



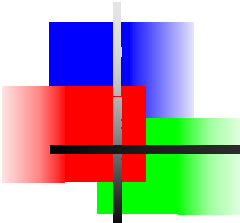
**Financial results**  
**for the 1<sup>st</sup> half of the year ending March 2010**

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**November 9, 2009**

**Towa Pharmaceutical Co., Ltd.**

**(stock ticker number :4553)**



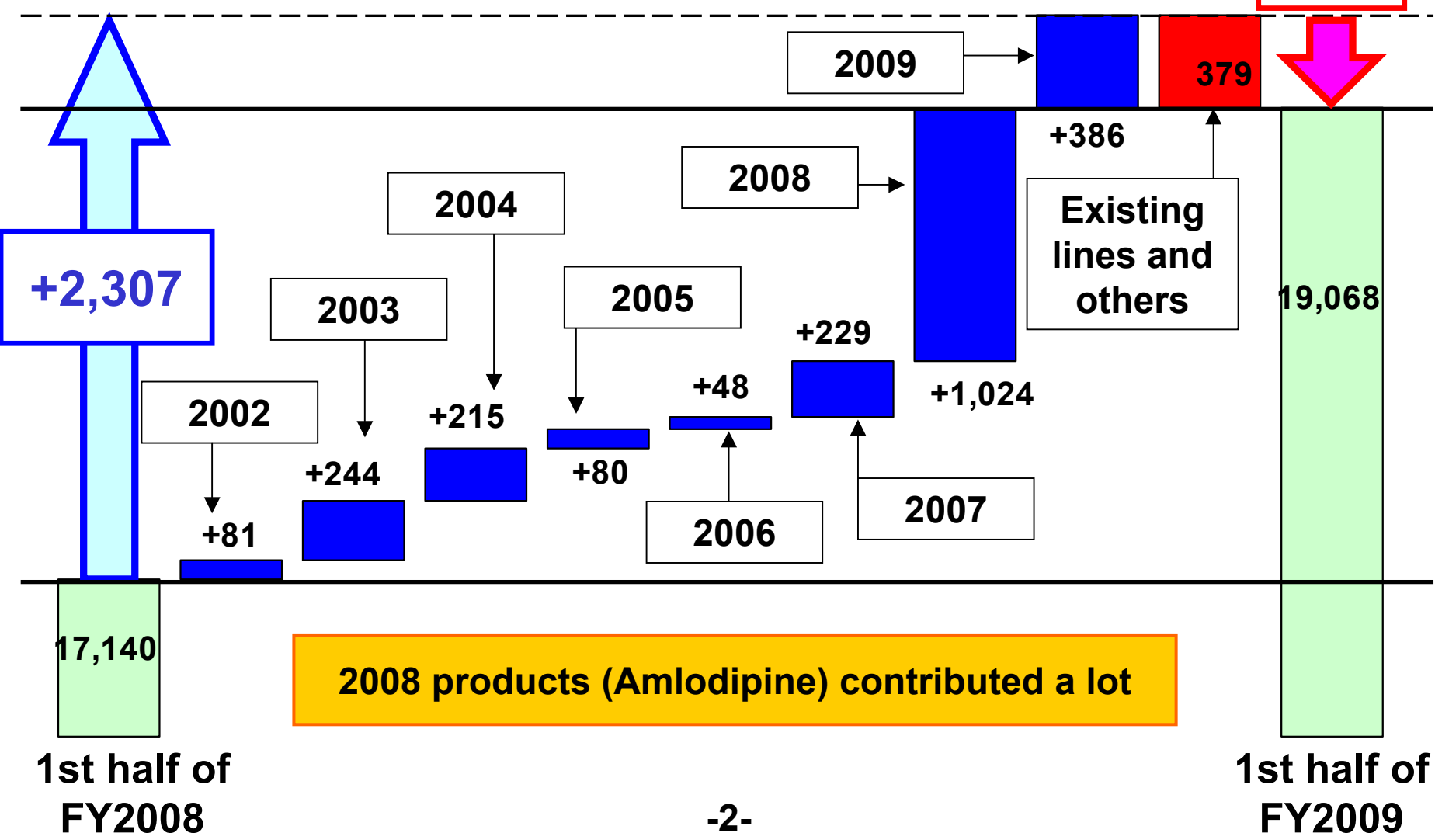
# Outline of the financial results for the 1st half of the year ending March 2010 (FY2009)

(Yen in millions)

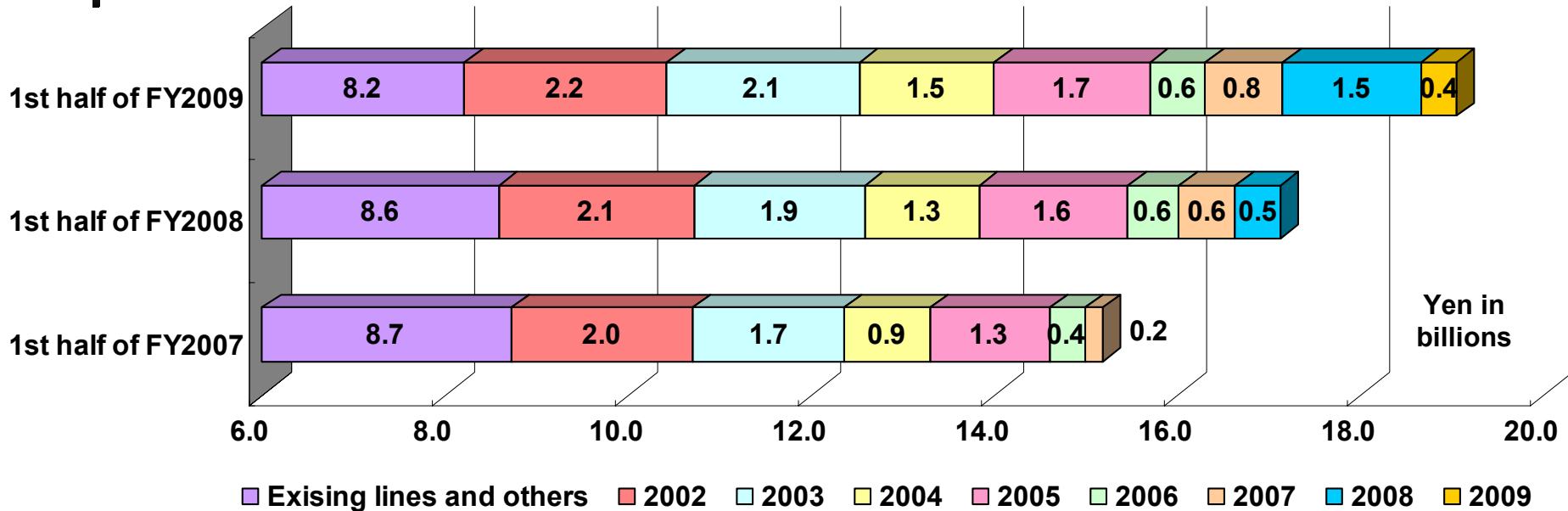
	1st half of FY2009			1st half of FY2008	
		ratio to sales	change (change in %)		ratio to sales
<b>Net sales</b>	<b>19,068</b>	<b>-</b>	<b>+1,928 (+11.3%)</b>	<b>17,140</b>	<b>-</b>
<b>Gross margin</b>	<b>9,778</b>	<b>51.3%</b>	<b>+1,515 (+18.3%)</b>	<b>8,263</b>	<b>48.2%</b>
<b>SGA</b>	<b>6,030</b>	<b>31.6%</b>	<b>+404 (+7.2%)</b>	<b>5,625</b>	<b>32.8%</b>
<b>Operating income</b>	<b>3,748</b>	<b>19.7%</b>	<b>+1,110 (+42.1%)</b>	<b>2,637</b>	<b>15.4%</b>
<b>Ordinary income</b>	<b>3,180</b>	<b>16.7%</b>	<b>+399 (+14.3%)</b>	<b>2,780</b>	<b>16.2%</b>
<b>Net income</b>	<b>1,910</b>	<b>10.0%</b>	<b>+242 (+14.6%)</b>	<b>1,667</b>	<b>9.7%</b>

# Period-over-period sales change

(Yen in millions)



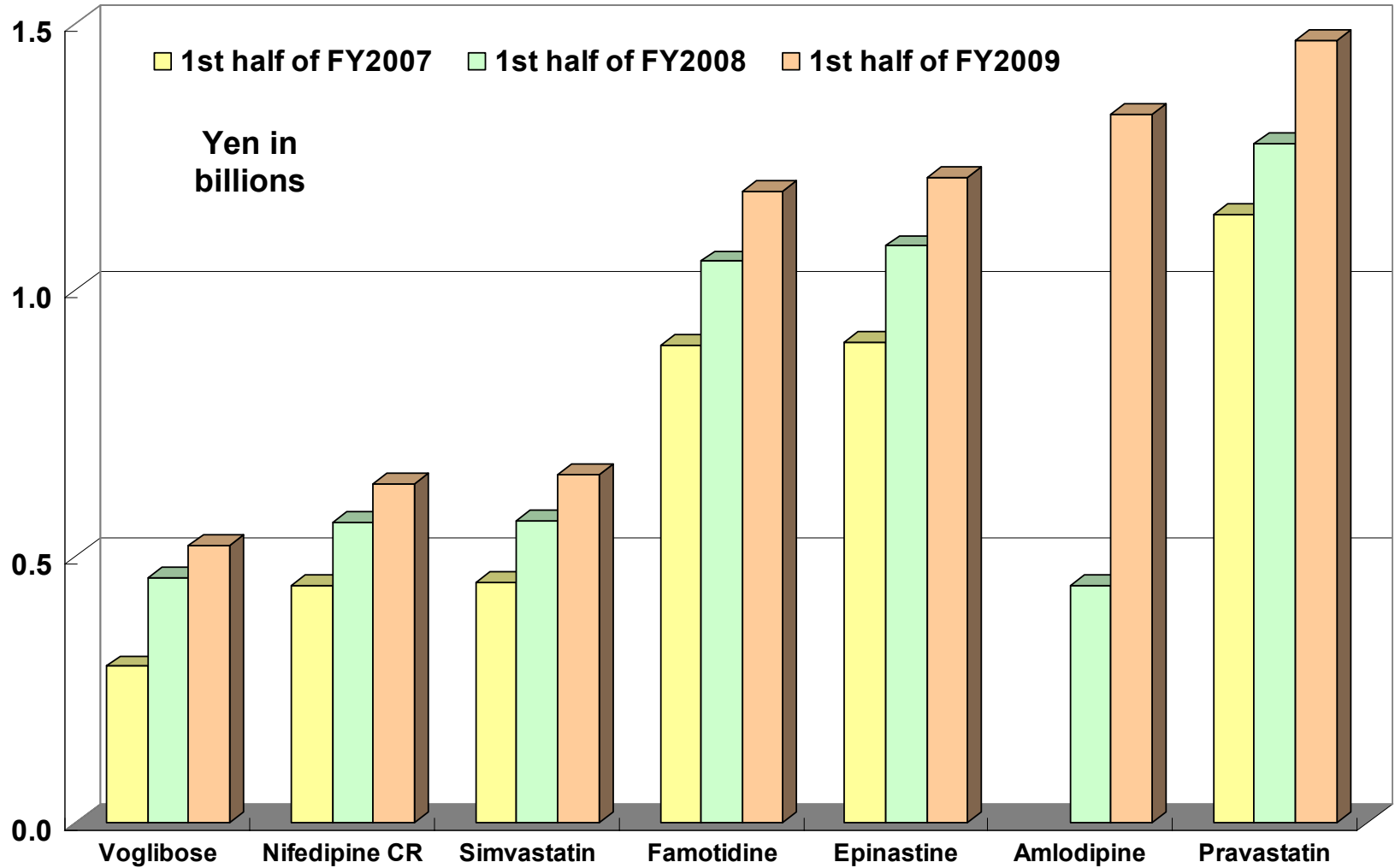
# Sales of products by launched year



- Sales of May 2009 products will exceed the annual budget of 0.5 bn yen. Lansoprazole OD tablets and Levofloxacin tablets have contributed.
- 2008 products increase by growth of Amlodipine
- Slight increase of 2002-07 products without NHI price revision and additional GE promotion
- Decrease of existing lines and others is due to decline of other companies' products

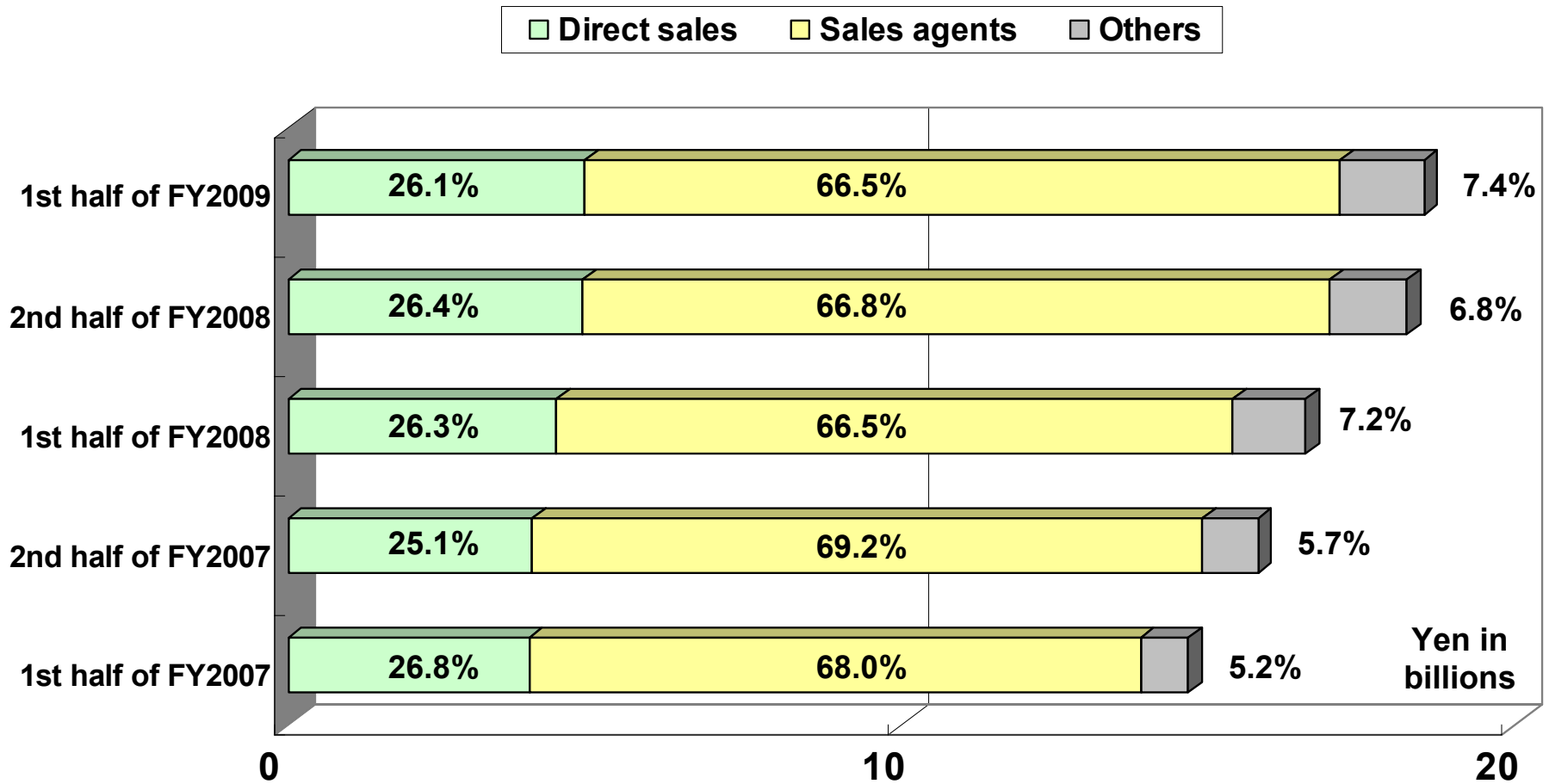
# Sales of leading products

(non-consolidated)



# Sales of channels

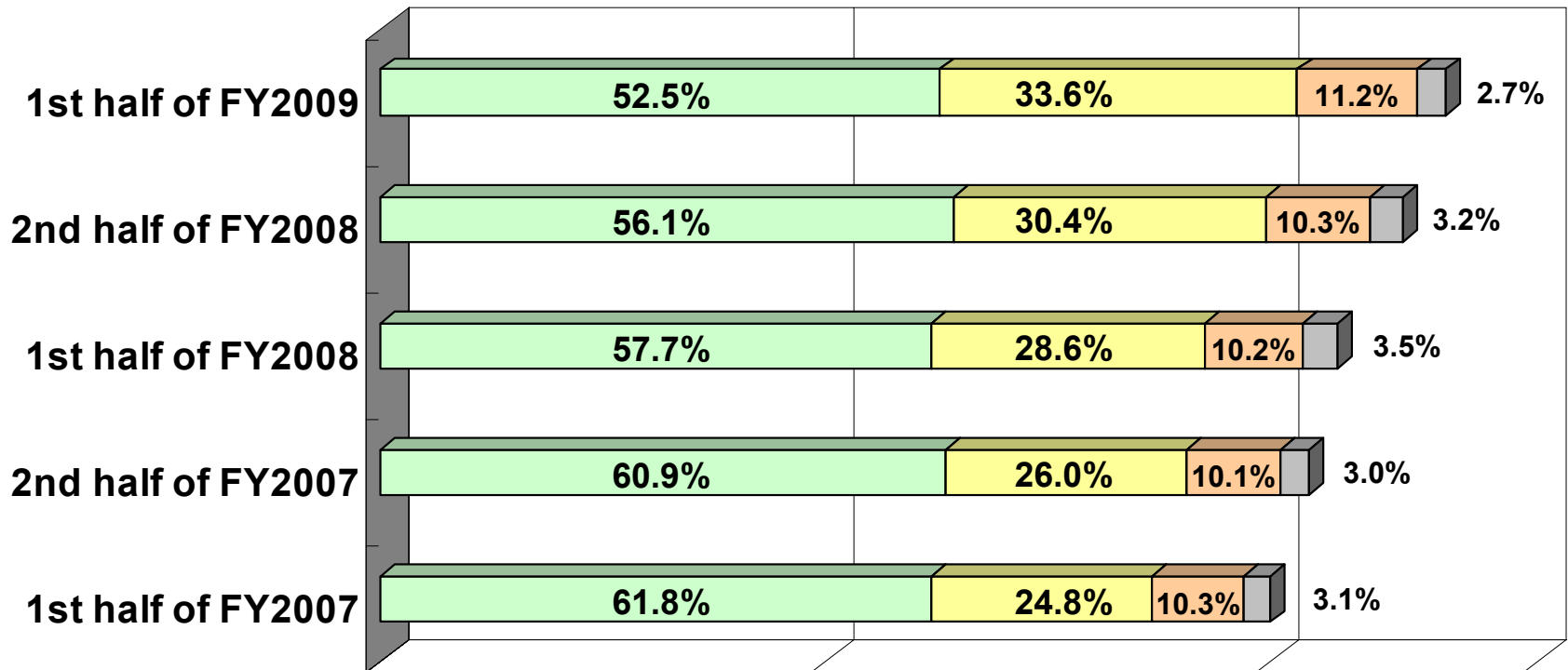
(non-consolidated)



# Sales of medical institutions

(non-consolidated)

General Practitioners    Dispensing Pharmacies    Hospitals    Others



# Sales and general administrative expenses

(Yen in millions)

	1st half of FY2008	
		Period-over -period change
<b>Labor cost</b>	<b>2,885</b>	<b>+ 88</b>
(1st half of FY2008)	(2,797)	
<b>R&amp;D expenses</b>	<b>1,097</b>	<b>+ 53</b>
(1st half of FY2008)	(1,044)	
<b>Ad expenses</b>	<b>413</b>	<b>- 48</b>
(1st half of FY2008)	(461)	
<b>Others</b>	<b>1,633</b>	<b>+ 311</b>
(1st half of FY2008)	(1,322)	
<b>SGA</b>	<b>6,030</b>	<b>+ 404</b>
(1st half of FY2008)	(5,625)	

● Slight increase due to increase of employees

● In line with the budget

● Slight delay in implementation

● Allowance for doubtful receivables +245



# Non-operating income & expenses and extraordinary gain & loss

(Yen in millions)

	1st half of FY2009	1st half of FY2008
<b>Net sales</b>	<b>19,068</b>	<b>17,140</b>
<b>Gross margin</b>	<b>9,778</b>	<b>8,263</b>
<b>SGA</b>	<b>6,030</b>	<b>5,625</b>
<b>Operating income</b>	<b>3,748</b>	<b>2,637</b>
<b>Non-operating income</b>	<b>104</b>	<b>288</b>
Profit on revaluation of currency swaps	0	142
<b>Non-operating expenses</b>	<b>673</b>	<b>145</b>
Loss on revaluation of marketable securities	197	114
Loss on revaluation of currency swaps	445	—
<b>Ordinary income</b>	<b>3,180</b>	<b>2,780</b>
<b>Extraordinary income</b>	<b>1</b>	<b>330</b>
Profit on termination of retirement benefit	0	231
<b>Extraordinary loss</b>	<b>23</b>	<b>309</b>
Loss on revaluation of marketable securities	20	201
<b>Net income before tax</b>	<b>3,158</b>	<b>2,801</b>
<b>Net income</b>	<b>1,910</b>	<b>1,667</b>

## Non- operating expenses

- Recorded 445 loss on revaluation of currency swaps due to stronger Yen

## Exchange rate

As of the end of March 2009: 97.23 Yen/\$

As of the end of Sept. 2009: 89.21 Yen/\$

# Balance Sheets

(Yen in millions)

	As of Sept. 30 2009	As of March 31 2009	changes
Cash and deposits	8,184	2,912	+ 5,272
Trade notes and account receivables	14,041	13,902	+ 139
Marketable securities	323	512	- 189
Inventories	9,583	9,435	+ 148
Currency swaps	-	329	- 329
Allowance for doubtful receivables	-283	-40	- 243
Other current assets	1,331	1,360	- 28
<b>Current assets</b>	<b>33,180</b>	<b>28,410</b>	<b>+ 4,770</b>
<b>Fixed assets</b>	<b>20,241</b>	<b>19,828</b>	<b>+ 413</b>
<b>Total assets</b>	<b>53,422</b>	<b>48,238</b>	<b>+ 5,184</b>

Increase of cash by  
bank loan

Due to sales increase

Increase of allowance  
for doubtful receivables

land acquisition

Trade notes and account payables	4,150	4,330	- 180
Other current liabilities	4,701	4,912	- 211
<b>Current liabilities</b>	<b>8,851</b>	<b>9,242</b>	<b>- 391</b>
<b>Fixed liabilities</b>	<b>4,962</b>	<b>950</b>	<b>+ 4,012</b>
<b>Total liabilities</b>	<b>13,813</b>	<b>10,193</b>	<b>+ 3,621</b>
<b>Shareholders' equity</b>	<b>39,608</b>	<b>38,045</b>	<b>+ 1,563</b>
<b>Total liabilities and shareholders' equity</b>	<b>53,422</b>	<b>48,238</b>	<b>+ 5,184</b>

Long-term debt by 4,000  
million Yen bank loan



# Revised forecast for full year result

(Yen in millions)

	FY2009 (revised plan) (April 2009 - March 2010)			FY2008 (April 2008 - March 2009)	
		ratio to sales	change in %		ratio to sales
<b>Net sales</b>	<b>39,300</b>	<b>-</b>	<b>9.3 %</b>	<b>35,966</b>	<b>-</b>
<b>Operating income</b>	<b>7,600</b>	<b>19.3 %</b>	<b>18.6 %</b>	<b>6,408</b>	<b>17.8 %</b>
<b>Ordinary income</b>	<b>7,100</b>	<b>18.1 %</b>	<b>6.2 %</b>	<b>6,682</b>	<b>18.6 %</b>
<b>Net income</b>	<b>4,260</b>	<b>10.8 %</b>	<b>12.8 %</b>	<b>3,777</b>	<b>10.5 %</b>

# Revised forecast for full year result (comparison with the original plan)

(Yen in millions)

	FY2009 revised plan	FY2009 original plan	changes
Net sales	39,300	39,000	+300
Gross margin	20,000	19,100	+900
SGA	12,400	11,700	+700
Operating income	7,600	7,400	+200
Ordinary income	7,100	7,500	-400
Net income	4,260	4,500	-240

Due to excess sales in 1st half

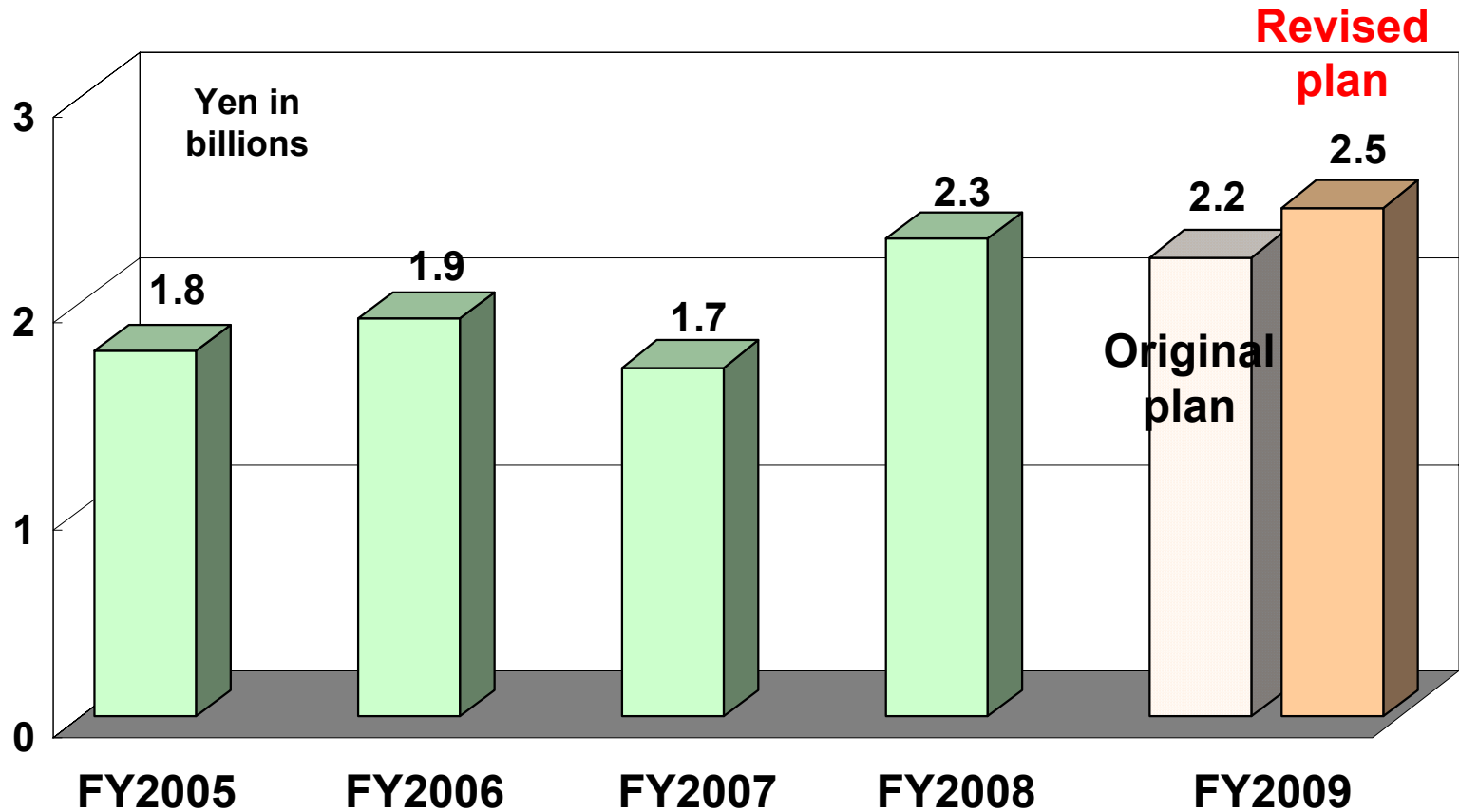
Gross margin rate shall improve from 49.0% to 50.9%

R&D expenses +334

Allowance for doubtful receivables +246 ,etc

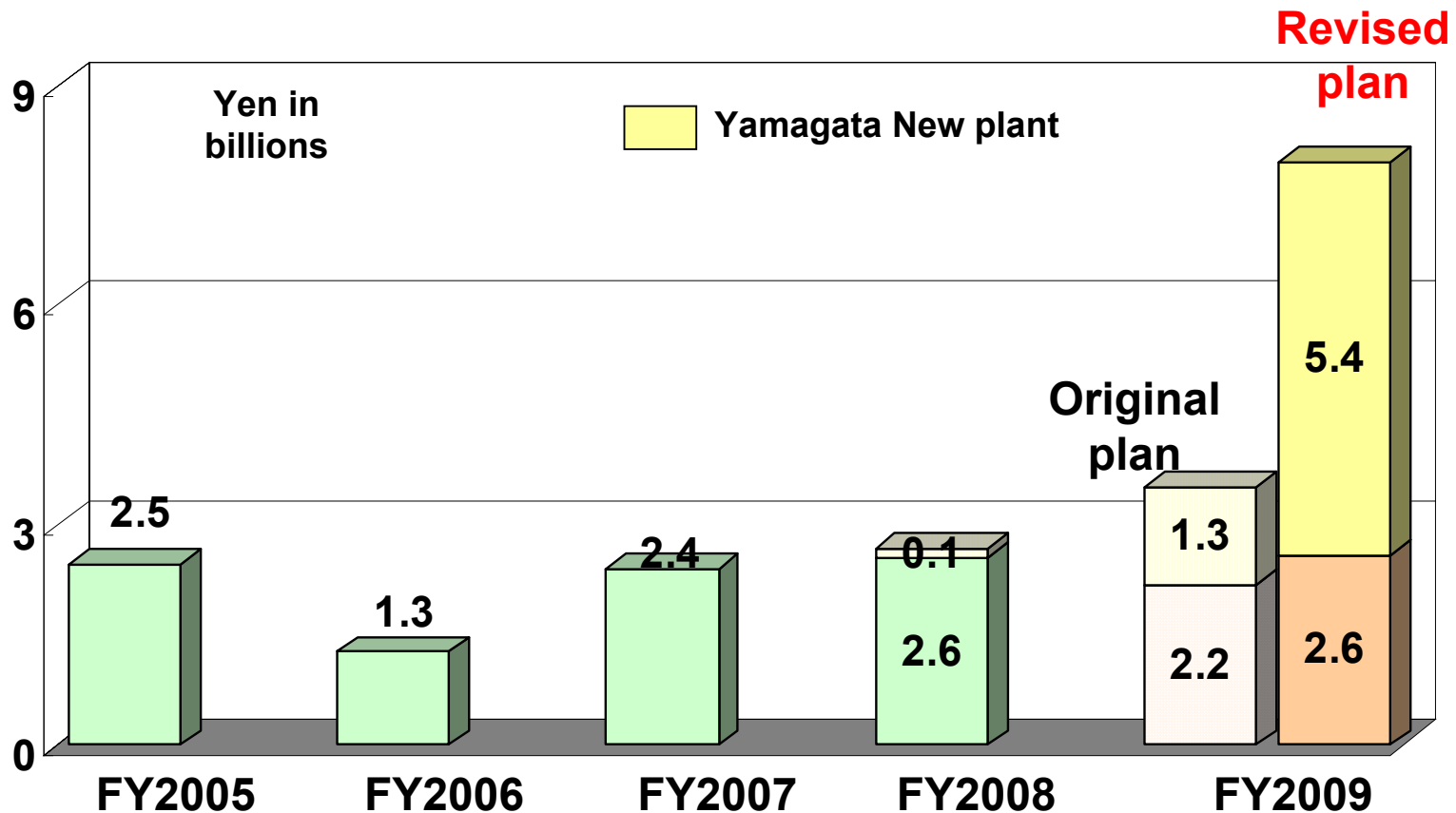
See no profit or loss on revaluation of currency swaps in 2nd half.

# Revised forecast for full year result (R&D expenses)



Due to early start of R&D on the products of high difficulty and enhancement R&D of value-added products

# Revised forecast for full year result (Capital expenditure)



Early implementation of construction of Yamagata new plant

# Major products to be launched in November 2009

(Yen in billions)

<b>Towa's generic products</b>	<b>Branded products</b>	<b>Sales in 2008</b>
<b>REBAMIPIDE TABLETS 100mg "TOWA"</b>	Mucosta tablets 100mg	<b>459</b>
<b>CEFCAPENE PIVOXIL HYDROCHLORIDE TABLETS 75mg "TOWA" TABLETS 100mg "TOWA" FINE GRANULES FOR PEDIATRIC 10% "TOWA"</b>	Flomox	<b>335</b>
<b>SARPOGRELATE HYDROCHLORIDE TABLETS 50mg "TOWA" TABLETS 100mg "TOWA"</b>	ANPLAG Tablets	<b>234</b>
<b>MEROPENEM FOR INTRAVENOUS INFUSION 0.25g "TOWA"/ 0.5g "TOWA"</b>	Meropen	<b>117</b>
<b>LEVOFLOXACIN ORAL SOLUTION 25mg/mL "TOWA"</b>	-	<b>(Cravit Tablets) (482)</b>
<b>18 APIs or 30 products in total</b>		



# Topics

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## ● Yamagata new plant

### ➤ Detailed designing is in progress

Start construction in March 2010

Completion of construction in Aug. 2011

Start operation by March 2012

### ➤ Capital expenditure and depreciation plan

Yen in billions

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Cap ex.	5.4	7.0	8.0	1.0	-	-	-
Depreciation	-	-	1.7	3.7	2.7	2.0	1.5





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