

Supplementary material on financial results for the third quarter of the year ending March 31, 2021

February 2021

(Stock ticker number: 4553)

Impact of and response to infection spread of COVID-19

This report includes the consolidated financial results of Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa HD”) for the period began January 1, 2020 and ended September 30, 2020 (the same shall apply hereinafter).

Sales	<p><Domestic> While voluntarily restraining visits to medical institutions, we managed information provision online or via other media. Despite good sales performance of the recently launched products, sales of the existing products fell slightly below expectations due to a decreasing number of patients caused by their restrained visits to doctors (pediatrics, orthopedics, otolaryngology, etc.).</p> <p><Overseas> In Europe, in contrast to the strong result in 1Q (January-March) due to the COVID-19 induced long-term prescriptions and resulting increases in drug demands, the sales performance in 2Q and 3Q (April-September) softened, which was attributable to a decreasing number of patients' visits to medical institutions due to restrained doctors' consultations.</p> <p>The negative impact on the entire Towa Group turned out to be minor for the cumulative third quarter of this fiscal year.</p>
Product Supply	<p><Domestic / overseas> Although procurement of APIs was partially affected by city-wide lockdowns and stay-at-home requests overseas, the negative impact on stable supply was limited thanks to our multiple sourcing approach, and currently such problems are almost solved.</p>
R&D	<p><Domestic / overseas> Launch schedule of new products remains unaffected so far though slight delays are observed in some of product development plans.</p>

The COVID-19 impact on Towa Group's business performance during the cumulative third quarter has been minor so far, but the full-year results may be affected if the infection spread becomes prolonged and/or serious in future.

Outline of financial results for the third quarter of the year ending March 31, 2021 (Consolidated)

- Sales: Increased including Towa HD's turnover in the consolidation since 2021/03 1Q
- Operating income: Increased due to growing sales and gross profit of recently launched products, partly offset by higher SGA than the previous year including Towa HD's goodwill amortization
- Ordinary income: Decreased due to loss from revaluation of currency swap

Period	2021/03 3Q			2020/03 3Q		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	115,251	100.0	+ 36.5	84,405	100.0	+ 7.8
COGS	67,164	58.3	+ 48.3	45,300	53.7	+ 7.0
SGA	33,300	28.9	+ 33.3	24,983	29.6	+ 4.1
Operating income	14,786	12.8	+ 4.7	14,122	16.7	+ 18.1
Ordinary income	13,045	11.3	- 15.5	15,430	18.3	+ 6.0
Profit attributable to owners of parent	9,447	8.2	- 13.9	10,969	13.0	+ 4.9

FX rate (TTM) 1 USD	2020/12	2020/03	2019/12	2019/03	FX Rate (TTM) 1 EUR	2021/03 3Q
	JPY 103.50	JPY 108.83	JPY 109.56	JPY 110.99		JPY 120.90

* Towa HD and Greencaps Pharmaceutical Co., Ltd. are included in the consolidation since 2021/03 1Q.

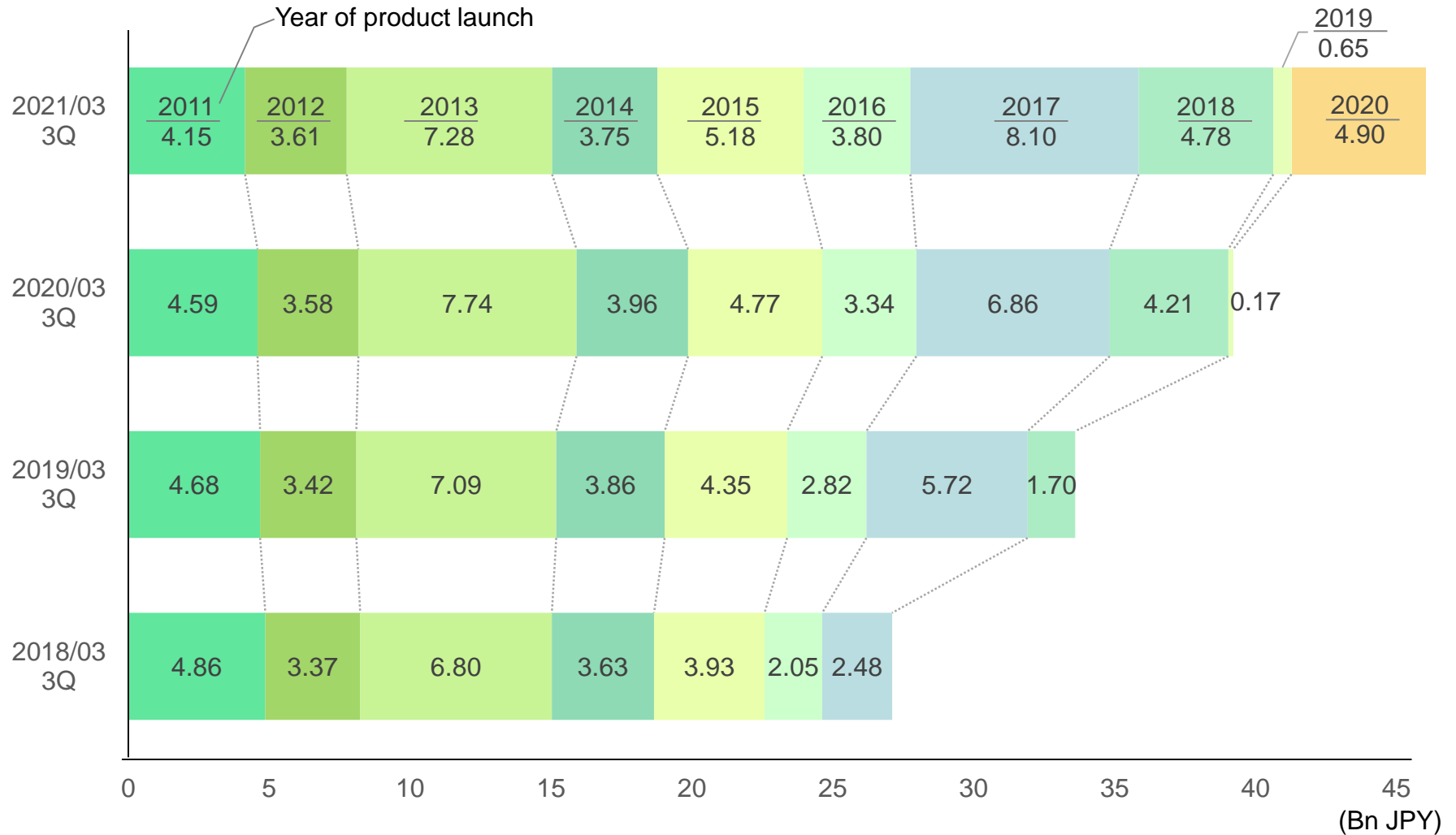
Outline of financial results for the third quarter of the year ending March 31, 2021 (Domestic / Overseas)

- Sales (domestic): Higher than the previous year due to good sales of the recently launched products, despite negative impacts of NHI drug price revisions held in October 2019 and April 2020 as well as COVID-19 infection spread
- Operating income (domestic): Increased due to growing gross profit by recently launched products, partly offset by higher SGA spending than the previous year including Towa HD's goodwill amortization
- Ordinary income (domestic): Decreased due to loss from revaluation of currency swap

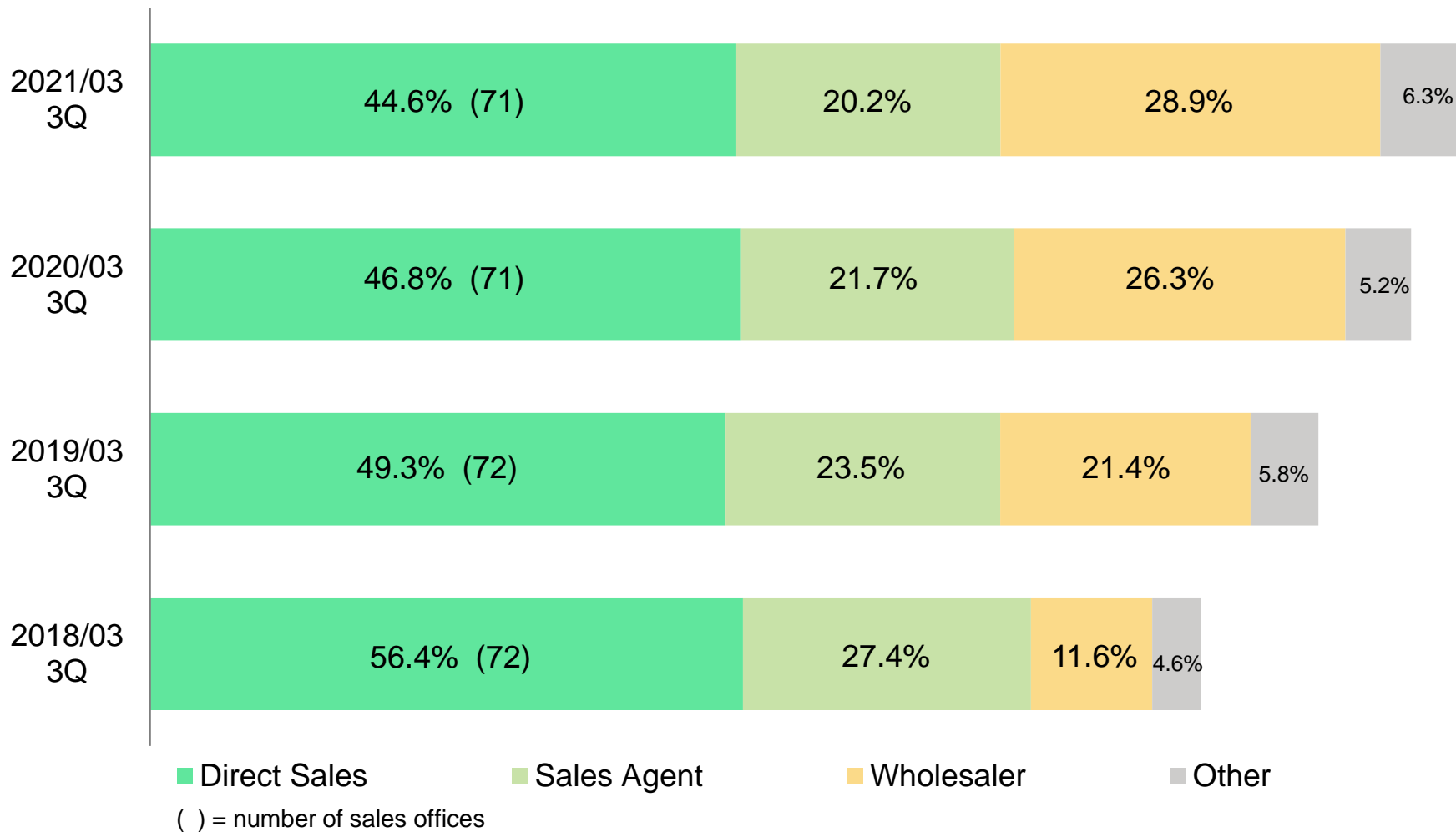
Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						Overseas (Towa HD)	
	2021/03 3Q			2020/03 3Q			2021/03 3Q	
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)
Net sales	88,323	100.0	+ 4.6	84,405	100.0	+ 7.8	26,928	100.0
COGS	47,564	53.9	+ 5.0	45,300	53.7	+ 7.0	19,599	72.8
SGA	26,186	29.6	+ 4.8	24,983	29.6	+ 4.1	7,114	26.4
Operating income	14,571	16.5	+ 3.2	14,122	16.7	+ 18.1	214	0.8
Ordinary income	12,810	14.5	- 17.0	15,430	18.3	+ 6.0	235	0.9
Profit attributable to owners of parent	9,092	10.3	- 17.1	10,969	13.0	+ 4.9	354	1.3
FX rate (TTM) 1 USD	2020/12	2020/03	2019/12	2019/03	FX Rate (TTM) 1 EUR	2021/03 3Q		
	JPY 103.50	JPY 108.83	JPY 109.56	JPY 110.99		JPY 120.90		

Sales by year of new launches (Towa only)

- Sales of recently launched products developed well



Sales share by distribution channel (Towa only)



Number & share of customers by segment (Towa only)

- The number of our transactions with clinics and dispensing pharmacies steadily on the increase

Segment	Total number of medical institutions	2021/03 3Q					2020/03 3Q	
		Number of trading customers	Coverage (%)	Transaction share in value (%)	Change in number of trading customers	Change in trading values (%)	Number of trading customers	Transaction share in value (%)
Hospitals	ca. 8,300	7,385	88.8	11.0	+ 253	- 0.2	7,132	11.5
DPC*	1,757	1,708	97.2	6.2	+ 35	- 0.1	1,673	6.5
Clinics	ca. 104,200	29,331	28.1	14.5	+ 2,265	- 1.7	27,066	15.3
Pharmacies	ca. 59,900	57,001	95.0	74.4	+ 1,485	+ 6.0	55,516	73.1
Total	ca. 172,500	93,717	54.3	100.0	+ 4,003	+ 4.1	89,714	100.0

* DPC = Diagnosis Procedure Combination

(Not including transactions by other companies)

** Total number of facilities calculated with reference to Japan Altmarc's national medical facility data

Selling and general administrative expenses (Domestic)

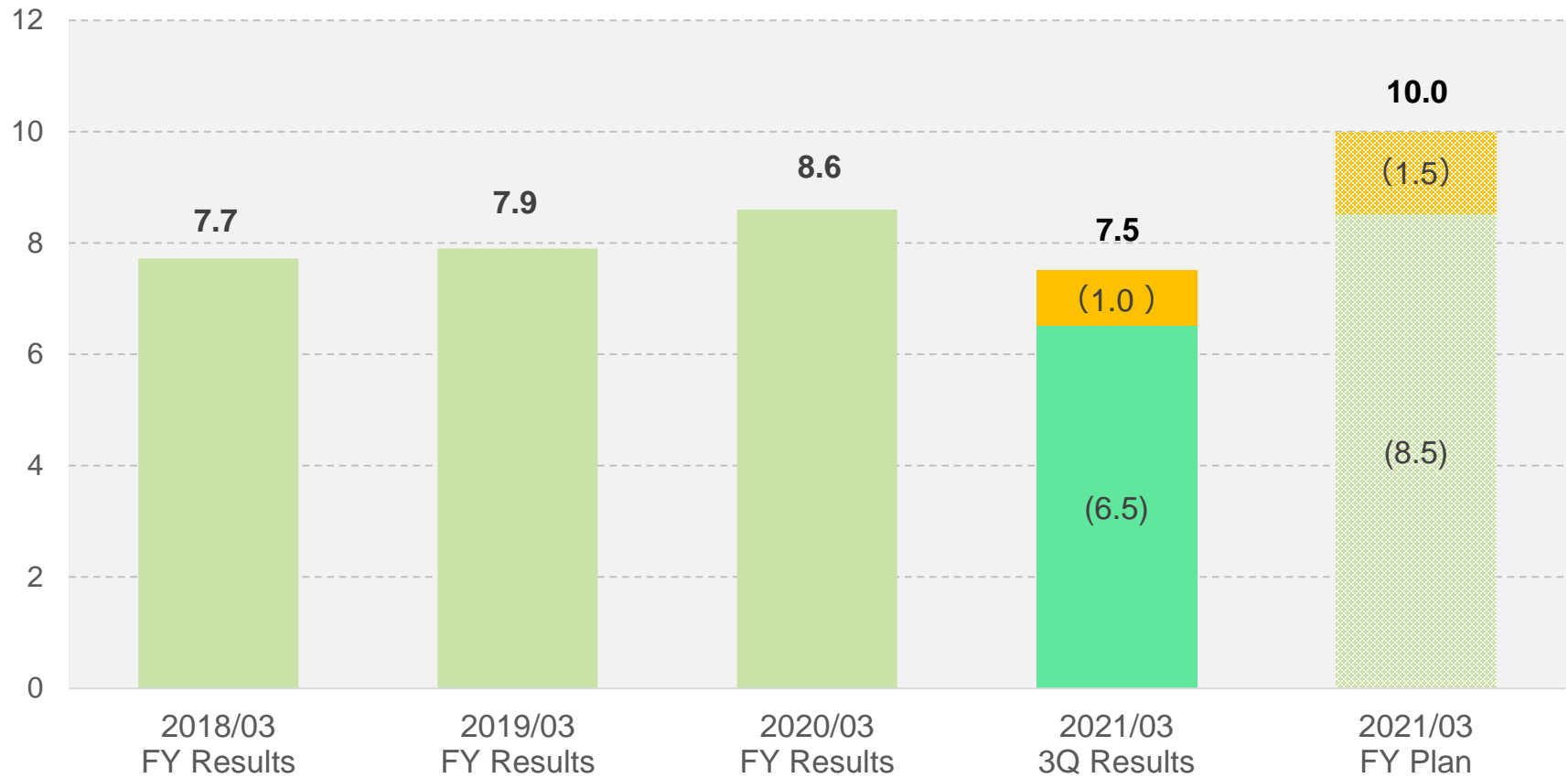
- Amortization of goodwill arising from the acquisition of Towa HD

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2021/03 3Q			2020/03 3Q		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	11,251	12.7	+ 3.1	10,915	12.9	+ 1.2
Advertisement	486	0.6	- 15.8	578	0.7	+ 23.4
Packing / freight	1,659	1.9	+ 1.2	1,639	1.9	+ 9.7
Commission paid	1,407	1.6	+ 2.4	1,374	1.6	+ 35.5
R&D	6,512	7.4	+ 8.3	6,015	7.1	+ 4.1
Depreciation	721	0.8	- 1.2	729	0.9	- 9.2
Goodwill amortization	563	0.6	-	-	-	-
Other	3,583	4.1	- 3.9	3,730	4.4	+ 2.1
Total	26,186	29.6	+ 4.8	24,983	29.6	+ 4.1

* Greencaps included in the consolidation since 2021/03 1Q

R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

* Towa HD and Greencaps not included during the period of FY 2018/03-2020/3

Outline of financial results for the third quarter of the year ending March 31, 2021 (Consolidated)

- Sales: Developed well both in Japan and overseas
- Operating income: Significantly above plan contributed by improved COGS ratio to sales of domestic products, delayed and/or cancelled SGA spending, etc. in Japan
- Ordinary income: Developed well, in line with good operating income, despite loss from revaluation of currency swap

Period	2021/03				
	3Q Results		Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	115,251	100.0	150,000	100.0	76.8
COGS	67,164	58.3	88,600	59.1	75.8
SGA	33,300	28.9	47,100	31.4	70.7
Operating income	14,786	12.8	14,300	9.5	103.4
Ordinary income	13,045	11.3	14,800	9.9	88.1
Profit attributable to owners of parent	9,447	8.2	10,400	6.9	90.8

Outline of financial results for the third quarter of the year ending March 31, 2021 (Domestic)

- Sales: Developed well despite minor impacts by COVID-19 infection spread
- Operating income: Developed very well due to improved COGS ratio to sales driven by favorable sales-mix change, delayed or cancelled SGA spending, etc.
- Ordinary income: Developed well in line with operating income, despite loss from revaluation of currency swap

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2021/03 3Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	88,323	100.0	115,200	100.0	76.7
COGS	47,564	53.9	63,400	55.0	75.0
SGA	26,186	29.6	37,600	32.6	69.6
Operating income	14,571	16.5	14,200	12.3	102.6
Ordinary income	12,810	14.5	14,700	12.8	87.1
Profit attributable to owners of parent	9,092	10.3	10,300	8.9	88.3

Outline of financial results for the third quarter of the year ending March 31, 2021 (Overseas)

- Sales: Developed well overall despite negative impacts in 2Q and 3Q as a reaction to COVID-19 induced long-term prescriptions that occurred in Europe in 1Q
- Operating income: Achieved JPY 214 million, above full-year plan of JPY 100 million, due to temporarily improved COGS ratio in 1Q with production volume increase and operational efficiency improvement as well as positive PPA effect, partly offset by higher than planned SGA spending such as sales promotion expenses, freight charges, etc.

Period	Overseas (Towa HD)				
	2021/03 3Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	26,928	100.0	34,800	100.0	77.4
COGS	19,599	72.8	25,200	72.4	77.8
SGA	7,114	26.4	9,500	27.3	74.9
Operating income	214	0.8	100	0.3	214.5
Ordinary income	235	0.9	100	0.3	235.7
Profit attributable to owners of parent	354	1.3	100	0.3	354.9

Outline of financial results for the third quarter of the year ending March 31, 2021 (Overseas by region)

Period	Towa HD / Europe					Towa HD / US				
	2021/03 3Q Results		2021/03 Full-year Plan			2021/03 3Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	13,684	100.0	18,500	100.0	74.0	13,243	100.0	16,300	100.0	81.2
COGS	8,972	65.6	13,100	70.8	68.5	10,627	80.2	12,100	74.2	87.8
SGA	4,716	34.5	5,700	30.8	82.8	2,397	18.1	3,800	23.3	63.1
Operating income	- 4	-	- 300	- 1.6	-	219	1.7	400	2.5	54.8
FX Rate (TTM) 1 EUR	2021/03 3Q Results		2021/03 FY Assumption							
	JPY 120.90		JPY 118.00							

Balance sheet (Consolidated)

(Unit: JPY million)

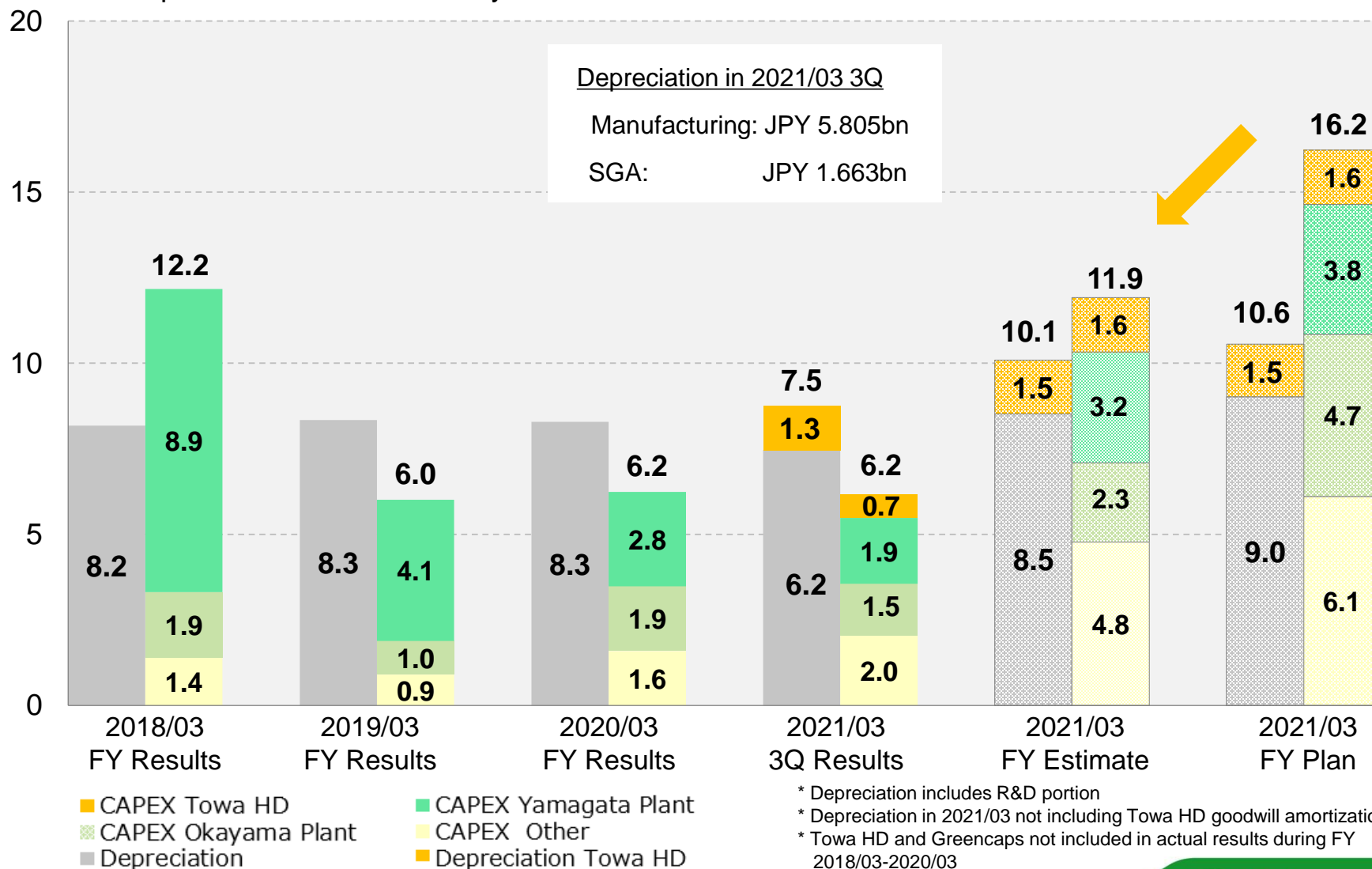
Item	2020/12	2020/03	Changes
Cash and deposits	17,174	18,713	- 1,538
Trade notes and accounts receivable	40,347	35,191	+ 5,156
Electronically recorded monetary claims	7,868	6,401	+ 1,466
Finished goods	28,395	24,659	+ 3,736
Other current assets	38,026	36,559	+ 1,467
Total current assets	131,812	121,525	+ 10,287
Buildings and structures	49,711	48,560	+ 1,151
Machineries, equipment and carriers	12,846	13,033	- 186
Construction in progress	6,285	4,936	+ 1,348
Goodwill	7,143	7,622	- 478
Other fixed assets	29,873	34,338	- 4,464
Total fixed assets	105,860	108,491	- 2,630
Total assets	237,673	230,016	+ 7,656
Period-end Rate (TTM) 1 EUR	2020/09 JPY 124.17	2020/03 JPY 119.55	2019/12 JPY 122.54

Item	2020/12	2020/03	Changes
Trade notes and accounts payable	10,688	9,585	+ 1,103
Electronically recorded obligations-operating	12,439	11,147	+ 1,292
Short-term debt	21,364	21,368	- 4
Current portion of long-term debt	6,552	6,767	- 214
Facilities notes and accounts payable	2,701	3,701	- 1,000
Other current liabilities	12,401	17,594	- 5,192
Total current liabilities	66,148	70,164	- 4,016
Convertible bond	4,154	15,024	- 10,869
Long-term debt	52,171	36,640	+ 15,531
Other long-term liabilities	3,458	3,522	- 63
Total long-term liabilities	59,784	55,187	+ 4,597
Total liabilities	125,932	125,351	+ 581
Total net assets	111,740	104,665	+ 7,075
Total liabilities and assets	237,673	230,016	+ 7,656

* PPA impacts are retrospectively adjusted for the results of 2020/03

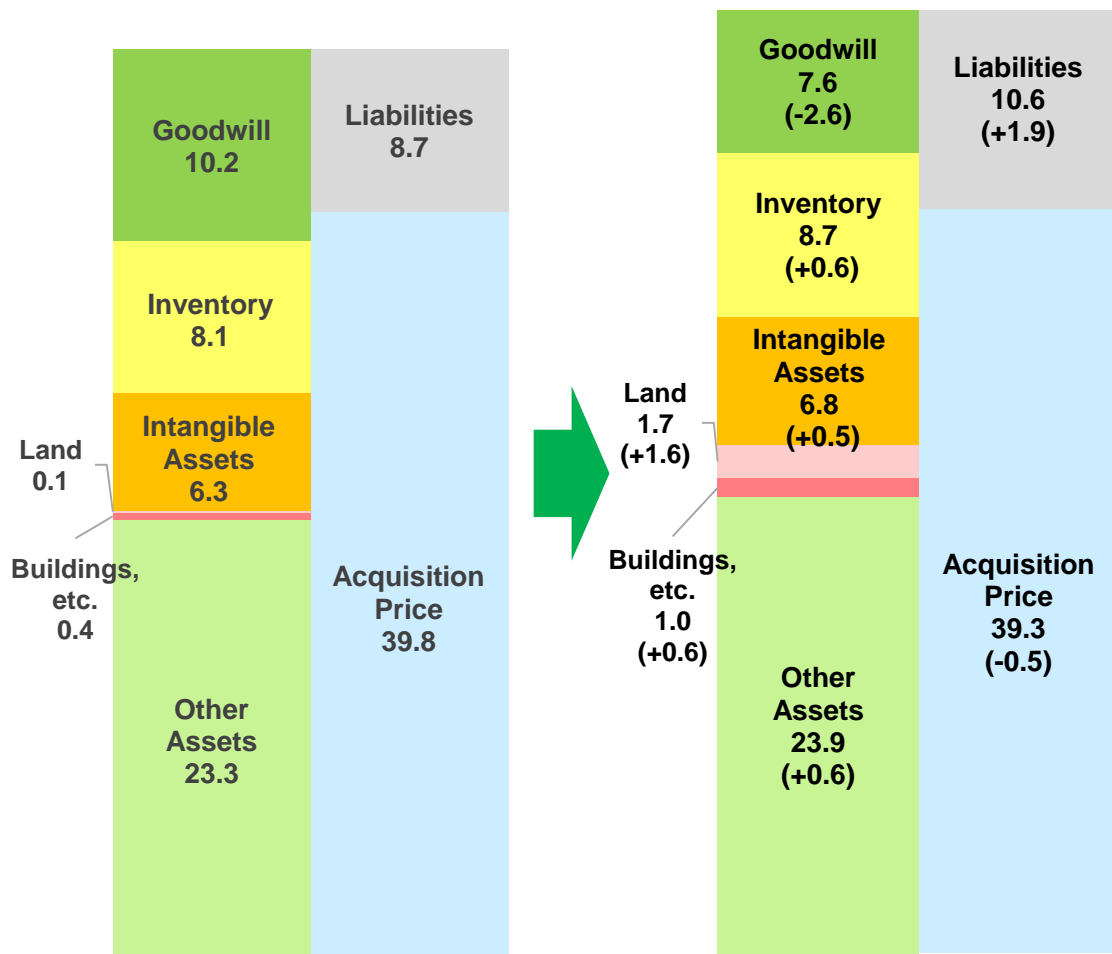
Capital expenditure and depreciation (Consolidated)

(Bn JPY) ● In the budget review for the next fiscal year, some revisions were made to the investment plan for the current fiscal year



PPA Overview including impact (as reference)

Image of consolidated B/S (Unit: JPY Bn)



Post-PPA goodwill €62.1 million

7.622 billion yen
(10-year amortization)

* FX rate: 1 EUR = JPY 122.54 (as of Dec. 31, 2019)

Impact on consolidated results of fiscal year 2021/03

+576 million yen
(as operating income)

+ : Less amortization due to reduced goodwill, PPA-driven cancellations of costs, etc.

- : Increased COGS due to inventory increase

* FX rate: 1 EUR = JPY 121.81 (2020 average rate)

Revised forecast for the full year ending March 2021

(Consolidated)

- Sales: Anticipating continued good performance in light of favorable sales development of the recently launched domestic products
- Operating income: Revised upwards in light of improved COGS ratio to sales driven by favorable sales mix changes and less than planned SGA spending due to the COVID-19 infection spread
- Ordinary income: Including loss from revaluation of currency swap during the first three quarters of the year

Period	2021/3 Full Year						
	Revised Full-year Forecast 2021/03 (As of February 12, 2021)				Original Full-year Plan (As of May 14, 2020)		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	Changes vs. original plan (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	153,000	100.0	+ 38.6	+ 2.0	150,000	100.0	+ 35.9
COGS	88,200	57.6	+ 47.6	- 0.5	88,600	59.1	+ 48.3
SGA	45,300	29.6	+ 31.3	- 3.8	47,100	31.4	+ 36.5
Operating income	19,500	12.7	+ 20.8	+ 36.4	14,300	9.5	- 11.4
Ordinary income	17,500	11.4	- 16.6	+ 18.2	14,800	9.9	- 29.5
Profit attributable to owners of parent	12,600	8.2	- 13.1	+ 21.2	10,400	6.9	- 28.3

Revised forecast for the full year ending March 2021

(Domestic)

- Sales: Anticipating continued good performance in light of favorable sales development of the recently launched domestic products
- Operating income: Revised upwards in light of improved COGS ratio to sales driven by favorable sales mix changes and less than planned SGA spending due to the COVID-19 infection spread
- Ordinary income: Including loss from revaluation of currency swap during the first three quarters of the year

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						
	Revised Full-year Forecast 2021/03 (As of February 12, 2021)				Original Full-year Plan (As of May 14, 2020)		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	Changes vs. original plan (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	117,000	100.0	+ 6.0	+ 1.6	115,200	100.0	+ 4.4
COGS	62,700	53.6	+ 5.0	- 1.1	63,400	55.0	+ 6.1
SGA	35,200	30.1	+ 2.0	- 6.4	37,600	32.6	+ 9.0
Operating income	19,100	16.3	+ 18.3	+ 34.5	14,200	12.3	- 12.0
Ordinary income	17,200	14.7	- 18.1	+ 17.0	14,700	12.8	- 30.0
Profit attributable to owners of parent	12,100	10.3	- 16.6	+ 17.5	10,300	8.9	- 29.0

Revised forecast for the full year ending March 2021 (Overseas)

- Operating income: Revised upwards by reflecting positive PPA effects

Period	Overseas (Towa HD)				
	Revised Full-year Forecast 2021/03 (As of February 12, 2021)			Original Full-year Plan (As of May 14, 2020)	
	(JPY million)	Ratio to sales (%)	Changes vs. original plan (±%)	(JPY million)	Ratio to sales (%)
Net sales	36,000	100.0	+ 3.4	34,800	100.0
COGS	25,500	70.8	+ 1.2	25,200	72.4
SGA	10,100	28.1	+ 6.3	9,500	27.3
Operating income	400	1.1	+ 300.0	100	0.3
Ordinary income	300	0.8	+ 200.0	100	0.3
Profit attributable to owners of parent	500	1.4	+ 400.0	100	0.3

Progress rates of 3Q results to revised full-year forecast (Consolidated)

Period	2021/3				
	2021/03 3Q Results		Revised Full-year Forecast 2021/03 (As of February 12, 2021)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	115,251	100.0	153,000	100.0	75.3
COGS	67,164	58.3	88,200	57.6	76.2
SGA	33,300	28.9	45,300	29.6	73.5
Operating income	14,786	12.8	19,500	12.7	75.8
Ordinary income	13,045	11.3	17,500	11.4	74.5
Profit attributable to owners of parent	9,447	8.2	12,600	8.2	75.0

Progress rates of 3Q results to revised full-year forecast (Domestic)

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2021/03 3Q Results		Revised Full-year Forecast 2021/03 (As of February 12, 2021)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	88,323	100.0	117,000	100.0	75.5
COGS	47,564	53.9	62,700	53.6	75.9
SGA	26,186	29.6	35,200	30.1	74.4
Operating income	14,571	16.5	19,100	16.3	76.3
Ordinary income	12,810	14.5	17,200	14.7	74.5
Profit attributable to owners of parent	9,092	10.3	12,100	10.3	75.1

Progress rates of 3Q results to revised full-year forecast (Overseas)

Period	Overseas (Towa HD)				
	2021/03 3Q Results		Revised Full-year Forecast 2021/03 (As of February 12, 2021)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	26,928	100.0	36,000	100.0	74.8
COGS	19,599	72.8	25,500	70.8	76.9
SGA	7,114	26.4	10,100	28.1	70.4
Operating income	214	0.8	400	1.1	53.6
Ordinary income	235	0.9	300	0.8	78.6
Profit attributable to owners of parent	354	1.3	500	1.4	71.0

This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from the management's expectations and accordingly affect the Company's sales and profitability. Actual results may differ because of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.

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