



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 2Q of the year ending March 2016

November, 2015

(stock ticker number : 4553)

Summary

- Sales increased by 17.0% year-on-year. Sales is progressing slightly over the plan.
- COGS rate decreased by 1.8 point year-on-year due to decrease of manufacturing cost by increasing volume along with increasing sales volume. In addition, increase of major products and newly launched products contributes to the decrease of COGS rate.
- SGA increased by 17.8% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and advertisement cost is impacted a lot. On the other hand, compared with the budget, labor cost and R&D cost are behind.
- OP income increased by 32.0% year-on-year. Progress is good compared with the plan due to decreased COGS rate and SGA behind the 2Q budget, but OP income will be in line with the plan by the end of this financial year.
- In terms of ordinary income, gain on revaluation of currency swaps for the purpose of currency hedge of API payments was 882 million yen due to sharp depreciation of the yen in the same period of last year, and on the other hand, loss on revaluation of currency swaps was 213 million yen due to slight appreciation of the yen in this period.
- Demolition cost (ca. 0.2 bn yen) of Yamagata Daiichi Plant is posted as extraordinary loss.
- The full year forecast for the year ending March 2016 was not revised.
- Convertible bonds (15 bn yen, 2022 maturity) was issued on July 7, 2015 as our first experience, and funds for capital expenditure were procured.

Outline of the financial results for the 2Q of the year ending March 2016

Period	16/3 2Q			15/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	39,162	100.0	+ 17.0	33,468	100.0
COGS	19,251	49.2	+ 12.8	17,074	51.0
SGA	14,388	36.7	+ 17.8	12,211	36.5
Operating income	5,522	14.1	+ 32.0	4,183	12.5
Ordinary income	5,613	14.3	+ 1.1	5,550	16.6
Profit <small>attributable to owners of parent</small>	4,014	10.3	- 1.3	4,068	12.2

Exchange rate
US\$1.00

2015/9 2015/6 2015/3
118.96yen 121.45yen 119.17yen

2014/9 2014/6 2014/3
108.45yen 100.36yen 101.92yen

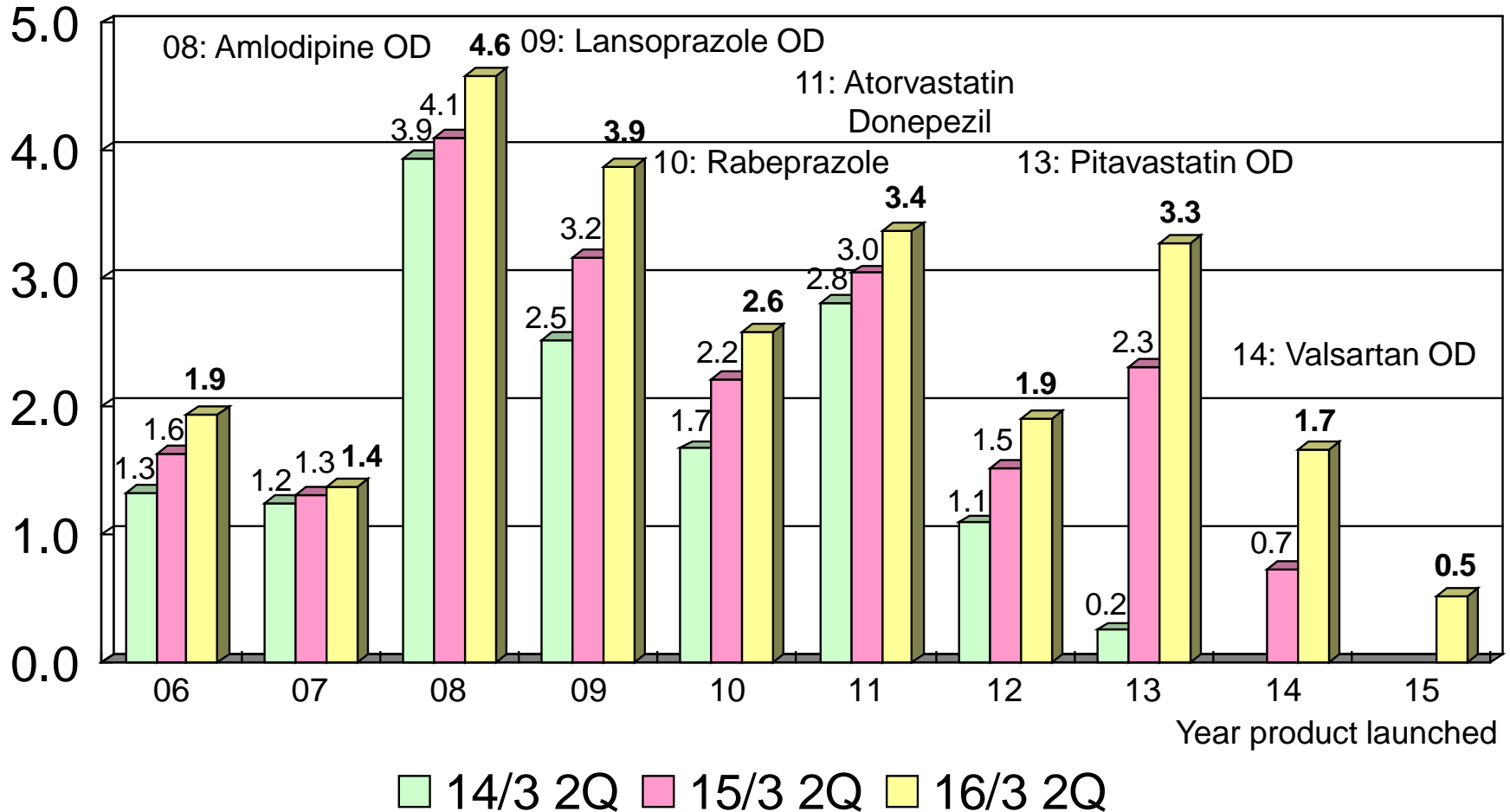
Outline of the financial results for the 2Q of the year ending March 2016 (progress rate)

Period	16/3							
	2Q		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	39,162	100.0	38,500	100.0	101.7	82,000	100.0	47.8
COGS	19,251	49.2	19,000	49.4	101.3	40,500	49.4	47.5
SGA	14,388	36.7	14,800	38.4	97.2	30,000	36.6	48.0
Operating income	5,522	14.1	4,700	12.2	117.5	11,500	14.0	48.0
Ordinary income	5,613	14.3	4,600	11.9	122.0	11,500	14.0	48.8
Profit attributable to owners of parent	4,014	10.3	3,200	8.3	117.8	8,200	10.0	46.0

Sales of products by launched year

Products launched after 08 increased steadily.

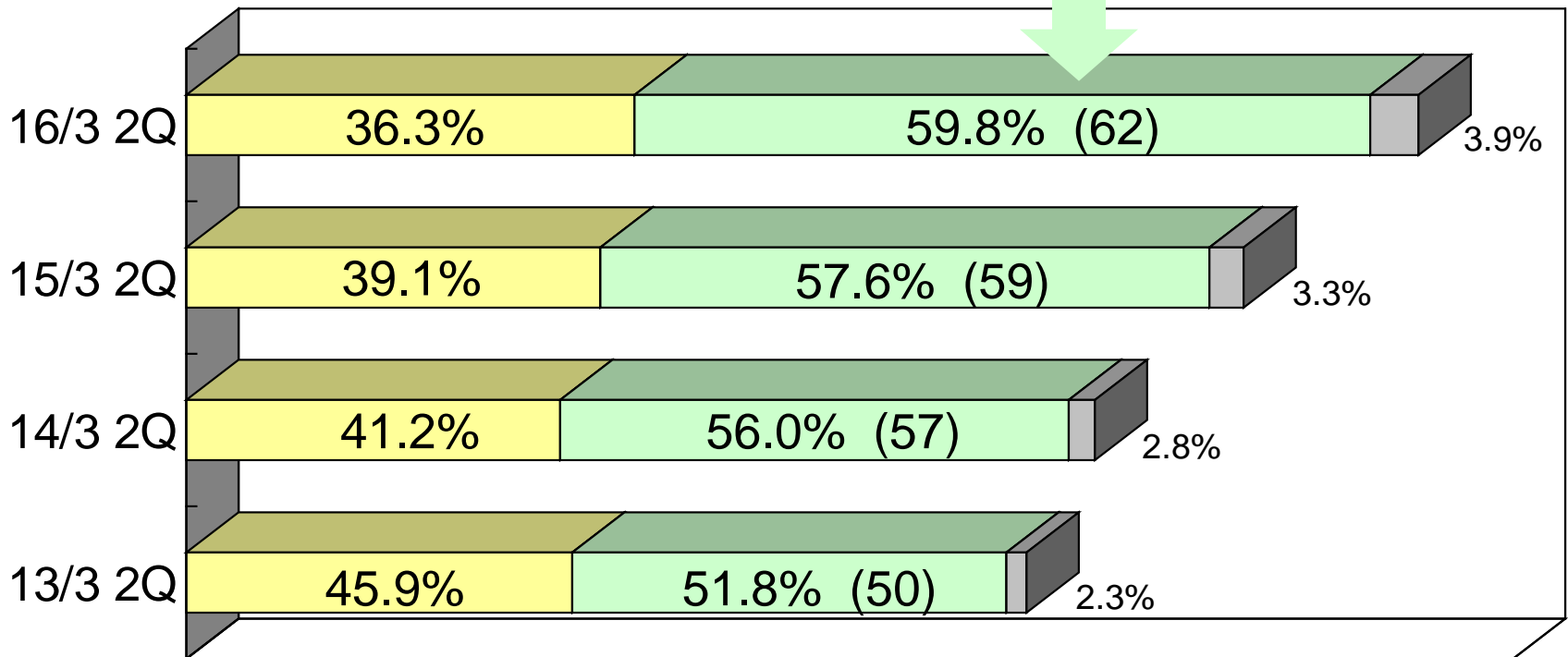
bn Yen



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.

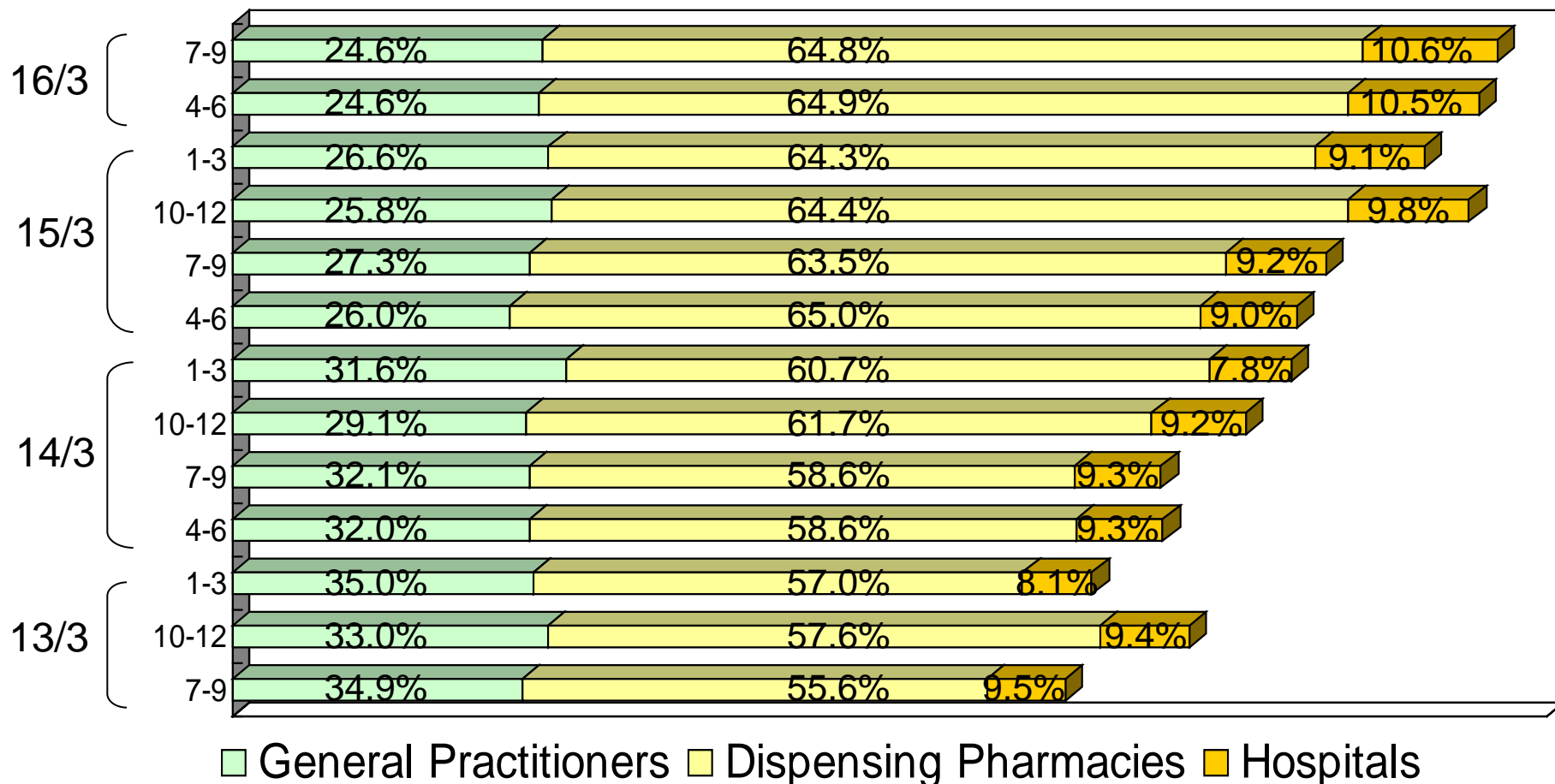


■ Sales agent ■ Direct sales ■ Others

Sales of medical institutions

(non-consolidated)

Sales rates of dispensing pharmacies and hospitals keep well under good sales growth.



Excluding sales by other companies.

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

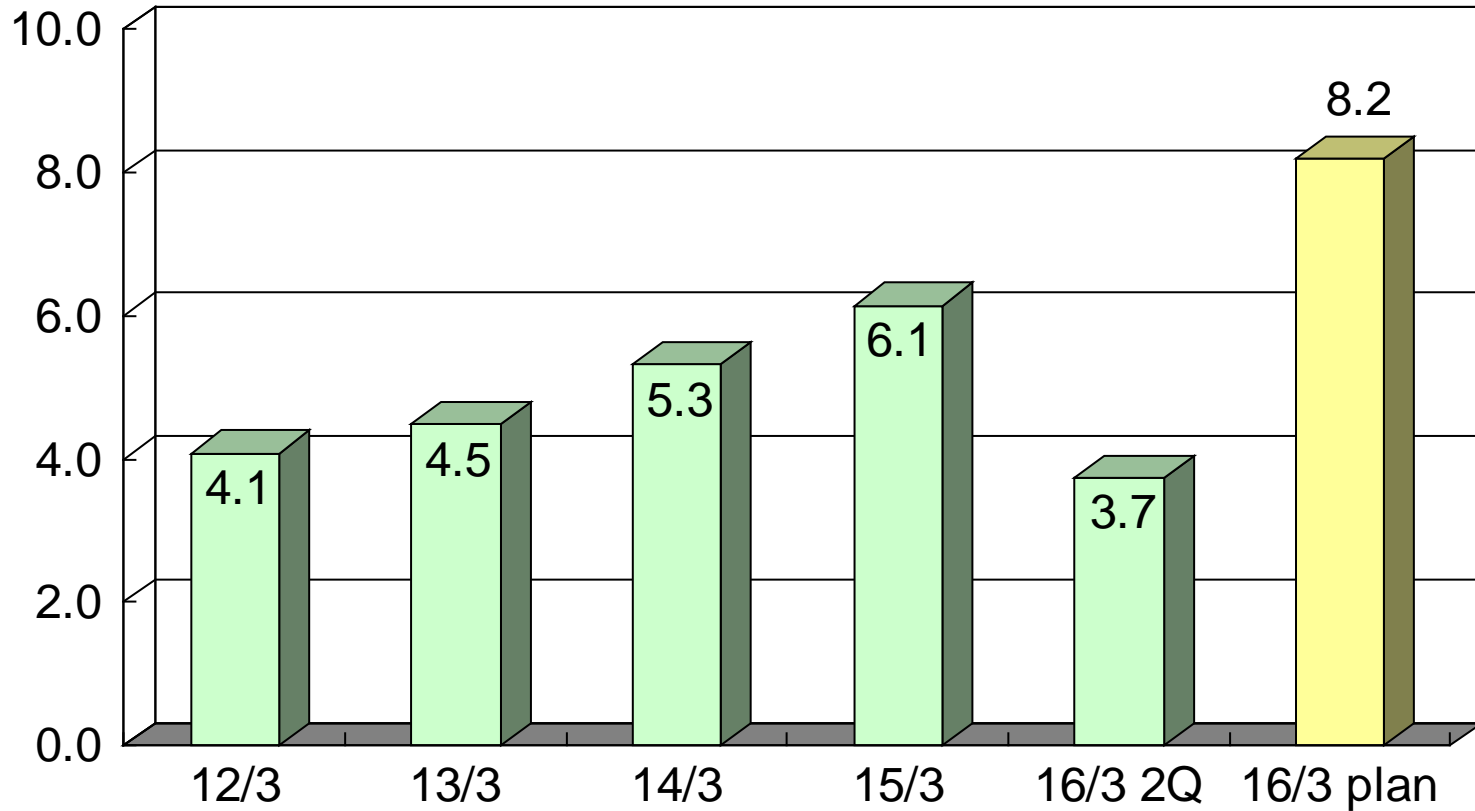
SGA

Period	16/3 2Q			15/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	5,840	14.9	+ 11.3	5,248	15.7
R&D	3,726	9.5	+ 23.6	3,013	9.0
Packing and freight	733	1.9	+ 17.7	623	1.9
Ad.	803	2.1	+ 73.8	462	1.4
Depreciation cost	449	1.1	+ 11.2	404	1.2
Commission	479	1.2	+ 33.3	359	1.1
Others	2,356	6.0	+ 12.2	2,098	6.2
SGA	14,388	36.7	+ 17.8	12,211	36.5

SGA increased by 17.8% year-on-year. Increase in R&D cost due to increase of products to be developed, labor cost by increase of employees, and advertisement cost is impacted a lot. On the other hand, compared with the budget, labor cost and R&D cost are behind. Depreciation cost for R&D is excluded from the above figure of depreciation cost.

R&D expenditure

bn Yen



Balance Sheets

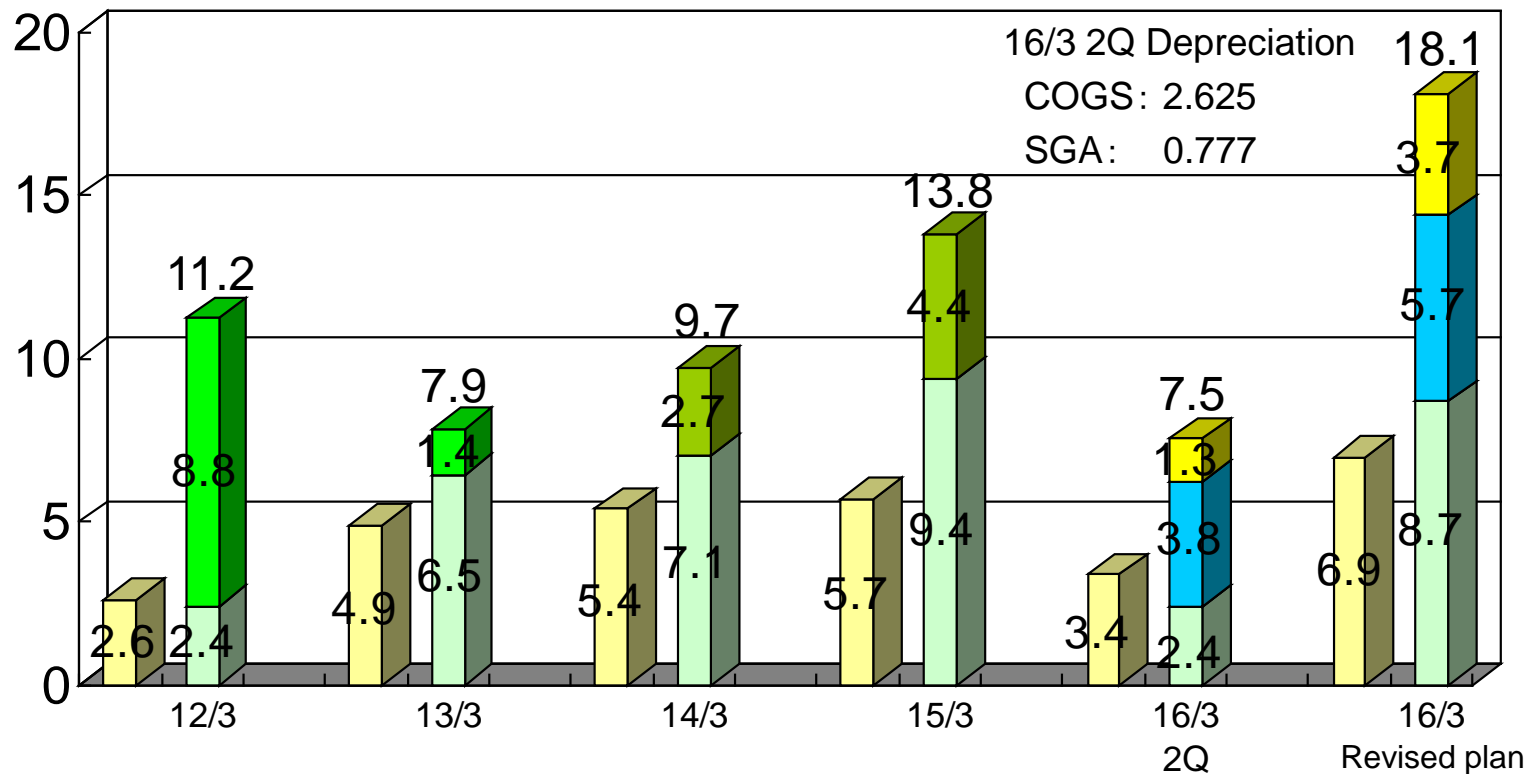
(million Yen)

	15/9	15/3	Change
Cash and deposits	11,280	3,009	+ 8,270
Trade notes and accounts receivable	23,514	22,669	+ 844
Marketable securities	9,998	3,198	+ 6,799
Finished products	19,259	16,677	+ 2,581
Other current assets	22,204	21,086	+ 1,117
Total current assets	86,256	66,642	+ 19,613
Buildings and structures	23,911	24,750	- 838
Machineries, equipments and carriers	13,020	12,433	+ 587
Other fixed assets	21,009	17,360	+ 3,648
Total fixed assets	57,941	54,544	+ 3,396
Total assets	144,197	121,187	+ 23,010

	15/9	15/3	Change
Trade notes and accounts payable	12,029	12,577	- 548
Current portion of long-term debt	1,905	2,505	- 600
Income taxes payable	1,492	3,366	- 1,873
Other current liabilities	13,601	12,605	+ 996
Total current liabilities	29,028	31,054	- 2,025
Long-term debt	30,566	18,468	+ 12,097
Convertible bond	15,073	-	+ 15,073
Other long-term liabilities	1,418	1,616	- 197
Total long-term liabilities	47,057	20,085	+ 26,972
Total liabilities	76,086	51,139	+ 24,946
Total net assets	68,111	70,048	- 1,936
Total liabilities and net assets	144,197	121,187	+ 23,010

Capital expenditure and depreciation cost

bn Yen



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

Enhancement of manufacturing capacity

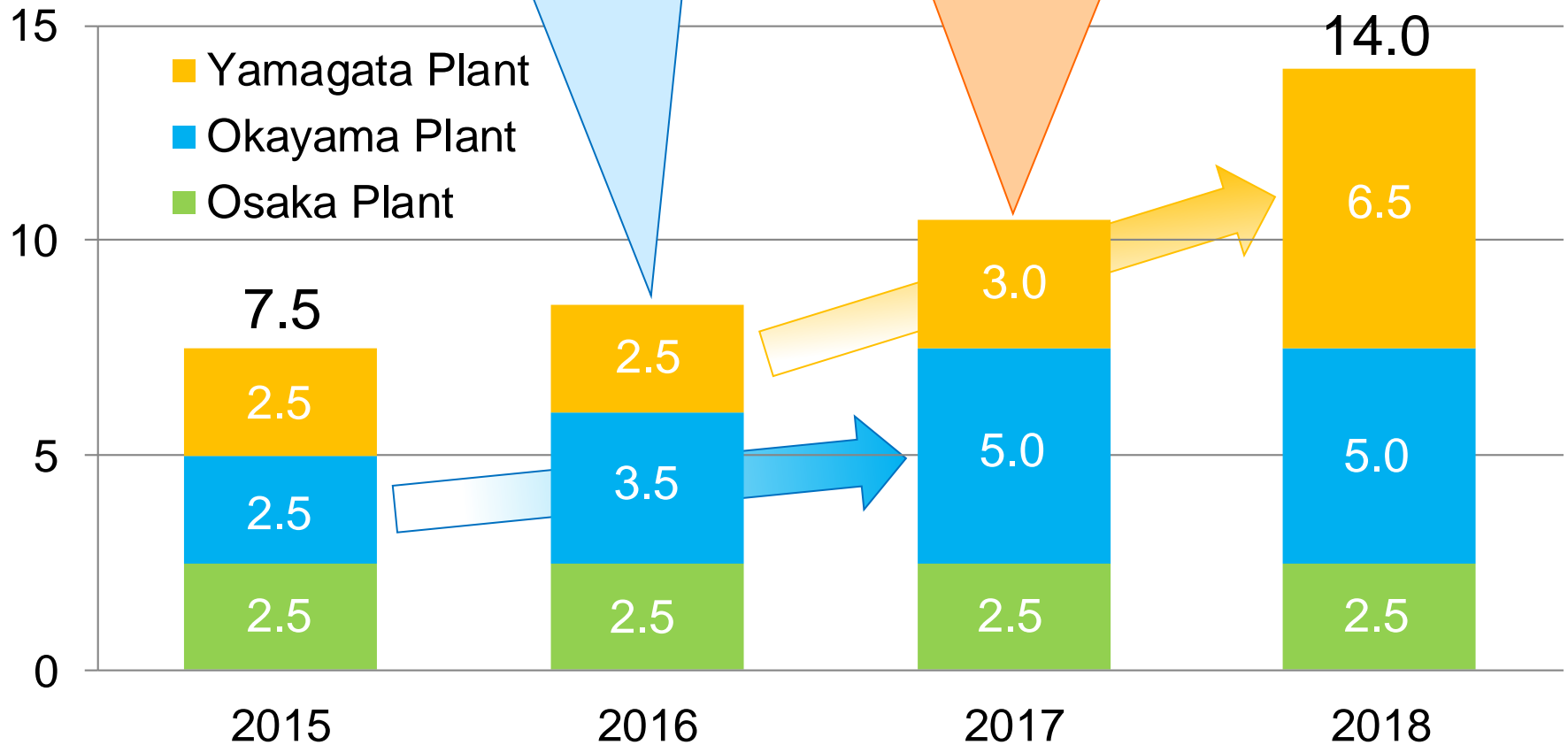
Capacity investment in Okayama Plant

- Extension and reconstruction of buildings
- Enhancement of manufacturing facilities

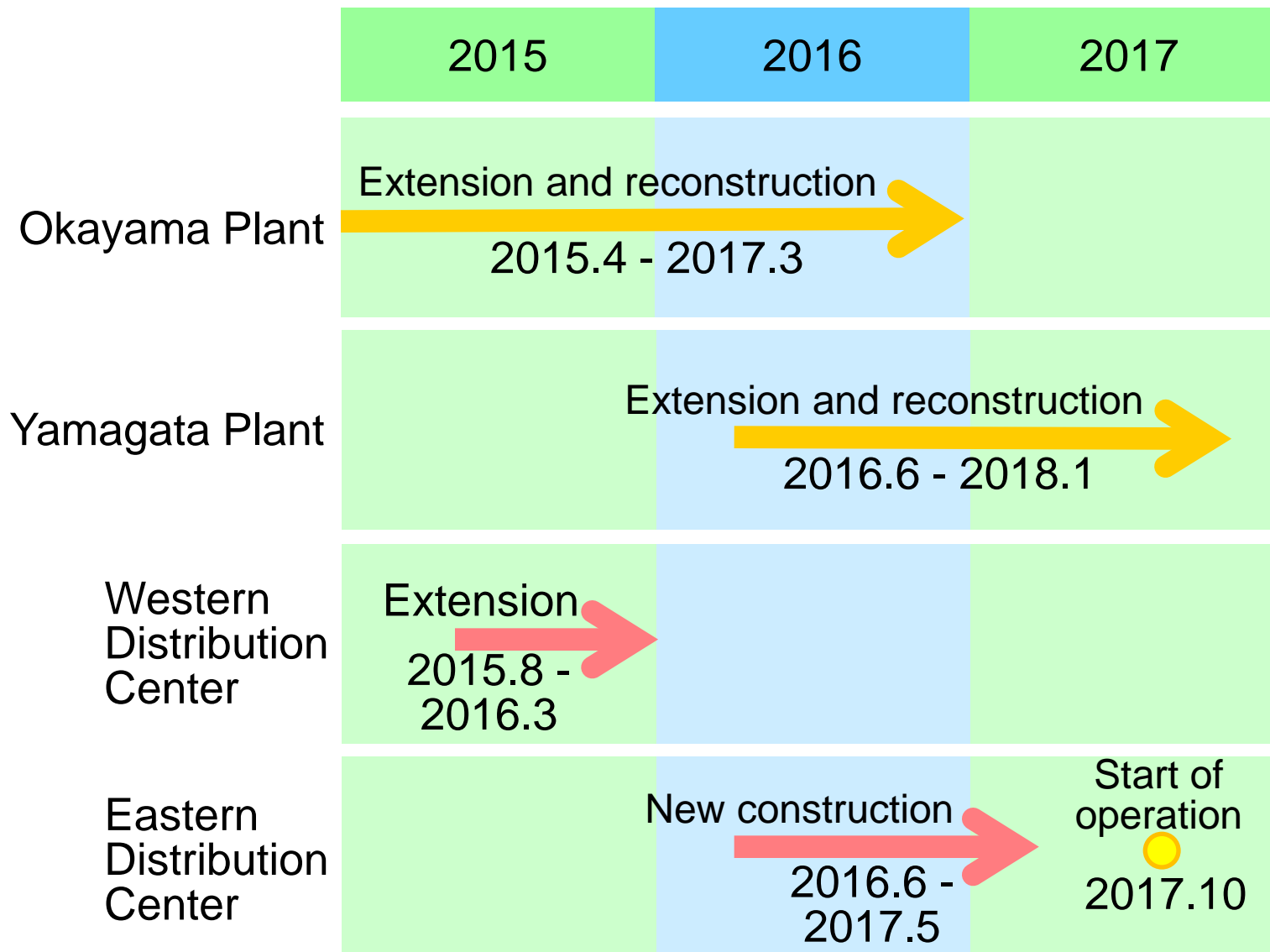
Capacity investment in Yamagata Plant

- Extension and reconstruction of buildings
- Relocation of Eastern Distribution Center
- Enhancement of manufacturing facilities

bn tablets



Schedule of enhancement of manufacturing capacity



Revised plan of major capital expenditure and depreciation cost

Period	15/03	16/03		17/03		18/03	
	(million Yen)	(million Yen)	Change in %	(million Yen)	Change in %	(million Yen)	Change in %
Capital expenditure	13,816	13,600	-1.6	17,000	+25.0	20,000	+17.6
Revised		18,100	+31.0	20,700	+14.4	39,000	+88.4
Okayama Plant	2,511	3,400	+35.4	8,000	+135.3	1,300	-83.7
Revised		5,700	+127.0	5,700	0	1,400	-75.4
Yamagata Plant	2,404	3,100	+29.0	2,200	-29.0	17,600	+700.0
Revised		3,700	+53.9	5,000	+35.1	36,500	+630.0
Osaka Plant	725	1,100	+51.7	1,300	+18.2	500	-61.5
Eastern Distribution Center		1,600	-	3,200	+100	0	-
Other	8,176	6,000	-26.6	5,500	-8.3	600	-89.1
Depreciation cost	5,724	6,960	+21.6	7,150	+2.7	8,900	24.5

- ✓ The Mid-term Business Plan 2015-2017 disclosed on May 14, 2015 will be revised after clearer predictability of external circumstances such as systems and measures regarding generic drug, and will be disclosed.
- ✓ Additional capital expenditure for Yamagata Plant and Eastern Distribution Center after disclosure of the Mid-term Business Plan 2015-2017 is 27.2 bn yen in the term of the plan.

Major products to be launched in December 2015

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
Selective AT ₁ Receptor Blocker/HMG-CoA Reductase Inhibitor	AMVALO COMBINATION TABLETS "TOWA"	EXFORGE Combination Tablets (Novartis)	22.5
Selective Serotonin Reuptake Inhibitor	SERTRALINE HYDROCHLORIDE TABLETS 25mg/50mg "TOWA"	JZOLOFT Tablets 25mg/50mg (Pfizer)	22.0
Long-acting Ca antagonist/HMG-CoA Reductase Inhibitor	AMALUET COMBINATION TABLETS NO.1/2/3/4 "TOWA"	Caduet Combination Tablets No.1/2/3/4 (Pfizer)	12.0
Improving agent for urinary disturbance with benign prostatic hyperplasia	NAFTOPIDIL OD TABLETS 25mg/50mg/75mg "TOWA"	Flivas OD Tablets 5mg/50mg/75mg (Asahi Kasei Pharma)	13.4

11 products in total

Annual sales budget: ca. 0.17 bn yen for products to be launched in December 2015

AMVALO	0.06 bn yen
AMALUET	0.04 bn yen
SERTRALINE	0.03 bn yen

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