

Hisamitsu Pharmaceutical Co., Inc.

Q2 FY02/2018 Results

This presentation material contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in material circumstances.

Hisamitsu Pharmaceutical Co., Inc.

Oct. 10th, 2017

Agenda

1. Looking back on the Q2 FY02/2018
2. Summary of Financial Results for Q2 FY02/2018
3. Consolidated PL
4. Non Consolidated PL
5. Noven PL
6. Sales results by product
7. Trends of 2nd-generation non-steroidal anti-inflammatory patch in Japan
8. R&D Pipeline

Additional data

1. Looking back on the Q2 FY02/2018 (1)

Domestic/ Ethical products	<ul style="list-style-type: none"> • We have added product name in braille on the packaging of Mohrus Tape, Mohrus Tape L to promote proper use by the patients. • The commencement of the Phase III clinical study of HP-3150 in Japan for “cancer pain” (an analgesic transdermal drug containing NSAIDs) • Submission of supplemental new drug application (NDA) for the addition of a new 0.5mg dose of the transdermal, long-acting pain relief patch FENTOS® TAPE (development code: HFT-290)
China/ OTC products	<ul style="list-style-type: none"> • Establishment of new company in China, Hisamitsu Pharmaceutical (China) Co., LTD.
Others	<ul style="list-style-type: none"> • Concluded partnership agreement with Saga prefecture (Partnership with Saga prefecture through the activities of “Hisamitsu Springs”)



Became champion at the 72nd National Sports Festival held in Ehime prefecture on October 9, 2017 ! Thank you for all your support !

1. Looking back on the Q2 FY02/2018 (2)

<Towards achieving Salonpas sales target of JPY 45Billion by 2021>

- Established new company in China (Hisamitsu Pharmaceutical (China) Co., LTD) in August 2017

Current operation: Marketing consultant (Hisamitsu Beijing)

⇒ Import & Promotional activities conducted by local agency.

Future operation: Import & sales of medical products conducted by new company

⇒ New company will be dealing directly with drugstores .



2. Summary of Financial Results for Q2 FY02/2018

Consolidated

Unit:¥ million

	Q2 FY02/2018				FY02/2018	
	Forecast	Actual	Change		Forecast	Progress rate
Net sales	75,800	73,463	-2,337	-3.1%	147,000	50.0%
Operating profits	13,500	12,629	-871	-6.5%	24,100	52.4%
Recurring profits	14,100	12,869	-1,231	-8.7%	25,600	50.3%
Net profits	10,400	9,386	-1,014	-9.7%	18,500	50.7%

※No change is made on forecast.

3. Consolidated PL (1) - Comparison with the previous period performance

Unit:¥ million

	Actual performance for FY02/17 (Q2)	Actual performance for FY02/18 (Q2)	Change	Percentage Change
Net sales	74,447	73,463	-984	-1.3%
CoGS	26,193	27,584	+1,391	+5.3%
as a % of sales	35.2%	37.5%	-	-
SG&A costs	35,378	33,249	-2,129	-6.0%
Sales promotion costs	6,865	6,335	-530	-7.7%
Advertising costs	5,351	5,774	+423	+7.9%
R&D spending	7,791	7,935	+143	+1.8%
Others	15,370	13,204	-2,165	-14.1%
Operating profits	12,875	12,629	-245	-1.9%
Recurring profits	12,554	12,869	+315	+2.5%
Net profits	9,286	9,386	+100	+1.1%

3. Consolidated PL (2) - Summary of Profit and Loss -

Unit:¥ million

	Actual performance for FY02/17 (Q2)	Actual performance for FY02/18 (Q2)	Change	Main factor
Net sales	74,447	73,463	-984	
Hisamitsu (Non consolidated)	56,076	55,871	-204	•Decrease in sales of Rx Business.
Noven	12,608	10,326	-2,282	•Decrease in sales of major products.
Others *	5,763	7,266	+1,503	•Increase in sales of Hisamitsu America.
CoGS	26,193	27,584	+1,391	•Increase in CoGS of Noven and Others.
as a % of sales	35.2%	37.6%	-	•Change of sales mix.
SG&A costs	35,378	33,249	-2,129	•Decrease in SG&A costs of Noven.
Operating profits	12,875	12,629	-245	
Non-operating balance	-320	240	+560	
Recurring profits	12,554	12,869	+315	
Extraordinary balance	1,257	485	-772	•[FY02/17] Termination of joint marketing contract.
Net profits	9,286	9,386	+100	

* "Others" includes consolidated adjustment.

4. Non Consolidated PL - Comparison with the previous period performance

Unit:¥ million

	Actual performance for FY02/17 (Q2)	Actual performance for FY02/18 (Q2)	Change	Percentage Change
Net sales	56,076	55,871	-204	-0.4%
Rx Business	38,469	36,804	-1,664	-4.3%
OTC Business	13,314	13,899	+585	+4.4%
Intl Business	4,292	5,167	+874	+20.4%
CoGS	19,332	19,855	+522	+2.7%
as a % of sales	34.5%	35.5%	-	-
SG&A costs	26,458	26,435	-23	-0.1%
Sales promotion costs	5,187	5,111	-75	-1.5%
Advertising costs	4,612	4,399	-213	-4.6%
R&D spending	5,855	6,553	+698	+11.9%
Others	10,803	10,370	-432	-4.0%
Operating profits	10,284	9,580	-703	-6.8%
Recurring profits	10,268	10,213	-55	-0.5%
Net profits	8,134	7,921	-213	-2.6%

5. Noven PL - Comparison with the previous period performance -

Unit:¥ million

	Actual performance for FY02/17 (Q2)	Actual performance for FY02/18 (Q2)	Change	Percentage Change
Net sales *	12,608	10,326	-2,282	-18.1%
CoGS	5,255	5,536	+280	+5.3%
as a % of sales	41.7%	53.6%	-	-
SG&A costs	5,970	3,396	-2,573	-43.1%
Sales promotion costs	806	151	-655	-81.2%
Advertising costs	12	1	-10	-84.9%
R&D spending	1,934	1,383	-551	-28.5%
Others	3,216	1,859	-1,356	-42.2%
Operating profits	1,382	1,392	+10	+0.8%
Nonoperating balance	25	127	+102	+406.0%
Pretax profits	1,407	1,520	+113	+8.0%
Net profits	985	988	+3	+0.3%

Exchange rate (¥/USD)	¥111.46	¥112.14
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* Results before consolidated adjustment.

6. Sales results by product (1) - Rx Business -

Unit:¥ million

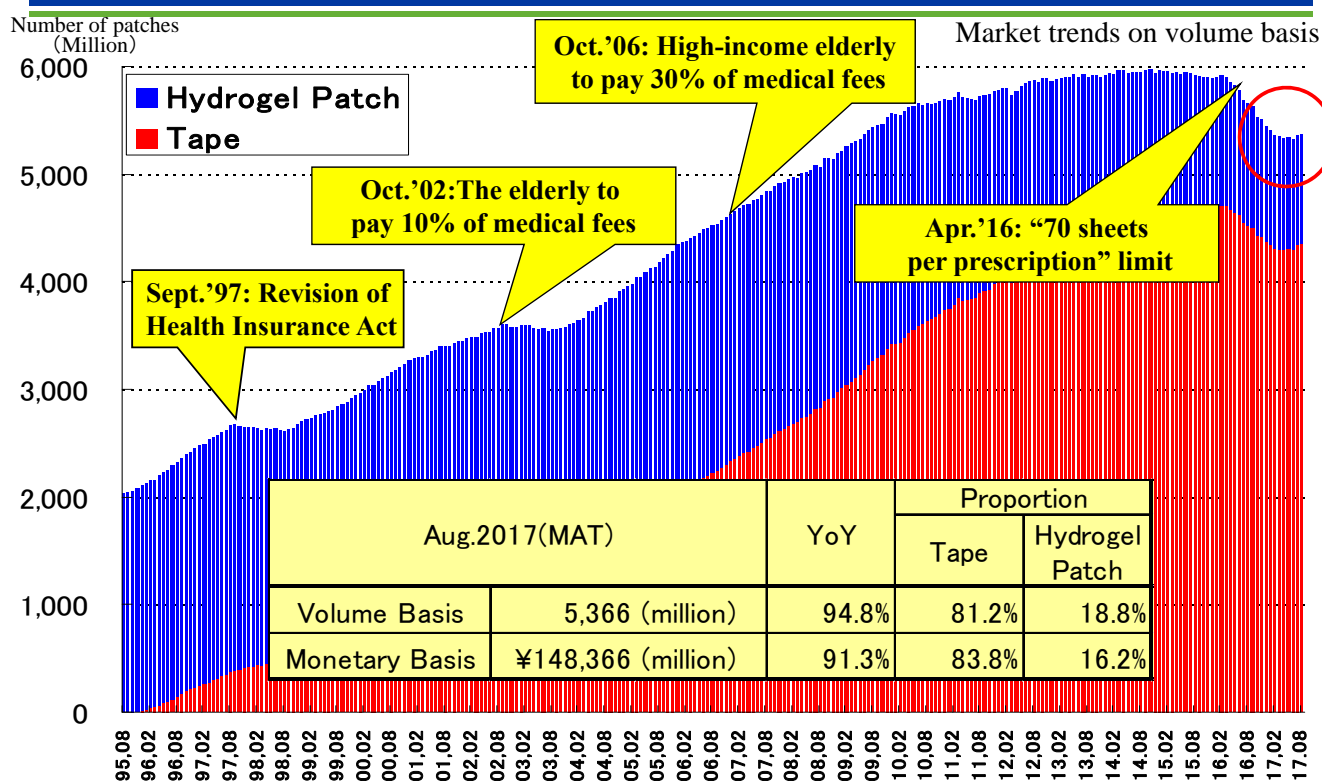
	Actual performance for FY02/18 (Q2)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
Rx Business	47,474	36,804	10,669	-3,977	-1,665	-2,313	-7.7%	-4.3%	-17.8%
Fentos [®] Tape	2,351	2,351	-	+49	+49	-	+2.1%	+2.1%	-
Norspan [®] Tape	1,059	1,059	-	-94	-94	-	-8.2%	-8.2%	-
Neoxy [®] Tape	427	427	-	-325	-325	-	-43.2%	-43.2%	-
Abstral [®]	115	115	-	+21	+21	-	+22.3%	+22.3%	-
Mohrus [®] Tape	24,947	24,887	60	-2,441	-2,441	+1	-8.9%	-8.9%	+1.7%
Mohrus [®] Pap	4,205	4,205	-	+577	+577	-	+15.9%	+15.9%	-
(Mohrus [®] Pap XR)	2,711	2,711	-	+1,984	+1,984	-	+272.9%	+272.9%	-
Others	4,220	3,757	462	+594	+547	+46	+16.4%	+17.0%	+11.1%
Minivelle [®]	3,855	-	3,855	-1,445	-	-1,445	-27.3%	-	-27.3%
Vivelle-Dot [®] products	2,284	-	2,284	+221	-	+221	+10.7%	-	+10.7%
CombiPatch [®] products	2,156	-	2,156	-77	-	-77	-3.4%	-	-3.4%
Brisdelle [®]	-10	-	-10	-851	-	-851	-	-	-
Daytrana [®]	1,747	-	1,747	-78	-	-78	-4.3%	-	-4.3%
Others of Noven products	113	-	113	-129	-	-129	-53.3%	-	-53.3%

6. Sales results by product (2) - OTC Business -

Unit:¥ million

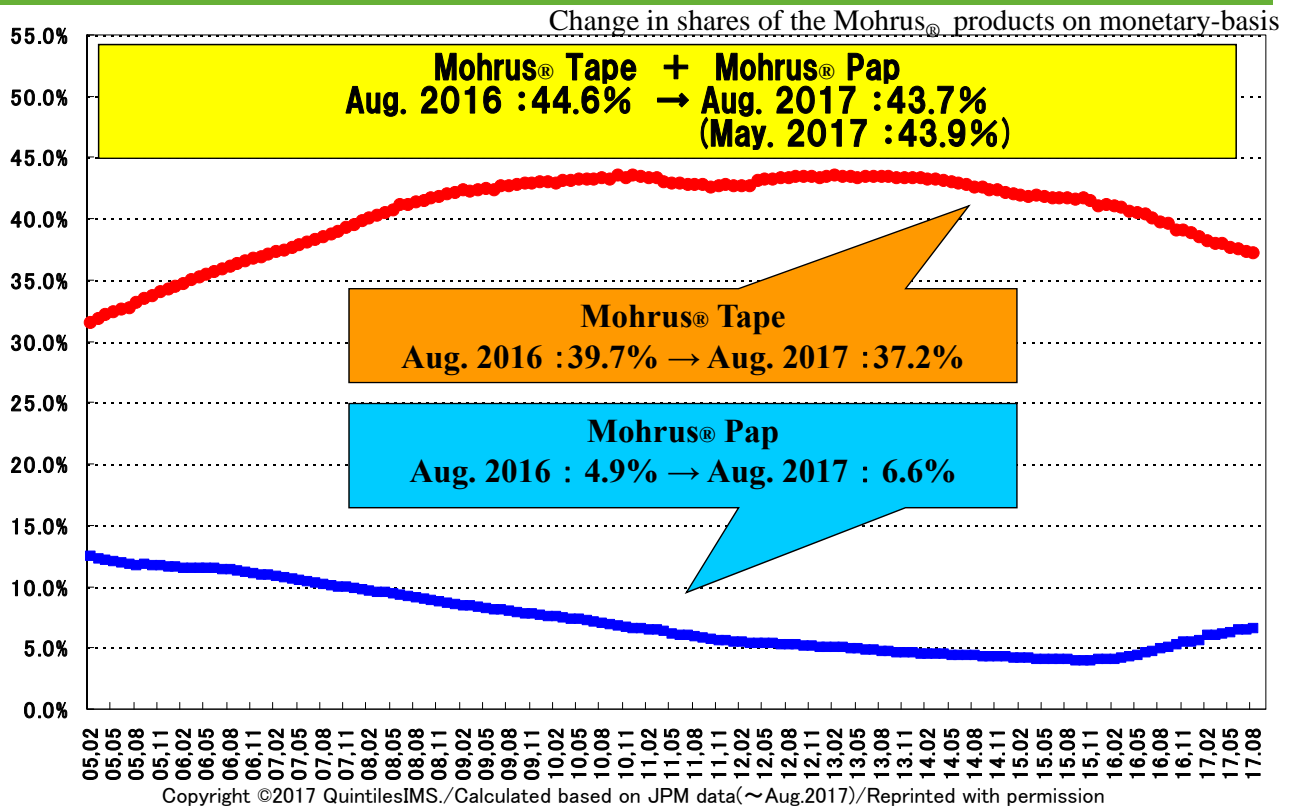
	Actual performance for FY02/18 (Q2)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	24,288	13,899	10,388	+2,912	+585	+2,327	+13.6%	+4.4%	+28.9%
Salonpas [®] products	13,978	5,572	8,406	+2,450	+552	+1,898	+21.3%	+11.0%	+29.2%
Salonprip [®] products	2,799	1,889	909	+448	+101	+347	+19.1%	+5.6%	+61.7%
Air [®] Salonpas [®] products	1,032	678	353	-149	-142	-7	-12.6%	-17.3%	-1.9%
Feitas [®] products	2,625	2,625	-	+211	+211	-	+8.7%	+8.7%	-
Butenalock [®] products	1,199	1,199	-	-118	-118	-	-9.0%	-9.0%	-
Allegra [®] FX	1,005	1,005	-	-92	-92	-	-8.4%	-8.4%	-
Others	1,647	928	718	+162	+74	+88	+10.9%	+8.7%	+14.0%

7. Trends of second-generation non-steroidal anti-inflammatory patch in Japan (1)



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7. Trends of second-generation non-steroidal anti-inflammatory patch in Japan (2)



8. R&D Pipeline

	Stage	Theme	Target	Dosage Form	Characteristics	Next Step
1	Filed (ANDA)	HP-1010	USA	Patch	Relief of pain associated with post-herpetic neuralgia	No disclosure
2	Filed (ANDA)	HP-1030	USA	Patch	Alzheimer's disease	No disclosure
3	Filed	HP-3060	JPN	Patch	Allergic rhinitis	To be approved in FY17
4	Filed	HFT-290 (New dose addition)	JPN	Patch	Cancer pain, Chronic pain	To be approved in FY18
5	Phase3	HP-3000	JPN	Patch	Parkinson's disease	To be filed in FY18
6	Phase3	HP-3070	USA	Patch	Schizophrenia	To be filed in FY18
7	Phase3	HP-3150	JPN	Patch	Cancer pain	To be filed in FY20
8	Phase3 being prepared	ATS	USA	Patch	Attention Deficit Hyperactivity Disorder (ADHD)	Phase3 start in FY18
9	Phase3 being prepared	HP-3150	JPN	Patch	Low back pain	Phase3 start in FY19
10	Phase3 being prepared	HP-3000	JPN	Patch	Idiopathic restless legs syndrome	Under consideration
11	Phase2	HP-5000	USA	Patch	Osteoarthritis of the knee	Phase3 start in FY19

Improving Quality of Life Around the World

Q2 FY02/2018 Results

Oct. 10th, 2017

Hisamitsu Pharmaceutical Co., Inc.

Additional data

Unit:\$ thousand

	Actual performance for FY02/17 (Q2)	Actual performance for FY02/18 (Q2)	Change	Percentage Change
Net sales *	113,123	92,082	-21,041	-18.6%
CoGS	47,155	49,371	+2,215	+4.7%
as a % of sales	41.7%	53.6%	-	-
SG&A costs	53,566	30,289	-23,277	-43.5%
Sales promotion costs	7,239	1,349	-5,890	-81.4%
Advertising costs	112	16	-95	-85.0%
R&D spending	17,358	12,338	-5,019	-28.9%
Others	28,856	16,534	-12,271	-42.5%
Operating profits	12,401	12,421	+19	+0.2%
Nonoperating balance	226	1,138	+912	+402.9%
Pretax profits	12,627	13,559	+931	+7.4%
Net profits	8,839	8,813	-25	-0.3%

* Results before consolidated adjustment.

Modification of disclosed information of sales results by product (1)

【Current categorization】

Sales of “Salonpas® Pain Relieving Gel-patch”, and “Salonpas® Lidocaine Pain Relieving Gel-patch” sold in US was included in “Salonsip group” (gel-patch group).



【New categorization】

Sales of those 2 products (“Salonpas® Pain Relieving Gel-patch”, and “Salonpas® Lidocaine Pain Relieving Gel-patch”) will be included in “Salonpas group”.

Sales results by product for Q1 FY 02/18 - OTC Business -

Unit:¥ million

	Actual performance for FY02/18 (Q1)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	12,351	7,477	4,874	+834	-72	+907	+7.2%	-1.0%	+22.9%
Salonpas® products	7,218	2,978	4,240	+1,425	+542	+884	+24.6%	+22.2%	+26.3%
Salonsip® products	975	751	224	-127	-97	-30	-11.5%	-11.4%	-11.8%

Modification of disclosed information of sales results by product (2)

Sales results by product for FY 02/17 - OTC Business -

Unit:¥ million

	Actual performance for FY02/17			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	43,845	25,867	17,978	+3,406	+2,961	+445	+8.4%	+12.9%	+2.5%
Salonpas® products	24,239	9,671	14,568	+1,342	+1,082	+261	+5.9%	+12.6%	+1.8%
Salonsip® products	4,433	3,193	1,239	-26	+80	-107	-0.6%	+2.6%	-7.9%

Sales results by product for Q3 FY 02/17 - OTC Business -

Unit:¥ million

	Actual performance for FY02/17 (Q3)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	31,661	19,608	12,053	+2,029	+2,373	-343	+6.8%	+13.8%	-2.8%
Salonpas® products	17,385	7,691	9,693	+705	+1,091	-387	+4.2%	+16.5%	-3.8%
Salonsip® products	3,556	2,634	921	+25	+97	-73	+0.7%	+3.8%	-7.3%

Modification of disclosed information of sales results by product (3)

Sales results by product for Q2 FY 02/17 - OTC Business -

Unit:¥ million

	Actual performance for FY02/17 (Q2)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	21,376	13,314	8,061	+967	+1,206	-240	+4.7%	+10.0%	-2.9%
Salonpas® products	11,755	5,020	6,735	+617	+640	-22	+5.5%	+14.6%	-0.3%
Salonsip® products	2,123	1,788	335	-282	+37	-318	-11.7%	+2.1%	-48.7%

Sales results by product for Q1 FY 02/17 - OTC Business -

Unit:¥ million

	Actual performance for FY02/17 (Q1)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	11,517	7,549	3,967	+1,312	+1,260	+52	+12.9%	+20.0%	+1.3%
Salonpas® products	5,793	2,436	3,356	+549	+412	+137	+10.5%	+20.4%	+4.3%
Salonsip® products	1,102	848	254	+61	+84	-23	+5.9%	+11.0%	-8.3%

Modification of disclosed information of sales results by product (4)

Sales results by product for FY 02/16 - OTC Business -

Unit:¥ million

	Actual performance for FY02/16			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	40,439	22,906	17,533	+2,842	+1,527	+1,315	+7.6%	+7.1%	+8.1%
Salonpas [®] products	22,897	8,589	14,307	+2,721	+1,255	+1,465	+13.5%	+17.1%	+11.4%
Salonsip [®] products	4,459	3,113	1,346	-64	-14	-50	-1.4%	-0.4%	-3.6%

Sales results by product for Q3 FY 02/16 - OTC Business -

Unit:¥ million

	Actual performance for FY02/16 (Q3)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	29,632	17,235	12,396	+2,122	+1,063	+1,059	+7.7%	+6.6%	+9.3%
Salonpas [®] products	16,680	6,600	10,080	+2,075	+948	+1,128	+14.2%	+16.8%	+12.6%
Salonsip [®] products	3,531	2,537	994	+11	-18	+29	+0.3%	-0.7%	+3.0%

Modification of disclosed information of sales results by product (5)

Sales results by product for Q2 FY 02/16 - OTC Business -

Unit:¥ million

	Actual performance for FY02/16 (Q2)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	20,408	12,107	8,301	+1,275	+573	+703	+6.7%	+5.0%	+9.3%
Salonpas [®] products	11,138	4,380	6,757	+1,257	+650	+607	+12.7%	+17.4%	+9.9%
Salonsip [®] products	2,405	1,751	653	+33	+23	+10	+1.4%	+1.3%	+1.6%

Sales results by product for Q1 FY 02/16 - OTC Business -

Unit:¥ million

	Actual performance for FY02/16 (Q1)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	10,205	6,289	3,915	+713	+284	+428	+7.5%	+4.7%	+12.3%
Salonpas [®] products	5,244	2,024	3,219	+759	+297	+462	+16.9%	+17.2%	+16.8%
Salonsip [®] products	1,041	764	277	+50	+25	+25	+5.0%	+3.4%	+9.9%

Modification of disclosed information of sales results by product (6)

Sales results by product for FY 02/15 - OTC Business -

Unit:¥ million

	Actual performance for FY02/15			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	37,597	21,379	16,218	+3,820	+1,330	+2,490	+11.3%	+6.6%	+18.1%
Salonpas® products	20,176	7,334	12,842	+3,026	+580	+2,138	+17.6%	+8.6%	+20.0%
Salonsip® products	4,523	3,127	1,396	-45	+111	+152	-1.0%	+3.7%	+12.2%

Sales results by product for Q3 FY 02/15 - OTC Business -

Unit:¥ million

	Actual performance for FY02/15 (Q3)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	27,510	16,172	11,337	+2,018	+599	+1,419	+7.9%	+3.8%	+14.3%
Salonpas® products	14,605	5,652	8,952	+1,851	+362	+1,251	+14.5%	+6.8%	+16.2%
Salonsip® products	3,520	2,555	965	-12	+137	+89	-0.3%	+5.7%	+10.2%

Modification of disclosed information of sales results by product (7)

Sales results by product for Q2 FY 02/15 - OTC Business -

Unit:¥ million

	Actual performance for FY02/15 (Q2)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	19,133	11,534	7,598	+1,712	+645	+1,067	+9.8%	+5.9%	+16.3%
Salonpas® products	9,881	3,730	6,150	+1,407	+257	+1,151	+16.6%	+7.4%	+23.0%
Salonsip® products	2,372	1,728	643	+142	+113	+29	+6.4%	+7.0%	+4.7%

Sales results by product for Q1 FY 02/15 - OTC Business -

Unit:¥ million

	Actual performance for FY02/15 (Q1)			Change			Percentage Change		
	Total	Japan	Overseas	Total	Japan	Overseas	Total	Japan	Overseas
OTC Business	9,492	6,005	3,487	+718	+118	+601	+8.2%	+2.0%	+20.8%
Salonpas® products	4,485	1,727	2,757	+826	+255	+570	+22.6%	+17.3%	+26.1%
Salonsip® products	991	739	252	+66	+65	+1	+7.1%	+9.6%	+0.4%