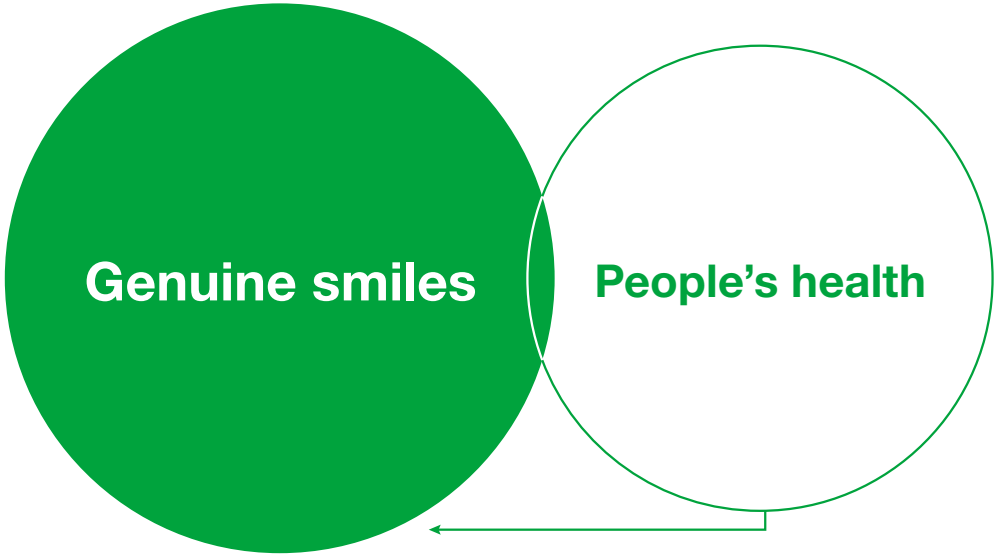
TOWA
PHARMACEUTICAL

TOWA PHARMACEUTICAL

INTEGRATED REPORT 2025

We contribute to people's health
We are dedicated to people's genuine smiles



Supporting genuine smiles through everything that is contributing to health

Towa Group contributes to people's health by creating superior products and services. Through our corporate activities, we aim to be a company that is valued and needed by patients, healthcare professionals, local communities, and others.

Our Commitments (T-SMILE)

We are committed to the following to bring our philosophy to fruition through our corporate activities.

T (Truthful)
Truthful that means sincerity, honesty and fairness.

S (Speed)
Speed that represents swift decision-making, action and information sharing.

M (Mission)
Mission that expresses missions and passion to be of service to help people maintain their good health in communities around the world.

I (Idea)
Idea that represents creativity and imagination to challenge for unprecedented transformation.

L (Linkage)
Linkage that gives the impressions of connections between people and information, coexistence, and co-prosperity.

E (Excellence)
Excellence that represents the mind to choose the most appropriate technologies that fit with the times and highest quality.

Contents

Towa Group Brings Genuine Smiles

In the "Message from the President," the President and Representative Director gives his message on Towa's efforts toward stable supply, Towa Quality, and other initiatives.

Towa Group's Value Creation

The Features introduce the initiatives that we are currently concentrating our efforts on. In "Enhancing Corporate Value," our Director and Operating Officer present their messages.

Foundation Supporting Business

Financial and Corporate Data

[Editorial Policy]
We issue Towa Pharmaceutical Integrated Report to communicate to shareholders, investors, and other stakeholders Towa Group's efforts to enhance our corporate value. In the Integrated Report 2025, we have newly included messages from Director and Operating Officer in order to enrich the content of financial strategies for the 6th Medium-term Business Plan aimed at improving corporate value. We will keep striving to improve the content of our report to respond to various opinions and interests of our stakeholders. We look forward to your candid feedback.

[Scope Covered]
Towa Group's consolidated accounts including some consolidated and non-consolidated figures in Japan.

[Period Covered]
FY2024 (From April 1, 2024 to March 31, 2025)
Note: The financial information is as of March 31, 2025.
The report also covers some initiatives that were taken before April 1, 2024 or after March 31, 2025.

[Guidelines for Reference]
IFRS Foundation's International Integrated Reporting Framework
Japanese Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation 2.0

[Forward-looking Statements]
In this report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. Because these statements contain risks and uncertainties, actual results and performance may differ from the expectations expressed herein.

Message from the President

To Become a Company That Creates the Future beyond People's Health and Is Needed in Any Age

Itsuro Yoshida
President

Building a production system that fulfills our societal mission Achieve annual production of 17.5 billion tablets by FY2026

The government's Study Group on Industry Structure to Achieve Stable Supply of Generic Pharmaceuticals held deliberations on the ideal state of Japan's generic drug industry. In May 2024, it outlined policies aimed at ensuring stable supply of quality-assured pharmaceuticals, including: (1) Ensure manufacturing control/quality control systems; (2) secure stable supply capacity; (3) realize a sustainable industrial structure; and (4) promote intercompany collaboration and cooperation.

As a result of the government's efforts since the early 2000s to promote generic drug use, the share has already surpassed the target of 80%. Meanwhile, the supply disruptions stemming from generic drug manufacturers' quality issues that surfaced in 2020 have yet to be resolved. The government is working to introduce a system for evaluating companies that strive for manufacturing control, quality management, and stable supply, while promoting the restructuring of the generic drug industry to deal with its low-volume, high-product-variety structure.

In its generics business in Japan, in response to the extraordinary situation in which Japan's generic drug industry failed to ensure a stable supply, the Group accelerated the planned additional capital investment in the 2nd solid formulation building at the Yamagata Plant, which had been planned for the future. We established an annual production capacity of 14 billion tablets—an increase of two billion tablets—and further constructed the 3rd solid formulation building at the same plant in November 2023, launching operations in April 2024. Toward achieving an annual production capacity of 17.5 billion tablets across our three plants by FY2026, we plan for Towa Pharmaceutical alone to produce 16.2 billion tablets per year in FY2025 as an intermediate step. Moreover, with the completion of the Yamagata Plant's 2nd sterile formulation building, the production capacity of the vial manufacturing lines (liquid and freeze-dried products) is expected to increase from 4.5 million vials per year to 10 million. Even after the building is completed, however, stable manufacturing, quality control, and supply systems will require verification at various stages of the process. We have mobilized veteran employees from our Osaka and Okayama Plants, and every department is working together to establish a cooperative framework. We are working together as a company to contribute to stable supply as quickly as possible.

To satisfy societal demands, we must aim for an annual production capacity of 17.5 billion tablets while also pursuing heightened production efficiency and further manufacturing and quality control advancements. Smart factory development is already progressing. This includes introducing automation and labor-saving systems to reduce the burden of plant operations. Looking at our manufacturing control and quality assurance systems, we have enhanced manufacturing and quality management precision through the Manufacturing Execution System (MES), Laboratory Information Management System (LIMS), and MasterControl K.K.'s Quality Management System (QMS) that we have previously implemented. We are now advancing digital transformation (DX) initiatives to evolve all of these into a framework that makes possible integrated data management. We aim to thoroughly eliminate manual data entry and other inefficient tasks prone to errors. We will further elevate manufacturing management and quality control standards through enhanced productivity, the establishment of reliable data, and their integrated management.

The role of people also changes when operating with reliable data. Tasks requiring precision must be entrusted to machines and systems, while it becomes essential for people to take on data management, analysis, and other more advanced tasks involving judgment. At Towa Pharmaceutical, each manufacturing facility has established procedures that are in compliance with the three GMP principles. Each employee works with a high level of quality awareness thanks to ongoing education and training. To build a stricter quality assurance system, we are also proactively incorporating international standards such as PIC/S GMP and ICH Guidelines into the structure. Moreover, to maintain and strengthen the system for stable product supply, we will push forward with efforts such as purchasing APIs from multiple suppliers and audits of manufacturing sites. We are also engaging in initiatives aimed at the strengthening of governance and penetration of compliance across the Group, from the manufacturing of APIs to the manufacturing of formulations, logistics, and distribution. It is crucial for each individual to have a deep understanding of these mechanisms and to operate them at an even higher level, so we will also upgrade our educational structure, including reskilling.

As one path toward stable supply, we are also exploring new collaborative structures. It is very important, however, that we entrust production to companies that share our manufacturing and quality control philosophy and systems. It will still take five to 10 years to increase production volumes under mutually satisfactory arrangements. First and foremost, we will continually share the latest market trends and future outlooks across the Group. To fulfill our social infrastructure role, we believe that our top priority is to approach our work with a sense of mission, taking the lead in promoting stable supply and quality control.

Showing "Towa Quality" to the world through innovation

Towa Pharmaceutical Europe, S.L., a subsidiary of Towa Pharma International Holdings, S.L. (hereinafter, "Towa INT"), is entering its fifth year as part of the Group, and is demonstrating new synergies in production and quality. The company's Martorelles Plant in Spain complies with the standards of the European Medicines Agency (EMA) and the U.S. Food

Our constant pursuit of "Towa Quality" contributes to the resolution of societal issues

and Drug Administration (FDA). Its strength lies in superior production technology from the perspective of quality. In February 2024, we received certification to begin manufacturing specifically for the Japanese market and launched production of Esomeprazole Capsules 10 mg/20 mg "Towa" for sale in Japan, thereby contributing to the stable domestic supply of this product. The plant possesses various know-how to utilize manufacturing equipment and facilities that boost production efficiency, while Towa Pharmaceutical has knowledge not found in Europe in

Scene from Towa INT commemorative event

adding value to formulations. We plan to drive our overseas generics business forward and deepen our globalization by fostering collaboration across all departments, including these production technologies and R&D.

In our overseas generic business, we currently offer over 300 generic drug products in more than 30 countries worldwide, including Europe and the U.S. We believe, however, that pursuing "Towa Quality"—aiming for the creation of products with No. 1 total product performance—is vital to establishing a significant global presence. Examples include orally disintegrating (OD) tablets, which disintegrate in the mouth without water and are thus easy to take, techniques for masking bitter taste, and drug imprinting that makes it easy for healthcare professionals to distinguish tablets. A representative example of the Towa Group's value-added formulation technology is RACTAB, our proprietary technology combining the disintegrating feature that makes a tablet easy to take, and the hardness that enables a tablet to be handled like an ordinary tablet. By continuously refining and improving our products with the latest technologies we possess to meet the needs of society—including making drugs easy for patients to take and easier to distinguish for healthcare professionals—we create products that are updated to be the latest and best of the era. This approach underpins "Towa Quality."

As part of our efforts toward technological innovation and product value creation, we have set "Tackling nitrosamine issues" as our challenge. The issue of pharmaceutical contamination with nitrosamines, which are suspected carcinogens, is a serious challenge facing the global pharmaceutical industry. Our chemists responsible for the synthesis of APIs spearheaded the development of the "Towa Amine Approach," an analytical method that makes possible the reliable assessment of contamination risk by evaluating the API itself. Research findings on a simultaneous analytical method for controlling nitrosamine contamination in pharmaceuticals were published in the *ACS Omega*, the journal of the American Chemical Society, in December 2024. Additionally, in August 2025, research results demonstrating the reduction of nitroso-atomoxetine contamination levels below permissible limits in a NOx-free environment were published in the American Chemical Society journal *Organic Process Research & Development*. We are currently forming a specialized team to implement this into our manufacturing processes, and we expect it to contribute significantly to showcasing "Towa Quality" to the world.

We are also focusing our efforts on initiatives that, from the perspective of innovation, expand generic drug potential. As part of our efforts to improve pharmaceutical administration and dosage, for instance, in May 2025 we launched Rivaluen® LA Patch 25.92 mg/51.84 mg, a twice-weekly sustained-release rivastigmine adhesive patch preparation released in Japan for the first time. This product was the first new drug for which we acquired manufacturing and marketing approval. Through the visualization of medication status, the patch is seen mitigating the burden on caregivers and others managing medication adherence. Existing medications must be administered once a day, whereas our preparation requires only twice-weekly application. We expect this to contribute to realizing sustained dementia care and improve the quality of life for patients, their families, and caregivers.

We are also working on drug repurposing. Drug repurposing refers to the repurposing of existing drugs to develop them as treatments for new diseases. Since sufficient clinical data on the safety of existing drugs has been accumulated, utilizing this data may reduce R&D time and costs compared with the conventional development of new drugs. As of June 2025, we possessed 732 products comprising 314 ingredients. We believe it is our mission to delve into the potential applications of these ingredients toward developing treatments for conditions such as rare diseases. Starting in June 2025, we initiated a corporate clinical trial of bromocriptine, revealed through iPS-based drug discovery, targeting familial Alzheimer's disease in collaboration with the Kyoto University Center for iPS Cell Research and Application (CiRA) and others.

In-house technological presentation

Embracing "Challenges toward a new phase," we contribute to realizing a society with a long and healthy life expectancy

Our Group launched the 6th Medium-term Business Plan 2024–2026 PROACTIVE III in FY2024 and is implementing the following basic policies: (1) Evolution of generics business in Japan toward a new phase; (2) Establishing foundation for new markets/new businesses and realizing Group synergies, and (3) Strengthening sustainability management and building fundamentals for sustainable growth. The sub-title of the 6th Medium-term Business Plan is "Challenges toward a new phase." One of our key challenges will be for all companies in the Group to work proactively to create health-related businesses that are adapted to the medical system of the future and undertaking various initiatives toward realizing a future that provides full coverage, from medical care to the care and prevention of pre-symptomatic diseases, catering to a society with a long and healthy life expectancy.

In our new health-related businesses, we are selling the Healthcare Passport, a cloud-based regional healthcare information coordination service, in partnership with TIS Inc. Ltd. We are working to promote its adoption to contribute to the realization of the Comprehensive Community Care System that the government aims to establish. Healthcare Passport facilitates the collaboration and sharing of information about individual patients among primary care physicians, pharmacies, and hospitals, thereby

Achieving sustainable growth by combining DX with the creation of a work environment with job satisfactions and fostering talented human resources

ensuring the provision of appropriate medical care. It is an effective tool for multi-disciplinary collaboration with home healthcare providers and nursing facilities. We also announced case studies at Toho University Medical Center Sakura Hospital (Sakura City, Chiba Prefecture) in February 2025 and Chiba Neurosurgical Clinic (Chiba City, Chiba Prefecture) in September 2025. To this end, we will work on the realization of the "Exa Port" concept, which will make use of personal health records (PHR) and electronic health records (EHR), with the Healthcare Passport as the hub of this system. This concept involves analyzing data on individuals' condition before they become ill (pre-symptomatic) and providing information on support such as diet and exercise. We will also provide products and services for the maintenance and improvement of health. Additionally, we are collaborating with Group company Sunsho Pharmaceutical Co., Ltd., which specializes in the development of supplements and health foods using soft capsule technology, in the joint development of original products for Towa Pharmaceutical. In a society that has entered an era of hyper-aging, providing health support that caters to each individual has become a major challenge. We hope to make a major contribution to the realization of the Comprehensive Community Care System, which will help the elderly to continue living in their own fashion, as much as possible, in communities that are familiar to them.

Creating a rewarding workplace through DX
Promoting growth through the visualization of work

Creating work environment with job satisfactions and fostering talented human resources will be key themes of "Strengthening sustainability management and building foundation for sustainable growth," one of the basic policies of the 6th Medium-term Business Plan. As DX and AI further penetrate our work, many tasks will be replaced by digital technologies. A person's role involves understanding the big picture of the company and work and envisioned future, interpreting data, and making judgments.

We have long stressed to our employees the importance of regarding their jobs as work rather than as mere individual tasks. Beyond that, I feel it is just as important to comprehend the meaning underlying one's duties while performing them, and to consider what skills one wants to develop and the type of career path one wants to pursue. With that in mind, we established the Human Resource Development Center to promote reskilling, but we recognize that we need to develop further concrete measures going forward.

DX through system implementation in manufacturing processes is also advancing. A good portion of the work will be replaced by machinery, so the role of people will be to understand Good Manufacturing Practice (GMP) and international standards, interpret data, and determine what needs to be done to more efficiently produce high-quality products. We are currently educating employees working at plants to be cost-conscious. By thinking about their own productivity in terms of costs in their work, their motivation will become clear, and the Company will be able to evaluate that productivity fairly. This "visualization of one's own work" makes it possible for employees to constantly keep their immediate goals and future career path in sight, allowing them to take proactive, planned action toward realizing them. This leads to greater job satisfaction.

Passing on "genuine smiles" to the next generation
The 100-Year Plan, a challenge for the creation of a local industry

Towa Pharmaceutical was a Bronze Partner supporting the Better Co-Being Pavilion at the Expo 2025 Osaka, Kansai, Japan. We hosted the "Business Model Competition featuring high school students for the Future and Health supported by Towa Pharmaceutical," organized by the same pavilion. The basis of the Towa Group's fundamental thinking and vision is the Towa Corporate Vision of "We are dedicated to people's genuine smiles." "Genuine smiles" refers to a state in which happiness wells up from within when the body is healthy and the spirit is fulfilled, bringing a smile to a person's face. What we should be like in the future represents a company that continues to be needed by people living in the region and to deliver the products and services that they need, at any age and in any region.

We solicited fresh ideas for the business contest from high school students who will shape Japan's future, centered on the theme, "Building Communities to Realize Better Co-Being and Genuine Smiles." We didn't make it a business contest to seek ideas that would actually work as businesses; rather, the purpose was to encourage participants to consider how to revitalize the communities they live in and what actions they themselves should take to bring that to fruition. The national Comprehensive Community Care System will become deeply embedded in local communities when paired with mechanisms that revitalize those communities. I hope this opportunity serves as a catalyst for high school students nationwide to take action toward realizing their "genuine smiles" 10 or 20 years from now.

Moreover, as part of the Towa Pharmaceutical Group 100-Year Plan—a symbolic initiative that embodies our corporate philosophy—in 2014, we launched our challenge to cultivate licorice in Mongolia. In Mongolia, the extraction of finite underground resources is the core industry supporting the nation's economy. Land desertification and the climate change that resulted from it pose significant challenges. We have launched initiatives to cultivate licorice, a plant native to Mongolia used not only in food products and cosmetics but as a raw material for pharmaceuticals, into a new industry. We have secured approximately 1,000 hectares of land in Kherlen District, Khentii Province, eastern Mongolia. With the cooperation of local residents, preparations for planned licorice cultivation are gradually progressing. Eventually, by utilizing this infinite green resource—selling the harvest and cultivating new licorice from its seeds—an industry could develop as a form of sustainable development. This would help raise the standard of living of the Mongolian people and bring more genuine smiles to their faces. We want to continue this project as a symbol of our determination to be a company that continues to be needed by people living in the region and to deliver products and services that they need, at any age and in any region.

The Towa Group will continue to roll out these businesses in Japan and around the world, focusing on our generic business and diverse health-related businesses, striving to increase the number of people with genuine smiles. We would like to ask for your continued support in these endeavors.

Our History

Since our establishment in 1951, we have strived to research, develop, manufacture, and sell generics for more than 70 years. While promoting stable supply, quality assurance, and information provision, we will continue to focus on research and development of ingenious pharmaceutical products that are "easier to take" and "easier to handle." At the same time, we work to construct a structure that can provide the Group's value-added products to patients around the world and to create new health-related businesses in response to the new medical system.

Consolidated Sales for FY2024
JPY **259.5** billion

History of Towa

*The years shown are fiscal years.

1951 Established

1957 Started selling OTC drugs

1965 Shifted to manufacturing and selling ethical drugs from OTC drugs

1996

Itsuro YOSHIDA was appointed President and Representative Director

1998

Constructed Osaka Research Center

2000 Launched value-added products

2003 Acquired J-DOLPH Pharmaceutical CO., LTD. as a subsidiary

2004 Established RACTAB Technology

RACTAB

2004 Listed on the first section of the Tokyo Stock Exchange

2010

Acquired Daichi Kasei Co., Ltd. as a subsidiary

2016

Established Greencaps Pharmaceutical Co., Ltd.

2019

Acquired Towa Pharma International Holdings, S.L. (Spain) as a subsidiary

2021

Acquired Sunsho Pharmaceutical Co., Ltd. as a subsidiary

2022 Transitioned to the Prime Market of the Tokyo Stock Exchange

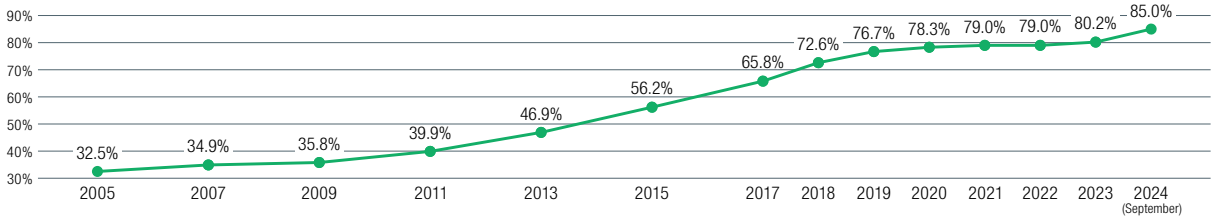
[Trends in consolidated sales]

1st Growth Period from our establishment to FY2001 | 2nd Growth Period from FY2002 to FY2020 | 3rd Growth Period from FY2021

Our History

Since our establishment in 1951, we have aimed to contribute to the spread of generics through the enhancement of production systems at three plants nationwide in Osaka, Okayama, and Yamagata under the national government's measures to promote the use of generics. We remain committed to further strengthening our efforts going forward.

Trends in the proportion of generic drug use (by volume, for September) in drug price surveys



Source: Ministry of Health, Labour and Welfare, "Promotion of the Use of Generics and Biosimilars"

History of initiatives based on measures to promote the use of generics

1961 Start of National Health Insurance System in Japan

1993 Final Report of Advisory Panel on the Ideal Way of Pharmaceuticals in the 21st Century articulating the definition and significance of generics for the first time

2007 30% or more by FY2012

2013 60% or more by the end of FY2018

2017 80% or more by September 2020

2024 80% or more in all prefectures by the end of FY2029

Actual volume share in FY**2021** 79.5%

Actual volume share in FY**2022** 80.7%

Actual volume share in FY**2023** 82.7%

Actual volume share in FY**2024** 86.5%

Generics volume share targets set by the government

Source: Japan Generic Medicines Association, "Analysis Results of Generic Drug Share by Volume" (by volume, for one year)

[Production system]

Osaka

- 1977 Constructed Osaka Plant
- 1981 Constructed Osaka 2nd Plant
- 2005 Constructed New Osaka Plant (current Osaka Plant) (Production capacity: 2.5 billion tablets)
- 2013 Expanded the warehouse and testing area in the Osaka Plant

Okayama

- 1983 Constructed Okayama Plant
- 1995 Constructed the packaging building
- 1996 Expanded the formulation building
- 2012 Started operations of the 2nd solid formulation building in West Japan Distribution Center
- 2016 Expanded the 2nd solid formulation building (Production capacity: 2.5 billion tablets » 3.5 billion tablets)
- 2017 Rebuilt the solid formulation building (Production capacity: 3.5 billion tablets » 5.0 billion tablets)

Yamagata

- 1998 Purchased Mect Co., Ltd.'s Tohoku Plant
- 2008 Started the plan to construct Yamagata Plant
- 2012 Completed Yamagata Plant and East Japan Distribution Center (Production capacity: 2.5 billion tablets)
- 2017 Completed the relocation of East Japan Distribution Center Renovated the solid formulation building and started operations of the 2nd solid formulation building. Rebuilt the solid formulation building (Production capacity: 2.5 billion tablets » 3.0 billion tablets)
- 2018 ~ 2022 The 2nd solid formulation building was equipped with facilities. (Production capacity: 3.0 billion tablets » 6.5 billion tablets)
- 2024 The 3rd solid formulation building started operations and was sequentially equipped with facilities. (Production capacity: 6.5 billion tablets » 10.0 billion tablets in FY2026)

[Sales system]

2011 Towa Direct Sales System

- Sales offices (as of April 2025): 69 offices
- Agents (as of April 2025): 26 agents at 55 sites
- Started collaboration with two wide-area wholesalers in 2017

Shifted to Towa-style Sales System

Helping Cut Medical Costs through Generics

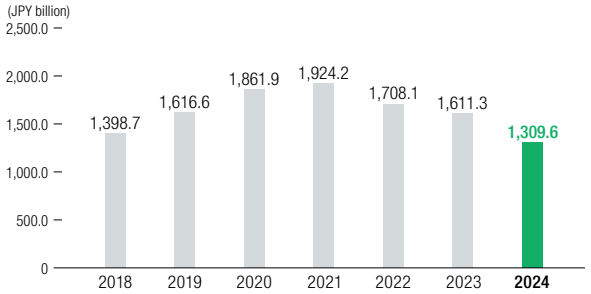
Japan's medical cost problem and the importance of generics

In Japan, medical costs continue to increase each year due to factors such as an aging population, reaching approximately JPY 47.3 trillion in FY2023.*1 According to a trial calculation by the Ministry of Health, Labour and Welfare, national medical costs for FY2040 are estimated to reach approximately 79 trillion yen.*2 Rising medical costs threaten the sustainability of the National Health Insurance System, making it imperative to find a solution.

Meanwhile, as the workforce supporting insurance premiums and taxes decreases, the prerequisites for the National Health Insurance System are likely to collapse. If medical costs continue to swell as estimated, some undesirable events may happen: an increase in patients' burden of medical costs and the taxes, and a loss of access to medical care that we naturally have had up to now. Stemming the increase in medical costs is essential to keep the National Health Insurance System in the future.

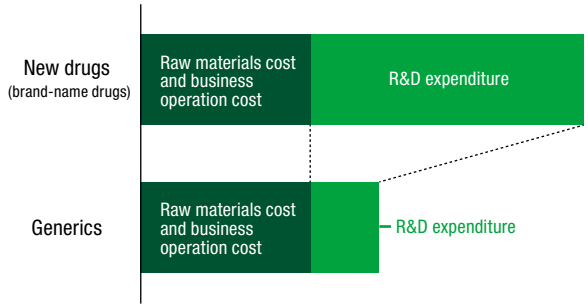
In this situation, generics have come to play an increasingly vital role. Generics are just as effective as brand-name drugs, but they are less expensive. By replacing brand-name drugs with generics, medical costs can be reduced by approximately JPY 1.6 trillion per year.*3 They also help lower out-of-pocket drug costs for patients. Furthermore, the wider use of generics will reduce costs for medical institutions and pharmacies, thereby improving the efficiency of the entire healthcare system.

Reduction in medical costs from switching to generics (annual estimate)



Based on "An Overview of the Drug Price Standard Revision" by the Ministry of Health, Labour and Welfare

Comparison of drug prices (conceptual chart)



*1 Source: "Trends in Medical Costs 2023" by Ministry of Health, Labour and Welfare
*2 Source: "Future Outlook of Medical Costs" by Ministry of Health, Labour and Welfare
*3 Source: "An Overview of Drug Price Standard Revision in FY2024" by the Ministry of Health, Labour and Welfare

Restoring confidence in generics and the sustainability of the healthcare system

Given the increasing importance of generics, we consider it highly deplorable that some pharmaceutical companies significantly undermined confidence in pharmaceutical products, especially generics, by engaging in misconduct. Restoring confidence in generics is crucial for creating an environment where patients can receive treatment with peace of mind. With ongoing concerns about the quality and reliability of generics, strict control of the manufacturing process and the provision of highly transparent information are essential to dispel these concerns. Creating an environment where patients can confidently choose generics is key to achieving a sustainable healthcare system. As the Company has emphasized the quality of generics, it will work to further improve their quality and reliability.

I. Strengthen compliance, governance, and risk management
II. Strengthen the system that gives utmost priority to quality
III. Take action to ensure stable supplies
IV. Provide and disclose information actively
V. Enhance association activities, cooperate with the government, etc., and take other measures

Social Issues Addressed by Towa Group

Further improving the quality of generics and strengthening the stable supply system

Towa is committed to developing and providing generics to help reduce medical costs in Japan and contribute to realizing a sustainable healthcare system. We currently have the lineup consisting of more than 700 products to cover various therapeutic areas.

In developing products, we conduct research to enhance the value of our products using the latest technology and equipment, while ensuring the same efficacy and safety as new drugs. We also work to improve product quality and create added value to provide Towa Quality products that are continuously improved and modified.

To ensure a stable supply of generics, we have established a comprehensive supply system encompassing raw material procurement, manufacturing, and inventory management. Currently, we have production sites in Osaka, Okayama, and Yamagata. We are expanding our production system to increase the annual production capacity of our three plants from 14.0 billion tablets at the end of FY2023 to 17.5 billion tablets in FY2026.

Under this production system, we will strengthen our efforts to ensure continuous supply in order to provide medical institutions and patients with the necessary pharmaceutical products at all times. This enhanced supply system is the foundation for building trust with medical professionals and supporting patient treatment.

Products
More than **700**

Production volume
14.3 billion tablets
(up 5.6% year on year)
FY2024

R&D expenditure
JPY **16.2** billion
FY2024

Capital investment
JPY **33.3** billion
FY2024

Towa Group's technological innovations

In addition to manufacturing generics that are as effective and safe as new drugs, the Company is working to develop pharmaceutical products through technological innovation in drug discovery from the perspective of the patients who will take them.

List of Towa's technologies

RACTAB® Technology

FINEST-Pow®
FINEST-Gran®
FINEST-Core®

ARTICRE® Technology

We continue to take on the challenge of innovation in areas such as "high-value (high-performance) formulation technology," "high-efficiency manufacturing technology," and "development capabilities that respond to diverse needs." One example is our RACTAB® Technology, which enables the creation of orally disintegrating (OD) tablets that can be taken without water. This technology aims to achieve a high level of compatibility between the seemingly contradictory qualities of "ease of disintegration" and "hardness."

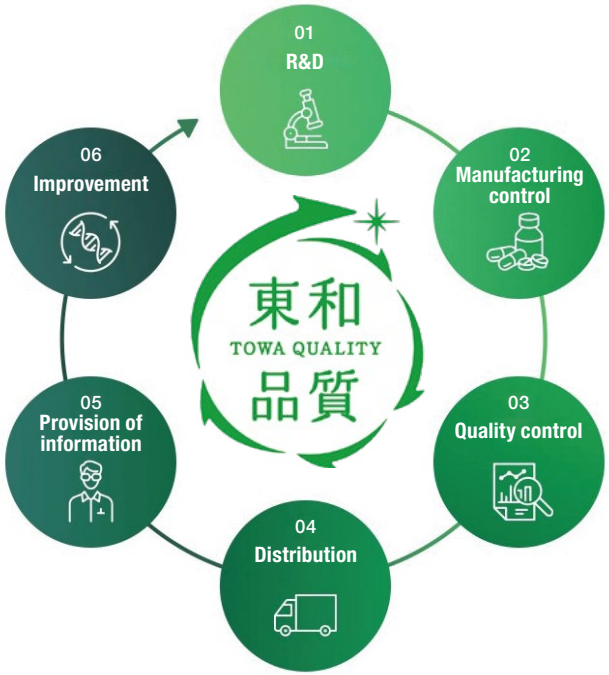
Nox Think Tank Project

The Company has launched the Nox Think Tank Project to tackle nitrosamine issues and is proactively working to solve the social problem of nitrosamine contamination in pharmaceutical products. As an analytical method that enables more accurate assessment of contamination risk, the Company developed the Towa Amine Approach, which adds the "assessment of causative amines in APIs" to the "assessment of nitrosamines in pharmaceutical products." In December 2024, the Company published research results on a universal analytical method for controlling nitrosamine contamination in pharmaceutical products in the *ACS Omega*, a journal of the American Chemical Society. A series of studies led to the successful manufacture of atomoxetine tablets under conditions where NOx was reduced to 1 part per billion (ppb)—the first achievement of its kind worldwide—and of a formulation in which the nitroso-atomoxetine content was below the allowable limit. The results of this research were published in the *Organic Process Research & Development*, a journal of the American Chemical Society, in August 2025.

Social Issues Addressed by Towa Group

Towa Quality

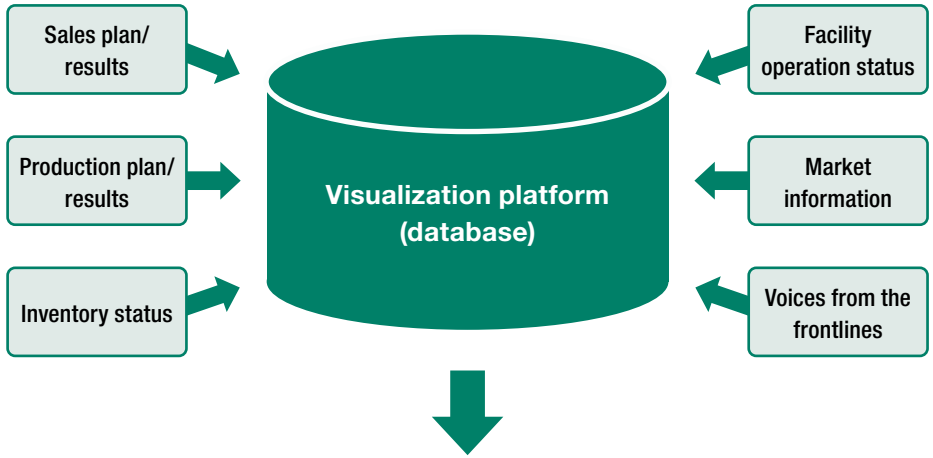
Towa Quality represents the Company's commitment to consistently pursuing quality throughout all stages—from manufacturing to supply—so that patients can use its pharmaceutical products with peace of mind. Rigorous controls are applied throughout all stages, including the selection of APIs, facilities, and manufacturing processes, as well as quality testing. We are also focusing on developing our own supply chain and building a stable supply system that ensures the reliable delivery of pharmaceutical products at all times. Because the quality of pharmaceutical products cannot be judged by appearance, we strive to further improve quality by sincerely addressing not only ease of use but also safety and supply responsibility.



Initiatives to ensure quality and stable supply

The Company is collaborating with T Square Solutions Co., Ltd. to further enhance the efficiency of the pharmaceutical supply process, in light of recent concerns regarding the supply of pharmaceutical products and the ongoing need to respond to market demands. We have developed a system that consolidates and visualizes information such as sales and production plans, results, inventory status, and facility operation status, with the aim of streamlining the pharmaceutical supply process and accelerating decision-making.

Going forward, the Company will strive to respond more flexibly to market changes by strengthening internal information sharing, improve planning accuracy through expanded simulation functions, and advance the supply process by leveraging both market and external information, as well as collaborating with other systems.



Accumulating and visualizing information to enable rapid decision-making

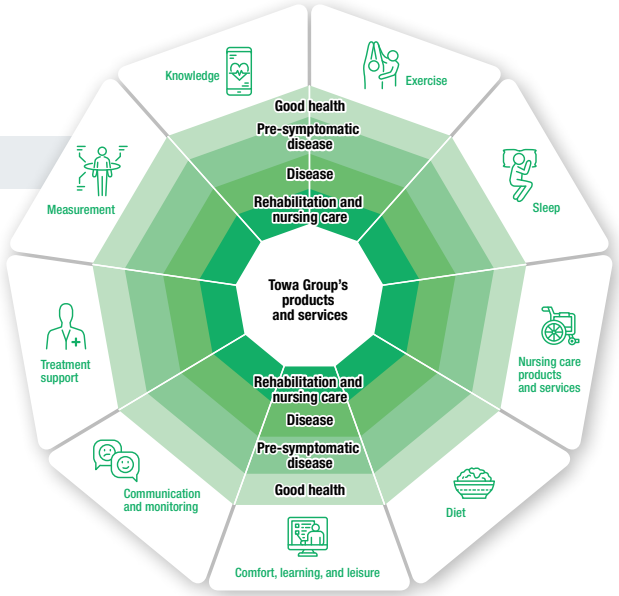
Social Issues Addressed by Towa Group

Health-Related Businesses

Extension of healthy life expectancy and disease prevention

Japan is facing a super-aging society where extension of the healthy life expectancy toward the era of the 100-year life is a major issue. The healthy life expectancy is a concept proposed by the World Health Organization (WHO) in 2000, and refers to the period during which a person can live in good health. In the past, emphasis was placed on life expectancy, but in recent years, greater importance has been given to disease prevention and to leading healthy, active lives. Moreover, extending the healthy life expectancy is essential from the viewpoint of curbing medical costs.

In light of this social situation, we, as a comprehensive healthcare company for the era of the 100-year life, will not only manufacture and sell generics but also strive to provide optimal solutions through all types of products and services related to healthcare. In our health-related businesses, we classify health conditions into four categories—good health, pre-symptomatic disease, disease, and rehabilitation and nursing care—and develop initiatives in combination with the Company's nine priority areas. Furthermore, by addressing regional issues, we are engaged in health co-creation initiatives, acting as a coordinator connecting people and communities.



Cognitive Function Self Checker

The service tests users' cognitive functions by combining virtual reality with eye-tracking technology. It presents questions in five areas: memory, attention, language, arithmetic, and spatial recognition, based on a neuropsychological test. Cognitive function is assessed in five minutes by simply having users look at the correct answers.

Sabrosa Curry

Sabrosa Curry contains Maekawajiro persimmon, a specialty of Taki Town, Mie Prefecture, allowing customers to enjoy a touch of mildness and sweetness along with the spicy flavor. Each serving contains 1.2 g of salt and a total of 320 mg of DHA and EPA, which are derived from the mackerel used as an ingredient.

*According to the survey by the Japan Food Research Laboratories

Mino Plus

This is a hair growth treatment classified as Category 1 pharmaceutical. We have thoughtfully designed it to fit naturally into user's daily routine and ensure it is comfortable to use even for those who have only recently become concerned about their hair. The formula contains the hair growth ingredient minoxidil and four additional active ingredients*.

*Pantothenyl ethyl ether, pyridoxine hydrochloride, tocopherol acetate, and l-menthol

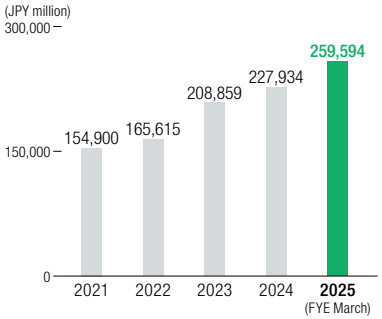
Healthcare Passport

This is a cloud-based personal health record (PHR) platform service. It manages health and medical information linked to ordinary citizens and shares it with both medical professionals and family members to enable the provision of appropriate medical care and health promotion.

Financial Highlights

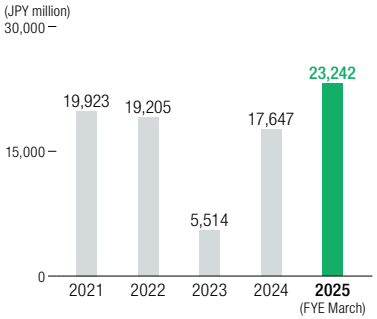
Net sales

JPY 259,594 million



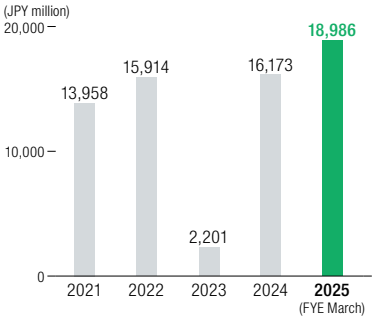
Operating profit

JPY 23,242 million



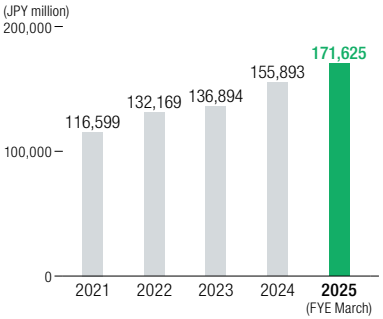
Profit attributable to owners of parent

JPY 18,986 million



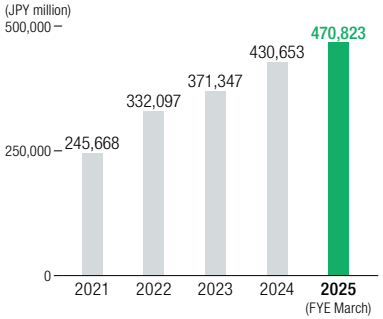
Net assets

JPY 171,625 million



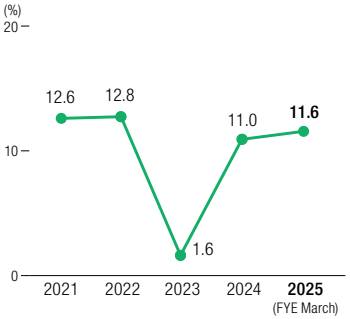
Total assets

JPY 470,823 million



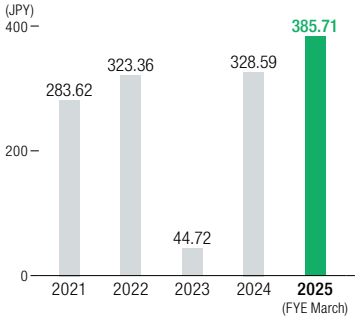
ROE

11.6 %



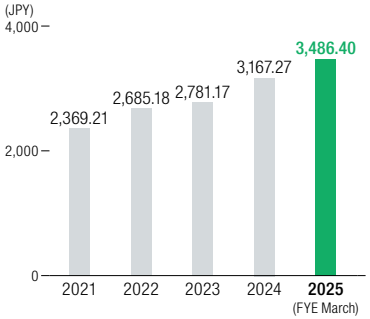
Earnings per share

JPY 385.71



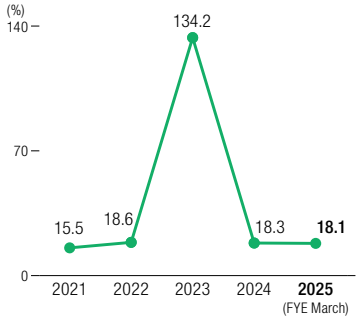
Net assets per share

JPY 3,486.40



Dividend payout ratio

18.1 %

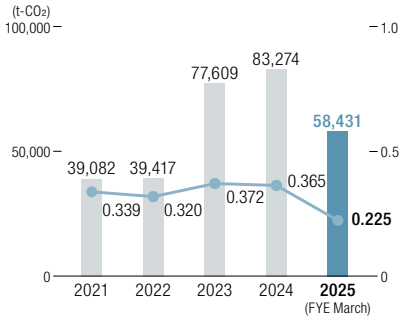


Note: The fiscal year ended March 31, 2023 was a transitional period for the change in the fiscal period for nine consolidated subsidiaries. The consolidated subsidiaries had an irregular accounting period of 15 months from January 1, 2022 to March 31, 2023.
During the fiscal year ended March 31, 2023, the Company finalized provisional accounting treatments for the business combination. Accordingly, the figures for the fiscal year ended March 31, 2022 reflect contents of the finalization of provisional accounting treatments.

Non-Financial Highlights

CO_2 emissions

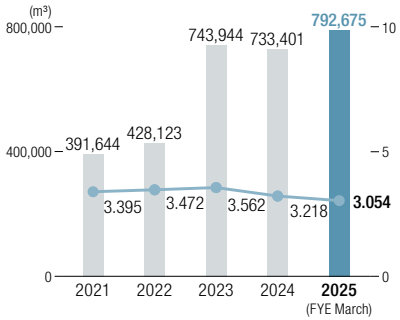
58,431 t-CO_2



■ CO_2 emissions ● CO_2 emissions intensity
- Three Towa plants for 2021 to 2022
- Per sales of JPY 1 million (non-consolidated)

Water usage

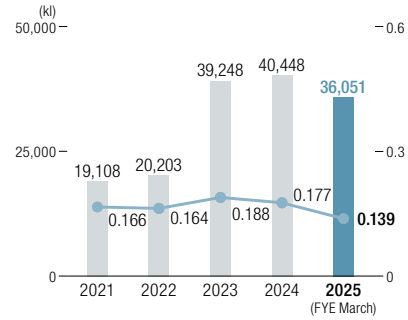
792,675 m^3



■ Water usage ● Water use intensity
- Three Towa plants for 2021 to 2022
- Per sales of JPY 1 million (non-consolidated)

Energy usage

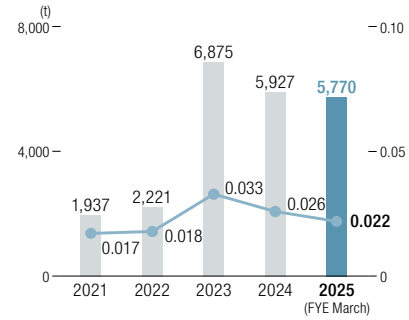
36,051 kl



■ Energy usage ● Energy use intensity
- Three Towa plants for 2021 to 2022
- Per sales of JPY 1 million (non-consolidated)

Waste generated

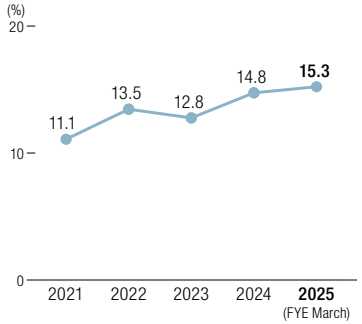
5,770 t



■ Waste generated ● Waste generation intensity
- Three Towa plants for 2021 to 2022
- Per sales of JPY 1 million (non-consolidated)

Ratio of women in management positions

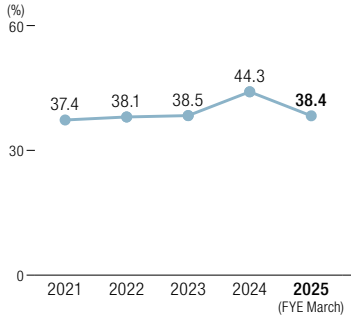
15.3 %



- Towa (non-consolidated)
- As of April 1 for 2021

Ratio of women in new graduate hires

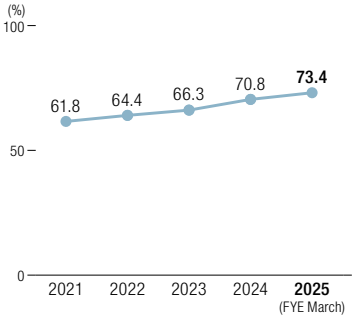
38.4 %



- Towa (non-consolidated)

Ratio of paid leave taken

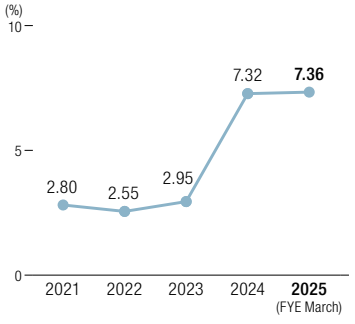
73.4 %



- Towa (non-consolidated)

Employee turnover rate within the first three years

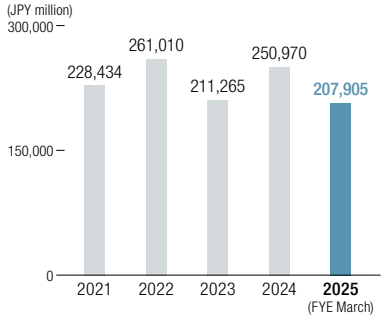
7.36 %



- Towa (non-consolidated), new graduates only

Medical expense reduced

JPY 207,905 million



- Towa (non-consolidated)

Achieve Annual Production Capacity of 17.5 Billion Tablets and Ensure Stable Supply in Japan and Abroad

Tetsuro Tabata, Ph.D.
Senior Operating Officer,
Division Manager,
Production Division

Yamagata Plant 3rd solid formulation building began full-fledged operation, completing a production system of 17.5 billion tablets annually

The initial validation for all equipment installed in the 3rd solid formulation building, completed in November 2023 at the Yamagata Plant, has been finalized. Full-scale operations started in October 2025. This brings the combined solid formulation production capacity of Towa Pharmaceutical's three plants to 17.5 billion tablets per year.

Through the 3rd solid formulation building, we have introduced automated, unmanned equipment to enhance efficiency as countermeasures to cope with an aging population and falling birthrate. In the packaging process, enabling the automatic supply of packaging materials makes 24-hour operation possible with a minimal number of personnel. Meanwhile, the 2nd sterile formulation building at the Yamagata Plant, which was completed at the same time, will also begin production on the newly introduced vial manufacturing line within FY2025. This will double the current annual vial formulation production capacity, bringing it to 10 million.

As a leading generic drug company, we will continue to actively pursue the stable supply of generic drugs.

Proceed with large-scale equipment introduction and manufacturing process automation to further improve productivity

Amidst issues in the stable pharmaceutical supply, we are working to introduce new equipment and increase personnel to boost production, thereby fulfilling our responsibility to ensure a stable supply. Construction of the 3rd solid formulation building and 2nd sterile formulation building at the Yamagata Plant was completed in November 2023. Shipments of products manufactured at the 3rd solid formulation building commenced in April 2024, with full-scale operations scheduled to begin in October 2025 once all equipment startup procedures have been completed. This will bring the Yamagata Plant's production capacity to 10 billion tablets. For FY2025, we are planning to produce 16.2 billion tablets, and by FY2026 we expect to reach a capacity of 17.5 billion tablets. We are launching new production lines while maintaining full production at existing facilities. To achieve this, we are soliciting operational support from other headquarters and plants, advancing the establishment of a stable supply structure through company-wide support at the earliest possible time.

At the 3rd solid formulation building, we are leveraging economies of scale to promote efficient production, along with automation and labor reduction, striving for further improvements in productivity. We have introduced numerous facilities boasting Japan's largest production capacity and batch sizes. Additionally, in the packaging process, we have achieved automated supply of packaging materials for over eight hours, and automated product conveyance has also become possible. The cartoning machine in particular fully automates the process from transporting individual cartons from the automated warehouse to supplying them to the equipment, resulting in significantly improved operational efficiency. We also offer a virtual tour of our Yamagata Plant on our website. Please feel free to have a look.

Strengthen the Group's production structure and promote domestic supply stabilization

To solve issues related to the stable pharmaceutical supply, we are working to boost production at all three Towa plants, while also building a supply structure that effectively utilizes Group company production capacity.

As part of efforts to create Group synergies with Towa INT, its subsidiary, Towa Pharmaceutical Europe, S.L., obtained approval in February 2024 for an application for change regarding the addition of a manufacturing site for Esomeprazole Capsules 10 mg/20 mg "Towa" at its Martorelles Plant in Spain.

The plant leverages its strength in large-scale, efficient production using large granulation machines to supply products to the European and U.S. markets. By manufacturing products for the Japanese market, we will strengthen the Group's production backup structure while contributing to resolving the present issue of stable domestic supply.

Towa INT's Martorelles Plant in Spain

The Towa Group is mobilizing all of its resources to augment production and reinforce the backup structure

The demand from society that the current unstable generic drug supply in Japan be resolved as soon as possible is strong, and it is imperative that a stable supply be ensured over the long term. Towa has been working to swiftly establish and achieve a supply capacity of 17.5 billion tablets. It has also has positioned the Martorelles Plant as a key production hub within the Group and is leveraging its technological capabilities in its pursuit of higher production. The Martorelles Plant acquired Pharmaceuticals and Medical Devices Agency (PMDA) certification in 2024 and has already increased the manufacturing of products for Japan. It is expected to contribute further by expanding to other products. We recognize this as a crucial activity that bolsters the Group's production backup structure in preparation for risks and emergencies, and we will diligently work to establish this structure. Moreover, through mutual exchange of technology, we will strive to advance the development, production, and improvement of Towa-Quality pharmaceuticals—always needed by patients and healthcare professionals—more efficiently, with the aim of creating further synergies.

Masaaki Takeyasu
Director

Towa INT plays a vital role in ensuring a stable pharmaceutical supply in Japan for Towa Pharmaceutical

As a Towa Group company, Towa INT strives to satisfy Japanese standards and Towa Quality to supply pharmaceuticals to the Japanese market. It has become capable of contributing to Towa Pharmaceutical's stable supply of drugs in Japan. Products manufactured by Towa INT for Towa Pharmaceutical leverage large granulation machines utilizing Towa INT's know-how and expertise to realize efficient production. We have begun considering new products for supply to Japan and aim to contribute to the people of Japan by providing even more products from our Martorelles Plant in Spain as Towa-Quality pharmaceuticals. Furthermore, in addition to the products, Towa INT will provide its knowledge and expertise in large granulation machines to Towa Pharmaceutical, thereby contributing to efficient production. In collaboration with Towa Pharmaceutical, we will continue to strive to generate synergies.

Shigehiro Kubo
Operating Officer in charge of International Business

Towa's New Challenges to Pioneer the Future of Dementia Treatment

Masaji Morikawa
Operating Officer,
Deputy Division Manager,
Sales and Marketing Division

Challenges toward realizing a regionally inclusive society supported by Rivaluen

Japan's society has entered a super-aging phase, known as the "2025 Problem," in which one in five citizens is now classified as elderly. Moreover, by 2040, the number of dementia patients is projected to reach approximately 5.84 million, up about 1.41 million from 2022.

Given these circumstances, the Basic Act on Dementia to Promote an Inclusive Society was enacted to realize a society in which individuals with dementia can live with dignity and hope.

Our Rivaluen LA Patch is a preparation that represents an attempt to create new value in the field of dementia. This preparation offers unprecedented new value. As such, we must actively promote it to physicians and spread it throughout society.

The Rivaluen LA Patch is a preparation expected to slow the progression of dementia while improving medication adherence and mitigating the burden on caregivers. We will continue to contribute to achieving a regionally inclusive society through the ongoing implementation of the Rivaluen LA Patch.

Japan's first twice-weekly adhesive Alzheimer's disease treatment launched

Towa Pharmaceutical, guided by its corporate philosophy "We contribute to people's health. We are dedicated to people's genuine smiles," strives to ensure a stable supply of generic drugs while also actively pursuing the development of new drugs.

As part of these efforts, the Rivaluen® LA Patch, Japan's first twice-weekly preparation for the treatment of Alzheimer's disease, was included in the national health insurance (NHI) price list and launched in May 2025.

The patch is a sustained-release adhesive patch preparation containing rivastigmine, developed by Luye Pharma Switzerland AG, as the active ingredient. We entered into an exclusive development and sales agreement and, in March 2025, secured approval for manufacturing and marketing of this new drug for the first time. Subsequently, the patch was added to the NHI price list as a generic drug. It was granted utility premium (II), however, as "its design has been objectively demonstrated to provide higher medical utility compared with similar drugs."

While treatments for Alzheimer's disease require doses once or twice a day, this medication can reduce the dosing frequency to biweekly, offering the potential to further alleviate the medication management burden. Our hope is that the patch contributes to achieving sustainable dementia care and serve as a new treatment option for patients, their families, and caregivers, offering a better quality of life.

Value Creation Process

Social issues

- Extension of healthy life expectancy and disease prevention
- Production of high-quality pharmaceutical products
- Quality assurance and stable supply of pharmaceutical products
- Better accessibility to primary healthcare services
- Application of advanced technology to healthcare services
- Improvement of working environment

INPUT Business capital

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

▶ See page 22.

Strength

R&D capabilities to continue pursuing Towa Quality through improvement and upgrading of quality with state-of-the-art technologies

Maintaining proper manufacturing control and quality control for multi-item production

Initiatives for in-house API production to achieve high quality and stable supply

Production capacity and stable supply setup enabling mass production of a wide range of products

Unique Towa-style Sales System meeting customer needs

Achievement of new technologies, products, and services through several group companies leading to new health-related businesses, including those overseas

Towa Corporate Vision

Genuine smiles

People's health

Generics business in Japan

Generics business overseas

New health-related businesses

6th Medium-term Business Plan 2024–2026 PROACTIVE III

Towa Group's Sustainability Policy

4.Continue promoting technology innovations

3.Respect each employee

2.Conduct eco-friendly operations

1.Enhance corporate fundamentals

Foundations supporting value creation

OUTCOME

Direct value

- Safety and security
- Stable supply
- Healthcare cost reduction and maintenance of national insurance system
- Mental and physical health
- Improvement in access to healthcare
- Improvement in adherence by providing high-value products

Indirect value

- Industrial competitiveness
- Contribution to local development
- Job creation
- Affluent society
- Proper tax payment

Create the future beyond people's health

External Environment Surrounding Towa Group

Progress in promoting the use of generics and reviewing the drug price system

In recent years, generics have come to play an increasingly vital role in the society.

At the Medical Insurance Subcommittee of the Social Security Council in March 2024, the basic policy was set to "raise the volume share of generics to 80% or more in all prefectures by the end of FY2029, while ensuring a stable supply of pharmaceutical products." In addition, a new secondary target was established to "raise the value share of generics to 65% or more by the end of FY2029."

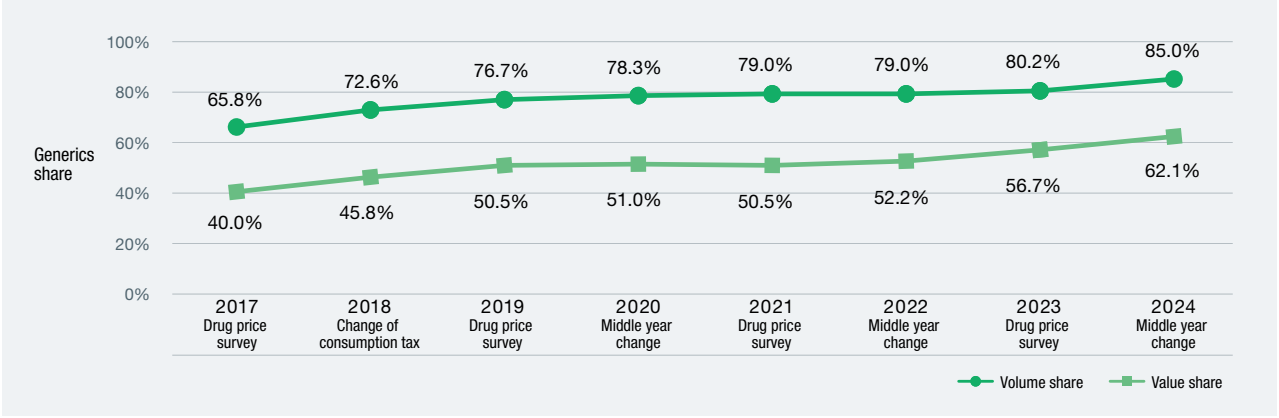
Furthermore, in October 2024, a system of selective treatment for long-listed products was introduced. It is a system that imposes additional out-of-pocket costs for certain brand-name drugs that have generic alternatives. As a result, the volume share reached 89.0% in January to March 2025, according to a survey by the Japan Generic Medicines Association.

On the other hand, the annual drug price revisions since FY2021 have made the business environment for the pharmaceutical industry extremely challenging. In contrast, under the FY2025 drug price revision, the scope of the revision was determined based on the characteristics of each product, considering not only the goal of reducing the burden on the public but also the need to address requests for promoting drug discovery innovation and ensuring a stable supply of pharmaceutical products. For generics, the scope applied to products with a deviation rate exceeding 1.0 times the average (5.2%).

For the first time since 2000, the minimum drug price was increased, and unprofitable products with particularly high medical needs were temporarily repriced.

Regarding the corporate indicators used to evaluate companies' stable supply systems, assessments were conducted for all previously considered indicators, and the results of company evaluations are scheduled to be announced following the FY2026 drug price revision.

Changes in volume and value shares of generics in NHI drug price survey



Based on "Preliminary Results of the Drug Price Survey" by the Ministry of Health, Labour and Welfare

Structural reforms in response to quality issues and efforts to restore trust

Due to a series of supply concerns resulting from quality issues at multiple generic drug manufacturers identified in 2020, confidence in generics has declined, and the environment surrounding the generic drug industry has become increasingly challenging.

Under these circumstances, the Study Group Report on the Industrial Structure to Achieve Stable Supply of Generic Pharmaceuticals, released by the Ministry of Health, Labour and Welfare in May 2024, stated that "an intensive reform period of approximately five years will be implemented to establish manufacturing and quality control systems, secure stable supply capacity, and realize a sustainable industrial structure."

In addition, the Basic Policy for Economic and Fiscal Management and Reform 2024, which was approved by the Cabinet in June 2024, states that "The government will work to resolve the current concerns about the supply of pharmaceuticals. Envisioning an ideal form of the generic drug industry while maintaining a stable supply of pharmaceuticals as a basis, we will promote structural reforms with a view to industry restructuring and will put into a place the relevant legal framework for a stable supply of pharmaceuticals."

The industry is moving forward with making corporate information regarding stable supply more visible and is beginning to develop indicators for evaluating companies that can ensure a stable supply of generics and to begin trial implementation of these indicators. In pursuit of Towa Quality, we are making efforts to strengthen our pharmaceutical lineup, maintain stable supply and quality assurance systems, and strengthen our information provision systems, thus doing our utmost to restore trust in the industry.

Towa Group's Capital

Towa focuses on creating value across its Group by working sincerely to solve social issues while leveraging various capitals gained in the past business operations.
By solving issues including the extension of healthy life expectancy, we will contribute to the health of people around the world.

Financial capital

- Total assets: JPY **470.8** billion (consolidated)
- Net assets: JPY **171.6** billion (consolidated)

Total assets at the end of FY2024 increased JPY 40,170 million YoY to JPY 470,823 million. Net assets at the end of FY2024 increased JPY 15,731 million YoY to JPY 171,625 million. Consequently, the capital-to-asset ratio came to 36.5% at the end of FY2024.

Manufactured capital

- Production sites: **14**
  (13 in Japan [including Towa's 3 plants], 1 in Europe)
- Production volume (Towa): **14.3** billion tablets
  (including capsules)
- Production facilities for various dosage forms

Towa Group has 14 production sites in total, comprising of 13 in Japan and 1 in Catalonia, Spain. Production volume of Towa, the largest producer, stands at 14.3 billion tablets and capsules, which is near its maximum production capacity. Our subsidiaries produce ointment, soft capsules, etc. and the Group is distinguished by its capacity to produce diverse dosage forms.

Intellectual capital

- R&D offices: **8**
  (7 in Japan, 1 in Europe)
- R&D expenditure: JPY **55.0** billion or more
  (accumulative) (FY2024–FY2026)
- API synthesis process knowhow

R&D is conducted in 8 offices in total, comprising 7 in Japan and 1 in Europe. Target R&D expenditure from FY2024 to FY2026 is JPY 55.0 billion or more (accumulative). This covers the leading-edge research on API synthesis including molecular control technology.

Human capital

- Employees: **4,788** (consolidated)
- Consolidated subsidiaries: **15**
  (7 in Japan, 8 in overseas countries)
- Qualified pharmacists: **281** (consolidated in Japan)
- MRs: **731** (consolidated in Japan)

Towa Group hires 731 MRs and 281 qualified pharmacists (both consolidated in Japan). In addition, we have introduced an internal qualification system for business operations (experts, etc.) to nurture professionals.

Social and relationship capital

- Collaborate with business partners including raw material manufacturers, medical products distributors, and agents
- Medical institutions coverage ratio (Towa):
  Hospitals **94.6** % Dispensing pharmacies **97.0** %

We engage in nationwide marketing activities through 69 sales offices, 26 agents at 55 sites, and medical products distributors, among others, in Japan. Towa has a high coverage ratio of medical institutions: 94.6% for hospitals and 97.0% for dispensing pharmacies.

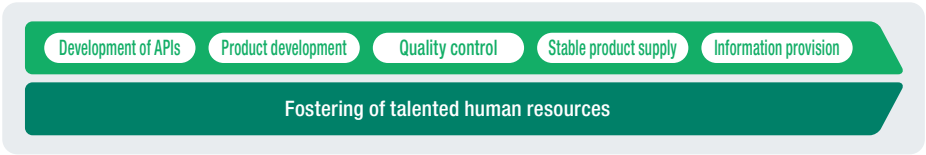
Natural capital

- Energy input: **36,051** kl (crude oil equivalent, consolidated)
- Water usage: **792,675** m^3 (consolidated)

We use good quality water and energy resources to produce high-quality pharmaceutical products. In this regard, from an environmental perspective, we manage chemical substances properly, enhance the plants' water discharge and air emission systems, take energy-saving measures, and make other efforts.

Towa Group's Strength

Generics are marketed later than new drugs (brand-name drugs); therefore, we can produce better products with the same efficacy, quality, and safety as the new drugs by utilizing the latest formulation technologies. We are engaged in various initiatives to provide easy-to-take, easy-to-handle and safe drugs, let alone quality and safety.



Development of APIs

Related information See page 41.

Developing and selecting the best APIs for manufacturing products

We use APIs meeting our original strict quality standards among country- authorized APIs. We also actively research APIs and select the best APIs for creating products based on our accumulated know-how. Additionally, we have established manufacturing methods for the APIs in-house and a system to outsource the production of the APIs to Daichi Kasei Co., Ltd., a group API manufacturer, and collaborative API manufacturers. We regularly inquire and confirm each manufacturer whether it manufactures APIs in accordance with standards, laws, and regulations to enable the stable procurement of the APIs.

Product development

Related information See page 32.

Based on our technologies and experiences, developing products that can be more easily taken and handled

We have the lineup consisting of more than 700 products to cover various therapeutic areas. With the desire to serve as many patients as possible, we offer value-added generics by responding to voices and requests from medical professionals and reflecting them in our manufacturing process. Among them, we have developed better dosage forms and tastes so that drugs can be easily taken by pediatric and elderly patients, and enhanced visibility and stability against light, temperature, and humidity so that drugs can be easily handled at hospitals and pharmacies.

Quality control

Related information See page 42.

Working diligently to ensure reliable quality and safety

In order to be a trustworthy company, we comply with strict quality control standards stipulated by the government, from product R&D, manufacturing, and marketing to after-sales operations. We carry out company-wide quality control initiatives to establish the quality assurance system required for ethical medicines. Especially in manufacturing pharmaceutical products, we strive to ensure adequate quality and safety through our specific system, education and training, and other ways as well as to comply with the Good Manufacturing Practice (GMP) established by the government and other related laws and regulations.

We strive to transform our aspirations into value, pursuing high quality and high added value

In the upstream stage of product development, we thoroughly analyze the properties of APIs and brand-name drugs, and examine the feasibility of creating value-added products tailored to quality improvement and specific needs. We are committed to developing the best possible products by pursuing not only quality, but also ease of handling and identifiability, so that patients and healthcare professionals can use them with peace of mind. Amid a rapidly changing business environment, we believe that the capabilities and aspirations of "people" are essential for flexibly creating these values. We will continue to take on the challenge of realizing even higher quality and higher added value by making the most of these capabilities and turning our aspirations into value.

Nobuko Hirai

General Manager, Pharmaceutical Research and Technology Unit, Preformulation Department, R&D Division

Towa Group's Strength

Stable product supply

Related information See page 31.

Established production capacity with three plants to ensure stable supply at any time

By adopting a back-up system supported by three sites, we ensure that any production disruption at one plant can be compensated by efforts at the other plants. Furthermore, by dividing the physical distribution bases in East Japan and West Japan, we have established an efficient arrangement and a reliable back-up system even in a worst-case scenario. The 3rd solid formulation building at Yamagata Plant was completed in November 2023, and began full-scale operation in October 2025. We are aiming to produce 17.5 billion tablets in FY2026.

Information provision

Related information See page 40.

Active provision of relevant information to enable patients and medical professionals to feel comfortable while using ethical medicines

We have established a system that enables the prompt and appropriate provision of information on the proper use of our products and academic information to medical professionals, mainly through specially trained medical representatives (MRs), to ensure that generics are used with reassurance. We also provide patients and their families with information to ensure their safe use of pharmaceuticals. In addition to providing information, we collect opinions from medical institutions and share feedback internally for creating better products.

Fostering of talented human resources

Related information See page 43.

Focusing on creating work environment with job satisfactions and fostering talented human resources, aiming for being a reliable company

We aim to be a more trusted and needed company as a comprehensive generics manufacturer. Under the belief that talented human resources are the foundation of a trusted company, we work to make job satisfaction, foster talented human resources, and strengthen our organization. Under the 6th Medium-term Business Plan starting from FY2024, we aim to realize the "genuine smiles" of the Group employees by supporting their individual growth and career development, and by striving to remain a company that makes every employee happy to work for us. We also promote the acquisition and development of human resources as well as diversity.

We will use the latest technology and facilities to provide a stable supply of Towa Quality pharmaceutical products

In the manufacturing of pharmaceutical products, we give top priority to the safety of patients. For this reason, the Company is proactively introducing automation and systemization of facilities to minimize human errors and establish a system that enables more efficient production of high-quality pharmaceutical products. The Company has also introduced an in-house Expert Scheme in which experts are assigned to each process and utilize the latest technology to improve product safety. We will continue to take pride in and responsibility for our pharmaceutical manufacturing, striving to create even better products that bring genuine smiles to patients.

Masahiro Nanba

General Manager, Manufacturing Department, Osaka Plant, Production Division

Enhancing Corporate Value

Initiatives Focused on Balancing Growth Investment and Financial Soundness

Toshikazu Kokubun
Director

Shiro Hatagami
Operating Officer, Division Manager, Finance & Accounting Division

Confirm soundness through introduction of ROIC and Investment Review Committee

■ Please explain the themes of the financial strategy for the 6th Medium-term Business Plan 2024–2026 PROACTIVE III.

Kokubun: Our current Medium-term Business Plan centers on the theme, "Balanced growth investment and financial soundness." To address the shortage of generic drugs ongoing since 2021, we have accelerated our previously planned additional investment in the 2nd solid formulation building at the Yamagata Plant. Furthermore, we built the 3rd solid formulation building at the same plant in November 2023 and are presently introducing new equipment. While this is a demand from society, the current situation mandates capital investment take precedence. We believe we must maintain a balance between this investment and financial soundness. Given this, to analyze current initiatives to enhance corporate value and outline future strategies, we have newly introduced return on invested capital (ROIC) as a numerical target in our Medium-term Business Plan and established a target of 6%, in excess of the weighted average cost of capital (WACC), which is approximately 4%. Moreover, regarding investments previously deliberated case by case, we have augmented our comprehensive management structure through measures such as the establishment of an Investment Committee comprising executives and setting hurdle rates and other criteria. We aim to achieve an ROIC of 6% by the final fiscal year of the Plan by expanding operating profit and managing investment projects while monitoring the cost of capital.

Hatagami: Our investment in the Yamagata Plant to address the societal issue of a shortage of generic drugs has surpassed JPY 50 billion, and the Group's interest-bearing debt stands at over JPY 200 billion as of the end of FY2024, which is rather high. We must efficiently generate cash and optimize interest-bearing debt, and our current Medium-term Business Plan is precisely focused on implementing a financial strategy with an awareness of maintaining an appropriate balance.

■ How would you evaluate and analyze the Towa Group's performance for FY2024?

Kokubun: Regarding Towa Pharmaceutical, praise for our production management and quality control structure led to robust demand for our products. This resulted in increased sales volume and higher earnings and profits. Both Sunsho Pharmaceutical and Towa INT also achieved increased earnings and profits on the back of strong business performance and a lower cost of sales ratio resulting from an improved sales mix.

Hatagami: Towa Pharmaceutical's sales volume reached about 15.2 billion tablets, comfortably surpassing its production volume of approximately 14.3 billion. We are advancing production increases at the Yamagata Plant, but for FY2024, we reduced inventory in response to market demand. Sunsho Pharmaceutical saw its cost of sales ratio decrease due to the impact of KAMATA becoming a consolidated subsidiary and growth in its soft capsule business, which boasts a favorable gross profit margin. Towa INT also saw strong performance in both its B2B and B2C businesses, driven by robust demand in Europe for its core products. Sales of new products and high-gross-margin items were up, leading to a lower cost of sales ratio. Moreover, as part of the synergy between Towa Pharmaceutical and Towa INT, we are augmenting manufacturing of the Esomeprazole Capsules 10 mg/20 mg "Towa" at the Martorelles Plant in Spain for the Japanese market.

Enhancing Corporate Value

What issues, if any, have come to light after the first year of the Medium-term Business Plan?

Kokubun: Overall performance progressed steadily. We repeatedly revised operating profit upward, resulting in double-digit year-on-year growth in both sales and operating profit. Issues will, however, inevitably arise. While Towa's generic business is driving profits, for instance, a major challenge is that we have not been able to produce sufficient volume to fully satisfy societal demand. There were two key factors: first, the Yamagata Plant suffered a personnel shortage as staffing did not progress as initially planned; and second, we adjusted production plans for a significant number of items in response to market demand, leading to a drop in efficiency. We addressed the personnel shortage, by increasing hiring and receiving support from other headquarters and plants. We have met the required staffing levels at the Yamagata Plant's solid formulation building as of April 2025. Regarding production plan changes, we are working to prevent a drop in production efficiency by setting the scope of production plan changes within a fixed range beginning FY2025. And profits persistently exceeding expectations because of unutilized SG&A expenses such as R&D costs represents a gap between the Plan and actual results. We recognize that this issue requires improvement action.

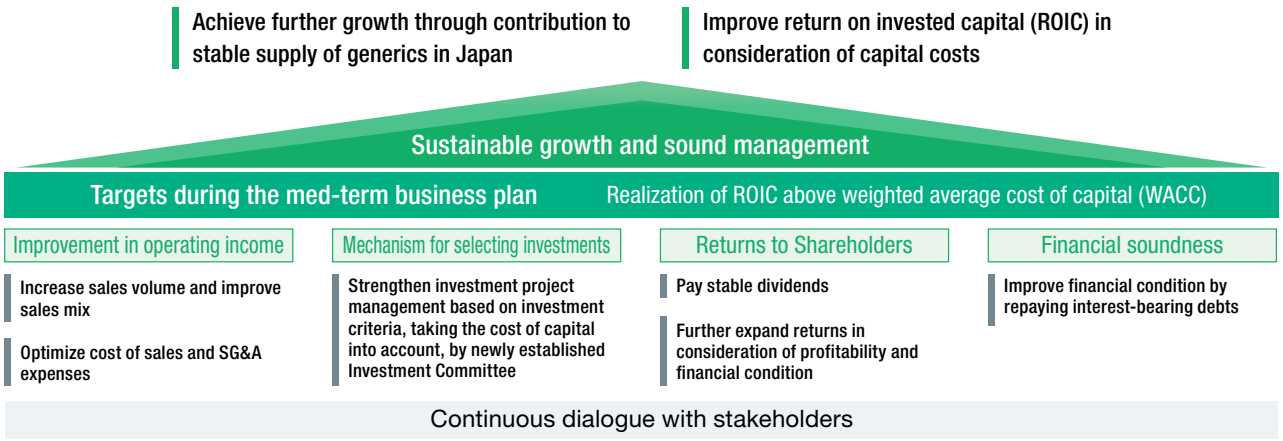
Hatagami: We are working to streamline production and reduce labor through measures including the introduction of automated robots into the packaging process, as well as the scaling up of equipment to accommodate larger lot sizes, which should lead to improved production efficiency. Moreover, we launched a digital transformation (DX) project FY2025 to integrate all company data and systems. We identified challenges in internal data integration, such as a deterioration in efficiency because of production plan changes and gaps between plans and actual results resulting from unutilized SG&A expenses. We are working to resolve these issues by visualizing different information and situations.

With plants and production facilities now in place, it is finally time to move into recovery

Please tell us about the plans for FY2025, the second year of the Medium-term Business Plan.

Kokubun: Towa Pharmaceutical continues to be the main driver of the Group's overall performance, with the key factor being the volume of generic drug supply. Personnel and equipment installation at the Yamagata Plant's 3rd solid formulation building are proceeding as planned. To realize an annual production capacity of 17.5 billion tablets across our three plants by FY2026, we have set an interim target for this fiscal year's production volume of approximately 16.2 billion tablets. Based on the steady progress in expanding production at the Yamagata Plant and the better-than-expected results for FY2024, we have revised the numerical targets of the 6th Medium-term Business Plan. We have raised the cumulative operating profit target from over JPY 68 billion to JPY 80 billion.

6th Medium-term Business Plan (2024–2026): "Balanced growth investment and financial soundness"



Enhancing Corporate Value

Hatagami: In line with the increase in production volume, Towa Pharmaceutical plans to boost its sales volume to approximately 16 billion tablets in FY2025. And we are focused on expanding sales of new generics, which are generic drugs approved for manufacture and sale after the initial release of a brand-name drug in recent years. New generics allow patients and healthcare professionals to benefit from the advantages of new drugs while also helping us maintain profit margins. We plan to improve performance through increases in both volume and unit price. Sunsho Pharmaceutical plans to reduce costs and secure profits by growing its soft capsule business, while Towa INT aims to secure a degree of profit by launching new products while augmenting R&D investment. Furthermore, we have commenced joint development as part of our efforts to create synergies between Towa Pharmaceutical and Towa INT.

Please also tell us about your plans for R&D expenses and capital investments that will sustain the business.

Kokubun: In addition to new generic drug development, Towa's R&D expenses cover clinical development costs for new products such as Rivaluen® LA Patch 25.92 mg/51.84 mg, launched in May 2025 as a new initiative, and bromocriptine drug repurposing. These expenses further include costs incurred in addressing the nitrosamine issue, a global-scale challenge. And, regarding Towa INT, the current Medium-term Business Plan period has been designated as a period for growth investment toward the 7th Medium-term Business Plan. We expect to take certain products to market during the next Medium-term Business Plan or the subsequent plan, but we are increasing R&D investment with the goal of expanding our product portfolio.

Hatagami: The nitrosamine issue has become a global-scale challenge, and I believe it is extremely significant that the two companies are able to collaborate to address the issue by sharing our respective expertise and insights in Japan and Spain. We are also seeing more collaboration, including the commencement of joint development projects, and feel that we are realizing synergies within the Group. The amount of Towa's capital investment decreased as its investment in the Yamagata Plant has largely been completed. Sunsho Pharmaceutical is planning to invest in boosting soft capsule production, while Towa INT is planning capital investments in the Martorelles Plant as well as investments in new product introductions.

Please share with us your policies for enhancing corporate value.

Kokubun: Stock price increases lagging behind net asset growth has resulted in our PBR trending downward, recently falling below 1.0x. During IR meetings, analysts and investors frequently provide us with feedback regarding our disclosure materials. Consequently, in the supplementary materials for financial results for the fiscal year ended March 2025, we have newly disclosed financial metrics about the cost of capital and dividend policy. Going forward, to promote constructive dialogue with all stakeholders, we are proactive in considering disclosure of information. Maintaining sound financial health is paramount for sustained growth. We intend to continue developing our business while maintaining a balance between investment in growth and being sound financially.

Hatagami: The recovery in operating profit has resulted in ROIC improving since the fiscal year ended March 2024. We acknowledge an WACC of approximately 4% and the cost of capital of about 7%. To achieve our ROIC target of 6%, we believe it is crucial to efficiently generate cash by improving operating profit and managing investment projects while monitoring capital costs, thereby optimizing interest-bearing debt. With regard to shareholder returns and dividend policy, we plan to decide on dividends while striving for stable payouts, with the targets being a payout ratio of 20–30% and a dividend yield of around 2%, fully considering profitability and financial condition. Moving forward, guided by our corporate philosophy—"We contribute to people's health. We are dedicated to people's genuine smiles"—we will strive to boost our corporate value, aiming to be a company that remains vital to society and local communities in any era.

6th Medium-term Business Plan 2024–2026

PROACTIVE Ⅲ —Challenges toward a New Phase—

The 6th Medium-term Business Plan is themed PROACTIVE III, a continuation of the previous Medium-term Business Plan, PROACTIVE II. The subtitle "Challenges toward a new phase" reflects our determination to move forward united as a Group toward this new phase. This stems from the necessity for the domestic generic pharmaceutical industry to work together to resolve the issue of unstable supply.

Furthermore, while continuing the policies of the previous Medium-term Business Plan, we have added "Job reform through DX promotion" and established three basic policies. We are advancing the development of our three core businesses—the generics business in Japan, the overseas generics business, and new health-related businesses—while augmenting the foundational infrastructure supporting each, with the intent of this leading to sustainable growth.

5th Medium-term Business Plan (FY2021–FY2023)

- Investment in production facilities and strengthening pharmacovigilance & quality assurance setup for addressing abnormal situation of unstable drug supply situation in Japan
- Expansion of overseas business regions, and collaboration between Towa Japan and Towa INT with COVID-19 under control
- Setup of management structure of Towa Group, including Sunsho Pharmaceutical
- Setup of future-oriented organizational structure and succession planning of key posts

6th Medium-term Business Plan (FY2024–FY2026)

Generics business in Japan

- Growth as a company that is trusted and needed by society when domestic generics market is facing major changes

Overseas generics business

- Diversification of our products with competitive superiority while further expanding our overseas business regions
  Necessary investment for growth (R&D and manufacturing facilities) by striking a balance with financial situation of Towa Group

New health-related business

- Continuous business exploration and investment in a certain cap
  Promotion of the concept of health information platform

Building management foundation for sustainable growth

- Ensuring financial soundness in order to make continuous growth investments
- Realization of the "linkage of management strategy and personnel strategy" required for human capital management

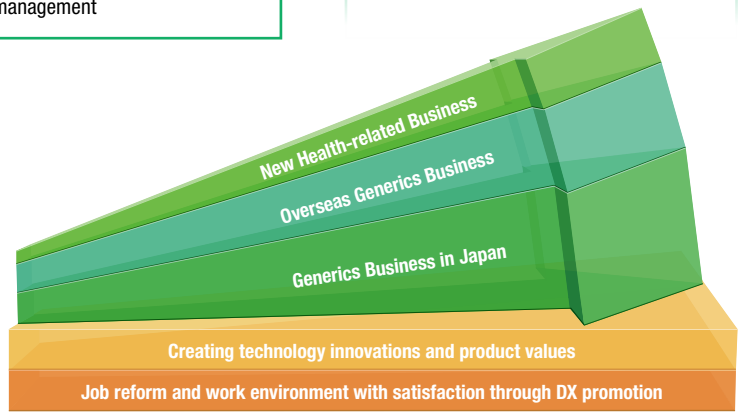
Vision of Towa Group for 2040

- Japan-based global generics group company that will conduct manufacturing and marketing both in Japan and overseas
- Towa Group's new health-related businesses that will be recognized by society and will be independent as a pillar of Group management
- A culture of innovation creation that includes not only innovative but also evolutionary technologies will be nurtured, take root, and bear fruit as products and services
- "People's Heath" and "Genuine Smiles" will be shared by our Group employees, their family members, former employees, and people in local communities

Policy 1 Evolution of generics business in Japan toward a new phase

Policy 2 Establishing foundation for new markets / new businesses and realizing group synergies

Policy 3 Strengthening sustainability management and building fundamentals for sustainable growth



Financial targets and progress

For FY2024, strong product demand drove increased sales volume for Towa Pharmaceutical. At Sunsho Pharmaceutical, the impact of KAMATA becoming a consolidated subsidiary and an improved sales mix resulted in a lower cost of sales ratio. The ratio fell at Towa INT as well due to strong performance in Europe and a better sales mix. Consequently, both net sales and operating profit rose.

For FY2025, we plan to achieve increased sales and profit. We will realize this through Towa Pharmaceutical increasing supply volumes to the market by expanding production at its Yamagata Plant. This, combined with the continued recent strategy of expanding sales of new generics and the increase in the minimum drug price, will contribute to unit price improvement. Sunsho Pharmaceutical's contribution will be to increase soft capsule production, grow profitable businesses, and reduce its cost of sales ratio. And Towa INT will launch new products and increase contract manufacturing.

Regarding the numerical targets of the Medium-term Business Plan, upon reviewing the plans for FY2025 and FY2026, we determined that cumulative operating profit will likely exceed the initially set target of JPY 68 billion. As a result, we have adjusted the target upward to JPY 80 billion or more. This revision reflects an upward revision to the actual results for FY2024 compared with the initial forecast, steady progress in establishing higher production capacity at the Yamagata Plant, and the further amelioration of SG&A expenses—including R&D costs—from the perspective of cost optimization.

We have not made changes to other financial targets, issues, policies, or key themes. Based on feedback received from stakeholders during individual IR meetings, however, we have disclosed several new metrics related to financial targets. Regarding the ROIC target, we recognize that the WACC as of FY2024 is approximately 4%, and the cost of equity is about 7%. Concerning R&D expenditures, we aim for an R&D expenditure ratio of around 7% of sales. Regarding dividend policy objectives, we will strive to maintain stable dividends while pursuing further expansion taking profitability and financial condition into consideration. We will determine the dividend amount comprehensively, with our targets being a payout ratio of 20% to 30% and a dividend on equity (DOE) of approximately 2%. In accordance with our plan, we will continue working to further elevate corporate value.

Net sales (final year)	Operating income (cumulative)	ROIC* (final year)	R&D expenditure (cumulative)	Capital investment (cumulative)	Dividend policy
[Consolidated] Achievement of **JPY 300.0 billion** [Non-consolidated] Achievement of **JPY 200.0 billion** Annual sales target achieved	[Consolidated] **JPY 80.0 billion** or more Achievement of cumulative operating income to invest in sustainable growth and return profits to shareholders	[Consolidated] **6%** or more (with influence of goodwill) **7%** or more (without influence of goodwill) Achievement of ROIC* exceeding WACC	[Consolidated] **JPY 55.0 billion** or more Lineup of needed products and improvement/upgrading of products based on the requests from medical institutions and patients	[Consolidated] **JPY 60.0 billion** or more Investment to strengthen and improve efficiency of production facilities and logistic functions for maintaining and strengthening quality assurance and stable supply	**Implementation of stable dividends** Ensuring stable dividends and returning profits to shareholders through improved corporate value
FY2024 results [Consolidated] **JPY 259.5 billion** FY2025 plan [Consolidated] **JPY 280.0 billion**	FY2024 results **JPY 23.2 billion** FY2025 plan **JPY 27.0 billion**	FY2024 results **4.2%** FY2025 plan **4.7%**	FY2024 results **JPY 16.2 billion** FY2025 plan **JPY 19.0 billion**	FY2024 results **JPY 33.3 billion** FY2025 plan **JPY 25.3 billion**	FY2024 results **JPY 70** FY2025 plan **JPY 80** (forecast)

*WACC recognized at approximately 4%, cost of equity at approximately 7% (FY2024)
*ROIC: Operating income after tax / invested capital (total equity and interest-bearing debt) External disclosure with influence of goodwill Internal control without influence of goodwill

Policy 1 Evolution of generics business in Japan toward a new phase

Moving toward a new phase of the generics business in Japan, we continue the strengthening of API procurement, improvement of production capacity, and optimization of our sales system, initiatives on which we have been focusing its efforts on to date for the improvement of our stable supply chain. We are also working to strengthen our manufacturing control and quality control systems and to contribute to the building of social infrastructure in the pharmaceutical industry.

Set up stable supply
- Set up a system for stable supply of generics
- Ensure preparedness in case of emergency
- Strengthen supply chain management
- Improve production and supply capacities
- Improve production efficiency and productivity

Strengthen manufacturing control / quality control
- Ensure manufacturing control / quality control systems
- Supply safe and secure pharmaceuticals
- Disclose and provide appropriate information

Contribute to building social infrastructure by pharmaceutical industry
- Enrich product lineup, including biosimilars
- Promote collaborations with external partners for realizing a stable supply of generics

Specific initiatives for the 6th Medium-term Business Plan period	FY2024 progress
Enhance supply chain management ・Strengthen API procurement ・Improve production and supply capacities ・Optimize Towa-style Sales System ・Response in case of emergency (reserve capability)	Enhance supply chain management ・Establishment of Supply Chain Management Department ・Launch of initiatives to further streamline the pharmaceutical supply process ・Construction of manufacturing facility for highly potent APIs at Daichi Kasei ・Multiple procurement rate for APIs as of April 2025: 63% (Target: Maintain at 60% or above) ・Actual production volume for FY2024: Approx. 14.3 billion tablets ・Equipment installation at the Yamagata Plant's 3rd solid formulation building progressing as planned toward achieving annual production capacity of 17.5 billion tablets for FY2026
Strengthen pharmacovigilance and quality assurance	Strengthen pharmacovigilance and quality assurance ・Introduction of Quality Management System (QMS)
Enrich product portfolio	Enrich product portfolio ・New products in FY2024: Nine ingredients, 17 products ・Launch of Rivaluen® LA Patch 25.92 mg/51.84 mg, Japan's first twice-weekly sustained-release rivastigmine adhesive patch preparation, in May 2025
Disclose information in a proper / timely manner	

Stable supply structure

Details See pages 13 and 41

To establish a stable supply structure, we will set up systems to visualize and properly control the entire supply chain, from procurement of APIs to manufacturing, distribution, and sales. In this way, we will promote the enhancement of the supply chain with the aim of improving the stable supply structure for generics.

Effective April 2025, we have established the Supply Chain Management Department within the Corporate Strategy Division. This department will build a framework to manage processes within the supply chain, continue promoting sophisticated demand forecasting and risk management in response to changes in the environment, and oversee cross-departmental coordination.

Moreover, as an initiative to further streamline the pharmaceutical supply process, we are working with T Square Solutions Co., Ltd. to build a system to consolidate and visualize manufacturing and supply information, with the goal of reducing labor and accelerating decision-making.

Procurement of APIs

Details See page 41

To date, we have engaged in the in-house manufacture of APIs. Going forward, we will work to reduce the risks to stable supply by developing synthesis processes and manufacturing at our Group company, Daichi Kasei, or partnering companies. And, in August 2024, we constructed a manufacturing facility for highly potent APIs at Daichi Kasei equipped with advanced technology capable of handling the manufacture of highly potent APIs such as anticancer drugs. In addition, to combat the quality-related risk of mutagenic impurities, we will apply the latest knowledge in our efforts to reduce the risks in API procurement.

Production capacity enhancement

Amid growing concerns over the pharmaceutical shortage becoming a societal issue, we are constantly working to boost production capacity to fulfill our responsibility to ensure a stable supply. We completed construction of the Yamagata Plant's 3rd solid formulation building and 2nd sterile formulation building in November 2023, and began shipping products manufactured in the 3rd solid formulation building in April 2024. We are working to raise the annual production capacity of our three plants—Yamagata, Okayama, and Osaka—from 14 billion tablets as of the end of March 2024 to 17.5 billion by FY2026. We will achieve this by introducing new equipment and increasing staffing at the 3rd solid formulation building. Moreover, we will continue to strive for further supply capacity improvements by enhancing the efficiency of production at our three plants, scaling up equipment, effectively utilizing Group companies' equipment capacity, and increasing contract manufacturing with companies that possess rigorous production and quality management systems.

Production volume for FY2024 (Towa Pharmaceutical non-consolidated, tablets and capsules only) totaled about 14.3 billion tablets (a 5.6% year-on-year increase). Planned production volume for FY2025 is approximately 16.2 billion tablets (a 13.2% year-on-year increase). Furthermore, equipment installation at the Yamagata Plant's 3rd solid formulation building is progressing as planned toward achieving an annual production capacity of 17.5 billion tablets for FY2026.

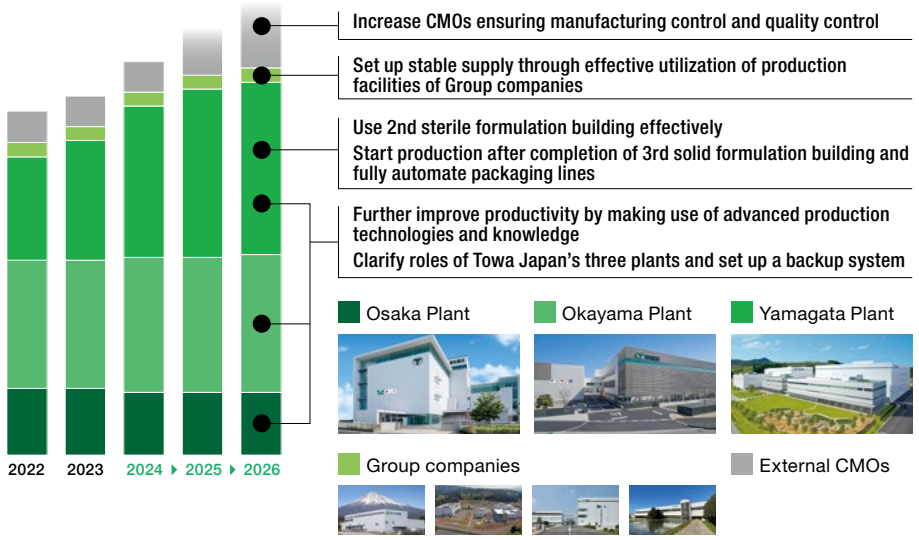
We believe it is important to establish a flexible system that allows for production increases during emergencies even in normal conditions. To ensure contingency preparedness, we are working to establish backup production systems that facilitates manufacturing across multiple sites. And we intend to level line utilization rates, ensuring all production lines maintain equal spare capacity.

Production capacity of 17.5 billion tablets/ capsules per year at Towa Japan's three plants

Production capacity of sterile products of 33 million V/A per year

*Calculation on production capacity for Japan

* Production setup referring to theoretical maximum production capacity based on plant buildings areas while production capacity referring to realistic production volume based on the numbers of production lines, products, and staff



Sales structure optimization

We have established a proprietary sales structure combining direct sales through its own sales offices with sales via agents and wide-area wholesalers. Moving forward, as the development of Comprehensive Community Care Systems progresses, we will optimize distribution and sales systems best suited to each region.

Pharmacovigilance & quality assurance

Details See page 42

As we strive to become a trusted company, we are committed to maintaining and enhancing our quality assurance structure. To further strengthen quality control, we have introduced a new QMS in addition to our existing MES and LIMS.

Enrichment of product portfolio

We are advancing the development of small-molecule pharmaceuticals considered necessary for future drug therapies, targeting a broad range of diseases including the gastrointestinal, metabolic, and cancer/immunology fields, where we anticipate significant growth. We will also work to optimize the drug lineup in light of future changes in drug therapies.

Policy 2 Establishing foundation for new markets / new businesses and realizing group synergies

Overseas generics business

Our overseas generics business is primarily conducted through Towa Pharmaceutical consolidated subsidiary Towa INT which is based in Spain. We provide generic drug products with over 300 ingredients in more than 30 countries worldwide, including Europe and the U.S. We will augment investments in R&D and facilities needed for future growth, while aiming to secure sales and segment profit by maintaining and strengthening our existing businesses and expanding markets and regions further.

Furthermore, Towa INT's Martorelles Plant manufactures Esomeprazole Capsules for Towa Pharmaceutical, evidence of production synergy. And, as part of creating R&D synergy, we have launched joint development. We will continue to foster inter-departmental communication and information sharing to build Group synergies in development and manufacturing technology.

5th Medium-term (2021–2023): Infrastructure development

- Expanded B2B business (39 countries)
- Started development of global products
- Promoted collaboration by utilizing Towa INT's manufacturing technologies

6th Medium-term (2024–2026): Ensuring business scale

- Secure sales and profits by maintaining and strengthening existing businesses and further expanding markets and business regions (55 countries or more)
- Create synergies by sharing development and manufacturing technologies among Group companies
- Make necessary investment in R&D and manufacturing facilities for the future

7th Medium-term and beyond (2027–): Expansion and diversification

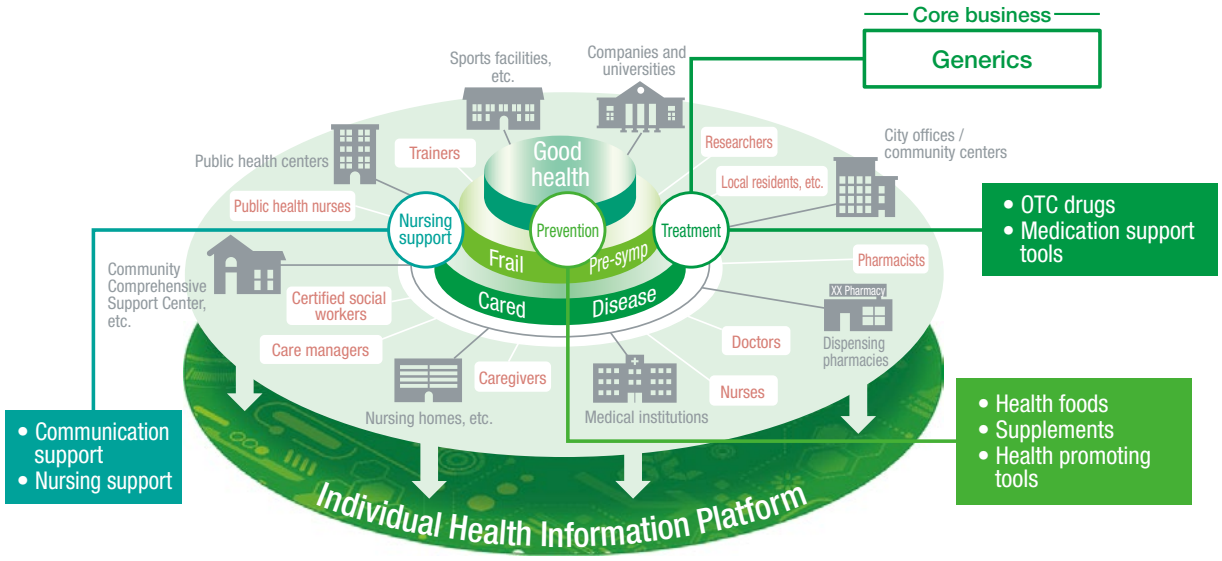
- Grow through enrichment of product portfolio
- Develop products by utilizing Towa's unique technologies
- Establish a global production system

Entry into new health-related businesses

In the roll-out of new health-related businesses, we are working on the creation of synergies with Group companies and existing businesses while continuing to explore new businesses and making investments within a certain cap, in our efforts to further enrich our lineup of products and services.

Through our partnership with TIS Inc. Ltd., we are working to promote Healthcare Passport, the cloud-based regional healthcare information coordination service which aims to connect individual medical and health information scattered across medical institutions and pharmacies, thereby contributing to regional healthcare. We aim to eventually utilize this as a lifelong platform for patients' medical and health information.

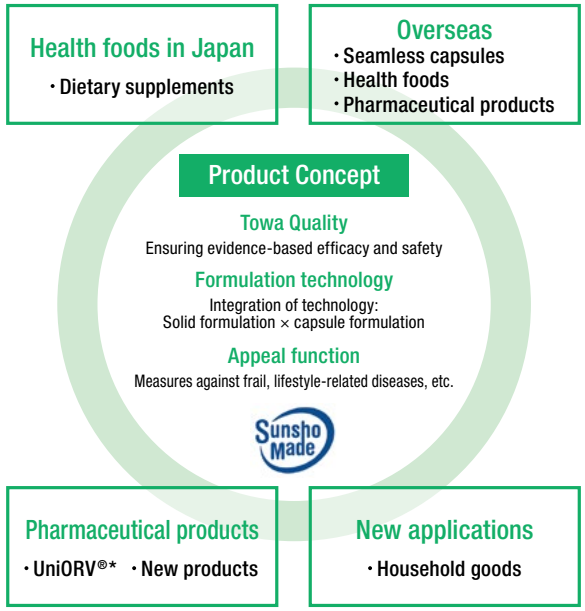
Based on Healthcare Passport (interactive health and medical information services) as a hub of this system, aim to realize "Exa Port" concept as a service solution



- Disseminate Healthcare Passport as a platform for linking regional medical and health information systems
- Contribute to Comprehensive Community Care System
- Further enrich lineup of products and services to maintain and improve health
- Create synergies among group companies and with existing businesses

Synergy with Sunsho Pharmaceutical

Sunsho Pharmaceutical specializes in utilizing soft capsule technology in developing health-related products, such as supplements, health foods, and other goods. For the creation of synergy with Sunsho Pharmaceutical, Towa Pharmaceutical will leverage the two companies' respective strengths. We will promote the joint development of Towa's original health foods and healthcare goods manufactured by Sunsho, focusing primarily on the Japanese market. In concrete terms, we are currently developing health-related products, including supplements and health foods utilizing soft capsule technology, among other goods.



*Feature of UniORV®: Coated particles consisting of gel containing active ingredient (API/compound) and outer layer of insoluble fine particles

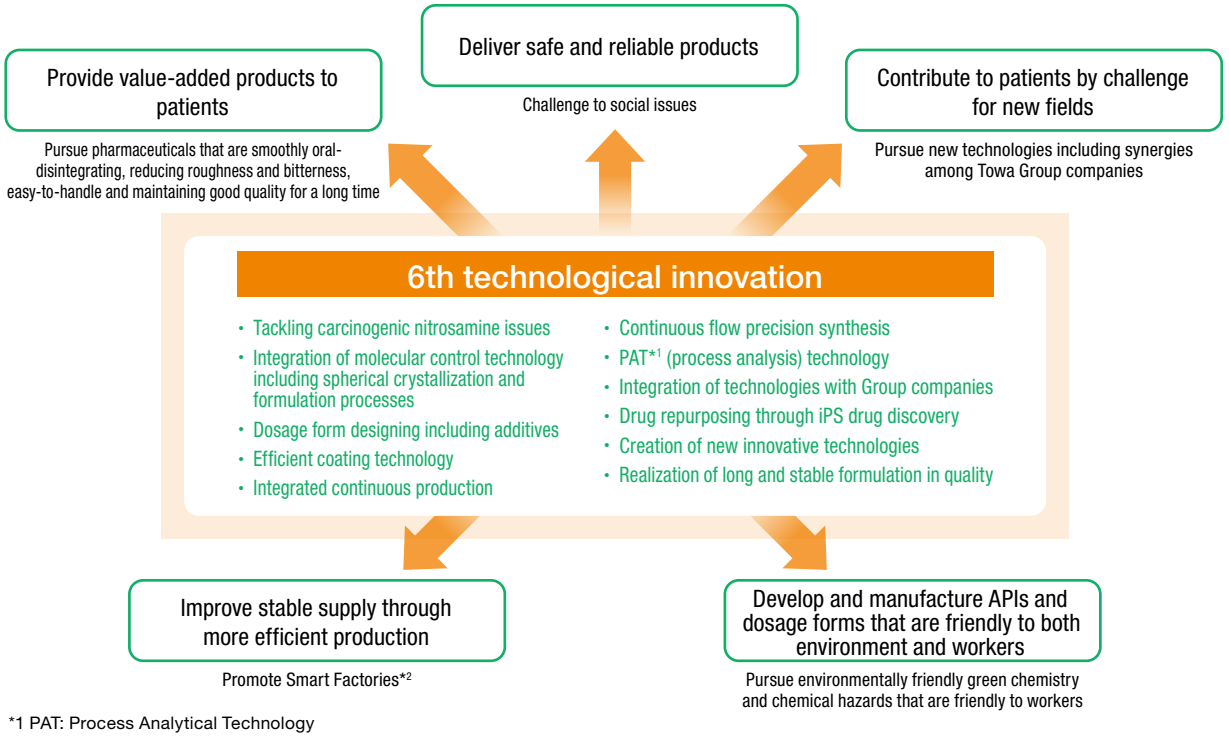
Policy 3 Strengthening sustainability management and building fundamentals for sustainable growth

Creating technology innovations and product values

We will continue our pursuit of technological innovation in API, formulation, and manufacturing technologies. Specifically, during the 6th Medium-term Business Plan, we intend to advance the commercialization of products incorporating new technologies. We continue pursuing the creation of products with No. 1 total product performance and Towa Quality, striving to provide patients with high-value-added products.

The Company has launched the Nox Think Tank Project to tackle nitrosamine issues and is proactively working to solve the social problem of nitrosamine contamination in pharmaceutical products. As an analytical method that enables more accurate assessment of contamination risk, the Company developed the Towa Amine Approach, which adds the "assessment of causative amines in APIs" to the "assessment of nitrosamines in pharmaceutical products." In December 2024, the Company published research results on a universal analytical method for controlling nitrosamine contamination in pharmaceutical products in the *ACS Omega*, a journal of the American Chemical Society. A series of studies led to the successful manufacture of atomoxetine tablets under conditions where NOx was reduced to 1 part per billion (ppb)—the first achievement of its kind worldwide —and of a formulation in which the nitroso-atomoxetine content was below the allowable limit. The results of this research were published in the *Organic Process Research & Development*, a journal of the American Chemical Society, in August 2025.

Additionally, in June 2025, as an initiative in drug repurposing using iPS-based drug discovery, we launched a corporate clinical trial targeting patients with familial Alzheimer's disease. Drug repurposing refers to the repurposing of existing drugs to develop them as treatments for new diseases. The Company has previously supported investigator-initiated trials by providing bromocriptine (investigational drug), an existing drug selected through iPS-based drug discovery. This time, we have decided to conduct a corporate clinical trial with the aim of evaluating bromocriptine efficacy and safety. Going forward, based on the results of the corporate clinical trial and while consulting with regulatory authorities, we will attempt to acquire regulatory approval for this investigational drug as a new pharmaceutical product.



*1 PAT: Process Analytical Technology
*2 Smart Factory: A plant that continuously uses digital technology to reform business processes and improve productivity and quality

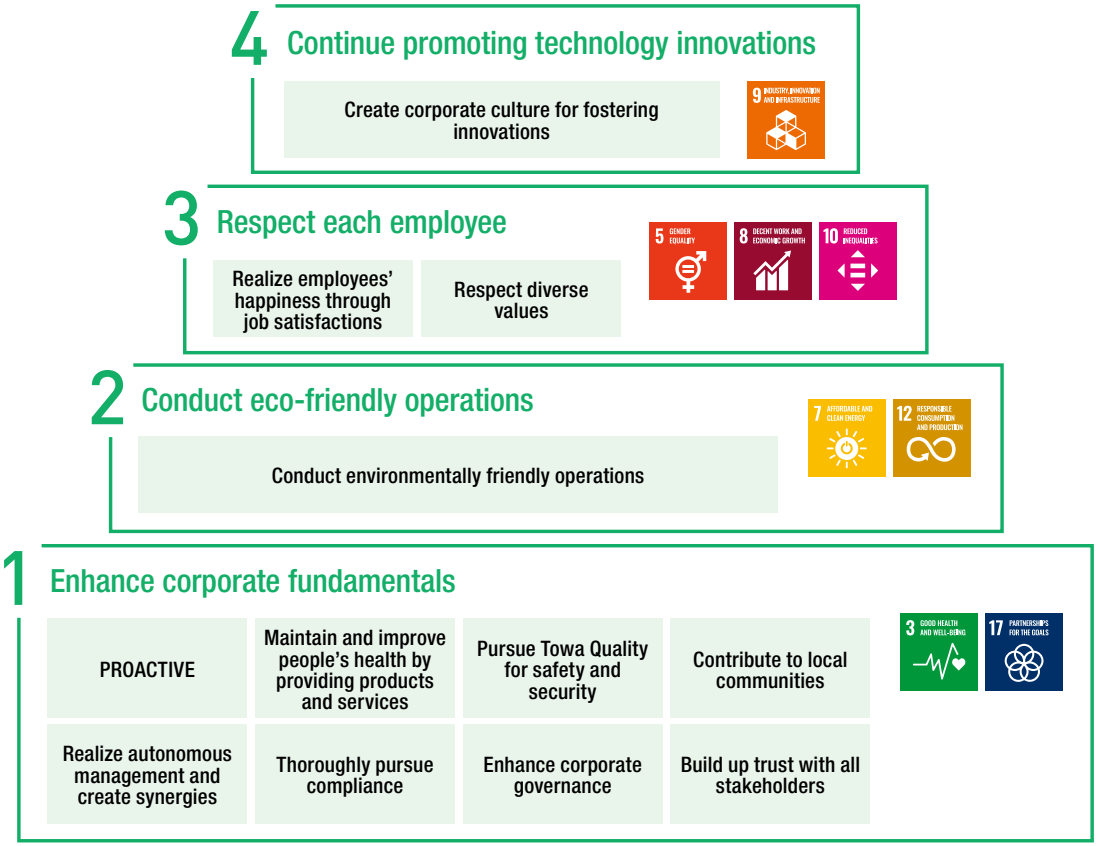
Towa Group's Sustainability

Approach toward sustainability

Now that the volume share of generics has reached 80%, we believe that it is our social responsibility to strive for a more stable product supply and to further improve the quality of our products. Accordingly, we have been thoroughly implementing manufacturing and quality control. At the same time, we are committed to contributing to building a foundation for the creation of an ideal local society through new businesses and regions, providing necessary services to promote health to those who need such services, and thereby contributing to extension of healthy life expectancy. We remain committed to engaging in sustainability management based on the policies of enhancing corporate fundamentals, conducting eco-friendly operations, respecting each employee who constitutes human capital, and continue promoting technology innovations to improve product values.

Under such policies, in order to develop a long-term vision in view of major changes in circumstances and reforms in the industry in the future while integrating all of the strengths of the Group, it is necessary for each business or company to define its goal and future vision, for each company to become an autonomous organization to understand new social issues under a common awareness, and for us to use the collective strengths of the Group to solve such issues. We will aim to realize the Group's vision, "We contribute to people's health. We are dedicated to people's genuine smiles."

Towa Group's Sustainability Policy



In formulating a sustainability policy, we identified important issues that we need to engage in based on social issues and changes. Next, these issues were mapped on two axes based on their importance to society and their importance to the Group and categorized into four themes. We will strengthen the business foundation, make considerations for the global environment, and continue the challenge of technology innovation while valuing each and every employee, and in doing so the Group will work to bring about a sustainable society.

Environment

Contributing to a decarbonized and recycling-oriented society through our business

Efforts to counter problems related to the global environment and safety and health of our employees are part of our important management issues, and based on the Towa Group Environmental, Health, and Safety Policy formulated in FY2023, we are promoting activities that make considerations for the global environment and workplace safety. In FY2024, we set Group targets related to water resources and resource recycling, and began group-wide initiatives.

Basic approach

As a company with the philosophy, "We contribute to people's health," we believe that the preservation of the global environment, which is the foundation of people's lives and corporate activities, is our important management issue and responsibility for the development of a sustainable society. Based on the principles of the Towa Group Code of Conduct, each and every employee of the Group works as a member of society to raises awareness for environmental conservation and promotes actions that are friendly to the environment in all of our corporate activities, including procurement, development, production, distribution, and sales.

Addressing climate change (Information disclosure based on the TCFD Recommendations)

The Group recognizes that global warming is a worldwide issue, and thus has long been working on initiatives such as installation of solar power generation systems and energy saving at its plants, laboratories, offices, etc. In addition, in the recognition that climate change is a management risk of the Group, we launched a TCFD (Task Force on Climate-related Financial Disclosures) project in FY2022 and have since been implementing company-wide initiatives.

The Group announced in December 2022 its support for the TCFD recommendations established by the Financial Stability Board (FSB). Since FY2022, examination has been conducted with a single entity of Towa as the scope of the examination. We assessed and identified risks and opportunities posed by climate change issues on society and corporations, and estimated the level of impact on Towa's businesses. Starting in FY2023, the scope has been extended to include all of the Towa Group, both domestic and overseas. Risks and opportunities were reviewed and impact levels reassessed.

In the future, we will contribute to the creation of a sustainable society by reflecting specific countermeasures against risks and opportunities that have been materialized to our strategies, and aim to achieve continuous growth of the Company's businesses.

Governance

[Organizational structure and processes]

The TCFD Subcommittee was established as a subcommittee under the Risk Management Committee and responds to climate change-related issues. The Board of Directors consults the Risk Management Committee, determines their policies, and supervises the Committee.

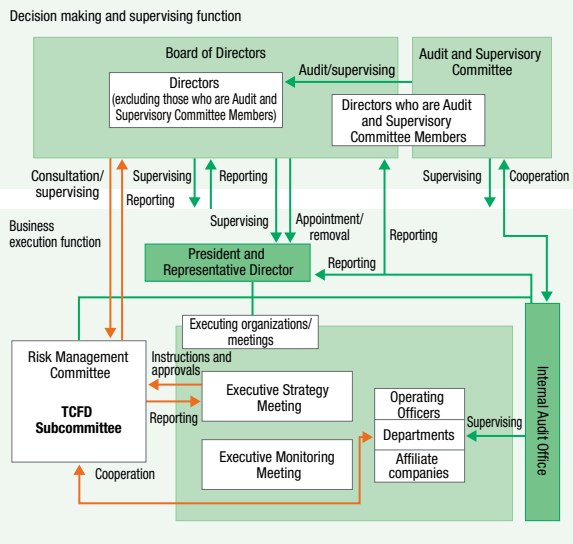
The Risk Management Committee deliberates on the status of initiatives undertaken by the TCFD Subcommittee, and reports to the Board of Directors on the status twice a year.

The TCFD Subcommittee collects and analyzes information in collaboration with departments and affiliate companies, identifies and assesses expected risks and opportunities related to climate change, and reviews the assessment. In addition, the Subcommittee formulates the action plans, countermeasures, etc., checks and follows up on the status of implementation on a periodic basis, and reports the status of implementation to the Executive Strategy Meeting as appropriate. Furthermore, it reports each important matter to Risk Management Committee members.

Departments and affiliate companies implement various measures that are formulated in collaboration with the TCFD Subcommittee, and provide data related to climate change.

The Executive Strategy Meeting receives reports from the TCFD Subcommittee as appropriate and issues instructions and approvals when necessary.

The Audit and Supervisory Committee and the Internal Audit Office conduct audits on these initiatives.



Strategies

[Assumptions for scenario analysis]

The Group conducted a scenario analysis for the manufacturing and sales business, etc. of its ethical drugs, assuming global conditions as of 2030. In the scenario analysis, we formulated three scenarios, namely for 1.5°C, 2°C, and 4°C, referring to various reports issued by IPCC, IEA*, etc.

Scenario analysis

Scope of calculation: TOWA PHARMACEUTICAL CO., LTD., J-DOLPH Pharmaceutical CO., LTD., Daichi Kasei Co., Ltd., Greencaps Pharmaceutical Co., Ltd., Towa Pharma International Holdings, S.L., and Sunsho Pharmaceutical Co., Ltd.

Period subject to analysis: FY2021–FY2030

	Item	Event	Business impact		Countermeasure	Level of impact
Transition Risk and opportunity 1.5°C scenario	Policy	Introduction of a carbon tax	[Risk]	An increase in business operating costs due to higher carbon tax burden	・Implementation of evaluation, factor analysis, measures to control of CO_2 emissions ・Introduction of low-carbon facilities and energy-saving equipment ・Establishment of manufacturing methods with low environmental load	Medium
		Tightening of regulations for CO_2 emissions/ energy saving	[Risk]	An increase in energy procurement costs associated with a shift to energy with less environmental load		Low
			[Opportunity]	Promotion of energy saving, reduction of business costs by reviewing supply chains, and promotion of decarbonization		Medium
	Technology	Promotion of decarbonization of entire society	[Risk]	An increase in capital investment costs to promote decarbonization	・Collection of information and introduction of various decarbonization technologies (while investment costs are incurred, subsequent business operating costs are reduced)	Low
	Market		[Risk]	An increase in costs for procuring raw materials due to promotion of decarbonization at suppliers	・Risk hedge by securing multiple suppliers ・Conducting risk assessment related to raw material procurement	Low
Physical Risk and opportunity 4°C scenario	Acute	Increase in frequency and magnitude of meteorological disasters	[Risk]	Suspension of operations due to damage to company-owned locations and/or supply chains	・Establishment of a backup system among business sites ・Operation of a crisis management system in preparation for meteorological disasters	Low
	Chronic	An increase in extreme weather (extremely hot days, etc.)	[Risk]	An increase in air conditioning costs, etc. for quality control	・Introduction of energy-saving facilities	Low
			[Opportunity]	An increase in demand for drugs for diseases increasing with climate change	・Development and launch of products with an eye on trends in demand for pharmaceutical products	Low
			[Opportunity]	Establishment of competitive advantage by leveraging proprietary technologies and an increase in demand for value-added products	・Strengthening of information disclosure ・Diversification of sales channels and user contact points	Low

In the 1.5°C scenario, it is assumed that various regulations, including a carbon tax, will be introduced to realize a decarbonized society and there will be increasing demands from various stakeholders to respond to climate change, while new needs may arise due to changes in society and lifestyles. In the 4°C scenario, it is assumed that the progress of global warming will increase the risk of disasters such as extreme heavy rainfall and health risks such as heat stroke, while new needs may also arise for adaptation to climate change.

[Results of scenario analysis]

We identified risks and opportunities based on each scenario, assessed the criticality on the businesses depending on the likelihood of occurrence and the level of impact of each risk and opportunity, and considered countermeasures. As a result, no serious business risks associated with climate change were identified in the businesses subject to the analysis. Risks and opportunities expected in the 1.5°C scenario and the 4°C scenario are as listed in the scenario analysis figure.

*IPCC: Intergovernmental Panel on Climate Change
IEA: International Energy Agency

Risk management

The TCFD Subcommittee conducts an annual review of the risk and opportunity assessment to manage climate change-related risks and opportunities.

Risks and opportunities are assessed from such perspectives as the likelihood of occurrence, level of impact, presence or absence of countermeasures, respectively, to determine the criticality.

In addition, we also subdivide them into value chains* to assess them and consider countermeasures.

When assessing risks and opportunities, we conduct interviews with relevant business departments as necessary.

Those with high criticality are reviewed by the Risk Management Committee and reported to the Board of Directors through the Risk Management Committee as necessary.

In addition, the TCFD Subcommittee formulates countermeasures against climate change-related risks and opportunities and manages the progress of such countermeasures based on preset indicators.

*Value chains: Value chains are a classification of businesses by function, and the Company categorizes businesses into "R&D; Purchase/Procurement; Manufacturing; Distribution; Sales/Marketing; and Administration Management."

Indicators and targets

The Group has calculated greenhouse gases emissions as an indicator to manage climate change-related risks and opportunities and set mid- to long-term reduction targets. For Scopes 1 and 2, we will aim for emissions reduction by 30% in FY2030 as compared with FY2021, and for carbon neutrality by FY2050.

Emissions in Scopes 1, 2, and 3 (CO_2 emissions (t-CO_2))

	FY2021	FY2024
Scope1	30,098	30,077
Scope2	43,180	28,353
Scope3	709,720	1,066,500

Scope of calculation: TOWA PHARMACEUTICAL CO., LTD., J-DOLPH Pharmaceutical CO., LTD., Daichi Kasei Co., Ltd., Greencaps Pharmaceutical Co., Ltd., Towa Pharma International Holdings, S.L., Sunsho Pharmaceutical Co., Ltd., etc.

Period of calculation: From April 2021 to March 2022 and from April 2024 to March 2025, including Sunsho Pharmaceutical Co., Ltd. and Towa Pharma International Holdings, S.L. which changed the fiscal year end to March 31 starting from the fiscal year ended March 31, 2023

Efforts to preserve water resources

In order to promote activities to reduce water-related environmental load, the Group first assessed water risks in the regions where its business sites are located, and defined regions with high water stress as “priority regions for water risk response.”

The assessment found that one of our facilities, the Martorelles Plant of Towa INT (Spain), is located in such priority region.

The Group has also set a target for reducing water risks, to “reduce water intake per unit of production at business sites located in areas with high water stress by 10% from the FY2023 level in FY2024.” At the Martorelles Plant of Towa INT we implemented various water-saving measures, including the introduction of high-efficiency water purification equipment, and achieved a 6% reduction in water intake in FY2024. Efforts are being continued with new targets set for FY2025. As for business sites in Japan that are located in regions with low water stress, we are gradually examining and promoting measures to conserve water, including the effective use of water for manufacturing and reclaimed water.

Efforts in resource recycling

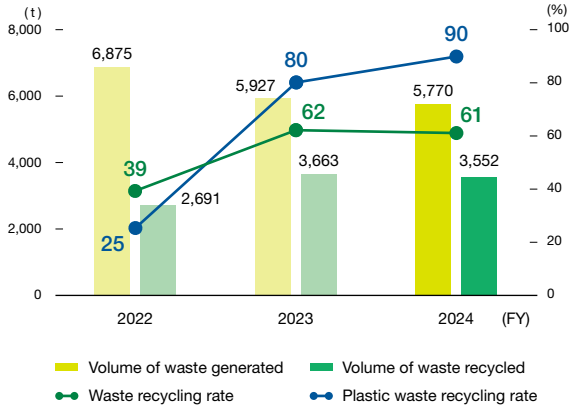
The Group is working to contribute to recycling-oriented society. In FY2024, the Group set the following Group targets related to resource recycling, and is promoting efforts to save resources and recycle waste.

- Waste recycling rate*: Maintain 60% or higher
- Plastic waste recycling rate: Maintain 65% or higher

As a result of such efforts as optimizing the of appointment of waste processing contractors and actively promoting the use of capsule residue (gelatin) as fertilizer and feed, the Company achieved a waste recycling rate of 61% and waste plastic recycling rate of 90% in FY2024.

*Calculation method : Calculated following the calculation rules set by the Federation of Pharmaceutical Manufacturers' Association of Japan

Volume of waste generated and recycled, waste recycling rate



2024 CDP questionnaire

The Company responded to CDP’s 2024 questionnaire and received a B score in the climate change category and an A- score in the water security category. We will make efforts to further enhance information disclosure.

CDP Discloser 2024

*About CDP
CDP is an international non-governmental organization (NGO) for the environment established in the UK in 2000 that operates a global environmental disclosure system for companies, local authorities, and other entities. Once a year, CDP sends questionnaires to major companies around the world requesting disclosure of environmental data, and based on the responses, rates their efforts in addressing environmental issues on an eight-point scale of A to D- scores.

Society

Responsible business activities

Basic approach

We will continue fulfilling our social responsibility by conducting responsible business activities. We are committed to contributing to building a foundation for the creation of an ideal local society through new businesses and regions, respecting diverse values, and striving for the happiness of our employees achieved through job satisfaction.

Multi-Stakeholder Policy

In light of the growing importance of collaborative value creation in corporate management, not only with shareholders but also with a variety of stakeholders including employees, business partners, customers, creditors, and local communities, the Company established the Multi-Stakeholder Policy in March 2025. We will continue collaborating appropriately with multiple stakeholders.

Information provision by medical representatives

Our medical representatives, whose number is proudly reported to be the largest among the domestic manufacturers of generics, work on the provision, collection, and transmission of pharmaceutical information, as well as sales activities. We are also enhancing the network of medical representatives to be able to respond to various needs of diverse medical service providers, including clinics, local flagship hospitals, and health insurance pharmacies. Further, we have established a qualification system for medical representatives specializing in the areas of cancer, CNS, and primary care so that we can provide information requiring more specialized expertise.

Information provision by Academic Promotion Department's DI Center

With the aim of "providing necessary information promptly and appropriately when needed," we operate the Drug Information (DI) Center of the Academic Promotion Department. We have set up a call center system to manage information so that we can provide information that meet the requests of customers.

Disclosure initiatives

To ensure Towa Quality products and services are used safely and securely, we continue to actively disclose and communicate information related to stable supply and manufacturing and quality control. In addition to disclosing countries of origin of APIs, record of supply, and other information in accordance with the Guidelines for the Disclosure of Information Related to the Stable Supply of Generic Drugs, the Company also publishes the status of its efforts to extend shelf life of drugs and English-language materials in response to globalization.

Information provision to promote the correct uses of medicines

To promote the correct uses of medicines, we provide various explanatory materials for patients, e.g., about how to take medicines, and conduct studies, e.g., on combinations of medicines and other food/beverages other than water to alleviate the bitterness for family caregivers trying to help their children or those they are caring for to take medication. The materials and results of these studies are provided to patients and their family members through medical institutions.

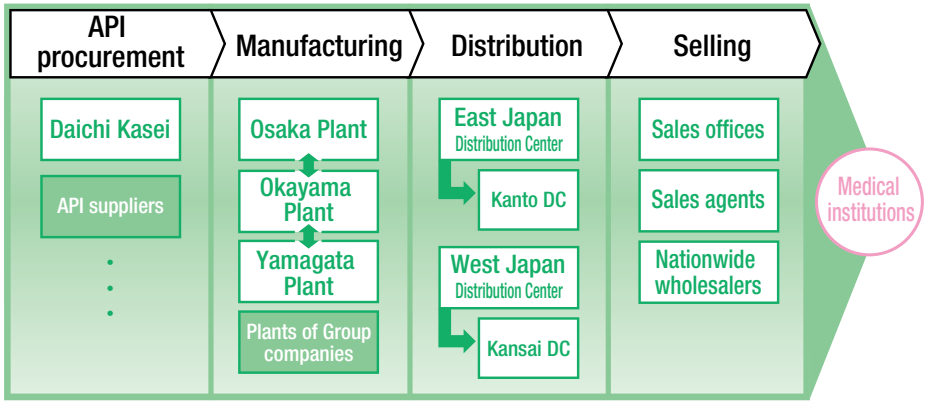
People can access information about medicines by scanning a QR code* printed on a product package with their smartphone or cell phone. For formulations for children, QR codes provide information to parents about the taste of medication and how to help patients (their children) take medication smoothly.

*QR code is a registered trademark of DENSO WAVE INCORPORATED.

Responsible business activities

Stable supply system—Enhancing supply chain management

In order to further fortify the stable supply system that we have focused on up to this point, we are building a mechanism to visualize and properly control the entire supply chain, from procurement of APIs to manufacturing, logistics, distribution, and sales. Specifically, we connect and put together information on sales and production plans, performance, inventory status, and facility operation status, among others, and work to improve the accuracy and speed of planning based on the data. Through this, we plan to continue strengthening the system that supports the stable supply of pharmaceuticals.



Towa Group Procurement Policy

In February 2025, the Group established the Towa Group Procurement Policy with the aim of maintaining high ethical standards and fulfilling social responsibilities in the Group's procurement activities together with all of its suppliers. The Group will continue to comply with laws, regulations, and social norms in its procurement, while engaging in procurement of high-quality products for which a stable supply is ensured, and taking into consideration such issues as fair and just transactions, respect for human rights and different values, improvement of workplace environments, and the global environment.

Partnership Declaration

Aiming to build new partnerships with our business partners in the supply chain through cooperation and an approach of coexistence and co-prosperity, we announced a Partnership Declaration in March 2025. We will strive to maintain fair and sound business relationships with all business operators by focusing on business efficiency improvement through the use of IT, reduction of greenhouse gas emissions, appropriate price determination, review of bill payment terms, appropriate handling of intellectual property, and consideration for the issue of work style reform. We will continue to build a relationship of trust with our partners and achieve sustainable growth together.

Our efforts for stable API procurement

In order to further strengthen in-house manufacturing of APIs which we have been involved in to date, we have built a manufacturing building equipped with advanced technologies that can handle the manufacture of highly potent APIs such as anticancer drugs. The building was completed in August 2024 at Group company Daichi Kasei. In addition, aiming to reduce the risks related to the procurement of APIs, we will promote multi-sourcing, including for raw materials and intermediates, and take appropriate measures against mutagenic impurities using the latest knowledge.

Daichi Kasei

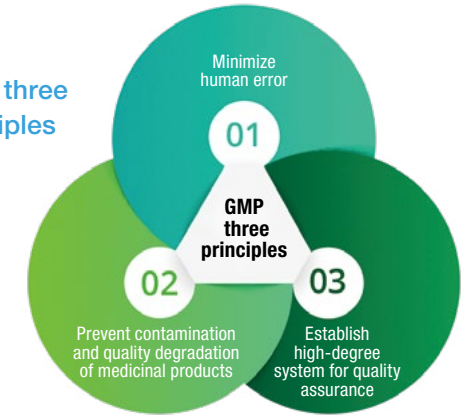
Responsible business activities

Quality assurance system

In order to be a trustworthy company, we carry out company-wide quality control initiatives that cover from product R&D, manufacturing, and marketing to after-sales operations, and have established a quality assurance system required for ethical drugs. Based on the Towa Group Quality Policy, we have established procedures for each production site that are in compliance with the three principles of Good Manufacturing Practices (GMP; standards for manufacturing and quality control of pharmaceuticals and quasi-drugs) established by the Japanese government. In addition to conducting monthly training for employees involved in the manufacturing of pharmaceuticals on the topics of GMP and the areas of their responsibility, we have established an expert certification system as an internal qualification, and a GMP auditor system for auditing contract manufacturers.

To further strengthen quality control, we installed the Quality Management System (QMS) of MasterControl K.K. This system allows for the digital integrated management of events and documents related to the manufacture and sale of pharmaceuticals. All three plants already have Manufacturing Execution System (MES) and Laboratory Information Management System (LIMS; quality testing management system for pharmaceuticals), and introducing these new systems will improve manufacturing and quality control and aims to prevent in advance human error.

GMP three principles



Group-wide initiatives to foster a Quality Culture

The Company promotes activities to foster a Quality Culture (hereinafter, "QCul") in order to ensure that the stance of placing quality above all is implemented across the Group. In September 2024, we held the Roundtable Discussion to Foster Quality Culture in the Towa Group, which was attended by two officers in charge and five persons who participated in a GMP Roundtable Meeting hosted by the Pharmaceuticals and Medical Devices Agency (PMDA). By sharing the content of lectures at the GMP Roundtable Meeting and discussions and opinions shared in the meeting's group work, and through the questions and comments contributed by officers in charge, the attendees discussed issues concerning QCul activities and measures for improvement.

In November 2024, a roundtable discussion was held at the Osaka Plant between the Production Division and the Sales and Marketing Division. The discussion, which was attended in person by medical representatives and Osaka Plant's staff, served as a platform to learn from each other about the plant's initiatives and human resources development as well as to inspire them to reflect the voices of medical professionals in their work. Similar discussions are also scheduled for Yamagata and Okayama Plants.

Meanwhile, an online roundtable discussion between Daichi Kasei and medical representatives of Towa Pharmaceutical was held in February 2024. The discussion led to a deeper mutual understanding through the sharing of information and initiatives related to APIs. One participant commented; "learning Towa's ideas about quality has given me confidence in the quality of Towa's formulations."

Towa Group Quality Policy

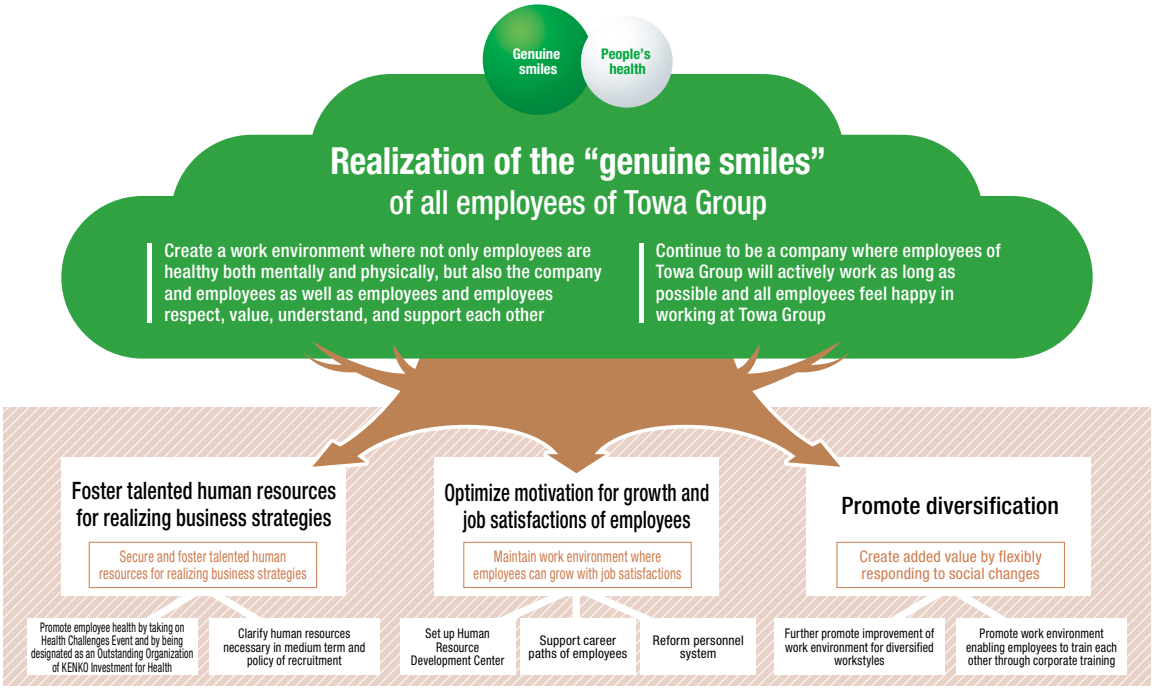
Towa Group is committed to contributing to people's health by creating superior products and services.

1. We will always put patients first, and provide pharmaceutical products of reliable quality and information that are needed.
2. We will establish a quality assurance system that conforms to the latest international standards, comply with requirements of relevant laws and regulations, and implement appropriate manufacturing and quality control.
3. All of us—from production sites to top management—will work as one to make the values of quality first take root among ourselves.
4. We will stably supply high-quality pharmaceutical products through repeated improvements and enhancements using the latest technology.
5. We will continuously make improvements based on proactive initiatives backed by the latest scientific findings and the knowledge we have accumulated and managed over the years.

Creating work environment with job satisfactions and fostering talented human resources

The Company believes that employees are its important investment resources and assets. To achieve one of the basic policies of our 6th Medium-term Business Plan, which is "Strengthening sustainability management and building foundation for sustainable growth," we are working under the policy of "Creating work environment with job satisfactions and fostering talented human resources" towards creating a workplace environment that is more comfortable and lively, with focus on improving the working style of each and every employee and caring for their wellness.

The goals of our human resources strategy are to "Secure and foster talented human resources for realizing business strategies," "Maintain work environment where employees can grow with job satisfactions," and "Create added value by flexibly responding to social changes." In order to achieve these goals, we believe that it is important to enhance the growth and career of each individual. To this end, the Human Resources Division has been working to formulate requirements for managerial positions, visualize business skill requirements, and provide support for career development, among others. In April 2024, we established the Human Resource Development Center as an organization that works under direct orders of the president to support the employees so that they can work with a sense of satisfaction, achieve further grow, and play more active roles in their work.



Career development support

Believing that it is important for us to be a "company that provides job satisfaction to each and every employee" in order to strengthen our corporate foundation, we support employees' career development by promoting the development of their working styles and career paths. Under the Human Resources Division, we established the Career Development Department (person in charge of career development support) that is tasked with the training and career development of each and every on-site employee, and are supporting the self-led career development of all employees.

Specific measures include career interviews between employees and Career Development Department staff, as well as career development trainings targeting those who were newly appointed to management positions and employees who are in their fourth year after joining the Company as new graduate, through which we are promoting support for employees' autonomous career development. Furthermore, starting in 2025, the Company is offering career development trainings for employees in their 50s to promote the career development of employees across generations.

"Career Vision Sheets" are used by employees to visualize their own career visions and plan their actions. In addition, we published a "Career Map" and "Career Model" that visualize career paths available at the Company as reference materials for employees to envisage their own career vision, along with "Position Requirements" for various posts.

By creating opportunities for employees to achieve continuous personal growth and demonstrate their abilities, we strive to realize a lively workplace environment, with the aim of becoming an organization in which all employees can feel the sense of job satisfaction.

Human capital

KENKO Investment for Health 2025

We were certified as an Outstanding Organization of KENKO Investment for Health 2025 (large enterprise category, "White 500"), which is selected jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

The program certifies companies that think about employees' health management from a business-management perspective and strategically implement relevant initiatives. The top 500 companies under the large enterprise category are recognized as "White 500." Since the program's launch in 2017, the Company has been selected as an Outstanding Organization of KENKO Investment for Health eight years in a row and five times as a "White 500" enterprise.

Having established an organization that oversees company-wide safety and health management, we are making efforts to create a comfortable workplace, maintain mental well-being, and improve the health of employees. Specifically, we are implementing regular health education by public health nurses, training for all employees in managerial positions on how to support the mental health of staff they supervise using the results of organizational analysis of stress checks, and self-care training for all employees, in our company-wide effort to prevent mental health disorders. We also disseminate information on health issues for women, such as female-specific cancers and menopausal disorders. As for female-specific cancers, we emphasize the significance of early detection and encourage female employees to undergo cancer screening once a year. In addition, we host the TOWA Health Challenge, an annual event held each year within the Company to measure the physical condition of all employees as a way to provide employees the opportunity to think deeply about their own health, and implement initiatives such as *rajio taiso* exercise routine at each business site aimed at promoting exercise habits.

Our efforts for diverse work styles

The Company respects difference between individuals and aims to enable each employee to effectively demonstrate his or her capabilities by proactively working to promote diversity, including promoting the active participation of women, supporting employees in balancing between work and personal life, and employing persons with disabilities.

We have developed an environment that supports diverse styles of working, such as by introducing childcare and nursing care support systems and telecommuting, under our policy to increase the variety of working styles and develop an environment in which employees can make the most of their abilities. Specifically, we have various parental and nursing care systems for our employees. For example, they can take parental leave until their children turn three years old, they can extend using the shorter working hour system for parenting until their children finish the sixth grade at elementary school, and we provide family support leave to which employees are entitled when they need to take care of their sick family members requiring nursing care.

The Committee for the Promotion of Employee Empowerment, which was established for the purpose of enabling employees to make suggestions and work toward their realization on their own initiative, has been making active efforts to promote diversity in the working styles of employees.

Indicators and targets

Indicator	Target	Result
Implementation rate of career interview (regular interview)	100% (April 2024 to the end of March 2025)	100% (April 2024 to the end of March 2025)
Ratio of women in management positions	Achieve 13%	15.3% (as of March 2025)
Ratio of paid leave taken	Achieve 65%	73.4% (FY2024)

Social contribution activities

High School Student Business Contest

The Company has held High School Student Business Contests five times in the past, with the aim of seeking fresh ideas from high school students who will lead the future of Japan and creating a social contribution opportunity for them. The 6th contest was held at the Expo Hall Shining Hat of the Expo 2025 Osaka, Kansai, Japan as the "Business Model Competition featuring high school students for the Future and Health supported by Towa Pharmaceutical" hosted by the Better Co-Being Pavilion, which the Company sponsors as a Bronze Partner. Under the theme of "Building Communities to Realize Better Co-Being and Genuine Smiles," six groups of high school students who passed the preliminary screening from among 271 applications received from across Japan gave presentations as finalists.

高校生 未来健康ビジコン2025

Company-sponsored daycare centers

Company-sponsored daycare centers are childcare facilities established by companies to provide their employees with flexible childcare services according to the employees' different ways of working. We established our company-sponsored daycare centers near the Okayama and Yamagata Plants in 2018 to realize a work environment where childrearing employees can work for the Company without any concerns and to contribute to local communities by reducing the number of children on waiting lists at daycare centers. We also have joint-use contracts with company-sponsored daycare centers of other companies to provide employees with additional options. In this way, we are committed to creating an environment where employees find it easier to return to work after parental leave.

Ashinaga Foundation

In support of the idea of "spreading hope from the disaster-stricken areas," the Company donated 20 viewing tickets to "Towa Pharmaceutical presents Yuzuru Hanyu Notte Stellata 2025," of which the Company is the title sponsor, to Ashinaga Foundation's Sendai Rainbow House. Sendai Rainbow House is an orphan support facility established by the Ashinaga Foundation following the Great East Japan Earthquake.

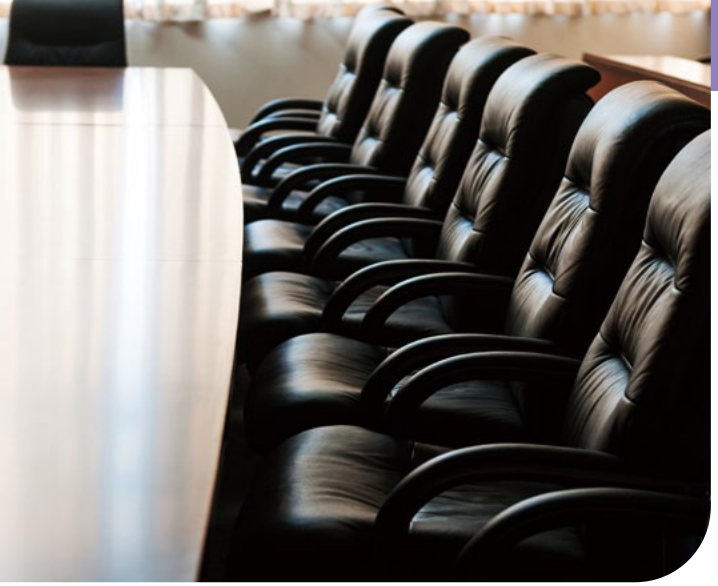
School outreach program

At after-school classes for children offered at elementary school districts in Osaka Prefecture, the Company provides on-site classes that make use of specialized skills and content it holds with the aim of giving children rich and expansive learning and experiences. To date, we have offered programs such as "Let's explore the secrets of medicine through experiments: Ingenious ideas behind generic drugs."

Cultivation of pharmaceutical product raw materials in Mongolia

As an example of social contribution activities in overseas countries, the Company has been implementing a project in Mongolia for more than 10 years to cultivate licorice used as herbal medicine.

The Company has initiated a "100-Year Plan" in which we support activities ranging from securing cultivation land to planting, managing, harvesting, drying, chipping, and selling licorice. Going forward, we will contribute to the development of industries in Mongolia through cooperation with local people.



Governance

Basic approach

We consider enhancing corporate governance to be an important managerial task. By ensuring compliance-oriented management and raising management efficiency and transparency, we will continue to increase our corporate value. To achieve this, we endeavor to respect and protect shareholders' rights as well as establish and maintain good relationships with all of our stakeholders including shareholders. At the same time, we continuously make efforts to achieve our social missions as a healthcare company by focusing on maintaining and improving corporate ethics and ethical standards of officers and employees.

Each of the Group companies also fulfills required roles and obligations to increase the corporate value of the Towa Group as a whole.

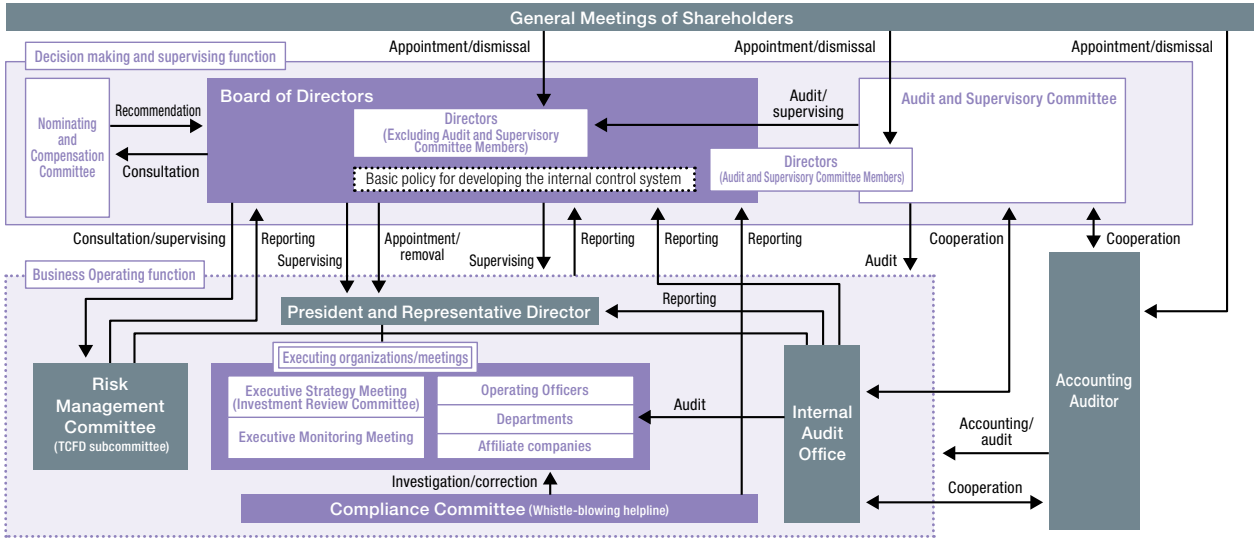
Enhancement of the corporate governance structure

Towa continuously makes efforts to enhance its corporate governance structure. Towa is a company with an audit and supervisory committee. The Company is governed mainly by the Board of Directors consisting of nine Directors (including one Outside Director who is not an Audit and Supervisory Committee Member and three Outside Directors who are Audit and Supervisory Committee Members) and the Audit and Supervisory Committee consisting of four Directors who are Audit and Supervisory Committee Members (including three Outside Directors).

One of the main roles of the Board of Directors is to make decisions on mid- to long-term management policies and important operations. Its important roles also include resolving the basic policy of the internal control system and supervising Directors' business execution. To ensure the effectiveness of such decision-making and supervision, we need to reduce the number of Directors, separate Directors and Operating Officers and clarify their roles, and build an environment that encourages Outside Directors to express their opinions.

Under these policies, Towa has made several efforts. These include the transition to a company with an audit and supervisory committee, introduction of a mid- to long-term performance-based stock compensation system, establishment of the Nominating and Compensation Committee, enhancement of functions of Outside Directors, and stimulation of the Board of Directors. Going forward, Towa will continue to focus on enhancing the corporate governance structure.

Overview of the corporate governance structure



Board of Directors

The Board of Directors of the Company is chaired by the Representative Director. Meetings of the Board of Directors are held monthly in principle. The Board discusses important management matters at the meetings and makes decisions promptly. With regard to business execution, the Company has introduced an operating officer system and built a governance structure to clarify the Directors' responsibilities. With the structure, Operating Officers bear the responsibility for business execution while the Board of Directors focuses on decision-making and supervision of management issues.

Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company consists of four members including three Outside Audit and Supervisory Committee Members. Audit and Supervisory Committee Members conduct effective audits according to audit plans formulated by the Audit and Supervisory Committee. Specifically, they attend important meetings such as the Board of Directors meetings; receive reports from Directors, Operating Officers, employees, and the Accounting Auditor; and conduct on-site audits of major offices. In addition, the Audit and Supervisory Committee has established its own whistle-blowing helpline, which accepts whistle-blowing on matters involving officers as a highly independent contact.

Nominating and Compensation Committee

The Nominating and Compensation Committee of the Company is chaired by President and Representative Director Itsuro Yoshida and consists of five members including Osamu Uchikawa, Executive Managing Director; Norikazu Eiki, Outside Director; Kaori Oishi, Outside Director (Audit and Supervisory Committee Member); and Kenryo Goto, Outside Director (Audit and Supervisory Committee Member). The Committee is comprised of three or more Directors, the majority of whom are Independent Outside Directors, elected by a resolution of the Board of Directors, and meets three times a year in principle. Specifically, the Nominating and Compensation Committee deliberates on such matters as the appointment and dismissal of Directors and Operating Officers, nomination of candidates, succession planning, and compensation, and makes recommendations to the Board of Directors. To increase the objectivity and transparency of the decision-making process, the Outside Directors are given opportunities to be involved and to offer advice as appropriate.

Skill matrix

		Gender	Corporate management	Global business	Sustainability	Finance/ Accounting	Legal affairs/ Compliance/Risk management	Personnel/ HR development	IT/DX	Business strategy/ Marketing	Production/ Quality control/SCM	Science/ R&D	Public administration/ Industry
Inside Directors	Itsuro Yoshida	Male	●		●	●	●	●		●	●		●
	Osamu Uchikawa	Male	●	●							●	●	
	Toshikazu Kokubun	Male	●		●			●	●	●	●		
	Masaaki Takeyasu	Male	●	●					●	●			●
	Masao Tanaka	Male	●			●	●	●					
Outside Director	Norikazu Eiki	Male	●	●			●				●	●	●
	Kaori Oishi	Female			●		●						
	Kenryo Goto	Male				●	●						
	Nobuki Ando	Male	●	●						●	●		●

Note: This table does not represent all of the skills possessed by each Director.

Executive Strategy Meeting (Investment Committee)

The Executive Strategy Meeting is chaired by President and Representative Director Itsuro Yoshida and consists of nine members comprising Directors, Senior Operating Officers, and Operating Officers. The Executive Strategy Meeting meets once a week in principle and deliberates on important items related to management issues. In particular, important investment projects are examined and considered from the perspective of capital cost at the Investment Committee, which is held as necessary, and based on the results, deliberations and investment decisions are made at the Executive Strategy Meeting. In addition to the above, the Executive Strategy Meeting deliberates on management policies and the Medium-term Business Plan and clearly defines the basic strategies and management targets, as well as sets sales and profit targets in the annual budget.

Executive Monitoring Meeting

The Executive Monitoring Meeting is chaired by President and Representative Director Itsuro Yoshida and consists of 19 members including Directors, Senior Operating Officers, Operating Officers, and Division Managers. Executive Monitoring Meetings are held monthly in principle to monitor the sales and profit figures achieved and the progress of important issues and the Medium-term Business Plan, and implements management toward achieving targets.

Analysis and evaluation of the effectiveness of the Board of Directors as a whole

In February to March 2025, the Company conducted a self-evaluation survey for Directors to analyze and evaluate the effectiveness of the Board of Directors. The survey used a questionnaire consisting of 21 questions including those on the structure, operations, and discussions of the Board of Directors. Results of the survey were reported at the Board of Directors meeting held on April 14, 2025.

Although the survey showed no significant issues on the effectiveness as a whole, it reminded us that we need to further discuss the discovery and development of human resources from a mid- to long-term perspective. Based on those results of the evaluation, the Company will further endeavor to enhance the effectiveness of the Board of Directors.

Roles and independence of Outside Directors

The Company believes that fair and efficient corporate management can be achieved through Outside Directors' advice and opinions on the promotion of sound and efficient management at Board of Directors meetings. The Company has established the Nominating and Compensation Committee as an advisory body to the Board of Directors in order to further enhance and strengthen the corporate governance structure. In particular, the committee contributes to appropriately providing the Outside Directors with opportunities for involvement and advice so as to increase the objectivity and transparency of the decision-making process on the matters such as the appointment or dismissal of and compensation for Directors and other officers.

Agenda items of the Board of Directors are sent to Outside Directors in advance by the General Affairs Department, the administrative office of the Board of Directors, so that they can consider matters to be discussed thoughtfully. In addition, the Company has built a system to help Outside Directors fulfill their duties as Audit and Supervisory Committee Members. They are provided with necessary support by the assistant staff of the Audit and Supervisory Committee as well as reports and explanations on important matters by the full-time Audit and Supervisory Committee Member.

History of Towa's corporate governance

Reasons for nomination of Outside Directors

Name and position	Reasons for nomination	Attendance		
		Board of Directors meetings	Audit and Supervisory Committee meetings	Nominating and Compensation Committee
Outside Director **Norikazu Eiki**[*1] Assumed the office in June 2015	Norikazu Eiki has wide-ranging insights and extensive experience at a global company, and the Company expects that he will provide advice and opinions concerning the promotion of sound, efficient, and objective management, as well as help strengthen decision-making function of the Board of Directors from an outside perspective, for which reason it has appointed him as an Outside Director.	(held 13 times) 100%	(held 3 times) 100%	(held 6 times) 100%
Outside Director (Audit and Supervisory Committee Member) **Kaori Oishi** Assumed the office in June 2020	Kaori Oishi is well versed in corporate legal affairs as an attorney-at-law. The Company expects that she will provide advice and opinions based on her wealth of experience and expertise from a female perspective as well as from an independent perspective, for which reason it has nominated her as an Outside Director.	(held 13 times) 100%	(held 13 times) 100%	(held 6 times) 100%
Outside Director (Audit and Supervisory Committee Member) **Kenryo Goto** Assumed the office in June 2021	Kenryo Goto has expertise in fields including finance and accounting as a certified public accountant and extensive experience as a corporate manager of an audit firm. The Company expects that he will provide advice and opinions from an independent perspective based on the above background about improving the transparency and objectivity of management, for which reason it has nominated him as an Outside Director.	(held 13 times) 100%	(held 13 times) 100%	(held 6 times) 100%
Outside Director (Audit and Supervisory Committee Member) **Nobuki Ando**[*2] Assumed the office in June 2024	Nobuki Ando has extensive knowledge of Japan's health insurance system cultivated through his work in health insurance administration, as well as deep knowledge of logistics and experience as a manager in companies operating both domestically and overseas. The Company expects that he will provide advice and opinions from an independent perspective based on the above background about the promotion of sound, efficient, and objective management, for which reason it has nominated him as an Outside Director.	(held 10 times) 100%	(held 10 times) 100%	–

*1 As Director Norikazu Eiki resigned from the position of Director (Audit and Supervisory Committee Member) and was elected as Director on June 25, 2024, the number of Audit and Supervisory Committee meetings held differs from that for other Directors.

*2 As Director (Audit & Supervisory Committee Member) Nobuki Ando was newly elected and appointed at the 68th Ordinary General Meeting of Shareholders held on June 25, 2024, the numbers of meetings of the Board of Directors and the Audit and Supervisory Committee held differ from those for other Directors.

Compensation for officers

The Company formulated the basic policy for the determination of Directors' compensation. Under the policy, compensation shall:

- Contribute to secure talented people to ensure Towa Group Philosophy, Our Commitments, Corporate Policy, and the Towa Group Code of Conduct;
- Be linked with clear targets for corporate and individual performance to increase Directors' motivation and morale as they perform their duties;
- Help to raise awareness of the contribution to improving mid- to long-term performance and corporate value; and
- Be determined with a focus on raising awareness of sharing interests with shareholders and shareholder-centered management.

With the basic policy above, in 2019 the Company introduced the mid- to long-term performance-based stock compensation system for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members). This introduction was made to further clarify the link between compensation and the Company's mid- to long-term performance and shareholder value, as well as to improve corporate value over the medium to long term by granting incentives while raising Directors' awareness of contribution to the improvement of corporate value and shareholder-centered management.

In addition, the Company has established the Nominating and Compensation Committee as an advisory body to the Board of Directors with the aim of increasing the objectivity and transparency of the decision-making process of compensation for Directors or other matters as well as further enhancing and strengthening the corporate governance structure.

Total amount of compensation for Directors

Position	Total amount of compensation (JPY million)	Amount of compensation by type (JPY million)				Number of eligible officers
		Basic compensation	Bonuses based on individual performance	Performance-based compensation		
				Monetary compensation	Non-monetary compensation	
Directors (excluding Audit and Supervisory Committee Members) (of which Outside Directors)	195 (8)	120 (8)	15 (–)	52 (–)	6 (–)	6 (1)
Directors who are Audit and Supervisory Committee Members (of which Outside Directors)	42 (22)	42 (22)	– (–)	– (–)	– (–)	6 (4)
Total (of which Outside Directors)	237 (31)	162 (31)	15 (–)	52 (–)	6 (–)	12 (5)

1. At the 63rd Ordinary General Meeting of Shareholders held on June 25, 2019, the amounts of compensation for Directors and Audit and Supervisory Committee Members were resolved as follows.
   ·The amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) is set at an annual amount not exceeding JPY 550 million (including up to JPY 30 million for Outside Directors), including basic compensation, annual bonuses, and mid- to long-term performance-based stock compensation.
   ·The amount of compensation for Directors who are Audit and Supervisory Committee Members, including Outside Directors, is set at an annual amount not exceeding JPY 70 million.
   ·Aside from the annual compensation in the amount not exceeding JPY 550 million for Directors (excluding Directors who are Audit and Supervisory Committee Members) stated above, monetary claims in the total annual amount not exceeding JPY 100 million is paid to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) for the granting of restricted stock.
2. The monetary compensation paid as performance-based compensation consists of annual bonuses of JPY 44 million (paid to Directors [excluding Outside Directors and Directors who are Audit and Supervisory Committee Members]) and mid- to long-term performance-based stock compensation of JPY 7 million.

Cross-shareholdings

The Company may hold stocks in cross-shareholding upon request from a business partner as a means to build, maintain, and strengthen long-term and stable transactional relationships with the business partner. In that case, however, the Company holds cross-shareholdings only when it is deemed that holding of such shares will contribute to the enhancement of its corporate value over the medium to long term.

Whether to hold cross-shareholdings is determined yearly by the Board of Directors with consideration of mid- to long-term economic rationality and future outlook. The Company exercises its voting rights of cross-shareholdings appropriately after closely examining the proposals and determining whether the holding of such shares will contribute to the enhancement of shareholder value. The Company does not make an affirmative determination on proposals that may damage shareholder value. In addition, the Company will be against proposals of appointment of directors and other officers who committed any antisocial act or violation of legal obligations.

If a cross-shareholder expresses an intention to sell the shares, the Company does not hinder the sale or other acts. When conducting transactions with cross-shareholders, the Company will thoughtfully examine the economic rationality of those transactions, just as with those with other business partners.

Dialogues with stakeholders

The Public Relations and Investor Relations Department is in charge of the Company's IR activities. The Company discloses the information on its management strategies, finance/performance status, among other matters, to shareholders, investors, and other stakeholders through investor relations activities in an appropriate and timely manner. In addition, the Company emphasizes constructive dialogues with stakeholders including shareholders and investors so as to deliver opinions, requests, and other similar things obtained from such dialogues to the Board of Directors for the improvement of corporate value.

The Company recognizes the importance of appropriate collaboration with not only shareholders and investors but also other stakeholders including patients, medical professionals, business partners, local communities, and employees. For creating corporate value, we are committed to disclosing information in an appropriate and timely manner to all of our stakeholders in order to maintain good and smooth relationships with them.

Dialogues with shareholders in FY2024

1 IR structure	Officer in charge of IR: Director Toshikazu Kokubun Section in charge of IR: Public Relations and Investor Relations Department Contact Phone: +81 (6) 6900-9102, E-mail: ir@towayakuhin.co.jp
2 Dialogue initiatives	·Financial results meetings for analysts and institutional investors (President and Representative Director, Directors, Operating Officers, others) ·Small meetings and conferences organized by securities companies (Directors, others) ·Individual IR meetings with analysts and institutional investors in Japan and overseas (Directors, section in charge of IR, others) ·Other IR events such as company briefings and factory tours
3 Number of individual IR meetings held	114 meetings in FY2024
4 Main themes of dialogues	·Financial results for FY2024 (Factors behind year-on-year growth in net sales and profit, achievement status of full-year plan and its factors) ·FY2025 plan (Assumptions and factors for each Group company's plan) ·Status of stable supply in Japan (Status of increase in production at Yamagata Plant, prospects for production increase beyond 17.5 billion tablets) ·Domestic market situation for generics and future outlook for domestic drug price system ·Financial strategy (Capital cost, attitude toward financial soundness, cash allocation policy, etc.)
5 Debriefing of dialogues	Outline of meetings with analysts and institutional investors and major questions asked are compiled into a weekly report during the week of the meeting and presented to the President and Representative Director and the officer in charge of IR. An IR activity report is prepared every quarter and reported to the management team.
6 Improvements made based on opinions gathered through dialogues	In order to promote constructive dialogue with shareholders, we are proactive in considering disclosure of information. Based on the opinions heard at individual IR meetings, we revised the supplementary materials for financial results and newly disclosed the following information. ·WACC and the cost of capital as estimated by the Company ·Policy of capital allocation plan, guidelines for R&D expense-to-sales ratio ·Dividend policy: Dividend payout ratio and DOE guidelines

Risk Management

Basic approach to risk management

To ensure company-wide risk management, the Company has formulated the "Basic Regulations for Risk Management," which shall be complied with by all the departments, officers, and employees of the Towa Group. It is critical for the Group's continuation and growth to respond to the risks surrounding the Group promptly and appropriately. We aim to prevent risks as well as to minimize the loss of stakeholders' profits and impacts on corporate management when a risk occurs. The Group's risk management is administered by the Risk Management Committee, established under the President and Representative Director, who is the chief risk officer.

Risk Management Committee

The Risk Management Committee is headed by President and Representative Director Itsuro Yoshida, chaired by Division Manager of Administration Division Norikazu Inoue, and is made up of 16 other members: Executive Managing Director Osamu Uchikawa, Director Toshikazu Kokubun, Director Masaaki Takeyasu, Senior Operating Officer Tetsuro Tabata, Senior Operating Officer Yutaka Okuda, Senior Operating Officer Takahiko Taniguchi, Operating Officer Hideshi Nakamura, Operating Officer Shiro Hatagami, Operating Officer Masafumi Fukae, Operating Officer Yasuyuki Oishi, Operating Officer Takeshi Sugiura, Division Manager of Human Resources Division Naomichi Hashizume, Division Manager of Purchasing Division Takeyuki Yamamoto, Division Manager of International Business Division Kensuke Ogihara, and General Manager of Logistics Department Wataru Yoshimura.

The Risk Management Committee addresses the risks surrounding the Group promptly and appropriately with the aim to minimize the loss of stakeholders' interests and impacts on corporate management when a risk occurs while preventing risks.

Information security

To increase the Company's trustworthiness and competitiveness, the Company has formulated its information security regulations. The regulations consist of basic rules for appropriate use, maintenance, and operation of information assets that all the officers and employees must comply with in the course of their duties. Based on the regulations, the Company works to secure information security as part of daily management activities, business promotion, and organizational operation.

Disaster countermeasures

Towa Group takes various measures to prepare for a large-scale disaster.

Specifically, those measures include: (1) provision of emergency supplies, (2) clarification of initial responses and preparation of manuals, and (3) introduction of a safety verification system. In addition, we hold twice-a-year meetings of the Risk Management Committee to share information.

In terms of production, we have established a system of backup in preparation for disasters. To ensure stable supply of products, our production bases for oral medications are distributed across three plants. Sterile products are manufactured only at Yamagata Plant, which is built with seismic isolation as a provision against an emergency. This enables us to continue manufacturing even when hit by an earthquake registering seven on the Japanese seismic scale.

In addition, we conduct disaster drills in accordance with the Fire Service Act at each facility. Evacuation drills and water-type fire extinguisher drills are performed supposing real occurrence of fire emergency so that all employees will be able to act safely and with a sense of crisis.

Fire evacuation drill

Risk Information

Towa Group mainly handles prescription products, and among them, generics are our leading products. A generic drug has the same active ingredients, indications, dosage, and administration as a branded drug that has been on the market after its efficacy and safety have been confirmed for a certain period of time. Thus, the Group faces specific risks as a generic business in addition to risks as a holder of marketing authorization for drugs.

Recognizing the possibility of these risks occurring, we believe that responding to them quickly and appropriately is essential for the continued existence and development of the Group. The Group's basic policy is to prevent risks from occurring and minimizing the loss of stakeholders' interests and impacts on corporate management when a risk occurs. Under this policy and led by the Risk Management Committee, we identify important risks and manage the progress of measures to address them.

Healthcare system, pharmaceutical regulations, etc.

To sell ethical drugs, which are our mainstay products, the products have to be listed in the NHI price list specified by the Minister of Health, Labour and Welfare. The actual market prices of ethical drugs included in the NHI price list are surveyed every two years so that their official prices defined in the list accurately reflect their actual market prices. Based on the survey results, the prices of many drugs have been lowered. Moreover, as part of the drastic reform of the drug price system, which introduced off-year price revision, drug price revision has been an annual process since FY2021. The Group's financial position and operating results could be affected if the medical insurance system is reviewed, the drug price system is significantly changed, or the medical cost containment policy is reinforced.

The Group's business is subject to the Pharmaceutical and Medical Device Act and related laws and regulations. As various permits, approvals, and licenses are required, any violation of the above regulations may result in administrative sanctions by the competent authorities, which may affect the business activities of the Group. In addition, against the background of the global trend toward tighter regulations on mutagens, there is the risk of any detected problem with a product, including its failure to meet applicable standards, leading to its recall, disposal, or discontinued marketing.

To address such risks, the Group collects information on the healthcare system, laws and regulations, and other matters, and is conducting business in accordance with laws and regulations as well as the expectations of society and administrative authorities. We are striving to sell products at fair prices that match their values while improving profitability by expanding the market share of recently launched products. In addition, we have developed a company-wide plan and system for compliance promotion.

Patents and re-examinations

The generics business, which is the core business of the Group, is, by its nature, significantly affected by the patent rights of original drug manufacturers. The active ingredients of branded drugs are usually protected by patent rights, and the period is 20 years from the date of application (the period may be extended for up to five years). Since generics are approved for marketing after the expiration of the patent period, the extension of the patent period is expected to affect the Group's launch of new products (new generics).

In addition, there is a re-examination system for the original drug to reconfirm its efficacy and safety after a certain period of time, and the reexamination period is, in principle, eight years from the date of approval for manufacture and sale of the original drug. After this period has elapsed, we apply for the manufacture and sale of generics. However, if the re-examination period is reset due to the addition of new indications for the original drug or for any other reason, it will affect the launch of the Group's new products, as they may differ from the original drug in terms of indications, efficacy, dosage, and administration.

Aside from the above, our generic drugs sometimes use API that still has patent rights for their crystal form, formulations, use of the drug, etc. With regard to such patent rights, accurately understanding and avoiding them can provide us with opportunities to gain a competitive advantage. However, there is also a risk of patent suit being filed by the patent holders, which could affect the Group's financial position and operating results.

In order to respond to such risks, the Group collects information on patents and re-examination periods and strengthening collaboration among related departments, such as engineering and development departments. Through such efforts, we strive to resolve discrepancies in indications by obtaining approval for partial changes, such as additional indications as soon as possible, after the patent period on a branded drug expires, or by applying for partial changes after the re-examination period, as well as develop drug formulations that have not been covered by patents held by other companies.

Risks in the competitive environment

The competitive market for generic drugs is composed mainly of a switch from brand-name drugs and is greatly affected by the number of sales promotion companies. In recent years, companies have been planning strategies, such as introducing authorized generic products. Our actual sales revenue may differ from planned revenues, depending on their trends. In addition, since the supply situation of competitors may affect demand for the Group's products, supply instability, sales suspension, or any other uncertainty related to our competitors may present an opportunity for us to gain market share but may also pose a risk to the stable supply of our products.

Risk Information

The Group responds to such risks by increasing production capacity through capital investment and improving the backup system for manufacturing sites. Starting from FY2025, we are strengthening our functions by establishing a new specialized organization that works to ensure a stable supply of products from the production and sales aspects by monitoring the volume of demand and inventory daily. We are also making efforts to ensure reliability through transparent disclosure of information.

Stagnation and delay of production

The Group has production sites in Japan (Osaka, Okayama, Yamagata, Shiga, Okinawa, Hyogo, Shizuoka, and Chiba Prefectures) and Spain (Province of Catalonia), and any of these production sites could be forced to cease business operations owing to the occurrence of natural disasters or technical/regulatory issues to affect the stable supply of products. In addition, the Group has formulated a business plan based on the assumption that we will meet domestic demand by operating the 3rd solid formulation building at the Yamagata Plant at full capacity. Therefore, any stagnation or delay in production could significantly damage our market opportunities and affect the business plan.

The Group responds to such risks by striving to organize a mutual backup system among its plants in Japan and abroad, increase distribution bases, and promote multiple sourcing of APIs. Also, in order to respond to increasing demand in the domestic market, we have been making additional investments in facilities at the Yamagata Plant since 2021. At the same time, we have been working to strengthen our organizational functions and promote appropriate personnel allocation and development so that these facilities can operate smoothly and contribute to the profits of the company.

Procurement of APIs and materials

The Group procures APIs and materials from sources both in Japan and overseas, and the recent surge in raw material prices may affect product costs. There is also a risk that the procurement of raw materials may become difficult in the long run due to fluctuations in the supply and demand balance of raw materials, domestic and overseas regulations, or suspension of supply by raw material manufacturers. Even if costs rise due to the weak yen, it is extremely difficult to pass on such increases to sales prices under Japan's drug price system, and such procurement risks and exchange rate risks may affect the Group's business performance.

To mitigate such risks, as a measure to strengthen supply chain management, we are actively promoting diversification of suppliers for APIs and raw materials. We are also promoting in-house production of APIs for important products at Daichi Kasei Co., Ltd., a member of the Group. In addition to the above, to avoid the risk of cost increase due to the depreciation of the yen and to ensure a stable supply of our products over the long term, we conduct long-term derivative transactions. Such transactions are subject to mark-to-market valuation at the time of financial closing, and valuation losses may occur if the yen is stronger, or the long-term interest rate spread between Japan and the U.S. is larger, than at the end of the previous fiscal year. Therefore, valuation loss may occur depending on the exchange rate and the interest rate trend in Japan and the U.S. In the opposite case, valuation gains may occur. The Company estimates the future amount of import transactions made in foreign currencies to conduct long-term derivatives transactions within the estimated range. This helps us prevent derivatives transactions from being speculative.

Securing and developing human resources

The Group recognizes that securing and developing the right human resources for our business activities is an important management issue. Failing to sufficiently secure and develop the right human resources will make it difficult for us to achieve the sustainable growth of our business and maintain competitiveness, which may adversely affect our operating results and financial position.

To address such a risk, we are working to build an organization in which diverse human resources can maximize their abilities by actively recruiting and training people with diverse backgrounds and creating a workplace environment that supports flexible working styles. Through measures such as the introduction of an internal qualification system and establishment of a Human Resource Development Center, we are developing human resources that will play key roles in increasing revenues from growth businesses and strengthening the competitiveness of our core businesses. On the other hand, in response to the issue of the declining working-age population due to the advancing aging of society with the declining birthrate, we are proactively promoting automation and labor-saving initiatives with the goal of turning all of our plants into smart factories.

Risks related to IT security and information management

The Group is in possession of large amounts of confidential information, including sensitive personal information, through its business activities. Such confidential information is always subject to leaks due to cyber attacks or internal fraud. This, combined with the enactment of laws to protect personal information and increased awareness of rights regarding personal information, makes information management all the more important. Leakage of important confidential information could result in not only legal damage but also loss of social credibility of the Group as a whole.

We guard against these risks and strengthen security by continuously conducting in-house education to raise awareness about information security and working with our Group company, T Square Solutions Co., Ltd.

Compliance

Compliance policy

In order to be committed to ethical and law-abiding corporate behavior in accordance with the "Towa Group Code of Conduct," the Group promotes measures as well as training and education to raise compliance awareness of the officers and employees. Furthermore, we develop and appropriately utilize a whistle-blowing helpline so as to promptly detect and correct fraudulent acts of the Group's officers and employees.

The Internal Audit Office, which is under the direct supervision of the President and Representative Director, conducts internal audits and reports the results directly to the top management. In the case where the Internal Audit Office finds anything that needs improvements, it conducts a follow-up audit to check the improvements.

Compliance structure

We have established the Compliance Committee consisting of inside and outside committee members under the officer in charge of compliance to promote compliance activities. Under the Group's compliance policy, the officers and employees shall promptly report to Directors and the Compliance Committee when they find a problem that may cause damage to the Group's business and financial condition and financial condition, or when a noncompliance is anticipated.

The Compliance Committee is in charge of the whistleblowing helpline (group helpline). It regularly reports the information from the officers and employees of the entire Group collected through the helpline to the Board of Directors. The Audit and Supervisory Committee shares information with the Internal Audit Office and the Compliance Committee on a regular basis. It has a right to request report submission.

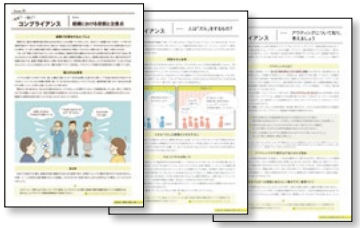
In addition, because each organization needs to carry out activities such as promotion of and corrective actions for compliance autonomously, we have designated Division Managers and Plant Managers as Departmental Compliance Promotion Supervisors, and Department Managers as Departmental Compliance Promoters. The Compliance Committee works together with Departmental Compliance Promotion Supervisors to plan and implement measures such as identification, analysis, and correction of compliance risks for the Group as a whole.

Overview of the compliance structure

Compliance activities/education

The Company conducts awareness-raising activities for the officers and employees on a daily basis under the leadership of the officer in charge of compliance and the Compliance Committee. In addition, we set specific periods to promote compliance to take various measures across the Group. Specifically, we conveyed a message from the president and displayed a poster to raise awareness of compliance. We also conducted an awareness survey for all officers and employees of the Group, officer training, and workplace meetings related to compliance at each department. In addition, we revised the Code of Conduct and disseminated compliance-related information on the intranet to raise awareness.

As part of compliance-related training, we provided an e-learning course regarding the whistle-blowing system, the Code of Conduct, bribery, and other topics. For overseas subsidiaries as well, legal affairs and compliance departments at the regional headquarters undertook measures such as provision of training on antimonopoly laws, insider trading, conflicts of interest, and other topics related to compliance.



Delivered easy-to-understand compliance example cases through Group newsletters

Whistle-blowing helpline

The whistle-blowing system is used as a helpline shared within the Group companies in Japan. In order to enhance the understanding and reliability of the whistle-blowing system, we implemented measures to that end, such as periodic dissemination of information on the whistle-blowing system and how it has been utilized, and training on the system, including the protection of whistleblowers. At Group companies in Japan, in response to the growing number of uses of the whistle-blowing system, the Compliance Committee and the Audit and Supervisory Committee have been taking appropriate measures while protecting whistleblowers, and contributing to the early detection and correction of problems. To further enhance the Company's reliability, we have set up a contact point on our website to receive reports and requests for consultation from our business partners and stakeholders. As for overseas subsidiaries, we have established whistle-blowing helplines in Towa INT which covers all of our subsidiaries in the EU/U.S. region. We regularly receive their reports on the status of operation.

Message from the Outside Directors

Norikazu Eiki
Outside Director

Kaori Oishi
Outside Director (Audit and Supervisory Committee Member)

As a part of the social infrastructure, Towa will establish stable supply and contribute to winning back trust in the industry overall

Generic drugs are a vital social infrastructure underpinning national healthcare, and the industry's top priorities are ensuring a stable supply and restoring trust. With persistent quality scandals and excessive competition and disruptions to supply becoming all too common, however, it is projected that it will take until 2029 to resolve the shortage of generic drugs, so breaking the current impasse is an urgent issue.

Amidst such circumstances, Towa will further boost production efficiency at its three domestic plants and its plant in Spain. Stably supplying high-quality pharmaceutical preparations will significantly contribute to augmenting the industry's overall supply structure and regaining trust. We further plan to actively engage in industry restructuring and, as a key manufacturer, take the initiative in realizing a stable supply as soon as possible.

And we will leverage digital technology to enhance production management and further strengthen the quality assurance structure, while advancing the cultivation of specialized personnel and establish a sustainable growth foundation with an eye toward tomorrow.

As an Outside Director, I will also contribute to restoring trust industry-wide and boosting corporate value, with a sense of mission as an industry that provides the public with peace of mind, considering the perspectives of diverse stakeholders.

Aim for further overseas business growth

Regarding our overseas business, since our acquisition of Towa INT in 2020, we have undertaken various initiatives to expand global sales and achieve Group synergies. Immediately after the acquisition, the COVID-19 pandemic served to restrict overseas travel, making communication difficult with subsidiaries abroad. Despite these circumstances, we actively promoted the joint development of global products, the sharing of know-how to augment quality management and reliability, and the exchange of personnel.

I feel that our efforts to this point are steadily yielding results, exemplified by the 2024 launch of Japanese-bound product manufacturing at our Spanish plant. The business performance of overseas subsidiaries and progress toward achieving Group synergies are matters of considerable interest for Outside Directors as well. We regularly confirm progress and actively exchange opinions during Board meetings and discussions with responsible officers.

We intend to continue engaging in necessary discussions on overseas business and other such important themes within the Board of Directors and the Audit and Supervisory Committee, with the goal of contributing to the Company's sustainable growth.

Message from the Outside Directors

Kenryo Goto
Outside Director (Audit and Supervisory Committee Member)

Nobuki Ando
Outside Director (Audit and Supervisory Committee Member)

Toward resolving social issues

The generic drug shortage that began in 2020 has yet to be unresolved. Government and administrative bodies are also resolutely driving forward industrial restructuring to ensure a steady supply. The urgent issue we face remains how to boost production volume through measures centered on expanding facilities at the Yamagata Plant and resolve the situation in which we are required to limit shipments.

We will advance consignment alliances that consolidate overlapping industry product lines, and also anticipate support from the Ministry of Health, Labour and Welfare's stable supply funds. Given that funding is still necessary, we intend to support this through proactive governance.

Moreover, the possibility of potentially carcinogenic nitrosamines being created and mixed in is a global issue. We are investigating why this occurs, formulating solutions, and strengthening Towa Quality.

I hope that, with my perspective from outside the Company, I can help ensure a stable supply for products that support "genuine smiles" by contributing to people's health, and that can be used with peace of mind in Japan and the rest of the world.

Looking back at the year past

After the General Meeting of Shareholders held in June 2024, I was appointed as an Outside Director and member of the Audit and Supervisory Committee of the Company. I have visited subsidiaries in Japan and abroad over the past year, participating in discussions with management executives at each location.

I also toured each plant, was provided with detailed explanations, and observed manufacturing processes.

What I felt as a result of this was that we still have tremendous room for growth. That potential was evident in the parent company as well as in each of its subsidiaries, including those outside of Japan.

Meanwhile, I also sense challenges. The most significant issue is the dearth of personnel with the ability to transform the Company's growth potential into reality.

Given this, I believe that enhancing human capital is a top priority. In that sense, a department dedicated to personnel cultivation was established FY2025, and I have high expectations for their contributions.

Board Members

Itsuro Yoshida
President

May 1979	Joined the Company
October 1983	General Manager of Finance & Accounting Department
December 1983	Director / General Manager of Finance & Accounting Department
August 1986	Director / General Manager of General Affairs Department
April 1990	Director / General Manager of President Office
June 1990	Senior Managing Director / General Manager of President Office
June 1991	Senior Managing Director / Division Manager of Production Division / General Manager of President Office
November 1991	Senior Managing Director / General Manager of President Office
June 1996	President and Representative Director (to present)
October 2003	Chairman and Representative Director of J-DOLPH Co., Ltd. (currently J-DOLPH Pharmaceutical Co., Ltd.)
October 2010	Chairman and Representative Director of Daichi Kasei Co., Ltd.
June 2024	Chairman of the Board of Directors of J-DOLPH Pharmaceutical Co., Ltd. (to present)

Osamu Uchikawa, Ph.D.
Executive Managing Director

August 2017	Joined the Company / Senior Advisor, API Business Division
April 2018	Operating Officer / Division Manager of API Business Division
April 2019	Senior Operating Officer / Division Manager of API Business Division / In charge of Product Strategy Division and Innovative Technology Research Division
April 2021	Senior Operating Officer / Division Manager of API Business Division / In charge of Product Planning Division, Innovative Technology Research Division, Pharmaceutical Research and Technology Division, Pharmaceutical CDMO Management Division, and Pharmaceutical Development Division
June 2021	Chairman and Representative Director of Daichi Kasei Co., Ltd.
April 2022	Senior Operating Officer / Division Manager of API Business Division / In charge of Pharmacovigilance and Quality Assurance Division, Product Planning Division, Innovative Technology Research Division, Pharmaceutical Research and Technology Division, Analytical Technology Center, Pharmaceutical CDMO Management Division, and Pharmaceutical Development Division
April 2023	Senior Operating Officer / In charge of R&D Division, Pharmacovigilance and Quality Assurance Division, and Pharmaceutical CDMO Management Division Director
June 2023	
June 2025	Chairman and Director of Daichi Kasei Co., Ltd. (to present) Executive Managing Director of the Company (to present)

Toshikazu Kokubun
Director

April 2014	Joined the Company / Sales and Marketing Division
April 2020	General Manager of Regional Medical Strategy Department, Business Development Division / General Manager of Next Generation Business Promotion Department
April 2021	Operating Officer / Deputy General Manager of Business Development Division / General Manager of Regional Medical Strategy Department
April 2022	Operating Officer / General Manager of Corporate Strategy Division in charge of Human Resources Division
April 2024	Operating Officer in charge of Corporate Strategy Division, Human Resources Division, Administration Division, Finance and Accounting Division, Sales and Marketing Division, Logistic Department, and Production Division
June 2024	Director (to present)

Masaaki Takeyasu
Director

April 1988	Joined Shionogi & Co., Ltd.
April 2006	General Manager of Corporate Planning Division
April 2008	General Manager of Marketing Division
April 2012	Operating Officer / General Manager of Overseas Business Division
April 2018	General Manager of Public Relations Division
April 2019	Deputy General Manager of Planning and Management Division, H.U. Group Holdings, Inc.
January 2021	President and Representative Director of Ishinban, Inc.
January 2023	Joined the Company / Deputy General Manager of Corporate Strategy Division
April 2024	In charge of Corporate Strategy Division under Pharmaceutical CDMO Management Division / International Business Division / Business Development Unit / Digital Health Planning and Promotion Office Representative Director of T Square Solutions Co., Ltd. (to present)
June 2024	Director (to present)

Norikazu Eiki
Outside Director

August 1979	Joined Ciba-Geigy Japan Limited
January 1994	Joined Bayer Yakuhin, Ltd.
March 1997	Director / Plant Manager of Shiga Plant, Bayer Yakuhin, Ltd.
July 2002	President and Representative Director of Bayer Yakuhin, Ltd.
January 2007	Chairman and Representative Director of Bayer Yakuhin, Ltd.
April 2010	Chairman and Director of Bayer Yakuhin, Ltd.
May 2014	Outside Director of AnGes MG, Inc. (currently AnGes, Inc.) (to present)
April 2015	Director of FunPep Co., Ltd. (to present)
June 2015	Outside Director of the Company
April 2016	Outside Director of Solasia Pharma K.K. (to present)
June 2018	Outside Director of Gene Techno Science (currently Kidswell Bio Corporation) (to present)
June 2019	Outside Director of the Company (Audit and Supervisory Committee Member)
August 2023	Outside Director of AwakApp Inc. (to present)
June 2024	Outside Director of the Company (to present)

Masao Tanaka
Director (Full-time Audit and Supervisory Committee Member)

April 2009	Joined the Company / Deputy-General Manager of Internal Audit Office
April 2011	General Manager of Internal Audit Office
October 2016	General Manager of Public Relations and Investor Relations Office / General Manager of Human Resources Department
June 2017	Director / Division Manager of Administration Division
April 2019	Director / Director in charge of Administration Division
June 2020	Director
April 2021	Chairman and Representative Director of Protosera Inc.
July 2021	President and Representative Director of Protosera Inc.
June 2024	Director (Audit and Supervisory Committee Member) (to present)

Kaori Oishi
Outside Director (Audit and Supervisory Committee Member)

October 2001	Registered as an attorney at law
October 2001	Joined Kitahama Law Office (currently Kitahama Partners)
January 2013	Partner of Kitahama Partners (to present)
June 2017	Outside Director of PALTAC CORPORATION (to present)
June 2020	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
June 2022	Outside Director of FUJITEC CO., LTD.
June 2024	Outside Director of ESLEAD CORPORATION (to present)

Kenryo Goto
Outside Director (Audit and Supervisory Committee Member)

September 1981	Joined Asahi & Co., Osaka Office (currently KPMG AZSA LLC)
March 1984	Registered as a certified public accountant
May 2005	Partner of KPMG AZSA & Co. (currently KPMG AZSA LLC)
July 2010	Board member, Head of Division 3, Osaka Office, KPMG AZSA LLC
July 2013	Senior Executive Board member of KPMG AZSA LLC
July 2015	Osaka Office Managing Partner of KPMG AZSA LLC
July 2020	Established Kenryo Goto Certified Public Accountant Office (to present)
April 2021	Auditor of Hyogo Medical University (to present)
June 2021	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
June 2022	External Director of West Japan Railway Company (to present)
January 2024	Outside Auditor of HI-LEX CORPORATION (to present)

Nobuki Ando
Outside Director (Audit and Supervisory Committee Member)

April 1978	Joined NIPPON EXPRESS
January 2002	Manager of NIPPON EXPRESS USA, INC. Seattle Branch
February 2004	Manager of NIPPON EXPRESS USA, INC. Los Angeles Branch Air Service Division
October 2008	General Manager of Sales Planning Department / General Manager of Customer Service Center, NIPPON EXPRESS
June 2011	Executive Officer in charge of Sales Planning Department, Sales Department 3, and Customer Service Center
May 2013	Executive Officer in charge of Sales Planning Department, Global Logistics Services Department, and Customer Service Center
May 2014	Managing Executive Officer
May 2015	Chairman of the NIPPON EXPRESS Health Insurance Association
April 2017	Alumni Association Chairman and Councillor of Ryutsu Keizai University
October 2017	Chief Director of Japan Health Insurance Association
April 2022	Director and Councillor of Ryutsu Keizai University (to present)
November 2023	Advisor of SIGMAXYZ Inc. (to present)
June 2024	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

11-Year Financial Summary

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net sales (JPY million)	71,470	82,115	84,949	93,430	105,104	110,384	154,900	165,615	208,859	227,934	259,594
Operating profit (JPY million)	11,105	11,134	6,869	11,643	15,968	16,143	19,923	19,205	5,514	17,647	23,242
Ordinary profit (JPY million)	15,437	10,157	7,417	11,717	18,865	20,990	18,677	22,739	5,141	24,477	26,152
Profit attributable to owners of parent (JPY million)	11,118	7,684	5,576	6,495	13,475	14,503	13,958	15,914	2,201	16,173	18,986
Comprehensive income (JPY million)	11,175	7,313	5,858	6,533	13,409	14,948	14,469	17,960	7,825	21,949	18,645
Net assets (JPY million)	70,048	70,605	74,945	79,920	91,771	104,665	116,599	132,169	136,894	155,893	171,625
Total assets (JPY million)	121,187	156,851	165,247	177,181	188,803	230,016	245,668	332,097	371,347	430,653	470,823
Net assets per share (JPY)	1,373.89	1,434.79	1,522.99	1,624.09	1,864.92	2,126.72	2,369.21	2,685.18	2,781.17	3,167.27	3,486.40
Earnings per share (JPY)	218.07	154.19	113.32	132.00	273.85	294.74	283.62	323.36	44.72	328.59	385.71
Diluted earnings per share (JPY)	—	145.43	104.74	122.03	253.32	272.62	271.93	316.19	—	—	—
Capital-to-asset ratio (%)	57.8	45.0	45.4	45.1	48.6	45.5	47.5	39.8	36.9	36.2	36.5
ROE (Return on equity) (%)	17.1	10.9	7.7	8.4	15.7	14.8	12.6	12.8	1.6	11.0	11.6
Price-earnings ratio (%)	10.50	9.98	16.56	16.79	10.64	7.69	8.61	8.50	42.37	8.84	6.95
Cash flows from operating activities (JPY million)	8,037	3,732	10,195	19,230	19,002	19,164	12,008	22,129	2,544	8,212	23,401
Cash flows from investing activities (JPY million)	(8,230)	(19,032)	(22,206)	(20,093)	(3,994)	(39,541)	(9,100)	(59,729)	(30,284)	(40,394)	(31,287)
Cash flows from financing activities (JPY million)	238	27,970	(92)	4,670	(809)	11,748	184	46,540	17,481	35,407	21,567
Cash and cash equivalents at end of year (JPY million)	5,208	18,526	7,112	11,511	26,652	18,713	22,915	32,830	24,257	29,650	45,460
Number of employees	2,060	2,203	2,408	2,449	2,472	3,325	3,456	4,078	4,298	4,588	4,788
R&D expenditure (JPY million)	6,144	8,924	9,352	7,725	7,916	8,566	10,642	11,488	15,265	13,242	16,212
Capital investment (JPY million)	13,816	15,792	25,026	12,166	6,011	6,236	10,353	14,848	39,645	35,967	33,391
Depreciation (JPY million)	5,724	7,329	7,980	8,173	8,340	8,285	9,674	10,153	14,261	13,659	15,677
Dividend per share (JPY)	31.7	31.7	31.7	31.7	35.8	44.0	44.0	60.0	60.0	60.0	70.0
Dividend payout ratio (%)	14.5	20.5	27.9	24.0	13.1	14.9	15.5	18.6	134.2	18.3	18.1

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, 2015.
During the fiscal years ended March 31, 2021 and March 31, 2023, the Company finalized provisional accounting treatments for the business combination. Accordingly, major management indices and other relevant data for the fiscal years ended March 31, 2020 and March 31, 2022 reflect contents of the finalization of provisional accounting treatments.
The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. Major management indices and other data for the fiscal year ended March 31, 2022 and the following years reflect these accounting standards.
Diluted earnings per share for the fiscal year ended March 31, 2015 and the fiscal years since the one ended March 31, 2023 are not stated since there were no dilutive shares.
The fiscal year ended March 31, 2023 was a transitional period for the change in the fiscal period for nine consolidated subsidiaries. The consolidated subsidiaries had an irregular accounting period of 15 months from January 1, 2022 to March 31, 2023.

Corporate Data

Main business locations

As of March 31, 2025

Major group companies

J-DOLPH Pharmaceutical Co., Ltd.

Manufacturing and selling of ethical drugs

Headquarters: Koka, Shiga

Daichi Kasei Co., Ltd.

R&D and manufacturing of APIs and intermediates

Headquarters: Fukusaki, Kanzaki, Hyogo

Greencaps Pharmaceutical Co. Ltd.

Producing soft capsules for pharmaceutical products

Headquarters: Fujinomiya, Shizuoka

Sunsho Pharmaceutical Co., Ltd.

Planning, development, and contract manufacturing of health foods, pharmaceutical products, etc.

Headquarters: Fuji, Shizuoka

Towa Pharma International Holdings, S.L.

Manufacturing and selling of ethical and OTC drugs

Headquarters: Barcelona, Spain

Kyushu Pharmaceutical Co., Ltd.

Sales of pharmaceuticals and quasi-drugs

Headquarters: Kagoshima, Kagoshima

Non-consolidated subsidiaries

T Square Solutions Co., Ltd.

Provision of healthcare related IT services

Headquarters: Moriguchi, Osaka

Protosera Inc.

Disease risk testing service business and research and development of diagnostic drugs

Headquarters: Settsu, Osaka

Corporate Data

Company outline

As of March 31, 2025

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 Prime Market of the Tokyo Stock Exchange (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 Life Innovation Center Amagasaki Research Center Himeji Research Center
Plants	Osaka, Okayama, and Yamagata Plants
Distribution centers	East Japan Distribution Center West Japan Distribution Center Kanto Distribution Center Kansai Distribution Center
Sales offices and sales sites	69 sales offices, 55 distributors

Consolidated subsidiaries

J-DOLPH Pharmaceutical Co., Ltd.
Daichi Kasei Co., Ltd.
Greencaps Pharmaceutical Co. Ltd.
Sunsho Pharmaceutical Co., Ltd. (and two other companies)
Kyushu Pharmaceutical Co., Ltd.
Towa Pharma International Holdings, S.L. (and seven other companies)

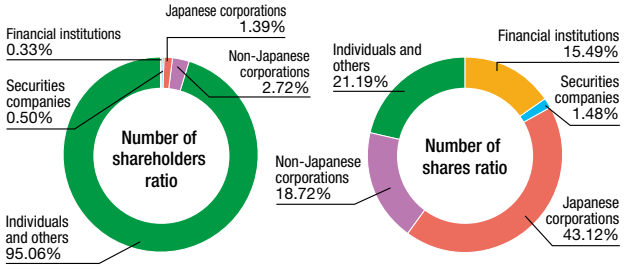
*Sunsho Pharmaceutical Co., Ltd. absorbed and merged its consolidated subsidiary Kamata Co., Ltd. on April 1, 2025. As a result, from April 1, 2025, Sunsho Pharmaceutical Co., Ltd. will have only one consolidated subsidiary.

Stock Data

As of March 31, 2025

Shares authorized	147,000,000 shares
Shares issued	51,516,000 shares
Number of shares constituting one unit	100 shares
Number of shareholders	7,048 shareholders

Share breakdown by shareholder type

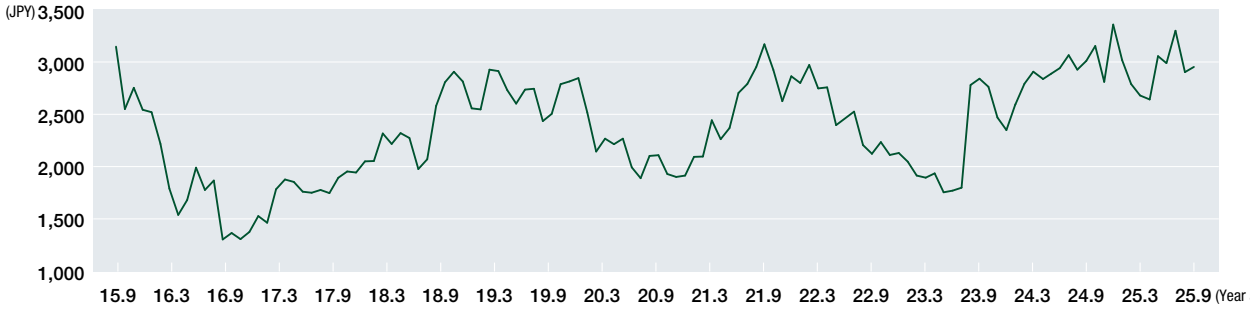


Major shareholders (Top 10)

Shareholder name	Number of shares (Thousand)	Ownership (%)
Yoshida Office Co., Ltd.	20,100	40.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,635	7.39
BNYM AS AGT/CLTS 10 PERCENT	2,461	5.00
TOWA PHARMACEUTICAL Kyoeikai	1,536	3.12
Custody Bank of Japan, Ltd. (Trust Account)	1,531	3.11
Itsuro Yoshida	1,455	2.96
TOWA PHARMACEUTICAL Employee Stock Ownership Group	997	2.03
Custody Bank of Japan, Ltd. (Trust Account 4)	995	2.02
Yoshida Estate Ltd.	648	1.32
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO	617	1.26

Note: The Company holds 2,288,903 shares of treasury stock but is excluded from the above major shareholders. The Company calculated the ownership by deducting the number of treasury shares.

Stock Price

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