

Consolidated Financial Results for the Nine Months Ended December 31, 2025 (Based on Japanese GAAP)

February 13, 2026

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 nine months ended December 31, 2025 (from April 1, 2025 to December 31, 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	%
Nine months ended December 31, 2025	204,065	5.3	19,490	4.7	23,988	10.3	17,082	16.8
Nine months ended December 31, 2024	193,737	15.1	18,611	40.9	21,756	26.7	14,624	27.0

Note : Comprehensive income For the nine months ended December 31, 2025 : ¥22,000 million [37.1%]

For the nine months ended December 31, 2024 : ¥16,043 million [7.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2025	347.01	—
Nine months ended December 31, 2024	297.10	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2025	488,886	189,689	38.8
As of March 31, 2025	470,823	171,625	36.5

Reference : Equity As of December 31, 2025 : ¥189,689 million

As of December 31, 2024 : ¥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	—	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 nine months ended December 31, 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 December 31, 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 December 31, 2025	2,288,133 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)

Nine months ended December 31, 2025	49,227,574 shares	Nine months ended December 31, 2024	49,224,315 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)

	Nine months ended December 31, 2024	Nine months ended December 31, 2025	Change	Change (%)
Net sales	193,737	204,065	10,328	5.3%
Cost of sales	122,993	128,944	5,951	4.8%
Gross profit	70,743	75,120	4,376	6.2%
Selling, general and administrative expenses	52,132	55,629	3,497	6.7%
Operating profit	18,611	19,490	879	4.7%
Ordinary profit	21,756	23,988	2,232	10.3%
Profit attributable to owners of parent	14,624	17,082	2,457	16.8%

Both sales and profits were up due to an increase in sales volume as a result of the higher production volume at Towa Pharmaceutical and an increase in contract manufacturing in the European B2B business at Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa INT”), which offset the weaker performance of Sunsho Pharmaceutical Co., Ltd.

In terms of business results, net sales were 204,065 million yen (up 5.3% year on year), operating profit came to 19,490 million yen (up 4.7% year on year), ordinary profit was 23,988 million yen (up 10.3% year on year) due to a gain of 4,578 million yen on valuation of derivatives, and profit attributable to owners of parent totaled 17,082 million yen (up 16.8% 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			
	Nine months ended December 31, 2024	Nine months ended December 31, 2025	Change	Change (%)	Nine months ended December 31, 2024	Nine months ended December 31, 2025	Change	Change (%)
Net sales	154,713	163,769	9,056	5.9%	39,164	40,844	1,680	4.3%
Segment profit (loss)	22,301	22,791	489	2.2%	(368)	38	406	—

(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 July-September 2025 reached 89.5% (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.

The government determined the scope of the FY2026 drug price revision in light of these policies. It will publish ratings of companies based on corporate indicators for evaluating their stable supply capability, and also exempt qualifying products from price-range consolidation. In addition to that, the minimum drug price for products that meet the deviation rate requirements will be raised again as last year. Products with particularly high medical necessity will be subject to the temporary re-pricing rule for unprofitable products. Furthermore, in order to create and maintain an appropriate competitive environment for generics, the government decided that authorized generics (AGs) will be priced the same as brand-name drugs when they are newly listed. With regard to the co-payment system for drugs, the co-payment amount for elective care using long-listed drugs (products listed on the NHI drug price list for an extended period) will be increased from one-fourth to one-half of the price difference. It was also decided that one-fourth of the drug cost for some OTC-like drugs will not be covered by insurance.

Under these circumstances, in order to fulfill our responsibility for stable supply, we are working to further increase production capacity in the domestic generics business. 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 December 2025, ten new products with five ingredients were added to the National Health Insurance drug price list, following the addition of two new products with one ingredient to the list in June 2025. This brought the total number of our generic drugs to 742 products with 316 ingredients (as of 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 consolidated results for the nine-month period ended December 31, 2025, the Group’s domestic segment posted net sales of 163,769 million yen (up 5.9% year on year) and segment profit of 22,791 million yen (up 2.2% 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 consolidated results for the nine-month period ended December 31, 2025, the overseas segment posted net sales of 40,844 million yen (up 4.3% year on year) and a segment profit of 38 million yen due to an increase in contract manufacturing in the European B2B business.

(2) Overview of financial position during the period

(i) Assets, Liabilities and Net Assets

Total assets at the end of the third quarter were 488,886 million yen, an increase of 18,062 million yen from the end of the previous fiscal year. The main factors were an increase of 12,493 million yen in inventories and an increase of 9,016 million yen in notes and accounts receivable - trade, despite a decrease of 5,651 million yen in cash and deposits.

Liabilities were 299,197 million yen, with no significant change from the end of the previous fiscal year.

Net assets were 189,689 million yen, an increase of 18,064 million yen from the end of the previous fiscal year.

The main factors included an increase of 13,144 million yen in retained earnings and an increase of 4,841 million yen in foreign currency translation adjustments.

As a result, the equity ratio came to 38.8%.

(ii) Cash Flows

The balance of cash and cash equivalents at the end of the period was 39,552 million yen, a decrease of 5,907 million yen from the end of the previous fiscal year.

The status of each cash flow in the consolidated nine months is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 13,123 million yen (up 7,428 million yen year on year). This was mainly due to profit before income taxes of 23,950 million yen (up 2,118 million yen year on year) and depreciation of 13,433 million yen (up 1,991 million yen year on year), despite an increase of 11,093 million yen in inventories (up 3,469 million yen year on year), income taxes paid of 8,526 million yen (down 2,293 million yen year on year), and an increase of 8,194 million yen in trade receivables (up 819 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities was 20,331 million yen (down 3,541 million yen year on year). This was mainly due to purchase of property, plant and equipment of 17,664 million yen (down 4,244 million yen year on year).

(Cash flows from financing activities)

Net cash provided by financing activities was 103 million yen (down 15,479 million yen year on year). This was mainly due to proceeds from long-term borrowings of 9,530 million yen (down 8,885 million yen year on year), despite repayments of long-term borrowings of 9,831 million yen (up 109 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, 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 December 31, 2025
Assets		
Current assets		
Cash and deposits	45,471	39,819
Notes and accounts receivable - trade	61,449	70,466
Electronically recorded monetary claims - operating	10,496	10,805
Merchandise and finished goods	44,770	50,156
Work in process	18,648	20,459
Raw materials and supplies	44,869	50,165
Other	21,914	22,880
Allowance for doubtful accounts	(314)	(180)
Total current assets	247,306	264,574
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	76,073	87,687
Machinery, equipment and vehicles, net	18,367	21,043
Land	18,259	18,586
Leased assets, net	11,802	13,158
Construction in progress	40,089	26,245
Other, net	3,830	4,552
Total property, plant and equipment	168,423	171,273
Intangible assets		
Goodwill	28,115	25,356
Other	17,726	17,398
Total intangible assets	45,842	42,754
Investments and other assets		
Investment securities	871	1,004
Other	9,228	10,156
Allowance for doubtful accounts	(848)	(876)
Total investments and other assets	9,250	10,284
Total non-current assets	223,517	224,311
Total assets	470,823	488,886

(Millions of yen)

	As of March 31, 2025	As of December 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,918	19,168
Electronically recorded obligations - operating	12,123	11,973
Short-term borrowings	4,699	5,664
Current portion of long-term borrowings	18,023	24,852
Lease liabilities	1,383	1,666
Income taxes payable	4,852	3,049
Provisions	112	95
Other	28,826	26,853
Total current liabilities	87,939	93,325
Non-current liabilities		
Long-term borrowings	195,077	188,386
Lease liabilities	11,801	13,090
Retirement benefit liability	141	159
Other	4,237	4,235
Total non-current liabilities	211,259	205,871
Total liabilities	299,198	299,197
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,841	7,842
Retained earnings	150,502	163,646
Treasury shares	(5,586)	(5,584)
Total shareholders' equity	157,474	170,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	228	304
Foreign currency translation adjustment	13,921	18,763
Total accumulated other comprehensive income	14,150	19,068
Total net assets	171,625	189,689
Total liabilities and net assets	470,823	488,886

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Net sales	193,737	204,065
Cost of sales	122,993	128,944
Gross profit	70,743	75,120
Selling, general and administrative expenses	52,132	55,629
Operating profit	18,611	19,490
Non-operating income		
Interest income	168	223
Dividend income	9	13
Foreign exchange gains	1,600	727
Gain on valuation of derivatives	1,730	4,578
Other	822	724
Total non-operating income	4,330	6,268
Non-operating expenses		
Interest expenses	1,162	1,681
Other	23	89
Total non-operating expenses	1,186	1,770
Ordinary profit	21,756	23,988
Extraordinary income		
Gain on sale of non-current assets	141	9
Other	—	0
Total extraordinary income	141	9
Extraordinary losses		
Loss on disposal of non-current assets	26	47
Loss on valuation of investment securities	27	—
Loss on impairment of non-current assets	11	—
Total extraordinary losses	66	47
Profit before income taxes	21,831	23,950
Income taxes	7,207	6,868
Profit	14,624	17,082
Profit attributable to owners of parent	14,624	17,082

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Profit	14,624	17,082
Other comprehensive income		
Valuation difference on available-for-sale securities	19	76
Foreign currency translation adjustment	1,399	4,841
Total other comprehensive income	1,418	4,917
Comprehensive income	16,043	22,000
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,043	22,000
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Cash flows from operating activities		
Profit before income taxes	21,831	23,950
Depreciation	11,441	13,433
Amortization of goodwill	3,321	3,353
Increase (decrease) in allowance for doubtful accounts	346	(125)
Increase (decrease) in other provisions	(81)	(20)
Loss (gain) on sale of non-current assets	(141)	(9)
Loss (gain) on disposal of non-current assets	26	47
Interest and dividend income	(177)	(237)
Interest expenses	1,162	1,681
Loss (gain) on valuation of derivatives	(1,730)	(4,578)
Decrease (increase) in trade receivables	(7,374)	(8,194)
Decrease (increase) in inventories	(7,623)	(11,093)
Increase (decrease) in trade payables	4,141	718
Other, net	(7,947)	4,005
Subtotal	17,195	22,930
Interest and dividends received	174	231
Interest paid	(1,119)	(1,634)
Compensation received	—	66
Subsidies received	265	55
Income taxes refund (paid)	(10,819)	(8,526)
Net cash provided by (used in) operating activities	5,695	13,123
Cash flows from investing activities		
Payment into time deposits	—	(1,264)
Purchase of property, plant and equipment	(21,909)	(17,664)
Purchase of intangible assets	(1,713)	(1,230)
Other, net	(250)	(171)
Net cash provided by (used in) investing activities	(23,873)	(20,331)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,570	712
Proceeds from long-term borrowings	18,416	9,530
Repayments of long-term borrowings	(9,722)	(9,831)
Redemption of straight bonds	(110)	(66)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,892)	(3,851)
Repayments of lease liabilities	(610)	(1,156)
Proceeds from sales and leaseback transactions	8,907	4,769
Other, net	23	(4)
Net cash provided by (used in) financing activities	15,582	103
Effect of exchange rate change on cash and cash equivalents	1,964	1,197
Net increase (decrease) in cash and cash equivalents	(631)	(5,907)
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	29,231	39,552

(4) Notes to consolidated financial statements

(Notes on segment information)

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

For nine months ended December 31, 2024

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	154,713	39,023	193,737	—	193,737
Sales or transfers between segments	—	140	140	(140)	—
Total	154,713	39,164	193,877	(140)	193,737
Segment profit (loss)	22,301	(368)	21,932	(3,321)	18,611

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (3,321) million yen, and elimination of internal transactions between segments of 0 million yen.

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

For nine months ended December 31, 2025

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	163,769	40,295	204,065	—	204,065
Sales or transfers between segments	—	549	549	(549)	—
Total	163,769	40,844	204,614	(549)	204,065
Segment profit	22,791	38	22,829	(3,338)	19,490

Notes: 1. Adjustment in segment profit (loss) represents goodwill amortization of (3,353) million yen, and elimination of internal transactions between segments of 15 million yen.

2. Segment profit 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.