

December 17, 2021

Company name TOWA PHARMACEUTICAL CO., LTD.
Representative President and Itsuro Yoshida
Representative Director
(Stock code No. 4553, Tokyo Stock Exchange, 1st Section)
Inquiries Director Masao Tanaka
(TEL: 06-6900-9102)

Notice on Acquisition of Sunsho Pharmaceutical Co., Ltd.

TOWA PHARMACEUTICAL CO., LTD. (“TOWA”, Head office: Kadoma, Osaka; President and Representative Director: Itsuro Yoshida)-hereby announces that at a Board of Directors meeting held today on December 17, 2021, the Company resolved to acquire all of the shares of Sunsho Pharmaceutical Co., Ltd. (“Sunsho”, Head office: Fuji, Shizuoka; Chairman and CEO: Yasuhiko Ishikawa) and make Sunsho a wholly owned subsidiary of the Company.

1. Reason for the Acquisition

Based on our desire to “contribute to people’s health by creating superior products and services”, we have established five basic policies in our 5th Mid-term Business Plan 2021-2023 PROACTIVE II: (1) enhancing generics business as a core, (2) expanding and growing business in overseas market, (3) entering new health related businesses, (4) creating technology innovations and product values, and (5) making job satisfaction and fostering talented human resources. With our generic business as the core business, we are working to further increase our lineup of products and services to maintain and improve health, with the aim of developing all health-related businesses contributing to people’s health.

Sunsho is engaged in the planning, development, and contract manufacturing of health foods, pharmaceuticals, and other products. The company has a high competitive advantage by focusing on the development of value-added products that are promptly delivered and meet customer needs, utilizing its advanced formulation technology. The Company believes that the addition of Sunsho to the Group will enable the Company to realize the diversified development of its health-related businesses, which is the Company’s goal, and further corporate value improvement, by utilizing the high technological capabilities, broad customer base, and health food-related know-how that Sunsho has developed.

2. Overview of Sunsho

(1) Company name	Sunsho Pharmaceutical Co., Ltd.
(2) Location	1468 Atsuhara, Fuji-shi, Shizuoka
(3) Representative title/name	Yasuhiko Ishikawa , Chairman and CEO
(4) Business description	1. Planning, development, and OEM manufacturing of health foods, pharmaceuticals, general foods and other miscellaneous merchandizes

	2. Development of raw materials: Extraction, concentration, refining, crushing and sterilization 3. Industrial property rights search (e.g. patents and trademarks), literature search, academic information search, product planning		
(5) Capital	87 million yen		
(6) Date of establishment	August 25, 1994		
(7) Major shareholders and shareholding ratios	CJP SP Holdings, L.P. 90.19%		
(8) Relationship between TOWA and Sunsho	Capital	Not applicable	
	Personnel	Not applicable	
	Business	Not applicable	
(9) Operating results and financial position of the company for the past three years			
Accounting period	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
Net assets	12,632 M¥	13,717 M¥	14,925 M¥
Total assets	28,359 M¥	28,381 M¥	29,121 M¥
Net assets per share	71,081 ¥	77,187 ¥	83,602 ¥
Net sales	22,540 M¥	21,119 M¥	22,892 M¥
Operating profit	2,773 M¥	1,358 M¥	2,129 M¥
Ordinary profit	2,757 M¥	1,831 M¥	1,974 M¥
Current net income	1,656 M¥	1,085 M¥	1,148 M¥
Net income per share	9,320 ¥	6,105 ¥	6,433 ¥
Dividend per share	—¥	—¥	—¥

3. Overview of Counterparty of Share Acquisition

(1) Name	CJP SP Holdings, L.P.
(2) Location	Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands
(3) Basis of establishment, etc.	A limited partnership (LPS) formed and registered under the laws of the Cayman Islands.
(4) Purpose of constitution	Created primarily for the purpose of acquiring and holding common stock of Sunsho Pharmaceutical Co., Ltd.
(5) Date of constitution	June 2, 2014
(6) Total amount of investment	Not disclosed at the request of the other party
(7) Investors, investment ratio, and overview of the investors	Carlyle Japan Partners III, L.P.
	Carlyle Japan International Partners III, L.P.
	CJP Co-Investment III, L.P.

	CJIP Co-Investment III, L.P.	
(8) Overview of managing partners	Name	CJP SP Holdings GP, Ltd.
	Location	Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands
	Representative title/name	Director Robert Rosen
	Business description	Investment business
	Share capital	0 yen
(9) Overview of domestic agent	Not applicable	
(10) Relationship between TOWA and Sunsho	Relationship between the Company and the fund	Not applicable
	Relationship between the Company and the managing partners	Not applicable
	Relationship between the Company and the domestic agent	Not applicable

4. Number of Shares to Be Acquired, Acquisition Price, and Number of Shares Held Before and After Acquisition

(1) Number of shares held before acquisition	Zero shares (Number of voting rights: zero) (Ownership ratio: 0%)
(2) Number of shares acquired	179,969 shares (Number of voting rights: 179,969)
(3) Acquisition price	Common stock of Sunsho: 47,694 million yen
(4) Number of shares held after acquisition	179,969 shares (Number of voting rights: 179,969) (Ownership ratio: 100%)

*After CJP SP Holdings, L.P. acquires the shares held by other shareholders of Sunsho and the shares that will be held by the holders of the stock acquisition rights of Sunsho as a result of exercising their stock acquisition rights, the Company will acquire 179,969 shares of Sunsho from CJP SP Holdings, L.P.

5. Schedule

(1) Date of resolution by the Board of Directors	December 17, 2021
(2) Date of execution of	December 17, 2021

the share purchase agreement	
(3) Closing Date	February 28, 2022 (178,509 shares) (scheduled) March 7, 2022 (1,460 shares) (scheduled)

* The transfer of the shares is scheduled to take place after the completion of the procedures stipulated in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act).

6. Future Outlook

The Company will promptly announce the impact of this acquisition on the Company's consolidated financial results for the fiscal year ending March 31, 2022, as soon as the details are determined.

Forecast of consolidated financial results for the current fiscal year (announced Nov. 12, 2021) and consolidated results for the previous fiscal year

	Consolidated net sales	Consolidated operating profit	Consolidated ordinary profit	Profit attributable to owners of parent
Forecast of consolidated financial results for the current fiscal year (Year ending March 31, 2022)	166,700	19,300	22,110	15,440
Consolidated results for the previous fiscal year (Year ended March 31, 2021)	154,900	19,923	18,677	13,958

(Millions of yen)