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June 25, 2024

To whom it may concern:

TOWA PHARMACEUTICAL CO., LTD.

## Notice of Disposal of Treasury Shares as Restricted Stock Compensation

Towa Pharmaceutical Co., Ltd. (hereinafter, the “Company”) announces that at a meeting of its Board of Directors on June 25, 2024, a resolution was passed to dispose of its treasury shares (hereinafter, the “Disposal”) as detailed below.

### 1. Outline of the Disposal

(1)	Payment date	July 18, 2024
(2)	Type and number of shares to be disposed of	8,250 shares of the Company’s common stock
(3)	Amount to be paid	JPY 2,880 per share
(4)	Total amount to be paid	JPY 23,760,000
(5)	Allottee, number of allottees and number of shares to be disposed of	8,250 shares to 3 directors of the Company (excluding outside directors, directors who are Audit and Supervisory Committee Members, and directors who are subject to medium- to long-term performance-based stock price-linked compensation)
(6)	Others	Regarding the Disposition of Treasury Stock, the Securities Notice in accordance with the Financial Instruments and Exchange Act has been filed.

### 2. Objective and Reason for the Disposal

At a meeting of its Board of Directors held on May 22, 2019, the Company resolved to introduce a restricted stock compensation plan (hereinafter, the “Plan”) as a new compensation plan for the Company’s directors, excluding outside directors, directors who are Audit and Supervisory Committee Members, and directors who are subject to medium- to long-term performance-based stock price-linked compensation (hereinafter, the “Eligible Directors”), to clarify the link between the compensation of the Eligible Directors and the Company’s performance and shareholder value, to increase awareness of contributing to the enhancement of corporate value, to strengthen the shareholder-oriented management mentality further, and to provide an incentive for the medium- to long-term increase of corporate value. In addition, at the 63rd Ordinary General Meeting of Shareholders held on June 25, 2019, the Company obtained approval to pay monetary compensation claims of up to 100 million yen per year to the Eligible Directors as monetary compensation to be used as a capital contribution for the acquisition of restricted shares under the Plan (hereinafter, “Restricted Stock Compensation”) and to set the transfer restriction period of the restricted

shares between 3 and 30 years, to be determined by the Company's Board of Directors.

An outline and other matters of the Plan are as follows.

[Outline and other matters of the Plan]

The Eligible Directors will pay all of the monetary compensation claims paid by the Company in accordance with the Plan as assets contributed in kind and will receive the issuance or disposition of shares of the Company's common stock. The total number of common stock to be issued or disposed of by the Company for the Eligible Directors under the Plan will be no more than 19,500 shares per year. The amount to be paid per share will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of the each Board of Directors resolution (or the closing price of the preceding trading day if there was no trading on such date), to the extent that such amount is not particularly favorable to the Eligible Directors who will subscribe for such common stock.

Upon the issuance or disposal of shares of the Company's common stock under the Plan, the Company and the Eligible Directors will enter into a restricted stock allotment agreement containing the following provisions: (1) the Eligible Directors may not transfer, pledge, or otherwise dispose of the shares of the Company's common stock allotted to them under the restricted stock allotment agreement for a specified period of time and (2) upon the occurrence of certain events, the Company will acquire such shares of common stock free of charge.

This time, the Company has decided to grant monetary compensation claims totaling 23,760,000 yen (hereinafter, the "Monetary Compensation Claims") and 8,250 shares of common stock, which are deemed to be the appropriate amount and number of shares corresponding to compensation for the execution of duties over three fiscal years, which is the period of the Company's current medium-term management plan, and to set the transfer restriction period at 30 years in order to realize shared value with shareholders in the medium and long term, which is the objective of introducing the Plan, taking into account the objective of the Plan, the Company's business conditions, the scope of responsibilities of each Eligible Director, and other various circumstances, as well as to retain competent personnel as executives and further motivate each Eligible Director.

Upon the Disposal, the three Eligible Directors, who are the scheduled allottee, will pay all Monetary Compensation Claims to the Company pursuant to the Plan as assets contributed in kind and will receive the issuance or disposition of shares of the Company's common stock (hereinafter, the "Allotted Shares"). In the Disposal, the outline of the restricted stock allotment agreement to be entered between the Company and the Eligible Director (hereinafter, the "Allotment Agreement") shall be as described in 3 below.

### 3. Outline of the Allotment Agreement

(1) Transfer restriction period: From July 18, 2024 to July 17, 2054

(2) Conditions for lifting transfer restrictions

The transfer restrictions on all Allotted Shares will be lifted at the expiration of the transfer restriction period, provided that the Eligible Director continues to hold the position of director of the Company during the transfer restriction period.

(3) Treatment in the event that the Eligible Director retires (including retirement due to death) due to expiration of the term of office, death, mandatory retirement age, or other justifiable reasons during the transfer restriction period

Notwithstanding the provisions of the preceding paragraph, the timing or conditions for the lifting of the transfer restrictions in the event of the retirement (including retirement due to death) of the Eligible Director from the position of director of the Company due to expiration of the term of office, death, mandatory retirement age, or other justifiable reasons (not including those arising from the personal circumstances of the Eligible Director; the same shall apply hereinafter) during the transfer restriction period shall be as follows.

- 1) Retirement due to death of the Eligible Director
  - (a) Timing of the lifting of restrictions

As of the time immediately following the death of the Eligible Director
  - (b) Number of shares to be released from restrictions

The number obtained by multiplying the number specified in (i) below by the number specified in (ii) below and the number specified in (iii) below (Any fraction less than one share shall be rounded down.)

    - (i) The number of shares held by the Eligible Director at the time of his/her death
    - (ii) The number obtained by dividing the number of months from the month including the date of the 68th Ordinary General Meeting of Shareholders to the month including the date of retirement of the Eligible Director (hereinafter, the “Tenure of Office”) by 36 (If such number exceeds 1, 1 shall be used.)
    - (iii) The coefficient stipulated in the Allotment Agreement based on the percentage obtained by dividing the cumulative consolidated operating profit from the beginning of the medium-term management plan published by the Company to the most recently published quarterly results by the target cumulative consolidated operating profit in the Company’s medium-term management plan divided proportionally over the period up to the most recently published quarterly results as of the date of the death of the Eligible Director
- 2) Retirement for justifiable reasons other than those listed in the preceding item
  - (a) Timing of the lifting of restrictions

As of the time immediately following the retirement of the Eligible Director
  - (b) Number of shares to be released from restrictions

The number obtained by multiplying the number specified in (i) below by the number specified in (ii) below and the number specified in (iii) below (Any fraction less than one share shall be rounded down.)

    - (i) The number of shares held by the Eligible Director as of the time immediately following his/her retirement
    - (ii) The number obtained by dividing the Tenure of Office by 36 (If such number exceeds 1, 1 shall be used.)
    - (iii) The coefficient stipulated in the Allotment Agreement based on the percentage obtained by dividing the cumulative consolidated operating profit from the beginning of the medium-term management plan published by the Company to the most recently published quarterly results by the target cumulative consolidated operating profit in the Company’s medium-term management plan divided proportionally over the period up to the most recently published quarterly results as of the date of the retirement of the Eligible Director
- (4) Acquisition by the Company free of charge

The Company will naturally acquire for no charge the Allotted Shares whose transfer restrictions are not lifted at the time of expiration of the transfer restriction period or at the time of lifting of the transfer restrictions as set forth in (3) above.
- (5) Management of shares

The Allotted Shares will be managed in a dedicated account opened by the Eligible Director at Nomura Securities Co., Ltd. during the transfer restriction period so that the Allotted Shares may not be transferred, pledged, or otherwise disposed of during the transfer restriction period. To ensure the effectiveness of transfer restrictions, etc. with respect to the Allotted Shares, the Company has entered into an agreement with Nomura Securities Co., Ltd. regarding the management of the account for the Allotted Shares held by each Eligible Director. The Eligible Directors shall agree to the details of the management of such accounts.
- (6) Treatment upon reorganization, etc.

If, during the transfer restriction period, a merger agreement under which the Company is to become the non-surviving company, a share exchange agreement or share transfer plan under which the Company is to become a wholly owned subsidiary, or other matters concerning a reorganization, etc., are approved at the Company's general meeting of shareholders (or the Company's Board of Directors meeting if approval at the Company's General Meeting of Shareholders is not required for such reorganization, etc.), the transfer restrictions shall be lifted with respect to the number of shares of the Allotted Shares held as of such time multiplied by the number of months from the month including the date of the 68th Ordinary General Meeting of Shareholders to the month including the date of the approval of the reorganization, etc. divided by 36 (if such number exceeds 1, 1 shall be used) (however, if the calculation results in a fraction of a share, such fraction shall be rounded down) on the business day preceding the effective date of the reorganization, etc. by resolution of the Board of Directors. Furthermore, on the business day preceding the effective date of the reorganization, etc., the Company will naturally acquire for no charge all Allotted Shares whose transfer restrictions are not lifted.

4. Basis for calculation of the amount to be paid and the specific details thereof

The Disposal to the scheduled allottee will be made with the monetary compensation claims paid as Restricted Stock Compensation for the Company's 69th to 71th fiscal year under the Plan as capital contribution. The amount to be paid has been set at 2,880 yen, the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on June 24, 2024 (the business day preceding the date of the resolution of the Board of Directors), in order to eliminate arbitrariness from the amount. This is the market price immediately prior to the date of the resolution of the Board of Directors, and we believe it is reasonable and does not constitute a particularly favorable price.

End of Notice