

Consolidated Financial Results

for the Year Ended March 31, 2026

(Based on Japanese GAAP)

May 14, 2026

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
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 Scheduled date of ordinary general meeting of shareholders: June 24, 2026
 Scheduled date to file Securities Report: June 22, 2026
 Scheduled date to commence dividend payments: June 25, 2026
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(1) Consolidated operating results

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	%
Year ended March 31, 2026	273,710	5.4	23,102	(0.6)	28,079	7.4	5,250	(72.3)
Year ended March 31, 2025	259,594	13.9	23,242	31.7	26,152	6.8	18,986	17.4

Note : Comprehensive income For year ended March 31, 2026 : ¥10,413 million [(44.1)%]

For year ended March 31, 2025 : ¥18,645 million [(15.1)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2026	106.66	—	3.0	5.9	8.4
Year ended March 31, 2025	385.71	—	11.6	5.8	9.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2026	475,290	178,103	37.5	3,617.95
As of March 31, 2025	470,823	171,625	36.5	3,486.40

Reference : Equity As of March 31, 2026 : ¥178,103 million

As of March 31, 2025 : ¥171,625 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2026	30,429	(25,660)	(6,828)	44,811
Year ended March 31, 2025	23,401	(31,287)	21,567	45,460

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2025	—	30.00	—	40.00	70.00	3,445	18.1	2.1
Year ended March 31, 2026	—	40.00	—	40.00	80.00	3,938	75.0	2.3
Year ending March 31, 2027 (Forecast)	—	40.00	—	45.00	85.00		19.5	

3. Forecast of consolidated financial results for the year ending March 31, 2027 (from April 1, 2026 to March 31, 2027)

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, 2026	145,700	11.7	12,700	21.6	11,700	(2.3)	8,100	(1.4)	164.54
Full year	304,000	11.1	32,000	38.5	30,000	6.8	21,500	309.5	436.75

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2026

(changes in specified subsidiaries resulting in the change in scope of consolidation):

None

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2026	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 March 31, 2026	2,288,133 shares	As of March 31, 2025	2,288,903 shares
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Average number of shares during the period

Year ended March 31, 2026	49,227,642 shares	Year ended March 31, 2025	49,224,957 shares
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[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(1) Non-consolidated operating results

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	%
Year ended March 31, 2026	182,736	6.1	24,945	5.3	31,644	14.9	(1,483)	—
Year ended March 31, 2025	172,269	15.4	23,688	18.7	27,532	1.1	21,100	7.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2026	(30.14)	—
Year ended March 31, 2025	428.66	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2026	415,804	163,414	39.3	3,319.54
As of March 31, 2025	427,016	168,739	39.5	3,427.77

Reference : Equity As of March 31, 2026 : ¥163,414 million

As of March 31, 2025 : ¥168,739 million

* This report of financial results is unaudited.

*Explanation Concerning the Appropriate Use of Financial Results Forecasts and Other Special Instructions

(Caution regarding forward-looking statements)

The forecast of financial results and forward-looking statements contained in this report are based on information currently available to the Company as well as certain assumptions that it judges to be reasonable. Actual results may differ materially due to a variety of factors. For the assumptions used in forecasts and precautionary statements regarding the use of the forecasts, please refer to “1.

Overview of Operating Results and Financial Position (4) Future outlook” on page 7 of the accompanying materials.

(Method of Obtaining Financial Results Supplementary Materials)

Financial results supplementary materials are posted via TDnet on the date of disclosure.

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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 current consolidated accounting period.

(1) Overview of operating results for the fiscal year under review

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 for the fiscal year under review are as follows.

Consolidated earnings			(Millions of yen)	
	Year ended March 31, 2025	Year ended March 31, 2026	Change	Change
Net sales	259,594	273,710	14,116	5.4%
Cost of sales	164,865	174,606	9,741	5.9%
Gross profit	94,729	99,104	4,375	4.6%
Selling, general and administrative expenses	71,486	76,001	4,515	6.3%
Operating profit	23,242	23,102	(139)	(0.6)%
Ordinary profit	26,152	28,079	1,927	7.4%
Profit attributable to owners of parent	18,986	5,250	(13,736)	(72.3)%

Net sales were up due to an increase in sales volume as well as unit price at Towa Pharmaceutical and growth in sales in the European B2B and B2C businesses at Towa Pharma International Holdings, S.L. (hereinafter referred to as “Towa INT”). Operating profit, on the other hand, declined as it failed to offset a rise in the cost of sales ratio at Sunsho Pharmaceutical Co., Ltd. (hereinafter “Sunsho Pharmaceutical”) resulting from a worsening sales mix.

Net sales were 273,710 million yen (up 5.4% year on year), operating profit came to 23,102 million yen (down 0.6% year on year), ordinary profit was 28,079 million yen (up 7.4% year on year) due to a gain of 5,384 million yen on valuation of derivatives, but profit attributable to owners of parent totaled 5,250 million yen (down 72.3% year on year). This decline was due to the recording of impairment losses of 14,729 million yen as a result of the future cash flow review, in light of the deteriorating performance of Sunsho Pharmaceutical.

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

Results by segment

(Millions of yen)

	Domestic segment				Overseas segment			
	Year ended March 31, 2025	Year ended March 31, 2026	Change	Change	Year ended March 31, 2025	Year ended March 31, 2026	Change	Change
Net sales	206,103	216,976	10,872	5.3%	53,865	57,630	3,764	7.0%
Segment profit	27,216	27,097	(118)	(0.4)%	449	458	9	2.0%

Note: Segment profit 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 October-December 2025 reached 90.0% (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.

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 in October 2026 or later. 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. The annual production capacity of the three plants increased from 14 billion tablets at the end of March 2024 to 17.5 billion tablets from FY 2026. To help alleviate pharmaceutical supply instability, which has become a social concern, in January 2026, we concluded a basic agreement with Otsuka Pharmaceutical Co., Ltd. to establish a strategic cooperative framework for drug manufacturing. Furthermore, in April 2026, we agreed with Adragos Pharma Kawagoe K.K. and Sanwa Kagaku Kenkyusho Co., Ltd. to collaborate in the stable supply of off-patent medical products. In response to challenges facing the pharmaceutical industry, we are working to build a collaborative framework among brand-name drug companies, generic drug companies, and pharmaceutical contract manufacturing companies. We view brand-name drugs and generic drugs whose patent periods have expired as a

single off-patent drug market. Through this approach, we aim to create an ecosystem that ensures the sustainable and stable supply of therapeutically necessary drugs and supports a sound cyclical model for society as a whole. In order to bring this concept to life, we will work to secure manufacturing capacity and build a mutual backup system for a stable supply of drugs through collaboration with these companies.

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.

In terms of sales, we launched “RIVALUEN® LA Patch 25.92 mg/51.84 mg,” Japan’s first extended-release rivastigmine transdermal formulation (twice-weekly), in May 2025; two new products (one ingredient) in June 2025; seven new products (four ingredients) in December 2025; and, in March 2026, our second lineup of authorized generic products, “Prasugrel Tablets 2.5 mg/3.75 mg/5 mg ‘Towa’” and “Prasugrel OD Tablets 20 mg ‘Towa’.” The total number of our generic drugs is 742 products with 316 ingredients (as of December 2025). 12 new products with seven ingredients are scheduled to be added to the list in June 2026.

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 of the Group for the consolidated fiscal year under review are as follows. The domestic segment posted net sales of 216,976 million yen (up 5.3% 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, and due to higher unit prices achieved by the improved sales mix (as a result of recent sales expansion of newly added items) and the wholesale price strategy. On the other hand, segment profit came to 27,097 million yen (down 0.4% year on year) due to an increase in the cost of sales ratio at Sunsho Pharmaceutical resulting from a worsening sales mix caused by a slowdown in the high-margin new application business.

(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 current fiscal year under review, the overseas segment posted net sales of 57,630 million yen (up 7.0% year on year) and segment profit of 458 million yen (up 2.0% year on year). These increases were due to an increase in contract manufacturing in the European B2B business resulting from the last-minute demand before the tightening of nitrosamine standards in Europe that occurred in 3Q, and growth in our main products in European BtoC, although sales of mainstay products continued to deteriorate due to the nitrosamine problem in the U.S.

(2) Overview of financial position for the fiscal year under review

(Assets)

Total assets at the end of the fiscal year under review reached 475,290 million yen, up 4,466 million yen from the end of the previous fiscal year. The main factors were an increase of 15,139 million yen in inventories, an increase of 5,384 million yen in derivatives, and an increase of 2,220 million yen in property, plant and equipment, despite a decrease of 18,647 million yen in goodwill.

(Liabilities)

Liabilities totaled 297,186 million yen, down 2,012 million yen from the end of the previous fiscal year. The main factor was a decrease of 11,741 million yen in long-term borrowings, despite an increase of 3,748 million yen in the current portion of long-term borrowings, an increase of 3,391 million yen in notes and accounts payable - trade, and an increase of 2,401 million yen in short-term borrowings.

(Net assets)

Net assets totaled 178,103 million yen, up 6,478 million yen from the end of the previous fiscal year. The main factors included an increase of 5,068 million yen in foreign currency translation adjustment and an increase of 1,313 million yen in retained earnings.

As a result, the equity ratio as of the end of the fiscal year under review came to 37.5%.

(3) Overview of cash flows for the fiscal year under review

The balance of cash and cash equivalents at the end of the fiscal year under review was 44,811 million yen, a decrease of 648 million yen from the end of the previous fiscal year.

The status of each cash flow during the fiscal year under review and the factors behind them are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 30,429 million yen (up 7,028 million yen year on year). This was mainly due to depreciation of 18,347 million yen (up 2,670 million yen year on year), impairment losses of 14,729 million yen (up 14,716 million yen year on year), profit before income taxes of 13,165 million yen (down 13,165 million yen year on year), despite an increase of 13,790 million yen in inventories (up 6,585 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities was 25,660 million yen (down 5,627 million yen year on year). This was mainly due to purchases of property, plant and equipment of 22,277 million yen (down 6,459 million yen year on year).

(Cash flows from financing activities)

Net cash used in financing activities was 6,828 million yen (21,567 million yen of net cash provided by financing activities in the previous fiscal year). This was mainly due to repayments of long-term borrowings of 19,343 million yen (up 6,860 million yen year on year), despite proceeds from long-term borrowings of 10,898 million yen (down 15,466 million yen year on year)

(4) Future outlook

The outlook for the next fiscal year indicates an uphill battle for the domestic generic drug industry as it will be required to make changes in the face of issues related to quality assurance and the stable supply of drugs in addition to the annual NHI price revision. On top of that, we expect the outlook to remain uncertain due to rising prices associated with geopolitical risks, soaring raw material prices, and other factors.

Working against this backdrop, the Group will move forward with its business operations as it aims to take its key domestic generic drug business to the next stage, establish a foundation in new markets and new businesses, and realize group synergies with each subsidiary in line with the “6th Medium-term Business Plan 2024-2026 PROACTIVE III” announced in June 2024.

Net sales for the next fiscal year are expected to total 304,000 million yen, operating profit 32,000 million yen, ordinary profit 30,000 million yen, and profit attributable to owners of the parent 21,500 million yen. The assumed exchange rate is 177 yen per euro and 154 yen per dollar.

2. Basic Approach to the Selection of Accounting Standards

The Group's policy for the time being is to prepare its consolidated financial statements in accordance with Japanese GAAP in order to ensure comparability over time.

As regards the application of International Financial Reporting Standards, we will take appropriate measures while taking into consideration domestic and international circumstances.

3. Consolidated financial statements and Key Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	45,471	45,306
Notes and accounts receivable - trade	61,449	63,283
Electronically recorded monetary claims - operating	10,496	10,898
Merchandise and finished goods	44,770	54,255
Work in process	18,648	20,038
Raw materials and supplies	44,869	49,132
Derivatives	10,791	16,175
Other	11,123	8,432
Allowance for doubtful accounts	(314)	(179)
Total current assets	247,306	267,343
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	76,073	86,575
Machinery, equipment and vehicles, net	18,367	20,458
Land	18,259	18,586
Leased assets, net	11,802	12,921
Construction in progress	40,089	27,387
Other, net	3,830	4,715
Total property, plant and equipment	168,423	170,643
Intangible assets		
Goodwill	28,115	9,468
Manufacturing and sales right	7,473	7,124
Technology assets	5,489	4,675
Other	4,764	5,411
Total intangible assets	45,842	26,680
Investments and other assets		
Investment securities	871	957
Shares of subsidiaries and associates	506	520
Deferred tax assets	6,037	6,136
Other	2,684	3,880
Allowance for doubtful accounts	(848)	(873)
Total investments and other assets	9,250	10,622
Total non-current assets	223,517	207,946
Total assets	470,823	475,290

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,918	21,309
Electronically recorded obligations - operating	12,123	12,034
Short-term borrowings	4,699	7,100
Current portion of long-term borrowings	18,023	21,772
Lease liabilities	1,383	1,699
Accounts payable - other	15,482	17,290
Income taxes payable	4,852	4,766
Provision for bonuses for directors	112	97
Notes payable - facilities	5,358	2,217
Accounts payable - facilities	3,714	1,301
Other	4,270	7,276
Total current liabilities	87,939	96,867
Non-current liabilities		
Long-term borrowings	195,077	183,335
Lease liabilities	11,801	12,829
Retirement benefit liability	141	132
Other	4,237	4,019
Total non-current liabilities	211,259	200,318
Total liabilities	299,198	297,186
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,841	7,842
Retained earnings	150,502	151,815
Treasury shares	(5,586)	(5,584)
Total shareholders' equity	157,474	158,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	228	323
Foreign currency translation adjustment	13,921	18,989
Total accumulated other comprehensive income	14,150	19,313
Total net assets	171,625	178,103
Total liabilities and net assets	470,823	475,290

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	259,594	273,710
Cost of sales	164,865	174,606
Gross profit	94,729	99,104
Selling, general and administrative expenses	71,486	76,001
Operating profit	23,242	23,102
Non-operating income		
Interest income	221	309
Dividend income	11	16
Foreign exchange gains	1,992	807
Gain on valuation of derivatives	1,259	5,384
Subsidy income	978	176
Other	456	779
Total non-operating income	4,921	7,472
Non-operating expenses		
Interest expenses	1,627	2,261
Other	384	234
Total non-operating expenses	2,011	2,495
Ordinary profit	26,152	28,079
Extraordinary income		
Gain on sale of non-current assets	275	9
Other	—	0
Total extraordinary income	275	9
Extraordinary losses		
Loss on disposal of non-current assets	45	117
Loss on impairment of non-current assets	12	* 14,729
Loss on valuation of investment securities	27	77
Loss on valuation of shares of subsidiaries and associates	11	—
Total extraordinary losses	96	14,923
Profit before income taxes	26,330	13,165
Income taxes - current	8,058	8,225
Income taxes - deferred	(715)	(310)
Total income taxes	7,343	7,914
Profit	18,986	5,250
Profit attributable to owners of parent	18,986	5,250

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit	18,986	5,250
Other comprehensive income		
Valuation difference on available-for-sale securities	37	95
Foreign currency translation adjustment	(378)	5,068
Total other comprehensive income	(341)	5,163
Comprehensive income	18,645	10,413
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,645	10,413
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	4,717	7,838	134,452	(5,606)	141,401	191	14,300	14,491	155,893
Changes during period									
Dividends of surplus			(2,953)		(2,953)				(2,953)
Profit attributable to owners of parent			18,986		18,986				18,986
Change in scope of consolidation			16		16				16
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares		3		20	23				23
Net changes in items other than shareholders' equity						37	(378)	(341)	(341)
Total changes during period	-	3	16,049	19	16,072	37	(378)	(341)	15,731
Balance at end of period	4,717	7,841	150,502	(5,586)	157,474	228	13,921	14,150	171,625

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	4,717	7,841	150,502	(5,586)	157,474	228	13,921	14,150	171,625
Changes during period									
Dividends of surplus			(3,938)		(3,938)				(3,938)
Profit attributable to owners of parent			5,250		5,250				5,250
Change in scope of consolidation					—				—
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares		0		1	2				2
Net changes in items other than shareholders' equity						95	5,068	5,163	5,163
Total changes during period	—	0	1,313	1	1,315	95	5,068	5,163	6,478
Balance at end of period	4,717	7,842	151,815	(5,584)	158,790	323	18,989	19,313	178,103

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	26,330	13,165
Depreciation	15,677	18,347
Amortization of goodwill	4,422	4,490
Loss on impairment of non-current assets	12	14,729
Increase (decrease) in allowance for doubtful accounts	248	(129)
Increase (decrease) in provision for bonuses for directors	15	(17)
Increase (decrease) in retirement benefit liability	(77)	(26)
Loss (gain) on sale of non-current assets	(275)	(9)
Loss (gain) on disposal of non-current assets	45	117
Interest and dividend income	(233)	(325)
Interest expenses	1,627	2,261
Loss (gain) on valuation of derivatives	(1,259)	(5,384)
Loss (gain) on valuation of securities	3	(24)
Decrease (increase) in trade receivables	(565)	(792)
Decrease (increase) in inventories	(7,204)	(13,790)
Increase (decrease) in trade payables	3,687	2,952
Subsidy income	(978)	(176)
Other, net	(6,634)	5,243
Subtotal	34,842	40,631
Interest and dividends received	228	310
Interest paid	(1,594)	(2,229)
Income taxes refund (paid)	(10,889)	(8,522)
Compensation received	35	66
Subsidies received	778	173
Net cash provided by (used in) operating activities	23,401	30,429
Cash flows from investing activities		
Payments into time deposits	—	(1,492)
Purchase of property, plant and equipment	(28,736)	(22,277)
Proceeds from sale of property, plant and equipment	9	13
Purchase of intangible assets	(2,487)	(1,851)
Proceeds from sale of intangible assets	276	—
Purchase of investment securities	(203)	(0)
Other, net	(146)	(51)
Net cash provided by (used in) investing activities	(31,287)	(25,660)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,603	2,081
Proceeds from long-term borrowings	26,365	10,898
Repayments of long-term borrowings	(12,482)	(19,343)
Redemption of straight bonds	(110)	(66)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,953)	(3,937)
Repayments of lease liabilities	(893)	(1,572)
Proceeds from sales and leaseback transactions	10,014	5,073
Other, net	23	38
Net cash provided by (used in) financing activities	21,567	(6,828)
Effect of exchange rate change on cash and cash equivalents	1,916	1,410
Net increase (decrease) in cash and cash equivalents	15,597	(648)
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	45,460	44,811

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Consolidated statements of income)

*Impairment losses

Fiscal year ended March 31, 2025

The information is omitted due to lack of materiality.

Fiscal year ended March 31, 2026

The Group mainly groups its assets by plant unit, except for significant idle assets. In addition, for certain subsidiaries, we group their assets by company in consideration of the size of their businesses.

For the goodwill of Sunsho Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, as the originally anticipated earnings are no longer expected due to the discrepancy between the business plan formulated in the past fiscal years and the actual results, the book value was reduced to the recoverable amount, and the reduced amount was recorded as impairment losses (14,729 million yen) under extraordinary losses.

location	primary application	Type	Impairment losses (Millions of yen)
Sunsho Pharmaceutical Co., Ltd.	-	goodwill	14,729

The recoverable amount of the asset is measured by its value in use, which is calculated by discounting future cash flows at a rate of 7%.

(Notes on segment information)

a. Segment information

1. Overview of reportable segments

Method of determining reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group is mainly engaged in the pharmaceutical business and has two reportable segments: "Domestic segment" and "Overseas segment." The domestic segment consists of Towa Pharmaceutical and its domestic consolidated subsidiaries, and the overseas segment consists of Towa Pharma International Holdings, S.L. and its consolidated subsidiaries. The domestic segment includes businesses centered on Towa Pharmaceutical and Sunsho Pharmaceutical Co., Ltd.

2. Method of calculating net sales, profits, assets, liabilities, and other items by reportable segment

The accounting method for reportable business segments is the same as that used in the preparation of consolidated financial statements.

Profit figures for the reportable segments are based on operating profit (before amortization of goodwill).

Intersegment revenues and transfers are based on prevailing market prices.

3. Information concerning net sales and profit/loss by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment			Adjustment (Note 1,2)	Total (Note 3)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	206,103	53,490	259,594	—	259,594
Sales or transfers between segments	—	374	374	(374)	—
Total	206,103	53,865	259,968	(374)	259,594
Segment profit	27,216	449	27,666	(4,423)	23,242
Segment assets	402,270	68,774	471,045	(221)	470,823
Other items					
Depreciation	13,384	2,293	15,677	—	15,677
Increases of property, plant and equipment and intangible assets	28,978	4,413	33,391	—	33,391

Notes: 1. Adjustment in segment profit represents goodwill amortization of (4,422) million yen, and elimination of internal transactions between segments of (1) million yen.

2. Adjustment in segment assets represents elimination of internal transactions between segments.

3. Segment profit matches operating profit on the consolidated statements of income.

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment			Adjustment (Note 1,2)	Total (Note 3)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	216,976	56,734	273,710	—	273,710
Sales or transfers between segments	—	895	895	(895)	—
Total	216,976	57,630	274,606	(895)	273,710
Segment profit	27,097	458	27,556	(4,453)	23,102
Segment assets	396,784	78,934	475,718	(428)	475,290
Other items					
Depreciation	15,738	2,608	18,347	—	18,347
Increases of property, plant and equipment and intangible assets	15,928	4,432	20,360	—	20,360

Notes: 1. Adjustment in segment profit represents goodwill amortization of (4,490) million yen, and elimination of internal transactions between segments of (36) million yen.

2. Adjustment in segment assets represents elimination of internal transactions between segments.

3. Segment profit matches operating profit on the consolidated statements of income.

b. Information on impairment losses on non-current assets by reportable segment

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

In the "Domestic segment," 14,729 million yen was recorded as impairment loss on goodwill of Sunsho Pharmaceutical.

c. Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Domestic	Overseas	Total
Amortization for the year	3,411	1,010	4,422
Balance at the end of the year	23,365	4,750	28,115

Fiscal year ended March 31, 2026

(Millions of yen)

	Domestic	Overseas	Total
Amortization for the year	3,411	1,078	4,490
Balance at the end of the year	5,224	4,244	9,468

(Notes on per share information)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net assets per share	3,486.40 yen	3,617.95 yen
Earnings per share	385.71 yen	106.66 yen

Notes: 1. Diluted earnings per share is not shown since there are no potential shares.

2. The basis for calculating earnings per share is as follows.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Earnings per share		
Profit attributable to owners of parent (millions of yen)	18,986	5,250
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common stock (millions of yen)	18,986	5,250
Average number of shares of common stock during the period (shares)	49,224,957	49,227,642

(Notes on significant subsequent events)

Not applicable.