

Financial Results for the Fiscal Year 2015, Ended December 31, 2015

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※ This material is prepared based on Japan GAAP.

※ Amounts are rounded down to the nearest million yen.

February 3, 2016



TORII PHARMACEUTICAL CO., LTD.

I Summary Information

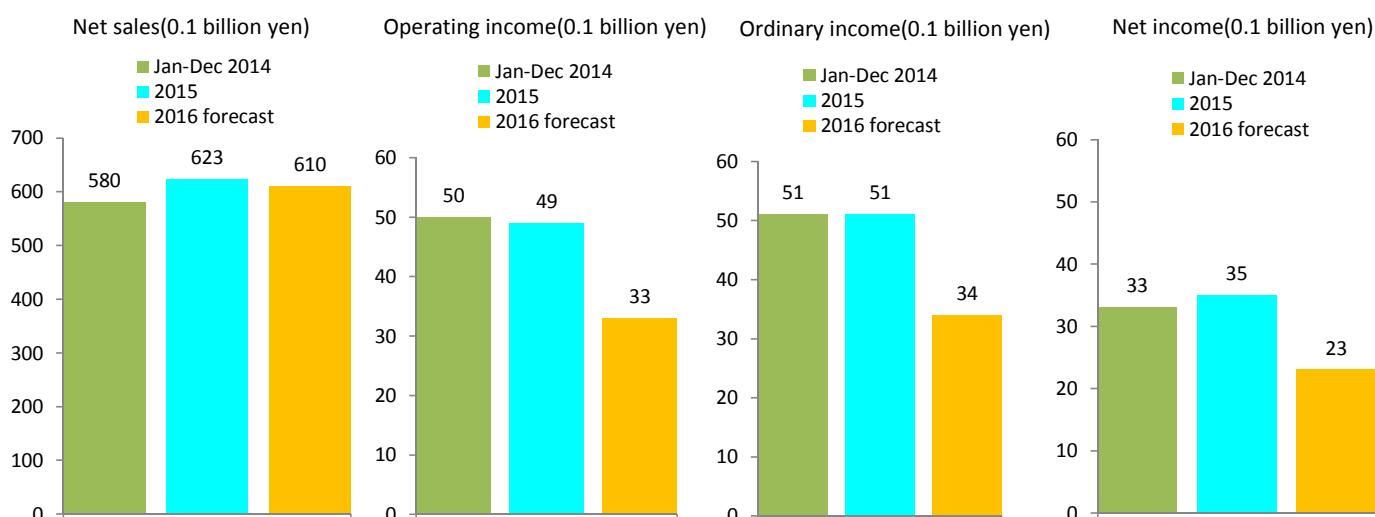
① Financial Results

(Millions of Yen)	2014 Jan - Dec A	FY2015 B	Change B-A	Change (%) (B-A)/A	FY2016 forecast C	Change C-B	Change (%) (C-B)/B
Net sales	58,089	62,378	4,288	7.4	61,000	△1,378	△2.2
Operating income	5,033	4,919	△114	△2.3	3,300	△1,619	△32.9
Ordinary income	5,168	5,135	△33	△0.6	3,400	△1,735	△33.8
Net income	3,394	3,527	133	3.9	2,300	△1,227	△34.8

※ Torii has changed the closing date of the accounting period from March 31 to December 31 since FY2014. FY2014 covered nine months from April to December 2014. Therefore figures from Jan to Dec 2014, the same term of the last year, is presented with Financial Results for FY2015. The calculation method of figures from Jan to Dec 2014 is explained on page 2.

(Reference)

R&D expenses	4,878	5,237	358	7.3	4,700	△537	△10.3
Earnings per share (EPS) (¥)	119.94	124.65	4.71		81.27	△43.38	
Return on equity (ROE) (%)	4.3	4.3	0.0		—		
Ratio of ordinary income to total assets (%)	5.6	5.4	△0.2		—		
Ratio of operating income to net sales (%)	8.7	7.9	△0.8		—		
Return on assets (ROA) (%)	3.7	3.7	0.0		—		



② Financial Conditions

(Millions of Yen)	December 31, 2014 A	December 31, 2015 B	Change B-A	Change (%) (B-A)/A
Total assets	92,550	98,868	6,318	6.8
Total equity	80,225	82,826	2,601	3.2
Equity ratio (%)	86.7	83.8	△2.9	
Book value per share (BPS) (¥)	2,834.82	2,926.81	91.99	

II Financial Results for the FY2015

※ Torii has changed the closing date of the accounting period from March 31 to December 31 since FY2014. Figures from Jan to Dec 2014, the same term of the last year, is presented with Financial Results for FY2015. The calculation method of figures from Jan to Dec 2014 is explained at below.

① Statement of Income

(Millions of Yen)	2014 Jan - Dec A	FY2015 B	Change B-A	Change (%) (B-A)/A
Net sales ※2	58,089	62,378	4,288	7.4
Sales of products ※1	57,827	61,861	4,033	7.0
Renal disease and hemodialysis	24,437	27,627	3,189	13.1
Skin disease and allergens	11,687	11,875	187	1.6
HIV	15,527	16,330	802	5.2
Other	6,174	6,028	△145	△2.4
Other sales	262	517	254	97.1
Cost of sales ※2	27,396	30,814	3,417	12.5
Cost of products sold	27,338	30,759	3,421	12.5
Other cost	57	54	△3	△5.9
Gross profit	30,693	31,564	871	2.8
Selling, general and administrative expenses	25,659	26,645	985	3.8
R&D expenses	4,878	5,237	358	7.3
Others	20,780	21,408	627	3.0
Operating income	5,033	4,919	△114	△2.3
Non-operating income	145	218	73	—
Non-operating expenses	10	2	△7	—
Ordinary income	5,168	5,135	△33	△0.6
Extraordinary income	15	320	304	—
Extraordinary loss	364	196	△167	—
Income before income taxes	4,819	5,258	438	9.1
Income taxes	1,425	1,730	305	—
Net income	3,394	3,527	133	3.9

※1 For details, please refer to page 4.

※2 Commission income, which was included in other among the sales of products, is included in other sales as during this fiscal period ended December 31, 2015. Also rent income of real estate is included in other sales. Accordingly, cost of real estate rent is included in other cost.

(Reference) Ratio to net sales

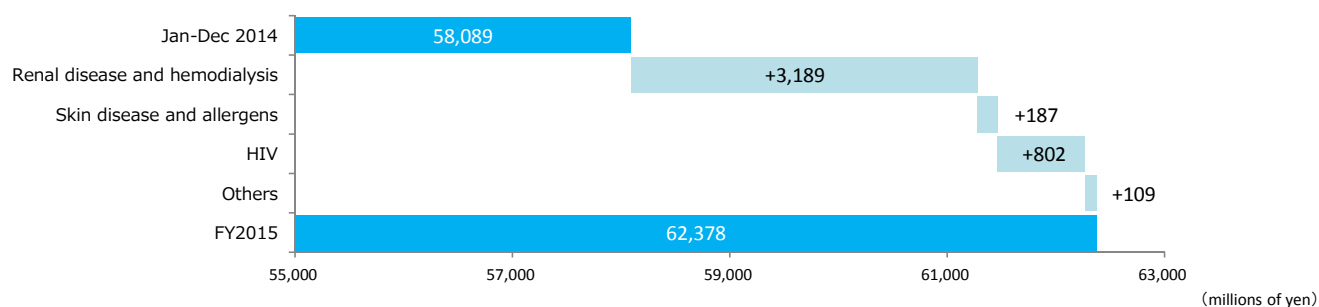
(%)	2014 Jan - Dec A	FY2015 B	Change B-A
Cost of sales	47.2	49.4	2.2
SG&A	44.1	42.7	△1.4
R&D expenses	8.4	8.4	0.0
Operating income	8.7	7.9	△0.8
Ordinary income	8.9	8.2	△0.7
Net income	5.8	5.7	△0.1

〈Figures of Jan - Dec 2014 calculation method〉

Jan - Mar 2014 (FY2013 (12 months) – FY2013 First nine months (9 months))
+ Apr - Dec 2014 (FY2014 (9 months))

[Factors in increase/decrease compared with the same term of the last year (Jan to Dec 2014)]

Net Sales (¥62,378 million : Increase ¥4,288 million year-on-year)

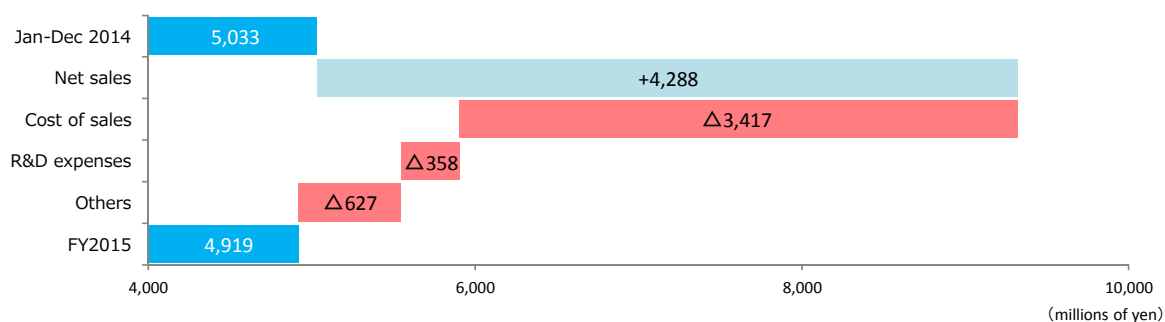


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Increase ¥ 3,222 million	REMITCH	Increase ¥ 665 million
	: FUTHAN	Decrease ¥ 473 million	URINORM	Decrease ¥ 297 million
Skin disease and allergens	: CEDARTOLEN	Increase ¥ 431 million	Dovonex	Decrease ¥ 405 million
HIV	: Stribild	Increase ¥ 667 million	Truvada	Increase ¥ 221 million

※ For details, please refer to "② Sales of Products" on page 4.

Operating income (¥4,919 million : Decrease ¥114 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase in net sales, loss on abandonment of a part of inventory of CEDARTOREN over expiring date for use and changes in sales mix among the products
R&D expenses	: Increase in clinical study expenses (TO-203 rhinitis in children)
Others	: Increase in labor costs

Ordinary income (¥5,135 million : Decrease ¥33 million year-on-year)

Special remarks: None

Net income (¥3,527 million : Increase ¥133 million year-on-year)

Jan-Dec 2014	Loss on retirement of noncurrent assets	¥ 364 million
FY2015	Gain on sales of land	¥ 320 million
	Impairment loss	¥ 142 million

② Sales of Products

(Millions of Yen)	2014 Jan - Dec A	FY2015 B	Change B-A	Change (%) (B-A)/A
Sales of Products	57,827	61,861	4,033	7.0
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	14,970	15,636	665	4.4
Truvada Antiviral agent for HIV [HIV]	12,717	12,938	221	1.7
ANTEBATE ※1 Topical corticosteroid [Skin disease and allergens]	6,747	6,881	133	2.0
Riona ※2 Agent for hyperphosphatemia [Renal disease and hemodialysis]	1,811	5,034	3,222	177.9
Stribild Antiviral agent for HIV [HIV]	2,466	3,133	667	27.1
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	3,499	3,062	△437	△12.5
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,253	2,288	35	1.6
BIO-THREE Viable bacterial preparations [Other]	2,123	2,272	149	7.0
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,901	1,604	△297	△15.6
LOCOID ※1 Topical corticosteroid [Skin disease and allergens]	1,337	1,417	79	6.0
ZEFNART Topical antifungal agent [Skin disease and allergens]	1,450	1,407	△43	△3.0
Dovonex Topical agent for psoriasis vulgaris [Skin disease and allergens]	1,670	1,265	△405	△24.3
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,192	1,143	△48	△4.1
Others ※3	3,685	3,775	90	2.4

※1 In-house products

※2 Launched on May 12, 2014

※3 Among them, the sales of CEDARTOLEN, launched on October 8, 2014, amounts to ¥ 511 million in FY2015 (¥ 80 million in Jan-Dec 2014) .

(References) Sales and ratio of in-house products

(Millions of Yen)	2014 Jan - Dec A	FY2015 B	Change B-A	Change (%) (B-A)/A
Sales of in-house products	17,650	17,567	△83	△0.5
Ratio of in-house product sales (%)	30.5	28.4	△2.1	-

③ Balance Sheet

(Millions of Yen)	December 31,	December 31,	Change	Change (%) (B-A)/A	Component ratio (%) (Dec 31, 2015)
	2014 A	2015 B			
Current assets	72,121	77,155	5,033	7.0	78.0
Cash and deposits	6,316	14,361	8,045		
Deposits in the cash management system	14,978	4,348	△10,629		
Notes and accounts receivable-trade	25,901	27,904	2,003		
Short-term investment securities	13,209	18,708	5,499		
Inventories	10,136	9,836	△299		
Others	1,579	1,994	414		
Noncurrent assets	20,428	21,713	1,285	6.3	22.0
Property, plant and equipment	5,806	6,182	376		
Intangible assets	818	955	136		
Investments and other assets	13,803	14,575	772		
Investment securities	7,070	6,800	△270		
Long-term prepaid expenses	5,230	6,530	1,300		
Others	1,502	1,244	△257		
Total assets	92,550	98,868	6,318	6.8	100.0
Current liabilities	11,391	14,472	3,081	27.0	14.6
Accounts payable-trade	6,095	6,853	758		
Accounts payable-other	1,795	3,287	1,492		
Income taxes payable	273	1,915	1,642		
Accrued employees' bonuses	694	660	△33		
Others	2,534	1,755	△778		
Long-term liabilities	933	1,569	636	68.2	1.6
Total liabilities	12,324	16,042	3,717	30.2	16.2
Shareholders' equity	79,847	82,127	2,280	2.9	83.1
Unrealized gain on available-for-sale securities	377	698	321	85.0	0.7
Total equity	80,225	82,826	2,601	3.2	83.8
Total liabilities and equity	92,550	98,868	6,318	6.8	100.0

Major factors in increase/decrease	
(Current assets)	
Short-term investment securities	: Increase by acquisition of money trust and commercial paper
(Noncurrent assets)	
Long-term prepaid expenses	: Increase by milestone payment in development and decrease by amortization of marketing rights
(Current liabilities)	
Accounts payable-trade	: Increase by increase in purchasing products
(Equity)	
Shareholders' equity	: Increase in net income and decrease by payment of dividends

④ Statement of Cash Flows

(Millions of Yen)	2014	FY2015	Change
	Jan - Dec A	B	B-A
Income before income taxes	4,819	5,258	438
Depreciation and amortization	1,218	1,457	239
Impairment loss	-	142	142
Increase in trade notes and accounts receivable-trade	△2,510	△2,003	507
Decrease (Increase) in inventories	△2,666	299	2,966
Increase in trade notes and accounts payable-trade	664	758	93
Increase (Decrease) in accounts payable-other	△676	1,453	2,130
Increase (Decrease) in long-term prepaid expenses	376	△1,300	△1,676
Income taxes paid	△1,176	△413	763
Other-net	529	△714	△1,243
Net cash provided by operating activities	577	4,940	4,363
Purchases of property, plant and equipment	△664	△1,095	△431
Proceeds from sales of property, plant and equipment	0	342	342
Purchases of intangible assets	△403	△389	14
Other-net	4,504	2,100	△2,404
Net cash provided by investing activities	3,437	957	△2,479
Net cash used in financing activities	△1,472	△1,582	△109
Net Increase in cash and cash equivalents	2,542	4,316	1,774
Cash and cash equivalents, beginning of period	29,352	31,894	2,542
Cash and cash equivalents, end of period	31,894	36,210	4,316

(※) 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 (Increase) in inventories	: Jan-Dec 2014	Increase in inventories of products
Increase (Decrease) in long-term prepaid expenses	: FY2015	Increase by milestone payment in development and decrease by amortization of marketing rights
(Investing activities)		
Other-net	: Jan-Dec 2014	Redemption of securities

⑤ Capital Expenditures

(Millions of Yen)	2014	FY2015	Change	Change
	Jan - Dec			(%)
	A	B	B-A	(B-A)/A
Capital expenditures	1,726	2,207	481	27.9
PP&E	1,286	1,802	516	40.1
Intangible assets	440	405	△34	△7.9

Descriptions of capital expenditures

PP&E	: Investment in manufacturing facilities related to allergen products and manufacturing facilities aiming to improve productivity
Intangible assets	: Investment in software aiming to streamline operations

⑥ Depreciation/Amortization

(Millions of Yen)	2014	FY2015	Change	Change
	Jan - Dec			(%)
	A	B	B-A	(B-A)/A
Depreciation	1,218	1,457	239	19.7
Amortization of long-term prepaid expenses	918	824	△94	△10.2

⑦ Research and Development

Development code [Product Name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Skin disease and allergens								
TO-203 [MITICURE® House Dust Mite Sublingual Tablets]	House dust mite induced allergic asthma (Allergen 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
	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 October 30, 2015

•TO-203(MITICURE® House Dust Mite Sublingual Tablets) for the indication of allergic rhinitis launched on December 3, 2015.

(previous announcement : Development stage[Approval])

•TO-206 NDA filing by Torii

•JTE-350(Allergen Scratch Extract Positive control (Torii) Histamine dihydrochloride) launched on January 18, 2016.

(previous announcement : Development stage[Approval])

III Financial Forecasts for the FY2016

① Statement of Income

(Millions of Yen)	FY2015	FY2016 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Net sales ※	62,378	61,000	△1,378	△2.2
Sales of products	61,861	59,770	△2,091	△3.4
Renal disease and hemodialysis	27,627	25,710	△1,917	△6.9
Skin disease	10,970	9,080	△1,890	△17.2
Allergens	905	1,870	964	106.5
HIV infection	16,330	17,320	989	6.1
Other	6,028	5,790	△238	△4.0
Other sales	517	1,230	712	137.9
Cost of sales	30,814	30,500	△314	△1.0
Gross profit	31,564	30,500	△1,064	△3.4
SG&A	26,645	27,200	554	2.1
R&D expenses	5,237	4,700	△537	△10.3
Others	21,408	22,500	1,091	5.1
Operating income	4,919	3,300	△1,619	△32.9
Ordinary income	5,135	3,400	△1,735	△33.8
Net income	3,527	2,300	△1,227	△34.8

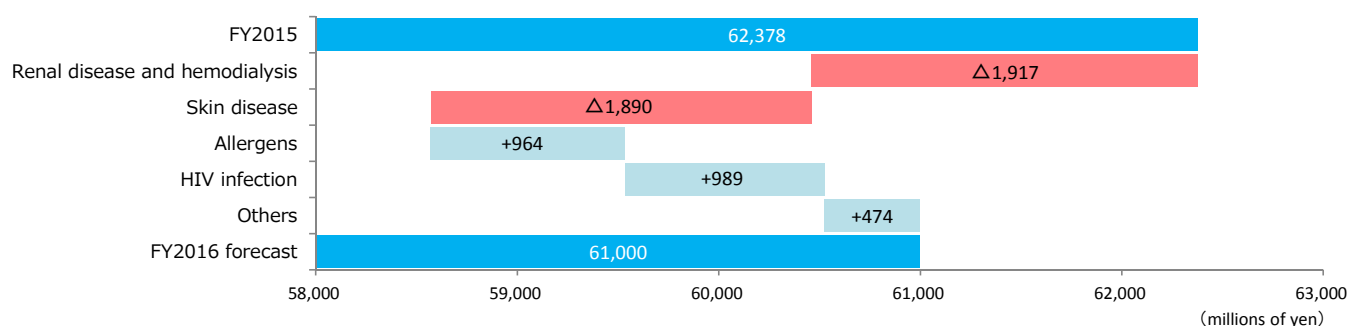
※ Items of net sales including product categories are reorganized along with “The medium-term management plan 2018” (from FY2016 to FY2018) , and the sales figures are expressed accordingly.

(Reference) Ratio to net sales

(%)	FY2015	FY2016 forecast	Change
	A	B	B-A
Cost of sales	49.4	50.0	0.6
SG&A	42.7	44.6	1.9
R&D expenses	8.4	7.7	△0.7
Operating income	7.9	5.4	△2.5
Ordinary income	8.2	5.6	△2.6
Net income	5.7	3.8	△1.9

[Factors in increase/decrease compared with the FY2015]

Net sales (¥ 61,000 million : Decrease ¥ 1,378 million year-on-year)

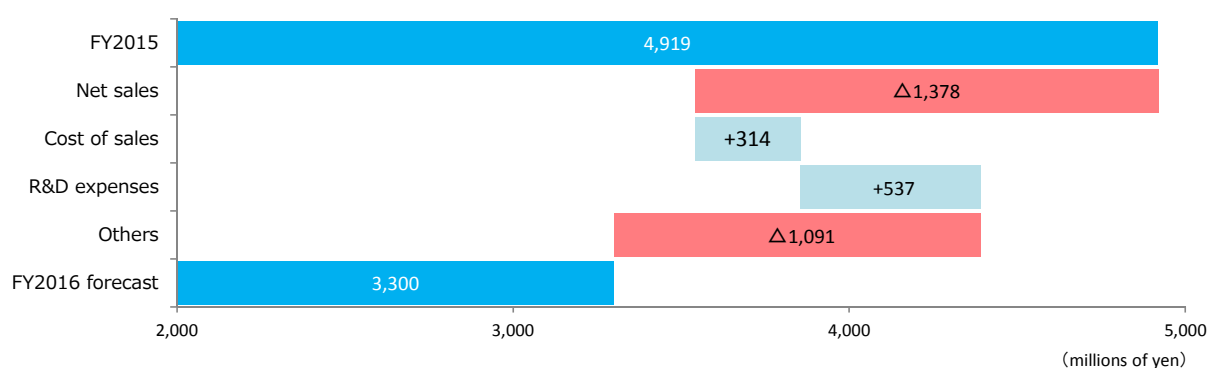


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Decrease	¥ 2,486 million	FUTHAN	Decrease	¥ 612 million
	: URINORM	Decrease	¥ 324 million	Riona	Increase	¥ 1,685 million
Skin disease	: ANTEBATE	Decrease	¥ 921 million	ZEFNART	Decrease	¥ 387 million
Allergens	: CEDARTOLEN	Increase	¥ 528 million			
HIV infection	: Stribild	Increase	¥ 416 million	Truvada	Decrease	¥ 388 million

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

Operating income (¥ 3,300 million : Decrease ¥ 1,619 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Decrease in net sales and increase in cost percentage due to Drug Price revisions
R&D expenses	: Decrease in clinical study expenses (TO-206)
Others	: Increase in amortization of marketing rights and sales promotion expenses

Ordinary income (¥ 3,400 million : Decrease ¥ 1,735 million year-on-year)

Special remarks: None

Net income (¥ 2,300 million : Decrease ¥ 1,227 million year-on-year)

Special remarks: None

② Sales of Products

<i>(Millions of Yen)</i>	FY2015	FY2016 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of Products	61,861	59,770	△2,091	△3.4
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	15,636	13,150	△2,486	△15.9
Truvada Antiviral agent for HIV [HIV infection]	12,938	12,550	△388	△3.0
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	5,034	6,720	1,685	33.5
ANTEBATE ※ Topical corticosteroid [Skin disease]	6,881	5,960	△921	△13.4
Stribild Antiviral agent for HIV [HIV infection]	3,133	3,550	416	13.3
FUTHAN ※ Protease inhibitor [Renal disease and hemodialysis]	3,062	2,450	△612	△20.0
BIO-THREE Viable bacterial preparations [Other]	2,272	2,320	47	2.1
KAYEXALATE ※ Agent for hyperkalemia [Renal disease and hemodialysis]	2,288	2,110	△178	△7.8
LOCOID ※ Topical corticosteroid [Skin disease]	1,417	1,330	△87	△6.1
URINORM ※ Uricosuric agent [Renal disease and hemodialysis]	1,604	1,280	△324	△20.2
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,143	1,170	26	2.3
CEDARTOLEN ※ Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	511	1,040	528	103.2
ZEFNART Topical antifungal agent [Skin disease]	1,407	1,020	△387	△27.5
Others	4,528	5,120	591	13.1

※ In-house products

(References) Sales and ratio of in-house products

<i>(Millions of Yen)</i>	FY2015	FY2016 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of in-house products	17,567	16,370	△1,197	△6.8
Ratio of in-house product sales (%)	28.4	27.4	△1.0	—

③ Capital Expenditures

(Millions of Yen)	FY2015 A	FY2016 forecast B	Change B-A	Change (%) (B-A)/A
Capital expenditures	2,207	1,160	△1,047	△47.5
PP&E	1,802	756	△1,046	△58.1
Intangible assets	405	404	△1	△0.3

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)	FY2015 A	FY2016 forecast B	Change B-A	Change (%) (B-A)/A
Depreciation	1,457	1,438	△19	△1.4
Amortization of long-term prepaid expenses	824	1,089	264	32.1

⑤ Dividends

	FY2015 A	FY2016 forecast B	Change B-A	Change (%) (B-A)/A
Dividends per share (¥)	48	48	0	0.0
Dividends payout ratio (%)	38.5	59.1	20.6	—

IV Targets of “The medium-term management plan 2018”

(0.1 billions of yen)	FY2015	FY2016 forecast	FY2018 target※2
Net sales	623	610	620
Operating income prior to deduction of R&D expenses※1	101	80	80

※1 R&D expenses is difficult to foresee at the present moment as investments may fluctuate in medium-to long term growth. Therefore, Torii sets operating income prior to deduction of R&D expenses as a target.

※2 Targets are set based on certain assumptions such as Drug price revisions including Repricing for market expansion and impact of measures to increase the use of generic drugs. Torii will revise the targets on a timely basis if assumptions are drastically changed.

【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