

6th Medium-term Business Plan

2024-2026

PROACTIVE III

— Challenges toward a new phase —

June 10, 2024

"PROACTIVE" is a word that means forward-looking and visionary.
To adapt to changes occurring both in Japan and in the world,
Towa Group as well as its employees will take appropriate actions in
advance predicting future changes and risks.

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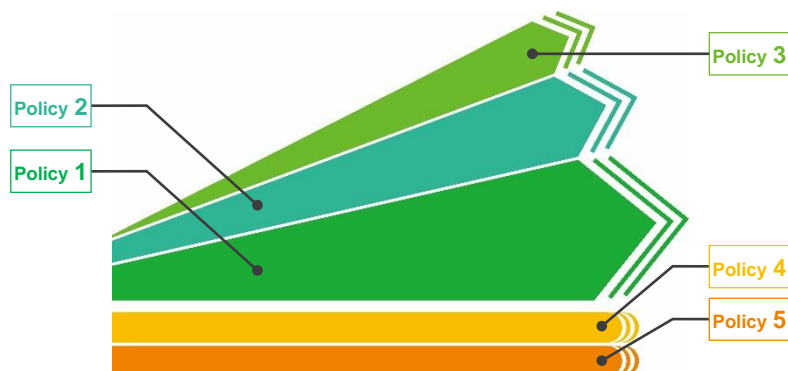
02 Towa Group's Vision

03 6th Medium-term Business Plan (2024-2026)

01

5th Medium-term Business Plan (2021-2023) - Review

Achievements



Policy 1 Enhancing generics business as a core

- Launched 30 molecules / 65 products during FY2021 to FY2023
- Manufactured and put Erdecalcitol Capsules 0.5μg/0.75μg “TOWA” on the market as a first authorised generic drug
- Ensured the reliability of Towa Japan by conducting on-site interviews and utilizing MES / LIMS, in addition to the inspection of discrepancies from the marketing approval for pharmaceutical products
- Opened Kansai Distribution Center and Kanto Distribution Center and started operations
- Firmed up manufacturing setup of 14 billion tablets/capsules per year, and completed construction work to increase production capacity to 17.5 billion tablets/capsules per year (3rd solid formulation building at Yamagata Plant)

Policy 2 Expanding and growing business in overseas markets

- Achieved market entries in 39 countries (including Asia, Middle East, Oceania, Europe, Africa, North America, and Central America, etc.)
- Obtained approval for partial changes in application for additional manufacturing plant of Esomeprazole Capsule (Towa INT Martorelles Plant) for Japan

Policy 3 Entering new health related businesses

- Started further enrichment of lineup of products and services to maintain and improve people’s health by acquiring a wholly owned subsidiary of Sunsho Pharmaceutical Co., Ltd.
- Started sales of Healthcare Passport
- Launched full-scale deployment of “Cognitive Function Self-Checker,” eye tracking VR device, by FOVE, Inc.

Policy 4 Creating technology innovations and product values

Established a variety of new technologies for application to future products

- Completed bitter taste masking by establishing molecular control technology including spherical crystallization technology (APIs)
- Established efficient coating technology through technological synergy with Towa INT (formulation)
- Advanced integrated continuous manufacturing technology (basic concept completed for implementation at the 3rd solid formulation building at Yamagata Plant)
- Established analytical methods for carcinogenic nitrosamines

Policy 5 Making job satisfaction and fostering talented human resources

- Started support for Towa career development
- Supported career development through a rotation model and enriched e-learning contents
- Set up a flexible working system for telework in response to the outbreak of COVID-19

Review of Financial Targets (1)

Sales (single FY)

< Consolidated >

JPY 200 billion

< Non-consolidated >

JPY 150 billion

[Consolidated]

JPY 227.9 billion

Achieved in final year

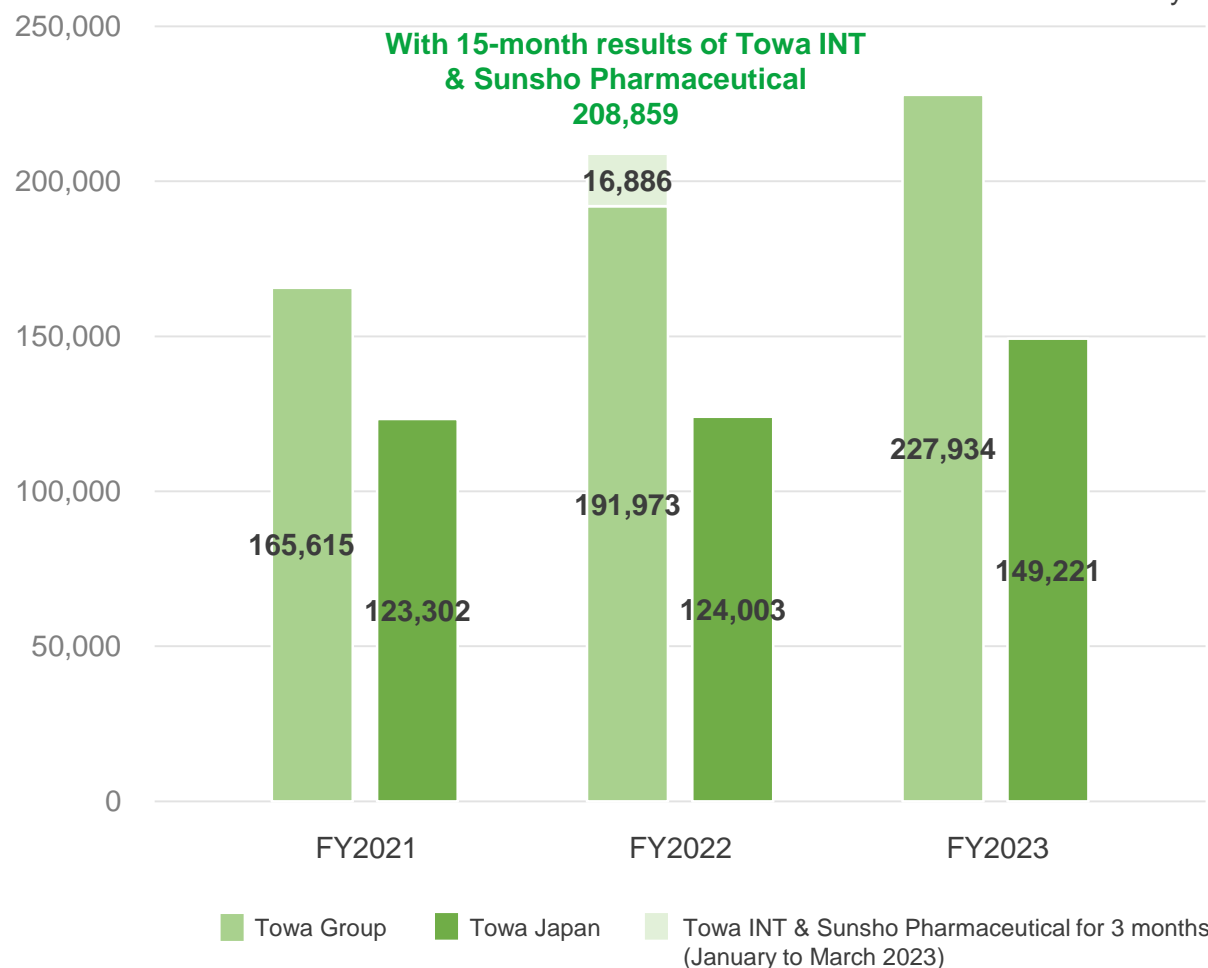
[Non-consolidated]

JPY 149.2 billion

Not achieved in final year

Net Sales, Towa Group and Towa Japan (FY2021-FY2023)

Unit: Millions of yen



Review of Financial Targets (2)

Operating Income (cumulative)

**JPY 36.5 billion
or more**

Achievement of accumulated
operating income for sustainable
growth and returns to
shareholders

**JPY 42.4 billion (cumulative)
Achieved**

Dividend policy

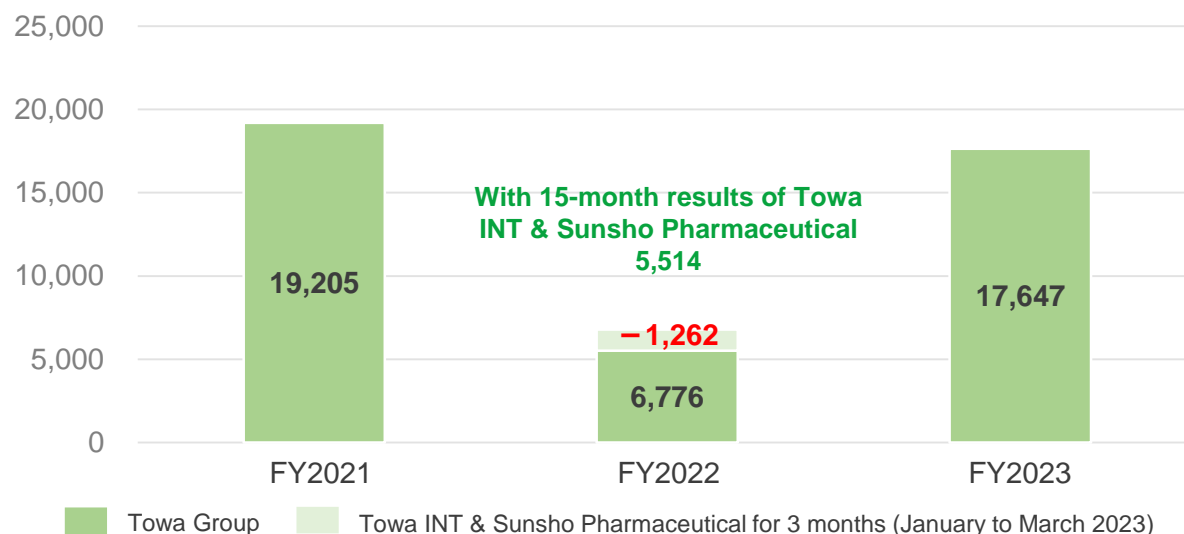
**Stable dividend
payment**

Sustainable growth and returns to
shareholders through stable
dividend payments

Achieved

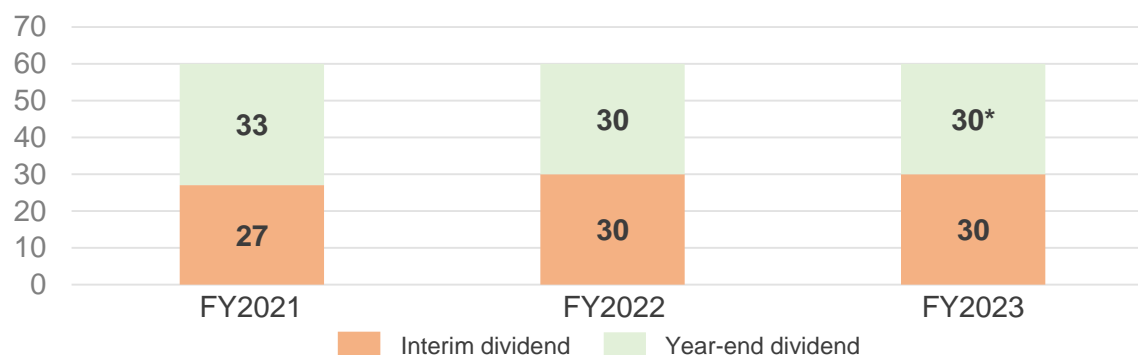
Consolidated Operating Income (FY2021-FY2023)

Unit: Millions of yen



Dividends (FY2021-FY2023)

Unit: Yen



*Estimated dividend at the end of FY2023 because the amount will be approved at the 68th Ordinary General Meeting of Shareholders scheduled for June 25, 2024.

Review of Financial Targets (3)

**R&D expenditure
(cumulative)**

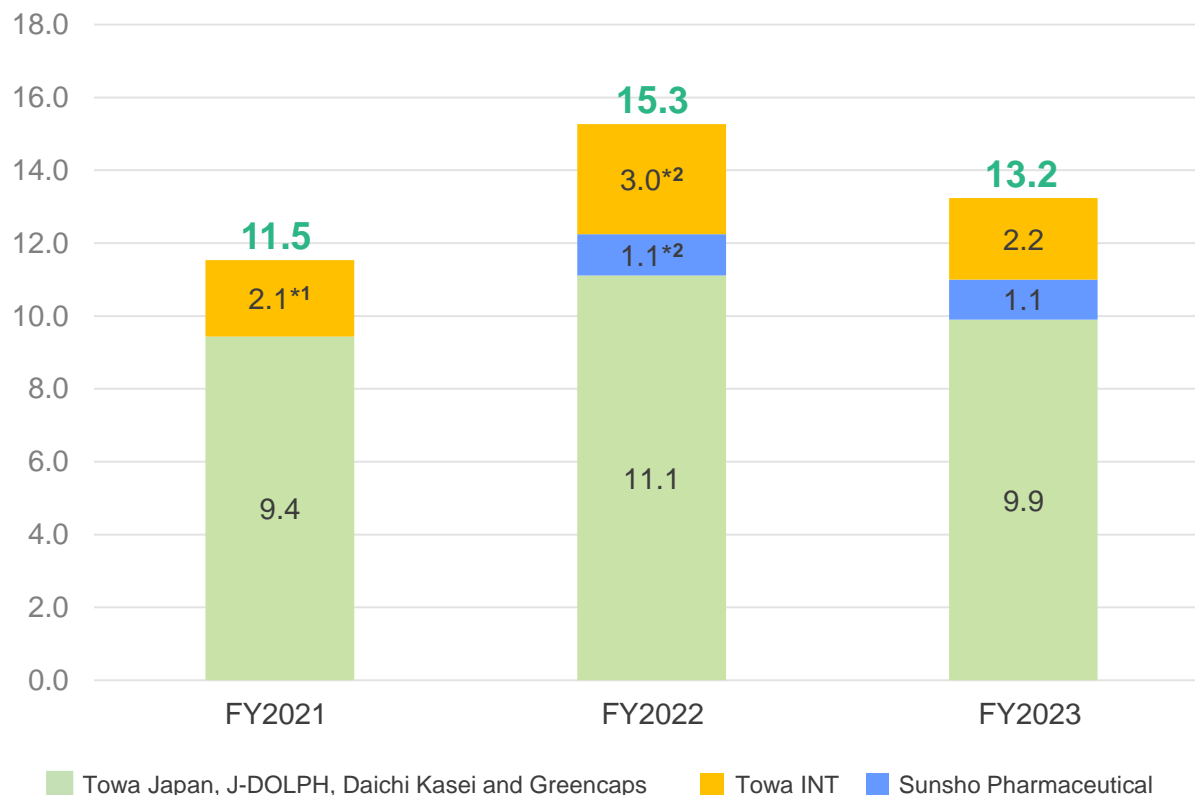
**JPY 35.0 billion
or more**

Enrichment of product lineup,
and improvement / upgrading of
products for responding to the
needs of medical institutions and
patients

**JPY 40.0 billion (cumulative)
Achieved**

Consolidated R&D Expenditure (FY2021-FY2023)

Unit: Billions of yen



Note *1) FY2021 ended March 31, 2022 includes Towa INT's R&D expenditure during 12-month period from January 1, 2021 to December 31, 2021.

Note *2) FY2022 ended March 31, 2023 includes R&D expenditure of Towa INT and Sunsho Pharmaceutical during 15-month period from January 1, 2022, to March 31, 2023 due to their fiscal year changes

Review of Financial Targets (4)

Capital investment (cumulative)

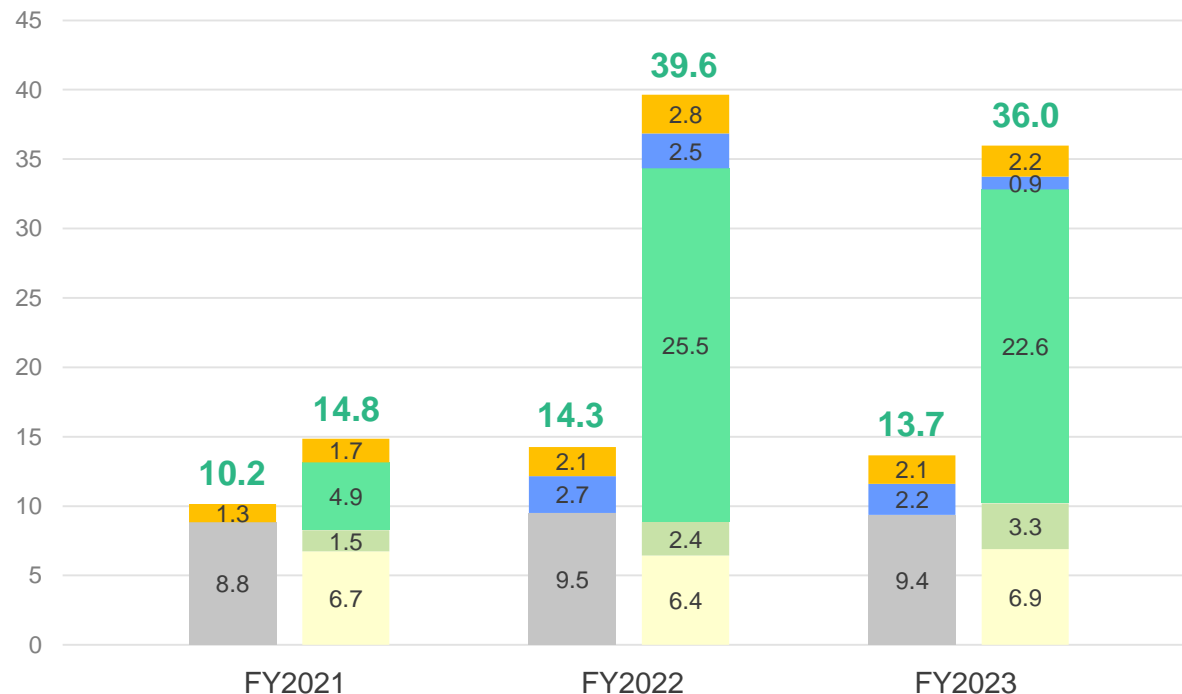
**JPY 75.0 billion
or more**

Strengthening and efficiency
improvement of manufacturing
facilities and R&D functions for
maintaining and enhancing quality
assurance and stable supply

**JPY 90.4 billion (cumulative)
Achieved**

Consolidated capital investment and depreciation/amortization (FY2021-FY2023)

Unit: Billions of yen



Notes)

- Capital expenditure includes the purchase of property, plant and equipment, and intangible assets
- Depreciation includes R&D expenses portion
- Depreciation does not include goodwill amortization for Towa INT during FY2021-FY2023
- Depreciation does not include goodwill amortization for Sunsho Pharmaceutical during FY2022-FY2023
- FY2021 does not include the results of Sunsho Pharmaceutical
- Consolidated fiscal year ended March 31, 2023 for Towa INT and Sunsho Pharmaceutical is the 15-month period from January 1, 2022, to March 31, 2023

- Capital investment (Towa INT)
- Capital investment (Yamagata Plant)
- Capital investment (others)
- Depreciation (Sunsho Pharmaceutical)
- Capital investment (Sunsho Pharmaceutical)
- Capital investment (Okayama Plant)
- Depreciation and amortization (Towa INT)
- Depreciation and amortization only in Japan

Bars on the right side: Capital investment
Bars on the left side: Depreciation/amortisation

02 Towa Group's Vision

Towa Corporate Vision

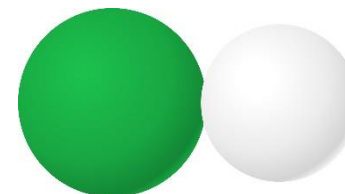
We contribute to people's health

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, healthcare professionals, local communities, and others

Towa Group's Vision



Create the future beyond people's health

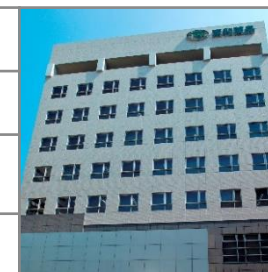
Towa Group values “genuine smiles” which spring from the bottom of people’s hearts when they stay healthy and achieve a well-being.

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.

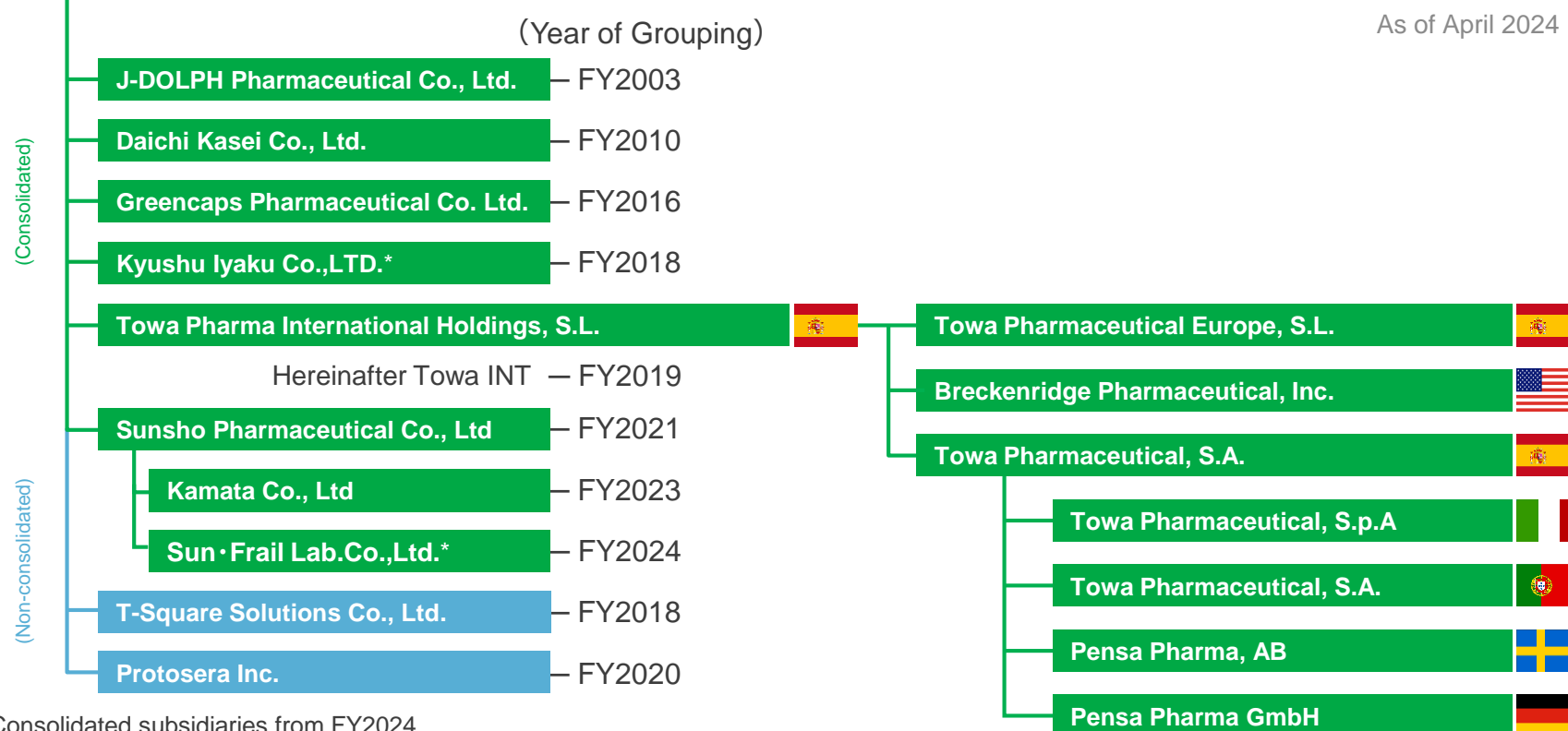
Overview of Towa Group

Towa Pharmaceutical Co., Ltd. (Towa Japan)

Representative	Itsuro YOSHIDA (President and CEO)	Business founded	June 1951
Address	Kadoma, Osaka	Number of Employees	3,519
Main business	Manufacturing and selling of ethical pharmaceuticals	In-house products	781 products / 339 APIs
Capital stock	JPY 4,717.7 million	Sales Offices	70



As of April 2024



Towa Group Companies

Consolidated

Towa INT



Expanding B2B business in a wider range of regions by leveraging the strength of mass efficient production setup using large-scale granulators. Aiming for the expansion of overseas operations and building up a bridgehead for delivering Towa Japan products to global market

100% stake in Towa Japan

Consolidated

Sunsho



Securing one of the largest manufacturing capacities of soft capsules in Japan and manufacturing / applying accumulated capsule formulation technologies to a variety of industries. Aiming for continuous growth as a CDMO for health foods and creation of new health-related products in Towa Group

100% stake in Towa Japan

Unconsolidated

T-Square Solutions

Providing healthcare-related IT services

66% stake in Towa Japan

Unconsolidated

Protosera

Promoting R&D of reagents for clinical laboratory test

97% stake in Towa Japan

Consolidated

J-DOLPH



Holding a leading position in colorectal medicine market in Japan and manufacturing topical preparations, liquids, and solid preparations for Towa Group

100% stake in Towa Japan

Consolidated

Daichi Kasei



Conducting synthetic research, manufacturing technology development and manufacturing, and stably supplying API's to Towa Japan

100% stake in Towa Japan

Consolidated

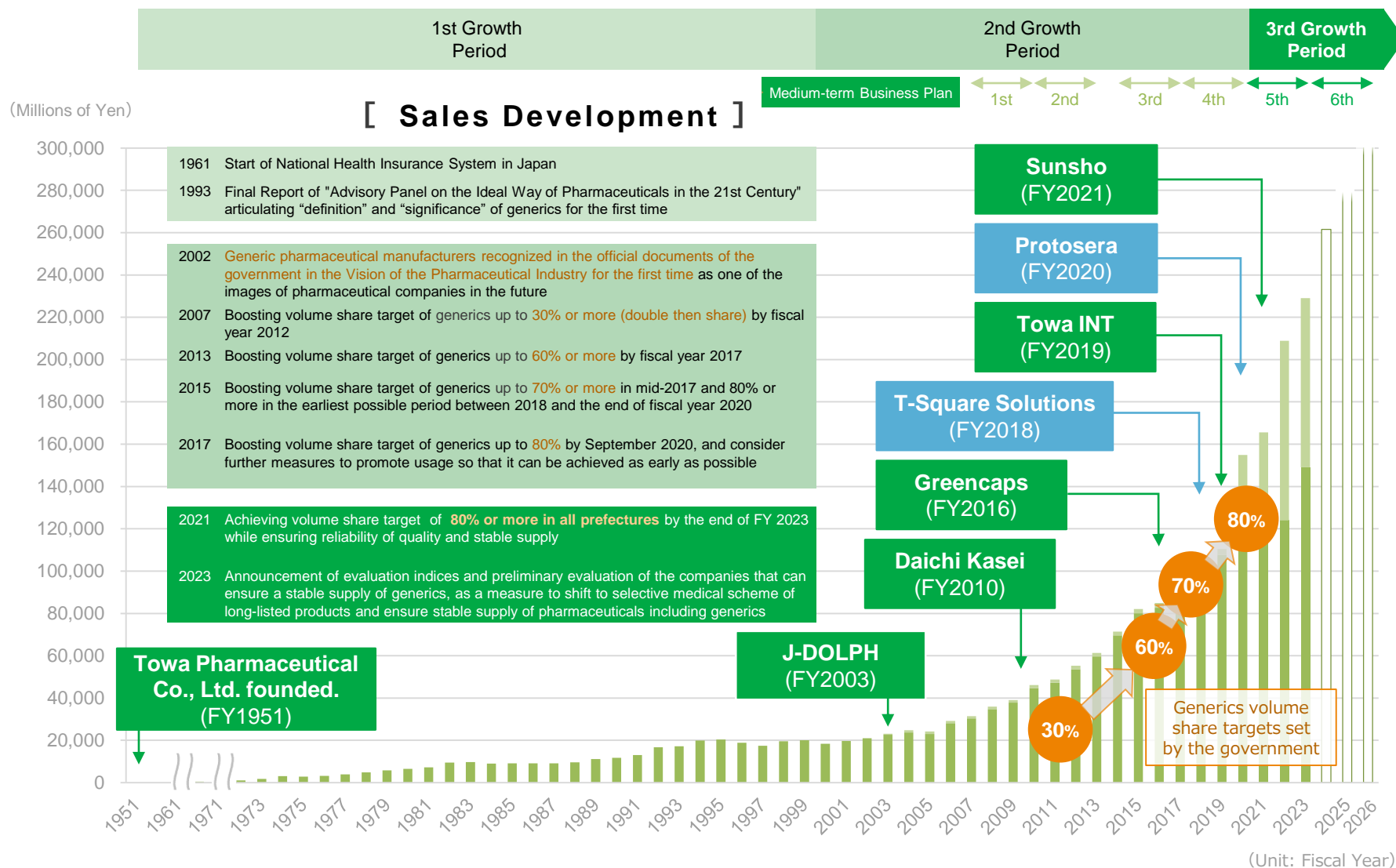
Greencaps



Manufacturing soft capsule pharmaceutical products for Towa Japan by using the strength of OEM/ODM of high pharmacological activity products

100% stake in Towa Japan

History of Japan's Medical System and Towa Group



Towa Group's Sustainability Policy

4 Continue promoting technology innovations

Create corporate culture for fostering innovations



3 Respect each employee

Realize employees' happiness through job satisfactions

Respect diverse values



2 Conduct eco-friendly operations

Conduct environmentally friendly operations*



1 Enhance corporate fundamentals

PROACTIVE

Maintain and improve people's health by providing products and services

Pursue Towa Quality for safety and security

Contribute to local communities

Realize autonomous management and create synergies

Thoroughly pursue compliance

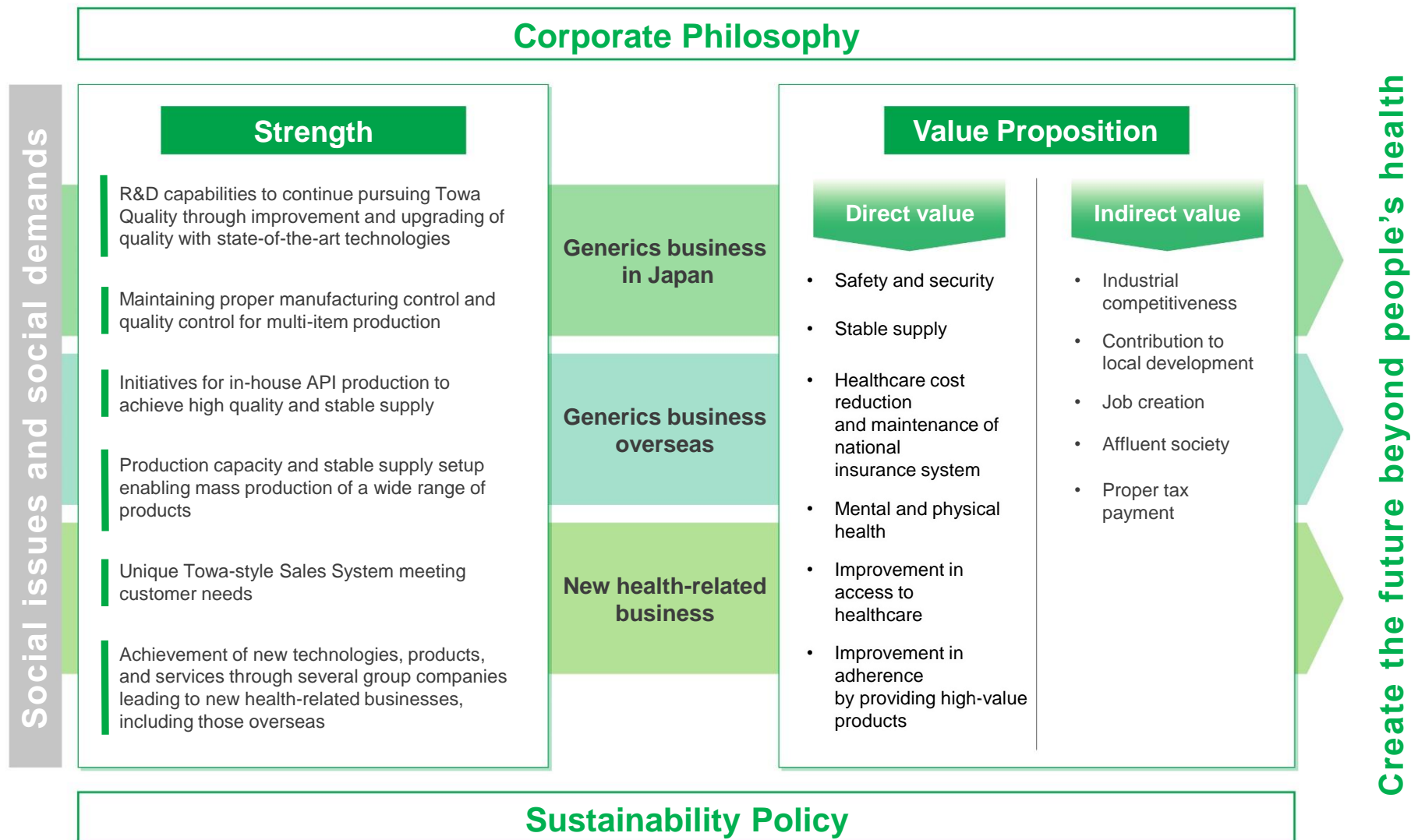
Enhance corporate governance

Build up trust with all stakeholders



*Our environmental initiatives are described in the Annual Securities Report and the Integrated Report

Process of creating value through business activities



03

6th Medium-term Business Plan (2024-2026)

Positioning of Towa Medium-term Business Plan for 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 the 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

Basic Policy / Key Visualization

6th Medium-term Business Plan 2024-2026

- 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



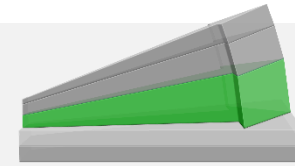


Policy 1

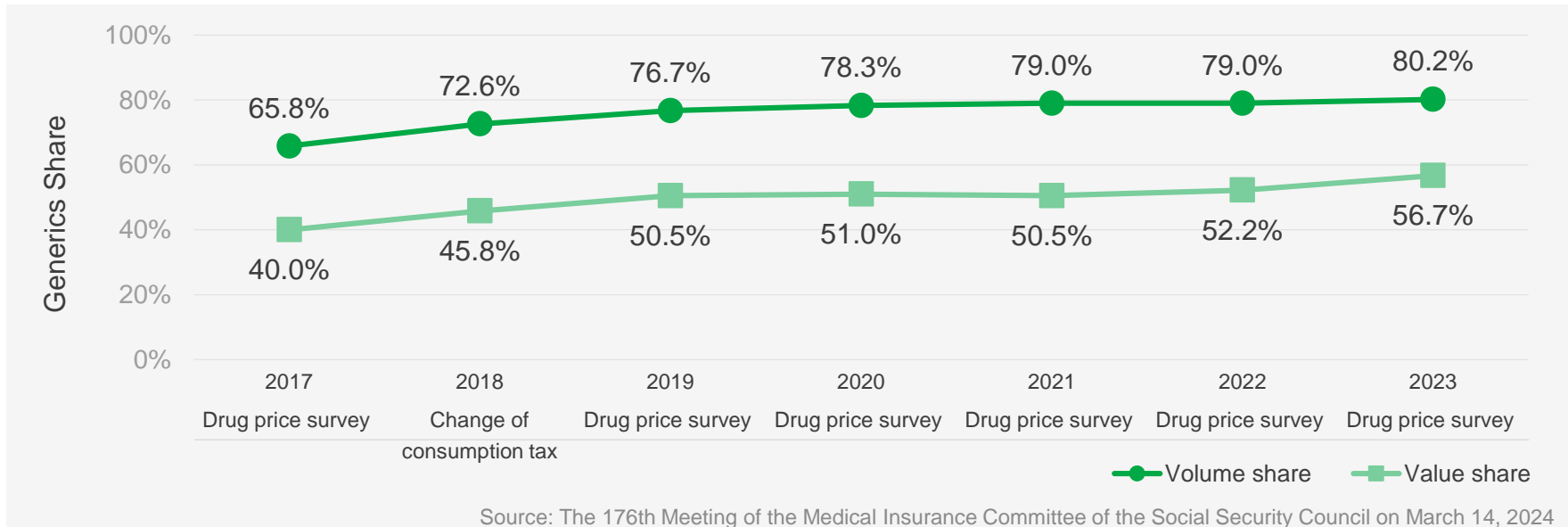
Evolution of generics business in Japan toward a new phase

- ▶ Changes in the generics environment in Japan
- ▶ Challenges and initiatives in generics business in Japan
- ▶ Stable supply setup – enhancement of supply chain management
- ▶ Maintenance and enhancement of pharmacovigilance & quality assurance
- ▶ Enrichment of product portfolio
- ▶ Initiatives for information disclosure

Changes in environment surrounding generics industry (1)



Changes in Volume and Value Shares of Generics in NHI Drug Price Survey



Share of generics use in Japan

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).

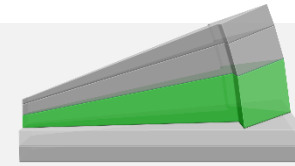
Selective medical treatment for long-listed products use in Japan

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%.

Target of biosimilars

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 environment surrounding generics industry (2)



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 (frequent product recalls and suspension of shipments).

As a result of product recalls, etc., pharmaceutical companies supplying drugs with the same APIs have continued to conduct regulated shipments, resulting in insufficient supply to medical institutions and pharmacies.

Since
August 31
2022

Panel of Experts on Comprehensive Measures to Achieve Rapid and Stable Supply of Pharmaceuticals held

Since
July 23
2023

Meeting on Industrial Structure to Achieve Stable Supply of Generic Drugs held

— Interim Report Publication —

Visualization of corporate information including stable supply

October 11
2023

The statement “companies that are able to stably supply generics with secured quality receive a good evaluation in the market and ultimately hold the high ground” has been announced.

— Outline of FY2024 Drug Price System Reform —

Central Social Insurance Medical Council

January 17
2024

As a measure to ensure a stable supply of pharmaceuticals focusing on generics, “trial introduction of evaluation indices and evaluation of companies that can secure a stable supply of generics”

Indices for Company Evaluation

Release of relevant
information on a stable
supply of generics

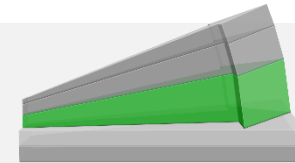
Ensuring reserve
capability for stable
supply of generics

Supply results of generics
of manufacturing and
selling

Deviation of
NHI drug prices

*Released by pharmaceutical companies based on the concepts of the content of information to be disclosed and judgment criteria, etc.
(Scheduled to be published in the first half of FY2024)

Challenges and initiatives in the Japanese generics business



Evolution of generics business in Japan toward a new phase

Set up stable supply

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

Strengthen manufacturing control / quality control

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

Contribute to building social infrastructure by pharmaceutical industry

- Enrich product lineup, including biosimilars
- Promote collaborations with external partners for realizing a stable supply of generics

Specific Initiatives

Enhance supply chain management

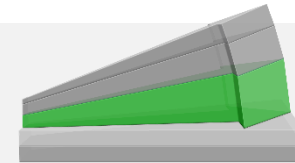
- Strengthen API procurement
- Improve production and supply capacities
- Optimize Towa-style Sales System
- Response in case of emergency (reserve capability)

Strengthen pharmacovigilance and quality assurance

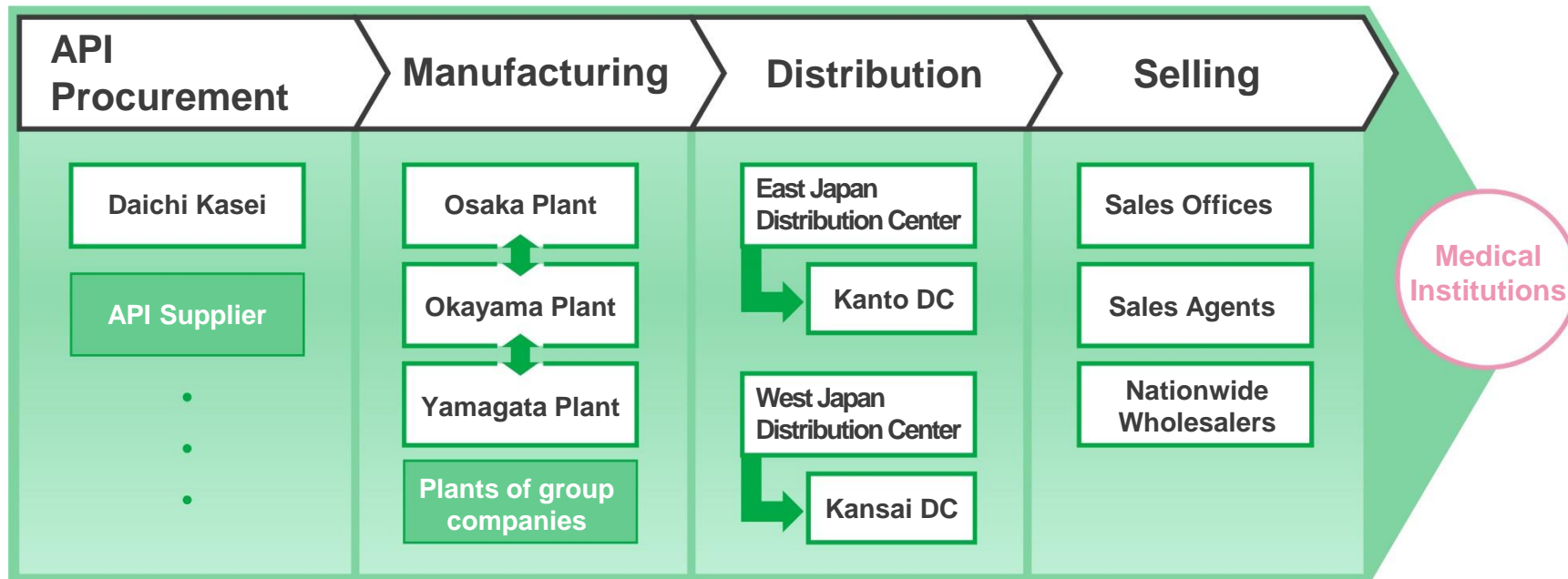
Enrich product portfolio

Disclose information in a proper / timely manner

Stable supply - Enhancement of supply chain management -

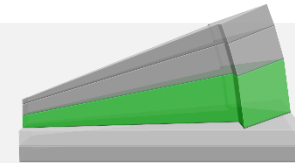


Visualize entire supply chain and strengthen stable supply of generics



Ongoing Initiatives

- | | | | |
|--|---|--|---|
| <ul style="list-style-type: none"> Secure stable API suppliers Secure optimal inventory levels Produce API in-house p25 Manufacture high pharmacological active APIs Promote multiple sourcing | <ul style="list-style-type: none"> Conduct thorough manufacturing control and quality control p29 Clarify roles of 3 Plants p26 Promote production efficiency Establish production backup system p28 | <ul style="list-style-type: none"> Strengthen management of proper inventory levels p28 Reduce number of products under regulated shipments Disclose supply situation p32 | <ul style="list-style-type: none"> Reshape Towa-style Sales System p27 Set up optimal distribution Provide information using DX |
|--|---|--|---|



Procurement of APIs

In-house production of APIs

Reduce the risk of stable supply caused by external factors by developing synthetic processes and manufacturing at Daichi Kasei or cooperative partners

Production of high pharmacologic active APIs

Construct a building equipped with advanced technology for manufacturing of high pharmacological active APIs in responding to growing demand, e.g. anti-cancer drugs (completion scheduled for August 2024)

Strengthen auditing system for manufacturing sites

- Conduct audits in accordance with international standards as well as domestic laws and regulations
- Conduct audits by technical experts (synthetic and physicochemical analyses)

Promote multiple procurement, including starting materials and intermediates

- Maintain a multiple procurement rate of at least 60% for APIs related to the products that Towa manufactures and sells, and establish a system enabling a stable supply in case of emergency
- Select suppliers avoiding the overlap in supplies of starting materials and intermediates

Respond to mutagenic impurities

- Implement appropriate measures by clarifying the mechanism of formation of mutagenic impurities with sophisticated measurement technique
- Predict risks of mutagenicity formation based on the latest knowledge

Risk of API procurement

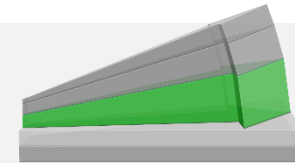
- Discontinuation of shipment / manufacturing of APIs
(Risks of environment, natural disasters, infectious diseases, accidents)
- Non GMP compliance at API manufacturing sites
(Quality / regulatory discrepancies in manufacturing)
- Mutagenic impurities¹
(In accordance with ICH²-M7 guidelines)
- Starting materials and intermediates
(Overlap in upstream suppliers of APIs)



Note 1) Mutagenic impurities: Substances that cause concern for humans due to the potential to cause mutagenic effects

Note 2) ICH: International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use

Improvement of production and supply capacities



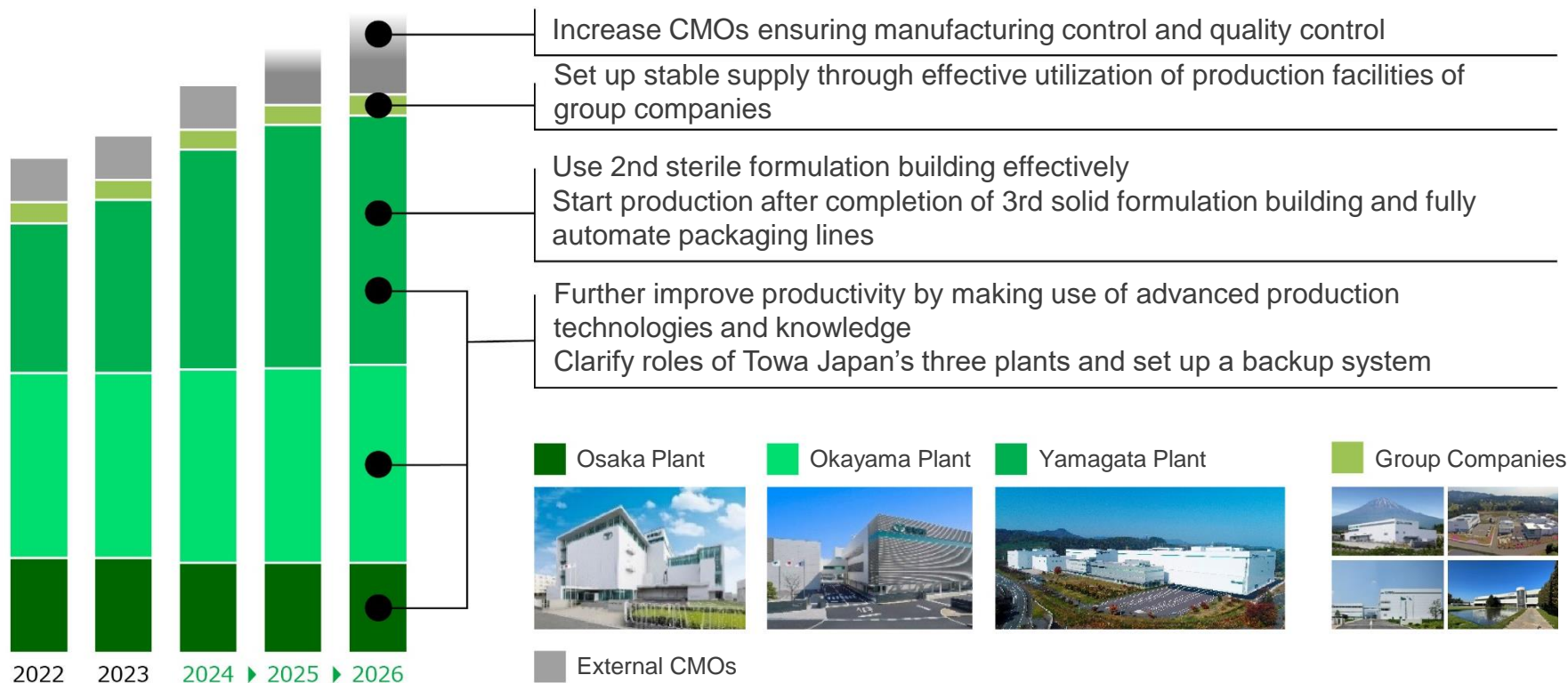
Continuously improve production capacity to ensure stable supply of pharmaceuticals

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

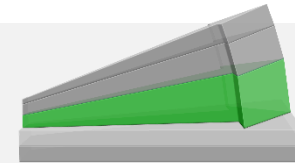
Production capacity of sterile products of 33 million V/A per year

*Calculation on production capacity for Japan

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



Optimization of Towa-style Sales System



Establish optimal information provision systems for each region

Improve the quality and speed of information provision based on local needs

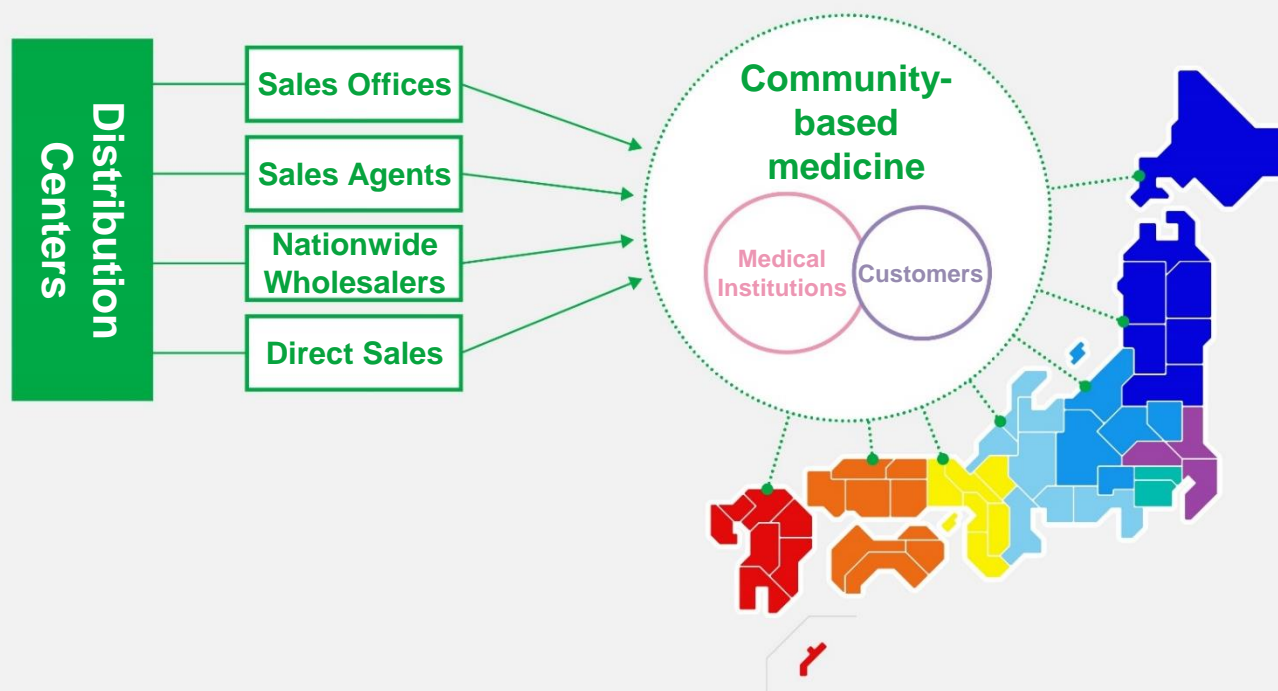
Set up optimal distribution system for each region

Contribute to stable supply by optimizing inventory levels and responding to demands to the fullest

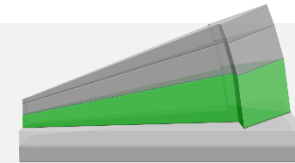
Realize sustainable sales strategy

Promote sales of pharmaceuticals at proper prices based on their values

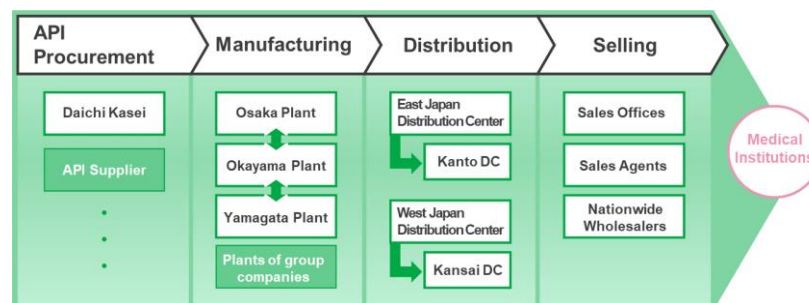
Improve profitability by expanding market share of recently launched products



Preparedness for emergencies (reserves)

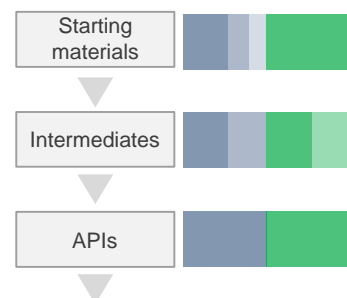


Securing a stable supply by establishing a system to increase production in case of emergency



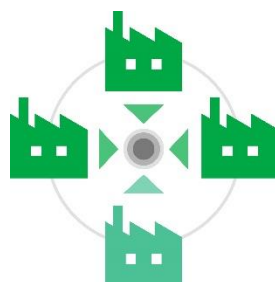
Multiple Sourcing of API

- Ensure multiple API suppliers (multiple-source)
- Conduct quality control going upstream



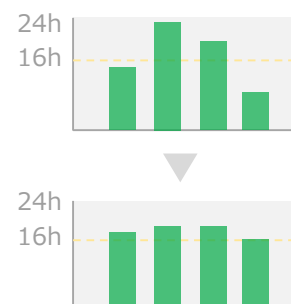
Backup production system

- Set up multiple manufacturing sites within the group
- Build backup system by transferring production to other companies



Leveling line utilization rate

- Level the capacity utilization rate of each product/process to flexibly respond to emergency case

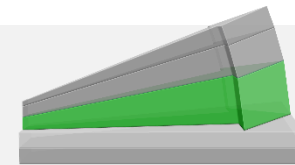


Appropriate inventories

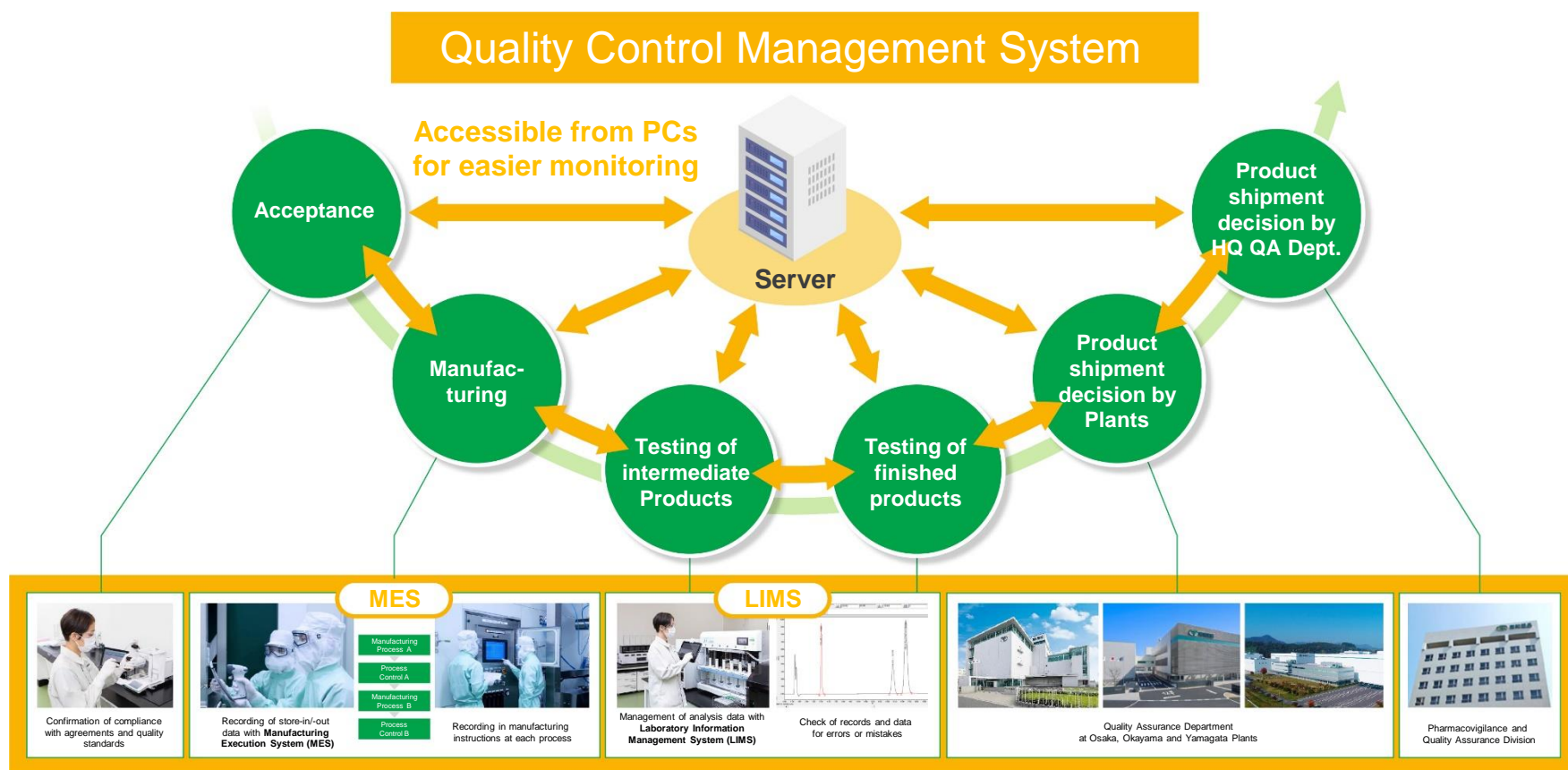
- Ensure appropriate inventories based on lead-times and risks in procurement and manufacturing
- Conduct monitoring of distribution conditions and control inventories



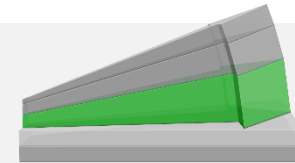
Maintenance and enhancement of Pharmacovigilance & Quality Assurance



The introduction of MasterControl Quality Excellence (Qx), a quality management system of Master Control Co., Ltd., enables the centralized control of events and documents related to the manufacturing and marketing of pharmaceuticals. By utilizing the knowledge and experience of group companies and sharing a global perspective, we work to maintain and strengthen our quality assurance system to prevent human error.



Maintenance and enhancement of Pharmacovigilance & Quality Assurance



Efforts to further strengthen manufacturing control and quality control in light of Towa Quality

01

Further improve manufacturing control and quality control by introducing MES, LIMS, and MasterControl to improve data reliability

02

Improve a plant that meets standards in Japan, the United States, and Europe by accumulating and utilizing technologies and know-how to ensure quality and reliability on a global level

03

Aim to further nurture quality culture through collaborative meetings between quality departments including group companies and joint CAPA study meetings

04

Enrich Towa Quality by clarifying the mechanism of nitrosamines formation and establishing analytical methods for nitrosamines and solutions

05

Actively disclose evidence-based, reliable information

06

Enhance subcontractor management as a manufacturing and selling company of pharmaceuticals with a sense of responsibility for manufacturing control and quality control

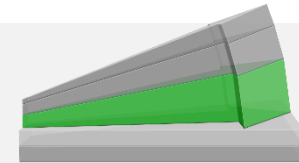


Discussion with Towa INT colleagues



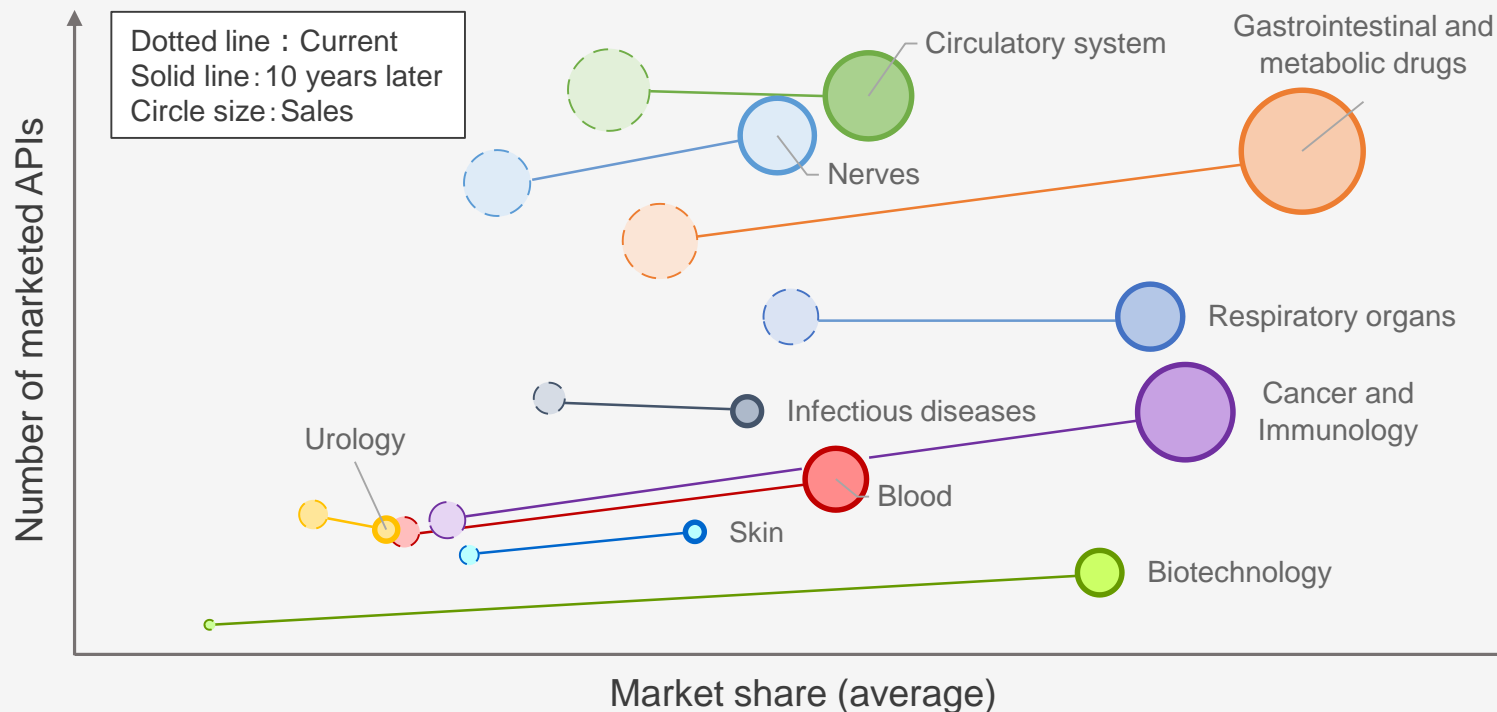
CAPA* study meeting at Towa Japan Plant

*CAPA: Corrective Action Preventive Action



Enrichment of product portfolio

Selection focusing on the pharmaceuticals considered necessary for future drug treatment



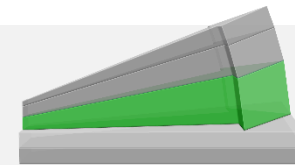
Small-molecular drugs

Optimize the drug lineup in light of future changes in drug therapy while continuing development of important therapeutic products

Target a wide range of diseases, including gastrointestinal and metabolic drugs, and cancer/immunology, which are expected to grow in the future

Biosimilars (BS)

Further capture market share for infliximab BS and further enrich product lineup



Information disclosure Initiatives

Continue to actively disclose and disseminate information on stable supply, manufacturing control and quality control to ensure the safe and secure use of Towa Quality products and services

[API Manufacturing Countries] Disclosure of the list

*As of February 2024

Disclosure rate

99%

Negotiations still continuing with external parties on the permission to disclose relevant information

[Names of product manufacturers] Disclosure of the list

*As of February 2024

Disclosure rate

97%

Negotiations still continuing with external parties on the permission to disclose relevant information

Extension of self-lives

*As of May 2024

155 products Completed

Continue to work

Conducted simultaneous inspections on the consistency between the marketing approval and the manufacturing status based on the "Measures for Ensuring the Reliability of Generic Drugs" (March 25, 2021).

Ensure reliability of Towa Japan

~Results of on-site interviews with staff members responsible for testing~
Announced on November 28, 2023

Disclosure of supply conditions

Next update scheduled for end of June

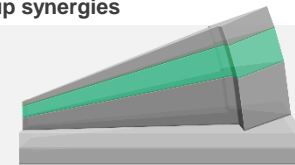


Policy 2

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

- ▶ Overseas pharmaceutical business
- ▶ New health-related businesses

Environment recognition of overseas generics business



Current Environment

Demand

US/Europe

Rationalization of medical expenses increasing with the aging of society, particularly in developed countries

US

Widening disparities in medical care caused by differences in insurance systems

Emerging Countries

Efforts to improve access to medicines

Stable supply

Supply Chain

Geographical concentration of suppliers (increasing risks of unknown infectious diseases, conflicts, disasters, etc.)

Quality

Setting new regulations and tightening of existing regulations on pharmaceutical quality

Business continuity*

Decreasing profitability due to price competition

Tendency of shortening of the product life cycles

Necessary Measures

Expansion of product portfolio and consequently expansion of business regions

Development of high-quality products that can be sold in countries and regions other than Europe and the U.S.

Investigating manufacturing sites in Japan and overseas (including backup system)

Responding to the regulations in Japan, the U.S., and Europe

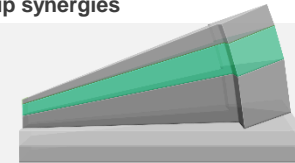
Dealing with carcinogenic nitrosamine issues

Improvement of cost of sales

Selection of product portfolio less vulnerable to price competitions

*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.

Review of Overseas Pharmaceutical Business



Expansion

Towa INT has been working to expand its business regions through B2B business by taking advantage of its mass efficient production using large-scale granulators.

Synergy

After COVID-19 subsided, exchanges of personnel and technology began to progress and collaboration became visible between Towa Japan and Towa INT by utilizing Towa INT's manufacturing technology.

Additional approval was obtained for the manufacture of products for the Japanese market (Esomeprazole Capsules) at Martorelles Plant, which complies with the EMA and FDA standards. Production backup system enabling a stable supply to the Japanese market has been established, and mass efficient production by using large-scale granulators at the plant will contribute to cost reductions.

Progress in selecting global development products at Towa Group.

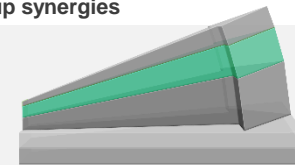
Tightening of regulations on carcinogenic nitrosamines is a global challenge. Towa Group is actively trying to clarify the mechanism of nitrosamine formation, develop analytical methods, and contribute to the development of products within the Group.



Martorelles Plant (Spain)



Initiatives in Overseas Pharmaceutical Business



**Expanding accesses of Towa Group products to international markets
Aiming for overseas expansion of excellent generics developed in Japan**

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

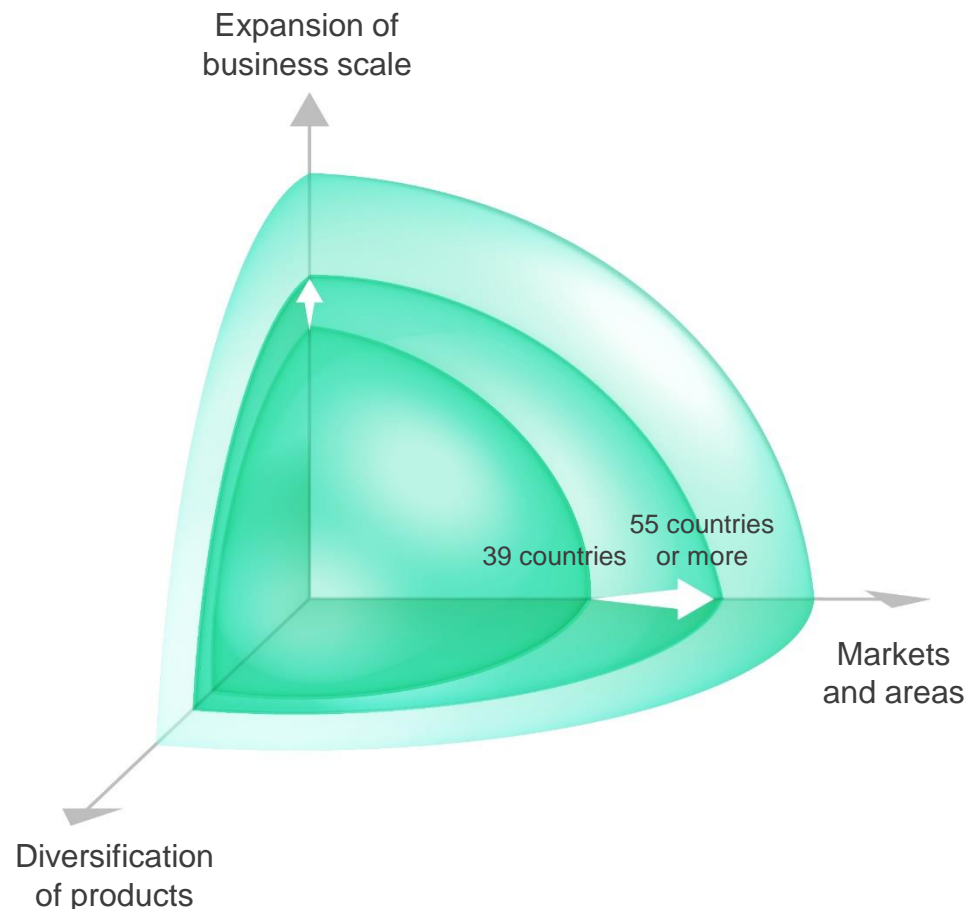
- Expanded B2B business (39 countries)
- Started development of global products
- Promoted collaboration by utilizing Towa INT's manufacturing technologies

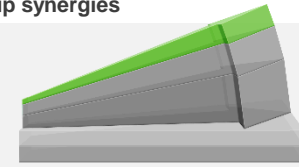
6th Medium-term (2024-2026): Ensuring business scale

- 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

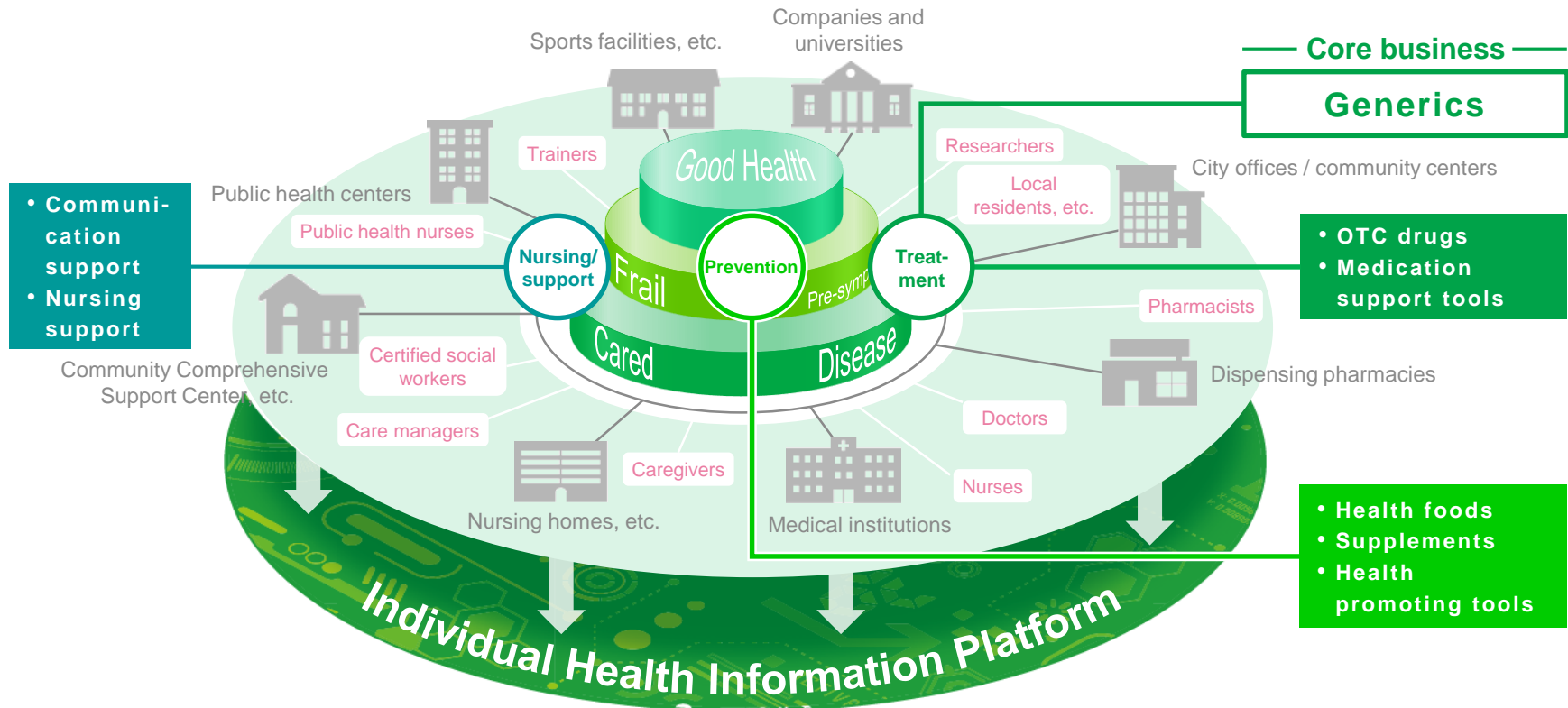
- Grow through enrichment of the product portfolio
- Develop products by utilizing Towa's unique technologies
- Establish a global production system





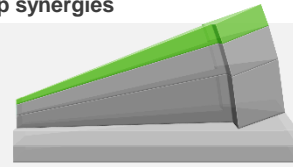
Entry to New Health-related Businesses

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



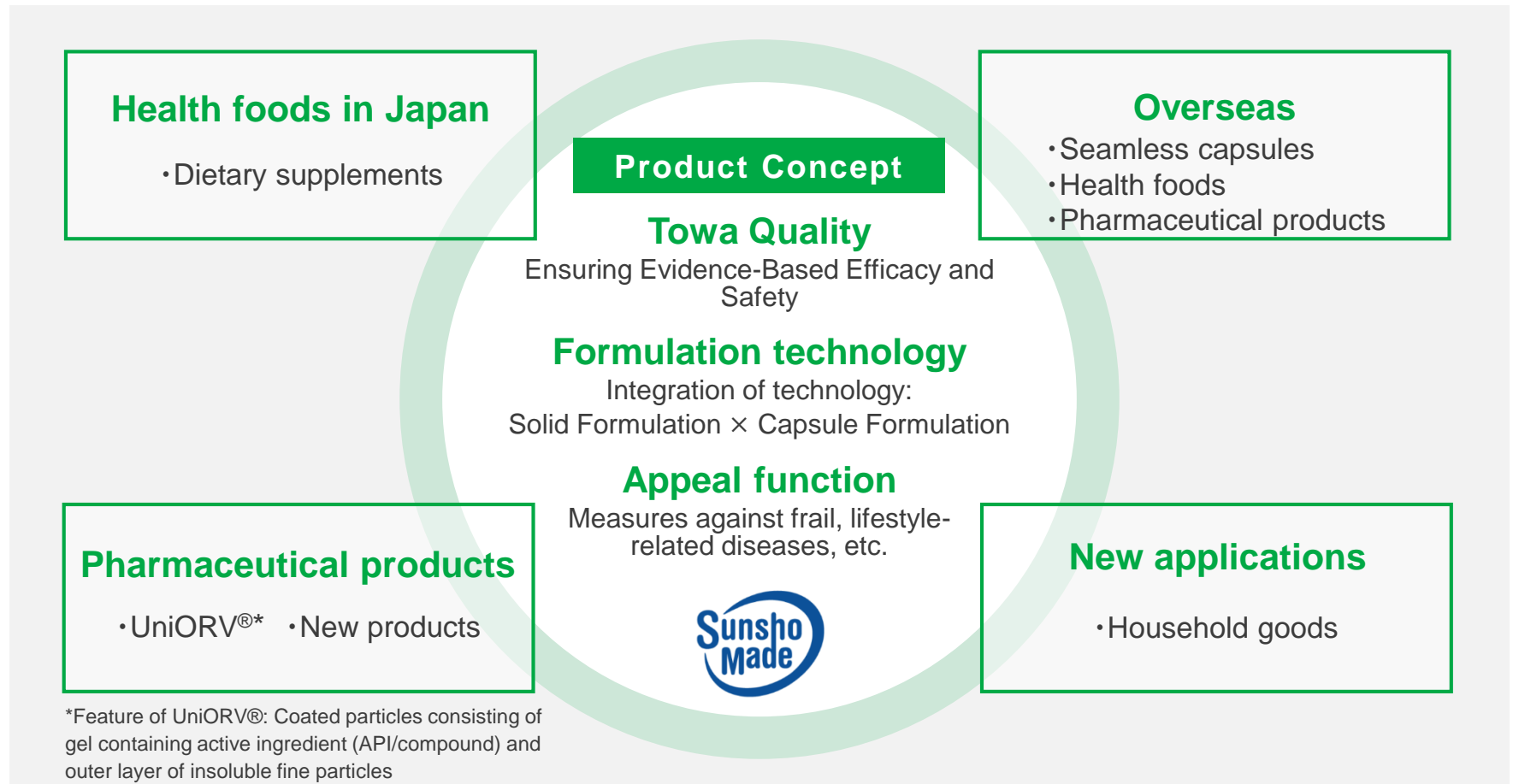
- Disseminate "Healthcare Passport" as a platform for linking regional medical and health information systems
- Contribute to Comprehensive Community Care System

- Further enrich lineup of products and services to maintain and improve health
- Create synergies among group companies and with existing businesses



Synergy with Sunsho Pharmaceutical

Promotion of joint development, manufacture, and sale of original Towa Japan's SunshoMade products by leveraging the strengths of Towa Japan and Sunsho



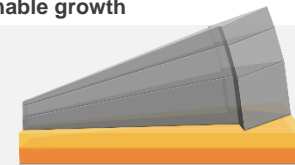


Policy 3

Strengthening sustainability management and building foundation for sustainable growth

- ▶ Creating technology innovations and product values
- ▶ Operational reform through DX promotion
- ▶ Creating work environment with job satisfactions and fostering talented human resources

Creating technology innovations and product values (1)



Provide value-added products to patients

Pursue pharmaceuticals that are smoothly oral-disintegrating, reducing roughness and bitterness, easy-to-handle and maintaining good quality for a long time

Deliver safe and reliable products

Challenge to social issues

Contribute to patients by challenges for new fields

Pursue new technologies including synergies among Towa Group companies

6th technological innovation

- Tackling carcinogenic nitrosamine issues
- Integration of molecular control technology including spherical crystallization and formulation processes
- Dosage form designing including additives
- Efficient coating technology
- Integrated continuous production

- Continuous flow precision synthesis
- PAT¹ (process analysis) technology
- Integration of technologies with group companies
- Drug repurposing through iPS drug discovery
- Creation of new innovative technologies
- Realization of long and stable formulation in quality

Improve stable supply through more efficient production

Promote Smart Factories²

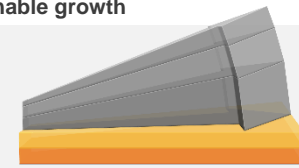
Develop and manufacture APIs and dosage forms that are friendly to both environment and workers

Pursue environmentally friendly green chemistry and chemical hazards that are friendly to workers

Note 1) PAT: Process Analytical Technology

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

Creating technology innovations and product values (2)

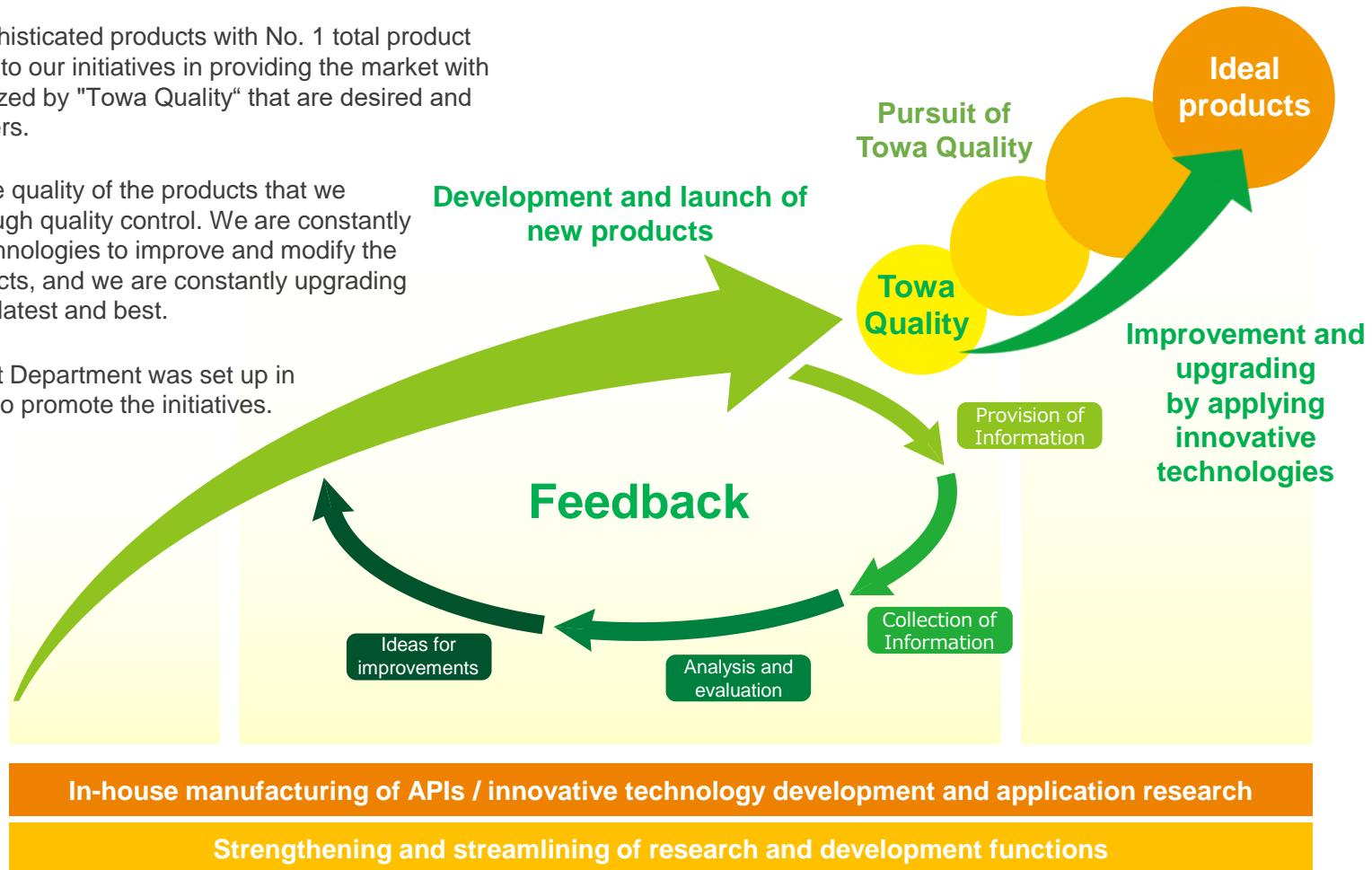


Manufacture of sophisticated products with No. 1 total product performance and pursuit of Towa Quality

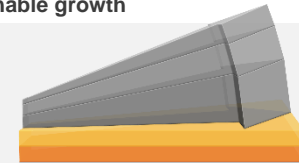
Manufacture of sophisticated products with No. 1 total product performance refers to our initiatives in providing the market with products characterized by "Towa Quality" that are desired and needed by customers.

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 the initiatives.



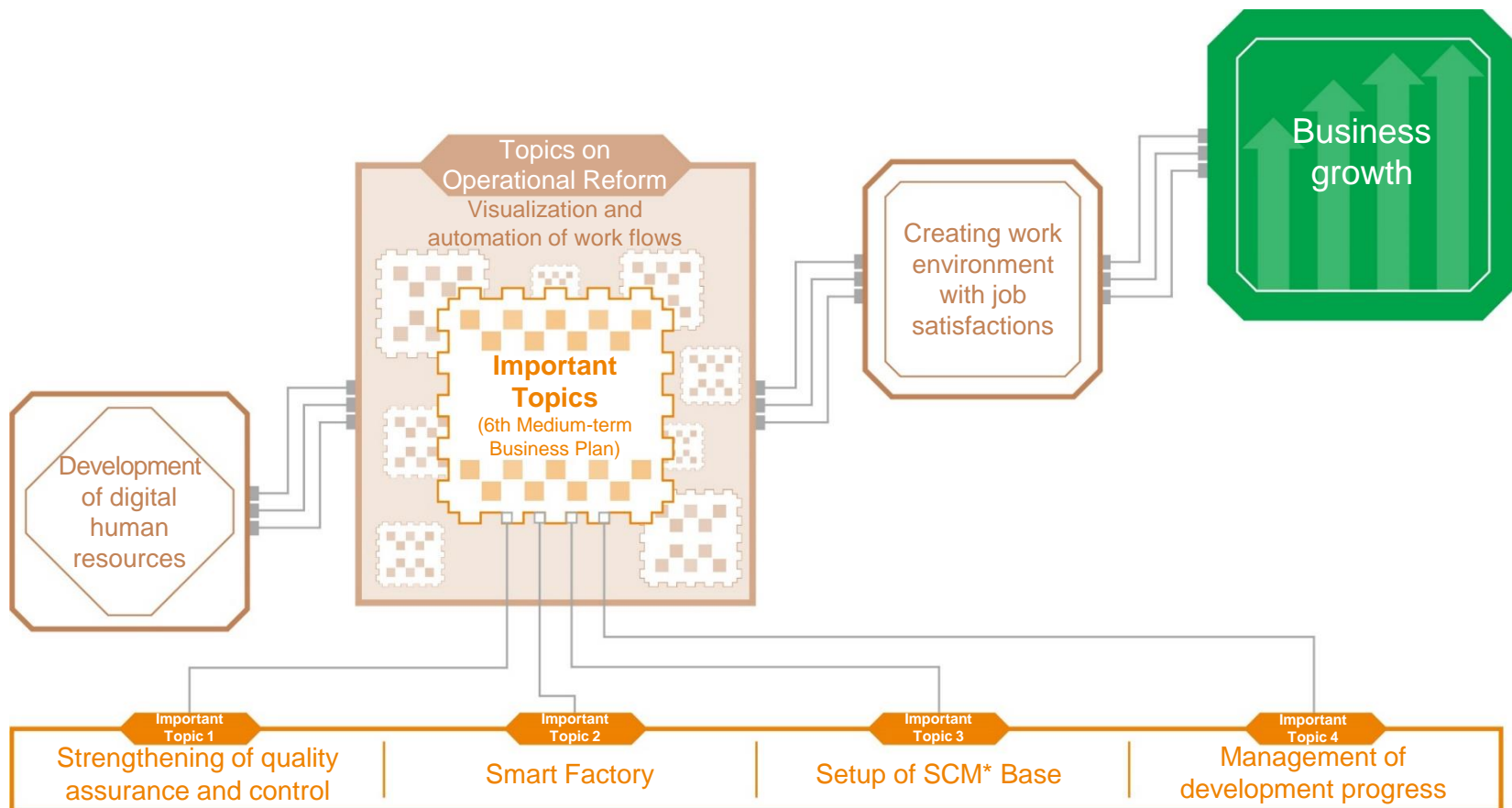
Operational reform through DX promotion



Foster digital human resources through collaboration between responsible organizations and IT departments

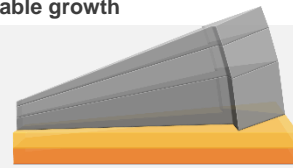
Prioritize important tasks to contribute to stable supply and pharmacovigilance / quality assurance of core businesses

Realize business growth and creation of work environment with job satisfactions by improving and reforming operations through DX promotion



*SCM: Supply Chain Management

Creating work environment with job satisfactions and fostering talented human resources



Genuine smiles

People's health

Realization of the "genuine smiles" of all employees of Towa Group

Create a work environment where not only employees are healthy both mentally and physically, but also the company and employees as well as employees and employees respect, value, understand, and support each other

Continue to be a company where employees of Towa Group will actively work as long as possible and all employees feel happy in working at Towa Group

Foster talented human resources for realizing business strategies

Secure and foster talented human resources for realizing business strategies

Promote employee health by taking on Health Challenges Event and by being designated as Health and Productivity Management Outstanding Organization

Clarify human resources necessary for medium term and policy of recruitment

Set up Human Resource Development Center

Support career paths of employees

Reform personnel system

Optimize motivation for growth and job satisfactions of employees

Maintain work environment where employees can grow with job satisfactions

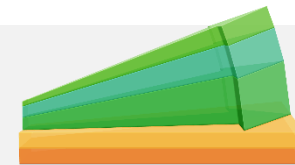
Promote diversification

Create adding value by flexibly responding to social changes

Further promote improvement of work environment for diversified workstyles

Promote work environment enabling employees to train each other through corporate training

Balanced growth investment and financial soundness



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

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

Sustainable growth and sound management

Targets during the med-term business plan

Realization of ROIC above weighted average cost of capital (WACC)

Improvement in operating income

- Increase sales volume and improve sales mix
- Optimize cost of sales and SG&A expenses

Mechanism for selecting investments

- Strengthen investment project management based on investment criteria, taking the cost of capital into account, by newly established investment committee.

Returns to Shareholders

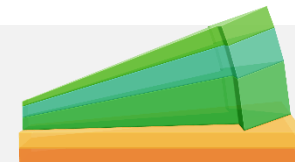
- Pay stable dividends
- Further expand returns in consideration of profitability and financial condition

Financial soundness

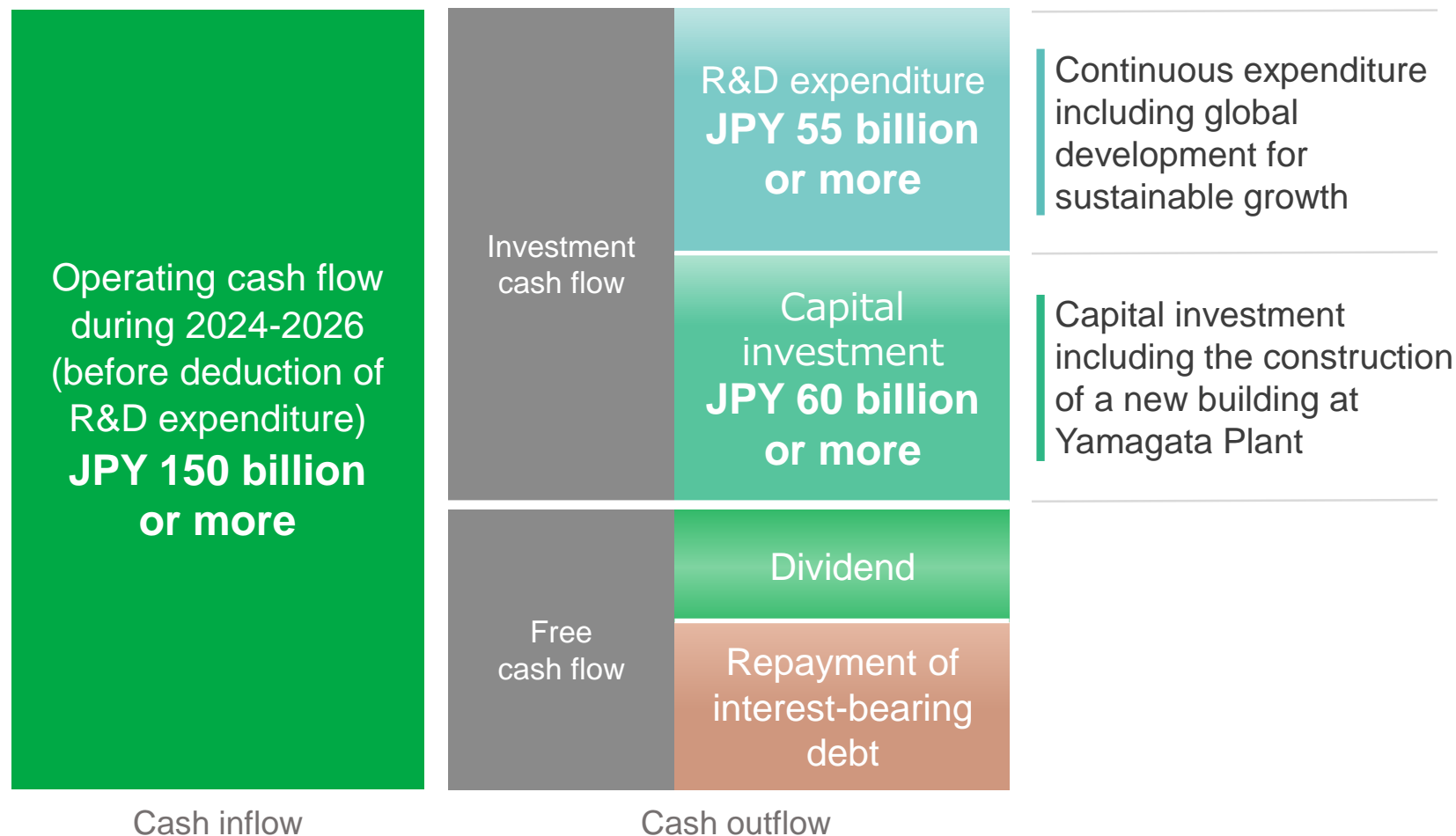
- Improve financial condition by repaying interest-bearing debts

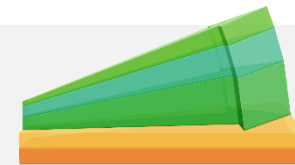
Continuous dialogue with stakeholders

Fund Distribution Plan



Funds from operating cash flow to be distributed to investments and returns to shareholders





Major Financial Objectives

Net Sales (Final year)

[Consolidated]
Achievement of
JPY 300 billion
[Non-consolidated]
Achievement of
JPY 200 billion
Annual sales target achieved

Operating Income (Cumulative)

[Consolidated]
JPY 68 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
(w/o influence of goodwill)
Achievement of ROIC* exceeding WACC

R&D Expenditure (Cumulative)

[Consolidated]
JPY 55 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 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

This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from the management's expectations and accordingly affect the Company's sales and profitability. Actual results may differ because of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.

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