ANNUAL REPORT 2014

TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

About Taisho Pharmaceutical Holdings

Taisho Pharmaceutical Holdings Co., Ltd. is responsible for the management of the entire Taisho Pharmaceutical Group. On this basis, the Group aims to strengthen competitiveness and achieve well-balanced and sustainable growth in two broad operating areas: the Self-Medication Operation Group, which is centered on over-the-counter (OTC) drugs, and the Prescription Pharmaceutical Operation Group, which handles prescription pharmaceuticals.

The Group is working to develop products and actively provide information that can contribute to its customers achieving healthier and more prosperous lives, among other priorities. Moreover, the Group aims to become a corporate group capable of covering a variety of needs from enhancing health and preventive measures to treatment.

Contents

<Reference>
The consolidated financial statements for the year ended March 2012 have been prepared by incorporating the consolidated financial statements of Taisho Pharmaceutical Co., Ltd., which became a wholly owned subsidiary of Taisho Pharmaceutical Holdings Co., Ltd. through a sole-share transfer on October 3, 2011. Figures for the fiscal year ended March 2011 and earlier are for Taisho Pharmaceutical Co., Ltd.

Cautionary Statement with Respect to Forward-Looking Statements
Statements made in this annual report with respect to Taisho Pharmaceutical Group's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Taisho Pharmaceutical Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. The Taisho Pharmaceutical Group cautions readers that a number of important factors, including but not limited to changes in general economic conditions, could cause actual results to differ materially from those discussed in the forward-looking statements.

<Note>
Monetary amounts other than those shown on pages 30–49 are as disclosed in the Company's financial statements.
Monetary amounts shown on pages 30–49 have been rounded to the nearest million yen.

Philosophy

Mission Statement (Mission)

The Company's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty.

Management Policies (Vision)

1. Focus on core businesses

(1) Self-Medication Operation Group, Prescription Pharmaceutical Operation Group

(2) Businesses based on clear scientific and objective evidence that take full advantage of the Company's strengths

2. Continue to drive sustained growth in business activities while fulfilling the following obligations expected of the Company by stakeholders:

(1) For consumers, the Company will strive to help realize healthier and more enriched lives based on the theme of health in various fields.

(2) For business customers and suppliers, the Company will establish and maintain fair and reasonable relationships.

(3) For employees, the Company will respect the human rights and dignity of each individual and endeavor to secure employment.

(4) For shareholders and other investors, the Company will disclose proper information in a fair and timely manner.

(5) For local communities, the Company will remain actively engaged in the community as a corporate citizen while striving to protect the environment and build mutually beneficial relationships.

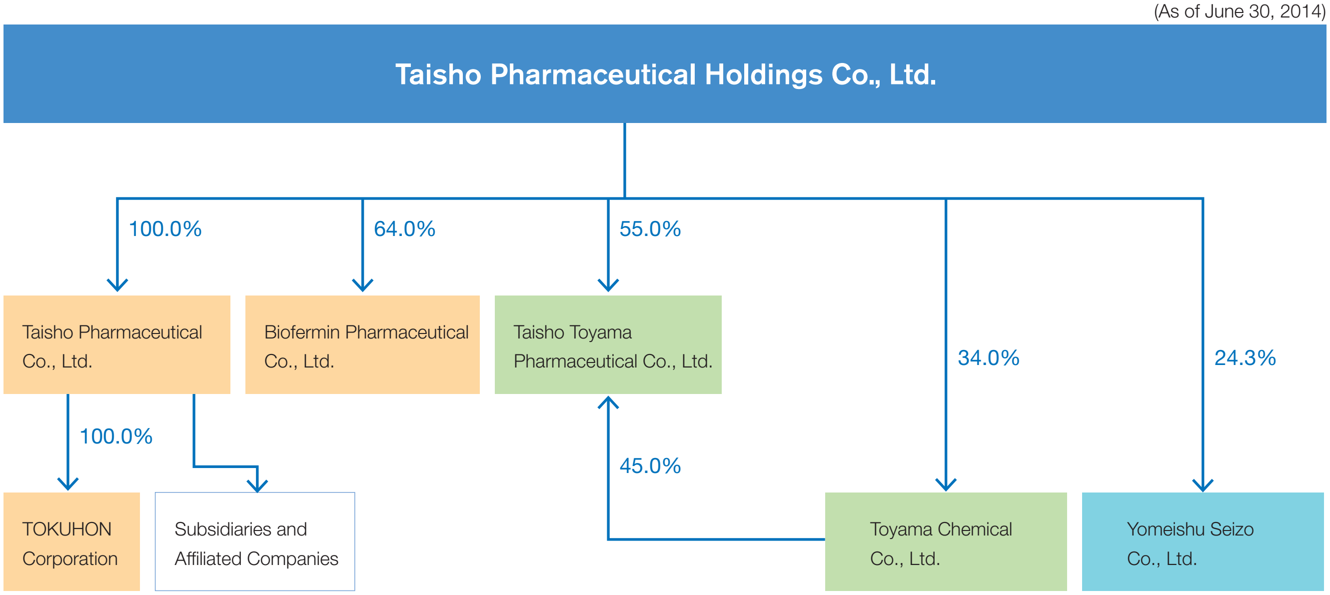
Code of Conduct (Values)

Based on the Company's Founding Spirit, we are working to share the following values internally as we conduct business activities:

- Compliance with laws, regulations and other rules
- High ethical standards
- Honesty, diligence and passion
- Competitive viewpoint (provide higher quality products at lower prices and even better services)
- Logical thinking
- Value standards from a long-term perspective

Group Business Structure (Figures represent shareholding ratios)

(As of June 30, 2014)



Self-Medication Operation
Prescription Pharmaceutical Operation
Self-Medication and Prescription Pharmaceutical Operation

A Message from Management

Your Constant Supporter in Health

The Taisho Pharmaceutical Group will contribute to all its customers achieving healthier and more prosperous lives.

The Taisho Pharmaceutical Group is engaged in business with the mission of contributing to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty.

In recent years, Japan has seen burgeoning social insurance expenses due to the country's aging society and low birthrate becoming major issues. Moreover, the Group's operating environment has changed dramatically, driven by structural changes in the pharmaceutical market and the rising health consciousness among consumers. Against this backdrop, we have actively tackled various issues in response to the changing business environment in order to answer consumer needs.

Taisho Pharmaceutical Holdings Co., Ltd. (the "Company") is responsible for the management of the entire Group. Accordingly, the Company will effectively allocate business resources with the aim of strengthening competitiveness and achieving sustainable growth. Efforts will also be focused on increasing the corporate value of the entire Group by driving balanced growth and capturing synergies in two broad operating areas: the Self-Medication Operation Group, which is centered on over-the-counter (OTC) drugs, and the Prescription Pharmaceutical Operation Group, which handles prescription pharmaceuticals.

Fiscal 2013 Business Overview

In the Self-Medication Operation Group in Japan, our mainstay *Lipovitan* series of energy drinks saw the new product *Lipovitan Feel* and other products in the series contribute positively to sales, with sales of the *RiUP* series of hair regrowth treatments also growing steadily. That said, these sales were supported partly by a rush to buy ahead of an increase in the consumption tax rate. In overseas business activities, sales rose significantly, due in part to contributions from Compañía Internacional de Comercio, S.A.P.I. de C.V. (hereinafter, "CICSA") in Mexico, which was acquired in 2012. Another contributing factor was business integration with Osotspa Co., Ltd. in the Thailand market. The trend toward a weaker yen also had a beneficial impact. As a result, this business segment posted an increase of 6.1% year-on-year in overall sales.

In the Prescription Pharmaceutical Operation Group, sales of *Edirol*, an agent for treating osteoporosis, generated growth due to higher penetration in the market for osteoporosis treatments. In addition, the injectable antibiotic *ZOSYN* continued to achieve strong sales, although there was a drop in sales of the oral antibiotic *Clarith*. As a result, this business segment saw overall sales increase 0.3% year on year.

As a result of the foregoing, consolidated net sales rose 3.8% from fiscal 2012 to ¥296.0 billion.

On the earnings front, selling, general and administrative expenses increased year on year, reflecting higher sales promotion and other expenses. However, gross profit was up from the previous year, mainly in line with sales growth. Consequently, operating income rose 18.0% to ¥41.7 billion and net income increased 24.2% year on year to ¥32.7 billion.

Returns to Shareholders

Taisho Pharmaceutical Holdings Co., Ltd.'s basic policy on shareholder returns is to maintain a stable dividend, while ensuring sufficient internal reserves to build a stronger enterprise. We re-invest retained earnings with the aim of reinforcing our competitiveness while expanding and developing the business. While comprehensively taking these funding requirements into account, we will adhere to a flexible stance on share buybacks with the aim of improving capital efficiency and maintaining a dynamic financial policy.

The Company's dividend policy is to pay dividends largely in line with its consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of consolidated net income excluding extraordinary income and loss. The Company plans to maintain an annual dividend of at least ¥100 per share, barring special circumstances, even when the dividend payout ratio exceeds 30%.

For fiscal 2013, the Company issued an annual dividend of ¥110 per share, consisting of an interim dividend of ¥50 and a year-end dividend of ¥60. In fiscal 2014, based on its dividend policy, the Company plans to issue an annual dividend of ¥110 per share, consisting of an interim dividend of ¥50 and a year-end dividend of ¥60.

Current Initiatives and the Future Direction of the Taisho Pharmaceutical Group

Going forward, while targeting further growth, the Group will seek to contribute to helping people live longer and healthier lives amid the demographic shifts towards aging and greater life expectancy.

In the domestic self-medication business, the Group seeks to help consumers satisfy their desire to maintain their health and beauty as they grow older. To this end, the Group will develop fields responding to heightened health consciousness among consumers, such as a stronger awareness of metabolic syndrome, and step up product development in line with their needs.

In the area of sales and marketing, the Group will strive to further increase the brand value we have built over many years in mainstay products, including the *Lipovitan* series, *Pabron* series, and *RiUP* series, while focusing on nurturing new brands such as the *Livita* series, which is centered on Foods for Specified Health Use (FOSHU). The Group will also focus on further strengthening coordination between marketing and sales activities to create demand and strive to enhance our direct communication with consumers by expanding into new channels such as a mail-order system.

In the overseas self-medication business, we are targeting an overseas consolidated net sales ratio of 10% as early as possible. In OTC drugs, we will utilize the businesses we have acquired as platforms to drive steady growth in each country we have entered. Moreover, we will vigorously develop business in growing markets centered on Southeast Asia, such as Indonesia, the Philippines, Thailand and Malaysia. We will also step up our energy drink initiatives primarily in Asia, which continues to show economic growth.

In the prescription pharmaceutical business, the Group has designated infectious diseases, orthopedic disorders, the central nervous system, and metabolic diseases as priority fields for research and development. We aim to discover innovative new drugs that will allow us to propose new treatments to patients for whom existing treatments offer only a low degree of satisfaction. We are working to strengthen our drug discovery framework in order to upgrade our lineup of promising drug candidates. To accomplish this, in addition to the discovery of original products by Taisho Pharmaceutical Co., Ltd., we are proactively pursuing R&D together with third-party research institutions and companies worldwide.

In the area of sales and marketing, through the accurate provision of detailed information to customers, we are working to fulfill our responsibilities as a leading company in the inflammatory disease field in Japan, as it endeavors to capture a greater market share in the field of inflammatory/immunologic diseases. We entered the metabolic diseases field with the launch in May 2014 of *Lusefi*, a type 2 diabetes treatment discovered and developed by Taisho Pharmaceutical. By providing a new treatment option for type 2 diabetes to many more patients, we expect *Lusefi* to contribute to future earnings.

Going forward, we will continue working to increase corporate value by promoting synergy-generating cooperation between Group companies that leverages their respective strengths. In the process, we will strive to build a Groupwide framework geared to achieve sustainable growth.

In closing, I would like to express our sincere thanks to you, our fellow stakeholders, in hope of your continued understanding and support.

Akira Uehara
President and CEO

Financial Highlights

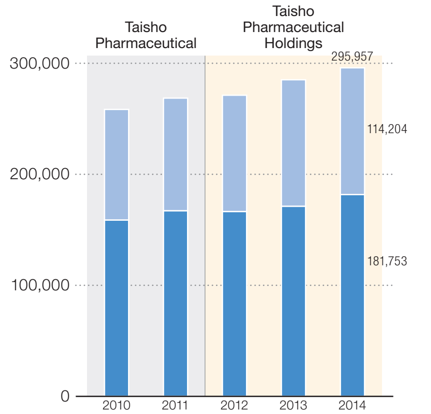
Fiscal years ended March 31

	Taisho Pharmaceutical		Taisho Pharmaceutical Holdings		
			Millions of yen		
	2010	2011	2012	2013	2014
For the year:					
Net sales	¥ 258,441	¥ 268,632	¥ 271,230	¥ 285,168	**¥ 295,957**
Self-Medication Operation Group	158,851	167,195	166,467	171,271	**181,753**
Prescription Pharmaceutical Operation Group	99,590	101,436	104,763	113,896	**114,204**
Cost of sales*	91,738	96,394	98,983	108,958	**111,264**
Gross profit	166,703	172,237	172,246	176,210	**184,693**
Selling, general and administrative expenses	132,017	128,154	133,833	140,873	**143,009**
R&D expenditures	28,118	23,677	24,231	23,331	**21,874**
R&D expenditures as a percentage of net sales (%)	10.9	8.8	8.9	8.2	**7.4**
Operating income	34,686	44,082	38,412	35,337	**41,683**
Self-Medication Operation Group	30,458	38,385	35,565	33,510	**36,865**
Prescription Pharmaceutical Operation Group	4,227	5,696	3,557	3,027	**6,000**
Net income	19,485	34,892	24,357	26,320	**32,692**
Total capital expenditures	21,132	7,870	12,868	12,287	**10,401**
Net cash provided by operating activities	39,475	46,493	23,732	41,292	**60,233**
Net cash used in (provided by) investing activities	11,244	(792)	(39,348)	(9,359)	**(21,998)**
Net cash used in financing activities	(18,837)	(18,377)	(23,073)	(10,064)	**(9,439)**
Free cash flows	50,719	45,701	(15,616)	31,933	**38,235**
At year-end:					
Total assets	¥ 606,443	¥ 618,434	¥ 629,506	¥ 676,388	**¥ 728,442**
Current assets	215,686	233,170	234,782	254,326	**281,045**
Current liabilities	55,680	59,859	63,306	62,834	**76,050**
Working capital	160,006	173,311	171,476	191,492	**204,995**
Net assets	527,761	535,231	538,667	578,159	**611,933**
Per share data:					
Net assets (yen)	¥1,816.68	¥1,902.74	¥6,560.67	¥6,975.94	**¥7,401.61**
Net income (yen)	67.98	124.90	296.20	325.26	**403.18**
Ratio data:					
Asset turnover (times)	0.4	0.4	0.4	0.4	**0.4**
Tangible fixed assets turnover (times)	2.8	3.0	3.0	2.9	**2.9**
Operating income margin (%)	13.4	16.4	14.2	12.4	**14.1**
Equity ratio (%)	85.3	84.8	83.8	83.6	**82.4**
Return on equity—ROE (%)	3.8	6.7	4.6	4.7	**5.6**
Return on assets—ROA (%)	3.3	5.7	3.9	4.0	**4.7**

* Includes provision/reversal of reserve for returned unsold goods.

Net Sales

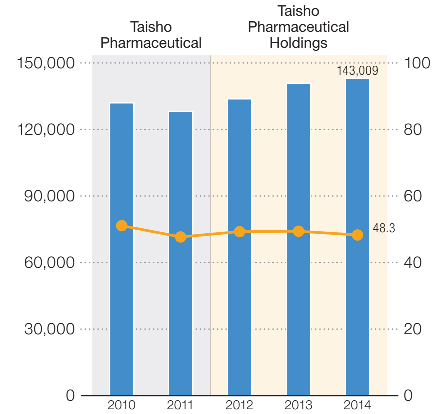
(Millions of yen)



Prescription Pharmaceutical Operation Group
Self-Medication Operation Group

Selling, General and Administrative Expenses / SG&A Expenses Margin

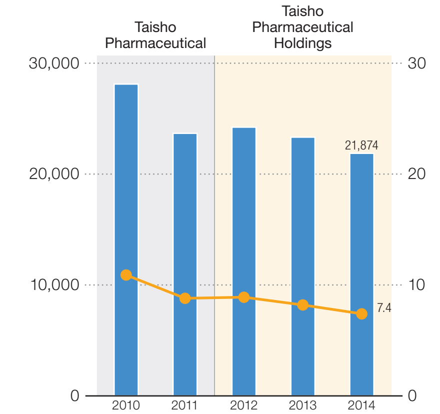
(Millions of yen) (%)



Selling, general and administrative expenses (left scale)
SG&A expenses margin (right scale)

R&D Expenditures / R&D Expenditures as a Percentage of Net Sales

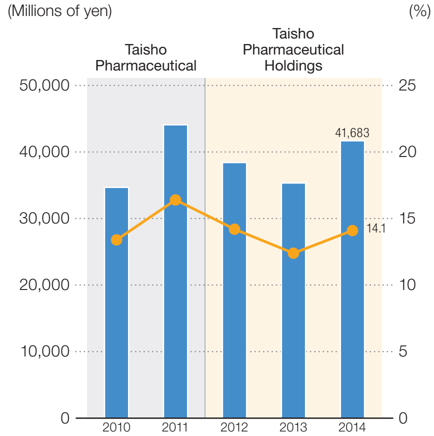
(Millions of yen) (%)



R&D expenditures (left scale)
R&D expenditures as a percentage of net sales (right scale)

Operating Income / Operating Income Margin

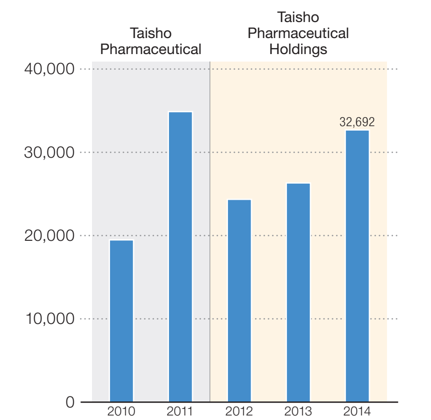
(Millions of yen) (%)



Operating income (left scale)
Operating income margin (right scale)

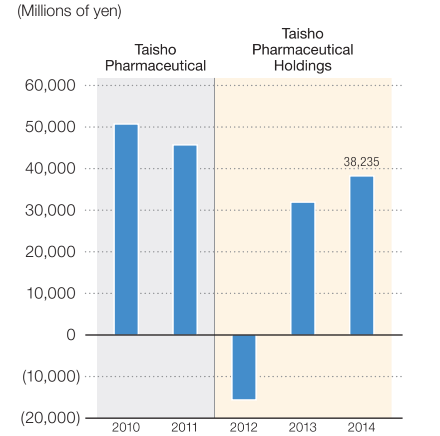
Net Income

(Millions of yen)



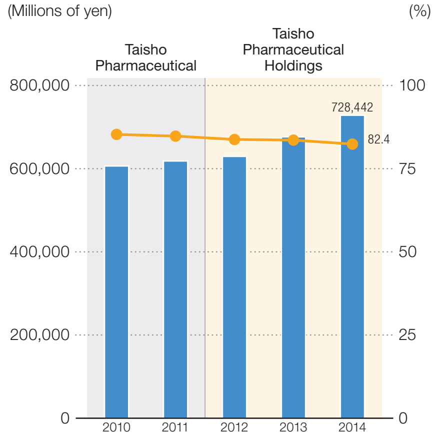
Free Cash Flows

(Millions of yen)



Total Assets / Equity Ratio

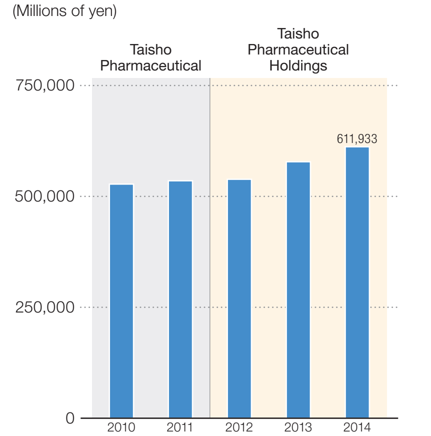
(Millions of yen) (%)



Total assets (left scale)
Equity ratio (right scale)

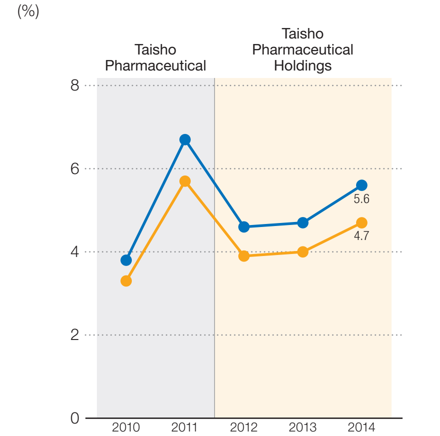
Net Assets

(Millions of yen)



ROE / ROA

(%)



Return on equity—ROE
Return on assets—ROA

Contributing to an Increased Healthy Life Expectancy
—The Significance of Promoting Self-Medication—

Average life expectancy and healthy life expectancy

Within the framework of the universal health insurance system introduced in 1961, Japan has achieved the highest average life expectancy in the world based on advances in medical treatment and public hygiene. This phenomenon has been highly regarded worldwide, and there is also an increasing interest in "healthy life expectancy," a concept promoted by the WHO since 2000, which is not just about increasing life expectancy, but also about living in good health for longer.

Healthy life expectancy is defined as the time a person can expect to live a full life without any daily health problems. Accordingly, the difference between this and average life expectancy is the period one could expect to suffer restrictions to daily life due to poor health. This gap was measured in 2010 at 9.13 years for men and 12.68 years for women in Japan.

Urgent issue of responding to Japan's continually increasing healthcare expenditures

In Japan, the aging population and medical advances are causing healthcare expenditures to increase every year. Spending in Japan grew by more than ¥1 trillion in fiscal 2011 to ¥38 trillion. The growth in national healthcare spending continues to outstrip GDP growth, and it is forecast to reach ¥61.2 trillion by 2025, when the baby boom generation* will be 75 or older. How to fund the healthcare system sustainably has become an urgent issue.

* Baby boom generation: In Japan, this refers to people born between 1947 and 1949.

Importance of promoting self-medication and of increasing healthy life expectancy

As life expectancy continues to rise, this will extend the periods of good and poor health. If the gap between

Average Life Expectancy and Healthy Life Expectancy

Sources: The Ministry of Health, Labour and Welfare's "Simplified Life Expectancy Table" for the average life expectancy in 2001, 2004 and 2007, and its "Complete Life Expectancy Table" for 2010.
Healthy life expectancy is based on research into forecasts about healthy life expectancy and the cost-benefits of various lifestyle-related disease countermeasures, funded by a Health and Labour Sciences Research Grant.

average and healthy life expectancy widens, this will lengthen the period of life when high medical and nursing care costs are incurred. If we could shorten the gap between average and healthy life expectancy via health promotion, disease prevention and preventive nursing care, this would prevent individual people suffering a loss of quality of life while easing the social insurance cost burden on the general populace.

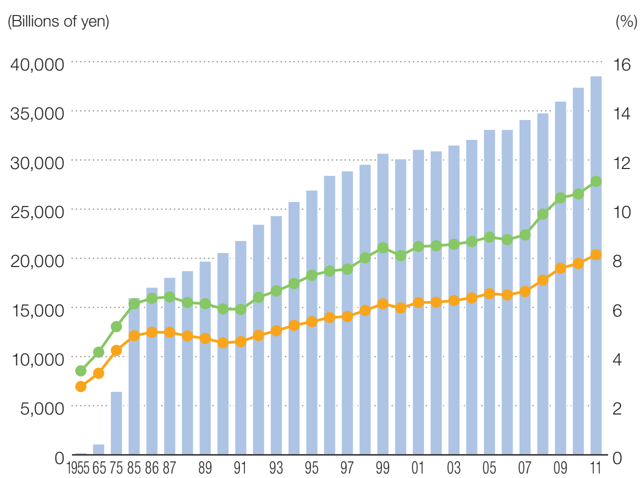
In this context, we believe that it is vital to promote a philosophy of self-medication under which each person takes care of their own health. As a result, people will potentially be able to age gracefully and society will be able to keep healthcare and other social insurance costs at reasonable levels without compromising the quality of medical care.

Taisho's ongoing initiatives: Contributing to an increased healthy life expectancy

OTC drugs are a vital part of promoting self-medication. The Japanese OTC drug market has been in decline since peaking in 2001, showing that there is still a need to promote self-medication. Based on this philosophy, we believe that self-monitoring of health coupled with the use of OTC drugs to treat mild conditions, along with the use of preventive medicines and appropriate health foods, offers a way to reduce healthcare costs while increasing healthy life expectancy for all.

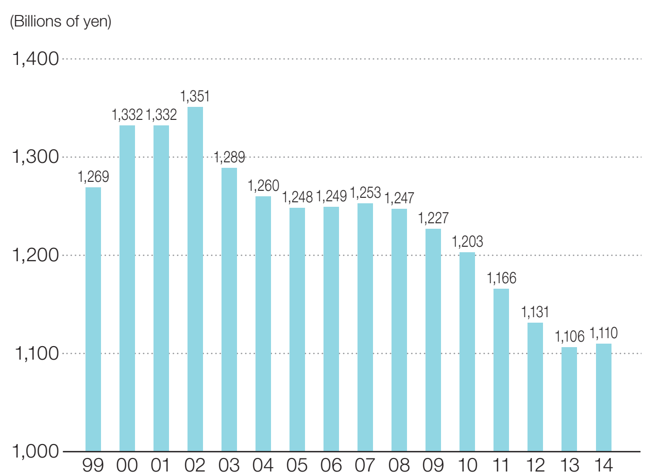
Taisho Pharmaceutical continues to upgrade its lineup of OTC drugs to support self-medication, while also reinforcing efforts to supply the public with relevant health information. Looking ahead, catering to the increasingly diverse health needs of consumers is central to our vigorous future business development efforts.

Annual Changes in National Healthcare Spending as a Percentage of GDP and National Income



National medical care expenditure (left scale)
Ratio to National Income (NI: right scale)
Ratio to Gross Domestic Product (GDP: right scale)

Domestic OTC Drugs Market* (Fiscal years ended March 31)
(Taisho's estimates based on INTAGE SDI/SRI data)



Source: INTAGE Inc.
* Including quasi-drug energy drinks and mini-drinks sold through drug-oriented channels.

At a Glance

As a pharmaceutical company group that comprehensively covers all fields, ranging from enhancing health to disease prevention and treatment, we will drive balanced growth and capture synergies in two broad operating areas: the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group.

Self-Medication
Operation Group

The Self-Medication Operation Group has many leading brands, such as the *Lipovitan* series of energy drinks, the *Pabron* series of cold remedies, and the *RiUP* series of hair regrowth treatments. In these fields, the Self-Medication Operation Group is a leader in the Japanese market.

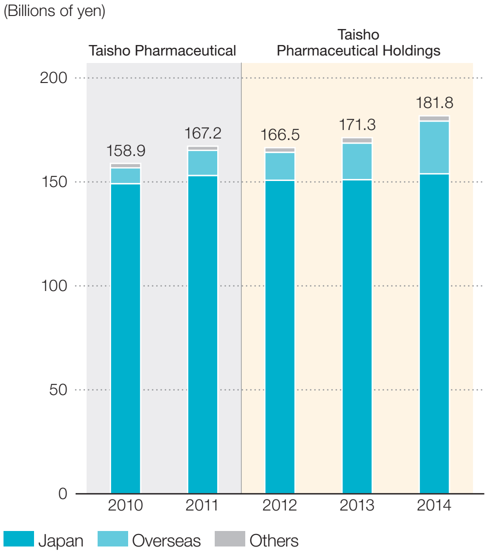
61.4%

For an introduction to the Group's main products, please refer to page 13.

Enhancing health/Disease prevention

Net Sales (Fiscal years ended March 31)

(Billions of yen)



Outline of the Self-Medication Operation Group's Mainstay Products

Lipovitan series

Launched in 1962, the *Lipovitan* series of energy drinks created an entirely new genre of increased-volume "ampoule" energy drinks that could be enjoyed chilled. Sales of the *Lipovitan* series commenced overseas the following year in 1963. Today, the *Lipovitan* series is sold in a large number of countries and regions around the world, including the U.S. and Asia.

Consolidated Net Sales
Fiscal year ended March 31, 2014

¥296.0 billion

Prescription Pharmaceutical
Operation Group

38.6%

For an introduction to the Group's main products, please refer to page 16.

The Prescription Pharmaceutical Operation Group is pressing ahead with R&D activities focused on priority fields. At the same time, the Group is conducting sales and marketing activities centered on the fields of infectious diseases, inflammatory/immunologic diseases, and metabolic diseases.

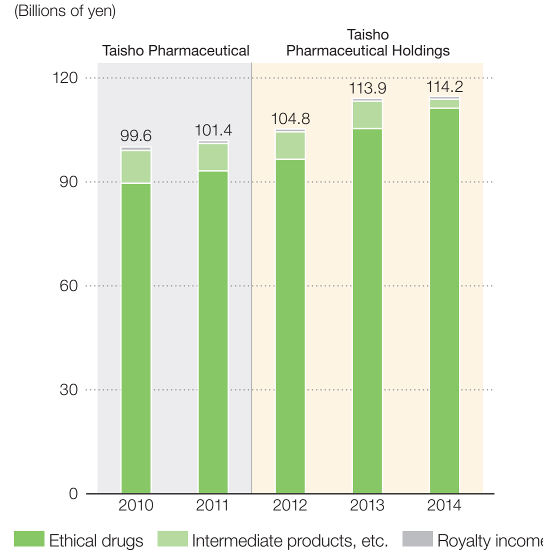
Treatment

Outline of Mainstay Products in the Prescription Pharmaceutical Operation Group

Macrolide antibiotic *Clarith*

Taisho Pharmaceutical created *Clarith* and then launched it in 1991. Overseas, it was licensed out to a U.S. company, Abbott Laboratories (at the time), which launched it in over 100 countries throughout the world under the Biaxin brand and other names.

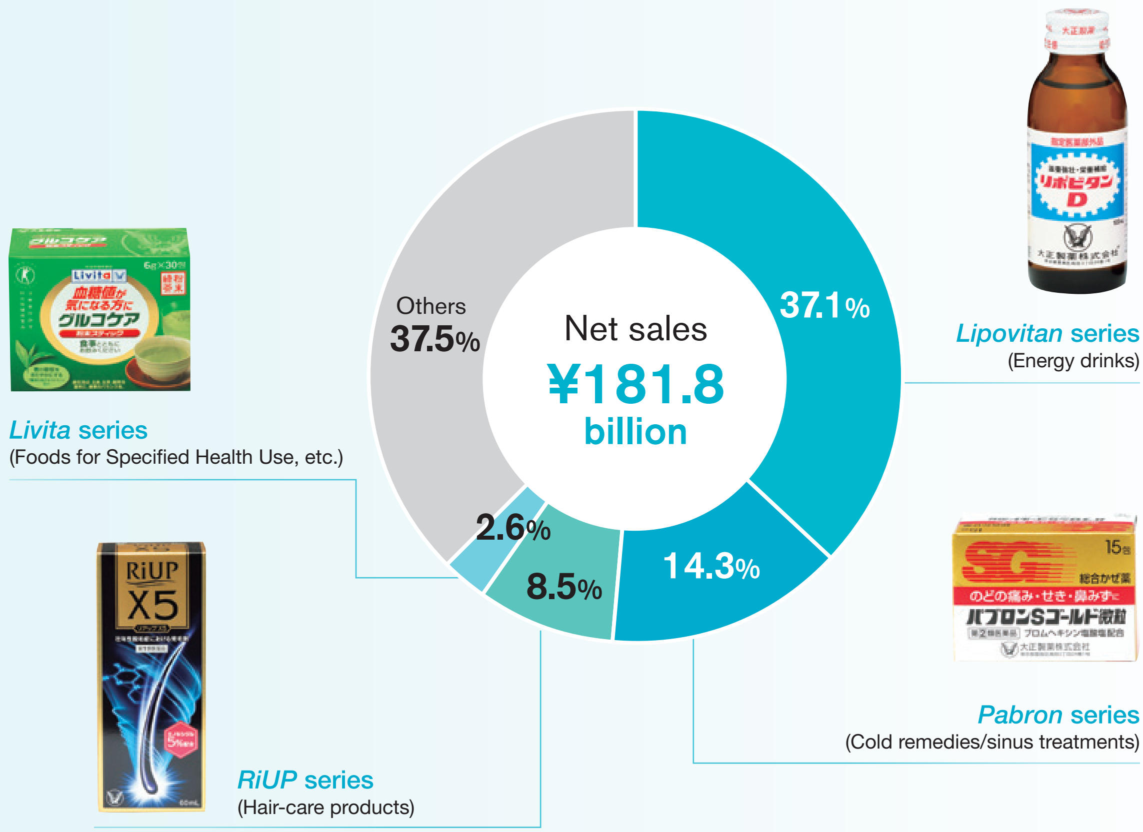
Net Sales (Fiscal years ended March 31)



Self-Medication Operation Group

Sales of Main Products Composition (Fiscal year ended March 31, 2014)

* Calculated in millions of yen.



Business Environment Surrounding the Self-Medication Operation Group

The Japanese market for OTC drugs rose 0.4% in fiscal 2013 to ¥1,110.2 billion, supported partly by a rush to buy ahead of an increase in the consumption tax rate in April 2014. However, the market has continued to contract year by year due to structural factors. Meanwhile, Japan has seen a continuous increase in national healthcare expenditures mainly due to the rapid aging of society and an increased incidence of lifestyle-related diseases. Accordingly, measures to optimize national healthcare expenditures have become a pressing issue. In this climate, the self-medication ethos of looking after one's health is attracting heightened public interest. In fact, the importance of promoting self-medication was incorporated into the Japanese government's national growth strategy. Furthermore, a legal and regulatory framework has been put in place to encourage the proper selection and use of OTC drugs. For example, the amended Pharmaceutical Affairs Act entered force in June 2014, allowing most OTC drugs to be sold over the Internet under certain conditions.

The Taisho Pharmaceutical Group is taking actions such as upgrading its lineups of OTC drugs, Foods for Specified Health Use (FOSHU) and other products, and stepping up the provision of information. These actions are directed at advancing and promoting self-medication in response to changes in the operating environment, such as the ongoing diversification of consumer needs and sales channels, with the view to helping people lead longer and healthier lives.

Key Initiatives and Future Business Development in Japan

The Taisho Pharmaceutical Group is working to adapt to a variety of changes in the operating environment. For example, we are developing and enhancing brands such as the mainstay *Lipovitan* series of energy drinks, the *Pabron* series of cold remedies, the *RiUP* series of hair regrowth treatments, and the *Livita* series centered on FOSHU products. Other measures include creating new demand, along with upgrading and expanding product lineups to pave the way for future growth. We are also working to capture new users.

In terms of key initiatives in fiscal 2013, we launched *Lipovitan Feel*, a low-calorie energy drink that does not hinder sleep because it contains no caffeine, in April 2013. In the *Livita* series, we are nurturing and enhancing products such as *Fatcare Stick Café* and *Middlecare Granules*, which were launched in July 2012. In the *Taisho Direct* mail order and direct sales service, we upgraded and expanded our product lineup, notably through the launch of *Taisho Knee Supporter* in December 2013 and *Taisho DHA/EPA* health foods (nutritional supplements) in January 2014.

Our business performance was as follows. Overall sales of the *Lipovitan* series of energy drinks increased from the previous fiscal year, partly reflecting the contribution from *Lipovitan Feel*. In the *Pabron* series of cold remedies, although sales of the mainstay general cold remedies were up from the previous fiscal year, nasal inflammation-related products were down due to low airborne pollen counts. Consequently, overall sales declined from the previous fiscal year. Looking at the *RiUP* series of hair regrowth treatments, overall sales increased, due to growth in sales of *RiUP X5*. However, the higher sales were partly a reflection of a rush in demand ahead of the consumption tax hike in April 2014. Overall sales of the *Livita* series, which is centered on FOSHU products, fell compared to the previous fiscal year, although sales of the powder product series, notably *Glucocare Powder Stick*, remained strong.

In addition, to address the recently increasing needs of consumers for throat lozenges that are low-calorie and sugarless, we added three new flavors of sugarless throat lozenges to the *VICKS* series of medicated drops in August 2014.

Main products in the *Livita* series

Main products in the direct sales business
The main direct sales products are health foods and skin care products.
We upgraded and expanded our product lineup in response to the diversifying needs of our customers.

New products in the *VICKS* series

Key Initiatives and Future Business Development Overseas

We are strengthening the self-medication business in regions centered on Southeast Asia, where markets are expected to continue expanding on the back of population growth and economic expansion. We are enlarging the OTC drug business by leveraging the solid platform we acquired when entering the region in earnest in 2009, centered on Indonesia, Thailand, Malaysia, and the Philippines.

In the overseas business, sales increased by 44.5% to ¥25.4 billion due partly to the full-year contribution of net sales of the OTC drug business of Osotspa Taisho Pharmaceutical in Thailand, as well as CICSA in Mexico. The trend towards a weaker yen also had a beneficial effect.

We acquired brand assets *Flanax*, the trademark for the anti-inflammatory analgesic held by the Roche Group in the Philippines, in February 2014. *Flanax* is one of the leading brands in the market for anti-inflammatory analgesics in the Philippines. The Taisho Pharmaceutical Group already markets the antipyretic analgesic brand *Tempra* in the Philippines. By adding *Flanax* to the product lineup, the Group will further reinforce its business base in the Philippines, and strive to capture synergies with existing businesses, in an effort to attain further earnings growth.

In energy drinks, we will expand our range of products and sales promotion activities in line with consumer needs in Thailand and other countries centered on Asia, which has been experiencing continuing population growth and economic expansion. Through these measures, we seek to drive growth in our business results.

Main products of overseas businesses

Outline of Main Brands and Products

Lipovitan series

The *Lipovitan* series of energy drinks features a range of products tailored to a multitude of consumer needs, including the low-calorie *Lipovitan Fine* and the caffeine-free *Lipovitan Feel*, as well as the mainstay *Lipovitan D*. These energy drinks are sold through numerous sales channels, including pharmacies, drugstores, supermarkets, and convenience stores.

Pabron series

The *Pabron* series is being developed comprehensively as a total brand for treating cold-related ailments. The product lineup is centered on general cold remedies, but also includes sinus treatments, as well as mouthwash, hand wash and face mask products.

RiUP series

RiUP was launched in 1999 as Japan's only hair regrowth treatment. Today, the product lineup has been augmented with *RiUP X5*, which offers an even higher hair regrowth efficacy, and *RiUP Regenne* for women. As a result, we have also upgraded and expanded the lineup with related products.

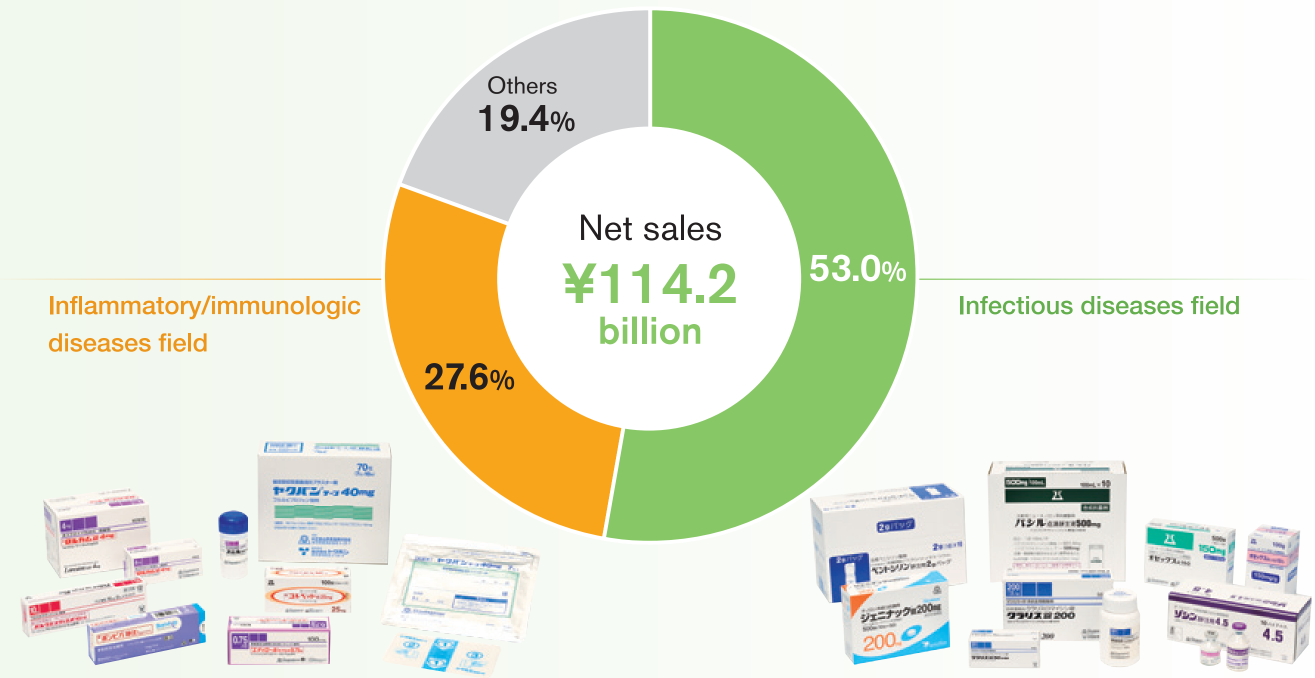
Livita series

Livita was born from the concept of considering one's own health while maintaining physical well-being in the course of daily life. As such, it is a brand that supports healthcare. We offer a diverse array of products centered on FOSHU.

Prescription Pharmaceutical Operation Group

Sales by Field Composition (Fiscal year ended March 31, 2014)

* Calculated in millions of yen.



Business Environment Surrounding the Prescription Pharmaceutical Operation Group

In April 2014, there was a consumption tax rate hike and the introduction of revised reimbursement of medical fees under the national health insurance system in Japan. The rise in the consumption tax rate has resulted in making financial resources available for strengthening the capabilities of medical services. Looking ahead, measures have been implemented to maintain the universal health insurance system amid higher costs caused by low birth rates and the aging of society, and to protect the health of consumers. Moreover, the reimbursement fee revisions have included the strengthening of initiatives to optimize medical costs, including measures to promote the use of generic drugs. At the same time, drug approval processes are becoming stricter at a global level. As a result, the current harsh business environment is expected to continue into the future.

Against this backdrop, it is becoming increasingly important to be able to respond to changing medical needs through further enhancement of information provision and the continuous creation of products that are required by society.

Key Initiatives and Future Business Development

In fiscal 2013, in the infectious diseases field, the Group posted strong sales of *ZOSYN*, a combination antibiotic of penicillin with a beta-lactamase inhibitor, mainly due to sales contributions from *ZOSYN*'s additional indications. This offset a fall in sales of the mainstay macrolide antibiotic *Clarith* and the quinolone antibacterial *OZEX* due to contraction of the market for oral antibacterial agents. As a result, Taisho Toyama Pharmaceutical Co., Ltd. continued to increase its share of the Japanese market for antibacterial agents, capturing a share of 21%. Taisho Toyama Pharmaceutical is playing an increasingly significant role as a leading company in the infectious diseases field. Looking ahead, Taisho Toyama Pharmaceutical will continue striving to provide accurate information to medical professionals by taking full advantage of its expansive product lineup and accumulated expertise.

In the second priority field of inflammatory/immunologic diseases, the osteoporosis agent *Edirol* (an active vitamin D_3 agent) increased its penetration of the market for osteoporosis agents, with *Edirol* sales growing substantially due to the lifting of a restriction on the prescription period in April 2012. In addition, the bisphosphonate-based osteoporosis treatment, *Bonviva*, launched in August 2013, posted steady growth in sales. We also upgraded and expanded our product lineup in the field. Notably, we commenced sales of TOKUHON's anti-inflammatory analgesic patch formulations, such as *Yakuban*, in April 2013.

Furthermore, we entered the metabolic diseases field with the launch of *Lusefi*, a type 2 diabetes treatment discovered by Taisho Pharmaceutical in May 2014. Through the sale of *Lusefi*, which possesses a new mechanism of action, we will work to develop this new disease field into a third priority field.

PICKUP: Launch of Type 2 Diabetes Treatment *Lusefi*

In May 2014, Taisho Pharmaceutical launched the selective SGLT2 inhibitor *Lusefi* for the indication of type 2 diabetes.

Lusefi is a drug with a new mechanism of action that selectively inhibits sodium-glucose cotransporter 2 (SGLT2). It lowers blood glucose levels by inhibiting reabsorption of glucose in the renal tubule, thus increasing urinary glucose excretion. Taisho Pharmaceutical discovered and developed *Lusefi*, and the product is marketed by Taisho Toyama Pharmaceutical.

The number of people strongly suspected to have diabetes in Japan is currently estimated to be around 9 million. Since *Lusefi* has a different mechanism of action than existing oral antidiabetic drugs, there are high hopes for *Lusefi* to become a novel type 2 diabetes treatment that can be administered in monotherapy as well as in combination with a broad range of antidiabetic drugs.

Furthermore, we took the opportunity of the *Lusefi* launch to host the "Diabetes Forum: A New Chapter in Diabetes Treatment," with Taisho Toyama Pharmaceutical as the main organizer. The forum was attended by a large number of doctors from around Japan. During the forum, lectures and discussions were held on the current state of diabetes treatment and its future outlook, with particular emphasis on the latest information on selective SGLT2 inhibitors.

Through the marketing of *Lusefi*, we hope to provide a new treatment option of type 2 diabetes to many more patients, and develop *Lusefi* into a core earnings driver of the Prescription Pharmaceutical Operation Group going forward.

Type 2 diabetes treatment *Lusefi*

The Diabetes Forum

Outline of Priority Fields and Main Products

Infectious diseases field

We offer an expansive array of products ranging from oral to injection formulations centered on *Clarith*, a macrolide antibiotic, and *ZOSYN*, a combination antibiotic of penicillin with a ß-lactamase inhibitor. Taisho Toyama Pharmaceutical has maintained the top share of the Japanese market for antibacterial agents since fiscal 2009.

Inflammatory/immunologic diseases field

We have launched two osteoporosis agents: the active vitamin D_3 agent *Edirol* in April 2011 and the bisphosphonate antiresorptive agent *Bonviva* in August 2013. Aiming to achieve rapid penetration in expanding markets, we are focusing on establishing the field as a second pillar of sales behind the field of infectious diseases.

Metabolic diseases field

In May 2014, we launched the type 2 diabetes treatment *Lusefi*, which was created by Taisho Pharmaceutical. By leveraging the strengths we have built up over the years, we will endeavor to carve out new disease areas, as we strive to serve the diverse needs of medical professionals.

* Above-mentioned priority fields are for fiscal 2014

New Drug Development

Taisho Pharmaceutical has positioned the four therapeutic areas of infectious diseases, orthopedic disorders, central nervous system (CNS), and metabolic diseases as its priority fields for research and development (R&D). In each of these fields, Taisho Pharmaceutical aims to discover innovative drugs that are required by society and will pave the way for future growth.

Looking at new drug candidates that will follow the type 2 diabetes treatment *Lusefi*, which was launched in May 2014, there are two drugs in development that are currently in Phase 3 clinical trials. The first is TT-063, an anti-inflammatory analgesic patch formulation being co-developed by Taisho Pharmaceutical and TOKUHON with the aim of obtaining an indication for osteoarthritis and other conditions. Comparing TT-063 with therapeutic drugs already on the market, TT-063 was found to be more effective than the control drugs in patients with osteoarthritis of the knee joint (announced in January 2014). The second is CT-064, an oral formulation of osteoporosis treatment agent *Bonviva* launched in August 2013. Taisho Pharmaceutical and Chugai Pharmaceutical Co., Ltd. are currently proceeding with Phase 3 clinical trials of CT-064 primarily to evaluate its efficacy on the bone density of the lumbar vertebrae in osteoporosis patients.

In other areas, TS-091, which was discovered in-house, has transitioned from Phase 1 to Phase 2. Clinical trials of TS-091 commenced in April 2014 to confirm the effectiveness of this drug on patients with central disorders of hypersomnolence. TS-111, another compound discovered in-house, is undergoing Phase 1 clinical trials overseas with the aim of obtaining an indication for depression.

Faced with intensifying competition in new drug discovery, we will jointly implement R&D activities with research institutions outside the Taisho Pharmaceutical Group and with companies in Japan and overseas, as we work to enhance our new drug pipeline (lineup of compounds and drugs in development). Our goal is to continuously discover new drugs, primarily in our priority fields.

New Drug Pipeline (Taisho Pharmaceutical Co., Ltd.)

(As of July 31, 2014)

Name	Formulation	Planned Application	Development Phase				In Japan/ Overseas	Development	Originator
			Phase 1	Phase 2	Phase 3	Filed/ Approved			
TT-063	Topical	Osteoarthritis and other conditions					In Japan	Co-development with TOKUHON	TOKUHON
CT-064	Oral	Osteoporosis					In Japan	Co-development with Chugai Pharmaceutical	Roche
NT-702	Oral	Asthma					In Japan	Co-development with Nissan Chemical	Nissan Chemical
		Intermittent claudication caused by ASO*							
TS-091	Oral	Central disorders of hypersomnolence					In Japan	In-house	Taisho Pharmaceutical
TS-071	Oral	Type 2 diabetes					Overseas	In-house	Taisho Pharmaceutical
TS-111	Oral	Depression					Overseas	In-house	Taisho Pharmaceutical

* ASO: Arteriosclerosis obliterans

Corporate Governance/Corporate Social Responsibility

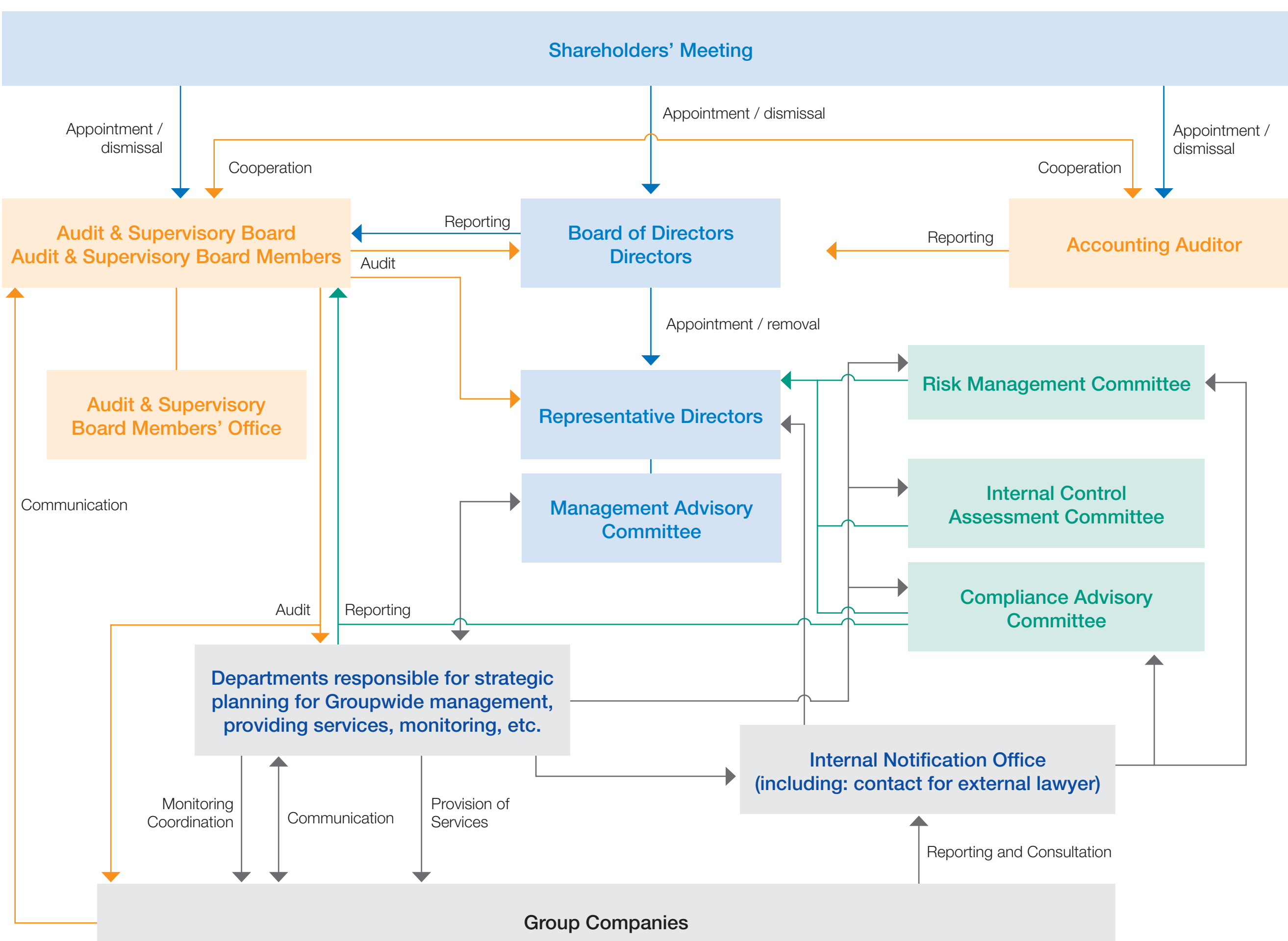
Corporate Governance

1. Basic Approach

The Taisho Pharmaceutical Group's corporate mission is "to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty." To fulfill our corporate mission, we aim to establish even stronger management foundations in line with our management policies to ensure that we continue to achieve steady growth and development amid global competition.

To this end, the Company has positioned the enhancement of corporate governance as a crucial management priority. Accordingly, we have established an appropriate Groupwide business management framework for properly monitoring and supervising the status of business and operational execution at the Company and Group companies. Specifically, our basic approach to corporate governance is to establish a corporate governance structure and properly operate this structure, with the aim of achieving the Group's overall business objectives and fulfilling its social responsibilities. The basic principle behind these efforts is for our Board of Directors, Audit & Supervisory Board members and the Audit & Supervisory Board to work in close collaboration, while properly managing the entire Group by exchanging information with the business management bodies of the Company and Group companies.

Corporate Governance Structure



2. Corporate Governance Structure

Board of Directors and Audit & Supervisory Board

The Company has adopted a corporate governance structure with a Board of Directors and an Audit & Supervisory Board. As of June 27, 2014, the Company has nine directors, one of whom is an external appointee, and four Audit & Supervisory Board members, two of whom are external appointees.

The Board of Directors holds meetings regularly and as necessary, at which the directors make decisions on important matters related to the Company's business execution and Groupwide management and monitor operations undertaken based on their decisions. Also, the Management Advisory Committee, whose members include the Company's representative directors, serves as an advisory body to the Board of Directors, meets on an as-required basis and deliberates important matters, including matters put forward to the Board of Directors. As a result, the Committee further facilitates effective and efficient management decision making.

The Audit & Supervisory Board meets, in principle, at least four times a year, at which meetings its members and accounting auditors present reports on the status of their audits. These Audit & Supervisory Board members conduct audits encompassing the performance of all aspects of directors' duties, in line with audit policies and plans formulated in accordance with standards for audits which have been established by Audit & Supervisory Board members.

Meanwhile, the Company has set up various committees to address a variety of across-the-board business management issues faced by the Company and Group companies. These committees include the Risk Management Committee, the Compliance Advisory Committee and the Internal Control Assessment Committee. The Company implements Groupwide monitoring of various issues in each field, and has a reporting system in place to ensure that appropriate information is communicated to business managers at the Company and various Group companies.

Compensation of Directors and Audit & Supervisory Board Members

The Company has decided, based on a resolution at the Ordinary General Meeting of Shareholders held on June 28, 2012, to introduce stock options (stock acquisition rights) for a stock-linked compensation plan, in lieu of retirement bonuses, for the Company's directors (excluding outside directors). This was done to provide the directors with further incentive and motivation to contribute to the improvement of business results and corporate value over the medium and long terms.

(Millions of yen)

Directors and members category	Total amount of compensation	Total amount by type of compensation		Number of eligible directors/ members
		Basic compensation	Stock options	
Directors (excluding outside directors)	¥218	¥184	¥33	9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	25	25	—	2
Outside Board members	27	27	—	4

Internal Control

Development of Internal Control System

The Company approved the Fundamental Internal Control Policies at a Board of Directors' meeting held on October 3, 2011, the incorporation date of the Company.

The Company has developed various in-house systems and regulations that provide the basis for internal control. We are working to promote Groupwide understanding and adherence to these systems and regulations, in order to ensure proper implementation. Also, the Company has established a structure to monitor whether business operations are conducted appropriately and efficiently based on laws and ordinances, and various in-house systems and regulations. This structure is underpinned by the Audit Division, the Compliance Management Section, the Legal Division, the Financial Division, and the Overseas Business Management Division.

Internal Audits and Audits by Audit & Supervisory Board Members

The Audit Division is a dedicated audit organization independent of the Company's lines of business execution, consisting of six staff members as of June 27, 2014. The Audit Division formulates an audit plan according to the significance of various risks every year, based on which it performs internal audits in accordance with the Company's internal auditing regulations. In addition, the Audit Division maintains close contact with the audit organizations established within Group companies, with the view to overseeing and managing the implementation of internal audits by Group companies.

Compliance

As a company active in the life science field, we have formulated the Declaration of Corporate Conduct and our Code of Conduct, both of which are based on our management philosophy, to promote more practical compliance activities. With the Compliance Management Section as the supervising entity, we have built a Companywide framework for rigorously enforcing compliance. On this basis, we continuously conduct employee education, while striving to rigorously ensure that employees observe legal compliance and corporate ethics in the conduct of their respective duties. By appointing compliance promotion staff at each business unit, we have put a monitoring system in place to promptly identify compliance issues. Furthermore, we have established the Compliance Advisory Committee and compliance hotlines for internal or external whistle-blowing.

Risk Management System

The Company has established a Risk Management Committee for initiating response measures depending on the nature, magnitude and other aspects of risks. In addition, we manage risks associated with management strategies by consulting with the representative directors and other members of top management on the implementation of rapid and flexible responses as necessary.

The Company has established the Risk Management Coordination Section to set up a system for conducting inspections and providing advice and guidance on all aspects of risk management activities. While identifying risks that could materialize, the Risk Management Coordination Section is working to enhance risk management so that various organizations within the Company can prepare for and respond flexibly to a variety of risks.

Corporate Social Responsibility

1. Quality Assurance Measures

The Taisho Pharmaceutical Group considers it important to establish and maintain a system for enhancing quality assurance, to improve this system, and to continuously review its initiatives to ensure they are appropriate. The Group's main company, Taisho Pharmaceutical, has established a Quality Assurance Head Office (QA Head Office) in an effort to promote quality assurance at each stage of its business activities, from R&D through manufacture, sales and post-marketing operations. The Company approaches quality assurance from four different perspectives. We act so as to satisfy requirements from all four of these perspectives. In addition, quality assurance activities are implemented to ensure that the requirements are satisfied from each perspective. The QA Head Office's role is to assess whether the quality and safety of the Company's products are scientifically assured, while ensuring conformity with laws and regulations. In addition, the QA Head Office implements quality assurance and safety management following manufacture and sales, auditing clinical trials, and planning and proposing quality assurance activities for tests being carried out at research centers.

Below are the Group's fundamental philosophy and fundamental policies for quality assurance.

Four Quality Assurance Perspectives

2. Social Contribution and Environmental Preservation Activities

The Taisho Pharmaceutical Group promotes environmentally friendly business activities across all corporate business operations, from R&D to sales of products. Initiatives include measures to curb CO_2 emissions along with steps to prevent air pollution and water contamination. The Group also conducts activities in support of research in life science-related fields. The Uehara Memorial Foundation that the Group established in 1985 provides research grants to people conducting research in the life sciences, and has also held some international symposiums. In addition, the Group is engaged in corporate citizenship activities, including promotion of self-medication and contributions to sports and the arts.

Fundamental Philosophy for Quality Assurance

We constantly strive to ensure product safety and to enhance product quality from the consumer's perspective. And we are dedicated to the satisfaction and peace of mind of our customers. This commitment is unwavering.

Fundamental Policies for Quality Assurance

1. (Stance) We will listen to consumers and meet their expectations.
2. (Technology) We will constantly aim for the most advanced technology, adopting a global perspective.
3. (Self-management) We will constantly work on self-management activities that ensure the reliability of our activities.

Management's Discussion and Analysis

- Net sales for fiscal 2013 rose 3.8% year on year, and operating income increased 18.0% year on year.
- Total assets as of March 31, 2014 were up 7.7% from a year earlier.
- Net sales for fiscal 2014 are forecast to increase 1.0%. However, operating income is projected to decline 26.8%, after factoring in various cost increases for the purpose of improving future profitability.

Company Overview

The Taisho Pharmaceutical Group is made up of Taisho Pharmaceutical Holdings Co., Ltd. and its 37 subsidiaries and three affiliated companies. Our main businesses are operated by the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group. The Self-Medication Operation Group handles the research, development, manufacture and sale of over-the-counter (OTC) drugs, quasi-drug products, food products, and medical and other healthcare supplies. The Prescription Pharmaceutical Operation Group carries out the research, development, manufacture and sale of prescription pharmaceuticals.

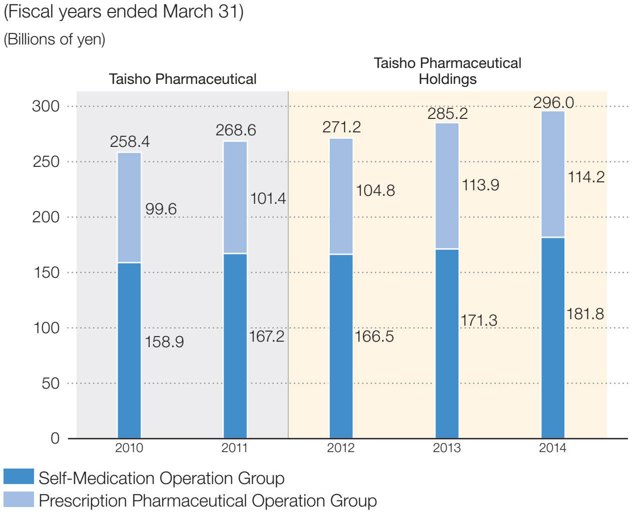
Operating Results

During fiscal 2013, ended March 31, 2014, the Japanese economy continued along a path of moderate recovery, characterized by the yen's depreciation, rising stock prices, increases in exports and investment, and growth in personal consumption, mainly reflecting the effects of the government's economic policies. In the economies of Asia, where the main markets of the Taisho Pharmaceutical Group's overseas businesses are located, despite a temporary slowdown in the pace of growth in ASEAN countries, the overall trend continued to be one of recovery.

Looking at the pharmaceuticals industry, in the Self-Medication Operation Group's main business field, the OTC drug market, sales of products including energy drinks, nasal inflammation treatments and eye drops were down from the previous fiscal year throughout the period. Nevertheless, as there was growth in some categories including topical anti-inflammatory analgesic drugs, antipyretic analgesics and hair-care products, partly on the back of the rush in demand ahead of the consumption tax rate hike, this field was at about the same level as the previous fiscal year overall. In the Prescription Pharmaceutical Operation Group, a difficult business environment continued as a result of the discovery

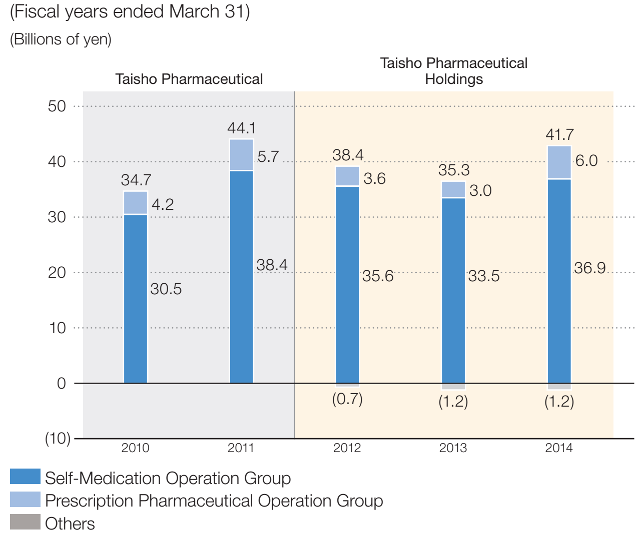
Net Sales Composition by Segment

(Fiscal years ended March 31)



Operating Income Composition by Segment

(Fiscal years ended March 31)



of new drugs becoming difficult, drug approval processes becoming stricter at a global level, and the steady penetration of various government measures designed to curb healthcare costs.

Net Sales

In this business environment, the Company's Self-Medication Operation Group strengthened the provision of information and in-store sales promotions and actively focused efforts in growing fields, such as lifestyle diseases. Alongside these efforts, it took up the challenge of developing new businesses and categories while working to energize the OTC drug market domestically. It also made concerted efforts to develop its energy drink business and its OTC drug business overseas, mainly in Asia.

The Prescription Pharmaceutical Operation Group dedicated itself to the ongoing discovery of original substances and the acceleration of development efforts while strengthening marketing capabilities by focusing on the provision of information.

As a result of these business activities, net sales for fiscal 2013 increased by ¥10,789 million, or 3.8%, year on year to ¥295,957 million.

Gross Profit and Operating Income

Gross profit rose ¥8,483 million to ¥184,693 million. Selling, general and administrative expenses increased ¥2,136 million, or 1.5%, to ¥143,009 million, mainly due to higher sales promotion costs, despite a decrease in R&D expenditures. Consequently, operating income increased ¥6,346 million, or 18.0%, to ¥41,683 million. The operating income margin increased 1.7 percentage points to 14.1%.

R&D Expenditures

The Taisho Pharmaceutical Group conducts vigorous R&D activities centered on prescription pharmaceuticals. In fiscal 2013, R&D expenditures were ¥21,874 million, a decrease of ¥1,456 million, or 6.2%, year on year. R&D expenditures as a percentage of net sales were 7.4%.

In the Self-Medication Operation Group, we are carrying out R&D focused on new products that are safe and highly effective by applying our extensive base of knowledge, data, technology and other assets developed to date in R&D. These R&D activities are conducted in the lifestyle-related disease field, including health foods, in addition to the existing fields of therapeutic drugs and energy drinks. R&D expenditures in the Self-Medication Operation Group were ¥5,790 million, a decrease of ¥118 million, or 2.0%, year on year.

In the Prescription Pharmaceutical Operation Group, R&D activities have been focused on creating highly unique new drugs that will succeed in markets worldwide. R&D expenditures in the Prescription Pharmaceutical Operation Group were ¥16,084 million, a decrease of ¥1,339 million, or 7.7%, year on year.

Net Sales of Main Products (Self-Medication Operation Group) (Fiscal years ended March 31)

	Billions of yen				
	2010	2011	2012	2013	**2014**
Japan	¥149.2	¥153.1	¥150.8	¥151.1	**¥153.9**
Lipovitan series	70.8	71.1	69.3	66.8	**67.5**
Lipovitan D	49.4	48.9	47.4	44.7	**44.3**
Others	21.4	22.2	21.8	22.0	**23.2**
Pabron series	24.9	25.7	25.8	26.1	**26.0**
RiUP series	12.7	14.9	14.2	13.9	**15.6**
Livita series	3.1	3.6	4.0	4.7	**4.7**
Gastrointestinal treatment series	4.3	4.3	4.3	4.3	**4.3**
NARON series	4.4	4.6	4.1	4.1	**4.1**
Colac series	3.9	3.9	3.8	3.7	**3.6**
ZENA series	3.5	3.3	3.3	3.1	**3.3**
Overseas	7.6	12.1	13.4	17.6	**25.4**
Energy drinks	5.5	6.3	6.4	7.1	**9.0**
OTC drugs	1.3	5.1	6.2	9.6	**15.5**

Ordinary Income and Net Income

Non-operating income increased ¥688 million, or 7.6%, to ¥9,700 million, owing mainly to an increase in equity in earnings of affiliated companies. Non-operating expenses decreased ¥34 million, or 20%, to ¥140 million, mostly unchanged from the previous fiscal year. Consequently, ordinary income was up ¥7,070 million, or 16.0%, to ¥51,244 million.

Extraordinary income declined ¥1,429 million, or 89.0%, to ¥177 million, mainly due to a decrease in gain on sales of fixed assets. Extraordinary expenses declined ¥2,466 million, or 95.9%, to ¥105 million, mainly due to a decrease in devaluation loss on investment securities. As a result, income before income taxes and minority interests was ¥51,316 million, an increase of ¥8,107 million, or 18.8%.

After adjusting for income taxes and minority interests in consolidated subsidiaries, net income was ¥32,692 million, an increase of ¥6,372 million, or 24.2%, year on year. Net income per share was ¥403.18, an increase of ¥77.92. Return on equity was 5.6%, up 0.8 of a percentage point. Diluted net income per share was ¥403.07.

Segment Information

* Increase/decrease in monetary amounts have been calculated using million-yen units.

Self-Medication Operation Group

Segment net sales increased ¥10,482 million, or 6.1%, to ¥181,753 million.

With regard to the *Lipovitan* series of energy drinks, overall sales of the *Lipovitan* series of energy drinks were ¥67.5 billion, an increase of 1.1% year on year. This was partly due to the contribution from the caffeine-free, low calorie energy drink *Lipovitan Feel*, which was launched in April 2013, although sales of the mainstay *Lipovitan D* energy drinks dropped 1.0% from the previous fiscal year. Overall sales of the *Pabron* series of cold remedies decreased 0.3% to ¥26.0 billion. This mainly reflected a decline in sales of rhinitis-related products from the previous year, despite higher sales of mainstay general cold remedies.

Overall sales of the *RiUP* series of hair regrowth treatments increased 11.5% to ¥15.6 billion, partly due to a rush in demand ahead of the consumption tax rate hike in April 2014.

In other brands, sales of the gastrointestinal treatment series were mostly unchanged at ¥4.3 billion. Sales of the *NARON* series of antipyretic analgesics were ¥4.1 billion, up 0.3% from the previous fiscal year, and sales of the *ZENA* series of energy mini-drinks increased 4.0% to ¥3.3 billion. Sales of the *VICKS* series increased by 3.1% to ¥3.2 billion. On the other hand, sales of the *Livita* series included in Foods for Specified Health Use, etc., decreased 1.7% to ¥4.7 billion. Sales of the *Colac* series of constipation-related treatments declined 2.2% to ¥3.6 billion.

Meanwhile, in overseas OTC drug business, which we are developing in earnest, sales increased by 62.0% to ¥15.5 billion. This reflected the contribution to sales of the OTC drug business of Osotspa Taisho Pharmaceutical and CICSA in Mexico, which were acquired in July 2012. Sales also benefited partly from the yen's depreciation, which has continued since the end of 2012.

Net Sales of Main Products (Prescription Pharmaceutical Operation Group) (Fiscal years ended March 31)

	Billions of yen				
	2010	2011	2012	2013	**2014**
ZOSYN	¥10.7	¥14.8	¥17.6	¥21.5	**¥25.4**
Clarith	23.3	22.9	21.6	19.0	**16.4**
Edirol	—	—	1.8	8.8	**14.1**
Palux	10.8	10.2	9.4	8.5	**7.9**
OZEX	2.8	4.1	6.1	8.2	**7.2**
Geninax	4.8	4.5	6.1	6.1	**6.8**
Lorcam	3.7	3.6	3.3	3.0	**2.7**
PENTCILLIN	4.3	3.8	3.0	2.3	**2.0**
TOMIRON	2.5	2.5	2.2	2.0	**1.8**

Consolidated Financial Results (Fiscal years ended March 31)

	Taisho Pharmaceutical		Taisho Pharmaceutical Holdings		
	Millions of yen				
	2010	2011	2012	2013	2014
Sales					
Self-Medication Operation Group	¥158,851	¥167,195	¥166,467	¥171,271	**¥181,753**
Japan	149,177	153,101	150,775	151,137	**153,856**
Overseas	7,565	12,144	13,371	17,561	**25,379**
Others	2,109	1,950	2,321	2,572	**2,516**
Prescription Pharmaceutical Operation Group	99,590	101,436	104,763	113,896	**114,204**
Ethical drugs	89,612	93,172	96,512	105,437	**111,289**
Intermediated products, etc.	9,458	7,919	7,918	8,099	**2,587**
Royalty income	520	345	333	359	**326**
Segment assets:					
Self-Medication Operation Group	215,667	249,088	234,245	251,016	**275,361**
Prescription Pharmaceutical Operation Group	149,874	161,222	153,947	156,989	**161,332**
Depreciation*:					
Self-Medication Operation Group	8,588	8,935	8,702	8,516	**9,155**
Prescription Pharmaceutical Operation Group	2,944	2,789	2,540	2,435	**1,887**

*Depreciation includes amortization of long-term prepaid expenses.

Prescription Pharmaceutical Operation Group

Segment net sales increased ¥308 million, or 0.3%, to ¥114,204 million.

Looking at the main contributing factors, sales of *ZOSYN*, an injectable penicillin-derivative and ß-lactamase inhibitor combination antibiotic, increased 18.3% to ¥25.4 billion, and sales of the osteoporosis agent *Edirol* rose 60.6% to ¥14.1 billion. In addition, sales of *Geninax*, a quinolone antibacterial agent, increased 12.1% to ¥6.8 billion. On the other hand, sales of the macrolide antibiotic *Clarith* declined 13.5% to ¥16.4 billion, sales of the peripheral vasodilator *Palux* decreased 7.6% to ¥7.9 billion, and sales of *OZEX*, a new quinolone antibacterial agent, decreased 12.3% to ¥7.2 billion.

Sales of intermediate products for medical use decreased 68.1% to ¥2.6 billion, mainly due to the expiry of supply contracts for some products.

Financial Position

The Company's financial policy calls for maintaining appropriate liquidity, securing sufficient working capital for corporate business activities and ensuring sound balance sheets.

Total assets stood at ¥728,442 million as of March 31, 2014, an increase of ¥52,054 million, or 7.7%, from a year earlier. Current assets totaled ¥281,045 million, up ¥26,719 million, or 10.5%, from the year before, while fixed assets totaled ¥447,396 million, increasing ¥25,335 million, or 6.0%.

The increase in current assets was mainly attributable to an increase of ¥28,017 million in cash and cash and deposits from a year earlier, and an increase of ¥1,288 million in inventories from a year ago. These increases were partly offset by a decrease of ¥5,232 million in notes and accounts receivable, trade from a year earlier.

The increase in fixed assets was mainly due to an increase of ¥2,664 million, or 2.6%, in tangible fixed assets to ¥103,580 million. Another factor was an increase in intangible assets of ¥4,400 million, or 9.9%, to ¥48,777 million.

Investments and other assets increased ¥18,271 million, or 6.6%, to ¥295,037 million.

Total liabilities stood at ¥116,509 million as of March 31, 2014, an increase of ¥18,280 million, or 18.6%. Current liabilities rose ¥13,216 million, or 21.0%, to ¥76,050 million. Long-term liabilities increased ¥5,063 million, or 14.3%, to ¥40,458 million.

Net assets stood at ¥611,933 million as of March 31, 2014, up ¥33,774 million, or 5.8%. This mainly reflected an increase of ¥23,766 million in retained earnings from the previous fiscal year-end. Net unrealized gains/losses on securities rose ¥6,594 million from March 31, 2013, while foreign currency translation adjustments increased ¥6,910 million from the same date. There was an increase of ¥152 million in treasury stock, which is deducted from net assets, from the previous fiscal year-end. Net assets were reduced by remeasurements of defined benefit plans of ¥2,750 million, in line with a change in accounting standards.

As a result, the equity ratio declined 1.2 percentage points from March 31, 2013 to 82.4%. Net assets per share were ¥7,401.61.

Cash Flows

Cash and cash equivalents increased ¥30,017 million from the year before to ¥136,134 million as of March 31, 2014.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥60,233 million, an increase of ¥18,941 million from the year before. This was largely due to income before income taxes and minority interests of ¥51,316 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥21,998 million, an increase of ¥12,639 million year on year. Cash was mainly used for payments for purchases of investment securities of ¥23,014 million.

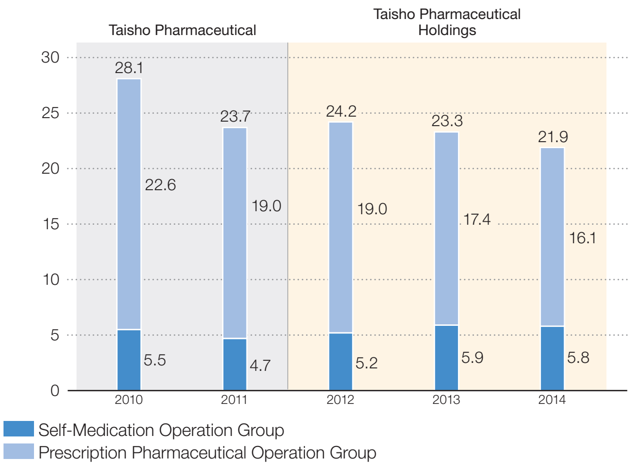
Cash Flows from Financing Activities

Net cash used in financing activities was ¥9,439 million, a decrease of ¥625 million year on year. Cash was mainly used for the payment of cash dividends totaling ¥8,894 million.

Research and Development Expenditures

(Fiscal years ended March 31)

(Billions of yen)



Capital Expenditures

As part of ongoing efforts to expand our business operations, the Taisho Pharmaceutical Group undertook capital expenditures totaling ¥10,401 million during fiscal 2013. Principal components included ¥3,198 million used for the construction of a new Osaka Distribution Center.

There was no material impact on our production capacity following the sale, disposal or loss of fixed assets.

Human Resources

The total number of employees as of March 31, 2014 was 6,381, an increase of 11 from a year earlier. Among the total, the Self-Medication Operation Group accounted for 2,912 employees, a decrease of 19 employees year on year, while the Prescription Pharmaceutical Operation Group accounted for 1,899 employees, an increase of 7 employees year on year. There were also 1,570 employees engaged in Companywide operations not allocable to any specific segment, an increase of 23 employees year on year.

Basic Earnings Distribution Policy

The Company's basic earnings distribution policy is to maintain a stable dividend while ensuring sufficient internal reserves to build a stronger enterprise. Aimed at strengthening our competitiveness and achieving business expansion, these internal reserves will be used for R&D, capital investment, product in-licensing, capital and business alliances and new business development. In addition, with due consideration given to the funds required for such investments, we plan to repurchase treasury stock in a flexible manner, aiming to improve capital efficiency and implement an agile financial policy.

The Company's dividend policy is to pay dividends largely in line with our consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of net income excluding extraordinary income/loss. Barring special circumstances, we plan to maintain an annual dividend of at least ¥100 per share, even when the dividend payout ratio exceeds 30%.

For the period under review, the Company declared an annual dividend of ¥110 per share.

The Company's Articles of Incorporation stipulate that "the Company may pay cash dividends from surplus as an interim dividend to shareholders or registered pledgees of shares shown or recorded on the final register of shareholders every September 30, by resolution of the Board of Directors," in accordance with Article 454.5 of the Companies Act of Japan.

Important Management Issues

Self-Medication Operation Group

In the Self-Medication Operation Group (which handles OTC drugs and health-related products), the Company will develop fields in response to issues related to the aging of society and heightened health consciousness among consumers, such as metabolic syndrome, and step up product development that meets the needs of consumers.

In the area of sales and marketing, the Company will strive to further increase the brand value it has built over many years, including the *Lipovitan* series, *Pabron* series, and *RiUP* series, and work to nurture new brands such as *Livita*. The Company will also focus on further strengthening coordination between marketing and sales activities to create demand and strive to enhance direct communication with consumers by expanding new sales channels such as a mail-order system.

Prescription Pharmaceutical Operation Group

In the operating environment of the Prescription Pharmaceutical Operation Group (which handles ethical drugs and related businesses), the hurdles to creating new drugs have risen and development competition has intensified. In response, the Company will focus still more on R&D for highly original new drugs that can be successful internationally, and work to enhance its pipeline (lineup of products under development) by promoting the introduction of promising drug candidates and collaborative development by strengthening alliances with both domestic and overseas companies.

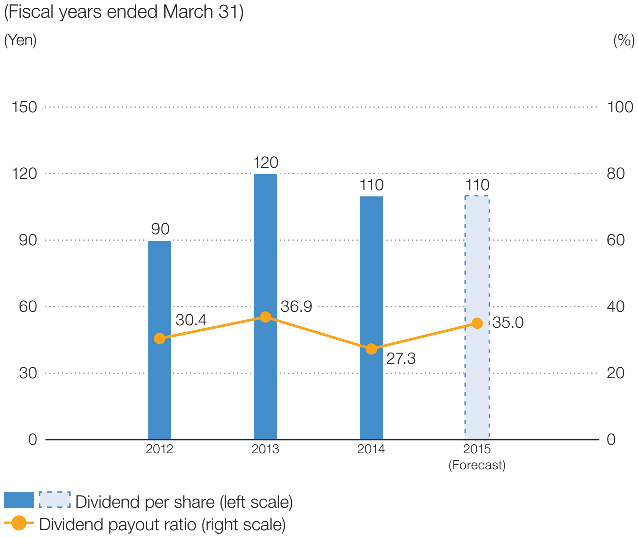
Furthermore, through the accurate provision of detailed information to medical professionals, our consolidated subsidiary, Taisho Toyama Pharmaceutical, will work to fulfill its responsibilities as a leading company in the infectious diseases field. Meanwhile, in view of the growth potential, we will strive to achieve rapid market penetration of osteoporosis agents *Edirol* and *Bonviva*, as well as the type 2 diabetes treatment *Lusefi*, created and launched in 2014 by Taisho Pharmaceutical.

Overseas Operations

Outside Japan, since the acquisition of the OTC drug business of Bristol-Myers Squibb Company (BMS) of the U.S. in fiscal 2009, we have been working to expand its OTC drug business mainly in Southeast Asian countries such as Indonesia, the Philippines, Thailand, and Malaysia. We are also working to enhance the profitability of the energy drink business.

Dividend Per Share and Dividend Payout Ratio

(Fiscal years ended March 31)



Looking ahead, we will make further efforts to strengthen our business foundation, including strengthening our response to pharmaceutical administration and regulations and our product development, and making full use of locally recruited staff in various countries. We will also work to create synergy with the brands we have acquired, and continue striving to further expand the OTC drug business in Southeast Asia and other regions with high growth potential.

Fiscal 2014 Outlook

In fiscal 2014, ending March 31, 2015, the Company expects to post consolidated net sales of ¥299,000 million, up 1.0% compared with fiscal 2013. We have factored into our forecasts various increases in selling, general and administrative expense for the purpose of improving future profitability. Specifically, in the Self-Medication Operation Group, we expect increases in costs including advertising expenses to strengthen and develop brands in the medium term, while in the Prescription Pharmaceutical Operation Group, we expect increases in costs including sales promotion costs mainly for new products and postmarketing surveillance expenses. Consequently, we project operating income of ¥30,500 million, down 26.8%, ordinary income of ¥38,500 million, down 24.9%, and net income of ¥25,500 million, down 22.0%.

Self-Medication Operation Group

For fiscal 2014, we forecast net sales of ¥184,300 million for the Self-Medication Operation Group, up 1.4% year on year. Full-year sales in Japan are expected to decrease by 0.2% to ¥153,500 million. Sales targets for our mainstay products are as follows: the *Lipovitan* series down 0.9% to ¥66.8 billion; the *Pabron* series mostly unchanged at ¥26.0 billion; and the *RiUP* series down 8.9% to ¥14.2 billion, factoring in a projected downturn in demand in the wake of a rush to purchase ahead of the consumption tax rate hike in April 2014. Full-year overseas sales are expected to increase 9.1% to ¥27.7 billion. Taking into consideration higher projected sales at Osotspa Taisho Pharmaceutical and other factors, we are forecasting higher overseas sales in fiscal 2014. OTC drug sales are projected at ¥17.2 billion, up 11.1%, and energy drink sales are projected at ¥9.6 billion, up 7.1%.

Prescription Pharmaceutical Operation Group

For fiscal 2014, the Prescription Pharmaceutical Operation Group is forecasting net sales of ¥114,700 million, up 0.4% compared with fiscal 2013.

Sales of ethical drugs are projected to increase 0.2% to ¥111,500 million. The Company has set higher sales targets for the following products: *Edirol*, up 10.3% to ¥15.5 billion, *ZOSYN*, up 6.3% to ¥27.0 billion, and *Bonviva*, up 144.5% to ¥3.0 billion. *Bonviva* was launched in August 2013. On the other hand, partly due to the expected effects of NHI drug price revisions, we have set lower sales targets for the following products: *Clarith*, down 11.6% to ¥14.5 billion; *Palux*, down 11.2% to ¥7.0 billion; and *OZEX*, down 4.1% to ¥6.9 billion.

We expect sales of intermediate products, etc., to increase 0.5% to ¥2,600 million.

Business and Other Risks

The Taisho Pharmaceutical Group faces various risks in the course of developing business. Among these risks, the primary risks that could have a material impact on investors' decisions are highlighted as follows.

Forward-looking statements mentioned in this discussion of risks reflect management's beliefs and judgments as of March 31, 2014.

1. Legal risks and risks related to healthcare policy

Our operations are subject to laws and regulations governing pharmaceutical affairs. A number of different approval and permission systems exist at each stage of pharmaceutical operations, including research, development, manufacture, import and distribution. Consequently, there is a risk that any of our products could fail to conform to regulations at one of these stages, or that previously granted approvals could be revoked. Among other risks, depending on trends in healthcare policy, health insurance systems and other changes, we may also face the risk of a decline in pharmaceutical prices.

2. Risks involving pharmaceutical quality, side effects and other issues

We do our utmost to guarantee the reliability and quality of our pharmaceutical and other products. Nevertheless, unanticipated side effects, accidents and other factors could force us to recall or halt the sales of the pharmaceutical and other products affected or incur claims for damage.

3. Risks involving pharmaceutical development and commercialization

The development of pharmaceuticals is a lengthy process and requires a substantial amount of research and development investment. There is an element of uncertainty inherent in the successful launch of products and businesses.

4. Risks involving intellectual property rights

If we are not properly protected by our intellectual property rights, there is a risk that a third party might use our technology and other intellectual property to undermine our market competitiveness. Similarly, there is the risk that we might encroach on the intellectual property rights of third parties.

5. Risks related to patent expiry

Although we strive to extend product life cycles, sales could be negatively impacted by, for example, the emergence of a generic drug or a switch to an OTC drug produced following the expiration of a patent.

6. Risks from lawsuits

We face the possibility of lawsuits in the course of our business activities related to product liability, environmental issues and other matters.

7. Risks from fluctuations in foreign currency exchange rates

Fluctuations in foreign currency exchange rates could affect royalties denominated in foreign currencies received from outside Japan, commercial transactions and other factors, thus impacting our operating results.

8. Other risks

Due to various events, including sudden earthquakes, tsunamis and other natural disasters and the deterioration of the social order at the overseas locations where we operate, we could suffer major setbacks, such as the destruction of our business sites and infrastructure or the need to downsize or withdraw from businesses.

In addition, there are a variety of other risks involved, including those associated with the external procurement of raw materials and a dependency on the licenses of products developed by other companies.

Please note, therefore, that the aforementioned risks do not constitute all the risks inherent in the Company's business activities.

Consolidated Balance Sheet

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2013	2014	2014
Current assets:			
Cash and deposits (Notes 8 and 10)	¥ 117,303	¥ 145,320	$ 1,412,524
Notes and accounts receivable, trade (Note 10)	83,740	78,508	763,100
Marketable securities (Notes 8, 10 and 11)	14,426	14,084	136,898
Inventories	25,833	27,121	263,618
Deferred income taxes (Note 15)	6,522	8,028	78,028
Other current assets (Note 17)	7,064	8,424	81,885
Allowance for doubtful accounts (Note 10)	(562)	(440)	(4,272)
Total current assets	254,327	281,046	2,731,781
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Note 4)	140,646	146,333	1,422,365
Machinery and equipment	83,564	86,361	839,436
Land (Note 4)	37,774	37,740	366,839
Construction-in-progress	3,661	784	7,618
Others	33,862	33,874	329,258
Accumulated depreciation and impairment loss	(198,590)	(201,511)	(1,958,704)
Total tangible fixed assets	100,917	103,581	1,006,813
Intangible assets:			
Goodwill	21,746	22,991	223,470
Sales rights	8,199	7,186	69,844
Others	14,433	18,602	180,811
Total intangible assets	44,378	48,778	474,125
Investments and other assets:			
Investment securities (Notes 10 and 11)	208,006	226,982	2,206,280
Investment securities in affiliates	49,576	51,779	503,295
Investments in capital of subsidiaries and affiliates	1,174	1,174	11,415
Long-term prepaid expenses	930	858	8,342
Net defined benefit assets (Note 13)	—	2,586	25,139
Deferred income taxes (Note 15)	7,268	7,668	74,530
Other assets	9,934	4,217	40,985
Allowance for doubtful accounts	(122)	(226)	(2,201)
Total investments and other assets	276,767	295,038	2,867,785
Total fixed assets	422,061	447,397	4,348,724
Total assets (Note 16)	¥ 676,388	¥ 728,442	$ 7,080,505

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Notes and accounts payable, trade	¥ 28,352	¥ 27,859	$ 270,792
Accounts payable (Note 17)	12,535	14,784	143,699
Accrued income taxes (Note 15)	3,710	11,518	111,954
Accrued expenses	8,895	10,411	101,197
Provision for sales returns	529	518	5,036
Accrued bonuses to employees	4,663	4,631	45,012
Other current liabilities	4,151	6,330	61,530
Total current liabilities	62,835	76,051	739,219
Long-term liabilities:			
Accrued retirement benefits for employees (Note 13)	18,213	—	—
Accrued retirement benefits for directors and corporate auditors	1,667	1,640	15,943
Net defined benefit liabilities (Note 13)	—	19,584	190,360
Deferred income taxes (Note 15)	10,904	14,390	139,870
Other long-term liabilities (Note 4)	4,611	4,844	47,085
Total long-term liabilities	35,395	40,458	393,259
Net Assets:			
Shareholders' equity:			
Common stock (Note 7)			
Authorized—			
2013: 360,000 thousand shares			
2014: 360,000 thousand shares			
Issued—			
2013: 90,139 thousand shares			
2014: 90,139 thousand shares	30,000	30,000	291,602
Capital surplus	15,270	15,270	148,423
Retained earnings	567,810	591,576	5,750,151
Treasury stock, at cost (Note 7)			
(2013: 9,044 thousand shares, 2014: 9,065 thousand shares)	(57,397)	(57,549)	(559,378)
Total shareholder's equity	555,683	579,296	5,630,798
Accumulated other comprehensive income:			
Net unrealized gains/losses on securities	16,045	22,639	220,056
Foreign currency translation adjustments	(6,014)	896	8,712
Remeasurements of defined benefit plans	—	(2,751)	(26,736)
Total accumulated other comprehensive income	10,031	20,785	202,032
Subscription rights to shares	92	181	1,758
Minority interests in consolidated subsidiaries	12,353	11,671	113,440
Total net assets	578,159	611,933	5,948,027
Total liabilities and net assets	¥676,388	¥728,442	$7,080,505

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Net sales (Note 16)	¥285,168	¥295,958	$2,876,727
Cost of sales	108,958	111,264	1,081,492
Gross profit	176,210	184,694	1,795,235
Selling, general and administrative expenses (Note 5)	140,873	143,010	1,390,064
Operating income (Note 16)	35,337	41,684	405,170
Non-operating income:			
Interest income	5,326	5,296	51,481
Dividend income	1,119	1,203	11,691
Equity in earnings of affiliated companies	1,590	2,473	24,042
Others (Note 17)	977	728	7,078
	9,012	9,701	94,292
Non-operating expense:			
Interest expense	17	3	27
Commission fee	111	106	1,034
Others	47	32	307
	176	141	1,367
Ordinary income	44,173	51,244	498,095
Extraordinary income:			
Gain on sales of fixed assets (Note 5)	1,607	121	1,174
Gain on sales of investment securities	—	57	551
	1,607	177	1,725
Extraordinary loss:			
Loss on disposal of fixed assets (Note 5)	240	105	1,023
Devaluation loss on investment securities	2,199	—	—
Special retirement expenses	68	—	—
Loss on abandonment of inventories	65	—	—
	2,572	105	1,023
Income before income taxes and minority interests	43,208	51,316	498,796
Income taxes (Note 15)**:**			
Current	11,461	17,662	171,678
Deferred	4,169	(356)	(3,464)
	15,631	17,306	168,214
Income before minority interests	27,578	34,010	330,582
Minority interests in consolidated subsidiaries	1,257	1,318	12,807
Net income	¥ 26,320	¥ 32,693	$ 317,775

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥27,578	**¥34,010**	**$330,582**
Other comprehensive income:			
Unrealized gain on securities	10,476	**6,509**	**63,268**
Foreign currency translation adjustments	5,087	**6,933**	**67,393**
Share of other comprehensive income of associates accounted for using equity method	960	**83**	**807**
Total other comprehensive income	16,523	**13,525**	**131,468**
Comprehensive income	¥44,101	**¥47,536**	**$462,050**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥42,683	**¥46,198**	**$449,043**
Comprehensive income attributable to minority interests	1,418	**1,338**	**13,007**

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Re-measurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2012	¥30,000	¥15,000	¥550,605	¥(61,897)	¥533,709	¥ 4,748	¥(11,080)	—	¥ (6,332)	—	¥11,290	¥538,667
Changes in the period												
Purchase of treasury stock				(61)	(61)							(61)
Cancellation of treasury stock		270		4,561	4,831							4,831
Change of scope of consolidation			(223)		(223)							(223)
Dividends			(8,892)		(8,892)							(8,892)
Net income			26,320		26,320							26,320
Effect of changes in the shares of equity-method affiliates				0	0							0
Net changes in items except shareholders' equity						11,296	5,066	—	16,363	92	1,063	17,517
Total changes in the period	—	270	17,205	4,500	21,975	11,296	5,066	—	16,363	92	1,063	39,492
Balance as of March 31, 2013	¥30,000	¥15,270	¥567,810	¥(57,397)	¥555,683	¥16,045	¥ (6,014)	—	¥10,031	¥ 92	¥12,353	¥578,159
Changes in the period												
Purchase of treasury stock				**(111)**	**(111)**							**(111)**
Cancellation of treasury stock		**(0)**		**7**	**7**							**7**
Dividends			**(8,927)**		**(8,927)**							**(8,927)**
Net income			**32,693**		**32,693**							**32,693**
Effect of changes in the shares of equity-method affiliates				**(48)**	**(48)**							**(48)**
Net changes in items except shareholders' equity						**6,595**	**6,910**	**(2,751)**	**10,754**	**89**	**(682)**	**10,161**
Total changes in the period	**—**	**(0)**	**23,766**	**(152)**	**23,613**	**6,595**	**6,910**	**(2,751)**	**10,754**	**89**	**(682)**	**33,774**
Balance as of March 31, 2014	**¥30,000**	**¥15,270**	**¥591,576**	**¥(57,549)**	**¥579,296**	**¥22,639**	**¥ 896**	**¥(2,751)**	**¥20,785**	**¥181**	**¥11,671**	**¥611,933**

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Re-measurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2013	$291,602	$148,426	$5,519,148	$(557,898)	$5,401,277	$155,956	$(58,456)	—	$ 97,500	$ 893	$120,068	$5,619,739
Changes in the period												
Purchase of treasury stock				**(1,078)**	**(1,078)**							**(1,078)**
Cancellation of treasury stock		**(3)**		**68**	**65**							**65**
Dividends			**(86,772)**		**(86,772)**							**(86,772)**
Net income			**317,775**		**317,775**							**317,775**
Effect of changes in the shares of equity-method affiliates				**(470)**	**(470)**							**(470)**
Net changes in items except shareholders' equity						**64,100**	**67,168**	**(26,736)**	**104,532**	**864**	**(6,628)**	**98,768**
Total changes in the period	**—**	**(3)**	**231,003**	**(1,480)**	**229,521**	**64,100**	**67,168**	**(26,736)**	**104,532**	**864**	**(6,628)**	**328,288**
Balance as of March 31, 2014	**$291,602**	**$148,423**	**$5,750,151**	**$(559,378)**	**$5,630,798**	**$220,056**	**$ 8,712**	**$(26,736)**	**$202,032**	**$1,758**	**$113,440**	**$5,948,027**

The accompanying notes are in integral part of these financial statement.

Consolidated Statement of Cash Flows

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 43,208	¥ 51,316	$ 498,796
Adjustments:			
Depreciation and amortization (Note 16)	10,952	11,043	107,336
Amortization of goodwill	1,104	1,346	13,079
Loss (gain) on sales of fixed assets (Note 5)	(1,607)	(121)	(1,174)
Loss (gain) on disposals of fixed assets (Note 5)	240	105	1,023
Devaluation loss (gain) on investment securities	2,199	—	—
Loss (gain) on sales of investment securities	—	(57)	(551)
Interest and dividend income	(6,445)	(6,499)	(63,172)
Interest expense	17	3	27
Equity in losses (earnings) of affiliated companies	(1,590)	(2,473)	(24,042)
Increase (decrease) in allowance for doubtful accounts	(2)	(107)	(1,038)
Increase (decrease) in accrued retirement benefits for employees	315	—	—
Increase (decrease) in net defined benefit liabilities	—	1,363	13,246
Decrease (increase) in prepaid pension costs	(1,145)	—	—
Decrease (increase) in net defined benefit assets	—	2,894	28,129
Increase (decrease) in accrued directors' retirement benefits	37	(27)	(264)
Increase (decrease) in accrued bonuses for employees	(60)	(39)	(380)
Decrease (increase) in notes and accounts receivable, trade	(2,035)	5,834	56,708
Decrease (increase) in inventories	8	(1,134)	(11,021)
Increase (decrease) in notes and accounts payable, trade	(2,168)	(642)	(6,237)
Increase (decrease) in long-term liabilities	(38)	21	207
Other, net	228	(2,167)	(21,060)
Subtotal	43,220	60,659	589,614
Interest and dividends income received	6,544	6,623	64,377
Interest paid	(17)	(3)	(27)
Income taxes paid	(13,541)	(9,934)	(96,560)
Income taxes refund	5,088	2,887	28,066
Net cash provided by operating activities	41,292	60,233	585,470
Cash flows from investing activities:			
Decrease (increase) in time deposits	187	4,281	41,607
Proceeds from sales/redemption of marketable securities	19,000	14,300	138,997
Payments for purchases of tangible fixed assets	(11,285)	(9,821)	(95,461)
Proceeds from sales of tangible fixed assets	1,773	228	2,215
Payments for purchases of intangible fixed assets	(1,396)	(5,041)	(48,995)
Proceeds from sales of intangible fixed assets	33	1	11
Payments for purchases of investment securities	(11,076)	(23,014)	(223,697)
Proceeds from sales of investment securities	39	183	1,783
Payment for purchases of investment in subsidiaries resulting in change in scope of consolidation	(6,279)	—	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	753	—	—
Payments for purchases of investments in subsidiaries	(43)	(2,668)	(25,930)
Proceeds from sales of investment in subsidiaries	60	7	69
Payments for long-term prepaid expenses	(475)	(407)	(3,957)
Other, net	(652)	(48)	(466)
Net cash used in investing activities	(9,359)	(21,998)	(213,823)
Cash flows from financing activities:			
Proceeds from short-term loans payable	100	270	2,624
Repayment of short-term loans payable	(514)	(255)	(2,479)
Repayment of long-term loans payable	(155)	—	—
Proceeds from stock issuance to minority shareholders	110	—	—
Repayment of capitalized lease obligations	(251)	(137)	(1,327)
Payments for purchases of treasury stock	(61)	(111)	(1,078)
Cash dividends paid	(8,859)	(8,895)	(86,460)
Cash dividends paid to minority shareholders	(433)	(312)	(3,029)
Net cash used in financing activities	(10,064)	(9,439)	(91,748)
Effect of exchange rate changes on cash and cash equivalents	865	1,222	11,875
Net increase in cash and cash equivalents	22,734	30,018	291,773
Cash and cash equivalents at the beginning of the year	84,468	106,117	1,031,467
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,085)	—	—
Cash and cash equivalents at the end of the year (Note 8)	¥106,117	¥136,135	$1,323,240

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements:

The accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. (the "Company") and its domestic and foreign subsidiaries (together, the "Companies") are basically English versions of those which have been filed with the Ministry of Finance and prepared in accordance with accounting principles and practices generally accepted in Japan, which differ in certain respects to the application and disclosure requirements of International Financial Reporting Standards. The preparation of these financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as reported amounts of revenues and expenses during the reporting periods.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present these statements in a form which is more familiar to the readers of these statements outside Japan.

The figures shown in the consolidated financial statements have been rounded to the nearest million yen.

The U.S. dollar amounts are included solely for convenience and have been translated at the rate of ¥102.88 = U.S. $1, the approximate exchange rate prevailing in the Japanese foreign exchange market as at March 31, 2014. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies:

(1) Scope of consolidation

a) Consolidated subsidiaries as of March 31, 2014:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (36 companies at March 31, 2014). Main subsidiaries are as follows:

Taisho Pharmaceutical Co., Ltd.
Taisho Toyama Pharmaceutical Co., Ltd.
Biofermin Pharmaceutical Co., Ltd
Osotspa Taisho Pharmaceutical Co., Ltd.
TOKUHON Corporation

b) Non-consolidated subsidiaries as of March 31, 2014:

Taisho Foods Deutschland GmbH

This non-consolidated subsidiary has a small scale of operations, and its total assets, net sales, net income (corresponding to equity share), retained earnings (corresponding to equity share) and other accounts have no material impact on the consolidated financial statements. Accordingly, this company has been excluded from the scope of consolidation.

c) Equity-method affiliates:

Investments in all affiliated companies (three affiliates at March 31, 2014) where shareholdings are more than 20% and where the Company has significant influence over operations, finance and management, are accounted for by the equity method. Main affiliates are Toyama Chemical Co., Ltd. and Yomeishu Seizo Co., Ltd.

d) Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method:

Taisho Foods Deutschland GmbH

This non-consolidated subsidiary has a small scale of operations, and its net income (corresponding to equity share) and retained earnings (corresponding to equity share) have no material impact on the consolidated financial statements. Accordingly, this company has been excluded from the scope of consolidation.

e) Account closing dates:

All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation. The results of consolidated subsidiaries, except for Taisho Pharmaceutical Co., Ltd., Taisho Toyama Pharmaceutical Co., Ltd., Biofermin Pharmaceutical Co., Ltd. and five other companies, are included in the consolidated accounts for the fiscal years ended December 31, 2013, while the accounts of the eight subsidiaries listed above are consolidated using their results for the fiscal years ended March 31, 2014. Material differences in intercompany transactions and accounts arising from the use of the different fiscal year-ends are appropriately adjusted for on consolidation.

(2) Valuation standards and valuation methods for major assets

a) Securities:

1) Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.
2) Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost determined by the moving average method.

When the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Debt securities due within one year are presented as "marketable securities" and all other securities are presented as "investment securities."

b) Derivatives:

All derivatives are stated at fair value, with changes in fair value included in profit or loss in the period in which they arise, except for derivatives that are designated as "hedging instruments."

c) Inventories:

Merchandise, finished goods and work-in-process are stated at the lower of cost or net realizable value, which is determined by the weighted average method. Raw materials are stated at the lower of cost or net realizable value, which is determined by the moving average method. Supplies are stated at the lower of cost or net realizable value, which is determined by applying the last purchase price method.

(3) Depreciation and amortization of major assets

a) Tangible fixed assets (except for lease assets):

Tangible fixed assets, including significant renewals and improvements, are capitalized at cost. Maintenance and repairs and minor renewals and betterments are charged to income. Depreciation is computed primarily using the declining-balance method for domestic consolidated subsidiaries and the straight-line method for foreign consolidated subsidiaries. However, buildings acquired by domestic consolidated subsidiaries on or after April 1, 1998 (excluding facilities attached to buildings) are depreciated using the straight-line method. The useful lives are determined based on the useful economic life.

In the case of retirement or disposal, the difference between the net carrying amount and salvage or sales proceeds is charged or credited to income.

b) Intangible assets (except for lease assets):

The straight-line method is adopted. Sales rights are amortized based on the straight-line method over the expected useful economic life. Software for in-house use is amortized based on the straight-line method over the expected useful economic life of 5 years.

c) Lease assets:

The straight-line method is adopted over the lease term with no residual value. However, finance lease transactions that do not transfer ownership, of which contract start dates are prior to April 1, 2008, are accounted for in a manner similar to operating leases.

(4) Significant deferred assets

The full amount is charged to income as an expense when paid.

(5) Basis of provision

a) Allowance for doubtful accounts:

An allowance for doubtful accounts is provided for estimated future losses based on past experience, and based on assessment of the collectability of individual receivables.

b) Provision for sales returns:

Provision for sales returns is provided for the expected returns of sales at the end of the fiscal year.

c) Accrued bonuses to employees:

Accrued bonuses are provided for the expected payments of employees' bonuses at the end of the fiscal year.

d) Accrued retirement benefits for directors and corporate auditors:

The Company and domestic consolidated subsidiaries have accrued severance indemnities cost for directors and corporate auditors based on internal regulations.

(6) Accounting policy for retirement benefits

a) Method of attributing the projected benefits to periods of service:

Upon calculating retirement benefit obligations, the projected retirement benefits are attributed to the periods of service through the end of the fiscal year on a straight-line basis.

b) Method of amortizing actuarial gain/loss and prior service cost:

Prior service cost is amortized on a straight-line basis over a certain number of years within the average remaining service period of employees when incurred.

Actuarial gain/loss is amortized on a straight-line basis over a certain number of years within the average remaining service period of employees for each fiscal year in which they arise, from the beginning of the subsequent fiscal year.

(7) Foreign currency translation

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies, whether they are long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of foreign subsidiaries and affiliates are translated at current rates at the respective balance sheet dates and all the income and expense accounts are translated at average rates for respective periods. Foreign currency translation adjustments are presented as a component of shareholders' equity in the consolidated financial statements.

(8) Hedge accounting

Gains or losses arising from changes in the fair value of derivatives designated as "hedging instruments" are deferred as a component of net assets and included in profit or loss in the same period in which the gains or losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments by the Company are principally currency forward contracts and interest rate swaps. A hedged item is an asset, liability, firm commitment, or forecasted future transaction that exposes the enterprise to the risk of changes in fair value or changes in future cash flows and that, for hedge accounting purposes, is designated as being hedged.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of exchange and interest rate fluctuations. Thus, the Company's purchase of hedging instruments is limited to, at maximum, the amount of the items to be hedged.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(9) Amortization of goodwill

Goodwill is amortized equally over the effective periods.

(10) Cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits and short-term investments that are readily convertible into cash, are exposed to negligible risk of a change in value, and mature within three months or less.

(11) Consumption tax

Financial statements are prepared exclusive of consumption tax.

(12) Accounting standards issued but not yet applied

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

a) Outline:

Amendments have been made with regard to the treatment of actuarial gains and losses and prior service costs that are yet to be recognized, the determination of retirement benefit obligations and current service costs, and enhanced disclosures, among other areas.

b) Planned date of application:

The Company will adopt the amendments relating to the determination of retirement benefit obligations and current service costs from the beginning of the fiscal year ending March 2015.

Since transitional measures have been established for these accounting standards, the Company will not retrospectively apply these amendments to financial statements for prior years.

c) Impact of application of the amended accounting standards:

The impact of the amendments relating to the determination of retirement benefit obligations and current service costs on the consolidated financial statements is currently under assessment at the time of preparation of the accompanying consolidated financial statements.

3. Changes in Accounting Policies:

Application of accounting standards for retirement benefits

The Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25, May 17, 2012, "Retirement Benefits Accounting Standard Guidance"), except for the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, effective from March 31, 2014. Accordingly, the Company has changed its accounting policy to one that recognizes the difference between retirement benefit obligations and plan assets as net defined benefit liabilities (or as net defined benefit assets if plan assets are greater than retirement benefit obligations) and recorded unrecognized actuarial gain or loss and unrecognized prior service cost are included in net defined benefit liabilities.

Application of the Accounting Standard for Retirement Benefits and the Guidance on Accounting Standard for Retirement Benefits is in line with transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income as of March 31, 2014.

As a result of the change, as of March 31, 2014, net defined benefit liabilities of ¥19,584 million ($190,360 thousand) and net defined benefit assets of ¥2,586 million ($25,139 thousand) were recorded. In addition, accumulated other comprehensive income decreased by ¥2,751 million ($26,736 thousand) and minority interests decreased by ¥109 million ($1,062 thousand).

4. Notes to Consolidated Balance Sheet:

Assets pledged as collateral and secured liabilities

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended March 31	2013	2014	2014
Assets pledged as collateral			
Buildings and structures	¥77	¥73	$705
Land	7	7	70
Total	¥85	¥80	$775
Secured liabilities			
Other long-term liabilities	¥43	¥32	$311
Total	¥43	¥32	$311

5. Notes to Consolidated Statement of Income:

(1) Selling, general and administrative expenses

The major components of "Selling, general and administrative expenses" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the year ended March 31	2013	2014	2014
Freight charges	¥ 7,300	¥ 7,677	$ 74,623
Advertisement costs	16,833	16,961	164,862
Sales promotion costs	28,365	31,159	302,868
Salaries and bonuses	25,391	25,964	252,373
Provisions for bonuses to employees	2,692	2,656	25,818
Pension costs	2,107	2,435	23,664
Research and development expenditures	23,332	21,875	212,624

(2) Research and development expenditures

Research and development expenditures are charged to income when incurred, and are included in selling, general and administrative expenses. Research and development expenditures amounted to ¥21,875 million ($212,624 thousand) for the fiscal year ended March 31, 2014.

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the year ended March 31	2013	2014	2014
Research and development expenditures	¥23,332	¥21,875	$212,624

(3) Breakdown of gain on sales and loss on disposal of fixed assets

The gain on sales of fixed assets is broken down as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the year ended March 31	2013	2014	2014
Buildings and structures	¥ 127	¥ —	$ —
Machinery, equipment and vehicles	13	5	53
Land	1,467	115	1,115
Other fixed assets	1	1	5
Total	¥1,607	¥121	$1,174

The loss on disposal of fixed assets is broken down as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the year ended March 31	2013	2014	2014
Buildings and structures	¥167	¥ 62	$ 598
Machinery, equipment and vehicles	35	33	321
Land	—	6	62
Other fixed assets	9	4	41
Software	—	0	1
Other intangible assets	29	—	—
Total	¥240	¥105	$1,023

6. Notes to Consolidated Statement of Comprehensive Income:

Reclassification adjustments and tax effect relating to other comprehensive income for the fiscal year ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Net unrealized gains/losses on investment securities:			
Amount arising during the period	¥12,977	¥ 9,679	$ 94,077
Reclassification adjustment	2,199	(57)	(551)
Before tax effect adjustment	15,177	9,622	93,526
Tax effect	(4,701)	(3,113)	(30,258)
Net unrealized gains/losses on investment securities	10,476	6,509	63,268
Deferred gains/losses on hedges:			
Amount arising during the period	(59)	—	—
Adjustment of cost of asset acquisition	59	—	—
Reclassification adjustment	—	—	—
Before tax effect adjustment	—	—	—
Tax effect	—	—	—
Deferred gains/losses on hedges	—	—	—
Foreign currency translation adjustments:			
Amount arising during the period	5,087	6,933	67,393
Reclassification adjustment	—	—	—
Before tax effect adjustment	5,087	6,933	67,393
Tax effect	—	—	—
Foreign currency translation adjustments	5,087	6,933	67,393
Share of other comprehensive income of affiliates using accounted for using the equity method:			
Amount arising during the period	960	83	808
Reclassification adjustment	(0)	(0)	(1)
Share of other comprehensive income of affiliates accounted for using the equity method	960	83	807
Total other comprehensive income	¥16,523	¥13,525	$131,468

7. Notes to Consolidated Statement of Changes in Net Assets:

For the year ended March 31, 2013:

(1) Matters related to type and total number of shares issued and treasury shares

Shares issued

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	90,139	—	—	90,139

Treasury stock

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	9,755	9*1	720*2	9,044

*1 The increase in 9 thousand shares was attributable to the purchase of shares of less than one trading unit.

*2 The decrease in 720 thousand shares was attributable to a treasury stock allotment through the share exchange with TOKUHON Corporation.

(2) Matters related to subscription rights to shares and treasury subscription rights to shares

Category	Type of subscription rights to shares	Type of shares to be granted upon the exercise of subscription rights to shares	No. of shares to be granted upon the exercise of subscription rights to shares (shares)				Fiscal year-end balance (¥million)
			Start of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	92
	Total	—	—	—	—	—	92

(3) Matters related to dividends

a) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	4,022	50	March 31, 2012	June 29, 2012
Meeting of directors held on October 31, 2012	Common stock	4,870	60	September 30, 2012	December 4, 2012

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2013, those dividends with effective date in the following consolidated fiscal year are as follows:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	4,870	60	March 31, 2013	June 28, 2013	Retained earnings

For the year ended March 31, 2014:

(1) Matters related to type and total number of shares issued and treasury shares

Shares issued

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	90,139	—	—	90,139

Treasury stock

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	9,044	21*1	1*2	9,065

*1 There was an increase of 15 thousand shares due to the purchase of shares of less than one trading unit, and an increase of 6 thousand shares comprising shares attributable to the Company among the Parent company shares (shares of the Company) held by an equity-method affiliate.
*2 The decrease in 1 thousand shares was attributable to the exercise of stock options.

(2) Matters related to subscription rights to shares and treasury subscription rights to shares

Category	Type of subscription rights to shares	Type of shares to be granted upon the exercise of subscription rights to shares	No. of shares to be granted upon the exercise of subscription rights to shares (shares)				Fiscal year-end balance (¥million)
			Start of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	181
	Total	—	—	—	—	—	181

Category	Type of subscription rights to shares	Type of shares to be granted upon the exercise of subscription rights to shares	No. of shares to be granted upon the exercise of subscription rights to shares (shares)				Fiscal year-end balance ($thousand)
			Start of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	1,758
	Total	—	—	—	—	—	1,758

(3) Matters related to dividends

a) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	4,870	60	March 31, 2013	June 28, 2013
Meeting of directors held on October 31, 2013	Common stock	4,058	50	September 30, 2013	December 4, 2013

Resolution	Type of stock	Total amount of dividends (thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	47,332	0.58	March 31, 2013	June 28, 2013
Meeting of directors held on October 31, 2013	Common stock	39,440	0.49	September 30, 2013	December 4, 2013

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2014, those dividends with effective date in the following consolidated fiscal year are as follows:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividend per share (yen)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	4,869	60	March 31, 2014	June 30, 2014	Retained earnings

Resolution	Type of stock	Total amount of dividends (thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	47,324	0.58	March 31, 2014	June 30, 2014	Retained earnings

8. Notes to Consolidated Statement of Cash Flows:

Cash and cash equivalents at March 31, 2013 and 2014 comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash and deposits	¥117,303	¥145,320	$1,412,524
Marketable securities	14,426	14,084	136,898
Sub total	131,729	159,405	1,549,422
Cash and time deposits with original maturity of more than three months	(11,186)	(9,185)	(89,284)
Marketable securities with original maturity of more than three months	(14,426)	(14,084)	(136,898)
Total	¥106,117	¥136,135	$1,323,240

9. Finance Leases (Lessee):

Finance leases other than those which transfer ownership of properties to lessees

a) Description of lease asset:
Tangible fixed assets
Mainly information technology equipment

b) Depreciation method:
Please refer to Note 2. (3) Depreciation and amortization of major assets (c) lease assets.

Finance lease transactions that do not transfer ownership, of which the contract start date is prior to April 1, 2008, are accounted for in a manner similar to operating leases. Detailed notes for the fiscal year ended March 31, 2014 have been omitted as they are insignificant.

10. Financial Instruments:

(1) Status of financial instruments

a) Policy related to financial instruments:
The Company and consolidated subsidiaries invest only in short-term deposits and highly secure financial assets in accordance with the internal guideline for fund management. The Companies raise funds through borrowings from financial institutions including banks. The Companies do not enter into derivative transactions for speculative purposes.

b) Details of financial instruments, risks and risk management system:
Notes and accounts receivable—trade are exposed to customer credit risk. In order to mitigate the risk, the balances and status of these receivables are monitored and managed in accordance with the internal management regulations for credit risk.

Marketable securities and investment securities mainly consist of equity securities, corporate bonds and preferred equity securities. While these securities are exposed to market price fluctuation risk, the Company monitors market prices of these securities and financial conditions of the issuers periodically.

c) Supplementary explanation regarding the fair values of financial instruments:
The fair value of financial instruments is based on market values as well as reasonably determined values in situations where the market value is unavailable.

(2) Fair value of financial instruments

Amounts carried on the consolidated balance sheet, their fair values, and the differences between them are as follows:

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Variance
a) Cash and deposits	¥117,303	¥117,303	¥ —
b) Notes and accounts receivable—trade	83,740		
Allowance for doubtful accounts	(562)		
	83,178	83,178	—
c) Marketable securities			
Available-for-sale securities	14,426	14,426	—
d) Investment securities			
Available-for-sale securities	207,514	207,514	—
e) Investment securities in affiliates	8,686	5,452	(3,235)

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Variance
a) Cash and deposits	¥145,320	¥145,320	¥ —
b) Notes and accounts receivable—trade	78,508		
Allowance for doubtful accounts	(440)		
	78,068	78,068	—
c) Marketable securities			
Available-for-sale securities	14,084	14,084	—
d) Investment securities			
Available-for-sale securities	226,520	226,520	—
e) Investment securities in affiliates	9,516	6,501	(3,015)

	Thousands of U.S. dollars (Note 1)		
March 31, 2014	Carrying amount	Fair value	Variance
a) Cash and deposits	$1,412,524	$1,412,524	$ —
b) Notes and accounts receivable—trade	763,100		
Allowance for doubtful accounts	(4,272)		
	758,828	758,828	—
c) Marketable securities			
Available-for-sale securities	136,898	136,898	—
d) Investment securities			
Available-for-sale securities	2,201,786	2,201,786	—
e) Investment securities in affiliates	92,499	63,190	(29,309)

1. Method of calculating fair value of financial instruments and matters regarding securities
   a) Cash and deposits, and b) Notes and accounts receivable—trade (after deduction of amounts for allowance for doubtful accounts)
   As these instruments are settled within a short term and their fair values and carrying amounts are similar, their carrying amounts are assumed as their fair value.
   c) Marketable securities, d) Investment securities and e) Investment securities in affiliates
   The fair values of equity securities are determined by their market prices on stock exchanges. The fair values of bonds are determined according to market prices indicated on bond exchanges or the values indicated by financial institutions handling these transactions.

2. Financial instruments for which fair value is not readily determinable

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
Category	2013	2014	2014
Unlisted equity securities	¥ 463	¥ 462	$ 4,494
Equity securities in unlisted affiliates	40,890	42,263	410,795
Investment in limited partnerships	29	—	—
Investments in capital of subsidiaries and affiliates	1,174	1,174	11,415

These instruments are not included as they have no market value, and their fair value is not readily determinable.

3. Redemption schedule for monetary assets and expected maturity values of securities

	Millions of yen			
March 31, 2013	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	¥ 30,108	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	83,740	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	14,300	52,700	88,000	—
Total	¥128,148	¥52,700	¥88,000	¥ —

	Millions of yen			
March 31, 2014	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	¥ 28,861	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	78,508	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	14,000	69,196	81,000	—
Total	¥121,368	¥69,196	¥81,000	¥ —

	Thousands of U.S. dollars (Note 1)			
March 31, 2014	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	$ 280,527	$ —	$ —	$ —
Notes and accounts receivable—trade	763,100	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	136,081	672,594	787,325	—
Total	$1,179,708	$672,594	$787,325	$ —

11. Marketable and Investment Securities:

The following information relates to the aggregate carrying amounts and fair value of securities at March 31, 2013 and 2014.

(1) Available-for-sale securities

Available-for-sale securities whose fair value is readily determinable are recorded at fair value on the consolidated balance sheet as of March 31, 2013 and 2014.

	Millions of yen		
March 31, 2013	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	¥ 42,352	¥ 27,319	¥15,033
(2) Corporate bonds	75,032	72,896	2,135
(3) Others	79,315	70,000	9,315
Sub total	196,699	170,216	26,483
Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	13,154	14,279	(1,125)
(2) Corporate bonds	12,087	12,260	(173)
(3) Others	—	—	—
Sub total	25,241	26,539	(1,298)
Total	¥221,940	¥196,755	¥25,186

	Millions of yen		
March 31, 2014	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	¥ 61,102	¥ 38,233	¥22,869
(2) Corporate bonds	74,731	72,843	1,888
(3) Others	80,719	70,000	10,719
Sub total	216,552	181,076	35,476
Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	2,930	3,281	(351)
(2) Corporate bonds	21,122	21,445	(324)
(3) Others	—	—	—
Sub total	24,051	24,726	(675)
Total	¥240,604	¥205,802	¥34,802

March 31, 2014	Thousands of U.S. dollars (Note 1) Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	$ 593,918	$ 371,628	$222,290
(2) Corporate bonds	726,389	708,041	18,348
(3) Others	784,597	680,404	104,192
Sub total	2,104,903	1,760,074	344,830
Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	28,477	31,889	(3,412)
(2) Corporate bonds	205,304	208,448	(3,145)
(3) Others	—	—	—
Sub total	233,781	240,338	(6,557)
Total	$2,338,684	$2,000,411	$338,273

(2) Available-for-sale securities sold

For the year ended March 31, 2013:

Not applicable.

For the year ended March 31, 2014:

March 31, 2014	Millions of yen Proceeds from sales	Total gain on sales	Total losses on sales
(1) Equity securities	¥142	¥57	¥—
(2) Corporate bonds	—	—	—
(3) Others	—	—	—
Total	¥142	¥57	¥—

March 31, 2014	Thousands of U.S. dollars (Note 1) Proceeds from sales	Total gain on sales	Total losses on sales
(1) Equity securities	$1,385	$551	$—
(2) Corporate bonds	—	—	—
(3) Others	—	—	—
Total	$1,385	$551	$—

(3) Devaluation loss on investment securities

For the year ended March 31, 2013:

Devaluation loss on investment securities for the year ended March 31, 2013 totaled ¥2,199 million (¥2,199 million for available-for-sale securities).

When the fair value of securities has declined by 50% or more of their carrying amount at the fiscal year-end, the securities are written down to their fair value. When the fair value of securities has declined in the range between more than 30% and less than 50% of the carrying amount at the fiscal year-end, the securities are written down based on the company's policy.

For the year ended March 31, 2014:

Not applicable.

12. Derivative Financial Instruments:

Not applicable.

13. Pension and Severance Plans:

For the year ended March 31, 2013

1. The funded status at March 31, 2013 was as follows:

	Millions of yen 2013
(1) Projected benefit obligation	¥(57,068)
(2) Fair value of plan assets	37,590
(3) Unfunded benefit obligation (1)+(2)	(19,477)
(4) Unrecognized prior service cost	(2,988)
(5) Unrecognized actuarial gain/loss	9,733
(6) Net liability (3)+(4)+(5)	(12,732)
(7) Prepaid pension expenses	5,480
(8) Accrued retirement benefits (6)–(7)	¥(18,213)

2. The components of net retirement benefit costs for the fiscal year ended March 31, 2013 were as follows:

	Millions of yen 2013
(1) Service costs	¥2,241
(2) Interest costs	1,008
(3) Expected return on plan assets	(801)
(4) Amortization of prior service costs	(370)
(5) Amortization of actuarial gain/loss	544
(6) Retirement benefit costs (1)+(2)+(3)+(4)+(5)	2,622
(7) Others*	570
Total (6)+(7)	¥3,192

* The payment amounts for defined contribution plan.

3. Assumptions used for the year ended March 31, 2013 were as follows:

	2013
Discount rate	1.0~1.2%
Expected return on plan assets	2.5%
Method of attributing the projected benefits to periods of service	Straight-line basis
Period for amortization of prior service cost	15–17 years
Period for amortization of actuarial gain/loss	14–17 years

For the year ended March 31, 2014:

1. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at beginning and end of period (excluding amounts in (3) below):

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Retirement benefit obligations at beginning of period	¥56,115	$545,445
Service costs	2,643	25,692
Interest costs	669	6,507
Actuarial gain/loss incurred	(105)	(1,022)
Payments for retirement benefits	(2,433)	(23,646)
Prior service cost incurred	814	7,910
Retirement benefit obligations at end of period	¥57,704	$560,886

(2) Reconciliation of plan assets at beginning and end of period (excluding amounts in (3) below):

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Plan assets at beginning of period	¥37,446	$363,979
Expected return on plan assets	936	9,099
Actuarial gain/loss incurred	2,714	26,375
Employer contributions	1,422	13,823
Payments for retirement benefits	(1,026)	(9,969)
Plan assets at end of period	¥41,492	$403,308

(3) Reconciliation of net defined benefit liabilities at beginning and end of period, for plans using the simplified method:

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Net defined benefit liabilities at beginning of period	¥ 808	$ 7,856
Retirement benefit costs	105	1,018
Payments for retirement benefits	(110)	(1,072)
Contributions to plan	(25)	(246)
Others	9	86
Net defined benefit liabilities at end of period	¥ 786	$ 7,642

(4) Reconciliation of defined benefit obligations and plan assets at end of period with net defined benefit liabilities and net defined benefit assets on the consolidated balance sheet:

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Defined benefit obligations for funded plans	¥ 39,044	$ 379,506
Plan assets	(41,630)	(404,645)
	(2,586)	(25,139)
Defined benefit obligations for unfunded plans	19,584	190,360
Net amount of defined benefit liabilities and defined benefit assets on the consolidated balance sheet	16,998	165,220
Net defined benefit liabilities	19,584	190,360
Net defined benefit assets	(2,586)	(25,139)
Net amount of defined benefit liabilities and defined benefit assets on the consolidated balance sheet	¥ 16,998	$ 165,220

(5) Components of net retirement benefit costs:

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Service costs	¥2,643	$25,692
Interest costs	669	6,507
Expected return on plan assets	(936)	(9,099)
Amortization of actuarial gain/loss	914	8,884
Amortization of prior service costs	(319)	(3,104)
Net retirement benefit cost calculated using simplified method	105	1,018
Net retirement benefit cost for defined benefit plans	¥3,076	$29,898

(6) Remeasurements of defined benefit plans

The remeasurements of defined benefit plans (prior to income tax effects) are as follows:

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Unrecognized prior service costs	¥ 1,855	$ 18,027
Unrecognized actuarial gain/loss	(6,000)	(58,322)
Total	¥(4,146)	$(40,295)

(7) Matters related to plan assets

a) Main components of plan assets

The constitution ratios of main asset categories to total plan assets are as follows:

	2014
Bonds	51%
Equity securities	31
General account	9
Other	9
Total	100%

b) Method of establishing long-term expected rate of return

To determine the long-term expected rate of return on plan assets, the Company takes into account the current and projected distribution of plan assets and the current and projected future long-term rate of return on a wide range of assets comprising the plan assets.

(8) Matters related to the basis for calculating actuarial gain/loss

Basis for calculating primary actuarial gain/loss at the end of the fiscal year ended March 31, 2014 (weighted average rate):

Discount rate 1.0%–1.2%

Long-term expected rate of return 2.5%

2. Defined contribution plans

Contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥565 million ($5,492 thousand).

14. Stock Options and Related Matters:

(1) Costs and other items recorded with respect to stock options

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Selling, general and administrative expenses	¥92	¥96	$929

(2) Description, amount and changes in stock options

a) Description of stock options:

	2012 stock options	2013 stock options
Type and number of recipients	Directors of the Company (excluding outside directors) 9 individuals	Directors of the Company (excluding outside directors) 8 individuals
		Executive officers and others of the Company 6 individuals
	Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors) 8 individuals	Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors) 7 individuals
	Other officers of Taisho Pharmaceutical Co., Ltd. 19 individuals	Other officers of Taisho Pharmaceutical Co., Ltd. 16 individuals
Total number of stock options by type of shares*	15,100 shares of common stock	14,800 shares of common stock
Grant date	August 1, 2012	August 1, 2013
Vesting conditions	No vesting conditions are attached.	No vesting conditions are attached.
Applicable period of service	No applicable period of service is specified.	No applicable period of service is specified.
Exercise period	From August 2, 2012 to August 1, 2062	From August 2, 2013 to August 1, 2063

* Converted into the number of shares.

b) Amount of stock options and changes:

The following covers stock options in force in the year ended March 31, 2014. The number of stock options has been converted into the number of shares.

Number of stock options

	2012 stock options	2013 stock options
Before vesting (shares)		
Balance at March 31, 2013	—	—
Granted	—	14,800
Forfeited	—	—
Vested	—	14,800
Unvested balance	—	—
After vesting (shares)		
Balance as of March 31, 2013	15,100	—
Vested	—	14,800
Exercised	1,100	—
Forfeited	—	—
Unexercised balance	14,000	14,800

Per share information

	2012 stock options	2013 stock options
Exercise price (¥)	1	1
Average stock price upon exercise (¥)	6,545	—
Fair value at grant date (¥)	6,086	6,460

c) Estimation method for fair value of stock options:

The estimation method for the fair price of the 2013 stock options granted in the fiscal year ended March 31, 2014 was as follows:

Valuation model used Black-Scholes model

Main basic assumptions and estimation methods

	2013 stock options
Stock price volatility*1	21.79%
Estimated remaining service period*2	4.05 years
Dividend forecast*3	¥120 per share
Risk-free interest rate*4	0.247%

*1 Calculated based on the historical stock price performance over 4 years from July 2009 to August 2013.
*2 The estimated remaining service period has been determined by the period of average services years of directors and other officers in past minus their services years of current directors and officers currently served in the Board.
*3 Based on the dividend performance in the fiscal year ended March 31, 2013.
*4 Refers to the yield of Japanese government bonds during the estimated remaining service period.

d) Estimation method for the number of vested stock options:

Given that it is difficult to rationally estimate the number of forfeitures in future, the Company has adopted the method of reflecting only the number of forfeitures based on past experience.

15. Income Taxes:

1. The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Deferred tax assets:			
Enterprise taxes	¥ 335	¥ 880	$ 8,557
Accrued expenses	2,569	2,904	28,224
Research expenses, etc.	1,220	1,522	14,793
Accrued bonuses	1,693	1,577	15,324
Accrued employees retirement benefits	6,213	—	—
Net defined benefit liabilities	—	7,684	74,692
Accrued retirement benefits for directors, statutory auditors and executive officers	592	590	5,731
Prepaid research expenses	1,841	945	9,186
Evaluation loss on investment securities	2,199	2,249	21,863
Valuation difference on available-for-sale securities	451	231	2,248
Operating loss carry forwards for tax purposes	435	498	4,838
Others	3,978	4,201	40,832
Gross deferred tax assets	21,525	23,280	226,288
Less: Valuation allowance	(3,156)	(3,275)	(31,832)
Total deferred tax assets	18,369	20,006	194,456
Deferred tax liabilities:			
Net unrealized gains on securities	(8,441)	(11,379)	(110,603)
Deferred gain on sales of real property	(2,408)	(2,353)	(22,870)
Prepaid pension expenses	(1,945)	—	—
Net defined benefits assets	—	(1,903)	(18,499)
Undistributed earnings of overseas subsidiaries and affiliates	(539)	(731)	(7,110)
Others	(2,150)	(2,334)	(22,686)
Total deferred tax liabilities	(15,483)	(18,700)	(181,768)
Net deferred tax assets	¥ 2,886	¥ 1,305	$ 12,688

2. Reconciliation of the main differences between the statutory tax rate and the effective tax rate after application of deferred tax accounting

Year ended March 31, 2013:

The difference between the statutory tax rate and the effective tax rate after application of deferred tax accounting was less than 5% of the statutory tax rate. Accordingly, the reconciliation of differences has been omitted.

Year ended March 31, 2014:

Statutory tax rate	38.0%
(Reconciliation)	
Entertainment expenses	1.3
Dividend income	(0.2)
Amortization of goodwill	1.0
Research expenses	(4.2)
Equity in earnings of affiliated companies	(1.8)
Other	(0.4)
Effective income tax rate	33.7%

3. Revisions in the amounts of deferred tax assets and deferred tax liabilities due to a change in the corporate tax rate

Following the promulgation of the "Act to Partially Revise the Income Tax Act" (Act No.10 of 2014) on March 31, 2014, the Special Reconstruction Corporation Tax will no longer be levied beginning with fiscal years beginning on or after April 1, 2014. In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences that are expected to reverse in the fiscal year beginning on April 1, 2014, will be reduced to 35.6% from 38.0% previously.

As a result of this change in the corporate tax rate, the amount of deferred tax assets (less the amount of deferred tax liabilities) decreased by ¥538 million ($5,236 thousand), resulting in an increase of the same amount in deferred income taxes.

16. Segment Information:

1. Outline of reporting segments

The Taisho Pharmaceutical Holdings Group's reporting segments are the components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Group's reporting segments are the Self-Medication Operation Group and the Prescription Drug Operation Group. This classification is based on the differences in sales methods for over-the-counter (OTC) drugs and ethical drugs and the difference in the degree of business risk associated with the R&D expense burden in each segment.

The Self-Medication Operation Group conducts R&D, manufacturing and sales of OTC drugs, designated quasi drug products, food, and general medical and hygiene supplies.

The Prescription Drug Operation Group conducts R&D, manufacturing and sales of ethical drugs.

Real estate leasing and facility management, and hotel management operations are included in the Self-Medication Operation Group due to their insignificance.

2. Method for calculating sales, income and loss, assets and liabilities, and other items by reporting segment

The total amounts for each line item of the reporting segments correspond to the amounts reported on the consolidated balance sheet and consolidated statement of income.

The accounting treatment methods for the reporting segments are consistent with the accounting treatment methods described in the Notes of "Summary of Significant Accounting Policies."

Segment income for each reporting segment is presented on an operating income basis.

3. Information on sales, income and loss, assets and liabilities, and other items by reporting segment

	Millions of yen				
March 31, 2013	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥171,272	¥113,897	¥285,168	¥ —	¥285,168
(2) Inter-segment	—	—	—	—	—
Total	171,272	113,897	285,168	—	285,168
Segment income*2	33,510	3,027	36,538	(1,200)	35,337
Segment assets	251,016	156,989	408,005	268,383	676,388
Other items					
Depreciation*3	8,516	2,435	10,952	—	10,952
Amortization of goodwill	1,104	—	1,104	—	1,104
Investment in equity-method affiliates	8,724	40,852	49,576	—	49,576
Tangible and intangible fixed assets*4	12,742	2,726	15,468	—	15,468

*1. The Other segment is a business segment that is not affiliated with any reporting segment, and primarily consists of the Company's (pure holding company) operations.
*2. Segment income matches operating income in the consolidated financial statements.
*3. Depreciation includes amortization of long-term prepaid expenses.
*4. The increase in tangible and intangible fixed assets includes the increase in long-term prepaid expenses.

	Millions of yen				
March 31, 2014	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥181,753	¥114,205	¥295,958	¥ —	¥295,958
(2) Inter-segment	—	—	—	—	—
Total	181,753	114,205	295,958	—	295,958
Segment income*2	36,865	6,000	42,865	(1,182)	41,684
Segment assets	275,362	161,333	436,694	291,748	728,442
Other items					
Depreciation*3	9,155	1,888	11,043	—	11,043
Amortization of goodwill	1,346	—	1,346	—	1,346
Investment in equity-method affiliates	9,548	42,231	51,779	—	51,779
Tangible and intangible fixed assets*4	11,725	3,493	15,219	—	15,219

March 31, 2014	Thousands of U.S. dollars (Note 1) Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	$1,766,651	$1,110,075	$2,876,727	$ —	$2,876,727
(2) Inter-segment	—	—	—	—	—
Total	1,766,651	1,110,075	2,876,727	—	2,876,727
Segment income*2	358,333	58,322	416,655	(11,485)	405,170
Segment assets	2,676,532	1,568,162	4,244,694	2,835,811	7,080,505
Other items					
Depreciation*3	88,987	18,349	107,336	—	107,336
Amortization of goodwill	13,079	—	13,079	—	13,079
Investment in equity-method affiliates	92,806	410,489	503,295	—	503,295
Tangible and intangible fixed assets*4	113,969	33,957	147,926	—	147,926

*1. The Other segment is a business segment that is not affiliated with any reporting segment, and primarily consists of the Company's (pure holding company) operations.
*2. Segment income matches operating income in the consolidated financial statements.
*3. Depreciation includes amortization of long-term prepaid expenses.
*4. The increase in tangible and intangible fixed assets includes the increase in long-term prepaid expenses.

[Related information]

For the year ended March 31, 2013:

1. Information by product and service

Information by product and service has been omitted as it is same as the reporting segments.

2. Information by geographic region

(1) Sales

Information by geographic region has been omitted as sales to external customers in Japan are more than 90% of net sales reported on the consolidated statement of income.

(2) Tangible fixed assets

The Company has omitted disclosure here because tangible fixed assets in Japan account for more than 90% of the amount of tangible fixed assets reported on the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted as sales to any specific external customer are less than 10% of net sales reported on the consolidated statement of income.

For the year ended March 31, 2014:

1. Information by product and service

Information by product and service has been omitted as it is same as the reporting segments.

2. Information by geographic region

(1) Sales

Information by geographic region has been omitted as sales to external customers in Japan are more than 90% of net sales reported on the consolidated statement of income.

(2) Tangible fixed assets

The Company has omitted disclosure here because tangible fixed assets in Japan account for more than 90% of the amount of tangible fixed assets reported on the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted as sales to any specific external customer are less than 10% of net sales reported on the consolidated statement of income.

[Information on impairment on fixed assets by reporting segments' fixed assets]

Not applicable.

[Information on amortization and unamortized balance of goodwill by reporting segment]

March 31, 2013	Millions of yen Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 1,104	—	—	¥ 1,104
Unamortized balance of goodwill	21,746	—	—	21,746

March 31, 2014	Millions of yen Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 1,346	—	—	¥ 1,346
Unamortized balance of goodwill	22,991	—	—	22,991

March 31, 2014	Thousands of U.S. dollars (Note 1) Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	$ 13,079	—	—	$ 13,079
Unamortized balance of goodwill	223,470	—	—	223,470

[Information on gains on negative goodwill by reporting segment]

Not applicable.

17. Related Party Transactions:

For the year ended March 31, 2013:

Related party transactions

Transactions with consolidated subsidiaries and related parties

(1) Related transaction with the non-consolidated subsidiaries and affiliated companies

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Closing balances	Amounts (Millions of yen)
Toyama Chemical Co., Ltd.	Shinjuku ward, Tokyo	¥10,000 million	34.0%	Product purchases*2	¥30,449	Accounts payable	¥16,420

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.
*2. Transaction conditions and policy on determination of transaction conditions. The purchase price is determined with reference to third-party selling prices.

(2) Related transaction with Directors and individual shareholders

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Closing balances	Amounts (Millions of yen)
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.33%)	Other income*2	¥28	Other assets	¥1

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.
*2. Transaction conditions and policy on determination of transaction conditions. Price and other transaction conditions are determined through negotiations for each transaction, taking into account prevailing market prices.
*3. Akira Uehara, a corporate officer of Taisho Pharmaceutical Holdings Co., Ltd., and his relatives directly own 100% of the shares with voting rights.

For the year ended March 31, 2014:
Related party transactions
Transactions with consolidated subsidiaries and related parties

(1) Related transaction with the non-consolidated subsidiaries and affiliated companies

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)	Closing balances	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)
Toyama Chemical Co., Ltd.	Shinjuku ward, Tokyo	¥10,000 million	34.0%	Product purchases*2	¥33,592	$326,521	Accounts payable	¥14,797	$143,824

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.
*2. Transaction conditions and policy on determination of transaction conditions. The purchase price is determined with reference to third-party selling prices.

(2) Related transaction with Directors and individual shareholders

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)	Closing balances	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.33%)	Other income*2	¥17	$162	Other assets	¥1	$5

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.
*2. Transaction conditions and policy on determination of transaction conditions. Price and other transaction conditions are determined through negotiations for each transaction, taking into account prevailing market prices.
*3. Akira Uehara, a corporate officer of Taisho Pharmaceutical Holdings Co., Ltd., and his relatives directly own 100% of the shares with voting rights.

18. Per Share Information:

	Yen		U.S. dollars (Note 1)
March 31	2013	2014	2014
Net assets per share	¥6,975.94	¥7,401.61	$71.94
Net income per share	325.26	403.18	3.92
Net income per share, diluted	325.22	403.07	3.92

The basis for calculating basic net income per share and diluted net income per share is as follows:

Basic net income per share

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2013	2014	2014
Net income	¥26,320	¥32,693	$317,775
Net income available to common shareholders	26,320	32,693	317,775
Weighted-average number of shares outstanding (thousand shares)	80,919	81,086	81,086

Basic net income per share, diluted

	Thousands shares	
March 31	2013	2014
Increase in number of common stock	10	23
(Including subscription rights to shares)	(10)	(23)

19. Significant Subsequent Events:

Not applicable.

20. Schedule of Borrowings:

	Millions of yen		Thousands of U.S. dollars (Note 1)	Average interest rate (%)	Due date of payment
	2013	2014	2014		
Short-term loans	¥215	¥230	$2,236	1.05%	—
Current portion of long-term loans	—	—	—	—	—
Current portion of lease obligations	133	112	1,090	—	—
Long-term loans (without current portion)	—	—	—	—	—
Lease obligations (without current portion)	491	453	4,401	—	From 2015 to 2024
Total	¥839	¥795	$7,726	—	—

(1) "Average interest rate" represents the weighted average interest rate against the term-end balance of borrowings.
(2) As interest is included in the lease payment and is allocated on the straight-line method to each fiscal year, average interest rate of lease obligations is omitted.
(3) The lease obligations (excluding debt scheduled to be repaid within one year) within five years after the consolidated balance sheet date (i.e. March 31, 2014) is as follows.

	Due after one year, within two years	Due after two years, within three years	Due after three years, within four years	Due after four years, within five years
Lease obligations (Millions of yen)	¥109	¥101	¥101	¥99
Lease obligations (Thousands of U.S. dollars (Note 1))	$1,059	$985	$979	$966

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Independent Auditor's Report

To the Board of Directors of Taisho Pharmaceutical Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 25, 2014

PricewaterhouseCoopers Aarata
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T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

Major Subsidiaries and Affiliates

(As of June 30, 2014)

Name	Location	Capitalization/ Amount Invested	Business Area	Percentage of Voting Rights Held (Note)
Subsidiaries				
Domestic				
Taisho Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 29,804,450,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals, quasi-drugs, foods and other products	100.0%
Taisho Okinawa Co., Ltd.	Okinawa, Japan	JPY 50,000,000	Sales of Taisho Pharmaceutical products in Okinawa Prefecture	100.0%
Taisho M.T.C. Co., Ltd.	Tokyo, Japan	JPY 400,000,000	Manufacture and sales of raw materials for medicines and quasi-drugs	60.0%
Taisho Pharmaceutical Logistics Co., Ltd.	Saitama, Japan	JPY 30,000,000	Management and operation of transport services for the Taisho Pharmaceutical Group	100.0%
Taisho Toyama Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 2,000,000,000	Sales of prescription pharmaceuticals	70.3%
MEJIRO KOSAN Co., Ltd.	Tokyo, Japan	JPY 600,000,000	Leasing, management, possession and operation of real estate, and provision of employee welfare and benefit services, etc.	100.0%
TAISHO ACTIVE HEALTH Co., Ltd.	Tokyo, Japan	JPY 100,000,000	Supply of health foods, quasi-drugs and skin care products	55.0%
Biofermin Pharmaceutical Co., Ltd.	Hyogo, Japan	JPY 1,227,000,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products	64.0%
TOKUHON Corporation	Tokyo, Japan	JPY 300,000,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products	100.0%
Overseas				
Taisho Pharmaceutical (Taiwan) Co., Ltd.	Taipei, Taiwan	TWD 200,000,000	Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products	100.0%
Taisho Pharmaceutical California Inc.	California, U.S.A.	USD 41,050,000	Manufacture (commissioned) and sales of energy drinks and other products	100.0%
Taisho Pharmaceutical (M) SDN. BHD.	Selangor, Malaysia	MYR 24,380,000	Manufacture and sales of energy drinks and other products	100.0%
Taisho Pharmaceuticals (Philippines), Inc.	Makati, Philippines	PHP 18,900,000	Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products	100.0%
PT. Taisho Indonesia	Jakarta, Indonesia	IDR 42,920,000,000	Manufacture (commissioned) and sales of energy drinks and other products	100.0%
Taisho Co., Ltd. Shanghai	Shanghai, China	CNY 132,621,000	Manufacture and sales of energy drinks and other products	100.0%
Taisho Vietnam Co., Ltd.	Khanh Hoa, Vietnam	VND 170,754,300,000	Manufacture and sales of energy drinks and other products	100.0%
Taisho Pharmaceutical (H.K.) Ltd.	Hong Kong, China	HKD 163,000,000	Sales of energy drinks and other products	100.0%
Osotspa Taisho Pharmaceutical Co., Ltd.	Bangkok, Thailand	THB 100,000,000	Sales of OTC drugs, energy drinks and other products	60.0%
Taisho Pharmaceutical R&D Inc.	New Jersey, U.S.A.	USD 4,000,000	Development of prescription pharmaceuticals	100.0%
PT. Taisho Pharmaceutical Indonesia Tbk	Jakarta, Indonesia	IDR 10,240,000,000	Manufacture and sales of OTC drugs	98.0%
Taisho Pharmaceutical Singapore Private Limited	Singapore	USD 1,000,000	Administration of OTC drug business for the export market from Indonesia	100.0%
Hoepharma Holdings Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR 32,380,000	Manufacture and sales of pharmaceutical products for Asian and other markets	100.0%
Compañía Internacional de Comercio, S.A.P.I. de C.V.	Mexico City, Mexico	MXN 122,467,000	Manufacture and sales of OTC drugs and other products	100.0%
Affiliates				
Domestic				
Toyama Chemical Co., Ltd.	Tokyo, Japan	JPY 10,000,000,000	Research, development, manufacture and sales of prescription pharmaceuticals and other products	34.0%
Yomeishu Seizo Co., Ltd.	Tokyo, Japan	JPY 1,650,000,000	Manufacture and sales of herbal liqueurs and other products	24.3%

(Note) Percentage of voting rights held includes indirect voting rights held.

Corporate Data

(As of June 27, 2014)

Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

Date of Foundation: October 3, 2011

Paid-in Capital: ¥30,000 million

Number of Employees: 6,381 (As of March 31, 2014)

Home Page: http://www.taisho-holdings.co.jp/en/

Board of Directors:

President and CEO
Akira Uehara*

Executive Vice President
Hisataka Hotta*

Directors
Shigeru Uehara
Akira Ohira
Ken Uehara
Ken-ichi Fujita
Kiyomi Chuurei
Jun-ichi Fukudome
Toshio Morikawa**

Audit & Supervisory Board Members:

Shigeo Morimoto
Kyuji Kobayashi
Hiroyuki Uemura***
Isao Yoshikawa***

* Representative Director
** Outside director as stipulated by Article 2.15 of the Corporate Law
*** Outside Audit & Supervisory Board member as stipulated by Article 2.16 of the Corporate Law

Directory:

Headquarters	3-24-1, Takada, Toshima-ku, Tokyo 170-8655, Japan Telephone: 81-3-3985-2020 Facsimile: Corporate Communications: 81-3-3985-6485

Major Group Companies:

Taisho Pharmaceutical Co., Ltd.	Head Office and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
	Factories and Laboratory	The Omiya Factory / Research Center, The Okayama Factory, The Hanyu Factory
Taisho Toyama Pharmaceutical Co., Ltd.	Head Office and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
Biofermin Pharmaceutical Co., Ltd.	Head Office and Branches	Hyogo Head Office, Tokyo, Sapporo, Nagoya, Fukuoka
	Factory and Laboratory	The Kobe Factory / Research Center
TOKUHON Corporation	Head Office and Branches	Tokyo Head Office, Osaka, Nagoya
	Factory and Laboratory	The Saitama Factory / Research Center

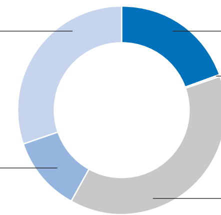
Investor Information

(As of March 31, 2014)

Common Stock:

Authorized:	360,000,000
Issued:	90,139,653
Stock Trading Unit:	100 shares
Number of Shareholders:	29,637
General Meeting of Shareholders:	Held annually in June
Listing:	Tokyo Stock Exchange
Ticker Symbol Number:	4581
Stock Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan
Head Office:	3-24-1, Takada, Toshima-ku, Tokyo 170-8655, Japan

Distribution of Shareholders

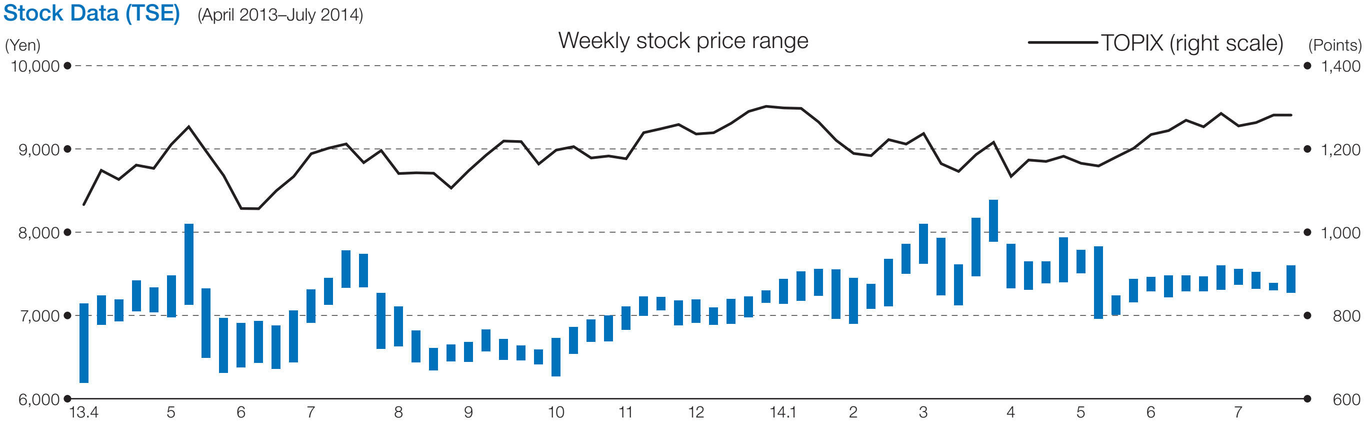


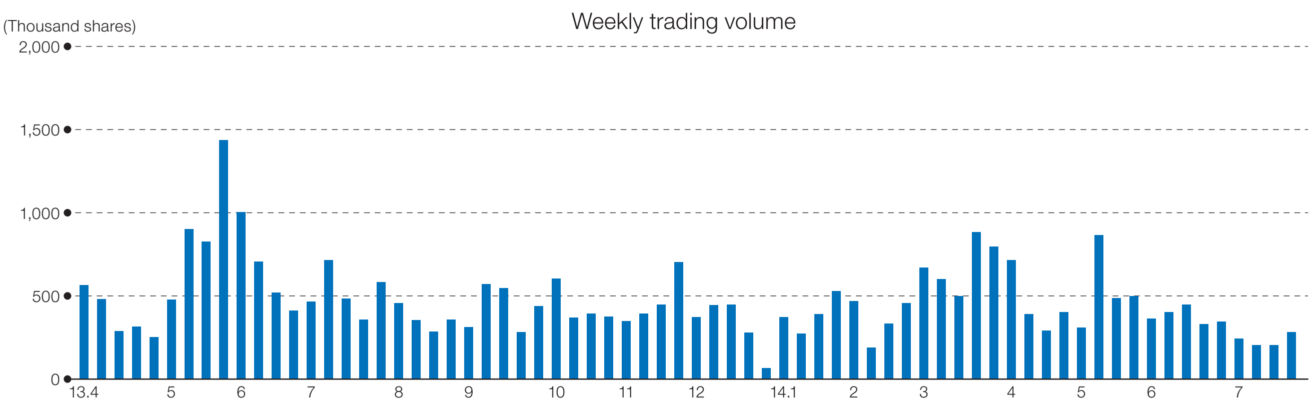
Major Shareholders

	Number of voting rights (Thousands)	Percentage of voting rights* (%)
The Uehara Memorial Foundation	12,900	15.90
Shoji Uehara	10,483	12.92
Uehara Museum	3,900	4.81
Sumitomo Mitsui Banking Corporation	3,000	3.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3.70
Akira Uehara	2,143	2.64
Sumitomo Chemical Company, Limited	2,109	2.60
Kajima Corporation	1,650	2.03
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account/ Sumitomo Chemical Company, Limited Employee Pension Trust Account)	1,530	1.89
Japan Trustee Services Bank, Ltd. (trust account)	1,373	1.69

Number of voting rights (shares) is rounded down to the nearest thousand.
Excluding treasury stock (8,995 thousand shares)
* Calculated excluding treasury stock (8,995 thousand shares)

Stock Data (TSE) (April 2013–July 2014)





TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

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