



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 1Q of the year ending March 2017

August, 2016

(stock ticker number : 4553)

Summary

- Sales increased by 3.8% year-on-year. Increase of sales volume contributed to the sales growth under influence of decrease in our NHI price revision of April 2016. Sales volume was behind the plan, and sales is behind the plan.
- COGS rate increased by 5.6 point year-on-year due to decrease of NHI prices of our main products, as a main factor, and also due to manufactured volume behind the plan.
- SGA increased by 13.7% year-on-year. Main factors are increases in R&D cost due to increase of products to be developed, and labor cost by increase of employees in sales force. Compared with the budget, R&D cost is behind.
- OP income decreased by 55.6% year-on-year as a results of the above.
- Loss attributable to owners of parent was 1,099 million yen due to the result that loss on revaluation of currency swaps for the purpose of currency hedge of API payments was 2,143 million yen due to sharp appreciation of the yen in this period.

Outline of the financial results for the 1Q of the year ending March 2017

Period	17/3 1Q			16/3 1Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	20,177	100.0	+ 3.8	19,430	100.0
COGS	11,103	55.0	+ 15.5	9,611	49.5
SGA	7,736	38.3	+ 13.7	6,805	35.0
Operating income	1,338	6.6	- 55.6	3,012	15.5
Ordinary income	- 672	- 3.3	-	3,338	17.2
Profit attributable to owners of parent	- 1,099	- 5.4	-	2,240	11.5

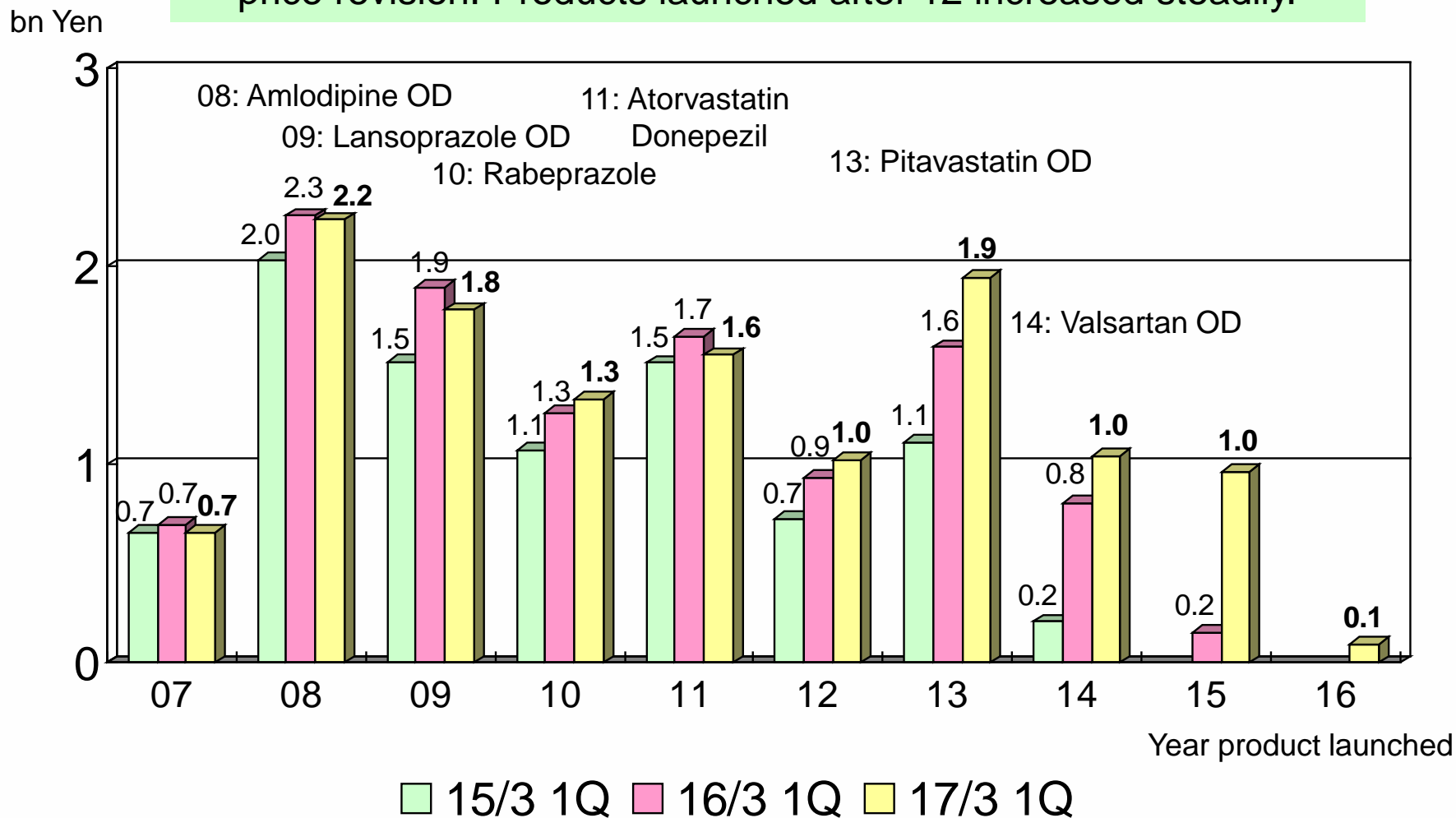
Exchange rate	2016/6	2016/3	2015/6	2015/3
US\$1.00	101.91 yen	111.68 yen	121.45 yen	119.17 yen

Outline of the financial results for the 1Q of the year ending March 2017 (progress rate)

Period	17/3							
	1Q		2Q plan			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	20,177	100.0	44,500	100.0	45.3	93,500	100.0	21.6
COGS	11,103	55.0	22,900	51.5	48.5	48,200	51.6	23.0
SGA	7,736	38.3	17,500	39.3	44.2	34,800	37.2	22.2
Operating income	1,338	6.6	4,100	9.2	32.6	10,500	11.2	12.7
Ordinary income	- 672	- 3.3	4,030	9.1	-	10,350	11.1	-
Profit attributable to owners of parent	- 1,099	- 5.4	2,965	6.7	-	7,450	8.0	-

Sales of products by launched year

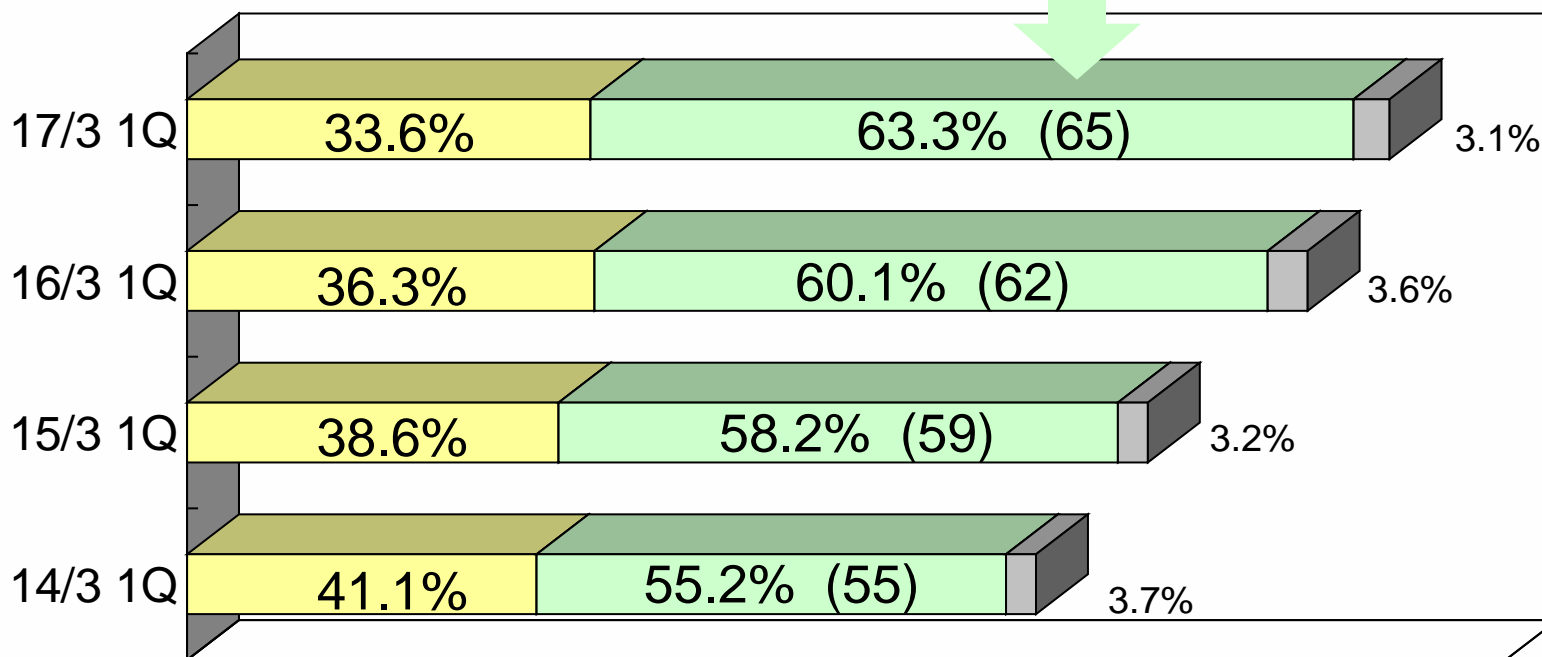
Volume of sold products increased under strong impact of the NHI price revision. Products launched after 12 increased steadily.



Sales of channels

Ratio of direct sales increased due to changing sales agent to sales office and opening new offices, and increased headquarter transaction.

() is the number of sales offices.

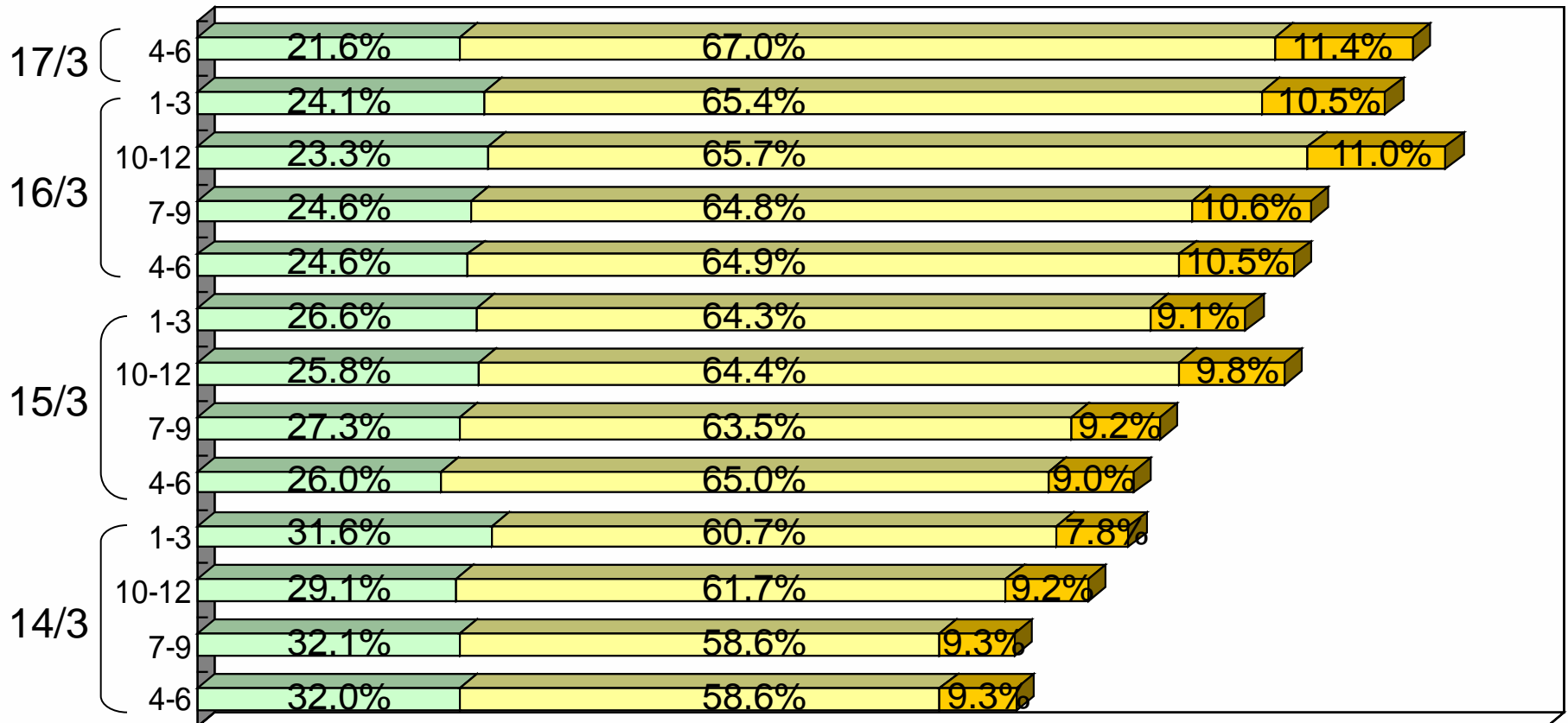


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rate of dispensing pharmacies keeps well under sales growth.



■ General Practitioners
 ■ Dispensing Pharmacies
 ■ Hospitals

Excluding sales by other companies.

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

SGA

Period	17/3 1Q			16/3 1Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	3,318	16.4	+ 11.4	2,978	15.3
R&D	1,966	9.7	+ 25.4	1,568	8.1
Packing and freight	493	2.4	+ 37.1	360	1.9
Depreciation cost	251	1.2	+ 13.5	221	1.1
Commission	249	1.2	- 2.6	255	1.3
Ad.	217	1.1	- 23.9	285	1.5
Others	1,239	6.1	+ 9.0	1,136	5.8
SGA	7,736	38.3	+ 13.7	6,805	35.0

SGA increased by 13.7% year-on-year. Main factors are increases in R&D cost due to increase of products to be developed, and labor cost by increase of employees in sales force. Compared with the budget, R&D cost is behind. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

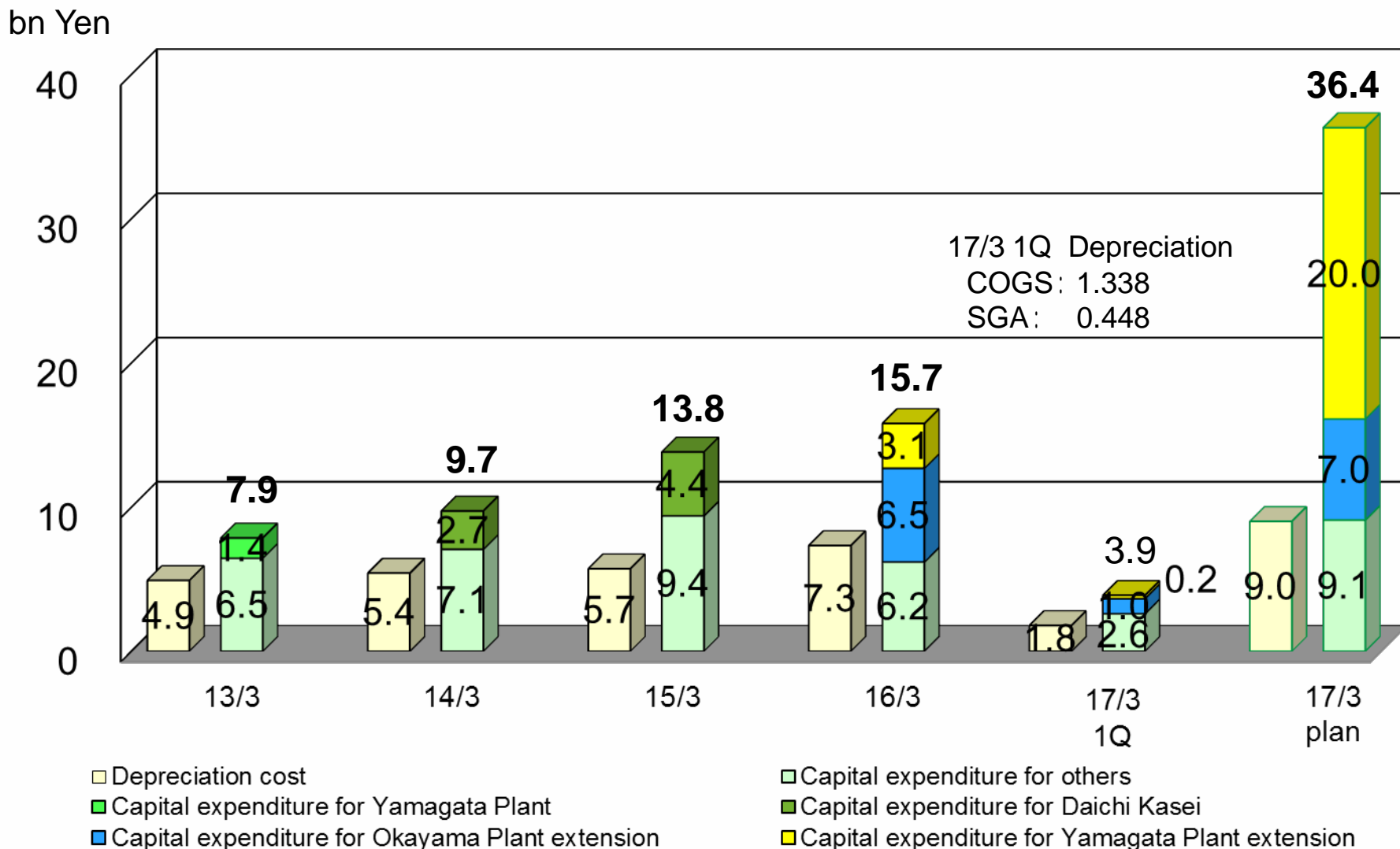
Balance Sheets

(million Yen)

	16/6	16/3	Change
Cash and deposits	16,271	20,526	- 4,254
Trade notes and accounts receivable	24,990	25,802	-812
Marketable securities	6,999	5,000	+ 1,999
Finished products	21,743	21,039	+ 704
Other current assets	21,297	22,763	- 1,466
Total current assets	91,303	95,132	- 3,829
Buildings and structures	28,064	24,170	+ 3,893
Machineries, equipments and carriers	14,228	14,618	-389
Construction in progress	6,660	8,146	- 1,486
Other fixed assets	14,885	14,783	+ 101
Total fixed assets	63,837	61,719	+ 2,118
Total assets	155,141	156,851	- 1,710

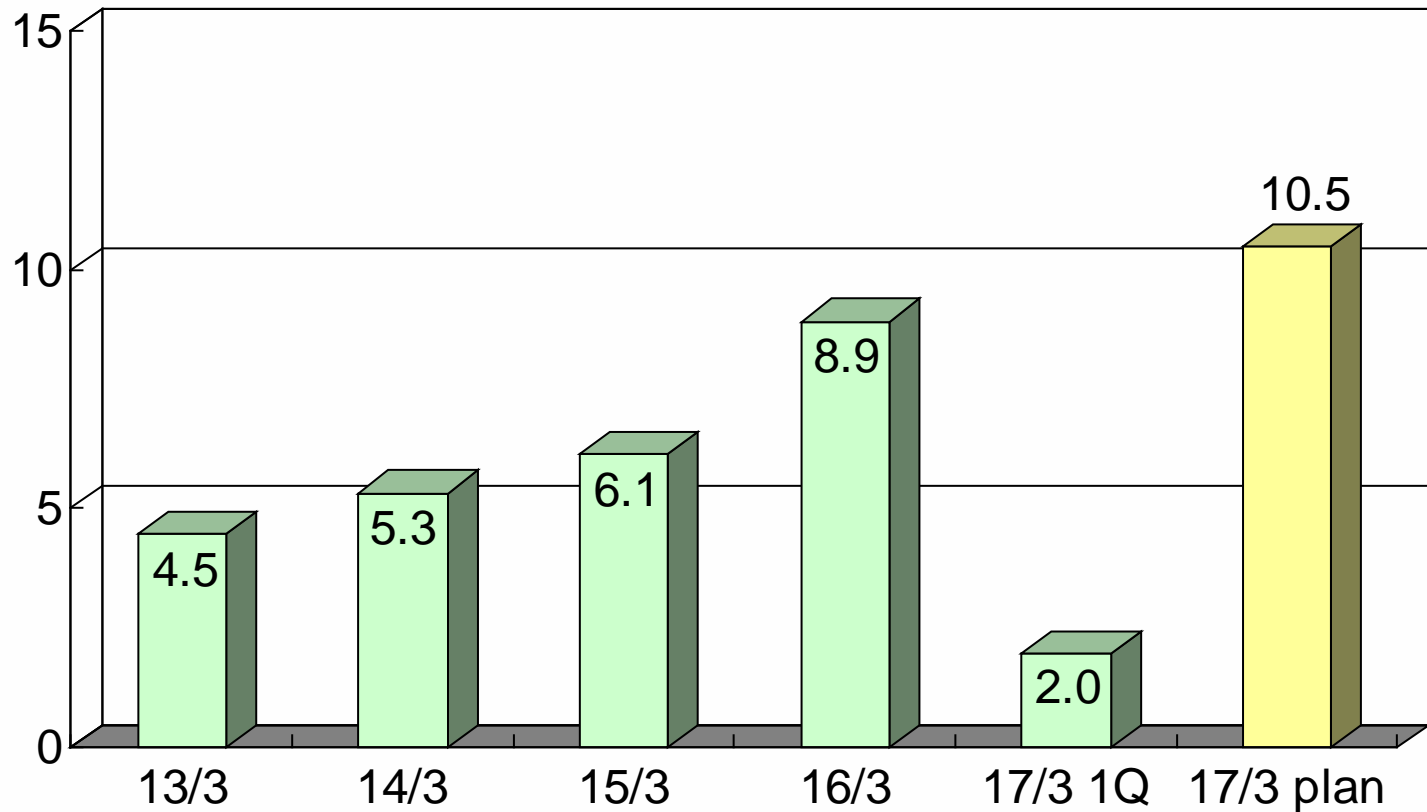
	16/6	16/3	Change
Trade notes and accounts payable	15,423	14,136	+ 1,286
Current portion of long-term debt	2,244	2,033	+ 210
Income taxes payable	28	258	-230
Other current liabilities	14,002	14,833	-830
Total current liabilities	31,698	31,262	+ 436
Long-term debt	38,067	38,435	-367
Convertible bond	15,064	15,067	-2
Other long-term liabilities	1,494	1,481	+ 12
Total long-term liabilities	54,626	54,984	-358
Total liabilities	86,324	86,246	+ 78
Total net assets	68,816	70,605	- 1,788
Total liabilities and net assets	155,141	156,851	- 1,710

Capital expenditure and depreciation cost



R&D expenditure

bn Yen



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