

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

February 14, 2020

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
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 Scheduled date of dividend payments: –
 Supplementary material on quarterly financial results: Yes
 Quarterly financial results briefing: Yes

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

**1. Consolidated Financial Results for the First Nine Months of Fiscal 2019
(cumulative: April 1, 2019 to December 31, 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 nine months ended								
December 31, 2019	211,338	5.7	17,569	(37.5)	20,970	(42.0)	17,929	(65.1)
December 31, 2018	199,896	(7.4)	28,116	(1.5)	36,163	8.3	51,398	94.2

Note: Comprehensive income For the nine months of Fiscal 2019: ¥10,483 million [(76.4)%]
 For the nine months of Fiscal 2018: ¥44,350 million [21.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For nine months ended		
December 31, 2019	224.64	224.38
December 31, 2018	643.93	643.33

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2019	838,618	731,313	84.9
March 31, 2019	821,782	724,137	86.7

Reference: Equity As of December 31, 2019: ¥711,592 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	290,500	11.1	21,500	(31.1)	26,000	(36.4)	21,000	(56.8)	263.13

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 Forecasts for the Fiscal Year Ending March 31, 2020,” which was announced today, on February 14, 2020.

* Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 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 December 31, 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 December 31, 2019:	5,324,740 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 nine months ended December 31, 2019:	79,815,482 shares
For nine months ended December 31, 2018:	79,819,181 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 Nine Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the nine months ended December 31, 2019, although sales in categories such as hair-care products and gastrointestinal treatments were lackluster, sales such as in general cold remedies and intestinal remedies were strong and, as a result, sales were higher year on year.

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 nine months ended December 31, 2019 increased by ¥11,441 million, or 5.7% year on year, to ¥211,338 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	%
Self-Medication Operation Group	157.8	20.0	14.5
Japan	113.0	0.9	0.8
Overseas	42.3	19.0	81.3
Others	2.6	0.2	8.3
Prescription Pharmaceutical Operation Group	53.5	(8.6)	(13.8)
Ethical drugs	52.2	(8.2)	(13.5)
Others	1.4	(0.4)	(22.9)

Sales of major products and regions were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2019 increased by ¥20.0 billion, or 14.5% year on year, to ¥157.8 billion.

With regard to our mainstay brands, sales of the *Lipovitan* series fell 2.6% to ¥40.7 billion. Sales of the *Pabron* series increased by 6.4% to ¥22.1 billion. Sales of the *RiUP* series increased by 0.4% to ¥11.8 billion. Sales of *Biofermin* series increased by 5.7% to ¥8.3 billion.

Overseas, net sales for the Asia region increased by 45.2% year on year to ¥30.1 billion and net sales for the Europe and Americas region amounted to ¥11.3 billion due to the impact of DHG and UPSA becoming consolidated subsidiaries.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2019 decreased by ¥8.6 billion, or 13.8% year on year, to ¥53.5 billion.

Osteoporosis agent *Edirol* increased by 6.0% to ¥20.9 billion, osteoporosis agent *Bonviva* was up 6.2% to ¥5.1 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 26.5% to ¥5.1 billion, transdermal anti-inflammatory analgesic patch formulation *LOQOA* increased by 14.6% to ¥3.0 billion. However, for long-listed drugs, macrolide antibiotic *Clarith* decreased by 15.2% to ¥3.4 billion, and peripheral vasodilator *Palux* was down 8.7% to ¥2.5 billion compared to the previous fiscal year partly due to the effects of NHI drug price revision and generic drugs.

On the profits front, although gross profit increased due to an increase in net sales, operating profit decreased by 37.5% to ¥17,569 million due to an increase in selling, general and administrative expenses mainly reflecting the temporary cost related to business combinations. Ordinary profit decreased by 42.0% to ¥20,970 million due to foreign exchange losses and a decrease in share of profit of entities accounted for using equity method. Profit attributable to owners of parent decreased by 65.1% to ¥17,929 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 December 31, 2019 stood at ¥838.6 billion, up ¥16.8 billion from the previous fiscal year-end. Among assets, cash and deposits decreased by ¥114.4 billion and securities decreased by ¥34.7 billion, but goodwill increased by ¥164.9 billion.

Liabilities increased by ¥9.7 billion from the previous fiscal year-end; the main reason was the increases in accrued expenses.

Net assets amounted to ¥731.3 billion, an increase of ¥7.2 billion from the previous fiscal year-end. The main factor of increase was ¥17.9 billion in profit attributable to owners of parent, while the main factor of decrease was dividends of surplus of ¥9.6 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

Considering the business performance trends and other factors in the nine months ended December 31, 2019, the full-year forecast of consolidated operating results announced on July 29, 2019, has been revised as shown below.

- Net sales

Compared with the previously announced forecast, the forecast of net sales was downwardly revised by ¥3.0 billion to ¥290.5 billion.

In the Self-Medication Operation Group, as for the overseas markets, the previously announced net sales forecast has been downwardly revised by ¥3.1 billion to reflect the impact of the shift to consignment sales in the Asia region, etc. As for the domestic market, the previously announced forecast remains unchanged, and the forecast for the others markets was upwardly revised by ¥0.1 billion.

For the Prescription Pharmaceutical Operation Group, the previously announced forecast remains unchanged.

- Profits

Compared with the previously announced forecast, the forecast of operating profit was downwardly revised by ¥11.5 billion to ¥21.5 billion, the forecast of ordinary profit was downwardly revised by ¥11.0 billion to ¥26.0 billion, and the forecast of profit attributable to owners of parent was downwardly revised by ¥8.5 billion to ¥21.0 billion.

In addition to the decrease in gross profit as a result of the lowered forecast of net sales, the Company reviewed the one-time cost of sales and selling, general and administrative expenses due to the impact of DHG and UPSA becoming subsidiaries, and the Company expects profits to be below the previously announced forecast.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
ASSETS		
Current assets		
Cash and deposits	282,567	168,177
Notes and accounts receivable - trade	71,286	78,577
Securities	75,900	41,183
Merchandise and finished goods	16,748	26,077
Work in process	2,283	3,026
Raw materials and supplies	10,485	14,537
Other	10,663	13,541
Allowance for doubtful accounts	(154)	(338)
Total current assets	469,781	344,783
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,764	55,804
Machinery, equipment and vehicles, net	5,217	12,884
Land	37,008	37,353
Construction in progress	246	1,967
Other, net	3,045	2,883
Total property, plant and equipment	91,283	110,892
Intangible assets		
Goodwill	12,534	177,465
Sales rights	1,419	724
Trademark right	5,657	4,607
Software	4,086	5,762
Other	604	1,264
Total intangible assets	24,302	189,825
Investments and other assets		
Investment securities	172,432	161,898
Shares of subsidiaries and associates	31,262	11,976
Long-term prepaid expenses	549	1,543
Retirement benefit asset	5,765	6,101
Deferred tax assets	9,365	10,466
Other	17,285	1,364
Allowance for doubtful accounts	(244)	(234)
Total investments and other assets	236,416	193,116
Total non-current assets	352,001	493,834
Total assets	821,782	838,618

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	18,814	17,260
Accounts payable - other	14,276	15,301
Income taxes payable	8,607	5,480
Accrued expenses	10,319	17,130
Provision for sales returns	932	854
Provision for bonuses	3,123	3,720
Other	2,379	4,497
Total current liabilities	58,453	64,246
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	1,006	1,008
Retirement benefit liability	18,715	21,193
Deferred tax liabilities	13,530	15,412
Other	5,939	5,444
Total non-current liabilities	39,192	43,058
Total liabilities	97,645	107,305
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	14,924	–
Retained earnings	706,742	696,665
Treasury shares	(68,641)	(35,447)
Total shareholders' equity	683,025	691,217
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,017	30,728
Deferred gains or losses on hedges	2,181	–
Foreign currency translation adjustment	(2,130)	(7,671)
Remeasurements of defined benefit plans	(2,809)	(2,681)
Total accumulated other comprehensive income	29,258	20,375
Share acquisition rights	687	779
Non-controlling interests	11,165	18,940
Total net assets	724,137	731,313
Total liabilities and net assets	821,782	838,618

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2018	For nine months ended December 31, 2019
Net sales	199,896	211,338
Cost of sales	69,109	77,088
Gross profit	130,787	134,249
Reversal of provision for sales returns	668	853
Provision for sales returns	636	763
Gross profit - net	130,820	134,339
Selling, general and administrative expenses	102,703	116,770
Operating profit	28,116	17,569
Non-operating income		
Interest income	3,740	3,111
Dividend income	1,820	1,892
Share of profit of entities accounted for using equity method	1,501	210
Other	1,086	446
Total non-operating income	8,149	5,661
Non-operating expenses		
Interest expenses	2	34
Foreign exchange losses	-	1,980
Commission expenses	62	59
Other	38	186
Total non-operating expenses	103	2,260
Ordinary profit	36,163	20,970
Extraordinary income		
Gain on sales of non-current assets	36	8
Gain on step acquisitions	-	6,093
Gain on sales of shares of subsidiaries and associates	42,944	-
Total extraordinary income	42,980	6,102
Extraordinary losses		
Loss on disposal of non-current assets	26	123
Impairment loss	-	592
Early retirement program expenses	12,875	-
Total extraordinary losses	12,901	715
Profit before income taxes	66,242	26,357
Income taxes	13,862	7,424
Profit	52,380	18,933
Profit attributable to non-controlling interests	982	1,003
Profit attributable to owners of parent	51,398	17,929

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2018	For nine months ended December 31, 2019
Profit	52,380	18,933
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,788)	(1,459)
Deferred gains or losses on hedges	55	(2,181)
Foreign currency translation adjustment	203	(5,912)
Remeasurements of defined benefit plans, net of tax	612	544
Share of other comprehensive income of entities accounted for using equity method	(1,113)	557
Total other comprehensive income	(8,030)	(8,450)
Comprehensive income	44,350	10,483
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	43,459	9,467
Comprehensive income attributable to non- controlling interests	890	1,015

(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 nine 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.

Provisional accounting procedures were performed for the first quarter and second quarter of the fiscal year ending March 31, 2020, and ¥30,120 million of goodwill was recorded. Provisional accounting procedures continue to be performed for the third quarter of the fiscal year ending March 31, 2020 because the allocation of the acquisition cost has not been completed.

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.

Adjusted amount after revision of initial allocation of acquisition cost

Provisional accounting procedures were performed for the second quarter of the fiscal year ending March 31, 2020 regarding the allocation of the acquisition cost of UPSA, acquired on July 1, 2019. While provisional accounting procedures continue to be performed for the third 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)	¥144,015 million
Goodwill (after revision)	¥142,340 million

(Segment Information (cumulative))

I. For nine months ended December 31, 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	137,815	62,080	199,896	–	199,896
Sales or transfers between segments	–	–	–	–	–
Total	137,815	62,080	199,896	–	199,896
Segment profit (Note 2)	26,242	3,312	29,554	(1,437)	28,116

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 nine months ended December 31, 2018.

II. For nine months ended December 31, 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	157,824	53,513	211,338	–	211,338
Sales or transfers between segments	–	–	–	–	–
Total	157,824	53,513	211,338	–	211,338
Segment profit (Note 2)	14,117	4,743	18,860	(1,290)	17,569

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 nine months ended December 31, 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 ¥142,340 million was recognized by this event in the nine months ended December 31, 2019.

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