

**Financial results
for the 1st half of the year ending March 2007
and Towa's strategies**

November 8, 2006

Towa Pharmaceutical Co., Ltd.

(stock ticker number :4553)



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and forecasts for the year ending March 2007**

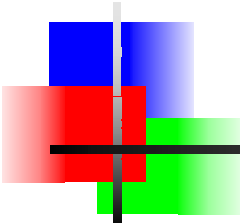
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II. Japanese GE industries in change and Towa's strategies

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**I. Financial results for the 1st half of the year ending March 2007
and forecasts for the year ending March 2007**



Outline of the financial results for the 1st half of the year ending March 2007 (FY2006)

(Yen in Millions, %)

	1st half of FY2006			1st half of FY2005	
		ratio to sales	change in %		ratio to sales
Net Sales	13,324	-	+12.1	11,889	-
Gross Margin	6,024	45.2	+11.0	5,425	45.6
SGA	4,654	34.9	+8.8	4,277	36.0
Operating Income	1,369	10.3	+19.4	1,147	9.6
Ordinary Income	1,525	11.5	-19.3	1,890	15.9
Net Income	837	6.3	+292.4	213	1.8

Period-over-period Sales Change

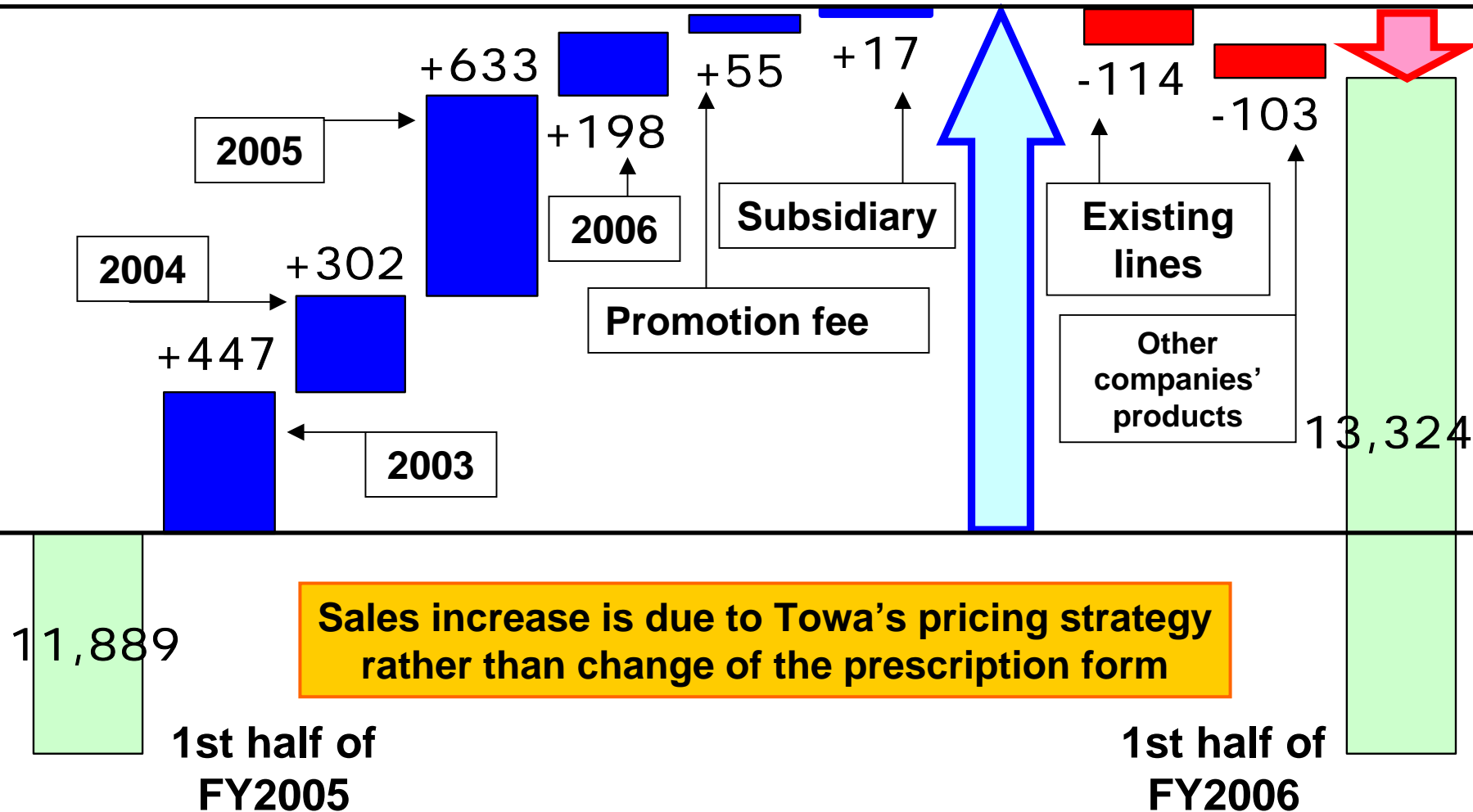
(Yen in millions)

2003-06 New products

+1,652

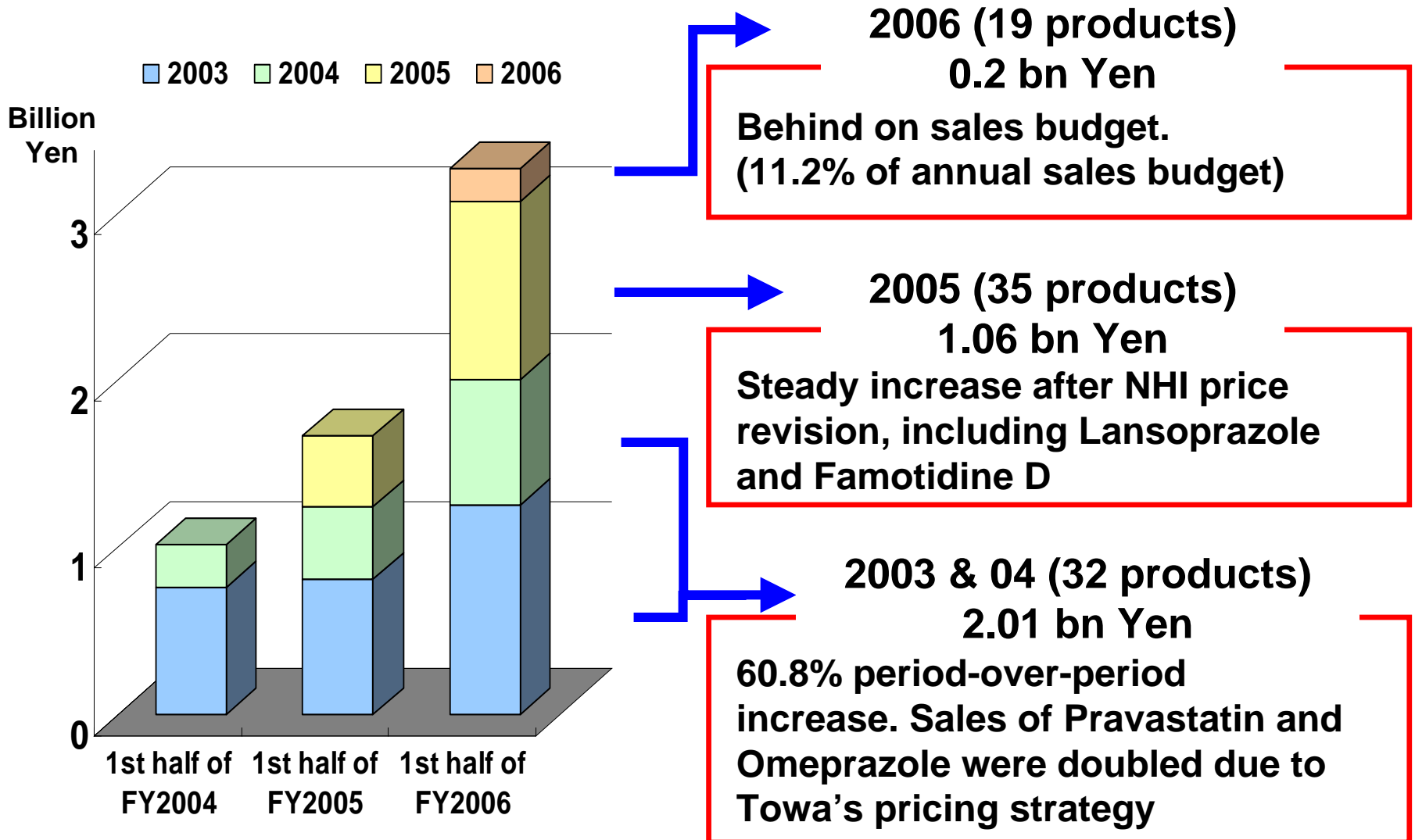
Existing lines

-217



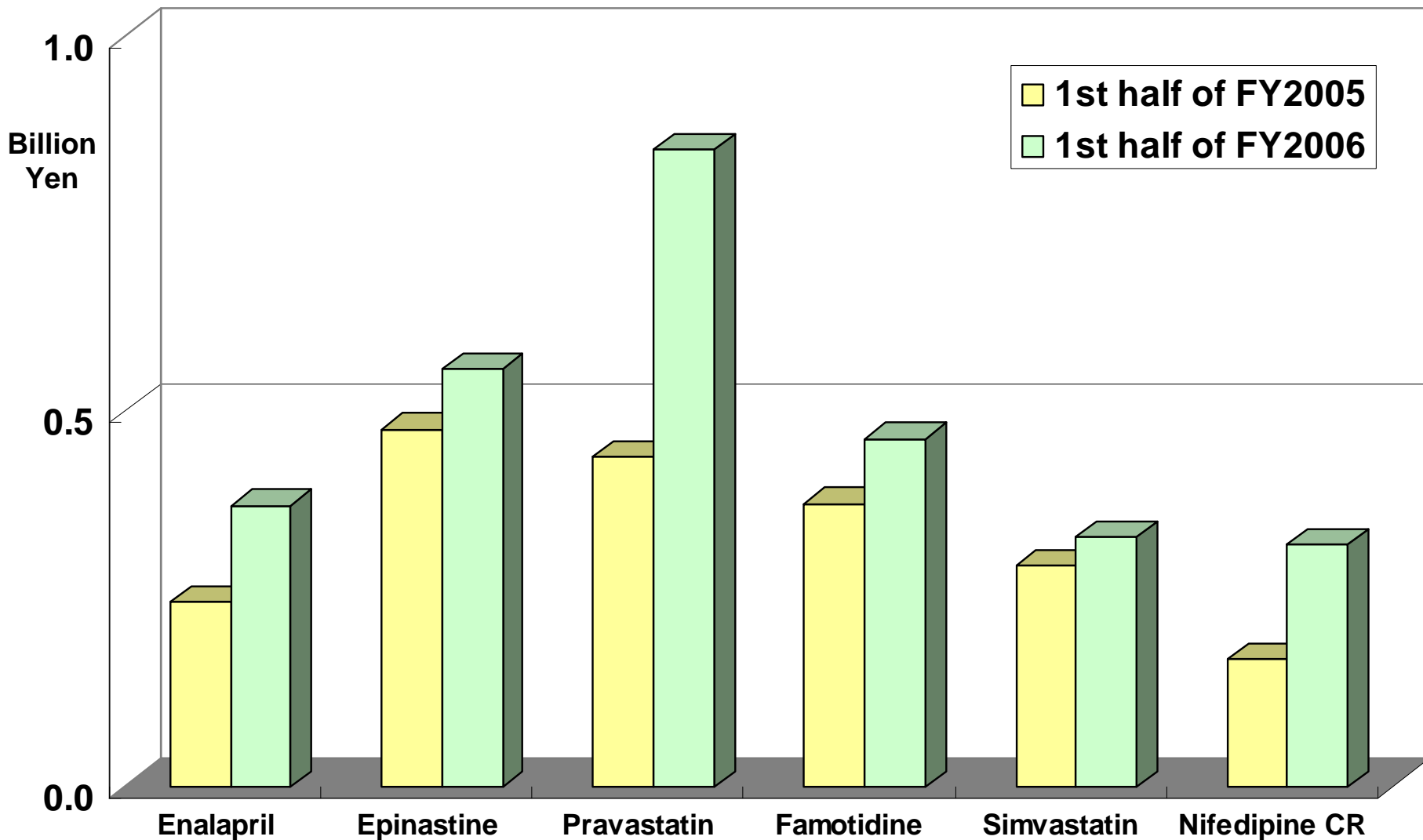
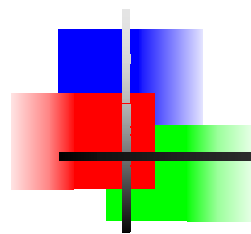
Sales increase is due to Towa's pricing strategy rather than change of the prescription form

Sales of New products



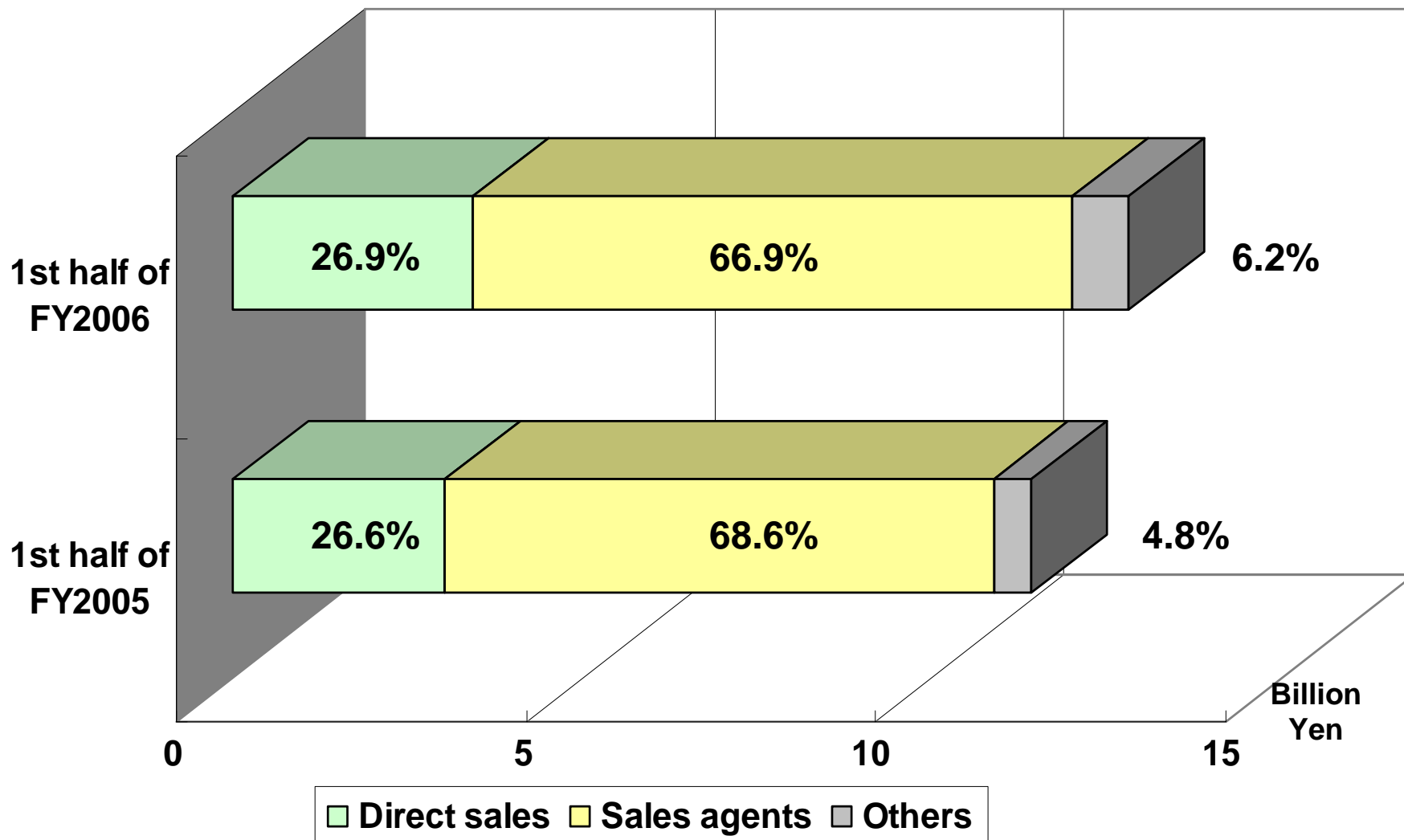
Sales of leading products

(non-consolidated)



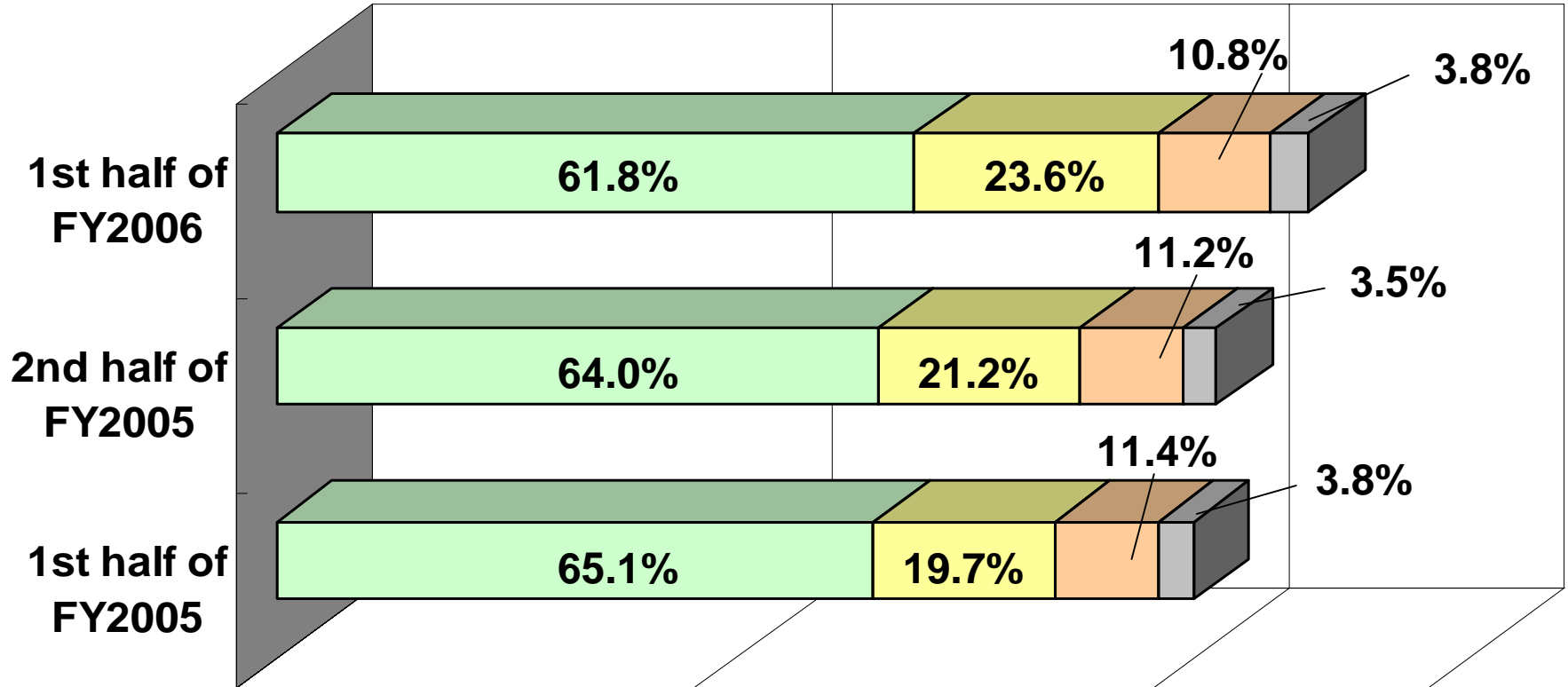
Sales of channels

(non-consolidated)



Sales of medical institutions

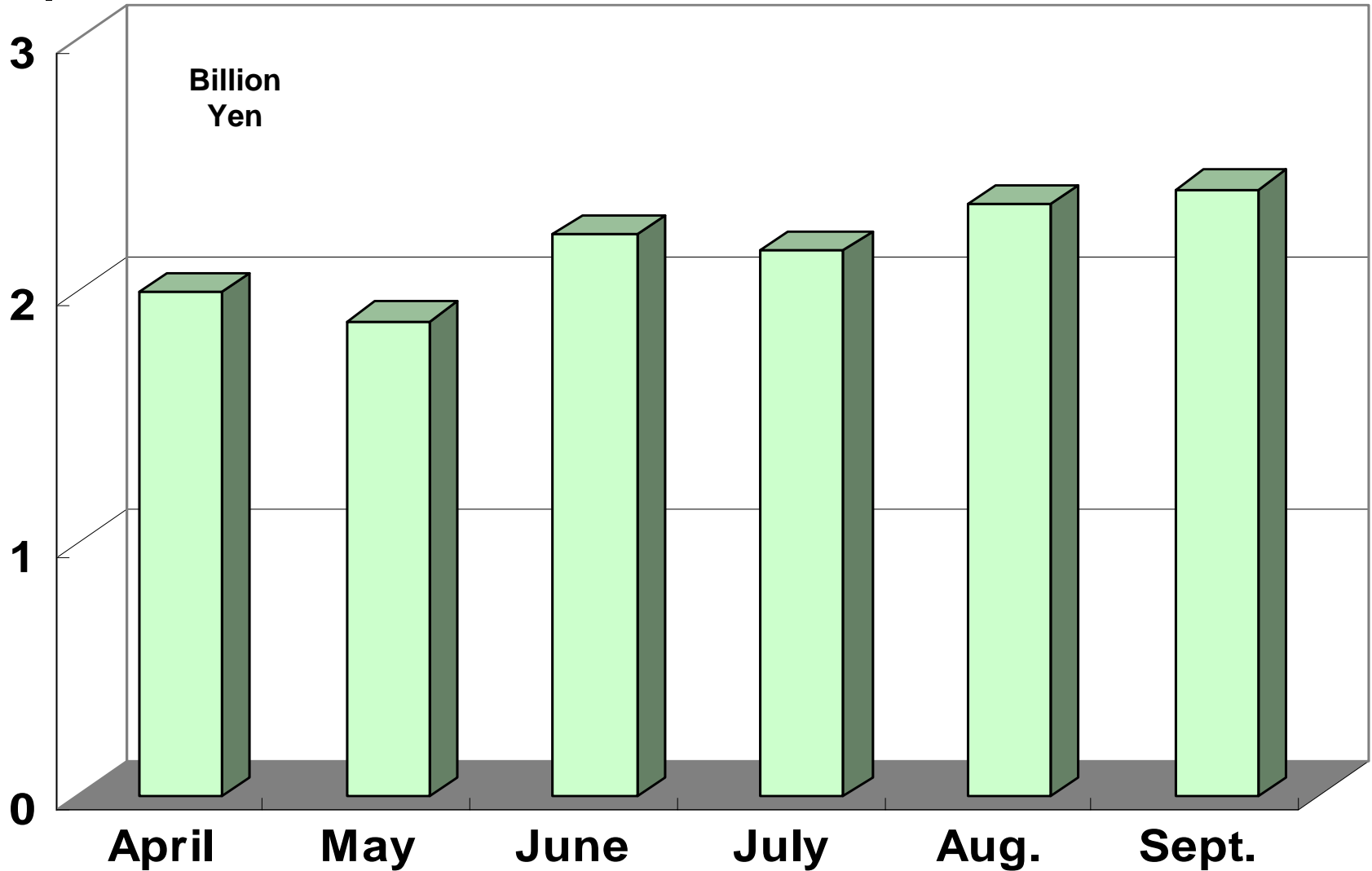
(non-consolidated)



General Practitioners Dispensing Pharmacies Hospitals Others

Monthly sales (1st half of FY2006)

(non-consolidated)



Sales and general administrative expenses

Yen in millions

	1st half of FY2006	
		Period-over -period change
Labor cost	2,240	+ 137
(1st half of FY2005)	(2,103)	
R&D expenses	1,020	+ 92
(1st half of FY2005)	(927)	
Ad expenses	371	+ 67
(1st half of FY2005)	(304)	
Others	1,022	+ 79
(1st half of FY2005)	(942)	
SGA	4,654	+ 376
(1st half of FY2005)	(4,277)	

- Increasing number of MRs

- Increase of labor cost and depreciation

- The same Ad activity level as previous year. Increasing factor is change of recording period.

Non-operating income & expenses and extraordinary gain & loss

Yen in millions

	1st half of FY2006	1st half of FY2005
Net sales	13,324	11,889
Gross margin	6,024	5,425
SGA	4,654	4,277
Operating income	1,369	1,147
Non-operating income	281	802
Profit on revaluation of currency swaps	138	554
Non-operating expenses	125	59
Ordinary income	1,525	1,890
Extraordinary gain	15	0
Extraordinary loss	116	1,084
Net income	837	213

Decrease in non-OP income (-520)

- 415 decrease in profit on revaluation of currency swaps. (recorded substantial amount of profit in previous period due to weaker Yen)
- Profit becomes smaller in this period

Increase in non-OP expenses (+66)

- Increase in loss on revaluation of marketable securities.

Decrease in extraordinary loss (-967)

- Recorded 888 loss due to impairment of Okayama plant expansion land in previous period.

Balance Sheets

Yen in millions

	As of Sept. 30 2006	As of March 31 2006	changes
Cash and deposits	1,453	1,177	+276
Trade notes and account receivables	10,524	10,513	+11
Marketable securities	343	11	+332
Inventories	7,547	7,020	+526
Currency swaps	576	438	+138
Current Assets	21,328	20,036	+1,291
Fixed assets	20,114	20,087	+26
Total assets	41,442	40,124	+1,318

Due to increase of sales

Due to increase of raw materials in stock for growing GE market.

Due to weaker Yen

Trade notes and account payables	4,326	3,770	+556
Current liabilities	8,421	7,739	+682
Fixed liabilities	1,247	1,241	+6
Total liabilities	9,668	8,980	+688
Shareholders' equity	31,774	31,144	+630
Total liabilities and shareholders' equity	41,442	40,124	+1,318

Due to increase of raw materials, etc

Financial forecast for full year result

Yen in millions

	FY2006 (plan) (April 2006 - March 2007)			FY2005 (April 2005 - March 2006)	
		ratio to sales (%)	change in %		ratio to sales (%)
Net sales	28,400	-	+17.4	24,193	-
Operating income	3,610	12.7	+50.6	2,397	9.9
Ordinary income	3,810	13.4	+8.6	3,506	14.5
Net income	2,250	7.9	+122.3	1,012	4.2



II. Japanese GE industries in change and Towa's strategies

II-1. Strategy for dispensing pharmacy market

Modification of the prescription form

Prescription form

診療内服処方箋		医師番号					
公費負担種別		処方科別記号・保険種別番号					
患者氏名	性別	生年月日	電話番号				
住所	郵便番号	処方科	医師氏名				
交付年月日	平成 年 月 日	処方科人の 保険種別	平成 年 月 日				
処方内容 剤名 剤量 剤数 剤法 剤時							
				換装薬品への変更は「OAT」 換装薬品への変更可 換装薬品			
				処方科 処方科番号			
処方科	平成 年 月 日	公費負担者番号					
処方科	平成 年 月 日	公費負担者番号					

Generic substitution

Substitutable to generic drugs

Signature of physician

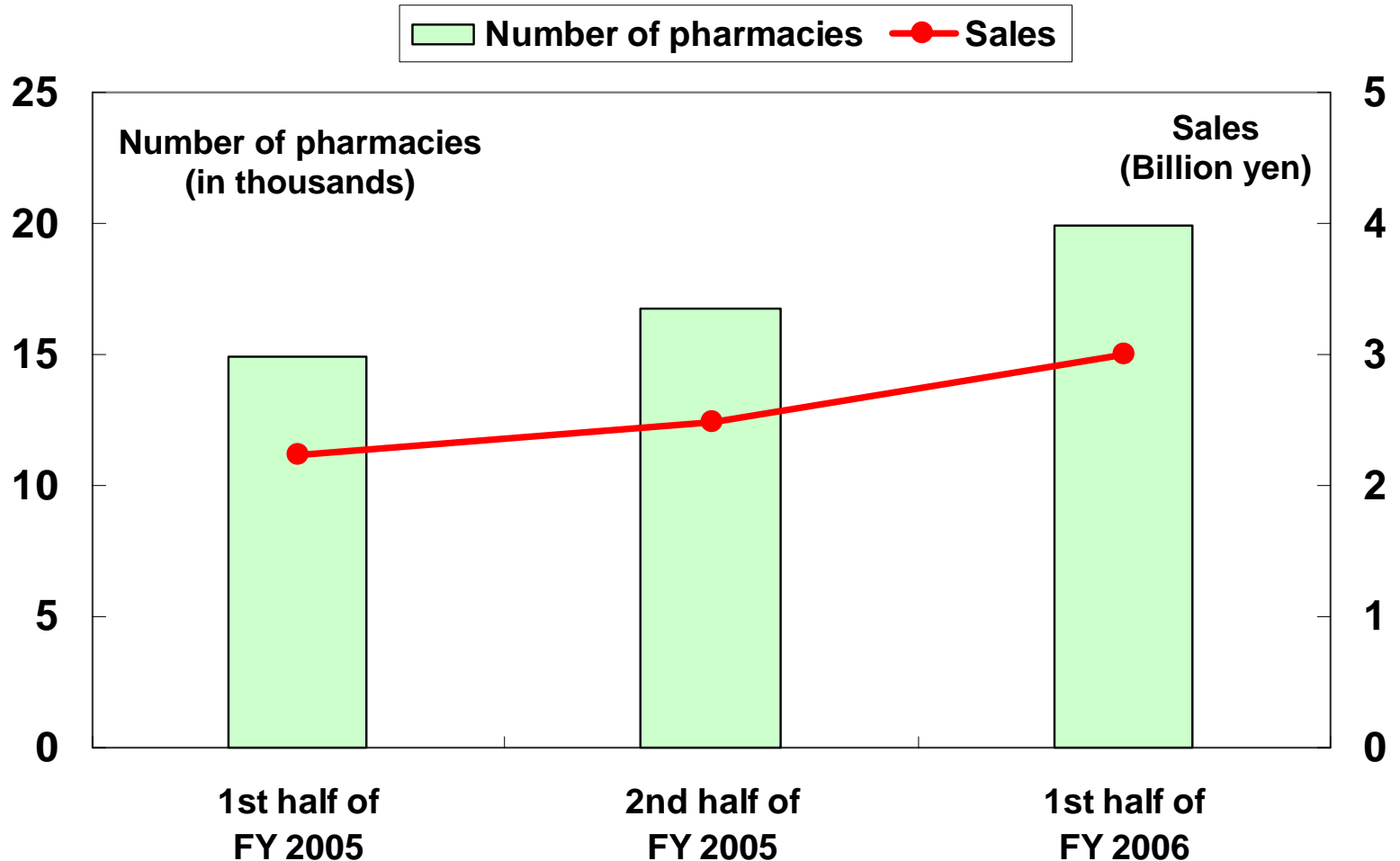
日	公費負担者番号
	公費負担医療の 受給者番号
	こと。

「令令（昭和51年厚生省令第26号）第1条の公費負担医療に「公費負担者」とあるのは「公費負担者の受給者」と」

Patients are able to make their choice of prescription drugs.

II-1. Strategy for dispensing pharmacy market

Sales for dispensing pharmacies
and the number of dispensing pharmacies dealing Towa's products





II-2. The MHLW announcements and Towa's action

- 1. Full variety of dose strength**
- 2. Stable supply**
- 3. Improvement of information provision**
- 4. Correction of indication differences**



1. Full variety of dose strength

March 10, 2006, MHLW announcement:

“The preparation of necessary dose strength of GE products”

- New GE products to be marketed after 2008 must be applied with full variety of dose strength as branded products.**
- The existing GE products must be marketed with full variety of dose strength as branded products on and after April 1, 2012.**

Towa's action

(New products)

- Towa develops independently.**

(Existing products)

- Towa formed an alliance with Sawai and Nichi-iko to obtain approvals of necessary dose strength. (March 13, 2006)**
- 3 companies are working on role-sharing assignment concerning co-development.**



2. Stable supply

March 10, 2006, MHLW announcement:

“Stable supply of GE products”

- **Concerning on the stable supply of GE, GE companies must perform necessary information collection and provision.**
 - **GE products must be marketed for at least 5 years.**
 - **GE products must be supplied within an appropriate period after order.**
 - **GE companies must response quickly and appropriately to complaints from medical institutions.**

Towa's action

- **Towa already has enough nation-wide network to deliver products within 24 hours after order.**
- **Towa distributed ordering information to all potential customers of dispensing pharmacies in March 2006.**



3. Improvement of information provision

March 24, 2006, MHLW announcement:

“Improvement of information provision on GE products”

- BE data on the GE product must be described in the package insert.

Towa's action

- Towa will revise package inserts starting with BE data.**
- Towa will revise 30 package inserts per month and will finish the revision for all products (410 products) by October 2007.**



4. Correction of indication differences

June 22, 2006, MHLW announcement:

“Correction of indication differences of GE products”

- GE products must be applied for correction of indications, usage and dose to conform to those of branded products.

Towa's action

- Towa applied for an additional indication (gastric inflammation) of Teprenone product**
- Towa prepared the product list that have indication differences, usage and dose, and updated it on the web site and delivered it to dispensing pharmacies**



Contact information

**Yoshifumi TOGO
Deputy General Manager
Management Planning Development
Towa Pharmaceutical Co., Ltd.**

y-togo@towayakuhin.co.jp

TEL : +81-6-6900-9101

FAX : +81-6-6900-0634

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