

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

October 30, 2019

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE  
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Scheduled date for filing Quarterly Securities Report: November 13, 2019  
 Scheduled date of dividend payments: December 4, 2019  
 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 Six Months of Fiscal 2019**  
**(cumulative: April 1, 2019 to September 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 six months ended								
September 30, 2019	132,208	2.1	14,676	(13.6)	14,975	(34.1)	14,979	(64.7)
September 30, 2018	129,491	(6.6)	16,991	11.9	22,710	27.2	42,434	253.1

Note: Comprehensive income For the six months of Fiscal 2019: ¥8,694 million [(79.3)%]  
 For the six months of Fiscal 2018: ¥42,079 million [105.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For six months ended		
September 30, 2019	187.68	187.47
September 30, 2018	531.62	531.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2019	843,816	734,234	84.8
March 31, 2019	821,782	724,137	86.7

Reference: Equity As of September 30, 2019: ¥715,310 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	–	50.00			
Fiscal 2019 (Forecast)			–	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
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: No

### \* Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019 (or changes in specified subsidiaries resulting in changes in scope of consolidation): Yes  
New addition 2 companies from the scope of consolidation

(Company name) Duoc Hau Giang Pharmaceutical JSC, UPSA

Note: See “(Notes on Changes in Scope of Consolidation or Equity Method)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 8 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 8 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 September 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 September 30, 2019:	5,323,200 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 six months ended September 30, 2019:	79,815,471 shares
For six months ended September 30, 2018:	79,820,123 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  
(Disclaimer regarding appropriate use of forecasts)

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.

(Related points of note)

The Company has always disclosed the consolidated statements of cash flows in the consolidated financial statements for the first six months of the fiscal year, but they have been omitted for the first six months ended September 30, 2019. Please refer to the Quarterly Securities Report that is scheduled to be disclosed on November 13.

**Attached Material**

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

### (1) Information on Operating Results

In the over-the-counter (OTC) drug market during the six months ended September 30, 2019, although sales in categories such as energy drinks and eye drops were lackluster, sales such as in general cold remedies, anti-inflammatory analgesics and intestinal remedies increased compared to the previous fiscal year, and showed strong gains, following the first three months ended June 30, 2019. Additionally, over-the-counter sales increased in September, and results exceeded the previous fiscal year as a result of the rush in demand from the consumption tax hike.

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 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 May 2019, the group's shareholding in Vietnamese company Duoc Hau Giang Pharmaceutical JSC ("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 were 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 six months ended September 30, 2019 increased by ¥2,717 million, or 2.1% year on year, to ¥132,208 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	%
<b>Self-Medication Operation Group</b>	97.5	7.7	8.6
Japan	74.6	2.0	2.7
Overseas	21.1	5.5	35.5
Others	1.8	0.2	13.2
<b>Prescription Pharmaceutical Operation Group</b>	34.7	(5.0)	(12.6)
Ethical drugs	33.7	(4.6)	(12.1)
Others	1.0	(0.4)	(26.6)

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the six months ended September 30, 2019 increased by ¥7.7 billion, or 8.6% year on year, to ¥97.5 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series fell 2.8% to ¥28.3 billion. Sales of the *Pabron* series increased by 11.5% to ¥12.7 billion. Sales of the *RiUP* series increased by 6.8% to ¥8.1 billion. Sales of *Biofermin* series increased by 10.6% to ¥5.6 billion.

Overseas, net sales for the Asia region increased by 38.9% year on year to ¥19.3 billion due to the impact of Vietnamese company DHG becoming a consolidated subsidiary.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the six months ended September 30, 2019 decreased by ¥5.0 billion, or 12.6% year on year, to ¥34.7 billion.

Osteoporosis agent *Ediviol* increased by 9.6% to ¥13.8 billion, osteoporosis agent *Bonviva* was up 7.5% to ¥3.3 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 19.7% to ¥3.2 billion, transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 17.5% to ¥1.9 billion. However, for long-listed drugs, macrolide antibiotic *Clarith* decreased by 9.5% to ¥2.1 billion, and peripheral vasodilator *Palux* was down 5.9% to ¥1.7 billion compared to the previous fiscal year partly due to the effects of generic drugs.

On the profits front, although gross profit increased due to an increase in net sales and a decrease in the cost of sales ratio, operating profit decreased by 13.6% to ¥14,676 million due to an increase in selling, general and administrative expenses mainly reflecting the temporary cost related to business combinations. Ordinary profit decreased by 34.1% to ¥14,975 million due to decreases in foreign exchange losses and share of profit of entities accounted for using equity method. Profit attributable to owners of parent decreased by 64.7% to ¥14,979 million due to the impact of the gain on sales of shares of subsidiaries and associates recorded in the previous fiscal year.

## (2) Information on Financial Position

Total assets as of September 30, 2019 stood at ¥843.8 billion, up ¥22.0 billion from the previous fiscal year-end.

Among assets, cash and deposits decreased by ¥96.0 billion, securities decreased by ¥36.4 billion and shares of subsidiaries and associates decreased by ¥19.5 billion, but goodwill increased by ¥172.5 billion.

Liabilities increased by ¥11.9 billion from the previous fiscal year-end due to increases in provisions, etc.

Net assets amounted to ¥734.2 billion, an increase of ¥10.1 billion from the previous fiscal year-end. The main factor of increase was ¥15.0 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 forecast of consolidated operating results for Fiscal 2019 is unchanged from the forecast announced on July 29, 2019.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>ASSETS</b>		
Current assets		
Cash and deposits	282,567	186,569
Notes and accounts receivable–trade	71,286	67,202
Securities	75,900	39,468
Merchandise and finished goods	16,748	26,151
Work in process	2,283	4,008
Raw materials and supplies	10,485	15,099
Other	10,663	5,441
Allowance for doubtful accounts	(154)	(316)
Total current assets	469,781	343,623
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,764	57,462
Machinery, equipment and vehicles, net	5,217	12,987
Land	37,008	37,357
Construction in progress	246	2,239
Other, net	3,045	2,892
Total property, plant and equipment	91,283	112,940
Intangible assets		
Goodwill	12,534	185,031
Sales rights	1,419	758
Trademark right	5,657	4,935
Software	4,086	5,286
Other	604	1,279
Total intangible assets	24,302	197,291
Investments and other assets		
Investment securities	172,432	159,590
Shares of subsidiaries and associates	31,262	11,786
Long-term prepaid expenses	549	1,532
Retirement benefit asset	5,765	5,984
Deferred tax assets	9,365	10,300
Other	17,285	1,001
Allowance for doubtful accounts	(244)	(235)
Total investments and other assets	236,416	189,961
Total non-current assets	352,001	500,193
Total assets	821,782	843,816

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	18,814	17,566
Accounts payable–other	14,276	15,873
Income taxes payable	8,607	4,275
Accrued expenses	10,319	14,672
Provision for sales returns	932	830
Provision for bonuses	3,123	6,731
Other	2,379	6,209
Total current liabilities	58,453	66,159
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	1,006	1,144
Retirement benefit liability	18,715	20,963
Deferred tax liabilities	13,530	14,353
Other	5,939	6,961
Total non-current liabilities	39,192	43,422
Total liabilities	97,645	109,582
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	14,924	–
Retained earnings	706,742	697,862
Treasury shares	(68,641)	(35,435)
Total shareholders' equity	683,025	692,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,017	28,054
Deferred gains or losses on hedges	2,181	–
Foreign currency translation adjustment	(2,130)	(2,429)
Remeasurements of defined benefit plans	(2,809)	(2,741)
Total accumulated other comprehensive income	29,258	22,883
Share acquisition rights	687	779
Non-controlling interests	11,165	18,144
Total net assets	724,137	734,234
Total liabilities and net assets	821,782	843,816

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

## Consolidated Statements of Income (cumulative)

(Millions of yen)

	For six months ended September 30, 2018	For six months ended September 30, 2019
Net sales	129,491	132,208
Cost of sales	44,261	44,383
Gross profit	85,229	87,825
Reversal of provision for sales returns	672	853
Provision for sales returns	599	741
Gross profit-net	85,301	87,937
Selling, general and administrative expenses	68,310	73,260
Operating profit	16,991	14,676
Non-operating income		
Interest income	2,507	2,238
Dividend income	958	967
Share of profit of entities accounted for using equity method	1,411	185
Other	911	244
Total non-operating income	5,788	3,636
Non-operating expenses		
Interest expenses	1	16
Foreign exchange losses	-	3,218
Commission expenses	46	43
Other	21	60
Total non-operating expenses	69	3,338
Ordinary profit	22,710	14,975
Extraordinary income		
Gain on sales of non-current assets	34	4
Gain on step acquisitions	-	6,093
Gain on sales of shares of subsidiaries and associates	42,944	-
Total extraordinary income	42,978	6,098
Extraordinary losses		
Loss on disposal of non-current assets	18	118
Early retirement program-expenses	12,190	-
Total extraordinary losses	12,208	118
Profit before income taxes	53,480	20,954
Income taxes	10,374	5,684
Profit	43,106	15,270
Profit attributable to non-controlling interests	672	291
Profit attributable to owners of parent	42,434	14,979

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For six months ended September 30, 2018	For six months ended September 30, 2019
Profit	43,106	15,270
Other comprehensive income		
Valuation difference on available-for-sale securities	567	(4,022)
Deferred gains or losses on hedges	–	(2,181)
Foreign currency translation adjustment	(718)	(830)
Remeasurements of defined benefit plans, net of tax	143	65
Share of other comprehensive income of entities accounted for using equity method	(1,019)	392
Total other comprehensive income	(1,027)	(6,576)
Comprehensive income	42,079	8,694
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	41,446	8,604
Comprehensive income attributable to non- controlling interests	633	89

### **(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 quarter of the fiscal year ending March 31, 2020, 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 quarter of the fiscal year ending March 31, 2020, as a result of the Company acquiring additional shares of equity method associate Duoc Hau Giang Pharmaceutical JSC, said company became a consolidated subsidiary and was included in the scope of consolidation.

In the second quarter of the fiscal year ending March 31, 2020, as a result of the Company acquiring all the issued shares of UPSA, said company 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 quarter of the fiscal year ending March 31, 2020. 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 six months was immaterial.

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

##### **I. Business combination through acquisition (Duoc Hau Giang Pharmaceutical JSC)**

Taisho Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company implemented a tender offer to purchase the shares of the Company's equity method associate 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.

##### **Adjusted amount after revision of initial allocation of acquisition cost**

Provisional accounting procedures were performed for the first quarter of the fiscal year ending March 31, 2020 regarding the allocation of the acquisition cost of Duoc Hau Giang Pharmaceutical JSC, acquired on May 20, 2019. While provisional accounting procedures continue to be performed for the second quarter of the fiscal year ending March 31, 2020, goodwill has been revised as follows as a result of the revision of the allocation of the acquisition cost based on reasonable information that was available most recently.

Goodwill (before revision)	¥30,634 million
Goodwill (after revision)	¥30,120 million

##### **II. Business combination through acquisition (UPSA)**

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



**(Segment Information (cumulative))**

[Segment Information]

## I. For six months ended September 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	89,785	39,705	129,491	–	129,491
Sales or transfers between segments	–	–	–	–	–
Total	89,785	39,705	129,491	–	129,491
Segment profit (Note 2)	16,858	1,228	18,086	(1,095)	16,991

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 and goodwill, etc. by reportable segment

There was no material impairment loss of non-current assets, material change in goodwill amount, or material gain on bargain purchase arisen during the six months ended September 30, 2018.

## II. For six months ended September 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	97,492	34,716	132,208	–	132,208
Sales or transfers between segments	–	–	–	–	–
Total	97,492	34,716	132,208	–	132,208
Segment profit (Note 2)	13,056	2,381	15,438	(761)	14,676

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 and 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 of the fiscal year ending March 31, 2020. An increase in goodwill of ¥30,120 million was recognized by this event in the six months ended September 30, 2019.

In addition, in the Self-Medication Operation Group, shares of UPSA were acquired, and said company was included in the scope of consolidation from the second quarter of the fiscal year ending March 31, 2020. An increase in goodwill of ¥144,015 million was recognized by this event in the six months ended September 30, 2019.

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