

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

February 2, 2017

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 2016**  
**(cumulative: April 1, 2016 to December 31, 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 nine months ended								
December 31, 2016	216,431	(3.8)	26,560	16.9	31,376	7.8	23,670	26.5
December 31, 2015	224,978	1.5	22,722	(8.5)	29,097	(5.8)	18,705	(4.8)

Note: Comprehensive income For the nine months of Fiscal 2016: ¥18,994 million [(4.7)%]  
 For the nine months of Fiscal 2015: ¥19,940 million [(37.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For nine months ended		
December 31, 2016	296.21	296.01
December 31, 2015	230.74	230.61

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2016	762,998	653,919	83.7
March 31, 2016	759,049	643,127	82.9

Reference: Equity As of December 31, 2016: ¥638,534 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	281,500	(3.0)	30,500	5.6	36,500	(0.7)	27,500	22.4	344.15

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, 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 December 31, 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 December 31, 2016: 10,232,249 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 nine months ended December 31, 2016: 79,909,601 shares

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

### (1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first nine months, sales were higher year on year in certain categories such as general cold remedies 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 nine months ended December 31, 2016 decreased by ¥8,546 million, or 3.8% year on year, to ¥216,431 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	%
<b>Self-Medication Operation Group</b>	138.2	(0.6)	(0.4)
Japan	115.7	1.3	1.1
Overseas	20.3	(1.9)	(8.4)
Others	2.1	(0.0)	(0.9)
<b>Prescription Pharmaceutical Operation Group</b>	78.3	(7.9)	(9.2)
Ethical drugs	75.5	(9.3)	(11.0)
Others	2.8	1.4	98.4

Sales of major products were as follows:

#### < Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2016 decreased by ¥0.6 billion, or 0.4% year on year, to ¥138.2 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 3.5% year on year, and the *Lipovitan* series overall fell 3.2% to ¥47.4 billion. In the *Pabron* series, sales of mainstay cold remedies performed solidly. As a result, sales of the *Pabron* series overall increased 4.6% to ¥18.8 billion. Looking at the *RiUP* series of hair regrowth treatments, sales of the *RiUP* series overall fell 2.7% to ¥12.3 billion.

Meanwhile, the overseas OTC drug business, which is being developed mainly in Asia, has moved along as projected on a local currency basis. However, sales decreased by 7.5% to ¥12.6 billion as a result of the foreign exchange impact.

#### < Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2016 decreased by ¥7.9 billion, or 9.2% year on year, to ¥78.3 billion.

Osteoporosis agent *Edirol* rose 15.3% to ¥17.5 billion, and osteoporosis agent *Bonviva* was up 23.9% to ¥4.6

billion. However, Beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 44.3% to ¥12.7 billion, macrolide antibiotic *Clarith* fell by 20.9% to ¥7.2 billion and peripheral vasodilator *Palux* was down 13.6% to ¥4.2 billion partly due to the effects of NHI drug price revision and generic drugs. In addition, *Lusefi*, a Type 2 diabetes treatment, rose by 206.6% to ¥2.1 billion and *LOQOA*, a transdermal anti-inflammatory analgesic patch formulation which was launched in January 2016, was ¥1.1 billion.

On the profits front, selling, general and administrative expenses fell due to decreases in sales promotion expenses and other expenses. As a result, operating income increased by 16.9% to ¥26,560 million, ordinary income increased by 7.8% to ¥31,376 million, and profit attributable to owners of parent increased by 26.5% to ¥23,670 million.

## (2) Information on Financial Position

Total assets as of December 31, 2016 stood at ¥763.0 billion, up ¥3.9 billion from the previous fiscal year-end. Notes and accounts receivable–trade increased by ¥14.8 billion and shares of subsidiaries and affiliates increased by ¥11.8 billion, but marketable securities decreased by ¥21.6 billion.

Liabilities amounted to ¥109.1 billion, a decrease of ¥6.8 billion from the previous fiscal year-end. Accounts payable decreased by ¥2.9 billion, notes and accounts payable–trade decreased by ¥2.5 billion, and accrued income taxes declined by ¥1.5 billion.

Net assets amounted to ¥653.9 billion, an increase of ¥10.8 billion from the previous fiscal year-end. The main factors of increase were ¥23.7 billion in profit attributable to owners of parent and valuation difference on securities of ¥1.9 billion, while the main factors of decrease were ¥8.4 billion in foreign currency translation adjustment and dividends of surplus of ¥8.0 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, 2016, the full-year forecast of consolidated operating results announced on August 1, 2016, has been revised as shown below.

### - Net sales

Compared with the previously announced forecast, the forecast of net sales was downwardly revised by ¥3.5 billion to ¥281.5 billion.

In the Self-Medication Operation Group, as for the domestic market, the previously announced forecast has been revised down in consideration of the state of net sales through the nine months of the fiscal year, with the revisions focused primarily on the *Lipovitan* series and the *RiUP* series. As for overseas markets, while the operations have moved along as projected on a local currency basis, the previously announced forecast has been revised down to reflect the impact of the stronger yen. As a result, for the Self-Medication Operation Group as a whole, the previously announced net sales forecast has been revised down by ¥3.5 billion to ¥181.9 billion.

In the Prescription Pharmaceutical Operation Group, there has been some variation at the product level, but for the Group as a whole the previously announced net sales forecast remains unchanged at ¥99.6 billion.

### - Profits

On the profits front, gross profit on sales is expected to be lower due to the lower forecast of net sales. However, the forecast of operating income was upwardly revised by ¥1.0 billion from the previous forecast to ¥30.5 billion, reflecting a downward revision of the forecast of selling, general and administrative expenses. This is primarily due to revisions to research and development expenses, advertising expenses and sales promotion expenses.

For ordinary income, the previously announced forecast of ¥36.5 billion remains unchanged mainly due to the impact of foreign exchange losses, but the previously announced forecast for profit attributable to owners of parent has been raised by ¥3.5 billion to ¥27.5 billion to reflect gain on sales of investment securities posted up to the end of the third quarter.

## **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 nine months ended December 31, 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 December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and deposits	172,142	169,548
Notes and accounts receivable–trade	75,243	90,029
Marketable securities	34,316	12,705
Merchandise and finished goods	16,425	15,481
Work in process	2,042	1,837
Raw materials and supplies	8,171	7,887
Deferred tax assets	6,128	5,731
Other	5,287	6,150
Allowance for doubtful accounts	(86)	(104)
Total current assets	319,670	309,266
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	45,979	50,135
Machinery, equipment and vehicles, net	7,211	6,361
Land	37,473	37,451
Construction in progress	4,627	98
Other, net	3,657	3,320
Total tangible fixed assets	98,950	97,367
Intangible fixed assets		
Goodwill	19,046	16,599
Sales rights	4,675	3,732
Trademarks	12,175	9,976
Software	2,419	2,669
Other	547	519
Total intangible fixed assets	38,863	33,496
Investments and other assets		
Investment securities	237,213	246,798
Shares of subsidiaries and affiliates	54,590	66,415
Long-term prepaid expenses	646	666
Net defined benefit assets	568	730
Deferred tax assets	7,869	7,595
Other	929	910
Allowance for doubtful accounts	(253)	(249)
Total investments and other assets	301,565	322,867
Total fixed assets	439,379	453,732
Total assets	759,049	762,998

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	27,082	24,598
Accounts payable	16,753	13,845
Accrued income taxes	5,746	4,255
Accrued expenses	10,820	10,940
Provision for sales returns	711	774
Provision for bonuses	3,855	2,893
Other	1,675	2,701
Total current liabilities	66,646	60,008
Long-term liabilities		
Provision for directors' retirement benefits	1,197	987
Net defined benefit liabilities	23,713	23,850
Deferred tax liabilities	16,333	16,650
Other	8,031	7,582
Total long-term liabilities	49,275	49,070
Total liabilities	115,922	109,079
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,271	15,272
Retained earnings	623,255	638,927
Treasury stock	(67,664)	(67,706)
Total shareholders' equity	600,862	616,493
Accumulated other comprehensive income		
Valuation difference on securities	35,736	37,609
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	507	(7,876)
Remeasurements of defined benefit plans	(8,213)	(7,692)
Total accumulated other comprehensive income	28,029	22,041
Subscription rights to shares	357	478
Non-controlling interests	13,878	14,906
Total net assets	643,127	653,919
Total liabilities and net assets	759,049	762,998

**(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, 2015	For nine months ended December 31, 2016
Net sales	224,978	216,431
Cost of sales	88,013	77,984
Gross profit on sales	136,965	138,446
Reversal of provision for sales returns	520	696
Provision for sales returns	1,098	777
Gross profit	136,387	138,365
Selling, general & administrative expenses	113,665	111,804
Operating income	22,722	26,560
Non-operating income		
Interest income	4,028	3,885
Dividend income	1,379	1,534
Equity in earnings of entities accounted for using equity method	432	–
Other	647	561
Total non-operating income	6,487	5,981
Non-operating expenses		
Interest expenses	1	0
Equity in losses of entities accounted for using equity method	–	325
Foreign exchange losses	–	737
Commission fee	68	64
Other	42	37
Total non-operating expenses	111	1,165
Ordinary income	29,097	31,376
Extraordinary income		
Gain on sales of fixed assets	15	13
Gain on sales of investment securities	–	3,709
Total extraordinary income	15	3,723
Extraordinary losses		
Loss on disposal of fixed assets	112	105
Loss on sales of investment securities	–	33
Total extraordinary losses	112	138
Profit before income taxes	29,001	34,961
Income taxes	8,977	9,859
Profit	20,024	25,101
Profit attributable to non-controlling interests	1,318	1,431
Profit attributable to owners of parent	18,705	23,670

## Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2015	For nine months ended December 31, 2016
Profit	20,024	25,101
Other comprehensive income		
Valuation difference on securities	5,399	1,606
Foreign currency translation adjustment	(5,908)	(8,261)
Remeasurements of defined benefit plans	252	527
Share of other comprehensive income of entities accounted for using equity method	173	20
Total other comprehensive income	(83)	(6,107)
Comprehensive income	19,940	18,994
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	18,696	17,681
Comprehensive income attributable to non- controlling interests	1,244	1,312

### (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, 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.

##### II. For nine months ended December 31, 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	138,160	78,270	216,431	–	216,431
Sales or transfers between segments	–	–	–	–	–
Total	138,160	78,270	216,431	–	216,431
Segment income (Note 2)	22,744	4,981	27,725	(1,165)	26,560

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, 2016.