

# 11-Year Financial Summary

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (FYE March)
Net sales (JPY million)	48,719	55,241	61,351	71,470	82,115	84,949	93,430	105,104	110,384	154,900	165,615
Operating profit (JPY million)	9,107	7,723	7,706	11,105	11,134	6,869	11,643	15,968	16,143	19,923	19,205
Ordinary profit (JPY million)	9,841	9,544	8,834	15,437	10,157	7,417	11,717	18,865	20,990	18,677	22,739
Profit attributable to owners of parent (JPY million)	5,737	6,201	5,992	11,118	7,684	5,576	6,495	13,475	14,503	13,958	15,914
Comprehensive income (JPY million)	5,745	6,348	5,999	11,175	7,313	5,858	6,533	13,409	14,948	14,469	17,960
Net assets (JPY million)	50,494	55,610	60,147	70,048	70,605	74,945	79,920	91,771	104,665	116,599	132,169
Total assets (JPY million)	81,244	89,705	103,318	121,187	156,851	165,247	177,181	188,803	230,016	245,668	329,935
Net assets per share (JPY)	990.36	1,090.70	1,179.69	1,373.89	1,434.79	1,522.99	1,624.09	1,864.92	2,126.72	2,369.21	2,685.18
Earnings per share (JPY)	111.49	121.62	117.54	218.07	154.19	113.32	132.00	273.85	294.74	283.62	323.36
Diluted earnings per share (JPY)	—	—	—	—	436.29	314.23	122.03	253.32	272.62	271.93	316.19
Capital-to-asset ratio (%)	62.2	62.0	58.2	57.8	45.0	45.4	45.1	48.6	45.5	47.5	40.1
ROE (Return on equity) (%)	11.8	11.7	10.4	17.1	10.9	7.7	8.4	15.7	14.8	12.6	12.8
Price-earnings ratio (%)	12.26	13.68	12.63	10.50	9.98	16.56	16.79	10.64	7.69	8.61	8.50
Cash flows from operating activities (JPY million)	3,379	8,645	8,144	8,037	3,732	10,195	19,230	19,002	19,164	12,008	22,129
Cash flows from investing activities (JPY million)	(8,482)	(11,298)	(11,300)	(8,230)	(19,032)	(22,206)	(20,093)	(3,994)	(39,541)	(9,100)	(59,729)
Cash flows from financing activities (JPY million)	879	2,793	3,529	238	27,970	(92)	4,670	(809)	11,748	184	46,540
Cash and cash equivalents at end of year (JPY million)	3,798	3,985	4,675	5,208	18,526	7,112	11,511	26,652	18,713	22,915	32,830
Number of employees	1,567	1,696	1,879	2,060	2,203	2,408	2,449	2,472	3,325	3,456	4,078
R&D expenditure (JPY million)	4,076	4,478	5,296	6,144	8,924	9,352	7,725	7,916	8,566	10,642	11,488
Capital investment (JPY million)	11,251	7,855	9,727	13,816	15,792	25,026	12,166	6,011	6,236	10,353	14,848
Depreciation (JPY million)	2,637	4,909	5,407	5,724	7,329	7,980	8,173	8,340	8,285	9,674	10,153
Dividend per share (JPY)	75.0	75.0	75.0	95.0	95.0	95.0	95.0	107.5	44.0	44.0	60.0
Dividend payout ratio (%)	22.4	20.6	21.3	14.5	20.5	27.9	24.0	13.1	14.9	15.5	18.6

Note: The Company conducted a 3-for-1 stock split of common shares effective April 1, 2019.

We calculated net assets per share and earnings per share assuming that the said stock split was conducted at the beginning of the fiscal year ended March 31, 2012.

# Management Discussion and Analysis of Financial Position, Operating Results, and Cash Flows

The details of the financial reports are excerpts from Annual Securities Report (from April 1, 2021 to March 31, 2022).

## ● Overview of Performance

### [1] Business environment

During the consolidated fiscal year ended March 31, 2022, the Japanese economy showed some signs of returning to normal, backed by the rollout of COVID-19 vaccination. However, the emergence of more infectious variants made it difficult to predict when the pandemic will end. In Europe and the U.S., while restrictions on economic activities are gradually lifted and the economies continued a recovery trend, the economic outlook remain uncertain as cases of the new variants are on the rise. There is also global concern over the impact on economic activities due to rising energy and raw material prices as the tension in Ukraine continues to intensify.

In the domestic generics industry, the Japanese Cabinet decided the “Basic Policy on Economic and Fiscal Management and Reform 2017” in June 2017. It stated that the government would consider further measures for promoting the use of generic drugs, aiming at an 80% usage rate of generic drugs by September 2020 or its earlier achievement. As a result of this decision, the Japanese government has implemented various measures since the revision of medical fees in April 2018. Furthermore, in revising medical fees in April 2020, the government decided “Further Promotion of Generic Medicine and Biosimilars Use” policy, and generics have become more popular. Consequently, the volume share in December 2021 reached 79.3% (according to the survey by Japan Generic Medicines Association in October–December 2021). In addition, the “Basic Policy on Economic and Fiscal Management and Reform 2021,” which was approved by the Cabinet in June 2021, stated, “With regard to generic drugs, the Government will promptly secure the quality and the stable supply thereof, conduct verification of new targets, and visualize the implementation status, including the use ratio at medical institutions, thereby contributing to the efforts of insurers to optimize medical service costs, and will promote setting of targets based on the effect of medical cost optimization of biosimilars, consider reviewing the addition of a generic drug prescription system based on the relationship with the new targets, and utilization of a formulary in order to promote further use of these kinds of drugs.”

On the other hand, the government revised drug prices in October 2019 and April 2020. Also, it revised them in April 2021 based on the “Basic Policy on Economic and Fiscal Management and Reform 2020” approved by the Cabinet in July 2020. As described above, the government will revise the drug prices every year, beginning in FY2021. The government decided a policy to revise the drug prices in intermediate years in addition to the regular revisions once every two years. Therefore, we expect that extremely tough conditions for the pharmaceutical industry will continue.

The recent problems with the quality and stable supply of generic drugs have undermined public confidence in generics. As a result, the environment surrounding the generics industry is becoming increasingly severe.

Amid such drastic changes in the industry, we announced the 5th Mid-term Business Plan 2021–2023 PROACTIVE II with the vision of “We contribute to people’s health, and we are dedicated to people’s genuine smiles” in May 2021. Based on the Mid-term Business Plan, we implemented various initiatives with the aim of developing health-related businesses that

contribute to the realization of healthcare and nursing care for society with a long and healthy life expectancy and also to society that shifts from medical care to care of pre-symptomatic disease and prevention, while positioning the generics business at home and abroad as our core.

### [2] Initiatives for sales growth

In 2021, we launched new products, including 18 items of six APIs in June and 11 items of six APIs in December. As a result, the number of our generics has reached 778 items of 339 APIs. In December 2021, we launched our first authorized generic, Eldecacitol Capsules 0.5 µg/0.75 µg Towa.

### [3] Initiatives for entering overseas markets

To expand and grow our business in overseas markets, we develop our generics business in the European and U.S. markets through Towa Pharma International Holdings, S.L. (“Towa HD”). During the consolidated fiscal year under review, we launched Everolimus tablets, Asenapine sublingual tablets, and other new products in the U.S. However, sales in the U.S. market were slightly below the plan due to negative impacts by channel inventory adjustments caused by the change of third-party logistic companies and by API shortages of several products, etc. Meanwhile, sales in the European market exceeded the sales plan mainly due to better performance of contract manufacturing outsourcing (CMO) business and strong sales of new products in B2C business. Going forward, we aim to further expand our business by utilizing Towa HD’s sales network in several European countries and the United States as well as the production bases in Europe compliant to European and the United States standards.

### [4] Creation of new businesses

As one of our challenges, we aim for contributing to the realization of healthcare and nursing care for a society with a long and healthy life expectancy and also to society that shifts from conventional medical care to care of pre-symptomatic disease and prevention. With such recognition, we are working to develop new health-related businesses adapted to the latest medical system while acquiring new techniques and promoting integration with completely new knowledge and technologies. As part of these efforts, during the consolidated fiscal year under review, we worked on various projects to provide healthcare services utilizing medical and health data. To proceed with these projects, we concluded an alliance agreement with TIS Co., Ltd. for the joint sale of a cloud-based information-sharing service for coordinated regional medical care, “Healthcare Passport.” We also conducted joint research on lifestyle-related diseases with TIS Co., Ltd. and Healthtech Laboratory, Inc. as part of the integrated medical/nursing care data analysis project launched by Kyoto City. Furthermore, together with Kyoto University and Healthtech Laboratory, Inc., we started a demonstration experiment of a medication support tool, which is currently being jointly developed with Bandai Namco Research Inc. In our Disease risk testing service business, we are engaged in the selling of three types of ProtoKey® test kits, including colorectal cancer risk test kit, and the research and development of new risk tests at Protosera Inc. Additionally, we made Sunsho Pharmaceutical Co., Ltd.

(“Sunsho Pharmaceutical”) a subsidiary in March 2022. It is a company engaged in the planning, development, and contract manufacturing of health foods, pharmaceutical products, etc. We believe that the acquisition of Sunsho will enable the Group to leverage the company’s strong technological capabilities, extensive customer base and knowhow on health foods that it has cultivated to date. And it will help us achieve our aim of developing diversified health-related businesses, thereby further increasing our corporate value.

### [5] Operating results

As for operating results for the consolidated fiscal year under review, the Group recorded net sales of JPY 165,615 million (up

6.9% YoY), gross profit of JPY 70,185 million (up 7.2% YoY), SGA expenses of JPY 50,980 million (up 12.0% YoY), operating profit of JPY 19,205 million (down 3.6% YoY), ordinary profit of JPY 22,739 million (up 21.7% YoY), and profit attributable to owners of parent of JPY 15,914 million (up 14.0% YoY).

Operating results by segment are as follows. Net sales from the domestic segment amounted to JPY 126,676 million (up 6.7% YoY) with segment profit of JPY 18,878 million (down 6.8% YoY). Net sales from the overseas segment amounted to JPY 38,938 million (up 7.5% YoY) with segment profit of JPY 1,127 million (up 164.9% YoY). The figures for each reporting segment profit are based on profit before amortization of goodwill.

## ● Financial position

The financial condition for the consolidated fiscal year under review is as follows.

### [1] Assets

Total assets at the end of the consolidated fiscal year under review amounted to JPY 329,935 million, up JPY 84,266 million YoY. This was mainly due to an increase in goodwill of JPY 37,597 million, an increase in inventories of JPY 11,749 million, an increase in cash and deposits of JPY 9,915 million, and an increase in trade notes and accounts receivable of JPY 4,774 million.

### [2] Liabilities

Liabilities amounted to JPY 197,766 million, up JPY 68,697

million YoY. This was mainly due to an increase in short-term borrowings of JPY 48,224 million and an increase in long-term borrowings of JPY 9,248 million.

### [3] Net assets

Net assets amounted to JPY 132,169 million, up JPY 15,569 million YoY. This was mainly due to an increase in retained earnings of JPY 13,502 million. Consequently, capital-to-asset ratio was 40.1% at the end of the consolidated fiscal year under review.

## ● Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review amounted to JPY 32,830 million, up JPY 9,915 million YoY. Each cash flow for the consolidated fiscal year under review and factors behind it are as follows.

### [1] Net cash provided by (used in) operating activities

Net cash provided by operating activities amounted to JPY 22,129 million (up JPY 10,120 million in the inflow YoY). This was mainly due to profit before income taxes of JPY 22,246 million (up JPY 3,517 million YoY) and depreciation of JPY 10,153 million (up JPY 479 million YoY), partially offset by an increase in inventories of JPY 7,950 million (down JPY 1,756 million YoY).

### [2] Net cash provided by (used in) investing activities

Net cash used in investing activities was JPY 59,729 million (up JPY 50,629 million in the outflow YoY). This was mainly attributable to purchase of shares of subsidiaries resulting in

change in scope of consolidation of JPY 45,405 million and purchase of property, plant and equipment of JPY 11,140 million (up JPY 2,003 million YoY).

### [3] Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to JPY 46,540 million (up JPY 46,355 million in the inflow YoY). This was mainly due to a net increase in short-term borrowings of JPY 47,135 million (net decrease of JPY 20,251 million in the previous consolidated fiscal year) and proceeds from long-term borrowings of JPY 9,160 million (down JPY 31,339 million YoY), partially offset by repayments of long-term borrowings of JPY 7,181 million (up JPY 286 million YoY).

## ● Dividend policy

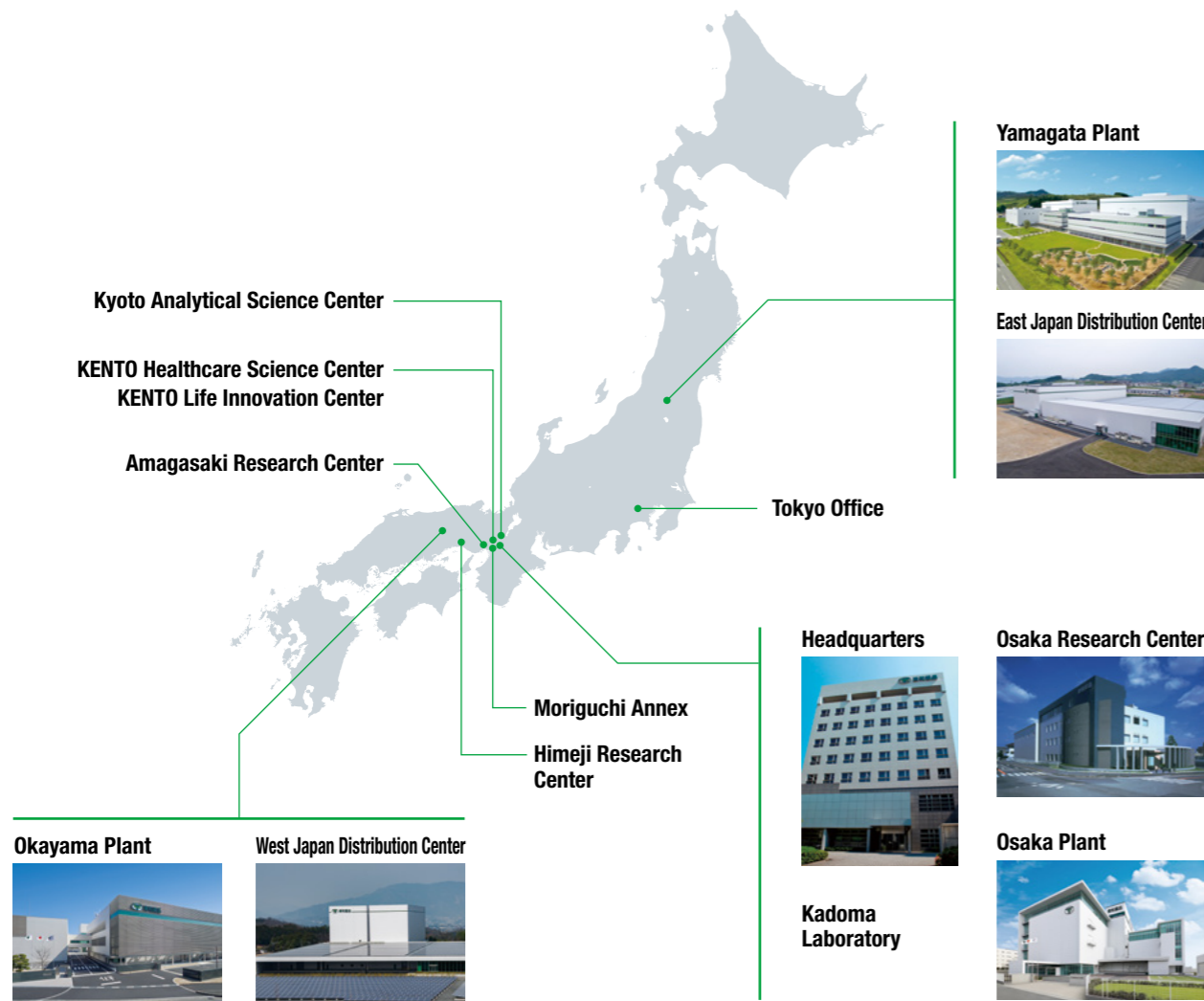
We have a basic policy of paying dividends continuously and steadily in accordance with our performance, while enhancing internal reserves to prepare for future business development, such as strengthening research and development capabilities and securing capital expenditure funds.

Based on this policy, we paid a dividend of JPY 60 per share for the current fiscal year (including an interim dividend of JPY 27 per share, of which JPY 3 per share was paid as a commemorative dividend, and a year-end






dividend of JPY 33 per share). Our basic policy is to pay dividends of surplus twice a year for the interim dividend and the year-end dividend. The decision-making bodies for these dividends of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

We have stipulated in the Articles of Incorporation that the Company, by resolution of the Board of Directors, may pay an interim dividend as of September 30 of each year, which is set to be the record date for the interim dividend.

## Business Locations



## Major Group Companies

 <p><b>J-DOLPH Pharmaceutical Co., Ltd.</b></p> <p>Manufacturing and selling of ethical drugs Headquarters: Koka, Shiga</p>	 <p><b>Daichi Kasei Co., Ltd.</b></p> <p>R&amp;D and manufacturing of APIs and intermediates Headquarters: Fukusaki, Kanzaki, Hyogo</p>	 <p><b>Greencaps Pharmaceutical Co. Ltd.</b></p> <p>Producing soft capsules for pharmaceutical products Headquarters: Fujinomiya, Shizuoka</p>	 <p><b>Sunsho Pharmaceutical Co., Ltd.</b></p> <p>Planning, development, and contract manufacturing of health foods, pharmaceutical products, etc. Headquarters: Fuji, Shizuoka</p>	 <p><b>Towa Pharma International Holdings, S.L.</b></p> <p>Manufacturing and selling of ethical and OTC drugs Headquarters: Barcelona, Spain</p>
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### Non-consolidated subsidiaries

<p><b>T Square Solutions Co., Ltd.</b></p> <p>Provision of healthcare related IT services Headquarters: Moriguchi, Osaka</p>	<p><b>Protosera Inc.</b></p> <p>Disease risk testing service business and research and development of diagnostic drugs Headquarters: Settsu, Osaka</p>
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## Company Outline

As of March 31, 2022

### Overview of Company

**Company name** TOWA PHARMACEUTICAL CO., LTD.  
**Headquarters** 2-11, Shinbashi-cho, Kadoma-shi, Osaka 571-8580  
 Main phone: +81(0)6-6900-9100  
**Representative** President and Representative Director Itsuro Yoshida  
**Established** June 1951  
**Incorporated** April 1957  
**Listing** The Prime Market of the Tokyo Stock Exchange (TSE)  
 (Securities code: 4553)  
**Capital stock** JPY 4,717.70 million  
**Business operations** Manufacturing and selling of ethical drugs

### Business locations and sales outlets

**Headquarters** Headquarters Moriguchi Annex Tokyo Office  
**Research & Development Laboratories** Osaka Research Center Kadoma Laboratory  
 Kyoto Analytical Science Center  
 KENTO Healthcare Science Center  
 KENTO Life Innovation Center  
 Amagasaki Research Center Himeji Research Center  
**Plants** Osaka Plant Okayama Plant Yamagata Plant  
**Distribution centers** West Japan Distribution Center  
 Kansai Distribution Center  
 East Japan Distribution Center  
**Sales offices and sales sites** 71 sales offices  
 62 sites of agents

### Consolidated subsidiaries

J-DOLPH Pharmaceutical Co., Ltd.  
 Daichi Kasei Co., Ltd.  
 Greencaps Pharmaceutical Co. Ltd.  
 Sunsho Pharmaceutical Co., Ltd.  
 Towa Pharma International Holdings, S. L. and seven companies

## Stock Data

As of March 31, 2022

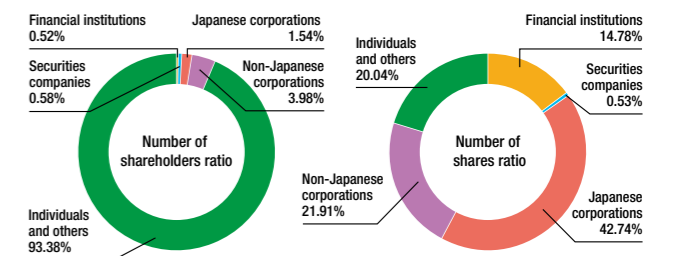
**Shares authorized** ..... 147,000,000 shares  
**Shares issued** ..... 51,516,000 shares  
**Number of shares constituting one unit** ..... 100 shares  
**Number of shareholders** ..... 5,198 shareholders

### Major shareholders (Top 10)

Shareholder name	Number of shares (Thousand)	Ownership (%)
Yoshida Office Co., Ltd.	20,100	40.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,116	8.36
BNYM AS AGT/CLTS NON TREATY JASDEC	2,304	4.68
TOWA PHARMACEUTICAL Kyoieikai	1,472	2.99
Itsuro Yoshida	1,455	2.95
Custody Bank of Japan, Ltd. (Trust Account)	1,196	2.43
TOWA PHARMACEUTICAL Employee Stock Ownership Group	907	1.84
State Street Bank and Trust Company	726	1.47
Yoshida Estate Ltd.	648	1.31
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	584	1.18

Note: The Company holds 2,294,101 shares of treasury stock but is excluded from the above major shareholders. The Company calculated the ownership by deducting the number of treasury shares.

### Share breakdown by shareholder type



## Stock Price

