



Quality Pharmaceuticals for Health and Life

---

---

---

Annual Report 2011

For the year ended March 31, 2011

# Profile

For more than 130 years, Torii Pharmaceutical Co., Ltd. has contributed to the improvement of human health by developing, producing and distributing ethical pharmaceutical products.

In 1998, Torii became a member of the Japan Tobacco Inc. (“JT”) Group. To maximize group-level synergies, Torii has assumed responsibility for sales, marketing and manufacturing functions while R&D functions for new drugs are handled principally by JT. Within this close collaboration, Torii continues its efforts to contribute to the improvement of human health, drawing on assets that include a solid reputation and a tradition of excellence.

Torii markets drugs in a number of priority therapeutic areas: renal diseases and hemodialysis including pruritus in hemodialysis patients, acute diseases including acute pancreatitis, HIV, skin diseases including atopic dermatitis and lifestyle-related diseases including gout.

By stationing medical representatives (MRs) in 14 branch offices throughout Japan, the Company is able to respond quickly to market needs and the specific requirements of medical professionals.



## Contents

Values and Philosophy . . . . .	1
Non-consolidated Financial Highlights . . . . .	2
A Message from the President . . . . .	3
Changes to Plan Torii 2012 . . . . .	4
Topics . . . . .	5
About Torii . . . . .	6
Mainstay Products . . . . .	8
Environmental Protection and Social Contribution Activities. . . . .	9
Corporate Governance . . . . .	10
Board of Directors and Corporate Auditors/Organization. . . . .	12
Review of Operations . . . . .	13
Non-consolidated Balance Sheets . . . . .	16
Non-consolidated Statements of Income . . . . .	18
Non-consolidated Statements of Changes in Equity . . . . .	19
Non-consolidated Statements of Cash Flows . . . . .	20
Notes to Non-consolidated Financial Statements . . . . .	21
Independent Auditors’ Report . . . . .	32
Corporate Information . . . . .	33

### Forward-looking Statements

Torii’s policies, strategies, plans and forecasts presented in this annual report, other than statements of historical fact, are forward-looking statements. Reflecting assumptions and 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 report to reflect new information, transactions or events. Please see the risk analysis section of this report for a discussion of some of the risks and uncertainties that may impact Torii’s business performance. The items discussed in the risk analysis section do not constitute a complete list of all the risks and uncertainties the Company faces.

# Values and Philosophy

## THE CORPORATE MISSION OF TORII

Torii Pharmaceutical Co., Ltd. aims to contribute to the improvement of human health and to fulfill its responsibilities to customers, shareholders, society and employees, by supplying world-class pharmaceutical products.

We are determined to continue to enhance the satisfaction experienced by customers, shareholders, society and employees through the balanced fulfillment of our responsibilities to each. We will achieve this by reusing and expanding funds generated through high-quality business activities.

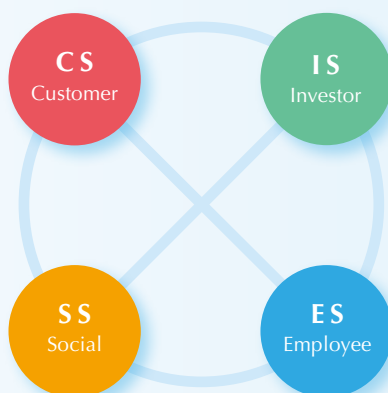
### CS: Customer Satisfaction— Our Responsibility to Customers

We will strive to contribute to improvement in the quality of life (QOL) of patients by supplying superior medicines and accurate information through medical professionals.

### SS: Social Satisfaction— Our Responsibility to Society

We will maintain high ethical standards and strive to be a better corporate citizen through business activities that reflect the needs of society.

### 4S MODEL



### IS: Investor Satisfaction— Our Responsibility to Investors

We will provide timely, accurate disclosure of corporate information and work to generate appropriate shareholder returns and improve our corporate value.

### ES: Employee Satisfaction— Our Responsibility to Employees

We aim to help all employees to experience real motivation and fulfillment by respecting every individual, by providing equal opportunities for growth, and by treating employees appropriately on the basis of fair assessments.

## OUR VISION FOR TORII

To achieve sustained growth as a trusted major player  
in the Japanese pharmaceutical market.

## THE TORII ACTION DECLARATION

We will continue to earn the trust of our customers by thinking flexibly,  
working cooperatively and acting quickly.

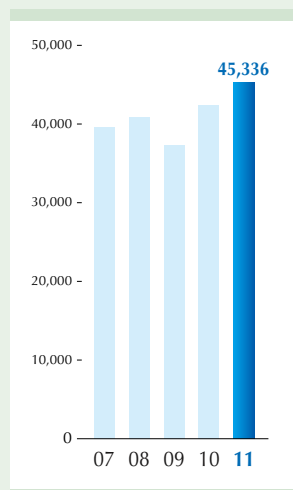
# Non-consolidated Financial Highlights

Torii Pharmaceutical Co., Ltd.  
Years Ended March 31, 2011 and 2010

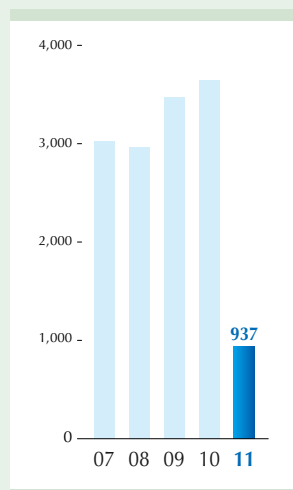
	Millions of Yen		% Change	Thousands of U.S. Dollars
	<b>2011</b>	2010		<b>2011</b>
<b>For the year:</b>				
Net sales	<b>¥45,336</b>	¥42,416	6.9 %	<b>\$545,228</b>
Operating income	<b>1,845</b>	6,126	(69.9)	<b>22,187</b>
Income before income taxes	<b>1,839</b>	6,341	(71.0)	<b>22,117</b>
Net income	<b>937</b>	3,642	(74.3)	<b>11,270</b>
<b>At year-end:</b>				
Total assets	<b>¥84,886</b>	¥85,638	(0.9)%	<b>\$1,020,876</b>
Total equity	<b>74,246</b>	74,642	(0.5)	<b>892,917</b>
<b>Per share data (in yen and U.S. dollars):</b>				
Net income	<b>¥33.1</b>	¥128.7	(74.3)%	<b>\$0.40</b>
Cash dividends	<b>40.0</b>	40.0	—	<b>0.48</b>

Note: All dollar figures in this report refer to U.S. currency. Dollar figures in this report have been translated from yen, for convenience only, at the rate of ¥83.15=US\$1.00, the approximate exchange rate prevailing on March 31, 2011.

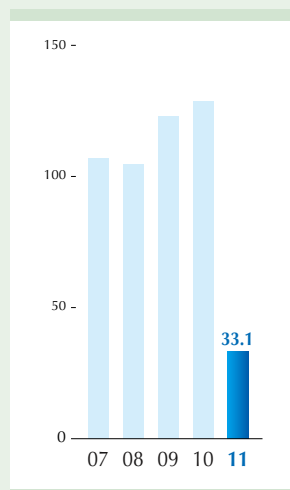
**Net Sales**  
(Millions of Yen)



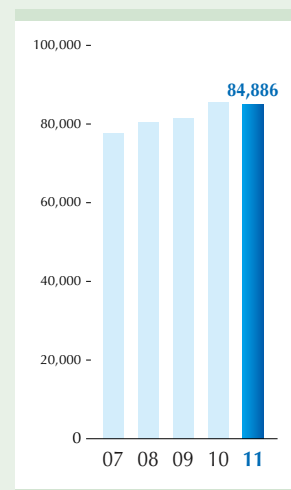
**Net Income**  
(Millions of Yen)



**Net Income per Share**  
(Yen)



**Total Assets**  
(Millions of Yen)



Note: The years are fiscal years ended March 31.

## A Message from the President

---

---

---

---

---



Fiscal 2010 was the first year of our new medium-term management plan, “Plan Torii 2012”. We recorded pleasing growth in sales of the anti-HIV drug Truvada Tablets and REMITCH CAPSULES, an orally administered drug used to treat pruritus in renal dialysis patients, which we have positioned as our main growth drivers in the HIV field and the renal disease and hemodialysis field, respectively. In February 2011, we further expanded our range of renal disease and hemodialysis products with the launch of KAYEXALATE DRYSYRUP, which is used to treat hyperkalemia.

We also started Phase III clinical trials in Japan of hyposensitization therapy (immunotherapy) for cedar pollen allergies by sublingual administration of Japanese cedar pollen extract. Existing products in our development pipeline also continued to make good progress through the stages. In addition, we signed a licensing agreement with ALK-Abelló A/S (ALK) covering that company’s hyposensitization drugs and other products relating to allergic diseases, such as asthma and allergic rhinitis, caused by house dust mites. We are currently preparing to commence clinical trials.

As a result of this agreement with ALK, our R&D expenditure will be higher than initially planned, and for this reason, we have amended our financial targets, including operating income, for the year ending March 31, 2012. However, we believe that this investment is essential to our future growth.

We will continue to focus our total resources on achieving the targets set down in “Plan Torii 2012”, and to achieve growth leading to the realization of our vision for Torii as a trusted major player in the Japanese market.

June 2011

A handwritten signature in black ink that reads "N. Matsuo". The signature is fluid and cursive, with the first letter of the last name being a large, stylized 'M'.

**Norihiko Matsuo**  
President and Representative Director

# Changes to Plan Torii 2012

Our current medium-term management plan, Plan Torii 2012, was announced in fiscal 2010. The following changes have been made to the plan to reflect our financial results for fiscal 2010 and developments affecting our R&D activities, including licensing agreement with ALK signed in January 2011 covering hyposensitization products for house dust mite allergies.

## Amended Financial Targets for Fiscal 2012

	New	Previous	Change
Net sales	<b>¥51,000 million</b>	¥50,000 million	+¥1,000 million
Operating income	<b>¥2,500 million</b>	¥6,000 million	-¥3,500 million
Net income	<b>¥1,600 million</b>	¥3,500 million	-¥1,900 million
Dividend per share	<b>Unchanged</b>	¥40	—

## Basic Policies and Medium-Term Priorities

Changes to numerical targets for priority sales categories (Fiscal 2012)

	New	Previous	Change
<b>HIV</b> (Truvada Tablets, Viracept Tablets, Viread Tablets, Emtriva Capsules)	<b>Unchanged</b>	¥13,000 million	—
<b>Renal disease and hemodialysis</b> (REMITCH CAPSULES, KAYEXALATE)	<b>¥12,500 million</b>	¥12,000 million	-¥500 million
<b>Skin disease</b> (Dovonex Ointment, ANTEBATE, ZEFNART, LOCOID)	<b>Unchanged</b>	¥11,000 million	—

In allergen specific immunotherapy field, we have decided to develop therapeutic drugs for house dust mite allergies, in addition to on-going clinical studies for cedar pollen allergies.

Other basic policies and medium-term priorities remain unchanged.

## Main Products under Development

Sublingual Immunotherapy (cedar pollen extract by sublingual administration)	Phase III started	—
Hyperphosphatemia drug (JTT-751: JT development code)	Phase III started	Co-development with JT
Additional indication for REMITCH CAPSULES for the treatment of pruritus associated with hepatic disease	Phase III started	Co-development with Toray Industries, Inc. and JT
Cedar pollen allergy drug (cedar pollen vaccine)	Joint research on-going	Joint project with RIKEN to develop a next-generation hyposensitization drug

\* We estimate that the two-year total of expenditure on research and development in fiscal 2011 and fiscal 2012 will be approximately ¥12,500 million, consisting of ¥6,000 million in fiscal 2011 and ¥6,500 million in fiscal 2012. The initial estimate was a three-year total of approximately ¥11,000 million. This has been increased to ¥18,500 million to reflect the acquisition of new products licensed from ALK and future development plans.

# TOPICS

## ALK and Torii entered into an exclusive license agreement for allergy immunotherapy products in Japan

On January 28, 2011, Torii entered into an exclusive license agreement with ALK to develop and commercialize ALK's house dust mite allergy immunotherapy products for asthma and allergic rhinitis in Japan. The agreement gives Torii exclusive rights for development, marketing and distribution in Japan of ALK's tablet-based immunotherapy product against house dust mite allergy, MITIZAX. The agreement also covers an injection-based immunotherapy product, Alutard, and diagnostic products against house dust mite allergy. Moreover, the agreement includes a research and development collaboration targeting a tablet-based immunotherapy product against Japanese cedar pollen allergy.

Under the agreement, Torii paid ALK an upfront payment of EUR 30 million and will pay up to EUR 30 million in development and market registration milestone payments. After the product is launched, Torii will pay royalties and sales milestones on the net sales of the products.



Torii Senior Executive Director Yuji Kagohashi and ALK Executive Vice President Flemming Pedersen exchange commemorative gifts.

### Profile of ALK

<b>Name:</b>	ALK-Abelló A/S
<b>Head office:</b>	Hørsholm, Denmark
<b>Establishment:</b>	1923
<b>President &amp; CEO:</b>	Jens Bager
<b>Net sales:</b>	2,140 million Danish kroner (year ended December 2010)
<b>Employees:</b>	1,694 (December 31, 2010)
<b>Activities:</b>	Development, manufacture and sale of therapeutic, preventive and diagnostic drugs in the allergic disease field
<b>Other information:</b>	Listed on NASDAQ OMX Copenhagen

## Hyperkalemia Improvement Agent, KAYEXALATE DRYSYRUP 76% Launched

For Hyperkalemia  
KAYEXALATE DRYSYRUP 76%



On February 7, 2011, Torii launched a hyperkalemia improvement agent, KAYEXALATE DRYSYRUP 76% (generic name: sodium polystyrene sulfonate).

KAYEXALATE is a hyperkalemia improvement agent whose active ingredient is sodium polystyrene sulfonate. It lowers serum potassium by exchanging potassium ions in the intestinal tract. KAYEXALATE DRYSYRUP 76% is a low-calorie preparation featuring a refreshing apple flavor, developed as a new dosage form of KAYEXALATE POWDER. It is expected to broaden the range of options for potassium-lowering agents, and to contribute to enhancing the patients' quality of life.

### An outline of KAYEXALATE DRYSYRUP 76%

<b>Brand name:</b>	KAYEXALATE DRYSYRUP 76%
<b>Generic name:</b>	Sodium polystyrene sulfonate
<b>Indication:</b>	Hyperkalemia caused by acute and chronic renal failure
<b>Dosage and administrations:</b>	The usual oral dosage for adults is 39.24 g per day (30 g per day as sodium polystyrene sulfonate) divided into 2-3 doses. A single dose is suspended in 50-150 ml of water, and administered orally. The dosage may be adjusted according to symptoms.
<b>Distributed by:</b>	Torii Pharmaceutical Co., Ltd.

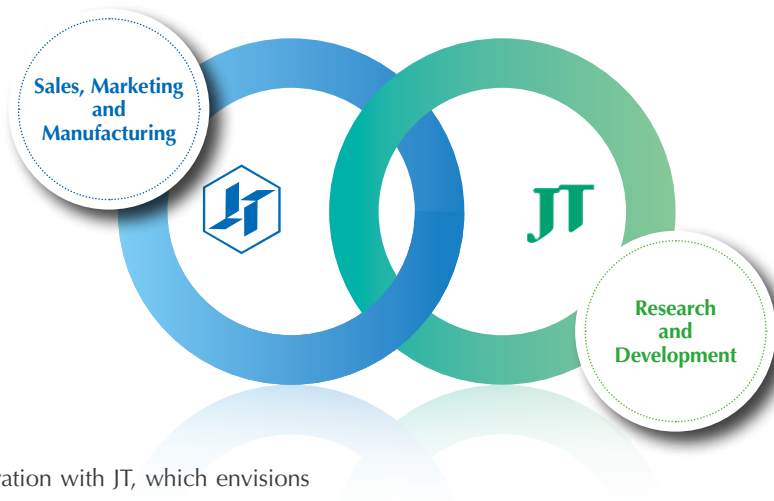
### What is hyperkalemia?

Hyperkalemia is a condition in which reduced renal function or other factors cause potassium in the blood to reach an elevated level of 5.5mEq/L or higher. Symptoms include numbness of the extremities, paralysis, abdominal pain and diarrhea. There can also be cardiac effects, such as arrhythmia. In severe cases there is a risk of cardiac arrest, and emergency treatment is required.

# About Torii

## Collaboration with JT

In the pharmaceutical industry, the technology required to develop new drugs is becoming increasingly sophisticated, and R&D costs are generally rising. At the same time, the requirements for new drug approval are becoming ever more demanding. As a result, it often takes many years to bring a new product to market. In keeping with our tradition of always seeking and maximizing synergies, built over a corporate history dating back more than 130 years, Torii joined the JT Group in 1998. In 1999, we established a business collaboration with JT, which envisions R&D oriented pharmaceutical activities. In this new formation, R&D for new drugs has been centralized under the control of JT, while Torii has taken over sales and marketing functions. In April 2006, Torii also extended its manufacturing operations to include those of JT. We continuously supply high-quality pharmaceutical products.



## R&D Activities

JT aims to build up a distinctive world-class pharmaceutical business driven by R&D, and to win recognition through the development of original new drugs. To this end, the company is actively investing management resources in the expansion and enhancement of its R&D capabilities.

The JT Central Pharmaceutical Research Institute consists of six specialized research facilities that collaborate closely on new drug R&D in four priority areas: (1) glucose and lipid metabolism, (2) virus research, (3) immune disorders and inflammation and (4) bone metabolism.

Under the division of R&D functions between Torii Pharmaceutical and JT, R&D activities pertaining to new compounds have been centralized within JT, while Torii is responsible primarily for improvements to the formulations of existing products, and the development of additional indications. Torii also carries out its own R&D in its specific areas of expertise.



JT Central Pharmaceutical Research Institute >>

## Sales and Marketing

Torii has about 500 medical representatives (MRs) working at 14 branch offices throughout Japan. Tasked with distributing information about pharmaceutical products, the MRs use Torii's marketing support system to access the information they need to provide prompt responses to specialized needs. This marketing support system is crucial to effective information distribution, and also enhances clients' confidence in Torii by allowing company-wide sharing of the information given to medical professionals by MRs and other business units.

The Pharmaceutical Marketing & Promotion Group formulates business strategies based on analyses of market needs and projections of future changes in the market environment. It also supports initiatives to enhance the quality of the pharmaceutical information that MRs provide to medical professionals.

Within the Pharmaceutical Marketing & Promotion Group, the Customer Support Department is in charge of responding to inquiries from medical professionals, patients and their families. The Customer Support Department uses comments received from customers as the basis for feedback to the relevant business units, which use this information to improve products.

In principle, new ethical pharmaceutical products developed by JT are marketed in Japan by Torii, which is strengthening its marketing and distribution system in preparation for the introduction of new drugs.

Torii also works actively with JT to in-license products that can be brought to the Japanese market.



## Manufacturing Activities

In April 2006, Torii assumed responsibility for the JT Group's pharmaceutical manufacturing operations, which have been integrated into our Sakura Plant. Key products manufactured at this GMP\*-certified plant include the protease inhibitor FUTHAN for injection, the topical corticosteroid ANTEBATE OINTMENT and ANTEBATE CREAM, and the uricosuric agent URINORM Tab. In addition, Torii is responsible for manufacturing investigational new drugs developed by JT.

Importantly, in manufacturing drugs, Torii focuses not only on quality but also on reducing the environmental burden of these operations, as evidenced by the ISO 14001 certification of the Sakura Plant.

We will continue our efforts to ensure a reliable supply of high-quality pharmaceutical products.

\*GMP stands for Good Manufacturing Practice.

[Sakura Plant >>](#)



# Mainstay Products

Brand name	Therapeutic indication	Net sales in fiscal 2010 (¥ billion)	Area
Truvada	Antiretroviral agent used for the treatment of HIV-1 infection in adults	¥8.3	HIV
REMITCH	Agent used for the treatment of pruritus in hemodialysis patients (oral antipruritus drug)	¥7.4	Renal diseases and Hemodialysis
ANTEBATE	Agent used for the treatment of the inflammatory manifestations of dermatosis (topical corticosteroid)	¥6.2	Skin diseases
FUTHAN	Agent used for the prevention of blood coagulation during extracorporeal circulation and for the treatment of acute pancreatitis and disseminated intravascular coagulation (protease inhibitor)	¥5.8	Acute diseases Renal diseases and Hemodialysis
URINORM	Agent used for the treatment of hyperuricemia and gout (uricosuric agent)	¥3.4	Lifestyle-related diseases
Serotone	Agent used for the treatment of emesis due to cancer chemotherapy (5-HT <sub>3</sub> antagonist)	¥1.8	Acute diseases
Dovonex	Agent used for the treatment of psoriasis vulgaris	¥1.7	Skin diseases
UBRETID	Agent used for the treatment of dysuria and myasthenia gravis (cholinesterase inhibitor)	¥1.0	Lifestyle-related diseases
KAYEXALATE	Agent used for the improvement of hyperkalemia caused by acute and chronic renal failure	¥1.0	Renal diseases and Hemodialysis



Truvada



REMITCH



ANTEBATE



FUTHAN



URINORM

# Environmental Protection and Social Contribution Activities

Torii considers it a management priority to take appropriate actions to reduce environmental burdens arising from our business activities and carry out social contribution activities, as well as contribute to human health and well-being through the provision of pharmaceutical products. Based on this idea, we are actively engaging in social activities and initiatives to protect the global environment, in the hope of handing down a sound and abundant environment and society to the next generation.

## Environmental Protection Efforts

We are actively working to protect the environment under the Torii Pharmaceutical Environmental Charter, which defines our basic environmental policy and code of conduct. Guided by this charter, we are taking various measures against global warming, including COOL BIZ and WARM BIZ\* activities, promotion of green purchasing, and the use of low-emission, more fuel-efficient company vehicles. As a member of the JT Group, we also help to restore forest life cycles through our participation in “JT Forest” activities, including tree-planting, undergrowth clearing and thinning. To reduce environmental loads systematically, we have established the Torii Environmental Action Plan, which describes our single-year and medium-term environmental targets.

In order to foster better public understanding about our environmental efforts, we have issued our environmental report since 2005. We are continually expanding and enhancing the content of this report.

\* These are Japanese government initiatives aimed at cutting national CO<sub>2</sub> emissions by reducing energy consumption. Businesses practicing COOL BIZ encourage lighter dress codes during summer to enable a higher average air conditioning temperature. WARM BIZ businesses set thermostats lower during winter, encouraging employees to dress warmly.

## Social Contribution Activities

Torii has donated ¥50 million through the Japan Red Cross to support relief activities for those affected by the Great East Japan Earthquake.

Our ongoing social contribution activities include company-wide community contribution campaigns, which have been held every year since 1993 around November 1, the day of the Company’s foundation. In these campaigns, we participate in blood donations and clean up the local area around our offices.

We also participate in the “Green Fund” program, under which funds are offered to help preserve forests in Japan and overseas, and to foster volunteers for forest-related projects. In April 2011, Torii was cited for its cooperation with this fund by the Director-General of the Forestry Agency.

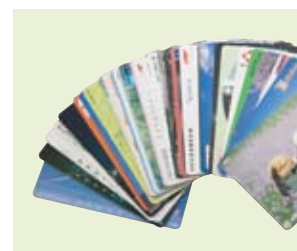
In addition, Torii started a “Collection Volunteer” activity in 2010 for the gathering of used stamps and prepaid cards, which are donated to the Council of Social Welfare.

In order to support employee social contribution activities, we adopted in April 2006 a volunteer leave system, which allows employees to take up to five paid holidays a year for volunteer activities.

In addition, another leave system was introduced in support of bone marrow donation. Under this system, the prospective donor is allowed paid leave for the number of days necessary for the testing and procedures, including hospitalization for donor registration and actual donation.



Green Fund certificate from the Director-General of the Forestry Agency.



Used prepaid cards, collected for the “Collection Volunteer” activity.

# Corporate Governance

---

---

---

---

Torii is committed to the improvement of corporate value through timely adaptation to changes in the business environment, and through the maintenance of fair and transparent management processes. We are aware that these goals cannot be achieved without ongoing efforts to enhance the speed and quality of executive decision-making, develop effective internal control systems and ensure timely and accurate disclosure. We will continue to focus on improvements in all of these areas.

Torii's relationship with its parent company, Japan Tobacco Inc. (specifically the pharmaceutical division of the company) is based on its roles and functions, under which Torii is involved primarily in production and distribution, and Japan Tobacco in R&D. Within this framework, we enjoy a certain level of independence while also maintaining close cooperation with the parent company as we work to realize our corporate mission through appropriate business activities.

## Corporate Governance Structure

In addition to the General Meeting of Shareholders and the Directors, the corporate governance organs adopted by Torii under the Corporate Law of Japan include the Board of Directors, the corporate auditors, the Audit Board and the accounting auditors, as well as the Executive Committee, the Compliance Committee and the Audit Department.

The current corporate governance structure is based on reciprocal supervision by the seven directors, the audit system maintained by three corporate auditors, of whom two are outside auditors, and cooperation among the corporate auditors, the accounting auditors and units responsible for internal audits and internal control systems. We believe that we have established effective executive and supervisory structures.

Our corporate governance structure is as follows:

**Corporate Auditors and the Audit Board**—Torii has appointed corporate auditors and established an Audit Board. Their task is to ensure the effectiveness of audit processes by attending board meetings and other important meetings, holding regular meetings with representative directors, and cooperating with the accounting auditors and internal audit departments. The Audit Board consists of three corporate auditors, including two outside auditors with expert knowl-

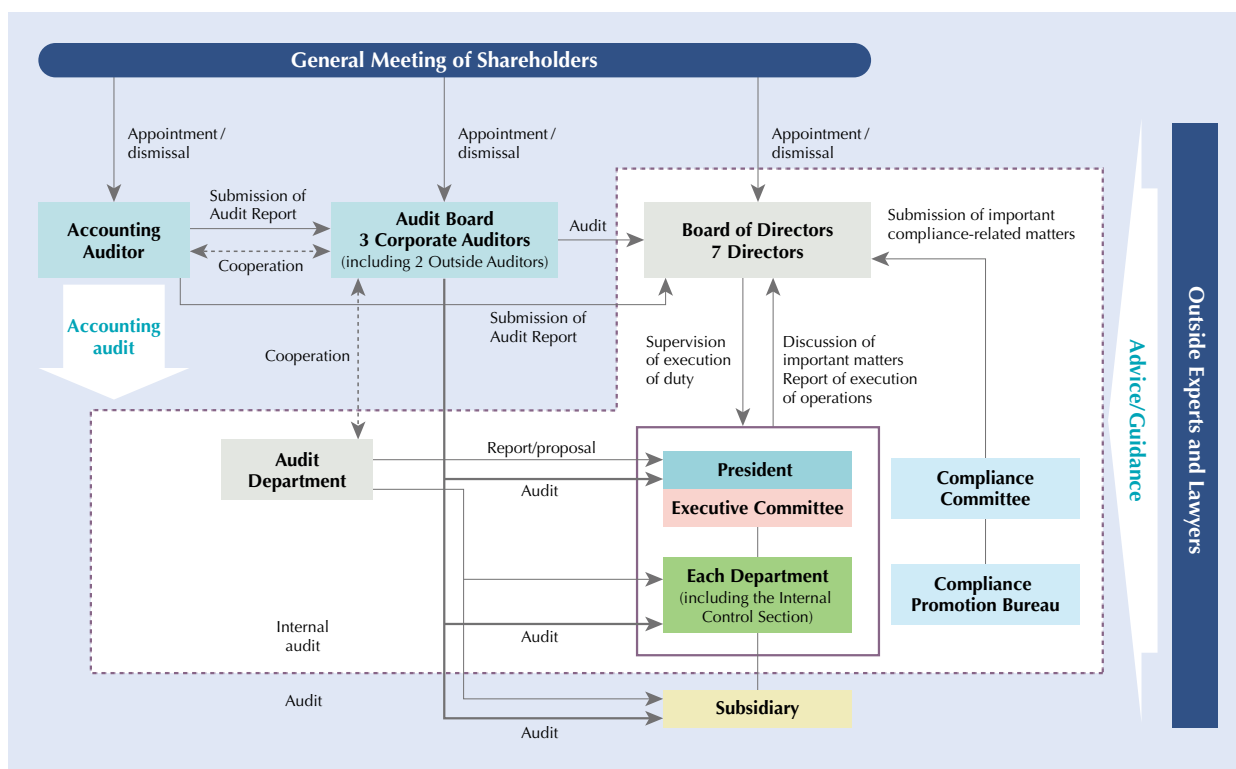
edge. By sharing knowledge and information and exchanging views, members of the Audit Board strive to carry out their audit activities from an independent and neutral perspective and with a high standard of objectivity.

**Board of Directors**—The Board of Directors currently consists of seven directors. In principle, the board meets monthly, but additional meetings are scheduled flexibly as required. The Board of Directors makes decisions on matters stipulated in laws and regulations and in the Articles of Incorporation. It also receives reports on corporate operations and supervises directors in the performance of their duties.

**Executive Committee**—The Executive Committee currently has nine members. It normally meets once a week to discuss and reach decisions on important management matters, especially management policies affecting overall operations and matters relating to basic planning.

**Compliance Committee**—The seven-member Compliance Committee monitors compliance promotion activities and deliberates and makes decisions on important matters pertaining to compliance promotion. However, any matters requiring action in relation to serious compliance violations or situations that could lead to such violations are referred to the Board of Directors.

## Overview of Corporate Governance Structure



**Audit Department**—The Audit Department currently has eight staff members and reports directly to the President. Its task is to study and assess management and operational systems and executive processes in all areas of corporate activities, taking into account the level of importance and the risk factors involved, and to provide information and recommendations to the President based on its findings.

**Accounting Auditors**—Torii has concluded an audit agreement with an audit corporation, Deloitte Touche Tohmatsu (certified under the provisions of Article 2, Paragraph 1 of the Certified Public Accountants Law of Japan).

## Compliance Initiatives

Torii regards the promotion of compliance as an important management priority and we are continually working to enhance the effectiveness of our compliance promotion activities. In addition to measures to ensure compliance with laws, regulations and other requirements, we also formulate compliance-related rules, compile and distribute guidelines stipulating shared values and ethical standards that we expect members of our organization to observe. In addition, we maintain an active program of educational activities.

To ensure the early detection of potential or actual compliance infringements, we have established internal and external contact points for reporting issues. Any such reports are rigorously investigated so that the necessary actions can be taken.

# Board of Directors and Corporate Auditors (As of June 22, 2011)



**President and Representative Director**  
**Norihiko Matsuo**



**Executive Deputy President and Representative Director**  
**Hiroshi Kanaya**



**Senior Executive Director**  
**Yuji Kagohashi**  
(Chief of Pharmacovigilance & Quality Assurance Group, Chief of R&D Group)



**Executive Director**  
**Akihiko Tamura**  
(Chief of Pharmaceutical Marketing & Promotion Group)



**Director**  
**Takahiro Umeda**  
(Chief of Corporate Planning & Administration Group)



**Director**  
**Toshio Aoki**  
(Chief of Production Group)



**Director**  
**Shoichiro Takagi**  
(Deputy Chief of Pharmaceutical Marketing & Promotion Group)

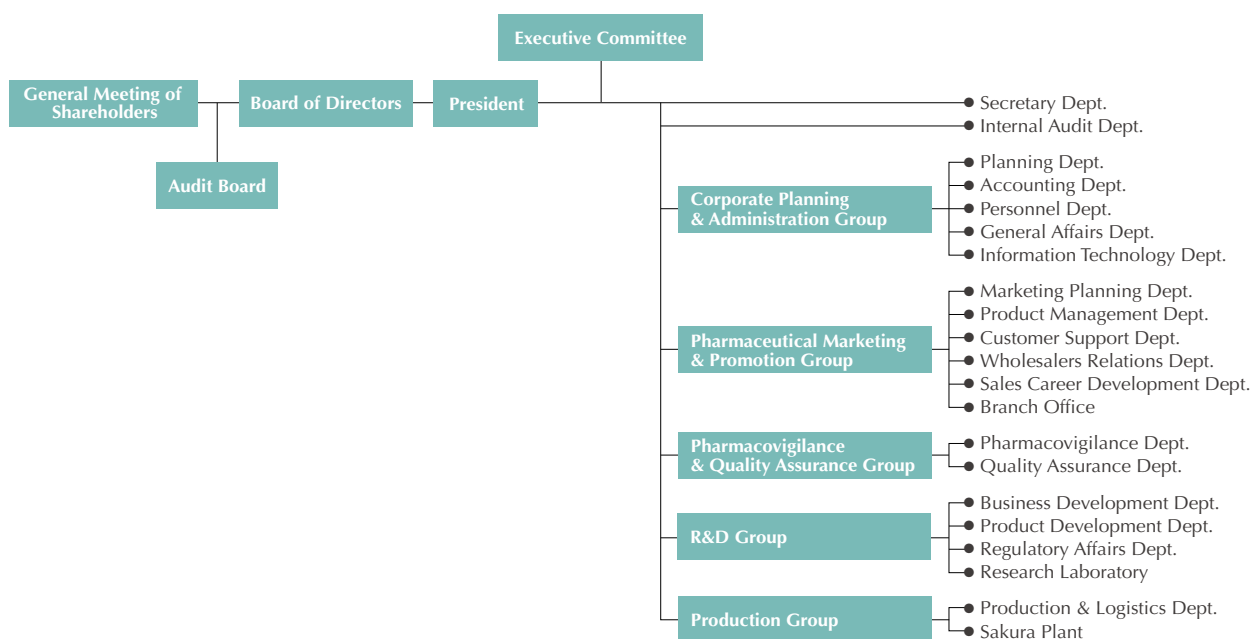
## Full-time Corporate Auditors

**Seiji Osa**  
**Shohei Yabe**

**Corporate Auditor**  
**Masao Torikai**

**Note:** Seiji Osa and Masao Torikai meet the requirements for external auditors as stipulated in Article 2, Item 16 of the Companies Act of Japan.

# Organization (As of June 22, 2011)



# Review of Operations

## Financial Results for the Year Ended March 31, 2011

### Operating Results for the Year Ended March 31, 2011

Business conditions for the pharmaceutical industry remained difficult in the year under review. In addition to the impact of the April 2010 round of reductions in official drug prices payable under the National Health Insurance, which averaged 6.5% across the industry, pharmaceutical companies also had to adjust to government efforts to normalize healthcare expenditure, including measures to encourage the use of generic drugs.

Torii continued to develop growth drivers in the HIV and renal dialysis field such as the anti-HIV drug Truvada Tablets, and REMITCH CAPSULES, an oral antipruritus drug for hemodialysis patients. In addition, we undertook extensive promotional activities for individual categories and products, strengthened our product life cycle management, and enhanced and reinforced our marketing resources with the aim of maintaining and expanding market shares for our existing flagship products, including the topical corticosteroid ANTEBATE, the protease inhibitor FUTHAN for injection, and URINORM TABLETS, a uricosuric agent used in the treatment of hyperuricemia.

In February 2011 we commenced sales of KAYEXALATE DRYSYRUP, which was developed as a new formulation of hyperkalemia product KAYEXALATE.

There was no major material damage to business sites and facilities as a result of the Great East Japan Earthquake of March 2011.

## Operating Results

### Net Sales

At ¥45,336 million, net sales exceeded the previous year's result by ¥2,920 million, or 6.9%. Sales of FUTHAN for injection were ¥2,034 million, or 25.9%, lower year on year at ¥5,829 million, in part because of the effects of measures to promote the use of generic products. However, sales of Truvada TABLETS rose by ¥2,114 million, or 34.4%, to ¥8,253 million, while an increase of ¥3,810 million, or 107.1%, lifted sales of REMITCH CAPSULES to ¥7,367 million.

### Cost of Sales

The cost of sales rose by ¥2,619 million, or 16.4%, year on year to ¥18,603 million. This resulted both from sales growth and changes in the sales contributions of the individual products.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to ¥24,888 million, an increase of ¥4,582 million, or 22.6%, over the previous year's figure. The higher figure was mainly due to an increase in R&D expenditure including initial payment following the conclusion of a licensing agreement with ALK.

### Operating Income

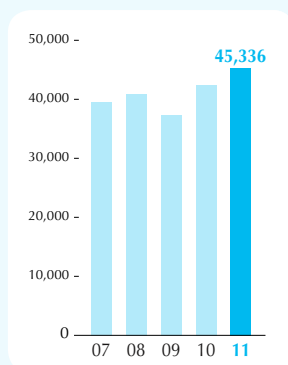
The above factors were reflected in operating income of ¥1,845 million, a year-on-year decline of ¥4,281 million, or 69.9%.

### Net Income

Net income fell by ¥2,705 million, or 74.3%, year on year to ¥937 million.

### Net Sales

(Millions of Yen)



Note: The years are fiscal years ended March 31.

### Sales of Mainstay Products

(Millions of Yen)

	2010	2011	Change
Truvada	6,139	8,253	2,114 34.4%
REMITCH	3,557	7,367	3,810 107.1%
ANTEBATE	5,978	6,248	270 4.5%
FUTHAN	7,863	5,829	(2,034) (25.9%)
URINORM	3,627	3,425	(201) (5.6%)

## Financial Position

### (1) Assets, Liabilities and Equity

Total assets declined by ¥752 million, or 0.9%, and amounted to ¥84,886 million as of March 31, 2011. Despite a ¥14,882 million increase in marketable securities and a ¥1,999 million increase in trade accounts receivable, current assets were ¥1,962 million, or 2.8%, lower year on year at ¥68,563 million. Reasons for this change include a ¥23,062 million reduction in cash and cash equivalents. Investments and other assets increased by ¥1,840 million, or 20.9%, from the figure at the end of the previous fiscal year to ¥10,652 million, mainly because of a ¥1,353 million increase in investment securities.

Current liabilities decreased by ¥158 million, or 1.6% from the position at the end of the previous fiscal year to ¥9,612 million. Changes included increases of ¥390 million in parent and subsidiaries payable and ¥195 million in trade accounts payable, and a ¥924 million reduction in income taxes payable. Long-term liabilities were ¥198 million, or 16.2%, lower at ¥1,028 million.

Total equity declined by ¥396 million, or 0.5%, from the position at the end of the previous fiscal year to ¥74,246 million. Contributing factors included cash dividends of ¥1,189 million and net income of ¥937 million.

### (2) Cash Flows

Cash and cash equivalents as of March 31, 2011 amounted to ¥12,345 million, a reduction of ¥23,062 million, or 65.1%, from the position at the end of the previous fiscal year.

Net cash used in operating activities amounted to ¥516 million, compared with net cash provided of ¥4,999 million in the previous year. Items reflected in this result include income before income taxes of ¥1,839 million, depreciation and

amortization other than goodwill of ¥1,395 million, a ¥2,013 million increase in trade notes and accounts receivable and ¥3,011 million in income taxes paid.

Net cash used in investing activities amounted to ¥21,303 million, compared with ¥10,397 million in the previous year. There were inflows of ¥21,000 million consisting of proceeds from withdrawals of time deposits and ¥15,871 million consisting of proceeds from sales of marketable securities. However, expenditure items included ¥30,077 million for purchases of marketable securities and ¥25,000 million for payments into time deposits.

Net cash used in financing activities amounted to ¥1,243 million. This consisted mainly of dividends paid of ¥1,189 million.

### (3) Research and Development Activities

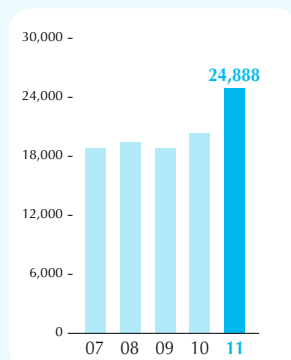
Research and development functions are divided between Torii and its parent company, JT. Research and development activities pertaining to new compounds have been centralized within JT, while Torii is responsible primarily for improvements to the formulations of existing products and the development of additional indications. Torii also carries out its own research and development in its special areas of expertise.

We are currently conducting Phase III clinical trials in Japan for a sublingually applied hyposensitization therapy (immunotherapy) for cedar pollen allergies based on a Japanese cedar pollen extract. In addition, we are involved in joint research with Riken, a government research organization, concerning a next-generation hyposensitization therapy (immunotherapy) in the form of a vaccine against cedar pollen allergies.

In collaboration with Toray Industries, Inc. and JT, we are conducting Phase III trials in Japan concerning a new indication for REMITCH CAPSULES as a therapy for the relief

### Selling, General and Administrative Expenses

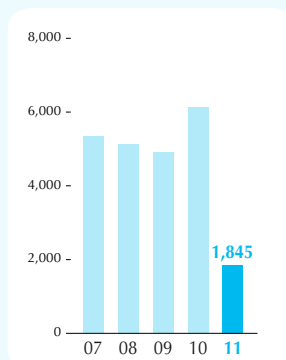
(Millions of Yen)



Note: The years are fiscal years ended March 31.

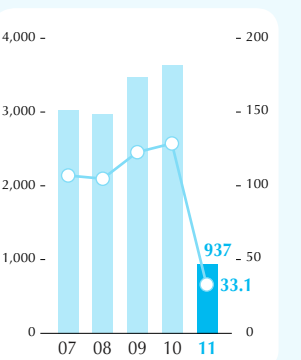
### Operating Income

(Millions of Yen)



### Net Income

(Millions of Yen)



of intractable pruritis associated with chronic hepatic disease. Torii and JT are also conducting Phase III clinical trials in Japan for the hyperphosphatemia drug JTT-751 (JT development code), which was licensed-in from the U.S. company Keryx Biopharmaceuticals, Inc.

In January 2011, we signed a licensing agreement with ALK giving us exclusive Japanese development and commercialization rights for ALK's hyposensitization (immunotherapy) products, which

are used to treat allergic diseases, such as asthma and allergic rhinitis, triggered by house dust mites. Under the agreement, which covers a diagnostic product for house dust mite allergies, Torii and ALK will jointly carry out research and development relating to hyposensitization (immunotherapy) drugs for use in the treatment of allergic conditions triggered by cedar pollen.

Total expenditure on research and development in the year ended March 31, 2011 amounted to ¥5,994 million.

### Risk Analysis

A variety of factors could influence the business performance of Torii. The main risk factors are outlined below. All forward-looking statements in this annual report are based on our estimates at the time of submission of the financial statements.

- **Changes to the Pharmaceutical Affairs Law, Other Acts or Regulations**

Because of the importance of pharmaceutical products to human life and health, various aspects of their development, manufacture and sale are regulated under the Pharmaceutical Affairs Law and other legislation. Changes to these regulations could affect the business performance of Torii.

- **Drug Price Adjustments**

In Japan, the prices of ethical drugs are determined according to the National Health Insurance Drug Price standards, which are set by the government. These standards are revised at approximately two-year intervals, resulting in downward price adjustments that could affect the business performance of Torii.

- **Adverse Drug Reactions**

Side effects may occur when pharmaceutical products are used. A serious adverse reaction could impact on the business performance of Torii.

- **Delay or Discontinuance of Research and Development**

Under the division of roles between Torii and its parent company, JT, Torii is primarily responsible for the research and development of new formulations and additional indications for existing products. Torii also implements or participates in development projects in its areas of specialization.

New drugs research and development requires long periods of time and substantial investment. Depending on the progress made, some projects may have to be delayed, changed or abandoned. If such a situation should arise, there is a risk that the business performance of Torii would be affected.

- **Stoppage of Product Supply**

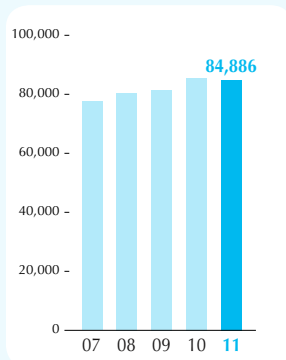
Our products are manufactured at the Sakura Plant, which is our only production facility, and at other specified outside manufacturers. If this plant or outside manufacturing plants are closed or those operations suspended due to technical or regulatory problems; fire, earthquake or other disaster; or, if operations become difficult due to unavailability of raw materials, fuel, electricity or timely logistics, the supply of our products may stop and the business performance of Torii could be affected.

- **Litigation Risk**

We are exposed to the risk of litigation, including product liability litigation, in the course of our business activities. Such litigation could affect the business performance of Torii.

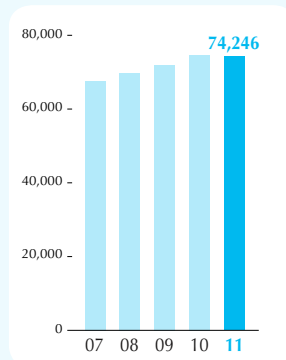
### Total Assets

(Millions of Yen)



### Total Equity

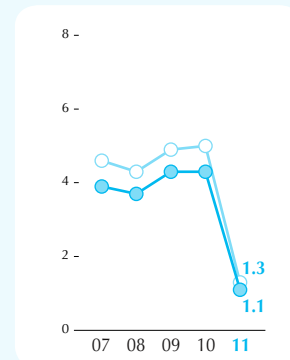
(Millions of Yen)



### Return on Equity (ROE)

Return on Assets (ROA)

(%)



# Non-consolidated Balance Sheets

Torii Pharmaceutical Co., Ltd.  
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 11 and 12) . . . . .	¥ 12,345	¥35,407	\$ 148,463
Time deposits (Note 11) . . . . .	11,500	7,500	138,304
Marketable securities (Notes 3 and 11) . . . . .	19,580	4,698	235,478
Receivables (Note 11):			
Trade accounts . . . . .	18,354	16,355	220,730
Parent and subsidiary . . . . .	82	68	988
Other . . . . .	26	5	315
Inventories (Notes 2.c and 4). . . . .	5,377	5,592	64,668
Deferred tax assets (Note 8). . . . .	1,040	821	12,509
Prepaid expenses and other current assets . . . . .	259	79	3,118
<b>Total current assets . . . . .</b>	<b>68,563</b>	<b>70,525</b>	<b>824,573</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2.e and 5):</b>			
Land . . . . .	702	702	8,447
Buildings and structures . . . . .	11,205	11,032	134,749
Machinery and equipment . . . . .	6,930	6,932	83,347
Furniture and fixtures . . . . .	2,240	2,114	26,936
Lease assets (Note 10) . . . . .	101	203	1,216
Construction in progress . . . . .	31		375
<b>Total . . . . .</b>	<b>21,209</b>	<b>20,983</b>	<b>255,070</b>
Accumulated depreciation . . . . .	(15,538)	(14,682)	(186,868)
<b>Net property, plant and equipment . . . . .</b>	<b>5,671</b>	<b>6,301</b>	<b>68,202</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3 and 11) . . . . .	4,230	2,877	50,867
Investment in subsidiary . . . . .	10	10	120
Software . . . . .	497	519	5,976
Long-term prepaid expenses . . . . .	3,149	3,737	37,876
Guarantees and lease deposits to lessors . . . . .	620	620	7,451
Deferred tax assets (Note 8). . . . .	1,860	768	22,369
Other assets. . . . .	286	281	3,442
<b>Total investments and other assets. . . . .</b>	<b>10,652</b>	<b>8,812</b>	<b>128,101</b>
<b>TOTAL . . . . .</b>	<b>¥ 84,886</b>	<b>¥85,638</b>	<b>\$1,020,876</b>

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Payables (Note 11):			
Trade accounts . . . . .	¥ 2,504	¥ 2,309	\$ 30,108
Parent and subsidiary (Note 12). . . . .	2,100	1,710	25,256
Current portion of long-term lease obligations. . . . .	21	43	254
Other . . . . .	1,650	1,544	19,845
Income taxes payable (Note 11) . . . . .	1,051	1,974	12,633
Accrued expenses . . . . .	741	646	8,915
Accrued employees' bonuses . . . . .	1,158	1,113	13,932
Accrued bonuses to directors and corporate auditors . . . . .	50	37	606
Other current liabilities . . . . .	337	394	4,052
Total current liabilities. . . . .	9,612	9,770	115,601
<b>LONG-TERM LIABILITIES:</b>			
Liability for retirement benefits (Notes 2.h and 6) . . . . .	507	829	6,099
Guarantees and lease deposits received . . . . .	270	310	3,244
Long-term lease obligations. . . . .	33	9	392
Asset retirement obligations. . . . .	154		1,857
Other long-term liabilities (Note 2.h). . . . .	64	78	766
Total long-term liabilities. . . . .	1,028	1,226	12,358
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 10)</b>			
<b>EQUITY (Note 7):</b>			
Common stock—authorized, 54,000 thousand shares; issued, 28,800 thousand shares in 2011 and 2010 . . . . .	5,190	5,190	62,417
Capital surplus—additional paid-in capital . . . . .	6,416	6,416	77,162
Retained earnings:			
Legal reserve . . . . .	1,298	1,298	15,604
Unappropriated. . . . .	62,099	62,351	746,838
Unrealized gain on available-for-sale securities. . . . .	100	243	1,204
Treasury stock—at cost, 498,302 shares in 2011 and 497,562 shares in 2010 . . . . .	(857)	(856)	(10,308)
Total equity. . . . .	74,246	74,642	892,917
<b>TOTAL . . . . .</b>	<b>¥84,886</b>	<b>¥85,638</b>	<b>\$1,020,876</b>



# Non-consolidated Statements of Changes in Equity

Torii Pharmaceutical Co., Ltd.  
Years Ended March 31, 2011 and 2010

	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Capital Surplus (Note 7)		Retained Earnings (Note 7)		Unrealized Gain on Available- for-Sale Securities	Treasury Stock	Total Equity
		Common Stock (Note 7)	Additional Paid-in Capital	Legal Reserve	Unappropriated			
<b>BALANCE, APRIL 1, 2009</b> . . . . .	28,303,160	¥5,190	¥6,416	¥1,298	¥59,812	¥173	¥(855)	¥72,034
Net income . . . . .					3,642			3,642
Cash dividends paid, ¥39.0 per share. . . . .					(1,103)			(1,103)
Repurchase of treasury stock . . . . .	(722)						(1)	(1)
Net increase in unrealized gain on available-for-sale securities . . . . .						70		70
<b>BALANCE, MARCH 31, 2010</b> . . . . .	28,302,438	5,190	6,416	1,298	62,351	243	(856)	74,642
Net income . . . . .					937			937
Cash dividends paid, ¥42.0 per share. . . . .					(1,189)			(1,189)
Repurchase of treasury stock . . . . .	(740)						(1)	(1)
Net decrease in unrealized gain on available-for-sale securities . . . . .						(143)		(143)
<b>BALANCE, MARCH 31, 2011</b> . . . . .	<b>28,301,698</b>	<b>¥5,190</b>	<b>¥6,416</b>	<b>¥1,298</b>	<b>¥62,099</b>	<b>¥100</b>	<b>¥(857)</b>	<b>¥74,246</b>

	Thousands of U.S. Dollars (Note 1)							
	Common Stock (Note 7)	Capital Surplus (Note 7)		Retained Earnings (Note 7)		Unrealized Gain on Available- for-sale Securities	Treasury Stock	Total Equity
		Additional Paid-in Capital	Legal Reserve	Unappropriated				
<b>BALANCE, MARCH 31, 2010</b> . . . . .	\$62,417	\$77,162	\$15,604	\$749,863	\$2,925	\$(10,293)	\$897,678	
Net income . . . . .				11,270			11,270	
Cash dividends paid, \$0.51 per share. . . . .				(14,295)			(14,295)	
Repurchase of treasury stock . . . . .						(15)	(15)	
Net decrease in unrealized gain on available-for-sale securities. . . . .					(1,721)		(1,721)	
<b>BALANCE, MARCH 31, 2011</b> . . . . .	<b>\$62,417</b>	<b>\$77,162</b>	<b>\$15,604</b>	<b>\$746,838</b>	<b>\$1,204</b>	<b>\$(10,308)</b>	<b>\$892,917</b>	

See notes to non-consolidated financial statements.

# Non-consolidated Statements of Cash Flows

Torii Pharmaceutical Co., Ltd.  
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes . . . . .	¥ 1,839	¥ 6,341	\$ 22,117
Adjustments for:			
Income taxes paid . . . . .	(3,011)	(1,460)	(36,217)
Depreciation and amortization . . . . .	1,395	1,409	16,773
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable. . . . .	(2,013)	(1,949)	(24,206)
Decrease (increase) in inventories . . . . .	215	(362)	2,591
Increase (decrease) in trade accounts payable . . . . .	195	(604)	2,342
Other—net . . . . .	864	1,624	10,392
Total adjustments . . . . .	(2,355)	(1,342)	(28,325)
Net cash (used in) provided by operating activities . . . . .	(516)	4,999	(6,208)
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits . . . . .	(25,000)	(13,500)	(300,661)
Proceeds from withdrawal of time deposits . . . . .	21,000	7,500	252,556
Purchases of marketable securities . . . . .	(30,077)	(3,993)	(361,715)
Proceeds from sale and redemption of marketable securities . . . . .	15,871	1,694	190,869
Purchases of property, plant and equipment . . . . .	(553)	(1,068)	(6,651)
Proceeds from sales of property, plant and equipment. . . . .		3	5
Purchases of investment securities. . . . .	(2,303)	(814)	(27,703)
Proceeds from sale and redemption of investment securities . . . . .	14	5	164
Other—net . . . . .	(255)	(224)	(3,061)
Net cash used in investing activities . . . . .	(21,303)	(10,397)	(256,197)
<b>FINANCING ACTIVITIES:</b>			
Repurchase of treasury stock . . . . .	(1)	(1)	(15)
Dividends paid . . . . .	(1,189)	(1,103)	(14,295)
Repayments of lease obligations . . . . .	(53)	(78)	(641)
Net cash used in financing activities . . . . .	(1,243)	(1,182)	(14,951)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b>(23,062)</b>	<b>(6,580)</b>	<b>(277,356)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR . . . . .</b>	<b>35,407</b>	<b>41,987</b>	<b>425,819</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR . . . . .</b>	<b>¥ 12,345</b>	<b>¥ 35,407</b>	<b>\$ 148,463</b>

See notes to non-consolidated financial statements.

# Notes to Non-consolidated Financial Statements

Torii Pharmaceutical Co., Ltd.  
Years Ended March 31, 2011 and 2010

---

---

---

---

---

## 1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

During the more than 130 years since its foundation, Torii Pharmaceutical Co., Ltd. (the “Company”) has been developing, producing and distributing ethical pharmaceutical products. In 1998, 54.46% of the Company’s voting shares were acquired by Japan Tobacco Inc. (“JT”), and the Company became a member of the JT Group. To maximally leverage the synergistic effects of the Group, the Company continues to manufacture its products and has assumed responsibility for the sales, marketing and distribution of the pharmaceutical products of JT, while JT’s pharmaceutical operations are dedicated to research and development functions.

The accompanying non-consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Non-consolidation**—The non-consolidated financial statements do not include the accounts of a subsidiary. The investment in a subsidiary is stated at cost.

Consolidation of the Company’s subsidiary would not significantly change the total assets, net sales or net income reported in the accompanying non-consolidated financial statements.

**b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, short-term investments and deposits in the cash management system, all of which mature or become due within three months of the date of acquisition.

**c. Inventories**—Inventories are stated at the lower of cost, determined by the average method, or net selling value.

**d. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows: (1) held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity are reported at amortized cost, (2) investment securities in a subsidiary are reported at cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**e. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 15 to 50 years for buildings and structures, 8 years for machinery and equipment, and from 2 to 15 years for furniture and fixtures. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

**f. Long-Lived Assets**—The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would

---

---

---

---

---

be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**g. Software**—Software is carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

**h. Retirement and Pension Plans**—The Company has a contributory defined pension plan covering substantially all of its employees. In addition to the above, the executive officers are entitled to receive unfunded severance indemnity payments. The Company participates in a contributory multi-employer pension plan, the “Tokyo Pharmaceutical Welfare Pension Fund.” For the contributory multi-employer pension plan, contributions to that plan are charged to income when paid. Plan assets contributed to this fund are not recorded in the non-consolidated balance sheet.

The liability for employees’ retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

**i. Asset Retirement Obligations**—In March 2008, the Accounting Standards Board of Japan (the “ASBJ”) published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥6 million (\$69 thousand) and income before income taxes by ¥150 million (\$1,808 thousand).

**j. Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

---

---

---

---

---

---

**k. Bonuses to Directors and Corporate Auditors**—Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

**l. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**m. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

**n. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

**o. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, which was 28,302,119 shares and 28,302,685 shares for the years ended March 31, 2011 and 2010, respectively.

Diluted net income per share is not disclosed because there were no dilutive potential common shares that were outstanding during each of the two years in the period ended March 31, 2011.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

**p. New Accounting Pronouncements**

**Accounting Changes and Error Corrections**—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

### 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current—Government and corporate bonds . . . . .	¥19,580	¥4,698	\$235,478
Non-current:			
Equity securities . . . . .	¥ 647	¥ 867	\$ 7,776
Government and corporate bonds . . . . .	3,525	1,942	42,398
Trust fund investments and other . . . . .	58	68	693
Total . . . . .	¥ 4,230	¥2,877	\$ 50,867

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Available-for-sale:				
Equity securities . . . . .	¥ 358	¥178		¥ 536
Debt securities . . . . .	23,100	22	¥17	23,105
Other . . . . .	75		17	58
March 31, 2010				
Available-for-sale:				
Equity securities . . . . .	¥ 366	¥391	¥ 1	¥ 756
Debt securities . . . . .	6,308	33	1	6,340
Other . . . . .	80		12	68
Held-to-maturity debt securities . . . . .	300			300

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Available-for-sale:				
Equity securities . . . . .	\$ 4,304	\$2,140		\$ 6,444
Debt securities . . . . .	277,816	269	\$209	277,876
Other . . . . .	902		209	693

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	2011	2010	
Available-for-sale—Equity securities . . . . .	¥111	¥111	\$1,332
Total . . . . .	¥111	¥111	\$1,332

The investment securities of subsidiary whose fair value cannot be reliably determined at March 31, 2011 are measured at the original acquisition cost. The carrying amount of such investment securities of subsidiary is ¥10 million (\$120 thousand).

#### 4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished products and merchandise . . . . .	¥3,333	¥4,109	\$40,083
Work in process . . . . .	359	314	4,317
Raw materials and supplies . . . . .	1,685	1,169	20,268
Total . . . . .	¥5,377	¥5,592	\$64,668

#### 5. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and the guidance were applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the accounting standard and guidance effective March 31, 2010.

The Company holds office buildings (including land) used by the Company and rental commercial properties (including land and leased land) in Tokyo and other areas. Parts of the office buildings used by the Company are used as rental office space, and these spaces are included in investment property. Net of rental income and operating expenses for those rental properties was ¥160 million (\$1,918 thousand) for the fiscal year ended March 31, 2011.

The carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
	Carrying Amount		Fair Value
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
¥891	¥(120)	¥771	¥3,242

Millions of Yen			
	Carrying Amount		Fair Value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
¥987	¥(96)	¥891	¥3,849

Thousands of U.S. Dollars			
	Carrying Amount		Fair Value
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
\$10,711	\$(1,441)	\$9,270	\$38,990

Notes: 1. Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2. Fair values of major properties as of March 31, 2011 are based on written appraisals, etc., by independent real estate appraisers. The values of minor properties are based on specific valuations or indicators that are believed to reflect market prices appropriately.

## 6. RETIREMENT AND PENSION PLANS

Employees whose service with the Company is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payments than in the case of voluntary termination. Additional retirement benefits which may be paid to employees upon retirement have not been included in the actuarial calculation of the projected benefit obligation. The net liabilities for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation . . . . .	¥ 7,595	¥ 7,440	\$ 91,350
Fair value of plan assets . . . . .	(5,240)	(5,085)	(63,023)
Unrecognized actuarial loss . . . . .	(1,848)	(1,526)	(22,228)
Net liabilities . . . . .	¥ 507	¥ 829	\$ 6,099

The Company does not state the retirement benefit liability separately from the pension plan, because the Company is unable to reasonably estimate the liability amount.

The components of net periodic retirement benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost . . . . .	¥ 318	¥ 328	\$ 3,821
Interest cost . . . . .	112	118	1,342
Expected return on plan assets . . . . .	(102)	(93)	(1,223)
Recognized actuarial loss . . . . .	305	368	3,675
Net periodic retirement benefit costs . . . . .	¥ 633	¥ 721	\$ 7,615

In addition, contributions to the multi-employer pension plan of ¥219 million (\$2,635 thousand) and ¥213 million are disclosed in other expenses at March 31, 2011 and 2010, respectively.

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate . . . . .	1.5%	1.5%
Expected rate of return on plan assets . . . . .	2.0%	2.0%
Amortization period of prior service cost . . . . .	5 years	5 years
Recognition period of actuarial gain/loss . . . . .	10 years	10 years

## 7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not

meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### **b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### **c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## **8. INCOME TAXES**

The Company is subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of 40.7% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Accrued bonuses to employees . . . . .	¥ 471	¥ 453	\$ 5,670
Liabilities for retirement benefits . . . . .	207	340	2,490
Deferred charges for tax purposes . . . . .	1,639	444	19,711
Accrued enterprise taxes . . . . .	99	165	1,189
Loss on revaluation of golf club memberships . . . . .	67	108	808
Accrued expenses . . . . .	87	83	1,043
Prepayment . . . . .	375	86	4,506
Less valuation allowance . . . . .	(84)		(1,012)
Other . . . . .	119	80	1,438
Total . . . . .	2,980	1,759	35,843
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities . . . . .	72	167	872
Reserve for special depreciation . . . . .		3	
Other . . . . .	8		93
Total . . . . .	80	170	965
Net deferred tax assets . . . . .	¥2,900	¥1,589	\$34,878

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate as reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Normal effective statutory tax rate . . . . .	40.7%	40.7%
Expenses not deductible for income tax purposes . . . . .	15.1	4.7
Dividend income deductible for income tax purposes . . . . .	(0.4)	(0.1)
Per capita levy . . . . .	1.7	0.5
Tax credits . . . . .	(13.0)	(3.0)
Valuation allowance . . . . .	4.6	
Other—net . . . . .	0.3	(0.2)
Actual effective tax rate . . . . .	49.0%	42.6%

## 9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,994 million (\$72,092 thousand) and ¥1,613 million for the years ended March 31, 2011 and 2010, respectively.

## 10. LEASES

The Company leases certain office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2011 and 2010 were ¥1,279 million (\$15,379 thousand) and ¥1,262 million, respectively.

## 11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Company applied the revised accounting standard and the new guidance effective March 31, 2010.

### (1) Policy for Financial Instruments

To provide for new business investment, the Company invests surplus funds in financial instruments, which are selected primarily for liquidity and security. There are no transactions in derivatives.

### (2) Nature of Financial Instruments and Related Risks, and Risk Management Systems

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages due dates and outstanding balances for individual customers in accordance with its credit management rules. The Company has also established a system to monitor the credit status of major customers on a half-yearly basis.

Marketable and investment securities consist mainly of bonds, held with the aim of investing surplus funds, and shares in companies with which the Company has business relationships. These bonds and shares are exposed to the credit risk of the issuers and to the risk of market price fluctuation.

Most trade accounts and accrued payments, which are operating liabilities, have due dates within one year. Some of these items are denominated in foreign currencies and are therefore exposed to the risk of exchange rate fluctuations.

### (3) Fair Values of Financial Instruments

The fair values of financial instruments are based on market prices and prices calculated using reasonable methods when no market prices are available.

**(a) Fair values of financial instruments**

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2011			
Cash and cash equivalents. . . . .	¥12,345	¥12,345	
Time deposits . . . . .	11,500	11,500	
Receivables:			
Trade accounts . . . . .	18,354	18,354	
Parent and subsidiary . . . . .	82	82	
Marketable and investment securities:			
Available-for-sale securities. . . . .	23,699	23,699	
Total . . . . .	¥65,980	¥65,980	
Payables:			
Trade accounts . . . . .	¥ 2,504	¥2,504	
Parent and subsidiary . . . . .	2,100	2,100	
Other . . . . .	1,650	1,650	
Income taxes payable . . . . .	1,051	1,051	
Total . . . . .	¥ 7,305	¥ 7,305	
March 31, 2010			
Cash and cash equivalents. . . . .	¥35,407	¥35,407	
Time deposits . . . . .	7,500	7,500	
Receivables:			
Trade accounts . . . . .	16,355	16,355	
Parent and subsidiary . . . . .	68	68	
Marketable and investment securities:			
Held-to-maturity debt securities . . . . .	300	300	
Available-for-sale securities. . . . .	7,164	7,164	
Total . . . . .	¥66,794	¥66,794	
Payables:			
Trade accounts . . . . .	¥ 2,309	¥ 2,309	
Parent and subsidiary . . . . .	1,710	1,710	
Other . . . . .	1,544	1,544	
Income taxes payable . . . . .	1,974	1,974	
Total . . . . .	¥ 7,537	¥ 7,537	

March 31, 2011	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents . . . . .	\$148,463	\$148,463	
Time deposits . . . . .	138,304	138,304	
Receivables:			
Trade accounts . . . . .	220,730	220,730	
Parent and subsidiary . . . . .	988	988	
Marketable and investment securities:			
Available-for-sale securities . . . . .	285,013	285,013	
<b>Total . . . . .</b>	<b>\$793,498</b>	<b>\$793,498</b>	
Payables:			
Trade accounts . . . . .	\$ 30,108	\$ 30,108	
Parent and subsidiary . . . . .	25,256	25,256	
Other . . . . .	19,845	19,845	
Income taxes payable . . . . .	12,633	12,633	
<b>Total . . . . .</b>	<b>\$ 87,842</b>	<b>\$ 87,842</b>	

**Cash and Cash Equivalents, Time Deposits, Receivables, Payables and Income Taxes Payable**

The carrying values of cash and cash equivalents, time deposits and income taxes payable approximate fair value because of their short maturities.

**Marketable and Investment Securities**

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable and investment securities by classification is included in Note 3.

**(b) Financial instruments whose fair value cannot be reliably determined**

	Carrying Amount		
	Millions of Yen	2010	Thousands of U.S. Dollars
	2011		2011
Unlisted shares . . . . .	¥111	¥111	\$1,332
Investment in subsidiary . . . . .	10	10	120

There are no market prices for these items and it is likely that the cost of estimating future cash flows would be excessive.

**(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities**

March 31, 2011	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents . . . . .	¥12,343			
Time deposits . . . . .	11,500			
Receivables:				
Trade accounts . . . . .	18,354			
Parent and subsidiary . . . . .	82			
Marketable and investment securities:				
Available-for-sale securities with contractual maturities . . .	19,580	¥3,525		
<b>Total . . . . .</b>	<b>¥61,859</b>	<b>¥3,525</b>		

March 31, 2011	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents. . . . .	\$148,444			
Time deposits . . . . .	138,304			
Receivables:				
Trade accounts . . . . .	220,730			
Parent and subsidiary . . . . .	988			
Marketable and investment securities:				
Available-for-sale securities with contractual maturities . . .	235,478	\$42,398		
<b>Total . . . . .</b>	<b>\$743,944</b>	<b>\$42,398</b>		

## 12. RELATED PARTY TRANSACTIONS

Transactions of the Company with the parent company for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Purchases . . . . .	¥5,055	¥4,950	\$60,797

The balances due to or from the parent company and one of the subsidiaries of the parent company at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deposits included in cash and cash equivalents . . . . .	¥12,071	¥30,736	\$145,173
Trade accounts payable. . . . .	1,314	1,468	15,797

## 13. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

Information relating to business segments is omitted, as the Company operated solely in the pharmaceutical business for the years ended March 31, 2011 and 2010.

# Independent Auditors' Report

## Deloitte.

Deloitte Touche Tohmatsu LLC  
MS Shibaura Building  
4-13-23, Shibaura  
Minato-ku, Tokyo 108-8530  
Japan  
Tel:+81 (3) 3457 7321  
Fax:+81 (3) 3457 1694  
www.deloitte.com/jp

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Torii Pharmaceutical Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Torii Pharmaceutical Co., Ltd. (the "Company") as of March 31, 2011 and 2010, and the related non-consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Torii Pharmaceutical Co., Ltd. as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 10, 2011

Member of  
Deloitte Touche Tohmatsu Limited

# Corporate Information (As of March 31, 2011)

## Torii Pharmaceutical Co., Ltd.

### Head Office

Torii Nihonbashi Bldg., 4-1, Nihonbashi-Honcho  
3-chome, Chuo-ku, Tokyo 103-8439, Japan  
Telephone: +81-3-3231-6811  
Facsimile: +81-3-5203-7333

### Branch Offices (location)

Sapporo, Sendai, Takasaki, Saitama, Tokyo,  
Yokohama, Nagoya, Kyoto, Osaka, Kobe,  
Takamatsu, Hiroshima, Fukuoka, Kumamoto

### Sakura Plant

2183-1, Teranosaku, Oota, Sakura,  
Chiba 285-0808, Japan  
Telephone: +81-43-485-7111

### Research Laboratory

2183-1, Teranosaku, Oota, Sakura,  
Chiba 285-0808, Japan  
Telephone: +81-43-485-5981

### Established

November 1, 1921

### Paid-in Capital

¥5,190 million

### Number of Shares of Common Stock

Authorized: 54,000,000  
Issued: 28,800,000

### Number of Shareholders

5,198

### Stock Exchange Listing

The First Section of the Tokyo Stock Exchange

### Ticker Symbol Number

4551

### Fiscal Year-end

March 31

### General Meeting of Shareholders

June

### Stock Transfer Agent

The Chuo Mitsui Trust and Banking Company,  
Limited

### Number of Employees

905

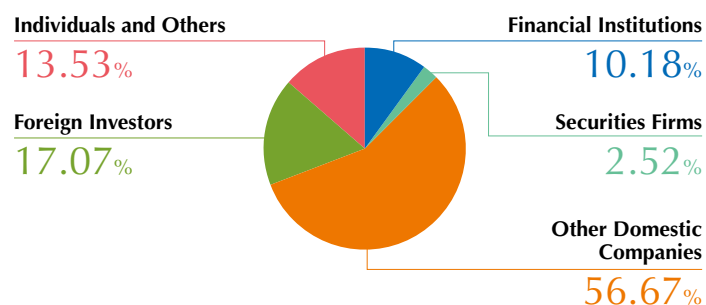


## Major Shareholders

Name	Number of shares (thousands)	Shareholding ratio (%)
Japan Tobacco Inc.	15,398.8	53.46
BNY GCM Client Account JPRD AC ISG (FE-AC)	908.8	3.15
Royal Bank of Canada Trust Company (Cayman) Limited	894.8	3.10
BBH for Fidelity Low-Priced Stock Fund	620.0	2.15
THE TACHIBANA SECURITIES CO., LTD.	566.3	1.96
Japan Trustee Services Bank, Ltd. (Trust Account)	492.6	1.71
Northern Trust Co. (AVFC) SUB A/C USL	451.6	1.56
Sumitomo Mitsui Banking Corporation	340.8	1.18
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	323.1	1.12
Mizuho Bank, Ltd.	300.0	1.04

Note: In addition to the above, the Company holds 498.3 thousand shares of treasury stock (a 1.73% shareholding).

## Share Distribution



Note: Percentages are truncated to the second decimal place.



TORII PHARMACEUTICAL CO., LTD.

URL: <http://www.torii.co.jp>



This report is printed on FSC-certified paper with soy-based ink for waterless printing.

Printed in Japan