



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 2Q of the year ending March 2015

November, 2014

(stock ticker number : 4553)

Summary

- Sales increased by 17.2% year-on-year. Under influence of the temporary demand before sales tax increase, sales is more than 10% increase year-on-year after April and ca. 20% increase year-on-year after July by expanding customers triggered by the price grouping of the revision of the NHI pricing system for GE. As a result, sales is slightly below the plan.
- COGS rate increased by 0.3 point year-on-year due to reduction of sales price by the NHI price revision and decrease of manufacturing cost by increasing volume.
- SGA increased by 11.4% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and packing and freight are impacted a lot. On the other hand, compared with the budget, labor cost, advertisement cost and R&D cost are behind, all of which will be accounted after 3Q.
- OP income increased by 34.1% year-on-year. Progress is good compared with the plan due to decreased COGS rate and SGA behind the budget, but OP income will be in line with the plan by the end of this financial year.
- The full year forecast for the year ending March 2015 was not revised.

Outline of the financial results for the 2Q of the year ending March 2015

Period	15/3 2Q			14/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	33,468	100.0	+ 17.2	28,559	100.0
COGS	17,074	51.0	+ 17.9	14,478	50.7
SGA	12,211	36.5	+ 11.4	10,961	38.4
Operating income	4,183	12.5	+ 34.1	3,119	10.9
Ordinary income	5,550	16.6	+ 76.7	3,140	11.0
Net income	4,068	12.2	+ 101.4	2,019	7.1

Exchange rate
US\$1.00

2014/9 2014/6 2014/3
108.45yen 100.36yen 101.92yen

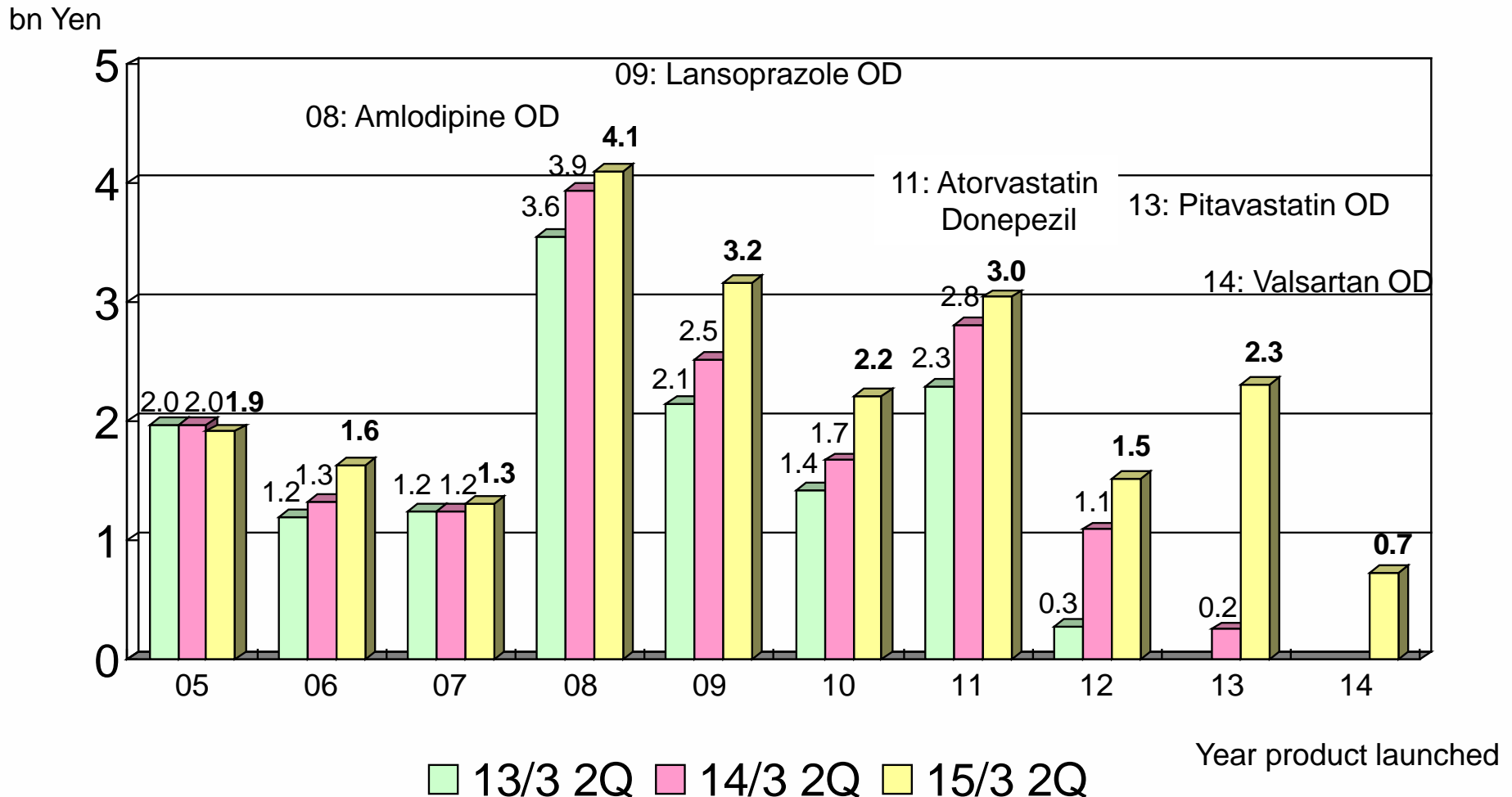
2013/9 2013/6 2013/3
96.75yen 97.59yen 93.05yen

Outline of the financial results for the 2Q of the year ending March 2015 (progress rate)

Period	15/3							
	2Q		2Q plan (disclosed on May 14th)			Full-year Plan		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	33,468	100.0	34,300	100.0	97.6	72,000	100.0	46.5
COGS	17,074	51.0	18,200	53.1	93.8	37,500	52.1	45.5
SGA	12,211	36.5	12,950	37.8	94.3	26,700	37.1	45.7
Operating income	4,183	12.5	3,150	9.2	132.8	7,800	10.8	53.6
Ordinary income	5,550	16.6	3,150	9.2	176.2	7,800	10.8	71.2
Net income	4,068	12.2	2,150	6.3	189.2	5,300	7.4	76.8

Sales of products by launched year

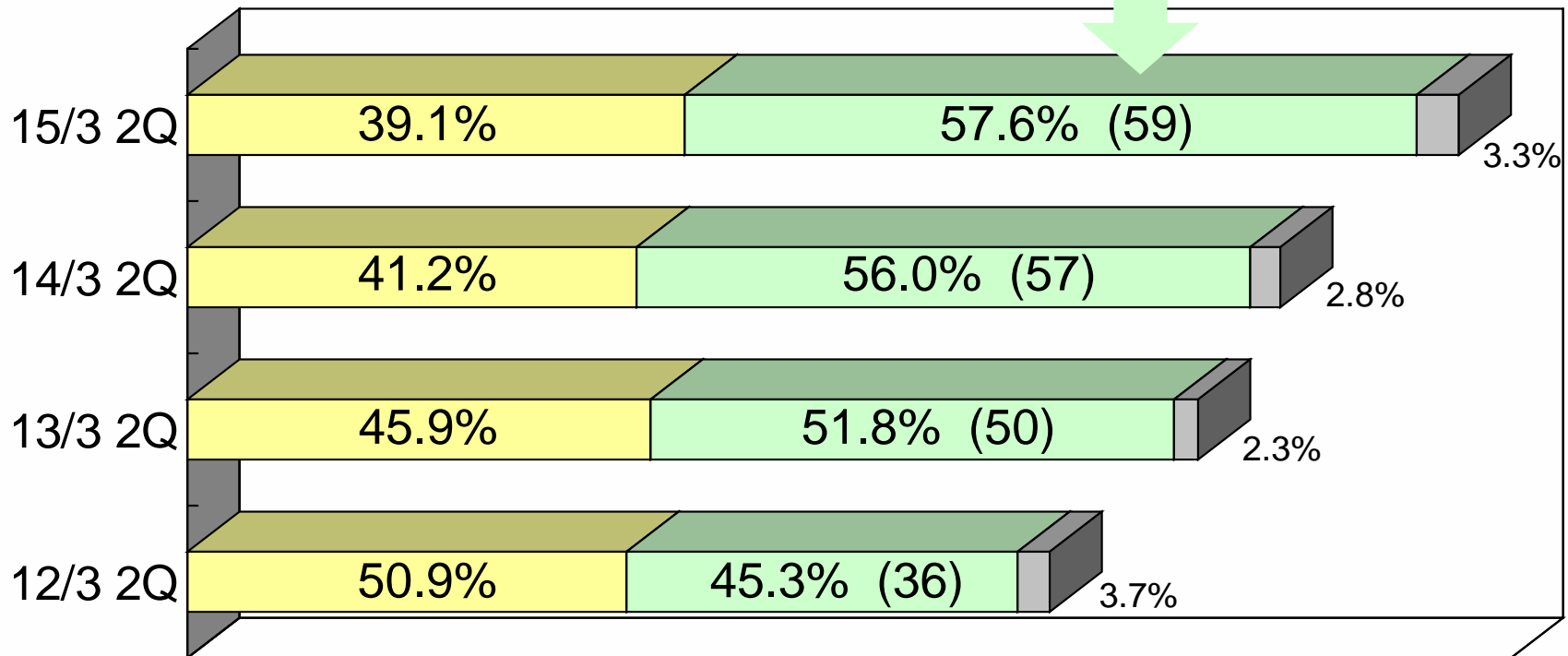
Products launched after 09 increased steadily.



Sales of channels

Ratio of direct sales increased due to sales increase of sales office and increased headquarter transaction.

() is the number of sales offices.

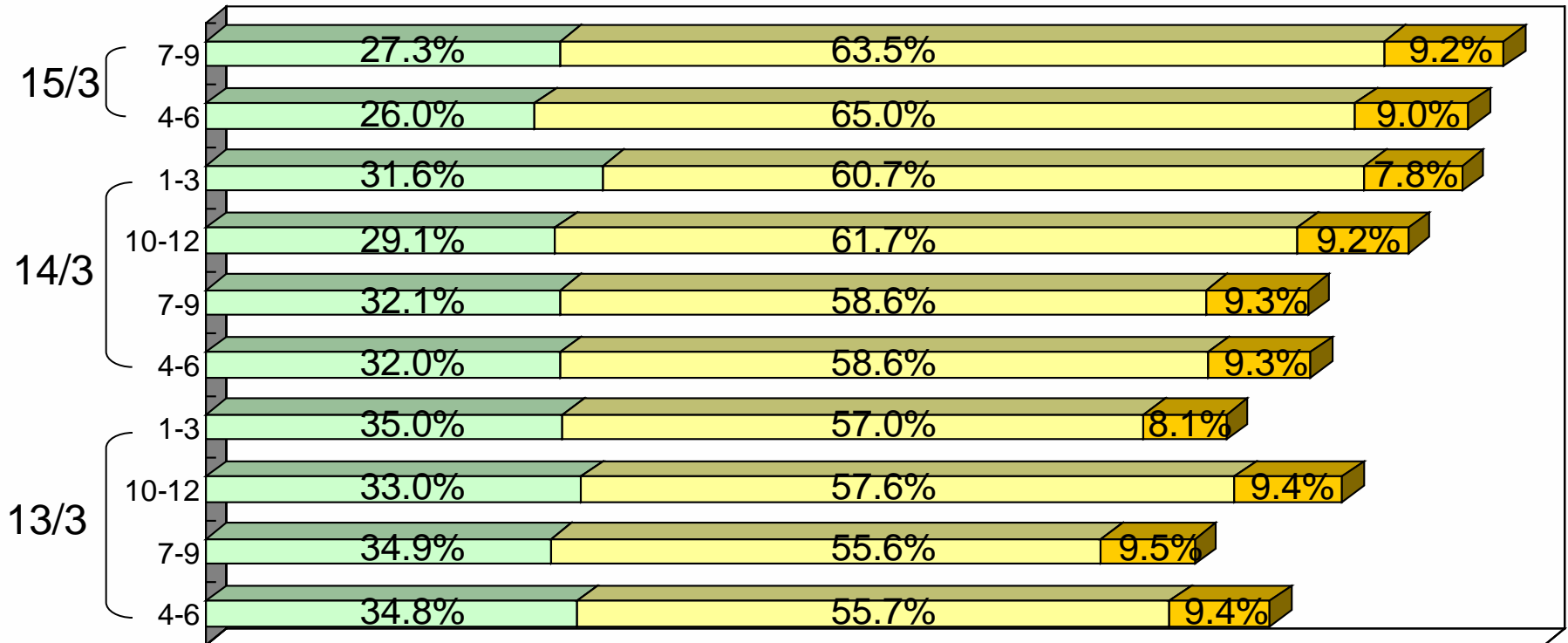


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rate of dispensing pharmacies keeps more than 60%.



■ General Practitioners
 ■ Dispensing Pharmacies
 ■ Hospitals

Excluding sales by other companies.

Assuming sales of general practitioners, dispensing pharmacies and hospitals is 100%.

SGA

Period	15/3 2Q			14/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	5,248	15.7	+ 10.0	4,771	16.7
R&D	3,013	9.0	+ 17.3	2,568	9.0
Packing and freight	623	1.9	+ 51.8	410	1.4
Commission	359	1.1	+ 5.4	341	1.2
Depreciation cost	404	1.2	+ 10.2	366	1.3
Ad.	462	1.4	- 18.2	565	2.0
Others	2,098	6.2	+ 8.3	1,937	6.8
SGA	12,211	36.5	+ 11.4	10,961	38.4

SGA increased by 11.4% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and packing and freight are impacted a lot. On the other hand, compared with the budget, labor cost, advertisement cost and R&D cost are behind, all of which will be accounted after 3Q. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

Balance Sheets

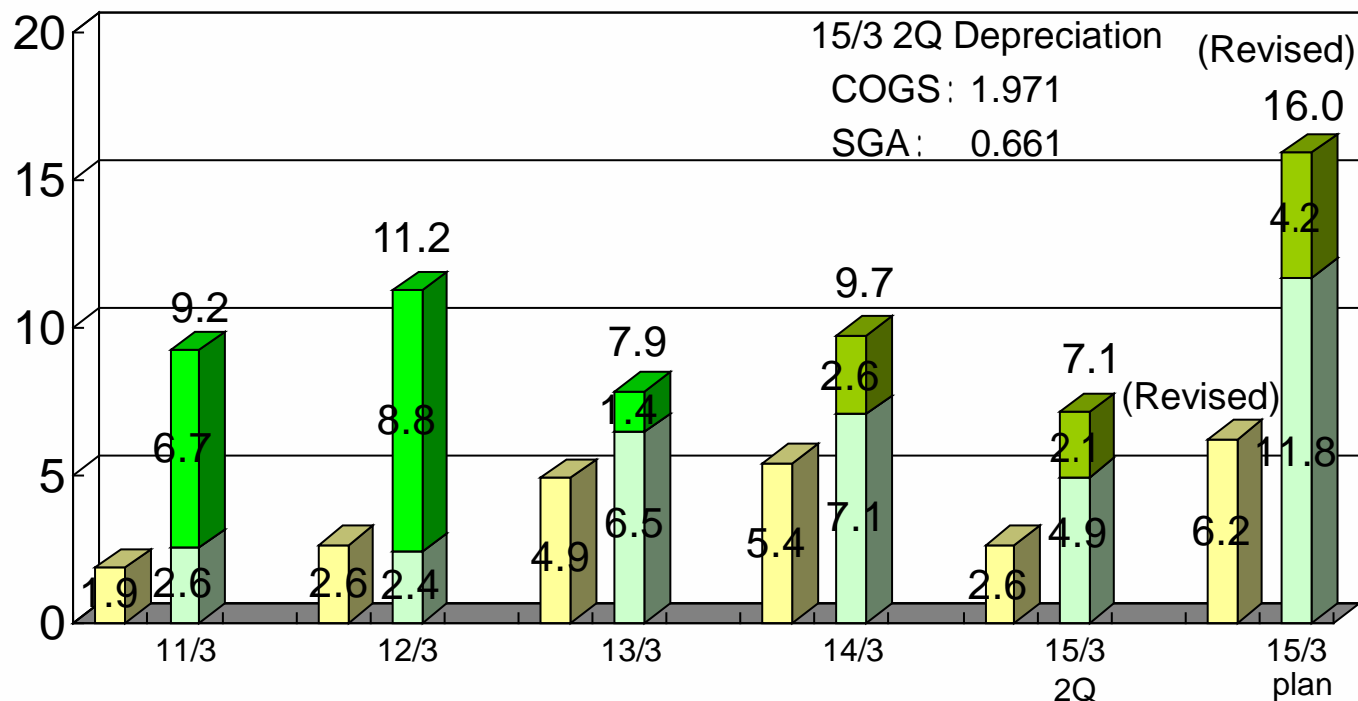
(million Yen)

	14/9	14/3	Change
Cash and deposits	3,227	6,038	- 2,810
Trade notes and accounts receivable	19,948	19,505	+ 442
Marketable securities	1,000	4,637	- 3,637
Finished products	13,564	12,412	+ 1,152
Other current assets	16,462	14,200	+ 2,261
Total current assets	54,203	56,794	- 2,590
Buildings and structures	21,358	21,663	- 305
Machineries, equipments and carriers	9,241	9,019	+ 221
Other fixed assets	20,680	15,840	+ 4,839
Total fixed assets	51,279	46,523	+ 4,755
Total assets	105,483	103,318	+ 2,165

	14/9	14/3	Change
Trade notes and accounts payable	10,868	9,775	+ 1,092
Current portion of long-term debt	3,005	2,925	+ 79
income taxes payable	1,479	1,915	- 435
Other current liabilities	9,281	10,140	- 859
Total current liabilities	24,634	24,757	- 122
Long-term debt	15,471	16,620	- 1,149
Other long-term liabilities	1,764	1,792	- 28
Total long-term liabilities	17,236	18,413	- 1,177
Total liabilities	41,870	43,170	- 1,299
Total net assets	63,612	60,147	+ 3,465
Total liabilities and net assets	105,483	103,318	+ 2,165

Capital expenditure and depreciation cost

bn Yen



- Depreciation cost
- Capital expenditure for others
- Capital expenditure for Yamagata Plant
- Capital expenditure for Daichi Kasei

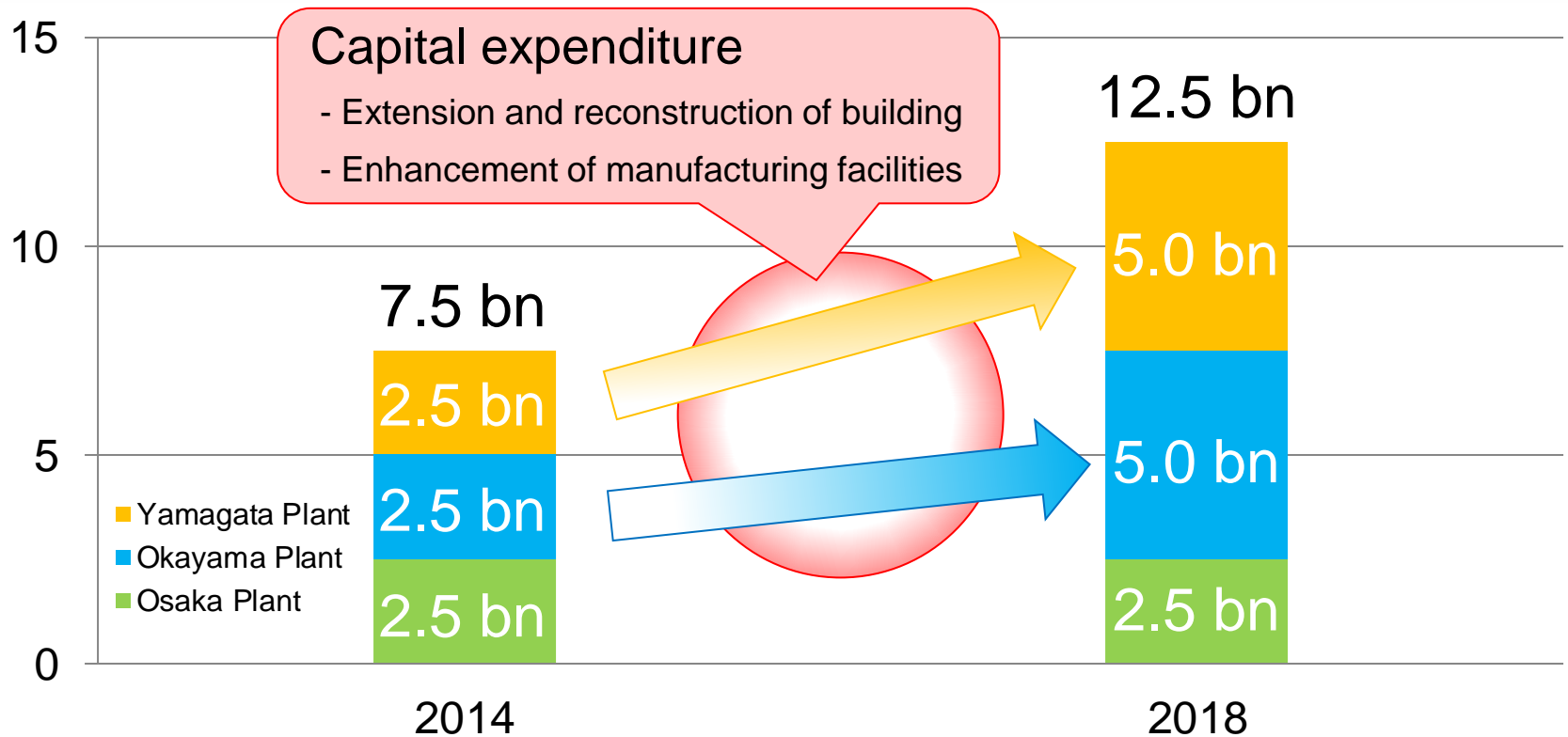
Enhancement of manufacturing capacity

Enhancement of manufacturing capacity for future growth

n Osaka Plant and Okayama Plant: Oral dosage forms

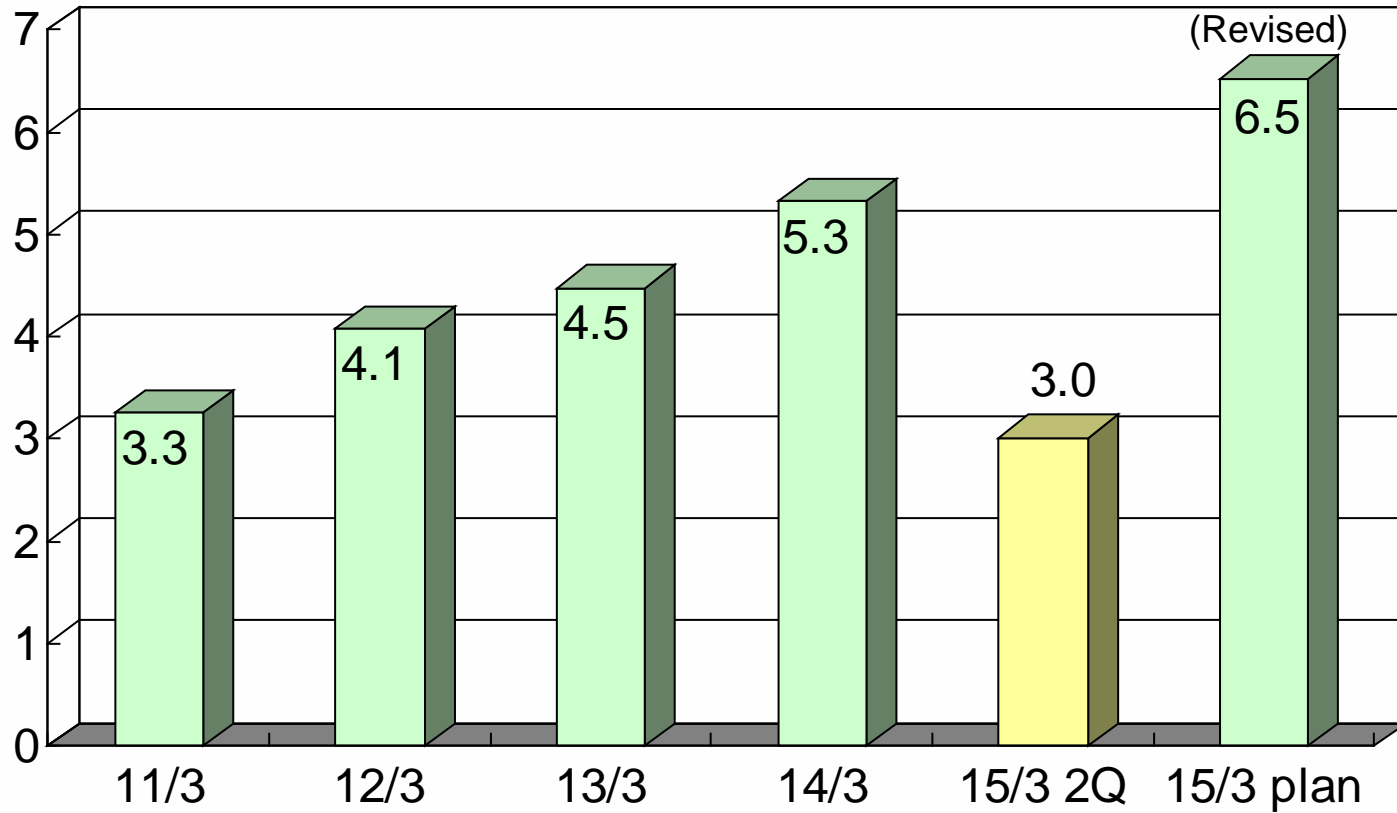
n Yamagata Plant: Oral dosage forms and injections

bn tablets



R&D expenditure

bn Yen



Major products to be launched in December 2014

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
Long-acting angiotensin II receptor antagonist	CANDESARTAN TABLETS 2mg/4mg/8mg/12mg "TOWA"	BLOPRESS TABLETS 2/4/8/12 (Takeda)	102.2
Broad spectrum antibacterial product for oral use	LEVOFLOXACIN OD TABLETS 250mg/500mg "TOWA" LEVOFLOXACIN TABLETS 250mg/500mg "TOWA" LEVOFLOXACIN ORAL SOLUTION 250mg "TOWA"	CRAVIT TABLETS 250mg/500mg (Daiichi Sankyo)	32.7
Anticancer Drugs	OXALIPLATIN INTRAVENOUS INFUSION 50mg/100mg "TOWA"	ELPLAT I. V. INFUSION SOLUTION 50mg/100mg (Yakult)	28.7

13 products in total

Annual sales budget: ca. 0.6 bn yen for products to be launched in December 2014

Candesartan 0.3 bn yen

Levofloxacin 0.1 bn yen

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