

Philosophy

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.



TOWA
PHARMACEUTICAL

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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. In this issue, feature topics cover the Group's initiatives to stably supply generics, strengthen human capital management, and work on the global environment and occupational health and safety. In addition, the sections titled "Our Value Creation Process" and "Message from the President" outline our value creation story and 5th Mid-term Business Plan 2021-2023 PROACTIVE II. We strive to improve the content of our 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] FY2022 (From April 1, 2022 to March 31, 2023)
Note: The financial information is as of March 31, 2023. The report also covers some initiatives that were taken before April 1, 2022 or after March 31, 2023.

[Guidelines for Reference] IFRS Foundation's International Integrated Reporting Framework; and the Japanese Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation 2.0.

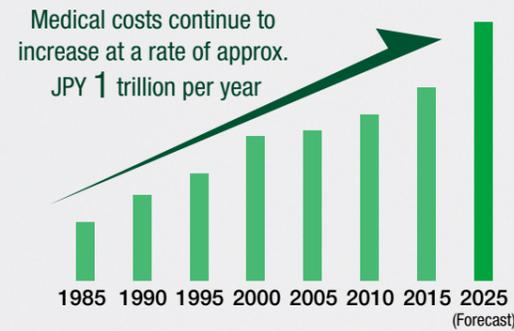
[Forward-looking Statements] In this report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. Because these statements contain risks and uncertainties, actual results and performance may differ from the expectations expressed herein.



Helping Cut Medical Costs through Generics

To maintain the National Health Insurance System in the future

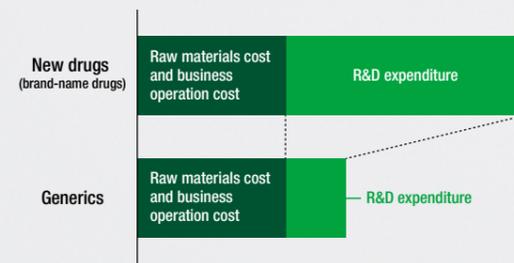
In Japan, medical costs continue to increase at a rate of approximately JPY 1 trillion per year in the context of an aging population and sophisticated medical care. The Ministry of Health, Labour and Welfare estimates that the amount will exceed JPY 60 trillion in 2025. On the other hand, as the workforce 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.



Ministry of Health, Labour and Welfare: "Outline of National Medical Care Expenditure in 2015" and "Materials for the Medical Insurance Subcommittee, 76th Social Security Council"

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 1.7 trillion in the annual cost of drugs just by replacing as many drugs as possible with generics.



Comparison of drug prices (conceptual chart)

*Page 7 in the "Outline of Revisions to the Drug Price Standard in FY2023" by the Ministry of Health, Labour and Welfare

To restore confidence in generics

We consider it highly deplorable that some pharmaceutical companies significantly undermined confidence in pharmaceutical products, especially generics, by engaging in misconduct. Being a company that prioritizes confidence above all, we are taking the series of events seriously.

As a member of the generics industry, we are firmly determined to ensure thorough manufacturing control, quality control, compliance, and governance, in order to restore confidence in generics. We will make sure to successfully restore confidence, and achieve market distribution of generics that all patients can feel comfortable using.

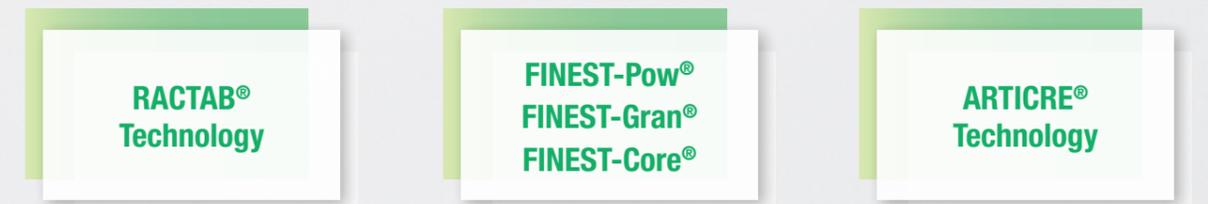
- I. Strengthen compliance, governance, and risk management
- II. Strengthen the system that gives utmost priority to quality
- III. Take action to ensure stable supplies
- IV. Provide and disclose information actively
- V. Enhance association activities, cooperate with the government, etc., and take other measures

Manufacturing pharmaceutical products that satisfy patients' needs

We have the lineup consisting of more than 750 products to cover various therapeutic areas. Desiring to be of service to as many patients as possible, we strive to provide value-added generics through cumulative improvements by responding to and satisfying requests voiced by medical professionals. As part of such efforts, 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. We thus exercise our ingenuity in various ways and work constantly toward the manufacturing of better products.



Towa Group's technology innovations



RACTAB is our proprietary technology for manufacturing orally disintegrating (OD) tablets that can be taken without water. The technology pursues the coexistence of two contradictory properties: easy disintegration and sufficient hardness. We developed this technology in the hope of delivering easy-to-take tablets to patients who have difficulty swallowing due to old age, etc. or limit water intake, as well as producing drugs that can be taken without water whenever necessary, including when patients are not at home.

These coating technologies add various functions, such as bitterness suppression and controlled release, to functional particles. They effectively cover the bitterness, making drugs less bitter and easier to take. We have developed three types of coating technologies according to the functions we intend to add, such as API bitterness suppression, controlled release, enteric coating, and improved dispersibility.

ARTICRE is a technology that improves drugs' solubility by dispersing systematically arranged API atoms or disrupting their order. When an API with low stability or solubility is dispersed in a water-soluble polymer that serves as a carrier, the carrier captures the API, improving the stability. In addition, the state of crystallization of the API changes or the crystals become dispersed, which facilitates disintegration.

Helping Extend Healthy Life Expectancy and Prevent Diseases

Extension of healthy life expectancy and disease prevention

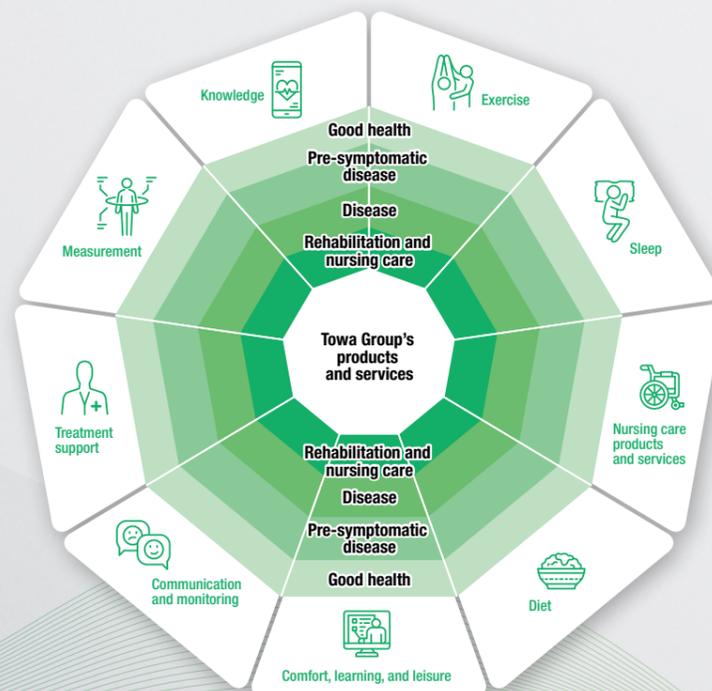
Extending the healthy life expectancy toward the era of the 100-year life is a major issue in Japan facing a super-aging society. The healthy life expectancy was proposed by World Health Organization (WHO) in 2000. In the past, we had emphasized the average life expectancy of a child aged 0, indicating 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.



Providing optimal solutions to extend healthy life expectancy

We aim to contribute to the extension of healthy life expectancy as a comprehensive healthcare company for the era of the 100-year life. We will not only manufacture and sell generics but provide optimal solutions through all types of products and services related to healthcare.

Furthermore, we have classified the state of health into four categories: "good health," "pre-symptomatic disease," "disease," and "rehabilitation and nursing care." We seek to resolve challenges for each category, and provide a wide range of products and services by combining the four categories with the nine focus areas we are committed to.



Products and services of health-related businesses



Healthcare Passport

Information sharing for coordinated regional medical care aims to provide appropriate medical care and promote health through information sharing on medical care and health between medical professionals and ordinary citizens and their families. Our Healthcare Passport supports the information sharing in a safe manner.



Hana Support

Hana Support is a service that assists users with taking their medicines. It records and manages medication data based on the information of medicines registered with the app. It also has a function that allows patients to communicate with their usual pharmacies.



Cognitive Function Self Checker

The service checks users' cognitive functions by analyzing eye movements and answers to questions while they are looking at images in virtual reality.



comuoon

Interactive support device comuoon is a system born from a concept that is the reverse of the notion that people who are hard of hearing should find ways to hear better. Instead, it is about making the person speaking more easily heard.



Muscle Suit

Muscle Suit eases the burden on the lower back for frontline workers, as well as assists people with small physical work in daily life. It is an assisting suit developed to realize a healthy lifestyle.



Sabrosa Curry

Sabrosa Curry contains Maekawajiro persimmon, a specialty of Taki Town, Mie Prefecture, which adds a touch of mildness and sweetness to the spicy curry. The product is low in sodium and rich in DHA, EPA, and protein.

Our History

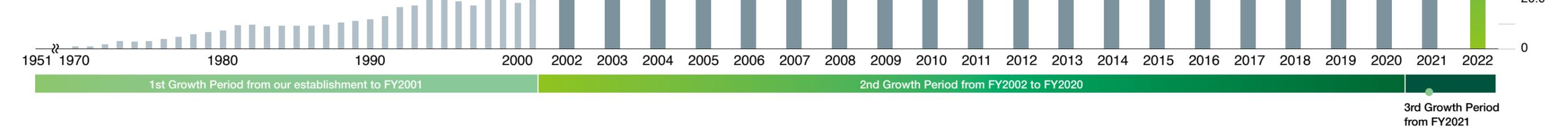
Since our establishment in 1951, we have strived to research, develop, manufacture, and sell generics for more than 70 years. While promoting stable supply, quality assurance, and information provision, we will continue to focus on research and development of ingenious pharmaceutical products that are “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

- 2010** Acquired Daichi Kasei Co., Ltd. as a subsidiary
- 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.
- 2021** Acquired Sunsho Pharmaceutical Co., Ltd. as a subsidiary
- 2022** Transitioned to the Prime Market of the Tokyo Stock Exchange in April 2022

[Trends in Consolidated Sales]



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

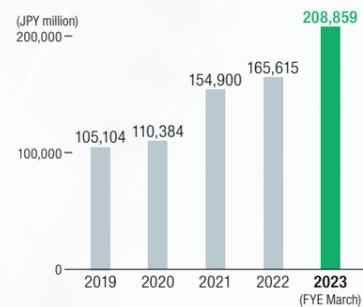
Generics volume share targets set by the government	2007 30% or more by FY2012	2013 60% or more by the end of FY2018	2015 Boosting volume share target of generics up to 70% or more in mid-FY2017 and 80% or more in the earliest possible period before the end of FY2020	2017 80% or more by September 2020	Actual volume share in FY2022 80.7%
Osaka	1977 Constructed Osaka Plant	1981 Constructed Osaka 2nd Plant	2005 Constructed New Osaka Plant (current Osaka Plant) (Production capacity: 2.5 billion tablets)	2013 Expanded the warehouse and testing area in the Osaka Plant	
Okayama	1983 Constructed Okayama Plant	1995 Constructed the packaging building	1996 Expanded the formulation building	2012 Constructed the 2nd solid formulation building in West Japan Distribution Center	2016 Expanded the 2nd solid formulation building (Production capacity: 2.5 billion tablets → 3.5 billion tablets)
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 (Production capacity: 2.5 billion tablets)	2017 Constructed (relocated) East Japan Distribution Center Renovated the solid formulation building and constructed the 2nd solid formulation building Rebuilt the solid formulation building (Production capacity: 2.5 billion tablets → 3.0 billion tablets)
Production system					2017 Rebuilt the solid formulation building (Production capacity: 3.5 billion tablets → 5.0 billion tablets)
Sales system			2011 Towa Direct Sales System	Sales offices (as of October 2023): 71 offices Agents (as of October 2023): 31 agents at 62 sites	Shifted to Towa Sales System

Consolidated Sales for FY2022
JPY **208.8** billion

Financial Highlights

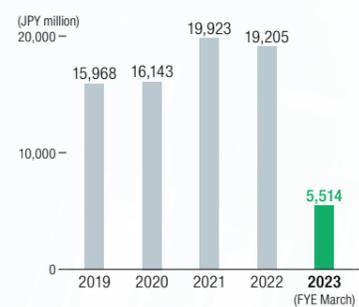
Net sales

JPY **208,859** million



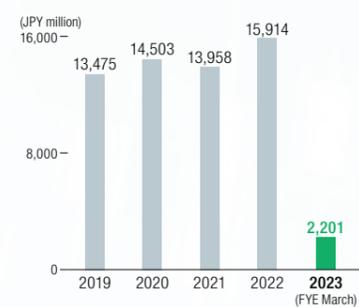
Operating profit

JPY **5,514** million



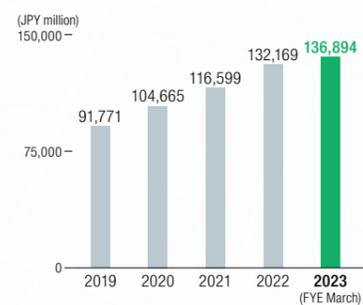
Profit attributable to owners of parent

JPY **2,201** million



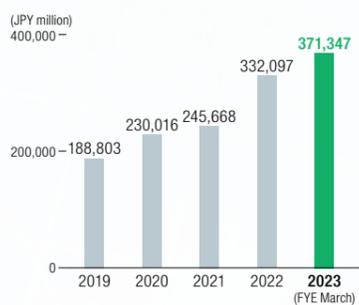
Net assets

JPY **136,894** million



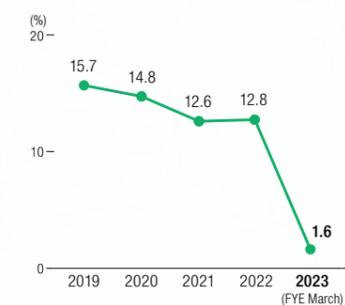
Total assets

JPY **371,347** million



ROE

1.6 %



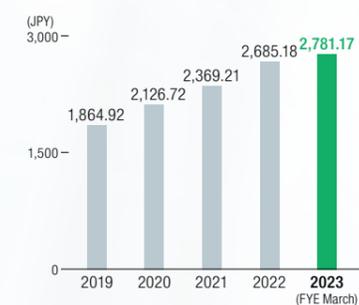
Earnings per share

JPY **44.72**



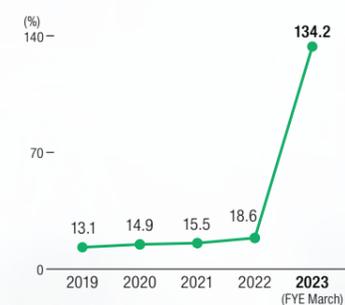
Net assets per share

JPY **2,781.17**



Dividend payout ratio

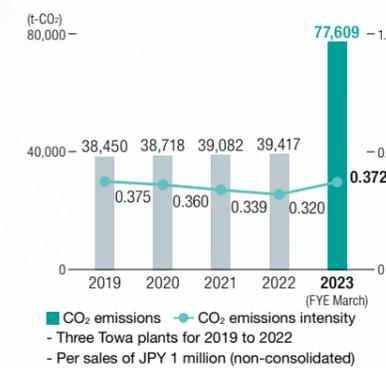
134.2 %



Non-Financial Highlights

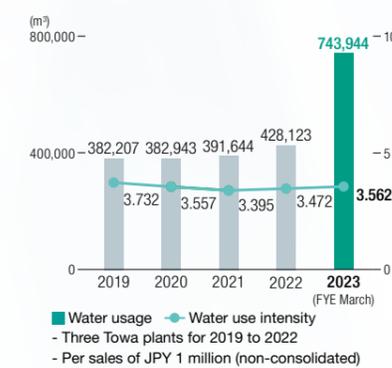
CO₂ emissions

77,609 t-CO₂



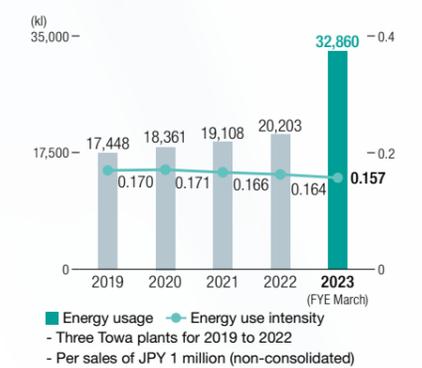
Water usage

743,944 m³



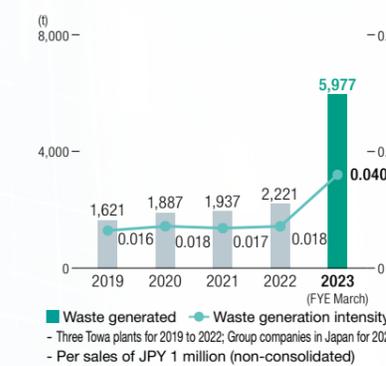
Energy usage

32,860 kl



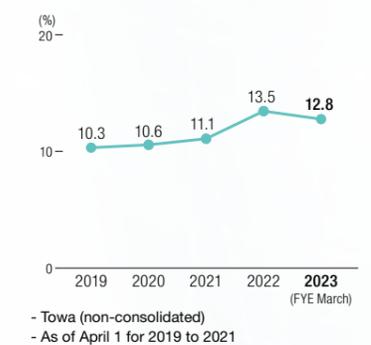
Waste generated

5,977 t



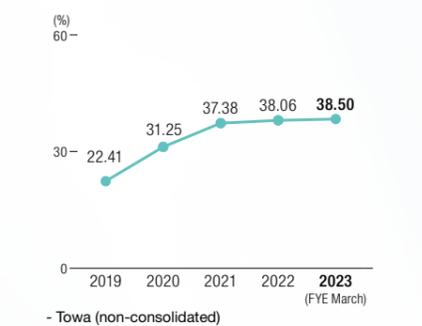
Ratio of women in management positions

12.8 %



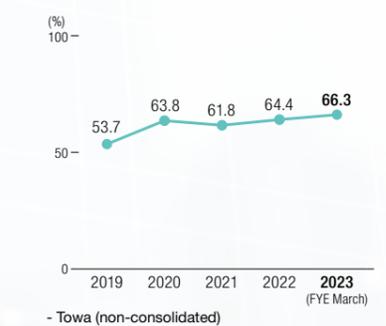
Ratio of women in new graduate hires

38.50 %



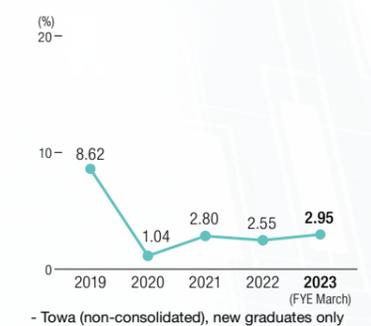
Ratio of paid leave taken

66.3 %



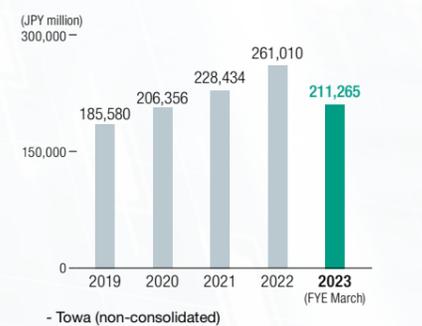
Employee turnover rate within the first three years

2.95 %



Medical expense reduced

JPY **211,265** million



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, 2019.

The fiscal year ended March 31, 2023 represents a transitional period for the change in the fiscal period for nine consolidated subsidiaries, scoped 15-month period from January 1, 2022–March 31, 2023.

During the fiscal year ended March 31, 2023, the Company finalized provisional accounting treatments for the business combination. Accordingly, the figures for the fiscal year ended March 31, 2022 reflect contents of the finalization of provisional accounting treatments.