

Third Quarter of FY2019

(March 2020)

Earnings Results



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Results for the 3rd Quarter of FY2019

(¥ bn)

	FY2018 3Q(4-12)	FY2019 3Q(4-12)	YOY Change	
Net sales	199.9	211.3	+11.4	+5.7%
Self-Medication	137.8	157.8	+20.0	+14.5%
Rx Pharmaceutical	62.1	53.5	-8.6	-13.8%
Operating profit	28.1	17.6	-10.5	-37.5%
Ordinary profit	36.2	21.0	-15.2	-42.0%
Profit attributable to owners of parents	51.4	17.9	-33.5	-65.1%

Note: Fractions of 0.1 billion are rounded down.



Overview of each business

【Self-Medication Operation Group in Japan】

113.0 billion yen (YOY +0.9billion yen, +0.8%)

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

【Self-Medication Overseas Business】

42.3 billion yen (YOY +19.0billion yen, +81.3%)

- Sales increased YOY due to posting of sales for the consolidated subsidiaries DHG from Q2 and UPSA from Q3.
- Sales also increased YOY for existing businesses.

【Prescription Pharmaceutical Operation Group】

53.5 billion yen (YOY -8.6billion yen, -13.8%)

- 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 and sales of the *Pabron* series increased partly due to the weather conditions in the first half of the fiscal year.
- Sales of the *RiUP* series fell as a temporary reaction to the last-minute surge in demand year.

(¥ bn)

	FY2018 3Q(4-12)	FY2019 3Q(4-12)	YOY Change	
<i>Lipovitan</i> series	41.8	40.7	-1.1	-2.6%
<i>Pabron</i> series	20.8	22.1	+1.3	+6.4%
<i>RiUP</i> series	11.8	11.8	0	+0.4%
<i>Biofermin</i> series	7.8	8.3	+0.4	+5.7%
<i>VICKS</i> series	3.1	3.2	+0.1	+3.0%

Note: Fractions of 0.1 billion are rounded down.

<For reference: Market conditions>

OTC drugs market FY2019 3Q(Apr.-Dec): +0.5% YOY (INTAGE SDI/SRI data on a value basis)

Sales of Self-Medication (Overseas Business)



- Sales increased YOY as a result of DHG and UPSA becoming consolidated subsidiaries.
- Sales also increased YOY for existing businesses.

(¥ bn)

	FY2018 3Q(4-12)	FY2019 3Q(4-12)	YOY Change	
Self-Medication Overseas business	22.3	42.3	+19.0	+81.3%
Asia	20.7	30.1	+9.4	+45.2%
Europe and America	1.4	11.3	+9.8	-

Note: Fractions of 0.1 billion are rounded down.

Sales of Leading Products

(Rx Pharmaceutical Operation Group)



- Almost in line with the plan.
- Sales increase of *Geninax* includes an increase in shipments attributable to delivery timings.

(¥ bn)

	FY2018 3Q(4-12)	FY2019 3Q(4-12)	YOY Change	
<i>Edirol</i>	19.8	20.9	+1.2	+6.0%
<i>Bonviva</i>	4.8	5.1	+0.3	+6.2%
<i>Lusefi</i>	4.0	5.1	+1.1	+26.5%
<i>LOQOA</i>	2.6	3.0	+0.4	+14.6%
<i>Geninax</i>	2.6	3.4	+0.8	+29.6%

Note: Fractions of 0.1 billion are rounded down.

<For reference: Market conditions> YOY

The prescription pharmaceutical market +3.8%

The market for SGLT2 inhibitor :+20.0% The market for antibacterial products : -10.7%

The market for bisphosphonate agents for osteoporosis and related diseases : -10.1%

The market for active vitamin D₃ derivatives : +7.2%

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Factors Affecting FY2019 3rd Quarter: Net Sales and Profits



(Year-on-Year change)

Net sales (up ¥11.4bn)	Self-Medication (up ¥20.0bn)	Prescription Pharmaceutical (down ¥8.6bn)
Operating profit (down ¥10.5bn)	Gross profit* up ¥3.5bn (Gross margin* FY2018 3Q: 65.4%, FY2019 3Q: 63.6%)	
	SG&A expenses up ¥14.1bn	
	(Main factors behind changes)	
	▪ R&D expenses up ¥2.0bn	▪ Development expense of TS-152 ▪ Contractual lump sum accompanying introduction
	▪ Advertising expenses up ¥4.2bn	▪ Expenses of Rugby World Cup ▪ New products
	▪ Sales promotion expenses up ¥0.5bn	
	▪ Personnel expenses down ¥1.9bn	Impact of early retirement
	▪ Other up ¥9.2bn	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: Yes

(¥ bn)

	Full-year E* (new)	YOY change		Full -year E* (Previous)	Vs. Previous E*
Net sales	290.5	+28.9	+11.1%	293.5	-3.0
Self-Medication	222.5	+42.4	+23.5%	225.5	-3.0
Rx Pharmaceutical	68.0	-13.4	-16.5%	68.0	-
Operating profit	21.5	-9.7	-31.1%	33.0	-11.5
Ordinary profit	26.0	-14.9	-36.4%	37.0	-11.0
Profit attributable to owners of parent	21.0	-27.6	-56.8%	29.5	-8.5
EPS (Yen)	263.13	-	-	369.64	-

E: Estimates

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

FY2019 Factors in Business Forecasts Revisions



Net sales

(¥ bn)

Vs. Previous E*		Remarks
Net sales (-3.0)	Overseas (-3.1)	<ul style="list-style-type: none"> ▪ Inventory adjustment, etc. due to change of UPSA's sales channels. ▪ Shift to consignment sale. (consignment agreement) ▪ Others

Operating profit

(¥ bn)

Vs. Previous E*		Remarks
Operating profit (-11.5)	Gross profit (-8.2)	<ul style="list-style-type: none"> ▪ Decrease, etc. due to revision of sales. (-1.5) ▪ Inventory enhancement. (-3.8) ▪ Impact in the UPSA integration process. (-2.4)
	SG&A expenses (+3.3)	<p>【Advertising expenses】 New products, Sports sponsorship. (+1.7)</p> <p>【Sales promotion expenses】 Change in expense items of consolidated subsidiaries. (-1.6)</p> <p>【Others】 M&A temporary expenses, etc. (+3.7)</p>

E: Estimates

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

FY2019 Temporary Factors in Full-year Forecasts



(¥ bn)

	Full-year E* (new)	YOY change	Temporal factor	
Net sales	290.5	+28.9		
Cost of sales	108.7	+17.3	+5.0	<ul style="list-style-type: none"> ▪ Inventory enhancement. ▪ Expenses increased to change of UPSPA's sales channels.
Gross profit	181.8	+11.6		
SG&A expenses	160.3	+21.3	+7.0	<ul style="list-style-type: none"> ▪ M&A-related expenses. ▪ Expenses, etc. due to Rugby.
Operating profit	21.5	-9.7		
Temporal expenses			+12.0	

E: Estimates

Note: Fractions of 0.1 billion are rounded down.

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



(¥ bn)

	Full-year E* (new)	YOY change		Full -year E* (Previous)	Vs. Previous E*
Self-Medication Operation Group in Japan	150.5	+4.5	+3.1%	150.5	-
<i>Lipovitan</i> series	52.1	0	0.0%	52.7	-0.7
<i>Pabron</i> series	30.3	+1.4	+4.9%	29.1	+1.2
<i>RiUP</i> series	15.5	+0.2	+1.2%	15.3	+0.2
<i>Biofermin</i> series	10.8	+0.6	+5.7%	10.6	+0.2
<i>VICKS</i> series	4.1	+0.1	+3.1%	4.1	0

E: Estimates

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

FY2019 Forecasts: Sales of Self-Medication Overseas Business



(¥ bn)

	Full-year E* (new)	YOY change		Full -year E* (Previous)	Vs. Previous E*
Self-Medication Overseas business	69.2	+38.3	+124.2%	72.3	-3.1
Asia	42.5	+14.9	+53.9%	42.9	-0.4
Europe and America	25.5	+23.6	–	28.2	-2.7

E: Estimates

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

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



(¥ bn)

	Full-year E* (new)	YOY change		Full -year E* (Previous)	Vs. Previous E*
Rx Pharmaceutical	68.0	-13.4	-16.5%	68.0	-
<i>Edirol</i>	27.7	+1.5	+5.7%	27.7	-
<i>Bonviva</i>	6.8	+0.4	+6.5%	6.8	-
<i>Lusefi</i>	6.7	+1.1	+19.3%	6.7	-
<i>LOQOA</i>	3.9	+0.4	+12.1%	3.9	-
<i>Geninax</i>	3.3	-0.2	-5.9%	3.3	-

E: Estimates

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

Factors Affecting FY2019 Full-year Forecasts

Net Sales and Profits



(Year-on-Year change)

Net sales (up ¥28.9bn)	Self-Medication (up ¥42.4bn)	Prescription Pharmaceutical (down ¥13.4bn)
Operating profit (down ¥9.7bn)	Gross profit* up ¥11.6bn (Gross margin* FY2018: 65.1% → FY2019: 62.6%)	
	SG&A expenses up ¥21.3bn	
	(Main factors behind changes)	
	▪ R&D expenses	up ¥1.8bn
	▪ Advertising expenses	up ¥5.6bn
	▪ Sales promotion expenses	up ¥1.1bn
	▪ Personnel expenses	down ¥0.6bn
	▪ Other	up ¥13.5bn

*After provision/reversal of reserve for returned unsold goods

Note: Fractions of 0.1 billion are rounded down.

Prescription Pharmaceuticals: New Drug Pipeline (1)



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

(As of February 14, 2020)

	<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 (2)



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

(As of February 14, 2020)

	<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