



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 3Q of the year ending March 2015

February, 2015

(stock ticker number : 4553)

Summary

- Sales increased by 17.3% year-on-year. Sales is ca. 20% increase year-on-year after October. As a result, ca. 0.8 bn Yen of sales shortage at the 2Q is not covered.
- COGS rate decreased by 0.7 point year-on-year due to decrease of manufacturing cost by increasing volume in spite of reduction of sales price by the NHI price revision.
- SGA increased by 12.9% 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, labor cost and R&D cost are slightly behind.
- OP income increased by 34.8% year-on-year. Progress is good compared with the plan due to decreased COGS rate and SGA behind the budget.
- The full year forecast for the year ending March 2015 is revised considering results of sales and profits by 3Q and forecast of sales and profits in 4Q.

Outline of the financial results for the 3Q of the year ending March 2015

Period	15/3 3Q			14/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	53,055	100.0	+ 17.3	45,225	100.0
COGS	25,773	48.6	+ 15.5	22,306	49.3
SGA	18,669	35.2	+ 12.9	16,532	36.6
Operating income	8,612	16.2	+ 34.8	6,387	14.1
Ordinary income	12,506	23.6	+ 64.6	7,597	16.8
Net income	8,905	16.8	+ 73.3	5,139	11.4

Exchange rate
US\$1.00

2014/12 2014/9 2014/3
119.55yen 108.45yen 101.92yen

2013/12 2013/9 2013/3
104.39yen 96.75yen 93.05yen

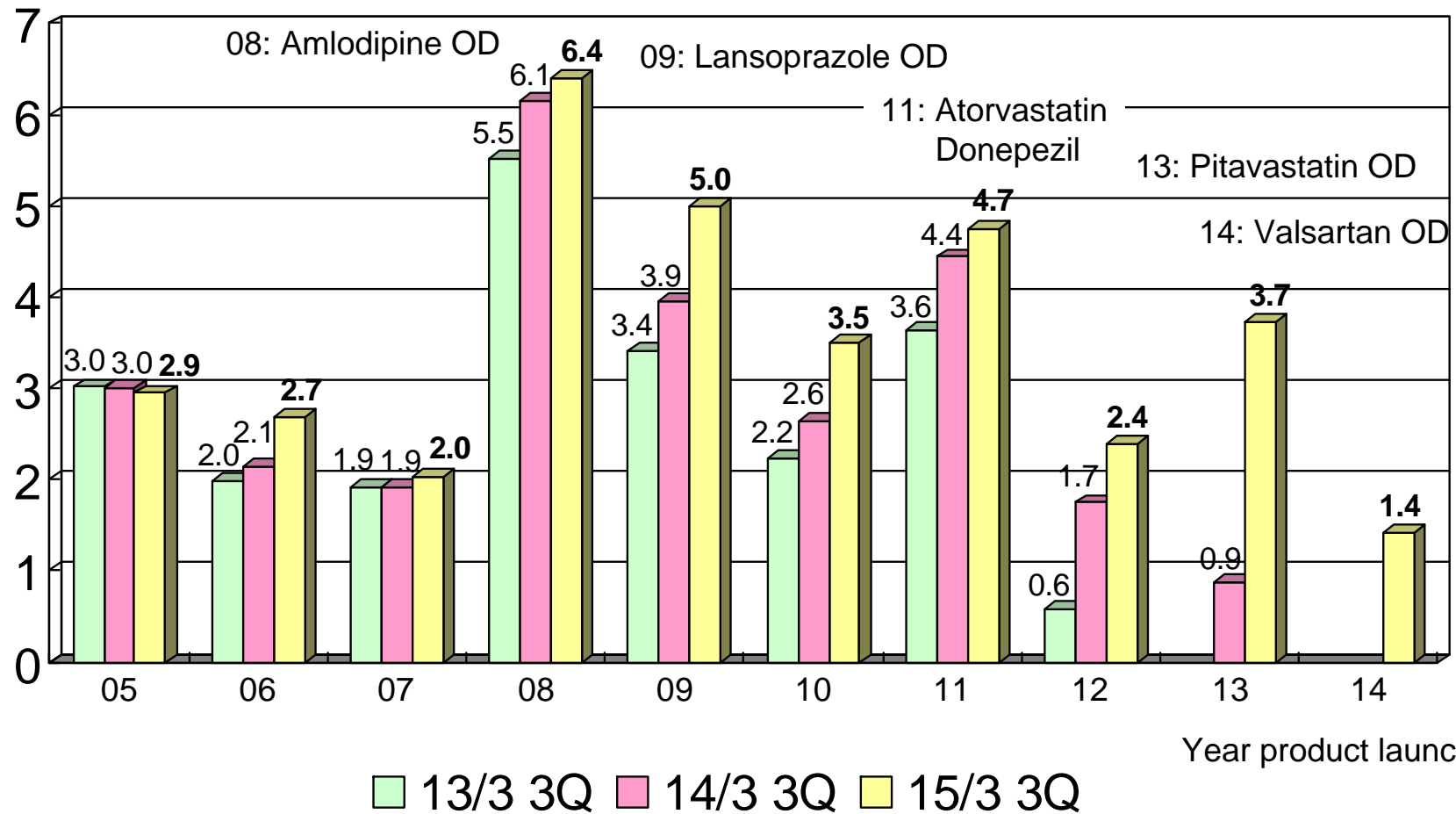
Outline of the financial results for the 3Q of the year ending March 2015 (progress rate)

Period	15/3				
	3Q		Full-year Plan (disclosed on May 14th)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	53,055	100.0	72,000	100.0	73.7
COGS	25,773	48.6	37,500	52.1	68.7
SGA	18,669	35.2	26,700	37.1	69.9
Operating income	8,612	16.2	7,800	10.8	110.4
Ordinary income	12,506	23.6	7,800	10.8	160.3
Net income	8,905	16.8	5,300	7.4	168.0

Sales of products by launched year

Products launched after 09 increased steadily.

bn Yen

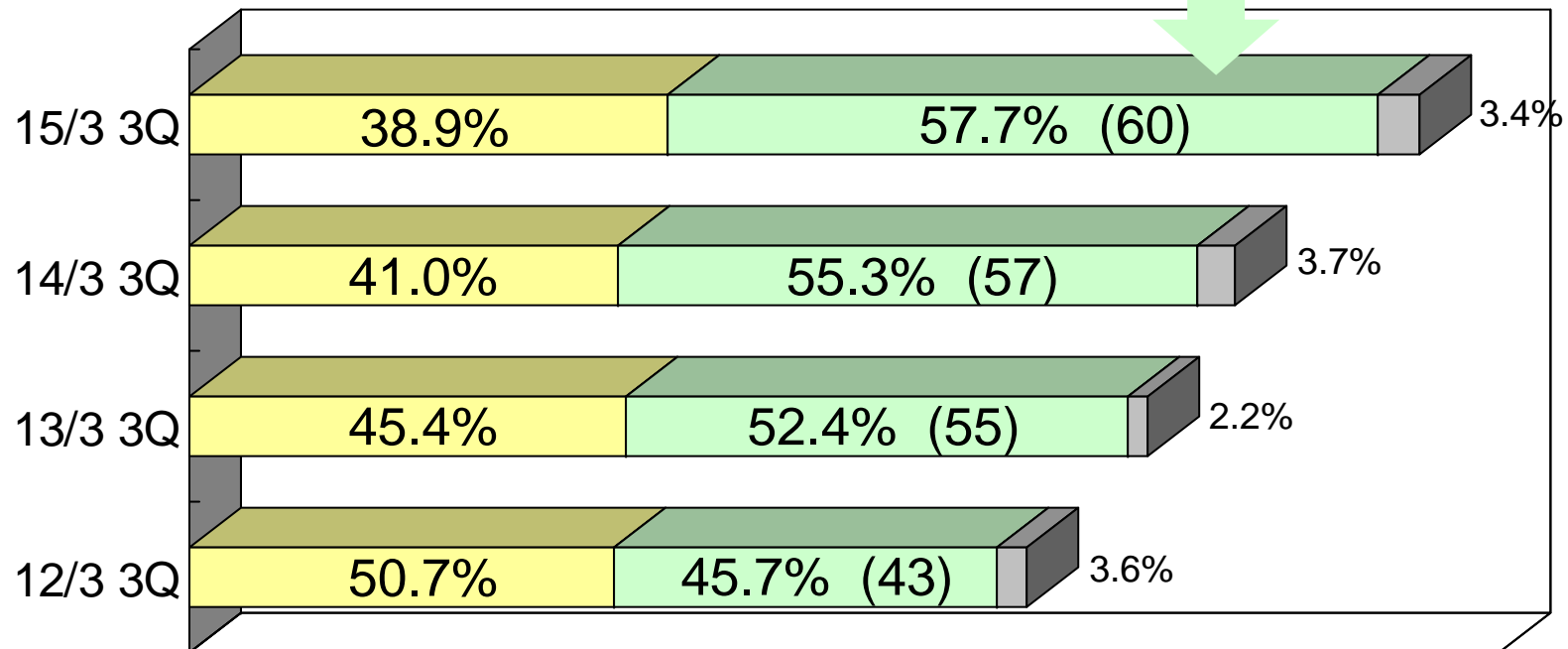


Sales of channels

(non-consolidated)

Ratio of direct sales increased due to sales increase of sales office and increased headquarter transaction.

() is the number of sales offices.

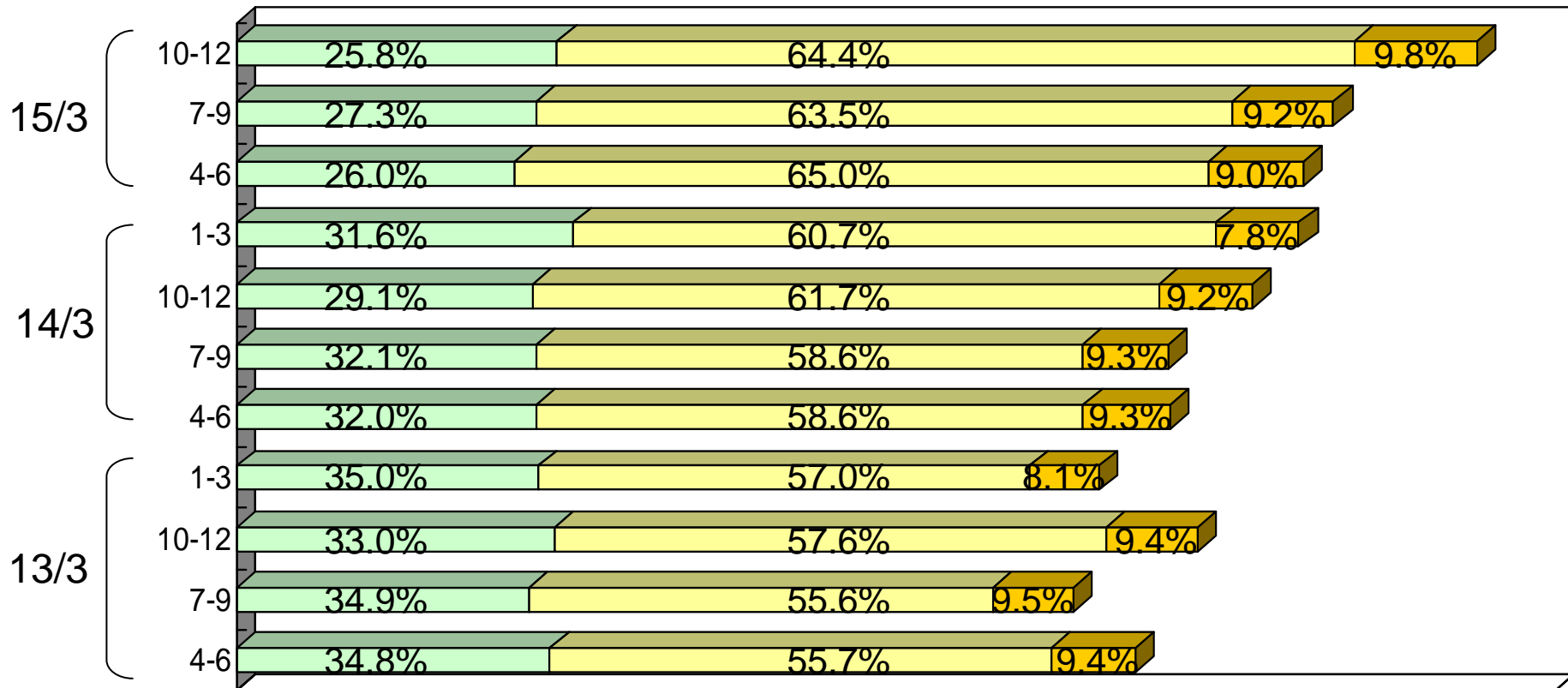


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rate of dispensing pharmacies keeps more than 60%.



■ General Practitioners
 ■ Dispensing Pharmaceis
 ■ Hospitals

Excluding sales by other companies.

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

SGA

Period	15/3 3Q			14/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	7,910	14.9	+ 9.5	7,221	16.0
R&D	4,657	8.8	+ 17.8	3,954	8.7
Packing and freight	961	1.8	+ 49.2	644	1.4
Ad.	929	1.8	+ 24.0	749	1.7
Depreciation cost	618	1.2	+ 9.1	567	1.3
Commission	549	1.0	+ 2.7	534	1.2
Others	3,042	5.7	+ 6.4	2,859	6.3
SGA	18,669	35.2	+ 12.9	16,532	36.6

SGA increased by 12.9% 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, labor cost and R&D cost are slightly behind. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

Balance Sheets

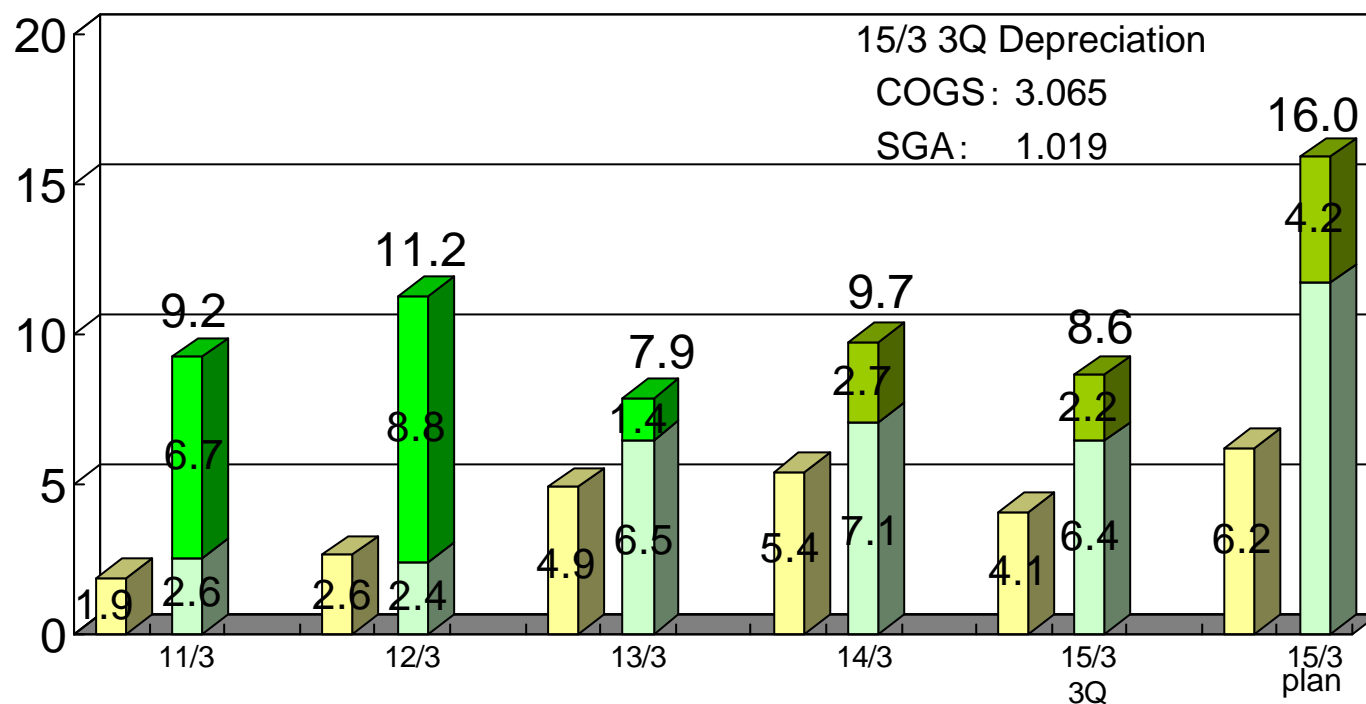
(million Yen)

	14/12	14/3	Change
Cash and deposits	5,704	6,038	- 334
Trade notes and accounts receivable	23,007	19,505	+ 3,501
Marketable securities	2,000	4,637	- 2,637
Finished products	14,520	12,412	+ 2,108
Other current assets	18,715	14,200	+ 4,514
Total current assets	63,947	56,794	+ 7,153
Buildings and structures	21,123	21,663	- 540
Machineries, equipments and carriers	9,246	9,019	+ 227
Other fixed assets	21,206	15,840	+ 5,365
Total fixed assets	51,576	46,523	+ 5,052
Total assets	115,524	103,318	+12,206

	14/12	14/3	Change
Trade notes and accounts payable	11,356	9,775	+ 1,580
Current portion of long-term debt	2,755	2,925	- 170
income taxes payable	2,086	1,915	+ 171
Other current liabilities	10,329	10,140	+ 188
Total current liabilities	26,528	24,757	+ 1,771
Long-term debt	19,314	16,620	+ 2,693
Other long-term liabilities	1,838	1,792	+ 45
Total long-term liabilities	21,152	18,413	+ 2,739
Total liabilities	47,681	43,170	+ 4,510
Total net assets	67,843	60,147	+ 7,695
Total liabilities and net assets	115,524	103,318	+12,206

Capital expenditure and depreciation cost

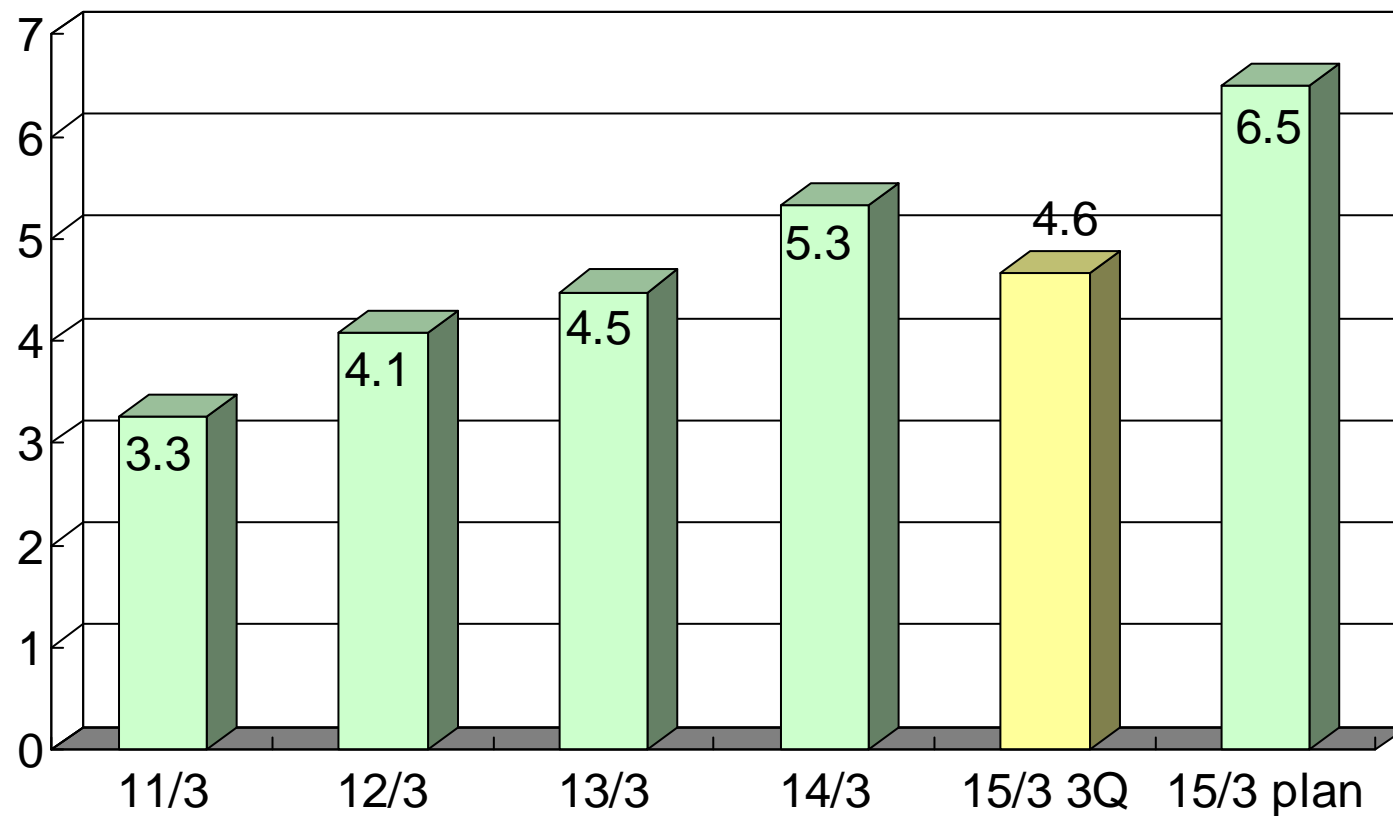
bn Yen



- Depreciation cost
- Capital expenditure for others
- Capital expenditure for Yamagata Plant
- Capital expenditure for Daichi Kasei

R&D expenditure

bn Yen



Financial forecast for the year ending March 2015

Period	15/3 plan (disclosed on Feb.9 th)			15/3 plan (disclosed on May 14 th)	
	(million Yen)	Ratio to sales (%)	Change	(million Yen)	Ratio to sales (%)
Net sales	72,000	100.0	-	72,000	100.0
COGS	35,700	49.6	- 1,800	37,500	52.1
SGA	26,300	36.5	- 400	26,700	37.1
Operating income	10,000	13.9	+ 2,200	7,800	10.8
Ordinary income	11,000	15.3	+ 3,200	7,800	10.8
Net income	8,060	11.2	+ 2,760	5,300	7.4

Net sales: in line with the plan disclosed on May 14th

COGS: Revised reflecting lowering COGS rate due to good factory operating ratio

SGA: nearly in line with the plan disclosed on May 14th

Ordinary income: Gain and loss on revaluation of currency swaps is not included due to extremely uncertain developments of exchange rate in the future.

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Disclaimer

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