

Supplementary material on financial results for the first quarter of the year ending March 31, 2021

August 2020

(Stock ticker number: 4553)

Outline of financial results for the first quarter of the year ending March 31, 2021 (Consolidated)

- Sales: Increased including Towa HD's turnover in the consolidation of 2021/03 1Q
- Operating income: Decreased due to higher COGS ratio than previous year driven by NHI drug price revisions and higher SGA than previous year with Towa HD's goodwill amortization

Period	2021/03 1Q			2020/03 1Q		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	37,900	100.0	+ 33.4	28,406	100.0	+ 11.4
COGS	22,003	58.1	+ 45.7	15,099	53.2	+ 8.7
SGA	11,325	29.9	+ 39.9	8,097	28.5	- 0.0
Operating income	4,570	12.1	- 12.3	5,209	18.3	+ 48.8
Ordinary income	4,778	12.6	- 9.6	5,283	18.6	+ 9.9
Profit attributable to owners of parent	3,335	8.8	- 11.4	3,764	13.3	+ 5.6
FX rate (TTM) 1 USD	2020/06	2020/03	2019/06	2019/03		
	JPY 107.74	JPY 108.83	JPY 107.79	JPY 110.99		

* Towa Pharma International Holdings, S.L. (referred to as Towa HD hereinafter) and Greencaps Pharmaceutical Co.,Ltd. (referred to as Greencaps hereinafter) included in the consolidation at 2021/03 1Q

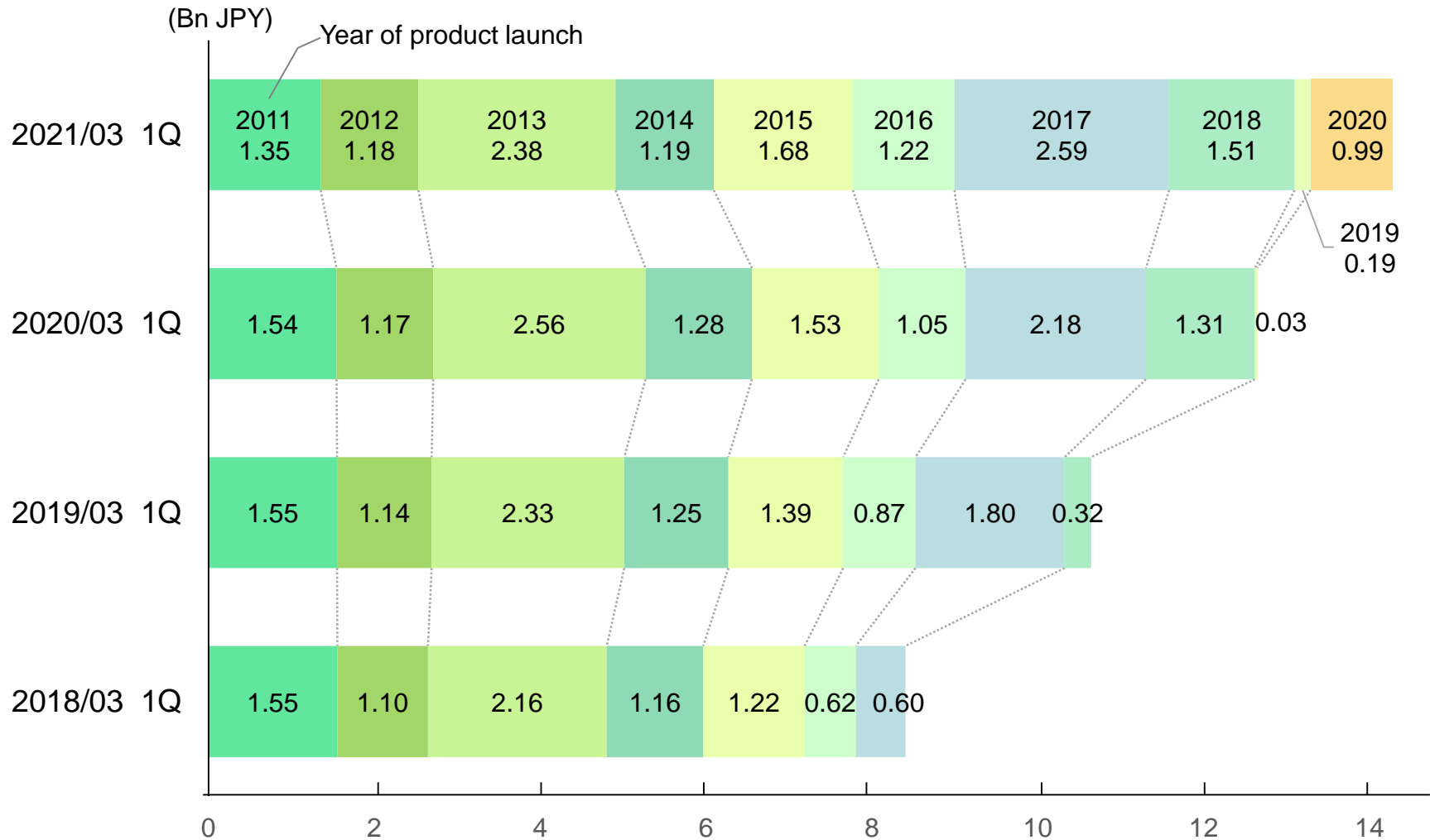
Outline of financial results for the first quarter of the year ending March 31, 2021 (Domestic / Overseas)

- Sales (domestic): Slightly lower than previous year due to negative impacts by NHI drug price revisions held both in October 2019 and April 2020
- Operating income (domestic): Decreased due to higher COGS ratio impacted by NHI drug price revisions and higher SGA than previous year
- Ordinary income (domestic): Decreased in line with operating income despite gains from revaluation of currency swap in 2021/03 1Q

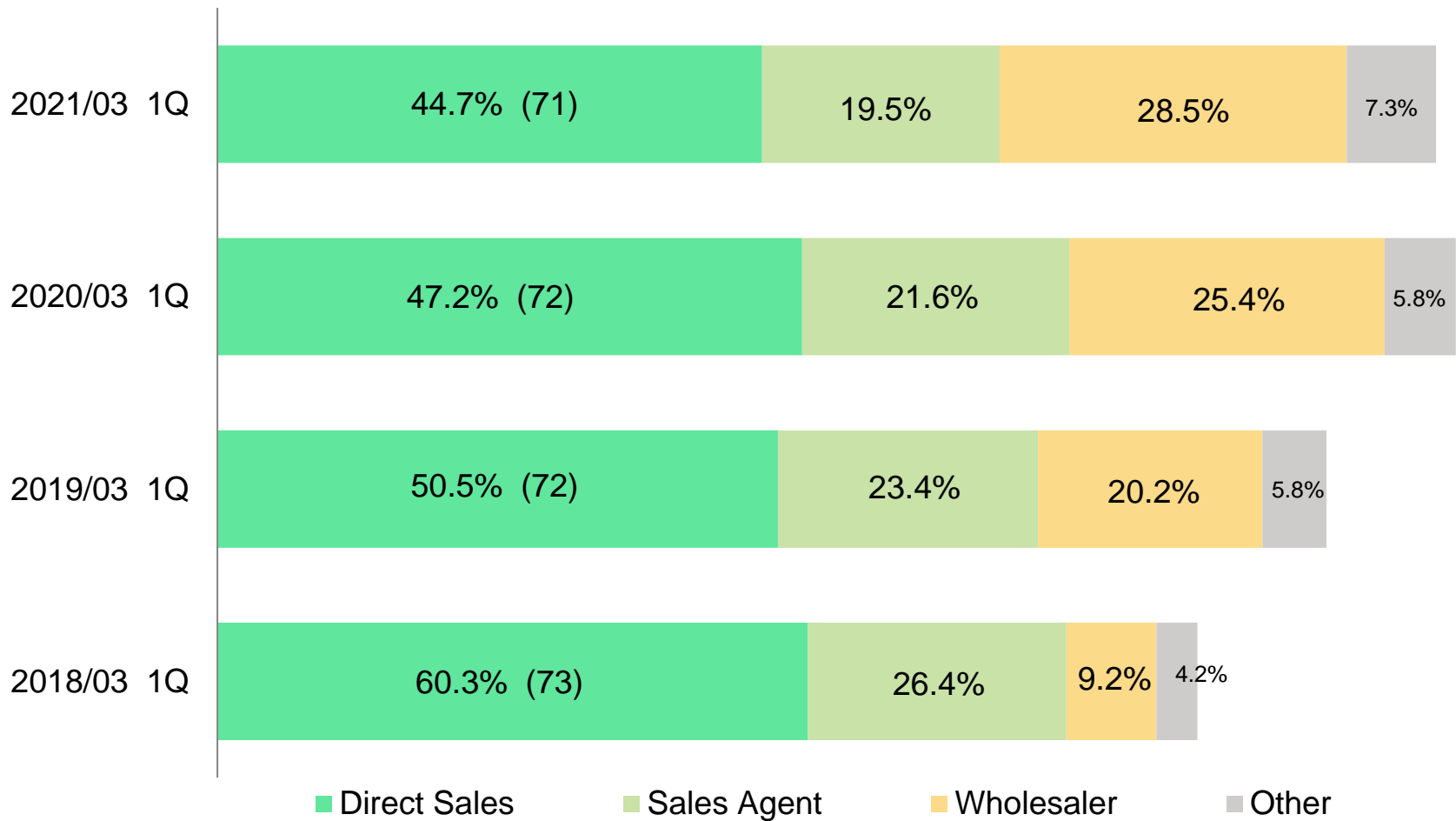
Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						Overseas (Towa HD)	
	2021/03 1Q			2020/03 1Q			2021/03 1Q	
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)
Net sales	27,936	100.0	- 1.7	28,406	100.0	+ 11.4	9,964	100.0
COGS	15,379	55.1	+ 1.9	15,099	53.2	+ 8.7	6,624	66.5
SGA	8,422	30.2	+ 4.0	8,097	28.5	- 0.0	2,902	29.1
Operating income	4,133	14.8	- 20.7	5,209	18.3	+ 48.8	436	4.4
Ordinary income	4,584	16.4	- 13.2	5,283	18.6	+ 9.9	194	2.0
Profit attributable to owners of parent	3,174	11.4	- 15.7	3,764	13.3	+ 5.6	160	1.6
FX Rate (TTM) 1 EUR	2021/03 1Q JPY 120.11							

Sales by year of new launches (Towa only)

- Sales of recently launched products developed well



Sales share by distribution channel (Towa only)



() = number of sales offices

Number & share of customers by segment (Towa only)

- The number of our transactions with clinics and dispensing pharmacies developed well.

Segment	Total number of medical institutions	2021/03 1Q					2020/03 1Q	
		Number of trading customers	Coverage (%)	Transaction share in value (%)	Change in number of trading customers	Change in trading values (%)	Number of trading customers	Transaction share in value (%)
Hospitals	ca. 8,300	7,309	87.8	11.0	+ 255	- 5.4	7,054	11.4
DPC*	1,757	1,702	96.9	6.1	+ 72	- 8.9	1,630	6.6
Clinics	ca. 104,100	28,242	27.1	13.8	+ 1,438	- 12.5	26,804	15.5
Pharmacies	ca. 59,500	56,325	94.6	75.1	+ 1,136	+ 1.3	55,189	73.0
Total	ca. 171,900	91,876	53.4	100.0	+ 2,829	- 1.5	89,047	100.0

* DPC = Dagnosis Procedure Combination

(Not including transactions by other companies)

** Total number of facilities calculated with reference to Japan Altmarc's national medical facility data

Selling and general administrative expenses (Domestic)

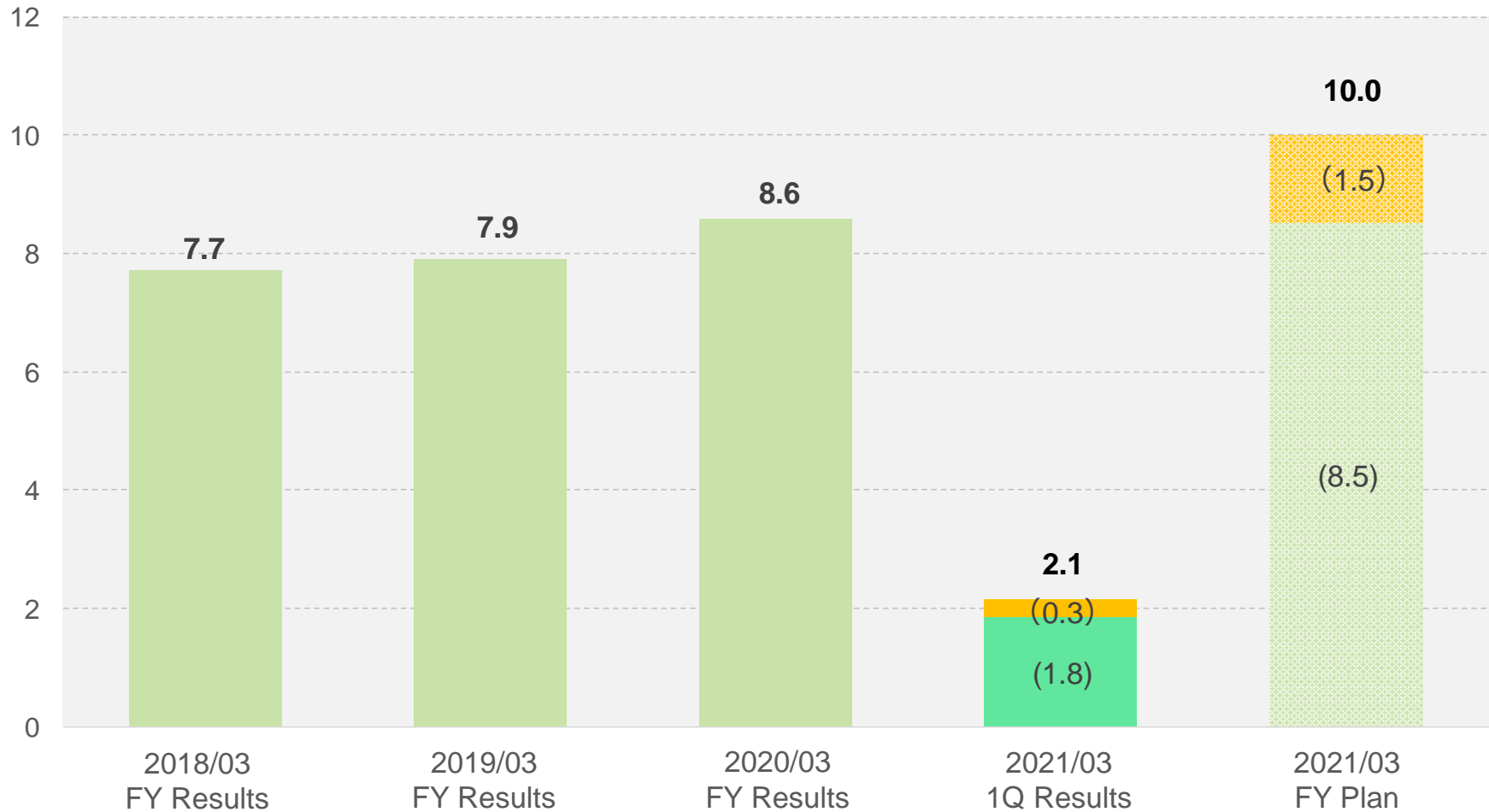
- Amortization of goodwill arising from Towa HD acquisition

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2021/03 1Q			2020/03 1Q		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	3,776	13.5	+ 0.9	3,742	13.2	- 1.1
Advertisement	125	0.4	- 25.9	168	0.6	+ 29.5
Packing / freight	550	2.0	+ 0.1	549	1.9	+ 11.3
Commission paid	416	1.5	+ 18.8	350	1.2	+ 5.2
R&D	1,844	6.6	- 0.4	1,851	6.5	+ 7.2
Depreciation	235	0.8	- 1.4	239	0.8	- 11.2
Goodwill amortization	250	0.9	-	-	-	-
Other	1,223	4.4	+ 2.5	1,193	4.2	- 12.3
Total	8,422	30.2	+ 4.0	8,097	28.5	- 0.0

* Greencaps included in the consolidation at 2021/03 1Q

R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

* Towa HD and Greencaps not included during FY 2018/03~2020/3

Outline of financial results for the first quarter of the year ending March 31, 2021 (Consolidated)

- Sales: Developed almost as planned
- Operating income: Above plan contributed by less COGS rate and higher gross profit than planned

Period	2021/03							
	1Q Results		2Q Plan			Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	37,900	100.0	72,800	100.0	52.1	150,000	100.0	25.3
COGS	22,003	58.1	43,000	59.1	51.2	88,600	59.1	24.8
SGA	11,325	29.9	22,800	31.3	49.7	47,100	31.4	24.0
Operating income	4,570	12.1	7,000	9.6	65.3	14,300	9.5	32.0
Ordinary income	4,778	12.6	7,300	10.0	65.5	14,800	9.9	32.3
Profit attributable to owners of parent	3,335	8.8	5,100	7.0	65.4	10,400	6.9	32.1

Outline of financial results for the first quarter of the year ending March 31, 2021 (Domestic)

- Sales: Developed almost as planned despite COVID-19 impact
- Operating income: Above plan contributed by delays in SGA spending

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2021/03 1Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	27,936	100.0	115,200	100.0	24.3
COGS	15,379	55.1	63,400	55.0	24.3
SGA	8,422	30.2	37,600	32.6	22.4
Operating income	4,133	14.8	14,200	12.3	29.1
Ordinary income	4,584	16.4	14,700	12.8	31.2
Profit attributable to owners of parent	3,174	11.4	10,300	8.9	30.8

Outline of financial results for the first quarter of the year ending March 31, 2021 (Overseas)

- Sales: Above plan due to increased demand for pharmaceuticals as a result of long-term prescriptions induced by COVID-19 spread
- Operating income: Above plan due to gross profit increase led by less COGS than planned with increased production volumes and improved capacity utilizations, plus other favorable factors

Period	Overseas (Towa HD)				
	2021/03 1Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	9,964	100.0	34,800	100.0	28.6
COGS	6,624	66.5	25,200	72.4	26.3
SGA	2,902	29.1	9,500	27.3	30.6
Operating income	436	4.4	100	0.3	436.7
Ordinary income	194	2.0	100	0.3	194.5
Profit attributable to owners of parent	160	1.6	100	0.3	160.7

Outline of financial results for the first quarter of the year ending March 31, 2021 (Overseas by region)

Period	Towa HD / Europe					Towa HD / US				
	2021/03 1Q results		2021/03 Full-year plan			2021/03 1Q results		2021/03 Full-year plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	5,219	100.0	18,500	100.0	28.2	4,745	100.0	16,300	100.0	29.1
COGS	3,114	59.7	13,100	70.8	23.8	3,510	74.0	12,100	74.2	29.0
SGA	1,733	33.2	5,700	30.8	30.4	1,169	24.6	3,800	23.3	30.8
Operating income	371	7.1	- 300	- 1.6	-	65	1.4	400	2.5	16.4
FX Rate (TTM) 1 EUR	2021/03 1Q Results		2021/03 FY Assump.							
	JPY 120.11		JPY 118.00							

Balance sheet (Consolidated)

● Long-term debt: Increased due to Towa HD acquisition

(Unit: JPY million)

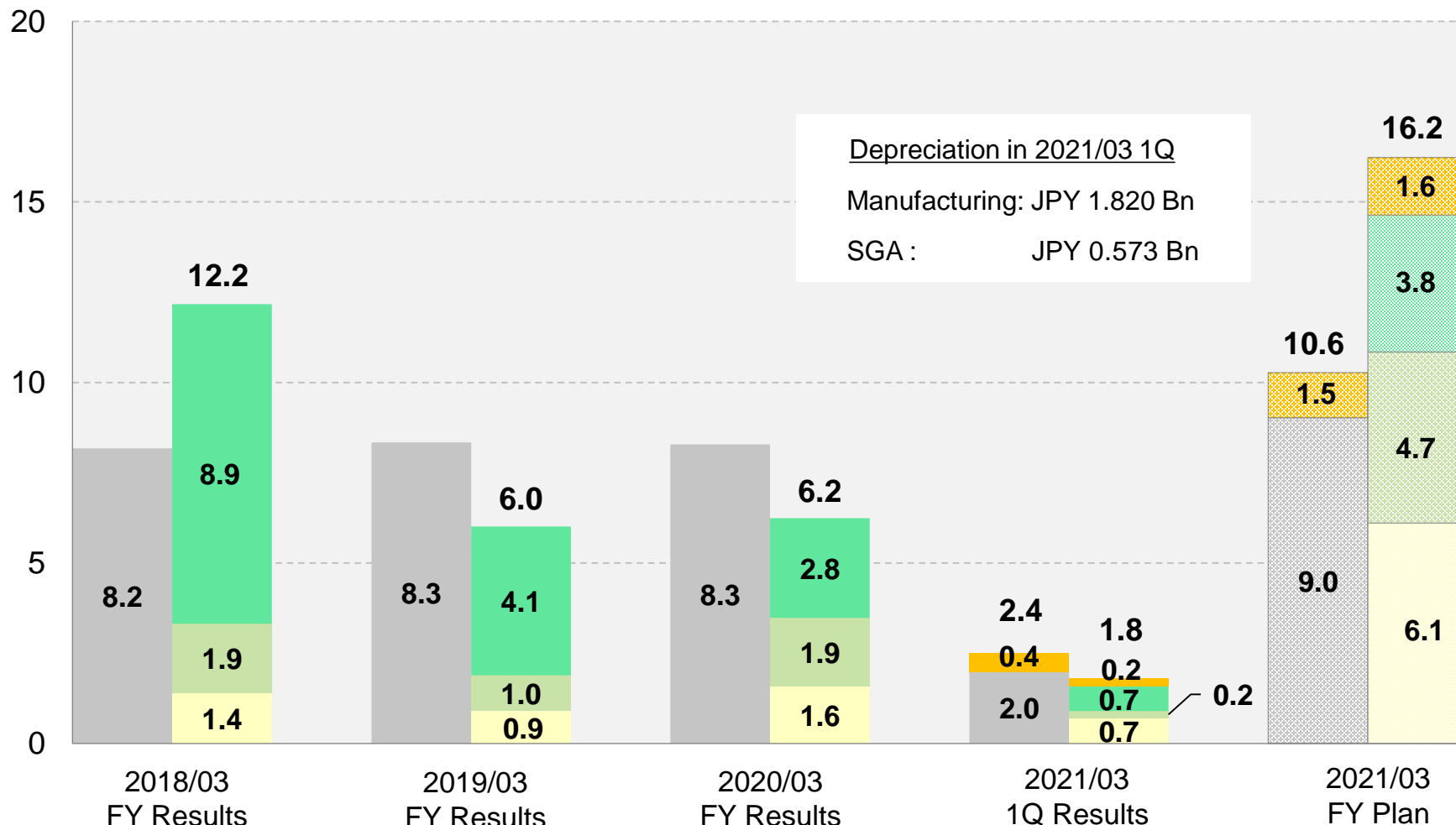
Item	2020/06	2020/03	Changes	Item	2020/06	2020/03	Changes
Cash and deposits	32,415	18,713	+ 13,701	Trade notes and accounts payable	10,712	9,585	+ 1,127
Trade notes and accounts receivable	37,262	35,191	+ 2,071	Electronically recorded obligations-operating	12,197	11,147	+ 1,049
Electronically recorded monetary claims	7,049	6,401	+ 648	Short-term debt	21,250	21,368	- 118
Marketable securities	-	-	-	Convertible bond due within one year	10,865	-	+ 10,865
Finished goods	25,629	24,130	+ 1,499	Current portion of long-term debt	6,767	6,767	-
Other current assets	37,807	35,938	+ 1,869	Facilities notes and accounts payable	2,618	3,701	- 1,082
Total current assets	140,165	120,375	+ 19,789	Other current liabilities	12,941	16,898	- 3,957
Buildings and structures	49,814	47,941	+ 1,873	Total current liabilities	77,352	69,468	+ 7,884
Machineries, equipment and carriers	13,458	13,033	+ 425	Convertible bond	4,156	15,024	- 10,868
Construction in progress	4,747	4,936	- 189	Long-term debt	55,275	36,640	+ 18,634
Goodwill	9,710	10,209	- 499	Other long-term liabilities	2,413	2,356	+ 57
Other fixed assets	27,249	31,642	- 4,393	Total long-term Liabilities	61,844	54,020	+ 7,824
Total fixed assets	104,980	107,763	- 2,783	Total liabilities	139,197	123,489	+ 15,708
Total assets	245,145	228,138	+ 17,006	Total net assets	105,948	104,649	+ 1,298
				Total liabilities and assets	245,145	228,138	+ 17,006

Period-end rate (TTM)
1 EUR

2020/03	2019/12
JPY 119.55	JPY 122.54

Capital expenditure and depreciation (Consolidated)

(Bn JPY)



Depreciation in 2021/03 1Q
 Manufacturing: JPY 1.820 Bn
 SGA: JPY 0.573 Bn

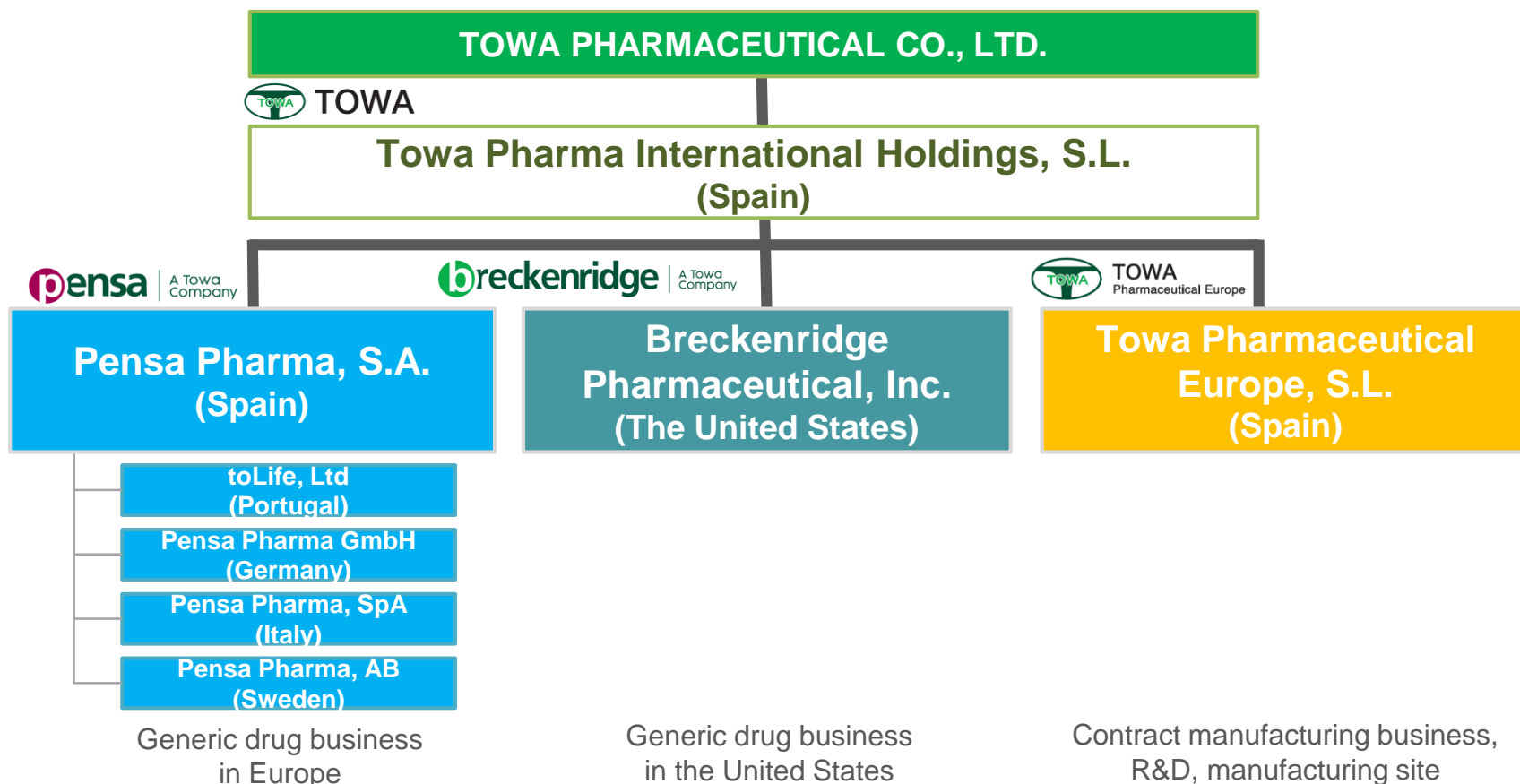
- CAPEX Towa HD
- CAPEX Yamagata Plant
- CAPEX Okayama Plant
- CAPEX Other
- Depreciation
- Depreciation Towa HD

* Depreciation includes R&D portion
 * Depreciation in 2021/03 not including Towa HD goodwill amortization
 * Towa HD and Greencaps not included in actual results during FY 2018/03~2020/03

Overseas business – Consolidation structure

In order to clarify the positioning as one of Towa Yakuhiin group members, promote further collaboration among all the group companies and further expand the entire business, Pensa Investments, S.L. was renamed on July 2nd 2020 to

<Towa Pharma International Holdings, S.L.>



* Dose Innova, S.L. was renamed to Towa Pharmaceutical Europe, S.L. on June 4th 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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