products	62,900	62,100	(800)	59,620	2,479	4.2
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,600	13,950	350	13,645	304	2.2
Descovy ※3 Antiviral agent for HIV [HIV infection]	6,750	8,980	2,230	–	8,980	–
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	7,550	6,240	(1,310)	5,634	605	10.7
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,030	6,200	170	6,277	(77)	(1.2)
Genvoya ※2 Antiviral agent for HIV [HIV infection]	5,590	5,830	240	1,865	3,964	212.5
Truvada Antiviral agent for HIV [HIV infection]	5,740	4,280	(1,460)	12,754	(8,474)	(66.4)
BIO-THREE Viable bacterial preparations [Other]	2,550	2,460	(90)	2,455	4	0.2
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,150	2,090	(60)	2,178	(88)	(4.1)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,100	1,980	(120)	2,462	(482)	(19.6)
LOCOID ※1 Topical corticosteroid [Skin disease]	1,360	1,380	20	1,352	27	2.0
ZEFNART Topical antifungal agent [Skin disease]	1,360	1,300	(60)	1,275	24	1.9
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	1,260	1,200	(60)	937	262	28.0
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,200	1,150	(50)	1,165	(15)	(1.3)
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,000	1,000	–	1,219	(219)	(18.0)
Stribild Antiviral agent for HIV [HIV infection]	400	140	(260)	2,371	(2,231)	(94.1)
Others	4,260	3,920	(340)	4,023	(103)	(2.6)

※1 In-house products

※2 Launched on July 8, 2016

※3 Launched on January 27, 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change (%)
	previous forecast A	revised forecast B				
Sales of in-house products	16,440	16,000	(440)	16,316	(316)	(1.9)
Ratio of in-house product sales (%)	26.1	25.8	(0.3)	27.4	(1.6)	–

③ Capital Expenditures

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Capital expenditures	1,192	1,257	65	891	365	41.0
PP&E	964	959	(5)	644	314	48.8
Intangible assets	228	298	70	246	51	20.6

Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities aiming to maintain and improve productivity
 Intangible assets : Investment in software aiming to streamline operations

④ Depreciation/Amortization

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Depreciation and amortization of intangible assets	1,240	1,180	(60)	1,339	(159)	(11.9)
Amortization of long-term prepaid expenses	1,056	1,059	3	1,018	40	3.9

⑤ Dividends

		FY2017	FY2017	Change	FY2016	Change	Change (%)
		previous forecast	revised forecast				
		A	B	B-A	C	B-C	(B-C)/C
Dividends per share	※ (¥)	48	48	0	48	0	0.0
Dividends payout ratio	(%)	34.5	34.5	0.0	47.8	(13.3)	—

※ On July 27, 2017, the Board of Directors resolved to pay an interim dividend of 24 yen per share for the FY2017.

【Important notes on forward-looking statements】

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. At the present moment, the following matters may be pointed out as risks or uncertain factors that could affect the Company's future results (but such risks or uncertain factors are not limited to these):

- ◇ Changes in Pharmaceutical and Medical Device Law, Other Acts or Regulations
- ◇ Delay or Discontinuance of Research and Development
- ◇ Drug Price Listing and Revisions
- ◇ Adverse Drug Reactions
- ◇ Stoppage of Product Supply and Product Recall
- ◇ Litigation Risk