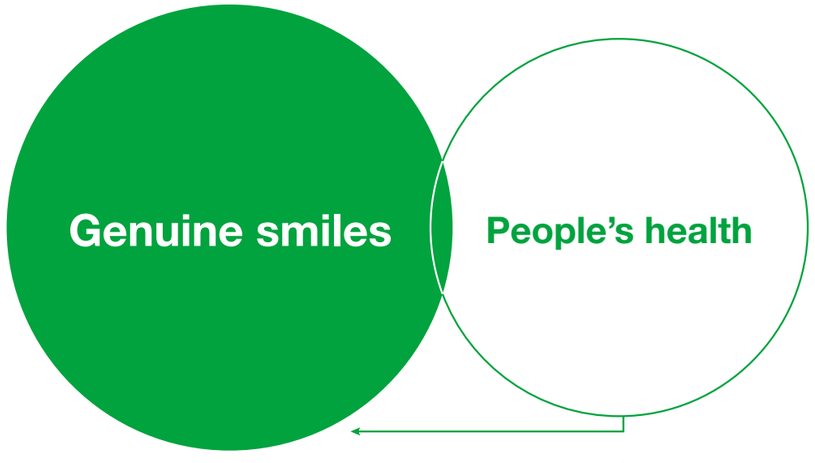
We contribute to people's health
We are dedicated to people's genuine smiles



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.

TOWA PHARMACEUTICAL

[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 this issue, feature topics cover the synergies of our overseas business and the Group's initiatives to ensure reliability. In addition, the sections titled "Our Value Creation Process" and "Message from the President" outline our value creation story and 6th Medium-term Business Plan 2024–2026 PROACTIVE III. We strive 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] FY2023 (From April 1, 2023 to March 31, 2024) Note: The financial information is as of March 31, 2024. The report also covers some initiatives that were taken before April 1, 2023 or after March 31, 2024.

[Guidelines for Reference] IFRS Foundation's International Integrated Reporting Framework; and the 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.

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Embracing the Challenge of a New Era for the Future Beyond People's Health

Itsuro Yoshida President and Representative Director

For a production system to fulfill our social mission during a period of change in the generics industry

The generics business in Japan is currently undergoing a major transformation. Japan's social security benefits expenses are expected to reach about JPY 140 trillion by 2025. To address this, the Japanese government has promoted the use of generic drugs since the early 2000s. As a result, the percentage of generics use has already achieved the target of an 80% volume share. On the other hand, trust in generics and the industry has declined due to a series of supply insecurity incidents caused by quality problems of generics manufacturers that came to light in 2020. The Basic Policy on Economic and Fiscal Management and Reform 2023 approved by the Cabinet in June 2023 stated that measures should be taken to secure the stable supply of drugs, including generics, based on medical needs and to review the structure of the generics industry. In July of the same year, a Study Group on Industry Structure to Achieve Stable Supply of Generic Pharmaceuticals was held to discuss a future vision for the industry.

In the generics business in Japan, the Towa Group has been working to build a system to increase production to help achieve the 80% volume share target in accordance with the previous Medium-term Business Plan. In 2018, we put the 2nd solid formulation building into operation at our Yamagata Plant. Together with our Osaka and Okayama Plants, we secured a total annual production capacity of 12.0 billion tablets in FY2021 as initially planned. However, we are now in the extraordinary situation in which the industry as a whole is unable to deliver stable product supply. For this reason, we brought forward our plans for additional investments in the 2nd solid formulation building at the Yamagata Plant, adding 2.0 billion tablets to achieve a production system of 14.0 billion tablets. We also completed the construction of the 3rd solid formulation building at the same plant in November 2023, which started operations in April 2024. In FY2026, we plan to achieve a production capacity of 17.5 billion tablets per year across the three plants. With the construction of the 2nd sterile formulation building at the Yamagata Plant, we will enhance the production capacity of liquid formulations and freeze-dried formulations, in our efforts to further expand our tangible facilities.

On the intangible front, we are also working to install automation and unmanned facilities and systems to enhance production efficiency, in addition to promoting the development of smart factories. The major purpose of these initiatives is not only to enhance production efficiency and expand production through automation, but also to reduce

the burden on employees working in our plants, for the improvement and advancement of work styles. We will work to evolve the working environment into one where our employees can engage in their work with a sense of job satisfaction. For example, while machines and AI will handle tasks that require speed and accuracy, human workers will be responsible for further improving efficiency, conceiving plans and ideas, and making high-level decisions. Starting with the Yamagata Plant, we will later roll out these measures at the Okayama and Osaka Plants as well.

In the manufacturing control and quality assurance systems, our products are manufactured at all of our plants through procedures that are in compliance with the three GMP principles. Consistent education and training for employees have ensured that each employee works with a high awareness of quality. To build a stricter quality assurance system, we also proactively incorporate international standards such as PIC/S GMP and ICH Guidelines, and we are building a structure that will thoroughly eliminate human error. 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. At the same time, in addition to the Manufacturing Execution System (MES) and the Laboratory Information Management System (LIMS) already in operation, we will introduce the Quality Management System (QMS) from MasterControl K.K., to further improve manufacturing and quality control.

We will continually share the latest market trends and future outlooks across the Group. To fulfill our social infrastructure role, we will continue our efforts with a great sense of mission, namely that we play a central role in stable product supply and quality control.

Aim to create various innovations with synergies generated by Towa Quality

As all Group companies work together to achieve stable product supply, new synergies have been created. The Martorelles Plant of Towa Pharmaceutical Europe, S.L., which is under the umbrella of Towa Pharma International Holdings, S.L., itself a consolidated subsidiary of Towa Pharmaceutical, has begun manufacturing Esomeprazole Capsules 10mg/20mg “Towa”. This plant is a manufacturing base that complies with European Medicines Agency (EMA) and U.S. Food and Drug Administration (FDA) standards, and in February 2024, it also obtained approval for the manufacture of products for the Japanese market. The Martorelles Plant uses large granulation machines to produce large volumes efficiently, a strength that it draws on to provide products to European and U.S. markets. Now, by manufacturing products for the Japanese market, the plant has made significant progress not only toward the Group’s production backup system, but also toward the current issue of stable product supply in Japan.

We will also work to further strengthen cooperation through joint development utilizing the technologies of Group companies. One area in which we can expect to see synergies is the leading-edge formulation and capsule technologies held by Group companies, Sunsho Pharmaceutical Co., Ltd. and Greencaps Pharmaceutical Co. Ltd. A strength of Sunsho Pharmaceutical is its proprietary technology of UniORV®, which has the potential to combine any ingredient in a variety of formulations that cover the weak points of APIs, and seamless capsules that offer a high degree of freedom in product design. It is now working to increase its manufacturing capacity using this technology. We are conducting research and development that combines these various technologies with Towa’s formulation technologies, with the aim of connecting them to the creation of innovation.

All research and development of new products is based on Towa Quality. Towa Quality means the manufacture of products that society wants and needs and that have been upgraded to the latest and the best of the times through continuous modifications and improvements, using all the latest technologies in the Towa Group’s possession. For example, Towa Group is actively trying to clarify the formation mechanism of nitrosamine, which are feared to be carcinogenic, and develop analytical methods. The results of this research were published in ACS Omega, the journal of the American Chemical Society. These results are expected to greatly contribute to the assessment of the risk of admixture of nitrosamine impurities in formulations and to the improvement of quality.

Other 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 doctors and pharmacists 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. We are confident that the clarification of the mechanism of nitrosamine formation and the added value of Towa Quality will better address the concerns of people and healthcare-related issues around the world.

The objective of the Group’s globalization is also to deliver Towa Pharmaceutical’s highly value-added products widely throughout the world. Individual countries and regions have different laws concerning the quality, efficacy, and safety of pharmaceuticals, and their standards and approaches are constantly being updated. The ability to share these global circumstances is one of the significant benefits of synergy, and there are expansive opportunities to contribute to new markets, such as those in emerging countries where increased demand is expected, with the creation of innovation.

Start of the 6th Medium-term Business Plan, declaring “Challenges toward a new phase”

The Towa Group started the 6th Medium-term Business Plan 2024–2026 PROACTIVE III in FY2024. The basic Policies of the Plan are:

1. Evolution of generics business in Japan toward a new phase
2. Establishing foundation for new markets / new businesses and realizing group synergies
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 realize 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. Based on the Towa Philosophy of “We contribute to people’s health,” we will work to acquire new technologies and to integrate new knowledge and technologies. We will actively engage in the creation of health-related businesses adapted to the medical system of the future.

The key to “Challenges toward a new phase” will be the creation of innovation. The Towa Group is working to create technological innovation and product value through the manufacture of sophisticated products with No. 1 total product performance. Our ideal is manufacturing based on local production for local consumption. One area in which we are drawing closer to this ideal is the research and development of continuous flow precision synthesis technology that offers a high degree of safety. Flow synthesis, a next-generation method for the manufacture of APIs that is environmentally friendly, can be achieved with a smaller environmental footprint (green chemistry) at compact automated plants. As such, this technology will contribute significantly to raising the competitiveness of the Japanese industry. We are currently proceeding with development in the synthesis of intermediates, based on multiple candidates. At the same time as increasing the number of those intermediates, we are also aiming to establish technology that will enable synthesis from starting materials. By cultivating technological capabilities of such a high standard in Japan and developing the human resources to support those capabilities, we believe that we will be able to contribute significantly to the Japanese government’s policy of making the supply chain more resilient and increasing national capacity.

Other technological innovations include research of molecular control technology, including spherical crystallization, for the development of pharmaceuticals that have no bitter taste, making them easy to take, tackling the issue of carcinogenic nitrosamine that I described above, and drug repositioning with iPS drug discovery. These are the kinds of new technologies that we are pursuing to deliver added value to patients, address social issues, and create synergies between Group companies. Our aim for molecular control technologies, including spherical crystallization, is to market products using these technologies within the next several years. Drug re-positioning refers to research to discover and commercialize new medical effects from existing drugs whose safety and biokinetics have already been confirmed through actual results. We have completed the selection of candidate substances using iPS cells, and we are now proceeding with clinical testing. Clinical data on safety, the most time-consuming and expensive part of new drug discovery, has already been secured, and once we have confirmation of efficacy, we will be able to deliver a wide variety of drugs to the market efficiently. In fields where new drug manufacturers are more reticent due to drug price considerations, I believe that manufacturers of generics have a major role to play.

Aim to create a future that provides full coverage from medical care to the prevention of pre-symptomatic diseases

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. This is being rolled out to address the key challenge of 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. Through this, we will contribute to the realization of the Comprehensive Community Care System, which is scheduled for completion in around 2025.

The Comprehensive Community Care System is based on the development of a platform that will allow medical professionals to easily share information with ordinary citizens by utilizing cutting-edge technologies, such as big data, to enable appropriate, efficient treatment and care-giving by medical professionals and the promotion of the health of ordinary citizens (coordination and sharing of data from facilities such as hospitals, pharmacies, and those for nursing care).

To this end, we are currently working 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 enhance our lineup of products and services for the maintenance and improvement of health. A particularly large challenge in our society, which has entered an era of hyper-aging, is health support that caters to the individual. Advice in response to concerns about aging will also become important. We also 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 work environment with job satisfactions and fostering talented human resources will underpin sustainable growth

Creating work environment with job satisfactions and fostering talented human resources will be key sources of “Strengthening sustainability management and building foundation for sustainable growth,” one of the basic policies of the 6th Medium-term Business Plan. By carrying out operations under the Towa Corporate Vision while feeling satisfied with their jobs, each employee will be able to sense changes in society and create new value. As DX and AI further penetrate our work, many tasks will be replaced by digital technologies. The role of people is to grow themselves and the company while feeling a sense of job satisfaction.

As initiatives to support that on the production frontlines, we have established a Work Flow system and an Expert Scheme. In the Work Flow system, the series of operational processes for each product are converted into data that can be checked at any time on a tablet. This clarifies for each individual worker their own role and mistakes that are easily made, and prompts them to think about efficiency and improvements for themselves. The Expert Scheme is a program for the evaluation of employees who are highly knowledgeable about the tasks and machinery and who are pursuing efficiency improvements and achieving high productivity. In both of these initiatives, we are teaching all employees to be more conscious of costs. 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. Always thinking about their immediate goals and future career, taking initiative, and acting systematically toward achieving those goals will lead to job satisfaction.

To promote sustainable management with enhanced consideration of the global environment and society, we established a new Environment, Health and Safety Management Department in April 2022. This department controls and manages the environment and safety throughout the Towa Group in a unified manner and aims to further improve the environment and safety for Towa employees and regional communities. In regard to the impact of climate change on our business activities, profits, and other factors, we will strive to disclose information based on the TCFD recommendations while carrying out scenario analyses of our own business activities and taking stock of greenhouse gas emission reduction measures. We will connect these initiatives to the launch of a green sustainable chemistry industry, hoping to further contribute to raising the competitiveness of the Japanese industry.

Delivering genuine smiles to the people of Mongolia The 100-Year Plan, a challenge for the creation of a local industry

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.

The Towa Pharmaceutical Group 100-Year Plan is a symbolic initiative that embodies this philosophy as a group. As part of this plan, we embarked on the challenge of growing licorice in Mongolia in 2014. Mongolia faces significant challenges as the mining of finite underground resources caused desertification and, consequently, climate change. However, mining is a key industry that underpins the nation’s economy.

In light of these facts, we focused on licorice, a plant that grows wild in Mongolia and is used as an ingredient not only in food products and cosmetics, but also in pharmaceuticals. We felt that if we could cultivate licorice in a systematic way, sell the harvested crop, and cultivate new licorice plants with the seeds, making it an unlimited green resource, it could grow into an industry for sustainable development, which would help raise the standard of living of the Mongolian people and bring more genuine smiles to their faces. We also believe that the cultivation of licorice will help reduce CO_2 emissions, prevent the desertification of the land, and suppress the dispersion of yellow sand into the atmosphere.

We began in 2014 by ascertaining the situation in Mongolia, and in 2017, we secured about 1,000 hectares of land in Kherlen, a district in the Khentii province of Eastern Mongolia. Although the initiative stalled due to the COVID-19 pandemic, in September 2021, we were able to plant 600 licorice seedlings on a trial basis. In 2023, with the approval of the chief of the Kherlen district, we contracted 100 local residents who are actively participating in raising seedlings and growing the plants in a cultivation trial.

In this way, we are proceeding with the project together with the local community. This initiative has also been exceptionally well received by the local residents. Some of the seedlings have since been transplanted to the land, and we are now observing their germination and growth. Licorice has a long growing cycle of about seven years from fertilization of the soil to harvest, and its cultivation on vast tracts of land is certainly not a straightforward task. For this reason, we plan to expand the growing area in stages so we can harvest the plants progressively. We are making effective use of the vast land area, including growing pasture on the vacant land to feed livestock during Mongolia’s harsh winters.

Future milestones for the project will be the start of full-scale cultivation in 2026, the launch of sales of licorice in 2031, which is the 80th anniversary of our foundation, and the start of operations of a factory to produce concentrated licorice extract in 2051, our 100th anniversary. We will focus our efforts on ensuring that the business can be managed autonomously in Mongolia. If, in the future, it leads to the expansion of the business into domains such as processing into APIs and exports, we expect it to have a tremendous significance for the revitalization of the regional community and economy. The entire Group wants 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, for the genuine smiles of the people.

With a view to realizing people’s genuine smiles through a wide variety of health-related businesses, the Towa Group will continue in its efforts to roll out these businesses both in Japan and around the world. We would like to ask for your continued support in these endeavors.

Cultivation of licorice in Mongolia

Licorice plants growing (August 2024)

Pasture cultivation (use of land not being used to grow licorice)

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 Towa Group’s value-added products to patients around the world and to create new health-related businesses in response to the new medical system.

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 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 in April 2022

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

Generics volume share targets set by the government

2007 30% or more by FY2012

2013 60% or more by the end of FY2018

2015 Boosting volume share target of generics up to 70% or more in mid-FY2017 and 80% or more in the earliest possible period before the end of FY2020

2017 80% or more by September 2020

Actual volume share in FY2021 79.5%

Actual volume share in FY2022 80.7%

Actual volume share in FY2023 82.7%

[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

Started operations of Yamagata Plant and East Japan Distribution Center
(Production capacity: 2.5 billion tablets)

2017

Started operations of the relocated 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 sequentially equipped with facilities. (Production capacity: 3.0 billion tablets » 6.5 billion tablets)

2024

Started operations of the 3rd solid formulation building

[Sales system]

2011 Towa Direct Sales System

Sales offices (as of April 2024): 70 offices

Agents (as of April 2024): 28 agents at 57 sites

Started collaboration with two wide-area wholesalers in 2017

Shifted to Towa-style Sales System

Helping Cut Medical Costs through Generics

Q How to address the ever-increasing medical costs

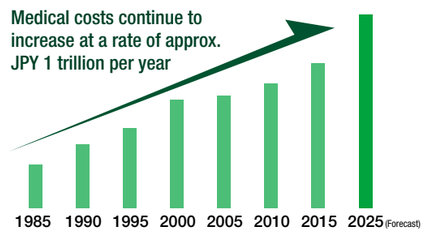
Japan's medical cost problem and the importance of generics

In Japan, medical costs continue to increase each year due to factors such as an aging population, reaching approximately JPY 45 trillion in FY2021. The Ministry of Health, Labour and Welfare estimates that the amount will exceed JPY 60 trillion in 2025. 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.

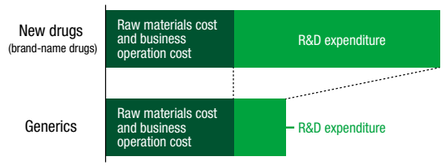
In this situation, generics have come to play an increasingly vital role. Generics are just as effective as brand-name drugs, but they are cheaper and can reduce medical costs by approximately JPY 1.6 trillion per year. They also help lower out-of-pocket drug costs for patients. Furthermore, the wider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

Source: https://www.mhlw.go.jp/toukei/saikin/hw/k-iryohi/21/dl/kekka.pdf



Ministry of Health, Labour and Welfare: "Outline of National Medical Care Expenditure in 2015" and "Materials for the Medical Insurance Subcommittee, 76th Social Security Council"

Comparison of drug prices (conceptual chart)



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.

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

A Generics

Manufacture of sophisticated products with No. 1 total product performance by improving product quality and creating added value

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, with a combined capacity of 14.0 billion tablets per year from these three plants. To meet growing demand, we are expanding our production system to increase capacity to 17.5 billion tablets per year.

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
13.6 billion tablets
(up 5.7% year on year)
FY2023

R&D expenditure
JPY **13.2** billion
FY2023

Capital investment
JPY **36.0** billion
FY2023

Towa Group's drug discovery innovations

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

RACTAB® Technology

RACTAB is our proprietary technology for manufacturing orally disintegrating (OD) tablets that can be taken without water. The technology pursues the coexistence of two contradictory properties: easy disintegration and sufficient hardness. We developed this technology in the hope of delivering easy-to-take tablets to patients who have difficulty swallowing due to old age, etc. or limit water intake, as well as producing drugs that can be taken without water whenever necessary, including when patients are not at home.

FINEST-Pow®
FINEST-Gran®
FINEST-Core®

These coating technologies add various functions, such as bitterness suppression and controlled release, to functional particles. They effectively cover the bitterness, making drugs less bitter and easier to take. We have developed three types of coating technologies according to the functions we intend to add, such as API bitterness suppression, controlled release, enteric coating, and improved dispersibility.

ARTICRE® Technology

ARTICRE is a technology that improves drugs' solubility by dispersing systematically arranged API atoms or disrupting their order. When an API with low stability or solubility is dispersed in a water-soluble polymer that serves as a carrier, the carrier captures the API, improving the stability. In addition, the state of crystallization of the API changes or the crystals become dispersed, which facilitates disintegration.

Helping Extend Healthy Life Expectancy and Prevent Diseases

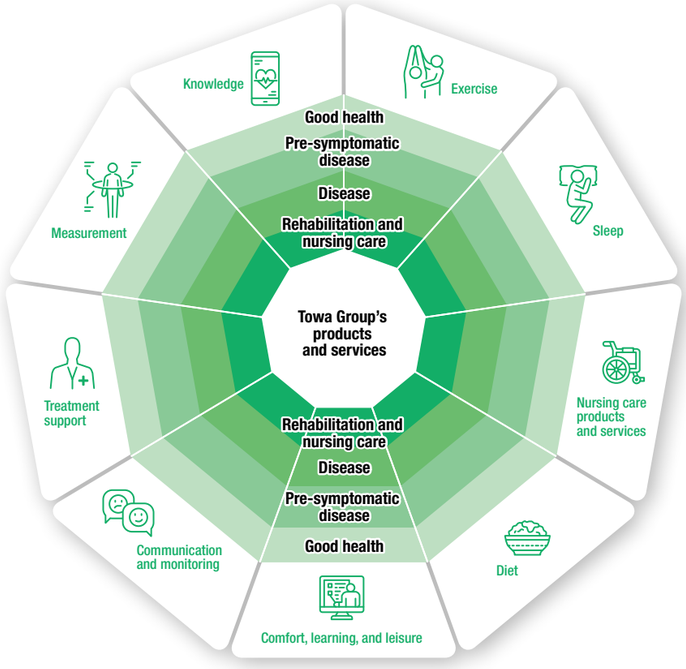
Q Advancing super-aging society

Extension of healthy life expectancy and disease prevention

Extending the healthy life expectancy toward the era of the 100-year life is a major issue in Japan facing a super-aging society. The healthy life expectancy was proposed by World Health Organization (WHO) in 2000. In the past, we had emphasized the average life expectancy of a child aged 0, indicating how many years he or she can live. However, the healthy life expectancy, a period of healthy living, has attracted attention in recent years. Preventing disease and staying healthy and active are key to prolonging the healthy life expectancy. Moreover, extending the healthy life expectancy is essential from the viewpoint of curbing medical costs.

We aim to contribute to the extension of healthy life expectancy as a comprehensive healthcare company for the era of the 100-year life. We will not only manufacture and sell generics but also strive to provide optimal solutions through all types of products and services related to healthcare.

A specific initiative in this regard is our entry into health-related businesses. We have classified the state of health into four categories: “good health,” “pre-symptomatic disease,” “disease,” and “rehabilitation and nursing care.” We seek to resolve challenges for each category, and provide a wide range of products and services by combining the four categories with the nine focus areas we are committed to. In addition, we are engaged in health co-creation initiatives with the local community, aiming to become a company that is needed by all community members by addressing their diverse issues. As a coordinator connecting people and communities, we will actively engage in health-related businesses.



A Health-related businesses

We will provide optimal solutions through all types of products and services related to healthcare.

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

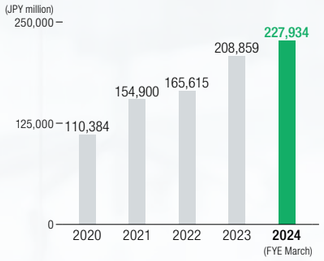
Healthcare Passport

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

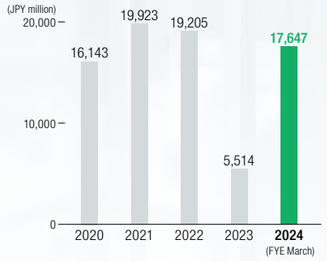
Net sales

JPY **227,934** million



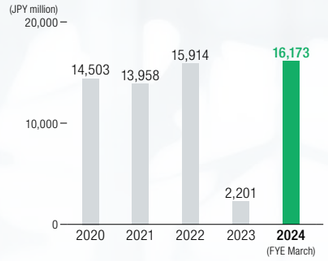
Operating profit

JPY **17,647** million



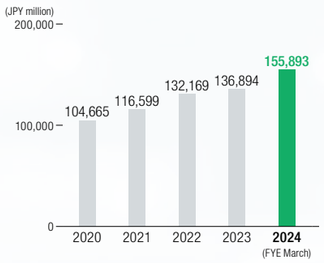
Profit attributable to owners of parent

JPY **16,173** million



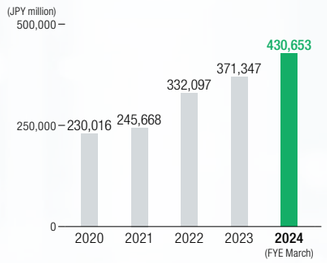
Net assets

JPY **155,893** million



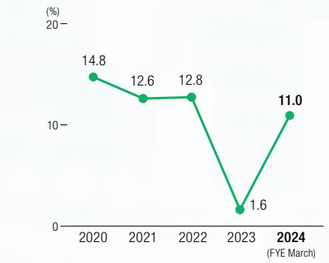
Total assets

JPY **430,653** million



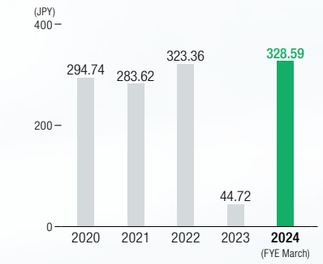
ROE

11.0 %



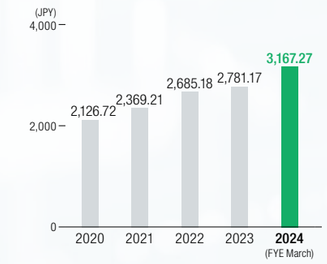
Earnings per share

JPY **328.59**



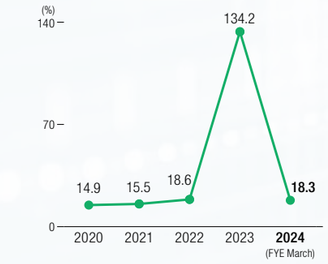
Net assets per share

JPY **3,167.27**



Dividend payout ratio

18.3 %

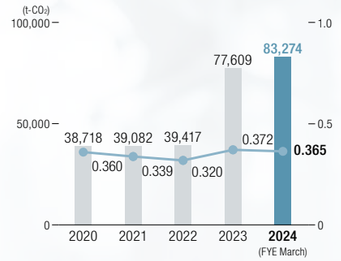


Note: The fiscal year ended March 31, 2023 was a transitional period for the change in the fiscal period for nine consolidated subsidiaries. The consolidated subsidiaries had a irregular accounting period of 15 months from January 1, 2022 to March 31, 2023.
During the fiscal year ended March 31, 2023, 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

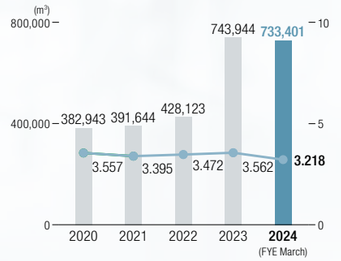
83,274 $t\text{-}CO_2$



CO_2 emissions CO_2 emissions intensity
- Three Towa plants for 2020 to 2022
- Per sales of JPY 1 million (non-consolidated)

Water usage

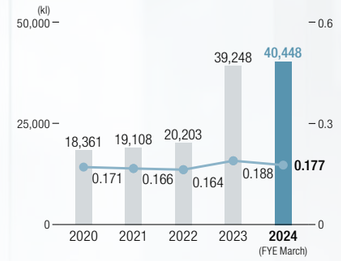
733,401 m^3



Water usage Water use intensity
- Three Towa plants for 2020 to 2022
- Per sales of JPY 1 million (non-consolidated)

Energy usage

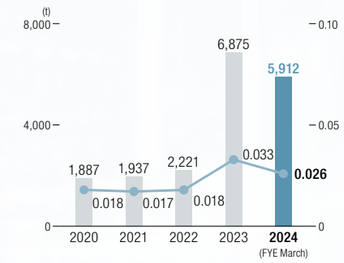
40,448 kl



Energy usage Energy use intensity
- Three Towa plants for 2020 to 2022
- Per sales of JPY 1 million (non-consolidated)

Waste generated

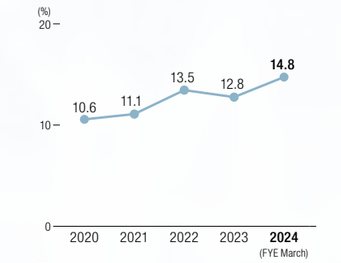
5,912 t



Waste generated Waste generation intensity
- Three Towa plants for 2020 to 2022
- Per sales of JPY 1 million (non-consolidated)

Ratio of women in management positions

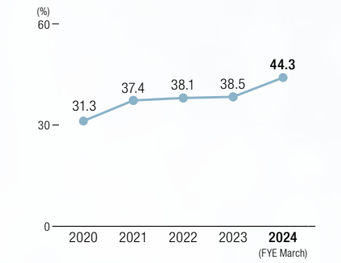
14.8 %



- Towa (non-consolidated)
- As of April 1 for 2020 to 2021

Ratio of women in new graduate hires

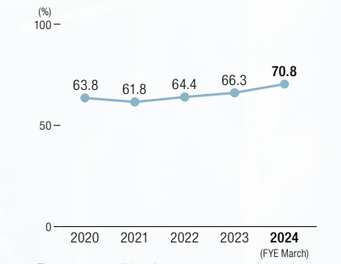
44.3 %



- Towa (non-consolidated)

Ratio of paid leave taken

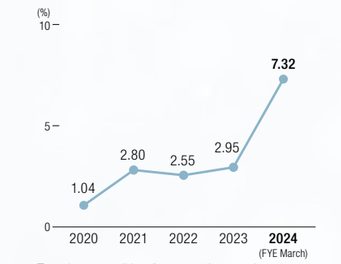
70.8 %



- Towa (non-consolidated)

Employee turnover rate within the first three years

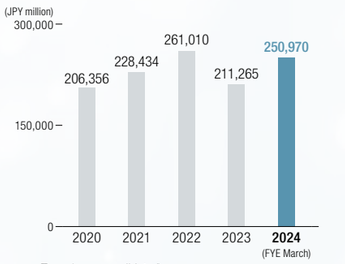
7.32 %



- Towa (non-consolidated), new graduates only

Medical expense reduced

JPY **250,970** million



- Towa (non-consolidated)