

Financial Results for the First Nine 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.

October 26, 2017



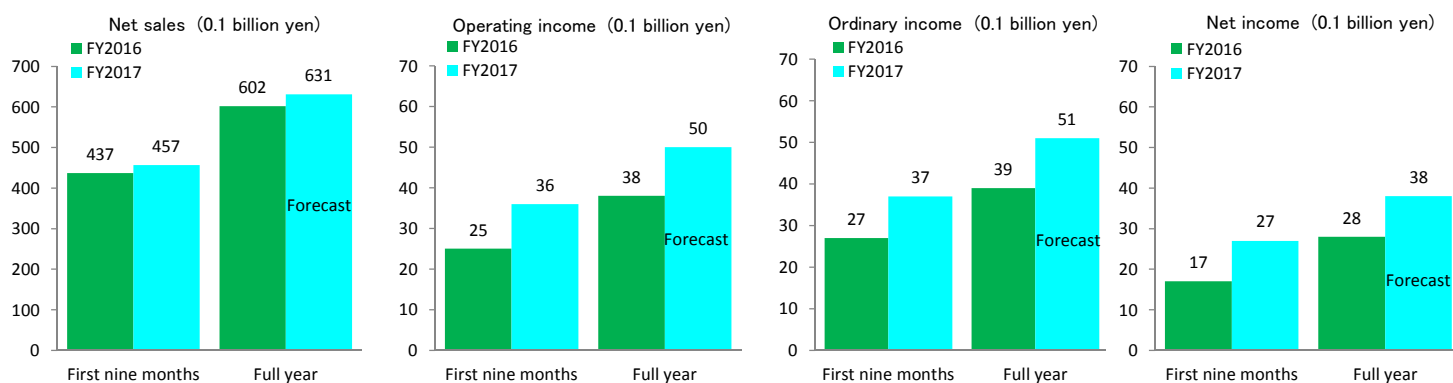
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2017 have been changed from the previous forecasts announced at the first six months of FY2017 financial results announcement on July 27, 2017.

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A	FY2016 Full year	FY2017 revised forecast	Progress ratio (%) B/C
	First nine months A	First nine months B	First nine months B	First nine months C					
Net sales	43,768	45,726	45,726	63,100	1,957	4.5	60,206	63,100	72.5
Operating income	2,574	3,660	3,660	5,000	1,085	42.2	3,819	5,000	73.2
Ordinary income	2,713	3,735	3,735	5,100	1,021	37.6	3,999	5,100	73.2
Net income	1,755	2,771	2,771	3,800	1,016	57.9	2,839	3,800	72.9
(Reference)									
R&D expenses	3,577	3,516	3,516	4,880	(60)	(1.7)	4,654	4,880	72.1
Earnings per share (EPS) (¥)	62.04	98.83	98.83	135.48	36.79		100.41	135.48	
Return on equity (ROE) (%)	2.1	3.3	3.3	-	1.2		3.4	-	
Ratio of ordinary income to total assets (%)	2.8	3.8	3.8	-	1.0		4.1	-	
Ratio of operating income to net sales (%)	5.9	8.0	8.0	-	2.1		6.3	-	
Return on assets (ROA) (%)	1.8	2.8	2.8	-	1.0		2.9	-	



② Financial Conditions

(Millions of Yen)	December 31,		Change B-A	Change (%) (B-A)/A
	2016 A	September 30, 2017 B		
Total assets	98,525	100,362	1,837	1.9
Total equity	83,556	85,025	1,468	1.8
Equity ratio (%)	84.8	84.7	(0.1)	
Book value per share (BPS) (¥)	2,978.80	3,031.04	52.24	

II Financial Results for the First Nine Months of FY2017

① Statement of Income

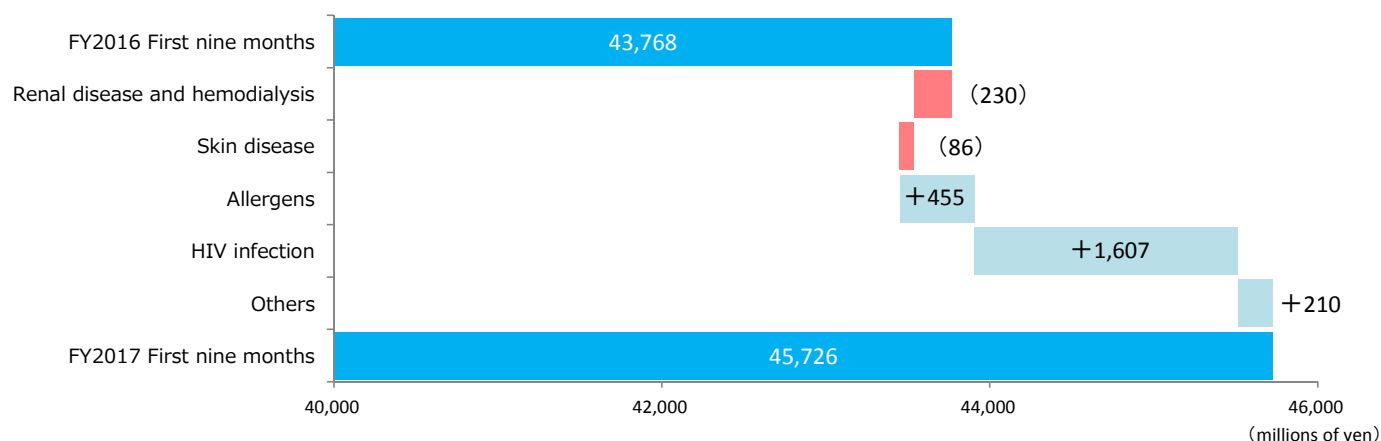
<i>(Millions of Yen)</i>	FY2016	FY2017	Change <i>B-A</i>	Change (%) <i>(B-A)/A</i>
	First nine months <i>A</i>	First nine months <i>B</i>		
Net sales	43,768	45,726	1,957	4.5
Sales of products	43,329	44,930	1,600	3.7
Renal disease and hemodialysis	18,226	17,995	(230)	(1.3)
Skin disease	7,321	7,235	(86)	(1.2)
Allergens	982	1,437	455	46.4
HIV infection	12,435	14,043	1,607	12.9
Other	4,364	4,218	(145)	(3.3)
Other sales	439	795	356	81.2
Cost of sales	21,857	22,602	745	3.4
Cost of products sold	21,807	22,561	754	3.5
Other cost	49	40	(9)	(18.8)
Gross profit	21,911	23,123	1,211	5.5
Selling, general and administrative expenses	19,337	19,463	126	0.7
R&D expenses	3,577	3,516	(60)	(1.7)
Others	15,759	15,946	186	1.2
Operating income	2,574	3,660	1,085	42.2
Non-operating income	140	86	(53)	–
Non-operating expenses	1	12	10	–
Ordinary income	2,713	3,735	1,021	37.6
Extraordinary loss	17	20	3	–
Income before income taxes	2,696	3,714	1,017	37.7
Income taxes	941	942	1	–
Net income	1,755	2,771	1,016	57.9

(Reference) Ratio to net sales

<i>(%)</i>	FY2016	FY2017	Change <i>B-A</i>
	First nine months <i>A</i>	First nine months <i>B</i>	
Cost of sales	49.9	49.4	(0.5)
SG&A	44.2	42.6	(1.6)
R&D expenses	8.2	7.7	(0.5)
Operating income	5.9	8.0	2.1
Ordinary income	6.2	8.2	2.0
Net income	4.0	6.1	2.1

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

Net Sales (¥45,726 million : Increase ¥1,957 million year-on-year)

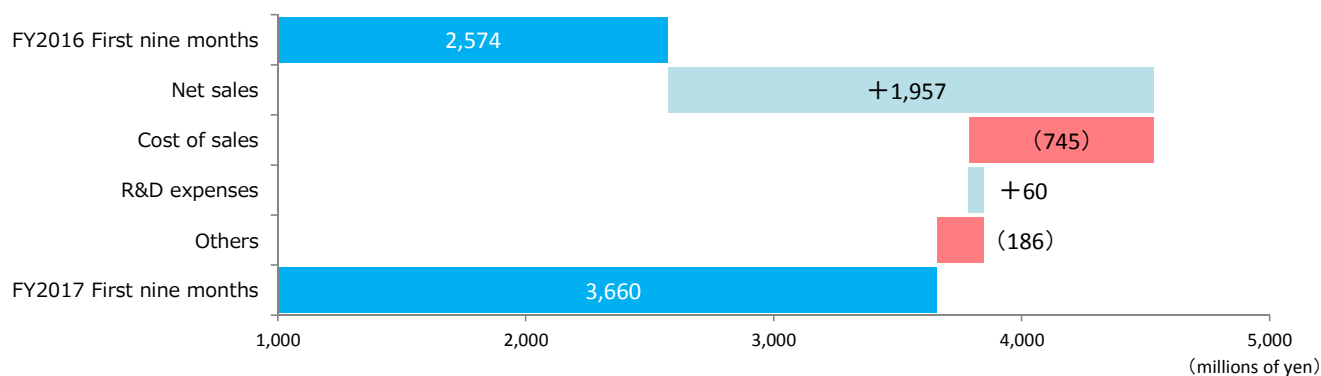


Major factors in increase/decrease

Renal disease and hemodialysis	: FUTHAN	Decrease	¥ 326 million	URINORM	Decrease	¥ 163 million
	: Riona	Increase	¥ 417 million			
Allergens	: CEDARTOLEN	Increase	¥ 263 million			
HIV infection	: Descovy	Increase	¥ 6,035 million	Genvoya	Increase	¥ 3,740 million
	: Truvada	Decrease	¥ 5,979 million	Stribild	Decrease	¥ 2,118 million

※ For details, please refer to "② Sales of Products" on page 4.

Operating income (¥3,660 million : Increase ¥1,085 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

Ordinary income (¥3,735 million : Increase ¥1,021 million year-on-year)

Special remarks: None

Net income (¥2,771 million : Increase ¥1,016 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First nine months		First nine months			
	A		B			
Sales of Products	43,329		44,930		1,600	3.7
REMITCH	9,921		9,828		(93)	(0.9)
Oral anti-pruritus agent [Renal disease and hemodialysis]						
Descovy ※3	–		6,035		6,035	–
Antiviral agent for HIV [HIV infection]						
ANTEBATE ※1	4,625		4,559		(65)	(1.4)
Topical corticosteroid [Skin disease]						
Riona	4,021		4,438		417	10.4
Agent for hyperphosphatemia [Renal disease and hemodialysis]						
Genvoya ※2	669		4,410		3,740	558.6
Antiviral agent for HIV [HIV infection]						
Truvada	9,351		3,372		(5,979)	(63.9)
Antiviral agent for HIV [HIV infection]						
BIO-THREE	1,765		1,824		59	3.4
Viable bacterial preparations [Other]						
KAYEXALATE ※1	1,605		1,540		(64)	(4.0)
Agent for hyperkalemia [Renal disease and hemodialysis]						
FUTHAN ※1	1,762		1,435		(326)	(18.5)
Protease inhibitor [Renal disease and hemodialysis]						
ZEFNART	993		1,107		114	11.5
Topical antifungal agent [Skin disease]						
LOCOID ※1	1,011		1,030		18	1.8
Topical corticosteroid [Skin disease]						
CEDARTOLEN ※1	620		883		263	42.4
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]						
Magsent	822		789		(33)	(4.0)
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]						
URINORM ※1	915		752		(163)	(17.8)
Uricosuric agent [Renal disease and hemodialysis]						
Stribild	2,239		120		(2,118)	(94.6)
Antiviral agent for HIV [HIV infection]						
Others	3,003		2,802		(201)	(6.7)

※1 In-house products

※2 Launched in July 2016

※3 Launched in January 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2016		FY2017		Change B-A	Change (%) (B-A)/A
	First nine months		First nine months			
	A		B			
Sales of in-house products	11,897		11,659		(237)	(2.0)
Ratio of in-house product sales (%)	27.5		26.0		(1.5)	–

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2016 A	September 30, 2017 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (September 30, 2017)
Current assets	80,123	81,533	1,409	1.8	81.2
Cash and deposits	22,393	17,196	(5,197)		
Deposits in the cash management system	7,091	5,076	(2,015)		
Notes and accounts receivable-trade	26,560	26,321	(239)		
Short-term investment securities	11,102	20,102	9,000		
Inventories	10,606	10,395	(211)		
Others	2,368	2,441	73		
Noncurrent assets	18,401	18,828	427	2.3	18.8
Property, plant and equipment	5,752	5,551	(200)		
Intangible assets	896	820	(76)		
Investments and other assets	11,752	12,456	704		
Investment securities	3,877	5,178	1,301		
Long-term prepaid expenses	6,486	5,914	(571)		
Others	1,389	1,363	(25)		
Total assets	98,525	100,362	1,837	1.9	100.0
Current liabilities	13,310	13,642	332	2.5	13.6
Accounts payable-trade	6,698	7,824	1,125		
Accounts payable-other	3,178	2,351	(826)		
Income taxes payable	767	446	(320)		
Accrued employees' bonuses	676	1,359	683		
Others	1,990	1,660	(330)		
Long-term liabilities	1,658	1,694	36	2.2	1.7
Total liabilities	14,969	15,337	368	2.5	15.3
Shareholders' equity	82,993	84,418	1,425	1.7	84.1
Unrealized gain on available-for-sale securities	558	598	39	7.1	0.6
Subscription rights to shares	4	8	3	88.6	0.0
Total equity	83,556	85,025	1,468	1.8	84.7
Total liabilities and equity	98,525	100,362	1,837	1.9	100.0

Major factors in increase/decrease	
(Current assets)	
Short-term investment securities	: Increase with acquisition of debt securities, money trust and certificates of deposit
(Noncurrent assets)	
Investment securities	: Increase with acquisition of debt securities Decrease with transfer to short-term investment securities
Long-term prepaid expenses	: Decrease with amortization of marketing rights
(Current liabilities)	
Accounts payable-trade	: Increase with increase in purchasing products

④ Capital Expenditures

<i>(Millions of Yen)</i>	FY2016 First nine months A	FY2017 First nine months B	Change B-A	Change (%) (B-A)/A
Capital expenditures	601	650	48	8.1
PP&E	420	506	86	20.5
Intangible assets	181	144	(37)	(20.5)

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 nine months		First nine months			
	A	B	A	B		
Depreciation and amortization of intangible assets	1,000	889	(110)	(11.1)		
Amortization of long-term prepaid expenses	759	793	34	4.5		

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 (Additional indication) Riona filed by JT has been approved as a treatment of hyperphosphatemia in January 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 in March 2017
TO-206 [CEDARCURE® Japanese Cedar Pollen Sublingual Tablets]	Japanese cedar pollinosis (Allergen Immunotherapy)	Sublingual tablet					Approval	<ul style="list-style-type: none"> In-house NDA approval obtained by Torii in September 2017

Updates since the previous announcement on July 27, 2017

•Manufacturing and marketing approval of TO-206(CEDARCURE® Japanese Cedar Pollen Sublingual Tablets) for the indication of Japanese cedar pollinosis by Torii

Additional Information

•In August 2016, JT and Torii signed an exclusive license agreement with Menlo Therapeutics Inc. for the development and commercialization of serlopitant, oral neurokinin (NK-1) receptor antagonist, in Japan. (JT and Torii will jointly develop serlopitant.)

•In October 2017, Torii signed an exclusive license agreement with JT for co-development and commercialization of JT's original compound, JTZ-951, a new experimental hypoxia inducible factor - prolyl hydroxylase domain containing protein (HIF-PH) inhibitor in Japan. JTZ-951 is developed by JT for the treatment of anemia associated with chronic kidney disease. (JT and Torii will jointly develop JTZ-951.)

(Reference)

In October 2017, JT announced that the company 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 commercialize the product once it is approved.

III Financial Forecasts for the FY2017

The forecasts for the FY2017 have been changed from the previous forecasts announced at the first six months of FY2017 financial results announcement on July 27, 2017.

① Statement of Income

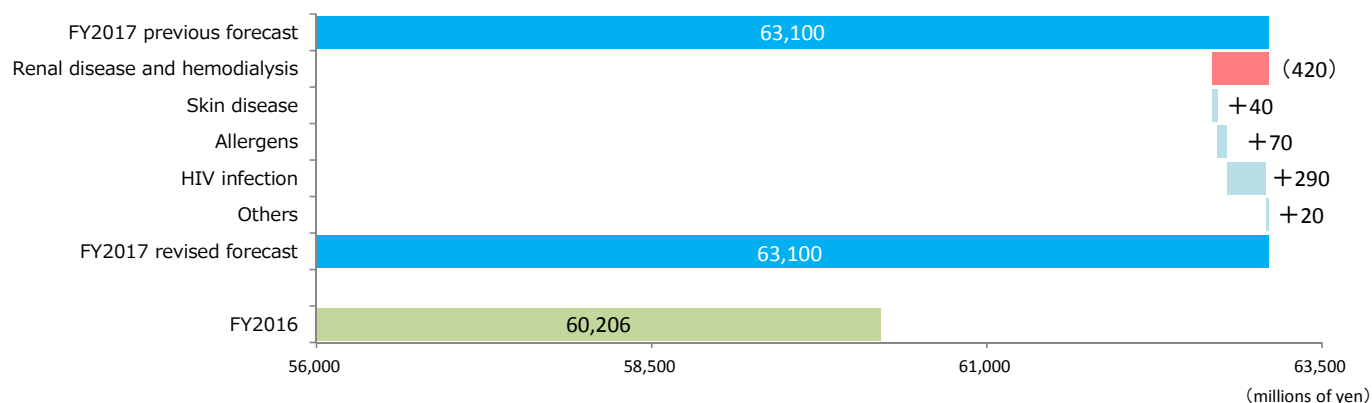
<i>(Millions of Yen)</i>	FY2017	FY2017	Change	FY2016	Change	Change
	previous forecast	revised forecast				
	A	B				
Net sales	63,100	63,100	—	60,206	2,893	4.8
Sales of products	62,100	62,080	(20)	59,620	2,459	4.1
Renal disease and hemodialysis	25,260	24,840	(420)	25,141	(301)	(1.2)
Skin disease	9,600	9,640	40	9,811	(171)	(1.8)
Allergens	2,000	2,070	70	1,485	584	39.3
HIV infection	19,410	19,700	290	17,225	2,474	14.4
Other	5,830	5,830	—	5,956	(126)	(2.1)
Other sales	1,000	1,020	20	586	433	74.0
Cost of sales	30,800	30,900	100	30,287	612	2.0
Gross profit	32,300	32,200	(100)	29,919	2,280	7.6
SG&A	27,000	27,200	200	26,099	1,100	4.2
R&D expenses	4,670	4,880	210	4,654	225	4.9
Others	22,330	22,320	(10)	21,445	874	4.1
Operating income	5,300	5,000	(300)	3,819	1,180	30.9
Ordinary income	5,400	5,100	(300)	3,999	1,100	27.5
Net income	3,900	3,800	(100)	2,839	960	33.8

(Reference) Ratio to net sales

<i>(%)</i>	FY2017	FY2017	Change	FY2016	Change
	previous forecast	revised forecast			
	A	B			
Cost of sales	48.8	49.0	0.2	50.3	(1.3)
SG&A	42.8	43.1	0.3	43.4	(0.3)
R&D expenses	7.4	7.7	0.3	7.7	0.0
Operating income	8.4	7.9	(0.5)	6.3	1.6
Ordinary income	8.6	8.1	(0.5)	6.6	1.5
Net income	6.2	6.0	(0.2)	4.7	1.3

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

Net sales (¥ 63,100 million : No modification)

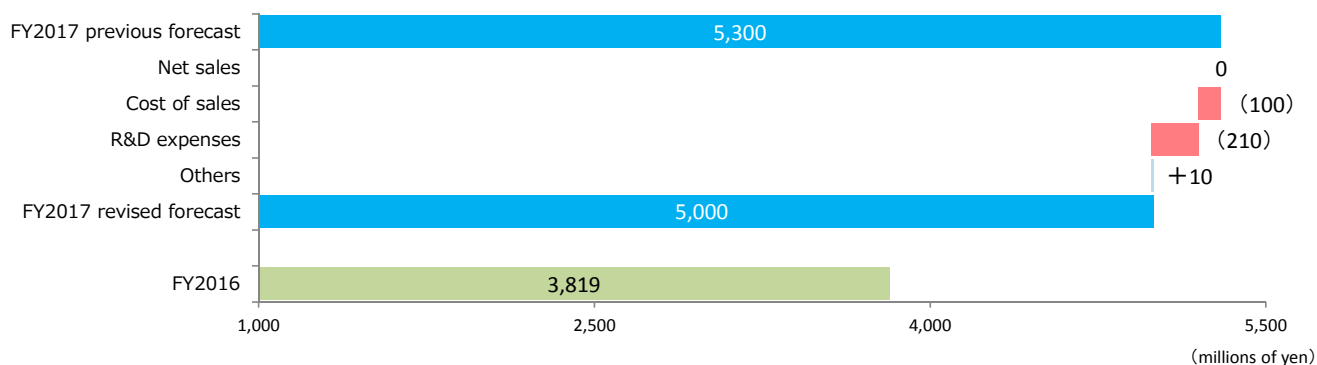


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Decrease	¥ 500 million		
HIV infection	: Descovy	Increase	¥ 580 million	Genvoya	Increase ¥ 190 million
	: Truvada	Decrease	¥ 450 million		

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

Operating income (¥ 5,000 million : Decrease ¥ 300 million)



Major factors in increase/decrease

R&D expenses	: Increase in co-development expenses (JTE-052)
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Ordinary income (¥ 5,100 million : Decrease ¥ 300 million)

Special remarks: None

Net income (¥ 3,800 million : Decrease ¥ 100 million)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of Products	62,100	62,080	(20)	59,620	2,459	4.1
REMITCH	13,950	13,450	(500)	13,645	(195)	(1.4)
Oral anti-pruritus agent [Renal disease and hemodialysis]						
Descovy ※3	8,980	9,560	580	–	9,560	–
Antiviral agent for HIV [HIV infection]						
Riona	6,240	6,310	70	5,634	675	12.0
Agent for hyperphosphatemia [Renal disease and hemodialysis]						
ANTEBATE ※1	6,200	6,200	–	6,277	(77)	(1.2)
Topical corticosteroid [Skin disease]						
Genvoya ※2	5,830	6,020	190	1,865	4,154	222.7
Antiviral agent for HIV [HIV infection]						
Truvada	4,280	3,830	(450)	12,754	(8,924)	(70.0)
Antiviral agent for HIV [HIV infection]						
BIO-THREE	2,460	2,510	50	2,455	54	2.2
Viable bacterial preparations [Other]						
KAYEXALATE ※1	2,090	2,100	10	2,178	(78)	(3.6)
Agent for hyperkalemia [Renal disease and hemodialysis]						
FUTHAN ※1	1,980	1,980	–	2,462	(482)	(19.6)
Protease inhibitor [Renal disease and hemodialysis]						
LOCOID ※1	1,380	1,380	–	1,352	27	2.0
Topical corticosteroid [Skin disease]						
ZEFNART	1,300	1,340	40	1,275	64	5.0
Topical antifungal agent [Skin disease]						
CEDARTOLEN ※1	1,200	1,220	20	937	282	30.1
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]						
Magsent	1,150	1,120	(30)	1,165	(45)	(3.9)
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]						
URINORM ※1	1,000	1,000	–	1,219	(219)	(18.0)
Uricosuric agent [Renal disease and hemodialysis]						
Stribild	140	130	(10)	2,371	(2,241)	(94.5)
Antiviral agent for HIV [HIV infection]						
Others	3,920	3,930	10	4,023	(93)	(2.3)

※1 In-house products

※2 Launched in July 2016

※3 Launched in January 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2017	FY2017	Change	FY2016	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of in-house products	16,000	16,050	50	16,316	(266)	(1.6)
Ratio of in-house product sales (%)	25.8	25.9	0.1	27.4	(1.5)	–

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	1,257	1,078	(179)	891	186	20.9
PP&E	959	801	(158)	644	156	24.2
Intangible assets	298	277	(21)	246	30	12.1

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	1,180	1,175	(5)	1,339	(164)	(12.3)
Amortization of long-term prepaid expenses	1,059	1,062	3	1,018	43	4.2

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	35.4	0.9	47.8	(12.4)	—

【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