

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 13, 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 to file Quarterly Securities Report: November 14, 2023
 Scheduled date to commence dividend payments: December 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2023	107,396	18.7	7,003	117.5	10,233	122.0	6,953	158.3
Six months ended September 30, 2022	90,500	10.0	3,220	(68.8)	4,609	(64.6)	2,692	(70.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	141.26		-	
Six months ended September 30, 2022	54.70		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	392,919	146,861	37.4
As of March 31, 2023	371,347	136,1894	36.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2023	-	30.00	-	30.00	60.00
Year ending March 31, 2024	-	30.00	-	-	-
Year ending March 31, 2024 (Forecast)	-	-	-	30.00	60.00

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
Full year	216,300	-	11,800	-	11,500	-	6,900	-	140.18

Notes: 1. Changes on the latest forecast: No

2. 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 six months ended September 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2023	51,516,000 shares	As of March 31, 2023	51,516,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	2,296,756 shares	As of March 31, 2023	2,294,167 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	49,221,463 shares	Six months ended September 30, 2022	49,221,871 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	24,257	23,960
Notes and accounts receivable - trade	46,795	53,428
Electronically recorded monetary claims - operating	7,777	8,348
Merchandise and finished goods	44,457	48,744
Work in process	13,906	14,559
Raw materials and supplies	34,564	36,502
Other	11,413	13,502
Allowance for doubtful accounts	(180)	(50)
Total current assets	182,990	198,996
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	56,190	56,787
Machinery, equipment and vehicles, net	18,966	17,966
Land	17,039	17,223
Construction in progress	31,155	37,972
Other, net	3,652	3,898
Total property, plant and equipment	127,004	133,849
Intangible assets		
Goodwill	34,613	33,006
Other	18,332	18,211
Total intangible assets	52,945	51,217
Investments and other assets		
Investment securities	676	749
Other	8,542	8,928
Allowance for doubtful accounts	(812)	(822)
Total investments and other assets	8,407	8,855
Total non-current assets	188,357	193,922
Total assets	371,347	392,919

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,272	15,388
Electronically recorded obligations - operating	18,798	10,741
Short-term borrowings	3,677	4,134
Current portion of long-term borrowings	7,527	9,269
Income taxes payable	1,190	4,199
Provisions	117	101
Other	29,944	25,843
Total current liabilities	78,529	69,679
Non-current liabilities		
Long-term borrowings	150,314	170,955
Retirement benefit liability	322	273
Other	5,287	5,150
Total non-current liabilities	155,923	176,378
Total liabilities	234,453	246,057
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,837	7,836
Retained earnings	121,232	126,709
Treasury shares	(5,608)	(5,615)
Total shareholders' equity	128,179	133,648
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	106	157
Foreign currency translation adjustment	8,608	13,056
Total accumulated other comprehensive income	8,715	13,213
Total net assets	136,894	146,861
Total liabilities and net assets	371,347	392,919

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	90,500	107,396
Cost of sales	57,325	69,155
Gross profit	33,175	38,240
Selling, general and administrative expenses	29,954	31,237
Operating profit	3,220	7,003
Non-operating income		
Interest income	6	22
Dividend income	4	4
Foreign exchange gains	358	446
Gain on valuation of derivatives	1,113	3,080
Subsidy income	54	49
Other	272	320
Total non-operating income	1,810	3,923
Non-operating expenses		
Interest expenses	369	412
Other	52	280
Total non-operating expenses	421	693
Ordinary profit	4,609	10,233
Extraordinary income		
Gain on sale of non-current assets	0	192
Other	0	1
Total extraordinary income	0	194
Extraordinary losses		
Loss on disposal of non-current assets	9	35
Loss on valuation of investment securities	20	—
Total extraordinary losses	29	35
Profit before income taxes	4,580	10,392
Income taxes	1,888	3,439
Profit	2,692	6,953
Profit attributable to owners of parent	2,692	6,953

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,692	6,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(26)	50
Foreign currency translation adjustment	5,526	4,447
Total other comprehensive income	5,499	4,498
Comprehensive income	8,192	11,451
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,192	11,451
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,580	10,392
Depreciation	6,231	6,554
Amortization of goodwill	2,045	2,104
Increase (decrease) in allowance for doubtful accounts	29	(131)
Increase (decrease) in other provisions	(67)	(94)
Loss (gain) on sale of non-current assets	(0)	(192)
Loss (gain) on disposal of non-current assets	9	35
Interest and dividend income	(10)	(26)
Interest expenses	369	412
Loss (gain) on valuation of derivatives	(1,113)	(3,080)
Loss (gain) on valuation of securities	18	(0)
Decrease (increase) in trade receivables	2,755	(6,307)
Decrease (increase) in inventories	(8,745)	(5,620)
Increase (decrease) in trade payables	(1,444)	(10,287)
Other, net	(2,232)	1,989
Subtotal	2,425	(4,252)
Interest and dividends received	10	27
Interest paid	(369)	(399)
Compensation received	–	504
Subsidies received	54	49
Income taxes refund (paid)	(3,832)	(454)
Net cash provided by (used in) operating activities	(1,710)	(4,524)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,502)	(18,047)
Decrease (increase) in short-term loans receivable	0	–
Long-term loan advances	(0)	–
Loan advances to subsidiaries and associates	–	0
Other, net	(730)	233
Net cash provided by (used in) investing activities	(8,233)	(17,814)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	223	390
Proceeds from long-term borrowings	16,400	25,999
Repayments of long-term borrowings	(4,129)	(3,689)
Redemption of bonds with stock acquisition rights	(4,150)	–
Dividends paid	(1,623)	(1,476)
Other, net	(44)	(94)
Net cash provided by (used in) financing activities	6,675	21,129
Effect of exchange rate change on cash and cash equivalents	875	913
Net increase (decrease) in cash and cash equivalents	(2,393)	(296)
Cash and cash equivalents at beginning of period	32,830	24,257
Cash and cash equivalents at end of period	30,437	23,960

Segment information (cumulative)

Information concerning net sales and profit/loss by reportable segment
For six months ended September 30, 2022

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	70,597	19,902	90,500	–	90,500
Sales or transfers between segments	–	–	–	–	–
Total	70,597	19,902	90,500	–	90,500
Segment profit	5,048	217	5,265	(2,045)	3,220

Notes: 1. Adjustment represents goodwill amortization.

2. Segment profit matches operating profit on the consolidated statements of income.

For six months ended September 30, 2023

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	84,173	23,222	107,396	–	107,396
Sales or transfers between segments	–	75	75	(75)	–
Total	84,173	23,297	107,471	(75)	107,396
Segment profit	8,880	253	9,133	(2,130)	7,033

Notes: 1. Adjustment in segment profit represents goodwill amortization of (2,104) million yen, and elimination of internal transactions between segments of (26) million yen.

2. Segment profit matches operating profit on the consolidated statements of income.