



TOWA PHARMACEUTICAL CO., LTD.

# Mid-term Business Plan 2011-2013

November, 2011

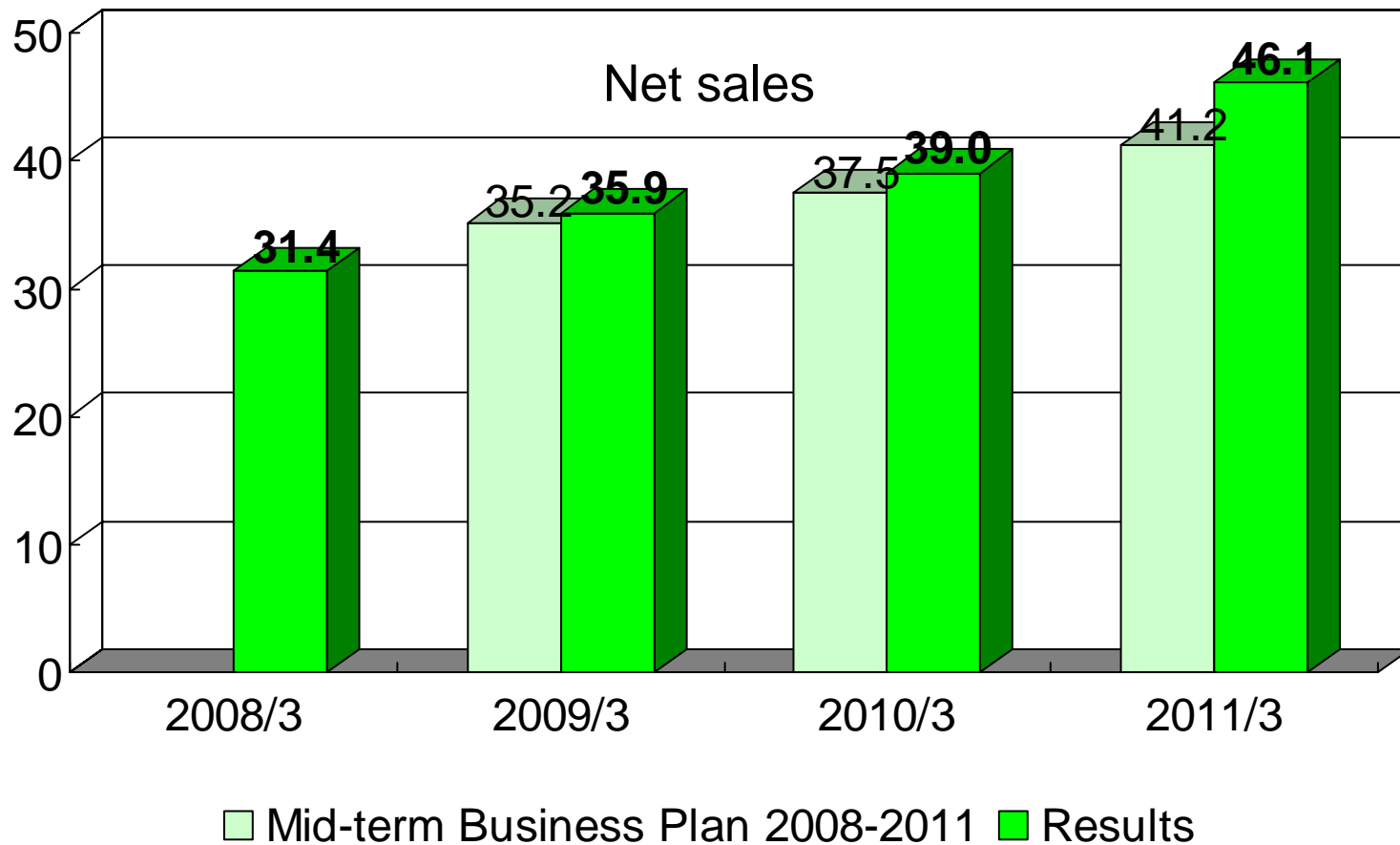
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# Review of the Mid-term Business Plan 2008-2010

- Measures in the Mid-term Business Plan 2008-2010
  - Establishment of reliability
    - Achievement of some progress in information provision by 24-hour Drug Information Center
  - Reinforcement of GP, small and mid-sized HP and pharmacy market
    - Sales expansion in dispensing pharmacy market and increased accounts in large hospital market
    - Flat sales in GP market
  - Advancement of formulation technology and production technology
    - Completion of construction (2011/10) and start of operation (2012/3) of Yamagata Plant
    - Development, launch and increased recognition of RACTAB<sup>®</sup> products
- Target figures and results
  - Net sales: 41.2 bn Yen (plan) ---> 46.1 bn Yen (2011/3)
  - Operating income: 8.5 bn Yen (plan) ---> 9.6 bn Yen (2011/3)

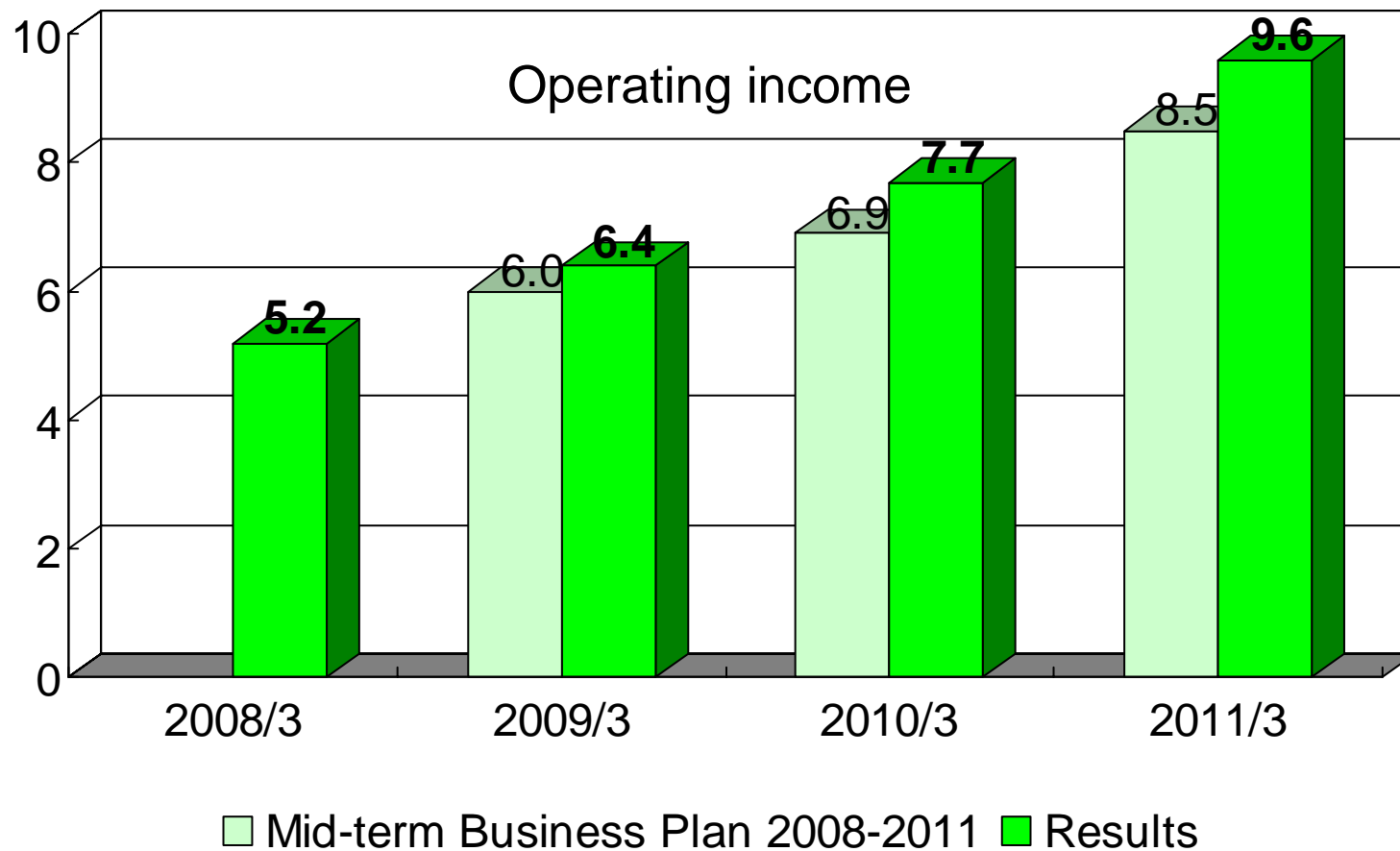
# Review of the Mid-term Business Plan 2008-2010

(bn Yen)



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(bn Yen)



# Position of the Mid-term Business Plan 2011-2013

Period: 3years, 2011/4-2014/3

Assumptions:

During the period,

- there may be some governmental Generics promotions, but they would not be substantial ones more than ever
- no fundamental reform on NHI pricing system

# Towa Philosophy

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We contribute to people's health.

We are dedicated to people's genuine smile.

# Our commitments

We commit the following items to realize Towa Philosophy through manufacturing (corporate activity).

Quality: We provide the best products and services.

Responsibility: We accomplish our responsibility.

Behavior: We always keep originality and ingenuity, and make constant efforts.

Harmonization: We commit to total optimization and coordination.

Fairness: We are fair and proper to all.

Coexistence: We aim for sustainable growth with mutual independence and competition.

Contribution: We contribute to society through our prosperity.

# Basic strategies

- During the period (2011/4-2014/3), Towa consolidates implementation structure to make a great leap forward in the era of full-scale widespread use of Generics.
- Towa prepares necessary organization, human resources, products and facilities.
- Five years later (2016/4), Towa will be ready for harvest to make a great leap forward.



# Measures to be implemented

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## “Improvement of the reliability”

1. Establishment of Towa Direct Sales System
2. Manufacture of sophisticated products with No.1 total product performance
3. Improvement of stable supply system

## (Measure 1) Establishment of Towa Direct Sales System

- Establishment of Towa Direct Sales System
  - To strengthen mutual-beneficial relationship with sales agents
  - To open new sales offices (36 at present, 55 at the end of the period) in order to improve stable supply system and complement the sales agent network
  - To establish 24-hour and 7-day-a-week supply system for core hospitals

## (Measure 2) Manufacture of sophisticated products with No.1 total product performance

- Manufacture of sophisticated products with No.1 total product performance
  - To be the top Generic company as total product performance, as well as a wide range of products
  - Total product performance
    - = Total performance of quality and cost of each of following elements associated with products from the customer view point
    - API
    - Formulation technology, value-added products
    - Packaging and labeling
    - Information, etc.
  - Reviewing every product, Towa will continue to improve API and formulation of the products that will be used for many years to come, and prepare highly sophisticated products
  - To provide products at a fair price which is worth each product's value

## (Measure 3) Improvement of stable supply system

- Improvement of stable supply system
  - To establish Domestic 3-plant production
    - Oral drugs: backup production system between 3 plants even in a time of disaster
    - Injections: central production in earthquake-proof Yamagata Plant
  - To establish of 2 distribution centers
    - Start of operation of East and West Japan Distribution Center (2012/10)

# Target figures

Period	11/3	12/3 plan		13/3 plan		14/3 plan	
	(million Yen)	(million Yen)	Change in %	(million Yen)	Change in %	(million Yen)	Change in %
Net sales	46,145	48,000	+ 4.0	52,200	+ 8.8	56,200	+ 7.7
COGS	21,348	22,000	+ 3.0	26,800	+21.8	28,100	+ 4.9
SGA	15,142	17,600	+16.2	19,100	+ 8.5	20,200	+ 5.8
(Labor)	6,761	7,800	+15.4	8,400	+ 7.7	8,900	+ 6.0
(R&D)	3,260	4,000	+22.7	4,400	+10.0	4,700	+ 6.8
(Other SGAs)	5,120	5,800	+13.3	6,300	+ 8.6	6,600	+ 4.8
Operating income	9,654	8,400	-13.0	6,300	-25.0	7,900	+25.4
Ordinary income	9,396	8,300	-11.7	6,200	-25.3	7,800	+25.8
Net income	5,846	5,100	-12.8	3,800	-25.5	4,800	+26.3
Dividends per share	65 yen	75 yen		70 yen		70 yen	
MRs	470	506		550		600	

## Major capital expenditures during the Mid-term Business Plan

Items	Period	Capital expenditure (bn Yen)
Construction of Yamagata Plant	2012/3-13/3	13.6
Expansion of Okayama Plant	2012/3-13/3	2.0
Expansion of Osaka Plant	2014/3	1.0
Construction of West Japan Distribution Center	2012/3	2.4
Expansion of Central Research Lab.	2013/3-14/3	1.5
Construction of API research facility	2013/3-14/3	1.5
Others		5.2
Total		27.2

## Major Products to be launched during the Mid-term Business Plan

Expected launch	Major indication	Branded Products (Company)	Sales (bn Yen)
2011/11	Hypercholesteremia	Lipitor (Astellas)	108.3
	Dementia	Aricept (Eisai)	111.5
2012/ 6	Depression	Paxil (GSK)	45.7
	Hypertension	Nu-Lotan (MSD)	46.2
	Insomnia	Myslee (Astellas)	35.5
2012/12	Digestive symptom	Gasmotin (Dainippon Sumitomo )	21.6
	Allergic disease	Allelock (Kyowa Hakko Kirin )	30.2
	Schizophrenia	Seroquel (Astellas)	28.6
2013/ 6	Osteoarthritis	Loxonin Tape / Pap (Lead Chemical)	31.5
2013/12	Hypercholesteremia	Livalo (Kowa)	45.1
	Shingles	Valtrex (GSK)	21.8

The list shows the expected products to be launched.  
It is not necessarily correspond to the products to be launched by Towa.

## Contact information

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## Disclaimer

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