

# Second Quarter of FY2019 (March 2020) Earnings Results



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Taisho Pharmaceutical Holdings  
October 30, 2019



# Results for the 2nd Quarter of FY2019

(¥ bn)

	FY2018 2Q(4-9)	FY2019 2Q(4-9)	YOY Change		Vs. previous E*
Net sales	129.5	132.2	+2.7	+2.1%	+1.2
Self-Medication	89.8	97.5	+7.7	+8.6%	+1.0
Rx Pharmaceutical	39.7	34.7	-5.0	-12.6%	+0.2
Operating profit	17.0	14.7	-2.3	-13.6%	+0.7
Ordinary profit	22.7	15.0	-7.7	-34.1%	+0.5
Profit attributable to owners of parents	42.4	15.0	-27.4	-64.7%	-0.5

E: Estimates

Note: Fractions of 0.1 billion are rounded down.

\*Comparison with forecast of July 29 ,2019



# Overview of each business

## 【Self-Medication Operation Group in Japan】

74.6 billion yen (YOY +2.0billion yen, +2.7%)

- Overall, sales increased year on year (YOY).
- In addition to sales of *Pabron* and *RiUP*, the mail order business also displayed growth.

## 【Self-Medication Overseas Business】

21.1 billion yen (YOY +5.5billion yen, +35.5%)

- Sales increased YOY due to posting of sales for the subsidiary DHG which was consolidated in Q2
- Sales also increased YOY for existing businesses.

## 【Prescription Pharmaceutical Operation Group】

34.7 billion yen (YOY -5.0billion yen, -12.6%)

- Sales decreased by the amount that would have been recorded by Toyama Chemical Co., Ltd.
- Sales increased for the Company's own products.

# Sales of Leading Brands

## (Self-Medication Operation Group in Japan)



- Sales of *Lipovitan* decreased YOY due to the weather conditions up until July.
- On the other hand, sales of the *Pabron* series rose due to the spread of colds.

(¥ bn)

	FY2018 2Q(4-9)	FY2019 2Q(4-9)	YOY Change		Vs. previous E*
<i>Lipovitan</i> series	29.2	28.3	-0.8	-2.8%	-0.9
<i>Pabron</i> series	11.4	12.7	+1.3	+11.5%	+1.0
<i>RiUP</i> series	7.6	8.1	+0.5	+6.8%	+0.5
<i>Biofermin</i> series	5.1	5.6	+0.5	+10.6%	+0.3
<i>VICKS</i> series	1.5	1.6	+0.1	+7.8%	0

E: Estimates

Note: Fractions of 0.1 billion are rounded down. \*Comparison with forecast of July 29 ,2019

<For reference: Market conditions>

OTC drugs market FY2019 2Q(Apr.-Sep): +3.3% YOY (INTAGE SDI/SRI data on a value basis)

# Sales of Self-Medication (Overseas Business)



- Sales increased YOY as a result of DHG becoming a consolidated subsidiary.
- Sales of Energy drinks were almost in line with the plan

(¥ bn)

	FY2018 2Q(4-9)	FY2019 2Q(4-9)	YOY Change		Vs. previous E*
Self-Medication Overseas business	15.6	21.1	+5.5	+35.5%	+0.4
Energy drinks	6.0	5.7	-0.2	-4.0%	-0.1
OTC drugs	8.8	14.7	+5.9	+67.4%	+0.5
Asia	8.1	13.7	+5.6	+69.7%	+0.5
Other	0.7	1.0	+0.3	+42.4%	+0.1

E: Estimates

Note: Fractions of 0.1 billion are rounded down. \*Comparison with forecast of July 29 ,2019

# Sales of Leading Products

## (Rx Pharmaceutical Operation Group)



• Almost in line with the plan

(¥ bn)

	FY2018 2Q(4-9)	FY2019 2Q(4-9)	YOY Change		Vs. previous E*
<i>Edirol</i>	12.6	13.8	+1.2	+9.6%	-0.2
<i>Bonviva</i>	3.0	3.3	+0.2	+7.5%	0
<i>Lusefi</i>	2.7	3.2	+0.5	+19.7%	-0.1
<i>LOQOA</i>	1.6	1.9	+0.3	+17.5%	0
<i>Geninax</i>	1.4	1.8	+0.4	+32.9%	+0.3

E: Estimates

Note: Fractions of 0.1 billion are rounded down. \*Comparison with forecast of July 29 ,2019

<For reference: Market conditions> YOY

The prescription pharmaceutical market +5.5%

The market for SGLT2 inhibitor :+18.6% The market for antibacterial products : -9.0%

The market for bisphosphonate agents for osteoporosis and related diseases : -9.9%

The market for active vitamin D<sub>3</sub> derivatives : +10.8%

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# Factors Affecting FY2019 2nd Quarter: Net Sales and Profits



( Year-on-Year change )

Net sales (up ¥2.7bn)	<b>Self-Medication</b> (up ¥7.7bn)	<b>Prescription Pharmaceutical</b> (down ¥5.0bn)
Operating profit (down ¥2.3bn)	Gross profit* up ¥2.6bn (Gross margin* FY2018 2Q: 65.9%, FY2019 2Q: 66.5%)	
	SG&A expenses	up ¥4.9bn
	(Main factors behind changes)	
	▪ R&D expenses	up ¥1.2bn Contractual lump sum accompanying introduction
	▪ Advertising expenses	up ¥2.2bn Expenses of Rugby World Cup, New products, Measures to gain a competitive advantage
	▪ Sales promotion expenses	up ¥0.3bn
	▪ Personnel expenses	down ¥2.3bn Impact of early retirement
	▪ Other	up ¥3.6bn M&A-related expenses

\*After provision/reversal of reserve for returned unsold goods

Note: Fractions of 0.1 billion are rounded down.



# FY2019 Full-year Forecasts

Revisions to the forecast of consolidated operating results most recently announced: No

(¥ bn)

	FY2019	YOY change	
Net sales	293.5	+31.9	+12.2%
Self-Medication	225.5	+45.4	+25.2%
Rx Pharmaceutical	68.0	-13.4	-16.5%
Operating profit	33.0	+1.8	+5.7%
Ordinary profit	37.0	-3.9	-9.4%
Profit attributable to owners of parent	29.5	-19.1	-39.3%
EPS(Yen)	369.64	-	-

Note: Fractions of 0.1 billion are rounded down.



# FY2019 Forecasts : Sales of Leading Brands (Self-Medication Operation Group in Japan)



(¥ bn)

	FY2019	YOY change	
Self-Medication Operation Group in Japan	150.5	+4.5	+3.1%
<i>Lipovitan</i> series	52.7	+0.7	+1.3%
<i>Pabron</i> series	29.1	+0.2	+0.7%
<i>RiUP</i> series	15.3	0	0.0%
<i>Biofermin</i> series	10.6	+0.4	+3.9%
<i>VICKS</i> series	4.1	+0.1	+2.9%

Note: Fractions of 0.1 billion are rounded down.

# FY2019 Forecasts: Sales of Self-Medication Overseas Business



(¥ bn)

		FY2019	YOY change	
Self-Medication Overseas business		72.3	+41.4	+134.2%
	Asia	42.9	+15.3	+55.3%
	Europe and America	28.2	+26.3	—

Note: Fractions of 0.1 billion are rounded down.

# FY2019 Forecasts : Sales of Leading Products (Rx Pharmaceutical Operation Group)



(¥ bn)

	FY2019	YOY change	
Rx Pharmaceutical	68.0	-13.4	-16.5%
<i>Edirol</i>	27.7	+1.5	+5.7%
<i>Bonviva</i>	6.8	+0.4	+6.5%
<i>Lusefi</i>	6.7	+1.1	+19.3%
<i>LOQOA</i>	3.9	+0.4	+12.1%
<i>Geninax</i>	3.3	-0.2	-5.9%

Note: Fractions of 0.1 billion are rounded down.

# Factors Affecting FY2019 Full-year Forecasts

## Net Sales and Profits



(Year-on-Year change)

Net sales (up ¥31.9bn)	Self-Medication (up ¥45.4bn)	Prescription Pharmaceutical (down ¥13.4bn)
Operating profit (up ¥1.8bn)	Gross profit* down ¥19.8bn (Gross margin* FY2018: 65.1% → FY2019: 64.7%)	
	SG&A expenses up ¥18.0bn	
	(Main factors behind changes)	
	▪ R&D expenses	up ¥1.8bn
	▪ Advertising expenses	up ¥3.9bn
	▪ Sales promotion expenses	up ¥2.7bn
	▪ Personnel expenses	down ¥0.1bn
	▪ Other	up ¥9.8bn

\*After provision/reversal of reserve for returned unsold goods

Note: Fractions of 0.1 billion are rounded down.

# Prescription Pharmaceuticals: New Drug Pipeline (1)



Changes from the announcement of the 1Q results in FY2019 (July 29)

- *MOB-015* (topical formulation of 10% terbinafine, for the treatment for onychomycosis) was introduced from Moberg Pharma AB (Sweden).
- The development of the following three products was discontinued.

	Planned application	Development with	In Japan/ Overseas	Phase
TS-091 (Oral)	Central disorders of hypersomnolence	In-house	In Japan Overseas	Phase 2 Phase 1
TS-141 (Oral)	Childhood Attention-Deficit/Hyperactivity Disorder	In-house	In Japan	Phase 2
TS-133 (Topical)	Alopecia	In-house	In Japan	Phase 2

# Prescription Pharmaceuticals: New Drug Pipeline (2)



Drugs under development by Taisho Pharmaceutical Co., Ltd.: From Phase 2 and 3

(As of October 30, 2019)

	<u>Description</u> Planned application	Development with	In Japan/ Overseas
Phase 3			
TS-152 (Injection)	Rheumatoid arthritis <u>Anti-TNF(Tumor Necrosis Factor)-α antibody</u>	In-house	In Japan
Phase 2			
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 October 30, 2019)

	<u>Description</u> Planned application	In-house/ Licensed-in	In Japan/ Overseas
Phase 1			
TS-134 (Oral)	Schizophrenia	In-house	Overseas
TS-161 (Oral)	Depression	In-house	Overseas



# Dividends

- Annual Dividend for FY2019 (forecast)  
¥110 per share (Payout ratio: 37.1%\*)  
interim dividend: ¥50 per share (Dec., 2019)  
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.

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