



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the year ended March 2012

May, 2012

(stock ticker number : 4553)

Summary

- Sales increased by 5.6% year-on-year, which is slight increase on the budget.
- No major change on sales of products by launched year and sales of leading products. Sales of atorvastatins account 0.7 bn yen.
- The number of sales offices became 44, which was 29 at the end of March 2011.
- No major change in GPs, Dispensing Pharmacies and HPs
- Based on 12/3 results, 13/3 target figures are revised to be more than 13/3 Mid-term plan. We are still conservative on GE market expansion by 12/4 government GE promotion.
- Monthly sales of April 2012 overshoot the plan by sales increase in dispensing pharmacy market, which is not as big as that of 2 years ago. 2 years ago, we experienced steep rise in April due to the revision of GE incentive for dispensing pharmacies, setback in May and flat after June. We need some time to ascertain what is going on in the dispensing pharmacy market this year.

Outline of the financial results for the year ended March 2012

Period	12/3			11/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	48,719	100.0	+ 5.6	46,145	100.0
COGS	21,986	45.1	+ 3.0	21,348	46.3
SGA	17,624	36.2	+16.4	15,142	32.8
Operating income	9,107	18.7	- 5.7	9,654	20.9
Ordinary income	9,841	20.2	+ 4.7	9,396	20.4
Net income	5,737	11.8	- 1.9	5,846	12.7

Outline of the financial results for the year ended March 2012

(comparison with the Mid-term plan)

Period	12/3			12/3 Mid-term plan (disclosed on Nov. 7 th)	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	48,719	100.0	+ 1.5	48,000	100.0
COGS	21,986	45.1	- 0.1	22,000	45.8
SGA	17,624	36.2	+ 0.1	17,600	36.7
Operating income	9,107	18.7	+ 8.4	8,400	17.5
Ordinary income	9,841	20.2	+18.6	8,300	17.3
Net income	5,737	11.8	+12.5	5,100	10.6

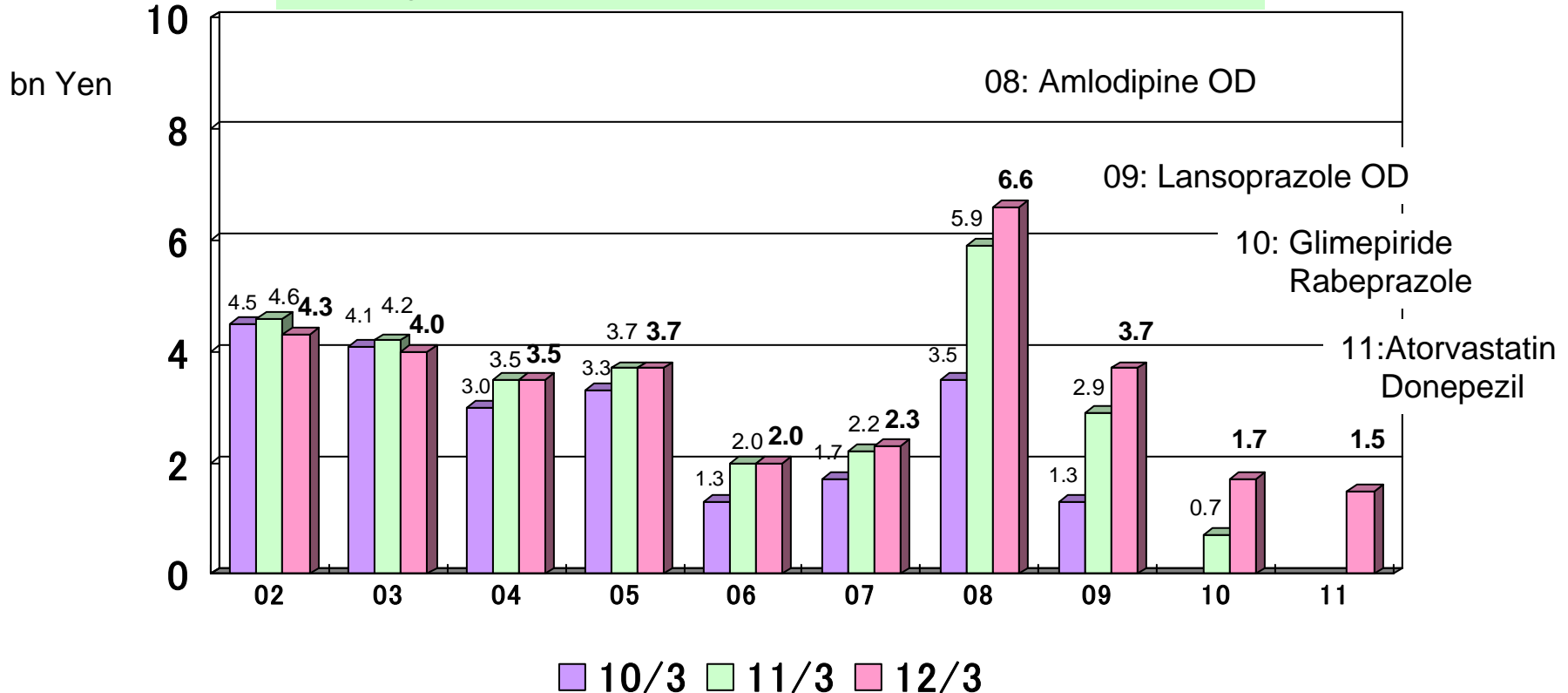
Outline of the financial results for the year ended March 2012

(non-consolidated)

Period	12/3			11/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	47,225	100.0	+ 5.5	44,780	100.0
COGS	21,072	44.6	+ 1.5	20,754	46.3
SGA	17,128	36.3	+17.0	14,639	32.7
Operating income	9,025	19.1	- 3.8	9,386	21.0
Ordinary income	9,768	20.7	+ 6.9	9,137	20.4
Net income	5,696	12.1	+ 0.2	5,683	12.7

Sales of products by launched year

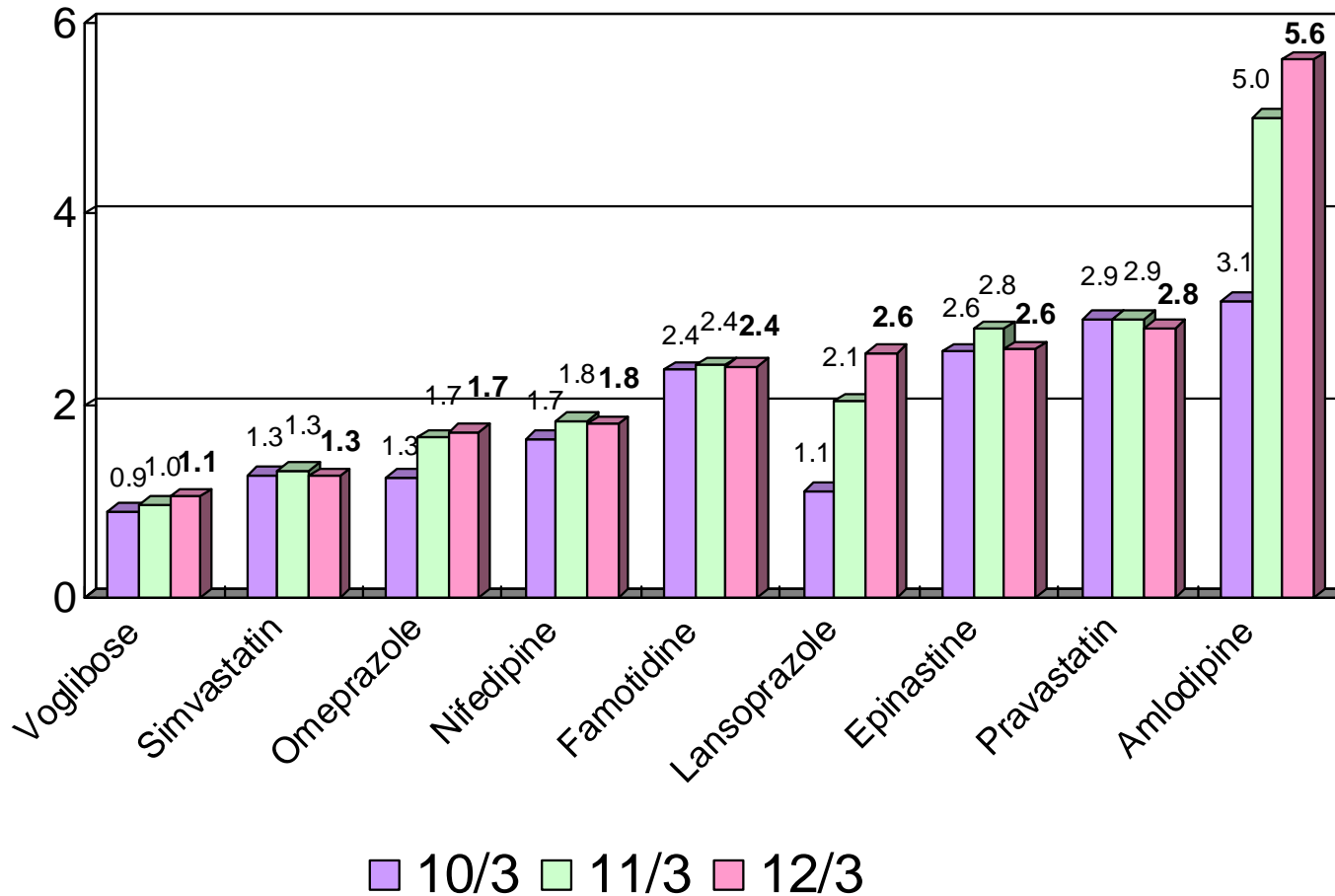
Sales of the products launched in and before 2003 turn downward.
 2004-06 products remain at the same level.
 Sales of the products launched in 2011 account 1.5 bn yen,
 including 0.7 bn sales of atorvastatins.



Sales of leading products

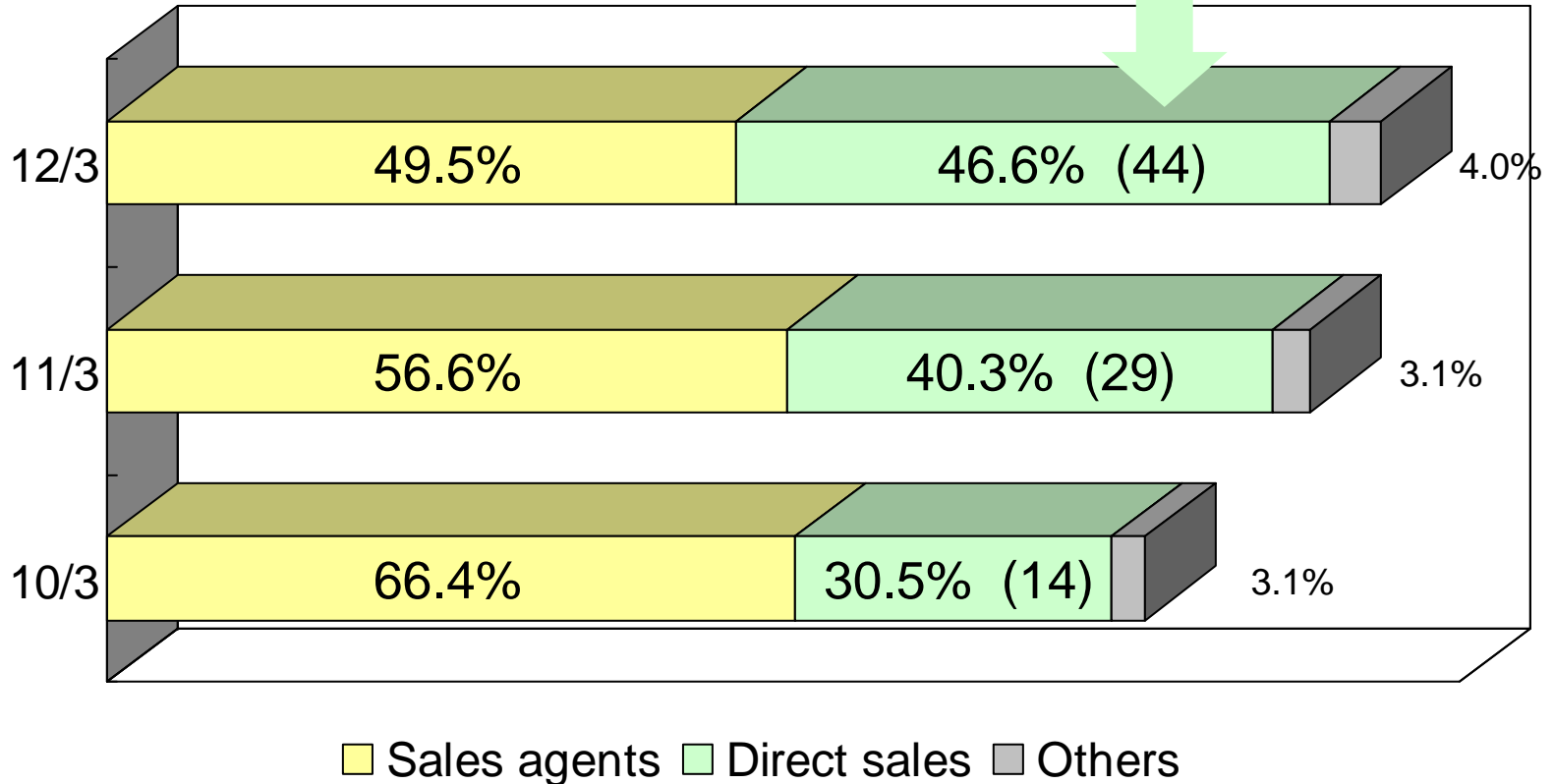
Flat sales except amlodipines and lansoprazoles

bn Yen



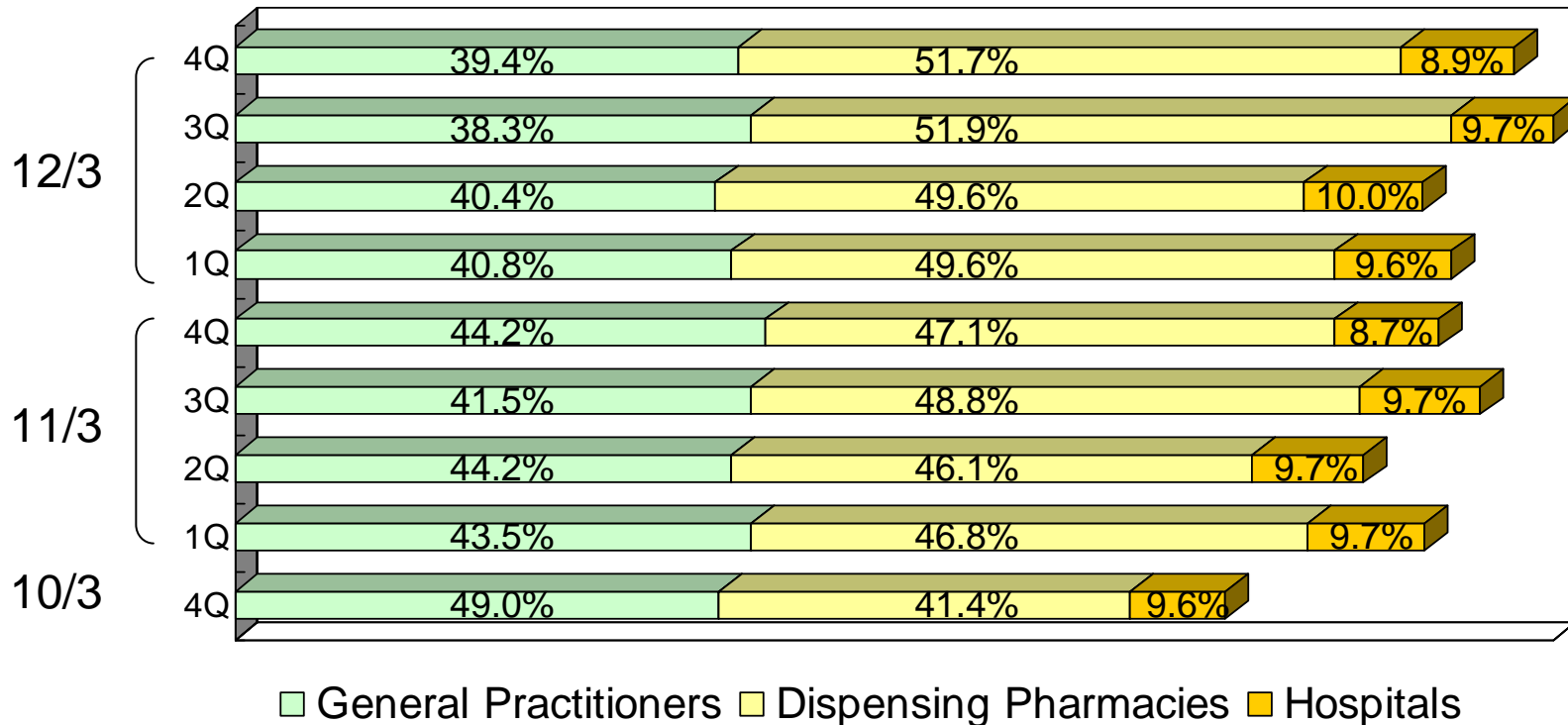
Sales of channels

Ratio of direct sales increased due to changing sales agent to sales office and opening new offices, and increased headquarter transaction.
() is the number of sales offices.



Sales of medical institutions

No major change in GPs, Dispensing Pharmacies and HPs



Excluding sales by other companies.

Assuming sales of general practitioners, dispensing pharmacies and hospitals is 100%.

SGA

Period	12/3			11/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	7,790	16.0	+15.2	6,761	14.7
R&D	4,076	8.4	+25.0	3,260	7.1
Ad.	1,046	2.1	+18.7	881	1.9
Others	4,711	9.7	+11.1	4,239	9.2
SGA	17,624	36.2	+16.4	15,142	32.8

Balance Sheets

(Million Yen)

	12/3	11/3	Change
Cash and deposits	4,217	9,531	-5,313
Trade notes and account receivables	16,467	16,024	+443
Inventories	17,299	13,480	+3,819
Other current assets	4,261	3,420	+840
Current assets	42,245	42,456	-210
Fixed assets	38,998	30,508	+8,490
Total assets	81,244	72,964	+8,279

	12/3	11/3	Change
Trade notes and account payables	6,473	6,504	-31
current portion of long-term debt	2,007	500	+1,507
Other current liabilities	11,345	9,895	+1,450
Current liabilities	19,826	16,899	+2,926
Long-term debt	9,792	8,500	+1,292
Other fixed liabilities	1,131	900	+230
Fixed liabilities	10,923	9,400	+1,522
Total liabilities	30,750	26,300	+4,449
Shareholders' equity	50,494	46,664	+3,830
Total liabilities and shareholders' equity	81,244	72,964	+8,279

Increase of inventories
 = increase of finished products due to
 production transfer to Yamagata Plant
Increase of fixed assets
 = increase of construction
 of Yamagata Plant
Increase of long-term debt
 =Bank loan for Yamagata Plant

Statement of Cash Flows

(Million Yen)

	12/3	11/3
Net profit before tax	9,733	9,435
Depreciation cost	2,637	1,873
Increase of inventories	-3,819	-2,638
Tax paid	-3,817	-3,315
Net cash provided by operating activities	3,379	5,739

	12/3	11/3
Cash provided by long-term debt	3,500	5,000
Dividends paid	-1,285	-1,072
Net cash provided by financing activities	879	4,220

	12/3	11/3
Cash deposit paid	-7,500	-10,500
Cash deposit repaid	8,500	12,000
Payments for tangible assets	-9,009	-8,594
Net cash used in investing activities	-8,482	-7,854

	12/3	11/3
Effect of exchange rate changes on cash and cash equivalents	-9	-16
Net increase in cash and cash equivalents	-4,232	2,089
Cash and cash equivalents at beginning of the period	8,031	5,941
Cash and cash equivalents at end of the period	3,798	8,031

Financial forecast for the year ending March 2013

13/3 plan is based on our conservative view point
on 12/4 government GE promotion

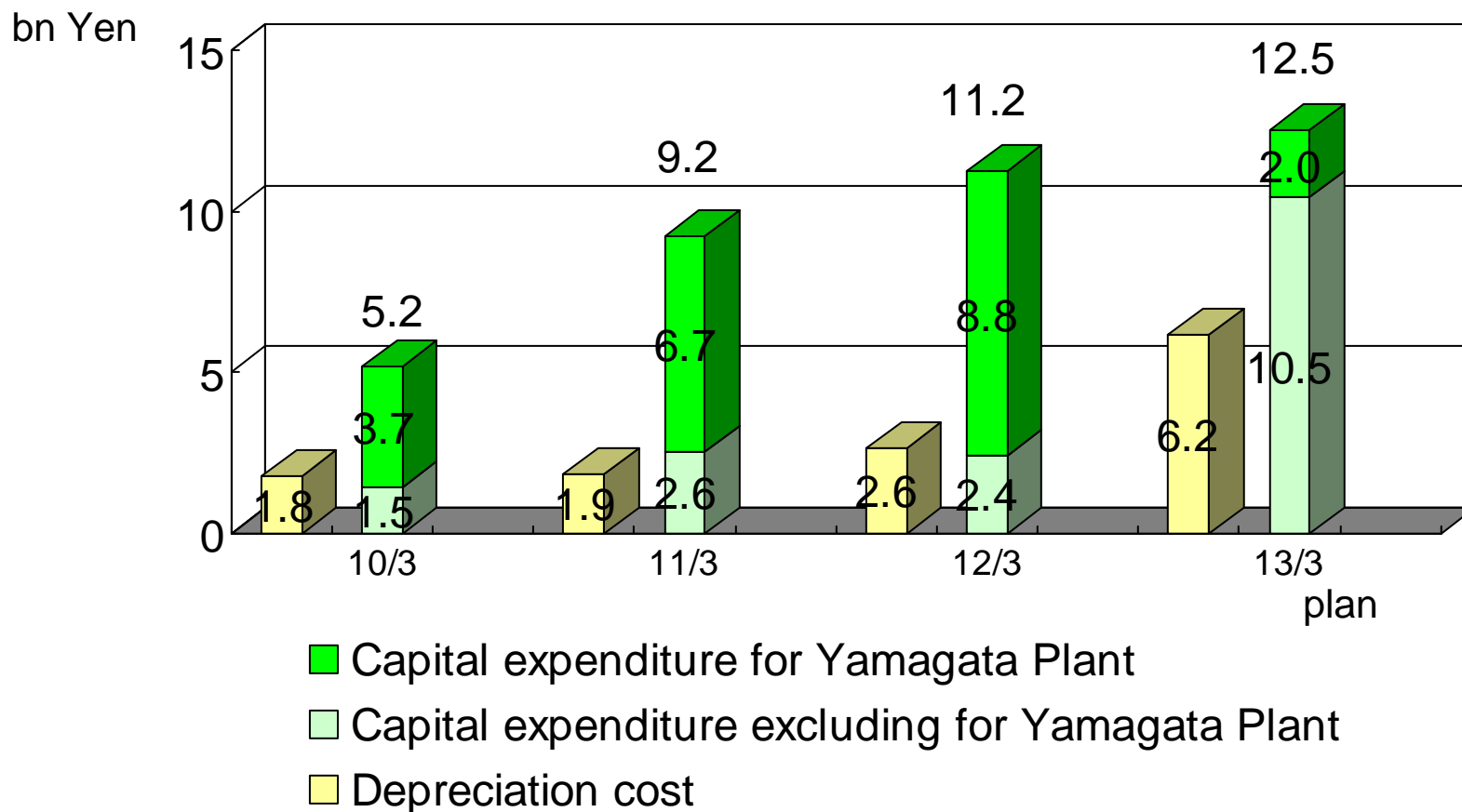
Period	13/3 plan			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	54,400	100.0	+11.7	48,719	100.0
COGS	25,600	47.1	+16.4	21,986	45.1
SGA	20,500	37.7	+16.3	17,624	36.2
Operating income	8,300	15.3	-8.9	9,107	18.7
Ordinary income	8,200	15.1	-16.7	9,841	20.2
Net income	5,100	9.4	-11.1	5,737	11.8

Financial forecast for the year ending March 2013

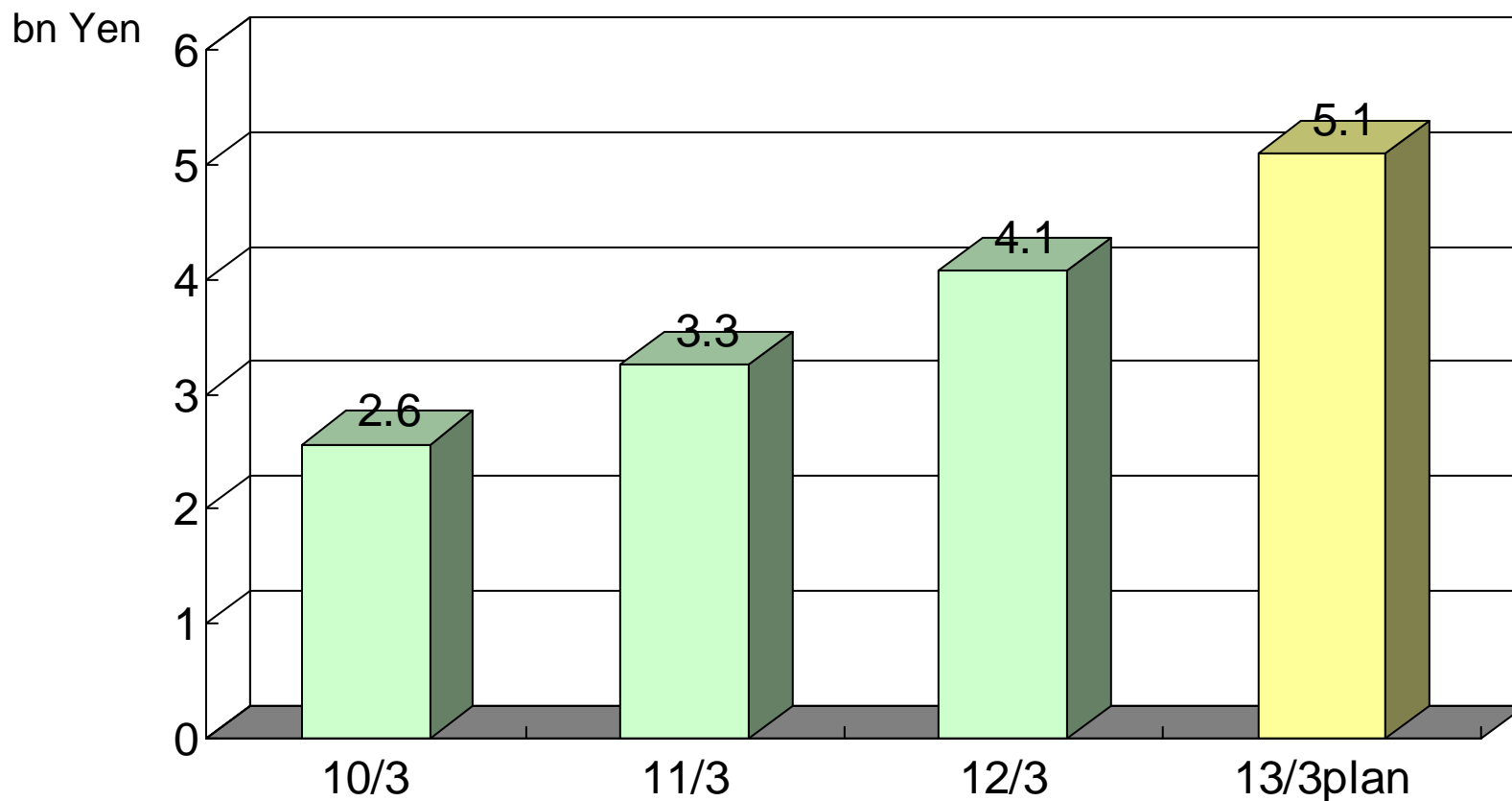
Based on 12/3 results,
13/3 target figures are revised to be more than 13/3 Mid-term plan

Period	13/3 plan			13/3 Mid-term plan	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	54,400	100.0	+4.2	52,200	100.0
COGS	25,600	47.1	-4.5	26,800	51.3
SGA	20,500	37.7	+7.3	19,100	36.6
Operating income	8,300	15.3	+31.7	6,300	12.1
Ordinary income	8,200	15.1	+32.3	6,200	11.9
Net income	5,100	9.4	+34.2	3,800	7.3

Capital expenditure and depreciation cost



R&D expenditure



Major products to be launched in June 2012

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
A-II antagonist	LOSARTAN POTASSIUM TABLETS 25mg/50mg/100mg "TOWA"	NU-LOTAN Tablets 25mg/50mg/100mg (MSD)	43.1
Ca antagonist	AMLODIPINE OD TABLETS 10mg "TOWA" AMLODIPINE TABLETS 10mg "TOWA"	Amlodin OD Tablets/ Tablets 10mg (DSP) Norvasc OD Tablets/ Tablets 10mg (Pfizer)	2.1
Antihypertensive diuretic	NEWTOLIDE TABLETS 12.5mg	-	-
Antihypertensive diuretic	FLUTORIA TABLETS 1mg	Fluitran Tablets 1mg (Shionogi)	0.7
Hypnotic	ZOLPIDEM TARTRATE TABLETS 5mg/10mg "TOWA"	Myslee Tablets 5mg/10mg (Astellas)	38.8
SSRI	PAROXETINE OD TABLETS 10mg/20mg "TOWA" PAROXETINE TABLETS 5mg/10mg/20mg "TOWA"	Paxil Tablets 5mg/10mg/20mg (GSK)	42.4
Therapeutic Agent for Alzheimer-type Dementia	DONEPEZIL HYDROCHLORIDE ORAL SOLUTION 3mg/5mg "TOWA"	-	-

24 products in total

Measures for GE promotion after April 2012

1. Revision of GE incentive and others for dispensing pharmacies

Revision of GE incentive for dispensing pharmacies

20%	60 Yen		22%	50 Yen
25%	130 Yen	→	30%	150 Yen
30%	170 Yen		35%	190 Yen

(Excluding Chinese medicines)

Abolition of incentives of dispensing GE and providing its information

- * Incentive of dispensing GE: 20 Yen → Abolished
- * Incentive of providing the information: 100 Yen → Abolished
(Requirement)
- Substitution to GE with its information

Measures for GE promotion after April 2012

2. Evaluation of providing information of GE utilizing drug information sheet at dispensing pharmacies
- * Drug administration record and guidance fee 300 Yen → 410 Yen
(Requirements)
 - Provision of drug information sheet → • Provision of drug information sheet
 - Record of drug administration → • Record of drug administration
 - Record of drug in patient's drug notebook (new)
 - Confirmation of remained drugs (new)
 - Information provision of inventories and price of GEs (new)

 - * Drug information provision fee 150 Yen → Abolished
(Requirements)
 - Record of drug in patient's drug notebook

Measures for GE promotion after April 2012

3. Revision of GE incentive for medical institutions

* Revision of the GE incentive

Number of GEs:

More than 20% 300 Yen → More than 20% 280 Yen
More than 30% 350 Yen

4. Promotion of generic prescribing

* Revision of prescription fee

20 Yen is additionally paid for each prescription including generic name.

5. Revision of prescription form

Signature if none of prescribed drugs is permitted to substitute

→ Revision of the form to make signature for each prescribed drug if its substitution is not permitted

Measures for GE promotion after April 2012

- Others: revision of institution requirements for additional fee of standard dispensing

In addition to requirement of opening hours, the number of available drugs is included in the requirements.

[Additional fee of standard dispensing]

1 Additional fee 1	100 Yen
2 Additional fee 2	300 Yen

[Institution requirements]

- Requirement of the additional fee 1
Sufficient variety of drugs in stock
More than 500 → **More than 700**
- Requirement of the additional fee 2
Sufficient variety of drugs in stock
More than 700 → **More than 1,000**

Monthly sales increase in April in the past 3 years

YoY increase	April 2010	April 2011	April 2012
Dispensing pharmacies	+82%	+0%	+43%
General practitioners	+7%	-8%	+4%
Hospitals	+44%	-6%	+18%
Total	+39%	-4%	+24%

April 2010
 > Revision of GE incentives for dispensing pharmacies (60,130,170 yen)

April 2011
 > No change
 > Negative impact by the Great East Japan Earthquake

April 2012
 > Revision of GE incentives for dispensing pharmacies (50,150,190 yen)
 > Information provision of inventories and price of GEs
 > Promotion of generic prescribing (20 yen), etc.

Contact information

Management Planning Development
Corporate Planning Division
Towa Pharmaceutical Co., Ltd.

ir@towayakuhin.co.jp

TEL : +81-6-6900-9101

FAX : +81-6-6900-0634

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