



**Supplementary material of financial results
for the 1Q of the year ending March 2011**

August, 2010

Towa Pharmaceutical Co., Ltd.

(stock ticker number : 4553)



Summary

- Net sales increased 15%.
- Most of our products including existing lines and others contributed to increase of net sales due to the revision of GE incentive for dispensing pharmacies. Total quantity of tablets of our products sold in this quarter increased 17%. Consequently, sales cost ratio increased.
- Operating income decreased from that of 10/3 1Q effected by decrease of SGA. However, operating income is over planned operating income.
- Ratio of direct sales in net sales increased due to changing sales agent to sales office and opening new offices (13 offices increased to 20), and increased headquarter transaction.
- Sales to dispensing pharmacies increased due to the revision of GE incentive for dispensing pharmacies. From April 2010, sales to dispensing pharmacies is more than that to general practitioners.
- Net sales and income are slightly over forecast in this quarter. However, no modification is made for half and full 11/3.

Outline of the financial results for the 1Q of the year ending March 2011

| Period | 11/3 1Q | | | 10/3 1Q | |
|-------------------------|---------------|--------------------|-------------|---------------|--------------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) |
| Net sales | 10,938 | 100.0 | +15.6 | 9,461 | 100.0 |
| COGS | 5,447 | 49.8 | +16.1 | 4,691 | 49.6 |
| SGA | 3,675 | 33.6 | +32.2 | 2,780 | 29.4 |
| Operating income | 1,815 | 16.6 | -8.8 | 1,990 | 21.0 |
| Ordinary income | 1,732 | 15.8 | +3.8 | 1,669 | 17.6 |
| Net income | 1,082 | 9.9 | +7.9 | 1,003 | 10.6 |

Outline of the financial results for the 1Q of the year ending March 2011

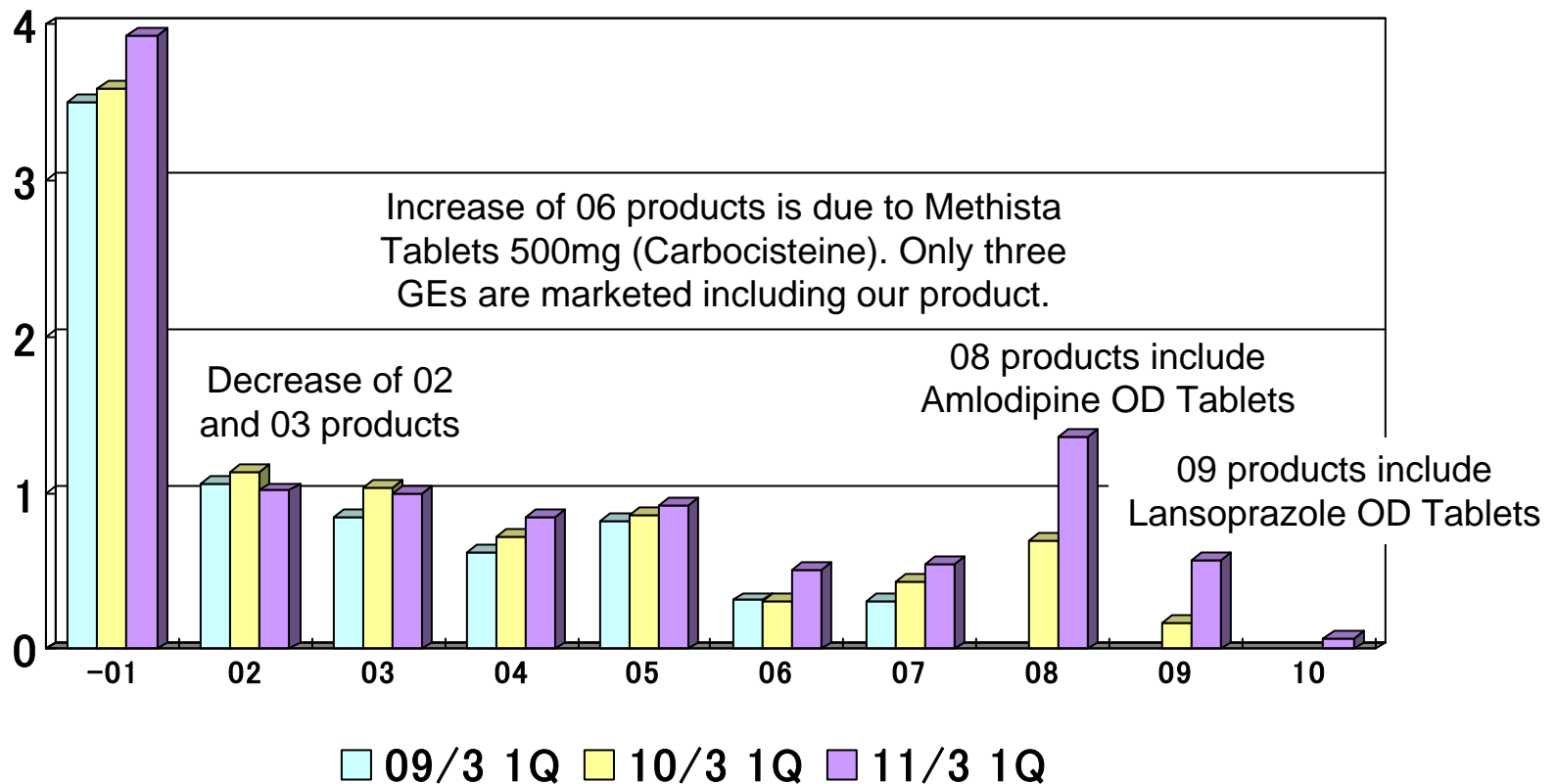
(non-consolidated)

| Period | 11/3 1Q | | | 10/3 1Q | |
|-------------------------|---------------|--------------------|-------------|---------------|--------------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) |
| Net sales | 10,593 | 100.0 | +15.4 | 9,178 | 100.0 |
| COGS | 5,304 | 50.1 | +16.6 | 4,550 | 49.6 |
| SGA | 3,549 | 33.5 | +32.9 | 2,670 | 29.1 |
| Operating income | 1,739 | 16.4 | -11.2 | 1,957 | 21.3 |
| Ordinary income | 1,658 | 15.7 | +1.2 | 1,638 | 17.9 |
| Net income | 1,038 | 9.8 | +5.2 | 987 | 10.8 |

Sales of products by launched year

Most of our products including existing lines and others contributed to increase of net sales due to the revision of GE incentive for dispensing pharmacies.

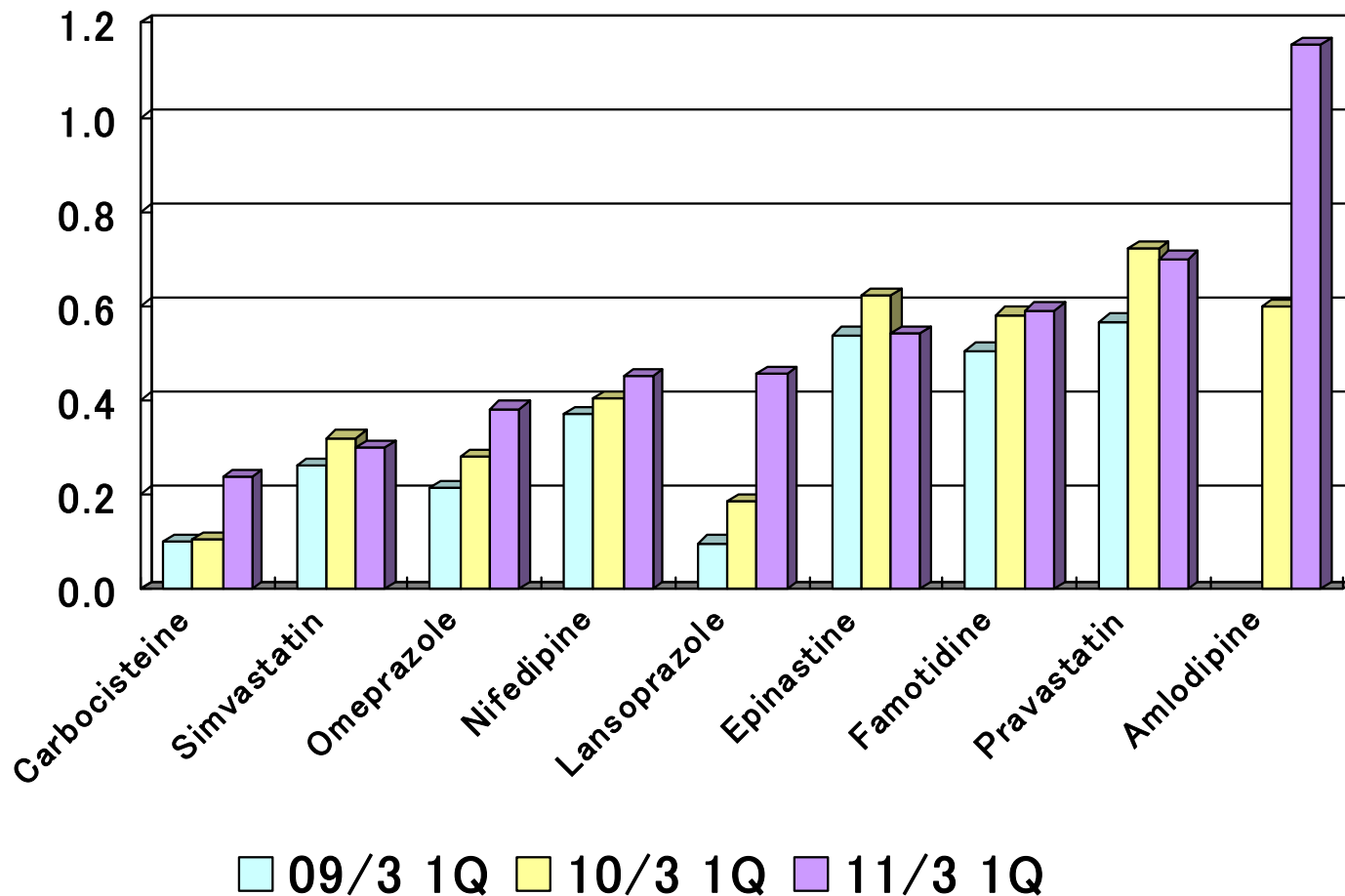
bn Yen



Sales of leading products

Amlodipine is top sales in the category of active ingredient.
OD tablets account for its 72%.

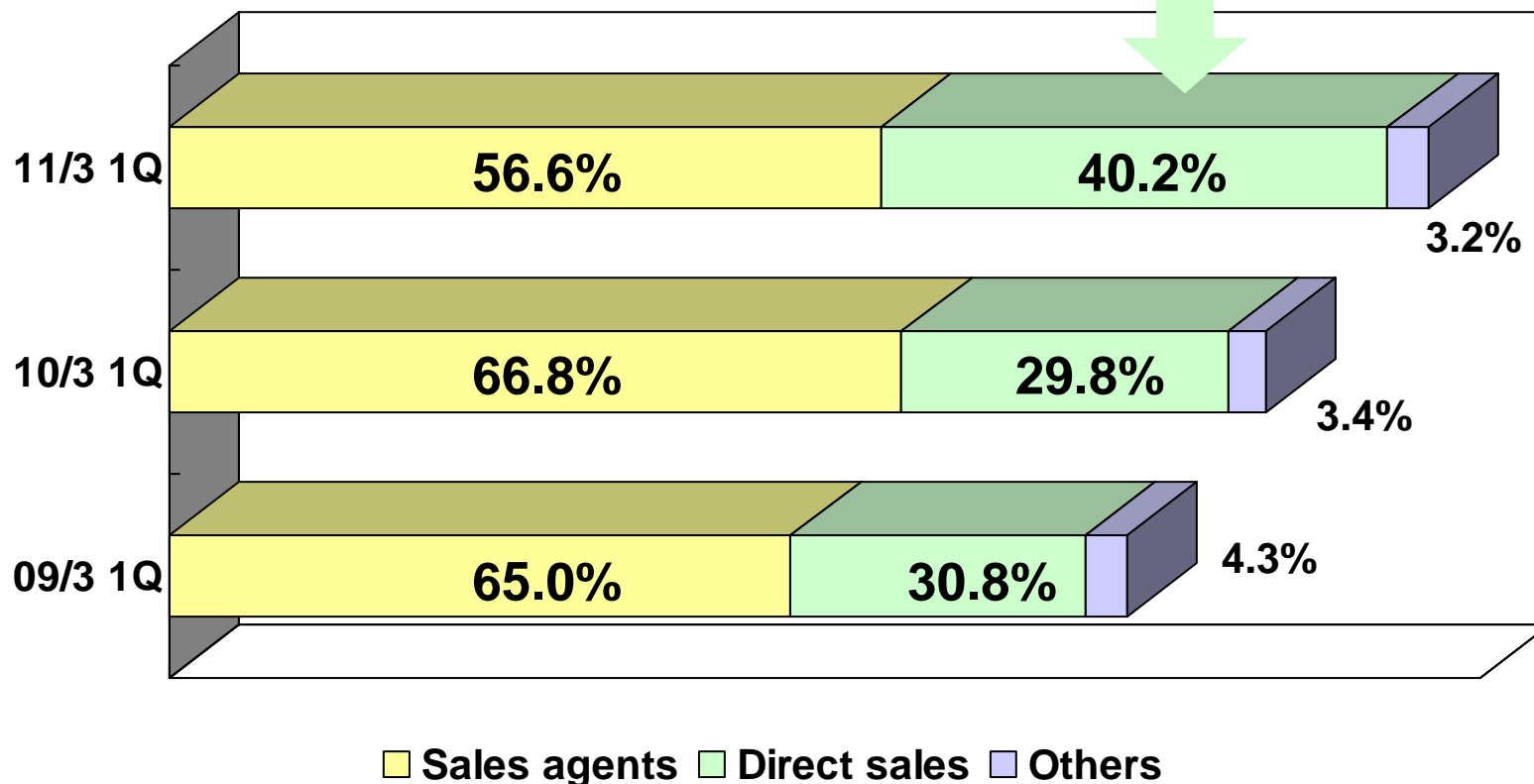
bn Yen



Sales of channels

(non-consolidated)

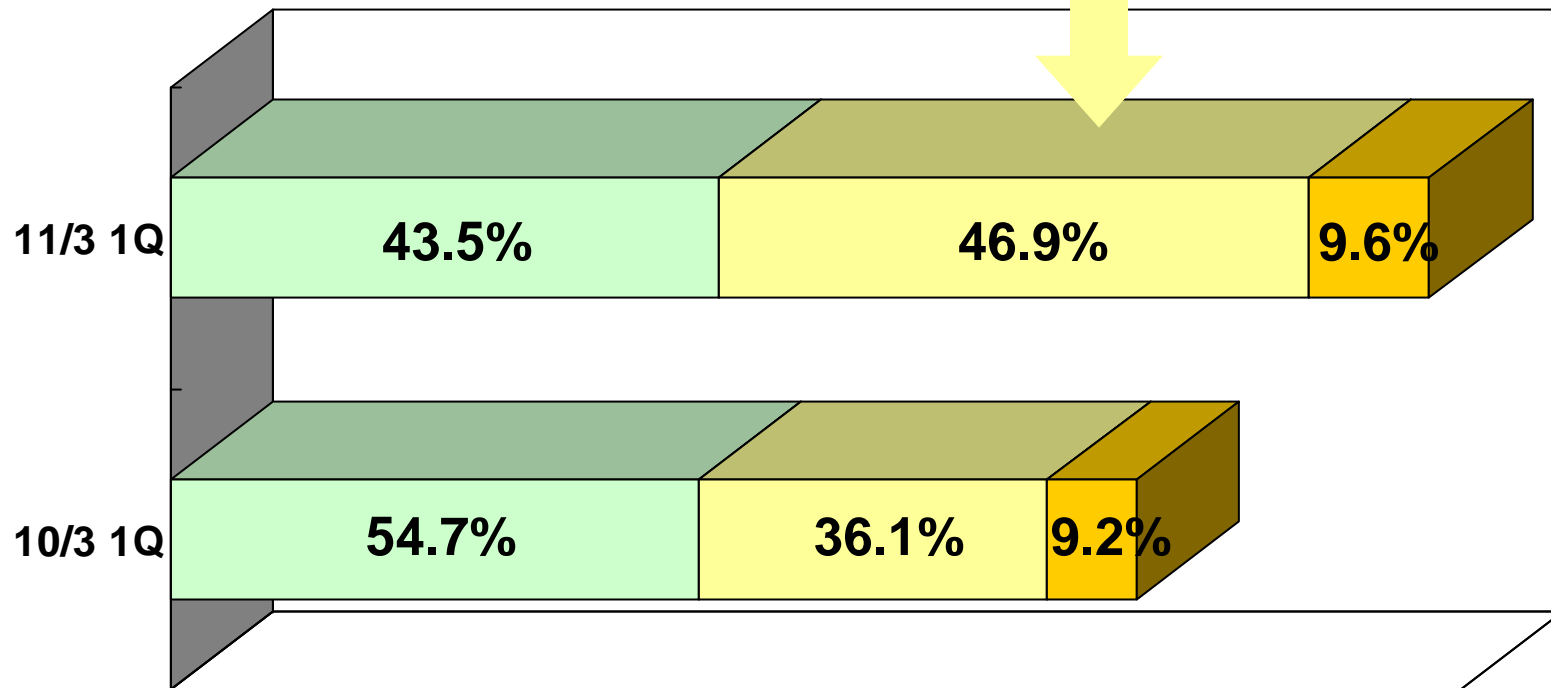
Ratio of direct sales increased due to changing sales agent to sales office and opening new offices (13 offices increased to 20), and increased headquarter transaction.



Sales of medical institutions

(non-consolidated)

Sales to dispensing pharmacies increased due to the revision of GE incentive for dispensing pharmacies. From April 2010, sales to dispensing pharmacies is more than that to general practitioners.



■ General Practitioners ■ Dispensing Pharmacies ■ Hospitals

Excluding sales by other companies.

Assuming sales of general practitioners, dispensing pharmacies and hospitals is 100%.

| Period | 11/3 1Q | | | 10/3 1Q | |
|----------------|---------------|--------------------|-------------|---------------|--------------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) |
| Labor | 1,697 | 15.5 | +20.0 | 1,414 | 14.9 |
| R&D | 763 | 7.0 | +92.3 | 397 | 4.2 |
| Ad. | 227 | 2.1 | -14.7 | 267 | 2.8 |
| Others | 986 | 9.0 | +40.5 | 701 | 7.4 |
| SGA | 3,675 | 33.6 | +32.2 | 2,780 | 29.4 |

Financial forecast for the 2Q of the year ending March 2011

As disclosed on May 14th

| Period | 11/3 2Q plan | | | 10/3 2Q | |
|-------------------------|---------------|--------------------|-------------|---------------|--------------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) |
| Net sales | 20,800 | 100.0 | +9.1 | 19,068 | 100.0 |
| Operating income | 3,750 | 18.0 | +0.0 | 3,748 | 19.7 |
| Ordinary income | 3,700 | 17.8 | +16.4 | 3,180 | 16.7 |
| Net income | 2,200 | 10.6 | +15.2 | 1,910 | 10.0 |

Financial forecast for the year ending March 2011

As disclosed on May 14th

| Period | 11/3 plan | | | 10/3 | |
|-------------------------|---------------|--------------------|-------------|---------------|--------------------|
| | (million Yen) | Ratio to sales (%) | Change in % | (million Yen) | Ratio to sales (%) |
| Net sales | 43,200 | 100.0 | +10.6 | 39,043 | 100.0 |
| Operating income | 8,900 | 20.6 | +14.9 | 7,744 | 19.8 |
| Ordinary income | 8,800 | 20.4 | +18.4 | 7,430 | 19.0 |
| Net income | 5,300 | 12.3 | +15.2 | 4,601 | 11.8 |

Products to be launched in November 2010

| Therapeutic Category | Product Name | Branded Products (Company) | Sales (bn Yen / year) |
|---|---|---------------------------------------|-----------------------------|
| Proton pump inhibitor | Sodium Rabeprazole Tablets 10mg "Towa" | Pariet Tablets 10mg (Eisai) | 66 |
| Proton pump inhibitor | Sodium Rabeprazole Tablets 20mg "Towa" | Pariet Tablets 20mg (Eisai) | 3 |
| Oral sulfonylurea hypoglycemic agent | Glimepiride Tablets 1mg "Towa" | Amaryl 1mg Tablet (Sanofi-Aventis) | 20 |
| Oral sulfonylurea hypoglycemic agent | Glimepiride Tablets 3mg "Towa" | Amaryl 3mg Tablet (Sanofi-Aventis) | 9 |

20 products in total



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