

# **Supplementary material of financial results for the 1Q of the year ending March 2019**

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**August, 2018**

**(Stock ticker number: 4553)**

## Outline of the financial results for the 1Q of the year ending March 2019

- Sales: Increased by good sales of recently launched products
- Operating income: Increased by increase of sales and decrease of COGS rate
- Ordinary income: Increased by increase of gain on revaluation of currency swaps
- Profit: Increased by retirement benefit scheme completion profit in extraordinary profit

Period	19/3 1Q			18/3 1Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	25,494	100.0	+ 13.2	22,513	100.0	+ 11.6
COGS	13,894	54.5	+ 10.7	12,548	55.7	+ 13.0
SGA	8,099	31.8	+ 6.7	7,587	33.7	- 1.9
Operating income	3,500	13.7	+ 47.3	2,376	10.6	+ 77.6
Ordinary income	4,806	18.9	+ 64.1	2,930	13.0	—
Profit attributable to owners of parent	3,566	14.0	+ 77.8	2,005	8.9	—
Exchange rate US \$1.00 (TTM)	2018/6	2018/3	2017/6	2017/3		
	110.54 yen	106.24 yen	112.00 yen	112.19 yen		

## Outline of the financial results for the 1Q of the year ending March 2019 (progress rate)

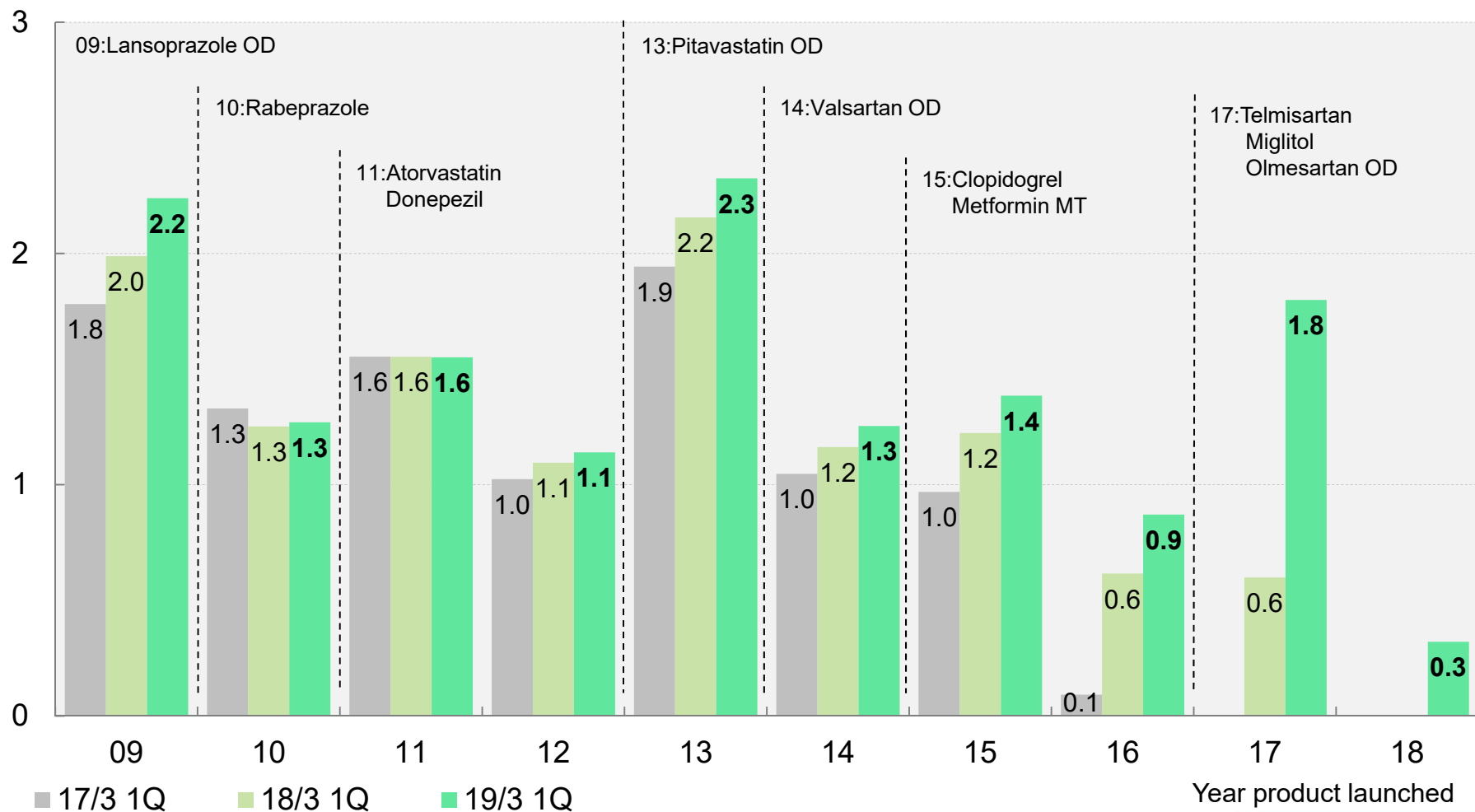
- Sales: Good result to the plan by the progress of Towa Sales System
- Operating income: Increased significantly due to delay in SGA, mainly R&D cost

Period	19/3							
	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	25,494	100.0	46,700	100.0	54.6	97,000	100.0	26.3
COGS	13,894	54.5	25,700	55.0	54.1	53,300	54.9	26.1
SGA	8,099	31.8	17,000	36.4	47.6	34,000	35.1	23.8
Operating income	3,500	13.7	4,000	8.6	87.5	9,700	10.0	36.1
Ordinary income	4,806	18.9	3,950	8.5	121.7	9,600	9.9	50.1
Profit attributable to owners of parent	3,566	14.0	2,900	6.2	123.0	7,000	7.2	50.9

# Sales of products by launched year (non-consolidated)

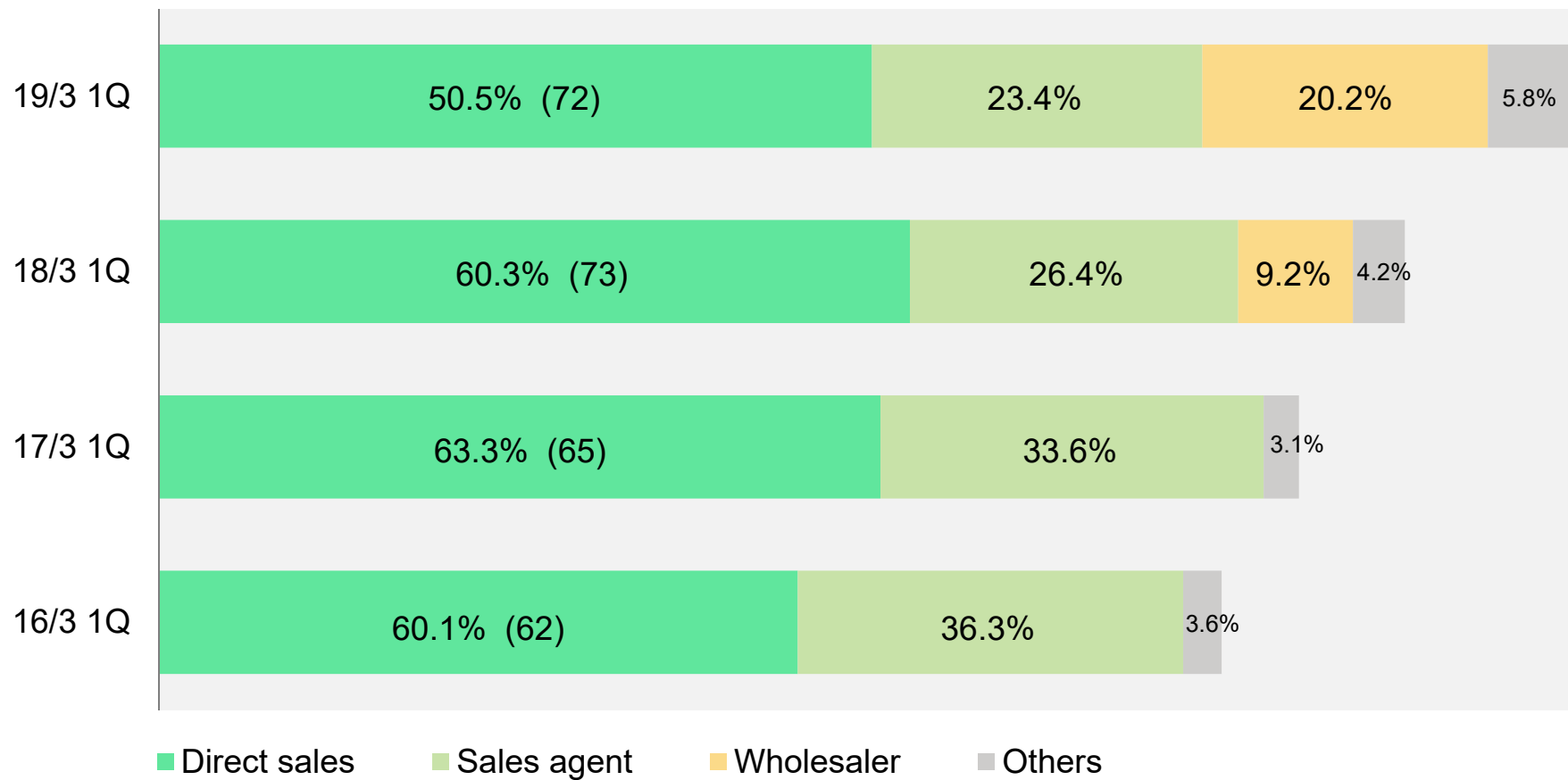
- Sales of products launched in 2017 increased significantly, and sales of products launched in other years also increased.

bn Yen



# Sales of channels (non-consolidated)

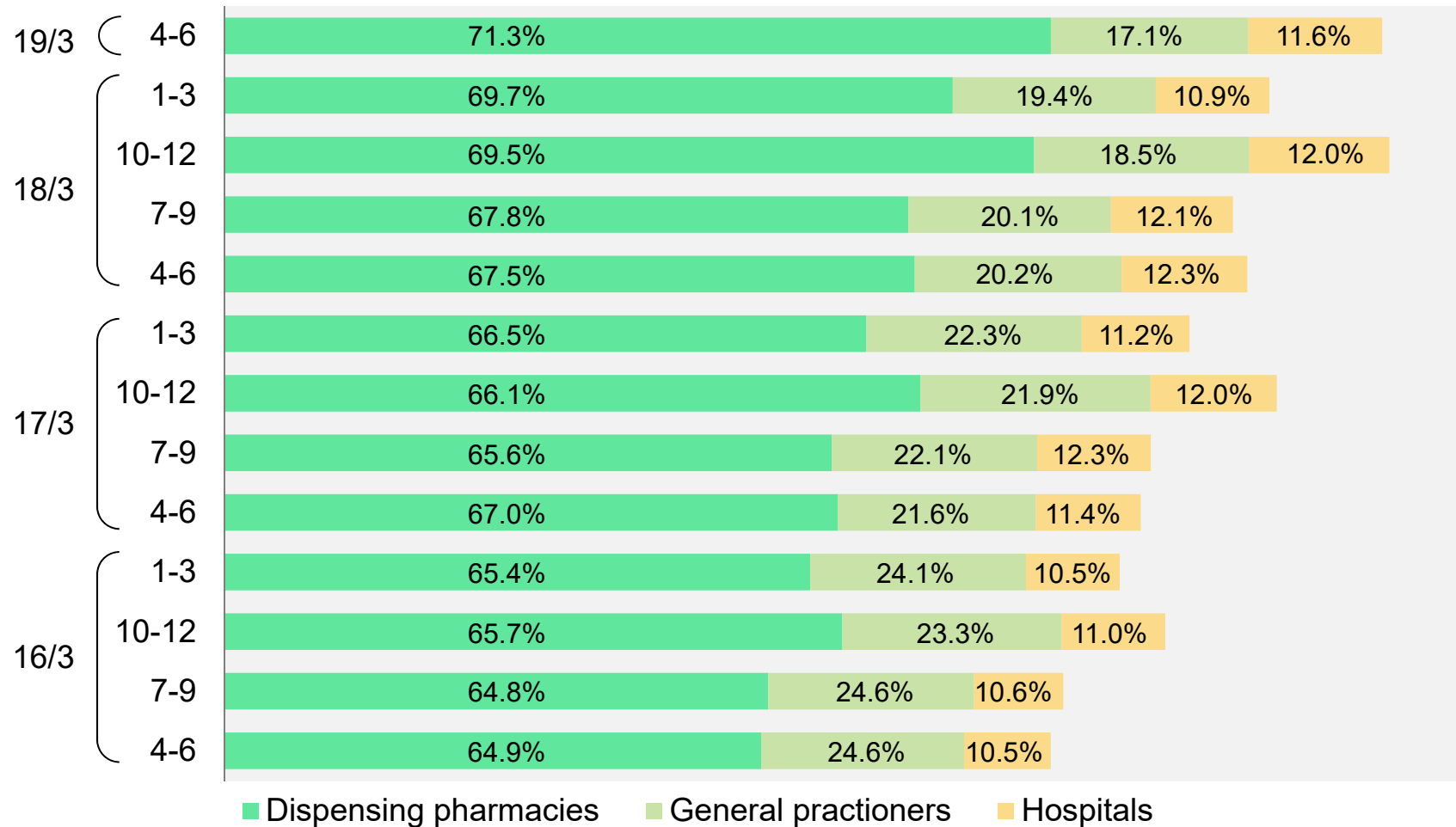
- Sales of wholesaler increased steadily by good cooperation with wholesaler starting from the last year.
- Ratio of sales agent decreased, and its sales increased slightly.



( ) 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%.

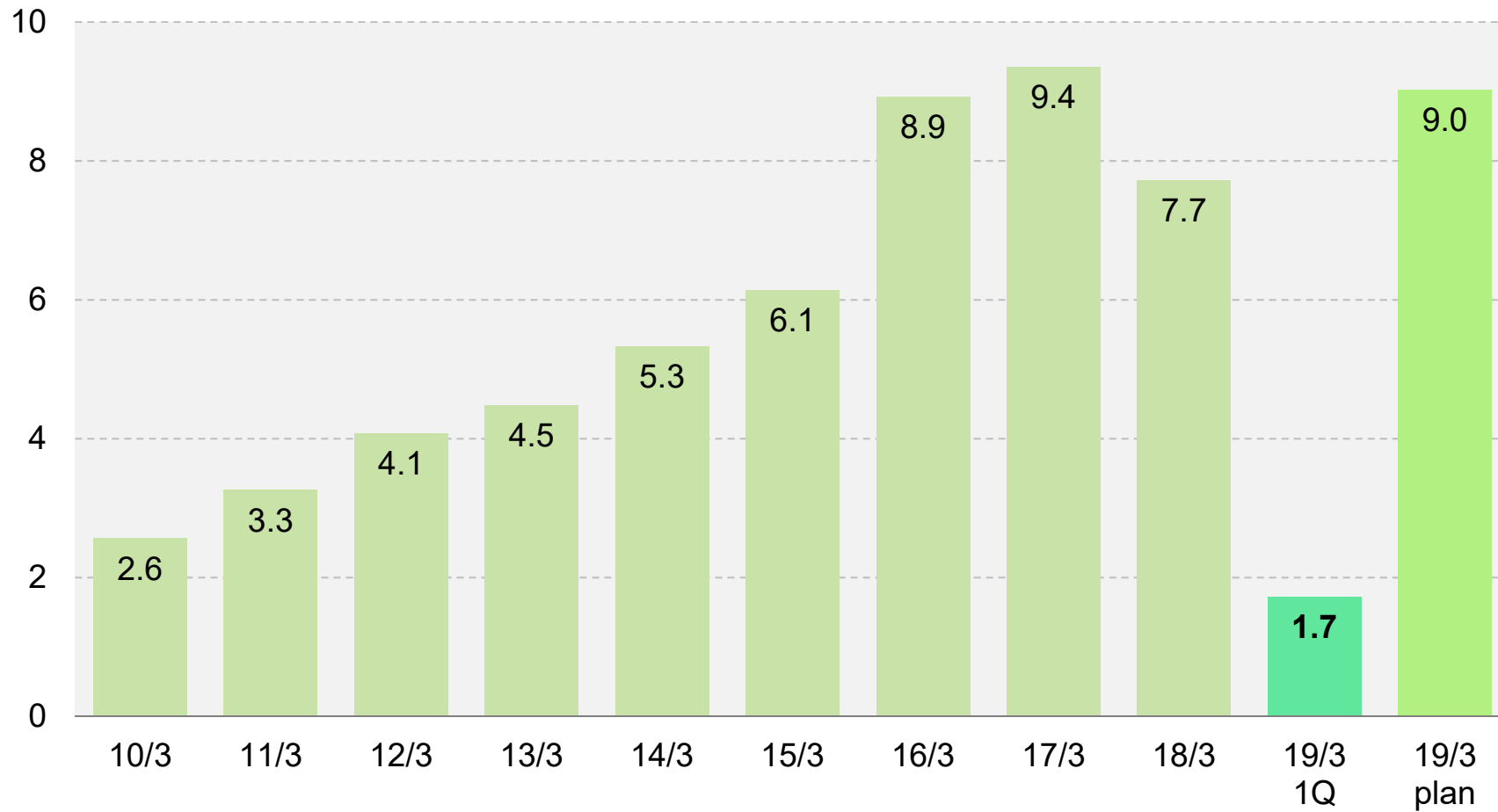
# SGA

- SGA increased by 6.7% year-on-year.
- Packing and freight cost decreased, in the same way in the last fiscal year, by the progress of Towa Sales System.

Period	19/3 1Q			18/3 1Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	3,784	14.8	+ 10.9	3,411	15.2	+ 2.8
R&D	1,726	6.8	+ 1.8	1,695	7.5	- 13.8
Packing and freight	494	1.9	- 6.5	528	2.3	+ 6.9
Depreciation cost	269	1.1	- 0.6	271	1.2	+ 7.9
Ad.	130	0.5	- 8.1	141	0.6	- 34.7
Others	1,693	6.6	+ 10.0	1,539	6.8	+ 3.4
SGA	8,099	31.8	+ 6.7	7,587	33.7	- 1.9

# R&D expenditure

bn Yen





# Balance sheet

- Finished products: Decreased due to shortened inventory turnover period in months (3.8 months: -1.0 months year-on-year)
- Buildings and structures: Increased due to completion of Yamagata Plant construction
- Marketable securities: Decreased due to payment for Yamagata Plant construction, etc.

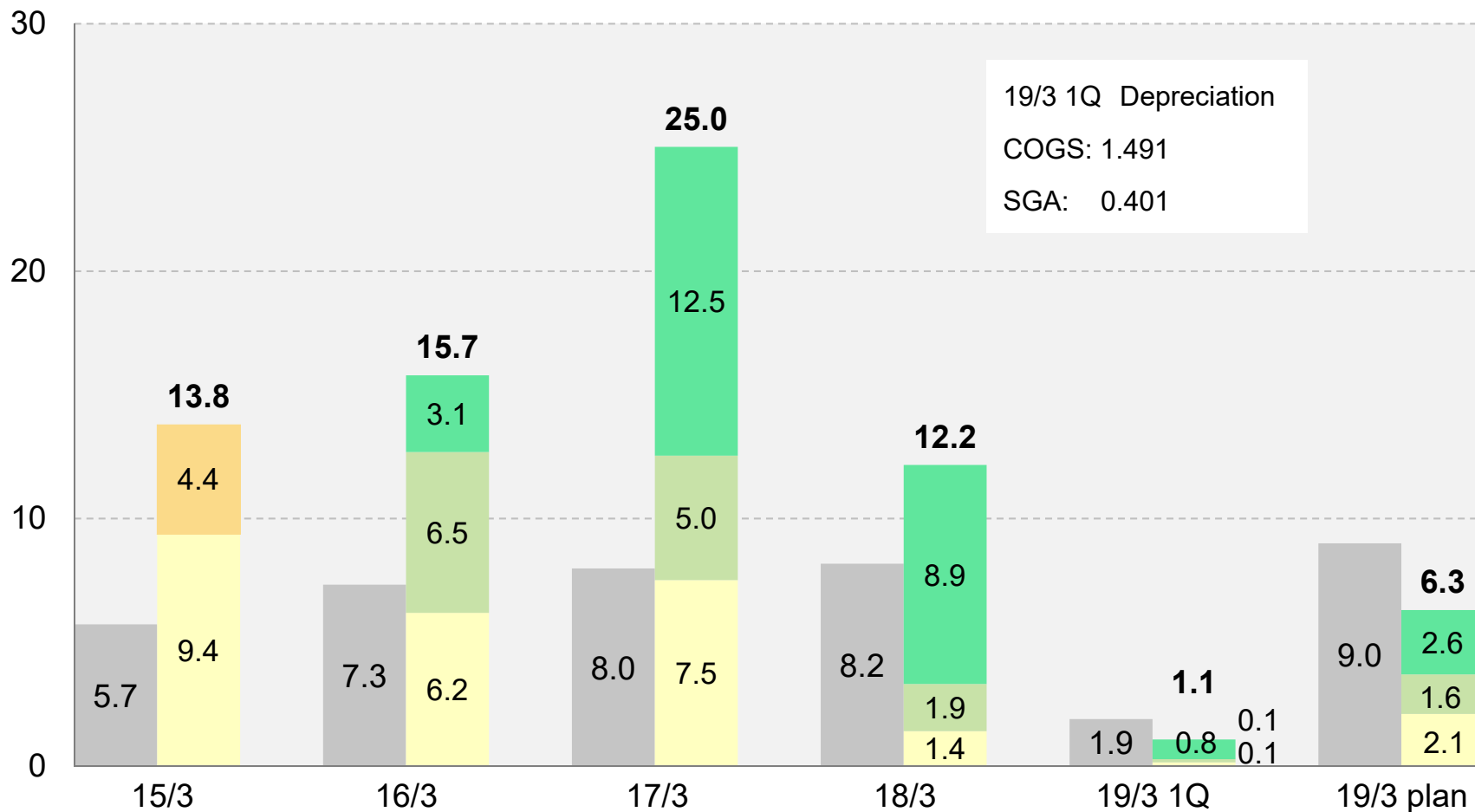
(million Yen)

	18/6	18/3	Change		18/6	18/3	Change
Cash and deposits	15,784	14,247	+ 1,536	Trade notes and accounts payable	6,806	5,385	+ 1,421
Trade notes and accounts receivable	26,294	24,185	+ 2,108	Electronically recorded obligations-operating	7,913	6,412	+ 1,500
Electronically recorded monetary claims	5,973	6,278	- 305	Current portion of long-term debt	5,073	4,249	+ 824
Marketable securities	4,999	10,999	- 5,999	Facilities notes and accounts payable	3,668	8,630	- 4,962
Finished products	17,252	17,609	- 356	Other current liabilities	8,164	11,226	- 3,062
Other current assets	23,449	20,879	+ 2,569	<b>Total current liabilities</b>	<b>31,626</b>	<b>35,904</b>	<b>- 4,277</b>
<b>Total current assets</b>	<b>93,753</b>	<b>94,200</b>	<b>- 446</b>	Long-term debt	43,409	44,803	- 1,394
Buildings and structures	48,749	34,722	+ 14,026	Convertible bond	15,043	15,046	- 2
Machineries, equipment, and carriers	12,863	12,807	+ 55	Other long-term liabilities	1,439	1,506	- 67
Construction in progress	2,349	18,282	-15,932	<b>Total long-term liabilities</b>	<b>59,891</b>	<b>61,356</b>	<b>- 1,464</b>
Other fixed assets	16,476	17,167	- 690	<b>Total liabilities</b>	<b>91,518</b>	<b>97,260</b>	<b>- 5,742</b>
<b>Total fixed assets</b>	<b>80,439</b>	<b>82,980</b>	<b>- 2,540</b>	<b>Total net assets</b>	<b>82,675</b>	<b>79,920</b>	<b>+ 2,754</b>
<b>Total assets</b>	<b>174,193</b>	<b>177,181</b>	<b>- 2,987</b>	<b>Total liabilities and net assets</b>	<b>174,193</b>	<b>177,181</b>	<b>- 2,987</b>

Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No. 28, February 16, 2018) is applied to the 1Q of the year ending March 2019. Major management indices of the 1Q and full term of the year ended March 2018 are adjusted applying the amended standard only for the purpose of comparison.

# Capital expenditure and depreciation cost

bn Yen



- Capital expenditure for Yamagata Plant
- Capital expenditure for Okayama Plant
- Capital expenditure for Daichi Kasei
- Depreciation

- Capital expenditure for Yamagata Plant
- Capital expenditure for Okayama Plant
- Capital expenditure for others

(Depreciation cost includes that of R&D.)

## 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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