



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 3Q of the year ending March 2017

February, 2017

(stock ticker number : 4553)

Summary

- Sales increased by 4.0% year-on-year. Increase of sales volume contributed to the sales growth. The progress of sales is behind the plan due to insufficient reduction of influence of decrease in our NHI price revision of April 2016 by sales expansion of recently launched products and main products.
- COGS rate increased by 4.4 point year-on-year due to decrease of NHI prices of our main products and increase in depreciation cost by the start of operation of newly installed equipment at the Okayama Plant are main factors. It is almost in line with the plan toward the end of this fiscal year.
- SGA increased by 8.5% year-on-year. Main factors are increases in R&D cost by increase of products to be developed and labor cost by increase of employees in sales force.
- OP income decreased by 38.3% year-on-year as a results of the above. It is almost in line with the plan toward the end of this fiscal year.
- Below the ordinary income level, income and profits are greatly affected by the gain/loss on revaluation of currency swaps due to foreign exchange fluctuations. Although they are significantly higher than the full year plan, the plan was not revised since they are largely dependent on exchange rate in the future.

Outline of the financial results for the 3Q of the year ending March 2017

Period	17/3 3Q			16/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	63,701	100.0	+ 4.0	61,234	100.0
COGS	34,211	53.7	+ 13.2	30,218	49.3
SGA	23,982	37.6	+ 8.5	22,095	36.1
Operating income	5,507	8.6	- 38.3	8,919	14.6
Ordinary income	6,498	10.2	- 27.2	8,929	14.6
Profit attributable to owners of parent	4,804	7.5	- 23.8	6,308	10.3

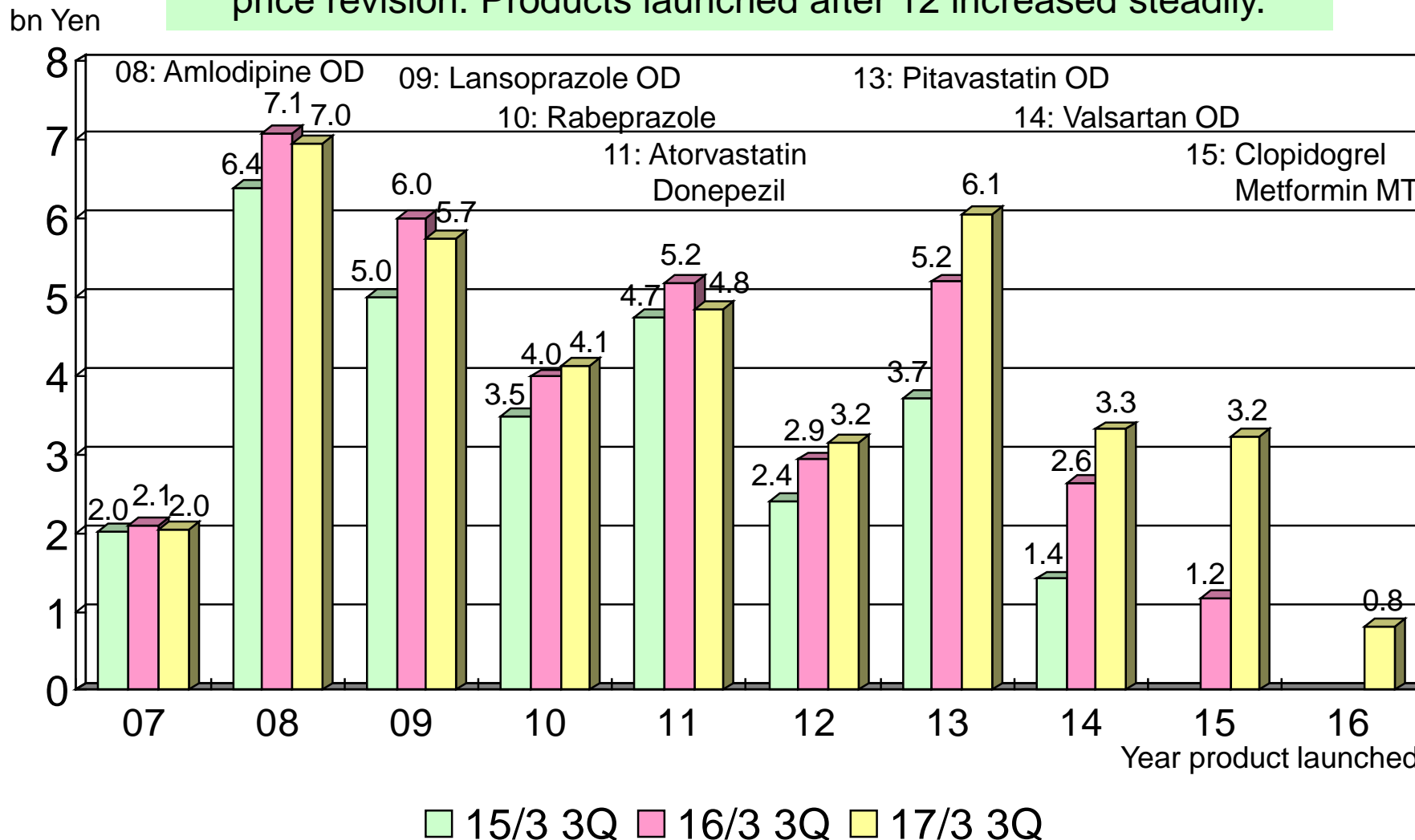
Exchange rate	2016/12	2016/9	2016/3	2015/12	2015/9	2015/3
US\$1.00	115.49 yen	100.12 yen	111.68 yen	119.61 yen	118.96 yen	119.17 yen

Outline of the financial results for the 3Q of the year ending March 2017 (progress rate)

Period	17/3					
	3Q		Revised full-year plan (disclosed on October 28)			
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Change in %	Progress rate in %
Net sales	63,701	100.0	88,400	100.0	+ 7.7	72.1
COGS	34,211	53.7	47,500	53.7	+ 18.0	72.0
SGA	23,982	37.6	33,700	38.1	+ 9.7	71.2
Operating income	5,507	8.6	7,200	8.1	- 35.3	76.5
Ordinary income	6,498	10.2	5,100	5.8	- 49.8	127.4
Profit attributable to owners of parent	4,804	7.5	3,600	4.1	- 53.2	133.5

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.

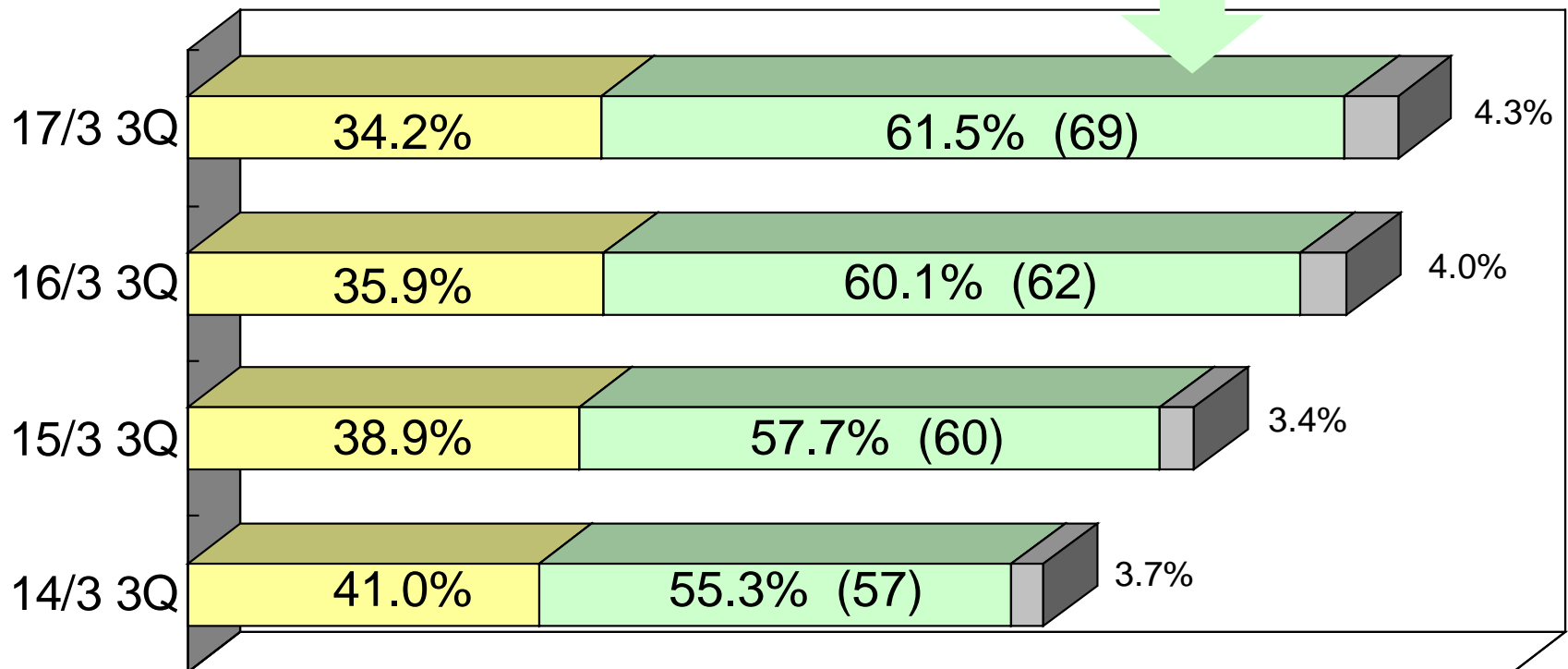


Sales of channels

(non-consolidated)

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.

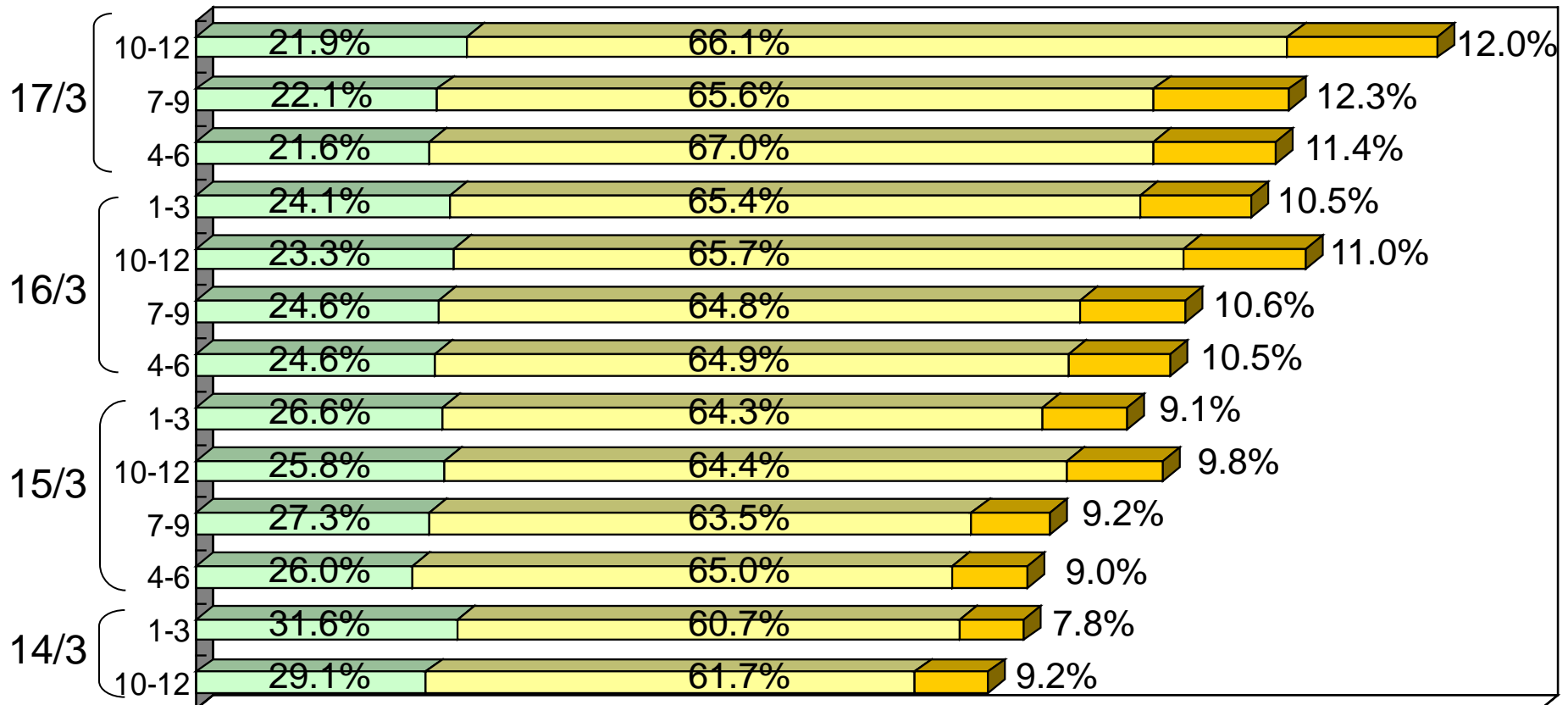


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rate of dispensing pharmacies and hospitals 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%.

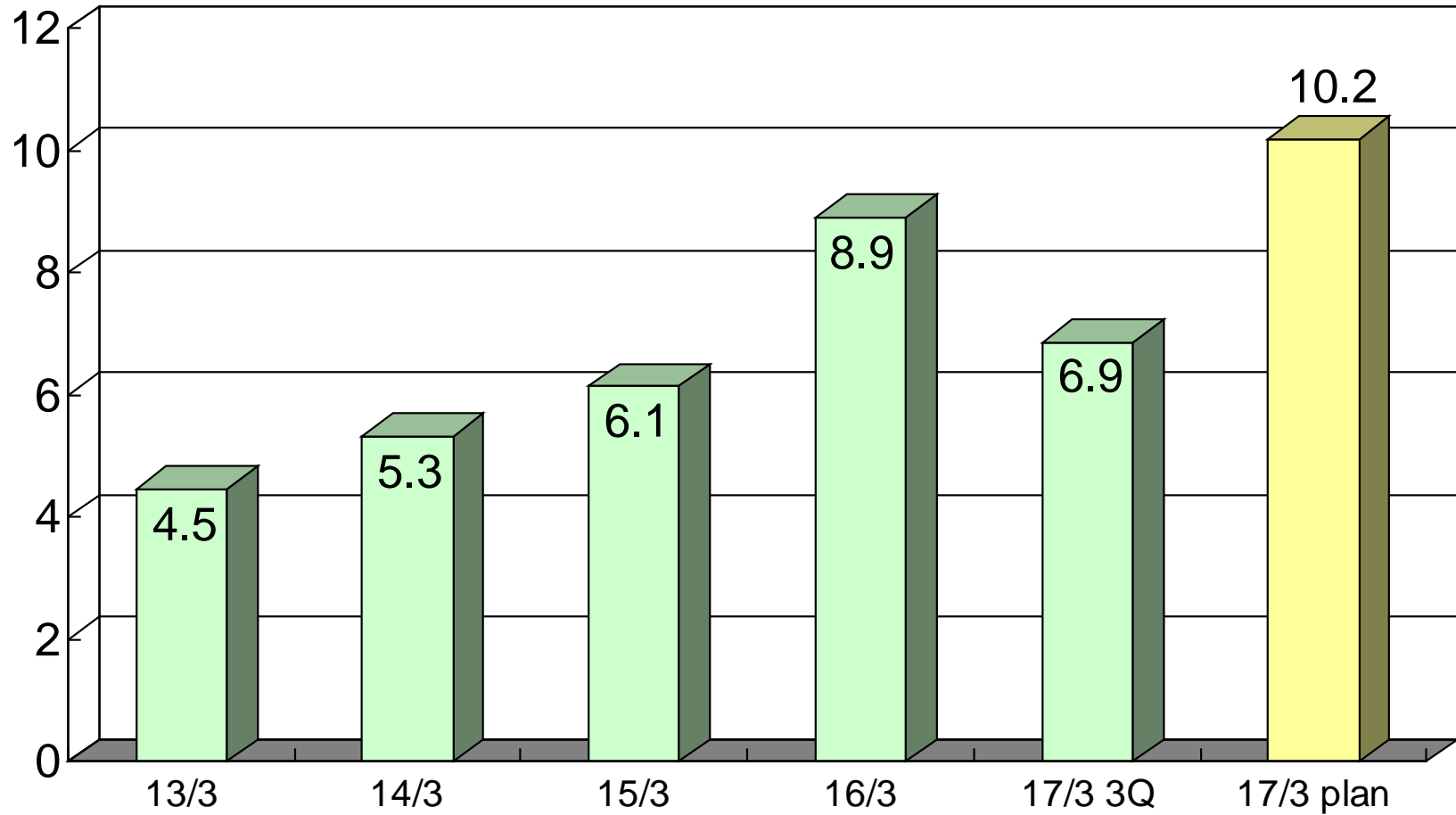
SGA

Period	17/3 3Q			16/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	9,913	15.6	+ 9.4	9,057	14.8
R&D	6,869	10.8	+ 16.1	5,914	9.7
Packing and freight	1,475	2.3	+ 29.2	1,142	1.9
Depreciation cost	817	1.3	+ 17.5	695	1.1
Commission	704	1.1	- 4.0	733	1.2
Ad.	698	1.1	- 38.0	1,127	1.8
Others	3,504	5.5	+ 2.3	3,424	5.6
SGA	23,982	37.6	+ 8.5	22,095	36.1

SGA increased by 8.5% year-on-year. Main factors are increases in R&D cost by increase of products to be developed and labor cost by increase of employees in sales force. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

R&D expenditure

bn Yen



Balance Sheets

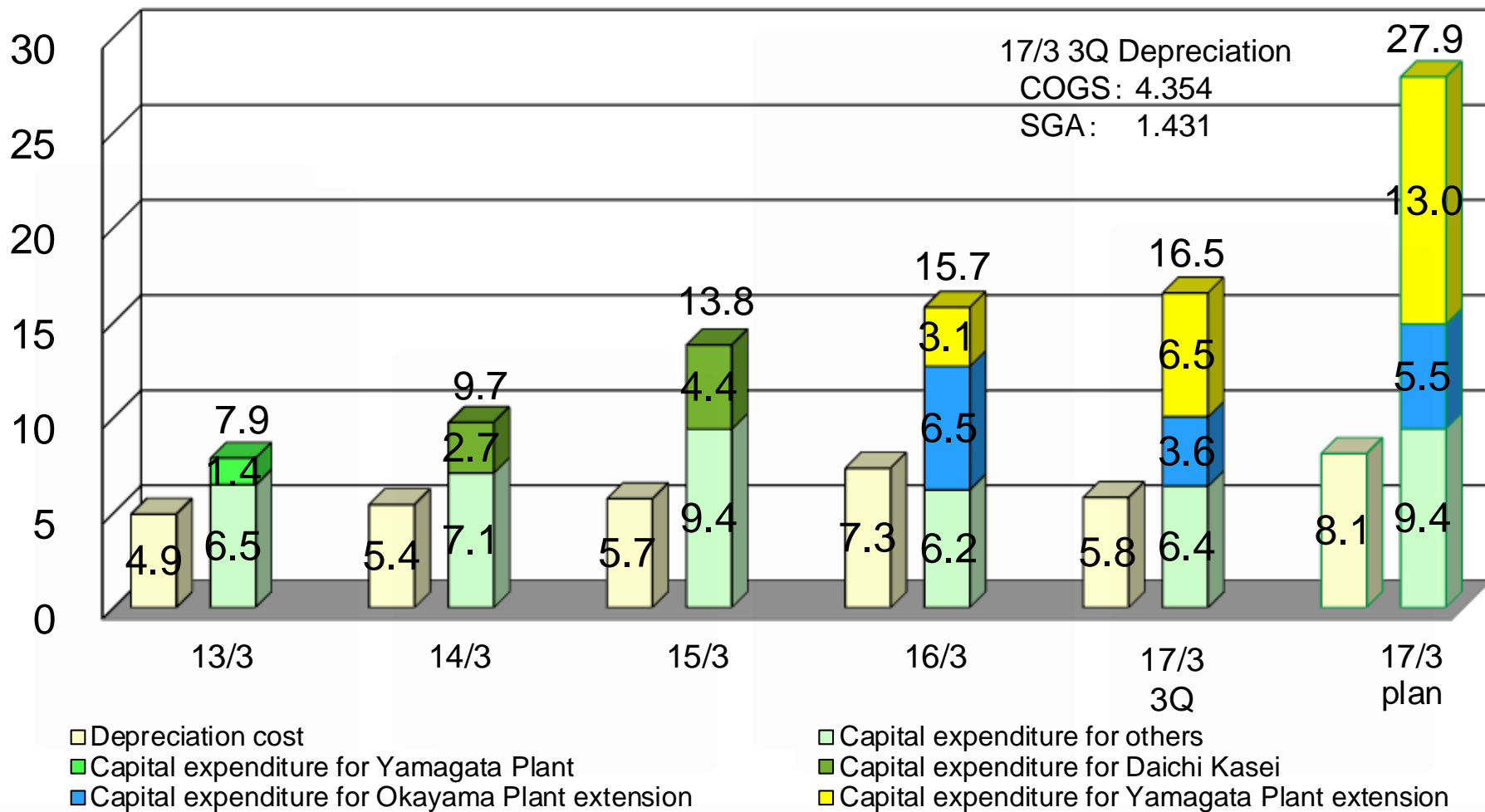
(million Yen)

	16/12	16/3	Change
Cash and deposits	17,138	20,526	- 3,387
Trade notes and accounts receivable	20,644	19,818	+ 826
Electronically recorded monetary claims	6,383	5,984	+ 399
Marketable securities	3,000	5,000	- 2,000
Finished products	22,353	21,039	+ 1,313
Other current assets	22,958	22,763	+ 194
Total current assets	92,479	95,132	- 2,653
Buildings and structures	29,671	24,170	+ 5,500
Machineries, equipments and carriers	14,041	14,618	- 576
Construction in progress	13,385	8,146	+ 5,238
Other fixed assets	15,449	14,783	+ 666
Total fixed assets	72,547	61,719	+ 10,828
Total assets	165,026	156,851	+ 8,175

	16/12	16/3	Change
Trade notes and accounts payable	5,423	6,954	- 1,530
Electronically recorded obligations-operating	8,139	7,182	+ 956
Current portion of long-term debt	2,546	2,033	+ 512
Facilities notes and accounts payable	9,375	6,508	+ 2,867
Other current liabilities	8,999	8,583	+ 416
Total current liabilities	34,484	31,262	+ 3,221
Long-term debt	39,794	38,435	+ 1,359
Convertible bond	15,059	15,067	- 8
Other long-term liabilities	1,609	1,481	+ 128
Total long-term liabilities	56,463	54,984	+ 1,479
Total liabilities	90,947	86,246	+ 4,701
Total net assets	74,079	70,605	+ 3,474
Total liabilities and net assets	165,026	156,851	+ 8,175

Capital expenditure and depreciation cost

bn Yen



Contact information

Public Relations and Investor Relations Office
Towa Pharmaceutical Co., Ltd.

ir@towayakuhin.co.jp

TEL : +81-6-6900-9102

FAX : +81-6-6908-6060

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