

Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 15, 2023

Company name: TOWA PHARMACEUTICAL CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4553 URL <https://www.towayakuhin.co.jp/>
 Representative: President and Representative Director Itsuro Yoshida
 Inquiries: Director Masao Tanaka TEL 06-6900-9102
 Scheduled date of ordinary general meeting of shareholders: June 27, 2023
 Scheduled date to file Securities Report: June 28, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	208,859	–	5,514	–	5,141	–	2,201	–
Year ended March 31, 2022	165,615	6.9	19,205	(3.6)	22,739	21.7	15,914	14.0

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	44.72	–	1.6	1.5	2.6
Year ended March 31, 2022	323.36	316.19	12.8	7.9	11.6

Note: The fiscal period 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. Due to this method of presentation, year-on-year percentage change data is not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	371,347	136,894	36.9	2,781.17
As of March 31, 2022	332,097	132,169	39.8	2,685.18

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	2,544	(30,284)	17,481	24,257
Year ended March 31, 2022	22,129	(59,729)	46,540	32,830

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	27.00	–	33.00	60.00	2,953	18.6	2.4
Year ended March 31, 2023	–	30.00	–	30.00	60.00	2,953	134.2	2.2
Year ending March 31, 2024 (Forecast)	–	30.00	–	30.00	60.00		42.8	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	104,600	–	5,800	–	5,600	–	3,400	–	69.08
Full year	216,300	–	11,800	–	11,500	–	6,900	–	140.18

Note: The fiscal period 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. Due to this method of presentation, year-on-year percentage change data is not provided.

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	51,516,000 shares	As of March 31, 2022	51,516,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2023	2,294,167 shares	As of March 31, 2022	2,294,101 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2023	49,221,853 shares	Year ended March 31, 2022	49,215,648 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	32,830	24,257
Notes and accounts receivable - trade	42,896	46,795
Electronically recorded monetary claims - operating	7,971	7,777
Merchandise and finished goods	32,098	44,457
Work in process	12,055	13,906
Raw materials and supplies	28,548	34,564
Derivatives	5,832	3,981
Other	4,750	7,431
Allowance for doubtful accounts	(119)	(180)
Total current assets	166,864	182,990
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	52,559	56,190
Machinery, equipment and vehicles, net	16,224	18,966
Land	16,549	17,039
Construction in progress	11,709	31,155
Other, net	2,829	3,652
Total property, plant and equipment	99,873	127,004
Intangible assets		
Goodwill	39,064	34,613
Manufacturing and sales right	6,626	7,332
Technology assets	8,132	7,115
Other	4,241	3,884
Total intangible assets	58,063	52,945
Investments and other assets		
Investment securities	464	676
Shares of subsidiaries and associates	607	607
Deferred tax assets	4,259	5,303
Retirement benefit asset	27	-
Other	2,760	2,632
Allowance for doubtful accounts	(825)	(812)
Total investments and other assets	7,295	8,407
Total non-current assets	165,232	188,357
Total assets	332,097	371,347

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,834	17,272
Electronically recorded obligations - operating	14,242	18,798
Short-term borrowings	49,335	3,677
Current portion of bonds with share acquisition rights	4,150	–
Current portion of long-term borrowings	8,022	7,527
Accounts payable - other	11,251	12,822
Income taxes payable	4,285	1,190
Provision for bonuses for directors	108	117
Notes payable - facilities	3,427	11,547
Accounts payable - facilities	2,207	2,465
Other	3,206	3,108
Total current liabilities	115,073	78,529
Non-current liabilities		
Long-term borrowings	79,194	150,314
Retirement benefit liability	547	322
Other	5,111	5,287
Total non-current liabilities	84,853	155,923
Total liabilities	199,927	234,453
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,837	7,837
Retained earnings	122,131	121,232
Treasury shares	(5,608)	(5,608)
Total shareholders' equity	129,078	128,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113	106
Foreign currency translation adjustment	2,977	8,608
Total accumulated other comprehensive income	3,091	8,715
Total net assets	132,169	136,894
Total liabilities and net assets	332,097	371,347

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	165,615	208,859
Cost of sales	95,429	136,145
Gross profit	70,185	72,713
Selling, general and administrative expenses	50,980	67,199
Operating profit	19,205	5,514
Non-operating income		
Interest income	8	17
Dividend income	6	8
Foreign exchange gains	795	1,181
Gain on valuation of derivatives	2,896	–
Compensation income	–	873
Subsidy income	310	205
Other	528	604
Total non-operating income	4,546	2,889
Non-operating expenses		
Interest expenses	230	635
Loss on valuation of derivatives	–	1,850
Provision of allowance for doubtful accounts	670	–
Commission for syndicated loans	–	492
Other	111	283
Total non-operating expenses	1,011	3,262
Ordinary profit	22,739	5,141
Extraordinary income		
Gain on sale of non-current assets	123	17
Other	–	0
Total extraordinary income	123	18
Extraordinary losses		
Loss on disposal of non-current assets	27	63
Impairment losses	25	432
Loss on valuation of investment securities	58	20
Loss on valuation of shares of subsidiaries and associates	505	–
Other	–	38
Total extraordinary losses	616	554
Profit before income taxes	22,246	4,605
Income taxes - current	6,155	3,038
Income taxes - deferred	176	(633)
Total income taxes	6,331	2,404
Profit	15,914	2,201
Profit attributable to owners of parent	15,914	2,201

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	15,914	2,201
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(6)
Foreign currency translation adjustment	2,057	5,630
Total other comprehensive income	2,046	5,623
Comprehensive income	17,960	7,825
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,960	7,825
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	4,717	7,834	108,629	(5,626)	115,554	124	920	1,044	116,599
Changes during period									
Dividends of surplus			(2,411)		(2,411)				(2,411)
Profit attributable to owners of parent			15,914		15,914				15,914
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares		3		18	21				21
Other			(0)		(0)				(0)
Net changes in items other than shareholders' equity						(10)	2,057	2,046	2,046
Total changes during period	–	3	13,502	17	13,523	(10)	2,057	2,046	15,569
Balance at end of period	4,717	7,837	122,131	(5,608)	129,078	113	2,977	3,091	132,169

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	4,717	7,837	122,131	(5,608)	129,078	113	2,977	3,091	132,169
Changes during period									
Dividends of surplus			(3,100)		(3,100)				(3,100)
Profit attributable to owners of parent			2,201		2,201				2,201
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares					–				–
Net changes in items other than shareholders' equity						(6)	5,630	5,623	5,623
Total changes during period	–	–	(898)	(0)	(898)	(6)	5,630	5,623	4,725
Balance at end of period	4,717	7,837	121,232	(5,608)	128,179	106	8,608	8,715	136,894

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	22,246	4,605
Depreciation	10,153	14,261
Amortization of goodwill	801	5,148
Impairment losses	25	432
Increase (decrease) in allowance for doubtful accounts	741	31
Increase (decrease) in provision for bonuses for directors	(9)	4
Increase (decrease) in retirement benefit liability	(7)	(275)
Decrease (increase) in retirement benefit asset	7	27
Loss (gain) on sale of non-current assets	(123)	(17)
Loss (gain) on disposal of non-current assets	27	63
Interest and dividend income	(15)	(25)
Interest expenses	230	635
Loss (gain) on valuation of derivatives	(2,896)	1,850
Loss (gain) on valuation of securities	5	19
Decrease (increase) in trade receivables	441	(1,592)
Decrease (increase) in inventories	(7,950)	(18,496)
Increase (decrease) in trade payables	3,675	6,554
Compensation income	–	(873)
Subsidy income	(310)	(205)
Other, net	(261)	(3,082)
Subtotal	26,782	9,066
Interest and dividends received	9	24
Interest paid	(226)	(610)
Income taxes refund (paid)	(4,747)	(6,285)
Proceeds from compensation	–	143
Subsidies received	310	205
Net cash provided by (used in) operating activities	22,129	2,544
Cash flows from investing activities		
Proceeds from sale of securities	18	34
Purchase of property, plant and equipment	(11,140)	(28,731)
Proceeds from sale of property, plant and equipment	42	239
Purchase of intangible assets	(2,436)	(1,738)
Proceeds from sale of intangible assets	83	15
Purchase of investment securities	(1)	(301)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(45,405)	–
Decrease (increase) in short-term loans receivable	(0)	0
Loan advances to subsidiaries and associates	(670)	–
Other, net	(219)	198
Net cash provided by (used in) investing activities	(59,729)	(30,284)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	47,135	(45,680)
Proceeds from long-term borrowings	9,160	78,831
Repayments of long-term borrowings	(7,181)	(8,118)
Redemption of bonds with stock acquisition rights	–	(4,150)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	21	–
Dividends paid	(2,411)	(3,100)
Repayments of lease liabilities	(158)	(146)
Other, net	(25)	(153)
Net cash provided by (used in) financing activities	46,540	17,481
Effect of exchange rate change on cash and cash equivalents	975	1,685
Net increase (decrease) in cash and cash equivalents	9,915	(8,573)
Cash and cash equivalents at beginning of period	22,915	32,830
Cash and cash equivalents at end of period	32,830	24,257

Segment information

Information concerning net sales and profit/loss by reportable segment
Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	126,676	38,938	165,615	–	165,615
Sales or transfers between segments	–	–	–	–	–
Total	126,676	38,938	165,615	–	165,615
Segment profit	18,878	1,127	20,006	(801)	19,205
Segment assets	278,329	53,768	332,097	–	332,097
Other items					
Depreciation	8,837	1,316	10,153	–	10,153
Increases of property, plant and equipment and intangible assets	13,152	1,696	14,848	–	14,848

Notes: 1. Adjustment in segment profit represents goodwill amortization.
2. Segment profit matches operating profit on the consolidated statements of income.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	155,538	53,321	208,859	–	208,859
Sales or transfers between segments	–	166	166	(166)	–
Total	155,538	53,487	209,026	(166)	208,859
Segment profit(loss)	10,931	(277)	10,653	(5,139)	5,514
Segment assets	310,434	60,913	371,347	–	371,347
Other items					
Depreciation	12,160	2,101	14,261	–	14,261
Increases of property, plant and equipment and intangible assets	36,843	2,801	39,645	–	39,645

Notes: 1. Adjustment in segment profit represents goodwill amortization of (5,148) million yen, and elimination of internal transactions between segments of 9 million yen.
2. Segment profit (loss) matches operating profit on the consolidated statements of income.