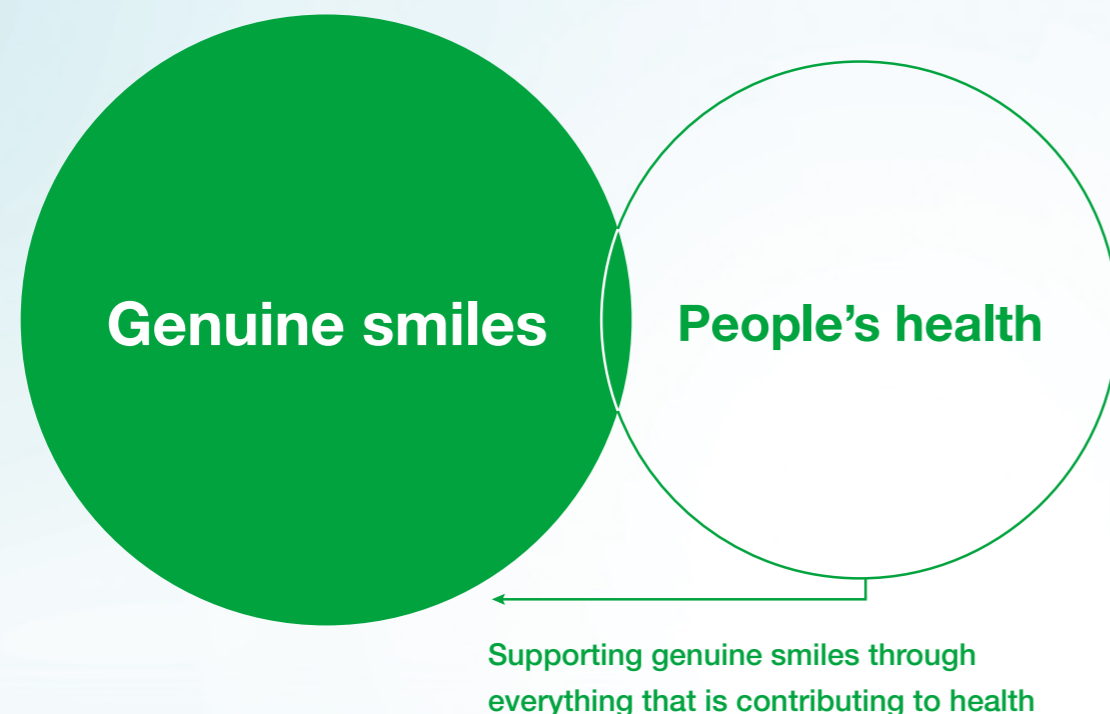


Vision

We contribute to people's health

We are dedicated to people's genuine smiles



Towa Group contributes to people's health by creating superior products and services. Through our corporate activities, we aim to be a company that is valued and needed by patients, medical professionals, local communities, and others.



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Our History and Today

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[Editorial Policy] We issue Towa Pharmaceutical Integrated Report to communicate to shareholders, investors, and other stakeholders Towa Group's efforts to enhance our corporate value. This year's report presents our value creation story in the value creation process and the message from the President. It also describes our efforts to realize our vision through the 5th Mid-term Business Plan (2021–2023) PROACTIVE II. We strive to improve the content of the report to respond to various opinions and interests of our stakeholders. We look forward to your candid feedback.

[Scope Covered] Towa Group's consolidated accounts including some consolidated and non-consolidated figures in Japan.

[Period Covered] FY2021 (From April 1, 2021 to March 31, 2022)

* The financial information is as of March 31, 2022. The report also covers some initiatives that were taken before April 1, 2021 or after March 31, 2022.

[Guidelines for Reference] International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) Guidance for Collaborative Value Creation issued by the Ministry of Economy Trade and Industry

[Forward-looking Statements] In this report, described statements other than historical facts are future forecasts based on forward-looking statements and plans. These future forecasts contain factors, such as risks and uncertainties, and actual results and performances may differ from the forward-looking statements.

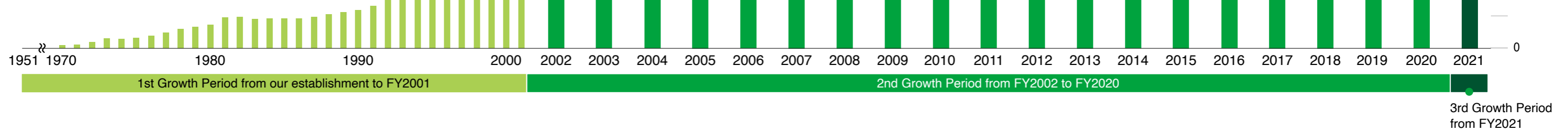
Our History

Since our establishment in 1951, we have strived to research, develop, manufacture, and sell generics for more than 70 years. While promoting stable supply, quality assurance, and information provision, we will continue to focus on research and development of ingenious pharmaceutical products that are “easier to take” and “easier to handle.” At the same time, we work to construct a structure that can provide Towa Group’s value-added products to patients around the world and to create new health-related businesses in response to the new medical system.

History of Towa * The years shown are fiscal years.

- 1951** Established
- 1957** Started selling OTC drugs
- 1965** Shifted to manufacturing and selling ethical drugs from OTC drugs
- 1996** Itsuro YOSHIDA was appointed President and Representative Director
- 1997** Constructed new corporate headquarters
- 1998** Constructed Osaka Research Center
- 2000** Launched value-added products
- 2003** Acquired J-Dolph Co., Ltd. as a subsidiary
- 2004** Established RACTAB Technology
- 2004** Listed on the first section of the Tokyo Stock Exchange

[Trends in Consolidated Sales]



- 2010** Acquired Daichi Kasei Co., Ltd. as a subsidiary
- 2011** Acquired Sunsho Pharmaceutical Co., Ltd. as a subsidiary
- 2012** Transitioned to the Prime Market of the Tokyo Stock Exchange in April 2022
- 2016** Established Greencaps Pharmaceutical Co., Ltd.
- 2018** Established T Square Solutions Co., Ltd. as a joint venture with TIS Co., Ltd. to create new businesses
- 2019** Acquired Pensa Investments, S.L. in Spain as a subsidiary to enter into new markets. Current trade name: Towa Pharma International Holdings, S.L.

Production system and capacity milestones:

- 2013: Production capacity 7.5 billion tablets
- 2015: Production capacity 8.5 billion tablets
- 2016: Production system 14.0 billion tablets, Production capacity 10.5 billion tablets
- 2017: Production system 14.0 billion tablets, Production capacity 11.0 billion tablets
- 2018: Production system 14.0 billion tablets, Production capacity 11.0 billion tablets
- 2019: Production system 14.0 billion tablets, Production capacity 12.0 billion tablets
- 2020: Production system 14.0 billion tablets, Production capacity 12.0 billion tablets
- 2021: Consolidated Sales for FY2021 JPY 165.6 billion

Overseas sales are highlighted in orange in the 2020-2021 period.

History of initiatives based on measures to promote the use of generics

Generics volume share targets set by the government

Year	Target	Actual volume share in FY2021
2007	30% or more by FY2012	79.5%
2013	60% or more by the end of FY2018	
2015	Boosting volume share target of generics up to 70% or more in mid-FY2017 and 80% or more in the earliest possible period before the end of FY2020	
2017	80% or more by September 2020	

Location	Year	Initiative	Production Capacity
Osaka	1977	Constructed Osaka Plant	
	1981	Constructed Osaka 2nd Plant	
	2005	Constructed New Osaka Plant (current Osaka Plant)	2.5 billion tablets
Okayama	1983	Completed rebuilding the solid formulation building in Okayama Plant	
	1995	Constructed the packaging building	
	1996	Expanded the formulation building	
Yamagata	1998	Purchased Mect Co., Ltd.'s Tohoku Plant	
	2008	Started the plan to construct Yamagata Plant	
	2012	Constructed Yamagata Plant and East Japan Distribution Center	2.5 billion tablets
	2016	Expanded the 2nd solid formulation building	2.5 billion tablets → 3.5 billion tablets
	2017	Rebuilt the solid formulation building	3.5 billion tablets → 5.0 billion tablets

Year	System	Details
2011	Towa Direct Sales System	Sales offices (as of October 2022): 71 offices Agents (as of October 2022): 31 agents at 62 sites
2017	Shifted to Towa Sales System	Started collaboration with two wide-area wholesalers in 2017

The 2nd solid formulation building was sequentially equipped with facilities. (Production capacity: 2.5 billion tablets → 4.5 billion tablets) *Production capacity will be further increased by 2.0 billion tablets by the end of FY2022.

Social Issues Addressed by Towa Group

Japan's National Health Insurance System boasts the highest degree of fulfillment in the world. Every individual must save on medical costs to maintain this system. In this regard, choosing generics is an easy way for everyone to save the costs and one of the possible social contributions in our daily lives. We will address the social issues by creating related businesses that contribute to people's health with generics business set as our core business.

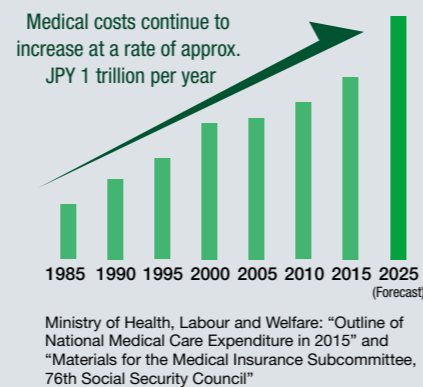


Challenges

Swelling medical costs in Japan

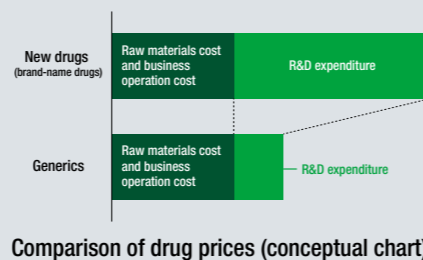
To maintain the National Health Insurance System in the future

In Japan, medical costs continue to increase at a rate of approximately JPY 1 trillion per year in the context of an aging population and sophisticated medical care. The Ministry of Health, Labour and Welfare estimates that the amount will exceed JPY 60 trillion in 2025. On the other hand, as the workforce supporting insurance premiums and taxes decreases, the prerequisites for system design are likely to collapse. If medical costs continue to swell as estimated, some undesirable events may happen: an increase in patients' burden of medical costs and the taxes, and a loss of access to medical care that we naturally have had up to now. Stemming the increase in medical costs is essential to keep the National Health Insurance System in the future.



Choosing generics cuts medical costs

Choosing generics enables us to cut the burden of medical costs (drug costs). This will reduce both the burden of medical expenses on individuals and contributions by the Japanese government and health insurance associations. For instance, we can save approximately JPY 1.9 trillion in the annual cost of drugs just by replacing as many drugs as possible with generics.



* Page 8 in the "Outline of Revisions to the Drug Price Standard in FY2022" by the Ministry of Health, Labour and Welfare

Extension of healthy life expectancy and disease prevention

Extending the healthy life expectancy toward the era of the 100-year life is a major issue in Japan facing a super-aging society. The healthy life expectancy was proposed by World Health Organization (WHO) in 2000. In the past, we had emphasized the average life expectancy of a child aged 0, indicating how many years he or she can live. However, the healthy life expectancy, a period of healthy living, has attracted attention in recent years. Preventing disease and staying healthy and active are key to prolonging the healthy life expectancy. Moreover, extending the healthy life expectancy is essential from the viewpoint of curbing medical costs.



Towa Group's Initiatives

Generics contribute to cutting medical costs

Offering more than 770 products in our lineup

Desiring to be of service to as many patients as possible, we provide value-added generics through cumulative improvements by responding to and satisfying requests voiced by medical professionals. We offer more than 770 products in our lineup to cover various therapeutic areas. We manufacture our products with particular attention to active pharmaceutical ingredients (APIs) to deliver safe and secure generics, which is one of our unique features. Our mission is to deliver drugs that are not merely low-cost but "more easily taken and handled" to a large number of people.

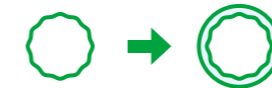


Ingenuity for products that can be more easily and safely taken by patients

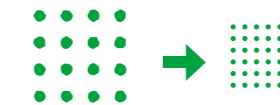
Orally disintegrating (OD) tablets that can be taken without water



Masking technology used to reduce bitterness by coating tablets



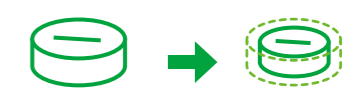
Micro-granulation that reduces roughness perceived when taking medicines



Product name printing to make medicine identity easily discernable even after scoring



Smaller tablets with the same amounts of active ingredients



Efficacy labels and letters to make drugs more easily discernable



Considering care of pre-symptomatic diseases and disease prevention as well as contribution in medical care

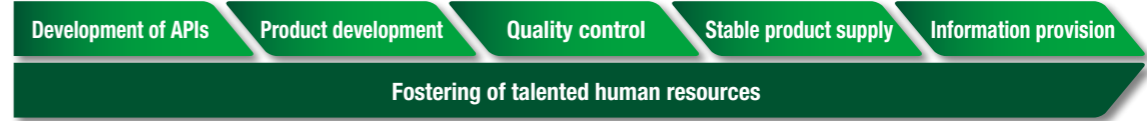
Towa Group aims to contribute to extension of the healthy life expectancy through the care of pre-symptomatic diseases and disease prevention. To this end, we seek to develop new health-related businesses in addition to the generics business.

Specifically, we are working to build an Individual Health Information Platform with a view to enabling proper medical examination and treatment and promoting health, to help solve issues faced by the elderly through a business using ICT promoted by the Osaka Prefecture, and to promote the early detection and prevention of cognitive decline. We are also seeking to develop health-related businesses by developing medication support tools, health foods, and supplements, and by entering the Disease risk testing service business.



Towa Group's Strength

Generics are marketed later than new drugs (brand-name drugs); therefore, we can produce better products with the same efficacy, quality, and safety as the new drugs by utilizing the latest formulation technologies. We are engaged in various initiatives to provide easy-to-take, easy-to-handle and safe drugs, let alone quality and safety.



Development of APIs

Related information
See page 41.

Developing and selecting the best API for manufacturing products

We use APIs meeting our original strict quality standard among country-authorized APIs. We also actively research APIs and select the best APIs for creating products based on our accumulated know-how. Additionally, we have established manufacturing methods for the APIs in-house and a system to outsource the production of the APIs to Daichi Kasei Co., Ltd., a group API manufacturer, and collaborative API manufacturers. We regularly inquire and confirm each manufacturer whether it manufactures APIs in accordance with standards, laws, and regulations to enable the stable procurement of the APIs.



Product development

Related information
See page 27.

Based on our technologies and experiences, developing products that can be more easily taken and handled

We have the lineup consisting of more than 770 products to cover various therapeutic areas. With the desire to serve as many patients as possible, we offer value-added generics by responding to voices and requests from medical professionals and reflecting them in our manufacturing process. Among them, we have developed better dosage forms and tastes so that drugs can be easily taken by pediatric and elderly patients, and enhanced visibility and stability against light, temperature, and humidity so that drugs can be easily handled at hospitals and pharmacies.



Quality control

Related information
See page 42.

Working diligently to ensure reliable quality and safety

In order to be a trustworthy company, we comply with strict quality control standards stipulated by the government, from product R&D, manufacturing, and marketing to after-sales operations. We carry out company-wide quality control initiatives to establish the quality assurance system required for ethical medicines. Especially in manufacturing pharmaceutical products, we strive to ensure adequate quality and safety through our specific system, education and training, and other ways as well as to comply with the Good Manufacturing Practice (GMP) established by the government and other related laws and regulations.



Stable product supply

Related information
See page 41.

Established production capacity with three plants to ensure stable supply at any time

By adopting a back-up system supported by three sites, we ensure that any production disruption at one plant can be compensated by efforts at the other plants. Furthermore, by dividing the physical distribution bases in East Japan and West Japan, we have established an efficient arrangement and a reliable back-up system even in a worst-case scenario. At present, all the three plants can produce a total of 12.0 billion tablets* annually. We are expanding our production volume to 14.0 billion tablets by the end of FY2022 to respond to a further increase in demand. Furthermore, we plan to build the 3rd solid formulation building in Yamagata Plant by the end of FY2023 and to achieve the production capacity of 17.5 billion tablets from FY2024 onward.

* Production capacity of tablets and capsules



Information provision

Related information
See page 40.

Active provision of relevant information to enable patients and medical professionals to feel comfortable while using ethical medicines

We have established a system that enables the prompt and appropriate provision of information on the proper use of our products and academic information to medical professionals, mainly through specially trained medical representatives (MRs), to ensure that generics are used with reassurance. We also provide patients and their families with information to ensure their safe use of pharmaceuticals. In addition to providing information, we collect opinions from medical institutions and share feedback internally for creating better products.



Fostering of talented human resources

Related information
See page 43.

Focusing on making job satisfaction and fostering talented human resources, aiming for being a reliable company

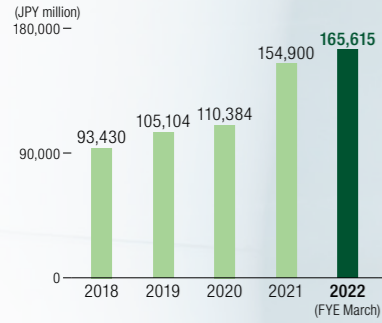
We aim to be a more trusted and needed company as a comprehensive generics manufacturer. Under the belief that talented human resources are the foundation of a trusted company, we work to make job satisfaction, foster talented human resources, and strengthen our organization. The 5th Mid-term Business Plan 2021–2023 PROACTIVE II that will end in FY2023 sets out “Making Job Satisfaction and Fostering of Talented Human Resources” as one of the priority policies. While aiming for job satisfaction for each employee motivated by individual talent improvement and career enrichment, we seek to strengthen our system for encouraging employee growth.



Financial Highlights

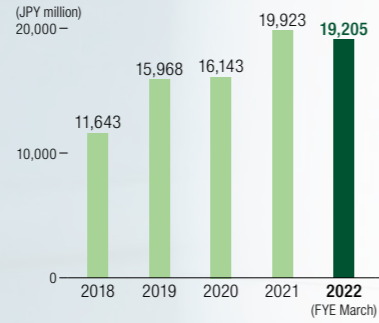
Net sales

JPY **165,615** million



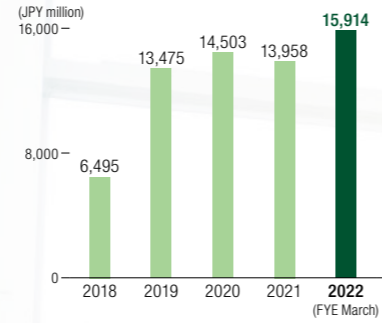
Operating profit

JPY **19,205** million



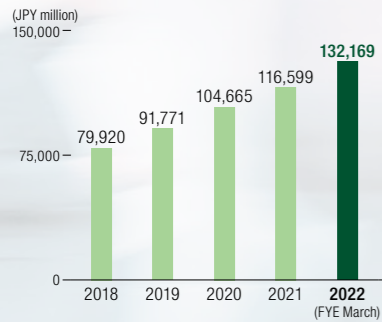
Profit attributable to owners of parent

JPY **15,914** million



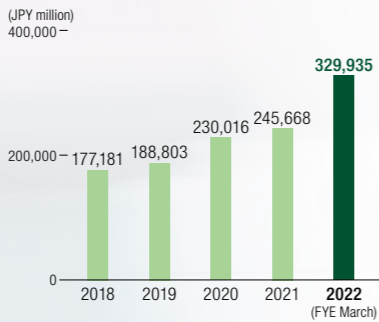
Net assets

JPY **132,169** million



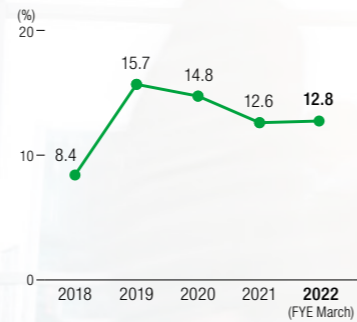
Total assets

JPY **329,935** million



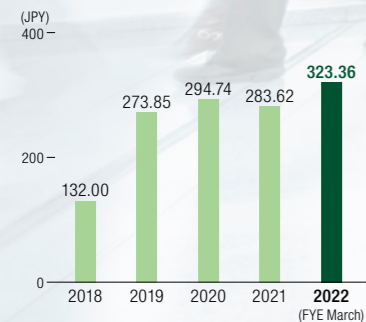
ROE

12.8%



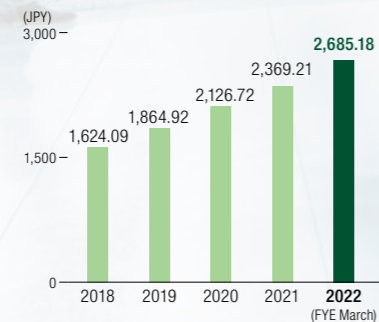
Earnings per share

JPY **323.36**



Net assets per share

JPY **2,685.18**



Dividend payout ratio

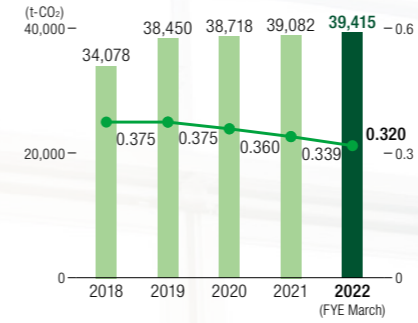
18.6%



Non-Financial Highlights

CO₂ emissions

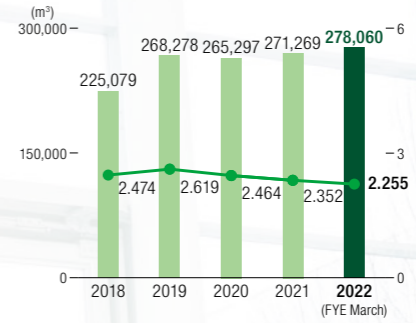
39,415 t-CO₂



■ CO₂ emissions ● CO₂ emissions intensity
- Three Towa plants
- Per sales of JPY 1 million (non-consolidated)

Water usage

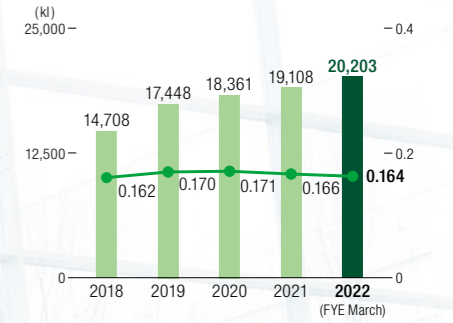
278,060 m³



■ Water usage ● Water use intensity
- Three Towa plants
- Per sales of JPY 1 million (non-consolidated)

Energy usage

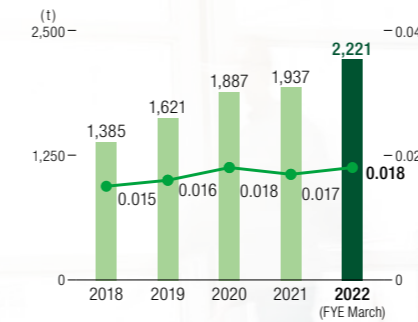
20,203 kl



■ Energy usage ● Energy use intensity
- Three Towa plants
- Per sales of JPY 1 million (non-consolidated)

Waste generated

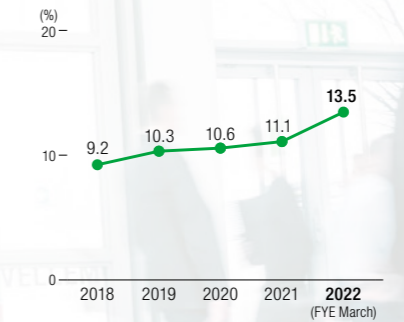
2,221 t



■ Waste generated ● Waste generation intensity
- Three Towa plants
- Per sales of JPY 1 million (non-consolidated)

Ratio of women in management positions

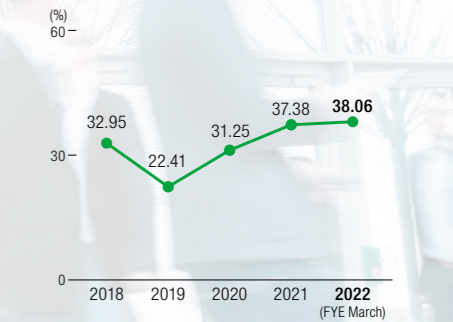
13.5%



- Towa (non-consolidated)

Ratio of women in new graduate hires

38.06%



- Towa (non-consolidated)

Ratio of paid leave taken

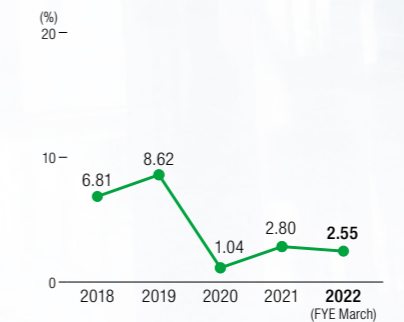
64.4%



- Towa (non-consolidated)

Employee turnover rate within the first three years

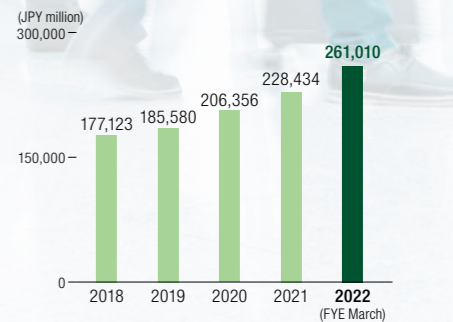
2.55%



- Towa (non-consolidated), new graduates only

Medical expense reduced

JPY **261,010** million



- Towa (non-consolidated)

Note: The Company conducted a 3-for-1 stock split of common shares effective April 1, 2019.
We calculated earnings per share and net assets per share, assuming that the said stock split had been conducted at the beginning of the fiscal year ended March 31, 2018.