



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 1Q of the year ending March 2015

August, 2014

(stock ticker number : 4553)

Summary

- Sales increased by 12.9% year-on-year. Under influence of the temporary demand before sales tax increase, sales is more than 10% increase year-on-year in this quarter by expanding customers triggered by the price grouping of the revision of the NHI pricing system for GE. Sales in April exceeded the plan, and the sales in the other months are in line with the plan.
- COGS rate decreased by 2.6 point year-on-year. Major reasons are as follows.
 - Temporary decrease of outsourced manufacturing cost : 1.9 pt
 - Decrease of depreciation cost : 0.4 pt
- SGA increased by 19.7% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and packing and freight are impacted a lot. On the other hand, compared with the budget, R&D cost and advertisement cost are behind, both of which will be accounted after 2Q.
- OP income increased by 17.5% year-on-year. Good progress compared with the plan by decreased COGS rate and SGA behind the budget, but OP income will be in line with the plan by the end of this financial year.
- 2Q and the full year forecast for 15/3 was not revised.

Outline of the financial results for the 1Q of the year ending March 2015

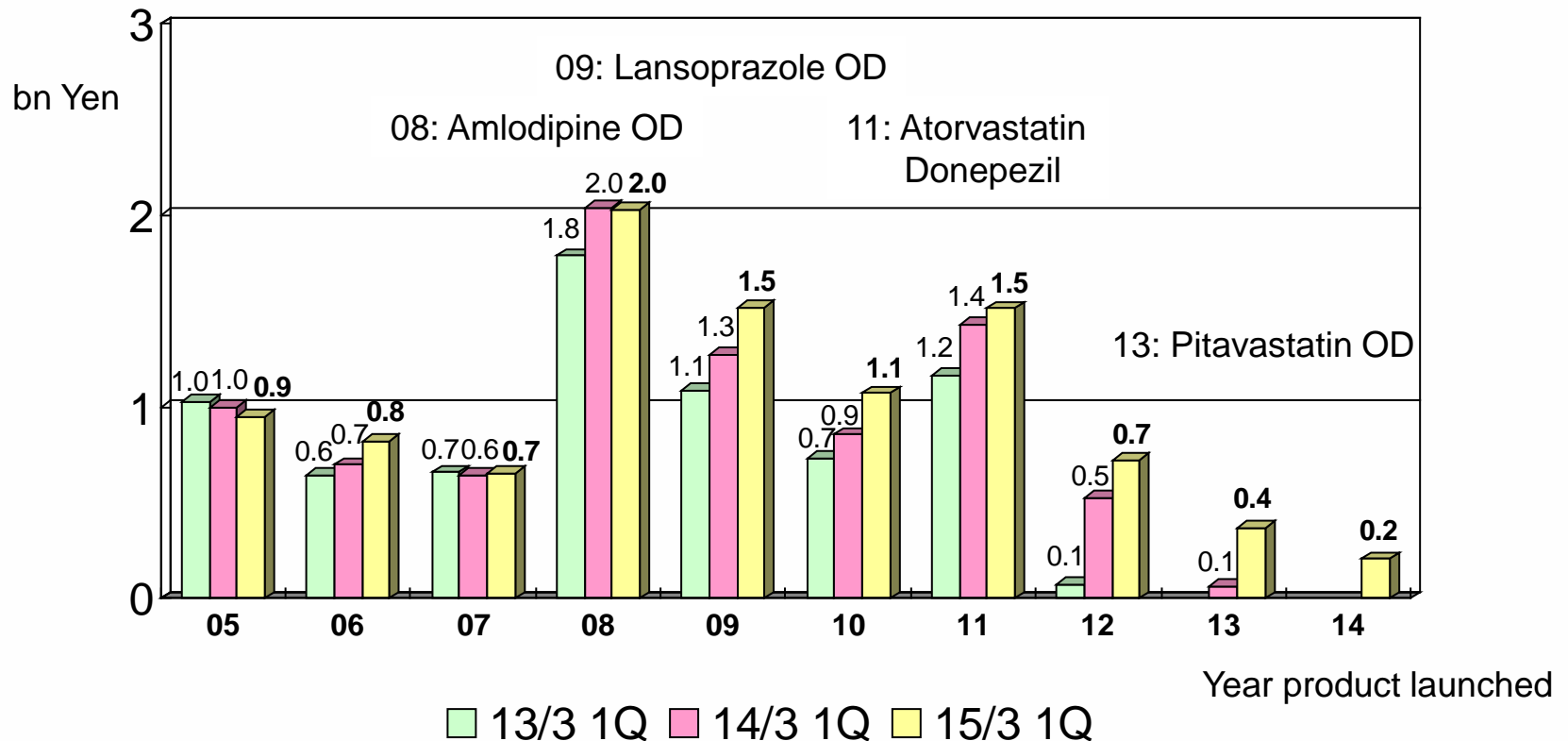
Period	15/3 1Q			14/3 1Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	16,486	100.0	+ 12.9	14,605	100.0
COGS	8,309	50.4	+ 7.3	7,741	53.0
SGA	6,078	36.9	+ 19.7	5,078	34.8
Operating income	2,099	12.7	+ 17.5	1,786	12.2
Ordinary income	2,021	12.3	+ 11.2	1,817	12.4
Net income	1,282	7.8	+ 6.9	1,199	8.2

Outline of the financial results for the 1Q of the year ending March 2015 (progress rate)

Period	15/3							
	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	16,486	100.0	34,300	100.0	48.1	72,000	100.0	22.9
COGS	8,309	50.4	18,200	53.1	45.7	37,500	52.1	22.2
SGA	6,078	36.9	12,950	37.8	46.9	26,700	37.1	22.8
Operating income	2,099	12.7	3,150	9.2	66.6	7,800	10.8	26.9
Ordinary income	2,021	12.3	3,150	9.2	64.2	7,800	10.8	25.9
Net income	1,282	7.8	2,150	6.3	59.7	5,300	7.4	24.2

Sales of products by launched year

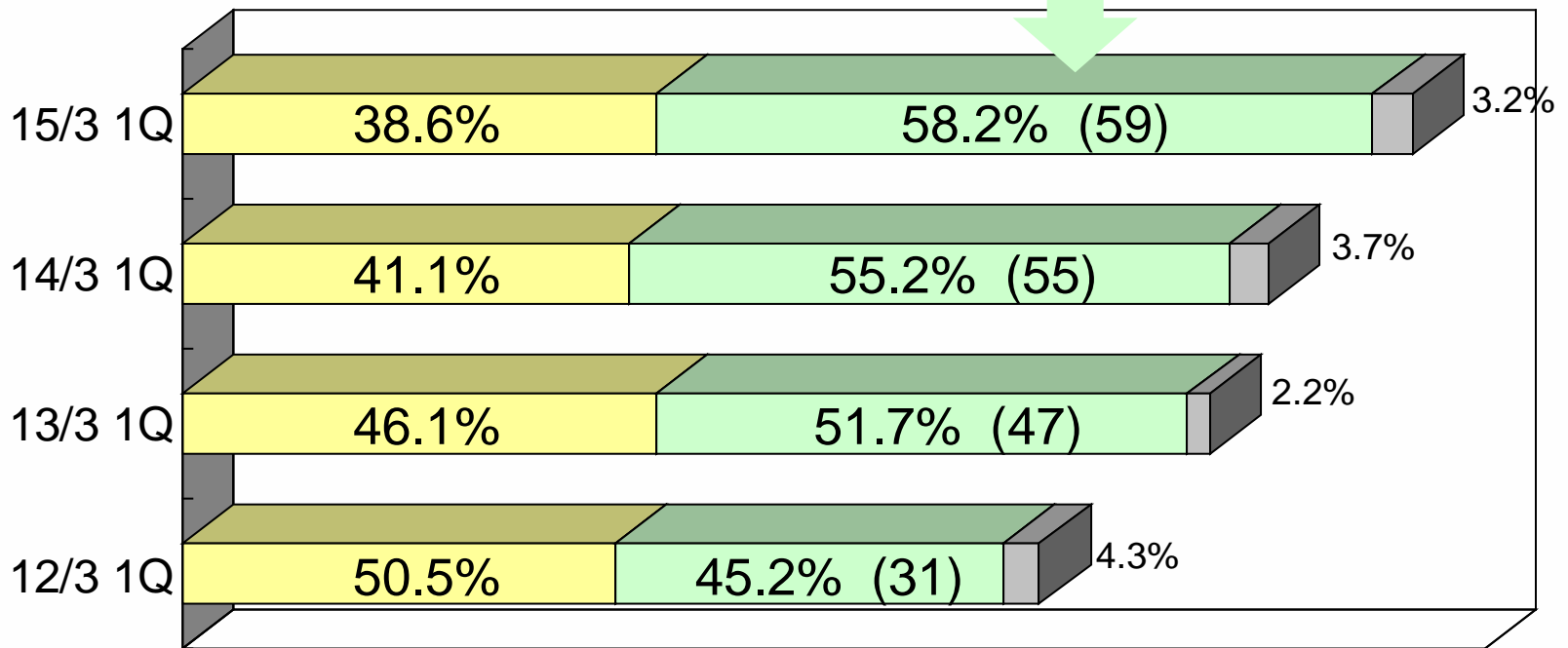
Products launched after 09 increased steadily.



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.

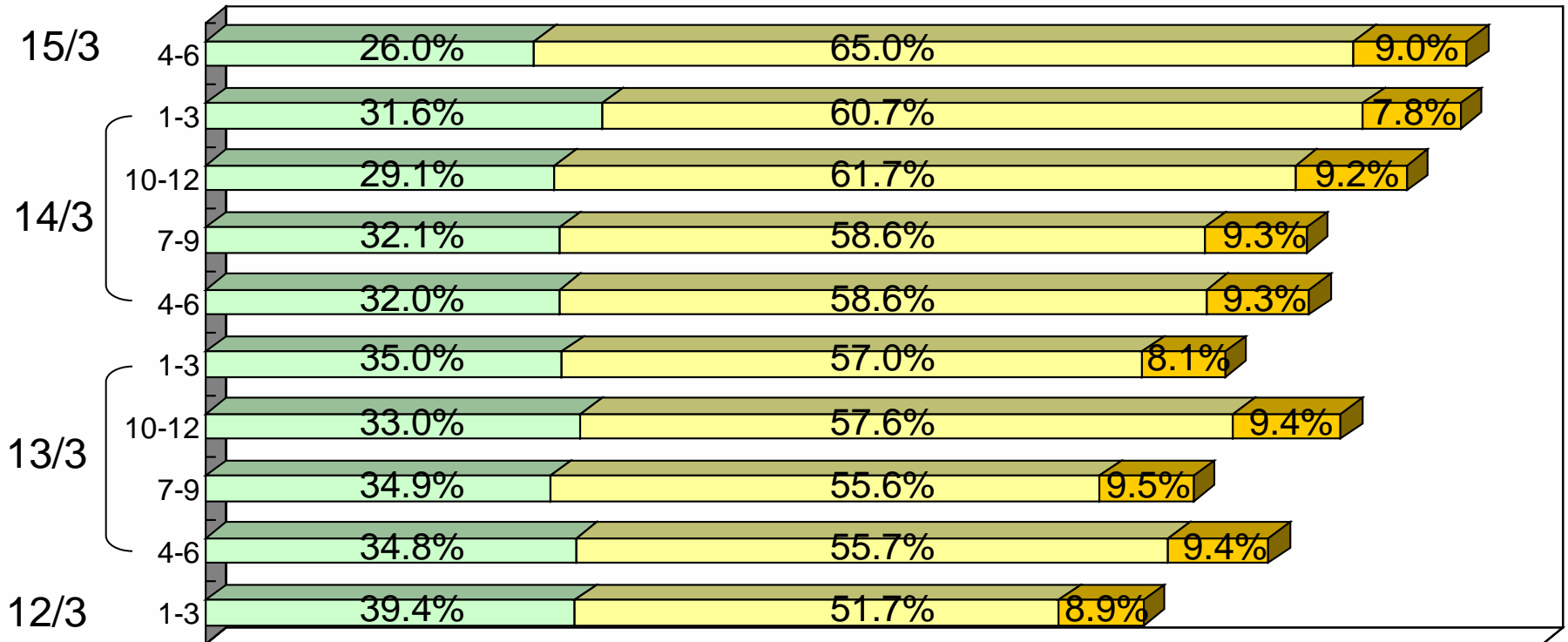


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rate of dispensing pharmacies keeps more than 60%.



■ General Practitioners
 ■ Dispensing Pharmacies
 ■ Hospitals

Excluding sales by other companies.

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

SGA

Period	15/3 1Q			14/3 1Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	2,664	16.2	+ 11.1	2,398	16.4
R&D	1,303	7.9	+ 33.0	980	6.7
Packing and freight	312	1.9	+ 62.4	192	1.3
Commission	227	1.4	+ 49.1	152	1.1
Depreciation cost	213	1.3	+ 19.9	178	1.2
Ad.	234	1.4	- 5.0	246	1.7
Others	1,121	6.8	+ 20.7	929	6.4
SGA	6,078	36.9	+ 19.7	5,078	34.8

SGA increased by 19.7% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and packing and freight are impacted a lot. On the other hand, compared with the budget, R&D cost and advertisement cost are behind, both of which will be accounted after 2Q. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

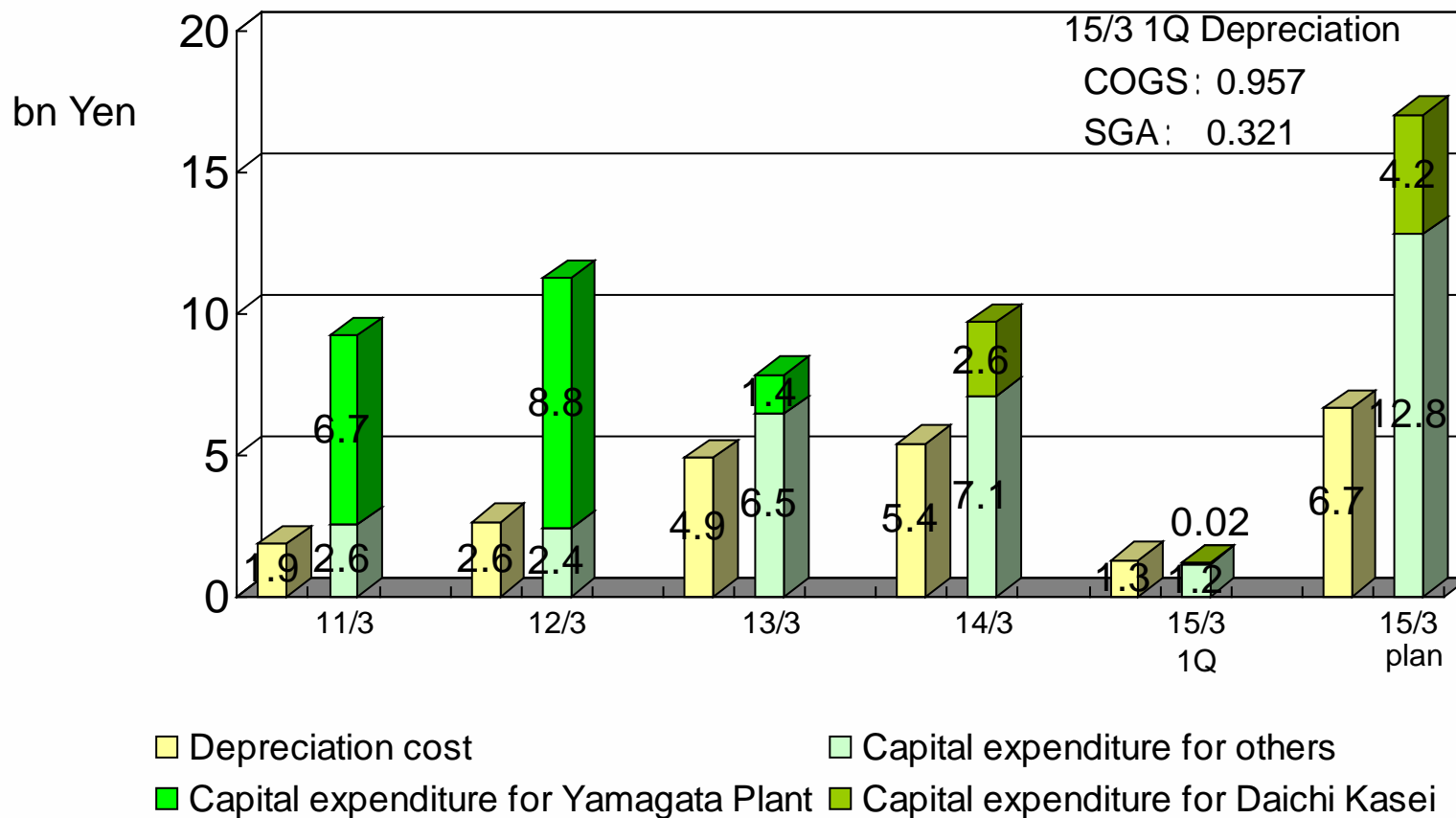
Balance Sheets

(million Yen)

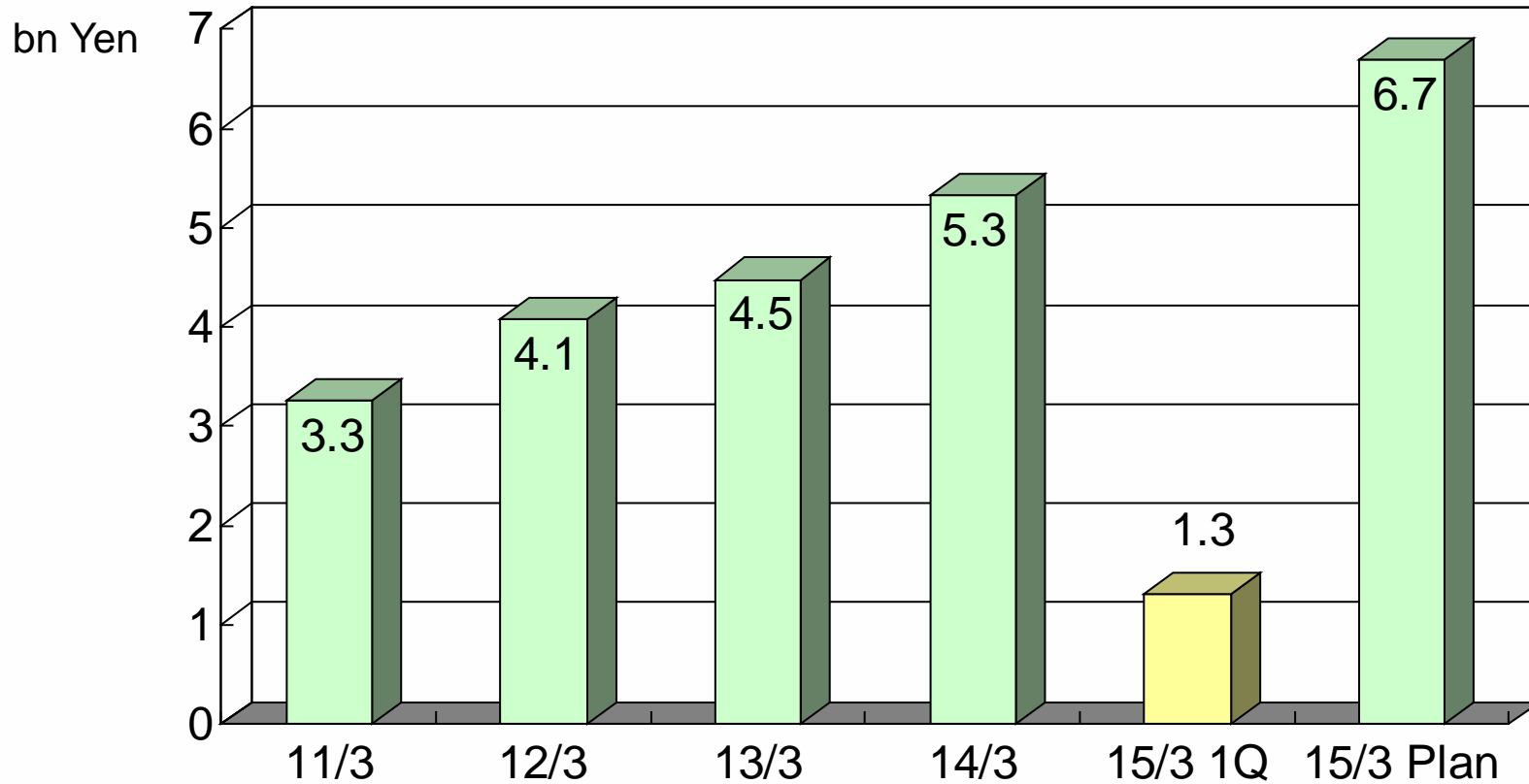
	14/6	14/3	Change
Cash and deposits	5,258	6,038	- 780
Trade notes and accounts receivable	19,601	19,505	+ 95
Marketable securities	3,000	4,637	- 1,637
Finished products	12,147	12,412	- 264
Other current assets	14,537	14,200	+ 336
Total current assets	54,544	56,794	- 2,250
Buildings and structures	21,219	21,663	- 444
Machineries, equipments and carriers	8,729	9,019	- 289
Other fixed assets	16,458	15,840	+ 617
Total fixed assets	46,407	46,523	- 116
Total assets	100,951	103,318	- 2,366

	14/6	14/3	Change
Trade notes and accounts payable	9,828	9,775	+ 52
Current portion of long-term debt	2,925	2,925	-
income taxes payable	241	1,915	- 1,673
Other current liabilities	9,134	10,140	- 1,006
Total current liabilities	22,129	24,757	- 2,627
Long-term debt	16,233	16,620	- 387
Other long-term liabilities	1,782	1,792	- 9
Total long-term liabilities	18,016	18,413	- 397
Total liabilities	40,146	43,170	- 3,024
Total net assets	60,805	60,147	+ 657
Total liabilities and net assets	100,951	103,318	- 2,366

Capital expenditure and depreciation cost



R&D expenditure



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