



TOWA PHARMACEUTICAL CO., LTD.

# Supplementary material of financial results for the 2Q of the year ending March 2013

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November, 2012

(stock ticker number : 4553)

# Summary

- Sales increased by 16.0% year-on-year, which is 2.1% increase on the budget.
- Sales in April are much more than the plan. On the other hand, sales after May are in line with the plan. The influences of Generic incentive for dispensing pharmacies have passed. There is no impact of promotion of generic name prescription to our sales so far.
- COGS rate increased 2.5 point year-on-year. Factors of the change are as follows.
  - + Decline of selling price due to the NHI revision
  - + Depreciation cost of Yamagata Plant (+3.3 point. remarks: minus of 1.3 point to the plan)
  - + Increased sales of existing products due to the revised Generic incentive for dispensing pharmacies
  - Raised operating rate of manufacture due to increased number of sold products
  - Increased sales of new products
- The number of sales offices became 50, which was 44 at the end of March.
- The sales of dispensing pharmacies increased in April, and has reached plateau as it was two years ago.
- Long-term loan of 6.5 billion yen was taken, which is the last part of a series of planned bank loans for new Yamagata Plant.
- The plan disclosed on May 14<sup>th</sup> has been unchanged.

## Outline of the financial results for the 2Q of the year ending March 2013

Period	13/3 2Q			12/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	26,742	100.0	+ 16.0	23,060	100.0
COGS	12,747	47.7	+ 22.4	10,412	45.2
SGA	9,626	36.0	+ 20.5	7,990	34.7
Operating income	4,368	16.3	- 6.2	4,658	20.2
Ordinary income	4,228	15.8	- 11.2	4,762	20.7
Net income	2,710	10.1	- 7.0	2,915	12.6

# Outline of the financial results for the 2Q of the year ending March 2013

(progress rate to 2Q plan)

Period	13/3 2Q			13/3 2Q plan (disclosed on May 14 <sup>th</sup> )	
	(million Yen)	Ratio to sales (%)	Progress rate in %	(million Yen)	Ratio to sales (%)
Net sales	26,742	100.0	102.1	26,200	100.0
COGS	12,747	47.7	102.8	12,400	47.3
SGA	9,626	36.0	93.5	10,300	39.3
Operating income	4,368	16.3	124.8	3,500	13.4
Ordinary income	4,228	15.8	122.6	3,450	13.2
Net income	2,710	10.1	126.1	2,150	8.2

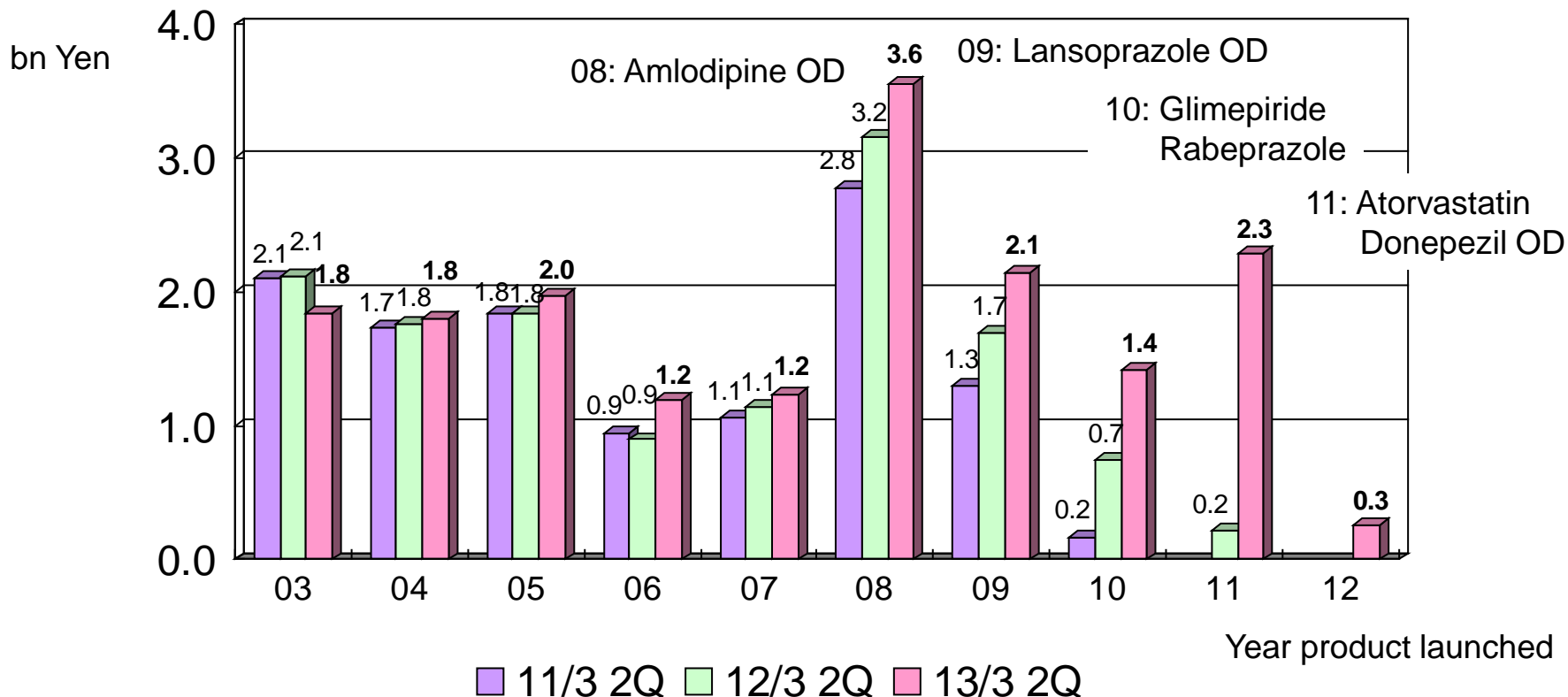
# Outline of the financial results for the 2Q of the year ending March 2013

(non-consolidated)

Period	13/3 2Q			12/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	25,983	100.0	+ 16.4	22,331	100.0
COGS	12,322	47.4	+ 23.8	9,954	44.6
SGA	9,366	36.1	+ 20.9	7,747	34.7
Operating income	4,294	16.5	- 7.2	4,629	20.7
Ordinary income	4,152	16.0	- 12.4	4,738	21.2
Net income	2,666	10.3	- 8.2	2,903	13.0

# Sales of products by launched year

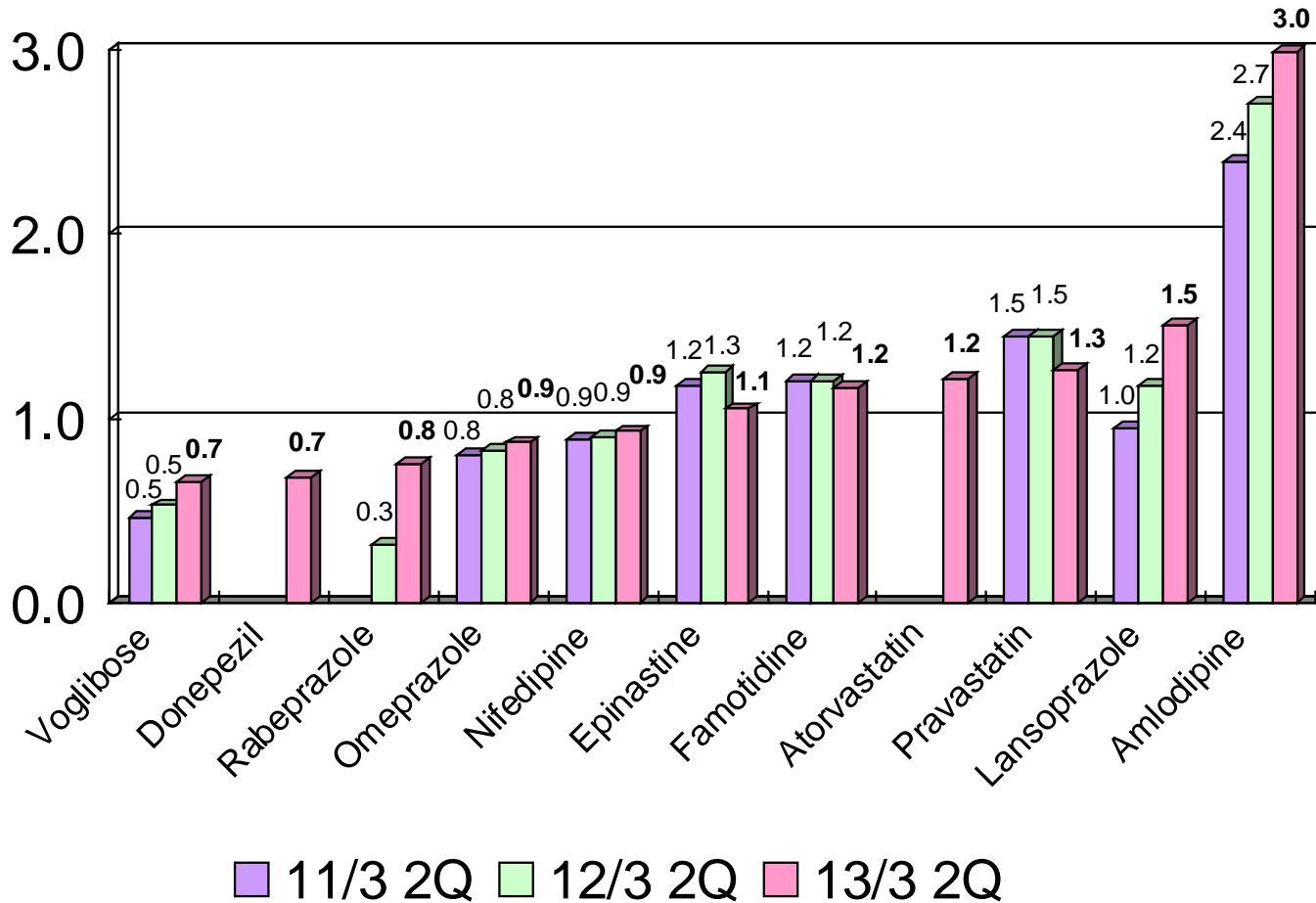
Products launched in 2011 contributed to sales increase significantly.



# Sales of leading products

Atorvastatin gets in the leading products and the order is changing.

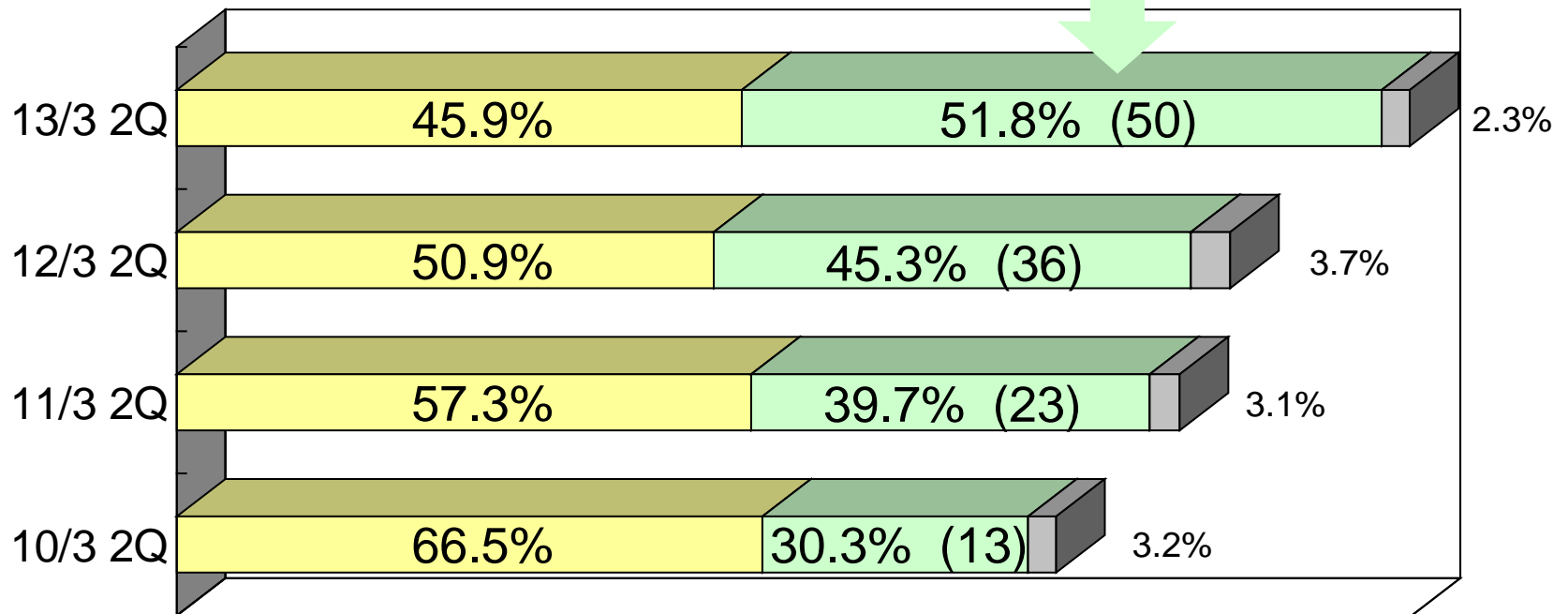
bn Yen



# 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.

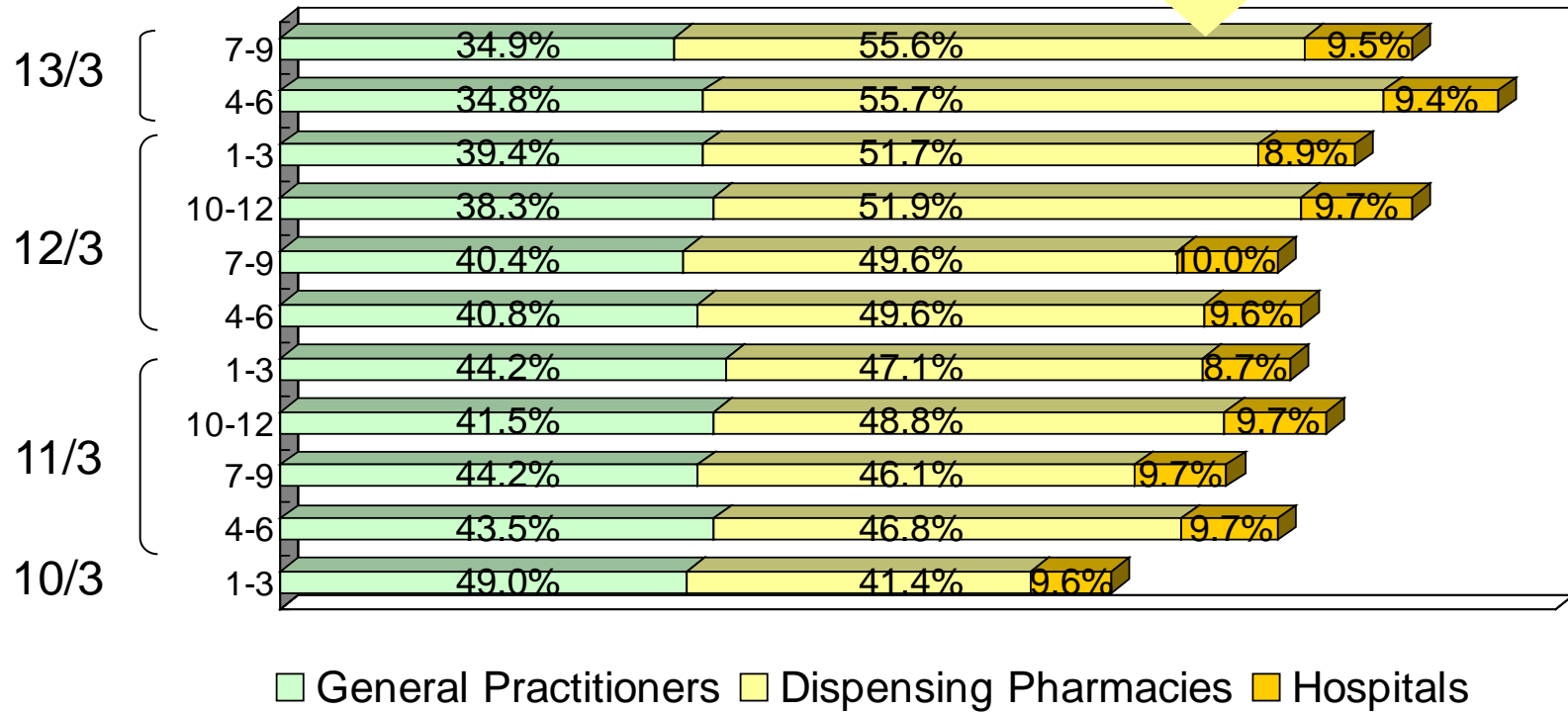


■ Sales agents ■ Direct sales ■ Others



# Sales of medical institutions

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



Excluding sales by other companies.

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

# SGA

Period	13/3 2Q			12/3 2Q	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	4,316	16.1	+ 17.9	3,662	15.9
R&D	2,077	7.8	+ 19.3	1,741	7.6
Ad.	348	1.3	- 12.3	397	1.7
Others	2,883	10.8	+ 31.7	2,189	9.5
SGA	9,626	36.0	+ 20.5	7,990	34.7

Major reasons of increase in others

Increase in packing and freight

149 million yen

Increase in depreciation cost

134 million yen

Increase in cost of travel and transportation

75 million yen

# Balance Sheets

(million Yen)

	12/9	12/3	Change
Cash and deposits	4,158	4,217	- 58
Trade notes and accounts receivable	16,079	16,467	- 387
Marketable securities	3,500	2,081	+1,418
Finished products	9,845	9,169	+ 676
Other current assets	10,909	10,310	+ 598
<b>Total current assets</b>	<b>44,492</b>	<b>42,245</b>	<b>+2,247</b>
Buildings and structures	20,530	19,230	+1,300
Machineries, equipments and carriers	6,805	4,943	+1,862
Other fixed assets	14,352	14,825	- 473
<b>Total fixed assets</b>	<b>41,688</b>	<b>38,998</b>	<b>+2,689</b>
<b>Total assets</b>	<b>86,181</b>	<b>81,244</b>	<b>+4,936</b>

	12/9	12/3	Change
Trade notes and accounts payable	6,925	6,473	+ 452
Current portion of long-term debt	2,825	2,007	+ 817
Accrued income taxes	1,635	1,742	- 107
Other current liabilities	6,687	9,602	-2,915
<b>Total current liabilities</b>	<b>18,072</b>	<b>19,826</b>	<b>-1,754</b>
Long-term debt	14,296	9,792	+4,504
Other long-term liabilities	1,171	1,131	+ 40
<b>Total long-term liabilities</b>	<b>15,467</b>	<b>10,923</b>	<b>+4,544</b>
<b>Total liabilities</b>	<b>33,540</b>	<b>30,750</b>	<b>+2,790</b>
<b>Total net assets</b>	<b>52,640</b>	<b>50,494</b>	<b>+2,146</b>
<b>Total liabilities and net assets</b>	<b>86,181</b>	<b>81,244</b>	<b>+4,936</b>

Long-term loan of 6,500 million yen was taken, which is the last part of a series of planned bank loans for new Yamagata Plant.

# Statement of Cash Flows

(Million Yen)

	13/3 2Q	12/3 2Q
Net profit before tax	4,182	4,667
Depreciation cost	1,998	958
Increase of inventories	-1,566	-2,503
Tax paid	-1,649	-2,040
Others	1,530	984
<b>Net cash provided by operating activities</b>	<b>4,495</b>	<b>2,066</b>

	13/3 2Q	12/3 2Q
Purchases of investment securities	-3,000	0
Payments for tangible assets	-7,198	-3,761
Others	-628	-1,728
<b>Net cash used in investing activities</b>	<b>-10,827</b>	<b>-5,490</b>

	13/3 2Q	12/3 2Q
Cash provided by long-term debt	6,500	3,000
Repayment of long-term debt	-1,178	-100
Others	-597	-604
<b>Net cash provided by financing activities</b>	<b>4,723</b>	<b>2,295</b>

	13/3 2Q	12/3 2Q
Effect of exchange rate changes on cash and cash equivalents	-31	-31
<b>Net increase in cash and cash equivalents</b>	<b>-1,640</b>	<b>-1,159</b>
Cash and cash equivalents at beginning of the period	3,798	8,031
<b>Cash and cash equivalents at end of the period</b>	<b>2,158</b>	<b>6,871</b>

# Financial forecast for the year ending March 2013

The plan disclosed on May 14 has been unchanged.

Period	13/3 plan (disclosed on May 14 <sup>th</sup> )			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	54,400	100.0	+11.7	48,719	100.0
Operating income	8,300	15.3	-8.9	9,107	18.7
Ordinary income	8,200	15.1	-16.7	9,841	20.2
Net income	5,100	9.4	-11.1	5,737	11.8

## Reasons of unchanged plan

- Sales after May are in line with the plan, and sales of the year is expected to be in line with the plan.
- Due to the Yamagata plant depreciation cost of 2<sup>nd</sup> half increases more than that of 1<sup>st</sup> half, and it is expected to make COGS rate increased.
- On the other hand, SGA is expected to be below the plan.
- As a result, operating income is expected to be in line with the plan.

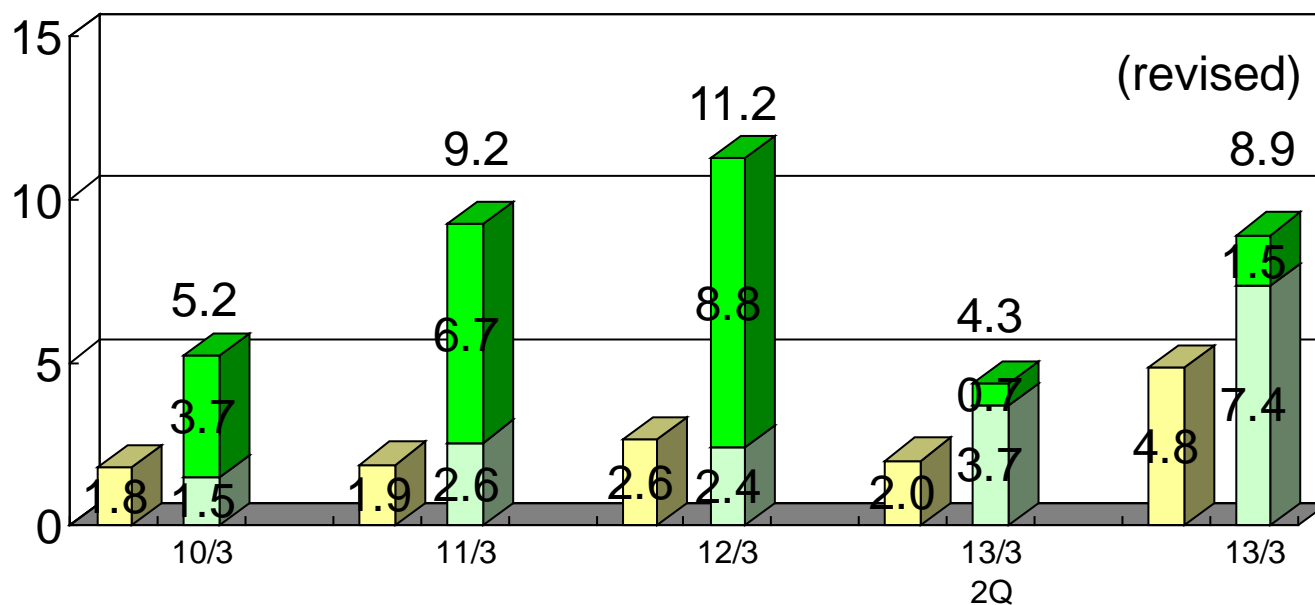
# Major products to be launched in December 2012

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
Gastrointestinal exercise improvement medicine	MOSAPRIDE CITRATE TABLETS 2.5mg "TOWA" TABLETS 5mg "TOWA"	GASMOTIN TABLETS 2.5mg TABLETS 5mg (Dainippon Sumitomo Pharma)	22.4
Aromatase inhibitor / Postmenopausal breast cancer therapeutic agent	ANASTROZOLE TABLETS 1mg "TOWA"	Arimidex Tablets 1mg (AstraZeneca)	21.2
Antipsychotic	QUETIAPINE TABLETS 25mg "TOWA" TABLETS 100mg "TOWA" TABLETS 200mg "TOWA" FINE GRANULES 50% "TOWA"	Seroquel 25mg Tablets 100mg Tablets 200mg Tablets Fine Granules 50% (Astellas)	30.4
Antiallergic	OLOPATADINE HYDROCHLORIDE TABLETS 2.5mg "TOWA" TABLETS 5mg "TOWA"	ALLELOCK Tablets 2.5 Tablets 5 (Kyowa Hakko Kirin)	20.4

16 products in total

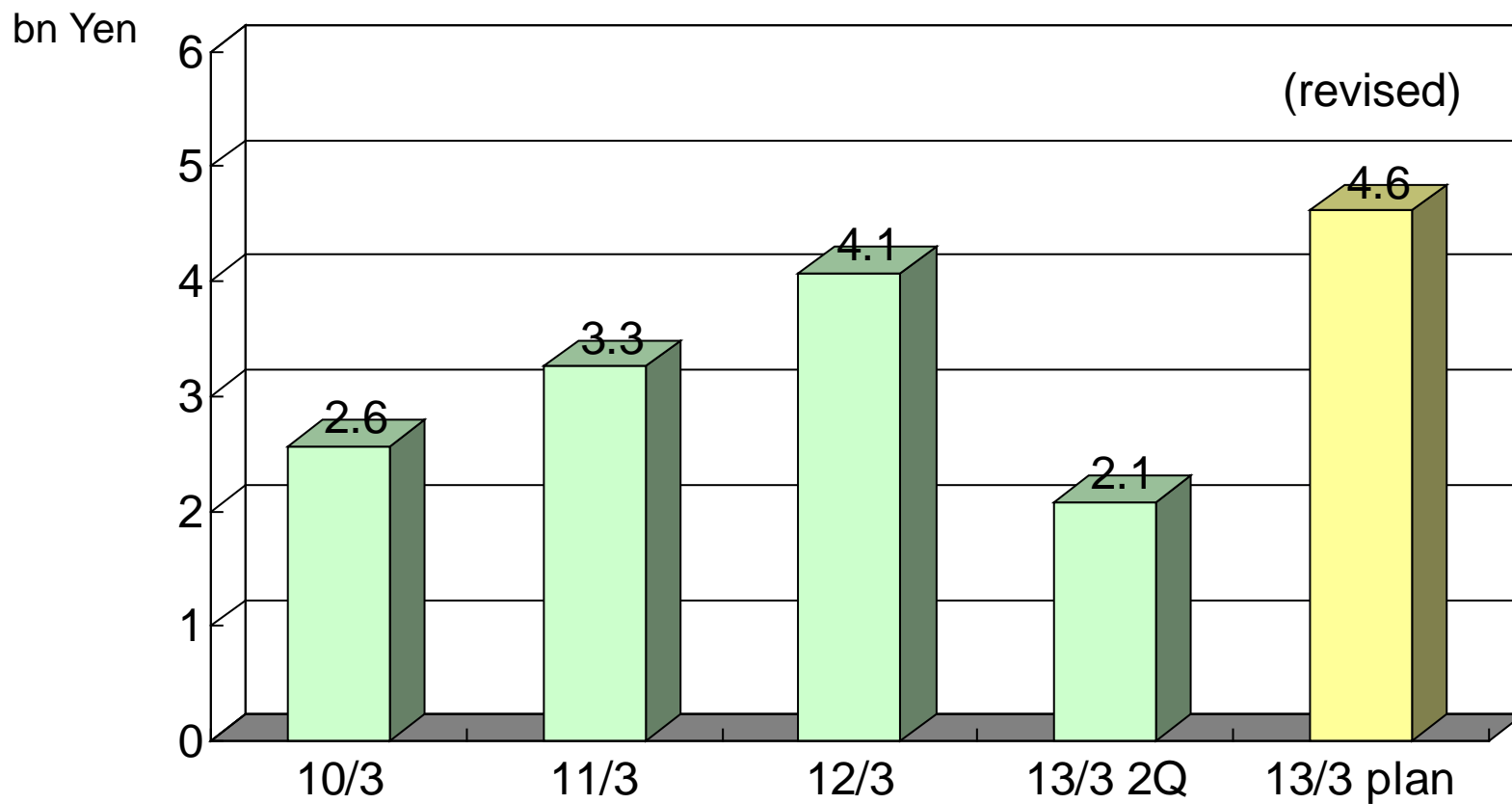
# Capital expenditure and depreciation cost

bn Yen



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

# R&D expenditure





## Contact information

Management Planning Development  
Corporate Planning Division  
Towa Pharmaceutical Co., Ltd.

[ir@towayakuhin.co.jp](mailto:ir@towayakuhin.co.jp)

TEL : +81-6-6900-9101

FAX : +81-6-6900-0634

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