

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

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- ※ This material is prepared based on Japan GAAP.
- ※ Amounts are rounded down to the nearest million yen.

April 27, 2017



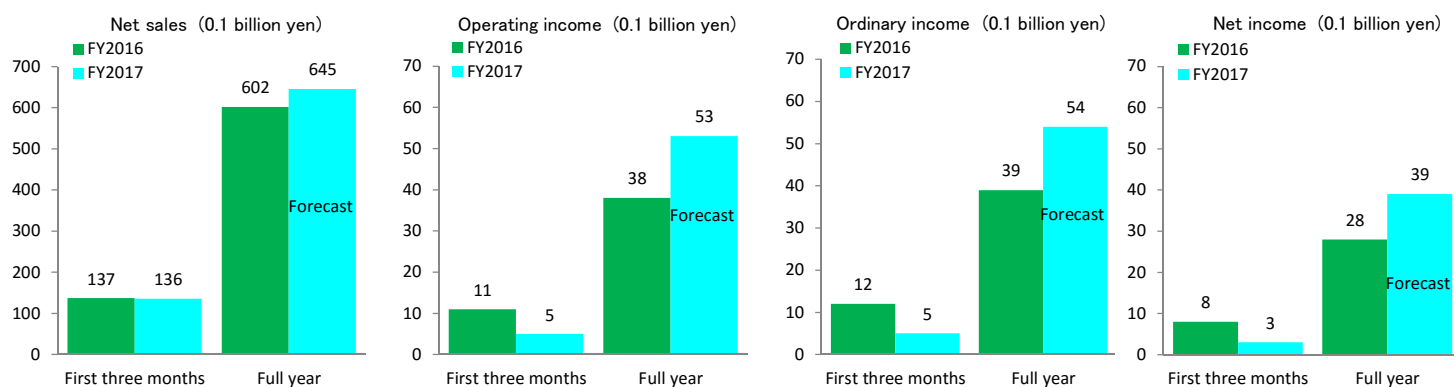
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2017 have not 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 Full year forecast C	Progress ratio (%) B/C
	First three months A	First three months B	Change B-A	Change (%) (B-A)/A					
Net sales	13,740	13,608	(131)	(1.0)	60,206	64,500	21.1		
Operating income	1,184	533	(651)	(54.9)	3,819	5,300	10.1		
Ordinary income	1,223	555	(668)	(54.6)	3,999	5,400	10.3		
Net income	803	388	(414)	(51.6)	2,839	3,900	10.0		
(Reference)									
R&D expenses	1,042	1,152	110	10.6	4,654	4,820	23.9		
Earnings per share (EPS)	(¥)	28.39	13.85	(14.54)	100.41	139.04			
Return on equity (ROE)	(%)	1.0	0.5	(0.5)	3.4	—			
Ratio of ordinary income to total assets	(%)	1.2	0.6	(0.6)	4.1	—			
Ratio of operating income to net sales	(%)	8.6	3.9	(4.7)	6.3	—			
Return on assets (ROA)	(%)	0.8	0.4	(0.4)	2.9	—			



② Financial Conditions

(Millions of Yen)	December 31,		March 31,		Change B-A	Change (%) (B-A)/A
	2016 A	2017 B	2016 A	2017 B		
Total assets	98,525	97,849	(676)	(0.7)		
Total equity	83,556	83,244	(312)	(0.4)		
Equity ratio	(%)	84.8	85.1	0.3		
Book value per share (BPS)	(¥)	2,978.80	2,967.63	(11.17)		

II Financial Results for the First Three Months of FY2017

① Statement of Income

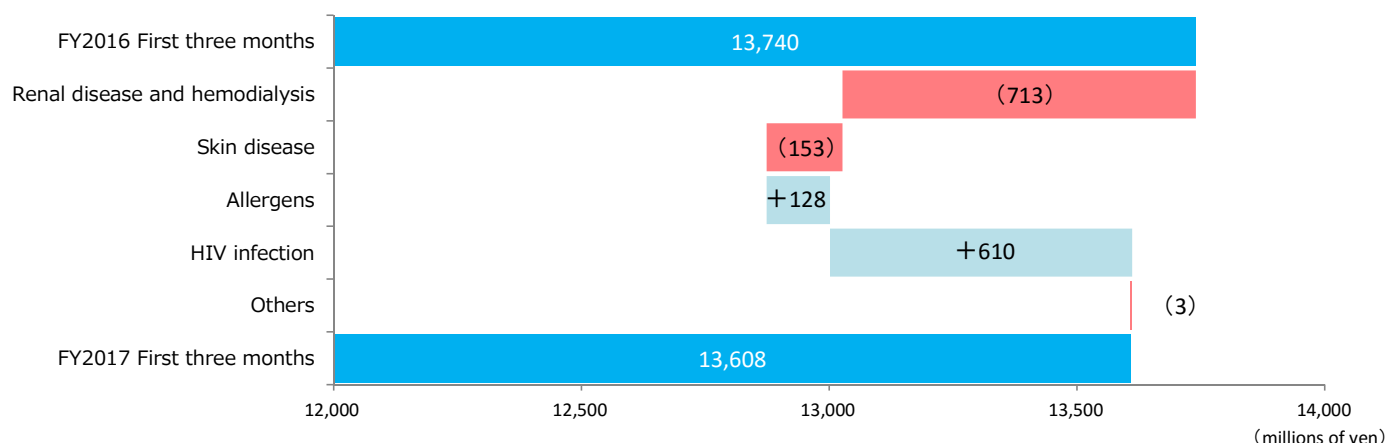
<i>(Millions of Yen)</i>	FY2016	FY2017	Change <i>B-A</i>	Change (%) <i>(B-A)/A</i>
	First three months <i>A</i>	First three months <i>B</i>		
Net sales	13,740	13,608	(131)	(1.0)
Sales of products	13,609	13,382	(227)	(1.7)
Renal disease and hemodialysis	5,829	5,116	(713)	(12.2)
Skin disease	2,299	2,145	(153)	(6.7)
Allergens	302	431	128	42.6
HIV infection	3,761	4,371	610	16.2
Other	1,417	1,317	(99)	(7.0)
Other sales	130	225	95	73.5
Cost of sales	6,475	6,802	326	5.0
Cost of products sold	6,459	6,788	328	5.1
Other cost	15	13	(1)	(12.3)
Gross profit	7,264	6,806	(458)	(6.3)
Selling, general and administrative expenses	6,079	6,272	192	3.2
R&D expenses	1,042	1,152	110	10.6
Others	5,037	5,120	82	1.6
Operating income	1,184	533	(651)	(54.9)
Non-operating income	38	22	(15)	–
Non-operating expenses	0	1	1	–
Ordinary income	1,223	555	(668)	(54.6)
Extraordinary loss	14	16	1	–
Income before income taxes	1,209	539	(670)	(55.4)
Income taxes	405	150	(255)	–
Net income	803	388	(414)	(51.6)

(Reference) Ratio to net sales

<i>(%)</i>	FY2016	FY2017	Change <i>B-A</i>
	First three months <i>A</i>	First three months <i>B</i>	
Cost of sales	47.1	50.0	2.9
SG&A	44.3	46.1	1.8
R&D expenses	7.6	8.5	0.9
Operating income	8.6	3.9	(4.7)
Ordinary income	8.9	4.1	(4.8)
Net income	5.8	2.9	(2.9)

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

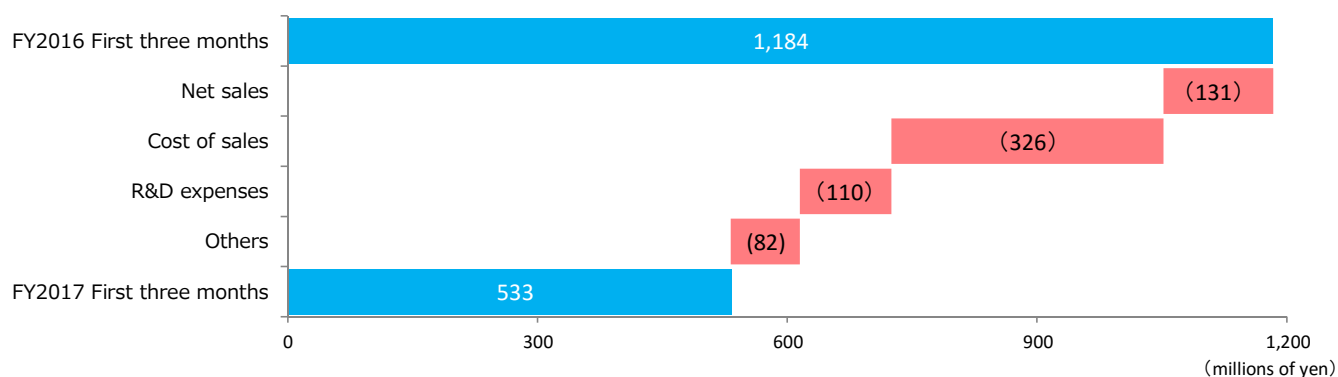
Net Sales (¥13,608 million : Decrease ¥131 million year-on-year)



Major factors in increase/decrease

Sales of products	: Decrease with the drug price revision including market expansion re-pricing implemented on April 1, 2016					
	Increase with increase in sales quantity					
Renal disease and hemodialysis	: REMITCH	Decrease	¥ 502 million	FUTHAN	Decrease	¥ 136 million
HIV infection	: Genvoya	Increase	¥ 1,285 million	Descovy	Increase	¥ 1,199 million
	Stribild	Decrease	¥ 766 million	Truvada	Decrease	¥ 1,092 million
※ For details, please refer to "② Sales of Products" on page 4.						

Operating income (¥533 million : Decrease ¥651 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase with increase in sales quantity
R&D expenses	: Increase in co-development expenses

Ordinary income (¥555 million : Decrease ¥668 million year-on-year)

Special remarks: None

Net income (¥388 million : Decrease ¥414 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First three months A	First three months B	First three months B	First three months A		
Sales of Products	13,609	13,382			(227)	(1.7)
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	3,255	2,753			(502)	(15.4)
Truvada Antiviral agent for HIV [HIV infection]	2,890	1,797			(1,092)	(37.8)
ANTEBATE ※1 Topical corticosteroid [Skin disease]	1,514	1,426			(88)	(5.8)
Genvoya ※2 Antiviral agent for HIV [HIV infection]	–	1,285			1,285	–
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	1,205	1,219			13	1.2
Descovy ※3 Antiviral agent for HIV [HIV infection]	–	1,199			1,199	–
BIO-THREE Viable bacterial preparations [Other]	554	563			8	1.6
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	507	475			(31)	(6.3)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	560	424			(136)	(24.3)
LOCOID ※1 Topical corticosteroid [Skin disease]	338	336			(2)	(0.6)
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	188	271			82	43.8
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	300	242			(57)	(19.0)
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	237	223			(14)	(6.1)
ZEFNART Topical antifungal agent [Skin disease]	209	209			(0)	(0.0)
Stribild Antiviral agent for HIV [HIV infection]	814	48			(766)	(94.1)
Others	1,032	906			(126)	(12.3)

※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 three months A	First three months B	First three months B	First three months A		
Sales of in-house products	3,825	3,631			(194)	(5.1)
Ratio of in-house product sales (%)	28.1	27.1			(1.0)	–

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2016 A	March 31, 2017 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (March 31, 2017)
Current assets	80,123	79,310	(812)	(1.0)	81.1
Cash and deposits	22,393	20,266	(2,127)		
Deposits in the cash management system	7,091	6,477	(614)		
Notes and accounts receivable-trade	26,560	25,060	(1,500)		
Short-term investment securities	11,102	13,706	2,603		
Inventories	10,606	11,205	598		
Others	2,368	2,595	227		
Noncurrent assets	18,401	18,538	136	0.7	18.9
Property, plant and equipment	5,752	5,577	(175)		
Intangible assets	896	884	(12)		
Investments and other assets	11,752	12,076	324		
Investment securities	3,877	4,236	359		
Long-term prepaid expenses	6,486	6,432	(53)		
Others	1,389	1,407	18		
Total assets	98,525	97,849	(676)	(0.7)	100.0
Current liabilities	13,310	13,000	(310)	(2.3)	13.3
Accounts payable-trade	6,698	7,169	471		
Accounts payable-other	3,178	3,055	(122)		
Income taxes payable	767	221	(545)		
Accrued employees' bonuses	676	1,310	634		
Others	1,990	1,242	(748)		
Long-term liabilities	1,658	1,604	(53)	(3.2)	1.6
Total liabilities	14,969	14,605	(364)	(2.4)	14.9
Shareholders' equity	82,993	82,708	(284)	(0.3)	84.5
Unrealized gain on available-for-sale securities	558	529	(28)	(5.1)	0.6
Subscription rights to shares	4	5	1	25.7	0.0
Total equity	83,556	83,244	(312)	(0.4)	85.1
Total liabilities and equity	98,525	97,849	(676)	(0.7)	100.0

Major factors in increase/decrease

(Current assets)

Notes and accounts receivable-trade	: Decrease with decrease in sales
Short-term investment securities	: Increase with acquisition of money trust
Inventories	: Increase in new products

④ Capital Expenditures

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First three months		First three months			
	A	B	A	B		
Capital expenditures	136	128			(8)	(6.2)
PP&E	73	56			(17)	(23.8)
Intangible assets	62	72			9	14.4

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

⑤ Depreciation/Amortization

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First three months		First three months			
	A	B	A	B		
Depreciation and amortization of intangible assets	347	299			(48)	(13.9)
Amortization of long-term prepaid expenses	251	262			11	4.4

⑥ 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 Riona filed by JT has been approved as a treatment of hyperphosphatemia on January 17, 2014, and is being promoted and distributed by Torii.
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 February 2, 2017

·TO-203(MITICURE® House Dust Mite Sublingual Tablets) NDA filing for the indication of allergic rhinitis in children by Torii on March 24, 2017.

More information is available at the following website:

http://www.torii.co.jp/en/release/2016/20160810_E.pdf
http://www.torii.co.jp/en/release/2016/20161028_E.pdf

III Financial Forecasts for the FY2017

The forecasts for the FY2017 have not been changed from the previous forecasts announced at the FY2016 financial results announcement on February 2, 2017.

① Statement of Income

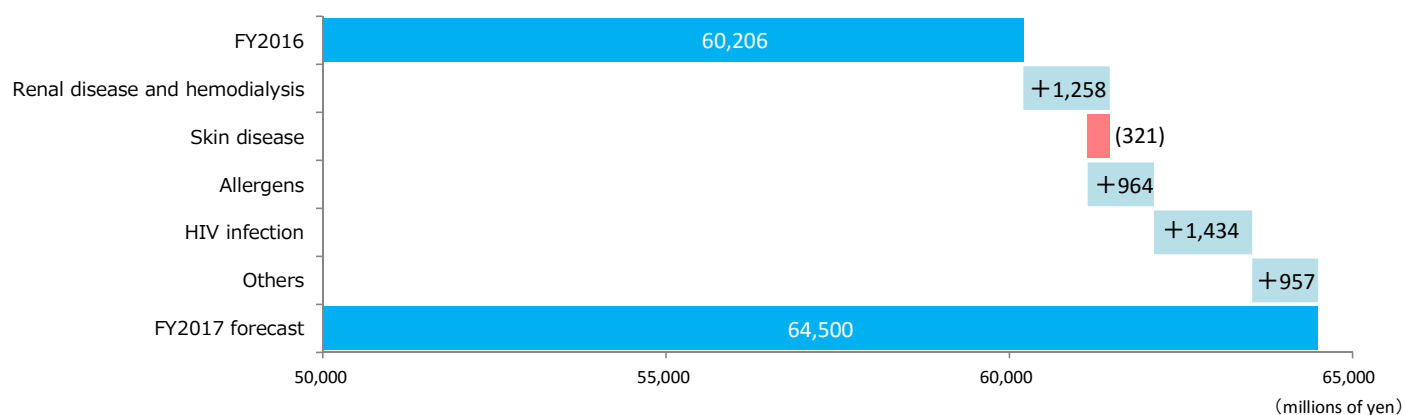
<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Net sales	60,206	64,500	4,293	7.1
Sales of products	59,620	62,900	3,279	5.5
Renal disease and hemodialysis	25,141	26,400	1,258	5.0
Skin disease	9,811	9,490	(321)	(3.3)
Allergens	1,485	2,450	964	64.9
HIV infection	17,225	18,660	1,434	8.3
Other	5,956	5,900	(56)	(0.9)
Other sales	586	1,600	1,013	173.0
Cost of sales	30,287	31,700	1,412	4.7
Gross profit	29,919	32,800	2,880	9.6
SG&A	26,099	27,500	1,400	5.4
R&D expenses	4,654	4,820	165	3.6
Others	21,445	22,680	1,234	5.8
Operating income	3,819	5,300	1,480	38.8
Ordinary income	3,999	5,400	1,400	35.0
Net income	2,839	3,900	1,060	37.3

(Reference) Ratio to net sales

<i>(%)</i>	FY2016	FY2017 forecast	Change
	A	B	B-A
Cost of sales	50.3	49.1	(1.2)
SG&A	43.4	42.7	(0.8)
R&D expenses	7.7	7.5	(0.2)
Operating income	6.3	8.2	1.9
Ordinary income	6.6	8.4	1.8
Net income	4.7	6.0	1.3

[Factors in increase/decrease compared with the FY2016]

Net sales (¥ 64,500 million : Increase ¥ 4,293 million year-on-year)

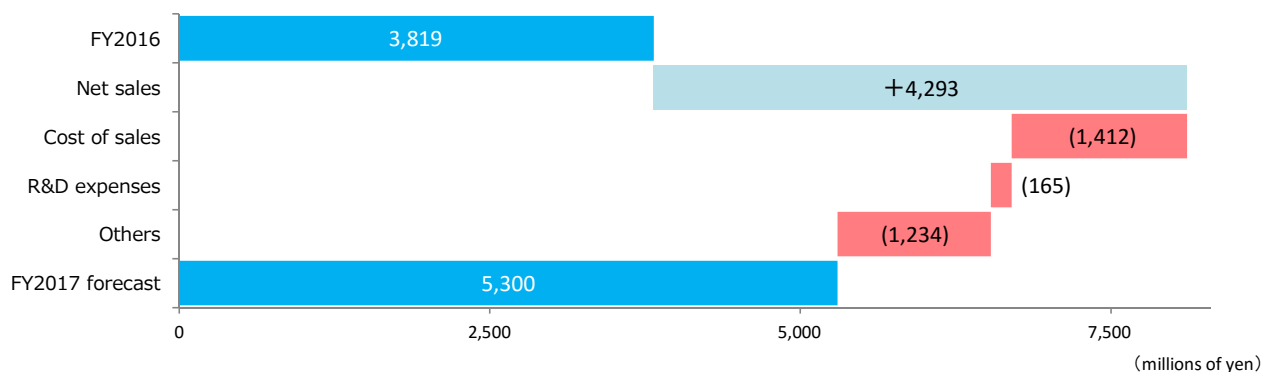


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Increase	¥ 1,915 million	FUTHAN	Decrease	¥ 362 million
Skin disease	: ANTEBATE	Decrease	¥ 247 million			
Allergens	: CEDARTOLEN	Increase	¥ 322 million			
HIV infection	: Descovy	Increase	¥ 6,750 million	Genvoya	Increase	¥ 3,724 million
	: Truvada	Decrease	¥ 7,014 million	Stribild	Decrease	¥ 1,971 million
Others	: co-promotion fees	Increase	¥ 1,009 million			

※ For details, please refer to "② Sales of Products" on page 9.

Operating income (¥ 5,300 million : Increase ¥ 1,480 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase in net sales
Others	: Increase in sales promotion expenses

Ordinary income (¥ 5,400 million : Increase ¥ 1,400 million year-on-year)

Special remarks: None

Net income (¥ 3,900 million : Increase ¥ 1,060 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of Products	59,620	62,900	3,279	5.5
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,645	13,600	(45)	(0.3)
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	5,634	7,550	1,915	34.0
Descovy ※3 Antiviral agent for HIV [HIV infection]	—	6,750	6,750	—
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,277	6,030	(247)	(3.9)
Truvada Antiviral agent for HIV [HIV infection]	12,754	5,740	(7,014)	(55.0)
Genvoya ※2 Antiviral agent for HIV [HIV infection]	1,865	5,590	3,724	199.6
BIO-THREE Viable bacterial preparations [Other]	2,455	2,550	94	3.9
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,178	2,150	(28)	(1.3)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,462	2,100	(362)	(14.7)
LOCOID ※1 Topical corticosteroid [Skin disease]	1,352	1,360	7	0.5
ZEFNART Topical antifungal agent [Skin disease]	1,275	1,360	84	6.6
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	937	1,260	322	34.4
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,165	1,200	34	2.9
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,219	1,000	(219)	(18.0)
Stribild Antiviral agent for HIV [HIV infection]	2,371	400	(1,971)	(83.1)
Others	4,023	4,260	236	5.9

※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 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of in-house products	16,316	16,440	123	0.8
Ratio of in-house product sales (%)	27.4	26.1	(1.3)	—

③ Capital Expenditures

<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Capital expenditures	891	1,192	300	33.7
PP&E	644	964	319	49.5
Intangible assets	246	228	(18)	(7.7)

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

<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Depreciation and amortization of intangible assets	1,339	1,240	(99)	(7.4)
Amortization of long-term prepaid expenses	1,018	1,056	37	3.6

⑤ Dividends

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

【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