

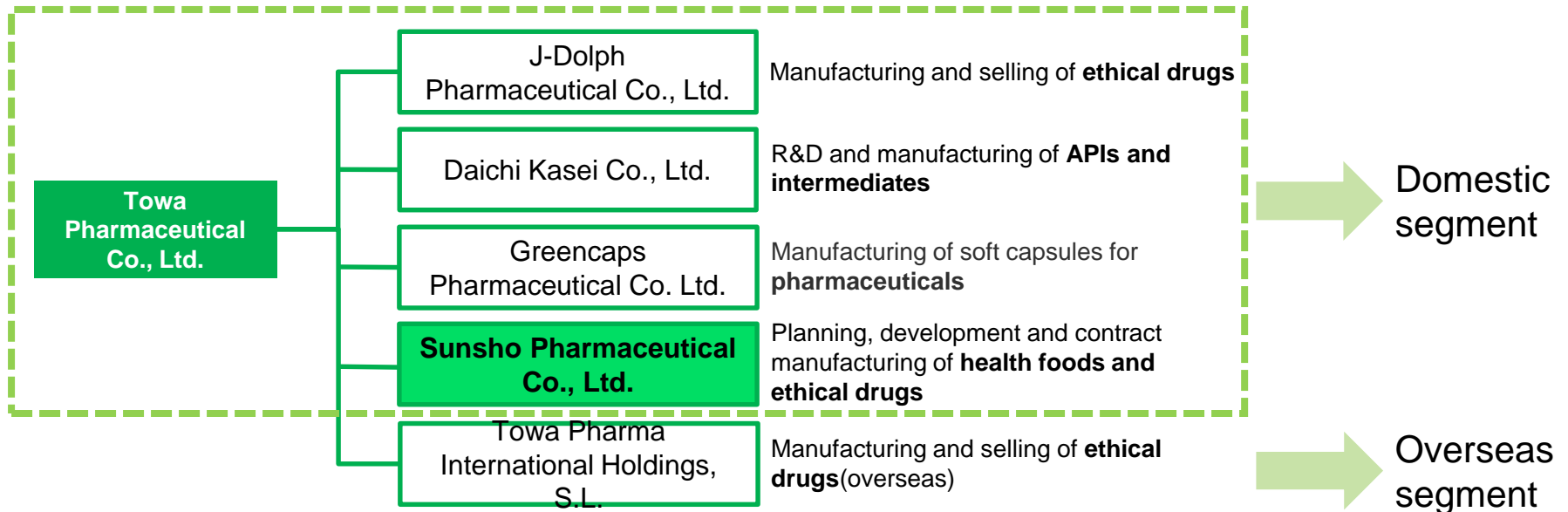
Supplementary material on financial results for the first quarter of the year ending March 31, 2023

August 2022

(Stock ticker number: 4553)

Regarding financial results disclosure items for the first quarter of the year ending March 31, 2023

- For the financial results for the year ending March 31, 2023, segment information is disclosed by region.
Reportable segments are divided into two parts: the domestic segment and the overseas segment.
(Reportable segments do not include goodwill amortization.)
- Sunsho Pharmaceutical Co., Ltd. (“Sunsho” below), made a subsidiary of Towa in March 2022, shall be included in Towa Group’s consolidated balance sheet from 2022/03 and income statement from 2023/03.
- The first quarter of the year for Towa Pharma International Holdings (“Towa HD” below) and Sunsho was from January 1 to March 31, 2022.



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- 1. Outline of financial results for the first quarter of the year ending March 31, 2023**
- 2. Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate**
- 3. Balance sheet, capital expenditure and depreciation**

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By region

2. Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate

3. Balance sheet, capital expenditure and depreciation

Outline of financial results for the first quarter of the year ending March 31, 2023 (Consolidated)

- Sales: Increased due to the inclusion of Sunsho in the scope of consolidation and strong performance overseas in Europe, despite poor performance of Towa in Japan
- Operating profit: Decreased in Japan due to lower gross profit driven by higher cost of sales ratio, and higher selling, general and administrative expenses such as goodwill amortization associated with the acquisition of Sunsho

Period	2023/03 Q1			2022/03 Q1		
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	45,372	100.0	+ 5.7	42,927	100.0	+ 13.3
Cost of sales	28,705	63.3	+ 16.3	24,679	57.5	+ 9.5
Selling, general and administrative expenses	14,726	32.5	+ 21.0	12,166	28.3	+ 12.5
Operating profit	1,940	4.3	- 68.1	6,081	14.2	+ 33.7
Ordinary profit	2,573	5.7	- 66.6	7,715	18.0	+ 62.2
Profit attributable to owners of parent	1,395	3.1	- 73.7	5,311	12.4	+ 59.1

Period-end Rate (TTM) 1 USD	2023/03 Q1	2022/03 Q4	2022/03 Q1	2021/03 Q4	FX Rate (TTM) 1 EUR	2023/03 Q1	2022/03 Q1
	JPY 136.68	JPY 122.39	JPY 110.58	JPY 110.71		JPY 130.39	JPY 127.69

* 2023/03 Q1 figures of Towa HD and Sunsho representing financial results during January 1-March 31, 2022.

* For 2023/03 Q1, period-end rate for USD is the rate as of June 30, 2022, while FX rate for EUR is the average rate during the period from January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 (Segment information)

(Unit: JPY million)

Item	Reportable segments			Adjustment (Goodwill amortization)	Consolidated
	Domestic	Overseas	Total		
	Towa J-Dolph Daichi Kasei Greencaps Sunsho	Towa HD			
Net sales	35,570	9,801	45,372	—	45,372
Cost of sales	22,045	6,660	28,705	—	28,705
Selling, general and administrative expenses	10,701	2,867	13,569	1,156	14,726
Segment profit	2,822	273	3,096	(1,156)	1,940

* Goodwill amortization: Towa HD JPY 201 million, Sunsho JPY 954 million

* 2023/03 Q1 figures of Towa HD and Sunsho representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 (Domestic segment)

- Sales: Increased due to the inclusion of Sunsho in the scope of consolidation despite poor performance of Towa
- Segment profit: Decreased due to the inclusion of Sunsho in the scope of consolidation, which has a high cost of sales ratio, hike in cost of sales ratio caused by the effect of NHI drug price revision, and higher selling, general and administrative expenses

Period	2023/03 Q1			2022/03 Q1		
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	35,570	100.0	+ 4.5	34,028	100.0	+ 21.8
Cost of sales	22,045	62.0	+ 18.8	18,559	54.5	+ 20.7
Selling, general and administrative expenses	10,701	30.1	+ 15.8	9,242	27.2	+ 13.1
Segment profit	2,822	7.9	- 54.7	6,226	18.3	+ 42.0

* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 (Domestic segment / Breakdown)

Towa, J-Dolph, Daichi Kasei and Greencaps

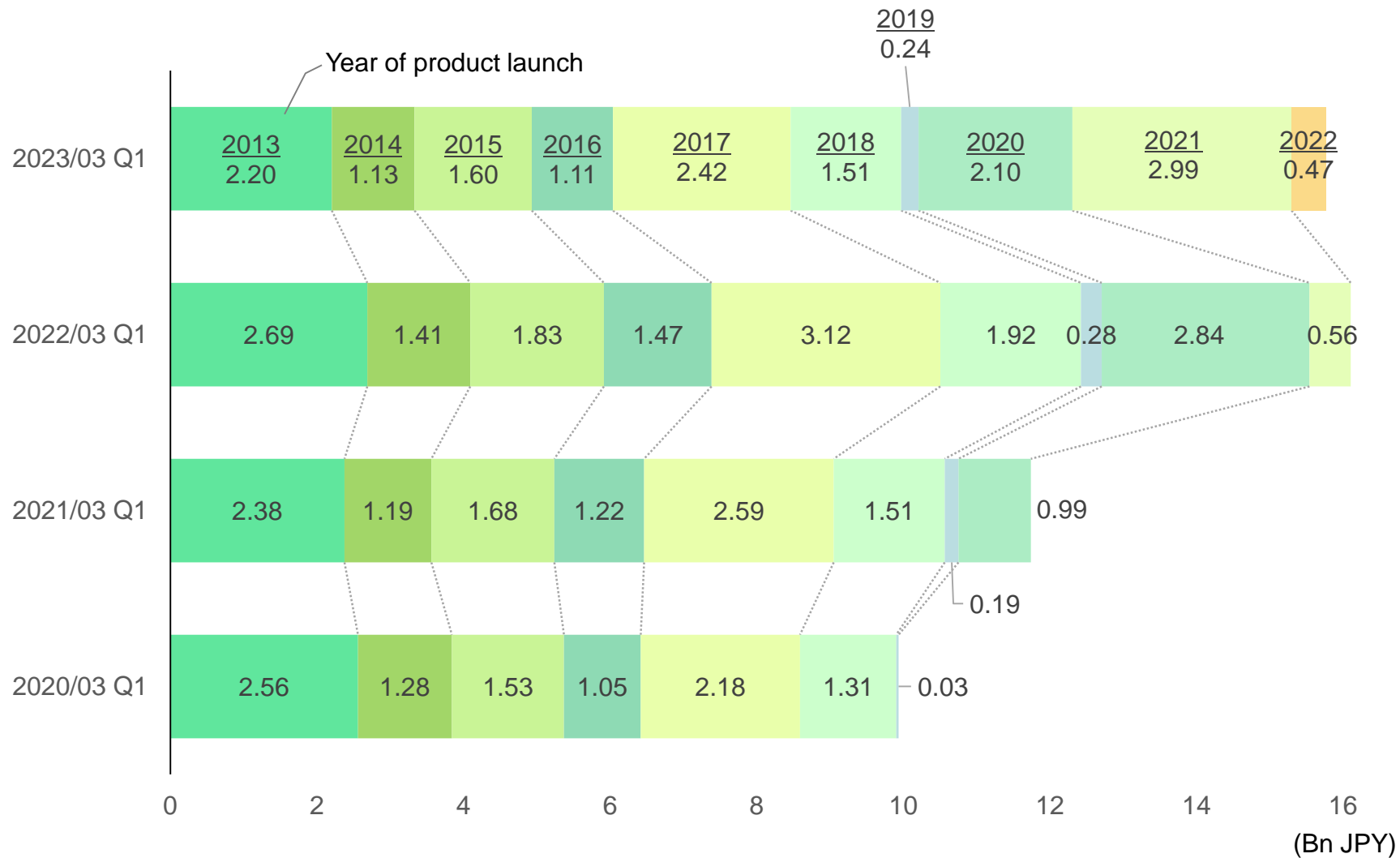
- Sales: Sales volumes increased significantly in 2022/03 Q1 by responding to the demands for stable supply to the market. In 2023/03 Q1, however, sales volumes decreased because of the inability to respond to the demands for stable supply due to lower-than-expected production volumes as a result of the installation of equipment to expand production capacity. In addition, prices of existing products declined due to NHI drug price revision, resulting in a decrease in sales.
- Segment profit: Gross profit decreased due to lower sales and higher cost of sales ratio caused by lower prices resulting from NHI drug price revision and deteriorating sales-mix. In addition, selling, general and administrative expenses increased, resulting in a decrease in segment profit.

Period	Towa, J-Dolph, Daichi Kasei and Greencaps						Sunsho	
	2023/03 Q1			2022/03 Q1			2023/03 Q1	
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)
Net sales	30,620	100.0	- 10.0	34,028	100.0	+ 21.8	4,950	100.0
Cost of sales	18,332	59.9	- 1.2	18,559	54.5	+ 20.7	3,713	75.0
Selling, general and administrative expenses	10,031	32.8	+ 8.5	9,242	27.2	+ 13.1	670	13.5
Segment profit	2,256	7.4	- 63.8	6,226	18.3	+ 42.0	566	11.4

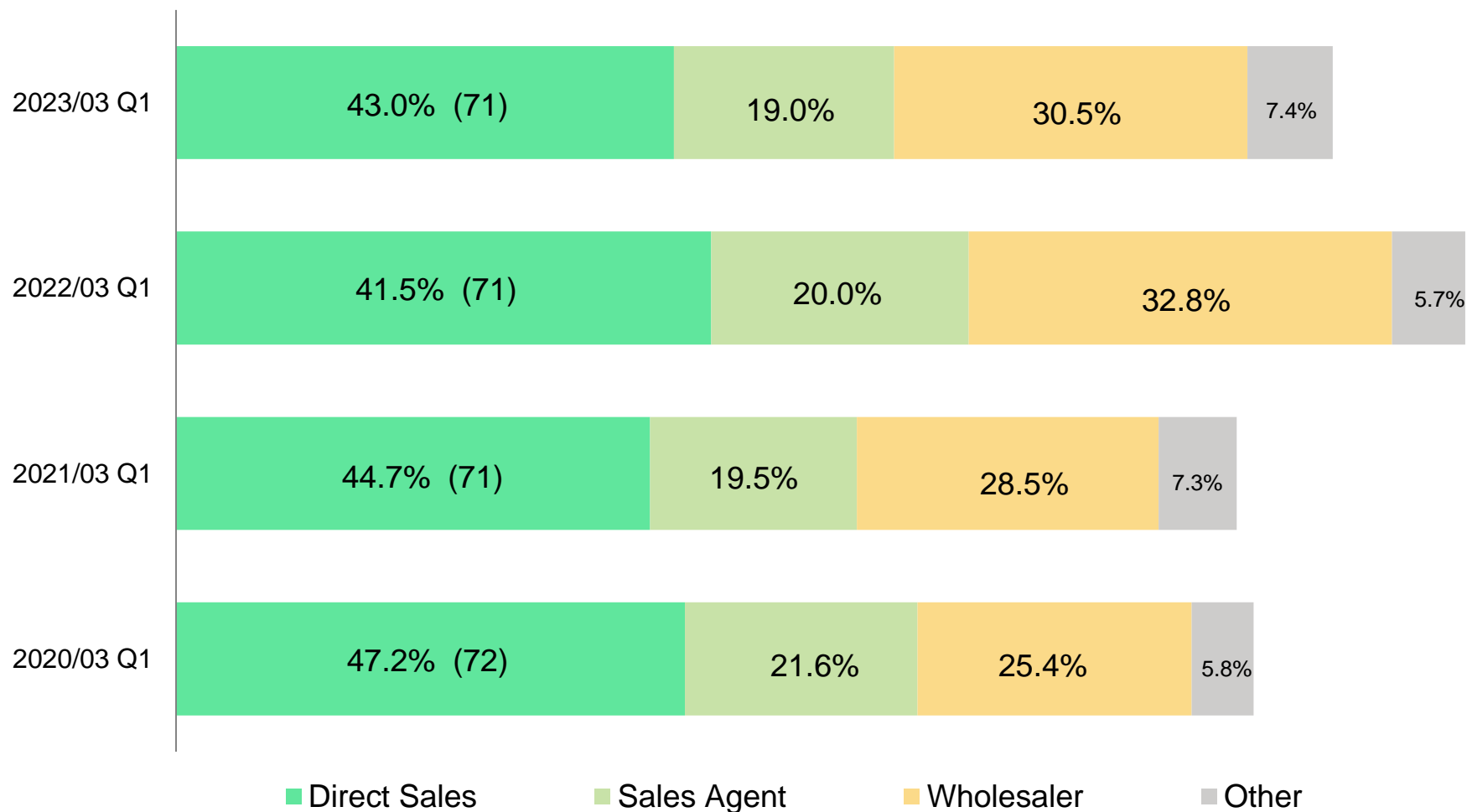
* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

* Excludes goodwill amortization.

Sales by year of recent launches (Towa only)



Sales share by distribution channel (Towa only)



() = number of sales offices

Number & share of customers by segment (Towa only)

Customer segment	Total number of medical institutions	2023/03 Q1					2022/03 Q1	
		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. 8,200	7,490	91.0	11.2	+ 37	- 1.7	7,453	10.2
DPC*	1,755	1,736	98.4	6.7	+ 20	+ 3.1	1,716	5.8
Clinics	ca. 105,300	29,716	28.2	12.3	- 188	- 18.6	29,904	13.6
Pharmacies	ca. 61,200	58,814	96.0	76.3	+ 1,106	- 9.9	57,708	76.0
Total	ca. 174,700	96,020	54.9	100.0	+ 955	- 10.2	95,065	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 segment)

Period	Towa, J-Dolph, Daichi Kasei, Greencaps and Sunsho			Towa, J-Dolph, Daichi Kasei and Greencaps		
Item	2023/03 Q1			2022/3 Q1		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	4,506	12.7	+ 12.4	4,008	11.8	+ 6.1
Advertisement	187	0.5	- 43.6	331	1.0	+ 165.1
Packing / freight	677	1.9	+ 12.3	602	1.8	+ 9.6
Commission paid	959	2.7	+ 80.5	531	1.6	+ 27.6
R&D	2,799	7.9	+ 30.3	2,148	6.3	+ 16.5
Depreciation	277	0.8	+ 12.2	246	0.7	+ 4.7
Other	1,294	3.6	- 5.6	1,371	4.0	+ 12.1
Total	10,701	30.1	+ 15.8	9,242	27.2	+ 13.1

* Includes JPY 670 million of selling, general and administrative expenses of Sunsho from 2023/03 Q1.

* Excludes goodwill amortization.

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

* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 (Overseas segment)

- Sales: Increased despite sluggish sales of new products in the US, due to strong performance of both B2B and B2C businesses in Europe and the effect of the depreciation of JPY
- Segment profit: Increased due to higher gross profit associated with higher sales despite higher selling, general and administrative expenses

Period	Overseas segment (Towa HD)					
	2023/03 Q1			2022/03 Q1		
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	9,801	100.0	+ 10.1	8,899	100.0	- 10.7
Cost of sales	6,660	67.9	+ 8.8	6,119	68.8	- 14.5
Selling, general and administrative expenses	2,867	29.3	+ 5.2	2,727	30.6	+ 11.2
Segment profit	273	2.8	+ 424.6	52	0.6	- 85.1
FX Rate (TTM) 1 EUR	2023/03 Q1		2022/03 Q1			
	JPY 130.39		JPY 127.69			

* 2023/03 Q1 figures of Towa HD representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 (Overseas segment by region)

- EU**
- Sales: Increased due to strong sales in B2B and B2C businesses
 - Segment loss: Despite higher selling, general and administrative expenses, gross profit increased due to higher sales, resulting in less deficit
- US**
- Sales: Increased due to the effect of the depreciation of EUR against USD despite weak sales of new products
 - Segment profit: Increased despite higher selling, general and administrative expenses, due to higher gross profit associated with higher sales

Period	Towa HD / EU				
	2023/03 Q1			2022/03 Q1	
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)
Net sales	5,366	100.0	+ 13.2	4,738	100.0
Cost of sales	3,445	64.2	+ 15.7	2,976	62.8
Selling, general and administrative expenses	2,032	37.9	+ 5.5	1,927	40.7
Segment profit (loss)	- 112	- 2.1	-	-165	-3.5

Period	Towa HD / US				
	2023/03 Q1			2022/3 Q1	
Item	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)
Net sales	4,435	100.0	+ 6.6	4,160	100.0
Cost of sales	3,214	72.5	+ 2.3	3,142	75.5
Selling, general and administrative expenses	835	18.8	+ 4.4	799	19.2
Segment profit (loss)	385	8.7	+ 77.2	217	5.2

FX Rate (TTM) 1 EUR	2023/03 Q1	2022/03 Q1
		JPY 130.39

* 2023/03 Q1 figures of Towa HD representing financial results during January 1-March 31, 2022.

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Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate (Consolidated)

- Sales & Operating profit: In both items, progress rates were not good.
- Ordinary profit: Despite the gain on valuation of derivatives, the progress rate was not good.

Period	2023/03							
	Q1 Results		First Half Plan			Full-year Plan		
Item	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	45,372	100.0	101,500	100.0	44.7	212,500	100.0	21.4
Cost of sales	28,705	63.3	62,000	61.1	46.3	130,000	61.2	22.1
Selling, general and administrative expenses	14,726	32.5	31,500	31.0	46.7	63,500	29.9	23.2
Operating profit	1,940	4.3	8,000	7.9	24.3	19,000	8.9	10.2
Ordinary profit	2,573	5.7	8,000	7.9	32.2	19,000	8.9	13.5
Profit attributable to owners of parent	1,395	3.1	4,000	3.9	34.9	12,000	5.6	11.6

* 2023/03 Q1 figures of Towa HD and Sunsho representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate (Domestic segment)

- Sales: The overall progress rate was not good in the domestic segment.
- Segment profit: The progress rate was not good due to delayed progress in sales and higher-than-expected cost of sales ratio.

Period	Domestic segment (Towa, J-Dolph, Daichi Kasei, Greencaps and Sunsho)							
	2023/03 Q1 Results		2023/03 First Half Plan			2023/03 Full-year Plan		
Item	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	35,570	100.0	80,500	100.0	44.2	169,000	100.0	21.0
Cost of sales	22,045	62.0	47,500	59.0	46.4	100,000	59.2	22.0
Selling, general and administrative expenses	10,701	30.1	22,800	28.3	46.9	47,500	28.1	22.5
Segment profit	2,822	7.9	10,200	12.7	27.7	21,500	12.7	13.1

* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

* Excludes goodwill amortization.

Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate (Domestic segment / Breakdown)

Towa, J-Dolph, Daichi Kasei and Greencaps

- Sales: Sales volumes were lower than expected due to lower-than-expected production volumes as a result of the installation of equipment to expand production capacity. This meant that it was not possible to fully absorb the impact of NHI drug price revision, and the progress rate was not good.
- Segment profit: The progress rate was not good because sales progress was delayed, and also because the cost of sales ratio was higher than expected and gross profit was lower than expected due to lower-than-expected production efficiency as a result of the abovementioned measures.

Period	Towa, J-Dolph, Daichi Kasei and Greencaps				
	2023/03 Q1 Results		2023/03 Full-year Plan		
Item	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	30,620	100.0	144,000	100.0	21.3
Cost of sales	18,332	59.9	80,800	56.1	22.7
Selling, general and administrative expenses	10,031	32.8	44,000	30.6	22.8
Segment profit	2,256	7.4	19,200	13.3	11.8

Sunsho				
2023/03 Q1 Results		2023/03 Full-year Plan		
(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
4,950	100.0	25,000	100.0	19.8
3,713	75.0	19,200	76.8	19.3
670	13.5	3,500	14.0	19.1
566	11.4	2,300	9.2	24.6

* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

* Excludes goodwill amortization.

Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate (Overseas segment)

- Sales: Progress in Europe was good, but progress in the US was not good, resulting in a somewhat unsatisfactory progress rate.
- Segment profit: Steady progress was made due to strong sales in Europe and lower R&D expenditures.

Period	Overseas segment (Towa HD)							
	2023/03 Q1 Results		2023/03 First Half Plan			2023/03 Full-year Plan		
Item	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	9,801	100.0	21,000	100.0	46.7	43,500	100.0	22.5
Cost of sales	6,660	67.9	14,500	69.0	45.9	30,000	69.0	22.2
Selling, general and administrative expenses	2,867	29.3	6,700	31.9	42.8	12,000	27.6	23.9
Segment profit (loss)	273	2.8	- 200	- 1.0	—	1,500	3.4	18.2

FX Rate (TTM) 1 EUR	2023/03 Q1	2023/03 FY Assump.
		JPY 130.39

* 2023/03 Q1 figures of Towa HD representing financial results during January 1-March 31, 2022.

Outline of financial results for the first quarter of the year ending March 31, 2023 - Progress rate (Overseas segment by region)

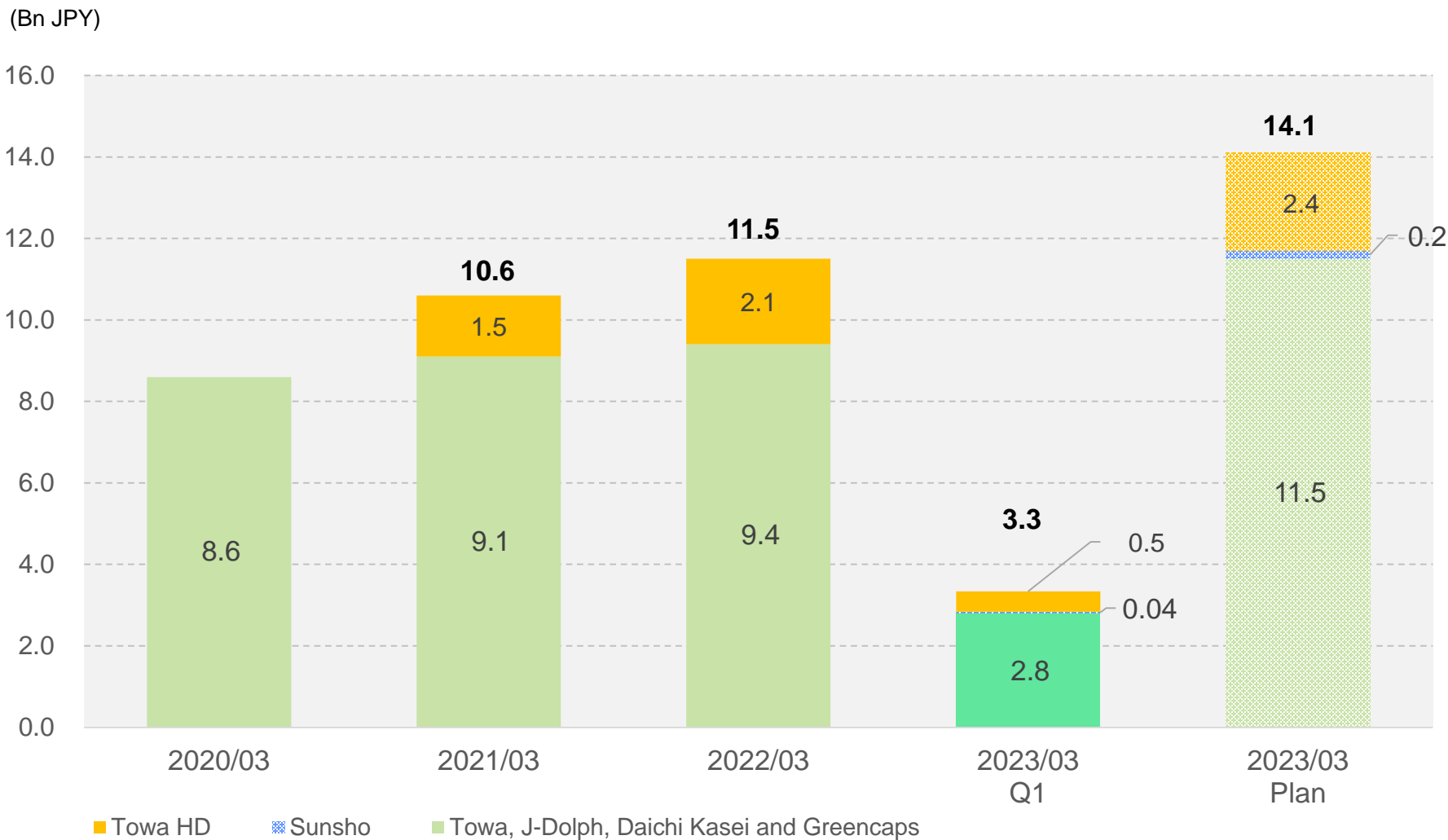
- EU**
- Sales: The progress rate was good due to good progress in B2B, although progress in B2C was not good.
 - Segment loss: Gross profit was higher than expected due to good progress in sales, and lower R&D expenditures resulted in less deficit than planned.
- US**
- Sales: The progress rate was not good due to poor performance of new products in recent years.
 - Segment profit: The progress rate was not good because gross profit was lower than expected due to delayed progress in sales, and also because the selling, general and administrative expenses ratio was higher than expected.

Period	Towa HD / EU					Towa HD / US				
	2023/03 Q1 Results		2023/03 Full-year Plan			2023/03 Q1 Results		2023/03 Full-year Plan		
Item	(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	5,366	100.0	20,400	100.0	26.3	4,435	100.0	23,100	100.0	19.2
Cost of sales	3,445	64.2	13,200	64.7	26.1	3,214	72.5	16,800	72.7	19.1
Selling, general and administrative expenses	2,032	37.9	8,600	42.2	23.6	835	18.8	3,400	14.7	24.6
Segment profit (loss)	- 112	- 2.1	-1,400	- 6.9	—	385	8.7	2,900	12.6	13.3

FX Rate (TTM) 1 EUR	2023/03 Q1	2023/03 FY Assump.
		JPY 130.39

* 2023/03 Q1 figures of Towa HD representing financial results during January 1-March 31, 2022.

R&D expenditure (Consolidated)



* Towa HD and Greencaps not included during the period of 2020/3.

* 2020/03-2022/03 results do not include the results of Sunsho.

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- 3. Balance sheet, capital expenditure and depreciation**

Balance sheet (Consolidated)

- Sunsho is included in the scope of consolidation from the end of the fiscal year ended March 31, 2022.

(Unit: JPY million)

Item	2022/06	2022/03	Changes	Item	2022/06	2022/03	Changes
Cash and deposits	24,224	32,830	- 8,606	Notes and accounts payable - trade	14,201	14,834	- 633
Notes and accounts receivable - trade	42,199	42,896	- 696	Electronically recorded obligations - operating	15,175	14,242	+ 933
Electronically recorded monetary claims - operating	8,261	7,971	+ 290	Short-term borrowings	49,311	49,335	- 24
Merchandise and finished goods	34,588	32,098	+ 2,489	Bonds with share acquisition rights – due within one year	4,150	4,150	- 0
Other inventories	41,915	40,603	+ 1,311	Current portion of long-term borrowings	7,812	8,022	- 209
Other	11,742	10,463	+ 1,278	Facilities notes and accounts payable	7,501	5,635	+ 1,865
Total current assets	162,931	166,864	- 3,932	Other	14,794	18,852	- 4,057
Buildings and structures, net	54,362	53,315	+ 1,047	Total current liabilities	112,947	115,073	- 2,126
Machinery, equipment and vehicles, net	17,938	16,224	+ 1,714	Bonds with share acquisition rights	–	–	–
Construction in progress	11,921	11,709	+ 211	Non-current liabilities	77,378	79,194	- 1,815
Goodwill	43,787	44,647	- 860	Other	3,501	3,497	+ 4
Other	37,175	37,173	+ 1	Total non-current liabilities	80,880	82,692	- 1,811
Total non-current assets	165,184	163,071	+ 2,113	Total liabilities	193,827	197,766	- 3,938
Total assets	328,116	329,935	- 1,819	Total net assets	134,288	132,169	+ 2,119
				Total liabilities and net assets	328,116	329,935	- 1,819

Period-end Rate (TTM) 1 EUR	2022/03	2021/12
	JPY 136.70	JPY 130.51

* FX rate as of end of March 2022 shown here in light of the first quarter of the year for Towa HD that began January 1, 2022 and ended March 31, 2022.

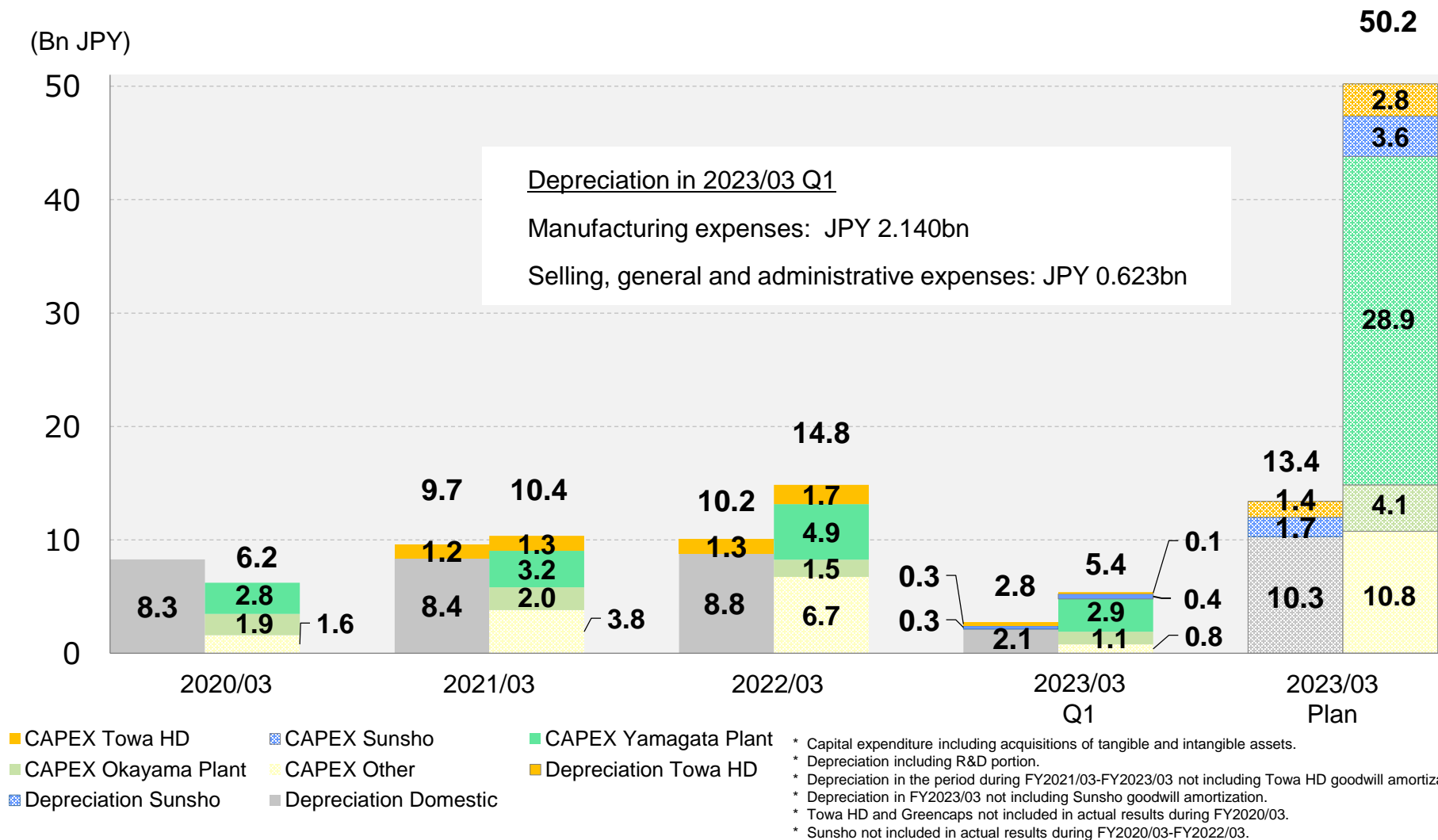
* 2023/03 Q1 figures of Sunsho representing financial results during January 1-March 31, 2022.

* Goodwill subject to change as a result of PPA of Sunsho.

Capital expenditure and depreciation (Consolidated)

- Planned increase in capital investment expenditure in line with full-tilt investment in new Yamagata Plant building as well as facilities enhancement at subsidiaries in FY2023/03.

(Bn JPY)



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

- * Capital expenditure including acquisitions of tangible and intangible assets.
- * Depreciation including R&D portion.
- * Depreciation in the period during FY2021/03-FY2023/03 not including Towa HD goodwill amortization.
- * Depreciation in FY2023/03 not including Sunsho goodwill amortization.
- * Towa HD and Greencaps not included in actual results during FY2020/03.
- * Sunsho not included in actual results during FY2020/03-FY2022/03.

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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