

Third Quarter of FY2016 (March 2017) Earnings Results



Ken Uehara, Director
Taisho Pharmaceutical Holdings Co., Ltd.
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Results for the 3rd Quarter of FY2016



(¥ bn)

	FY2015 3Q(4-12)	FY2016 3Q(4-12)	YOY change	
Net sales	225.0	216.4	-8.5	-3.8%
Self-Medication	138.8	138.2	-0.6	-0.4%
Rx Pharmaceutical	86.2	78.3	-7.9	-9.2%
Operating income	22.7	26.6	+3.8	+16.9%
Ordinary income	29.1	31.4	+2.3	+7.8%
Profit attributable to owners of parents	18.7	23.7	+5.0	+26.5%

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

Overview of the 3rd Quarter Results: Sales of Self-Medication Operation Group



(¥ bn)

	FY2016 3Q(4-12)	YOY change		Factor
ALL	138.2	-0.6	-0.4%	
In Japan	115.7	+1.3	+1.1%	
<i>Lipovitan</i> series	47.4	-1.6	-3.2%	Outperformed the market trend, despite the continuing downtrend.
<i>Pabron</i> series	18.8	+0.8	+4.6%	Strong sales of cold remedies and rhinitis treatments.
<i>RiUP</i> series	12.3	-0.3	-2.7%	Performed largely as planned Partly impacted by product renewal in the previous year.
Others	37.2	+2.3	+6.7%	Steady growth in mail order and direct sales business.
Overseas	20.3	-1.9	-8.4%	Largely in line with plans on a local currency bases, negative impact from foreign exchange rate.

Note: Fractions of 1 billion are rounded down.
Changes are calculated in millions of yen.

<For reference: Market conditions> OTC drugs market
FY2016 3Q (Apr.- Dec.): contracted 0.3% YOY
(INTAGE SDI/SRI data on a value basis)

Overview of FY2016 3rd Quarter Results: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2016 3Q(4-12)	YOY change	
Self-Medication overseas business	20.3	-1.9	-8.4%
Overseas energy drinks	7.2	-0.7	-8.8%
Overseas OTC drugs	12.6	-1.0	-7.5%
Asia	11.1	-0.3	-2.9%
Other	1.5	-0.7	-31.1%

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

Overview of the 3rd Quarter Results: Sales of Prescription Pharmaceutical Operation Group



(¥ bn)

	FY2016 3Q(4-12)	YOY change		Factor
ALL	78.3	-7.9	-9.2%	
<i>Edirol</i>	17.5	+2.3	+15.3%	Penetrated market as a base-drug osteoporosis agent.
<i>ZOSYN</i>	12.7	-10.1	-44.3%	Decrease mainly due to NHI price revisions and promotion encouraging greater use of generic drugs.
<i>Bonviva</i>	4.6	+0.9	+23.9%	Injection treatment benefits recognized, penetrated market.
<i>Lusefi</i>	2.1	+1.4	+206.6%	Increased share of SGLT2 inhibitor market.
<i>LOQQA</i>	1.1	+1.1	-	Prescriptions expanded due to lifting of a ban on long-term prescriptions.

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

<For reference: Market conditions> The prescription pharmaceutical market contracted by 2.6% YOY
 The market for antibacterial products : -13.8% The market for active vitamin D₃ derivatives : +5.9%
 The market for bisphosphonate agents for osteoporosis and related diseases : -4.0%
 The market for SGLT2 inhibitor : +103.7%

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Factors Affecting FY2016 3rd Quarter Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥8.5bn)	Self-Medication Operation Group (down ¥0.6bn)	Rx Pharmaceutical Operation Group (down ¥7.9bn)	
Operating income (up ¥3.8bn)	Gross profit*: up ¥2.0bn (Gross margin*: FY2015 3Q: 60.6% → FY2016 3Q: 63.9%)		
	SG&A expenses down ¥1.9bn		
	(Main factors behind changes)		
	▪ R&D expenses	down ¥0.1bn	
	▪ Advertising expenses	up ¥0.0bn	
	▪ Sales promotion expenses	down ¥1.3bn	
	▪ Personnel expenses	down ¥0.3bn	
▪ Other	down ¥0.3bn		

*After provision/reversal of reserve for returned unsold goods

Note: Fractions of 0.1 billion are rounded down. Changes are calculated in millions of yen.

Non-operating items:

Equity in earnings/losses of affiliates: -0.8 billion yen



FY2016 Full-year Forecasts

(¥ bn)

	Full-year E (new)	YOY Change		Full-year E (previous)	Vs. previous E*
Net sales	281.5	-8.6	-3.0%	285.0	-3.5
Self-Medication	181.9	+1.2	+0.7%	185.4	-3.5
Rx Pharmaceutical	99.6	-9.8	-9.0%	99.6	-
Operating income	30.5	+1.6	+5.6%	29.5	+1.0
Ordinary income	36.5	-0.3	-0.7%	36.5	-
Profit attributable to owners of parents	27.5	+5.0	+22.4%	24.0	+3.5
EPS (Yen)	344.15	-	-	300.37	-

E: Estimates

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

*Comparison with forecasts of October 31, 2016



FY2016: Factors in Business Forecast Revisions

<u>Net Sale</u>		Vs. previous E*	Factor
Self-Medication	In Japan	-1.8 bn	Minus factored-in temporary demand ahead of consumption tax hike, etc.
	Overseas	-1.6 bn	Reflecting impact of depreciation in Asian currencies.
Rx Pharmaceutical		-	-
<u>Expenses</u>		Vs. previous E*	Factor
SG&A expenses		-3.6 bn	R&D expenses: -1.3bn Advertising expences: -0.9bn Sales promotion expenses: -0.5bn

E: Estimates

Note: Fractions of 0.1 billion are rounded down. Changes are calculated in millions of yen.

FY2016 Full-year Forecasts: Self-Medication Operation Group



	Full-year E (new)	YOY Change		Full-year E (previous)	(¥ bn) Vs. previous E*
ALL	181.9	+1.2	+0.7%	185.4	-3.5
In Japan	152.0	+3.9	+2.6%	153.8	-1.8
<i>Lipovitan</i> series	59.7	-0.8	-1.3%	60.4	-0.7
<i>Pabron</i> series	25.8	+1.0	+4.2%	25.5	+0.3
<i>RiUP</i> series	16.4	-0.2	-1.2%	16.9	-0.5
Overseas	27.4	-2.5	-8.3%	29.0	-1.6

E: Estimates

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

*Comparison with forecasts of October 31, 2016

FY2016 Full-year Forecasts: Self-Medication Overseas Business



(¥ bn)

	Full-year E (New)	YOY change		Full-year E (Previous)	Vs. previous E*
Self-Medication overseas business	27.4	-2.5	-8.3%	29.0	-1.6
Overseas energy drinks	9.4	-1.0	-9.4%	9.7	-0.3
Overseas OTC drugs	17.1	-1.3	-7.0%	18.5	-1.4
Asia	15.1	-0.5	-3.3%	15.7	-0.5
Other	2.0	-0.8	-28.3%	2.9	-0.9

E: Estimates

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

*Comparison with forecasts of October 31, 2016

FY2016 Full-year Forecasts: Prescription Pharmaceutical Operation Group



(¥ bn)

	Full-year E (New)	YOY change		Full-year E (Previous)	Vs. previous E*
ALL	99.6	-9.8	-9.0%	99.6	-
<i>Edirol</i>	22.7	+2.9	+14.4%	22.4	+0.3
<i>ZOSYN</i>	15.1	-12.2	-44.7%	15.4	-0.3
<i>Bonviva</i>	6.0	+1.1	+21.8%	6.6	-0.6
<i>Lusefi</i>	2.8	+1.9	+217.0%	2.6	+0.2
<i>LOQQA</i>	1.8	+1.4	+312.1%	1.8	-

E: Estimates

Note: Fractions of 1 billion are rounded down. Changes are calculated in millions of yen.

*Comparison with forecasts of October 31, 2016

Factors Affecting FY2016 Full-year Forecasts

Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥8.6bn)	Self-Medication Operation Group (up ¥1.2bn)	Rx Pharmaceutical Operation Group (down ¥9.8bn)
Operating income (up ¥1.6bn)	Gross profit* : up ¥2.1bn (Gross margin* FY2015: 60.9% → FY2016: 63.6%)	
	SG&A expenses	up ¥0.5bn
	(Main factors behind changes)	
	▪ R&D expenses	up ¥0.3bn
	▪ Advertising expenses	up ¥1.2bn
	▪ Sales promotion expenses	down ¥1.5bn
	▪ Personnel expenses	up ¥0.2bn
▪ Other	up ¥0.2bn	

*After provision/reversal of reserve for returned unsold goods

Note: Fractions of 0.1 billion are rounded down. Changes are calculated in millions of yen.

Non-operating items:

Equity in earnings/losses of affiliates: -0.7 billion yen (down ¥1.0bn)

Prescription Pharmaceuticals: New Drug Pipeline (1)



Drugs under development by Taisho Pharmaceutical: Phase 2

(As of February 2, 2017)

	<u>Planned application</u> Description	Development with	In Japan/ Overseas
Phase 2			
TS-091 (Oral)	<u>Central disorders of hypersomnolence</u>	In-house	In Japan
TS-152 (Injection)	<u>Rheumatoid arthritis</u> Anti-TNF(Tumor Necrosis Factor)- α antibody In-license (Licensor: Ablynx) Generic name: Ozoralizumab	In-house	In Japan
TS-141 (Oral)	<u>Childhood Attention-Deficit/Hyperactivity Disorder</u>	In-house	In Japan
TS-133 (Topical)	<u>Alopecia</u>	In-house	In Japan

Prescription Pharmaceuticals: New Drug Pipeline (2)



Drugs under development by Taisho Pharmaceutical: Phase 1

(As of February 2, 2017)

	Target disease	In-house/ Licensed-in	In Japan/ Overseas
Phase 1			
TS-071* (Oral)	Type 2 diabetes	In-house	Overseas
TS-121 (Oral)	Depression	In-house	Overseas
TS-091 (Oral)	Central disorders of hypersomnolence	In-house	Overseas
TS-134 (Oral)	Schizophrenia	In-house	Overseas

*TS-071: Generic name: Luseogliflozin Hydrate, Product name: *Lusefi*