

Supplementary material of financial results for the 3Q of the year ending March 2019

**February, 2019
(Stock ticker number: 4553)**

Outline of the financial results for the 3Q 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 3Q | | | 18/3 3Q | | |
|---|---------------|--------------------|-------------|---------------|--------------------|-------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) | Change in % |
| Net sales | 78,291 | 100.0 | + 11.2 | 70,412 | 100.0 | + 10.5 |
| COGS | 42,339 | 54.1 | + 12.7 | 37,570 | 53.4 | + 9.8 |
| SGA | 23,995 | 30.6 | + 1.5 | 23,631 | 33.6 | - 1.5 |
| Operating income | 11,956 | 15.3 | + 29.8 | 9,210 | 13.1 | + 67.2 |
| Ordinary income | 14,563 | 18.6 | + 39.1 | 10,472 | 14.9 | + 61.2 |
| Profit attributable to owners of parent | 10,455 | 13.4 | + 41.8 | 7,373 | 10.5 | + 53.5 |
| Exchange rate US \$1.00 (TTM) | 2018/12 | 2018/3 | | 2017/12 | 2017/3 | |
| | 111.00 yen | 106.24 yen | | 113.00 yen | 112.19 yen | |

Outline of the financial results for the 3Q of the year ending March 2019 (progress rate)

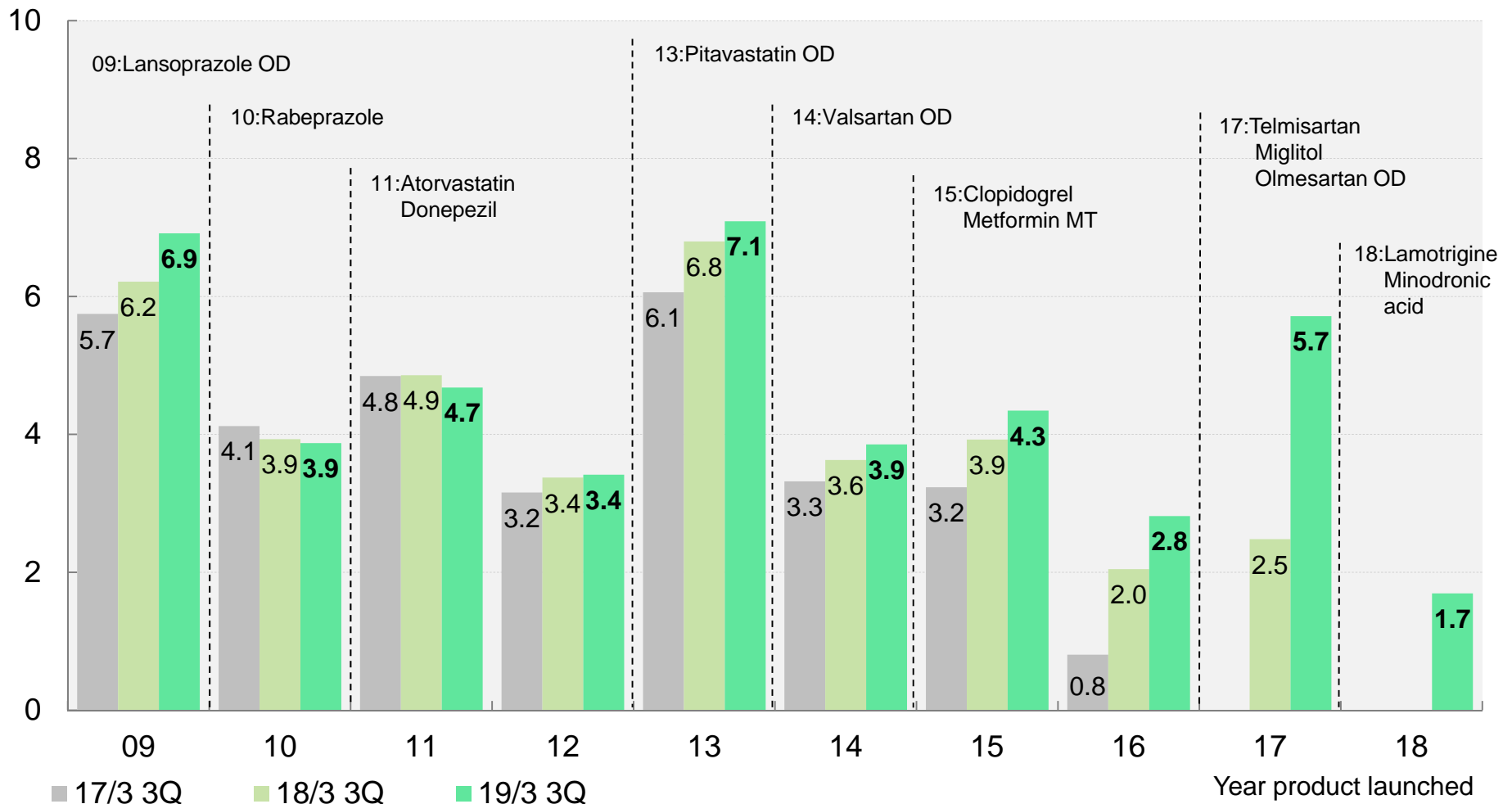
- Sales: Good result to the plan by the progress of Towa Sales System
- Operating income: Increased significantly due to delay in SGA, mainly R&D and Ad. costs

| Period | 19/3 | | | | |
|---|---------------|--------------------|---|--------------------|--------------------|
| | 3Q | | Full-year plan (disclosed on October 29) | | |
| | (million Yen) | Ratio to sales (%) | (million Yen) | Ratio to sales (%) | Progress rate in % |
| Net sales | 78,291 | 100.0 | 102,800 | 100.0 | 76.2 |
| COGS | 42,339 | 54.1 | 57,000 | 55.4 | 74.3 |
| SGA | 23,995 | 30.6 | 33,800 | 32.9 | 71.0 |
| Operating income | 11,956 | 15.3 | 12,000 | 11.7 | 99.6 |
| Ordinary income | 14,563 | 18.6 | 12,200 | 11.9 | 119.4 |
| Profit attributable to owners of parent | 10,455 | 13.4 | 8,950 | 8.7 | 116.8 |

Sales of products by launched year (non-consolidated)

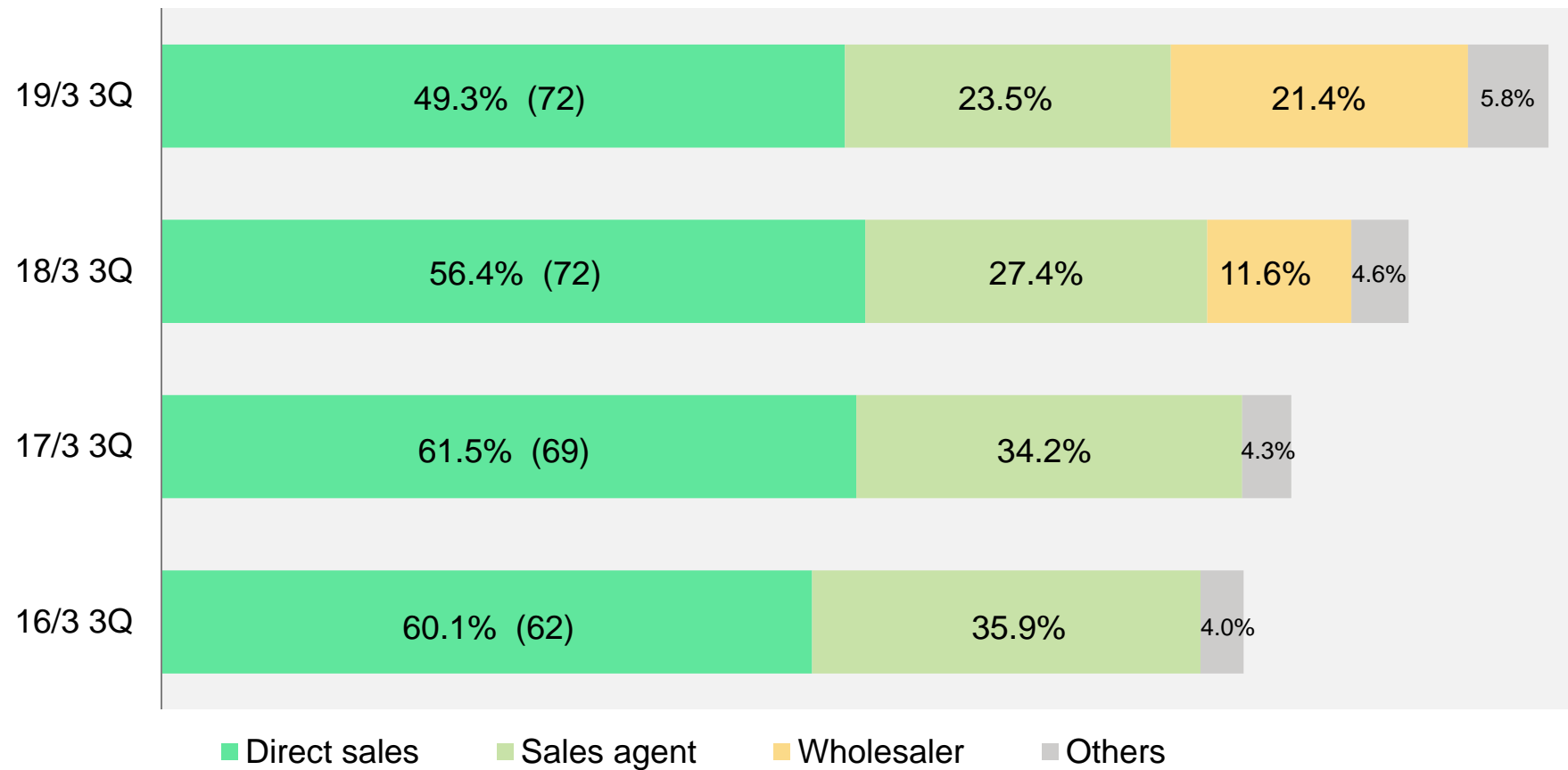
- Sales of products launched in 2017 increased significantly, and sales of products launched in 2018 was good to the plan.

bn Yen



Sales of channels (non-consolidated)

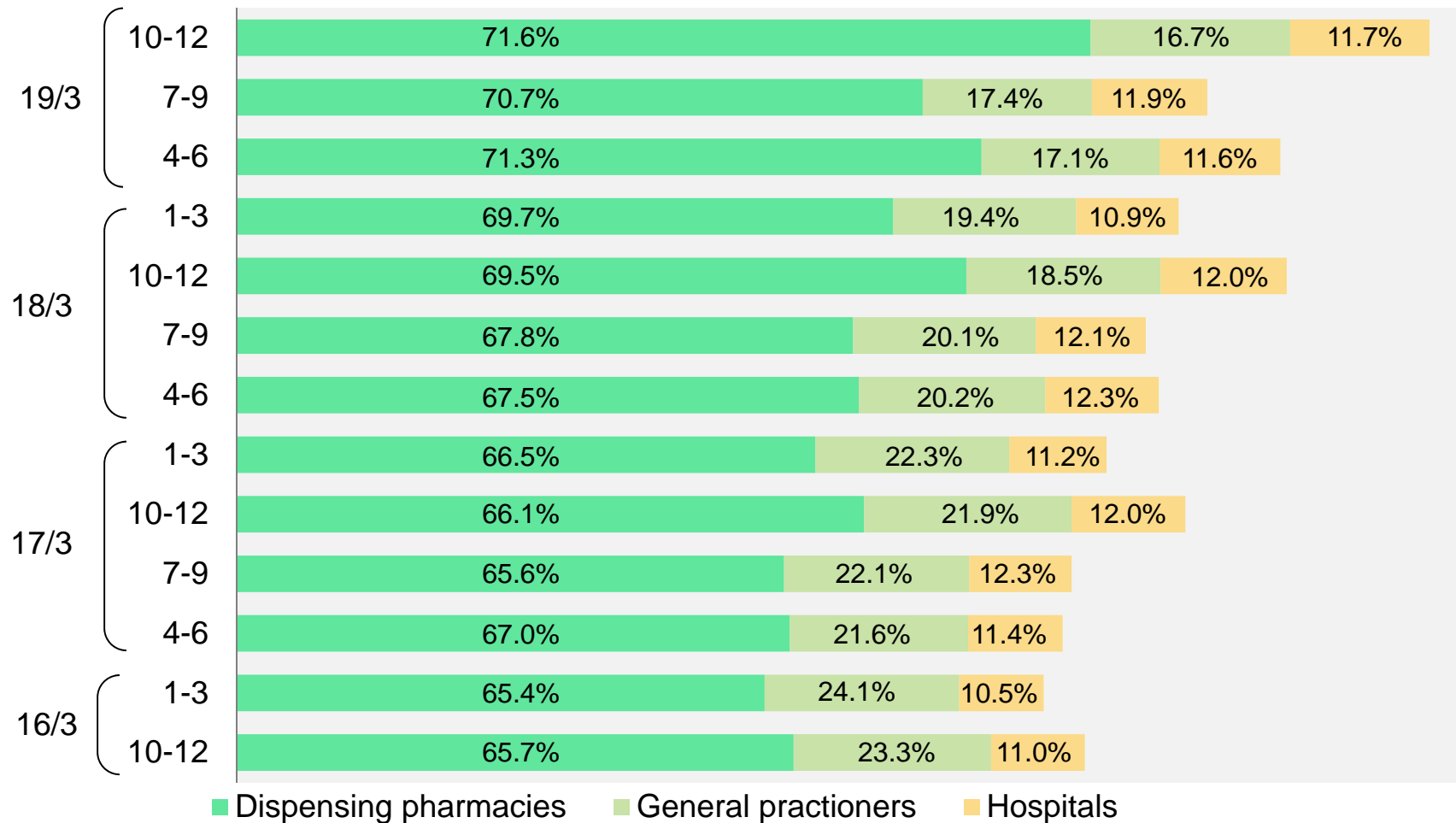
- Sales of wholesaler increased steadily by good cooperation with wholesaler starting from the last year.



() 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%.

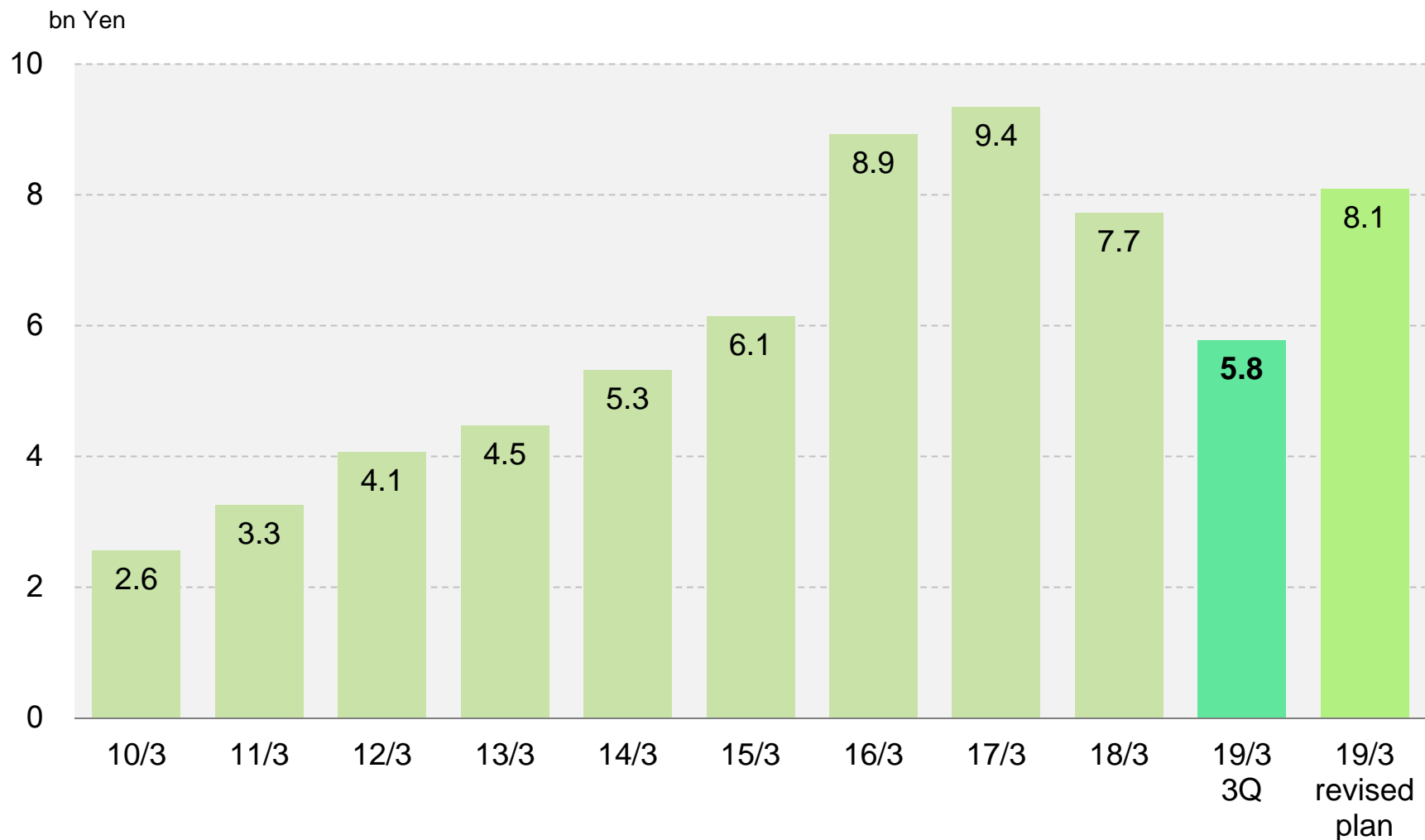
SGA

- SGA increased by 1.5% year-on-year.
- Ad. and R&D costs decreased due to delayed progress.

| Period | 19/3 3Q | | | 18/3 3Q | | |
|---------------------|---------------|--------------------|-------------|---------------|--------------------|-------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) | Change in % |
| Labor | 10,780 | 13.8 | + 7.9 | 9,990 | 14.2 | + 0.8 |
| R&D | 5,781 | 7.4 | - 2.3 | 5,914 | 8.4 | - 13.9 |
| Packing and freight | 1,494 | 1.9 | + 0.3 | 1,490 | 2.1 | + 1.0 |
| Depreciation cost | 803 | 1.0 | - 8.3 | 876 | 1.2 | + 7.3 |
| Ad. | 468 | 0.6 | - 30.5 | 674 | 1.0 | - 3.6 |
| Others | 4,666 | 6.0 | - 0.4 | 4,684 | 6.7 | + 11.3 |
| SGA | 23,995 | 30.6 | + 1.5 | 23,631 | 33.6 | - 1.5 |

R&D expenditure

- R&D expenditure was revised from the plan revised on October 29 (8.6 bn yen) due to change of development schedule, etc.



Balance sheet

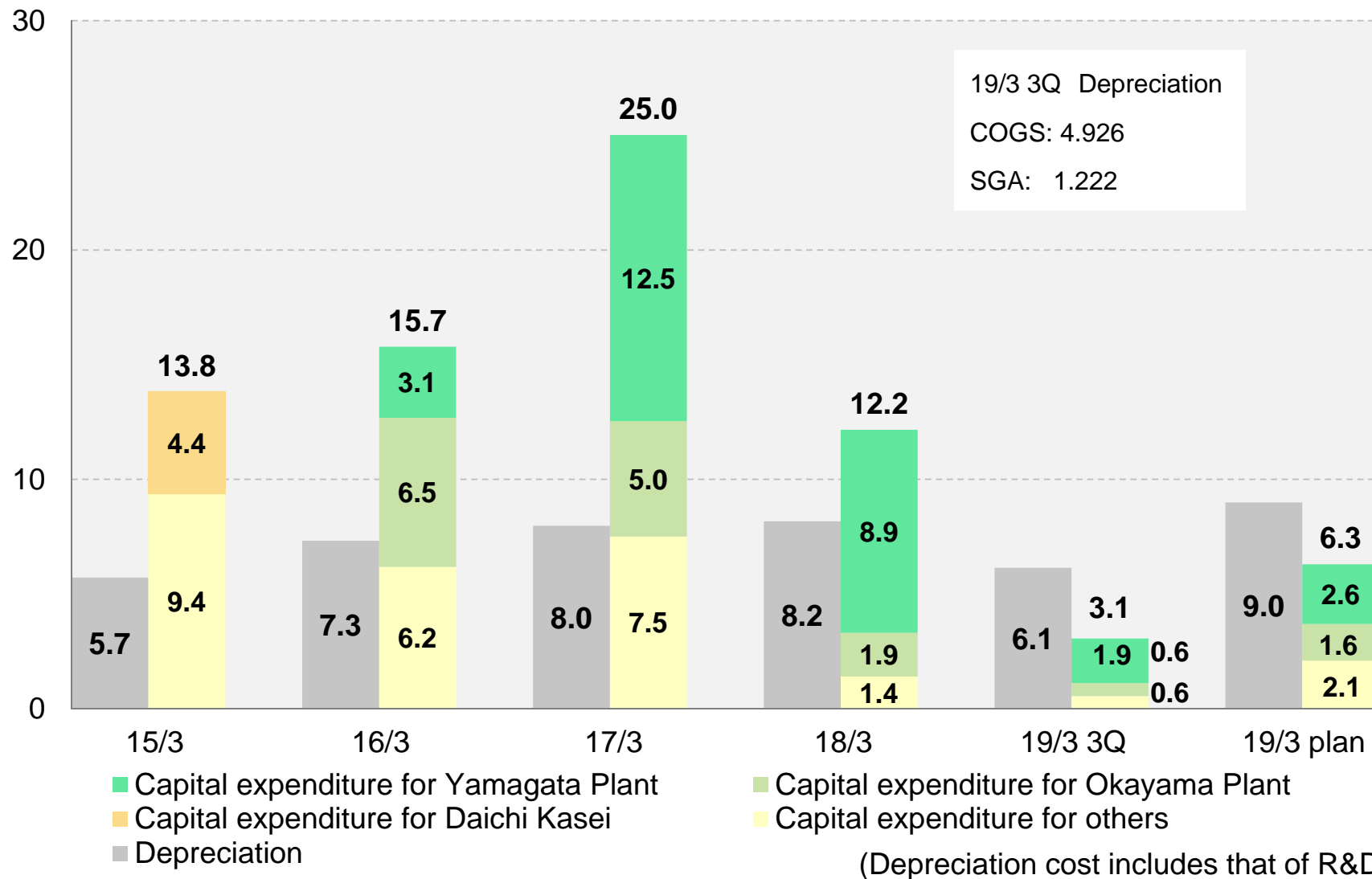
- Finished products: Decreased due to shortened inventory turnover period in months (3.6 months: -1.2 months year-on-year)
- Buildings and structures: Increased due to completion of Yamagata Plant construction
- Facilities notes and accounts payable: Decreased due to payment for Yamagata Plant construction (million Yen)

| | 18/12 | 18/3 | Change | | 18/12 | 18/3 | Change |
|---|----------------|----------------|----------------|---|----------------|----------------|----------------|
| Cash and deposits | 16,283 | 14,247 | + 2,035 | Trade notes and accounts payable | 6,856 | 5,385 | + 1,471 |
| Trade notes and accounts receivable | 27,509 | 24,185 | + 3,323 | Electronically recorded obligations-operating | 10,189 | 6,412 | + 3,777 |
| Electronically recorded monetary claims | 6,651 | 6,278 | + 372 | Current portion of long-term debt | 5,916 | 4,249 | + 1,666 |
| Marketable securities | 7,999 | 10,999 | - 2,999 | Facilities notes and accounts payable | 1,940 | 8,630 | - 6,690 |
| Finished products | 16,380 | 17,609 | - 1,229 | Other current liabilities | 9,226 | 11,226 | - 1,999 |
| Other current assets | 25,519 | 20,879 | + 4,639 | Total current liabilities | 34,129 | 35,904 | - 1,774 |
| Total current assets | 100,343 | 94,200 | + 6,143 | Long-term debt | 40,286 | 44,803 | - 4,517 |
| Buildings and structures | 47,798 | 34,722 | + 13,075 | Convertible bond | 15,037 | 15,046 | - 8 |
| Machineries, equipment, and carriers | 12,677 | 12,807 | - 130 | Other long-term liabilities | 1,450 | 1,506 | - 56 |
| Construction in progress | 1,541 | 18,282 | - 16,741 | Total long-term liabilities | 56,774 | 61,356 | - 4,582 |
| Other fixed assets | 17,300 | 17,167 | + 133 | Total liabilities | 90,903 | 97,260 | - 6,356 |
| Total fixed assets | 79,318 | 82,980 | - 3,662 | Total net assets | 88,757 | 79,920 | + 8,837 |
| Total assets | 179,661 | 177,181 | + 2,480 | Total liabilities and net assets | 179,661 | 177,181 | + 2,480 |

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 3Q results
- Operating income: Increased by increase of gross margin due to increase of sales
In terms of SGA, R&D expenditure, etc. were 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 February 12) | | | | 19/3 revised plan (disclosed on October 29) | | |
|---|---|--------------------|-------------|----------------------------|--|--------------------|-------------|
| | (million Yen) | Ratio to sales (%) | Change in % | Ratio to the original plan | (million Yen) | Ratio to sales (%) | Change in % |
| Net sales | 104,000 | 100.0 | + 11.3 | + 1.2 | 102,800 | 100.0 | + 10.0 |
| COGS | 56,500 | 54.3 | + 12.1 | - 0.9 | 57,000 | 55.4 | + 13.1 |
| SGA | 32,500 | 31.3 | + 3.5 | - 3.8 | 33,800 | 32.9 | + 7.6 |
| Operating income | 15,000 | 14.4 | + 28.8 | + 25.0 | 12,000 | 11.7 | + 3.1 |
| Ordinary income | 16,300 | 15.7 | + 39.1 | + 33.6 | 12,200 | 11.9 | + 4.1 |
| Profit attributable to owners of parent | 11,500 | 11.1 | + 77.0 | + 28.5 | 8,950 | 8.7 | + 37.8 |

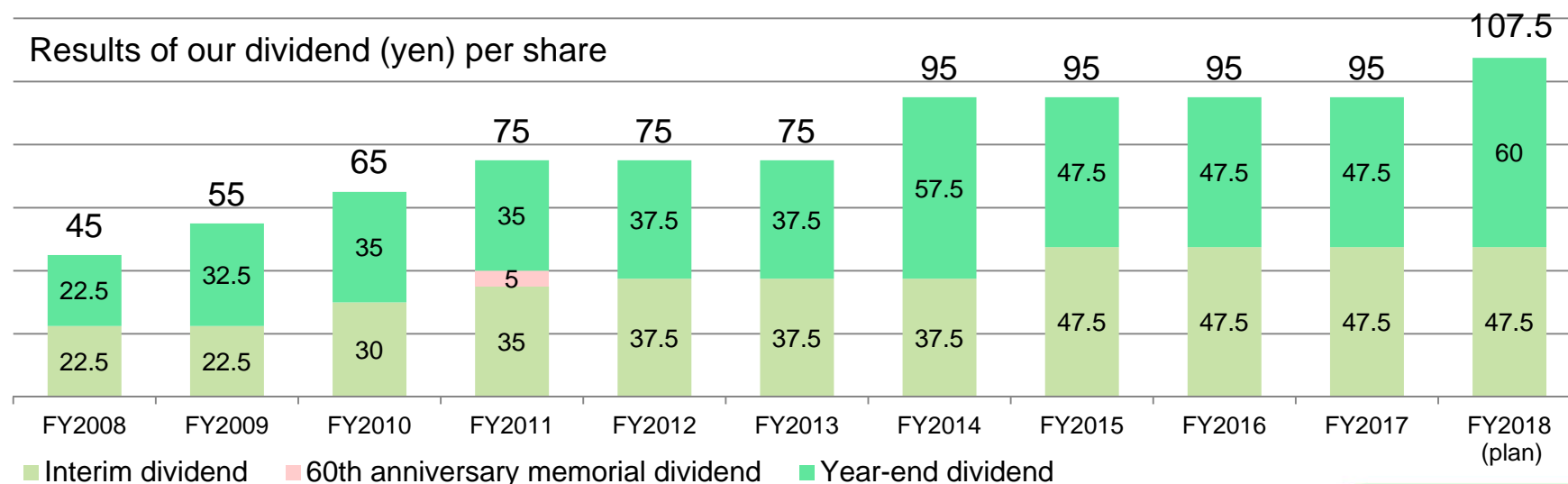
Revised financial forecast for the year ending March 2019 (progress rate)

| Period | 19/3 | | | | |
|---|---------------|--------------------|--|--------------------|--------------------|
| | 3Q | | Full-year plan (disclosed on February 12) | | |
| | (million Yen) | Ratio to sales (%) | (million Yen) | Ratio to sales (%) | Progress rate in % |
| Net sales | 78,291 | 100.0 | 104,000 | 100.0 | 75.3 |
| COGS | 42,339 | 54.1 | 56,500 | 54.3 | 74.9 |
| SGA | 23,995 | 30.6 | 32,500 | 31.3 | 73.8 |
| Operating income | 11,956 | 15.3 | 15,000 | 14.4 | 79.7 |
| Ordinary income | 14,563 | 18.6 | 16,300 | 15.7 | 89.3 |
| Profit attributable to owners of parent | 10,455 | 13.4 | 11,500 | 11.1 | 90.9 |

Timely disclosure of shareholder returns

Release of revised dividend plan and stock split on February 12, 2019

- Revised dividend plan:** For the purpose of response to our shareholders' supports and in consideration of financial results of this fiscal year and financial condition, the dividend planned in the end of this fiscal year was revised to 60.00 yen increasing 12.50 yen per share to the original dividend in the end of this fiscal year. As a result, the annual dividend is planned to be 107.50 yen per share.
 (Note: Above-mentioned dividend in the end of this fiscal year will be payed on the basis of the number of share records before the stock split.)
- Stock split:** One common share will be split into three shares for the purpose of broadening our investor base and improving liquidity of our shares, enabling to improve investor's better investment environment by decreasing the amount of investment unit of our shares.
 (Record date: March 31, 2019, Effective date: April 1, 2019)



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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