

Financial Results for the Fiscal Year 2016, Ended December 31, 2016

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

February 2, 2017

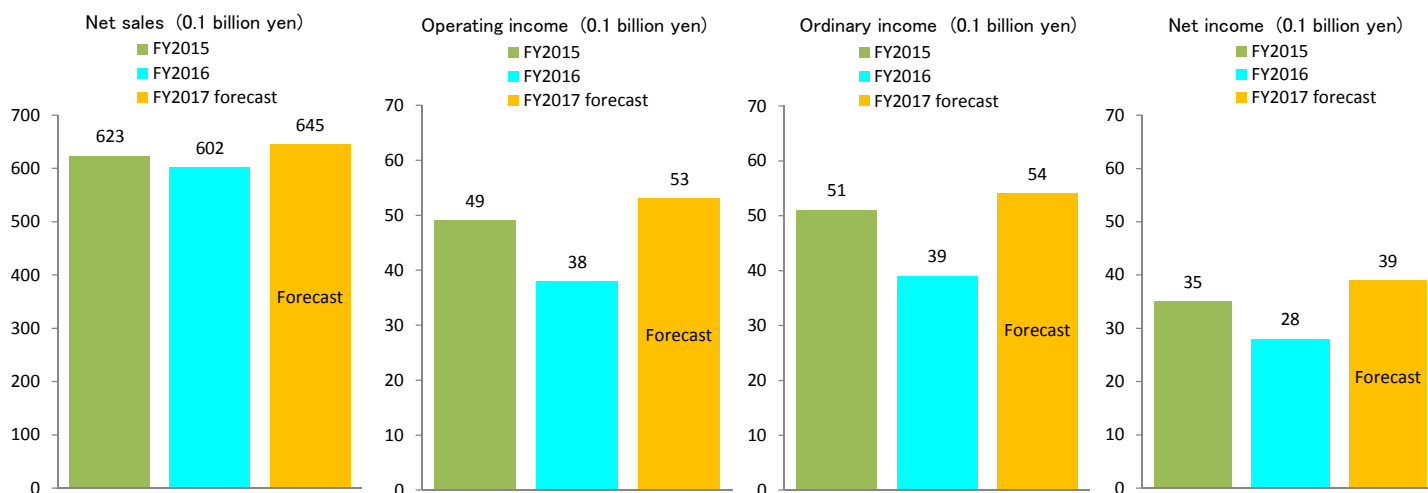


TORII PHARMACEUTICAL CO., LTD.

I Summary Information

① Financial Results

(Millions of Yen)	FY2015	FY2016	Change	Change (%)	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A	C	C-B	(C-B)/B
Net sales	62,378	60,206	△2,171	△3.5	64,500	4,293	7.1
Operating income	4,919	3,819	△1,099	△22.4	5,300	1,480	38.8
Ordinary income	5,135	3,999	△1,135	△22.1	5,400	1,400	35.0
Net income	3,527	2,839	△687	△19.5	3,900	1,060	37.3
(Reference)							
R&D expenses	5,237	4,654	△583	△11.1	4,820	165	3.6
Earnings per share (EPS) (¥)	124.65	100.41	△24.24		139.04	38.63	
Return on equity (ROE) (%)	4.3	3.4	△0.9		—		
Ratio of ordinary income to total assets (%)	5.4	4.1	△1.3		—		
Ratio of operating income to net sales (%)	7.9	6.3	△1.6		—		
Return on assets (ROA) (%)	3.7	2.9	△0.8		—		



② Financial Conditions

(Millions of Yen)	December 31, 2015	December 31, 2016	Change	Change (%)
	A	B	B-A	(B-A)/A
Total assets	98,868	98,525	△343	△0.3
Total equity	82,826	83,556	729	0.9
Equity ratio (%)	83.8	84.8	1.0	
Book value per share (BPS) (¥)	2,926.81	2,978.80	51.99	

II Financial Results for the FY2016

① Statement of Income

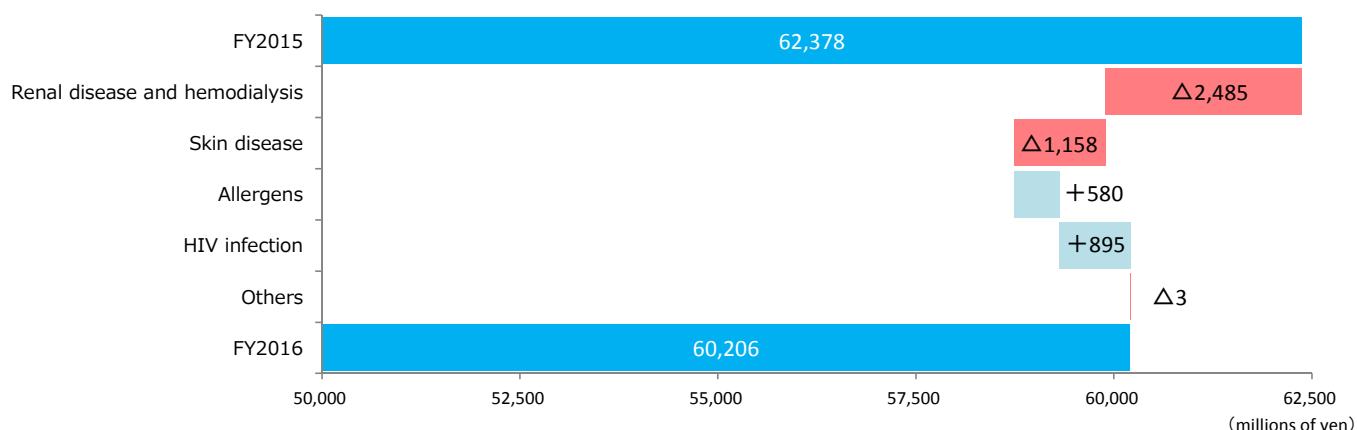
(Millions of Yen)	FY2015	FY2016	Change	Change
	A	B	B-A	(%) (B-A)/A
Net sales	62,378	60,206	△2,171	△3.5
Sales of products	61,861	59,620	△2,240	△3.6
Renal disease and hemodialysis	27,627	25,141	△2,485	△9.0
Skin disease	10,970	9,811	△1,158	△10.6
Allergens	905	1,485	580	64.1
HIV infection	16,330	17,225	895	5.5
Other	6,028	5,956	△72	△1.2
Other sales	517	586	68	13.3
Cost of sales	30,814	30,287	△526	△1.7
Cost of products sold	30,759	30,223	△535	△1.7
Other cost	54	63	9	17.2
Gross profit	31,564	29,919	△1,645	△5.2
Selling, general and administrative expenses	26,645	26,099	△545	△2.0
R&D expenses	5,237	4,654	△583	△11.1
Others	21,408	21,445	37	0.2
Operating income	4,919	3,819	△1,099	△22.4
Non-operating income	218	184	△33	—
Non-operating expenses	2	4	2	—
Ordinary income	5,135	3,999	△1,135	△22.1
Extraordinary income	320	86	△233	—
Extraordinary loss	196	29	△167	—
Income before income taxes	5,258	4,056	△1,202	△22.9
Income taxes	1,730	1,216	△514	—
Net income	3,527	2,839	△687	△19.5

(Reference) Ratio to net sales

(%)	FY2015	FY2016	Change
	A	B	B-A
Cost of sales	49.4	50.3	0.9
SG&A	42.7	43.4	0.7
R&D expenses	8.4	7.7	△0.7
Operating income	7.9	6.3	△1.6
Ordinary income	8.2	6.6	△1.6
Net income	5.7	4.7	△1.0

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

Net Sales (¥ 60,206 million : Decrease ¥ 2,171 million year-on-year)

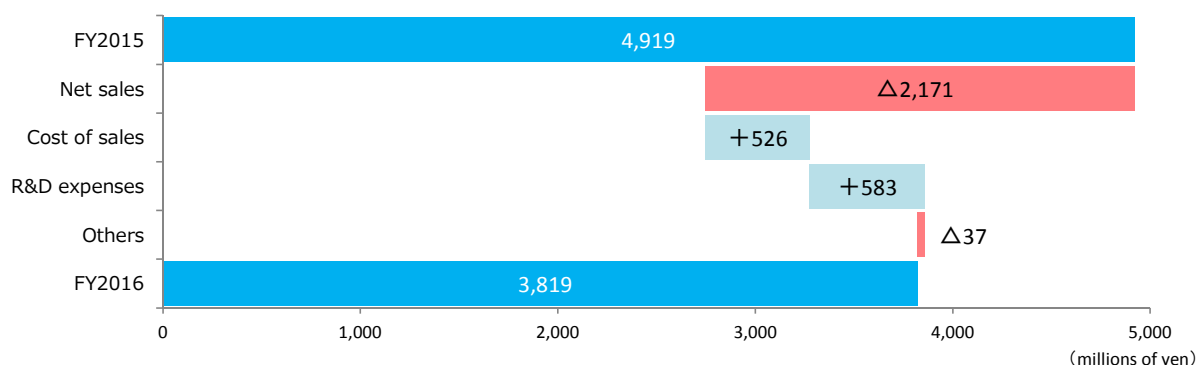


Major factors in increase/decrease

Renal disease and hemodialysis	: REMITCH	Decrease ¥ 1,991 million	FUTHAN	Decrease ¥ 599 million
	: URINORM	Decrease ¥ 384 million	Riona	Increase ¥ 599 million
Skin disease	: ANTEBATE	Decrease ¥ 603 million		
Allergens	: CEDARTOLEN	Increase ¥ 425 million		
HIV infection	: Genvoya	Increase ¥ 1,865 million	Stribild	Decrease ¥ 762 million

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

Operating income (¥ 3,819 million : Decrease ¥ 1,099 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.

Ordinary income (¥ 3,999 million : Decrease ¥ 1,135 million year-on-year)

Special remarks: None

Net income (¥ 2,839 million : Decrease ¥ 687 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2015	FY2016	Change	Change
	A	B	B-A	(%) (B-A)/A
Sales of Products	61,861	59,620	△2,240	△3.6
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	15,636	13,645	△1,991	△12.7
Truvada Antiviral agent for HIV [HIV infection]	12,938	12,754	△183	△1.4
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,881	6,277	△603	△8.8
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	5,034	5,634	599	11.9
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	3,062	2,462	△599	△19.6
BIO-THREE Viable bacterial preparations [Other]	2,272	2,455	182	8.0
Stribild Antiviral agent for HIV [HIV infection]	3,133	2,371	△762	△24.3
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,288	2,178	△109	△4.8
Genvoya ※2 Antiviral agent for HIV [HIV infection]	—	1,865	1,865	—
LOCOID ※1 Topical corticosteroid [Skin disease]	1,417	1,352	△64	△4.5
ZEFNART Topical antifungal agent [Skin disease]	1,407	1,275	△131	△9.3
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,604	1,219	△384	△24.0
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,143	1,165	21	1.9
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	511	937	425	83.2
Others	4,528	4,023	△504	△11.1

※1 In-house products

※2 Launched on July 8, 2016

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2015	FY2016	Change	Change
	A	B	B-A	(%) (B-A)/A
Sales of in-house products	17,567	16,316	△1,250	△7.1
Ratio of in-house product sales (%)	28.4	27.4	△1.0	—

③ Balance Sheet

<i>(Millions of Yen)</i>	December 31, 2015 A	December 31, 2016 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) <i>(December 31, 2016)</i>
Current assets	77,155	80,123	2,968	3.8	81.3
Cash and deposits	14,361	22,393	8,031		
Deposits in the cash management system	4,348	7,091	2,743		
Notes and accounts receivable-trade	27,904	26,560	△1,344		
Short-term investment securities	18,708	11,102	△7,606		
Inventories	9,836	10,606	770		
Others	1,994	2,368	374		
Noncurrent assets	21,713	18,401	△3,311	△15.3	18.7
Property, plant and equipment	6,182	5,752	△429		
Intangible assets	955	896	△58		
Investments and other assets	14,575	11,752	△2,823		
Investment securities	6,800	3,877	△2,923		
Long-term prepaid expenses	6,530	6,486	△44		
Others	1,244	1,389	144		
Total assets	98,868	98,525	△343	△0.3	100.0
Current liabilities	14,472	13,310	△1,162	△8.0	13.5
Accounts payable-trade	6,853	6,698	△155		
Accounts payable-other	3,287	3,178	△109		
Income taxes payable	1,915	767	△1,148		
Accrued employees' bonuses	660	676	15		
Others	1,755	1,990	235		
Long-term liabilities	1,569	1,658	88	5.7	1.7
Total liabilities	16,042	14,969	△1,073	△6.7	15.2
Shareholders' equity	82,127	82,993	865	1.1	84.2
Unrealized gain on available-for-sale securities	698	558	△140	△20.1	0.6
Subscription rights to shares	-	4	4	-	0.0
Total equity	82,826	83,556	729	0.9	84.8
Total liabilities and equity	98,868	98,525	△343	△0.3	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 and sales of debt securities
(Noncurrent assets)	
Investment securities	: Decrease by transfer to short-term investment securities and sales of debt securities
(Equity)	
Shareholders' equity	: Increase in net income Decrease by payment of dividends and acquisition of own shares

④ Statement of Cash Flows

(Millions of Yen)	FY2015	FY2016	Change
	A	B	B-A
Income before income taxes	5,258	4,056	△1,202
Depreciation and amortization	1,457	1,339	△118
Impairment loss	142	–	△142
Decrease (Increase) in trade notes and accounts receivable-trade	△2,003	1,344	3,347
Increase (Decrease) in inventories	299	△770	△1,069
Decrease (Increase) in trade notes and accounts payable-trade	758	△155	△913
Decrease (Increase) in accounts payable-other	1,453	△220	△1,674
Decrease (Increase) in long-term prepaid expenses	△1,300	44	1,344
Income taxes paid	△413	△2,500	△2,086
Other-net	△714	264	978
Net cash provided by operating activities	4,940	3,402	△1,537
Purchases of property, plant and equipment	△1,095	△500	594
Proceeds from sales of property, plant and equipment	342	101	△241
Purchases of intangible assets	△389	△260	128
Other-net	2,100	2,021	△78
Net cash provided by investing activities	957	1,361	404
Net cash used in financing activities	△1,582	△2,289	△707
Net Increase in cash and cash equivalents	4,316	2,475	△1,840
Cash and cash equivalents, beginning of period	31,894	36,210	4,316
Cash and cash equivalents, end of period	36,210	38,685	2,475

(※) 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 trade notes and accounts receivable-trade : FY2016 Decrease by decrease in sales

Decrease (Increase) in long-term prepaid expenses : FY2015 Increase by milestone payment in development
Decrease by amortization of marketing rights

(Financing activities) : FY2016 Decrease by acquisition of own shares

⑤ Capital Expenditures

(Millions of Yen)	FY2015	FY2016	Change	Change
	A	B	B-A	(%) (B-A)/A
Capital expenditures	2,207	891	△1,316	△59.6
PP&E	1,802	644	△1,157	△64.2
Intangible assets	405	246	△158	△39.1

Descriptions of capital expenditures

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

⑥ Depreciation/Amortization

(Millions of Yen)	FY2015	FY2016	Change	Change
	A	B	B-A	(%) (B-A)/A
Depreciation	1,457	1,339	△118	△8.1
Amortization of long-term prepaid expenses	824	1,018	194	23.6

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

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 FY2017

① Statement of Income

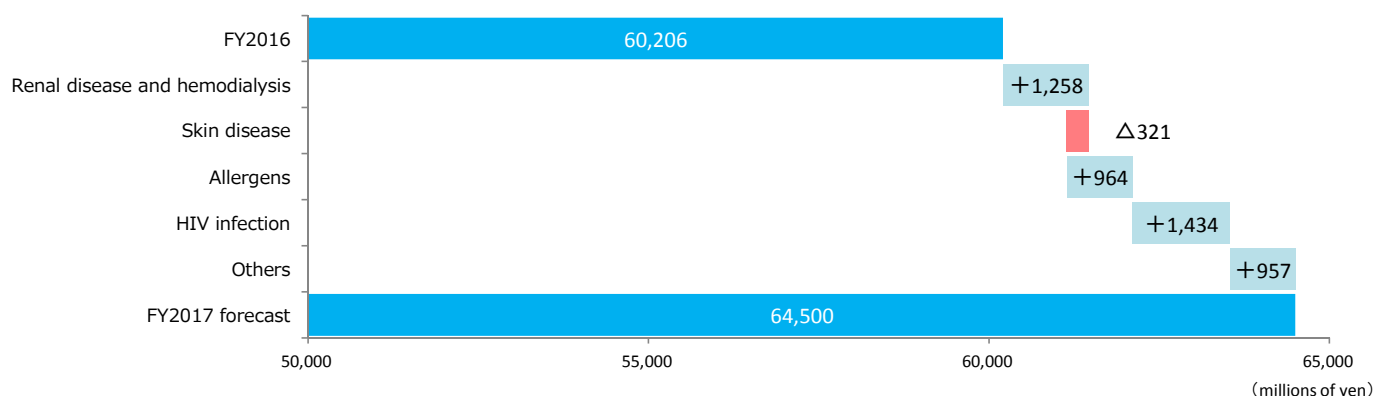
<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Net sales	60,206	64,500	4,293	7.1
Sales of products	59,620	62,900	3,279	5.5
Renal disease and hemodialysis	25,141	26,400	1,258	5.0
Skin disease	9,811	9,490	△321	△3.3
Allergens	1,485	2,450	964	64.9
HIV infection	17,225	18,660	1,434	8.3
Other	5,956	5,900	△56	△0.9
Other sales	586	1,600	1,013	173.0
Cost of sales	30,287	31,700	1,412	4.7
Gross profit	29,919	32,800	2,880	9.6
SG&A	26,099	27,500	1,400	5.4
R&D expenses	4,654	4,820	165	3.6
Others	21,445	22,680	1,234	5.8
Operating income	3,819	5,300	1,480	38.8
Ordinary income	3,999	5,400	1,400	35.0
Net income	2,839	3,900	1,060	37.3

(Reference) Ratio to net sales

<i>(%)</i>	FY2016	FY2017 forecast	Change
	A	B	B-A
Cost of sales	50.3	49.1	△1.2
SG&A	43.4	42.6	△0.8
R&D expenses	7.7	7.5	△0.2
Operating income	6.3	8.2	1.9
Ordinary income	6.6	8.4	1.8
Net income	4.7	6.0	1.3

[Factors in increase/decrease compared with the FY2016]

Net sales (¥ 64,500 million : Increase ¥ 4,293 million year-on-year)

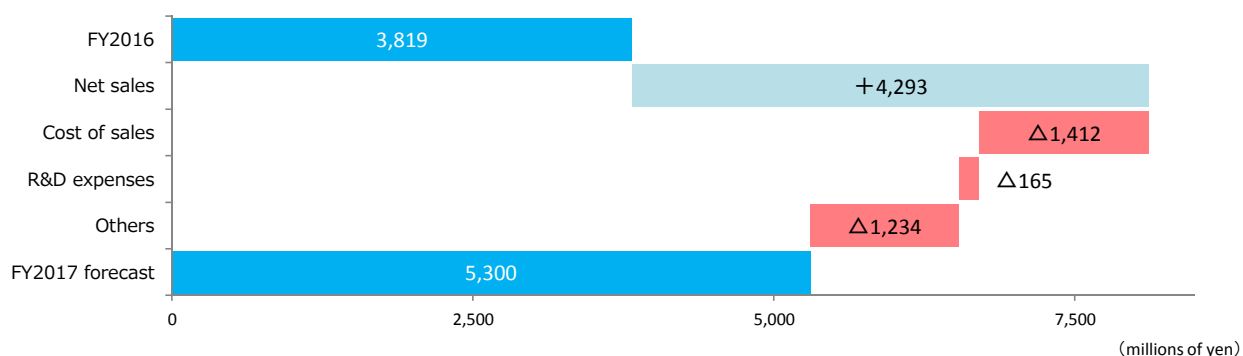


Major factors in increase/decrease

Renal disease and hemodialysis	: Riona	Increase	¥ 1,915 million	FUTHAN	Decrease	¥ 362 million
Skin disease	: ANTEBATE	Decrease	¥ 247 million			
Allergens	: CEDARTOLEN	Increase	¥ 322 million			
HIV infection	: Descovy	Increase	¥ 6,750 million	Genvoya	Increase	¥ 3,724 million
	: Truvada	Decrease	¥ 7,014 million	Stribild	Decrease	¥ 1,971 million
Others	: co-promotion fees	Increase	¥ 1,009 million			

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

Operating income (¥ 5,300 million : Increase ¥ 1,480 million year-on-year)



Major factors in increase/decrease

Cost of sales	: Increase in net sales
Others	: Increase in sales promotion expenses

Ordinary income (¥ 5,400 million : Increase ¥ 1,400 million year-on-year)

Special remarks: None

Net income (¥ 3,900 million : Increase ¥ 1,060 million year-on-year)

Special remarks: None

② Sales of Products

(Millions of Yen)	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of Products	59,620	62,900	3,279	5.5
REMITCH Oral anti-pruritus agent [Renal disease and hemodialysis]	13,645	13,600	△45	△0.3
Riona Agent for hyperphosphatemia [Renal disease and hemodialysis]	5,634	7,550	1,915	34.0
Descovy ※3 Antiviral agent for HIV [HIV infection]	—	6,750	6,750	—
ANTEBATE ※1 Topical corticosteroid [Skin disease]	6,277	6,030	△247	△3.9
Truvada Antiviral agent for HIV [HIV infection]	12,754	5,740	△7,014	△55.0
Genvoya ※2 Antiviral agent for HIV [HIV infection]	1,865	5,590	3,724	199.6
BIO-THREE Viable bacterial preparations [Other]	2,455	2,550	94	3.9
KAYEXALATE ※1 Agent for hyperkalemia [Renal disease and hemodialysis]	2,178	2,150	△28	△1.3
FUTHAN ※1 Protease inhibitor [Renal disease and hemodialysis]	2,462	2,100	△362	△14.7
LOCOID ※1 Topical corticosteroid [Skin disease]	1,352	1,360	7	0.5
ZEFNART Topical antifungal agent [Skin disease]	1,275	1,360	84	6.6
CEDARTOLEN ※1 Japanese cedar pollinosis (Allergen Immunotherapy) [Allergens]	937	1,260	322	34.4
Magsent Tocolysis in threatened premature labor Eclampsia-suppressing and treatment [Other]	1,165	1,200	34	2.9
URINORM ※1 Uricosuric agent [Renal disease and hemodialysis]	1,219	1,000	△219	△18.0
Stribild Antiviral agent for HIV [HIV infection]	2,371	400	△1,971	△83.1
Others	4,023	4,260	236	5.9

※1 In-house products

※2 Launched on July 8, 2016

※3 Launched on January 27, 2017

(References) Sales and ratio of in-house products

(Millions of Yen)	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Sales of in-house products	16,316	16,440	123	0.8
Ratio of in-house product sales (%)	27.4	26.1	△1.3	—

③ Capital Expenditures

<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Capital expenditures	891	1,192	300	33.7
PP&E	644	964	319	49.5
Intangible assets	246	228	△18	△7.7

Descriptions of capital expenditures

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

④ Depreciation/Amortization

<i>(Millions of Yen)</i>	FY2016	FY2017 forecast	Change	Change (%)
	A	B	B-A	(B-A)/A
Depreciation	1,339	1,240	△99	△7.4
Amortization of long-term prepaid expenses	1,018	1,056	37	3.6

⑤ Dividends

		FY2016	FY2017 forecast	Change	Change (%)
		A	B	B-A	(B-A)/A
Dividends per share	(¥)	48	48	0	0.0
Dividends payout ratio	(%)	47.8	34.5	△13.3	-

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

<i>(0.1 billions of yen)</i>	FY2016	FY2017 forecast	FY2018 target※2
Net sales	602	645	620
Operating income prior to deduction of R&D expenses※1	84	101	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 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