

Supplementary material of financial results for the year ended March 2019

May, 2019

(Stock ticker number: 4553)

Outline of the financial results for the year ended March 2019

- Sales: 105.1 billion yen by good sales of recently launched products
- Operating income: Increased by decrease of SGA ratio in spite of slight increase of COGS ratio
- Ordinary income: Increased by increase of gain on revaluation of currency swaps and exchange gain, etc.

Period	19/3			18/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	105,104	100.0	+ 12.5	93,430	100.0	+ 10.0
COGS	56,705	54.0	+ 12.6	50,379	53.9	+ 9.8
SGA	32,431	30.9	+ 3.3	31,407	33.6	- 2.4
Operating income	15,968	15.2	+ 37.1	11,643	12.5	+ 69.5
Ordinary income	18,865	17.9	+ 61.0	11,717	12.5	+ 58.0
Profit attributable to owners of parent	13,475	12.8	+ 107.5	6,495	7.0	+ 16.5
Exchange rate US \$1.00 (TTM)	2019/3		2018/3		2017/3	
	110.99 yen		106.24 yen		112.19 yen	

Outline of the financial results for the year ended March 2019 (progress rate)

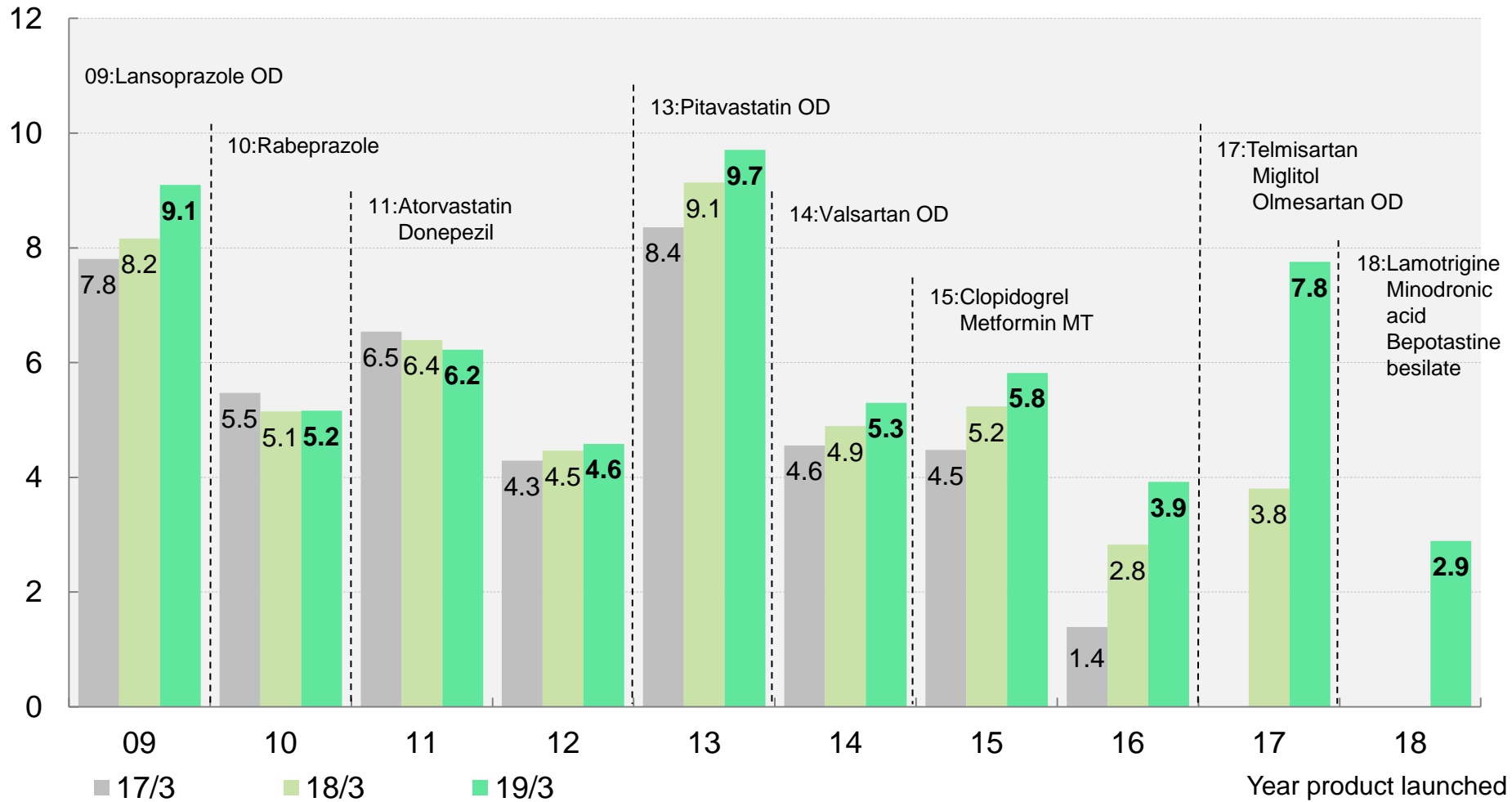
- Sales: Good result to the plan disclosed on February 12th
- Operating income: Exceeded by decrease of COGS ratio and decrease of SGA
- Ordinary income: Exceeded by exchange gain and increase of gain on revaluation of currency swaps, etc.

Period	19/3				
	Results		Revised full-year plan (disclosed on February 12th)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	105,104	100.0	104,000	100.0	101.1
COGS	56,705	54.0	56,500	54.3	100.4
SGA	32,431	30.9	32,500	31.3	99.8
Operating income	15,968	15.2	15,000	14.4	106.5
Ordinary income	18,865	17.9	16,300	15.7	115.7
Profit attributable to owners of parent	13,475	12.8	11,500	11.1	117.2

Sales of products by launched year (non-consolidated)

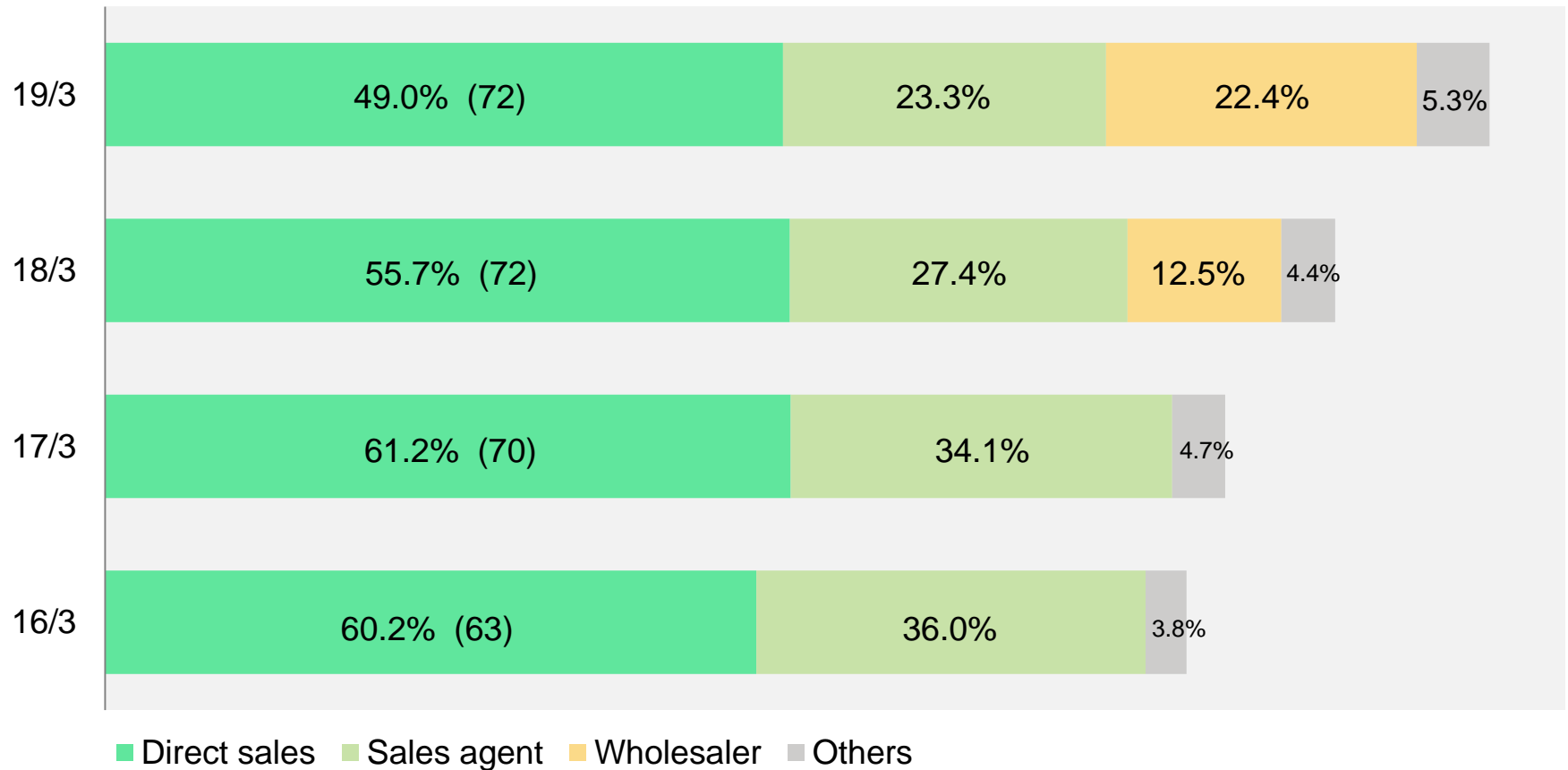
- Sales of products launched in 2017 increased significantly, and sales of products launched in 2018 exceeded the plan.

bn Yen



Sales of channels (non-consolidated)

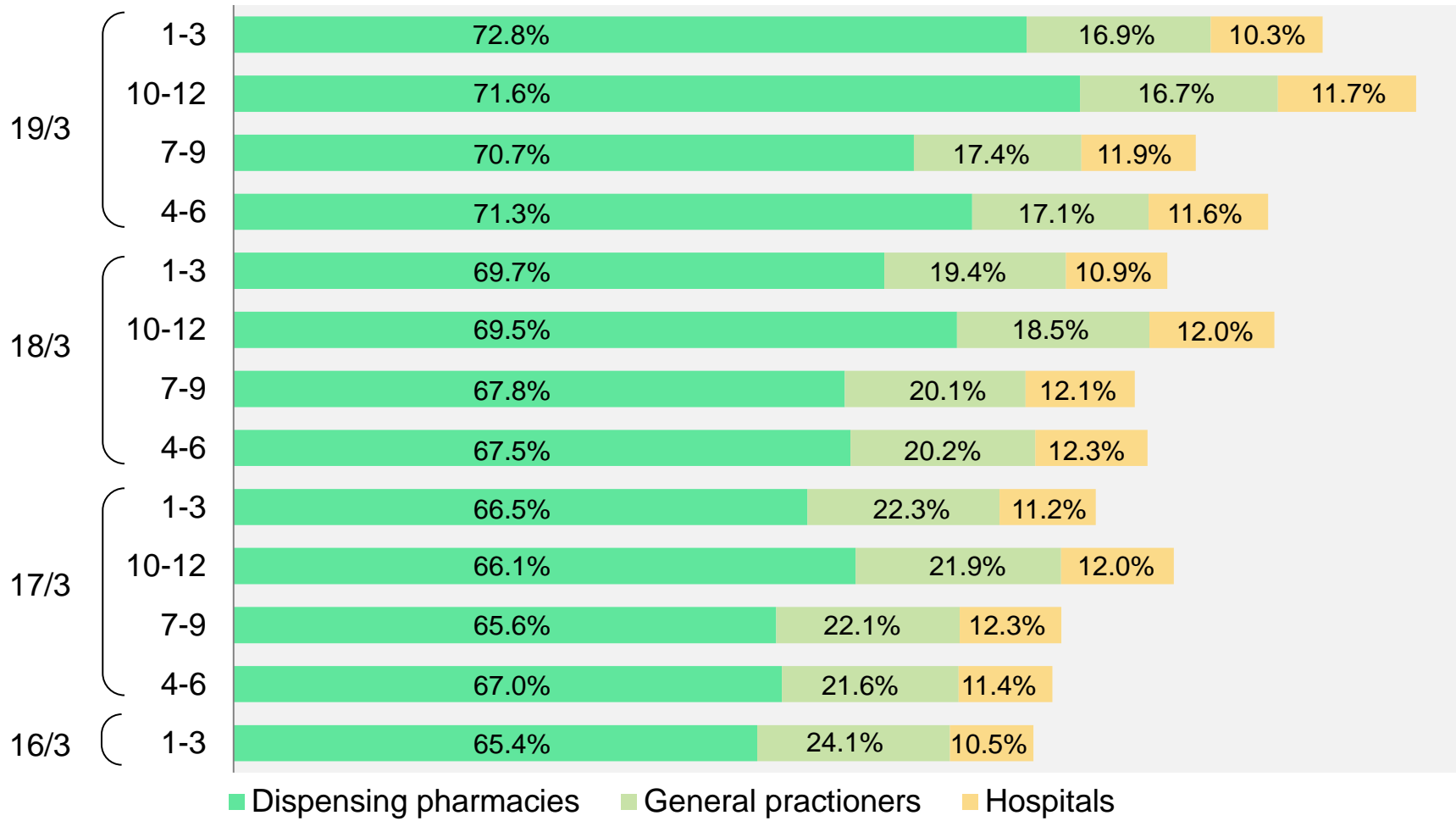
- Sales of wholesaler increased steadily by further good cooperation with wholesaler.



() is the number of sales offices

Sales of medical institutions (non-consolidated)

● Sales of dispensing pharmacies keeps well.



Excluding sales by other companies

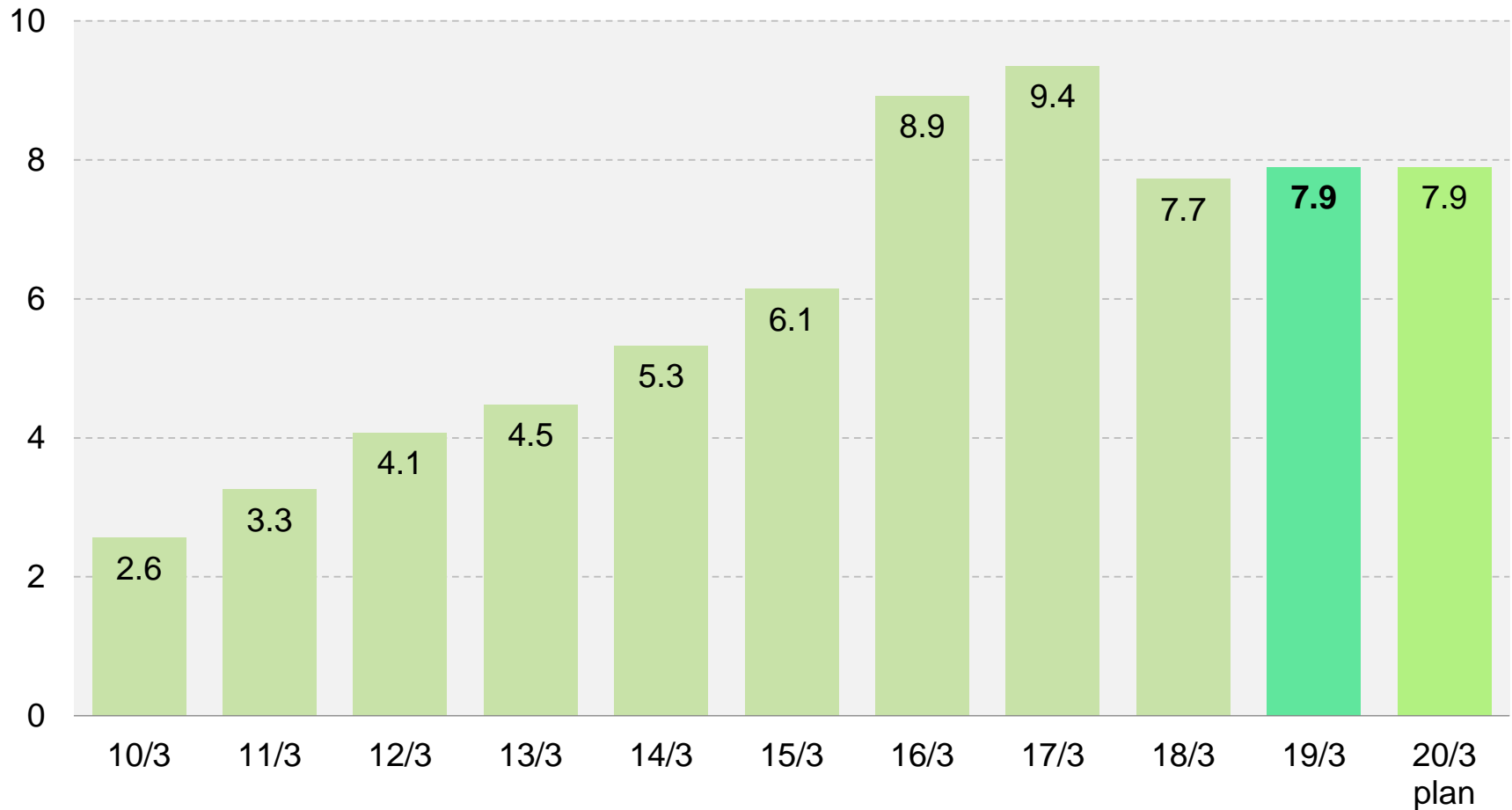
Assuming sales of general practitioners, dispensing pharmacies, and hospitals is 100%.

- Ratio to sales of SGA decreased by 2.7% year-on-year.

Period	19/3			18/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	14,474	13.8	+ 7.8	13,422	14.4	+ 2.1
R&D	7,916	7.5	+ 2.5	7,725	8.3	- 17.4
Packing and freight	1,993	1.9	+ 2.7	1,941	2.1	- 1.7
Depreciation cost	1,065	1.0	- 9.2	1,173	1.3	+ 4.0
Ad.	676	0.6	- 33.4	1,016	1.1	+ 19.3
Others	6,305	6.0	+ 2.9	6,128	6.6	+ 7.0
SGA	32,431	30.9	+ 3.3	31,407	33.6	- 2.4

R&D expenditure

bn Yen



Balance sheet

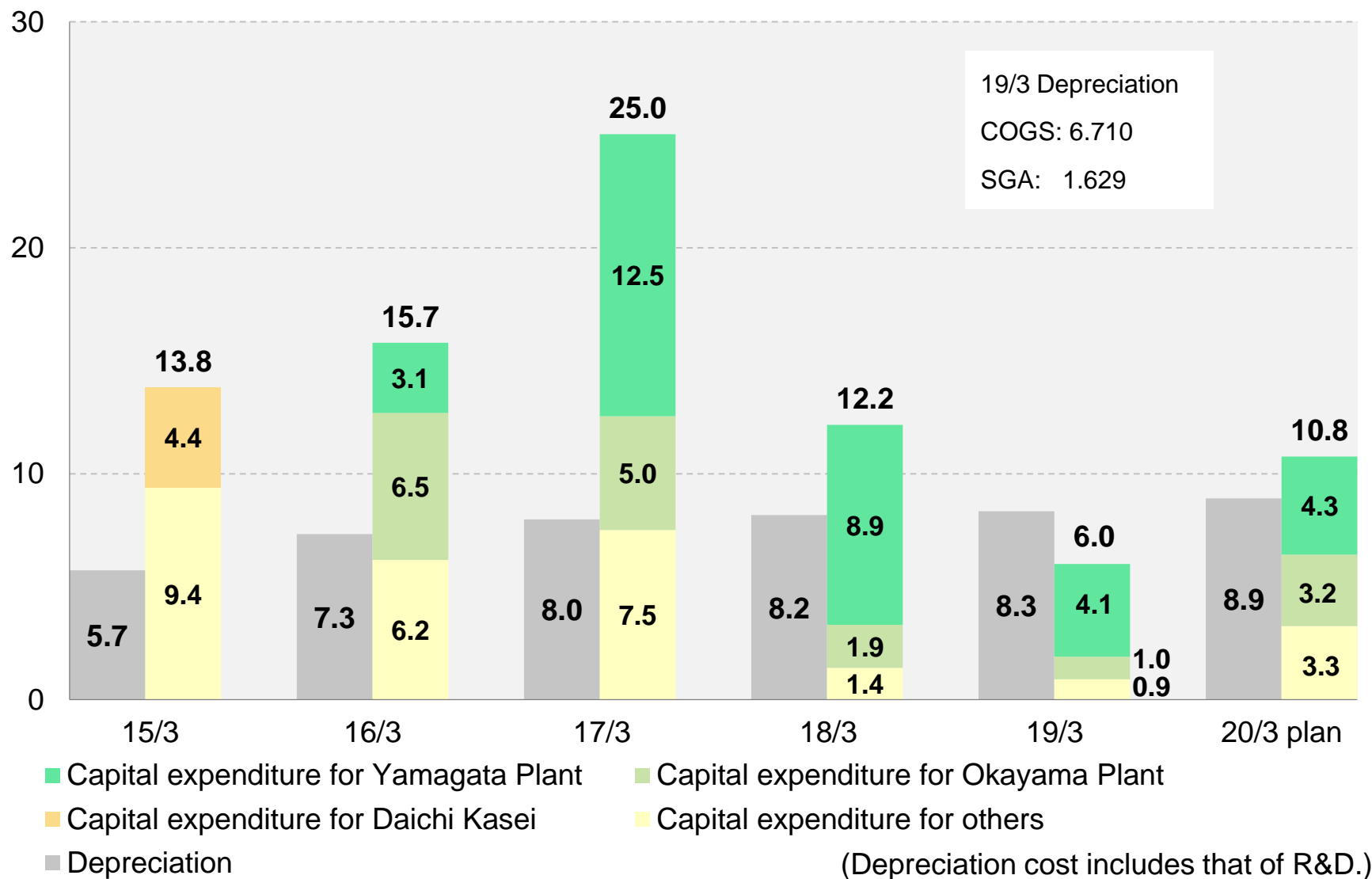
- Buildings and structures: Increased due to completion of Yamagata Plant construction
- Facilities notes and accounts payable: Decreased due to payment for Yamagata Plant construction

	19/3	18/3	Change		19/3	18/3	Change
Cash and deposits	26,762	14,247	+ 12,514	Trade notes and accounts payable	6,466	5,385	+ 1,081
Trade notes and accounts receivable	27,905	24,185	+ 3,719	Electronically recorded obligations-operating	9,990	6,412	+ 3,578
Electronically recorded monetary claims	6,719	6,278	+ 440	Current portion of long-term debt	6,396	4,249	+ 2,146
Marketable securities	4,999	10,999	- 5,999	Facilities notes and accounts payable	2,069	8,630	- 6,561
Finished products	17,591	17,609	- 17	Other current liabilities	12,254	11,226	+ 1,028
Other current assets	24,226	20,879	+ 3,347	Total current liabilities	37,177	35,904	+ 1,273
Total current assets	108,206	94,200	+ 14,005	Long-term debt	43,407	44,803	- 1,396
Buildings and structures	47,376	34,722	+ 12,653	Convertible bond	15,035	15,046	- 10
Machineries, equipment, and carriers	11,913	12,807	- 894	Other long-term liabilities	1,412	1,506	- 94
Construction in progress	2,110	18,282	- 16,172	Total long-term liabilities	59,854	61,356	- 1,501
Other fixed assets	19,197	17,167	+ 2,030	Total liabilities	97,032	97,260	- 228
Total fixed assets	80,597	82,980	- 2,382	Total net assets	91,771	79,920	+ 11,850
Total assets	188,803	177,181	+ 11,622	Total liabilities and net assets	188,803	177,181	+ 11,622

Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No. 28, February 16, 2018) is applied from the 1Q of the year ended 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

- Assumptions: NHI drug price revision is implemented for reflection of consumption tax rate change in October 2019, and regular NHI drug price revision is implemented in April 2020.
- Sales: Increase mainly by recently launched products in spite of influence of the NHI price revisions
- Operating income: Decrease by increase of gross margin, 1.9 point year-on-year, due to influence of the NHI price revisions, and by increase of SGA
- Ordinary income: Estimated without consideration of gain and loss on revaluation of currency swaps and exchange gain and loss due to uncertainty of future exchange rate

Period	20/3 plan			19/3 results		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	111,000	100.0	+ 5.6	105,104	100.0	+ 12.5
COGS	62,000	55.9	+ 9.3	56,705	54.0	+ 12.6
SGA	34,500	31.1	+ 6.4	32,431	30.9	+ 3.3
Operating income	14,500	13.1	- 9.2	15,968	15.2	+ 37.1
Ordinary income	14,600	13.2	- 22.6	18,865	17.9	+ 61.0
Profit attributable to owners of parent	10,400	9.4	- 22.8	13,475	12.8	+ 107.5

Major products to be launched in June 2019

Therapeutic Category	Product Name	Branded Products (Company)
Anticancer drug	CAPECITABINE TABLETS 300mg "TOWA"	XELODA Tablet 300 (Chugai)
Antipsychotic drug	BLONANSERIN TABLETS 2mg/4mg/8mg "TOWA"	Lonasen Tablets 2mg/4mg/8mg (Sumitomo Dainippon Pharma)

4 products in total

Annual sales budget: ca. 0.39 billion yen for the above products to be launched in June 2019

Revised Major Objectives

Sales

**Over
JPY 100 bill.**

Consolidated annual sales
of 100 billion yen
105.1 billion yen (FY2018)

Operating profit (accumulative)

**More than
JPY 40 bill.**

Revised

- Maintenance and improvement of stable supply system
- Investment for sustainable growth (including new business investment)
- Stable return to shareholders

Capital-to-asset ratio

**More than
50%**

Improvement of financial stability

R&D cost (accumulative)

**More than
JPY 26 bill.**

- Development plan to ensure timely launch of new products
- Improvement of products satisfying demands of patients and MDs

Investments (accumulative)

**More than
JPY 20 bill.**

Investments to maintain and improve stable supply system

Dividend policy

Stable dividend

Contribution to share holders by keeping stable dividend and occasional reacquisition of own shares, etc. if necessary

Revised Assumptions

Generic drug usage ratio 80% is achieved and maintained as mentioned in Basic Policy on Economic and Fiscal Management and Reform 2017.

No dramatic change in NHI drug price system from the time the Mid-term Business Plan was made.

NHI drug price revision in 2019 is only for reflection of consumption tax rate change, and regular NHI drug price revision is implemented in April 2020.

No change in consolidation in financial statement.

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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