

First Quarter of FY2017 (March 2018) Earnings Results



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Results for the 1st Quarter of FY2017



(¥ bn)

| | FY2016 1Q | FY2017 1Q | YOY Change | |
|---|--------------|--------------|------------|--------|
| Net sales | 69.4 | 68.5 | -0.9 | -1.3% |
| Self-Medication | 43.0 | 44.8 | +1.8 | +4.2% |
| Rx Pharmaceutical | 26.4 | 23.7 | -2.7 | -10.3% |
| Operating income | 9.1 | 6.9 | -2.2 | -23.8% |
| Ordinary income | 10.4 | 8.8 | -1.6 | -15.6% |
| Profit attributable to owners of parents | 6.9 | 5.5 | -1.4 | -20.3% |

Note: Fractions of 0.1 billion are rounded down.

Overview of the 1st Quarter Results: Sales of Self-Medication Operation Group



(¥ bn)

| | FY2017 1Q | YOY change | | Factor |
|-------------------------|--------------|------------|--------|--|
| ALL | 44.8 | +1.8 | +4.2% | |
| In Japan | 35.9 | +0.4 | +1.1% | |
| <i>Lipovitan</i> series | 14.6 | -1.0 | -6.3% | Influence of the continuing market downtrend and other factors. |
| <i>Pabron</i> series | 4.6 | +0.3 | +7.9% | Strong sales of cold remedies and rhinitis treatments. |
| <i>RiUP</i> series | 3.7 | -0.1 | -1.9% | Maintained continuing users. |
| Others | 13.0 | +1.1 | +9.3% | Steady growth in mail order and direct sales business. |
| Overseas | 8.3 | +1.4 | +21.2% | Sales grew as planned, despite temporary inventory factors. |

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

<For reference: Market conditions> OTC drugs market
FY2017 1Q (Apr.- Jun.): expanded 1.2% YOY
(INTAGE SDI/SRI data on a value basis)

Overview of FY2017 1st Quarter Results: Sales of Self-Medication Overseas Business



(¥ bn)

| | FY2016 1Q | FY2017 1Q | YOY change | |
|--------------------------------------|--------------|--------------|------------|--------|
| Self-Medication overseas business | 6.8 | 8.3 | +1.4 | +21.2% |
| Overseas energy drinks | 2.5 | 2.8 | +0.3 | +12.5% |
| Overseas OTC drugs | 4.2 | 5.1 | +0.9 | +20.6% |
| Asia | 3.6 | 4.5 | +0.9 | +26.1% |
| Others | 0.6 | 0.6 | -0.1 | -10.5% |

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

Overview of the 1st Quarter Results: Sales of Prescription Pharmaceutical Operation Group



(¥ bn)

| | FY2017 1Q(4-6) | YOY change | | Factor |
|----------------|-------------------|------------|---------|---|
| ALL | 23.7 | -2.7 | -10.3% | |
| <i>Edirol</i> | 6.2 | +0.5 | +8.0% | Penetrated market as a base-drug osteoporosis agent. |
| <i>ZOSYN</i> | 2.8 | -1.5 | -34.3% | Decreased due to the impact of generic drugs. |
| <i>Bonviva</i> | 1.6 | -0.1 | -5.8% | Launch of a new oral formulation in FY2016 1Q |
| <i>Lusefi</i> | 1.2 | +0.7 | +157.9% | Expansion of the SGLT2 inhibitor market |
| <i>LOQQA</i> | 0.8 | +0.5 | +199.5% | Expanded market recognition of strong clinical benefits |

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 0.9% YOY

The market for antibacterial products : -6.4% The market for active vitamin D₃ derivatives: +6.1%

The market for bisphosphonate agents for osteoporosis and related diseases : -2.1%

The market for SGLT2 inhibitor :+67.0%

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Factors Affecting FY2017 1st Quarter: Net Sales and Profits



(Year-on-Year change)

| | | |
|---|---|--|
| Net sales (down ¥0.9bn) | Self-Medication (up ¥1.8bn) | Prescription Pharmaceutical (down ¥2.7bn) |
| Operating income (down ¥2.2bn) | Gross profit* down ¥0.1bn (Gross margin* FY2016 1Q: 64.0%, FY2017 1Q: 64.6%) | |
| | SG&A expenses up ¥2.1bn | |
| | (Main factors behind changes) | |
| | ·R&D expenses | up ¥0.2bn |
| | ·Advertising expenses | up ¥1.0bn |
| | ·Sales promotion expenses | up ¥0.2bn |
| | ·Personnel expenses | down ¥0.2bn |
| ·Other | up ¥0.8bn | |
| Non-operating items: Equity in losses of affiliates: ¥0.4bn (down ¥0.1bn) | | |

*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.



Overview of FY2017 Forecasts

(¥ bn)

| | FY2017 2Q E | FY2017 Full-year E | YOY Change | |
|---|----------------|-----------------------|------------|--------|
| Net sales | 137.5 | 279.0 | -0.8 | -0.3% |
| Self-Medication | 89.3 | 181.3 | +1.3 | +0.7% |
| Rx Pharmaceutical | 48.2 | 97.7 | -2.1 | -2.1% |
| Operating income | 11.5 | 28.5 | -3.5 | -10.8% |
| Ordinary income | 14.5 | 34.5 | -3.5 | -9.3% |
| Profit attributable to owners of parents | 10.5 | 24.0 | -4.8 | -16.6% |
| EPS (Yen) | 131.41 | 300.38 | - | - |

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) | Prescription Pharmaceutical (down ¥2.1bn) |
| Operating income (down ¥3.5bn) | Gross profit* up ¥2.7bn (Gross margin* FY2016: 63.7% → FY2017: 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 |
| | ▪ Other | up ¥0.8bn |
| Non-operating items: Equity in losses of affiliates: ¥1.0bn (down 0.4bn) | | |

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Rx Pharmaceuticals: New Drug Pipeline (1)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2 (As of Aug 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 |
| 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.: From Phase 1

(As of Aug 2, 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 |