

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

October 31, 2016

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE  
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Scheduled date for filing Quarterly Securities Report: November 10, 2016  
 Scheduled date of dividend payments: December 5, 2016  
 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 2016**  
**(cumulative: April 1, 2016 to September 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 six months ended								
September 30, 2016	141,007	(3.4)	16,655	19.6	19,129	8.2	13,499	19.7
September 30, 2015	145,984	2.9	13,925	(14.2)	17,680	(9.7)	11,281	(10.4)

Note: Comprehensive income For the six months of Fiscal 2016: ¥5,317 million [(30.2)%]  
 For the six months of Fiscal 2015: ¥7,620 million [(58.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For six months ended		
September 30, 2016	168.93	168.82
September 30, 2015	139.16	139.09

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2016	752,705	644,393	83.6
March 31, 2016	759,049	643,127	82.9

Reference: Equity As of September 30, 2016: ¥629,404 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	–	50.00			
Fiscal 2016 (Forecast)			–	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
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: No

### \* Notes

(1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2016: 10,229,935 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 six months ended September 30, 2016: 79,910,222 shares

For six months ended September 30, 2015: 81,064,689 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 Six Months

### (1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first six 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 aforementioned group is working to enhance its R&D pipeline by actively introducing promising drug candidates from companies in Japan and overseas.

Consolidated net sales during the six months ended September 30, 2016 decreased by ¥4,976 million, or 3.4% year on year, to ¥141,007 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>	90.5	(1.6)	(1.8)
Japan	75.3	0.6	0.8
Overseas	13.8	(2.1)	(13.4)
Others	1.4	(0.1)	(9.4)
<b>Prescription Pharmaceutical Operation Group</b>	50.6	(3.3)	(6.2)
Ethical drugs	48.1	(4.6)	(8.7)
Others	2.4	1.3	109.7

Sales of major products were as follows:

#### < Self-Medication Operation Group >

Consolidated net sales during the six months ended September 30, 2016 decreased by ¥1.6 billion, or 1.8% year on year, to ¥90.5 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 2.2% year on year, and the *Lipovitan* series overall fell 2.3% to ¥33.0 billion. In the *Pabron* series, sales of mainstay cold remedies performed solidly. As a result, sales of the *Pabron* series overall increased 3.1% to ¥10.2 billion. Looking at the *RiUP* series of hair regrowth treatments, sales of the *RiUP* series overall fell 2.5% to ¥7.9 billion.

Meanwhile, in the overseas OTC drug business, which is being developed mainly in Asia, sales decreased by 15.0% to ¥8.5 billion.

#### < Prescription Pharmaceutical Operation Group >

Consolidated net sales during the six months ended September 30, 2016 decreased by ¥3.3 billion, or 6.2% year on year, to ¥50.6 billion.

Osteoporosis agent *Edirol* rose 17.1% to ¥11.3 billion, and osteoporosis agent *Bonviva* was up 30.1% to ¥3.1

billion. However, Beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 43.1% to ¥8.3 billion, macrolide antibiotic *Clarith* fell by 22.2% to ¥4.0 billion and peripheral vasodilator *Palux* was down 14.1% to ¥2.8 billion partly due to the effects of NHI drug price revision and generic drugs. In addition, *Lusefi*, a Type 2 diabetes treatment, rose by 177.6% to ¥1.5 billion and *LOQOA*, a transdermal anti-inflammatory analgesic patch formulation which was launched in January 2016, was ¥0.5 billion.

On the profits front, selling, general and administrative expenses fell due to decreases in sales promotion expenses and advertising expenses. As a result, operating income increased by 19.6% to ¥16,655 million, ordinary income increased by 8.2% to ¥19,129 million, and profit attributable to owners of parent increased by 19.7% to ¥13,499 million.

## **(2) Information on Financial Position**

Total assets as of September 30, 2016 stood at ¥752.7 billion, down ¥6.3 billion from the previous fiscal year-end. Cash and deposits increased by ¥7.3 billion and shares of subsidiaries and affiliates increased by ¥11.4 billion, but marketable securities decreased by ¥21.6 billion.

Liabilities amounted to ¥108.3 billion, a decrease of ¥7.6 billion from the previous fiscal year-end. Notes and accounts payable–trade decreased by ¥5.0 billion, accounts payable decreased by ¥1.6 billion, and deferred tax liabilities declined by ¥1.2 billion.

Net assets amounted to ¥644.4 billion, an increase of ¥1.3 billion from the previous fiscal year-end. The main factor of increase was ¥13.5 billion in profit attributable to owners of parent, while the main factors of decrease were ¥6.6 billion in foreign currency translation adjustment, dividends of surplus of ¥4.0 billion and valuation difference on securities of ¥2.7 billion.

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

The forecast of consolidated operating results for Fiscal 2016 is unchanged from the forecast announced on August 1, 2016.

## **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 six months ended September 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 September 30, 2016
<b>ASSETS</b>		
Current assets		
Cash and deposits	172,142	179,411
Notes and accounts receivable—trade	75,243	73,959
Marketable securities	34,316	12,730
Merchandise and finished goods	16,425	15,986
Work in process	2,042	2,185
Raw materials and supplies	8,171	8,320
Deferred tax assets	6,128	6,343
Other	5,287	4,712
Allowance for doubtful accounts	(86)	(104)
Total current assets	319,670	303,545
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	45,979	50,973
Machinery, equipment and vehicles, net	7,211	6,799
Land	37,473	37,456
Construction in progress	4,627	94
Other, net	3,657	3,440
Total tangible fixed assets	98,950	98,763
Intangible fixed assets		
Goodwill	19,046	17,288
Sales rights	4,675	4,046
Trademarks	12,175	10,613
Software	2,419	2,531
Other	547	529
Total intangible fixed assets	38,863	35,010
Investments and other assets		
Investment securities	237,213	239,509
Shares of subsidiaries and affiliates	54,590	66,004
Long-term prepaid expenses	646	650
Net defined benefit assets	568	678
Deferred tax assets	7,869	7,884
Other	929	908
Allowance for doubtful accounts	(253)	(249)
Total investments and other assets	301,565	315,386
Total fixed assets	439,379	449,160
Total assets	759,049	752,705

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	27,082	22,052
Accounts payable	16,753	15,167
Accrued income taxes	5,746	6,139
Accrued expenses	10,820	10,446
Provision for sales returns	711	734
Provision for bonuses	3,855	4,752
Other	1,675	1,426
Total current liabilities	66,646	60,718
Long-term liabilities		
Provision for directors' retirement benefits	1,197	983
Net defined benefit liabilities	23,713	23,792
Deferred tax liabilities	16,333	15,107
Other	8,031	7,711
Total long-term liabilities	49,275	47,594
Total liabilities	115,922	108,312
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	15,272
Retained earnings	623,255	632,755
Treasury stock	(67,664)	(67,684)
Total shareholders' equity	600,862	610,343
Accumulated other comprehensive income		
Valuation difference on securities	35,736	33,066
Deferred gains or losses on hedges	(0)	(2)
Foreign currency translation adjustment	507	(6,136)
Remeasurements of defined benefit plans	(8,213)	(7,865)
Total accumulated other comprehensive income	28,029	19,060
Subscription rights to shares	357	478
Non-controlling interests	13,878	14,509
Total net assets	643,127	644,393
Total liabilities and net assets	759,049	752,705



**(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, 2015	For six months ended September 30, 2016
Net sales	145,984	141,007
Cost of sales	56,593	50,647
Gross profit on sales	89,391	90,360
Reversal of provision for sales returns	520	696
Provision for sales returns	806	723
Gross profit	89,106	90,333
Selling, general & administrative expenses	75,180	73,678
Operating income	13,925	16,655
Non-operating income		
Interest income	2,678	2,636
Dividend income	721	844
Equity in earnings of entities accounted for using equity method	5	–
Other	424	357
Total non-operating income	3,829	3,838
Non-operating expenses		
Interest expenses	1	1
Equity in losses of entities accounted for using equity method	–	555
Foreign exchange losses	–	735
Commission fee	48	46
Other	25	25
Total non-operating expenses	75	1,364
Ordinary income	17,680	19,129
Extraordinary income		
Gain on sales of fixed assets	6	13
Gain on sales of investment securities	–	1,381
Total extraordinary income	6	1,394
Extraordinary losses		
Loss on disposal of fixed assets	103	101
Loss on sales of investment securities	–	11
Total extraordinary losses	103	112
Profit before income taxes	17,583	20,411
Income taxes	5,502	6,008
Profit	12,081	14,403
Profit attributable to non-controlling interests	800	903
Profit attributable to owners of parent	11,281	13,499

## Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For six months ended September 30, 2015	For six months ended September 30, 2016
Profit	12,081	14,403
Other comprehensive income		
Valuation difference on securities	(3,238)	(2,494)
Foreign currency translation adjustment	(1,184)	(6,781)
Remeasurements of defined benefit plans	168	351
Share of other comprehensive income of entities accounted for using equity method	(206)	(160)
Total other comprehensive income	(4,461)	(9,085)
Comprehensive income	7,620	5,317
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,875	4,530
Comprehensive income attributable to non- controlling interests	744	787

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	For six months ended September 30, 2015	For six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	17,583	20,411
Depreciation and amortization	5,483	5,099
Amortization of goodwill	692	634
Loss (gain) on sales of fixed assets	(6)	(13)
Loss (gain) on disposal of fixed assets	103	101
Loss (gain) on sales of investment securities	–	(1,369)
Interest and dividend income	(3,399)	(3,481)
Interest expenses	1	1
Equity in losses (earnings) of entities accounted for using equity method	(5)	555
Increase (decrease) in allowance for doubtful accounts	(32)	21
Increase (decrease) in net defined benefit liabilities	290	117
Decrease (increase) in net defined benefit assets	(140)	(109)
Increase (decrease) in provision for directors’ retirement benefits	(168)	(214)
Increase (decrease) in provision for bonuses	910	907
Decrease (increase) in notes and accounts receivable–trade	(1,047)	327
Decrease (increase) in inventories	453	(104)
Increase (decrease) in notes and accounts payable– trade	(1,552)	(4,665)
Increase (decrease) in long-term accounts payable– other	(77)	(37)
Other	(326)	1,760
Subtotal	18,761	19,942
Interest and dividend income received	3,518	3,696
Interest paid	(1)	(1)
Income taxes paid	(3,805)	(5,933)
Income taxes refund	104	95
Net cash provided by operating activities	18,577	17,799

(Millions of yen)

	For six months ended September 30, 2015	For six months ended September 30, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits	529	338
Proceeds from sales/redemption of marketable securities	5,000	21,500
Payments for purchase of tangible fixed assets	(3,380)	(5,522)
Proceeds from sales of tangible fixed assets	12	23
Payments for purchase of intangible fixed assets	(370)	(584)
Payments for purchase of investment securities	(2,046)	(8,326)
Proceeds from sales/redemption of investment securities	–	2,016
Payments for purchase of shares of subsidiaries and affiliates	–	(12,261)
Payments for purchase of long-term prepaid expenses	(165)	(189)
Other	136	5
Net cash used in investing activities	(284)	(3,000)
Cash flows from financing activities		
Increase in short-term loans payable	110	500
Decrease in short-term loans payable	(80)	(350)
Repayments of finance lease obligations	(55)	(52)
Payments for purchase of treasury stock	(56)	(56)
Cash dividends paid	(4,857)	(3,986)
Dividends paid to non-controlling interests	(158)	(155)
Net cash used in financing activities	(5,098)	(4,100)
Effect of exchange rate changes on cash and cash equivalents	(205)	(1,217)
Net increase (decrease) in cash and cash equivalents	12,988	9,480
Cash and cash equivalents at the beginning of period	143,039	154,268
Cash and cash equivalents at the end of period	156,027	163,748

#### (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

##### (Segment Information (cumulative))

###### I. For six months ended September 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	92,094	53,889	145,984	–	145,984
Sales or transfers between segments	–	–	–	–	–
Total	92,094	53,889	145,984	–	145,984
Segment income (Note 2)	14,530	36	14,567	(641)	13,925

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 six months ended September 30, 2015.

###### II. For six months ended September 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	90,457	50,550	141,007	–	141,007
Sales or transfers between segments	–	–	–	–	–
Total	90,457	50,550	141,007	–	141,007
Segment income (Note 2)	15,203	2,272	17,476	(820)	16,655

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 six months ended September 30, 2016.