



TOWA PHARMACEUTICAL CO., LTD.

Supplementary material of financial results for the 3Q of the year ending March 2013

February, 2013

(stock ticker number : 4553)

Summary

- Sales increased by 14.8% year-on-year.
- No change in sales trend of 2Q.
- COGS rate increased 3.2 point year-on-year.
- The number of sales offices became 55, which was 44 at the end of March, and achieved the Mid-term plan target.
- The full year forecast for the year ending March 2013 was revised reflecting the 3Q results.

Outline of the financial results for the 3Q of the year ending March 2013

Period	13/3 3Q			12/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	41,704	100.0	+ 14.8	36,315	100.0
COGS	20,132	48.3	+ 23.0	16,361	45.1
SGA	14,818	35.5	+ 16.4	12,725	35.0
Operating income	6,754	16.2	- 6.6	7,228	19.9
Ordinary income	7,526	18.0	+ 1.9	7,388	20.3
Net income	4,998	12.0	+ 15.2	4,340	12.0

Outline of the financial results for the 3Q of the year ending March 2013

(progress rate to 13/3 plan)

Period	13/3 3Q			13/3 plan (disclosed on Nov. 12 th)	
	(million Yen)	Ratio to sales (%)	Progress rate in %	(million Yen)	Ratio to sales (%)
Net sales	41,704	100.0	76.7	54,400	100.0
COGS	20,132	48.3	76.0	26,500	48.7
SGA	14,818	35.5	75.6	19,600	36.0
Operating income	6,754	16.2	81.4	8,300	15.3
Ordinary income	7,526	18.0	91.8	8,200	15.1
Net income	4,998	12.0	98.0	5,100	9.4

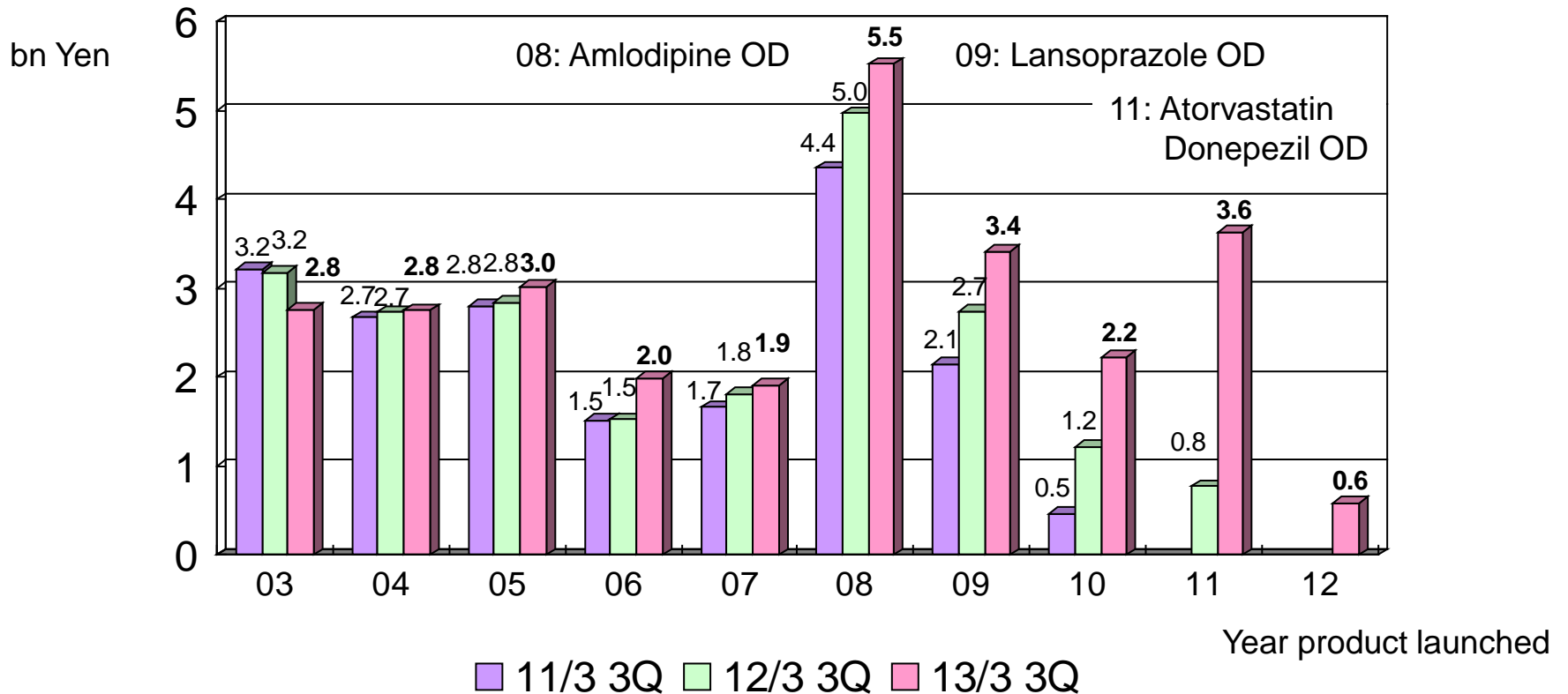
Outline of the financial results for the 3Q of the year ending March 2013

(non-consolidated)

Period	13/3 3Q			12/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	40,504	100.0	+ 15.2	35,174	100.0
COGS	19,453	48.0	+ 24.3	15,656	44.5
SGA	14,421	35.6	+ 16.7	12,354	35.1
Operating income	6,628	16.4	- 7.5	7,163	20.4
Ordinary income	7,396	18.3	+ 0.9	7,330	20.8
Net income	4,924	12.2	+ 14.4	4,305	12.2

Sales of products by launched year

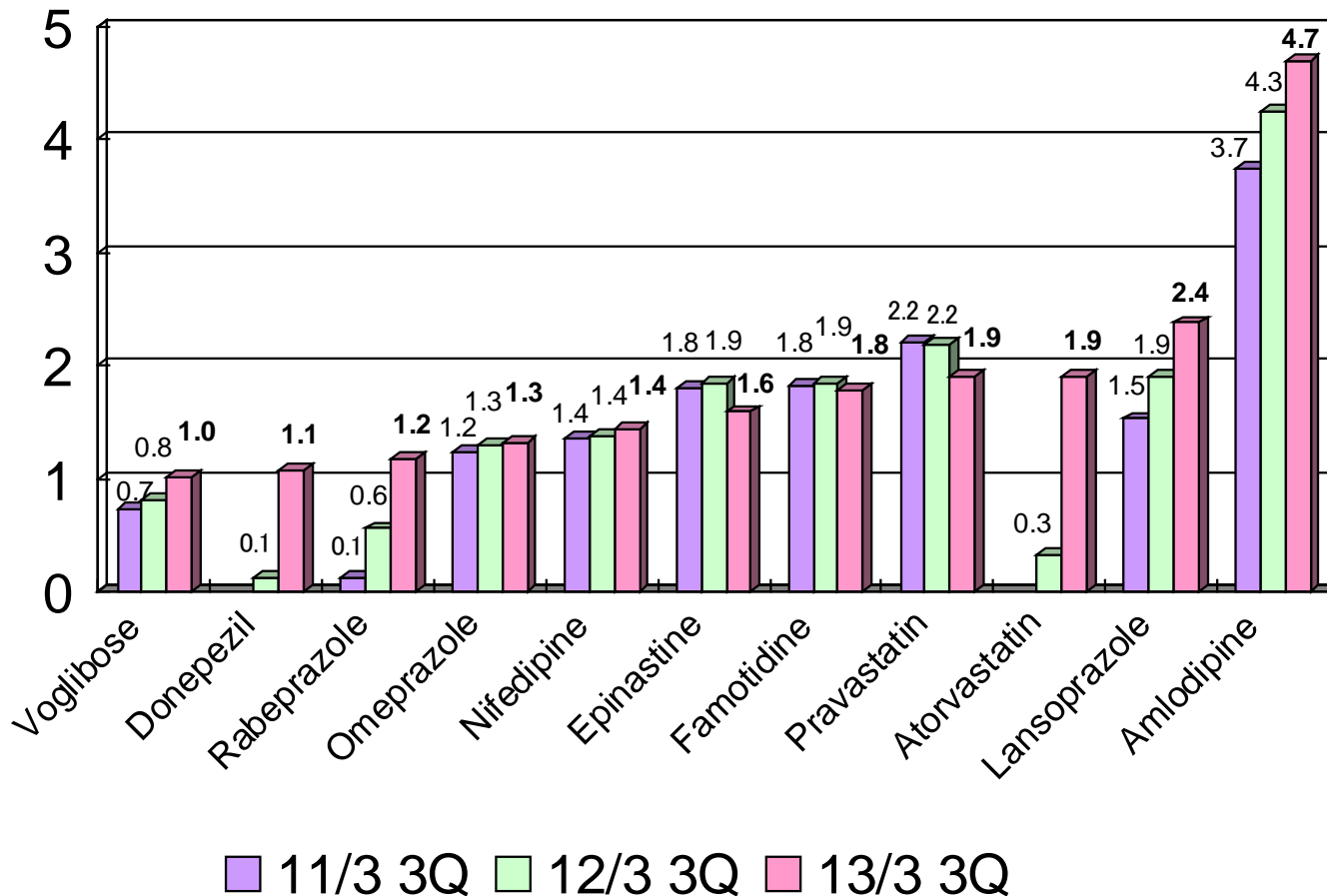
Products launched in 2011 contributed to sales increase significantly.



Sales of leading products

Atorvastatin and Donepezil are growing significantly.

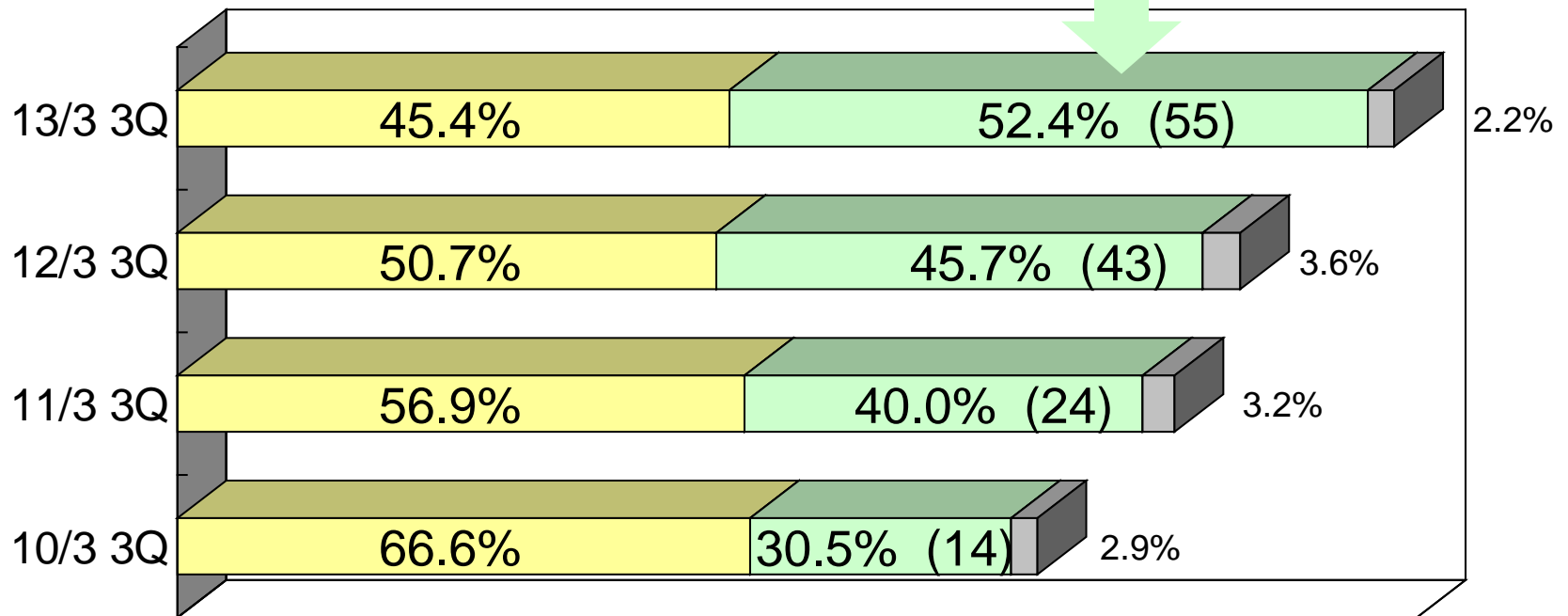
bn Yen



Sales of channels

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

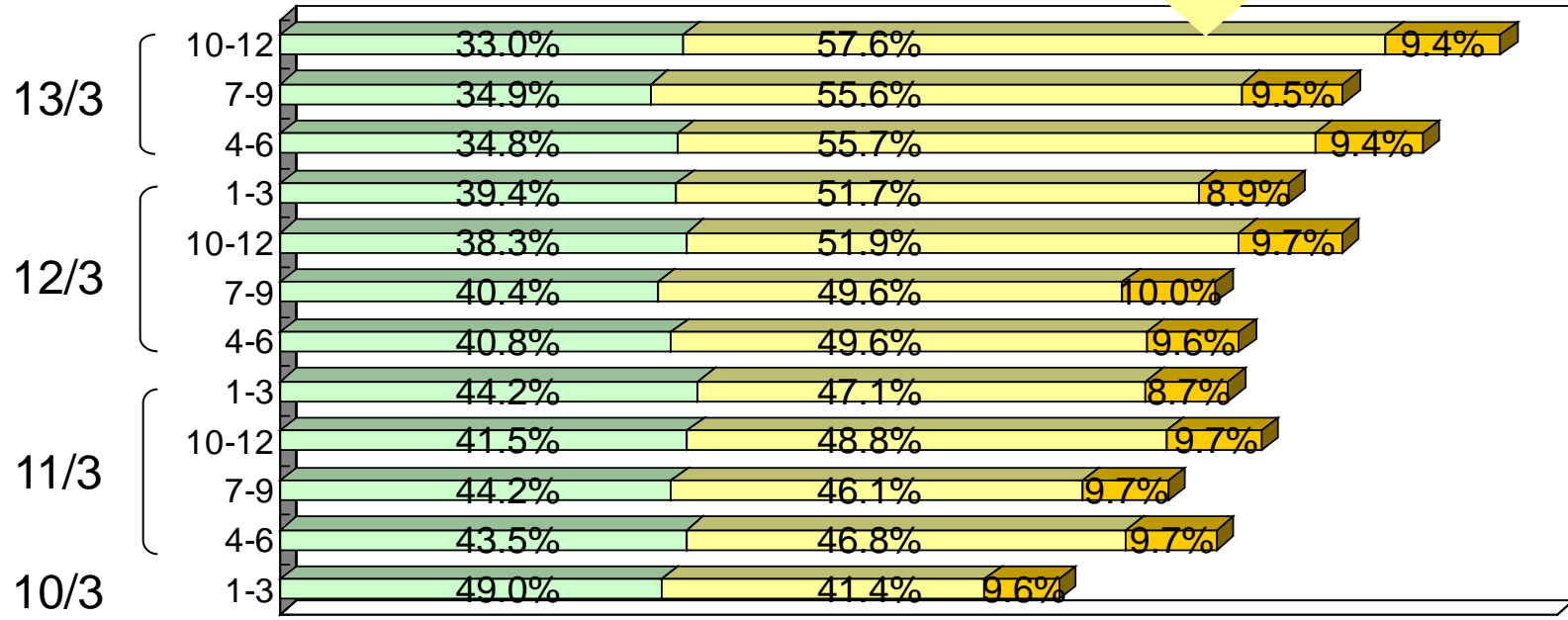
() is the number of sales offices.



■ Sales agents ■ Direct sales ■ Others

Sales of medical institutions

The sales of dispensing pharmacies increased in April, and has reached plateau as it was two years ago.



■ General Practitioners ■ Dispensing Pharmacies ■ Hospitals

Excluding sales by other companies.
Assuming sales of general practitioners, dispensing pharmacies and hospitals is 100%.

SGA

Period	13/3 3Q			12/3 3Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	6,548	15.7	+ 12.7	5,810	16.0
R&D	3,278	7.9	+ 16.9	2,805	7.7
Ad.	664	1.6	- 8.5	726	2.0
Others	4,327	10.4	+ 27.9	3,382	9.3
SGA	14,818	35.5	+ 16.5	12,725	35.0

Major reasons of increase in others

Increase in packing and freight

241 million yen

Increase in depreciation cost

156 million yen

Increase in cost of travel and transportation

99 million yen

Increase in rent

80 million yen

Balance Sheets

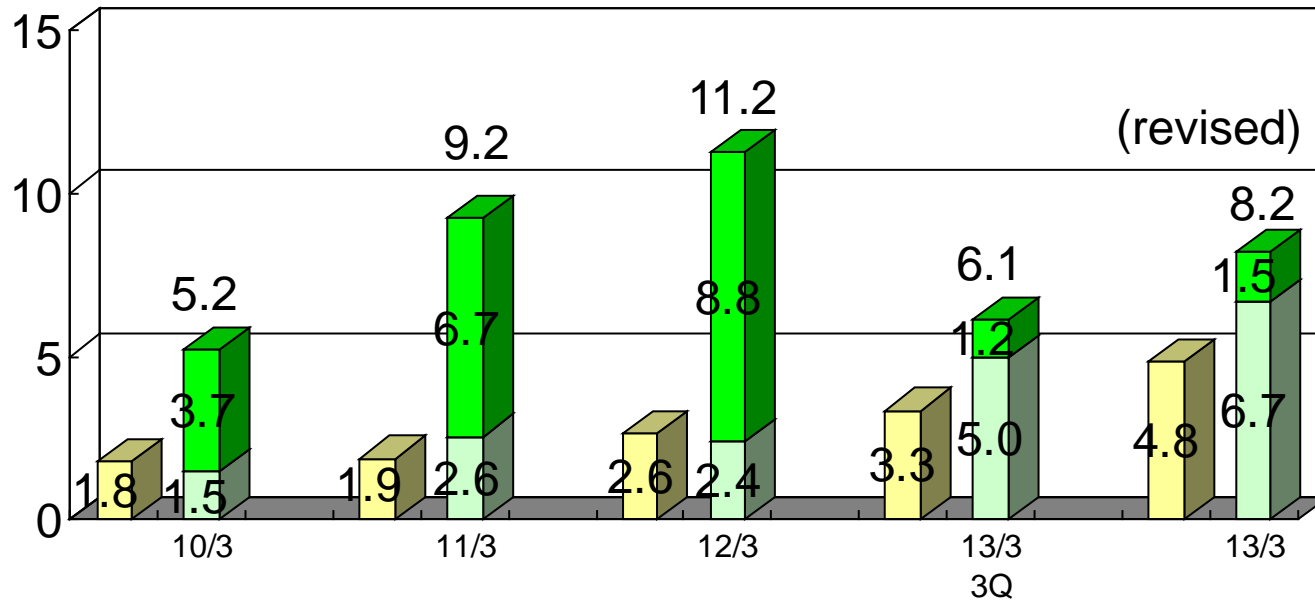
(million Yen)

	12/12	12/3	Change
Cash and deposits	2,471	4,217	-1,745
Trade notes and accounts receivable	17,739	16,467	+1,272
Marketable securities	2,500	2,081	+ 418
Finished products	9,851	9,169	+ 682
Other current assets	11,094	10,310	+ 784
Total current assets	43,657	42,245	+1,411
Buildings and structures	20,651	19,230	+1,420
Machineries, equipments and carriers	7,797	4,943	+2,854
Other fixed assets	13,915	14,825	- 910
Total fixed assets	42,364	38,998	+3,365
Total assets	86,021	81,244	+4,777

	12/12	12/3	Change
Trade notes and accounts payable	6,829	6,473	+ 355
Current portion of long-term debt	2,775	2,007	+ 767
Accrued income taxes	540	1,742	-1,202
Other current liabilities	6,378	9,602	-3,224
Total current liabilities	16,523	19,826	-3,303
Long-term debt	13,946	9,792	+4,154
Other long-term liabilities	1,197	1,131	+ 66
Total long-term liabilities	15,143	10,923	+4,220
Total liabilities	31,667	30,750	+ 917
Total net assets	54,354	50,494	+3,860
Total liabilities and net assets	86,021	81,244	+4,777

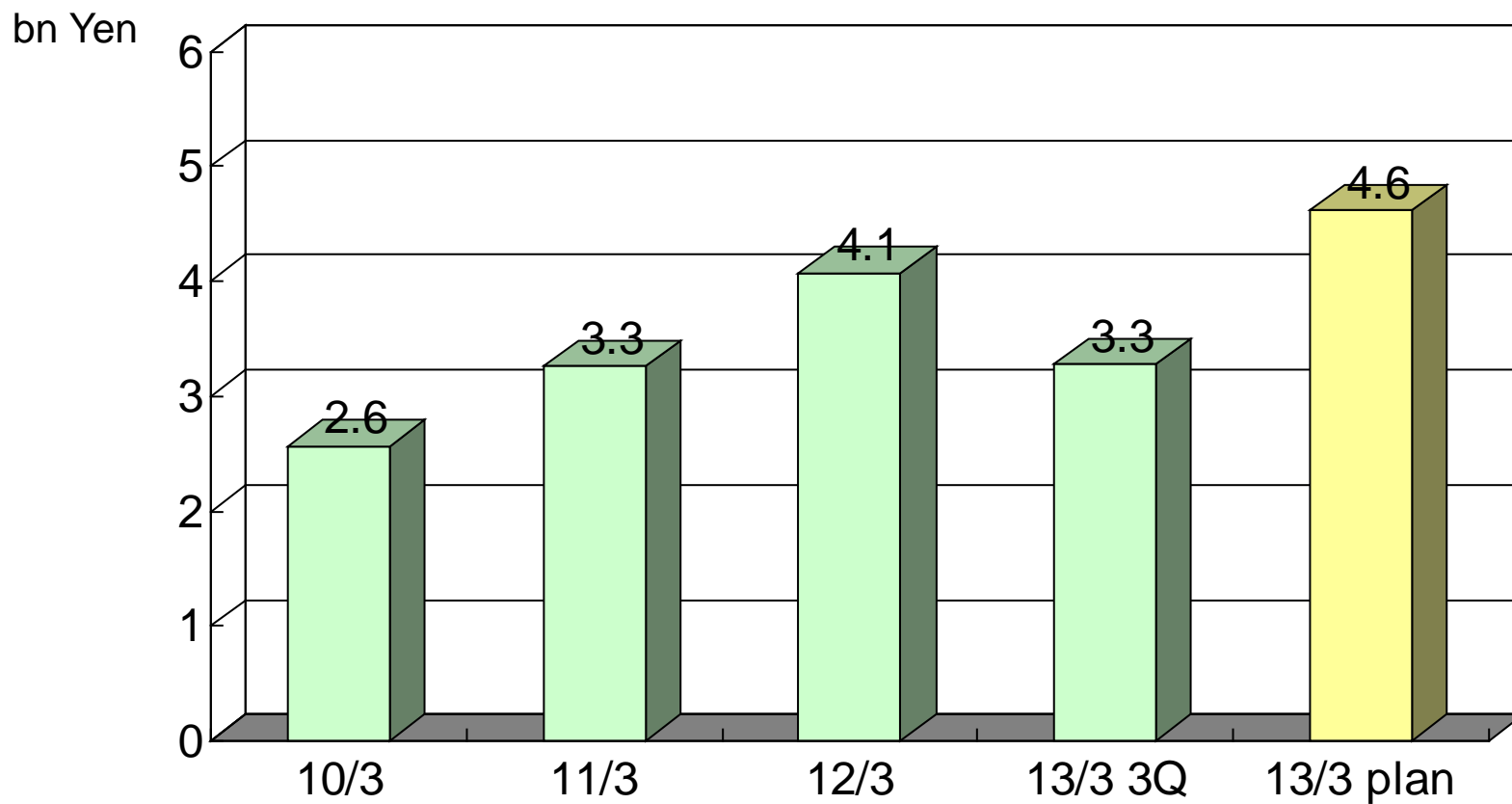
Capital expenditure and depreciation cost

bn Yen



- Capital expenditure for Yamagata Plant
- Capital expenditure excluding for Yamagata Plant
- Depreciation cost

R&D expenditure



Financial forecast for the year ending March 2013

The full year forecast was revised reflecting the 3Q results.

Period	13/3 plan (revised on Feb. 12 th)			13/3 plan (disclosed on Nov. 12 th)	
	(million Yen)	Ratio to sales (%)	Change (million Yen)	(million Yen)	Ratio to sales (%)
Net sales	55,000	100.0	+ 600	54,400	100.0
COGS	26,800	48.7	+ 300	26,500	48.7
SGA	19,800	36.0	+ 200	19,600	36.0
Operating income	8,400	15.3	+ 100	8,300	15.3
Ordinary income	9,200	16.7	+ 1,000	8,200	15.1
Net income	6,000	10.9	+ 900	5,100	9.4

Financial forecast for the year ending March 2013

The full year forecast was revised reflecting the 3Q results.

Period	13/3 plan (revised on Feb. 12 th)			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	55,000	100.0	+ 12.9	48,719	100.0
COGS	26,800	48.7	+ 21.9	21,986	45.1
SGA	19,800	36.0	+ 12.3	17,624	36.2
Operating income	8,400	15.3	- 7.8	9,107	18.7
Ordinary income	9,200	16.7	- 6.5	9,841	20.2
Net income	6,000	10.9	+ 4.6	5,737	11.8

The construction of API manufacturing facility in Daichi Kasei - Summary -

Daichi Kasei Co., Ltd.

- Acquired by Towa in October 2010
- Purposes of the acquisition
 - To acquire know-how for R&D of API
 - To start early R&D of API for formulation study

The construction of API manufacturing facility

- Construction period: March 2013 – March 2014
(Operation: April 2014-)
- Total investment: ca. 5.5 billion yen
- Purpose
 - A part of the reinforcement measure for securing APIs stably for Towa's products
- 20-30 APIs will be produced annually (The number of the used API for Towa's products: ca. 300)

The construction of API manufacturing facility in Daichi Kasei - Securing APIs stably for Towa's products -

- Current situation: most of the APIs for Towa's products are sourced externally
- The reinforcement measures for securing APIs stably
(securing APIs stably by the combination of 2 or more reinforcement measures)
 - Multiple sources: to increase products whose API is purchased from multi purchasing sources
 - Strengthening GMP management of API source: to carry out GMP inspections for API manufacturing site by in practice and/or in writing sequentially
 - Internal manufacturing: to construct API manufacturing facility and to develop manufacturing process of API internally

The construction of API manufacturing facility in Daichi Kasei - Influence on Towa's financial figures -

- This capital expenditure was not included in the Mid-term plan 2011-2013
- No influence on 2013/3 result
- Capital expenditure: to be expended in 2014/3 and 2015/3
- Depreciation cost: to be recognized from 2015/3
- Details of the influence including in 2014/3 plan will be disclosed on the time of 2013/3 announcement (May 14th, 2013)

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