

Financial Results for the First Six Months of Fiscal Year Ending December 2016

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※ This material is prepared based on Japan GAAP.

※ Amounts are rounded down to the nearest million yen.

July 28, 2016



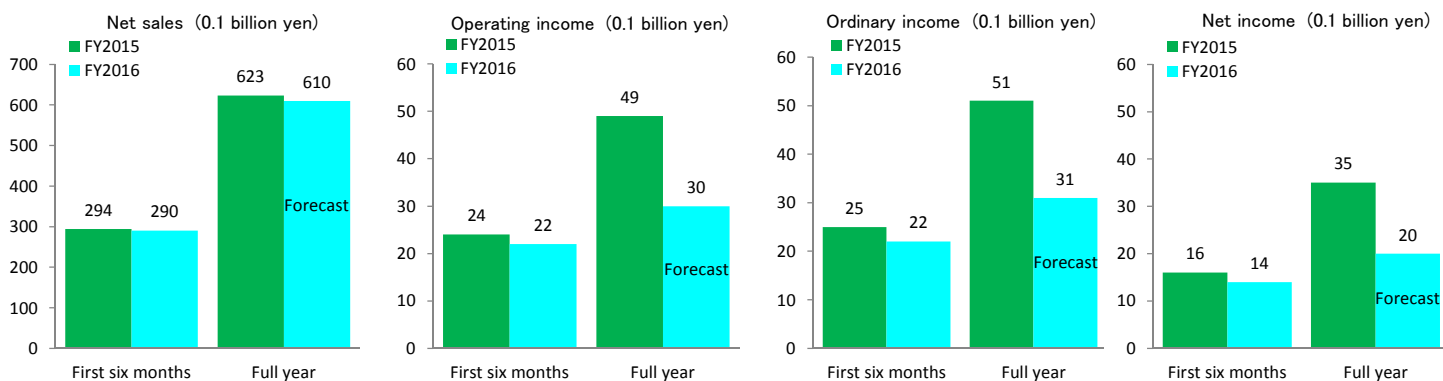
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2016 have been changed from the previous forecasts announced at the FY2015 financial results announcement on February 3, 2016.

(Millions of Yen)	FY2015		FY2016		Change B-A	Change (%) (B-A)/A	FY2015 Full year	FY2016 revised forecast	Progress ratio (%) B/C
	First six months A	First six months B	First six months B	First six months A					
Net sales	29,434	29,013	29,013	29,434	△420	△1.4	62,378	61,000	47.6
Operating income	2,461	2,217	2,217	2,461	△244	△9.9	4,919	3,000	73.9
Ordinary income	2,541	2,291	2,291	2,541	△250	△9.9	5,135	3,100	73.9
Net income	1,632	1,483	1,483	1,632	△149	△9.1	3,527	2,000	74.2
(Reference)									
R&D expenses	2,350	2,038	2,038	2,350	△312	△13.3	5,237	5,200	39.2
Earnings per share (EPS) (¥)	57.70	52.43	52.43	57.70	△5.27		124.65	70.67	
Return on equity (ROE) (%)	2.0	1.8	1.8	2.0	△0.2		4.3	–	
Ratio of ordinary income to total assets (%)	2.7	2.3	2.3	2.7	△0.4		5.4	–	
Ratio of operating income to net sales (%)	8.4	7.6	7.6	8.4	△0.8		7.9	–	
Return on assets (ROA) (%)	1.7	1.5	1.5	1.7	△0.2		3.7	–	



② Financial Conditions

(Millions of Yen)	December 31,		June 30,		Change B-A	Change (%) (B-A)/A
	2015 A	2015 A	2016 B	2016 B		
Total assets	98,868	98,868	97,676	97,676	△1,192	△1.2
Total equity	82,826	82,826	83,456	83,456	629	0.8
Equity ratio (%)	83.8	83.8	85.4	85.4	1.6	
Book value per share (BPS) (¥)	2,926.81	2,926.81	2,949.01	2,949.01	22.20	

II Financial Results for the First Six Months of FY2016

① Statement of Income

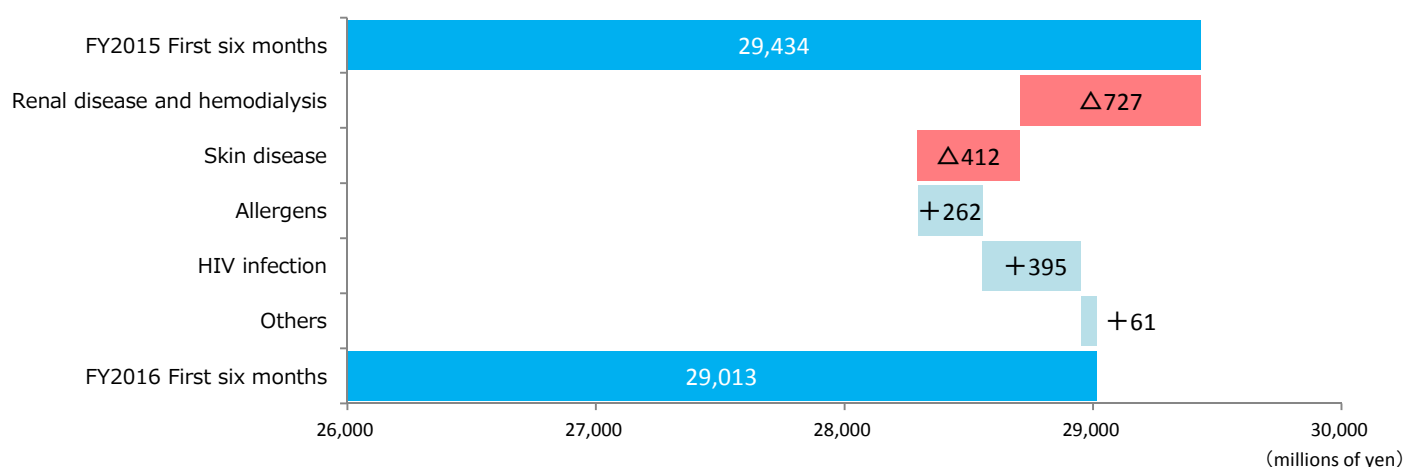
(Millions of Yen)	FY2015	FY2016	Change B-A	Change (%) (B-A)/A
	First six months A	First six months B		
Net sales	29,434	29,013	△420	△1.4
Sales of products	29,239	28,735	△504	△1.7
Renal disease and hemodialysis	12,959	12,231	△727	△5.6
Skin disease	5,364	4,951	△412	△7.7
Allergens	353	616	262	74.3
HIV infection	7,678	8,074	395	5.1
Other	2,883	2,861	△21	△0.8
Other sales	194	277	83	43.0
Cost of sales	14,159	14,155	△4	△0.0
Cost of products sold	14,133	14,124	△9	△0.1
Other cost	25	30	4	18.0
Gross profit	15,274	14,858	△416	△2.7
Selling, general and administrative expenses	12,812	12,640	△171	△1.3
R&D expenses	2,350	2,038	△312	△13.3
Others	10,461	10,602	140	1.3
Operating income	2,461	2,217	△244	△9.9
Non-operating income	82	74	△7	—
Non-operating expenses	2	1	△1	—
Ordinary income	2,541	2,291	△250	△9.9
Extraordinary loss	41	15	△25	—
Income before income taxes	2,500	2,275	△224	△9.0
Income taxes	867	792	△75	—
Net income	1,632	1,483	△149	△9.1

(Reference) Ratio to net sales

(%)	FY2015	FY2016	Change B-A
	First six months A	First six months B	
Cost of sales	48.1	48.8	0.7
SG&A	43.5	43.6	0.1
R&D expenses	8.0	7.0	△1.0
Operating income	8.4	7.6	△0.8
Ordinary income	8.6	7.9	△0.7
Net income	5.5	5.1	△0.4

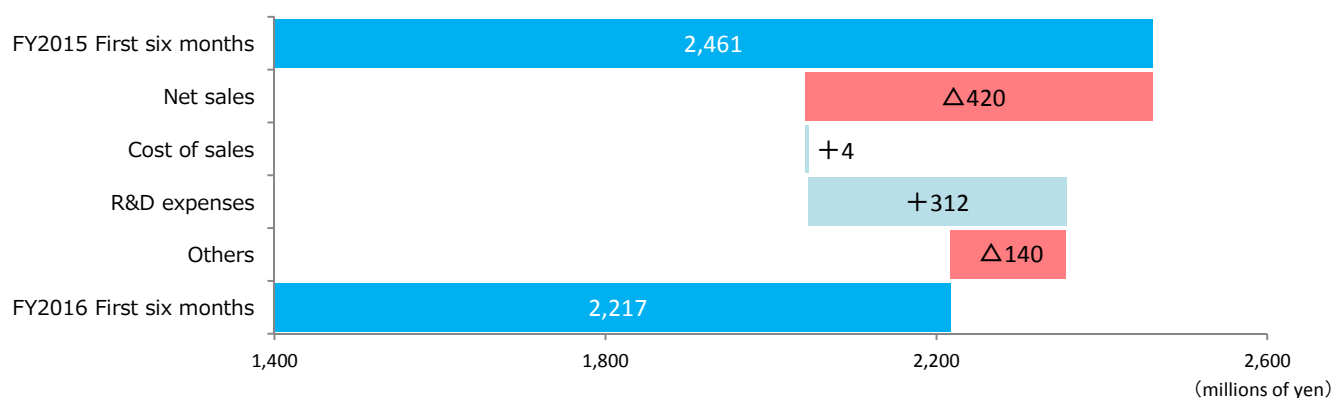
【Factors in increase/decrease compared with the same term of the last fiscal year】

Net Sales (¥ 29,013 million : Decrease ¥ 420 million year-on-year)



Major factors in increase/decrease			
Renal disease and hemodialysis	: REMITCH	Decrease ¥ 723 million	FUTHAN Decrease ¥ 237 million
	Riona	Increase ¥ 413 million	
Skin disease	: ANTEBATE	Decrease ¥ 203 million	
Allergens	: CEDARTOLEN	Increase ¥ 229 million	
HIV infection	: Stribild	Increase ¥ 320 million	
※ For details, please refer to "② Sales of Products" on page 4.			

Operating income (¥ 2,217 million : Decrease ¥ 244 million year-on-year)



Major factors in increase/decrease	
R&D expenses	: Decrease in clinical study expenses (TO-206)
Others	: Increase by cost of PC replacement

Ordinary income (¥ 2,291 million : Decrease ¥ 250 million year-on-year)

Special remarks: None

Net income (¥ 1,483 million : Decrease ¥ 149 million year-on-year)

Special remarks: None

② Sales of Products

<i>(Millions of Yen)</i>	FY2015	FY2016	Change	Change (%)
	First six months A	First six months B		
Sales of Products	29,239	28,735	△504	△1.7
REMITCH	7,419	6,696	△723	△9.7
Oral anti-pruritus agent [Renal disease and hemodialysis]				
Truvada	6,131	6,227	95	1.6
Antiviral agent for HIV [HIV infection]				
ANTEBATE ※	3,369	3,166	△203	△6.0
Topical corticosteroid [Skin disease]				
Riona	2,221	2,635	413	18.6
Agent for hyperphosphatemia [Renal disease and hemodialysis]				
Stribild	1,411	1,731	320	22.7
Antiviral agent for HIV [HIV infection]				
FUTHAN ※	1,438	1,200	△237	△16.5
Protease inhibitor [Renal disease and hemodialysis]				
BIO-THREE	1,078	1,162	84	7.8
Viable bacterial preparations [Other]				
KAYEXALATE ※	1,087	1,072	△14	△1.4
Agent for hyperkalemia [Renal disease and hemodialysis]				
LOCOID ※	723	710	△13	△1.8
Topical corticosteroid [Skin disease]				
URINORM ※	791	626	△165	△20.9
Uricosuric agent [Renal disease and hemodialysis]				
ZEFNART	615	583	△31	△5.2
Topical antifungal agent [Skin disease]				
Magsent	502	525	22	4.6
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]				
CEDARTOLEN ※	152	382	229	150.6
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]				
Others	2,295	2,014	△281	△12.3

※ In-house products

(References) Sales and ratio of in-house products

<i>(Millions of Yen)</i>	FY2015	FY2016	Change	Change (%)
	First six months A	First six months B		
Sales of in-house products	8,483	8,032	△450	△5.3
Ratio of in-house product sales (%)	29.0	28.0	△1.0	—

③ Balance Sheet

(Millions of Yen)	December 31,	June 30,	Change	Change (%) (B-A)/A	Component ratio (%) (June 30, 2016)
	2015 A	2016 B			
Current assets	77,155	77,829	674	0.9	79.7
Cash and deposits	14,361	13,403	△958		
Deposits in the cash management system	4,348	17,496	13,148		
Notes and accounts receivable-trade	27,904	25,058	△2,845		
Short-term investment securities	18,708	7,806	△10,901		
Inventories	9,836	11,763	1,926		
Others	1,994	2,300	306		
Noncurrent assets	21,713	19,846	△1,867	△8.6	20.3
Property, plant and equipment	6,182	5,908	△274		
Intangible assets	955	890	△64		
Investments and other assets	14,575	13,047	△1,528		
Investment securities	6,800	5,017	△1,782		
Long-term prepaid expenses	6,530	6,686	156		
Others	1,244	1,342	98		
Total assets	98,868	97,676	△1,192	△1.2	100.0
Current liabilities	14,472	12,628	△1,844	△12.7	12.9
Accounts payable-trade	6,853	6,728	△125		
Accounts payable-other	3,287	2,808	△479		
Income taxes payable	1,915	858	△1,056		
Accrued employees' bonuses	660	670	10		
Others	1,755	1,561	△194		
Long-term liabilities	1,569	1,591	22	1.4	1.7
Total liabilities	16,042	14,220	△1,822	△11.4	14.6
Shareholders' equity	82,127	82,931	804	1.0	84.9
Unrealized gain on available-for-sale securities	698	522	△176	△25.2	0.5
Subscription rights to shares	–	1	1	–	0.0
Total equity	82,826	83,456	629	0.8	85.4
Total liabilities and equity	98,868	97,676	△1,192	△1.2	100.0

Major factors in increase/decrease

(Current assets)

Notes and accounts receivable-trade : Decrease by decrease in sales

Short-term investment securities : Decrease by redemption of money trust

Inventories : Increase in inventories of products

(Noncurrent assets)

Investment securities : Decrease by transfer to short-term investment securities

④ Statement of Cash Flows

(Millions of Yen)	FY2015		FY2016		Change B-A
	First six months		First six months		
	A		B		
Income before income taxes	2,500		2,275		△224
Depreciation and amortization	700		671		△29
Decrease in trade notes and accounts receivable-trade	622		2,845		2,223
Increase in inventories	△885		△1,926		△1,040
Decrease (Increase) in trade notes and accounts payable-trade	98		△125		△223
Decrease (Increase) in accounts payable-other	437		△467		△905
Increase (Decrease) in long-term prepaid expenses	441		△156		△597
Income taxes paid	△239		△1,863		△1,624
Other-net	△867		△248		618
Net cash provided by operating activities	2,809		1,005		△1,803
Purchases of property, plant and equipment	△457		△188		268
Purchases of intangible assets	△210		△151		59
Other-net	901		600		△300
Net cash provided by investing activities	233		260		27
Net cash used in financing activities	△723		△876		△152
Net Increase in cash and cash equivalents	2,319		390		△1,929
Cash and cash equivalents, beginning of period	31,894		36,210		4,316
Cash and cash equivalents, end of period	34,213		36,600		2,386

(※) Cash and cash equivalents consist of cash on hand and in banks without time deposits with maturities more than three months, deposits in the cash management system and marketable securities of which the period from the date of acquisition to the date of redemption is not more than three months.

Major factors in increase/decrease

(Operating activities)

Decrease in trade notes and accounts payable-trade : FY2016 Decrease by decrease in sales

Increase in inventories : FY2016 Increase in inventories of products

⑤ Capital Expenditures

(Millions of Yen)	FY2015		FY2016		Change	Change (%)
	First six months		First six months			
	A	B	A	B	B-A	(B-A)/A
Capital expenditures	875	347	△527	△60.3		
PP&E	704	252	△452	△64.2		
Intangible assets	171	95	△75	△44.2		

Descriptions of capital expenditures

- PP&E : Investment mainly in manufacturing facilities aiming to improve productivity
 Intangible assets : Investment in software aiming to streamline operations

⑥ Depreciation/Amortization

(Millions of Yen)	FY2015		FY2016		Change	Change (%)
	First six months		First six months			
	A	B	A	B	B-A	(B-A)/A
Depreciation	700	671	△29	△4.2		
Amortization of long-term prepaid expenses	451	500	48	10.8		

⑦ Research and Development

Development code [Product Name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Renal disease and hemodialysis								
JTT-751 [Riona® Tablets]	Iron-deficiency anemia	Oral		Phase II				<ul style="list-style-type: none"> •Licensing agreement signed with Keryx for development and commercialization of hyperphosphatemia drug in Japan •Co-development with JT •JT received manufacturing and marketing approval on January 17, 2014 •Riona is being promoted and distributed by Torii as a treatment of hyperphosphatemia.
Allergens								
TO-203 [MITICURE® House Dust Mite Sublingual Tablets]	House dust mite induced allergic asthma (Allergen Immunotherapy)	Sublingual tablet		Phase II / III (Study completed※)				<ul style="list-style-type: none"> •Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan •In-house ※Examining the future development policy
	House dust mite induced allergic rhinitis in children (Allergen Immunotherapy)	Sublingual tablet			Phase III			<ul style="list-style-type: none"> •Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan •In-house
TO-206	Japanese cedar pollinosis (Allergen Immunotherapy)	Sublingual tablet				Application		<ul style="list-style-type: none"> •In-house •NDA filing by Torii on December 25, 2015

Updates since the previous announcement on April 27, 2016

•JTT-751 for the additional indication of iron-deficiency anemia has entered into the clinical stage(Phase II) in Japan

III Financial Forecasts for the FY2016

The forecasts for the FY2016 have been changed from the previous forecasts announced at the FY2015 financial results announcement on February 3, 2016.

① Statement of Income

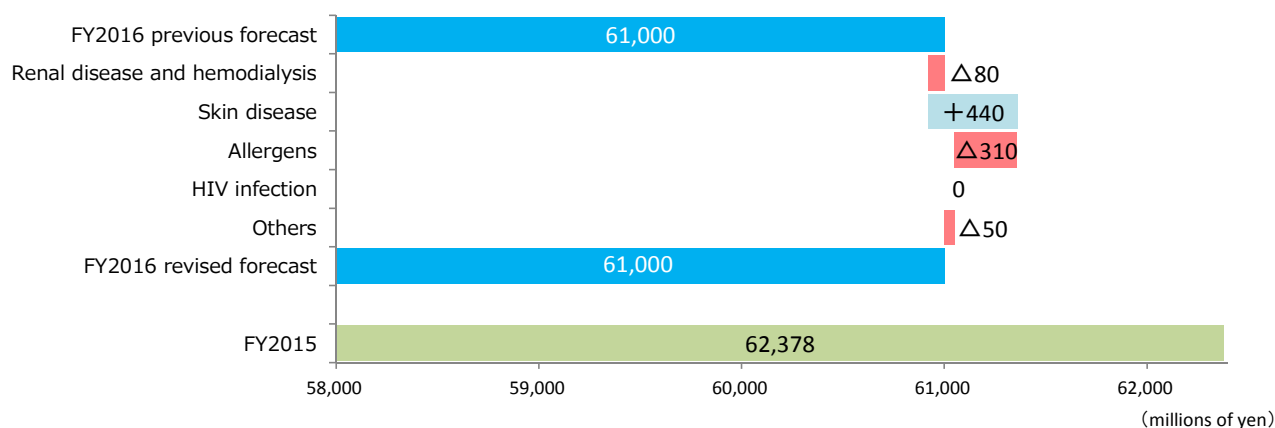
(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change (%)
	previous forecast	revised forecast		FY2015		
	A	B	B-A	C	B-C	(B-C)/C
Net sales	61,000	61,000	–	62,378	△1,378	△2.2
Sales of products	59,770	59,900	130	61,861	△1,961	△3.2
Renal disease and hemodialysis	25,710	25,630	△80	27,627	△1,997	△7.2
Skin disease	9,080	9,520	440	10,970	△1,450	△13.2
Allergens	1,870	1,560	△310	905	654	72.3
HIV infection	17,320	17,320	–	16,330	989	6.1
Other	5,790	5,870	80	6,028	△158	△2.6
Other sales	1,230	1,100	△130	517	582	112.7
Cost of sales	30,500	30,500	–	30,814	△314	△1.0
Gross profit	30,500	30,500	–	31,564	△1,064	△3.4
SG&A	27,200	27,500	300	26,645	854	3.2
R&D expenses	4,700	5,200	500	5,237	△37	△0.7
Others	22,500	22,300	△200	21,408	891	4.2
Operating income	3,300	3,000	△300	4,919	△1,919	△39.0
Ordinary income	3,400	3,100	△300	5,135	△2,035	△39.6
Net income	2,300	2,000	△300	3,527	△1,527	△43.3

(Reference) Ratio to net sales

(%)	FY2016	FY2016	Change	FY2015	Change
	previous forecast	revised forecast		FY2015	
	A	B	B-A	C	B-C
Cost of sales	50.0	50.0	–	49.4	0.6
SG&A	44.6	45.1	0.5	42.7	2.4
R&D expenses	7.7	8.5	0.8	8.4	0.1
Operating income	5.4	4.9	△0.5	7.9	△3.0
Ordinary income	5.6	5.1	△0.5	8.2	△3.1
Net income	3.8	3.3	△0.5	5.7	△2.4

[Factors in increase/decrease compared with the previous forecast for the FY2016]

Net sales (¥61,000 million : No modification)

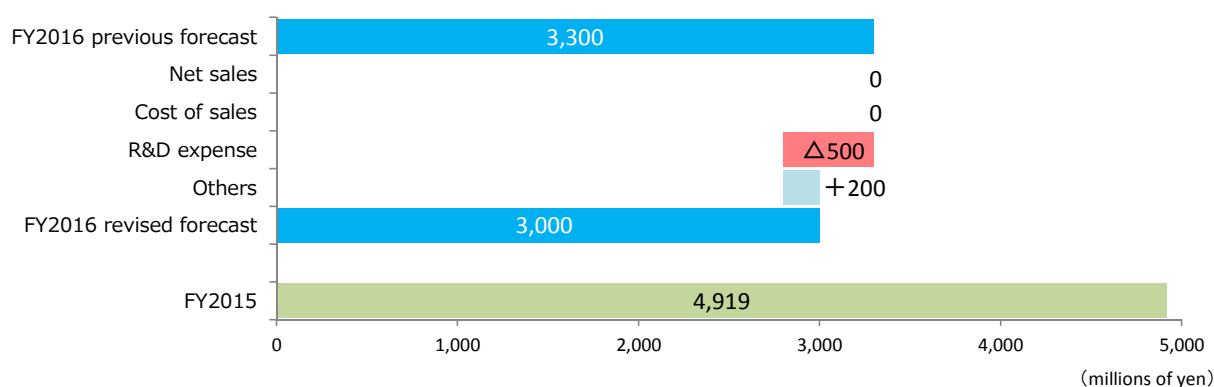


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Decrease	¥ 430 million	REMITCH	Increase	¥ 200 million
Skin disease	: ANTEBATE	Increase	¥ 230 million			
HIV infection	: Truvada	Increase	¥ 300 million	Stribild	Decrease	¥ 380 million

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

Operating income (¥3,000 million : Decrease ¥300 million)



Major factors in increase/decrease

R&D expenses	: Increase by new development product
Others	: Decrease by cost reduction

Ordinary income (¥3,100 million : Decrease ¥300 million)

Special remarks: None

Net income (¥2,000 million : Decrease ¥300 million)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of Products	59,770	59,900	130	61,861	△1,961	△3.2
REMITCH	13,150	13,350	200	15,636	△2,286	△14.6
Oral anti-pruritus agent [Renal disease and hemodialysis]						
Truvada	12,550	12,850	300	12,938	△88	△0.7
Antiviral agent for HIV [HIV infection]						
Riona	6,720	6,290	△430	5,034	1,255	24.9
Agent for hyperphosphatemia [Renal disease and hemodialysis]						
ANTEBATE ※	5,960	6,190	230	6,881	△691	△10.0
Topical corticosteroid [Skin disease]						
Stribild	3,550	3,170	△380	3,133	36	1.2
Antiviral agent for HIV [HIV infection]						
FUTHAN ※	2,450	2,530	80	3,062	△532	△17.4
Protease inhibitor [Renal disease and hemodialysis]						
BIO-THREE	2,320	2,470	150	2,272	197	8.7
Viable bacterial preparations [Other]						
KAYEXALATE ※	2,110	2,200	90	2,288	△88	△3.9
Agent for hyperkalemia [Renal disease and hemodialysis]						
LOCOID ※	1,330	1,370	40	1,417	△47	△3.3
Topical corticosteroid [Skin disease]						
URINORM ※	1,280	1,260	△20	1,604	△344	△21.5
Uricosuric agent [Renal disease and hemodialysis]						
Magsent	1,170	1,120	△50	1,143	△23	△2.1
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]						
ZEFNART	1,020	1,110	90	1,407	△297	△21.1
Topical antifungal agent [Skin disease]						
CEDARTOLEN ※	1,040	990	△50	511	478	93.4
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]						
Others	5,120	5,000	△120	4,528	471	10.4

※ In-house products

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Sales of in-house products	16,370	16,470	100	17,567	△1,097	△6.2
Ratio of in-house product sales (%)	27.4	27.5	0.1	28.4	△0.9	—

③ Capital Expenditures

(Millions of Yen)	FY2016 previous forecast A	FY2016 revised forecast B	Change B-A	FY2015 C	Change B-C	Change (%) (B-C)/C
Capital expenditures	1,160	1,101	△59	2,207	△1,106	△50.1
PP&E	756	746	△10	1,802	△1,056	△58.6
Intangible assets	404	355	△49	405	△50	△12.4

Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities aiming to improve productivity
 Intangible assets : Investment in software aiming to streamline operations

④ Depreciation/Amortization

(Millions of Yen)	FY2016 previous forecast A	FY2016 revised forecast B	Change B-A	FY2015 C	Change B-C	Change (%) (B-C)/C
Depreciation	1,438	1,292	△146	1,457	△165	△11.4
Amortization of long-term prepaid expenses	1,089	1,024	△65	824	199	24.2

⑤ Dividends

	FY2016 previous forecast A	FY2016 revised forecast B	Change B-A	FY2015 C	Change B-C	Change (%) (B-C)/C
Dividends per share ※ (¥)	48	48	0	48	0	0.0
Dividends payout ratio (%)	59.1	67.9	8.8	38.5	29.4	—

※ On July 28, 2016, the Board of Directors resolved to pay an interim dividend of 24 yen per share for the FY2016.

【Important notes on forward-looking statements】

The forecasts presented in this material are forward-looking statements. Reflecting assumptions based on information available on the date of publication, these statements are subject to inherent risks and uncertainties. Accordingly, unforeseen factors may cause actual results to differ materially from the projections contained herein.

Torii will not necessarily revise this material regardless of any new information, future events or other results. At the present moment, the following matters may be pointed out as risks or uncertain factors that could affect the Company's future results (but such risks or uncertain factors are not limited to these):

- ◇ Changes in Pharmaceutical and Medical Device Law, Other Acts or Regulations
- ◇ Delay or Discontinuance of Research and Development
- ◇ Drug Price Listing and Revisions
- ◇ Adverse Drug Reactions
- ◇ Stoppage of Product Supply and Product Recall
- ◇ Litigation Risk