

Second Quarter of FY2020 (March 2021) Earnings Results



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Results for the 2nd Quarter of FY2020

(¥ bn)

| | FY2019 2Q | FY2020 2Q | YOY Change | |
|---|--------------|--------------|------------|--------|
| Net sales | 132.2 | 145.9 | +13.7 | +10.4% |
| Self-Medication | 97.5 | 113.7 | +16.2 | +16.6% |
| Rx Pharmaceutical | 34.7 | 32.2 | -2.5 | -7.1% |
| Operating profit | 14.5 | 16.3 | +1.8 | +12.2% |
| (Before the amortization of goodwill and trademarks) | 16.9 | 22.2 | +5.3 | +31.5% |
| Ordinary profit | 14.6 | 18.9 | +4.3 | +29.1% |
| Profit attributable to owners of parents | 14.8 | 11.3 | -3.5 | -23.6% |

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)



Overview of each business

【Self-Medication Operation Group in Japan】

64.6 billion yen (YOY -10.0 billion yen, -13.4%)

- Sales decreased due to the COVID-19 pandemic.
- Sales rose steadily in the mail-order business.

【Self-Medication Overseas Business】

47.4 billion yen (YOY +26.3 billion yen, +124.8%)

- Sales grew from the previous year as a result of consolidation of DHG and UPSA.

【Prescription Pharmaceutical Operation Group】

32.2 billion yen (YOY -2.5 billion yen, -7.1%)

- Sales decreased due to the launch of the generic eldecalcitol versions of the Edirol brand.

Sales of Leading Brands

(Self-Medication Operation Group in Japan)



- While the decrease in Lipovitan and Pabron was not as significant as in the first quarter, it continued to decrease due to the COVID-19 pandemic.

(¥ bn)

| | FY2019 2Q | FY2020 2Q | YOY Change | |
|-------------------------|--------------|--------------|------------|--------|
| <i>Lipovitan</i> series | 28.3 | 24.4 | -3.9 | -13.9% |
| <i>Pabron</i> series | 12.7 | 9.1 | -3.6 | -28.4% |
| <i>RiUP</i> series | 8.1 | 7.6 | -0.5 | -6.4% |
| <i>Biofermin</i> series | 5.6 | 4.9 | -0.7 | -13.3% |
| <i>VICKS</i> series | 1.6 | 1.4 | -0.2 | -14.8% |

(Fractions of 0.1 billion are rounded off.)

<For reference: Market conditions>

OTC drugs market FY2020 2Q(Apr.-Sep.): -8.2% YOY (INTAGE SDI/SRI data on a value basis)

Sales of Self-Medication (Overseas Business)



- Sales grew from the previous year as a result of consolidation of DHG and UPSA.
- Sales of OTC and drinks decreased in Asia due to the COVID-19 pandemic.

(¥ bn)

| | FY2019 2Q | FY2020 2Q | YOY Change | |
|--------------------------------------|--------------|--------------|------------|---------|
| Self-Medication Overseas Business | 21.1 | 47.4 | +26.3 | +124.8% |
| Asia | 19.3 | 19.6 | +0.3 | +1.5% |
| Europe and America | 1.1 | 27.2 | +26.1 | - |

(Fractions of 0.1 billion are rounded off.)

Sales of Leading Products (Rx Pharmaceutical Operation Group)



- Sales of Ediol decreased due to the launch of the generic eldecalcitol versions of the Ediol brand.
- Sales of Lusefi rose steadily, following the succession from Novartis.

(¥ bn)

| | FY2019 2Q | FY2020 2Q | YOY Change | |
|----------------|--------------|--------------|------------|--------|
| <i>Ediol</i> | 13.8 | 11.6 | -2.2 | -16.0% |
| <i>Lusefi</i> | 3.2 | 5.2 | +2.0 | +62.0% |
| <i>Bonviva</i> | 3.3 | 3.4 | +0.1 | +3.1% |
| <i>LOQOA</i> | 1.9 | 1.9 | -0 | -0.3% |
| <i>Geninax</i> | 1.8 | 2.2 | +0.4 | +23.7% |

(Fractions of 0.1 billion are rounded off.)

<For reference: Market conditions> YOY

The prescription pharmaceutical market -3.8%

The market for SGLT2 inhibitor :+18.1% The market for oral antibacterial products : -36.9%

The market for bisphosphonate agents for osteoporosis and related diseases : -18.7%

The market for active vitamin D₃ derivatives : -9.9%

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Factors Affecting FY2020 2nd Quarter: Net Sales and Profits



(Year-on-Year Change)

| Net Sales (up ¥13.7bn) | Self-Medication (up ¥16.2bn) | Prescription Pharmaceutical (down ¥2.5bn) |
|---------------------------------|--|---|
| Operating profit (up ¥1.8bn) | Gross profit* up ¥5.6bn (Gross margin* FY2019 2Q:66.5% → FY2020 2Q:64.1%) | |
| | SG&A expenses up ¥3.9bn | |
| | (Main factors behind changes) | |
| | ▪ R&D expenses down ¥1.2bn | ▪ Decrease of TS-152 expenses |
| | ▪ Advertising expenses up ¥0.2bn | |
| | ▪ Sales promotion expenses down ¥0.7bn | |
| | ▪ Personnel expenses up ¥1.8bn | ▪ Consolidation of overseas subsidiaries |
| | ▪ Other up ¥3.9bn | ▪ Goodwill and Consolidation of overseas subsidiaries |

*After provision/reversal of reserve for returned unsold goods

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)



FY2020 Full-year Forecasts

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

(¥ bn)

| | Full-year E | YOY Change | |
|--|-------------|------------|--------|
| Net sales | 289.5 | +1.0 | +0.3% |
| Self-Medication | 235.9 | +15.9 | +7.2% |
| Rx Pharmaceutical | 53.6 | -14.9 | -21.8% |
| Operating profit | 20.0 | -1.1 | -5.4% |
| Ordinary profit | 23.0 | -1.5 | -6.0% |
| Profit attributable to owners of parents | 13.0 | -7.2 | -35.6% |
| EPS (Yen) | 162.89 | - | - |

E: Estimates

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)

Note: FY2019 figures have been revised retrospectively to reflect determination of allocation of the acquisition-related costs in business combinations.

FY2020 Full-year Forecasts

(Self-Medication Operation Group in Japan)



(¥ bn)

| | Full-Year E | YOY change | |
|---|-------------|------------|--------|
| Self-Medication Operation Group in Japan | 138.7 | -8.4 | -5.7% |
| <i>Lipovitan</i> series | 46.6 | -4.3 | -8.4% |
| <i>Pabron</i> series | 26.6 | -3.2 | -10.9% |
| <i>RiUP</i> series | 14.3 | -0.6 | -3.7% |
| <i>Biofermin</i> series | 9.9 | -0.9 | -8.0% |
| <i>VICKS</i> series | 3.7 | -0.6 | -13.8% |

E: Estimates

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)

FY2020 Full-year Forecasts

(Self-Medication Overseas Business)



(¥ bn)

| | Full-year E | YOY change | |
|-----------------------------------|-------------|------------|--------|
| Self-Medication Overseas Business | 93.9 | +24.5 | +35.2% |
| Asia | 44.6 | +2.1 | +5.0% |
| Europe and America | 48.3 | +22.5 | +87.5% |

E: Estimates

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)

FY2020 Full-year Forecasts

(RX Pharmaceutical Operation Group)



(¥ bn)

| | Full-year E | YOY change | |
|-----------------------------------|-------------|------------|--------|
| RX Pharmaceutical Operation Group | 53.6 | -14.9 | -21.8% |
| <i>Edirol</i> | 14.4 | -12.6 | -46.7% |
| <i>Lusefi</i> | 9.8 | +2.7 | +37.4% |
| <i>Bonviva</i> | 6.9 | +0.3 | +4.8% |
| <i>LOQOA</i> | 4.0 | +0.1 | +2.7% |
| <i>Geninax</i> | 3.1 | -0.8 | -21.0% |

E: Estimates

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)

Factors Affecting FY2020 Full-year Forecasts

Net Sales and Profits



(Year-on-Year Change)

| | | |
|-----------------------------------|--|---|
| Net sales (up ¥1.0bn) | Self-Medication (up ¥15.9bn) | Prescription Pharmaceutical (down ¥14.9bn) |
| Operating profit (down ¥1.1bn) | Gross profit* up ¥0.6bn (Gross margin* FY2019: 62.5% → FY2020: 62.5%) | |
| | SG&A expenses | up ¥1.7bn |
| | (Main factors behind changes) | |
| | ▪ R&D expenses | down ¥1.7bn |
| | ▪ Advertising expenses | down ¥0.4bn |
| | ▪ Sales promotion expenses | down ¥2.0bn |
| | ▪ Personnel expenses | up ¥1.9bn |
| | ▪ Other | up ¥4.0bn |

*After provision/reversal of reserve for returned unsold goods

(Fractions of 0.1 billion are rounded off. Changes are calculated in millions of yen.)

Note: FY2019 figures have been revised retrospectively to reflect determination of allocation of the acquisition-related costs in business combinations.

Prescription Pharmaceuticals: New Drug Pipeline (1)



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

(As of October 29, 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</u> <u>antibody</u> <u>In-license (Licensor: Ablynx)</u> <u>Generic name: Ozoralizumab</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 October 29, 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 |
| TS-142 (Oral) | Insomnia | In-house | Overseas |



Dividends

- Annual Dividend for FY2020 (forecast)
¥100 per share (Payout ratio: 60.5%*)
interim dividend: ¥50 per share (Dec. 2020)
year-end dividend (Scheduled): ¥50 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

