

May 21, 2026

To whom it may concern:

TOWA PHARMACEUTICAL CO., LTD.

Notice of Issuance of Class A Preferred Shares through Third-Party Allotment, Partial Amendment of the Articles of Incorporation, and Reduction of Amounts of Share Capital and Legal Capital Surplus

Towa Pharmaceutical Co., Ltd. (hereinafter, the “Company”) hereby announces that it resolved at its Board of Directors meeting held on May 21, 2026 (hereinafter, the “Board of Directors Meeting”) to

(1) enter into an investment agreement (hereinafter, the “Investment Agreement”) with Development Bank of Japan Inc. (hereinafter, “DBJ”) to issue class A preferred shares (1st Series Class A Preferred Shares and 2nd Series Class A Preferred Shares will be collectively referred to as “Class Shares”.) worth up to 20 billion yen in total through third-party allotment (hereinafter, the “Third-Party Allotment”);

(2) partially amend the Articles of Incorporation for the establishment of provisions concerning the Class Shares (hereinafter, the “Amendment of the Articles of Incorporation”); and

(3) reduce the amounts of share capital and legal capital surplus, effective the payment date of the 1st Series Class A Preferred Shares, for the same amount as the increases in share capital and legal capital surplus that reflect the amount paid for the 1st Series Class A Preferred Shares (hereinafter, the “Capital Reduction”).

It should be noted that the Third-Party Allotment is subject to the approval of shareholders at the 70th Ordinary General Meeting of Shareholders scheduled to be held on June 24, 2026 for the Third-Party Allotment and the proposed Amendment of the Articles of Incorporation, and the Capital Reduction is subject to the coming into effect of the Third-Party Allotment. In addition, the payment for Class Shares by the prospective allottee is subject to, among others, the following conditions: i) that all internal procedures of the Company that need to be completed for the Third-Party Allotment and the Capital Reduction (including obtaining approval for each proposal relating to the Third-Party Allotment and the Amendment of the Articles of Incorporation at the Ordinary General Meeting of Shareholders) have been carried out lawfully and effectively and ii) that it is reasonably certain that the Capital Reduction will take effect simultaneously with the payment on the payment date.

I. Issuance of Class Shares through the Third-Party Allotment

The Class Shares, whose issuance was approved at the Board of Directors Meeting, will be issued mainly for the purpose of funding further capital investment as part of the Company’s growth strategy. The maximum total issuance amount of the Class Shares is 20 billion yen,

and the Company plans to use the full amount of the proceeds to fund capital investment and collaboration projects that are expected to drive the Group's sustainable growth.

1. Outline of the offering

(1) 1st Series Class A Preferred Shares

(1)	Payment date	July 31, 2026 (hereinafter, the "Closing day (1st Series)")
(2)	Number of new shares to be issued	Class A Preferred Shares: 10,000 shares
(3)	Issue price	1,000,000 yen per share
(4)	Amount of funds to be raised	10,000,000,000 yen
(5)	Method of offering or allotment (prospective allottee)	Third-party allotment to DBJ
(6)	Amount of preferred dividend	The amount of preferred dividend per share of 1st Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula; provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place: The amount of preferred dividend per share of 1st Series Class A Preferred Shares $= (X + Y) \times 4.4\% \times n \div 365$ where: X = Amount paid per share of 1st Series Class A Preferred Shares Y = Accrued 1st Series Class A Preferred Dividend (as defined in 9.(5) of Attachment 1-1, "Issuance Terms and Conditions of 1st Series Class A Preferred Shares") pertaining to the previous fiscal year after the payment of year-end dividend (if any) n = Actual number of days from (and including) the first day of the fiscal year to which the record date of the relevant dividend of surplus belongs (if both the record date of the relevant dividend of surplus and the payment date belong to the same fiscal year, the payment date) to (and including) the record date of the relevant dividend of surplus.
(7)	Other	For further details, please refer to Attachment 1-1, "Issuance Terms and Conditions of 1st Series Class A Preferred Shares." 1st Series Class A Preferred Shares do not grant voting rights. 1st Series Class A Preferred Shares include a cash-consideration put option and a cash-consideration call option. The Company and DBJ have agreed on the exercise conditions of the cash-consideration put option, and any acquisition of 1st Series Class A Preferred Shares by the

	Company upon the exercise of the cash-consideration put option can occur only on or after July 1, 2036 unless any of the conditions prescribed in the Investment Agreement for the lifting of exercise restrictions is met. Furthermore, 1st Series Class A Preferred Shares are subject to transfer restrictions, and any transfer of all or part of 1st Series Class A Preferred Shares requires the approval of our Board of Directors. 1st Series Class A Preferred Shares do not include a put option or a call option whose consideration is common shares of the Company.
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(2) 2nd Series Class A Preferred Shares

(1) Payment date	Any date on which the Company desires the payment to be made (However, this shall be any day between (and including) August 1, 2026 and April 30, 2027 and shall be notified to DBJ by the Company at least three months prior to that date.) (hereinafter, the “Closing day (2nd Series)”)
(2) Number of new shares to be issued	The number of shares of which the Company notifies DBJ (however, this number shall not exceed 10,000 shares).
(3) Issue price	1,000,000 yen per share
(4) Amount of funds to be raised	Up to 10,000,000,000 yen The Company will notify DBJ of the amount.
(5) Method of offering or allotment (prospective allottee)	Third-party allotment to DBJ
(6) Amount of preferred dividend	The amount of preferred dividend per share of 2nd Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula; provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place: The amount of preferred dividend per share of 2nd Series Class A Preferred Shares $= (X + Y) \times [4.4]\% \times n \div 365$ where: X = Amount paid per share of 2nd Series Class A Preferred Shares Y = Accrued 2nd Series Class A Preferred Dividend (as defined in 9.(5) of Attachment 1-2, “Issuance Terms and Conditions of 2nd Series Class A Preferred Shares”) pertaining to the previous fiscal year after the payment of year-end dividend (if any) n = Actual number of days from (and including) the first day of the fiscal year to which the record date of the relevant dividend of surplus belongs (if both the record date of the

	relevant dividend of surplus and the payment date belong to the same fiscal year, the payment date) to (and including) the record date of the relevant dividend of surplus.
(7) Other	For further details, please refer to Attachment 1-2, "Issuance Terms and Conditions of 2nd Series Class A Preferred Shares." 2nd Series Class A Preferred Shares do not grant voting rights. 2nd Series Class A Preferred Shares include a cash-consideration put option and a cash-consideration call option. The Company and DBJ have agreed on the exercise conditions of the cash-consideration put option, and any acquisition of Class Shares by the Company upon the exercise of the cash-consideration put option can occur only on or after July 1, 2036 unless any of the conditions prescribed in the Investment Agreement for the lifting of exercise restrictions is met. Furthermore, 2nd Series Class A Preferred Shares are subject to transfer restrictions, and any transfer of all or part of 2nd Series Class A Preferred Shares requires the approval of our Board of Directors. 2nd Series Class A Preferred Shares do not include a put option or a call option whose consideration is common shares of the Company.

2. Purpose of and reasons for the issuance of Class Shares through the Third-Party Allotment

(1) Primary purpose of funding

Guided by its corporate philosophy, "We contribute to people's health. We are dedicated to people's genuine smiles," the Company is engaged not only in its core generic drug business but also in a wide range of health-related initiatives. These include efforts to support the maintenance of health and to restore pre-symptomatic conditions to a healthy state or prevent their progression. Through these initiatives, the Company aims to contribute to the extension of healthy life expectancy and to remain a company that is needed by society and local communities in every era.

In its report titled "Study Group on the Ideal Industrial Structure for Ensuring the Stable Supply of Generic Drugs," the Japanese government has called on the generic pharmaceutical industry to recognize its social responsibility as an industry that underpins national healthcare by ensuring the stable supply of high-quality drugs. The report further urges the industry to proactively undertake structural reforms so that companies and the industry as a whole can remain sustainable over the long term.

Meanwhile, the pharmaceutical shortage triggered by instability in the supply of generic drugs continues to persist. According to an announcement by the Ministry of Health, Labour and Welfare, as of May 2026, Approx. 13% of all ethical drugs (2,269 items) were subject to limited shipment or supply suspension. In addition, with the rapid shift from long-listed products to generic drugs, there is a significant risk that valuable assets of the domestic pharmaceutical industry, such as manufacturing technologies and know-how accumulated over many years by brand-name drug companies manufacturing long-listed products, may not be properly transferred and could be lost. The Company recognizes this as a major challenge

to the sustainability of Japan's pharmaceutical industry.

Under these business conditions, the Company is working to address industry-wide challenges by building a collaborative framework in which brand-name drug companies, generic drug companies, and pharmaceutical contract manufacturing companies work closely together. Through this collaboration, the Company aims to establish an ecosystem that ensures a sustainable and stable supply of drugs that are therapeutically essential over the long term, thereby realizing a healthy, circular model for society as a whole.

Therefore, the Company will continue to optimize its own manufacturing lines to promote increased production of pharmaceuticals while considering a wide range of collaborations with companies that support our concept of a stable supply ecosystem for off-patent medicinal products, with the aim of "securing manufacturing capacity" and "building a system that allows for mutual backup production." The Company believes that continued investment is necessary for both of these purposes.

The funds raised through the Third-Party Allotment will be used for growth investments, including strengthening the Company's own manufacturing lines and collaborating with companies that share the same management policies and philosophy with the Company.

(2) Reasons for carrying out the funding through the Third-Party Allotment

In line with the purpose of raising capital through Class Shares—securing a stable financial foundation by strengthening equity capital and achieving medium- to long-term growth by allocating the raised funds to capital investments—the Company believes that it is necessary and appropriate to strengthen our equity capital through equity financing rather than debt financing.

Among equity financing options, issuing common shares would immediately result in a significant dilution of voting rights, potentially harming the shareholder value of existing shareholders. Therefore, the Company believes that issuing Class A preferred shares, which have no voting rights and no conversion rights to common shares, and thus do not currently or in the future dilute the voting rights of common shares, is an appropriate financing option.

Furthermore, given the certain uncertainty surrounding the timing and amount of future funding needs, the Company believes that a phased approach to fundraising will improve capital efficiency and enable flexible and agile fundraising in line with the progress of its business and investments.

In order to secure the necessary funds and stabilize its financial structure while restraining immediate and future dilution of its common shares, the Company has considered it necessary to raise funds from investors who have a deep understanding of its business and strong risk assessment capabilities. In light of these circumstances, and taking into account the characteristics of investors, the scale of fundraising, and economic conditions, the Company have been considering potential underwriters who would be positively interested in a third-party allocation of its preferred shares. After comprehensively considering that they have a thorough understanding of the business environment surrounding our company, our business situation, and its capital policy, the Company have determined that allocating non-voting class shares to DBJ through third-party allotment is the most effective option.

In underwriting these shares, DBJ will utilize the "Supply Chain and Infrastructure Fund (Note 2)," which was established as part of its "Special Investment Operations (Note 1)."

Notes:

1. Established as an intensive but temporary scheme to supply growth capital from the perspective of promoting the competitiveness of Japanese enterprises along with regional revitalization, which draws only a portion of the investment (industrial investment) from the Japanese government - enough to encourage the private sector to supply growth capital.

2. Established as part of Special Investment Operations for the purpose of investing in initiatives aimed at strengthening the supply chain through ensuring a stable supply of critical products and fortifying infrastructure, including logistics, through the use of digital technology.

3. Amount, use, and intended timing of use of funds to be raised

(1) Amount of funds to be raised

1st Series Class A Preferred Shares

(i)	Total amount to be paid	10,000,000,000 yen
(ii)	Estimated issuance costs	127,000,000 yen
(iii)	Estimated net proceeds	9,873,000,000 yen

Note: The main items in the “estimated issuance costs” are commission expenses, registration tax, and valuation fees.

2nd Series Class A Preferred Shares

(i)	Total amount to be paid	Up to 10,000,000,000 yen
(ii)	Estimated issuance costs	Up to 35,000,000 yen
(iii)	Estimated net proceeds	Up to 9,965,000,000 yen

Note: The main item in the “estimated issuance costs” is registration tax.

(2) Specific use and intended timing of use of funds to be raised

Specific use of funds	Amount (millions of yen)	Expected spending period
Growth investment, such as expanding the Company's own manufacturing lines and collaborating with others	Up to 20,000	From August 2026 to March 2028

*The funds raised will be managed in a bank account until they are actually disbursed.

As described in "2. Purpose of and reasons for the issuance of Class Shares through the Third-Party Allotment" above, the Company will continue to optimize its own manufacturing lines to promote increased production of pharmaceuticals while aiming to secure manufacturing capacity and building a mutual backup system to ensure a stable supply of off-patent medicinal products. The proceeds from the Third-Party Allotment will be used for the aforementioned capital investments and growth investments.

In raising funds in this manner, it is necessary to secure funds that can be used flexibly according to the scale of the investment. Therefore, with regard to 2nd Series Class A Preferred Shares, the Company will notify DBJ of the desired date and amount of the payment and raise up to 10,000 million yen, which will be used as such funds.

4. The Company's evaluation of the reasonableness of the use of funds

The Company believes that using the funds raised through the issuance of Class Shares for the purposes described in “3. Amount, use, and intended timing of use of funds to be raised

(2) Specific use and intended timing of use of funds to be raised” above will improve profitability through a stable supply of pharmaceuticals and contribute to improving its

future financial structure, as well as contributing to the enhancement of its corporate value. Therefore, the Company has determined that the use of the funds is reasonable.

5. Reasonableness of the issuance terms and conditions

(1) Basis for calculation of payment amount and the details thereof

In determining the terms of issuance of Class Shares, in order to ensure fairness, the Company commissioned Plutus Consulting Co., Ltd. (hereinafter, “Plutus Consulting”), an independent third-party organization, to calculate the price of Class Shares and received a valuation report on the fair value of Class Shares, which is calculated by Plutus Consulting using a general pricing model, taking into account certain conditions (preferred dividends from Class Shares, cash-consideration call option, cash-consideration put option, credit spread of the Company, etc.).

(2) Basis for the determination that the number of shares to be issued and the scale of dilution are reasonable

The Company will raise up to 20 billion yen by issuing up to 20,000 shares of Class Shares. In light of the purpose of issuing Class Shares and the use of funds described in “2. Purpose of and reasons for the issuance of Class Shares through the Third-Party Allotment” and “3. Amount, use, and intended timing of use of funds to be raised” above, the Company has determined that the issuance volume of Class Shares is reasonable. It should also be noted that, since Class Shares are so-called “bond-type class shares” that do not grant voting rights and do not include any put option whose consideration is the Company’s common shares, there is no possibility of dilution for the Company’s common shareholders.

6. Reason for selecting the prospective allottee, etc.

(1) Outline of the prospective allottee

(1) Name	Development Bank of Japan Inc.
(2) Address	1-9-6 Otemachi, Chiyoda-ku, Tokyo
(3) Title and name of representative	Seiji Jige, President and CEO
(4) Business description	Long-term funding (investment and lending)
(5) Share capital	1,000,424 million yen (fully government-funded)
(6) Date of establishment	October 1, 2008
(7) Number of outstanding shares	43,632,360 (as of December 31, 2025)
(8) Fiscal year-end	March
(9) Number of employees	1,955 (as of September 30, 2025) (consolidated)
(10) Main business partners	—
(11) Main banks	—
(12) Major	Minister of Finance: 100%

shareholder and shareholding ratio			
(13)	Relationship with the Company		
Capital relationship	There is no capital relationship between the Company and the allottee that should be mentioned. There is no notable capital relationship between any of the related parties and subsidiaries and affiliated companies of the Company and any of the related parties and subsidiaries and affiliated companies of the allottee that should be mentioned.		
Personnel relationship	There is no personnel relationship between the Company and the allottee that should be mentioned. There is no notable personnel relationship between any of the related parties and subsidiaries and affiliated companies of the Company and any of the related parties and subsidiaries and affiliated companies of the allottee that should be mentioned.		
Business relationship	There are financial transactions involving bank loans between the Company and the allottee.		
Status as related party	The allottee is not a related party of the Company. In addition, none of the allottee's related parties and subsidiaries and affiliated companies are a related party of the Company.		
(14)	Operating results and financial condition over the past three years (in millions of yen unless otherwise noted)		
Fiscal year	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Consolidated net assets	4,108,846	4,161,963	4,328,367
Consolidated total assets	21,698,605	21,549,329	21,372,723
Consolidated net assets per share (yen)	69,826.09	70,999.17	72,957.82
Consolidated ordinary income	410,882	392,086	501,728
Consolidated ordinary profit	147,844	113,380	202,495
Profit attributable to owners of parent	103,205	83,752	149,619
Consolidated profit per share (yen)	2,229.02	1,736.13	2,817.34
Dividend per share	490	370	to be decided

(yen)			
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* The dividend for the fiscal year ending March 2026 will be decided at DBJ's ordinary general meeting of shareholders scheduled for June 2026, and the dividend per share (in yen) is currently undecided.

* In the Agreement, the Company has obtained representations and warranties from DBJ that neither they nor their officers have any ties to organized crime groups, etc. DBJ has also disclosed information about its company history, officers, etc., in its securities reports and other documents. Based on the information disclosed by DBJ and the Company's existing business relationships with the allottee, the Company has confirmed that DBJ, its officers, and major shareholders (main investors) have no connection whatsoever with anti-social forces, and the Company has submitted a letter of confirmation to that effect to the Tokyo Stock Exchange, Inc. (hereinafter, the "Tokyo Stock Exchange").

(2) Reason for selecting the prospective allottee

As stated in "2. Purpose of and reasons for the issuance of Class Shares through the Third-Party Allotment," based on the characteristics of investors, the scale of fundraising, and economic conditions, the Company have been considering potential underwriters who would be positively interested in a third-party allocation of our preferred shares. As a result of comprehensively considering DBJ's thorough understanding of its business environment, management situation, and its capital policy, the Company have selected DBJ as the allocation recipient.

Furthermore, regarding this third-party allotment, the Company has entered into this Investment Agreement with DBJ, which includes, in addition to investment in the Company, the following matters.

- (a) The Company shall complete all procedures required under applicable laws and regulations and internal rules such as the articles of incorporation for the issuance of the Class Shares and the allotment of the Class Shares to DBJ by each Closing day.
- (b) The Company shall implement the Capital Reduction (1st) with the Closing day (1st) as the effective date, and the Capital Reduction (2nd) with the Closing day (2nd) as the effective date, respectively.
- (c) During the period from the date of execution of this Investment Agreement while DBJ holds the Class Shares or monetary claims against the Company based on redemption requests or mandatory redemption, the Company must obtain DBJ's prior approval to undertake the following material matters.
 - (i) Matters requiring a special resolution at the Company's general meeting of shareholders under the Companies Act or the articles of incorporation (provided, however, that matters listed in the following items shall be subject to the provisions of such items).
 - (ii) Suspension or discontinuation of all or a material part of the main business conducted by the Company as of the date of execution of this Investment Agreement, transfer or acquisition of material real estate, lease of the entire business, entrustment of management of the entire business, sale of shares relating to material subsidiaries or affiliated companies (limited to those involving changes in the scope of subsidiaries or affiliated companies), or sale, disposal or abandonment of material intellectual property rights or licenses (provided, however, that DBJ's prior written approval shall not be required for matters relating to the U.S. business. In such case, when the Company intends to undertake such actions, it shall notify DBJ in writing in advance (at least 30

- business days prior) and consult in good faith.).
- (iii) Amendments to the articles of incorporation (excluding, however, the Amendments to the Articles of Incorporation and formal amendments accompanying revisions to laws and regulations).
- (iv) Material changes to the share handling regulations.
- (v) Merger, company split, business transfer, business acquisition, share exchange, share transfer, share delivery, organizational change, or other material organizational restructuring (provided, however, that DBJ's prior written approval shall not be required for matters relating to the U.S. business. In such case, when the Issuing Company intends to undertake such actions, it shall notify DBJ in writing in advance (at least 30 business days prior) and consult in good faith.).
- (vi) Dissolution.
- (vii) Filing or petition for commencement of insolvency proceedings.
- (viii) Stock split, reverse stock split, or gratis allotment of shares or stock acquisition rights.
- (ix) Distribution of surplus to shareholders holding the Company's common shares (excluding, however, cases where the amount remaining after deducting from the distributable amount as of the end of each fiscal year of the Company the total amount related to acts prescribed in each item of Article 461, Paragraph 1 of the Companies Act, including the expected amount of surplus distribution during the fiscal year following such fiscal year (not limited to dividends on common shares, but including dividends on class shares including the Class Shares, and also including unpaid dividends), equals or exceeds the total mandatory redemption price assuming that all Class Shares outstanding at such time were mandatorily redeemed with such fiscal year-end date as the mandatory redemption date.).
- (x) Acquisition, disposal or cancellation of treasury shares or treasury stock acquisition rights (including acquisition of shares with put provisions; excluding, however, acquisition based on exercise of the right to demand purchase of shares constituting less than one unit as provided in Article 192 of the Companies Act, acquisition of the Class Shares based on exercise of the acquisition provisions or acquisition request rights of the Class Shares, and cancellation of such shares).

(3) Holding policy of the prospective allottee

The Company has confirmed that DBJ intends to acquire Class Shares as a medium-term investment and that after acquiring them, it intends to hold them in accordance with their issuance terms and conditions. Furthermore, Class Shares are subject to transfer restrictions, and any transfer of all or part of Class Shares requires the approval of the Board of Directors of the Company.

(4) Confirmation of the existence of assets required for payment by the prospective allottee

The Company has confirmed that DBJ holds funds required for the payment of Class Shares as indicated in the consolidated balance sheet included in the securities report submitted by DBJ to the Director-General of the Kanto Local Finance Bureau on June 27, 2025, which shows cash and deposits of 1,162,334 million yen (as of March 31, 2025).

7. Major shareholders after the Third-Party Allotment and their shareholding ratios

(1) Common shares

Before the Third-Party Allotment (as of March 31, 2026)		After the Third-Party Allotment
Yoshida Office Co., Ltd.	40.83%	Same as left
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.77%	
US BANK NATIONAL ASSOCIATION JP ACCTS TS (Standing proxy: MUFG Bank, Ltd.)	3.98%	
Custody Bank of Japan, Ltd. (Trust Account)	3.33%	
TOWA PHARMACEUTICAL Kyoeikai	3.13%	
Custody Bank of Japan, Ltd. (Trust Account 4)	2.96%	
Itsuro Yoshida	2.96%	
TOWA PHARMACEUTICAL Employee Stock Ownership Group	2.03%	
BNP PARIBAS LUXEMBOURG 2S JASDEC FIM LUXEMBOURG FUNDS UCITS ASSETS (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd.)	1.63%	
Yoshida Estate Ltd.	1.32%	

Note 1: The shareholding ratios above are calculated after deducting the number of treasury shares (2,288,133 shares).

(2) Class A preferred shares

Before 1st Series Class A Preferred Shares (as of March 31, 2026)	After 1st Series Class A Preferred Shares	
Not applicable.	Development Bank of Japan Inc.	100.00%

Before 2nd Series Class A Preferred Shares		After 2nd Series Class A Preferred Shares
Development Bank of Japan Inc.	100.00%	Same as left

8. Future outlook

Regarding the impact of this matter on the Company's financial results, if any matters requiring disclosure arise, the Company will promptly disclose them.

9. Matters concerning procedures required under the Code of Corporate Conduct

The Third-Party Allotment does not require the acquisition of an independent third-party opinion or confirmation of shareholders' intention provided for in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange because (i) the dilution rate is less than 25%, and (ii) it does not involve any changes in the controlling shareholders.

10. Operating results and status of equity finance over the past three years

(1) Operating results over the past three years (consolidated)

	Fiscal year	Fiscal year	Fiscal year
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	ended March 31, 2024	ended March 31, 2025	ended March 31, 2026
Consolidated net sales	227,934 million yen	259,594 million yen	273,710 million yen
Consolidated operating profit	17,647 million yen	23,242 million yen	23,102 million yen
Consolidated ordinary profit	24,477 million yen	26,152 million yen	28,079 million yen
Profit attributable to owners of parent	16,173 million yen	18,986 million yen	5,250 million yen
Consolidated profit per share	328.59 yen	385.71 yen	106.66 yen
Dividend per share	60.00 yen	70.00 yen	80.00 yen
Consolidated net assets per share	3,167.27 yen	3,486.40 yen	3,617.95yen

(2) Current status of outstanding shares and dilutive shares (as of March 31, 2026)

	Number of shares	Ratio to the number of outstanding shares
Number of outstanding shares	Common shares 51,516,000 shares	100.00%
Number of dilutive shares at the current conversion price (exercise price)	—	—
Number of dilutive shares at the lower limit of conversion price (exercise price)	—	—
Number of dilutive shares at the upper limit of conversion price (exercise price)	—	—

(3) Recent stock prices

(i) Over the past three years

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Opening price	1,902 yen	2,908 yen	2,692 yen
High price	3,240 yen	3,395 yen	4,445 yen
Low price	1,703 yen	2,488 yen	2,298 yen
Closing price	2,904 yen	2,679 yen	4,005 yen

(ii) Over the past six months

	December	January	February	March	April	May
Opening price	3,265 yen	3,630 yen	3,635 yen	4,425 yen	4,100 yen	3,945yen
High price	3,755 yen	3,775 yen	4,430 yen	4,445 yen	4,490 yen	4,035yen
Low price	3,160 yen	3,465 yen	3,545 yen	3,850 yen	3,945 yen	3,240yen

Closing price	3,640 yen	3,595 yen	4,410 yen	4,005 yen	3,960 yen	3,865yen
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* Stock prices for May are shown as of May 20, 2026.

(iii) Stock prices on the business day immediately preceding the date of issuance resolution

	May 20, 2026
Opening price	3,980yen
High price	3,985yen
Low price	3,800yen
Closing price	3,865yen

(4) Status of equity finance over the past three years

Not applicable.

11. Issuance terms and conditions

For further details, please refer to Attachment 1, “Issuance Terms and Conditions of Class A Preferred Shares.”

II. Amendment of the Articles of Incorporation

1. Purpose of the Amendment of Articles of Incorporation

The Company proposes to amend its Articles of Incorporation to add provisions concerning Class Shares that prescribe them as a new class of shares of the Company in order to enable the Company to issue them.

2. Specifics of the Amendment of the Articles of Incorporation

For further details, please refer to Attachment 2, “Proposed Amendment of the Articles of Incorporation.”

3. Schedule for the Amendment of the Articles of Incorporation

Thursday, May 21, 2026	Board of Directors resolution concerning the Amendment of the Articles of Incorporation
Wednesday, June 24, 2026	Resolution of the 70th Ordinary General Meeting of Shareholders (planned)
	Effective date of the Amendment of the Articles of Incorporation (planned)

III. Capital Reduction

1. Purpose of the Capital Reduction

In order to secure sufficient distributable funds for further capital investments and other uses in its growth strategy, the Company will reduce the amounts of share capital and legal capital surplus for the same amount as the increases in share capital and legal capital surplus that reflect the amount paid for 1st Series Class A Preferred Shares and will transfer the reduced amounts to other capital surplus. The Capital Reduction will not cause any change in the amount of the Company's net assets as it is a transfer of amounts between items in the net assets section of its balance sheet.

It should also be noted that the Capital Reduction is conditional upon the payment for the Third-Party Allotment.

Regarding 2nd Series Class A Preferred Shares, after the Company determines and notifies DBJ of the desired payment date and desired payment amount, the Company's Board of Directors plans to determine the specific offering terms within the scope of the content set forth in Attachment 1-2, "Issuance Terms and Conditions of 2nd Series Class A Preferred Shares." below, and we will promptly notify you once these terms are finalized.

2. Outline of the Capital Reduction

(1) Amount of share capital to be reduced

5 billion yen (limited to the issuance of 1st Series Class A Preferred Shares)

It should be noted that, as a result of the issuance of 1st Series Class A Preferred Shares, the amount of share capital will increase by 5 billion yen before it is reduced. Therefore, the amount of share capital after the effective date will not fall below the amount of share capital before the effective date.

(2) Amount of legal capital surplus to be reduced

5 billion yen (limited to the issuance of 1st Series Class A Preferred Shares)

It should be noted that, as a result of the issuance of 1st Series Class A Preferred Shares, the amount of legal capital surplus will increase by 5 billion yen before it is reduced. Therefore, the amount of legal capital surplus after the effective date will not fall below the amount of legal capital surplus before the effective date.

(3) Method of Capital Reduction

Pursuant to the provisions of Article 447, paragraph (1) and paragraph (3) of the Companies Act and Article 448, paragraph (1) and paragraph (3) of the same Act, after carrying out the Capital Reduction as described above, the Company will transfer the reduced amounts to other capital surplus in full.

3. Schedule for the Capital Reduction

The Company plans to carry out the Capital Reduction for the issuance of 1st Series Class A Preferred Shares according to the schedule shown below. Regarding 2nd Series Class A Preferred Shares, after determining the desired date and amount of payment and notifying DBJ of them, the Company will announce the reduction in the amounts of share capital, etc. for the issuance of 2nd Series Class A Preferred Shares, following a resolution by its Board of Directors, in the same manner as for 1st Series Class A Preferred Shares.

Thursday, May 21, 2026	Board of Directors resolution concerning the Capital Reduction
Thursday, June 25 , 2026	Date of public notice for filing creditor objections (planned)
Monday, July 27, 2026	Final deadline for filing creditor objections (planned)
Friday, July 31, 2026	Payment date for 1st Series Class A Preferred Shares (planned)
	Effective date of the Capital Reduction (planned)

4. Future outlook

The Capital Reduction will not cause any change in the amount of the Company's net assets and will not have any impact on the Company's financial results as it is a transfer of amounts between items in the net assets section of its balance sheet.

End of Notice

Attachment 1-1

TOWA PHARMACEUTICAL CO., LTD.

Issuance Terms and Conditions of 1st Series Class A Preferred Shares

1. Class of shares for subscription	Towa Pharmaceutical Co., Ltd. 1st Series Class A Preferred Shares
2. Number of shares for subscription	10,000 shares
3. Amount to be paid	1,000,000 yen per share
4. Total amount to be paid	10,000,000,000 yen
5. Amount of share capital to be increased	5,000,000,000 yen (500,000 yen per share)
6. Amount of legal capital surplus to be increased	5,000,000,000 yen (500,000 yen per share)
7. Payment date	July 31, 2026
8. Allottee/number of shares	All shares shall be allotted to Development Bank of Japan Inc.

Terms and Conditions of 1st Series Class A Preferred Shares

9. Dividend of surplus	
(1) Record date of year-end dividend	The Company may pay a cash dividend of surplus (year-end dividend) to shareholders holding 1st Series Class A Preferred Shares whose names are entered or recorded in the final shareholder register as of the last day of each fiscal year (“1st Series Class A Preferred Shareholders”) or registered pledgees of 1st Series Class A Preferred Shares (hereinafter, together with 1st Series Class A Preferred Shareholders, referred to as “1st Series Class A Preferred Shareholders/Pledgees”).
(2) Interim dividend	In addition to year-end dividends, the Company may set a record date and pay a cash dividend of surplus (interim dividend) to 1st Series Class A Preferred Shareholders/Pledgees whose names are entered or recorded in the final shareholder register on that record date.
(3) Preferred dividend	When the Company pays a dividend of surplus with respect to a certain record date in any fiscal year, it shall pay in cash to the 1st Series Class A Preferred Shareholders/Pledgees whose names are entered or recorded in the final shareholder register on that record date, prior to any dividend payment to shareholders holding common shares whose names are entered or recorded in the final shareholder register on that record date (“Common Shareholders”) or registered pledgees of common shares (hereinafter, together with Common Shareholders, referred to as “Common Shareholders/Pledgees”), a dividend of the amount prescribed in 9.(4) below per share of 1st Series Class A Preferred Shares to the extent permitted by law. However, if another dividend of surplus has already been paid to 1st Series Class A Preferred Shareholders/Pledgees with respect to a record date within the same fiscal year as the record date of the dividend of surplus referred to in the preceding sentence, but prior to its record date

	(hereinafter, such dividend is referred to as “Interim Preferred Dividend”), the amount of Interim Preferred Dividend shall be deducted from the amount of dividend paid to 1st Series Class A Preferred Shareholders/Pledgees pursuant to the preceding sentence. If the Company acquires 1st Series Class A Preferred Shares between the record date of the dividend of surplus mentioned above and the date on which the dividend is to be paid, no dividend shall be paid for such 1st Series Class A Preferred Shares with respect to that record date.
(4) Amount of preferred dividend	The amount of preferred dividend per share of 1st Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula; provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place: The amount of preferred dividend per share of 1st Series Class A Preferred Shares $= (X + Y) \times 4.4\% \times n \div 365$ where: X = Amount paid per share of 1st Series Class A Preferred Shares Y = Accrued 1st Series Class A Preferred Dividend (as defined in 9.(5) below) pertaining to the previous fiscal year after the payment of year-end dividend (if any) n = Actual number of days from (and including) the first day of the fiscal year to which the record date of the relevant dividend of surplus belongs (if both the record date of the relevant dividend of surplus and the payment date belong to the same fiscal year, the payment date) to (and including) the record date of the relevant dividend of surplus.
(5) Accrual clause	If the total amount of dividends of surplus per share paid to the 1st Series Class A Preferred Shareholder/Pledgees with respect to record dates falling within any fiscal year falls short of the amount of Preferred Dividend calculated with respect to the last day of the fiscal year as the record date in accordance with 9.(4) above, the amount of such shortfall (“Accrued 1st Series Class A Preferred Dividend”) shall be accrued for subsequent fiscal years.
(6) Non-participation clause	The Company shall not pay any dividend of surplus to 1st Series Class A Preferred Shareholders/Pledgees in excess of the total amount of Preferred Dividend prescribed in 9.(4) above. However, this shall not apply to a dividend of surplus paid in the course of an absorption-type company split procedure carried out by the Company as prescribed in Article 758, item (viii), (b) or Article 760, item (vii), (b) of the Companies Act or to a dividend of surplus paid in the course of an incorporation-type company split procedure carried out by the Company as prescribed in Article 763, paragraph (1), item (xii), (b) or Article 765, paragraph (1), item (viii), (b) of the Companies Act.
10. Distribution of residual assets	

(1) Distribution of residual assets	When distributing residual assets, the Company shall pay to 1st Series Class A Preferred Shareholders/Pledgees the amount per share of 1st Series Class A Preferred Shares prescribed in 10.(2) below prior to any distribution to Common Shareholders/Pledgees.
(2) Residual assets distribution amount	
①Basic residual assets distribution amount	The residual assets distribution amount per share of 1st Series Class A Preferred Shares shall be the amount equivalent to the Basic Redemption Price prescribed in 12.(2)(i) below (“Basic Residual Assets Distribution Amount”) (provided; however, that the “Redemption Claim Date” in 12.(2)(i) below shall be deemed to be replaced with “Residual Assets Distribution Date” (meaning the day on which residual assets are distributed; hereinafter the same shall apply) for the purpose of this application).
②Deduction amount	Notwithstanding the provisions of 10.(2)(i) above, if there has been Preferred Dividend paid before the Residual Assets Distribution Date (including Interim Preferred Dividend paid before the Residual Assets Distribution Date; hereinafter, such dividend is referred to as “Preferred Dividend Paid Before Dissolution”), the Residual Assets Distribution Amount per share of 1st Series Class A Preferred Shares shall be determined by deducting the amount equivalent to Deduction Amount prescribed in 12.(2)(ii) below (provided; however, that the “Redemption Claim Date” and “Preferred Dividend Paid Before Redemption Claim” in 12.(2)(ii) below shall be deemed to be replaced with “Residual Assets Distribution Date” and “Preferred Dividend Paid Before Dissolution” for the purpose of this application) from the Basic Residual Assets Distribution Amount prescribed in 10.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Dissolution, the amount equivalent to Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Dissolution, and the total amount shall be deducted from the Basic Residual Assets Distribution Amount prescribed in 10.(2)(i) above.
(3) Non-participation clause	No distribution of residual assets shall be made to 1st Series Class A Preferred Shareholders/Pledgees except as prescribed above.
11. Voting rights	(1) Unless otherwise provided by law, 1st Series Class A Preferred Shareholders shall not have voting rights at the general meeting of shareholders. (2) In cases where the Company performs any of the acts prescribed in each item of Article 322, Paragraph 1 of the Companies Act, no resolution of the Class Meeting constituted by 1st Series Class A Preferred Shareholders shall be required, except where otherwise provided by laws and regulations. (3) In cases where the Company issues Shares for Subscription or Share Options for Subscription, no resolution of the Class Meeting constituted by 1st Series Class A Preferred Shareholders pursuant to Article 199, Paragraph 4 or Article 238, Paragraph 4 of the

Companies Act shall be required.	
12. Cash-consideration put option (right to claim redemption)	
(1) Terms and conditions of the right to claim redemption	1st Series Class A Preferred Shareholders may at any time claim that the Company acquire 1st Series Class A Preferred Shares in exchange for monetary consideration ("Redemption Claim"). In this case, in exchange for acquiring one share of 1st Series Class A Preferred Shares, the Company shall, on the effective date of the Redemption Claim, pay to 1st Series Class A Preferred Shareholders money of the amount prescribed in 12.(2) below (provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place; hereinafter, "Redemption Price"), to the extent permitted by law and within the limit of the distributable amount prescribed in Article 461, paragraph (2) of the Companies Act on the date of the Redemption Claim ("Redemption Claim Date"). If the amount of Redemption Claim exceeds the distributable amount on the Redemption Claim Date, the 1st Series Class A Preferred Shares to be acquired shall be determined by the Company's Board of Directors through a lottery, proportional allocation based on the number of 1st Series Class A Preferred Shares subject to the Redemption Claim, or by other means.
(2) Redemption Price	
①Basic Redemption Price	The Redemption Price per share of 1st Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula ("Basic Redemption Price"): (Basic Redemption Price calculation formula) $\text{Basic Redemption Price} = 1,000,000 \text{ yen} \times (1 + 0.044)^{m+n/365}$ where the number of days falling within the period from (and including) the payment date to (and including) the Redemption Claim Date is expressed as m years and n days.
②Deduction amount	Notwithstanding the provisions of 12.(2)(i) above, if there has been Preferred Dividend paid before the Redemption Claim Date (including Interim Preferred Dividend paid before the Redemption Claim Date; hereinafter, such dividend is referred to as "Preferred Dividend Paid Before Redemption Claim"), the Redemption Price per share of 1st Series Class A Preferred Shares shall be determined by deducting the amount calculated in accordance with the formula shown below from the Basic Redemption Price prescribed in 12.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Redemption Claim, the Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Redemption Claim, and the total amount shall be deducted from the Basic Redemption Price prescribed in 12.(2)(i) above. (Deduction amount calculation formula) $\text{Deduction amount} = \text{Preferred Dividend Paid Before Redemption Claim} \times (1 + 0.044)^{x+y/365}$ where the number of days falling within the period from (and including)

		the payment date of Preferred Dividend Paid Before Redemption Claim to (and including) the Redemption Claim Date is expressed as x years and y days.
	(3) Location for accepting Redemption Claim	2-11, Shinbashi-cho, Kadoma, Osaka TOWA PHARMACEUTICAL CO., LTD.
	(4) Effective date of Redemption Claim	Any Redemption Claim shall take effect when the written notice of Redemption Claim arrives at the designated Redemption Claim acceptance location.
13. Cash-consideration call option (mandatory redemption)		
	(1) Terms and conditions of mandatory redemption	The Company may, at any time, upon the arrival of a date separately determined by the Company's Board of Directors ("Mandatory Redemption Date"), acquire all or part of 1st Series Class A Preferred Shares, irrespective of the intention of 1st Series Class A Preferred Shareholders/Pledgees in exchange for delivering to them money of the amount prescribed in 13.(2) below ("Mandatory Redemption Price"), within the limit of the distributable amount on that date (hereinafter, the acquisition of 1st Series Class A Preferred Shares under this provision is referred to as "Mandatory Redemption"). When acquiring part of 1st Series Class A Preferred Shares, the 1st Series Class A Preferred Shares to be acquired shall be determined by the Company's Board of Directors through a lottery, proportional allocation, or other means.
	(2) Mandatory redemption price	
	① Basic mandatory redemption price	The Mandatory Redemption Price per share of 1st Series Class A Preferred Shares shall be the amount equivalent to the Basic Redemption Price prescribed in 12.(2)(i) above (provided; however, that the "Redemption Claim Date" in 12.(2)(i) above shall be deemed to be replaced with "Mandatory Redemption Date" for the purpose of this application) ("Basic Mandatory Redemption Price").
	② Deduction amount	Notwithstanding the provisions of 13.(2)(i) above, if there has been Preferred Dividend paid before the Mandatory Redemption Date (including Interim Preferred Dividend paid before the Mandatory Redemption Date; hereinafter, such dividend is referred to as "Preferred Dividend Paid Before Mandatory Redemption"), the Mandatory Redemption Price per share of 1st Series Class A Preferred Shares shall be determined by deducting the amount equivalent to Deduction Amount prescribed in 12.(2)(ii) above (provided; however, that the "Redemption Claim Date" and "Preferred Dividend Paid Before Redemption Claim" in 12.(2)(ii) above shall be deemed to be replaced with "Mandatory Redemption Date" and "Preferred Dividend Paid Before Mandatory Redemption" for the purpose of this application) from the Basic Mandatory Redemption Price prescribed in 13.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Mandatory Redemption, the amount equivalent to Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Mandatory Redemption, and the total amount shall be deducted

			from the Basic Mandatory Redemption Price prescribed in 13.(2)(i) above.
14. Stock consolidation or split			(1) Unless otherwise provided by law, no stock consolidation or split shall be carried out with respect to 1st Series Class A Preferred Shares. (2) 1st Series Class A Preferred Shareholders shall not be granted the right to receive an allocation of shares for subscription or stock acquisition rights for subscription, nor shall any shares or stock acquisition rights be allocated to them free of charge.
15. Transfer restrictions			Any acquisition of 1st Series Class A Preferred Shares by way of transfer requires the approval of the Board of Directors.

TOWA PHARMACEUTICAL CO., LTD.
Issuance Terms and Conditions of 2nd Series Class A Preferred Shares

1. Class of shares for subscription	Towa Pharmaceutical Co., Ltd. 2nd Series Class A Preferred Shares
2. Number of shares for subscription	The number of shares of which the Company notifies the allottee (however, this number shall not exceed [10,000] shares).
3. Amount to be paid	● yen per share
4. Total amount to be paid	● yen
5. Amount of share capital to be increased	● yen (500,000 yen per share)
6. Amount of legal capital surplus to be increased	● yen (500,000 yen per share)
7. Payment date	●
8. Allottee/number of shares	All shares shall be allotted to Development Bank of Japan Inc.

Terms and Conditions of 2nd Series Class A Preferred Shares

9. Dividend of surplus	
(1) Record date of year-end dividend	The Company may pay a cash dividend of surplus (year-end dividend) to shareholders holding 2nd Series Class A Preferred Shares whose names are entered or recorded in the final shareholder register as of the last day of each fiscal year (“2nd Series Class A Preferred Shareholders”) or registered pledgees of 2nd Series Class A Preferred Shares (hereinafter, together with 2nd Series Class A Preferred Shareholders, referred to as “2nd Series Class A Preferred Shareholders/Pledgees”).
(2) Interim dividend	In addition to year-end dividends, the Company may set a record date and pay a cash dividend of surplus (interim dividend) to 2nd Series Class A Preferred Shareholders/Pledgees whose names are entered or recorded in the final shareholder register on that record date.
(3) Preferred dividend	When the Company pays a dividend of surplus with respect to a certain record date in any fiscal year, it shall pay in cash to the 2nd Series Class A Preferred Shareholders/Pledgees whose names are entered or recorded in the final shareholder register on that record date, prior to any dividend payment to shareholders holding common shares whose names are entered or recorded in the final shareholder register on that record date (“Common Shareholders”) or registered pledgees of common shares (hereinafter, together with Common Shareholders, referred to as “Common Shareholders/Pledgees”), a dividend of the amount prescribed in 9.(4) below per share of 2nd Series Class A Preferred Shares to the extent permitted by law. However, if another dividend of surplus has already been paid to 2nd Series Class A Preferred Shareholders/Pledgees with respect to a record date within the same fiscal year as the record date of the dividend of

	surplus referred to in the preceding sentence, but prior to its record date (hereinafter, such dividend is referred to as “Interim Preferred Dividend”), the amount of Interim Preferred Dividend shall be deducted from the amount of dividend paid to 2nd Series Class A Preferred Shareholders/Pledgees pursuant to the preceding sentence. If the Company acquires 2nd Series Class A Preferred Shares between the record date of the dividend of surplus mentioned above and the date on which the dividend is to be paid, no dividend shall be paid for such 2nd Series Class A Preferred Shares with respect to that record date.
(4) Amount of preferred dividend	The amount of preferred dividend per share of 2nd Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula; provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place: The amount of preferred dividend per share of 2nd Series Class A Preferred Shares $= (X + Y) \times 4.4\% \times n \div 365$ where: X = Amount paid per share of 2nd Series Class A Preferred Shares Y = Accrued 2nd Series Class A Preferred Dividend (as defined in 9.(5) below) pertaining to the previous fiscal year after the payment of year-end dividend (if any) n = Actual number of days from (and including) the first day of the fiscal year to which the record date of the relevant dividend of surplus belongs (if both the record date of the relevant dividend of surplus and the payment date belong to the same fiscal year, the payment date) to (and including) the record date of the relevant dividend of surplus.
(5) Accrual clause	If the total amount of dividends of surplus per share paid to the 2nd Series Class A Preferred Shareholder/Pledgees with respect to record dates falling within any fiscal year falls short of the amount of Preferred Dividend calculated with respect to the last day of the fiscal year as the record date in accordance with 9.(4) above, the amount of such shortfall (“Accrued 2nd Series Class A Preferred Dividend”) shall be accrued for subsequent fiscal years.
(6) Non-participation clause	The Company shall not pay any dividend of surplus to 2nd Series Class A Preferred Shareholders/Pledgees in excess of the total amount of Preferred Dividend prescribed in 9.(4) above. However, this shall not apply to a dividend of surplus paid in the course of an absorption-type company split procedure carried out by the Company as prescribed in Article 758, item (viii), (b) or Article 760, item (vii), (b) of the Companies Act or to a dividend of surplus paid in the course of an incorporation-type company split procedure carried out by the Company as prescribed in Article 763, paragraph (1), item (xii), (b) or Article 765, paragraph (1), item (viii), (b) of the Companies Act.

10. Distribution of residual assets	
(1) Distribution of residual assets	When distributing residual assets, the Company shall pay to 2nd Series Class A Preferred Shareholders/Pledgees the amount per share of 2nd Series Class A Preferred Shares prescribed in 10.(2) below prior to any distribution to Common Shareholders/Pledgees.
(2) Residual assets distribution amount	
①Basic residual assets distribution amount	The residual assets distribution amount per share of 2nd Series Class A Preferred Shares shall be the amount equivalent to the Basic Redemption Price prescribed in 12.(2)(i) below ("Basic Residual Assets Distribution Amount") (provided; however, that the "Redemption Claim Date" in 12.(2)(i) below shall be deemed to be replaced with "Residual Assets Distribution Date" (meaning the day on which residual assets are distributed; hereinafter the same shall apply) for the purpose of this application).
②Deduction amount	Notwithstanding the provisions of 10.(2)(i) above, if there has been Preferred Dividend paid before the Residual Assets Distribution Date (including Interim Preferred Dividend paid before the Residual Assets Distribution Date; hereinafter, such dividend is referred to as "Preferred Dividend Paid Before Dissolution"), the Residual Assets Distribution Amount per share of 2nd Series Class A Preferred Shares shall be determined by deducting the amount equivalent to Deduction Amount prescribed in 12.(2)(ii) below (provided; however, that the "Redemption Claim Date" and "Preferred Dividend Paid Before Redemption Claim" in 12.(2)(ii) below shall be deemed to be replaced with "Residual Assets Distribution Date" and "Preferred Dividend Paid Before Dissolution" for the purpose of this application) from the Basic Residual Assets Distribution Amount prescribed in 10.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Dissolution, the amount equivalent to Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Dissolution, and the total amount shall be deducted from the Basic Residual Assets Distribution Amount prescribed in 10.(2)(i) above.
(3) Non-participation clause	No distribution of residual assets shall be made to 2nd Series Class A Preferred Shareholders/Pledgees except as prescribed above.
11. Voting rights	(1) Unless otherwise provided by law, 2nd Series Class A Preferred Shareholders shall not have voting rights at the general meeting of shareholders. (2) In cases where the Company performs any of the acts prescribed in each item of Article 322, Paragraph 1 of the Companies Act, no resolution of the Class Meeting constituted by 2nd Series Class A Preferred Shareholders shall be required, except where otherwise provided by laws and regulations. (3) In cases where the Company issues Shares for Subscription or Share Options for Subscription, no resolution of the Class Meeting

	constituted by 2nd Series Class A Preferred Shareholders pursuant to Article 199, Paragraph 4 or Article 238, Paragraph 4 of the Companies Act shall be required.
12. Cash-consideration put option (right to claim redemption)	
(1) Terms and conditions of the right to claim redemption	2nd Series Class A Preferred Shareholders may at any time claim that the Company acquire 2nd Series Class A Preferred Shares in exchange for monetary consideration ("Redemption Claim"). In this case, in exchange for acquiring one share of 2nd Series Class A Preferred Shares, the Company shall, on the effective date of the Redemption Claim, pay to 2nd Series Class A Preferred Shareholders money of the amount prescribed in 12.(2) below (provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place; hereinafter, "Redemption Price"), to the extent permitted by law and within the limit of the distributable amount prescribed in Article 461, paragraph (2) of the Companies Act on the date of the Redemption Claim ("Redemption Claim Date"). If the amount of Redemption Claim exceeds the distributable amount on the Redemption Claim Date, the 2nd Series Class A Preferred Shares to be acquired shall be determined by the Company's Board of Directors through a lottery, proportional allocation based on the number of 2nd Series Class A Preferred Shares subject to the Redemption Claim, or by other means.
(2) Redemption Price	
①Basic Redemption Price	The Redemption Price per share of 2nd Series Class A Preferred Shares shall be the amount calculated in accordance with the following formula ("Basic Redemption Price"): (Basic Redemption Price calculation formula) $\text{Basic Redemption Price} = 1,000,000 \text{ yen} \times (1 + 0.044)^{m+n/365}$ where the number of days falling within the period from (and including) the payment date to (and including) the Redemption Claim Date is expressed as m years and n days.
②Deduction amount	Notwithstanding the provisions of 12.(2)(i) above, if there has been Preferred Dividend paid before the Redemption Claim Date (including Interim Preferred Dividend paid before the Redemption Claim Date; hereinafter, such dividend is referred to as "Preferred Dividend Paid Before Redemption Claim"), the Redemption Price per share of 2nd Series Class A Preferred Shares shall be determined by deducting the amount calculated in accordance with the formula shown below from the Basic Redemption Price prescribed in 12.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Redemption Claim, the Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Redemption Claim, and the total amount shall be deducted from the Basic Redemption Price prescribed in 12.(2)(i) above. (Deduction amount calculation formula)

		Deduction amount = Preferred Dividend Paid Before Redemption Claim $\times (1 + 0.044)^{x+y/365}$ where the number of days falling within the period from (and including) the payment date of Preferred Dividend Paid Before Redemption Claim to (and including) the Redemption Claim Date is expressed as x years and y days.
	(3) Location for accepting Redemption Claim	2-11, Shinbashi-cho, Kadoma, Osaka TOWA PHARMACEUTICAL CO., LTD.
	(4) Effective date of Redemption Claim	Any Redemption Claim shall take effect when the written notice of Redemption Claim arrives at the designated Redemption Claim acceptance location.
13. Cash-consideration call option (mandatory redemption)		
	(1) Terms and conditions of mandatory redemption	The Company may, at any time, upon the arrival of a date separately determined by the Company's Board of Directors ("Mandatory Redemption Date"), acquire all or part of 2nd Series Class A Preferred Shares, irrespective of the intention of 2nd Series Class A Preferred Shareholders/Pledgees in exchange for delivering to them money of the amount prescribed in 13.(2) below ("Mandatory Redemption Price"), within the limit of the distributable amount on that date (hereinafter, the acquisition of 2nd Series Class A Preferred Shares under this provision is referred to as "Mandatory Redemption"). When acquiring part of 2nd Series Class A Preferred Shares, the 2nd Series Class A Preferred Shares to be acquired shall be determined by the Company's Board of Directors through a lottery, proportional allocation, or other means.
	(2) Mandatory redemption price	
	① Basic mandatory redemption price	The Mandatory Redemption Price per share of 2nd Series Class A Preferred Shares shall be the amount equivalent to the Basic Redemption Price prescribed in 12.(2)(i) above (provided; however, that the "Redemption Claim Date" in 12.(2)(i) above shall be deemed to be replaced with "Mandatory Redemption Date" for the purpose of this application) ("Basic Mandatory Redemption Price").
	② Deduction amount	Notwithstanding the provisions of 13.(2)(i) above, if there has been Preferred Dividend paid before the Mandatory Redemption Date (including Interim Preferred Dividend paid before the Mandatory Redemption Date; hereinafter, such dividend is referred to as "Preferred Dividend Paid Before Mandatory Redemption"), the Mandatory Redemption Price per share of 2nd Series Class A Preferred Shares shall be determined by deducting the amount equivalent to Deduction Amount prescribed in 12.(2)(ii) above (provided; however, that the "Redemption Claim Date" and "Preferred Dividend Paid Before Redemption Claim" in 12.(2)(ii) above shall be deemed to be replaced with "Mandatory Redemption Date" and "Preferred Dividend Paid Before Mandatory Redemption" for the purpose of this application) from the Basic Mandatory

			Redemption Price prescribed in 13.(2)(i) above. If there have been multiple payments of Preferred Dividend Paid Before Mandatory Redemption, the amount equivalent to Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Mandatory Redemption, and the total amount shall be deducted from the Basic Mandatory Redemption Price prescribed in 13.(2)(i) above.
14. Stock consolidation or split			(1) Unless otherwise provided by law, no stock consolidation or split shall be carried out with respect to 2nd Series Class A Preferred Shares. (2) 2nd Series Class A Preferred Shareholders shall not be granted the right to receive an allocation of shares for subscription or stock acquisition rights for subscription, nor shall any shares or stock acquisition rights be allocated to them free of charge.
15. Transfer restrictions			Any acquisition of 2nd Series Class A Preferred Shares by way of transfer requires the approval of the Board of Directors.

End of Notice

Attachment 2

TOWA PHARMACEUTICAL CO., LTD.
Amendment of the Articles of Incorporation

(The underlined parts show the amendments.)

Current Articles of Incorporation	Proposed amendment
(Total Number of Shares Authorized to be Issued) Article 6 The total number of the Company's shares authorized to be issued shall be 147,000,000.	(Total Number of Shares Authorized to be Issued, etc.) Article 6 The total number of the Company's shares authorized to be issued shall be 147,000,000. <u>The total number of the Company's common shares authorized to be issued shall be 147,000,000. The total number of the Company's class A preferred shares authorized to be issued shall be 20,000.</u>
(Share Unit) Article 8 The Company's share <u>unit shall be 100 shares.</u>	(Share Unit) Article 8 The Company's share <u>units for common shares and class A preferred shares shall be 100 shares and 1 share, respectively.</u>
(Newly established)	<u>Article 2-2 Class A Preferred Shares</u> <u>(Class A Preferred Dividend)</u> <u>Article 11-2</u> 1. <u>When the Company pays an year-end dividend of surplus pursuant to the provisions of Article 33, paragraph 1, it shall pay to shareholders holding class A preferred shares whose names are entered or recorded in the final shareholder register as of the record date of the year-end dividend of surplus ("Class A Preferred Shareholders") or registered pledgees of class A preferred shares (hereinafter, together with Class A Preferred Shareholders, referred to as "Class A Preferred Shareholders/Pledgees"), prior to any dividend payment to shareholders holding common shares whose names are entered or recorded in the final shareholder register on that record date ("Common Shareholders") or registered pledgees of common shares (hereinafter, together with Common Shareholders, referred to as "Common Shareholders/Pledgees"), a dividend of the amount calculated in accordance with the formula shown below as Class A Preferred Dividend per share of class A preferred shares ("Class A Preferred Dividend Amount"); provided, however,</u>

	<u>that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place:</u> <u>Class A Preferred Dividend Amount</u> $= (X + Y) \times [4.4]\% \times n \div 365$ <u>where:</u> <u>X = Amount paid per share of class A preferred shares</u> <u>Y = Accrued Class A Preferred Dividend (as defined in the following paragraph) pertaining to the previous fiscal year after the payment of year-end dividend (if any)</u> <u>n = Actual number of days from (and including) the first day of the fiscal year to which the record date of the relevant year-end dividend of surplus belongs (if both the record date of the relevant dividend of surplus and the payment date belong to the same fiscal year, the payment date) to (and including) the record date of the relevant dividend of surplus. However, if the Company has paid Class A Interim Preferred Dividend prescribed in Article 11-3 in a fiscal year to which the record date of the year-end dividend belongs, the Company shall pay the amount obtained by deducting the total amount of such Class A Interim Preferred Dividend. If the Company acquires class A preferred shares between the record date of the year-end dividend mentioned above and the date on which the dividend is to be paid, the Company is not required to pay year-end dividend for such class A preferred shares with respect to that record date.</u> <u>2. If the total amount of dividends of surplus per share paid to Class A Preferred Shareholder/Pledgees in any fiscal year falls short of the Class A Preferred Dividend Amount, the amount of such shortfall ("Accrued Class A Preferred Dividend") shall be accrued for subsequent fiscal years.</u> <u>3. The Company shall not pay any dividend of surplus to Class A Preferred Shareholders/Pledgees in excess of the Class A Preferred Dividend Amount. However, this shall not apply to a dividend of surplus paid in the</u>
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(Newly established)	<u>course of an absorption-type company split procedure carried out by the Company as prescribed in Article 758, item (viii), (b) or Article 760, item (vii), (b) of the Companies Act or to a dividend of surplus paid in the course of an incorporation-type company split procedure carried out by the Company as prescribed in Article 763, paragraph (1), item (xii), (b) or Article 765, paragraph (1), item (viii), (b) of the Companies Act.</u> <u>(Class A Interim Preferred Dividend)</u> <u>Article 11-3 When the Company pays a dividend of surplus with respect to a record date other than the last day of a fiscal year (“Interim Dividend Record Date”) pursuant to the provisions of Article 33, paragraph 2 or Article 34 (hereinafter, such a dividend is referred to as “Interim Dividend”), it shall pay in cash to Class A Preferred Shareholders/Pledgees whose names are entered or recorded in the final shareholder register as of the Interim Dividend Record Date, prior to any dividend payment to Common Shareholders/Pledgees, a dividend of the amount calculated per share of class A preferred shares in accordance with the formula shown below (“Class A Interim Preferred Dividend”); provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place:</u> <u>Class A Interim Preferred Dividend</u> $= (X + Y) \times [4.4]^0\% \times n \div 365$ <u>where:</u> <u>X = Amount paid per share of class A preferred shares</u> <u>Y = Accrued Class A Preferred Dividend pertaining to the previous fiscal year after the payment of year-end dividend (if any)</u> <u>n = Actual number of days from (and including) the first day of the fiscal year to which the relevant Interim Dividend Record Date belongs (if both the relevant Interim Dividend Record Date and the payment date belong to the same fiscal year, the payment date) to (and including) the relevant</u>
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(Newly established)	<u>Interim Dividend Record Date. However, if the Company has paid Class A Interim Preferred Dividend prescribed in this Article in a fiscal year to which the relevant Interim Dividend Record Date belongs before the payment of the Interim Dividend, the Company shall pay the amount obtained by deducting the total amount of such Class A Interim Preferred Dividend. If the Company acquires class A preferred shares between the Interim Dividend Record Date and the date on which the Interim Dividend is to be paid, the Company is not required to pay Interim Dividend for such class A preferred shares with respect to the Interim Dividend Record Date.</u> <u>(Distribution of Residual Assets)</u> <u>Article 11-4</u> <u>1. When distributing residual assets, the Company shall pay to Class A Preferred Shareholders/Pledgees, prior to any distribution of residual assets to Common Shareholders/Pledgees, the amount per share of Class A Preferred Shares obtained by deducting the amount equivalent to Deduction Amount from the amount equivalent to Basic Redemption Price prescribed in paragraph 2. of the following Article (provided, however, that the amount equivalent to Basic Redemption Price and the amount equivalent to Deduction Amount shall be calculated by replacing “Redemption Claim Date” and “Preferred Dividend Paid Before Redemption Claim” in the Basic Redemption Price calculation formula and the Deduction Amount calculation formula by “Residual Assets Distribution Date” (meaning the day on which residual assets are distributed; hereinafter the same shall apply) and “Preferred Dividend Paid Before Dissolution” (meaning Class A Preferred Dividend paid on or before the Residual Assets Distribution Date (including Class A Interim Preferred Dividend paid on or before the Residual Assets Distribution Date)), respectively). If there have been multiple payments of Preferred Dividend Paid Before Dissolution, the amount equivalent to Deduction Amount shall be calculated for each payment of</u>
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(Newly established)	<u>Preferred Dividend Paid Before Dissolution, and the total amount shall be deducted from the amount equivalent to Basic Redemption Price.</u> <u>2. No distribution of residual assets shall be made to Class A Preferred Shareholders/Pledgees except as prescribed in the preceding paragraph.</u> <u>(Cash-Consideration Put Option)</u> <u>Article 11-5</u> <u>1. Class A Preferred Shareholders may at any time claim that the Company deliver money in exchange for acquiring all or part of the class A preferred shares within the limit of the distributable amount (“Redemption Claim”). When such a claim is made (hereinafter, the date on which the claim is made is referred to as the “Redemption Claim Date”), the Company shall carry out the acquisition procedure in accordance with the provisions of the law, and if it is only possible to acquire part of class A preferred shares that are subject to the claim, the Company shall determine the number of shares to be acquired by proportional allocation, lottery, or other reasonable method determined by the Board of Directors.</u> <u>2. The acquisition price per share of class A preferred shares shall be calculated by deducting the Deduction Amount from the Basic Redemption Price, which are in turn calculated in accordance with the formulas shown below; provided, however, that the division shall be performed last, the amount shall be calculated to two decimal places below the yen, and the result shall be rounded off to one decimal place. If there have been multiple payments of Preferred Dividend Paid Before Redemption Claim prescribed in the calculation formula shown below, the Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Redemption Claim, and the total amount shall be deducted from the Basic Redemption Price.</u> <u>(Basic Redemption Price calculation formula)</u> <u>Basic Redemption Price</u>
(Newly established)	<u>(Basic Redemption Price calculation formula)</u> <u>Basic Redemption Price</u>

(Newly established)	<u>$= 1,000,000 \text{ yen} \times (1 + 0.044)^{m+n/365}$</u> <u>where the number of days falling within the period from (and including) the payment date to (and including) the Redemption Claim Date is expressed as m years and n days, and “m+n/365” represents the exponent of “(1 + 0.044).”</u> <u>(Deduction amount calculation formula)</u> <u>Deduction amount = Preferred Dividend Paid Before Redemption Claim $\times (1 + 0.044)^{x+y/365}$</u> <u>where “Preferred Dividend Paid Before Redemption Claim” means the amount of Class A Preferred Dividend paid on or after the payment date (including Class A Interim Preferred Dividend paid on or before the Redemption Claim Date); and</u> <u>where the number of days falling within the period from (and including) the payment date of Preferred Dividend Paid Before Redemption Claim to (and including) the Redemption Claim Date is expressed as “x years and y days,” and “x+y/365” represents the exponent of “(1 + 0.044).”</u> <u>3. The Redemption Claim under paragraph 1 of this Article shall take effect when the written notice of Redemption Claim pertaining to class A preferred shares arrives at the Company's head office.</u>
(Newly established)	<u>(Cash-Consideration Call Option)</u> <u>Article 11-6 The Company may, at any time, acquire all or part of its class A preferred shares in exchange for cash, within the limit of the distributable amount, upon the arrival of a date separately determined by a resolution of the Company's Board of Directors (hereinafter referred to as the “Mandatory Redemption Date” in this Article). When acquiring part of class A preferred shares, the Company shall acquire them by proportional allocation, lottery, or other reasonable method determined based on a resolution of the Board of Directors. The acquisition price per share of class A preferred</u>

	<u>shares Company shall be the amount obtained by deducting the amount equivalent to Deduction Amount from the amount equivalent to Basic Redemption Price prescribed in paragraph 2. of the preceding Article (provided, however, that the amount equivalent to Basic Redemption Price and the amount equivalent to Deduction Amount shall be calculated by replacing “Redemption Claim Date” and “Preferred Dividend Paid Before Redemption Claim” in the Basic Redemption Price calculation formula and the Deduction Amount calculation formula by “Mandatory Redemption Date” and “Preferred Dividend Paid Before Mandatory Redemption” (meaning Class A Preferred Dividend paid on or before the Mandatory Redemption Date (including Class A Interim Preferred Dividend paid on or before the Mandatory Redemption Date)), respectively).</u> <u>If there have been multiple payments of Preferred Dividend Paid Before Mandatory Redemption, the amount equivalent to Deduction Amount shall be calculated for each payment of Preferred Dividend Paid Before Mandatory Redemption, and the total amount shall be deducted from the amount equivalent to the Basic Redemption Price.</u>
(Newly established)	<u>(Voting Rights)</u> <u>Article 11-7 Unless otherwise provided by law, Class A Preferred Shareholders shall not have voting rights at the general meeting of shareholders.</u>
(Newly established)	<u>(Stock Consolidation, Split, etc.)</u> <u>Article 11-8 Unless otherwise provided by law, no stock consolidation or split shall be carried out with respect to class A preferred shares. Class A Preferred Shareholders shall not be granted the right to receive an allocation of shares for subscription or stock acquisition rights for subscription, nor shall any shares or stock acquisition rights be allocated to them free of charge.</u>
(Newly established)	<u>(Transfer Restrictions on Class A Preferred</u>

(Newly established)	<u>Shares)</u> <u>Article 11-9 Any acquisition of class A preferred shares of the Company by way of transfer requires the approval of the Board of Directors.</u> <u>(Application Mutatis Mutandis to General Meeting of Class Shareholders)</u> <u>Article 11-10 The provisions of Chapter 3 (Provisions Concerning the General Meeting of Shareholders) shall apply mutatis mutandis to the general meeting of class shareholders</u>
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End of Notice