

Consolidated Financial Results for the Six Months Ended September 30, 2025 (Based on Japanese GAAP)

November 10, 2025

Company name: TOWA PHARMACEUTICAL CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4553 URL <https://www.towayakuhin.co.jp/>
 Representative: President and Representative Director Itsuro Yoshida
 Inquiries: Director Toshikazu Kokubun TEL 06-6900-9102
 Scheduled date to file Semi-annual Securities Report: November 11, 2025
 Scheduled date to commence dividend payments: December 1, 2025
 Preparation of supplementary material on financial results: Yes
 Holding of first half financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2025 (from April 1, 2025 to September 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	%
Six months ended September 30, 2025	130,476	5.7	10,443	(0.7)	11,979	15.9	8,214	25.3
Six months ended September 30, 2024	123,404	14.9	10,513	50.1	10,338	1.0	6,555	(5.7)

Note : Comprehensive income For the six months ended September 30, 2025 : ¥10,204 million [119.2%]
 For the six months ended September 30, 2024 : ¥4,654million [(59.4)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2025	166.86	—
Six months ended September 30, 2024	133.17	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2025	480,530	179,863	37.4
As of March 31, 2025	470,823	171,625	36.5

Reference : Equity As of September 30, 2025 : ¥179,863 million
 As of March 31, 2025 : ¥171,625million

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	—	40.00			
Year ending March 31, 2026 (Forecast)			—	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
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 six months ended September 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 semi-annual 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 September 30, 2025	51,516,000 shares	As of March 31, 2025	51,516,000 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2025	2,288,103 shares	As of March 31, 2025	2,288,903 shares
--------------------------	------------------	----------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2025	49,227,440 shares	Six months ended September 30, 2024	49,223,123 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Contents

1. Overview of Operating Results and Financial Position	2
(1) Overview of operating results during the period	2
(2) Overview of financial position during the period	4
(3) Explanation of consolidated financial forecasts and other forward-looking information	4
2. Semi-annual consolidated Financial Statements and Key Notes	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)	7
Consolidated statements of income (cumulative)	7
Consolidated statements of comprehensive income (cumulative)	8
(3) Consolidated statements of cash flows	9
(4) Notes to consolidated financial statements	10
(Notes on segment information)	10
(Notes on significant changes in the amount of shareholders' equity)	10
(Notes on going concern assumption)	10

1. Overview of Operating Results and Financial Position

The forward-looking statements in this document are those determined as of the end of the first half of the consolidated fiscal year under review.

(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)	
	Six months ended September 30, 2024	Six months ended September 30, 2025	Change	Change (%)
Net sales	123,404	130,476	7,072	5.7%
Cost of sales	78,490	83,270	4,779	6.1%
Gross profit	44,914	47,206	2,292	5.1%
Selling, general and administrative expenses	34,400	36,762	2,362	6.9%
Operating profit	10,513	10,443	(70)	(0.7)%
Ordinary profit	10,338	11,979	1,640	15.9%
Profit attributable to owners of parent	6,555	8,214	1,658	25.3%

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. and Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa INT”).

In terms of business results, net sales were 130,476 million yen (up 5.7% year on year), operating profit came to 10,443 million yen (down 0.7% year on year), ordinary profit was 11,979 million yen (up 15.9% year on year) due to a gain of 1,555 million yen on valuation of derivatives, and profit attributable to owners of parent totaled 8,214 million yen (up 25.3% 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			
	Six months ended September 30, 2024	Six months ended September 30, 2025	Change	Change (%)	Six months ended September 30, 2024	Six months ended September 30, 2025	Change	Change (%)
Net sales	97,338	104,915	7,576	7.8%	26,180	25,851	(329)	(1.3)%
Segment profit (loss)	13,124	13,257	132	1.0%	(391)	(590)	(199)	—

(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 April-June 2025 reached 89.2% (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. In October 2025, Solid Formulation Facility No. 3 went into full operation after all the equipment installed there was up and running. 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.

To further strengthen quality control, we have introduced a QMS (Quality Management System) in addition to the MES (Manufacturing Execution System) and LIMS (Laboratory Information Management System) already in place. We will continue to strive for improvements in manufacturing control and quality control, aiming to prevent human errors before they occur.

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). Six new products with four ingredients are scheduled to be added to the list in December 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.

In the first half of the consolidated fiscal year, the domestic segment posted net sales of 104,915 million yen (up 7.8% year on year) and segment profit of 13,257 million yen (up 1.0% 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.

(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 first half of the consolidated fiscal year, the overseas segment posted net sales of 25,851 million yen (down 1.3% year on year) and a segment loss of 590 million yen due to declined sales of some products in the U.S. as well as an increase in SG&A expenses in Europe.

(2) Overview of financial position during the period

(i) Assets, Liabilities and Net Assets

Total assets at the end of the period were 480,530 million yen, an increase of 9,707 million yen from the end of the previous fiscal year. The main factors were an increase of 10,218 million yen in inventories and an increase of 4,105 million yen in cash and deposits, despite a decrease of 4,515 million yen in notes and accounts receivable - trade.

Liabilities were 300,667 million yen, an increase of 1,469 million yen from the end of the previous fiscal year. The main factors were an increase of 2,782 million yen in long-term borrowings, including the current portion, despite a decrease of 791 million yen in income taxes payable.

Net assets were 179,863 million yen, an increase of 8,237 million yen from the end of the previous fiscal year. The main factors included an increase of 6,244 million yen in retained earnings and an increase of 1,937 million yen in foreign currency translation adjustments.

As a result, the equity ratio came to 37.4%.

(ii) Cash Flows

The balance of cash and cash equivalents at the end of the period was 49,323 million yen, an increase of 3,863 million yen from the end of the previous fiscal year.

The status of each cash flow in the period is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 14,092 million yen (up 5,437 million yen year on year). This was mainly due to profit before income taxes of 11,955 million yen (up 1,655 million yen year on year), depreciation of 8,682 million yen (up 1,298 million yen year on year), and a decrease of 5,036 million yen in trade receivables (down 3,232 million yen year on year), despite an increase of 9,561 million yen in inventories (up 4,758 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities was 14,970 million yen (up 2,525 million yen year on year). This was mainly due to purchase of property, plant and equipment of 12,803 million yen (up 1,235 million yen year on year).

(Cash flows from financing activities)

Net cash provided by financing activities was 4,260 million yen (down 9,942 million yen year on year). This was mainly due to proceeds from long-term borrowings of 9,508 million yen (down 7,391 million yen year on year) and proceeds from sales and leaseback transactions of 3,553 million yen (down 1,359 million yen year on year), despite repayments of long-term borrowings of 6,968 million yen (down 265 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 full year) has not been revised.

2. Semi-annual consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of September 30, 2025
Assets		
Current assets		
Cash and deposits	45,471	49,576
Notes and accounts receivable - trade	61,449	56,934
Electronically recorded monetary claims - operating	10,496	10,277
Merchandise and finished goods	44,770	50,714
Work in process	18,648	20,186
Raw materials and supplies	44,869	47,605
Other	21,914	20,862
Allowance for doubtful accounts	(314)	(173)
Total current assets	247,306	255,984
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	76,073	86,942
Machinery, equipment and vehicles, net	18,367	21,528
Land	18,259	18,441
Leased assets, net	11,802	13,042
Construction in progress	40,089	26,335
Other, net	3,830	4,519
Total property, plant and equipment	168,423	170,809
Intangible assets		
Goodwill	28,115	26,234
Other	17,726	17,222
Total intangible assets	45,842	43,456
Investments and other assets		
Investment securities	871	963
Other	9,228	10,174
Allowance for doubtful accounts	(848)	(858)
Total investments and other assets	9,250	10,280
Total non-current assets	223,517	224,546
Total assets	470,823	480,530

	(Millions of yen)	
	As of March 31, 2025	As of September 30, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,918	16,022
Electronically recorded obligations - operating	12,123	14,238
Short-term borrowings	4,699	5,784
Current portion of long-term borrowings	18,023	23,814
Lease liabilities	1,383	1,604
Income taxes payable	4,852	4,060
Provisions	112	65
Other	28,826	25,692
Total current liabilities	87,939	91,282
Non-current liabilities		
Long-term borrowings	195,077	192,069
Lease liabilities	11,801	12,992
Retirement benefit liability	141	149
Other	4,237	4,172
Total non-current liabilities	211,259	209,385
Total liabilities	299,198	300,667
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,841	7,842
Retained earnings	150,502	156,747
Treasury shares	(5,586)	(5,584)
Total shareholders' equity	157,474	163,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	228	281
Foreign currency translation adjustment	13,921	15,859
Total accumulated other comprehensive income	14,150	16,140
Total net assets	171,625	179,863
Total liabilities and net assets	470,823	480,530

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Net sales	123,404	130,476
Cost of sales	78,490	83,270
Gross profit	44,914	47,206
Selling, general and administrative expenses	34,400	36,762
Operating profit	10,513	10,443
Non-operating income		
Interest income	118	152
Dividend income	5	8
Foreign exchange gains	1,406	622
Gain on valuation of derivatives	—	1,555
Other	318	426
Total non-operating income	1,848	2,765
Non-operating expenses		
Interest expenses	776	1,149
Loss on valuation of derivatives	1,227	—
Other	19	79
Total non-operating expenses	2,023	1,229
Ordinary profit	10,338	11,979
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	5	33
Loss on valuation of investment securities	27	—
Loss on impairment of non-current assets	6	—
Total extraordinary losses	39	33
Profit before income taxes	10,300	11,955
Income taxes	3,744	3,741
Profit	6,555	8,214
Profit attributable to owners of parent	6,555	8,214

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Profit	6,555	8,214
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	52
Foreign currency translation adjustment	(1,883)	1,937
Total other comprehensive income	(1,900)	1,990
Comprehensive income	4,654	10,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,654	10,204
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Cash flows from operating activities		
Profit before income taxes	10,300	11,955
Depreciation	7,383	8,682
Amortization of goodwill	2,217	2,224
Increase (decrease) in allowance for doubtful accounts	283	(141)
Increase (decrease) in other provisions	(85)	(50)
Loss (gain) on sale of non-current assets	(0)	(9)
Loss (gain) on disposal of non-current assets	5	33
Interest and dividend income	(123)	(160)
Interest expenses	776	1,149
Loss (gain) on valuation of derivatives	1,227	(1,555)
Decrease (increase) in trade receivables	8,268	5,036
Decrease (increase) in inventories	(4,803)	(9,561)
Increase (decrease) in trade payables	(205)	78
Other, net	(8,782)	2,109
Subtotal	16,461	19,790
Interest and dividends received	124	165
Interest paid	(720)	(1,094)
Compensation received	—	1
Subsidies received	40	29
Income taxes refund (paid)	(7,250)	(4,800)
Net cash provided by (used in) operating activities	8,654	14,092
Cash flows from investing activities		
Payments into time deposits	—	△1,240
Purchase of property, plant and equipment	△11,568	△12,803
Purchase of intangible assets	△731	△776
Other, net	△144	△149
Net cash provided by (used in) investing activities	△12,444	△14,970
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,428	923
Proceeds from long-term borrowings	16,900	9,508
Repayments of long-term borrowings	△7,233	△6,968
Redemption of straight bonds	△65	△39
Purchase of treasury shares	△0	—
Dividends paid	△1,423	△1,967
Repayments of lease liabilities	△338	△742
Proceeds from sales and leaseback transactions	4,912	3,553
Other, net	22	△6
Net cash provided by (used in) financing activities	14,203	4,260
Effect of exchange rate change on cash and cash equivalents	971	481
Net increase (decrease) in cash and cash equivalents	11,384	3,863
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	41,247	49,323

(4) Notes to consolidated financial statements

(Notes on segment information)

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

For six months ended September 30, 2024

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	97,338	26,066	123,404	—	123,404
Sales or transfers between segments	—	114	114	(114)	—
Total	97,338	26,180	123,518	(114)	123,404
Segment profit (loss)	13,124	(391)	12,733	(2,219)	10,513

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (2,217) 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 six months ended September 30, 2025

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	104,915	25,561	130,476	—	130,476
Sales or transfers between segments	—	289	289	(289)	—
Total	104,915	25,851	130,766	(289)	130,476
Segment profit (loss)	13,257	(590)	12,666	(2,222)	10,443

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (2,224) 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.