

# Consolidated Financial Results for the Three Months Ended June 30, 2025 (Based on Japanese GAAP)

August 7, 2025

Company name: TOWA PHARMACEUTICAL CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 4553 URL <https://www.towayakuhin.co.jp/>  
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 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the three months ended June 30, 2025 (from April 1, 2025 to June 30, 2025)

### (1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2025	65,149	4.1	5,206	(8.2)	3,953	(54.0)	2,513	(54.3)
Three months ended June 30, 2024	62,566	14.7	5,672	38.5	8,593	23.5	5,495	15.7

Note : Comprehensive income For the three months ended June 30, 2025 : ¥3,065 million [(64.2)%]  
 For the three months ended June 30, 2024 : ¥8,560 million [(0.2)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2025	51.06	—
Three months ended June 30, 2024	111.64	—

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2025	475,231	172,721	36.3
As of March 31, 2025	470,823	171,625	36.5

Reference : Equity As of June 30, 2025 : ¥172,721 million  
 As of March 31, 2025 : ¥171,625 million

## 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2025	—	30.00	—	40.00	70.00
Year ending March 31, 2026	—				
Year ending March 31, 2026 (Forecast)		40.00	—	40.00	80.00

Note : Revisions to the forecasts of cash dividends most recently announced : None

## 3. Forecast of consolidated financial results for the year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

Percentages indicate year-on-year changes

	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
Six months ending September 30, 2025	134,500	9.0	12,000	14.1	11,100	7.4	8,000	22.0	162.52
Full year	280,000	7.9	27,000	16.2	25,300	(3.3)	17,700	(6.8)	359.57

Note : Revisions to the forecasts of consolidated financial results most recently announced : None

#### 4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2025  
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement of prior period financial statements: None

#### (4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2025	51,516,000 shares	As of March 31, 2025	51,516,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2025	2,288,903 shares	As of March 31, 2025	2,288,903 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2025	49,227,097 shares	Three months ended June 30, 2024	49,220,143 shares
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# 1. Overview of Operating Results and Financial Position

The forward-looking statements in this document are those determined as of the end of the quarterly consolidated accounting period.

## (1) Overview of operating results during the period

With the corporate philosophy of “Contribute to people’s health and dedicate ourselves to people's genuine smiles,” the Group has been working on various issues. The aim is to establish a foundation in new markets and new businesses and realize group synergies with each subsidiary while making the domestic generic drug business its core business in accordance with the “6th Medium-term Business Plan 2024–2026 PROACTIVE III” announced in June 2024.

As a result, operating results during the period are as follows.

Consolidated earnings			(Millions of yen)	
	Three months ended June 30, 2024	Three months ended June 30, 2025	Change	Change (%)
Net sales	62,566	65,149	2,583	4.1%
Cost of sales	39,223	41,474	2,250	5.7%
Gross profit	23,342	23,674	332	1.4%
Selling, general and administrative expenses	17,670	18,468	798	4.5%
Operating profit	5,672	5,206	(466)	(8.2)%
Ordinary profit	8,593	3,953	(4,640)	(54.0)%
Profit attributable to owners of parent	5,495	2,513	(2,981)	(54.3)%

Net sales were up due to an increase in the volume of products supplied to the market as the production volume picked up at Towa Pharmaceutical. Operating profit, on the other hand, declined due to the poor performance of Sunsho Pharmaceutical Co., Ltd. (hereinafter referred to as “Sunsho Pharmaceutical”) and Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa INT”).

In terms of business results, net sales were 65,149 million yen (up 4.1% year on year), operating profit came to 5,206 million yen (down 8.2% year on year), ordinary profit was 3,953 million yen (down 54.0% year on year) due to a loss on valuation of derivatives totaling 1,452 million yen, and profit attributable to owners of parent totaled 2,513 million yen (down 54.3% year on year).

Results by segment are as follows. Segment profit (loss) of the reporting segments is the figure before amortization of goodwill.

Results by segment					(Millions of yen)			
	Domestic segment				Overseas segment			
	Three months ended June 30, 2024	Three months ended June 30, 2025	Change	Change (%)	Three months ended June 30, 2024	Three months ended June 30, 2025	Change	Change (%)
Net sales	48,833	52,780	3,946	8.1%	13,779	12,492	(1,287)	(9.3)%
Segment profit (loss)	7,116	6,873	(242)	(3.4)%	(330)	(562)	(232)	—

(Note) Segment profit (loss) is based on operating profit.

(Domestic segment)

In the generic drug industry in Japan, the Medical Insurance Committee of the Social Security Council in March 2024 set a new secondary goal to increase the value share of generic drugs to 65% or more by the end of FY2029, along with the main goal of increasing the volume share of generic drugs to 80% or more in all prefectures by the end of FY2029 while maintaining a stable supply of drugs. In addition to that, a treatment option using long-listed drugs was introduced in October 2024. Choosing this option will require an additional co-payment for some brand-name drugs for which generic drugs are available. As a result, the volume share in January-March 2025 reached 89.0% (according to the Japan Generic Medicines Association).

In the meantime, annual drug price revisions since FY2021 have been making the situation extremely severe for the pharmaceutical industry. Furthermore, due to a series of supply concerns stemming from quality problems at multiple generic drug companies that came to light in 2020, confidence in generic drugs has declined and the environment facing the generic drug industry has become increasingly tough.

Under these circumstances, The “Report of the Study Group on Industrial Structure for Achieving Stable Supply of Generic Drugs” published by the Ministry of Health, Labour and Welfare in May 2024 showed that the government will “establish an intensive reform period of about five years to ensure a manufacturing management and quality control system, secure stable supply capacity, and realize a sustainable industrial structure.” In the scope of the FY2025 drug price revision, companies will be evaluated for their stable supply system using all of the corporate indicators that were under consideration, and the ratings for each company are scheduled to be made public after the FY2026 drug price revision. In addition, the “Basic Policy on Economic and Fiscal Management and Reform 2025 (Basic Policy 2025)” approved by the Cabinet in June 2025 states that the government will promote the restructuring of the generic drug industry with an eye to resolving its structure of high-mix low-volume production.

Under these circumstances, in order to fulfill our responsibility for a stable supply, we have introduced new facilities and increased the number of employees in the domestic generics business for increased production. The construction of Solid Formulation Facility No. 3 and Sterile Formulation Facility No. 2 at the Yamagata Plant was completed in November 2023, and shipments of products manufactured at Solid Formulation Facility No. 3 began in April 2024. We are working to increase the annual production capacity of the three plants from 14 billion tablets at the end of March 2024 to 17.5 billion tablets in FY2026.

In terms of manufacturing control and quality control, we not only comply with the GMP Ordinance, which is the standard for manufacturing control and quality control of pharmaceuticals, and other related laws and regulations, but also actively adopt international standards such as PIC/S GMP and ICH Guidelines, and work to ensure appropriate quality and safety of pharmaceuticals through our own systems and education and training. In addition to the MES (Manufacturing Execution System) and LIMS (Laboratory Information Management System) already in place, we have introduced a QMS (Quality Management System) to further improve manufacturing control and quality control. Furthermore, in order to maintain and strengthen our stable supply system, we are striving to switch to multiple purchases of APIs and audit manufacturing sites, and are continuing to strengthen governance and ensure thorough compliance throughout the entire Group, from API manufacturing to formulation manufacturing, distribution and sales.

On the sales front, in May 2025, we started selling “RIVALUEN® LA Patch 25.92 mg/51.84 mg,” Japan’s first extended-release Rivastigmine transdermal formulation (twice weekly dosage), following its inclusion in the National Health Insurance drug price list. In June 2025, two new products with one ingredient were added to the National Health Insurance drug price list, bringing the total number of our generic drugs to 732 products with 314 ingredients (as of June 2025).

As for the development of health-related businesses, in order to respond to the new medical system such as the community-based integrated care system, we will focus on the “Healthcare Passport” (that enables local medical professionals and residents to share health and medical information in both directions). We will realize diversified development of health-related businesses by forming synergies between each subsidiary and existing businesses from the viewpoint of treatment, prevention and nursing care support, and increasing products and services for maintaining and promoting health.

The results of the domestic segment for the consolidated first quarter are as follows. Net sales totaled 52,780 million yen (up 8.1% year on year) due to an increase in the volume of products supplied to the market as a result of higher production volume at Towa Pharmaceutical. On the other hand, segment profit came to 6,873 million yen (down 3.4% year on year) due to an increase in the cost of sales ratio at Sunsho Pharmaceutical resulting from a worsening sales mix.

(Overseas segment)

In the overseas segment of the Group, we are engaged in the generic drug business in Europe and the U.S. through Towa INT to strengthen and expand the overseas drug business. We aim to keep sales and segment profits up by maintaining and strengthening existing businesses and further expanding markets and regions, while stepping up investments in R&D and facilities necessary for future growth. One instance of our production synergies paying off

can be seen at Towa INT's Martorelles plant where we manufacture ESOMEPRAZOLE CAPSULES for the Japanese market. We also started joint development as part of efforts to create R&D synergies. We will continue to interact and share information with all our divisions to foster group synergies in development and manufacturing technology. By leveraging Towa INT's sales network in multiple countries in Europe and the U.S. and its manufacturing bases in Europe that comply with standards in Europe and the U.S., we will establish a global business foundation that can provide high-quality, value-added generic drugs to patients worldwide from three regions: Japan, the U.S. and Europe.

In the consolidated first quarter, the overseas segment posted net sales of 12,492 million yen (down 9.3% year on year) and a segment loss of 562 million yen due to declined sales of some products in the U.S. and Europe B2B divisions as well as the appreciation of the yen against other currencies compared with the same period of the previous fiscal year.

## **(2) Overview of financial position during the period**

### **(i) Assets, Liabilities and Net Assets**

Total assets at the end of the first quarter were 475,231 million yen, an increase of 4,407 million yen from the end of the previous fiscal year. The main factors were an increase of 7,467 million yen in cash and deposits, despite a decrease of 2,538 million yen in notes and accounts receivable - trade.

Liabilities were 302,509 million yen, an increase of 3,311 million yen from the end of the previous fiscal year. The main factors were an increase of 5,634 million yen in long-term borrowings, including the current portion, and an increase of 1,283 million yen in electronically recorded obligations - operating, despite a decrease of 3,848 million yen in income taxes payable.

Net assets were 172,721 million yen, an increase of 1,096 million yen from the end of the previous fiscal year. The main factors included an increase of 563 million yen in foreign currency translation adjustment and an increase of 544 million yen in retained earnings.

As a result, the equity ratio came to 36.3%.

### **(ii) Cash Flows**

The balance of cash and cash equivalents at the end of the first quarter was 52,938 million yen, an increase of 7,478 million yen from the end of the previous fiscal year.

The status of each cash flow in the consolidated first quarter is as follows.

#### **(Cash flows from operating activities)**

Net cash provided by operating activities was 5,892 million yen (5,892 million yen of net cash used in operating activities in the same period of the previous fiscal year). This was mainly due to depreciation of 4,144 million yen (up 519 million yen year on year), profit before income taxes of 3,960 million yen (down 4,623 million yen year on year), a decrease of 2,699 million yen in trade receivables (up 2,174 million yen year on year), an increase of 1,690 million yen in trade payables (up 1,017 million yen year on year), and a loss on valuation of derivatives totaling 1,452 million yen (a gain on valuation of derivatives of 2,223 million yen in the same period of the previous fiscal year), despite income taxes paid of 4,286 million yen (down 3,016 million yen year on year) and an increase of 4,129 million yen in inventories (up 1,320 million yen year on year).

#### **(Cash flows from investing activities)**

Net cash used in investing activities was 4,717 million yen (up 3,104 million yen year on year). This was mainly due to purchase of property, plant and equipment of 4,380 million yen (up 3,138 million yen year on year).

#### **(Cash flows from financing activities)**

Net cash provided by financing activities was 6,253 million yen (down 5,150 million yen year on year). This was mainly due to proceeds from long-term borrowings of 8,500 million yen (down 4,900 million yen year on year), despite repayments of long-term borrowings of 2,998 million yen (down 1,561 million yen year on year).

## **(3) Explanation of consolidated financial forecasts and other forward-looking information**

The consolidated earnings forecast for the fiscal year ending March 31, 2026, announced on May 15, 2025 (for the first half and full year) has not been revised.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	45,471	52,938
Notes and accounts receivable - trade	61,449	58,911
Electronically recorded monetary claims - operating	10,496	10,260
Merchandise and finished goods	44,770	45,580
Work in process	18,648	20,344
Raw materials and supplies	44,869	46,784
Other	21,914	18,095
Allowance for doubtful accounts	(314)	(153)
Total current assets	247,306	252,763
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	76,073	86,940
Machinery, equipment and vehicles, net	18,367	20,511
Land	18,259	18,371
Leased assets, net	11,802	11,988
Construction in progress	40,089	27,561
Other, net	3,830	4,097
Total property, plant and equipment	168,423	169,470
Intangible assets		
Goodwill	28,115	27,223
Other	17,726	17,292
Total intangible assets	45,842	44,515
Investments and other assets		
Investment securities	871	862
Other	9,228	8,474
Allowance for doubtful accounts	(848)	(854)
Total investments and other assets	9,250	8,481
Total non-current assets	223,517	222,468
Total assets	470,823	475,231

	(Millions of yen)	
	As of March 31, 2025	As of June 30, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,918	18,378
Electronically recorded obligations - operating	12,123	13,407
Short-term borrowings	4,699	5,764
Current portion of long-term borrowings	18,023	22,205
Lease liabilities	1,383	1,440
Income taxes payable	4,852	1,003
Provisions	112	57
Other	28,826	27,394
Total current liabilities	87,939	89,651
Non-current liabilities		
Long-term borrowings	195,077	196,529
Lease liabilities	11,801	11,956
Retirement benefit liability	141	148
Other	4,237	4,224
Total non-current liabilities	211,259	212,858
Total liabilities	299,198	302,509
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,841	7,841
Retained earnings	150,502	151,046
Treasury shares	(5,586)	(5,586)
Total shareholders' equity	157,474	158,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	228	217
Foreign currency translation adjustment	13,921	14,485
Total accumulated other comprehensive income	14,150	14,702
Total net assets	171,625	172,721
Total liabilities and net assets	470,823	475,231



**(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Net sales	62,566	65,149
Cost of sales	39,223	41,474
Gross profit	23,342	23,674
Selling, general and administrative expenses	17,670	18,468
Operating profit	5,672	5,206
Non-operating income		
Interest income	59	61
Dividend income	3	6
Foreign exchange gains	797	373
Gain on valuation of derivatives	2,223	—
Other	171	329
Total non-operating income	3,255	769
Non-operating expenses		
Interest expenses	331	540
Loss on valuation of derivatives	—	1,452
Other	3	30
Total non-operating expenses	334	2,023
Ordinary profit	8,593	3,953
Extraordinary income		
Gain on sale of non-current assets	0	9
Other	—	0
Total extraordinary income	0	9
Extraordinary losses		
Loss on disposal of non-current assets	3	1
Loss on impairment of non-current assets	6	—
Total extraordinary losses	9	1
Profit before income taxes	8,584	3,960
Income taxes	3,089	1,447
Profit	5,495	2,513
Profit attributable to owners of parent	5,495	2,513

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Profit	5,495	2,513
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(11)
Foreign currency translation adjustment	3,052	563
Total other comprehensive income	3,064	552
Comprehensive income	8,560	3,065
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,560	3,065
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Cash flows from operating activities		
Profit before income taxes	8,584	3,960
Depreciation	3,624	4,144
Amortization of goodwill	1,111	1,105
Increase (decrease) in allowance for doubtful accounts	282	(161)
Increase (decrease) in other provisions	(97)	(56)
Loss (gain) on sale of non-current assets	(0)	(9)
Loss (gain) on disposal of non-current assets	3	1
Interest and dividend income	(62)	(67)
Interest expenses	331	540
Loss (gain) on valuation of derivatives	(2,223)	1,452
Decrease (increase) in trade receivables	525	2,699
Decrease (increase) in inventories	(2,809)	(4,129)
Increase (decrease) in trade payables	672	1,690
Other, net	(8,281)	(550)
Subtotal	1,659	10,620
Interest and dividends received	63	75
Interest paid	(326)	(524)
Compensation received	—	0
Subsidies received	13	6
Income taxes refund (paid)	(7,303)	(4,286)
Net cash provided by (used in) operating activities	(5,892)	5,892
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,242)	(4,380)
Purchase of intangible assets	(381)	(229)
Other, net	10	(108)
Net cash provided by (used in) investing activities	(1,613)	(4,717)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,761	953
Proceeds from long-term borrowings	13,400	8,500
Repayments of long-term borrowings	(4,559)	(2,998)
Redemption of straight bonds	(65)	(39)
Dividends paid	(1,405)	(1,878)
Repayments of lease liabilities	(145)	(364)
Proceeds from sales and leaseback transactions	2,424	2,079
Other, net	(6)	—
Net cash provided by (used in) financing activities	11,403	6,253
Effect of exchange rate change on cash and cash equivalents	1,254	50
Net increase (decrease) in cash and cash equivalents	5,152	7,478
Cash and cash equivalents at beginning of period	29,650	45,460
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	212	—
Cash and cash equivalents at end of period	35,015	52,938

**(4) Notes to consolidated financial statements**

(Notes on segment information)

Information concerning net sales and profit (loss) by reportable segment

For three months ended June 30, 2024

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	48,833	13,733	62,566	—	62,566
Sales or transfers between segments	—	46	46	(46)	—
Total	48,833	13,779	62,612	(46)	62,566
Segment profit (loss)	7,116	(330)	6,785	(1,113)	5,672

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (1,111) million yen, and elimination of internal transactions between segments of (1) million yen.

2. Segment profit (loss) matches operating profit on the consolidated statements of income.

For three months ended June 30, 2025

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	52,780	12,369	65,149	—	65,149
Sales or transfers between segments	—	122	122	(122)	—
Total	52,780	12,492	65,272	(122)	65,149
Segment profit (loss)	6,873	(562)	6,310	(1,104)	5,206

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (1,105) million yen, and elimination of internal transactions between segments of 1 million yen.

2. Segment profit (loss) matches operating profit on the consolidated statements of income.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.