



**Financial results
for the year ended March 2010**

May, 2010

Towa Pharmaceutical Co., Ltd.

(stock ticker number : 4553)



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I. Financial results for the year ended March 2010

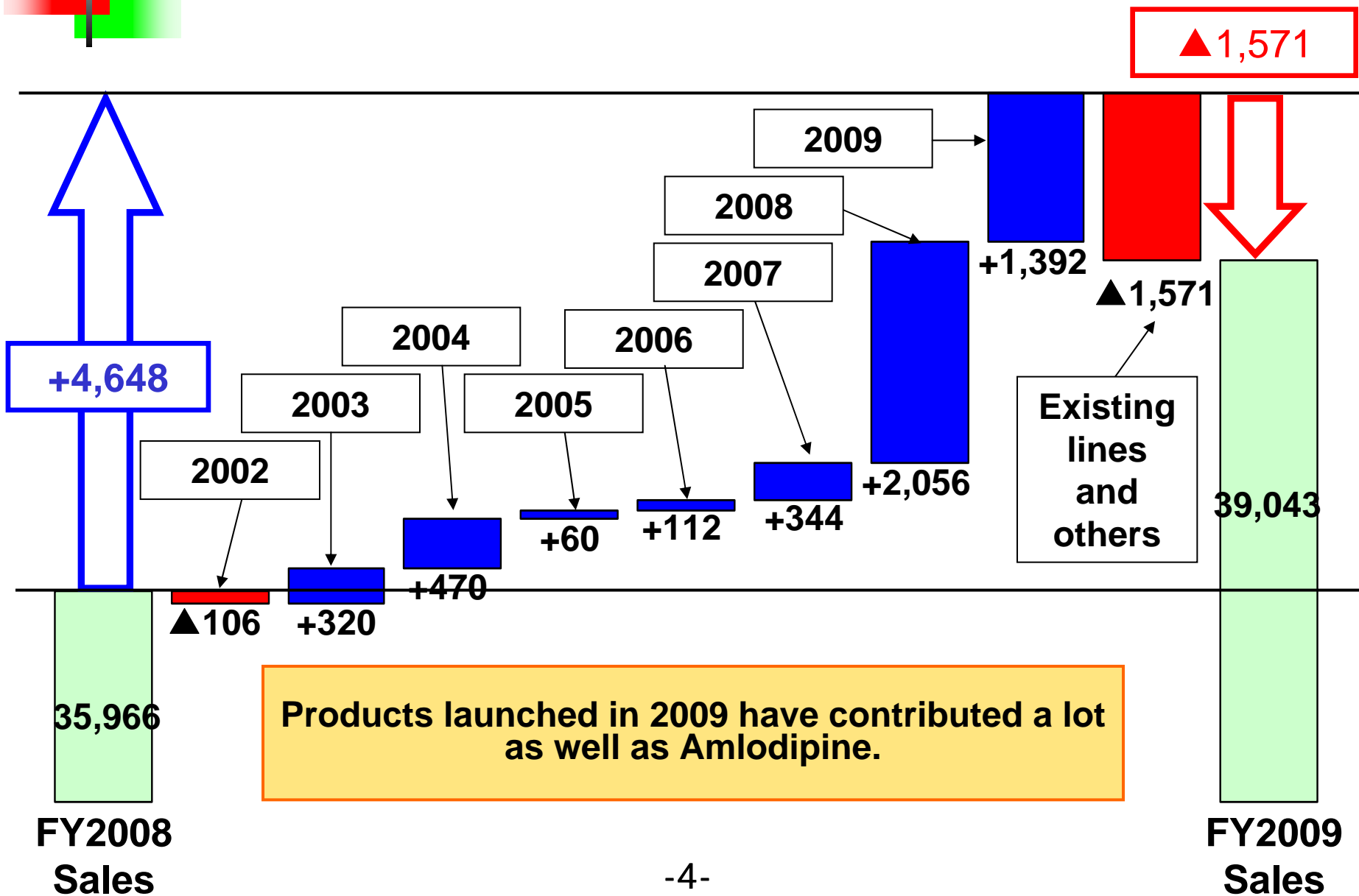
Outline of the financial results for the year ended March 2010 (FY2009)

(Yen in Millions, %)

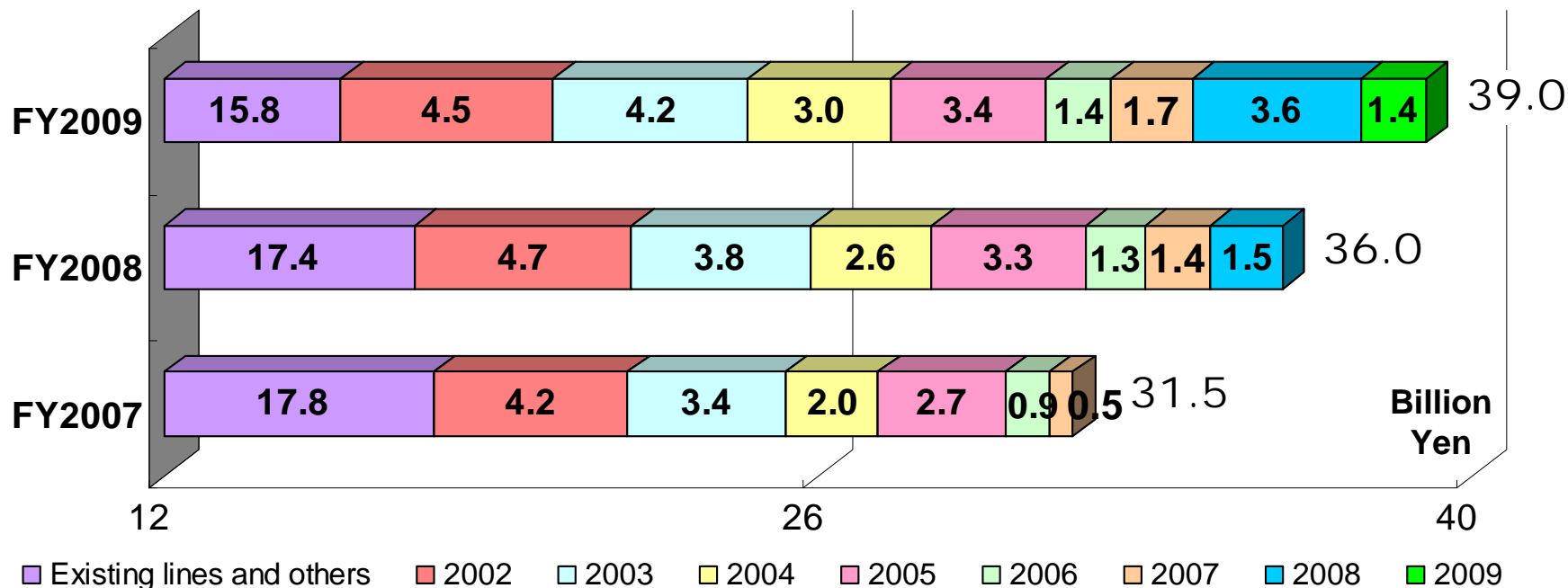
	FY2009			FY2008	
		ratio to sales	change in %		ratio to sales
Net sales	39,043	—	+ 8.6%	35,966	—
Gross margin	20,249	51.9%	+ 14.9%	17,620	49.0%
SGA	12,504	32.0%	+ 11.5%	11,212	31.2%
Operating income	7,744	19.8%	+ 20.9%	6,408	17.8%
Ordinary income	7,430	19.0%	+ 11.2%	6,682	18.6%
Net income	4,601	11.8%	+ 21.8%	3,777	10.5%

Period-over-period Sales Change

(Yen in millions)



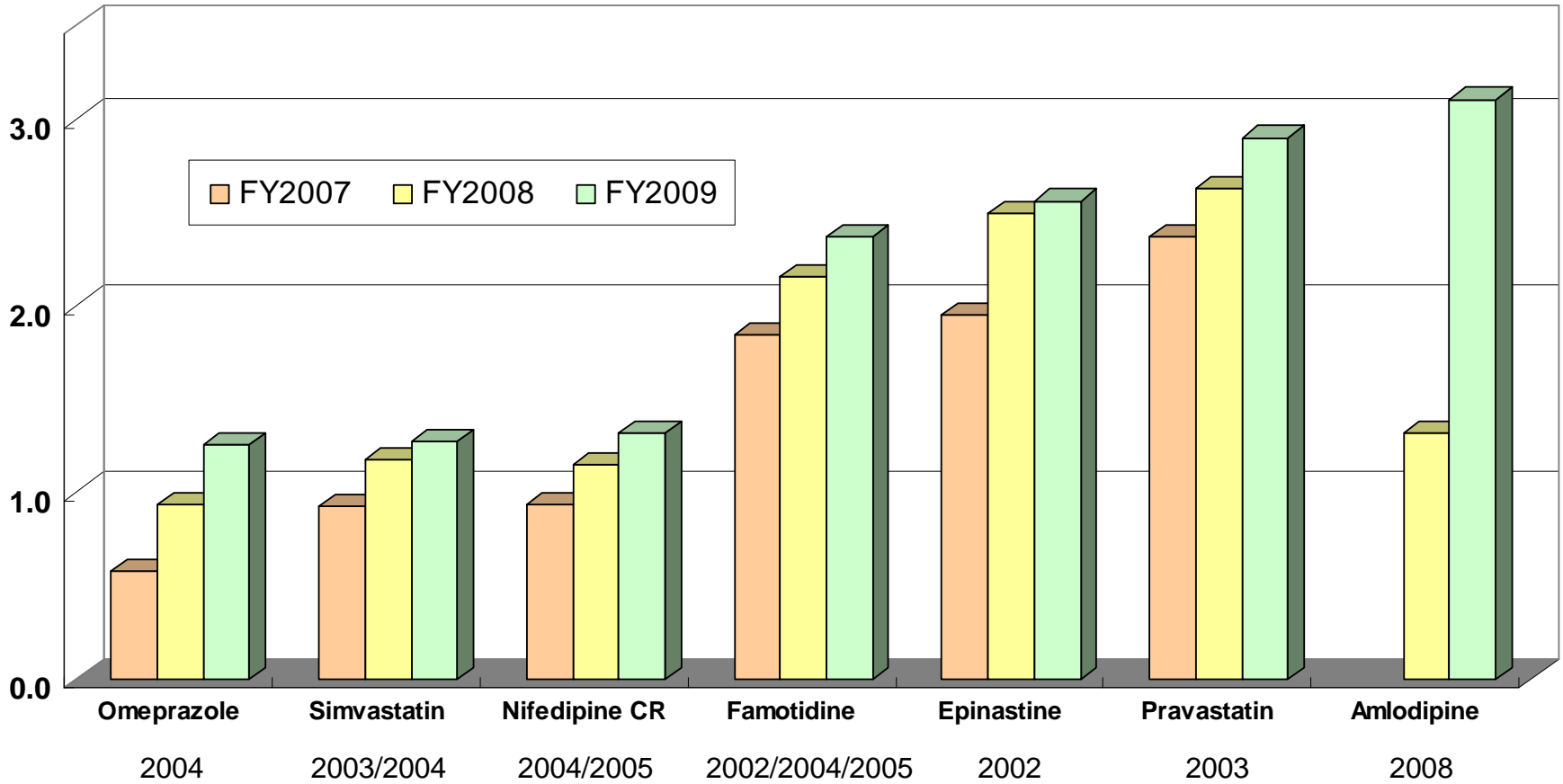
Sales of products by launched year

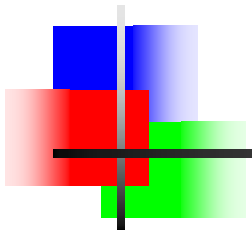


- Sales of 2009 products exceeded 0.8 bn yen of a budget 0.6 bn yen. Lansoprazole OD tablets have contributed a lot.
- Among 2008 products, Amlodipine grew over the budget.
- 2003-2007 products have increased steadily.
- Decrease of existing lines and others is due to decline of other companies' products and existing products.

Sales of leading products

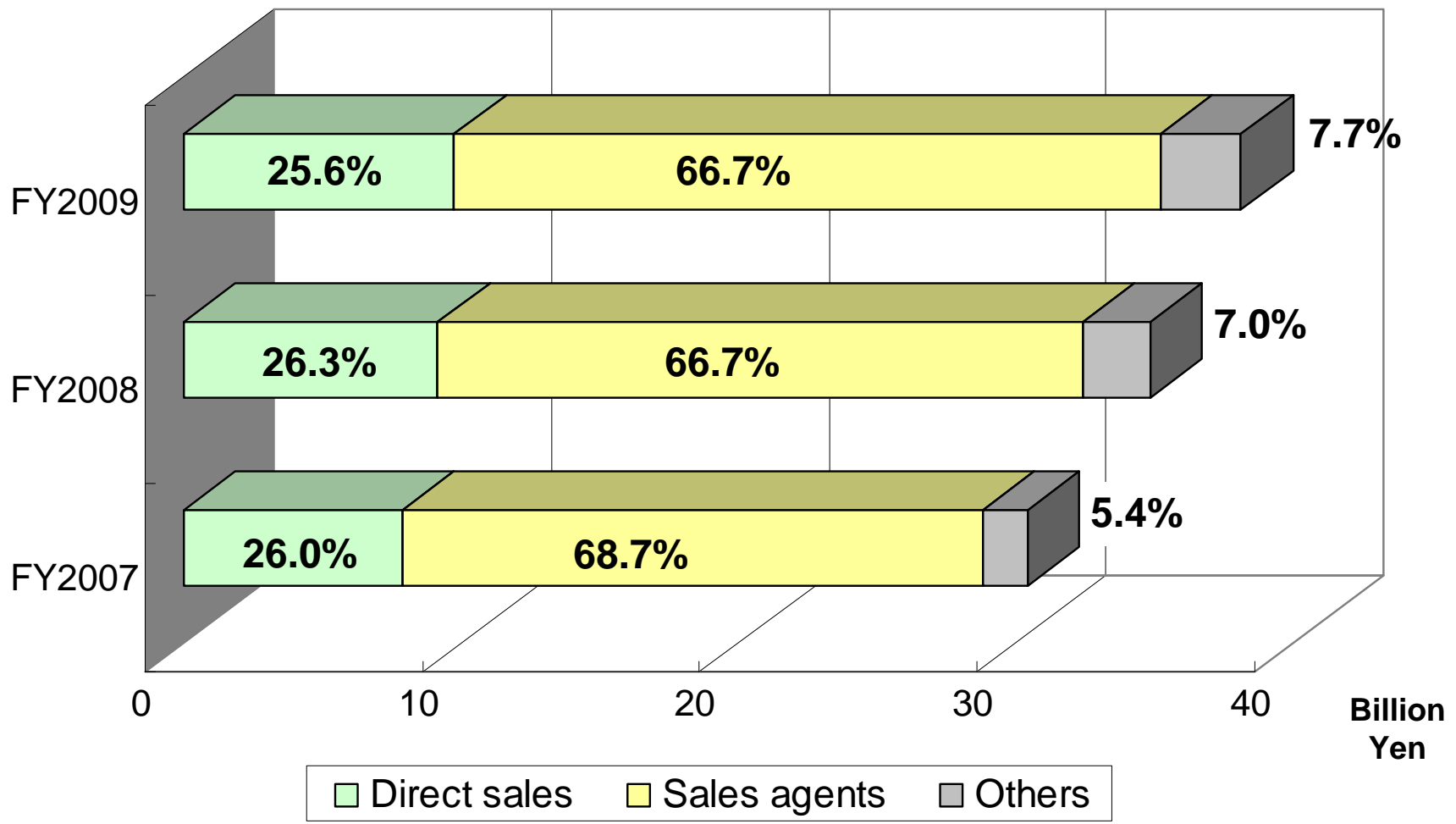
Billion
Yen





Sales of channels

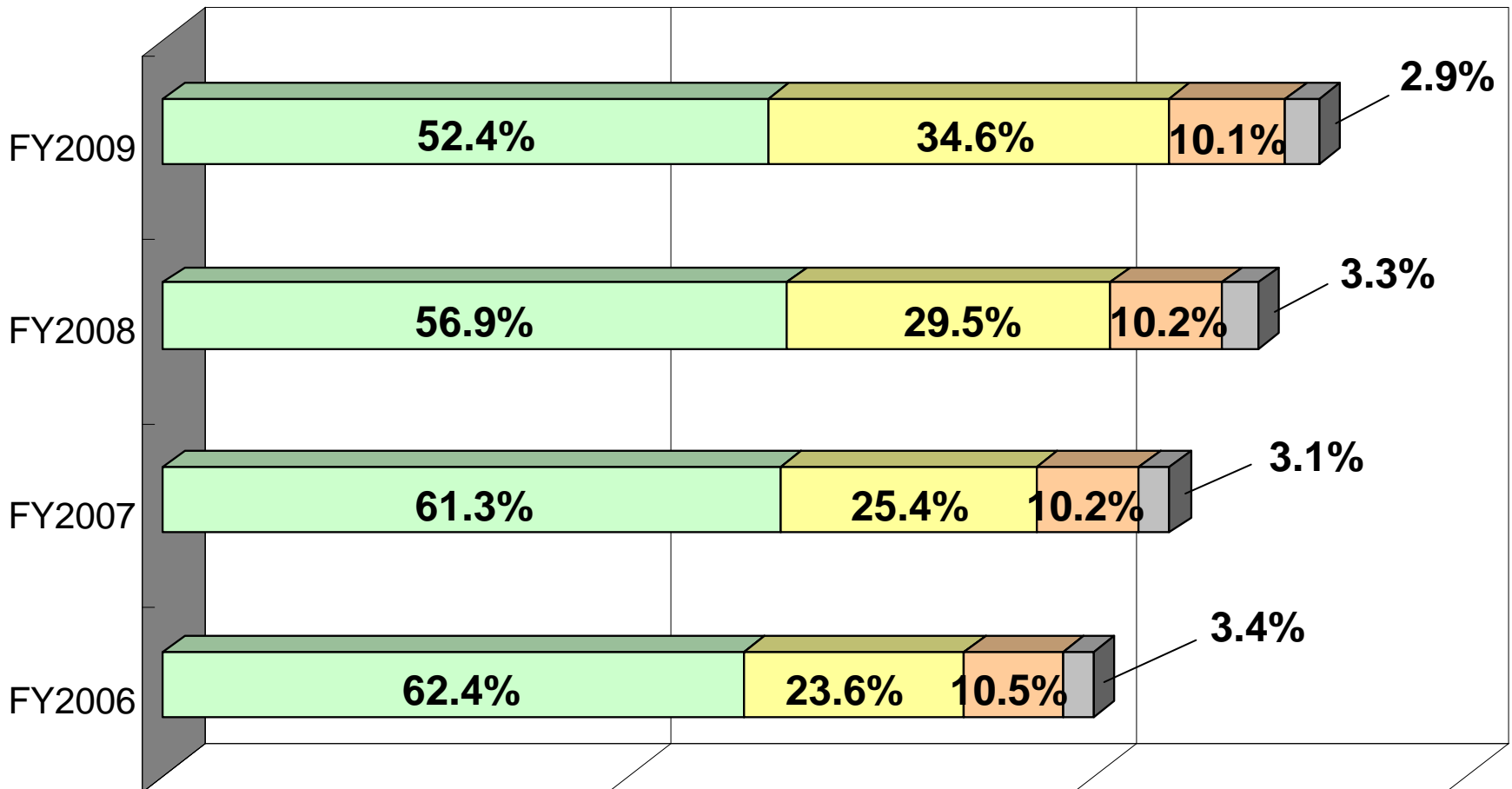
(non-consolidated)



Sales of medical institutions

(non-consolidated)

General Practitioners Dispensing Pharmacies Hospitals Others



Sales and general administrative expenses

Yen in millions

	FY2009	
		Period-over -period change
Labor cost	5,886	+ 335
(FY2008)	(5,551)	
R&D expenses	2,565	+ 245
(FY2008)	(2,319)	
Ad expenses	812	+ 37
(FY2008)	(775)	
Others	3,241	+ 673
(FY2008)	(2,566)	
SGA	12,504	+1,291
(FY2008)	(11,212)	

- Due to active recruitment

- Increase due to R&D of value-added products and early development

- The same level of Ad on TV

- Due to increase of sales activities
- Allowance for doubtful receivables +300

Non-operating income & expenses and extraordinary gain & loss

Yen in millions

	FY2009	FY2008
Net sales	39,043	35,966
Gross margin	20,249	17,620
SGA	12,504	11,212
Operating income	7,744	6,408
Non-operating income	206	325
Profit on revaluation of currency swaps	0	103
Non-operating expenses	520	51
Loss on revaluation of currency swaps	277	0
Loss on revaluation of marketable securities	114	4
Ordinary income	7,430	6,682
Extraordinary gain	0	307
Profit on termination of retirement benefit	0	231
Extraordinary loss	96	746
Loss on revaluation of marketable securities	68	345
Loss on accounting for the impairment assets	0	271
Net income	4,601	3,777

Recorded 277 loss

Exchange rate

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

As of the end of March 2010: 92.40 Yen/\$

Balance Sheets

Yen in millions

	As of March 31 2010	As of March 31 2009	changes
Cash and deposits	10,941	2,912	+8,028
Trade notes and account receivables	14,726	13,902	+824
Marketable securities	0	512	▲512
Inventories	10,841	9,435	+1,405
Currency swaps	51	329	▲277
Others	1,125	1,318	▲193
Current Assets	37,684	28,410	+9,274
Fixed assets	22,820	19,828	+2,992
Total assets	60,504	48,238	+12,266

• Cash increase due to long-term debt

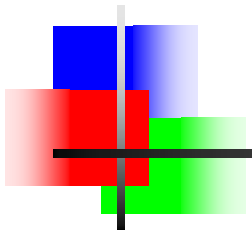
• Investment of Yamagata New Plant

Trade notes and account payables	5,557	4,330	+1,227
Others	8,002	4,912	+3,090
Current liabilities	13,560	9,242	+4,318
Long-term debt	4,000	0	+4,000
Others	998	950	+48
Fixed liabilities	4,998	950	+4,048
Total liabilities	18,559	10,193	+8,366
Shareholders' equity	41,945	38,045	+3,899
Total liabilities and shareholders' equity	60,504	48,238	+12,266

• Account payable for Yamagata New Plant investment

• Bank loan of 4 bn yen

II. Forecasts for the year ending March 2011





Financial forecast

Yen in millions

	FY2010 (plan) (April 2010 - March 2011)			FY2009 (April 2009 - March 2010)	
		ratio to sales	change in %		ratio to sales
Net sales	43,200	-	10.6%	39,043	-
Operating income	8,900	20.6%	14.9%	7,744	19.8
Ordinary income	8,800	20.4%	18.4%	7,430	19.0
Net income	5,300	12.3%	15.2%	4,601	11.8



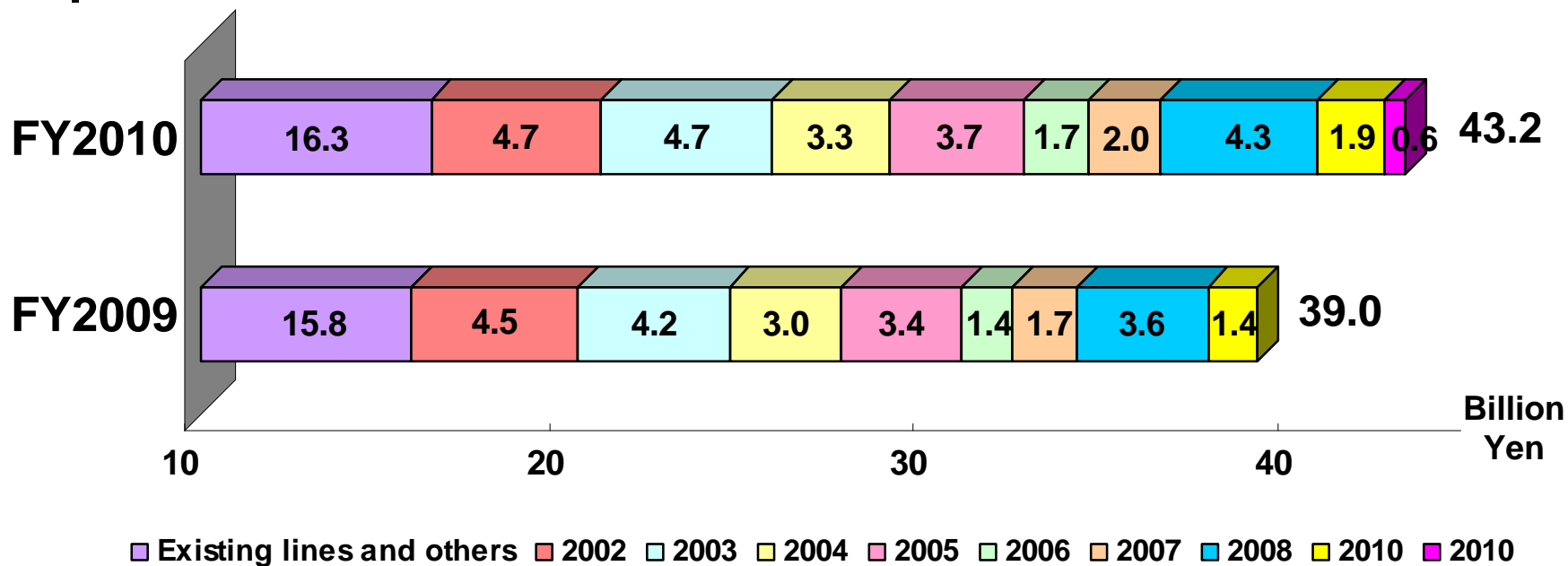
Financial forecast

(variation from mid-term business plan)

Yen in millions

	FY2010 (plan) (April 2010 - March 2011)			Mid-term business plan (April 2010 - March 2011)	
		ratio to sales	change in %		ratio to sales
Net sales	43,200	-	4.9%	41,200	—
Operating income	8,900	20.6%	4.7%	8,500	20.6%
Ordinary income	8,800	20.4%	1.1%	8,700	21.1%
Net income	5,300	12.3%	1.5%	5,220	12.7%

Sales forecast of products by launched year



- 15 products will be launched in May and 20+ in November in 2010.
- Increase of sales of Amlodipine among 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.

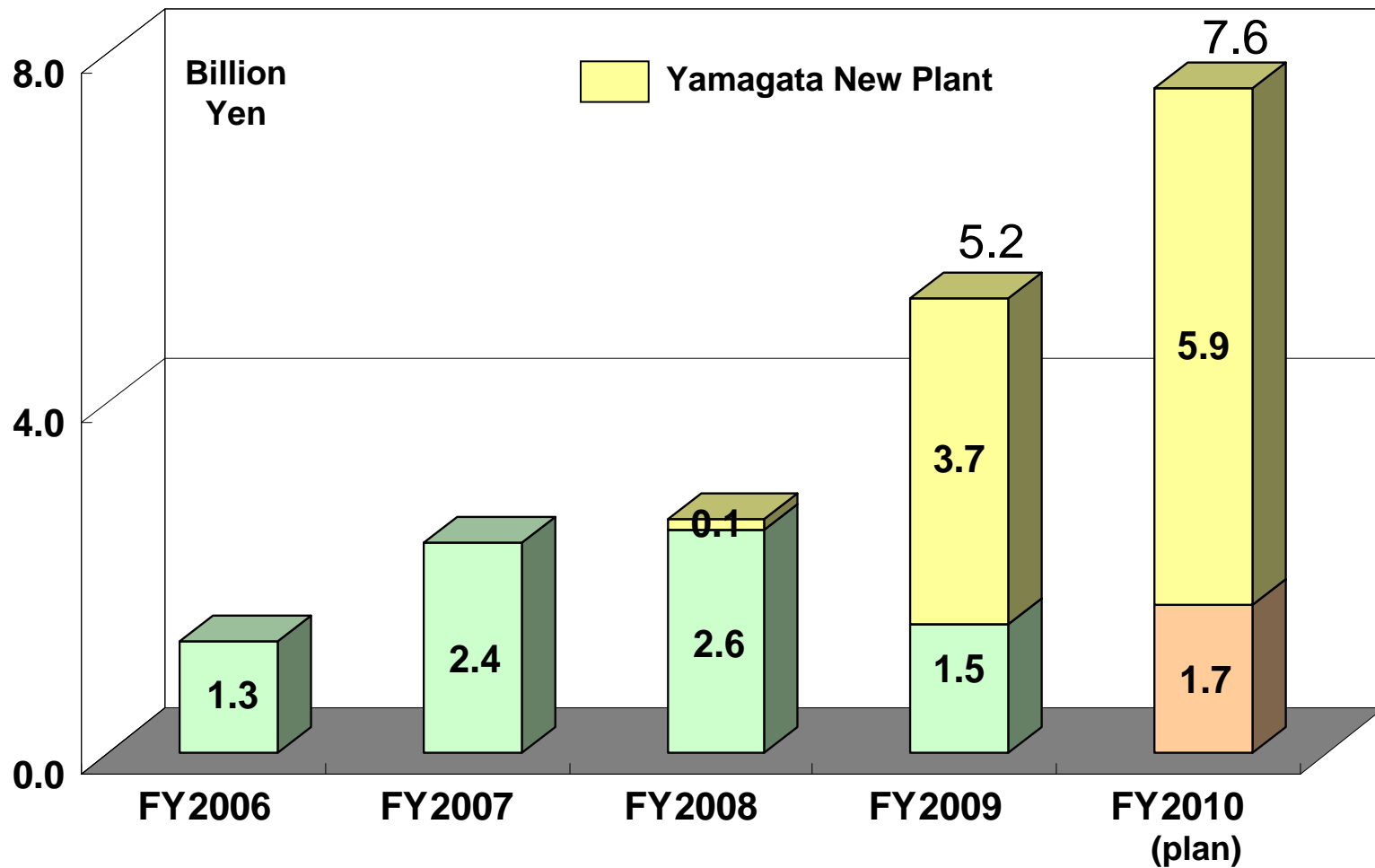


Major products to be launched in May

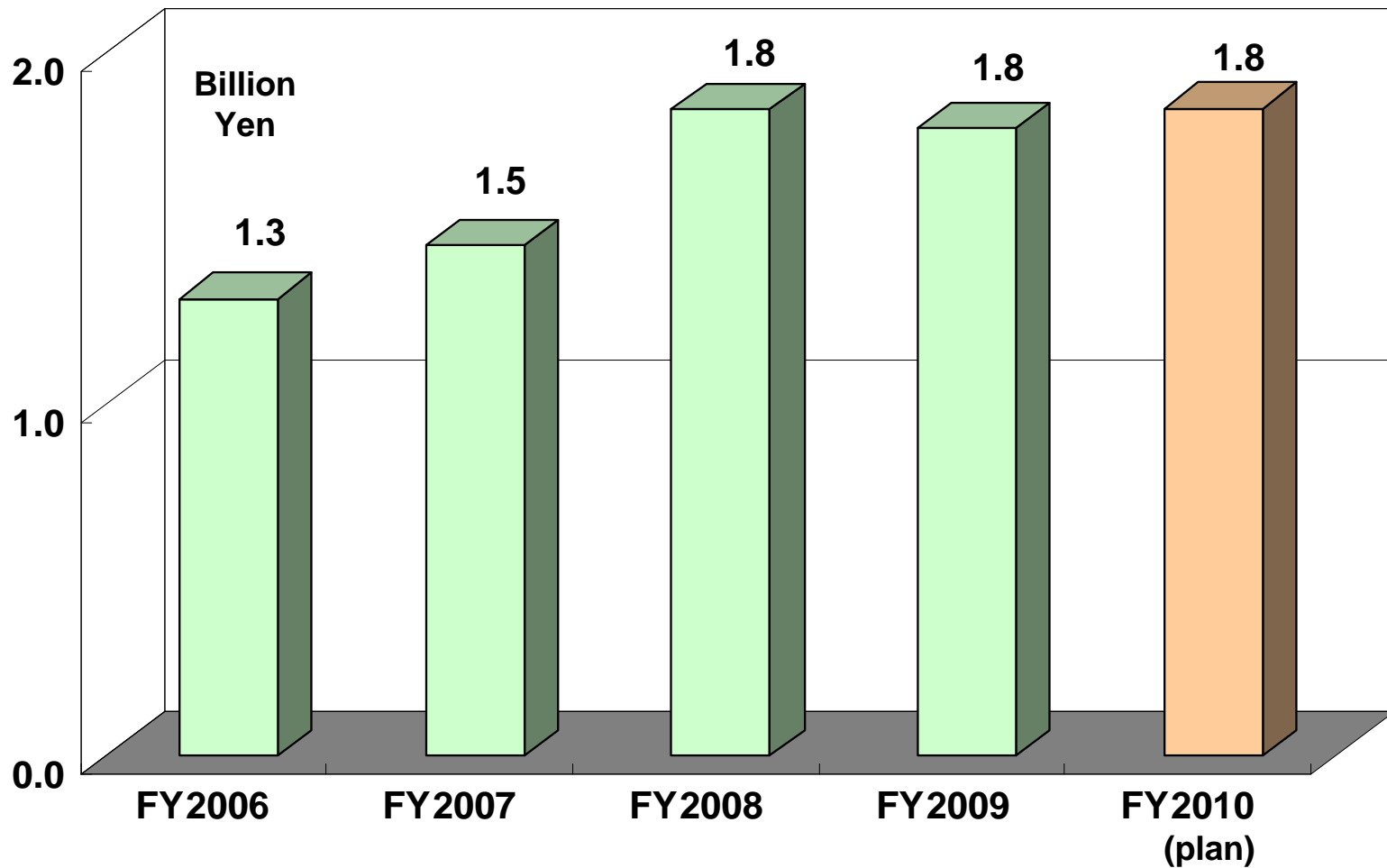
Yen in billions

Generic products	Branded products	Sales in 2009
BICALUTAMIDE TABLETS 80mg "TOWA"	Casodex Tablet 80mg	46.2
TAMSLON-OD TABLETS 0.1mg / 0.2mg	HarnaID Tablets 0.1mg / 0.2mg	40.3
LATANOPROST OPHTHALMIC SOLUTION 0.005% "TOWA"	Xalatan Eye Drops 0.005%	33.1
ELPINAN-DS FOR PEDIATRIC 1%	Alesion Dry Syrup 1%	3.7
AMLODIPINE ORAL JELLY 2.5mg / 5mg "TOWA"	--	--
15 products in total		

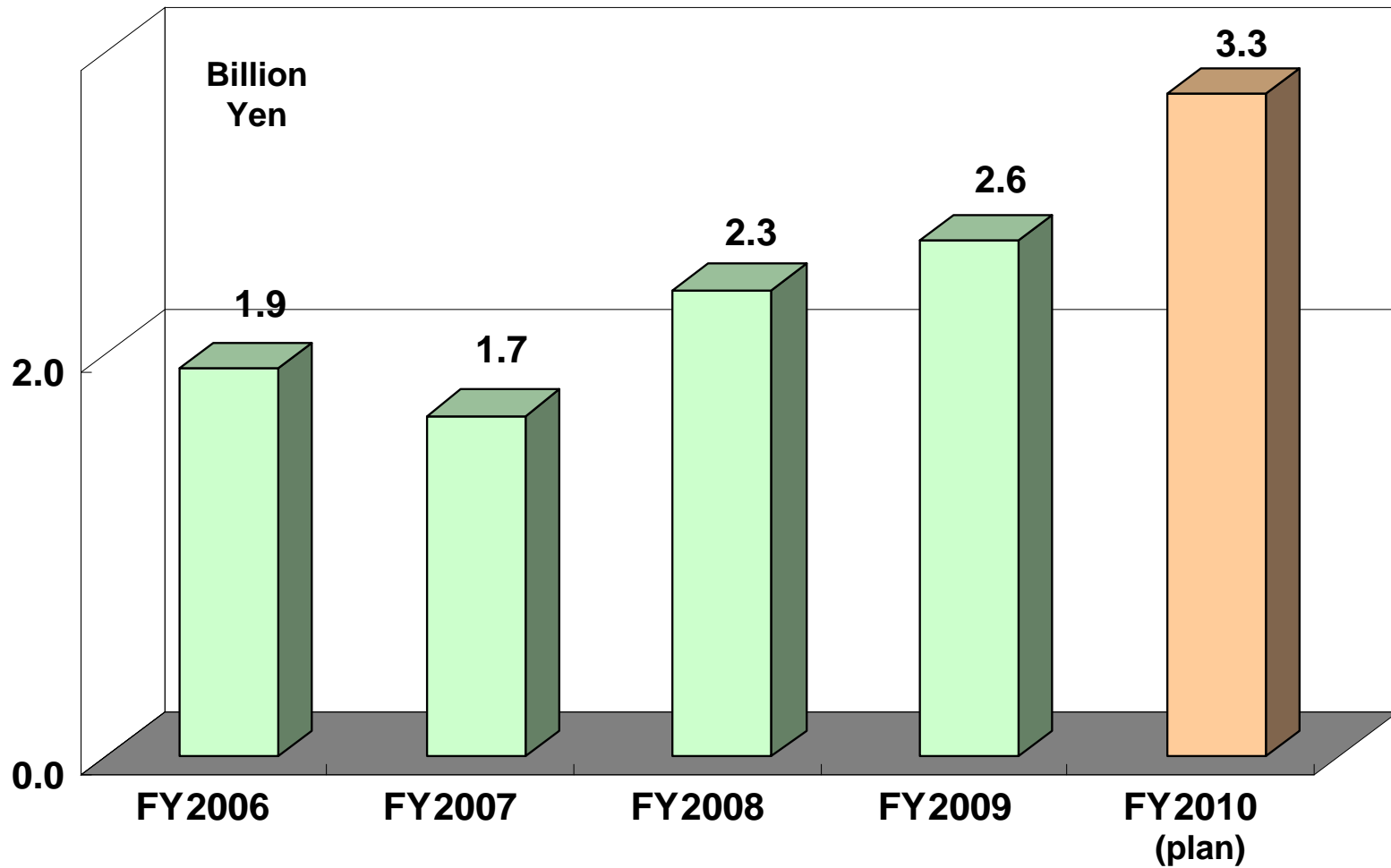
Capital expenditure



Depreciation cost



R&D expenditure





Influence of the incentive system change

New GE promotion policy from April 2010 and its influence

Revision of GE incentive for dispensing pharmacies

- ✓ New incentives depend on each pharmacy's GE volume (GE volume of 70% of the pharmacies was less than 20%. They cannot get any incentives.)
- ✓ Step-by-step incentives (60, 130, 170 yen)
 - > It may be greater influence compared to the previous policy change on April 2008 ?
 - > There are various types of dispensing pharmacies, some are aggressive to get more incentives, some are wait-and-see, and some are disappointed to get the least incentive.

Monthly sales of TOWA

April 2010 recorded 21% increase compared to the same month in the previous year. April 2008 recorded 19% increase.



Reinforcement of sales network

- Reinforcement of delivery staffs

March 2009	March 2010	March 2011
# of staffs 17	⇒ 57	⇒ 97 (plan)

- Reinforcement of partnership between sales agents and Towa
Introduction of new rebate system depending on each sales agent's sales capacity (April 2010-)

- Establishment of additional sales branches

Establishment of new sales branches where reinforcement of partnership between sales agents and Towa is not expected and where stable supply is necessary.

Dec. 09 Yamagata

Apr. 10 Kyoto, Shiga, Fukuchiyama, Kochi, Fuchu

May 10 Tottori (20 branches now)

* additional 10+ sales branches are planed by March 2011

Yamagata New Plant

March 2010, groundbreaking ceremony



Construction is going according to the plan, to start operation by March 2012.



Towa's formulation technologies

Generic Drug Association, Japan

Levofloxacin oral solution 25mg/mL "TOWA" received the award of good Generic Drug of the Year 2010, which is the second consecutive award after Generic Drug of the Year 2009 of Amlodipine-OD tablets 2.5mg/5mg "TOWA".

The Academy of Pharmaceutical Science and Technology, Japan

Technology of RACTAB (Amlodipine-OD tablets 2.5mg/5mg "TOWA", etc.) was awarded the prize of ASAHI-KASEI formulation technology award of the year 2010.



Progress of the Mid-term business plan

Measures

1. Establishment of Reliability

Achieved some positive results by establishment of information provision system

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

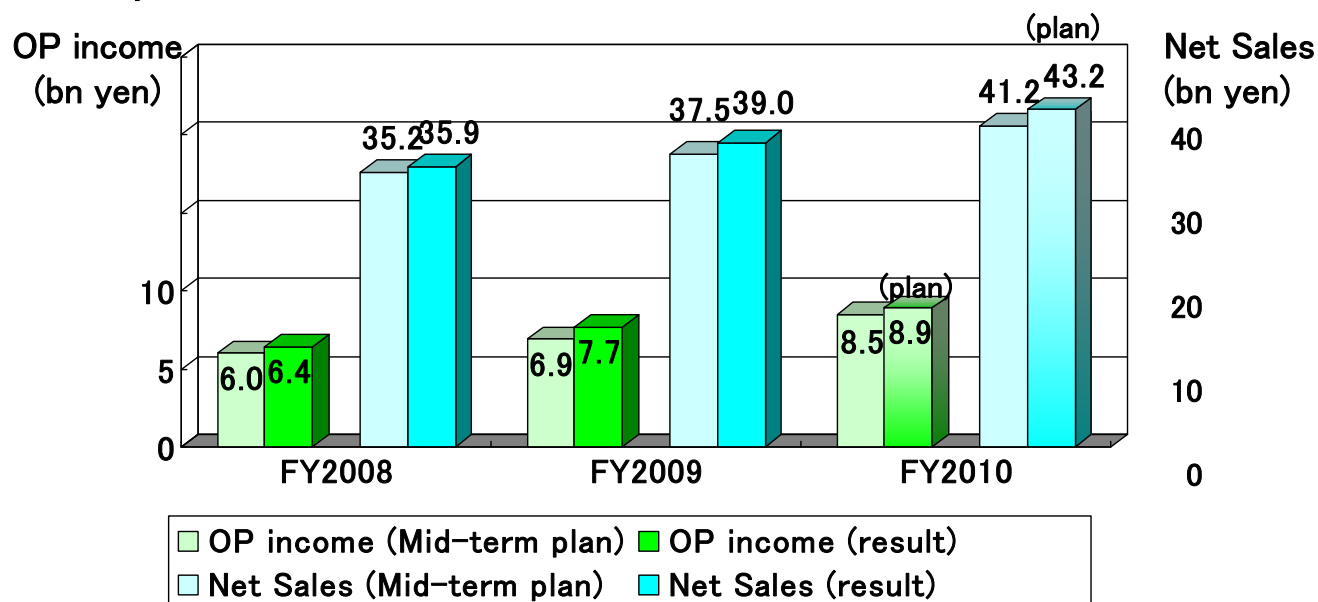
Progress of exploitation of large HP market as well as sales agent and sales branch network

3. Advancement of formulation technology and production technology

Branding of “Towa as RACTAB”

Progress of the Mid-term business plan

The first and second year results and the third year budget outperform the Mid-term plan.



Following Mid-term business plan (April 2011-March 2014)

To be announced in May 2011

Measures: establishment of a system of over 100 billion yen sales company



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