

Consolidated Financial Statements for the First Three Months of the March 31, 2018 Fiscal Year
<under Japanese GAAP>

August 2, 2017

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
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Scheduled date for filing Quarterly Securities Report: August 8, 2017
 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 Three Months of Fiscal 2017
(cumulative: April 1, 2017 to June 30, 2017)

(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 three months ended								
June 30, 2017	68,532	(1.3)	6,941	(23.8)	8,796	(15.6)	5,534	(20.3)
June 30, 2016	69,431	0.3	9,106	74.0	10,422	39.1	6,945	48.2

Note: Comprehensive income For the three months of Fiscal 2017: ¥10,303 million [198.2%]
 For the three months of Fiscal 2016: ¥3,455 million [(47.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For three months ended		
June 30, 2017	69.27	69.21
June 30, 2016	86.92	86.86

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2017	779,358	669,809	84.0
March 31, 2017	771,222	665,088	84.2

Reference: Equity As of June 30, 2017: ¥654,377 million

As of March 31, 2017: ¥649,459 million

2. Cash Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	–	50.00	–	60.00	110.00
Fiscal 2017	–				
Fiscal 2017 (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 2017 (April 1, 2017 to March 31, 2018)

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
Half year	137,500	(2.5)	11,500	(31.0)	14,500	(24.2)	10,500	(22.2)	131.41
Full year	279,000	(0.3)	28,500	(10.8)	34,500	(9.3)	24,000	(16.6)	300.38

Note: Revisions to the forecast of consolidated operating results most recently announced: No

* Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017
(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 June 30, 2017:	90,139,653 shares
As of March 31, 2017:	90,139,653 shares
 - b. Number of shares of treasury stock at the end of the period

As of June 30, 2017:	10,235,053 shares
As of March 31, 2017:	10,234,456 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For three months ended June 30, 2017:	79,905,163 shares
For three months ended June 30, 2016:	79,909,749 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* 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 showed strong gains in certain categories such as nasal inflammation treatments and Kampo medicines, and as a result sales were 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.

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 three months ended June 30, 2017 decreased by ¥899 million, or 1.3% year on year, to ¥68,532 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	44.8	1.8	4.2
Japan	35.9	0.4	1.1
Overseas	8.3	1.4	21.2
Others	0.6	(0.0)	(4.5)
Prescription Pharmaceutical Operation Group	23.7	(2.7)	(10.3)
Ethical drugs	22.7	(1.8)	(7.4)
Others	1.0	(0.9)	(47.4)

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the three months ended June 30, 2017 increased by ¥1.8 billion, or 4.2% year on year, to ¥44.8 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 6.6% year on year, and the *Lipovitan* series overall fell 6.3% to ¥14.6 billion. In the *Pabron* series, sales of mainstay general cold remedies and nasal inflammation treatments were up compared to the previous fiscal year. As a result, sales of the *Pabron* series overall increased 7.9% to ¥4.6 billion. Looking at the *RiUP* series of hair regrowth treatments, sales of the *RiUP* series overall fell 1.9% to ¥3.7 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, increased by 20.6% to ¥5.1 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the three months ended June 30, 2017 decreased by ¥2.7 billion, or 10.3% year on year, to ¥23.7 billion.

Osteoporosis agent *Edirol* rose 8.0% to ¥6.2 billion, Type 2 diabetes treatment *Lusefi* rose 157.9% to ¥1.2

billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose 199.5% to ¥0.8 billion. However, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 34.3% to ¥2.8 billion, macrolide antibiotic *Clarith* fell 14.7% to ¥1.9 billion and peripheral vasodilator *Palux* was down 13.0% to ¥1.3 billion, partly due to the impact of generic drugs.

On the profits front, selling, general and administrative expenses rose due to increases in advertising expenses and other expenses. As a result, operating profit decreased by 23.8% to ¥6,941 million, ordinary profit decreased by 15.6% to ¥8,796 million, and profit attributable to owners of parent decreased by 20.3% to ¥5,534 million.

(2) Information on Financial Position

Total assets as of June 30, 2017 stood at ¥779.4 billion, up ¥8.1 billion from the previous fiscal year-end. Investment securities increased by ¥9.5 billion, but shares of subsidiaries and affiliates decreased by ¥1.2 billion.

Liabilities amounted to ¥109.5 billion, an increase of ¥3.4 billion from the previous fiscal year-end. Accrued expenses increased by ¥5.5 billion and deferred tax liabilities increased by ¥2.0 billion, but notes and accounts payable–trade declined by ¥2.2 billion and provision for bonuses declined by ¥1.8 billion.

Net assets amounted to ¥669.8 billion, an increase of ¥4.7 billion from the previous fiscal year-end. The main factors of increase were ¥5.5 billion in profit attributable to owners of parent and valuation difference on securities of ¥5.3 billion, while the main factors of decrease were dividends of surplus of ¥4.8 billion and ¥1.3 billion in foreign currency translation adjustment.

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

The forecast of consolidated operating results for Fiscal 2017 is unchanged from the forecast announced on May 15, 2017.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
ASSETS		
Current assets		
Cash and deposits	201,275	202,113
Notes and accounts receivable–trade	69,535	69,536
Merchandise and finished goods	17,196	17,626
Work in process	2,064	1,850
Raw materials and supplies	8,239	8,206
Deferred tax assets	5,819	6,617
Other	4,899	6,253
Allowance for doubtful accounts	(85)	(106)
Total current assets	308,946	312,098
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	49,957	49,174
Machinery, equipment and vehicles, net	6,372	6,014
Land	37,457	37,033
Construction in progress	177	185
Other, net	3,318	3,182
Total tangible fixed assets	97,282	95,590
Intangible fixed assets		
Goodwill	16,768	15,988
Sales rights	4,068	3,731
Trademarks	9,966	9,668
Software	3,046	3,066
Other	523	665
Total intangible fixed assets	34,372	33,120
Investments and other assets		
Investment securities	252,459	261,938
Shares of subsidiaries and affiliates	67,550	66,301
Long-term prepaid expenses	665	693
Net defined benefit assets	2,496	2,559
Deferred tax assets	6,783	6,377
Other	913	926
Allowance for doubtful accounts	(248)	(248)
Total investments and other assets	330,620	338,549
Total fixed assets	462,276	467,260
Total assets	771,222	779,358

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	23,327	21,108
Accounts payable	13,047	13,669
Accrued income taxes	5,774	4,460
Accrued expenses	9,997	15,475
Provision for sales returns	750	788
Provision for bonuses	3,854	2,019
Other	1,347	2,198
Total current liabilities	58,097	59,720
Long-term liabilities		
Provision for directors' retirement benefits	983	987
Net defined benefit liabilities	23,505	23,484
Deferred tax liabilities	16,130	18,082
Other	7,417	7,274
Total long-term liabilities	48,036	49,828
Total liabilities	106,134	109,549
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,272	15,272
Retained earnings	644,038	644,775
Treasury stock	(67,727)	(67,735)
Total shareholders' equity	621,583	622,311
Accumulated other comprehensive income		
Valuation difference on securities	36,234	41,562
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(2,195)	(3,467)
Remeasurements of defined benefit plans	(6,162)	(6,029)
Total accumulated other comprehensive income	27,875	32,066
Subscription rights to shares	478	471
Non-controlling interests	15,150	14,960
Total net assets	665,088	669,809
Total liabilities and net assets	771,222	779,358

(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, 2016	For three months ended June 30, 2017
Net sales	69,431	68,532
Cost of sales	25,032	24,232
Gross profit on sales	44,398	44,299
Reversal of provision for sales returns	691	714
Provision for sales returns	681	713
Gross profit	44,409	44,300
Selling, general & administrative expenses	35,302	37,358
Operating profit	9,106	6,941
Non-operating income		
Interest income	1,352	1,209
Dividend income	815	840
Other	178	191
Total non-operating income	2,346	2,241
Non-operating expenses		
Interest expenses	0	0
Equity in losses of entities accounted for using equity method	222	361
Foreign exchange losses	776	-
Commission fee	18	17
Other	14	6
Total non-operating expenses	1,031	386
Ordinary profit	10,422	8,796
Extraordinary income		
Gain on sales of fixed assets	10	742
Total extraordinary income	10	742
Extraordinary losses		
Loss on disposal of fixed assets	92	9
Total extraordinary losses	92	9
Profit before income taxes	10,339	9,529
Income taxes	2,846	3,478
Profit	7,492	6,050
Profit attributable to non-controlling interests	547	515
Profit attributable to owners of parent	6,945	5,534

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For three months ended June 30, 2016	For three months ended June 30, 2017
Profit	7,492	6,050
Other comprehensive income		
Valuation difference on securities	(2,149)	5,237
Foreign currency translation adjustment	(1,859)	(729)
Remeasurements of defined benefit plans	175	134
Share of other comprehensive income of entities accounted for using equity method	(204)	(389)
Total other comprehensive income	(4,037)	4,252
Comprehensive income	3,455	10,303
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,010	9,725
Comprehensive income attributable to non- controlling interests	444	578

(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, 2016

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	43,012	26,418	69,431	–	69,431
Sales or transfers between segments	–	–	–	–	–
Total	43,012	26,418	69,431	–	69,431
Segment profit (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 profit matches operating profit 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.

II. For three months ended June 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	44,823	23,709	68,532	–	68,532
Sales or transfers between segments	–	–	–	–	–
Total	44,823	23,709	68,532	–	68,532
Segment profit (Note 2)	5,843	1,414	7,258	(316)	6,941

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 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, 2017.