

11-Year Financial Summary

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (FYE March)
Net sales (JPY million)	46,145	48,719	55,241	61,351	71,470	82,115	84,949	93,430	105,104	110,384	154,900
Operating profit (JPY million)	9,654	9,107	7,723	7,706	11,105	11,134	6,869	11,643	15,968	16,143	19,923
Ordinary profit (JPY million)	9,396	9,841	9,544	8,834	15,437	10,157	7,417	11,717	18,865	20,990	18,677
Profit attributable to owners of parent (JPY million)	5,846	5,737	6,201	5,992	11,118	7,684	5,576	6,495	13,475	14,503	13,958
Comprehensive income (JPY million)	5,791	5,745	6,348	5,999	11,175	7,313	5,858	6,533	13,409	14,948	14,469
Net assets (JPY million)	46,664	50,494	55,610	60,147	70,048	70,605	74,945	79,920	91,771	104,665	116,599
Total assets (JPY million)	72,964	81,244	89,705	103,318	121,187	156,851	165,247	177,181	188,803	230,016	245,668
Net assets per share (JPY)	906.08	990.36	1,090.70	1,179.69	1,373.89	1,434.79	1,522.99	1,624.09	1,864.92	2,126.72	2,369.21
Earnings per share (JPY)	113.53	111.49	121.62	117.54	218.07	154.19	113.32	132.00	273.85	294.74	283.62
Diluted earnings per share (JPY)	—	—	—	—	—	436.29	314.23	122.03	253.32	272.62	271.93
Equity ratio (%)	64.0	62.2	62.0	58.2	57.8	45.0	45.4	45.1	48.6	45.5	47.5
ROE (Return on equity) (%)	13.2	11.8	11.7	10.4	17.1	10.9	7.7	8.4	15.7	14.8	12.6
Price-earnings ratio (%)	12.35	12.26	13.68	12.63	10.50	9.98	16.56	16.79	10.64	7.69	8.61
Cash flows from operating activities (JPY million)	5,739	3,379	8,645	8,144	8,037	3,732	10,195	19,230	19,002	19,164	12,008
Cash flows from investing activities (JPY million)	(7,854)	(8,482)	(11,298)	(11,300)	(8,230)	(19,032)	(22,206)	(20,093)	(3,994)	(39,541)	(9,100)
Cash flows from financing activities (JPY million)	4,220	879	2,793	3,529	238	27,970	(92)	4,670	(809)	11,748	184
Cash and cash equivalents at end of year (JPY million)	8,031	3,798	3,985	4,675	5,208	18,526	7,112	11,511	26,652	18,713	22,915
Number of employees	1,454	1,567	1,696	1,879	2,060	2,203	2,408	2,449	2,472	3,325	3,456
R&D expenditure (JPY million)	3,260	4,076	4,478	5,296	6,144	8,924	9,352	7,725	7,916	8,566	10,642
Capital investment (JPY million)	9,234	11,251	7,855	9,727	13,816	15,792	25,026	12,166	6,011	6,236	10,353
Depreciation (JPY million)	1,873	2,637	4,909	5,407	5,724	7,329	7,980	8,173	8,340	8,285	9,674
Dividend per share (JPY)	65.0	75.0	75.0	75.0	95.0	95.0	95.0	95.0	107.5	44.0	44.0
Dividend payout ratio (%)	19.1	22.4	20.6	21.3	14.5	20.5	27.9	24.0	13.1	14.9	15.5

Note: The Company conducted a 3-for-1 stock split of common shares effective April 1, 2019.

We calculated net assets per share and earnings per share assuming that the said stock split was conducted at the beginning of the fiscal year ended March 31, 2011.

Management Discussion and Analysis of Financial Position, Operating Results, and Cash Flows

The details of the financial reports are excerpts from Annual Securities Report (from April 1, 2020 to March 31, 2021).

● Overview of Performance

[1] Business environment

In the consolidated fiscal year ended March 31, 2021, the Japanese economy remained in a severe situation due to the COVID-19 pandemic. After lifting the state of emergency in May last year, the level of social and economic activities was gradually raised. Under such circumstances, we saw signs of a recovery from the extremely difficult situation. However, the outlook for the situation remains uncertain, as the number of cases of the COVID-19 has been increasing again, and some areas have reinstated the state of emergency. During the period, starting vaccination brought recovery from the economic slowdown caused by the spread of the COVID-19 around the world and the blockade of cities. However, risks such as the future resurgence of infection remain.

In the generics industry, the Cabinet decided the “Basic Policy on Economic and Fiscal Management and Reform 2017” in June 2017. It stated that the volume share of generics would reach 80% by September 2020, and that the Cabinet would consider further measures to promote the use of generics to achieve this target as soon as possible. As a result of this decision, the Japanese government has implemented various measures since the revision of medical fees in April 2018. Furthermore, in revising medical fees in April 2020, the government decided “Further Promotion of Generic Medicine and Biosimilars Use” policy, and generics have become more popular. Consequently, the volume share in December 2020 reached 79.4%, which almost achieved the target (according to the survey by Japan Generic Medicines Association in October-December 2020).

On the other hand, the government revised drug prices in October 2019 and April 2020. Also, it revised them in April 2021 based on the “Basic Policy on Economic and Fiscal Management and Reform 2020” approved by the Cabinet in July 2020. As described above, the government will revise the drug prices every year, beginning in 2021.

The government decided a policy to revise the drug prices in intermediate years in addition to the regular revisions once every two years. Therefore, we expect that extremely tough conditions for the pharmaceutical industry will continue.

We announced the 4th Mid-term Business Plan 2018-2020 PROACTIVE in May 2018 against this backdrop of such dramatic changes in the environment surrounding the industry. Based on the plan, we took on challenges such as entering new markets and creating new businesses as well as maintaining the foundation of the domestic generics business to become a company needed by society and local communities at any time.

[2] Initiatives for sales growth

Last June, we launched new products including 22 items of 10 APIs with a sales plan of JPY 3,200 million for the first year. In December, we began selling another 10 items of two

APIs with the plan of JPY 770 million for the first year. In addition, the number of our generics has reached 770 items of 343 APIs as a result of selling new drugs to improve the quality of life.

[3] Initiatives for entering overseas markets

As part of entering new markets, we acquired Pensa Investments, S.L. (Headquarters location, Catalonia, Spain; current trade name, Towa Pharma International Holdings, S.L.; hereinafter, “Towa HD”) in the preceding period, and achieved business expansion in the European and U.S. markets. Going forward, we aim to further expand our business by utilizing Towa HD’s sales network in several European countries and the United States as well as the production bases in Europe compliant to European and the United States standards.

[4] Creation of new businesses

With the hope of becoming a company needed by society and local communities at all times, we are researching and commercializing new health related businesses, centering on extension of healthy life expectancy; maintenance of healthy conditions; restoration of health at pre-symptomatic stage; and response to the local comprehensive community care system. As part of these efforts, we began a joint research project in April 2020 with National Cerebral and Cardiovascular Center to establish medical evidence for the efficacy of taxifolin, a plant-derived ingredient, in preventing dementia. We also signed a joint research contract with Osaka Psychiatric Medical Center on biomarkers for Alzheimer’s dementia. Besides, we acquired shares of Protosera Inc. through third-party allotment in March 2021 to launch a testing service business. Protosera has been certified as a sanitation testing laboratory and is engaged in disease risk testing services using its proprietary basic technology for protein analysis.

Additionally, we established an organization to plan and implement marketing strategies for new businesses, support frontline sales staff and promote activities, and work to strengthen our sales capabilities. In the previous year, we started selling “comuoon,” an interactive assistive device to convert the voice of speakers into sound that is easy to hear, offered by Universal Sound Design Inc. Sales of “comuoon” also developed well.

[5] Operating results

For the consolidated fiscal year under review, the Group recorded net sales of JPY 154,900 million (up 40.3% YoY). While the COGS ratio was 57.7%, up 3.6 percent points YoY, gross profit was JPY 65,451 million (up 29.2% YoY). SGA expenses was JPY 45,527 million (up 32.0% YoY). Consequently, operating income was JPY 19,923 million (up 23.4% YoY), but ordinary income was JPY 18,677 million (down 11.0%) due to the recording of loss on valuation of

derivatives, and profit attributable to owners of parent was JPY 13,958 million (down 3.8% YoY).

Domestic net sales were JPY 118,685 million (up 7.5% YoY), reflecting steady sales of recently launched products, despite the effects of NHI price revisions in October 2019 and April 2020 and some impacts of the spread of COVID-19. The COGS ratio improved 0.5 percent points YoY to 53.6%, and gross profit was JPY 55,109 million (up

8.8% YoY). SGA expenses was JPY 35,612 million (up 3.2% YoY) due to increases in personnel and R&D costs. Consequently, operating income came in at JPY 19,497 million (up 20.8% YoY).

Overseas net sales were JPY 36,214 million, COGS ratio was 71.4%, and gross profit was JPY 10,341 million. SGA expenses amounted to JPY 9,915 million. Consequently, operating income was JPY 425 million.

● Financial position

The financial condition for the consolidated fiscal year under review is as follows.

[1] Assets

Total assets at the end of the consolidated fiscal year under review amounted to JPY 245,668 million, up JPY 15,651 million YoY. This was mainly due to an increase in inventories of JPY 9,902 million, an increase in cash and deposits of JPY 4,201 million, and an increase in trade notes and accounts receivable of JPY 2,930 million, despite a decrease of JPY 3,811 million in investments and other assets.

[2] Liabilities

Liabilities amounted to JPY 129,069 million, up JPY 3,717 million YoY. This was mainly due to an increase in long-term debt of JPY 33,305 million, despite decreases in short-term debt of JPY 20,257 million and convertible bond of JPY 10,870 million.

[3] Net assets

Net assets amounted to JPY 116,599 million, up JPY 11,934 million YoY. This was mainly due to an increase in retained earnings of JPY 11,458 million. Consequently, capital-to-asset ratio was 47.5% at the end of the consolidated fiscal year under review.

*We had applied a provisional accounting treatment for the business combination with Towa HD in the previous consolidated fiscal year. However, since it was finalized in the consolidated fiscal year under review, the amounts reflecting the provisional accounting treatment are used in the comparison and analysis with the previous consolidated fiscal year.

● Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review amounted to JPY 22,915 million, up JPY 4,201 million YoY. Each cash flow for the consolidated fiscal year under review and factors behind it are as follows:

[1] Net cash provided by (used in) operating activities

Net cash provided by operating activities amounted to JPY 12,008 million (down JPY 7,155 million in the inflow YoY). This was mainly due to profit before income taxes of JPY 18,728 million (down JPY 1,981 million YoY), partially offset by an increase in inventories of JPY 9,707 million (up JPY 5,406 million YoY).

[2] Net cash provided by (used in) investing activities

Net cash used in investing activities was JPY 9,100 million (down JPY 30,441 million in the outflow YoY). This was mainly attributable to purchase of property, plant and equipment of JPY 9,137 million (up JPY 4,588 million YoY).

[3] Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to JPY 184 million (down JPY 11,564 million in the inflow YoY). This was mainly due to a net decrease in short-term debt of JPY 20,251 million (net increase of JPY 20,200 million in the previous consolidated fiscal year), repayments of long-term borrowings of JPY 6,895 million (up JPY 499 million YoY), and payments for redemption of bonds with share acquisition rights of JPY 10,850 million yen (up JPY 10,850 million YoY), partially offset by proceeds from long-term borrowings of JPY 40,500 million (up JPY 40,500 million YoY).

● Dividend policy

We have a basic policy of paying dividends continuously and steadily in accordance with our performance, while enhancing internal reserves to prepare for future business development, such as strengthening research and development capabilities and securing capital expenditure funds.

Based on this policy, we paid a dividend of JPY 44 per share for the current fiscal year (including an interim dividend of JPY 22 per share and a year-end dividend of JPY 22 per share). Our basic policy is to pay dividends of

surplus twice a year for the interim dividend and the year-end dividend. The decision-making bodies for these dividends of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

We have stipulated in the Articles of Incorporation that the Company, by resolution of the Board of Directors, may pay an interim dividend as of September 30 of each year, which is set to be the record date for the interim dividend.

Business Locations



Major Group Companies



J-DOLPH Pharmaceutical Co., Ltd.
 Manufacturing and selling of ethical drugs
 Headquarters: Koka, Shiga



Greencaps Pharmaceutical Co. Ltd.
 Producing soft capsules for pharmaceutical products.
 Headquarters: Fujinomiya, Shizuoka



Daichi Kasei Co., Ltd.
 R&D and manufacturing of APIs and intermediates
 Headquarters: Fukusaki, Kanzaki, Hyogo



Towa Pharma International Holdings, S.L.
 Manufacturing and selling of ethical and OTC drugs
 Headquarters: Barcelona, Spain

Non-consolidated subsidiaries

T Square Solutions Co., Ltd.
 Providing healthcare related IT services
 Headquarters: Moriguchi, Osaka

Protosera Inc.
 Disease risk testing service business and research and development of diagnostic drugs
 Headquarters: Osaka, Osaka

Company Outline

As of March 31, 2021

Overview of Company

Company name TOWA PHARMACEUTICAL CO., LTD.
Headquarters 2-11, Shinbashi-cho, Kadoma-shi, Osaka 571-8580
 Main phone: +81(0)6-6900-9100
Representative President and Representative Director Itsuro YOSHIDA
Established June 1951
Incorporated April 1957
Listing The first section of the Tokyo Stock Exchange (TSE)
 (Securities code :4553)
Capital stock JPY 4,717.70 million
Business operations Manufacturing and selling of ethical drugs

Business locations and sales outlets

Headquarters Headquarters Moriguchi Annex Tokyo Office
Research & Development Laboratories Osaka Research Center
 Kadoma Laboratory
 Kyoto Analytical Science Center
 KENTO Healthcare Science Center
 Amagasaki Research Center
 Himeji Research Center
Plants Osaka Plant Okayama Plant Yamagata Plant
Distribution centers West Japan Distribution Center
 East Japan Distribution Center
Sales offices and sales sites 71 sales offices
 60 sites of agents

Consolidated subsidiaries

J-DOLPH Pharmaceutical Co., Ltd.
 Daichi Kasei Co., Ltd.
 Greencaps Pharmaceutical Co. Ltd.
 Towa Pharma International Holdings, S.L. and seven companies

Stock Data

As of March 31, 2021

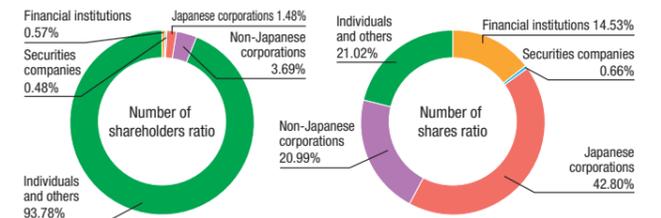
Shares authorized 147,000,000 shares
Shares issued 51,516,000 shares
Number of shares constituting one unit 100 shares
Number of shareholders 5,819 shareholders

Major shareholders (Top 10)

Shareholder name	Number of shares (Thousand)	Ownership (%)
Yoshida Office Co., Ltd.	20,100	40.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,201	4.47
Itsuro YOSHIDA	1,455	2.95
BNYM AS AGT/CLTS 10 PERCENT	1,445	2.93
TOWA PHARMACEUTICAL Kyoekai	1,440	2.92
Custody Bank of Japan, Ltd. (Trust Account)	1,213	2.46
TOWA PHARMACEUTICAL Employee Stock Ownership Group	890	1.80
State Street Bank and Trust Company	726	1.47
Yoshida Estate Ltd.	648	1.31
The Bank of New York Mellon Corporation	516	1.05

Note: The Company holds 2,301,475 shares of treasury stock but is excluded from the above major shareholders. The Company calculated the ownership by deducting the number of treasury shares.

Share breakdown by shareholder type



Stock price

