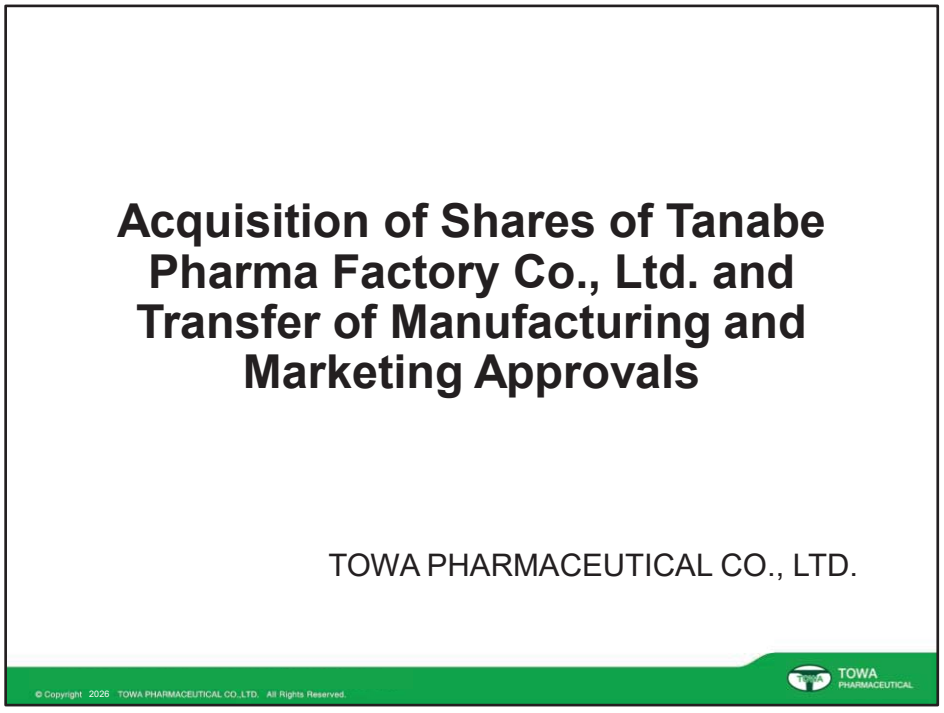
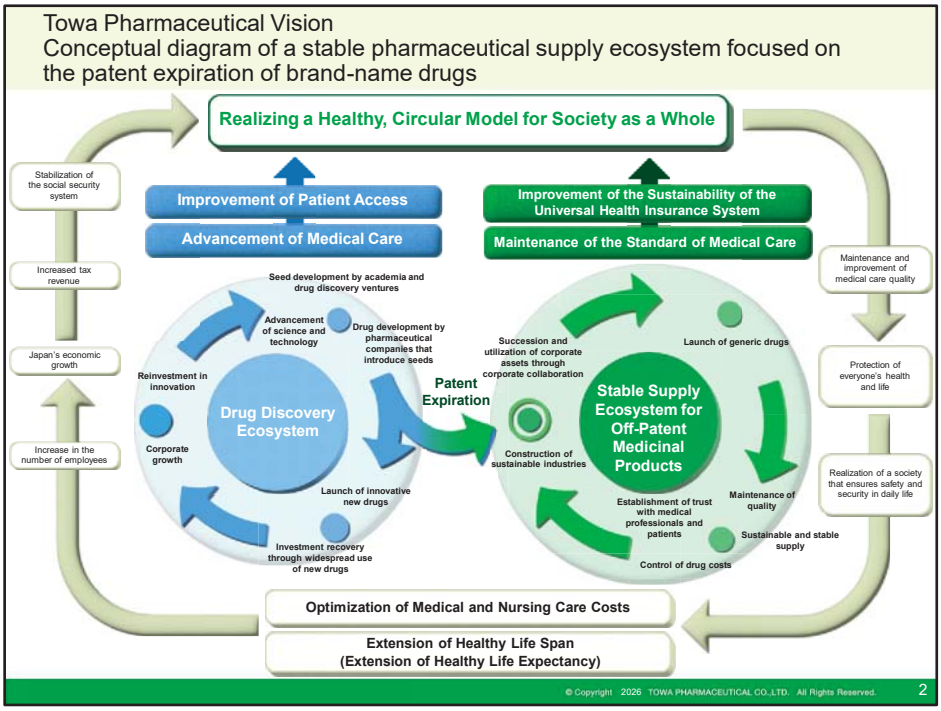
Towa Pharmaceutical Co., Ltd.
Briefing on the Acquisition of Shares of Tanabe Pharma Factory Co., Ltd. and Transfer of Manufacturing and Marketing Approvals

【Outline】
Date and time: July 8, 2026 (Wednesday), 3:30-4:30 pm
Speakers: Itsuro Yoshida, President
Toshikazu Kokubun, Director
Hideshi Nakamura, Director
Shiro Hatagami, Operating Officer,
Division Manager, Finance & Accounting Division
Yoichiro Tanaka,
Division Manager, Corporate Strategy Division

【Briefing Script】
*Slides that are not explained, such as the table of contents, are omitted.

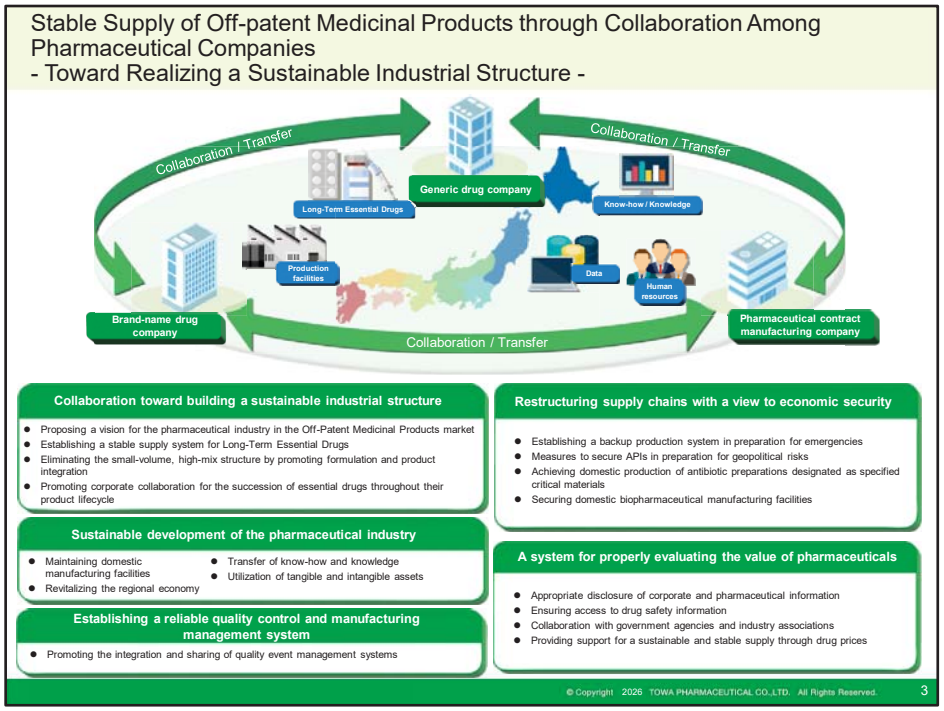


I am Itsuro Yoshida, President of Towa Pharmaceutical Co., Ltd.
I would like to explain the background to the acquisition of shares of Tanabe Pharma Factory Co., Ltd., which was announced on Friday, July 3.



Amid unresolved supply concerns stemming from quality issues at generic drug manufacturers that came to light in 2020, the Study Group Report on the Industrial Structure to Achieve Stable Supply of Generic Pharmaceuticals released by the Ministry of Health, Labour and Welfare indicated that structural problems within the generic drug industry as a whole, such as small-volume, high-mix production, are the underlying cause and that each company and industry association should independently formulate its own future vision for the ideal state of the industry. While it has been said that the government will provide support if any problems arise, no clear vision for the industry's future has been indicated yet.

In this context, Towa Pharmaceutical has adopted a vision of realizing a healthy, circular model for society through a stable supply ecosystem for off-patent medicinal products. This approach divides the ethical drug industry into two categories: pharmaceuticals still under patent protection and off-patent medicinal products.



Thanks to policies promoting the use of generics, their market share has exceeded 80%, and most recently, it has reached 90% due to such factors as selective medical treatment. Stable supply was an issue even when generics had an 80% market share, and since then, several companies have received administrative penalties and have not yet recovered. With their market share reaching 90%, I believe it will still take some time to resolve the issue.

While the focus is currently on product consolidation as a means of resolving the issue of small-volume, high-mix production of generic drugs, we place importance on how to establish a stable supply system. As part of our production expansion measures, we newly constructed the 3rd solid formulation building at the Yamagata Plant, bringing our total production capacity across our three plants to 17.5 billion tablets. However, supply is still not keeping up with demand, and we have about 90 items remaining on the list of items with restricted shipments.

As further increases in production become necessary, we are proceeding with collaborative efforts. In addition to collaboration among generic drug manufacturers, we believe that in order to supply truly necessary pharmaceuticals in Japan, we should also make effective use of the production lines at plants that manufacture long-listed pharmaceutical products of original drug manufacturers. Since the release of the Study Group Report in May 2024, we have been discussing this with various companies, and so far we have announced three collaborative projects to you.

Regarding this acquisition of shares, we had been in positive discussions with Tanabe Pharma about collaboration for some time. However, now that Tanabe Pharma has come under the umbrella of Bain Capital, and in accordance with their wishes, we have decided to acquire shares of Tanabe Pharma Factory, instead of continuing to collaborate with the company over the long term.

I am Hideshi Nakamura, Director of Towa Pharmaceutical Co., Ltd.
I will now use slides to explain the outline of this project.

First, please turn to slide 6.
This shows our group's corporate vision.

Basic Policy of Medium-term Business Plan 2024-2026

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

Now, please turn to slide 7.
This shows the basic policy of our current 6th Medium-term Business Plan.

This project has been pursued as one of the measures under Policy 1: Evolution of generics business in Japan toward a new phase.

Outline of the Project

	Acquisition of Shares of Tanabe Pharma Factory Co., Ltd. and Transfer of Manufacturing and Marketing Approvals	
Shares and assets to be acquired	①Acquisition of Shares of Tanabe Pharma Factory Co., Ltd. (Making it a Wholly Owned Subsidiary)	②Transfer of Manufacturing and Marketing Approvals
Number of shares to be acquired and transferred items	22,602 shares （Number of voting rights after acquisition: 22,602） (Percentage of voting rights held after acquisition: 100%)	17 ingredients and 35 items
Acquisition cost	Not disclosed	Not disclosed
Date of conclusion of the agreement	July 3, 2026	July 3, 2026
Date of execution of transfer	End of November 2026 (planned)	In or after April 2027 (planned)
Other notes	We are currently assessing the impact of this transaction on the Company's consolidated financial results for the fiscal year ending March 2027. We will promptly disclose any matters that should be disclosed in the future as soon as they are finalized.	

Now, please turn to slide 8.

In this acquisition, we have agreed on the acquisition of all shares of Tanabe Pharma Factory Co., Ltd. together with the transfer of 35 products based on 17 active ingredients that are manufactured and sold by Tanabe Pharma Corporation.
As for the acquisition completion schedule, the share transfer will be completed at the end of November 2026, and the transfer of manufacturing and marketing approvals in or after April 2027.

Overview of Tanabe Pharma Factory

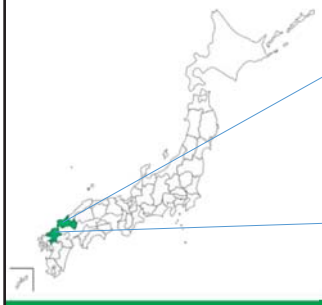
Item	Information
Company name	Tanabe Pharma Factory Co., Ltd.
Date of establishment	October 2008
Representative	President and Representative Director Yusuke Furuse
Main business	Manufacture of pharmaceuticals, and sale, purchase, import, and export of pharmaceuticals
Plants	Onoda plant (Yamaguchi) Yoshitomi plant (Fukuoka)
Capital	100 million yen (as of March 31, 2026)
Number of employees	538 (as of April 1, 2026)

Condensed Statements of Income

(Millions of yen)	24/3	25/3	26/3
Net sales	16,990	18,532	15,784
Operating profit	1,311	1,623	1,144
Profit	571	948	545
Operating margin	7.7%	8.8%	7.2%
Net profit margin	3.4%	5.1%	3.5%

Condensed Balance Sheets

(Millions of yen)	24/3	25/3	26/3
Assets	47,356	52,286	39,868
Current assets	29,821	35,273	23,635
Non-current assets	17,535	17,013	16,233
Liabilities	6,289	10,765	8,210
Current liabilities	5,866	10,335	7,676
Non-current liabilities	423	430	534
Net assets	41,066	41,520	31,658



Onoda plant

- The plant has over 100 years of experience in pharmaceutical manufacturing.
- Its solid dosage form production line is equipped with state-of-the-art systems, such as air control and zoning, as well as a variety of granulators, to accommodate products in various dosage forms, including tablets and granular powders.
- The plant exports active pharmaceutical ingredients (APIs) to over 100 countries and has earned a high level of trust from overseas, including the U.S. FDA.

Yoshitomi plant

- As a mass production base for solid dosage forms, the plant boasts one of the leading production facilities in Japan.
- A3 plant: Automated equipment has been introduced to reduce labor costs.
- A5 plant: State-of-the-art, highly systematized equipment has been introduced with the aim of supplying pharmaceuticals conforming to world standards. The plant has achieved high productivity that can flexibly adapt to various applications and also excels in business continuity planning (BCP) performance and energy efficiency.
- S1 building: Conducting technical review and quality testing.

Please turn to slide 10.
I will now provide a business overview of Tanabe Pharma Factory.

As of April 2026, the company has 538 employees. The company has two plants. For your reference, we have included a condensed income statement and balance sheet for the past three years, which we hope you will find helpful.

Overview of Onoda plant

The 7 API building, which is compliant with the latest GMP standards, is a manufacturing base for investigational APIs and APIs.
In addition to prioritizing occupational safety and health, and the environment, as a multi-purpose plant, it is capable of handling a wide variety of APIs, from small-scale production of investigational APIs to commercial production of APIs.

The 3 formulation building is a manufacturing facility for the stable production of solid dosage forms.
It manufactures tablets and granules that patients can take with confidence in a clean environment that complies with GMP standards, using closed and automated equipment.

Item		Information
Address		7423-2, Onoda, Sanyo-Onoda, Yamaguchi
Date of establishment		1925
Site area		307,000㎡
Acquired certifications		GMP (JP), FDA (US), EMA (EU), KFDA (KR), FDA (TW), BPOM (IDN), NPRA (MYS), etc.
Manufacturing buildings		[The 1, 2, 3 formulation building] Tablets, capsules, powders, granules, injections [The 6, 7 API building] APIs, intermediates, investigational drugs
Other facilities		Welfare building, EHS Center, CIL
Actual production (FY2025)	Tablets	0.36 billion tablets
	Powders and granules	4.34 ton
	Injections	463 thousand ampules
	APIs	45 ton

Please turn to slide 11.
The first of the two plants is the Onoda Plant, located in Sanyo-Onoda, Yamaguchi Prefecture.

The Onoda Plant is a facility that can consistently manufacture everything from investigational drugs to APIs, solid dosage forms, and injections through their final stages. We rate this plant as having high production technology capabilities.
Furthermore, with approximately 100 years of experience in pharmaceutical manufacturing, and having exported products to over 100 countries in the field of APIs, it has earned a high level of trust not only domestically, but also internationally.

Overview of Yoshitomi plant

A5 plant: State-of-the-art equipment capable of handling high-mix production

A5 plant has equipment and systems that comply with the latest global GMP standards. It also supports flexible production by employing equipment that allows for easy item changeovers. Furthermore, the plant has adopted a seismic isolation structure, raised floors as a tsunami countermeasure, and secured emergency power supplies, making it a business continuity plan (BCP)-compliant facility capable of responding to various situations.

A3 plant: With reduced manpower using internally developed control programs and robot technology

A3 plant utilizes its proprietary automation technology to reduce manpower, from weighing to shipping.

Item		Information
Address		955, Koiwai, Yoshitomi-machi, Chikujo County, Fukuoka
Date of establishment		1942
Site area		382,000㎡
Acquired certifications		GMP (JP), FDA (US), EMA (EU), KFDA (KR), FDA (TW), BPOM (IDN), NPRA (MYS), etc.
Manufacturing buildings		[A3 plant] Tablets [A5 plant] Tablets, powders [S1 building] Technology, quality control
Other facilities		Administration building, warehouse building
Actual production (FY2025)	Tablets	1.2 billion tablets
	Powders and granules	1.7 ton
	Injections	-
	APIs	-

Please turn to slide 12.
The second is the Yoshitomi Plant, located in Yoshitomi, Fukuoka Prefecture.

The Yoshitomi Plant is one of Japan’s leading mass production bases for solid dosage forms, equipped with state-of-the-art equipment and boasting high functionality through advanced automation and digital transformation.

Overview of Transferred Items (17 ingredients and 35 items)

Product name
ANPLAG Tablets 50mg, ANPLAG Tablets 100mg
URSO tablets 50mg, URSO tablets 100mg, URSO granules 5%
KALGUT Tablets 10
Cleanal TABLETS 200mg
CONTOMIN INTRAMUSCULAR INJECTION 10mg, CONTOMIN INTRAMUSCULAR INJECTION 25mg, CONTOMIN INTRAMUSCULAR INJECTION 50mg
TANATRIL Tablets 2.5, TANATRIL Tablets 5
DEPAS TABLETS 0.25mg, DEPAS TABLETS 0.5mg, DEPAS TABLETS 1mg, DEPAS FINE GRANULES 1%
NIPPAS CALCIUM Granules 100%
Novastan HI Injection 10mg/2ml
Haloperidol TABLETS 0.75mg “YOSHITOMI”, Haloperidol TABLETS 1.5mg “YOSHITOMI”, Haloperidol TABLETS 2mg “YOSHITOMI”, Haloperidol TABLETS 3mg “YOSHITOMI”, Haloperidol INJECTION 5mg “YOSHITOMI”
PZC INTRAMUSCULAR INJECTION 2mg
HIBERNA SUGAR-COATED TABLETS 5mg, HIBERNA SUGAR-COATED TABLETS 25mg, HIBERNA POWDER 10%, HIBERNA INJECTION 25mg
Fludecasin INTRAMUSCULAR INJECTION 25mg
Brotizolam TABLETS 0.25mg “YOSHITOMI”
RAVONA Tablets 50mg
RIZE TABLETS 5mg, RIZE TABLETS 10mg, RIZE GRANULES 10%
Lectisol TABLETS 25mg

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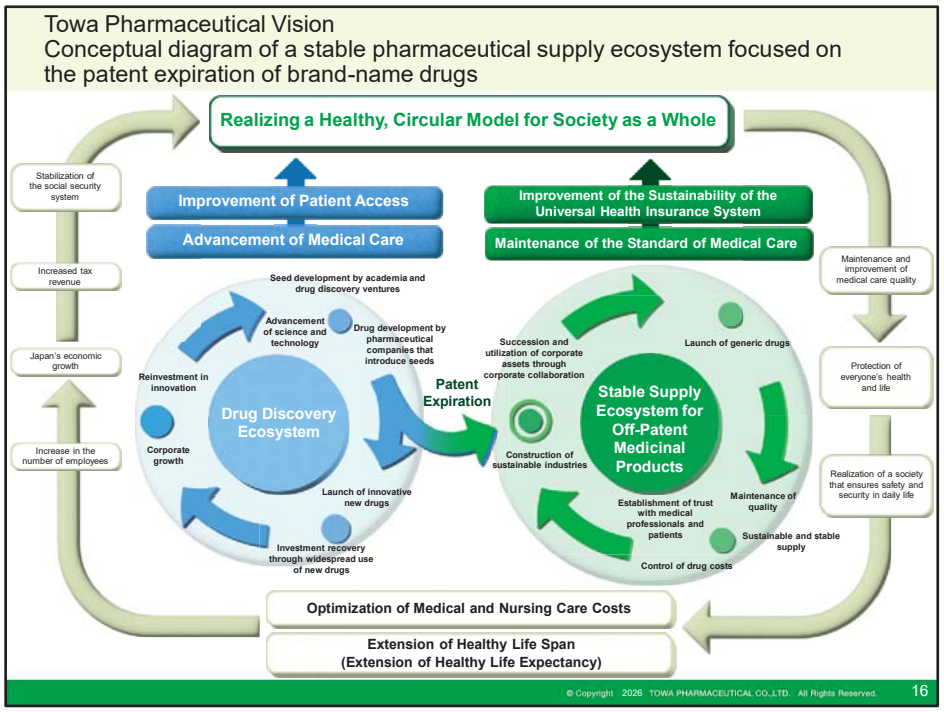
We have listed the 35 products based on 17 active ingredients that are scheduled to be transferred.

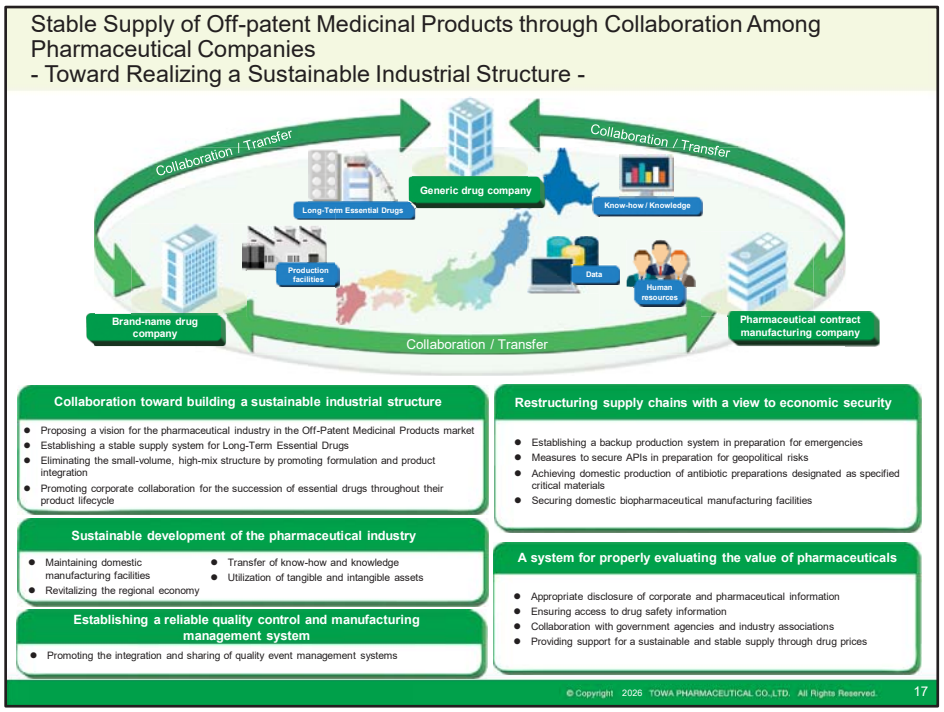
The products were selected through discussions between the two companies, and we aim to expand our product portfolio through the transfer.



Now, please turn to slide 16.
I will now explain the strategic significance of this project.

This M&A is not simply aimed at expanding production capacity, but is part of our important strategy to concretely implement the stable supply ecosystem concept for off-patent medicinal products that we have consistently pursued.

Towa Pharmaceutical views off-patent medicinal products as a single market and believes it necessary to create a system that can sustainably supply medically necessary drugs into the future, regardless of whether they are categorized as long-listed pharmaceutical products, authorized generics, or generics.

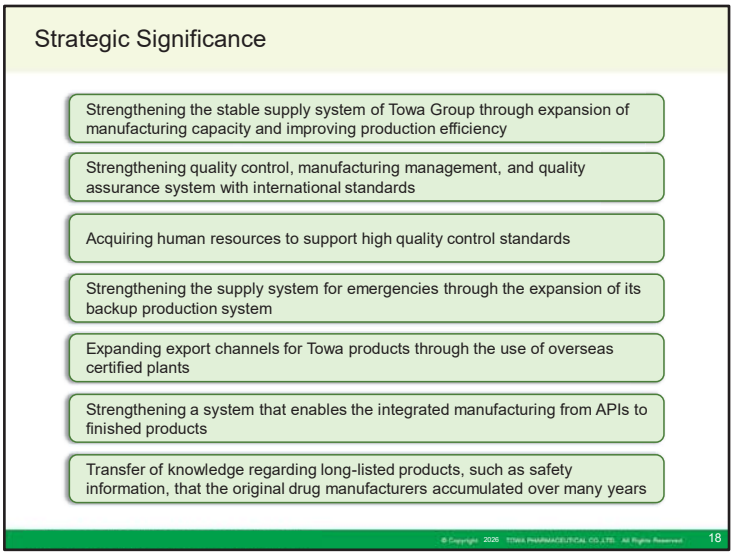


Please turn to slide 17.

In order to realize this system, we believe that a new industrial structure is needed in which original drug manufacturers, generic drug manufacturers, and pharmaceutical contract manufacturing companies combine their respective strengths and collaborate.
Based on this understanding, Towa Pharmaceutical will promote a stable supply ecosystem concept for off-patent medicinal products, primarily long-term essential drugs, as a framework to continue supporting as social infrastructure pharmaceuticals that are medically necessary over the long term.

Based on this concept, Towa Pharmaceutical is pursuing several initiatives. Through our collaborations with Otsuka Pharmaceutical announced in January of this year, with Adragos Pharma Kawagoe in April, and with Sanwa Kagaku Kenkyusho in the same month, we aim to build a robust and stable supply system that can respond to emergencies, not only by increasing production, but also by establishing backup production systems at multiple locations, as part of our strategic partnerships.

This acquisition of Tanabe Pharma Factory is an important step that will further advance these initiatives.
While previous collaborations focused on expanding supply capacity and backup production systems through partnerships with external partners, this transfer involves inheriting the manufacturing foundation itself, including high levels of quality control, manufacturing management, manufacturing technology, experienced personnel, know-how, and knowledge, to strengthen the Towa Pharmaceutical Group’s ability to create added value in the medium to long term.



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The strategic significance of this project arises broadly from the following seven points:

The first point is strengthening the stable supply system and improving the production efficiency of the Towa Pharmaceutical Group by expanding our manufacturing capacity.
We believe that this acquisition will further expand the manufacturing capacity of the Towa Pharmaceutical Group and enhance our ability to meet the demand for our products.

The second point is strengthening our quality control, manufacturing management, and quality assurance systems in accordance with international standards.
We believe that by inheriting Tanabe Pharma Factory's advanced management system, which complies with international standards, we can further enhance the overall quality assurance level of the Towa Pharmaceutical Group.

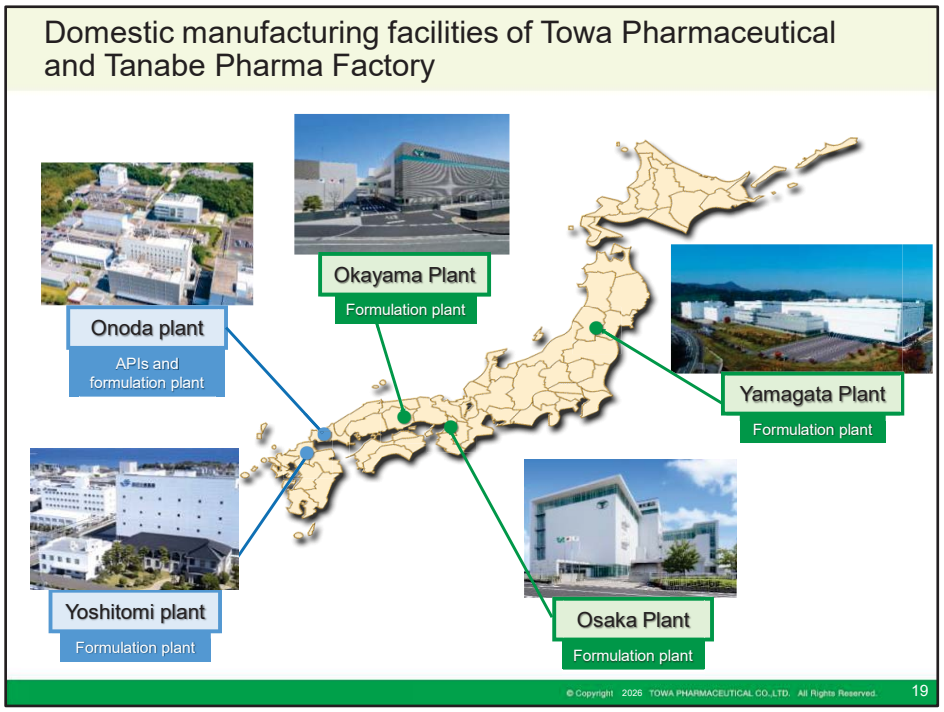
The third point is securing personnel who can support high quality control standards.
A high level of quality control is achieved not only through systems and equipment, but also through the people who support them. Through this acquisition, we will be able to secure personnel with extensive experience and practical skills into the Group, enabling the accumulation and transfer of knowledge in each process of manufacturing management, quality control, and quality assurance.

The fourth point is strengthening the supply capabilities in times of emergency by expanding the backup production system.

The fifth point is expanding export channels for Towa products through the use of overseas certified plants.
We believe this will also help to expand the business portfolio of the Towa Pharmaceutical Group.

The sixth point is strengthening the integrated production system from API to formulation.
The Towa Pharmaceutical Group currently develops and manufactures APIs at Daichi Kasei, and we believe that this project will further strengthen that process.

The seventh point is the transfer of knowledge, such as safety information, that has been accumulated over many years for long-listed pharmaceutical products.
The long-listed pharmaceutical products to be transferred in this project have been used for many years and include accumulated safety information and clinical knowledge from medical settings.
This project is not simply about inheriting products; it also helps to support an environment where healthcare professionals and patients can continue to use pharmaceuticals with peace of mind.
We believe that passing on such knowledge to future generations is an important social responsibility.
Another significant feature of this project is that it also involves the transfer of long-listed pharmaceutical products.



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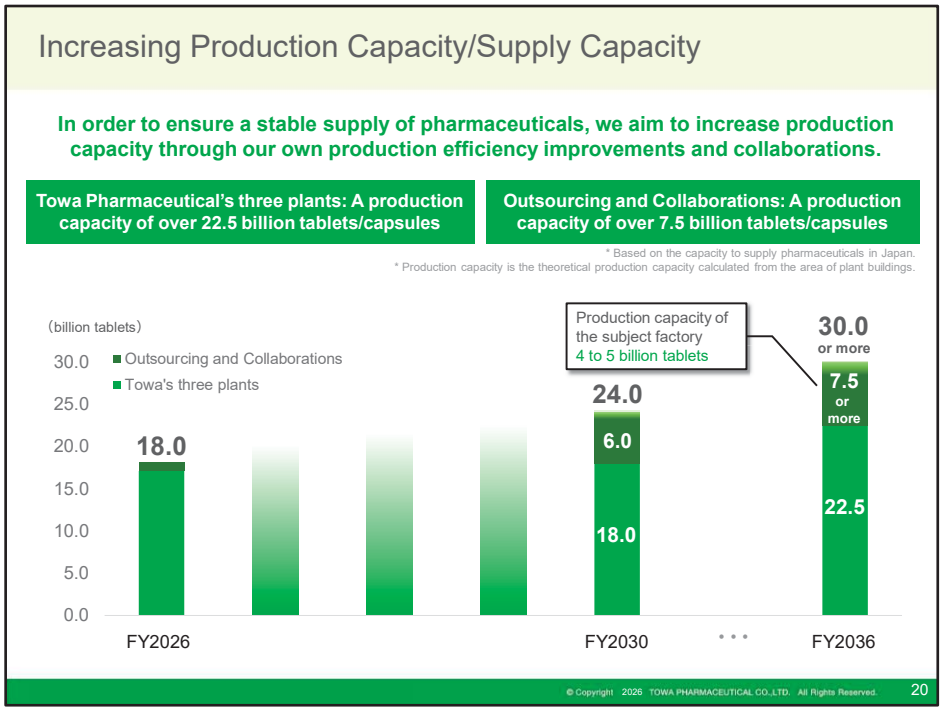
In addition to the two plants we will be taking over—the Onoda Plant and the Yoshitomi Plant—we have also included our three existing plants on the map.



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Under this five-plant system, we will strive to improve our production capacity through our own production efficiency improvements and collaborations.

For fiscal year 2026, we plan to build an annual production capacity capable of producing a total of 18 billion tablets through our own three plants, as well as through collaborative and contracted production.
By fiscal year 2030, we aim to build an annual production capacity that will produce a total of 24 billion tablets, comprising 18 billion tablets from our three plants plus an additional 6 billion tablets from contracted and collaborative production.
In fiscal year 2036, ten years from now, we aim to build an annual production capacity of over 30 billion tablets, comprising 22.5 billion tablets from our three plants plus an additional 7.5 billion tablets from contracted and collaborative production, including expanding the production capacity of the two newly joined plants to 4 to 5 billion tablets.

Our goal is to treat long-listed pharmaceutical products and off-patent medicinal products, including generics, as a single category and to create a sustainable growth model within that overall market. We believe that this growth will not only contribute to people's health through the stable supply of medically necessary drugs, but will also lead to the revitalization of local economies that support manufacturing bases and the promotion of employment, and ultimately contribute to the growth of the Japanese economy.

We also believe that the transfer of long-listed pharmaceutical products is not simply about taking over the product or manufacturing approval, but about passing on social assets, including information assets on medically necessary drugs, to the next generation.

Moving forward, as a responsible company supporting the off-patent medicinal product market, Towa Pharmaceutical will continue to contribute to patient treatment, peace of mind in healthcare settings, the revitalization of local communities and economies, and the sustainable growth of the Japanese economy through the stable supply of medically necessary drugs, including long-term essential drugs, and the transfer of information assets necessary for healthcare settings.

This concludes my explanation. Thank you for listening.

[Q&A Summary]

*For your reference, this is a summary of the Q&A session at the briefing.

Q: While Tanabe Pharma Factory's net sales for fiscal year 2025 were approximately 15.8 billion yen, not all its products will be transferred to Towa Pharmaceutical. Could you tell us about your outlook for the future? Another question, if you pursue product consolidation, will you consider it based on market share?
A: We cannot disclose the breakdown of net sales. Regarding product consolidation, we will consider whether to align transferred products with our generics or long-listed pharmaceutical products, taking into account the usage patterns in medical settings.

Q: Your plan is to increase the production capacity of Tanabe Pharma Factory to approximately 4 to 5 billion tablets. However, the Onoda Plant previously produced around 2 billion tablets. Is your target achievable by improving its production efficiency, or will additional capital investment be necessary?
A: We aim to increase production through improved production efficiency and capital investment. Current production volume is approximately 1.6 billion tablets, and plant utilization rates have decreased as the market share of long-listed pharmaceutical products declines. Going forward, we expect an increase in production volume by improving the utilization rates through the manufacturing of generics and incorporating our production know-how.

Q: You have disclosed that you aim to produce over 30 billion tablets through your three plants as well as contracted and collaborative production. Based on the information you have disclosed so far, our estimate of the production volume is close to 30 billion tablets. Are there any other projects underway behind the scenes, and is there room for further increases in production volume in the future?
A: The information disclosed so far does not include companies with whom we are currently in discussions regarding collaboration. Therefore, there is room for further increases in production volume. Since it is unclear whether 30 billion tablets will be enough to meet demand, we are preparing to produce more than 30 billion tablets.

Q: Regarding financial discipline, the equity ratio is approximately 38%, and you have interest-bearing debt of approximately 220 billion yen. Capital investment will also be necessary at Adragos Pharma Kawagoe and Sanwa Kagaku Kenkyusho. I would like to know how you plan to raise funds for capital investment to achieve a production capacity of 30 billion tablets.
A: The cash allocation details will be announced in the next medium-term business plan, but capital investment will basically be funded through borrowings. We recently announced the issuance of preferred shares, and we would like to explore various other fundraising methods. Given the strong demand, we intend to proceed with the necessary capital investments.

Q: What is your outlook for the equity ratio going forward?
A: As a basic idea, I (Yoshida) personally would like to see it around 50%, but in response to the rapid increase in the use of generics, we have made capital investments through borrowings to increase production. In order to improve our equity ratio, we first want to maximize our operating cash flow. While we have primarily relied on borrowings for funding in the past, we have recently begun utilizing leases and issuing preferred shares.

Q: What percentage of Tanabe Pharma Factory's production capacity can be allocated to Towa Pharmaceutical's products?
A: We would like to consider the percentage in the future. Transferring our products requires approval for partial changes, such as the addition or modification of manufacturing plants, which under the current system takes approximately one to two years.

Q: Tanabe Pharma Factory's cost of sales ratio is higher than that of Towa Pharmaceutical. Will Tanabe Pharma Factory be able to improve its cost of sales ratio by joining the Towa Pharmaceutical Group?
A: We anticipate that the cost of sales ratio can be reduced by improving the utilization rate. Since the product transfer will take time, we would like to reduce the cost of sales ratio over a period of two to three years.

Q: Can we assume that the acquisition cost will be within the limit of funds raised through the issuance of preferred shares? Is there a possibility that the equity ratio will deteriorate in the short term?
A: We will refrain from commenting on the specific acquisition cost. We are not expecting any significant changes in the equity ratio.

Q: Can you utilize the government's fund for improving the manufacturing infrastructure for generic drugs?
A: Since the fund's application requirements have not been announced, we will refrain from answering at this time, but there is a possibility that future capital investments may be eligible for application.

Q: What were the factors that led to the decline in net sales and profits at Tanabe Pharma Factory for the fiscal year ended March 2026?
A: I think the decline is partly due to the decline in the market share of long-listed pharmaceutical products caused by the introduction of selective medical treatments.

Q: The Onoda Plant exports APIs to over 100 countries. Will there be any synergies with Towa INT or Daichi Kasei? Also, automation and the introduction of robots are progressing at the A3 plant of the Yoshitomi Plant. Are there any aspects of this that can be applied to Towa Pharmaceutical's plants?
A: There is potential to create synergies with Towa INT and Daichi Kasei in the export of APIs from the Onoda Plant. The A3 plant of the Yoshitomi Plant has introduced automated equipment and is also advancing the development and implementation of automation technologies, including continuous production. Towa Pharmaceutical is also considering continuous production systems, including automation and robotics, and there is potential to create technological synergies in the future.

Q: I believe this project is also based on the idea of ensuring a stable supply of off-patent medicinal products. Could you please explain this idea again?
A: Regarding the concept of off-patent medicinal products, we believe it is important to create a system that can supply medically necessary pharmaceuticals over the long term and in a stable manner under strong quality control and manufacturing control, without distinguishing between long-listed pharmaceutical products, generics, and authorized generics, while considering what drugs are truly needed. While we believe that the safety information accumulated by the original drug manufacturers is a great value that long-listed pharmaceutical products can provide, this point is not taken into consideration in the current drug pricing system. This should be considered when considering what the ideal industrial structure should look like.

Q: What is the current utilization rate of Tanabe Pharma Factory?
A: We do not have specific information on the utilization rate. We have been told that they had a maximum production capacity of 4 to 4.5 billion tablets. However, production capacity decreases over time due to equipment deterioration and other factors. I think the current utilization rate is around 50%.

Q: After an M&A, cost deterioration often occurs due to inventory revaluation (step-up). Will the cost of sales ratio worsen in the next fiscal year?
A: We are currently reviewing the impact of inventory revaluation on the cost of sales ratio in preparation for closing, and we will work to minimize any impact.