

# Financial Results for the First Three 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.

April 27, 2016



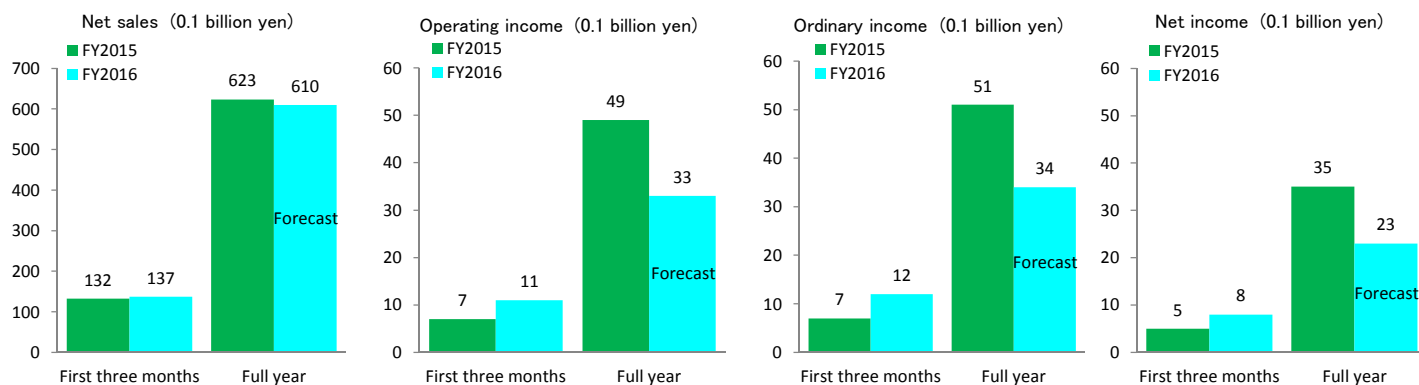
**TORII PHARMACEUTICAL CO., LTD.**

# I Summary Information

## ① Financial Results

The forecasts for the FY2016 have not been changed from the previous forecasts announced at the FY2015 financial results announcement on February 3, 2016. The impact of drug price revisions implemented in April 2016 had already incorporated.

(Millions of Yen)	FY2015		FY2016		Change B-A	Change (%) (B-A)/A	FY2015 Full year	FY2016 Full year forecast C	Progress ratio (%) B/C
	First three months A	First three months B	Change B-A	Change (%) (B-A)/A					
Net sales	13,298	13,740	441	3.3	62,378	61,000	22.5		
Operating income	745	1,184	439	59.0	4,919	3,300	35.9		
Ordinary income	794	1,223	428	54.0	5,135	3,400	36.0		
Net income	532	803	270	50.8	3,527	2,300	34.9		
(Reference)									
R&D expenses	1,119	1,042	△76	△6.9	5,237	4,700	22.2		
Earnings per share (EPS)	(¥)	18.83	28.39	9.56	124.65	81.27			
Return on equity (ROE)	(%)	0.7	1.0	0.3	4.3	—			
Ratio of ordinary income to total assets	(%)	0.9	1.2	0.3	5.4	—			
Ratio of operating income to net sales	(%)	5.6	8.6	3.0	7.9	—			
Return on assets (ROA)	(%)	0.6	0.8	0.2	3.7	—			



## ② Financial Conditions

(Millions of Yen)	December 31,		March 31,		Change B-A	Change (%) (B-A)/A
	2015 A	2016 B	2015 A	2016 B		
Total assets	98,868	97,860	△1,007	△1.0		
Total equity	82,826	82,836	10	0.0		
Equity ratio	(%)	83.8	84.6	0.8		
Book value per share (BPS)	(¥)	2,926.81	2,927.17	0.36		

## II Financial Results for the First Three Months of FY2016

### ① Statement of Income

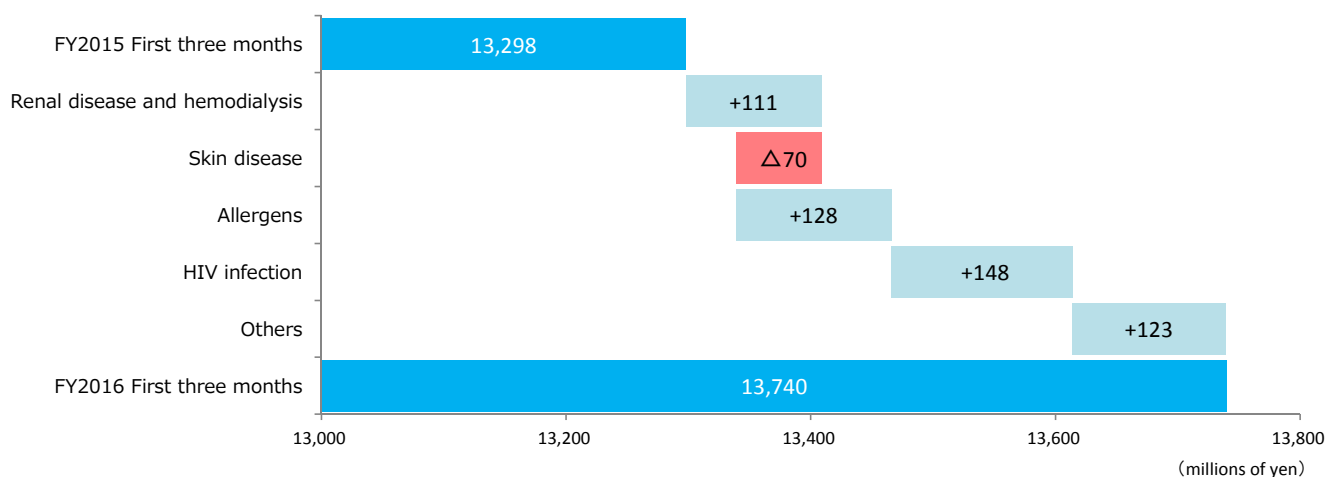
(Millions of Yen)	FY2015	FY2016	Change B-A	Change (%) (B-A)/A
	First three months A	First three months B		
Net sales	13,298	13,740	441	3.3
Sales of products	13,203	13,609	406	3.1
Renal disease and hemodialysis	5,717	5,829	111	2.0
Skin disease	2,369	2,299	△70	△3.0
Allergens	174	302	128	73.9
HIV infection	3,612	3,761	148	4.1
Other	1,328	1,417	88	6.7
Other sales	94	130	35	37.2
Cost of sales	6,398	6,475	76	1.2
Cost of products sold	6,386	6,459	73	1.1
Other cost	11	15	3	29.3
Gross profit	6,899	7,264	365	5.3
Selling, general and administrative expenses	6,154	6,079	△74	△1.2
R&D expenses	1,119	1,042	△76	△6.9
Others	5,035	5,037	2	0.0
Operating income	745	1,184	439	59.0
Non-operating income	51	38	△12	—
Non-operating expenses	2	0	△2	—
Ordinary income	794	1,223	428	54.0
Extraordinary loss	0	14	13	—
Income before income taxes	793	1,209	415	52.3
Income taxes	260	405	144	—
Net income	532	803	270	50.8

### (Reference) Ratio to net sales

(%)	FY2015	FY2016	Change B-A
	First three months A	First three months B	
Cost of sales	48.1	47.1	△1.0
SG&A	46.3	44.3	△2.0
R&D expenses	8.4	7.6	△0.8
Operating income	5.6	8.6	3.0
Ordinary income	6.0	8.9	2.9
Net income	4.0	5.8	1.8

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

**Net Sales ( ¥13,740 million : Increase ¥441 million year-on-year)**



**Major factors in increase/decrease**

Renal disease : Riona Increase ¥ 269 million  
and hemodialysis

Allergens : CEDARTOLEN Increase ¥ 116 million

HIV infection : Stribild Increase ¥ 191 million

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

**Operating income ( ¥1,184 million : Increase ¥439 million year-on-year)**

Special remarks: None

**Ordinary income ( ¥1,223 million : Increase ¥428 million year-on-year)**

Special remarks: None

**Net income ( ¥803 million : Increase ¥270 million year-on-year)**

Special remarks: None

## ② Sales of Products

<i>(Millions of Yen)</i>	FY2015		FY2016		Change B-A	Change (%) (B-A)/A
	First three months A	First three months B	First three months B	First three months A		
Sales of Products	13,203	13,609	13,609	13,203	406	3.1
REMITCH	3,258	3,255	3,255	3,258	△2	△0.1
Oral anti-pruritus agent [Renal disease and hemodialysis]						
Truvada	2,925	2,890	2,890	2,925	△35	△1.2
Antiviral agent for HIV [HIV infection]						
ANTEBATE ※	1,514	1,514	1,514	1,514	△0	△0.0
Topical corticosteroid [Skin disease]						
Riona	936	1,205	1,205	936	269	28.8
Agent for hyperphosphatemia [Renal disease and hemodialysis]						
Stribild	622	814	814	622	191	30.7
Antiviral agent for HIV [HIV infection]						
FUTHAN ※	627	560	560	627	△67	△10.7
Protease inhibitor [Renal disease and hemodialysis]						
BIO-THREE	518	554	554	518	35	6.9
Viable bacterial preparations [Other]						
KAYEXALATE ※	513	507	507	513	△6	△1.3
Agent for hyperkalemia [Renal disease and hemodialysis]						
LOCOID ※	331	338	338	331	6	2.1
Topical corticosteroid [Skin disease]						
URINORM ※	381	300	300	381	△81	△21.4
Uricosuric agent [Renal disease and hemodialysis]						
Magsent	218	237	237	218	19	8.7
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]						
ZEFNART	220	209	209	220	△11	△5.1
Topical antifungal agent [Skin disease]						
CEDARTOLEN ※	72	188	188	72	116	160.5
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]						
Others	1,061	1,032	1,032	1,061	△28	△2.7

※ In-house products

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

<i>(Millions of Yen)</i>	FY2015		FY2016		Change B-A	Change (%) (B-A)/A
	First three months A	First three months B	First three months B	First three months A		
Sales of in-house products	3,864	3,825	3,825	3,864	△38	△1.0
Ratio of in-house product sales (%)	29.3	28.1	28.1	29.3	△1.2	—

### ③ Balance Sheet

(Millions of Yen)	December 31,	March 31,	Change	Change	Component
	2015	2016			
	A	B	B-A	(B-A)/A	(March 31, 2016)
Current assets	77,155	77,074	△80	△0.1	78.8
Cash and deposits	14,361	16,111	1,749		
Deposits in the cash management system	4,348	6,091	1,743		
Notes and accounts receivable-trade	27,904	25,389	△2,515		
Short-term investment securities	18,708	14,805	△3,902		
Inventories	9,836	12,315	2,478		
Others	1,994	2,360	366		
Noncurrent assets	21,713	20,786	△927	△4.3	21.2
Property, plant and equipment	6,182	5,980	△201		
Intangible assets	955	931	△24		
Investments and other assets	14,575	13,874	△701		
Investment securities	6,800	6,110	△689		
Long-term prepaid expenses	6,530	6,436	△94		
Others	1,244	1,327	82		
<b>Total assets</b>	<b>98,868</b>	<b>97,860</b>	<b>△1,007</b>	<b>△1.0</b>	<b>100.0</b>
Current liabilities	14,472	13,471	△1,000	△6.9	13.8
Accounts payable-trade	6,853	8,236	1,382		
Accounts payable-other	3,287	2,316	△971		
Income taxes payable	1,915	446	△1,469		
Accrued employees' bonuses	660	1,257	597		
Others	1,755	1,214	△540		
Long-term liabilities	1,569	1,552	△17	△1.1	1.6
<b>Total liabilities</b>	<b>16,042</b>	<b>15,024</b>	<b>△1,018</b>	<b>△6.3</b>	<b>15.4</b>
Shareholders' equity	82,127	82,251	124	0.2	84.0
Unrealized gain on available-for-sale securities	698	584	△114	△16.3	0.6
<b>Total equity</b>	<b>82,826</b>	<b>82,836</b>	<b>10</b>	<b>0.0</b>	<b>84.6</b>
<b>Total liabilities and equity</b>	<b>98,868</b>	<b>97,860</b>	<b>△1,007</b>	<b>△1.0</b>	<b>100.0</b>

#### 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

(Current liabilities)

Accounts payable-trade : Increase by increase in purchasing products

#### ④ Capital Expenditures

(Millions of Yen)	FY2015	FY2016	Change	Change (%)
	First three months	First three months		
	A	B	B-A	(B-A)/A
Capital expenditures	426	136	△289	△68.0
PP&E	297	73	△223	△75.2
Intangible assets	128	62	△66	△51.2

#### Descriptions of capital expenditures

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

#### ⑤ Depreciation/Amortization

(Millions of Yen)	FY2015	FY2016	Change	Change (%)
	First three months	First three months		
	A	B	B-A	(B-A)/A
Depreciation	339	347	8	2.4
Amortization of long-term prepaid expenses	229	251	21	9.3

#### ⑥ Research and Development

Development code [Product Name]	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
<b>Allergens</b>								
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"> <li>•Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan</li> <li>•In-house</li> <li>※Examining the future development policy</li> </ul>
	House dust mite induced allergic rhinitis in children (Allergen Immunotherapy)	Sublingual tablet			Phase III			<ul style="list-style-type: none"> <li>•Licensing agreement signed with ALK for providing exclusive development and sales rights in Japan</li> <li>•In-house</li> </ul>
TO-206	Japanese cedar pollinosis (Allergen Immunotherapy)	Sublingual tablet				Application		<ul style="list-style-type: none"> <li>•In-house</li> <li>•NDA filing by Torii on December 25, 2015</li> </ul>

There has been no change in the development progress since previous announcement on February 3, 2016.

Regarding TO-203, however, following comments are added:

•"Phase II / III (Study completed※)" on the Development stage (domestic)

•"※Examining the future development policy" on the Remarks

### III Financial Forecasts for the FY2016

The forecasts for the FY2016 have not been changed from the previous forecasts announced at the FY2015 financial results announcement on February 3, 2016. The impact of drug price revisions implemented in April 2016 had already incorporated.

#### ① Statement of Income

<i>(Millions of Yen)</i>	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

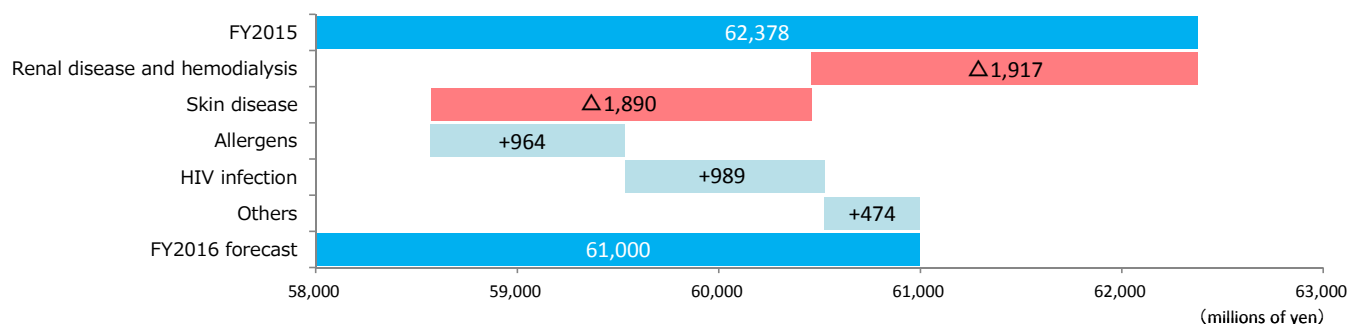
#### (Reference) Ratio to net sales

<i>(%)</i>	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)**

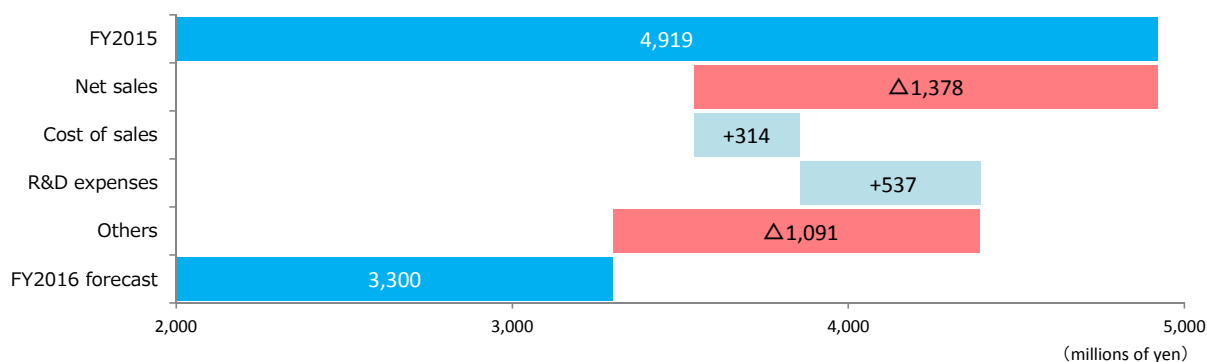


**Major factors in increase/decrease**

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 9.

**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

(Millions of Yen)	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

(Millions of Yen)	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

<i>(Millions of Yen)</i>	FY2015	FY2016 forecast	Change	Change (%)
	A	B	B-A	(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

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

#### **【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