

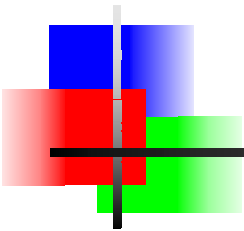
Mid-term Business Plan

2008 - 2010

November 5, 2007

Towa Pharmaceutical Co., Ltd.

(stock ticker number :4553)





Position of the Mid-term Business Plan

Period

3 years
FY2008 - FY2010 (April 2008 – March 2011)

Assumptions

During the next 3 years,

- Japanese generic drug (GE) market will expand gradually.
- It will take a little while for full-scale widespread use of GE.

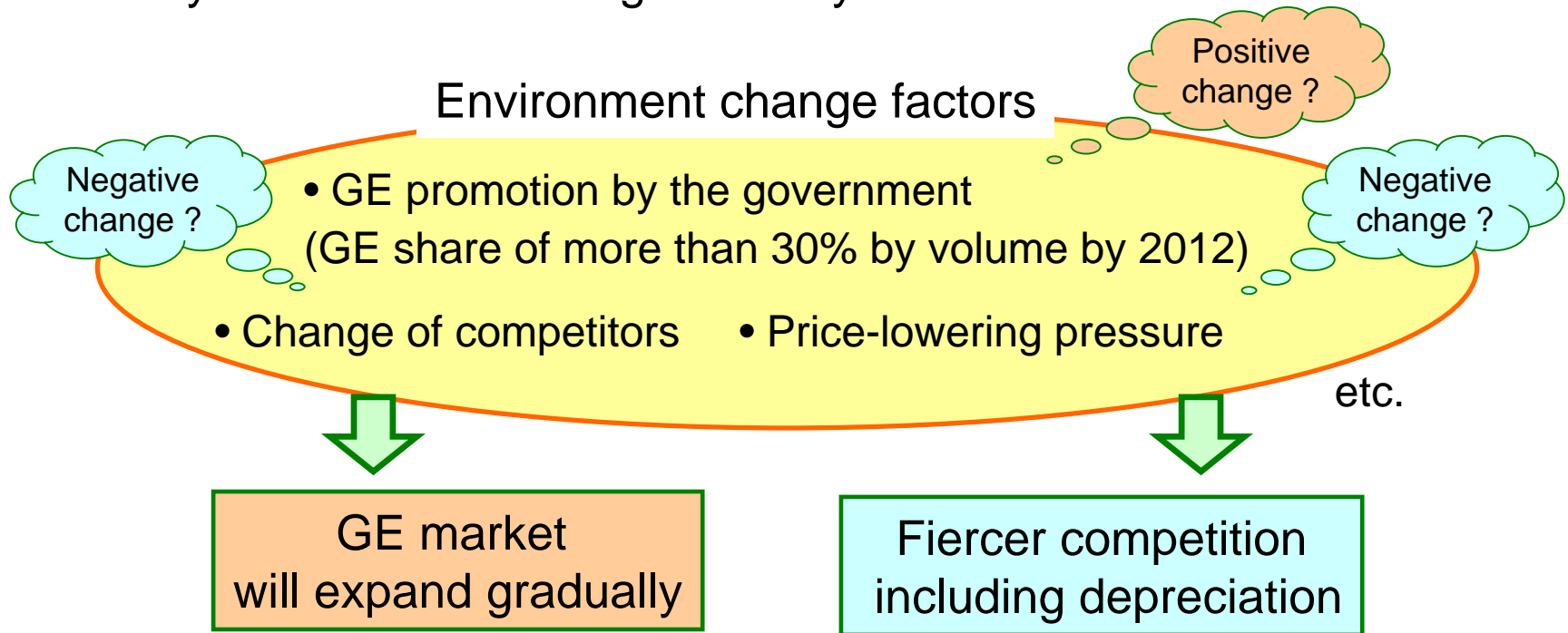
Main purport of
the Plan:

To clarify the measures to be implemented
based on the assumptions

(In case of major changes in the assumptions,
we will revise the Plan and respond flexibly.)

Business Environment

- Many uncertainties during this 3-5 years



- Survival conditions?

“Quality, service, and price (cost) competitiveness of a global standard”



Corporate Vision

Reliability

To be trusted by patients, medical professionals, society and employees

**Leading
GE company**

To be the leading GE company by reliability and sales volume, and to contribute to the future medication

**50 bn yen sales
after 5 years**

As a result, to achieve 50 bn yen sales after 5 years (in 2012), and 100 bn yen sales in the future

Basic strategy

Corporate Vision

Sales growth in HP market by established reliability, as well as GP and pharmacy market

Consideration of lower price supply after enhancing cost competitiveness

Mid-term period

To be the most reliable GE company

Sales growth in GP and pharmacy market

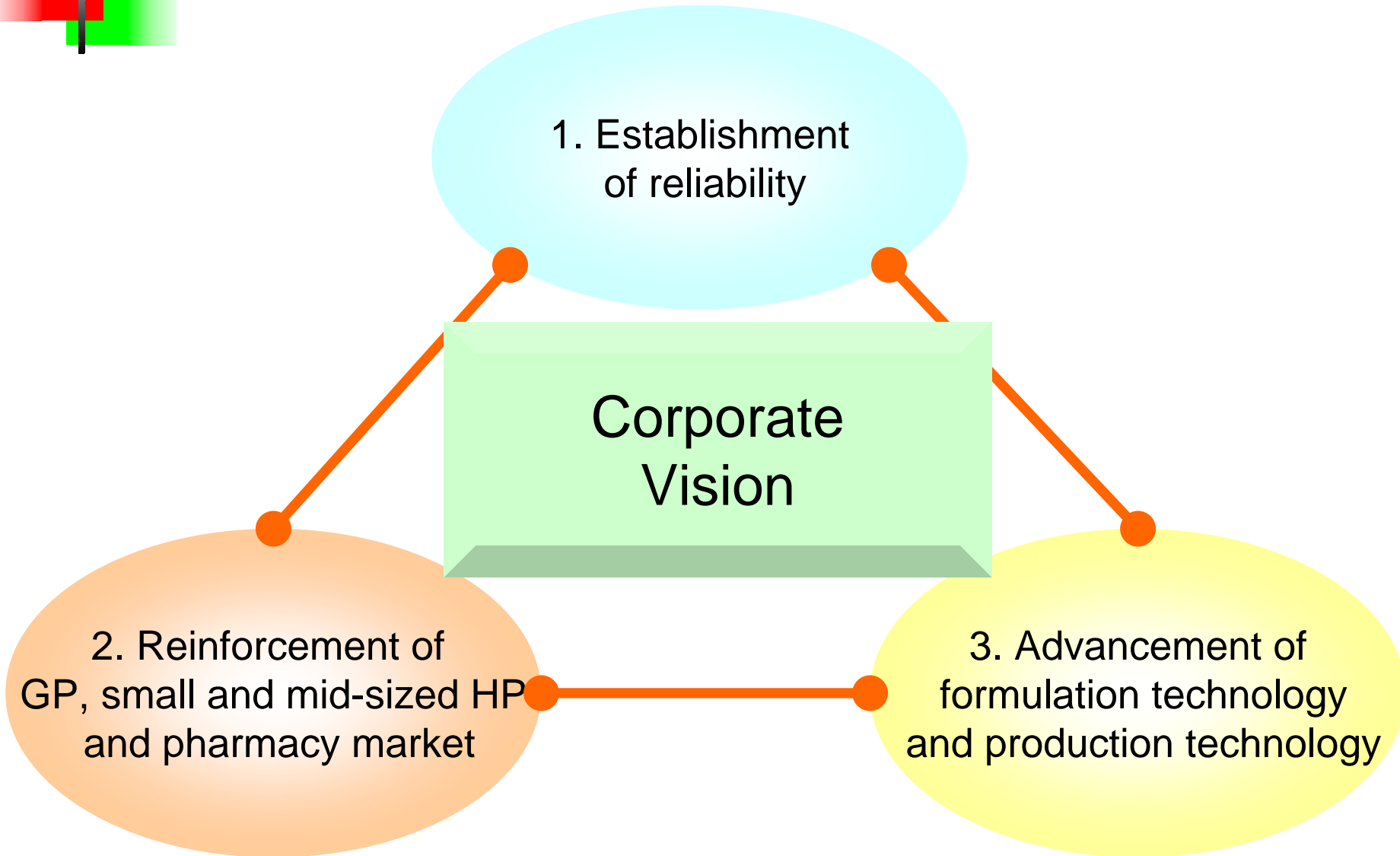
To be improved, if there are gaps between fact and target

Current situation

Quality, information provision, stable supply at the level required from the market



Measures to be implemented





Measure 1

1. Establishment of reliability

Information provision management for inquiries from within and without the company

Preparing a series of testing data of in-house quality standards

Establishment of stable supply (improvement of production planning, securement of reliable API suppliers)



Measure 2

Reinforcement of
GP, small and mid-sized HP and pharmacy market,
where Towa has an advantage

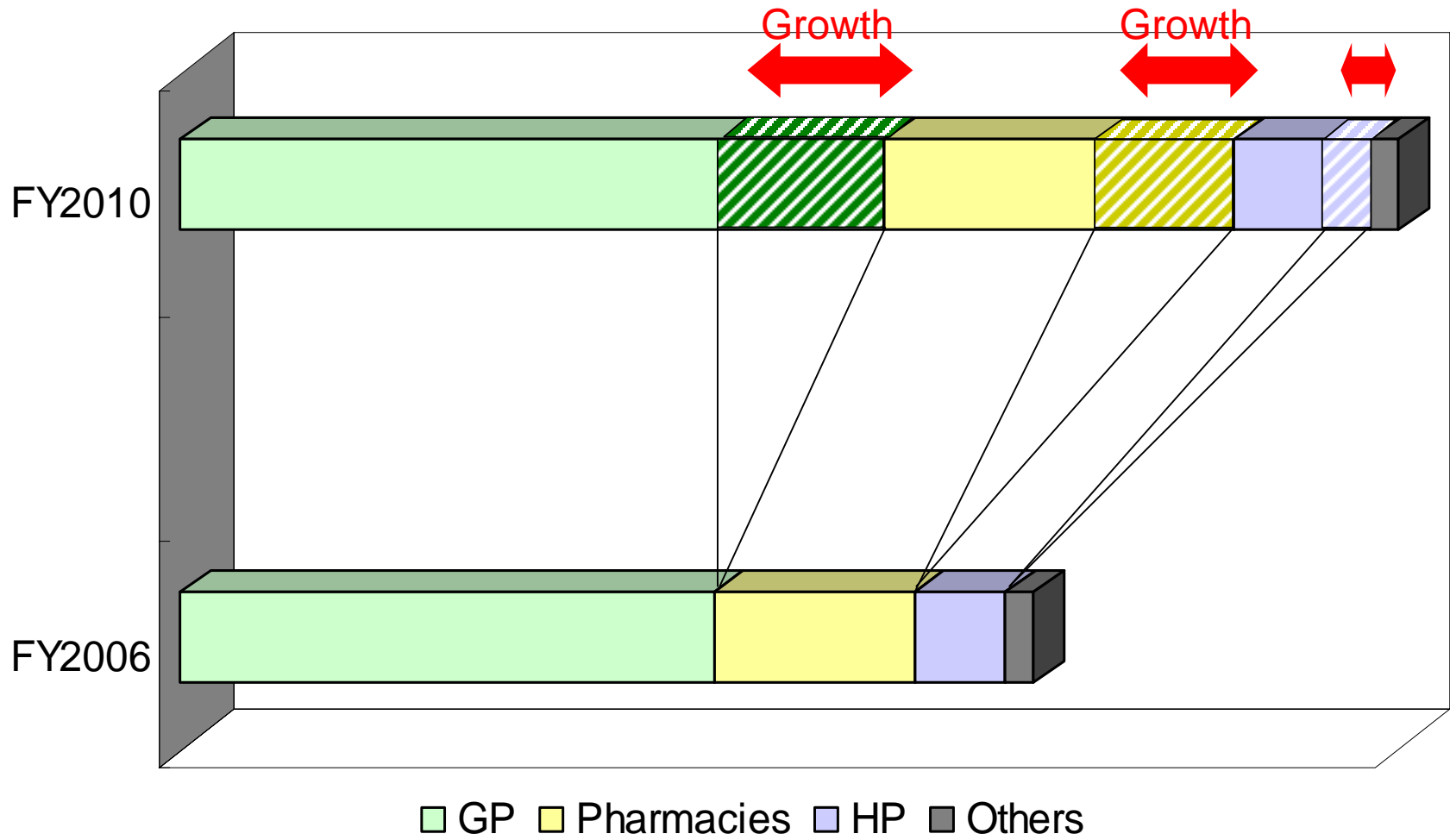
Fair pricing strategy

Organizing sales agents
and branch networks

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

Focusing on DPC prep-HPs
and public HPs
among HP market

Sales of medical institutions





Measure 3

Cost-conscious formulation design
(standardization of basic formulation)

Product improvement
for customer satisfaction

Effective investment
in plant and equipment
by role-sharing between plants

3. Advancement of
formulation technology
and production technology

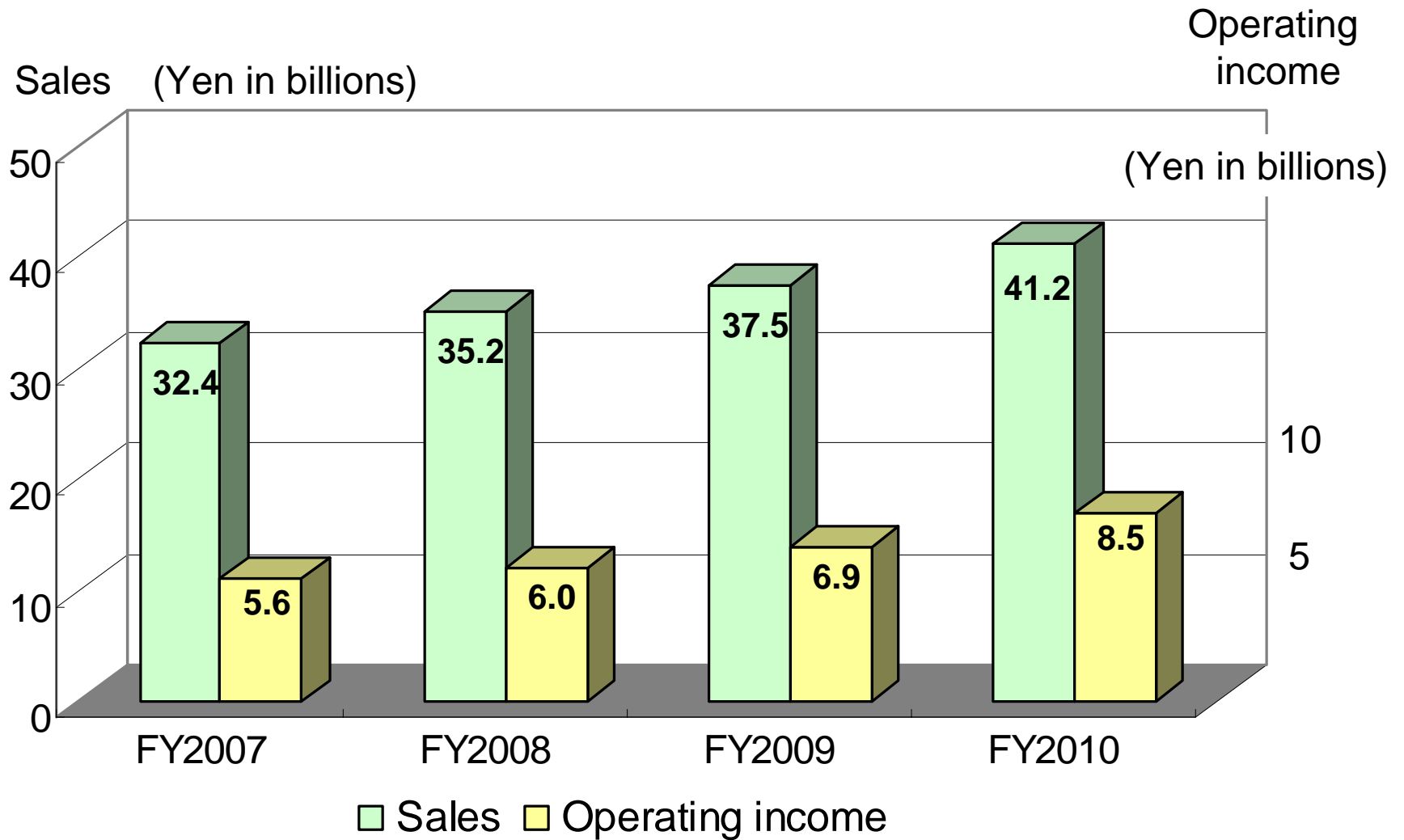


Target figures

(Yen in millions)

	FY2007	FY2008	FY2009	FY2010
Net Sales	32,400	35,200	37,500	41,200
(change in %)	(+10.8%)	(+8.6%)	(+6.5%)	(+9.9%)
Gross Margin	15,370	17,000	18,600	20,600
(change in %)	(+12.6%)	(+10.6%)	(+9.4%)	(+10.8%)
Gross Margin Rate	47.4%	48.3%	49.6%	50.0%
SGA	9,770	11,000	11,700	12,100
(change in %)	(+5.9%)	(+12.6%)	(+6.4%)	(+3.4%)
Operating Income	5,600	6,000	6,900	8,500
(change in %)	(+26.8%)	(+7.1%)	(+15.0%)	(+23.2%)
Ordinary Income	5,800	6,200	7,100	8,700
Net Income	3,550	3,720	4,260	5,220

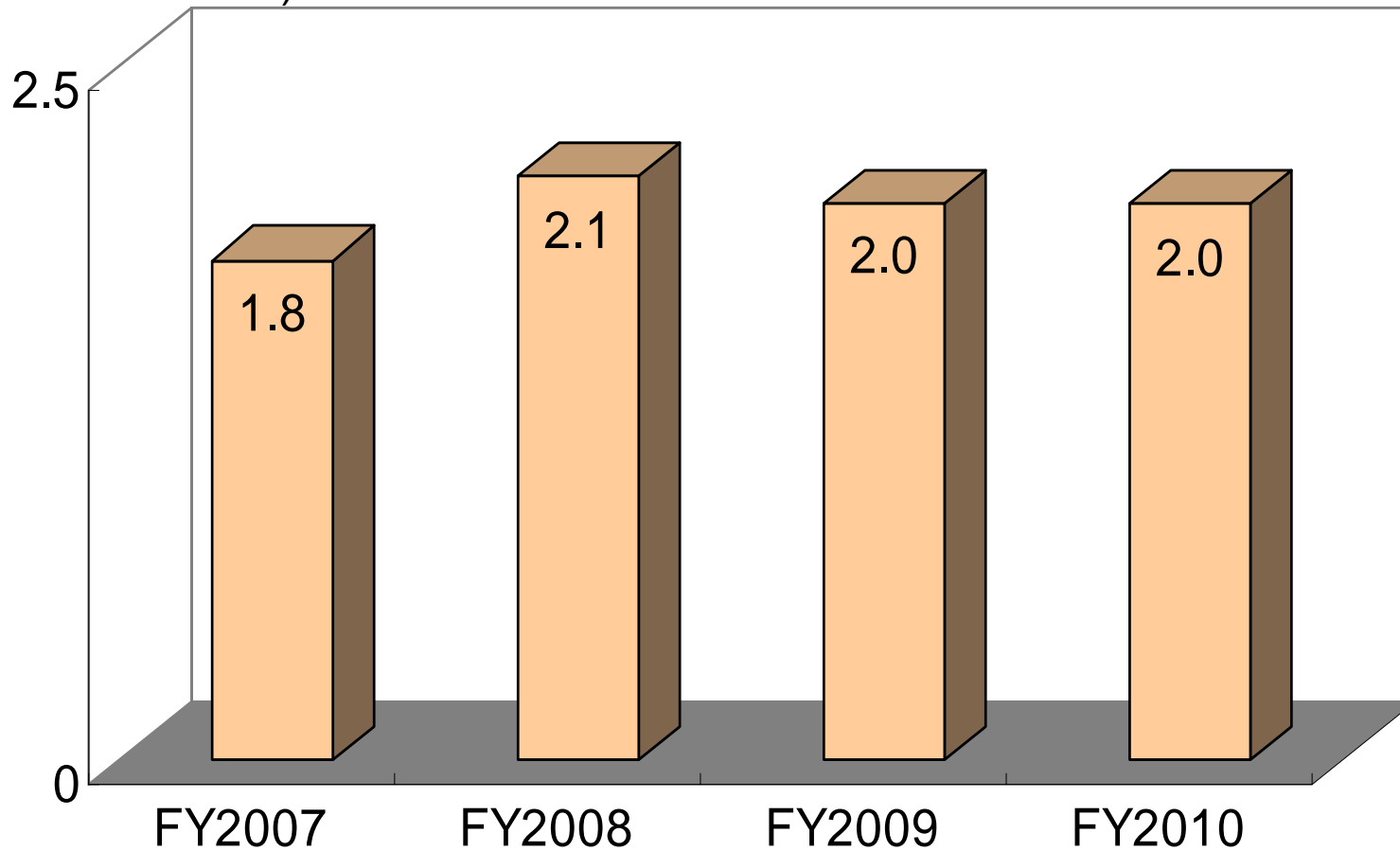
Target figures





R&D expenditure

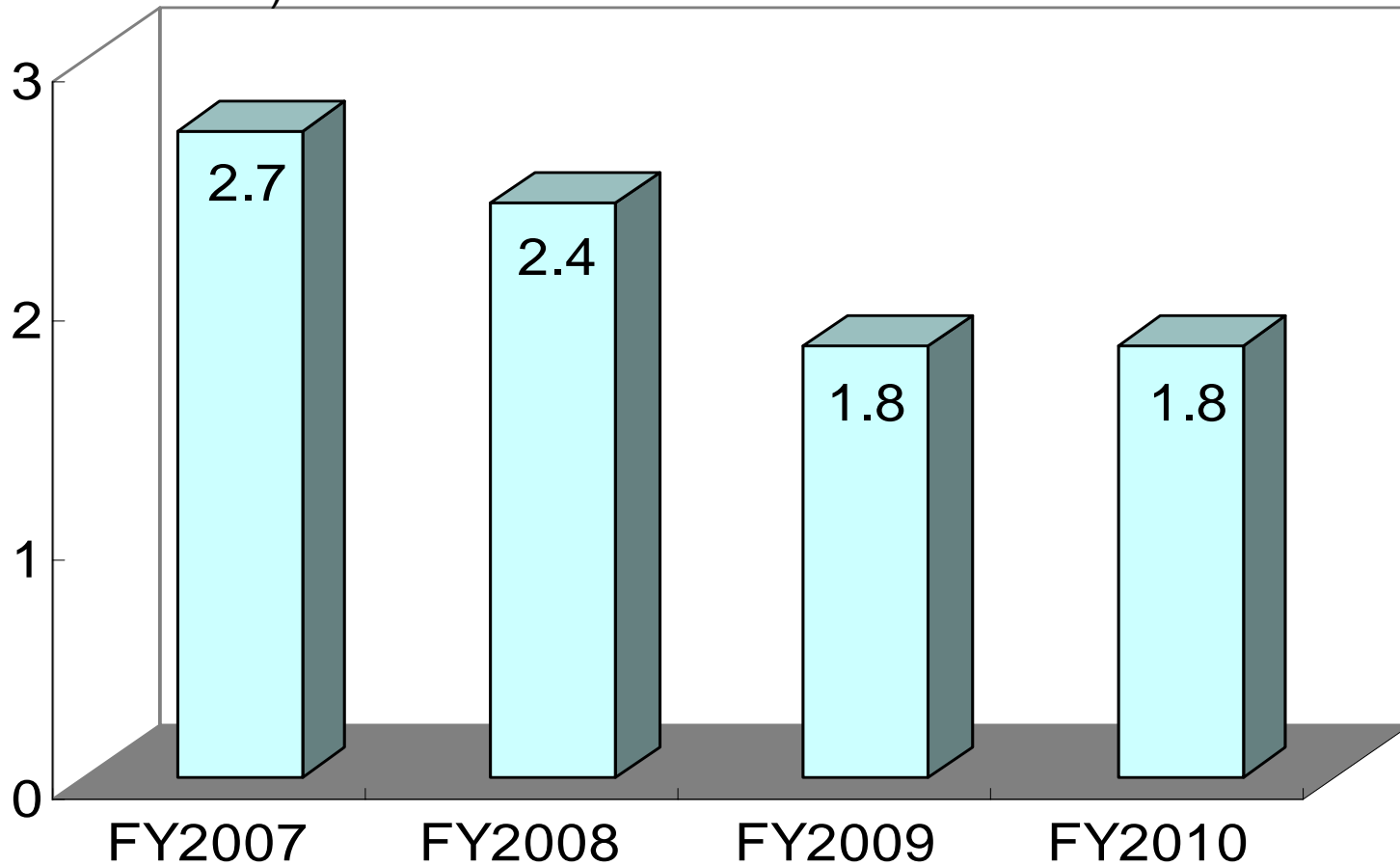
(Yen in billions)



Capital expenditure

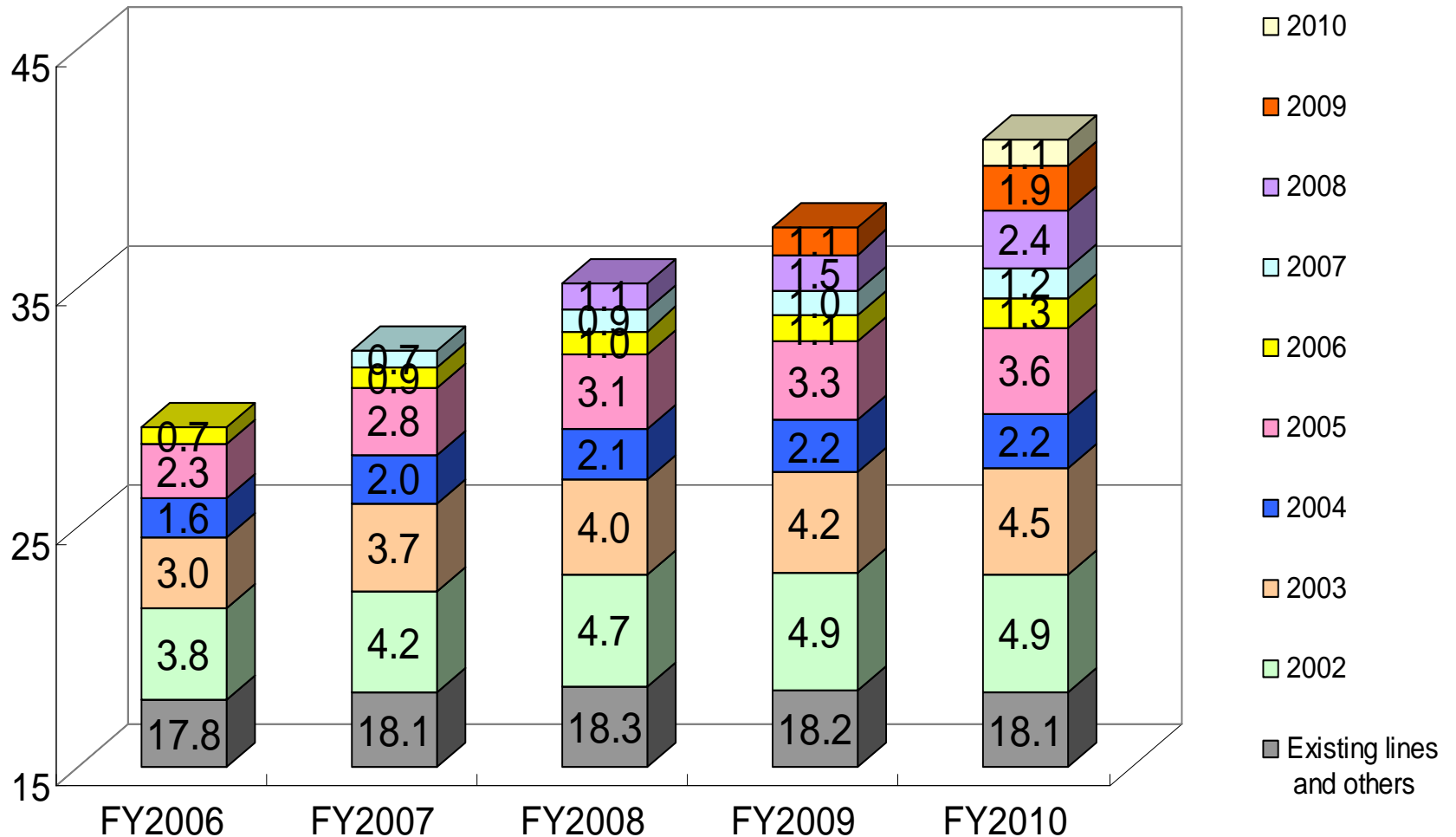
(Excluding Yamagata Plant renewal plan)

(Yen in billions)



Sales plan by launched year

(Yen in billions)





Subsidiaries

J-DOLPH Pharmaceutical CO.,LTD.

Specialty

Specialized in information provision on hemorrhoidal preparations focusing on promotion to proctologists

Improvement of productivity in Towa group

Contract manufacturing of Towa products
(liquid and ointment formulation)



Return to shareholders

Target payout ratio: 30%

- Balancing stable cash dividends and adequate earning retention
 - ↓
 - Yamagata Plant renewal
 - Funding for taking actions to business environmental changes



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Disclaimer

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