

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

October 29, 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

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 Scheduled date of dividend payments: December 5, 2018  
 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 2018  
(cumulative: April 1, 2018 to September 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 six months ended								
September 30, 2018	129,491	(6.6)	16,991	11.9	22,710	27.2	42,434	253.1
September 30, 2017	138,630	(1.7)	15,178	(8.9)	17,850	(6.7)	12,016	(11.0)

Note: Comprehensive income For the six months of Fiscal 2018: ¥42,079 million [105.7%]  
 For the six months of Fiscal 2017: ¥20,452 million [284.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For six months ended		
September 30, 2018	531.62	531.14
September 30, 2017	150.38	150.26

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2018	841,336	722,348	84.5
March 31, 2018	799,616	691,318	84.4

Reference: Equity As of September 30, 2018: ¥710,914 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	–	50.00			
Fiscal 2018 (Forecast)			–	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
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 six months ended September 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 September 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 September 30, 2018:	10,320,732 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 six months ended September 30, 2018:	79,820,123 shares
For six months ended September 30, 2017:	79,904,135 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

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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 first six months, although sales showed strong gains in certain categories such as anti-inflammatory analgesics and Kampo medicines, sales in categories such as anti-inflammatory analgesic for external use and gastrointestinal treatments were lackluster. As a result, sales slightly declined 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 six months ended September 30, 2018 decreased by ¥9,138 million, or 6.6% year on year, to ¥129,491 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>	89.8	(2.1)	(2.3)
Japan	72.6	(1.9)	(2.6)
Overseas	15.6	(0.4)	(2.6)
Others	1.6	0.2	16.3
<b>Prescription Pharmaceutical Operation Group</b>	39.7	(7.0)	(15.1)
Ethical drugs	38.3	(6.9)	(15.3)
Others	1.4	(0.1)	(9.6)

Sales of major products were as follows:

#### < Self-Medication Operation Group >

Consolidated net sales during the six months ended September 30, 2018 decreased by ¥2.1 billion, or 2.3% year on year, to ¥89.8 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks fell 5.9% to ¥29.2 billion. In the *Pabron* series, although over-the-counter sales were brisk, results of launching new products in the previous year had impact. As a result, sales of the *Pabron* series overall decreased by 0.2% to ¥11.4 billion. Looking at the *RiUP* series of hair-care products, sales of the *RiUP* series overall decreased by 2.3% to ¥7.6 billion. On the other hand, sales of “*Biofermin*,” an intestinal remedy for which the selling model has shifted to direct sales by Taisho Pharmaceutical Co., Ltd. since October 2017, increased by 40.1% to ¥5.1 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, declined year on year to ¥8.8 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 six months ended September 30, 2018 decreased by ¥7.0 billion, or 15.1% year on year, to ¥39.7 billion.

Osteoporosis agent *Edirol* increased by 1.9% to ¥12.6 billion, combination antibiotic with a beta-lactamase inhibitor *ZOSYN* decreased by 41.1% to ¥3.1 billion, osteoporosis agent *Bonviva* was down 4.5% to ¥3.0 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 26.0% to ¥2.7 billion, macrolide antibiotic *Clarith* decreased by 33.8% to ¥2.3 billion, and peripheral vasodilator *Palux* was down 29.8% to ¥1.8 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose by 4.2% to ¥1.6 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 11.9% to ¥16,991 million and ordinary profit increased by 27.2% to ¥22,710 million due to increase in equity in earnings of entities accounted for using equity method. Profit attributable to owners of parent increased by 253.1% to ¥42,434 million due to a rise in extraordinary income stemming from gain on sales of shares of subsidiaries and affiliates, despite early retirement program-expenses incurred.

## (2) Information on Financial Position

Total assets as of September 30, 2018 stood at ¥841.3 billion, up ¥41.7 billion from the previous fiscal year-end. Cash and deposits increased by ¥74.1 billion and marketable securities increased by ¥29.4 billion, but investment securities decreased by ¥29.5 billion and shares of subsidiaries and affiliates decreased by ¥33.5 billion.

Liabilities amounted to ¥119.0 billion, an increase of ¥10.7 billion from the previous fiscal year-end. Accounts payable increased by ¥9.0 billion, and accrued income taxes increased by ¥4.1 billion.

Net assets amounted to ¥722.3 billion, an increase of ¥31.0 billion from the previous fiscal year-end. The main factor of increase was ¥42.4 billion in profit attributable to owners of parent, while the main factor of decrease was dividends of surplus of ¥4.8 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.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>ASSETS</b>		
Current assets		
Cash and deposits	219,973	294,086
Notes and accounts receivable–trade	75,268	74,212
Marketable securities	29,739	59,175
Merchandise and finished goods	15,596	16,989
Work in process	2,159	2,046
Raw materials and supplies	9,088	9,725
Other	4,441	4,421
Allowance for doubtful accounts	(105)	(105)
Total current assets	356,161	460,551
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	47,536	46,255
Machinery, equipment and vehicles, net	5,449	5,110
Land	37,021	37,019
Construction in progress	468	638
Other, net	3,239	3,006
Total tangible fixed assets	93,716	92,030
Intangible fixed assets		
Goodwill	15,347	14,629
Sales rights	2,740	2,079
Trademarks	8,750	7,930
Software	3,627	3,489
Other	650	627
Total intangible fixed assets	31,116	28,756
Investments and other assets		
Investment securities	236,797	207,285
Shares of subsidiaries and affiliates	65,294	31,747
Long-term prepaid expenses	769	648
Net defined benefit assets	3,230	3,369
Deferred tax assets	11,806	16,249
Other	966	944
Allowance for doubtful accounts	(243)	(245)
Total investments and other assets	318,622	259,998
Total fixed assets	443,455	380,785
Total assets	799,616	841,336

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	19,939	18,366
Accounts payable	14,275	23,247
Accrued income taxes	8,614	12,689
Accrued expenses	10,688	11,033
Provision for sales returns	775	697
Provision for bonuses	3,874	4,433
Other	2,131	1,308
Total current liabilities	60,299	71,776
Long-term liabilities		
Provision for directors' retirement benefits	1,001	998
Net defined benefit liabilities	23,391	23,391
Deferred tax liabilities	16,970	16,277
Other	6,635	6,543
Total long-term liabilities	47,998	47,211
Total liabilities	108,298	118,988
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	14,922
Retained earnings	666,920	704,561
Treasury stock	(68,536)	(68,590)
Total shareholders' equity	643,655	680,893
Accumulated other comprehensive income		
Valuation difference on securities	37,970	37,950
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	(1,704)	(2,896)
Remeasurements of defined benefit plans	(5,256)	(5,032)
Total accumulated other comprehensive income	31,009	30,021
Share acquisition rights	565	687
Non-controlling interests	16,087	10,747
Total net assets	691,318	722,348
Total liabilities and net assets	799,616	841,336

**(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, 2017	For six months ended September 30, 2018
Net sales	138,630	129,491
Cost of sales	48,421	44,261
Gross profit on sales	90,208	85,229
Reversal of provision for sales returns	719	672
Provision for sales returns	1,369	599
Gross profit	89,559	85,301
Selling, general & administrative expenses	74,380	68,310
Operating profit	15,178	16,991
Non-operating income		
Interest income	2,471	2,507
Dividend income	878	958
Equity in earnings of entities accounted for using equity method	–	1,411
Other	359	911
Total non-operating income	3,709	5,788
Non-operating expenses		
Interest expenses	1	1
Equity in losses of entities accounted for using equity method	979	–
Commission fee	48	46
Other	9	21
Total non-operating expenses	1,038	69
Ordinary profit	17,850	22,710
Extraordinary income		
Gain on sales of fixed assets	744	34
Gain on sales of shares of subsidiaries and affiliates	–	42,944
Total extraordinary income	744	42,978
Extraordinary losses		
Loss on disposal of fixed assets	22	18
Early retirement program-expenses	–	12,190
Total extraordinary losses	22	12,208
Profit before income taxes	18,571	53,480
Income taxes	5,881	10,374
Profit	12,690	43,106
Profit attributable to non-controlling interests	674	672
Profit attributable to owners of parent	12,016	42,434



Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For six months ended September 30, 2017	For six months ended September 30, 2018
Profit	12,690	43,106
Other comprehensive income		
Valuation difference on securities	7,984	567
Foreign currency translation adjustment	(102)	(718)
Remeasurements of defined benefit plans	269	143
Share of other comprehensive income of entities accounted for using equity method	(388)	(1,019)
Total other comprehensive income	7,762	(1,027)
Comprehensive income	20,452	42,079
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	19,670	41,446
Comprehensive income attributable to non- controlling interests	781	633

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	For six months ended September 30, 2017	For six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	18,571	53,480
Depreciation and amortization	4,972	4,918
Amortization of goodwill	617	609
Loss (gain) on sales of fixed assets	(744)	(34)
Loss (gain) on disposal of fixed assets	22	18
Loss (gain) on sales of shares of subsidiaries and affiliates	–	(42,944)
Early retirement program-expenses	–	12,190
Interest and dividend income	(3,349)	(3,465)
Interest expenses	1	1
Equity in losses (earnings) of entities accounted for using equity method	979	(1,411)
Increase (decrease) in allowance for doubtful accounts	36	2
Increase (decrease) in net defined benefit liabilities	(3)	11
Decrease (increase) in net defined benefit assets	(124)	(138)
Increase (decrease) in provision for directors' retirement benefits	8	(2)
Increase (decrease) in provision for bonuses	927	563
Decrease (increase) in notes and accounts receivable–trade	(13,406)	703
Decrease (increase) in inventories	105	(2,024)
Increase (decrease) in notes and accounts payable–trade	(1,114)	(1,462)
Increase (decrease) in long-term accounts payable–other	(34)	(172)
Other	1,537	(2,278)
Subtotal	9,002	18,566
Interest and dividend income received	3,864	7,624
Interest paid	(1)	(1)
Early retirement program-expenses paid	–	(13)
Income taxes paid	(5,974)	(10,595)
Income taxes refund	–	111
Net cash provided by operating activities	6,890	15,691

(Millions of yen)

	For six months ended September 30, 2017	For six months ended September 30, 2018
Cash flows from investing activities		
Decrease (increase) in time deposits	(4,008)	8,750
Proceeds from sales/redemption of marketable securities	–	16,000
Payments for purchase of tangible fixed assets	(1,506)	(2,290)
Proceeds from sales of tangible fixed assets	1,154	20
Payments for purchase of intangible fixed assets	(1,509)	(358)
Payments for purchase of investment securities	(4,092)	(15,774)
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(434)	–
Payments for purchase of shares of subsidiaries and affiliates	–	(5,769)
Proceeds from sales of shares of subsidiaries and affiliates	–	78,596
Payments for purchase of long-term prepaid expenses	(190)	(66)
Other	1,099	16
Net cash used in investing activities	(9,488)	79,125
Cash flows from financing activities		
Increase in short-term loans payable	187	117
Decrease in short-term loans payable	(176)	(101)
Repayments of finance lease obligations	(58)	(59)
Payments for purchase of treasury stock	(34)	(74)
Cash dividends paid	(4,782)	(4,782)
Dividends paid to non-controlling interests	(767)	(4,389)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,749)
Payments for purchase of treasury stock of subsidiaries	(0)	(216)
Net cash used in financing activities	(5,630)	(11,255)
Effect of exchange rate changes on cash and cash equivalents	(169)	(312)
Net increase (decrease) in cash and cash equivalents	(8,397)	83,249
Cash and cash equivalents at the beginning of period	184,221	194,364
Cash and cash equivalents at the end of period	175,823	277,614

#### **(4) 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

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

###### **(i) Significant Changes in Scope of Consolidation**

No items to report

###### **(ii) Significant Changes in Scope of Application of Equity Method**

From the six months ended September 30, 2018, TOYAMA CHEMICAL CO., LTD. (currently, FUJIFILM Toyama Chemical Co., Ltd.) has been excluded from the scope of application of equity method, because all shares in this company were sold.

##### **(Additional Information)**

(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.

**(Segment Information (cumulative))**

I. For six months ended September 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	91,876	46,753	138,630	–	138,630
Sales or transfers between segments	–	–	–	–	–
Total	91,876	46,753	138,630	–	138,630
Segment profit (Note 2)	14,311	1,563	15,875	(696)	15,178

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 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 six months ended September 30, 2017.

II. 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 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 six months ended September 30, 2018.