



# Mid-term Business Plan

2018-2020

# PROACTIVE

2018.5.14

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**Mid-term Business Plan  
(2018-2020)**

# Future Vision

# Towa Group Philosophy

**We contribute to people's health.**

**We are dedicated to people's genuine smile.**

Towa group contribute to people's health through creation of excellent products and services.

We aim to become a corporation heartily appreciated and desired by patients, medical professionals, local community, and other people through our corporate activities.

# Corporate Overview

## Towa Pharmaceutical Co., Ltd.

President	Itsuro Yoshida
Headquarter	Kadoma, Osaka
Business operations	Manufacture and sale of ethical drugs
Capital stock	4,717 million yen
Employees	2,995
Products	755 products
Sales offices	72 offices
Sales agencies	36 companies (66 offices)



## J-DOLPH Pharmaceutical Co., Ltd.

President	Yoshiaki Nishikawa
Headquarter	Koka, Shiga
Business operations	Manufacture and sale of ethical drugs
Capital stock	40 million yen
Ownership	100%



## Daichi Kasei Co., Ltd.

President	Kazumaru Gohara
Headquarter	Fukusaki-cho, Hyogo
Business operations	R&D and production of API and intermediates
Capital stock	50 million yen
Ownership	100%

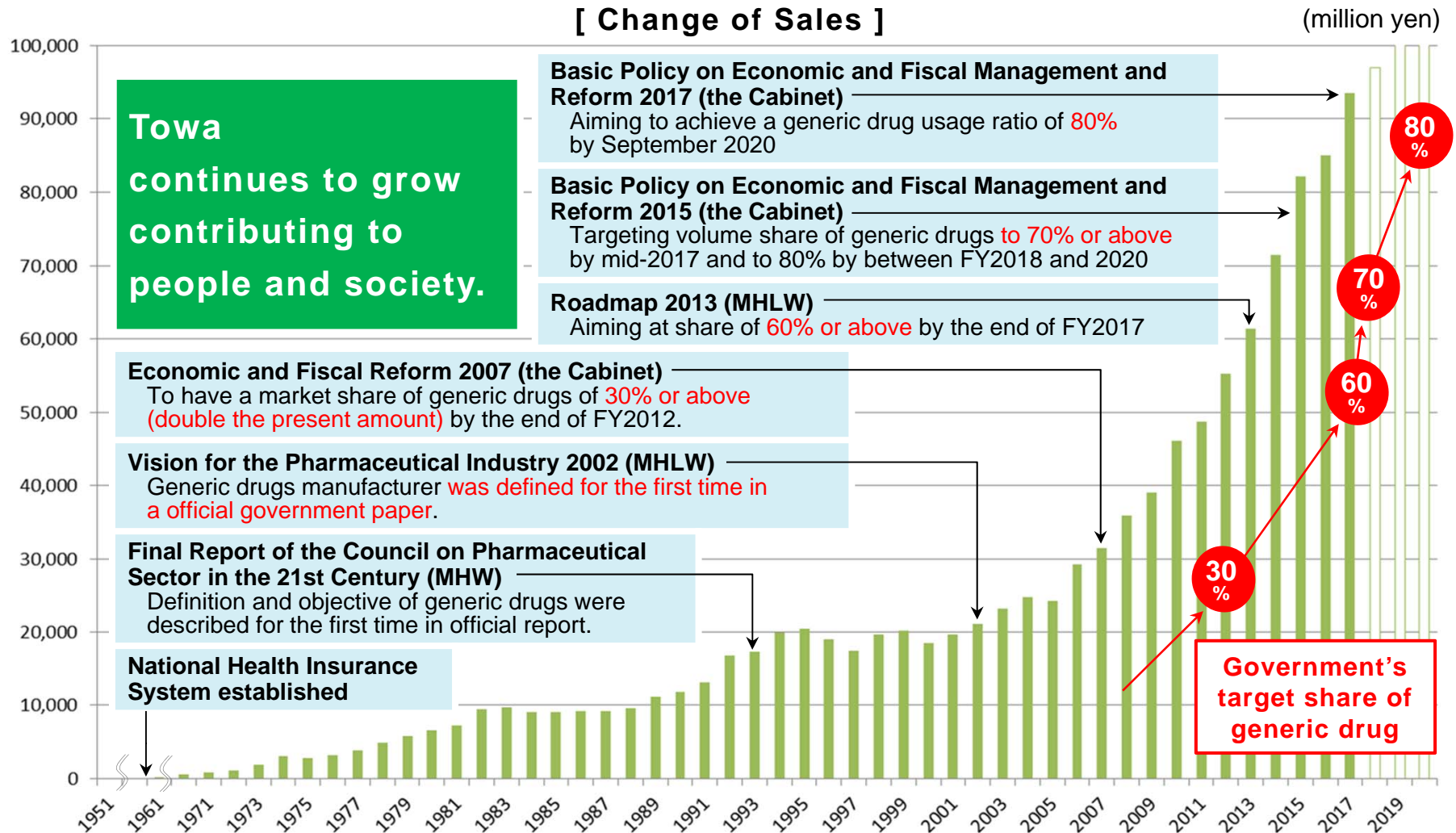


## Other Subsidiary

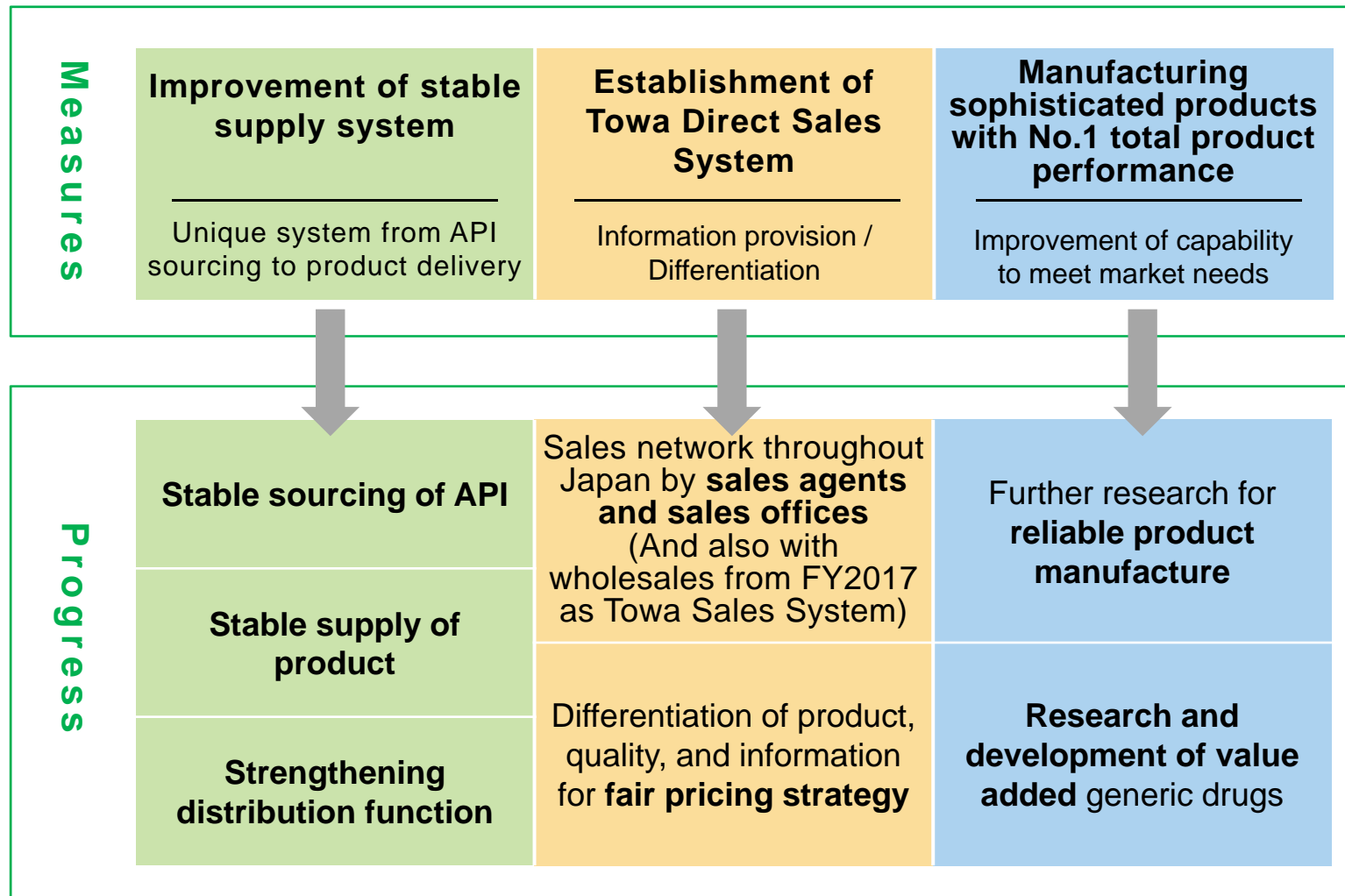
<b>Greencaps Pharmaceutical Co., Ltd.</b> (non-consolidated)	President	Toshio Shirakawa
	Headquarter	Fuji, Shizuoka
	Business operations	Production of ethical drugs of soft capsules
	Capital stock	90 million yen
	Ownership	60%

# History

Towa Pharmaceutical Co., Ltd. is established and incorporated in 1951, at Higashi-ku, Osaka.



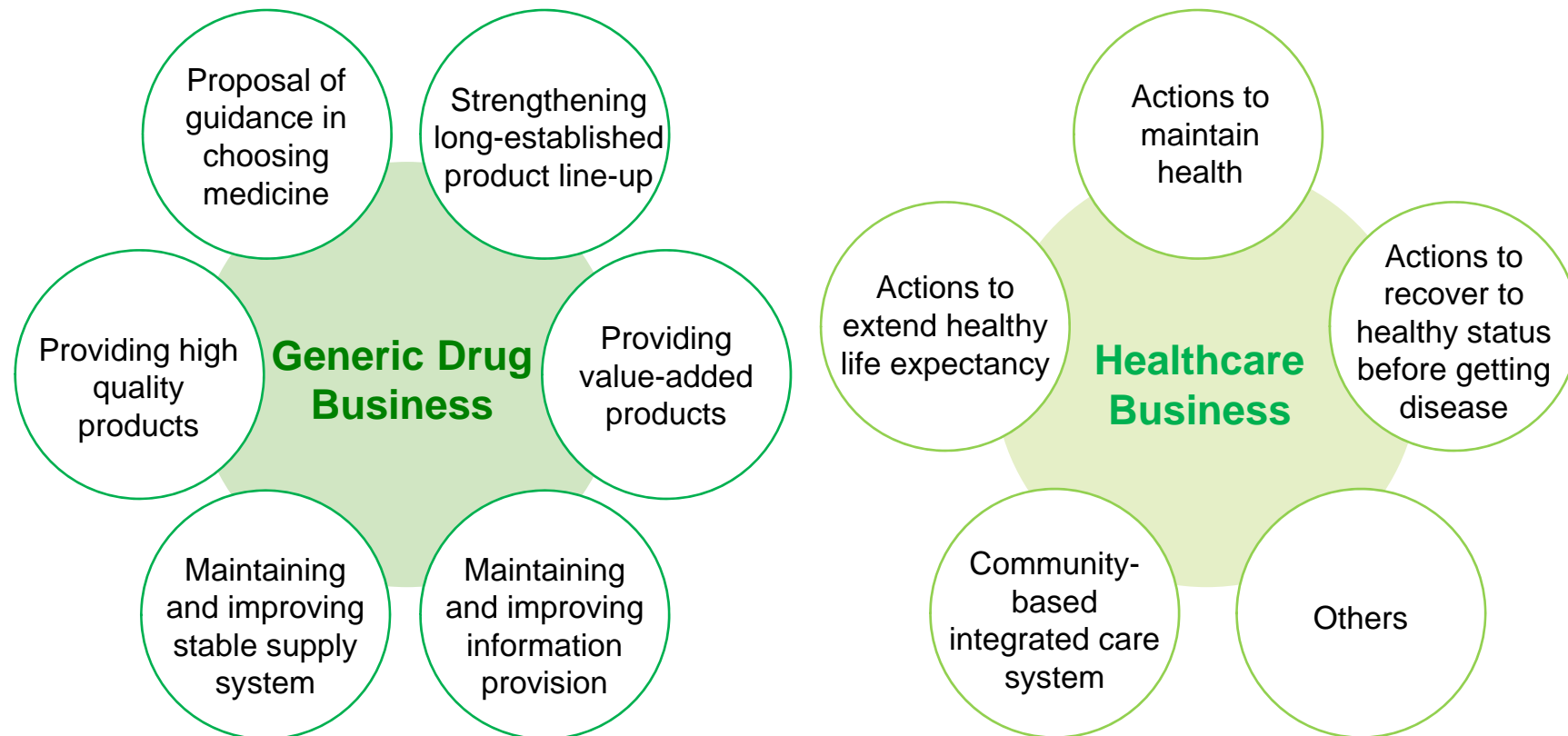
# Measures and Progress





# Future Vision

**A company appreciated by the society**



Towa will continue to gain trust from the society through the Generic Drug Business. We will utilize existing knowledge and technology and also will focus on creating new business relative to the Healthcare Business with new healthcare system by acquiring new technology and integrating new knowledge and technology.



# Mid-term Business Plan (2018-2020)

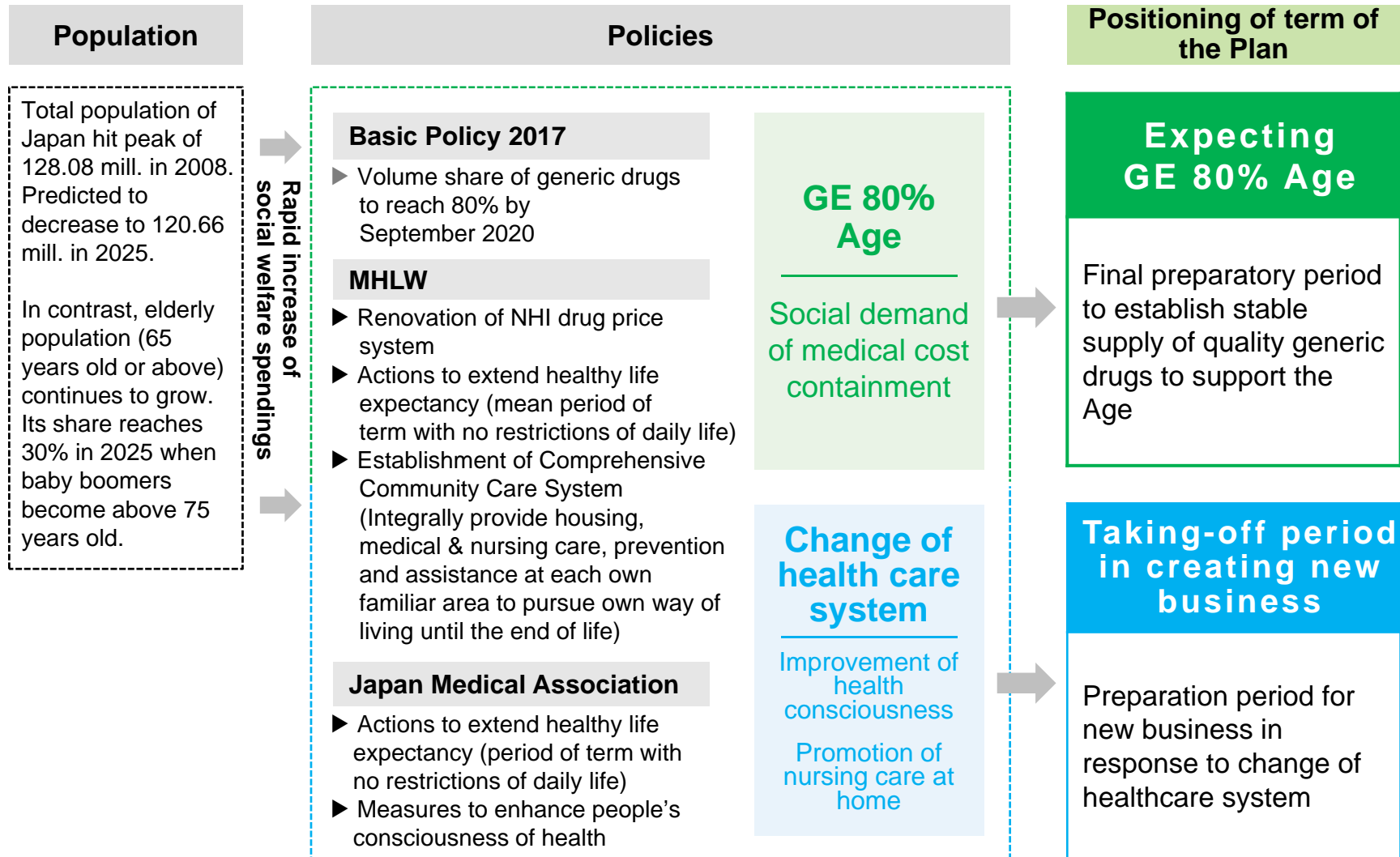


# PROACTIVE

**“PROACTIVE” Taking action to make changes rather than reacting to things that happen.**

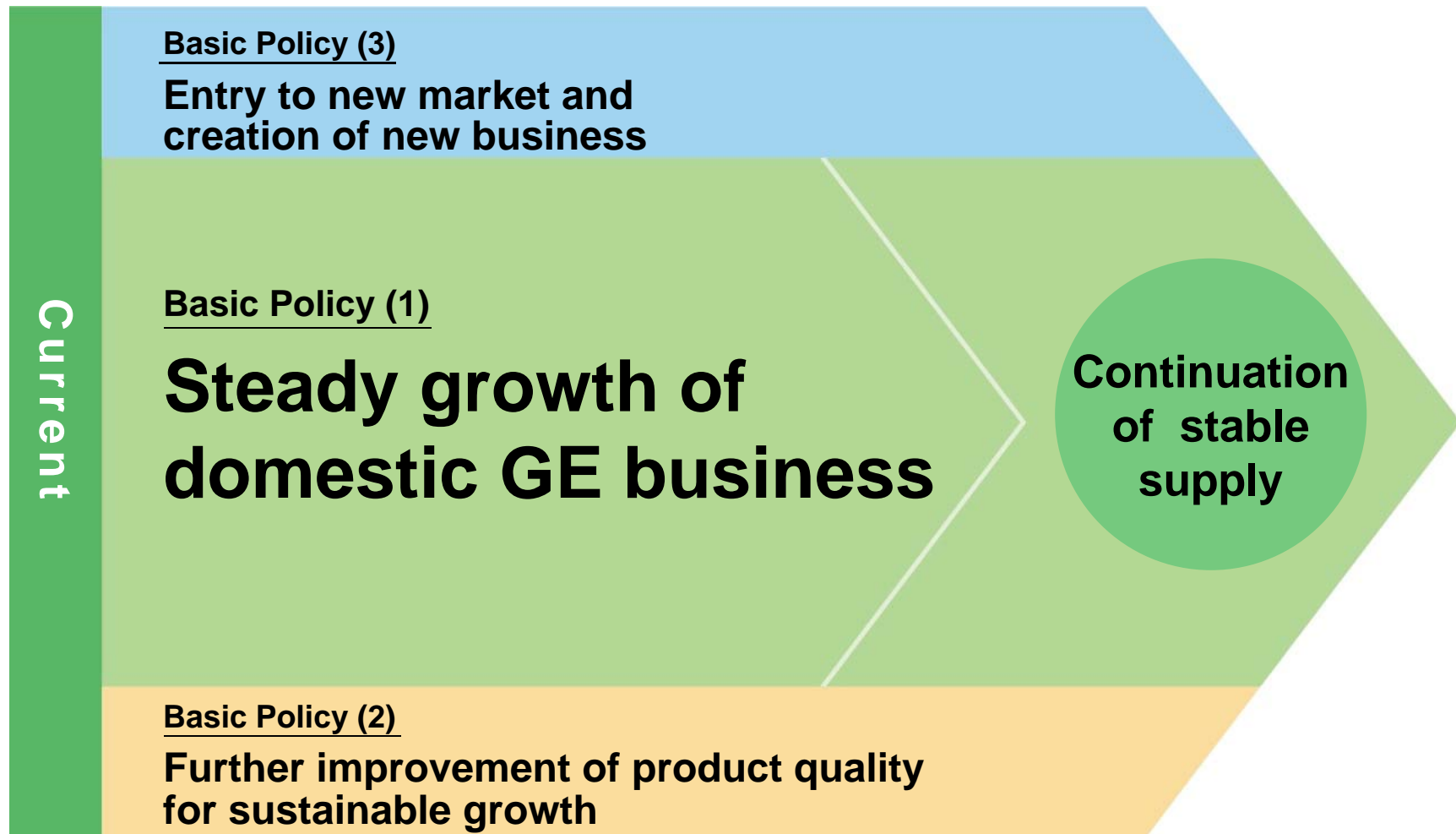
**To adapt dramatic changes of health care system, both the company and the employees of Towa must take appropriate actions in advance predicting future changes and risks.**

# External Environment and Positioning of Term of the Mid-term Business Plan



# Basic Policies of Towa

Establish the concrete position in the pharmaceutical industries.



# Basic policy (1)

## Steady growth of domestic GE business

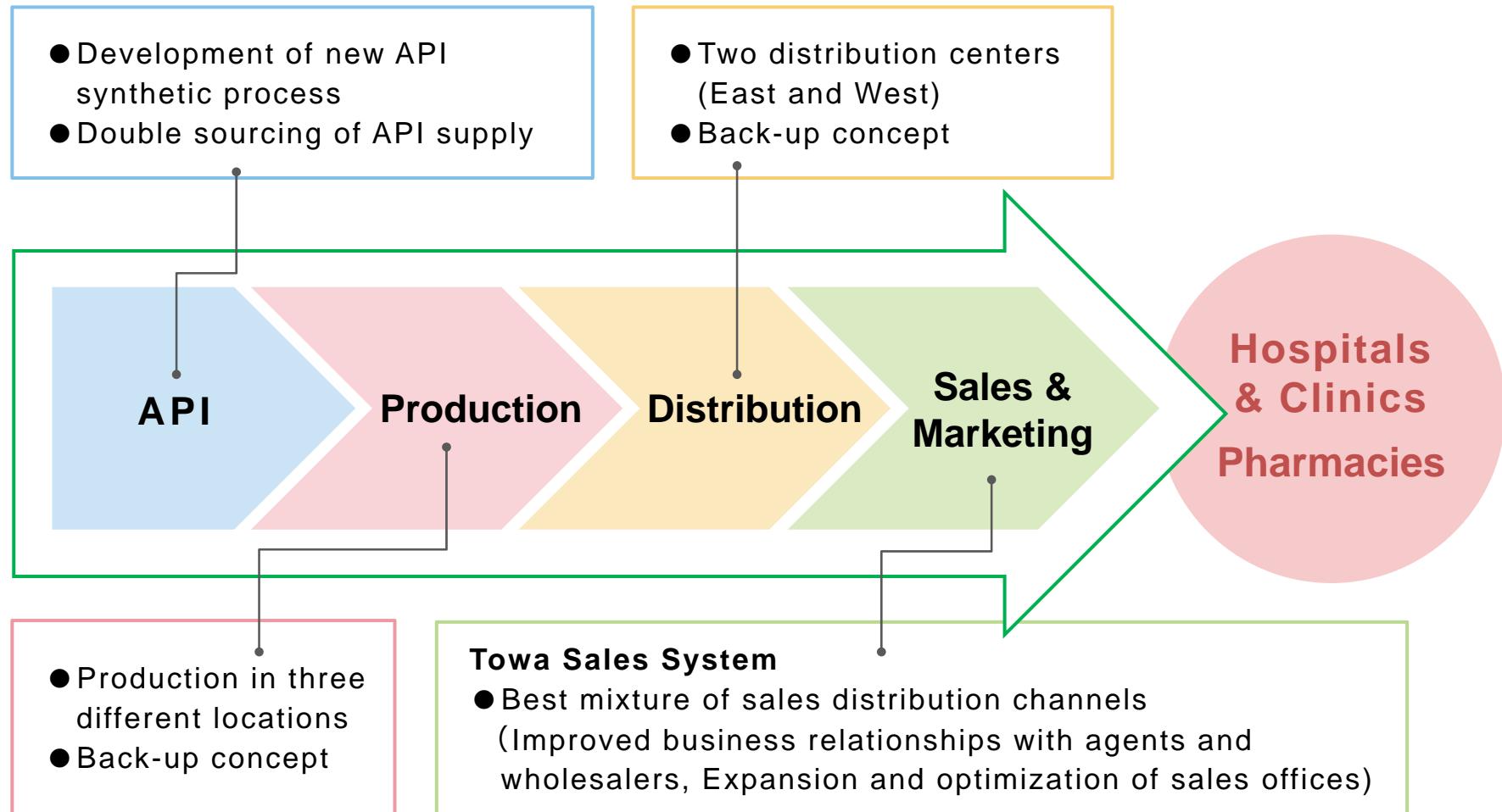
Basic Policy (1)  
**Steady growth of domestic GE business**



Measures	
<p><b>Maintenance and improvement of stable supply system</b></p>	<p>Fulfill social responsibilities by improving stable supply system of quality drugs with appropriate measures on process from API procurement to market delivery stage.</p>
<p><b>Optimizing Towa Sales System</b></p>	<p>Enhance drug information delivery, and optimize distribution channels through cooperation with agents, wholesalers and direct sales offices.</p>
<p><b>Manufacture of sophisticated products with No.1 total product performance</b></p>	<p>Increase product line-up meeting requirements of all hospitals, clinics and dispensing pharmacies as a leading GE manufacturer.</p> <p>Improve long-established products with Towa's formulation technologies reflecting needs of patients, medical doctors and pharmacists.</p>

# Stable Supply System

Towa's stable supply system: API sourcing to product delivery to customers

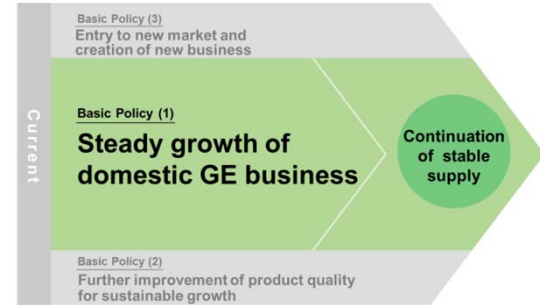


**Basic Policy (1)**  
**Steady growth of domestic**  
**GE business**

# Maintenance and improvement of stable supply system

Measure

**Maintenance and improvement of stable supply system**



<b>Steady API procurement</b>	<b>Development of new API synthetic process</b>	Develop new API synthetic process satisfying Towa quality standard at Daichi Kasei and reliable partners to properly manage risks of API procurement. (By the end of FY2020, more than 40 API synthetic process developments in total are to be completed. As of the end of FY2017, 23 processes are completed.)
	<b>Double sourcing of API</b>	Keep 50% or more of APIs of our approved products for our production to be double sourcing.
	<b>Maintain large production capacity</b>	In case more capacity is required, promptly increase facility and staff, and fulfill social responsibility of stable medicinal supply.

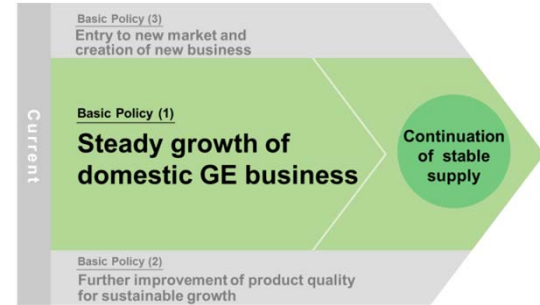


**Basic Policy (1)**  
**Steady growth of domestic**  
**GE business**

# Optimizing Towa Sales System

Measure

## Optimizing Towa Sales System



<p><b>Establishment of proper distribution channels</b></p>	<p>Optimize distribution channels through further collaboration with wholesalers in addition to direct sales channels by agents and sales offices.</p>
<p><b>Proposal of guidance in choosing appropriate medication</b></p>	<p>Compose guidance in choosing drugs for optimal medication and promote system providing appropriate information and proposals to medical institutions.</p>
<p><b>Enhancement of drug information delivery and actions for new healthcare system</b></p>	<p>Improve and maintain system providing appropriate information.          Educate and train medical representatives in order to response to needs and requirements of new healthcare system in the future.</p>

**Basic Policy (1)**  
**Steady growth of domestic**  
**GE business**

# Manufacture of sophisticated products with No.1 total product performance

Measure

**Manufacture of sophisticated products with No.1 total product performance**



<p><b>Development of new products with higher values</b></p>	<p>Develop new products providing higher values in consideration of improved patient's adherence, appropriate use of medication and easy handling so as to improve quality of medication, and contribute to medication.</p> <p>Easier to take          - OD tablets, better taste, smaller tablets</p> <p>Easier to handle          - Tablets with product name printing (easy to recognize)          - Package improvement          - Storage flexibility (improved stability)</p>
<p><b>Improving product reflecting demands of patients and MDs</b></p>	<p>Improve products reflecting demands of patients and MDs.</p> <p>Continue bringing innovation to our technology so as to meet such demands.</p>

# Basic Policy (2)

## Further improvement of product quality

Basic Policy (2)  
**Further improvement of product quality for sustainable growth**



Measures		
Formulation	<b>Improvement of RACTAB technology</b>	Accumulate fundamental technologies to create “easier to take” and “easier to handle” formulations.
Formulation	<b>Establishment of active ingredients stabilization technology</b>	Accumulate fundamental technologies to obtain high-leveled product quality by improving stability against humidity, heat, light, oxygen, etc.
API	<b>Establishment of new crystallization technology</b>	Establish fundamental technologies to realize free control of API crystalline forms.
Production	<b>Establishment of continuous production process</b>	Establish effective production process (continuous production process) utilizing analytical technology.

# Basic Policy (3) Entry to new market and creation of new business

Basic Policy (3)  
**Entry to new market and creation of new business**

Measures

<p><b>Entry to new markets (overseas)</b></p>	<p>Deliver our quality products meeting potential local needs to overseas markets.</p>
<p><b>The United States</b></p>	<ul style="list-style-type: none"> <li>● Develop quality products (value-added products) for the US.</li> <li>● Pursue collaboration and cooperation with potential local partners.</li> <li>● Improve data integrity which satisfies FDA audit.</li> </ul>
<p><b>ASEAN</b></p>	<ul style="list-style-type: none"> <li>● Expand territory to export.</li> <li>● Increase new products for export.</li> </ul>
<p><b>Other areas</b></p>	<ul style="list-style-type: none"> <li>● Create collaboration and cooperation with potential local partners.</li> </ul>
<p><b>Creation of new business</b></p>	<p>Start to search candidates in keeping with our philosophy “Contribution to people’s health”.</p>



# Major Objectives

## Sales

**Over  
JPY 100 bill.**

Consolidated annual sales  
of 100 billion yen

## Operating profit (accumulative)

**More than  
JPY 30 bill.**

- Maintenance and improvement of stable supply system
- Investment for sustainable growth (including new business investment)
- Stable return to shareholders

## Capital-to-asset ratio

**More than  
50%**

Improvement of financial  
stability

## R&D cost (accumulative)

**More than  
JPY 26 bill.**

- Development plan to ensure timely launch of new products
- Improvement of products satisfying demands of patients and MDs

## Investments (accumulative)

**More than  
JPY 20 bill.**

Investments to maintain  
and improve stable supply  
system

## Dividend policy

**Stable  
dividend**

Contribution to share  
holders by keeping stable  
dividend and occasional  
reacquisition of own  
shares, etc. if necessary

# Assumptions

**Generic drug usage ratio 80% is achieved and maintained as mentioned in Basic Policy on Economic and Fiscal Management and Reform 2017.**

**No dramatic change in NHI drug price system from the time the Mid-term Business Plan was made.**

**NHI drug price revision in 2019 is only for reflection of consumption tax rate change and regular NHI drug price revision is made in 2020.**

**No change in consolidation in financial statement.**

## Disclaimer

**This presentation contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectation and accordingly affect the Company's sales and profitability. Actual results may differ because of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.**

## Contact information

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