

Supplementary material of financial results for the 2Q of the year ending March 2018

November, 2017

(stock ticker number : 4553)

Summary

- Sales increased by 10.3% year-on-year. Sales of recently launched products is in line with the plan.
- COGS rate is 53.2% to sales and decreased by 0.7 point year-on-year. Factors are increase of sales of recently launched products and improvement of product efficiency.
- Operating income increased by 118.6% year-on-year. SGA decreased due to delay of R&D cost. Its progress is in line with the revised plan disclosed on September 19, 2017.
- Ordinary income increased significantly due to gain on revaluation of currency swaps (564 million yen) in spite of loss on revaluation of currency swaps (2,374 million yen) due to sharp appreciation of the yen in the same period last year.
- The full-year plan for 18/3 is not revised in consideration of increase of SGA in 3Q and 4Q due to planned progress of R&D cost.

Outline of the financial results for the 2Q of the year ending March 2018

- Sales: Increased with good result of recently launched products
- Operating income: Increased by decrease in SGA mainly due to delay of R&D cost

Period	18/3 2Q			17/3 2Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	44,698	100.0	+ 10.3	40,521	100.0	+ 3.5
COGS	23,779	53.2	+ 8.9	21,834	53.9	+ 13.4
SGA	15,841	35.4	- 3.2	16,363	40.4	+ 13.7
Operating income	5,078	11.4	+ 118.6	2,323	5.7	- 57.9
Ordinary income	6,058	13.6	-	383	0.9	- 93.2
Profit attributable to owners of parent	4,303	9.6	-	85	0.2	- 97.9

Exchange rate (TTM)	2017/9	2017/6	2017/3	2016/9	2016/6	2016/3
US\$1.00	112.73yen	112.00yen	112.19yen	101.12yen	102.91yen	112.68yen

Outline of the financial results for the 2Q of the year ending March 2018 (progress rate)

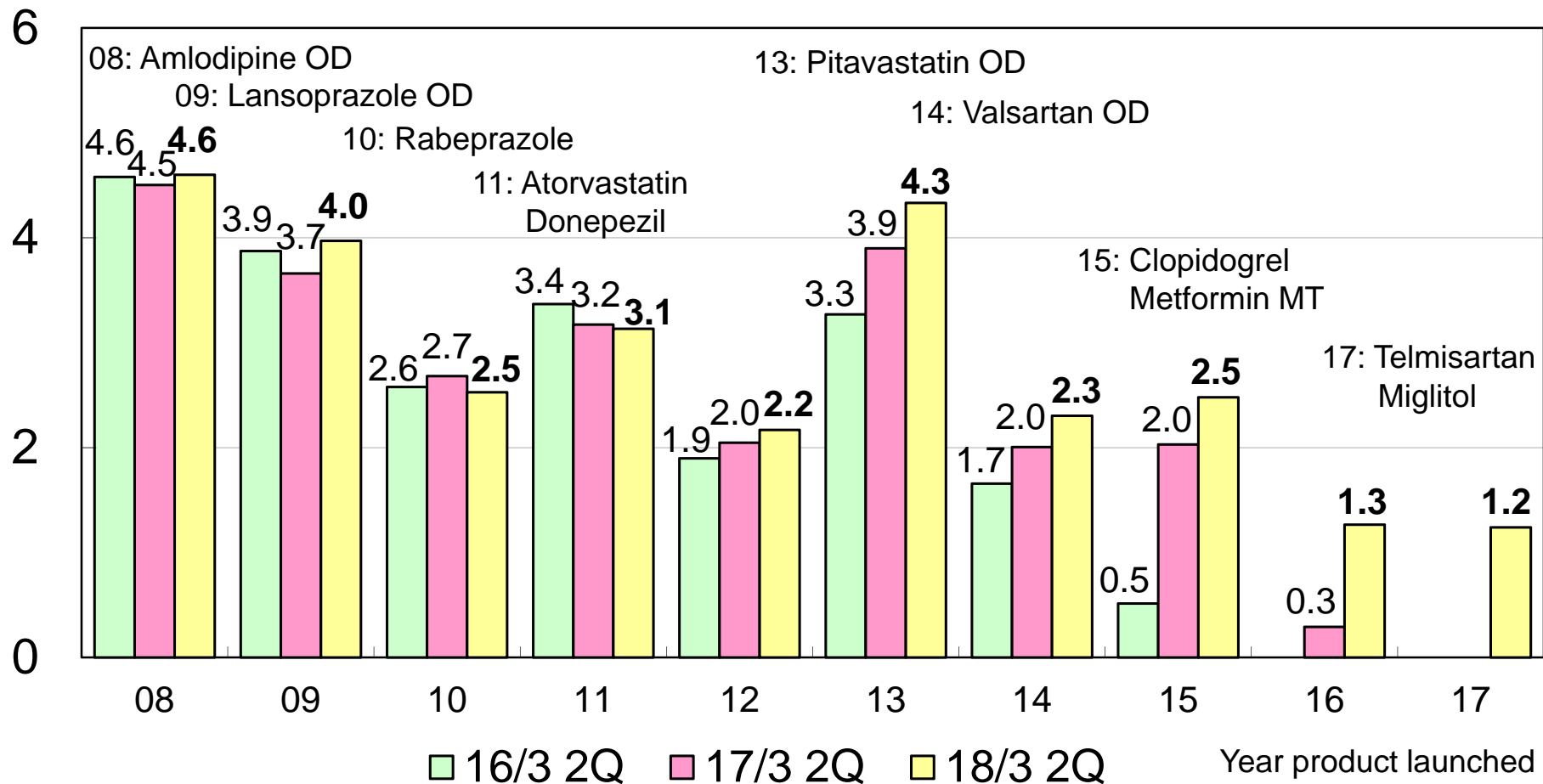
- Sales: Progress in line with the plan
- Operating income: Expected to be in line with the plan at the end of this fiscal year with planned progress of SGA

Period	18/3							
	2Q		2Q plan (disclosed on Sep. 19)			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	44,698	100.0	45,000	100.0	99.3	94,000	100.0	47.6
COGS	23,779	53.2				51,300	54.6	46.4
SGA	15,841	35.4				34,100	36.3	46.5
Operating income	5,078	11.4	5,000	11.1	101.6	8,600	9.1	59.0
Ordinary income	6,058	13.6	5,000	11.1	121.2	8,500	9.0	71.3
Profit attributable to owners of parent	4,303	9.6	3,500	7.8	123.0	5,800	6.2	74.2

Sales of products by launched year

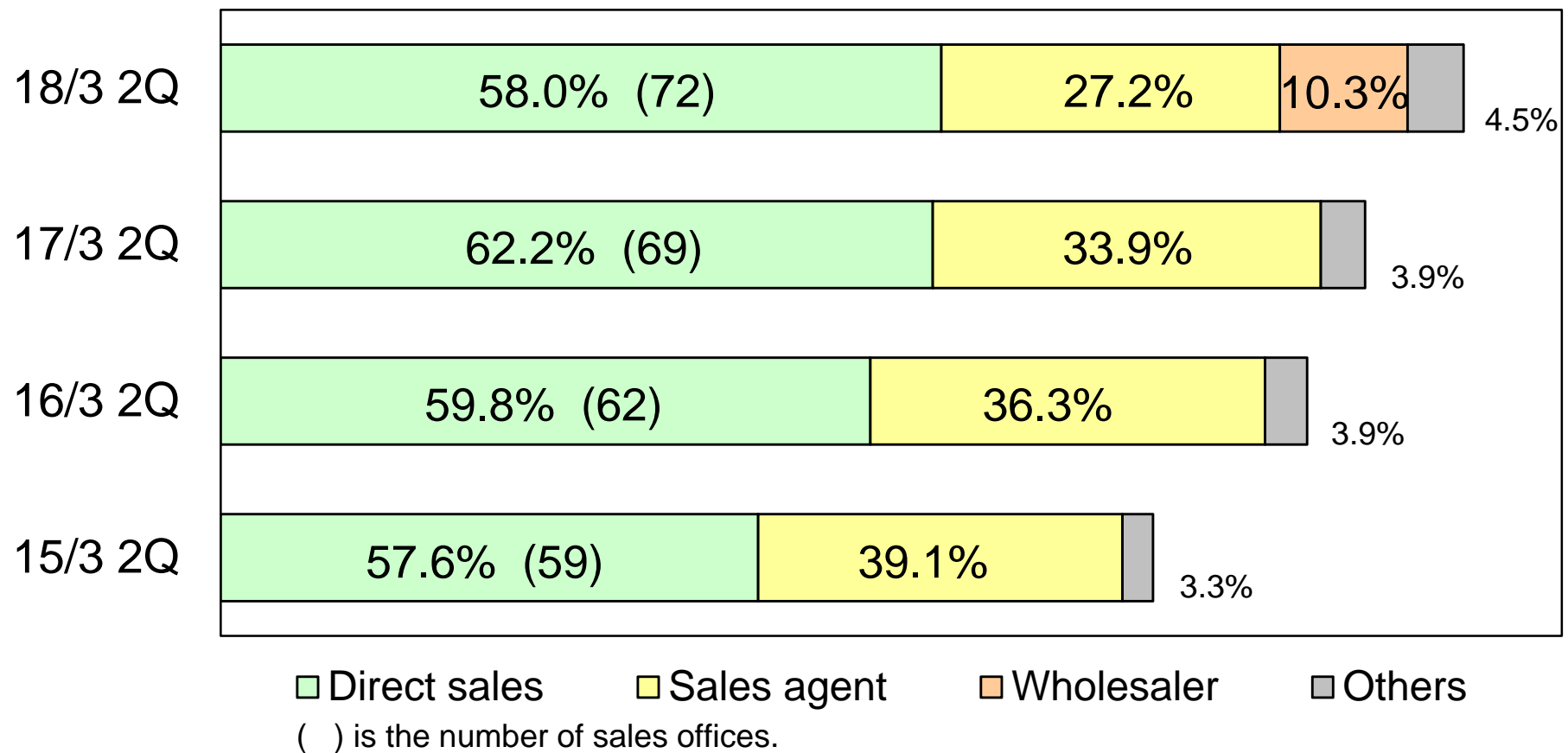
- Sales increased with volume increase and good result of recently launched products.

bn Yen



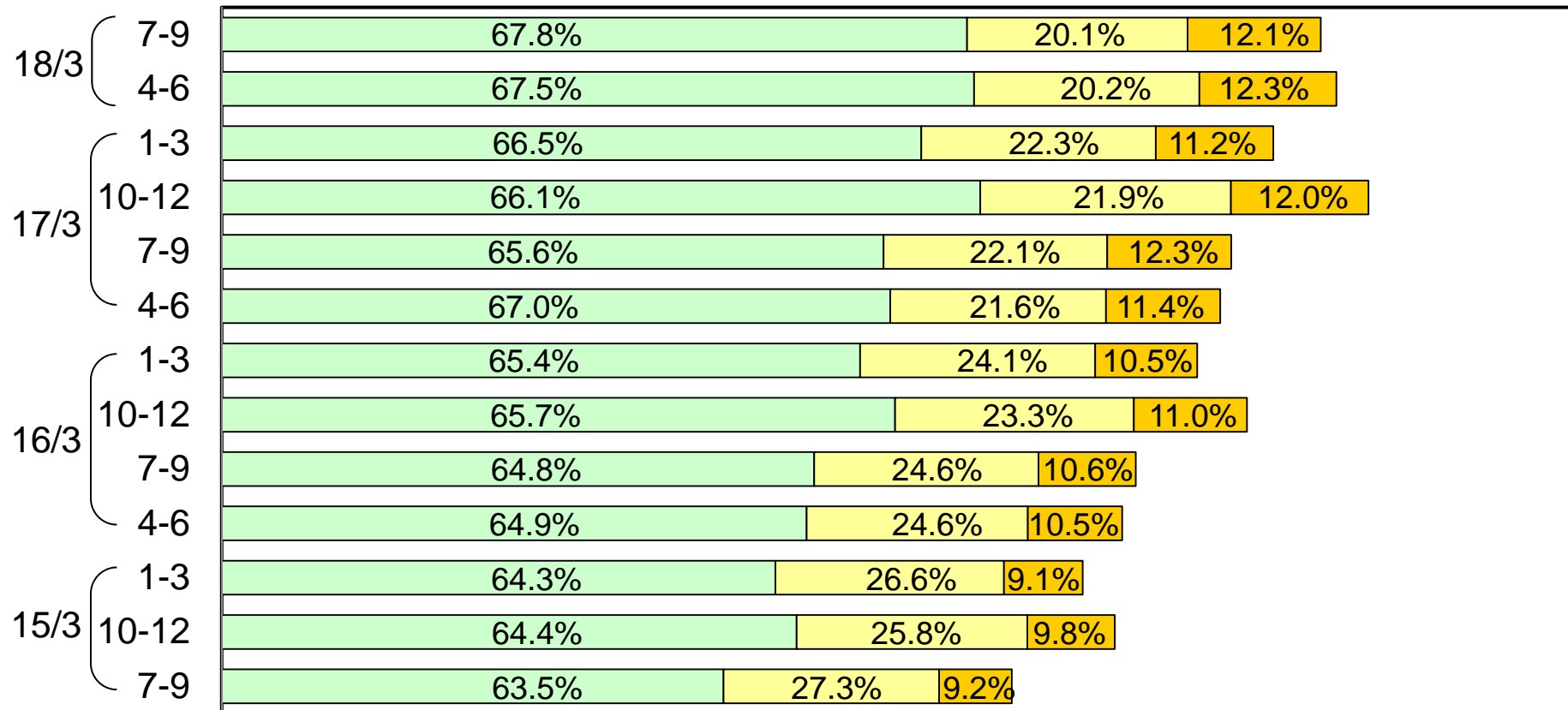
Sales of channels

- Ratio of sales agent decreased due to opening new offices and increased headquarter transaction.
- Deal with wholesalers started from this fiscal year, and ratio of wholesalers increased steadily.



Sales of medical institutions

- Sales of dispensing pharmacies and hospitals keeps well.



□ Dispensing pharmacies □ General practitioners □ Hospitals

Excluding sales by other companies.

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

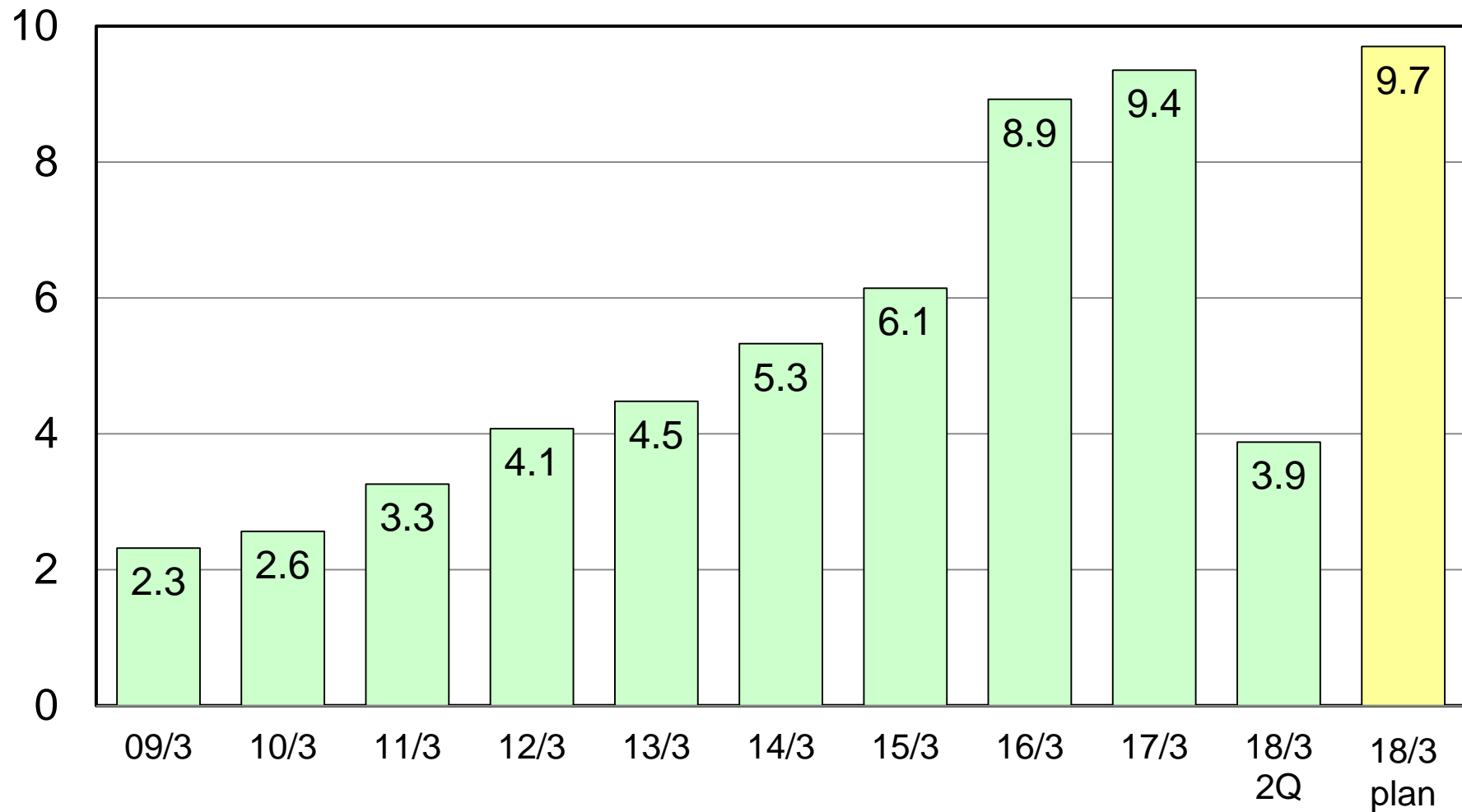
SGA

- SGA decreased by 3.2% year-on-year.
- R&D cost decreased significantly year-on-year.

Period	18/3 2Q			17/3 2Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	6,660	14.9	- 0.5	6,695	16.5	+ 14.6
R&D	3,878	8.7	- 18.7	4,771	11.8	+ 28.1
Packing and freight	1,019	2.3	+ 3.2	987	2.4	+ 34.7
Depreciation cost	580	1.3	+ 13.0	513	1.3	+ 14.2
Ad.	522	1.2	- 4.3	545	1.3	- 32.1
Others	3,181	7.1	+ 11.7	2,849	7.0	+ 0.5
SGA	15,841	35.4	- 3.2	16,363	40.4	+ 13.7

R&D expenditure

bn Yen



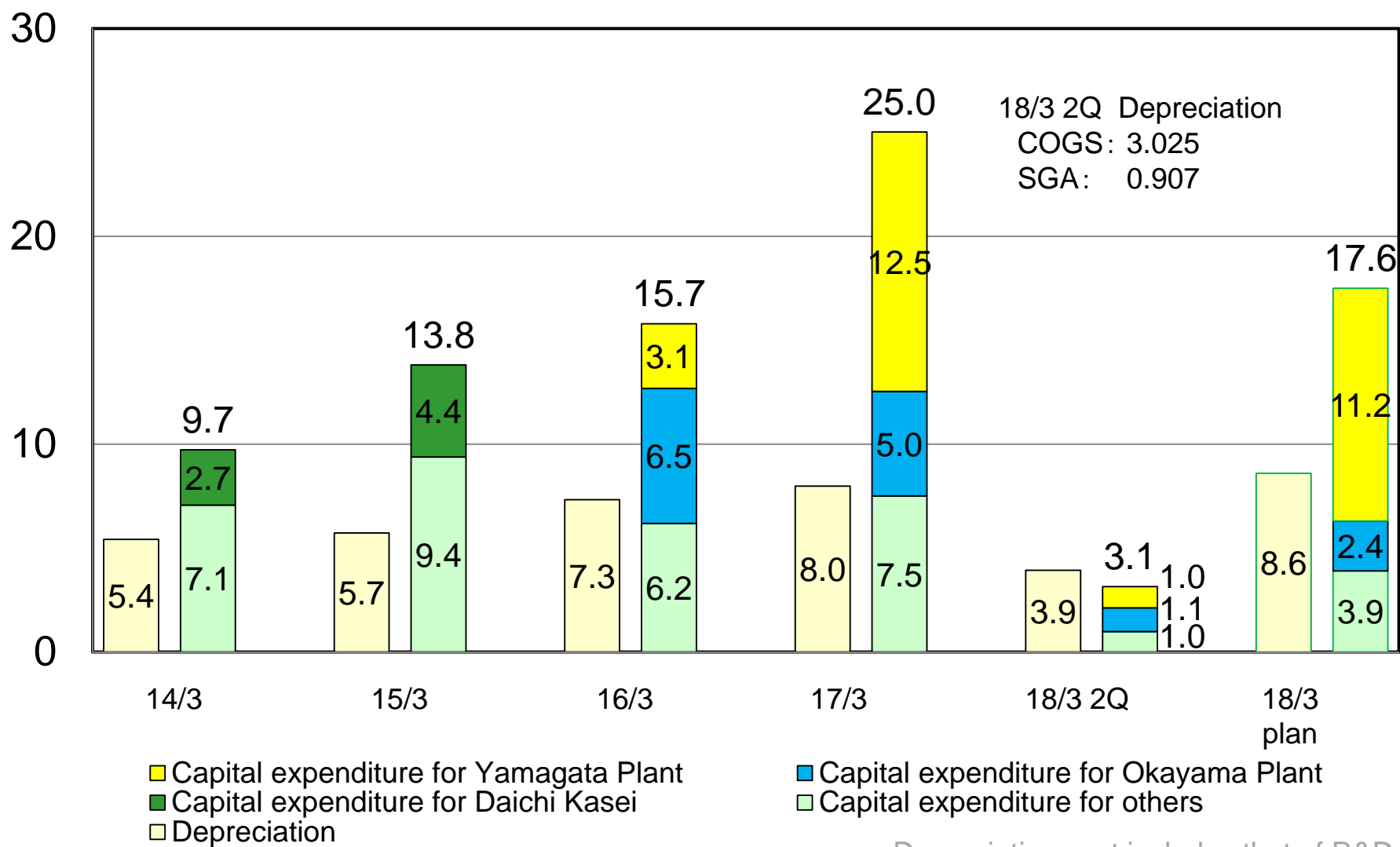
Balance Sheets

- Decrease of finished products: Shortened inventory turnover period in months (5.5 months: -0.2 months year-on-year)
- Increase of buildings and structures: Construction and expansion of East Distribution Center as a main factor
- Long-term debt: Borrowing 9 bn yen for construction of Yamagata Plant

(million Yen)

	17/9	17/3	Change		17/9	17/3	Change
Cash and deposits	16,493	9,444	+ 7,048	Trade notes and accounts payable	5,620	5,309	+ 310
Trade notes and accounts receivable	22,216	19,627	+ 2,588	Electronically recorded obligations-operating	7,184	7,455	- 271
Electronically recorded monetary claims	5,864	6,597	- 732	Current portion of long-term debt	3,178	2,681	+ 496
Marketable securities	2,000	6,000	- 4,000	Facilities notes and accounts payable	3,447	10,365	- 6,918
Finished products	21,043	22,510	- 1,467	Other current liabilities	10,222	8,788	+ 1,433
Other current assets	25,441	22,371	+ 3,069	Total current liabilities	29,652	34,601	- 4,948
Total current assets	93,058	86,552	+ 6,506	Long-term debt	46,433	39,253	+ 7,180
Buildings and structures	34,377	29,830	+ 4,546	Convertible bond	15,051	15,056	- 5
Machineries, equipments and carriers	14,697	15,148	- 450	Other long-term liabilities	1,536	1,391	+ 145
Construction in progress	13,448	18,279	- 4,830	Total long-term liabilities	63,020	55,701	+ 7,319
Other fixed assets	15,572	15,436	+ 136	Total liabilities	92,673	90,302	+ 2,371
Total fixed assets	78,096	78,695	- 598	Total net assets	78,481	74,945	+ 3,536
Total assets	171,155	165,247	+ 5,908	Total liabilities and net assets	171,155	165,247	+ 5,908

Capital expenditure and depreciation cost



Depreciation cost includes that of R&D.

Enhancement of manufacturing capacity

Capacity investment in Okayama Plant

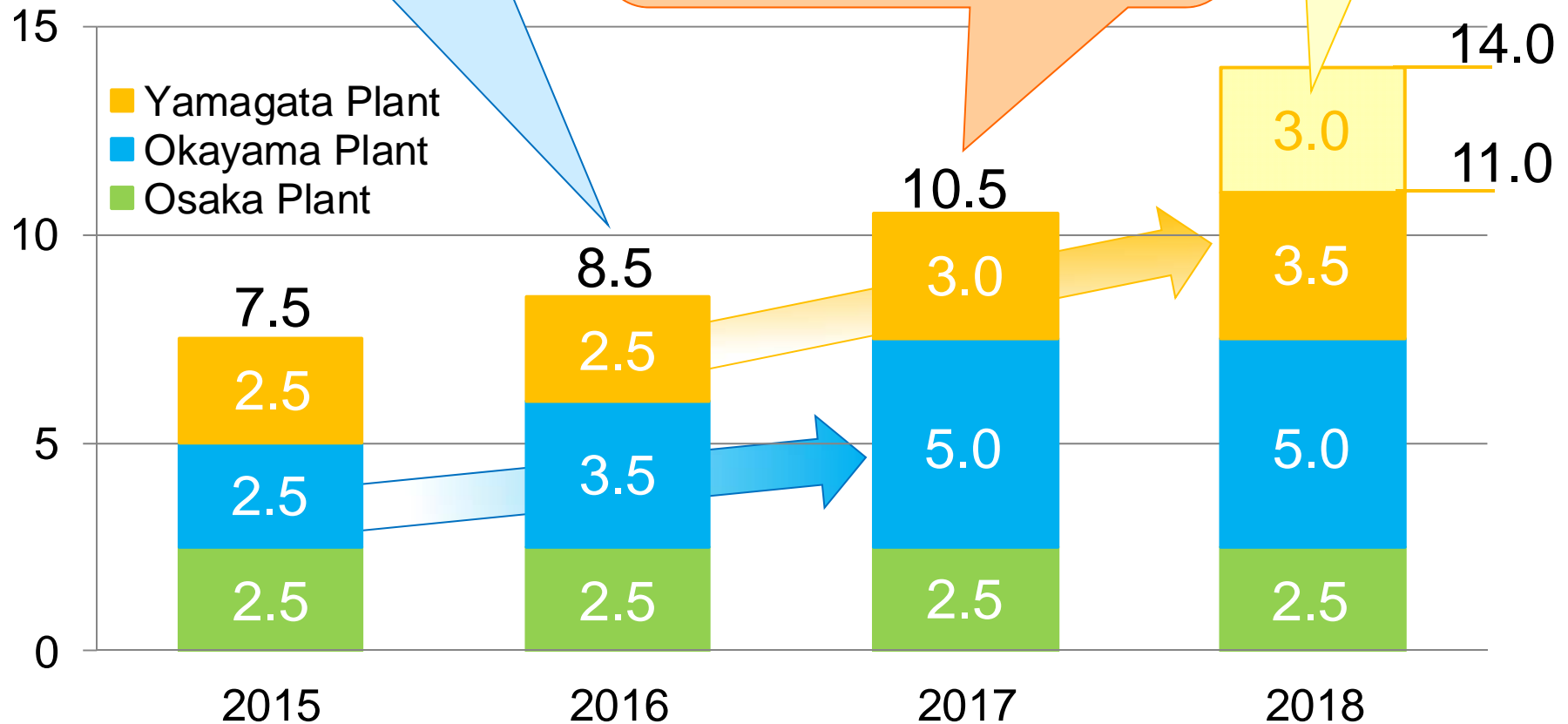
- Extension and reconstruction of buildings
- Enhancement of manufacturing facilities

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



(Disclosed as a part of supplementary material of financial results for the 2Q of the year ending March 2017)

Major products to be launched in December 2017

Therapeutic Category	Product Name	Branded Products (Company)	Sales in 2016 (bn Yen / year)
HMG-CoA reductase inhibitor	ROSUVASTATIN OD TABLETS 2.5mg/5mg/10mg "TOWA"	CRESTOR OD Tablets 2.5mg/5mg (Shionogi=AstraZeneca)	144
	ROSUVASTATIN TABLETS 2.5mg/5mg/10mg "TOWA"	CRESTOR Tablets 2.5mg/5mg (Shionogi=AstraZeneca)	920
High-affinity AT1 receptor blocker	OLMESARTAN OD TABLETS 5mg/10mg/20mg/40mg "TOWA"	OLMETEC OD TABLETS 5mg/10mg/20mg/40mg (Daiichi-Sankyo)	297
Long-acting angiotensin II receptor blocker	IRBESARTAN OD TABLETS 50mg/100mg/200mg "TOWA" IRBESARTAN TABLETS 50mg/100mg/200mg "TOWA"	AVAPRO OD Tablets 50mg/100mg/200mg (Sumitomo Dainippon Pharma) Irbetan Tablets 50mg/100mg/200mg (Shionogi)	216
Long-acting dopamine D2 receptor agonist	ROPINIROLE CR TABLETS 2mg/8mg "TOWA"	ReQuip CR Tablets 2mg/8mg (GSK)	87

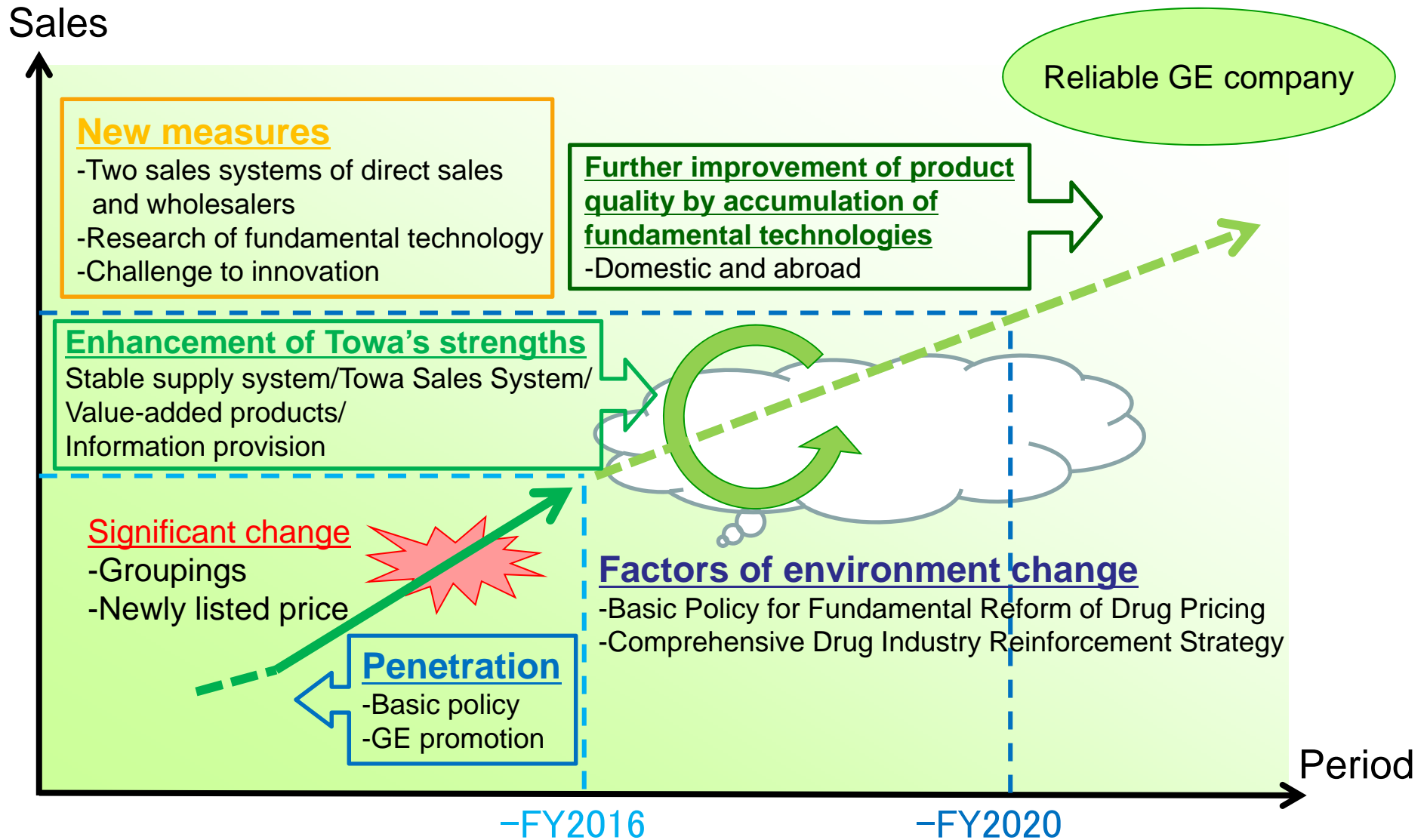
22 products in total

Annual sales budget: ca. 0.6 bn yen for products to be launched in December 2017

ROSUVASTATIN 0.18 bn yen

OLMESARTAN 0.17 bn yen

Summary of strategies and measures



(Disclosed as a part of supplementary material of financial results for the year ended March 2017)

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