

# 5th Mid-term Business Plan 2021-2023

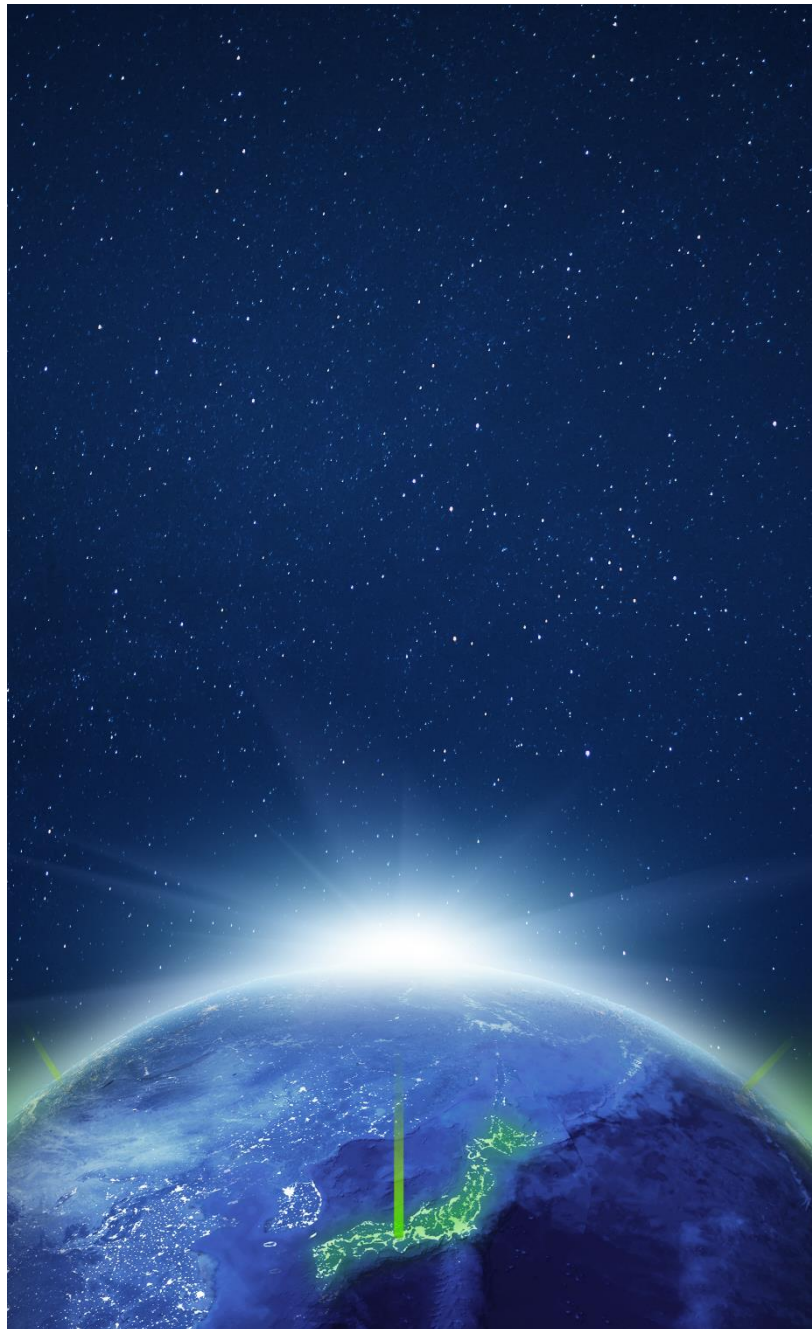
# PROACTIVE II

—— Dawn of the 3rd growth period ——

May 14, 2021

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"PROACTIVE" is a word that means forward-looking and visionary.  
To adapt to changes occurring both in Japan and in the world,  
Towa Group as well as its employees will take appropriate actions  
in advance predicting future changes and risks.



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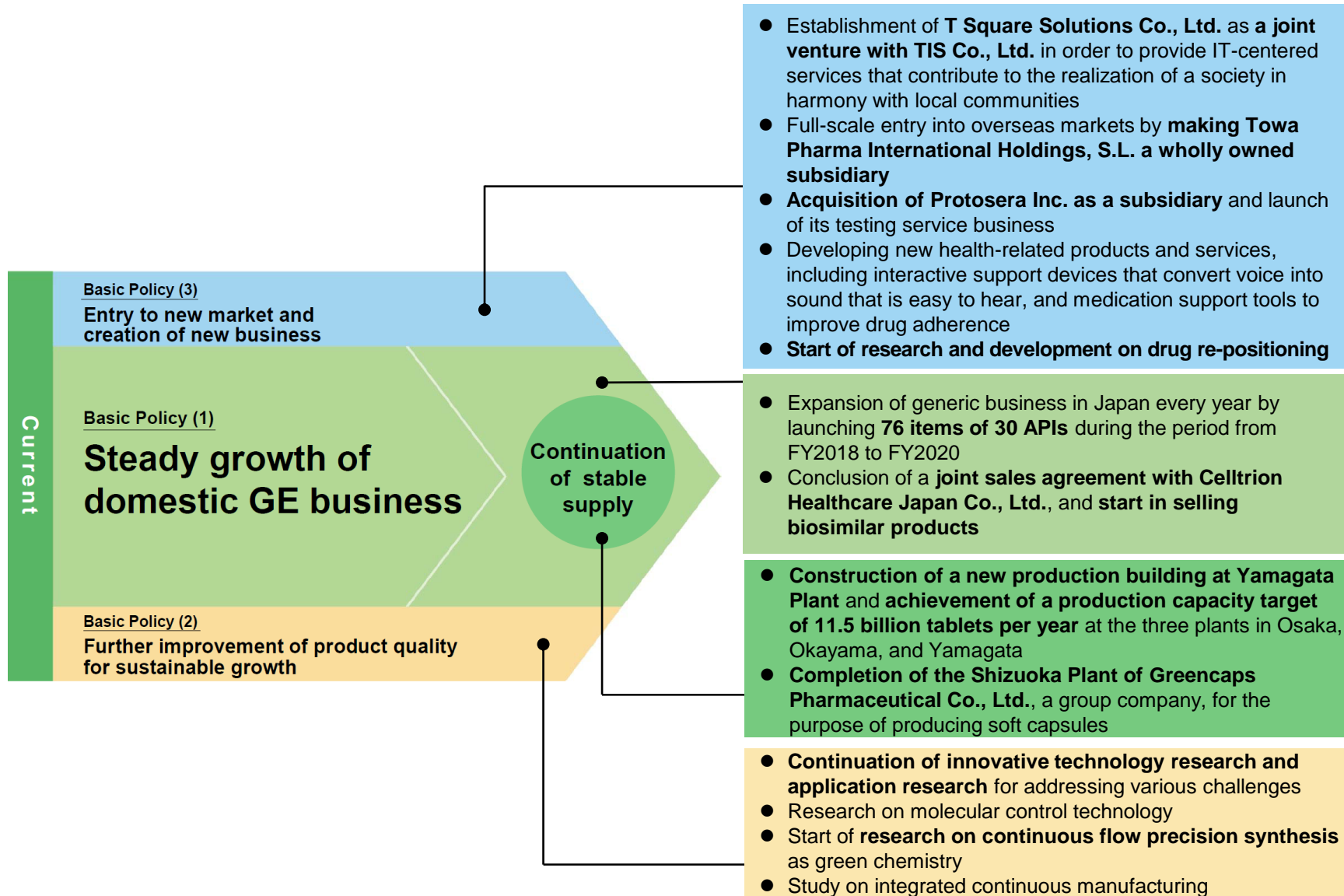
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5th Mid-term Business Plan (2021-2023)

# 1

## 4th Mid-term Business Plan (2018-2020) - Review

# Towa Group's Basic Policies and Achievements



# Major Objectives and Achievements (1)

| Targets      | Sales   | Operating profit<br>(Accumulative)  | Capital-to-asset ratio   |
|--------------|---|---|--|
|              | <p><b>JPY 100 billion<br/>or more</b></p>   | <p><b>Initial target</b><br/><b>JPY 30 billion<br/>or more</b><br/>▼ <small>May 2019</small><br/><b>Modified target</b><br/><b>JPY 40 billion<br/>or more</b></p> | <p><b>50% or higher</b><br/><br/>Improvement of<br/>financial stability</p>  |
| Achievements | Achieved  | Achieved  | Not achieved   |
|              | <p><b>JPY 154.9 billion</b><br/><br/>Consol. Sales (fiscal year)<br/>JPY 105.1 bill. (2018)<br/>JPY 110.4 bill. (2019)<br/>JPY 154.9 bill. (2020) <sup>1)</sup></p> | <p><b>JPY 52.0 billion</b><br/><br/>Consol. Profit (fiscal year)<br/>JPY 16.0 bill. (2018)<br/>JPY 16.1 bill. (2019)<br/>JPY 19.9 bill. (2020) <sup>1)</sup></p>  | <p><b>47.5%</b><br/><br/>Capital-to-asset ratio (fiscal year)<br/>48.6% (2018)<br/>45.5% (2019)<br/>47.5% (2020)</p> |

1) Towa Pharma International Holdings, S.L. included in consolidation in FY2020

# Major Objectives and Achievements (2)

|   |   |   |  |
|---|---|---|--|
| <b>Targets</b>  | <b>R&amp;D expenditure</b><br>(Accumulative)  | <b>Capital investment</b><br>(Accumulative)   | <b>Dividend policy</b>   |
|   | <b>JPY 26 billion or more</b> <ul style="list-style-type: none"> <li>● Product development plan aiming for stable launches</li> <li>● Improvement of products in response to requests from healthcare professionals and patients</li> </ul> | <b>JPY 20 billion or more</b> <p style="text-align: center;">Capital investment for maintaining and strengthening stable supply system</p>                    | <b>Stable payout</b> <p style="text-align: center;">On top of stable dividend payouts, the Company will seek to return profits to shareholders through share repurchases, etc., depending on the circumstances</p> |
| <b>Achieved</b><br>(Accumulated)  | <b>Achieved</b><br>(Accumulated)  | <b>Achieved</b>   |  |
| <b>JPY 27.1 billion</b> <p>Consol. R&amp;D expenditure (fiscal year)</p> <p>JPY 7.9 billion (2018)</p> <p>JPY 8.6 billion (2019)</p> <p>JPY 10.6 billion (2020) <sup>1)</sup></p> | <b>JPY 22.6 billion</b> <p>Consol. Capital investment (fiscal year)</p> <p>JPY 6.0 billion (2018)</p> <p>JPY 6.2 billion (2019)</p> <p>JPY 10.4 billion (2020) <sup>1)</sup></p>  | <b>Stable dividend</b> <p>Dividend per share (fiscal year)</p> <p>JPY 35.8 yen (2018)</p> <p>JPY 44.0 yen (2019) <sup>2)</sup></p> <p>JPY 44.0 yen (2020)</p> |  |

1) Towa Pharma International Holdings, S.L. included in consolidation in FY2020

2) Stock split on April 1, 2019

# 2

## External Environmental Changes

# External Environmental Changes

## Basic Policy on Economic and Fiscal Management and Reform 2020

- **Future of the post-COVID-19 world**
  - ✓ A society in which individuals can flourish and prosperity is accessible to all (flexibility, diversity, acceptance of change, tolerance of failures and achieving work-life balance)
  - ✓ Inclusive society where all can feel that life is worthwhile and no one is left behind (safety net, supporting linkages among people and comfort to people who are uneasy)
  - ✓ Nation regarded as essential and that garners the trust and respect of the international community (maintenance and expansion of free trade, establishment of new rules for the new world order, international cooperation and partnerships)
- **Protecting people's lives, livelihoods, jobs, and businesses**
- **Achieving the “New Normal Lifestyle”: Full-speed revolution at a stroke that would take 10 years under normal circumstances**
  - ✓ Strengthening the foundation of the social security system in line with Basic Policy on Economic and Fiscal Management and Reform 2018 and 2019 (generics volume share target of 80%)

Realizing high-quality economic society  
in the "New Normal Lifestyle"

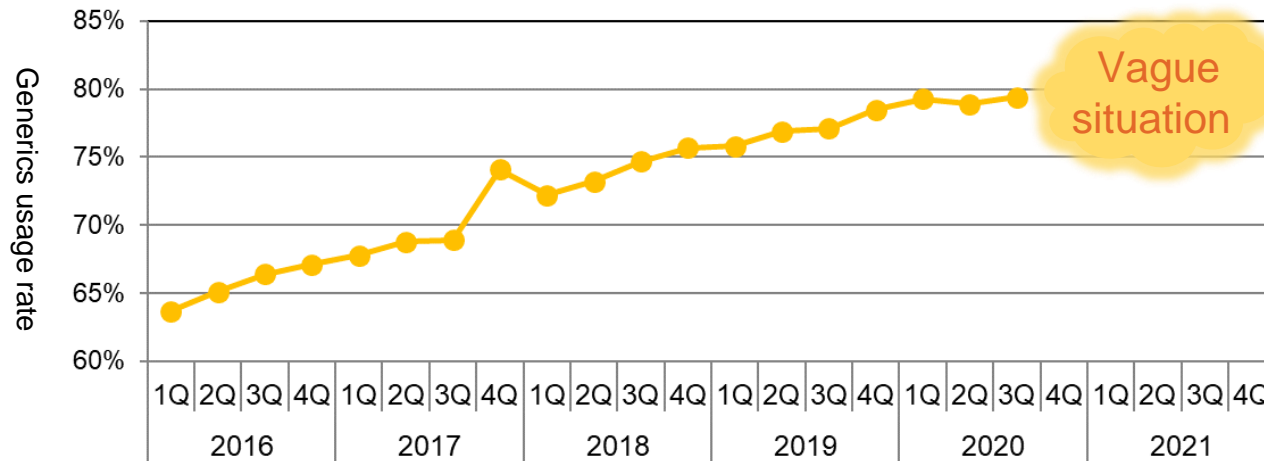
## Initiatives for social security reform for 2040

- **Diversity of employment and social participation**
  - ✓ Diversified employment and enrichment of employment opportunities, and review of the pension system to flexibly adapt to work styles
- **Extension of healthy life expectancy**
  - ✓ Establishment of a mechanism to provide medical management (exercise, nutrition, etc.) in an integrated manner through collaboration between medical institutions, insurers, private business operators, etc.
  - ✓ Large-scale expansion of the physical activity environment and promotion of integrated implementation of the long-term care prevention project and the health care project for the elderly (measures against frailty) as well as promotion of measures to prevent dementia
  - ✓ Creation of an environment that allows people to naturally become healthy
- **Reform of medical and welfare services**
  - ✓ Consideration of practical applications of robots, AI, etc.
  - ✓ Launch of a model project to improve operational efficiency by combining nursing assistants, nursing robots (including sensors), ICT utilization, etc. at nursing homes

Realizing a society where everyone can  
work longer and more energetically



# Environment Surrounding Generics Industry



The government set a goal of increasing the volume share of generics to 80% by September 2020 in the "Basic Policy on Economic and Fiscal Management and Reform 2017" four years ago. Results of analysis showed the volume share reached 79.4% in the third quarter of fiscal 2020 (October to December 2020) and indicated the target was almost achieved.

**Due to recent quality problems, however, the public's confidence in generics built up so far has declined, and the industry as a whole has failed to fulfill its responsibilities for stable supply, which drove the market in turmoil and the future of generics companies are worrisome.**

Under such circumstances, the Ministry of Health, Labour and Welfare mentioned that patients and healthcare professionals will not show understandings to generics manufacturers only by setting new numerical targets. In order to regain the trust in generics,

**it is also necessary to implement measures to ensure a stable supply based on thorough manufacturing and quality management**

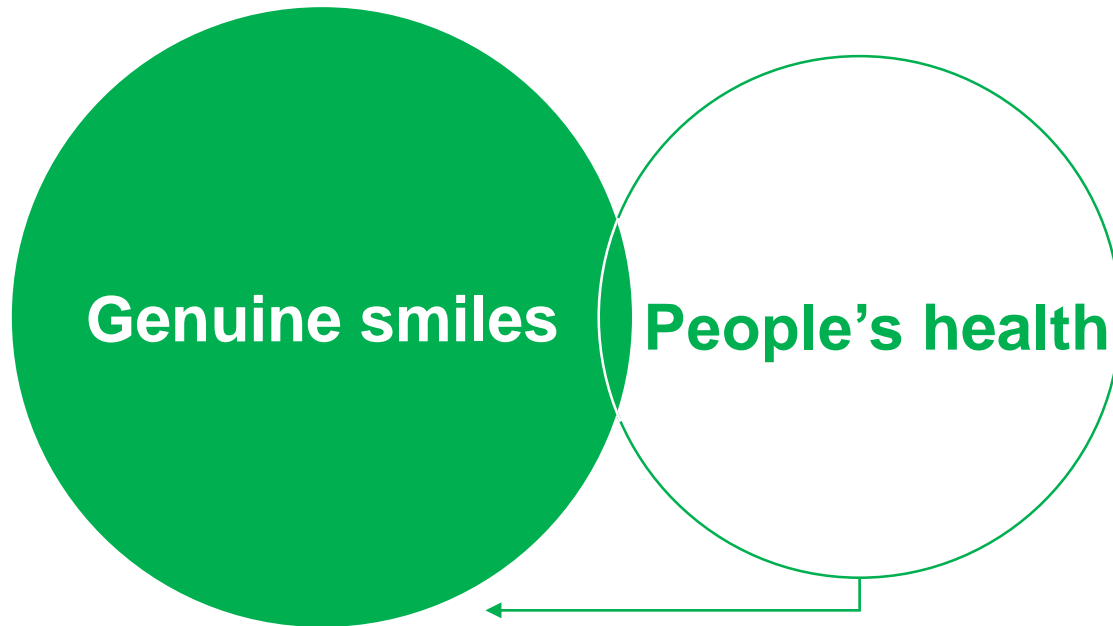
# 3

## Towa Group's Vision

# Towa Group's Vision

**We contribute to people's health**

**We are dedicated to people's genuine smiles**



Supporting genuine smiles through everything that is contributing to health

Towa Group contributes to people's health by creating superior products and services. Through our corporate activities, we aim to be a company that is valued and needed by patients, healthcare professionals, local communities, and others

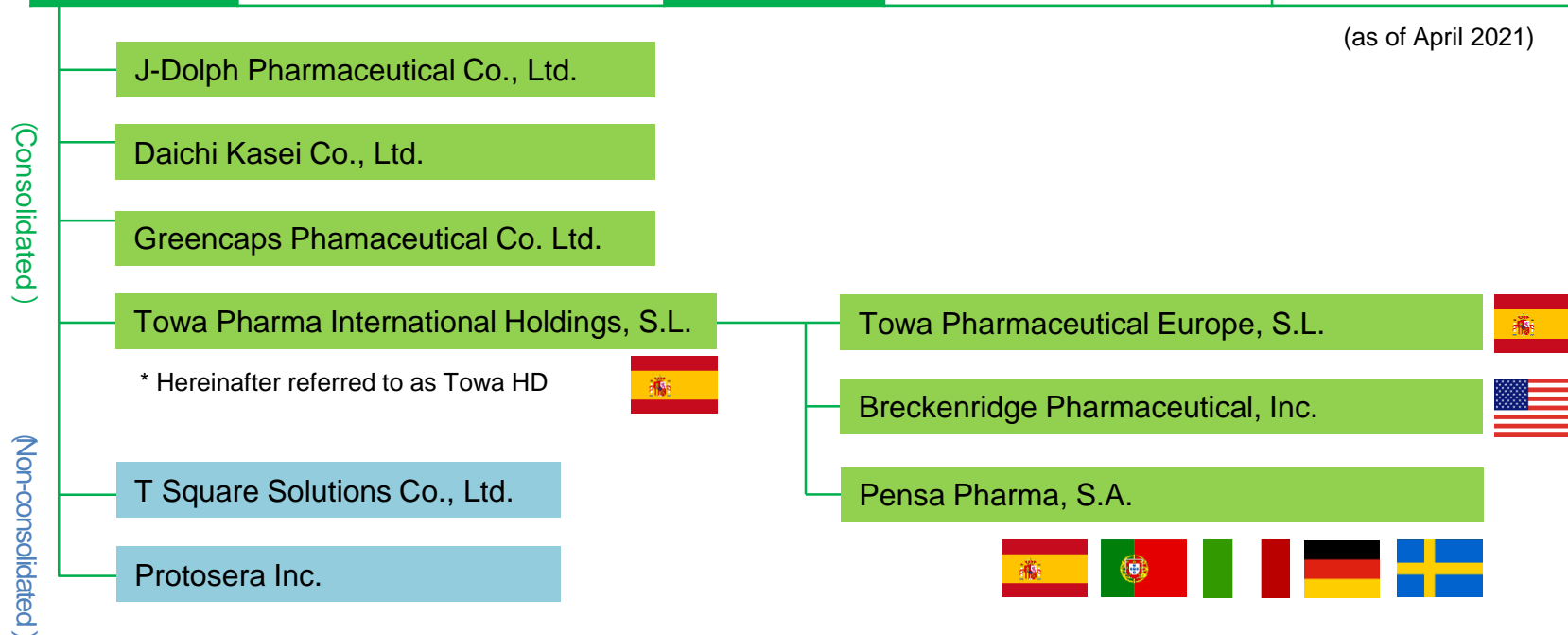
# Overview of Towa Group

## TOWA PHARMACEUTICAL CO., LTD.

|                |  |               |                         |
|----------------|--|---------------|-------------------------|
| Representative | Itsuro YOSHIDA<br>(President and CEO)      | Established   | June 1951               |
| Headquarters   | Kadoma, Osaka                              | Employees     | 3,314                   |
| Business       | Manufacturing and selling of ethical drugs | Products      | 751 products / 332 APIs |
| Capital stock  | JPY 4,717 million                          | Sales Offices | 71                      |




(as of April 2021)



# Towa Group's Companies

## J-Dolph Pharmaceutical Co., Ltd.

Consol.

|                             |  |   |
|-----------------------------|--|---|
| Rep.                        | Hirotake KOSHIDA (President)               |   |
| HQs                         | Koka, Shiga                                |   |
| Business                    | Manufacturing and selling of ethical drugs |   |
| Capital Stock               | JPY 40 Mill.                               |  |
| Portion of Towa's Ownership | 100%                                       |   |

## Greencaps Pharmaceutical Co., Ltd.

Consol.

|                             |  |   |
|-----------------------------|--|---|
| Rep.                        | Toshiyuki UEKI (President)                         |   |
| HQs                         | Fujinomiya, Shizuoka                               |   |
| Business                    | Manufacturing of soft capsules for pharmaceuticals |   |
| Capital Stock               | JPY 90 Mill.                                       |  |
| Portion of Towa's Ownership | 100%   |   |

## T Square Solutions Co., Ltd.

Non-cons.

|                             |                                 |  |
|-----------------------------|---------------------------------|--|
| Rep.                        | Yusuke AMANO (President)        |  |
| HQs                         | Moriguchi, Osaka                |  |
| Business                    | Health care related IT services |  |
| Capital Stock               | JPY 100 Mill.                   |  |
| Portion of Towa's Ownership | 66%                             |  |

## Daichi Kasei Co., Ltd.

Consol.

|                             |   |   |
|-----------------------------|---|---|
| Rep.                        | Junichi SHIMADA (President)                     |   |
| HQs                         | Kanzaki, Hyogo                                  |   |
| Business                    | R&D and manufacturing of APIs and intermediates |   |
| Capital Stock               | JPY 50 Mill.                                    |  |
| Portion of Towa's Ownership | 100%  |   |

## Towa Pharma International Holdings, S.L.

Consol.

|                             |  |   |
|-----------------------------|--|---|
| Rep.                        | Shigehiro KUBO (Managing Director)                 |   |
| HQs                         | Barcelona, Spain                                   |   |
| Business                    | Manufacturing and selling of ethical and OTC drugs |   |
| Capital Stock               | EUR 3 Mill.  |  |
| Portion of Towa's Ownership | 100%   |   |

## Protosera Inc.

Non-cons.

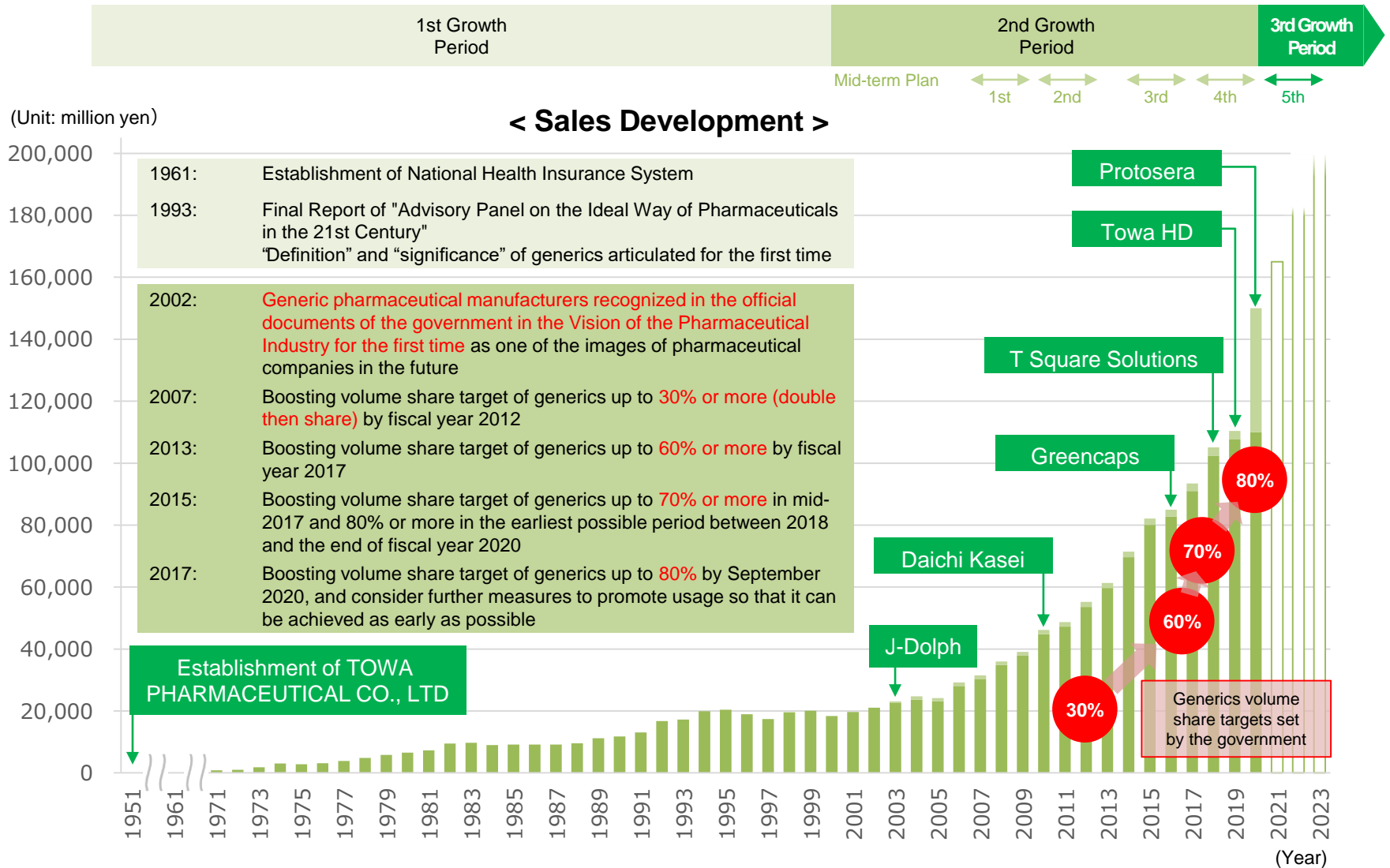
|                             |  |  |
|-----------------------------|--|--|
| Rep.                        | Masao TANAKA (Chairman)  |  |
| HQs                         | Osaka, Osaka   |  |
| Business                    | Disease risk testing service business and research and development of diagnostic drugs |  |
| Capital Stock               | JPY 300 Mill.  |  |
| Portion of Towa's Ownership | 77%  |  |

(as of April 2021)

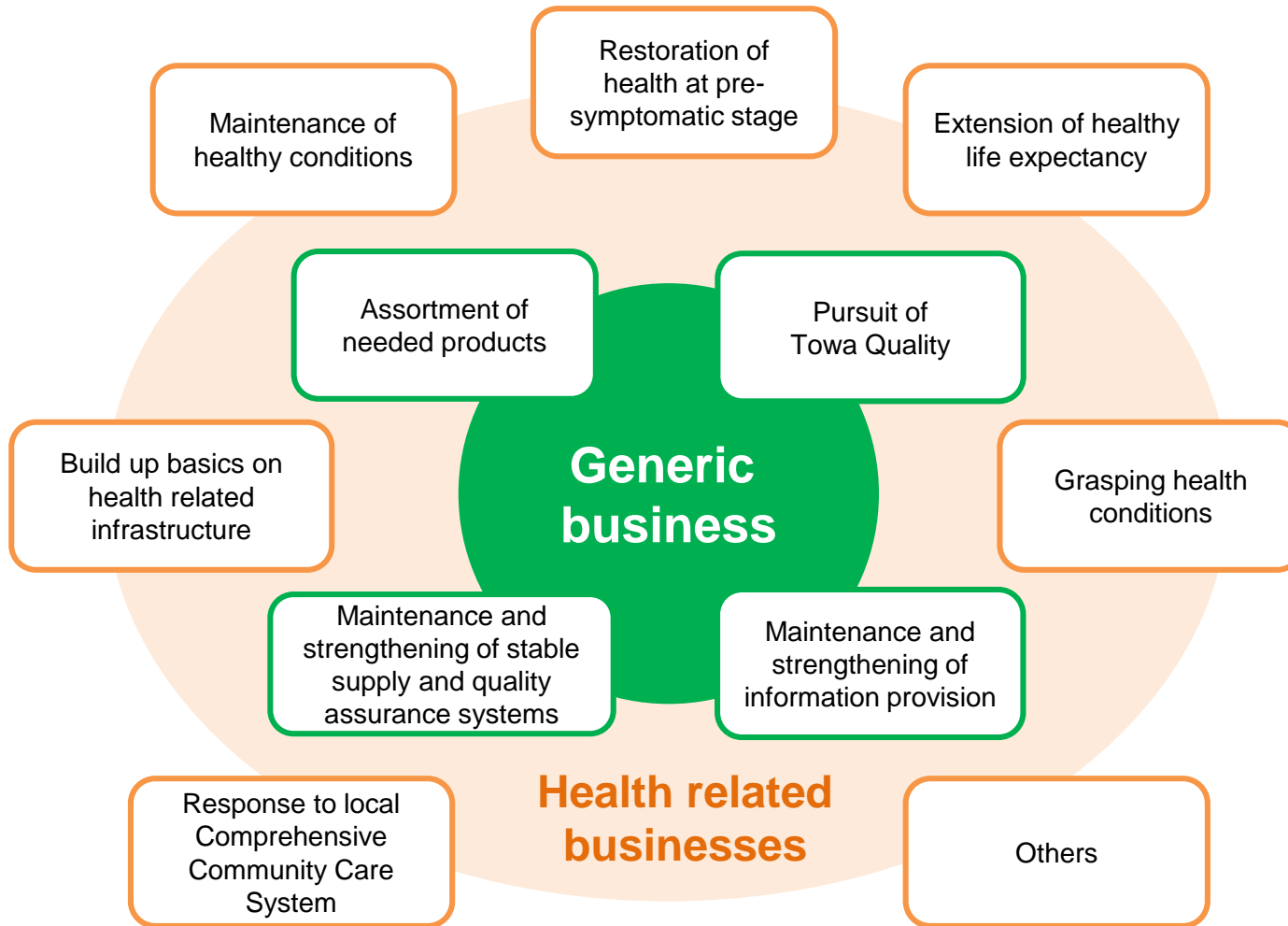
Genuine smiles for all  
Future health for yours



# History of Japan's Medical System and Towa Group



# Towa Group's Target Businesses



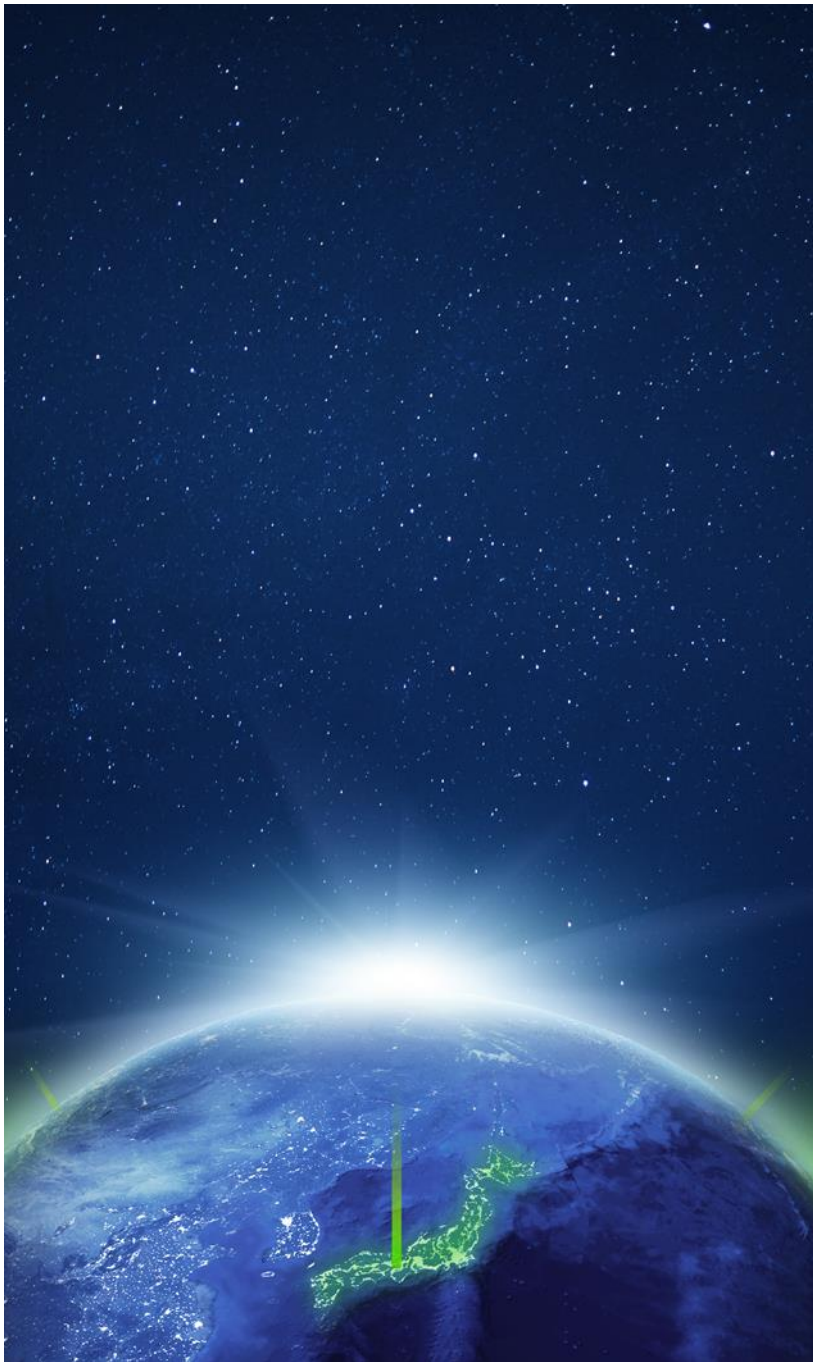
In response to the international initiatives of SDGs to be achieved by 2030, we will focus on the Goal No. 3 “Good Health and Well-being” along with other goals

With generics business set as our core, expansion of all health related businesses contributing to people’s health

# 4

## 5th Mid-term Business Plan (2021-2023)





# PROACTIVE II

—— Dawn of the 3rd growth period ——

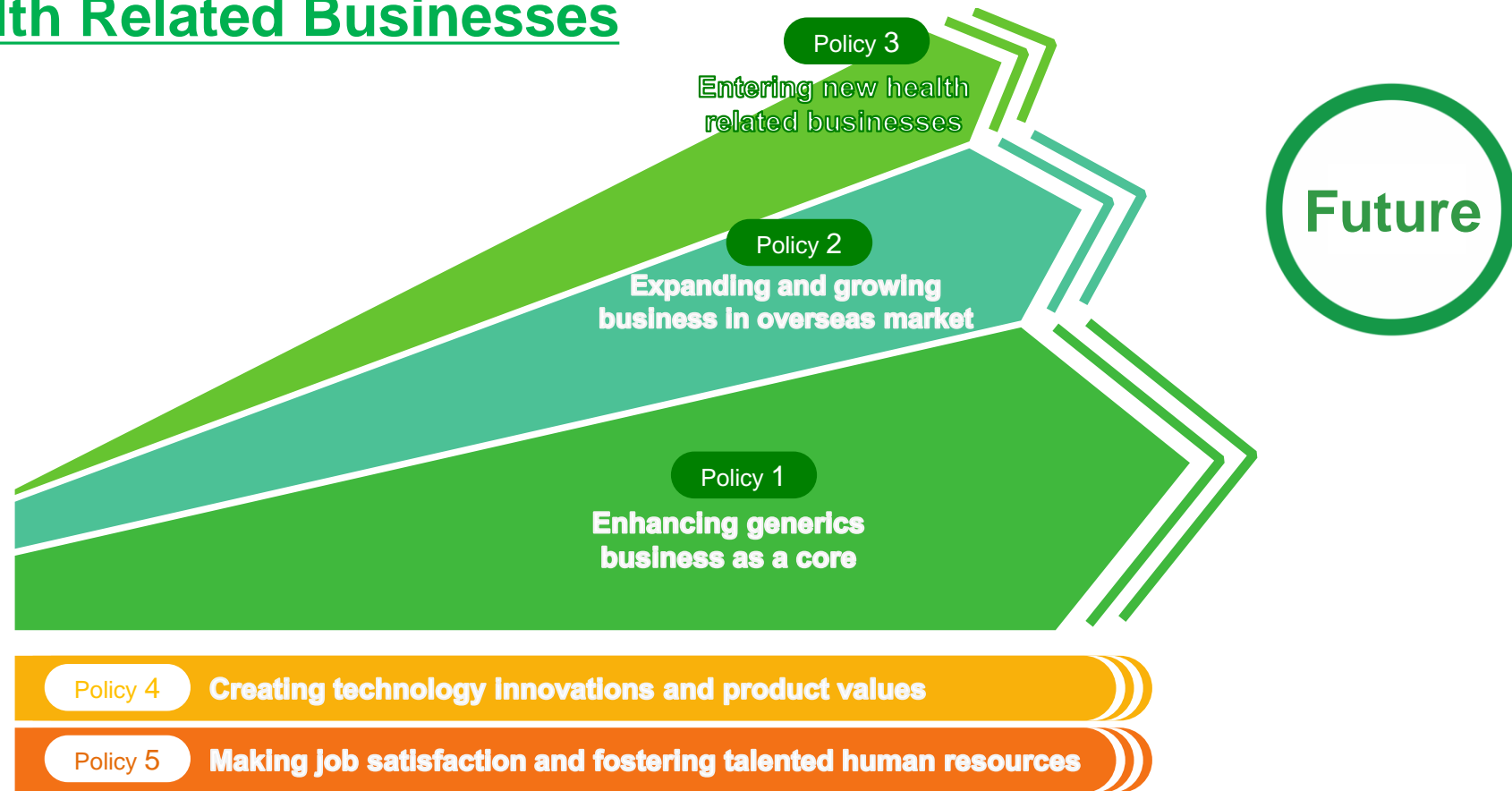
“PROACTIVE II” is a term that reflects our desire to evolve and develop into the future in the new stage of our 3rd growth phase, in conjunction with the "PROACTIVE" mid-term plan 2018-2020.

Sharing common understandings by all executives and employees of Towa Group, we aim to be a company that is needed and valued by all the communities at all times and that is able to provide people with the necessary products and services.

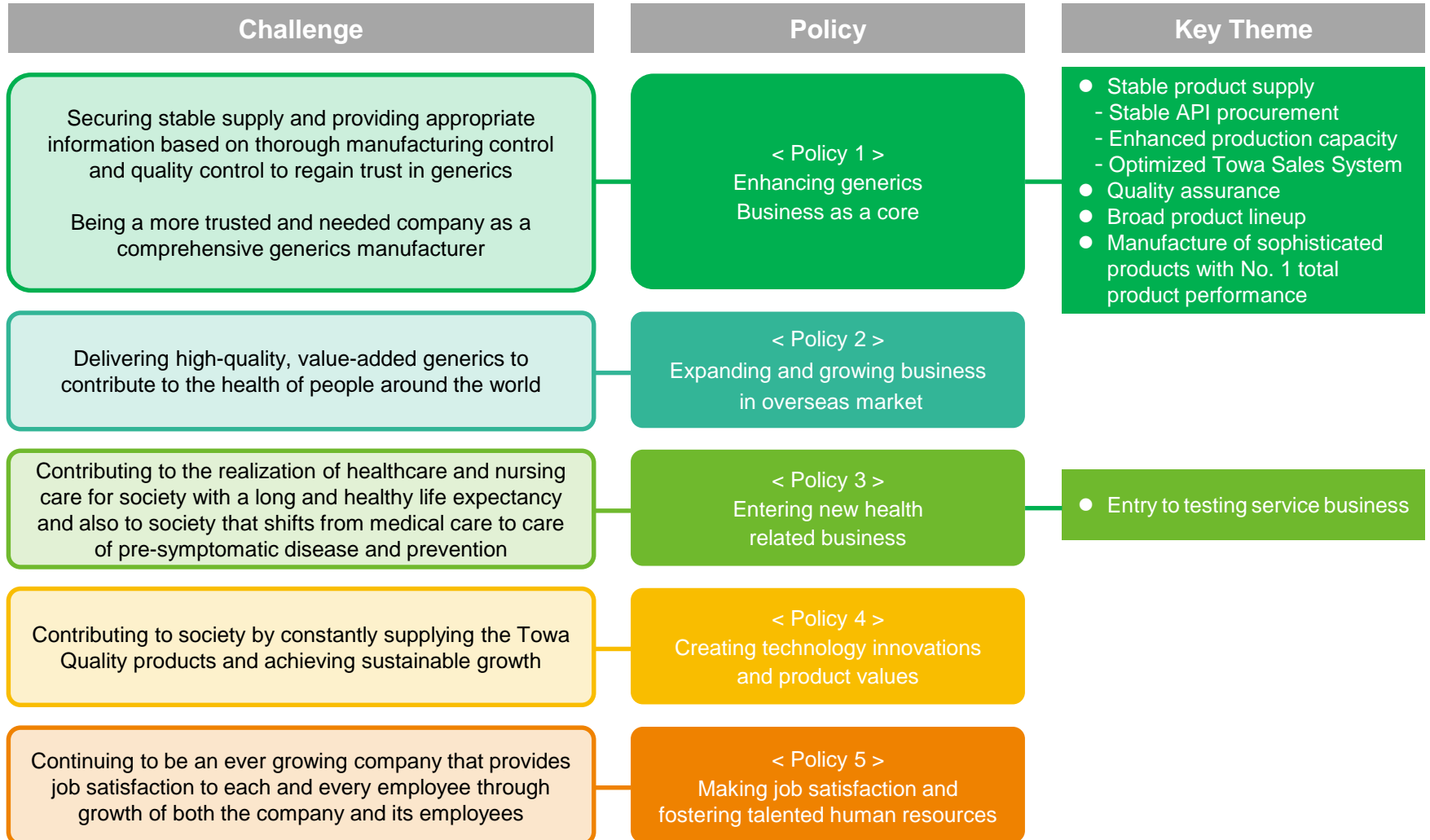
Setting the research and development, manufacturing, and selling of generics as our core business, we intend to expand all health related businesses not only in Japan but also in Europe and the United States by ensuring safety and reliability.

# Basic Policies

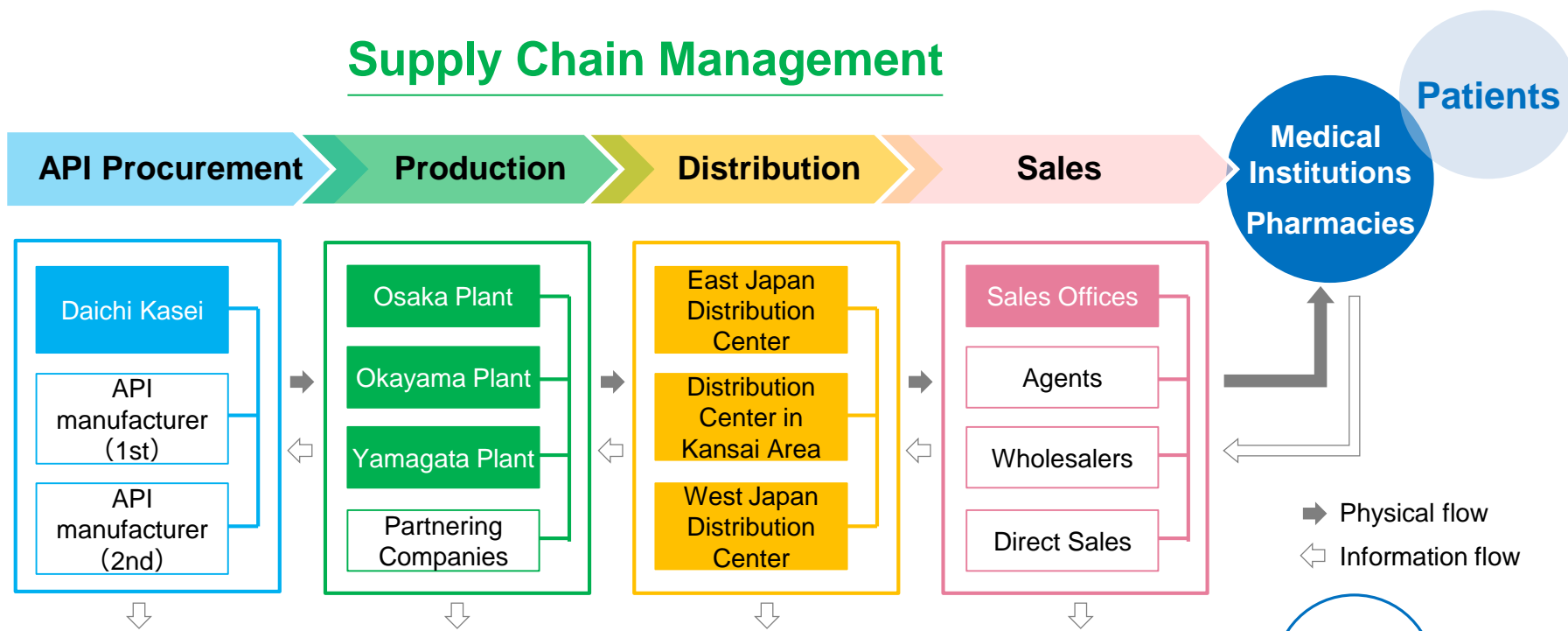
## Towa Group's Health Related Businesses



# Challenges and Key Themes



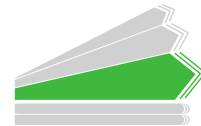
## Supply Chain Management



### Overall optimization through information sharing and collaboration

- Development of synthesis processes**  
**Collaboration with partnering companies**  
**Multiple sourcing**  
 → Page 20
- Enhancement of production capacity**  
 → Page 21  
**Backup setup for production with 3 plants**  
**Collaboration with partnering companies**
- Backup setup for distribution with East and West Distribution Centers**  
**Opening of Distribution Center in Kansai area**
- Optimization of Towa Sales System**  
 → Page 22  
**Information provision and collection**

With focus on the significance of supply chain management, maintaining and strengthening a stable supply system through risk-adapted initiatives



## Risks in API Procurement

**Discontinuation of API shipment and manufacturing**  
(Risks of environment pollution, natural disasters, infectious diseases, accidents, etc.)

**GMP violations by API manufacturers**  
(Differences of quality and manufacturing controls related to pharmaceutical regulations)

**Occurrences of mutagenic impurities**  
(Conforming to ICH-M7 guideline)

**Procurement of starting materials and intermediates**  
(Overlapping of API upstream suppliers)

## Towa Group's Initiatives

### In-house manufacturing of APIs

Reduction of the risk of stable supply due to external factors by developing synthesis processes and manufacturing at Daichi Kasei or partnering companies

### Audit system for manufacturing sites

Audits in accordance with international standards as well as domestic ordinances

Audits by technical experts (synthetic and hysicochemical analyses)

### Promotion of multiple sourcing of starting materials and intermediates

Maintaining a multiple sourcing rate of 60% or more for stable supply even in case of emergency

Selection of suppliers avoiding duplication of starting materials and intermediate suppliers

### Dealing with mutagenic impurities

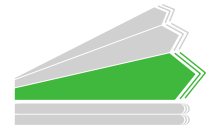
Taking appropriate measures with highly accurate measurement and identification of generation mechanisms

Forecast of risks based on the latest knowledge

# Enhanced Production Capacity with Three Plants

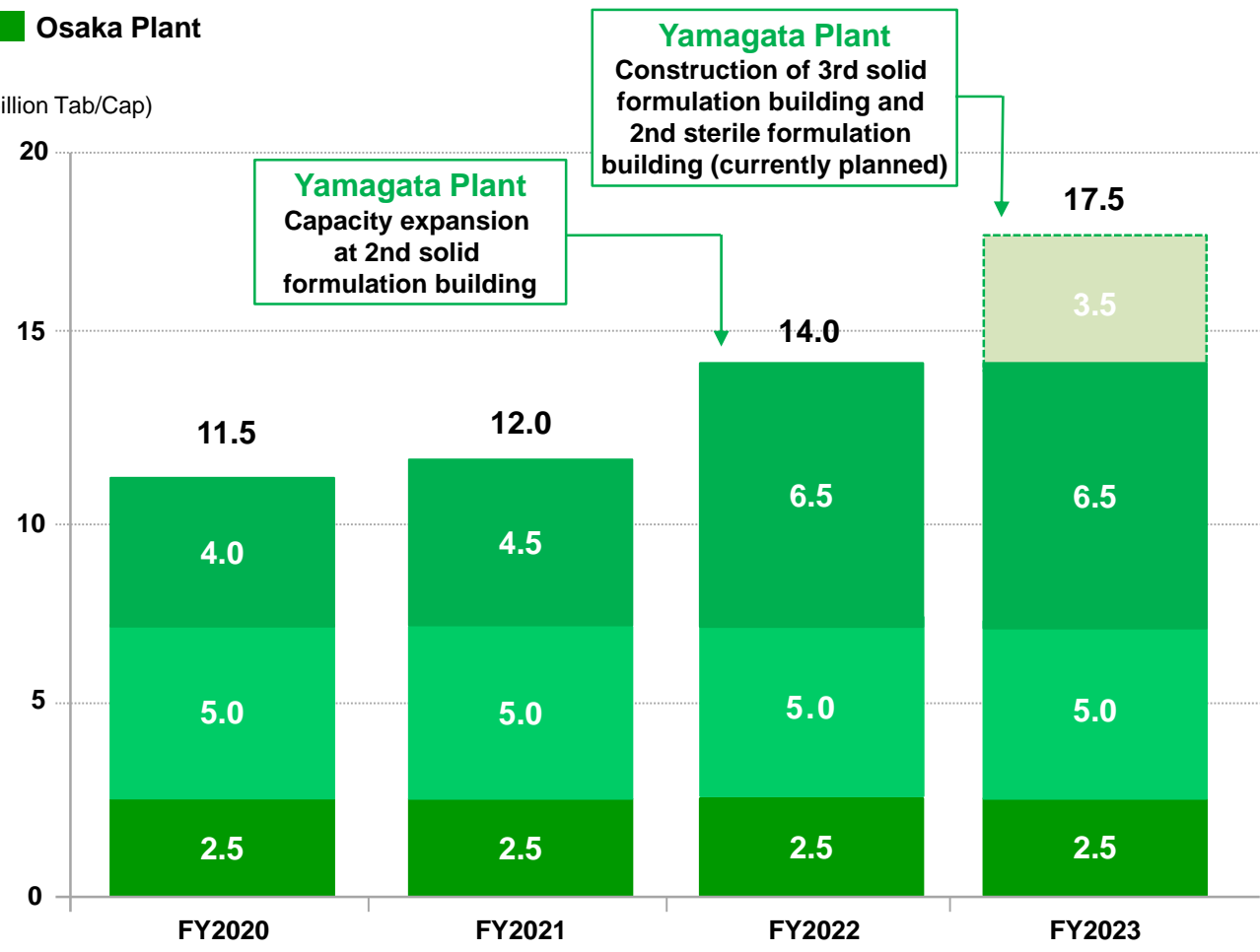
Policy 1

Enhancing generics business as a core



- Yamagata Plant
- Okayama Plant
- Osaka Plant

(Unit: billion Tab/Cap)



Yamagata Plant



Okayama Plant



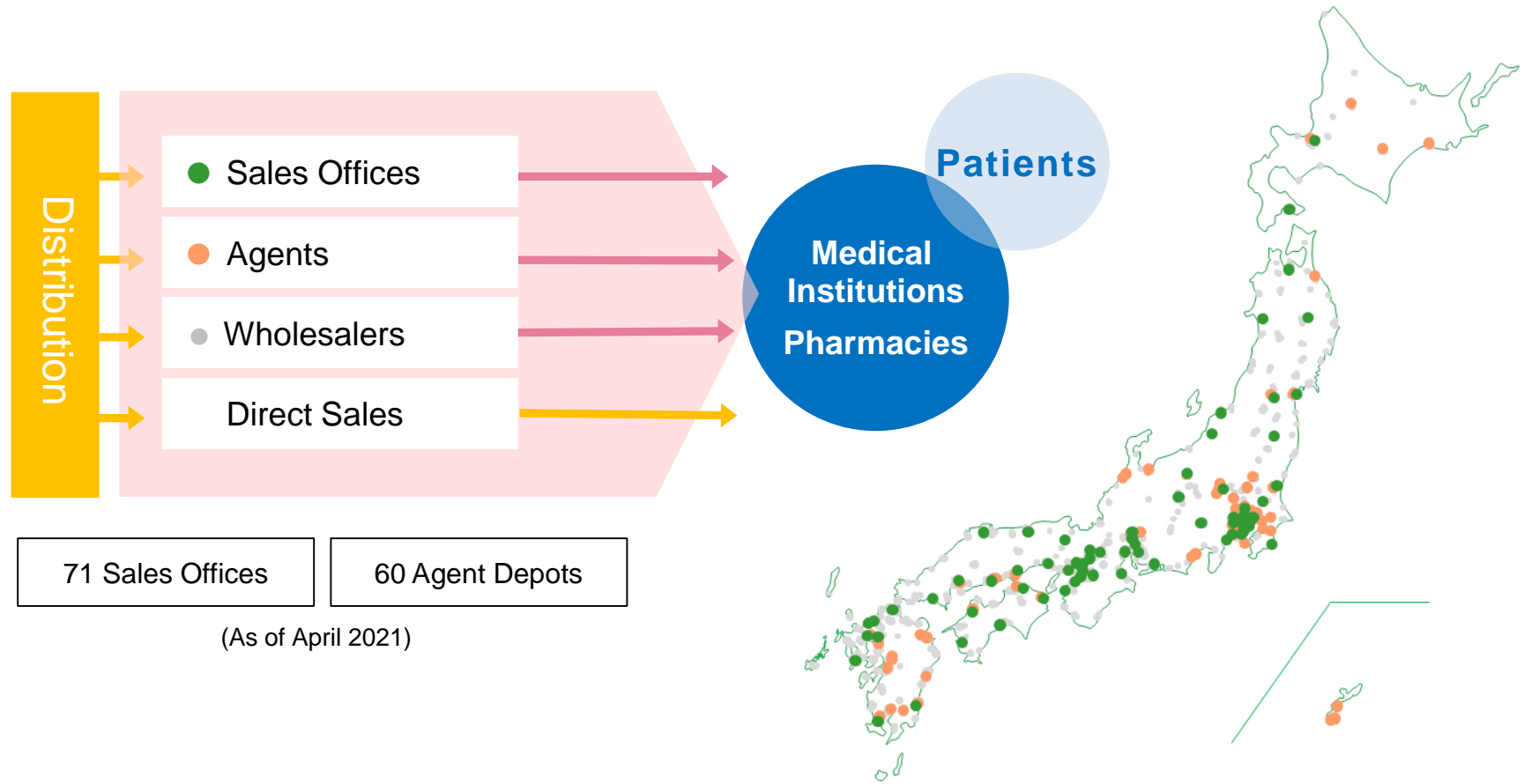
Osaka Plant

Targeting production capacity of 17.5 billion tablets/capsules per year by FY2023

Genuine smiles for all  
Future health for yours



# Optimization of Towa Sales System

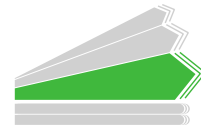


Delivering Towa products necessary to medical institutions and pharmacies and further to patients by continuous optimization of our nationwide sales system

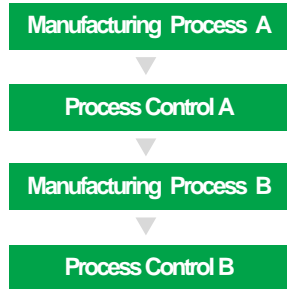
# Maintaining and Strengthening Quality Assurance System

( Manufacturing Control  
Quality Control )

Policy 1  
Enhancing generics  
business as a core



Recording of store-in/-out data with **Manufacturing Execution System (MES)**



Recording in manufacturing instructions at each process



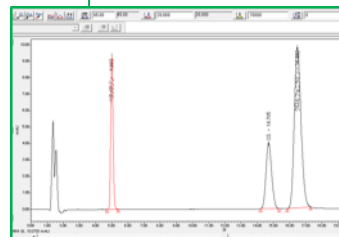
Quality Assurance Department  
(plants of Osaka, Okayama and Yamagata)



Confirmation of compliance with agreements and quality standards



Management of analysis data with **Laboratory Information Management System (LIMS)**



Check of records and data for errors or mistakes



Pharmacovigilance and Quality Assurance Division

Strengthening our management systems and schemes and ensuring reliable quality and safety in order to comply with the GMP/GQP/GVP Ministerial Ordinance and GDP guideline

Genuine smiles for all  
Future health for yours

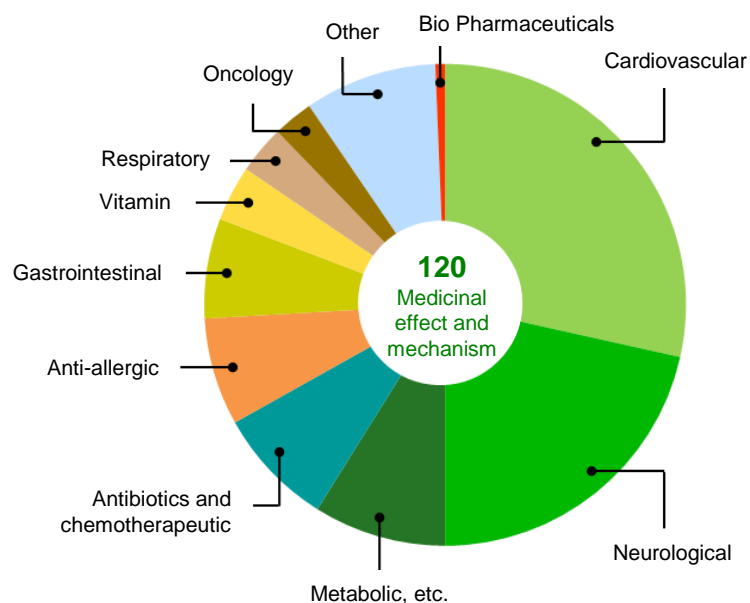




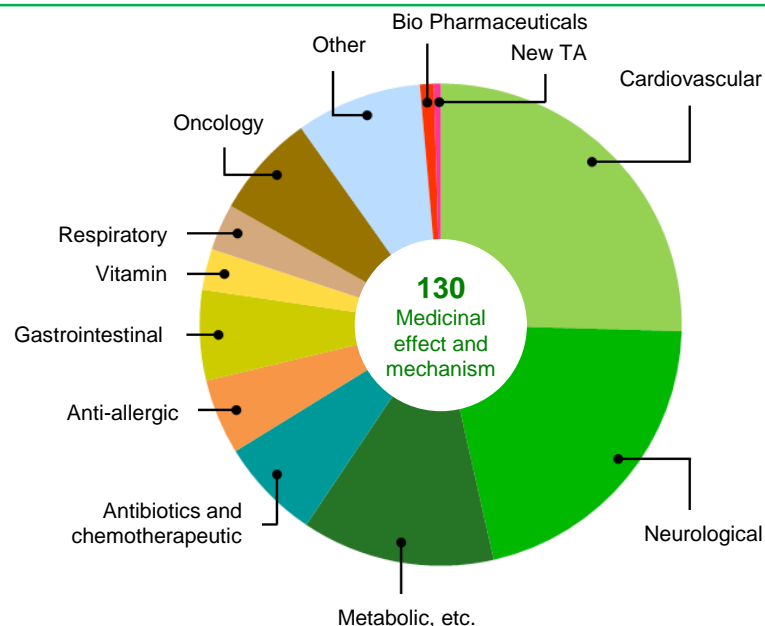
## Product lineup with focus on medicines deemed necessary for future medicinal treatment

- Widening product lineup in broader therapeutic areas
- Joint sales of Infliximab BS as a steppingstone of entry into biosimilar market
- Challenges in diversified areas such as drug re-positioning with iPS drug discovery, development of Rivastigmine transdermal system twice-a-week medicine, etc.

▼ FY2020 Product Composition by Therapeutic Area



▼ FY2030 Product Composition by Therapeutic Area (Forecast)

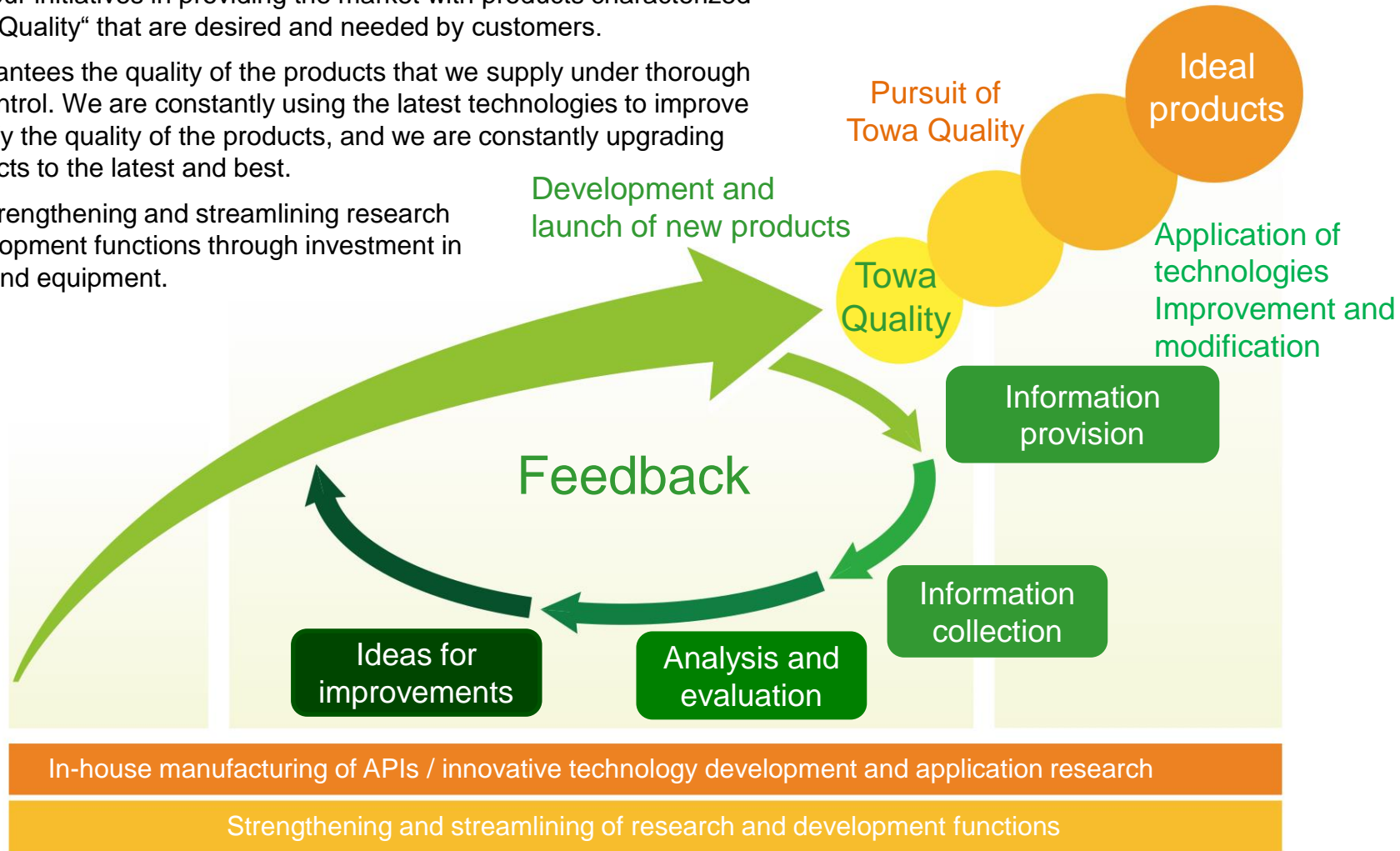


# Manufacture of Sophisticated Products with No. 1 Total Product Performance

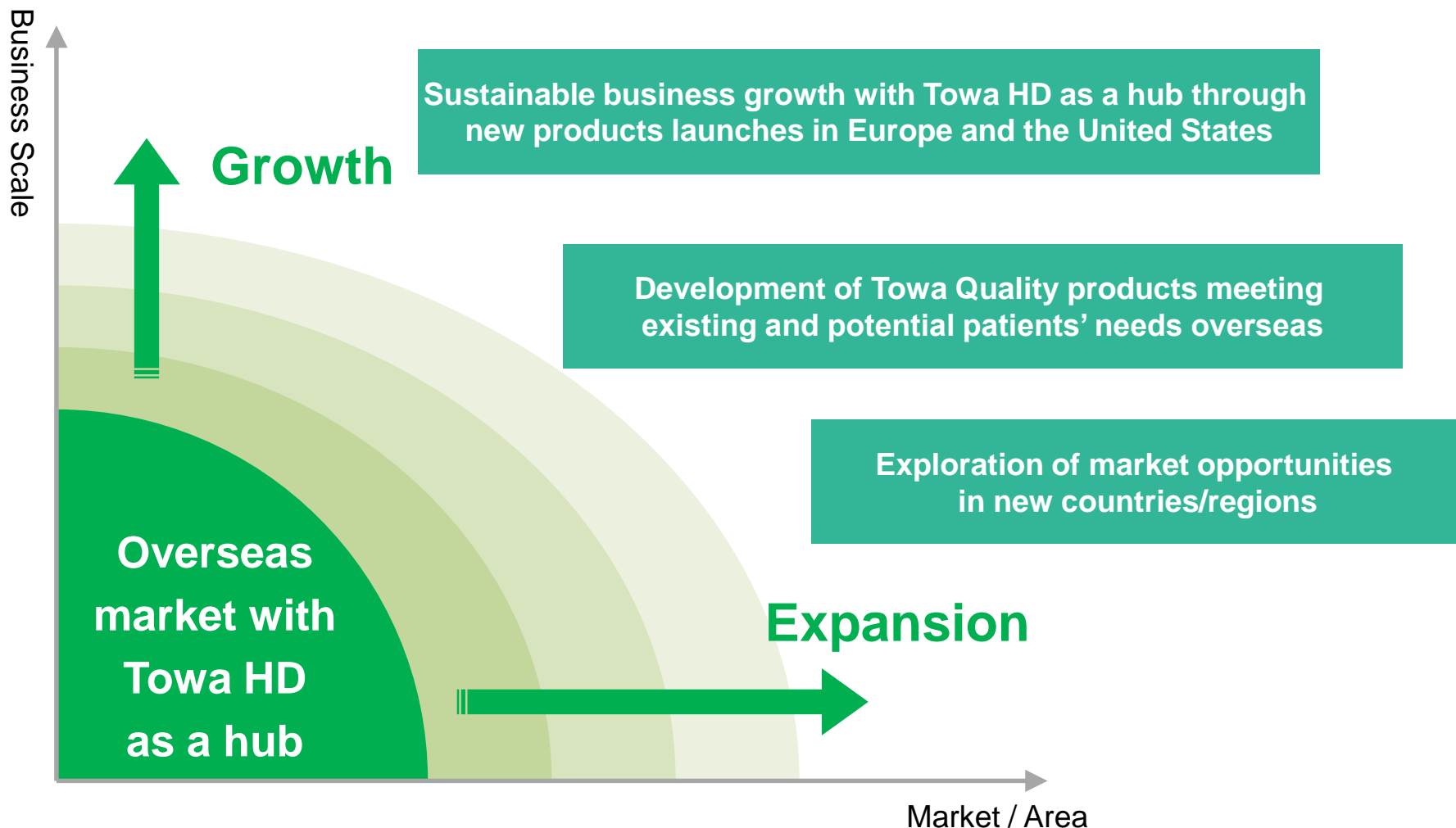
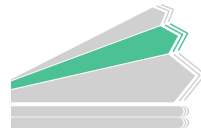
Manufacture of sophisticated products with No. 1 total product performance refers to our initiatives in providing the market with products characterized by "Towa Quality" that are desired and needed by customers.

This guarantees the quality of the products that we supply under thorough quality control. We are constantly using the latest technologies to improve and modify the quality of the products, and we are constantly upgrading the products to the latest and best.

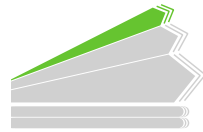
We are strengthening and streamlining research and development functions through investment in facilities and equipment.



# Expansion and Growth in Overseas Market



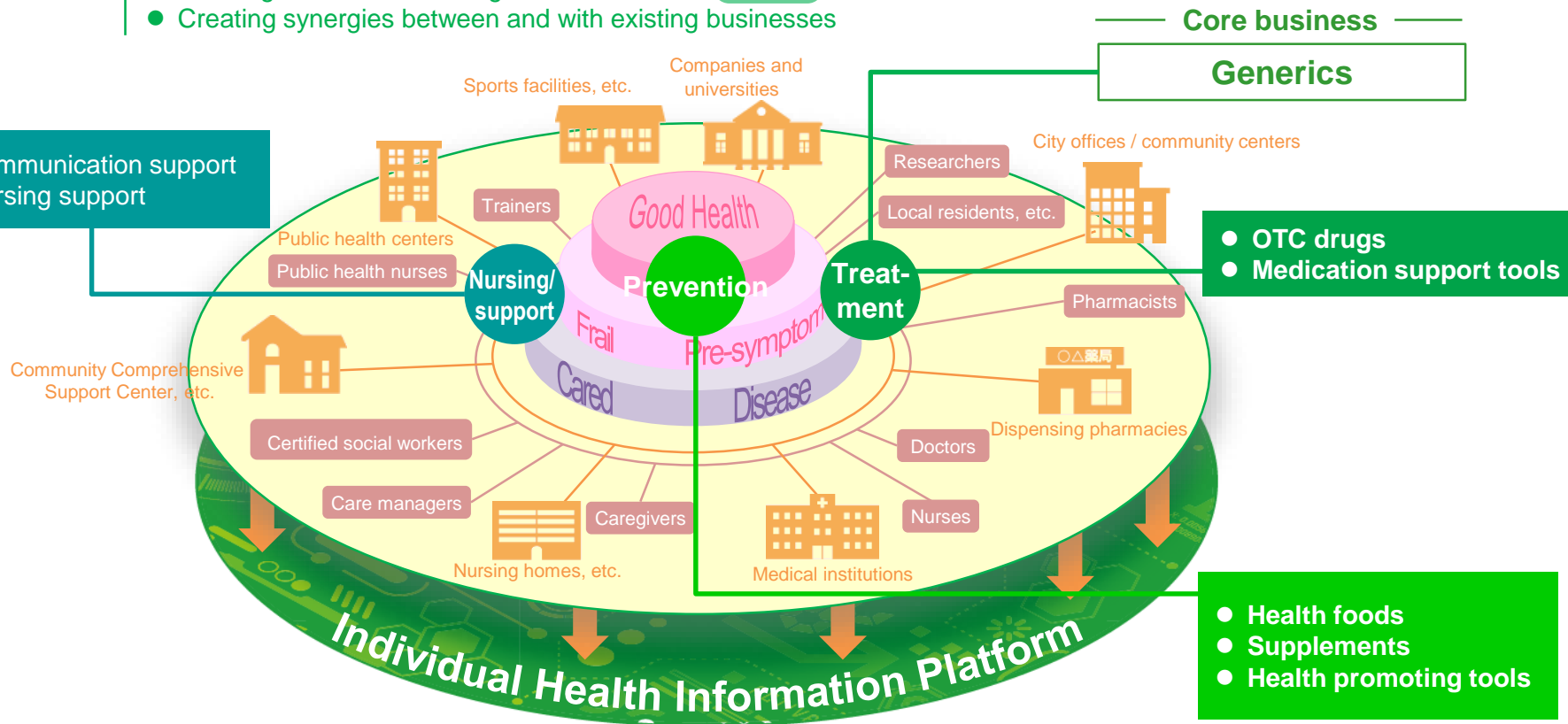
# Entry to New Health-related Businesses



## Key measures

- Building a foundation for extending healthy life expectancy by utilizing data
- Contributing to the Comprehensive Community Care System
- Further enhancing lineup of products and services to maintain and improve health
- Entering disease risk testing service business →Page28
- Creating synergies between and with existing businesses

- Communication support
- Nursing support



- Contributing to forming of infrastructure for the creation of ideal local communities
- Providing necessary health promotion services to people who need them and contributing to the extension of healthy life expectancy

## Aims of entry to testing service business

In recent years, attention has been attracted to "pre-symptomatic disease" which is the stage between "health" and "disease." If abnormalities are detected at this stage, diseases can/may be prevented and healthy conditions can/may be restored.

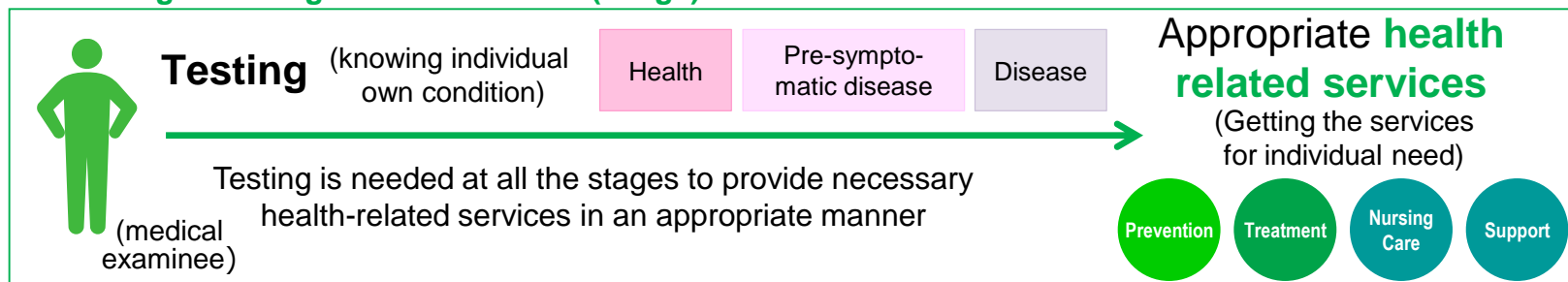
Towa believes that **checking health conditions (i.e. testing) is essential** for all the stages of "health," "pre-symptomatic disease," and "disease," hence decided to enter the business.

The Basic Policy for Fiscal and Economic Management and Reform 2020 issued by the Cabinet Office describes the importance of measures for prevention of diseases, health improvement, and prevention of serious illness, and we believe that **the testing service business meets the social demands in the future.**

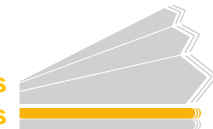
### Key measures

- Start of testing services of disease risks
- Expansion of Kento Healthcare Scientific Center including businesses other than testing service

## Positioning of testing service business (image)



**Contribution to the extension of healthy life expectancy by collecting and utilizing the information obtained through health examinations and providing appropriate health related services**



## API Technology

### **Establishment of molecular control technology**

Freely controlling crystal form and particle size of APIs

➡ Contribution to the development of value added products

### **Establishment of chiral synthesis technology**

Enabling efficient API synthesis

### **Development of continuous flow precision synthesis**

Pursuing green sustainable chemistry with wastes reductions and low CO<sub>2</sub> emissions as key initiatives

## Manufacturing Technology

Establishment of technology to monitor products in real time (PAT: Process Analytical Technology)



### **Application to integrated continuous manufacturing system**

Production carried out under an integrated flow leading to labor saving, smaller manufacturing facilities and occupation areas

## Formulation Technology

### **Pursuing OD tablets that are easy to take**

Further improvement of RACTAB

➡ Masking technology to reduce bitterness, miniaturization of tablets and better oral disintegration

### **Realization of stable formulations**

- Development of formulations stable in term of heat, light, moisture and oxygen
- Assurance of expiration period of formulations for three years and more

## Creation of New Product Values

### **Joint research aimed at obtaining a new indication for Bromocriptine**

Clinical trials for familial Alzheimer's disease started

### **Development of new Rivastigmine formulation**

- Development of transdermal system twice-a-week medicine
- Hope for reducing the burdens on patients, their families and caregivers
- Phase III clinical trials planned for the summer 2021

# Making Job Satisfaction and Fostering of Talented Human Resources

Policy 5

Making job satisfaction and fostering talented human resources



# Major Objectives

## Sales

< Consolidated >  
**JPY 200 billion**

< Non-consolidated >  
**JPY 150 billion**

## Operating profit (Accumulative)

**JPY 57 billion  
or more**

Achieving cumulative operating profit for the period to invest in sustainable growth and return profits to shareholders

## R&D expenditure (Accumulative)

**JPY 35 billion  
or more**

Lineup of needed products and improvement of products based on the requests from medical institutions and patients

## Capital investment (Accumulative)

**JPY 75 billion  
or more**

Investment in strengthening and streamlining our production facilities and R&D functions to maintain and strengthen our quality assurance and stable supply systems

## Dividend policy

**Stable dividend**

Ensuring stable dividends and returning profits to shareholders through improved corporate value



This presentation contains forward-looking statements related to 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

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