

## Vision

We contribute to people's health

We are dedicated to people's genuine smiles



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, medical professionals, local communities, and others.



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**[ Editorial Policy ]** We issue Towa Pharmaceutical Integrated Report to communicate to shareholders, investors, and other stakeholders Towa Group's efforts to enhance our corporate value. This year's report presents our value creation story in the value creation process and the message from the President. It also explains our efforts to realize our vision through the 5th Mid-term Management Plan (2021–2023) PROACTIVE II formulated in May 2021. We strive to improve the content of the report to respond to various opinions and interests of our stakeholders. We look forward to your candid feedback.

**[ Scope Covered ]** Towa Group's consolidated accounts including some consolidated and non-consolidated figures in Japan.

**[ Period Covered ]** FY2020 (From April 1, 2020 to March 31, 2021)

\* The financial information is as of March 31, 2021. The report also covers some initiatives that were taken before April 1, 2020 or after March 31, 2021.

**[ Guidelines for Reference ]** International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) Guidance for Collaborative Value Creation issued by the Ministry of Economy Trade and Industry

**[ Forward-looking Statements ]** In this report, described statements other than historical facts are future forecasts based on forward-looking statements and plans. These future forecasts contain factors, such as risks and uncertainties, and actual results and performances may differ from the forward-looking statements.

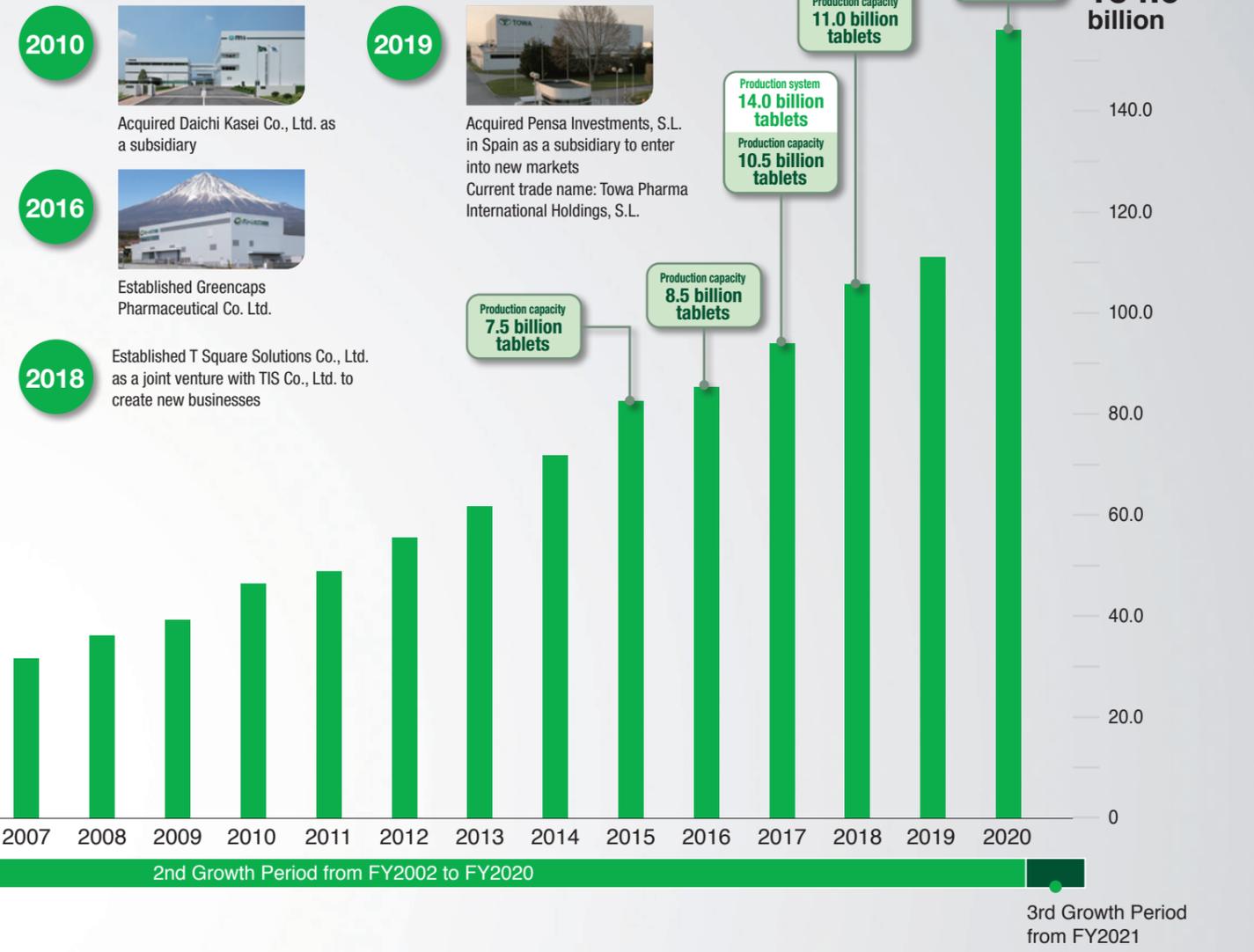
# Our History

Since our establishment in 1951, we have strived to research, develop, manufacture, and sell generics for 70 years. While promoting stable supply, quality assurance, and information provision, we will continue to focus on research and development of ingenious pharmaceutical products that are “easier to take” and “easier to handle.” At the same time, we work to construct a structure that can provide Towa Group’s value-added products to patients around the world and to create new health-related businesses in response to the new medical system.

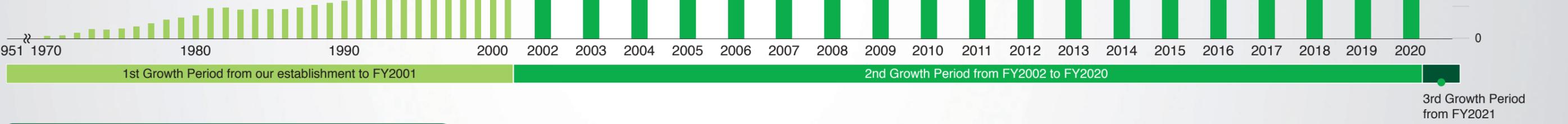
## History of Towa

\*The years shown are fiscal years.

<b>1951</b> Established	<b>1996</b>  Itsuro YOSHIDA was appointed President and Representative Director	<b>2000</b> Launched value-added products
<b>1957</b> Started selling OTC drugs	<b>1997</b>  Constructed new corporate headquarters	<b>2003</b> Acquired J-Dolph Co., Ltd. as a subsidiary
<b>1965</b> Shifted to manufacturing and selling ethical drugs from OTC drugs	<b>1998</b>  Constructed Osaka Research Center	<b>2004</b> Established RACTAB Technology 
	<b>2004</b> Listed on the first section of the Tokyo Stock Exchange	



### [ Trends in Consolidated Sales ]



## History of initiatives based on measures to promote the use of generics

Generics volume share targets set by the government

<b>2007</b> 30% or more by FY2012	<b>2013</b> 60% or more by the end of FY2018	<b>2015</b> Boosting volume share target of generics up to 70% or more in mid-FY2017 and <b>80% or more</b> in the earliest possible period before the end of FY2020	<b>2017</b> 80% or more by September 2020
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<b>Osaka</b>	<b>1977</b>  Constructed Osaka Plant	<b>1981</b>  Constructed Osaka 2nd Plant	<b>2005</b>  Constructed New Osaka Plant (current Osaka Plant) (Production capacity: 2.5 billion tablets)	<b>2013</b>  Expanded the warehouse and testing area in the Osaka Plant
<b>Okayama</b>	<b>1983</b>  Completed rebuilding the solid formulation building in Okayama Plant	<b>1995</b>  Constructed the packaging building	<b>1996</b>  Expand the formulation building	<b>2012</b>  Constructed the 2nd solid formulation building in West Japan Distribution Center
<b>Yamagata</b>	<b>1998</b>  Purchased Mect Co., Ltd.'s Tohoku Plant	<b>2008</b>  Started the plan to construct Yamagata Plant	<b>2012</b>  Constructed Yamagata Plant and East Japan Distribution Center (Production capacity: 2.5 billion tablets)	<b>2016</b>  Expand the 2nd solid formulation building (Production capacity: 2.5 billion tablets → 3.5 billion tablets)
				<b>2017</b>  Rebuilt the solid formulation building (Production capacity: 3.5 billion tablets → 5.0 billion tablets)
				<b>2017</b>  Renovated the solid formulation building and constructed the 2nd solid formulation building (Production capacity: 2.5 billion tablets → 3.5 billion tablets) The production system achieved 6.5 billion tablets, and the Company has expanded its facilities since 2019.

<b>Sales system</b>	<b>2011 Towa Direct Sales System</b>	Sales offices (as of October 2021): 71 offices Agents (as of October 2021): 31 agents at 59 sites	<b>Shifted to Towa Sales System</b>
		Started collaboration with two wide-area wholesalers in 2017	

# Social Issues Addressed by Towa Group

Japan's National Health Insurance System boasts the highest degree of fulfillment in the world. Every individual must save on medical costs to maintain this system. In this regard, choosing generics is an easy way for everyone to save the costs and one of the possible social contributions in our daily lives. We will address the social issues by creating related businesses that contribute to human health with generics business set as our core business.

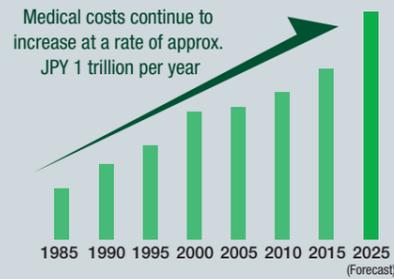


## Challenges

### Swelling medical costs in Japan

#### To maintain the National Health Insurance System in the future

In Japan, medical costs continue to increase at a rate of approximately JPY 1 trillion per year in the context of an aging population and sophisticated medical care. The Ministry of Health, Labour and Welfare estimates that the amount will exceed JPY 60 trillion in 2025. On the other hand, as the workforce supporting insurance premiums and taxes decreases, the prerequisites for system design are likely to collapse. If medical costs continue to swell as estimated, some undesirable events may happen: an increase in patients' burden of medical costs and the taxes, and a loss of access to medical care that we naturally have had up to now. Stemming the increase in medical costs is essential to keep the National Health Insurance System in the future.

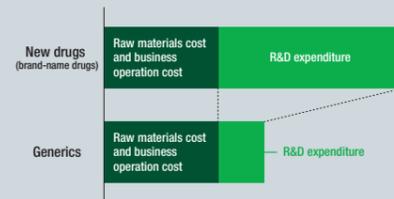


"Outline of National Medical Care Expenditure in 2015" released by the Ministry of Health, Labour and Welfare "Materials for the Medical Insurance Subcommittee, 76th Social Security Council"

#### Choosing generics cuts medical costs

Choosing generics enables us to cut the burden of medical costs (drug costs). This will reduce both the burden of medical expenses on individuals and contributions by the Japanese government and health insurance associations. For instance, we can save approximately JPY 900.0 billion in the annual cost of drugs just by replacing as many drugs as possible with generics.

\*Our estimation as of July 2021



Comparison of drug prices (conceptual chart)

## Towa Group's Initiatives

### Generics contribute to cutting medical costs

#### Offering more than 750 products in our lineup

Desiring to be of service to as many patients as possible, we provide value-added generics through cumulative improvements by responding to and satisfying requests voiced by medical professionals. We offer more than 750 products in our lineup to cover various therapeutic areas. We manufacture our products with particular attention to active pharmaceutical ingredients (APIs) to deliver safe and secure generics, which is one of our unique features. Our mission is to deliver drugs that are not merely low-cost but "more easily taken and handled" to a large number of people.



#### Ingenuity for products that can be more easily and safely taken by patients

Orally disintegrating (OD) tablets that can be taken without water



Masking technology used to reduce bitterness by coating tablets



Micro-granulation that reduces roughness perceived when taking medicines



Product name printing to make medicine identity easily discernable even after scoring



Smaller tablets with the same amounts of active ingredients



Efficacy labels and letters to make drugs more easily discernable



### Extension of healthy life expectancy and disease prevention

Extending the healthy life expectancy toward the era of the 100-year Life is a major issue in Japan facing a super-aging society. The healthy life expectancy is proposed by World Health Organization (WHO) in 2000. In the past, we had emphasized the average life expectancy of a child aged 0, indicating how many years he or she can live. However, the healthy life expectancy, a period of healthy living, has attracted attention in recent years. Preventing disease and staying healthy and active is key to prolonging the healthy life expectancy. Moreover, extending the healthy life expectancy is essential from the viewpoint of curbing medical costs.



### Considering care of pre-symptomatic diseases and disease prevention as well as contribution in medical care

Based on our vision: "contribute to the health of people," we aim at contributing to medical care through generics business as well as through the care of pre-symptomatic diseases and disease prevention to extend the healthy life expectancy. In the care of pre-symptomatic diseases, we are developing a wide range of health-related initiatives, including developing new products and services, looking at returning conditions before the onset of illness to healthy conditions or preventing them from deteriorating. We have started initiatives for disease prevention, such as disease risk testing service business to keep good health.



# Towa Group's Strength

Generics are marketed later than new drugs (brand-name drugs); therefore, we can produce better products with the same efficacy, quality, and safety as the new drugs by utilizing the latest formulation technologies. We are engaged in various initiatives to provide easy-to-take, easy-to-handle, safe drugs, let alone quality and safety.



## Development of APIs

### Developing and selecting the best API for manufacturing products

We use APIs meeting our original strict quality standard among country-authorized APIs. We also actively research APIs and select the best APIs for creating products based on our accumulated know-how. Additionally, we have established a manufacturing method for the APIs in-house and a system to outsource the production of the APIs to Daichi Kasei Co., Ltd., a group API manufacturer, and a collaborative APIs manufacturer. We regularly inquire and confirm each manufacturer whether it manufactures the drugs in accordance with standards, laws, and regulations to enable the stable procurement of the API.

Related information  
See page 41.

## Stable product supply

### Established production capacity with three plants to ensure stable supply at any time

By adopting a back-up system supported by three sites, we ensure that any production disruption at one plant can be compensated by efforts at the other plants. Furthermore, by dividing the physical distribution bases in East Japan and West Japan, we have established an efficient arrangement and a reliable back-up system even in a worst-case scenario. At present, all the three plants can produce a total of 11.5 billion tablets\* annually. We are expanding our production volume to 14.0 billion tablets by the end of FY 2022, aiming for further increasing demand. Furthermore, we plan to build 3rd solid formulation building in Yamagata Plant by the end of FY2023 and achieve the production capacity of 17.5 billion tablets after FY2024.

\*Production capacity of tablets and capsules

Related information  
See page 41.

## Product development

### Based on our technologies and experiences, developing products that can be more easily taken and handled

We have the lineup consisting of more than 750 products to cover various therapeutic areas. With the desire to serve as many patients as possible, we offer value-added generics by responding to voices and requests from medical professionals and reflecting them in our manufacturing process. Among them, we have been developed better dosage forms and tastes so that they can be easily taken by pediatric patients and the elderly, and enhanced visibility and stability against light, temperature, and humidity so that they can be easily handled at hospitals and pharmacies.

Related information  
See page 27.

## Information provision

### Active provision of relevant information to enable patients and medical professionals to feel comfortable while using ethical medicines

We have established a system that enables the prompt and appropriate provision of information on the proper use of our products and academic information to medical professionals, mainly through specially trained medical representatives (MR), to ensure that generics are used with reassurance. We also provide patients and their families with information to ensure their safe use of pharmaceuticals. In addition to providing information, we collect opinions from medical institutions and share feedback internally for creating better products.

Related information  
See page 40.

## Quality control

### Working diligently to ensure reliable quality and safety

In order to be a trustworthy company, we comply with strict quality control standards stipulated by the government, from product R&D, manufacturing, marketing, and after-sale operations. We carry out company-wide quality control initiatives to establish the quality assurance system required for ethical medicines. Especially in manufacturing pharmaceutical products, we strive to ensure adequate quality and safety through our specific system, education and training, and other ways as well as to comply with the Good Manufacturing Practice (GMP) established by the government and other related laws and regulations.

Related information  
See page 42.

## Fostering of talented human resources

### Focusing on making job satisfaction and fostering talented human resources aiming for being a reliable company

We aim to be a more trusted and needed company as a comprehensive generics manufacturer. Under the belief that talented human resources are the foundation of a trusted company, we work to make job satisfaction, foster talented human resources, and strengthen our organization. The 5th Mid-term Business Plan 2021-2023 PROACTIVE II that will end in FY2023 sets out "Making Job Satisfaction and Fostering of Talented Human Resources" as one of the priority policies. While aiming for job satisfaction for each employee motivated by individual talent improvement and career enrichment, we seek to strengthen our system for encouraging employee growth.

Related information  
See page 43.