Consolidated Financial Statements for the Year Ended March 31, 2023
<under Japanese GAAP>

May 11, 2023

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
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Scheduled date for annual shareholders' meeting: June 29, 2023
Scheduled date for filing Securities Report: June 29, 2023
Scheduled date of dividend payments: June 30, 2023
Supplementary material on financial results: Yes
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 Fiscal 2022 (April 1, 2022 to March 31, 2023)

(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 the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	301,381	12.4	23,018	114.3	30,444	65.3	18,997	44.8
March 31, 2022	268,203	(4.9)	10,743	(46.2)	18,412	(29.0)	13,122	(1.5)

Note: Comprehensive income Fiscal 2022: ¥51,140 million [141.7%] Fiscal 2021: ¥21,162 million [(26.8)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
For the year ended	Yen	Yen	%	%	%
March 31, 2023	231.73	231.43	2.5	3.3	7.6
March 31, 2022	161.12	160.93	1.8	2.1	4.0

Reference: Share of profit (loss) of entities accounted for using equity method
Fiscal 2022: ¥314 million Fiscal 2021: ¥305 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	941,490	809,343	83.5	9,584.70
March 31, 2022	888,159	767,957	84.2	9,116.28

Reference: Equity As of March 31, 2023: ¥785,745 million As of March 31, 2022: ¥747,397 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	40,972	(27,130)	(10,877)	232,073
March 31, 2022	28,506	(7,063)	(10,057)	227,512

2. Cash Dividends

	Annual dividends					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2021	–	50.00	–	50.00	100.00	8,205	62.1	1.1
Fiscal 2022	–	50.00	–	50.00	100.00	8,204	43.2	1.1
Fiscal 2023 (Forecast)	–	50.00	–	50.00	100.00		63.1	

Note: See “(5) Policy for Deciding Dividends of Retained Earnings and Dividends for Fiscal Year Under Review and Next Fiscal Year” of “1. Overview of Operating Results and Others” on page 5 of the Attached Material for details on our dividend policy.

3. Forecast of Consolidated Operating Results for Fiscal 2023 (April 1, 2023 to March 31, 2024)

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	314,500	4.4	18,500	(19.6)	22,000	(27.7)	13,000	(31.6)	158.58

* Notes

(1) Changes in significant subsidiaries during the period (or changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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 “4. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes on Consolidated Financial Statements” on page 17 for detail.

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023: 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 March 31, 2023: 3,160,512 shares

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

c. Average number of shares during the period

For the year ended March 31, 2023:	81,982,112 shares
For the year ended March 31, 2022:	81,444,528 shares

* Financial results reports are exempt from audit 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. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

In the over-the-counter (OTC) drug market during the fiscal year under review, sales ended higher year on year as a result of the sharp increase in demand for antigen test kits, due to new waves of the COVID-19 pandemic, as well as special demand for items including general cold remedies and anti-inflammatory analgesics due to the rapid increase in the number of infected patients that occurred after the relaxation of China's zero-COVID-19 policy, and growth in rhinitis treatments due to the massive dispersion of pollen. The results are also higher than in Fiscal 2019 before the outbreak of the COVID-19 pandemic.
In the OTC drug market international, sales overall exceeded the previous fiscal year due to the market recovering after consumption stagnated in 2020 and 2021 as a result of lockdowns caused by the spread of COVID-19 in addition to a recovery trend being seen in the Company's main categories, such as anti-inflammatory analgesics, cold medicine and analgesic antiphlogistics for external use.
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 consolidated 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 product value, as well as to carry out early expansion 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, the Group is striving to expand its pipeline by strengthening cooperation with external research institutions and utilizing advanced technologies to enhance its R&D capabilities.

Consolidated net sales for the year ended March 31, 2023, increased by ¥33.2 billion, or 12.4% year on year, to ¥301.4 billion.

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

Performance by segment is provided below.

(Billions of yen)

Segment / Category	Amount	Increase (Decrease)	
		Amount	%
Self-Medication Operation Group	263.7	34.1	14.8
Japan	134.5	6.6	5.2
International	126.7	26.3	26.3
Others	2.5	1.1	76.5
Prescription Pharmaceutical Operation Group	37.7	(0.9)	(2.3)
Ethical drugs	36.7	0.2	0.4
Others	1.0	(1.0)	(51.5)

Sales of major products and regions were as follows:

< Self-Medication Operation Group >
Consolidated net sales for the fiscal year under review increased by ¥34.1 billion, or 14.8% year on year, to ¥263.7 billion.
With regard to our mainstay brands, sales of the *Lipovitan* series rose by 3.0% to ¥50.3 billion. Sales of the *Pabron* series increased by 28.5% to ¥28.2 billion. Sales of the *RiUP* series decreased by 21.9% to ¥11.9 billion. Sales of *Biofermin* series increased by 22.8% to ¥13.0 billion.
As for the international business, net sales for the Asia region increased by 32.7% to ¥64.3 billion and net sales for the Europe and Americas region increased by 22.4% to ¥62.1 billion.

< Prescription Pharmaceutical Operation Group >
Consolidated net sales for the fiscal year under review decreased by ¥0.9 billion, or 2.3% year on year, to ¥37.7 billion.
As to major products, type 2 diabetes mellitus agent *Lusefi* increased by 5.9% to ¥13.1 billion, osteoporosis agent *Bonviva* increased by 4.9% to ¥7.7 billion, intestinal remedy *Biofermin* increased by 5.3% to ¥4.7 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 0.2% to ¥4.1 billion.

Operating profit of the entire Group for the year ended March 31, 2023, increased by ¥12.3 billion, or 114.3% year on year, to ¥23.0 billion and profit attributable to owners of parent increased by ¥5.9 billion, or 44.8% year on year, to ¥19.0 billion.

The Group's profit performance is provided below.

(Billions of yen)

	Amount	Increase (Decrease)	
		Amount	%
Net sales	301.4	33.2	12.4
Gross profit	177.9	14.0	8.6
Selling, general and administrative expenses	154.8	1.7	1.1
Research and development expenses	20.7	1.4	7.0
Advertising expenses	26.8	(5.1)	(16.1)
Promotion expenses	17.0	2.5	17.6
Personnel expenses	36.6	2.5	7.3
Operating profit	23.0	12.3	114.3
Ordinary profit	30.4	12.0	65.3
Profit attributable to owners of parent	19.0	5.9	44.8
Basic earnings per share (Yen)	231.73	70.61	–

Gross profit increased by ¥14.0 billion year on year to ¥177.9 billion, due to higher sales in the Self-Medication Operation Group.
Selling, general and administrative expenses increased by ¥1.7 billion year on year to ¥154.8 billion, mainly due to increases in promotion expenses. As a result of the above, operating profit increased by ¥12.3 billion, or 114.3% year on year, to ¥23.0 billion.
In addition, the operating profit margin rose 3.6 percentage points year on year to 7.6%.
Non-operating income fell ¥0.7 billion year on year to ¥7.8 billion, mainly reflecting a decrease in foreign exchange gains, while non-operating expenses decreased by ¥0.4 billion year on year to ¥0.4 billion.
As a result of the above, ordinary profit increased by ¥12.0 billion, or 65.3% year on year to ¥30.4 billion. In addition, the ordinary profit margin rose 3.2 percentage points year on year to 10.1%.
Extraordinary income decreased by ¥3.2 billion to ¥0.9 billion, mainly due to the impact of sale of investment securities in the previous fiscal year, while extraordinary losses increased by ¥0.7 billion year on year to ¥1.8 billion, mainly due to an increase in loss on valuation of investment securities.
As a result of the above, profit before income taxes increased by ¥8.1 billion, or 37.9% year on year, to ¥29.5 billion. After adjusting for income taxes - current, income taxes - deferred and profit attributable to non-controlling interests, profit attributable to owners of parent increased by ¥5.9 billion, or 44.8% year on year, to ¥19.0 billion.
In addition, basic earnings per share was ¥231.73 and the return on equity (ROE) rose 0.7 percentage points year on year to 2.5%.

(2) Overview of Financial Position for the Fiscal Year

Total assets as of March 31, 2023, stood at ¥941.5 billion, up ¥53.3 billion from the previous fiscal year-end. Buildings and structures, net increased by ¥6.1 billion, machinery, equipment and vehicles, net increased by ¥7.5 billion, construction in progress increased by ¥8.5 billion, sales rights increased by ¥22.4 billion and investment securities increased by ¥9.6 billion.
Liabilities amounted to ¥132.1 billion, an increase of ¥11.9 billion from the previous fiscal year-end.
Net assets amounted to ¥809.3 billion, an increase of ¥41.4 billion from the previous fiscal year-end.
Retained earnings increased by ¥10.8 billion, due to profit attributable to owners of parent of ¥19.0 billion and dividends of surplus of ¥8.2 billion, valuation difference on available-for-sale securities increased by ¥7.8 billion, foreign currency translation adjustment increased by ¥18.2 billion and non-controlling interests increased by ¥3.0 billion.

(3) Overview of Cash flows for the Fiscal Year

Cash and cash equivalents (hereinafter, "net cash") stood at ¥232.1 billion as of March 31, 2023, representing an increase of ¥4.6 billion from the previous fiscal year-end.

Cash flows during the fiscal year under review and their causes are as follows.

(Cash flows from operating activities)
Net cash provided by operating activities was ¥41.0 billion, a year-on-year increase of ¥12.5 billion, mainly attributable to profit before income taxes of ¥29.5 billion and depreciation of ¥16.4 billion despite income taxes paid of ¥10.8 billion.

(Cash flows from investing activities)
Net cash used in investing activities was ¥27.1 billion, a year-on-year increase of ¥20.1 billion, mainly attributable to purchase of property, plant and equipment of ¥26.4 billion.

(Cash flows from financing activities)
Net cash used in financing activities was ¥10.9 billion, a year-on-year increase of ¥0.8 billion, mainly attributable to dividends paid of ¥8.2 billion.

(Reference) Indicators related to cash flows

	Year ended March 2022	Year ended March 2023
Equity ratio (%)	84.2	83.5
Equity ratio on a fair value basis (%)	52.4	48.1
Interest-bearing debt to cash flow ratio (%)	0.1	0.1
Interest coverage ratio (times)	179.3	235.7

(Notes)
Equity ratio = Equity / Total assets
Equity ratio on a fair value basis = Market capitalization / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Cash flow
Interest coverage ratio = Cash flow / Interest paid

* The above indicators are calculated based on consolidated financial figures.
* Market capitalization is calculated using the closing stock price at the end of the fiscal year multiplied by the number of issued shares at the end of the fiscal year (excluding treasury shares).
* Cash flow represents net cash provided by operating activities.
* Interest-bearing debt represents all liabilities posted on the consolidated balance sheets subject to interest payments. Interest paid is the amount of interest paid as shown on the consolidated statements of cash flows.

(4) Future Outlook

－Self-Medication Operation Group sales forecast

For Fiscal 2023, the Company forecasts net sales of ¥274.2 billion for the Self-Medication Operation Group, up 4.0% year on year.

Net sales in Japan are expected to increase by 1.9% to ¥137.1 billion. With respect to mainstay products, the Company projects sales of ¥54.0 billion (up 7.4%) for the *Lipovitan* series, ¥24.0 billion (down 14.8%) for the *Pabron* series, ¥13.9 billion (up 16.8%) for the *RiUP* series and ¥12.3 billion (down 5.1%) for the *Biofermin* series.

Net sales international are expected to increase by 6.6% to ¥135.0 billion. Net sales are expected to increase by 7.3% to ¥69.0 billion in the Asia region and increase by 5.6% to ¥65.6 billion in the Europe and Americas region.

－Prescription Pharmaceutical Operation Group sales forecast

The Company forecasts net sales of ¥40.3 billion for the Prescription Pharmaceutical Operation Group, up 7.0% year on year.

Net sales of ethical drugs are expected to increase by 8.2% to ¥39.7 billion. With respect to major products, the Company projects sales of ¥13.9 billion (up 6.1%) for *Lusefi*, ¥9.5 billion (up 23.2%) for *Bonviva*, ¥4.7 billion (up 0.8%) for *Biofermin* and ¥3.8 billion (down 6.6%) for *LOQOA*.

－Consolidated earnings forecast

With respect to profits, the Company expects operating profit and ordinary profit to decrease due to an increase of selling, general and administrative expenses and a decrease of non-operating income, despite an increase in gross profit as a result of an increase in net sales.

The Company expects selling, general and administrative expenses to increase mainly due to an increase in research and development investments to expand the pipeline and an increase in promotion expenses as a result of an increase in net sales, and expects non-operating income to decrease mainly due to a decrease in foreign exchange gains incurred in the previous fiscal year.

(Billions of yen)

	Fiscal 2023 (full year)	Changes (%)
Net sales	314.5	4.4
Operating profit	18.5	(19.6)
Ordinary profit	22.0	(27.7)
Profit attributable to owners of parent	13.0	(31.6)

(5) Policy for Deciding Dividends of Retained Earnings and Dividends for Fiscal Year Under Review and Next Fiscal Year

Regarding the basic policy for deciding dividends of retained earnings, the Company works to increase its retained earnings to maintain stable dividends over the long term at a high level while strengthening the Company. In line with the Company’s policy to strengthen the competitiveness and expand and develop businesses, these retained earnings will be appropriated for investments that include R&D, capital investment, licensing-in of products, equity-based business alliances and new business development. Furthermore, the Company plans to acquire treasury shares in a flexible manner with the aims of improving capital efficiency and achieving a dynamic financial policy, while comprehensively assessing fund requirements.

The Company’s dividend policy has been set to roughly correspond to the consolidated operating results for each business term. The goal has been a dividend payout ratio of 30% of profit attributable to owners of parent excluding extraordinary income and losses. The Company intends to maintain its annual dividend at the minimum of ¥100 per share even if it is apparent that the dividend payout ratio will exceed 30%, unless there are exceptional circumstances.

For the fiscal year under review, the Company plans to pay a dividend of ¥100 per share (an interim dividend of ¥50 and a year-end dividend of ¥50) as previously announced.

For the next fiscal year, the Company plans to pay a dividend of ¥100 per share (an interim dividend of ¥50 and a year-end dividend of ¥50).

2. Management Policies

(1) The Company's Basic Management Philosophy

The Group's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty. We aim to provide total support for consumer health and beauty, including health promotion and disease prevention through treatment, while aiming to realize a sustainable society.

(2) Medium- and Long-Term Management Strategies

In line with this mission, the Group is building a stronger business foundation so that it can steadily grow and develop even in the face of international competition, while achieving growth of both its Self-Medication Operation Group (Japan and international) and its Prescription Pharmaceutical Operation Group.
In its business activities, the Group will fulfill the obligations expected by consumers, business customers and suppliers, employees, local communities and stakeholders, and continue to drive sustained growth.

(3) Issues to be Addressed

In the current business environment surrounding the Group, the globalization of people, money, goods, technology and information has brought about an increasing number of affluent countries and people, the emergence of a society with an aging population and longevity, and a shift to a society where "the consumer is king." At the same time, a range of issues have surfaced such as various disparities, overexploitation of earth resources, greenhouse gas emissions, and problems with political and economic systems.

In response to this change, a number of developments are taking place, including a deepening of international cooperation. The establishment of the Sustainable Development Goals (SDGs) is leading to a movement to reduce disparities and use resources wisely.

In addition, expectations are rising for the realization of the Fourth Industrial Revolution, "Society 5.0," as a result of technological innovation. The Third Industrial Revolution developed the concept of digitization, namely converting all text and pictures into a digital format. On the basis of this concept, digitized information became used in a wider range of ways and domains through open innovation. This has generated cross-domain integration, which is now beginning to bring solutions to social problems and helping create new economic value.

In the midst of these trends, the business environment surrounding the Group is also undergoing significant changes.

In the Self-Medication Operation Group domain, certain retailers have grown through mergers and acquisitions, thereby strengthening the power of the buyer and transforming business relationships. Also, the market for non-pharmaceutical health-related products such as Foods with Function Claims is expanding. In addition, with the background impacts on healthcare financing and social welfare systems from a rapidly aging population, consumers are required to adopt the new concept of "one is responsible for protecting one's own health." To help turn this idea into action, industry groups are leading efforts to further expand Japan's self-medication tax system.

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to an increasing level of difficulty in the discovery of new drugs, the effects of the promotion of government measures designated to curb healthcare costs and reform of the drug price system, and other factors. In addition, generic drugs are becoming increasingly popular as a means to decrease medical expenses in response to the tightening of healthcare finances, while reforms continue to be made in the NHI drug price system.

(i) Status by segment < Self-Medication Operation Group >

In the Self-Medication Operation Group, which handles OTC drugs and health-related products, the Company is using its strength of holding the No. 1 market share in domestic OTC drug manufacturing to contribute to consumer self-medication by handling its mainstay brands such as the *Lipovitan* series, *Pabron* series, *RiUP* series, and *Biofermin* series as well as products with various medicinal effects. In addition to OTC drugs, the Group is also providing products to meet consumers' health needs, including health-related products such as health foods and cosmetics.

In the OTC drug market, sales ended higher year on year as a result of the increase in demand for antigen test kits, due to the spread of COVID-19, special demand for items including general cold remedies and anti-inflammatory analgesics due to the rapid increase in the number of infected patients that occurred after the relaxation of China's zero-COVID-19 policy, as well as growth in rhinitis treatments due to the sharp increase in dispersion of pollen. At the same time, consumers' health needs continue to change, and their needs are expanding to include health-related products other than OTC drugs, such as increased preventive awareness and coping with health problems through health foods, etc., and for further business growth, we believe that growth drivers are needed, such as expansion into new areas in addition to existing areas.

In response to this market environment, the Group has broadly divided its Self-Medication Operations Group activities between Japan and international.

In the OTC drug market in Japan, we are further enhancing the value of existing brands such as the *Lipovitan* series, the *Pabron* series, the *RiUP* series, and the *Biofermin* series, while launching sales of antigen test kits as a new initiative. In addition, we are responding to changing consumer needs by expanding our domain to include health-related products other than OTC drugs, such as foods and cosmetics. Moreover, in order to respond to the shift in consumers' purchasing behavior to the Internet channel, we have developed Taisho Pharmaceutical Direct and TAISHO BEAUTY ONLINE, and are working to improve purchasing convenience for consumers.

Outside Japan, since the full-scale enter into the OTC drug business in Asia in Fiscal 2009, the Group has strengthened its businesses centered on OTC drugs by acquiring brand assets with strong local connections through M&As and brand acquisitions and leveraging such assets. In Fiscal 2019, the Company made Duoc Hau Giang Pharmaceutical JSC in Vietnam and UPSA in France into consolidated subsidiaries. With these, the Group has established a strong business base in Europe centered on France, including Eastern Europe, and West Africa. From now on, through a bipolar structure targeting the European market in addition to the Southeast Asian market, the Group will proceed to centralize and standardize quality management, manufacturing management, information management, and so forth, utilizing the business model that it has cultivated in Japan, including product development, brand cultivation, and marketing know-how, to open new markets in an effort to promote the spread of self-medication and expand the business.

(ii) Status by segment < Prescription Pharmaceutical Operation Group >

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to an increasing level of difficulty in the discovery of new drugs, the effects of the promotion of government measures designated to curb healthcare costs and reform of the drug price system, and other factors.

In this market environment, as an R&D-oriented pharmaceutical company, the Group is engaged in four key domains: orthopedic disorders, metabolic diseases, infectious diseases, and the CNS (central nervous system) diseases.

On the sales front, the Prescription Pharmaceutical Operation Group is working to maximize product value such as newly released *Nanozora*, and original in-house products *Lusefi* and *LOQOA*, by carefully targeting the provision of information. 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, and continue to aim for sustained growth.

The market environment in the pharmaceuticals industry is becoming increasingly challenging, and the ability to grow depends on a vigorous response to these changes. The Group is taking new steps, such as exploring new business seeds rather than focusing exclusively on its existing business domains. The Group will aim to increase its ability to create value across the entire Group, striving to build a framework that can make management decisions flexibly in response to environmental changes while also strengthening its corporate governance.

3. Basic Rationale for Selecting the Accounting Standard

The Group adopts the generally accepted accounting standards in Japan (Japanese GAAP). This is because, as a result of undergoing convergence with international accounting standards, the Japanese GAAP is high quality, compares favorably internationally, and it is evaluated by the relevant authorities in Europe as being equivalent to International Financial Reporting Standards (IFRS).

The Group is preparing for the adoption of IFRS in the future. While taking into consideration the trend of foreign shareholder ratio and the trend of other Japanese companies in the same industry adopting IFRS, the Group is taking various measures such as acquiring knowledge of IFRS, performing gap analysis with Japanese GAAP, and investigating the impact of introducing the IFRS. However, the Group remains undecided on a timeframe for the adoption of the IFRS.

4. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
ASSETS		
Current assets		
Cash and deposits	265,049	255,966
Notes and accounts receivable - trade	53,676	52,300
Securities	7,219	200
Merchandise and finished goods	25,456	30,638
Work in process	3,369	3,116
Raw materials and supplies	16,066	19,577
Other	8,438	14,457
Allowance for doubtful accounts	(411)	(375)
Total current assets	378,864	375,880
Non-current assets		
Property, plant and equipment		
Buildings and structures	174,360	183,229
Accumulated depreciation and impairment loss	(124,905)	(127,683)
Buildings and structures, net	49,455	55,545
Machinery, equipment and vehicles	115,765	126,772
Accumulated depreciation and impairment loss	(100,473)	(103,993)
Machinery, equipment and vehicles, net	15,291	22,779
Land	37,394	37,116
Construction in progress	13,434	21,911
Other	34,451	34,297
Accumulated depreciation and impairment loss	(30,735)	(30,479)
Other, net	3,716	3,818
Total property, plant and equipment	119,291	141,170
Intangible assets		
Goodwill	125,769	128,051
Sales rights	366	22,758
Trademark right	68,060	69,275
Software	10,812	10,144
Other	8,050	8,262
Total intangible assets	213,059	238,492
Investments and other assets		
Investment securities	141,067	150,657
Shares of subsidiaries and associates	12,557	12,759
Long-term prepaid expenses	1,823	1,405
Retirement benefit asset	11,240	11,006
Deferred tax assets	9,508	6,761
Other	976	3,586
Allowance for doubtful accounts	(230)	(229)
Total investments and other assets	176,943	185,946
Total non-current assets	509,294	565,610
Total assets	888,159	941,490

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	15,101	17,001
Accounts payable - other	15,521	20,084
Income taxes payable	3,579	1,889
Accrued expenses	11,736	14,341
Refund liabilities	8,796	12,485
Provision for bonuses	3,633	4,092
Other	3,909	3,883
Total current liabilities	62,277	73,778
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	969	1,007
Retirement benefit liability	21,329	18,861
Deferred tax liabilities	29,162	32,801
Other	6,462	5,698
Total non-current liabilities	57,924	58,368
Total liabilities	120,202	132,146
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Retained earnings	702,984	713,776
Treasury shares	(21,033)	(21,063)
Total shareholders' equity	711,950	722,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,586	33,433
Foreign currency translation adjustment	8,488	26,693
Remeasurements of defined benefit plans	1,371	2,906
Total accumulated other comprehensive income	35,447	63,033
Share acquisition rights	753	821
Non-controlling interests	19,806	22,776
Total net assets	767,957	809,343
Total liabilities and net assets	888,159	941,490

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

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Net sales	268,203	301,381
Cost of sales	104,371	123,531
Gross profit	163,831	177,850
Selling, general and administrative expenses	153,088	154,831
Operating profit	10,743	23,018
Non-operating income		
Interest income	1,338	1,592
Dividend income	2,110	2,239
Share of profit of entities accounted for using equity method	305	314
Foreign exchange gains	4,221	3,154
Other	501	516
Total non-operating income	8,478	7,817
Non-operating expenses		
Interest expenses	170	169
Commission expenses	111	87
Loss on investments in investment partnerships	0	26
Acquisition cost of subsidiary shares	325	–
Other	201	107
Total non-operating expenses	808	391
Ordinary profit	18,412	30,444
Extraordinary income		
Gain on sale of non-current assets	11	90
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	4,119	891
Extraordinary losses		
Loss on disposal of non-current assets	143	270
Loss on sale of investment securities	0	–
Loss on valuation of investment securities	720	1,501
Impairment loss	269	65
Total extraordinary losses	1,134	1,837
Profit before income taxes	21,398	29,498
Income taxes - current	8,582	6,936
Income taxes - deferred	(2,134)	1,259
Total income taxes	6,448	8,196
Profit	14,950	21,302
Profit attributable to non-controlling interests	1,828	2,305
Profit attributable to owners of parent	13,122	18,997

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Profit	14,950	21,302
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,579)	7,815
Foreign currency translation adjustment	10,622	20,456
Remeasurements of defined benefit plans, net of tax	47	1,546
Share of other comprehensive income of entities accounted for using equity method	121	18
Total other comprehensive income	6,212	29,837
Comprehensive income	21,162	51,140
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	17,463	46,583
Comprehensive income attributable to non-controlling interests	3,699	4,556

(3) Consolidated Statements of Changes in Equity

For the year ended March 31, 2022 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,000	12	703,036	(35,450)	697,598
Cumulative effect of changes in accounting policies			(1,164)		(1,164)
Restated balance	30,000	12	701,872	(35,450)	696,434
Changes during period					
Exercise of share acquisition rights		13		72	85
Purchase of treasury shares				(43)	(43)
Transfer from retained earnings to capital surplus		3,913	(3,913)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(226)			(226)
Dividends of surplus			(8,097)		(8,097)
Profit attributable to owners of parent			13,122		13,122
Changes due to share exchanges		(3,713)		14,386	10,673
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	(12)	1,111	14,416	15,515
Balance at end of period	30,000	–	702,984	(21,033)	711,950

(Millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	30,026	(235)	1,315	31,105	801	28,900	758,406
Cumulative effect of changes in accounting policies							(1,164)
Restated balance	30,026	(235)	1,315	31,105	801	28,900	757,242
Changes during period							
Exercise of share acquisition rights							85
Purchase of treasury shares							(43)
Transfer from retained earnings to capital surplus							–
Change in ownership interest of parent due to transactions with non-controlling interests							(226)
Dividends of surplus							(8,097)
Profit attributable to owners of parent							13,122
Changes due to share exchanges							10,673
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Net changes in items other than shareholders' equity	(4,439)	8,724	56	4,341	(48)	(9,094)	(4,801)
Total changes during period	(4,439)	8,724	56	4,341	(48)	(9,094)	10,714
Balance at end of period	25,586	8,488	1,371	35,447	753	19,806	767,957

For the year ended March 31, 2023 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,000	–	702,984	(21,033)	711,950
Changes during period					
Exercise of share acquisition rights		(0)		3	3
Purchase of treasury shares				(34)	(34)
Transfer from retained earnings to capital surplus		0	(0)		–
Dividends of surplus			(8,205)		(8,205)
Profit attributable to owners of parent			18,997		18,997
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	–	10,792	(29)	10,762
Balance at end of period	30,000	–	713,776	(21,063)	722,712

(Millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	25,586	8,488	1,371	35,447	753	19,806	767,957
Changes during period							
Exercise of share acquisition rights							3
Purchase of treasury shares							(34)
Transfer from retained earnings to capital surplus							–
Dividends of surplus							(8,205)
Profit attributable to owners of parent							18,997
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Net changes in items other than shareholders' equity	7,846	18,204	1,534	27,586	68	2,969	30,624
Total changes during period	7,846	18,204	1,534	27,586	68	2,969	41,386
Balance at end of period	33,433	26,693	2,906	63,033	821	22,776	809,343

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	21,398	29,498
Depreciation	15,379	16,398
Amortization of goodwill	7,695	8,250
Gain on reversal of share acquisition rights	(38)	–
Loss (gain) on sale of non-current assets	45	(90)
Loss (gain) on disposal of non-current assets	86	270
Loss (gain) on sale of investment securities	(4,069)	(1)
Loss (gain) on valuation of investment securities	720	1,501
Loss (gain) on sale of shares of subsidiaries and associates	–	(800)
Impairment loss	269	65
Interest and dividend income	(3,449)	(3,831)
Interest expenses	170	169
Foreign exchange losses (gains)	(3,588)	(2,719)
Share of loss (profit) of entities accounted for using equity method	(305)	(314)
Increase (decrease) in allowance for doubtful accounts	(60)	(76)
Increase (decrease) in retirement benefit liability	18	(494)
Decrease (increase) in retirement benefit asset	(619)	233
Increase (decrease) in provision for retirement benefits for directors (and other officers)	22	34
Increase (decrease) in provision for bonuses	72	400
Decrease (increase) in trade receivables	(2,868)	2,812
Decrease (increase) in inventories	2,539	(6,938)
Increase (decrease) in trade payables	384	1,257
Increase (decrease) in accrued expenses	2,066	1,516
Other	(1,903)	9
Subtotal	33,966	47,153
Interest and dividends received	3,386	4,197
Interest paid	(158)	(173)
Income taxes paid	(8,872)	(10,800)
Income taxes refund	184	595
Net cash provided by operating activities	28,506	40,972

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from investing activities		
Decrease (increase) in time deposits	553	16,688
Payments into long-term time deposits	–	(2,632)
Proceeds from sales and redemption of securities	4,000	7,200
Purchase of property, plant and equipment	(10,040)	(26,433)
Proceeds from sale of property, plant and equipment	39	617
Purchase of intangible assets	(4,349)	(23,946)
Purchase of investment securities	(1,269)	(781)
Proceeds from sale and redemption of investment securities	5,272	133
Purchase of long-term prepaid expenses	(1,278)	(118)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	1,512
Other	9	630
Net cash used in investing activities	(7,063)	(27,130)
Cash flows from financing activities		
Proceeds from short-term borrowings	4,397	5,660
Repayments of short-term borrowings	(4,302)	(6,282)
Repayments of finance lease liabilities	(349)	(442)
Purchase of treasury shares	(43)	(34)
Dividends paid	(7,415)	(8,206)
Dividends paid to non-controlling interests	(2,343)	(1,571)
Other	0	–
Net cash used in financing activities	(10,057)	(10,877)
Effect of exchange rate change on cash and cash equivalents	780	1,595
Net increase (decrease) in cash and cash equivalents	12,166	4,560
Cash and cash equivalents at beginning of period	215,346	227,512
Cash and cash equivalents at end of period	227,512	232,073

(5) Notes on Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Changes in Accounting Policies)

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

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 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 consolidated financial statements.

(Reference)

Information concerning net sales, profit/loss, assets and other items by reportable segment

For the year ended March 31, 2022

(Millions of yen)

	Reportable segment			Other (Note 1)	Total
	Self-Medication Operation Group	Prescription Pharmaceutical Operation Group	Subtotal		
Sales					
Sales to outside customers	229,659	38,543	268,203	–	268,203
Sales or transfers between segments	–	–	–	–	–
Total	229,659	38,543	268,203	–	268,203
Segment profit (loss) (Note 2)	14,128	(1,319)	12,809	(2,065)	10,743
Segment assets	549,758	93,281	643,039	245,119	888,159
Other items					
Depreciation (Note 3)	14,183	1,195	15,379	–	15,379
Amortization of goodwill	7,695	–	7,695	–	7,695
Impairment loss	105	163	269	–	269
Investments in entities accounted for using equity method	12,557	–	12,557	–	12,557
Increases in property, plant and equipment and intangible assets (Note 4)	12,860	4,064	16,925	–	16,925

Notes: 1 The Other segment represents operating segments that are not attributable to any reportable segment of which the Company (a pure holding company) mainly consists.

2 Segment profit (loss) matches operating profit on the consolidated statement of income.

3 Depreciation includes amortization of long-term prepaid expenses.

4 Increases in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses.

For the year ended March 31, 2023

(Millions of yen)

	Reportable segment			Other (Note 1)	Total
	Self-Medication Operation Group	Prescription Pharmaceutical Operation Group	Subtotal		
Sales					
Sales to outside customers	263,711	37,669	301,381	–	301,381
Sales or transfers between segments	–	–	–	–	–
Total	263,711	37,669	301,381	–	301,381
Segment profit (loss) (Note 2)	29,388	(4,513)	24,875	(1,857)	23,018
Segment assets	573,826	116,673	690,500	250,990	941,490
Other items					
Depreciation (Note 3)	14,570	1,828	16,398	–	16,398
Amortization of goodwill	8,250	–	8,250	–	8,250
Impairment loss	55	10	65	–	65
Investments in entities accounted for using equity method	12,759	–	12,759	–	12,759
Increases in property, plant and equipment and intangible assets (Note 4)	20,185	33,774	53,959	–	53,959

Notes: 1 The Other segment represents operating segments that are not attributable to any reportable segment of which the Company (a pure holding company) mainly consists.

2 Segment profit (loss) matches operating profit on the consolidated statement of income.

3 Depreciation includes amortization of long-term prepaid expenses.

4 Increases in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses.