



**Supplementary material of financial results
for the 3Q of the year ending March 2011**

February, 2011

Towa Pharmaceutical Co., Ltd.

(stock ticker number : 4553)



Summary

- The sales and profits slightly exceeded the plan revised in November 2010.
- GE volume share at dispensing pharmacies has increased due to the revision of GE incentive for dispensing pharmacies, but it is flat on the high level after May 2010.
- The sales to dispensing pharmacies drastically increased in April 2010 in the same tendency of dispensing pharmacy market.
- Sales to dispensing pharmacies is more than that to general practitioners.
- Ratio of direct sales in net sales increased due to changing sales agent to sales office and opening new offices (14 offices increased to 24), and increased headquarter transaction.

Outline of the financial results for the 3Q of the year ending March 2011

Period	11/3 3Q			10/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	33,961	100.0	+15.9	29,298	100.0
COGS	15,809	46.6	+11.5	14,172	48.4
SGA	10,859	32.0	+18.7	9,145	31.2
Operating income	7,292	21.5	+21.9	5,980	20.4
Ordinary income	6,903	20.3	+24.9	5,527	18.9
Net income	4,311	12.7	+28.7	3,350	11.4

Outline of the financial results for the 3Q of the year ending March 2011

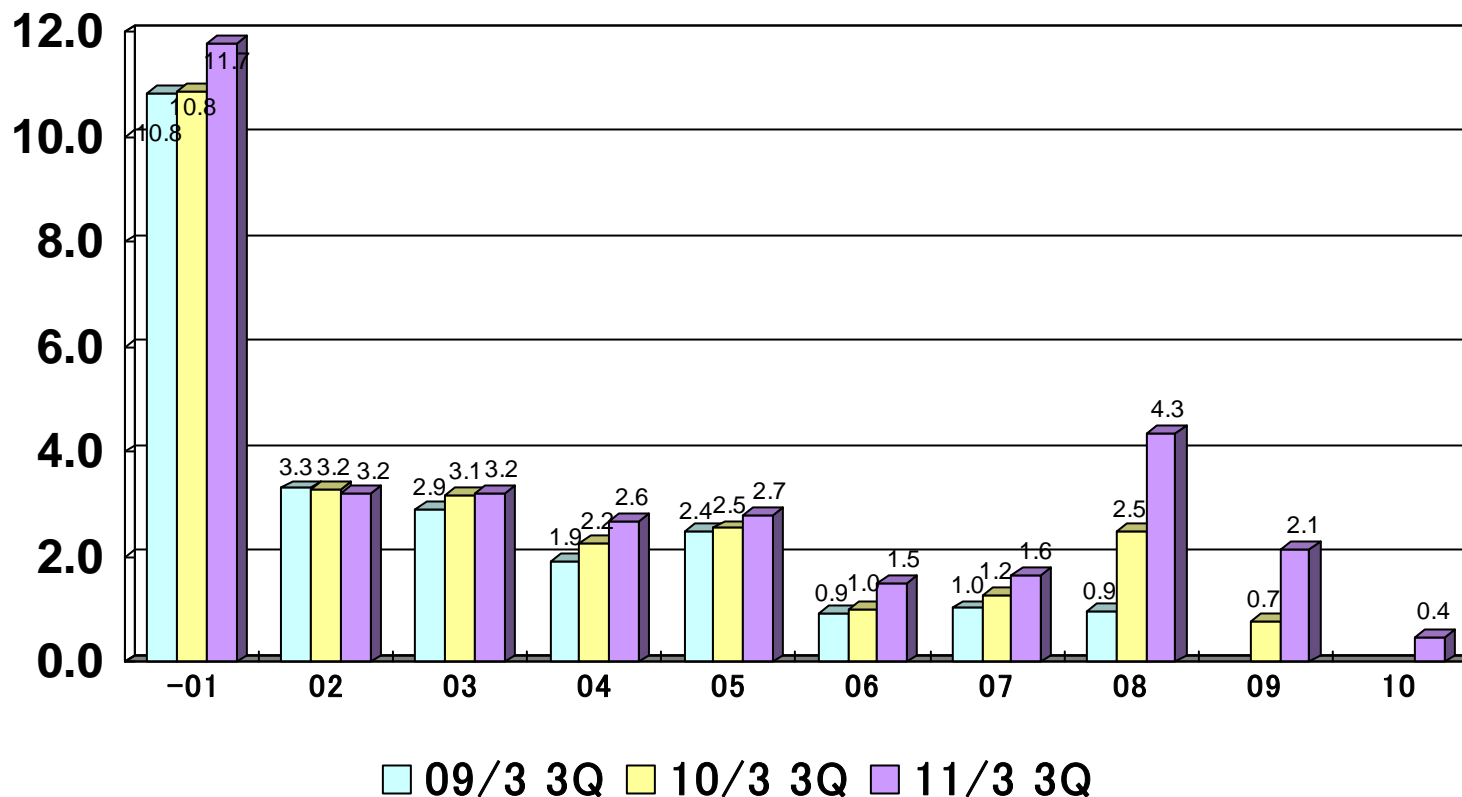
(non-consolidated)

Period	11/3 3Q			10/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	32,951	100.0	+16.1	28,370	100.0
COGS	15,376	46.7	+12.1	13,716	48.3
SGA	10,480	31.8	+18.9	8,813	31.1
Operating income	7,094	21.5	+21.5	5,839	20.6
Ordinary income	6,711	20.4	+24.5	5,390	19.0
Net income	4,189	12.7	+28.1	3,270	11.5

Sales of products by launched year

Sales of 08 products (Amlodipine OD Tablets) and 09 products (Lansoprazole OD Tablets) significantly increased.

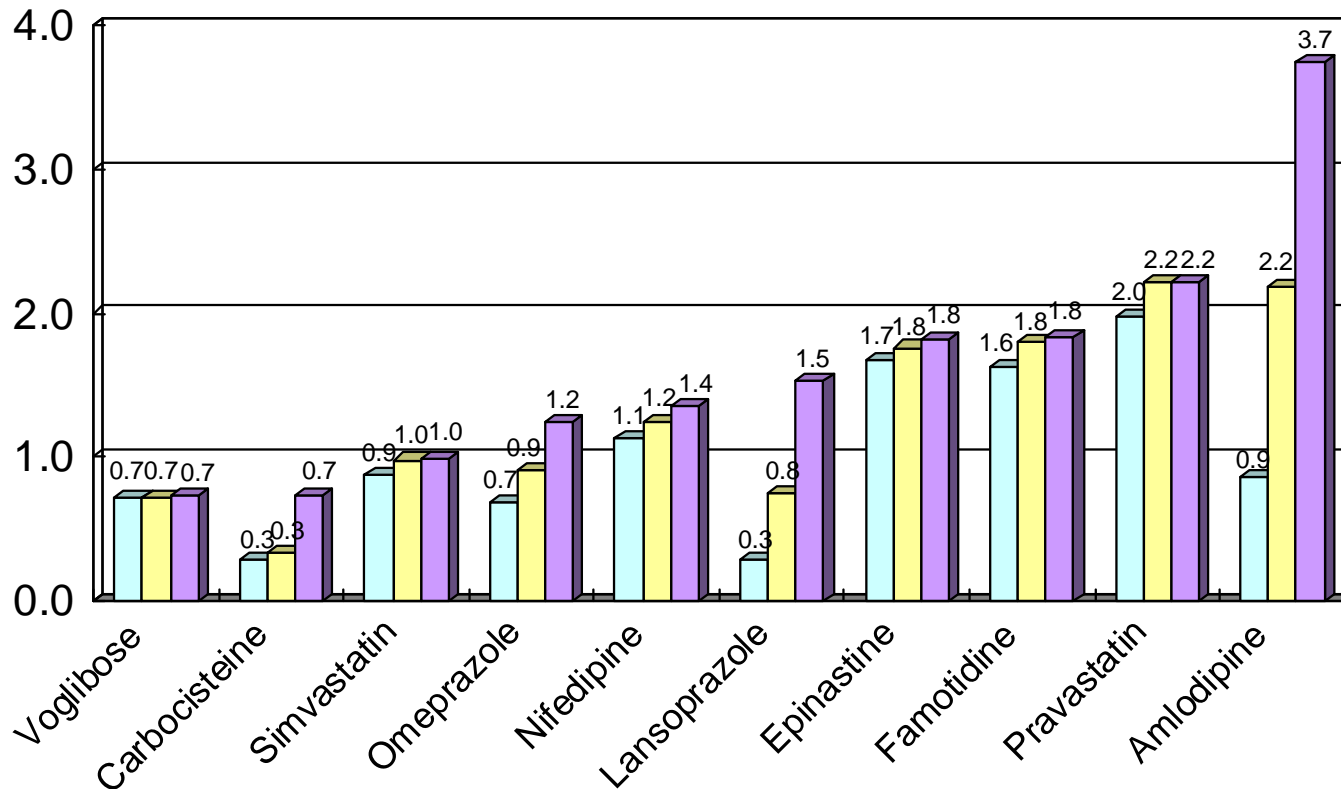
bn Yen



Sales of leading products

Amlodipine is top sales in the category of active ingredient.
OD tablets account for its 71%.

bn Yen

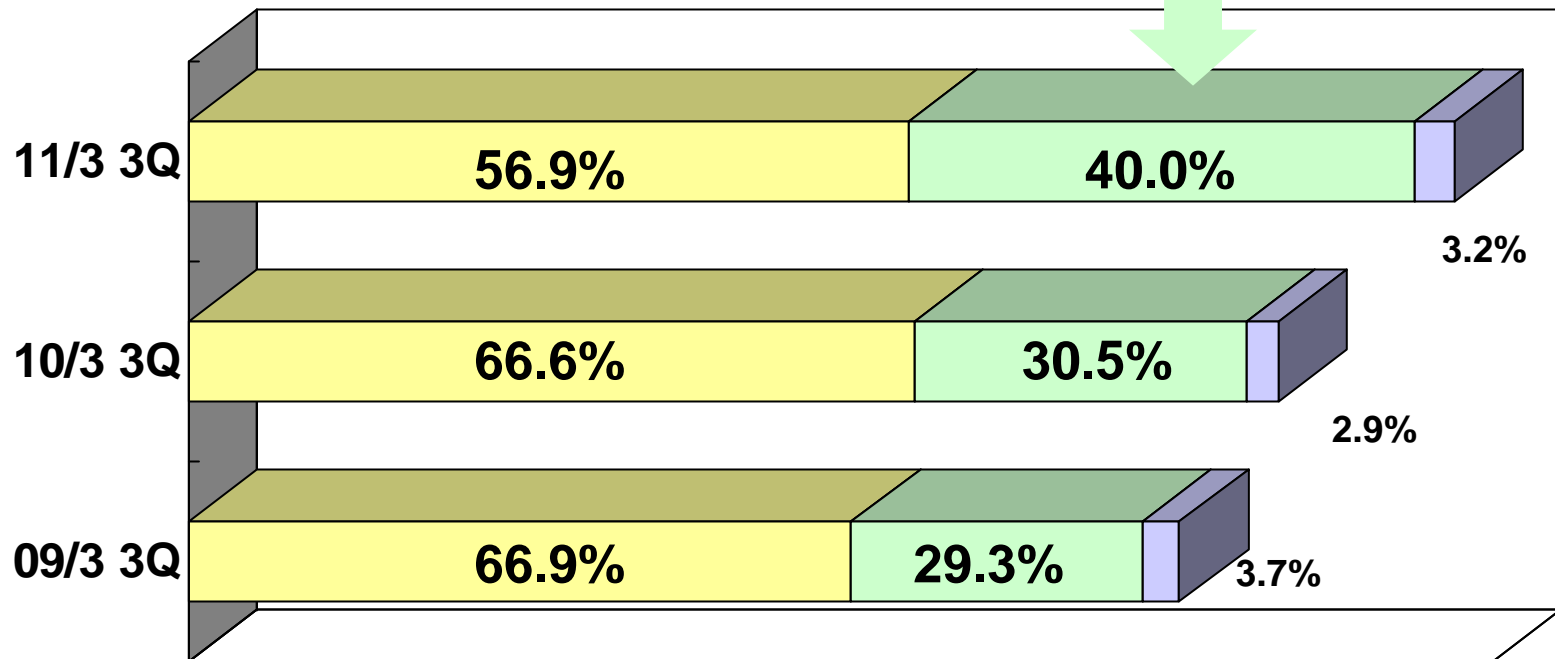


09/3 3Q 10/3 3Q 11/3 3Q

Sales of channels

(non-consolidated)

Ratio of direct sales increased due to changing sales agent to sales office and opening new offices (14 offices increased to 24), and increased headquarter transaction.



■ Sales agents ■ Direct sales ■ Others



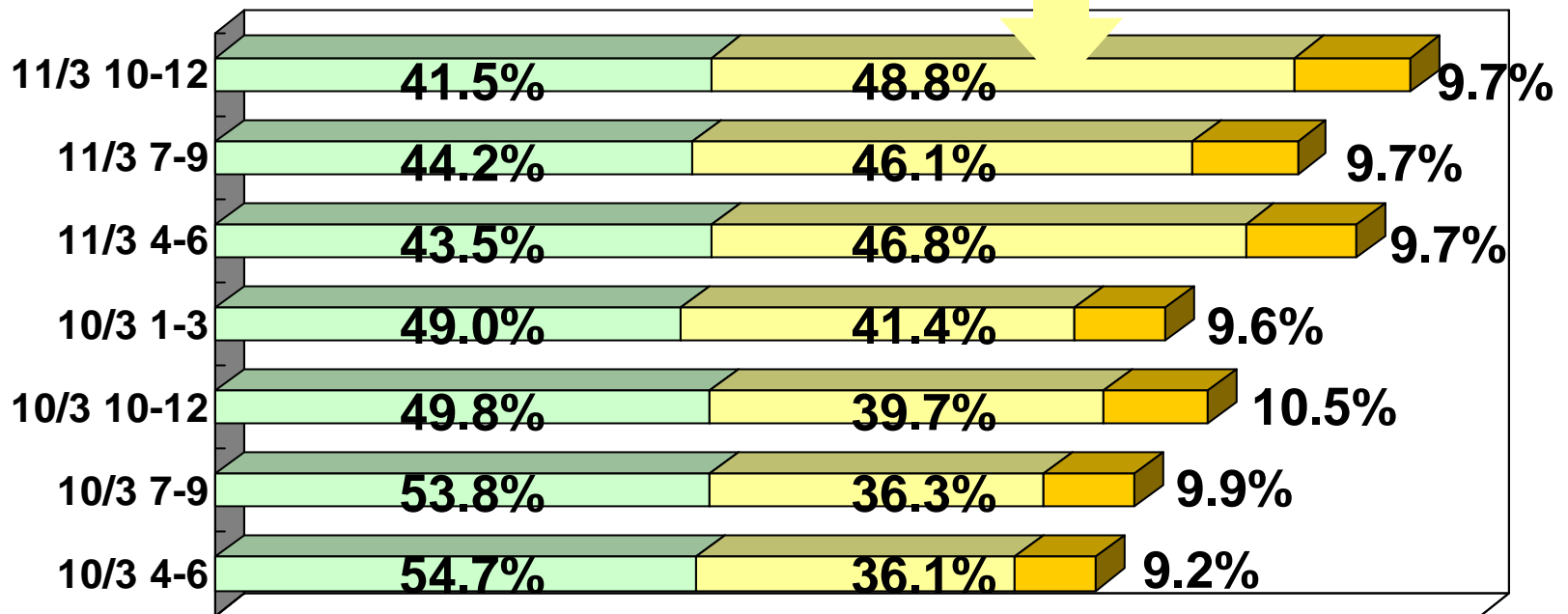
Opening new sales offices

Date	New sales offices	Total number
The end of Sep. 2009		13
Dec. 2009	Yamagata	14
Apr. 2010	Kyoto, Shiga, Fukuchiyama, Kochi, Fuchu	19
May 2010	Tottori	20
Aug. 2010	Toyohashi	21
Sep. 2010	Morioka, Sendai	23
Dec. 2010	Nagaoka	24
Jan. 2011	Kurume, Nagasaki	26
Feb. 2011	Nagoya Minami	27
The end of Mar. 2011		30 (planned)

Sales of medical institutions

(non-consolidated)

After steep rise due to the revision of GE incentive for dispensing pharmacies from April 2010, sales to dispensing pharmacies remains on the high level after June.



■ General Practitioners
 ■ Dispensing Pharmacies
 ■ Hospitals

Excluding sales by other companies.

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

Period	11/3 3Q			10/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	5,011	14.8	+14.5	4,375	14.9
R&D	2,417	7.1	+32.2	1,829	6.2
Ad.	618	1.8	+ 6.4	581	2.0
Others	2,812	8.3	+19.2	2,358	8.0
SGA	10,859	32.0	+18.7	9,145	31.2

Balance Sheets

(Million Yen)

	10/12	10/3	Change
Cash and deposits	11,360	10,941	+ 419
Trade notes and account receivables	16,146	14,726	+1,420
Inventories	12,522	10,841	+1,681
Other current assets	1,228	1,174	+ 53
Current assets	41,257	37,684	+3,573
Fixed assets	28,522	22,820	+5,702
Total assets	69,779	60,504	+9,275

Increase of inventories

= increase of finished products and raw materials

Increase of fixed assets

= increase of construction in progress (Yamagata plant)

Increase of long-term debt

=Bank loan for Yamagata plant

	10/12	10/3	Change
Trade notes and account payables	5,799	5,557	+ 242
Accrued liabilities	1,090	1,887	- 798
Other current liabilities	8,107	6,115	+1,992
Current liabilities	14,996	13,560	+1,436
Long-term debt	8,750	4,000	+4,750
Other fixed liabilities	911	998	- 87
Fixed liabilities	9,661	4,998	+4,663
Total liabilities	24,658	18,559	+6,099
Shareholders' equity	45,121	41,945	+3,176
Total liabilities and shareholders' equity	69,779	60,504	+9,275

Statement of Cash Flows

(Million Yen)

	11/3 3Q	10/3 3Q
Net profit before tax	6,874	5,459
Depreciation cost	1,344	1,283
Increase of inventories	-1,681	-854
Tax paid	-3,347	-2,874
Net cash provided by operating activities	2,500	3,939

	11/3 3Q	10/3 3Q
Cash deposit paid	-10,000	-6,000
Cash deposit repaid	7,500	-
Payments for tangible assets	-5,586	-2,037
Net cash used in investing activities	-8,663	-7,904

	11/3 3Q	10/3 3Q
Cash provided by long-term debt	5,000	4,000
Dividends paid	-1,050	-775
Net cash provided by financing activities	4,143	3,223

	11/3 3Q	10/3 3Q
Effect of exchange rate changes on cash and cash equivalents	-12	11
Net increase in cash and cash equivalents	-2,032	-730
Cash and cash equivalents at beginning of the period	5,941	3,425
Cash and cash equivalents at end of the period	3,909	2,694

Financial forecast for the year ending March 2011

As disclosed on November 8th

Period	11/3 plan (disclosed on Nov. 8 th)			10/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	45,300	100.0	+16.0	39,043	100.0
COGS	21,300	47.0	+13.3	18,793	48.1
SGA	14,900	32.9	+19.2	12,504	32.0
Operating income	9,100	20.1	+17.5	7,744	19.8
Ordinary income	8,800	19.4	+18.4	7,430	19.0
Net income	5,500	12.1	+19.5	4,601	11.8

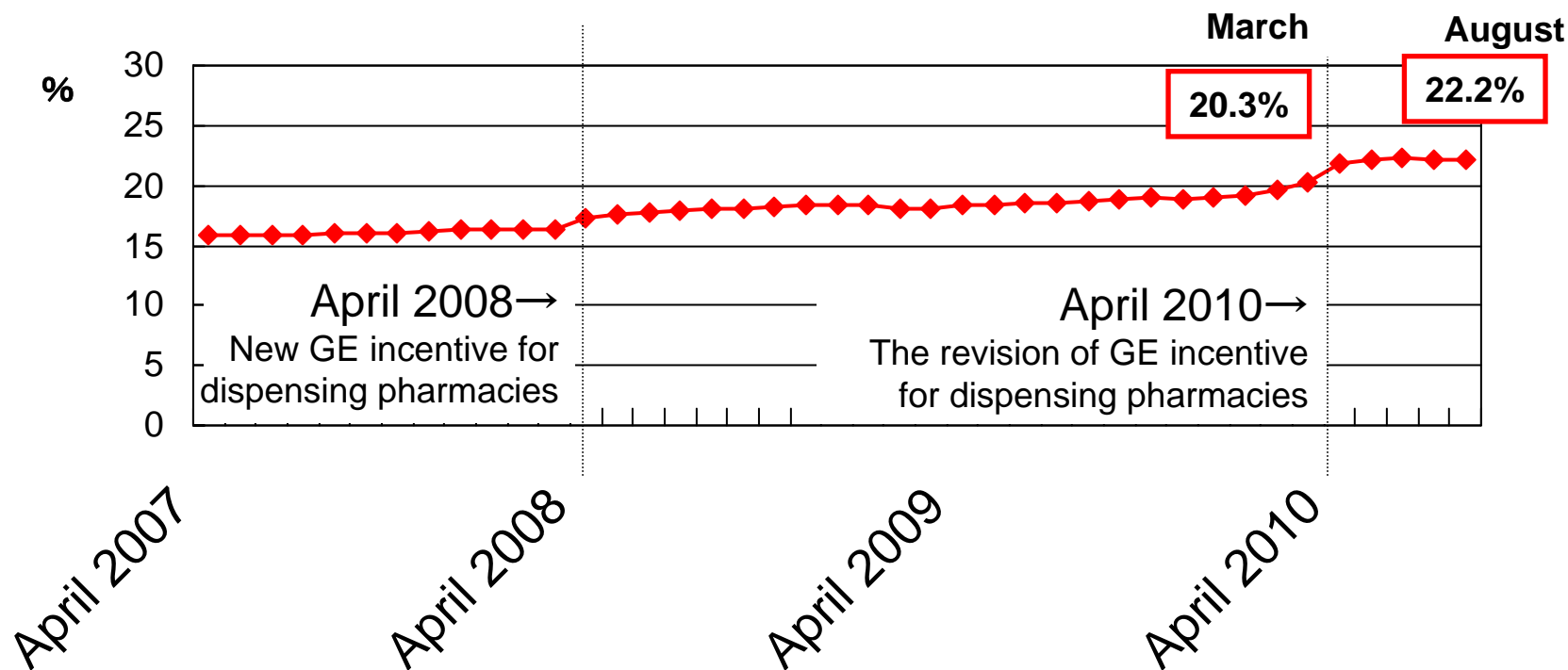
Products to be launched in May 2011

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
Improving Agent for Insulin Resistance - Therapeutic Agent for Type 2 Diabetes Mellitus -	Pioglitazone OD Tablets 15mg "Towa"	Actos OD Tablets 15 (Takeda)	—
	Pioglitazone OD Tablets 30mg "Towa"	Actos OD Tablets 30 (Takeda)	—
	Pioglitazone Tablets 15mg "Towa"	Actos Tablets 15 (Takeda)	35.1
	Pioglitazone Tablets 30mg "Towa"	Actos Tablets 30 (Takeda)	23.4
Neuroprotectant (Free Radical Scavenger)	Edaravone Intravenous Infusion 30mg "Towa"	Radicut Inj. 30mg (Mitsubishi Tanabe)	33.0

23 products in total

Monthly change of GE volume share in dispensing pharmacies

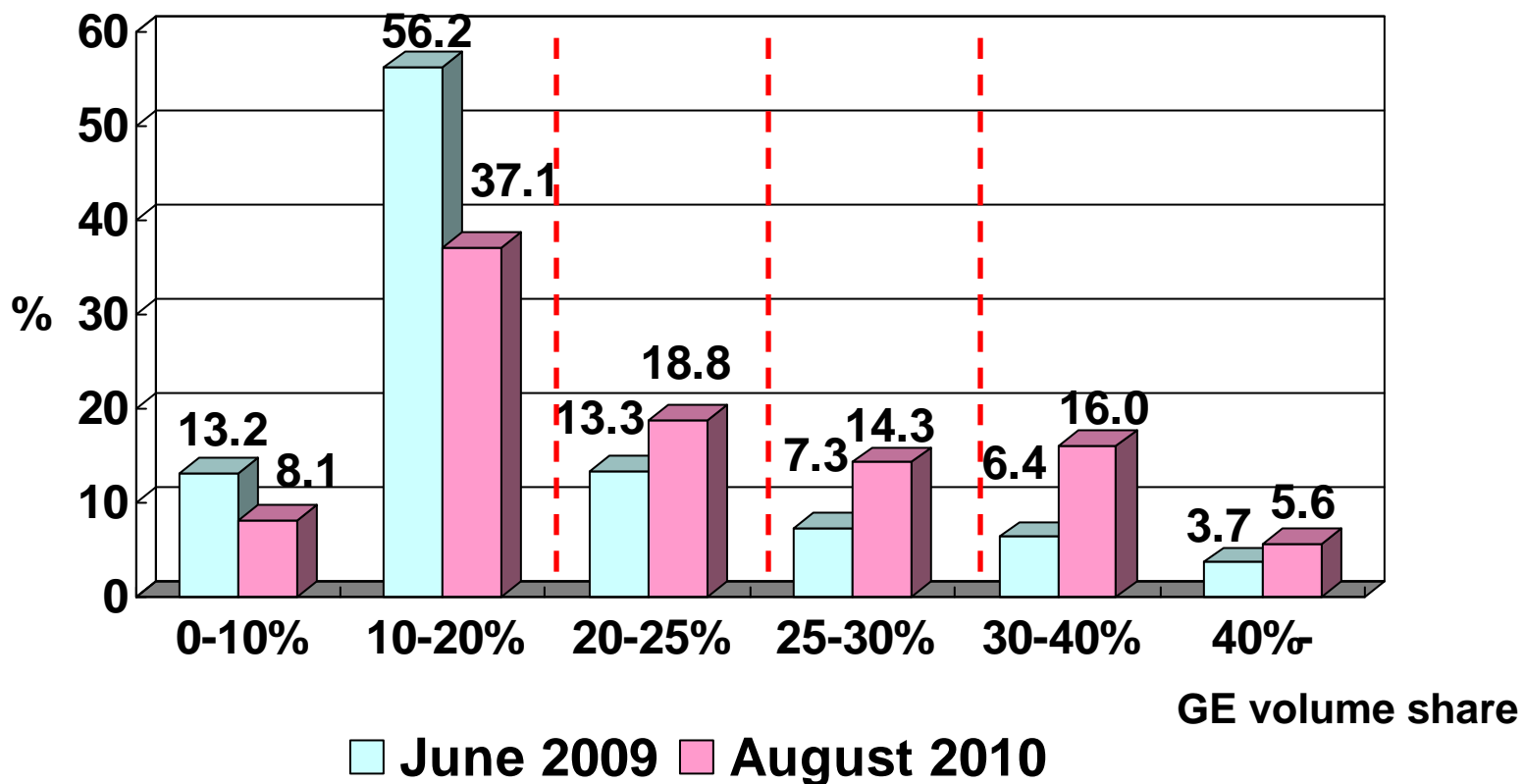
GE volume share has increased at dispensing pharmacies due to the revision of GE incentive for dispensing pharmacies, but it is flat afterward.



Source: the Ministry of Health, Labour and Welfare

Histogram of dispensing pharmacies in terms of GE volume share

An about half of dispensing pharmacies does not obtain GE incentives.
Bipolarization tendency of 10-20% and 30-40% is observed.



Source: June 2009: Central Social Insurance Medical Council, November 25, 2009
August 2010: the Ministry of Health, Labour and Welfare



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