

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

October 30, 2017

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
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 Scheduled date of dividend payments: December 5, 2017
 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 2017
(cumulative: April 1, 2017 to September 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 six months ended								
September 30, 2017	138,630	(1.7)	15,178	(8.9)	17,850	(6.7)	12,016	(11.0)
September 30, 2016	141,007	(3.4)	16,655	19.6	19,129	8.2	13,499	19.7

Note: Comprehensive income For the six months of Fiscal 2017: ¥20,452 million [284.6%]
 For the six months of Fiscal 2016: ¥5,317 million [(30.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For six months ended		
September 30, 2017	150.38	150.26
September 30, 2016	168.93	168.82

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2017	792,600	680,053	83.8
March 31, 2017	771,222	665,088	84.2

Reference: Equity As of September 30, 2017: ¥664,304 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	–	50.00			
Fiscal 2017 (Forecast)			–	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
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 six months ended September 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 September 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 September 30, 2017:	10,237,275 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 six months ended September 30, 2017:	79,904,135 shares
For six months ended September 30, 2016:	79,910,222 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 Six Months

(1) Information on Operating Results

In the over-the-counter (OTC) drug market during the first six months, although sales in the energy drinks category were lackluster, sales showed strong gains in certain categories such as nasal inflammation treatments and Kampo medicines. As a result, sales were, overall, largely steady year on year.

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 six months ended September 30, 2017 decreased by ¥2,377 million, or 1.7% year on year, to ¥138,630 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	91.9	1.4	1.6
Japan	74.5	(0.8)	(1.1)
Overseas	16.0	2.2	16.2
Others	1.4	0.0	2.1
Prescription Pharmaceutical Operation Group	46.8	(3.8)	(7.5)
Ethical drugs	45.2	(2.9)	(6.1)
Others	1.5	(0.9)	(36.5)

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the six months ended September 30, 2017 increased by ¥1.4 billion, or 1.6% year on year, to ¥91.9 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 6.2% year on year, and the *Lipovitan* series overall fell 6.1% to ¥31.0 billion. In the *Pabron* series, sales were up compared to the previous fiscal year with the launch of new products contributing to sales. As a result, sales of the *Pabron* series overall increased 11.1% to ¥11.4 billion. Looking at the *RiUP* series of hair-care products, sales of the *RiUP* series overall fell 1.5% to ¥7.8 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, increased by 12.7% to ¥9.5 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the six months ended September 30, 2017 decreased by ¥3.8 billion, or 7.5% year on year, to ¥46.8 billion.

Osteoporosis agent *Edirol* rose 9.7% to ¥12.4 billion, Type 2 diabetes treatment *Lusefi* rose 43.0% to ¥2.1

billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose 200.3% to ¥1.6 billion. However, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 35.8% to ¥5.3 billion, macrolide antibiotic *Clarith* fell 15.1% to ¥3.4 billion and peripheral vasodilator *Palux* was down 10.1% to ¥2.5 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 8.9% to ¥15,178 million, ordinary profit decreased by 6.7% to ¥17,850 million, and profit attributable to owners of parent decreased by 11.0% to ¥12,016 million.

(2) Information on Financial Position

Total assets as of September 30, 2017 stood at ¥792.6 billion, up ¥21.4 billion from the previous fiscal year-end. Marketable securities increased by ¥16.1 billion and notes and accounts receivable–trade increased by ¥13.6 billion, but cash and deposits decreased by ¥4.8 billion.

Liabilities amounted to ¥112.5 billion, an increase of ¥6.4 billion from the previous fiscal year-end. Deferred tax liabilities increased by ¥2.3 billion and accounts payable increased by ¥2.1 billion.

Net assets amounted to ¥680.1 billion, an increase of ¥15.0 billion from the previous fiscal year-end. The main factors of increase were ¥12.0 billion in profit attributable to owners of parent and valuation difference on securities of ¥8.0 billion, while the main factor of decrease was dividends of surplus of ¥4.8 billion.

(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 September 30, 2017
ASSETS		
Current assets		
Cash and deposits	201,275	196,466
Notes and accounts receivable–trade	69,535	83,087
Marketable securities	–	16,125
Merchandise and finished goods	17,196	17,250
Work in process	2,064	2,053
Raw materials and supplies	8,239	8,565
Deferred tax assets	5,819	6,530
Other	4,899	4,739
Allowance for doubtful accounts	(85)	(127)
Total current assets	308,946	334,690
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	49,957	48,584
Machinery, equipment and vehicles, net	6,372	5,787
Land	37,457	37,035
Construction in progress	177	211
Other, net	3,318	3,336
Total tangible fixed assets	97,282	94,955
Intangible fixed assets		
Goodwill	16,768	15,829
Sales rights	4,068	3,401
Trademarks	9,966	9,463
Software	3,046	3,320
Other	523	657
Total intangible fixed assets	34,372	32,671
Investments and other assets		
Investment securities	252,459	254,741
Shares of subsidiaries and affiliates	67,550	65,693
Long-term prepaid expenses	665	678
Net defined benefit assets	2,496	2,621
Deferred tax assets	6,783	5,884
Other	913	908
Allowance for doubtful accounts	(248)	(245)
Total investments and other assets	330,620	330,282
Total fixed assets	462,276	457,909
Total assets	771,222	792,600

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	23,327	22,294
Accounts payable	13,047	15,169
Accrued income taxes	5,774	6,680
Accrued expenses	9,997	10,703
Provision for sales returns	750	1,428
Provision for bonuses	3,854	4,794
Other	1,347	1,432
Total current liabilities	58,097	62,502
Long-term liabilities		
Provision for directors' retirement benefits	983	991
Net defined benefit liabilities	23,505	23,525
Deferred tax liabilities	16,130	18,412
Other	7,417	7,113
Total long-term liabilities	48,036	50,043
Total liabilities	106,134	112,546
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,272	15,271
Retained earnings	644,038	651,256
Treasury stock	(67,727)	(67,754)
Total shareholders' equity	621,583	628,774
Accumulated other comprehensive income		
Valuation difference on securities	36,234	44,281
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(2,195)	(2,855)
Remeasurements of defined benefit plans	(6,162)	(5,895)
Total accumulated other comprehensive income	27,875	35,530
Subscription rights to shares	478	565
Non-controlling interests	15,150	15,183
Total net assets	665,088	680,053
Total liabilities and net assets	771,222	792,600

(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, 2016	For six months ended September 30, 2017
Net sales	141,007	138,630
Cost of sales	50,647	48,421
Gross profit on sales	90,360	90,208
Reversal of provision for sales returns	696	719
Provision for sales returns	723	1,369
Gross profit	90,333	89,559
Selling, general & administrative expenses	73,678	74,380
Operating profit	16,655	15,178
Non-operating income		
Interest income	2,636	2,471
Dividend income	844	878
Other	357	359
Total non-operating income	3,838	3,709
Non-operating expenses		
Interest expenses	1	1
Equity in losses of entities accounted for using equity method	555	979
Foreign exchange losses	735	–
Commission fee	46	48
Other	25	9
Total non-operating expenses	1,364	1,038
Ordinary profit	19,129	17,850
Extraordinary income		
Gain on sales of fixed assets	13	744
Gain on sales of investment securities	1,381	–
Total extraordinary income	1,394	744
Extraordinary losses		
Loss on disposal of fixed assets	101	22
Loss on sales of investment securities	11	–
Total extraordinary losses	112	22
Profit before income taxes	20,411	18,571
Income taxes	6,008	5,881
Profit	14,403	12,690
Profit attributable to non-controlling interests	903	674
Profit attributable to owners of parent	13,499	12,016

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For six months ended September 30, 2016	For six months ended September 30, 2017
Profit	14,403	12,690
Other comprehensive income		
Valuation difference on securities	(2,494)	7,984
Foreign currency translation adjustment	(6,781)	(102)
Remeasurements of defined benefit plans	351	269
Share of other comprehensive income of entities accounted for using equity method	(160)	(388)
Total other comprehensive income	(9,085)	7,762
Comprehensive income	5,317	20,452
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,530	19,670
Comprehensive income attributable to non- controlling interests	787	781

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For six months ended September 30, 2016	For six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	20,411	18,571
Depreciation and amortization	5,099	4,972
Amortization of goodwill	634	617
Loss (gain) on sales of fixed assets	(13)	(744)
Loss (gain) on disposal of fixed assets	101	22
Loss (gain) on sales of investment securities	(1,369)	–
Interest and dividend income	(3,481)	(3,349)
Interest expenses	1	1
Equity in losses (earnings) of entities accounted for using equity method	555	979
Increase (decrease) in allowance for doubtful accounts	21	36
Increase (decrease) in net defined benefit liabilities	117	(3)
Decrease (increase) in net defined benefit assets	(109)	(124)
Increase (decrease) in provision for directors’ retirement benefits	(214)	8
Increase (decrease) in provision for bonuses	907	927
Decrease (increase) in notes and accounts receivable–trade	327	(13,406)
Decrease (increase) in inventories	(104)	105
Increase (decrease) in notes and accounts payable– trade	(4,665)	(1,114)
Increase (decrease) in long-term accounts payable– other	(37)	(34)
Other	1,760	1,537
Subtotal	19,942	9,002
Interest and dividend income received	3,696	3,864
Interest paid	(1)	(1)
Income taxes paid	(5,933)	(5,974)
Income taxes refund	95	–
Net cash provided by operating activities	17,799	6,890

(Millions of yen)

	For six months ended September 30, 2016	For six months ended September 30, 2017
Cash flows from investing activities		
Decrease (increase) in time deposits	338	(4,008)
Proceeds from sales/redemption of marketable securities	21,500	–
Payments for purchase of tangible fixed assets	(5,522)	(1,506)
Proceeds from sales of tangible fixed assets	23	1,154
Payments for purchase of intangible fixed assets	(584)	(1,509)
Payments for purchase of investment securities	(8,326)	(4,092)
Proceeds from sales/redemption of investment securities	2,016	–
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(434)
Payments for purchase of shares of subsidiaries and affiliates	(12,261)	–
Payments for purchase of long-term prepaid expenses	(189)	(190)
Other	5	1,099
Net cash used in investing activities	(3,000)	(9,488)
Cash flows from financing activities		
Increase in short-term loans payable	500	187
Decrease in short-term loans payable	(350)	(176)
Repayments of finance lease obligations	(52)	(58)
Payments for purchase of treasury stock	(56)	(34)
Cash dividends paid	(3,986)	(4,782)
Dividends paid to non-controlling interests	(155)	(767)
Payments for purchase of treasury stock of subsidiaries	–	(0)
Net cash used in financing activities	(4,100)	(5,630)
Effect of exchange rate changes on cash and cash equivalents	(1,217)	(169)
Net increase (decrease) in cash and cash equivalents	9,480	(8,397)
Cash and cash equivalents at the beginning of period	154,268	184,221
Cash and cash equivalents at the end of period	163,748	175,823

(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, 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	90,457	50,550	141,007	–	141,007
Sales or transfers between segments	–	–	–	–	–
Total	90,457	50,550	141,007	–	141,007
Segment profit (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 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 six months ended September 30, 2016.

II. For six months ended September 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	91,876	46,753	138,630	–	138,630
Sales or transfers between segments	–	–	–	–	–
Total	91,876	46,753	138,630	–	138,630
Segment profit (Note 2)	14,311	1,563	15,875	(696)	15,178

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 six months ended September 30, 2017.