

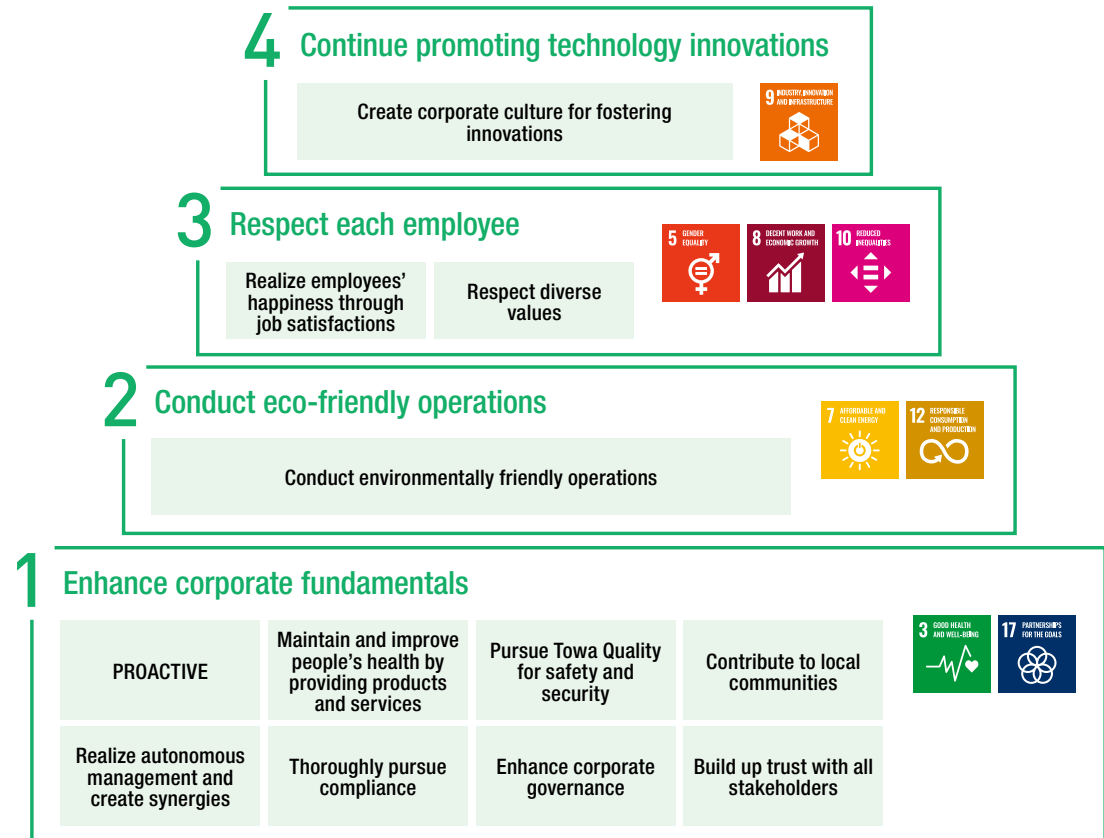
Towa Group's Sustainability

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.

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.

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.

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.

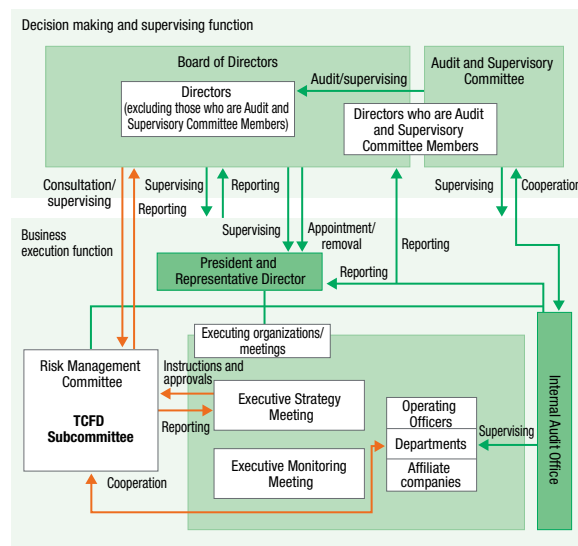
The Risk Management Committee deliberates on the status of initiatives undertaken by the TCFD Subcommittee, and reports to the Board of Directors on the status twice a year.

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	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	Low
Physical Risk and opportunity 4°C scenario	Market		[Risk] An increase in costs for procuring raw materials due to promotion of decarbonization at suppliers	Low
	Acute	Increase in frequency and magnitude of meteorological disasters	[Risk] Suspension of operations due to damage to company-owned locations and/or supply chains	Low
	Chronic	An increase in extreme weather (extremely hot days, etc.)	[Risk] An increase in air conditioning costs, etc. for quality control	Low
			[Opportunity] An increase in demand for drugs for diseases increasing with climate change	Low
			[Opportunity] Establishment of competitive advantage by leveraging proprietary technologies and an increase in demand for value-added products	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 (CO₂ emissions (t-CO₂))

	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

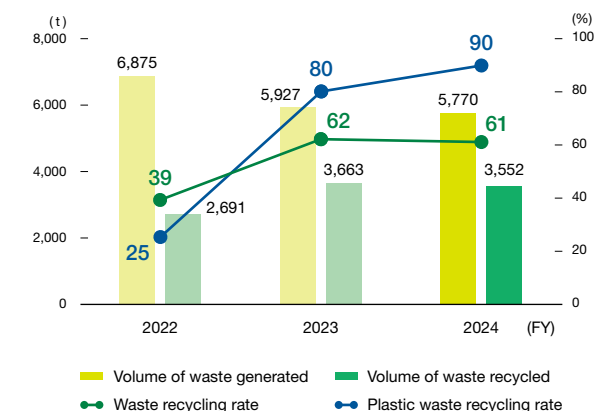
The Group is working to contribute to recycling-oriented society. In FY2024, the Group set the following Group targets related to resource recycling, and is promoting efforts to save resources and recycle waste.

- 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.



*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

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.

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.

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 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.

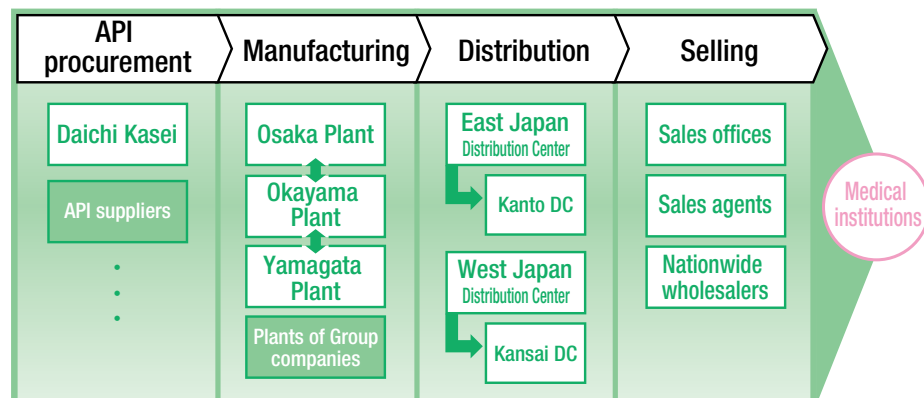
Disclosure initiatives

To ensure Towa Quality products and services are used safely and securely, we continue to actively

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

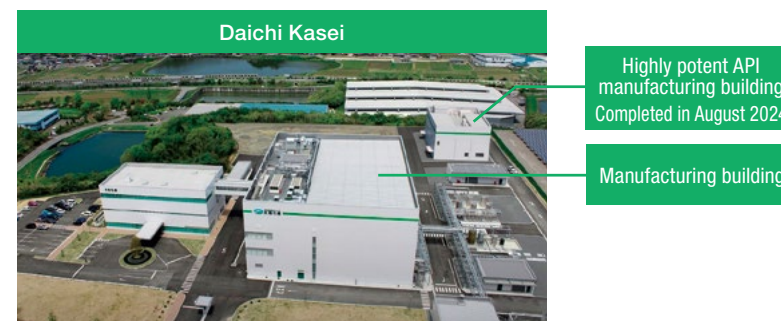
In February 2025, the Group established the Towa Group Procurement Policy with the aim of maintaining high ethical standards and fulfilling social responsibilities in the Group's procurement activities together with all of its suppliers. The Group will continue to comply with laws, regulations, and social 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.



Responsible business activities

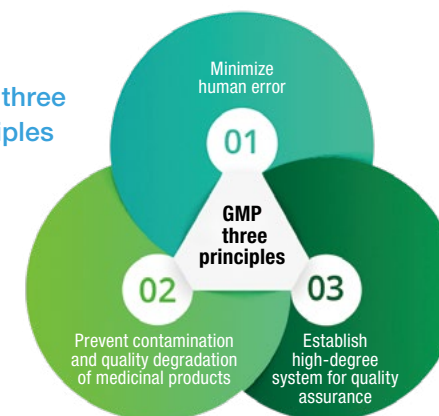
Quality assurance system

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.

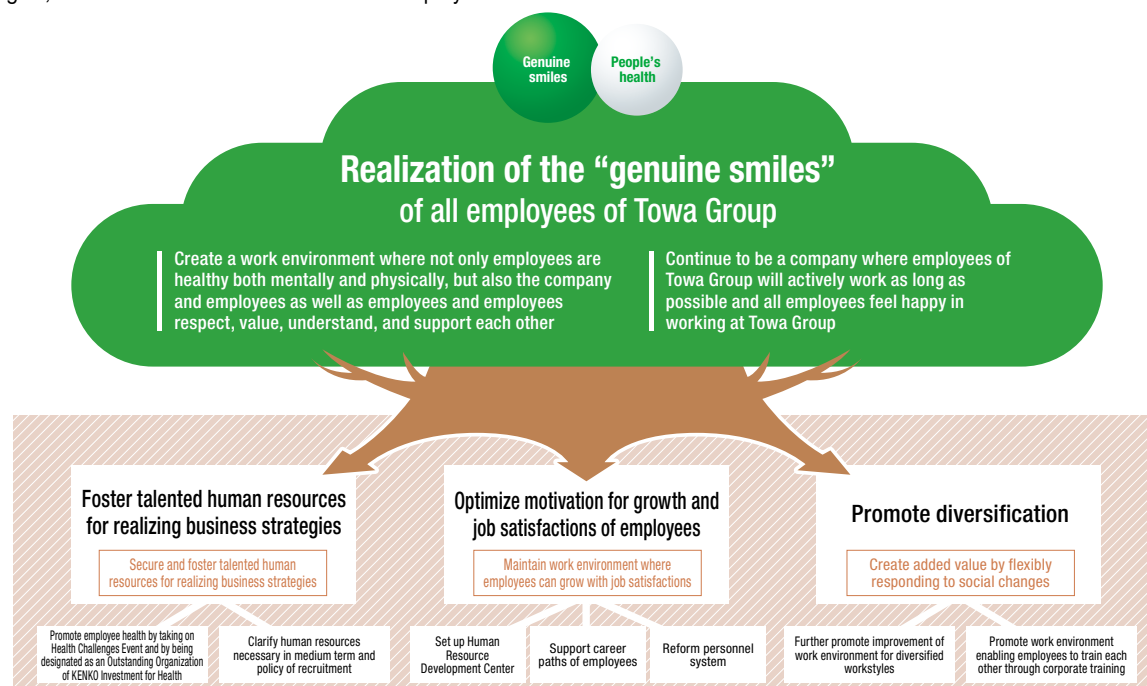
Human capital

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 *rajo 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.



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

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.

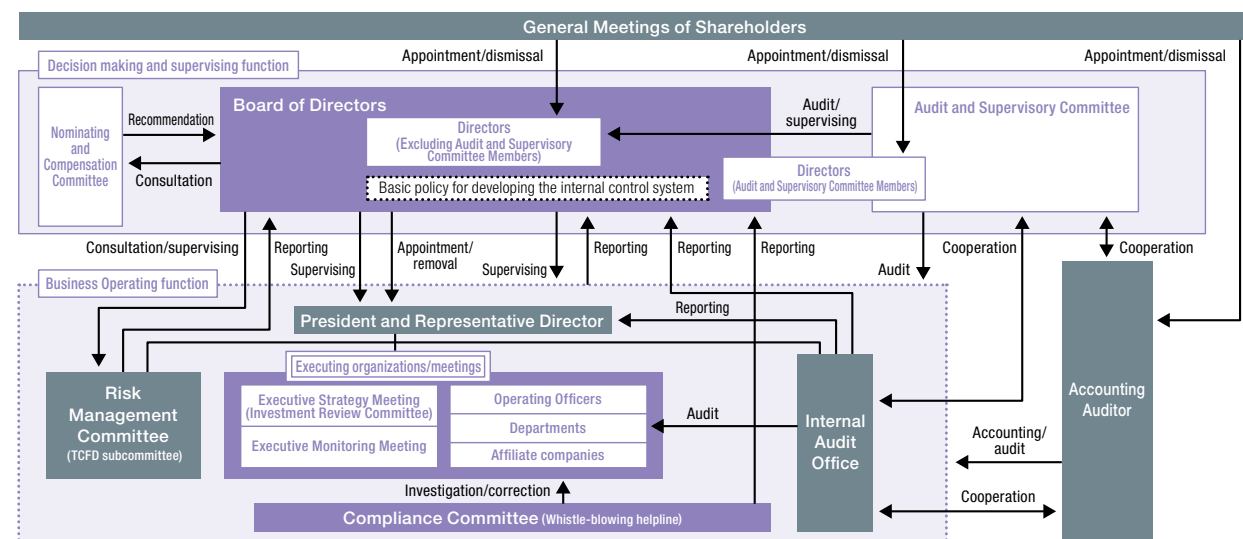
Under these policies, Towa has made several efforts. These include the transition to a company with an audit and supervisory committee, introduction of a mid- to long-term performance-based stock compensation system, establishment of the Nominating and Compensation Committee, enhancement of functions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

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.

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.

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.

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 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

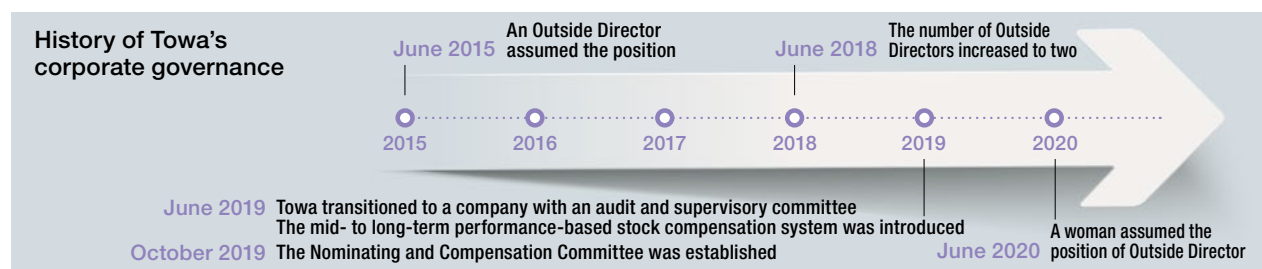
In February to March 2025, the Company conducted a self-evaluation survey for Directors to analyze and evaluate the effectiveness of the Board of Directors. The survey used a questionnaire consisting of 21 questions including those on the structure, operations, and discussions of the Board of Directors.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



Reasons for nomination of Outside Directors

Name and position	Reasons for nomination	Attendance		
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.	Board of Directors meetings (held 13 times) 100%	Audit and Supervisory Committee meetings (held 3 times) 100%	Nominating and Compensation Committee (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.	Board of Directors meetings (held 13 times) 100%	Audit and Supervisory Committee meetings (held 13 times) 100%	Nominating and Compensation Committee (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.	Board of Directors meetings (held 13 times) 100%	Audit and Supervisory Committee meetings (held 13 times) 100%	Nominating and Compensation Committee (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.	Board of Directors meetings (held 10 times) 100%	Audit and Supervisory Committee meetings (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)

- 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.
- 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	<p>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</p>
2 Dialogue initiatives	<ul style="list-style-type: none"> ·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	<p>114 meetings in FY2024</p>
4 Main themes of dialogues	<ul style="list-style-type: none"> ·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	<p>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.</p>
6 Improvements made based on opinions gathered through dialogues	<p>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.</p> <ul style="list-style-type: none"> ·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.

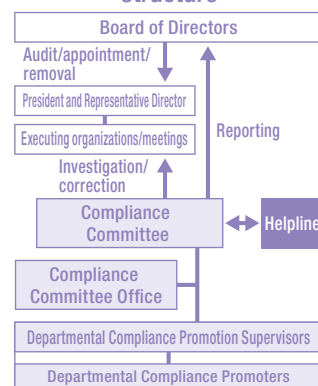
Compliance structure

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)



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
June 2024 Representative Director of T Square Solutions Co., Ltd. (to present)
Director (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)



**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
June 2023 Director
June 2025 Chairman and Director of Daichi Kasei Co., Ltd. (to present)
Executive Managing Director of the Company (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)



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)



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)



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)



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)