

Supplementary material of financial results for the 3Q of the year ending March 2018

February, 2018

(stock ticker number : 4553)

Summary

- Sales increased by 10.5% year-on-year. Sales of recently launched products is good and sales of the 3Q is in line with the plan.
- COGS rate is 53.4% to sales and decreased by 0.3 point year-on-year. Factor is increase of sales of recently launched products.
- Operating income increased by 67.2% year-on-year. Factor is increase in gross profit due to increase in sales and decrease in SGA mainly due to decrease in R&D cost.
- Ordinary income increased by 61.2% year-on-year. In terms of the gain and loss on revaluation of currency swaps, gain on revaluation of currency swaps was 255 million yen due to appreciation of the yen in the same period last year and 636 million yen in 3Q.
- The full-year plan for 18/3 is revised considering results of the 3Q and forecast of the 4Q.

Outline of the financial results for the 3Q 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 decrease in R&D cost

Period	18/3 3Q			17/3 3Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	70,412	100.0	+ 10.5	63,701	100.0	+ 4.0
COGS	37,570	53.4	+ 9.8	34,211	53.7	+ 13.2
SGA	23,631	33.6	- 1.5	23,982	37.6	+ 8.5
Operating income	9,210	13.1	+ 67.2	5,507	8.6	- 38.3
Ordinary income	10,472	14.9	+ 61.2	6,498	10.2	- 27.2
Profit attributable to owners of parent	7,373	10.5	+ 53.5	4,804	7.5	- 23.8

Exchange rate (TTM)	2017/12	2017/9	2017/3	2016/12	2016/9	2016/3
US\$1.00	113.00yen	112.73yen	112.19yen	116.49yen	101.12yen	112.68yen

Outline of the financial results for the 3Q of the year ending March 2018 (progress rate)

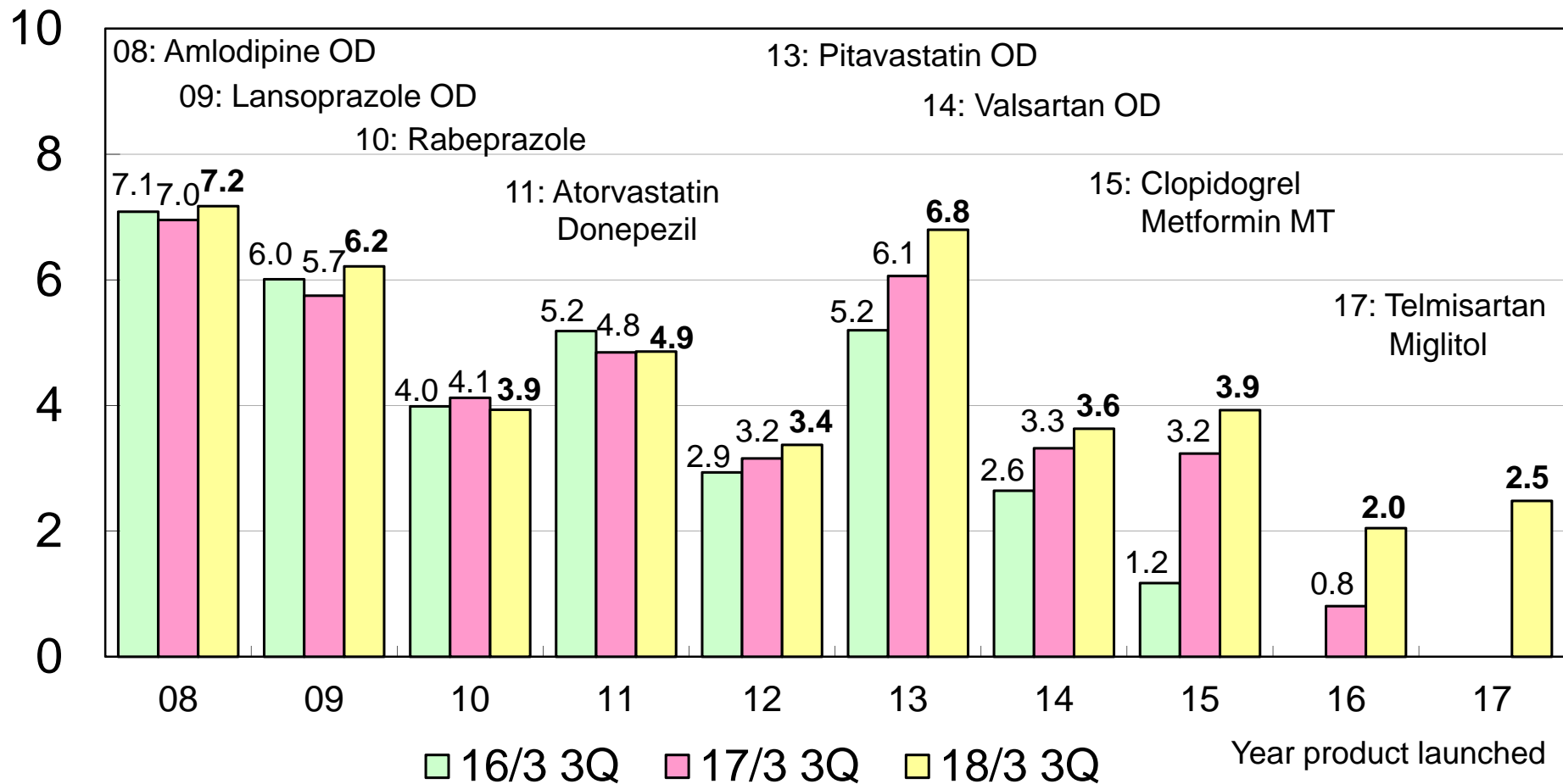
- Sales: Progress in line with the plan
- Operating income: Progress exceeded the plan for the full year due to decline in SGA expenses mainly due to decrease in R&D cost

Period	18/3				
	3Q		Full-year plan		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	70,412	100.0	94,000	100.0	74.9
COGS	37,570	53.4	51,300	54.6	73.2
SGA	23,631	33.6	34,100	36.3	69.3
Operating income	9,210	13.1	8,600	9.1	107.1
Ordinary income	10,472	14.9	8,500	9.0	123.2
Profit attributable to owners of parent	7,373	10.5	5,800	6.2	127.1

Sales of products by launched year

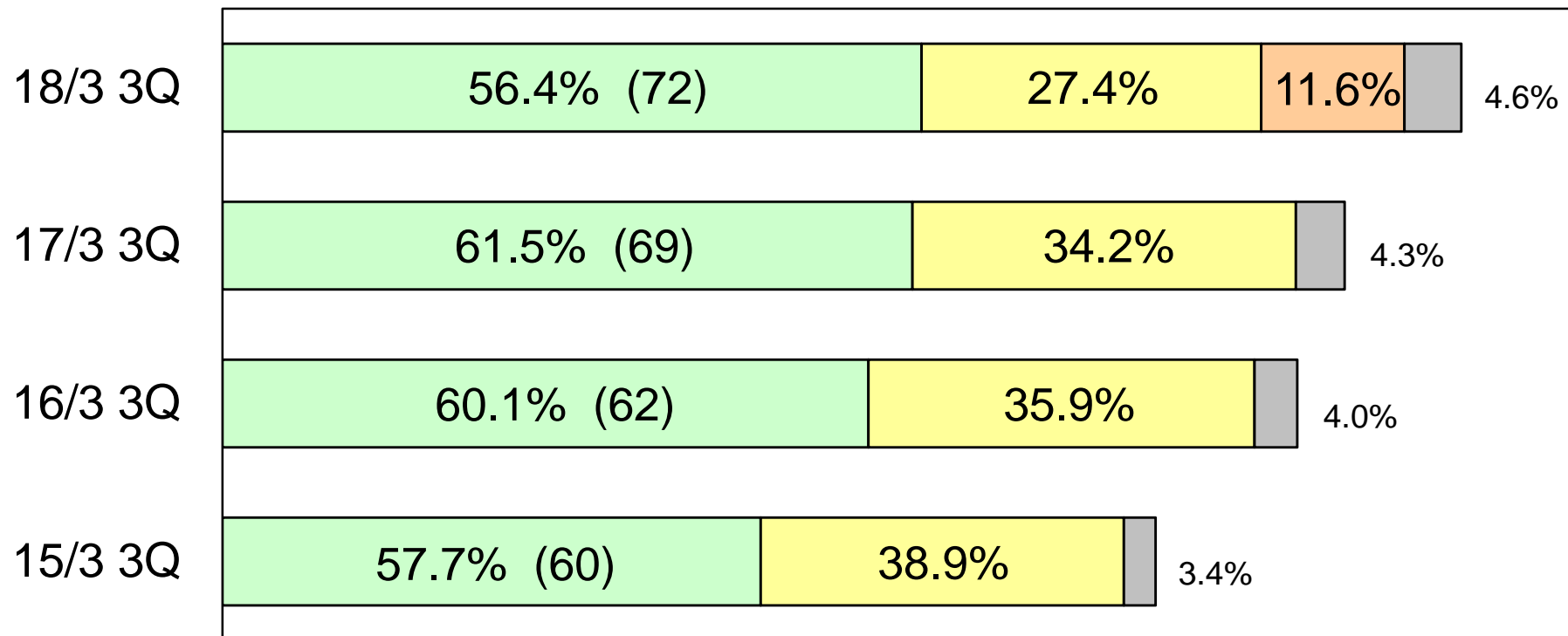
- Sales of products launched after 2013 is good, and sales of products launched in other years also increased.

bn Yen



Sales of channels

- Ratio of sales agent decreased due to opening new offices and increased headquarter transaction.
- Deal with wholesalers started from this fiscal year, and ratio of wholesalers increased steadily.

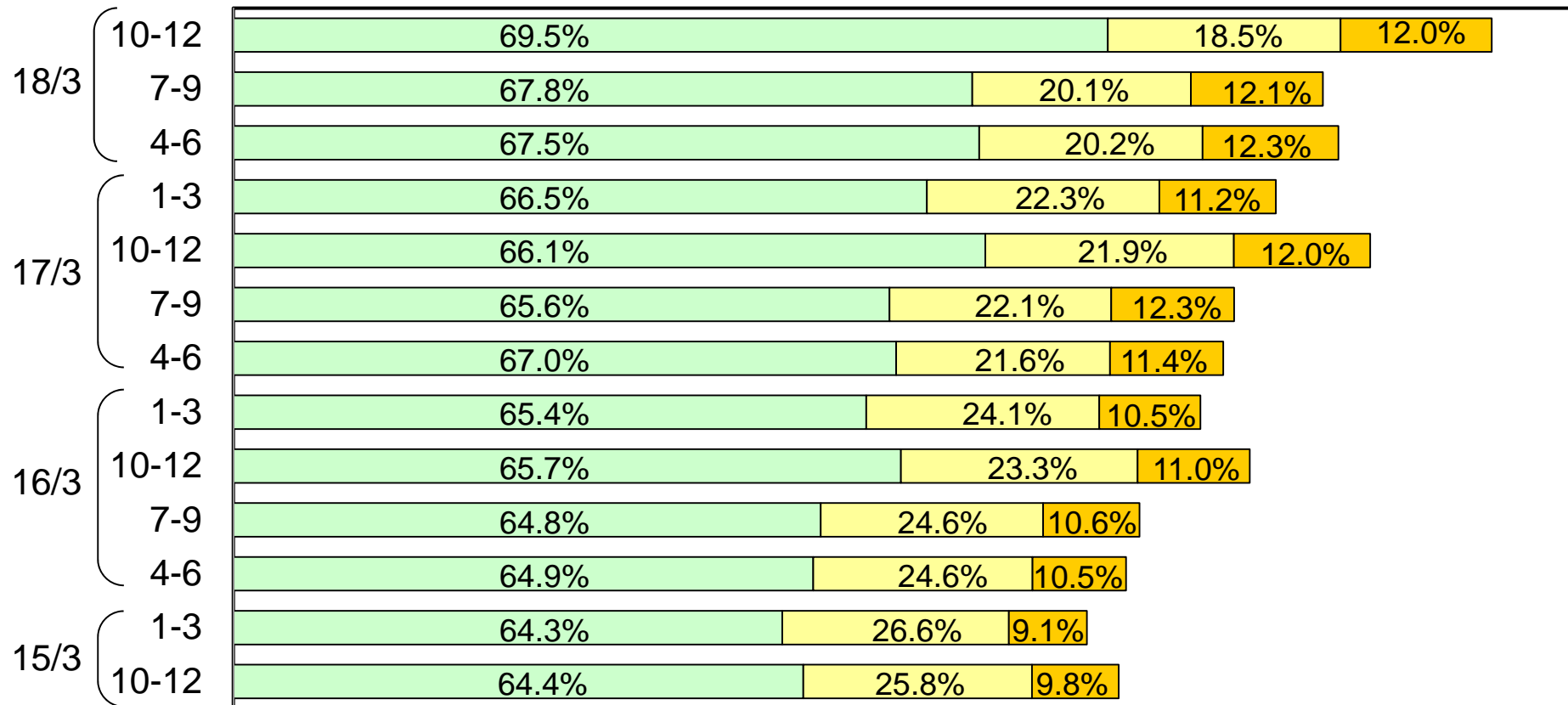


□ Direct sales □ Sales agent □ Wholesaler □ Others

() is the number of sales offices.

Sales of medical institutions

- Sales of dispensing pharmacies and hospitals keeps well.



□ Dispensing pharmacies □ General practitioners □ Hospitals

Excluding sales by other companies.

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

SGA

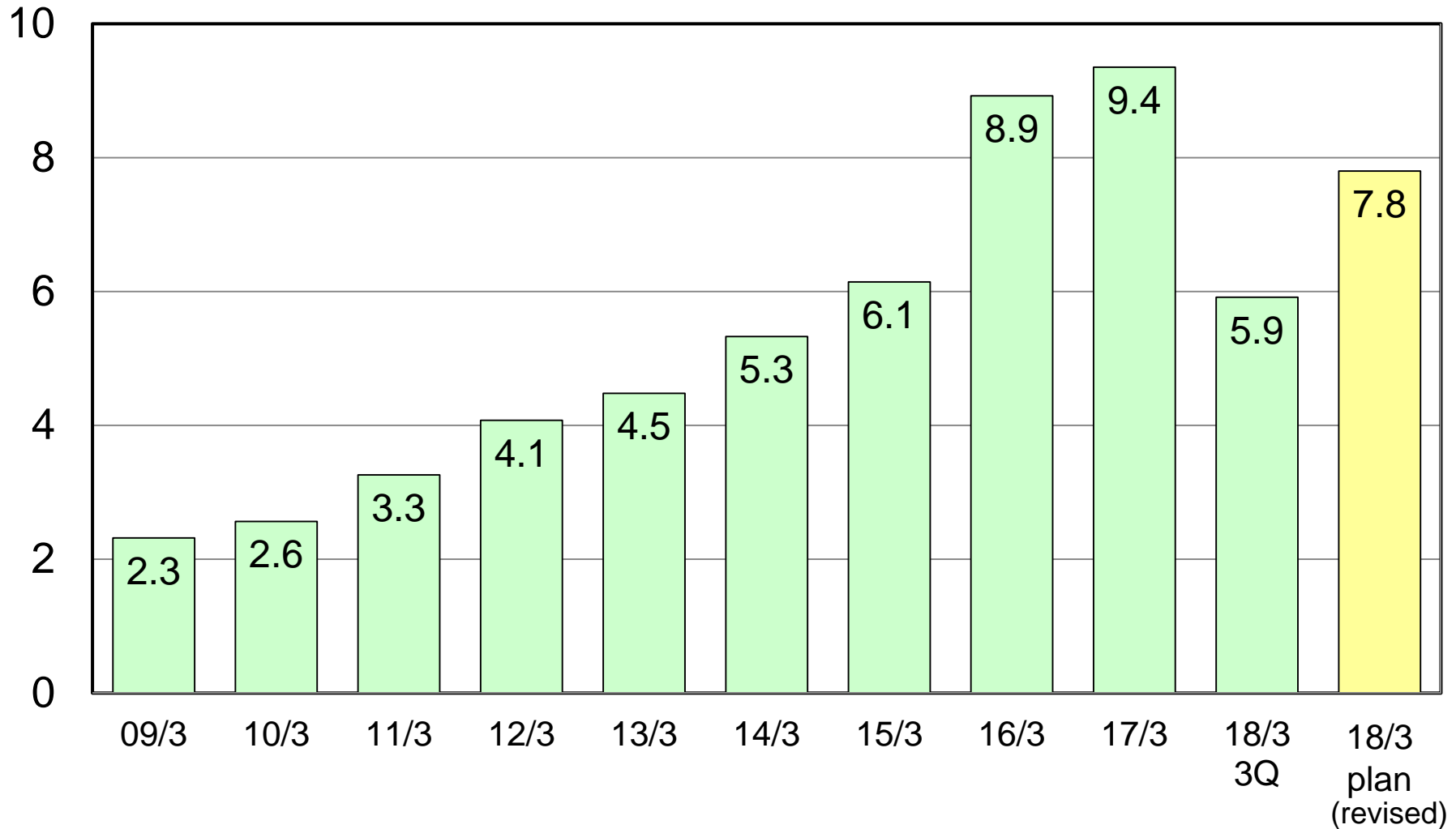
- SGA decreased by 1.5% year-on-year.
- R&D cost decreased significantly year-on-year.

Period	18/3 3Q			17/3 3Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	9,990	14.2	+ 0.8	9,913	15.6	+ 9.4
R&D	5,914	8.4	- 13.9	6,869	10.8	+ 16.1
Packing and freight	1,490	2.1	+ 1.0	1,475	2.3	+ 29.2
Depreciation cost	876	1.2	+ 7.3	817	1.3	+ 17.5
Ad.	674	1.0	- 3.6	698	1.1	- 38.0
Others	4,684	6.7	+ 11.3	4,208	6.6	+ 1.2
SGA	23,631	33.6	- 1.5	23,982	37.6	+ 8.5

R&D expenditure

- Revised initial R&D expenditure plan (9.7 bn yen) due to change of development schedule and review of development products.

bn Yen



Balance Sheets

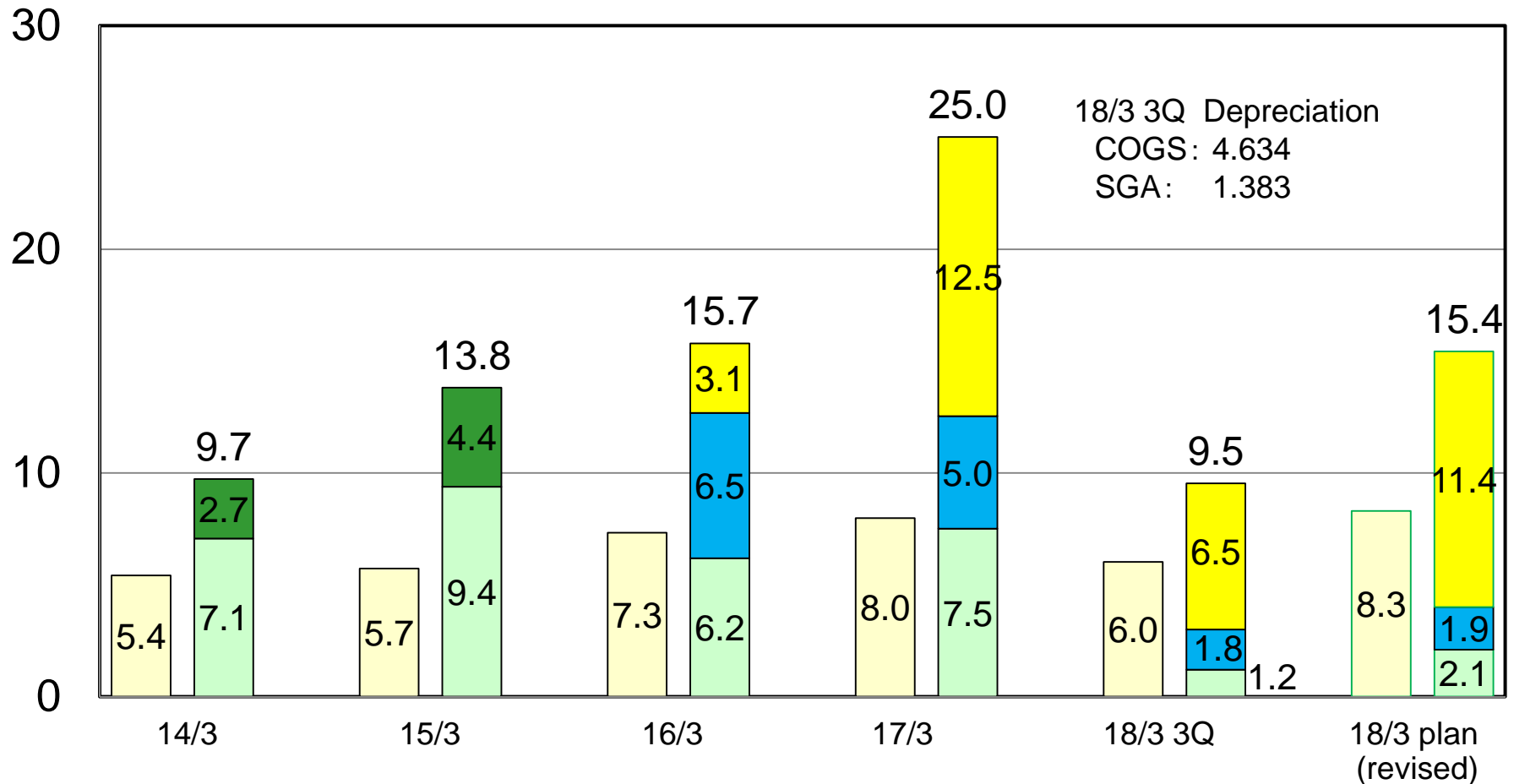
- Decrease of finished products: Shortened inventory turnover period in months (5.0 months: -0.7 months year-on-year)
- Increase of buildings and structures: Construction and expansion of East Distribution Center as a main factor
- Long-term debt: Borrowing 9 bn yen for construction of Yamagata Plant

(million Yen)

	17/12	17/3	Change		17/12	17/3	Change
Cash and deposits	11,318	9,444	+ 1,874	Trade notes and accounts payable	5,518	5,309	+ 209
Trade notes and accounts receivable	24,889	19,627	+ 5,261	Electronically recorded obligations-operating	7,113	7,455	- 342
Electronically recorded monetary claims	6,331	6,597	- 265	Current portion of long-term debt	3,816	2,681	+ 1,134
Marketable securities	10,116	6,000	+ 4,116	Facilities notes and accounts payable	7,234	10,365	- 3,131
Finished products	18,625	22,510	- 3,885	Other current liabilities	9,911	8,788	+ 1,123
Other current assets	23,741	22,371	+ 1,369	Total current liabilities	33,595	34,601	- 1,006
Total current assets	95,023	86,552	+ 8,471	Long-term debt	46,202	39,253	+ 6,949
Buildings and structures	33,877	29,830	+ 4,046	Convertible bond	15,048	15,056	- 8
Machineries, equipments and carriers	14,109	15,148	- 1,039	Other long-term liabilities	1,625	1,391	+ 234
Construction in progress	18,813	18,279	+ 533	Total long-term liabilities	62,876	55,701	+ 7,175
Other fixed assets	15,433	15,436	- 2	Total liabilities	96,471	90,302	+ 6,169
Total fixed assets	82,233	78,695	+ 3,537	Total net assets	80,785	74,945	+ 5,840
Total assets	177,256	165,247	+ 12,009	Total liabilities and net assets	177,256	165,247	+ 12,009

Capital expenditure and depreciation cost

bn Yen



18/3 3Q Depreciation
COGS: 4.634
SGA: 1.383

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

■ Capital expenditure for Okayama Plant
■ Capital expenditure for others

Depreciation cost includes that of R&D.

Revised financial forecast for the year ending March 2018

- COGS: Decreased due to increase of sales of products launched in this fiscal year and decrease of manufacturing costs of the original plan
- Operating income: Increased by decrease in SGA due to decrease in R&D cost
- Ordinary income: Gain and loss on revaluation of currency swaps is not included due to extremely uncertain developments of exchange rate in the future.

Period	18/3 revised plan (disclosed on February 13)				18/3 plan (disclosed on May 15)		
	(million Yen)	Ratio to sales (%)	Change in %	Change in % to original plan	(million Yen)	Ratio to sales (%)	Change in %
Net sales	94,000	100.0	+ 10.7	-	94,000	100.0	+ 10.7
COGS	50,900	54.1	+ 10.9	- 0.8	51,300	54.6	+ 11.8
SGA	31,300	33.3	- 2.7	- 8.2	34,100	36.3	+ 6.0
Operating income	11,800	12.6	+ 71.8	+ 37.2	8,600	9.1	+ 25.2
Ordinary income	12,000	12.8	+ 61.8	+ 41.2	8,500	9.0	+ 14.6
Profit attributable to owners of parent	8,400	8.9	+ 50.6	+ 44.8	5,800	6.2	+ 4.0

Revised financial forecast for the year ending March 2018 (progress rate)

Period	18/3				
	3Q		Revised full-year plan (disclosed on February 13)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	70,412	100.0	94,000	100.0	74.9
COGS	37,570	53.4	50,900	54.1	73.8
SGA	23,631	33.6	31,300	33.3	75.5
Operating income	9,210	13.1	11,800	12.6	78.1
Ordinary income	10,472	14.9	12,000	12.8	87.3
Profit attributable to owners of parent	7,373	10.5	8,400	8.9	87.8

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