

Consolidated Financial Statements for the First Three Months of the March 31, 2021 Fiscal Year <under Japanese GAAP>

August 5, 2020

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
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 Scheduled date of dividend payments: –
 Supplementary material on quarterly financial results: Yes
 Quarterly financial results briefing: Yes

** All amounts in this report are rounded down to the nearest million yen, unless otherwise noted.*

1. Consolidated Financial Results for the First Three Months of Fiscal 2020 (cumulative: April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results

Note: Percentages indicate changes over the same period in the previous fiscal year.

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------------|-----------------|-------|------------------|------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| For three months ended | | | | | | | | |
| June 30, 2020 | 75,023 | 24.5 | 9,389 | 12.8 | 11,117 | 45.3 | 6,064 | (44.9) |
| June 30, 2019 | 60,260 | (2.4) | 8,324 | 2.0 | 7,649 | (37.3) | 11,006 | (19.6) |

Note: Comprehensive income For the three months of Fiscal 2020: ¥3,537 million [(33.3)%]
 For the three months of Fiscal 2019: ¥5,301 million [(57.9)%]

| | Basic earnings per share | Diluted earnings per share |
|------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| For three months ended | | |
| June 30, 2020 | 75.98 | 75.89 |
| June 30, 2019 | 137.91 | 137.77 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------|-----------------|-----------------|--------------|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2020 | 858,187 | 736,944 | 82.4 |
| March 31, 2020 | 864,974 | 739,778 | 82.0 |

Reference: Equity As of June 30, 2020: ¥707,378 million As of March 31, 2020: ¥709,374 million

Note: In the first quarter of the fiscal year ending March 31, 2021, the Company finalized the provisional accounting treatment of the business combination with UPSA, and the figures pertaining to Fiscal 2019 reflect the finalization of the provisional accounting treatment.

2. Cash Dividends

| | Annual dividends | | | | |
|------------------------|------------------|----------------|---------------|-----------------|--------|
| | First quarter | Second quarter | Third quarter | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2019 | — | 50.00 | — | 60.00 | 110.00 |
| Fiscal 2020 | — | | | | |
| Fiscal 2020 (Forecast) | | 50.00 | — | 50.00 | 100.00 |

Note: Revisions to the cash dividend forecast most recently announced: No

3. Forecast of Consolidated Operating Results for Fiscal 2020 (April 1, 2020 to March 31, 2021)

Note: Percentages indicate changes over the same period in the previous fiscal year.

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|-----|------------------|-------|-----------------|-------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 289,500 | 0.3 | 20,000 | (5.4) | 23,000 | (6.0) | 13,000 | (35.6) | 162.89 |

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

* Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020
(or changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards: No
 - b. Changes in accounting policies due to other reasons: No
 - c. Changes in accounting estimates: No
 - d. Restatement of prior period financial statements after error corrections: No
- (4) Number of issued shares (common shares)
 - a. Total number of issued shares at the end of the period (including treasury shares)

| | |
|-----------------------|-------------------|
| As of June 30, 2020: | 85,139,653 shares |
| As of March 31, 2020: | 85,139,653 shares |
 - b. Number of treasury shares at the end of the period

| | |
|-----------------------|------------------|
| As of June 30, 2020: | 5,326,600 shares |
| As of March 31, 2020: | 5,325,613 shares |
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|---------------------------------------|-------------------|
| For three months ended June 30, 2020: | 79,813,292 shares |
| For three months ended June 30, 2019: | 79,814,025 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Disclaimer regarding appropriate use of forecasts and related points of note

The forecast statements shown in these materials are based on the information available at the time of preparation and certain assumptions that the Company deems rational. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

Attached Material

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1. Qualitative Information Regarding Settlement of Accounts for the First Three Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the three months ended June 30, 2020, sales were significantly lower year on year mainly in categories such as energy drinks and general cold remedies as people voluntarily stayed at home, the number of overseas visitors dropped, etc. due to the effects of the spread of the novel coronavirus disease (COVID-19).

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to increasing level of difficulty in the discovery of new drugs and the steady penetration of various government measures designed to curb healthcare costs.

Considering the current environment, the Self-Medication Operation Group is actively developing new fields to address growing interest in health consciousness among consumers, while also stepping up product development to create new products that satisfy consumer needs and generate new demand. In the area of sales, the group is implementing activities to expand contact points and spread our new brand concept to consumers, aiming for strong brands that attract consumers, while also focusing on expanding mail order system channels such as Taisho Pharmaceutical Direct and TAISHO BEAUTY ONLINE, which provides benefits to consumers.

Outside Japan, since the full-scale entry into the OTC drug business in Asia in Fiscal 2009, the group has been working to expand its OTC drug business mainly in Southeast Asian countries such as Indonesia, the Philippines, Thailand, and Malaysia. In May 2019, the group's shareholding in Vietnamese company Duoc Hau Giang Pharmaceutical JSC ("DHG") increased to 51.01%, making it a consolidated subsidiary. Originally the group acquired 24.50% of DHG's shares in July 2016 and thereafter incrementally increased the shareholding ratio. Going forward the group will work to strengthen the pharmaceutical business operations in Vietnam by leveraging DHG's business base. In addition, the procedures were completed on July 1, 2019 (Time in France) for the Stock and Asset Purchase Agreement regarding UPSA SAS ("UPSA"), a French pharmaceutical manufacturer owned by Bristol-Myers Squibb Company (Headquarters: New York, United States of America, "BMS") through a subsidiary, which was entered into with BMS on December 19, 2018, and UPSA is now a wholly owned subsidiary of Taisho Pharmaceutical Co., Ltd. Under the group's policy to expand business in regions where future growth is expected, the group aims to achieve sustainable growth by expanding the overseas business through a bipolar structure targeting the European market in addition to the Southeast Asian market.

The Prescription Pharmaceutical Operation Group is working to maximize sales of new drugs by carefully targeting the provision of information. In addition, the group is working to secure the early approval of compounds at the development stage and reinforce its R&D pipeline by introducing new drug candidates. The group is also strengthening cooperation with external research institutions to support the ongoing discovery of original substances.

Consolidated net sales during the three months ended June 30, 2020 increased by ¥14,762 million, or 24.5% year on year, to ¥75,023 million.

**Please take note that all amounts given in billions of yen are rounded off to one decimal place.*

Performance by segment is provided below.

| Segment / Category | Amount | (Billions of yen) | |
|--|--------|-------------------------------|--------|
| | | Increase (Decrease) Amount | % |
| Self-Medication Operation Group | 56.4 | 13.5 | 31.4 |
| Japan | 28.8 | (5.7) | (16.4) |
| Overseas | 27.0 | 19.1 | 244.6 |
| Others | 0.7 | 0.0 | 3.3 |
| Prescription Pharmaceutical Operation Group | 18.6 | 1.3 | 7.3 |
| Ethical drugs | 18.2 | 1.5 | 9.1 |
| Others | 0.4 | (0.2) | (38.7) |

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2020 increased by ¥13.5 billion, or 31.4% year on year, to ¥56.4 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series fell 18.8% to ¥10.4 billion. Sales of the *Pabron* series decreased by 39.9% to ¥3.5 billion. Sales of the *RiUP* series decreased by 2.9% to ¥3.5 billion. Sales of *Biofermin* series decreased by 6.5% to ¥2.4 billion.

Overseas, net sales for the Asia region increased by 60.5% year on year to ¥11.5 billion and net sales for the Europe and Americas region amounted to ¥15.0 billion due to the impact of DHG and UPSA becoming consolidated subsidiaries.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2020 increased by ¥1.3 billion, or 7.3% year on year, to ¥18.6 billion.

Osteoporosis agent *Edirol* increased by 11.0% to ¥7.3 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 42.2% to ¥2.6 billion, osteoporosis agent *Bonviva* was up 4.3% to ¥1.7 billion, transdermal antiinflammatory analgesic patch formulation *LOQOA* increased by 0.0% to ¥0.9 billion. On the other hand, peripheral vasodilator *Palux* decreased by 26.3% to ¥0.6 billion and macrolide antibiotic *Clarith* decreased by 53.6% to ¥0.5 billion compared to the same period of the previous fiscal year partly due to the effects of NHI drug price revision and generic drugs, as well as the impact of people postponing medical examinations, etc. to prevent the spread of COVID-19.

On the profits front, operating profit increased by 12.8% to ¥9,389 million reflecting an increase in net sales due to expansion of overseas business, and ordinary profit increased by 45.3% to ¥11,117 million due to the impact of foreign exchange gains and losses. In addition, profit attributable to owners of parent decreased by 44.9% to ¥6,064 million due to the absence of the gain on step acquisitions accompanying DHG becoming a subsidiary.

(2) Information on Financial Position

Total assets as of June 30, 2020 stood at ¥858.2 billion, down ¥6.8 billion from the previous fiscal year-end. Investment securities increased by ¥5.0 billion and land increased by ¥1.1 billion, but goodwill decreased by ¥4.9 billion, cash and deposits decreased by ¥3.6 billion and notes and accounts receivable - trade decreased by ¥3.3 billion.

Liabilities amounted to ¥121.2 billion, a decrease of ¥4.0 billion from the previous fiscal year-end.

Net assets amounted to ¥736.9 billion, a decrease of ¥2.8 billion from the previous fiscal year-end. The main factor of increase was ¥2.7 billion in valuation difference on available-for-sale securities, while the main factor of decrease was ¥5.9 billion in foreign currency translation adjustment.

The Company finalized the provisional accounting treatment of the business combination with UPSA in the first quarter of the fiscal year ending March 31, 2021, and restated the financial figures as of March 31, 2020. As a result, goodwill decreased by ¥36.7 billion to ¥133.2 billion. As other main items affected by the restatement, trademark right increased by ¥48.5 billion and deferred tax liabilities increased by ¥13.1 billion.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------|---------------------|
| | As of March 31, 2020 | As of June 30, 2020 |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 223,814 | 220,234 |
| Notes and accounts receivable - trade | 65,463 | 62,209 |
| Securities | 14,089 | 14,044 |
| Merchandise and finished goods | 26,616 | 27,408 |
| Work in process | 3,176 | 3,055 |
| Raw materials and supplies | 13,577 | 14,501 |
| Other | 9,334 | 11,096 |
| Allowance for doubtful accounts | (449) | (356) |
| Total current assets | 355,623 | 352,194 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 53,999 | 52,771 |
| Machinery, equipment and vehicles, net | 15,059 | 14,365 |
| Land | 38,170 | 39,287 |
| Construction in progress | 2,490 | 2,312 |
| Other, net | 2,928 | 2,798 |
| Total property, plant and equipment | 112,648 | 111,535 |
| Intangible assets | | |
| Goodwill | 133,169 | 128,290 |
| Sales rights | 690 | 655 |
| Trademark right | 73,144 | 70,197 |
| Software | 6,570 | 7,061 |
| Other | 8,236 | 7,966 |
| Total intangible assets | 221,811 | 214,171 |
| Investments and other assets | | |
| Investment securities | 145,831 | 150,807 |
| Shares of subsidiaries and associates | 11,644 | 11,764 |
| Long-term prepaid expenses | 1,009 | 1,033 |
| Retirement benefit asset | 4,642 | 4,759 |
| Deferred tax assets | 11,134 | 11,296 |
| Other | 862 | 857 |
| Allowance for doubtful accounts | (233) | (232) |
| Total investments and other assets | 174,891 | 180,286 |
| Total non-current assets | 509,351 | 505,993 |
| Total assets | 864,974 | 858,187 |

(Millions of yen)

| | As of March 31, 2020 | As of June 30, 2020 |
|--|----------------------|---------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 18,045 | 16,814 |
| Accounts payable - other | 15,743 | 16,659 |
| Income taxes payable | 5,414 | 3,479 |
| Accrued expenses | 19,310 | 19,994 |
| Provision for sales returns | 767 | 716 |
| Provision for bonuses | 3,769 | 2,072 |
| Other | 3,404 | 2,700 |
| Total current liabilities | 66,456 | 62,438 |
| Non-current liabilities | | |
| Provision for retirement benefits for directors (and other officers) | 1,006 | 959 |
| Retirement benefit liability | 21,029 | 21,114 |
| Deferred tax liabilities | 30,042 | 30,347 |
| Other | 6,660 | 6,383 |
| Total non-current liabilities | 58,739 | 58,804 |
| Total liabilities | 125,196 | 121,242 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Share capital | 30,000 | 30,000 |
| Retained earnings | 698,223 | 699,331 |
| Treasury shares | (35,454) | (35,460) |
| Total shareholders' equity | 692,768 | 693,870 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20,796 | 23,505 |
| Foreign currency translation adjustment | (1,145) | (7,019) |
| Remeasurements of defined benefit plans | (3,046) | (2,977) |
| Total accumulated other comprehensive income | 16,605 | 13,508 |
| Share acquisition rights | 773 | 773 |
| Non-controlling interests | 29,630 | 28,792 |
| Total net assets | 739,778 | 736,944 |
| Total liabilities and net assets | 864,974 | 858,187 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

| | For three months ended June 30, 2019 | For three months ended June 30, 2020 |
|---|---|---|
| Net sales | 60,260 | 75,023 |
| Cost of sales | 19,037 | 27,837 |
| Gross profit | 41,223 | 47,185 |
| Reversal of provision for sales returns | 853 | 659 |
| Provision for sales returns | 771 | 616 |
| Gross profit - net | 41,305 | 47,228 |
| Selling, general and administrative expenses | 32,981 | 37,838 |
| Operating profit | 8,324 | 9,389 |
| Non-operating income | | |
| Interest income | 1,177 | 538 |
| Dividend income | 926 | 884 |
| Share of profit of entities accounted for using equity method | 103 | 98 |
| Other | 99 | 288 |
| Total non-operating income | 2,306 | 1,810 |
| Non-operating expenses | | |
| Interest expenses | 0 | 31 |
| Foreign exchange losses | 2,932 | – |
| Commission expenses | 16 | 16 |
| Other | 32 | 34 |
| Total non-operating expenses | 2,981 | 82 |
| Ordinary profit | 7,649 | 11,117 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 1 |
| Gain on step acquisitions | 6,093 | – |
| Total extraordinary income | 6,093 | 1 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 3 | 147 |
| Loss on valuation of investment securities | – | 152 |
| Total extraordinary losses | 3 | 300 |
| Profit before income taxes | 13,740 | 10,818 |
| Income taxes | 2,414 | 4,130 |
| Profit | 11,325 | 6,688 |
| Profit attributable to non-controlling interests | 318 | 623 |
| Profit attributable to owners of parent | 11,006 | 6,064 |

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

| | For three months ended June 30, 2019 | For three months ended June 30, 2020 |
|--|---|---|
| Profit | 11,325 | 6,688 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (5,664) | 2,602 |
| Deferred gains or losses on hedges | (1,073) | — |
| Foreign currency translation adjustment | 410 | (5,971) |
| Remeasurements of defined benefit plans, net of tax | 24 | 65 |
| Share of other comprehensive income of entities accounted for using equity method | 278 | 153 |
| Total other comprehensive income | (6,024) | (3,150) |
| Comprehensive income | 5,301 | 3,537 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 5,028 | 2,967 |
| Comprehensive income attributable to non- controlling interests | 272 | 570 |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

No items to report

(Business Combination)

I. Significant revision of initial allocation of acquisition cost in comparative information (DHG)

Regarding the business combination with DHG on May 20, 2019, the Company applied a provisional accounting treatment from the first quarter to the third quarter of the fiscal year ended March 31, 2020, and finalized the provisional accounting treatment at the end of the fiscal year ended March 31, 2020.

Following the finalization of the provisional accounting treatment, comparative information included in the quarterly consolidated financial statements for the three months ended June 30, 2020, reflects the significant revision of initial allocation of acquisition cost.

In addition, because it is included within the scope of consolidation as of June 30, 2019, there is no impact on the quarterly consolidated statement of income for the three months ended June 30, 2019.

II. Finalization of provisional treatment for business combination and significant revision of initial allocation of acquisition cost in comparative information (UPSA)

Regarding the business combination with UPSA on July 1, 2019, the Company applied a provisional accounting treatment from the second quarter to the year-end of the fiscal year ended March 31, 2020, and finalized the provisional accounting treatment in the first quarter of the fiscal year ending March 31, 2021.

Following the finalization of the provisional accounting treatment, comparative information included in the quarterly consolidated financial statements for the three months ended June 30, 2020, reflects the significant revision of initial allocation of acquisition cost.

As a result, the final calculation for goodwill amounted to ¥105,793 million, which was a decrease of ¥36,547 million from the provisional calculation of ¥142,340 million. The decrease in goodwill was mainly due to increases in trademark right by ¥49,748 million and deferred tax liabilities by ¥12,981 million.

In addition, as the main items that have been restated in the consolidated balance sheet as of March 31, 2020, goodwill decreased by ¥36,693 million, while trademark right increased by ¥48,524 million and deferred tax liabilities increased by ¥13,099 million.

In addition, because it is included within the scope of consolidation as of September 30, 2019, there is no impact on the quarterly consolidated statement of income for the three months ended June 30, 2019.

(Segment Information (cumulative))

I. For three months ended June 30, 2019

1. Information concerning net sales and profit/loss by reportable segment

(Millions of yen)

| | Reportable segment | | | Other (Note 1) | Total |
|-------------------------------------|------------------------------------|---|----------|-------------------|--------|
| | Self-Medication Operation Group | Prescription Pharmaceutical Operation Group | Subtotal | | |
| Sales | | | | | |
| Sales to outside customers | 42,936 | 17,323 | 60,260 | — | 60,260 |
| Sales or transfers between segments | — | — | — | — | — |
| Total | 42,936 | 17,323 | 60,260 | — | 60,260 |
| Segment profit (Note 2) | 7,032 | 1,605 | 8,638 | (313) | 8,324 |

Notes: 1 The “Other” segment represents the Company (a pure holding company), which is not attributable to any reportable segment.

2 Segment profit matches operating profit on the quarterly consolidated statement of income.

2. Information regarding impairment loss of non-current assets and goodwill, etc. by reportable segment (Material change in goodwill amount)

In the Self-Medication Operation Group, regarding the business combination with DHG in the first quarter of the fiscal year ended March 31, 2020, the amount of goodwill was provisional because the allocation of the acquisition cost was not yet completed. However, the Company revised the amount of goodwill because the Company completed the allocation of the acquisition cost at the end of the fiscal year ended March 31, 2020, and finalized the provisional accounting treatment.

As a result, goodwill of ¥19,281 million was recorded.

II. For three months ended June 30, 2020

1. Information concerning net sales and profit/loss by reportable segment

(Millions of yen)

| | Reportable segment | | | Other (Note 1) | Total |
|-------------------------------------|------------------------------------|---|----------|-------------------|--------|
| | Self-Medication Operation Group | Prescription Pharmaceutical Operation Group | Subtotal | | |
| Sales | | | | | |
| Sales to outside customers | 56,436 | 18,587 | 75,023 | — | 75,023 |
| Sales or transfers between segments | — | — | — | — | — |
| Total | 56,436 | 18,587 | 75,023 | — | 75,023 |
| Segment profit (Note 2) | 5,483 | 4,466 | 9,950 | (561) | 9,389 |

Notes: 1 The “Other” segment mainly represents the Company (a pure holding company), which is not attributable to any reportable segment.

2 Segment profit matches operating profit on the quarterly consolidated statement of income.

2. Information regarding impairment loss of non-current assets and goodwill, etc. by reportable segment (Material change in goodwill amount)

In the Self-Medication Operation Group, regarding the business combination with UPSA in the second quarter of the fiscal year ended March 31, 2020, the amount of goodwill was provisional because the allocation of the acquisition cost was not yet completed. However, the Company revised the amount of goodwill because the Company completed the allocation of the acquisition cost in the first quarter of the fiscal year ending March 31, 2021, and finalized the provisional accounting treatment. The details are described in the “(3) Notes on Quarterly Consolidated Financial Statements, (Business Combination)” in this notes section.