

**Financial results
for the year ended March 2008**

May 16, 2008

Towa Pharmaceutical Co., Ltd.

(stock ticker number :4553)



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I. Financial results for the year ended March 2008



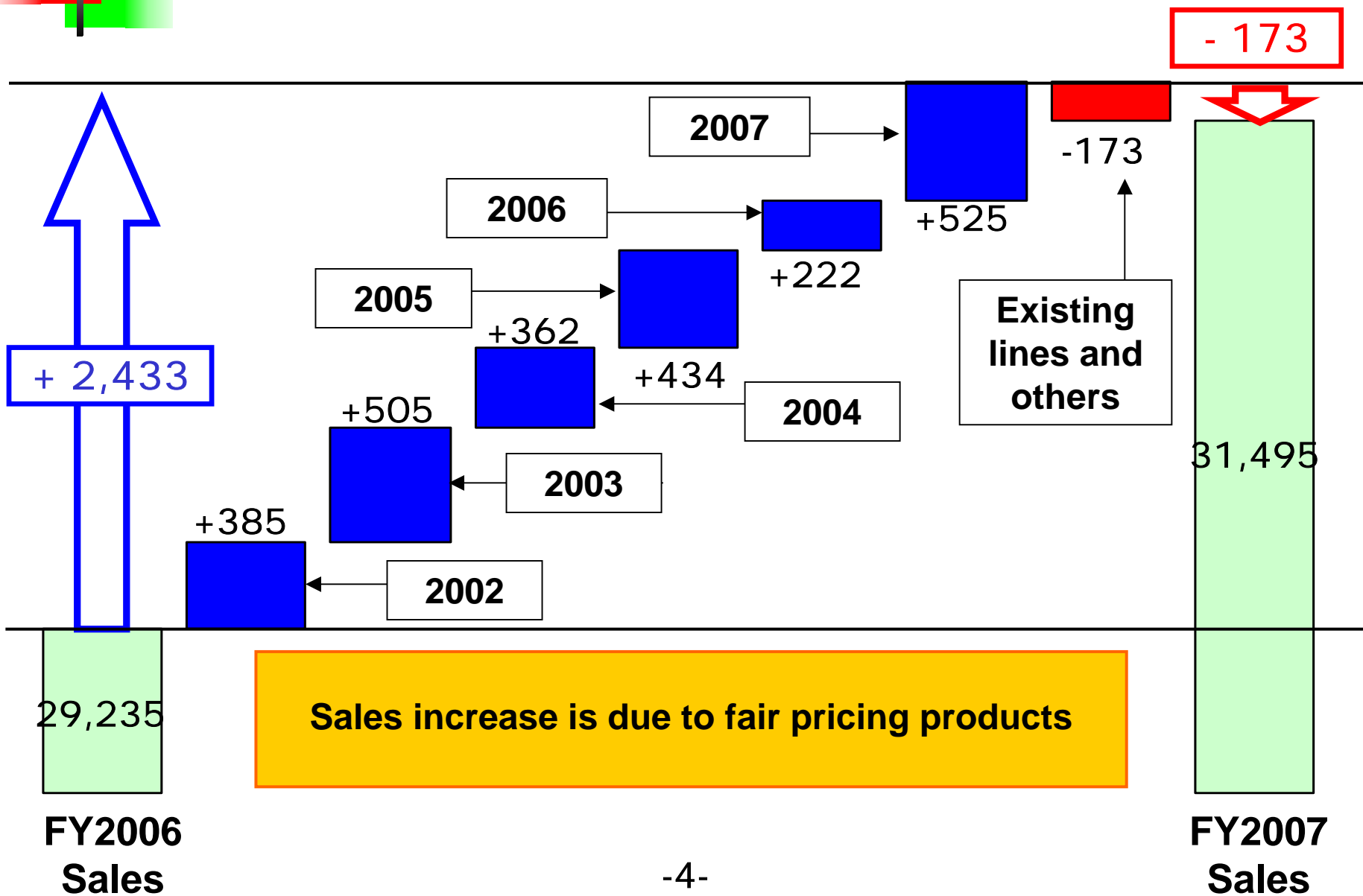
Outline of the financial results for the year ended March 2008 (FY2007)

(Yen in Millions, %)

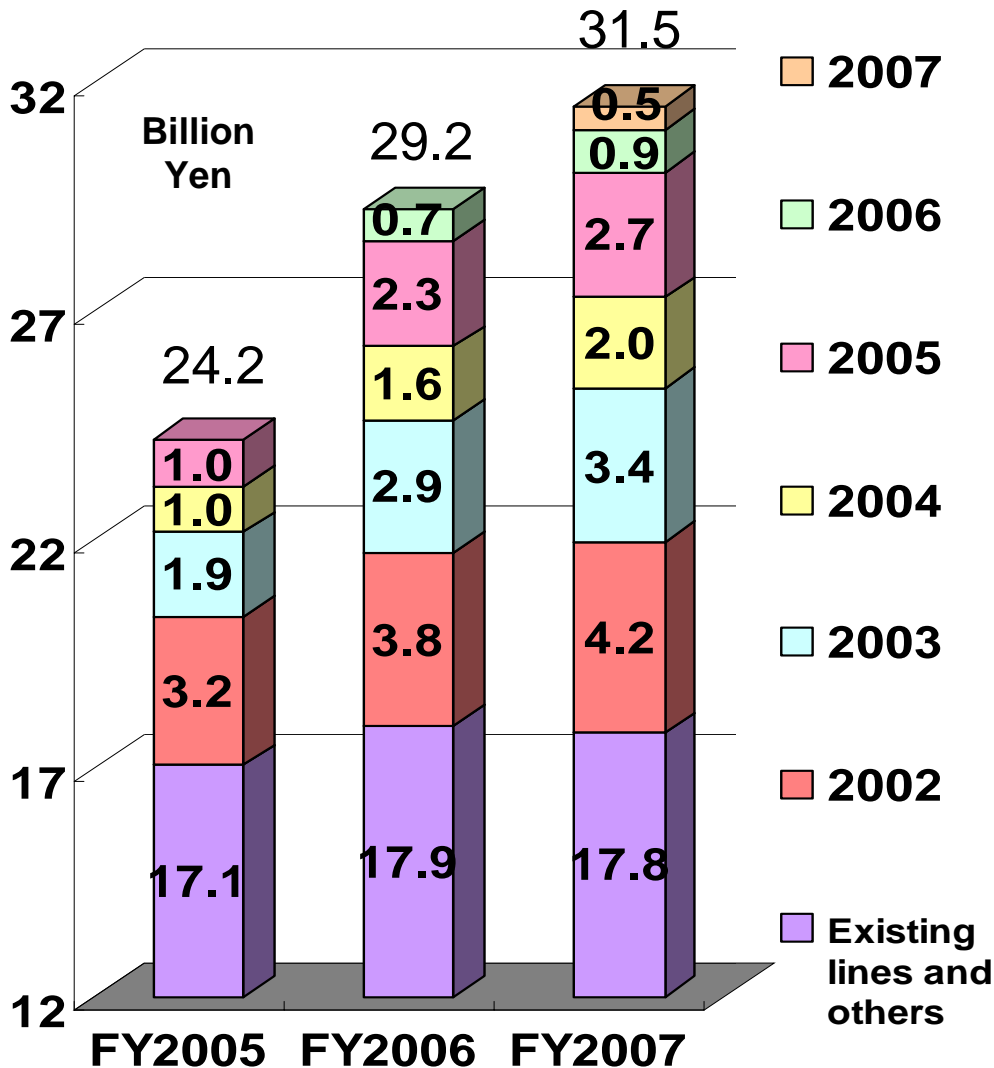
	FY2007			FY2006	
		ratio to sales	change in %		ratio to sales
Net Sales	31,495	-	+ 7.7 %	29,235	-
Gross Margin	14,976	47.6 %	+ 9.7 %	13,646	46.7 %
SGA	9,690	30.8 %	+ 5.0 %	9,229	31.6 %
Operating Income	5,285	16.8 %	+ 19.7 %	4,416	15.1 %
Ordinary Income	5,146	16.3 %	+ 5.3 %	4,886	16.7 %
Net Income	2,692	8.5 %	+ 3.6 %	2,598	8.9 %

Period-over-period Sales Change

(Yen in millions)



Sales of products by launched year



2007 (22 products)

2006 (19 products)

Poor sales figures because of fair pricing strategy

2002-2005 products

Steady increase by leading products

2005 (35 products) Famotidine D

2004 (18 products) Nifedipine CR

2003 (14 products) Pravastatin

Simvastatin

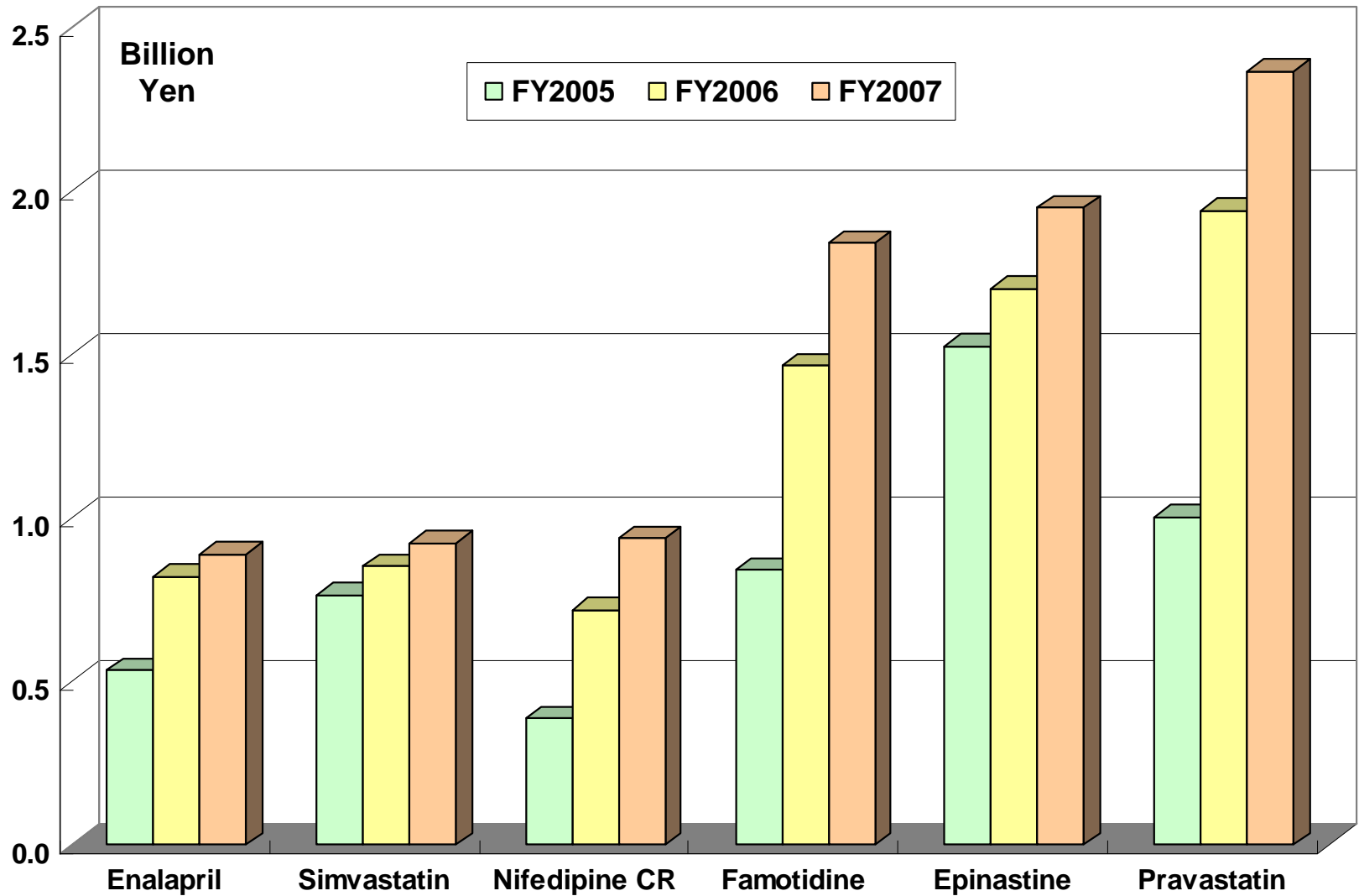
2002 (23 products) Famotidine

Enalapril

Existing lines and others

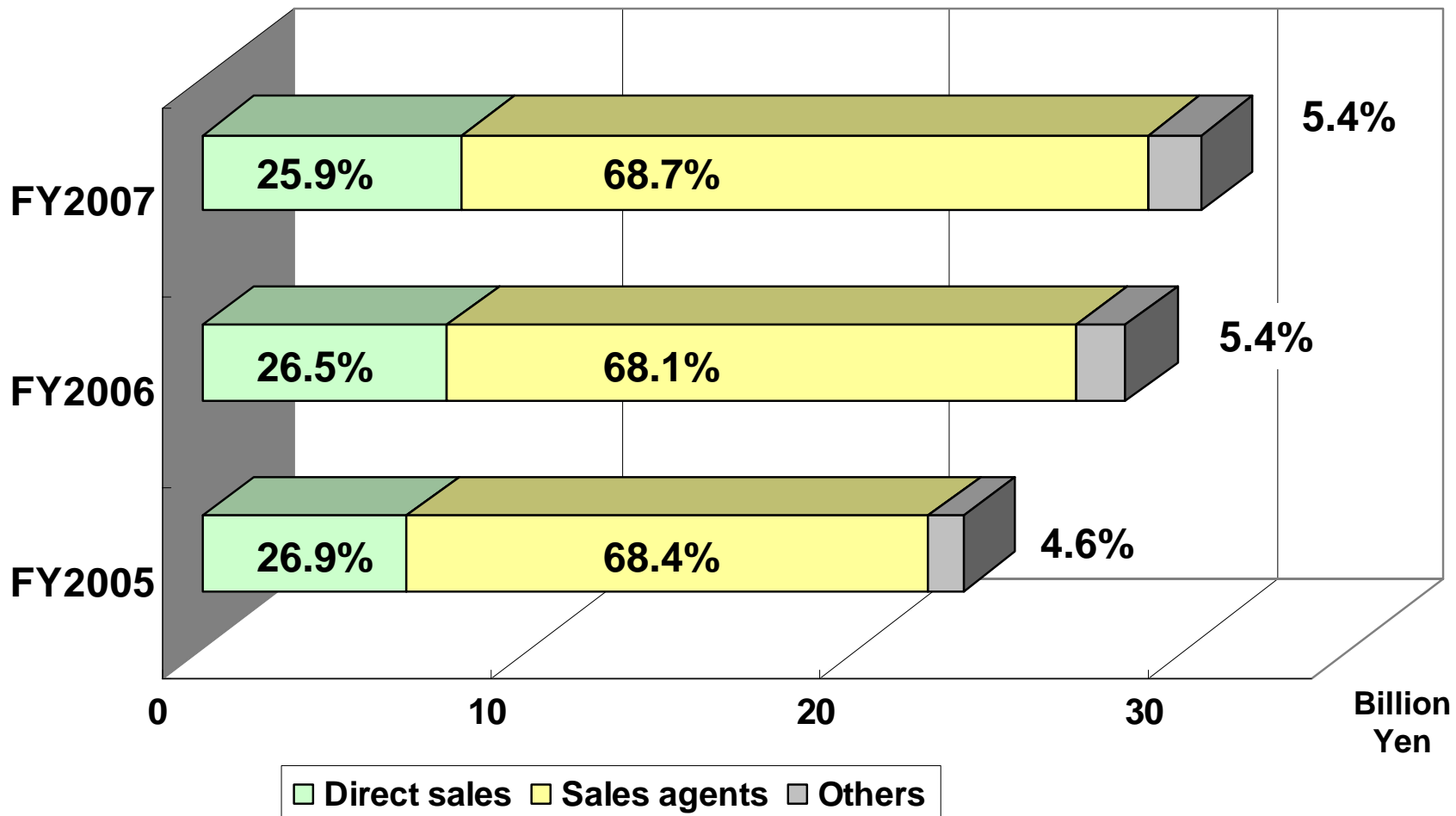
Decline of other companies' products

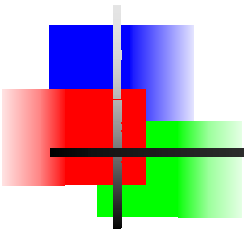
Sales of leading products



Sales of channels

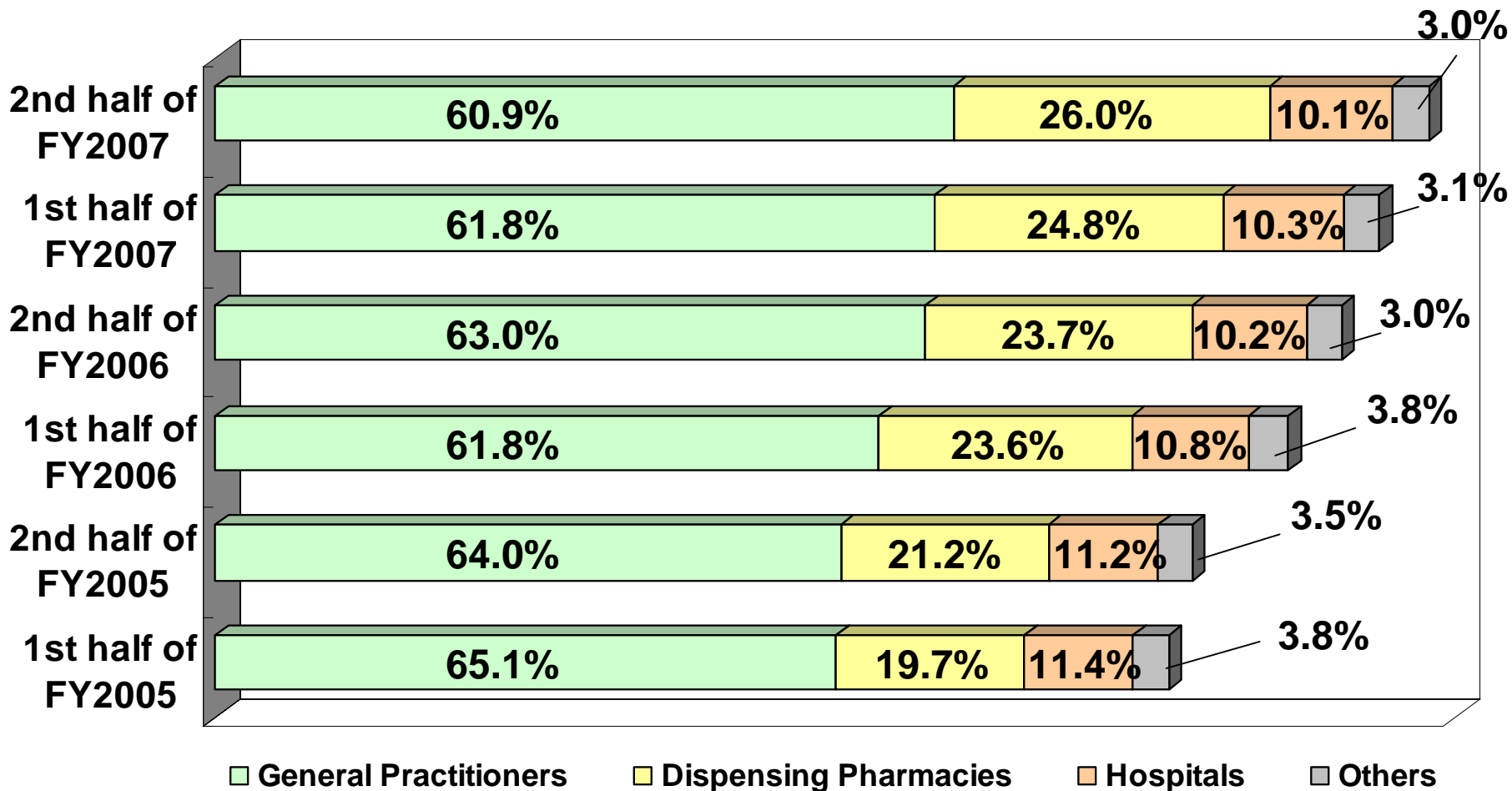
(non-consolidated)





Sales of medical institutions

(non-consolidated)



Sales and general administrative expenses

Yen in millions

	FY2007	
		Period-over -period change
Labor cost	4,897	+ 351
(FY2006)	(4,546)	
R&D expenses	1,693	- 238
(FY2006)	(1,931)	
Ad expenses	793	+ 145
(FY2006)	(647)	
Others	2,306	+ 202
(FY2006)	(2,104)	
SGA	9,690	+ 460
(FY2006)	(9,229)	

- Due to active recruitment

- Due to temporary decrease of BE study

- Increase due to continuation of Ad on TV

- Due to increase of sales activity

Non-operating income & expenses and extraordinary gain & loss

Yen in millions

	FY2007	FY2006
Non-operating income	351	564
Profit on revaluation of currency swaps	0	206
Non-operating expenses	490	94
Loss on revaluation of currency swaps	418	0
Ordinary income	5,146	4,886
Extraordinary gain	48	12
Extraordinary loss	619	535
Loss on revaluation of investment securities	402	87
Loss of accounting for the impairment assets	177	392
Net income	2,692	2,598

Recorded 418 loss due to weaker Yen
Exchange rate

As of the end of March 2007: 117.05 Yen/\$

As of the end of March 2008: 99.19 Yen/\$

402 loss on revaluation of investment securities

177 loss of accounting for the impairment of production asset for antibiotics products in Osaka Plant

Balance Sheets

Yen in millions

	As of March 31 2008	As of March 31 2007	changes
Cash and deposits	757	1,179	- 422
Trade notes and account receivables	12,342	11,801	+ 540
Marketable securities	1,414	316	+ 1,097
Inventories	9,366	8,215	+ 1,150
Currency swaps	225	644	- 418
Others	1,072	1,221	- 149
Current Assets	25,177	23,378	+ 1,798
Fixed assets	19,889	20,289	- 400
Total assets	45,066	43,668	+ 1,397

Due to increase of sales

Buy CP for utilization of surplus funds

Increase of raw materials and finished products.

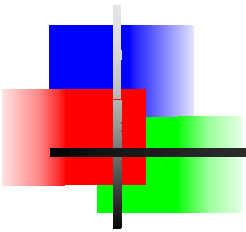
Inventory accumulation for preparing for increasing demand of pharmacies

Trade notes and account payables	4,479	4,066	+ 412
Others	4,559	5,211	- 652
Current liabilities	9,038	9,277	- 239
Fixed liabilities	1,090	1,120	- 30
Total liabilities	10,128	10,397	- 269
Shareholders' equity	34,938	33,270	+ 1,667
Total liabilities and shareholders' equity	45,066	43,668	+ 1,397

Increase of purchasing raw materials accompanied by inventory accumulation

Repayment of bank loan
(J-Dolph Pharmaceutical Co., Ltd)

II. Forecasts for the year ending March 2009





Financial forecast

Yen in millions

	FY2008 (plan) (April 2008 - March 2009)			FY2007 (April 2007 - March 2008)	
		ratio to sales	change in %		ratio to sales
Net sales	35,100	-	+ 11.4 %	31,495	-
Operating income	5,400	15.4 %	+ 2.2 %	5,285	16.8 %
Ordinary income	5,500	15.7 %	+ 6.9 %	5,146	16.3 %
Net income	3,500	10.0 %	+ 30.0 %	2,692	8.6 %



Financial forecast

(variation from mid-term business plan)

Yen in millions

	FY2008 (plan) (April 2008 - March 2009)			Mid-term business plan (April 2008 - March 2009)	
		ratio to sales	change in %		ratio to sales
Net sales	35,100	-	- 0.3 %	35,200	-
Operating income	5,400	15.4 %	- 10.0 %	6,000	17.0 %
Ordinary income	5,500	15.7 %	- 11.3 %	6,200	17.6 %
Net income	3,500	10.0 %	- 5.9 %	3,720	10.6 %



Variation from mid-term business plan

Increase in cost

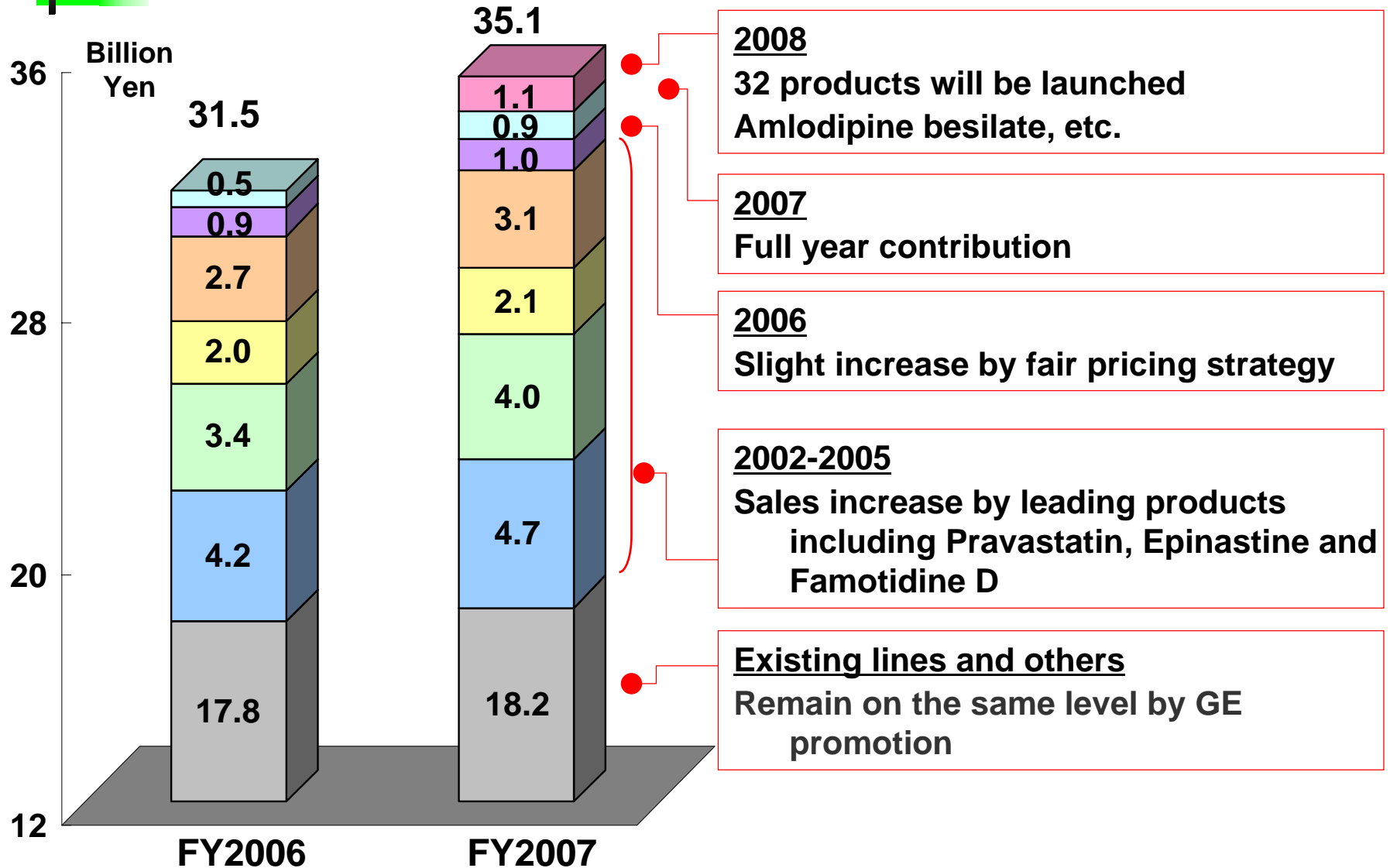
Depreciation	+ 0.4
Repairs and maintenance expenses	+ 0.1
Labor cost	+ 0.3

Extraordinary gain

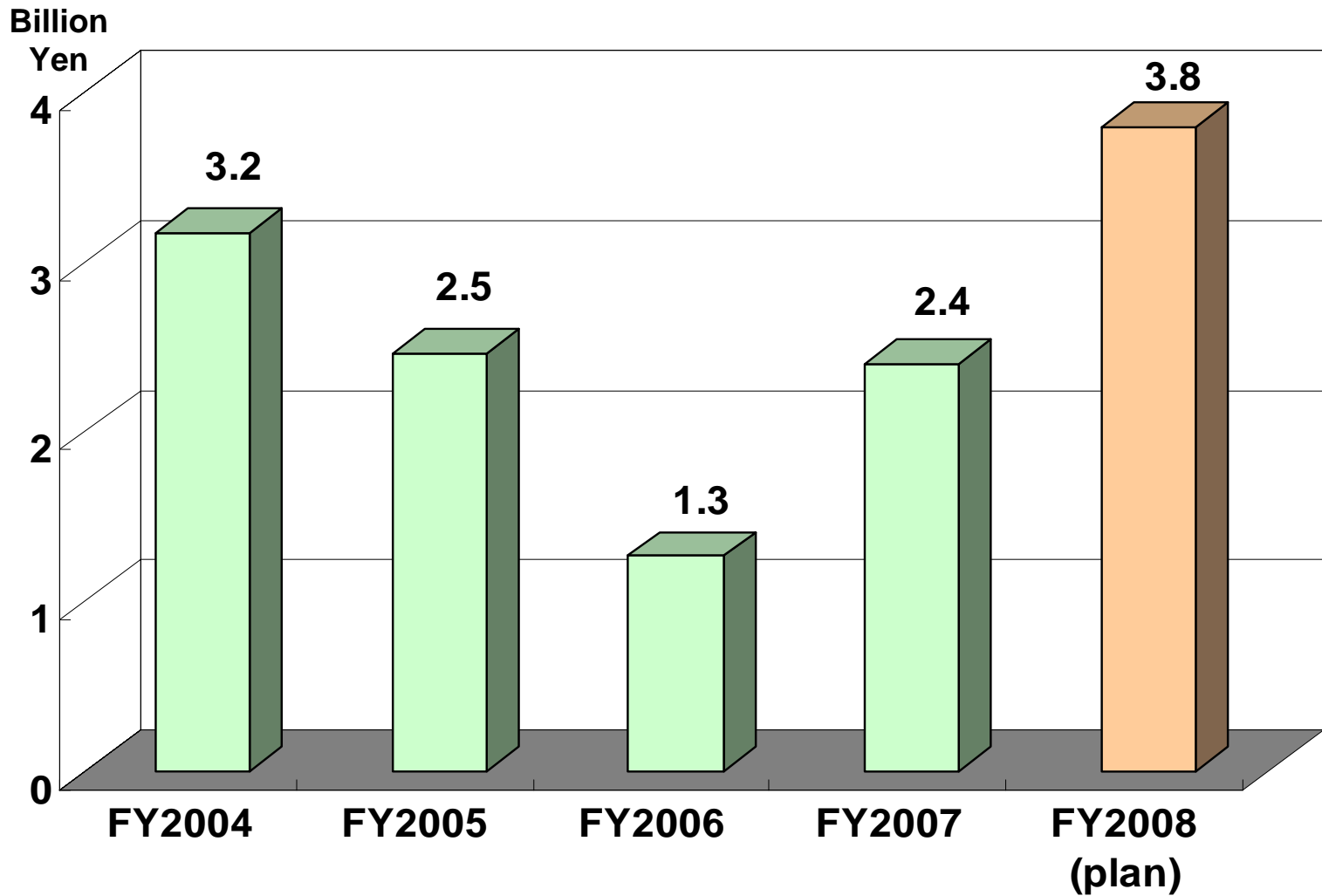
Accounting for influence of retirement pension plan change	+ 0.2
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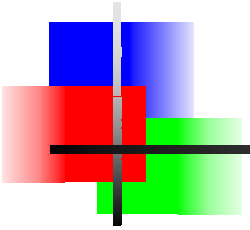
Yen in billions

Sales forecast of new products

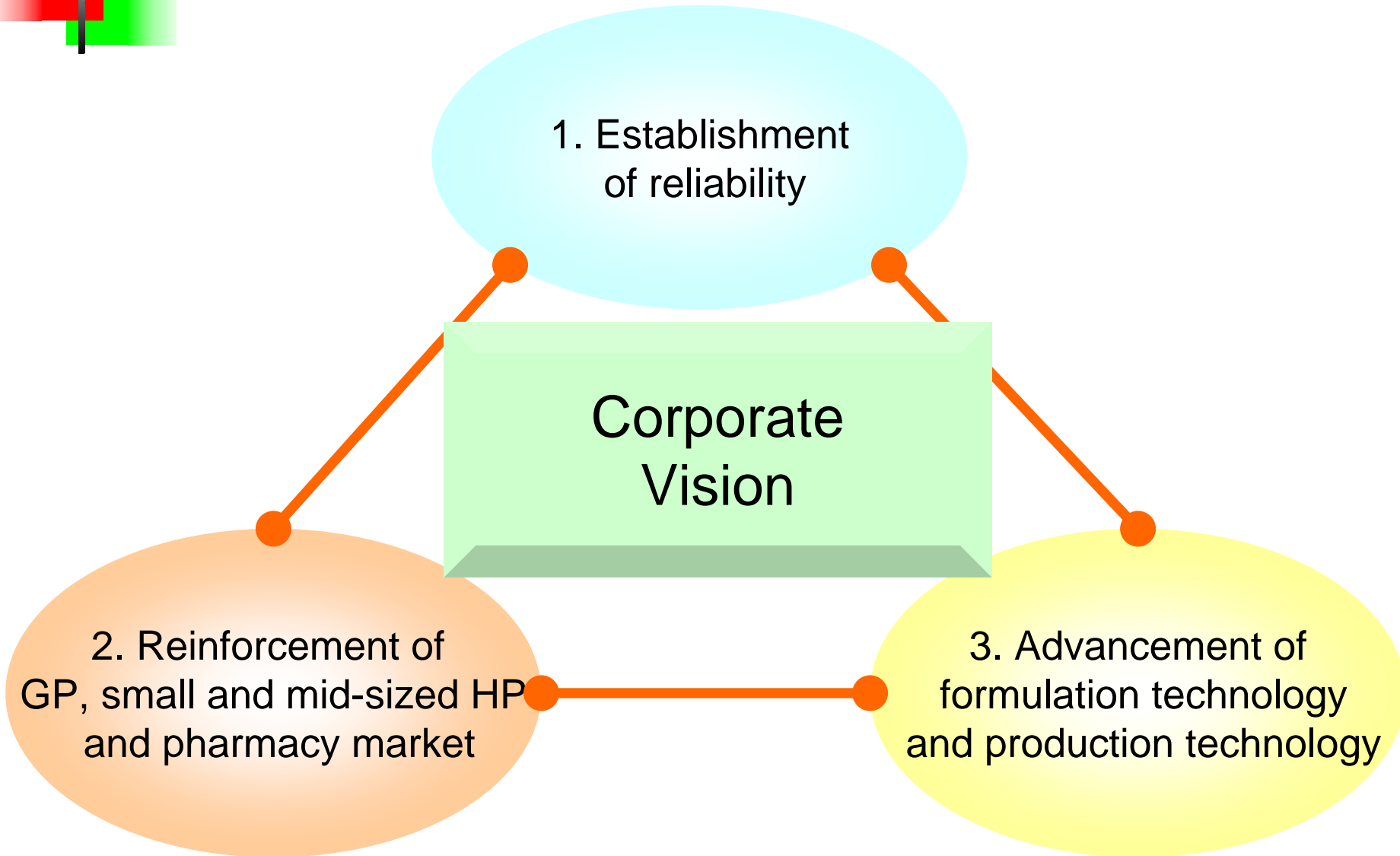


Capital expenditure





Measures to be implemented (Mid-term business plan)





Measure 1

1. Establishment
of reliability

Product Information Management Project
Prompt and accurate information provision to customers

Product Reliability Improving Project
Preparing product supply system of in-house quality standards



Measure 2

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

Fair pricing strategy

Sales appeal
of value-added products

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

Cultivate new customers
and increase sales
of leading products



Measure 3

Development of value-added products
(Pleasing to senses, orally-disintegrating tablet)

Incaruate of design planning
of Yamagata New Plant

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

3. Advancement of
formulation technology
and production technology



New policies of GE promotion

Rearrangement of prescription form

Doctors sign when they do NOT accept GE substitution

Incentive based on GE dispensing rate

New incentive (40 yen/prescription)

Regulation change on Medical professionals

Medical professionals have to make an effort to GE use

Pharmacists can substitute other GEs for an assigned GE

Patients can try GE on a temporary basis



Major GE products to be launched

Yen in billions

Year to be launched	Branded products	Generic name	Sales in 2007
2009	Cravit tablets / fine granules	Levofloxacin Hydrate	51
	Flomox tablets / fine granules	Cefcapene Pivoxil Hydrochloride Hydrate	35
	Anplag tablets / fine granules	Sarpogrelate Hydrochloride	22
2010	Mucosta tablets	Rebamipide	44
	Xalatan eye drops	Latanoprost	34
	Pariet tablets	Sodium Rabeprazole	46



Contact information

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

y-togo@towayakuhin.co.jp

TEL : +81-6-6900-9101

FAX : +81-6-6900-0634

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