

Financial Results for the First Six Months of Fiscal Year Ending March 2014

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

October 31, 2013

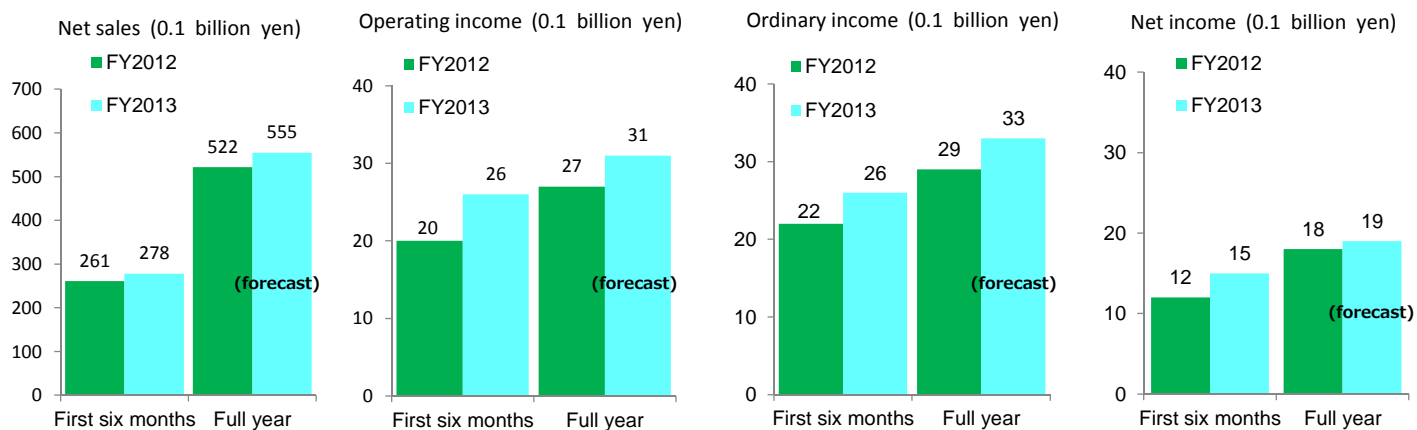


TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

(Millions of Yen)	FY2012		FY2013		Change	Change (%)	FY2012 Full year	FY2013 Full year revised forecast	Progress ratio (%)
	First six months	A	First six months	B					
Net sales	26,158		27,858		1,699	6.5	52,294	55,500	50.2
Operating income	2,087		2,601		513	24.6	2,794	3,100	83.9
Ordinary income	2,239		2,684		444	19.9	2,952	3,300	81.3
Net income	1,283		1,562		279	21.7	1,849	1,900	82.3
(Reference)									
R&D expenses	3,686		3,252		△433	△11.8	7,824	7,000	46.5
Earnings per share (EPS) (¥)	45.36		55.22		9.86		65.36	67.14	
Return on equity (ROE) (%)	1.7		2.0		0.3		2.4	—	
Ratio of ordinary income to total assets (%)	2.5		3.0		0.5		3.3	—	
Ratio of operating income to net sales (%)	8.0		9.3		1.3		5.3	—	
Return on assets (ROA) (%)	1.4		1.7		0.3		2.1	—	



② Financial Conditions

(Millions of Yen)	March 31, 2013		September 30, 2013		Change	Change (%)
	A	B	B-A	(B-A)/A		
Total assets	91,350		89,853		△1,496	△1.6
Total equity	76,700		77,653		952	1.2
Equity ratio (%)	84.0		86.4		2.4	
Book value per share (BPS) (¥)	2,710.18		2,743.86		33.68	

II Financial Results for the First Six Months of FY2013

① Non-consolidated Statement of Income

(Millions of Yen)	FY2012		FY2013		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	B-A	(B-A)/A		
Net sales	26,158	27,858	1,699	6.5		
Sales of products ※	26,044	27,745	1,701	6.5		
Renal disease and hemodialysis	10,538	11,185	647	6.1		
Skin disease and allergens	6,196	6,466	269	4.3		
HIV	5,923	6,729	805	13.6		
Other	3,385	3,364	△20	△0.6		
Rent income of real estate	114	112	△1	△1.5		
Cost of sales	11,202	12,174	971	8.7		
Cost of products sold	11,172	12,145	973	8.7		
Cost of real estate rent	30	29	△1	△4.9		
Gross profit	14,956	15,683	727	4.9		
Selling, general and administrative expenses	12,868	13,082	213	1.7		
R&D expenses	3,686	3,252	△433	△11.8		
Other	9,182	9,829	647	7.1		
Operating income	2,087	2,601	513	24.6		
Non-operating income	155	92	△62	—		
Non-operating expenses	3	9	6	—		
Ordinary income	2,239	2,684	444	19.9		
Extraordinary loss	28	2	△25	—		
Income before income taxes	2,211	2,681	470	21.3		
Income taxes	927	1,118	191	20.6		
Net income	1,283	1,562	279	21.7		

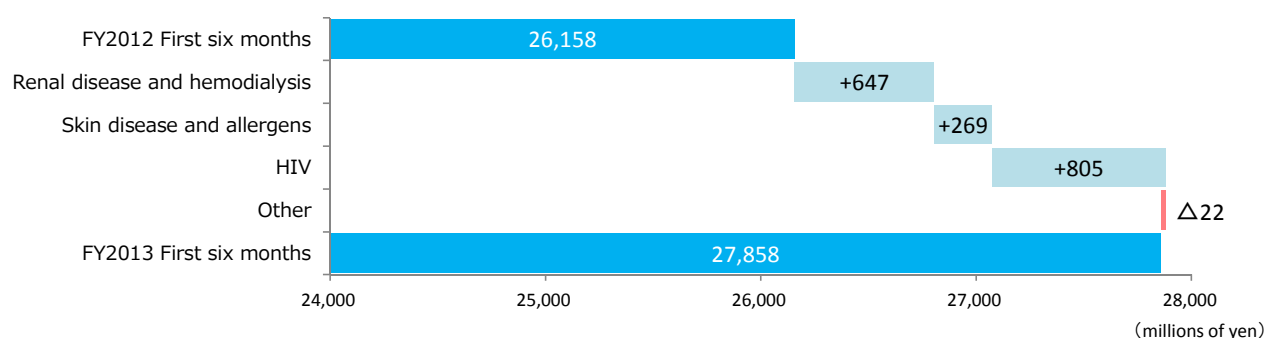
※ For details, please refer to page 4.

(Reference) Ratio to net sales

(%)	FY2012		FY2013		Change B-A
	First six months		First six months		
	A	B	B-A	(B-A)/A	
Cost of sales	42.8	43.7	0.9		
SG&A	49.2	47.0	△2.2		
R&D expenses	14.1	11.7	△2.4		
Operating income	8.0	9.3	1.3		
Ordinary income	8.6	9.6	1.0		
Net income	4.9	5.6	0.7		

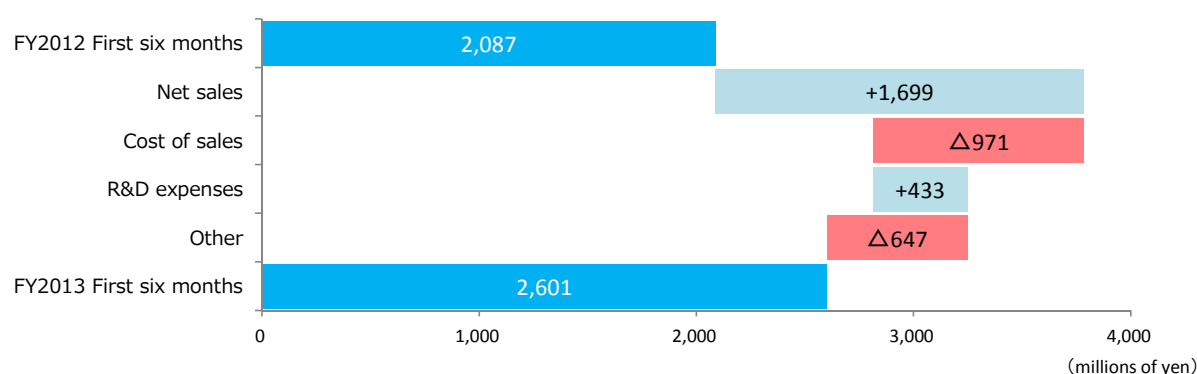
[Factors in increase/decrease compared with the same term of the last fiscal year]

Net Sales (¥ 27,858 million : Increase ¥ 1,699 million year-on-year)



Major factors in increase/decrease				
Renal disease and hemodialysis	: REMITCH	Increase ¥ 856million	KAYEXALATE	Increase ¥ 176million
	: FUTHAN	Decrease ¥ 203million	URINORM	Decrease ¥ 182million
Skin disease and allergens	: ANTEBATE	Increase ¥ 251million		
HIV	: Truvada	Increase ¥ 535million	Stribild	Increase ¥ 313million
※ For details, please refer to "② Sales of Products" in page 4.				

Operating income (¥ 2,601 million : Increase ¥ 513 million year-on-year)



Major factors in increase/decrease	
Cost of sales	: Increase in net sales and changes in sales mix among the products
R&D expenses	: Decrease in clinical study expenses
Other	: Increase in sales promotion expenses, salaries, and amortization of marketing rights for a "Stribild® Combination Tablets"

Ordinary income (¥ 2,684 million : Increase ¥ 444 million year-on-year)

Special remarks: None

Net income (¥ 1,562 million : Increase ¥ 279 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2012		FY2013		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	B-A	(B-A)/A		
Sales of Products	26,044	27,745	1,701	6.5		
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	5,896	6,753	856	14.5		
Truvada Antiviral agent for HIV [HIV]	5,671	6,206	535	9.4		
ANTEBATE ※1 Topical corticosteroid [Skin disease and allergens]	3,403	3,655	251	7.4		
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,241	2,037	△203	△9.1		
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,443	1,261	△182	△12.6		
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	957	1,134	176	18.4		
BIO-THREE Viable bacterial preparations [Other]	900	993	92	10.3		
ZEFNART Topical antifungal agent [Skin disease and allergens]	930	952	22	2.4		
Dovonex Topical agent for psoriasis vulgaris [Skin disease and allergens]	966	934	△32	△3.4		
LOCOID ※1 Topical corticosteroid [Skin disease and allergens]	694	714	20	2.9		
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	636	637	1	0.2		
Stribild ※2 Antiviral agent for HIV [HIV]	–	313	313	–		
Other	2,302	2,152	△150	△6.5		

※1 In-house products

※2 Launched on May 14, 2013

(References) Sales of in-house products and ratio of in-house products sales

(Millions of Yen)	FY2012		FY2013		Change B-A	Change (%) (B-A)/A
	First six months		First six months			
	A	B	B-A	(B-A)/A		
Sales of in-house products	9,739	9,828	89	0.9		
Ratio of in-house product sales (%)	37.4	35.4	△ 2.0	–		

③ Non-consolidated Balance Sheet

(Millions of Yen)	March 31, 2013 A	September 30, 2013 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (Sep 30, 2013)
Current assets	71,492	69,835	△1,657	△2.3	77.7
Cash and deposits	5,903	336	△5,566		
Deposits in the cash management system	6,324	24,185	17,861		
Notes and accounts receivable-trade	20,248	21,373	1,124		
Short-term investment securities	29,197	13,608	△15,588		
Inventories	7,530	8,210	679		
Other	2,288	2,120	△167		
Noncurrent assets	19,857	20,018	160	0.8	22.3
Property, plant and equipment	5,652	5,942	290		
Intangible assets	639	586	△52		
Investments and other assets	13,566	13,489	△77		
Investment securities	5,379	5,692	312		
Long-term prepaid expenses	6,187	5,805	△382		
Other	1,999	1,991	△7		
Total assets	91,350	89,853	△1,496	△1.6	100.0
Current liabilities	13,969	11,295	△2,674	△19.1	12.6
Accounts payable-trade	5,674	5,463	△210		
Accounts payable-other	5,280	2,145	△3,135		
Income taxes payable	713	1,159	446		
Accrued employees' bonuses	1,210	1,280	70		
Other	1,090	1,245	155		
Long-term liabilities	680	905	224	33.0	1.0
Total liabilities	14,650	12,200	△2,449	△16.7	13.6
Shareholders' equity	76,341	77,338	996	1.3	86.1
Unrealized gain on available-for-sale securities	358	314	△43	△12.2	0.3
Total equity	76,700	77,653	952	1.2	86.4
Total liabilities and equity	91,350	89,853	△1,496	△1.6	100.0

Major factors in increase/decrease

(Current assets)

Notes and accounts receivable-trade : Increase by increase in sales

Short-term investment securities : Decrease by redemption of certificates of deposit and debt securities

Inventories : Increase in inventories of products

(Noncurrent assets)

Investment securities : Increase by acquisition of debt securities and decrease by transfer to short-term investment securities

Long-term prepaid expenses : Decrease mainly by amortization of marketing rights

(Current liabilities)

Accounts payable-other : Decrease by upfront payment of acquisition of marketing rights for a "Stribild® Combination Tablets"

(Equity)

Shareholders' equity : Increase in net income and decrease by payment of dividends

④ Non-consolidated Statement of Cash Flows

(Millions of Yen)	FY2012		FY2013	Change B-A
	First six months		First six months	
	A		B	
Income before income taxes	2,211		2,681	470
Depreciation and amortization	504		506	2
Decrease (Increase) in trade notes and accounts receivable-trade	△373		△1,124	△750
Decrease (Increase) in inventories	684		△679	△1,364
Increase (Decrease) in trade notes and accounts payable-trade	44		△210	△254
Increase (Decrease) in accounts payable-other	2,487		△3,192	△5,679
Decrease (Increase) in long-term prepaid expenses	△3,455		382	3,838
Income taxes paid	△1,660		△671	989
Other-net	△599		374	973
Net cash provided by (used in) operating activities	△157		△1,933	△1,775
Purchases of property, plant and equipment	△782		△277	504
Purchases of intangible assets	△99		△49	49
Other-net	1,323		19,200	17,876
Net cash provided by (used in) investing activities	442		18,873	18,431
Net cash provided by (used in) financing activities	△574		△645	△71
Net Increase (Decrease) in cash and cash equivalents	△289		16,294	16,584
Cash and cash equivalents, beginning of period	17,382		17,228	△154
Cash and cash equivalents, end of period	17,092		33,522	16,430

※ 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)

Increase (Decrease) in : FY2013 Upfront payment of acquisition of marketing
accounts payable-other rights for a "Stribild® Combination Tablets"
Decrease (Increase) in : FY2012 Acquisition of marketing rights
long-term prepaid for a "Stribild® Combination Tablets"

(Investing activities)

Other-net : FY2013 Redemption of securities

⑤ Capital Expenditures

(Millions of Yen)	FY2012		FY2013		Change	Change (%)
	First six months		First six months			
	A	B	A	B	B-A	(B-A)/A
Capital expenditures	981	747	△233	△23.8		
PP&E	892	699	△192	△21.6		
Intangible assets	88	47	△41	△46.3		

Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities aiming to improve productivity
 Intangible assets : Investment mainly in software such as a sales support system, aiming to streamline operations

⑥ Depreciation/Amortization

(Millions of Yen)	FY2012		FY2013		Change	Change (%)
	First six months		First six months			
	A	B	A	B	B-A	(B-A)/A
Depreciation	504	506	2	0.5		
Amortization of long-term prepaid expenses	295	409	114	38.6		

⑦ Research and Development

Development code	Indication	Formulation/Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Renal disease and hemodialysis								
JTT-751	Hyperphosphatemia	Oral					Application	<ul style="list-style-type: none"> -Licensing agreement signed with Keryx for development and commercialization of hyperphosphatemia drug in Japan -Co-development with JT -NDA filing by JT on January 7, 2013
Allergens								
TO-194SL	Japanese cedar pollinosis (Immunotherapy)	Sublingual liquid					Application	<ul style="list-style-type: none"> -In-house -NDA filing by Torii on December 25, 2012
TO-203	House dust mite induced allergic asthma and rhinitis (Immunotherapy)	Sublingual tablet		Phase II / III				<ul style="list-style-type: none"> -Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan -In-house
TO-204	House dust mite induced allergic asthma and rhinitis (Immunotherapy)	Injection			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-205	Diagnostic product against house dust mite allergy	Skin prick test solution			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 (Immunotherapy)	Sublingual tablet	Phase I					<ul style="list-style-type: none"> -In-house
JTE-350	Diagnostic product [Histamine Dihydrochloride]	Positive control solution in the skin prick test			Phase III			<ul style="list-style-type: none"> -Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan -Co-development with JT

※ This is one of the medical products publicly offered for a development company by the Study Group on Unapproved and Off-label Drugs of High Medical Need, set up by the Ministry of Health, Labour and Welfare

Updates since the previous announcement on July 29, 2013 : Two programs have entered into the clinical stage in Japan TO-206(Phase I) and JTE-350(Phase III)

III Financial Forecasts for the FY2013

① Non-consolidated Statement of Income

(Millions of Yen)	FY2013 Full year previous forecast	FY2013 Full year revised forecast	Change	FY2012 Full year	Change	Change (%)
	A	B	B-A	C	B-C	(B-C)/C
Net sales	55,500	55,500	0	52,294	3,205	6.1
Sales of products ※	55,280	55,280	0	52,067	3,212	6.2
Renal disease and hemodialysis	22,580	22,520	△60	21,373	1,146	5.4
Skin disease and allergens	12,670	12,430	△240	11,942	487	4.1
HIV	13,560	13,880	320	12,073	1,806	15.0
Other	6,470	6,450	△20	6,678	△228	△3.4
Rent income of real estate	220	220	0	226	△6	△3.1
Cost of sales	24,800	24,900	100	22,841	2,058	9.0
Gross profit	30,700	30,600	△100	29,452	1,147	3.9
SG&A	28,000	27,500	△500	26,658	841	3.2
R&D expenses	7,200	7,000	△200	7,824	△824	△10.5
Other	20,800	20,500	△300	18,834	1,665	8.8
Operating income	2,700	3,100	400	2,794	305	10.9
Ordinary income	2,800	3,300	500	2,952	347	11.8
Net income	1,700	1,900	200	1,849	50	2.7

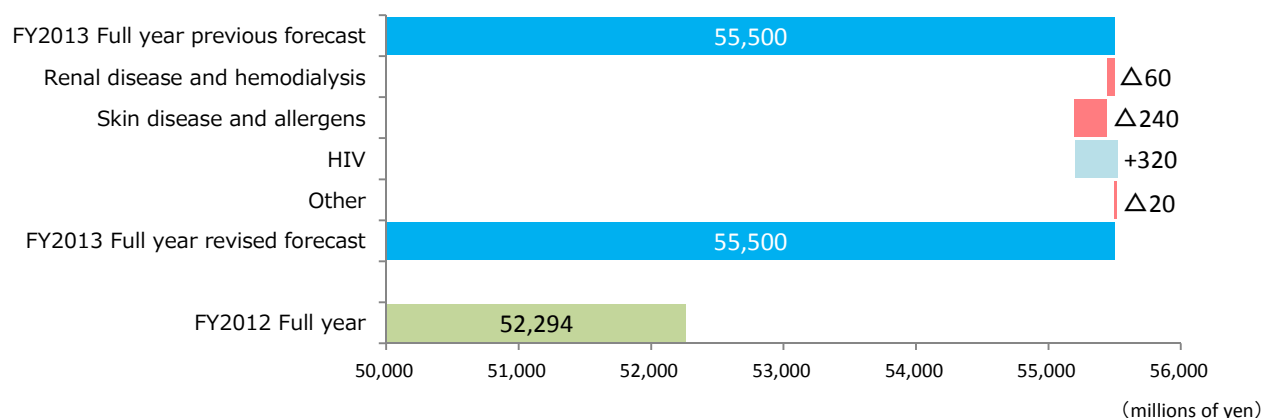
※ For details, please refer to page 10.

(Reference) Ratio to net sales

(%)	FY2013 Full year previous forecast	FY2013 Full year revised forecast	Change	FY2012 Full year	Change
	A	B	B-A	C	B-C
Cost of sales	44.7	44.9	0.2	43.7	1.2
SG&A	50.4	49.5	△0.9	51.0	△1.5
R&D expenses	13.0	12.6	△0.4	15.0	△2.4
Operating income	4.9	5.6	0.7	5.3	0.3
Ordinary income	5.0	5.9	0.9	5.6	0.3
Net income	3.1	3.4	0.3	3.5	△0.1

【Factors in increase/decrease compared with the previous forecast for the FY2013】

Net Sales (¥55,500 million : No modification)

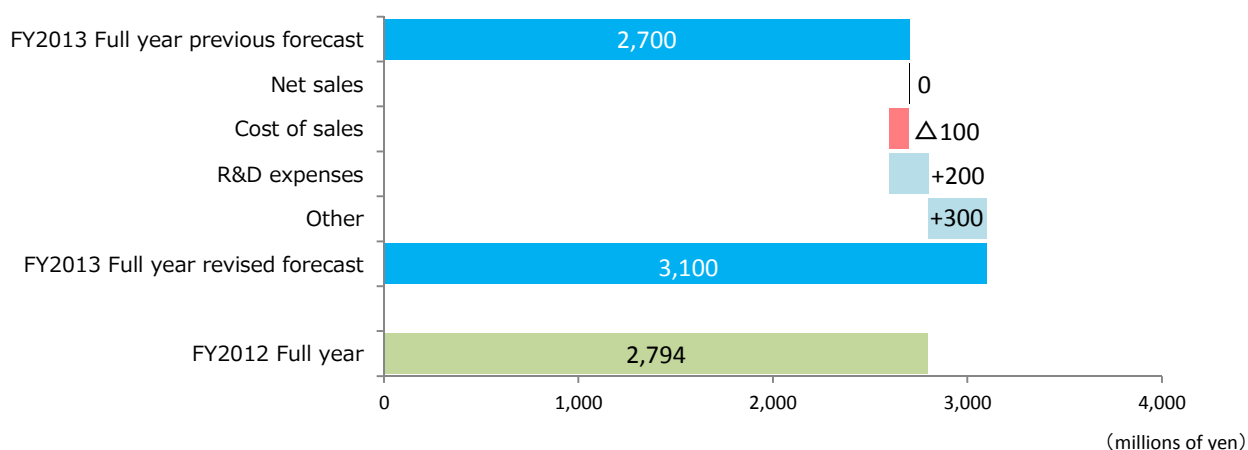


Major factors in increase/decrease

Renal disease and hemodialysis	: FUTHAN	Decrease ¥ 310million
	REMITCH	Increase ¥ 150million
	URINORM	Increase ¥ 100million
Skin disease and allergens	: Dovonex	Decrease ¥ 120million
HIV	: Truvada	Increase ¥ 600million
	Stribild	Decrease ¥ 250million

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

Operating income (¥3,100 million : Increase ¥ 400 million)



Major factors in increase/decrease

Cost of sales	: Changes in sales mix among the products
R&D expenses	: Decrease in clinical study expenses
Other	: Decrease in sales promotion expenses

Ordinary income (¥3,300 million : Increase ¥ 500 million)

Special remarks: None

Net Income (¥1,900 million : Increase ¥ 200 million)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2013 Full year previous forecast	FY2013 Full year revised forecast	Change	FY2012 Full year	Change	Change
	A	B	B-A	C	B-C	(%) (B-C)/C
Sales of Products	55,280	55,280	0	52,067	3,212	6.2
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,600	13,750	150	12,106	1,643	13.6
Truvada Antiviral agent for HIV [HIV]	11,400	12,000	600	11,594	405	3.5
ANTEBATE ※1 Topical corticosteroid [Skin disease and allergens]	7,090	7,180	90	6,766	413	6.1
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	4,340	4,030	△310	4,533	△503	△11.1
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	2,300	2,400	100	2,751	△351	△12.8
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,340	2,340	0	1,982	357	18.0
BIO-THREE Viable bacterial preparations [Other]	2,030	1,990	△40	1,886	103	5.5
Dovonex Topical agent for psoriasis vulgaris [Skin disease and allergens]	1,950	1,830	△120	1,892	△62	△3.3
ZEFNART Topical antifungal agent [Skin disease and allergens]	1,510	1,600	90	1,505	94	6.3
Stribild ※2 Antiviral agent for HIV [HIV]	1,740	1,490	△250	–	1,490	–
LOCOID ※1 Topical corticosteroid [Skin disease and allergens]	1,360	1,390	30	1,350	39	3.0
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,370	1,340	△30	1,270	69	5.5
Other	4,250	3,940	△310	4,428	△488	△11.0

※1 In-house products

※2 Launched on May 14, 2013

(References) Sales of in-house products and ratio of in-house product sales

(Millions of Yen)	FY2013 Full year previous forecast	FY2013 Full year revised forecast	Change	FY2012 Full year	Change	Change
	A	B	B-A	C	B-C	(%) (B-C)/C
Sales of in-house products	19,700	19,310	△390	19,380	△70	△0.4
Ratio of in-house product sales (%)	35.6	34.9	△0.7	37.2	△2.3	–

③ Capital Expenditures

(Millions of Yen)	FY2013 Full year previous forecast A	FY2013 Full year revised forecast B	Change B-A	FY2012 Full year C	Change B-C	Change (%) (B-C)/C
Capital expenditures	957	1,316	359	1,374	△58	△4.3
PP&E	748	1,090	342	1,241	△151	△12.2
Intangible assets	209	226	17	132	93	70.4

Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities aiming to improve productivity
 Intangible assets : Investment mainly in software such as a sales support system, aiming to streamline operations

④ Depreciation

(Millions of Yen)	FY2013 Full year previous forecast A	FY2013 Full year revised forecast B	Change B-A	FY2012 Full year C	Change B-C	Change (%) (B-C)/C
Depreciation	1,164	1,015	△149	1,061	△46	△4.4

⑤ Dividends

	FY2013 Full year previous forecast A	FY2013 Full year revised forecast B	Change B-A	FY2012 Full year C	Change B-C	Change (%) (B-C)/C
Dividends per share ※ (¥)	40	40	0	40	0	0.0
Dividends payout ratio (%)	66.6	59.6	△7.0	61.2	△1.6	—

※ On October 31, 2013, the Board of Directors resolved to pay an interim dividend of 20 yen per share for the FY2013.

【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 Affairs Law, Other Acts or Regulations
- ◇Drug Price Revisions
- ◇Adverse Drug Reactions
- ◇Delay or Discontinuance of Research and Development
- ◇Stoppage of Product Supply
- ◇Litigation Risk