



TOWA PHARMACEUTICAL CO., LTD.

# Supplementary material of financial results for the 3Q of the year ending March 2016

February, 2016

(stock ticker number : 4553)

# Summary

- Sales increased by 15.4% year-on-year. Sales is progressing on the plan.
- COGS rate increased by 0.8 point year-on-year due to increase of manufacturing cost by decreased manufacturing volume behind the plan along with good sales volume. In addition, depreciation cost of Daichi Kasei's Hyogo Plant operated from March 2015 contributes to increase of COGS rate.
- SGA increased by 18.3% 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, R&D cost is behind.
- OP income slightly increased by 3.6% year-on-year, and 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 2,958 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 657 million yen due to slight appreciation of the yen in this period.
- Extraordinary loss of 241 million yen includes demolition cost (ca. 0.2 bn yen) of Yamagata Daiichi Plant in the 2Q.
- 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, and funds for capital expenditure were procured.

# Outline of the financial results for the 3Q of the year ending March 2016

Period	16/3 3Q			15/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	61,234	100.0	+ 15.4	53,055	100.0
COGS	30,218	49.3	+ 17.2	25,773	48.6
SGA	22,095	36.1	+ 18.3	18,669	35.2
Operating income	8,919	14.6	+ 3.6	8,612	16.2
Ordinary income	8,929	14.6	- 28.6	12,506	23.6
<b>Profit</b> <small>attributable to owners of parent</small>	<b>6,308</b>	<b>10.3</b>	<b>- 29.2</b>	<b>8,905</b>	<b>16.8</b>

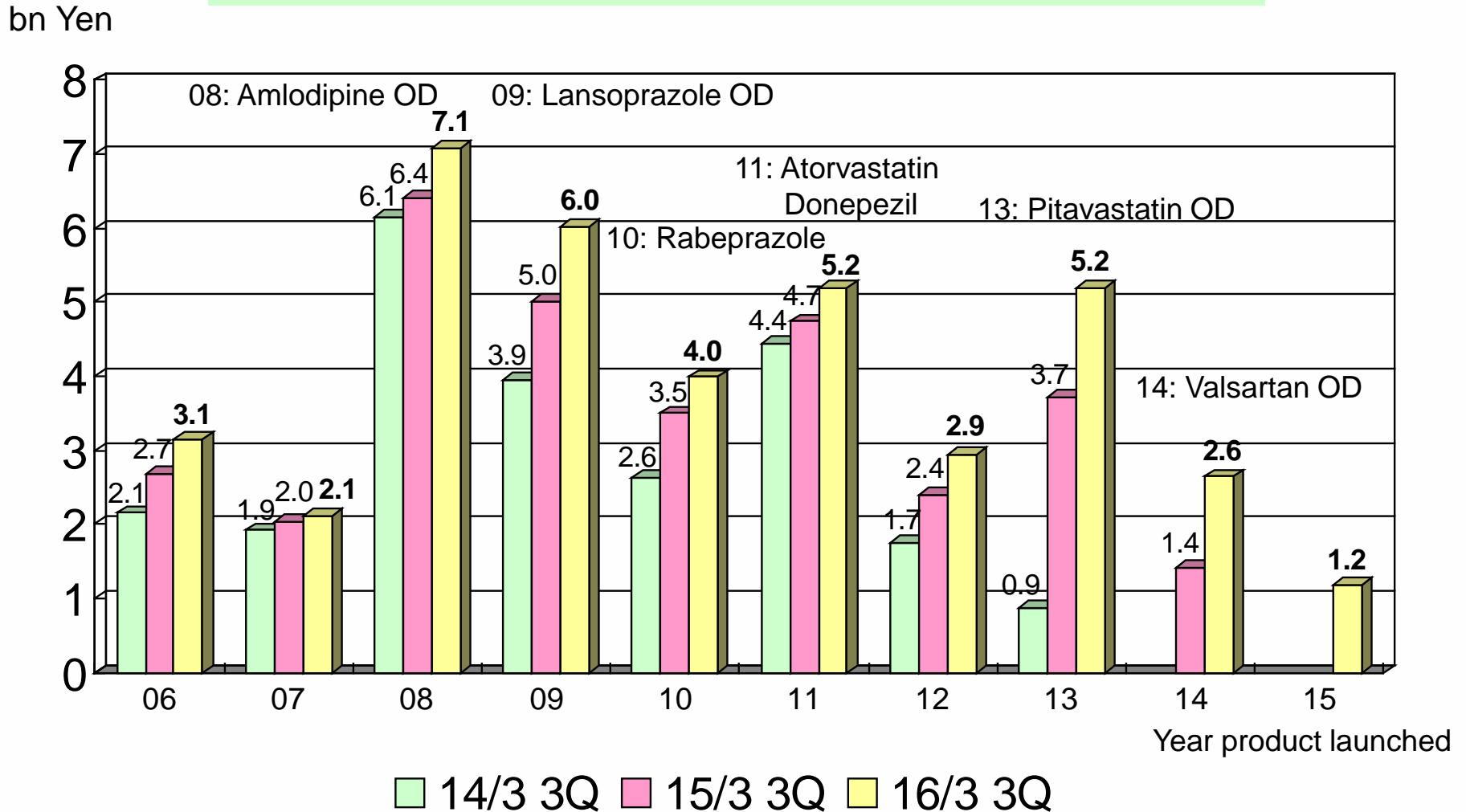
Exchange rate	2015/12	2015/9	2015/3	2014/12	2014/9	2014/3
US\$1.00	119.61yen	118.96yen	119.17yen	119.55yen	108.45yen	101.92yen

# Outline of the financial results for the 3Q of the year ending March 2016 (progress rate)

Period	16/3				
	3Q		Full-year Plan (disclosed on May 14th)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	61,234	100.0	82,000	100.0	74.7
COGS	30,218	49.3	40,500	49.4	74.6
SGA	22,095	36.1	30,000	36.6	73.7
Operating income	8,919	14.6	11,500	14.0	77.6
Ordinary income	8,929	14.6	11,500	14.0	77.7
Profit attributable to owners of parent	6,308	10.3	8,200	10.0	76.9

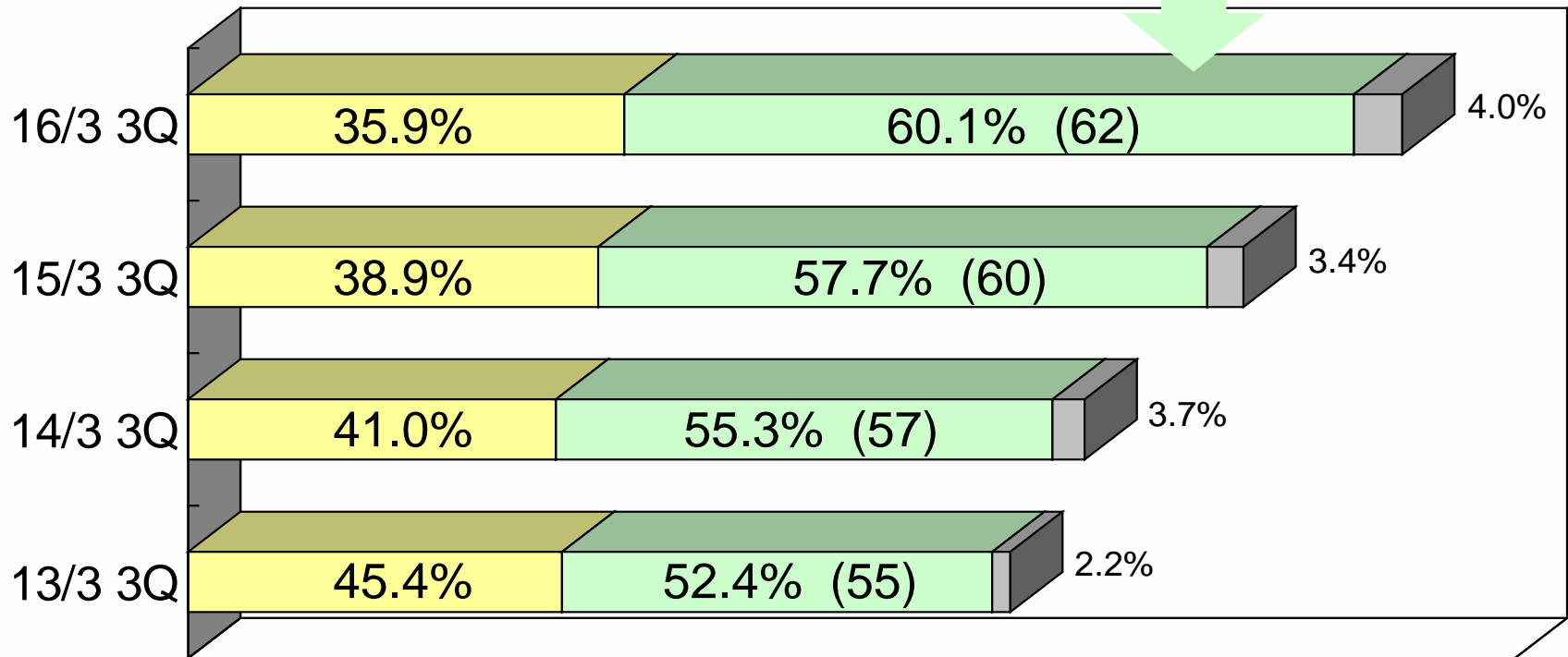
# Sales of products by launched year

Products launched after 08 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.

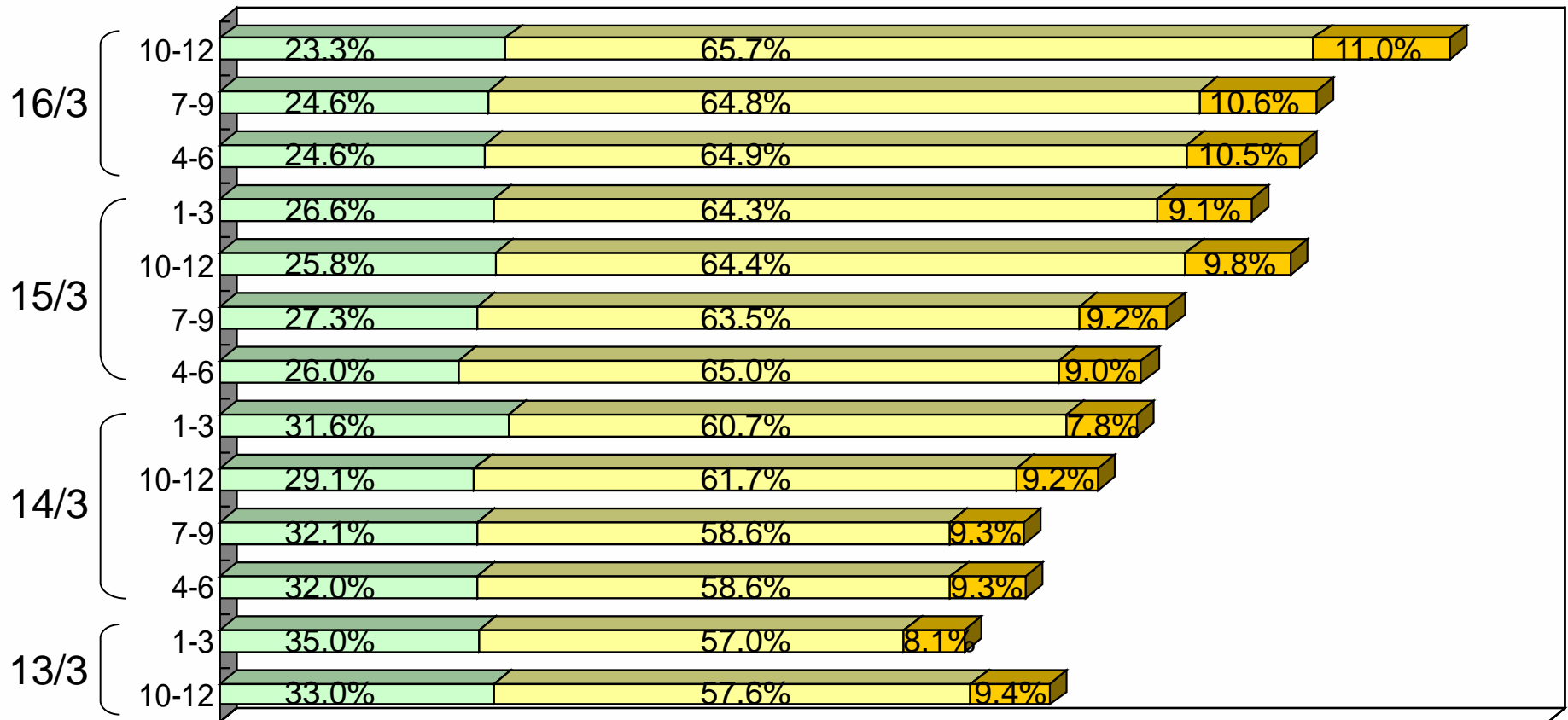


■ Sales agent ■ Direct sales ■ Others

# Sales of medical institutions

(non-consolidated)

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



■ General Practitioners 
 ■ Dispensing Pharmacies 
 ■ Hospitals

Excluding sales by other companies.

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

# SGA

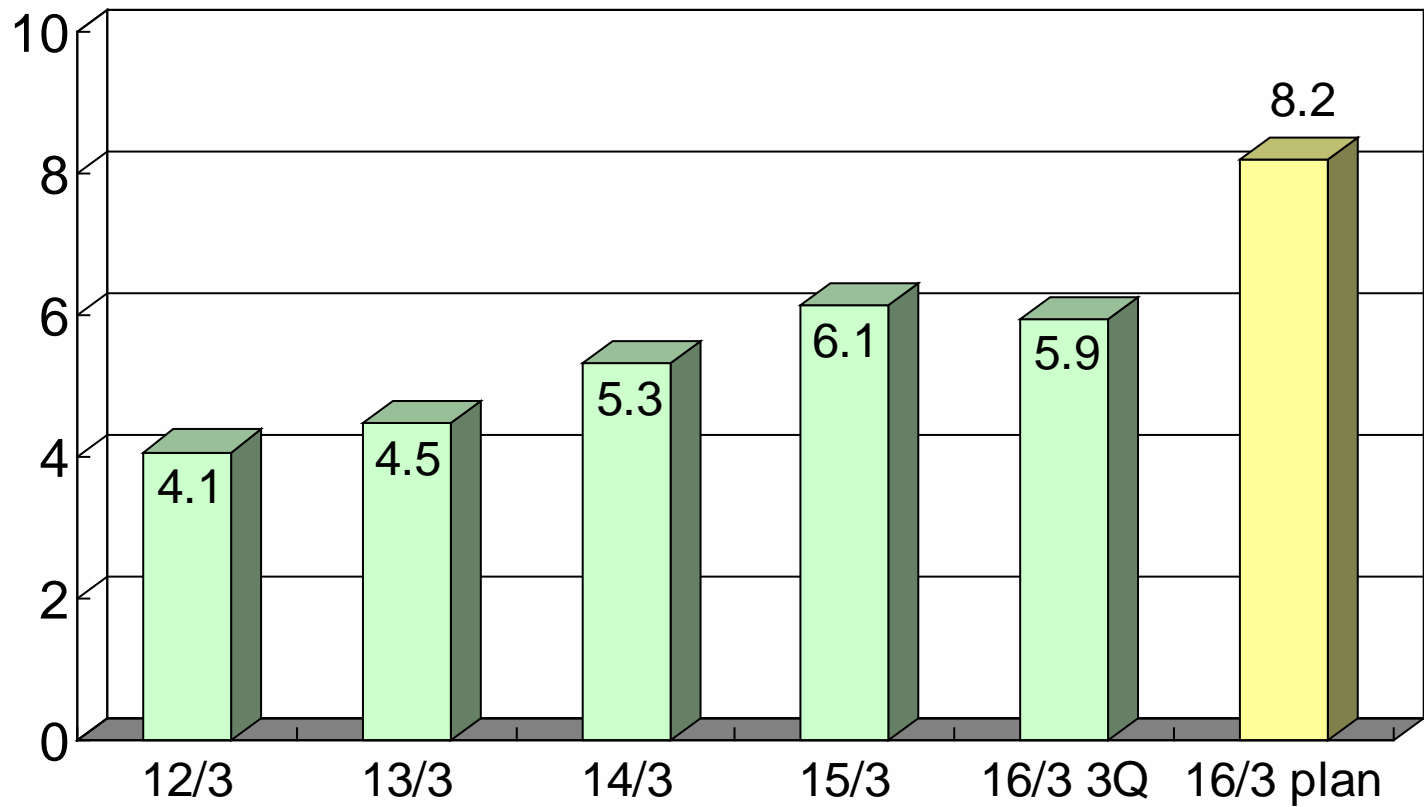
Period	16/3 3Q			15/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	9,057	14.8	+ 14.5	7,910	14.9
R&D	5,914	9.7	+ 27.0	4,657	8.8
Packing and freight	1,142	1.9	+ 18.8	961	1.8
Ad.	1,127	1.8	+ 21.4	929	1.8
Depreciation cost	695	1.1	+ 12.4	618	1.2
Commission	733	1.2	+ 33.6	549	1.0
Others	3,424	5.6	+ 12.5	3,042	5.7
<b>SGA</b>	<b>22,095</b>	<b>36.1</b>	<b>+ 18.3</b>	<b>18,669</b>	<b>35.2</b>

SGA increased by 18.3% 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, R&D cost is behind.



# R&D expenditure

bn Yen



# Balance Sheets

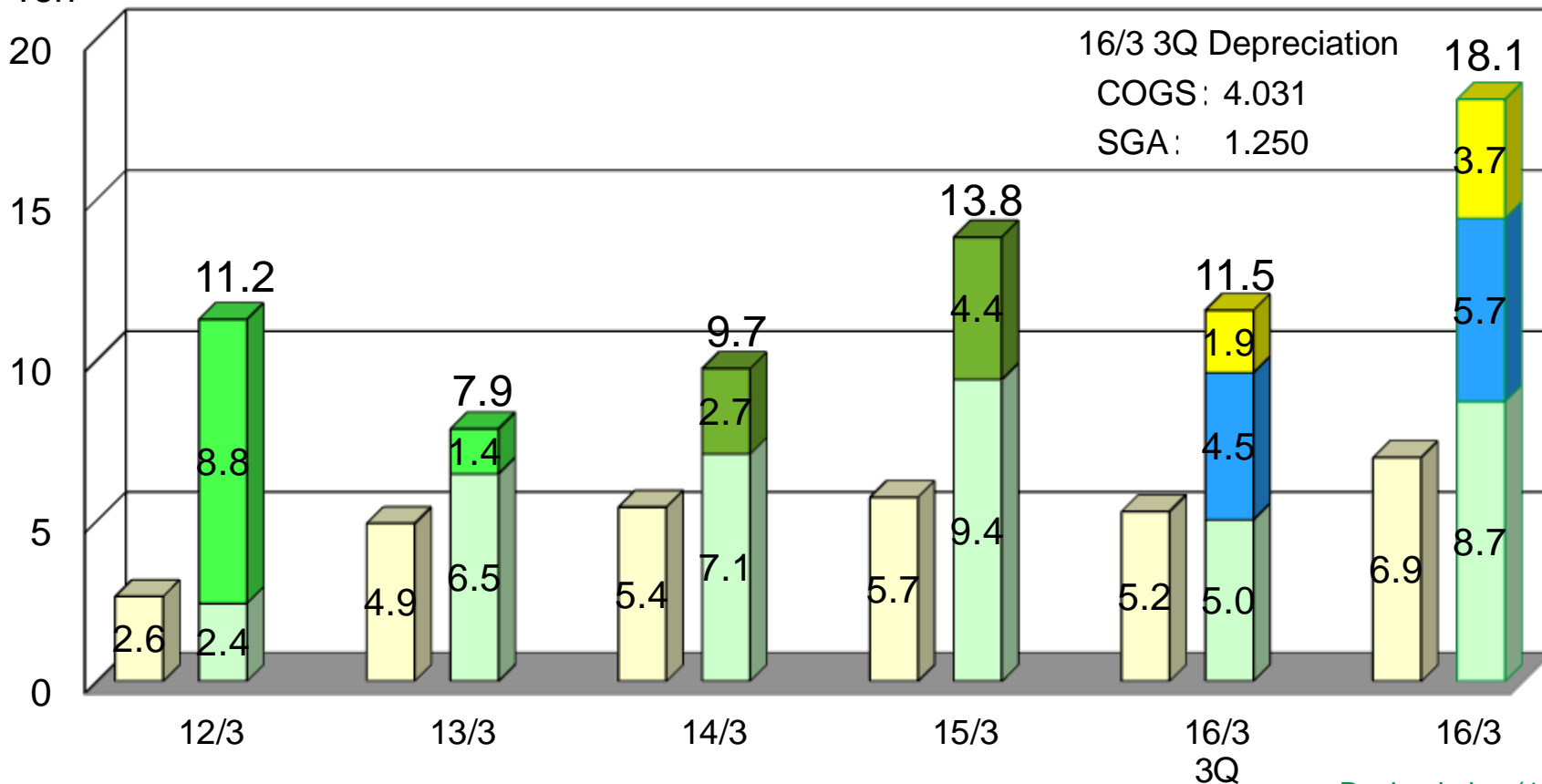
(million Yen)

	15/9	15/3	Change
Cash and deposits	9,170	3,009	+ 6,160
Trade notes and accounts receivable	26,118	22,669	+ 3,448
Marketable securities	8,998	3,198	+ 5,799
Finished products	19,864	16,677	+ 3,186
Other current assets	22,511	21,086	+ 1,424
<b>Total current assets</b>	<b>86,662</b>	<b>66,642</b>	<b>+ 20,019</b>
Buildings and structures	23,831	24,750	- 919
Machineries, equipments and carriers	12,890	12,433	+ 456
Construction in progress	8,148	2,883	+ 5,265
Other fixed assets	14,991	14,476	+ 514
<b>Total fixed assets</b>	<b>59,861</b>	<b>54,544</b>	<b>+ 5,317</b>
<b>Total assets</b>	<b>146,524</b>	<b>121,187</b>	<b>+ 25,336</b>

	15/12	15/3	Change
Trade notes and accounts payable	13,890	12,577	+ 1,313
Current portion of long-term debt	1,973	2,505	- 531
Income taxes payable	80	3,366	- 3,285
Other current liabilities	14,163	12,605	+ 1,558
<b>Total current liabilities</b>	<b>30,108</b>	<b>31,054</b>	<b>- 945</b>
Long-term debt	30,340	18,468	+ 11,871
Convertible bond	15,070	-	+ 15,070
Other long-term liabilities	1,394	1,616	- 221
<b>Total long-term liabilities</b>	<b>46,805</b>	<b>20,085</b>	<b>+ 26,720</b>
<b>Total liabilities</b>	<b>76,914</b>	<b>51,139</b>	<b>+ 25,774</b>
<b>Total net assets</b>	<b>69,610</b>	<b>70,048</b>	<b>- 438</b>
<b>Total liabilities and net assets</b>	<b>146,524</b>	<b>121,187</b>	<b>+ 25,336</b>

# 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

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