

Supplementary material for the financial results for the third quarter of the year ending March 31, 2026

February 2026
(Stock code: 4553)

Notes to financial results disclosure material

Notes

- In this document, for the breakdown of the domestic segment, Towa Pharmaceutical, J-Dolph Pharmaceutical, Daichi Kasei, Greencaps Pharmaceutical, and Kyushu Iyaku are referred to as “Towa Pharmaceutical, etc.,” and Sunsho Pharmaceutical and Sun Freres Lab. are referred to as “Sunsho Pharmaceutical, etc.”
On April 1, 2025, the Company carried out an absorption-type merger with Sunsho Pharmaceutical as the surviving company and KAMATA as the disappearing company.
Towa Pharma International Holdings, S.L., our overseas segment, is referred to as “Towa INT.”

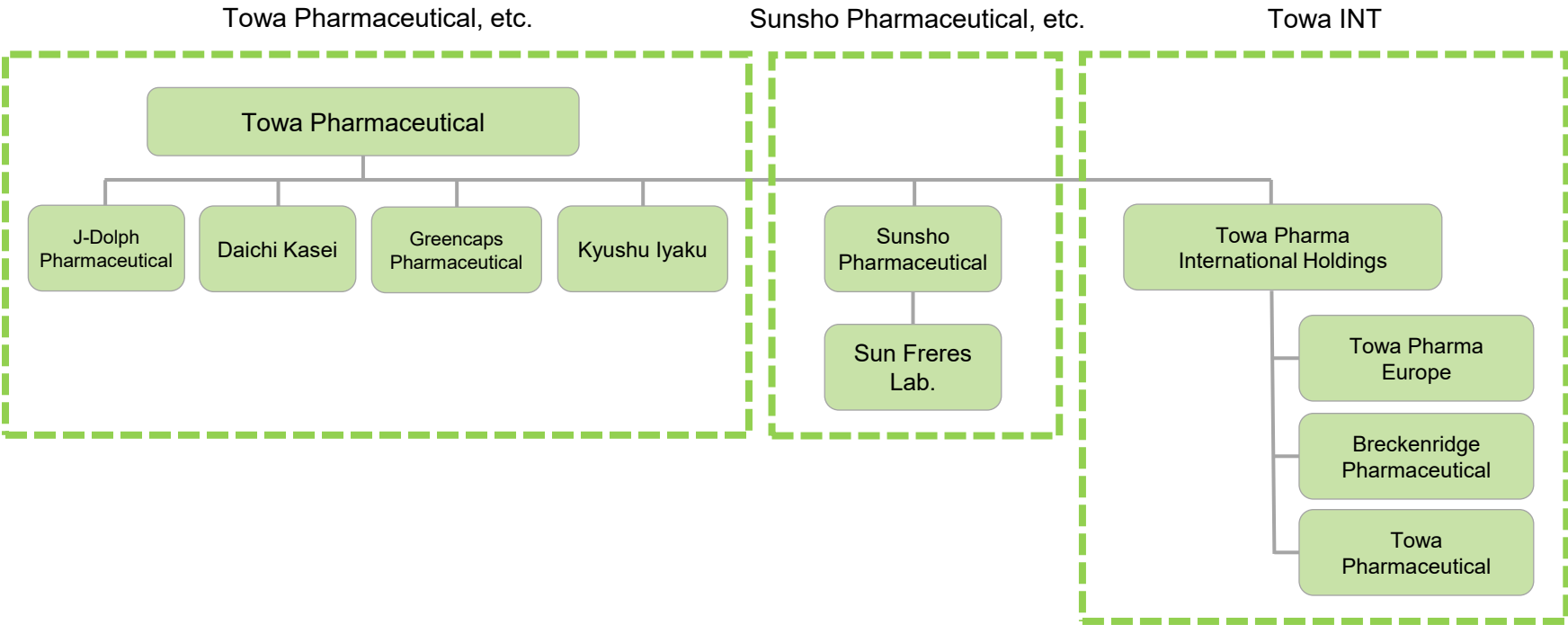


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1. Outline of financial results for 2026/3 3Q

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Overall review of financial results for 2026/3 3Q

- **YoY change: Net sales and profit increased on a consolidated basis.**

Net sales increased due to a rise in sales volume following an increase in production volume at Towa Pharmaceutical, growth in the domestic health food business at Sunsho Pharmaceutical, and an increase in contract manufacturing in European BtoB at Towa INT.

Gross profit increased as an increase in sales at Towa Pharmaceutical and a drop in the cost of sales ratio due to an increase in production volume at Towa INT outweighed a rise in the cost of sales ratio due to a worsening business mix at Sunsho Pharmaceutical.

Operating profit increased as increases in SG&A expenses in all three categories was more than offset by an increase in gross profit at Towa Pharmaceutical and Towa INT.

Ordinary profit increased due to the posting of a 4.5 billion yen **gain** on valuation of derivatives.

- **Progress rate for the full-year plan: Net sales: 72.9%, Operating profit: 72.2% on a consolidated basis**

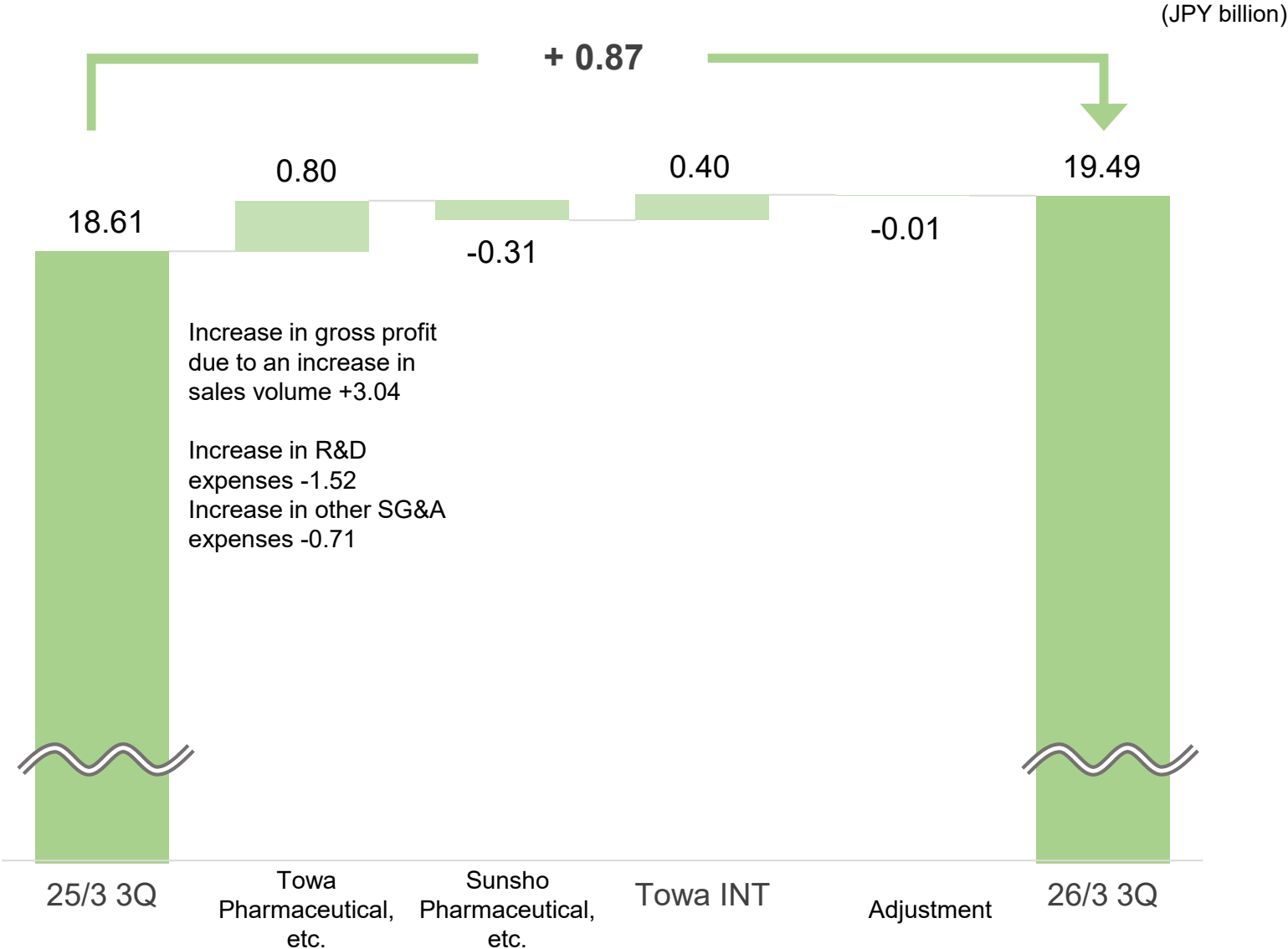
The progress rate for net sales remained sluggish as there were products at Towa Pharmaceutical whose growth after the lifting of regulated shipments was less than expected.

The progress rate for operating profit remained sluggish as the cost of sales ratio rose more than expected at Sunsho Pharmaceutical due to a worsening business mix.

The progress rate for ordinary profit was strong due to the posting of a 4.5 billion yen **gain** on valuation of derivatives, which had not been included in the plan.

	26/3 3Q results		25/3 3Q results	26/3 full-year plan	
	(JPY billion)	YOY change (%)	(JPY billion)	(JPY billion)	Progress rate (%)
Net sales	204.0	+ 5.3%	193.7	280.0	72.9%
Gross profit	75.1	+ 6.2%	70.7	104.0	72.2%
Operating profit	19.4	+ 4.7%	18.6	27.0	72.2%
Ordinary profit	23.9	+ 10.3%	21.7	25.3	94.8%
Profit attributable to owners of parent	17.0	+ 16.8%	14.6	17.7	96.5%
Exchange rate at end of period(TTM) USD 1	26/3 3Q	25/3 4Q	25/3 3Q	24/3 4Q	
	JPY 156.56	JPY 149.52	JPY 158.18	JPY 151.41	

Factors behind changes in operating profit for 2026/3 3Q



Outline of financial results for 2026/3 3Q (Consolidated)

- Net sales and operating profit increased due to a rise in sales volume following an increase in production volume at Towa Pharmaceutical and an increase in contract manufacturing in European BtoB at Towa INT, which more than offset the worsening results at Sunsho Pharmaceutical.

The progress rates remained sluggish as there were products at Towa Pharmaceutical whose growth after the lifting of regulated shipments was less than expected, and the cost of sales ratio rose more than expected at Sunsho Pharmaceutical.

- Ordinary profit increased, and its progress rate was strong due to the posting of a 4.5 billion yen gain on valuation of derivatives, which had not been included in the plan.
Due to the uncertainty about the financial market environment, exchange rate trends, etc., we have not revised the full-year plan.

(In 25/3 3Q, a 1.7 billion yen gain on valuation of derivatives was recognized.)

(JPY million, %)

	26/3 3Q results			25/3 3Q results		26/3 full-year plan		
	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	204,065	100.0	+ 5.3	193,737	100.0	280,000	100.0	72.9
Cost of sales	128,944	63.2	+ 4.8	122,993	63.5	176,000	62.9	73.3
SGA	55,629	27.3	+ 6.7	52,132	26.9	77,000	27.5	72.2
Operating profit	19,490	9.6	+ 4.7	18,611	9.6	27,000	9.6	72.2
Ordinary profit	23,988	11.8	+ 10.3	21,756	11.2	25,300	9.0	94.8
Profit before income taxes	23,950	11.7	+ 9.7	21,831	11.3	25,300	9.0	94.7
Profit attributable to owners of parent	17,082	8.4	+ 16.8	14,624	7.5	17,700	6.3	96.5

Outline of financial results for 2026/3 3Q

(Towa Pharmaceutical, etc.)

- Net sales increased due to an increase in supply to the market following an increase in production volume.

The progress rate remained sluggish as there were products whose growth after the lifting of regulated shipments in September was less than expected, such as products whose market was stable.

We will continue to work to expand sales of products that have returned to normal shipment and recently launched products.

- Segment profit increased and was in line with plan due to delayed spending on SG&A expenses, such as R&D expenses.

(JPY million, %)

	26/3 3Q results			25/3 3Q results		26/3 full-year plan		
	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	141,670	100.0	+ 5.9	133,779	100.0	196,500	100.0	72.1
Cost of sales	85,169	60.1	+ 6.0	80,319	60.0	118,500	60.3	71.9
SGA	34,789	24.6	+ 6.9	32,551	24.3	49,800	25.3	69.9
Segment profit	21,710	15.3	+ 3.8	20,908	15.6	28,200	14.4	77.0

- Sales volume (Towa Pharmaceutical non-consolidated; tablets and capsules only)

→ **Approx. 11.90 billion tablets, up 3.3% year on year**

Progress rate for the full-year plan: **74.0%**

- Production volume (Towa Pharmaceutical non-consolidated; tablets and capsules only)

→ **Approx. 12.13 billion tablets, up 16.6% year on year**

Progress rate for the full-year plan: **74.6%**

Outline of financial results for 2026/3 3Q

(Sunsho Pharmaceutical, etc.)

- Net sales increased and were in line with the plan due to growth in the domestic health food business.
- Segment profit decreased and its progress rate remained sluggish due to a rise in the cost of sales ratio caused by a worsening business mix resulting from the lower-than-expected results of new application business, which has a high profit margin.
- In the new application business, some of the orders received were canceled due to intensifying competition. While the competitive environment is worsening, we will strive to strengthen our sales activities, including new customer acquisition.

(JPY million, %)

	26/3 3Q results			25/3 3Q results		26/3 full-year plan		
	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales	22,099	100.0	+ 5.6	20,933	100.0	30,200	100.0	73.2
Cost of sales	17,823	80.6	+ 8.7	16,400	78.3	23,200	76.8	76.8
SGA	3,196	14.5	+ 1.8	3,139	15.0	4,600	15.2	69.5
Segment profit	1,080	4.9	- 22.5	1,393	6.7	2,400	7.9	45.0

Note: Goodwill amortization is not included.

Outline of financial results for 2026/3 3Q (Towa INT)

- Net sales increased as contract manufacturing increased in European BtoB due to a last-minute surge in demand before the tightening of the nitrosamine standard in Europe although sales of our main products continue to decline in the U.S. due to the nitrosamine issue.
Their progress rate was as planned partly due to the effect of exchange rates.
- Segment profit increased due to an increase in net sales and a drop in the cost of sales ratio in European BtoB following an increase in production volume.
Profit after eliminating intercompany transactions with Towa Pharmaceutical (license fee for joint development) is expected to be in line with the plan.

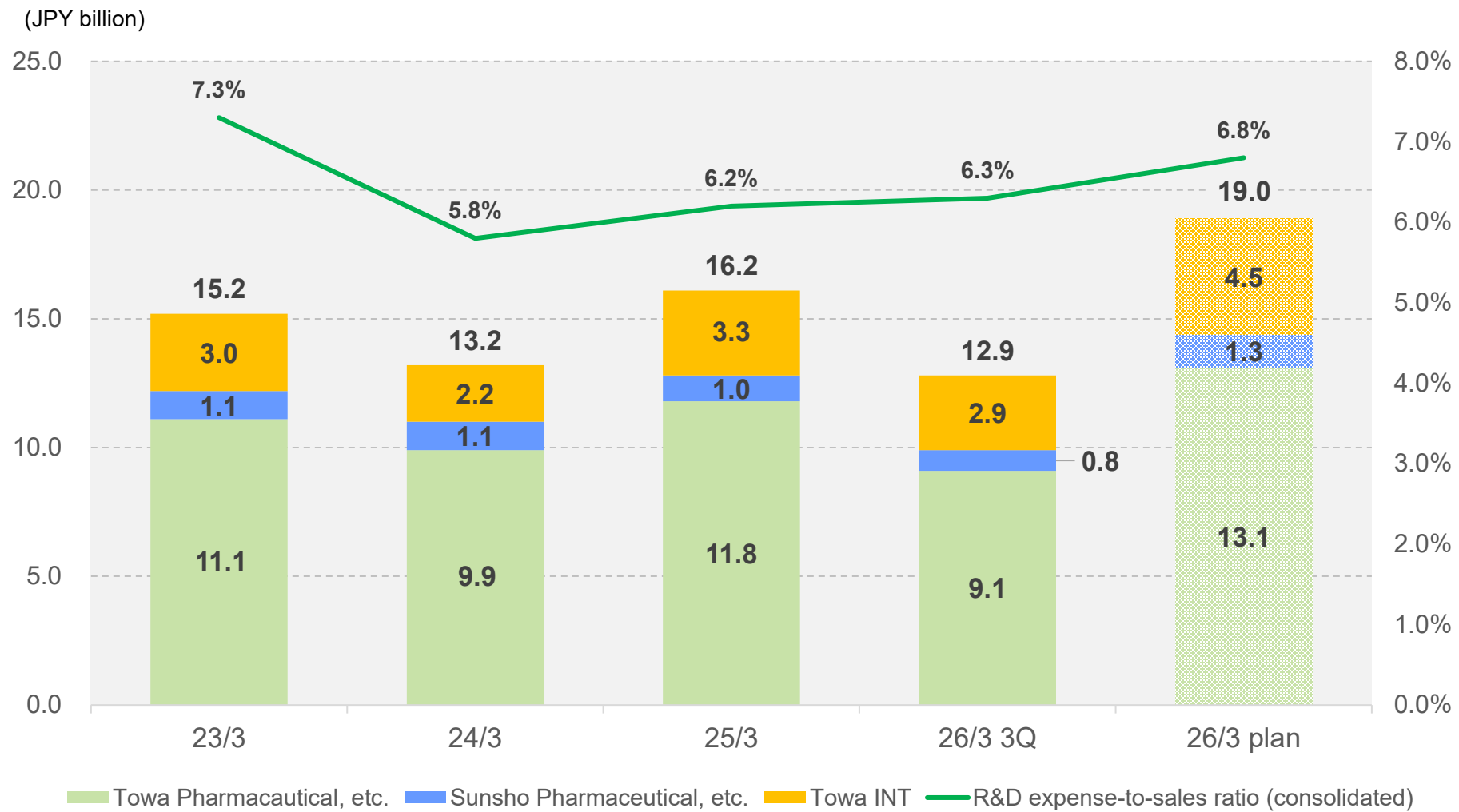
(JPY million, %)

		26/3 3Q results			25/3 3Q results		26/3 full-year plan		
		(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Net sales		40,844	100.0	+ 4.3	39,164	100.0	54,600	100.0	74.8
	Europe	26,877	65.8	+ 12.9	23,806	60.8	34,200	62.6	78.6
	U.S.	13,967	34.2	- 9.1	15,358	39.2	20,400	37.4	68.5
Cost of sales		26,158	64.0	- 0.9	26,399	67.4	34,600	63.4	75.6
SGA		14,648	35.9	+ 11.5	13,133	33.5	19,300	35.3	75.9
Segment profit (loss)		38	0.1	—	- 368	- 0.9	700	1.3	5.4

Exchange rate during period (TTM) EUR 1	26/3 3Q	25/3 3Q	Assumed rate for 26/3	Exchange rate during period (TTM) USD 1	26/3 3Q	25/3 3Q	Assumed rate for 26/3
	JPY 171.83	JPY 164.83	JPY 156.00		JPY 148.74	JPY 152.57	JPY 145.00

Notes: 1. Net sales and segment profit in the full-year plan include intercompany transactions with Towa Pharmaceutical.
2. Goodwill amortization is not included.

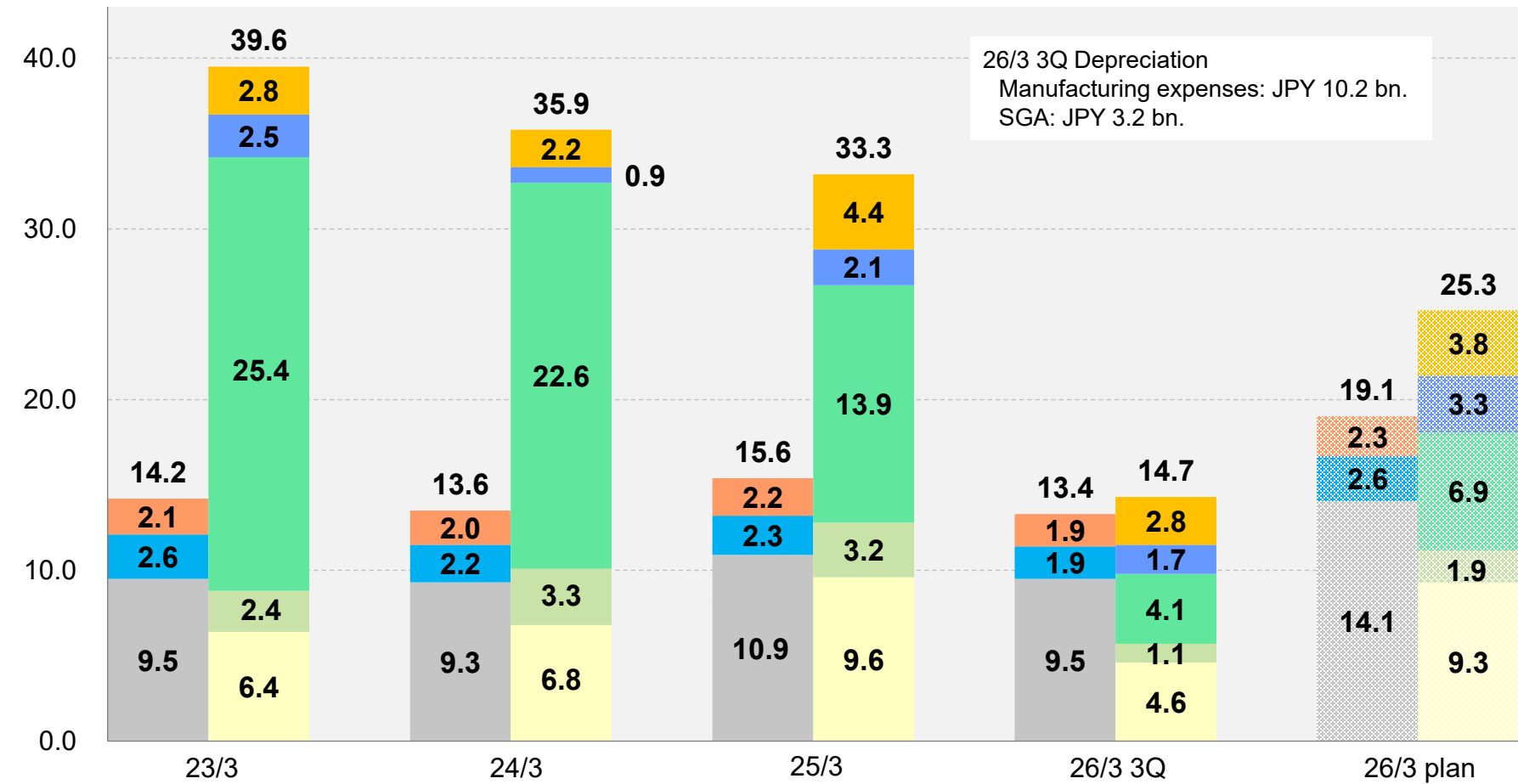
Research and development expenses (consolidated)



- Notes:
- 1. Intergroup transactions have been eliminated.
 - 2. The consolidated fiscal year ended March 31, 2023, of Towa INT and Sunsho Pharmaceutical is the 15-month period from January 1, 2022, to March 31, 2023.
 - 3. The method of rounding amounts less than 100 million yen has been changed since 2025/3.

Capital expenditure and depreciation (consolidated)

(JPY billion)



Notes: 1. Capital expenditure includes the purchase of property, plant and equipment, as well as intangible assets.
2. Depreciation includes R&D expenses.
3. Depreciation does not include goodwill amortization for Towa INT and Sunsho Pharmaceutical.
4. The consolidated fiscal year ended March 31, 2023, for Towa INT and Sunsho Pharmaceutical is the 15-month period from January 1, 2022, to March 31, 2023.
5. The method of rounding amounts less than 100 million yen has been changed since 2025/3.

Capex (Towa INT)
Capex (Yamagata Plant)
Capex (other)
Capex (Sunsho Pharmaceutical, etc.)
Capex (Okayama Plant)
Depreciation (Towa INT)
Depreciation (Sunsho Pharmaceutical, etc.)
Depreciation (Towa Pharmaceutical, etc.)

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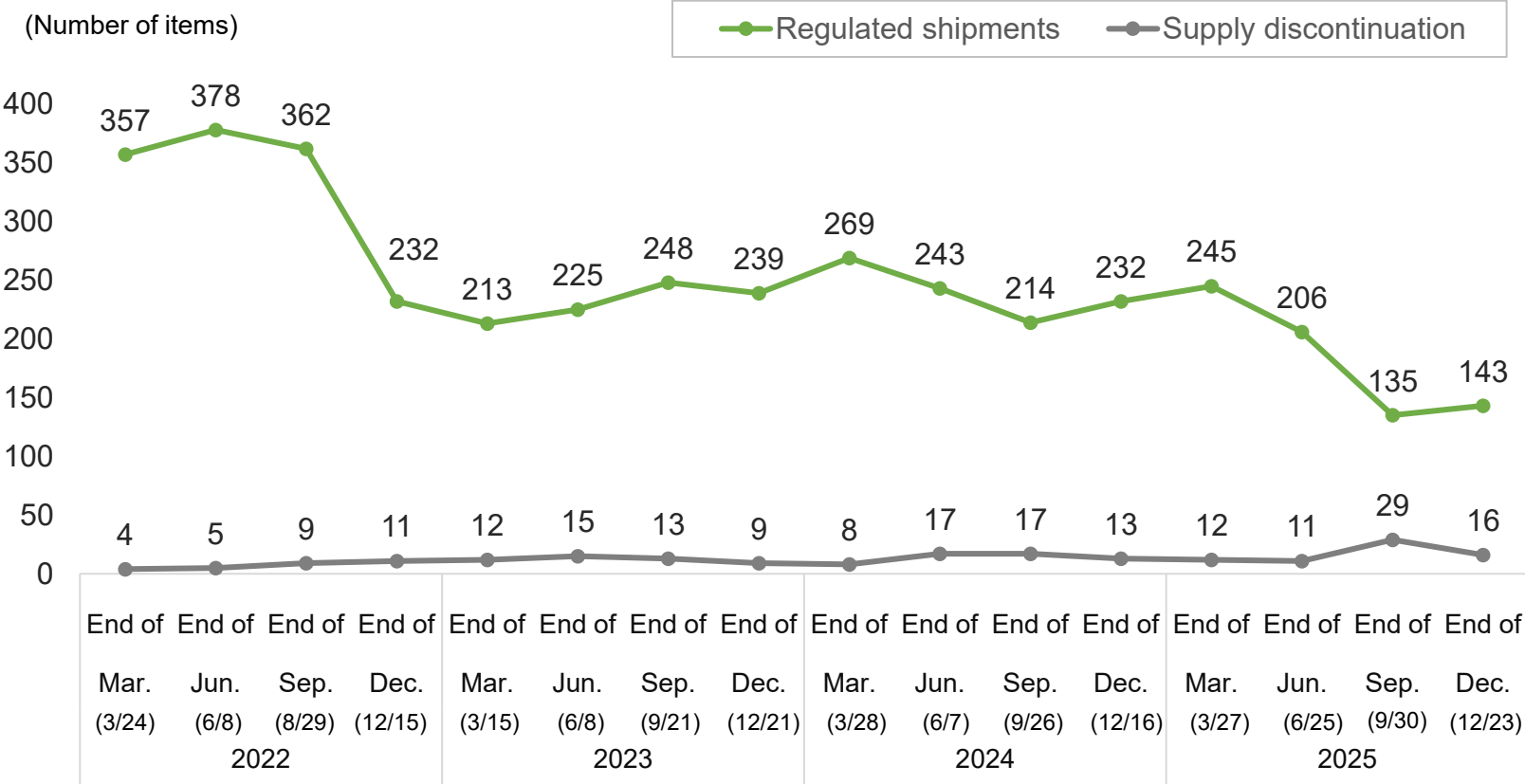
Establishment of a Collaborative Framework for Pharmaceutical Manufacturing with Otsuka Pharmaceutical

- Towa Pharmaceutical has concluded a basic agreement with Otsuka Pharmaceutical to establish a collaborative framework for pharmaceutical manufacturing.
We aim to realize stable supply of some of long-listed pharmaceutical products through transfer, contract manufacturing, and licensing.
- Although this will not increase production volume or decrease items with regulated shipments in the short term, we see this collaboration as an important first step toward reforming the structure of the Japanese pharmaceutical industry into sustainable one.
- We see off-patent medical products and generic drugs as an **Off-Patent Medicinal Products** market and define, among such products, those drugs that are expected to be therapeutically necessary over the long term as “**Long-Term Essential Drugs**.”
We aim to establish an ecosystem that ensures the sustainable and stable supply of such drugs, thereby realizing a healthy, circular model for society as a whole.

Objective	To ensure the stable supply of long-listed pharmaceutical products through the transfer and contract manufacturing of selected products owned by Otsuka Pharmaceutical and to establish a strategic mutual backup system for manufacturing brand-name drugs.
Framework	Priority will be given to long-listed and essential pharmaceutical products, with the range of products to be expanded progressively. For certain pharmaceutical products owned by Otsuka Pharmaceutical, Towa Pharmaceutical will undertake contract manufacturing based on the premise of product transfer. Towa Pharmaceutical will use Otsuka Pharmaceutical’s licenses to develop generic drugs and build a mutual backup production system.
Schedule	From March 2026 onward, production will commence sequentially for products agreed upon by both companies, once the necessary production preparations have been completed.

- In order to increase our production capacity, we are also currently negotiating collaboration agreements with several companies for the purpose of increasing contract manufacturing volume.

Trends in the number of items with regulated shipments



Note: From December 2025 onward, the number of items with regulated shipments and those with suspended supply will include those scheduled for removal from the official drug price list.

Outline of financial results for 2026/3 3Q (Domestic segment)

(JPY million, %)

		26/3 3Q results			25/3 3Q results		26/3 full-year plan		
		(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Domestic segment	Net sales	163,769	100.0	+ 5.9	154,713	100.0	226,700	100.0	72.2
	Cost of sales	102,993	62.9	+ 6.5	96,720	62.5	141,700	62.5	72.7
	SGA	37,985	23.2	+ 6.4	35,690	23.1	54,400	24.0	69.8
	Segment profit	22,791	13.9	+ 2.2	22,301	14.4	30,600	13.5	74.5
Towa Pharmaceutical, etc.	Net sales	141,670	100.0	+ 5.9	133,779	100.0	196,500	100.0	72.1
	Cost of sales	85,169	60.1	+ 6.0	80,319	60.0	118,500	60.3	71.9
	SGA	34,789	24.6	+ 6.9	32,551	24.3	49,800	25.3	69.9
	Segment profit	21,710	15.3	+ 3.8	20,908	15.6	28,200	14.4	77.0
Sunsho Pharmaceutical, etc.	Net sales	22,099	100.0	+ 5.6	20,933	100.0	30,200	100.0	73.2
	Cost of sales	17,823	80.6	+ 8.7	16,400	78.3	23,200	76.8	76.8
	SGA	3,196	14.5	+ 1.8	3,139	15.0	4,600	15.2	69.5
	Segment profit	1,080	4.9	- 22.5	1,393	6.7	2,400	7.9	45.0

Note: Goodwill amortization is not included.

Outline of financial results for 2026/3 3Q (Overseas segment)

(JPY million, %)

		26/3 3Q results			25/3 3Q results		26/3 full-year plan		
		(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)	(JPY million)	Percentage of net sales (%)	Progress rate (%)
Overseas segment	Net sales	40,844	100.0	+ 4.3	39,164	100.0	54,600	100.0	74.8
	Cost of sales	26,158	64.0	- 0.9	26,399	67.4	34,600	63.4	75.6
	SGA	14,648	35.9	+ 11.5	13,133	33.5	19,300	35.3	75.9
	Segment profit (loss)	38	0.1	—	- 368	- 0.9	700	1.3	5.4
Europe	Net sales	26,877	100.0	+ 12.9	23,806	100.0	34,200	100.0	78.6
	Cost of sales	16,992	63.2	+ 8.0	15,730	66.1	21,200	62.0	80.2
	SGA	10,675	39.7	+ 14.2	9,347	39.3	13,300	38.9	80.3
	Segment loss	- 790	- 2.9	—	- 1,272	- 5.3	- 300	-0.9	—
U.S.	Net sales	13,967	100.0	- 9.1	15,358	100.0	20,400	100.0	68.5
	Cost of sales	9,165	65.6	- 14.1	10,669	69.5	13,400	65.7	68.4
	SGA	3,972	28.4	+ 4.9	3,785	24.6	6,000	29.4	66.2
	Segment profit	828	5.9	- 8.3	903	5.9	1,000	4.9	82.9

Note: Goodwill amortization is not included.

Outline of financial results for 2026/3 3Q (Segment information)

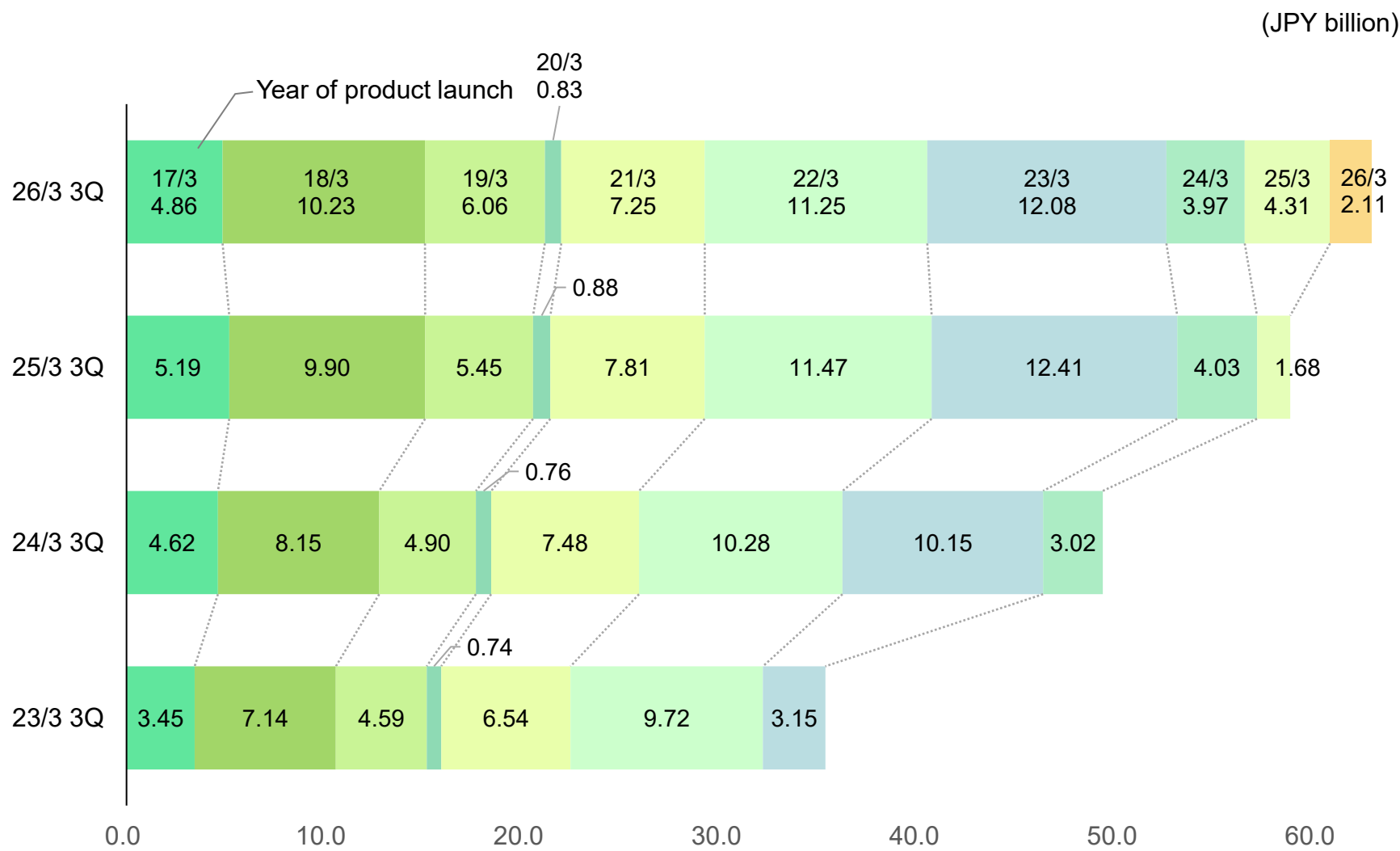
(JPY million)

	Reportable segment		Total	Adjustment (Goodwill amortization, etc.)	Consolidated
	Domestic	Overseas			
	Towa Pharmaceutical, etc. Sunsho Pharmaceutical, etc.	Towa INT			
Net sales	163,769	40,844	204,614	- 549	204,065
Cost of sales	102,993	26,158	129,151	- 206	128,944
SGA	37,985	14,648	52,634	+ 2,995	55,629
Segment profit	22,791	38	22,829	- 3,338	19,490

Notes: 1. Since SGA adjustments include goodwill amortization and internal transactions between Towa Pharmaceutical and Towa INT, they do not equal the sum of the following goodwill amortization.

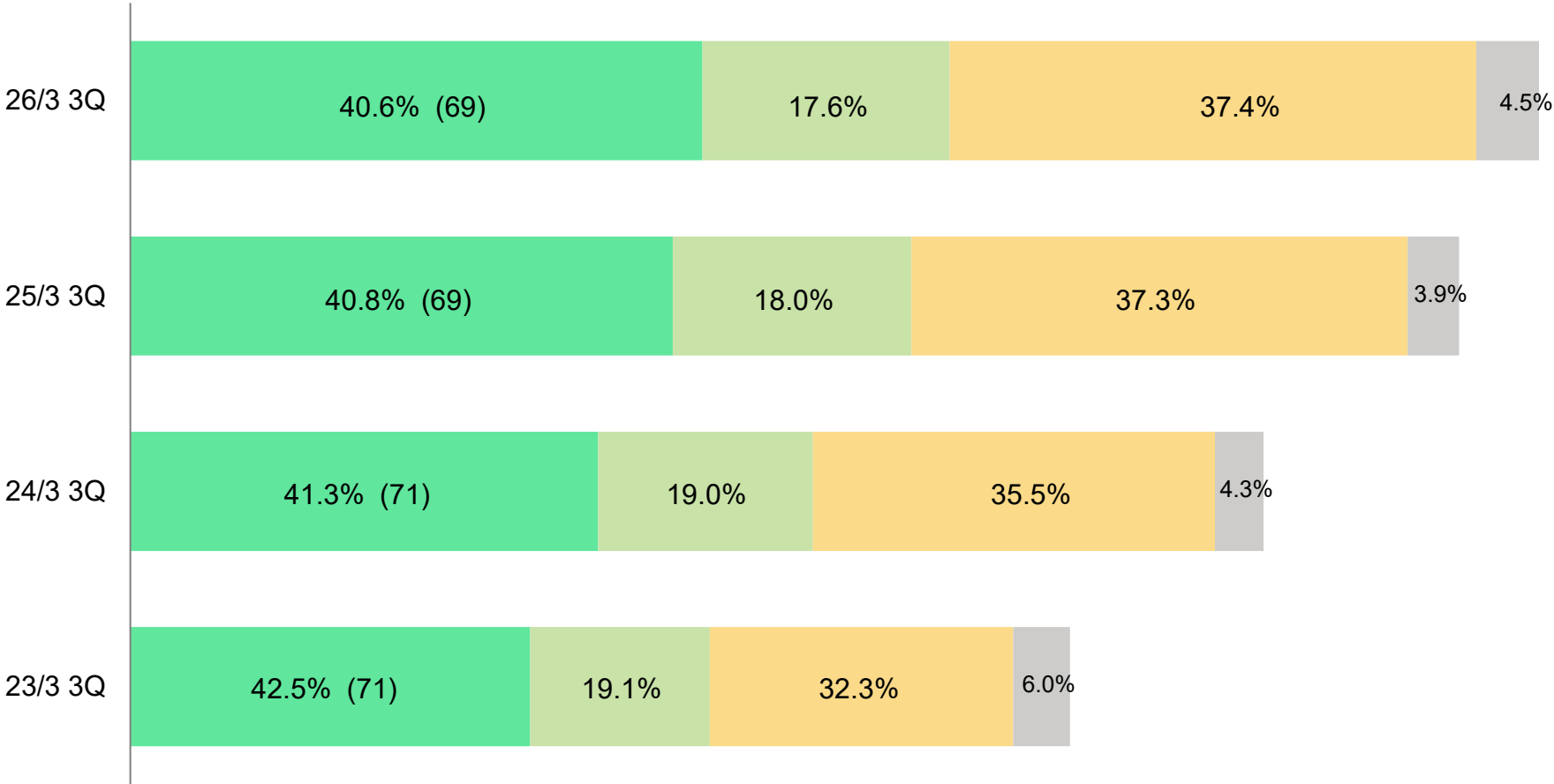
2. Goodwill amortization: Towa INT JPY 795 million; Sunsho Pharmaceutical, etc. JPY 2,558 million

Net sales by supplement year (Non-consolidated)



Note: The method of rounding amounts less than 10 million yen has been changed since 2025/3.

Net sales by distribution channel (Non-consolidated)



■ Direct sales ■ Sales agent ■ Wholesaler ■ Other (contract manufacturing, sales by other companies, exports, new businesses)

Figures in brackets indicate the number of sales offices.

Note: The number of sales office for 26/3 includes the Omiya Sales Office, which was closed at the end of November 2025.

Selling, general and administrative expenses (Domestic segment)

(JPY million, %)

	26/3 3Q			25/3 3Q	
	(JPY million)	Percentage of net sales (%)	YOY change (%)	(JPY million)	Percentage of net sales (%)
Personnel	14,108	8.6	+ 4.0	13,564	8.8
Advertising	697	0.4	+ 23.5	565	0.4
Packing & freight	2,283	1.4	+ 2.5	2,227	1.4
Commissions paid	4,455	2.7	- 4.7	4,673	3.0
R&D expenses	10,342	6.3	+ 17.7	8,785	5.7
Depreciation	1,286	0.8	+ 19.6	1,075	0.7
Other	4,811	2.9	+ 0.3	4,798	3.1
SGA	37,985	23.2	+ 6.4	35,690	23.1

Notes: 1. Goodwill amortization is not included.

2. Expenses arising in the R&D Division have been reclassified as R&D expenses.

Balance sheets (Consolidated)

(JPY million)

Item	25/12	25/3	Change
Cash and deposits	39,819	45,471	- 5,651
Notes and accounts receivable—trade	70,466	61,449	+ 9,016
Electronically recorded monetary claims—operating	10,805	10,496	+ 308
Merchandise and finished goods	50,156	44,770	+ 5,386
Other inventories	70,625	63,517	+ 7,107
Other current assets	22,700	21,600	+ 1,100
Total current assets	264,574	247,306	+ 17,268
Buildings and structures, net	87,687	76,073	+ 11,614
Machinery, equipment and vehicles, net	21,043	18,367	+ 2,676
Lease assets	13,158	11,802	+ 1,355
Construction in progress	26,245	40,089	- 13,844
Goodwill	25,356	28,115	- 2,759
Other non-current assets	50,820	49,068	+ 1,752
Total non-current assets	224,311	223,517	+ 794
Total assets	488,886	470,823	+ 18,062

Item	25/12	25/3	Change
Notes and accounts payable—trade	19,168	17,918	+ 1,250
Electronically recorded obligations—operating	11,973	12,123	- 149
Short-term borrowings	5,664	4,699	+ 965
Current portion of long-term borrowings	24,852	18,023	+ 6,829
Lease obligations	1,666	1,383	+ 282
Notes and accounts payable—equipment	4,524	9,073	- 4,548
Other current liabilities	25,474	24,717	+ 757
Total current liabilities	93,325	87,939	+ 5,386
Long-term borrowings	188,386	195,077	- 6,691
Lease obligations	13,090	11,801	+ 1,288
Other non-current liabilities	4,394	4,379	+ 15
Total non-current liabilities	205,871	211,259	- 5,387
Total liabilities	299,197	299,198	- 1
Foreign currency translation adjustment	18,763	13,921	+ 4,841
Other net assets	170,926	157,703	+ 13,222
Total net assets	189,689	171,625	+ 18,064
Total liabilities and net assets	488,886	470,823	+ 18,062

Exchange rate at end of period (TTM)	25/12	25/3
EUR 1	JPY 184.33	JPY 162.08

Statement of cash flows (Consolidated)

(JPY million)

	26/3 3Q	25/3 3Q	Change	26/3 3Q main items
Cash flows from operating activities	13,123	5,695	+ 7,428	• Profit before income taxes: + 23,950 • Depreciation: + 13,433 • Increase in inventories: - 11,093 • Income taxes paid: - 8,526 • Increase in trade receivables: - 8,194
Cash flows from investing activities	- 20,331	- 23,873	+ 3,541	• Purchase of property, plant and equipment: - 17,664
Cash flows from financing activities	103	15,582	- 15,479	• Proceeds from long-term borrowings: + 9,530 • Repayments of long-term borrowings: - 9,831
Ending balance of cash and cash equivalents	39,552	29,231	+ 10,320	

Forward-looking statements are based on targets and projections, and do not offer commitments or guarantees. Please be aware that results may differ from the forecasts.

Contact:

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