

Progress of the “Medium-term Management Plan 2018 (Fiscal 2016-Fiscal 2018)”

In order to overcome changes in the increasingly challenging business environment and achieve sustainable business growth and medium- to long-term improvement in corporate value, the Company has formulated its “medium-term management plan 2018” (announced in February 2016) that covers the three-year period from fiscal 2016 to fiscal 2018, and has engaged in initiatives for the four key issues.

In fiscal 2017, the second year under this medium-term management plan, we steadily implemented the plan as follows:

“(1) Carrying out active business investments aiming for medium- to long-term growth”

We further reinforced and promoted our exploration and in-license activities, working to acquire in-licensed drugs (including alliances) with the potential to become future mainstay products. The major achievement of these efforts was the conclusion in October 2017 of a contract regarding the domestic co-development and commercialization of JTZ-951, an oral HIF-PH inhibitor indicated for renal anemia in clinical development in Japan by Japan Tobacco Inc. (hereinafter “JT”).

JT has signed an exclusive license agreement with EirGen Pharma Limited for the development and commercialization in Japan of calcifediol extended-release capsules (marketed by OPKO Health, Inc. in the U.S. under the brand name “RAYALDEE®”) for the treatment of secondary hyperparathyroidism (SHPT) in chronic kidney disease, and Torii is expected to distribute the product once it is approved.

“(2) Focusing on promoting development as well as maximizing values of mainstay products in each priority area”

In order to maximize the value of mainstay products in each priority area, Torii actively promoted joint development with JT of in-licensed drugs already acquired.

In addition to working to increase market penetration and

expansion of “Riona Tablets”, “CEDARTOLEN SUBLINGUAL DROP - Japanese Cedar Pollen”, “MITICURE House Dust Mite Sublingual Tablets”, “Genvoya Combination Tablets”, and “Descovy Combination Tablets”, we also focused on the prompt market penetration for orally disintegrating tablet, REMITCH, as a new dosage form, which were launched in June 2017, and for which an additional indication of “improving pruritus in peritoneal dialysis patients (use only when sufficient efficacy is not obtained with the existing therapies or treatments)” received approval. We also promoted development, such as co-developing JAK inhibitor, JTE-052 (for topical use in dermatological indications) together with JT. In January 2018, we received initial results from a comparative study performed as part of domestic Phase III clinical trials for atopic dermatitis patients.

“(3) Improving and reinforcing business structure for sustainable growth”

In addition to promotion of company-wide initiatives aimed at improving productivity, we also further strengthened interorganizational coordination and further promoted collaboration and coordination with outside partners such as JT.

“(4) Earning and maintaining the trust of stakeholders”

In order to further enforce compliance, we continuously conducted educational and awareness-raising activities such as study groups in all divisions. We also appropriately implemented measures and information disclosure based on the Corporate Governance Policy formulated in fiscal 2016.

Financial Forecasts for the FY2018

	FY2017 (Billions of Yen)	FY2018 forecast (Billions of Yen)	Change (Billions of Yen)
Net sales	64.1	60.7	(3.4)
Operating income	6.2	3.5	(2.7)
Ordinary income	6.4	3.6	(2.8)
Net income	4.7	2.6	(2.1)

Medium-term Management Plan 2018 Targets

Under the medium-term management plan 2018, we set fiscal year 2018 management targets of ¥62.0 billion in net sales and ¥8.0 billion in operating income (before deduction of research and development costs). However, our fiscal 2018 financial forecast is for net sales of ¥60.7 billion and operating income (before deduction of research and development costs) of ¥8.2 billion. Although there were differences in product structure forecasts, the primary reason for this gap between the net sales target and net sales forecast was the effect of the drastic reform of the drug pricing system, which was not anticipated when the medium-term management plan was formulated.