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

January 30, 2019

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
Securities Code: 4581 (URL https://www.taisho-holdings.co.jp/en/)
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Scheduled date for filing Quarterly Securities Report: February 8, 2019
Scheduled date of dividend payments: -
Supplementary material on quarterly financial results: Yes
Quarterly financial results briefing: Yes

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

1. Consolidated Financial Results for the First Nine Months of Fiscal 2018 (cumulative: April 1, 2018 to December 31, 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	
For nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	199,896	(7.4)	28,116	(1.5)	36,163	8.3	51,398	94.2
December 31, 2017	215,798	(0.3)	28,555	7.5	33,379	6.4	26,463	11.8

Note: Comprehensive income For the nine months of Fiscal 2018: ¥44,350 million [21.1%]
For the nine months of Fiscal 2017: ¥36,625 million [92.8%]

	Basic earnings per share	Diluted earnings per share
For nine months ended	Yen	Yen
December 31, 2018	643.93	643.33
December 31, 2017	331.19	330.92

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2018	830,520	720,458	85.4
March 31, 2018	799,616	691,318	84.4

Reference: Equity As of December 31, 2018: ¥708,895 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	261,500	(6.6)	33,000	(10.8)	42,500	0.9	52,500	65.7	657.75

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

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2018: 10,323,017 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 nine months ended December 31, 2018: 79,819,181 shares
  - For nine months ended December 31, 2017: 79,902,789 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 Nine Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first nine months, although sales in categories such as medications for skin conditions and gastrointestinal treatments were lackluster, sales showed strong gains in certain categories such as anti-inflammatory analgesics and anti-inflammatory analgesic for external use. 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. Furthermore, under the policy of also expanding business into regions where the market is expected to grow in the context of increasing consumer awareness of population aging and self-medication, a Stock and Asset Purchase Agreement was entered into with Bristol-Myers Squibb Company (Headquarters: New York, United States of America, “BMS”) on December 19, 2018, to acquire all of the shares of UPSA SAS, a French pharmaceutical manufacturer owned by BMS through a subsidiary, and its business assets (together with UPSA SAS, “UPSA”) and make UPSA a subsidiary. From now on, the group aims to achieve sustainable growth by expanding the overseas business through the 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, 2018 decreased by ¥15,901 million, or 7.4% year on year, to ¥199,896 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.

(Billions of yen)

Segment / Category	Amount	Increase (Decrease)	
		Amount	%
Self-Medication Operation Group	137.8	(3.0)	(2.2)
Japan	112.1	(3.1)	(2.7)
Overseas	23.3	(0.2)	(0.8)
Others	2.4	0.3	13.6
Prescription Pharmaceutical Operation Group	62.1	(12.9)	(17.2)
Ethical drugs	60.3	(10.4)	(14.7)
Others	1.8	(2.5)	(58.4)

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2018 decreased by ¥3.0 billion, or 2.2% year on year, to ¥137.8 billion.

With regard to our mainstay brands, in the *Lipovitan* series fell 5.2% to ¥41.8 billion. Sales of the *Pabron* series decreased by 0.6% to ¥20.8 billion. sales of the *RiUP* series decreased by 4.2% to ¥11.8 billion. On the other hand, sales of *Biofermin* series, for which the selling model has shifted to direct sales by Taisho Pharmaceutical Co., Ltd. since October 2017, increased by 20.6% to ¥7.8 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, declined by 3.0% to ¥13.4 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2018 decreased by ¥12.9 billion, or 17.2% year on year, to ¥62.1 billion.

Osteoporosis agent *Edirol* increased by 3.1% to ¥19.8 billion, combination antibiotic with a beta-lactamase inhibitor *ZOSYN* decreased by 39.0% to ¥4.8 billion, osteoporosis agent *Bonviva* was down 3.2% to ¥4.8 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 10.8% to ¥4.0 billion, macrolide antibiotic *Clarith* decreased by 31.0% to ¥4.0 billion, and peripheral vasodilator *Palux* was down 28.7% to ¥2.7 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose by 7.9% to ¥2.6 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, as a result of lower net sales, operating profit decreased by 1.5% to ¥28,116 million. Ordinary profit increased by 8.3% to ¥36,163 million due to increase in equity in earnings of entities accounted for using equity method. Profit attributable to owners of parent increased by 94.2% to ¥51,398 million due to gain on sales of shares of subsidiaries and affiliates, despite early retirement program-expenses incurred.

(2) Information on Financial Position

Total assets as of December 31, 2018 stood at ¥830.5 billion, up ¥30.9 billion from the previous fiscal year-end. Cash and deposits increased by ¥81.1 billion and marketable securities increased by ¥15.7 billion, but investment securities decreased by ¥37.7 billion and shares of subsidiaries and affiliates decreased by ¥32.0 billion.

Liabilities amounted to ¥110.1 billion, an increase of ¥1.8 billion from the previous fiscal year-end. Accounts payable increased by ¥12.8 billion, but provision for bonuses decreased by ¥1.5 billion, net defined benefit liabilities decreased by ¥4.6 billion and deferred tax liabilities decreased by ¥3.9 billion.

Net assets amounted to ¥720.5 billion, an increase of ¥29.1 billion from the previous fiscal year-end. The main factor of increase was ¥51.4 billion in profit attributable to owners of parent, while the main factors of decrease were dividends of surplus of ¥8.8 billion, valuation difference on securities of ¥8.7 billion and non-controlling interests of ¥5.2 billion.

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

Considering the operating results and other factors in the nine months ended December 31, 2018, the full-year forecast of consolidated operating results announced on May 14, 2018, has been revised as shown below.

- Net sales

Compared with the previously announced forecast, the forecast of net sales was downwardly revised by ¥7.5 billion to ¥261.5 billion.

In the Self-Medication Operation Group, as for the domestic market, the previously announced forecast has been revised down by ¥4.7 billion in consideration of the sales situation up until the end of the nine months ended December 31, 2018. The revision includes a downward revision of the *Lipovitan* series and *RiUP* series, and an upward revision of the *Pabron* series. As for overseas markets, the previously announced forecast has been revised down by ¥1.6 billion to reflect the sales situation of the overseas OTC and the impact of foreign exchange. As a result, for the Self-Medication Operation Group as a whole, the previously announced net sales forecast has been revised down by ¥6.3 billion to ¥180.2 billion.

In the Prescription Pharmaceutical Operation Group, the sales forecast of *ZOSYN* and other products was revised up due to the impact of generic drugs that was lower than originally expected, while that of *Lusefi*, *LOQOA* and other drugs was revised down. Consequently, for the Prescription Pharmaceutical Operation Group as a whole, the previously announced net sales forecast has been revised down by ¥1.2 billion to ¥81.3 billion.

- Profits

Compared with the previously announced forecast, the forecast of operating profit remains unchanged at ¥33.0 billion, the forecast of ordinary profit was upwardly revised by ¥3.0 billion to ¥42.5 billion and the forecast of profit attributable to owners of parent was downwardly revised by ¥3.0 billion to ¥52.5 billion. Although gross profit on sales declines as a result of the lowered forecast of net sales, selling, general & administrative expenses and equity in earnings of entities accounted for using equity method were revised, and the forecasts of gain on sales of shares of subsidiaries and affiliates and early retirement program-expenses posted up to the end of the nine months ended December 31, 2018 were revised.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
ASSETS		
Current assets		
Cash and deposits	219,973	301,122
Notes and accounts receivable–trade	75,268	78,167
Marketable securities	29,739	45,394
Merchandise and finished goods	15,596	16,418
Work in process	2,159	2,075
Raw materials and supplies	9,088	9,724
Other	4,441	7,963
Allowance for doubtful accounts	(105)	(111)
Total current assets	356,161	460,754
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	47,536	45,703
Machinery, equipment and vehicles, net	5,449	5,011
Land	37,021	37,025
Construction in progress	468	746
Other, net	3,239	3,139
Total tangible fixed assets	93,716	91,627
Intangible fixed assets		
Goodwill	15,347	14,452
Sales rights	2,740	1,749
Trademarks	8,750	7,721
Software	3,627	3,388
Other	650	618
Total intangible fixed assets	31,116	27,929
Investments and other assets		
Investment securities	236,797	199,069
Shares of subsidiaries and affiliates	65,294	33,342
Long-term prepaid expenses	769	602
Net defined benefit assets	3,230	3,428
Deferred tax assets	11,806	13,053
Other	966	957
Allowance for doubtful accounts	(243)	(245)
Total investments and other assets	318,622	250,209
Total fixed assets	443,455	369,766
Total assets	799,616	830,520

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	19,939	19,579
Accounts payable	14,275	27,076
Accrued income taxes	8,614	7,912
Accrued expenses	10,688	10,626
Provision for sales returns	775	730
Provision for bonuses	3,874	2,368
Other	2,131	2,859
Total current liabilities	60,299	71,152
Long-term liabilities		
Provision for directors' retirement benefits	1,001	1,003
Net defined benefit liabilities	23,391	18,757
Deferred tax liabilities	16,970	13,106
Other	6,635	6,042
Total long-term liabilities	47,998	38,909
Total liabilities	108,298	110,062
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	14,921
Retained earnings	666,920	709,523
Treasury stock	(68,536)	(68,619)
Total shareholders' equity	643,655	685,825
Accumulated other comprehensive income		
Valuation difference on securities	37,970	29,232
Deferred gains or losses on hedges	(0)	55
Foreign currency translation adjustment	(1,704)	(1,655)
Remeasurements of defined benefit plans	(5,256)	(4,562)
Total accumulated other comprehensive income	31,009	23,070
Share acquisition rights	565	687
Non-controlling interests	16,087	10,875
Total net assets	691,318	720,458
Total liabilities and net assets	799,616	830,520

(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, 2017	For nine months ended December 31, 2018
Net sales	215,798	199,896
Cost of sales	74,583	69,109
Gross profit on sales	141,215	130,787
Reversal of provision for sales returns	720	668
Provision for sales returns	1,236	636
Gross profit	140,698	130,820
Selling, general & administrative expenses	112,143	102,703
Operating profit	28,555	28,116
Non-operating income		
Interest income	3,727	3,740
Dividend income	1,645	1,820
Equity in earnings of entities accounted for using equity method	–	1,501
Other	610	1,086
Total non-operating income	5,983	8,149
Non-operating expenses		
Interest expenses	1	2
Equity in losses of entities accounted for using equity method	1,074	–
Commission fee	67	62
Other	15	38
Total non-operating expenses	1,159	103
Ordinary profit	33,379	36,163
Extraordinary income		
Gain on sales of fixed assets	749	36
Gain on sales of investment securities	5,598	–
Gain on sales of shares of subsidiaries and affiliates	–	42,944
Total extraordinary income	6,348	42,980
Extraordinary losses		
Loss on disposal of fixed assets	44	26
Early retirement program-expenses	–	12,875
Total extraordinary losses	44	12,901
Profit before income taxes	39,683	66,242
Income taxes	11,999	13,862
Profit	27,683	52,380
Profit attributable to non-controlling interests	1,220	982
Profit attributable to owners of parent	26,463	51,398

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2017	For nine months ended December 31, 2018
Profit	27,683	52,380
Other comprehensive income		
Valuation difference on securities	7,782	(7,788)
Deferred gains or losses on hedges	–	55
Foreign currency translation adjustment	499	203
Remeasurements of defined benefit plans	404	612
Share of other comprehensive income of entities accounted for using equity method	254	(1,113)
Total other comprehensive income	8,941	(8,030)
Comprehensive income	36,625	44,350
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	35,234	43,459
Comprehensive income attributable to non-controlling interests	1,390	890

(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

(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 second quarter of the fiscal year ending March 31, 2019, 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 nine months ended December 31, 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	140,853	74,944	215,798	–	215,798
Sales or transfers between segments	–	–	–	–	–
Total	140,853	74,944	215,798	–	215,798
Segment profit (Note 2)	22,216	7,396	29,613	(1,058)	28,555

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 nine months ended December 31, 2017.

II. 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 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 nine months ended December 31, 2018.