

Supplementary material of financial results for the 2Q of the year ending March 2019

**November, 2018
(Stock ticker number: 4553)**

Outline of the financial results for the 2Q of the year ending March 2019

- Sales: Increased by good sales of recently launched products
- Operating income: Increased by increase of sales in spite of increase of COGS rate due to NHI drug price revision
- Ordinary income: Increased by increase of gain on revaluation of currency swaps, etc.

Period	19/3 2Q			18/3 2Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	49,139	100.0	+ 9.9	44,698	100.0	+ 10.3
COGS	27,145	55.2	+ 14.2	23,779	53.2	+ 8.9
SGA	16,068	32.7	+ 1.4	15,841	35.4	- 3.2
Operating income	5,924	12.1	+ 16.7	5,078	11.4	+ 118.6
Ordinary income	8,372	17.0	+ 38.2	6,058	13.6	—
Profit attributable to owners of parent	6,177	12.6	+ 43.5	4,303	9.6	—
Exchange rate US \$1.00 (TTM)	2018/9	2018/3	2017/9	2017/3		
	113.57 yen	106.24 yen	112.73 yen	112.19 yen		

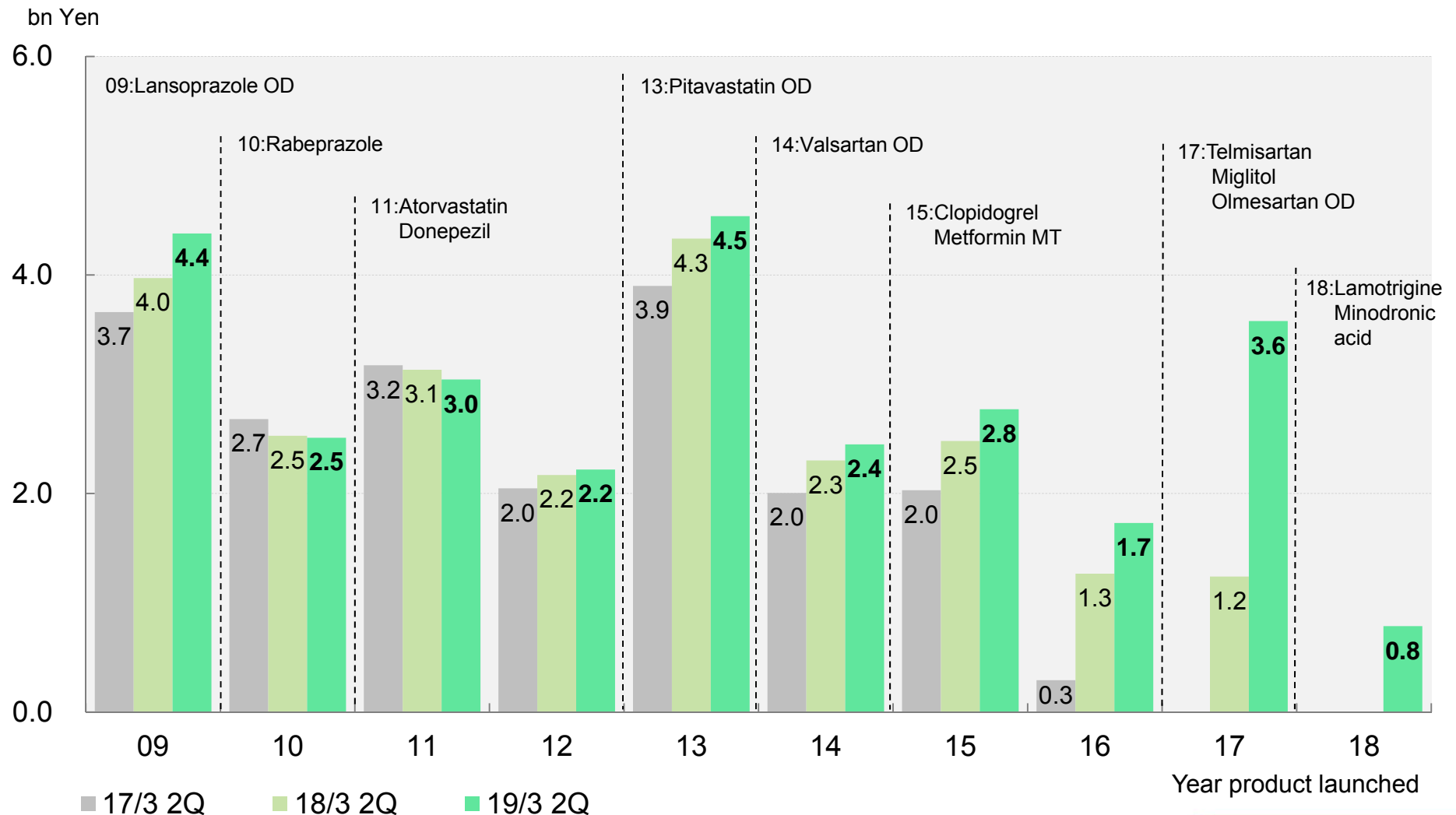
Outline of the financial results for the 2Q of the year ending March 2019 (progress rate)

- 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 and Ad. costs

Period	19/3							
	2Q		2Q plan (disclosed on May 14)			Full-year plan (disclosed on May 14)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	49,139	100.0	46,700	100.0	105.2	97,000	100.0	50.7
COGS	27,145	55.2	25,700	55.0	105.6	53,300	54.9	50.9
SGA	16,068	32.7	17,000	36.4	94.5	34,000	35.1	47.3
Operating income	5,924	12.1	4,000	8.6	148.1	9,700	10.0	61.1
Ordinary income	8,372	17.0	3,950	8.5	212.0	9,600	9.9	87.2
Profit attributable to owners of parent	6,177	12.6	2,900	6.2	213.0	7,000	7.2	88.2

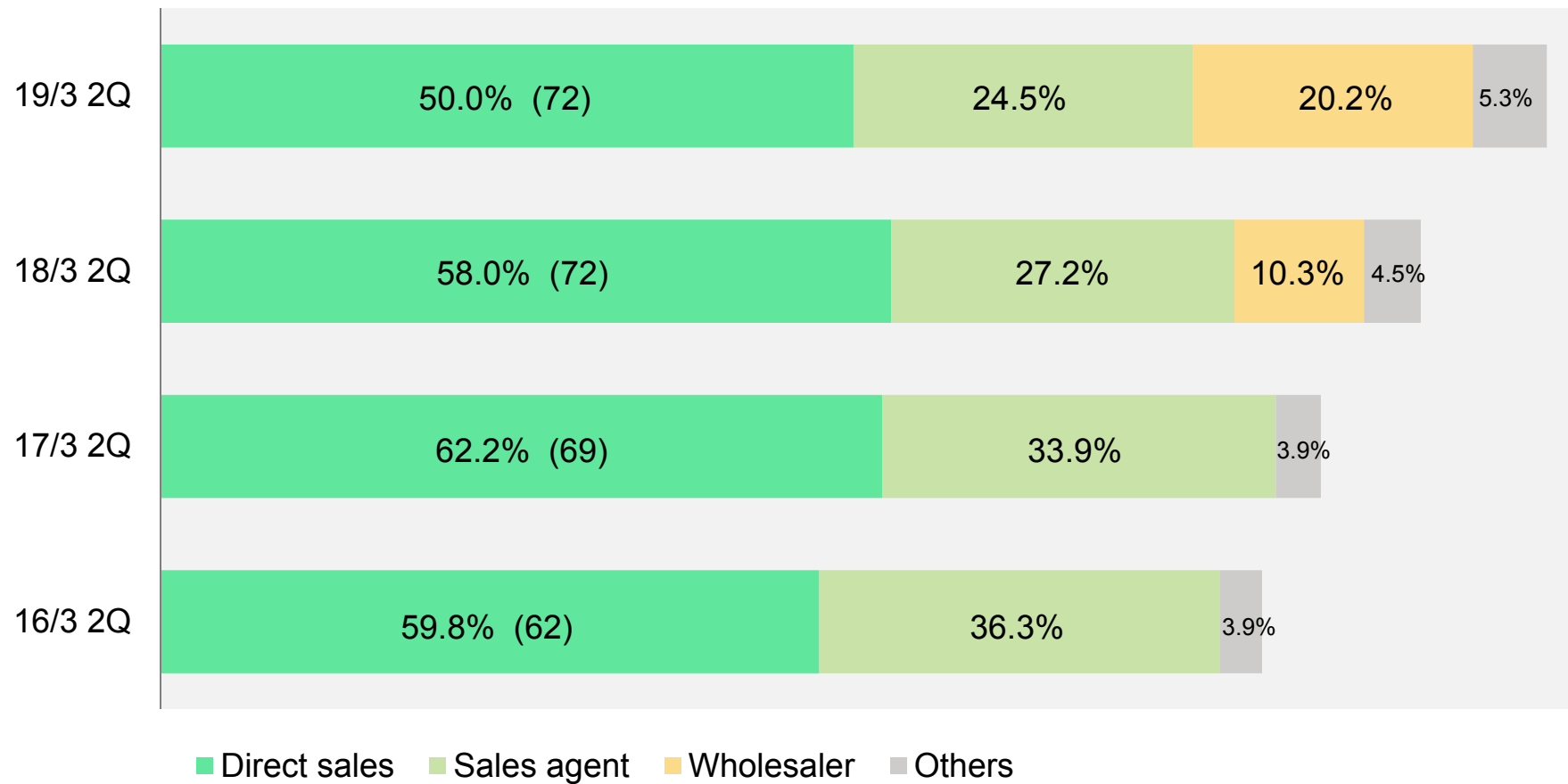
Sales of products by launched year (non-consolidated)

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



Sales of channels (non-consolidated)

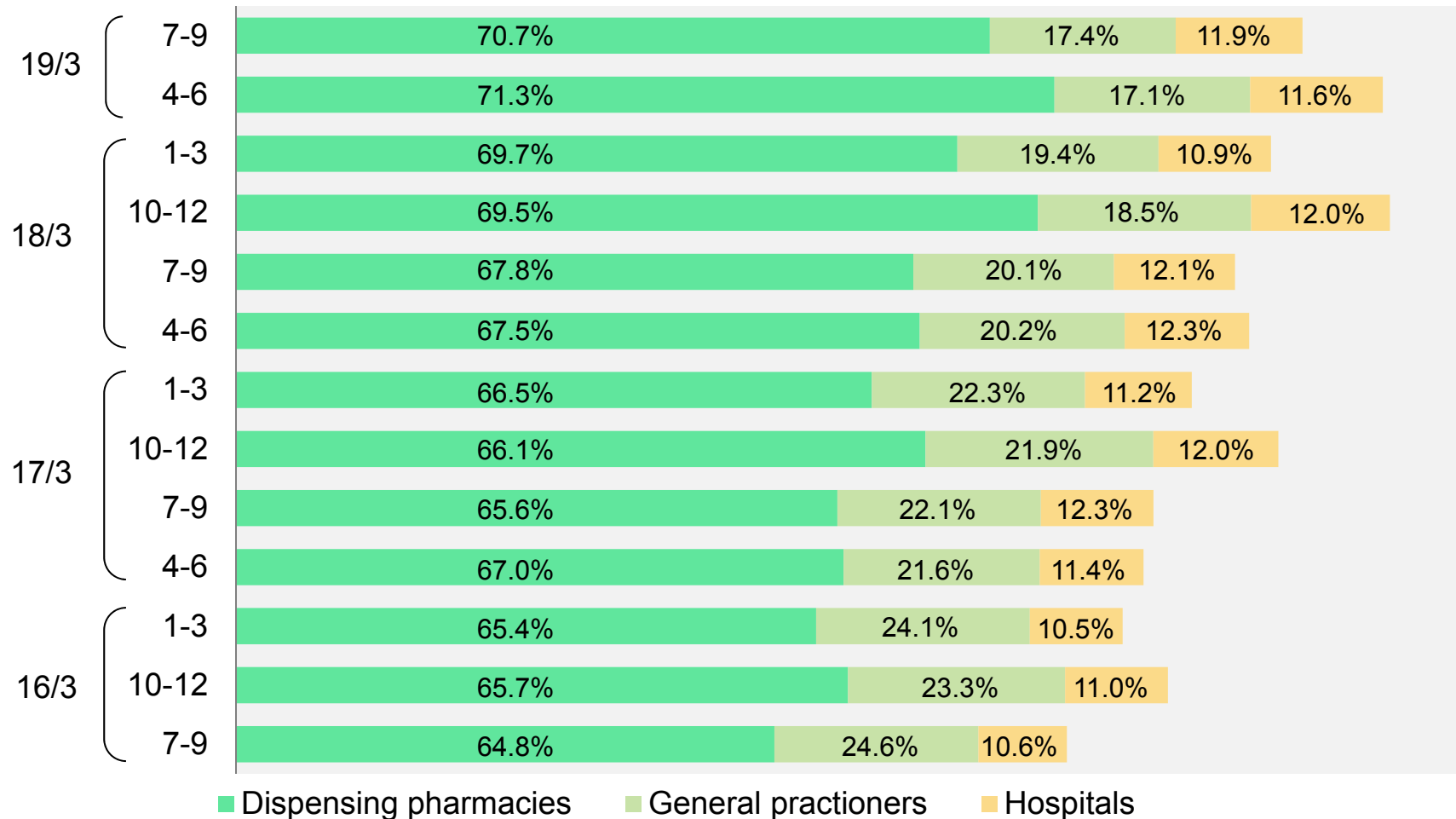
- Sales of wholesaler increased steadily by good cooperation with wholesaler starting from the last year.



() 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%.

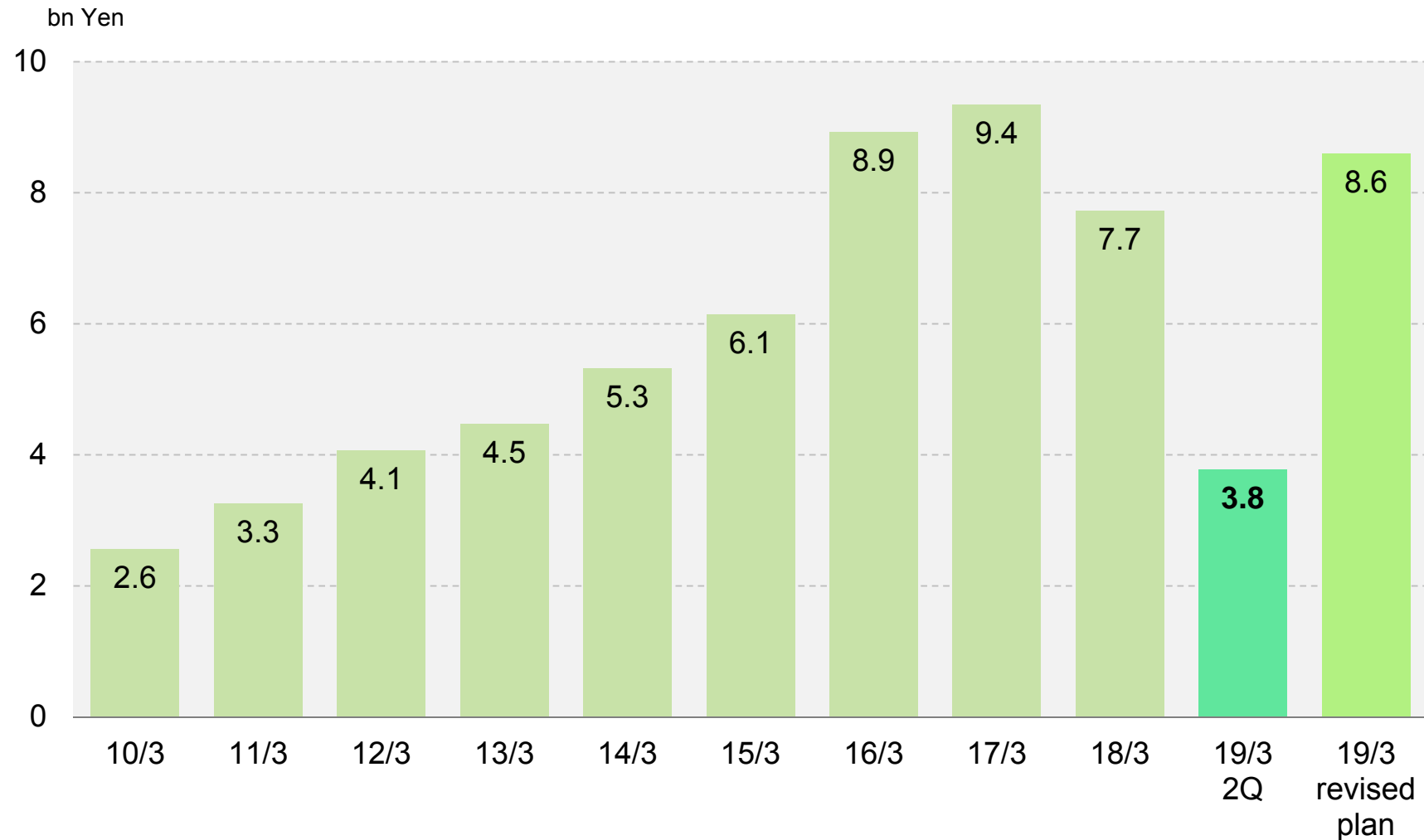
SGA

- SGA increased by 1.4% year-on-year.
- Ad. cost decreased due to delayed progress.

Period	19/3 2Q			18/3 2Q		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	7,290	14.8	+ 9.5	6,660	14.9	- 0.5
R&D	3,781	7.7	- 2.5	3,878	8.7	- 18.7
Packing and freight	970	2.0	- 4.8	1,019	2.3	+ 3.2
Depreciation cost	539	1.1	- 6.9	580	1.3	+ 13.0
Ad.	274	0.6	- 47.4	522	1.2	- 4.3
Others	3,211	6.5	+ 0.9	3,181	7.1	+ 11.7
SGA	16,068	32.7	+ 1.4	15,841	35.4	- 3.2

R&D expenditure

- R&D expenditure was revised from the original plan (9 bn yen) due to change of development schedule, etc.



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
- Facilities notes and accounts payable: Decreased due to payment for Yamagata Plant construction

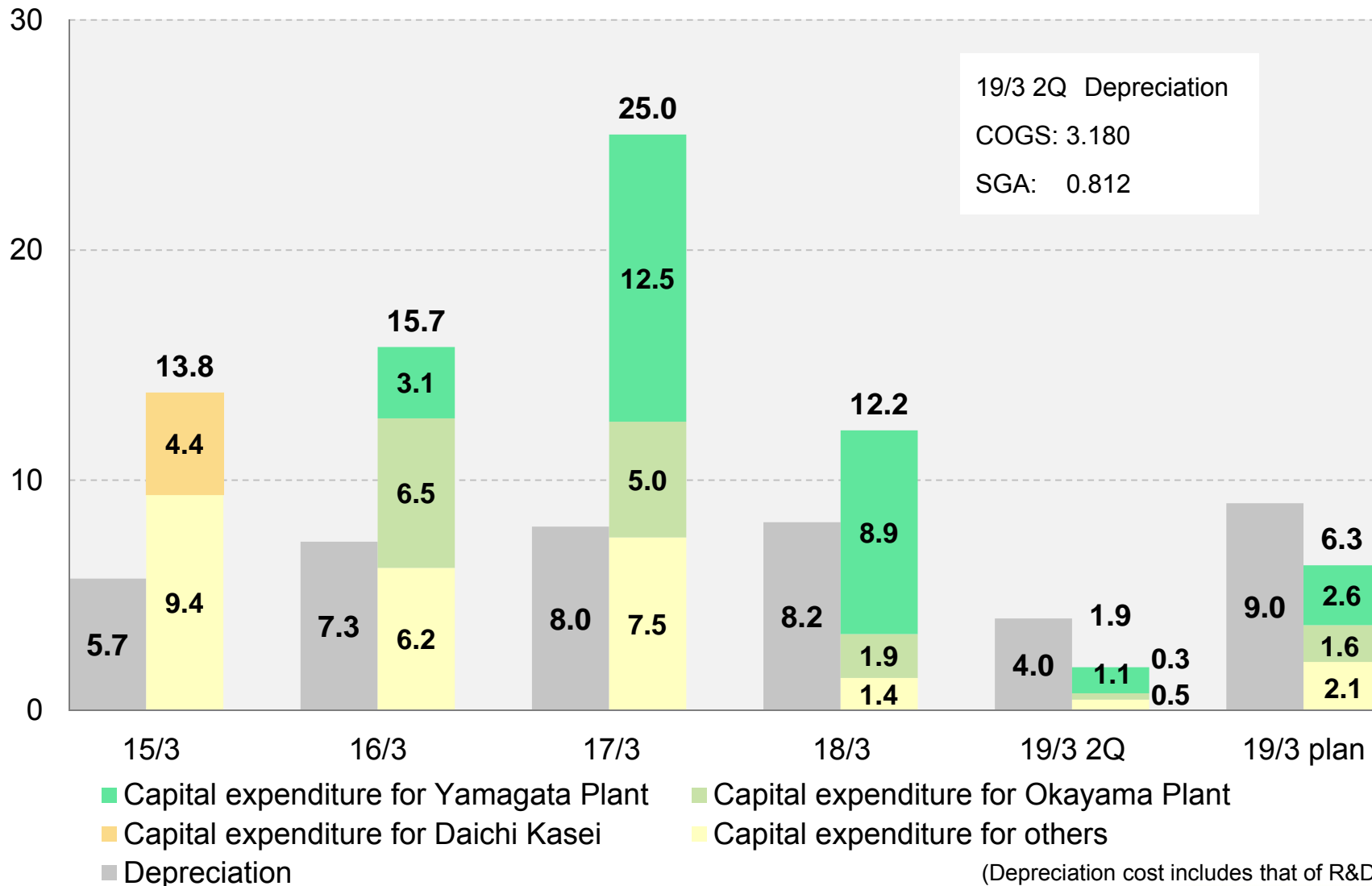
(million Yen)

	18/9	18/3	Change		18/9	18/3	Change
Cash and deposits	13,290	14,247	- 957	Trade notes and accounts payable	6,342	5,385	+ 956
Trade notes and accounts receivable	24,990	24,185	+ 805	Electronically recorded obligations-operating	8,843	6,412	+ 2,431
Electronically recorded monetary claims	6,489	6,278	+ 210	Current portion of long-term debt	5,174	4,249	+ 924
Marketable securities	8,999	10,999	- 1,999	Facilities notes and accounts payable	1,497	8,630	- 7,133
Finished products	16,857	17,609	- 751	Other current liabilities	10,364	11,226	- 861
Other current assets	24,694	20,879	+ 3,815	Total current liabilities	32,221	35,904	- 3,682
Total current assets	95,322	94,200	+ 1,122	Long-term debt	42,059	44,803	- 2,744
Buildings and structures	48,122	34,722	+ 13,399	Convertible bond	15,040	15,046	- 5
Machineries, equipment, and carriers	12,805	12,807	- 2	Other long-term liabilities	1,429	1,506	- 77
Construction in progress	1,864	18,282	- 16,418	Total long-term liabilities	58,528	61,356	- 2,827
Other fixed assets	17,932	17,167	+ 765	Total liabilities	90,750	97,260	- 6,510
Total fixed assets	80,725	82,980	- 2,255	Total net assets	85,297	79,920	+ 5,377
Total assets	176,048	177,181	- 1,132	Total liabilities and net assets	176,048	177,181	- 1,132

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 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



Revised financial forecast for the year ending March 2019

- Sales: Revised in consideration of 2Q results
- Operating income: Increased by increase of gross margin due to increase of sales
In terms of SGA, R&D expenditure was revised.
- Ordinary income: Revised without consideration of exchange gain and loss, and gain and loss on revaluation of currency swaps due to uncertainty of future exchange rate

Period	19/3 revised plan (disclosed on October 29)				19/3 original plan (disclosed on May 14)		
	(million Yen)	Ratio to sales (%)	Change in %	Ratio to the original plan	(million Yen)	Ratio to sales (%)	Change in %
Net sales	102,800	100.0	+ 10.0	+ 6.0	97,000	100.0	+ 3.8
COGS	57,000	55.4	+ 13.1	+ 6.9	53,300	54.9	+ 5.8
SGA	33,800	32.9	+ 7.6	- 0.6	34,000	35.1	+ 8.3
Operating income	12,000	11.7	+ 3.1	+ 23.7	9,700	10.0	- 16.7
Ordinary income	12,200	11.9	+ 4.1	+ 27.1	9,600	9.9	- 18.1
Profit attributable to owners of parent	8,950	8.7	+ 37.8	+ 27.9	7,000	7.2	+ 7.8

Revised financial forecast for the year ending March 2019 (progress rate)

Period	19/3				
	2Q		Full-year plan (disclosed on October 29)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	49,139	100.0	102,800	100.0	47.8
COGS	27,145	55.2	57,000	55.4	47.6
SGA	16,068	32.7	33,800	32.9	47.5
Operating income	5,924	12.1	12,000	11.7	49.4
Ordinary income	8,372	17.0	12,200	11.9	68.6
Profit attributable to owners of parent	6,177	12.6	8,950	8.7	69.0

Major products to be launched in December 2018

Therapeutic Category	Product Name	Branded Products (Company)
Therapeutic agents for chronic pain/pain after tooth extraction	TOARASET COMBINATION TABLETS "TOWA"	Tramcet Combination Tablets (Janssen=Mochida)
Therapeutic agents for AD/HD (Selective noradrenaline re-uptake inhibitors)	ATOMOXETINE TABLETS 5mg/10mg/25mg/40mg "TOWA"	Strattera Capsules 5mg/10mg/25mg/40mg (Lilly)
	ATOMOXETINE ORAL SOLUTION 0.4% "TOWA"	Strattera Oral Solution 0.4% (Lilly)
Noradrenergic and specific serotonergic Anti-depressant	MIRTAZAPINE TABLETS 15mg/30mg "TOWA"	REFLEX TABLETS 15mg/30mg (MeijiSeika Pharma)
	MIRTAZAPINE OD TABLETS 15mg/30mg "TOWA"	Remeron tablets 15mg/30mg (MSD)
Anti-allergic agent	FEXOFENADINE HYDROCHLORIDE DS 5% "TOWA"	allegra 5% Dry Syrup (Sanofi)

14 products in total

Annual sales budget: ca. 0.46 billion yen for products to be launched in December 2018

ATOMOXETINE: 0.19 billion yen
MIRTAZAPINE: 0.08 billion yen
TOARASET: 0.07 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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