

Financial Results for the First Nine 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.

October 28, 2016



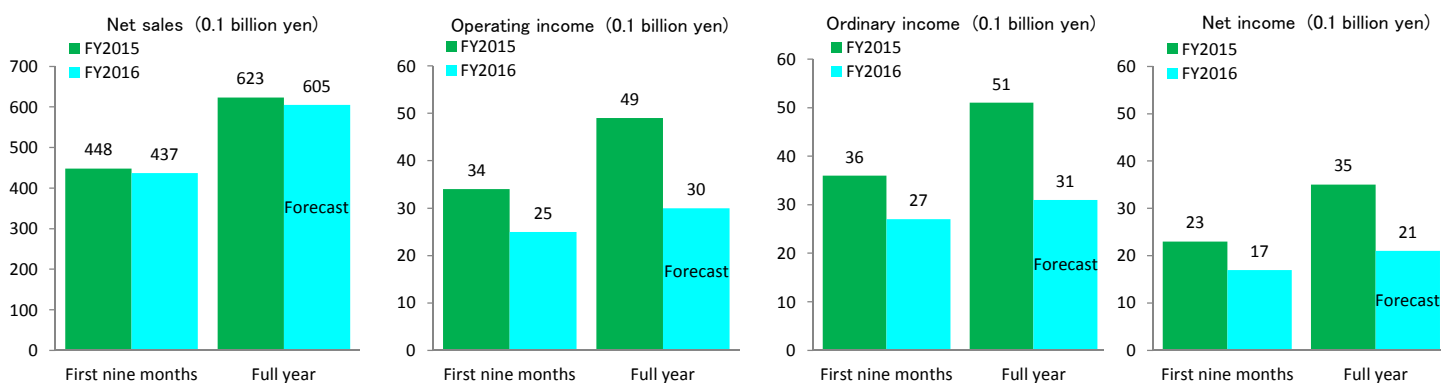
TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

The forecasts for the FY2016 have been changed from the previous forecasts announced at the first six months of FY2016 financial results announcement on July 28, 2016.

(Millions of Yen)	FY2015		FY2016		Change (B-A)	Change (%) (B-A)/A	FY2015 Full year	FY2016 revised forecast C	Progress ratio (%) B/C
	First nine months A	First nine months B	Change B-A	Change (B-A)/A					
Net sales	44,841	43,768	△1,072	△2.4			62,378	60,500	72.3
Operating income	3,494	2,574	△919	△26.3			4,919	3,000	85.8
Ordinary income	3,666	2,713	△952	△26.0			5,135	3,100	87.5
Net income	2,331	1,755	△575	△24.7			3,527	2,100	83.6
(Reference)									
R&D expenses	3,667	3,577	△90	△2.5			5,237	5,000	71.5
Earnings per share (EPS)	(¥)	82.37	62.04	△20.33			124.65	74.21	
Return on equity (ROE)	(%)	2.9	2.1	△0.8			4.3	–	
Ratio of ordinary income to total assets	(%)	3.8	2.8	△1.0			5.4	–	
Ratio of operating income to net sales	(%)	7.8	5.9	△1.9			7.9	–	
Return on assets (ROA)	(%)	2.4	1.8	△0.6			3.7	–	



② Financial Conditions

(Millions of Yen)	December 31,		September 30,		Change (B-A)	Change (%) (B-A)/A
	2015 A	2016 B	2016 B	2015 A		
Total assets	98,868	96,711	△2,157	△2.2		
Total equity	82,826	83,071	245	0.3		
Equity ratio	(%)	83.8	85.9	2.1		
Book value per share (BPS)	(¥)	2,926.81	2,935.40	8.59		

II Financial Results for the First Nine Months of FY2016

① Statement of Income

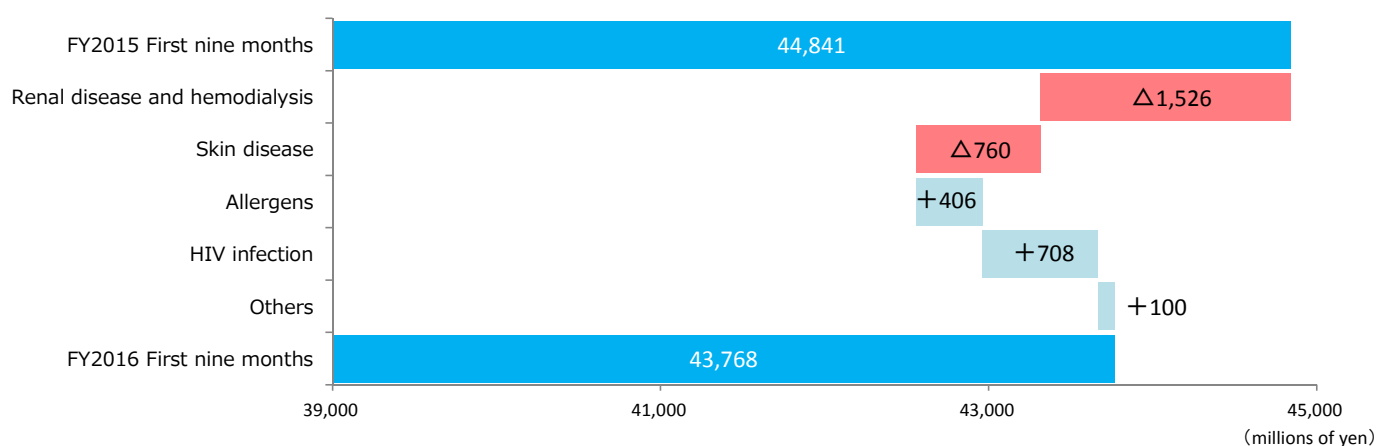
(Millions of Yen)	FY2015	FY2016	Change B-A	Change (%) (B-A)/A
	First nine months A	First nine months B		
Net sales	44,841	43,768	△1,072	△2.4
Sales of products	44,506	43,329	△1,176	△2.6
Renal disease and hemodialysis	19,752	18,226	△1,526	△7.7
Skin disease	8,082	7,321	△760	△9.4
Allergens	575	982	406	70.6
HIV infection	11,727	12,435	708	6.0
Other	4,368	4,364	△3	△0.1
Other sales	335	439	104	31.0
Cost of sales	22,104	21,857	△247	△1.1
Cost of products sold	22,063	21,807	△256	△1.2
Other cost	40	49	9	23.7
Gross profit	22,737	21,911	△825	△3.6
Selling, general and administrative expenses	19,242	19,337	94	0.5
R&D expenses	3,667	3,577	△90	△2.5
Others	15,574	15,759	184	1.2
Operating income	3,494	2,574	△919	△26.3
Non-operating income	174	140	△34	—
Non-operating expenses	2	1	△1	—
Ordinary income	3,666	2,713	△952	△26.0
Extraordinary loss	93	17	△76	—
Income before income taxes	3,573	2,696	△876	△24.5
Income taxes	1,242	941	△301	—
Net income	2,331	1,755	△575	△24.7

(Reference) Ratio to net sales

(%)	FY2015	FY2016	Change B-A
	First nine months A	First nine months B	
Cost of sales	49.3	49.9	0.6
SG&A	42.9	44.2	1.3
R&D expenses	8.2	8.2	0.0
Operating income	7.8	5.9	△1.9
Ordinary income	8.2	6.2	△2.0
Net income	5.2	4.0	△1.2

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

Net Sales (¥43,768 million : Decrease ¥1,072 million year-on-year)

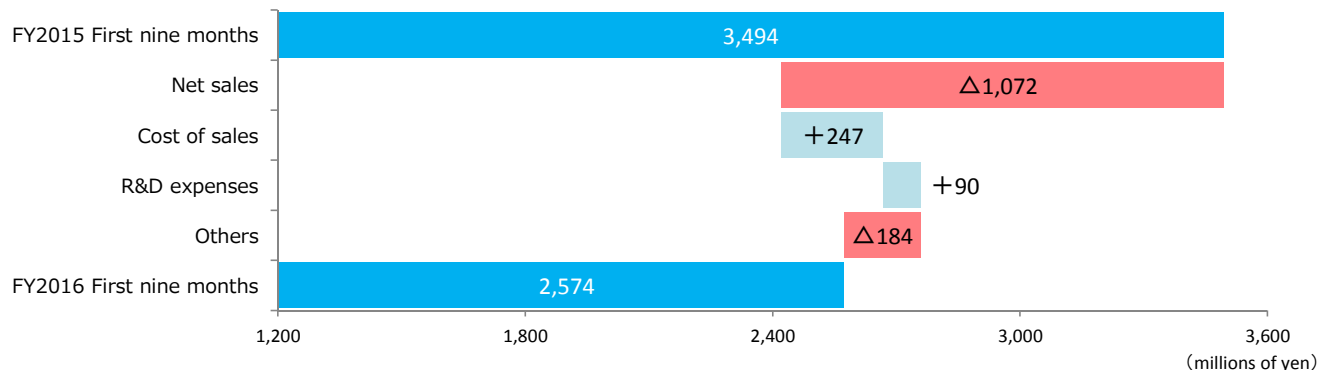


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Decrease ¥ 1,288 million	FUTHAN	Decrease ¥ 428 million
	: Riona	Increase ¥ 514 million		
Skin disease	: ANTEBATE	Decrease ¥ 403 million		
Allergens	: CEDARTOLEN	Increase ¥ 336 million		
HIV infection	: Genvoya	Increase ¥ 669 million		

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

Operating income (¥2,574 million : Decrease ¥919 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Decrease in net sales and changes in sales mix among the products
R&D expenses	: Decrease in clinical study expenses (TO-206) Increase by the upfront licensing fees of the agreement with Menlo Therapeutics Inc.
Others	: Increase by cost of PC replacement

Ordinary income (¥2,713 million : Decrease ¥952 million year-on-year)

Special remarks: None

Net income (¥1,755 million : Decrease ¥575 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2015		FY2016		Change B-A	Change (%) (B-A)/A
	First nine months A	First nine months B	First nine months B	First nine months A		
Sales of Products	44,506	43,329	43,329	44,506	△1,176	△2.6
REMITCH	11,209	9,921	9,921	11,209	△1,288	△11.5
Oral anti-pruritus agent [Renal disease and hemodialysis]						
Truvada	9,334	9,351	9,351	9,334	17	0.2
Antiviral agent for HIV [HIV infection]						
ANTEBATE ※1	5,029	4,625	4,625	5,029	△403	△8.0
Topical corticosteroid [Skin disease]						
Riona	3,506	4,021	4,021	3,506	514	14.7
Agent for hyperphosphatemia [Renal disease and hemodialysis]						
Stribild	2,202	2,239	2,239	2,202	36	1.7
Antiviral agent for HIV [HIV infection]						
BIO-THREE	1,641	1,765	1,765	1,641	123	7.5
Viable bacterial preparations [Other]						
FUTHAN ※1	2,190	1,762	1,762	2,190	△428	△19.5
Protease inhibitor [Renal disease and hemodialysis]						
KAYEXALATE ※1	1,659	1,605	1,605	1,659	△54	△3.3
Agent for hyperkalemia [Renal disease and hemodialysis]						
LOCOID ※1	1,054	1,011	1,011	1,054	△42	△4.0
Topical corticosteroid [Skin disease]						
ZEFNART	1,054	993	993	1,054	△60	△5.7
Topical antifungal agent [Skin disease]						
URINORM ※1	1,185	915	915	1,185	△270	△22.8
Uricosuric agent [Renal disease and hemodialysis]						
Magsent	830	822	822	830	△7	△0.9
Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]						
Genvoya ※2	–	669	669	–	669	–
Antiviral agent for HIV [HIV infection]						
CEDARTOLEN ※1	283	620	620	283	336	118.5
Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]						
Others	3,322	3,003	3,003	3,322	△318	△9.6

※1 In-house products

※2 Launched on July 8, 2016

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2015		FY2016		Change B-A	Change (%) (B-A)/A
	First nine months A	First nine months B	First nine months B	First nine months A		
Sales of in-house products	12,728	11,897	11,897	12,728	△830	△6.5
Ratio of in-house product sales (%)	28.6	27.5	27.5	28.6	△1.1	–

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2015 A	September 30, 2016 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) <i>(September 30, 2016)</i>
Current assets	77,155	76,976	△178	△0.2	79.6
Cash and deposits	14,361	21,459	7,097		
Deposits in the cash management system	4,348	5,126	777		
Notes and accounts receivable-trade	27,904	24,097	△3,807		
Short-term investment securities	18,708	12,305	△6,402		
Inventories	9,836	11,720	1,883		
Others	1,994	2,266	272		
Noncurrent assets	21,713	19,734	△1,978	△9.1	20.4
Property, plant and equipment	6,182	5,818	△364		
Intangible assets	955	903	△51		
Investments and other assets	14,575	13,012	△1,563		
Investment securities	6,800	5,249	△1,551		
Long-term prepaid expenses	6,530	6,431	△99		
Others	1,244	1,332	87		
Total assets	98,868	96,711	△2,157	△2.2	100.0
Current liabilities	14,472	12,033	△2,439	△16.9	12.4
Accounts payable-trade	6,853	6,873	20		
Accounts payable-other	3,287	1,829	△1,457		
Income taxes payable	1,915	340	△1,574		
Accrued employees' bonuses	660	1,337	677		
Others	1,755	1,651	△104		
Long-term liabilities	1,569	1,606	36	2.3	1.7
Total liabilities	16,042	13,639	△2,402	△15.0	14.1
Shareholders' equity	82,127	82,524	396	0.5	85.3
Unrealized gain on available-for-sale securities	698	544	△154	△22.1	0.6
Subscription rights to shares	-	2	2	-	0.0
Total equity	82,826	83,071	245	0.3	85.9
Total liabilities and equity	98,868	96,711	△2,157	△2.2	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 Capital Expenditures

(Millions of Yen)	FY2015		FY2016		Change	Change (%)
	First nine months		First nine months			
	A	B	A	B	B-A	(B-A)/A
Capital expenditures	1,198	601			△596	△49.8
PP&E	930	420			△510	△54.8
Intangible assets	267	181			△85	△32.1

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 nine months		First nine months			
	A	B	A	B	B-A	(B-A)/A
Depreciation	1,062	1,000			△62	△5.8
Amortization of long-term prepaid expenses	627	759			132	21.2

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	
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

More information is available at the following website:
http://www.torii.co.jp/en/release/2016/20160810_E.pdf
http://www.torii.co.jp/en/release/2016/20161028_E.pdf

III Financial Forecasts for the FY2016

The forecasts for the FY2016 have been changed from the previous forecasts announced at the first six months of FY2016 financial results announcement on July 28, 2016.

① Statement of Income

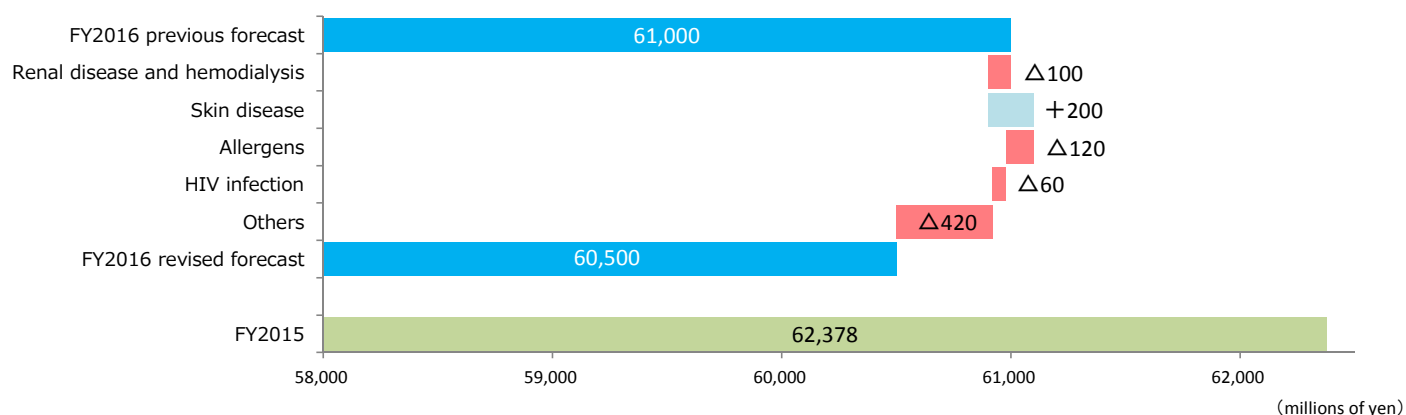
(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change (%)
	previous forecast	revised forecast		FY2015		
	A	B	B-A	C	B-C	(B-C)/C
Net sales	61,000	60,500	△500	62,378	△1,878	△3.0
Sales of products	59,900	59,900	–	61,861	△1,961	△3.2
Renal disease and hemodialysis	25,630	25,530	△100	27,627	△2,097	△7.6
Skin disease	9,520	9,720	200	10,970	△1,250	△11.4
Allergens	1,560	1,440	△120	905	534	59.0
HIV infection	17,320	17,260	△60	16,330	929	5.7
Other	5,870	5,950	80	6,028	△78	△1.3
Other sales	1,100	600	△500	517	82	16.0
Cost of sales	30,500	30,400	△100	30,814	△414	△1.3
Gross profit	30,500	30,100	△400	31,564	△1,464	△4.6
SG&A	27,500	27,100	△400	26,645	454	1.7
R&D expenses	5,200	5,000	△200	5,237	△237	△4.5
Others	22,300	22,100	△200	21,408	691	3.2
Operating income	3,000	3,000	–	4,919	△1,919	△39.0
Ordinary income	3,100	3,100	–	5,135	△2,035	△39.6
Net income	2,000	2,100	100	3,527	△1,427	△40.5

(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	50.2	0.2	49.4	0.8
SG&A	45.1	44.8	△0.3	42.7	2.1
R&D expenses	8.5	8.3	△0.2	8.4	△0.1
Operating income	4.9	5.0	0.1	7.9	△2.9
Ordinary income	5.1	5.1	0.0	8.2	△3.1
Net income	3.3	3.5	0.2	5.7	△2.2

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

Net sales (¥ 60,500 million : Decrease ¥ 500 million)

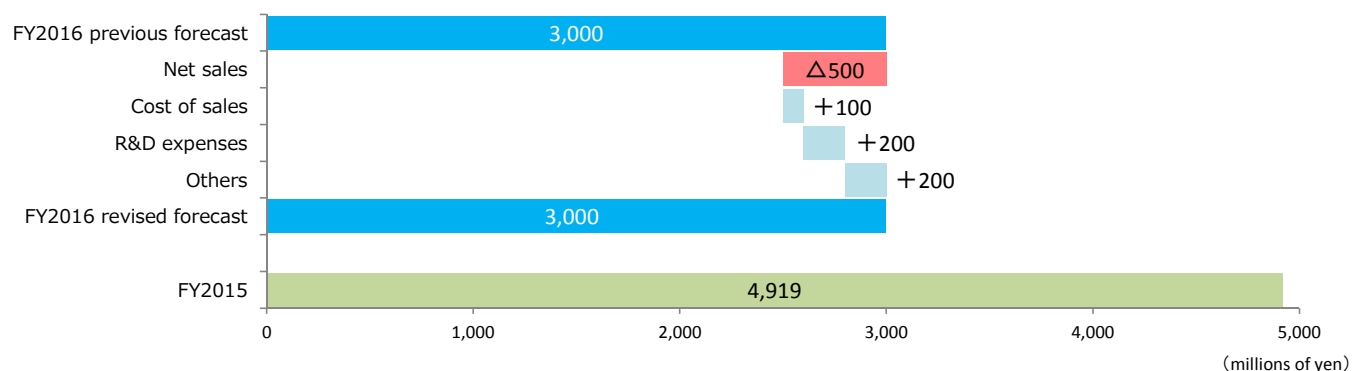


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Decrease ¥ 220 million	REMITCH	Increase ¥ 170 million
HIV infection	: Stribild	Decrease ¥ 600 million	Genvoya	Increase ¥ 620 million
Others	: co-promotion fees	Decrease ¥ 500 million		

※ For details, please refer to "② Sales of Products" on page 9.

Operating income (¥ 3,000 million : No modification)



Major factors in increase/decrease

Cost of sales	: Changes in sales mix among the products
R&D expenses	: Decrease in clinical study expenses (TO-203)
Others	: Decrease by cost reduction

Ordinary income (¥ 3,100 million : No modification)

Special remarks: None

Net income (¥ 2,100 million : Increase ¥ 100 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	59,900	59,900	—	61,861	△1,961	△3.2
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,350	13,520	170	15,636	△2,116	△13.5
Truvada Antiviral agent for HIV [HIV infection]	12,850	12,970	120	12,938	31	0.2
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,190	6,250	60	6,881	△631	△9.2
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	6,290	6,070	△220	5,034	1,035	20.6
Stribild Antiviral agent for HIV [HIV infection]	3,170	2,570	△600	3,133	△563	△18.0
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,530	2,510	△20	3,062	△552	△18.0
BIO-THREE Viable bacterial preparations [Other]	2,470	2,420	△50	2,272	147	6.5
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,200	2,180	△20	2,288	△108	△4.7
Genvoya ※2 Antiviral agent for HIV [HIV infection]	900	1,520	620	—	1,520	—
LOCOID ※1 Topical corticosteroid [Skin disease]	1,370	1,360	△10	1,417	△57	△4.0
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,260	1,250	△10	1,604	△354	△22.1
ZEFNART Topical antifungal agent [Skin disease]	1,110	1,230	120	1,407	△177	△12.6
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,120	1,130	10	1,143	△13	△1.2
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	990	910	△80	511	398	77.8
Others	4,100	4,010	△90	4,528	△518	△11.4

※1 In-house products

※2 Launched on July 8, 2016

(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	16,470	16,350	△120	17,567	△1,217	△6.9
Ratio of in-house product sales (%)	27.5	27.3	△0.2	28.4	△1.1	—

③ Capital Expenditures

(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Capital expenditures	1,101	1,112	11	2,207	△1,095	△49.6
PP&E	746	760	14	1,802	△1,042	△57.8
Intangible assets	355	352	△3	405	△53	△13.2

Descriptions of capital expenditures

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

④ Depreciation/Amortization

(Millions of Yen)	FY2016	FY2016	Change	FY2015	Change	Change (%)
	previous forecast	revised forecast				
	A	B	B-A	C	B-C	(B-C)/C
Depreciation	1,292	1,358	66	1,457	△99	△6.9
Amortization of long-term prepaid expenses	1,024	1,025	1	824	200	24.3

⑤ Dividends

		FY2016	FY2016	Change	FY2015	Change	Change (%)
		previous forecast	revised forecast				
		A	B	B-A	C	B-C	(B-C)/C
Dividends per share	(¥)	48	48	0	48	0	0.0
Dividends payout ratio	(%)	67.9	64.7	△3.2	38.5	26.2	-

【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