

Supplementary material on financial results for the second quarter of the year ending March 31, 2022

November 2021

(Stock ticker number: 4553)

Outline of financial results for the second quarter of the year ending March 31, 2022 (Consolidated)

- Sales: Increased with larger shipments than the previous year by responding to the demands for stable supply to the domestic market
- Operating profit: Increased with higher gross profit than previous year driven by sales increase, overcompensating higher selling, general and administrative expenses
- Ordinary profit: Increased in line with higher operating profit, plus the gain on valuation of derivatives

Period	2022/03 Q2			2021/03 Q2				
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)		
Net sales	82,254	100.0	+ 10.2	74,640	100.0	+ 34.9		
Cost of sales	46,876	57.0	+ 7.0	43,807	58.7	+ 49.9		
Selling, general and administrative expenses	25,066	30.5	+ 14.3	21,921	29.4	+ 29.6		
Operating profit	10,312	12.5	+ 15.7	8,911	11.9	- 3.3		
Ordinary profit	13,008	15.8	+ 46.9	8,856	11.9	- 9.1		
Profit attributable to owners of parent	9,242	11.2	+ 44.8	6,382	8.6	- 9.7		
Period-end Rate (TTM) 1 USD	2021/09		2021/03		2020/09		2020/03	
	JPY 111.92		JPY 110.71		JPY 105.80		JPY 108.83	

* PPA impacts retrospectively adjusted for the results of 2021/03 Q2

* 2022/03 Q2 and 2021/03 Q2 figures of Towa Pharma International Holdings (hereinafter referred to as Towa HD) representing financial results during January-June 2021 and January-June 2020 respectively

Outline of financial results for the second quarter of the year ending March 31, 2022 (Domestic)

- Sales: Increased with larger shipments than the previous year by responding to the demands for stable supply to the market, despite negative impact by NHI drug price revision
- Operating profit: Increased with higher gross profit than the previous year driven by sales increase and limited increase in cost of sales ratio caused by NHI drug price revision through efficiency improvement and more favorable sales-mix, overcompensating higher selling, general and administrative expenses
- Ordinary profit: Increased in line with operating profit, plus the gain on valuation of derivatives

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2022/03 Q2			2021/03 Q2		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	63,984	100.0	+ 14.4	55,917	100.0	+ 1.0
Cost of sales	34,831	54.4	+ 15.1	30,260	54.1	+ 3.6
Selling, general and administrative expenses	19,115	29.9	+ 12.5	16,990	30.4	+ 0.5
Operating profit	10,037	15.7	+ 15.8	8,666	15.5	- 6.0
Ordinary profit	12,469	19.5	+ 45.6	8,566	15.3	- 12.0
Profit attributable to owners of parent	8,855	13.8	+ 46.5	6,042	10.8	- 14.5

Outline of financial results for the second quarter of the year ending March 31, 2022 (Overseas)

- Sales: Decreased mainly due to channel inventory adjustments attributable to the change of third-party logistic companies in the US
- Operating profit: Increased with higher gross profit than the previous year driven by lower cost of sales ratio thanks to elimination of PPA inventory step-ups impact generated at both EU and the US in the previous fiscal year and improvement in sales-mix, overcompensating the increases in personnel and IT costs related to the setup of stand-alone organization and R&D project costs

Period	Overseas (Towa HD)				
	2022/03 Q2			2021/03 Q2	
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)
Net sales	18,270	100.0	- 2.4	18,722	100.0
Cost of sales	12,044	65.9	- 11.1	13,547	72.4
Selling, general and administrative expenses	5,950	32.6	+ 20.7	4,930	26.3
Operating profit	274	1.5	+ 12.2	244	1.3
Ordinary profit	539	3.0	+ 86.3	289	1.5
Profit attributable to owners of parent	386	2.1	+ 14.0	339	1.8
FX Rate (TTM) 1 EUR	2022/03 Q2	2021/03 Q2			
	JPY 129.82	JPY 119.30			

* PPA impacts retrospectively adjusted for the results of 2021/03 Q2

* 2022/03 Q2 and 2021/03 Q2 figures of Towa HD representing financial results during January-June 2021 and January-June 2020 respectively

Outline of financial results for the second quarter of the year ending March 31, 2022 (Overseas by region)

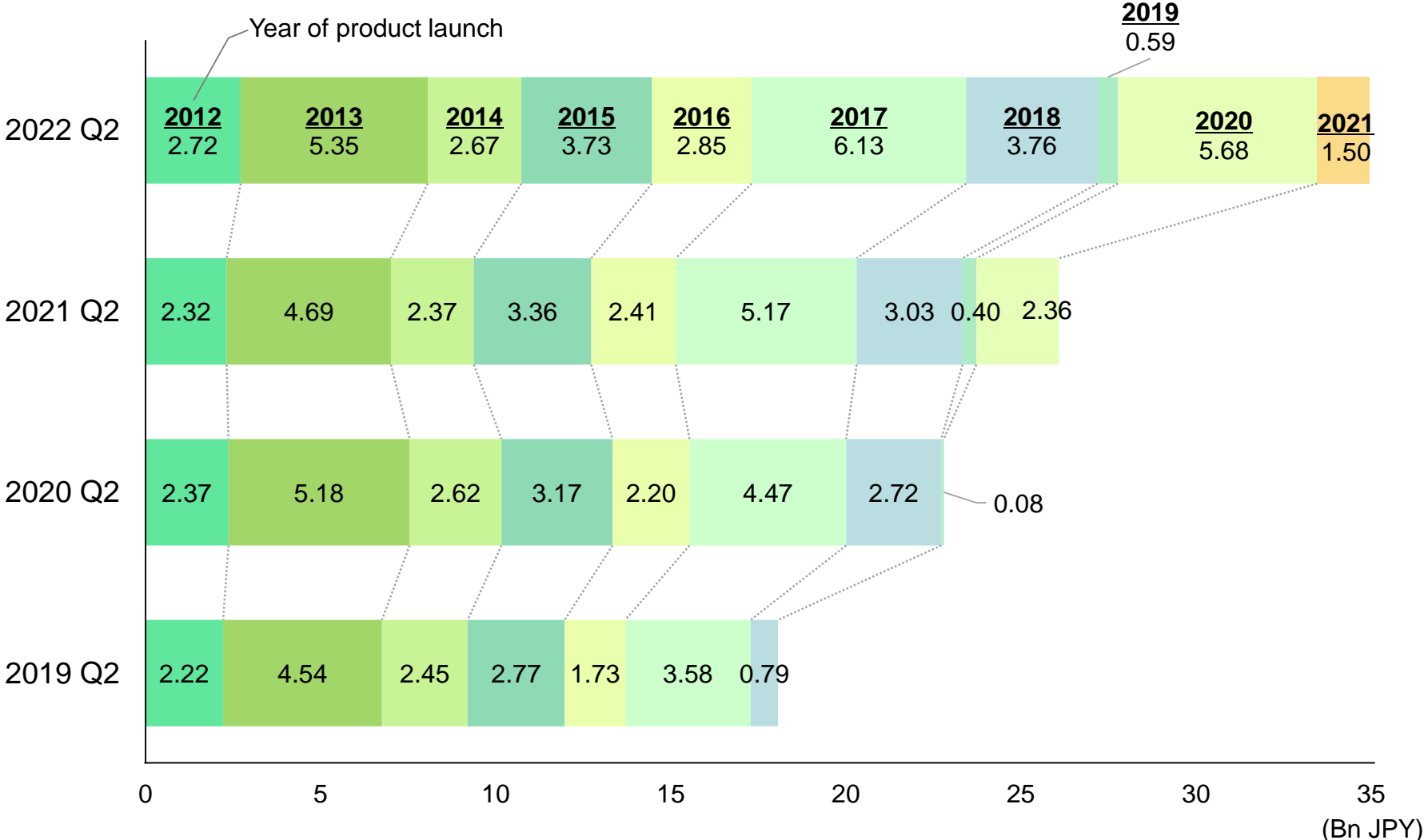
Period	Towa HD / EU					Towa HD / US				
	2022/03 Q2			2021/03 Q2		2022/03 Q2			2021/03 Q2	
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	YoY Changes (%)	(JPY million)	Ratio to sales (%)
Net sales	9,587	100.0	+ 0.5	9,539	100.0	8,683	100.0	- 5.4	9,183	100.0
Cost of sales	5,779	60.3	- 6.7	6,193	64.9	6,265	72.2	- 14.8	7,353	80.1
Selling, general and administrative expenses	4,358	45.5	+ 32.6	3,286	34.4	1,591	18.3	- 3.2	1,644	17.9
Operating profit	- 551	- 5.8	-	60	0.6	826	9.5	+ 347.0	184	2.0
FX Rate (TTM) 1 EUR	2022/03 Q2			2021/03 Q2						
	JPY 129.82			JPY 119.30						

* PPA impacts retrospectively adjusted for the results of 2021/03 Q2

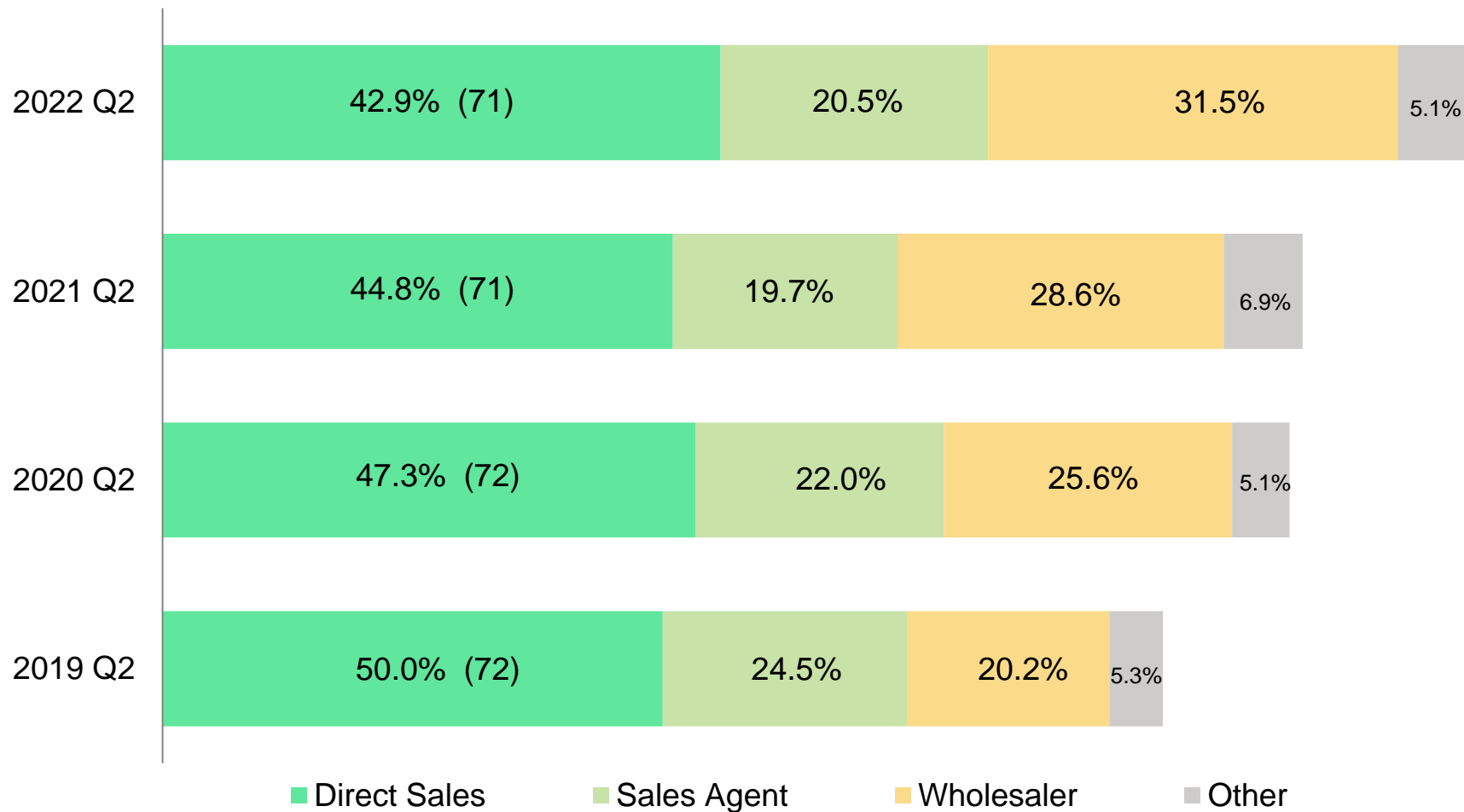
* 2022/03 Q2 and 2021/03 Q2 figures of Towa HD representing financial results during January-June 2021 and January-June 2020 respectively

Sales by year of recent launches (Towa only)

● Sales of recently launched products developed well



Sales share by distribution channel (Towa only)



() = number of sales offices

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	2022/03 Q2					2021/03 Q2	
		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	7,463	90.2	10.5	+ 104	+ 8.1	7,359	11.1
DPC*	1,755	1,718	97.9	6.0	+ 9	+ 10.3	1,709	6.3
Clinics	ca. 104,600	29,961	28.6	13.8	+ 1,359	+ 9.4	28,602	14.9
Pharmacies	ca. 60,600	58,010	95.8	75.6	+ 1,255	+ 15.9	56,755	73.8
Total	ca. 173,500	95,434	55.0	100.0	+ 2,718	+ 14.1	92,716	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

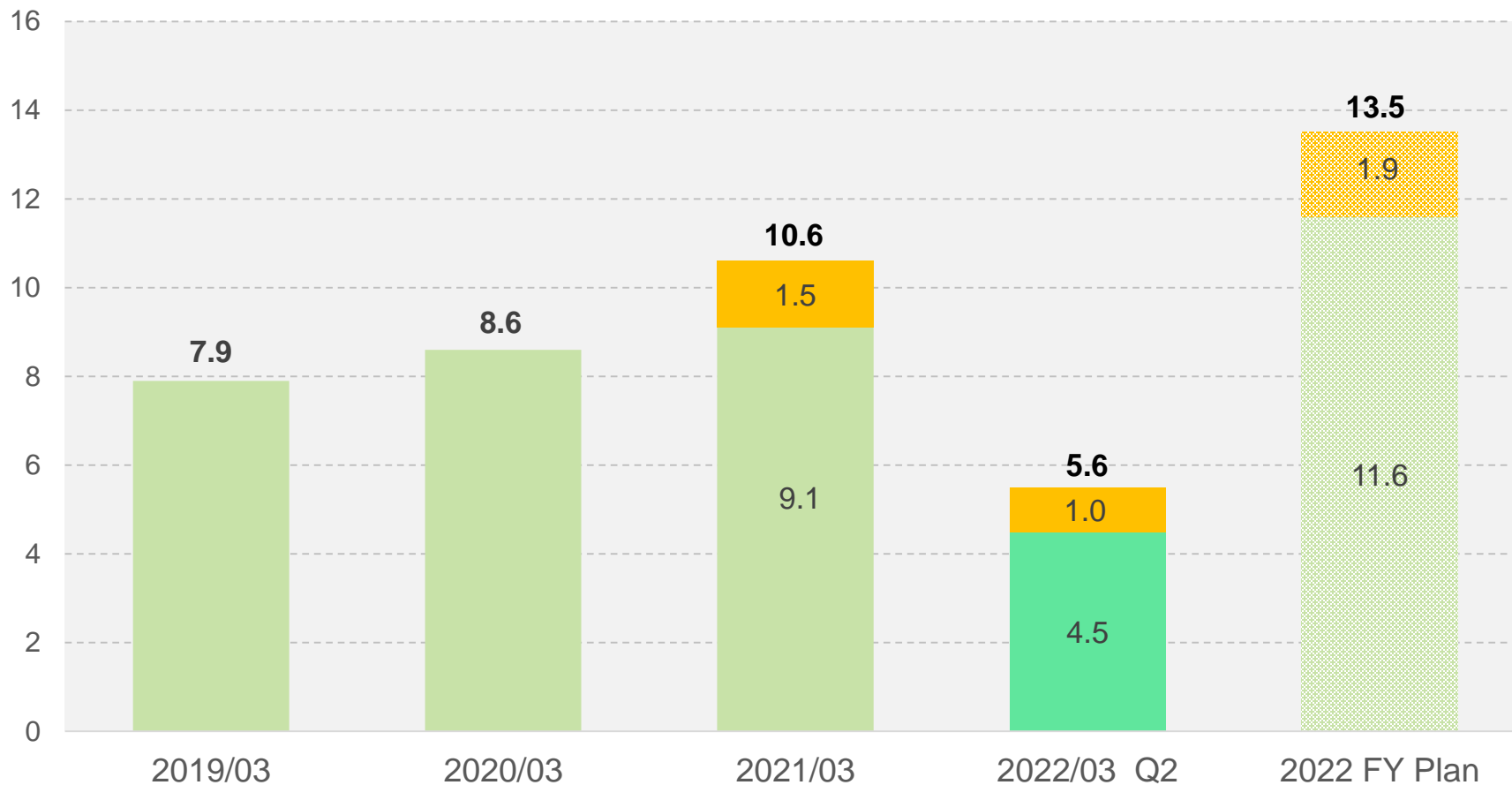
Selling, general and administrative expenses (Domestic)

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2022/03 Q2			2021/03 Q2		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	7,935	12.4	+ 6.3	7,465	13.4	+ 3.6
Advertisement	719	1.1	+ 146.2	292	0.5	- 21.8
Packing / freight	1,187	1.9	+ 8.9	1,090	2.0	+ 0.4
Commission paid	1,137	1.8	+ 20.6	942	1.7	+ 2.7
R&D	4,571	7.1	+ 18.7	3,851	6.9	- 11.4
Depreciation	530	0.8	+ 11.6	475	0.8	- 1.8
Goodwill amortization	400	0.6	+ 8.0	371	0.7	-
Other	2,633	4.1	+ 5.2	2,501	4.5	+ 0.2
Total	19,115	29.9	+ 12.5	16,990	30.4	+ 0.5

* PPA impacts retrospectively adjusted for the results of 2021/03 Q2

R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

* Greencaps and Towa HD not included during the period of FY 2019/03 and 2020/3

Outline of financial results for the second quarter of the year ending March 31, 2022 - Progress rate (Consolidated)

- Sales: Q2 plan overachieved with larger shipments than planned by responding to the demands for stable supply to the domestic market
- Operating profit: Q2 plan overachieved with higher gross profit and less selling, general and administrative expenses than planned in the domestic market
- Ordinary profit: Q2 plan overachieved due to the increase in operating profit, plus the gain on valuation of derivatives

Period	2022/03							
	Q2 Results		Q2 Plan (as of May 14)			Full-year Plan (as of May 14)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	82,254	100.0	80,550	100.0	102.1	165,000	100.0	49.9
Cost of sales	46,876	57.0	46,500	57.7	100.8	95,300	57.8	49.2
Selling, general and administrative expenses	25,066	30.5	25,640	31.8	97.8	52,300	31.7	47.9
Operating profit	10,312	12.5	8,410	10.4	122.6	17,400	10.5	59.3
Ordinary profit	13,008	15.8	8,490	10.5	153.2	17,600	10.7	73.9
Profit attributable to owners of parent	9,242	11.2	5,800	7.2	159.3	12,000	7.3	77.0

* 2022/03 Q2 figures of Towa HD representing financial results during January-June 2021

Outline of financial results for the second quarter of the year ending March 31, 2022 - Progress rate (Domestic)

- Sales: Better than planned with larger shipments by responding to the demands for stable supply to the domestic market
- Operating profit: Better than planned with higher gross profit due to higher sales, lower cost of sales ratio through efficiency improvement, and less selling, general and administrative expenses than planned
- Ordinary profit: Better than planned due to the increase in operating profit, plus the gain on valuation of derivatives

Period	Domestic (Towa, J-Dolph , Daichi Kasei and Greencaps)				
	2022/03 Q2 Results		2022/03 Full-year Plan (as of May 14)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	63,984	100.0	127,800	100.0	50.1
Cost of sales	34,831	54.4	70,500	55.2	49.4
Selling, general and administrative expenses	19,115	29.9	41,200	32.2	46.4
Operating profit	10,037	15.7	16,100	12.6	62.3
Ordinary profit	12,469	19.5	16,300	12.8	76.5
Profit attributable to owners of parent	8,855	13.8	11,300	8.8	78.4

Outline of financial results for the second quarter of the year ending March 31, 2022 - Progress rate (Overseas)

- Sales and operating profit: Overseas full-year plan left unchanged as a result of the review of the second half-year plan

Period	Overseas (Towa HD)				
	2022/03 Q2 Results		2022/03 Full-year Plan (as of May 14)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	18,270	100.0	37,200	100.0	49.1
Cost of sales	12,044	65.9	24,800	66.7	48.6
Selling, general and administrative expenses	5,950	32.6	11,100	29.8	53.6
Operating profit	274	1.5	1,300	3.5	21.1
Ordinary profit	539	3.0	1,300	3.5	41.5
Profit attributable to owners of parent	386	2.1	700	1.9	55.3

FX Rate (TTM)	2022/03 Q2	2022/03 FY Assump.
1 EUR	JPY 129.82	JPY 125.00

* 2022/03 Q2 figures of Towa HD representing financial results during January-June 2021

Outline of financial results for the second quarter of the year ending March 31, 2022 - Progress rate (Overseas by region)

- Sales: The US so far slightly falling short of expectations due to channel inventory adjustments driven by the change of third-party logistic companies and API shortages of certain products
- Operating profit: Europe with less deficit due to lower selling, general and administrative expenses than planned

Period	Towa HD / EU					Towa HD / US				
	2022/03 Q2 Results		2022/03 Full-year Plan (as of May 14)			2022/03 Q2 Results		2022/03 Full-year Plan (as of May 14)		
	(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	9,587	100.0	18,300	100.0	52.4	8,683	100.0	18,900	100.0	45.9
Cost of sales	5,779	60.3	11,400	62.3	50.7	6,265	72.2	13,400	70.9	46.8
Selling, general and administrative expenses	4,358	45.5	7,850	42.9	55.5	1,591	18.3	3,250	17.2	49.0
Operating profit	- 551	- 5.8	- 950	- 5.2	-	826	9.5	2,250	11.9	36.7

FX Rate (TTM) 1 EUR	2022/03 Q2	2022/03 FY Assump.
	JPY 129.82	JPY 125.00

* 2022/03 Q2 figures of Towa HD representing financial results during January-June 2021

Balance sheet (Consolidated)

(Unit: JPY million)

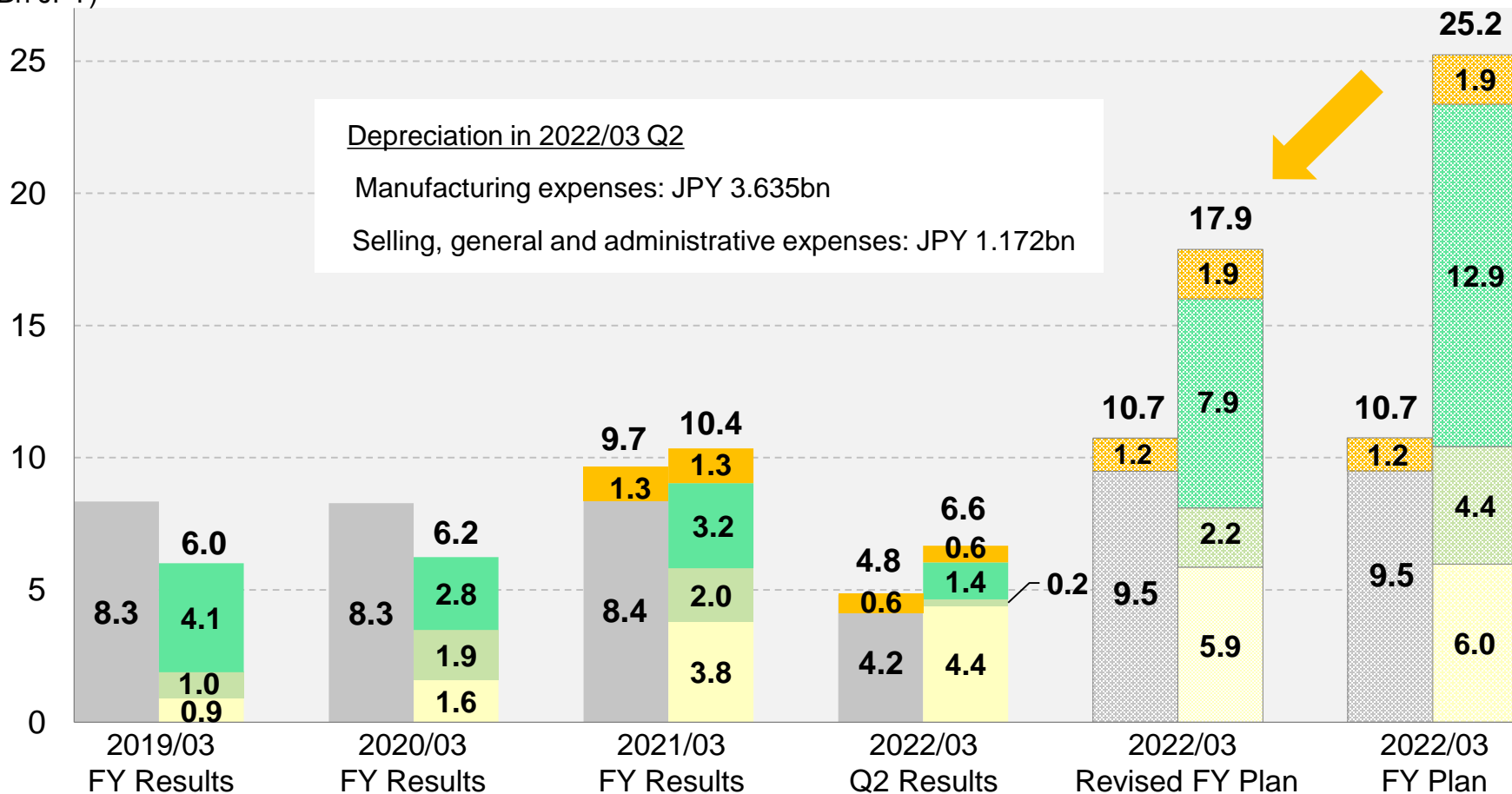
Item	2021/09	2021/03	Changes	Item	2021/09	2021/03	Changes
Cash and deposits	24,389	22,915	+ 1,473	Notes and accounts payable - trade	10,786	10,000	+ 786
Notes and accounts receivable - trade	37,071	38,122	- 1,050	Electronically recorded obligations - operating	13,389	13,168	+ 220
Electronically recorded monetary claims - operating	7,922	7,694	+ 228	Short-term borrowings	1,300	1,111	+ 188
Merchandise and finished goods	30,052	30,083	- 31	Bonds with share acquisition rights - due within one year	4,152	-	+ 4,152
Other inventories	32,743	30,868	+ 1,874	Current portion of long-term borrowings	7,978	7,181	+ 796
Other	9,369	7,605	+ 1,763	Facilities notes and accounts payable	2,303	4,244	- 1,941
Total current assets	141,548	137,290	+ 4,258	Other	16,838	15,809	+ 1,028
Buildings and structures, net	47,884	49,093	- 1,209	Total current liabilities	56,748	51,516	+ 5,231
Machinery, equipment and vehicles, net	12,645	12,628	+ 17	Bonds with share acquisition rights	-	4,153	- 4,153
Construction in progress	8,633	8,769	- 135	Non-current liabilities	66,247	69,945	- 3,698
Goodwill	6,901	7,050	- 148	Other	3,500	3,452	+ 47
Other	35,292	30,837	+ 4,455	Total non-current liabilities	69,747	77,552	- 7,805
Total non-current assets	111,357	108,378	+ 2,978	Total liabilities	126,495	129,069	- 2,573
Total assets	252,906	245,668	+ 7,237	Total net assets	126,410	116,599	+ 9,810
Period-end Rate (TTM)	2021/06	2020/12		Total liabilities and net assets	252,906	245,668	+ 7,237
1 EUR	JPY 131.58	JPY 126.95					

* 2022/03 Q2 figures of Towa HD representing financial results during January-June 2021

Capital expenditure and depreciation (Consolidated)

- Full-year investment plan revised downward in light of the changes of payment schedule after scrutiny
- Schedule on manufacturing investment remaining unchanged for responding to demands for stable supply

(Bn JPY)



Depreciation in 2022/03 Q2
 Manufacturing expenses: JPY 3.635bn
 Selling, general and administrative expenses: JPY 1.172bn

- CAPEX Towa HD
- CAPEX Yamagata Plant
- CAPEX Okayama Plant
- CAPEX Other
- Depreciation
- Depreciation Towa HD

* Depreciation includes R&D portion
 * Depreciation in FY 2021/03 or 2022/03 not including Towa HD goodwill amortization
 * Towa HD and Greencaps not included in actual results during FY 2019/03-2020/03

Revised forecast for the full year ending March 2022

(Consolidated)

In the "Notice on Revision of Performance Forecast" published on October 26, we stated that "For the second half of the fiscal year, October 1, 2021 to March 31, 2022 (...), we will leave our original forecast unchanged as announced on May 14 given the uncertain environment surrounding us." As a result of a further scrutiny, however, we have decided to revise our full-year plan only for the domestic business and leave that for overseas business unchanged.

Period	2022/03 Full Year						
	Revised Full-year Forecast 2022/03 (As of October 26, 2021)				Original Full-year Plan (As of May 14, 2021)		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	Changes vs. original plan (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	166,700	100.0	+ 7.6	+ 1.0	165,000	100.0	+ 6.5
Cost of sales	95,680	57.4	+ 7.0	+ 0.4	95,300	57.8	+ 6.5
Selling, general and administrative expenses	51,720	31.0	+ 13.6	- 1.1	52,300	31.7	+ 14.9
Operating profit	19,300	11.6	- 3.1	+ 10.9	17,400	10.5	- 12.7
Ordinary profit	22,110	13.3	+ 18.4	+ 25.6	17,600	10.7	- 5.8
Profit attributable to owners of parent	15,440	9.3	+ 10.6	+ 28.7	12,000	7.3	- 14.0

Revised forecast for the full year ending March 2022

(Domestic)

- Sales: Revised upward with larger than the previous year shipments by responding to the demands for stable supply to the domestic market
- Operating profit: Revised upward in light of higher sales / gross profit and lower selling, general and administrative expenses such as R&D costs than originally planned
- Ordinary profit: Revised upward with expectations for continued gain on valuation of derivatives (JPY 2.2bn generated in the first half of FY 2022/03)

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						
	Revised Full-year Forecast 2022/03 (As of October 26, 2021)				Original Full-year Plan (As of May 14, 2021)		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	Changes vs. original plan (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Net sales	129,500	100.0	+ 9.1	+ 1.3	127,800	100.0	+ 7.7
Cost of sales	70,880	54.7	+ 11.5	+ 0.5	70,500	55.2	+ 10.9
Selling, general and administrative expenses	40,620	31.4	+ 14.1	- 1.4	41,200	32.2	+ 15.7
Operating profit	18,000	13.9	- 7.7	+ 11.8	16,100	12.6	- 17.4
Ordinary profit	20,810	16.1	+ 13.5	+ 27.7	16,300	12.8	- 11.1
Profit attributable to owners of parent	14,740	11.4	+ 11.1	+ 30.4	11,300	8.8	- 14.8

Progress rates of Q2 results to revised full-year forecast (Consolidated)

Period	2022/03				
	2022/03 Q2 Results		Revised Full-year Forecast 2022/03 (As of October 26, 2021)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	82,254	100.0	166,700	100.0	49.3
Cost of sales	46,876	57.0	95,680	57.4	49.0
Selling, general and administrative expenses	25,066	30.5	51,720	31.0	48.5
Operating profit	10,312	12.5	19,300	11.6	53.4
Ordinary profit	13,008	15.8	22,110	13.3	58.8
Profit attributable to owners of parent	9,242	11.2	15,440	9.3	59.9

Progress rates of Q2 results to revised full-year forecast (Domestic)

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2022/03 Q2 Results		Revised Full-year Forecast 2022/03 (As of October 26, 2021)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	63,984	100.0	129,500	100.0	49.4
Cost of sales	34,831	54.4	70,880	54.7	49.1
Selling, general and administrative expenses	19,115	29.9	40,620	31.4	47.1
Operating profit	10,037	15.7	18,000	13.9	55.8
Ordinary profit	12,469	19.5	20,810	16.1	59.9
Profit attributable to owners of parent	8,855	13.8	14,740	11.4	60.1

New product launches scheduled for December 2021 (Domestic)

- Sales of ca. JPY 740 million expected for the first moving year after launches of the 9 products shown below

Therapeutic Category	Product Name	Branded or Reference Product
Anti-epileptic drug	LEVETIRACETAM TABLETS 250mg / 500mg "TOWA"	E Keppra Tablets 250mg / 500mg
	LEVETIRACETAM DS 50% "TOWA"	E Keppra Dry syrup 50%
Anti-tumor agent (proteasome inhibitor)	BORTEZOMIB FOR INJECTION 2mg / 3mg "TOWA" *1	VELCADE Injection 3mg (different content)
Anti-allergy eye drops	OLOPATADINE OPHTHALMIC SOLUTION 0.1% "TOWA"	Patanol Ophthalmic Solution 0.1%
H ₂ receptor antagonist	FAMOTIDINE INJECTION 10mg / 20mg "TOWA" *2	Gaster Injection 10mg / 20mg
Thromboxane synthase inhibitor	OZAGREL SODIUM INJECTION 80mg SYRINGE "TOWA"	CATACLOT Injection 20mg / 40mg (different formulation / content / strength) XANBON S injection 20mg / 40mg (different formulation / content / strength)

*1 The product to be marketed after the expiration of the patent No. 4162491

*2 The product to be marketed after the expiration of the patent No. 3648531

Disclaimer

This presentation contains forward-looking statements related to our 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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