

Supplementary material of financial results for the year ended March 2020

May, 2020

(Stock ticker number: 4553)

Outline of the financial results for the year ended March 2020

- Sales: Increased by good sales of recently launched products
- Operating income: Kept at the similar amount of the last results in spite of influence of the NHI price revisions
- Ordinary income: Increased by increase of gain on revaluation of currency swaps

Period	20/3			19/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	110,384	100.0	+ 5.0	105,104	100.0	+ 12.5
COGS	59,738	54.1	+ 5.3	56,705	54.0	+ 12.6
SGA	34,503	31.3	+ 6.4	32,431	30.9	+ 3.3
Operating income	16,143	14.6	+ 1.1	15,968	15.2	+ 37.1
Ordinary income	20,990	19.0	+ 11.3	18,865	17.9	+ 61.0
Profit attributable to owners of parent	14,503	13.1	+7.6	13,475	12.8	+ 107.5

Exchange rate US \$1.00 (TTM)	2020/3	2019/3	2018/3
	108.83 yen	110.99 yen	106.24 yen

*In terms of financial data of Pensa group balance sheet includes the data from the end of the financial results for the year ended March 2020, and profit-and-loss statement includes the data from the beginning of the year ending March 2021. Therefore, the above table includes no data of Pensa group.

Outline of the financial results for the year ended March 2020 (progress rate)

- COGS: Improved by good sales mix and efficiency in manufacture division in spite of the plan including influence of the NHI price revision of October 2019
- Ordinary income: Exceeded by increase of gain on revaluation of currency swaps and exchange gain, etc.

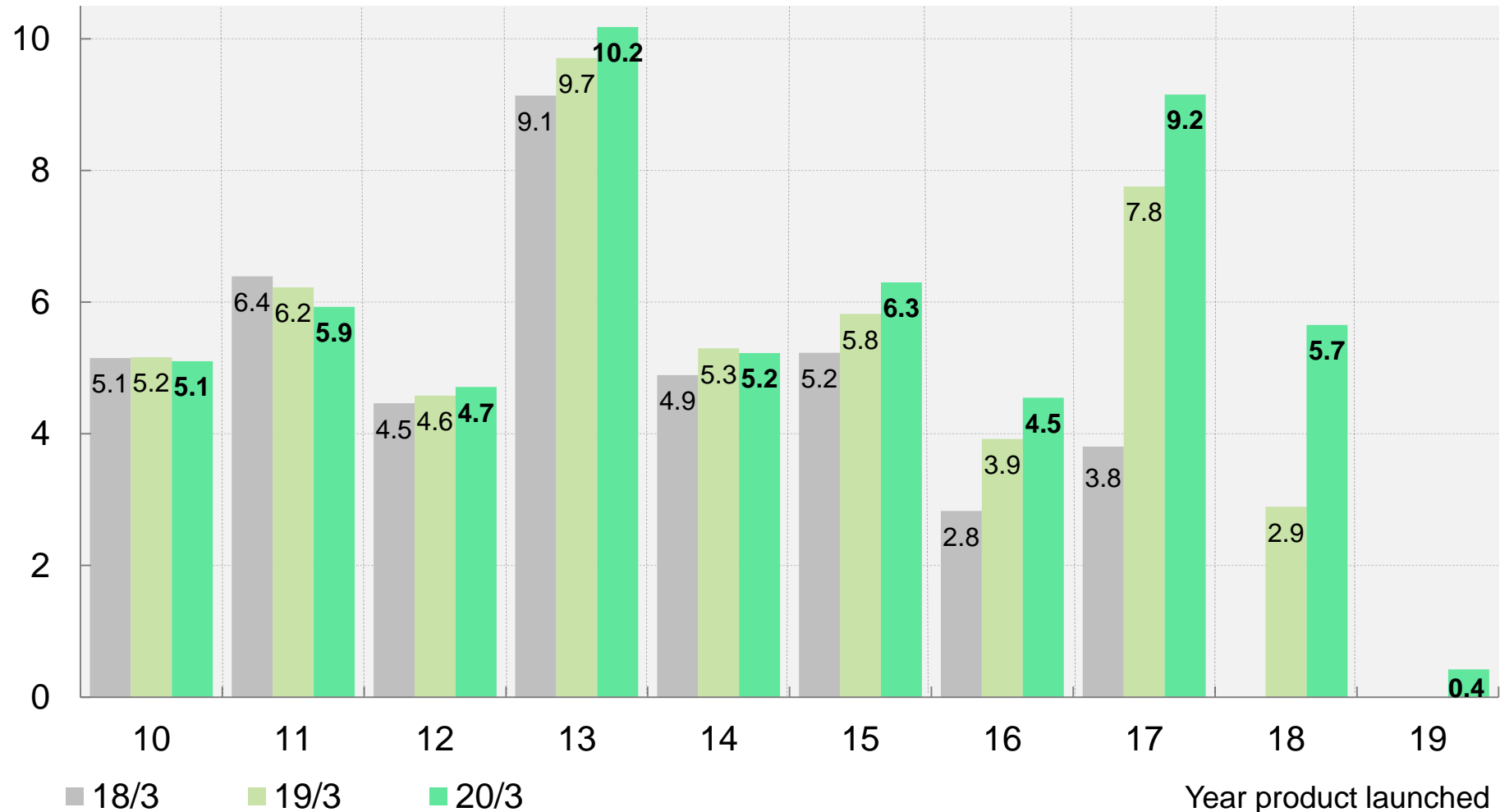
Period	20/3				
	Results		Revised full-year plan (disclosed on February 12th)		
	(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)	Progress rate in %
Net sales	110,384	100.0	111,000	100.0	99.4
COGS	59,738	54.1	62,000	55.9	96.4
SGA	34,503	31.3	34,500	31.1	100.0
Operating income	16,143	14.6	14,500	13.1	111.3
Ordinary income	20,990	19.0	14,600	13.2	143.8
Profit attributable to owners of parent	14,503	13.1	10,400	9.4	139.5

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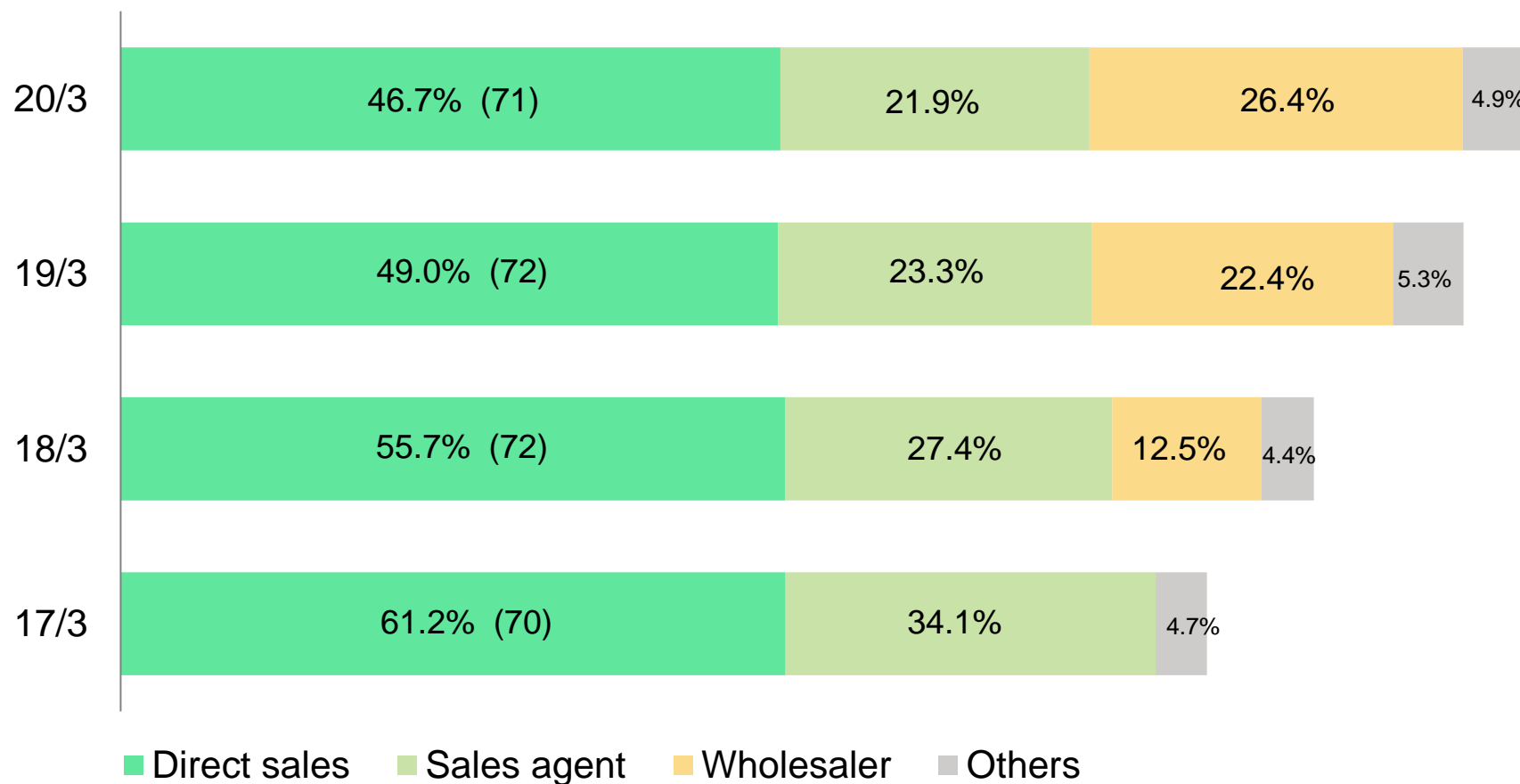
Sales of products by launched year (non-consolidated)

- Sales of recently launched products increased well.

bn Yen

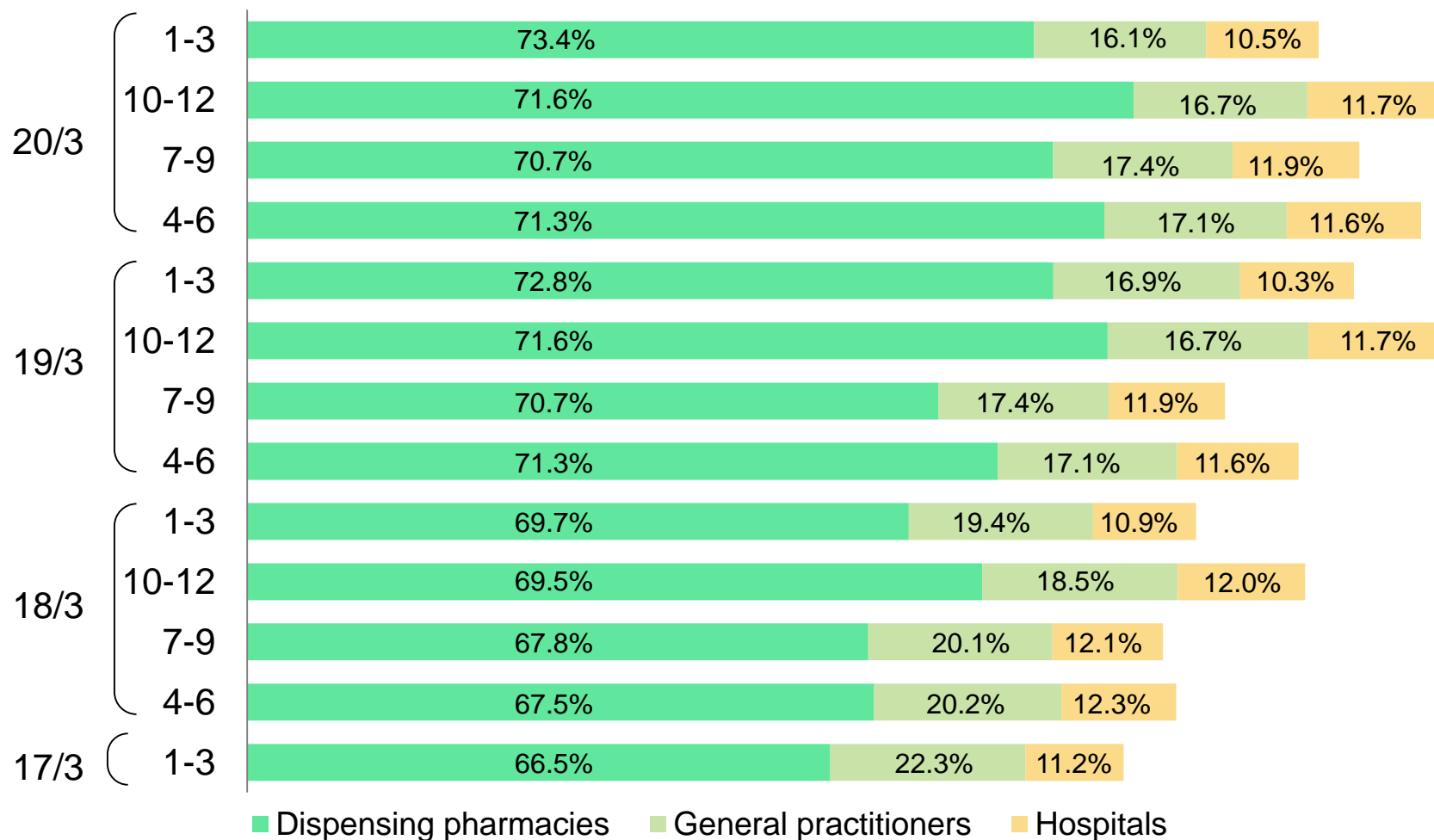


Sales of channels (non-consolidated)



() is the number of sales offices

Sales of medical institutions (non-consolidated)



Excluding sales by other companies

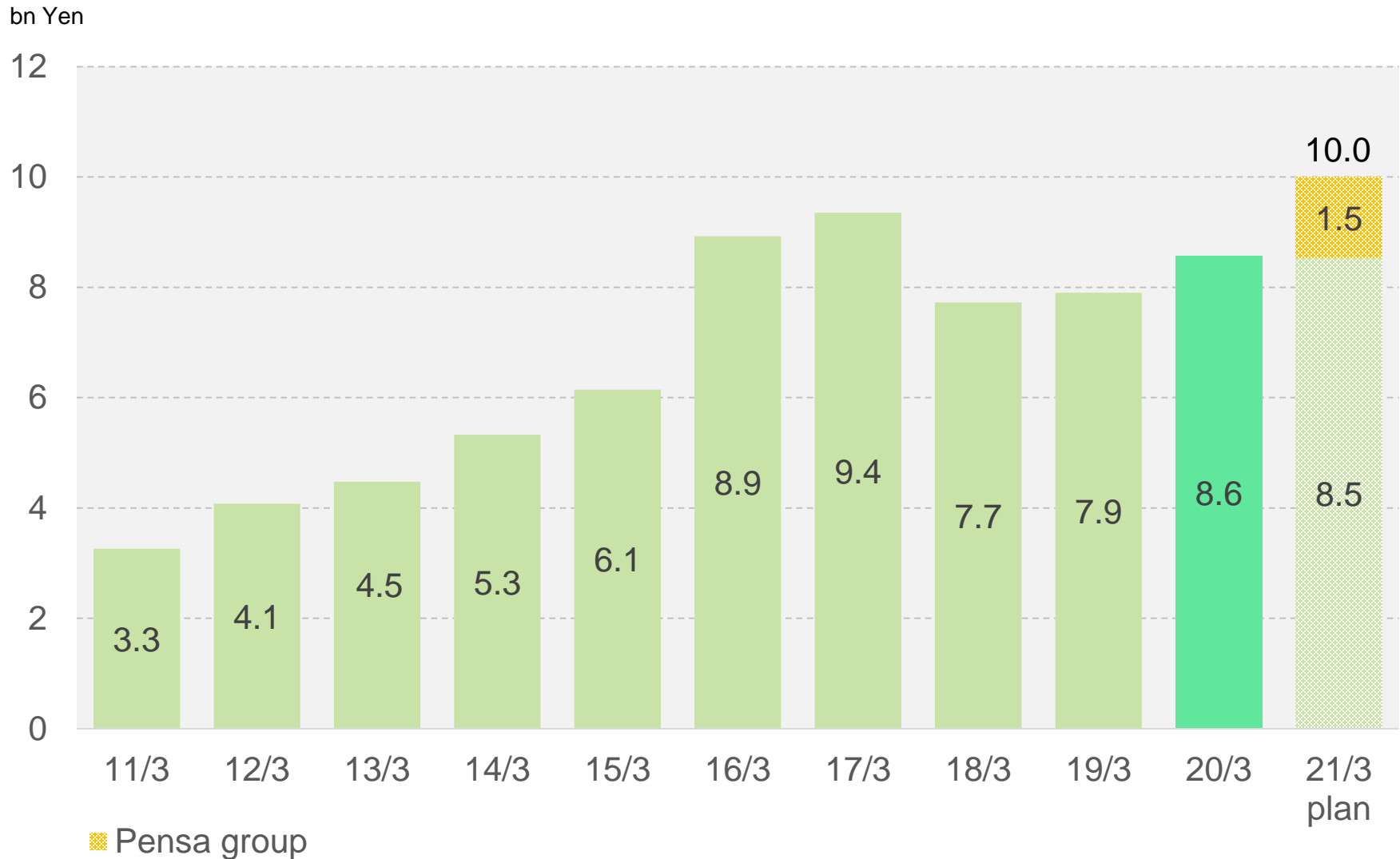
Assuming sales of dispensing pharmacies, general practitioners and hospitals is 100%.

- SGA increased year-on-year, and its ratio to sales is about the same.
- Others increased due to costs relative to acquisition of Pensa Investments, S.L.

Period	20/3			19/3		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Labor	14,386	13.0	- 0.6	14,474	13.8	+ 7.8
R&D	8,566	7.8	+ 8.2	7,916	7.5	+ 2.5
Packing and freight	2,177	2.0	+ 9.2	1,993	1.9	+ 2.7
Depreciation cost	980	0.9	- 7.9	1,065	1.0	- 9.2
Ad.	1,034	0.9	+ 52.9	676	0.6	- 33.4
Others	7,357	6.7	+ 16.7	6,305	6.0	+ 2.9
SGA	34,503	31.3	+ 6.4	32,431	30.9	+ 3.3

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R&D expenditure



*No results of Pensa group is included in and before 20/3.

Balance sheet

- Current assets: Cash and deposits and marketable securities decreased, and inventory assets such as finished products, etc. increased due to acquisition of Pensa Investments, S.L. Derivative assets of other current assets increased.
- Fixed assets: Goodwill and other fixed assets increased due to acquisition of Pensa Investments, S.L.
- Current liabilities: Short-term loans payable increased due to acquisition of Pensa Investments, S.L.

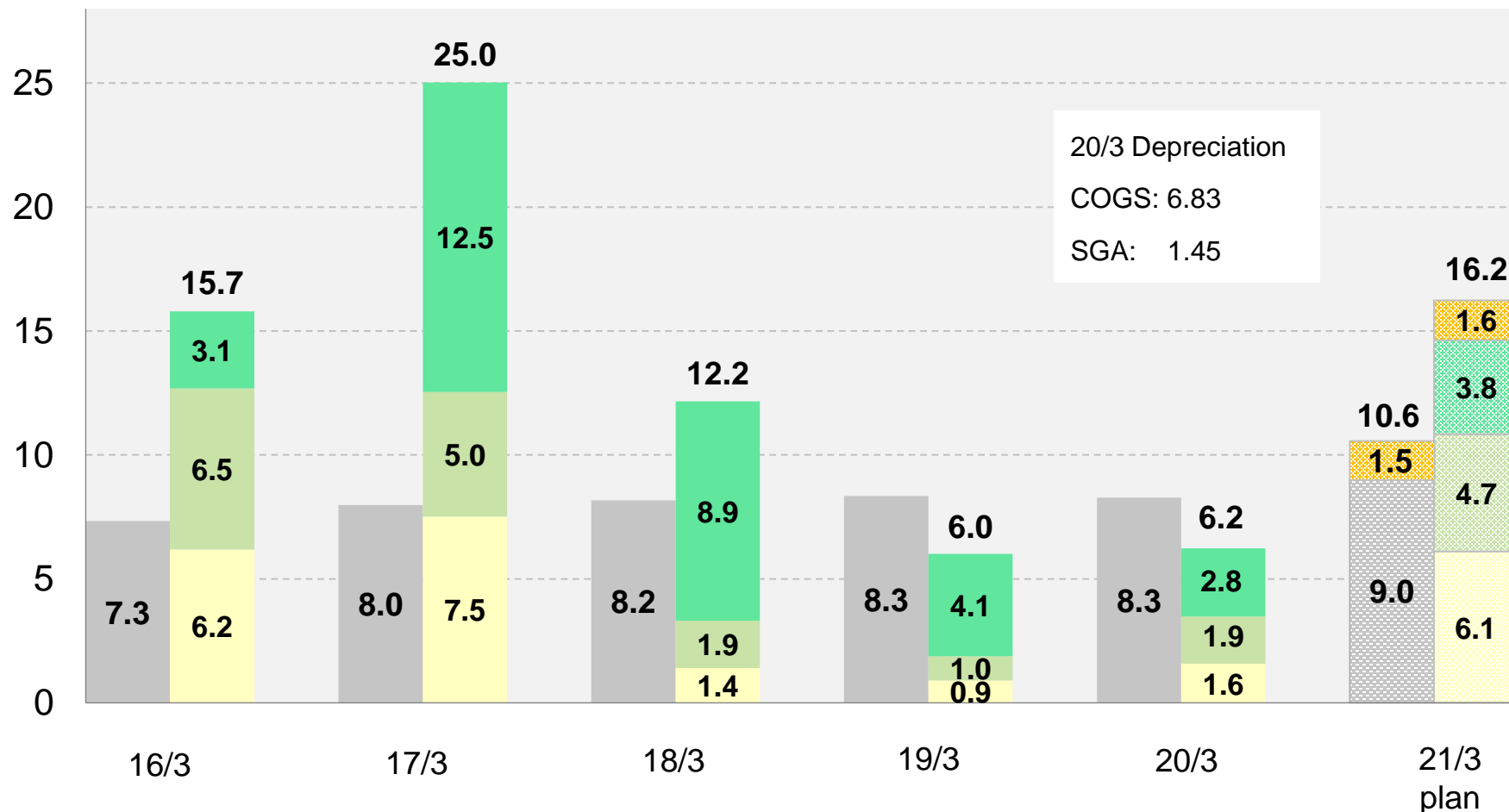
(million Yen)

	20/3	19/3	Change		20/3	19/3	Change
Cash and deposits	18,713	26,762	- 8,048	Trade notes and accounts payable	9,585	6,466	+ 3,118
Trade notes and accounts receivable	35,191	27,905	+ 7,286	Electronically recorded obligations-operating	11,147	9,990	+ 1,157
Electronically recorded monetary claims	6,401	6,719	318	Short-term loans payable	21,368	850	+20,518
Marketable securities	-	4,999	- 4,999	Current portion of long-term debt	6,767	6,396	+ 370
Finished products	24,130	17,591	+ 6,538	Facilities notes and accounts payable	3,701	2,069	+ 1,632
Other current assets	35,938	24,226	+ 11,711	Other current liabilities	16,898	11,404	+ 5,493
Total current assets	120,375	108,206	+ 12,169	Total current liabilities	69,468	37,177	+ 32,290
Buildings and structures	47,941	47,376	+ 565	Long-term debt	38,640	43,407	- 6,767
Machineries, equipment, and carriers	13,033	11,913	+ 1,119	Convertible bond	15,024	15,035	- 10
Construction in progress	4,936	2,110	+ 2,826	Other long-term liabilities	2,356	1,412	+ 943
Goodwill	10,209	-	+ 10,209	Total long-term liabilities	54,020	59,854	- 5,834
Other fixed assets	31,642	19,197	+12,444	Total liabilities	123,489	97,032	+ 26,456
Total fixed assets	107,763	80,597	+ 27,166	Total net assets	104,649	91,771	+ 12,878
Total assets	228,138	188,803	+ 39,335	Total liabilities and net assets	228,138	188,803	+ 39,335

*In terms of financial data of Pensa group, balance sheet includes the data from the end of the financial results for the year ended March 2020.

Capital expenditure and depreciation cost

bn Yen



■ Capital expenditure for Penssa group

■ Capital expenditure for Yamagata Plant

■ Capital expenditure for Okayama Plant

■ Capital expenditure for others

■ Depreciation

*Depreciation cost includes that of R&D.
*No results of Penssa Investments, S.L. is included in and before 20/3.

Financial forecast for the year ending March 2021 non-consolidated

- Sales: Increase by 35.9% mainly due to consolidation of Pensa group
- Operating income: Decrease by 11.4% due to increase of temporary PMI cost relative to acquisition of Pensa group and increase of COGS ratio to sales
- Ordinary income: Estimated without consideration of gain and loss on revaluation of currency swaps and exchange gain and loss, etc. due to uncertainty of future exchange rate

Period	21/3 plan			20/3 results		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	150,000	100.0	+ 35.9	110,384	100.0	+ 5.0
COGS	88,600	59.1	+ 48.3	59,738	54.1	+ 5.3
SGA	47,100	31.4	+ 36.5	34,503	31.3	+ 6.4
Operating income	14,300	9.5	- 11.4	16,143	14.6	+ 1.1
Ordinary income	14,800	9.9	- 29.5	20,990	19.0	+ 11.3
Profit attributable to owners of parent	10,400	6.9	- 28.3	14,503	13.1	+ 7.6

Financial forecast for the year ending March 2021 (Domestic)

(Towa Pharmaceutical, Col, Ltd., J-DOLPH Pharmaceutical Co., Ltd., Daichi Kasei Co., Ltd. and Greencaps Pharmaceutical Co., Ltd.)

- Sales: Increase mainly by recently launched products in spite of influence of the NHI price revisions
- Operating income: Decrease by increased COGS ratio to sales, 0.9 point year-on-year, due to influence of the NHI price revisions, and by increase of SGA
- Ordinary income: Estimated without consideration of gain and loss on revaluation of currency swaps and exchange gain and loss due to uncertainty of future exchange rate

Period	21/3 plan			20/3 results		
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)	Change in %
Net sales	115,200	100.0	+ 4.4	110,384	100.0	+ 5.0
COGS	63,400	55.0	+ 6.1	59,738	54.1	+ 5.3
SGA	37,600	32.6	+ 9.0	34,503	31.3	+ 6.4
Operating income	14,200	12.3	- 12.0	16,143	14.6	+ 1.1
Ordinary income	14,700	12.8	- 30.0	20,990	19.0	+ 11.3
Profit attributable to owners of parent	10,300	8.9	- 29.0	14,503	13.1	+ 7.6

Financial forecast for the year ending March 2021 (Overseas)

(Pensa group)

- Sales: Estimated with assumption of a little influence of the 2019 novel coronavirus (COVID-19) infection spread
- Operating income: Included temporary PMI cost

Period	Pensa Investments	
	(million Yen)	Ratio to sales (%)
Net sales	34,800	100.0
COGS	25,200	72.4
SGA	9,500	27.3
Operating income	100	0.3
Ordinary income	100	0.3
Profit attributable to owners of parent	100	0.3

Europe		USA	
(million Yen)	Ratio to sales (%)	(million Yen)	Ratio to sales (%)
18,500	100	16,300	100
13,100	70.8	12,100	74.2
5,700	30.8	3,800	23.3
-300	- 1.6	400	2.5

FY2020 expected rate (Exchange rate: TTM)	
1 Euro	118 yen
1 USD	108 yen

Consolidated companies of Towa group

Towa Pharmaceutical, Co., Ltd.

President	Itsuro Yoshida
Headquarter	Kadoma, Osaka
Business operations	Manufacture and sale of ethical drugs



[Osaka Plant]



[Okayama Plant]



[Yamagata Plant]



J-DOLPH Pharmaceutical Co., Ltd.

President	Hirotake Koshida
Headquarter	Koka, Shiga
Business operations	Manufacture and sale of ethical drugs
Ownership	100%



Daichi Kasei Co., Ltd.

Kazumaru Gohara
Fukusaki-cho, Hyogo
R&D and production
100%



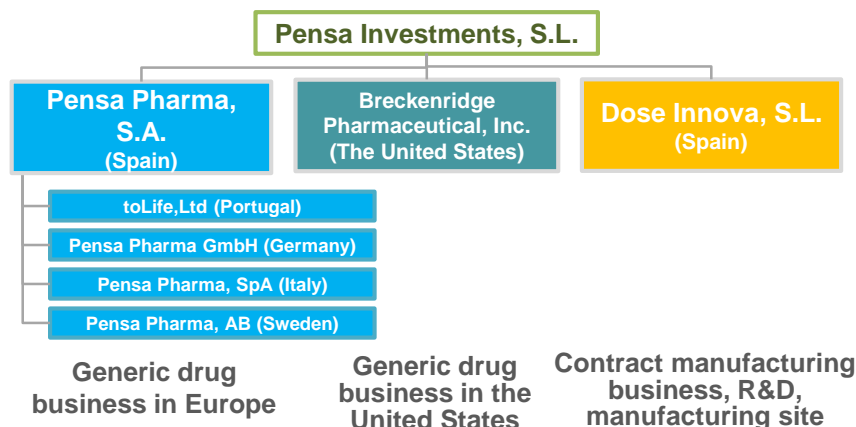
Greencaps Pharmaceutical Co., Ltd.

Toshiyuki Ueki
Fujinomiya, Shizuoka
Production of ethical drugs of soft capsules
100%



Pensa Investments, S.L.

Managing Director	Shigehiro Kubo
Headquarter	Barcelona, Catalonia, Spain
Business operations	Manufacture and sale of ethical drugs and OTC Contract manufacture
Ownership	100%



Basic policy for creation of new business

Based on our philosophy “**We contribute to people’s health.**”,
we extend our business widely.



The diagram consists of a large light green oval containing a smaller light green circle on the left. The circle is labeled 'Generic drugs business'. Three arrows originate from the right side of the circle: one points diagonally up to the top text, one points horizontally to the middle text, and one points diagonally down to the bottom text.

Generic drugs business

To be a company contributing to health,
we extend businesses achieving
“**Extension of healthy life expectancy**”.

- Contribute to “measures for health maintenance”
- Conduct businesses contributing to people from a viewpoint of recovering people who are in status of ill health, including presymptomatic disease, frailty, MCI (mild cognitive impairment), mental disorder, to status of health or keeping their status.
- Conduct businesses contributing to people with more than manufacture and sale of ethical drugs in the field of “be healthy by treating diseases”
- Contribute to the Community-based Integrated Care System including local society

Creation of new business: current results

[Measures for Extension of healthy life expectancy]

■ Research collaboration with the National Cerebral and Cardiovascular Center

Research collaboration agreement was concluded for establishment of evidence relative to medical therapy, disease prevention, maintenance and improvement of health for extension of life expectancy, “**KENTO Healthcare Science Center**” was opened, and on April 2020, research collaboration was started in terms of effect of plant-derived substances on prevention of dementia.

■ Research collaboration with Time Therapeutics, Inc.

Research collaboration agreement was concluded for **bromocriptine’s new indication of familial Alzheimer’s disease by drug repositioning with iPS cell**.

■ Research collaboration with Osaka Psychiatric Medical Center, Osaka Prefectural Hospital Organization

Research collaboration was concluded for **biomarker of Alzheimer-type dementia**.

■ Approach through “early detection of hearing loss” and “maintain of hearing quality”

Communication support system, “**comuoon**” was launched.



[Results for the Community-based Integrated Care System]

■ Support for workers engaged in care, rehabilitation, etc.

Investment for Innophys Co., Ltd. was carried out, and a back support device, **Muscle Suit**, will be dealt.

■ Promoting health in local society

Agreement was concluded with **Atsuma Town, Hokkaido** for creation of new business and promotion of health.



[Other results]

■ Collaborative development of administration support tool with BANDAI NAMCO Research Inc.

Administration support tool is under collaborative development with BANDAI NAMCO Research Inc. for improving patient’s **medication adherence** and measures for **unused medicines**.

Major products to be launched in June 2020

Therapeutic Category	Product Name	Branded or Reference Products (Company)
Therapeutic agent for overactive bladder	IMIDAFENACIN OD TABLETS 0.1mg "TOWA"	URITOS Tablets 0.1mg (KYORIN Pharmaceutical) STAYBLA OD Tablets 0.1mg (ONO PHARMACEUTICAL)
Inhibitor of intestinal cholesterol transporter (therapeutic agent for hyperlipidemia)	EZETIMIBE OD TABLETS 10mg "TOWA"	Zetia Tablets 10mg (MSD=Bayer Yakuhin)
	EZETIMIBE TABLETS 10mg "TOWA"	
Therapeutic agent for Alzheimer-type dementia	GALANTAMINE OD TABLETS 4mg/8mg/12mg "TOWA"	REMINYL OD Tablets 4mg/8mg/12mg (Janssen Pharmaceutical=Takeda Pharmaceutical)
Selective α_{1A} antagonist Improving drug for dysuria associated with benign prostatic hypertrophy	SILODOSIN TABLETS 2mg/4mg "TOWA"	URIEF Tablets 2mg/4mg (Kissei Pharmaceutical=DAIICHI SANKYO)
Non-steroidal anti-inflammatory analgesic drugs (COX - 2 Selective inhibitors)	CELECOXIB TABLETS 100mg/200mg "TOWA"	Celecox Tablets 100mg/200mg (Astellas Pharma)
Improving drug for dysuria associated with benign prostatic hypertrophy (Phosphodiesterase 5 inhibitor)	TADALAFIL OD TABLETS 2.5mg/5mg ZA "TOWA"	Zalutia Tablets 2.5mg/5mg (NIPPON SHINYAKU)
5 α -reductase inhibitor Therapeutic agent for benign prostatic hyperplasia	DUTASTERIDE CAPSULES 0.5mg AV "TOWA"	Avolve Capsules 0.5mg (GSK)
NMDA receptor antagonist Therapeutic agent for Alzheimer-type dementia	MEMANTINE HYDROCHLORIDE OD TABLETS 5mg/10mg/20mg "TOWA"	MEMARY OD TABLETS 5mg/10mg/20mg (DAIICHI SANKYO)
	MEMANTINE HYDROCHLORIDE TABLETS 5mg/10mg/20mg "TOWA"	MEMARY TABLETS 5mg/10mg/20mg (DAIICHI SANKYO)
Proton pump inhibitor	SODIUM RABEPRAZOLE TABLETS 5mg "TOWA"	Pariet tablets 5mg (Eisai=EA Pharma)
Long-acting selective H ₁ receptor antagonist Therapeutic agent for allergic disease	LEVOCETIRIZINE HYDROCHLORIDE TABLETS 5mg "TOWA"	Xyzal Tablets 5mg (GSK)
	LEVOCETIRIZINE HYDROCHLORIDE SYRUP 0.05% "TOWA"	Xyzal Syrup 0.05% (GSK)

22 products in total

Annual sales budget: ca. 32 billion yen for the above products to be launched in June 2020

Disclaimer

This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectation 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.

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