

# Supplementary material on financial results for the year ended March 31, 2021

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**May 2021**

(Stock ticker number: 4553)

# Impact of and response to infection spread of COVID-19

Limited impact of COVID-19 to the business result of Towa Group in the fiscal year 2021/03

<b>Sales</b>	<p>&lt;Domestic&gt; 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>&lt;Overseas&gt; 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. With good result in 4Q, the negative impact on the entire Towa Group turned out to be minor for this fiscal year.</p>
<b>Product Supply</b>	<p>&lt;Domestic / overseas&gt; 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>
<b>R&amp;D</b>	<p>&lt;Domestic / overseas&gt; Launch schedule of new products remains unaffected so far though slight delays are observed in some of product development plans.</p>

Fiscal year 2021 of Towa Pharma International Holdings (Towa HD) begins January 1st to December 31st, 2020.  
(The same shall apply hereinafter)

# Outline of financial results for the year ended 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, in contrast with gain from revaluation in the previous year

Period	2021/03			2020/03		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	154,900	100.0	+ 40.3	110,384	100.0	+ 5.0
COGS	89,448	57.7	+ 49.7	59,738	54.1	+ 5.3
SGA	45,527	29.4	+ 32.0	34,503	31.3	+ 6.4
Operating income	19,923	12.9	+ 23.4	16,143	14.6	+ 1.1
Ordinary income	18,677	12.1	- 11.0	20,990	19.0	+ 11.3
Profit attributable to owners of parent	13,958	9.0	- 3.8	14,503	13.1	+ 7.6

FX rate (TTM) 1 USD	2021/03	2020/03	2019/03	FX Rate (TTM) 1 EUR	2021/03
	JPY 110.71	JPY 108.83	JPY 110.99		JPY 121.81

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

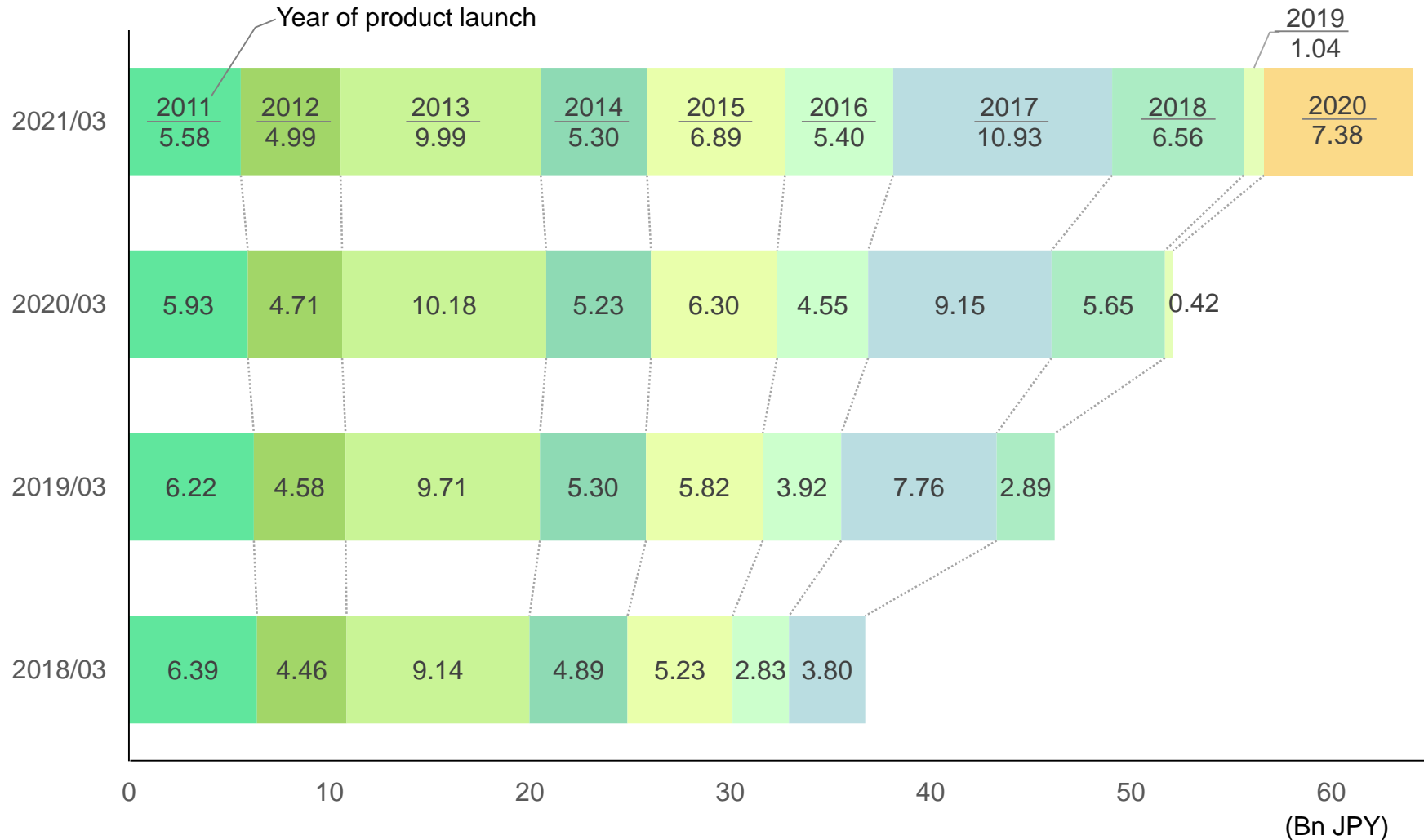
# Outline of financial results for the year ended March 31, 2021 (Domestic / Overseas)

- 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 than the previous year including Towa HD's goodwill amortization
- Ordinary income (domestic): Decreased due to loss from revaluation of currency swap

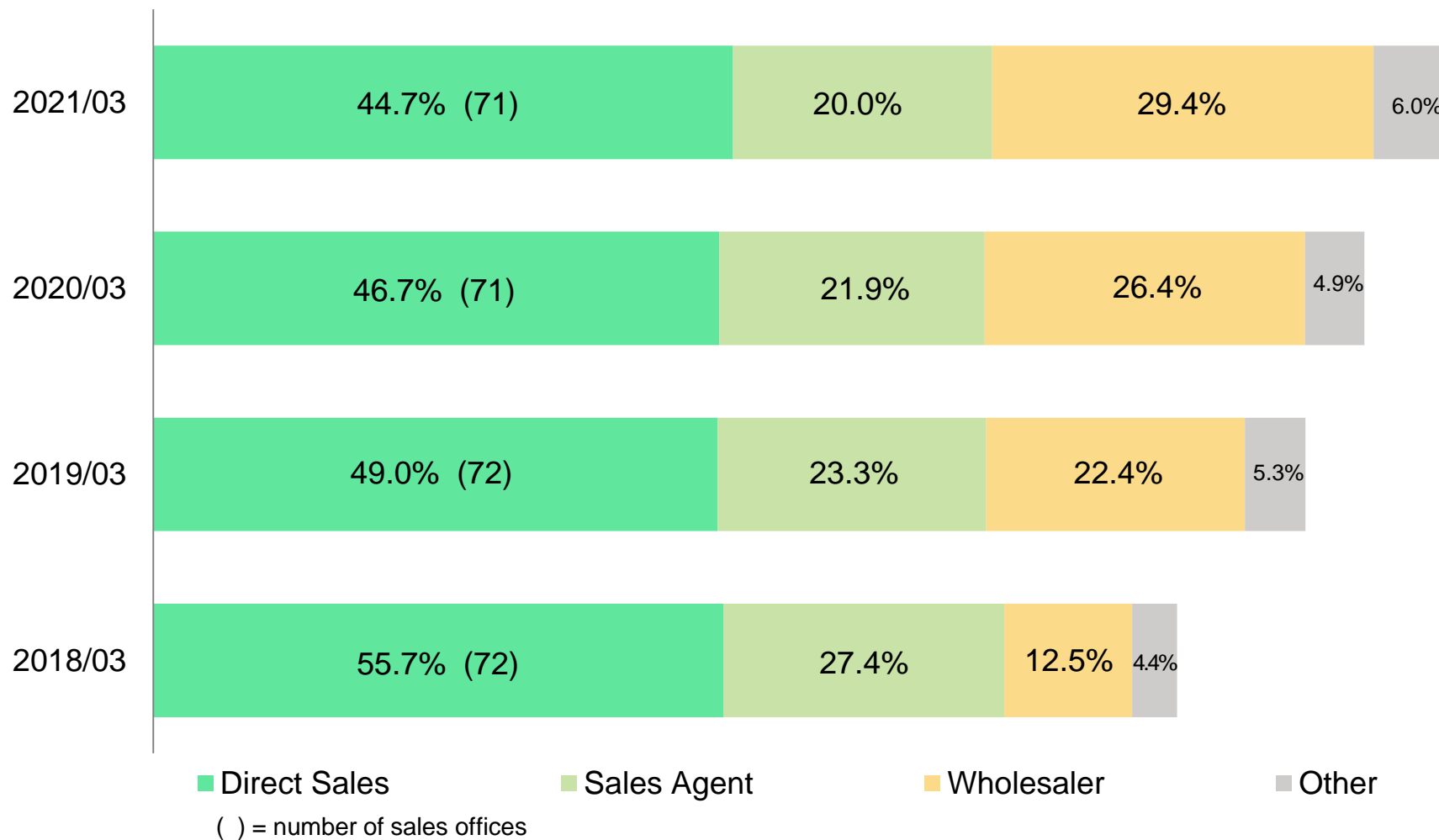
Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						Overseas (Towa HD)		
	2021/03			2020/03			2021/03		
	(JPY million)	Ratio to Sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	
Net sales	118,685	100.0	+ 7.5	110,384	100.0	+ 5.0	36,214	100.0	
COGS	63,575	53.6	+ 6.4	59,738	54.1	+ 5.3	25,873	71.4	
SGA	35,612	30.0	+ 3.2	34,503	31.3	+ 6.4	9,915	27.4	
Operating income	19,497	16.4	+ 20.8	16,143	14.6	+ 1.1	425	1.2	
Ordinary income	18,331	15.4	- 12.7	20,990	19.0	+ 11.3	346	1.0	
Profit attributable to owners of parent	13,265	11.2	- 8.5	14,503	13.1	+ 7.6	692	1.9	
FX rate (TTM) 1 USD	2021/03	2020/03	2019/03					FX Rate (TTM) 1 EUR	2021/03
	JPY 110.71	JPY 108.83	JPY 110.99						JPY 121.81

# 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					2020/03	
		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	7,408	89.2	10.7	+ 247	+ 2.0	7,162	11.2
DPC*	1,755	1,713	97.6	6.0	+ 37	+ 0.9	1,676	6.4
Clinics	ca. 104,200	29,404	28.2	14.5	+ 2,290	+ 0.6	27,114	15.5
Pharmacies	ca. 60,100	57,297	95.2	74.6	+ 1,587	+ 9.3	55,710	73.1
Total	ca. 172,700	94,109	54.4	100.0	+ 4,124	+ 7.1	89,985	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
- Personnel cost increases at Pharmacovigilance & Quality Assurance and Business Development Divisions

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2021/03			2020/03		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	14,939	12.6	+ 3.9	14,386	13.0	- 0.6
Advertisement	849	0.7	- 17.9	1,034	0.9	+ 52.9
Packing / freight	2,224	1.9	+ 2.2	2,177	2.0	+ 9.2
Commission paid	1,948	1.6	- 17.0	2,346	2.1	+ 61.6
R&D	9,083	7.7	+ 6.0	8,566	7.8	+ 8.2
Depreciation	969	0.8	- 1.1	980	0.9	- 7.9
Goodwill amortization	751	0.6	-	-	-	-
Other	4,845	4.1	- 3.3	5,011	4.5	+ 3.2
<b>Total</b>	<b>35,612</b>	<b>30.0</b>	<b>+ 3.2</b>	<b>34,503</b>	<b>31.3</b>	<b>+ 6.4</b>

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

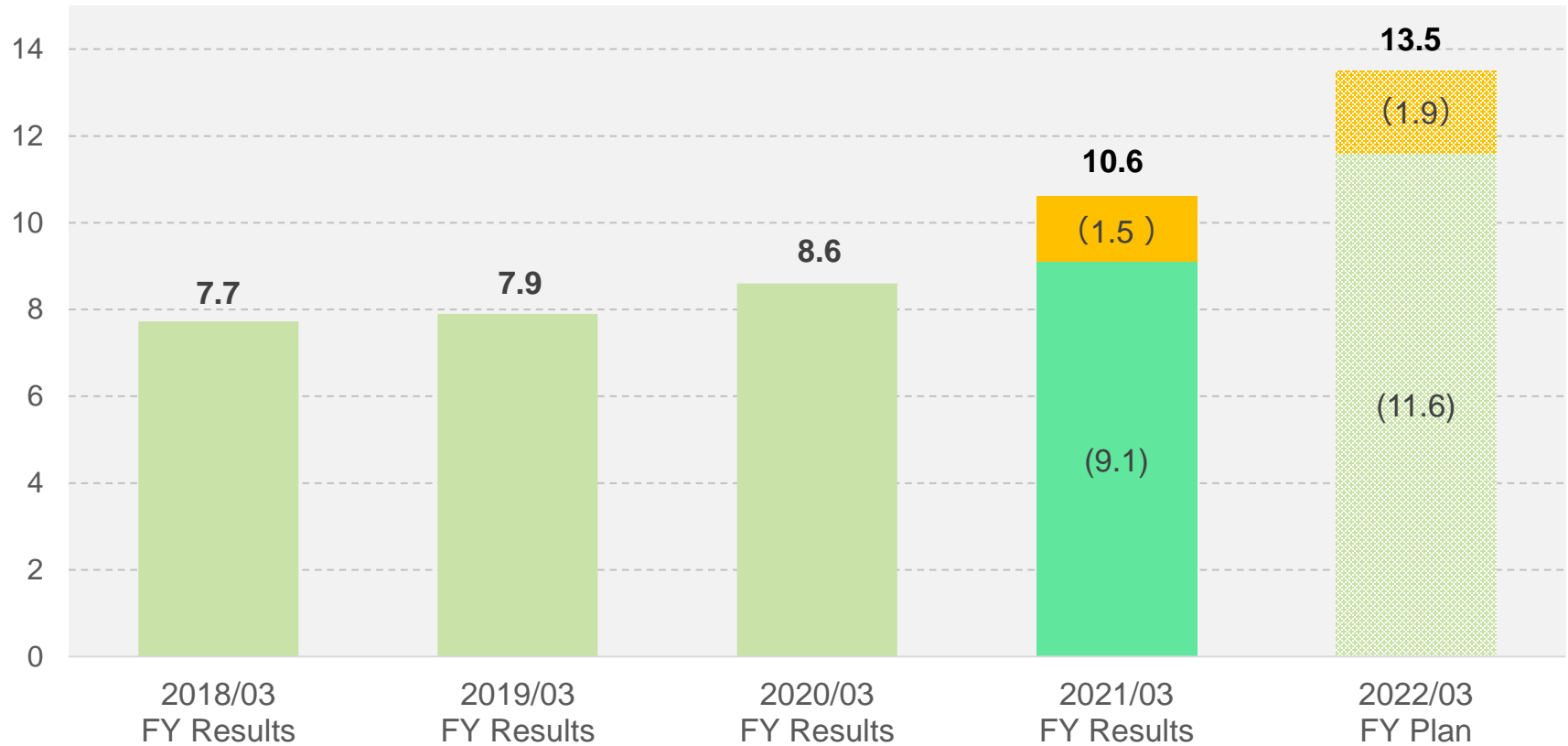
\* Depreciation not including the portion of R&D expenditures



# R&D expenditure (Consolidated)

- Full year R&D expenditure exceeded expectations due to product development in new areas and further increase anticipated for FY2022/03

(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 year ended March 31, 2021 (Consolidated)

- Ordinary income: Higher than planned due to gain from revaluation of currency swap

Period	2021/03				
	Full-year Results		Full-year Plan (announced on February 12)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Achievement rate (%)
Net sales	154,900	100.0	153,000	100.0	101.2
COGS	89,448	57.7	88,200	57.6	101.4
SGA	45,527	29.4	45,300	29.6	100.5
Operating income	19,923	12.9	19,500	12.7	102.2
Ordinary income	18,677	12.1	17,500	11.4	106.7
Profit attributable to owners of parent	13,958	9.0	12,600	8.2	110.8

# Outline of financial results for the year ended March 31, 2021 (Domestic)

- Ordinary income: Higher than planned due to gain from revaluation of currency swap

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2021/03 Full-year Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Achievement rate (%)
Net sales	118,685	100.0	117,000	100.0	101.4
COGS	63,575	53.6	62,700	53.6	101.4
SGA	35,612	30.0	35,200	30.1	101.2
Operating income	19,497	16.4	19,100	16.3	102.1
Ordinary income	18,331	15.4	17,200	14.7	106.6
Profit attributable to owners of parent	13,265	11.2	12,100	10.3	109.6

# Outline of financial results for the year ended March 31, 2021 (Overseas)

Period	Overseas (Towa HD)				
	2021/03 Full-year Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Achievement rate (%)
Net sales	36,214	100.0	36,000	100.0	100.6
COGS	25,873	71.4	25,500	70.8	101.5
SGA	9,915	27.4	10,100	28.1	98.2
Operating income	425	1.2	400	1.1	106.4
Ordinary income	346	1.0	300	0.8	115.4
Profit attributable to owners of parent	692	1.9	500	1.4	138.4

# Outline of financial results for the year ended March 31, 2021 (Overseas by region)

Period	Towa HD / Europe					Towa HD / US				
	2021/03 Full-year Results		2021/03 Full-year Plan			2021/03 Full-year Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Achievement rate (%)	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Achievement rate (%)
Net sales	18,231	100.0	18,000	100.0	101.3	17,982	100.0	18,000	100.0	99.9
COGS	11,732	64.4	11,400	63.3	102.9	14,140	78.6	14,100	78.3	100.3
SGA	6,773	37.2	7,000	38.9	96.8	3,142	17.5	3,100	17.2	101.4
Operating income	-273	-1.5	-400	-2.2	-	699	3.9	800	4.4	87.5

FX Rate (TTM) 1 EUR	2021/03 Planned Rate	2021/03 Average Rate
		JPY 125.00

\* Breakdown of overseas business plans announced on February 12, 2021

# Balance sheet (Consolidated)

(Unit: JPY million)

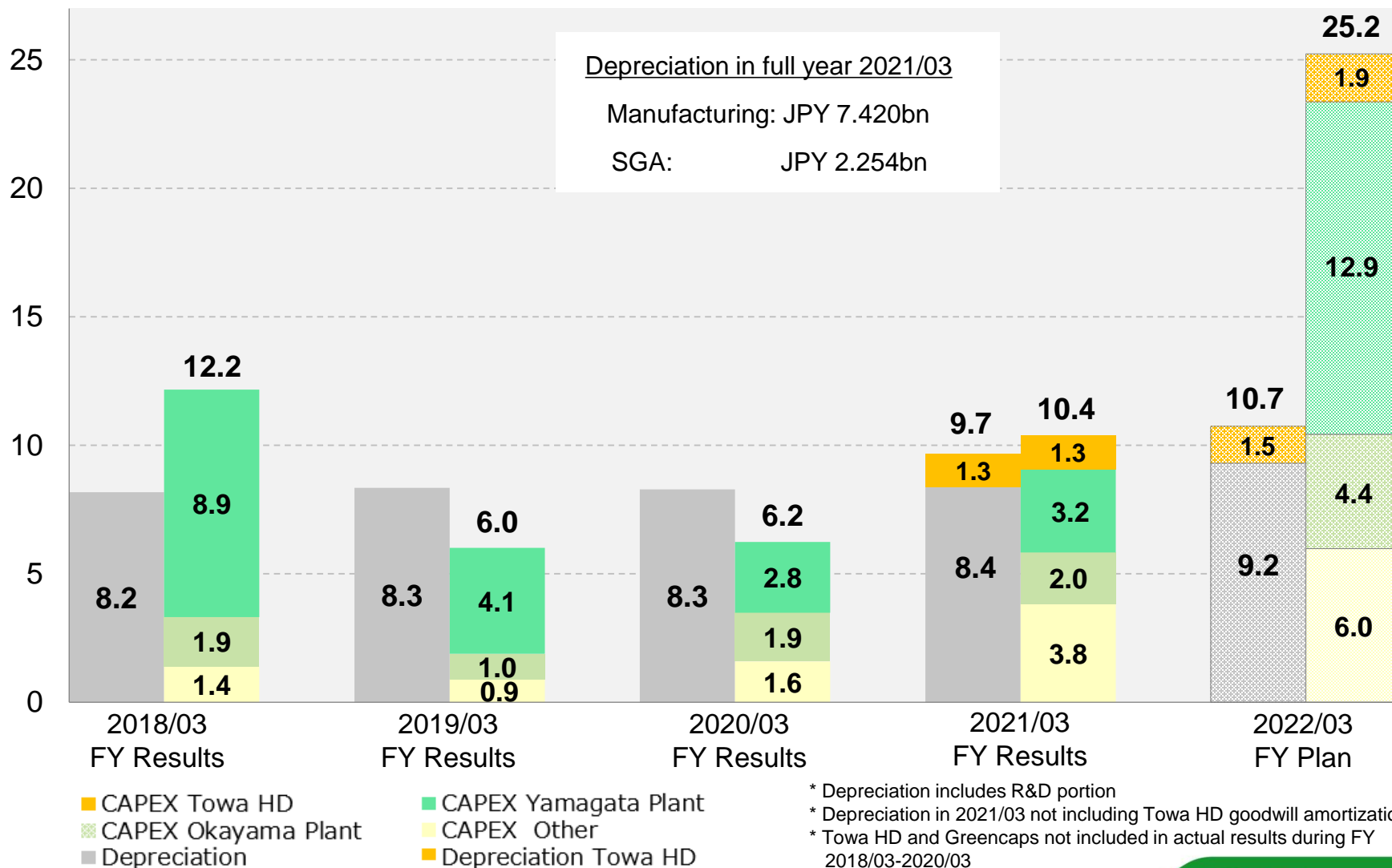
Item	2020/12	2020/03	Changes	Item	2020/12	2020/03	Changes
Cash and deposits	22,915	18,713	+ 4,201	Trade notes and accounts payable	10,000	9,585	+ 415
Trade notes and accounts receivable	38,122	35,191	+ 2,930	Electronically recorded obligations-operating	13,168	11,147	+ 2,021
Electronically recorded monetary claims	7,694	6,401	+ 1,292	Short-term debt	1,111	21,368	- 20,257
Finished goods	30,083	24,659	+ 5,424	Current portion of long-term debt	7,181	6,767	+ 414
Other current assets	38,474	36,559	+ 1,915	Facilities notes and accounts payable	4,244	3,701	+ 542
<b>Total current assets</b>	<b>137,290</b>	<b>121,525</b>	<b>+ 15,764</b>	Other current liabilities	15,809	17,594	- 1,784
Buildings and structures	49,093	48,560	+ 533	<b>Total current liabilities</b>	<b>51,516</b>	<b>70,164</b>	<b>- 18,647</b>
Machineries, equipment and carriers	12,628	13,033	- 405	Convertible bond	4,153	15,024	- 10,870
Construction in progress	8,769	4,936	+ 3,832	Long-term debt	69,945	36,640	+ 33,305
Goodwill	7,050	7,622	- 572	Other long-term liabilities	3,452	3,522	- 69
Other fixed assets	30,837	34,338	- 3,501	<b>Total long-term liabilities</b>	<b>77,552</b>	<b>55,187</b>	<b>+ 22,365</b>
<b>Total fixed assets</b>	<b>108,378</b>	<b>108,491</b>	<b>- 112</b>	<b>Total liabilities</b>	<b>129,069</b>	<b>125,351</b>	<b>+ 3,717</b>
<b>Total assets</b>	<b>245,668</b>	<b>230,016</b>	<b>+ 15,651</b>	<b>Total net assets</b>	<b>116,599</b>	<b>104,665</b>	<b>+ 11,934</b>
<b>Period-end Rate (TTM) 1 EUR</b>	2020/12	2019/12		<b>Total liabilities and assets</b>	<b>245,668</b>	<b>230,016</b>	<b>+ 15,651</b>
	JPY	JPY					
	126.95	122.54					

\* FX rate as of end of December 2020 shown here in light of Towa HD fiscal year that began January 1 and ended December 31, 2020

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

# Capital expenditure and depreciation (Consolidated)

(Bn JPY) ● Lower than expected in FY2021/03 due to a review of capital investment policy on further enhancement of production capacity in and after FY2022/03



# FY2022 full-year Plan

(Consolidated)

- Sales: Increase due to favorable sales development of the recently launched domestic products as well as newly launched products in the U.S.
- Operating income: Increase overseas due to the improvement in COGS ratio to sales while decrease domestically due to worsening COGS ratio to sales attributable to NHI drug price revision and higher SGA than the previous year
- Ordinary income: Gain/loss from revaluation of currency swap and impact of FX fluctuations excluded in light of uncertainty

Period	2022/03 Full-year Plan			2021/03 Full-year Results		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	165,000	100.0	+ 6.5	154,900	100.0	+ 40.3
COGS	95,300	57.8	+ 6.5	89,448	57.7	+ 49.7
SGA	52,300	31.7	+ 14.9	45,527	29.4	+ 32.0
Operating income	17,400	10.5	- 12.7	19,923	12.9	+ 23.4
Ordinary income	17,600	10.7	- 5.8	18,677	12.1	- 11.0
Profit attributable to owners of parent	12,000	7.3	- 14.0	13,958	9.0	- 3.8



# FY2022 full-year Plan

(Domestic)

- Sales: Increase due to favorable sales development of the recently launched domestic products despite the negative impact of NHI drug price revision
- Operating income: Decrease due to higher COGS ratio to sales than the previous year due to the impact of the NHI drug price revision (+1.6 percentage points YoY) and increase in SGA such as R&D expenditure and personnel costs
- Ordinary income: Gain/loss from revaluation of currency swap and impact of FX fluctuations excluded in light of uncertainty

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2022/03 Full-year Plan			2021/03 Full-year Results		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	127,800	100.0	+ 7.7	118,685	100.0	+ 7.5
COGS	70,500	55.2	+ 10.9	63,575	53.6	+ 6.4
SGA	41,200	32.2	+ 15.7	35,612	30.0	+ 3.2
Operating income	16,100	12.6	- 17.4	19,497	16.4	+ 20.8
Ordinary income	16,300	12.8	- 11.1	18,331	15.4	- 12.7
Profit attributable to owners of parent	11,300	8.8	- 14.8	13,265	11.2	- 8.5

# FY2022 full-year Plan

## (Overseas)

- Sales: Increase due to the contribution by newly launched products in the U.S.
- Operating income: Increase due to a significant improvement in COGS ratio to sales despite higher than SGA than the previous year

Period	Overseas (Towa HD)				
	2022/03 Full-year Plan			2021/03 Full-year Results	
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)
Net sales	37,200	100.0	+ 2.7	36,214	100.0
COGS	24,800	66.7	- 4.1	25,873	71.4
SGA	11,100	29.8	+ 11.9	9,915	27.4
Operating income	1,300	3.5	+ 205.3	425	1.2
Ordinary income	1,300	3.5	+ 275.6	346	1.0
Profit attributable to owners of parent	700	1.9	+ 1.1	692	1.9

# FY2022 full-year Plan

(Overseas by region)

Period	Towa HD / Europe					Towa HD / US				
	2022/03 Full-year Plan			2021/03 Full-year Results		2022/03 Full-year Plan			2021/03 Full-year Results	
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)
Net sales	18,300	100.0	+ 0.4	18,231	100.0	18,900	100.0	+ 5.1	17,982	100.0
COGS	11,400	62.3	- 2.8	11,732	64.4	13,400	70.9	- 5.2	14,140	78.6
SGA	7,850	42.9	+ 15.9	6,773	37.2	3,250	17.2	+ 3.4	3,142	17.5
Operating income	-950	- 5.2	+ 246.9	-273	-1.5	2,250	11.9	+ 221.6	699	3.9

FX Rate (TTM)	FY2022/03 Planned Rate	FY2021/03 Average Rate
1 EUR	JPY 125.00	JPY 121.81

FX Rate (TTM)	FY2022/03 Planned Rate	FY2021/03 Average Rate
1 USD	JPY 105.00	JPY 106.82

# New product launches in June 2021

- Sales of ca. JPY 3.57 billion expected for the first year after launches of 18 products of 6 ingredients shown below

Therapeutic Category	Product Name	Branded or Reference Product
Serotonin-noradrenaline reuptake inhibitor	DULOXETINE TABLETS 20mg / 30mg "TOWA"	Cymbalta Capsules 20mg / 30mg (different dosage form)
	DULOXETINE CAPSULES 20mg / 30mg "TOWA"	Cymbalta Capsules 20mg / 30mg
Long acting AT <sub>1</sub> receptor blocker / Long acting Ca antagonist combination agent	ZiIMlo COMBINATION OD TABLETS LD "TOWA" COMBINATION OD TABLETS HD "TOWA"	ZACRAS Combination Tablets LD / HD (different dosage form)
	ZiIMlo COMBINATION TABLETS LD "TOWA" COMBINATION TABLETS HD "TOWA"	ZACRAS Combination Tablets LD / HD
Therapeutic agent for overactive bladder	SOLIFENACIN SUCCINATE OD TABLETS 2.5mg / 5mg "TOWA"	VesicareOD Tablets 2.5mg / 5mg
	SOLIFENACIN SUCCINATE TABLETS 2.5mg / 5mg "TOWA"	VesicareOD Tablets 2.5mg / 5mg
Anti-allergy ophthalmic solution	EPINASTINE HYDROCHLORIDE OPHTHALMIC SOLUTION 0.05% "TOWA"	ALESION Ophthalmic Solution 0.05%
Therapeutic agent for insomnia	ESZOPICLONE TABLETS 1mg / 2mg / 3mg "TOWA"	Lunesta Tablets 1mg / 2mg / 3mg
Antimetabolite antineoplastic agent	PEMETREXED INTRAVENOUS INFUSION 100mg / 500mg "TOWA"	Alimta Injection 100mg / 500mg (different dosage form)

\* Manufacturing approval was granted to FUJIFILM Toyama Chemical Co., Ltd.  
The product will be marketed after the expiration of the patent (No. 5102928 and No. 5469706).

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.

## Contact

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Public Relations and Investor Relations Office

Towa Pharmaceutical Co., Ltd.

[ir@towayakuhin.co.jp](mailto:ir@towayakuhin.co.jp)

Phone: +81-6-6900-9102

Fax: +81-6-7177-4960