

Consolidated Financial Statements for the First Three Months of the March 31, 2017 Fiscal Year
<under Japanese GAAP>

August 1, 2016

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
 Contact: Takashi Shibata, General Manager of Corporate Communications
 TEL: +81-3-3985-2020

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 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 2016
(cumulative: April 1, 2016 to June 30, 2016)

(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 three months ended								
June 30, 2016	69,431	0.3	9,106	74.0	10,422	39.1	6,945	48.2
June 30, 2015	69,212	1.2	5,234	(39.2)	7,493	(30.4)	4,686	(29.6)

Note: Comprehensive income For the three months of Fiscal 2016: ¥3,455 million [(47.7)%]
 For the three months of Fiscal 2015: ¥6,610 million [(37.3)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For three months ended		
June 30, 2016	86.92	86.86
June 30, 2015	57.81	57.78

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2016	751,353	642,439	83.6
March 31, 2016	759,049	643,127	82.9

Reference: Equity As of June 30, 2016: ¥627,896 million As of March 31, 2016: ¥628,892 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	–	50.00	–	50.00	100.00
Fiscal 2016	–				
Fiscal 2016 (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 2016 (April 1, 2016 to March 31, 2017)

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
Half year	140,000	(4.1)	13,000	(6.6)	15,500	(12.3)	10,000	(11.4)	125.15
Full year	285,000	(1.8)	29,500	2.2	36,500	(0.7)	24,000	6.8	300.37

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

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2016
(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 “(1) 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 June 30, 2016: 90,139,653 shares

As of March 31, 2016: 90,139,653 shares

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

As of June 30, 2016: 10,230,508 shares

As of March 31, 2016: 10,230,040 shares

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

For three months ended June 30, 2016: 79,909,749 shares

For three months ended June 30, 2015: 81,061,349 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 Three Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first three months, sales were higher year on year in certain categories such as anti-inflammatories for external use and antipyretic analgesics, but sales were weak overall partly due to poor demand for categories such as energy drinks, gastrointestinal treatments and laxatives.

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to ongoing challenges in the discovery of new drugs, the steady penetration of various government measures designed to curb healthcare costs, and the impact of NHI drug price revision in April 2016.

Considering the current environment, the Self-Medication Operation Group is working to respond to diversifying consumer needs by actively developing products for new fields and concepts to address growing interest and changes in health consciousness among consumers. Also, 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. In overseas markets, we are actively developing our OTC drug business, mainly in Asia.

While working to maximize sales of new drugs by carefully targeting the provision of information, the Prescription Pharmaceutical Operation Group is targeting the ongoing discovery of its original substances and the early approval of compounds at the development stage. In addition, the Prescription Pharmaceutical Operation Group is working to enhance its development pipeline by actively introducing promising drug candidates from companies in Japan and overseas.

Consolidated net sales during the three months ended June 30, 2016 increased by ¥219 million, or 0.3% year on year, to ¥69,431 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	43.0	(0.6)	(1.4)
Japan	35.6	0.4	1.2
Overseas	6.8	(0.9)	(11.5)
Others	0.6	(0.1)	(15.8)
Prescription Pharmaceutical Operation Group	26.4	0.8	3.2
Ethical drugs	24.6	(0.4)	(1.6)
Others	1.9	1.2	188.7

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2016 decreased by ¥0.6 billion, or 1.4% year on year, to ¥43.0 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* were roughly the same, but decreased 0.5% year on year, and the *Lipovitan* series overall fell 1.8% to ¥15.6 billion. In the *Pabron* series, sales of mainstay cold remedies and nasal inflammation treatments were up year on year. As a result, sales of the *Pabron* series overall increased 4.7% to ¥4.3 billion. Looking at the *RiUP* series of hair regrowth treatments, sales performed solidly and the *RiUP* series overall rose 3.3% to ¥3.8 billion.

Meanwhile, in the overseas OTC drug business, which is being developed mainly in Asia, sales decreased by 14.1% to ¥4.2 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2016 increased by ¥0.8 billion, or 3.2% year on year, to ¥26.4 billion.

Osteoporosis agent *Edirol* rose 31.3% to ¥5.8 billion, and osteoporosis agent *Bonviva* was up 54.9% to ¥1.7 billion. However, Beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 35.3% to ¥4.2 billion, macrolide antibiotic *Clarith* fell by 10.4% to ¥2.2 billion and peripheral vasodilator *Palux* was down 5.8% to ¥1.5 billion partly due to the effect of generic drugs. In addition, *Lusefi*, a Type 2 diabetes treatment fell by 4.1% to ¥0.5 billion and *LOQOA*, a transdermal anti-inflammatory analgesic patch formulation which was launched in January 2016, was ¥0.3 billion.

On the profits front, selling, general and administrative expenses fell due to decreases in sales promotion costs, advertising expenses and research and development expenses. As a result, operating income increased by 74.0% to ¥9,106 million, ordinary income increased by 39.1% to ¥10,422 million, and profit attributable to owners of parent increased by 48.2% to ¥6,945 million.

(2) Information on Financial Position

Total assets as of June 30, 2016 stood at ¥751.4 billion, down ¥7.7 billion from the previous fiscal year-end. Cash and deposits increased by ¥3.1 billion, but marketable securities decreased by ¥5.1 billion and notes and accounts receivable–trade decreased by ¥3.5 billion.

Liabilities amounted to ¥108.9 billion, a decrease of ¥7.0 billion from the previous fiscal year-end. Accrued expenses increased by ¥4.1 billion, but notes and accounts payable–trade decreased by ¥3.5 billion, accounts payable decreased by ¥2.7 billion, and accrued income taxes declined by ¥2.2 billion.

Net assets amounted to ¥642.4 billion, a decrease of ¥0.7 billion from the previous fiscal year-end. The main factor of increase was ¥6.9 billion in profit attributable to owners of parent, while the main factors of decrease were dividends of surplus of ¥4.0 billion, valuation difference on securities of ¥2.3 billion and ¥1.8 billion in foreign currency translation adjustment.

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

The half year forecast of consolidated operating results for Fiscal 2016 announced on May 16, 2016, has been revised as shown below. The full-year forecast of consolidated operating results for Fiscal 2016 announced on May 16, 2016 is unchanged.

- Profits

Compared with the previously announced forecast, the forecast of operating income was upwardly revised by ¥2.0 billion to ¥13.0 billion, the forecast of ordinary income was upwardly revised by ¥1.5 billion to ¥15.5 billion and the forecast of profit attributable to owners of parent was upwardly revised by ¥1.0 billion to ¥10.0 billion. The Company expects operating income, ordinary income and profit attributable to owners of parent to exceed its previous forecasts, due mainly to the booking of some research and development expenses and other costs under selling, general and administrative expenses being postponed to the third quarter of the fiscal year or later.

2. Matters Regarding Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements After Error Corrections

Changes in accounting policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The amount of impact from this application on operating income, ordinary income and profit before income taxes for the three months ended June 30, 2016 is immaterial.

(2) Additional Information

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended June 30, 2016, the Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
ASSETS		
Current assets		
Cash and deposits	172,142	175,290
Notes and accounts receivable–trade	75,243	71,703
Marketable securities	34,316	29,230
Merchandise and finished goods	16,425	17,110
Work in process	2,042	1,650
Raw materials and supplies	8,171	7,951
Deferred tax assets	6,128	6,411
Other	5,287	7,543
Allowance for doubtful accounts	(86)	(98)
Total current assets	319,670	316,793
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	45,979	45,499
Machinery, equipment and vehicles, net	7,211	6,761
Land	37,473	37,468
Construction in progress	4,627	6,063
Other, net	3,657	3,455
Total tangible fixed assets	98,950	99,247
Intangible fixed assets		
Goodwill	19,046	18,577
Sales rights	4,675	4,360
Trademarks	12,175	11,694
Software	2,419	2,512
Other	547	546
Total intangible fixed assets	38,863	37,692
Investments and other assets		
Investment securities	237,213	233,691
Shares of subsidiaries and affiliates	54,590	54,031
Long-term prepaid expenses	646	651
Net defined benefit assets	568	625
Deferred tax assets	7,869	7,939
Other	929	933
Allowance for doubtful accounts	(253)	(253)
Total investments and other assets	301,565	297,619
Total fixed assets	439,379	434,560
Total assets	759,049	751,353

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	27,082	23,595
Accounts payable	16,753	14,021
Accrued income taxes	5,746	3,535
Accrued expenses	10,820	14,966
Provision for sales returns	711	700
Provision for bonuses	3,855	2,002
Other	1,675	2,004
Total current liabilities	66,646	60,827
Long-term liabilities		
Provision for directors' retirement benefits	1,197	985
Net defined benefit liabilities	23,713	23,763
Deferred tax liabilities	16,333	15,425
Other	8,031	7,910
Total long-term liabilities	49,275	48,086
Total liabilities	115,922	108,913
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	15,271
Retained earnings	623,255	626,202
Treasury stock	(67,664)	(67,672)
Total shareholders' equity	600,862	603,801
Accumulated other comprehensive income		
Valuation difference on securities	35,736	33,442
Deferred gains or losses on hedges	(0)	(2)
Foreign currency translation adjustment	507	(1,305)
Remeasurements of defined benefit plans	(8,213)	(8,039)
Total accumulated other comprehensive income	28,029	24,094
Subscription rights to shares	357	349
Non-controlling interests	13,878	14,193
Total net assets	643,127	642,439
Total liabilities and net assets	759,049	751,353

(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, 2015	For three months ended June 30, 2016
Net sales	69,212	69,431
Cost of sales	26,695	25,032
Gross profit on sales	42,516	44,398
Reversal of provision for sales returns	518	691
Provision for sales returns	570	681
Gross profit	42,464	44,409
Selling, general & administrative expenses	37,229	35,302
Operating income	5,234	9,106
Non-operating income		
Interest income	1,344	1,352
Dividend income	693	815
Other	305	178
Total non-operating income	2,343	2,346
Non-operating expenses		
Interest expenses	0	0
Equity in losses of entities accounted for using equity method	47	222
Foreign exchange losses	–	776
Commission fee	19	18
Other	16	14
Total non-operating expenses	84	1,031
Ordinary income	7,493	10,422
Extraordinary income		
Gain on sales of fixed assets	1	10
Total extraordinary income	1	10
Extraordinary losses		
Loss on disposal of fixed assets	94	92
Total extraordinary losses	94	92
Profit before income taxes	7,401	10,339
Income taxes	2,354	2,846
Profit	5,047	7,492
Profit attributable to non-controlling interests	361	547
Profit attributable to owners of parent	4,686	6,945

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2015	For three months ended June 30, 2016
Profit	5,047	7,492
Other comprehensive income		
Valuation difference on securities	2,959	(2,149)
Foreign currency translation adjustment	(1,729)	(1,859)
Remeasurements of defined benefit plans	84	175
Share of other comprehensive income of entities accounted for using equity method	249	(204)
Total other comprehensive income	1,563	(4,037)
Comprehensive income	6,610	3,455
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,224	3,010
Comprehensive income attributable to non- controlling interests	386	444

(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 three months ended June 30, 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	43,602	25,609	69,212	–	69,212
Sales or transfers between segments	–	–	–	–	–
Total	43,602	25,609	69,212	–	69,212
Segment income (Note 2)	6,067	(537)	5,529	(295)	5,234

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 three months ended June 30, 2015.

II. For three months ended June 30, 2016

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	43,012	26,418	69,431	–	69,431
Sales or transfers between segments	–	–	–	–	–
Total	43,012	26,418	69,431	–	69,431
Segment income (Note 2)	7,022	2,496	9,519	(412)	9,106

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 three months ended June 30, 2016.