

Financial Results for the Fiscal Year 2017, Ended December 31, 2017

<u>I Summary Information</u>	P.1
① Financial Results	P.1
② Financial Conditions	P.1
<u>II Financial Results for the FY2017</u>	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.6
⑥ Depreciation/Amortization	P.7
⑦ Research and Development	P.7
<u>III Financial Forecasts for the FY2018</u>	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
<u>IV Targets of “The medium-term management plan 2018”</u>	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.

February 6, 2018

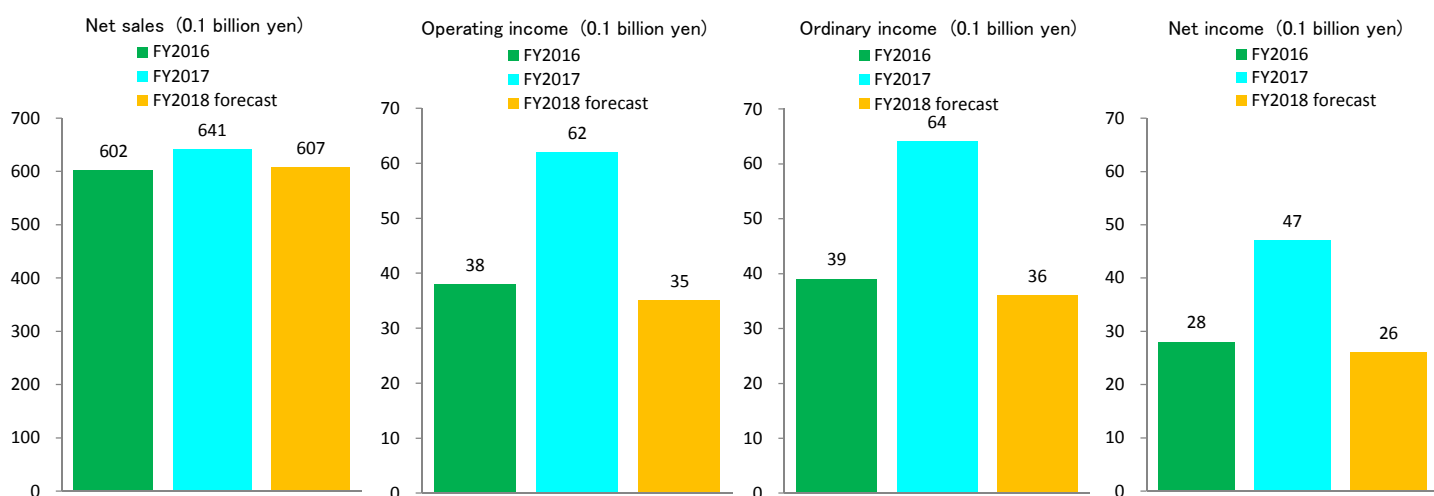


TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

(Millions of Yen)	FY2016	FY2017	Change	Change (%)	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A	C	C-B	(C-B)/B
Net sales	60,206	64,135	3,928	6.5	60,700	(3,435)	(5.4)
Operating income	3,819	6,281	2,462	64.5	3,500	(2,781)	(44.3)
Ordinary income	3,999	6,403	2,403	60.1	3,600	(2,803)	(43.8)
Net income	2,839	4,718	1,878	66.1	2,600	(2,118)	(44.9)
(Reference)							
R&D expenses	4,654	4,608	(45)	(1.0)	4,710	101	2.2
Earnings per share (EPS) (¥)	100.41	168.22	67.81		92.70	(75.52)	
Return on equity (ROE) (%)	3.4	5.5	2.1		—		
Ratio of ordinary income to total assets (%)	4.1	6.3	2.2		—		
Ratio of operating income to net sales (%)	6.3	9.8	3.5		—		
Return on assets (ROA) (%)	2.9	4.6	1.7		—		



② Financial Conditions

(Millions of Yen)	December 31, 2016	December 31, 2017	Change	Change (%)
	A	B	B-A	(B-A)/A
Total assets	98,525	104,741	6,215	6.3
Total equity	83,556	87,119	3,562	4.3
Equity ratio (%)	84.8	83.2	(1.6)	
Book value per share (BPS) (¥)	2,978.80	3,105.68	126.88	

II Financial Results for the FY2017

① Statement of Income

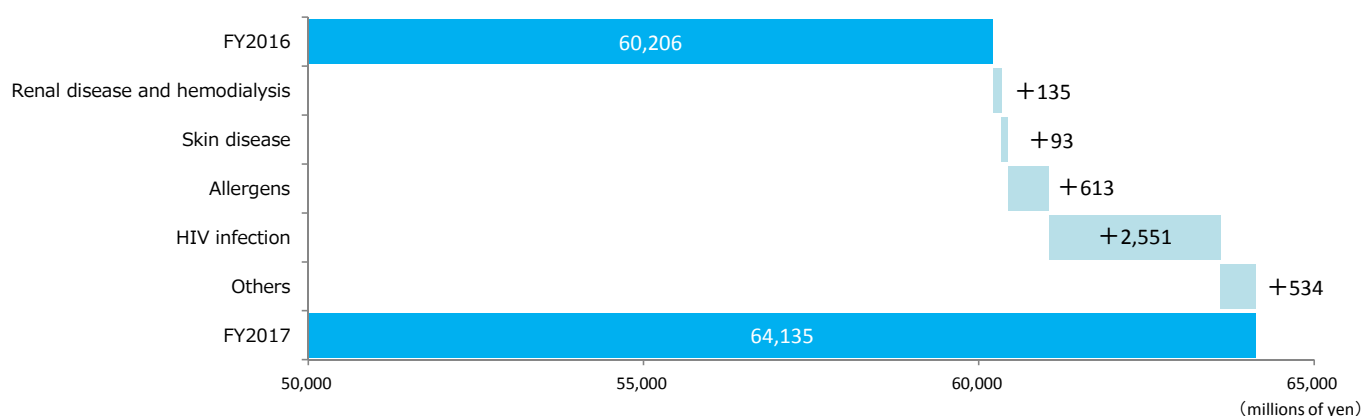
(Millions of Yen)	FY2016	FY2017	Change	Change
	A	B	B-A	(%) (B-A)/A
Net sales	60,206	64,135	3,928	6.5
Sales of products	59,620	62,935	3,314	5.6
Renal disease and hemodialysis	25,141	25,276	135	0.5
Skin disease	9,811	9,905	93	0.9
Allergens	1,485	2,099	613	41.3
HIV infection	17,225	19,777	2,551	14.8
Other	5,956	5,877	(78)	(1.3)
Other sales	586	1,199	613	104.7
Cost of sales	30,287	31,293	1,006	3.3
Cost of products sold	30,223	31,225	1,001	3.3
Other cost	63	68	4	7.4
Gross profit	29,919	32,841	2,922	9.8
Selling, general and administrative expenses	26,099	26,559	459	1.8
R&D expenses	4,654	4,608	(45)	(1.0)
Others	21,445	21,950	504	2.4
Operating income	3,819	6,281	2,462	64.5
Non-operating income	184	133	(51)	-
Non-operating expenses	4	12	7	-
Ordinary income	3,999	6,403	2,403	60.1
Extraordinary income	86	-	(86)	-
Extraordinary loss	29	29	(0)	-
Income before income taxes	4,056	6,373	2,317	57.1
Income taxes	1,216	1,655	439	-
Net income	2,839	4,718	1,878	66.1

(Reference) Ratio to net sales

(%)	FY2016	FY2017	Change
	A	B	B-A
Cost of sales	50.3	48.8	(1.5)
SG&A	43.4	41.4	(2.0)
R&D expenses	7.7	7.2	(0.5)
Operating income	6.3	9.8	3.5
Ordinary income	6.6	10.0	3.4
Net income	4.7	7.4	2.7

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

Net Sales (¥64,135 million : Increase ¥3,928 million year-on-year)

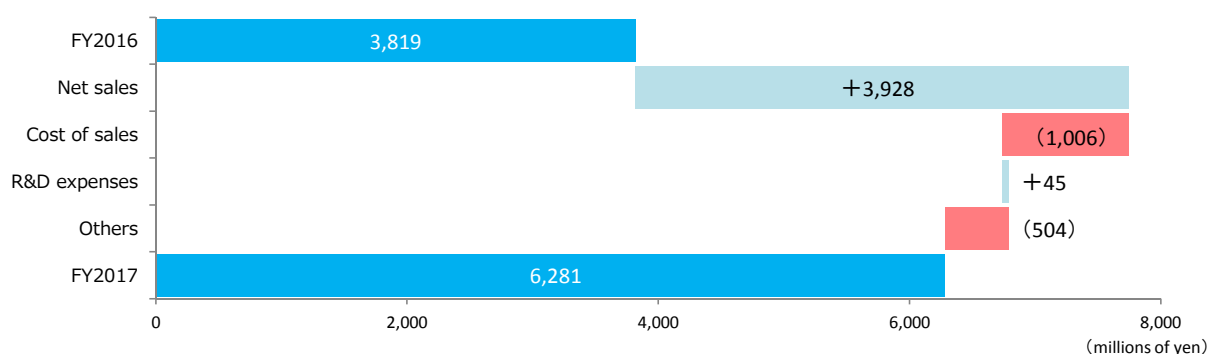


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Increase	¥ 611 million	FUTHAN	Decrease	¥ 414 million
Allergens	: CEDARTOLEN	Increase	¥ 358 million			
HIV infection	: Descovy	Increase	¥ 9,218 million	Genvoya	Increase	¥ 4,459 million
	: Truvada	Decrease	¥ 8,813 million	Stribild	Decrease	¥ 2,222 million
Others	: Commission income	Increase	¥ 596 million			

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

Operating income (¥6,281 million : Increase ¥2,462 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
Others	: Increase in sales promotion expenses

Ordinary income (¥6,403 million : Increase ¥2,403 million year-on-year)

Special remarks: None

Net income (¥4,718 million : Increase ¥1,878 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016	FY2017	Change	Change
	A	B	B-A	(%) (B-A)/A
Sales of Products	59,620	62,935	3,314	5.6
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,645	13,838	192	1.4
Descovy ※3 Antiviral agent for HIV [HIV infection]	–	9,218	9,218	–
Genvoya ※2 Antiviral agent for HIV [HIV infection]	1,865	6,325	4,459	239.0
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,277	6,282	4	0.1
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	5,634	6,245	611	10.9
Truvada Antiviral agent for HIV [HIV infection]	12,754	3,941	(8,813)	(69.1)
BIO-THREE Viable bacterial preparations [Other]	2,455	2,545	90	3.7
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,178	2,123	(55)	(2.5)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,462	2,047	(414)	(16.8)
ZEFNART Topical antifungal agent [Skin disease]	1,275	1,483	207	16.3
LOCOID ※1 Topical corticosteroid [Skin disease]	1,352	1,411	58	4.3
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	937	1,295	358	38.2
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,165	1,115	(50)	(4.3)
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,219	1,020	(199)	(16.3)
Stribild Antiviral agent for HIV [HIV infection]	2,371	148	(2,222)	(93.7)
Others	4,023	3,891	(131)	(3.3)

※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)	FY2016	FY2017	Change	Change
	A	B	B-A	(%) (B-A)/A
Sales of in-house products	16,316	16,323	6	0.0
Ratio of in-house product sales (%)	27.4	25.9	(1.5)	–

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2016 A	December 31, 2017 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) <i>(December 31, 2017)</i>
Current assets	80,123	83,980	3,856	4.8	80.2
Cash and deposits	22,393	6,458	(15,935)		
Deposits in the cash management system	7,091	9,836	2,744		
Notes and accounts receivable-trade	26,560	29,123	2,562		
Short-term investment securities	11,102	24,957	13,855		
Inventories	10,606	10,126	(480)		
Others	2,368	3,478	1,110		
Noncurrent assets	18,401	20,761	2,359	12.8	19.8
Property, plant and equipment	5,752	5,540	(212)		
Intangible assets	896	817	(79)		
Investments and other assets	11,752	14,403	2,651		
Investment securities	3,877	7,478	3,601		
Long-term prepaid expenses	6,486	5,748	(737)		
Others	1,389	1,176	(212)		
Total assets	98,525	104,741	6,215	6.3	100.0
Current liabilities	13,310	15,868	2,557	19.2	15.2
Accounts payable-trade	6,698	8,242	1,544		
Accounts payable-other	3,178	3,596	418		
Income taxes payable	767	1,396	629		
Accrued employees' bonuses	676	684	8		
Others	1,990	1,947	(43)		
Long-term liabilities	1,658	1,753	95	5.8	1.6
Total liabilities	14,969	17,622	2,653	17.7	16.8
Shareholders' equity	82,993	86,364	3,370	4.1	82.5
Unrealized gain on available-for-sale securities	558	745	186	33.4	0.7
Subscription rights to shares	4	9	5	120.0	0.0
Total equity	83,556	87,119	3,562	4.3	83.2
Total liabilities and equity	98,525	104,741	6,215	6.3	100.0

Major factors in increase/decrease

(Current assets)	
Notes and accounts receivable-trade	: Increase with Increase in sales
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
(Current liabilities)	
Accounts payable-trade	: Increase with increase in purchasing products

④ Statement of Cash Flows

(Millions of Yen)	FY2016	FY2017	Change
	A	B	B-A
Income before income taxes	4,056	6,373	2,317
Depreciation and amortization of intangible assets	1,339	1,174	(164)
Increase (Decrease) in trade notes and accounts receivable-trade	1,344	(2,562)	(3,907)
Decrease (Increase) in inventories	(770)	480	1,250
Increase (Decrease) in trade notes and accounts payable-trade	(155)	1,544	1,700
Increase (Decrease) in accounts payable-other	(220)	486	706
Decrease in long-term prepaid expenses	44	737	692
Income taxes paid	(2,500)	(1,263)	1,237
Other-net	264	(621)	(885)
Net cash provided by operating activities	3,402	6,349	2,946
Purchases of property, plant and equipment	(500)	(529)	(28)
Proceeds from sales of property, plant and equipment	101	2	(98)
Purchases of intangible assets	(260)	(260)	(0)
Other-net	2,021	(6,806)	(8,828)
Net cash used (provided) by investing activities	1,361	(7,593)	(8,954)
Net cash used in financing activities	(2,289)	(1,546)	742
Net Decrease (Increase) in cash and cash equivalents	2,475	(2,789)	(5,265)
Cash and cash equivalents, beginning of period	36,210	38,685	2,475
Cash and cash equivalents, end of period	38,685	35,895	(2,789)

(※) 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 (Increase) in trade notes and accounts receivable-trade : FY2017 Increase with increase in sales

Increase (Decrease) in trade notes and accounts payable-trade : FY2017 Increase with increase in purchasing products

(Investing activities)

Other-net : FY2017 Acquisition of short-term investment securities and investment securities

⑤ Capital Expenditures

(Millions of Yen)	FY2016	FY2017	Change	Change (%)
	A	B	B-A	(B-A)/A
Capital expenditures	891	931	40	4.5
PP&E	644	714	69	10.8
Intangible assets	246	217	(29)	(11.8)

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
	A	B	B-A	(%) (B-A)/A
Depreciation and amortization of intangible assets	1,339	1,174	(164)	(12.3)
Amortization of long-term prepaid expenses	1,018	1,061	42	4.2

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 in January 2014, and is being promoted and distributed by Torii.
JTZ-951	Anemia associated with chronic kidney disease	Oral			Phase III			<ul style="list-style-type: none"> •JT's original compound •Licensing agreement signed with JT for development and commercialization
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
JTS-661	Pruritus	Oral		Phase II				<ul style="list-style-type: none"> •Licensing agreement signed with Menlo for development and commercialization •Co-development with JT
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 October 26, 2017

•JTZ-951 for the indication of anemia associated with chronic kidney disease has entered into the clinical stage(Phase III) in Japan

•JTS-661 for the indication of pruritus has entered into the clinical stage(Phase II) in Japan

(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 FY2018

① Statement of Income

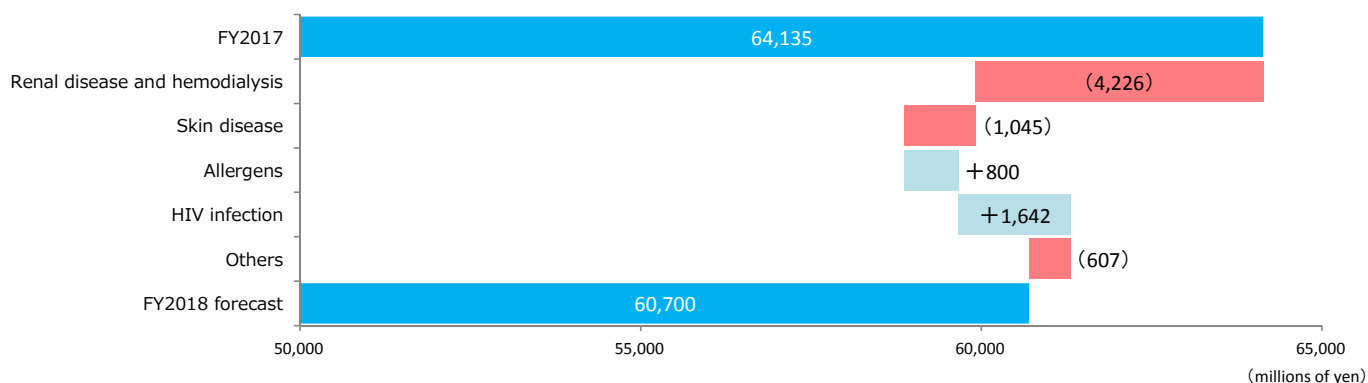
<i>(Millions of Yen)</i>	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Net sales	64,135	60,700	(3,435)	(5.4)
Sales of products	62,935	59,810	(3,125)	(5.0)
Renal disease and hemodialysis	25,276	21,050	(4,226)	(16.7)
Skin disease	9,905	8,860	(1,045)	(10.6)
Allergens	2,099	2,900	800	38.2
HIV infection	19,777	21,420	1,642	8.3
Other	5,877	5,580	(297)	(5.1)
Other sales	1,199	890	(309)	(25.8)
Cost of sales	31,293	30,400	(893)	(2.9)
Gross profit	32,841	30,300	(2,541)	(7.7)
SG&A	26,559	26,800	240	0.9
R&D expenses	4,608	4,710	101	2.2
Others	21,950	22,090	139	0.6
Operating income	6,281	3,500	(2,781)	(44.3)
Ordinary income	6,403	3,600	(2,803)	(43.8)
Net income	4,718	2,600	(2,118)	(44.9)

(Reference) Ratio to net sales

<i>(%)</i>	FY2017	FY2018 forecast	Change
	A	B	B-A
Cost of sales	48.8	50.1	1.3
SG&A	41.4	44.2	2.8
R&D expenses	7.2	7.8	0.6
Operating income	9.8	5.7	(4.1)
Ordinary income	10.0	5.9	(4.1)
Net income	7.4	4.3	(3.1)

[Factors in increase/decrease compared with the FY2017]

Net sales (¥60,700 million : Decrease ¥3,435 million year-on-year)

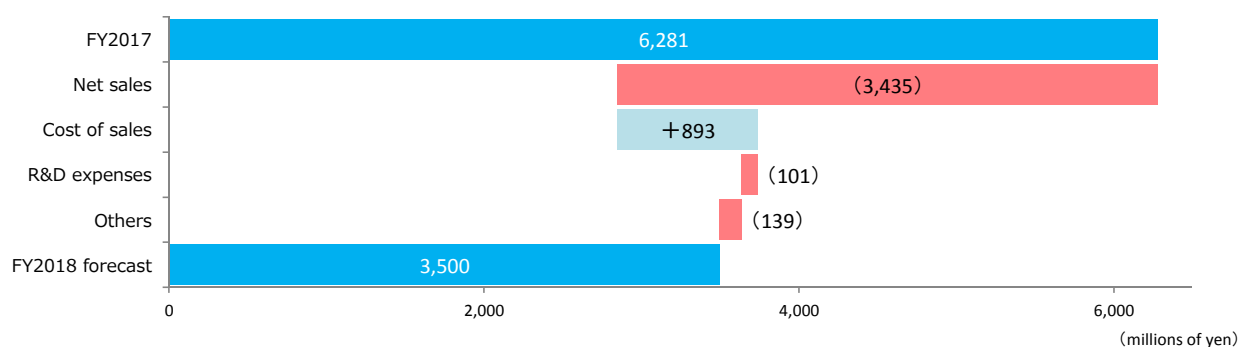


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Decrease	¥ 3,308 million	FUTHAN	Decrease	¥ 1,017 million
	: URINORM	Decrease	¥ 320 million	Riona	Increase	¥ 614 million
Skin disease	: ANTEBATE	Decrease	¥ 652 million	ZEFNART	Decrease	¥ 123 million
Allergens	: CEDARTOLEN	Increase	¥ 314 million			
HIV infection	: Descovy	Increase	¥ 4,381 million	Genvoya	Increase	¥ 964 million
	: Truvada	Decrease	¥ 3,551 million			
Others	: Commission income	Decrease	¥ 292 million			

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

Operating income (¥3,500 million : Decrease ¥2,781 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Decrease in net sales
R&D expenses	: Increase in co-development expenses (JTS-661)
	: Decrease in co-development expenses (JTE-052)
Others	: Increase in sales promotion expenses

Ordinary income (¥3,600 million : Decrease ¥2,803 million year-on-year)

Special remarks: None

Net income (¥2,600 million : Decrease ¥2,118 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of Products	62,935	59,810	(3,125)	(5.0)
Descovy ※2 Antiviral agent for HIV [HIV infection]	9,218	13,600	4,381	47.5
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,838	10,530	(3,308)	(23.9)
Genvoya Antiviral agent for HIV [HIV infection]	6,325	7,290	964	15.3
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	6,245	6,860	614	9.8
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,282	5,630	(652)	(10.4)
BIO-THREE Viable bacterial preparations [Other]	2,545	2,680	134	5.3
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,123	1,930	(193)	(9.1)
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	1,295	1,610	314	24.3
ZEFNART Topical antifungal agent [Skin disease]	1,483	1,360	(123)	(8.3)
LOCOID ※1 Topical corticosteroid [Skin disease]	1,411	1,320	(91)	(6.5)
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,115	1,080	(35)	(3.2)
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,047	1,030	(1,017)	(49.7)
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,020	700	(320)	(31.4)
Truvada Antiviral agent for HIV [HIV infection]	3,941	390	(3,551)	(90.1)
Others	4,040	3,800	(240)	(6.0)

※1 In-house products

※2 Launched in January 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of in-house products	16,323	14,680	(1,643)	(10.1)
Ratio of in-house product sales (%)	25.9	24.5	(1.4)	—

③ Capital Expenditures

<i>(Millions of Yen)</i>	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Capital expenditures	931	1,166	234	25.1
PP&E	714	945	230	32.3
Intangible assets	217	221	3	1.5

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

④ Depreciation/Amortization

<i>(Millions of Yen)</i>	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Depreciation and amortization of intangible assets	1,174	1,128	(46)	(3.9)
Amortization of long-term prepaid expenses	1,061	961	(100)	(9.4)

⑤ Dividends

		FY2017	FY2018 forecast	Change	Change (%)
		A	B	B-A	(B-A)/A
Dividends per share	(¥)	48	48	0	0.0
Dividends payout ratio	(%)	28.5	51.8	23.3	-

IV Targets of "The medium-term management plan 2018"

<i>(0.1 billions of yen)</i>	FY2016	FY2017	FY2018 target※2
Net sales	602	641	620
Operating income prior to deduction of R&D expenses※1	84	108	80

※1 R&D expenses is difficult to foresee at the present moment as investments may fluctuate in medium-to long term growth. Therefore, Torii sets operating income prior to deduction of R&D expenses as a target.

※2 Targets are set based on certain assumptions such as Drug price revisions and impact of measures to increase the use of generic drugs.

【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.