

**Consolidated Financial Statements for the First Three Months of the March 31, 2020 Fiscal Year  
<under Japanese GAAP>**

July 29, 2019

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE  
 Securities Code: 4581 (URL <https://www.taisho-holdings.co.jp/en/>)  
 Representative: Akira Uehara, Chief Executive Officer (Representative)  
 Contact: Hideki Iuchi, General Manager of Corporate Communications  
 TEL: +81-3-3985-2020  
 Scheduled date for filing Quarterly Securities Report: August 8, 2019  
 Scheduled date of dividend payments: -  
 Supplementary material on quarterly financial results: Yes  
 Quarterly financial results briefing: Yes

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

**1. Consolidated Financial Results for the First Three Months of Fiscal 2019  
(cumulative: April 1, 2019 to June 30, 2019)**

(1) Consolidated Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For three months ended								
June 30, 2019	60,260	(2.4)	8,324	2.0	7,649	(37.3)	11,006	(19.6)
June 30, 2018	61,748	(9.9)	8,157	17.5	12,205	38.8	13,689	147.3

Note: Comprehensive income For the three months of Fiscal 2019: ¥5,301 million [(57.9)%]  
 For the three months of Fiscal 2018: ¥12,587 million [22.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For three months ended		
June 30, 2019	137.91	137.77
June 30, 2018	171.50	171.35

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2019	824,112	730,661	86.4
March 31, 2019	821,782	724,137	86.7

Reference: Equity As of June 30, 2019: ¥711,712 million As of March 31, 2019: ¥712,284 million

## 2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	–	50.00	–	70.00	120.00
Fiscal 2019	–				
Fiscal 2019 (Forecast)		50.00	–	60.00	110.00

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

Note: Breakdown of year-end dividends in Fiscal 2018: Ordinary dividends: 60.00 yen  
Special dividends: 10.00 yen

## 3. Forecast of Consolidated Operating Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

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
Half year	131,000	1.2	14,000	(17.6)	14,500	(36.2)	15,500	(63.5)	194.21
Full year	293,500	12.2	33,000	5.7	37,000	(9.4)	29,500	(39.3)	369.64

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

Regarding the revisions to the forecast of consolidated operating results, please refer to “Notice of Revision of Half-Year and Full-Year Forecasts for the Fiscal Year Ending March 31, 2020” which was announced today, on July 29, 2019.

### \* Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2019  
(or changes in specified subsidiaries resulting in changes in scope of consolidation): Yes  
New addition 1 company from the scope of consolidation  
(Company name) Duoc Hau Giang Pharmaceutical JSC

Note: See “(Notes on Changes in Scope of Consolidation or Equity Method)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 9 for detail.

- (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
- Changes in accounting policies due to revisions to accounting standards: Yes
  - Changes in accounting policies due to other reasons: No
  - Changes in accounting estimates: No
  - Restatement of prior period financial statements after error corrections: No

Note: See “(Changes in accounting policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 9 for detail.

- (4) Number of issued shares (common stock)
- Total number of issued shares at the end of the period (including treasury shares)
 

As of June 30, 2019:	85,139,653 shares
As of March 31, 2019:	90,139,653 shares
  - Number of shares of treasury shares at the end of the period
 

As of June 30, 2019:	5,325,899 shares
As of March 31, 2019:	10,324,998 shares
  - Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

For three months ended June 30, 2019:	79,814,025 shares
For three months ended June 30, 2018:	79,820,364 shares

Note: 5,000,000 treasury shares were canceled on June 14, 2019.

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

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

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

**Attached Material**

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

### (1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first three months, although sales in categories such as gastrointestinal treatments and cough suppressants were lackluster, sales showed strong gains in certain categories such as general cold remedies and anti-inflammatory analgesics. As a result, sales were largely steady year on year overall.

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

Considering the current environment, the Self-Medication Operation Group is actively developing new fields to address growing interest in health consciousness among consumers, while also stepping up product development to create new products that satisfy consumer needs and generate new demand. In the area of sales, the group is implementing activities to expand contact points and spread our new brand concept with consumers in order to build strong brands that attract consumers, while also focusing on enhancing direct communication with consumers by expanding new channels such as a mail order system. Outside Japan, since the full-scale entry into the OTC drug business in Asia in Fiscal 2009, the group has been working to expand its OTC drug business mainly in Southeast Asian countries such as Indonesia, the Philippines, Thailand, and Malaysia. In May 2019, the group's shareholding in Vietnamese company Duoc Hau Giang Pharmaceutical ("DHG") increased to 51.01%, making it a consolidated subsidiary. Originally the group acquired 24.50% of DHG's shares in July 2016 and thereafter incrementally increased the shareholding ratio. Going forward the group will work to strengthen the pharmaceutical business operations in Vietnam by leveraging DHG's business base. In addition, the procedures was completed on July 1, 2019 (Time in France) for the Stock and Asset Purchase Agreement regarding UPSA SAS ("UPSA"), a French pharmaceutical manufacturer owned by Bristol-Myers Squibb Company (Headquarters: New York, United States of America, "BMS") through a subsidiary, which was entered into with BMS on December 19, 2018, and UPSA is now a wholly owned subsidiary of Taisho Pharmaceutical Co., Ltd. Under the group's policy to expand business in regions where future growth is expected, the group aims to achieve sustainable growth by expanding the overseas business through a bipolar structure targeting the European market in addition to the Southeast Asian market.

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

Consolidated net sales during the three months ended June 30, 2019 decreased by ¥1,488 million, or 2.4% year on year, to ¥60,260 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	Increase (Decrease)	
		Amount	%
<b>Self-Medication Operation Group</b>	42.9	0.4	1.0
Japan	34.4	0.4	1.2
Overseas	7.8	0.1	1.0
Others	0.7	(0.0)	(5.4)
<b>Prescription Pharmaceutical Operation Group</b>	17.3	(1.9)	(10.0)
Ethical drugs	16.7	(1.6)	(8.6)
Others	0.6	(0.4)	(36.2)

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2019 increased by ¥0.4 billion, or 1.0% year on year, to ¥42.9 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series fell 4.0% to ¥12.8 billion. Sales of the *Pabron* series increased by 12.8% to ¥5.8 billion. Sales of the *RiUP* series increased by 5.9% to ¥3.6 billion. Sales of *Biofermin* series increased by 6.2% to ¥2.5 billion.

Overseas, net sales for the Asia region increased 5.1% year on year to ¥7.2 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2019 decreased by ¥1.9 billion, or 10.0% year on year, to ¥17.3 billion.

Osteoporosis agent *Edirol* increased by 10.1% to ¥6.5 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 65.8% to ¥1.9 billion, osteoporosis agent *Bonviva* was up 10.4% to ¥1.6 billion, transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 16.4% to ¥0.9 billion. However, for long-listed drugs, macrolide antibiotic *Clarith* decreased by 4.5% to ¥1.1 billion, and peripheral vasodilator *Palux* was down 3.9% to ¥0.8 billion compared to the previous fiscal year partly due to the effects of generic drugs.

On the profits front, although net sales decreased, operating profit increased by 2.0% to ¥8,324 million due to decrease in the cost of sales ratio. Ordinary profit decreased by 37.3% to ¥7,649 million due to decrease in foreign exchange losses and share of profit of entities accounted for using equity method. Profit attributable to owners of parent decreased by 19.6% to ¥11,006 million due to the gain on step acquisitions accompanying Duoc Hau Giang Pharmaceutical JSC becoming a subsidiary.

## (2) Information on Financial Position

Total assets as of June 30, 2019 stood at ¥824.1 billion, up ¥2.3 billion from the previous fiscal year-end. Cash and deposits increased by ¥7.7 billion and goodwill increased by ¥30.4 billion, but shares of subsidiaries and associates decreased by ¥19.5 billion and other (investments and other assets) decreased by ¥16.2 billion.

Liabilities amounted to ¥93.5 billion, a decrease of ¥4.2 billion from the previous fiscal year-end. Accrued expenses increased by ¥4.7 billion and other (current liabilities) increased by ¥1.9 billion, but notes and accounts payable-trade decreased by ¥2.6 billion, income taxes payable decreased by ¥4.3 billion and deferred tax liabilities decreased by ¥1.8 billion.

Net assets amounted to ¥730.7 billion, an increase of ¥6.5 billion from the previous fiscal year-end. The main factor of increase was ¥11.0 billion in profit attributable to owners of parent, while the main factor of decrease was dividends of surplus of ¥5.6 billion. In addition, treasury shares decreased by ¥33.2 billion and capital surplus decreased by ¥33.2 billion following the cancellation of treasury shares. Because the capital surplus became a negative amount as a result of this, retained earnings brought forward of ¥18.3 billion was restated as capital surplus.

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

The Company has decided to revise its half-year and full-year forecasts of its consolidated operating results for Fiscal 2019, the year ending March 31, 2020, which were announced on May 13, 2019. These revisions were made in light of recent business performance, future prospects and other factors. Details are as follows.

As a result of Duoc Hau Giang Pharmaceutical JSC (“DHG”) and UPSA SAS (“UPSA”) becoming consolidated subsidiaries as announced on May 20, 2019 and July 2, 2019, respectively, the group expects the consolidated operating results from the second quarter onward to change.

- (i) As a result of DHG becoming a consolidated subsidiary, as announced in “Duoc Hau Giang Pharmaceutical JSC became a consolidated subsidiary of Taisho” on May 20, 2019, the consolidated operating results are expected to change from the second quarter onward.
- (ii) As a result of UPSA becoming a consolidated subsidiary, as announced in “Taisho Completed Procedures for the Acquisition of UPSA SAS, A French Pharmaceutical Manufacturer, and its Business Assets, Previously Owned by Bristol-Myers Squibb Company” on July 2, 2019, the consolidated operating results are expected to change from the third quarter onward.

The new forecast of operating results takes into account the fact that both companies have been included in the scope of consolidation and the M&A related expenses of DHG and UPSA. The forecast also takes into account the recognition of foreign exchange loss and gain on step acquisitions in the first three months ended June 30, 2019 in non-operating expenses (income) and extraordinary loss (income), respectively.

Due mainly to the above, compared with the previously announced forecast, net sales for the fiscal year ending

March 31, 2020 have been upwardly revised by ¥40.0 billion to ¥293.5 billion. In terms of profits, the group has downwardly revised operating profit by ¥2.5 billion to ¥33.0 billion, downwardly revised ordinary profit by ¥5.5 billion to ¥37.0 billion and upwardly revised profit attributable to owners of parent by ¥1.0 billion to ¥29.5 billion.

Specific forecasts for the Prescription Pharmaceutical Operation Group and the domestic operations of the Self-Medication Operation Group are unchanged from the previous announcement.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>ASSETS</b>		
Current assets		
Cash and deposits	282,567	290,299
Notes and accounts receivable–trade	71,286	69,030
Securities	75,900	75,233
Merchandise and finished goods	16,748	19,977
Work in process	2,283	2,322
Raw materials and supplies	10,485	12,738
Other	10,663	9,587
Allowance for doubtful accounts	(154)	(308)
Total current assets	469,781	478,880
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,764	46,731
Machinery, equipment and vehicles, net	5,217	6,801
Land	37,008	37,457
Construction in progress	246	441
Other, net	3,045	2,883
Total property, plant and equipment	91,283	94,315
Intangible assets		
Goodwill	12,534	42,963
Sales rights	1,419	1,088
Trademark right	5,657	5,401
Software	4,086	4,394
Other	604	849
Total intangible assets	24,302	54,698
Investments and other assets		
Investment securities	172,432	165,134
Shares of subsidiaries and associates	31,262	11,810
Long-term prepaid expenses	549	1,239
Retirement benefit asset	5,765	5,869
Deferred tax assets	9,365	11,335
Other	17,285	1,064
Allowance for doubtful accounts	(244)	(236)
Total investments and other assets	236,416	196,218
Total non-current assets	352,001	345,231
Total assets	821,782	824,112

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	18,814	16,212
Accounts payable - other	14,276	13,289
Income taxes payable	8,607	4,270
Accrued expenses	10,319	14,988
Provision for sales returns	932	857
Provision for bonuses	3,123	1,693
Other	2,379	4,308
Total current liabilities	58,453	55,619
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	1,006	1,007
Retirement benefit liability	18,715	19,578
Deferred tax liabilities	13,530	11,740
Other	5,939	5,504
Total non-current liabilities	39,192	37,831
Total liabilities	97,645	93,451
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	14,924	–
Retained earnings	706,742	693,883
Treasury shares	(68,641)	(35,450)
Total shareholders' equity	683,025	688,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,017	26,292
Deferred gains or losses on hedges	2,181	1,107
Foreign currency translation adjustment	(2,130)	(1,335)
Remeasurements of defined benefit plans	(2,809)	(2,783)
Total accumulated other comprehensive income	29,258	23,280
Share acquisition rights	687	687
Non-controlling interests	11,165	18,261
Total net assets	724,137	730,661
Total liabilities and net assets	821,782	824,112

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

## Consolidated Statements of Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2018	For three months ended June 30, 2019
Net sales	61,748	60,260
Cost of sales	21,295	19,037
Gross profit	40,453	41,223
Reversal of provision for sales returns	665	853
Provision for sales returns	571	771
Gross profit - net	40,547	41,305
Selling, general and administrative expenses	32,389	32,981
Operating profit	8,157	8,324
Non-operating income		
Interest income	1,269	1,177
Dividend income	921	926
Share of profit of entities accounted for using equity method	1,361	103
Other	519	99
Total non-operating income	4,072	2,306
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	-	2,932
Commission expenses	17	16
Other	5	32
Total non-operating expenses	24	2,981
Ordinary profit	12,205	7,649
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on step acquisitions	-	6,093
Total extraordinary income	0	6,093
Extraordinary losses		
Loss on disposal of non-current assets	1	3
Total extraordinary losses	1	3
Profit before income taxes	12,203	13,740
Income taxes	(1,889)	2,414
Profit	14,093	11,325
Profit attributable to non-controlling interests	403	318
Profit attributable to owners of parent	13,689	11,006

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2018	For three months ended June 30, 2019
Profit	14,093	11,325
Other comprehensive income		
Valuation difference on available-for-sale securities	764	(5,664)
Deferred gains or losses on hedges	-	(1,073)
Foreign currency translation adjustment	(1,452)	410
Remeasurements of defined benefit plans, net of tax	71	24
Share of other comprehensive income of entities accounted for using equity method	(889)	278
Total other comprehensive income	(1,505)	(6,024)
Comprehensive income	12,587	5,301
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	12,225	5,028
Comprehensive income attributable to non- controlling interests	361	272

### **(3) Notes on 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 resolved to cancel treasury shares at the meeting of the Board Directors held on May 13, 2019 based on the provisions of Article 178 of the Companies Act, and on June 14, 2019, it retired 5,000,000 treasury shares. As a result, during the first three months ended June 30, 2019, treasury shares decreased by ¥33,199 million and capital surplus decreased by ¥33,199 million.

Because the capital surplus became a negative amount as a result of this, retained earnings brought forward of ¥18,274 million was restated as capital surplus. As this matter is a restatement of account items inside shareholders' equity, the total amount of shareholders' equity remained unchanged.

#### **(Notes on Changes in Scope of Consolidation or Equity Method)**

In the first three months ended June 30, 2019, as a result of the Company acquiring additional shares of equity method affiliate Duoc Hau Giang Pharmaceutical JSC, said company became a consolidated subsidiary and was included in the scope of consolidation.

For details, please see the "Business combination" in this notes section.

#### **(Changes in accounting policies)**

The subsidiaries of the Group that apply IFRS have adopted IFRS 16 "Leases" from the first three months ended June 30, 2019. The method used when applying this standard recognizes, as of the date of initial application, the cumulative effect of applying this standard, which is allowed as the transitional measure.

The impact of this change on the consolidated financial statements for the first three months was immaterial.

#### **(Business combination)**

Business combination through acquisition

Taisho Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company implemented a tender offer to purchase the shares of the Company's equity method affiliate Duoc Hau Giang Pharmaceutical JSC (with an implementation period from March 18, 2019 through April 16, 2019), and acquired additional shares from existing shareholders (May 20, 2019) to make said company a consolidated subsidiary.

##### **(1) Outline of the business combination**

###### **(a) Name and business description of the acquiree**

Name of the acquiree: Duoc Hau Giang Pharmaceutical JSC

Description of business: Manufacture and sale of pharmaceuticals, sale of functional food, etc.

###### **(b) Primary reasons for the business combination**

The purpose of the business combination was to achieve further improvement in corporate value of the Group, including Duoc Hau Giang Pharmaceutical JSC, while at the same time further strengthening the cooperative relations with Duoc Hau Giang Pharmaceutical JSC that has been developed up until now and make the pharmaceutical business in the Asian market even stronger.

###### **(c) Date of the business combination**

May 20, 2019

###### **(d) Legal form of the business combination**

Cash acquisition of shares

###### **(e) Company name after combination**

No change.

- (f) Ratio of voting rights acquired
- |   |        |
|---|--------|
| Ratio of voting rights owned before business combination  | 34.99% |
| Ratio of voting rights acquired by the tender offer, etc. | 16.01% |
| <hr/>   |        |
| Ratio of voting rights after acquisition                  | 51.01% |
- (g) Main basis for reaching a decision on business combination  
Because the Company obtained the shares through cash acquisition
- (2) Performance period of acquired company included in the quarterly consolidated statements of income  
The date deemed to be the acquisition date of the acquired company is April 1, 2019. As the date of closing of the Company and the date of closing of the acquired company do not differ by more than three months, only the balance sheet of the acquired company has been consolidated. Accordingly, the operating results of the acquired company are not included in the consolidated statements of income for the three months ended June 30, 2019.
- (3) Acquisition cost of the acquired company and breakdown thereof by consideration type
- |                               |  |                 |
|-------------------------------|--|-----------------|
| Consideration for acquisition | Market value of owned shares before business combination on the date of business combination | ¥25,809 million |
|                               | Cash paid for additional acquisition   | ¥12,059 million |
| <hr/>                         |  |                 |
| Acquisition cost              |  | ¥37,868 million |
- (4) Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition  
Gain on step acquisitions ¥6,093 million
- (5) Details and amounts of main acquisition-related costs  
Remuneration and commissions to advisors ¥147 million
- (6) Amount of goodwill, reason for recognition, amortization method and amortization period
- (a) Amount of goodwill recognized  
¥30,634 million  
The amount of goodwill is provisional as the allocation of the acquisition cost is not yet completed.
- (b) Reason for recognition of goodwill  
Future excess earning power is expected to be generated as a result of business development going forward.
- (c) Method and period for amortization of goodwill  
Not confirmed at this stage.
- (7) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination  
Not confirmed at this stage.

**(Segment Information (cumulative))**

I. For three months ended June 30, 2018

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

(Millions of yen)

	Reportable segment			Other (Note 1)	Total
	Self-Medication Operation Group	Prescription Pharmaceutical Operation Group	Subtotal		
Sales					
Sales to outside customers	42,491	19,257	61,748	–	61,748
Sales or transfers between segments	–	–	–	–	–
Total	42,491	19,257	61,748	–	61,748
Segment profit (Note 2)	7,574	906	8,481	(323)	8,157

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

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

2. Information regarding impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

There was no material impairment loss of non-current assets, material change in goodwill amount, or material negative goodwill arisen during the three months ended June 30, 2018.

II. For three months ended June 30, 2019

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

(Millions of yen)

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

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

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

2. Information regarding impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

(Material change in goodwill amount)

In the Self-Medication Operation Group, shares of Duoc Hau Giang Pharmaceutical JSC were acquired, and said company was included in the scope of consolidation from the first quarter. An increase in goodwill of ¥30,634 million was recognized by this event in the three months ended June 30, 2019.

The amount of goodwill is provisional as the allocation of the acquisition price is not yet completed.

## (Significant subsequent events)

### Business combination through acquisition

The Company's consolidated subsidiary Taisho Pharmaceutical Co., Ltd. acquired all the issued shares and related business assets of UPSA SAS ("UPSA") on July 1, 2019, making UPSA a consolidated subsidiary.

#### (1) Outline of the business combination

##### (a) Name and business description of the acquiree

Name of the acquiree: UPSA SAS

Description of business: Development, production, marketing, distribution and sales of over-the-counter pharmaceutical products

In conjunction with the acquisition of all the issued shares of UPSA, the business assets related to UPSA were also acquired.

##### (b) Primary reasons for the business combination

Together, UPSA, whose business base is in Europe, and the Company, whose business base is in Japan and South East Asia, have geographic complementarity with one another. By including UPSA in the Group, the Group will realize sustainable growth by pursuing synergies obtained through using both companies' resources, including their product development and brand nurturing capabilities, and their marketing knowhow.

##### (c) Date of the business combination

July 1, 2019

##### (d) Legal form of the business combination

Cash acquisition of shares and related business assets

##### (e) Company name after combination

No change.

##### (f) Ratio of voting rights acquired

100%

#### (2) Acquisition cost of the acquired company and its business assets, and breakdown thereof by consideration type

Consideration for acquisition	Cash paid for additional acquisition	¥165,015 million
Acquisition cost		¥165,015 million

#### (3) Details and amounts of main acquisition-related costs

Not confirmed at this stage.

#### (4) Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

#### (5) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Not confirmed at this stage.