

11-Year Financial Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (FYE March)
Net sales (JPY million)	55,241	61,351	71,470	82,115	84,949	93,430	105,104	110,384	154,900	165,615	208,859
Operating profit (JPY million)	7,723	7,706	11,105	11,134	6,869	11,643	15,968	16,143	19,923	19,205	5,514
Ordinary profit (JPY million)	9,544	8,834	15,437	10,157	7,417	11,717	18,865	20,990	18,677	22,739	5,141
Profit attributable to owners of parent (JPY million)	6,201	5,992	11,118	7,684	5,576	6,495	13,475	14,503	13,958	15,914	2,201
Comprehensive income (JPY million)	6,348	5,999	11,175	7,313	5,858	6,533	13,409	14,948	14,469	17,960	7,825
Net assets (JPY million)	55,610	60,147	70,048	70,605	74,945	79,920	91,771	104,665	116,599	132,169	136,894
Total assets (JPY million)	89,705	103,318	121,187	156,851	165,247	177,181	188,803	230,016	245,668	332,097	371,347
Net assets per share (JPY)	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	2,781.17
Earnings per share (JPY)	121.62	117.54	218.07	154.19	113.32	132.00	273.85	294.74	283.62	323.36	44.72
Diluted earnings per share (JPY)	—	—	—	436.29	314.23	122.03	253.32	272.62	271.93	316.19	—
Capital-to-asset ratio (%)	62.0	58.2	57.8	45.0	45.4	45.1	48.6	45.5	47.5	39.8	36.9
ROE (Return on equity) (%)	11.7	10.4	17.1	10.9	7.7	8.4	15.7	14.8	12.6	12.8	1.6
Price-earnings ratio (%)	13.68	12.63	10.50	9.98	16.56	16.79	10.64	7.69	8.61	8.50	42.37
Cash flows from operating activities (JPY million)	8,645	8,144	8,037	3,732	10,195	19,230	19,002	19,164	12,008	22,129	2,544
Cash flows from investing activities (JPY million)	(11,298)	(11,300)	(8,230)	(19,032)	(22,206)	(20,093)	(3,994)	(39,541)	(9,100)	(59,729)	(30,284)
Cash flows from financing activities (JPY million)	2,793	3,529	238	27,970	(92)	4,670	(809)	11,748	184	46,540	17,481
Cash and cash equivalents at end of year (JPY million)	3,985	4,675	5,208	18,526	7,112	11,511	26,652	18,713	22,915	32,830	24,257
Number of employees	1,696	1,879	2,060	2,203	2,408	2,449	2,472	3,325	3,456	4,078	4,298
R&D expenditure (JPY million)	4,478	5,296	6,144	8,924	9,352	7,725	7,916	8,566	10,642	11,488	15,265
Capital investment (JPY million)	7,855	9,727	13,816	15,792	25,026	12,166	6,011	6,236	10,353	14,848	39,645
Depreciation (JPY million)	4,909	5,407	5,724	7,329	7,980	8,173	8,340	8,285	9,674	10,153	14,261
Dividend per share (JPY)	75.0	75.0	95.0	95.0	95.0	95.0	107.5	44.0	44.0	60.0	60.0
Dividend payout ratio (%)	20.6	21.3	14.5	20.5	27.9	24.0	13.1	14.9	15.5	18.6	134.2

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, 2013. During the fiscal years ended March 31, 2021 and 2023, the Company finalized provisional accounting treatments for the business combination. Accordingly, major management indices and other relevant data for the fiscal years ended March 31, 2020 and 2022 reflect contents of the finalization of provisional accounting treatments.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. Major management indices and other data for the fiscal year ended March 31, 2022 and the following years reflects these accounting standards. Diluted earnings per share for the fiscal year ended March 31, 2023 are not stated since there were no dilutive shares. 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.

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

The details of the financial reports are excerpts from the Annual Securities Report (from April 1, 2022 to March 31, 2023).

Overview of Performance

[1] Business environment

Under the “Basic Policy on Economic and Fiscal Management and Reform 2017” approved by the Cabinet in 2017, the Japanese government set the target of increasing the volume share of generics to 80% by September 2020. To meet the target, the generics industry including Towa strived to enhance production systems and ensure a stable supply of products. The resultant wider use of generics led to an 81.2% volume share in December 2022 (according to the survey by the Japan Generic Medicines Association in October–December 2022).

On the other hand, pursuant to the “Basic Policy on Economic and Fiscal Management and Reform 2020” approved by the Cabinet in July 2020, the government has since FY2021 revised the drug prices every year—namely, adding revisions in intermediate years to regular biennial revisions. This has made the business environment for the pharmaceutical industry extremely difficult.

Amid such drastic changes in the industry, we announced the 5th Mid-term Business Plan 2021–2023 PROACTIVE II in May 2021 in keeping with our vision, “We contribute to people’s health, and we are dedicated to people’s genuine smiles.” 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 2022, we launched 13 new items of seven APIs in June and 14 new items of seven APIs in December. As a result, the number of our generics reached 768 items of 345 APIs.

[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. In the fiscal year under review, we worked at harnessing this change to foster a sense of unity and encourage collaboration in the Group, and deliver value-added products under the unified brand, with a view to

communicating a clearer image of the Towa brand to stakeholders and further expanding our business.

[4] Creation of new businesses

As one of our challenges, we aim for contributing 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. With such recognition, we are working to develop new businesses. As part of that effort, in the fiscal year under review we focused on integrating Sunsho Pharmaceutical, a company added to the scope of consolidation in March 2022, into the Group. Sunsho possesses the strong technological capabilities, extensive customer base, and health-food expertise that have been developed over the years. Utilizing these assets is expected to help us achieve the diversification of the health-related business portfolio as we have aimed for, and increase corporate value further. Meanwhile, to provide healthcare services utilizing medical and health data, we launched a Hana Support smartphone app in September 2022. Incorporating a particular game method, the app is designed to help users take their medicines correctly. Furthermore, we opened a KENTO Life Innovation Center, our new life sciences R&D base, in October 2022 in the Northern Osaka Health and Biomedical Innovation Town. Moving forward, we will continue striving to create new businesses in keeping with the Group’s vision of contributing to people’s health.

[5] Operating results

For the fiscal year under review, the Group recorded net sales of JPY 208,859 million, gross profit of JPY 72,713 million, selling, general and administrative expenses of JPY 67,199 million, operating profit of JPY 5,514 million, ordinary profit of JPY 5,141 million, and profit attributable to owners of parent of JPY 2,201 million.

Operating results by segment are as stated below. Note that profit from each reporting segment is before goodwill amortization. Net sales from the domestic segment amounted to JPY 155,538 million with segment profit of JPY 10,931 million. Net sales from the overseas segment amounted to JPY 53,487 million with a segment loss of JPY 277 million.

Financial position

The Group’s financial position for the fiscal year under review is as follows:

[1] Assets

Total assets at the end of the fiscal year under review amounted to JPY 371,347 million, up JPY 39,250 million YoY. This was mainly due to increases in inventories of JPY 20,225 million and in construction in progress of JPY 19,445 million.

[2] Liabilities

Liabilities amounted to JPY 234,453 million, up JPY 34,525 million YoY. This was mainly due to increases in long-term borrowings of JPY 71,119 million and in

notes payable–facilities of JPY 8,119 million, which offset a decrease in short-term borrowings of JPY 45,658 million.

[3] Net assets

Net assets amounted to JPY 136,894 million, up JPY 4,725 million YoY. This was mainly due to an increase in foreign currency translation adjustment of JPY 5,630 million. Consequently, the capital-to-asset ratio came to 36.9% at the end of the fiscal year under review.

Cash flows

The Group’s cash and cash equivalents at the end of the fiscal year under review amounted to JPY 24,257 million, down JPY 8,573 million YoY. Each cash flow for the 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 2,544 million (down JPY 19,585 million in the inflow YoY). This was mainly due to depreciation of JPY 14,261 million (up JPY 4,107 million YoY), which partially offset an increase in inventories of JPY 18,496 million (up JPY 10,545 million YoY).

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

Net cash used in investing activities was JPY 30,284 million (down JPY 29,445 million in the outflow YoY). This was mainly attributable to purchase of property, plant and equipment of JPY 28,731 million (up JPY 17,590 million YoY).

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

Net cash provided by financing activities amounted to JPY 17,481 million (down JPY 29,058 million in the inflow YoY). This was mainly due to proceeds from long-term borrowings of JPY 78,831 million (up JPY 69,670 million YoY), which cancelled out a net decrease in short-term borrowings of JPY 45,680 million (compared to the net increase of JPY 47,135 million for the previous fiscal year), repayments of long-term borrowings of JPY 8,118 million (up JPY 936 million YoY), and redemption of bonds with stock acquisition rights of JPY 4,150 million.

Dividend policy

In regard to distribution of profits, 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, for the fiscal year under review we paid a dividend of JPY 60 (an interim dividend of JPY 30 and a year-end dividend of JPY 30) 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



Company Outline As of March 31, 2023

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, 2023

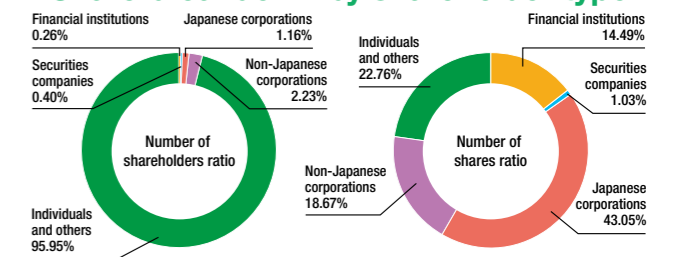
Shares authorized 147,000,000 shares
Shares issued 51,516,000 shares
Number of shares constituting one unit 100 shares
Number of shareholders 8,267 shareholders

Major shareholders (Top 10)

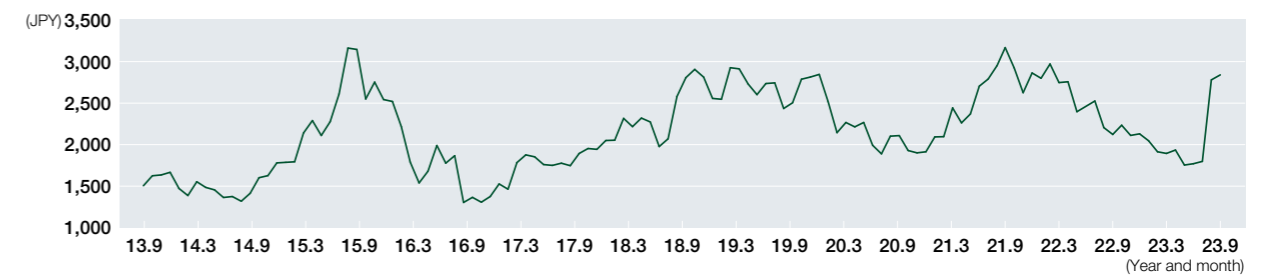
Shareholder name	Number of shares (Thousand)	Ownership (%)
Yoshida Office Co., Ltd.	20,100	40.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,895	7.91
BNYM AS AGT/CLTS NON TREATY JASDEC	2,448	4.98
TOWA PHARMACEUTICAL Kyoekai	1,494	3.04
Itsuro Yoshida	1,455	2.96
Custody Bank of Japan, Ltd. (Trust Account)	1,407	2.86
TOWA PHARMACEUTICAL Employee Stock Ownership Group	966	1.96
State Street Bank and Trust Company	751	1.53
Yoshida Estate Ltd.	648	1.32
Nippon Life Insurance Company	438	0.89

Note: The Company holds 2,294,167 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



Major Group Companies

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

<p>T Square Solutions Co., Ltd. Provision of healthcare related IT services Headquarters: Moriguchi, Osaka</p>	<p>Protosera Inc. Disease risk testing service business and research and development of diagnostic drugs Headquarters: Settsu, Osaka</p>
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Supporting Expo 2025 Osaka, Kansai, Japan

Among the Signature Pavilions, thematic projects of Expo 2025 Osaka, Kansai, Japan, the Company is supporting the Co-being Pavilion (thematic project "Resonance of Lives") produced by Hiroaki Miyata, a professor of the Keio University School of Medicine, as a bronze partner. The idea promoted by Miyata, "Better Co-Being," represents conditions where people are connected to one another while their well-being is maintained. This theme is highly compatible with the Company's vision, "We are dedicated to people's genuine smiles." We will work for the success of the Signature Pavilions through co-creation with Miyata and other supporting companies.



Provided by the Japan Association for the 2025 World Exposition