

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

November 2020

(Stock ticker number: 4553)

Impact of and response to the spread of COVID-19

This report includes the financial results of Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa HD”) during the half-year period beginning on January 1 and ending on June 30, 2020

Sales	<p><Domestic></p> <p>While refraining from visiting medical institutions in person, we managed information provision activities by using web and other media. Despite good sales performance of the recently launched products, sales of the existing products fell short of expectations due to a decreasing number of patients with restrained visits to doctors (pediatrics, orthopedics, otolaryngology, etc.).</p> <p><Overseas></p> <p>In Europe, as a reaction to the strong 1Q (January-March) results due to COVID19-induced long-term prescriptions and resulting increases in drug demands, 2Q (April-June) performance softened attributable to the decreasing number of patients' visits to medical institutions due to restrained doctors' consultations. The negative impact turned out to be minor during the first half of the year on a cumulative basis.</p>
Product Supply	<p><Domestic / overseas></p> <p>Except some problems caused by the city-wide lockdown and stay-at-home restrictions overseas, our APIs supplies were affected in a limited range thanks to our multiple sourcing approach and the impact is almost nil currently.</p>
R&D	<p><Domestic / overseas></p> <p>Launch schedule of new products remains unaffected so far although slight delays are observed in some of product development plans.</p>

The COVID-19 impact on Towa Group's business performance during the first half of this financial period is minor, but the full-year results may be affected if the infection spread becomes prolonged and/or serious in future.

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

- Sales: Increased including Towa HD's turnover in the consolidation since 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 2Q			2020/03 2Q		
	(JPY million)	Ratio to sales (%)	YoY changes (%)	(JPY million)	Ratio to sales (%)	YoY changes (%)
Net sales	74,640	100.0	+ 34.9	55,350	100.0	+ 12.6
COGS	43,313	58.0	+ 48.2	29,217	52.8	+ 7.6
SGA	22,544	30.2	+ 33.3	16,913	30.6	+ 5.3
Operating income	8,782	11.8	- 4.7	9,218	16.7	+ 55.6
Ordinary income	8,727	11.7	- 10.4	9,738	17.6	+ 16.3
Profit attributable to owners of parent	6,251	8.4	- 11.5	7,066	12.8	+ 14.4

FX rate (TTM) 1 USD	2020/09	2020/03	2019/09	2019/03	FX Rate (TTM) 1 EUR	2021/03 2Q
		JPY 105.80	JPY 108.83	JPY 107.92		JPY 110.99

* Towa HD and Greencaps Pharmaceutical Co., Ltd. are included in the consolidation since 2021/03 1Q.

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

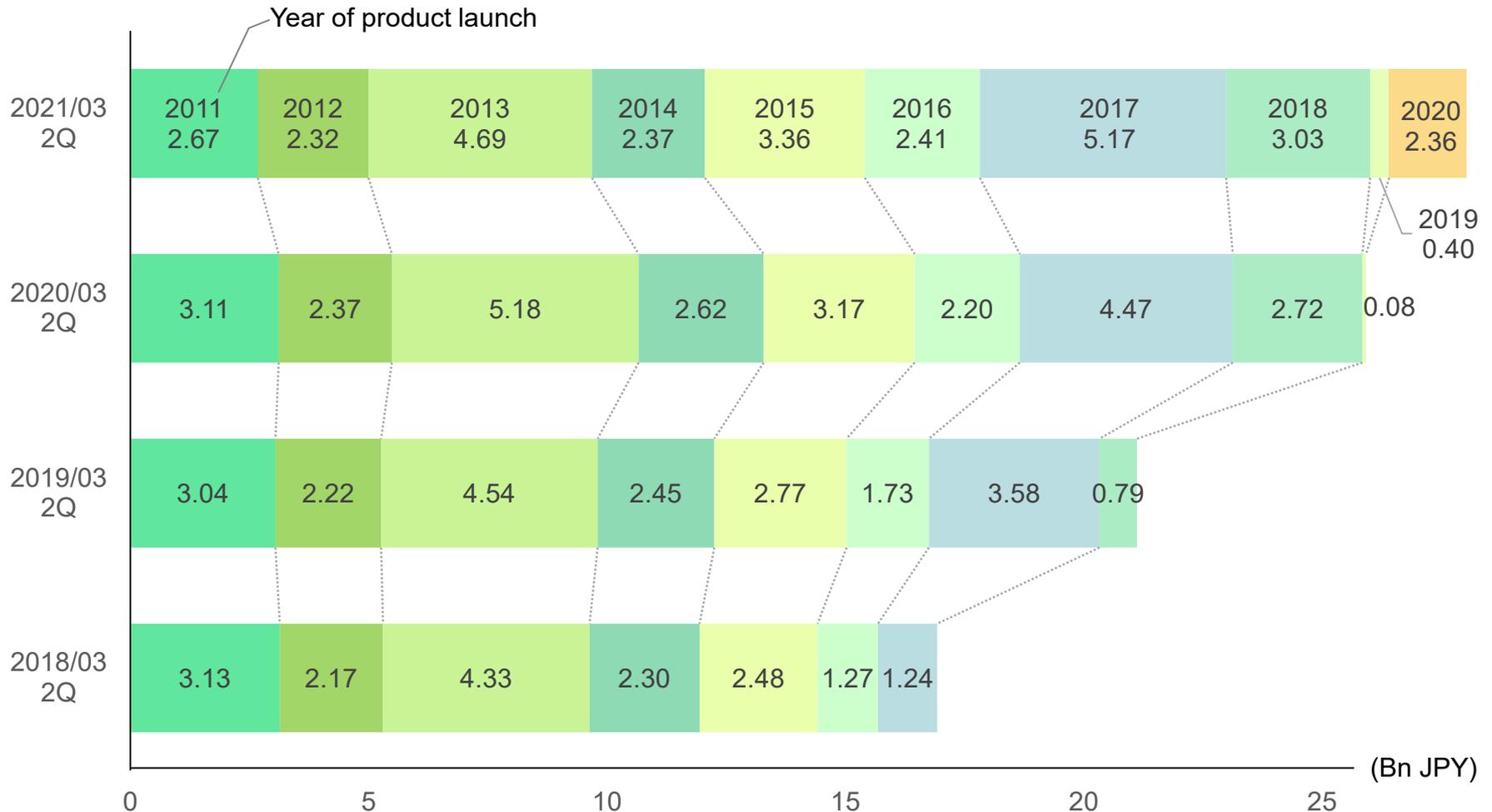
- Sales (domestic): Slightly higher than previous year thanks to good sales of the recently launched products, despite negative impacts of NHI drug price revisions held in October 2019 and April 2020, and COVID-19 spread
- Operating income (domestic): Decreased due to higher COGS ratio impacted by NHI drug price revisions and higher SGA than previous year
- Ordinary income (domestic): Decreased in line with operating income and due to losses from revaluation of currency swap

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)						Overseas (Towa HD)	
	2021/03 2Q			2020/03 2Q			2021/03 2Q	
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)
Net sales	55,917	100.0	+ 1.0	55,350	100.0	+ 12.6	18,722	100.0
COGS	30,260	54.1	+ 3.6	29,217	52.8	+ 7.6	13,053	69.7
SGA	17,116	30.6	+ 1.2	16,913	30.6	+ 5.3	5,427	29.0
Operating income	8,540	15.3	- 7.4	9,218	16.7	+ 55.6	242	1.3
Ordinary income	8,440	15.1	- 13.3	9,738	17.6	+ 16.3	286	1.5
Profit attributable to owners of parent	5,916	10.6	- 16.3	7,066	12.8	+ 14.4	334	1.8

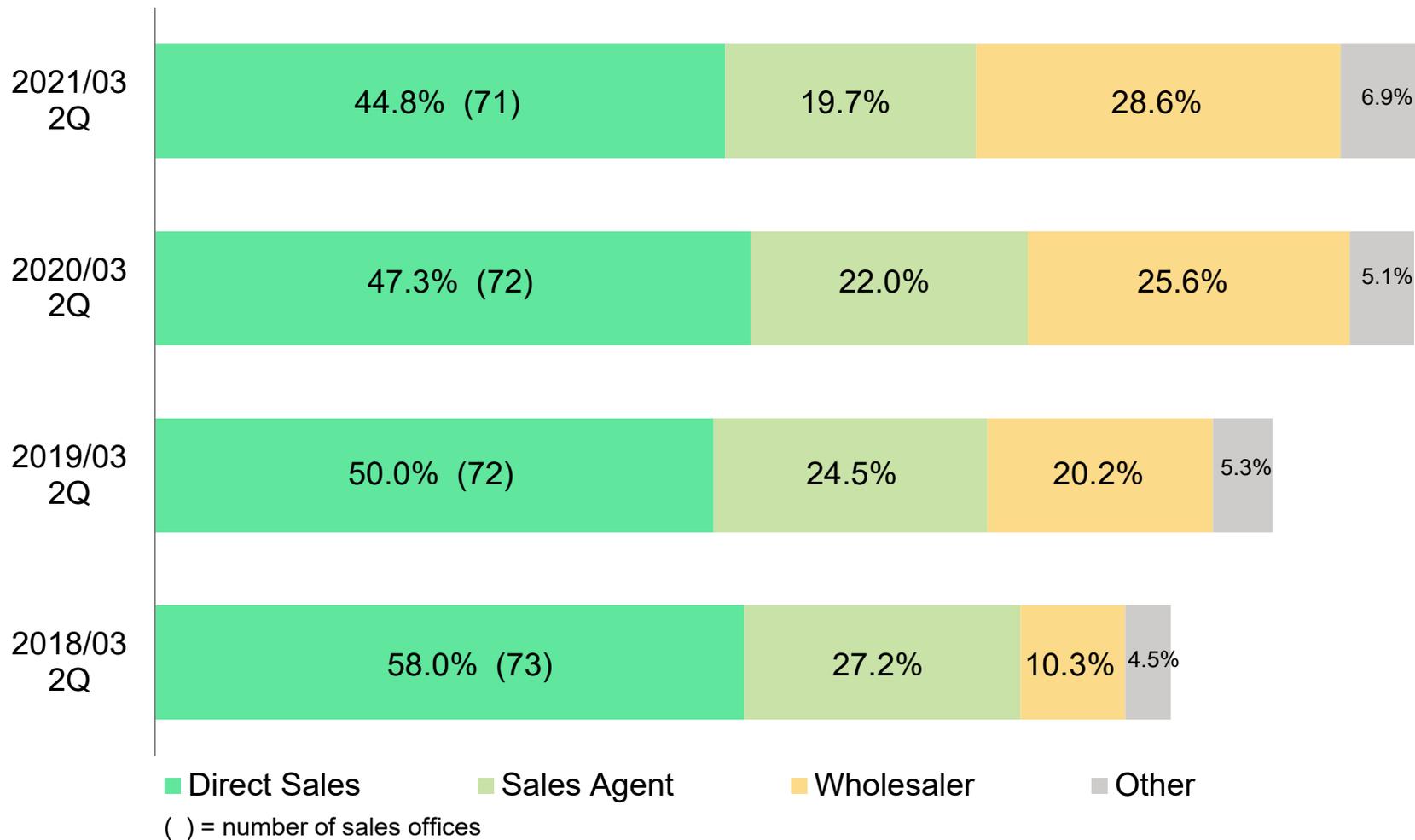
FX rate (TTM) 1 USD	2020/09	2020/03	2019/09	2019/03	FX Rate (TTM) 1 EUR	2021/03 2Q
	JPY 105.80	JPY 108.83	JPY 107.92	JPY 110.99		JPY 119.30

Sales by year of new launches (Towa only)

- Sales of recently launched products developed well



Sales share by distribution channel (Towa only)



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 2Q					2020/03 2Q	
		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	7,359	88.4	11.1	+ 285	+ 2.3	7,054	11.4
DPC*	1,757	1,709	97.2	6.3	+ 46	+ 1.8	1,630	6.6
Clinics	ca. 104,600	28,602	27.3	14.9	+ 1,574	- 3.5	26,804	15.5
Pharmacies	ca. 59,900	56,755	94.7	73.8	+ 1,537	+ 6.0	55,189	73.0
Total	ca. 172,800	92,716	53.6	100.0	+ 3,396	+ 4.0	89,047	100.0

* DPC = Diagnosis 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)

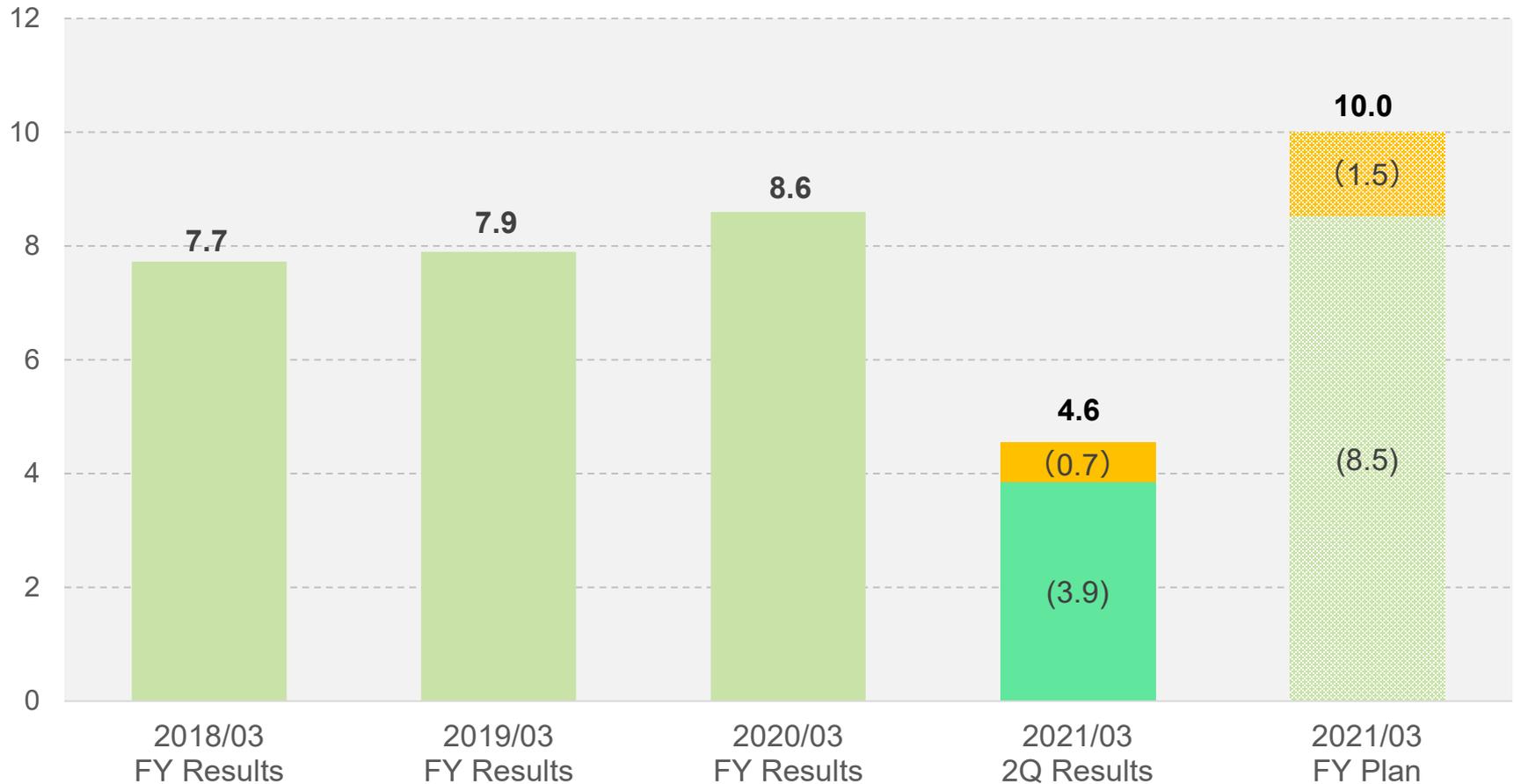
- Amortization of goodwill arising from Towa HD acquisition

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)					
	2021/03 2Q			2020/03 2Q		
	(JPY million)	Ratio to sales (%)	YoY changes (±%)	(JPY million)	Ratio to sales (%)	YoY changes (±%)
Personnel	7,465	13.4	+ 3.6	7,208	13.0	- 1.1
Advertisement	292	0.5	- 21.8	373	0.7	+ 36.0
Packing / freight	1,090	2.0	+ 0.4	1,086	2.0	+ 11.9
Commission paid	942	1.7	+ 2.7	918	1.6	+ 36.6
R&D	3,851	6.9	- 11.4	4,346	7.9	+ 15.0
Depreciation	475	0.8	- 1.8	483	0.9	- 10.4
Goodwill amortization	496	0.9	-	-	-	-
Other	2,501	4.5	+ 0.2	2,496	4.5	- 1.7
Total	17,116	30.6	+ 1.2	16,913	30.6	+ 5.3

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

R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

* Towa HD and Greencaps not included during the period of FY 2018/03-2020/3

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

- Sales: Developed almost as planned
- Operating income: Above plan contributed by less COGS ratio than planned

Period	2021/03							
	2Q 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	74,640	100.0	72,800	100.0	102.5	150,000	100.0	49.8
COGS	43,313	58.0	43,000	59.1	100.7	88,600	59.1	48.9
SGA	22,544	30.2	22,800	31.3	98.9	47,100	31.4	47.9
Operating income	8,782	11.8	7,000	9.6	125.5	14,300	9.5	61.4
Ordinary income	8,727	11.7	7,300	10.0	119.6	14,800	9.9	59.0
Profit attributable to owners of parent	6,251	8.4	5,100	7.0	122.6	10,400	6.9	60.1

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

- Sales: Developed almost as planned despite COVID-19 impact
- Operating income: Developed well due to improved COGS ratio driven by sales-mix changes, and delays in SGA spending

Period	Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps)				
	2021/03 2Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	55,917	100.0	115,200	100.0	48.5
COGS	30,260	54.1	63,400	55.0	47.7
SGA	17,116	30.6	37,600	32.6	45.5
Operating income	8,540	15.3	14,200	12.3	60.1
Ordinary income	8,440	15.1	14,700	12.8	57.4
Profit attributable to owners of parent	5,916	10.6	10,300	8.9	57.4

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

- Sales: Developed well despite negative 2Q impact as a reaction to COVID-19 induced long-term prescriptions that occurred in Europe in 1Q
- Operating income: Achieved JPY 242 million during six months (January-June 2020), far above full-year plan of JPY 100 million, due to the temporary impact of manufacturing volume increase and resulting operational efficiency improvement in 1Q, partially compensated by higher than expected SGA like sales promotion expenses and freight in Europe in 2Q

Period	Overseas (Towa HD)				
	2021/03 2Q Results		2021/03 Full-year Plan		
	(JPY million)	Ratio to sales (%)	(JPY million)	Ratio to sales (%)	Progress rate (%)
Net sales	18,722	100.0	34,800	100.0	53.8
COGS	13,053	69.7	25,200	72.4	51.8
SGA	5,427	29.0	9,500	27.3	57.1
Operating income	242	1.3	100	0.3	242.4
Ordinary income	286	1.5	100	0.3	286.9
Profit attributable to owners of parent	334	1.8	100	0.3	334.4

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

Period	Towa HD / Europe					Towa HD / US				
	2021/03 2Q Results		2021/03 Full-year Plan			2021/03 2Q 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	9,539	100.0	18,500	100.0	51.6	9,183	100.0	16,300	100.0	56.3
COGS	6,014	63.0	13,100	70.8	45.9	7,038	76.6	12,100	74.2	58.2
SGA	3,461	36.3	5,700	30.8	60.7	1,965	21.4	3,800	23.3	51.7
Operating income	63	0.7	- 300	- 1.6	-	178	1.9	400	2.5	44.7
FX Rate (TTM) 1 EUR	2021/03 2Q Results		2021/03 FY Assump.							
	JPY 119.30		JPY 118.00							

Balance sheet (Consolidated)

(Unit: JPY million)

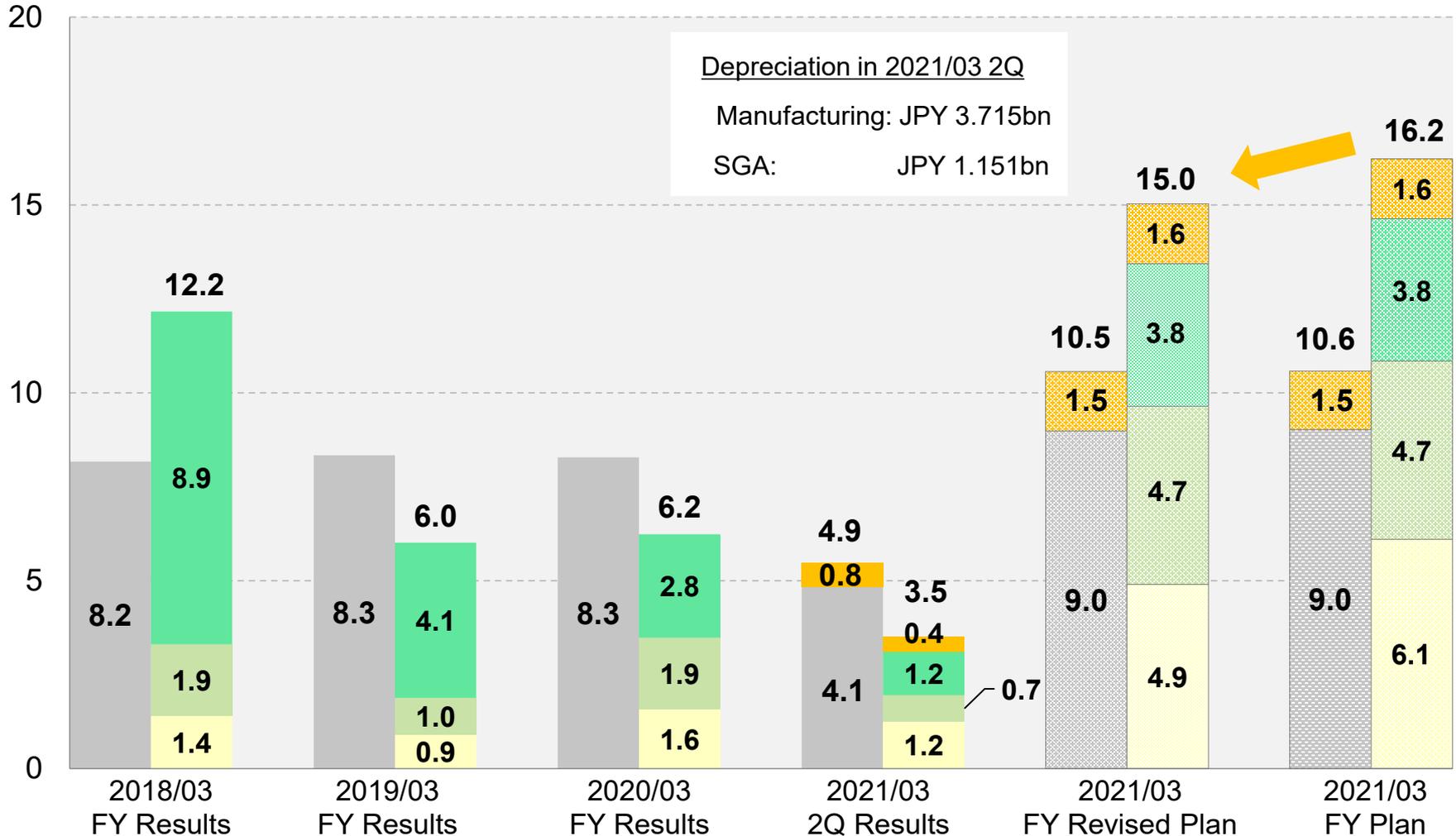
Item	2020/09	2020/03	Changes
Cash and deposits	25,217	18,713	+ 6,503
Trade notes and accounts receivable	34,751	35,191	- 440
Electronically recorded monetary claims	6,325	6,401	- 75
Finished goods	27,591	24,130	+ 3,461
Other current assets	39,047	35,938	+3,109
Total current assets	132,933	120,375	+ 12,558
Buildings and structures	49,220	47,941	+ 1,278
Machineries, equipment and carriers	13,044	13,033	+ 11
Construction in progress	5,239	4,936	+ 303
Goodwill	9,582	10,209	- 627
Other fixed assets	27,385	31,642	- 4,257
Total fixed assets	104,472	107,763	- 3,290
Total assets	237,406	228,138	+ 9,267

Item	2020/09	2020/03	Changes
Trade notes and accounts payable	9,589	9,585	+ 4
Electronically recorded obligations-operating	13,272	11,147	+ 2,124
Short-term debt	21,216	21,368	- 152
Current portion of long-term debt	6,369	6,767	- 397
Facilities notes and accounts payable	2,396	3,701	- 1,305
Other current liabilities	15,315	16,898	- 1,582
Total current liabilities	68,159	69,468	- 1,309
Convertible bond	4,155	15,024	- 10,869
Long-term debt	53,764	36,640	+ 17,124
Other long-term liabilities	2,298	2,356	- 57
Total long-term liabilities	60,218	54,020	+ 6,197
Total liabilities	128,377	123,489	+ 4,888
Total net assets	109,029	104,649	+ 4,379
Total liabilities and assets	237,406	228,138	+ 9,267

Period-end Rate (TTM) 1 EUR	2020/06	2020/03	2019/12
	JPY	JPY	JPY
121.08	119.55	122.54	

Capital expenditure and depreciation (Consolidated)

(Bn JPY)



- 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

New product launches in December 2020

- Sales of ca. JPY 770 million expected for the first year after launches of 10 products shown below

Therapeutic Category	Product Name	Branded or Reference Product (Company)
Therapeutic agent for pain (Neuropathic pain/fibromyalgia)	PREGABALIN CAPSULES 25mg/75mg/150mg "TOWA"	LYRICA Capsules 25mg/75mg/150mg (Pfizer)
	PREGABALIN OD TABLETS 25mg/75mg/150mg "TOWA"	LYRICA OD Tablets 25mg/75mg/150mg (Pfizer)
Therapeutic agent for Alzheimer type dementia	RIVASTIGMINE TAPE 4.5mg/9mg/13.5mg/18mg "TOWA"	Exelon Patch 4.5mg/9mg/13.5mg/18mg (Novartis) RIVASTACH Patches 4.5mg/9mg/13.5mg/18mg (Ono)

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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