

Consolidated Financial Statements for the First Nine Months of the March 31, 2023 Fiscal Year <under Japanese GAAP>

February 9, 2023

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: February 10, 2023
 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 2022 (cumulative: April 1, 2022 to December 31, 2022)

(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, 2022	227,669	13.8	23,124	224.2	29,167	153.8	20,899	132.9
December 31, 2021	200,051	(6.6)	7,133	(65.8)	11,493	(53.5)	8,974	(37.0)

Note: Comprehensive income For the nine months of Fiscal 2022: ¥57,319 million [341.3%]
 For the nine months of Fiscal 2021: ¥12,987 million [(21.5)%]

	Basic earnings per share	Diluted earnings per share
For nine months ended	Yen	Yen
December 31, 2022	254.93	254.60
December 31, 2021	110.43	110.30

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	946,836	815,550	83.5
March 31, 2022	888,159	767,957	84.2

Reference: Equity As of December 31, 2022: ¥790,515 million As of March 31, 2022: ¥747,397 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2021	—	50.00	—	50.00	100.00
Fiscal 2022	—	50.00	—		
Fiscal 2022 (Forecast)				50.00	100.00

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

3. Forecast of Consolidated Operating Results for Fiscal 2022 (April 1, 2022 to March 31, 2023)

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	303,000	13.0	23,500	118.7	29,500	60.2	19,000	44.8	231.76

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, 2022: 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 December 31, 2022: 85,139,653 shares

As of March 31, 2022: 85,139,653 shares

b. Number of treasury shares at the end of the period

As of December 31, 2022: 3,158,907 shares

As of March 31, 2022: 3,154,725 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2022: 81,982,885 shares

For nine months ended December 31, 2021: 81,264,263 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 Nine 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))	8

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 in Japan during the nine months ended December 31, 2022, sales ended higher year on year as a result of increased demand for antigen test kits, due to the eighth wave of the COVID-19 pandemic, as well as special demand for items including general cold remedies and anti-inflammatory analgesics as the number of infected patients increased due to the relaxation of China's zero-COVID-19 policy.

In the OTC drug market overseas, overall consumption is on a growing trend mainly because, in Europe, there was an increase in demand for anti-inflammatory analgesics due to the impact of the spread of COVID-19 and a recovery in the cold medicine market. In the Southeast Asian market as well, sales overall were higher year on year as there was an increase in demand for anti-inflammatory analgesics due to the impact of the spread of COVID-19 and a recovery trend was seen in categories such as analgesic antiphlogistics for external use that had experienced a slump in sales in some countries in the previous fiscal year.

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, 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 Vietnam, as Duoc Hau Giang Pharmaceutical JSC became a consolidated subsidiary of the Company in May 2019, the Group is working to strengthen the pharmaceutical business operations in Vietnam by leveraging the business base of said company. The Company also made France-based UPSA a wholly-owned subsidiary in July 2019. With this, the Group aims to achieve sustainable growth by expanding the international 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, as well as to carry out early launch and life cycle management of new drugs by carefully targeting the provision of information while focusing on priority areas. In addition, the Company is working to promote licensing activities, including the in-licensing of late-stage development products and products, and the out-licensing of in-house developed products. Furthermore, on the R&D front, the Group is strengthening cooperation with external research institutions and utilizing advanced technologies to enhance its R&D capabilities and expand its pipeline.

Consolidated net sales for the nine months ended December 31, 2022, increased by ¥27,617 million, or 13.8% year on year, to ¥227,669 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	198.6	28.8	17.0
Japan	103.0	6.7	7.0
International	93.6	21.3	29.4
Others	1.9	0.8	77.5
Prescription Pharmaceutical Operation Group	29.1	(1.2)	(3.9)
Ethical drugs	28.3	(0.3)	(0.9)
Others	0.8	(0.9)	(54.3)

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2022, increased by ¥28.8 billion, or 17.0% year on year, to ¥198.6 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series rose by 4.7% to ¥40.2 billion. Sales of the *Pabron* series increased by 42.6% to ¥21.3 billion. Sales of the *RiUP* series decreased by 19.0% to ¥9.0 billion. Sales of *Biofermin* series increased by 18.4% to ¥9.5 billion.

As for the international business, net sales for the Asia region increased by 34.3% to ¥48.0 billion and net sales for the Europe and Americas region increased by 27.0% to ¥45.3 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2022, decreased by ¥1.2 billion, or 3.9% year on year, to ¥29.1 billion.

As to major products, type 2 diabetes mellitus agent *Lusefi* increased by 5.9% to ¥10.3 billion, osteoporosis agent *Bonviva* increased by 2.9% to ¥5.9 billion, intestinal remedy *Biofermin* increased by 4.2% to ¥3.6 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 2.2% to ¥3.2 billion.

On the profits front, operating profit increased by 224.2% to ¥23,124 million due to an increase in gross profit resulting from sales growth and efficient use of advertising expenses, ordinary profit increased by 153.8% to ¥29,167 million, and profit attributable to owners of parent increased by 132.9% to ¥20,899 million.

(2) Information on Financial Position

Total assets as of December 31, 2022 stood at ¥946.8 billion, up ¥58.7 billion from the previous fiscal year-end. Notes and accounts receivable - trade increased by ¥17.4 billion, raw materials and supplies increased by ¥2.1 billion, property, plant and equipment increased by ¥17.8 billion, intangible assets increased by ¥11.8 billion, and investment securities increased by ¥6.4 billion.

Liabilities amounted to ¥131.3 billion, an increase of ¥11.1 billion from the previous fiscal year-end.

Net assets amounted to ¥815.6 billion, an increase of ¥47.6 billion from the previous fiscal year-end. Retained earnings increased by ¥12.7 billion, due to profit attributable to owners of parent of ¥20.9 billion and dividends of surplus of ¥8.2 billion, valuation difference on available-for-sale securities increased by ¥4.2 billion, foreign currency translation adjustment increased by ¥26.1 billion and non-controlling interests increased by ¥4.4 billion.

(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, 2022, the full-year forecast of consolidated operating results announced on May 13, 2022 has been revised as shown below.

-Net sales

Compared with the previously announced forecast, the forecast of net sales was upwardly revised by ¥22.5 billion to ¥303.0 billion.

In the Self-Medication Operation Group, due to the spread of COVID-19, the previously announced net sales forecast has been upwardly revised by ¥1.5 billion for the domestic market due to special demand for antigen test kits and the *Pabron* series, and by ¥20.8 billion for the international markets mainly due to an increase in demand for anti-inflammatory analgesics.

In the Prescription Pharmaceutical Operation Group, the previously announced forecast has been upwardly revised by ¥0.3 billion, taking into account actual royalty income, etc.

-Profit

Compared with the previously announced forecast, the forecast of operating profit was upwardly revised by ¥7.5 billion to ¥23.5 billion, the forecast of ordinary profit was upwardly revised by ¥9.5 billion to ¥29.5 billion, and the forecast of profit attributable to owners of parent was upwardly revised by ¥7.0 billion to ¥19.0 billion.

The above forecasts have been reviewed based on the increase in gross profit as a result of the raised forecast of net sales, and the results of selling, general and administrative expenses, non-operating expenses (income), etc. up to the first nine months of the fiscal year under review.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
ASSETS		
Current assets		
Cash and deposits	265,049	265,189
Notes and accounts receivable - trade	53,676	71,082
Securities	7,219	7,399
Merchandise and finished goods	25,456	25,316
Work in process	3,369	3,054
Raw materials and supplies	16,066	18,164
Other	8,438	12,824
Allowance for doubtful accounts	(411)	(452)
Total current assets	378,864	402,579
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	49,455	55,684
Machinery, equipment and vehicles, net	15,291	17,067
Land	37,394	37,122
Construction in progress	13,434	23,524
Other, net	3,716	3,660
Total property, plant and equipment	119,291	137,059
Intangible assets		
Goodwill	125,769	132,551
Sales rights	366	301
Trademark right	68,060	72,670
Software	10,812	10,344
Other	8,050	9,007
Total intangible assets	213,059	224,875
Investments and other assets		
Investment securities	141,067	147,468
Shares of subsidiaries and associates	12,557	12,802
Long-term prepaid expenses	1,823	1,514
Retirement benefit asset	11,240	11,647
Deferred tax assets	9,508	8,103
Other	976	1,015
Allowance for doubtful accounts	(230)	(229)
Total investments and other assets	176,943	182,321
Total non-current assets	509,294	544,256
Total assets	888,159	946,836

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	15,101	13,535
Accounts payable - other	15,521	21,934
Income taxes payable	3,579	2,430
Accrued expenses	11,736	12,311
Refund liabilities	8,796	11,718
Provision for bonuses	3,633	4,799
Other	3,909	3,572
Total current liabilities	62,277	70,302
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	969	977
Retirement benefit liability	21,329	21,636
Deferred tax liabilities	29,162	32,500
Other	6,462	5,867
Total non-current liabilities	57,924	60,982
Total liabilities	120,202	131,285
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Retained earnings	702,984	715,678
Treasury shares	(21,033)	(21,054)
Total shareholders' equity	711,950	724,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,586	29,827
Foreign currency translation adjustment	8,488	34,605
Remeasurements of defined benefit plans	1,371	1,459
Total accumulated other comprehensive income	35,447	65,892
Share acquisition rights	753	821
Non-controlling interests	19,806	24,213
Total net assets	767,957	815,550
Total liabilities and net assets	888,159	946,836

(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, 2021	For nine months ended December 31, 2022
Net sales	200,051	227,669
Cost of sales	77,846	91,309
Gross profit	122,205	136,360
Selling, general and administrative expenses	115,071	113,235
Operating profit	7,133	23,124
Non-operating income		
Interest income	1,014	1,158
Dividend income	1,993	2,113
Share of profit of entities accounted for using equity method	258	306
Foreign exchange gains	1,365	2,411
Other	316	371
Total non-operating income	4,947	6,361
Non-operating expenses		
Interest expenses	109	147
Commission expenses	87	63
Acquisition cost of subsidiary shares	325	—
Other	65	108
Total non-operating expenses	588	318
Ordinary profit	11,493	29,167
Extraordinary income		
Gain on sale of non-current assets	6	89
Gain on sale of investment securities	4,069	1
Gain on sale of shares of subsidiaries and associates	—	800
Gain on reversal of share acquisition rights	38	—
Total extraordinary income	4,114	891
Extraordinary losses		
Loss on disposal of non-current assets	94	127
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	—	29
Total extraordinary losses	95	157
Profit before income taxes	15,513	29,900
Income taxes	5,070	7,224
Profit	10,442	22,676
Profit attributable to non-controlling interests	1,468	1,777
Profit attributable to owners of parent	8,974	20,899

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2021	For nine months ended December 31, 2022
Profit	10,442	22,676
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,602)	4,188
Foreign currency translation adjustment	9,077	30,314
Remeasurements of defined benefit plans, net of tax	(81)	68
Share of other comprehensive income of entities accounted for using equity method	151	71
Total other comprehensive income	2,544	34,642
Comprehensive income	12,987	57,319
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	10,032	51,344
Comprehensive income attributable to non- controlling interests	2,955	5,974

(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)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) 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 Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Segment Information (cumulative))

I. 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

No items to report

II. For nine months ended December 31, 2022

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	198,552	29,117	227,669	—	227,669
Sales or transfers between segments	—	—	—	—	—
Total	198,552	29,117	227,669	—	227,669
Segment profit (loss) (Note 2)	26,068	(1,595)	24,472	(1,347)	23,124

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

No items to report