

Consolidated Financial Statements for the First Nine Months of the March 31, 2016 Fiscal Year
<under Japanese GAAP>

February 3, 2016

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 2015
(cumulative: April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For nine months ended								
December 31, 2015	224,978	1.5	22,722	(8.5)	29,097	(5.8)	18,705	(4.8)
December 31, 2014	221,759	(2.7)	24,835	(31.9)	30,891	(29.5)	19,640	(29.5)

Note: Comprehensive income For the nine months of Fiscal 2015: ¥19,940 million [(37.2)%]
 For the nine months of Fiscal 2014: ¥31,754 million [(25.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For nine months ended		
December 31, 2015	230.74	230.61
December 31, 2014	242.26	242.15

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2015	789,243	664,019	82.3
March 31, 2015	768,092	653,242	83.3

Reference: Equity As of December 31, 2015: ¥649,521 million As of March 31, 2015: ¥639,757 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	–	50.00	–	60.00	110.00
Fiscal 2015	–	50.00	–		
Fiscal 2015 (Forecast)				50.00	100.00

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

3. Forecast of Consolidated Operating Results for Fiscal 2015 (April 1, 2015 to March 31, 2016)

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		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	290,000	(0.2)	27,000	(15.6)	35,000	(11.6)	21,500	(12.3)	265.23

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, 2015
(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: Yes

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

Note: For details, please refer to “Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” of “2. Matters Regarding Summary Information (Notes)” on page 4 of Attached Material.

(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, 2015: 90,139,653 shares

As of March 31, 2015: 90,139,653 shares

b. Number of shares of treasury stock at the end of the period

As of December 31, 2015: 9,075,854 shares

As of March 31, 2015: 9,077,497 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2015: 81,065,004 shares

For nine months ended December 31, 2014: 81,069,908 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures are in progress.

* 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

Effective from the beginning of the fiscal 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), etc. and “net income” will now be presented as “profit attributable to owners of parent.”

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first nine months, although sales were lower year on year in certain categories, such as energy drinks and nasal inflammation treatments, sales results were firm overall as higher sales were recorded in most categories compared with the same period of the previous year, which was under the effect of the recoil in demand following the rush before the consumption tax hike.

Also, the difficult business environment continued for the Prescription Pharmaceutical Operation Group as a result of ongoing challenges in the discovery of new drugs, drug approval processes becoming stricter, 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 cultivating new fields responding to heightened health consciousness among consumers and carrying out product development that satisfies the needs of consumers. In the area of sales, the Company is increasing coordination between marketing and sales activities, strengthening activities to create demand, and working to enhance direct communication with consumers by expanding new channels such as a mail order system. It also made efforts overseas, mainly in Asia, to proactively develop its OTC drug business and its energy drink business.

In addition, while working to strengthen marketing capabilities by focusing on the provision of information, the Prescription Pharmaceutical Operation Group dedicates itself to the enhancement of its development pipeline by pursuing the ongoing discovery of its original substances and the introduction of promising drug candidates from companies in Japan and overseas.

Consolidated net sales during the nine months ended December 31, 2015 increased by ¥3,218 million, or 1.5% year on year, to ¥224,978 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	138.8	3.9	2.9
Japan	114.5	1.5	1.3
Overseas	22.2	2.5	12.5
Others	2.1	(0.1)	(4.0)
Prescription Pharmaceutical Operation Group	86.2	(0.6)	(0.7)
Ethical drugs	84.8	(0.1)	(0.1)
Intermediate products, etc.	1.0	(0.6)	(39.6)
Royalty income	0.4	0.1	40.6

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2015 increased by ¥3.9 billion, or 2.9% year on year, to ¥138.8 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 3.3% year on year, and the *Lipovitan* series overall fell 2.9% to ¥49.0 billion. In the *Pabron* series, sales of mainstay cold remedies and nasal inflammation treatments were down year on year. As a result, sales of the *Pabron* series overall declined 1.7% to ¥18.0 billion. Looking at the *RiUP* series of hair regrowth treatments, sales performed solidly and the *RiUP* series overall rose 13.6% to ¥12.6 billion.

Meanwhile, in the overseas OTC drug business, which is being developed mainly in Asia, sales increased by 11.5% to ¥13.6 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2015 decreased by ¥0.6 billion, or 0.7% year on year, to ¥86.2 billion.

Beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* increased by 10.7% to ¥22.8 billion, osteoporosis agent *Edirol* rose 20.5% to ¥15.2 billion, and osteoporosis agent *Bonviva* was up 46.2% to ¥3.7 billion. However, macrolide antibiotic *Clarith* fell by 9.0% to ¥9.2 billion and peripheral vasodilator *Palux* was down 10.7% to ¥4.9 billion partly due to the effect of generic drugs. In addition, *Lusefi*, a Type 2 diabetes treatment fell by 70.6% to ¥0.7 billion.

On the profits front, selling, general and administrative expenses rose due to increases in advertising expenses and others. As a result, operating income decreased by 8.5% to ¥22,722 million, ordinary income decreased by 5.8% to ¥29,097 million, and profit attributable to owners of parent decreased by 4.8% to ¥18,705 million.

(2) Information on Financial Position

Total assets as of December 31, 2015 stood at ¥789.2 billion, up ¥21.2 billion from the previous fiscal year-end. Investment securities fell by ¥5.7 billion and buildings and structures, net declined by ¥2.2 billion, but notes and accounts receivable–trade increased by ¥18.1 billion and marketable securities rose by ¥11.6 billion. Liabilities amounted to ¥125.2 billion, an increase of ¥10.4 billion from the previous fiscal year-end. Provision for bonuses declined by ¥1.1 billion, but notes and accounts payable–trade increased by ¥3.7 billion and accounts payable increased by ¥3.9 billion, and deferred tax liabilities rose by ¥2.0 billion.

Net assets amounted to ¥664.0 billion, an increase of ¥10.8 billion from the previous fiscal year-end. The main factors of increase were ¥18.7 billion in profit attributable to owners of parent and an increase of ¥5.5 billion in valuation difference on securities, while the main factors of decrease were dividends of surplus of ¥8.9 billion and a decrease of ¥5.8 billion in foreign currency translation adjustment.

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

Considering the operating results and other factors in the third quarter, the full-year forecast of consolidated operating results announced on May 13, 2015, has been revised as shown below.

- Net sales

Compared with the previously announced forecast, the forecast of net sales was downwardly revised by ¥5.0 billion to ¥290.0 billion.

In the Self-Medication Operation Group, net sales were upwardly revised by ¥0.2 billion from the previous forecast, mainly because of the sales situation in the domestic market. The revision includes a downward revision of the *Lipovitan* series and an upward revision for the *RiUP* series.

In the Prescription Pharmaceutical Operation Group, net sales were downwardly revised by ¥5.2 billion from the previous forecast. The revision includes a downward revision for *Lusefi* due to a slower-than-expected expansion of the SGLT2 inhibitor market, and a greater-than-expected impact on *ZOSYN* from the launch of generic products.

- Profits

On the profits front, gross profit on sales decreased due to the lower forecast of net sales. However, the forecasts of operating income and ordinary income remain unchanged to ¥27.0 billion and ¥35.0 billion, respectively, mainly reflecting a downward revision of the forecast of research and development expenses. This is primarily due to a revision of the development plan for the Prescription Pharmaceutical Operation Group.

The forecast of profit attributable to owners of parent was downwardly revised by ¥0.5 billion from the previous forecast to ¥21.5 billion, reflecting a revision of income taxes.

2. Matters Regarding Summary Information (Notes)

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

Changes in accounting policies

(Application of Accounting Standard for Business Combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc., effective from the beginning of the fiscal 2015. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. Moreover, changes have been made to the presentation of net income, etc. and the presentation for non-controlling interests from minority interests. In order to reflect these changes in presentation, the quarterly consolidated financial statements for the nine months ended December 31, 2014 and the consolidated financial statements for the fiscal year ended March 31, 2015 were reclassified.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of these standards commenced as of the beginning of the fiscal 2015, and will continue going forward.

The amount of impact from this application on the quarterly consolidated financial statements is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
ASSETS		
Current assets		
Cash and deposits	159,587	165,840
Notes and accounts receivable—trade	80,321	98,443
Marketable securities	10,038	21,591
Merchandise and finished goods	16,925	15,952
Work in process	1,956	1,108
Raw materials and supplies	8,427	8,057
Deferred tax assets	6,337	6,077
Other	5,663	6,304
Allowance for doubtful accounts	(175)	(84)
Total current assets	289,081	323,291
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	49,109	46,941
Machinery, equipment and vehicles, net	8,692	7,472
Land	37,500	37,536
Construction in progress	693	2,987
Other, net	4,370	3,622
Total tangible fixed assets	100,366	98,559
Intangible fixed assets		
Goodwill	22,093	19,217
Sales rights	5,932	4,989
Trademarks	14,977	12,433
Software	1,652	1,977
Other	589	545
Total intangible fixed assets	45,244	39,164
Investments and other assets		
Investment securities	264,642	258,951
Shares of subsidiaries and affiliates	54,684	55,160
Long-term prepaid expenses	738	652
Net defined benefit assets	7,003	7,211
Deferred tax assets	5,615	5,568
Other	922	936
Allowance for doubtful accounts	(206)	(253)
Total investments and other assets	333,399	328,228
Total fixed assets	479,010	465,952
Total assets	768,092	789,243

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	29,133	32,841
Accounts payable	14,769	18,679
Accrued income taxes	3,254	3,180
Accrued expenses	10,647	11,156
Provision for sales returns	526	1,086
Provision for bonuses	3,947	2,877
Other	1,951	2,941
Total current liabilities	64,230	72,763
Long-term liabilities		
Provision for directors' retirement benefits	1,432	1,197
Net defined benefit liabilities	22,385	22,771
Deferred tax liabilities	19,536	21,530
Other	7,265	6,961
Total long-term liabilities	50,619	52,461
Total liabilities	114,849	125,224
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,269	15,271
Retained earnings	609,706	619,487
Treasury stock	(57,643)	(57,653)
Total shareholders' equity	597,332	607,105
Accumulated other comprehensive income		
Valuation difference on securities	40,054	45,589
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	5,744	(57)
Remeasurements of defined benefit plans	(3,373)	(3,115)
Total accumulated other comprehensive income	42,424	42,416
Subscription rights to shares	298	357
Non-controlling interests	13,186	14,141
Total net assets	653,242	664,019
Total liabilities and net assets	768,092	789,243

(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, 2014	For nine months ended December 31, 2015
Net sales	221,759	224,978
Cost of sales	84,538	88,013
Gross profit on sales	137,220	136,965
Reversal of provision for sales returns	515	520
Provision for sales returns	680	1,098
Gross profit	137,055	136,387
Selling, general & administrative expenses	112,219	113,665
Operating income	24,835	22,722
Non-operating income		
Interest income	3,974	4,028
Dividend income	1,262	1,379
Equity in earnings of entities accounted for using equity method	322	432
Other	630	647
Total non-operating income	6,189	6,487
Non-operating expenses		
Interest expenses	1	1
Commission fee	67	68
Other	64	42
Total non-operating expenses	133	111
Ordinary income	30,891	29,097
Extraordinary income		
Gain on sales of fixed assets	1,025	15
Total extraordinary income	1,025	15
Extraordinary losses		
Loss on disposal of fixed assets	375	112
Loss on liquidation of subsidiaries	39	–
Total extraordinary losses	415	112
Income before income taxes	31,501	29,001
Income taxes	10,472	8,977
Profit	21,029	20,024
Profit attributable to non-controlling interests	1,388	1,318
Profit attributable to owners of parent	19,640	18,705

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2014	For nine months ended December 31, 2015
Profit	21,029	20,024
Other comprehensive income		
Valuation difference on securities	8,284	5,399
Foreign currency translation adjustment	1,568	(5,908)
Remeasurements of defined benefit plans	514	252
Share of other comprehensive income of entities accounted for using equity method	358	173
Total other comprehensive income	10,725	(83)
Comprehensive income	31,754	19,940
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	30,274	18,696
Comprehensive income attributable to non- controlling interests	1,479	1,244

(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

(Segment Information (cumulative))

I. For nine months ended December 31, 2014

1. Information concerning net sales and income/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	134,915	86,843	221,759	–	221,759
Sales or transfers between segments	–	–	–	–	–
Total	134,915	86,843	221,759	–	221,759
Segment income (Note 2)	23,012	2,706	25,719	(883)	24,835

Notes: 1 The "Other" segment represents the Company (a pure holding company), which is not attributable to any reportable segment.

2 Segment income matches operating income 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 nine months ended December 31, 2014.

II. For nine months ended December 31, 2015

1. Information concerning net sales and income/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	138,782	86,195	224,978	–	224,978
Sales or transfers between segments	–	–	–	–	–
Total	138,782	86,195	224,978	–	224,978
Segment income (Note 2)	21,103	2,591	23,694	(972)	22,722

Notes: 1 The "Other" segment represents the Company (a pure holding company), which is not attributable to any reportable segment.

2 Segment income matches operating income 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 nine months ended December 31, 2015.