

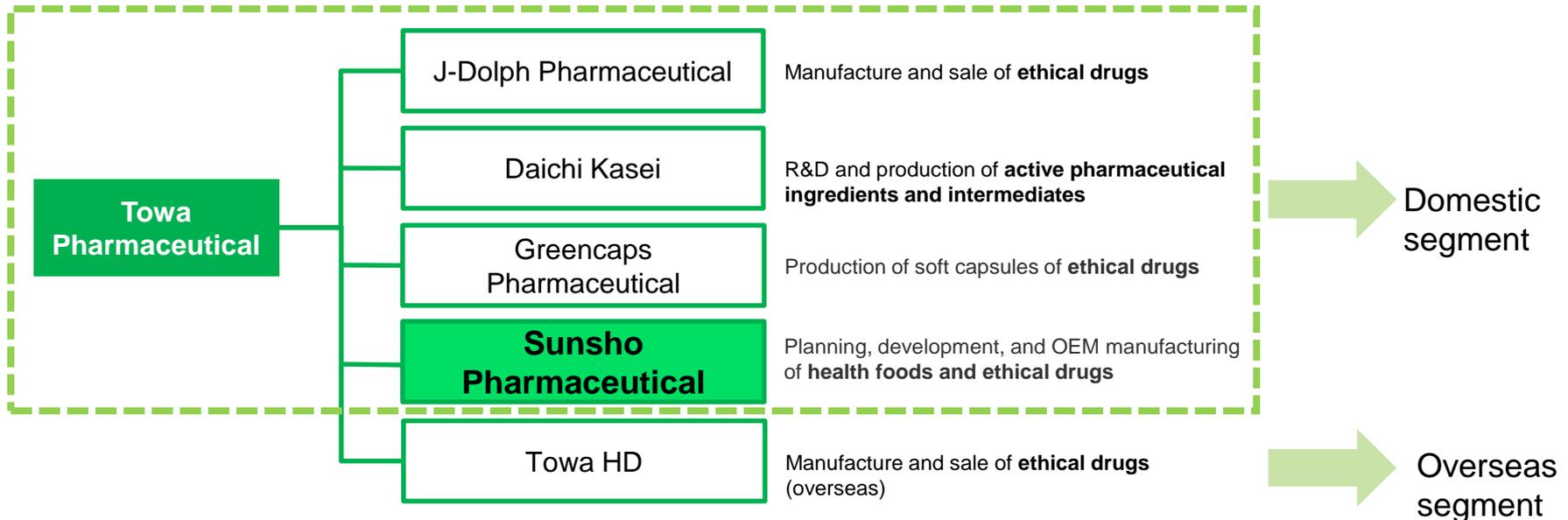
Supplementary material for the financial results for the second quarter of the year ending March 31, 2023

November 2022

(Stock code: 4553)

Notes the details of the disclosure of financial results for 2023/03 2Q

- Sunsho Pharmaceutical Co., Ltd. (“Sunsho Pharmaceutical”), which became a subsidiary in March 2022, has been included in the consolidated balance sheets since 2022/03 and the consolidated statements of income since 2023/03.
- The first half period for Towa HD and Sunsho Pharmaceutical is from January 1 to June 30, 2022.
- Regarding our earnings forecast for 2023/03, we revised our consolidated earnings forecast for the second quarter on November 7 and our full-year consolidated earnings forecast on November 14.



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- 2. Outline of financial results for 2023/03 2Q – Progress rate**
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Outline of financial results for 2023/03 2Q (Consolidated)

- **Net sales** : Increased due to the consolidation of Sunsho Pharmaceutical and strength in Europe despite weakness at Towa Pharmaceutical in Japan
- **Operating profit** : Decreased due to a drop in gross margin resulting from a rise in the cost of sales ratio in Japan and increase in SGA, e.g., goodwill amortization, following the acquisition of Sunsho Pharmaceutical

(JPY million, %)

Fiscal period	2023/03 2Q			2022/03 2Q		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	90,500	100.0	+ 10.0	82,254	100.0	+ 10.2
Cost of sales	57,325	63.3	+ 22.3	46,876	57.0	+ 7.0
SGA	29,954	33.1	+ 19.5	25,066	30.5	+ 14.3
Operating profit	3,220	3.6	- 68.8	10,312	12.5	+ 15.7
Ordinary profit	4,609	5.1	- 64.6	13,008	15.8	+ 46.9
Profit attributable to owners of parent	2,692	3.0	- 70.9	9,242	11.2	+ 44.8

Exchange rate at end of period (TTM) USD 1	2023/03 2Q	22/3 4Q	22/3 2Q	21/3 4Q	Exchange rate during period (TTM) EUR 1	23/3 2Q	22/3 2Q
	JPY 144.81	JPY 122.39	JPY 111.92	JPY 110.71		JPY 134.25	JPY 129.82

- Notes: 1. The first half period for Towa HD and Sunsho Pharmaceutical is from January 1 to June 30, 2022.
 2. For 2023/03 2Q, the USD/JPY exchange rate at the end of the period is the rate as of September 30, 2022, and the EUR/JPY exchange rate during the period is the average rate from April 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q (Segment information)

(JPY million)

Item	Reportable segment			Adjustment (Goodwill amortization)	Consolidated
	Domestic	Overseas	Total		
	Towa Pharmaceutical J-Dolph Pharmaceutical Daichi Kasei Greencaps Pharmaceutical Sunsho Pharmaceutical	Towa HD			
Net sales	70,597	19,902	90,500	—	90,500
Cost of sales	43,759	13,565	57,325	—	57,325
SGA	21,789	6,119	27,909	2,045	29,954
Segment profit	5,048	217	5,265	△ 2,045	3,220

- Notes: 1. Goodwill amortization: Towa HD JPY 414 million; Sunsho Pharmaceutical JPY 1,630 million
 2. The first half period for Towa HD and Sunsho Pharmaceutical is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q (Domestic segment)

- **Net sales :** Increased due to consolidation of Sunsho Pharmaceutical despite weakness at Towa Pharmaceutical
- **Segment profit :** Decreased due to a rise in the cost of sales ratio as a result of the consolidation of Sunsho Pharmaceutical, which has a high cost of sales ratio, and to the impact of drug price revisions and an increase in SGA

(JPY million, %)

Fiscal period	Domestic segment (Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical, Sunsho Pharmaceutical)					
	2023/03 2Q			2022/03 2Q		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	70,597	100.0	+ 10.3	63,984	100.0	+ 14.4
Cost of sales	43,759	62.0	+ 25.6	34,831	54.4	+ 15.1
SGA	21,789	30.9	+ 16.4	18,714	29.2	+ 12.6
Segment profit	5,048	7.2	- 51.6	10,438	16.3	+ 15.5

Note: The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q (Domestic segment, breakdown)

Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical

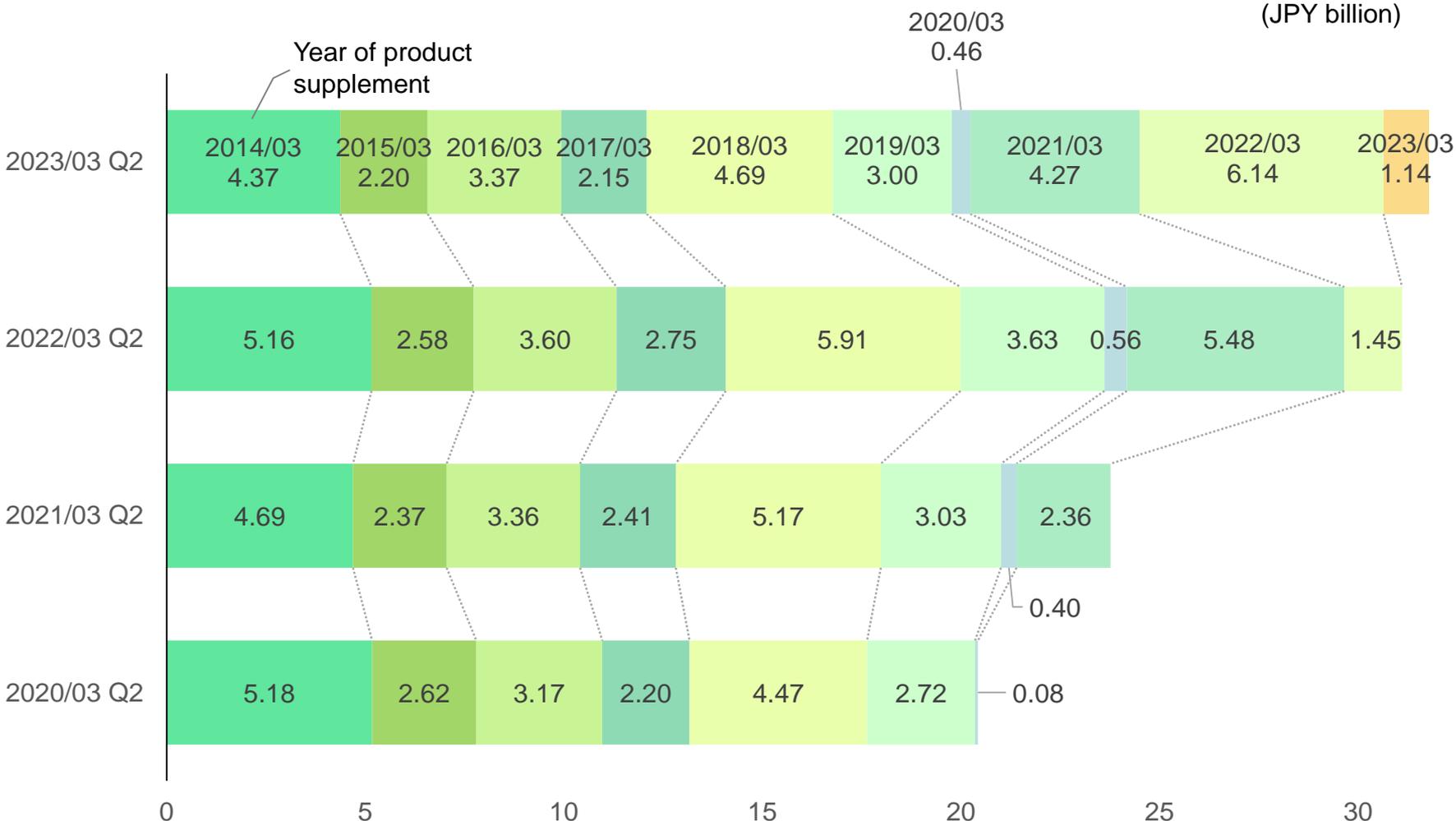
- **Net sales :** Decreased due to a decline in prices of existing drugs following drug price revisions, and a drop in sales volume as a result of limited shipment of some products, while sales volume increased significantly in the same period last year due to market demand for stable supply
- **Segment profit :** Decreased due to a drop in sales and a drop in gross margin as a result of price declines following drug price revisions, and to a rise in the cost of sales ratio owing to deterioration of the sales mix. SGA also increased.

(JPY million, %)

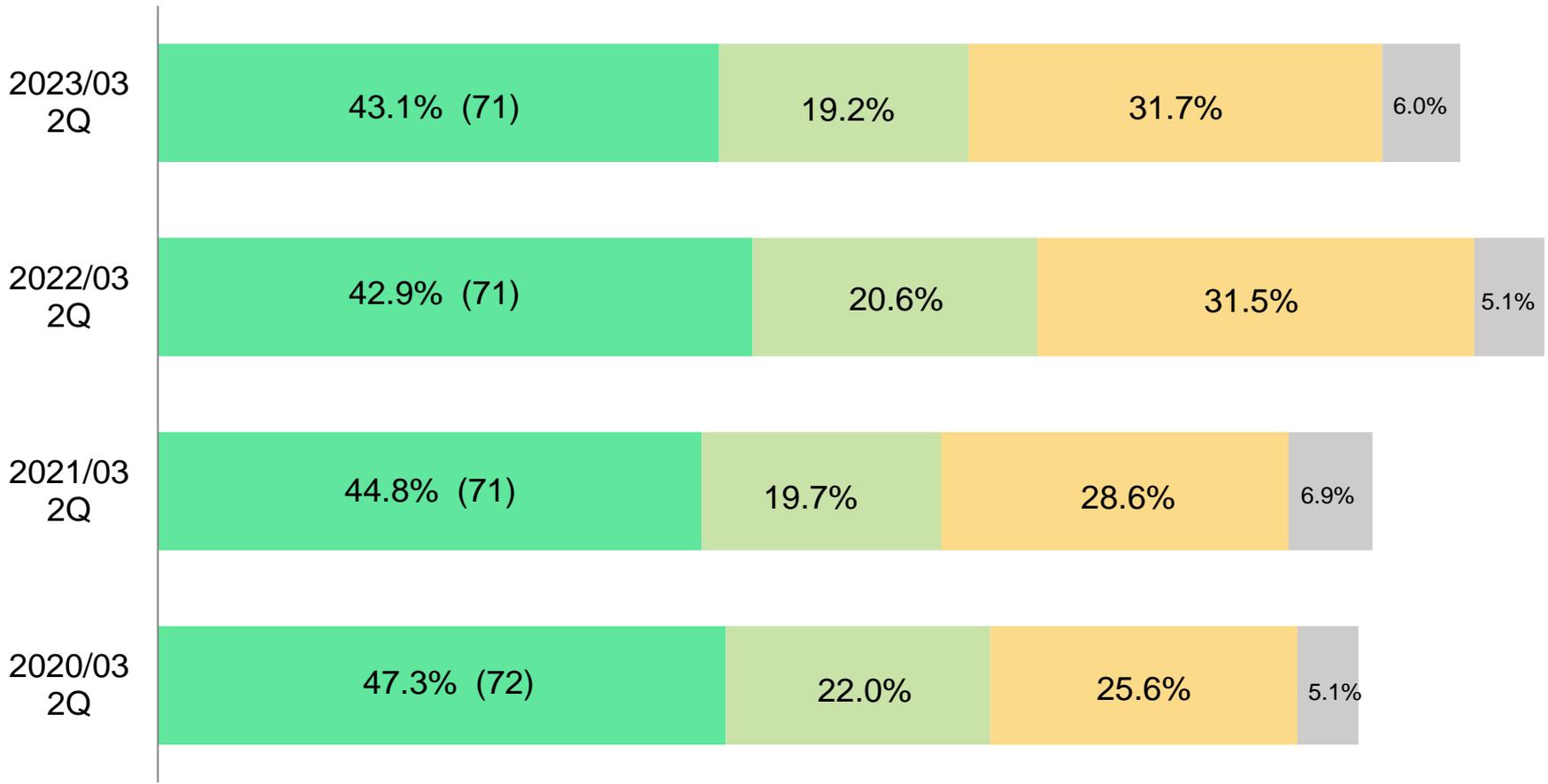
Fiscal period	Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical						Sunsho Pharmaceutical	
	2023/03 2Q			2022/03 2Q			2023/03 2Q	
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)
Net sales	60,200	100.0	- 5.9	63,984	100.0	+ 14.4	10,397	100.0
Cost of sales	35,790	59.5	+ 2.8	34,831	54.4	+ 15.1	7,969	76.6
SGA	20,292	33.7	+ 8.4	18,714	29.2	+ 12.6	1,496	14.4
Segment profit	4,117	6.8	- 60.6	10,438	16.3	+ 15.5	931	9.0

Notes: 1. The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.
2. Goodwill amortization is not included.

Net sales by supplement year (Non-consolidated)



Net sales by distribution channel (Non-consolidated)



■ Direct sales
 ■ Sales agent
 ■ Wholesaler
 ■ Other (consignment, sales by other companies, exports)

Figures in brackets are number of sales offices

Number of customers by customer segment (Non-consolidated)

(Customer, %)

Customer segment	Number of establishments	2023/03 2Q					2022/03 2Q	
		Number of customers	Coverage (%)	Transaction amount % mix (%)	Change in number of customers	Change in transaction amount	Number of customers	Transaction amount % mix (%)
Hospitals	approx. 8,200	7,485	91.2	11.4	+ 22	+ 2.3	7,463	10.5
DPC	approx. 1,760	1,735	98.5	6.8	+ 17	+ 6.6	1,718	6.0
Clinics	approx. 105,300	29,357	27.9	12.7	- 604	- 13.5	29,961	13.8
Pharmacies	approx. 61,300	58,885	96.1	75.8	+ 875	- 5.8	58,010	75.6
Total	approx. 174,800	95,727	54.8	100.0	+ 293	- 6.0	95,434	100.0

(Excludes transactions by other companies)

Note: The number of establishments is calculated with reference to Nihon Ultmarc's national medical institution data.

Selling, general and administrative expenses (Domestic segment)

(JPY million, %)

Fiscal period	Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical, Sunsho Pharmaceutical			Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical		
	23/3 2Q			22/3 2Q		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Personnel	8,939	12.7	+ 12.6	7,935	12.4	+ 6.3
Advertising	385	0.5	- 46.4	719	1.1	+ 146.2
Packing & freight	1,372	1.9	+ 15.5	1,187	1.9	+ 8.9
Commissions paid	1,951	2.8	+ 71.6	1,137	1.8	+ 20.6
R&D	5,592	7.9	+ 22.3	4,571	7.1	+ 18.7
Depreciation	661	0.9	+ 24.9	530	0.8	+ 11.6
Other	2,887	4.1	+ 9.7	2,633	4.1	+ 5.2
SGA	21,789	30.9	+ 16.4	18,714	29.2	+ 12.6

- Notes: 1. Due to the consolidation of Sunsho Pharmaceutical in 2023/03 1Q, the results of 2023/03 2Q include Sunsho Pharmaceutical's SGA of JPY 1,496 million.
2. Goodwill amortization is not included.
3. Depreciation does not include portions that were reclassified as R&D expenses.
4. The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q (Overseas segment)

- **Net sales :** Increased due to strong B2B and B2C businesses in Europe and the weaker yen, despite the impact of business suspension at some manufacturing licensees in the U.S.
- **Segment profit :** Decreased due to a rise in the cost of sales ratio and an increase in SGA, despite an increase in sales

(JPY million, %)

Fiscal period	Overseas segment (Towa HD)					
	2023/03 2Q			2022/03 2Q		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	19,902	100.0	+ 8.9	18,270	100.0	- 2.4
Cost of sales	13,565	68.2	+ 12.6	12,044	65.9	- 11.1
SGA	6,119	30.7	+ 2.8	5,950	32.6	+ 20.7
Segment profit	217	1.1	- 21.0	274	1.5	+ 12.2

Exchange rate during period (TTM) EUR 1	23/3 2Q	22/3 2Q
		JPY 134.25

Note: The first half period for Towa HD is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q

(Overseas segment, by region)

- Europe**
- **Net sales :** Increased due to strength in both B2B and B2C businesses, among other factors
 - **Segment loss :** Loss decreased due to an increase in gross margin following an increase in sales
- U.S.**
- **Net sales :** Increased due to a weaker euro against the dollar, despite business suspension at some manufacturing licensees
 - **Segment profit :** Decreased due to a rise in the cost of sales ratio and an increase in SGA, despite an increase in sales

(JPY million, %)

Fiscal period	Towa HD Europe					Towa HD U.S.				
	23/3 2Q			22/3 2Q		23/3 2Q			22/3 2Q	
Item	(JPY million)	Percentage of net sales(%)	YOY change (%)	(JPY million)	Percentage of net sales(%)	(JPY million)	Percentage of net sales(%)	YOY change (%)	(JPY million)	Percentage of net sales(%)
Net sales	10,932	100.0	+ 14.0	9,587	100.0	8,970	100.0	+ 3.3	8,683	100.0
Cost of sales	6,883	63.0	+ 19.1	5,779	60.3	6,682	74.5	+ 6.7	6,265	72.2
SGA	4,333	39.6	- 0.6	4,358	45.5	1,786	19.9	+ 12.2	1,591	18.3
Segment profit (loss)	-284	-2.6	—	-551	-5.8	501	5.6	- 39.3	826	9.5

Exchange rate during period (TTM) EUR 1	23/3 2Q	22/3 2Q
		JPY 134.25

Note: The first half period for Towa HD is from January 1 to June 30, 2022.

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Outline of financial results for 2023/03 2Q – Progress rate (Consolidated)

- Net sales & operating profit : Failed to achieve 1H plan due to weakness at Towa Pharmaceutical
- Ordinary profit : Failed to achieve 1H plan despite a gain on valuation of derivatives

(JPY million, %)

Fiscal period	23/3							
	2Q Results		First Half Plan (announced May 13)			Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Achievement rate (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	90,500	100.0	101,500	100.0	89.2	212,500	100.0	42.6
Cost of sales	57,325	63.3	62,000	61.1	92.5	130,000	61.2	44.1
SGA	29,954	33.1	31,500	31.0	95.1	63,500	29.9	47.2
Operating profit	3,220	3.6	8,000	7.9	40.3	19,000	8.9	17.0
Ordinary profit	4,609	5.1	8,000	7.9	57.6	19,000	8.9	24.3
Profit attributable to owners of parent	2,692	3.0	4,000	3.9	67.3	12,000	5.6	22.4

Note: The first half period for Towa HD and Sunsho Pharmaceutical is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q – Progress rate (Domestic segment)

- Net sales : Failed to achieve 1H plan in the domestic segment overall
- Segment profit : Failed to achieve 1H plan due to net sales falling short of the 1H plan and the cost of sales ratio rising beyond the expected level

(JPY million, %)

Fiscal period	Domestic segment (Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical, Sunsho Pharmaceutical)							
	2Q Results		First Half Plan (announced May 13)			Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Achievement rate (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	70,597	100.0	80,500	100.0	87.7	169,000	100.0	41.8
Cost of sales	43,759	62.0	47,500	59.0	92.1	100,000	59.2	43.8
SGA	21,789	30.9	22,800	28.3	95.6	47,500	28.1	45.9
Segment profit	5,048	7.2	10,200	12.7	49.5	21,500	12.7	23.5

Notes: 1. The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.
2. Goodwill amortization is not included.

Outline of financial results for 2023/03 2Q – Progress rate

(Domestic segment, breakdown)

Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical

- **Net sales :** Progress rate sluggish due to a decline in prices of existing drugs following drug price revisions and a decrease in sales volume due to limited shipment of some products
- **Segment profit :** Progress rate sluggish due to the delayed progress of net sales and a higher-than-expected cost of sales ratio as production efficiency fell short of expectations

(JPY million, %)

Fiscal period	Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical					Sunsho Pharmaceutical				
	2Q Results		Full-year Plan (announced May 13)			2Q Results		Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	60,200	100.0	144,000	100.0	41.8	10,397	100.0	25,000	100.0	41.6
Cost of sales	35,790	59.5	80,800	56.1	44.3	7,969	76.6	19,200	76.8	41.5
SGA	20,292	33.7	44,000	30.6	46.1	1,496	14.4	3,500	14.0	42.8
Segment profit	4,117	6.8	19,200	13.3	21.4	931	9.0	2,300	9.2	40.5

Notes: 1. The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.
2. Goodwill amortization is not included.

Outline of financial results for 2023/03 2Q – Progress rate (Overseas segment)

- **Net sales :** Failed to achieve 1H plan due to sluggishness in the U.S. while Europe saw good progress
- **Segment profit :** Exceeded plan due to robust sales in Europe and a delay in R&D expenditure, among other factors

(JPY million, %)

Fiscal period	Overseas segment (Towa HD)							
	2Q Results		First Half Plan (announced May 13)			Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Achievement rate (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	19,902	100.0	21,000	100.0	94.8	43,500	100.0	45.8
Cost of sales	13,565	68.2	14,500	69.0	93.6	30,000	69.0	45.2
SGA	6,119	30.7	6,700	31.9	91.3	12,000	27.6	51.0
Segment profit (loss)	217	1.1	-200	-1.0	—	1,500	3.4	14.5

Exchange rate (TTM) EUR 1	2023/03 2Q exchange rate	2023/03 exchange rate assumption
		JPY 134.25

Note: The first half period for Towa HD is from January 1 to June 30, 2022.

Outline of financial results for 2023/03 2Q – Progress rate

(Overseas segment, by region)

- Europe**
- **Net sales :** Progress rate strong as B2C business progressed as expected and B2B business saw good progress
 - **Segment loss :** Loss decreased compared to plan due to good progress in net sales and lower-than-expected cost of sales ratio.
- U.S.**
- **Net sales :** Progress rate sluggish due to business suspension at some manufacturing licensees, among other factors
 - **Segment profit :** Progress rate sluggish as gross margin fell short of expectations due to delayed progress of net sales, and higher-than expected SGA ratio

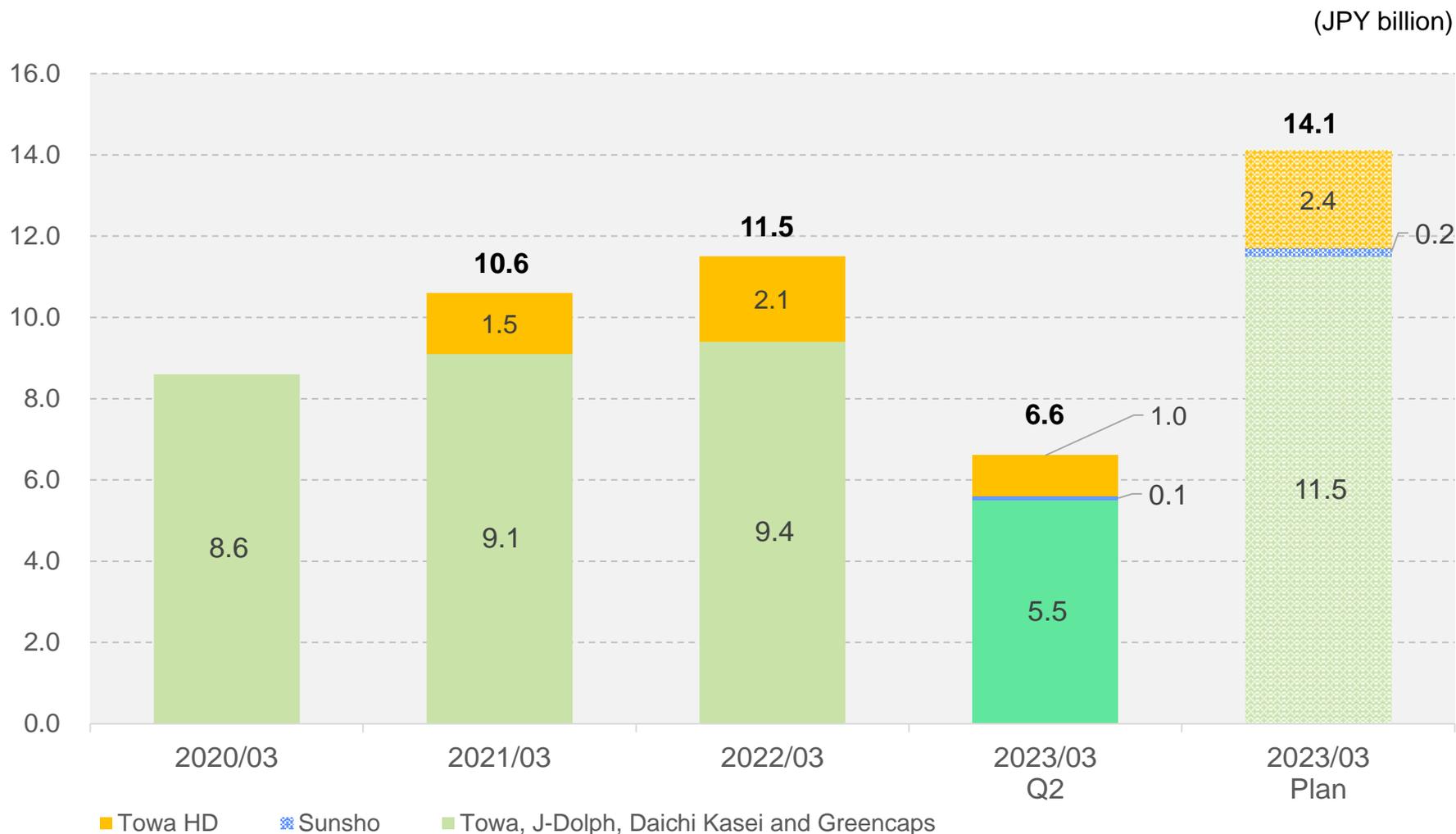
(JPY million, %)

Fiscal period	Towa HD Europe					Towa HD U.S.				
	2Q Results		Full-year Plan (announced May 13)			2Q Results		Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	10,932	100.0	20,400	100.0	53.6	8,970	100.0	23,100	100.0	38.8
Cost of sales	6,883	63.0	13,200	64.7	52.1	6,682	74.5	16,800	72.7	39.8
SGA	4,333	39.6	8,600	42.2	50.4	1,786	19.9	3,400	14.7	52.5
Segment profit (loss)	-284	-2.6	-1,400	-6.9	—	501	5.6	2,900	12.6	17.3

Exchange rate (TTM) EUR 1	2023/03 2Q exchange rate	2023/03 exchange rate assumption
		JPY 134.25

Note: The first half period for Towa HD is from January 1 to June 30, 2022.

Trend of R&D expenses (Consolidated)



Notes: 1. 2020/03 does not include the results of Greencaps Pharmaceutical and Towa HD.
 2. 2020/03–2022/03 do not include the results of Sunsho Pharmaceutical.

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Balance sheets (Consolidated)

● Sunsho Pharmaceutical was consolidated at the end of 2022/03.

(JPY million)

Item	22/9	22/3	Change
Cash and deposits	30,437	32,830	- 2,393
Notes and accounts receivable - trade	42,117	42,896	- 778
Electronically recorded monetary claims - operating	7,728	7,971	- 242
Merchandise and finished goods	38,801	32,098	+ 6,702
Other inventories	44,464	40,603	+ 3,860
Other current assets	12,287	10,463	+ 1,824
Total current assets	175,836	166,864	+ 8,971
Buildings and structures, net	53,473	52,559	+ 913
Machinery, equipment and vehicles, net	19,100	16,224	+ 2,875
Construction in progress	18,472	11,709	+ 6,762
Goodwill	37,593	39,064	- 1,470
Other non-current assets	47,184	45,674	+ 1,509
Total non-current assets	175,823	165,232	+ 10,590
Total assets	351,659	332,097	+ 19,562

Item	22/9	22/3	Change
Notes and accounts payable - trade	14,802	14,834	- 32
Electronically recorded obligations - operating	13,242	14,242	- 999
Short-term borrowings	49,586	49,335	+ 250
Current portion of bonds with share acquisition rights	—	4,150	- 4,150
Current portion of long-term borrowings	7,589	8,022	- 432
Notes and accounts payable - equipment	12,883	5,635	+ 7,247
Other current liabilities	16,805	18,852	- 2,047
Total current liabilities	114,908	115,073	- 164
Bonds with share acquisition rights	—	—	—
Long-term borrowings	91,941	79,194	+ 12,746
Other non-current liabilities	6,073	5,659	+ 414
Total non-current liabilities	98,014	84,853	+ 13,160
Total liabilities	212,923	199,927	+ 12,995
Total net assets	138,736	132,169	+ 6,566
Total liabilities and net assets	351,659	332,097	19,562

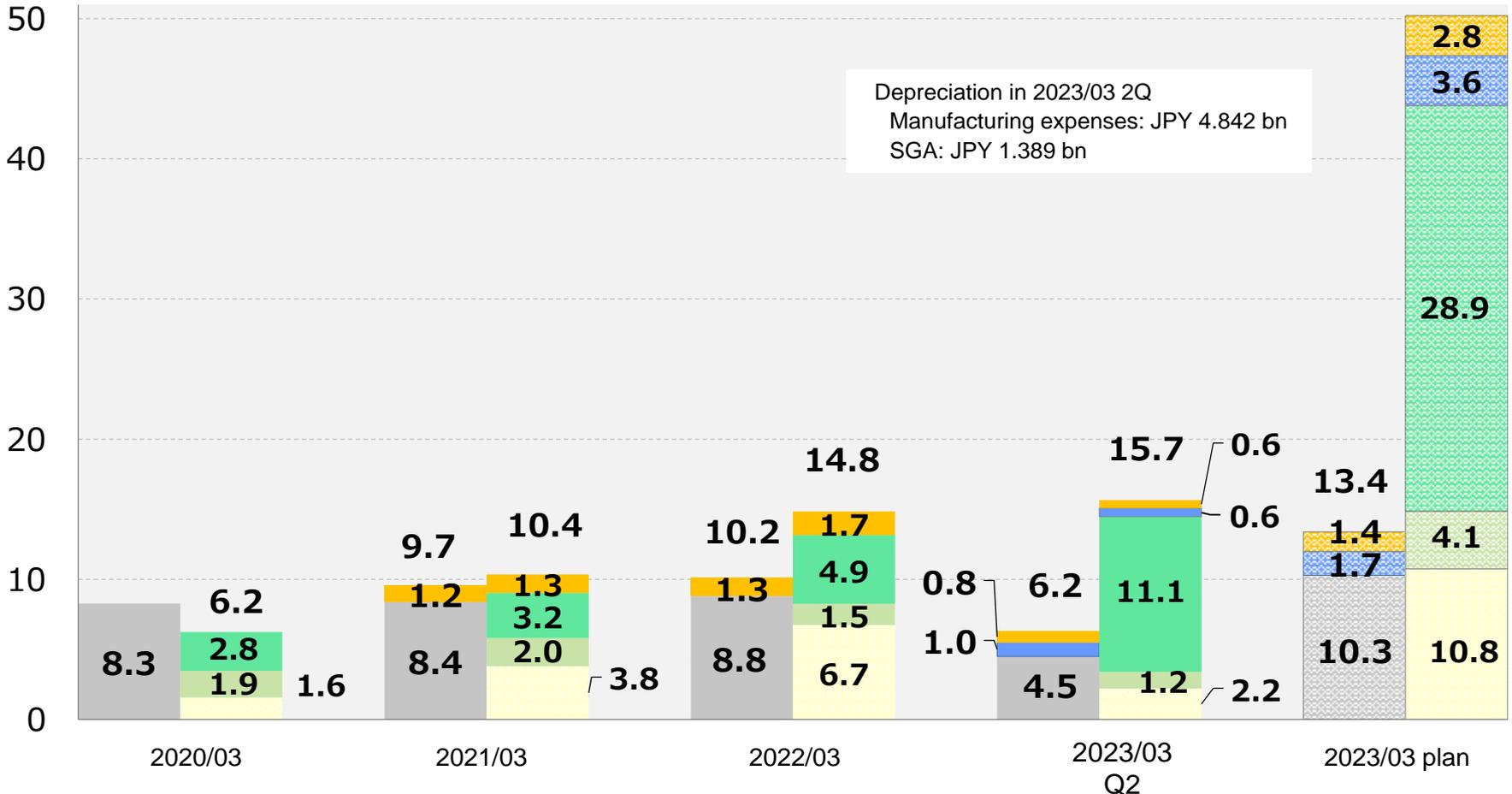
Exchange rate at end of period (TTM) EUR 1	22/6	21/12
	JPY 142.67	JPY 130.51

- Notes: 1. The exchange rate as of the end of June 2022 is indicated since the first half period for Towa HD is from January 1 to June 30, 2022.
 2. The first half period for Sunsho Pharmaceutical is from January 1 to June 30, 2022.
 3. The figures for 2022/03 have been retroactively adjusted to reflect the results of PPA for Sunsho Pharmaceutical.

Capital expenditure and depreciation (Consolidated)

● Increase in capex planned due to full-scale investment in new Yamagata Plant building and enhancement of facilities at subsidiaries in 2023/03

(JPY billion)



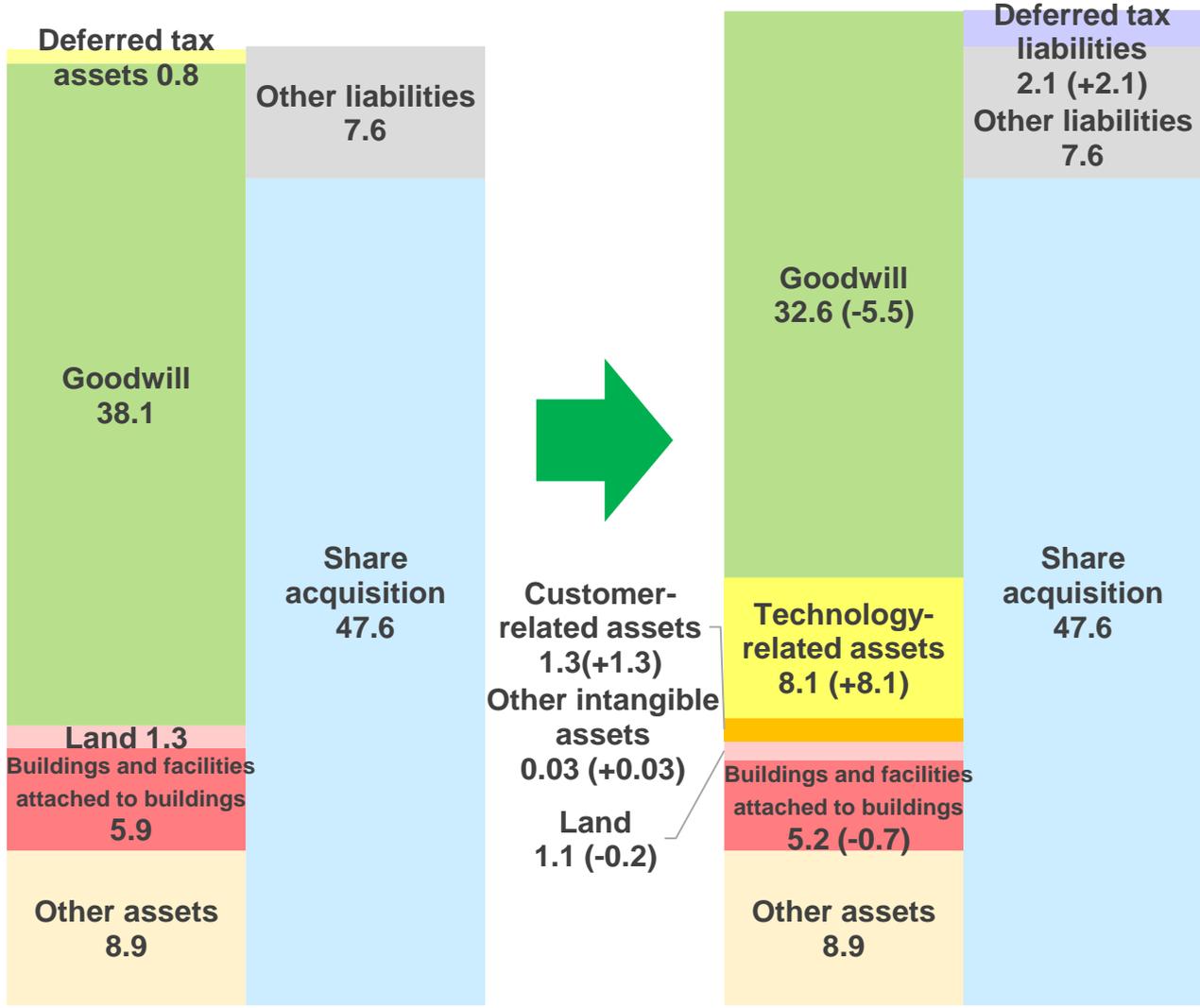
Depreciation in 2023/03 2Q
 Manufacturing expenses: JPY 4.842 bn
 SGA: JPY 1.389 bn

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

- Notes:
1. Capital expenditure includes the acquisition of property, plant and equipment, and intangible assets.
 2. Depreciation includes the R&D expenses portion.
 3. Depreciation in 2021/03–2023/03 does not include Towa HD's goodwill amortization.
 4. Depreciation in 2023/03 does not include Sunsho Pharmaceutical's goodwill amortization.
 5. 2020/03 does not include the results of Greencaps Pharmaceutical and Towa HD.
 6. 2020/03–2022/03 do not include the results of Sunsho Pharmaceutical.

Outline and impact of Sunsho Pharmaceutical PPA

Consolidated balance sheet image (JPY billion)



Goodwill after PPA
JPY 32.62 bn
(Amortized over 10 years)

Impact on consolidated earnings for 2023/03
Gross profit: JPY -0.719 bn
Operating profit: JPY -0.328 bn
After-tax profit: JPY -0.028 bn

Impact of increase/decrease in depreciation on different items

Positive impact: Decrease in SGA due to decrease in goodwill amount
 Decrease in SGA due to decrease in buildings amount

Negative impact: Increase in cost of sales due to increase in technology-related asset amount
 Increase in SGA due to increase in customer-related asset amount

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Revisions to full-year earnings plan for 2023/03 (Consolidated)

- **Net sales :** Revised in consideration of 1H results and 2H outlook
- **Operating profit :** Revised due to downward revision of sales and rise in cost of sales ratio
- **Ordinary profit :** Incorporating gain on valuation of derivatives generated in 1H (JPY million, %)

Fiscal period	23/3						
	Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan (announced May 13) (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	196,400	100.0	+ 18.6	- 7.6	212,500	100.0	+ 28.3
Cost of sales	125,400	63.8	+ 31.4	- 3.5	130,000	61.2	+ 36.2
SGA	62,300	31.7	+ 22.2	- 1.9	63,500	29.9	+ 24.6
Operating profit	8,700	4.4	- 54.7	- 54.2	19,000	8.9	- 1.1
Ordinary profit	10,600	5.4	- 53.4	- 44.2	19,000	8.9	- 16.4
Profit attributable to owners of parent	6,300	3.2	- 60.4	- 47.5	12,000	5.6	- 24.6
Exchange rate (TTM) EUR 1	2023/03 exchange rate assumption (announced November 14)		2023/03 2Q exchange rate		2023/03 exchange rate assumption (announced May 13)		
	JPY 138.00		JPY 134.25		JPY 130.00		

Note: The consolidated fiscal year for Towa HD and Sunsho Pharmaceutical is from January 1 to December 31, 2022.

Revisions to full-year earnings plan for 2023/03

(Domestic segment)

- Net sales : Revised in consideration of 1H results and 2H outlook
- Segment profit : Revised due to a downward revision of sales and a rise in the cost of sales ratio

(JPY million, %)

Fiscal period	Domestic segment (Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical, Sunsho Pharmaceutical)						
	Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	153,000	100.0	+ 20.8	- 9.5	169,000	100.0	+ 33.4
Cost of sales	95,200	62.2	+ 37.3	- 4.8	100,000	59.2	+ 44.2
SGA	45,200	29.5	+ 17.5	- 4.8	47,500	28.1	+ 23.5
Segment profit	12,600	8.2	- 33.3	- 41.4	21,500	12.7	+ 13.9

Note: The consolidated fiscal year for Sunsho Pharmaceutical is from January 1 to December 31, 2022.

Revisions to full-year earnings plan for 2023/03

(Domestic segment, breakdown)

Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical

- Net sales : Impact of drug price revisions not expected to be compensated by the increase in sales volume
- Cost of sales : Deterioration of sales mix due to limited shipment of drugs supplemented in recent years

Sunsho Pharmaceutical

- Net sales : Decreased due to adoption of new accounting standard, among other factors
- Cost of sales : Revised in consideration of a surge in raw material costs and others

(JPY million, %)

Fiscal period	Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical							Sunsho Pharmaceutical				
	Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)			Revised Full-year Plan (announced November 14)			Initial Full-year Plan (announced May 13)	
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)
Net sales	131,500	100.0	+ 3.8	- 8.7	144,000	100.0	+ 13.7	21,500	100.0	- 14.0	25,000	100.0
Cost of sales	78,000	59.3	+12.5	- 3.5	80,800	56.1	+ 16.5	17,200	80.0	- 10.4	19,200	76.8
SGA	42,200	32.1	+ 9.7	- 4.1	44,000	30.6	+ 14.4	3,000	14.0	- 14.3	3,500	14.0
Segment profit	11,300	8.6	- 40.1	- 41.1	19,200	13.3	+ 1.7	1,300	6.0	- 43.5	2,300	9.2

- Notes: 1. The consolidated fiscal year for Sunsho Pharmaceutical is from January 1 to December 31, 2022.
2. Goodwill amortization is not included.

Revisions to full-year earnings plan for 2023/03 (Overseas segment)

- **Net sales :** Revised in consideration of 1H results and 2H outlook
- **Segment profit :** Revised due to a downward revision of sales and a rise in the cost of sales ratio and SGA

(JPY million, %)

Fiscal period	Overseas segment (Towa HD)						
	Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	43,400	100.0	+ 11.5	- 0.2	43,500	100.0	+ 11.7
Cost of sales	30,200	69.6	+ 15.7	+ 0.7	30,000	69.0	+ 14.9
SGA	13,100	30.2	+ 11.9	+ 9.2	12,000	27.6	+ 2.5
Segment profit	100	0.2	- 91.1	- 93.3	1,500	3.4	+ 33.0

Exchange rate (TTM) EUR 1	2023/03 exchange rate assumption (announced November 14)	2023/03 2Q exchange rate	2023/03 exchange rate assumption (announced May 13)
		JPY 138.00	JPY 134.25

Note: The consolidated fiscal year for Towa HD is from January 1 to December 31, 2022.

Revisions to full-year earnings plan for 2023/03 (Overseas segment, by region)

- Europe**
- **Net sales :** Both B2B and B2C businesses expected to remain strong
 - **Segment loss :** Loss expected to decrease due to upward revision of sales
- U.S.**
- **Net sales :** Impact of business suspension at some manufacturing licensees and weakness of new products
 - **Segment profit :** Revised due to a downward revision of sales, a rise in the cost of sales ratio owing to a rise in bulk drug prices and weakness of new products, and an increase in SGA due to the impact of exchange rates
- (JPY million, %)

Fiscal period	Towa HD Europe							Towa HD U.S.						
	Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)			Revised Full-year Plan (announced November 14)				Initial Full-year Plan (announced May 13)		
Item	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)	YOY change (%)
Net sales	23,000	100.0	+14.2	+12.7	20,400	100.0	+1.3	20,400	100.0	+8.5	- 11.7	23,100	100.0	+22.8
Cost of sales	14,900	64.8	+20.3	+12.9	13,200	64.7	+6.6	15,300	75.0	+11.5	- 8.9	16,800	72.7	+22.5
SGA	8,700	37.8	+2.6	+1.2	8,600	42.2	+1.5	4,400	21.6	+36.1	+29.4	3,400	14.7	+ 5.2
Segment profit (loss)	-600	-2.6	—	—	-1,400	-6.9	—	700	3.4	- 62.3	- 75.9	2,900	12.6	+56.3

Exchange rate (TTM) EUR 1	2023/03 exchange rate assumption (announced November 14)	2023/03 2Q exchange rate	2023/03 exchange rate assumption (announced May 13)
	JPY 138.00	JPY 134.25	JPY 130.00

Note: The consolidated fiscal year for Towa HD is from January 1 to December 31, 2022.

Revisions to earnings plan for 2023/03 2H

Domestic

- **Net sales :** Impact of drug price revisions not expected to be compensated by an increase in sales volume
- **Segment profit :** Despite a decrease in SGA due to cost reductions, revised downward due to downward revision of sales and a rise in the cost of sales ratio owing to a surge in raw material costs and a weaker yen

Overseas

- **Net sales :** Sluggishness in the U.S. expected to be compensated by Europe
- **Segment profit :** Despite an upward revision of sales, revised downward due to a rise in the cost of sales ratio caused by a rise in bulk drug prices and weakness of new products, and an increase in SGA due to the impact of exchange rates

(JPY million, %)

Fiscal period	Domestic segment					Fiscal period	Overseas segment				
	Revised 2H Plan (announced November 14)			Initial 2H Plan (announced May 13)			Revised 2H Plan (announced November 14)			Initial 2H Plan (announced May 13)	
Item	(JPY million)	Percentage of net sales (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)	Item	(JPY million)	Percentage of net sales (%)	Change from initial plan (%)	(JPY million)	Percentage of net sales (%)
Net sales	82,400	100.0	- 6.9	88,500	100.0	Net sales	23,500	100.0	+ 4.4	22,500	100.0
Cost of sales	51,400	62.4	- 2.1	52,500	59.3	Cost of sales	16,700	71.1	+ 7.7	15,500	68.9
SGA	23,500	28.5	- 4.9	24,700	27.9	SGA	6,900	29.4	+ 30.2	5,300	23.6
Segment profit	7,500	9.1	- 33.6	11,300	12.8	Segment profit (loss)	-100	-0.4	—	1,700	7.6

Exchange rate (TTM) EUR 1	2023/03 exchange rate assumption (announced November 14)	2023/03 2Q exchange rate	2023/03 exchange rate assumption (announced May 13)
		JPY 138.00	JPY 134.25

Note: The second half period for Towa HD and Sunsho Pharmaceutical is from July 1 to December 31, 2022.

New products to be listed on NHI drug reimbursement price list in December 2022 (Domestic)

Therapeutic category	Product name	Original/representative drug name
V ₂ -receptor antagonist	Tolvaptan OD tablets 7.5 mg, 15 mg "Towa"	Samsca OD tablets 7.5 mg, 15 mg
Proton-pump inhibitor	Esomeprazole capsules 10 mg, 20 mg "Towa"	Nexium capsules 10 mg, 20 mg
Selective serotonin reuptake inhibitor (SSRI)	Escitalopram OD tablets 10 mg, 20 mg "Towa"	Lexapro tablets 10 mg, 20 mg (different dosage forms)
	Escitalopram tablets 10 mg, 20 mg "Towa"	Lexapro tablets 10 mg, 20 mg
Osteoporosis treatment	Ibandronate intravenous injection 1 mg syringe "Towa"	Bonviva Syringes for intravenous injection 1 mg syringe
Melatonin receptor agonist	Ramelteon tablets 8 mg "Towa"	Rozerem tablet 8 mg
Ulcerative colitis and Crohn's disease treatment	Mesalazine Sustained-release tablets 250 mg, 500 mg "Towa"	Pentasa tablet 250 mg, 500 mg
Osteoporosis treatment (active vitamin D ₃ preparation)	Edirol tablets 0.5μg, 0.75μg	—

Sales of approx. JPY 3.63 billion in total are planned for the above new products for the first fiscal year.

14 products for 7 ingredients are scheduled to be launched.

Forward-looking statements are based on targets and projections and do not offer commitments or guarantees.

Please be aware that results may differ from expectations.

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