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Scope of this report

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This report examines the pharmaceuticals sectors in the Asia-Pacific, with a focus on Australia, China, India, Japan, South Korea and Taiwan. The report aims to illustrate a general view of the current environment, industry profile, analysis of market trends using available data as well as the discussion on the performance of leading pharmaceutical companies in the region. Key financial results for leading companies in each country are presented in the comparative data tables on the proceeding pages.

Research analysts draw on a range of credible industry and company data sources as well as news and information services to research and analyze the current trading environment, industry landscape and market trends and outlook for a particular sector. Primary sources are used, unless otherwise indicated, and include company data, e.g. annual reports and company financial results; macroeconomic and trade data; data and information from global and country regulatory, industry and trade bodies; government data; and reports from industry organizations and private research organizations.

Industries covered by the industry reports are defined by standard industry classification systems and leading companies are identified on this basis. The following are the relevant SIC codes to the industry: 2834 (Pharmaceuticals Preparation); and 5122 (Pharmaceuticals Wholesale).

Current Environment

Sector Overview

Controlling the cost of healthcare and pharmaceutical prices remained a priority for governments through the Asia-Pacific over the last six months. The Asia-Pacific healthcare industry continued to face growing budgetary pressure, with a total of US$1.34 trillion spent for healthcare in 2013, up from US$1.2 trillion in 2010, the World Health Organization (WHO) reported. The healthcare spending is expected to grow at a compound annual growth rate (CAGR) of 8.2% annually to reach US$2.7 trillion by 2020. The rising healthcare costs in the Asia-Pacific were mostly spurred by the region's ageing population, technology advances, and increasing consumer awareness of health-related issues.

According to the Organisation for Economic Co-operation and Development (OECD) report, in the Asia-Pacific 62% of the total healthcare spending in 2012 came from public sources, while the remaining 38% were from private payers. The public share of healthcare spending in 2012 has significantly increased in the Asian countries from 46.6% in 2010. The combination of public and private spending to broaden basic health coverage has led to a steady rise in per capita healthcare spending in the region. Based on OECD data, during the ten-year period of 2000-2010, the average per capita healthcare spending in China has grown at a higher rate than those in other Asian countries, with a growth rate of about 11% per year per capita, compared to 6% and 2% in India and Australia respectively.

Given that pharmaceuticals accounted for 17% of overall healthcare spending globally, pharmaceutical companies also sought solutions to rising costs. In Australia, pricing and reimbursement remained high on companies' agendas as they collaborated with the Department of Health (DoH) to provide the industry with some certainty over future pricing policy. In South Korea, the economic crisis of 2007-2009 forced the Government to review its healthcare policy, while In January 2012, Taiwan adopted new health technology assessment (HTA) measures to optimize healthcare resources while improving access to new pharmaceutical and healthcare products.

Japan and **China** also proclaimed their intention to develop and implement pharmaco-economic assessments. These moves provided opportunities for the industry to engage with payers and governments to help in the formation of HTA measures and become a valued stakeholder in the healthcare environment. The Indian Government introduced a new policy to control the prices of 358 drugs categorized in the National List of Essential Medicines (NLEM), including imported medicines. The proposed policy is estimated to cut the price of drugs by 3% to 10%.

Asian pharmaceutical stocks meanwhile put in a reasonably solid performance in share price movements over the six-month period from September 30, 2013 to February 10, 2014. The shares of Asia's leading pharmaceutical companies tracked by Mergent recorded almost 12% average growth, with stock price of Ranbaxy (BSE: 500359) rising the highest at 27.39%. Ten out of the 11 stocks closed higher, while one ended the period lower.

Leading Pharmaceutical **Company** Share Price Movements

company name	Ticker	Sept 30, 2013	Feb 10, 2014	Change %
Suzuken Co Ltd	TSE: 9987	Y3,065	Y3,250	5.69
Eisai Co Ltd	TSE: 4523	Y4,050	Y4,030	-0.50
Takeda Pharmaceutical Co	TSE: 4502	Y4,640	Y5,100	9.02
Dainippon Sumitomo Pharma Co	TSE: 4506	Y1,351	Y1,593	15.19
Daiichi Sankyo Co Ltd	TSE: 4568	Y1,795	Y1,907	5.87
Shanghai Pharmaceutical Co	SHE: 601607	RMB14.98	RMB18.66	19.72
Astellas Pharma Inc	TSE: 4503	Y5,010	Y6,080	17.60
Scinopharm Taiwan Ltd	TWN: 1789	NT$87.20	NT$88.30	1.25
Chugai Pharmaceutical Co Ltd	TSE: 4519	Y2,003	Y2,282	12.23
Ranbaxy Laboratories Ltd	BSE: 500359	Rs335.00	Rs461.40	27.39
Australian Pharmaceutical Industries	ASX: API	A$0.50	A$0.58	13.79

Source: Mergent analysis

Sector Performance

Since the 2008 global economic crisis, the share prices of leading Asian pharmaceutical companies have been on a downtrend. However, in recent months there was a steady recovery and turnaround. According to a Mergent analysis, the share price movements of 11 major companies in the region posted average gains of 12% over the six months period from September 30, 2013 to February 10, 2014. Ten out of the 11 companies saw their share prices close positive over the period, with double-digit percentage up to more than 27%.

In 2012, the global pharmaceutical sector generated total revenue of US$959.0 **billion**, up by 2.4% from the previous year. The Americas had the largest share of the market at US$417.6 **billion**, followed by the sub-region of Asia, Africa and Australia at US$168.1 **billion**, and Japan at US$110.5 **billion**. The Asia-Pacific's pharmaceutical sector overshadowed the biotechnology and medical sub-sectors in the first half of 2013, with a 56.5% share by value and 44.6% share by volume, according to a Mergermarket report.

Pharmaceutical sales in India totaled US$22.6 **billion** in 2012, accounting for 22.6% of healthcare expenditure, and are expected to rise to US$27 **billion** in 2016. India's largest pharmaceutical **company**Ranbaxy Laboratories saw its stock price move the highest from Rs335.00 (US$5.56) on September 30, 2013 and closed at Rs461.40 (US$7.66) on February 10, 2014, an increase by 27.39%. The **company** reported consolidated sales of Rs27.5 **billion** (US$443.63 **million**) for the third quarter of 2013, up by 3.0% from the corresponding quarter in 2012. In the first nine-months of 2013, consolidated sales declined to Rs77.5 billion (US$1.25 billion), from Rs95.8 billion (US$1.55 billion) a year earlier, due to pricing policy, trade concerns and the absence of large post-exclusivity sales of Atorvastatin, an oral drug that lowers level of cholesterol in blood.

The Japanese pharmaceutical market is the world's second largest, after the US, with sales of US$134.4 billion in 2013, or approximately 12% of the global market. Takeda Pharmaceutical (TSE: 4502) is the nation's largest pharmaceutical company and among the top 15 pharmaceutical companies in Asia. For the six-months ended September 30, 2013, its consolidated net sales totaled Y828.3 billion (US$8.13 billion), up by 5.3% from the same period of the previous year. The company forecasts consolidated net sales of Y1,680 billion (US$16.48 billion) for the six months to March 31, 2014. Takeda's stock price rose 9.02% to Y5,100 (US$49.93) on February 10, 2014, from Y4,640 (US$45.43) on September 30, 2013.

The share price of Eisai Co Ltd (TSE: 4523), however, declined 0.5% during the reviewed period, from Y4,050 (US$39.65) to Y4,030 (US$39.45). The company generated Y448,047 million (US$4.39 billion) in net sales during the nine-month period ended December 31, 2013, up 3.8% from the corresponding quarter in the previous year. Its net income, however, declined 13.3% to Y29,492 million (US$0.29 billion) and basic earning per share (EPS) fell from Y119.34 (US$1.17) to Y103.43 (US$1.01).

Leading Companies

Takeda Pharmaceutical Co Ltd (TSE: 4502)

Over the six months to September 30, 2013, Takeda Pharmaceutical 's consolidated net sales totaled Y828.3 billion (US$8.18 billion), up by 5.3% from a year earlier. Sales in the domestic market increased mainly due to newly launched products Azilva, a drug that lowers blood pressure and Nesina, for the treatment of type-2 diabetes in adults. However, consolidated operating income fell by 7.9% from a year earlier to Y100 billion (US$987.2 million), mostly due to an 18.2% drop in sales revenue from Actos, the type-2 diabetes treatment drug that reduces blood glucose levels, an increase in amortization expenses for intangible assets and an increase in research and development (R&D) expenses. Consolidated ordinary income dropped 14.5% to Y96.7 billion (US$954.6 million), while consolidated net income fell 46% to Y64.7 billion (US$638.7 million).

Domestic net sales for the ethical drugs segment totaled Y290.9 billion (US$2.87 billion), down by 1.8% from the previous year, as higher sales of products such as Nesina and Azilva could not fully offset the drop in sales of Actos and Blopress (to treat hypertension). Oversea sales increased by 10.5% from the previous year to Y457.8 billion (US$4.52 billion), mostly contributed by sales of Colcrys, a convenient drug for the treatment of gout. The increase in oversea sales coupled with the depreciation of the yen has managed to offset the decline in sales of Actos and Blopress, which were affected by the introduction of generic products in the US and Europe.

For five years from fiscal 2013, Takeda aims for a CAGR of at least 20% for operating income, and in the mid-single-digit range for sales, and maintain a dividend per share of Y180 (US$1.78) a year from fiscal 2013 to 2015. Takeda has made steady progress in improving R&D productivity, as in early 2014, the company announced that Vedolizumab, an investigational drug for the treatment of ulcerative colitis and Crohn's disease, had begun phase three of clinical trials. In March 2013, Takeda submitted a marketing authorization application (MAA) to the European Medicines Agency (EMA) and a biologics licensee application (BLA) to the US Food and Drug Administration (FDA) in June 2013 for Vedolizumab.

Dr Reddy's Laboratories (BSE: 500124)

In the third quarter of 2013, this Hyderabad-based pharmaceutical company posted consolidated net profit after tax of Rs6.9 billion (US$111.7 million), a 91.2% jump from the previous quarter, but a 7.2% decline from a year earlier. Consolidated net sales totaled Rs33.6 billion (US$543.8 million), down by 38.1% from the equivalent quarter in 2012. Its revenue from pharmaceutical services and active ingredients totaled Rs7.8 billion (US$126.2 million) and from global generics Rs26.5 billion (US$428.9 million). Its revenue from proprietary products totaled Rs425.4 million (US$6.88 million) and from other segments Rs198.7 million (US$3.22 million). There was an increase by 16.1% to Rs35 billion (US$0.57 million) in consolidated revenue for all segments as compared to the corresponding quarter the previous year.

Mitsubishi Tanabe Pharma (TSE: 4508)

Mitsubishi Tanabe Pharma posted relatively modest sales growth of 0.2% during the nine-months period ended December 31, 2013, from Y322.6 billion (US$3.18 billion) a year earlier to Y32.2 billion (US$317.9 million), mostly due to sales of other new drugs and Remicade, used for reducing the signs and symptoms of inflammation in moderate to severe Crohn's disease. Its net income was up 24.4%, year-on-year to Y43.8 billion (US$432.4 million), but its operating income declined 5.7% and ordinary income fell by 3.9%.

Merger, Acquisition and Alliance Activity

In the past six months, the Asia-Pacific saw strong deal volume, specifically in mergers and acquisitions (M&A), licensing agreements and partnerships. The number of Asia-Pacific deals represented 32.6% of global transactions in first half 2013, with M&A accounting for 56.38% of Asia-Pacific deals, according to industry research company GlobalData's PharmaSphere. However, from 2008 to 2012 there was a declining trend in the number of M&As, mostly due to the global economic recession and low capital investment. Licensing agreements accounted for 31% of deal value, while the rest comprised strategic collaboration and partnership activity.

According to PricewaterhouseCoopers (PwC) M&A deal transactions in the fourth quarter of 2013 dropped 11.6% from 129 deals in deal volume during the relative quarter in 2012 while deal values were up 45.8% overall to US$143.2 billion. In February 2013, Pfizer sold 20% of its animal health business to Zoetis (NYSE: ZTS), which mainly engages in offering medicines, vaccines, diagnostic products, genetic tests, and a range of services related to animal health. Worth at US$958 million, Allergan (NYSE: AGN) acquired MAP Pharmaceuticals (NMS: MAPP), which develops and commercializes new therapies in neurology, including Levadex, an orally inhaled drug for the potential treatment of acute migraine in adults.

In May 2013, Takeda Pharmaceutical targeted to acquire the Colorado-based private biopharmaceutical company specialized in R&D of innovative vaccines for emerging infectious diseases, including dengue and hand, foot and mouth disease (HFMD), Inviragen Inc for a down payment of US$35 million, and future payments of up to US$215 million allied to the progress of clinical development and achievement of key commercial milestones.

Industry Profile

Industry Size and Value

With a population of more than four billion people, the Asia-Pacific pharmaceutical market is worth more than US$140 billion. Japan and China are the two largest drug markets, accounting for about 70% of the total value. The Asia-Pacific is the world's third largest pharmaceutical market, after North America and Europe, and growing robustly as the fastest developing market in the world with 56.5% share by value and 44.6% share by volume in first half 2013, according to a Mergermarket report.

Inbound investment from foreign investors totaled US$2.4 billion in first half 2013, representing 68.5% increase by value. China, India and Australia are the top three emerging countries with market value at US$2 billion, US$1.8 billion and US$1.2 billion respectively, according to market research company, Mergermarket. Asia-Pacific pharmaceutical market growth is highly differentiated, ranging from markets with strong double-digit growth potential - China, Vietnam, India and Indonesia - to more mature markets with growth in the low single digits, including Japan, Australia and Taiwan.

Employment opportunities in the Asia-Pacific sector are high as a result of continuing market growth, particularly in the major hubs of Shanghai, Hong Kong and Singapore. The future outlook of the region's pharmaceutical industry remains bright as Asia-Pacific is forecast to be the single largest contributor to global pharmaceutical market growth, accounting for approximately 46% growth in value terms through 2015. The industry is expected to sustain a vigorous growth of about 8% to or 13% a year, excluding Japan, to reach approximately US$333 billion by 2015.

Major countries in the region - Australia, China, India, Japan, South Korea and Taiwan - rank among the top 15 economies in the world, with Asia offering a highly attractive market to global companies due to its strong economic growth, large population and ageing population. The pharmaceutical market's key drivers are quite strong in China, whereas Australian pharmaceutical market is ambiguous, due to the industry's value proposition. However, performance of Japan's pharmaceutical market tends to be lower, as the country is facing stagnating economy, regular price cuts and rising competition from China and India. South Korea and Taiwan are relatively small markets, with the growth is limited by the size of these nations.

The Australian pharmaceutical industry is a major high-tech industry with annual exports of more than A$4 billion (US$3.61 billion), industry turnover exceeding A$20 billion (US$18.03 billion) and employed more than 40,000 people within the industry. The industry is also one of the most important R&D manufacturing industries, investing around A$1 billion (US$901.6 million) in R&D each year. In 2011-2012, the pharmaceuticals industry generated A$6.6 billion (US$6.21 billion) from PBS sales, whereas sales of complementary medicines worth around A$2 billion (US$1.80 billion) a year, according to the Complementary Healthcare Council. Among the top PBS suppliers by highest market share in 2011-2012 were Alphapharm, Pfizer (NYSE: PFE), AstraZeneca (NYSE: AZN), Aspen Pharmacare (NBB: APNH Y), Apotex (50120Z: CN), Sanofi-Aventis (NYSE: SNY), GlaxoSmithKline (NYSE: GSK), Merck Sharp & Dohme (MRK), Sandoz and Boehringer Ingelheim (BIPI).

The Chinese pharmaceutical market is currently the third largest pharmaceutical market globally, after the US and Japan. The market also owns the largest manufacturing capabilities in the world, producing more than 4,500 drugs and exporting various pharmaceutical products such as acetylsalicylic acid and metamizole. In 2012, the industry's exports rose 6.9% to US$47,600 million while import grew faster at 15.9% to US$33,350 million, China Chamber of Commerce for Import and Export of Medicines and Health Products (CCIEMHP) reported. The market grew at a rapid CAGR of 21% over the past five years, and is expected to grow about 17% annually through 2020, so then China will become the world's second largest pharmaceutical market and overtake Japan.

India has moved progressively to a free-market economy with rising applications of patented pharmaceutical products from both domestic and international pharmaceutical companies. The industry generated annual turnover of around Rs600 billion (US$9.77 billion), growing at a CAGR exceeding 15% and employs nearly 450 000 people. In 2011, the market ranks the world's fourth largest player with a total of 5.7% market share in the Asia-Pacific, according to Aranca Research. India is also the world's largest provider of generic medicines, accounting for 20% of the global generic drugs exports. According to the Department of Industrial Policy and Promotion (DIPP) in 2013, Foreign Direct Investment (FDI) was up 86.5% from the previous year to a total of US$1.08 billion.

Japan's pharmaceutical industry is the second largest in the world and has become one of the world's best markets for foreign drug companies. With its emerging growth rates, Japan pharmaceutical market ranks in the top eight multinational drug firms across the world. About one third of Japan's population is insured by civic and national government bodies, and two thirds by private insurance societies. All operate under the same reimbursement rules for drugs and medical procedures.

The South Korean pharmaceutical market is small but it is rapidly developing in the area of stem cell therapy and possesses a robust pipeline with pharmaceutical companies closely involved. Pharmaceutical expenditure projections totaled KRW16,106.7 billion (US$14.45 billion) in 2013. The market size reached US$16 billion in 2012, with a CAGR of 7% over the past ten years. South Korea was experiencing rising exports of its pharmaceutical products over the past five years with the average export rose by 20% annually. Major exporting countries are mostly Asian countries such as Japan, Vietnam and China. In 2011, the amount of export to the European market increased drastically by 43.8%, reaching to US$270 million.

In 2013, the pharmaceutical market size in Taiwan worth around US$4.4 billion and generated annual total revenues of more than US$4 billion. In addition, a total of NT$161.33 billion (US$5.51 billion) was projected to the pharmaceutical expenditure throughout the year, and the market is expected to reach US$5.5 billion by 2018.

Policy and Regulatory Environment

As the Asia-Pacific is the fastest growing pharmaceutical market in the world, pharmaceutical regulations in this region are fast gaining attention among pharmaceutical companies worldwide. Since the past six months, new and improved regulations are implemented frequently in Asia. Among them include the changes in good manufacturing practice (GMP) standards, drug price controls and medical device regulatory systems. In India, along with its Government's objective to improve the basic healthcare and access of basic medicines at an affordable price across the country, the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers issued the Drug (Prices Control) Order 2013 in May 2013, which authorizes the National Pharmaceutical Pricing Authority (NPPA) to regulate the prices of 348 essential medicines.

Throughout 2012, government authorities in China including State Food and Drug Administration (SFDA), Ministry of Health (MOH) and National Development and Reform Commission (NDRC), engaged in the efforts of strengthening drug regulation by placing high emphasis on price control, drug safety, GMP implementation, drug registration system reform and OTC drug management. In November 2013, the China Food and Drug Administration (CFDA) issued an amendment to the Drug Registration Regulation (DRR) which imposed new requirements for companies with new drug registrations to seek for CFDA's approval through a supplementary application with supporting documents and study data for any changes of applicant during clinical studies for new drugs or changes in manufacturing process, formulation, specification or manufacturing site for chemical drugs and biological products, which aims to ensure drug safety in the nation's pharmaceutical industry.

The Asian financial crisis has threatened the sustainability of the South Korean healthcare insurance and public healthcare expenditure has significantly increased over time. Cost-containment policies have been implemented and directly affected the prices of pharmaceuticals in the country. The Government has proposed price cuts through 2025, demonstrating its effort to secure further savings. The price cuts did not necessarily target just generics, but certain innovative drugs were also affected. For example, the price of the drug Lyrica, a prescription drug used to treat nerve and muscle pain, dropped by more than 20% in

2013. In December 2013, the Ministry of Health and Welfare (MOHW) announced to implement its market-based actual transaction price (M-ATP) system, effective from February 2014.

Key Points

Current Environment

Asia-Pacific governments continued to focus on cutting the cost of pharmaceutical expenditure over the last six months, as part of an effort to cut overall healthcare costs.Healthcare expenditures rose along with per capita healthcare spending. China's average per capita healthcare spending grew at higher rate than India and Australia.Leading Asian drugmakers posted a mixed bag of earnings. Takeda Pharmaceutical (TSE: 4502) recorded an increase in net sales, but a decline in net income. Dr. Reddy's Laboratories (BSE: 500124) experienced a large increase in net profit, meanwhile, Mitsubishi Tanabe Pharma (TSE: 4508) posted modest sales growth and strong profitability with an increase in net income.Ten out of 11 leading Asian pharmaceutical companies posted positive gains in share prices during the reviewed period, with Ranbaxy's stock price (BSE: 500359) rising the highest at 27.39%.

Industry Profile

The Asia-Pacific is the world's third largest pharmaceutical market, after North America and Europe, and growing robustly as the fastest developing market in the world with approximately 50% share by value and share by volume in first half 2013.Major countries in the region - Australia, China, India, Japan, South Korea and Taiwan - rank among the top 15 economies in the world, with Asia offering a highly attractive market to global companies due to its strong economic growth, large population and ageing population.New and improved regulations that affect the industry have been implemented throughout the region in recent years. Among them include the changes in good manufacturing practice (GMP) standards, drug price controls and medical device regulatory systems.

Market Trends and Outlook

Rising household incomes, increased government expenditure on healthcare, higher life expectancies, consumer health awareness and lifestyles changes have boosted the market demand for pharmaceuticals.Today, global sales of over-the-counter (OTC) drugs have surged, worth over US$100 billion. Generic drugs are also becoming more popular in the Asia-Pacific, which make up over 60% of the pharmaceutical sales of China and India.

Looking forward, there are many key growth opportunities in the short-medium term as the demand for Asia-Pacific pharmaceuticals and healthcare continues to grow.

Market Trends & Outlook

Growing Demand for Pharmaceuticals in Asia

Asia-Pacific pharmaceutical sector has been expanding rapidly in recent years, in line with the region's strong economic growth and demographic changes. Rising household incomes, increased government expenditure on healthcare, higher life expectancies, consumer health awareness and lifestyles changes have boosted the market demand for pharmaceuticals. Many Asian countries have been experiencing rapid population growth.

The Indian population, for example, grew from 1.02 billion in 2001 to 1.27 billion in February 2014. This rapid population growth has been the result of not only high birth rates, but also increases in life expectancy, which contributed to higher pharmaceuticals demand. Countries with low birth rates, such as China, Japan and Singapore, are now facing ageing populations, and presents growth opportunities for pharmaceutical companies to produce more specialized drugs for various types of diseases, especially among the elderly population.

A home to 60% of the world's population, the Asia-Pacific spans vast geography, which offers tremendous market potential. The large population makes the Asia-Pacific the fastest-growing pharmaceutical market globally. High population densities especially in metropolitan areas, coupled with large hospital infrastructure allow clinical trial operations to be facilitated in Asia. Asia has risen to become one of the top clinical trial destinations across the world. The region's clinical trials market has been steadily growing with greater focus primarily on India, China, South Korea, Singapore and Taiwan.

Rising household incomes also drives demand for better drugs and medications. Higher average incomes and growing middle class are expected to make health insurance more affordable, leading to more citizens seeking treatment, even for more expensive medication and boost prescription compliances. Increase in incomes will then drive to lifestyle changes. As Asians has become richer, their lifestyles have evolved.

A healthy diet might no longer an issue especially for wealthier populations. For example, they now consume more innutritious foods and beverages and do less exercise. This has been evidenced by an increase in diseases such as cancer, diabetes and heart ailments. China and India have the world's largest diabetic populations, with over 90 million and 60 million people respectively, according to the International Diabetes Federation .

The change in people's lifestyle has caused a shift from acute to chronic types of illness, which requires continuous treatment. Hence, the shortage of medical institutions in Asia-Pacific to provide the changing environment has become a serious concern. At the same time, the number of patients who travel to Asia to receive treatment has grown, due to the development of medical technology and cost advantages in medical care in the region.

Meanwhile, governments in the region have invested in healthcare infrastructure and services in order to lighten the burden of households and to cope with changing disease profiles. For example, China has implemented healthcare reform, which aims to provide universal coverage and improve patient access to healthcare services. In addition, the combination of public and private spending has led to a steady rise in per capita healthcare spending in the region, which subsequently has benefited the pharmaceutical sector. Today, the pharmaceutical market has grown rapidly in the Asia-Pacific, with total sales close to US$300 billion.

The Rising Tide of OTC in Asia

In recent years, global sales of OTC drugs have surged, worth over US$100 billion. OTC drugs typically bring fewer side effects than prescription medicines, tend to be more affordable and able to relieve acute symptoms, such as pain and cough, which have become key drivers in pharmaceutical market growth. In urban areas, greater disposable income has benefited sales of OTC drugs, with sales mostly driven by the wealthy middle classes, meanwhile, expanded distribution by numerous marketers has helped sales growth in rural locations.

OTC sales in emerging markets for the 12 months period ended March 31, 2013 showed that most Asia-Pacific countries (excluding Japan) are growing faster than the global average. The positive sales performance in emerging markets has led to a larger share of the global OTC market, which now accounted for 50% of the total global OTC marketplace, according to IMS Health .

Looking at the global performance of OTC categories in the 12 months period ended March 31, 2013, cough, cold and respiratory; vitamins, minerals and supplements (VMS) and tonics; pain relief; digestive; and skin accounted for three-quarters of total OTC sales worldwide. The ?Others? category, which accounted for 46.4% of total sales, was much bigger and largely driven by traditional Chinese medicines and Indian Ayurvedic treatments.

China is the No.1 OTC market in the Asia-Pacific with a record of nearly 10% growth, despite competition from low-priced of essential drugs and growing popularity of store brands. China dominates in terms of sales value and growth, but growth is also strong in India and Australia. While OTC sales grew positively in most countries in the Asia-Pacific, sales in Japan represent a decline by 0.9% from -1.58% in 12 months period ended March 31, 2012, IMS Health figures show.

Generics to Generate Greater Percentage of Asian Pharmaceutical Sales

much less than that of branded drugs. Generally, generic drugs make up over 60% of total pharmaceutical sales of China and India. The Asia-Pacific is emerging as a new destination for the generic drugs industry. It was a result from the issue of poorly defined regulatory pathways faced by the western countries, while a few Asian countries are well positioned to benefit from these changes, hence attracting huge investments by generic companies.

In China, generics represented close to 70% of market value, while about 90% of Indian prescription drugs sales was represented by its generics. In fact, generic drugs are likely to remain as the stronghold for China's pharmaceutical market. China continues to rely upon widespread prescription of generics in public insurance plan to control healthcare expenditures, since the current R&D capability limits the possibility of launching domestic patented drugs. The key driver for the uptake of generics drugs is the preference for cheap generics over more expensive branded drugs among poorer patients and majority of pharmaceutical products available in China and those covered by the Essential Drug List (EDL) and National Drug Reimbursement List (NDRL) are domestically manufactured generics.

In India, according to the research enclosed in the Asia-Pacific R&D Pharmaceutical Factbook, Indian generic drug companies are making significant investments in innovative R&D and have generated the largest new drug pipelines among generics companies worldwide. Multi-national pharmaceutical companies are likely to face increased competition from this scenario. Overall, India's exports of generics have been growing at a rate of 24% per year over the last four years, with a total of US$14.7 billion in

2012-13. 55% of Indian generics exports were sold in highly regulated western markets, according to the Pharmaceuticals Export Promotion Council of India (Pharmexcil) and the Indian Brand **Equity** Foundation (IBEF).

Indian generic firms like Glenmark (BSE: GPL), Sun Pharmaceuticals (BSE: 524715) and Ranbaxy (BSE: 500359) having year-to-year revenue growth ranging from nearly 33% to 72% in 2012, according to GlobalData report. In 2012, India was recognized as the world's largest supplier of generics, and the country is still improving access to life-saving medicines in many developing countries.

Market Outlook

Competition in the Asia-Pacific pharmaceutical sector is expected to intensify this year as major pharmaceutical companies continue to raise their investment in the region across sales and marketing, R&D and pharmaceutical products manufacturing. As drugmakers face an increasingly competitive landscape and development costs continue to rise, big and small pharmaceutical firms are seeking every advantage to maximize their R&D returns. Many companies have come to the Asia-Pacific for better access to patients, lower costs and operational efficiencies.

Looking forward, there are many key growth opportunities in the short-medium term as the demand for Asia-Pacific pharmaceuticals and healthcare continues to grow, leading to an increase in investments by companies who eager to capture the growth.

Continued economic growth in Asia has led to rising household income and spending for pharmaceuticals and healthcare. Asia-Pacific pharmaceutical industries are benefiting from the growing population, which has better access to healthcare and are able to pay for medicines. Government actions in the region to broaden access for pharmaceuticals, together with longer life expectancies and lifestyle changes will also boost demand for pharmaceutical market.

The strong inward and outward flow of **M**&A among the large and medium-sized drugmakers are expected to continue, driven by the need to fill in gaps in product pipelines and expand business footholds.

Continuous technological advancements and product innovation, government funding and insurance coverage, as well as ageing population will continue to be the essential key drivers towards the development of the Asia-Pacific pharmaceutical industry. In future, the pharmaceutical market will be affected by various regulatory and numerous drug payer actions, including the imposition of price control, drug safety, good manufacturing practice (GMP) implementation, drug registration system reform and OTC drug management. As outsourcing, manufacturing and R&D continue to grow throughout the region, it is high likely that regulatory changes will continue to evolve at a fast pace in the Asia-Pacific pharmaceutical industry.

Country Profiles

Australia

Sector Overview

Government spending on the Australian pharmaceutical market continues to rise in line with the growing and ageing population as well as the need for government subsidies on more drugs to treat chronic and non-communicable diseases. For the first half of 2013, a total of A$8,996.4 **million** (US$8.11 **billion**) in pharmaceutical expenditure was allocated for the Government's Pharmaceutical Benefits Scheme (PBS). The expenditure accounted for 82.6% of the total cost of PBS prescriptions.

wet age-related macular degeneration), which cost A$422.8 **million** (US$381.2 **million**), A$302.4 **million** (US$272.64 **million**) and A$286.9 **million** (US$258.67 **million**) respectively. Price reductions for certain types of drugs were put into action in an effort to trim down the increasingly government expenditure.

These include Atorvastatin, with the highest weighted average percentage reduction by 50.1%, psychotic mental disorders treatment Olanzapine (44.7%), anti-depression agent Venlafaxine (39.7%), antipsychotic drug Quetiapine (28.2%), breast cancer treatment Anastrozole (25.7%), immunosuppressant drug Mycophenolic acid (24.9%) and the prescription drug to treat certain types of breast cancer among postmenopausal women, Letrozole (23.7%).

The increase by 4.8% in the number of patients with diabetes registered under the National Diabetes Services Scheme (NDSS) in 2012-2013 has required more funding worth A$218 **million** (US$196.55 **million**), an increase by 5.6% over the previous financial year.

Industry Size and Value

In 2011-2012, the Australian pharmaceutical industry generated industry turnover of A$23.6 billion (US$21.28 billion) and employed more than 40,000 people, data from Australia's Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education show. With exports of A$4.06 billion (US$3.66 billion) and R&D spending of around A$1 billion (US$901.6 million) in 2010-2011, the Australian pharmaceutical industry has become a major high-tech industry.

The industry generated a total of A$6.6 billion (US$5.95 billion) from PBS sales over the period, while sales of complementary medicines worth around A$2 billion (US$1.80 billion) a year, Complementary Healthcare Council figures show. Among the top PBS suppliers by highest market share are Alphapharm, Pfizer , AstraZeneca , Aspen Pharmacare , Apotex , Sanofi-Aventis , GlaxoSmithKline , Merck Sharp & Dohme , Sandoz and Boehringer Ingelheim .

Leading Companies

Australian Pharmaceutical Industries (ASX: API)

Australian Pharmaceutical Industries (API) is one of the leading pharmacy industries in Australia, which involved in distribution, retailing and manufacturing of pharmaceuticals and has a relationship with more than 4,000 independent pharmacies across the world. For the year ended August 31, 2013, Australian Pharmaceutical Industries recorded net profit after tax totaled A$24.3 million (US$21.91 million), which represents a decline by 19.8% from the previous year. Its revenue also slightly dropped by 0.4%, to A$3,186.1 billion (US$2872.59 billion).

Despite the latest impacts of PBS reforms, the company achieved sales growth of 6%, compared to a 1.5% decline in the previous year. Total retail sales rose by 4.9% to A$756.63 million (US$51.06 million) and gross profit grew at 4.7% to A$404.25 million (US$364.47 million) from the earlier year, increased by 3.4% mainly due to the significant impact of the PBS reforms.

Mayne Pharma Group Ltd (ASX: MYX)

Mayne Pharma Group Limited (Mayne Pharma) develops and manufactures branded and generic products, which has a significant product portfolio and pipeline including global reach through its distribution partners in Australia, USA, Europe and Asia. It also owns two manufacturing facilities based in Salisbury, South Australia and Greenville, North Carolina.

pain and improved pricing of other products.

The improved profitability was mostly driven by new product launches and improved market penetration of existing products. During the fiscal year 2013, the company also extensively increased its investment in R&D by 57.97% to a total of A$10.9 million (US$9.83 million).

Market Outlook

Having displayed healthy growth rates over the last year, the Australian pharmaceuticals market is expected to grow further throughout 2014 and beyond. Looking ahead, the industry growth will continue to be heavily influenced by the Federal Government and the PBS scheme. Growth in volume is expected to rise together with a shrinking in value as the Government continues to control the rising costs of pharmaceuticals. While the demand for pharmaceuticals and healthcare services will remain high due to the ageing population, the proposed changes to PBS pricing and reimbursements, particularly via the implementation of price disclosure, could potentially bring down drug prices further.

14 billion (US$12.62 billion) in 2016-17. The regulatory nature of the industry will continues to provide a framework for the industry's growth profile, and continued operation of the PBS and government policies designed to control healthcare expenditure, including cutting government subsidies of prescription pharmaceuticals, will bring impact to the level of revenue received from dispensary sales.

China

Sector Overview

A booming economy and high GDP growth continued to make China's pharmaceutical market one of the most attractive in the world. Although only 4% to 5% of the country's GDP is spent on healthcare - much less than in the US, Germany and Japan - the pharmaceutical industry outperformed other sectors despite policy turbulence, slowing economic growth and various other challenges. In 2011, China became the world's third largest prescription drug market, according to IMS Health .

Strong growth of government funding and continuous rise in demand for certain treatments, such as cardiovascular and central nervous system therapies, contributed to growth in prescription drug sales, which are forecast to total RMB442.5 billion (US$72.21 billion) by the end of 2014. China's pharmaceutical market had a CAGR of 21% over the five years through 2013, and is expected to grow by about 17% annually through 2020, overtaking Japan in 2015 as the world's second largest.

Industry Size and Value

China overtook Germany as the world's third largest pharmaceutical market in 2011 and, when it overtakes Japan in 2015 to become the second largest, it will be because of its large population rather than market maturity. China has the largest manufacturing capabilities in the world, producing more than 4,500 drugs and exporting various pharmaceutical products such as acetylsalicylic acid and metamizole.

In 2012, the country's international trade of medicines and health products (MHPs) grew by 10.5% to US$80,950 million, according to the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCIEMHP). Exports rose by 6.9% to US$47,600 million, while imports grew by 15.9% to US$33,350 million. The Southern Medicine Economic Institute estimates that in the first half of 2013, pharmaceutical output value grew by 21.6% to RMB1,031 billion (US$168.24 billion), revenues by 19.5% to RMB991.1 billion (US$161.73 billion), and net profits by 16.4% to RMB 96.4 billion (US$15.73 billion).

Leading Companies

Shanghai Pharmaceuticals Holding Co Ltd (SSE: 601607)

In 2013, Shanghai Pharmaceuticals Holding Co Ltd 's (Shanghai Pharma) revenues totaled RMB68 billion (US$11.1 billion), and it was among the top 500 Chinese enterprises listed by the Chinese Enterprise Confederation. It is among the few listed pharmaceutical companies that are leading in both pharmaceutical manufacturing and distribution in China.

In third quarter 2013, Shanghai Pharma 's consolidated revenue totaled RMB19.3 billion (US$3.15 billion), up by 10.35% from a year earlier, and consolidated net profit increased by 16.74% to RMB583.5 million (US$95.22 million). Net profit attributable to equity holders totaled RMB488.1 million (US$79.65 million), an annual increase of 22.29%.

Pharmaceutical Holdings Group Ltd (HKG: 0460)

the largest cardio-cerebral-vascular (CVV) drug franchise and is the third biggest company in China's prescription drug market. In the first six months of 2013, total revenue increased by 67.3%, from RMB1,389.3 million (US$226.71 million) in first half 2012 to RMB2,324.7 million (US$379.34 million), mostly due to sales growth of its CCV drugs, revenue from which totaled RMB2,214.7 million (US$361.39 million), up 73.4%, while net profit rose by 33.8% to RMB617.5 million (US$100.76 million).

Market Outlook

The expansion of national medical insurance coverage, rising per capita subsidies for medical insurance, increasing maximum reimbursement ratios for medical treatment, the accelerated pace of urbanization and China's ageing population will continue to be key drivers of the pharmaceutical market.

The industry should remain one of the fastest-growing in the country, with sector consolidation increasing due to medical reform, tighter control of hospital budgets, spiraling price competition and the implementation of the new GMP standard. These changes will benefit companies with strong R&D capabilities, balanced product portfolios, distinguished sales and marketing capabilities, and efficient production system, enabling them to better take advantage of increased market opportunities.

protection. This will reassure international pharmaceutical companies seeking to take advantage of the opportunities presented by the pharmaceutical market. These include research, OTC, distribution, and biotech sub-sector development, as well as the overall growth of China's market, particularly in rural and sub-urban markets benefiting from healthcare reform.

India

Sector Overview

India's pharmaceutical industry has long been one of the country's leading sectors, attracting leading foreign pharmaceutical companies. The industry accounts for about 1.4% of the global pharmaceutical industry in value terms and 10% in volume terms. From April to October 2013, foreign direct investment (FDI) increased by 86.5% to US$1.08 billion, according to the Department of Industrial Policy and Promotion (DIPP). India's generics market has high potential for industrial growth, and is ranked 5th in terms of FDI activity.

industry growth came from FDI, while domestic companies were affected adversely by the implementation of a new drug pricing policy. However, the industry grew at 6.9% during November 2013 and reached a total of Rs62.91 billion (US$1.02 billion), according to Pharmabiz.

Industry Size and Value

In 2011, India is the fourth largest pharmaceuticals market in the Asia-Pacific, with a 5.7% market share, according to Aranca Research. It is the world's largest provider of generic medicines, which made up 70% to 80% of the country's retail drugs market and 20% of global generic exports. Pharmaceutical exports had a CAGR of 26.1% from 2006 to US$10.1 billion in 2013, while imports had a CAGR of 25.4% to US$1.8 billion. India's pharmaceutical market is third in volume globally and tenth in value.

The sector employs nearly 450 000 people and is expected to expand hiring and job creation, with a projected workforce requirement of about 2,150 000 by 2020. The industry revenue totaled US$21 billion in 2013, up by 23.53 from the earlier year, and is expected to rise at a CAGR of 17.8% to reach US$36 billion by 2016, India Brand Equity Foundation (IBEF) figures show. The BSE healthcare index return was 15.4% in December 2013, representing a 67.84% increase from the previous six months.

Leading Companies

Cipla Ltd (BSE: 500087)

Mumbai-based pharmaceutical companyCipla Ltd is one of India's leading drug-makers, producing medicines for rare diseases such as idiopathic pulmonary fibrosis, pulmonary arterial hypertension, thalassaemia and multiple sclerosis. It is currently one of the world's largest generic pharmaceutical manufacturers with a presence in more than 170 countries.

During third quarter 2013, Cipla's consolidated sales totaled Rs24.6 billion (US$398.37 million), of which 57.8% were international sales, up by 13.7% from a year earlier, while income from operations increased by 13.4%, from Rs22.2 billion (US$359.51 million) to Rs25.1 billion (US$406.47 million). However, net profit, declined by 26.6% to Rs3.6 billion (US$58.3 million), mainly due to increase in material and staff costs and other operating expenses.

Sun Pharmaceutical Industries Ltd (BSE: 524715)

US. It is the third largest and the most profitable pharmaceutical company in India and the largest in terms of market capitalization on Indian exchanges.

95.54 million) for litigation in the US.

Market Outlook

The sector's strong growth and continued interest from foreign investors are positive indicators of its robustness, while the inherent strengths and the outstanding growth of Indian generics are the driving forces behind rising foreign investment. It is likely to attract more investment as India provides a hospitable environment for FDI, with its low labor and production costs. A growing and more affluent population is expected to underpin demand for pharmaceuticals, and Indian companies will continue to benefit from an expanding domestic market and strong growth potential in generics in developed markets.

The industry is likely to enjoy double-digit growth in 2014 and beyond because of the rise in pharmaceutical outsourcing and intensifying investment by multinational companies. A large percentage of India's pharmaceutical products are exported as leading players expand their reach into western markets. Due to continuous investment in R&D, India's clinical trials market is likely to grow at a blistering pace in coming years.

Japan

Sector Overview

Japan's pharmaceutical industry is the world's second largest after that of the US, with annual sales of more than Y6 trillion (US$58.4 billion). However, the 2011 earthquake and tsunami affected the sector that was already struggling with a stagnating economy, regular price cuts and increasing competition from China and India.

Japan's pharmaceutical industry is becoming more global, not only by entering new markets, particularly developing markets, but also by adopting more innovative strategies and making investments in subsidiaries set up in other Asian countries. US approval in late 2010 of Halaven to treat progressive breast cancer, followed by approval in Europe and Japan in early 2011, indicated the growing presence of

Japanese pharmaceuticals in global markets. Japan's pharmaceutical market value totaled US$89.1 **billion** in 2012, and is expected to be worth US$104.5 **billion** by 2020, at a CAGR of 2%.

Industry Size and Value

Japan's pharmaceutical market is the world's second largest after **China**'s and ahead of that in the US. However, drug price reductions implemented by the Government in an effort to cut healthcare expenditure, the slow growth in market share and competition from generics has depressed market value. Although this presents opportunities for generic manufacturers, generics' greater share has trimmed market value. The easing of regulatory guidelines, an ageing population and a strong product pipeline will provide strong momentum for industry growth.

According to Credit Suisse Securities, national health expenditure in 2013 was close to US$10 **billion** (Y1 trillion) and the Government plans to invest another US$501 **billion** (Y50 trillion) within the next ten years to support healthcare costs. Effective April 2014, Japan will levy the first phase of an additional 3% consumption tax on all medicines.

Leading Companies

Eisai Co Ltd (TYO: 4523)

Tokyo-based Eisai Co Ltd , which manufactures and markets pharmaceuticals and OTC drugs, has a workforce of more than 10,000 in 2013, and is creating new business models to improve access to medicines, particularly in emerging and developing countries.

, mainly due to higher R&D expenses. Its consolidated net income was down 13% to Y27.7 **billion** (US$270.57 **million**), mainly due to the liquidation of its non-current assets.

Daiichi Sankyo Co Ltd (TYO: 4568)

million), because of a gain on investment securities and an increase in tax deductions for experimental and research expenses.

Market Outlook

Although an ageing population presents many challenges to Japan's pharmaceutical market, continuous initiatives to encourage R&D will **lead** to the approval of innovative drugs and to growth for companies that market them. By 2020 Japan's pharmaceutical companies could establish solid positions in global new drug markets and become a key driver of the economy. The Japanese market for pharmaceuticals is forecast to increase by 1% to 4% over the next few years, although biennial price cuts will lower growth in 2014 and 2016. The implementation of strategic reforms will continue to encourage greater adoption of new medicines and shift use from off-patent brands to generics. While Japan's population as a whole will decline, its ageing is expected to drive up demand for medicines.

South Korea

Sector Overview

The South Korean pharmaceutical industry is a pioneer in stem cell therapy and among global leaders in stem cell research. It has a robust pipeline because of active participation by its pharmaceutical companies. South Korea continues to invest in pharmaceutical R&D and, in July 2013, the Health Ministry announced that it would spend KRW10 trillion (US$8.9 **billion**) over the next five years on projects to develop 20 new drugs in partnership with private domestic companies.

Industry Size and Value

Its pharmaceutical market is the world's 10th largest and the fourth largest healthcare market in the Asia-Pacific, behind Japan, **China**, and Australia, according to the WHO. The market is highly fragmented, with almost all domestic companies having a strong portfolio of generic products rather than expensive, branded drugs. Japan and **China** are the largest buyers of South Korean pharmaceuticals. Market value rose to KRW16,088 **billion** (US$13.99 **billion**) in 2013, from KRW15,717 **billion** (US$13.96 **billion**) in 2012.

Leading Companies

Dong-A Pharmaceutical Co Ltd (KSE: 000640)

Research-based pharmaceutical and healthcare **company**Dong-A Pharmaceutical Co Ltd (Dong-A) focuses on R&D in various therapeutic areas, including metabolic/endocrine, gastrointestinal and hepatology, oncology, respiratory and allergy, urology/gynecology (genitourinary) and other diseases. Headquartered in Seoul, it employs more than 2,000 people in manufacturing and selling OTC and ETC (ethical) products, active pharmaceutical ingredients, diagnostic medicines and **energy** drinks.

In the first quarter 2013, sales were down 1.4% to KRW215.6 **billion** (US$202.23 **million**), from the first quarter 2012, with operating profit dropping 9.93% to KRW12.7 **billion** (US$11.91 **million**). However, exports rose by 32% to KRW28.5 **billion** (US$26.73 **million**), mainly due to increased exports of Growtropin (to treat growth failure in children and adults), Cycloserine (to treat tuberculosis and urinary tract infections) and Terizidone (to treat tuberculosis) to countries such as Brazil, South Africa, Russia and Cambodia.

Hanmi Pharmaceutical Co Ltd (KSE: 128940)

Founded in 1973 and headquartered in Seoul, Hanmi Pharmaceutical is one of the country's top five pharmaceutical companies by revenue and has been the highest R&D investor for several years. It mainly manufactures and markets prescription and OTC drugs, active pharmaceutical ingredients and diagnostic medicines. During third quarter 2013, its sales revenue declined by 20.5% from a year earlier to KRW536.2 **billion** (US$502.96 **million**). Although it trimmed its sales, general administrative and ordinary development costs, operating income fell 7.07% to KRW44.7 **billion** (US$41.93 **million**). However, profit after tax rose by 37.1% to KRW39.4 **billion** (US$36.96 **million**).

Market Outlook

of the pharmaceutical industry. The roadmap aims to stimulate innovative drug development and overseas expansion of South Korean pharmaceutical companies and to make the industry the seventh largest globally by 2020.

Taiwan

Sector Overview

Taiwan has a very strong active pharmaceutical ingredient (API) industry that provides specialty chemicals and high quality APIs globally and concentrates strongly on generic drugs as there are frequent drug price reductions through the National Health Insurance Scheme. Its healthcare market is driven by a single-payer global budget system under the Bureau of National Health Insurance (BNHI). In 2013 healthcare expenditure totaled NT$161.33 **billion** (US$5.51 **billion**), and is projected to grow to NT$168.94 **billion** (US$5.93 **billion**) in 2014, according to Business Market International.

Cancer is the leading cause of death in Taiwan, followed by cardiovascular and cerebrovascular diseases, and diabetes. Nearly 70% of 153,823 Taiwan deaths in 2012 were related to nine major diseases, including malignancy, cardiac disease, cerebrovascular disease and diabetes, Taiwan Ministry of Health and Welfare (MOHW) figures show.

Industry Size and Value

The pharmaceutical market was valued at US$4.4 **billion** in fiscal 2012-13, which US$1.6 **billion** revenues came from OTC market, while the traditional medicines segment was the most profitable market accounting for 51.5% of overall pharmaceutical revenues. The pharmaceutical market had a CAGR of 2.9% from 2006 to 2013, and is expected to have a CAGR of 3.9% to US$5.5 **billion** by 2018.

According to Taiwan's MOHW, about 80% of Taiwan's pharmaceutical products are sold through hospitals, 15% through local pharmacies and 5% in clinics. A large percentage of Taiwan's drugs come from domestic manufacturing facilities owned by international pharmaceutical companies, with less than half imported, mainly from the US and Europe.

Leading Companies

ScinoPharm Taiwan Ltd (TWN: 1789)

Founded in 1997, ScinoPharm Taiwan Ltd is one of Taiwan's leading pharmaceutical companies, researching, developing, producing and selling active pharmaceutical ingredients (APIs) to pharmaceutical companies worldwide. It provides custom synthesis services for early phase pharmaceutical activities, generic API manufacturing services and brand **company** outsourcing services.

In the six-months to June 30, 2013, its consolidated sales revenue totaled US$2.5 **billion**, up by 34% from a year earlier. Its operating profit rose significantly, by 75.2%, from US$482.4 **million** a year earlier to US$845.2 **million**, despite a 24.% increase in operating costs, and net profit after tax increased by 78.8% to US$756.2 **million**.

Nang Kuang Pharmaceutical Co Ltd (TWN: 1752)

Founded in 1963 and headquartered in Tainan, Nang Kuang Pharmaceutical Co Ltd is a leading pharmaceutical **company** with almost 50 years' experience in the production of injectable drugs. With a workforce of almost 330, Nang Kuang has become the largest injectable manufacturer in the country. In third quarter 2013, revenue totaled US$247.3 **million**, up from US$238.5 **million** in the second quarter. Although operating income showed a loss of US$1.6 **million**, net income after tax totaled US$2.5 **million**, compared with a loss of US$7.9 **million** the previous quarter.

Market Outlook

According to IMS the Taiwanese pharmaceutical market contracted for the first time in 20 years in 2012, with negative growth of 0.9%, while the hospital segment experienced a 2.3% decline. This followed the seventh biennial round of price cuts under the Price-Volume Survey (PVS) mechanism and reimbursement system.

The market is extremely difficult, with prices constantly decreasing, more companies competing for market share and product life cycles becoming shorter. Consequently, the Department of Health (DoH) and the Bureau of National Health Insurance (BNHI) introduced second-generation National Health Insurance (NHI), which is expected to improve pricing and regulatory policies.

Trade relations with **China** have improved with the recent signing of the Economic Cooperation Framework Agreement, and the Cross-Strait Cooperation Agreement on Medicine and Public Health Affairs, both aimed at promoting cooperation in medicine development and disease prevention. The agreements could be the channels for new drugs to gain access to the much larger **Chinese** market.

An ageing population, the rising prevalence of lifestyle diseases and the increasing demand for new medical technologies are expected to drive market growth. The demand for new oncology and liver cancer drugs is likely to increase, and circulatory and genitourinary diseases are other key therapeutic areas that are potential growth contributors.

Currency Conversion Table

Currency exchange rates as of February 7, 2014

currency unit	Units per US$	US$ per Unit
Australian Dollar (A$)	0.8959	0.8960
Chinese Yuan Renmibi (RMB)	6.0629	0.1649
Indian Rupee (Rs)	62.0900	0.0161
Japanese Yen (Y)	102.3200	0.0098
South Korea Won (KRW)	1073.8300	0.0009
Taiwanese New Dollar (NT$)	30.2900	0.0329

Source: Federal Reserve Bank of New York

Key References

Key References

Global

World Health Organization (WHO)

An organization responsible for directing and coordinating global health issues.

http://www.who.int.en

Organisation for Economic Co-operation and Development (OECD)

An international economic organization of 34 countries to stimulate economic progress and world trade.

http://www.oecd.org

IMS Health

An international research provider focuses on assessing and providing information on the global pharmaceutical industry.

http://www.imshealth.com

GlobalData

An organization that provides information and insights for the pharmaceutical and medical device sectors.

http://healthcare.globaldata.com

Mergermarket

Mergermarket is a business development tool that provides proprietary intelligence and analysis on corporate strategy across the world.

http://www.mergermarket.com

International Diabetes Federation

An organization who is committed in raising global awareness about diabetes, promoting appropriate diabetes care and prevention, and encouraging activities towards finding a cure for the different types of diabetes.

http://www.idf.org

Australia

Department of Health

seeks to provide better health and healthier ageing for all Australians through a world-class health system.

http://www.health.gov.au

Complementary Healthcare Council

An association that entirely committed to a vital and sustainable complementary healthcare products industry

http://www.chc.org.au

China

Chamber of Commerce for Import and Export of Medicines and Health Products

China's national trade association that seeks to promote the international trade and cooperation in medicinal and health products.

http://www.cccmhpie.org.cn

India

Department of Industrial Policy and Promotion

A department that formulate and implement promotional and developmental measures for industrial growth, national priorities and socio-economic objectives.

http://dipp.nic.in

Aranca Research

A global Research and Analytics **firm** providing customized investment research, business research, valuation, and patent research services.

http://www.aranca.com

Nomura Research Institute

An institution that provides market-leading information to the financial industry.

http://www.nri.com/global

Japan

Japan's Credit Suisse Securities

A body that provides advisory services, comprehensive solutions, and excellent products to companies, institutional clients and high-net-worth private clients worldwide.

https://www.credit-suisse.com/jp/ja

South Korea

Korea Pharmaceutical Traders Association

The Korea Pharmaceutical Traders Association (KPTA) acts as a government agency by assisting Korean importers that wish to register their cosmetic products.

http://www.kpta.or.kr

Taiwan

Pacific Bridge Medical

A medical consulting **company** providing business development and regulatory assistance for medical device and drug companies in the Asian markets.

http://www.pacificbridgemedical.com

Sales Contacts

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