

FY2017 (March 2018) Earnings Results



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Taisho Pharmaceutical Holdings Co., Ltd.

Results for Fiscal Year 2017



(¥ bn)

	FY2016	FY2017	YOY change		Vs. Previous E*
Net sales	279.8	280.1	+0.3	+0.1%	+0.6
Self-Medication	180.0	184.0	+0.4	+2.2%	+0.5
Rx Pharmaceutical	99.8	96.1	-3.7	-3.7%	+0.1
Operating income	32.0	37.0	+5.0	+15.7%	+3.5
Ordinary income	38.0	42.1	+4.1	+10.8%	+3.6
Net income	28.8	31.7	+2.9	+10.1%	+1.7
EPS (Yen)	360.18	396.54	-	-	-

*As of February 1, 2018

E: Estimates

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

Overview of FY2017 Results : Sales of Self-Medication Operation Group



(¥ bn)

	FY2017	YOY change		Factor
ALL	184.0	+4.0	+2.2%	
In Japan	150.2	+0.5	+0.3%	
<i>Lipovitan</i> series	54.7	-3.8	-6.4%	Influence of the continuing market downtrend and other factors.
<i>Pabron</i> series	28.9	+2.6	+9.9%	New products contributed to sales
<i>RiUP</i> series	16.5	+0.5	+3.0%	Sales growth of one of our main products, <i>RiUP X5 PLUS</i>
Others	50.0	+1.2	+2.4%	Growth of mail-order business*
Overseas	30.9	+3.4	+12.4%	

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

<For reference: Market conditions>
OTC drugs market FY2017 : + 0.6% YOY
(INTAGE SDI/SRI data on a value basis)

*Total sales of "taisho-direct" in FY2017: 9.9 billion yen

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



(¥ bn)

	FY2016	FY2017	YOY change		Vs. Previous E*
<i>Lipovitan</i> series	58.5	54.7	-3.8	-6.4%	-0.3
<i>Pabron</i> series	26.3	28.9	+2.6	+9.9%	+0.9
<i>RiUP</i> series	16.1	16.5	+0.5	+3.0%	+0.3
<i>VICKS</i> series	3.6	4.0	+0.4	+11.4%	-0.0
GI drugs series	4.0	3.9	-0.1	-1.7%	-0.0
<i>Livita</i> series	3.8	3.5	-0.3	-8.6%	+0.0
<i>NARON</i> series	3.4	3.2	-0.2	-6.3%	+0.1

*As of February 1, 2018

E: Estimates

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

FY2017: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2016	FY2017	YOY change		Vs. Previous E*
Self-Medication overseas business	27.5	30.9	+3.4	+12.4%	+0.0
Overseas energy drinks	9.4	10.8	+1.5	+15.9%	+0.0
Overseas OTC drugs	17.2	18.6	+1.4	+8.2%	+0.0
Asia	15.1	16.5	+1.4	+9.3%	+0.0
Other	2.0	2.0	+0.0	+0.1%	-0.0

*As of February 1, 2018

E: Estimates

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



Overview of FY2017 Results:

Sales of Prescription Pharmaceutical Operation Group

(¥ bn)

	FY2017	YOY change		Factor
ALL	96.1	-3.7	-3.7%	
<i>Edirol</i>	25.4	+2.8	+12.4%	Penetrated market as a base-drug osteoporosis agent.
<i>ZOSYN</i>	9.8	-5.7	-37.0%	Decreased due to the impact of generic drugs.
<i>Bonviva</i>	6.5	+0.6	+10.0%	Steadily expanded market share amid a flat market.
<i>Lusefi</i>	5.0	+2.1	+73.0%	Expansion of the SGLT2 inhibitor market.
<i>LOQQA</i>	3.1	+1.2	+68.2%	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> YOY

The prescription pharmaceutical market +0.8%

The market for SGLT2 inhibitor :+50.5% The market for antibacterial products : -9.5%

The market for active vitamin D₃ derivatives : +6.8%

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



(¥ bn)

	FY2016	FY2017	YOY change		Vs. Previous E*
<i>Edirol</i>	22.6	25.4	+2.8	+12.4%	+0.3
<i>ZOSYN</i>	15.5	9.8	-5.7	-37.0%	+0.5
<i>Clarith</i>	9.3	7.7	-1.7	-17.8%	+0.2
<i>Bonviva</i>	5.9	6.5	+0.6	+10.0%	-0.1
<i>Lusefi</i>	2.9	5.0	+2.1	+73.0%	-0.1
<i>Palux</i>	5.4	4.9	-0.5	-9.2%	+0.1
<i>Geninax</i>	5.2	4.4	-0.8	-15.2%	-0.1
<i>LOQQA</i>	1.8	3.1	+1.2	+68.2%	-0.5

*As of February 1 2018

E: Estimates

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

Factors Affecting FY2017 Net Sales and Profits



(Year-on-Year change)

Net sales (up ¥0.3bn)	Self-Medication (up ¥4.0bn)	Rx Pharmaceutical (down ¥3.7bn)
Operating income (up ¥5.0bn)	Gross profit* : up ¥4.8bn (Gross margin* : FY2016: 63.7% → FY2017: 65.3%)	
	SG&A expenses	down ¥0.3bn
	(Main factors behind changes)	
	▪ R&D expenses	down ¥0.1bn
	▪ Advertising expenses	up ¥0.5bn
	▪ Sales promotion expenses	down ¥1.4bn
	▪ Personnel expenses	down ¥0.6bn
	▪ Others	up ¥1.4bn
Non-operating items: Equity method losses of ¥1.6bn (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.

FY2018 Full-year Forecasts



(¥ bn)

	FY2017	FY2018E	YOY change	
Net sales	280.1	269.0	-11.1	-4.0%
Self-Medication	184.0	186.5	+2.5	+1.4%
Rx Pharmaceutical	96.1	82.5	-13.6	-14.1%
Operating income	37.0	33.0	-4.0	-10.8%
Ordinary income	42.1	39.5	-2.6	-6.3%
Net income	31.7	55.5	+23.8	+75.2%
EPS (Yen)	396.54	694.62	-	-

E: Estimates

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

FY2018 Forecasts: Sales of Leading Brands (Self-Medication Operation Group in Japan)



(¥ bn)

	FY2017	FY2018E	YOY change	
<i>Lipovitan series</i>	54.7	54.3	-0.4	-0.7%
<i>Pabron series</i>	28.9	28.6	-0.3	-1.0%
<i>RiUP series</i>	16.5	16.0	-0.5	-3.2%
<i>Biofermin series</i>	8.6	9.4	+0.7	+8.4%
<i>VICKS series</i>	4.0	4.1	+0.1	+1.8%
GI drugs series	3.9	3.8	-0.1	-2.4%
<i>Livita series</i>	3.5	3.6	+0.0	+1.2%

E: Estimates

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

FY2018 Forecasts: Sales of Self-Medication Overseas Business



(¥ bn)

	FY2017	FY2018E	YOY change	
Self-Medication Overseas business	30.9	32.5	+1.6	+5.1%
Overseas energy drinks	10.8	11.6	+0.7	+6.8%
Overseas OTC drugs	18.6	19.5	+0.9	+5.0%
Asia	16.5	17.3	+0.8	+5.2%
Other	2.0	2.1	+0.1	+3.1%

E: Estimates

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

FY2018 Forecasts: Sales of Leading Products (Rx Pharmaceutical Operation Group)



(¥ bn)

	FY2017	FY2018E	YOY change	
<i>Edirol</i>	25.4	26.0	+0.6	+2.4%
<i>Bonviva</i>	6.5	7.3	+0.8	+12.3%
<i>Lusefi</i>	5.0	6.5	+1.5	+30.8%
<i>ZOSYN</i>	9.8	4.8	-5.0	-50.9%
<i>Clarith</i>	7.7	4.6	-3.1	-39.9%
<i>LOQQA</i>	3.1	4.5	+1.4	+47.5%
<i>Geninax</i>	4.4	3.5	-0.9	-20.6%

E: Estimates

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

Factors Affecting FY2018 Full-year Forecasts

Net Sales and Profits



(Year-on-Year change)

Net sales (down ¥11.1bn)	Self-Medication (up ¥2.5bn)	Rx Pharmaceutical (down ¥13.6bn)
Operating income (down¥ 4bn)	Gross profit* : down ¥6.6bn (Gross margin* : FY2017: 65.3% → FY2018E: 65.6%)	
	SG&A expenses	down¥2.6bn
	(Main factors behind changes)	
	▪ R&D expenses	down ¥0.1bn
	▪ Advertising expenses	down ¥1.7bn
	▪ Sales promotion expenses	up ¥0.3bn
	▪ Personnel expenses	down ¥1.4bn
	▪ Others	up ¥0.3bn
Non-operating items: Equity method loss of ¥0.7bn (up ¥0.9bn)		

*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.

Prescription Pharmaceuticals: New Drug Pipeline (1)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: Filed for Application

(As of May 14, 2018)

	<u>Description</u> Planned application	Development with	In Japan/ Overseas
Filed for Application			
Taurine powder 98% "Taisho"	Prevention of recurrence of stroke-like episodes for MELAS ¹⁾ ※Additional indication	In-house	In Japan

¹⁾MELAS: Mitochondrial myopathy, Encephalopathy, Lactic Acidosis and Stroke-like episodes

Prescription Pharmaceuticals: New Drug Pipeline (2)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2
(As of May 14, 2018)

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

Prescription Pharmaceuticals: New Drug Pipeline (3)



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

(As of May 14, 2018)

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

- ✓ Enhance the marketability of new drugs (*Lusefi* and *LOQOA*) to maximize sales.
- ✓ Work to strengthen the pipeline by conducting in-licensing activities, while seeking to obtain early approval for compounds at the developmental stage.
- ✓ Seek to create original pharmaceutical products by cooperating with external organizations and other companies and by utilizing advanced technologies.

Responding to environmental changes



With the fundamental reform of the pharmaceutical price system and the entry into the healthcare domain by companies from different industries, the environment surrounding the pharmaceutical industry is experiencing remarkable change.

⇒ In order to respond to these swift environmental changes, the Company is working to build a system that enables more flexible management decision making.

Therefore, the Company resolved the following two points.

- Making Taisho Toyama into a wholly-owned subsidiary of the Company
- Early Retirement Program targeting employees of the Company and the group companies in Japan

Dissolution of capital alliance



The Company, to form a better framework, dissolves the joint venture relationship among the Company, FUJIFILM Holdings Corporation, and Toyama Chemical.

- ✓ The Company sells all the shares in Toyama Chemical owned by the Company to FUJIFILM HD.
- ✓ The Company purchases all the shares in Taisho Toyama Pharmaceutical Co., Ltd. owned by Toyama Chemical, and makes Taisho Toyama into a wholly-owned subsidiary of the Company.
- ✓ Taisho Toyama continues sales of Toyama Chemical products.
- ✓ Extraordinary income: ¥41.8 billion

Implementation of Early Retirement Program



- Target individuals

Employees who have been with the Company or the group companies for 10 years or more and are 40 years of age or older (excluding those at some group companies)

- Maximum number of applicants sought

Not specified

- Application period

From July 1, 2018 to August 10, 2018

- The forecasts of operating results include a certain level of extra retirement allowances and expenses for outplacement support.



Returns to Shareholders

- Annual Dividend for FY2017: ¥ 110 per share
(Payout ratio: 34.1%*)
(interim dividend: ¥ 50 per share; year-end dividend: ¥ 60 per share)
- Annual Dividend for FY2018 (forecast): ¥ 110 per share
(Payout ratio: 40.3%*)
(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.

*The dividend payout ratio is calculated from consolidated profit attributable to owners of parent excluding extraordinary income and loss