TORII PHARMACEUTICAL CO., LTD.

Quality Pharmaceuticals for Health and Life

Annual Report 2013

For the year ended March 31, 2013

Contents

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.

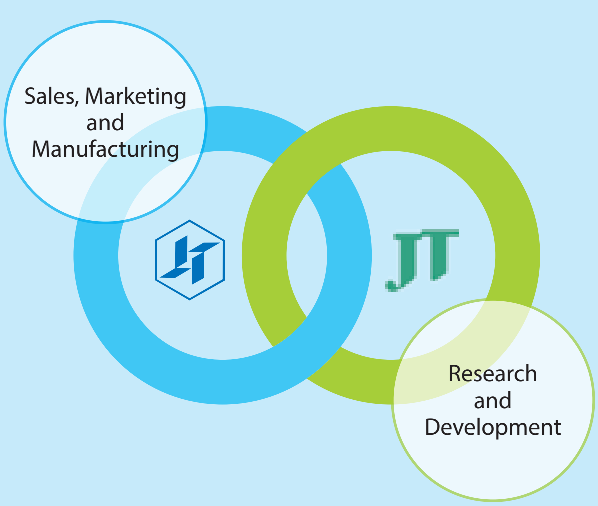
Values and Philosophy

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 dedicated to enhancing the satisfaction of customers, shareholders, society and employees through the fulfillment of our responsibilities with regard to each. We will achieve this through the reinvestment of revenue generated from our diligent corporate activities.

About Torii



Collaboration with Japan Tobacco Inc. ("JT")

In the pharmaceutical industry, the technology required to develop new drugs is becoming increasingly more sophisticated, and R&D costs are generally rising. At the same time, the requirements for the approval of new drugs are becoming ever more stringent. As a result, it often takes many years to release a new product into the market.

Torii joined the JT Group in 1998. In 1999, we established a business collaboration with JT, which envisioned R&D oriented pharmaceutical activities. In this new partnership, R&D for new drugs came under the control of JT, while Torii took over sales and marketing functions. In April 2006, Torii also extended its manufacturing operations to include those of JT. This partnership has enabled us to continuously supply high-quality pharmaceutical products.

CS: Customer Satisfaction

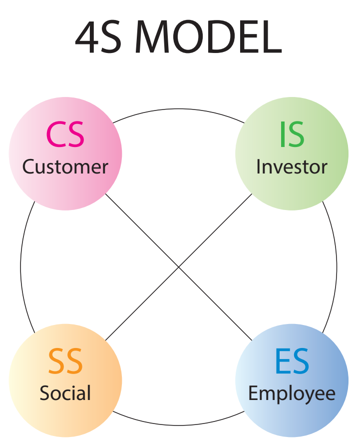
Our Responsibility to Customers

We strive to improve 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 maintain a high ethical standard regarding our corporate social responsibility through business activities that reflect the needs of society.



IS: Investor Satisfaction

Our Responsibility to Shareholders

We disclose timely, accurate corporate information and endeavor to generate appropriate shareholder returns and improve our corporate value.

ES: Employee Satisfaction

Our Responsibility to Employees

We aim to provide motivation and fulfillment to all our employees by respecting every individual, ensuring equal opportunities for carrier advancement, and by treating employees fairly on the basis of unbiased assessments.

The Torii Action Declaration

We gain the trust of our customers through thinking flexibly, working cooperatively and acting quickly.

Sales and Marketing

Torii has about 500 medical representatives (MRs) working at 14 branch offices throughout Japan. In order to distribute information relating to pharmaceutical products, the MRs use Torii's marketing support system to access the information they need to provide prompt responses to specific needs. This marketing support system is crucial to effective information distribution, and also enhances clients' confidence in Torii through disseminating information widely shared by MRs and other business units to medical professionals.

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.

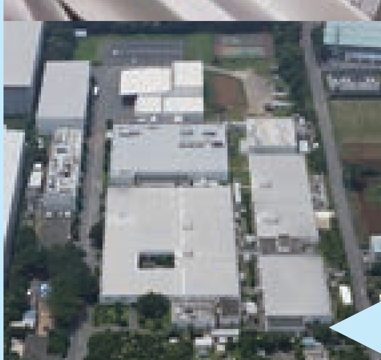
Within the Pharmaceutical Marketing & Promotion Group, the Customer Support Department is in charge of responding to inquiries from medical professionals, patients and their families. The Customer Support Department uses comments received from customers as the basis for feedback to the relevant business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

Mainstay Products

Brand name	Area	Therapeutic indication
REMITCH	Renal diseases and Hemodialysis	Agent used for the treatment of pruritus in hemodialysis patients (oral antipruritus drug)
Truvada	HIV	Antiretroviral agent used for the treatment of HIV-1 infection in adults
ANTEBATE*	Skin diseases and Allergens	Agent used for the treatment of the inflammatory manifestations of dermatosis (topical corticosteroid)
FUTHAN*	Renal diseases and Hemodialysis	Agent used for the prevention of blood coagulation during extracorporeal circulation and for the treatment of acute pancreatitis and disseminated intravascular coagulation (protease inhibitor)
URINORM*	Renal diseases and Hemodialysis	Agent used for the treatment of hyperuricemia and gout (uricosuric agent)
KAYEXALATE*	Renal diseases and Hemodialysis	Agent used for the improvement of hyperkalemia caused by acute and chronic renal failure
Dovonex	Skin diseases and Allergens	Agent used for the treatment of psoriasis vulgaris
ZEFNART	Skin diseases and Allergens	Topical antifungal agent used for the treatment of tinea, including tinea pedis (athlete's foot).
LOCOID*	Skin diseases and Allergens	Agent used for the treatment of the inflammatory manifestations of dermatosis (topical corticosteroid)

*In-house products

About Torii



Sakura Plant

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 14001certification 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.

Net sales in fiscal 2011 (Billions of yen)	Net sales in fiscal 2012 (Billions of yen)
¥9.7	**¥12.1**
9.9	**11.6**
6.6	**6.8**
5.1	**4.5**
3.2	**2.8**
1.5	**2.0**
1.8	**1.9**
1.4	**1.5**
1.3	**1.4**


REMITCH


Truvada


ANTEBATE


FUTHAN


URINORM


JT Central Pharmaceutical Research Institute

R&D Activities

JT aims to build a unique, world-class pharmaceutical business driven by R&D, and to increase our market presence through original and innovative drugs, implementing efforts in research and development that will allow us to merit the respect and appreciation of patients and medical staff around the world.

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

As a result of the division of R&D functions between Torii Pharmaceutical and JT, JT is now responsible for R&D activities pertaining to new compounds, 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.

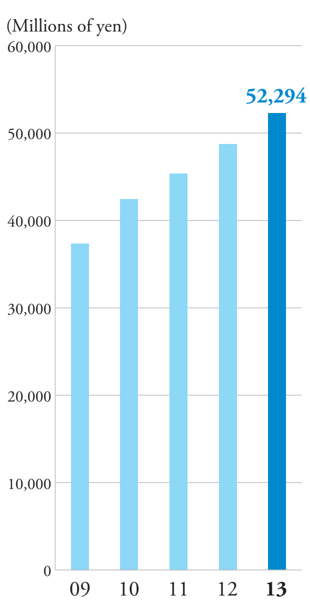
Nonconsolidated Financial Highlights

Torii Pharmaceuticals Co., Ltd.
Years ended March 31, 2013 and 2012

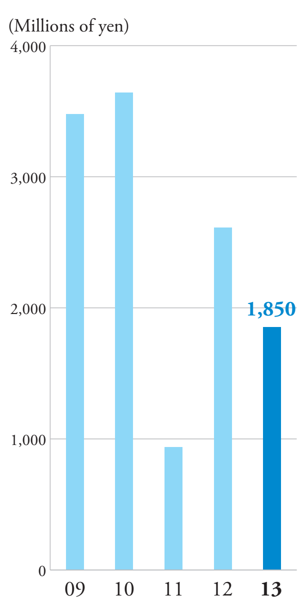
	Millions of yen		% Change	Thousands of U.S. dollars
	2013	2012	2013/2012	**2013**
For the Year:				
Net sales	**¥52,294**	¥48,718	7.3 %	**$556,025**
Operating income	**2,794**	4,154	(32.7)	**29,710**
Income before income taxes	**2,930**	5,055	(42.0)	**31,151**
Net income	**1,850**	2,611	(29.2)	**19,668**
At Year-End:				
Total assets	**¥91,351**	¥87,735	4.1 %	**$971,299**
Total equity	**76,701**	75,833	1.1	**815,530**
	Yen		% Change	U.S. dollars
Per Share Data:				
Net income	**¥65.4**	¥92.3	(29.2)%	**$0.69**
Cash dividends	**40.0**	40.0	—	**0.43**

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 ¥94.05=US$1.00, the approximate exchange rate prevailing on March 31, 2013.

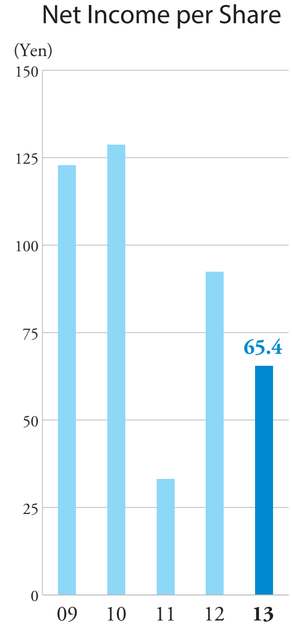
Net Sales



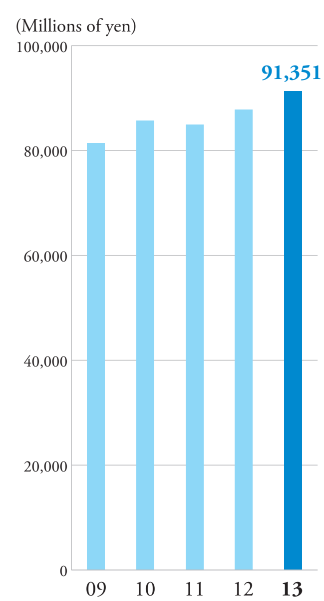
Net Income



Net Income per Share



Total Assets



My name is Shoichiro Takagi. I took over from Norihiko Matsuo on the 20th June, 2013 as president. I feel pride, honor and responsibility of continuing over 140 years of tradition at Torii Pharmaceutical Co., Ltd.

Following the previous medium-term management plan (from fiscal 2010 to fiscal 2012), Torii has increased net sales, strengthened and expanded our business platform and continued proactive investment in research and development. We filed the New Drug Application for marketing approval of TO-194SL (sublingual immunotherapy drug containing cedar pollen extract) and JTT-751 (hyperphosphatemia drug), in addition, we licensed the market rights to anti-HIV drug Stribild Combination Tablets from JT.

Considering these filings and licensing, we formulated and published "The medium-term management plan, (from fiscal 2013 to fiscal 2015)" in April 2013. We will use our expertise and technologies that we have developed over the years in order to pursue further business growth, focusing on three therapeutic fields: renal and hemodialysis, skin and allergen and HIV. Within allergen, we will continue research and development, including TO-203 (sublingual tablet) and TO-204 (injection). Both of these are immunotherapy drugs targeting allergic conditions triggered by mites, licensed from ALK-Abelló A/S.

Torii's corporate mission is 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 will fulfill our mission as a pharmaceutical company and do our best to realize sustainable growth as an enterprise while contributing to people's health care on an ongoing basis.

June 2013

S. Takagi

Shoichiro Takagi

Representative Director,
President and
Chief Executive Officer

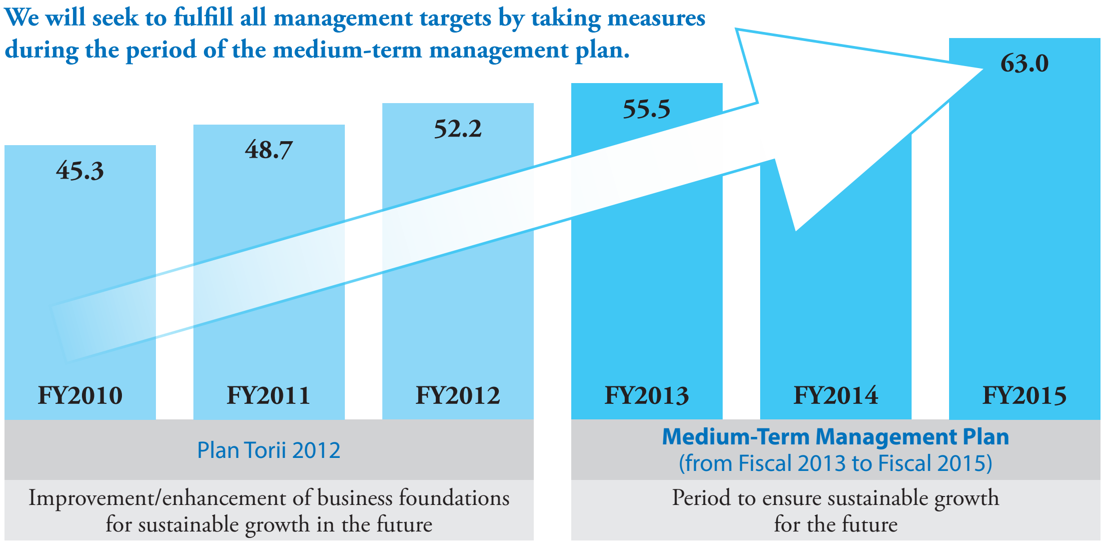
Outline of Medium-Term Management Plan

(from Fiscal 2013 to Fiscal 2015)

Torii will move forward with our research and development in the allergen field including immunotherapy drugs for the treatment of allergic symptoms triggered by mites. In addition, Torii will promote the release of new products in the market in order to ensure future growth.

Net Sales

(Billions of yen)



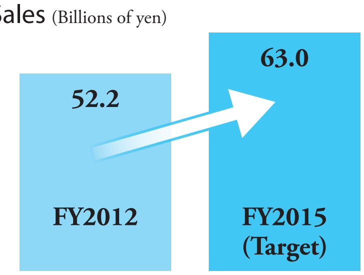
Point 1 Principal Measures

- We will promote the market release of Stribild Combination Tablets, TO-194SL and JTT-751, including post marketing surveillance, and seek to attain further sales growth in the following fields: renal and hemodialysis, skin and allergen and HIV. In particular, we will release TO-194SL in the market to spread immunotherapy for allergens.
- We will continue research and development in the allergen field including TO-203 and TO-204, and reinforce and expand other research and development activities. We will also license, develop and sell new products.
- We will endeavor to ensure stable supply and quality, focusing on the aforementioned products to be released in the market. We will also strive to continue cost improvement of raw materials and enhance our productivity.

Point 2 Management Targets

	Results for FY 2012	Targets for FY 2015	Change
Net sales	¥52.2 billion	¥63.0 billion	+¥10.7 billion
Operating income	¥2.7 billion	¥5.5 billion	+¥2.7 billion
Net income	¥1.8 billion	¥3.5 billion	+¥1.6 billion

Net Sales (Billions of yen)

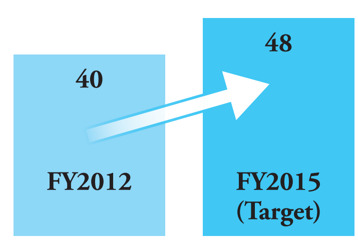


Point 3 Dividend Policy

Torii's basic policy is to distribute its surplus dividends in a stable and continuous manner, based on the understanding that generating appropriate shareholder returns is one of the key issues for the management.

According to the aforementioned basic policy, Torii will generate stable shareholder returns while preparing for investments from a medium/long-term perspective, in view of enhancements to its business constitution, future business expansion and other considerations. For fiscal 2015, Torii will aim to pay an annual dividend of ¥48 per share.

Annual Dividend per Share (Yen)



Launch of a novel anti-HIV drug “Stribild Combination Tablets”

Torii launched a novel anti-HIV drug, “Stribild Combination Tablets” in Japan on May 14,2013. “Stribild Combination Tablets” contains four compounds in a single tablet regimen: elvitegravir 150 mg; cobicistat 150 mg; emtricitabine 200 mg; and tenofovir disoproxil fumarate 300 mg.

Combination antiretroviral therapy has been a standard of care for HIV infection. Adherence is a key to increase potential for the treatment’s success with reducing the emergence of a drug-resistant virus. Accordingly, a drug which is easier and convenient to use, such as a single tablet regimen, has been desired by physicians and their patients.

“Stribild Combination Tablets” is the first complete, once-daily, single tablet regimen to be commercialized in Japan which is used without other drugs for the treatment of HIV. The drug is expected to provide convenience and long-term adherence for patients.

Currently in the JT Group, Torii has been marketing anti-HIV drugs in Japan including “Truvada Combination Tablets”, “Emtriva Capsules 200mg”, “Viread Tablets 300mg” and “Viracept Tablets 250mg”. Marketing of “Stribild Combination Tablets” in Japan would constitute another contribution by JT Group to the treatment of HIV. The effects on business performance of this launch are included in both the Group’s consolidated and Torii’s forecasts for the fiscal year ending March 31, 2014, announced on April 25, 2013.

About Stribild Combination Tablets

Product Name	Stribild Combination Tablets
Generic Name	elvitegravir/ cobicistat/ emtricitabine/ tenofovir disoproxil fumarate
Indications:	HIV-1 Infection
Dosage and Administration	The usual adult dosage for oral use is one tablet (containing 150 mg of elvitegravir, 150 mg of cobicistat, 200 mg of emtricitabine, and 300 mg of tenofovir disoproxil fumarate) once daily with or immediately after a meal.
Packages	Stribild Combination Tablets: (Bottle) 30 tablets
NHI Drug Price	¥ 6,749.30 per tablet
Approval Date	March 25, 2013
NHI Pricing Date	April 16, 2013
Launch Date	May 14, 2013
Manufacturer and Distributor	Japan Tobacco Inc.
Distributor	Torii Pharmaceutical Co., Ltd.

Research and Development

We filed NDA in Japan of TO-194SL (sublingual immunotherapy drug containing cedar pollen extract) on December 25, 2012. For JTT-751 (hyperphosphatemia drug), which was jointly developed with JT, NDA in Japan was also filed by JT on January 7, 2013.

In addition, we are conducting Phase II/III clinical trials for TO-203 (sublingual tablet) and Phase III clinical trials for TO-204 (injection), both of which are immunotherapy drugs targeting allergic conditions triggered by mites licensed from ALK-Abelló A/S (ALK).

(As of June 20, 2013)

Field	Development code	Planned indication	Formulation/ Route of administration	Development stage (domestic)	Remarks
Renal disease and hemodialysis	JTT-751	Hyperphosphatemia	oral	NDA Filed	•Licensing agreement signed with Keryx Biopharmaceuticals, Inc. for development and commercialization of hyperphosphatemia drug in Japan •Co-development with JT •NDA filed by JT on January 7,2013
Allergens	TO-194SL	Allergic conditions triggered by cedar pollen (immunotherapy)	sublingual liquid	NDA Filed	•In-house •NDA filed by Torii on December 25,2012
	TO-203	Allergic conditions triggered by mites (asthma and allergic rhinitis) (immunotherapy)	sublingual tablet	Phase II/III	•Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan •In-house
	TO-204		injection	Phase III	
	TO-205	Diagnostic product against mite allergy	skin prick test solution	Phase III	

Phase I: Administration of test drugs to small groups of healthy subjects to assess safety
Phase II: Administration of test drugs to small groups of patients to assess effectiveness and determine appropriate dosage levels and administration methods, etc.
Phase III: Comparative tests involving the administration of test drugs and existing products or placebos to large groups of patients to assess effectiveness and safety

What is Allergen immunotherapy?

The aim of this therapy is to reduce allergic reactions by continued administration, in progressively larger doses, of the antigens that cause allergies. Currently Japanese health insurance covers only injection-based therapies, therefore Torii is developing sublingual immunotherapy drugs, which provide more convenient use for the patients.

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 lowemission, 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 singleyear and medium-term environmental targets.

In order to foster better public understanding about our environmental efforts, we have issued an environmental report since 2005, since 2012, as an environmental and social report.

*These are Japanese government initiatives aimed at cutting national CO_2 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

Every year since 1993, we have held company-wide community contribution campaigns. 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.

Torii started a "Collection Volunteer" activity in 2010 for the gathering of used postage stamps and prepaid cards, which are donated to the Council of Social Welfare. In addition, the company has been conducting a program since February 2012 to collect "bellmarks"* and donate them to the Bellmark Foundation.

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

Another leave system supports 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.

Torii employees taking part in blood donations.

Bellmarks, collected for the "Collection Volunteer" activity.

*Bellmarks: A system in which "bellmarks" attached to product packaging are cut out and collected at individual schools and other educational institutions and then sent to the Bellmark Foundation. The bellmark deposits for each school are accumulated at a value of one yen each and are used by the school for the purchase of school supplies. Also, 10% of the fees for equipment purchases are donated as assistance to schools in remote areas.

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, JT (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 JT 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 Audit & Supervisory Board Members, the Audit & Supervisory Board and the accounting auditors, as well as the Executive Committee, the Compliance Committee and the Internal Audit Department.

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

In addition, one outside director who was elected at the 121st General Meeting of Shareholders held on June 20, 2013 for the purpose of reinforcing the supervisory function of the Board of Directors.

Audit & Supervisory Board Members and the Audit & Supervisory Board

Torii has appointed Audit & Supervisory Board Members and established an Audit & Supervisory 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 & Supervisory Board consists of three members, including two outside members with expert knowledge. By sharing knowledge and information and exchanging views, the Audit & supervisory Board Members strive to carry out their audit activities from a neutral perspective and with a high standard of objectivity.

Torii and Wataru Aizawa, an outside Audit & Supervisory Board Member, have entered into an agreement that limits liability under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of the company's Articles of Incorporation. The limit of liability for damages pursuant to this agreement is the amount provided by law.

Board of Directors

The Board of Directors currently consists of eight directors including one outside director. 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.

Torii and Masao Torikai, an outside director, have entered into an agreement that limits liability under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of the company's Articles of Incorporation. The limit of liability for damages pursuant to this agreement is the amount provided by law.

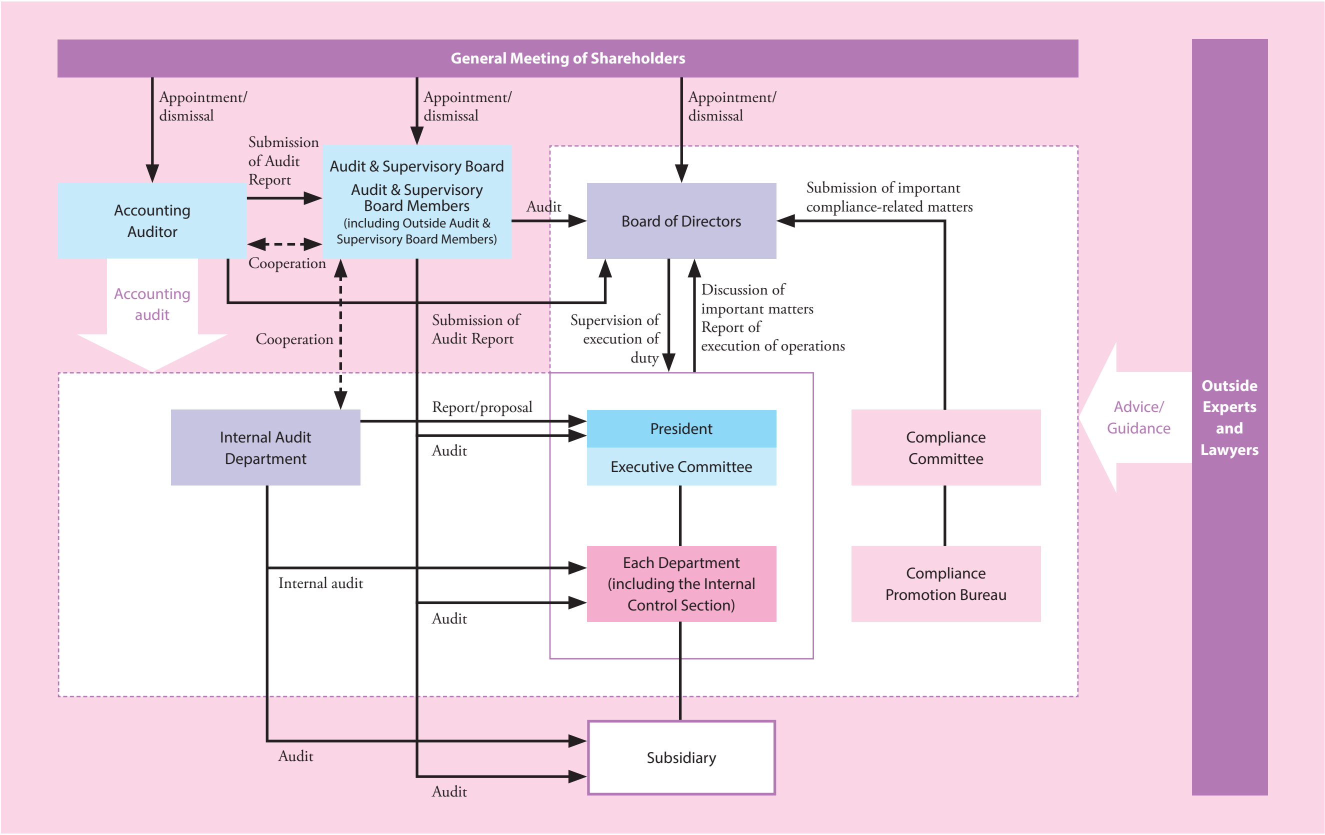
Executive Committee

The Executive Committee currently has twelve 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 nine-member Compliance Committee monitors compliance promotion activities and deliberates and makes decisions on

Overview of Corporate Governance Structure



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.

Internal Audit Department

The Internal Audit Department currently has nine 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 Audit & Supervisory Board Members

(As of June 20, 2013)

Chairman of the Board

Norihiko Matsuo

Representative Director,
President and
Chief Executive Officer

Shoichiro Takagi

Representative Director,
Executive Deputy President

Hiroshi Kanaya

Member of the Board,
Senior Executive Director

Yuji Kagohashi

(Head of R&D Group)

Member of the Board,
Executive Director

Akihiko Tamura

(Head of Pharmaceutical Marketing & Promotion Group)

Member of the Board,
Executive Director

Takahiro Umeda

(Head of Planning & Administration Group)

Member of the Board,
Director

Yuko Kariya

(Head of Pharmacovigilance & Quality Assurance Group)

Member of the Board,
Director

Masao Torikai

Audit & Supervisory Board Members

Seiji Osa

Shohei Yabe

Wataru Aizawa

Note:
Masao Torikai is an outside director.
Seiji Osa and Wataru Aizawa are outside audit & supervisory board members.

Organization

(As of April 1, 2013)

- General Meeting of Shareholders
- Audit & Supervisory Board
- Board of Directors
- President
- Executive Committee
  - Secretary Dept.
  - Internal Audit Dept.
  - Planning & Administration Group
    - Corporate Planning Dept.
    - Accounting Dept.
    - Human Resources Dept.
    - General Affairs Dept.
    - Information Technology Dept.
  - Pharmaceutical Marketing & Promotion Group
    - Marketing Planning Dept.
    - Product Management Dept.
    - HIV Specialty Dept.
    - Customer Support Dept.
    - Wholesalers Relations Dept.
    - Sales Career Development Dept.
    - Branch Office
  - Pharmacovigilance & Quality Assurance Group
    - Pharmacovigilance Dept.
    - Quality Assurance Dept.
  - R&D Group
    - Business Development Dept.
    - Product Development Dept.
    - Regulatory Affairs Dept.
    - Research Laboratory
  - Production Group
    - Production & Logistics Dept.
    - Sakura Plant

Financial Section

Contents

Ten-Year Nonconsolidated Financial Summary

	Millions of yen			
	2004	2005	2006	2007
For the Year:				
Net sales	¥42,385	¥41,908	¥40,478	¥39,577
Gross profit	26,506	26,301	25,579	24,202
Operating income	9,057	8,499	7,606	5,336
Income before income taxes	9,161	10,115	7,538	5,434
Net income	4,913	5,793	4,179	3,029
Capital expenditures	658	911	1,461	1,322
Research and development costs	358	455	911	1,766
Net cash provided by operating activities	5,980	5,590	3,425	3,415
Net cash provided by (used in) investing activities	(3,724)	(4,328)	104	(3,438)
Net cash used in financing activities	(1,498)	(827)	(796)	(738)
At Year-End:				
Total assets	¥68,871	¥74,042	¥76,782	¥77,542
Total equity	56,557	61,677	65,241	67,591
Number of shares issued (Thousands)	28,800	28,800	28,800	28,800
Number of employees	846	855	833	854
	Yen			
Per Share Data:				
Total equity	¥1,996.9	¥2,178.0	¥2,303.9	¥2,387.9
Net income	170.9	203.8	146.8	107.0
Cash dividends	22.0	26.0	26.0	26.0
	%			
Key Ratios:				
Operating income ratio	21.4	20.3	18.8	13.5
Return on equity (ROE)	9.0	9.8	6.6	4.6
Return on assets (ROA)	7.3	8.1	5.5	3.9
Shareholders' equity ratio	82.1	83.3	85.0	87.2
Dividend payout ratio	12.8	12.8	17.7	24.3

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 ¥94.05=US$1.00, the approximate exchange rate prevailing on March 31, 2013.

Millions of yen						Thousands of U.S. dollars
2008	2009	2010	2011	2012	**2013**	**2013**
¥40,845	¥37,349	¥42,416	¥45,336	¥48,718	**¥52,294**	**$556,025**
24,596	23,700	26,432	26,733	28,178	**29,453**	**313,160**
5,140	4,900	6,126	1,845	4,154	**2,794**	**29,710**
5,379	6,039	6,341	1,839	5,055	**2,930**	**31,151**
2,967	3,477	3,642	937	2,611	**1,850**	**19,668**
1,450	1,004	1,401	797	850	**1,374**	**14,614**
1,828	1,192	1,613	5,994	4,632	**7,824**	**83,195**
3,333	3,260	4,999	(516)	3,040	**152**	**1,615**
822	228	(10,397)	(21,303)	3,152	**874**	**9,300**
(738)	(991)	(1,182)	(1,243)	(1,154)	**(1,181)**	**(12,557)**
¥80,439	¥81,433	¥85,638	¥84,886	¥87,735	**¥91,351**	**$971,299**
69,759	72,034	74,642	74,246	75,833	**76,701**	**815,530**
28,800	28,800	28,800	28,800	28,800	**28,800**	**28,800**
852	878	890	905	927	**969**	**969**
Yen						U.S. dollars
¥2,464.6	¥2,545.1	¥2,637.3	¥2,623.4	¥2,679.5	**¥2,710.2**	**$28.8**
104.8	122.8	128.7	33.1	92.3	**65.4**	**0.69**
30.0	36.0	40.0	40.0	40.0	**40.0**	**0.43**
%						
12.6	13.1	14.4	4.1	8.5	**5.3**	
4.3	4.9	5.0	1.3	3.5	**2.4**	
3.7	4.3	4.3	1.1	3.0	**2.1**	
86.7	88.5	87.2	87.5	86.4	**84.0**	
28.6	29.3	31.1	120.8	43.4	**61.2**	

Management's Discussion and Analysis

FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2013

The business environment for the pharmaceutical industry remained challenging in the fiscal year 2012. Healthcare reforms have been continuously regulated for healthcare expenditure, including measures to encourage the increased use of generic drugs, in addition to the impact of drug price revision to the National Health Insurance Drug Price standards (implemented in April 2012-industry average: 6.0% reduction).

Torii endeavored to achieve its sustained sales growth, principally in therapeutic areas such as the renal and hemodialysis field, (REMITCH CAPSULES, oral antipruritus drug for hemodialysis patients) and the HIV field, (Truvada, anti-HIV drug).

In addition, we have enhanced and strengthened our marketing capabilities on a fundamental basis. Through extensive promotional activities and consistent dedication to perform well in product lifecycle management for each product category, we have strived to increase or maintain the market shares of existing products. These include our mainstay products: the topical corticosteroid ANTEBATE, the protease inhibitor FUTHAN for injection, the uricosuric agent URINORM Tablets and the hyperkalemia drug KAYEXALATE DRYSYRUP.

In May 2013, Torii launched anti-HIV drug Stribild Combination Tablets, for which marketing rights had been obtained from "JT" in August 2012.

Net Sales

Net sales increased by ¥3,576 million (7.3%) year on year to ¥52,294 million. A breakdown of key product shows that sales of REMITCH CAPSULES increased by ¥2,371 million (24.4%) to ¥12,107 million, and sales of Truvada grew by ¥1,649 million (16.6%) to ¥11,594 million. However, there was a ¥598 million (11.6%) year-on-year decline in sales of FUTHAN for injection, which amounted to ¥4,534 million.

Cost of Sales

At ¥22,841 million, the cost of sales rose by ¥2,302 million (11.2%) over the previous year's level.

Selling, General and Administrative Expenses

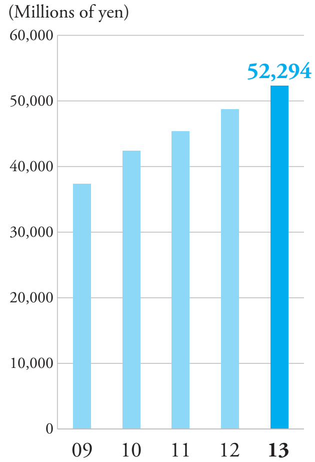
Selling, general and administrative expenses were ¥2,634 million (11.0%) higher year on year at ¥26,659 million. This resulted mainly from the increase in R&D expenditure by ¥3,193 million (68.9%)

Operating Income, Net Income

These changes were reflected in operating income of ¥2,794 million, a decrease of ¥1,359 million (32.7%) over the previous year's result. Net income decreased by ¥762 million (29.2%) year on year to ¥1,850 million.

Net Sales

(Millions of yen)



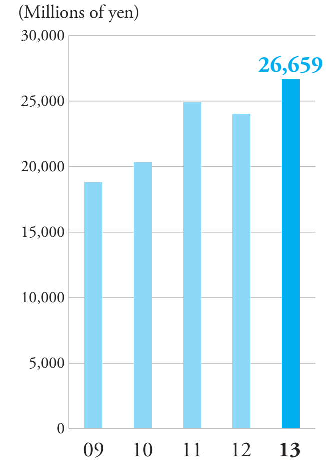
Sales of Mainstay Products

(Millions of yen)

	2012	2013	Change
REMITCH	9,735	12,107	2,371 24.4%
Truvada	9,946	11,594	1,649 16.6%
ANTEBATE	6,584	6,766	182 2.8%
FUTHAN	5,131	4,534	(598) (11.6%)
URINORM	3,239	2,751	(487) (15.0%)

Selling, General and Administrative Expenses

(Millions of yen)



FINANCIAL POSITION AT MARCH 31, 2013

Assets, Liabilities and Equity

Total assets increased by ¥3,616 million (4.1%) year on year to ¥91,351 million as of March 31, 2013. Current assets increased by ¥1,141 million (1.6%) from the end of previous fiscal year (March 31, 2012) to ¥71,493 million, due to a ¥17,997 million increase in marketable securities, a ¥1,188 million increase in inventories and a ¥657 million increase in trade accounts receivable, among others, which offset a ¥19,000 million reduction in time deposits. Investments and other assets rose by ¥2,120 million (17.5%) from the previous fiscal year-end to ¥14,206 million, in part because of a ¥3,437 million increase in long-term prepaid expenses stemming from the acquisition of marketing rights for anti-HIV drug Stribild Combination Tablets, which offset the decrease in investment securities by ¥1,012 million.

Current liabilities increased by ¥2,738 million (24.4%) from the end of the previous fiscal year to ¥13,969 million. Reasons for this include the increase in payables to the parent and subsidiary by ¥3,529 million associated with the upfront payment for the acquisition of marketing rights for anti-HIV drug Stribild Combination Tablets, which offset the decrease in income taxes payable by ¥994 million.

Total equity increased by ¥868 million (1.1%) from the end of the previous fiscal year to ¥76,701 million. Contributing factors included surplus dividends of ¥1,132 million, and net income of ¥1,850 million.

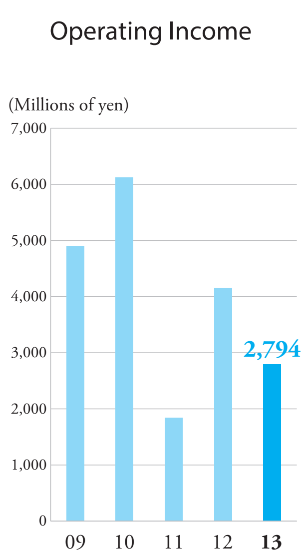
Cash Flows

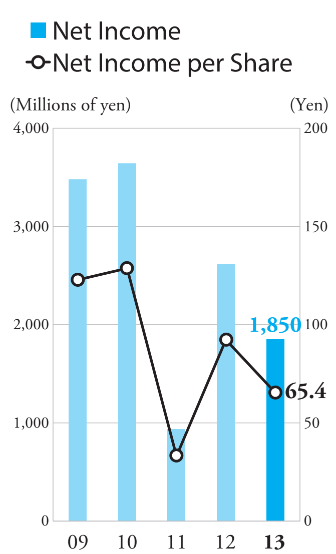
At ¥17,228 million, cash and cash equivalents as of March 31, 2013 were ¥155 million (0.9%) lower than at the end of the previous fiscal year.

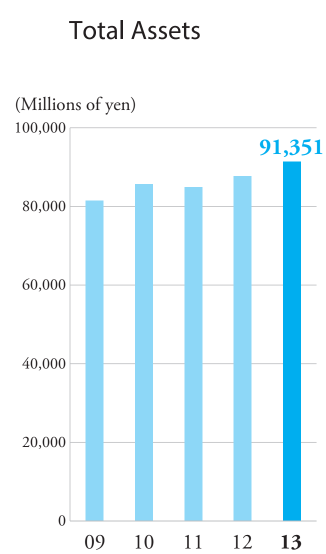
Net cash provided by operating activities amounted to ¥152 million. This result reflects income before income taxes of ¥2,930 million, depreciation and amortization of ¥1,062 million, a ¥3,529 million increase in other accounts payable, a ¥3,437 million increase in long-term prepaid expenses, income taxes paid of ¥1,922 million, a ¥1,188 million increase in inventories, and a ¥664 million increase in trade notes and accounts receivable. In the previous fiscal year, net cash of ¥3,040 million was provided by operating activities.

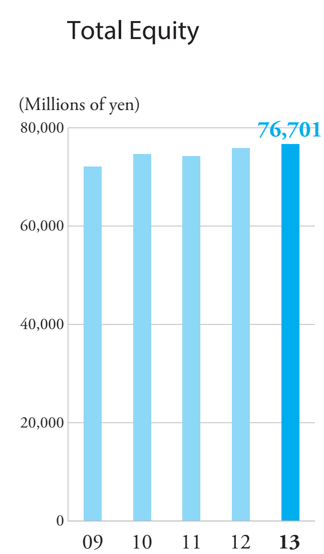
Net cash provided by investing activities amounted to ¥874 million. Major items included outflows of ¥26,000 million for payments into time deposits, ¥17,992 million for the purchases of marketable securities, ¥1,175 million for the purchases of property, plant and equipment, and ¥1,000 million for the purchases of investment securities, and inflows of ¥45,000 million proceeds from withdrawals of time deposits, and ¥2,200 million proceeds from sales and redemptions of marketable securities. In the previous fiscal year, there was a net inflow of ¥3,152 million.

Net cash used in financing activities amounted to ¥1,181 million, compared with ¥1,154 million used in the previous fiscal year. This consisted mainly of ¥1,132 million for dividends paid.









Research and Development Activities

Research and development functions are divided between Torii and JT. JT is responsible for research and development activities pertaining to new compounds, 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 specific areas of expertise.

As for our research and development status at this point in time, we have filed New Drug Application for marketing approval of TO-194SL and JTT-751. In addition, we are conducting Phase II/III clinical trials for TO-203 (sublingual tablet) and Phase III clinical trials for TO-204 (injection), both of which are immunotherapy drugs (targeting allergic conditions triggered by mites) licensed from ALK.

Total research and development expenditure in the year ended March 31, 2013 amounted to ¥7,824 million.

FORECAST FOR THE FISCAL YEAR ENDING MARCH 31, 2014

The business environment surrounding Torii is expected to become increasingly tough, due to such factors as the promotion of healthcare reforms to curb healthcare expenditure and the intensified competition with rival pharmaceutical companies and their competing products.

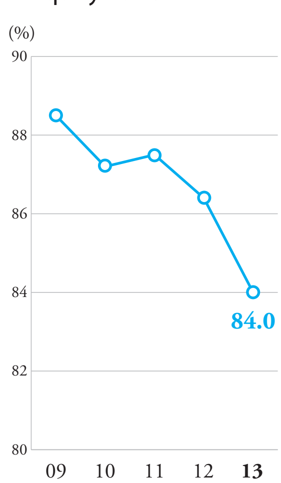
Under these circumstances, we will endeavor to improve our business performance by maintaining and expanding the market share of our existing products in priority fields: the renal and hemodialysis field, the skin and allergen field and the HIV field. We will also strive to promote the market release and achieve prompt market penetration of anti-HIV drug Stribild Combination Tablets and TO-194SL.

In order to accomplish further growth in the years ahead, we will license, develop and sell new products, and push ahead with research and development in the allergen field including TO-203 and TO-204.

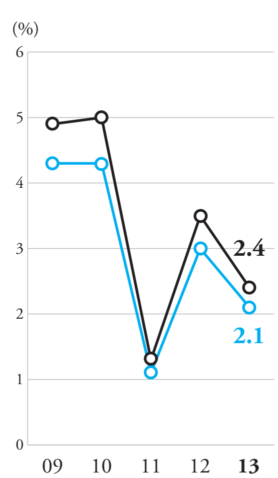
The current forecast for the fiscal year ending March 31, 2014 is as follows.

	Results for fiscal year ended March 31, 2013 (Millions of yen)	Forecasts for fiscal year ending March 31, 2014 (Millions of yen)	Change (Millions of yen)	% Change (%)
Net sales	52,294	55,500	3,206	6.1
Operating income	2,794	2,700	(94)	(3.4)
Net income	1,850	1,700	(150)	(8.1)

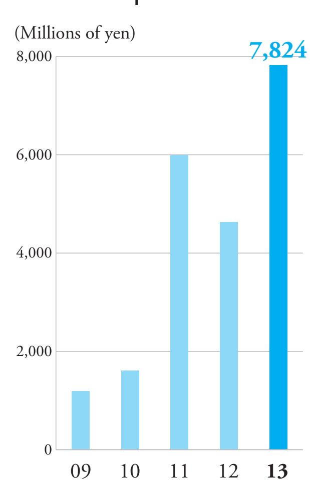
Shareholders' Equity Ratio



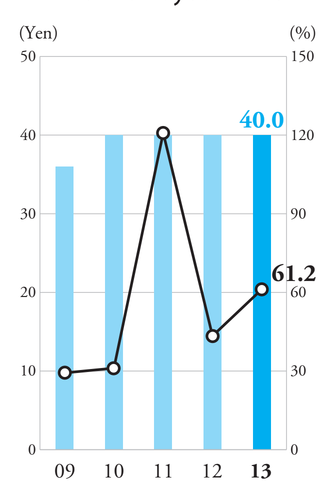
Return on Equity (ROE)
Return on Assets (ROA)



Research and Development Costs



Cash Dividends
Dividend Payout Ratio



BASIC POLICY FOR DISTRIBUTION OF PROFITS AND DIVIDENDS FOR FISCAL 2012 AND FISCAL 2013

Torii's basic policy is to distribute its surplus dividends in a stable and continuous manner, based on the understanding that generating appropriate shareholder returns is one of the key issues for the management.

According to the aforementioned basic policy, Torii will continue to generate stable shareholder returns while preparing for investments from a medium/long-term perspective, in view of enhancements to its business constitution, future business expansion and other considerations.

Torii decided to pay an annual dividend of ¥40 per share for the fiscal year ended March 31, 2013 (interim dividend of ¥20 has already been paid).

Torii plans to pay an annual dividend of ¥40 per share for the fiscal year ended March 31, 2014 (consisting of an interim dividend of ¥20 and a year-end dividend of ¥20).

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 Revisions

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 revisions 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.

Nonconsolidated Balance Sheet

Torii Pharmaceutical Co., Ltd.
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 11 and 12)	¥ 17,228	¥ 17,383	$ 183,182
Time deposits (Note 11)	4,000	23,000	42,531
Marketable securities (Notes 3 and 11)	20,197	2,200	214,749
Receivables (Note 11):			
Trade notes	7		75
Trade accounts	20,167	19,510	214,423
Parent and subsidiary	75	81	800
Other	36	4	383
Inventories (Note 4)	7,531	6,343	80,068
Deferred tax assets (Note 8)	1,733	1,620	18,428
Prepaid expenses and other current assets	519	211	5,520
Total current assets	71,493	70,352	760,159
PROPERTY, PLANT AND EQUIPMENT (Note 5)**:**			
Land	702	702	7,468
Buildings and structures	11,389	11,296	121,093
Machinery and equipment	7,166	7,126	76,195
Furniture and fixtures	2,460	2,383	26,152
Lease assets (Note 10)	256	65	2,723
Construction in progress	487	63	5,181
Total	22,460	21,635	238,812
Accumulated depreciation	(16,808)	(16,338)	(178,716)
Net property, plant and equipment	5,652	5,297	60,096
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 11)	5,380	6,392	57,203
Investment in subsidiary (Notes 3 and 11)	10	10	106
Software	531	544	5,649
Long-term prepaid expenses (Note 12)	6,188	2,750	65,789
Prepaid pension cost	102		1,085
Guarantees and lease deposits to lessors	631	614	6,710
Deferred tax assets (Note 8)	1,176	1,512	12,505
Other assets	188	264	1,997
Total investments and other assets	14,206	12,086	151,044
TOTAL	¥ 91,351	¥ 87,735	$ 971,299

See notes to nonconsolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables (Note 11):			
Trade accounts	¥ 3,377	¥ 3,366	$ 35,903
Parent and subsidiary (Note 12)	5,306	1,776	56,416
Other	2,272	2,023	24,162
Current portion of long-term lease obligations	141	16	1,499
Income taxes payable (Note 11)	713	1,707	7,581
Accrued expenses	638	699	6,788
Accrued employees' bonuses	1,211	1,157	12,874
Accrued bonuses to directors and Audit & Supervisory Board members	55	59	587
Asset retirement obligations	3		32
Other current liabilities	253	428	2,689
Total current liabilities	13,969	11,231	148,531
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	134	162	1,428
Guarantees and lease deposits received	268	269	2,846
Long-term lease obligations	72	21	760
Asset retirement obligations	145	155	1,543
Other long-term liabilities	62	64	661
Total long-term liabilities	681	671	7,238
EQUITY (Note 7):			
Common stock—authorized, 54,000,000 shares;			
issued, 28,800,000 shares in 2013 and 2012	5,190	5,190	55,183
Capital surplus—additional paid-in capital	6,416	6,416	68,219
Retained earnings:			
Legal reserve	1,298	1,298	13,796
Unappropriated	64,297	63,579	683,644
Unrealized gain on available-for-sale securities	359	208	3,814
Treasury stock—at cost, 499,074 shares in 2013 and 498,701 shares in 2012	(859)	(858)	(9,126)
Total equity	76,701	75,833	815,530
TOTAL	¥ 91,351	¥ 87,735	$ 971,299

Nonconsolidated Statement of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥ 52,294	¥ 48,718	$ 556,025
COST OF SALES (Notes 6, 10 and 12)	22,841	20,540	242,865
Gross profit	29,453	28,178	313,160
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 9 and 10)	26,659	24,024	283,450
Operating income	2,794	4,154	29,710
OTHER INCOME (EXPENSES):			
Interest and dividend income	177	140	1,879
Refunds of cancellation of co-develop contract		785	
Loss on disaster		(63)	
Other—net	(41)	39	(438)
Other income—net	136	901	1,441
INCOME BEFORE INCOME TAXES	2,930	5,055	31,151
INCOME TAXES (Note 8):			
Current	939	2,722	9,979
Deferred	141	(278)	1,504
Total income taxes	1,080	2,444	11,483
NET INCOME	¥ 1,850	¥ 2,611	$ 19,668

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Net income	¥ 65.4	¥ 92.3	$ 0.69
Cash dividends applicable to the year	40.0	40.0	0.43

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

	Outstanding Number of Shares of Common Stock	Millions of Yen						
		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			
BALANCE, APRIL 1, 2011	**28,301,698**	**¥ 5,190**	**¥ 6,416**	**¥ 1,298**	**¥ 62,099**	**¥ 100**	**¥ (857)**	**¥ 74,246**
Net income					2,611			2,611
Cash dividends paid, ¥40.0 per share					(1,131)			(1,131)
Repurchase of treasury stock	(399)						(1)	(1)
Net increase in unrealized gain on available-for-sale securities						108		108
BALANCE, MARCH 31, 2012	**28,301,299**	**5,190**	**6,416**	**1,298**	**63,579**	**208**	**(858)**	**75,833**
Net income					1,850			1,850
Cash dividends paid, ¥40.0 per share					(1,132)			(1,132)
Repurchase of treasury stock	(373)						(1)	(1)
Net increase in unrealized gain on available-for-sale securities						151		151
BALANCE, MARCH 31, 2013	**28,300,926**	**¥ 5,190**	**¥ 6,416**	**¥ 1,298**	**¥ 64,297**	**¥ 359**	**¥ (859)**	**¥ 76,701**

	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			
BALANCE, MARCH 31, 2012	**$ 55,183**	**$ 68,219**	**$ 13,796**	**$ 676,012**	**$ 2,212**	**$ (9,119)**	**$ 806,303**
Net income				19,668			19,668
Cash dividends paid, $0.43 per share				(12,036)			(12,036)
Repurchase of treasury stock						(7)	(7)
Net increase in unrealized gain on available-for-sale securities					1,602		1,602
BALANCE, MARCH 31, 2013	**$ 55,183**	**$ 68,219**	**$ 13,796**	**$ 683,644**	**$ 3,814**	**$ (9,126)**	**$ 815,530**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,930	¥ 5,055	$ 31,151
Adjustments for:			
Income taxes paid	(1,922)	(2,073)	(20,436)
Depreciation and amortization	1,062	1,195	11,288
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(664)	(1,156)	(7,061)
Increase in inventories	(1,188)	(966)	(12,627)
Increase in trade accounts payable	11	862	117
Other—net	(77)	123	(817)
Total adjustments	(2,778)	(2,015)	(29,536)
Net cash provided by operating activities	152	3,040	1,615
INVESTING ACTIVITIES:			
Payments into time deposits	(26,000)	(46,000)	(276,449)
Proceeds from withdrawal of time deposits	45,000	34,500	478,469
Purchases of marketable securities	(17,992)	(2,106)	(191,301)
Proceeds from sale and redemption of marketable securities	2,200	20,790	23,392
Purchases of property, plant and equipment	(1,175)	(455)	(12,492)
Proceeds from sales of property, plant and equipment	1	1	10
Purchases of investment securities	(1,000)	(3,411)	(10,627)
Proceeds from sale and redemption of investment securities		66	
Other—net	(160)	(233)	(1,702)
Net cash provided by investing activities	874	3,152	9,300
FINANCING ACTIVITIES:			
Repurchase of treasury stock	(1)	(1)	(7)
Dividends paid	(1,132)	(1,131)	(12,036)
Repayments of lease obligations	(48)	(22)	(514)
Net cash used in financing activities	(1,181)	(1,154)	(12,557)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(155)	5,038	(1,642)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,383	12,345	184,824
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 17,228	¥ 17,383	$ 183,182

See notes to nonconsolidated financial statements.

1 BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

During the more than 140 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 nonconsolidated 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 accordance 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 nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the nonconsolidated 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 2012 nonconsolidated financial statements to conform to the classifications used in 2013.

The nonconsolidated 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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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. Nonconsolidation—The nonconsolidated 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 nonconsolidated 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) investment securities in a subsidiary are reported at cost, and (2) available-for-sale securities, which are not classified as aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable 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 multiemployer pension plan, the "Tokyo Pharmaceutical Welfare Pension Fund." For the contributory multiemployer pension plan, contributions to that plan are charged to income when paid. Plan assets contributed to this fund are not recorded in the nonconsolidated 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 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 the 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.

j. Research and Development Costs—Research and development costs are charged to income as incurred.

k. 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. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized by recognizing 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 amount of obligation 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 amount of obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

l. Bonuses to Directors and Audit & Supervisory Board Members—Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement 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.

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

o. 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 nonconsolidated statement of income to the extent that they are not hedged by forward exchange contracts.

p. Derivatives and Hedging Activities—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as either assets or liabilities and measured at fair value.

Gains or losses on derivative transactions are recognized in the nonconsolidated statement of income.

q. 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 28,301,112 shares and 28,301,556 shares for the years ended March 31, 2013 and 2012, 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, 2013.

Cash dividends per share presented in the accompanying nonconsolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. 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.

s. New Accounting Pronouncements

Accounting standard for retirement benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

(d) Treatment in nonconsolidated financial statements

In nonconsolidated financial statements, the new requirements above would not be applied, with the current requirements remaining applicable.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company does not expect to apply the revised accounting standard to the nonconsolidated financial statements, accordingly.

3 MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current:			
Government and corporate bonds	¥ 11,197	¥ 2,200	$ 119,055
Trust fund investments and other	9,000		95,694
Total	¥ 20,197	¥ 2,200	$ 214,749
Noncurrent:			
Equity securities	¥ 994	¥ 783	$ 10,573
Government and corporate bonds	4,386	5,609	46,630
Total	¥ 5,380	¥ 6,392	$ 57,203

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 358	¥ 526		¥ 884
Debt securities	15,558	28	¥ 3	15,583
Other	9,000			9,000
March 31, 2012				
Available-for-sale:				
Equity securities	¥ 358	¥ 315		¥ 673
Debt securities	7,804	22	¥ 17	7,809

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 3,806	$ 5,598		$ 9,404
Debt securities	165,420	294	$ 28	165,686
Other	95,694			95,694

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale—Unlisted equity securities	¥ 110	¥ 110	$ 1,170
Total	¥ 110	¥ 110	$ 1,170

The investment securities of the subsidiary whose fair value cannot be reliably determined at March 31, 2013, are measured at the original acquisition cost. The carrying amount of such investment securities of subsidiary is ¥10 million ($106 thousand).

4 INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Finished products and merchandise	**¥ 4,971**	¥ 4,272	**$ 52,848**
Work in process	**477**	440	**5,074**
Raw materials and supplies	**2,083**	1,631	**22,146**
Total	**¥ 7,531**	¥ 6,343	**$ 80,068**

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."

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 ¥166 million ($1,765 thousand) for the fiscal year ended March 31, 2013.

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, 2012	Increase/Decrease	**March 31, 2013**	**March 31, 2013**
¥ 754	¥ (28)	**¥ 726**	**¥ 3,169**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Increase/Decrease	March 31, 2012	March 31, 2012
¥ 771	¥ (17)	¥ 754	¥ 3,238

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2012	Increase/Decrease	**March 31, 2013**	**March 31, 2013**
$ 8,020	$ (297)	**$ 7,723**	**$ 33,695**

Notes: 1. Carrying amount recognized in the balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Fair values of major properties as of March 31, 2013, 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, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 7,116**	¥ 7,383	**$ 75,659**
Fair value of plan assets	**(6,526)**	(6,023)	**(69,390)**
Unrecognized actuarial loss	**(558)**	(1,198)	**(5,926)**
Prepaid pension cost	**102**		**1,085**
Net liabilities	**¥ 134**	¥ 162	**$ 1,428**

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, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥ 317**	¥ 341	**$ 3,373**
Interest cost	**111**	114	**1,178**
Expected return on plan assets	**(120)**	(105)	**(1,281)**
Recognized actuarial loss	**158**	237	**1,684**
Net periodic retirement benefit costs	**¥ 466**	¥ 587	**$ 4,954**

In addition, contributions to the multiemployer pension plan of ¥232 million ($2,465 thousand) and ¥223 million are disclosed in cost of sales and selling, general and administrative expenses at March 31, 2013 and 2012, respectively.

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, 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 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 normal effective statutory tax rates of 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Deferred charges for tax purposes	**¥ 1,250**	¥ 1,442	**$ 13,291**
Prepayment of research and development costs	**1,091**	952	**11,598**
Accrued bonuses to employees	**460**	440	**4,892**
Accrued enterprise taxes	**74**	136	**784**
Accrued expenses	**62**	85	**662**
Loss on revaluation of golf club memberships	**55**	59	**592**
Liabilities for retirement benefits	**48**	58	**508**
Other	**175**	154	**1,865**
Less valuation allowance	**(70)**	(74)	**(747)**
Total	**3,145**	3,252	**33,445**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**193**	114	**2,050**
Other	**43**	6	**462**
Total	**236**	120	**2,512**
Net deferred tax assets	**¥ 2,909**	¥ 3,132	**$ 30,933**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate as reflected in the accompanying nonconsolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Expenses not deductible for income tax purposes	3.8	5.9
Dividend income deductible for income tax purposes	(0.7)	(0.1)
Per capita levy	2.4	0.6
Tax credits	(7.1)	(4.4)
Valuation allowance		5.7
Other—net	0.5	(0.1)
Actual effective tax rate	36.9%	48.3%

On December 2, 2011, new tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards.

9 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,824 million ($83,195 thousand) and ¥4,632 million for the years ended March 31, 2013 and 2012, respectively.

10 LEASES

The Company leases certain office space and other assets under operating leases.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2013 and 2012, were ¥1,567 million ($16,658 thousand) and ¥1,289 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Due within one year	¥ 38	$ 407
Due after one year	9	95
Total	¥ 47	$ 502

11 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(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. Derivatives are forward foreign currency contracts, which are used to manage exposure to financial risks from changes in foreign currency exchange rates of payables.

(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		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 17,228**	**¥ 17,228**	
Time deposits	**4,000**	**4,000**	
Receivables:			
Trade accounts	**20,167**	**20,167**	
Parent and subsidiary	**75**	**75**	
Marketable and investment securities—Available-for-sale securities	**25,467**	**25,467**	
Total	**¥ 66,937**	**¥ 66,937**	
Payables:			
Trade accounts	**¥ 3,377**	**¥ 3,377**	
Parent and subsidiary	**5,306**	**5,306**	
Other	**2,272**	**2,272**	
Income taxes payable	**713**	**713**	
Total	**¥ 11,668**	**¥ 11,668**	
March 31, 2012			
Cash and cash equivalents	¥ 17,383	¥ 17,383	
Time deposits	23,000	23,000	
Receivables:			
Trade accounts	19,510	19,510	
Parent and subsidiary	81	81	
Marketable and investment securities—Available-for-sale securities	8,482	8,482	
Total	¥ 68,456	¥ 68,456	
Payables:			
Trade accounts	¥ 3,366	¥ 3,366	
Parent and subsidiary	1,776	1,776	
Other	2,023	2,023	
Income taxes payable	1,707	1,707	
Total	¥ 8,872	¥ 8,872	

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 183,182**	**$ 183,182**	
Time deposits	**42,531**	**42,531**	
Receivables:			
Trade accounts	**214,423**	**214,423**	
Parent and subsidiary	**800**	**800**	
Marketable and investment securities—Available-for-sale securities	**270,783**	**270,783**	
Total	**$ 711,719**	**$ 711,719**	
Payables:			
Trade accounts	**$ 35,903**	**$ 35,903**	
Parent and subsidiary	**56,416**	**56,416**	
Other	**24,162**	**24,162**	
Income taxes payable	**7,581**	**7,581**	
Total	**$ 124,062**	**$ 124,062**	

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

The carrying values of cash and cash equivalents, time deposits, receivables, payables 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		Thousands of U.S. Dollars
	2013	2012	**2013**
Unlisted shares	**¥ 110**	¥ 110	**$ 1,170**
Investment in subsidiary	**10**	10	**106**

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

	Millions of Yen	
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	**¥ 17,226**	
Time deposits	**4,000**	
Receivables:		
Trade accounts	**20,167**	
Parent and subsidiary	**75**	
Marketable and investment securities—Available-for-sale securities with contractual maturities	**20,197**	**¥ 4,386**
Total	**¥ 61,665**	**¥ 4,386**

March 31, 2013	Thousands of U.S. Dollars	
	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	$ 183,163	
Time deposits	42,531	
Receivables:		
Trade accounts	214,423	
Parent and subsidiary	800	
Marketable and investment securities—Available-for-sale securities with contractual maturities	214,749	$ 46,630
Total	$ 655,666	$ 46,630

12 RELATED PARTY TRANSACTIONS

Transactions of the Company with the parent company for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Purchases	¥ 7,171	¥ 6,377	$ 76,248
Acquisition of marketing rights	2,700		28,708
Forward exchange contracts	1,288		13,697

The balances due to or from the parent company at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deposits included in cash and cash equivalents	¥ 6,325	¥ 6,276	$ 67,247
Trade accounts payable	2,297	1,352	24,427
Accounts payable—other	2,835		30,144

13 SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” 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.

Information relating to business segments is omitted as the Company operated solely in the pharmaceutical business for the years ended March 31, 2013 and 2012.

Sales to major customers were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Name of Customer	2013	2012	2013
Mediceo Corporation	¥ 13,426	¥ 11,736	$ 142,757
Alfresa Corporation	11,218	10,311	119,276
Suzuken Co., Ltd.	9,502	9,385	101,031
Toho Pharmaceutical Co., Ltd.	5,824	5,622	61,927

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying nonconsolidated balance sheet of Torii Pharmaceutical Co., Ltd. as of March 31, 2013, and the related nonconsolidated statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audit. We conducted our audit 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 nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Torii Pharmaceutical Co., Ltd. as of March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

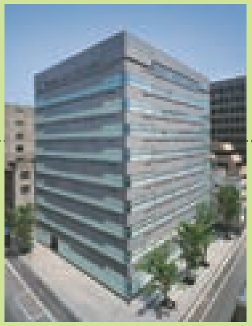
June 14, 2013

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

(As of March 31, 2013)

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
4,775

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
Sumitomo Mitsui Trust Bank, Limited

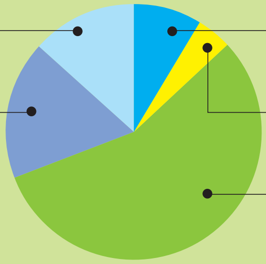
Number of Employees
969

Major Shareholders

Name	Number of shares (thousands)	Shareholding ratio (%)
Japan Tobacco Inc.	15,398.8	53.46
Royal Bank of Canada Trust Company (Cayman) Limited	2,001.7	6.95
THE TACHIBANA SECURITIES CO., LTD.	1,047.2	3.63
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Subportfolio)	483.8	1.67
Japan Trustee Services Bank, Ltd. (Trust Account)	415.5	1.44
NORTHERN TRUST CO. AVFC RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	345.6	1.20
Sumitomo Mitsui Banking Corporation	340.8	1.18
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	306.6	1.06
Torii Pharmaceutical Co., Ltd. Employee Shareholding Association	250.8	0.87
Mizuho Bank, Ltd.	210.0	0.72

Note: In addition to the above, the Company holds 499.0 thousand shares of treasury stock (a 1.73% shareholding)

Share Distribution



TORII PHARMACEUTICAL CO., LTD.

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

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