

Financial Results for the First Three Months of Fiscal Year Ending December 2018

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

April 26, 2018



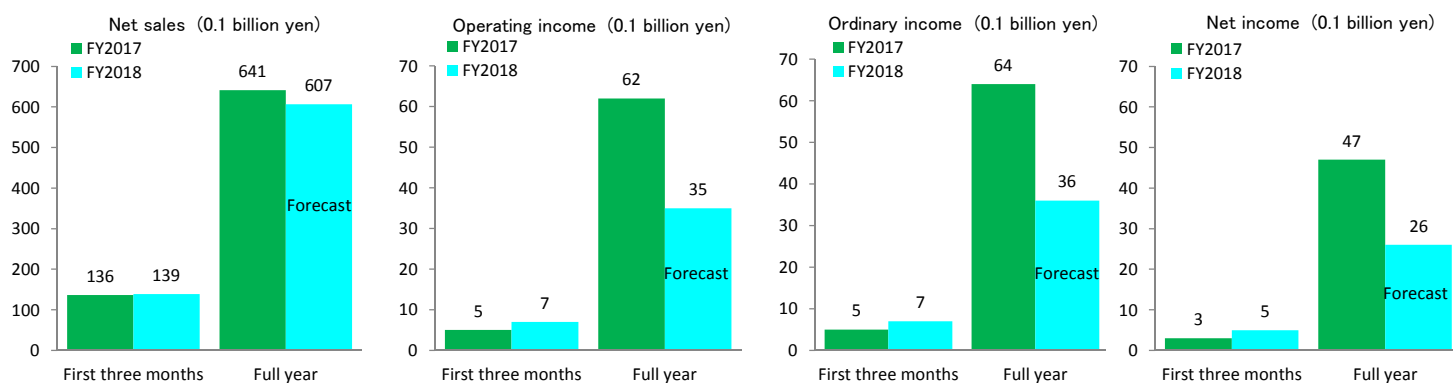
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2018 have not been changed from the previous forecasts announced at the FY2017 financial results announcement on February 6, 2018. The impact of drug price revisions implemented in April 2018 had already been incorporated.

(Millions of Yen)	FY2017		FY2018		Change B-A	Change (%) (B-A)/A	FY2017 Full year	FY2018 Full year forecast C	Progress ratio (%) B/C
	First three months A	First three months B							
Net sales	13,608	13,930	322	2.4			64,135	60,700	23.0
Operating income	533	769	235	44.2			6,281	3,500	22.0
Ordinary income	555	790	234	42.2			6,403	3,600	21.9
Net income	388	569	180	46.4			4,718	2,600	21.9
(Reference)									
R&D expenses	1,152	1,016	(136)	(11.8)			4,608	4,710	21.6
Earnings per share (EPS)	(¥)	13.85	20.29	6.44			168.22	92.70	
Return on equity (ROE)	(%)	0.5	0.7	0.2			5.5	—	
Ratio of ordinary income to total assets	(%)	0.6	0.8	0.2			6.3	—	
Ratio of operating income to net sales	(%)	3.9	5.5	1.6			9.8	—	
Return on assets (ROA)	(%)	0.4	0.5	0.1			4.6	—	



② Financial Conditions

(Millions of Yen)	December 31,		Change B-A	Change (%) (B-A)/A
	2017 A	2018 B		
Total assets	104,741	102,487	(2,253)	(2.2)
Total equity	87,119	86,969	(149)	(0.2)
Equity ratio	(%)	83.2	84.8	1.6
Book value per share (BPS)	(¥)	3,105.68	3,100.31	(5.37)

II Financial Results for the First Three Months of FY2018

① Statement of Income

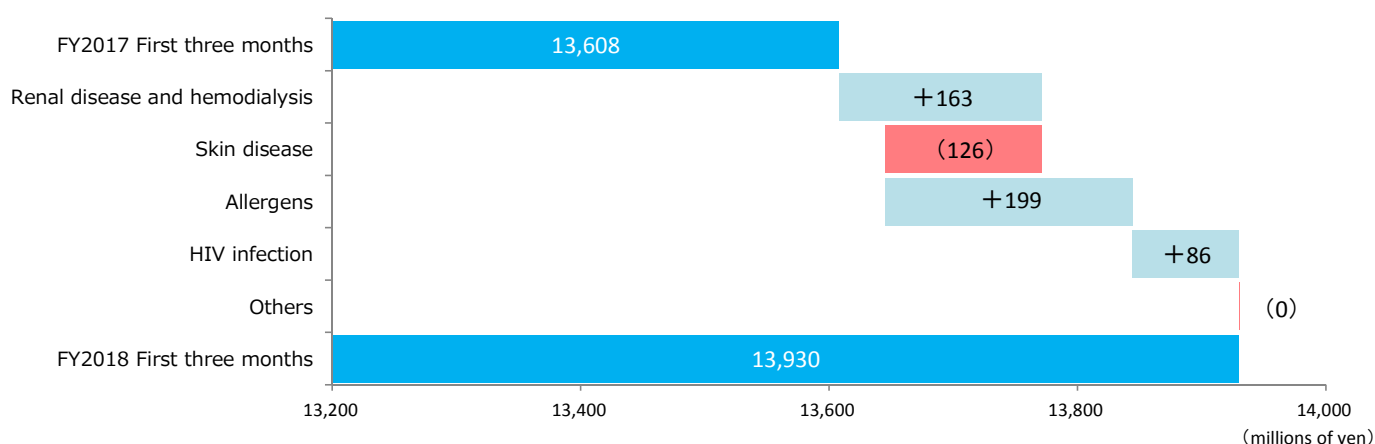
<i>(Millions of Yen)</i>	FY2017	FY2018	Change <i>B-A</i>	Change <i>(%)</i> <i>(B-A)/A</i>
	First three months <i>A</i>	First three months <i>B</i>		
Net sales	13,608	13,930	322	2.4
Sales of products	13,382	13,550	168	1.3
Renal disease and hemodialysis	5,116	5,279	163	3.2
Skin disease	2,145	2,018	(126)	(5.9)
Allergens	431	631	199	46.2
HIV infection	4,371	4,457	86	2.0
Other	1,317	1,163	(154)	(11.7)
Other sales	225	380	154	68.2
Cost of sales	6,802	6,954	152	2.2
Cost of products sold	6,788	6,941	152	2.2
Other cost	13	13	(0)	(3.1)
Gross profit	6,806	6,976	170	2.5
Selling, general and administrative expenses	6,272	6,206	(65)	(1.0)
R&D expenses	1,152	1,016	(136)	(11.8)
Others	5,120	5,190	70	1.4
Operating income	533	769	235	44.2
Non-operating income	22	20	(2)	–
Non-operating expenses	1	0	(1)	–
Ordinary income	555	790	234	42.2
Extraordinary loss	16	0	(15)	–
Income before income taxes	539	789	250	46.4
Income taxes	150	220	69	–
Net income	388	569	180	46.4

(Reference) Ratio to net sales

<i>(%)</i>	FY2017	FY2018	Change <i>B-A</i>
	First three months <i>A</i>	First three months <i>B</i>	
Cost of sales	50.0	49.9	(0.1)
SG&A	46.1	44.6	(1.5)
R&D expenses	8.5	7.3	(1.2)
Operating income	3.9	5.5	1.6
Ordinary income	4.1	5.7	1.6
Net income	2.9	4.1	1.2

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

Net Sales (¥ 13,930 million : Increase ¥ 322 million year-on-year)

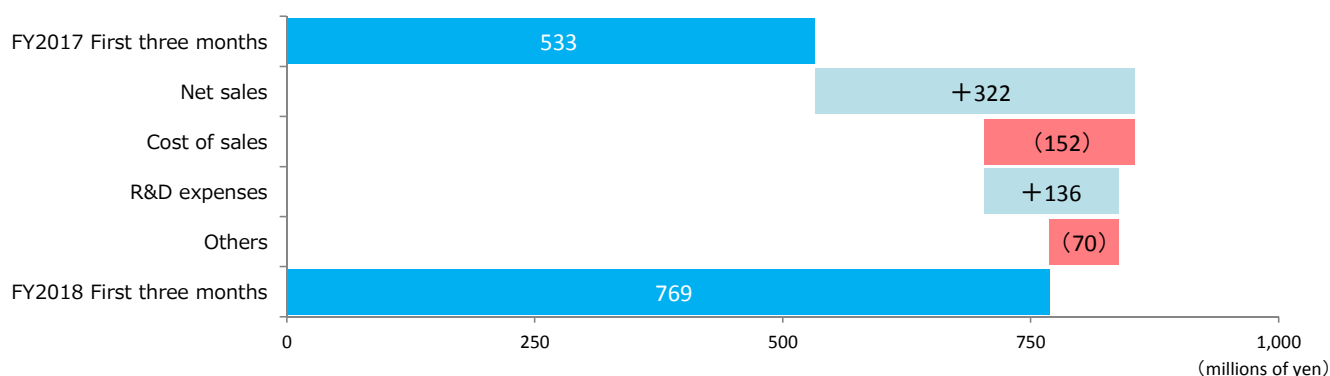


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Increase	¥ 252 million	Riona	Increase	¥ 139 million
	: FUTHAN	Decrease	¥ 109 million			
Skin disease	: ANTEBATE	Decrease	¥ 129 million			
Allergens	: CEDARTOLEN	Increase	¥ 122 million			
HIV infection	: Descovy	Increase	¥ 1,356 million	Genvoya	Increase	¥ 217 million
	: Truvada	Decrease	¥ 1,437 million			

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

Operating income (¥ 769 million : Increase ¥ 235 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase with increase in sales quantity
R&D expenses	: Decrease in clinical study expenses (TO-203 House dust mite induced allergic rhinitis in children)
	: Increase in co-development expenses (JTS-661)
Others	: Increase in sales promotion expenses

Ordinary income (¥ 790 million : Increase ¥ 234 million year-on-year)

Special remarks: None

Net income (¥ 569 million : Increase ¥ 180 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2017	FY2018	Change B-A	Change (%) (B-A)/A
	First three months A	First three months B		
Sales of Products	13,382	13,550	168	1.3
REMITCH	2,753	3,005	252	9.2
Oral anti-pruritus agent [Renal disease and hemodialysis]				
Descovy ※2	1,199	2,556	1,356	113.1
Antiviral agent for HIV [HIV infection]				
Genvoya	1,285	1,503	217	16.9
Antiviral agent for HIV [HIV infection]				
Riona	1,219	1,359	139	11.5
Agent for hyperphosphatemia [Renal disease and hemodialysis]				
ANTEBATE ※1	1,426	1,296	(129)	(9.1)
Topical corticosteroid [Skin disease]				
BIO-THREE	563	573	10	1.9
Viable bacterial preparations [Other]				
KAYEXALATE ※1	475	434	(41)	(8.7)
Agent for hyperkalemia [Renal disease and hemodialysis]				
CEDARTOLEN ※1	271	394	122	45.1
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]				
Truvada	1,797	359	(1,437)	(80.0)
Antiviral agent for HIV [HIV infection]				
LOCOID ※1	336	348	12	3.6
Topical corticosteroid [Skin disease]				
FUTHAN ※1	424	314	(109)	(25.8)
Protease inhibitor [Renal disease and hemodialysis]				
ZEFNART	209	241	32	15.3
Topical antifungal agent [Skin disease]				
Magsent	223	199	(23)	(10.5)
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]				
URINORM ※1	242	165	(77)	(31.9)
Uricosuric agent [Renal disease and hemodialysis]				
Others	954	798	(156)	(16.4)

※1 In-house products

※2 Launched in January 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2017	FY2018	Change B-A	Change (%) (B-A)/A
	First three months A	First three months B		
Sales of in-house products	3,631	3,433	(197)	(5.4)
Ratio of in-house product sales (%)	27.1	25.3	(1.8)	-

③ Balance Sheet

(Millions of Yen)	December 31,	March 31,	Change	Change (%) (B-A)/A	Component ratio (%) (March 31, 2018)
	2017 A	2018 B			
Current assets	83,980	81,924	(2,055)	(2.4)	79.9
Cash and deposits	6,458	2,174	(4,283)		
Deposits in the cash management system	9,836	6,175	(3,660)		
Notes and accounts receivable-trade	29,123	26,302	(2,820)		
Short-term investment securities	24,957	33,448	8,490		
Inventories	10,126	11,280	1,153		
Others	3,478	2,543	(935)		
Noncurrent assets	20,761	20,563	(198)	(1.0)	20.1
Property, plant and equipment	5,540	5,458	(82)		
Intangible assets	817	814	(3)		
Investments and other assets	14,403	14,290	(112)		
Investment securities	7,478	7,608	130		
Long-term prepaid expenses	5,748	5,483	(264)		
Others	1,176	1,198	21		
Total assets	104,741	102,487	(2,253)	(2.2)	100.0
Current liabilities	15,868	13,715	(2,152)	(13.6)	13.4
Accounts payable-trade	8,242	7,783	(459)		
Income taxes payable	1,396	303	(1,093)		
Accrued employees' bonuses	684	1,337	652		
Others	5,544	4,291	(1,252)		
Long-term liabilities	1,753	1,802	48	2.8	1.7
Total liabilities	17,622	15,518	(2,104)	(11.9)	15.1
Shareholders' equity	86,364	86,259	(104)	(0.1)	84.2
Unrealized gain on available-for-sale securities	745	698	(46)	(6.2)	0.7
Subscription rights to shares	9	11	1	14.3	0.0
Total equity	87,119	86,969	(149)	(0.2)	84.9
Total liabilities and equity	104,741	102,487	(2,253)	(2.2)	100.0

Major factors in increase/decrease

(Current assets)

- Short-term investment securities : Increase with acquisition of debt securities and trust beneficiary rights
- Inventories : Decrease with redemption of certificates of deposit
- Inventories : Increase in products

(Current liabilities)

- Others : Decrease in accounts payable-other and consumption taxes payable

④ Capital Expenditures

(Millions of Yen)	FY2017	FY2018	Change	Change (%) (B-A)/A
	First three months A	First three months B		
Capital expenditures	128	165	37	29.1
PP&E	56	99	43	77.9
Intangible assets	72	65	(6)	(8.9)

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)	FY2017	FY2018	Change	Change (%)
	First three months A	First three months B		
Depreciation and amortization of intangible assets	299	249	(49)	(16.6)
Amortization of long-term prepaid expenses	262	268	6	2.4

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(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 •※Phase II study discontinued:Examining the future development policy
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				Approval		<ul style="list-style-type: none"> •Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan •In-house •Approval for additional dosage and administration for pediatric indication obtained by Torii in February 2018

Updates since the previous announcement on February 6, 2018

•Approval for additional dosage and administration for pediatric indication for TO-203(MITICURE® House Dust Mite Sublingual Tablets), an Allergen Immunotherapy Tablet for House Dust Mite Allergy by Torii

•TO-206(CEDARCURE® Japanese Cedar Pollen Sublingual Tablets) is expected to be launched in late June, 2018.(previous announcement : Development stage[Approval])

•Regarding JTS-661, following comments are added:

•"Phase II ※" on the Development stage (domestic)

•"※Phase II study discontinued:Examining the future development policy" on the Remarks

(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

The forecasts for the FY2018 have not been changed from the previous forecasts announced at the FY2017 financial results announcement on February 6, 2018. The impact of drug price revisions implemented in April 2018 had already been incorporated.

① Statement of Income

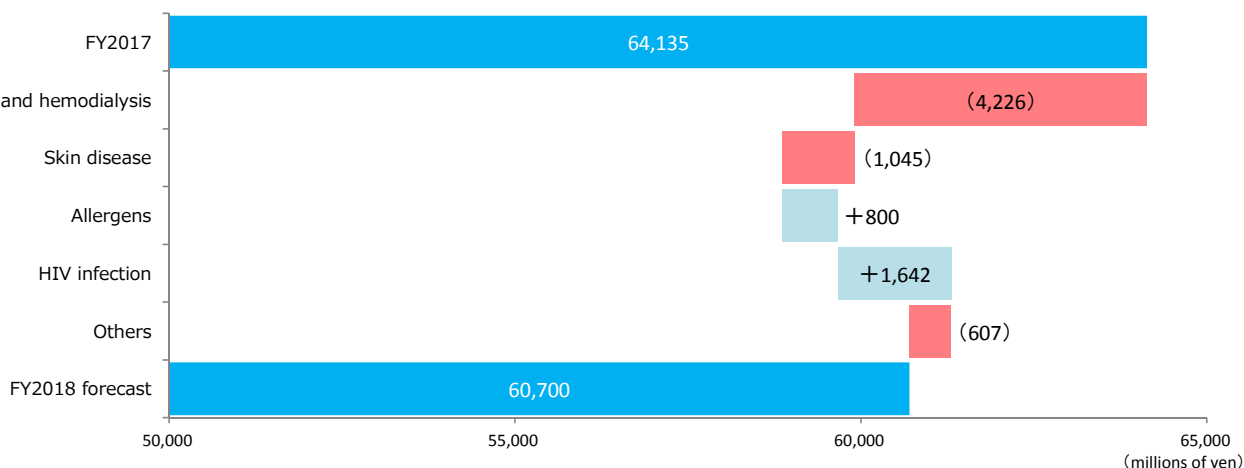
<i>(Millions of Yen)</i>	FY2017	FY2018 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Net sales	64,135	60,700	(3,435)	(5.4)
Sales of products	62,935	59,810	(3,125)	(5.0)
Renal disease and hemodialysis	25,276	21,050	(4,226)	(16.7)
Skin disease	9,905	8,860	(1,045)	(10.6)
Allergens	2,099	2,900	800	38.2
HIV 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)

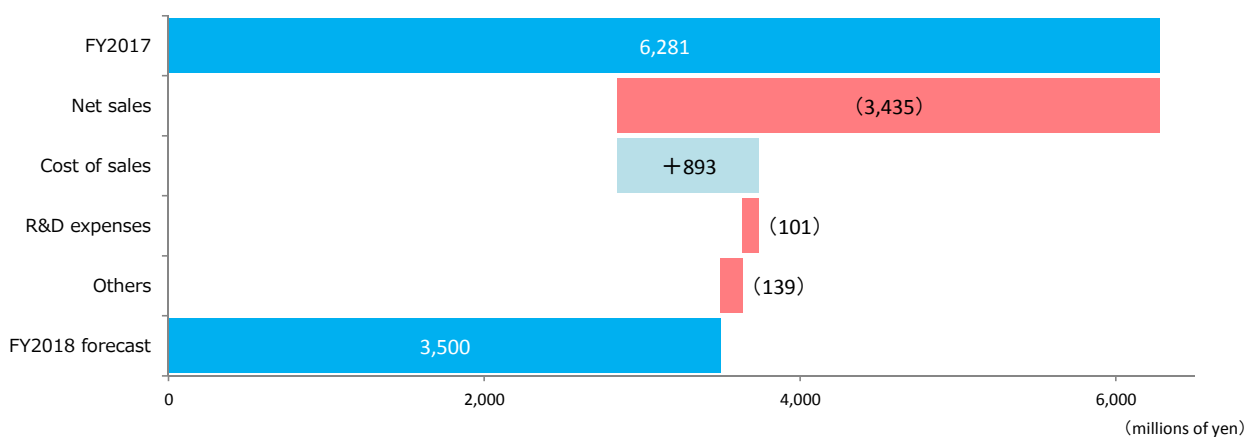


Major factors in increase/decrease

Renal disease	: REMITCH	Decrease	¥ 3,308 million	FUTHAN	Decrease	¥ 1,017 million
and hemodialysis	: 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 9.

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	—

【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.