Consolidated Financial Results for the Year Ended March 31, 2025 (Based on Japanese GAAP)

May 15, 2025

Company name: TOWA PHARMACEUTICAL CO., LTD.
Stock exchange listing: Tokyo
Stock code: 4553 URL https://www.towayakuhin.co.jp/
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Scheduled date of ordinary general meeting of shareholders: June 25, 2025
Scheduled date to file Securities Report: June 24, 2025
Scheduled date to commence dividend payments: June 26, 2025
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, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2025	259,594	13.9	23,242	31.7	26,152	6.8	18,986	17.4
Year ended March 31, 2024	227,934	–	17,647	–	24,477	–	16,173	–

Note : Comprehensive income For year ended March 31, 2025 : ¥18,645 million [(15.1)%]
For year ended March 31, 2024 : ¥21,949 million [－%]

	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, 2025	385.71	–	11.6	5.8	9.0
Year ended March 31, 2024	328.59	–	11.0	6.1	7.7

Note : The fiscal period ended March 31, 2023 represents a transitional period for the change in the fiscal period for nine consolidated subsidiaries, scoped 15-month period from January 1, 2022-March 31, 2023. Due to this method of presentation, year-on-year percentage change data is not provided for the year ended march 31, 2024.

(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, 2025	470,823	171,625	36.5	3,486.40
As of March 31, 2024	430,653	155,893	36.2	3,167.27

Reference : Equity As of March 31, 2025 : ¥171,625 million
As of March 31, 2024 : ¥155,893 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, 2025	23,401	(31,287)	21,567	45,460
Year ended March 31, 2024	8,212	(40,394)	35,407	29,650

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, 2024	–	30.00	–	30.00	60.00	2,953	18.3	2.0
Year ended March 31, 2025	–	30.00	–	40.00	70.00	3,445	18.1	2.1
Year ending March 31, 2026 (Forecast)	–	40.00	–	40.00	80.00		22.2	

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

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2025	134,500	9.0	12,000	14.1	11,100	7.4	8,000	22.0	162.52
Full year	280,000	7.9	27,000	16.2	25,300	(3.3)	17,700	(6.8)	359.57

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4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2025 (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:	Yes
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, 2025	51,516,000 shares	As of March 31, 2024	51,516,000 shares

Number of treasury shares at the end of the period

As of March 31, 2025	2,288,903 shares	As of March 31, 2024	2,295,857 shares

Average number of shares during the period

Year ended March 31, 2025	49,224,957 shares	Year ended March 31, 2024	49,220,501 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2025	172,269	15.4	23,688	18.7	27,532	1.1	21,100	7.7
Year ended March 31, 2024	149,221	20.3	19,958	114.5	27,231	218.8	19,600	209.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2025	428.66	–
Year ended March 31, 2024	398.21	–

(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, 2025	427,016	168,739	39.5	3,427.77
As of March 31, 2024	383,843	150,530	39.2	3,058.31

Reference : Equity As of March 31, 2025 : ¥168,739 million
As of March 31, 2024 : ¥150,530 million

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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, 2024	Year ended March 31, 2025	Change	Change (%)
Net sales	227,934	259,594	31,659	13.9%
Cost of sales	146,551	164,865	18,313	12.5%
Gross profit	81,383	94,729	13,345	16.4%
Selling, general and administrative expenses	63,735	71,486	7,750	12.2%
Operating profit	17,647	23,242	5,594	31.7%
Ordinary profit	24,477	26,152	1,675	6.8%
Profit attributable to owners of parent	16,173	18,986	2,813	17.4%

Both sales and profits grew due to strong demand and increased sales volume at Towa Pharmaceutical, as well as the growth in business performance at Sunsho Pharmaceutical Co., Ltd. (hereinafter referred to “Sunsho”), a wholly owned subsidiary of the Company and Towa Pharma International Holdings, S.L. (hereinafter referred to as "Towa INT").

In terms of business results, net sales were 259,594 million yen (up 13.9% year on year), operating profit came to 23,242 million yen (up 31.7% year on year), ordinary profit was 26,152 million yen (up 6.8% year on year), and profit attributable to owners of parent totaled 18,986 million yen (up 17.4% year on year).

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, 2024	Year ended March 31, 2025	Change	Change (%)	Year ended March 31, 2024	Year ended March 31, 2025	Change	Change (%)
Net sales	178,715	206,103	27,387	15.3%	49,324	53,865	4,540	9.2%
Segment profit	21,889	27,216	5,326	24.3%	11	449	437	–

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 2024 reached 88.6% (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 addition, the “Basic Policy on Economic and Fiscal Management and Reform 2024 (Big-Boned Policy 2024)” approved by the Cabinet in June 2024 states, “The government will work to resolve the current concerns about the supply of pharmaceuticals. Envisioning an ideal form of the generic drug industry while maintaining a stable supply of pharmaceuticals as a basis, we will promote structural reforms with a view to industry restructuring and will put in a place the relevant legal framework for a stable supply of pharmaceuticals.”

Based on these policies, the government determined the scope of the FY2025 drug price revision in light of the nature of each product, with the aim of not only reducing the burden on the public, but also precisely addressing the need to promote drug discovery innovation and ensure a stable supply of drugs. As a result, generics are subject to a price revision if the discrepancy rate exceeds 1.0 times the average discrepancy rate of 5.2%. The price revision also included the first increase of the minimum drug prices since 2000, as well as a temporary recalculation of unprofitable products for drugs with particularly high medical necessity. Furthermore, 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.

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

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

In terms of sales, we started selling seven new products with three ingredients in June 2024 and ten new products with six ingredients in December 2024, bringing the total number of our generic drugs to 759 products with 326 ingredients (as of December 2024). In addition to that, on March 27, 2025, we received approval to manufacture and sales of “RIVALUEN® LA Patch 25.92 mg/51.84 mg”. This new drug represents Japan’s first extended-release Rivastigmine transdermal formulation (twice weekly dosage). Two new products with one ingredient are scheduled to be added to the list in June 2025.

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

In the current fiscal year under review, the domestic segment posted net sales of 206,103 million yen (up 15.3% year on year) and segment profit of 27,216 million yen (up 24.3% year on year). These increases were due to

continued strong demand that drove sales volumes up for Towa Pharmaceutical, as well as the positive effect of including Kamata Co., Ltd. in the scope of consolidation as a wholly owned subsidiary of Sunsho and a lower cost of sales ratio resulting from an improved Sunsho sales mix.

(Overseas segment)

In the overseas segment of the Group, we are engaged in the generic drug business in Europe and the U.S. through Towa INT to strengthen and expand the overseas drug business. We aim to keep sales and segment profits up by maintaining and strengthening existing businesses and further expanding markets and regions, while stepping up investments in R&D and facilities necessary for future growth. One instance of our group synergies paying off can be seen at Towa INT's Martorelles plant where we have begun manufacturing ESOMEPRAZOLE CAPSULES for the Japanese market. 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, net sales in the overseas segment were 53,865 million yen (up 9.2% year on year) due to the depreciation of the yen and the favorable performance of both BtoB and BtoC in Europe. Segment profit totaled 449 million yen due to a decline in the cost of sales ratio resulting from higher revenues and an improved sales mix, despite an increase in R&D and other SG&A expenses.

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

(Assets)

Total assets at the end of the fiscal year under review reached 470,823 million yen, up 40,170 million yen from the end of the previous fiscal year. The main factors behind the uptick included an increase of 15,820 million yen in cash and deposits, an increase of 14,780 million yen in property, plant and equipment, and an increase of 7,214 million yen in inventories.

(Liabilities)

Liabilities totaled 299,198 million yen, up 24,438 million yen from the end of the previous fiscal year. The main factors for this significant increase in liabilities consist of an increase of 13,856 million yen in long-term borrowings, including the current portion, and an increase of 12,232 million yen in lease liabilities.

(Net assets)

Net assets totaled 171,625 million yen, up 15,731 million yen from the end of the previous fiscal year. The main reason for this significant increase in net assets was an increase in retained earnings of 16,049 million yen.

As a result, the equity ratio as of the end of the fiscal year under review came to 36.5%.

(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 45,460 million yen, an increase of 15,809 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 23,401 million yen (up 15,188 million yen year on year). This was mainly due to profit before income taxes of 26,330 million yen (up 1,870 million yen year on year) and depreciation of 15,677 million yen (up 2,017 million yen year on year), despite income taxes paid of 10,889 million yen (up 9,129 million yen year on year) and an increase of 7,204 million yen in inventories (up 916 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities was 31,287 million yen (down 9,106 million yen year on year). This was mainly due to purchase of property, plant and equipment of 28,736 million yen (down 9,114 million yen year on year).

(Cash flows from financing activities)

Net cash provided by financing activities was 21,567 million yen (down 13,840 million yen year on year). This was mainly due to proceeds from long-term borrowings of 26,365 million yen (down 20,570 million yen year on year) and proceeds from sales and leaseback transactions of 10,014 million yen (up 10,014 million yen year on year), despite repayments of long-term borrowings of 12,482 million yen (up 4,874 million yen year on year), etc.

(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 280,000 million yen, operating profit 27,000 million yen, ordinary profit 25,300 million yen, and profit attributable to owners of the parent 17,700 million yen.

Regarding the financial objectives of the 6th Medium-term Business Plan announced on June 10 2024, the Company has revised the operating profit (cumulative) objectives based on the actual results for the fiscal year ending March 2025, as well as the outlooks for the fiscal years ending March 2026 and March 2027. For details, please refer to "Notice of Revisions of Financial Objectives of the 6th Medium-term Business Plan 2024-2026 PROACTIVE Ⅲ" released on May 15, 2025.

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, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	29,650	45,471
Notes and accounts receivable - trade	62,916	61,449
Electronically recorded monetary claims - operating	8,854	10,496
Merchandise and finished goods	48,986	44,770
Work in process	13,906	18,648
Raw materials and supplies	38,180	44,869
Derivatives	9,531	10,791
Other	5,804	11,123
Allowance for doubtful accounts	(113)	(314)
Total current assets	217,718	247,306
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	57,219	76,073
Machinery, equipment and vehicles, net	18,017	18,367
Land	18,251	18,259
Leased assets, net	848	11,802
Construction in progress	55,917	40,089
Other, net	3,389	3,830
Total property, plant and equipment	153,642	168,423
Intangible assets		
Goodwill	32,568	28,115
Manufacturing and sales right	6,873	7,473
Technology assets	6,302	5,489
Other	4,841	4,764
Total intangible assets	50,586	45,842
Investments and other assets		
Investment securities	641	871
Shares of subsidiaries and associates	607	506
Deferred tax assets	5,699	6,037
Other	2,557	2,684
Allowance for doubtful accounts	(800)	(848)
Total investments and other assets	8,705	9,250
Total non-current assets	212,934	223,517
Total assets	430,653	470,823

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,652	17,918
Electronically recorded obligations - operating	10,720	12,123
Short-term borrowings	3,112	4,699
Current portion of long-term borrowings	10,120	18,023
Lease liabilities	238	1,383
Accounts payable - other	15,985	15,482
Income taxes payable	7,926	4,852
Provision for bonuses for directors	96	112
Notes payable - facilities	3,815	5,358
Accounts payable - facilities	5,952	3,714
Other	6,495	4,270
Total current liabilities	80,118	87,939
Non-current liabilities		
Long-term borrowings	189,124	195,077
Lease liabilities	714	11,801
Retirement benefit liability	220	141
Other	4,581	4,237
Total non-current liabilities	194,641	211,259
Total liabilities	274,759	299,198
Net assets		
Shareholders' equity		
Share capital	4,717	4,717
Capital surplus	7,838	7,841
Retained earnings	134,452	150,502
Treasury shares	(5,606)	(5,586)
Total shareholders' equity	141,401	157,474
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	191	228
Foreign currency translation adjustment	14,300	13,921
Total accumulated other comprehensive income	14,491	14,150
Total net assets	155,893	171,625
Total liabilities and net assets	430,653	470,823

(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, 2024	Fiscal year ended March 31, 2025
Net sales	227,934	259,594
Cost of sales	146,551	164,865
Gross profit	81,383	94,729
Selling, general and administrative expenses	63,735	71,486
Operating profit	17,647	23,242
Non-operating income		
Interest income	97	221
Dividend income	9	11
Foreign exchange gains	1,593	1,992
Gain on valuation of derivatives	5,550	1,259
Subsidy income	362	978
Other	498	456
Total non-operating income	8,111	4,921
Non-operating expenses		
Interest expenses	947	1,627
Other	335	384
Total non-operating expenses	1,282	2,011
Ordinary profit	24,477	26,152
Extraordinary income		
Gain on sale of non-current assets	313	275
Total extraordinary income	313	275
Extraordinary losses		
Loss on disposal of non-current assets	88	45
Loss on impairment of non-current assets	19	12
Loss on valuation of investment securities	222	27
Loss on valuation of shares of subsidiaries and associates	–	11
Total extraordinary losses	331	96
Profit before income taxes	24,459	26,330
Income taxes - current	8,818	8,058
Income taxes - deferred	(532)	(715)
Total income taxes	8,286	7,343
Profit	16,173	18,986
Profit attributable to owners of parent	16,173	18,986

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	16,173	18,986
Other comprehensive income		
Valuation difference on available-for-sale securities	84	37
Foreign currency translation adjustment	5,691	(378)
Total other comprehensive income	5,776	(341)
Comprehensive income	21,949	18,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,949	18,645
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2024

(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	7,837	121,232	(5,608)	128,179	106	8,608	8,715	136,894
Changes during period									
Dividends of surplus			(2,953)		(2,953)				(2,953)
Profit attributable to owners of parent			16,173		16,173				16,173
Change in scope of consolidation					–				–
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares		0		2	2				2
Net changes in items other than shareholders' equity						84	5,691	5,776	5,776
Total changes during period	–	0	13,219	2	13,222	84	5,691	5,776	18,998
Balance at end of period	4,717	7,838	134,452	(5,606)	141,401	191	14,300	14,491	155,893

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

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	24,459	26,330
Depreciation	13,659	15,677
Amortization of goodwill	4,229	4,422
Loss on impairment of non-current assets	19	12
Increase (decrease) in allowance for doubtful accounts	(94)	248
Increase (decrease) in provision for bonuses for directors	(25)	15
Increase (decrease) in retirement benefit liability	(135)	(77)
Loss (gain) on sale of non-current assets	(313)	(275)
Loss (gain) on disposal of non-current assets	88	45
Interest and dividend income	(106)	(233)
Interest expenses	947	1,627
Loss (gain) on valuation of derivatives	(5,550)	(1,259)
Loss (gain) on valuation of securities	(18)	3
Decrease (increase) in trade receivables	(15,523)	(565)
Decrease (increase) in inventories	(6,288)	(7,204)
Increase (decrease) in trade payables	(10,509)	3,687
Subsidy income	(362)	(978)
Other, net	5,610	(6,634)
Subtotal	10,087	34,842
Interest and dividends received	104	228
Interest paid	(941)	(1,594)
Income taxes refund (paid)	(1,760)	(10,889)
Compensation received	509	35
Subsidies received	214	778
Net cash provided by (used in) operating activities	8,212	23,401
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,851)	(28,736)
Proceeds from sale of property, plant and equipment	1	9
Purchase of intangible assets	(1,474)	(2,487)
Proceeds from sale of intangible assets	419	276
Purchase of investment securities	(50)	(203)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,570)	–
Other, net	131	(146)
Net cash provided by (used in) investing activities	(40,394)	(31,287)

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(768)	1,603
Proceeds from long-term borrowings	46,935	26,365
Repayments of long-term borrowings	(7,607)	(12,482)
Redemption of straight bonds	–	(110)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,952)	(2,953)
Repayments of lease liabilities	(222)	(893)
Proceeds from sales and leaseback transactions	–	10,014
Other, net	24	23
Net cash provided by (used in) financing activities	35,407	21,567
Effect of exchange rate change on cash and cash equivalents	2,167	1,916
Net increase (decrease) in cash and cash equivalents	5,393	15,597
Cash and cash equivalents at beginning of period	24,257	29,650
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	212
Cash and cash equivalents at end of period	29,650	45,460

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on changes in accounting policies)

(Adoption of Accounting Standard for Current Income Taxes, etc.)

The Group has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the "Revised Accounting Standard of 2022") and relevant ASBJ regulations effective as of the beginning of the current fiscal year.

Revisions related to the accounting classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment set forth in the proviso to paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment set forth in the proviso to paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the "Revised Implementation Guidance of 2022"). The change in accounting policy has no effect on the consolidated financial statements.

The Group has also adopted the Revised Implementation Guidance of 2022 effective as of the beginning of the current fiscal year for revisions related to the change in the treatment in consolidated financial statements when deferring, for tax purposes, gains or losses on sales of shares of subsidiaries and other securities arising from sales between consolidated companies. The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year are presented on a retrospective basis. The change in accounting policy has no effect on the consolidated financial statements of the previous fiscal year.

(Notes on 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 INT and its consolidated subsidiaries.

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, 2024

(Millions of yen)

	Reportable segment			Adjustment (Note 1,2)	Total (Note 3)
	Domestic	Overseas	Subtotal		
Sales					
Sales to outside customers	178,715	49,218	227,934	–	227,934
Sales or transfers between segments	–	105	105	(105)	–
Total	178,715	49,324	228,040	(105)	227,934
Segment profit	21,889	11	21,901	(4,253)	17,647
Segment assets	360,882	69,824	430,707	(54)	430,653
Other items					
Depreciation	11,601	2,058	13,659	–	13,659
Increases of property, plant and equipment and intangible assets	33,748	2,218	35,967	–	35,967

Notes: 1. Adjustment in segment profit represents goodwill amortization of (4,229) million yen, and elimination of internal transactions between segments of (24) 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, 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.

(Notes on per share information)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net assets per share	3,167.27 yen	3,486.40 yen
Earnings per share	328.59 yen	385.71 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, 2024	Fiscal year ended March 31, 2025
Earnings per share		
Profit attributable to owners of parent (millions of yen)	16,173	18,986
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common stock (millions of yen)	16,173	18,986
Average number of shares of common stock during the period (shares)	49,220,501	49,224,957

(Notes on significant subsequent events)
Not applicable.