

To keep on realizing genuine smiles

Toward a production system of 17.5 billion tablets a year, to uphold our mission of stable supply

When the government decided on its policy of transitioning COVID-19 to a Class 5 infectious disease, the way out from the pandemic finally came into sight. The COVID-19 pandemic brought about major changes in society. The penetration of digitalization in society, growth in health consciousness, and efforts to resolve global challenges, as represented by the SDGs, have all accelerated as a result of the pandemic. In Japan, a super graying society, establishing a social security structure that will address the demographic challenge and extending healthy life expectancy are urgent issues.

Japan's social security benefits expenses, which continue to rise year by year, are expected to reach about JPY 140 trillion by 2025. As one measure to address this, the Japanese government has promoted the use of generic drugs since the early 2000s. The switch to generic drugs is now helping to reduce healthcare costs by about JPY 1.7 trillion annually, thereby lightening the load on the national government, health insurance societies, and patients.

With the business model of manufacturing and selling generic drugs as its core business, the Towa Group has been striving to contribute to the suppression of healthcare costs. Along with enhancement of the quality and performance of our products, a stable product supply is an important mission. However, stable product supply has become a major challenge, sparked by quality-related scandals in the industry, and people's trust in generics, which has been nurtured for many years, has fallen apart as a result. Consequently, the industry as a whole remains unable to fulfill its responsibility.

We have steadily proceeded with capital investments toward the national government's target of generics accounting for an 80% volume share of drugs sold in Japan. 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, because those manufacturers that caused the quality problems cannot make their products, 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 Yamagata Plant, adding 2.0 billion tablets to achieve a production system of 14.0 billion tables. Further, construction is underway of a 3rd solid formulation building that will be capable of producing 3.5 billion tablets (due for completion in October 2023), and we expect to achieve a production system of 17.5 billion tablets in FY2024 and beyond. We will also proceed with the construction of a 2nd sterile formulation building and a warehouse building at the Yamagata Plant to expand the production capacity of liquid formulations and freeze-dried formulations, in our efforts to expand our tangible facilities.

On the intangible front, this abnormal situation has already been ongoing for about three years, and to ensure that the burden on the employees working in our plants does not increase even further, we are strengthening our structure of increased headcount. We are also working to install automation and unmanned facilities and systems for enhancing production efficiency. We will continually share the latest market trends and future outlooks across the Group. We have a great sense of mission that we must be at the center of fulfilling the industry's important roles in society, including stable product supply and quality control. In addition to such production enhancement measures, if the entire industry proceeds with increases in production to a certain degree, we believe we can ease the shortage in production volume within the next several years.

In the quality assurance system, our products are manufactured at all of our plants through procedures that are in compliance with the three GMP principles. Ongoing 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. What is more, 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 continually 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. On November 24, 2021, we announced the *Towa Pharmaceutical Declaration of Legal Compliance*.

Meanwhile, in the face of profit-squeezing factors such as the annual revision of drug prices and soaring raw material and utilities costs, as an industry, we hope to propose a sustainable drug price system in which capital investments and other efforts toward the maintenance of appropriate quality and a stable supply system are properly recognized and drugs can be sold at appropriate prices, as well as a review of the industry's structure to position it as an important form of social infrastructure.

Leveraging synergies in Japan and abroad to guide the creation of innovation

The changes in society that began with the pandemic are about to pick up pace. We need to paint a long-term vision by optimizing the entire Group and leverage our organizational strengths to execute that vision. To this end, we must solidify the Group's governance toward achieving its Philosophy, "We contribute to people's health; We are dedicated to people's genuine smiles," and transition to a structure in which we can exhibit synergy. Each of the Group companies, as autonomous organizations, will identify new social issues; and the Group will aim to resolve such issues by leveraging its combined strengths.



Itsuro Yoshida
President and
Representative Director



One area in which we can expect synergy effects is the leading-edge formulation and capsule technologies held by Group companies, Sunsho Pharmaceutical Co., Ltd. and Greencaps Pharmaceutical Co. Ltd. By combining these technologies with Towa's formulation technologies, we aim to develop new technologies.

In overseas markets, through Towa Pharma International Holdings, S.L. ("Towa HD"), which is based in Spain, we supply generic drugs with over 210 ingredients in more than 20 countries and regions across the globe, with a focus on Europe and the United States. As a foothold for synergy creation, we are actively promoting tours of Towa Pharmaceutical's and Towa HD's local plants, exchanges of opinions among executive managers, personnel exchanges among researchers, and joint development of new products, in our efforts to cultivate a corporate culture and enhance our organizational strengths as a Group. Even in this extraordinary situation of supply instability that we currently face, we are discussing the use of the Towa HD Spanish plant's production capacity and the introduction of manufacturing technologies in Japan and considering the further strengthening of our stable supply system.

In June 2022, we standardized the trading names of the three sales subsidiaries in Spain, Italy, and Portugal under the Towa HD umbrella as "Towa Pharmaceutical." We will foster a sense of unity as the Towa Pharmaceutical Group, promote collaboration in operations, and deliver value-added products. By doing so, we will create a Towa brand image that is clear for stakeholders, and promote the further expansion of our business.

The objective of globalization is to deliver Towa Pharmaceutical's highly value-added products widely throughout the world. Individual countries and regions have different laws concerning factors such as 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 effects of synergy, and there are expansive opportunities to contribute to new markets, such as those in Southeast Asia, where increased demand is expected, with the creation of innovation.

Contributing in part to the competitive edge of industries in Japan, with pride in Towa Quality

The Towa Group is working to provide Towa Quality products and services and create technology innovation and product value through the manufacture of sophisticated products with No. 1 total product performance. The ideal of the Group's manufacture is local production and local consumption. We source APIs and intermediates both domestically and from all over the world. With the addition to the Group of Daichi Kasei Co., Ltd., which researches, develops, and manufactures APIs and intermediates, in 2010, alongside our research and development of continuous flow precision synthesis technology, which offers a high level of safety, we are drawing closer, step by step, to our ideal of local production and local consumption of our products. By cultivating a high standard of technological capabilities in Japan and developing the human resources to support those capabilities, we believe that we will be able to contribute to the Japanese government's policy of making the supply chain more resilient and increasing national capacity.

Towa Quality means product quality that society wants and needs and that has 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. Examples include orally disintegrating (OD) tablets, which disintegrate in the mouth without water and are thus easy to take, techniques for masking a 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 fine-tuned added value thus generated will better address the concerns of people and healthcare-related issues around the world.

Manufacture of sophisticated products with No. 1 total product performance refers to our initiatives for the

improvement of product quality and the creation of added value. To implement these initiatives, we are strengthening and streamlining our research and development functions by upgrading and expanding our R&D facilities and equipment.

To enhance the consideration for the global environment and society, we newly established Environment, Health and Safety Management Department in April 2022. The 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, etc., we will strive to disclose information based on the TCFD recommendations while carrying out the 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.

Establishing an unwavering position in the healthcare industry

The Towa Group has entered the final year of the 5th Mid-term Business Plan 2021–2023 PROACTIVE II, which started in FY2021. Under the plan, we have been pursuing our businesses with the basic policies of (1) Enhancing generics business as a core, (2) Expanding and growing business in overseas market, (3) Entering new health-related businesses, (4) Creating technology innovations and product values, and (5) Making job satisfaction and fostering talented human resources.

With "Dawn of the 3rd growth period" as the sub-title of the 5th Mid-term Business Plan, all companies in the Group have rolled out businesses extensively, from "establishing an unwavering position in the generic drugs industry" to becoming "a comprehensive healthcare company for the era of the 100-year life." As one of our challenges, the Group aims to create 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 our vision of contributing to people's health, we are proactively working to create health-related businesses that are adapted to the medical system for the future, while acquiring new techniques and integrating them with completely new knowledge and technologies.

The Japanese government is proceeding with the development of the Comprehensive Community Care System, with completion scheduled for around 2025, when Japanese baby boomers turn 75 years of age (the age of eligibility for the late-stage elderly medical care insurance system). Local communities in which Society 5.0 has been implemented is based on the development of a platform that will enable Medical professionals to easily share information with ordinary citizens by utilizing cutting-edge technologies, such as IoT, in which everything is connected via the Internet, artificial intelligence (AI), and big data, to enable appropriate, efficient

treatment and care-giving by Medical professionals and the promotion of the health of ordinary citizens (a platform for coordinating and sharing data from facilities such as hospitals, pharmacies, and those for nursing care).

The key to achieving this is a platform that utilizes personal health records (PHR) and electronic health records (EHR). As well as curbing medical costs, such a platform will also enable approaches at all stages, from the healthy to symptomatic stages. Furthermore, 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.

In partnership with TIS Co., Ltd., Towa sells Healthcare Passport, a cloud-based regional healthcare information coordination service offered by TIS. It is predicted that medical institutions in the future will have clearly defined roles according to their location and functions, and that the healthcare system will transform into one that is centered on primary care physicians. Healthcare support will enable Medical professionals and ordinary citizens to share medical records, the content of prescriptions, and health information on a bi-directional basis, making possible the efficient and effective utilization of medical and healthcare information, which was previously scattered between ordinary citizens, hospitals, clinics, pharmacies, and so on. Multiple healthcare facilities and prefectural governments are already considering the introduction of this platform, and the development of additional functions to meet user needs is also underway. The expansion of these products, services, and partnerships will lead to the development of the kind of health information platform that the Towa Group envisages as the foundation of the Comprehensive Community Care System.

Further, in September 2022, we launched Hana Support, a smartphone-based service that provides support for taking medications. The service features an app for patients with functions for alerting the user when it is time to take medication and recording when medications are taken, as well as a function that allows for communication with pharmacies and pharmacists. There is also a web-based service for pharmacies to record such interactions. Development of coordination between this service and the Healthcare Passport is ongoing. By giving both patients and pharmacies an accurate picture of the status of the patient's medication regimes, our aim is to support effective medication by preventing patients from forgetting to taking their medicine or taking the same dose twice.

A major challenge for the super graying society is the early detection of abnormalities in the pre-symptomatic disease stage. We have converted Protosera, Inc., a company that possesses an original disease risk screening service (ProtoKey test), into a subsidiary, and rolled out two types of tests for the detection of colorectal cancer risk and pancreatic cancer markers. We are also proceeding with research into taxifolin, a plant-derived substance that is expected to help prevent the progression of dementia, jointly with the National Cerebral and Cardiovascular Center. We will also start handling Cognitive function Self checker, which tracks eye movement using virtual reality to assess cognitive function. Various cutting-edge technologies envisioning Society 5.0 will be incorporated so that we may approach the extension of healthy life expectancy from many different fields.

Creating an environment in which employees can design their own career paths and experience a variety of roles

Regarding “Making job satisfaction and fostering talented human resources,” which is one of the basic policies of the 5th Mid-term Business Plan, we are aiming to create workplaces where there is respect for diversity in work styles and motivation for each and every employee. We see talented human resources as the source of the Group’s sustainable management. By carrying out operations under the Towa’s vision while feeling satisfied with their jobs, each employee will be able to sense changes in society and create new values.

As DX and AI further penetrate society and work, many tasks will be replaced by digital technologies. In the belief that having each employee mull over their career goals, take the initiative, and act systematically toward achieving the goals will lead to job satisfaction, we have established a new Personnel Development Department. The new department conducts interviews with individual employees to focus on their career plans from when they first join the Company until they retire and to support their career development. It is also clarifying the requirements for appointment to certain posts within the Company and developing systems to help employees to obtain the experience, knowledge, and abilities demanded by the positions they aspire to.

Discussions are currently underway for the development of the 6th Mid-term Business Plan, which will start in FY2024. In that process, envisaging what society should look like in 2040, we are attempting to

paint a picture of the future of the healthcare industry and social security system, with a focus on our core business of the development, manufacture, and sales of generics, and to design a business plan by backcasting from that vision. We will become increasingly active in entering new markets and new businesses, which will give our employees more opportunities to demonstrate a wide variety of skills.

The 100-Year Plan, our regional revitalization challenge to deliver genuine smiles to people all over the world

On the occasion of 2021’s 70th anniversary of Towa’s founding, we announced internally the Towa Group’s fundamental way of thinking and what it should be like in the future so that each of our employees can confront various social issues. The basis of this thinking is the Group’s vision, “We are dedicated to people’s genuine smiles.” The “genuine smile” refers to a state in which happiness wells up from within when the body is healthy and the spirit is fulfilled, and brings 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 products and services that they need, at any age and in any region.

To share this vision as a Group and turn it into something unflinching will require symbolic initiatives that will be promoted based on the long-term vision. As

part of the Towa Pharmaceutical Group 100-Year Plan, we have embarked on the challenge of growing licorice in Mongolia. Our association with Mongolia began in 2009 when I was part of a delegation from a Rotary Club in the city of Kadoma, of which I was a member in my capacity of President and Representative Director of Towa, that visited a Mongolian orphanage to which the club had donated funds. This vast land, which had a population of less than 2.6 million people who looked so similar to us, was facing significant challenges as the mining of finite underground resources caused desertification and, consequently, climate change. However, mining was a key industry that underpinned the nation’s economy.

Towa considered what kind of sustainable support it could provide, instead of one-off donations, and focused on the fact that licorice, which is used in APIs, grew wild in Mongolia. Licorice is also used in traditional Chinese medicine, and, besides its medicinal uses, licorice extract has a wide range of applications, including as a sweetener and in food products and cosmetics. We felt that, if we could make a success of this cultivation, 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 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, including visiting areas where the plant grew wild. In 2017, we secured about 1,000 hectares of land in Kherlen, a district in the Khentii province of Eastern Mongolia. Although the project stagnated due to the

COVID-19 pandemic, in September 2021, we were able to plant 600 licorice seedlings on a trial basis. With the approval of the chief of Kherlen, in 2023, we obtained the community’s cooperation, and local residents participated enthusiastically in raising seedlings and growing the licorice plants. Full-scale cultivation is scheduled to start in 2026. Because licorice has a growing cycle of about seven years from fertilization of the soil to harvest, we will divide the land into seven zones so that we can obtain a harvest every year. The plan is to harvest volumes of up to 500 tons a year (assuming that the whole 100 hectares is planted at the same time).

It is a grand plan, but the first thing we will do is provide support so that the business can be managed autonomously in Mongolia. If, in future, it leads to the expansion of the business into domains such as processing into APIs and exports, we believe that it will have tremendous significance for the revitalization of the regional community and economy. While it may take 100 years to become firmly established as an industry, for the sake of people’s genuine smiles, we want to keep up this activity, to symbolize the fact that, as a company that continues to be needed by people living in the region and to deliver products and services that they need, at any age and in any region, the entire Group will advance business without hesitation.

With a view to realizing people’s genuine smiles through its health-related business, the Towa Group will continue in its efforts to roll out all kinds of health-related 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 (August 2023)



The root and stolon of the licorice plant contain glycyrrhizic acid, an invaluable raw material of pharmaceuticals.



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 standard 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 37.

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.

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
Deputy Unit Manager,
Pharmaceutical 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.

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 38.

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.

Development of APIs

Product development

Quality control

Stable product supply

Information provision

Fostering of talented human resources

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. At present, the three plants can produce a total of 14.0 billion tablets* annually. In response to a further increase in demand, the construction of the 3rd solid formulation building in Yamagata Plant will be complete in fall 2023. Shipment will commence sequentially from FY2024, and we will proceed toward an annual production of 17.5 billion tablets.

*Production capacity of tablets/capsules

Tetsuya Yamamoto
Manager,
Production Planning
Department,
Production Division



Related information
See page 37.

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.

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,
Medical Communication
Department,
Sales and Marketing Division



Related information
See page 36.

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.

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. The 5th Mid-term Business Plan 2021–2023 PROACTIVE II that will end in FY2023 sets out "Making Job Satisfaction and Fostering of Talented Human Resources" as one of the priority policies. While aiming for job satisfaction for each employee motivated by individual talent improvement and career enrichment, we seek to strengthen our system for encouraging employee growth.

Masakazu Kawashima
Manager,
Personnel Development
Department,
Human Resources Division



Related information
See page 39.

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.

Fulfilling Our Social Mission of Stably Supplying Generics through Continuous Production Capacity Expansion

We will further strengthen production capacity and improve production efficiency under the circumstances in which concerns over stable product supply remain.

We will continue to take on challenges to enable stable product supply.

The volume share of generics in Japan has exceeded 80%, and generics have become an important part of the social infrastructure. The responsibility of generics manufacturers like us for stable product supply is even heavier. Regrettably, however, unstable product supply has been continuing due to recent quality issues of generics companies.

As a leading company among generics manufacturers, Towa has worked to install new equipment and increase workforce with the aim of increasing production, so that we can fulfill our responsibility for stable product supply. Our annual production capacity reached 14.0 billion tablets in the second half of FY2022. Furthermore, in order to establish a structure for more stable product supply, we plan to build the 3rd solid formulation building in Yamagata Plant by October 2023 and to achieve the annual production capacity of 17.5 billion tablets from FY2024 onward.

At the same time, we plan to construct the 2nd sterile formulation building in Yamagata Plant and thereby double the annual production capacity of vials from 5 million vials to 10 million vials.

For the new building under construction, we intend to introduce automated and unmanned equipment proactively and reduce the number of personnel significantly, as part of measures to improve efficiency and cope with the progress of aging population coupled with declining birthrates.

We are also proactively promoting establishment of a backup system and production efficiency improvement (scaling-up, series production, etc.).

Towa is committed to continuing to take on challenges proactively to fulfill its social mission of stable supply of generics.



Takayuki Kanno
Senior Operating Officer in charge of Production Division and Senior Plant Manager, Yamagata Plant

Promoting production efficiency by, for example, scaling up the manufacturing equipment

The Company has been striving to ensure quality and stable supply of generics for many years, and therefore earned the unwavering trust of the market. On the other hand, some of our competitors have received orders such as an order to suspend their operations due to violation of Good Manufacturing Practice (GMP; the standard for manufacturing control and quality control of pharmaceutical products), which resulted in continued disruption of product supply. Given this situation, the demanded volume of products of the Company has continuously been exceeding the production capacity, and we have no choice but to adjust the shipment volume of some of our products in FY2023 as well.

In response to the circumstances, the Company has been continuously working to strengthen its production

system and striving to meet the volume of demand for generics. At the same time, our production sites dedicate themselves to improve production efficiency and thereby increase the production volume per hour. Such efforts to improve efficiency include the scaling-up of manufacturing equipment for tablets. In addition, while we previously used a batch manufacturing method in which a wide range of products are produced in a small quantity, we now use a continuous manufacturing method in which the number of production lots per run is increased and which enables mass production with less hours. We will continue to fully fulfill our social mission regarding stable supply of generics.



Efficiency improvement through scaling-up

(Conceptual images)

Example of manufacturing equipment: Fluidized-bed granulation and drying machine

Equipment for small-scale production

Equivalent to 0.5 million tablets/lot

Production volume per minute*:

Approx. 460 tablets



Scaling-up



Equipment for large-scale production

Equivalent to 2 million tablets/lot

Production volume per minute*:

Approx. 1,580 tablets

Key points

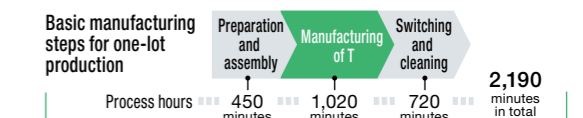
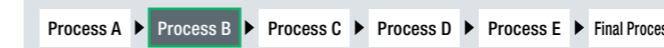
- By scaling up, man-hour can be reduced.
- The production volume per hour can be increased, which results in efficiency improvement.

*Calculated using the average process hours for multiple items produced in the same scale and processes (including preparation and assembly as well as switching and cleaning)

Efficiency improvement through a continuous manufacturing method

(Conceptual images)

Example of Product T: Production lot scale of 2 million tablets [in Process B]

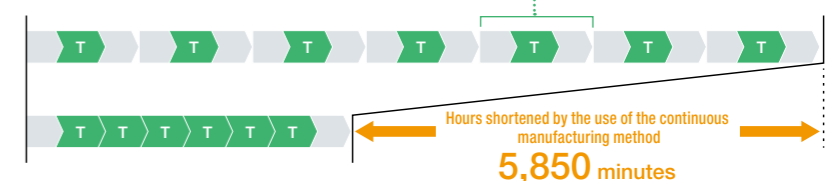


Batch manufacturing method [in case of six-lot production]

Cumulative manufacturing hours 13,140 minutes (2,190 minutes/lot)

Continuous manufacturing method [in case of six-lot production]

Cumulative manufacturing hours 7,290 minutes (1,215 minutes/lot)

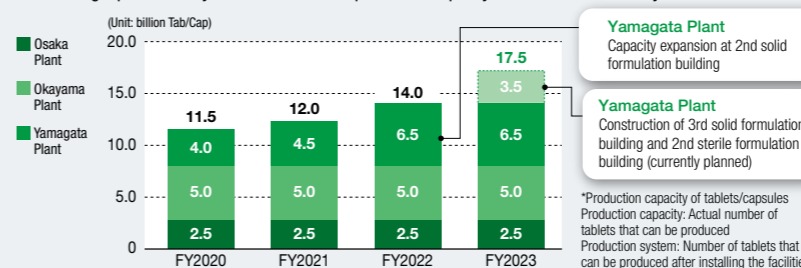


Key points

- The fixed man-hour can be reduced by increasing the number of lots (number of batches) per run.
- The six-lot batch manufacturing method was changed to the continuous manufacturing method. » Man-hour: Reduced by approx. 45%

Production capacity expansion with the three-plant production system

Establishing a production system with an annual production capacity of 17.5 billion tablets by the end of FY2023



Making steady strides toward increasing the production

Construction of a new building at Yamagata Plant was completed in October 2023, and operations will commence sequentially starting from April 2024. We will proceed toward shipment. Through these and other efforts, as set forth in the Mid-term Business Plan, in FY2025, we will realize the production system capable of producing 17.5 billion tablets.

Feature Topic
02
Human Capital

Making Job Satisfaction by Strengthening Human Capital Management

We will develop talents who will contribute to business diversification by, for example, supporting career development.

Developing human resources who are capable of responding to changes in the business environment

Strengthening the linkage between management strategy and personnel strategy has become an important issue to achieve sustainable growth of corporate value while responding to changes in the business environment.

Since the establishment of a new Personnel Development Department under the Human Resources Division, the Company has been working on initiatives to support career development of every employee so that they can create their own career plan. We have been pushing forward with formulation of requirements for managerial positions to encourage ability development, visualization of requirements for necessary skills, presentation of requirements for career paths and promotion, among other efforts.

We are also focusing on creating an environment that supports the autonomous career development of individuals by enhancing ability development programs and training for those who are in managerial positions.

By promoting such diverse personnel measures, we aim to create a working environment with a sense of job satisfaction and develop human resources who are capable of proactively taking on challenges to address a variety of business issues.

Toshikazu Kokubun
Division Manager,
Corporate Strategy Division
Operating Officer in charge of
Human Resources Division

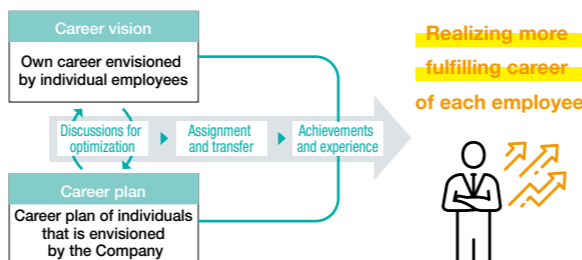


A scene from a career interview

Importance of creating a career vision



Development of Towa career



Feature Topic
03
Environmental Initiatives

Working on Various Issues Related to the Global Environment and Occupational Health and Safety

From a mid- to long-term perspective, we will make steady strides toward group-wide efforts such as to reduce CO₂ emissions.

Contributing to sustainable growth of the Group as a whole

The mission of the Environment, Health and Safety Management Department is to promote group-wide activities by establishing targets of the Group related to preservation of the global environment and safety of employees. In FY2022, we conducted energy-saving diagnosis and formulated mid- to long-term targets as well as a medium-term road map for reducing greenhouse gas emissions. Since FY2023, we have been promoting reduction measures to realize the road map.

As for safety of employees, we undertake activities related mainly to follow-ups on individual occupational accidents, internal audit, and risk assessment. In addition, we also focus on prevention of exposure of chemical substances to workers, and have created a visual version of SDSs for active pharmaceutical ingredients (APIs), which is used on site.

In the future, we will also work on measures for the global environment in our entire supply chain. We aim that these group-wide activities contribute to sustainable society and growth of the Group.

Kaoru Makino
General Manager of the Environment,
Health and Safety
Management Department
Administration Division



Towa Group
Environmental, Health
and Safety Policy

Promoting creation of a working environment that enables employees to feel a sense of job satisfaction

Strengthening human capital-oriented management is an important issue to achieve future sustainable growth. In FY2021, the Company reorganized the Human Resources Department into the Human Resources Division, and newly established the Personnel Development Department. By so doing, the Company is working to create an environment in which employees can envision their own career and the Company can create a career plan for each employee, with the aim of "creating an environment with a sense of job satisfaction and developing talents who can respond to changes."

As part of specific initiatives, we have formulated requirements for managerial positions, visualized requirements for skills that are necessary for operations of each department,

created a rotation model, and presented requirements for career paths and promotion. In addition, we have established a rotation scheme so that each of our employees can demonstrate their abilities, and are working to improve our on-boarding and training systems so that employees can demonstrate their abilities at an earlier stage.

By promoting development of abilities of our employees and continuously supporting their growth through such initiatives, we aim to develop talents who are capable of proactively taking on challenges to address various issues, such as clinical development efforts that we will be newly working on, advances in formulation technology, entry into new healthcare industries, and globalization.

Formulation of a road map that contributes to decarbonized society

Efforts to counter problems related to the global environment and safety and health of our employees are part of our important management issues. Therefore, the Company has been undertaking group-wide activities taking issues into consideration. In April 2022, an Environment, Health and Safety Management Department was newly established to reinforce our activities to preserve the environment and realize occupational health and safety. This department is an organization dedicated to supervision of the entire Group in three areas, namely, environmental management and the global environment; chemical substance management; and occupational health and safety.

In the area of environmental management and the global environment, the department plays a central role in TCFD-related projects, and discloses information related to climate change-related risks and profit-making opportunities associated with

global warming. In addition, it creates a road map toward decarbonization of the Group and will commence efforts to realize the road map.

In the area of chemical substance management, it has formulated company-wide rules related to issues such as appropriate management and legal compliance of chemical substances used in plants and laboratories, and prevention of exposure to highly potent compounds.

Furthermore, in the area of occupational health and safety, it promotes establishment of a framework and education to prevent recurrence of occupational accidents.

Starting from FY2023, in accordance with the newly formulated "Towa Group Environmental Safety Policy," it also pushes forward with activities even further that take into consideration the global environment and the safety of workplaces.

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 "5th Mid-term Business Plan 2021-2023 PROACTIVE II."

Social Issues

Extension of healthy life expectancy and disease prevention

Production of high-quality pharmaceutical products

Quality assurance and stable supply of pharmaceutical products

Better accessibility to primary healthcare services

Application of advanced technology to healthcare services

Improvement of working environment

INPUT Business Capital

Financial capital

- Total assets: JPY **371.3 billion** (consolidated)
- Net assets: JPY **136.8 billion** (consolidated)

Manufactured capital

- Production sites: **12** (11 in Japan [including Towa's 3 plants], 1 in Europe)
- Production capacity (Towa's 3 plants): **14 billion tablets** (tablets and capsules)
- Production facilities for various dosage forms

Intellectual capital

- R&D offices: **9** (8 in Japan, 1 in Europe)
- R&D expenditure: JPY **35 billion or more** (accumulative) (FY2021-FY2023)
- API synthesis process knowhow

Human capital

- Employees: **4,298** (consolidated)
- Consolidated subsidiaries: **12** (4 in Japan, 8 in overseas countries)
- Qualified pharmacists: **254** (consolidated in Japan)
- MRs: **773** (consolidated in Japan)

Social and relationship capital

- Collaborate with business partners including raw material manufacturers, medical products distributors, and agents
- Medical institutions coverage ratio (Towa): Hospitals **91.9%**
Dispensing pharmacies **96.3%**

Natural capital

- Energy input: **32,860 kl** (crude oil equivalent, Towa's 3 plants)
- Water usage: **743,944 m³** (Towa's 3 plants)

Towa Quality

Manufacture of sophisticated products with No. 1 total product performance

5th Mid-term Business Plan 2021-2023 PROACTIVE II

Corporate Governance
(Compliance and Risk Management)

Our Commitments (T-SMILE)

Vision

Foundations supporting value creation

OUTCOME

Towa Group's value proposition

We will support everyone who cares about good health to live a healthy lifestyle by making it easier to be and stay healthy as part of everyday life.

Enhancing generics business as a core

Expanding and growing business in overseas markets

Entering new health-related businesses

Creating technology innovations and product value

Making job satisfaction and fostering talented human resources

Social Impact

Extending healthy life expectancy of more than 7 billion people around the world

Controlling healthcare costs of the government, administrative agencies, and local communities

Maintaining sustainable healthcare system

Genuine smiles

People's health

External Environment Surrounding Towa Group

Entering the era where measures for new challenges are required despite having achieved the government's generics volume share target

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 has set a target to increase the generics volume share to 80% by September 2020.

In response to this, the generics industry including Towa has focused on enhancing production capacity and ensuring stable supply. The results of analysis issued by the Japan Generic Medicines Association show the volume share reached 81.2% in the third quarter of fiscal 2022 (October to December 2022), achieving the target of 80%.

Furthermore, in the Basic Policy on Economic and Fiscal Management and Reform 2020, the government says it will "protect people's lives, livelihoods, jobs, and businesses" to achieve the "New Future in the post-pandemic." The government also envisions achieving a "New Normal Lifestyle" by

a full speed revolution at a stroke that would take 10 years under normal circumstances. Achieving a high-quality economic society in the "New Normal Lifestyle" is set as a goal for the New Future in the post-pandemic.

Meanwhile, under the "Future Social Security Reform – Looking to 2040" issued by the Ministry of Health, Labour and Welfare, the government aims to realize a society where everyone can work longer and more energetically by solving issues such as "diverse employment and social participation," "extension of healthy life expectancy" and "medical and welfare service reforms." Generics are playing a greater role under these government policies and we are expected to contribute to extending healthy life expectancy by forming an infrastructure to create ideal local communities and providing necessary health promotion services to people in need of them.

There is a pressing need for industry-wide initiative to restore confidence in generics which has been eroded

While the generics volume share has steadily risen, the recent quality problems in the generics industry have affected the entire industry. Public confidence in generics built by the industry so far is declining. As the drug companies involved in quality problems suspended their operations, the industry as a whole has failed to fulfill its responsibilities for stable supply. As a result, the generics market is still in turmoil and the future of generics companies is worrisome.

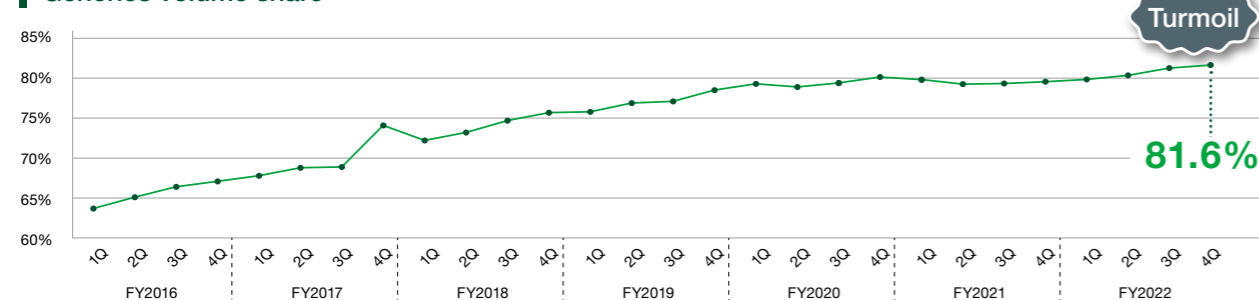
Under such circumstances, the Ministry of Health, Labour and Welfare mentioned that the industry would never gain understanding from patients and medical professionals only by setting new numerical targets for generics. In order to regain public

confidence in generics, the entire industry shall implement measures for ensuring a stable supply based on thorough manufacturing and quality management.

While still pursuing Towa Quality, we will make the utmost efforts to restore public confidence in the industry by enhancing the product lineup needed and maintaining and strengthening the system for stable supply/quality assurance as well as for information provision.

Our activities on health-related businesses conform to this direction and we will strive to become a valued company that contributes to the society.

Generics volume share



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 **371.3** billion (consolidated)
- Net assets: JPY **136.8** billion (consolidated)

Total assets at the end of FY2022 increased JPY 39,250 million YoY to JPY 371,347 million. Net assets at the end of FY2022 increased JPY 4,725 million YoY to JPY 136,894 million. Consequently, capital-to-asset ratio was 36.9% 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 capacity (Towa's 3 plants): **14 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 capacity stands at 14.0 billion tablets for tablets and capsules produced at Towa's 3 main plants. 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: **9** (8 in Japan, 1 in Europe)
- R&D expenditure: JPY **35 billion or more** (accumulative) (FY2021–FY2023)
- API synthesis process knowhow

R&D is conducted in 9 offices in total, comprising 8 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: **4,298** (consolidated)
- Consolidated subsidiaries: **12**
(4 in Japan, 8 in overseas countries)
- Qualified pharmacists: **254** (consolidated in Japan)
- MRs: **773** (consolidated in Japan)

Towa Group hires 773 MRs and 254 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 **91.9%**
Dispensing pharmacies **96.3%**

We engage in nationwide marketing activities through 71 sales offices, 31 agents at 62 sites, and medical products distributors, among others, in Japan. Towa has a high coverage ratio of medical institutions: 91.9% for hospitals and 96.3% for dispensing pharmacies.



Natural capital

- Energy input: **32,860 kl**
(crude oil equivalent, Towa's 3 plants)
- Water usage: **743,944 m³**
(Towa's 3 plants)

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.

Mid-term Business Plan

Mid-term Business Plan
2021–2023

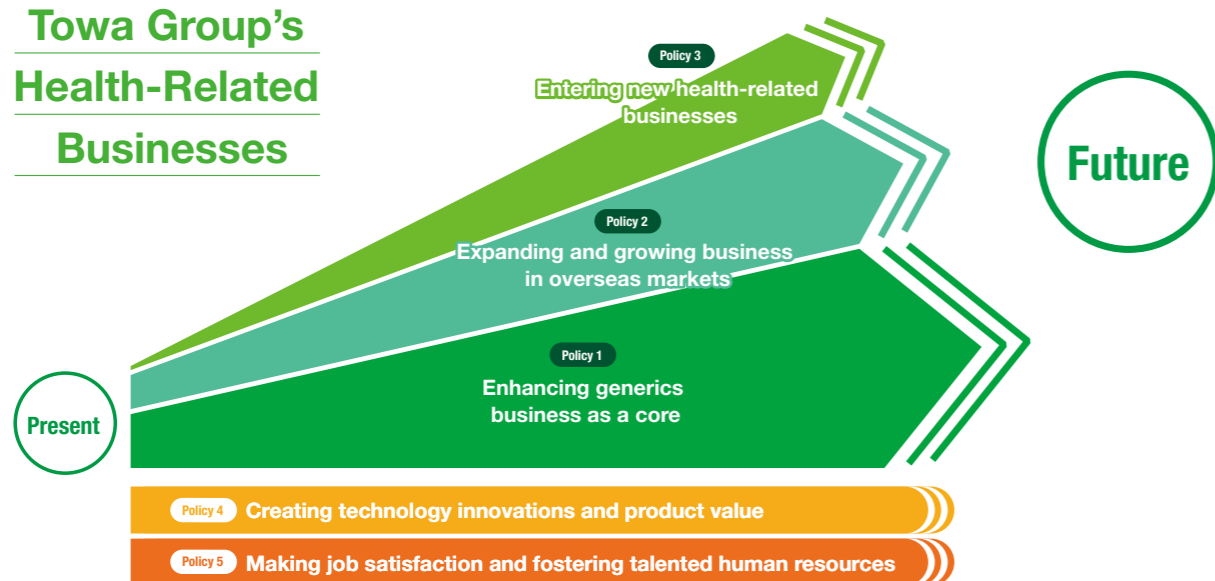
PROACTIVE II

Under our 5th Mid-term Business Plan 2021–2023 PROACTIVE II (the “Mid-term Plan”), the Group will be developing health-related businesses in line with five policies as shown in the diagram below. With our domestic and overseas generics business, which is our core business, we will be aiming to make an even greater contribution as we move forward into the future. And as for overseas markets, we will be expanding the number of countries and territories in

which we offer the Group’s products. Furthermore, in the realm of new health-related businesses, we are embarking on a new era, so will be steadily doing what’s necessary as we look ahead to the future.

To implement these policies, it will be important to continuously deliver technological innovation and product value, and we will therefore be continuously working to enhance job satisfaction and foster talented human resources.

Towa Group’s Health-Related Businesses



Challenges	Policy	Key Theme
<p>Securing stable supply and providing appropriate information based on thorough manufacturing control and quality control to restore trust in generics</p> <p>Being a more trusted and needed company as a comprehensive generics manufacturer</p>	[Policy 1] Enhancing generics business as a core	<ul style="list-style-type: none"> Stable product supply Stable API procurement Enhanced production capacity Optimized Towa Sales System Quality assurance Broad product lineup Manufacture of sophisticated products with No. 1 total product performance
<p>Delivering high-quality, value-added generics to contribute to the health of people around the world</p>	[Policy 2] Expanding and growing business in overseas markets	
<p>Contributing to the realization of healthcare and nursing care for society with long and healthy life expectancy and also to society that shifts from medical care to care of pre-symptomatic disease care and prevention</p>	[Policy 3] Entering new health-related businesses	<ul style="list-style-type: none"> Entry to Disease risk testing service business
<p>Contributing to society by constantly supplying the Towa Quality products and achieving sustainable growth</p>	[Policy 4] Creating technology innovations and product value	
<p>Continuing to be an ever-growing company that provides job satisfaction to each and every employee through growth of both the company and its employees</p>	[Policy 5] Making job satisfaction and fostering talented human resources	

Progress with implementation of Mid-term Business Plan

In our performance in the fiscal year ended March 31, 2023 while net sales increased with the consolidation of Sunsho Pharmaceutical, profit attributable to owners of parent fell significantly, primarily due to a decrease in gross profit caused by the impact of the rising cost of living, and a decrease in operating profit caused by an increase in SGA expenses.

Regarding the progress of the Mid-term Business Plan, with no changes to the challenges, policies, and key theme, we will continue to work toward the further

enhancement of corporate value in line with the Plan. In terms of the numerical targets for major items, while there is no change to our net sales target, in May 2023, we announced a revision of our accumulative target for operating profit. The reasons for this revision include a decline in sales volumes caused by limited shipments resulting from problems with supply stability, soaring raw material and utilities costs, and depreciation of goodwill. Accordingly, the target has been revised from the initial target of JPY 57.0 billion to JPY 36.5 billion.

Net sales		Operating profit
Targets		Target (cumulative)
JPY 200.0 billion (consolidated)	JPY 150.0 billion (non-consolidated)	JPY 36.5 billion or more (revised)
Results for FY2021		Results for FY2021
JPY 165.6 billion (consolidated)	JPY 123.3 billion (non-consolidated)	JPY 19.2 billion
Results for FY2022		Results for FY2022
JPY 208.8 billion (consolidated)	JPY 124.0 billion (non-consolidated)	JPY 5.5 billion

R&D expenditure	Capital investment	Dividend policy
Target (accumulative)	Target (accumulative)	Target
JPY 35.0 billion or more	JPY 75.0 billion or more	Stable dividends
Results for FY2021	Results for FY2021	Results for FY2021
JPY 11.5 billion	JPY 14.8 billion	Annual dividend of JPY 60
Results for FY2022	Results for FY2022	Results for FY2022
JPY 15.3 billion	JPY 39.6 billion	Annual dividend of JPY 60

Policy 1 Enhancing generics business as a core

Stable product supply

To improve our stable supply system, we will further strengthen our efforts made to date in the areas of “API procurement,” “enhanced production capacity,” and “optimization of the Towa Sales System.” We are making capital investments in our Yamagata Plant to fulfill our responsibility for stable product supply as a

generics manufacturer and also to accommodate future expansion of our market share. Going forward, we will emphasize the perspective of supply chain management and strive to maintain and strengthen the stable supply system through risk-adapted initiatives.

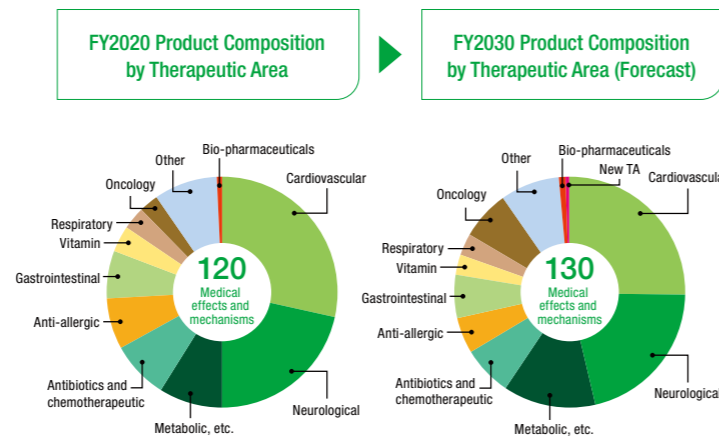
Quality assurance system

Throughout manufacturing and quality control processes, we will comply with GMP, GQP, and GVP ministerial ordinances and the GDP guidelines to maintain and strengthen our quality assurance system. In every process from the acceptance of APIs to the testing of intermediate

products, the testing of finished products, product shipment decision-making by plants, and product shipment decision-making by the HQ QA Dept, we will strengthen our management systems and schemes, and continue to work to ensure reliable quality and safety.

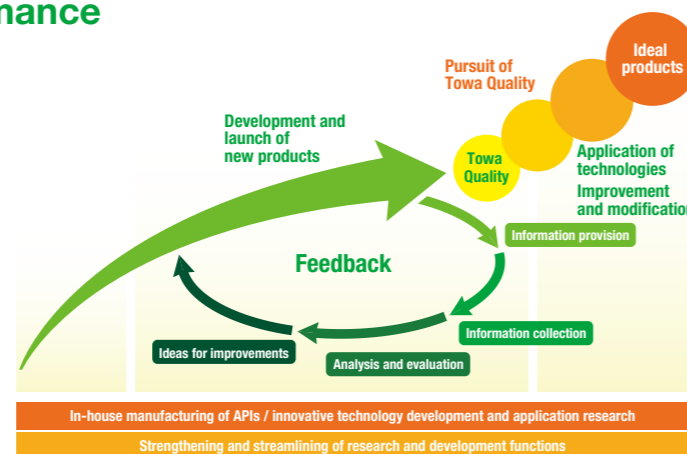
Broad product lineup

We will put together a generic-drug product lineup with a focus on medicines deemed necessary for future medicinal treatment. With joint sales of Infliximab BS as a stepping stone, we have entered the biosimilar market, and in December 2021, we started manufacturing and sales of our first authorized generic, Eldecalcitol Capsules 0.5 µg/0.75 µg Towa. Subsequently, we launched sales of the brand-name drug, Ediolol 0.5µg/0.75µg, in December 2022. In addition, we will be taking on challenges in diversified areas such as drug re-positioning with iPS drug discovery, development of Rivastigmine transdermal system twice-a-week medicine, etc.



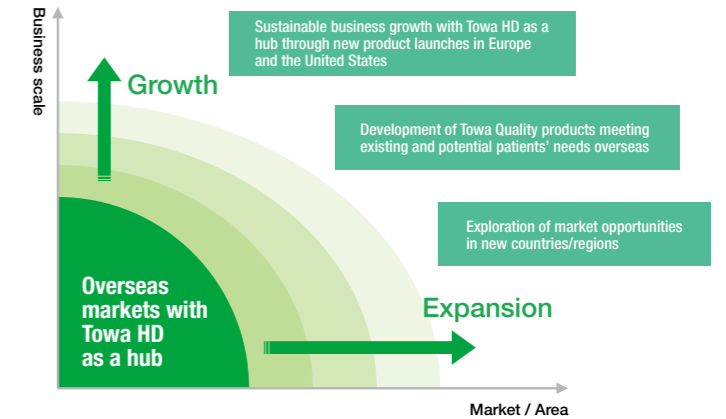
Manufacture of sophisticated products with No. 1 total product performance

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. We are strengthening and streamlining research and development functions through investment in facilities and equipment.



Policy 2 Expanding and growing business in overseas markets

We will strive for the sustainable growth of our business by introducing new products in Europe and the United States, mainly through Towa HD, which we acquired in 2020. At the same time, we will develop Towa Quality products that meet patients’ needs overseas. Furthermore, we will explore market opportunities in new countries/regions.

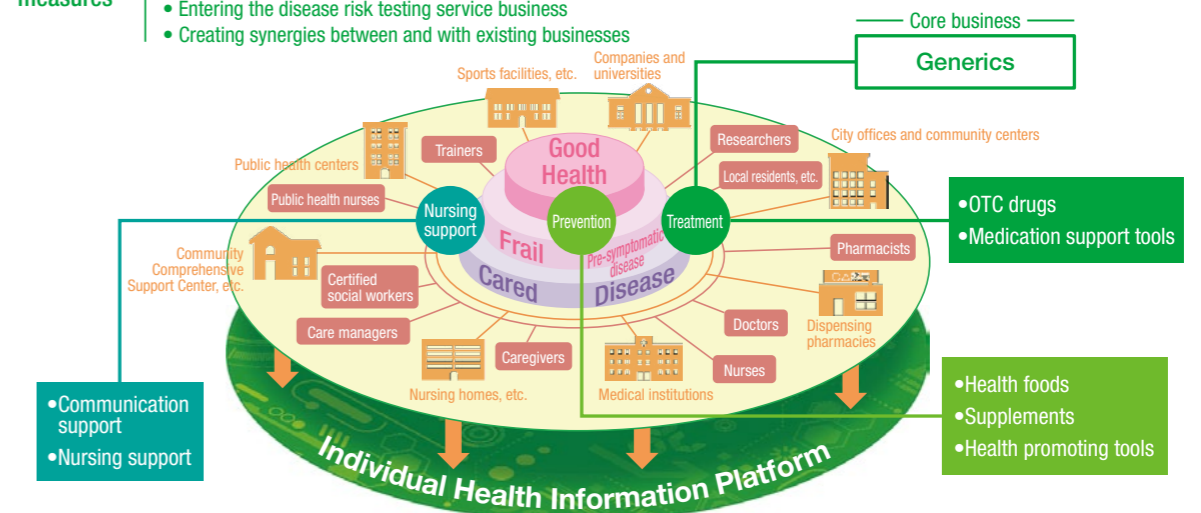


Policy 3 Entering new health-related businesses

As part of our challenges, the Company aims to contribute to the realization of healthcare and nursing care for society with a long and healthy life expectancy and also to society that shifts from medical care to pre-symptomatic disease care and prevention. Recognizing this as a task to accomplish, and in line with our vision of contributing to people’s health, we are working to create new health-related businesses that are suited to the new medical system, while acquiring new techniques and integrating

them with completely new knowledge and technologies. In addition, regarding Sunsho Pharmaceutical Co., Ltd., which became a wholly owned subsidiary in March 2022, we concentrated on the promotion of PMI and the creation of Group synergy. Going forward, by leveraging Sunsho Pharmaceutical’s strong technological capabilities, extensive customer base, and knowhow on health foods that it has cultivated to date, we will aim to develop a diversified portfolio of health-related businesses.

- Key measures**
- Building a foundation for extending healthy life expectancy by utilizing data
 - Contributing to Contributing to the Comprehensive Community Care System
 - Further enhancing lineup of products and services to maintain and improve health
 - Entering the disease risk testing service business
 - Creating synergies between and with existing businesses



Contributing to forming of infrastructure for the creation of ideal local communities
Providing necessary health promotion services to people who need them and contributing to the extension of healthy life expectancy

Policy 4

Creating technology innovations and product value

To contribute to society by constantly supplying Towa Quality products and achieving sustainable growth as a company, we will continue to work on creating technology innovation and product value.

In particular, we will pursue technological innovation in API technologies such as molecular control technology, chiral synthesis technology, and continuous-flow precision synthesis, in formulation technologies such as ones that allow the production of OD tablets that are easy to take, and in manufacturing technologies for continuous production.

Sunsho Pharmaceutical, which is now a Group company, constructed an Innovation Center to serve as a R&D base for enabling the development of state-of-the-art pharmaceutical formulation technologies. The company also possesses advanced drug formulation

and capsule technologies such as Uni ORV® technology, and we are aiming for innovation by integrating them with our own RACTAB® technology.

We are also stepping up efforts to create new product value. Regarding joint research aimed at obtaining a new indication for Bromocriptine the results of physician-led trials suggest potential for formulation development based on iPS drug discovery. Going forward, Towa Pharmaceutical and Time Therapeutics, Inc., in cooperation with Kyoto University, plan to consult with the regulatory authorities and determine a development policy with a view to obtaining approval.

As for our formulation of Rivastigmine a drug used by Alzheimer's disease patients, we are conducting clinical trials (Phase III trial) with a view to obtaining approval for manufacturing and sale of the formulation.

API Technology	Formulation Technology
<p>Establishment of molecular control technology</p> <ul style="list-style-type: none"> ● Freely controlling crystal form and particle size of APIs → Contribution to the development of value-added products <p>Establishment of chiral synthesis technology</p> <ul style="list-style-type: none"> ● Enabling efficient API synthesis <p>Development of continuous flow precision synthesis</p> <ul style="list-style-type: none"> ● Pursuing green sustainable chemistry with wastes reductions and low CO₂ emissions as key initiatives 	<p>Pursuing OD tablets that are easy to take</p> <ul style="list-style-type: none"> ● Further improvement of RACTAB → Masking technology to reduce bitterness, miniaturization of tablets, and better oral disintegration <p>Realization of stable formulations</p> <ul style="list-style-type: none"> ● Development of formulations applying technologies to suppress the decomposition of active ingredients ● Assurance of expiration period of formulation for three years or more
Manufacturing Technology	Creation of New Product Value
<p>Establishment of technology to monitor products in real time (PAT: Process Analytical Technology)</p> <p>▼</p> <p>Application to integrated continuous manufacturing system</p> <ul style="list-style-type: none"> ● Production carried out under an integrated flow leading to labor saving ● Smaller manufacturing facilities and occupation area 	<p>Joint research aimed at obtaining a new indication for Bromocriptine</p> <ul style="list-style-type: none"> ● Clinical trials for familial Alzheimer's disease started <p>Development of new Rivastigmine formulation</p> <ul style="list-style-type: none"> ● Development of transdermal system twice-a-week medicine ● Hope for reducing the burdens on patients, their families, and caregivers

Policy 5

Making job satisfaction and fostering talented human resources

As the growth of employees leads to the strengthening of corporate fundamentals and facilitates growth corresponding to change, we are working to establish an environment for the enhancement of corporate fundamentals. In connection with this, we are aiming to create workplaces where there is respect for

diversity in work styles and motivation for each and every employee. We also view our employees as vital investment resources and assets for the Company, and are stepping up fostering talented human resources who can make an impact as we pursue growth.

Towa Group's Target Business

Based on our vision "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, Medical professionals, local communities, and others.

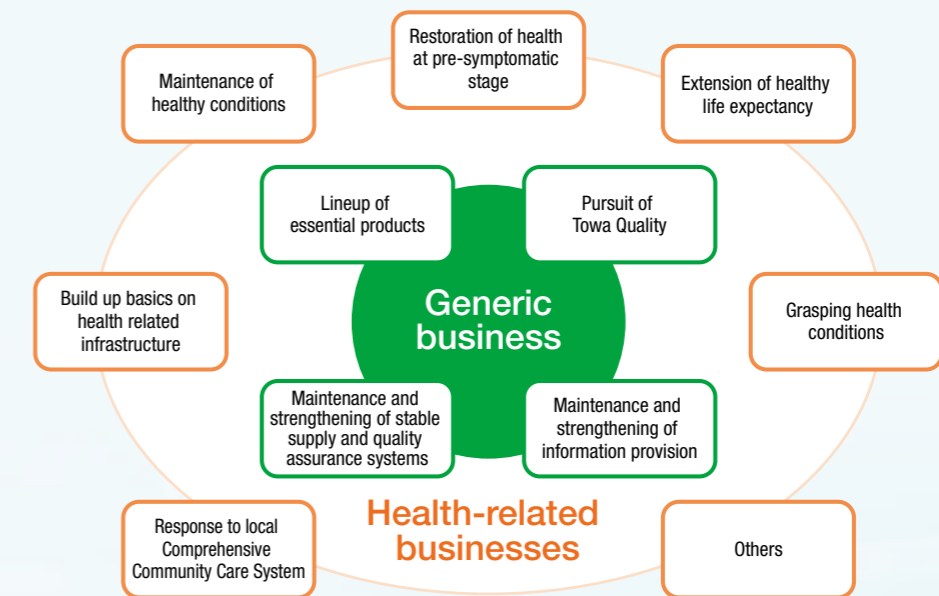
Under the 5th Mid-term Business Plan, we will maintain our vision while expanding the scope of our business to include health-related businesses. Nevertheless, our core generic business in Japan and overseas will maintain its central role in our operations.

In this core business, we will further strengthen and utilize the results of all the efforts we have made so far. Based on the premise of "pursuit of Towa Quality," we will strengthen our "Assortment of needed products" to meet the demands of society as a comprehensive generics

manufacturer. In addition, we will maintain and strengthen our system to provide a stable supply of products that meet quality standards and to deliver information on safety and quality in a timely and accurate manner.

Furthermore, the Group will pursue corporate activities to contribute to the creation of new health-related businesses. Through these businesses, we will help form an infrastructure to create ideal local communities, and contribute to extending healthy life expectancy by providing necessary health promotion services to people in need of them.

And with regard to the Sustainable Development Goals (SDGs), international objectives to be achieved by 2030, we aim to contribute mainly to the attainment of Goal 3 (Good Health and Wellbeing), while also working to achieve the other goals.



With generics business set as our core, expansion of all health-related businesses contributing to people's health

SUSTAINABLE DEVELOPMENT GOALS

In response to the international initiatives of SDGs to be achieved by 2030, we will focus on Goal 3 (Good Health and Well-being), while also working to achieve the other goals.

