

# **Supplementary material on financial results for the first quarter of the year ending March 31, 2022**

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**August 2021**

**(Stock ticker number: 4553)**

# Outline of financial results for the first quarter of the year ending March 31, 2022 (Consolidated)

- Sales: Increased with larger than the previous year shipments by responding to the requests for stable supply, despite negative impact of NHI drug price revision (all domestic factors)
- Operating income: Increased with higher than previous year gross profit due to higher sales, and lower COGS ratio by improved efficiency and favorable product-mix, plus lower SGA (all domestic factors)
- Ordinary income: Increased due to higher than previous year gain from revaluation of currency swap

| Period                                  | 2022/03 1Q    |                    |                 | 2021/03 1Q    |                    |                 |
|-----------------------------------------|---------------|--------------------|-----------------|---------------|--------------------|-----------------|
|                                         | (JPY million) | Ratio to sales (%) | YoY changes (%) | (JPY million) | Ratio to sales (%) | YoY changes (%) |
| Net sales                               | 42,927        | 100.0              | + 13.3          | 37,900        | 100.0              | + 33.4          |
| COGS                                    | 24,679        | 57.5               | + 9.5           | 22,539        | 59.5               | + 49.3          |
| SGA                                     | 12,166        | 28.3               | + 12.5          | 10,812        | 28.5               | + 33.5          |
| Operating income                        | 6,081         | 14.2               | + 33.7          | 4,547         | 12.0               | - 12.7          |
| Ordinary income                         | 7,715         | 18.0               | + 62.2          | 4,756         | 12.5               | - 10.0          |
| Profit attributable to owners of parent | 5,311         | 12.4               | + 59.1          | 3,337         | 8.8                | - 11.3          |
| Period-end Rate (TTM)<br>1 USD          | 2021/06       | 2021/03            | 2020/06         | 2020/03       |                    |                 |
|                                         | JPY 110.58    | JPY 110.71         | JPY 107.74      | JPY 108.83    |                    |                 |

\* PPA impacts retrospectively adjusted for the results of 2021/03 1Q

\* 2022/03 1Q and 2021/03 1Q figures of Towa Pharma International Holdings (hereinafter referred to as Towa HD) representing financial results during January-March 2021 and January-March 2020 respectively

# Outline of financial results for the first quarter of the year ending March 31, 2022 (Domestic)

- Sales: Increased with larger than the previous year shipments by responding to the requests for stable supply, despite negative impact of NHI drug price revision
- Operating income: Increased with higher than previous year gross profit due to higher sales, and lower COGS ratio by improved efficiency and favorable product-mix, plus lower SGA
- Ordinary income: Increased due to higher than previous year gain from revaluation of currency swap

| Period                                  | Domestic (Towa, J-Dolph , Daichi Kasei and Greencaps) |                    |                 |               |                    |                 |
|-----------------------------------------|-------------------------------------------------------|--------------------|-----------------|---------------|--------------------|-----------------|
|                                         | 2022/03 1Q                                            |                    |                 | 2021/03 1Q    |                    |                 |
|                                         | (JPY million)                                         | Ratio to sales (%) | YoY changes (%) | (JPY million) | Ratio to sales (%) | YoY changes (%) |
| Net sales                               | 34,028                                                | 100.0              | + 21.8          | 27,936        | 100.0              | - 1.7           |
| COGS                                    | 18,559                                                | 54.5               | + 20.7          | 15,379        | 55.1               | + 1.9           |
| SGA                                     | 9,439                                                 | 27.7               | + 12.9          | 8,359         | 29.9               | + 3.2           |
| Operating income                        | 6,029                                                 | 17.7               | + 43.7          | 4,197         | 15.0               | - 19.4          |
| Ordinary income                         | 7,573                                                 | 22.3               | + 62.9          | 4,647         | 16.6               | - 12.0          |
| Profit attributable to owners of parent | 5,278                                                 | 15.5               | + 63.0          | 3,238         | 11.6               | - 14.0          |

# Outline of financial results for the first quarter of the year ending March 31, 2022 (Overseas)

- Sales: Decreased driven by difference in YoY market situations. Extremely strong 1Q 2021 results due to COVID-19 induced long-term prescriptions in both Europe and the US while 1Q 2022 performance developing at a normal level without such effect. In the US, in-market inventory adjustments due to the change of third-party logistic companies partly attributable to the sales decrease
- SGA: Increased in personnel, IT and R&D costs, including the setup of stand-alone organization
- Operating income: Decreased due to reduced gross profit and higher than previous year SGA

| Period                                  | Overseas (Towa HD) |                    |                 |               |                    |
|-----------------------------------------|--------------------|--------------------|-----------------|---------------|--------------------|
|                                         | 2022/03 1Q         |                    |                 | 2021/03 1Q    |                    |
|                                         | (JPY million)      | Ratio to sales (%) | YoY changes (%) | (JPY million) | Ratio to sales (%) |
| Net sales                               | 8,899              | 100.0              | - 10.7          | 9,964         | 100.0              |
| COGS                                    | 6,119              | 68.8               | - 14.5          | 7,160         | 71.9               |
| SGA                                     | 2,727              | 30.6               | + 11.2          | 2,453         | 24.6               |
| Operating income                        | 52                 | 0.6                | - 85.1          | 350           | 3.5                |
| Ordinary income                         | 142                | 1.6                | + 31.7          | 108           | 1.1                |
| Profit attributable to owners of parent | 32                 | 0.4                | - 67.2          | 99            | 1.0                |
| FX Rate (TTM)<br>1 EUR                  | 2022/03 1Q         | 2021/03 1Q         |                 |               |                    |
|                                         | JPY 127.69         | JPY 120.11         |                 |               |                    |

\* PPA impacts retrospectively adjusted for the results of 2021/03 1Q

\* 2022/03 1Q and 2021/03 1Q figures of Towa HD representing financial results during January-March 2021 and January-March 2020 respectively

# Outline of financial results for the first quarter of the year ending March 31, 2022 (Overseas by region)

| Period           | Towa HD / Europe |                    |                 |               |                    | Towa HD / US  |                    |                 |               |                    |
|------------------|------------------|--------------------|-----------------|---------------|--------------------|---------------|--------------------|-----------------|---------------|--------------------|
|                  | 2022/03 1Q       |                    |                 | 2021/03 1Q    |                    | 2022/03 1Q    |                    |                 | 2021/03 1Q    |                    |
|                  | (JPY million)    | Ratio to sales (%) | YoY changes (%) | (JPY million) | Ratio to sales (%) | (JPY million) | Ratio to sales (%) | YoY Changes (%) | (JPY million) | Ratio to sales (%) |
| Net sales        | 4,738            | 100.0              | - 9.2           | 5,219         | 100.0              | 4,160         | 100.0              | - 12.3          | 4,745         | 100.0              |
| COGS             | 2,976            | 62.8               | - 11.0          | 3,344         | 64.1               | 3,142         | 75.5               | - 17.6          | 3,815         | 80.4               |
| SGA              | 1,927            | 40.7               | + 23.6          | 1,559         | 29.9               | 799           | 19.2               | - 10.5          | 894           | 18.8               |
| Operating income | - 165            | - 3.5              | -               | 314           | 6.0                | 217           | 5.2                | + 510.7         | 35            | 0.8                |

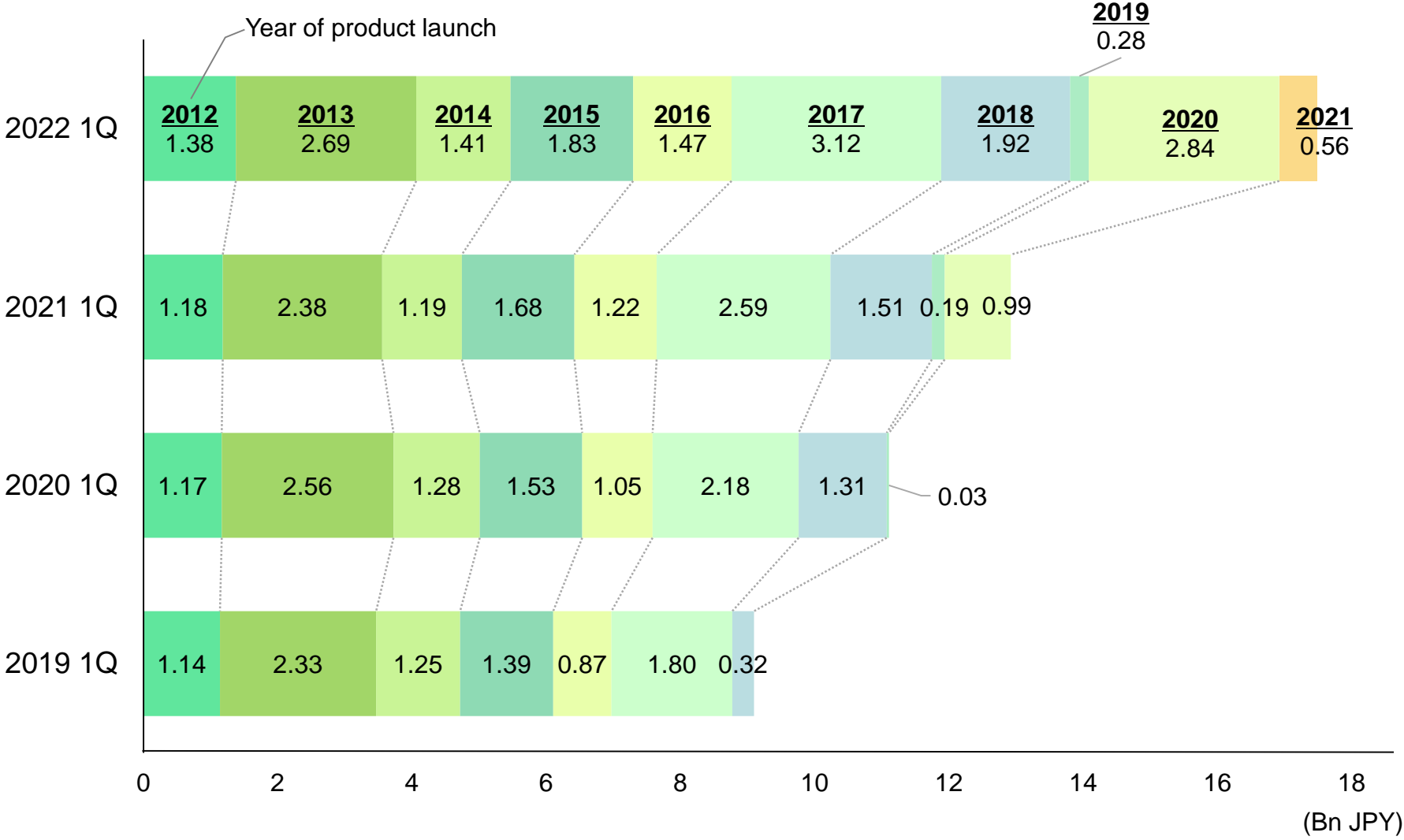
| FX Rate (TTM)<br>1 EUR | 2022/03 1Q | 2021/03 1Q |
|------------------------|------------|------------|
|                        |            | JPY 127.69 |

\* PPA impacts retrospectively adjusted for the results of 2021/03 1Q

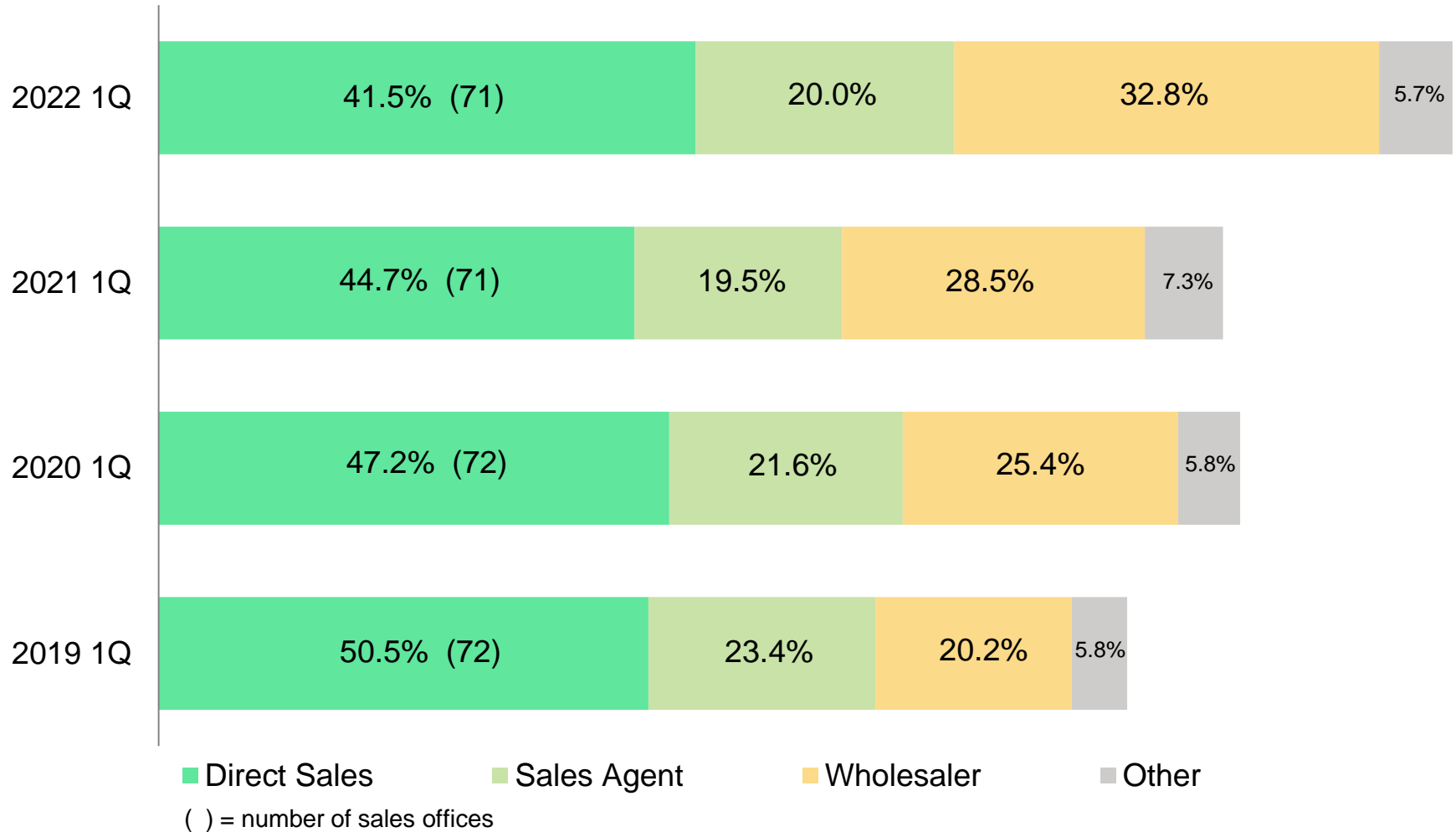
\* 2022/03 1Q and 2021/03 1Q figures of Towa HD representing financial results during January-March 2021 and January-March 2020 respectively

# Sales by year of recent 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 steadily on the increase

| Segment    | Total number of medical institutions | 2022/03 1Q                  |              |                                |                                       |                              | 2021/03 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                            | 7,453                       | 89.9         | 10.2                           | + 144                                 | + 13.4                       | 7,309                       | 11.0                           |
| DPC*       | 1,755                                | 1,716                       | 97.7         | 5.8                            | + 14                                  | + 15.9                       | 1,702                       | 6.1                            |
| Clinics    | ca. 104,400                          | 29,904                      | 28.6         | 13.6                           | + 1,662                               | + 19.9                       | 28,242                      | 13.8                           |
| Pharmacies | ca. 60,400                           | 57,708                      | 95.5         | 76.0                           | + 1,383                               | + 23.0                       | 56,325                      | 75.1                           |
| Total      | ca. 171,900                          | 95,065                      | 55.2         | 100.0                          | + 3,189                               | + 21.5                       | 91,876                      | 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



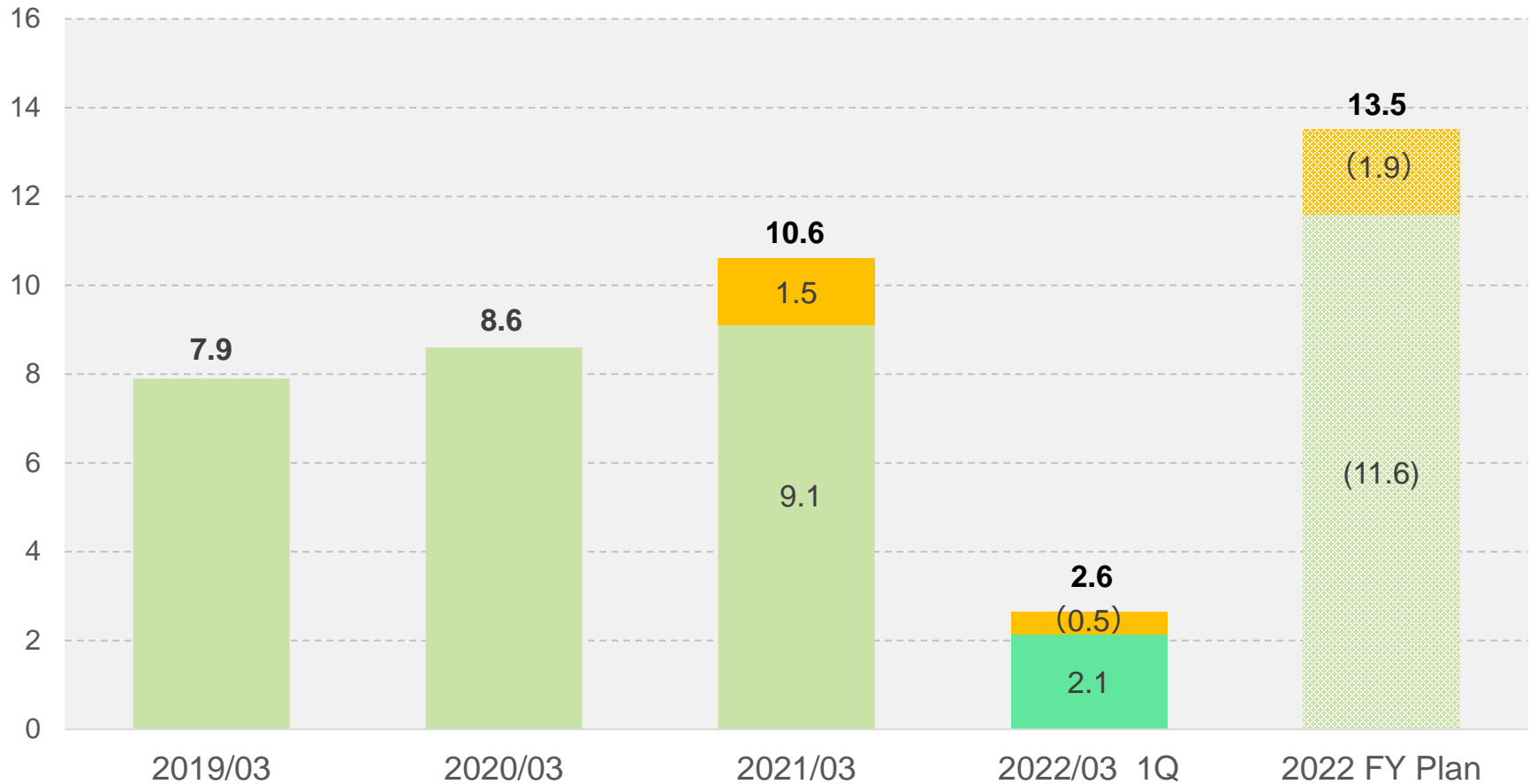
# Selling and general administrative expenses (Domestic)

| Period                | Domestic (Towa, J-Dolph, Daichi Kasei and Greencaps) |                    |                  |               |                    |                  |
|-----------------------|------------------------------------------------------|--------------------|------------------|---------------|--------------------|------------------|
|                       | 2022/03 1Q                                           |                    |                  | 2021/03 1Q    |                    |                  |
|                       | (JPY million)                                        | Ratio to sales (%) | YoY changes (±%) | (JPY million) | Ratio to sales (%) | YoY changes (±%) |
| Personnel             | 4,008                                                | 11.8               | + 6.1            | 3,776         | 13.5               | + 0.9            |
| Advertisement         | 331                                                  | 1.0                | + 165.1          | 125           | 0.4                | - 25.9           |
| Packing / freight     | 602                                                  | 1.8                | + 9.6            | 550           | 2.0                | + 0.1            |
| Commission paid       | 531                                                  | 1.6                | + 27.6           | 416           | 1.5                | + 18.8           |
| R&D                   | 2,148                                                | 6.3                | + 16.5           | 1,844         | 6.6                | - 0.4            |
| Depreciation          | 246                                                  | 0.7                | + 4.7            | 235           | 0.8                | - 1.4            |
| Goodwill amortization | 196                                                  | 0.6                | + 5.5            | 186           | 0.7                | -                |
| Other                 | 1,371                                                | 4.0                | + 12.1           | 1,223         | 4.4                | + 2.5            |
| <b>Total</b>          | <b>9,439</b>                                         | <b>27.7</b>        | <b>+ 12.9</b>    | <b>8,359</b>  | <b>29.9</b>        | <b>+ 3.2</b>     |

\* PPA impacts retrospectively adjusted for the results of 2021/03 1Q

# R&D expenditure (Consolidated)

(Bn JPY)



■ Towa HD

\* Greencaps and Towa HD not included during the period of FY 2019/03 and 2020/3

# Outline of financial results for the first quarter of the year ending March 31, 2022 - Progress rate (Consolidated)

- Sales: Increased with larger than the previous year shipments by responding to the requests for stable supply, despite negative impact of NHI drug price revision (all domestic factors)
- Operating income: Increased with higher than previous year gross profit due to higher sales, and lower COGS ratio by improved efficiency and favorable product-mix, plus lower SGA (all domestic factors)
- Ordinary income: Increased due to higher than previous year gain from revaluation of currency swap

| Period                                  | 2022/03       |                    |               |                    |                   |                |                    |                   |
|-----------------------------------------|---------------|--------------------|---------------|--------------------|-------------------|----------------|--------------------|-------------------|
|                                         | 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                               | 42,927        | 100.0              | 80,550        | 100.0              | 53.3              | 165,000        | 100.0              | 26.0              |
| COGS                                    | 24,679        | 57.5               | 46,500        | 57.7               | 53.1              | 95,300         | 57.8               | 25.9              |
| SGA                                     | 12,166        | 28.3               | 25,640        | 31.8               | 47.5              | 52,300         | 31.7               | 23.3              |
| Operating Income                        | 6,081         | 14.2               | 8,410         | 10.4               | 72.3              | 17,400         | 10.5               | 35.0              |
| Ordinary Income                         | 7,715         | 18.0               | 8,490         | 10.5               | 90.9              | 17,600         | 10.7               | 43.8              |
| Profit attributable to owners of parent | 5,311         | 12.4               | 5,800         | 7.2                | 91.6              | 12,000         | 7.3                | 44.3              |

\* 2022/03 1Q figures of Towa HD representing financial results during January-March 2021

# Outline of financial results for the first quarter of the year ending March 31, 2022 - Progress rate (Domestic)

- Sales: Increased with larger than the previous year shipments by responding to the requests for stable supply, despite negative impact of NHI drug price revision
- Operating income: Increased with higher than previous year gross profit due to higher sales, and lower COGS ratio driven by improved selling unit prices and favorable product-mix, as well as lower SGA
- Ordinary income: Increased due to higher than previous year gain from revaluation of currency swap

| Period                                  | Domestic (Towa, J-Dolph , Daichi Kasei and Greencaps) |                    |                        |                    |                   |
|-----------------------------------------|-------------------------------------------------------|--------------------|------------------------|--------------------|-------------------|
|                                         | 2022/03 1Q Results                                    |                    | 2022/03 Full-year Plan |                    |                   |
|                                         | (JPY million)                                         | Ratio to sales (%) | (JPY million)          | Ratio to sales (%) | Progress rate (%) |
| Net Sales                               | 34,028                                                | 100.0              | 127,800                | 100.0              | 26.6              |
| COGS                                    | 18,559                                                | 54.5               | 70,500                 | 55.2               | 26.3              |
| SGA                                     | 9,439                                                 | 27.7               | 41,200                 | 32.2               | 22.9              |
| Operating Income                        | 6,029                                                 | 17.7               | 16,100                 | 12.6               | 37.5              |
| Ordinary Income                         | 7,573                                                 | 22.3               | 16,300                 | 12.8               | 46.5              |
| Profit attributable to owners of parent | 5,278                                                 | 15.5               | 11,300                 | 8.8                | 46.7              |

# Outline of financial results for the first quarter of the year ending March 31, 2022 - Progress rate (Overseas)

- Sales & Operating income: Almost in line with full-year plan despite a little low progress rate in 1Q  
Sales increase planned with newly launched products in the US from 2Q onwards

| Period                                  | Overseas (Towa HD) |                    |                        |                    |                   |
|-----------------------------------------|--------------------|--------------------|------------------------|--------------------|-------------------|
|                                         | 2022/03 1Q Results |                    | 2022/03 Full-year Plan |                    |                   |
|                                         | (JPY million)      | Ratio to sales (%) | (JPY million)          | Ratio to sales (%) | Progress rate (%) |
| Net Sales                               | 8,899              | 100.0              | 37,200                 | 100.0              | 23.9              |
| COGS                                    | 6,119              | 68.8               | 24,800                 | 66.7               | 24.7              |
| SGA                                     | 2,727              | 30.6               | 11,100                 | 29.8               | 24.6              |
| Operating Income                        | 52                 | 0.6                | 1,300                  | 3.5                | 4.0               |
| Ordinary Income                         | 142                | 1.6                | 1,300                  | 3.5                | 11.0              |
| Profit attributable to owners of parent | 32                 | 0.4                | 700                    | 1.9                | 4.7               |

| FX Rate (TTM)<br>1 EUR | 2022/03 1Q | 2022/03 FY Assump. |
|------------------------|------------|--------------------|
|                        |            | JPY 127.69         |

\* 2022/03 1Q figures of Towa HD representing financial results during January-March 2021

# Outline of financial results for the first quarter of the year ending March 31, 2022 - Progress rate (Overseas by region)

- Sales: Europe in line with the plan. The US so far slightly falling short of expectations due to in-market inventory adjustments driven by the change of third-party logistic companies, yet full-year results anticipated to fully achieve the plan due to further contribution by newly launched products
- Operating income: Europe with less than planned deficit attributable to lower SGA. The US profit almost in line with the plan so far and expected to be boosted by the contribution of highly profitable new products from 2Q onwards

| Period              | Towa HD / Europe      |                       |                           |                       |                      | Towa HD / US          |                       |                           |                       |                      |
|---------------------|-----------------------|-----------------------|---------------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------------------|-----------------------|----------------------|
|                     | 2022/03<br>1Q Results |                       | 2022/03<br>Full-year Plan |                       |                      | 2022/03<br>1Q Results |                       | 2022/03<br>Full-year Plan |                       |                      |
|                     | (JPY<br>million)      | Ratio to<br>sales (%) | (JPY<br>million)          | Ratio to<br>sales (%) | Progress<br>rate (%) | (JPY<br>million)      | Ratio to<br>sales (%) | (JPY<br>million)          | Ratio to<br>sales (%) | Progress<br>rate (%) |
| Net Sales           | 4,738                 | 100.0                 | 18,300                    | 100.0                 | 25.9                 | 4,160                 | 100.0                 | 18,900                    | 100.0                 | 22.0                 |
| COGS                | 2,976                 | 62.8                  | 11,400                    | 62.3                  | 26.1                 | 3,142                 | 75.5                  | 13,400                    | 70.9                  | 23.5                 |
| SGA                 | 1,927                 | 40.7                  | 7,850                     | 42.9                  | 24.6                 | 799                   | 19.2                  | 3,250                     | 17.2                  | 24.6                 |
| Operating<br>Income | - 165                 | - 3.5                 | - 950                     | - 5.2                 | -                    | 217                   | 5.2                   | 2,250                     | 11.9                  | 9.7                  |

| FX Rate (TTM)<br>1 EUR | 2022/03 1Q | 2022/03 FY Assump. |
|------------------------|------------|--------------------|
|                        |            | JPY 127.69         |

\* 2022/03 1Q figures of Towa HD representing financial results during January-March 2021

# Balance sheet (Consolidated)

## ● Other current assets: Increase in derivative assets

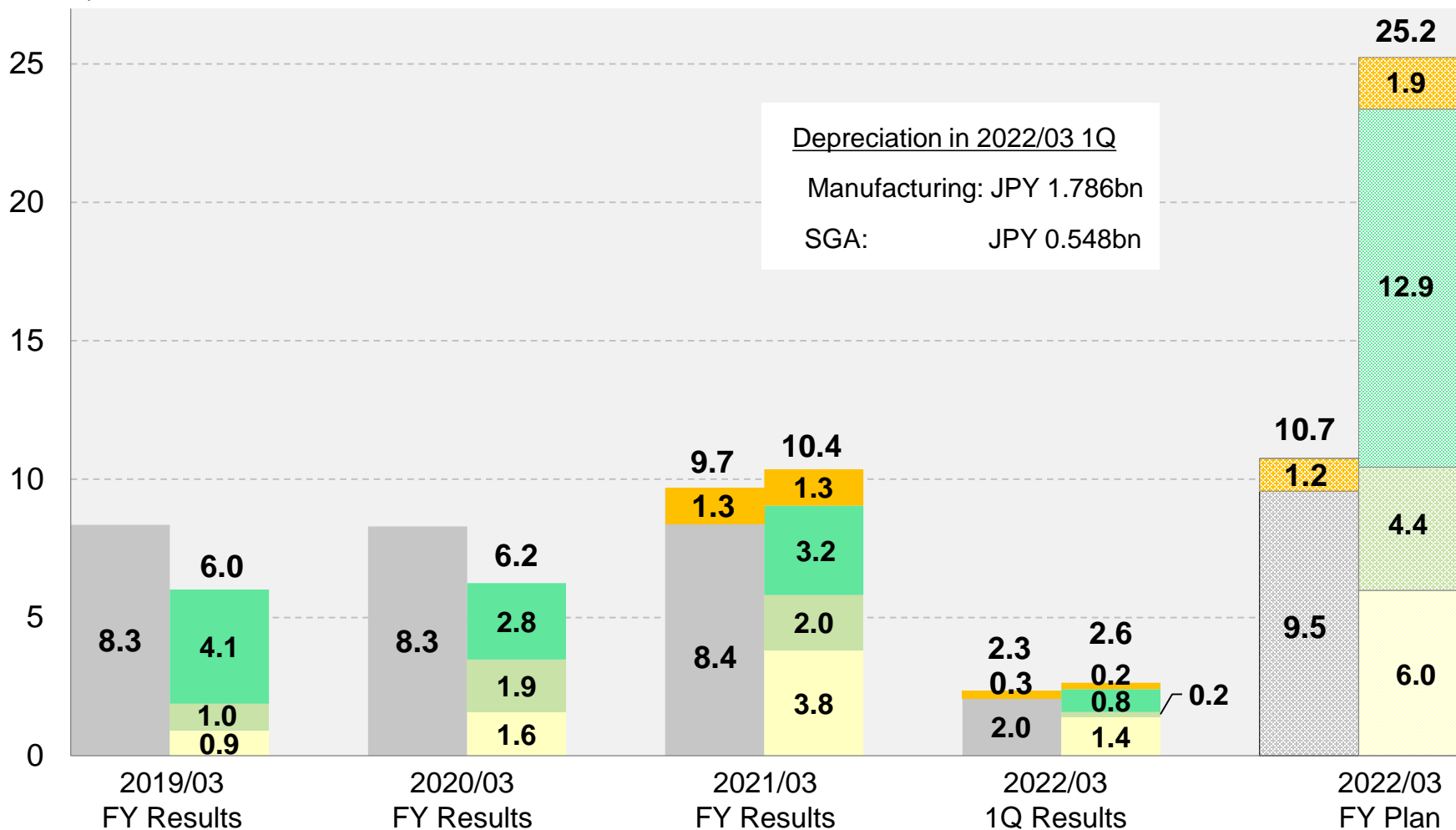
(Unit: JPY million)

| Item                                    | 2021/06        | 2021/03        | Changes        | Item                                          | 2021/06        | 2021/03        | Changes        |
|-----------------------------------------|----------------|----------------|----------------|-----------------------------------------------|----------------|----------------|----------------|
| Cash and deposits                       | 21,842         | 22,915         | - 1,072        | Trade notes and accounts payable              | 10,805         | 10,000         | + 805          |
| Trade notes and accounts receivable     | 40,354         | 38,122         | + 2,232        | Electronically recorded obligations-operating | 13,003         | 13,168         | - 165          |
| Electronically recorded monetary claims | 8,397          | 7,694          | + 702          | Short-term debt                               | 1,269          | 1,111          | + 157          |
| Marketable securities                   | 28,205         | 30,083         | - 1,878        | Convertible bond due within one year          | —              | —              | —              |
| Finished goods                          | 32,239         | 30,868         | + 1,371        | Current portion of long-term debt             | 7,481          | 7,181          | + 300          |
| Other current assets                    | 9,184          | 7,605          | + 1,578        | Facilities notes and accounts payable         | 3,342          | 4,244          | - 901          |
| <b>Total current assets</b>             | <b>140,224</b> | <b>137,290</b> | <b>+ 2,934</b> | Other current liabilities                     | 15,424         | 15,809         | - 385          |
| Buildings and structures                | 48,480         | 49,093         | - 612          | <b>Total current liabilities</b>              | <b>51,327</b>  | <b>51,516</b>  | <b>- 189</b>   |
| Machineries, equipment and carriers     | 12,870         | 12,628         | + 242          | Convertible bond                              | 4,153          | 4,153          | 0              |
| Construction in progress                | 8,828          | 8,769          | + 59           | Long-term debt                                | 68,152         | 69,945         | - 1,793        |
| Goodwill                                | 7,008          | 7,050          | - 41           | Other long-term liabilities                   | 3,441          | 3,452          | - 11           |
| Other fixed assets                      | 31,776         | 30,837         | + 939          | <b>Total long-term Liabilities</b>            | <b>75,746</b>  | <b>77,552</b>  | <b>- 1,805</b> |
| <b>Total fixed assets</b>               | <b>108,964</b> | <b>108,378</b> | <b>+ 586</b>   | <b>Total liabilities</b>                      | <b>127,074</b> | <b>129,069</b> | <b>- 1,994</b> |
| <b>Total assets</b>                     | <b>249,189</b> | <b>245,668</b> | <b>+ 3,520</b> | <b>Total net assets</b>                       | <b>122,114</b> | <b>116,599</b> | <b>+ 5,515</b> |
|                                         |                |                |                | <b>Total liabilities and net assets</b>       | <b>249,189</b> | <b>245,668</b> | <b>+ 3,520</b> |
| 1 EUR                                   | 2021/03        |                | 2020/12        |                                               |                |                |                |
|                                         | JPY 129.80     |                | JPY 126.95     |                                               |                |                |                |

\* 2022/03 1Q figures of Towa HD representing financial results during January-March 2021

# 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 and 2022/03 not including Towa HD goodwill amortization
- \* Towa HD and Greencaps not included in actual results during FY2019/03-2020/03
- \* Breakdown of depreciation in FY Plan 2022/03 changed from that in May 2021 report



# Disclaimer

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

## Contact Information

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