

# Second Quarter of FY2017 (March 2018) Earnings Results



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Taisho Pharmaceutical Holdings  
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# Results for the 2nd Quarter of FY2017



(¥ bn)

	FY2016 2Q(4-9)	FY2017 2Q(4-9)	YOY Change		Vs. previous E*
Net sales	141.0	138.6	-2.4	-1.7%	+1.1
Self-Medication	90.5	91.9	+1.4	+1.6%	+2.6
Rx Pharmaceutical	50.6	46.8	-3.8	-7.5%	-1.4
Operating profit	16.7	15.2	-1.5	-8.9%	+3.7
Ordinary profit	19.1	17.9	-1.3	-6.7%	+3.4
Profit attributable to owners of parents	13.5	12.0	-1.5	-11.0%	+1.5

Note: Fractions of 0.1 billion are rounded down.

\*Comparison with forecast of August 2 ,2017

# Overview of the 2nd Quarter Results: Sales of Self-Medication Operation Group



(¥ bn)

	FY2017 2Q(4-9)	YOY change		Factor
ALL	91.9	+1.4	+1.6%	
In Japan	74.5	-0.8	-1.1%	
<i>Lipovitan</i> series	31.0	-2.0	-6.1%	Influence of the continuing market downtrend and other factors.
<i>Pabron</i> series	11.4	+1.1	+11.1%	Strong sales of cold remedies and rhinitis treatments.
<i>RiUP</i> series	7.8	-0.1	-1.5%	Maintained continuing users.
Others	24.4	+0.2	+0.7%	The mail order and direct sales business posted steady growth. Temporary decline due to a change in the commercial distribution process for <i>Biofermin</i> .
Overseas	16.0	+2.2	+16.2%	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 2Q (Apr.- Sep.): expanded 0.9% YOY  
(INTAGE SDI/SRI data on a value basis)

# 2Q of FY2017: Sales of Leading Brands Self-Medication Operation Group in Japan



(¥ bn)

	FY2017 2Q(4-9)	YOY change		Vs. previous E*
<i>Lipovitan series</i>	31.0	- 2.0	-6.1%	- 0.4
<i>Pabron series</i>	11.4	+ 1.1	+11.1%	+0.9
<i>RiUP series</i>	7.8	- 0.1	-1.5%	+0.0
<i>Livita series</i>	1.7	-0.2	-10.8%	- 0.0
GI drugs series	1.8	- 0.0	-0.6%	- 0.0
<i>NARON series</i>	1.5	- 0.2	-12.5%	- 0.1
<i>VICKS series</i>	1.5	+ 0.0	+2.0%	- 0.0

E: Estimates

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

\*Comparison with forecast of August 2, 2017

# Overview of FY2017 2nd Quarter Results: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2017 2Q(4-9)	YOY change		Vs. previous E*
Self-Medication overseas business	16.0	+2.2	+16.2%	+1.7
Overseas energy drinks	5.6	+0.7	+13.8%	+0.6
Overseas OTC drugs	9.5	+1.1	+12.7%	+0.9
Asia	8.4	+1.1	+14.5%	+0.8
Others	1.1	+0.0	+1.5%	+0.1

Note: Fractions of 0.1 billion are rounded down.

Changes are calculated in millions of yen.

\*Comparison with forecast of August 2, 2017



# Overview of the 2nd Quarter Results: Sales of Prescription Pharmaceutical Operation Group

(¥ bn)

	FY2017 2Q(4-9)	YOY change		Factor
ALL	46.8	-3.8	-7.5%	
<i>Edirol</i>	12.4	+1.1	+9.7%	Penetrated market as a base-drug osteoporosis agent.
<i>ZOSYN</i>	5.3	-3.0	-35.8%	Decreased due to the impact of generic drugs.
<i>Bonviva</i>	3.2	+0.1	+2.9%	Steadily expanded market share amid a flat market.
<i>Lusefi</i>	2.1	+0.6	+43.0%	Expansion of the SGLT2 inhibitor market
<i>LOQQA</i>	1.6	+1.1	+200.3%	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 0.1% YOY

The market for antibacterial products : -10.5%    The market for active vitamin D<sub>3</sub> derivatives: +6.8%

The market for bisphosphonate agents for osteoporosis and related diseases : -0.5%

The market for SGLT2 inhibitor :+60.6%

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# Prescription Pharmaceutical: Sales of Leading Products for 2Q of FY2017



(¥ bn)

	FY2017 2Q(4-9)	YOY change		Vs. previous E*
<i>Edirol</i>	12.4	+1.1	+9.7%	+0.1
<i>ZOSYN</i>	5.3	-3.0	-35.8%	-0.3
<i>Clarith</i>	3.4	-0.6	-15.1%	-0.3
<i>Bonviva</i>	3.2	+0.1	+2.9%	-0.2
<i>Palux</i>	2.5	-0.3	-10.1%	+0.0
<i>Geninax</i>	2.0	-0.7	-25.8%	+0.0
<i>Lusefi</i>	2.1	+0.6	+43.0%	+0.0
<i>LOQOA</i>	1.6	+1.1	+200.3%	-0.0

E: Estimates

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

\*Comparison with forecast of August 2, 2017

# Factors Affecting FY2017 2nd Quarter: Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥2.4bn)	<b>Self-Medication</b> (up ¥1.4bn)	<b>Prescription Pharmaceutical</b> (down ¥3.8bn)
Operating profit (down ¥1.5bn)	Gross profit* down ¥0.8bn (Gross margin* FY2016 2Q: 64.1%, FY2017 2Q: 64.6%)	
	SG&A expenses up ¥0.7bn	
	(Main factors behind changes)	
	▪ R&D expenses	up ¥0.3bn
	▪ Advertising expenses	up ¥0.7bn
	▪ Sales promotion expenses	down ¥0.7bn
	▪ Personnel expenses	down ¥0.3bn
▪ Other	up ¥0.7bn	

\*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 losses of affiliates: - 1.0bn





# Overview of FY2017 Forecasts

(¥ bn)

	FY2017 Full-year E	YOY Change	
Net sales	279.0	-0.8	-0.3%
Self-Medication	181.3	+1.3	+0.7%
Rx Pharmaceutical	97.7	-2.1	-2.1%
Operating profit	28.5	-3.5	-10.8%
Ordinary profit	34.5	-3.5	-9.3%
Profit attributable to owners of parents	24.0	-4.8	-16.6%
EPS (Yen)	300.38	-	-

E: Estimates

Note: Fractions of 0.1 billion are rounded down.

Changes are calculated in millions of yen.

# FY2017: Forecasts for Leading Brands/Products (Self-Medication, Japan)



(¥ bn)

	FY2017 Full-year E	YOY Change	
<i>Lipovitan series</i>	56.8	-1.7	-2.9%
<i>Pabron series</i>	26.9	+0.6	+2.2%
<i>RiUP series</i>	15.9	-0.2	-1.0%
<i>Livita series</i>	3.6	-0.2	-5.6%
<i>VICKS series</i>	4.2	+0.5	+15.0%
GI drugs series	3.9	-0.1	-2.3%
<i>NARON series</i>	3.5	+0.1	+4.1%

E: Estimates

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

# FY2017 Forecasts: Overseas Business



(¥ bn)

	FY2017 Full-year E	YOY change	
Self-Medication Overseas business	29.5	+1.9	+7.1%
Overseas energy drinks	9.9	+0.5	+5.6%
Overseas OTC drugs	18.3	+1.1	+6.6%
Asia	16.3	+1.2	+7.7%
Other	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 for Leading Brands/Products (Prescription Pharmaceutical)



(¥ bn)

	FY2017 Full-year E	YOY change	
<i>Edirol</i>	25.0	+2.4	+10.6%
<i>ZOSYN</i>	9.5	-6.0	-38.8%
<i>Clarith</i>	8.5	-0.8	-8.8%
<i>Bonviva</i>	7.1	+1.2	+20.1%
<i>Palux</i>	4.8	-0.6	-10.4%
<i>Geninax</i>	4.5	-0.7	-13.5%
<i>Lusefi</i>	4.8	+1.9	+67.1%
<i>LOQOA</i>	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)	Prescription Pharmaceutical (down ¥2.1bn)
Operating profit (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)		

\*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 Pipeline (1)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2 (As of Oct 30, 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)- $\alpha$ 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 Oct 30,2017)

	<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



# Dividends

- Annual Dividend for FY2017 (forecast)
  - ¥110 per share (Payout ratio: 36.6%)
    - interim dividend: ¥50 per share (Dec., 2017)
    - year-end dividend (Scheduled): ¥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.