

**Financial results  
for the year ended March 2009**

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**May, 2009**

**Towa Pharmaceutical Co., Ltd.**

**(stock ticker number :4553)**



# Contents

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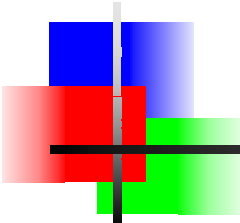
## **II. Forecasts for the year ending March 2010**

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## **I. Financial results for the year ended March 2009**

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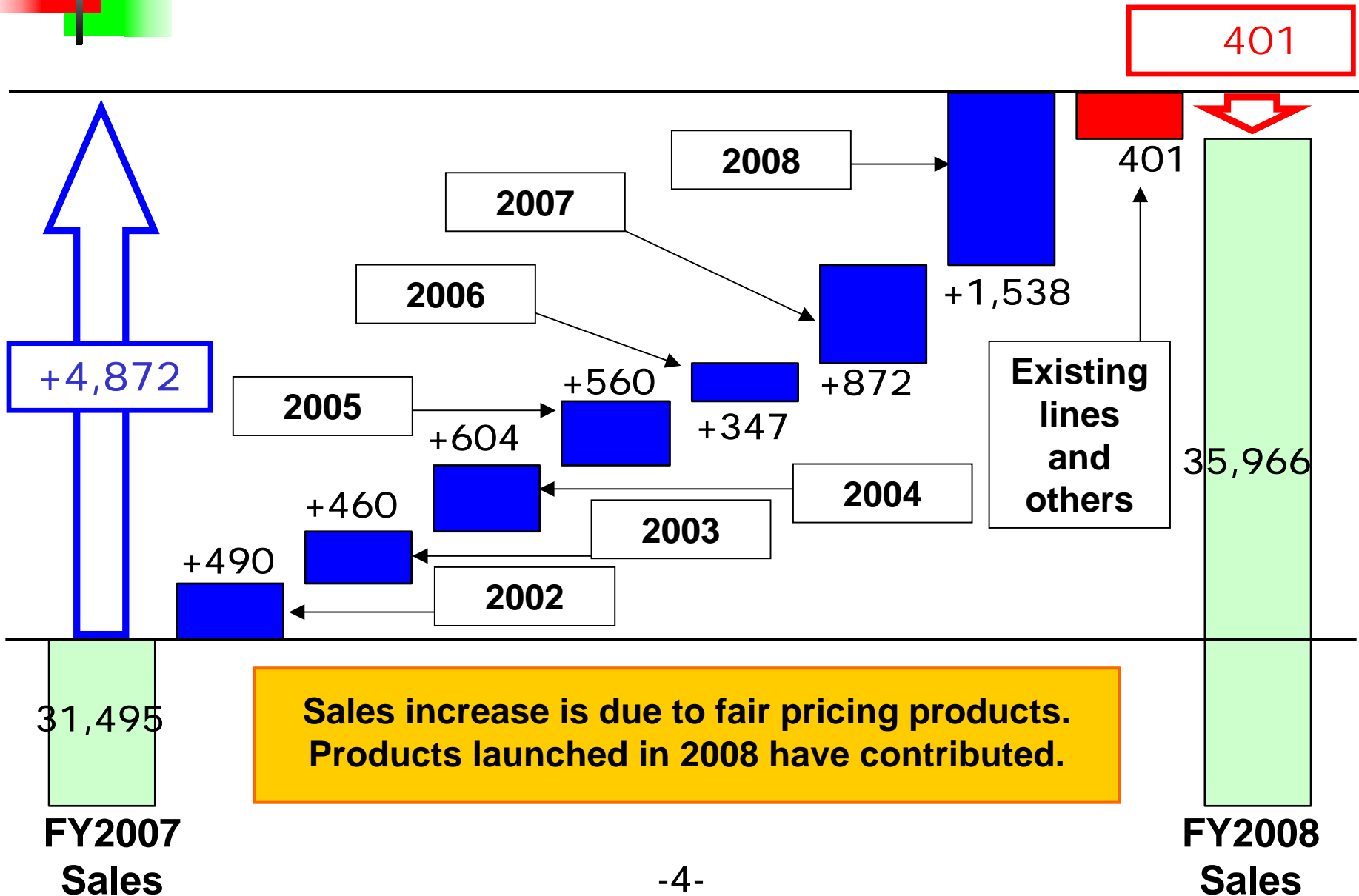
# Outline of the financial results for the year ended March 2009 (FY2008)

(Yen in Millions, %)

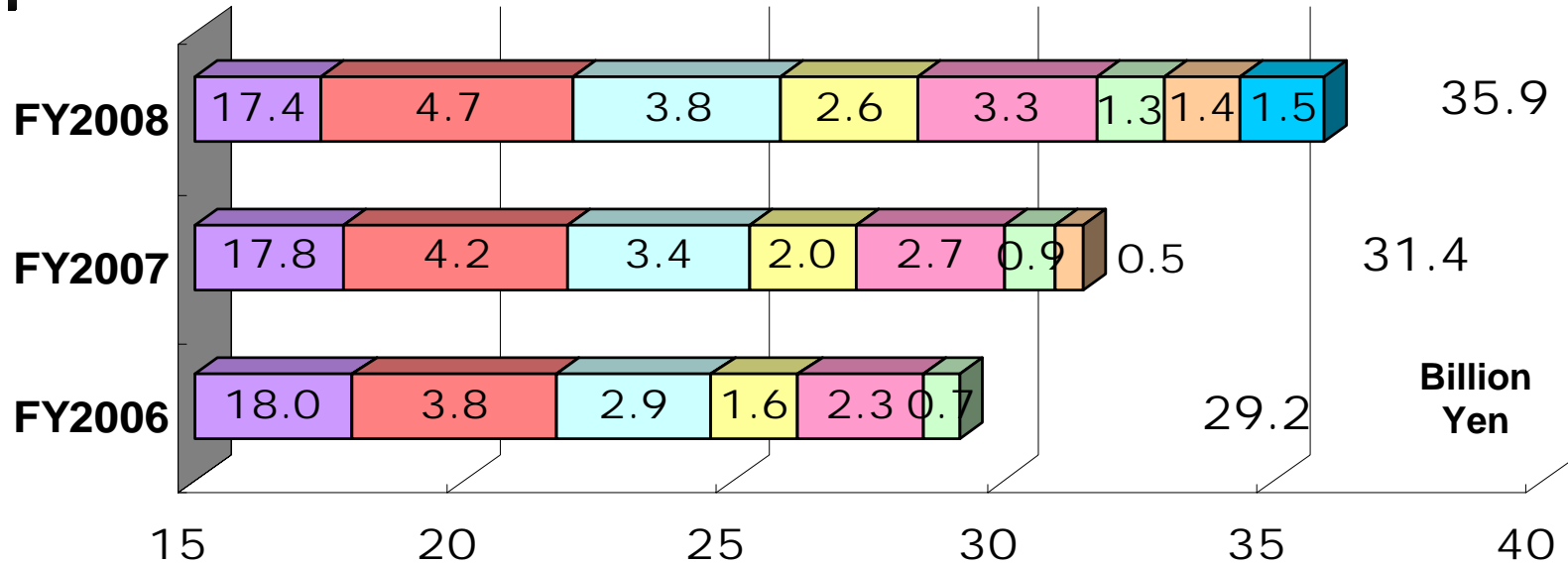
	FY2008			FY2007	
		ratio to sales	change in %		ratio to sales
<b>Net sales</b>	<b>35,966</b>	<b>-</b>	<b>+ 14.2 %</b>	<b>31,495</b>	<b>-</b>
<b>Gross margin</b>	<b>17,620</b>	<b>49.0 %</b>	<b>+ 17.7 %</b>	<b>14,976</b>	<b>47.6 %</b>
<b>SGA</b>	<b>11,212</b>	<b>31.2 %</b>	<b>+ 15.7 %</b>	<b>9,690</b>	<b>30.8 %</b>
<b>Operating income</b>	<b>6,408</b>	<b>17.8 %</b>	<b>+ 21.2 %</b>	<b>5,285</b>	<b>16.8 %</b>
<b>Ordinary income</b>	<b>6,682</b>	<b>18.6 %</b>	<b>+ 29.8 %</b>	<b>5,146</b>	<b>16.3 %</b>
<b>Net income</b>	<b>3,777</b>	<b>10.5 %</b>	<b>+ 40.3 %</b>	<b>2,692</b>	<b>8.5 %</b>

# Period-over-period Sales Change

(Yen in millions)



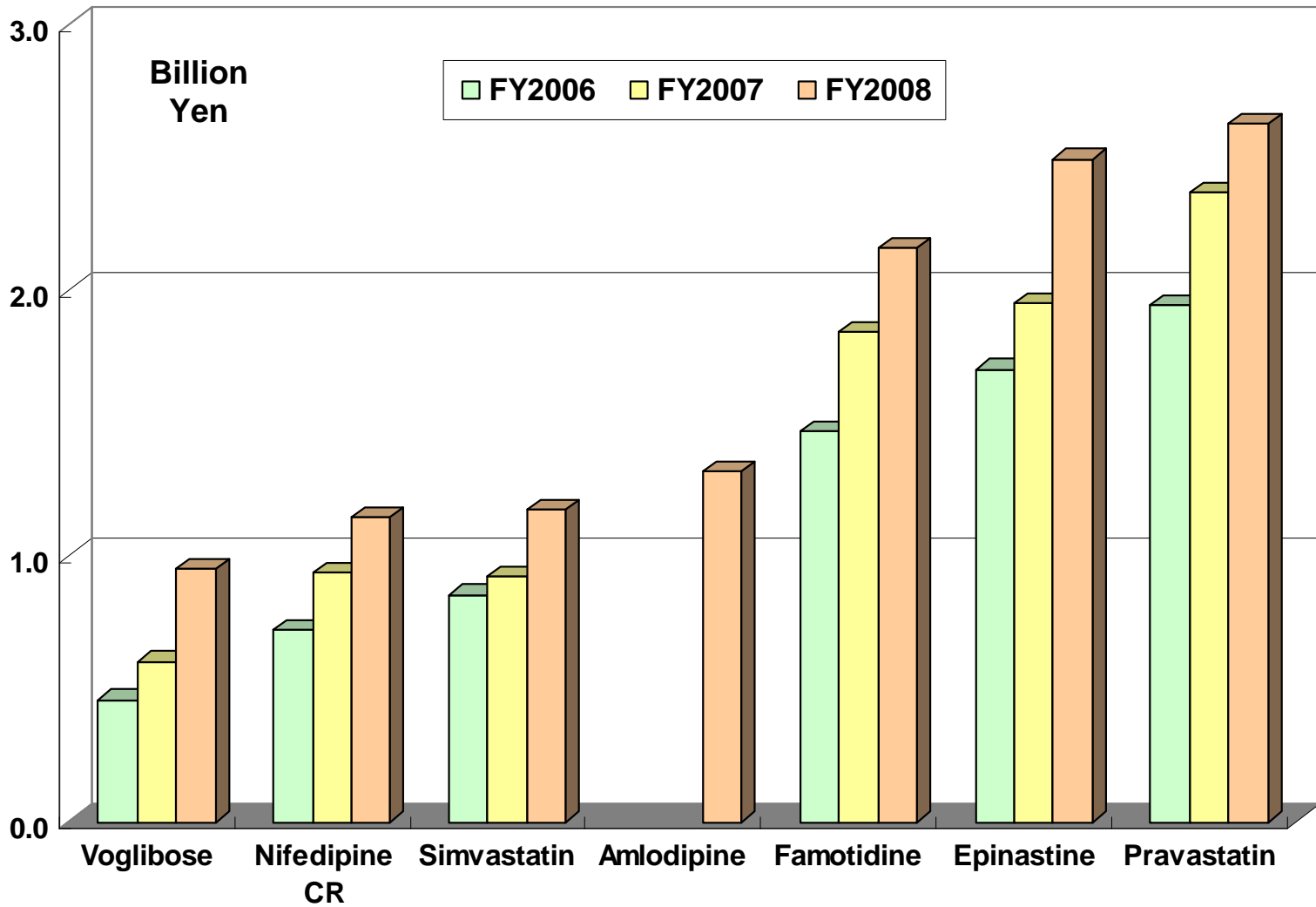
# Sales of products by launched year



■ Existing lines and others 
 ■ 2002 
 ■ 2003 
 ■ 2004 
 ■ 2005 
 ■ 2006 
 ■ 2007 
 ■ 2008

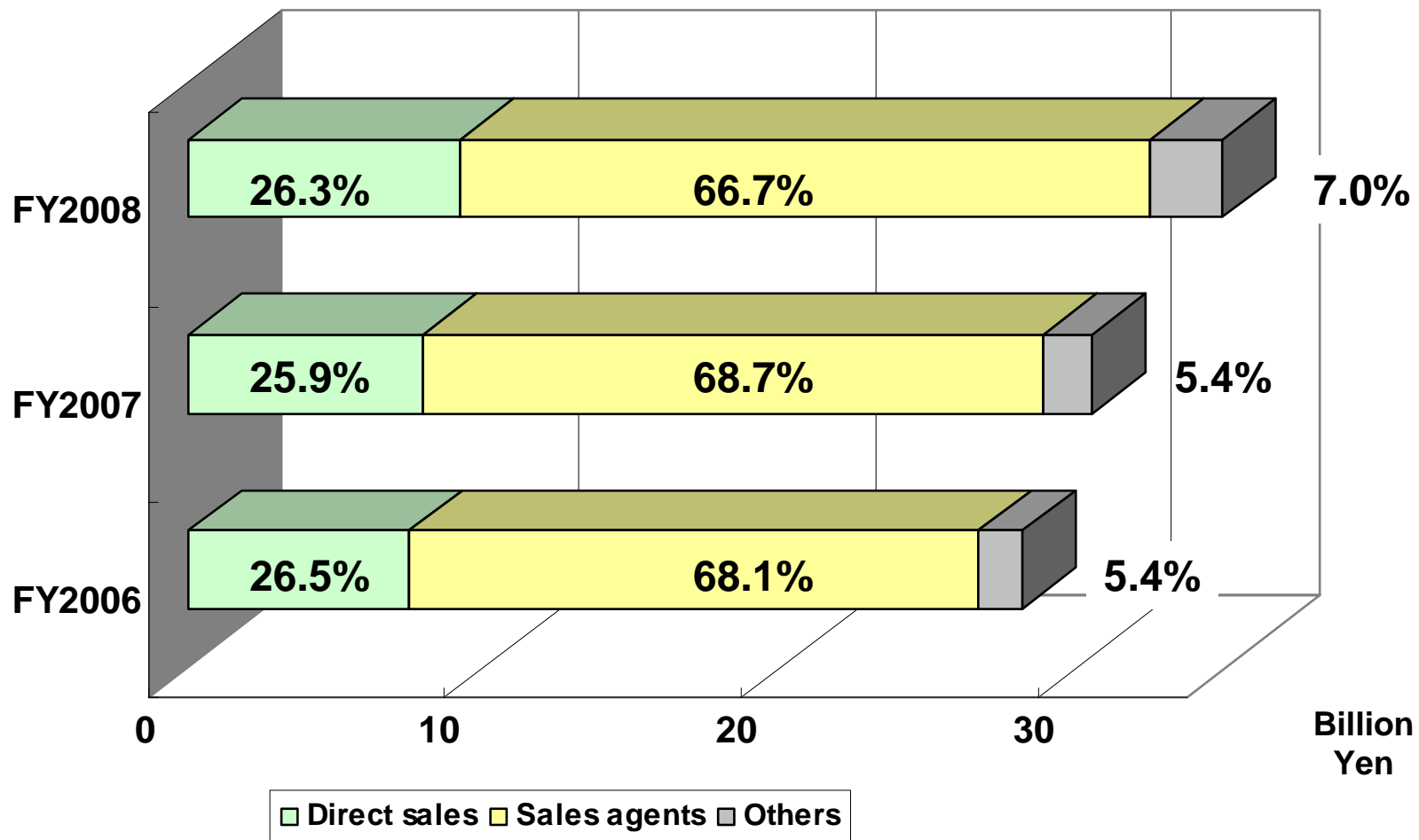
- Sales of 2008 products exceeded 400 million yen of a budget 1.1 bn yen. Amlodipine has contributed a lot.
- 2002-2007 products has increased steadily.
- Decrease of existing lines and others is due to decline of other companies' products.

# Sales of leading products

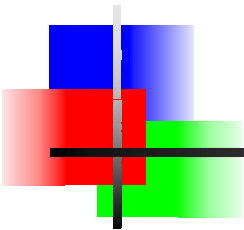


# Sales of channels

(non-consolidated)



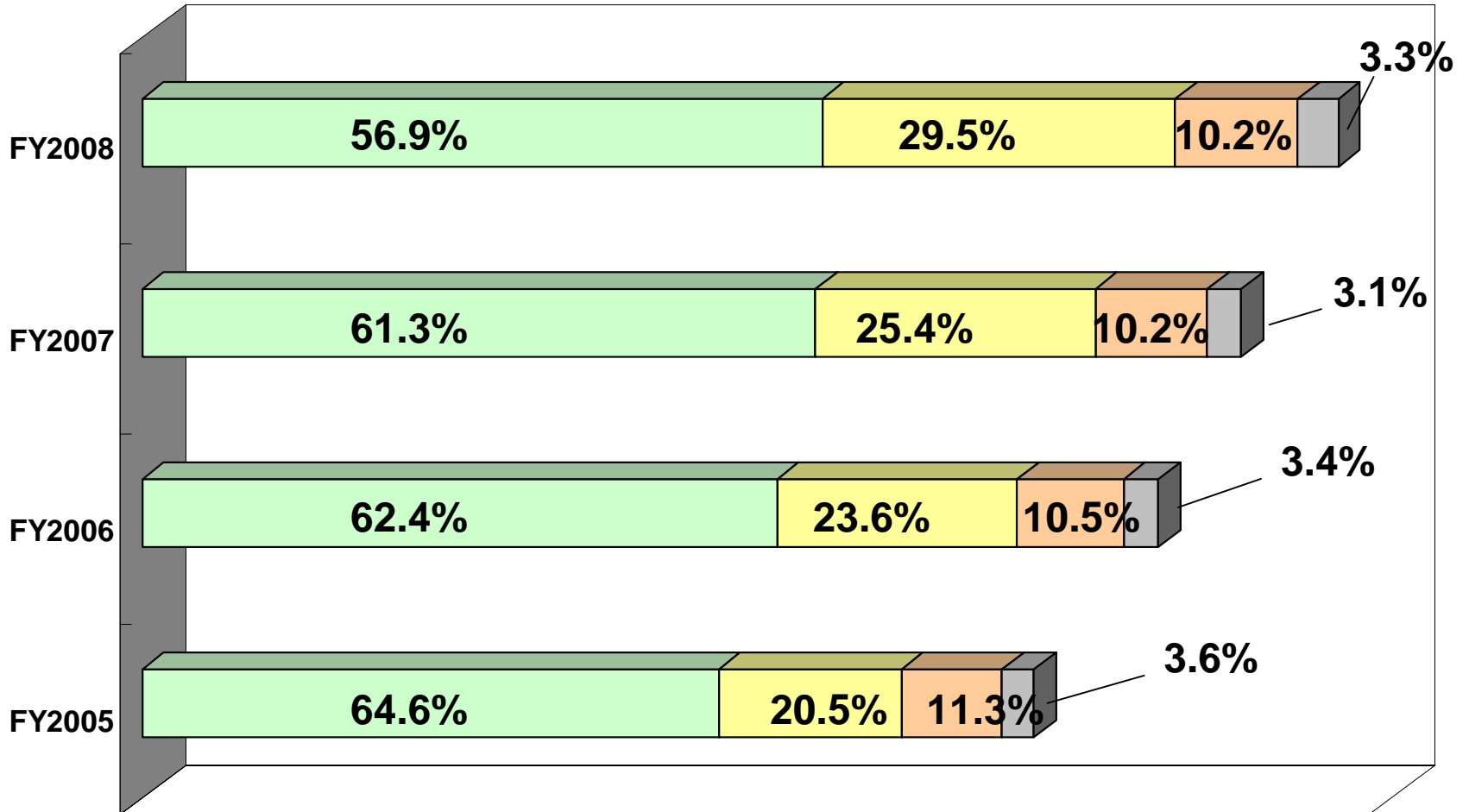




# Sales of medical institutions

(non-consolidated)

General Practitioners   Dispensing Pharmacies   Hospitals   Others



# Sales and general administrative expenses

Yen in millions

	FY2008	
		Period-over -period change
<b>Labor cost</b>	<b>5,551</b>	<b>+ 653</b>
(FY2007)	(4,897)	
<b>R&amp;D expenses</b>	<b>2,319</b>	<b>+ 626</b>
(FY2007)	(1,693)	
<b>Ad expenses</b>	<b>775</b>	<b>18</b>
(FY2007)	(793)	
<b>Others</b>	<b>2,566</b>	<b>+ 260</b>
(FY2007)	(2,306)	
<b>SGA</b>	<b>11,212</b>	<b>+1,522</b>
(FY2007)	(9,690)	

- Due to active recruitment

- Increase due to increase of new product development, application fee for full dose strength and early development

- The same level of Ad on TV

- Due to increase of sales activity

# Non-operating income & expenses and extraordinary gain & loss

Yen in millions

	FY2008	FY2007
Net sales	35,966	31,495
Gross margin	17,620	14,976
SGA	11,212	9,690
Operating income	6,408	5,285
Non-operating income	325	351
Profit on revaluation of currency swaps	103	0
Non-operating expenses	51	490
Loss on revaluation of currency swaps	0	418
Ordinary income	6,682	5,146
Extraordinary gain	307	48
Profit on termination of retirement benefit	231	0
Extraordinary loss	746	619
Loss on revaluation of marketable securities	345	402
Loss on accounting for the impairment assets	271	177
Net income	3,777	2,692

Recorded 103 profit

Exchange rate

As of the end of March 2008: 99.19 Yen/\$

As of the end of March 2009: 97.23 Yen/\$

Due to introduction of defined contribution pension plan

Loss on revaluation of marketable securities

Impairment loss of the Okayama plant construction planned site

# Balance Sheets

Yen in millions

	As of March 31 2009	As of March 31 2008	changes
Cash and deposits	2,912	757	+2,155
Trade notes and account receivables	13,902	12,342	+1,559
Marketable securities	512	1,414	901
Inventories	9,435	9,366	+69
Currency swaps	329	225	+103
Others	1,318	1,072	+246
<b>Current Assets</b>	<b>28,410</b>	<b>25,177</b>	<b>+3,233</b>
<b>Fixed assets</b>	<b>19,828</b>	<b>19,889</b>	<b>61</b>
<b>Total assets</b>	<b>48,238</b>	<b>45,066</b>	<b>+3,172</b>

Due to increase of sales

Decrease for utilization of surplus funds

Increase of finished products according to sales increase.

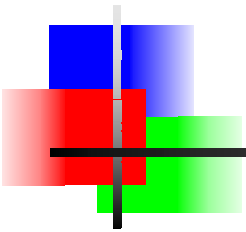
Decrease of raw materials and interim products by precision improvement of the production schedule.

Trade notes and account payables	4,330	4,479	148
Others	4,912	4,559	+353
<b>Current liabilities</b>	<b>9,242</b>	<b>9,038</b>	<b>+204</b>
<b>Fixed liabilities</b>	<b>950</b>	<b>1,090</b>	<b>139</b>
<b>Total liabilities</b>	<b>10,193</b>	<b>10,128</b>	<b>+64</b>
<b>Shareholders' equity</b>	<b>38,045</b>	<b>34,938</b>	<b>+3,107</b>
<b>Total liabilities and shareholders' equity</b>	<b>48,238</b>	<b>45,066</b>	<b>+3,172</b>

Decrease of purchasing raw materials

Increase of unpaid tax

## II. Forecasts for the year ending March 2010





# Financial forecast

Yen in millions

	FY2009 (plan) (April 2009 - March 2010)			FY2008 (April 2008 - March 2009)	
		ratio to sales	change in %		ratio to sales
<b>Net sales</b>	<b>39,000</b>	-	<b>8.4%</b>	<b>35,966</b>	-
<b>Operating income</b>	<b>7,400</b>	<b>19.0%</b>	<b>15.5%</b>	<b>6,408</b>	<b>17.8%</b>
<b>Ordinary income</b>	<b>7,500</b>	<b>19.2%</b>	<b>12.2%</b>	<b>6,682</b>	<b>18.6%</b>
<b>Net income</b>	<b>4,500</b>	<b>11.5%</b>	<b>19.1%</b>	<b>3,777</b>	<b>10.5%</b>



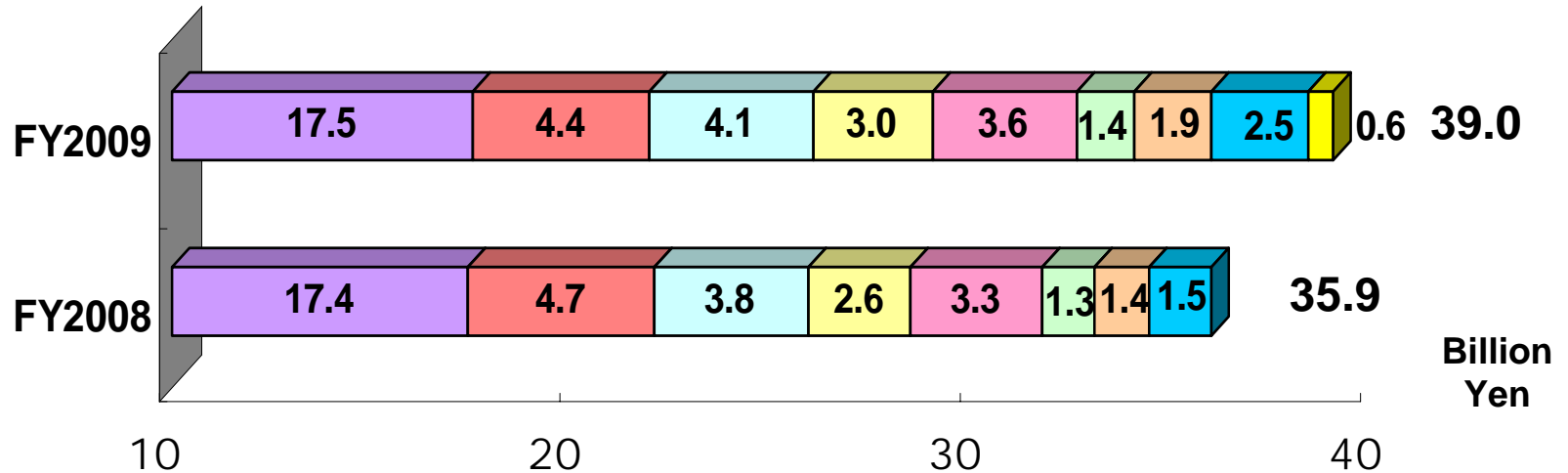
# Financial forecast

(variation from mid-term business plan)

Yen in millions

	FY2009 (plan) (April 2009 - March 2010)			Mid-term business plan (April 2009 - March 2010)	
		ratio to sales	change in %		ratio to sales
<b>Net sales</b>	<b>39,000</b>	-	<b>4.0%</b>	<b>37,500</b>	-
<b>Operating income</b>	<b>7,400</b>	<b>19.0%</b>	<b>7.2%</b>	<b>6,900</b>	<b>17.0%</b>
<b>Ordinary income</b>	<b>7,500</b>	<b>19.2%</b>	<b>5.6%</b>	<b>7,100</b>	<b>17.6%</b>
<b>Net income</b>	<b>4,500</b>	<b>11.5%</b>	<b>5.6%</b>	<b>4,260</b>	<b>10.6%</b>

# Sales forecast of products by launched year



■ Existing line and others 
 ■ 2002 
 ■ 2003 
 ■ 2004 
 ■ 2005 
 ■ 2006 
 ■ 2007 
 ■ 2008 
 ■ 2009

- 14 products will be launched in May, and 20-30 in November in 2009.
- Amlodipine will contribute to sales increase of 2008 products.
- Sales of 2003-2007 products will slightly increase by leading products.
- Sales of 2002 products and existing lines and others will remain on the same level.



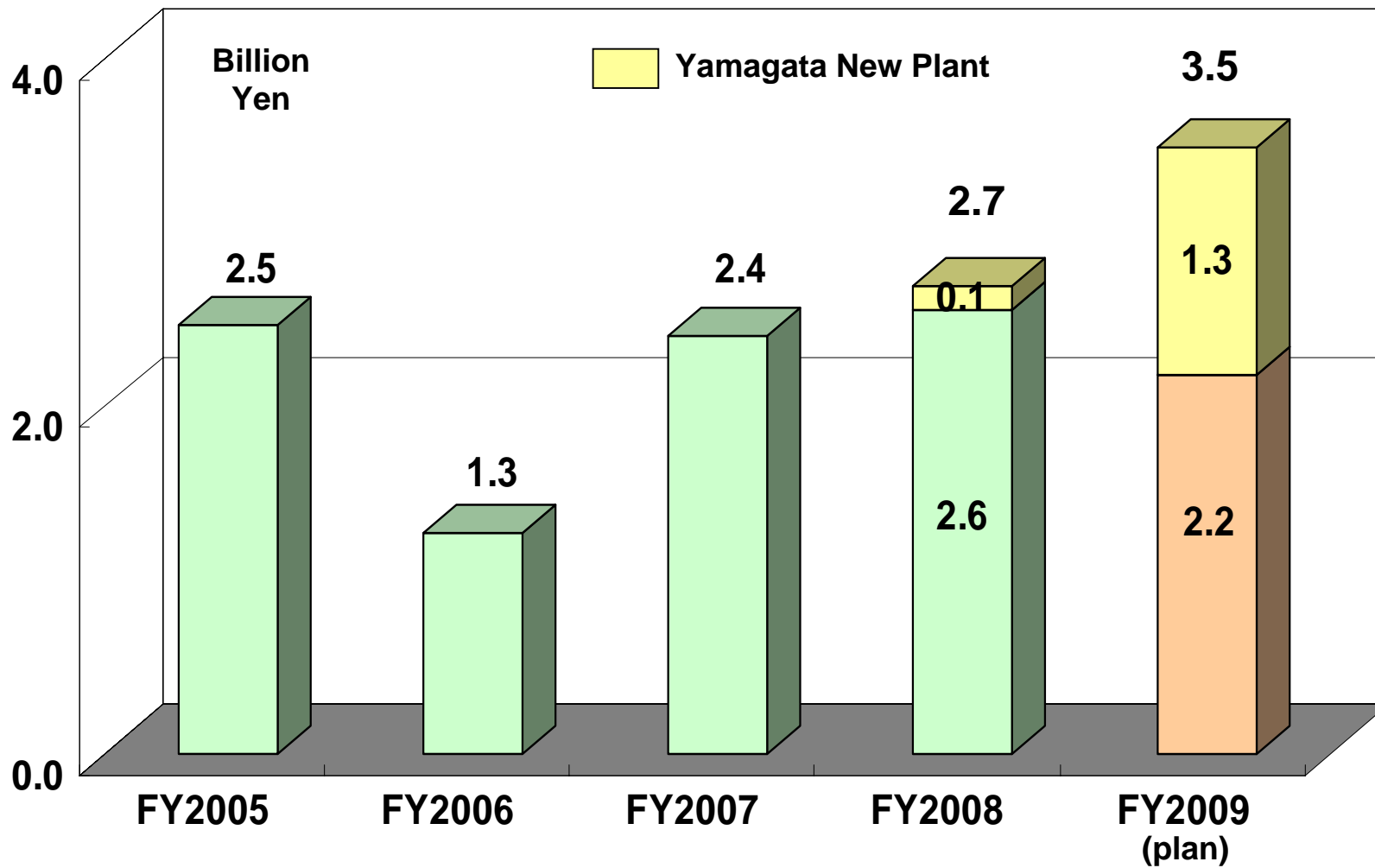


## Major products to be launched in May

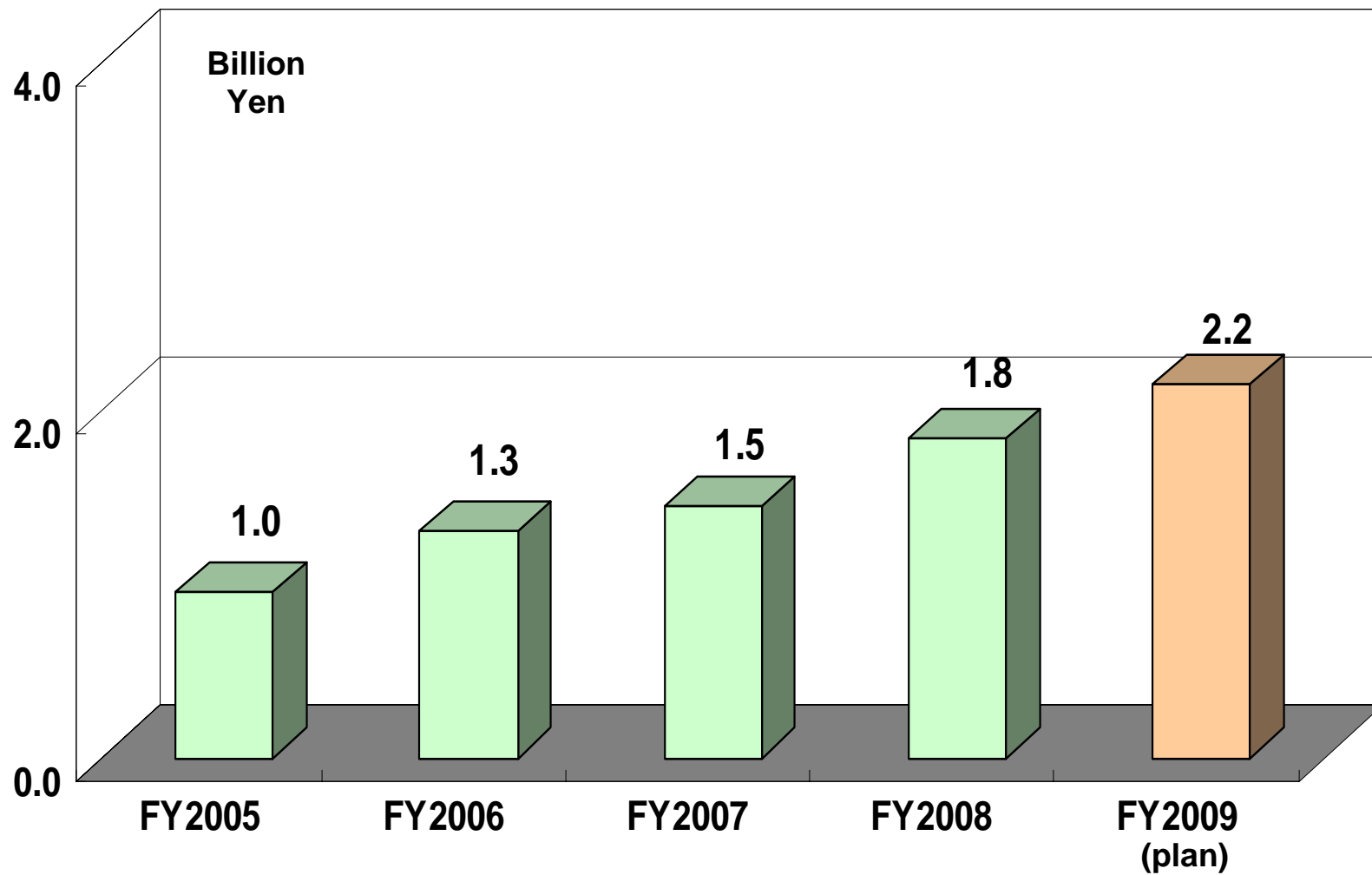
Yen in billions

Generic products	Branded products	Sales in 2008
LANSOPRAZOLE-OD TABLETS 15mg "TOWA"	Takepron OD Tablets 15	46.4
LANSOPRAZOLE-OD TABLETS 30mg "TOWA"	Takepron OD Tablets 30	15.9
LEVOFLOXACIN TABLETS 100mg "TOWA"	Cravit Tablets	47.8
CEFNIL FINE GRANULES FOR PEDIATRIC 10%	Cefzon Fine Granules 10% for Pediatric	4.4
FLUTICASONE NASAL SOLUTION 50µg "TOWA"56 SPRAYS	Flunase Nasal Solution 50µg metered sprays	4.0
plus 9 products		

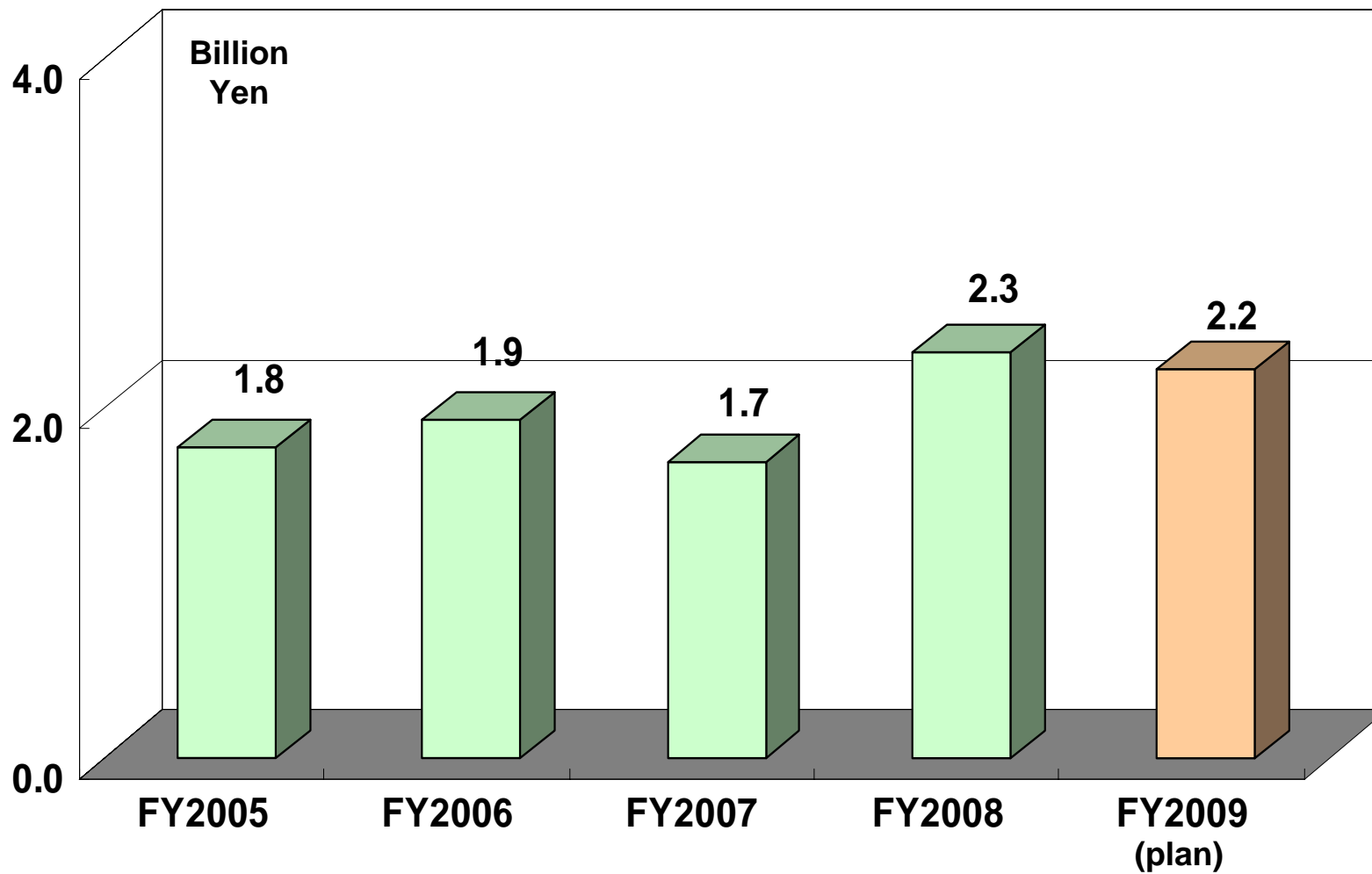
# Capital expenditure

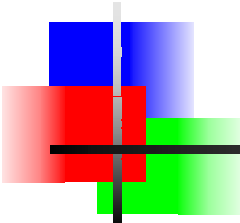


# Depreciation cost



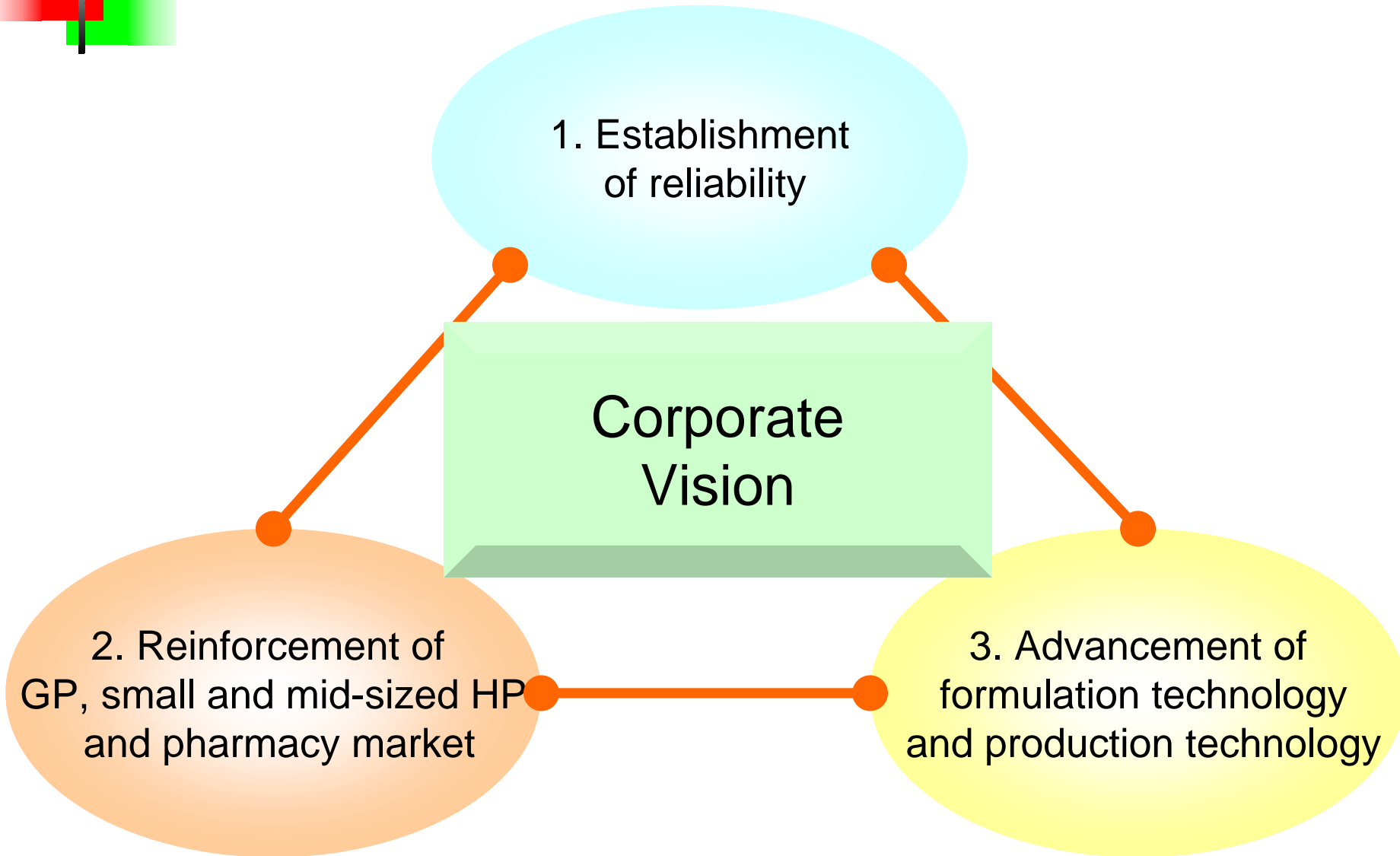
# R&D expenditure





# Measures to be implemented (Mid-term business plan)

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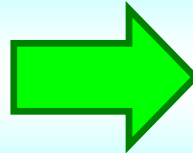


# Measure 1

**Establishment  
of reliability**

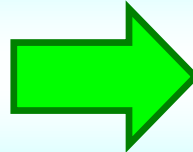
**2008**

**Prompt and accurate information  
provision to customers**



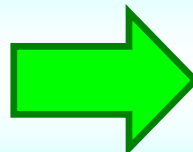
**Establishment of  
Product Information Dept.  
(Oct. 2008)**

**Preparing product supply system  
of in-house quality standards**

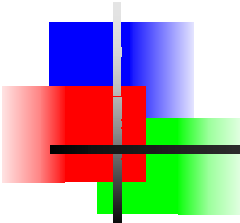


**Product Reliability Improving  
Project  
(April 2008 -)**

**Stable supply  
(precision improvement  
of the production schedule,  
securities of reliable API source)**



**Purchasing each API  
from 2 sources  
Increase level of inventories**



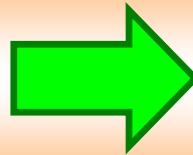
# Measure 2

**Reinforcement of GP, small and mid-sized HP and pharmacy market**

**Reinforcement of the market, where Towa has an advantage**

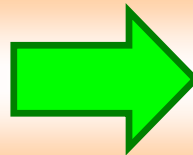
**Fair pricing strategy**

**Further expansion of the sales network**



**Introduction of sales agent information system**

**Reinforcement of DPC Hospitals and public Hospitals**



**Improvement of HP Dept. activities**

**2008**

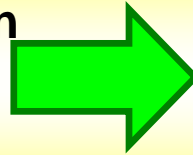


# Measure 3

**Advancement of  
formulation technology  
and production technology**

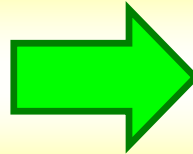
2008

**Cost conscious formulation design  
(value-added products  
/ standardized formulation)**



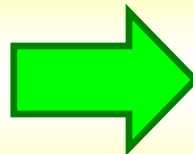
**Establishment of RACTAB  
technology  
(orally-disintegrating tablet using  
general facilities)**

**Product improvement for  
customer satisfaction**



**Product Reliability Improving  
Project  
(April 2008 -)**

**Investment in facility  
by plant differentiation**



**Yamagata New Plant  
(start operation by March 2012)  
Closure of Oita Plant (Jan. 2009)**





# Yamagata New Plant

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- **Basic Concept**

- The plant that produces injection and oral products including highly active products
- The plant that produces reliable and high quality products by global standard
- The plant of efficiency and cost-competitiveness
- The plant of people, community and environment-friendly
- The plant which is extendible in future

- **Outline**

**Space : land 108,330m<sup>2</sup>, total floor space 30,000m<sup>2</sup>**

**Place : Zao Frontier Industrial Park**

**(Old Kaminoyama Race Course site)**

**Schedule : June 2009- (start operation by March 2012 )**

**Cap ex. : ca 20 billion yen**

**Capacity : oral products : 2.5 billion tablets (capsules) / year**

**Injection products : 50 million ampoules (vials)  
(including Distribution Center)**



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