



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the year ended March 2017

May, 2017

(stock ticker number : 4553)

Summary

- Sales increased by 3.5% year-on-year. Increase of sales volume contributed to the sales growth. The increase rate of sales is small 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. In comparison with the plan, sales was behind due to insufficient sale volume of main products.
- COGS rate increased by 5.0 point year-on-year. Main factors are 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. The rate was almost in line with the plan.
- SGA increased by 4.7% year-on-year. Main factors are increases in R&D cost by increase of products to be developed, labor cost by increase of employees in sales force, and packing and freight. In comparison with the plan, R&D and labor costs were behind the plan.
- OP income decreased by 38.3% year-on-year as a result of the above. It was behind the plan by 330 million yen.
- Ordinary income decreased by 27.0% year-on-year due to significant decrease of loss on revaluation of currency swaps. In the revised plan disclosed on October 28, 2016, loss on revaluation of currency swaps (2,374 million yen) was estimated at the end of 2Q, and the loss decreased to 502 million yen at the end of this fiscal year with similar level of currency exchange rate of the last fiscal year. As a result, ordinary income increased significantly to the plan.

Outline of the financial results for the year ended March 2017

Period	17/3			16/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	84,949	100.0	+ 3.5	82,115	100.0	+ 14.9
COGS	45,902	54.0	+ 14.0	40,261	49.0	+ 16.7
SGA	32,176	37.9	+ 4.7	30,719	37.4	+ 18.7
Operating income	6,869	8.1	- 38.3	11,134	13.6	+ 0.3
Ordinary income	7,417	8.7	- 27.0	10,157	12.4	- 34.2
Profit attributable to owners of parent	5,576	6.6	- 27.4	7,684	9.4	- 30.9

Exchange rate	2017/3	2016/12	2016/9	2016/3	2015/12	2015/9	2015/3
US\$1.00	111.19yen	115.49yen	100.12yen	111.68yen	119.61yen	118.96yen	119.17yen

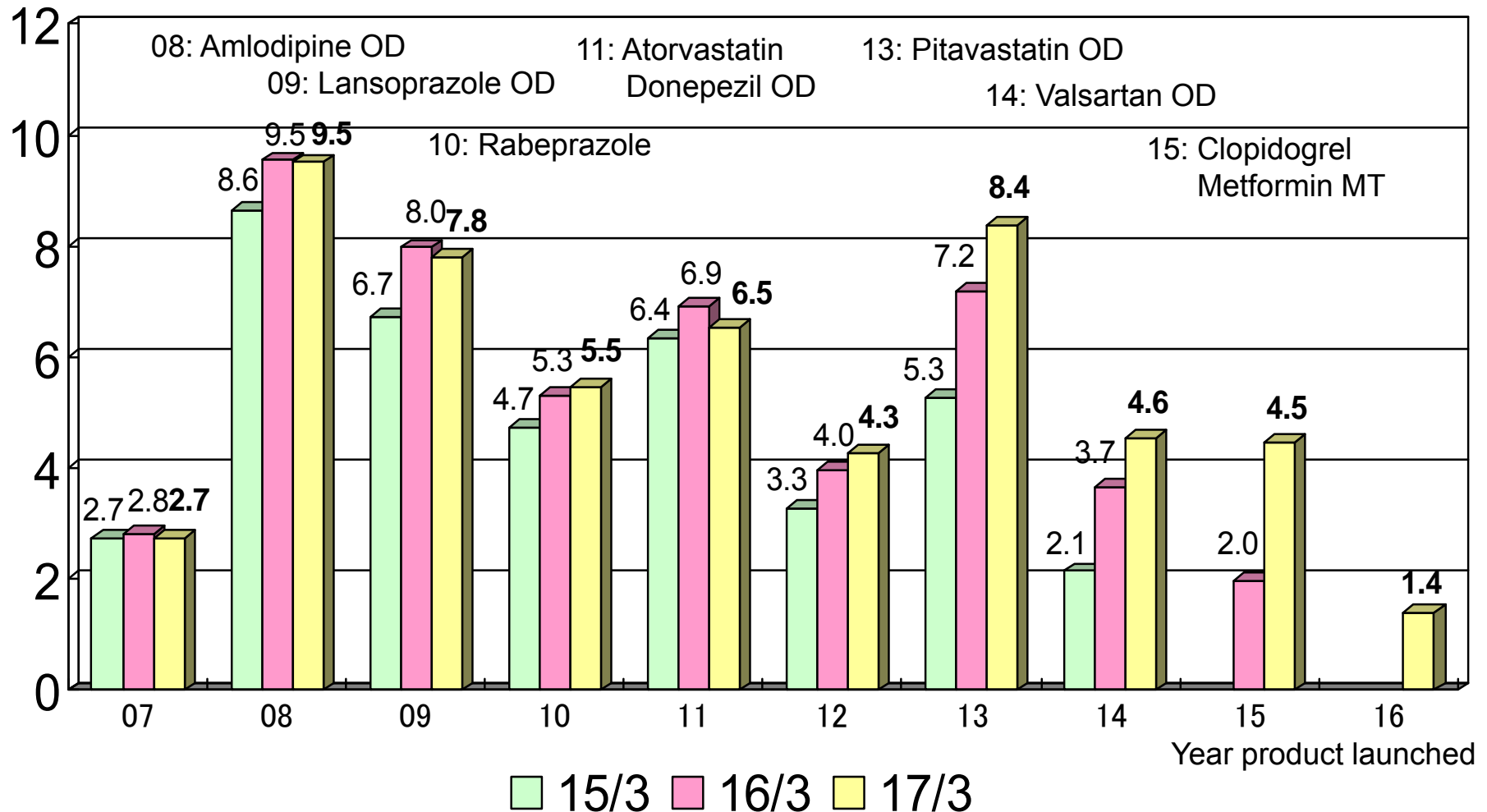
Outline of the financial results for the year ended March 2017 (progress rate)

Period	17/3							
	Results				Revised full-year plan (disclosed on October 28)			
	(million Yen)	Ratio to sales (%)	Change in %	Change in % to the plan	(million Yen)	Ratio to sales (%)	Change in %	Progress rate in %
Net sales	84,949	100.0	+ 3.5	- 3.9	88,400	100.0	+ 7.7	96.1
COGS	45,902	54.0	+ 14.0	- 3.4	47,500	53.7	+ 18.0	96.6
SGA	32,176	37.9	+ 4.7	- 4.5	33,700	38.1	+ 9.7	95.5
Operating income	6,869	8.1	- 38.3	- 4.6	7,200	8.1	- 35.3	95.4
Ordinary income	7,417	8.7	- 27.0	+ 45.4	5,100	5.8	- 49.8	145.4
Profit attributable to owners of parent	5,576	6.6	- 27.4	+ 54.9	3,600	4.1	- 53.2	154.9

Sales of products by launched year (non-consolidated)

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

bn Yen

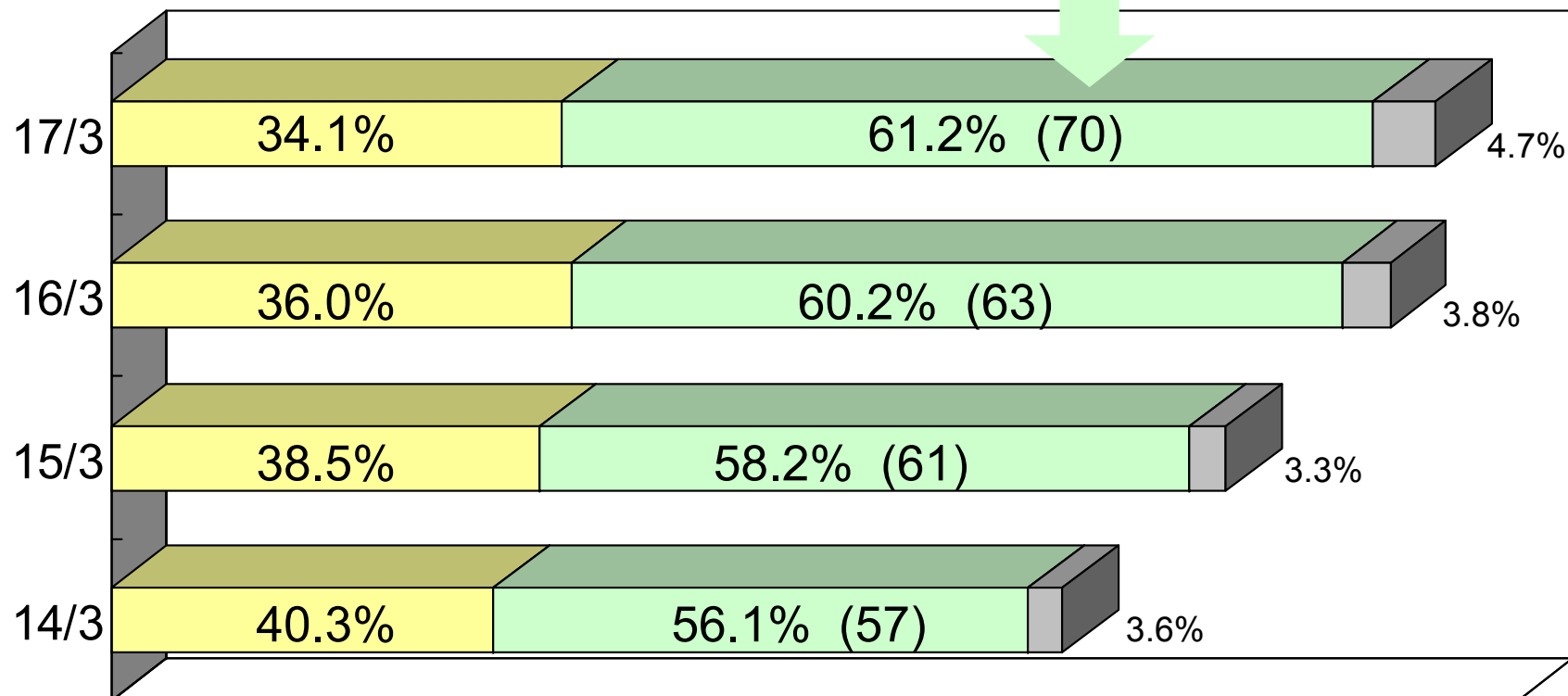


Sales of channels

(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.

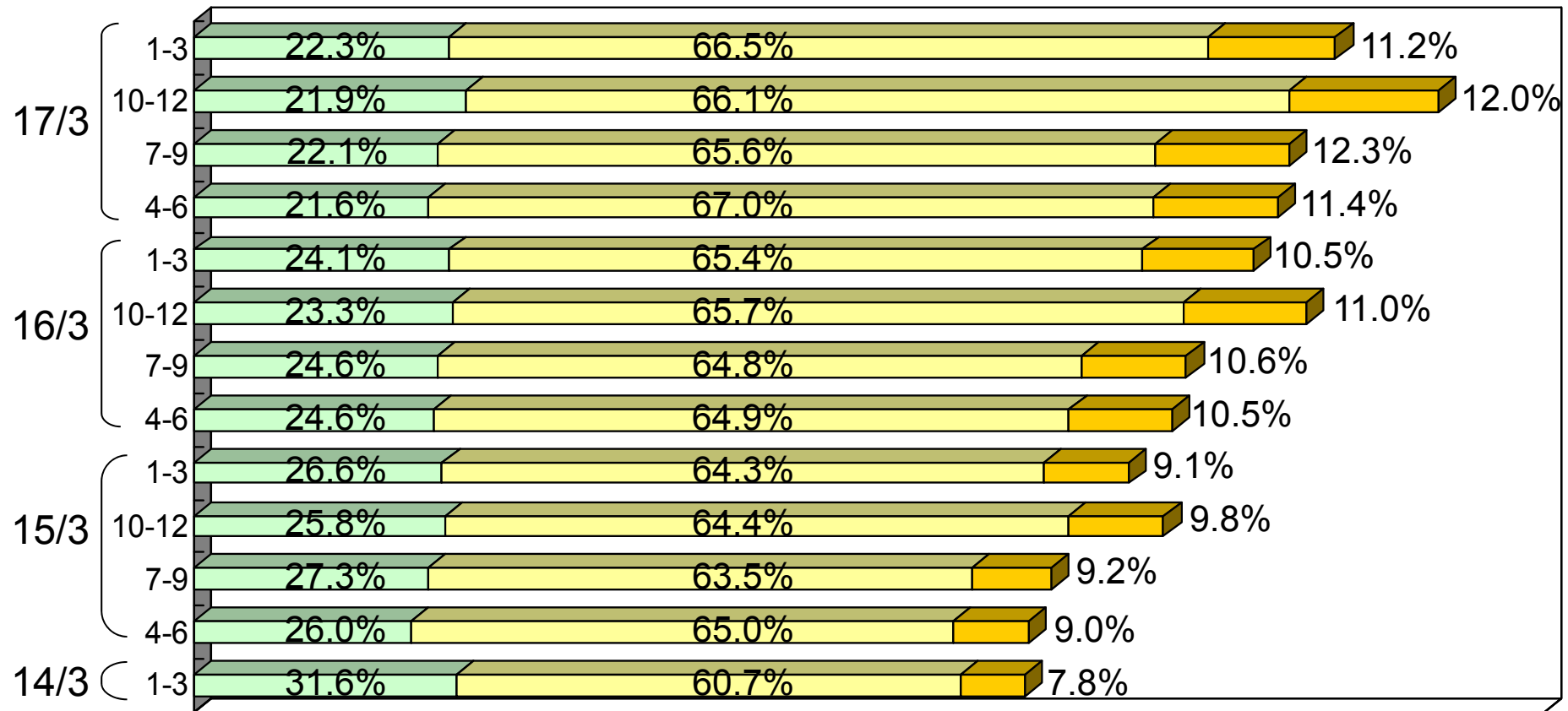


■ Sales agent ■ Direct sales ■ Others

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

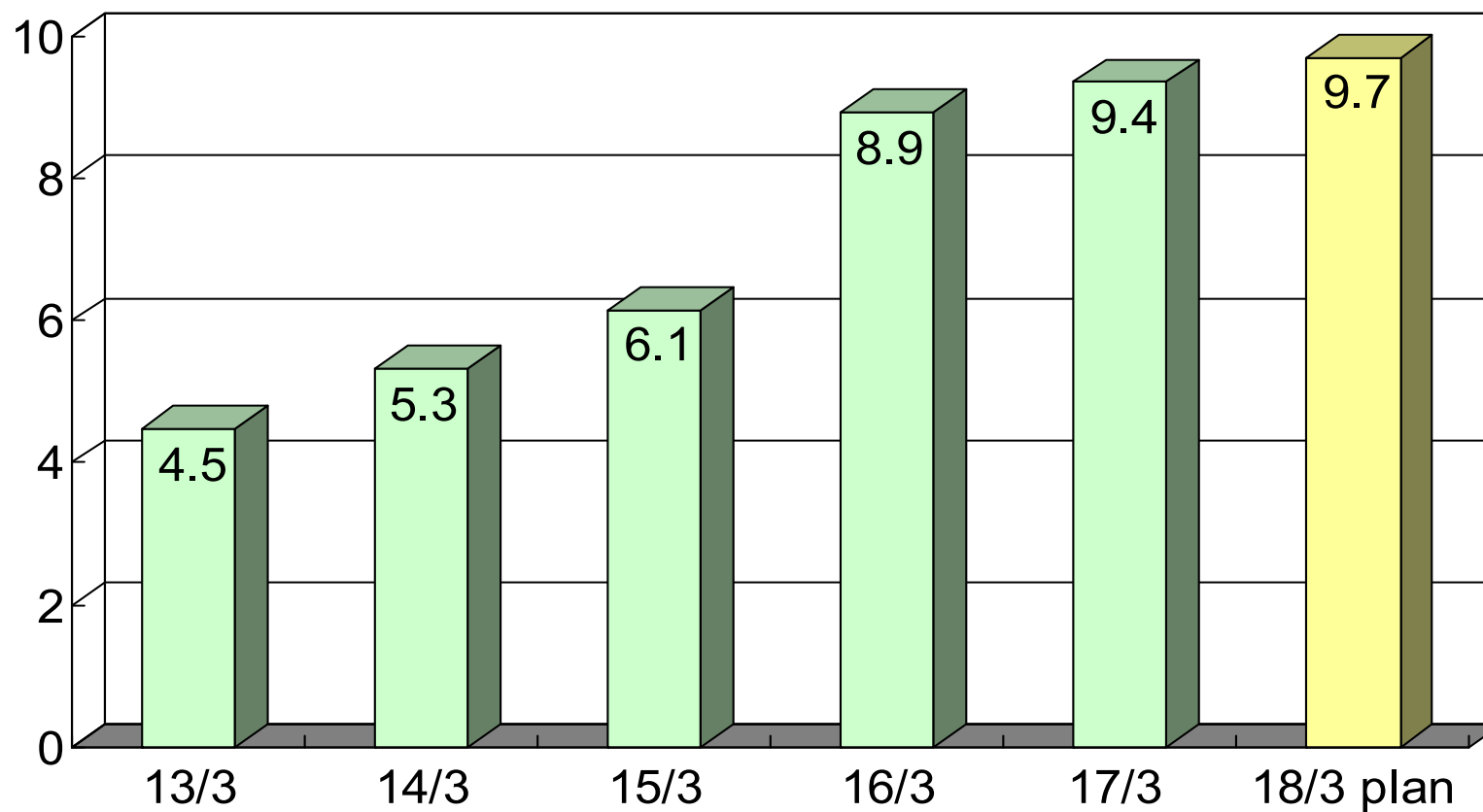
Period	17/3			16/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	13,141	15.5	+ 8.4	12,122	14.8
R&D	9,352	11.0	+ 4.8	8,924	10.9
Packing and freight	1,974	2.3	+ 23.8	1,595	1.9
Depreciation cost	1,128	1.3	+ 16.6	967	1.2
Commission	995	1.2	+ 0.3	992	1.2
Ad.	851	1.0	- 43.5	1,507	1.8
Others	4,732	5.6	+ 2.7	4,609	5.6
SGA	32,176	37.9	+ 4.7	30,719	37.4

SGA increased by 4.7% year-on-year. Main factors are increases in R&D cost by increase of products to be developed, labor cost by increase of employees in sales force, and packing and freight.

Depreciation cost for R&D is excluded from the above figure of depreciation cost.

R&D expenditure

bn Yen



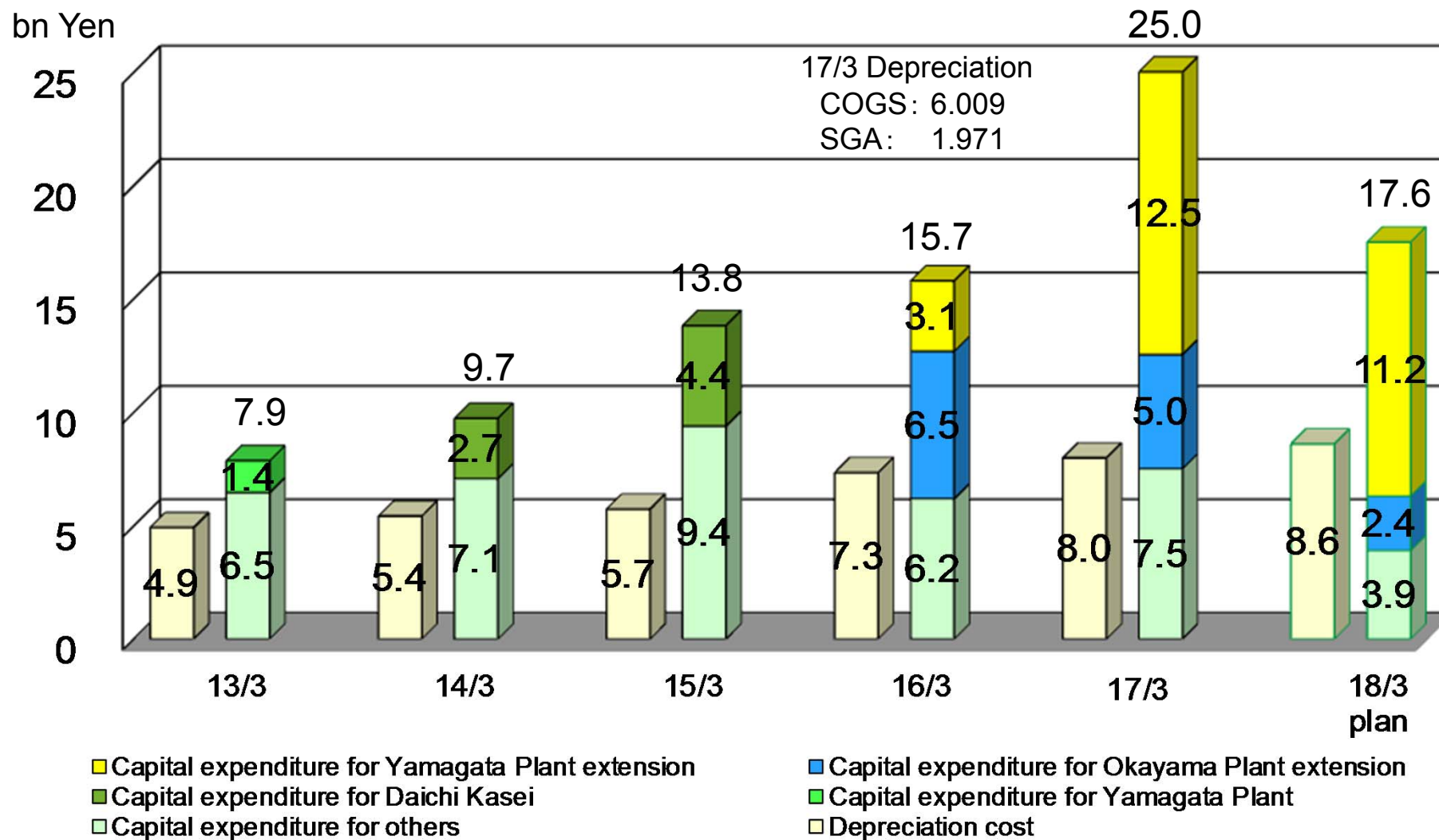
Balance Sheets

(million Yen)

	17/3	16/3	Change
Cash and deposits	9,444	20,526	- 11,081
Trade notes and accounts receivable	19,627	19,818	- 190
Electronically recorded monetary claims	6,597	5,984	+ 612
Marketable securities	6,000	5,000	+ 1,000
Finished products	22,510	21,039	+ 1,471
Other current assets	22,371	22,763	- 391
Total current assets	86,552	95,132	- 8,580
Buildings and structures	29,830	24,170	+ 5,660
Machineries, equipments and carriers	15,148	14,618	- 530
Construction in progress	18,279	8,146	+ 10,132
Other fixed assets	15,436	14,783	+ 652
Total fixed assets	78,695	61,719	+ 16,976
Total assets	165,247	156,851	+ 8,395

	17/3	16/3	Change
Trade notes and accounts payable	5,309	6,954	- 1,644
Electronically recorded obligations-operating	7,455	7,182	+ 273
Current portion of long-term debt	2,681	2,033	+ 647
Facilities notes and accounts payable	10,365	6,508	+ 3,857
Other current liabilities	8,788	8,583	+ 205
Total current liabilities	34,601	31,262	+ 3,338
Long-term debt	39,253	38,435	+ 818
Convertible bond	15,056	15,067	- 10
Other long-term liabilities	1,391	1,481	+ 90
Total long-term liabilities	55,701	54,984	+ 716
Total liabilities	90,302	86,246	+ 4,055
Total net assets	74,945	70,605	+ 4,340
Total liabilities and net assets	165,247	156,851	+ 8,395

Capital expenditure and depreciation cost



Enhancement of manufacturing capacity

Capacity investment in Okayama Plant

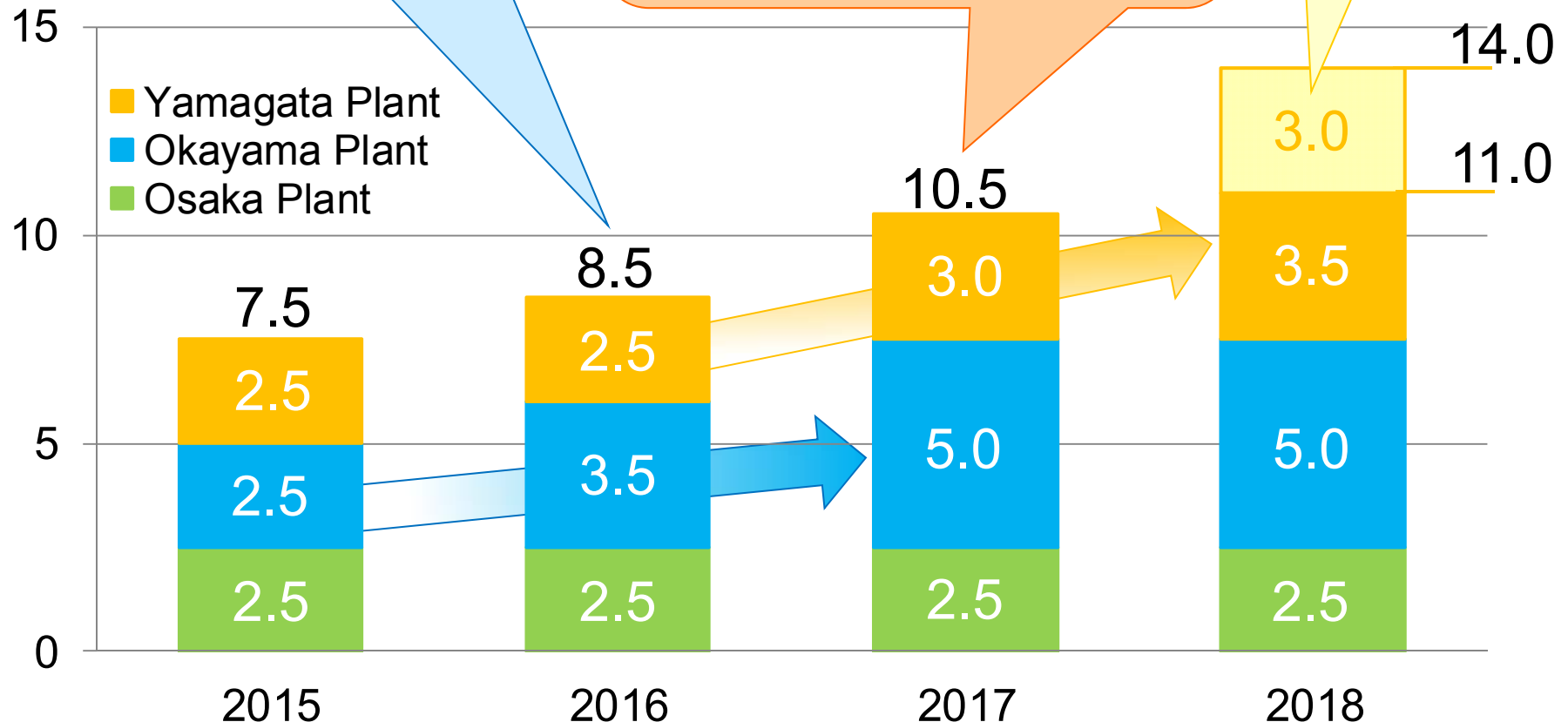
- Extension and reconstruction of buildings
- Enhancement of manufacturing facilities

Capacity investment in Yamagata Plant

- Extension and reconstruction of buildings (6.5 bn tablets capacity as buildings)
- Relocation of Eastern Distribution Center
- Enhancement of manufacturing facilities

Possible to enhance manufacturing capacity by introduction of manufacturing facilities

bn tablets



Plan of major capital expenditure and depreciation cost

Period	16/3	17/3	18/3 plan		Total
	(million Yen)	(million Yen)	(million Yen)	Change in %	(million Yen)
Capital expenditure (2Q)	15,792	27,900	18,900	- 32.3	62,592
Capital expenditure (Results and revised)		25,027	17,600	-29.7	58,419
Okayama Plant (2Q)	6,499	5,500	2,500	- 54.5	14,499
Results and revised		5,030	2,400	- 52.3	13,929
Yamagata Plant (2Q)	3,106	13,000	12,300	- 5.4	28,406
Results and revised		12,485	11,200	- 10.3	26,791
Osaka Plant (2Q)	728	700	500	- 28.6	1,928
Results		496	500	+ 0.8	1,724
Eastern Distribution Center (2Q)	744	3,200	30	- 99.1	3,974
Results and revised		2,500	300	- 88.0	3,544
Others (2Q)	4,715	5,300	3,400	- 35.8	13,415
Results and revised		4,516	3,000	- 33.6	12,231
Depreciation cost (2Q)	7,329	8,100	9,070	+ 12.0	24,499
Results and revised		7,980	8,600	+ 7.8	23,909

Financial forecast for the year ending March 2018

Period	18/3 plan (disclosed on May 15)			17/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	94,000	100.0	+ 10.7	84,949	100.0	+ 3.5
COGS	51,300	54.6	+ 11.8	45,902	54.0	+ 14.0
SGA	34,100	36.3	+ 6.0	32,176	37.9	+ 4.7
Operating income	8,600	9.1	+ 25.2	6,869	8.1	- 38.3
Ordinary income	8,500	9.0	+ 14.6	7,417	8.7	- 27.0
Profit attributable to owners of parent	5,800	6.2	+ 4.0	5,576	6.6	- 27.4

Major products to be launched in June 2017

Therapeutic Category	Product Name	Branded Products (Company)	Sales in 2016 (bn Yen/year)
Biliary excretion type long-acting AT ₁ receptor blocker	TELMISARTAN TABLETS 20mg/40mg/80mg "TOWA"	Micardis Tablets 20mg/40mg/80mg (Boehringer Ingelheim)	66.7
	TELMISARTAN OD TABLETS 20mg/40mg "TOWA"	—	—
Biliary excretion type long-acting AT ₁ receptor blocker/long-acting calcium channel blocker combination drug	TERAMURO COMBINATION TABLETS AP/BP "TOWA"	Micamlo Combination Tablets AP/BP (Boehringer Ingelheim)	30.4
Antipsychotics	ARIPIPRAZOLE OD TABLETS 3mg/6mg/12mg/24mg "TOWA"	ABILIFY OD Tablets 3mg/6mg/12mg/24mg (Otsuka Pharmaceutical)	6.6
	ARIPIPRAZOLE TABLETS 3mg/6mg/12mg/24mg "TOWA"	ABILIFY Tablets 3mg/6mg/12mg (Otsuka Pharmaceutical)	26.4
	ARIPIPRAZOLE POWDER 1% "TOWA"	ABILIFY Powder 1% (Otsuka Pharmaceutical)	0.6
	ARIPIPRAZOLE ORAL SOLUTION 3mg/6mg/12mg "TOWA"	ABILIFY Oral Solution 0.1% (Otsuka Pharmaceutical)	4.1
Improving agent for diabetic postprandial hyperglycemia	MIGLITOL TABLETS 25mg/50mg/75mg "TOWA"	SEIBULE Tablets 25mg/50mg/75mg (SANWA KAGAKU KENKYUSYO)	19.0

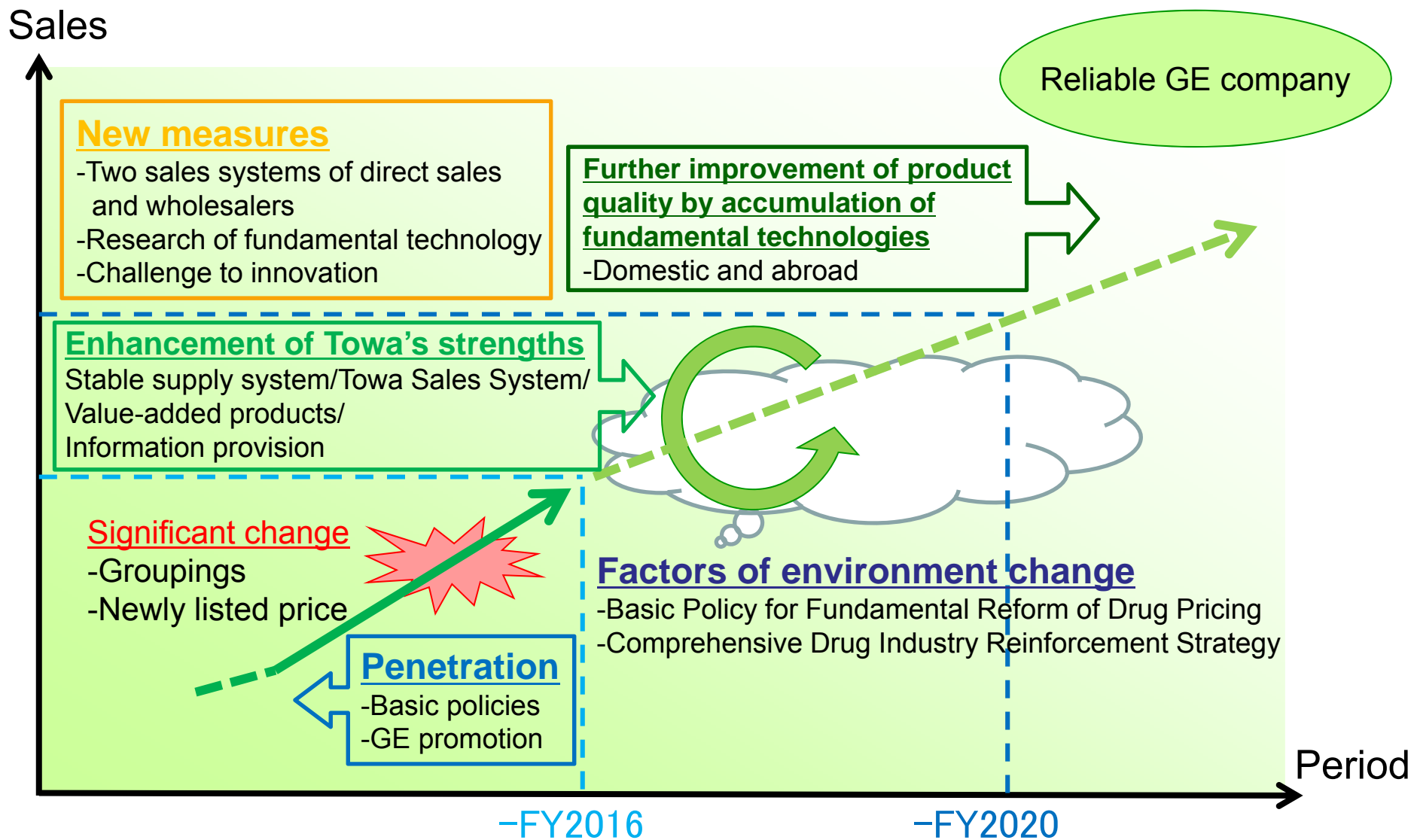
35 products in total

Annual sales budget: ca. 2.6 bn yen for products to be launched in June 2017

TELMISARTAN 0.48 bn yen

ARIPIPRAZOLE 0.18 bn yen

Summary of strategies and measures



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

Disclaimer

This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectation and accordingly affect the Company's sales and profitability. Actual results may differ because of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.