



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the year ended March 2015

May, 2015

(stock ticker number : 4553)

Summary

- Sales increased by 16.5% year-on-year. Sales in January was slightly over the plan with ca. 17% increase year-on-year, and after February sales was in line with the plan. As a result, ca. 0.8 bn Yen of sales shortage at the 2Q was not covered to be 0.53 bn Yen of sales shortage in the end.
- COGS rate decreased by 2.4 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 14.9% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, advertisement cost and packing and freight are impacted a lot. On the other hand, compared with the budget, labor cost and R&D cost are behind.
- OP income increased by 44.1% year-on-year, and ca. 1.1 bn Yen of OP income is over the plan due to decreased COGS rate and SGA behind the budget.
- In the full year forecast for the year ending March 2016, sales is expected to increase continuously. Increase in depreciation cost of Okayama Plant for the extension started in April 2015 and labor cost for sales network extension in urban area is expected. As a result, OP income is expected to remain almost the same level at the previous fiscal year.

Outline of the financial results for the year ended March 2015

Period	15/3			14/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	71,470	100.0	+ 16.5	61,351	100.0
COGS	34,487	48.3	+ 10.8	31,121	50.7
SGA	25,877	36.2	+ 14.9	22,523	36.7
Operating income	11,105	15.5	+ 44.1	7,706	12.6
Ordinary income	15,437	21.6	+ 74.7	8,834	14.4
Net income	11,118	15.6	+ 85.5	5,992	9.8

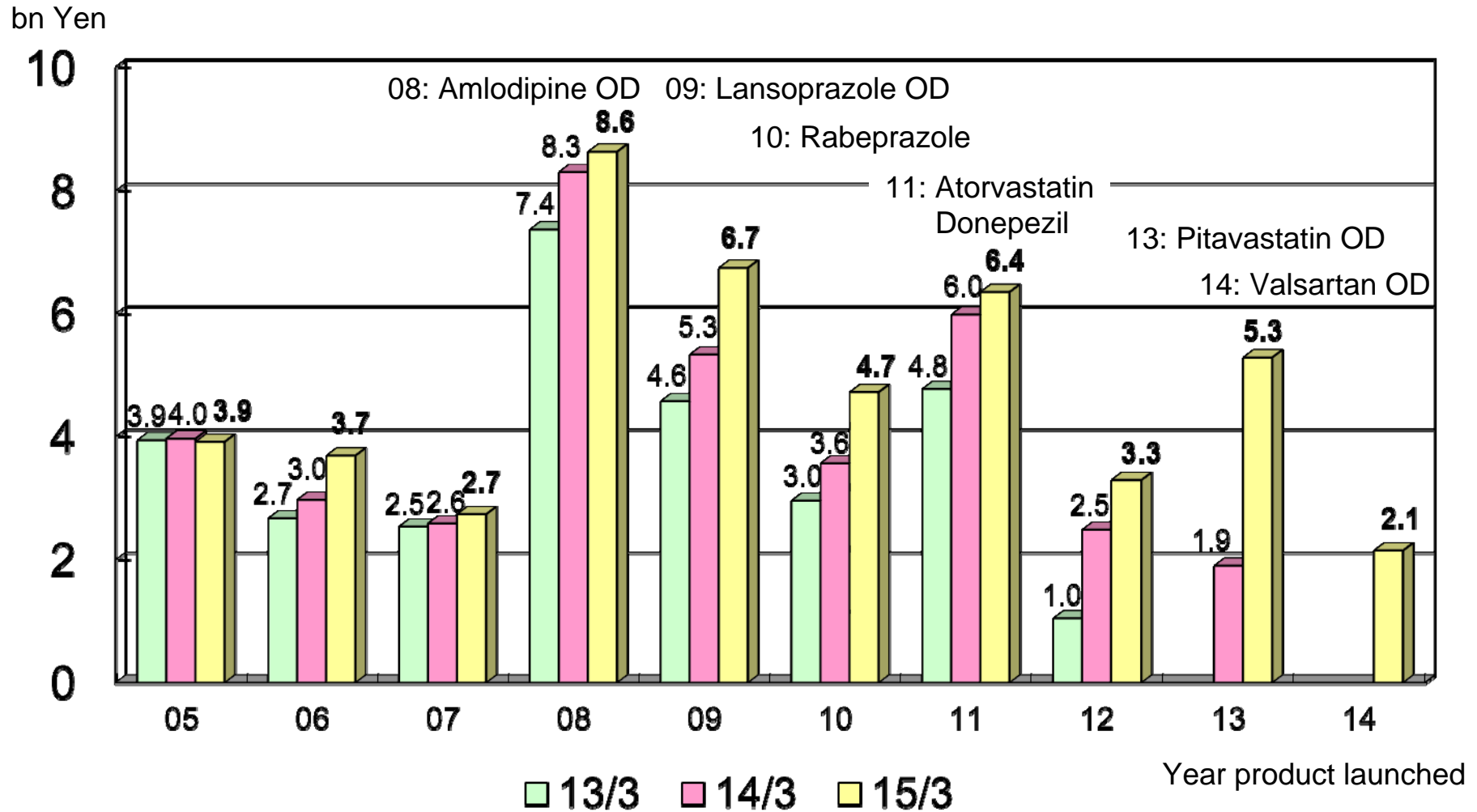
Exchange rate	2015/3	2014/12	2014/9	2014/3	2013/12	2013/9	2013/3
US\$1.00	119.17 yen	119.55 yen	108.45 yen	101.92 yen	104.39 yen	96.75 yen	93.05 yen

Outline of the financial results for the year ended March 2015 (progress rate)

Period	15/3		15/3 plan (disclosed on Feb. 9)		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	71,470	100.0	72,000	100.0	99.3
COGS	34,487	48.3	35,700	49.6	96.6
SGA	25,877	36.2	26,300	36.5	98.4
Operating income	11,105	15.5	10,000	13.9	111.1
Ordinary income	15,437	21.6	11,000	15.3	140.3
Net income	11,118	15.6	8,060	11.2	137.9

Sales of products by launched year

Products launched after 09 increased steadily.

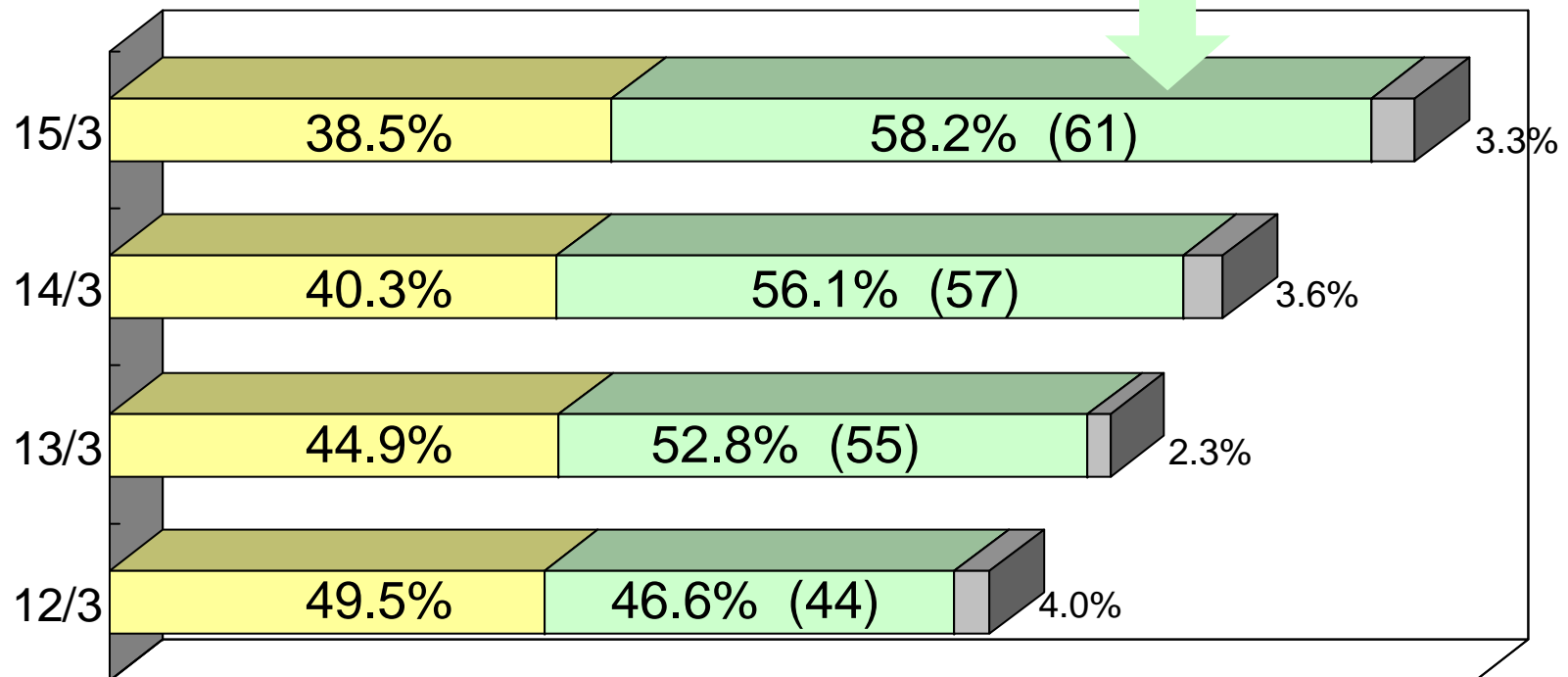


Sales of channels

(non-consolidated)

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

() is the number of sales offices.

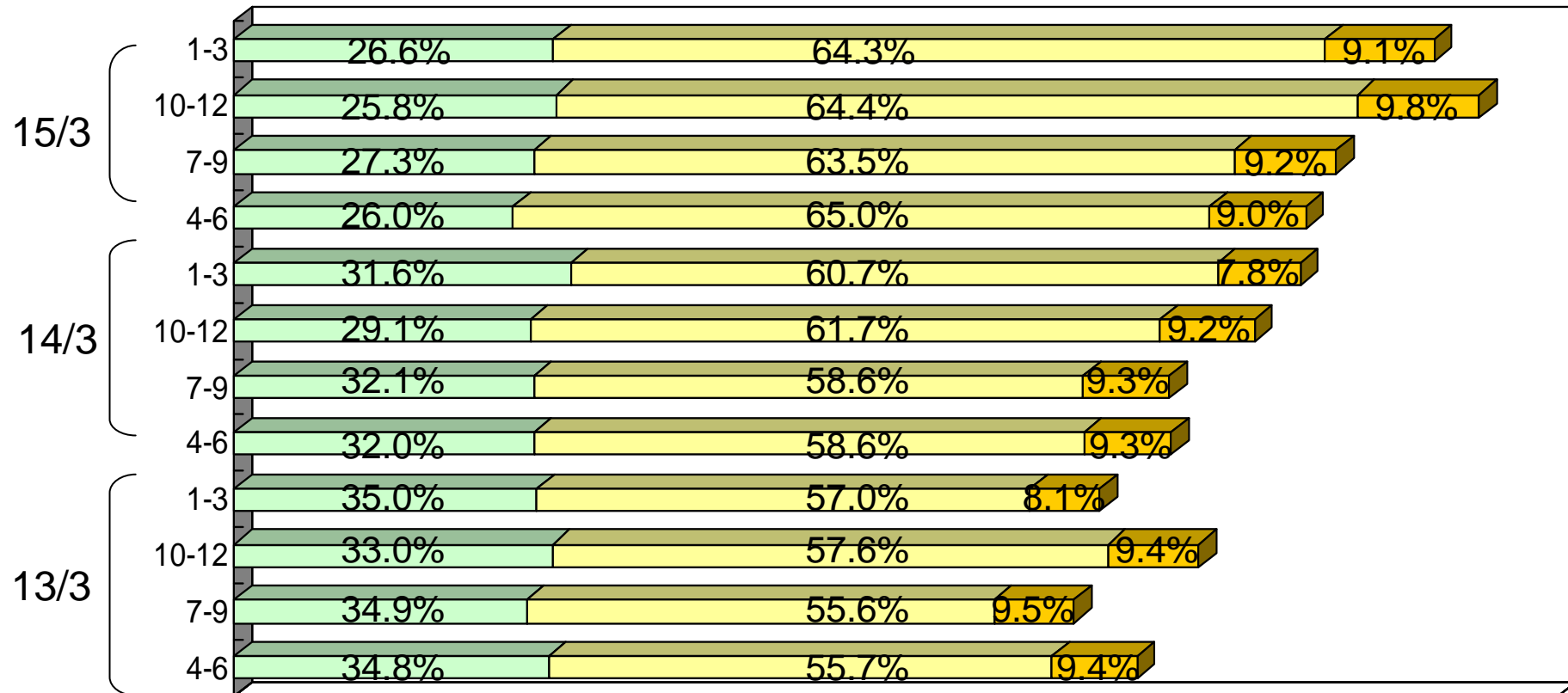


■ Sales agent ■ Direct sales ■ Others

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			14/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	10,563	14.8	+ 8.8	9,706	15.8
R&D	6,144	8.6	+ 16.0	5,296	8.6
Packing and freight	1,309	1.8	+ 35.0	969	1.6
Ad.	1,598	2.2	+ 47.1	1,086	1.8
Depreciation cost	849	1.2	+ 6.8	795	1.3
Commission	898	1.3	+ 11.6	805	1.3
Others	4,514	6.3	+ 16.9	3,863	6.3
SGA	25,877	36.2	+ 14.9	22,523	36.7

SGA increased by 14.9% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, advertisement cost and packing and freight are impacted a lot. On the other hand, compared with the budget, labor cost and R&D cost are behind.

Balance Sheets

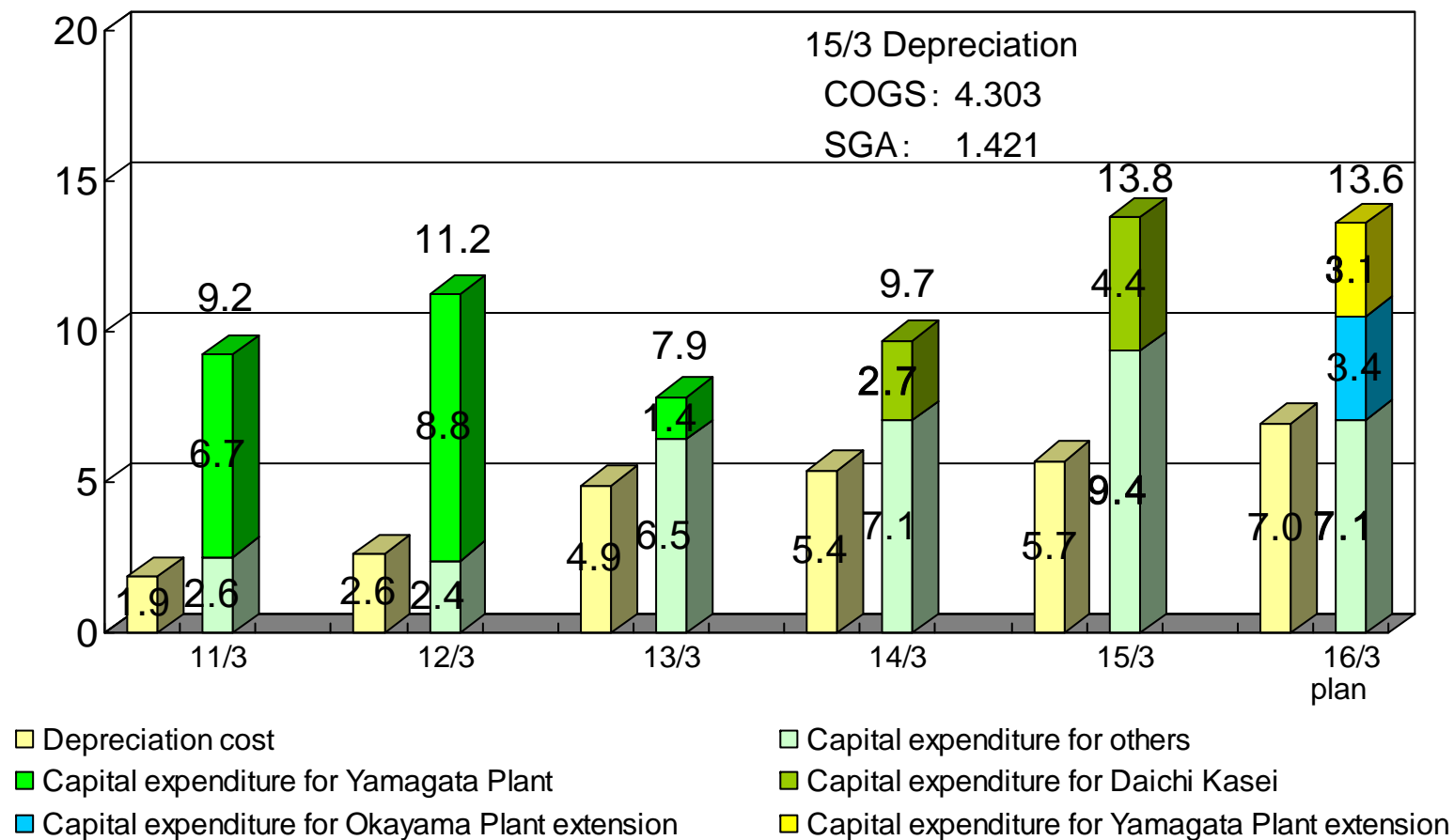
(million Yen)

	15/3	14/3	Change
Cash and deposits	3,009	6,038	- 3,028
Trade notes and accounts receivable	22,669	19,505	+ 3,164
Marketable securities	3,198	4,637	- 1,439
Finished products	16,677	12,412	+ 4,265
Other current assets	21,086	14,200	+ 6,886
Total current assets	66,642	56,794	+ 9,848
Buildings and structures	24,750	21,663	+ 3,087
Machineries, equipments and carriers	12,433	9,019	+ 3,414
Other fixed assets	17,360	15,840	+ 1,519
Total fixed assets	54,544	46,523	+ 8,020
Total assets	121,187	103,318	+17,869

	15/3	14/3	Change
Trade notes and accounts payable	12,577	9,775	+ 2,801
Current portion of long-term debt	2,505	2,925	- 420
income taxes payable	3,366	1,915	+ 1,450
Other current liabilities	12,605	10,140	+ 2,464
Total current liabilities	31,054	24,757	+ 6,296
Long-term debt	18,468	16,620	+ 1,848
Other long-term liabilities	1,616	1,792	- 176
Total long-term liabilities	20,085	18,413	+ 1,672
Total liabilities	51,139	43,170	+ 7,968
Total net assets	70,048	60,147	+ 9,900
Total liabilities and net assets	121,187	103,318	+17,869

Capital expenditure and depreciation cost

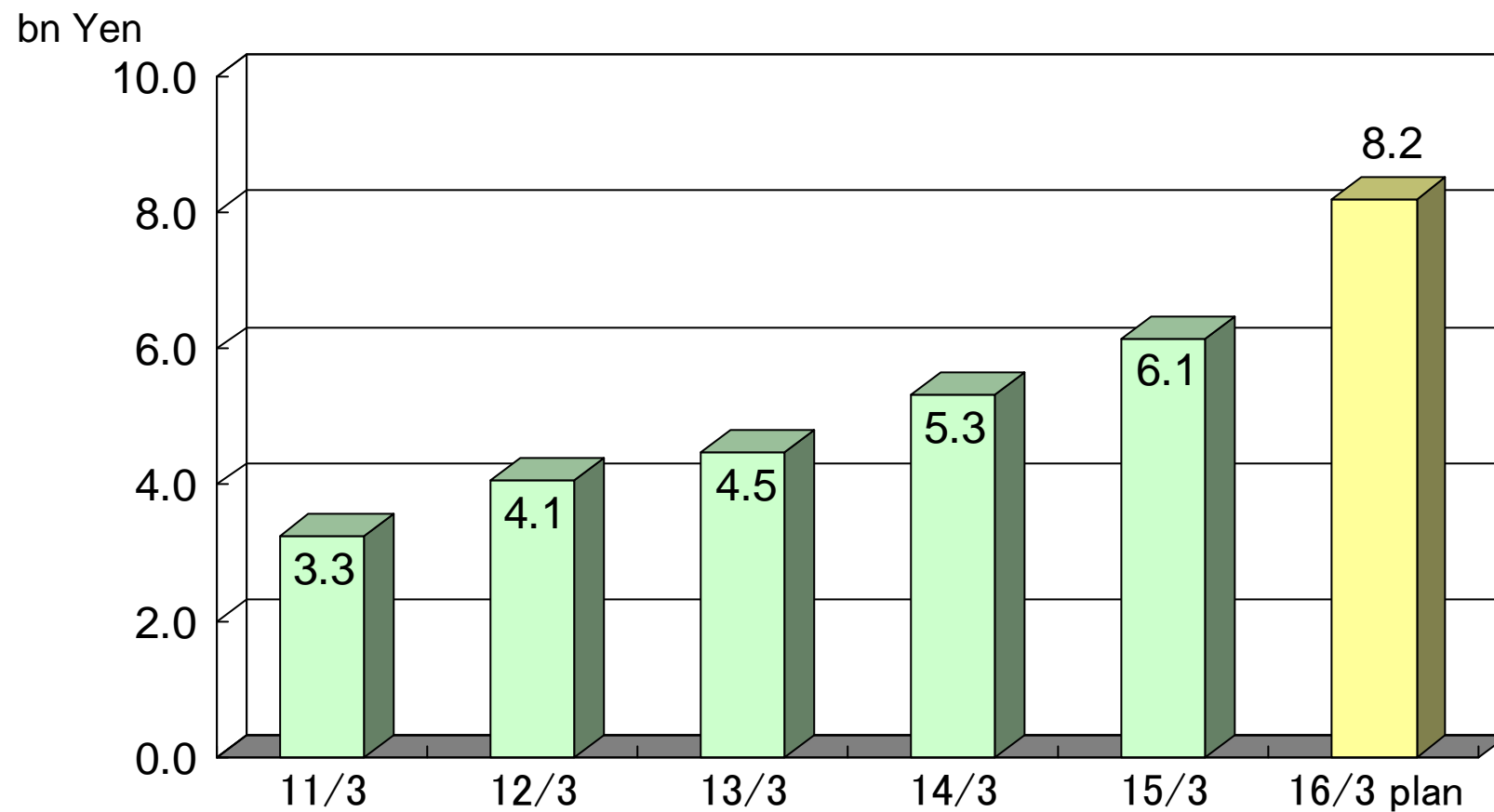
bn Yen



Capital expenditure plan of the year ending March 2016

Items	Capital expenditure (bn Yen)	Main contents
Okayama Plant	3.4	Expansion and alteration, manufacturing facilities
Yamagata Plant	3.1	Expansion and alteration, manufacturing facilities
Osaka Plant	1.1	Manufacturing facilities
Sales	1.9	Sales office
R&D	1.7	Analytical instruments, manufacturing facilities
Distribution	0.9	Warehouse extension
Others	1.5	IT system
Total	13.6	

R&D expenditure



Major products to be launched in June 2015

Therapeutic Category	Product Name	Branded Products (Company)	Sales in 2014 (bn Yen / year)
Antiplatelet agent	CLOPIDOGREL TABLETS 25mg/75mg "TOWA"	PLAVIX TABLETS 25mg/75mg (Sanofi)	1,248
Biguanide oral hypoglycemic agent	METFORMIN HYDROCHLORIDE TABLETS 250mgMT "TOWA"	METGLUCO TABLETS 250mg (Sumitomo Dainippon Pharma)	194
Long-acting angiotensin II receptor antagonist	CANDESARTAN OD TABLETS 2mg/4mg/8mg/12mg "TOWA"	BLOPRESS TABLETS 2/4/8/12 (Takeda)	807
Anticancer Drugs	FLUOROURACIL INJECTION 250mg/1000mg "TOWA"	5-FU INJECTION 250mg/1000mg (Kyowa Kirin)	28

21 products in total

Annual sales budget: ca. 1.0 bn yen for products to be launched in June 2015

Clopidogrel 0.3 bn yen

Metformin 0.2 bn yen

Candesartan OD 0.1 bn yen

Financial forecast for the year ending March 2016

Period	16/3 plan (disclosed on May 14)			15/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	82,000	100.0	+ 14.7	71,470	100.0
COGS	40,500	49.4	+ 17.4	34,487	48.3
SGA	30,000	36.6	+ 15.9	25,877	36.2
Operating income	11,500	14.0	+ 3.6	11,105	15.5
Ordinary income	11,500	14.0	- 25.5	15,437	21.6
Net income	8,200	10.0	- 26.2	11,118	15.6

- Sales is expected to increase mainly with sales of dispensing pharmacies without impact of the NHI price revision.
- Depreciation cost of Yamagata Plant has passed its peak. On the other hand, depreciation cost will increase mainly due to Daichi Kasei. SGA is expected to increase due to more R&D expense and more employee for the future growth.

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