

Supplementary material of financial results for the 3Q of the year ending March 2020

February, 2020

(Stock ticker number: 4553)

Outline of the financial results for the 3Q of the year ending March 2020

- Sales: Increased by good sales of recently launched products
- Operating income: Increased by increase of sales and improvement of COGS rate, etc.
- Ordinary income: Increased by increase of operating income in spite of decrease of gain on revaluation of currency swaps year-on-year

Period	20/3 3Q			19/3 3Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	84,405	100.0	+ 7.8	78,291	100.0	+ 11.2
COGS	45,300	53.7	+ 7.0	42,339	54.1	+ 12.7
SGA	24,983	29.6	+ 4.1	23,995	30.6	+ 1.5
Operating income	14,122	16.7	+ 18.1	11,956	15.3	+ 29.8
Ordinary income	15,430	18.3	+ 6.0	14,563	18.6	+ 39.1
Profit attributable to owners of parent	10,969	13.0	+4.9	10,455	13.4	+ 41.8
Exchange rate US \$1.00 (TTM)	2019/12	2019/3	2018/12	2018/3		
	109.56 yen	110.99 yen	111.00 yen	106.24 yen		

Outline of the financial results for the 3Q of the year ending March 2020 (progress rate)

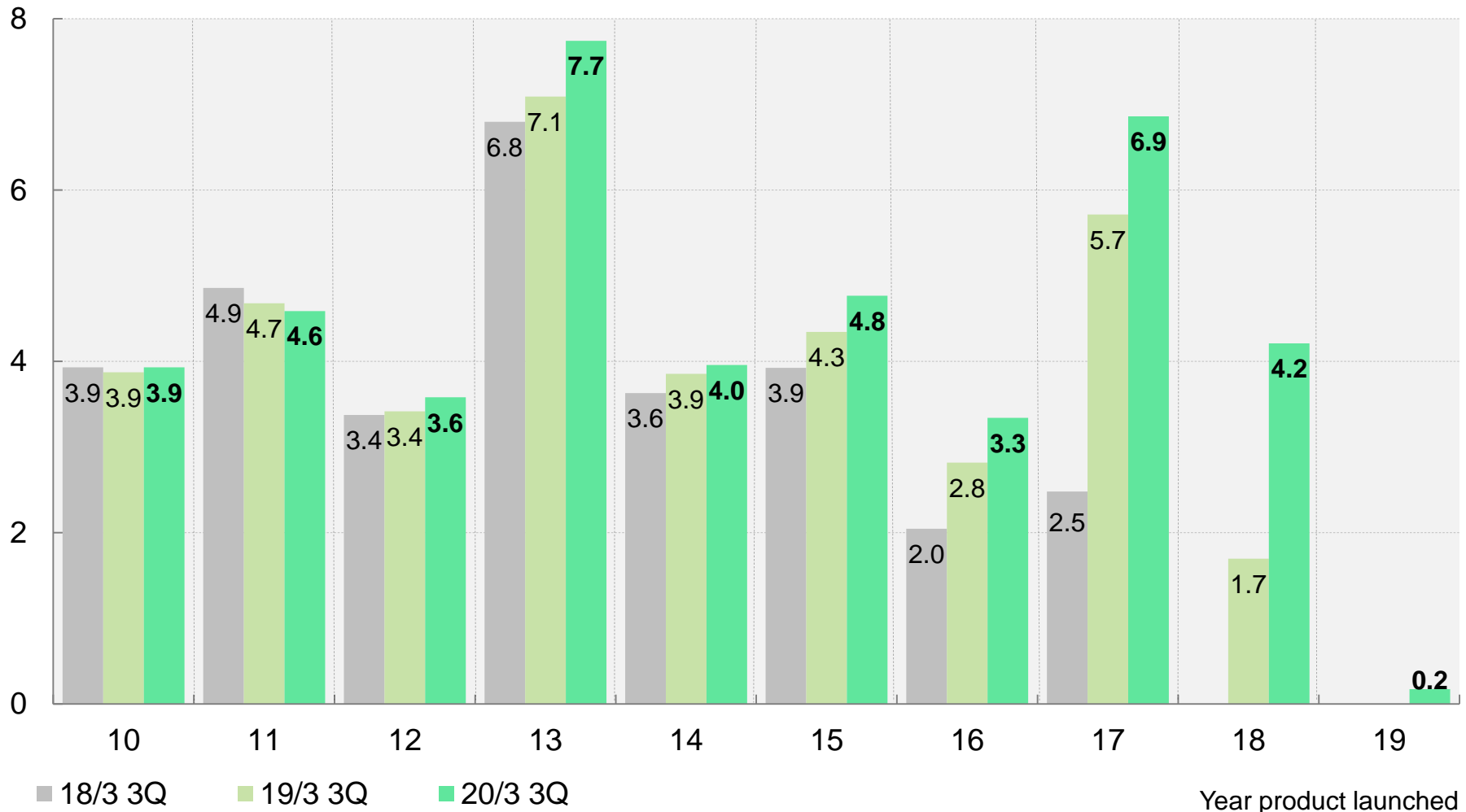
- Sales: Good result to the plan by the progress of Towa Sales System
- Operating income: Increased significantly due to improvement of COGS rate and delay in SGA

Period	20/3				
	3Q		Full-year plan		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	84,405	100.0	111,000	100.0	76.0
COGS	45,300	53.7	62,000	55.9	73.1
SGA	24,983	29.6	34,500	31.1	72.4
Operating income	14,122	16.7	14,500	13.1	97.4
Ordinary income	15,430	18.3	14,600	13.2	105.7
Profit attributable to owners of parent	10,969	13.0	10,400	9.4	105.5

Sales of products by launched year (non-consolidated)

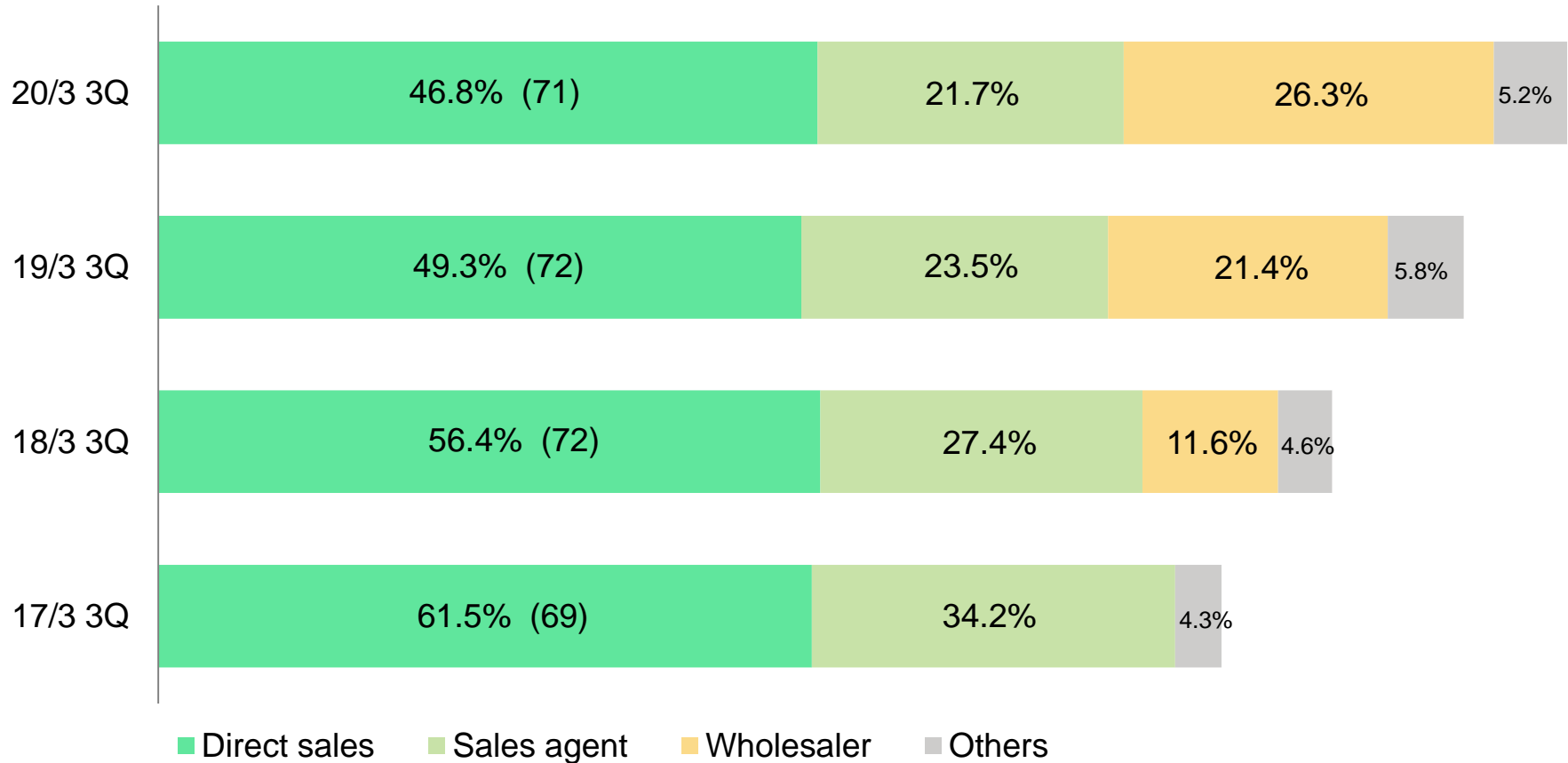
- Sales of recently launched products increased well.

bn Yen



Sales of channels (non-consolidated)

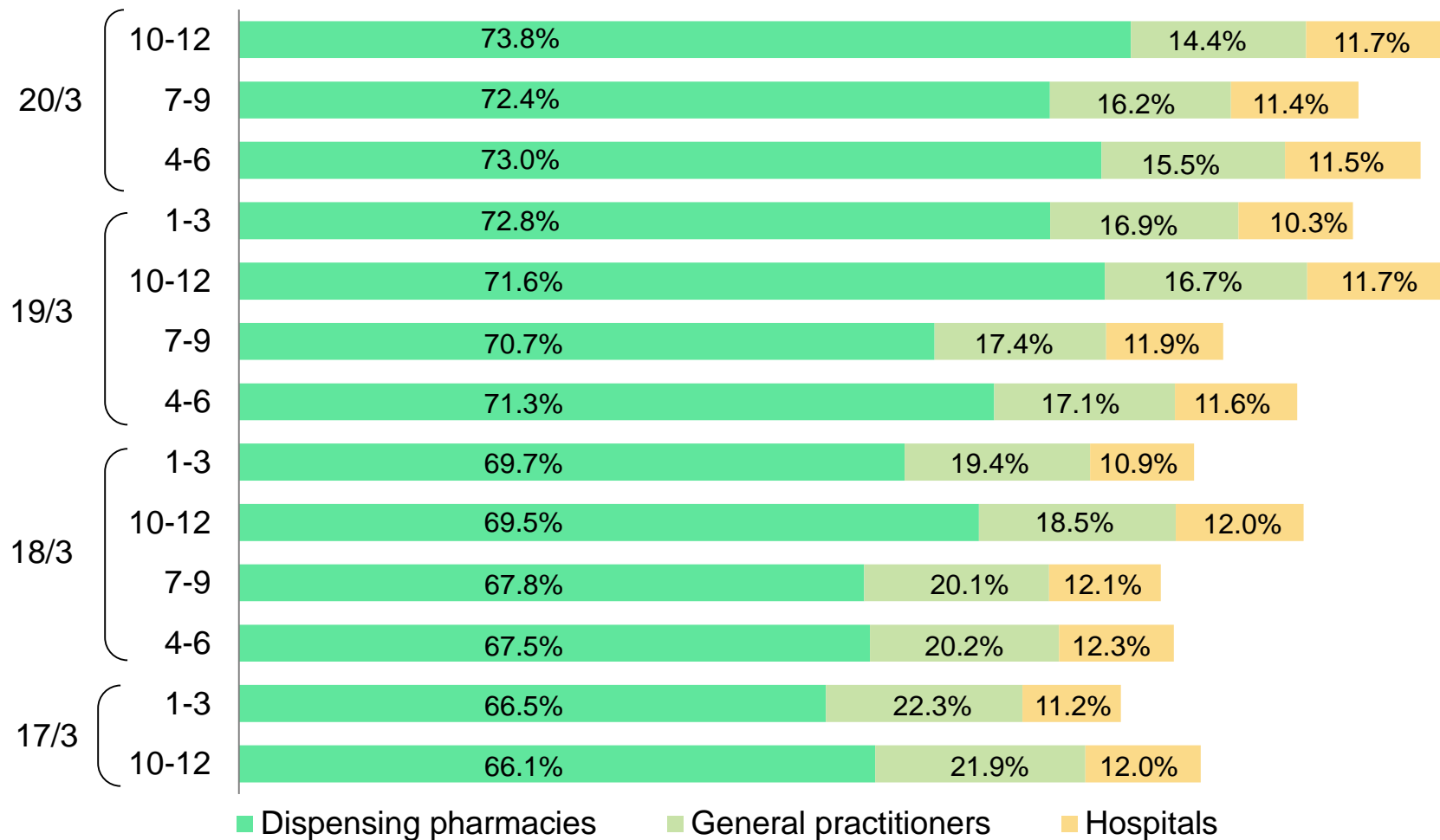
- Sales of wholesaler increased in value and ratio by good cooperation with wholesaler.



() is the number of sales offices

Sales of medical institutions (non-consolidated)

● Sales of dispensing pharmacies keeps well.



Excluding sales by other companies

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

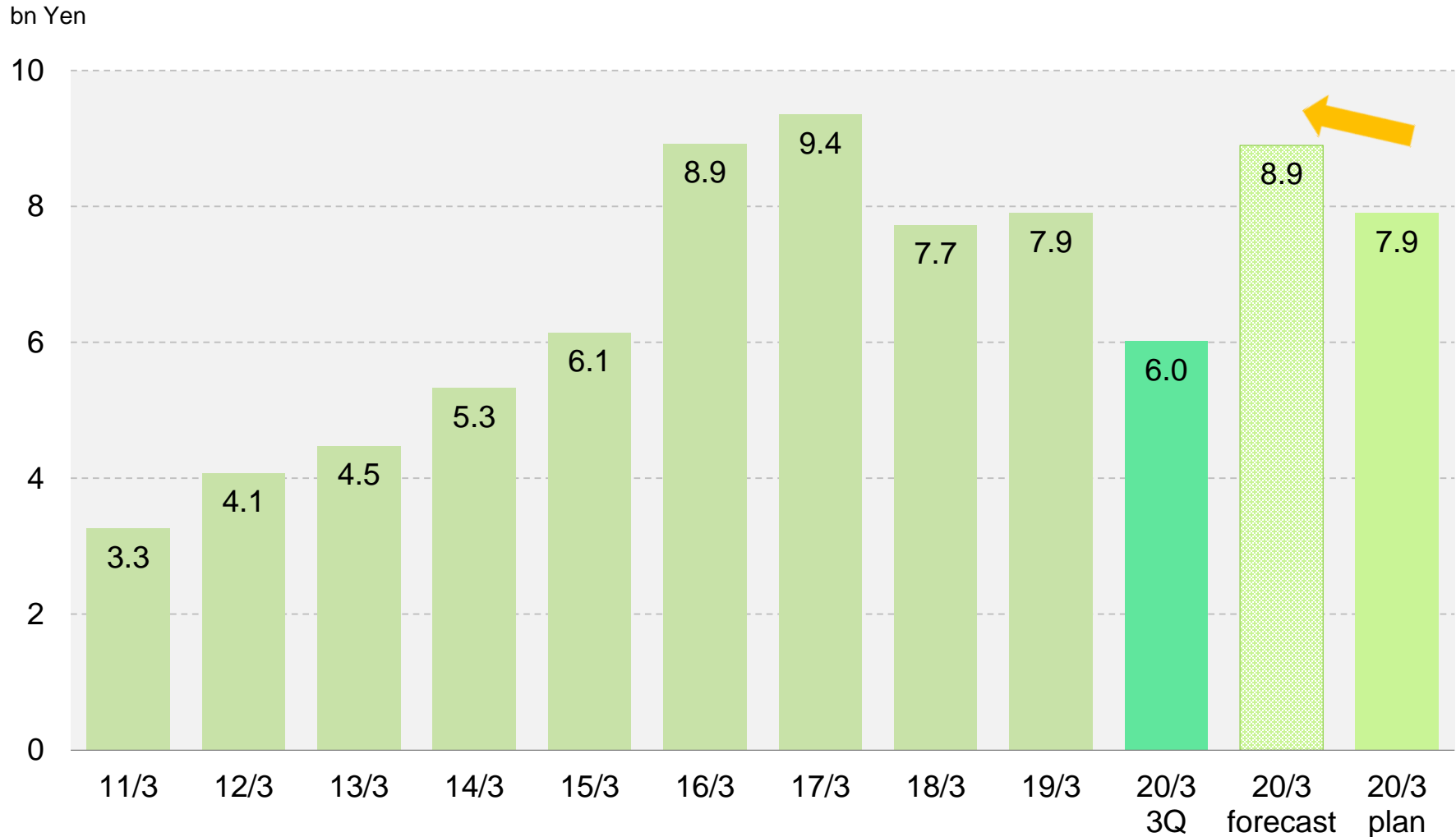
SGA

- SGA increased year-on-year, and its ratio to sales decreased.
- Others increased due to costs relative to acquisition of Pensa Investments, S.L.

Period	20/3 3Q			19/3 3Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	10,915	12.9	+ 1.3	10,780	13.8	+ 7.9
R&D	6,015	7.1	+ 4.1	5,781	7.4	- 2.3
Packing and freight	1,639	1.9	+ 9.7	1,494	1.9	+ 0.3
Depreciation cost	729	0.9	- 9.2	803	1.0	- 8.3
Ad.	578	0.7	+ 23.4	468	0.6	- 30.5
Others	5,104	6.0	+ 9.4	4,666	6.0	- 0.4
SGA	24,983	29.6	+ 4.1	23,995	30.6	+ 1.5

R&D expenditure

- R&D expenditure was revised and increased by 1.0 billion yen to full-year plan due to re-examination of products under development, etc.



Balance sheet

- Marketable securities: Decrease due to transfer to cash and deposits
- Other current assets: Increase of raw materials and work-in-process, etc. due to increase of manufacture volume
- Other current liabilities: Decrease of income taxes payable due to payment for income tax
- Capital adequacy ratio: Increased to 52.1% due to increase of accumulated income and repayment of debt

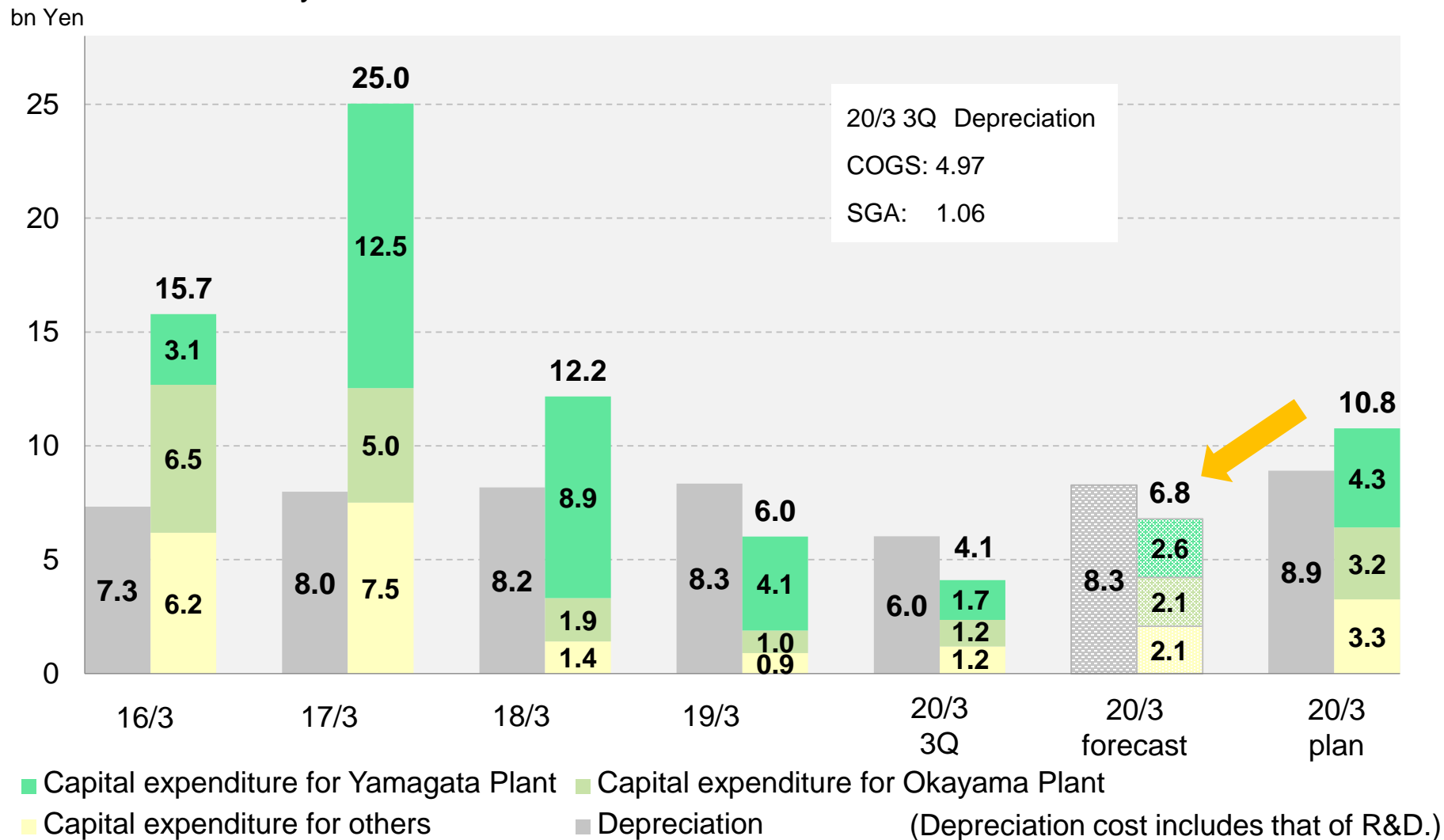
(million Yen)

	19/12	19/3	Change
Cash and deposits	30,547	26,762	+ 3,785
Trade notes and accounts receivable	29,988	27,905	+ 2,083
Electronically recorded monetary claims	6,872	6,719	+ 152
Marketable securities	—	4,999	- 4,999
Finished products	17,193	17,591	- 397
Other current assets	28,285	24,226	+ 4,058
Total current assets	112,887	108,206	+ 4,681
Buildings and structures	45,327	47,376	- 2,048
Machineries, equipment, and carriers	11,820	11,913	- 93
Construction in progress	2,527	2,110	+ 417
Other fixed assets	20,859	19,197	+ 1,662
Total fixed assets	80,535	80,597	- 62
Total assets	193,423	188,803	+ 4,619

	19/12	19/3	Change
Trade notes and accounts payable	7,401	6,466	+ 934
Electronically recorded obligations-operating	11,146	9,990	+ 1,156
Current portion of long-term debt	7,062	6,396	+ 665
Facilities notes and accounts payable	2,380	2,069	+ 310
Other current liabilities	10,069	12,254	- 2,185
Total current liabilities	38,059	37,177	+ 882
Long-term debt	38,224	43,407	- 5,183
Convertible bond	15,027	15,035	- 8
Other long-term liabilities	1,374	1,412	- 37
Total long-term liabilities	54,625	59,854	- 5,229
Total liabilities	92,685	97,032	- 4,346
Total net assets	100,737	91,771	+ 8,966
Total liabilities and net assets	193,423	188,803	+ 4,619

Capital expenditure and depreciation cost

- A portion of capital expenditure in this financial year was revised in process of budget of next financial year.



Financial forecast for the year ending March 2020

No change to net sales, operating income, ordinary income and profit attributable to owners of parent

- COGS: Improved by 1.4 points due to better product mix by good sales of recently launched products
- SGA: Increased by 1.5 billion yen to the full-year plan due to increase of R&D by re-examination of products under development and costs relative to acquisition of Pensa Investments, S.L.

Period	20/3 forecast (as of February 12)				20/3 full-year plant (disclosed on May 14)		
	(million Yen)	Ratio to sales (%)	Change in %	Ratio to the original plan	(million Yen)	Ratio to sales (%)	Change in %
Net sales	111,000	100.0	+ 5.6	-	111,000	100.0	+ 5.6
COGS	60,500	54.5	+ 6.7	- 2.4	62,000	55.9	+ 9.3
SGA	36,000	32.4	+ 11.0	+ 4.3	34,500	31.1	+ 6.4
Operating income	14,500	13.1	- 9.2	-	14,500	13.1	- 9.2
Ordinary income	14,600	13.2	- 22.6	-	14,600	13.2	- 22.6
Profit attributable to owners of parent	10,400	9.4	- 22.8	-	10,400	9.4	- 22.8

*No estimation of gain and loss on revaluation of currency swaps is included for ordinary income and profit attributable to owners of parent.

Strategic Significance

All required procedures related to the acquisition of Pensa Investments, S.L. (“Pensa”), which consolidates generic drug business of Esteve Group, were completed as of January 31, 2020, and it has made Pensa a wholly-owned subsidiary of the Towa.



TOWA
PHARMACEUTICAL

- High quality and value-added generic drugs (over 700 products)
- Value-added formulation development technologies
- Stable supply system including API procurement



- Sales in Europe and the United States (over 300 products)
- Strength for approval processes and business practices in Europe and the United States
- Manufacturing site and facilities complying with standards of EMA and FDA (Martorelles Plant)

Enhancement of measures for
Towa's expansion to overseas market

Establishment of global business platform capable of providing high quality and value-added generic drugs to patients around the world

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.

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