



TOWA PHARMACEUTICAL CO., LTD.

# Supplementary material of financial results for the year ended March 2013

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May, 2013

(stock ticker number : 4553)

# Summary

- Sales increased by 13.4% year-on-year. Sales in 1Q increased significantly, and sales after 2Q remained on the same level.
- COGS rate increased 4.7 point year-on-year. Main factor of the change is depreciation cost of Yamagata Plant.
- The number of sales offices became 55 as planned in the Mid-term Business Plan, which was 44 at the end of March 2012.
- Due to increase of labor and R&D cost in addition to higher COGS rate causing from depreciation cost of Yamagata Plant, operating income of the next fiscal year is expected to remain on the same level.

## Outline of the financial results for the year ended March 2013

Period	13/3			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	55,241	100.0	+ 13.4	48,719	100.0
COGS	27,500	49.8	+ 25.1	21,986	45.1
SGA	20,018	36.2	+ 13.6	17,624	36.2
Operating income	7,723	14.0	- 15.2	9,107	18.7
Ordinary income	9,544	17.3	- 3.0	9,841	20.2
Net income	6,201	11.2	+ 8.1	5,737	11.8

# Outline of the financial results for the year ended March 2013

(comparison with the plan)

Period	13/3			13/3 plan (revised on Feb. 12 <sup>th</sup> )	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	55,241	100.0	+ 0.4	55,000	100.0
COGS	27,500	49.8	+ 2.6	26,800	48.7
SGA	20,018	36.2	+ 1.1	19,800	36.0
Operating income	7,723	14.0	- 8.1	8,400	15.3
Ordinary income	9,544	17.3	+ 3.7	9,200	16.7
Net income	6,201	11.2	+ 3.4	6,000	10.9

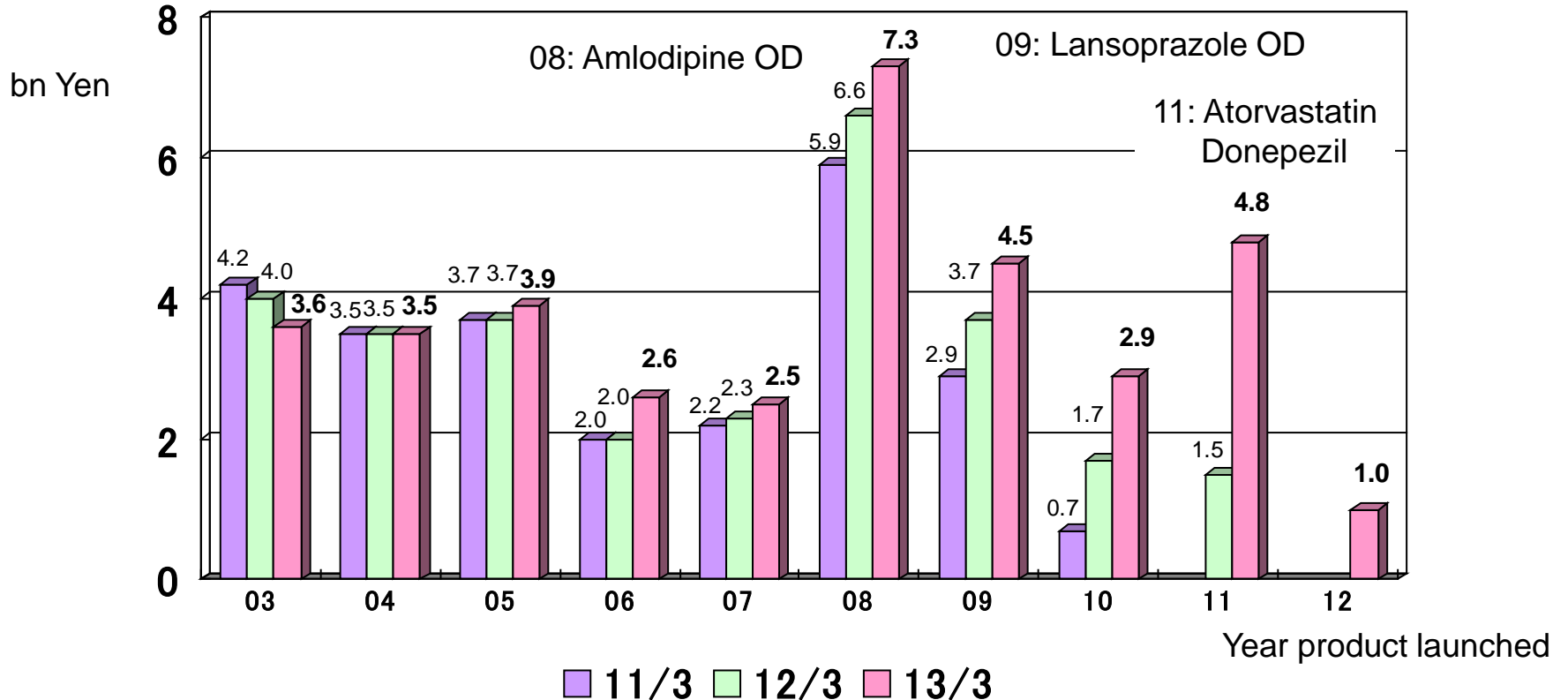
# Outline of the financial results for the year ended March 2013

(non-consolidated)

Period	13/3			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	53,624	100.0	+ 13.5	47,225	100.0
COGS	26,573	49.6	+ 26.1	21,072	44.6
SGA	19,509	36.4	+ 13.9	17,128	36.3
Operating income	7,541	14.1	- 16.4	9,025	19.1
Ordinary income	9,358	17.5	- 4.2	9,768	20.7
Net income	6,091	11.4	+ 6.9	5,696	12.1

# Sales of products by launched year

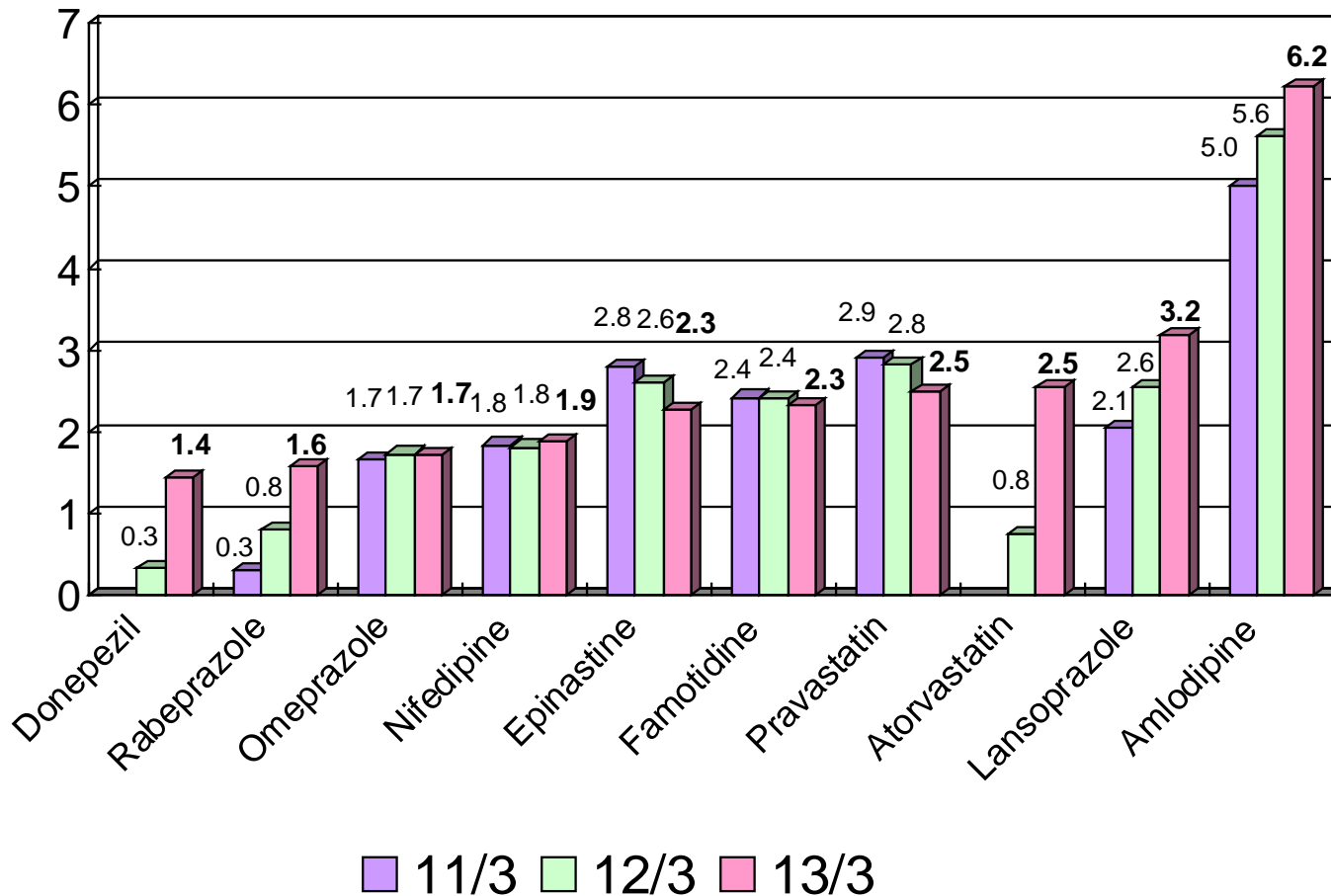
Products launched in 2011 contributed to sales increase significantly.



# Sales of leading products

Atorvastatin and Donepezil are growing significantly.

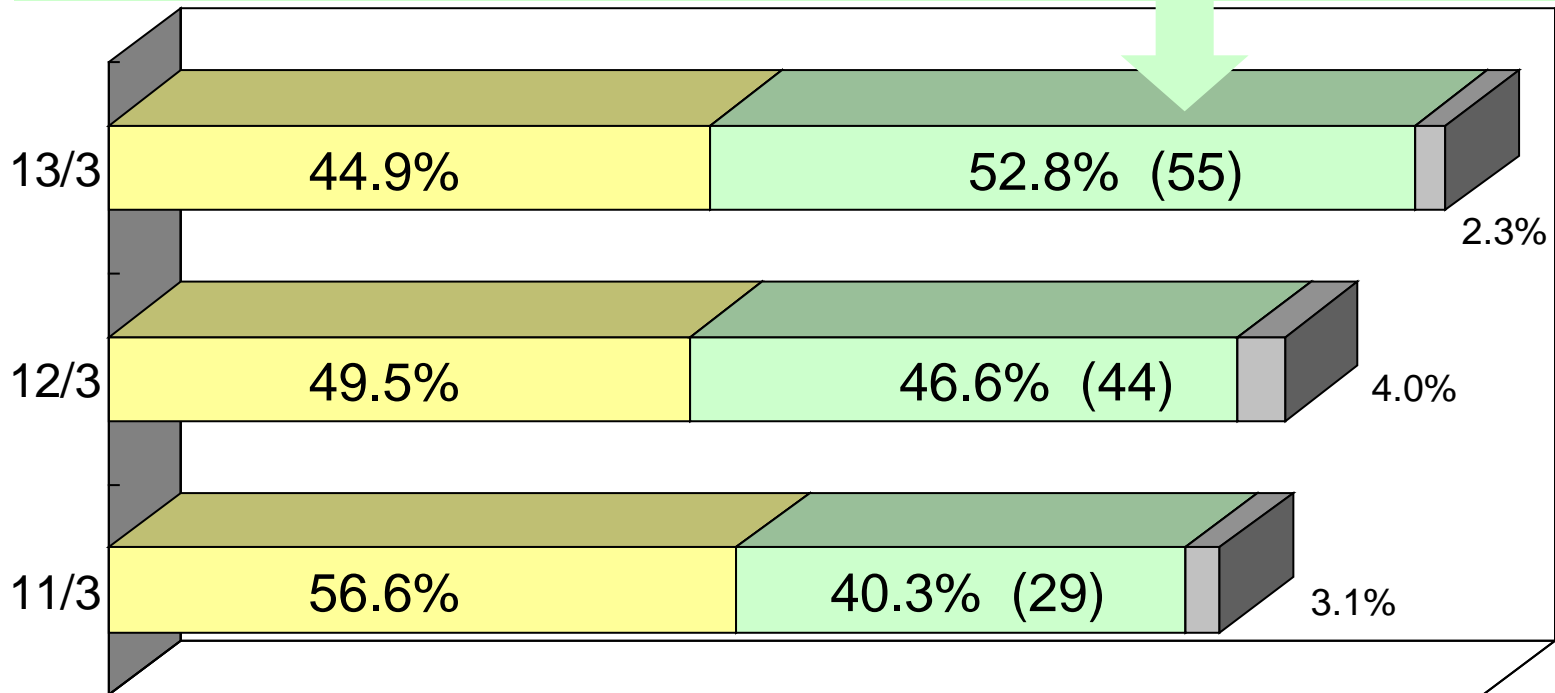
bn Yen



# 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.

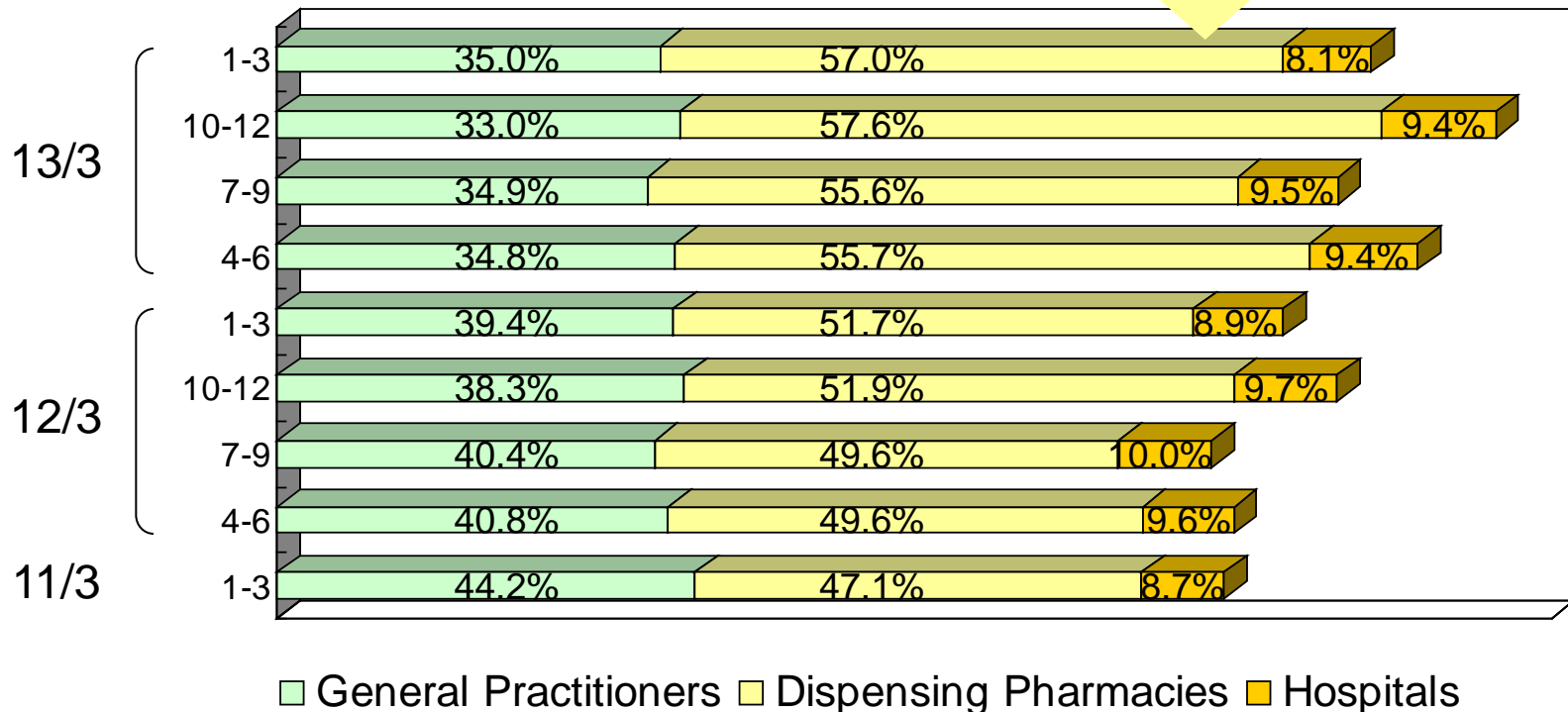


■ Sales agents ■ Direct sales ■ Others



# Sales of medical institutions

The sales of dispensing pharmacies increased in April 2012, 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			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Labor	8,790	15.9	+ 12.8	7,790	16.0
R&D	4,478	8.1	+ 9.9	4,076	8.4
Depreciation*	712	1.3	+ 90.7	373	0.8
Ad.	870	1.6	- 16.8	1,046	2.1
Others	5,166	9.4	+ 19.1	4,338	8.9
SGA	20,018	36.2	+ 13.6	17,624	36.2

\* Depreciation cost included in "R&D" is not included in "Depreciation".

## Non-operating income and expenses

Period	13/3			12/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Operating income	7,723	14.0	- 1,384	9,107	18.7
Non-operating income	2,082	3.8	+ 1,232	849	1.7
Gain on revaluation of currency swaps	1,151	2.1	+ 692	458	0.9
Subsidy income	322	0.6	+ 322	-	-
Other non-operating income	608	1.1	+ 217	390	0.8
Non-operating expenses	261	0.5	+ 145	115	0.2
Interest paid	109	0.2	+ 23	85	0.2
Other non-operating expenses	152	0.3	+ 122	29	0.1
Ordinary income	9,544	17.3	- 297	9,841	20.2

Exchange rate  
US\$1.00

2013/3  
93.05 yen

2012/9  
76.60 yen

2012/3  
81.19 yen

# Balance Sheets

(million Yen)

	13/3	12/3	Change
Cash and deposits	3,485	4,217	- 731
Trade notes and accounts receivable	17,217	16,467	+ 750
Marketable securities	3,000	2,081	+ 919
Finished products	10,450	9,169	+ 1,281
Other current assets	12,895	10,310	+ 2,585
<b>Total current assets</b>	<b>47,049</b>	<b>42,245</b>	<b>+ 4,803</b>
Buildings and structures	21,271	19,230	+ 2,041
Machineries, equipments and carriers	8,388	4,943	+ 3,445
Other fixed assets	12,996	14,825	- 1,829
<b>Total fixed assets</b>	<b>42,656</b>	<b>38,998</b>	<b>+ 3,657</b>
<b>Total assets</b>	<b>89,705</b>	<b>81,244</b>	<b>+ 8,461</b>

	13/3	12/3	Change
Trade notes and accounts payable	7,482	6,473	+ 1,009
Current portion of long-term debt	2,825	2,007	+ 817
Accrued liabilities	3,327	3,301	+ 26
Other current liabilities	5,884	8,044	- 2,160
<b>Total current liabilities</b>	<b>19,519</b>	<b>19,826</b>	<b>- 307</b>
Long-term debt	12,908	9,792	+ 3,116
Other long-term liabilities	1,667	1,131	+ 536
<b>Total long-term liabilities</b>	<b>14,575</b>	<b>10,923</b>	<b>+ 3,652</b>
<b>Total liabilities</b>	<b>34,095</b>	<b>30,750</b>	<b>+ 3,345</b>
<b>Total net assets</b>	<b>55,610</b>	<b>50,494</b>	<b>+ 5,116</b>
<b>Total liabilities and net assets</b>	<b>89,705</b>	<b>81,244</b>	<b>+ 8,461</b>

# Statement of Cash Flows

(Million Yen)

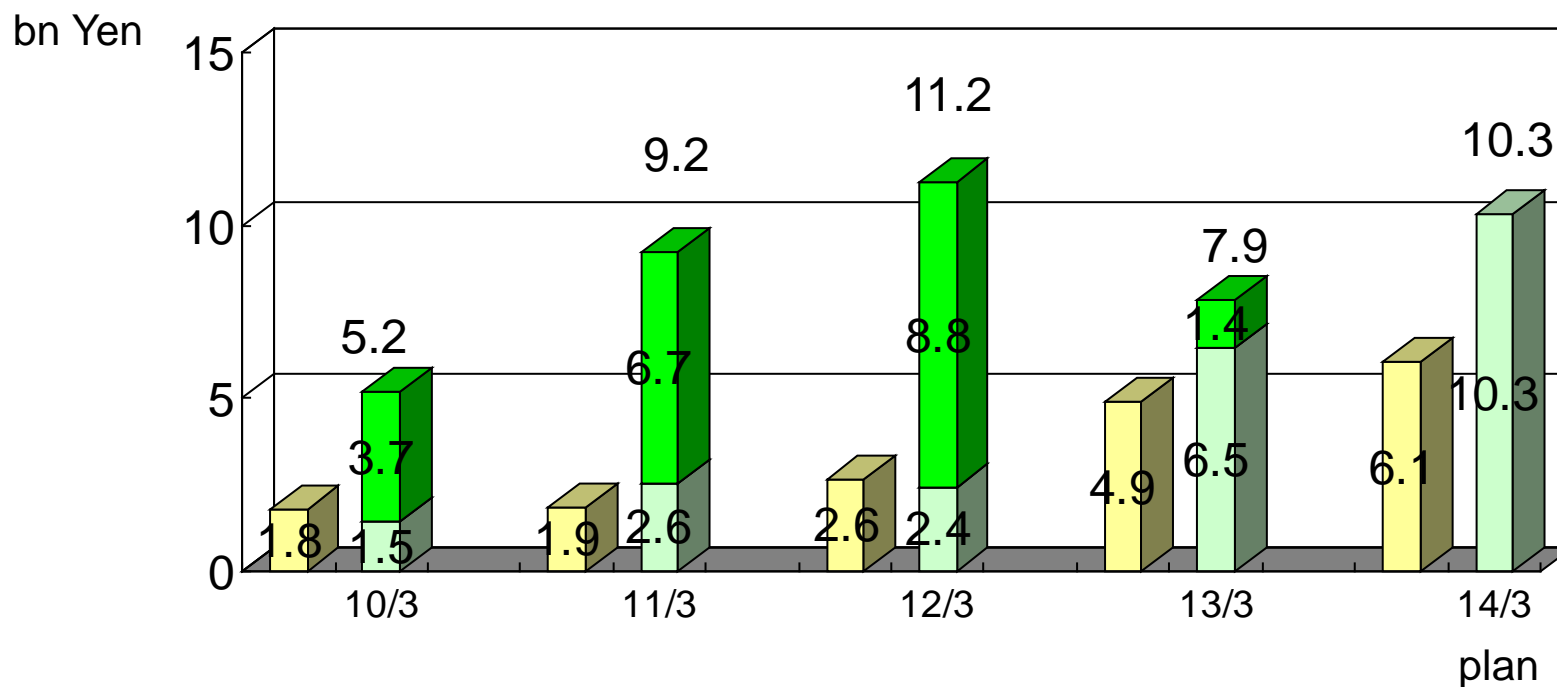
	13/3	12/3
Net profit before tax	9,310	9,733
Depreciation cost	4,909	2,637
Increase of inventories	- 2,371	- 3,819
Tax paid	- 3,351	- 3,817
Others	147	- 1,354
<b>Net cash provided by operating activities</b>	<b>8,645</b>	<b>3,379</b>

	13/3	12/3
Payments for tangible fixed assets	- 10,524	- 9,009
Others	- 774	527
<b>Net cash used in investing activities</b>	<b>- 11,298</b>	<b>- 8,482</b>

	13/3	12/3
Cash provided by long-term debt	6,500	3,500
Repayment of long-term debt	- 2,565	- 700
Others	- 1,140	- 1,920
<b>Net cash provided by financing activities</b>	<b>2,793</b>	<b>879</b>

	13/3	12/3
Effect of exchange rate changes on cash and cash equivalents	46	- 9
<b>Net increase in cash and cash equivalents</b>	<b>187</b>	<b>- 4,232</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>3,985</b>	<b>3,798</b>

# Capital expenditure and depreciation cost

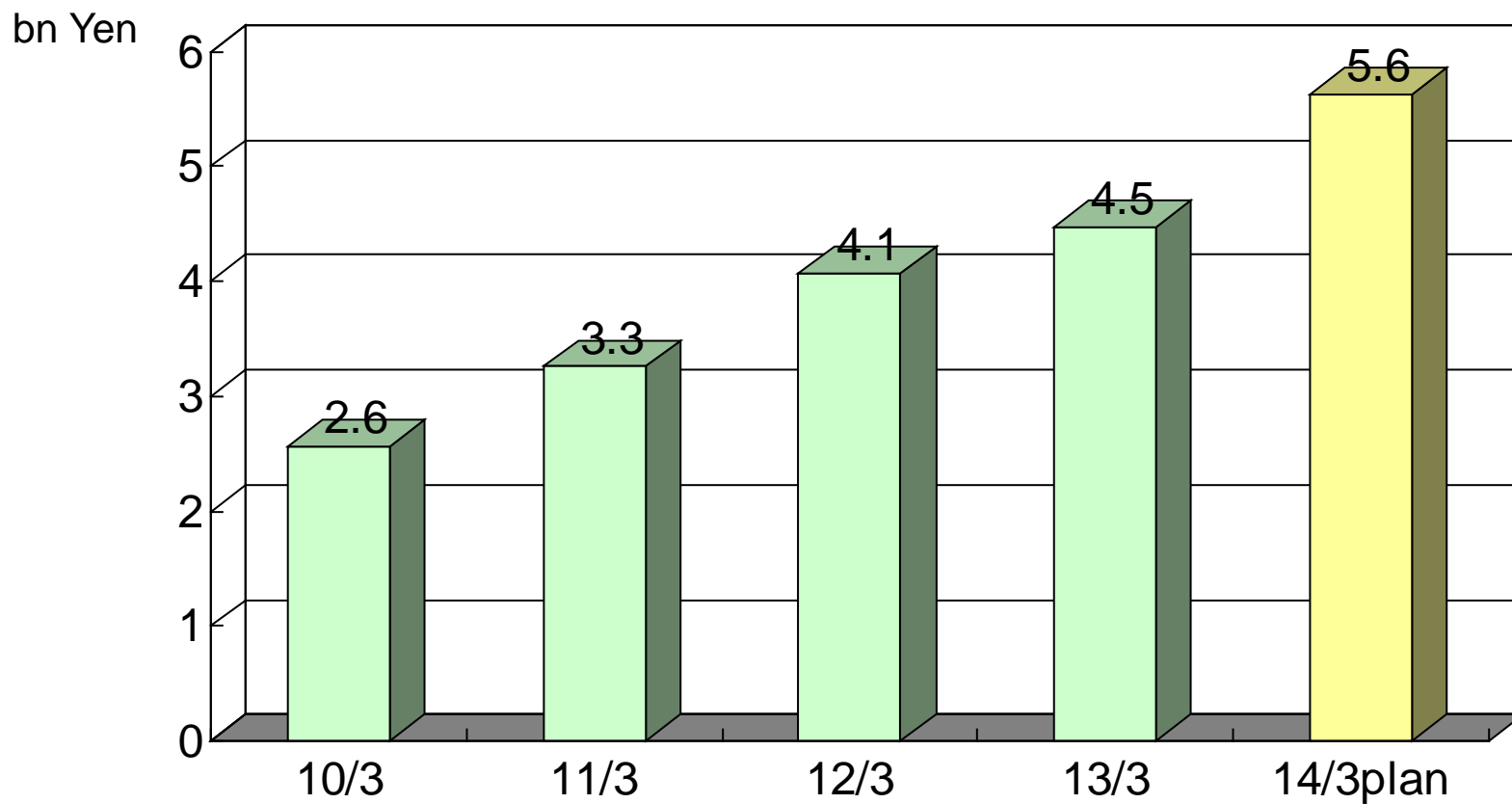


- Capital expenditure for Yamagata Plant
- Capital expenditure excluding for Yamagata Plant
- Depreciation cost

# Capital expenditure plan of the year ending March 2014

Items	Capital expenditure (bn Yen)	Main contents
Osaka Plant	1.9	Expansion and alteration Replacement of manufacturing facilities
Okayama Plant	1.7	Expansion and alteration Replacement of manufacturing facilities
Yamagata Plant	1.8	Introduction of new facilities
Logistics	0.7	Expansion of East Japan Distribution Center
R&D	0.9	Expansion and alteration of Osaka Research Center Expansion and upgrade of instruments
Daichi Kasei	1.8	Construction of active pharmaceutical ingredient manufacturing plant
Others	1.5	Sales, Administration, IT, etc.
Total	10.3	

# R&D expenditure





# Major products to be launched in June 2013

Therapeutic Category	Product Name	Branded Products (Company)	Sales (bn Yen / year)
Anti-allergy agent	FEXOFENADINE HYDROCHLORIDE OD TABLETS 60mg "TOWA"	allegra OD 60mg Tablets (Sanofi)	1.1
	FEXOFENADINE HYDROCHLORIDE OD TABLETS 30mg "TOWA"	—	—
	FEXOFENADINE HYDROCHLORIDE TABLETS 60mg "TOWA"	allegra 60mg Tablets (Sanofi)	55.0
	FEXOFENADINE HYDROCHLORIDE TABLETS 30mg "TOWA"	allegra 30mg Tablets (Sanofi)	3.0
Percutaneous Absorption-type Analgesic and Anti- Inflammatory Drug	LOXOPROFEN SODIUM TAPE 100mg "TOWA"	LOXONIN TAPE 100mg (Lead Chemical)	26.2
	LOXOPROFEN SODIUM TAPE 50mg "TOWA"	LOXONIN TAPE 50mg (Lead Chemical)	11.8
	LOXOPROFEN SODIUM GEL PATCHES 100mg "TOWA"	LOXONIN PAP 100mg (Lead Chemical)	5.8

15 products in total

Annual sales budget: 0.6 bn yen for products to be launched in June 2013

Fexofenadines            0.4 bn yen

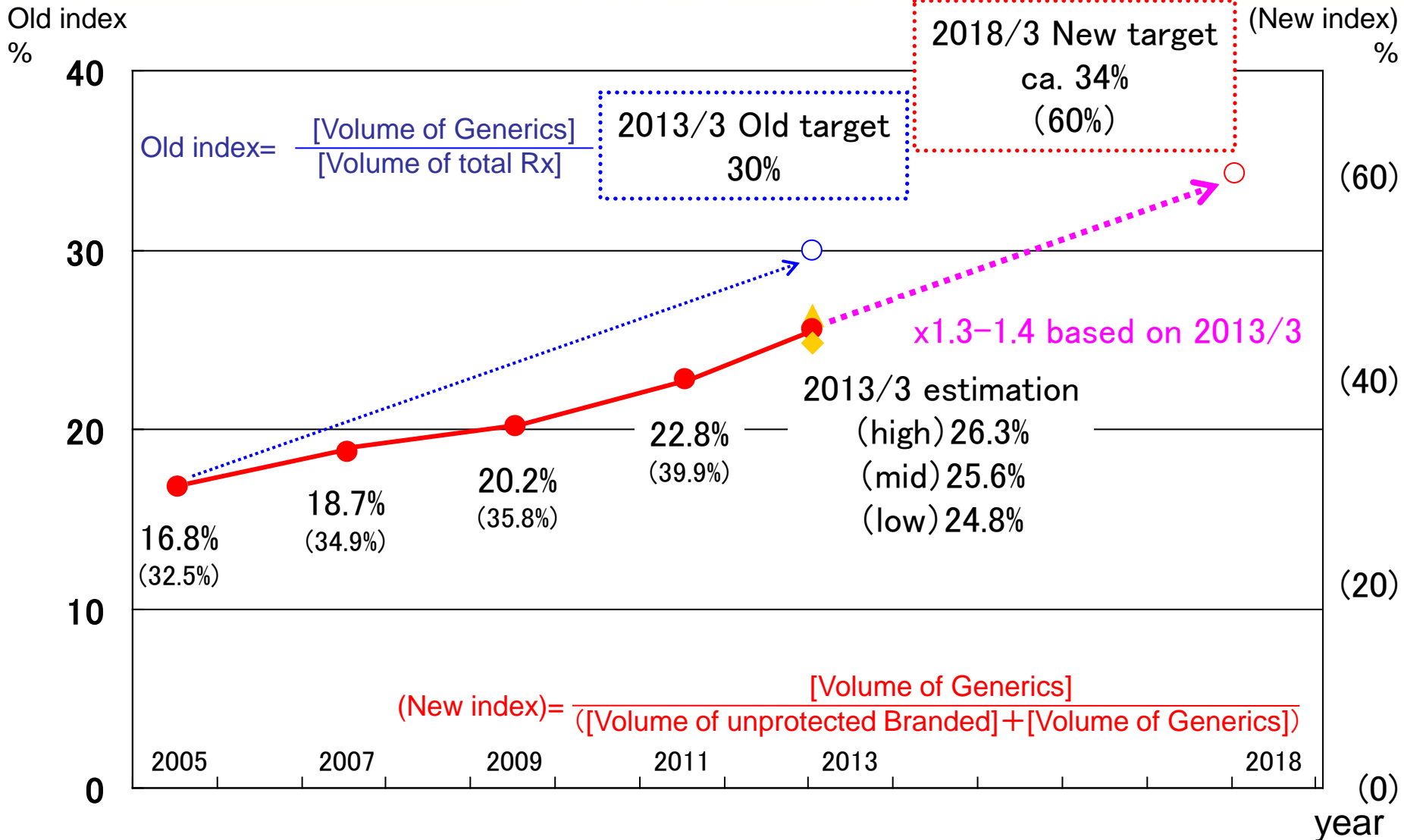
Loxoprofens             0.1 bn yen

# Financial forecast for the year ending March 2014

Period	14/3 plan (disclosed on May. 14 <sup>th</sup> )			13/3	
	(million Yen)	Ratio to sales (%)	Change in %	(million Yen)	Ratio to sales (%)
Net sales	60,800	100.0	+ 10.1	55,241	100.0
COGS	30,000	49.3	+ 9.1	27,500	49.8
SGA	23,000	37.8	+ 14.9	20,018	36.2
Operating income	7,800	12.8	+ 1.0	7,723	14.0
Ordinary income	7,850	12.9	- 17.8	9,544	17.3
Net income	5,200	8.6	- 16.1	6,201	11.2

- Considering increase in consumption tax in April 2014, a certain amount of front-loaded demand is expected in the end of this fiscal year.
- Cost is expected to increase due to maximized depreciation of Yamagata Plant in this fiscal year and increase of labor and R&D cost for sales increase.

# Targets and results of Generics penetration



Company data modified from "Road map for further promotion of Generics", April 5<sup>th</sup>, 2013, MHLW

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