

# **Supplementary material on financial results for the third quarter of the year ending March 31, 2022**

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**February 2022**  
(Stock ticker number: 4553)

# Outline of financial results for the third 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 the previous year driven by sales increase, despite 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 Q3			2021/03 Q3		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	125,613	100.0	+ 9.0	115,251	100.0	+ 36.5
Cost of sales	71,847	57.2	+ 7.0	67,164	58.3	+ 48.3
Selling, general and administrative expenses	36,772	29.3	+ 10.4	33,300	28.9	+ 33.3
Operating profit	16,993	13.5	+ 14.9	14,786	12.8	+ 4.7
Ordinary profit	21,059	16.8	+ 61.4	13,045	11.3	- 15.5
Profit attributable to owners of parent	15,000	11.9	+ 58.8	9,447	8.2	- 13.9
Period-end Rate (TTM) 1 USD	2021/12		2021/03	2020/12		2020/03
	JPY 115.02		JPY 110.71	JPY 103.50		JPY 108.83

\* 2022/03 Q3 and 2021/03 Q3 figures of Towa Pharma International Holdings (hereinafter referred to as Towa HD) representing financial results during January-September 2021 and January-September 2020 respectively

# Outline of financial results for the third 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 sales, and better gross profit than the previous year driven by limited hike in cost of sales ratio caused by NHI drug price revision, due to improved plant utilization rate as well as more favorable sales-mix, despite 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 Q3			2021/03 Q3		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	97,773	100.0	+ 10.7	88,323	100.0	+ 4.6
Cost of sales	53,118	54.3	+ 11.7	47,564	53.9	+ 5.0
Selling, general and administrative expenses	28,291	28.9	+ 8.0	26,186	29.6	+ 4.8
Operating profit	16,363	16.7	+ 12.3	14,571	16.5	+ 3.2
Ordinary profit	20,256	20.7	+ 58.1	12,810	14.5	- 17.0
Profit attributable to owners of parent	14,328	14.7	+ 57.6	9,092	10.3	- 17.1

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

- Sales: Increased due to favorable FX development, despite negative impacts caused by channel inventory adjustments driven by the change of third-party logistic companies, and API shortages in the US
- Operating profit: Increased with higher gross profit than the previous year driven by lower cost of sales ratio thanks to the elimination of PPA inventory step-up impact generated at both EU and the US in the previous fiscal year and the improvement in sales-mix, overcompensating the increases in personnel / IT costs for the enhancement of management setup and R&D project costs in EU

Period	Overseas (Towa HD)				
	2022/03 Q3			2021/03 Q3	
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)
Net sales	27,839	100.0	+ 3.4	26,928	100.0
Cost of sales	18,729	67.3	- 4.4	19,599	72.8
Selling, general and administrative expenses	8,480	30.5	+ 19.2	7,114	26.4
Operating profit	629	2.3	+ 193.7	214	0.8
Ordinary profit	803	2.9	+ 240.7	235	0.9
Profit attributable to owners of parent	671	2.4	+ 89.3	354	1.3
FX Rate (TTM) 1 EUR	2022/03 Q3	2021/03 Q3			
	JPY 129.83	JPY 120.90			

\* 2022/03 Q3 and 2021/03 Q3 figures of Towa HD representing financial results during January-September 2021 and January-September 2020 respectively

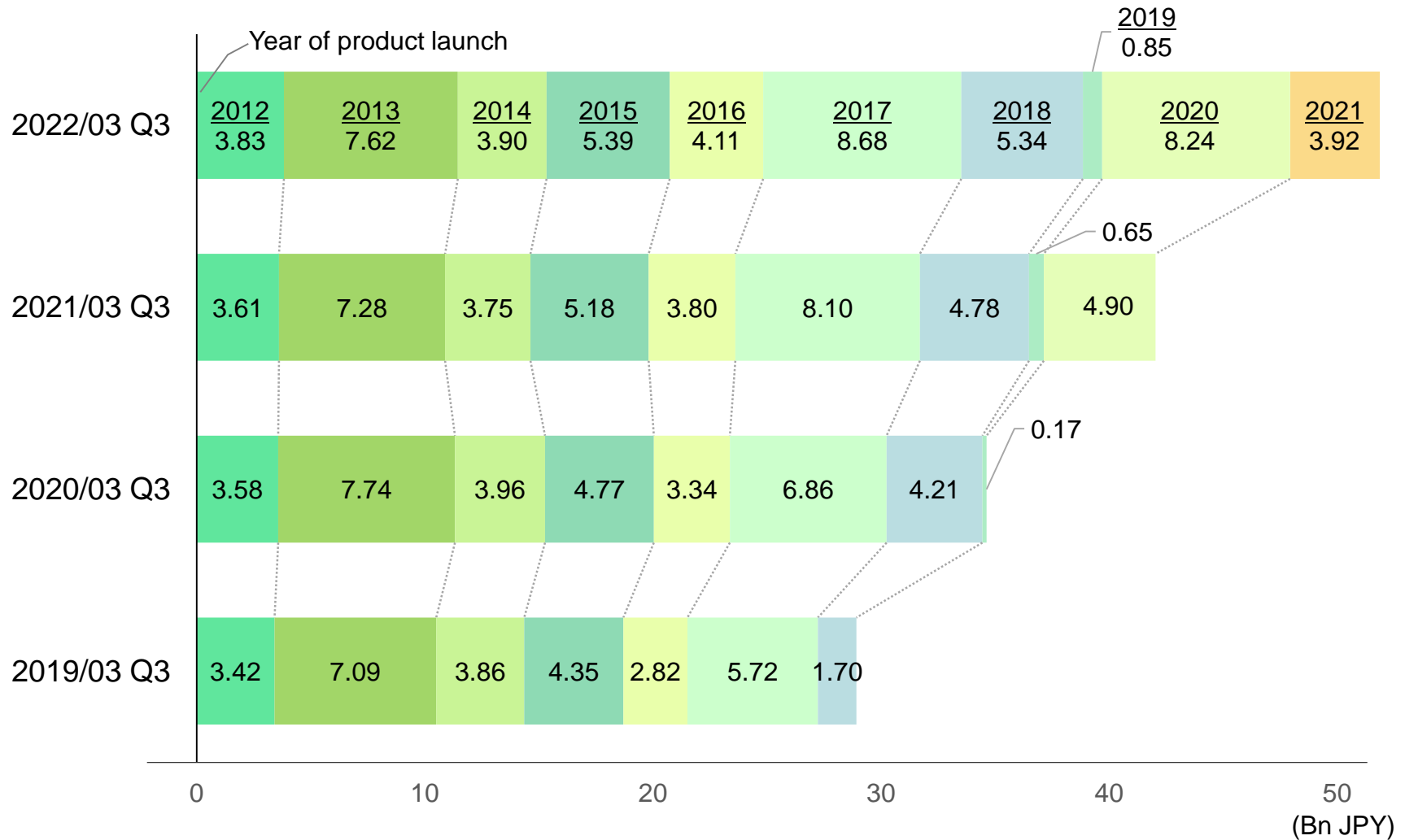
# Outline of financial results for the third quarter of the year ending March 31, 2022 (Overseas by region)

Period	Towa HD / EU					Towa HD / US				
	2022/03 Q3			2021/03 Q3		2022/03 Q3			2021/03 Q3	
	(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	14,647	100.0	+ 7.0	13,684	100.0	13,191	100.0	- 0.4	13,243	100.0
Cost of sales	9,170	62.6	+ 2.2	8,972	65.6	9,558	72.5	- 10.1	10,627	80.2
Selling, general and administrative expenses	6,096	41.6	+ 29.3	4,716	34.5	2,383	18.1	- 0.6	2,397	18.1
Operating profit	- 619	- 4.2	-	- 4	-	1,249	9.5	+ 470.1	219	1.7
FX Rate (TTM) 1 EUR	2022/03 Q3			2021/03 Q3						
	JPY 129.83			JPY 120.90						

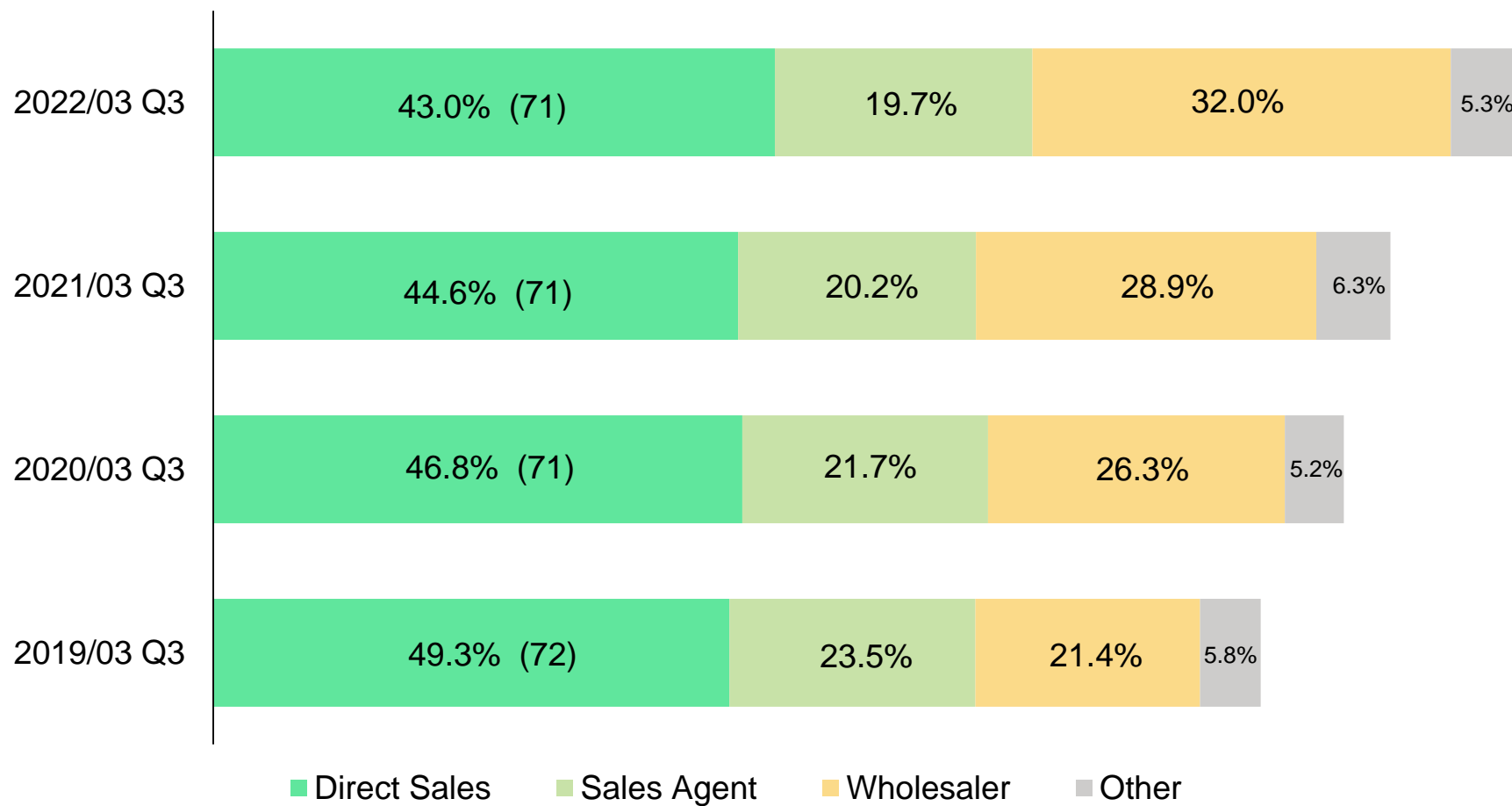
\* 2022/03 Q3 and 2021/03 Q3 figures of Towa HD representing financial results during January-September 2021 and January-September 2020 respectively

# 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 Q3					2021/03 Q3	
		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	7,469	90.4	11.0	+ 84	+ 6.0	7,385	10.9
DPC *	1,755	1,722	98.1	6.2	+ 14	+ 8.9	1,708	6.2
Clinics	ca. 105,000	29,739	28.3	14.5	+ 408	+ 7.6	29,331	14.7
Pharmacies	ca. 60,800	58,314	95.8	74.4	+ 1,313	+ 12.4	57,001	74.3
Total	ca. 174,000	95,522	54.8	100.0	+ 1,805	+ 11.0	93,717	100.0

\* DPC = Diagnosis Procedure Combination

(Not including transactions by other companies)

\*\* Total number of institutions calculated with reference to Nihon Ultmarc's national medical institution data

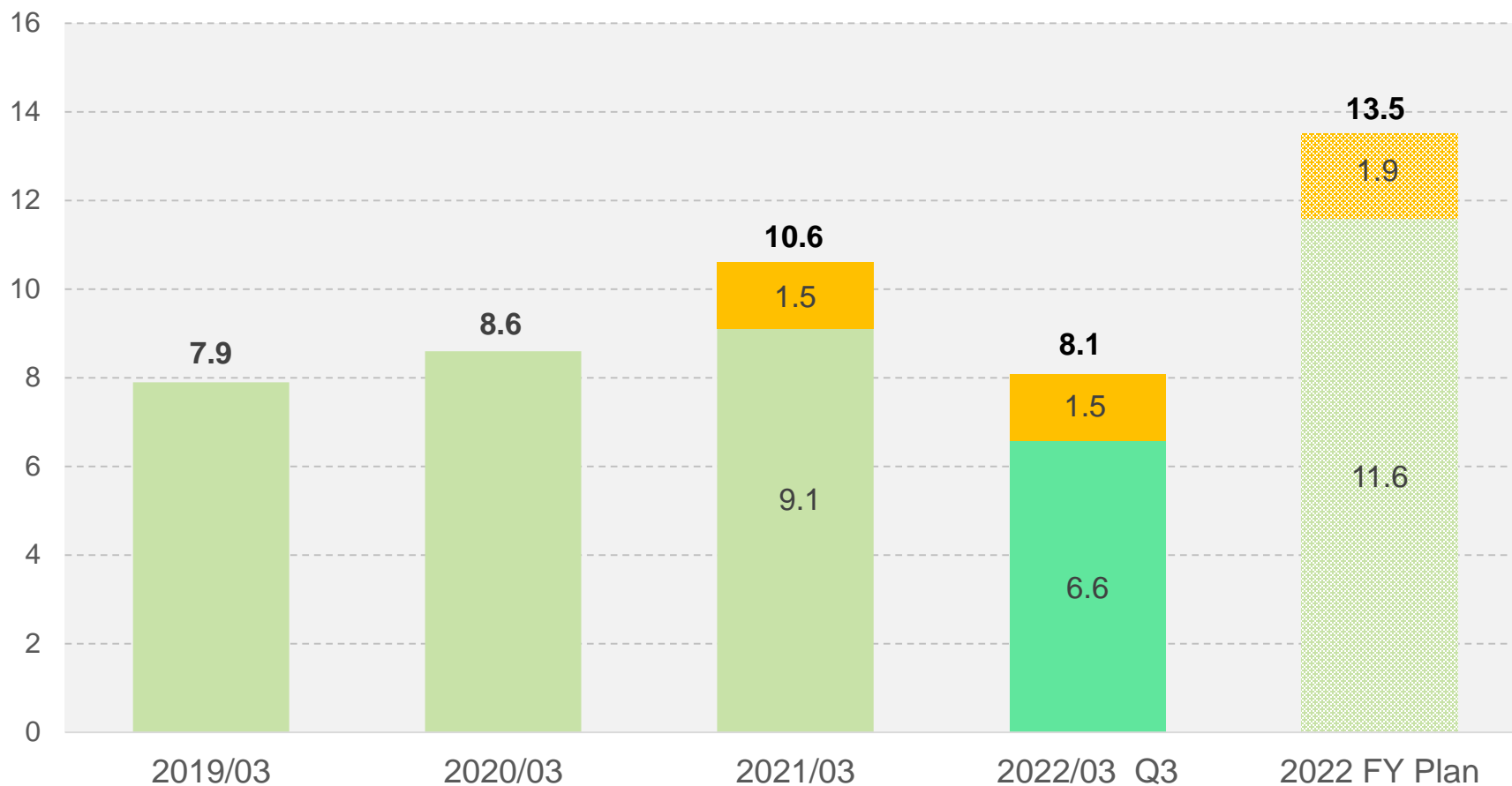


# Selling, general and administrative expenses (Domestic)

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2022/03 Q3			2021/03 Q3		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	11,920	12.2	+ 5.9	11,251	12.7	+ 3.1
Advertisement	1,029	1.1	+ 111.3	486	0.6	- 15.8
Packing / freight	1,803	1.8	+ 8.7	1,659	1.9	+ 1.2
Commission paid	1,795	1.8	+ 27.6	1,407	1.6	+ 2.4
R&D	6,577	6.7	+ 1.0	6,512	7.4	+ 8.3
Depreciation	790	0.8	+ 9.5	721	0.8	- 1.2
Goodwill amortization	600	0.6	+ 6.5	563	0.6	-
Other	3,774	3.9	+ 5.3	3,583	4.1	- 3.9
Total	28,291	28.9	+ 8.0	26,186	29.6	+ 4.8

# R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

\* Actual costs at Greencaps and Towa HD not included in FY 2019/03 and FY2020/03

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

- Operating profit: Better due to higher gross profit and lower selling, general and administrative expenses than planned in Japan
- Ordinary profit: Better due to higher operating profit than planned and the gain on valuation of derivatives

Period	2022/03				
	Q3 Results		Full-year Plan (as of October 26)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	125,613	100.0	166,700	100.0	75.4
Cost of sales	71,847	57.2	95,680	57.4	75.1
Selling, general and administrative expenses	36,772	29.3	51,720	31.0	71.1
Operating profit	16,993	13.5	19,300	11.6	88.0
Ordinary profit	21,059	16.8	22,110	13.3	95.2
Profit attributable to owners of parent	15,000	11.9	15,440	9.3	97.2

\* 2022/03 Q3 figures of Towa HD representing financial results during January-September 2021

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

- Operating profit: Better due to higher gross profit driven by lower cost of sales ratio through improved plant utilization rate, and lower selling, general and administrative expenses than planned
- Ordinary profit: Better due to higher operating profit than planned and the gain on valuation of derivatives

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2022/03 Q3 Results		2022/03 Full-year Plan (as of October 26)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	97,773	100.0	129,500	100.0	75.5
Cost of sales	53,118	54.3	70,880	54.7	74.9
Selling, general and administrative expenses	28,291	28.9	40,620	31.4	69.7
Operating profit	16,363	16.7	18,000	13.9	90.9
Ordinary profit	20,256	20.7	20,810	16.1	97.3
Profit attributable to owners of parent	14,328	14.7	14,740	11.4	97.2

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

- Operating profit: Lower than planned in the US in line with lower gross profit due to negative impacts by channel inventory adjustments caused by the change of third-party logistic companies, and by API shortages of several products, etc.

Period	Overseas (Towa HD)				
	2022/03 Q3 Results		2022/03 Full-year Plan (as of May 14)		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net Sales	27,839	100.0	37,200	100.0	74.8
Cost of sales	18,729	67.3	24,800	66.7	75.5
Selling, general and administrative expenses	8,480	30.5	11,100	29.8	76.4
Operating profit	629	2.3	1,300	3.5	48.5
Ordinary profit	803	2.9	1,300	3.5	61.8
Profit attributable to owners of parent	671	2.4	700	1.9	96.0

FX Rate (TTM)	2022/03 Q3	2022/03 FY Assump.
1 EUR	JPY 129.83	JPY 125.00

\* 2022/03 Q3 figures of Towa HD representing financial results during January-September 2021

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

- Sales: Higher than planned in EU mainly due to better performance of CMO business, while lower than planned in the US due to negative impacts by channel inventory adjustments caused by the change of third-party logistic companies, and by API shortages of several products, etc.

Period	Towa HD / EU					Towa HD / US				
	2022/03 Q3 Results		2022/03 Full-year Plan (as of May 14)			2022/03 Q3 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	14,647	100.0	18,300	100.0	80.0	13,191	100.0	18,900	100.0	69.8
Cost of sales	9,170	62.6	11,400	62.3	80.4	9,558	72.5	13,400	70.9	71.3
Selling, general and administrative expenses	6,096	41.6	7,850	42.9	77.7	2,383	18.1	3,250	17.2	73.3
Operating profit	- 619	- 4.2	- 950	- 5.2	-	1,249	9.5	2,250	11.9	55.5
FX Rate (TTM) 1 EUR	2022/03 Q3		2022/03 FY Assump.							
	JPY 129.83		JPY 125.00							

\* 2022/03 Q3 figures of Towa HD representing financial results during January-September 2021

# Balance sheet (Consolidated)

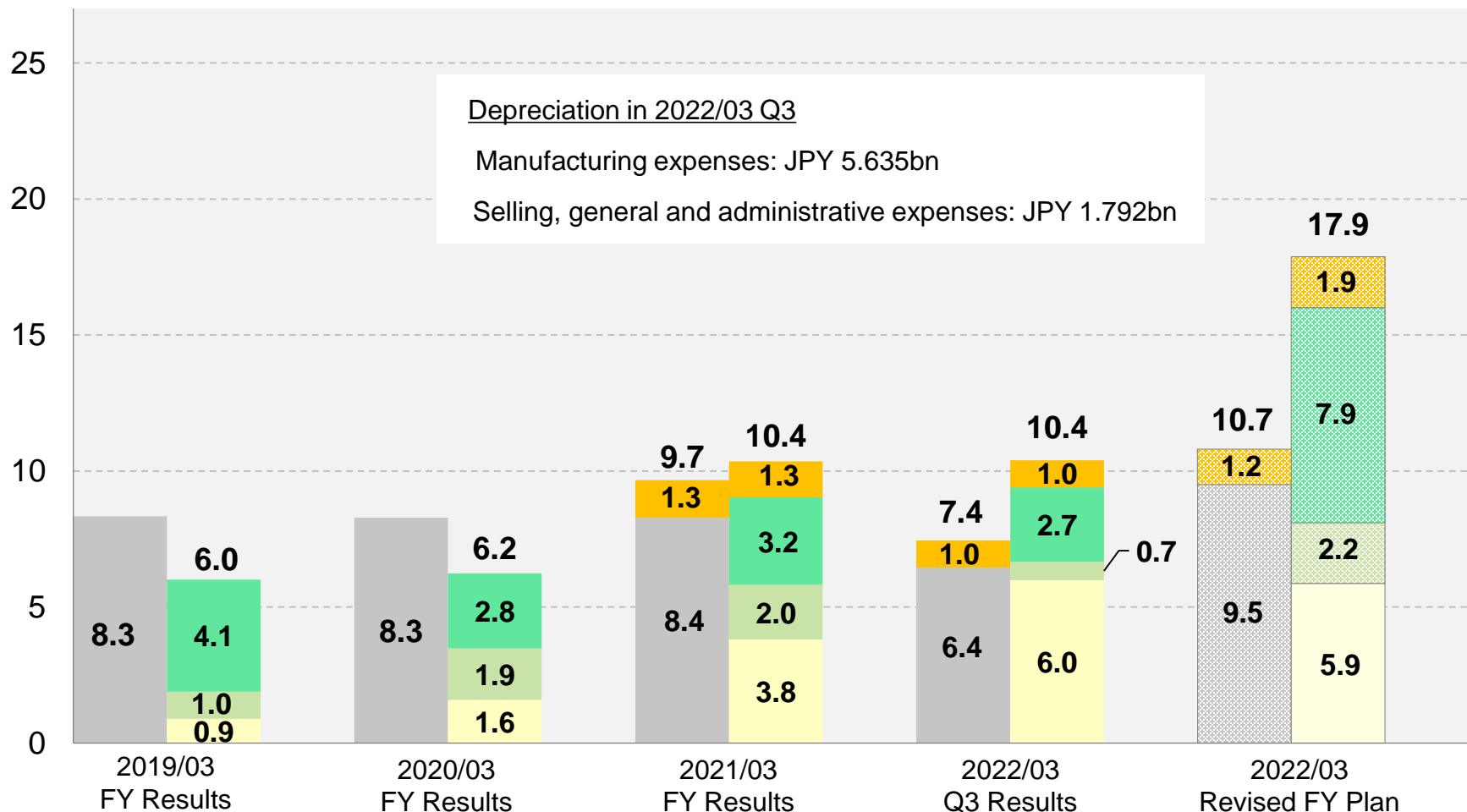
(Unit: JPY million)

Item	2021/12	2021/03	Changes	Item	2021/12	2021/03	Changes
Cash and deposits	16,905	22,915	- 6,010	Notes and accounts payable - trade	13,052	10,000	+ 3,051
Notes and accounts receivable - trade	43,431	38,122	+ 5,309	Electronically recorded obligations - operating	13,565	13,168	+ 396
Electronically recorded monetary claims - operating	7,696	7,694	+ 1	Short-term borrowings	-	1,111	- 1,111
Merchandise and finished goods	28,431	30,083	- 1,652	Bonds with share acquisition rights - due within one year	4,151	-	+ 4,151
Other inventories	37,022	30,868	+ 6,153	Current portion of long-term borrowings	7,553	7,181	+ 371
Other	11,154	7,605	+ 3,549	Facilities notes and accounts payable	3,482	4,244	- 761
<b>Total current assets</b>	<b>144,641</b>	<b>137,290</b>	<b>+ 7,351</b>	Other	15,628	15,809	- 181
Buildings and structures, net	47,608	49,093	- 1,484	<b>Total current liabilities</b>	<b>57,434</b>	<b>51,516</b>	<b>+ 5,917</b>
Machinery, equipment and vehicles, net	13,600	12,628	+ 972	Bonds with share acquisition rights	-	4,153	- 4,153
Construction in progress	8,520	8,769	- 248	Non-current liabilities	64,617	69,945	- 5,328
Goodwill	6,611	7,050	- 439	Other	3,317	3,452	- 135
Other	35,051	30,837	+ 4,213	<b>Total non-current liabilities</b>	<b>67,935</b>	<b>77,552</b>	<b>- 9,617</b>
<b>Total non-current assets</b>	<b>111,391</b>	<b>108,378</b>	<b>+ 3,013</b>	<b>Total liabilities</b>	<b>125,369</b>	<b>129,069</b>	<b>- 3,699</b>
<b>Total assets</b>	<b>256,033</b>	<b>245,668</b>	<b>+ 10,364</b>	<b>Total net assets</b>	<b>130,663</b>	<b>116,599</b>	<b>+ 14,064</b>
<b>Period-end Rate (TTM)</b>	2021/09		2020/12		<b>Total liabilities and net assets</b>		
1 EUR	JPY 129.86		JPY 126.95		<b>256,033</b>		
					<b>245,668</b>		
					<b>+ 10,364</b>		

\* 2022/03 Q3 figures of Towa HD representing financial results during January-September 2021

# Capital expenditure and depreciation (Consolidated)

(Bn JPY)



## Depreciation in 2022/03 Q3

Manufacturing expenses: JPY 5.635bn

Selling, general and administrative expenses: JPY 1.792bn

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

\* Capital expenditure including acquisitions of tangible and intangible assets

\* Depreciation including R&D portion

\* Depreciation in FY2021/03 and FY2022/03 not including Towa HD goodwill amortization

\* Towa HD and Greencaps not included in actual results during FY2019/03-FY2020/03



# Overview of acquisition of Sunsho Pharmaceutical Co., Ltd.

Towa announced in December 2021 that Towa will acquire all of the shares of Sunsho Pharmaceutical Co., Ltd. (“Sunsho” below) and make it a wholly owned subsidiary of TOWA (completion of acquisition scheduled for end of February 2022)

## ■ Outline of Sunsho

One of leading Japanese CDMO companies that is engaged in planning, development, and manufacturing of capsule formulations, etc. for health foods, pharmaceuticals, general foods and other miscellaneous merchandize

**Health Foods:** CDMO business for health foods both in Japan and overseas. Amid the stable growth of the domestic health food market, the company has established a **top-class market share** in Japan by actively launching new products, accurately grasping the information on new entries from the food and pharmaceutical fields and changes in marketing channels, and has developed its business by sharpening multifaceted competitive edges

**Pharmaceuticals:** CDMO business for pharmaceuticals. Currently, the company is conducting contract manufacturing of pharmaceuticals by using its niche and highly competitive **seamless capsule technology**, and is expanding business with **its unique formulation technology called UniORV®**

**Others:** Development, manufacture and sales business by **applying** formulation and capsule technologies accumulated in the field of health foods **to new fields** other than health foods and pharmaceuticals



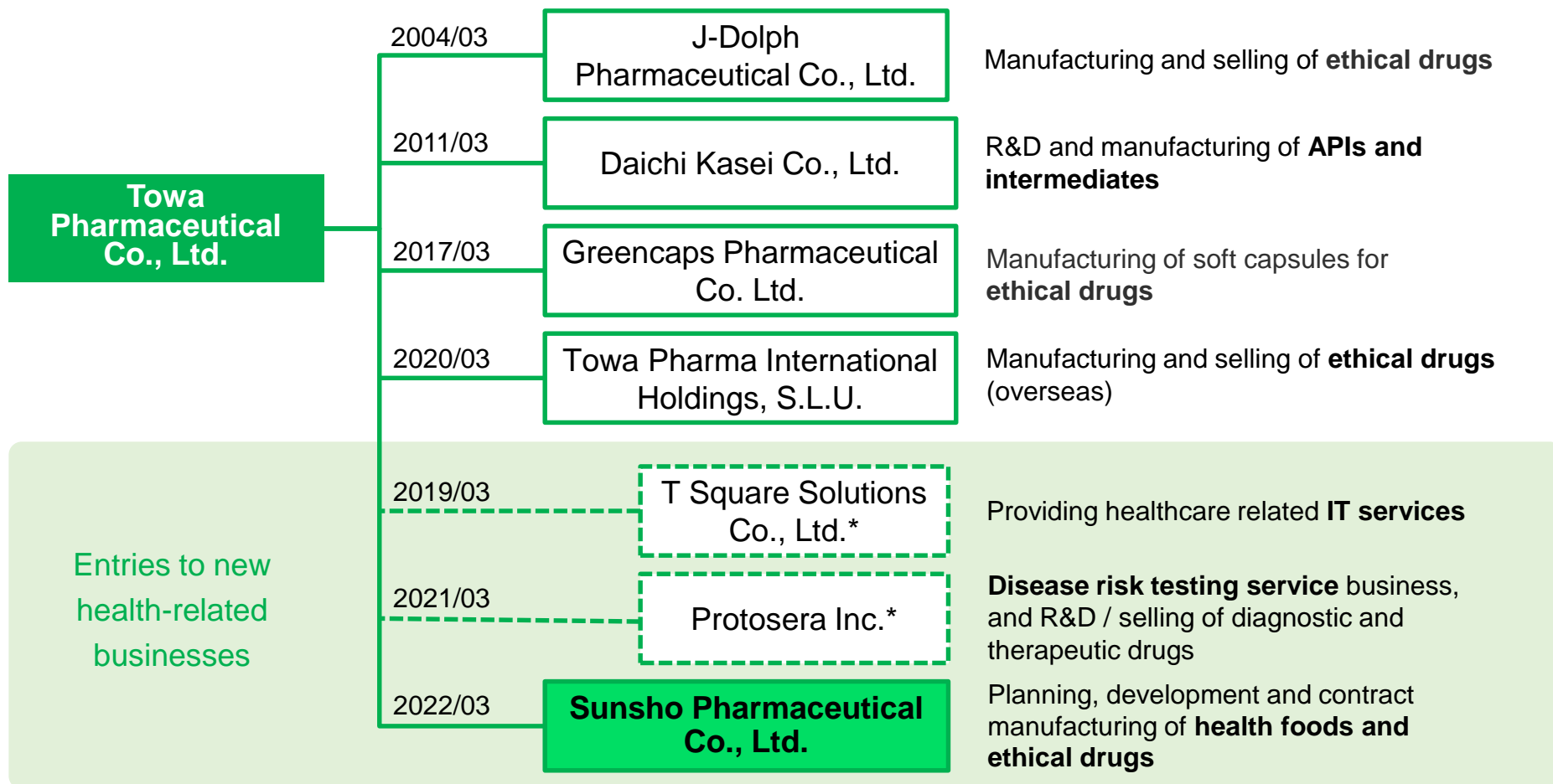
Soft capsules



Seamless capsules

# Positioning of Sunsho in Towa Group

**Business results of Sunsho are scheduled to be included in Towa Group's consolidated balance sheet from the end of March 2022 and income statement from 2023/03 Q1**



\* Unconsolidated subsidiaries

# 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.

## Contact Information

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