

**Financial results
for the year ended March 2007
and Towa's strategies**

May 16, 2007

Towa Pharmaceutical Co., Ltd.

(stock ticker number :4553)



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I. Financial results for the year ended March 2007



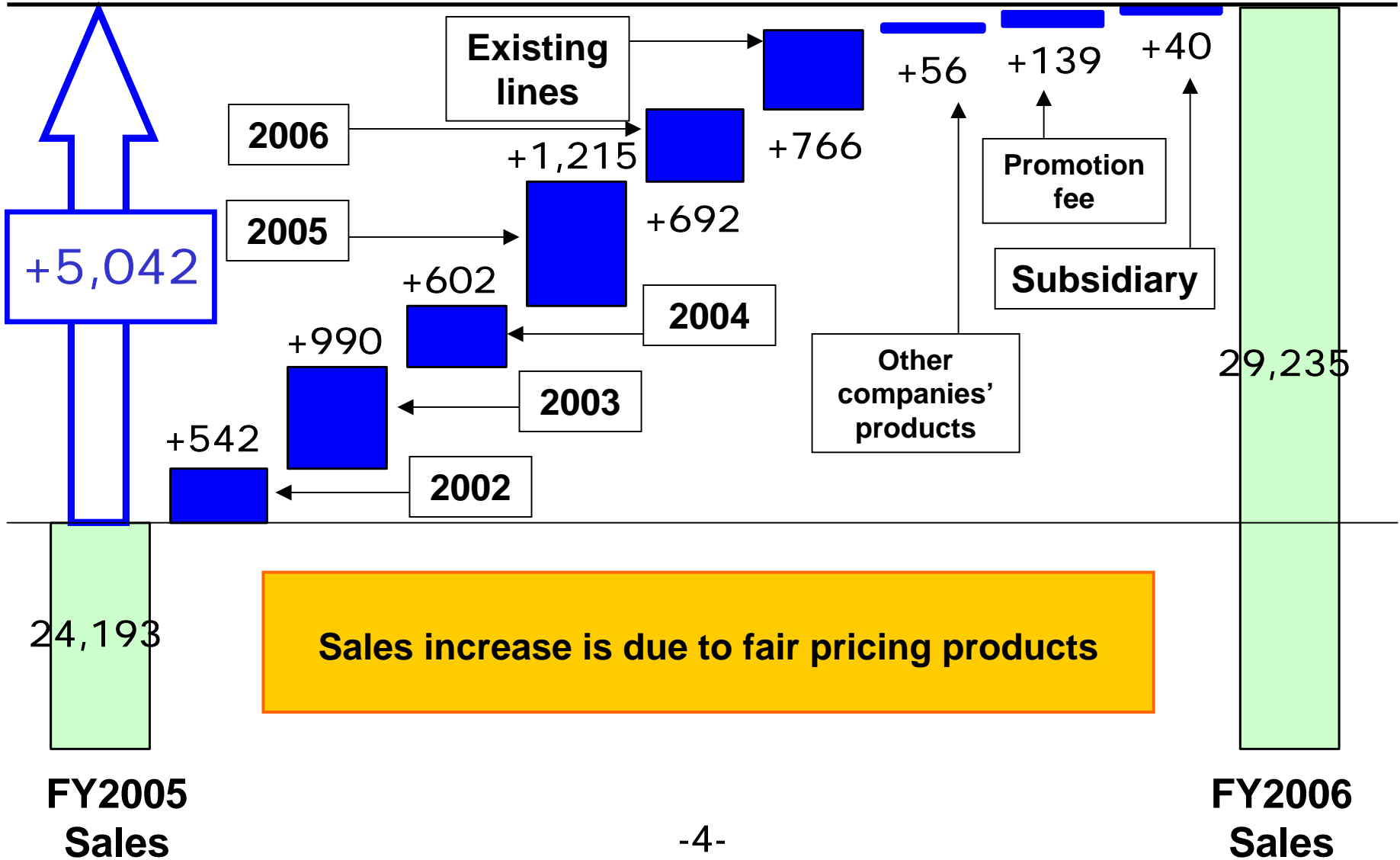
Outline of the financial results for the year ended March 2007 (FY2006)

(Yen in Millions, %)

	FY2006			FY2005	
		ratio to sales	change in %		ratio to sales
Net Sales	29,235	-	+20.8	24,193	-
Gross Margin	13,646	46.7	+24.5	10,957	45.3
SGA	9,229	31.6	+7.8	8,560	35.4
Operating Income	4,416	15.1	+84.2	2,397	9.9
Ordinary Income	4,886	16.7	+39.4	3,506	14.5
Net Income	2,598	8.9	+156.6	1,012	4.2

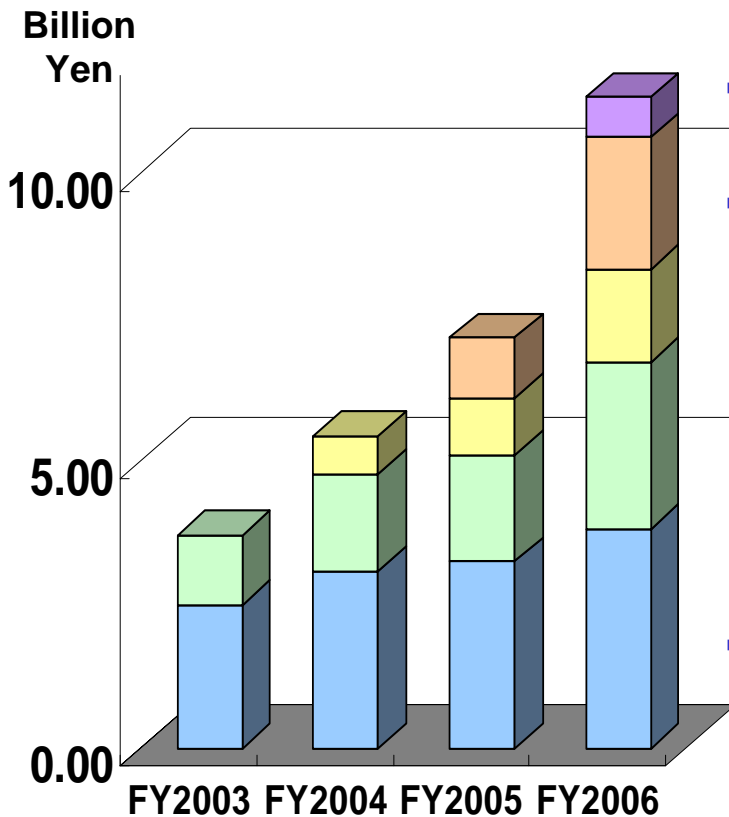
Period-over-period Sales Change

(Yen in millions)



Sales of New products

■ 2002 ■ 2003 ■ 2004 ■ 2005 ■ 2006



**2006 (19 products)
0.7 bn Yen**

**Behind on sales budget.
Due to a few major products**

**2002 - 05 (90 products)
10.6 bn Yen**

(change in % FY05 to FY06)

2005 products +110.6%

2004 products + 63.1%

2003 products + 55.3%

2002 products + 17.2%

**Steady increase by major
products including Famotidine
and Pravastatin**

Sales and general administrative expenses

Yen in millions

	FY2006	
		Period-over -period change
Labor cost	4,546	+ 322
(FY2005)	(4,223)	
R&D expenses	1,931	+ 151
(FY2005)	(1,779)	
Ad expenses	647	+ 3
(FY2005)	(644)	
Others	2,104	+ 183
(FY2005)	(1,920)	
SGA	9,229	+ 669
(FY2005)	(8,560)	

- Due to active recruitment

- Due to temporary increase of BE study caused by new regulation

- The same Ad activity level as previous year.

- Due to increase of sales activity

Non-operating income & expenses and extraordinary gain & loss

Yen in millions

	FY2006	FY2005
Operating income	4,416	2,397
Non-operating income	564	1,168
Profit on revaluation of currency swaps	206	789
Non-operating expenses	94	58
Ordinary income	4,886	3,506
Extraordinary gain	12	54
Extraordinary loss	535	1,283
Net income	2,598	1,012

- 206 profit by revaluation of currency swaps due to weaker Yen

March 06 116.47 yen / \$

March 07 117.05 yen / \$

- Accounting for the impairment of production asset for injection products in Yamagata Plant and Okayama Plant

Balance Sheets

Yen in millions

	As of March 31 2007	As of March 31 2006	changes
Cash and deposits	1,179	1,177	+2
Trade notes and account receivables	11,801	10,513	+1,288
Marketable securities	316	11	+304
Inventories	8,215	7,020	+1,195
Currency swaps	644	438	+206
Current Assets	23,378	20,036	+3,342
Fixed assets	20,289	20,087	+201
Total assets	43,668	40,124	+3,544
Trade notes and account payables	4,066	3,770	+296
unpaid income tax	1,334	754	+580
Current liabilities	9,277	7,739	+1,538
Fixed liabilities	1,120	1,241	-120
Total liabilities	10,397	8,980	+1,417
Shareholders' equity	33,270	31,144	+2,126
Total liabilities and shareholders' equity	43,668	40,124	+3,544

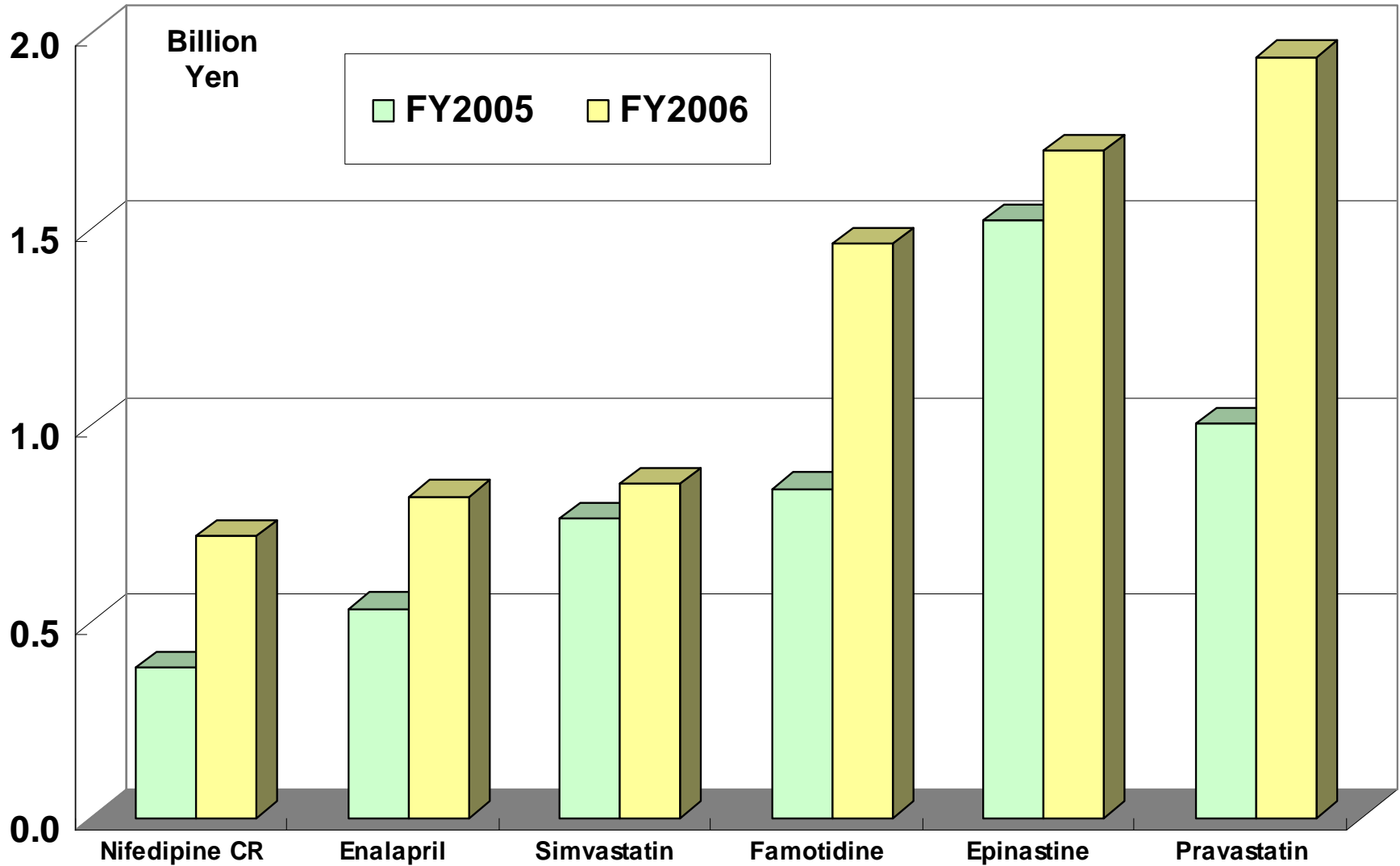
Due to increase
of sales

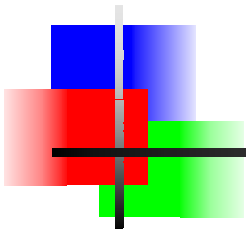
Due to weaker
Yen

Due to increase
of income tax

Sales of leading products

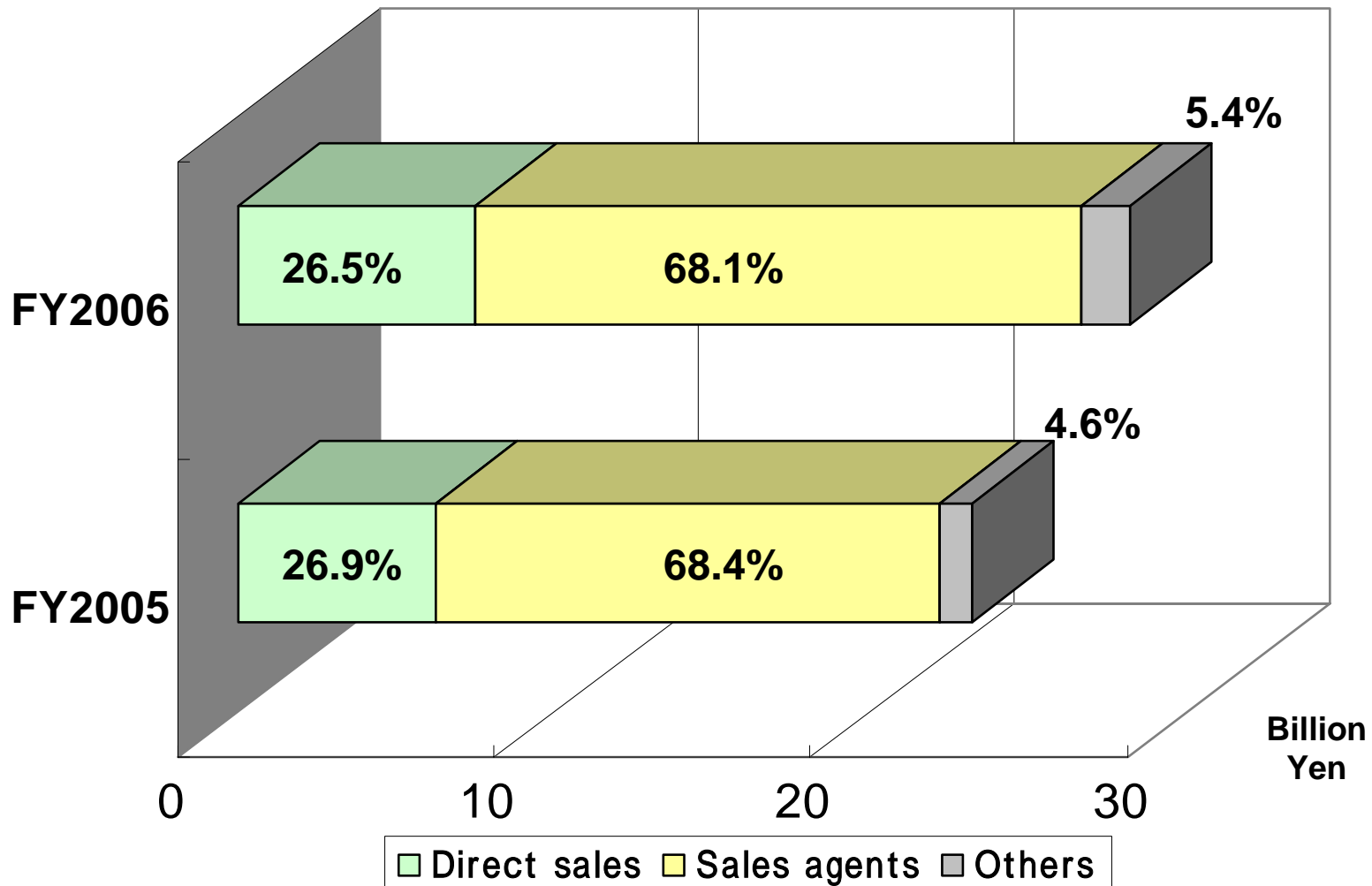
(non-consolidated)





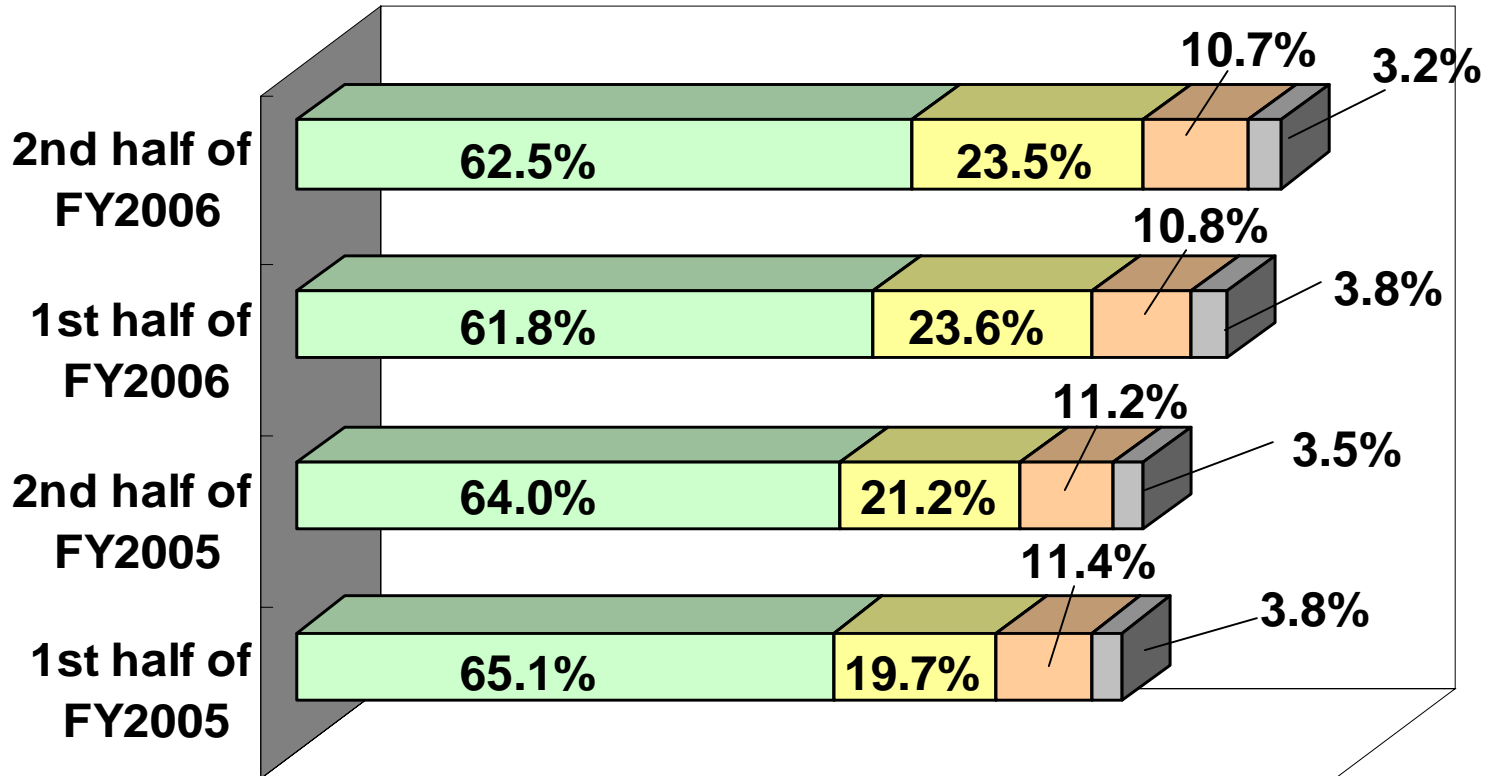
Sales of channels

(non-consolidated)



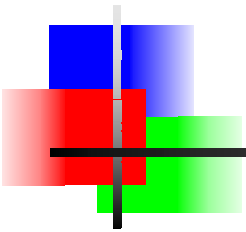
Sales of medical institutions

(non-consolidated)



General Practitioners Dispensing Pharmacies Hospitals Others

II. Forecasts for the year ending March 2008 and Towa's strategies



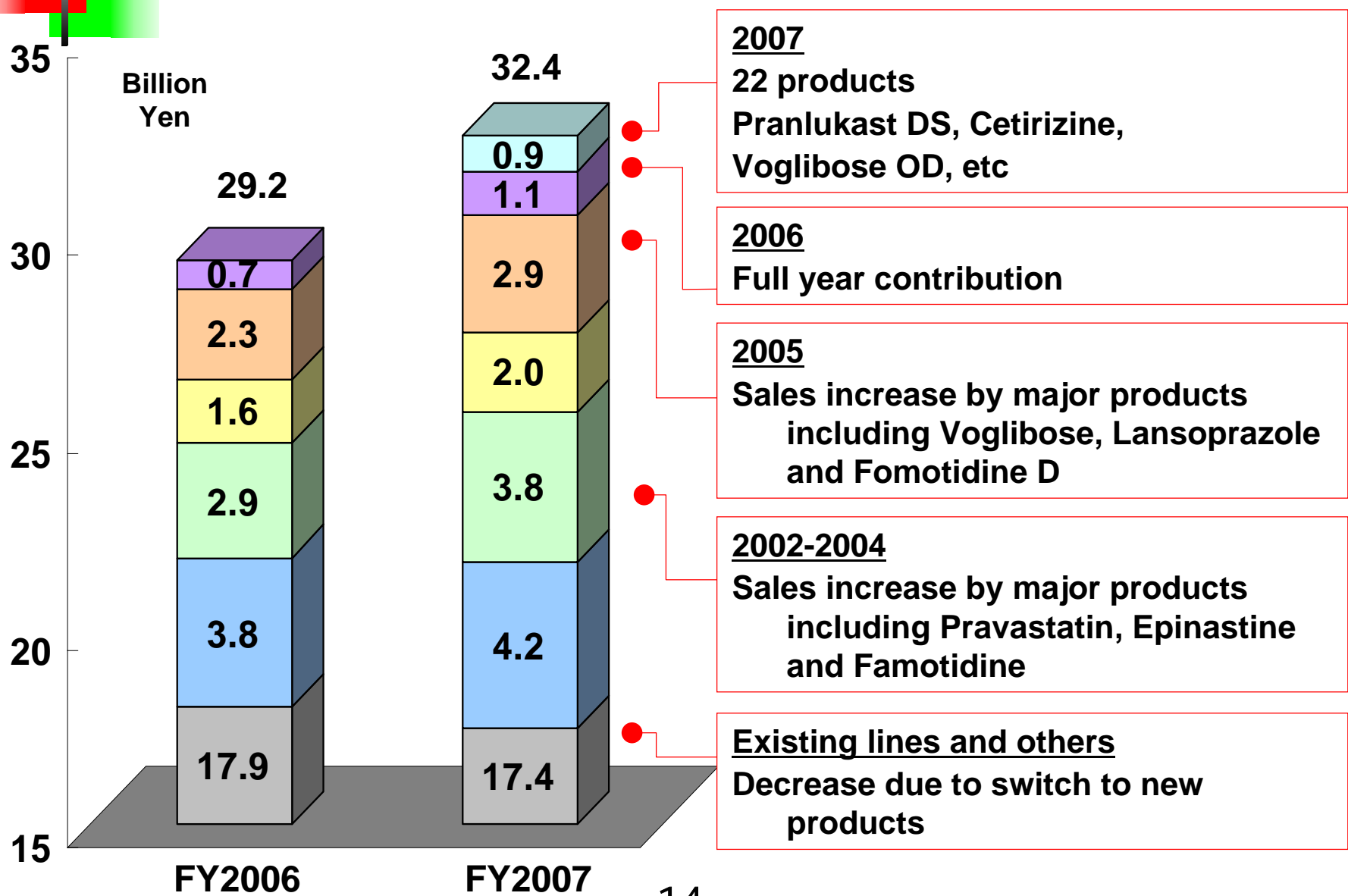


Financial forecast

Yen in millions

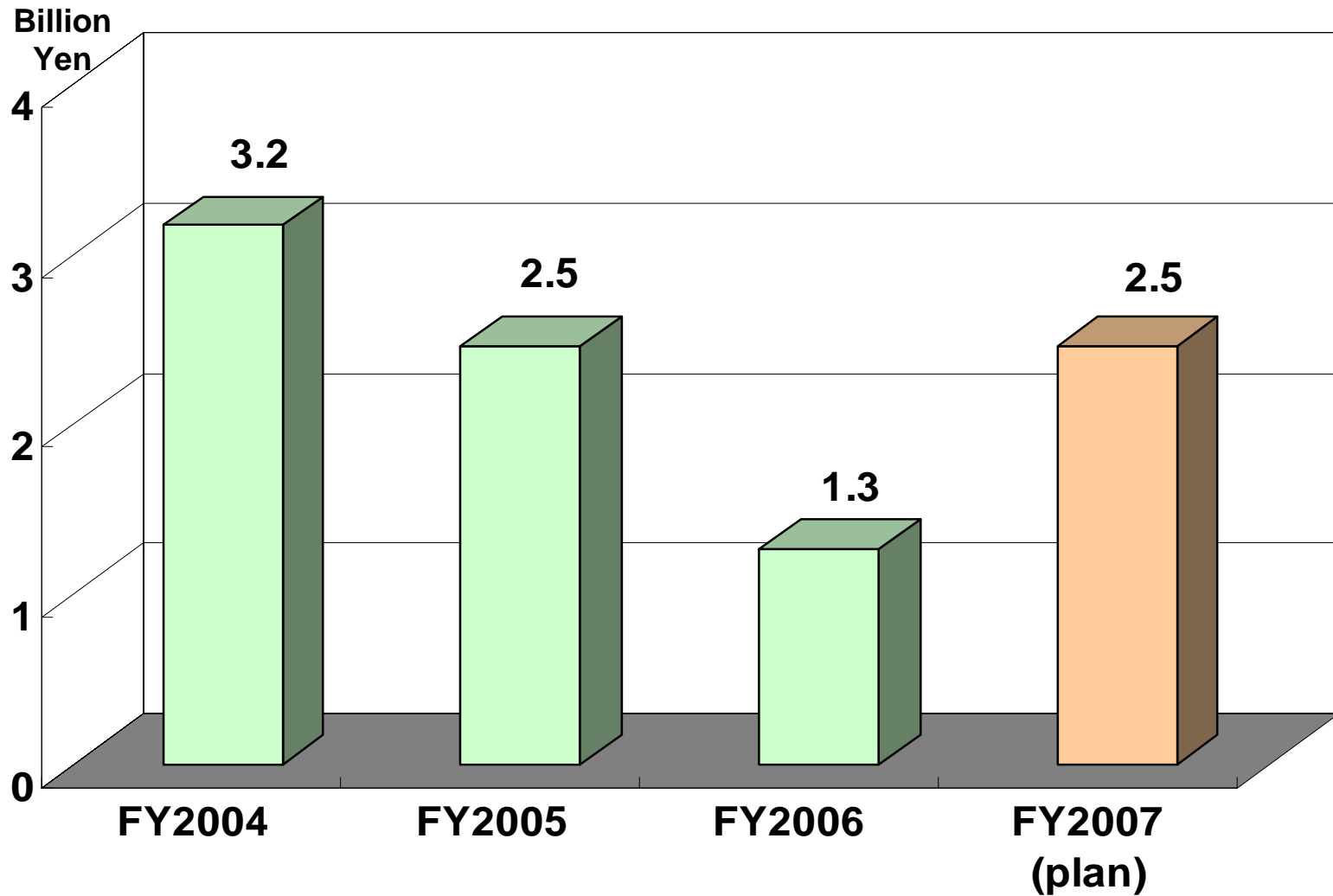
	FY2007 (plan) (April 2007 - March 2008)			FY2006 (April 2006 - March 2007)	
		ratio to sales (%)	change in %		ratio to sales (%)
Net sales	32,400	-	+10.8	29,235	-
Operating income	5,600	17.3	+26.8	4,416	15.1
Ordinary income	5,800	17.9	+18.7	4,886	16.7
Net income	3,550	11.0	+36.6	2,598	8.9

Sales forecast of new products



Capital expenditure

(non-consolidated)





Major activities in FY2007

Fair pricing strategy

Development of value-added products and continuing fair pricing strategy

Improving production facilities

Full contribution of Osaka Plant
Enhancing GMP of Okayama Plant
Consideration of renewal of Yamagata Plant

Improvement of reliability

Improvement of information provision of Towa's products

Marketing activity for elderly (over 75) health insurance system

Response to enhancing use of GE

Mid-term business plan

Clarification of business target and measures

1 . Full variety of dose strength

- 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.

➤ Necessary dose strength to be applied :	86
● To be applied by Towa:	7
● To be applied with Sawai and Nichi-iko:	35
● To be applied with others :	22
● Not to be applied:	22
■ Products to be discontinued :	18

(Annual sales: approx. 0.23bn Yen)



Improvement of the condition of GE usage

2. Stable supply

- GE products must be marketed for at least 5 years.
- GE products must be supplied within an appropriate period after order.

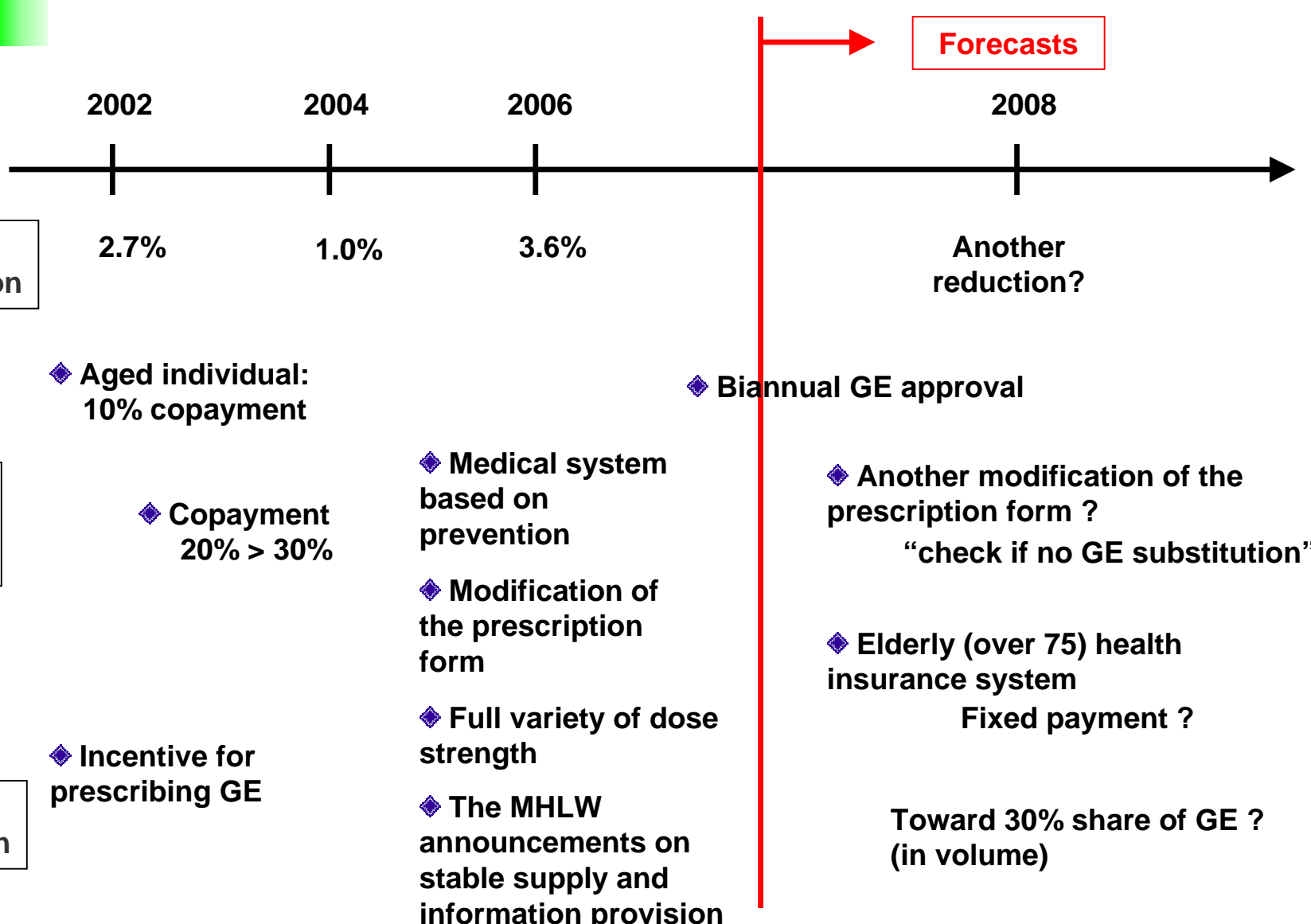
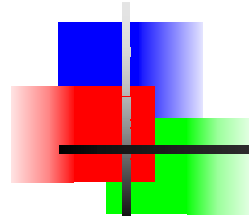
3. Improvement of information provision

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

4. Correction of indication differences

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

Medical system reform





Major GE products to be launched

Yen in billions

Year launched	Branded products	Generic name	Sales in 2006
2007	Onon	Pranlukast Hydrate	45
	Zyrtec	Cetirizine Hydrochloride	22
	Meiact	Cefditoren Pivoxil	19
2008	Amlodin / Norvasc	Amlodipine Besilate	189
	Tanatril	Imidapril Hydrochloride	16
2009	Mucosta	Rebamipide	41
	Flomox	Cefcapene Pivoxil Hydrochloride Hydrate	36
	Anplag	Sarpogrelate Hydrochloride	21



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