

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

February 1, 2018

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
 Securities Code: 4581 (URL <http://www.taisho-holdings.co.jp/en/>)
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Scheduled date for filing Quarterly Securities Report: February 9, 2018
 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 2017
(cumulative: April 1, 2017 to December 31, 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 nine months ended | | | | | | | | |
| December 31, 2017 | 215,798 | (0.3) | 28,555 | 7.5 | 33,379 | 6.4 | 26,463 | 11.8 |
| December 31, 2016 | 216,431 | (3.8) | 26,560 | 16.9 | 31,376 | 7.8 | 23,670 | 26.5 |

Note: Comprehensive income For the nine months of Fiscal 2017: ¥36,625 million [92.8%]
 For the nine months of Fiscal 2016: ¥18,994 million [(4.7)%]

| | Basic earnings per share | Diluted earnings per share |
|-----------------------|--------------------------|----------------------------|
| | Yen | Yen |
| For nine months ended | | |
| December 31, 2017 | 331.19 | 330.92 |
| December 31, 2016 | 296.21 | 296.01 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of | | | |
| December 31, 2017 | 806,814 | 692,066 | 83.8 |
| March 31, 2017 | 771,222 | 665,088 | 84.2 |

Reference: Equity As of December 31, 2017: ¥675,838 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 | 279,500 | (0.1) | 33,500 | 4.8 | 38,500 | 1.2 | 30,000 | 4.2 | 375.47 |

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, 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 December 31, 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 December 31, 2017: 10,240,827 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 nine months ended December 31, 2017: 79,902,789 shares

For nine months ended December 31, 2016: 79,909,601 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

Index

- 1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months..... 2
 - (1) Information on Operating Results 2
 - (2) Information on Financial Position 3
 - (3) Information on Forecast of Consolidated Operating Results and Other Forward-Looking Statements 3
- 2. Consolidated Financial Statements and Significant Notes Thereto..... 4
 - (1) Consolidated Balance Sheets..... 4
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income..... 6
 - Consolidated Statements of Income (cumulative)..... 6
 - Consolidated Statements of Comprehensive Income (cumulative)..... 7
 - (3) Notes on Consolidated Financial Statements 8
 - (Notes on Premise of Going Concern) 8
 - (Notes on Substantial Changes in the Amount of Shareholders' Equity) 8
 - (Segment Information (cumulative))..... 8

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, although sales showed strong gains in certain categories such as eye drops and intestinal remedy, sales in categories such as energy drinks and general cold remedies were lackluster. As a result, sales overall fell slightly below the previous fiscal 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 nine months ended December 31, 2017 decreased by ¥633 million, or 0.3% year on year, to ¥215,798 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 | 140.9 | 2.7 | 1.9 |
| Japan | 115.3 | (0.5) | (0.4) |
| Overseas | 23.5 | 3.1 | 15.4 |
| Others | 2.1 | 0.0 | 0.4 |
| Prescription Pharmaceutical Operation Group | 74.9 | (3.3) | (4.2) |
| Ethical drugs | 70.7 | (4.7) | (6.3) |
| Others | 4.2 | 1.4 | 49.6 |

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales during the nine months ended December 31, 2017 increased by ¥2.7 billion, or 1.9% year on year, to ¥140.9 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of our mainstay *Lipovitan D* dropped 5.8% year on year, and the *Lipovitan* series overall fell 6.9% to ¥44.1 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 10.9% to ¥20.9 billion. Looking at the *RiUP* series of hair-care products, sales of the *RiUP* series overall increased 0.3% to ¥12.3 billion.

Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, increased by 9.6% to ¥13.8 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales during the nine months ended December 31, 2017 decreased by ¥3.3 billion, or 4.2% year on year, to ¥74.9 billion.

Osteoporosis agent *Edirol* rose 9.3% to ¥19.2 billion, Type 2 diabetes treatment *Lusefi* rose 68.3% to ¥3.6

billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose 123.2% to ¥2.4 billion. However, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 37.7% to ¥7.9 billion, macrolide antibiotic *Clarith* fell 19.7% to ¥5.8 billion and peripheral vasodilator *Palux* was down 9.1% to ¥3.8 billion, partly due to the impact of generic drugs.

On the profits front, gross profit on sales increased due to a decrease in cost of sales. As a result, operating profit increased by 7.5% to ¥28,555 million and ordinary profit increased by 6.4% to ¥33,379 million. Profit attributable to owners of parent increased by 11.8% to ¥26,463 million mainly because of gain on sales of investment securities.

(2) Information on Financial Position

Total assets as of December 31, 2017 stood at ¥806.8 billion, up ¥35.6 billion from the previous fiscal year-end. Marketable securities increased by ¥26.4 billion and notes and accounts receivable–trade increased by ¥16.3 billion, but investment securities decreased by ¥7.6 billion.

Liabilities amounted to ¥114.7 billion, an increase of ¥8.6 billion from the previous fiscal year-end. Deferred tax liabilities increased by ¥3.8 billion and accounts payable increased by ¥2.2 billion.

Net assets amounted to ¥692.1 billion, an increase of ¥27.0 billion from the previous fiscal year-end. The main factors of increase were ¥26.5 billion in profit attributable to owners of parent and valuation difference on securities of ¥8.2 billion, while the main factor of decrease was dividends of surplus of ¥8.8 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, 2017, the full-year forecast of consolidated operating results announced on May 15, 2017, has been revised as shown below.

- Net sales

Compared with the previously announced forecast, the forecast of net sales was upwardly revised by ¥0.5 billion to ¥279.5 billion.

In the Self-Medication Operation Group, as for the domestic market, the previously announced forecast has been revised up by ¥0.6 billion in consideration of the sales situation up until the end of the nine months ended December 31, 2017. The revision includes a downward revision of the *Lipovitan* series and an upward revision of the *Pabron* series. As for overseas markets, the previously announced forecast has been revised up by ¥1.4 billion to reflect greater than planned growth in drinks and the impact of the weaker yen on foreign exchange. As a result, for the Self-Medication Operation Group as a whole, the previously announced net sales forecast has been revised up by ¥2.2 billion to ¥183.5 billion.

In the Prescription Pharmaceutical Operation Group, sales of *Clarith* and other antibiotics were revised down as a result of a decrease in antibiotic prescriptions and for the Prescription Pharmaceutical Operation Group as a whole, the previously announced net sales forecast has been revised down by ¥1.7 billion to ¥96.0 billion.

- Profits

Compared with the previously announced forecast, the forecast of operating profit was upwardly revised by ¥5.0 billion to ¥33.5 billion, the forecast of ordinary profit was upwardly revised by ¥4.0 billion to ¥38.5 billion and the forecast of profit attributable to owners of parent was upwardly revised by ¥6.0 billion to ¥30.0 billion. Included in these forecasts are a revision of selling, general & administrative expenses and equity in earnings of entities accounted for using equity method, and the gain on sales of investment securities posted up to the end of the nine months ended December 31, 2017.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|--|----------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 201,275 | 207,965 |
| Notes and accounts receivable–trade | 69,535 | 85,788 |
| Marketable securities | – | 26,386 |
| Merchandise and finished goods | 17,196 | 16,344 |
| Work in process | 2,064 | 1,809 |
| Raw materials and supplies | 8,239 | 8,636 |
| Deferred tax assets | 5,819 | 6,368 |
| Other | 4,899 | 5,676 |
| Allowance for doubtful accounts | (85) | (111) |
| Total current assets | 308,946 | 358,865 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 49,957 | 47,971 |
| Machinery, equipment and vehicles, net | 6,372 | 5,557 |
| Land | 37,457 | 37,035 |
| Construction in progress | 177 | 315 |
| Other, net | 3,318 | 3,148 |
| Total tangible fixed assets | 97,282 | 94,028 |
| Intangible fixed assets | | |
| Goodwill | 16,768 | 15,611 |
| Sales rights | 4,068 | 3,070 |
| Trademarks | 9,966 | 9,159 |
| Software | 3,046 | 3,290 |
| Other | 523 | 648 |
| Total intangible fixed assets | 34,372 | 31,779 |
| Investments and other assets | | |
| Investment securities | 252,459 | 244,856 |
| Shares of subsidiaries and affiliates | 67,550 | 66,087 |
| Long-term prepaid expenses | 665 | 813 |
| Net defined benefit assets | 2,496 | 2,678 |
| Deferred tax assets | 6,783 | 6,974 |
| Other | 913 | 975 |
| Allowance for doubtful accounts | (248) | (244) |
| Total investments and other assets | 330,620 | 322,140 |
| Total fixed assets | 462,276 | 447,949 |
| Total assets | 771,222 | 806,814 |

(Millions of yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|--|----------------------|-------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 23,327 | 22,062 |
| Accounts payable | 13,047 | 15,221 |
| Accrued income taxes | 5,774 | 7,046 |
| Accrued expenses | 9,997 | 11,494 |
| Provision for sales returns | 750 | 1,289 |
| Provision for bonuses | 3,854 | 2,911 |
| Other | 1,347 | 3,210 |
| Total current liabilities | 58,097 | 63,236 |
| Long-term liabilities | | |
| Provision for directors' retirement benefits | 983 | 996 |
| Net defined benefit liabilities | 23,505 | 23,589 |
| Deferred tax liabilities | 16,130 | 19,980 |
| Other | 7,417 | 6,945 |
| Total long-term liabilities | 48,036 | 51,511 |
| Total liabilities | 106,134 | 114,748 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 30,000 | 30,000 |
| Capital surplus | 15,272 | 15,271 |
| Retained earnings | 644,038 | 661,704 |
| Treasury stock | (67,727) | (67,785) |
| Total shareholders' equity | 621,583 | 639,191 |
| Accumulated other comprehensive income | | |
| Valuation difference on securities | 36,234 | 44,433 |
| Deferred gains or losses on hedges | 0 | 0 |
| Foreign currency translation adjustment | (2,195) | (2,023) |
| Remeasurements of defined benefit plans | (6,162) | (5,761) |
| Total accumulated other comprehensive income | 27,875 | 36,647 |
| Subscription rights to shares | 478 | 565 |
| Non-controlling interests | 15,150 | 15,662 |
| Total net assets | 665,088 | 692,066 |
| Total liabilities and net assets | 771,222 | 806,814 |

(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, 2016 | For nine months ended December 31, 2017 |
|--|--|--|
| Net sales | 216,431 | 215,798 |
| Cost of sales | 77,984 | 74,583 |
| Gross profit on sales | 138,446 | 141,215 |
| Reversal of provision for sales returns | 696 | 720 |
| Provision for sales returns | 777 | 1,236 |
| Gross profit | 138,365 | 140,698 |
| Selling, general & administrative expenses | 111,804 | 112,143 |
| Operating profit | 26,560 | 28,555 |
| Non-operating income | | |
| Interest income | 3,885 | 3,727 |
| Dividend income | 1,534 | 1,645 |
| Other | 561 | 610 |
| Total non-operating income | 5,981 | 5,983 |
| Non-operating expenses | | |
| Interest expenses | 0 | 1 |
| Equity in losses of entities accounted for using equity method | 325 | 1,074 |
| Foreign exchange losses | 737 | – |
| Commission fee | 64 | 67 |
| Other | 37 | 15 |
| Total non-operating expenses | 1,165 | 1,159 |
| Ordinary profit | 31,376 | 33,379 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 13 | 749 |
| Gain on sales of investment securities | 3,709 | 5,598 |
| Total extraordinary income | 3,723 | 6,348 |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | 105 | 44 |
| Loss on sales of investment securities | 33 | – |
| Total extraordinary losses | 138 | 44 |
| Profit before income taxes | 34,961 | 39,683 |
| Income taxes | 9,859 | 11,999 |
| Profit | 25,101 | 27,683 |
| Profit attributable to non-controlling interests | 1,431 | 1,220 |
| Profit attributable to owners of parent | 23,670 | 26,463 |

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

| | For nine months ended December 31, 2016 | For nine months ended December 31, 2017 |
|--|--|--|
| Profit | 25,101 | 27,683 |
| Other comprehensive income | | |
| Valuation difference on securities | 1,606 | 7,782 |
| Foreign currency translation adjustment | (8,261) | 499 |
| Remeasurements of defined benefit plans | 527 | 404 |
| Share of other comprehensive income of entities accounted for using equity method | 20 | 254 |
| Total other comprehensive income | (6,107) | 8,941 |
| Comprehensive income | 18,994 | 36,625 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 17,681 | 35,234 |
| Comprehensive income attributable to non- controlling interests | 1,312 | 1,390 |

(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, 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 | 138,160 | 78,270 | 216,431 | – | 216,431 |
| Sales or transfers between segments | – | – | – | – | – |
| Total | 138,160 | 78,270 | 216,431 | – | 216,431 |
| Segment profit (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 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 nine months ended December 31, 2016.

II. For nine months ended December 31, 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 | 140,853 | 74,944 | 215,798 | – | 215,798 |
| Sales or transfers between segments | – | – | – | – | – |
| Total | 140,853 | 74,944 | 215,798 | – | 215,798 |
| Segment profit (Note 2) | 22,216 | 7,396 | 29,613 | (1,058) | 28,555 |

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 nine months ended December 31, 2017.