

Financial Results for the First Six 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.

July 30, 2018



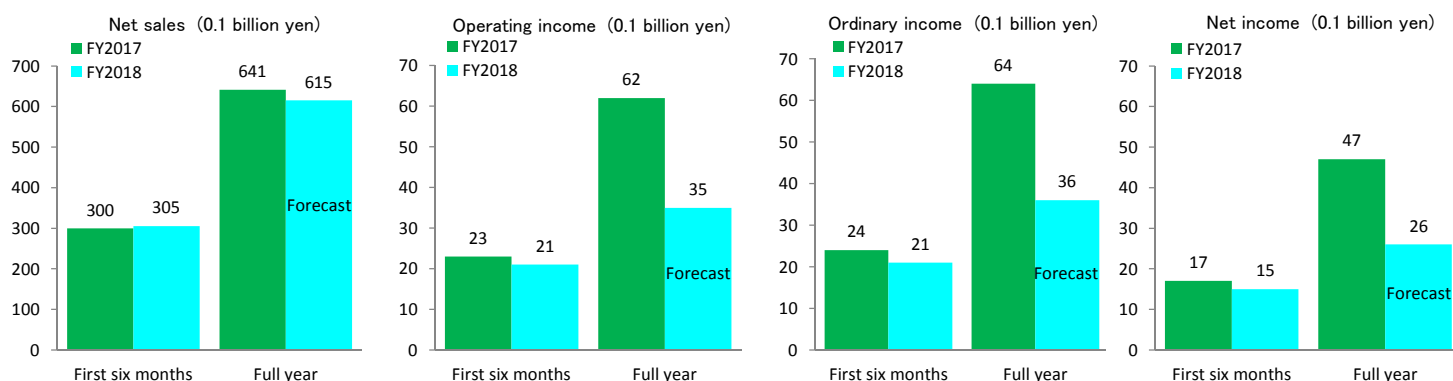
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2018 have been changed from the previous forecasts announced at the FY2017 financial results announcement on February 6, 2018.

(Millions of Yen)	FY2017		FY2018		Change B-A	Change (%) (B-A)/A	FY2017 Full year	FY2018 revised forecast	Progress ratio (%) B/C
	First six months A	First six months B	First six months C	First six months D					
Net sales	30,090	30,551	461	1.5	64,135	61,500	49.7		
Operating income	2,371	2,109	(261)	(11.0)	6,281	3,500	60.3		
Ordinary income	2,413	2,162	(251)	(10.4)	6,403	3,600	60.1		
Net income	1,761	1,548	(212)	(12.0)	4,718	2,600	59.6		
(Reference)									
R&D expenses	2,222	2,054	(167)	(7.6)	4,608	4,700	43.7		
Earnings per share (EPS) (¥)	62.78	55.22	(7.56)		168.22	92.68			
Return on equity (ROE) (%)	2.1	1.8	(0.3)		5.5	—			
Ratio of ordinary income to total assets (%)	2.4	2.1	(0.3)		6.3	—			
Ratio of operating income to net sales (%)	7.9	6.9	(1.0)		9.8	—			
Return on assets (ROA) (%)	1.8	1.5	(0.3)		4.6	—			



② Financial Conditions

(Millions of Yen)	December 31, 2017		June 30, 2018		Change B-A	Change (%) (B-A)/A
	A	B	C	D		
Total assets	104,741	103,608	(1,132)	(1.1)		
Total equity	87,119	88,041	922	1.1		
Equity ratio (%)	83.2	85.0	1.8			
Book value per share (BPS) (¥)	3,105.68	3,137.06	31.38			

II Financial Results for the First Six Months of FY2018

① Statement of Income

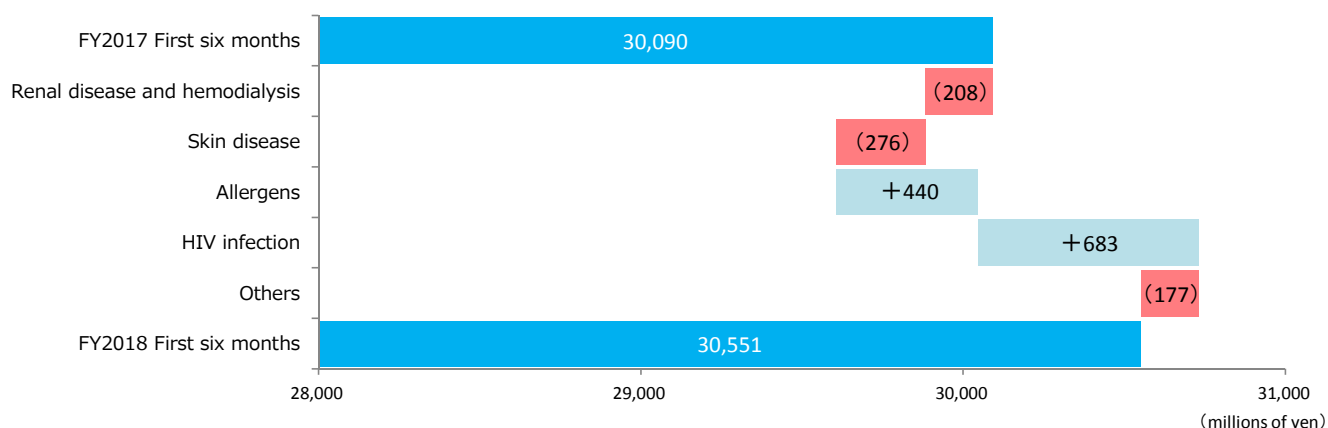
<i>(Millions of Yen)</i>	FY2017	FY2018	Change <i>B-A</i>	Change (%) <i>(B-A)/A</i>
	First six months <i>A</i>	First six months <i>B</i>		
Net sales	30,090	30,551	461	1.5
Sales of products	29,603	30,033	429	1.5
Renal disease and hemodialysis	11,874	11,665	(208)	(1.8)
Skin disease	4,796	4,519	(276)	(5.8)
Allergens	907	1,348	440	48.6
HIV infection	9,277	9,961	683	7.4
Other	2,748	2,538	(209)	(7.6)
Other sales	486	518	31	6.5
Cost of sales	14,773	15,836	1,062	7.2
Cost of products sold	14,746	15,809	1,062	7.2
Other cost	26	26	(0)	(1.3)
Gross profit	15,316	14,715	(601)	(3.9)
Selling, general and administrative expenses	12,944	12,605	(339)	(2.6)
R&D expenses	2,222	2,054	(167)	(7.6)
Others	10,721	10,550	(171)	(1.6)
Operating income	2,371	2,109	(261)	(11.0)
Non-operating income	48	53	4	—
Non-operating expenses	6	0	(6)	—
Ordinary income	2,413	2,162	(251)	(10.4)
Extraordinary loss	19	28	8	—
Income before income taxes	2,393	2,133	(259)	(10.9)
Income taxes	632	584	(47)	—
Net income	1,761	1,548	(212)	(12.0)

(Reference) Ratio to net sales

<i>(%)</i>	FY2017	FY2018	Change <i>B-A</i>
	First six months <i>A</i>	First six months <i>B</i>	
Cost of sales	49.1	51.8	2.7
SG&A	43.0	41.3	(1.7)
R&D expenses	7.4	6.7	(0.7)
Operating income	7.9	6.9	(1.0)
Ordinary income	8.0	7.1	(0.9)
Net income	5.9	5.1	(0.8)

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

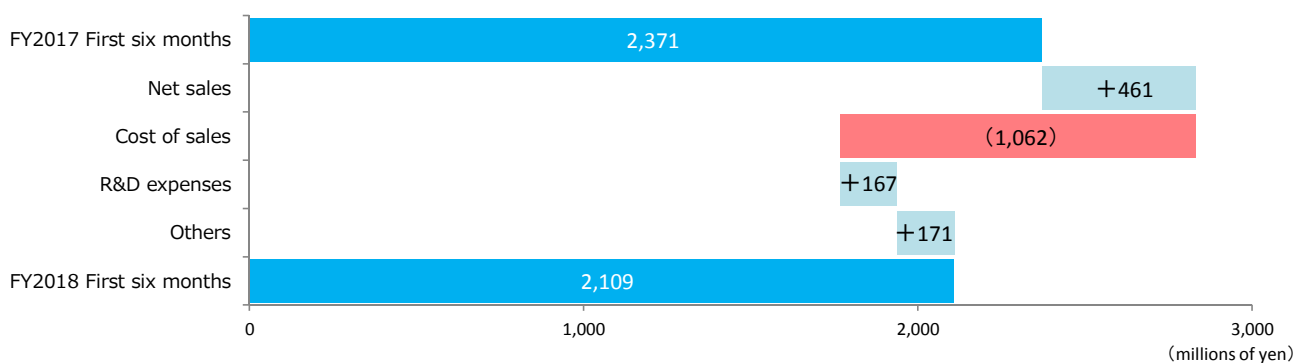
Net Sales (¥30,551 million : Increase ¥461 million year-on-year)



Major factors in increase/decrease

Sales of products	: Increase with increase in sales quantity Decrease with the drug price revision implemented on April 1, 2018			
Renal disease and hemodialysis	: FUTHAN	Decrease	¥ 363 million	Riona Increase ¥ 251 million
Skin disease	: ANTEBATE	Decrease	¥ 350 million	
Allergens	: CEDARTOLEN	Increase	¥ 225 million	
HIV infection	: Descovy	Increase	¥ 2,188 million	Genvoya Increase ¥ 623 million
	: Truvada	Decrease	¥ 2,050 million	
※ For details, please refer to "② Sales of Products" on page 4.				

Operating income (¥2,109 million : Decrease ¥261 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase with increase in sales quantity and disposal of excess cedar pollen inventory			
R&D expenses	: Decrease in clinical study expenses (TO-203 House dust mite induced allergic rhinitis in children) and co-development expenses (JTE-052) Increase in co-development expenses (JTS-661)			
Others	: Decrease in administrative expenses			

Ordinary income (¥2,162 million : Decrease ¥251 million year-on-year)

Special remarks: None

Net income (¥1,548 million : Decrease ¥212 million year-on-year)

Special remarks: None

② Sales of Products

<i>(Millions of Yen)</i>	FY2017	FY2018	Change	Change (%)
	First six months A	First six months B		
Sales of Products	29,603	30,033	429	1.5
REMITCH	6,567	6,687	119	1.8
Oral anti-pruritus agent [Renal disease and hemodialysis]				
Descovy	3,522	5,710	2,188	62.1
Antiviral agent for HIV [HIV infection]				
Genvoya	2,794	3,417	623	22.3
Antiviral agent for HIV [HIV infection]				
Riona	2,840	3,092	251	8.9
Agent for hyperphosphatemia [Renal disease and hemodialysis]				
ANTEBATE ※	3,104	2,753	(350)	(11.3)
Topical corticosteroid [Skin disease]				
BIO-THREE	1,189	1,252	62	5.3
Viable bacterial preparations [Other]				
KAYEXALATE ※	1,010	946	(63)	(6.3)
Agent for hyperkalemia [Renal disease and hemodialysis]				
LOCOID ※	713	780	67	9.4
Topical corticosteroid [Skin disease]				
CEDARTOLEN ※	554	780	225	40.7
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]				
Truvada	2,796	745	(2,050)	(73.3)
Antiviral agent for HIV [HIV infection]				
ZEFNART	602	680	78	13.0
Topical antifungal agent [Skin disease]				
FUTHAN ※	952	589	(363)	(38.1)
Protease inhibitor [Renal disease and hemodialysis]				
Magsent	499	441	(58)	(11.7)
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]				
URINORM ※	504	350	(153)	(30.5)
Uricosuric agent [Renal disease and hemodialysis]				
Others	1,951	1,804	(147)	(7.5)

※ In-house products

(References) Sales and ratio of in-house products

<i>(Millions of Yen)</i>	FY2017	FY2018	Change	Change (%)
	First six months A	First six months B		
Sales of in-house products	7,777	7,315	(462)	(5.9)
Ratio of in-house product sales (%)	26.3	24.4	(1.9)	—

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2017 A	June 30, 2018 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (June 30, 2018)
Current assets	83,980	81,668	(2,312)	(2.8)	78.8
Cash and deposits	6,458	1,635	(4,822)		
Deposits in the cash management system	9,836	4,067	(5,769)		
Notes and accounts receivable-trade	29,123	27,117	(2,005)		
Short-term investment securities	24,957	36,652	11,694		
Inventories	10,126	9,535	(591)		
Others	3,478	2,660	(818)		
Noncurrent assets	20,761	21,940	1,179	5.7	21.2
Property, plant and equipment	5,540	5,453	(86)		
Intangible assets	817	768	(48)		
Investments and other assets	14,403	15,718	1,315		
Investment securities	7,478	9,325	1,846		
Long-term prepaid expenses	5,748	5,218	(529)		
Others	1,176	1,174	(1)		
Total assets	104,741	103,608	(1,132)	(1.1)	100.0
Current liabilities	15,868	13,737	(2,130)	(13.4)	13.2
Accounts payable-trade	8,242	6,773	(1,469)		
Income taxes payable	1,396	722	(674)		
Accrued employees' bonuses	684	688	3		
Others	5,544	5,553	9		
Long-term liabilities	1,753	1,829	76	4.3	1.8
Total liabilities	17,622	15,567	(2,054)	(11.7)	15.0
Shareholders' equity	86,364	87,275	911	1.1	84.3
Unrealized gain on available-for-sale securities	745	754	9	1.3	0.7
Subscription rights to shares	9	11	1	14.3	0.0
Total equity	87,119	88,041	922	1.1	85.0
Total liabilities and equity	104,741	103,608	(1,132)	(1.1)	100.0

Major factors in increase/decrease

(Current assets)

Short-term investment securities : Increase with acquisition of debt securities, trust beneficiary rights and money trust

(Noncurrent assets)

Investment securities : Increase with acquisition of debt securities

(Current liabilities)

Accounts payable-trade : Decrease with decrease in purchasing products

④ Statement of Cash Flows

(Millions of Yen)	FY2017	FY2018	Change B-A
	First six months A	First six months B	
Income before income taxes	2,393	2,133	(259)
Depreciation and amortization of intangible assets	593	506	(87)
Decrease in trade notes and accounts receivable-trade	23	2,005	1,982
Decrease in inventories	347	591	244
Decrease (Increase) in trade notes and accounts payable-trade	151	(1,469)	(1,621)
Decrease in accounts payable-other	(476)	(753)	(277)
Decrease in long-term prepaid expenses	314	529	215
Income taxes paid	(692)	(1,239)	(547)
Other-net	(353)	773	1,127
Net cash provided by operating activities	2,302	3,077	775
Purchases of property, plant and equipment	(312)	(309)	3
Purchases of intangible assets	(134)	(93)	40
Other-net	(321)	(12,850)	(12,529)
Net cash used in investing activities	(768)	(13,254)	(12,485)
Net cash used in financing activities	(792)	(716)	76
Net Decrease (Increase) in cash and cash equivalents	741	(10,892)	(11,633)
Cash and cash equivalents, beginning of period	38,685	35,895	(2,789)
Cash and cash equivalents, end of period	39,426	25,003	(14,423)

(※) 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 in trade notes and accounts receivable-trade	: FY2018	Decrease with decrease in sales
Decrease (Increase) in trade notes and accounts payable-trade	: FY2018	Decrease with decrease in purchasing products
(Investing activities)		
Other-net	: FY2018	Acquisition of short-term investment securities and investment securities

⑤ Capital Expenditures

(Millions of Yen)	FY2017		FY2018		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	A	B		
Capital expenditures	330	372	42	12.8		
PP&E	223	282	58	26.2		
Intangible assets	106	90	(16)	(15.1)		

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

⑥ Depreciation/Amortization

(Millions of Yen)	FY2017		FY2018		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	A	B		
Depreciation and amortization of intangible assets	593	506	(87)	(14.7)		
Amortization of long-term prepaid expenses	524	535	11	2.2		

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 III			<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
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

Updates since the previous announcement on April 26, 2018

- JTT-751 for the additional indication of iron-deficiency anemia has entered into the clinical stage(Phase III) in Japan.
- Development of JTS-661 discontinued(previous announcement : Phase II study discontinued:Examining the future development policy)

(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 been changed from the previous forecasts announced at the FY2017 financial results announcement on February 6, 2018.

① Statement of Income

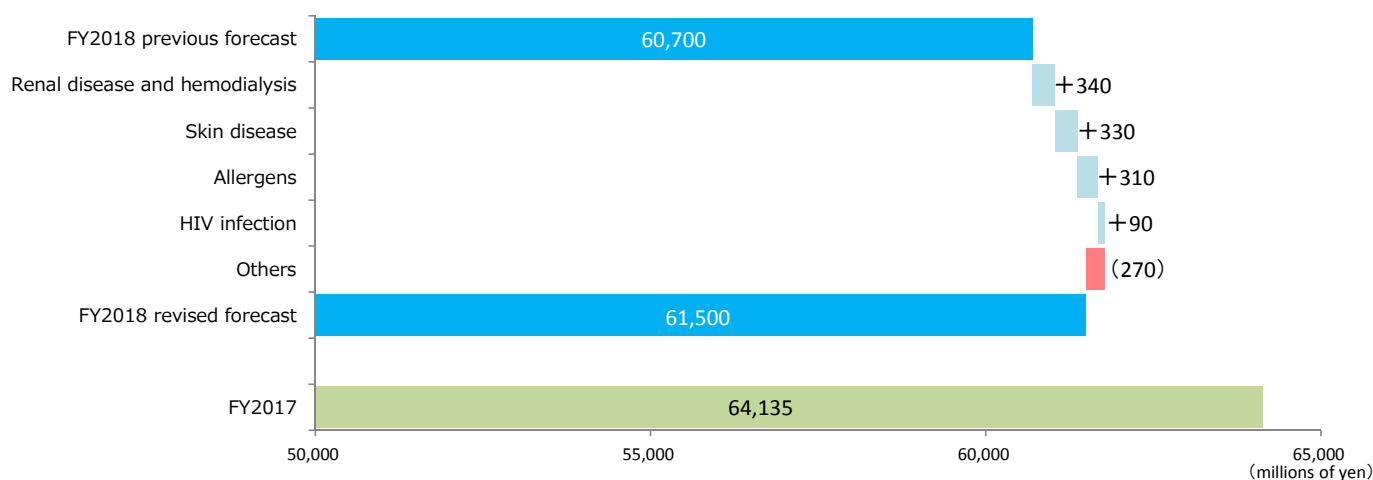
<i>(Millions of Yen)</i>	FY2018	FY2018	Change	FY2017	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Net sales	60,700	61,500	800	64,135	(2,635)	(4.1)
Sales of products	59,810	60,810	1,000	62,935	(2,125)	(3.4)
Renal disease and hemodialysis	21,050	21,390	340	25,276	(3,886)	(15.4)
Skin disease	8,860	9,190	330	9,905	(715)	(7.2)
Allergens	2,900	3,210	310	2,099	1,110	52.9
HIV infection	21,420	21,510	90	19,777	1,732	8.8
Other	5,580	5,510	(70)	5,877	(367)	(6.3)
Other sales	890	690	(200)	1,199	(509)	(42.5)
Cost of sales	30,400	31,600	1,200	31,293	306	1.0
Gross profit	30,300	29,900	(400)	32,841	(2,941)	(9.0)
SG&A	26,800	26,400	(400)	26,559	(159)	(0.6)
R&D expenses	4,710	4,700	(10)	4,608	91	2.0
Others	22,090	21,700	(390)	21,950	(250)	(1.1)
Operating income	3,500	3,500	–	6,281	(2,781)	(44.3)
Ordinary income	3,600	3,600	–	6,403	(2,803)	(43.8)
Net income	2,600	2,600	–	4,718	(2,118)	(44.9)

(Reference) Ratio to net sales

<i>(%)</i>	FY2018	FY2018	Change	FY2017	Change
	previous forecast	revised forecast			
	A	B	B-A	C	B-C
Cost of sales	50.1	51.4	1.3	48.8	2.6
SG&A	44.2	42.9	(1.3)	41.4	1.5
R&D expenses	7.8	7.6	(0.2)	7.2	0.4
Operating income	5.7	5.7	0.0	9.8	(4.1)
Ordinary income	5.9	5.9	0.0	10.0	(4.1)
Net income	4.3	4.2	(0.1)	7.4	(3.2)

[Factors in increase/decrease compared with the previous forecast for the FY2018]

Net sales (¥61,500 million : Increase ¥800 million)

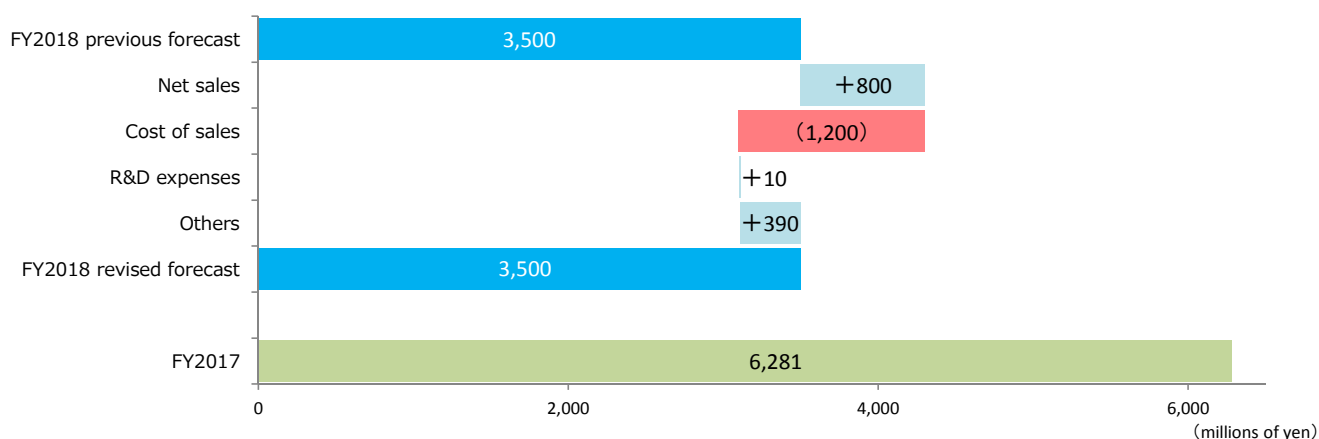


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Increase	¥ 250 million		
Skin disease	: LOCOID	Increase	¥ 180 million	ZEFNART	Increase ¥ 120 million
Allergens	: CEDARTOLEN	Increase	¥ 120 million		
HIV infection	: Truvada	Increase	¥ 1,010 million	Descovy	Decrease ¥ 1,000 million
Others	: Commission income	Decrease	¥ 160 million		

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

Operating income (¥3,500 million : No modification)



Major factors in increase/decrease

Cost of sales	: Increase with increase in net sales and disposal of excess cedar pollen inventory
R&D expenses	: Decrease in co-development expenses (JTS-661) Increase in co-development expenses (JTE-052)
Others	: Decrease in sales promotion expenses

Ordinary income (¥3,600 million : No modification)

Special remarks: None

Net income (¥2,600 million : No modification)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2018 previous forecast A	FY2018 revised forecast B	Change B-A	FY2017 C	Change B-C	Change (%) (B-C)/C
Sales of Products	59,810	60,810	1,000	62,935	(2,125)	(3.4)
Descovy Antiviral agent for HIV [HIV infection]	13,600	12,600	(1,000)	9,218	3,381	36.7
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	10,530	10,780	250	13,838	(3,058)	(22.1)
Genvoya Antiviral agent for HIV [HIV infection]	7,290	7,330	40	6,325	1,004	15.9
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	6,860	6,860	–	6,245	614	9.8
ANTEBATE ※ Topical corticosteroid [Skin disease]	5,630	5,620	(10)	6,282	(662)	(10.5)
BIO-THREE Viable bacterial preparations [Other]	2,680	2,690	10	2,545	144	5.7
KAYEXALATE ※ Agent for hyperkalemia [Renal disease and hemodialysis]	1,930	1,960	30	2,123	(163)	(7.7)
CEDARTOLEN ※ Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	1,610	1,730	120	1,295	434	33.5
LOCOID ※ Topical corticosteroid [Skin disease]	1,320	1,500	180	1,411	88	6.3
ZEFNART Topical antifungal agent [Skin disease]	1,360	1,480	120	1,483	(3)	(0.2)
Truvada Antiviral agent for HIV [HIV infection]	390	1,400	1,010	3,941	(2,541)	(64.5)
FUTHAN ※ Protease inhibitor [Renal disease and hemodialysis]	1,030	1,100	70	2,047	(947)	(46.3)
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,080	1,010	(70)	1,115	(105)	(9.4)
URINORM ※ Uricosuric agent [Renal disease and hemodialysis]	700	690	(10)	1,020	(330)	(32.4)
Others	3,800	4,060	260	4,040	19	0.5

※ In-house products

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2018 previous forecast A	FY2018 revised forecast B	Change B-A	FY2017 C	Change B-C	Change (%) (B-C)/C
Sales of in-house products	14,680	15,310	630	16,323	(1,013)	(6.2)
Ratio of in-house product sales (%)	24.5	25.2	0.7	25.9	(0.7)	–

③ Capital Expenditures

<i>(Millions of Yen)</i>	FY2018	FY2018	Change	FY2017	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Capital expenditures	1,166	1,038	(128)	931	106	11.4
PP&E	945	813	(132)	714	98	13.8
Intangible assets	221	225	4	217	7	3.3

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>	FY2018	FY2018	Change	FY2017	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Depreciation and amortization of intangible assets	1,128	1,058	(70)	1,174	(116)	(9.9)
Amortization of long-term prepaid expenses	961	964	3	1,061	(97)	(9.2)

⑤ Dividends

		FY2018	FY2018	Change	FY2017	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	(%)	51.8	51.8	0.0	28.5	23.3	—

※ On July 30, 2018, the Board of Directors resolved to pay an interim dividend of 24 yen per share for the FY2018.

【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.