

Towa Pharmaceutical Europe, S.L.'s Martorelles plant

Feature Topic

01

Overseas Business

Striving to Expand Overseas Business and Strengthen Global Manufacturing

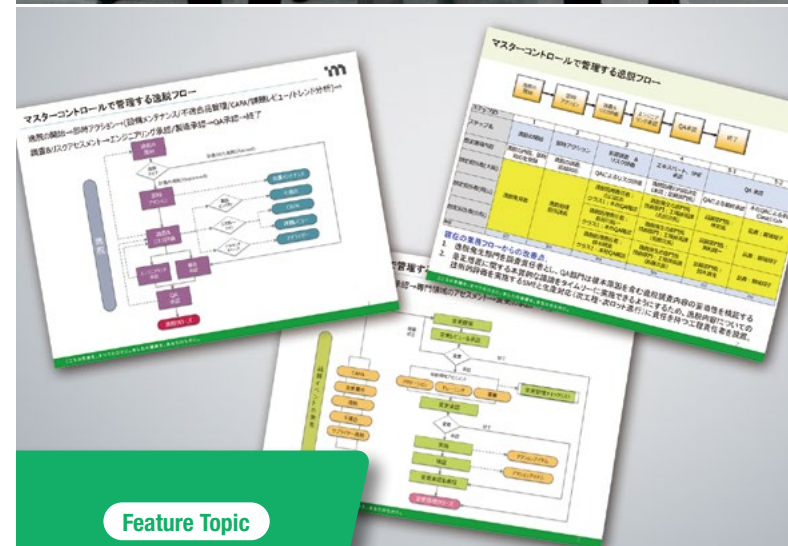
The Towa Group delivers pharmaceuticals that are needed by patients worldwide

With Towa International (current name) acquired in 2020 serving as a bridgehead for our overseas expansion, we have expanded sales in global markets through increasing self-sold products with a lineup based on medical needs in the U.S. and Europe, and through the competitive CMO business that utilizes large granulation machines. At the same time, we have conducted joint development of global products in Japan and Spain, and the manufacturing of products for Japan in Spain, as we work to realize global synergies.

Going forward, we will further combine the technological capacities of the Group and deliver pharmaceuticals of Towa Quality with added value to many patients throughout the world. We are thereby aiming to create “genuine smiles,” which is our philosophy.

The Towa Group’s human resources respect diverse cultures and values, think globally, and act locally so that we continue being a company that contributes to society.

Masaaki Takeyasu
Director



Feature Topic

02

Quality Control

Focusing on Quality Control in Line with Global Standards and Enhancing Reliability

Introducing quality assurance systems for the resilience of the stable supply system

MasterControls's quality management system has been adopted in the U.S. even by the FDA. It offers integrated management of information at each stage of the lifecycle, from the drug development stage to final sale. It also offers tracking with data integrity assured. Given the transparency of the quality assurance process, it becomes possible to make more appropriate decisions in a timely manner. In addition, by searching and sharing accumulated information, the information obtained through product development and quality improvements can be utilized as knowledge, and by increasing the efficiency of solutions to issues that occur in technology development and tying it to the smooth scaling up of production, we expect the system to help maintain the stable quality of production and product supply.

Going forward, the system will be installed at Group companies, including those overseas, as we plan to further integrate quality systems and operating standards throughout the Towa Group.

By strengthening quality systems and utilizing accumulated information, we will increase the resiliency of systems for steadily supplying products of consistent quality, allowing the Towa Group to contribute to society and live up to the trust placed in us by patients and medical practitioners.

Masafumi Fukae
Division Manager,
Pharmacovigilance and
Quality Assurance Division



Developing business in over 30 countries worldwide through Group companies under Towa INT

At the Company, we are aiming to provide added-value pharmaceuticals in overseas markets. Utilizing sales networks in the U.S. and multiple countries in Europe, as well as a manufacturing site in Spain that conforms with U.S. and European standards, we are accelerating business development overseas. In 2020, we acquired Pensa Investments, S.L., which consolidates the generic business, from the Esteve Group in Spain and made it a Group company of Towa Pharmaceutical. From there, in order to clarify its membership in the Towa Group and promote further collaboration with the Group, we changed its name to Towa Pharma International Holdings, S.L. (hereafter, “Towa INT”). There are currently seven group companies in Europe and the U.S. under Towa INT, and together they develop the pharmaceutical B2B business in over 30 countries as of FY2023.

In particular, the Martorelles plant of Towa Pharmaceutical Europe, S.L., which is under Towa INT, uses large granulation machines to produce large volumes efficiently, and drawing on this strength, it provides products to the European and U.S. markets.

Moreover, in February 2024, the Martorelles plant acquired approval to conduct manufacturing for the Japanese market from the Pharmaceuticals and Medical Devices Agency (PMDA), and it was added to the Towa manufacturing sites for Esomeprazole Capsules 10mg/20mg “Towa” used to treat digestive system diseases. Going forward, we will work to further strengthen business through joint development utilizing the technologies of Group companies.

Through installation of a quality management system, all data is saved

In order to be a trustworthy company, we comply with the government’s strict quality control standards, ranging from product R&D, manufacturing, and marketing to after-sales operations, and have established a quality assurance system required for ethical drugs. In particular, in manufacturing pharmaceuticals, we will comply with GMP, GQP, and GVP ministerial ordinances and the GDP guidelines to maintain and strengthen our quality assurance system. Additionally, through our proprietary systems and training programs, we will work diligently to ensure appropriate quality and safety.

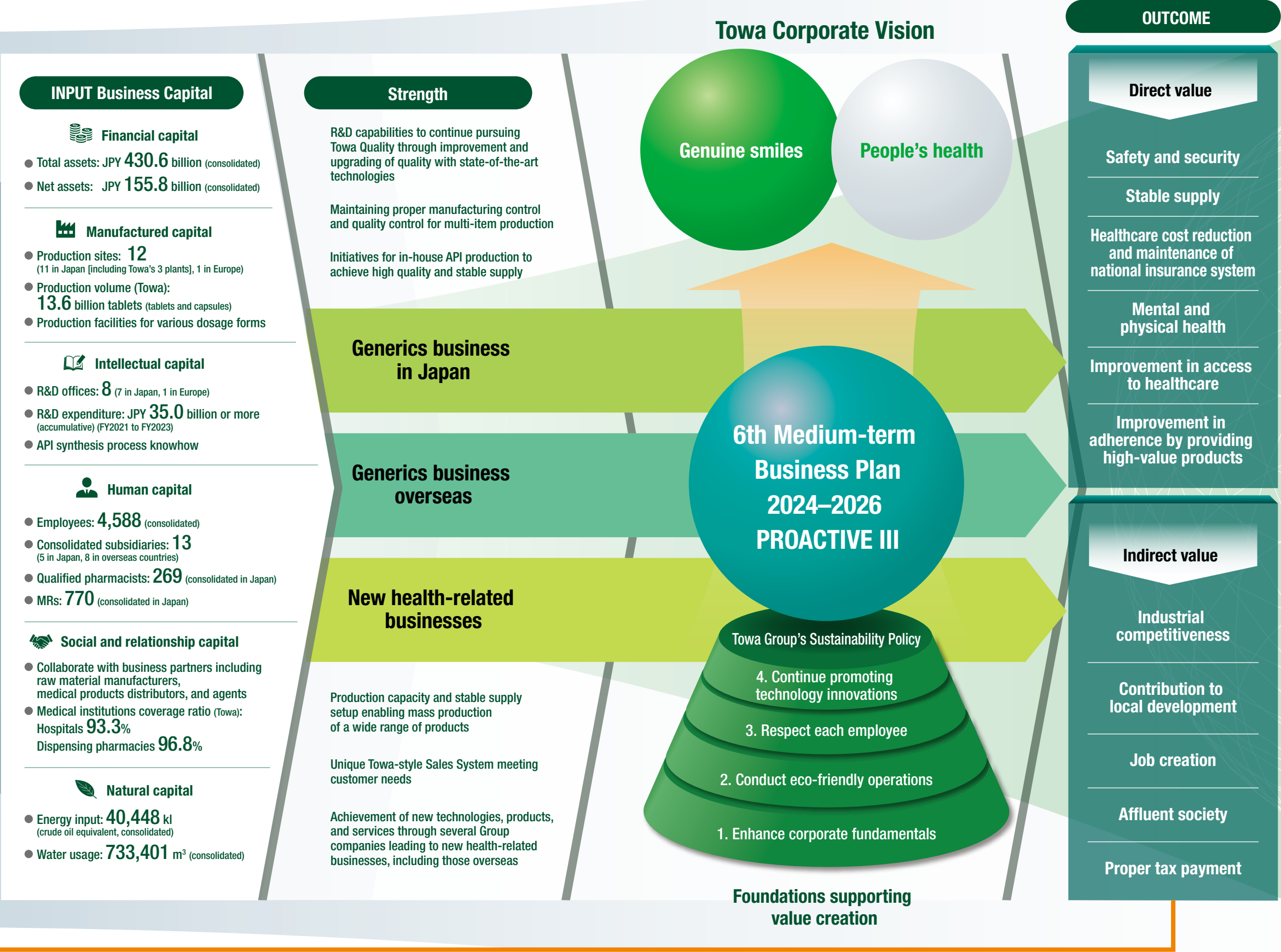
Moreover, in January 2024, we deployed Master Control Quality Excellence (Qx), a quality management system. The system is the global standard, having been adopted for use by over 200

companies and organizations around the world, including the FDA in the U.S. Use of the system keeps data and records organized and prevents them from getting lost and also allows all data to be saved objectively, completely, and accurately.

In addition, we are utilizing the knowledge and experience of our overseas Group companies for quality event management. With a global perspective we work to maintain or improve our quality assurance system, which makes it possible to prevent human errors in advance. In order to ensure quality and reliability at a global level going forward, we will actively accumulate and utilize technology and know-how to provide products in line with international standards.

Our Value Creation Process

To address social issues, Towa Group has created value by allocating its business capital to every business that contributes to people’s health. We will contribute to the health of all people and help them achieve a genuine smile based on the “6th Medium-term Business Plan 2024–2026 PROACTIVE III.”



Create the future beyond people's health

External Environment Surrounding Towa Group

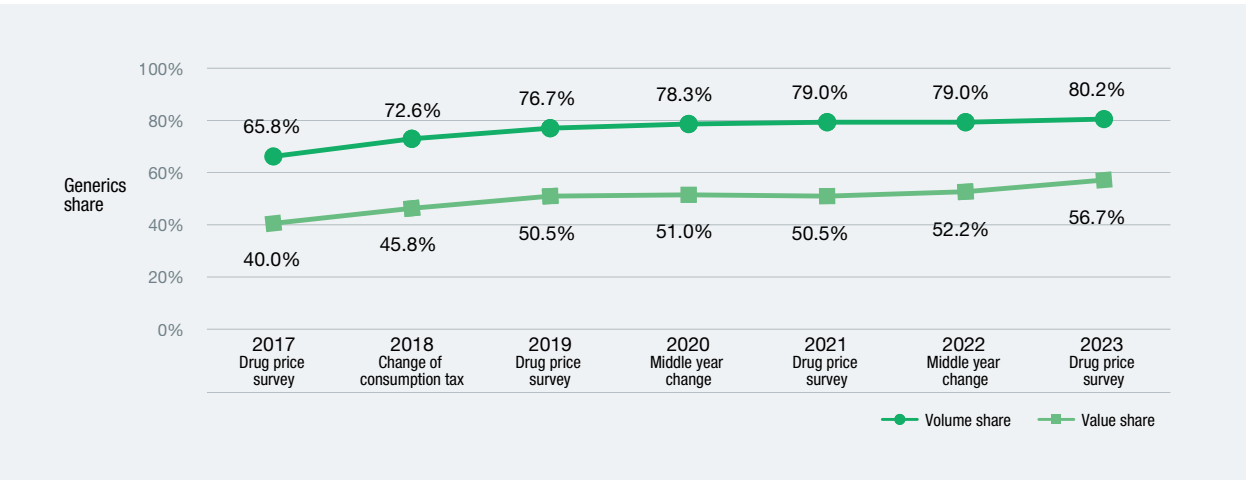
The social role of generics and policy developments

In recent years, generics have come to play an increasingly vital role in the society. Under the Basic Policy on Economic and Fiscal Management and Reform 2017 approved by the Cabinet in 2017, the government set a target to increase the generics volume share to over 80% by September 2020.

In response to this, the generics industry including Towa has focused on enhancing production capacity and ensuring stable supply. NHI drug price survey in 2023 revealed that the volume share of generics reached 80.2%. With regard to the current promotion of the use of generics, the volume share target was maintained and a new value share target was set (value share of FY2029 was set at 65% or more).

Regarding the selective medical treatment for long-listed products, in the Medical Fee Revision in 2024, the modality of insurance benefits for long-listed products was reviewed, and a system of selective medical treatment was introduced. The change is applied to long-listed products that have been on the market for five years since their first generics were put on the market, or that have substitution rates for generic products exceeding 50%. For biosimilars, a target has been set: By the end of FY2029, the number of molecules that have replaced 80% or more on a volume basis will be 60% or more of the total number of molecules.

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



Source: The 176th Meeting of the Medical Insurance Committee of the Social Security Council on March 14, 2024

Generics industry's efforts to restore confidence and ensure stable supply

While the use of generics is on the rise, there have been scandals in the industry and concerns about stable supply. Several pharmaceutical companies violated the Pharmaceuticals and Medical Devices Act due to the inadequacies in their manufacturing control and quality control, and became subject to administrative penalties such as suspension of operations as well as frequent product recalls and suspension of shipments. As a result, there is a shortage of medicines, and medical institutions and pharmacies are unable to secure sufficient supplies.

The Ministry of Health, Labour and Welfare believes that simply setting new targets for generics “will not gain sufficient understanding from patients and medical professionals,” and that measures are

needed to implement strict manufacturing and quality control across the industry and ensure a stable supply.

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

Towa Group's Capital

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

Financial capital

- Total assets: JPY **430.6 billion** (consolidated)
- Net assets: JPY **155.8 billion** (consolidated)

Total assets at the end of FY2023 increased JPY 59,305 million YoY to JPY 430,653 million. Net assets at the end of FY2023 increased JPY 18,998 million YoY to JPY 155,893 million. Consequently, the capital-to-asset ratio came to 36.2% at the end of the consolidated fiscal year under review.

Manufactured capital

- Production sites: **12** (11 in Japan [including Towa's 3 plants], 1 in Europe)
- Production volume (Towa): **13.6 billion tablets** (tablets and capsules)
- Production facilities for various dosage forms

Towa Group has 12 production sites in total, comprising of 11 in Japan and 1 in Catalonia, Spain. Production volume of Towa, the largest producer, stands at 13.6 billion tablets for tablets and capsules, which is near its maximum production capacity. Our subsidiaries produce ointment, soft capsules, etc. and the Group is distinguished by its capacity to produce diverse dosage forms.

Intellectual capital

- R&D offices: **8** (7 in Japan, 1 in Europe)
- R&D expenditure: JPY **35.0 billion or more** (accumulative) (FY2021–FY2023)
- API synthesis process knowhow

R&D is conducted in 8 offices in total, comprising 7 in Japan and 1 in Europe. Target R&D expenditure from FY2021 to FY2023 is JPY 35.0 billion or more (accumulative). This covers the leading-edge research on API synthesis including molecular control technology.

Human capital

- Employees: **4,588** (consolidated)
- Consolidated subsidiaries: **13** (5 in Japan, 8 in overseas countries)
- Qualified pharmacists: **269** (consolidated in Japan)
- MRs: **770** (consolidated in Japan)

Towa Group hires 770 MRs and 269 qualified pharmacists (both consolidated in Japan). In addition, we have introduced an internal qualification system for business operations (experts, etc.) to nurture professionals.

Social and relationship capital

- Collaborate with business partners including raw material manufacturers, medical products distributors, and agents
- Medical institutions coverage ratio (Towa): Hospitals **93.3%** Dispensing pharmacies **96.8%**

We engage in nationwide marketing activities through 71 sales offices, 30 agents at 60 sites, and medical products distributors, among others, in Japan. Towa has a high coverage ratio of medical institutions: 93.3% for hospitals and 96.8% for dispensing pharmacies.

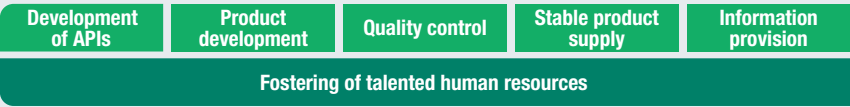
Natural capital

- Energy input: **40,448 kl** (crude oil equivalent, consolidated)
- Water usage: **733,401 m³** (consolidated)

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

Towa Group's Strength

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



Development of APIs

Developing and selecting the best APIs for manufacturing products

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

Shigenobu Nishiguchi
Manager,
API Process Research I Department,
API Business Unit, R&D Division



Related information
See page 39.

Without being bound by conventional manufacturing methods, we aim to establish revolutionary and efficient API manufacturing methods to overcome various challenges, including those in quality, environmental load, and productivity. We thus work on the R&D of APIs to let patients take their medicines with peace of mind.

Stable product supply

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

By adopting a back-up system supported by three sites, we ensure that any production disruption at one plant can be compensated by efforts at the other plants. Furthermore, by dividing the physical distribution bases in East Japan and West Japan, we have established an efficient arrangement and a reliable back-up system even in a worst-case scenario. The 3rd solid formulation building at Yamagata Plant was completed in December 2023, and the three plants have a combined annual production capacity of 17.5 billion tablets*. Shipment has commenced sequentially since April 2024, with the aim of being fully operational (a production of 17.5 billion tablets) in three years.

*Production capacity of tablets/capsules

Tetsuya Yamamoto
Manager,
Production Planning Department,
Production Division



Related information
See page 29.

To fulfill the responsibility for stable product supply, the Production Division actively prepares efficient production plans and improves productivity. We also attach importance to cooperation between plants and information sharing with other divisions.

Product development

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

We have the lineup consisting of more than 770 products to cover various therapeutic areas. With the desire to serve as many patients as possible, we offer value-added generics by responding to voices and requests from medical professionals and reflecting them in our manufacturing process. Among them, we have developed better dosage forms and tastes so that drugs can be easily taken by pediatric and elderly patients, and enhanced visibility and stability against light, temperature, and humidity so that drugs can be easily handled at hospitals and pharmacies.

Yasunobu Okamoto
Unit Manager,
Formulation Research and
Technology Unit,
R&D Division



Related information
See page 29.

We work day and night to develop high quality and high added value pharmaceuticals that patients and medical professionals are comfortable using. To establish a stable supply system, we strive to design reproducible manufacturing methods, with an eye to manufacturing at multiple sites.

Information provision

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

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

Keisuke Watanabe
Manager,
Academic Promotion Department,
Sales and Marketing Division



Related information
See page 38.

We plan and create sales and marketing tools to advertise our company and increase sales, with the Company's aspiration in mind and in cooperation with other divisions and departments. The task is rewarding as it aims to strengthen sales and marketing capabilities of the entire Sales and Marketing Division.

Quality control

Working diligently to ensure reliable quality and safety

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

Tomoko Katsuragi
General Manager,
Quality Assurance Department,
Pharmacovigilance and
Quality Assurance Division



Related information
See page 40.

Delivering trusted Towa Quality to the world. We take on challenges every day to deliver trusted pharmaceuticals not only in Japan but overseas. We will improve pharmaceutical quality systems, ensure thorough manufacturing control and quality control, and move forward with close attention paid to what patients are thinking.

Fostering of talented human resources

Focusing on making job satisfaction and fostering talented human resources, aiming for being a reliable company

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

Masakazu Kawashima
Deputy-General Manager,
Recruitment Promotion Department,
Human Resources Division



Related information
See page 41.

Human Resources Division staff have career development meetings with more than 2,000 employees a year to understand what each and every employee is thinking and help them develop the careers they want. We will continue to plan and implement policies that enrich employees' careers.

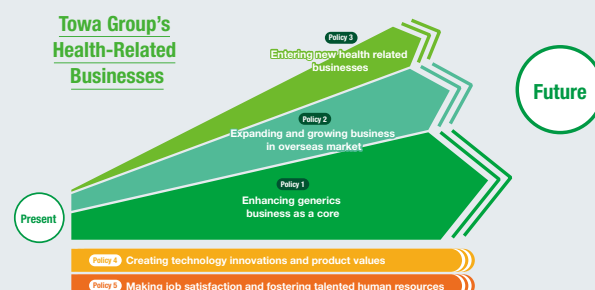
Review of the Previous Medium-term Business Plan

Medium-term Business Plan
2021–2023

PROACTIVE II

Under our 5th Medium-term Business Plan, we focused our efforts on enhancing the generics business as a core business, expecting generics to reach an 80% volume share of the pharmaceuticals market in Japan. Through those efforts, we achieved results by building stable supply based on manufacturing control and quality control.

As these three years marked the start of our third growth period, with the Company marking its 70th anniversary in 2021, we declared as a goal our intention to expand into new health related businesses that would contribute to people with pre-symptomatic diseases and people in good health. This was in addition to our existing aspiration of curing diseases with our pharmaceutical products. With these goals, we made steady progress in entering into new health related businesses.



[Policy 1] Enhancing generics business as a core	In our goal to become a comprehensive generics manufacturer, we launched 30 molecules / 65 products and marketed our first authorized generic drug. We also set up distribution centers in both the Kansai and Kanto regions and increased our manufacturing capacity to 14.0 billion tablets per year. In addition, we completed construction work on our Yamagata Plant with the aim of increasing that capacity to 17.5 billion tablets.
[Policy 2] Expanding and growing business in overseas market	We expanded our sales into 39 markets, mainly in Europe and North America, and worked to establish the foundations of a global business. As part of our global production system, our Martorelles Plant in Spain obtained manufacturing approval for Esomeprazole for sale in the Japanese domestic market.
[Policy 3] Entering new health related businesses	In March 2021, we promoted the research and development of reagents for clinical laboratory tests with the aim of entering the disease risk testing service business. We also launched a cloud-based regional healthcare information coordination service with the aim of coordinating the medical and health information of individuals. In addition, we acquired shares in Sunsho Pharmaceutical in 2022, and we are rolling out health related businesses as a pillar of our new business.
[Policy 4] Creating technology innovations and product values	We established a variety of new technologies for use in APIs and formulations, including spherical crystallization technology for the full masking of the bitter taste of APIs and coating technology for the improvement of production efficiency. We also worked on their practical application in future products.
[Policy 5] Making job satisfaction and fostering talented human resources	To enhance the job satisfaction of each and every employee, we supported career development through a rotation model and enriched e-learning contents. In April 2024, we established Human Resource Development Center, where we are engaged in the strengthening of human resources development.

Major financial targets and results

Financial targets	Net sales [Consolidated] Achieve JPY 200.0 billion [Non-consolidated] Achieve JPY 150.0 billion	Operating profit (cumulative) JPY 36.5 billion or more	Dividend policy Stable dividend payment	R&D expenditure (cumulative) JPY 35.0 billion or more	Capital investment (cumulative) JPY 75.0 billion or more
Results	[Consolidated] JPY 227.9 billion Achieved in final year [Non-consolidated] JPY 149.2 billion Not achieved in final year	JPY 42.4 billion Achieved	Target achieved	JPY 40.0 billion Achieved	JPY 90.4 billion Achieved

New Medium-term Business Plan

Medium-term Business Plan
2024–2026

PROACTIVE III

In the 6th Medium-term Business Plan, while carrying on the contents of the five policies of the previous Medium-term Business Plan, we added a new goal of “Job reform through DX promotion” and established three basic policies. Going forward, we will advance the establishment of our three businesses and the foundations that underpin them in our efforts to achieve sustainable growth.

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

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

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

Generics business in Japan

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

Overseas generics business

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

New health-related business

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

Building management foundation for sustainable growth

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

Vision of Towa Group for 2040

Japan-based global generics group company that will conduct manufacturing and marketing both in Japan and overseas

Towa Group's new health-related businesses that will be recognized by society and will be independent as a pillar of group management

A culture of innovation creation that includes not only innovative but also evolutionary technologies will be nurtured, take root, and bear fruit as products and services

“People's Health” and “Genuine Smiles” will be shared by our group employees, their family members, former employees, and people in local communities

Towa Group's Vision

Create the future beyond people's health

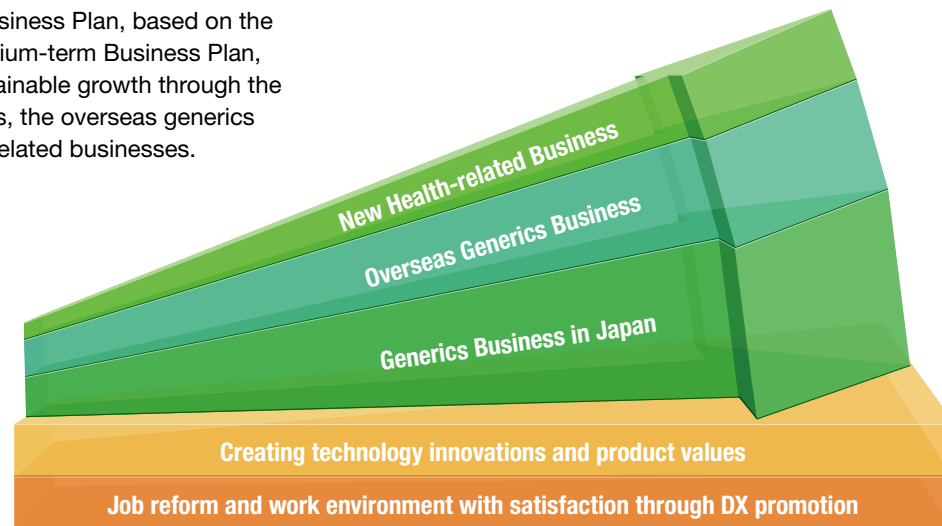
Towa Group values “genuine smiles” which spring from the bottom of people's hearts when they stay healthy and achieve a well-being.

Our final goal is not just to make people healthy by providing products and services, but ultimately to deliver a future where each and every person can enjoy their lives. Based on this belief, we set out our message “to become a company that creates the future beyond people's health” as our vision.



- Policy 1** Evolution of generics business in Japan toward a new phase
- Policy 2** Establishing foundation for new markets / new businesses and realizing group synergies
- Policy 3** Strengthening sustainability management and building fundamentals for sustainable growth

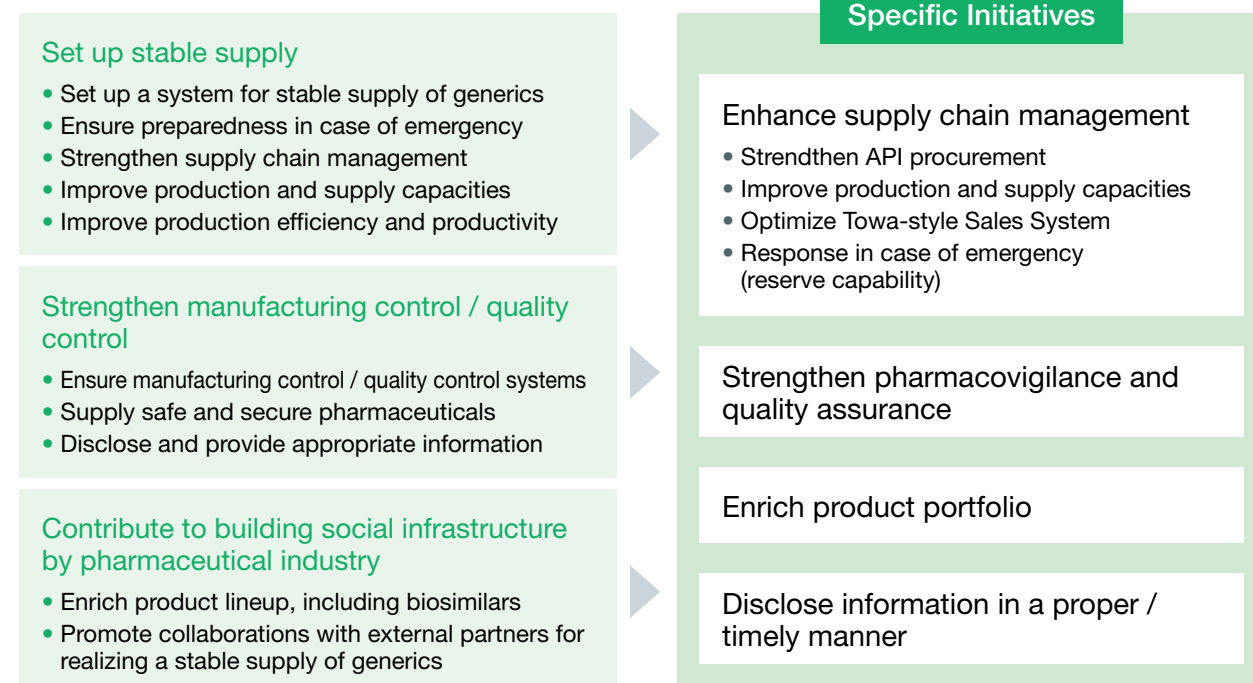
In the 6th Medium-term Business Plan, based on the results of the previous Medium-term Business Plan, we will aim to achieve sustainable growth through the domestic generics business, the overseas generics business, and new health-related businesses.



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

Moving towards a new phase of the generics business in Japan, we will continue the strengthening of API procurement, improvement of production capacity, and optimization of our sales system, initiatives on which Towa Pharmaceutical has been

focusing its efforts on to date for the improvement of our stable supply chain. We will also work to strengthen our manufacturing control and quality control systems and to contribute to the building of social infrastructure in the pharmaceutical industry.



Stable supply structure

[Details See page 39.](#)

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

Specific measures to achieve these goals include securing reserve capacity to enable a response in the event of an emergency and making the supply chain more resilient. Further, in addition to improving production and supply capacity, we will work to improve production efficiency and productivity to further fortify the stable supply structure.

Procurement of APIs

[Details See page 39.](#)

To date, Towa Pharmaceutical has engaged in the in-house manufacture of APIs. Going forward, we will work to reduce the risks to stable supply by developing synthesis processes and manufacturing at our group company, Daichi Kasei, or partnering companies. We are also planning to build a manufacturing building at Daichi Kasei that will have

advanced technologies to enable the manufacture of highly potent APIs such as anticancer drugs. In addition, to combat the quality-related risk of mutagenic impurities, we will apply the latest knowledge in our efforts to reduce the risks in API procurement.

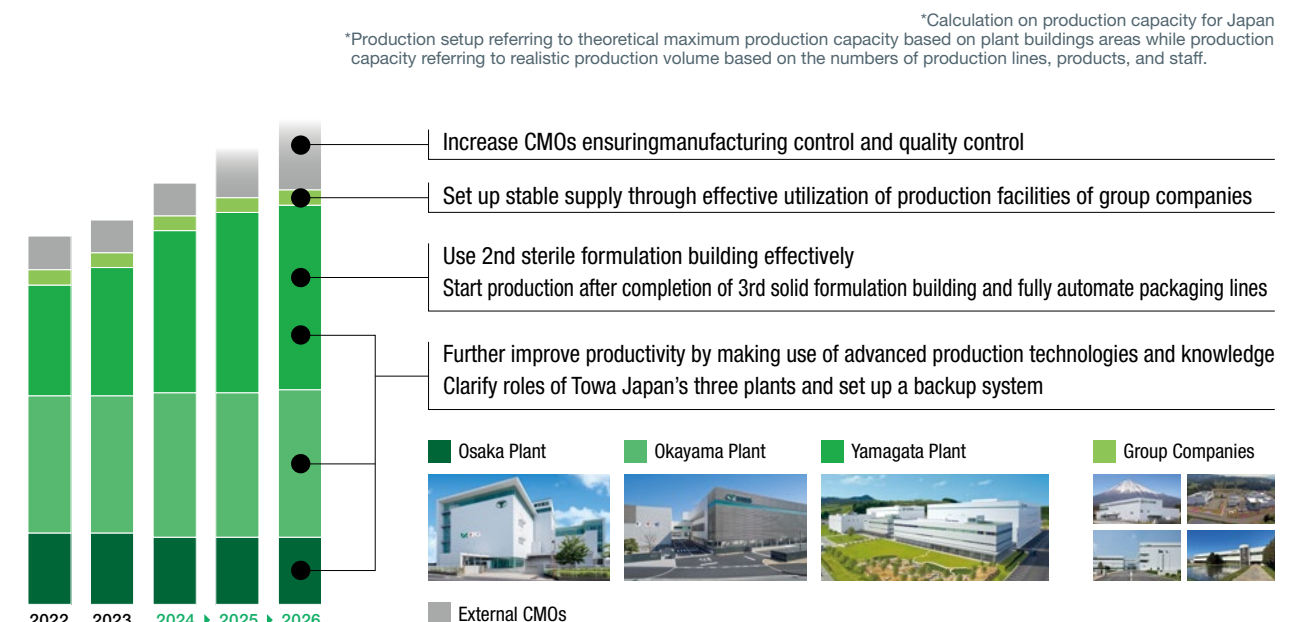
Ongoing enhancement of production capacity

Our current production system enables us to manufacture 14.0 billion tablets across our three plants, namely the Yamagata, Okayama, and Osaka Plants. To further strengthen production capacity, we plan to build a new formulation building in the Yamagata Plant and to gradually enhance supply capacity within the period of the 6th Medium-term

Business Plan. In so doing, we aim to achieve an annual production capacity of 17.5 billion tablets from the three plants in FY2026, the final year of the Plan. Further, we will leverage the production sites of the Towa Group and thoroughly implement manufacturing and quality controls with the aim of further enhancement of supply capacity.

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

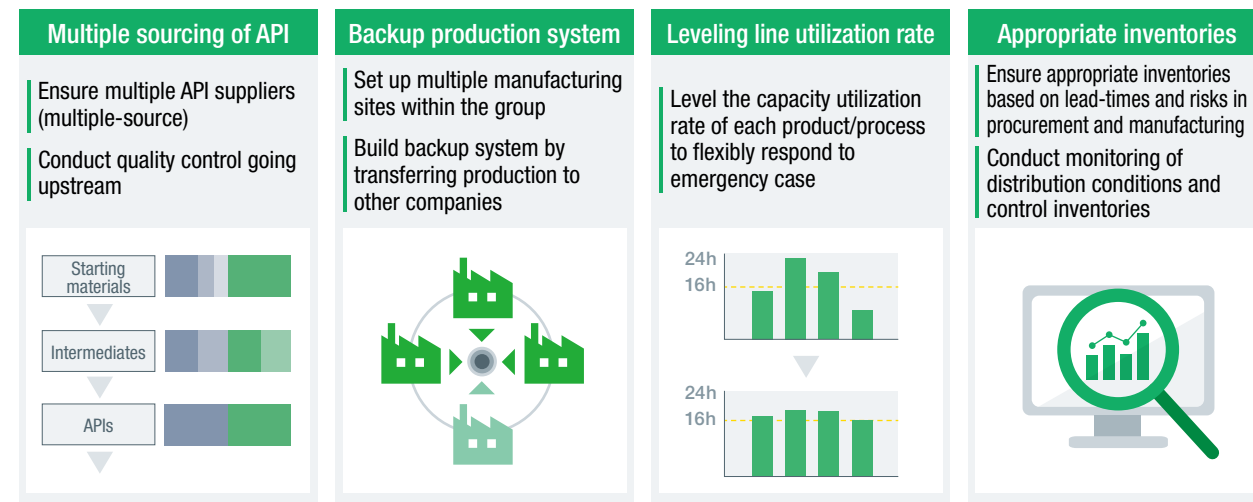
Production capacity of sterile products of 33 million V/A per year



Securing a stable supply by establishing a system to increase production in case of emergency

An essential element of the stable supply of generics is the establishment, during normal times, of systems that will allow flexible increases in production in the event of an emergency. To ensure reserve capacity, Towa Pharmaceutical will work to realize multiple

sourcing of APIs, build backup production systems to enable manufacturing at multiple sites, level out capacity utilization rates to give equal capacity to all production lines, and ensure appropriate inventories.



Pharmacovigilance & quality assurance

Details See page 18.

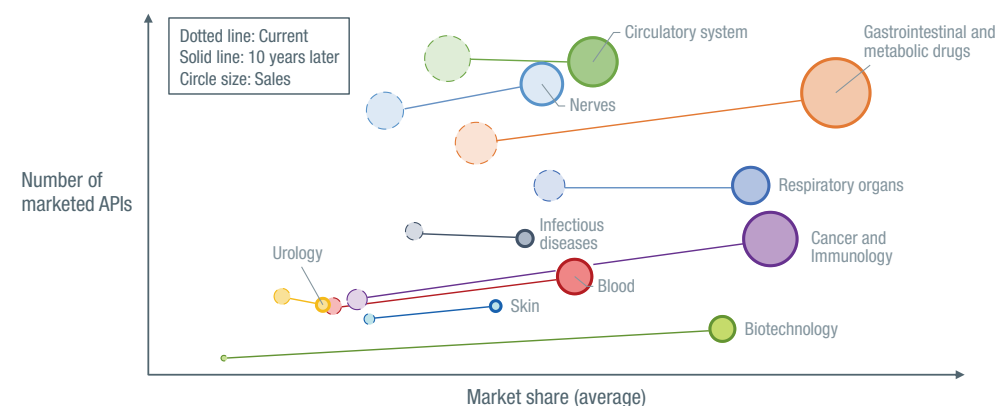
We have introduced a quality management system with the aim of further strengthening quality control. This system allows us to establish a system for the digitally centralized control of events and documents related to the manufacturing and marketing of pharmaceuticals. The use of this system in combination with our existing

manufacturing process management and quality testing management systems will prevent human error. To ensure the reliability of pharmaceuticals at a global level, we will actively accumulate and utilize technology and know-how and strive to provide products that meet Japanese, U.S. and European standards.

Enrichment of product portfolio

For the enhancement of our drug lineup, we are promoting the development of small-molecular drugs with a focus on drugs considered necessary for future drug therapies. In particular, we are targeting a wide range of disease areas that are expected to

grow in the future, including gastrointestinal and metabolic drugs, and cancer/immunology. We will also work to optimize the drug lineup in light of future changes in drug therapies.

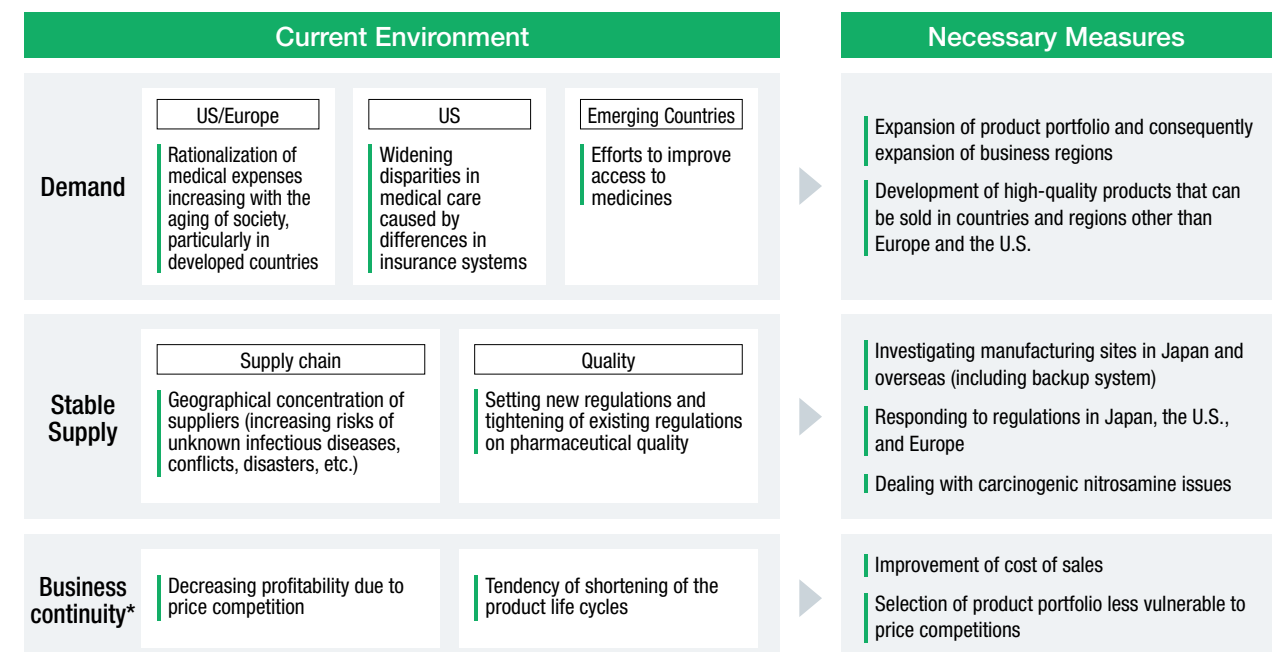


Policy 2 Establishing foundation for new markets / new businesses and realizing group synergies

To establish the foundations for new markets and new businesses, we will expand our overseas generics business and roll out new health-related businesses. In our overseas generics business, we will expand access to Towa Group products in international markets and aim for the overseas expansion of excellent generic drugs developed in Japan. Meanwhile, in our new businesses,

we will pursue the realization of a service solution concept that centers on the Healthcare Passport (interactive health and medical information services).

To realize group synergies, by leveraging the strengths of Towa Pharmaceutical and Sunsho, we will promote the joint development, manufacture, and sale of "Sunsho Made" Towa Pharmaceutical-original products.



*Especially in the U.S. market, price competitions intensified due to the overwhelming buying power of a large-scale consortium consisting of wholesalers, pharmacies, etc.

Expanding access to Towa Group products to international markets

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

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

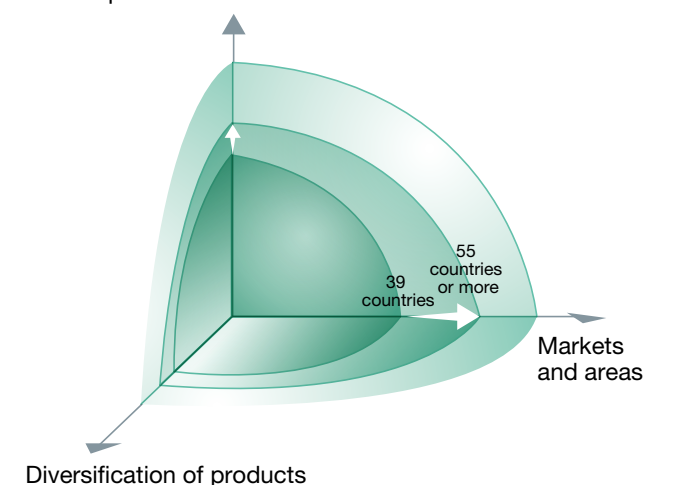
6th Medium-term (2024–2026): Ensuring business scale

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

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

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

Expansion of business scale

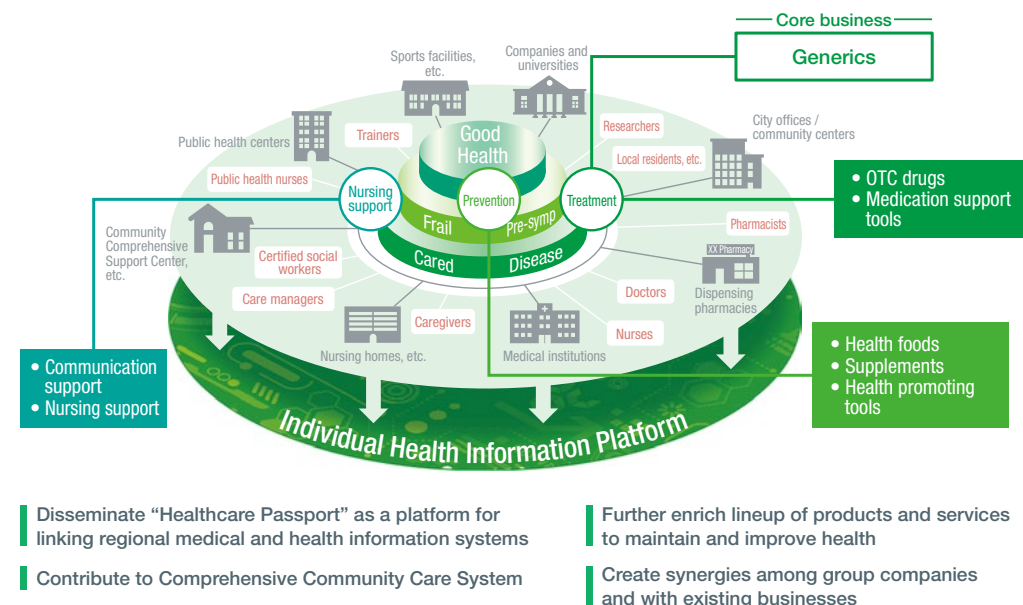


Entry into new health-related businesses

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

Further, we are also developing data service solution businesses, with the aim of realizing a society in which medical professionals and ordinary citizens can share individual health data interactively through medical institutions in the local community.

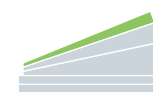
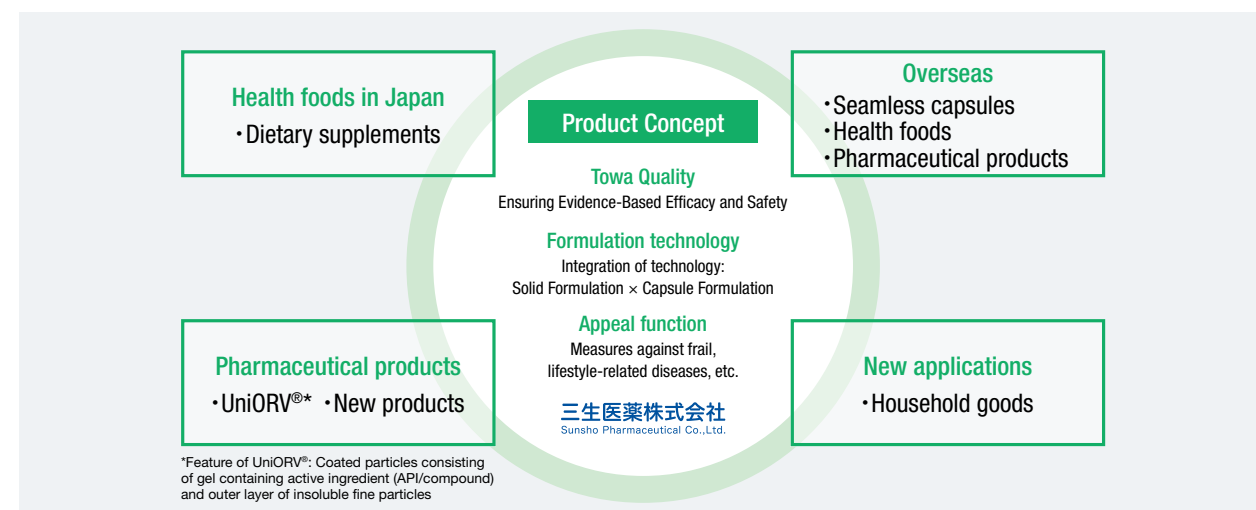
Based on “Healthcare Passport” (interactive health and medical information services) as a hub of this system, aim to realize “Exa Port” concept as a service solution



Synergy with Sunsho Pharmaceutical

For the creation of synergy with Sunsho Pharmaceutical, a consolidated subsidiary of Towa Pharmaceutical, we will leverage Towa Pharmaceutical's and Sunsho's respective strengths.

We will promote the joint development of Towa-original health foods and healthcare goods manufactured by Sunsho, with the Japanese market as our main focus.

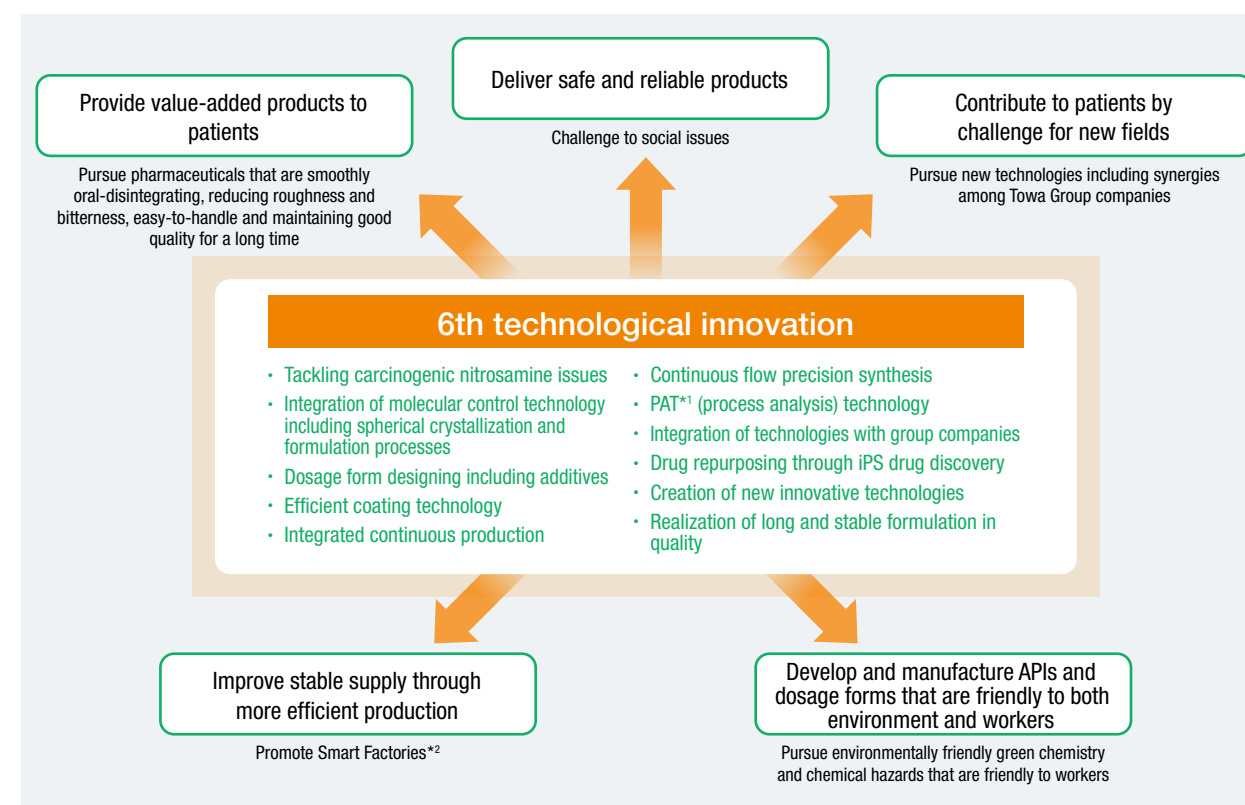


Policy 3 Strengthening sustainability management and building foundation for sustainable growth

We have been focusing our efforts on the creation of innovation in APIs, formulations, and manufacturing technologies. This is an approach that we will continue into the future. In the 6th Medium-term Business Plan in particular, we will pursue the commercialization of products based on new technologies that we have

established. For example, we will pursue pharmaceuticals that disintegrate easily in the mouth and that are less rough and bitter, making them easier to take, using molecular control technologies such as spherical crystallization. In this way, we will aim to realize high value-added products for patients.

Creating technology innovations and product values



*1 PAT: Process Analytical Technology

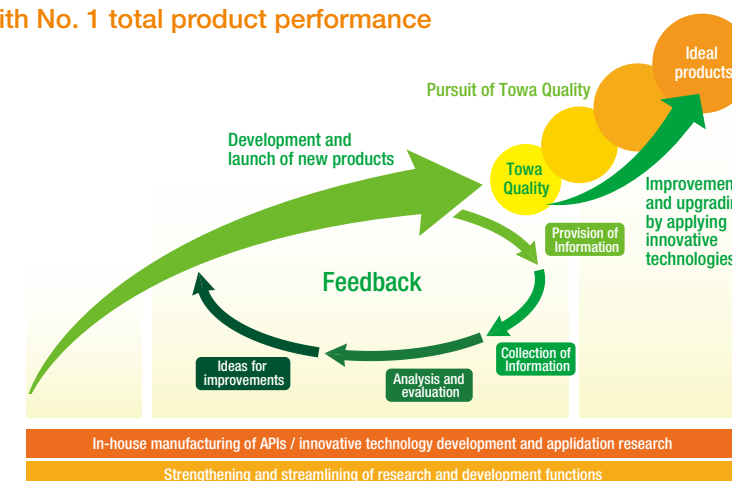
*2 Smart Factory: A plant that continuously uses digital technology to reform business processes and improve productivity and quality

Manufacture of sophisticated products with No. 1 total product performance and pursuit of Towa Quality

Manufacture of sophisticated products with No. 1 total product performance refers to our initiatives in providing the market with products characterized by “Towa Quality” that are desired and needed by customers.

This guarantees the quality of the products that we supply under thorough quality control. We are constantly using the latest technologies to improve and modify the quality of the products, and we are constantly upgrading the products to the latest and best.

Product Refinement Department was set up in April 2024 in order to promote these initiatives.



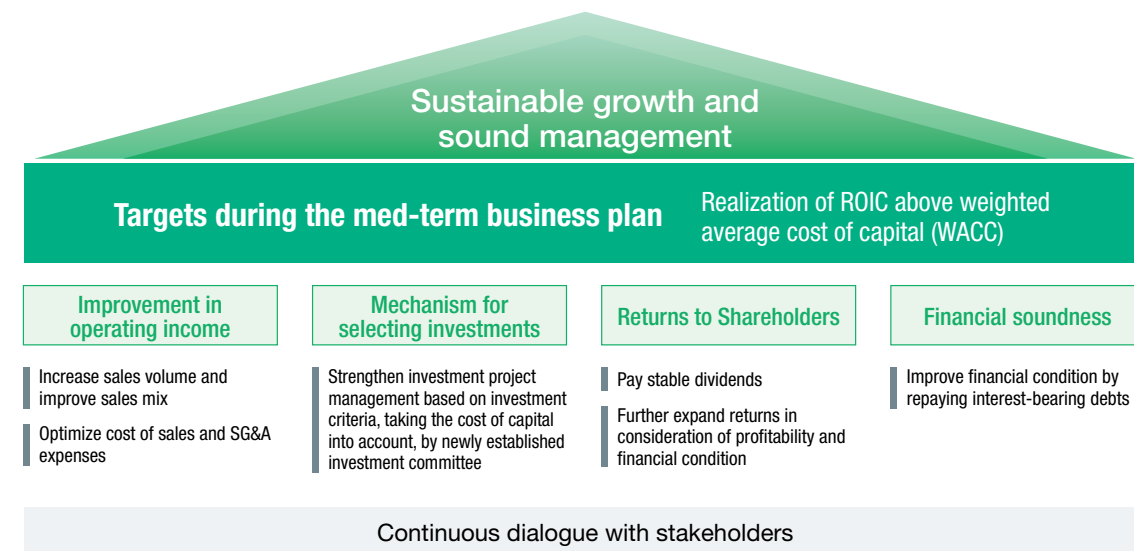
Balanced growth investment and financial soundness

To promote sustainable growth and sound management, we will work to achieve growth through the stable supply of generics in Japan and the improvement of return on invested capital (ROIC). We have set ROIC as

a new financial target, and we will work to improve operating profit and strengthen investment project management with the aim of achieving ROIC above weighted average cost of capital (WACC).

Achieve further growth through contribution to stable supply of generics in Japan

Improve return on invested capital (ROIC) in consideration of capital costs



Net Sales (Final year) [Consolidated] Achievement of JPY 300.0 billion [Non-consolidated] Achievement of JPY 200.0 billion Annual sales target achieved	Operating Income (cumulative) [Consolidated] JPY 68.0 billion or more Achievement of cumulative operating Income to invest in sustainable growth and return profits to shareholders	ROIC* (Final year) [Consolidated] 6% or more (with influence of goodwill) 7% or more (without influence of goodwill) Achievement of ROIC* exceeding WACC
R&D Expenditure (cumulative) [Consolidated] JPY 55.0 billion or more Lineup of needed products and improvement/upgrading of products based on the requests from medical institutions and patients	Capital investment (cumulative) [Consolidated] JPY 60.0 billion or more Investment to strengthen and improve efficiency of production facilities and logistic functions for maintaining and strengthening quality assurance and stable supply	Dividend Policy Implementation of stable dividends Ensuring stable dividends and returning profits to shareholders through improved corporate value

*ROIC: Operating Income after tax / invested capital (total equity and interest-bearing debt)
 External disclosure with influence of goodwill
 Internal control without influence of goodwill

Towa Group's Sustainability

Approach toward sustainability

Now that the volume share of generics has reached about 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 will thoroughly implement product management 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.

Under such policies, in order to develop a long-term vision for major changes in the future while integrating all of the strengths of the Group, it is necessary for each business or company to define the goals that they should aim for, for each company to become an autonomous organization to discover new social issues, and for us to use the collective strengths of the Group to solve such issues. We will aim to realize the Company's vision, "We contribute to people's health. We are dedicated to people's genuine smiles."

As a group governance system to realize the foregoing, the Risk Management Committee (chief risk officer: Itsuro Yoshida, President and Representative Director), which is consulted by the Board of Directors regarding risks including climate change, collects and analyzes information in collaboration with departments and affiliate companies. It then examines expected risks (including opportunities related to climate change) and initiatives related thereto. The Board of Directors receives reports from the Risk Management Committee on the status of this examination twice a year, determines the policies, and supervises the Committee.

In addition, the Executive Strategy Meeting chaired by President and Representative Director Itsuro Yoshida, meets once a week in principle and deliberates on important items related to management issues. The Meeting deliberates on our management policies and the Medium-term Business Plan including personnel measures and clearly defines the basic strategies and management targets.

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 Towa 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 Towa Group will work to bring about a sustainable society.