

# FY2020(March 2021) Earnings Results



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# Accounting standard for revenue recognition

- ✕ The accounting standard for revenue recognition is applied from FY2021.
- ⇒ In the forecast of FY2021, figures before application of the accounting standard are used in order to easily compare with figures of FY2020.



# Results for Fiscal Year 2020

( ¥ bn )

	FY2020	FY2019	YOY Change		Vs. E*
Net sales	282.0	288.5	-6.5	-2.3%	-1.0
Self-Medication Japan	130.9	147.1	-16.2	-11.0%	-2.5
Overseas	92.5	69.4	+23.0	+33.2%	+0.1
Rx Pharmaceutical	55.1	68.5	-13.4	-19.6%	+1.2
Operating profit	20.0	21.1	-1.2	-5.5%	-1.0
(Before the amortization of goodwill and trademarks)	32.0	29.5	+2.5	+8.6%	-1.0
Ordinary profit	25.9	24.5	+1.5	+6.0%	+0.4
Profit attributable to owners of parents	13.3	20.2	-6.9	-34.0%	-0.7
EPS(Yen)	166.84	252.74	-	-	-

E:Estimates

( Fractions of 0.1 billion are rounded off )

\*As of February 4, 2021



# Overview of each business

## 【Self-Medication Operation Group in Japan】

130.9 billion yen (YOY -16.2 billion yen, -11.0%)

- Sales decreased due to the COVID-19 pandemic.
- The mail-order business continued to grow in sales.

\*Total sales of “TAISHO-direct” in FY2020: 13.5 billion yen

## 【Overseas Business】

92.5 billion yen (YOY +23.0 billion yen, +33.2%)

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

## 【Prescription Pharmaceutical Operation Group】

55.1 billion yen (YOY -13.4 billion yen, -19.6%)

- Sales decreased due to the launch of the generic eldecacitol versions.

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



Sales of Lipovitan and Pabron decreased due to the impact of COVID-19.

( ¥ bn )

	FY2020	FY2019	YOY Change		Vs. E*
<i>Lipovitan</i> series	45.8	50.9	-5.1	-10.0%	-0.7
<i>Pabron</i> series	21.1	29.8	-8.7	-29.1%	-0.9
<i>RiUP</i> series	14.9	14.9	-0.0	-0.2%	-0.1
<i>Biofermin</i> series	9.8	10.7	-0.9	-8.8%	+0.0
<i>VICKS</i> series	3.1	4.3	-1.2	-28.3%	-0.3

E:Estimates

( Fractions of 0.1 billion are rounded off )

\*As of February 4, 2021

<For reference: Market conditions>

OTC drugs market FY2020: -6.9% YOY (INTAGE SDI/SRI data on a value basis)



# Sales of 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 )

	FY2020	FY2019	YOY Change		Vs. E*
Overseas Business	92.5	69.4	+23.0	+33.2%	+0.1
Asia	41.6	42.5	-0.8	-2.0%	+0.0
Europe and America	49.7	25.8	+23.9	+92.8%	-0.0

E:Estimates

( Fractions of 0.1 billion are rounded off )

\*As of February 4, 2021

# Sales of Leading Products (Rx Pharmaceutical Operation Group)



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

( ¥ bn )

	FY2020	FY2019	YOY Change		Vs. E*
<i>Edirol</i>	16.2	27.0	-10.8	-39.9%	+0.6
<i>Lusefi</i>	10.8	7.1	+3.7	+51.5%	+0.1
<i>Bonviva</i>	6.9	6.6	+0.3	+4.7%	+0.1
<i>LOQOA</i>	3.8	3.9	-0.1	-2.3%	+0.1
<i>Geninax</i>	2.2	3.9	-1.7	-43.9%	+0.0

E:Estimates ( Fractions of 0.1 billion are rounded off ) \*As of February 4, 2021

<For reference: Market conditions> YOY

The prescription pharmaceutical market -2.7%

The market for SGLT2 inhibitor :+17.7% The market for oral antibacterial products : -34.2%

The market for bisphosphonate agents for osteoporosis and related diseases : -16.5%

The market for active vitamin D<sub>3</sub> derivatives : -23.3%

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# Factors Affecting FY2020 Net Sales and Profits



(Year-on-Year Change)

Net Sales (down ¥6.5bn)	Self-Medication (up ¥6.9bn)	Prescription Pharmaceutical (down ¥13.4bn)
Operating profit (down ¥1.2bn)	Gross profit* down ¥4.3bn (Gross margin* FY2019:62.5% → FY2020:62.4%)	
	SG&A expenses down ¥3.2bn	
	(Main factors behind changes)	
	▪ R&D expenses down ¥2.6bn	▪ Decrease of TS-152 expenses
	▪ Advertising expenses down ¥1.0bn	▪ (Previous year) Rugby World Cup
	▪ Sales promotion expenses down ¥2.9bn	▪ Impact of COVID-19
	▪ Personnel expenses up ¥1.9bn	▪ Consolidation of overseas subsidiaries
	▪ Other up ¥1.5bn	▪ Goodwill and Consolidation of overseas subsidiaries

\*After provision/reversal of reserve for returned unsold goods  
( Fractions of 0.1 billion are rounded off )



# Assumptions of Full-year Forecasts①



## ● Impact of application of the accounting standard for revenue recognition.

Part of the sales promotion expenses and other expenses have been moved to deduction from sales

### 【Impact on sales】

<u>Total</u>	-15.0 billion yen
Self medication Japan	-11.8 billion yen
Rx Pharmaceutical	-3.2 billion yen

### 【Impact on cost and SG&A expenses】

<u>Total</u>	-15.0 billion yen
Cost	-1.3 billion yen
Sales promotion expenses	-10.2 billion yen
Other SG&A expenses	-3.5 billion yen

※ Operating profit is not affected

# Assumptions of Full-year Forecasts②



## ● Impact of COVID-19

### 【Japan】

Incorporated into the forecast on the basis of the impact for the preceding fiscal year given that the market is not expected to recover to the pre-pandemic level.

### 【Overseas】

Incorporated into the forecast on the basis of the status at individual countries.



# FY2021 Full-year Forecasts

(¥ bn)

	FY2021	FY2020	YOY Change		Deduction from sales	Other changes
Net sales	269.0	282.0	-13.0	-4.6%	-15.0	+2.0
Self-Medication Japan	131.3	130.9	+0.4	+0.3%	-10.3	+10.7
Overseas	98.0	92.5	+5.5	+6.0%	-	+5.5
Rx Pharmaceutical	37.9	55.1	-17.2	-31.2%	-3.2	-14.0
Operating profit	14.5	20.0	-5.5	-27.4%		
(Before the amortization of goodwill and trademarks)	26.4	32.0	-5.6	-17.5%		
Ordinary profit	18.5	25.9	-7.4	-28.7%		
Profit attributable to owners of parent	10.5	13.3	-2.8	-21.1%		
EPS (Yen)	131.45	166.84	-	-		

( Fractions of 0.1 billion are rounded off )

# FY2021 Forecasts : Sales of Leading Brands (Self-Medication Operation Group in Japan)



(¥ bn)

	FY2021	FY2020	YOY change	
Self-Medication Japan	131.3	130.9	+4.0	+0.3%
Before application of the accounting standard	141.6	130.9	+10.7	+8.2%
<i>Lipovitan</i> series	49.0	45.8	+3.2	+6.9%
<i>Pabron</i> series	22.0	21.1	+0.9	+4.1%
<i>RiUP</i> series	15.3	14.9	+0.4	+2.9%
<i>Biofermin</i> series	10.3	9.8	+0.6	+5.9%
<i>VICKS</i> series	3.5	3.1	+0.4	+11.4%

( Fractions of 0.1 billion are rounded off )

Note : The forecast by major brand reflects the figures before application of the accounting standard for revenue recognition.

# FY2021 Forecasts : Overseas Business



(¥ bn)

	FY2021	FY2020	YOY change	
Overseas business	98.0	92.5	+5.5	+6.0%
Asia	46.1	41.6	+4.5	+10.8%
Europe and America	50.9	49.7	+1.2	+2.5%

( Fractions of 0.1 billion are rounded off )

Note : The impact of application of the accounting standard for revenue recognition is slight.

# FY2021 Forecasts : Sales of Leading Products

## (RX Pharmaceutical Operation Group)



(¥ bn)

	FY2021	FY2020	YOY change	
Rx Pharmaceutical	37.9	55.1	-17.2	-31.2%
Before application of the accounting standard	41.1	55.1	-14.0	-25.4%
<i>Lusefi</i>	14.0	10.8	+3.2	+29.6%
<i>Bonviva</i>	7.1	6.9	+0.2	+3.1%
<i>LOQOA</i>	4.5	3.8	+0.7	+18.2%
<i>Biofermin</i>	4.5	3.4	+1.1	+32.4%

( Fractions of 0.1 billion are rounded off )

Note : The forecast by major brand reflects the figures before application of the accounting standard for revenue recognition.

Sales of FY2020 include the sales of *Edirol* (16.2 billion yen)

# Factors Affecting FY2021 Full-year Forecasts

## Net Sales and Profits



(Year-on-Year Change)

Operating profit (down ¥5.5bn)	Gross profit* : down ¥10.5bn Before application of the accounting standard : up ¥3.2bn (Gross margin* FY2020: 62.4% → FY2021: 61.5%)		
	SG&A expenses	down	¥5.0bn
	Before application of the accounting standard : up ¥8.7bn		
	(Main factors behind changes)		
	▪ R&D expenses	up	¥1.3bn
	▪ Advertising expenses	up	¥7.0bn
	▪ Sales promotion expenses	down	¥11.4bn
	Before application of the accounting standard : down ¥1.2bn		
	▪ Personnel expenses	up	¥0.1bn
	▪ Other	down	¥2.1bn
Before application of the accounting standard : up ¥1.4bn			

\*After provision/reversal of reserve for returned unsold goods  
( Fractions of 0.1 billion are rounded off )

# Prescription Pharmaceuticals: New Drug Development



Changes from the announcement of the 3Q results in FY2020 (Feb.4)

(As of May 14, 2021)

In Japan: Lusefi (Oral)	
Planned application	Type2 diabetes
Description	Generic name: Luseogliflozin Hydrate Orally disintegrating film drug (drug form added)
Changes	The application for approval for manufacturing and sales was filed on February 22, 2021.
In Japan: TS-152 (Injection)	
Planned application	Articular rheumatism against which existing therapies have insufficient efficacy
Description	Generic name: Ozoralizumab Anti-TNF(Tumor Necrosis Factor)- $\alpha$ antibody
Changes	The application for approval for manufacturing and sales was filed on March 22, 2021.
Overseas: TS-161 (oral)	
Planned application	Depression
Changes	Move to phase 2



# Prescription Pharmaceuticals: New Drug Pipeline (1)



Drugs under development by Taisho Pharmaceutical Co., Ltd. : Japan

(As of May 14, 2021)

	<u>Description</u> Planned application	Development with
Filed		
Lusefi (Oral)	<u>Generic name : Lusegliflozin Hydrate</u> <u>Orally disintegrating film drug (drug form added)</u> Type2 diabetes	In-house
TS-152 (Injection)	<u>Anti-TNF(Tumor Necrosis Factor)-α antibody</u> Articular rheumatism against which existing therapies have insufficient efficacy	In-house
Phase3		
TS-071 (Oral)	<u>Generic name : Luseogliflozin Hydrate</u> Type2 diabetes (Pediatric)	In-house
Phase2		
TS-142 (Oral)	Insomnia	In-house

# Prescription Pharmaceuticals: New Drug Pipeline (2)



Drugs under development by Taisho Pharmaceutical Co., Ltd. : Overseas

(As of May 14, 2021)

	<u>Description</u> Planned application	In-house/ Licensed-in
Phase2		
TS-121 (Oral)	Depression	In-house
TS-161 (Oral)	Depression	In-house
Phase1		
TS-134 (Oral)	Schizophrenia	In-house
TS-142 (Oral)	Insomnia	In-house



# Initiatives for Sustainable Growth

## ➤ **Self-Medication Operation Group in Japan**

- Reinforcement of *Lipovitan* brand for its 60<sup>th</sup> anniversary
- Bolstering of B to C business ( mail order / e-commerce business )
- Expansion into new domains ( beauty / skin-care and food business )

## ➤ **Overseas Business**

- Expansion into new domains

UPSA : Expansion of business portfolio

DHG : Improvement in manufacturing standards and cultivation of growing hospital channels

Asia : Growth by use of business foundations in individual countries

## ➤ **Prescription Pharmaceutical Operation Group**

- Strengthening of R&D to enhance pipeline and to achieve early product launches
- In-licensing of late-developed items and out-licensing of in-house products
- Quick launch of new products and sales expansion of cultivated products



# Dividends

- Annual Dividend for FY2020
  - ¥100 per share (Payout ratio: 49.1%\*)
  - interim dividend: ¥50 per share
  - year-end dividend: ¥50 per share
- Annual Dividend for FY2021 (forecast)
  - ¥100 per share (Payout ratio: 76.1%\*)
  - interim dividend: ¥50 per share
  - year-end dividend: ¥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

# Conduct of a share exchange to make Biofermin wholly-owned subsidiary of Taisho HD



- **Outline**

- Conduct Share Exchange to make Biofermin wholly-owned subsidiary of Taisho HD

- **Purpose**

- Establish an efficient management system including a rapid decision making system to promote the sustainable growth

- **Overview**

- Allot and deliver 0.50 shares of the common stock of Taisho Pharmaceutical HD for each share of the Biofermin Shares
- Date of Execution of the Share Exchange Agreement
  - May 14, 2021
- Date of approval of the Share Exchange Agreement
  - June 24, 2021 by resolution of the annual shareholders meeting of Biofermin (scheduled)
- Effective date
  - July 30, 2021 (scheduled)

