

Supplementary material of financial results for the year ended March 2018

May, 2018

(Stock ticker number: 4553)

Summary

- ◆ Sales increased by 10.0% year-on-year. Sales of recently launched products was good. Sales was behind the plan due to buying restraint occurred more than we expected relating to NHI drug price revision of April 2018.
- ◆ COGS rate is 53.9% to sales and decreased by 0.1 point year-on-year. It decreased by 0.2 point to the plan mainly due to increase of sales of recently launched products, etc.
- ◆ Operating income increased by 69.5% year-on-year. Factors are 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 58.0% year-on-year. In terms of the gain and loss on revaluation of currency swaps, loss on revaluation of currency swaps was 502 million yen due to appreciation of the yen in last fiscal year and 1,334 million yen in this fiscal year.
- ◆ Profit attributable to owners of parent of the full-year increased by 16.5% year-on-year. Extraordinary expense, 1,800 million yen as impairment loss on fixed assets, was posted as a result of review on future profit and recovery probability of investment in a subsidiary, Daichi Kasei.

Outline of the financial results for the year ended March 2018

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

Period	18/3			17/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	93,430	100.0	+ 10.0	84,949	100.0	+ 3.5
COGS	50,379	53.9	+ 9.8	45,902	54.0	+ 14.0
SGA	31,407	33.6	- 2.4	32,176	37.9	+ 4.7
Operating income	11,643	12.5	+ 69.5	6,869	8.1	- 38.3
Ordinary income	11,717	12.5	+ 58.0	7,417	8.7	- 27.0
Profit attributable to owners of parent	6,495	7.0	+ 16.5	5,576	6.6	- 27.4
Exchange rate US \$1.00 (TTM)	2018/3		2017/3		2016/3	
	106.24 yen		112.19 yen		112.68 yen	

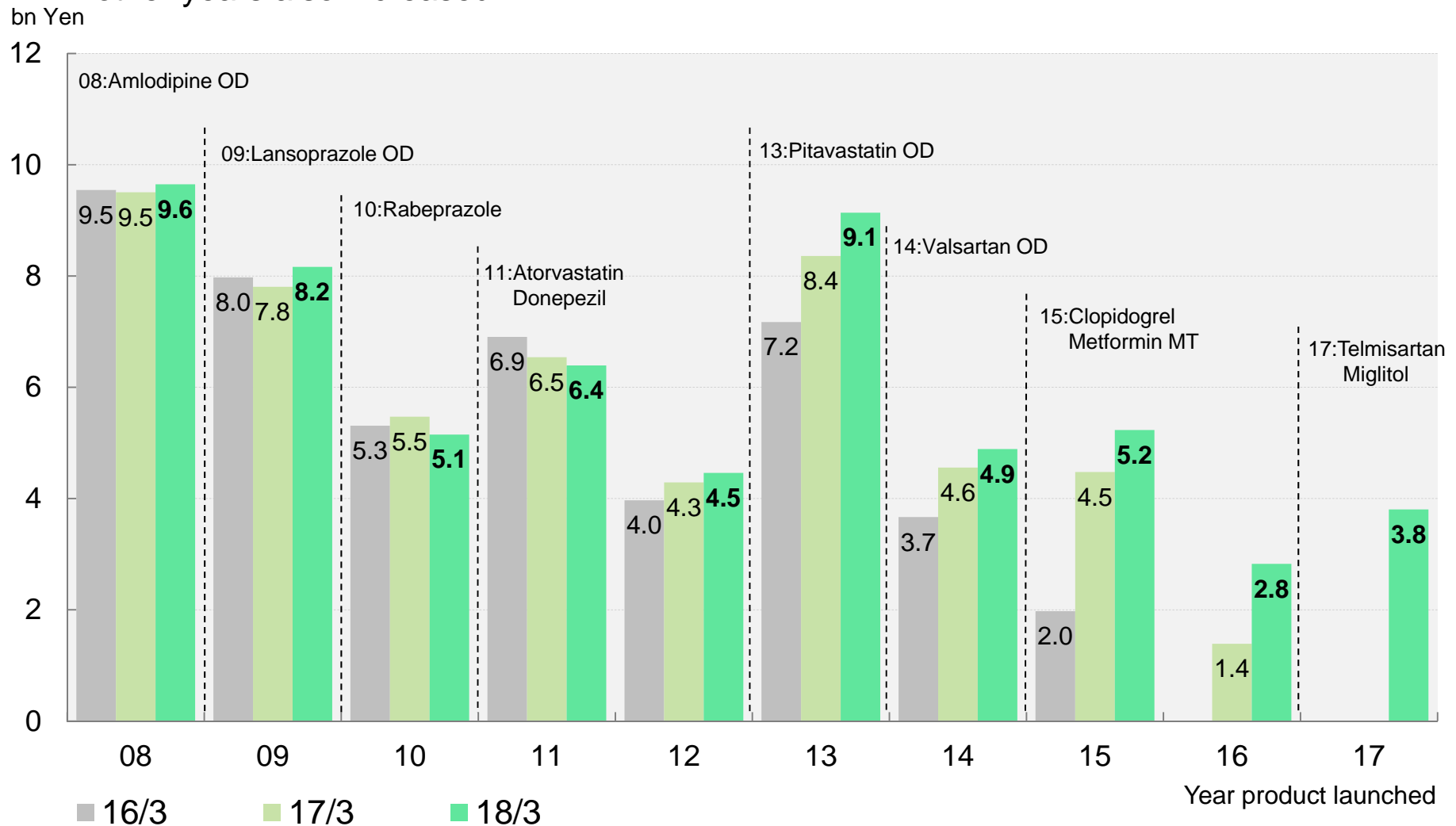
Outline of the financial results for the year ended March 2018 (progress rate)

- Sales: Due to inventory adjustments by clients before NHI price revision of this April, behind the plan
- Profit: Due to extraordinary expense, 1.8 billion yen as impairment loss on fixed assets of Daichi Kasei, behind the plan

Period	18/3				
	Results		Revised full-year plan (disclosed on February 13th)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	93,430	100.0	94,000	100.0	99.4
COGS	50,379	53.9	50,900	54.1	99.0
SGA	31,407	33.6	31,300	33.3	100.3
Operating income	11,643	12.5	11,800	12.6	98.7
Ordinary income	11,717	12.5	12,000	12.8	97.6
Profit attributable to owners of parent	6,495	7.0	8,400	8.9	77.3

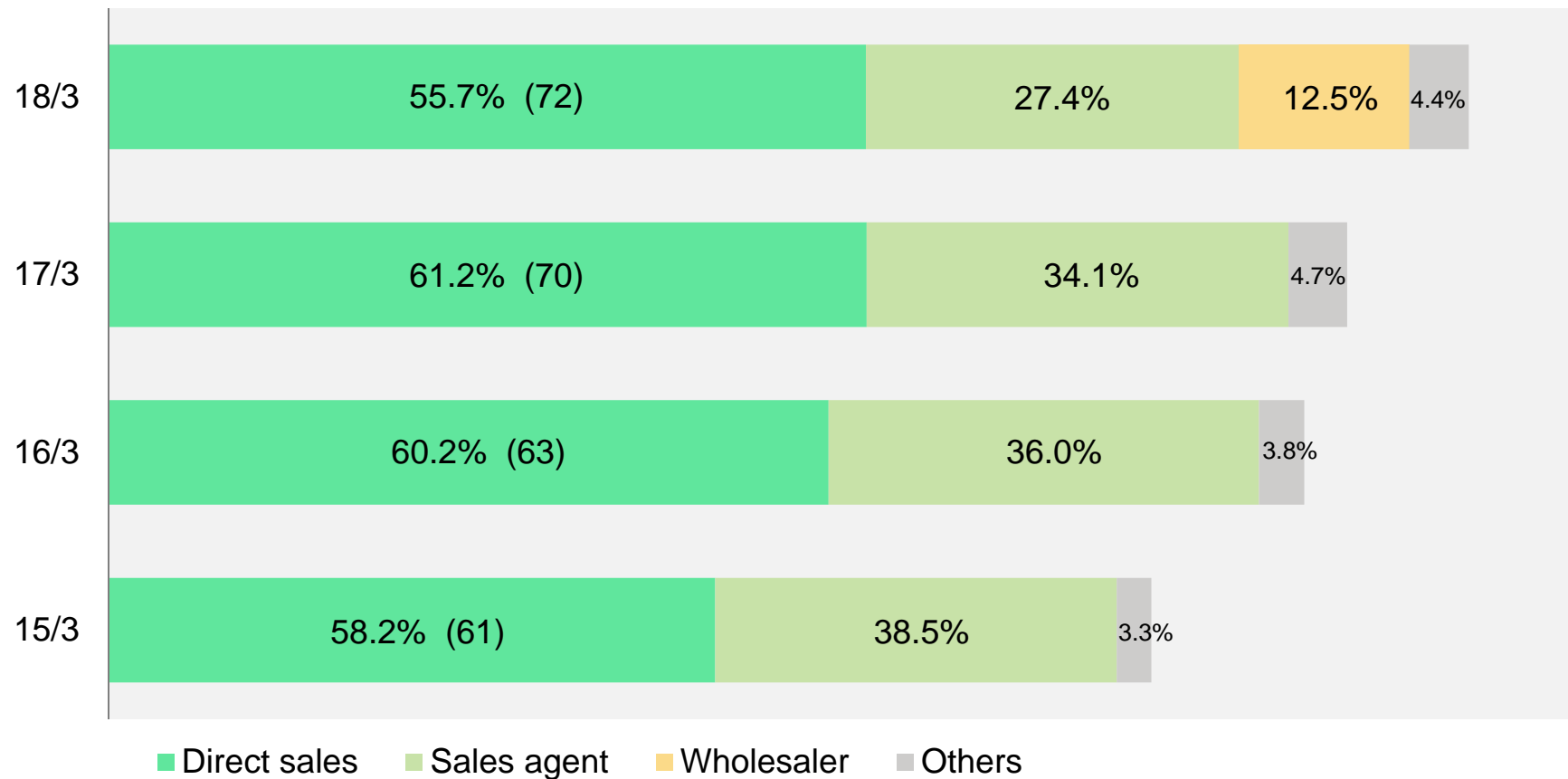
Sales of products by launched year (non-consolidated)

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



Sales of channels (non-consolidated)

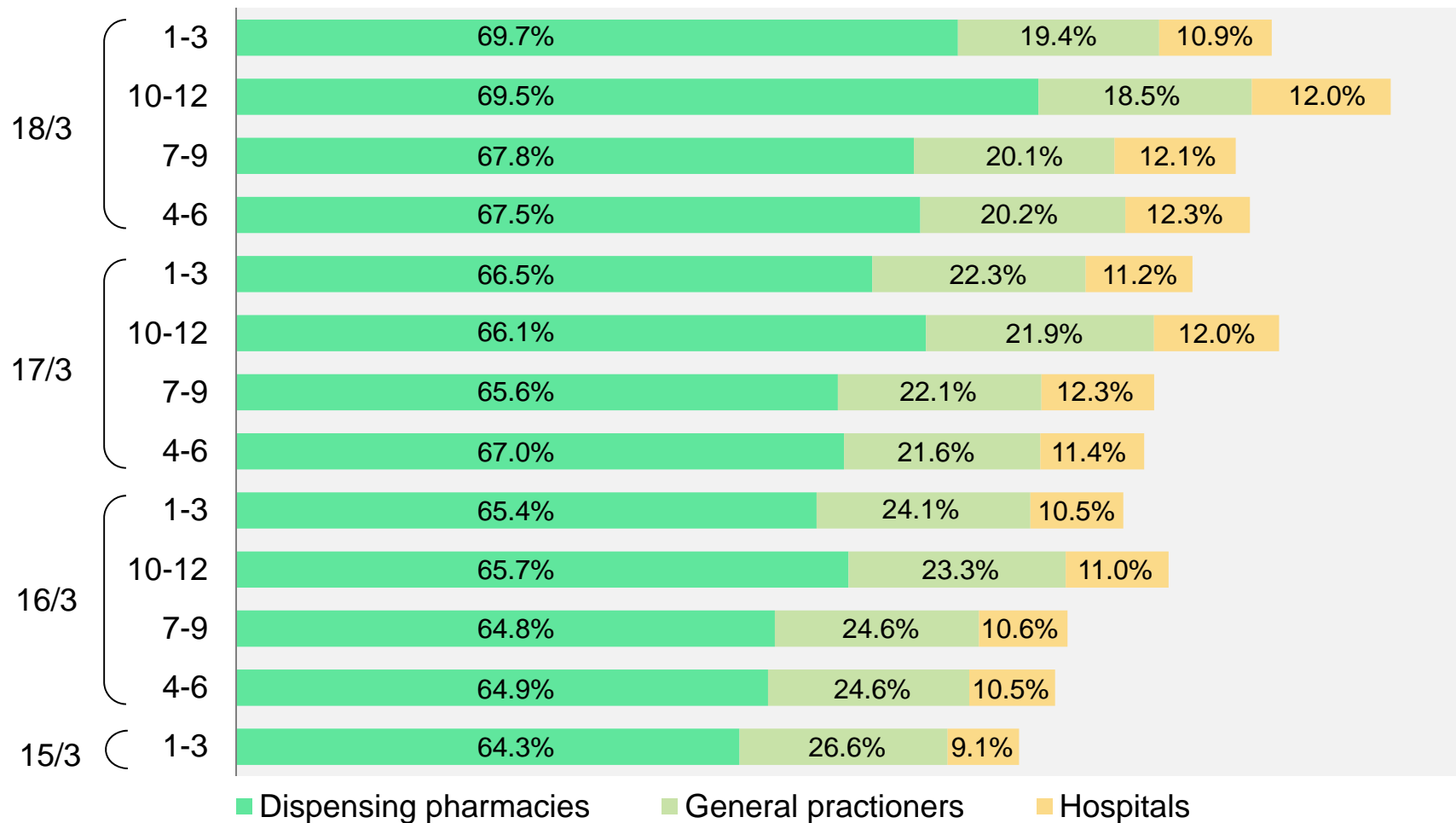
- Ratio of sales agent decreased due to opening new offices and increased headquarter transactions.
- Deal with wholesalers started from this fiscal year and ratio of wholesalers increased steadily.



() is the number of sales offices

Sales of medical institutions (non-consolidated)

- Sales of dispensing pharmacies keeps well.



Excluding sales by other companies
 Assuming sales of general practitioners, dispensing pharmacies, and hospitals is 100%.

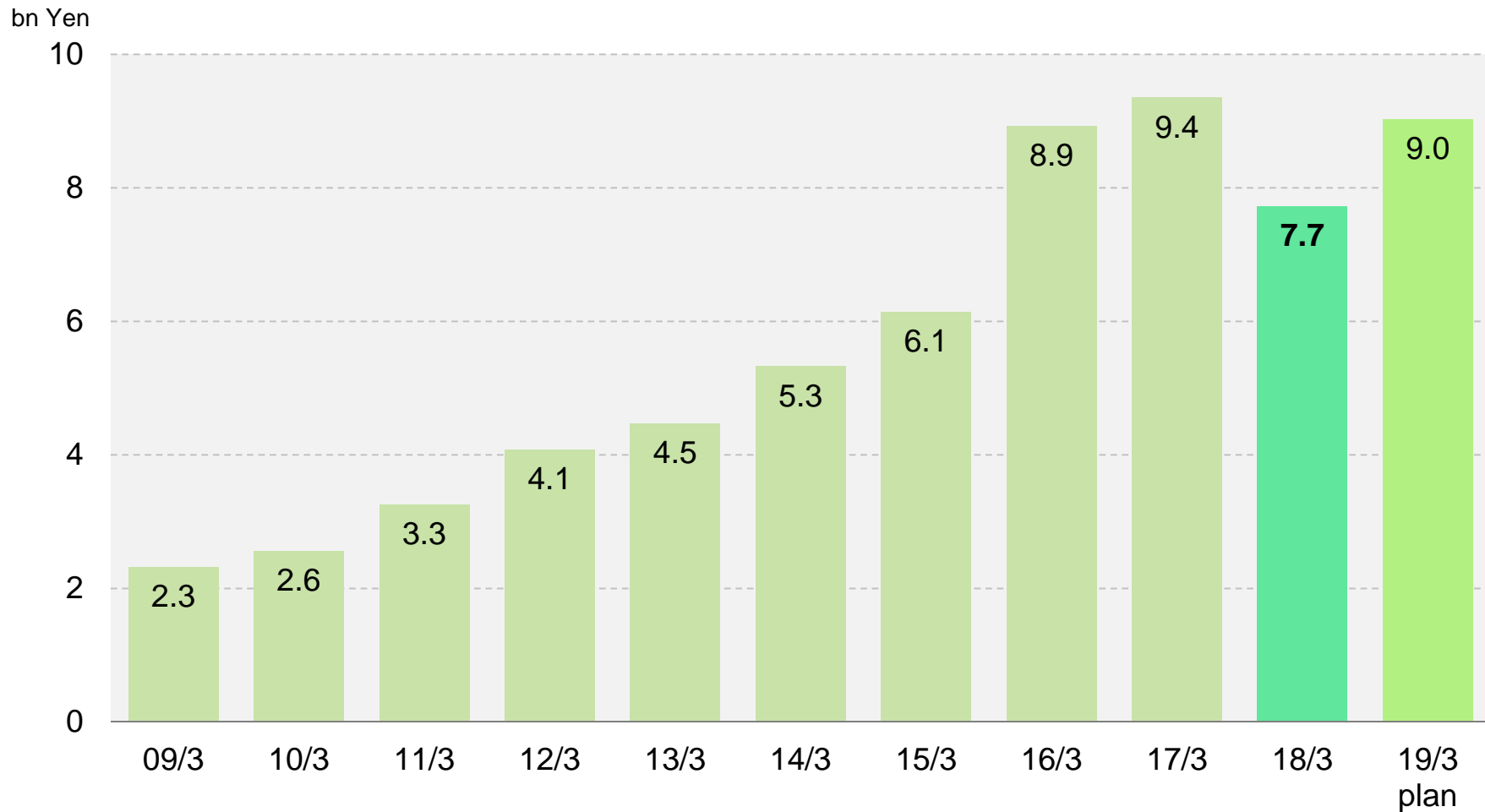
SGA

- SGA decreased by 2.4% year-on-year due to significant decrease in R&D cost.
- Packing and freight cost, which had been on the increase, decreased due to establishment of Towa Sales System.

Period	18/3			17/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	13,422	14.4	+ 2.1	13,141	15.5	+ 8.4
R&D	7,725	8.3	- 17.4	9,352	11.0	+ 4.8
Packing and freight	1,941	2.1	-1.7	1,974	2.3	+ 23.8
Depreciation cost	1,173	1.3	+ 4.0	1,128	1.3	+ 16.6
Ad.	1,016	1.1	+ 19.3	851	1.0	- 43.5
Others	6,128	6.6	+ 7.0	5,728	6.7	+ 2.3
SGA	31,407	33.6	- 2.4	32,176	37.9	+ 4.7

R&D expenditure

- Initial R&D expenditure plan (9.7 billion yen) decreased due to change of development schedule and review of development products.
- 9.0 billion yen in 19/3



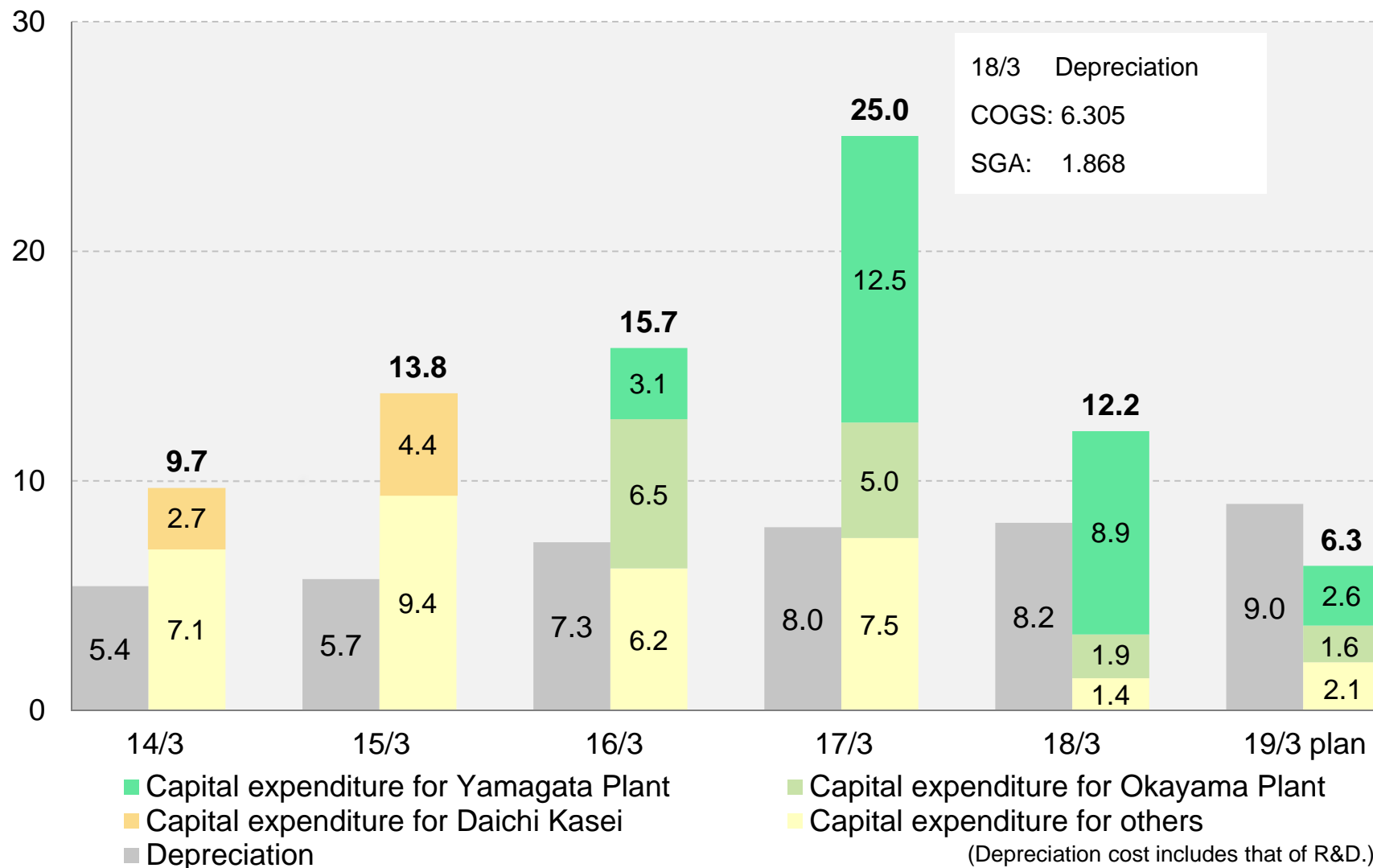
Balance sheet

- Finished products: Decreased due to shortened inventory turnover period in months (4.8 months: -0.9 months year-on-year)
- Buildings and structures: Increased due to construction of East Distribution Center and renovation of Okayama Plant
- Long-term debt: Borrowing 9.0 billion yen for construction of Yamagata Plant (million Yen)

	18/3	17/3	Change		18/3	17/3	Change
Cash and deposits	14,247	9,444	+ 4,803	Trade notes and accounts payable	5,385	5,309	+ 75
Trade notes and accounts receivable	24,185	19,627	+ 4,557	Electronically recorded obligations-operating	6,412	7,455	- 1,043
Electronically recorded monetary claims	6,278	6,597	- 318	Current portion of long-term debt	4,249	2,681	+ 1,567
Marketable securities	10,999	6,000	+ 4,999	Facilities notes and accounts payable	8,630	10,365	- 1,735
Finished products	17,609	22,510	- 4,901	Other current liabilities	11,226	8,788	+ 2,437
Other current assets	22,056	22,371	- 315	Total current liabilities	35,904	34,601	+ 1,303
Total current assets	95,377	86,552	+ 8,825	Long-term debt	44,803	39,253	+ 5,550
Buildings and structures	34,722	29,830	+ 4,892	Convertible bond	15,046	15,056	- 10
Machineries, equipment, and carriers	12,807	15,148	- 2,340	Other long-term liabilities	1,651	1,391	+ 260
Construction in progress	18,282	18,279	+ 3	Total long-term liabilities	61,501	55,701	+ 5,799
Other fixed assets	16,134	15,436	+ 698	Total liabilities	97,405	90,302	+ 7,102
Total fixed assets	81,947	78,695	+ 3,252	Total net assets	79,920	74,945	+ 4,975
Total assets	177,325	165,247	+ 12,078	Total liabilities and net assets	177,325	165,247	+ 12,078

Capital expenditure and depreciation cost

bn Yen



Financial forecast for the year ending March 2019

- Sales: Increases mainly due to sales of products launched in current years despite NHI price revision occurred
- Operating income: Decreases due to increase of COGS by 1.0 points year-on-year by increase in depreciation cost, and increase in SGA by increase of R&D cost, etc.
- Ordinary income: Excludes the gain and loss on revaluation of currency swap due to uncertain exchange rate

Period	19/3 Plan			18/3 Result		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	97,000	100.0	+ 3.8	93,430	100.0	+ 10.0
COGS	53,300	54.9	+ 5.8	50,379	53.9	+ 9.8
SGA	34,000	35.1	+ 8.3	31,407	33.6	- 2.4
Operating income	9,700	10.0	- 16.7	11,643	12.5	+ 69.5
Ordinary income	9,600	9.9	- 18.1	11,717	12.5	+ 58.0
Profit attributable to owners of parent	7,000	7.2	+ 7.8	6,495	7.0	+ 16.5

Major products to be launched in June 2018

Therapeutic Category	Product Name	Branded Products (Company)
Long-acting ARB/ Long-acting calcium antagonist	ILUAMIX COMBINATION TABLETS LD/HD "TOWA"	AIMIX Combination Tablets LD/HD (Sumitomo Dainippon Pharma=Shionogi)
Therapeutic agents for osteoporosis	MINODRONIC ACID TABLETS 1mg/50mg "TOWA"	BONOTEO Tablets 1mg/50mg (Astellas) RECALBON Tablets 1mg/50mg (Ono Pharmaceutical)
Selective histamine H ₁ receptor antagonist / Therapeutic agent for allergic diseases	BEPOTASTINE BESILATE TABLETS 5mg/10mg "TOWA"	TALION Tablets 5mg/10mg (Mitsubishi Tanabe Pharma)
	BEPOTASTINE BESILATE OD TABLETS 5mg/10mg "TOWA"	TALION OD Tablets 5mg/10mg (Mitsubishi Tanabe Pharma)
Therapeutic agent for hyperphosphatemia	LANTHANUM CARBONATE GRANULES 250mg/500mg "TOWA"	FOSRENOL Granules 250mg/500mg (Bayer Yakuhin)

23 products in total

Annual sales budget: ca. 1.3 billion yen for products to be launched in June 2018

BEPOTASTINE: 0.32 billion yen
 MINODRONIC ACID: 0.26 billion yen
 ILUAMIX: 0.22 billion yen

Disclaimer

This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectation and accordingly affect the Company's sales and profitability. Actual results may differ because of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.

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