

Consolidated Financial Statements for the First Three Months of the March 31, 2019 Fiscal Year
<under Japanese GAAP>

August 1, 2018

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
 Securities Code: 4581 (URL <http://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 9, 2018
 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 2018
(cumulative: April 1, 2018 to June 30, 2018)

(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, 2018	61,748	(9.9)	8,157	17.5	12,205	38.8	13,689	147.3
June 30, 2017	68,532	(1.3)	6,941	(23.8)	8,796	(15.6)	5,534	(20.3)

Note: Comprehensive income For the three months of Fiscal 2018: ¥12,587 million [22.2%]
 For the three months of Fiscal 2017: ¥10,303 million [198.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For three months ended		
June 30, 2018	171.50	171.35
June 30, 2017	69.27	69.21

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2018	795,842	694,483	85.7
March 31, 2018	799,616	691,318	84.4

Reference: Equity As of June 30, 2018: ¥681,880 million As of March 31, 2018: ¥674,664 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	–	50.00	–	60.00	110.00
Fiscal 2018	–				
Fiscal 2018 (Forecast)		50.00	–	60.00	110.00

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

3. Forecast of Consolidated Operating Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

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	132,000	(4.8)	14,000	(7.8)	16,500	(7.6)	39,000	224.6	488.10
Full year	269,000	(4.0)	33,000	(10.8)	39,500	(6.3)	55,500	75.2	694.62

Note: Revisions to the forecast of consolidated operating results most recently announced: No

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2018
(or changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- a. Changes in accounting policies due to revisions to accounting standards: No
- 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

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury stock)
 - As of June 30, 2018: 90,139,653 shares
 - As of March 31, 2018: 90,139,653 shares
- b. Number of shares of treasury stock at the end of the period
 - As of June 30, 2018: 10,320,088 shares
 - As of March 31, 2018: 10,317,712 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For three months ended June 30, 2018: 79,820,364 shares
 - For three months ended June 30, 2017: 79,905,163 shares

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

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

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

Attached Material

Index

- 1. Qualitative Information Regarding Settlement of Accounts for the First Three Months 2
 - (1) Information on Operating Results 2
 - (2) Information on Financial Position 3
 - (3) Information on Forecast of Consolidated Operating Results and Other Forward-Looking Statements 3
- 2. Consolidated Financial Statements and Significant Notes Thereto 4
 - (1) Consolidated Balance Sheets 4
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income..... 6
 - Consolidated Statements of Income (cumulative) 6
 - Consolidated Statements of Comprehensive Income (cumulative) 7
 - (3) Notes on Consolidated Financial Statements 8
 - (Notes on Premise of Going Concern) 8
 - (Notes on Substantial Changes in the Amount of Shareholders' Equity) 8
 - (Additional Information) 8
 - (Segment Information (cumulative)) 9
 - (Significant Subsequent Events) 10

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 energy drinks and hair-care products were lackluster, sales showed strong gains in certain categories such as nasal inflammation treatments and intestinal remedies. As a result, sales were slightly higher year on year overall.

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to ongoing challenges 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 working to respond to consumer needs to age healthily and beautifully by 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. In overseas markets, the group is actively developing its OTC drug business, mainly in Asia.

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, 2018 decreased by ¥6,783 million, or 9.9% year on year, to ¥61,748 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	42.5	(2.3)	(5.2)
Japan	34.0	(1.9)	(5.4)
Overseas	7.7	(0.5)	(6.4)
Others	0.7	0.1	22.7
Prescription Pharmaceutical Operation Group	19.3	(4.5)	(18.8)
Ethical drugs	18.3	(4.5)	(19.7)
Others	1.0	0.0	2.8

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2018 decreased by ¥2.3 billion, or 5.2% year on year, to ¥42.5 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of the mainstay *Lipovitan D* dropped 9.7% year on year, and the *Lipovitan* series overall fell 9.2% to ¥13.3 billion. In the *Pabron* series, sales were up compared to the previous fiscal year with the launch of new products contributing to sales. As a result, sales of the *Pabron* series overall increased 10.8% to ¥5.1 billion. Looking at the *RiUP* series of hair-care products, sales of the *RiUP* series overall decreased 8.3% to ¥3.4 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, declined year on year to ¥4.2 billion. However, we forecast full-year sales will increase in line with our start-of-year target, as the first half of the previous fiscal year accounted for a high proportion of sales.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2018 decreased by ¥4.5 billion, or 18.8% year on year, to ¥19.3 billion.

Osteoporosis agent *Edirol* fell 4.6% to ¥5.9 billion, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 46.8% to ¥1.5 billion, osteoporosis agent *Bonviva* was down 8.7% to ¥1.4 billion, Type 2 diabetes treatment *Lusefi* fell 7.7% to ¥1.1 billion, macrolide antibiotic *Clarith* decreased by 37.2% to ¥1.2 billion, and peripheral vasodilator *Palux* was down 31.6% to ¥0.9 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose 2.6% to ¥0.8 billion. Among them, long-listed drugs *ZOSYN*, *Clarith* and *Palux* decreased significantly year on year due to the effects of NHI drug price revision and generic drugs.

On the profits front, gross profit on sales decreased as a result of lower net sales, but selling, general and administrative expenses fell due to decreases in advertising expenses and other expenses. As a result, operating profit increased by 17.5% to ¥8,157 million and ordinary profit increased by 38.8% to ¥12,205 million. Profit attributable to owners of parent increased by 147.3% to ¥13,689 million due to a decline in income taxes—deferred, which was related to a resolution approving the sale of the Company's shares in TOYAMA CHEMICAL CO., LTD.

(2) Information on Financial Position

Total assets as of June 30, 2018 stood at ¥795.8 billion, down ¥3.8 billion from the previous fiscal year-end. Other current assets increased by ¥7.0 billion, but notes and accounts receivable—trade decreased by ¥6.0 billion and shares of subsidiaries and affiliates decreased by ¥3.2 billion.

Liabilities amounted to ¥101.4 billion, a decrease of ¥6.9 billion from the previous fiscal year-end. Accrued expenses increased by ¥3.8 billion, but accrued income taxes decreased by ¥5.1 billion and deferred tax liabilities decreased by ¥5.0 billion.

Net assets amounted to ¥694.5 billion, an increase of ¥3.2 billion from the previous fiscal year-end. The main factor of increase was ¥13.7 billion in profit attributable to owners of parent, while the main factors of decrease were dividends of surplus of ¥4.8 billion and foreign currency translation adjustment of ¥2.2 billion.

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

The forecast of consolidated operating results for Fiscal 2018 is unchanged from the forecast announced on May 14, 2018. The above forecast factors in the decline in income taxes—deferred related to the resolution approving the sale of the Company's shares in TOYAMA CHEMICAL CO., LTD. during the three months ended June 30, 2018.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
ASSETS		
Current assets		
Cash and deposits	219,973	217,712
Notes and accounts receivable–trade	75,268	69,262
Marketable securities	29,739	29,570
Merchandise and finished goods	15,596	17,416
Work in process	2,159	1,891
Raw materials and supplies	9,088	9,385
Other	4,441	11,427
Allowance for doubtful accounts	(105)	(110)
Total current assets	356,161	356,556
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	47,536	46,908
Machinery, equipment and vehicles, net	5,449	5,378
Land	37,021	37,022
Construction in progress	468	375
Other, net	3,239	3,057
Total tangible fixed assets	93,716	92,742
Intangible fixed assets		
Goodwill	15,347	15,022
Sales rights	2,740	2,410
Trademarks	8,750	8,392
Software	3,627	3,596
Other	650	639
Total intangible fixed assets	31,116	30,060
Investments and other assets		
Investment securities	236,797	237,681
Shares of subsidiaries and affiliates	65,294	62,119
Long-term prepaid expenses	769	697
Net defined benefit assets	3,230	3,300
Deferred tax assets	11,806	11,971
Other	966	957
Allowance for doubtful accounts	(243)	(244)
Total investments and other assets	318,622	316,483
Total fixed assets	443,455	439,286
Total assets	799,616	795,842

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	19,939	18,616
Accounts payable	14,275	17,060
Accrued income taxes	8,614	3,511
Accrued expenses	10,688	14,520
Provision for sales returns	775	683
Provision for bonuses	3,874	1,963
Other	2,131	2,125
Total current liabilities	60,299	58,480
Long-term liabilities		
Provision for directors' retirement benefits	1,001	1,004
Net defined benefit liabilities	23,391	23,486
Deferred tax liabilities	16,970	11,924
Other	6,635	6,464
Total long-term liabilities	47,998	42,878
Total liabilities	108,298	101,359
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	15,081
Retained earnings	666,920	675,816
Treasury stock	(68,536)	(68,563)
Total shareholders' equity	643,655	652,334
Accumulated other comprehensive income		
Valuation difference on securities	37,970	38,640
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	(1,704)	(3,909)
Remeasurements of defined benefit plans	(5,256)	(5,185)
Total accumulated other comprehensive income	31,009	29,545
Share acquisition rights	565	565
Non-controlling interests	16,087	12,037
Total net assets	691,318	694,483
Total liabilities and net assets	799,616	795,842

(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, 2017	For three months ended June 30, 2018
Net sales	68,532	61,748
Cost of sales	24,232	21,295
Gross profit on sales	44,299	40,453
Reversal of provision for sales returns	714	665
Provision for sales returns	713	571
Gross profit	44,300	40,547
Selling, general & administrative expenses	37,358	32,389
Operating profit	6,941	8,157
Non-operating income		
Interest income	1,209	1,269
Dividend income	840	921
Equity in earnings of entities accounted for using equity method	–	1,361
Other	191	519
Total non-operating income	2,241	4,072
Non-operating expenses		
Interest expenses	0	1
Equity in losses of entities accounted for using equity method	361	–
Commission fee	17	17
Other	6	5
Total non-operating expenses	386	24
Ordinary profit	8,796	12,205
Extraordinary income		
Gain on sales of fixed assets	742	0
Total extraordinary income	742	0
Extraordinary losses		
Loss on disposal of fixed assets	9	1
Total extraordinary losses	9	1
Profit before income taxes	9,529	12,203
Income taxes	3,478	(1,889)
Profit	6,050	14,093
Profit attributable to non-controlling interests	515	403
Profit attributable to owners of parent	5,534	13,689

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2017	For three months ended June 30, 2018
Profit	6,050	14,093
Other comprehensive income		
Valuation difference on securities	5,237	764
Foreign currency translation adjustment	(729)	(1,452)
Remeasurements of defined benefit plans	134	71
Share of other comprehensive income of entities accounted for using equity method	(389)	(889)
Total other comprehensive income	4,252	(1,505)
Comprehensive income	10,303	12,587
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,725	12,225
Comprehensive income attributable to non- controlling interests	578	361

(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)

No items to report

(Additional Information)

1. Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Long-term liabilities."

2. Implementation of Early Retirement Program

The Company resolved at its Board of Directors meeting held on May 14, 2018 to implement an early retirement program targeting employees of the Company and the group companies in Japan

(Reasons for the implementation of early retirement program)

The Group has determined to implement the early retirement program as part of the measures to move forward with building a highly productive organization to ensure its sustainable growth, and also to provide assistance to employees who would pursue a change of career on this occasion and in view of their own life plan.

(Outline of the early retirement program)

(1) Target individuals

Employees who have been with the Company or the group companies for 10 years or more and are 40 years of age or older (excluding those at some group companies)

(2) Maximum number of applicants sought

Not specified

(3) Application period

From July 1, 2018 to August 10, 2018

(4) Date of Retirement

Given day for each individual during September 30, 2018 and December 31, 2018 as determined in due course

(5) Preferential benefits

In addition to regular retirement allowance, an extra retirement allowance will be paid.

An outplacement support will also be provided to those retiring under this program.

(Impact to the operating results)

At this point, the projected loss amount arising from the early retirement program is unclear as the application period is still open and the number of employees who will be accepted into the program and the amount of the extra portion of retirement allowances have not been determined. Note that the forecast of consolidated operating results announced on May 14, 2018 have made allowances to include a certain level of extent for the extra portion of retirement allowances and expenses for outplacement support.

(Segment Information (cumulative))

I. For three months ended June 30, 2017

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	44,823	23,709	68,532	–	68,532
Sales or transfers between segments	–	–	–	–	–
Total	44,823	23,709	68,532	–	68,532
Segment profit (Note 2)	5,843	1,414	7,258	(316)	6,941

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 statements of income.

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

There was no material impairment loss of fixed assets, material change in goodwill amount, or material negative goodwill arisen during the three months ended June 30, 2017.

II. 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 statements of income.

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

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

(Significant Subsequent Events)

Acquisition of Shares in Taisho Toyama Pharmaceutical Co., Ltd. (Conversion into a Wholly-Owned Subsidiary) and Sale of Shares in TOYAMA CHEMICAL CO., LTD.

In accordance with a resolution passed by the Board of Directors on May 14, 2018, the Company sold all its shares in TOYAMA CHEMICAL CO., LTD. (hereinafter referred to as “Toyama Chemical”) to FUJIFILM Holdings Corporation (hereinafter referred to as “Fujifilm HD”) and purchased all shares in Taisho Toyama Pharmaceutical Co., Ltd. (hereinafter referred to as “Taisho Toyama”) owned by Toyama Chemical, thereby making Taisho Toyama into a wholly-owned subsidiary of the Company (hereinafter referred to as the “Transaction”), effective on July 31, 2018.

(Reasons for the Transaction)

The Company, Fujifilm HD and Toyama Chemical have maintained the strategic capital and business alliances since 2008. Under the circumstances of the pharmaceutical industry experiencing drastic changes of its business environment, to form a better framework, the Company resolved to dissolve the capital alliance over Taisho Toyama and Toyama Chemical, which has been maintained as part of the strategic capital and business alliances among three companies, the Company, Fujifilm HD and Toyama Chemical.

The Company believes that, through the Transaction, more expeditious business management can be achieved at both the Company and Fujifilm HD by the shares in Taisho Toyama and those in Toyama Chemical being wholly owned by the Company and Fujifilm HD, respectively.

(Outline of the target companies for the Transaction)

(1) Name	Taisho Toyama Pharmaceutical Co., Ltd.	TOYAMA CHEMICAL CO., LTD.
(2) Location	25-1, Takada 3-chome, Toshima-ku, Tokyo	2-5, Nishishinjuku 3-chome, Shinjuku-ku, Tokyo
(3) Title and name of representative	Chairman (Representative): Junji Okada President (Representative): Kenichi Fujita	Toshikazu Ban, President
(4) Business fields	Sales of ethical pharmaceuticals	Development, manufacture, and sales of pharmaceuticals
(5) Capital	¥2,000 million	¥10,000 million

(Impact to the operating results)

In relation to the Transaction, the Company will record ¥42.4 billion in extraordinary income on the sale of shares in Toyama Chemical in the second quarter of the fiscal year ending March 31, 2019.