

Consolidated Financial Statements for the First Three Months of the March 31, 2022
Fiscal Year
<under Japanese GAAP>

August 5, 2021

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
 Securities Code: 4581 (URL <https://www.taisho.co.jp/global/>)
 Representative: Akira Uehara, Chief Executive Officer (Representative)
 Contact: Shinichi Tanaka, General Manager of Corporate Communications
 TEL: +81-3-3985-2020

Scheduled date for filing Quarterly Securities Report: August 11, 2021

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 2021
(cumulative: April 1, 2021 to June 30, 2021)

(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	
For three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	63,884	(14.8)	2,676	(71.5)	4,033	(63.7)	1,179	(80.5)
June 30, 2020	75,023	24.5	9,389	12.8	11,117	45.3	6,064	(44.9)

Note: Comprehensive income For the three months of Fiscal 2021: ¥6,953 million [96.6%]

For the three months of Fiscal 2020: ¥3,537 million [(33.3)%]

	Basic earnings per share	Diluted earnings per share
For three months ended	Yen	Yen
June 30, 2021	14.78	14.75
June 30, 2020	75.98	75.89

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	877,471	757,842	83.1
March 31, 2021	876,923	758,406	83.1

Reference: Equity As of June 30, 2021: ¥728,875 million As of March 31, 2021: ¥728,704 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	50.00	—	50.00	100.00
Fiscal 2021	—				
Fiscal 2021 (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 2021 (April 1, 2021 to March 31, 2022)

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	269,000	(4.6)	14,500	(27.4)	18,500	(28.7)	10,500	(21.1)	131.45

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, 2021
(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: Yes
 - 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
- Note: See “(Changes in Accounting Policies)” of “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes on Quarterly Consolidated Financial Statements” on page 8 for detail.
- (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, 2021:	85,139,653 shares
As of March 31, 2021:	85,139,653 shares
 - b. Number of treasury shares at the end of the period

As of June 30, 2021:	5,322,727 shares
As of March 31, 2021:	5,324,936 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For three months ended June 30, 2021:	79,817,241 shares
For three months ended June 30, 2020:	79,813,292 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

Index

1. Qualitative Information Regarding Settlement of Accounts for the First Three Months	2
(1) Information on Operating Results	2
(2) Information on Financial Position	3
(3) Information on Forecast of Consolidated Operating Results and Other Forward-Looking Statements	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Income (cumulative)	6
Quarterly Consolidated Statements of Comprehensive Income (cumulative)	7
(3) Notes on Quarterly Consolidated Financial Statements	8
(Notes on Premise of Going Concern)	8
(Notes on Substantial Changes in the Amount of Shareholders' Equity).....	8
(Changes in Accounting Policies)	8
(Segment Information (cumulative)).....	9

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, 2021, sales in categories such as energy drinks, intestinal remedies and anti-inflammatory analgesics ended higher year on year mainly due to a rebound from the COVID-19 related weak demand of the previous fiscal year in said categories. Nevertheless, sales were down against fiscal 2020, due to the effect of people voluntarily staying at home, the massive decline in inbound tourists, and the more widespread practice of preventive measures such as wearing masks, washing hands and gargling.

For the Prescription Pharmaceutical Operation Group, the business climate remains tough due to an increasing level of difficulty in discovering new drugs as well as effects of the promotion of government measures designated to curb healthcare costs and full-blown reform of the drug price system, and other factors.

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.

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. As Vietnam-based Duoc Hau Giang Pharmaceutical JSC (“DHG”) became a consolidated subsidiary of the Company in May 2019, the Group is working to strengthen the pharmaceutical business operations in Vietnam by leveraging DHG’s business base. The Company also made France-based UPSA a consolidated subsidiary in July 2019. With this, 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 while focusing on priority areas. On the R&D front, the group is working to secure the early approval of compounds at the development stage and reinforce its R&D pipeline by licensing new drug candidates. Furthermore, in drug discovery research, the group is also strengthening cooperation with external research institutions and utilizing advanced technologies to support the ongoing discovery of original new drugs.

Consolidated net sales during the three months ended June 30, 2021 decreased by ¥11,139 million, or 14.8% year on year, to ¥63,884 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	53.6	(2.8)	(5.0)
Japan	28.9	0.1	0.4
Overseas	24.3	(2.7)	(10.0)
Others	0.5	(0.2)	(32.6)
Prescription Pharmaceutical Operation Group	10.3	(8.3)	(44.8)
Ethical drugs	9.5	(8.7)	(47.9)
Others	0.8	0.4	98.7

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2021 decreased by ¥2.8 billion, or 5.0% year on year, to ¥53.6 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series rose 14.0% to ¥11.8 billion. Sales of the *Pabron* series decreased by 0.3% to ¥3.5 billion. Sales of the *RiUP* series increased by 1.3% to ¥3.5 billion. Sales of *Biofermin* series increased by 5.3% to ¥2.5 billion.

Overseas, net sales for the Asia region increased by 4.7% year on year to ¥12.0 billion and net sales for the Europe and Americas region decreased by 19.3% to ¥12.1 billion.

As a result of applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations, net sales decreased by ¥1,927 million.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2021 decreased by ¥8.3 billion, or 44.8% year on year, to ¥10.3 billion.

Type 2 diabetes mellitus agent *Lusefi* increased by 18.4% to ¥3.1 billion, osteoporosis agent *Bonviva* increased by 8.9% to ¥1.8 billion, intestinal remedy *Biofermin* increased by 2.7% to ¥1.1 billion, and transdermal antiinflammatory analgesic patch formulation *LOQOA* increased by 1.9% to ¥1.0 billion. On the other hand, peripheral vasodilator *Palux* decreased by 7.3% to ¥0.6 billion and macrolide antibiotic *Clarith* decreased by 1.6% 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. Sales of *Edirol* have ended effective April 10, 2021 due to the expiry of the sales cooperation agreement with Chugai Pharmaceutical Co., Ltd.

As a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, net sales decreased by ¥797 million.

On the profits front, operating profit was reduced by 71.5% to ¥2,676 million due to the drop in gross profit from lower revenues and higher personnel expenses and advertising expenses, ordinary profit was reduced by 63.7% to ¥4,033 million, and profit attributable to owners of parent was reduced by 80.5% to ¥1,179 million.

As a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, net sales during the three months ended June 30, 2021 decreased by ¥2,725 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥265 million.

(2) Information on Financial Position

Total assets as of June 30, 2021 stood at ¥877.5 billion, up ¥0.5 billion from the previous fiscal year-end. Merchandise and finished goods increased by ¥1.2 billion, goodwill increased by ¥1.6 billion and trademark right increased by ¥1.2 billion, but investment securities decreased by ¥3.7 billion.

Liabilities amounted to ¥119.6 billion, an increase of ¥1.1 billion from the previous fiscal year-end.

Net assets amounted to ¥757.8 billion, a decrease of ¥0.6 billion from the previous fiscal year-end. The main factor of increase was ¥6.8 billion in foreign currency translation adjustment, while the main factors of decrease were ¥4.0 billion in dividends of surplus and ¥2.7 billion in valuation difference on available-for-sale securities.

As a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, net assets were reduced as a result of the reduction of ¥1.2 billion from the opening balance of retained earnings.

(3) Information on Forecast of Consolidated Operating Results and Other Forward-Looking Statements

The forecast of consolidated operating results for Fiscal 2021 is unchanged from the forecast announced on May 14, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
ASSETS		
Current assets		
Cash and deposits	250,178	249,615
Notes and accounts receivable - trade	51,609	49,286
Securities	4,017	4,017
Merchandise and finished goods	27,696	28,888
Work in process	3,158	3,054
Raw materials and supplies	15,529	14,758
Other	5,974	9,476
Allowance for doubtful accounts	(433)	(441)
Total current assets	357,731	358,656
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	51,876	51,508
Machinery, equipment and vehicles, net	14,494	14,423
Land	37,429	37,453
Construction in progress	6,577	6,599
Other, net	2,816	2,668
Total property, plant and equipment	113,194	112,653
Intangible assets		
Goodwill	128,612	130,206
Sales rights	453	431
Trademark right	69,258	70,428
Software	10,341	11,490
Other	7,867	8,195
Total intangible assets	216,532	220,753
Investments and other assets		
Investment securities	156,055	152,360
Shares of subsidiaries and associates	12,261	12,188
Long-term prepaid expenses	1,051	991
Retirement benefit asset	10,620	10,762
Deferred tax assets	8,892	8,519
Other	814	816
Allowance for doubtful accounts	(231)	(231)
Total investments and other assets	189,464	185,407
Total non-current assets	519,192	518,814
Total assets	876,923	877,471

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	14,672	12,457
Accounts payable - other	16,068	16,255
Income taxes payable	3,275	2,190
Accrued expenses	15,411	14,565
Provision for sales returns	704	—
Refund liabilities	—	6,640
Provision for bonuses	3,523	2,966
Other	4,010	4,127
Total current liabilities	57,666	59,204
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	944	934
Retirement benefit liability	21,321	21,476
Deferred tax liabilities	32,747	31,866
Other	5,836	6,148
Total non-current liabilities	60,849	60,424
Total liabilities	118,516	119,628
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	12	22
Retained earnings	703,036	699,057
Treasury shares	(35,450)	(35,435)
Total shareholders' equity	697,598	693,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,026	27,328
Foreign currency translation adjustment	(235)	6,611
Remeasurements of defined benefit plans	1,315	1,290
Total accumulated other comprehensive income	31,105	35,230
Share acquisition rights	801	766
Non-controlling interests	28,900	28,200
Total net assets	758,406	757,842
Total liabilities and net assets	876,923	877,471

(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, 2020	For three months ended June 30, 2021
Net sales	75,023	63,884
Cost of sales	27,837	24,144
Gross profit	47,185	39,739
Reversal of provision for sales returns	659	—
Provision for sales returns	616	—
Gross profit - net	47,228	39,739
Selling, general and administrative expenses	37,838	37,063
Operating profit	9,389	2,676
Non-operating income		
Interest income	538	343
Dividend income	884	958
Share of profit of entities accounted for using equity method	98	82
Other	288	240
Total non-operating income	1,810	1,625
Non-operating expenses		
Interest expenses	31	21
Commission expenses	16	15
Acquisition cost of subsidiary shares	—	197
Other	34	33
Total non-operating expenses	82	268
Ordinary profit	11,117	4,033
Extraordinary income		
Gain on sale of non-current assets	1	3
Total extraordinary income	1	3
Extraordinary losses		
Loss on disposal of non-current assets	147	31
Loss on sale of investment securities	—	0
Loss on valuation of investment securities	152	—
Total extraordinary losses	300	32
Profit before income taxes	10,818	4,004
Income taxes	4,130	2,301
Profit	6,688	1,703
Profit attributable to non-controlling interests	623	524
Profit attributable to owners of parent	6,064	1,179

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2020	For three months ended June 30, 2021
Profit	6,688	1,703
Other comprehensive income		
Valuation difference on available-for-sale securities	2,602	(2,696)
Foreign currency translation adjustment	(5,971)	7,998
Remeasurements of defined benefit plans, net of tax	65	(29)
Share of other comprehensive income of entities accounted for using equity method	153	(23)
Total other comprehensive income	(3,150)	5,249
Comprehensive income	3,537	6,953
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,967	5,304
Comprehensive income attributable to non- controlling interests	570	1,648

(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

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are set forth below.

(1) Revenue recognition for sale of merchandise and finished goods

In the Self-Medication Operation Group, the Company revenue from the sale of merchandise and finished goods, which was recognized at the time of shipment, has changed to the method of recognizing revenue at the time of delivery

(2) Changes in accounting treatment of rebates, etc.

In the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, the accounting treatment for sales rebates and other consideration payable to a customer, which was to account for them as selling, general and administrative expenses, has been changed to the method of deducting them from net sales. Note that among liabilities related to rebates, etc., those items previously presented as "accrued expenses" are now presented as "refund liabilities."

(3) Revenue recognition for sales with right of return

In the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, the accounting treatment for recognizing a sale with a right of return, which was previously performed by recognizing a provision for sales returns based on the amount equivalent to gross profit, has been changed to a method of not recognizing revenue at the time of sale and instead recognizing refund liabilities in accordance with the provisions of variable consideration regarding the expected portion of returns.

(4) Revenue recognition for transactions with supply of materials for value

In accounting of transactions with supply of materials for value in the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, the accounting treatment for raw materials, etc. changed. Although, previously, both net sales and cost of sales were recorded, the method was changed to recognize only the net amount equivalent to the processing fee as revenue.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

As a result, net sales during the three months ended June 30, 2021 decreased by ¥2,725 million and cost of sales decreased by ¥182 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥265 million. In addition, retained earnings as of the beginning of the fiscal year under review decreased by ¥1,164 million.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policies provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Segment Information (cumulative))

I. 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 that was carried out on July 1, 2019, 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 ended March 31, 2021, and finalized the provisional accounting treatment.

II. For three months ended June 30, 2021

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	53,623	10,260	63,884	—	63,884
Sales or transfers between segments	—	—	—	—	—
Total	53,623	10,260	63,884	—	63,884
Segment profit (Note 2)	3,112	15	3,127	(451)	2,676

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

There was no material impairment loss of non-current assets, material change in goodwill amount, or material gain on bargain purchase arisen during the three months ended June 30, 2021.

3. Matters regarding changes in reportable segments

(Changes in accounting policies)

As described in “Changes in Accounting Policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

For the three months ended June 30, 2021, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by ¥1,927 million and segment profit increased by ¥257 million for the Self-Medication Operation Group, and net sales decreased by ¥797 million and segment profit increased by ¥7 million for the Prescription Pharmaceutical Operation Group.