

# Third Quarter of FY2017 (March 2018) Earnings Results



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February 1, 2018

# Results for the 3rd Quarter of FY2017



(¥ bn)

|  | FY2016<br>3Q(4-12) | FY2017<br>3Q(4-12) | YOY change |        |
|--|--------------------|--------------------|------------|--------|
|  |                    |                    |            |        |
| Net sales                                | 216.4              | 215.8              | -0.6       | -0.3%  |
| Self-Medication                          | 138.2              | 140.9              | +2.7       | +1.9%  |
| Rx Pharmaceutical                        | 78.3               | 74.9               | -3.3       | -4.2%  |
| Operating income                         | 26.6               | 28.6               | +2.0       | +7.5%  |
| Ordinary income                          | 31.4               | 33.4               | +2.0       | +6.4%  |
| Profit attributable to owners of parents | 23.7               | 26.5               | +2.8       | +11.8% |

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)

|                         | FY2017<br>3Q(4-12) | YOY change |        | Factor   |
|-------------------------|--------------------|------------|--------|--|
| ALL                     | 140.9              | +2.7       | +1.9%  |  |
| In Japan                | 115.3              | -0.5       | -0.4%  |  |
| <i>Lipovitan</i> series | 44.1               | -3.3       | -6.9%  | Influence of the continuing market<br>downtrend and other factors.   |
| <i>Pabron</i> series    | 20.9               | +2.1       | +10.9% | Strong sales of cold remedies and<br>rhinitis treatments.  |
| <i>RiUP</i> series      | 12.3               | +0.0       | +0.3%  | Maintained continuing users.   |
| Others                  | 38.0               | +0.7       | +2.0%  | The mail order and direct sales<br>business posted steady growth.<br>Temporary decline due to a change<br>in the commercial distribution process<br>for <i>Biofermin</i> . |
| Overseas                | 23.5               | -3.1       | +15.4% | Sales grew as planned,<br>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 3Q (Apr.- Dec.): contracted 0.1% YOY  
(INTAGE SDI/SRI data on a value basis)

# Overview of FY2017 3rd Quarter Results: Sales of Self-Medication Overseas Business



(¥ bn)

|                                      | FY2017<br>3Q(4-12) | YOY change |        |
|--------------------------------------|--------------------|------------|--------|
| Self-Medication<br>overseas business | 23.5               | +3.1       | +15.4% |
| Overseas energy<br>drinks            | 8.5                | +1.3       | +18.3% |
| Overseas OTC drugs                   | 13.8               | +1.2       | +9.6%  |
| Asia                                 | 12.2               | +1.1       | +10.3% |
| Other                                | 1.6                | +0.1       | +4.3%  |

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)

|                | FY2017<br>3Q(4-12) | YOY change |         | Factor  |
|----------------|--------------------|------------|---------|---|
| ALL            | 74.9               | -3.3       | -4.2%   |   |
| <i>Edirol</i>  | 19.2               | +1.6       | +9.3%   | Penetrated market as a base-drug osteoporosis agent.        |
| <i>ZOSYN</i>   | 7.9                | -4.8       | -37.7%  | Decreased due to the impact of generic drugs.               |
| <i>Bonviva</i> | 4.9                | +0.3       | +7.0%   | Injection treatment benefits recognized, penetrated market. |
| <i>Lusefi</i>  | 3.6                | +1.5       | +68.3%  | Expansion of the SGLT2 inhibitor market.                    |
| <i>LOQQA</i>   | 2.4                | +1.3       | +123.2% | 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 expanded by 1.1% YOY  
 The market for antibacterial products : -8.8%      The market for active vitamin D<sub>3</sub> derivatives : +7.3%  
 The market for bisphosphonate agents for osteoporosis and related diseases : +0.5%  
 The market for SGLT2 inhibitor : +59.4%

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# Factors Affecting FY2017 3rd Quarter Net Sales and Profits



(Year-on-Year change)

|                                    |  |   |
|------------------------------------|--|---|
| Net sales<br>(down ¥0.6bn)         | <b>Self-Medication<br/>Operation Group</b><br>(up ¥2.7bn)                        | <b>Rx Pharmaceutical<br/>Operation Group</b><br>(down ¥3.3bn) |
| Operating<br>income<br>(up ¥2.0bn) | Gross profit*: up ¥2.3bn<br>(Gross margin*: FY2016 3Q: 63.9% → FY2017 3Q: 65.2%) |   |
|                                    | SG&A expenses  | up ¥0.3bn   |
|                                    | (Main factors behind changes)  |   |
|                                    | ▪ R&D expenses   | up ¥0.0bn   |
|                                    | ▪ Advertising expenses   | up ¥0.7bn   |
|                                    | ▪ Sales promotion expenses   | down ¥1.3bn   |
|                                    | ▪ Personnel expenses   | down ¥0.4bn   |
| ▪ Other                            | up ¥1.4bn  |   |

\*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.

Non-operating items:

Equity in earnings/losses of affiliates: -0.7 billion yen



# FY2017 Full-year Forecasts

(¥ bn)

|   | Full-year E<br>(new) | YOY Change |       | Full-year E<br>(previous) | Vs.<br>previous<br>E* |
|---|----------------------|------------|-------|---------------------------|-----------------------|
|   |                      |            |       |                           |                       |
| Net sales                                   | 279.5                | -0.3       | -0.1% | 279.0                     | +0.5                  |
| Self-Medication                             | 183.5                | +3.5       | +1.9% | 181.3                     | +2.2                  |
| Rx Pharmaceutical                           | 96.0                 | -3.8       | -3.8% | 97.7                      | -1.7                  |
| Operating income                            | 33.5                 | +1.5       | +4.8% | 28.5                      | +5.0                  |
| Ordinary income                             | 38.5                 | +0.5       | +1.2% | 34.5                      | +4.0                  |
| Profit attributable to<br>owners of parents | 30.0                 | +1.2       | +4.2% | 24.0                      | +6.0                  |
| EPS (Yen)                                   | 375.47               | -          | -     | 300.28                    | -                     |

E: Estimates

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

\*Comparison with forecasts of October 30, 2017

# FY2017: Factors in Business Forecast Revisions



| <b><u>Net Sale</u></b> |          | Vs.<br>previous E* | Factor  |
|------------------------|----------|--------------------|---|
| Self-Medication        | In Japan | +0.6 bn            | Pabron and Biofermin are selling well.  |
|                        | Overseas | +1.4 bn            | Energy drink: Achieved more growth than expected.<br>Impact of exchange rate. |
| Rx Pharmaceutical      |          | -1.7 bn            | Decreased prescription of antibacterial agents                                |

| <b><u>Expenses</u></b> |  | Vs.<br>previous E* | Factor   |
|------------------------|--|--------------------|--|
| SG&A expenses          |  | -4.1 bn            | R&D expenses: -2.4bn<br>Advertising expences: -0.1bn<br>Sales promotion expenses: -1.7bn |

E: Estimates

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



# FY2017 Full-year Forecasts: Self-Medication Operation Group



(¥ bn)

|                         | Full-year E<br>(new) | YOY Change |        | Full-year E<br>(previous) | Vs.<br>previous<br>E* |
|-------------------------|----------------------|------------|--------|---------------------------|-----------------------|
| ALL                     | 183.5                | +3.5       | +1.9%  | 181.3                     | +2.2                  |
| In Japan                | 149.9                | +0.2       | +0.1%  | 149.3                     | +0.6                  |
| <i>Lipovitan</i> series | 55.1                 | -3.4       | -5.8%  | 56.8                      | -1.7                  |
| <i>Pabron</i> series    | 28.0                 | +1.7       | +6.5%  | 26.9                      | +1.2                  |
| <i>RiUP</i> series      | 16.2                 | +0.2       | +1.1%  | 15.9                      | +0.3                  |
| Overseas                | 30.9                 | +3.4       | +12.3% | 29.5                      | +1.4                  |

E: Estimates

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

\*Comparison with forecasts of October 30, 2017

# FY2017 Full-year Forecasts: Self-Medication Overseas Business



(¥ bn)

|                                      | Full-year E<br>(New) | YOY change |        | Full-year E<br>(Previous) | Vs.<br>previous<br>E* |
|--------------------------------------|----------------------|------------|--------|---------------------------|-----------------------|
| Self-Medication<br>overseas business | 30.9                 | +3.4       | +12.3% | 29.5                      | +1.4                  |
| Overseas<br>energy drinks            | 10.8                 | +1.5       | +15.9% | 9.9                       | +1.0                  |
| Overseas OTC<br>drugs                | 18.6                 | +1.4       | +8.2%  | 18.3                      | +0.3                  |
| Asia                                 | 16.5                 | +1.4       | +9.3%  | 16.3                      | +0.2                  |
| Other                                | 2.0                  | +0.0       | +0.1%  | 2.0                       | +0.0                  |

E: Estimates

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

\*Comparison with forecasts of October 30, 2017

# FY2017 Full-year Forecasts: Prescription Pharmaceutical Operation Group



(¥ bn)

|                | Full-year E<br>(New) | YOY change |        | Full-year E<br>(Previous) | Vs.<br>previous<br>E* |
|----------------|----------------------|------------|--------|---------------------------|-----------------------|
| ALL            | 96.0                 | -3.8       | -3.8%  | 97.7                      | -1.7                  |
| <i>Edirol</i>  | 25.1                 | +2.5       | +11.1% | 25.0                      | +0.1                  |
| <i>ZOSYN</i>   | 9.3                  | -6.2       | -40.1% | 9.5                       | -0.2                  |
| <i>Bonviva</i> | 6.6                  | +0.7       | +11.7% | 7.1                       | -0.5                  |
| <i>Lusefi</i>  | 5.1                  | +2.2       | +77.5% | 4.8                       | +0.3                  |
| <i>LOQOA</i>   | 3.6                  | +1.8       | +98.5% | 3.6                       | -                     |

E: Estimates

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

\*Comparison with forecasts of October 30, 2017

# Factors Affecting FY2017 Full-year Forecasts

## Net Sales and Profits



(Year-on-Year change)

|                                 |  |   |
|---------------------------------|--|---|
| Net sales<br>(down ¥0.3bn)      | <b>Self-Medication<br/>Operation Group</b><br>(up ¥3.5bn)                  | <b>Rx Pharmaceutical<br/>Operation Group</b><br>(down ¥3.8bn) |
| Operating income<br>(up ¥1.5bn) | Gross profit* : up ¥3.6bn<br>(Gross margin* FY2016: 63.7% → FY2017: 65.0%) |   |
|                                 | SG&A expenses  | up ¥2.0bn   |
|                                 | (Main factors behind changes)  |   |
|                                 | ▪ R&D expenses   | up ¥0.3bn   |
|                                 | ▪ Advertising expenses   | up ¥1.0bn   |
|                                 | ▪ Sales promotion expenses   | down ¥0.7bn   |
|                                 | ▪ Personnel expenses   | down ¥0.4bn   |
| ▪ Other                         | up ¥1.8bn  |   |

\*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: -1.8billion yen (down ¥1.2bn)

# Prescription Pharmaceuticals: New Drug Pipeline (1)



## Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2

(As of February 1, 2018)

|                       | <u>Planned application</u><br>Description  | Development<br>with | In Japan/<br>Overseas |
|-----------------------|--|---------------------|-----------------------|
| <b>Phase 2</b>        |  |                     |                       |
| TS-091<br>(Oral)      | <u>Central disorders of hypersomnolence</u>  | In-house            | In Japan              |
| TS-152<br>(Injection) | <u>Rheumatoid arthritis</u><br>Anti-TNF(Tumor Necrosis Factor)- $\alpha$ antibody<br>In-license (Licensor: Ablynx)<br>Generic name: Ozoralizumab | In-house            | In Japan              |
| TS-141<br>(Oral)      | <u>Childhood Attention-Deficit/Hyperactivity Disorder</u>  | In-house            | In Japan              |
| TS-133<br>(Topical)   | <u>Alopecia</u>  | In-house            | In Japan              |
| TS-142<br>(Oral)      | <u>Insomnia</u>  | In-house            | In Japan              |
| TS-121<br>(Oral)      | <u>Depression</u>  | In-house            | Overseas              |

# Prescription Pharmaceuticals: New Drug Pipeline (2)



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

(As of February 1, 2018)

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