

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

February 1, 2022

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 Nine Months of Fiscal 2021
(cumulative: April 1, 2021 to December 31, 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 nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	200,051	(6.6)	7,133	(65.8)	11,493	(53.5)	8,974	(37.0)
December 31, 2020	214,300	1.4	20,864	22.1	24,742	22.0	14,235	(20.0)

Note: Comprehensive income For the nine months of Fiscal 2021: ¥12,987 million [(21.5)%]
 For the nine months of Fiscal 2020: ¥16,541 million [88.0%]

	Basic earnings per share	Diluted earnings per share
For nine months ended	Yen	Yen
December 31, 2021	110.43	110.30
December 31, 2020	178.35	178.12

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	875,757	759,789	84.5
March 31, 2021	876,923	758,406	83.1

Reference: Equity As of December 31, 2021: ¥739,974 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	—	50.00	—		
Fiscal 2021 (Forecast)				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)	11,000	(44.9)	15,500	(40.3)	11,500	(13.6)	141.20

Note: Revisions to the forecast of consolidated operating results most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 9 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 December 31, 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 December 31, 2021:	3,153,245 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 nine months ended December 31, 2021:	81,264,263 shares
For nine months ended December 31, 2020:	79,816,237 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 Nine Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the nine months ended December 31, 2021, sales remained at the same level relative to the previous year as a result of growth of anti-inflammatory analgesics as well as rebounds in sales in categories such as anti-vertigo agents, sinus treatments, and energy drinks, and despite a negative rebound with respect to mouthwash and disinfectant, whose demand had increased sharply in the previous fiscal year as measures against COVID-19. Nevertheless, sales remained down against fiscal 2019, 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 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 priority 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 nine months ended December 31, 2021 decreased by ¥14,248 million, or 6.6% year on year, to ¥200,051 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	169.7	0.6	0.3
Japan	96.3	(2.5)	(2.5)
Overseas	72.3	4.6	6.8
Others	1.1	(1.6)	(58.9)
Prescription Pharmaceutical Operation Group	30.3	(14.8)	(32.8)
Ethical drugs	28.6	(15.7)	(35.4)
Others	1.7	0.9	105.3

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2021 increased by ¥0.6 billion, or 0.3% year on year, to ¥169.7 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series rose 7.2% to ¥38.4 billion. Sales of *Pabron* series decreased by 4.0% to ¥15.0 billion. Sales of the *RiUP* series decreased by 5.2% to ¥11.1 billion. Sales of *Biofermin* series increased by 8.1% to ¥8.0 billion.

Overseas, net sales for the Asia region increased by 22.5% year on year to ¥35.8 billion and net sales for the Europe and Americas region decreased by 5.1% to ¥35.7 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 ¥6,865 million.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2021 decreased by ¥14.8 billion, or 32.8% year on year, to ¥30.3 billion.

Type 2 diabetes mellitus agent *Lusefi* increased by 16.6% to ¥9.7 billion, osteoporosis agent *Bonviva* increased by 8.6% to ¥5.7 billion, intestinal remedy *Biofermin* increased by 38.9% to ¥3.5 billion, transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 6.1% to ¥3.2 billion, and macrolide antibiotic *Clarith* increased by 1.7% to ¥1.8 billion. On the other hand, peripheral vasodilator *Palux* decreased by 6.9% to ¥1.7 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 ¥2,368 million.

On the profits front, operating profit was reduced by 65.8% to ¥7,133 million due factors that include lower revenues brought about by ending the sales of *Edirol* and effects of higher advertising expenses, ordinary profit was reduced by 53.5% to ¥11,493 million, and profit attributable to owners of parent was reduced by 37.0% to ¥8,974 million.

As a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, net sales during the nine months ended December 31, 2021 decreased by ¥9,233 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥528 million.

(2) Information on Financial Position

Total assets as of December 31, 2021 stood at ¥875.8 billion, down ¥1.2 billion from the previous fiscal year-end. Notes and accounts receivable - trade increased by ¥9.2 billion and construction in progress increased by ¥4.7 billion, but merchandise and finished goods decreased by ¥3.9 billion, buildings and structures, net decreased by ¥1.9 billion, and investment securities decreased by ¥9.9 billion.

Liabilities amounted to ¥116.0 billion, a decrease of ¥2.5 billion from the previous fiscal year-end.

Net assets amounted to ¥759.8 billion, an increase of ¥1.4 billion from the previous fiscal year-end. Non-controlling interests and treasury shares decreased by ¥9.8 billion and ¥14.4 billion, respectively, due to the share exchange through which the Company became a wholly owning parent company and Biofermin Pharmaceutical Co., Ltd. became a wholly owned subsidiary, and other factors. Other than this, the main factor of increase was ¥7.6 billion in foreign currency translation adjustment, while the main factor of decrease was ¥8.1 billion in dividends of surplus.

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

Considering the business performance trends and other factors in the nine months ended December 31, 2021, the full-year forecast of consolidated operating results announced on May 14, 2021, has been revised as shown below.

-Net sales

Compared with the previously announced forecast, the forecast of net sales remains unchanged at ¥269.0 billion. Whereas adjustments were made within the respective segments, the previously announced forecast remains unchanged at net sales in the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group of ¥231.1 billion and ¥37.9 billion, respectively.

-Profit

Compared with the previously announced forecast, the forecast of operating profit was downwardly revised by ¥3.5 billion to ¥11.0 billion, the forecast of ordinary profit was downwardly revised by ¥3.0 billion to ¥15.5 billion, and the forecast of profit attributable to owners of parent was upwardly revised by ¥1.0 billion to ¥11.5 billion.

The previous forecast was revised taking into account developments that include the effect of accounting treatment for this period such as recognition of provision for retirement benefits, etc. under personnel expenses, the likelihood of an increase in selling, general and administrative expenses upon having reviewed promotion expenses on the basis of progress achieved up through the nine months ended December 31, 2021, and extraordinary income gained through sale of investment securities posted up through the nine months ended December 31, 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 December 31, 2021
ASSETS		
Current assets		
Cash and deposits	250,178	249,075
Notes and accounts receivable - trade	51,609	60,858
Securities	4,017	4,000
Merchandise and finished goods	27,696	23,834
Work in process	3,158	2,880
Raw materials and supplies	15,529	16,013
Other	5,974	9,181
Allowance for doubtful accounts	(433)	(522)
Total current assets	357,731	365,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	51,876	49,957
Machinery, equipment and vehicles, net	14,494	14,613
Land	37,429	37,455
Construction in progress	6,577	11,269
Other, net	2,816	2,784
Total property, plant and equipment	113,194	116,081
Intangible assets		
Goodwill	128,612	126,767
Sales rights	453	388
Trademark right	69,258	68,515
Software	10,341	10,436
Other	7,867	8,265
Total intangible assets	216,532	214,373
Investments and other assets		
Investment securities	156,055	146,196
Shares of subsidiaries and associates	12,261	12,539
Long-term prepaid expenses	1,051	1,728
Retirement benefit asset	10,620	11,045
Deferred tax assets	8,892	7,693
Other	814	1,008
Allowance for doubtful accounts	(231)	(230)
Total investments and other assets	189,464	179,980
Total non-current assets	519,192	510,434
Total assets	876,923	875,757

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	14,672	16,338
Accounts payable - other	16,068	15,653
Income taxes payable	3,275	1,904
Accrued expenses	15,411	8,591
Provision for sales returns	704	—
Refund liabilities	—	7,263
Provision for bonuses	3,523	4,707
Other	4,010	4,752
Total current liabilities	57,666	59,211
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	944	1,000
Retirement benefit liability	21,321	21,540
Deferred tax liabilities	32,747	28,041
Other	5,836	6,173
Total non-current liabilities	60,849	56,755
Total liabilities	118,516	115,967
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	12	—
Retained earnings	703,036	698,836
Treasury shares	(35,450)	(21,025)
Total shareholders' equity	697,598	707,810
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,026	23,588
Foreign currency translation adjustment	(235)	7,327
Remeasurements of defined benefit plans	1,315	1,247
Total accumulated other comprehensive income	31,105	32,163
Share acquisition rights	801	753
Non-controlling interests	28,900	19,062
Total net assets	758,406	759,789
Total liabilities and net assets	876,923	875,757

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

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2020	For nine months ended December 31, 2021
Net sales	214,300	200,051
Cost of sales	77,523	77,846
Gross profit	136,776	122,205
Reversal of provision for sales returns	659	—
Provision for sales returns	766	—
Gross profit - net	136,669	122,205
Selling, general and administrative expenses	115,805	115,071
Operating profit	20,864	7,133
Non-operating income		
Interest income	1,345	1,014
Dividend income	1,810	1,993
Share of profit of entities accounted for using equity method	221	258
Foreign exchange gains	382	1,365
Other	431	316
Total non-operating income	4,190	4,947
Non-operating expenses		
Interest expenses	100	109
Commission expenses	60	87
Acquisition cost of subsidiary shares	—	325
Other	150	65
Total non-operating expenses	311	588
Ordinary profit	24,742	11,493
Extraordinary income		
Gain on sale of non-current assets	17	6
Gain on sale of investment securities	—	4,069
Gain on reversal of share acquisition rights	—	38
Total extraordinary income	17	4,114
Extraordinary losses		
Loss on disposal of non-current assets	444	94
Loss on sale of investment securities	—	0
Loss on valuation of investment securities	152	—
Total extraordinary losses	597	95
Profit before income taxes	24,162	15,513
Income taxes	8,261	5,070
Profit	15,901	10,442
Profit attributable to non-controlling interests	1,665	1,468
Profit attributable to owners of parent	14,235	8,974

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2020	For nine months ended December 31, 2021
Profit	15,901	10,442
Other comprehensive income		
Valuation difference on available-for-sale securities	2,613	(6,602)
Foreign currency translation adjustment	(3,203)	9,077
Remeasurements of defined benefit plans, net of tax	924	(81)
Share of other comprehensive income of entities accounted for using equity method	306	151
Total other comprehensive income	640	2,544
Comprehensive income	16,541	12,987
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	15,712	10,032
Comprehensive income attributable to non- controlling interests	828	2,955

(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)

The Company carried out a share exchange through which the Company became a wholly owning parent company and Biofermin Pharmaceutical Co., Ltd. became a wholly owned subsidiary with the effective date of July 30, 2021. As a result, during the nine months ended December 31, 2021, capital surplus and treasury shares decreased by ¥3,713 million and ¥14,386 million, respectively.

(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 ending March 31, 2022, 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, for revenue from the sale of merchandise and finished goods, which was recognized at the time of shipment, the Company 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, 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 ending March 31, 2022 was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022, and thus the new accounting policy was applied from such opening balance.

As a result, net sales during the nine months ended December 31, 2021 decreased by ¥9,233 million and cost of sales decreased by ¥317 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥528 million. In addition, retained earnings as of the beginning of the fiscal year under review decreased by ¥1,164 million.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(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 ending March 31, 2022, 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 nine months ended December 31, 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	169,177	45,123	214,300	—	214,300
Sales or transfers between segments	—	—	—	—	—
Total	169,177	45,123	214,300	—	214,300
Segment profit (Note 2)	16,855	5,496	22,352	(1,488)	20,864

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 nine months ended December 31, 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	169,745	30,306	200,051	—	200,051
Sales or transfers between segments	—	—	—	—	—
Total	169,745	30,306	200,051	—	200,051
Segment profit (loss) (Note 2)	8,889	(289)	8,599	(1,466)	7,133

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

2 Segment profit (loss) 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 nine months ended December 31, 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 ending March 31, 2022, 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 nine months ended December 31, 2021, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by ¥6,865 million and segment profit increased by ¥523 million for the Self-Medication Operation Group, and net sales decreased by ¥2,368 million and segment loss decreased by ¥5 million for the Prescription Pharmaceutical Operation Group.