

May 11, 2026

To whom it may concern:

TOWA PHARMACEUTICAL CO., LTD.

Notice of Recognition of an Impairment Loss, Recognition of a Loss on Valuation of Shares of Subsidiaries and Associates in the Non-consolidated Financial Statements of the Company, and Revisions of Financial Forecasts

Towa Pharmaceutical Co., Ltd. (hereinafter, the “Company”) will recognize an impairment loss on goodwill concerning Sunsho Pharmaceutical Co., Ltd. (hereinafter, “Sunsho Pharmaceutical”) (on a consolidated basis) and a loss on valuation of shares of subsidiaries and associates (on a non-consolidated basis) for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026) as outlined below. In view of these developments, the Company has revised its consolidated financial forecasts for the fiscal year ended March 31, 2026, which were previously announced on May 15, 2025.

1. Recognition of an impairment loss (consolidated)

Sunsho Pharmaceutical, a consolidated subsidiary of the Company, has seen its financial results for the fiscal year ended March 31, 2026 and the medium-term plan for subsequent years are expected to fall significantly short of expectations due to the decline in profitability in the domestic health food business, the worsening of the competitive environment overseas in the new application business, the delay in creating synergies between the Company and Sunsho Pharmaceutical.

In view of these developments, the Company re-evaluated the future cash flow of Sunsho Pharmaceutical and determined that the recoverable amount is expected to be below book value. Therefore, the Company has decided to recognize an impairment loss of 14.7 billion yen on goodwill in its consolidated financial statements for the fiscal year ended March 31, 2026.

2. Recognition of a loss on valuation of shares of subsidiaries and associates (non-consolidated)

The developments described above have resulted in a significant decline in the fair value of shares of Sunsho Pharmaceutical held by the Company. Therefore, based on the “Accounting Standard for Financial Instruments” (Japanese GAAP), the Company has decided to recognize a loss on valuation of shares of subsidiaries and associates of 26.1 billion yen in extraordinary losses in its non-consolidated financial statements for the fiscal year ended March 31, 2026.

It should be noted that the loss on valuation of shares of subsidiaries and associates mentioned above will be recognized only in the non-consolidated financial statements of the Company and will not affect the full-year consolidated financial results of the Company for the fiscal year ended March 31, 2026 as it will be eliminated in the consolidation process.

3. Revisions of financial forecasts

(1) Revision of the full-year consolidated financial forecasts for the fiscal year ended March 2026 (from April 1, 2025 to March 31, 2026)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	280,000	27,000	25,300	17,700	359.57
Revised forecast (B)	273,700	23,100	28,000	5,200	105.63
Changes (B-A)	△6,300	△3,900	2,700	△12,500	
Percentage changes	△2.3	△14.4	10.7	△70.6	
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2025)	259,594	23,242	26,152	18,986	385.71

(2) Reason for the revision

Regarding the full-year consolidated financial results for the fiscal year ended March 31, 2026, net sales and operating profit are expected to fall short of the previously announced forecasts because the sales after the lifting of regulated shipments did not grow as much as expected at the Company and the new application business declined due to the worsening of the competitive environment overseas.

Ordinary profit is expected to exceed the previously announced forecast mainly because the Company will recognize a gain on valuation of derivatives of 5.3 billion yen, while operating profit is expected to decline.

Profit attributable to owners of parent is expected to fall short of the previously announced forecast mainly because the Company will recognize an impairment loss of 14.7 billion yen as mentioned above.

Despite these revisions to financial forecasts, our dividend forecast for the fiscal year ended March 31, 2026 remains unchanged. We are currently evaluating the impact of these revisions on the full-year consolidated financial forecasts for the fiscal year ending March 31, 2027 and the numerical targets of our 6th Medium-term Business Plan 2024–2026 PROACTIVE III and will disclose it during the announcement of full-year financial results scheduled for May 14.

Note: The above forecasts were prepared on the basis of available information at the time of the release of this notice. Actual performance may differ from the forecasts due to various factors in the future.

End of Notice