

Supplementary material of financial results for the 1Q of the year ending March 2018

August, 2017

(stock ticker number : 4553)

Summary

- Sales increased by 11.6% year-on-year. Recently launched products sell well, and sales is also in line with the plan.
- COGS rate is 55.7% to sales and increased by 0.7 point year-on-year. Factors are decrease of inventory and increase in depreciation cost . The rate was almost in line with the plan.
- Operating income rate is 10.6% to sales. SGA decreased due to delay of R&D cost in spite of increase in costs of labor and packing and freight. R&D cost will be in line with the plan at the end of this fiscal year.
- Ordinary income was over that of the 2Q plan due to gain on revaluation of currency swaps (346 million yen) in addition to the OP income mentioned above. Ordinary income in the last fiscal year included loss on revaluation of currency swaps (2,143 million yen) due to sharp appreciation of the yen, and as a result of that, ordinary income increased significantly year-on-year.
- SGA will be in line with the plan at the end of this fiscal year, and the 2Q plan and full-year plan are not revised.

Outline of the financial results for the 1Q of the year ending March 2018

- Sales: Increased with good result of recently launched products
- Operating income: Increased by decrease in SGA mainly due to delay of R&D cost

Period	18/3 1Q			17/3 1Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	22,513	100.0	+ 11.6	20,177	100.0	+ 3.8
COGS	12,548	55.7	+ 13.0	11,103	55.0	+ 15.5
SGA	7,587	33.7	- 1.9	7,736	38.3	+ 13.7
Operating income	2,376	10.6	+ 77.6	1,338	6.6	- 55.6
Ordinary income	2,930	13.0	-	- 672	- 3.3	-
Profit attributable to owners of parent	2,005	8.9	-	- 1,099	- 5.4	-

Exchange rate (TTM)
US\$1.00

2017/6 2017/3
112.00yen 112.19yen

2016/6 2016/3
102.91yen 112.68yen

Outline of the financial results for the 1Q of the year ending March 2018 (progress rate)

- Sales: Progress in line with the plan
- Operating income: Expected to be in line with the plan at the end of this fiscal year with planned progress of SGA after 2Q

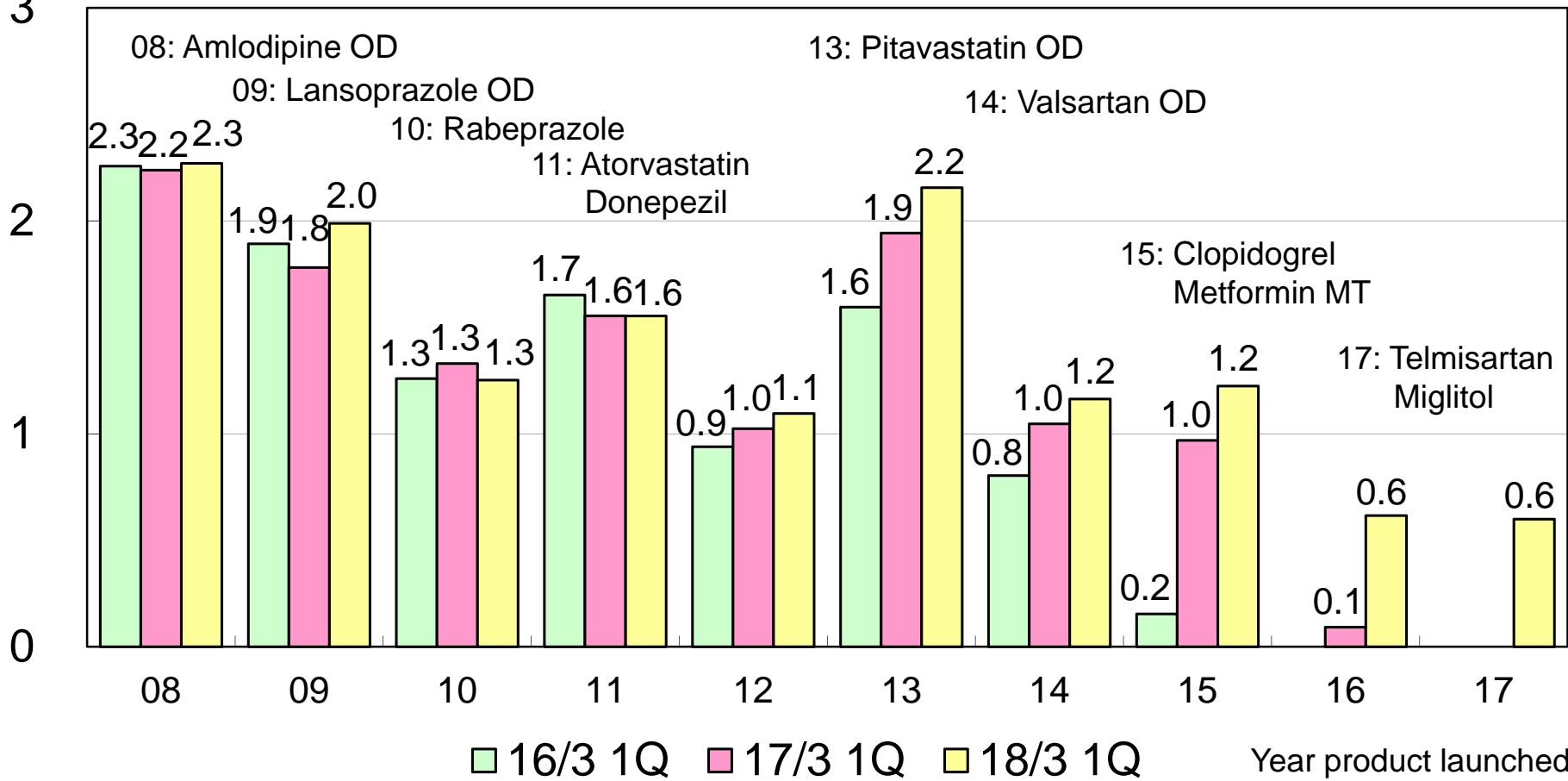
Period	18/3							
	1Q		2Q plan			Full-year plan		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	22,513	100.0	45,000	100.0	50.0	94,000	100.0	24.0
COGS	12,548	55.7	24,600	54.7	51.0	51,300	54.6	24.5
SGA	7,587	33.7	17,600	39.1	43.1	34,100	36.3	22.3
Operating income	2,376	10.6	2,800	6.2	84.9	8,600	9.1	27.6
Ordinary income	2,930	13.0	2,800	6.2	104.6	8,500	9.0	34.5
Profit attributable to owners of parent	2,005	8.9	1,900	4.2	105.6	5,800	6.2	34.6

Sales of products by launched year

- Sales increased with volume increase and good result of recently launched products.

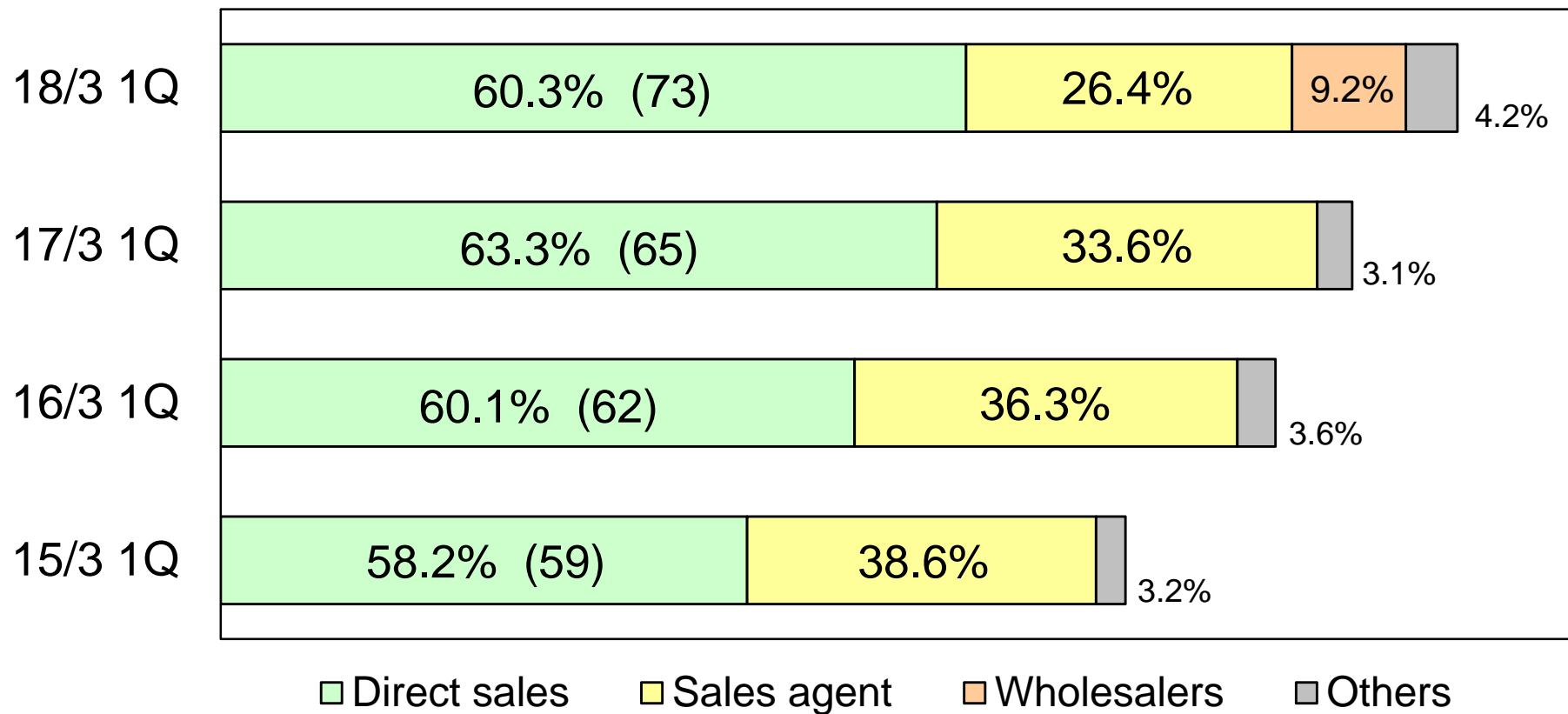
bn Yen

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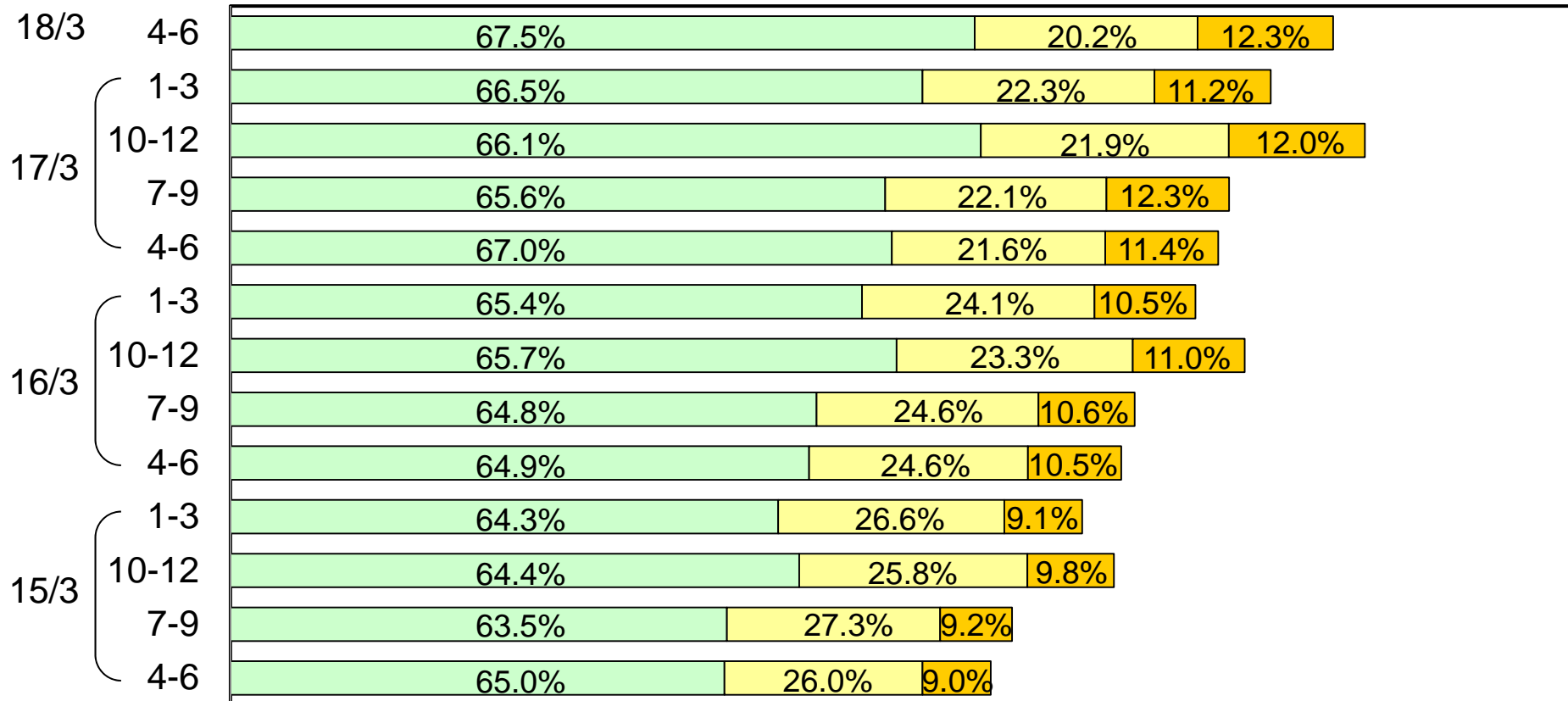
Sales of channels

- Ratio of sales agent decreased due to opening new direct sales offices and increased headquarter transaction.
- Deal with wholesalers started from this fiscal year. () is the number of sales offices.



Sales of medical institutions

- Sales rate of dispensing pharmacies and hospitals keeps well under sales growth.



■ Dispensing Pharmacies ■ General Practitioners ■ Hospitals

Excluding sales by other companies.

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

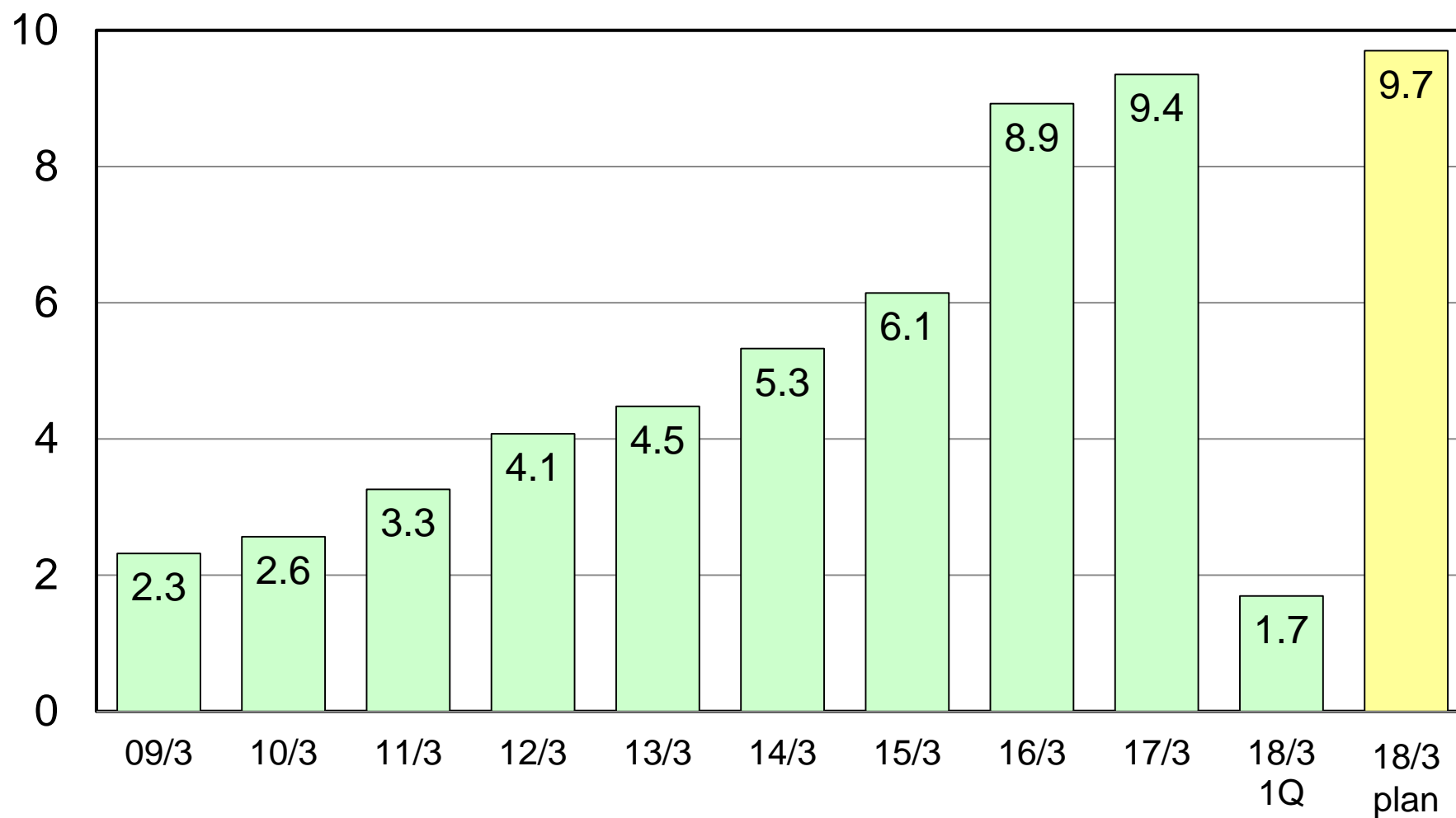
SGA

- SGA decreased by 1.9% year-on-year.
- Main factor is delay of R&D cost, and SGA will be in line with the plan at the end of this fiscal year.

Period	18/3 1Q			17/3 1Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	3,411	15.2	+ 2.8	3,318	16.4	+ 11.4
R&D	1,695	7.5	- 13.8	1,966	9.7	+ 25.4
Packing and freight	528	2.3	+ 6.9	493	2.4	+ 37.1
Depreciation cost	271	1.2	+ 7.9	251	1.2	+ 13.5
Ad.	141	0.6	- 34.7	217	1.1	- 23.9
Others	1,539	6.8	+ 3.4	1,488	7.4	+ 6.9
SGA	7,587	33.7	- 1.9	7,736	38.3	+ 13.7

R&D expenditure

bn Yen



Balance Sheets

- Decrease of finished products: Shortened inventory turnover period in months (5.2 months: -0.5 months year-on-year)
- Increase of buildings and structures: Construction and expansion of Okayama Plant as a main factor

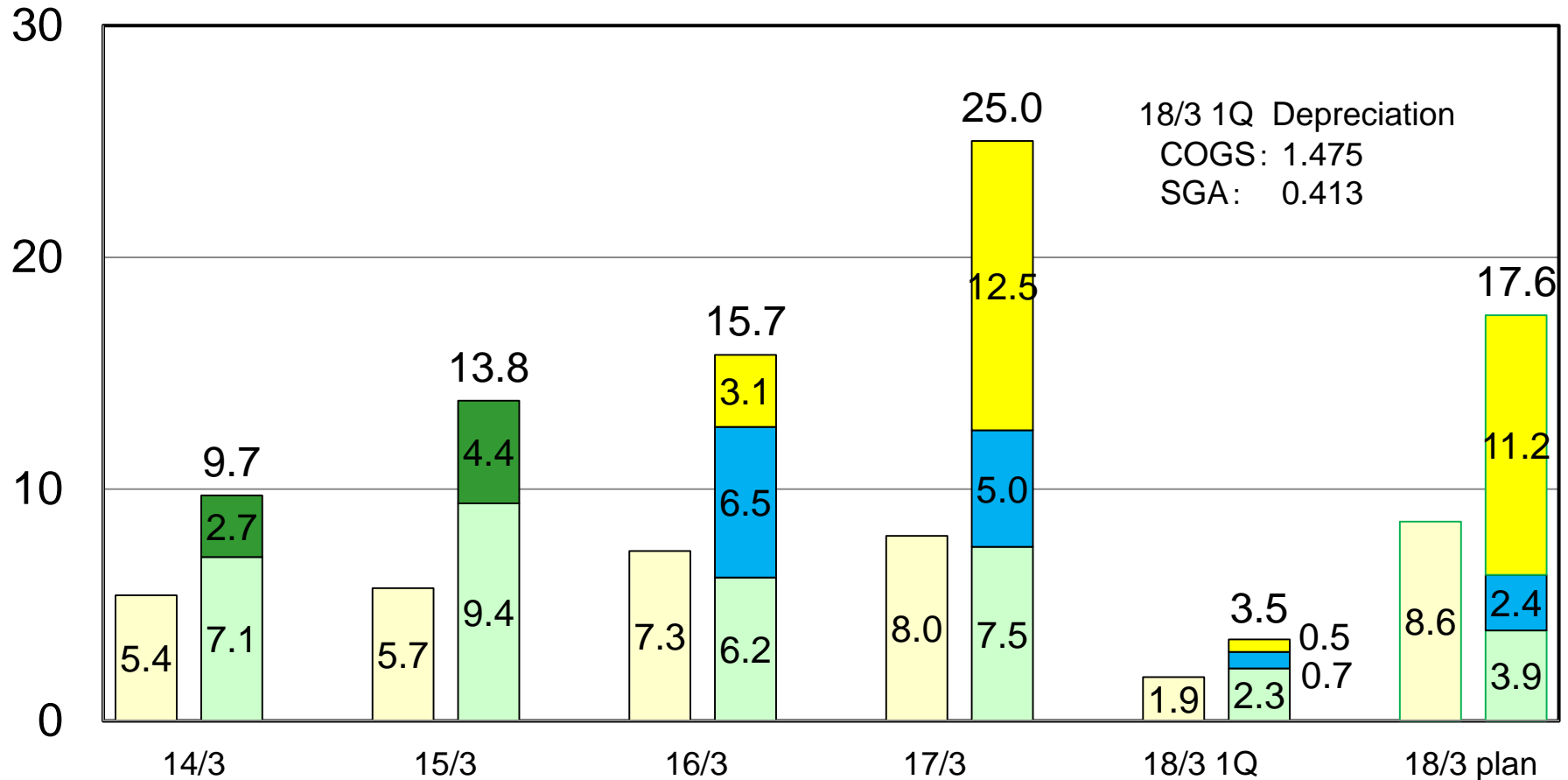
(million Yen)

	17/6	17/3	Change
Cash and deposits	11,742	9,444	+ 2,298
Trade notes and accounts receivable	20,678	19,627	+ 1,051
Electronically recorded monetary claims	6,203	6,597	- 394
Marketable securities	3,000	6,000	- 3,000
Finished products	21,194	22,510	- 1,316
Other current assets	23,388	22,371	+ 1,016
Total current assets	86,206	86,552	- 345
Buildings and structures	31,691	29,830	+ 1,860
Machineries, equipments and carriers	15,125	15,148	- 23
Construction in progress	18,175	18,279	- 103
Other fixed assets	15,334	15,436	- 101
Total fixed assets	80,327	78,695	+ 1,631
Total assets	166,534	165,247	+ 1,286

	17/6	17/3	Change
Trade notes and accounts payable	5,543	5,309	+ 234
Electronically recorded obligations-operating	7,209	7,455	- 246
Current portion of long-term debt	2,529	2,681	- 152
Facilities notes and accounts payable	11,504	10,365	+ 1,138
Other current liabilities	8,356	8,788	- 432
Total current liabilities	35,142	34,601	+ 541
Long-term debt	38,683	39,253	- 569
Convertible bond	15,054	15,056	- 2
Other long-term liabilities	1,475	1,391	+ 84
Total long-term liabilities	55,213	55,701	- 487
Total liabilities	90,356	90,302	+ 53
Total net assets	76,178	74,945	+ 1,232
Total liabilities and net assets	166,534	165,247	+ 1,286

Capital expenditure and depreciation cost

bn Yen



18/3 1Q Depreciation
COGS: 1.475
SGA: 0.413

■ Capital expenditure for Yamagata Plant
■ Capital expenditure for Daichi Kasei
■ Depreciation cost

■ Capital expenditure for Okayama Plant
■ Capital expenditure for others

Depreciation cost includes that of R&D.

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