

FY2016 (March 2017) Earnings Results



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Taisho Pharmaceutical Holdings Co., Ltd.



Results for Fiscal Year 2016

(¥ bn)

	FY2015	FY2016	YOY change		Vs. Previous E*
Net sales	290.1	279.8	-10.4	-3.6%	-1.7
Self-Medication	180.7	180.0	-0.7	-0.4%	-1.9
Rx Pharmaceutical	109.4	99.8	-9.6	-8.8%	+0.2
Operating income	28.9	32.0	+3.1	+10.7%	+1.5
Ordinary income	36.8	38.0	+1.3	+3.4%	+1.5
Net income	22.5	28.8	+6.3	+28.1%	+1.3
EPS (Yen)	277.75	360.18	-	-	-

*As of February 2, 2017

E: Estimates

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

Overview of FY2016 Results :

Sales of Self-Medication Operation Group



(¥ bn)

	FY2016	YOY change		Factor
ALL	180.0	-0.7	-0.4%	
In Japan	149.7	+1.6	+1.1%	
<i>Lipovitan</i> series	58.5	-2.0	-3.3%	Influence of the continuing downtrend.
<i>Pabron</i> series	26.3	+1.5	+6.1%	Strong sales of cold remedies and rhinitis treatments.
<i>RiUP</i> series	16.1	-0.5	-2.9%	Performed largely as planned Partly impacted by product renewal in the previous year.
Others	48.9	+2.6	+5.6%	Steady growth in mail order and direct sales business.
Overseas	27.5	-2.4	-7.9%	

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

<For reference: Market conditions> OTC drugs market
FY2016 : contracted 0.5% YOY
(INTAGE SDI/SRI data on a value basis)

FY2016: Sales of Leading Brands (Self-Medication Operation Group in Japan)



(¥ bn)

	FY2015	FY2016	YOY change		Vs. Previous E*
<i>Lipovitan</i> series	60.5	58.5	-2.0	-3.3%	-1.2
<i>Pabron</i> series	24.8	26.3	+1.5	+6.1%	+0.5
<i>RiUP</i> series	16.5	16.1	-0.5	-2.9%	-0.3
<i>Livita</i> series	3.9	3.8	-0.1	-2.1%	-0.1
GI drugs series	4.1	4.0	-0.1	-3.0%	-0.0
<i>NARON</i> series	3.7	3.4	-0.3	-8.3%	-0.1
<i>VICKS</i> series	3.6	3.6	+0.0	+0.7%	-0.0

*As of February 2, 2017

E: Estimates

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

FY2016: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2015	FY2016	YOY change		Vs. Previous E*
Self-Medication overseas business	29.9	27.5	-2.4	-7.9%	+0.1
Overseas energy drinks	10.3	9.4	-1.0	-9.5%	-0.0
Overseas OTC drugs	18.4	17.2	-1.2	-6.7%	+0.1
Asia	15.7	15.1	-0.5	-3.3%	+0.0
Other	2.8	2.0	-0.7	-25.8%	+0.1

*As of February 2, 2017

E: Estimates

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



Overview of FY2016 Results:

Sales of Prescription Pharmaceutical Operation Group

(¥ bn)

	FY2016	YOY change		Factor
ALL	99.8	-9.6	-8.8%	
<i>Edirol</i>	22.6	+2.8	+13.9%	Penetrated market as a base-drug osteoporosis agent.
<i>ZOSYN</i>	15.5	-11.8	-43.2%	Decrease mainly due to NHI price revisions and promotion encouraging greater use of generic drugs.
<i>Bonviva</i>	5.9	+1.0	+19.9%	Injection treatment benefits recognized, penetrated market.
<i>Lusefi</i>	2.9	+2.0	+225.2%	Increased share of SGLT2 inhibitor market.
<i>LOQQA</i>	1.8	+1.4	+315.2%	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 3.8% YOY
 The market for antibacterial products : -13.6% The market for active vitamin D₃ derivatives : +5.6%
 The market for bisphosphonate agents for osteoporosis and related diseases : -3.6%
 The market for SGLT2 inhibitor : +93.6%

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FY2016: Sales of Leading Products (Rx Pharmaceutical Operation Group)



(¥ bn)

	FY2015	FY2016	YOY change		Vs. Previous E*
<i>Edirol</i>	19.8	22.6	+2.8	+13.9%	-0.1
<i>ZOSYN</i>	27.3	15.5	-11.8	-43.2%	+0.4
<i>Clarith</i>	12.0	9.3	-2.7	-22.3%	-0.1
<i>Bonviva</i>	4.9	5.9	+1.0	+19.9%	-0.1
<i>Palux</i>	6.2	5.4	-0.9	-13.7%	+0.1
<i>Geninax</i>	4.3	5.2	+0.9	+21.3%	+0.0
<i>Lusefi</i>	0.9	2.9	+2.0	+225.2%	+0.1
<i>LOQOA</i>	0.4	1.8	+1.4	+315.2%	+0.0

*As of February 2, 2017

E: Estimates

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

Factors Affecting FY2016 Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥10.4bn)	Self-Medication (down ¥0.7bn)	Rx Pharmaceutical (down ¥9.6bn)
Operating income (up ¥3.1bn)	Gross profit* : up ¥1.4bn (Gross margin* : FY2015: 60.9% → FY2016: 63.7%)	
	SG&A expenses	down ¥1.7bn
	(Main factors behind changes)	
	▪ R&D expenses	down ¥0.5bn
	▪ Advertising expenses	up ¥0.7bn
	▪ Sales promotion expenses	down ¥1.7bn
	▪ Personnel expenses	down ¥0.2bn
	▪ Others	up ¥0.0bn
Non-operating items: Equity method losses of ¥0.6bn (down ¥1.0bn)		

*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.

FY2017 Full-year Forecasts



(¥ bn)

	FY2016	FY2017E	YOY change	
Net sales	279.8	279.0	-0.8	-0.3%
Self-Medication	180.0	181.3	+1.3	+0.7%
Rx Pharmaceutical	99.8	97.7	-2.1	-2.1%
Operating income	32.0	28.5	-3.5	-10.8%
Ordinary income	38.0	34.5	-3.5	-9.3%
Net income	28.8	24.0	-4.8	-16.6%
EPS (Yen)	360.18	300.38	-	-

E: Estimates

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

FY2017 Forecasts: Sales of Leading Brands (Self-Medication Operation Group in Japan)



(¥ bn)

	FY2016	FY2017E	YOY change	
<i>Lipovitan</i> series	58.5	56.8	-1.7	-2.9%
<i>Pabron</i> series	26.3	26.9	+0.6	+2.2%
<i>RiUP</i> series	16.1	15.9	-0.2	-1.0%
<i>Livita</i> series	3.8	3.6	-0.2	-5.6%
GI drugs series	4.0	3.9	-0.1	-2.3%
<i>NARON</i> series	3.4	3.5	+0.1	+4.1%
<i>VICKS</i> series	3.6	4.2	+0.5	+15.0%

E: Estimates

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

FY2017 Forecasts: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2016	FY2017E	YOY change	
Self-Medication Overseas business	27.5	29.5	+1.9	+7.1%
Overseas energy drinks	9.4	9.9	+0.5	+5.6%
Overseas OTC drugs	17.2	18.3	+1.1	+6.4%
Asia	15.1	16.3	+1.1	+7.5%
Other	2.0	2.0	-0.0	-1.4%

E: Estimates

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

FY2017 Forecasts: Sales of Leading Products (Rx Pharmaceutical Operation Group)



(¥ bn)

	FY2016	FY2017E	YOY change	
<i>Edirol</i>	22.6	25.0	+2.4	+10.6%
<i>ZOSYN</i>	15.5	9.5	-6.0	-38.8%
<i>Clarith</i>	9.3	8.5	-0.8	-8.8%
<i>Bonviva</i>	5.9	7.1	+1.2	+20.1%
<i>Palux</i>	5.4	4.8	-0.6	-10.4%
<i>Geninax</i>	5.2	4.5	-0.7	-13.5%
<i>Lusefi</i>	2.9	4.8	+1.9	+67.1%
<i>LOQQA</i>	1.8	3.6	+1.8	+98.5%

E: Estimates

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

Factors Affecting FY2017 Full-year Forecasts

Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥0.8bn)	Self-Medication (up ¥1.3bn)	Rx Pharmaceutical (down ¥2.1bn)
Operating income (down ¥ 3.5bn)	Gross profit* : up ¥2.7bn (Gross margin* : FY2016: 63.7% → FY2017E: 64.8%)	
	SG&A expenses up ¥6.1bn	
	(Main factors behind changes)	
	▪ R&D expenses	up ¥2.7bn
	▪ Advertising expenses	up ¥1.1bn
	▪ Sales promotion expenses	up ¥1.0bn
	▪ Personnel expenses	up ¥0.5bn
	▪ Others	up ¥0.8bn
Non-operating items: Equity method loss of ¥1.0bn (down ¥0.4bn)		

*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.

Rx Pharmaceuticals: New Drug Development



- Drugs under development by Taisho Pharmaceutical Co., Ltd.:
Changes since FY2016 3Q earnings announcement (February 2, 2017)

(As of May 15, 2017)

TS-142 (oral)	
Planned application	Insomnia
Changes	Added to Phase 2
TS-121 (oral)	
Planned application	Depression
Changes	Transfer to Phase 2 from Phase 1

Rx Pharmaceuticals: New Drug Pipeline (1)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2
(As of May 15, 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
TS-142 (Oral)	<u>Insomnia</u>	In-house	In Japan
TS-121 (Oral)	<u>Depression</u>	In-house	Overseas

Rx Pharmaceuticals: New Drug Pipeline (2)



Drugs under development by Taisho Pharmaceutical Co., Ltd.:
Phase 1

(As of May 15, 2017)

	<u>Target disease</u>	In-house/ Licensed-in	In Japan/ Overseas
Phase 1			
TS-071 (Oral)	<u>Type 2 diabetes</u> Generic name: Luseogliflozin Hydrate Product name in Japan: Lusefi	In-house	Overseas
TS-091 (Oral)	<u>Central disorders of hypersomnolence</u>	In-house	Overseas
TS-134 (Oral)	<u>Schizophrenia</u>	In-house	Overseas

Direction of Taisho Pharmaceutical Group's Business Development



- Aim for well-balanced growth of the Self-Medication Operations and Rx Pharmaceutical Operations businesses, thereby maximizing the corporate value of the Taisho Pharmaceutical Group

In order to achieve this

- **Self-Medication Operation Group**
In Japan: Strengthen activities to create demand and build strong brands.
Overseas: Enhance the Group's presence in the regions it has entered.
- **Rx Pharmaceutical Operation Group**
Strengthen measures to maximize new drug sales and continuously launch new drugs.

Measures Ahead

- Self-Medication Operation Group (Japan)

Create demand and build strong brands.

- ✓ Strive to develop and nurture products that stay on top of the heightened health consciousness and shifting needs of consumers.
- ✓ Conduct activities aimed at broadening the level of interaction with consumers and capturing their hearts.

Measures Ahead

- Self-Medication Operation Group (Overseas)

Seek to capture a leading market position in each country the Group has entered, with a view to achieving sustained growth.

✓ Strengthen business expansion in growing markets primarily in Southeast Asia.

◆ Develop new users

Develop new products in the peripheral fields of core brands, among other measures.

◆ Strive to establish a medium- to long-term growth platform

Consider expanding to new countries and non-OTC drug fields, including examining M&A options.

Measures Ahead

- Rx Pharmaceutical Operation Group

Strengthen measures to maximize new drug sales and continuously launch new drugs.

- ✓ Strive to maximize sales of new drugs such as *Lusefi* and *LOQQA*.
- ✓ Work to strengthen the pipeline by conducting in-licensing activities, while seeking to obtain early approval of compounds at the development stage.
- ✓ Seek to continuously create compounds for original development by bolstering cooperation with external research organizations.



Returns to Shareholders

- Annual Dividend for FY2016: ¥ 110 per share
(Payout ratio: 30.5%)
(interim dividend: ¥ 50 per share; year-end dividend: ¥ 60 per share)
- Annual Dividend for FY2017 (forecast): ¥ 110 per share
(Payout ratio: 36.6%)
(interim dividend: ¥ 50 per share; year-end dividend: ¥ 60 per share)
- No Changes in Our Policies on Dividends and Share Buybacks
 - Taisho aims to pay a consistently stable dividend, targeting a dividend payout ratio of 30%.
(excluding extraordinary gains and losses)
 - Barring special circumstances, Taisho plans to maintain an annual dividend of ¥100 per share.