Annual Report 2016

Fiscal year ended March 31, 2016

TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

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

Editorial Policy

In 2015, Taisho Pharmaceutical Holdings Co., Ltd. integrated its annual report, social and environmental report and investors' guide into the Annual Report to help stakeholders understand the management strategies and initiatives of Taisho Pharmaceutical Holdings and the Taisho Pharmaceutical Group. In compiling the Annual Report, we took a comprehensive approach, including human resource, stakeholder and other non-financial information in addition to management directions and strategies, business conditions and business environment including risks. Information formerly included in the social and environmental report is available on the Taisho Pharmaceutical Holdings website to allow us to report the latest information.

Scope of Reporting

Companies subject to reporting: Taisho Pharmaceutical Holdings Co., Ltd., Taisho Pharmaceutical Co., Ltd., Taisho Toyama Pharmaceutical Co., Ltd., and some Group companies
Reporting period: April 1, 2015 to March 31, 2016 (includes some information from prior and subsequent periods)

CSR: http://www.taisho-holdings.co.jp/en/environment

Contents

Cautionary Statement with Respect to Forward-Looking Statements

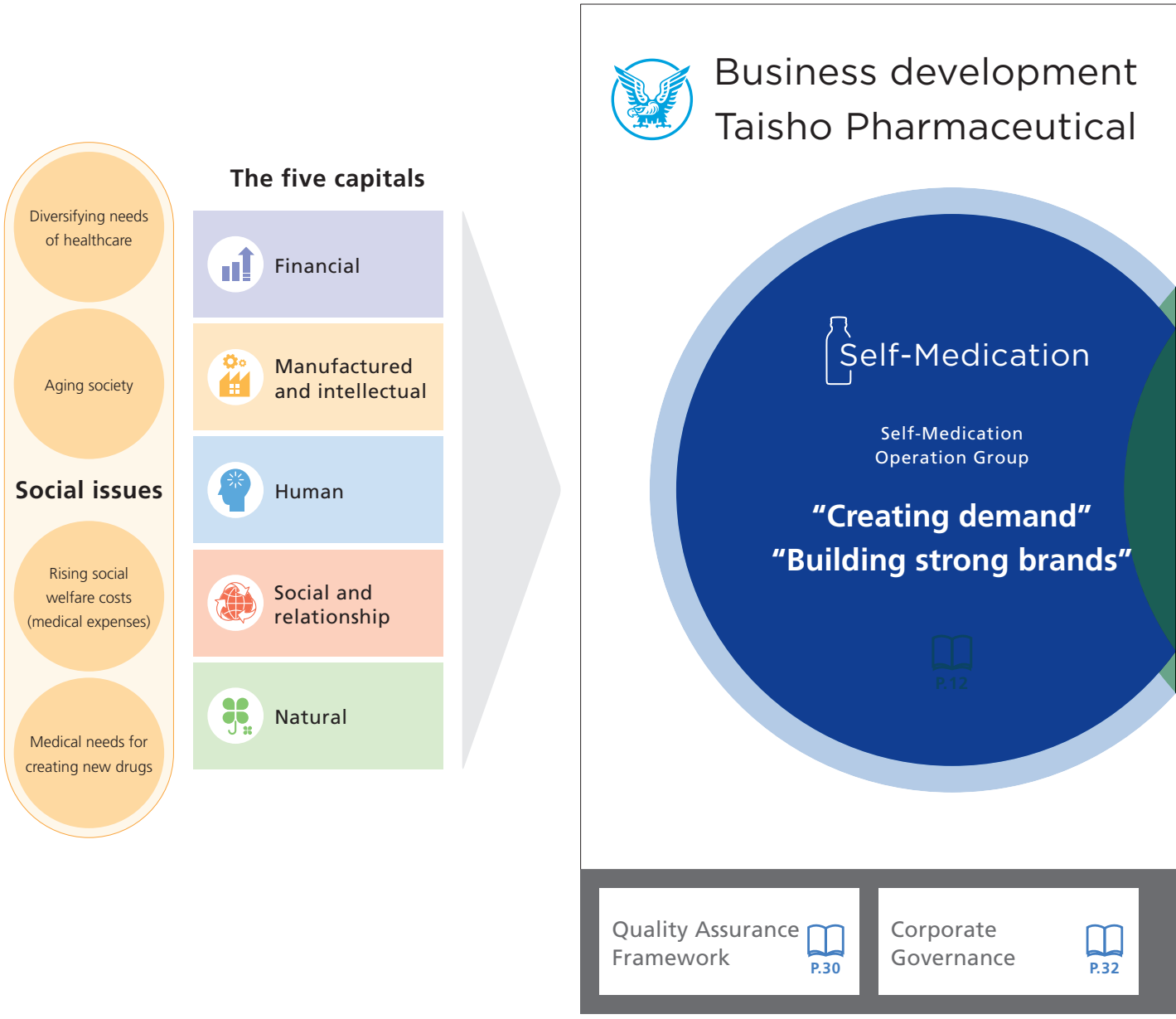
Forward-looking statements made in this annual report, including the future performance of the Taisho Pharmaceutical Group, are based on currently available information and assumptions management believes to be reasonable, and the Group does not guarantee their achievement. Various factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Note

Monetary amounts other than those shown on pages 48-68 are as disclosed in the Company's financial statements.
Monetary amounts shown on pages 48-68 have been rounded to the nearest million yen.

Overview of the Taisho Pharmaceutical Group

The Taisho Pharmaceutical Group believes in creating value through business development by utilizing the five capitals. In so doing, we will respond to social issues, grow as a company that is needed by society, and share outcomes with our stakeholders. The Group will continue promoting these processes so that we can provide value to all our stakeholders.



of the
Group

Prescription Pharmaceutical

Prescription Pharmaceutical
Operation Group

"Creating and accelerating the development of new drugs"

P.22

Risk Management P.35

Compliance P.36

Value provided to our stakeholders

Healthier and more enriched lives
"Consumers"

Economic development
"Employees"
"Business partners"

Improved asset value
"Shareholders and investors"

Social contribution
"The environment"

History of the Taisho Pharmaceutical Group

Since its establishment over 100 years ago, the source of the Taisho Pharmaceutical Group's value creation has been the safety, security and trust nurtured under its corporate brand. The Group will continue striving to create new value over the coming century.

The Group has 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 ethical drugs. These businesses are operated based on our mission of creating and offering products, information and services that address consumer needs in socially responsible ways.

The Self-Medication Operation Group has earned support by providing new value. For example, *Lipovitan D*, an energy drink launched in 1962, supported Japan's rapid economic growth. *Pabron* cold remedies have contributed to the health of many households. *RiUP* was launched in 1999 as Japan's first hair regrowth treatment. Meanwhile, the Prescription Pharmaceutical Operation Group has launched proprietary drugs. The macrolide antibiotic *Clarith* launched in 1991 has achieved strong global recognition. In recent years, the Group has continued to launch proprietary offerings such as the type 2 diabetes mellitus agent *Lusefi*, followed by the transdermal anti-inflammatory analgesic patch *LOQOA*.

Going forward, the Group aims to strengthen competitiveness and generate sustainable growth based on thorough quality control and enhanced corporate governance throughout the Group.

1912-1960

Main products of the Self-Medication Operation Group

1955
- Cold Remedies *Pabron A* and *Pabron B* were launched.

Main products of the Prescription Pharmaceutical Operation Group

1957
- Antipsoriatic agent *Psorion* was launched.

History of the Taisho Pharmaceutical Group

1912
- Taisho Seiyakusho was founded.

1961-1980

1962
- Energy drink *Lipovitan D* was launched.

1963
- *Lipovitan* was launched in Taiwan.

1967
- Antiphlogistic pain reliever *Opyrin* was launched.

1963
- Omiya Factory started production.

1974
- Research Center was constructed on premises of Omiya Factory.

1981-2000

1999
- Hair regrowth treatment *RiUP* was launched.

1991
- Macrolide antibiotic *Clarith* was launched.

1985
- Okayama Factory was constructed.

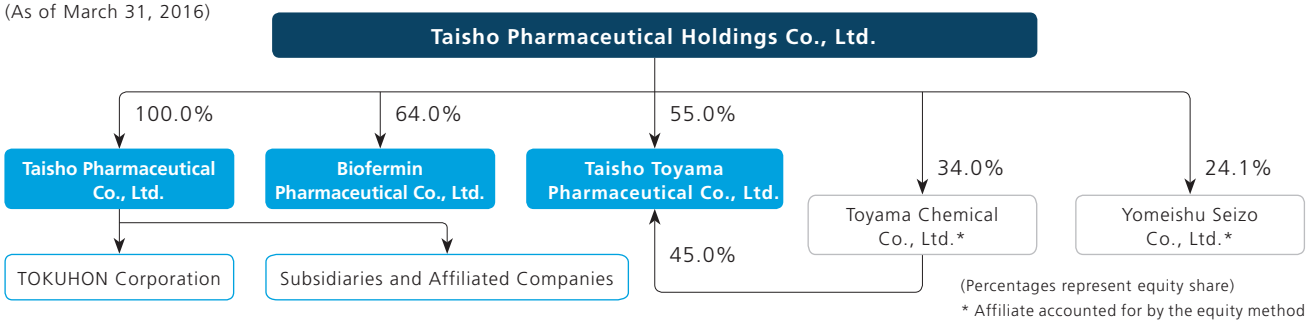
1997
- Hanyu Factory was completed.

Expanding the Group network

The Taisho Pharmaceutical Group is made up of Taisho Pharmaceutical Holdings Co., Ltd., which is responsible for the management of the entire Group, and its 34 subsidiaries and 4 affiliated companies. In July 2016, the Group entered a capital alliance agreement with Duoc Hau Giang Pharmaceutical JSC, one of the leading drug makers in Vietnam, for the purpose of strengthening business development in Southeast Asia. Going forward, the Group aims to establish even stronger management foundations to ensure that it continues to achieve steady growth and development amid global competition.

Group business structure

(As of March 31, 2016)



(Percentages represent equity share)
* Affiliate accounted for by the equity method

2001-2010

2002
- Taisho Pharmaceutical took over the *VICKS Medicated Drops* business from Procter & Gamble.

2003
- Lifestyle-care oriented Food for Specified Health Uses (FOSHU) total brand *Livita* started.

2006
- E-commerce website Taisho Pharmaceutical Direct Online Shopping was released.

2008
- Combination antibiotic with a beta-lactamase inhibitor *ZOSYN* was launched.

2010
- A new quinolone antibacterial agent *OZEX fine granules* was launched.

2002
- Taisho Toyama Pharmaceutical Co., Ltd. was established.

2008
- Acquired shares in Biofermin Pharmaceutical Co., Ltd., which became a consolidated subsidiary.

2009
- Taisho acquired the U.S.-based Bristol-Myers Squibb Company's OTC drug business in Asia

2011-2014

2012
- UV protection *Coppertone* Series was launched.

2014
- Diet support drink *COBARASAPŌTO* was launched.

2011
- Osteoporosis agent *Edirol* was launched.

2013
- Osteoporosis agent *Bonviva* was launched.

2014
- Type 2 diabetes mellitus agent *Lusefi* was launched.

2011
- Acquired shares in Hoepharma Holdings Sdn. Bhd., which became a consolidated subsidiary.
- Taisho Pharmaceutical Holdings Co., Ltd. was established.

2012
- Conversion of TOKUHON Corporation into wholly owned subsidiary.
- Acquired 100% of the shares of a Mexican pharmaceutical company group (4 companies including CICSA).

2015-

2015
- Energy drink *RAIZIN* was launched.

2016
- Transdermal anti-inflammatory analgesic patch *LOQOA* was launched.

2016
- Acquired shares of Duoc Hau Giang Pharmaceutical JSC.

Financial and Non-Financial Highlights

Fiscal years ended March 31

(Millions of yen)

	2012	2013	2014	2015	**2016**
Net sales	271,230	285,168	295,957	290,498	**290,135**
Self-Medication Operation Group	166,467	171,271	181,753	176,295	**180,722**
Prescription Pharmaceutical Operation Group	104,763	113,896	114,204	114,202	**109,413**
Selling, general and administrative expenses	133,833	140,873	143,009	146,273	**147,935**
Percentage of net sales (%)	49.3	49.4	48.3	50.4	**51.0**
R&D expenditures	24,231	23,331	21,874	21,554	**21,768**
Self-Medication Operation Group	5,239	5,908	5,790	5,502	**5,497**
Prescription Pharmaceutical Operation Group	18,992	17,423	16,084	16,051	**16,270**
Percentage of net sales (%)	8.9	8.2	7.4	7.4	**7.5**
Operating income	38,412	35,337	41,683	31,974	**28,878**
Percentage of net sales (%)	14.2	12.4	14.1	11.0	**10.0**
Profit attributable to owners of parent	24,357	26,320	32,692	24,528	**22,473**
Free cash flows	(15,616)	31,933	38,235	15,552	**31,396**
Total assets	629,506	676,388	728,442	768,092	**759,049**
Net assets	538,666	578,158	611,933	653,242	**643,127**
Equity ratio (%)	83.8	83.6	82.4	83.3	**82.9**
ROE (Return on equity) (%)	4.6	4.8	5.6	4.0	**3.5**
ROA (Return on assets) (%)	3.9	4.0	4.7	3.3	**2.9**
Dividend per share (Yen)	90.00*1	120.00*2	110.00	110.00	**100.00**
Dividend payout ratio (%)	30.4	36.9	27.3	36.4	**36.0**
Number of employees	6,003	6,370	6,381	6,609	**6,517**
Female manager ratio (%)	9.8	10.0	10.5	12.1	**11.5**
Total waste generated (Companywide) (Ton)	7,692	6,518	6,208	5,378	**6,277**

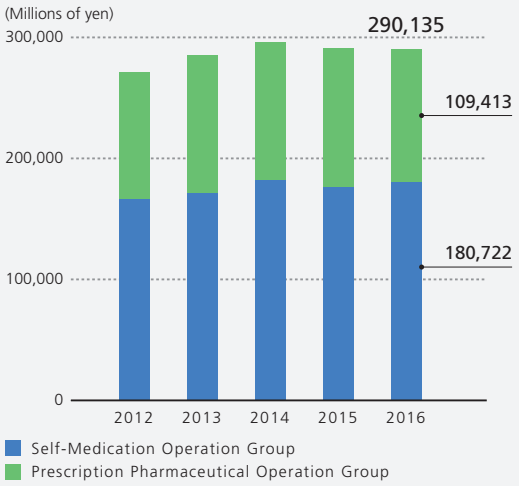
*1 The annual dividend of ¥90 per share for the fiscal year ended March 31, 2012 comprises the sum of ¥40 per share derived from the conversion of Taisho Pharmaceutical's interim dividend of ¥12 per share, and the year-end dividend of Taisho Pharmaceutical Holdings of ¥50 per share.

*2 Includes the commemorative dividend for the 100th anniversary of the founding of Taisho Pharmaceutical.

Net sales

Consolidated net sales decreased ¥0.4 billion, or 0.1%, compared with the previous fiscal year to ¥290.1 billion.

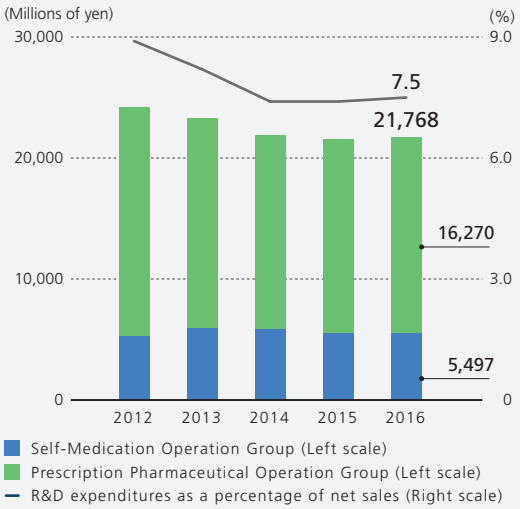
Segment net sales for the Self-Medication Operation Group increased ¥4.4 billion, or 2.5%, compared with the previous fiscal year to ¥180.7 billion. Segment net sales for the Prescription Pharmaceutical Operation Group decreased ¥4.8 billion, or 4.2%, compared with the previous fiscal year to ¥109.4 billion.



R&D expenditures

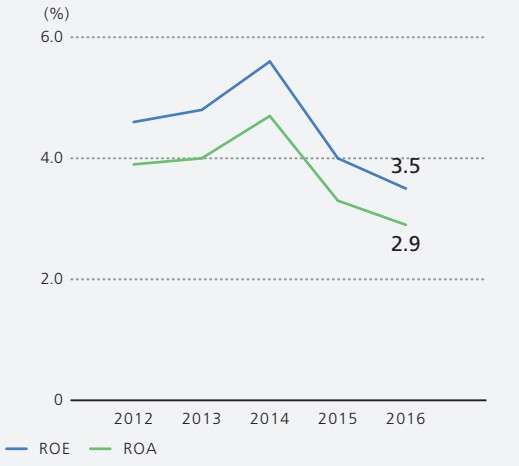
Total R&D expenditures increased ¥0.2 billion, or 1.0%, compared with the previous fiscal year to ¥21.8 billion. R&D expenditures as a percentage of net sales were 7.5%.

R&D expenditures in the Self-Medication Operation Group were essentially unchanged from the previous fiscal year at ¥5.5 billion. R&D expenditures in the Prescription Pharmaceutical Operation Group increased ¥0.2 billion, or 1.4%, compared with the previous fiscal year to ¥16.3 billion.



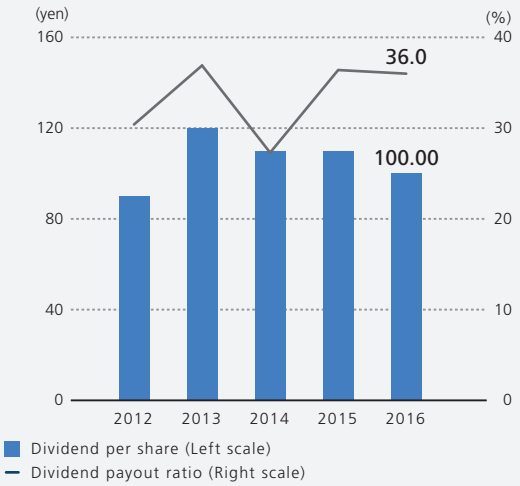
ROE (Return on equity)/ROA (Return on assets)

ROE decreased 0.5 of a percentage point to 3.5%. ROA decreased 0.4 of a percentage point to 2.9%.



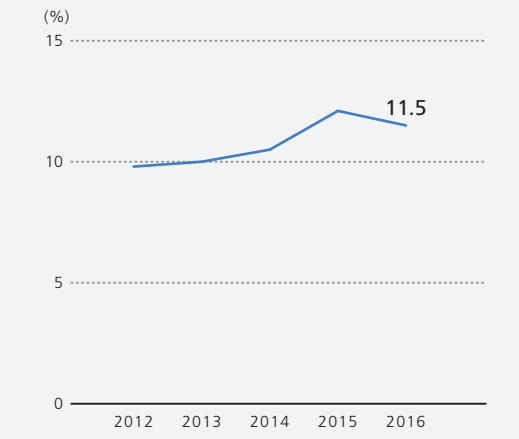
Dividend per share/Dividend payout ratio

The annual dividend per share was ¥100 and the dividend payout ratio was 36.0%.



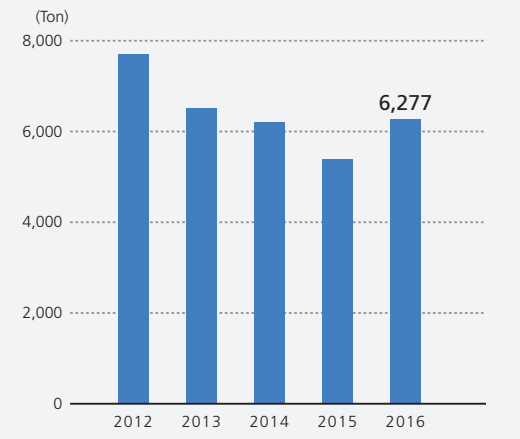
Female manager ratio

The female manager ratio decreased 0.6 of a percentage point to 11.5%. The Company aims to achieve a female manager ratio of 13% by the fiscal year ending March 31, 2019.



Total waste generated (Companywide)

Taisho Pharmaceutical is taking initiatives to reduce waste generation as well as reduce landfill disposal by promoting appropriate recycling measures.



Chief Executive Officer
Akira Uehara

Your health partner

The Taisho Pharmaceutical Group operates 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.

Rising social welfare costs have become a major problem in Japan in recent years due to the rapid shift to an aging population with a low birthrate. The universal healthcare system introduced in 1961 has come to account for approximately 33% of the government budget due to the increase in the elderly population year after year. As the progressing force of globalization reaches all people, goods, money, information, and services, the range of options available to consumers has led us to an age that consumers have the initiative in selecting what they want.

Amidst such a large-scale change in the times, the Japanese government is aiming to realize Dynamic Engagement of All Citizens and to bring about regional revitalization through its initiatives toward extended healthy life expectancy. To achieve this extension of the healthy life expectancy in Japan, the government is setting forth policies to bring about a public system where anyone can receive the medical treatment that they require with world-class quality, and have access to effective preventative care services and comprehensive health management. Additionally, the government is working

on maintaining a high-quality system of medical treatment and nursing care accessible to all, and making rapid rehabilitation into society possible for patients. One practical example of these policies is the self-medication tax system proposed last year by the ruling Liberal Democratic Party's Tax System Research Commission, which the government decided to put into effect as of January 2017. In this system, whenever a consumer purchases a switch OTC drug, the expense incurred can now be treated as tax-deductible, and although there are conditions such as requiring the head of a household to have a regular health check, the system provides support to the individual managing their own health. The switch OTC drug category has not seen a large amount of progress in recent years, but now is a new scheme that is set to spur on the switch OTC process. Beyond OTC drugs, a new labeling system for functional foods went into effect in April 2015, where products with easy-to-understand packaging labels outlining functionality are increasing, even outside of Foods for Specified Health Use, providing the consumer with the correct information regarding products and allowing them to make informed choices.

In the ethical pharmaceuticals field, there are policies in place to counter the rise in social security costs, such as the reduction in price of long-listed products (original pharmaceuticals with expired patents), as well as promoting the use of generic pharmaceuticals to reach a share of 80% by volume. Furthermore, in terms of examination, treatment, and drug development, innovative technical development and applied research are being driven forward, and the Taisho Pharmaceutical Group as one pillar that supports the medical system, will need to respond to these new changes.

Under these circumstances, Taisho Pharmaceutical Holdings Co., Ltd. (the "Company"), which is responsible for the management of the entire Group, aims to strengthen competitiveness and to grow continuously through the effective allocation of business resources, underpinned by comprehensive corporate governance and meticulous quality assurance.

Glossary

Switch OTC drug

This term refers to ethical drugs that have been recategorized as OTC drugs.

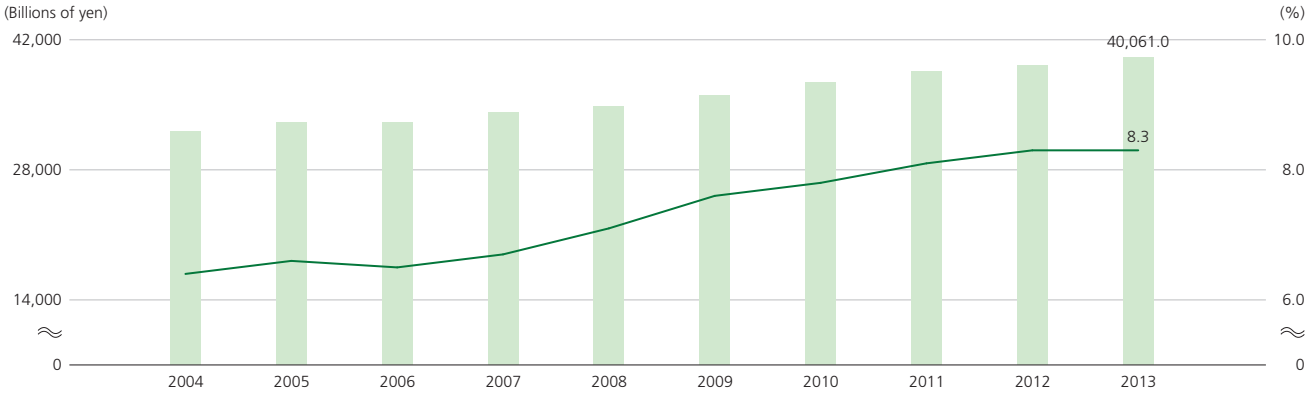
OTC drug

OTC (abbr. Over the Counter) are non-ethical drugs sold through channels including dispensing pharmacies and drugstores.

Prescription drug

Refers to a drug prescribed by a medical practitioner based on their examination and the symptoms diagnosed.

National Medical Expenses and Percentage of Nominal GDP



National medical expenses (Left scale) — Percentage of nominal GDP (Right scale)
Source: "2015 Health and Labour White Paper" and "Key Statistics," Cabinet Office

Taisho Pharmaceutical Group Initiatives and Future Directions

The Taisho Pharmaceutical Group must respond not only to the various changes in society, but also to the heightened level of consumer health consciousness such as "I want to age gracefully in good health" and "I don't want to be a burden to others." In doing so, the Group will continue to strengthen its earnings foundation through balanced growth in its two core businesses: the Self-Medication Operation Group, which is centered on OTC drugs, and the Prescription Pharmaceutical Operation Group, which handles ethical drugs, while aiming to maximize corporate value.

In the Self-Medication Operation Group in Japan, we will create demand and enhance activities to build strong brands. In this aim, we will develop and nurture products in new fields and based on new concepts that respond to the heightened health consciousness and shift in needs of the consumer. Additionally, we will strengthen coordination between our marketing and sales activities, broaden our level of interaction with the consumer, and strengthening direct communication by expanding into new channels such as mail order business.

Overseas, we are striving towards reaching a superior position in the regions where we have expanded, and through constantly reinforcing our business development in these growing markets, centered primarily around Southeast Asia, we are channeling our efforts into developing and nurturing products catering toward the middle classes through strategies such as line extension. Furthermore, with the intention of obtaining a medium- to long-term foothold for growth, we are also working on development in fields beyond these new expansion regions and OTC drugs.

In the Prescription Pharmaceutical Operation Group, reviews for approval have become more stringent, offering greater challenges in the creation of new drugs. Even under these new conditions, following on from the type 2 diabetes agent *Lusefi Tablets* released in May 2014, we released the transdermal anti-inflammation analgesic *LOQOA Tape* in January 2016, thus succeeding in releasing a new product two years in succession. We are now carrying out plans to nurture and maximize sales of these new drugs, while in the field of R&D we will intensify efforts to continuously launch new drugs into the market. Additionally, by bolstering our cooperation with external research organizations, we are securing new compounds to be candidates for original development and carrying out plans to enhance our lineup of products in development, or pipelines, through proactive in-licensing activities.

In the increasingly challenging business environment of the pharmaceuticals industry, the Group is striving to respond deftly to these environmental changes by further strengthening its Group management and operations systems, and to increase its comprehensive capabilities.

In closing, I would like to express our sincere thanks to everyone and ask for your continued understanding and support.

Chief Executive Officer

Akira Uehara

Hair regrowth treatment
RiUP X5 PLUS

PICK UP
▶p.14

PICK UP
▶p.14

Energy drink
RAIZIN Green Wing

Diet support drink
COBARASAPŌTO Grapefruit Flavor

PICK UP
▶p.14

Self-Medication

The Self-Medication Operation Group primarily supplies consumers with over-the-counter (OTC) drugs, quasi-drugs and health food products.

As a leading pharmaceutical company in Japan, the Group supports the health of the public. The Group is also working to strengthen its overseas business to support further growth.

Prescription Pharmaceutical

PICK UP
▶p24

Transdermal
anti-inflammatory analgesic patch
LOQOA Tape

Osteoporosis agent
Bonviva Tablet

PICK UP
▶p.24

The Prescription Pharmaceutical Operation Group researches, develops, manufactures, and markets ethical drugs.

We are advancing R&D focused on priority fields and engaging in sales and marketing centered on efforts to maximize sales of new drugs.

Self-Medication Operation Group

We are a leader in Japan's self-medication market with many top brands including the *Lipovitan* series of energy drinks, the *Pabron* series of cold remedies and the *RiUP* series of hair regrowth treatments.

Market Environment

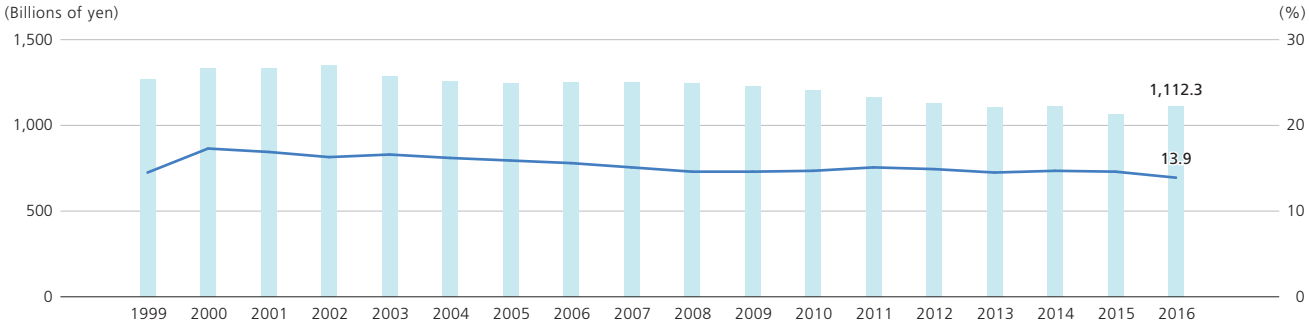
During the fiscal year ended March 31, 2016, in Japan's over-the-counter (OTC) drug market, some categories such as energy drinks were down from the previous fiscal year. However, most categories were up from the previous fiscal year, which was affected by a pullback in demand following the surge in purchasing prior to the April 2014 increase in the consumption tax rate. The market grew 4.3% compared with the previous fiscal year to ¥1,112.3 billion, and the eye medication and vitamin B_1 supplement categories made considerable gains due to inbound tourism demand.

Looking toward the operating environment of the OTC drug market, there is the long-term trend of decline in the Japanese population with a rapidly aging society prompted by a low birthrate. In 2025, the so-called baby boom generation will all be over 75 years old, creating an advanced aging society. This change in population structure is expected to have major effects.

In other developments, it became possible to sell OTC drugs online from June 2014. In November 2014, the Pharmaceutical Affairs Act was revised in response to a backdrop of advancing medical technology. Even the name of the act was changed to the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (it is now known as the PMD Act). This was a revision that focused on medical technologies. In fact, Japan's population disease structure and awareness regarding healthcare have changed, and medical technologies have been making remarkable progress. As the Japanese government's Revitalization Strategy has set "extension of healthy life" as an essential theme, "promotion of self-medication," which is positioned as a national policy, is increasing its importance.

Switch OTC drugs, which are ethical drugs repurposed

Japan's Over-the-Counter (OTC) Drug Market (Fiscal years ended March 31)

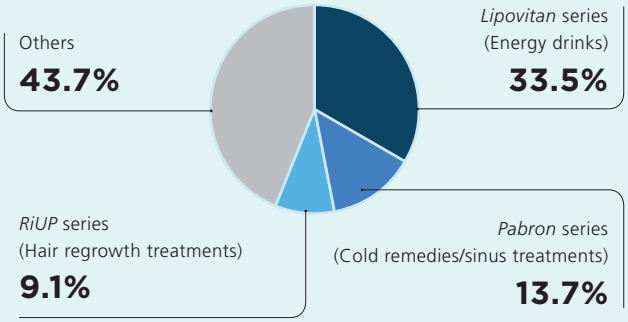


Source: INTAGE Inc.

Note: Includes quasi-drug energy drinks and mini-drinks in the drug category. (Taisho's estimates based on INTAGE SDI/SRI data)

Sales of Main Brands* (Fiscal year ended March 31, 2016)

Net Sales
¥180.7 billion



* Sum of sales in millions of yen, rounded to the nearest 1 million

into OTC drugs, have not made significant progress, but we have come here to set into motion a new scheme aimed at spurring on the switch OTC process. Furthermore, the self-medication tax system set to come into effect from January 2017 will make switch OTC drugs tax deductible, and is seen to be an expansion of the range of options available to consumers. Beyond OTC drugs, a new labeling system for functional foods went into effect in April 2015, where products with easy-to-understand packaging labels outlining functionality are increasing, even outside of Foods for Specified Health Use.

In this environment, health awareness is rising among consumers and their needs are becoming more diverse. Despite the downward trend in self-medication and related markets, we believe that there is sufficient potential to expand the market by responding to each of these needs. For this reason, we have to devise new marketing activities that accurately capture the movements and voices of consumers and lead them toward the act of purchasing.

Initiatives in Japan

Our domestic self-medication business continues to make efforts to create demand and build strong brands. Based on our data from market surveys we are developing new products that meet consumer needs and potential we see in markets we consider favorable. In addition, we are putting energy into fostering a strong brand supported by loyal consumers through maintaining and broadening sales, while enhancing coordination between marketing and sales activities, and enhancing direct communication with consumers.

In the fiscal year ended March 31, 2016, we believe we were able to achieve definite results through working to maintain and broaden sales of our flagship brands, such as the release of various limited edition bottles in the *Lipovitan* series, and the release of *RiUP X5 PLUS* into the *RiUP* series. Furthermore, through the release and cultivation of products outside OTC drugs, such as the energy drink *RAIZIN*, and the diet support drink *COBARASAPŌTO*, we have worked to create demand by responding to the newly expanded needs of the consumer and the proposal of new concepts. When needs originating from the consumer are broadly captured, we believe that there is potential for us to capture further share; thus, there is sufficient opportunity to grow the business. In the fiscal year ending March 31, 2017, we will continue further consolidating and accelerating our initiative to create demand and build a strong brand, by capturing the broad range of health-related fields beyond just OTC drugs, such as food products, cosmetics, and general hygiene, we can grow our business by continuing to meet the needs and standpoint of the consumer.

Various limited-edition *Lipovitan D* bottles were sold.
From left: Father's Day, Support Japan's Rugby Team, Christmas

Highlights: **Main product launches in the fiscal year ended March 31, 2016**

RiUP X5 PLUS

(Category 1 medicine) **Launched in October 2015**

Released in October 2015, *RiUP X5 PLUS*, contains Japan's one and only hair regrowth compound, minoxidil 5%, with an additional mix of three hair regrowth support ingredients. Paying special attention to the characteristic conditions of men's scalps, *RiUP X5 PLUS* is a hair regrowth agent that utilizes the actual hair growth potency of minoxidil by acting upon the three points of degradation in scalp condition caused by excessive oil.

We also conducted the *RiUP X5 PLUS* New Release Double Chance Campaign, where all those who purchase selected products from the *RiUP* series were entered into the draw to win attractive prizes. Through this campaign, we expressed our gratitude towards our customers' continued patronage, and lent support in creating a more worry-free lifestyle for men who are troubled by their hair.

<Three hair growth support compounds>

(1) Pyridoxine hydrochloride: prevents oil from blocking pores which inhibits the permeation of minoxidil

(2) Tocopherol acetate ester: suppresses scalp irritation and the production of fatty acid peroxides which cause odor

(3) Menthol: soothes irritation and itching while giving a feeling of refreshment

(Product name: *RiUP X5 PLUS Lotion*)

RAIZIN Green Wing

(Energy Drink) **Launched in March 2016**

RAIZIN Green Wing, a new flavor of our energy drink *RAIZIN*, was released. It is strongly carbonated making for a crisp and refreshing flavor. Open the can and the fresh aroma wafts out, with a subtle sweetness and tanginess that spreads pleasantly throughout your mouth. Kazuya Kamenashi plays the character in the commercial, expanding the appeal of the product through various forms of advertising.

COBARASAPŌTO Grapefruit Flavor

(Diet support drink) **Launched in March 2016**

COBARASAPŌTO Grapefruit Flavor, a carbonated beverage that helps to control hunger on an empty stomach, was released across all major convenience stores throughout the country, as well as on our online store, Taisho Pharmaceutical Direct. Following on from *COBARASAPŌTO Yuzu Flavor* and *COBARASAPŌTO Apple Flavor*, our release of an additional flavor supports everyday healthy lifestyles by letting the consumer enjoy the change in taste while managing their calorie intake.

Highlights: **Advertising campaigns**

At Taisho Pharmaceutical, we employ all forms of advertising in order to foster not only our major brands but also new ones. For *Lipovitan D*, we have established the concept of consuming a product familiar to the consumer. For *Pabron*, we emphasize the appeal of *Pabron S Gold W* as something the whole family can take, together with *Ace AX* for adults. And for *RiUP X5 PLUS*, we promote its suitable usage in taking it "twice a day for four months" in order to see its true effects. For our other brands, we are putting out a message that in easy-to-understand terms communicates the special properties of our products, and goes on to further nurture these brands.

Lipovitan D Rugby

Pabron S Gold W Wool scarf

Pabron Ace AX Quick-tempered boss

RiUP X5 PLUS Big letters

COBARASAPŌTO Wedding ceremony

Coppertone "Osoroija dame" song

Atsuko Maeda was appointed for the *Lipovitan Fine* commercial

The actress Atsuko Maeda was appointed to play the character in the new *Lipovitan Fine* commercial, and starting from June 13, 2016, the commercial was broadcast on TV across Japan. Since *Lipovitan Fine* was released as a low calorie drink in 2005, it has become a product loved by many. Atsuko Maeda, active on TV and film, portrays a girl living life full of energy and hope, helping to build empathy and feelings of expectation toward *Lipovitan Fine*. Moving forward, our aim is to further strengthen the *Lipovitan* series brand name and broaden its consumer reach.

Reasons for appointing Atsuko Maeda

- Widely recognized for making a favorable impression across all generations
- The mix of her cheerful image together with her cool feminine strength

Initiatives Overseas

The Taisho Pharmaceutical Group is strengthening its overseas business in Southeast Asia, which is expected to be an expanding market due to population and economic growth.

We are leveraging the solid business platform we acquired when entering the region in earnest in 2009 to develop business with a focus on Indonesia, Thailand, Malaysia, and the Philippines. During the fiscal year ended March 31, 2016, we achieved our longstanding target of an overseas sales ratio up to 10% of consolidated total sales of the Group.

We will continue consolidating our business expansion to achieve sustained growth, and pour our efforts into extension and improvement of our brand such as the topical anti-inflammatory analgesic "*Counterpain*" and the antipyretic analgesic "*Tempra*" as well as into product development targeting the middle class, for which further growth is anticipated. In addition, we are working to aggressively expand into new countries and regions with aims to gain a foothold for medium- to long-term growth, setting our sights on gaining a superior position in each of the regions we operate by focusing on OTC drugs.

Main overseas business products

Highlights: **Stock Acquisition of Duoc Hau Giang Pharmaceutical JSC**

On July 4, 2016, we acquired 24.5% of the shares of Vietnamese drug manufacturer Duoc Hau Giang Pharmaceutical JSC. Hau Giang Pharmaceutical is a top drug manufacturer among Vietnam-based companies and the owner of brands including the OTC antipyretic anti-inflammatory analgesic *Hapacol*, and the ethical antibiotic *Klamentin*. Through this acquisition and the business and capital alliance, we will be able to share our knowledge, technology, and sales experience with Hau Giang Pharmaceutical for realizing synergies between the Group and Hau Giang Pharmaceutical by leveraging the Group's major products and knowledge together with Hau Giang's position as a locally established business in Vietnam.

1. Taisho Pharmaceutical Singapore Private Limited
2. PT. Taisho Pharmaceutical Indonesia Tbk
3. Hoepharma Holdings Sdn. Bhd.
4. Nha Trang Plant, Taisho Vietnam Co., Ltd.
5. Taisho Co., Ltd. Shanghai
6. Bangi Plant, Taisho Pharmaceutical (M) SDN. BHD.
7. Taisho Pharmaceutical (Taiwan) Co., Ltd.
8. Taisho Pharmaceuticals (Philippines), Inc.
9. Compañía Internacional de Comercio, S.A.P.I. de C.V.
10. Taisho Pharmaceutical California Inc.
11. Osotspa Taisho Pharmaceutical Co., Ltd.
12. Taisho Pharmaceutical (H.K.) Ltd.
13. Taisho Pharmaceutical R&D Inc.


PT. Taisho Pharmaceutical Indonesia Tbk


Hoepharma Holdings Sdn. Bhd.


Nha Trang Plant, Taisho Vietnam Co., Ltd.


Bangi Plant, Taisho Pharmaceutical (M) SDN. BHD.


Compañía Internacional de Comercio, S.A.P.I. de C.V.


Taisho Pharmaceutical R&D Inc.

Factual data

Sales of Main Brands (Fiscal year ended March 31, 2016)

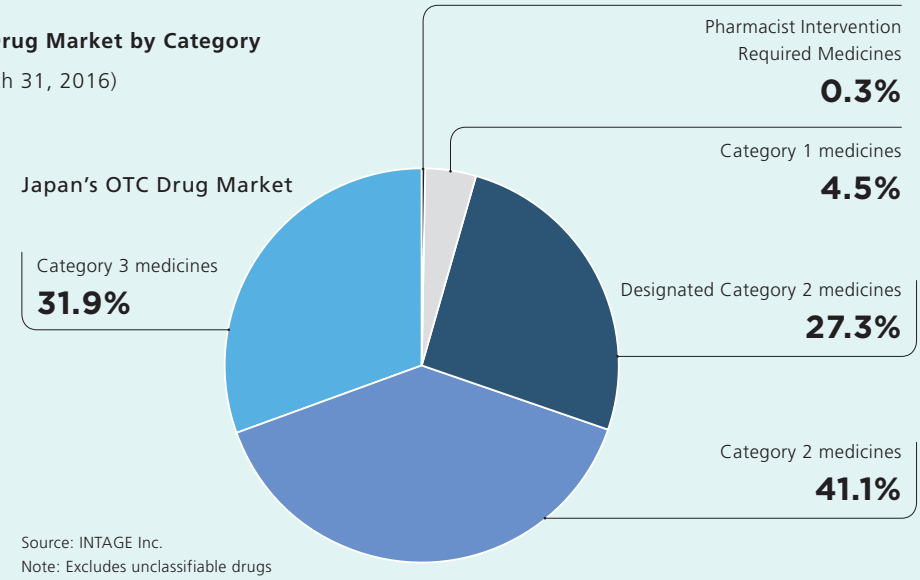
(Billions of yen)

Product Name	Sales	% of Total
Lipovitan series	60.5	33.5
Lipovitan D	38.6	21.4
Pabron series	24.8	13.7
RiUP series	16.5	9.1
Livita series	3.9	2.2
Gastrointestinal treatment series	4.1	2.3
NARON series	3.7	2.0

Product Name	Sales	% of Total
VICKS series	3.6	2.0
Colac series	3.3	1.8
ZENA series	2.7	1.5
Biofermin series	7.5	4.2
Overseas energy drinks	10.3	5.7
Overseas OTC drugs	18.4	10.2

Size of Japan's OTC Drug Market by Category

(Fiscal year ended March 31, 2016)

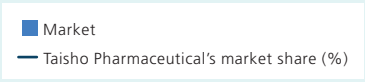


Source: INTAGE Inc.
Note: Excludes unclassifiable drugs
(INTAGE SDI data as of the end of April 2016 on a value basis. Totals are for April–March)

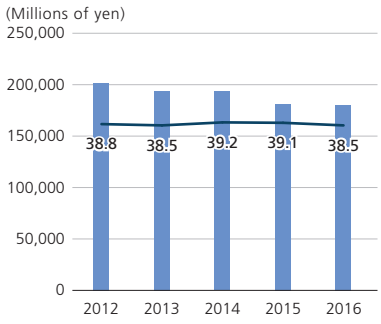
OTC Drug Classification

OTC Drug Category		Overview	Relevant Professional	Explanation Provided by Seller to Customer	Provision of Advice to Customers	Internet, Mail-Order and Similar Sales
Pharmacist Intervention Required Medicines		Products for which sufficient care in handling is required because they are newly launched OTC drugs	Pharmacist	Provide printed information (required)	Required	Not possible
OTC Drugs	Category 1 medicines	Drugs that require particular care due to safety issues including side effects and interaction with other drugs				Possible
	Designated Category 2 medicines	Drugs that require extra care due to safety issues including side effects and interaction with other drugs	Pharmacist of "registered seller"	Effort required		
	Category 2 medicines	Drugs that require care due to safety issues including side effects and interaction with other drugs				
	Category 3 medicines	Other than the above		No legal requirement		

Market Share of Taisho Pharmaceutical's Main Brands (Fiscal years ended March 31)
(Taisho Pharmaceutical's estimates based on INTAGE SDI/SRI data)

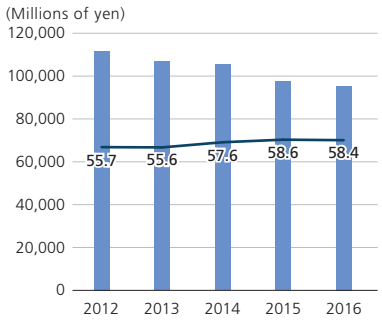


Overall Energy Drinks (①+②)



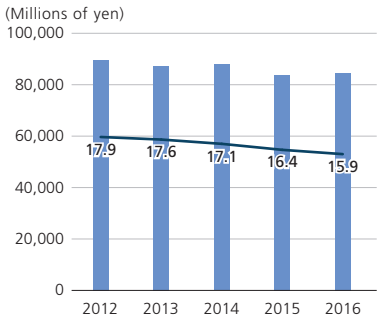
100 mL Drinks ①

(*Lipovitan* series)



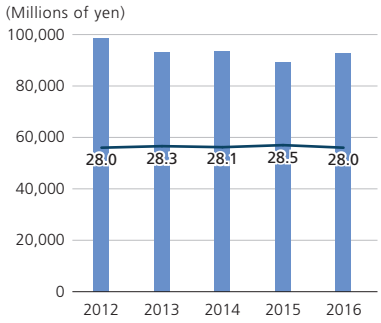
Mini-Drinks ②

(*Lipovitan* series + *ZENA* series)



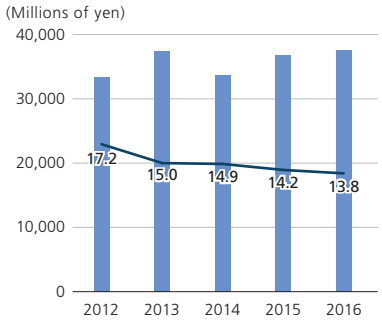
Cold Remedies

(*Pabron* series)



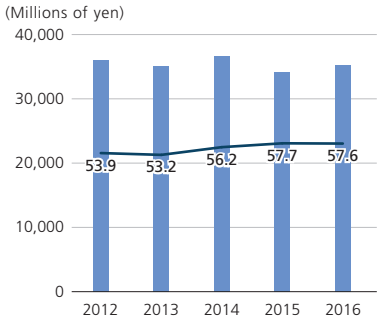
Sinus Treatments

(*Pabron* series)



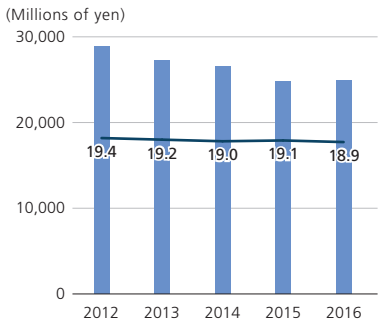
Hair-Care Products

(*RiUP* series)

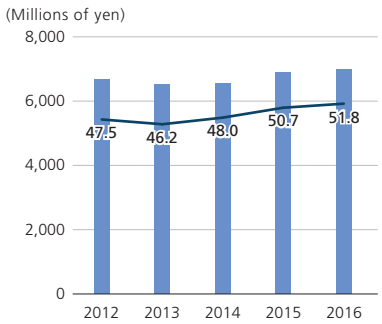


Laxatives

(*Colac* and others)

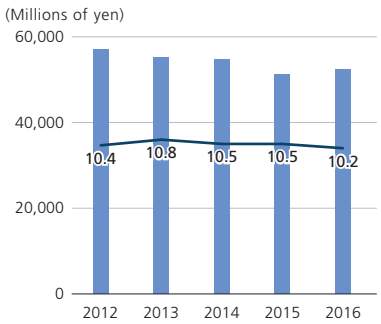


Cough Suppressant Throat Lozenges and Medicated Drops (*VICKS*)



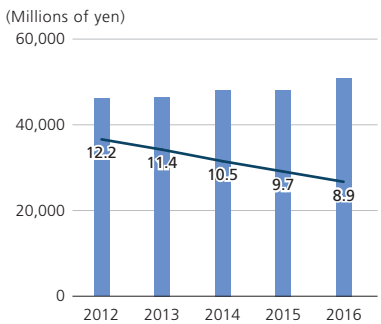
Gastrointestinal Treatments

(*Taisho Kampo* and others)



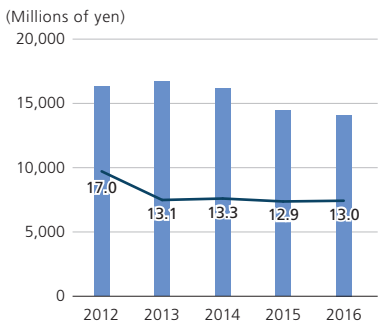
Antipyretic Analgesics

(*NARON* and others)



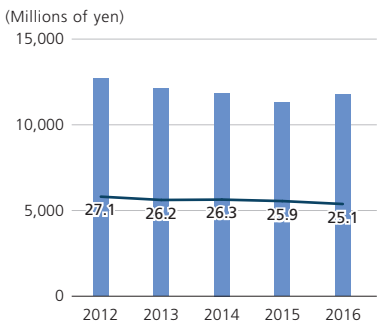
Athlete's Foot Treatments

(*Dermarin* series)



Hemorrhoid Treatments

(*Preser* series)



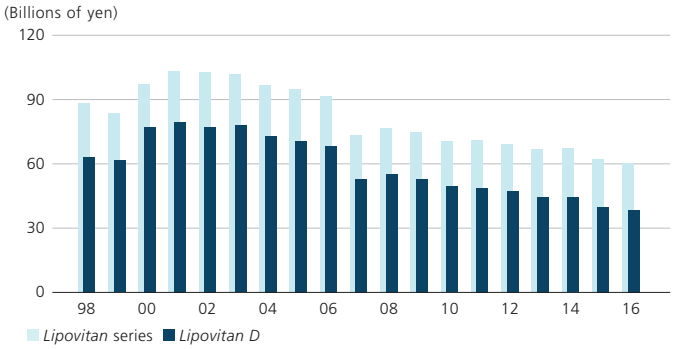
Sales of Main Brands

Fiscal years ended March 31	1998	1999	2000	2001	2002	2003	2004
***Lipovitan* series**	88.4	83.7	97.2	103.1	102.6	102.0	96.9
Lipovitan D	63.2	61.6	77.3	79.7	77.2	77.9	72.9
***Pabron* series**	25.8	27.0	27.7	26.2	26.7	28.7	28.1
***RiUP* series*1**	—	—	29.7	23.6	18.5	17.7	15.3
Overseas							
Energy drinks	—	2.0	3.5	4.5	4.4	4.5	4.2
OTC drugs*2	—	—	—	—	—	—	—

*1 Launched in June 1999 *2 Disclosed from the fiscal year ended March 31, 2010

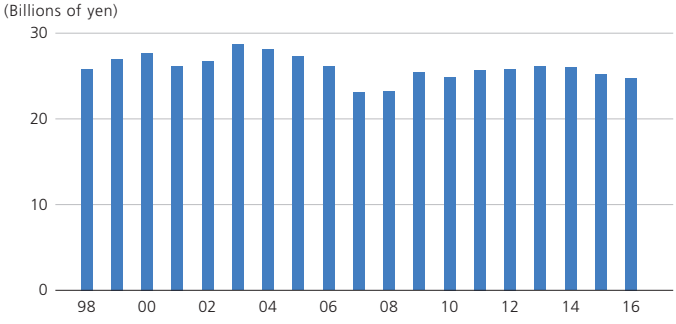
Lipovitan series/*Lipovitan D*

As a result of deregulation in 1999, sales channels were extended beyond pharmacies and drugstores to include other outlets such as supermarkets and convenience stores. Taisho is rolling out products that meet a diverse range of consumer needs.



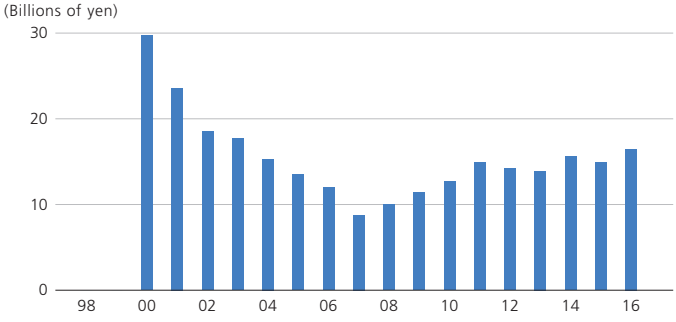
Pabron series

This series comprises a broad range of products, including cold remedies, sinus treatments, and important anti-cold products such as gargles, hand-washing treatments, and face masks



RiUP series

In 1999, the hair regrowth treatment *RiUP* was launched. This is the only hair loss remedy in Japan with recognized efficacy for treating premature hair loss.



(Billions of yen)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
95.1	91.4	73.3	76.6	74.8	70.8	71.1	69.3	66.8	67.5	62.1	**60.5**
70.8	68.2	52.8	55.2	52.8	49.4	48.9	47.4	44.7	44.3	40.0	**38.6**
27.3	26.1	23.1	23.2	25.4	24.9	25.7	25.8	26.1	26.0	25.2	**24.8**
13.5	12.0	8.8	10.0	11.4	12.7	14.9	14.2	13.9	15.6	14.9	**16.5**
4.3	4.3	5.0	6.1	6.0	5.5	6.3	6.4	7.1	9.0	9.4	**10.3**
—	—	—	—	—	1.3	5.1	6.2	9.6	15.5	17.6	**18.4**

History of Overseas Business

Taisho Pharmaceutical's overseas business started in 1963 with the launch of *Lipovitan* in Taiwan. Today, the Company's energy drink business spans 15 countries around the world, mainly in Asia.

Taisho Pharmaceutical entered the OTC drug business overseas on a full scale in 2009. Taisho Pharmaceutical is seeking further business expansion by strengthening its OTC drug business in the fast growing Southeast Asian market.

2011

- Acquired 100% of the shares of Hoepharma Holdings Sdn. Bhd., a pharmaceutical company in Malaysia

- Acquired brand assets for the motion sickness drugs *Bonamine* and *Dramamine* in the Philippines, Indonesia and Thailand

2009

- Acquisition of the Asian OTC drug business of the U.S.-based Bristol-Myers Squibb Company

2012

- Acquired 100% of the shares of a Mexican pharmaceutical company group (four companies including CICSA)
- Restructuring of the OTC drug business of Taisho Pharmaceutical and Osotspa in Thailand

2014

- Acquired brand assets including trademarks for the anti-inflammatory analgesic *Flanax* in the Philippines

1998

- Launched *Lipovitan* in China

1996

- Launched *Lipovitan* in Vietnam

1982

- Launched *Lipovitan* in the U.S.

1965

- Launched *Lipovitan* in Thailand

1963

- Launched *Lipovitan* in Taiwan

1962

- Launched *Lipovitan D* in Japan

Prescription Pharmaceutical Operation Group

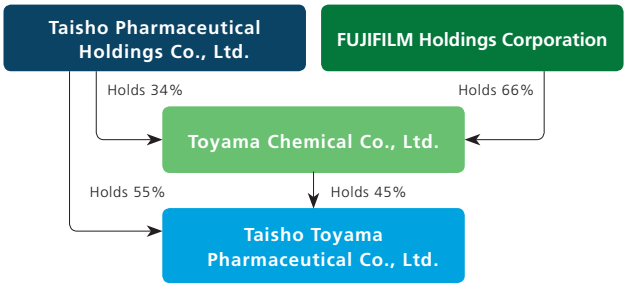
We will strengthen our initiatives with aims to have a continuous line of new products to put on the market and to maximize sales of these new products.

Market Environment

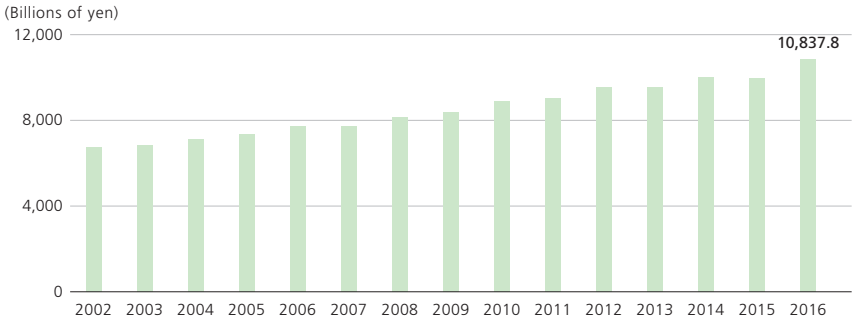
In the fiscal year ended March 31, 2016, the ethical drug market as a whole trended positively due to the spread of a therapeutic agent for Hepatitis C and anti-cancer agent markets, reaching approximately ¥10.84 trillion with an 8.8% year-on-year increase. Meanwhile the various measures taken to appropriately adjust medical expenses such as promoting the use of generic versions of long-listed drugs have shown a marked effect, with the market volume share of generic drugs increasing every year. Furthermore, in June 2015, the Cabinet made a decision to set a quantitative target for the share of generic drugs to reach over 70% by the middle of 2017. Under this set of circumstances, pharmaceutical companies increasingly need the ability to develop highly original new drugs in order to continue operating in the prescription pharmaceutical business.

In 2002, the Group established Taisho Toyama Pharmaceutical Co., Ltd., a joint venture with Toyama Chemical that sells ethical drugs in Japan, in the Prescription Pharmaceutical business. Due to this alliance, Taisho Toyama Pharmaceutical sells the new drugs that both Taisho Pharmaceutical and Toyama Chemical discover, develop and launch.

The Taisho Pharmaceutical Group's Prescription Pharmaceutical Business

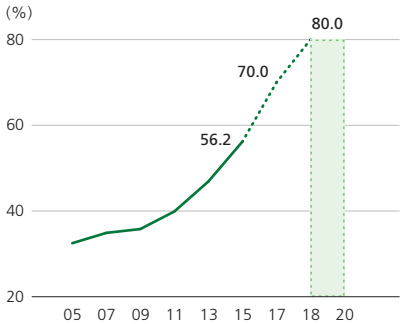


Japan's Ethical Drug Market (Fiscal years ended March 31)



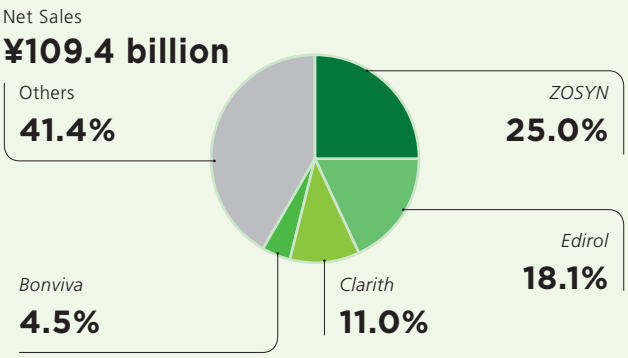
Note: Copyright 2016 IMS Health Source: Calculated based on JPM Apr. 2001 - Mar. 2016, MAT. Reprinted with permission.

Market Share of Generic Drugs in Japan and Target (Volume Basis)



Note: Volume-basis share represents share of generic drugs, where original drugs that have generic drugs and generic drugs are combined as the denominator
Source: Survey by the Ministry of Health, Labour and Welfare

Sales of Main Products*
(Fiscal year ended March 31, 2016)



* Sum of sales in millions of yen, rounded to the nearest 1 million

Prescription Pharmaceutical Business Initiatives

Taisho Pharmaceutical, which handles new drug R&D, has prioritized four therapeutic areas in which it is concentrating resources to conduct initiatives to quickly launch new products and to promote in-licensing of promising compounds from and joint research with companies in Japan and overseas.

Our distribution company Taisho Toyama Pharmaceutical is working on initiatives aimed at maximizing the sales of new drugs. With the intent to popularize treatments in the osteoporosis agent field, which will grow as a problem in aging societies, the active vitamin D_3 osteoporosis agent *Edirol* was launched in 2011, and a bisphosphonate antiresorptive agent for osteoporosis *Bonviva IV Injection* released in 2013. In May 2014, the type 2 diabetes agent *Lusefi* was released, stepping into the new field of metabolic medicines.

In January 2016, the transdermal anti-inflammatory analgesic patch *LOQOA Tape* was released, with the intention of expanding our lineup in the orthopedics field.

Drugs under Clinical Development

Taisho Pharmaceutical has designated infectious diseases, orthopedic disorders, central nervous system (CNS) diseases and metabolic diseases as four therapeutic priority areas.

LOQOA Tape, jointly developed by Taisho Pharmaceutical and TOKUHON, obtained manufacturing and marketing approval in September 2015. Regarding *Bonviva Tablet*, co-developer Chugai Pharmaceutical Co., Ltd. obtained approval in January 2016. In addition, TS-152, an anti-TNFα antibody for rheumatoid arthritis, was in-licensed from Ablynx in June 2015. In the CNS diseases area, a Childhood Attention-Deficit/Hyperactivity Disorder drug TS-141 moved on to phase 2.

As competition in new drug discovery intensifies, we are working to continuously promote the development of original drugs with a focus on priority fields. To achieve this, we will bolster our pipeline by strengthening alliances with external research institutions and proactively promoting the in-licensing of promising drug candidates.

Taisho Pharmaceutical's Pipeline

(As of May 16, 2016)

Name	Formulation	Planned application	Development	Description	Remarks
In Japan					
Phase 2					
TS-091	Oral	Central disorders of hypersomnolence	In-house		
TS-152	Injection	Rheumatoid arthritis	In-house	Anti-TNFα* antibody	Generic name: Ozoralizumab (in-licensed from Ablynx)
TS-141	Oral	Childhood Attention-Deficit/ Hyperactivity Disorder	In-house		
Overseas					
Phase 1					
TS-071	Oral	Type 2 diabetes	In-house	Sodium-glucose cotransporter 2 (SGLT2) inhibitor	Generic name: Luseogliflozin Hydrate In Japan: Launched in May 2014 (Product name: *Lusefi*)
TS-121	Oral	Depression	In-house		
TS-091	Oral	Central disorders of hypersomnolence	In-house		
TS-134	Oral	Schizophrenia	In-house		

* TNFα: tumor necrosis factor α

Highlights: **Main products launched**

LOQOA Tape

(Transdermal anti-inflammatory analgesic) **Launched in January 2016**

LOQOA Tape is a transdermal anti-inflammatory analgesic patch formulation containing S-flurbiprofen jointly developed by Taisho Pharmaceutical and TOKUHON. As a new formulation to relieve the pain and inflammation of osteoarthritis, it was newly released by Taisho Toyama Pharmaceutical and Teijin Pharma Limited in January 2016.

In a phase 3 clinical trial, *LOQOA Tape* was employed as a control drug against an S-flurbiprofen aqueous patch on patients suffering osteoarthritis of the knee. By applying the patch once a day, the knee pain from standing up from a seated position was significantly improved. In terms of safety, it was recognized to offer satisfactorily results to patients suffering osteoarthritis in a 52-week long-term administration test.

We are contributing to society by providing *LOQOA Tape*, which can improve patients' quality of life (QoL) by alleviating the pain of osteoarthritis.

Bonviva® Tablet

(Bisphosphonate antiresorptive agent) **Launched in April 2016**

Bonviva Tablet, a bisphosphonate antiresorptive agent co-developed by Taisho Pharmaceutical and Chugai Pharmaceutical Co., Ltd. It is the oral form of the already released osteoporosis agent *Bonviva IV Injection*. In April 2016, it was released by Taisho Pharmaceutical and Chugai Pharmaceutical.

Clinical tests were conducted on 422 osteoporosis patients over the age of 55, and in terms of efficacy, the oral form was confirmed to be non-inferior to the *Bonviva IV Injection*. Furthermore, the tolerability of *Bonviva Tablet* to primary osteoporosis patients was recognized.

Presently in Japan, there are estimated to be over 12.8 million people suffering from osteoporosis, and thus medicines that can increase bone mass and control the incidence of bone breakage are in demand. We have progressed in our development of *Bonviva Tablet* and *Bonviva IV Injection* as an osteoporosis agent where the route of administration can be selected to match the improvement and state of adherence of the patient.

Factual data

Sales of Main Brands (Fiscal year ended March 31, 2016)

(Billions of yen)

Product Name	Description	Launch	Sales	% of Total
ZOSYN	Combination antibiotic with a beta-lactamase inhibitor	October 2008	27.3	25.0
Edirol	Active vitamin D_3 osteoporosis agent	April 2011	19.8	18.1
Clarith	Macrolide antibiotic	June 1991	12.0	11.0
Palux	Prostaglandin E1 preparation (peripheral vasodilator)	October 1988	6.2	5.7
OZEX	New quinolone antibacterial	April 1990	5.9	5.4
Bonviva	Bisphosphonate antiresorptive agent	August 2013	4.9	4.5
Geninax	Quinolone antibacterial	October 2007	4.3	3.9
Lusefi	Type 2 diabetes mellitus agent (selective SGLT2 inhibitor)	May 2014	0.9	0.8
LOQOA	Transdermal anti-inflammatory analgesic	January 2016	0.4	0.4
Biofermin	Live lactobacillus preparation	—	3.6	3.3

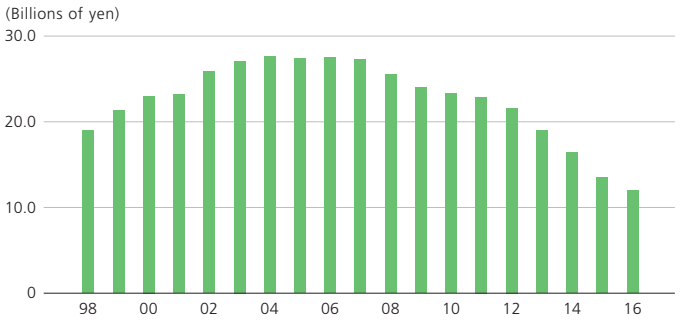
Sales of Main Brands

(Billions of yen)

Fiscal years ended March 31	2012	2013	2014	2015	**2016**
Clarith	21.6	19.0	16.4	13.5	**12.0**
ZOSYN	17.6	21.5	25.4	26.9	**27.3**
Edirol	1.8	8.8	14.1	17.2	**19.8**

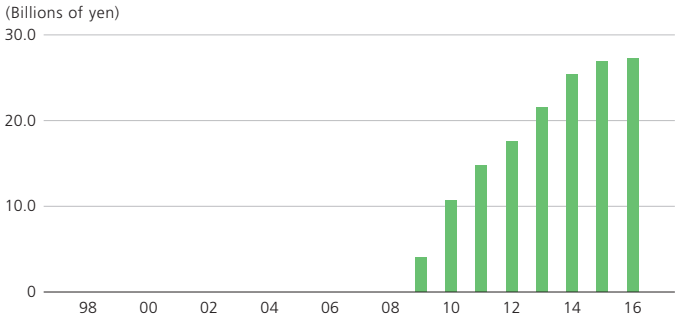
Clarith

Taisho's proprietary macrolide antibiotic, launched in 1991. Overseas, it is licensed out to a U.S. company, Abbott Laboratories, which markets it in over 100 countries throughout the world under the *Biaxin* brand and others.



ZOSYN

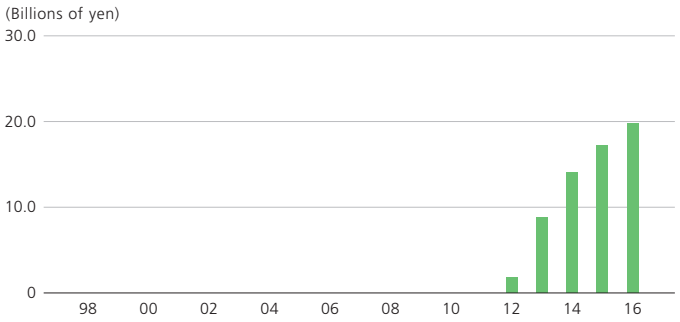
An injectable antibiotic consisting of the beta-lactamase inhibitor tazobactam sodium and the penicillin-derivative antibacterial agent piperacillin sodium in a ratio of 1:8. Launched in 2008.



Note: The figure for the fiscal year ended March 31, 2009 includes sales of *TAZOCIN*

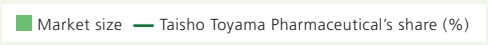
Edirol

An active vitamin D3 agent indicated for the effective treatment of osteoporosis, *Edirol* was co-developed by Taisho Pharmaceutical and Chugai Pharmaceutical, and launched in 2011.



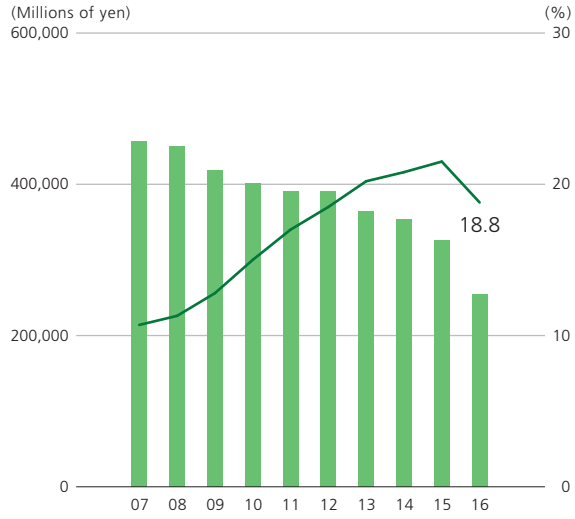
Market Share of Main Taisho Toyama Pharmaceutical's Categories

(Fiscal years ended March 31) (NHI price basis)*1



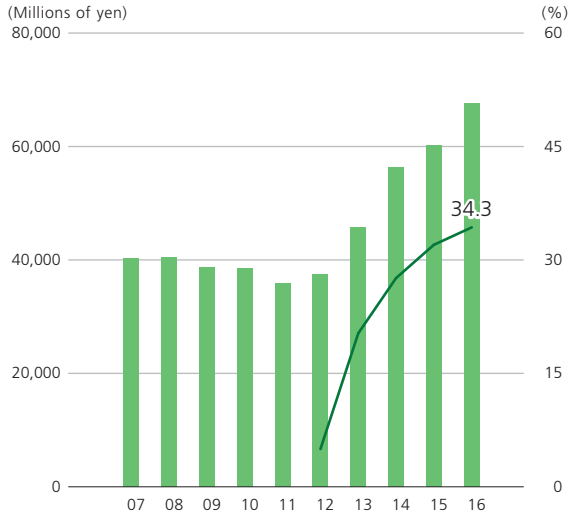
Antibacterial Products*2

(*ZOSYN*, *Clarith*, *OZEX*, *Geninax* and others)



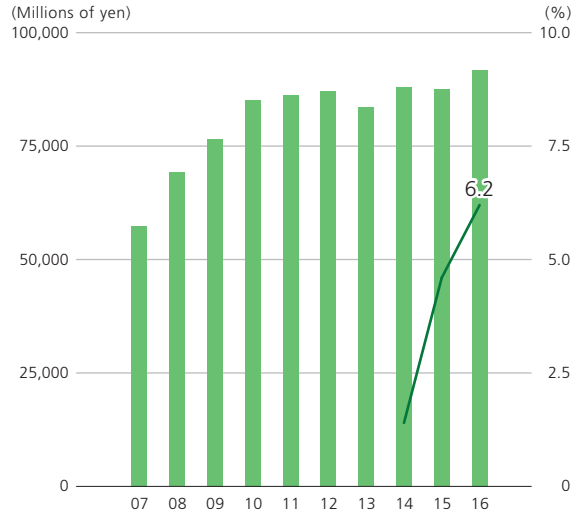
Active Vitamin D_3 Derivatives*3

(*Edirol*)



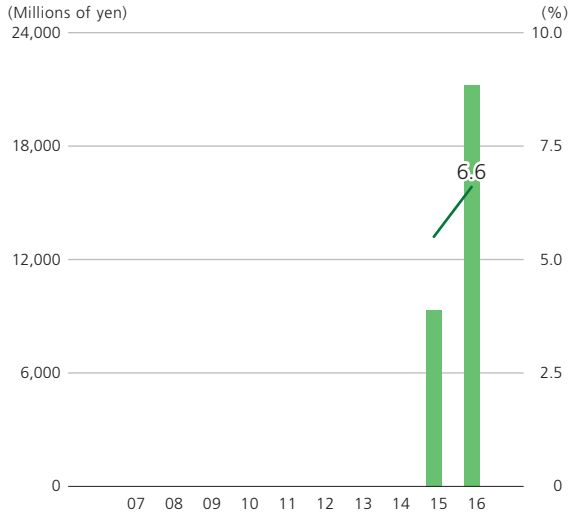
Bisphosphonate Agents for Osteoporosis and Related Diseases*4

(*Bonviva*)



SGLT2 inhibitor

(*Lusefi*)



*1 Copyright 2016 IMS Health Source: Calculated based on JPM Apr. 2005 - Mar. 2016 MAT. Reprinted with permission.

*2 Systemic antibacterial agent (J01) market

*3 Total sales of the vitamin D_3 agents eldecalcitol, alfacalcidol and calcitriol

*4 Total sales of biphosphonates for osteoporosis and related diseases (M05B3), SERMS (G03J0), parathyroid hormones and related compounds (H04E0), calcitonin (H04A0), and other bone calcium regulators (M05B9)

ESG Section

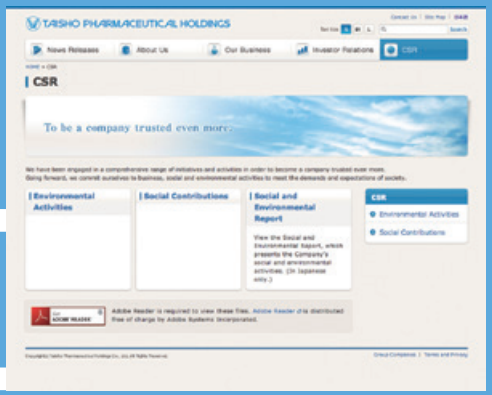
(Environmental, Social and Governance)

The Taisho Pharmaceutical Group has positioned enhanced corporate governance as a management priority and maintains a structure for communicating information to the management and control organizations of Taisho Pharmaceutical Holdings and Group companies under a basic approach of properly implementing management and control for the Group as a whole. In addition, we actively make efforts as a good corporate citizen that include considering the environment in all Group corporate activities, supporting life science-related research, promoting self-medication, and contributing to sports and the arts.

The Group will fulfill its responsibility as a pharmaceutical company through various initiatives that address the requirements and expectations of society.

Please refer to the Taisho Pharmaceutical Holdings website below for further details of our CSR activities.

http://www.taisho-holdings.co.jp/en/environment/



Members of the Board

As of June 29, 2016

Chief Executive Officer

Akira Uehara

Apr. 1977 Joined Taisho Pharmaceutical Co., Ltd.
Jun. 1977 Executive Director
Jun. 1978 Senior Managing Director
Jun. 1980 Executive Vice President
Jun. 1981 Executive Vice President, Representative Director
Jun. 1982 President, Representative Director
Oct. 2002 President, Representative Director of Taisho Toyama Pharmaceutical Co., Ltd.
Apr. 2006 Emeritus Chairman
Jun. 2007 Corporate Adviser (present)
Apr. 2009 Chairman and CEO, Representative Director of Taisho Pharmaceutical Co., Ltd.
Oct. 2011 Chairman and CEO, Representative Director of the Company
Jun. 2012 Chairman, Representative Director of Taisho Pharmaceutical Co., Ltd.
Jun. 2013 Chief Executive Officer of the Company (present)
Jun. 2015 Chairman of Taisho Pharmaceutical Co., Ltd. (present)

Executive Vice President

Shigeru Uehara

Apr. 2000 Joined Taisho Pharmaceutical Co., Ltd.
May 2000 Joined Abbott Laboratories
Aug. 2006 Corporate Planning Division of Taisho Pharmaceutical Co., Ltd.
Oct. 2006 Director, Assistant to Officer in charge of Prescription Pharmaceutical Operation Group of Taisho Pharmaceutical Co., Ltd. and Deputy Head of Sales Headquarters of Taisho Toyama Pharmaceutical Co., Ltd.
Jun. 2007 Executive Director of Taisho Toyama Pharmaceutical Co., Ltd. and Executive Director of Taisho Pharmaceutical Co., Ltd.
Jun. 2008 Managing Director
Apr. 2009 Executive Vice President
Oct. 2011 Executive Vice President of the Company
Jun. 2012 Chief Executive Officer of Taisho Pharmaceutical Co., Ltd. (present)
Jun. 2013 Executive Director of the Company
Jun. 2015 Executive Vice President of the Company (present)

Corporate Adviser and Director

Akira Ohira

May 1982 Joined Taisho Pharmaceutical Co., Ltd.
Jun. 1982 Executive Director
Jun. 1983 Managing Director
Jun. 1985 Senior Managing Director
Jun. 1994 Executive Vice President
Jun. 1999 Executive Vice President, Representative Director
Apr. 2006 President, Representative Director of Taisho Toyama Pharmaceutical Co., Ltd.
Apr. 2009 Vice Chairman of Taisho Pharmaceutical Co., Ltd.
Oct. 2011 Vice Chairman of the Company
Jun. 2012 Corporate Adviser of Taisho Pharmaceutical Co., Ltd. (present)
Jun. 2013 Executive Director of the Company
Apr. 2015 Director and Senior Adviser of Taisho Toyama Pharmaceutical Co., Ltd. (present)
Jun. 2015 Director and Senior Adviser of the Company (present)

Director

Ken Uehara

Jan. 2004 Joined Taisho Pharmaceutical Co., Ltd.
Oct. 2006 Director and Assistant to Officer in charge of Self-medication Operation Group
Apr. 2007 Deputy Head of Sales Marketing Headquarters and Deputy Head of Product Planning and Development Headquarters
Apr. 2008 Head of Self-medication Research and Development Headquarters, Deputy Head of Sales Marketing Headquarters and Deputy Head of Product Planning and Development Headquarters
Jun. 2008 Executive Director
Apr. 2009 Managing Director
Oct. 2011 Managing Director of the Company
Jun. 2012 Senior Managing Director of Taisho Pharmaceutical Co., Ltd.
Jun. 2013 Executive Director of the Company (present)
Jun. 2014 Executive Vice President, Representative Director of Taisho Pharmaceutical Co., Ltd. (present)
Jun. 2015 Executive Director of Taisho Toyama Pharmaceutical Co., Ltd. (present)

Director

Ken-ichi Fujita

Apr. 1975 Joined Taisho Pharmaceutical Co., Ltd.
Apr. 1990 Head of Ethical Drug Sales Division of Osaka Branch Office
Oct. 1997 General Manager of Sales Division 1 of Tokyo Branch Office
Apr. 2003 Executive Officer of Taisho Toyama Pharmaceutical Co., Ltd.
Jun. 2004 Executive Director
Apr. 2010 Executive Officer and Head of Prescription Pharmaceutical Development Headquarters of Taisho Pharmaceutical Co., Ltd.
Jun. 2010 Executive Director
Oct. 2011 Executive Director of the Company (present)
Jun. 2012 Managing Director of Taisho Pharmaceutical Co., Ltd.
Jun. 2014 Senior Managing Director
Apr. 2015 Executive Director of Taisho Pharmaceutical Co., Ltd. (present)
President, Representative Director of Taisho Toyama Pharmaceutical Co., Ltd. (present)

Director

Kazuya Kameo

Apr. 1976 Joined Taisho Pharmaceutical Co., Ltd.
Nov. 2000 Manager of First Research Office for Pharmaceutical Development
Apr. 2001 Manager of Research Office for Medicinal Chemistry
Feb. 2003 Manager of Pharmaceutical Quality Assurance Promotion Office
Apr. 2004 Director and Head of Quality Assurance Headquarters
Apr. 2008 Executive Officer and Head of Pharmaceutical and Chemicals Research Center
Jul. 2008 Deputy Head of Pharmaceutical Research Headquarters
Apr. 2010 Head of Quality Assurance Headquarters
Apr. 2015 Executive Officer of the Company
Jun. 2015 Executive Director of the Company (present)
Executive Director of Taisho Pharmaceutical Co., Ltd.
Apr. 2016 Member of the Board and Executive Officer (present)

Director

Tetsu Watanabe

Apr. 1978 Joined Taisho Pharmaceutical Co., Ltd.
Oct. 2001 General Manager of Personnel and Labor Division
Jul. 2005 Director and General Manager of Personnel Division
Oct. 2008 Executive Officer
Apr. 2013 Executive Officer of the Company
Senior Executive Officer of Taisho Pharmaceutical Co., Ltd.
Jun. 2015 Executive Director of the Company (present)
Executive Director of Taisho Pharmaceutical Co., Ltd.
Apr. 2016 Member of the Board and Executive Officer (present)

Outside Director

Toshio Morikawa

Jun. 1993	President of The Sumitomo Bank, Limited
Jun. 1997	Chairman of the Board
Jun. 1999	Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Co., Ltd.
Apr. 2001	Counselor of Sumitomo Mitsui Banking Corporation
Jun. 2002	Advisor (tokubetsu komon)
Mar. 2005	Advisor (meiyo komon) (present)
Jun. 2007	Outside Director of Taisho Pharmaceutical Co., Ltd.
Oct. 2011	Outside Director of the Company (present)

Outside Director

Hiroyuki Uemura

Apr. 1965	Joined Sumitomo Marine & Fire Insurance Co., Ltd.
Jun. 1991	Director
Jun. 1998	President
Oct. 2001	President of Mitsui Sumitomo Insurance Company, Limited
Jul. 2007	Executive Adviser
Jun. 2011	Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Co., Ltd.
Oct. 2011	Outside Audit & Supervisory Board Member of the Company
Apr. 2013	Senior Adviser of Mitsui Sumitomo Insurance Company, Limited (present)
Jun. 2015	Outside Director of the Company (present)

Audit & Supervisory Board Member

Yoshiaki Sasaki

Apr. 1969	Joined Taisho Pharmaceutical Co., Ltd.
Apr. 1986	Head of Ethical Drug Sales Division of Osaka Branch Office
Apr. 1990	Deputy General Manager of Ethical Drug Sales Division of Fukuoka Branch Office
Apr. 1995	Deputy General Manager of Ethical Drug Sales Division
Apr. 1996	General Manager of Ethical Drug Sales Division of Tokyo Branch Office
Jun. 1997	Executive Director
Oct. 2002	Executive Director and Head of Sales Headquarters, Taisho Toyama Pharmaceutical Co., Ltd.
Jun. 2006	Managing Director and Head of Sales Headquarters
Jun. 2010	Medical Senior Adviser of Taisho Pharmaceutical Co., Ltd.
Jun. 2012	Senior Managing Director of Taisho Toyama Pharmaceutical Co., Ltd.
Apr. 2015	Executive Director
Jun. 2015	Audit & Supervisory Board Member (present) Full-time Audit & Supervisory Board Member of the Company (present) Full-time Audit & Supervisory Board Member of Taisho Pharmaceutical Co., Ltd. (present)

Audit & Supervisory Board Member

Kyuji Kobayashi

Dec. 1997	Joined Taisho Pharmaceutical Co., Ltd.
Apr. 1998	President of Taisho Foods Deutschland GmbH
Apr. 2002	General Manager of Financial Management Division and General Manager of Overseas Sales Management Division, Taisho Pharmaceutical Co., Ltd.
Oct. 2004	General Manager of Accounting Division
Jun. 2011	Full-time Audit & Supervisory Board Member (present)
Oct. 2011	Full-time Audit & Supervisory Board Member of the Company (present)

Outside Audit & Supervisory Board Member

Chushiro Aoi

Apr. 1965	Joined Marui Co., Ltd.
Mar. 1974	Executive Director and General Manager of Products Division
Jan. 1982	Managing Director and Head of Products Headquarters
Oct. 1984	Managing Director and Head of Central Sales Headquarters
Jan. 1994	President of AIM CREATE Co., Ltd.
Apr. 1997	President of MOVING CO., LTD.
Apr. 2006	Adviser
Jan. 2010	President of Toshima Kogyo Co., Ltd. (current: A-TOM Co., Ltd.) (present)
Jun. 2015	Outside Audit & Supervisory Board Member of the Company (present)

Outside Audit & Supervisory Board Member

Jun-ya Sato

Apr. 1982	Admitted to the bar (Dai-Ichi Tokyo Bar Association) Joined Furness, Sato and Ishizawa (current: Ishizawa, Ko, and Sato) (present)
May 1987	Graduated from Duke University School of Law (LL.M.)
Oct. 1990	Admitted to the New York Bar
Apr. 1999	Practicing-attorney-professor for criminal defense, Legal Training and Research Institute of the Supreme Court of Japan
Nov. 2001	Deputy Trustee, Mycal Corporation (undertaken by a corporate reorganization procedure)
Dec. 2001	Member, Examination Committee for the Second Examination of the National Bar Examination (constitutional law)
Apr. 2008	Visiting Professor, Komazawa University Law School
Jan. 2010	Deputy Trustee, Japan Airlines Co., Ltd. (undertaken by a corporate reorganization procedure)
Apr. 2011	Vice President, Dai-Ichi Tokyo Bar Association
Mar. 2012	Outside Audit & Supervisory Board Member, Sapporo Holdings Limited (present)
Jun. 2013	Outside Director, Mitsui Mining & Smelting Co., Ltd. (present)
Jun. 2015	Outside Audit & Supervisory Board Member of the Company (present)
Apr. 2016	Governor of the Japan Federation of Bar Association (present)

Quality Assurance Framework

The Taisho Pharmaceutical Group has constructed a Groupwide quality assurance framework in order to provide products, services and information that are reliable to all consumers.

Quality Assurance Framework

In full compliance with the spirit established at its foundation, the Group believes that providing products, services and information that are reliable to all consumers is the Group's social responsibility. In order to fulfil this responsibility, first each area of business concerning our products; research and development, manufacturing and sales; is in compliance with the relevant laws and regulations, where the highest priority must be placed on the effectiveness, safety and quality assurance of the products. In addition, in order for all consumers to have trust in these areas of our business, it is essential that we firmly look over our processes in the consumers' perspective. The work we conduct in this area is our Quality Assurance.

At Taisho Pharmaceutical, our main Quality Assurance Headquarters having become independent from our research and development, manufacturing and sales lines, is placed at the center and seeks to maintain and improve our system of promoting Quality Assurance. Pushing forward daily in this work, we are committed to delivering products, information and services that can receive a high level of trust for all consumers.

Roles of Quality Assurance Headquarters

In order to increase reliability in the efficacy, safety and quality of our products, it is essential that we carefully analyze our business activities from the point of view of the consumers (quality assurance), and ensure all areas of our business, ranging from research and development to manufacturing and sales which are carried out using reliable methods, are consistently in compliance with the laws and regulations.

Firstly, in the research and development stage, various tests to evaluate the efficacy and safety of our products are carried out using the appropriate methods, and other methods are developed to produce high-quality products. We find it highly important that these records are kept in a form where reliability is guaranteed. Non-Clinical Quality Assurance Section and GCP* Audit Section are responsible for quality assurance at this research and development stage.

Next in the manufacturing and sales stage, our products are manufactured and shipped using the appropriate equipment and predetermined procedures, and further down the line, Product Quality Assurance Division is constantly monitoring that the products sold on the market are of our guaranteed level of quality.

In addition, in order to provide our customers peace of mind, it is highly important to promptly deliver to all consumers and medical professionals information regarding the proper use of our products and safety information. To achieve this, information relating to product efficacy and safety is collected, examined and evaluated, and the work to take the appropriate measures (postmarketing safety management and investigation) is carried out. The Company, taking into account the differences in the product characteristics and sales form, sets up specialist organizations and performs the work responsibilities of each. These organizations include Prescription Drug Pharmacovigilance Division and Postmarketing Surveillance Division responsible for medical pharmaceuticals as well as Self-Medication Pharmacovigilance Division in charge of OTC drugs, quasi-drugs, cosmetics, medical equipment and food.

This quality assurance work must be done in cooperation with a number of departments. Quality

Quality Assurance Organization for Taisho Pharmaceutical Holdings and Taisho Pharmaceutical

	Unit	Operations Overview
Taisho Pharmaceutical Holdings	Quality Assurance Management Section	Quality assurance and safety management of the products of Taisho Pharmaceutical Group companies in Japan and overseas
Taisho Pharmaceutical Quality Assurance Headquarters	Product Quality Assurance Division	Quality assurance for products including pharmaceuticals, quasi-drugs, cosmetics, medical equipment and food
	Prescription Drug Pharmacovigilance Division	Safety management for ethical drugs and investigational new drugs
	Postmarketing Surveillance Division	Management of postmarketing surveillance for ethical drags, and quality assurance for postmarketing safety management and surveillance.
	Self-Medication Pharmacovigilance Division	Safety management for products including OTC drugs, quasi-drugs, cosmetics, medical equipment, food and investigational new drugs; postmarketing surveillance for Pharmacist Intervention Required Medicines
	GCP* Audit Section	GCP audits and quality assurance for clinical trials in Japan and confirmation of quality assurance systems of overseas clinical trials
	Non-Clinical Quality Assurance Section	Quality assurance for non-clinical studies and investigational new drugs
	Management Section	Management of manufacturing and marketing operations, promotion of quality assurance from R&D through postmarketing, and management of the Quality Assurance Headquarters

* GCP: Good Clinical Practice; quality standards for conducting clinical trials

Assurance Headquarters takes charge in an operational role creating a cooperative framework that clarifies the division of duties and responsibilities.

Fundamental Philosophy and Policies

In order to earn the peace of mind and satisfaction of our consumers, it is essential that all employees carry out their work earnestly in a manner based on our shared philosophy. The Company defines our fundamental philosophy in quality assurance on the basis of management philosophy, comprehensive in all concepts related to reliability.

Furthermore, in order to realize this fundamental philosophy, the Company:

1. At all times takes the opinions of all our consumers with the highest sincerity, and puts these into action to improve our quality and safety management.
2. Acquires all the latest knowledge in response to the progress and changes in quality assurance practices that have accompanied the progress in science and technology and diversification of products.
3. Establishes a cooperation framework between the departments involved, clarifies the framework of responsibilities, and at all times gives energy to the organization to allow several departments working cooperatively to proceed in their tasks.

To this purpose, these principles 1 to 3 are established as our fundamental policy in quality assurance work, and we always strive to develop and strengthen the quality assurance systems even further.

<Fundamental Philosophy for Quality Assurance>
We constantly strive to ensure product safety and to improve product quality from the consumers' perspective. We are also dedicated to peace of mind and satisfaction of our customers. This commitment is unwavering.

<Fundamental Policies for Quality Assurance>

1. Stance
We will listen to consumers' opinions and meet their expectations.

2. Technology
We will constantly aim for the most advanced technology, adopting a global perspective.

3. Management
We will constantly work on self-management activities that ensure the reliability of our activities.

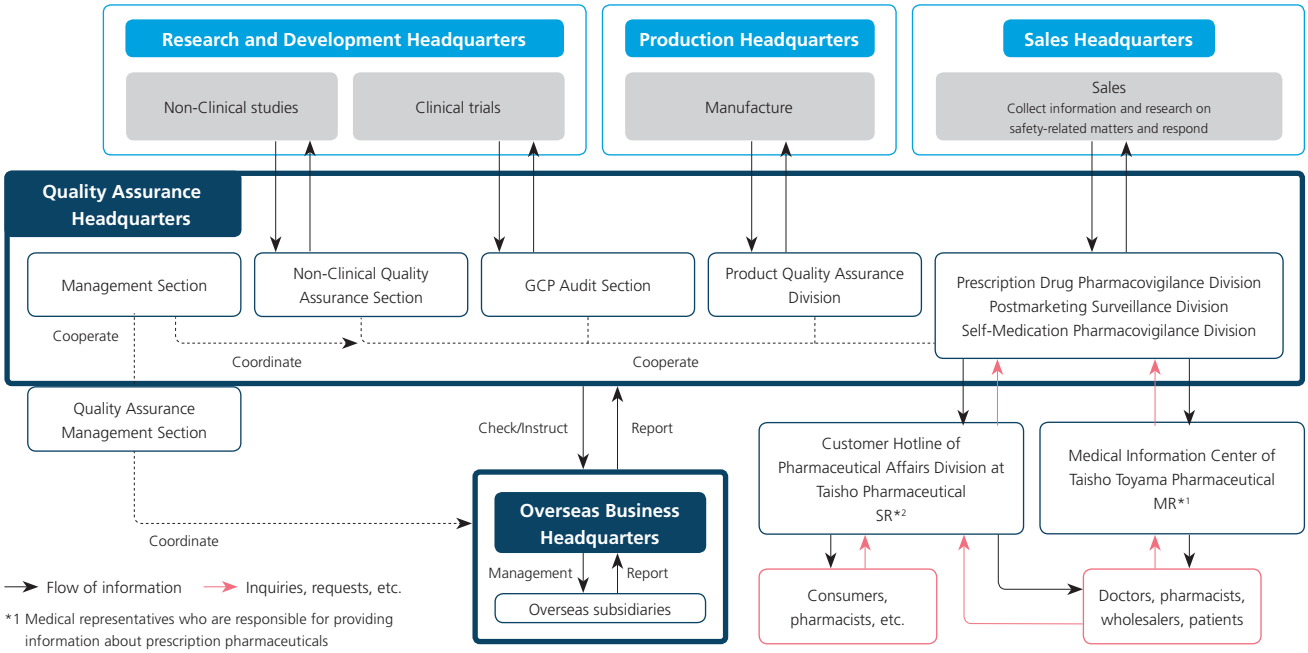
<Quality Policy>
We continue to provide products high in quality, efficacy, and safety that earn the trust, peace of mind, and satisfaction of our consumers.

Taisho Group initiatives

In order to respond to the acceleration in globalization, we established the new Quality Assurance Management Section in April 2015, building a management system centered around the head office to promote quality assurance and safety management work at a high level in the group companies both in Japan and overseas.

We comply with the laws and regulations of each country, we share our fundamental philosophy throughout the Taisho Pharmaceutical Group, and work to provide products, information and services that our customers overseas can rely upon.

Operational Framework of Taisho Pharmaceutical's Quality Assurance Headquarters



*1 Medical representatives who are responsible for providing information about prescription pharmaceuticals

*2 Sales representatives who are responsible for sales of OTC drugs and other products

Corporate Governance

Taisho Pharmaceutical Holdings has positioned corporate governance as a management priority with the aim of establishing a strong management foundation to achieve steady growth and development.

Basic Approach

The Taisho Pharmaceutical Group (the "Group") aims to establish even stronger management foundations to ensure that it continues to achieve steady growth and development amid global competition.

Taisho Pharmaceutical Holdings (the "Company") was established as a pure holding company on October 3, 2011 to manage the Group as a whole. The Company is responsible for formulating Group management strategy and effectively allocating resources to businesses and operations in Japan and overseas with the objective of increasing corporate value by generating sustainable, balanced growth and strengthening competitiveness in the Self-Medication Operation Group and Prescription Pharmaceutical Operation Group, and by achieving synergies between these two businesses.

Accordingly, the Company has established an appropriate Groupwide management framework for properly monitoring and supervising the status of business and operational execution at the Company and Group companies. Specifically, the Group establishes a corporate governance structure and properly implements this structure, with the aim of achieving its overall business objectives and fulfilling its social responsibilities. The basic principle behind these efforts is for the Board of Directors and the Audit & Supervisory Board or its members 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.

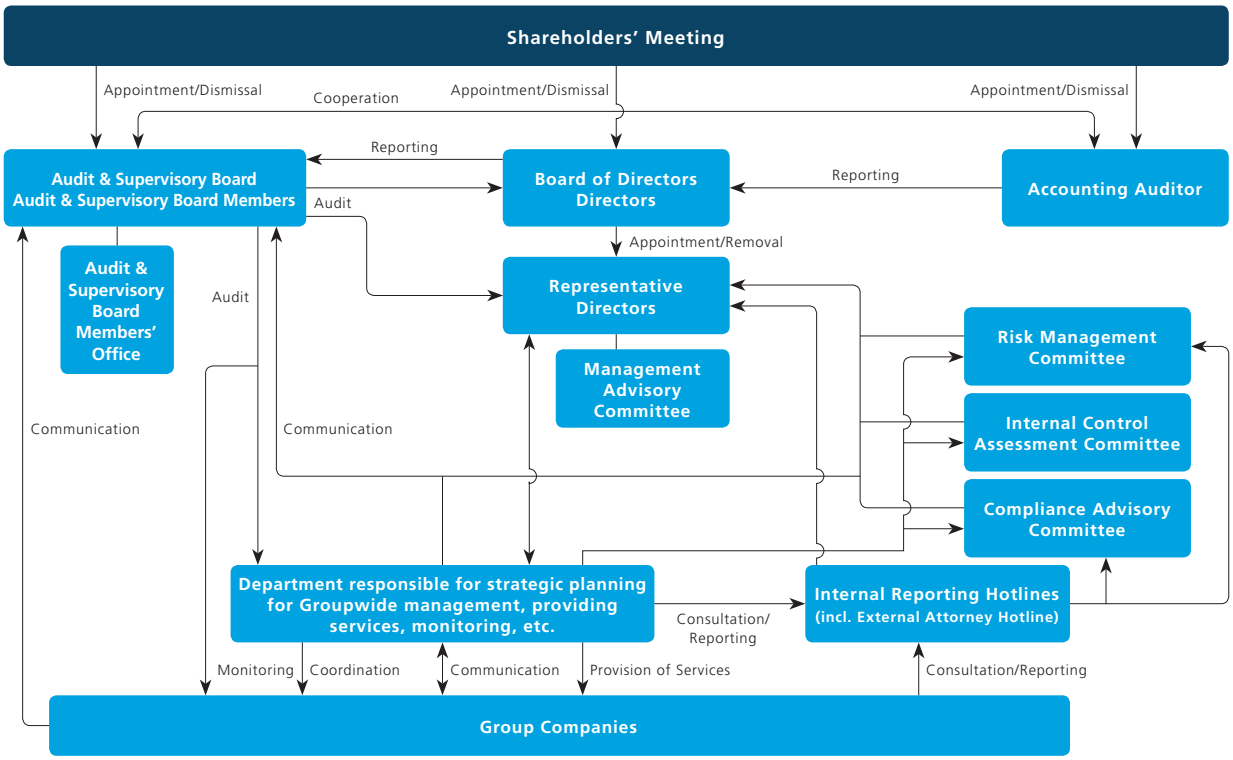
Corporate Governance Structure

The Company has adopted a corporate governance structure with a Board of Directors and an Audit & Supervisory Board. As of June 29, 2016, the Company has nine directors, two of whom are outside directors, and four Audit & Supervisory Board members, two of whom are outside members.

▶ Board of Directors

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. The

Corporate Governance Structure



Management Advisory Committee, whose members include the Company's representative directors, serves as an advisory body to the Board of Directors. It meets on an as-required basis and deliberates important matters, including matters put forward to the Board of Directors, further facilitating effective and rapid management decision-making.

▶ Audit & Supervisory Board

The Audit & Supervisory Board meets, in principle, at least once every three months. At these meetings, its members exchange opinions regarding the status of the audits they conduct in accordance with principles and standards for audits that have been established by the Audit & Supervisory Board, and receive reports on the processes and results of audits conducted by the accounting auditor and on internal control system audits. Audit & Supervisory Board members check the status of business execution and asset protection and report as appropriate to representative directors and the Board of Directors, providing advice as needed.

▶ Outside Directors and Outside Audit & Supervisory Board Members

As of June 29, 2016, there are two outside directors and two outside Audit & Supervisory Board members. There are no personal or capital relationships between the Company and any of the outside directors and outside Audit & Supervisory Board members.

▶ Other Frameworks

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.

In addition, the main divisions of the Company as well as each of the Group companies appropriately communicates management-related information by conducting information meetings with Audit & Supervisory Board members, regarding the status of execution and issues related to the business activities of each company.

Internal Audits and Audits by Audit & Supervisory Board Members

The Audit Division is an organization exclusively for auditing and is independent of the Company's lines of business execution. Consisting of eight staff members as of June 29, 2016, this division formulates annual audit plans according to the significance of various risks, based on which it performs internal audits in accordance with the Company's internal auditing regulations. In addition, it maintains close contact with the audit organizations of Group companies, with a view to overseeing and managing the implementation of internal audits by Group companies. Regarding internal control audits, the Audit Division and the accounting auditor cooperate to enable the appropriate and efficient execution of mutual audit operations by sharing information concerning audit plans, procedures and verification results.

The Audit & Supervisory Board is composed of two full-time members and two outside members. In addition, the Auditor & Supervisory Board Members' Office has a specialized staff to enhance the effectiveness of audits by Audit & Supervisory Board members.

Audit & Supervisory Board members conduct comprehensive audits of all director duties in line with audit policies formulated in accordance with audit standards set by the Audit & Supervisory Board.

Full-time Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, and routinely audit the decision-making of the Board of Directors and directors and the status of execution of directors' duties.

The Audit & Supervisory Board receives reports on the status of execution of duties and the progress and results of accounting and Audit Division audits, and reports to the representative directors and other directors on the status and results of audits carried out by the Audit & Supervisory Board.

The Audit & Supervisory Board members, the Audit Division and the accounting auditor communicate with each other to support the execution of efficient and effective audits.

Accounting Auditor

The Company has concluded an audit contract with and undergoes audits by PricewaterhouseCoopers Arata in accordance with the Financial Instruments and Exchange Act and the Companies Law.

Internal Control System

By resolution of the Board of Directors, the Company has set "Fundamental Internal Control Policies" in accordance with the Companies Law, and is working to further enhance systems for internal control.

It has developed various in-house systems and regulations that provide the basis for internal control,

and is working to ensure their proper implementation by promoting Groupwide understanding and adherence. Also, the Company has established a structure to monitor whether business operations are conducted appropriately and efficiently based on laws, 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 Quality Assurance Management Section.

In connection with internal control of financial reporting operations, relevant divisions periodically conduct self-assessments, and the Audit Division conducts internal audits. Continuous improvement activities are implemented based on the results of these assessments and audits.

In addition, the Company has established the Internal Control Assessment Committee as an advisory body to the representative directors for the purpose of issuing reports in accordance with the internal control reporting system of the Financial Instruments and Exchange Act. This committee evaluates the results of self-assessments and internal audits of the status of development and implementation of internal controls for financial reporting, and issues reports on the results of its evaluations to the representative directors.

Compensation of Directors and Audit & Supervisory Board Members

The Board of Directors decides compensation for directors, and the Audit & Supervisory Board members discuss and decide compensation for Audit & Supervisory Board members, within the scope of total officer compensation determined in advance by a resolution of the General Meeting of Shareholders. Directors receive fixed monthly compensation deemed commensurate with their rank and duties and other considerations including the Company's circumstances. Audit & Supervisory Board members receive fixed monthly compensation deemed commensurate with their authority to audit the execution of duties by directors from an independent perspective.

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 to long term.

Initiatives to Invigorate the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

The Company endeavors to send the Notice of Convocation of the General Meeting of Shareholders as early as possible, with a target date three weeks before the meeting is convened. The Company also makes the Notice of Convocation available on its website. In 2015, the Company began making the notice available on its website and via the Tokyo Stock Exchange Listed Company Information Service prior to sending it. The Company has been posting a condensed English version of the notice and related reference materials on its website since the Ordinary General Meeting of Shareholders held in June 2013.

In addition, the Company has been using information technology for the electronic exercise of voting rights since the Ordinary General Meeting of Shareholders held in June 2013 in order to enhance convenience for individual and institutional investors. The Company also participates in ICJ Co., Ltd.'s electronic voting platform.

Response to the Corporate Governance Code

For more information, please refer to the corporate governance report. You may also view our company homepage.

http://www.taisho-holdings.co.jp/en/about/governance

Compensation of Directors and Audit & Supervisory Board Members

Category	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)		Number of eligible directors/ Audit & Supervisory Board members
		Basic compensation	Stock options	
Directors (excluding outside directors)	211	175	36	10
Audit & Supervisory Board members (excluding outside members)	25	25	—	3
Outside directors and outside Audit & Supervisory Board members	33	33	—	6

Notes: 1 These figures include compensation paid to three directors, one Audit & Supervisory Board member, and two outside Audit & Supervisory Board members who retired at the closing of the 4th Ordinary General Meeting of Shareholders held on June 26, 2015.
2 Director compensation does not include compensation directors receive for concurrently serving as employees of the Company.
3 Director compensation is limited to an annual total of ¥360 million by resolution of the first General Meeting of Shareholders held on June 28, 2012. Compensation for outside directors is limited to ¥36 million. In addition, separate compensation as stock options is limited to an annual total of ¥70 million.
4 Audit & Supervisory Board member compensation is limited to an annual total of ¥60 million by resolution of the first General Meeting of Shareholders held on June 28, 2012.

Risk Management

Taisho Pharmaceutical Holdings promotes and coordinates the risk management activities of the Group, and strives to prevent the materialization of risk while reducing risk exposure. In addition, in regard to emergencies following the materialization of risk, the Company has a system in place for preventing the spread of risk by launching a rapid response.

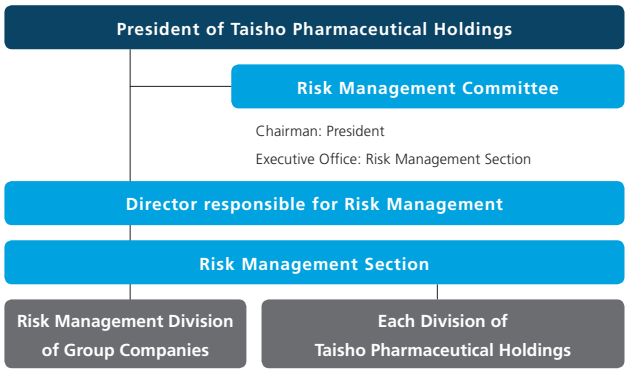
Risk Management System

The Company has formulated Risk Management Guidelines covering risks that could materialize in the course of Group companies' operations, and has a system to respond to various risks. This is to minimize the impact on customers and operations in the event of the materialization of risk. In accordance with these guidelines, in the event risk materializes, the Company convenes a Risk Management Committee, which is chaired by the president and representative director, and implements response measures according to the nature, scale and other aspects of the risk.

Meanwhile, for promoting risk management, the Company has established a specialized risk management division to formulate internal guidelines and conduct training and awareness-raising activities for employees. Furthermore, this specialized risk management division shares information with the risk management divisions of Group companies, and confirms the status of risk in normal times and when risks materialize, organizes the information and reports it to management.

In addition, the Company maintains a framework that enables senior management, including the representative directors, to respond promptly to risks relating to its management strategies.

Risk Management System of Taisho Pharmaceutical Holdings



Business Continuity Plan Measures

The Company has formulated and is upgrading a Business Continuity Plan (BCP) focused on ensuring the continuous supply of products for which it has a large social obligation to supply and that are highly significant for the Company's business, in preparation for scenarios including a major earthquake in the Tokyo metropolitan area.

Based on the BCP, Group companies have established policies for minimizing damage in the event of a natural disaster and ensuring the continuity of company business operations, and have drawn up guidelines and other rules.

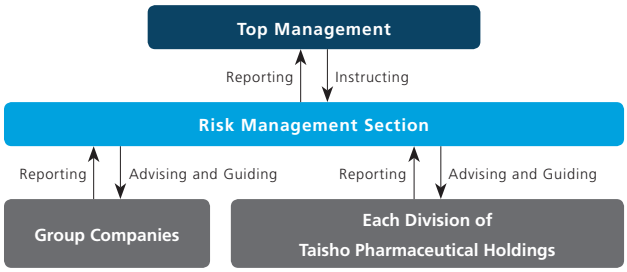
These guidelines clearly define the roles and functions of each division along a timeline from the occurrence of a natural disaster to the restoration of business operations. This is to ensure a rapid and appropriate response in the event of a natural disaster. The guidelines also set forth specific details on measures to be implemented in normal times in anticipation of a natural disaster.

Information Management Measures

The Company recognizes that a leak of internal information could cause considerable loss, disadvantage or other negative impacts to the Company, shareholders, suppliers, employees and other stakeholders. Accordingly, the Company properly manages and utilizes information. In regard to personal information in particular, the Company recognizes that it has an important obligation to safeguard the interests of individuals and personal information. The Company therefore obtains, utilizes, manages and otherwise handles personal information related to operations in accordance with its Basic Personal Information Protection Policy.

Furthermore, for the purpose of enhancing information security at Group companies, the Company has established a specialized organization to establish related internal rules, implement training and awareness-raising activities for employees, and perform regular internal audits. Additionally, the Company has a framework for ensuring that each organization voluntarily and properly manages information by appointing the heads of each department as risk management promoters and manager-level personnel as risk management supervisors, while promptly reporting on the status of internal information management to senior management. Furthermore, in the event that a leak of information or other contingency occurs, or is likely to occur, the Company will promptly convene a meeting of the relevant personnel to confirm the facts and deal with the situation.

Information Management Measures System



Compliance

The Taisho Pharmaceutical Group, based on its management philosophy, values its founding spirit of "doing business as a *shinsho**", and is striving for Groupwide compliance.

* *Shinsho*: Literally translated as "gentlemanly business"
Refers to the operation of a business with honesty, diligence, and passion; instilling an individual and a company with pride to fairly interact with society and consumers.

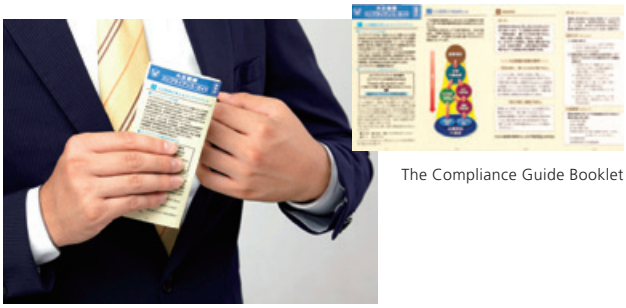
Code of Conduct and Declaration of Corporate Conduct

In July 2001, Taisho Pharmaceutical formulated its Code of Conduct as standards of judgment for officers and employees when working to achieve its corporate mission and as basic guidelines for conduct at various workplaces. In addition, we work to instill thorough understanding of the code by providing each employee with a copy of the Compliance Guide, which concretely explains each item in the code.

In August 2006, to enable more immediate and specific understanding of the code, we formulated a code of conduct for each division. Divisions are using their codes as guidelines in the context of actual situations, and these codes are reviewed as needed due to changes in the business environment and organization.

In April 2010, in light of changes in society we formulated the Declaration of Corporate Conduct and announced it inside and outside the Group.

In March 2014, we distributed the Compliance Guide Booklet to further promote understanding and practical application of compliance in the workplace.

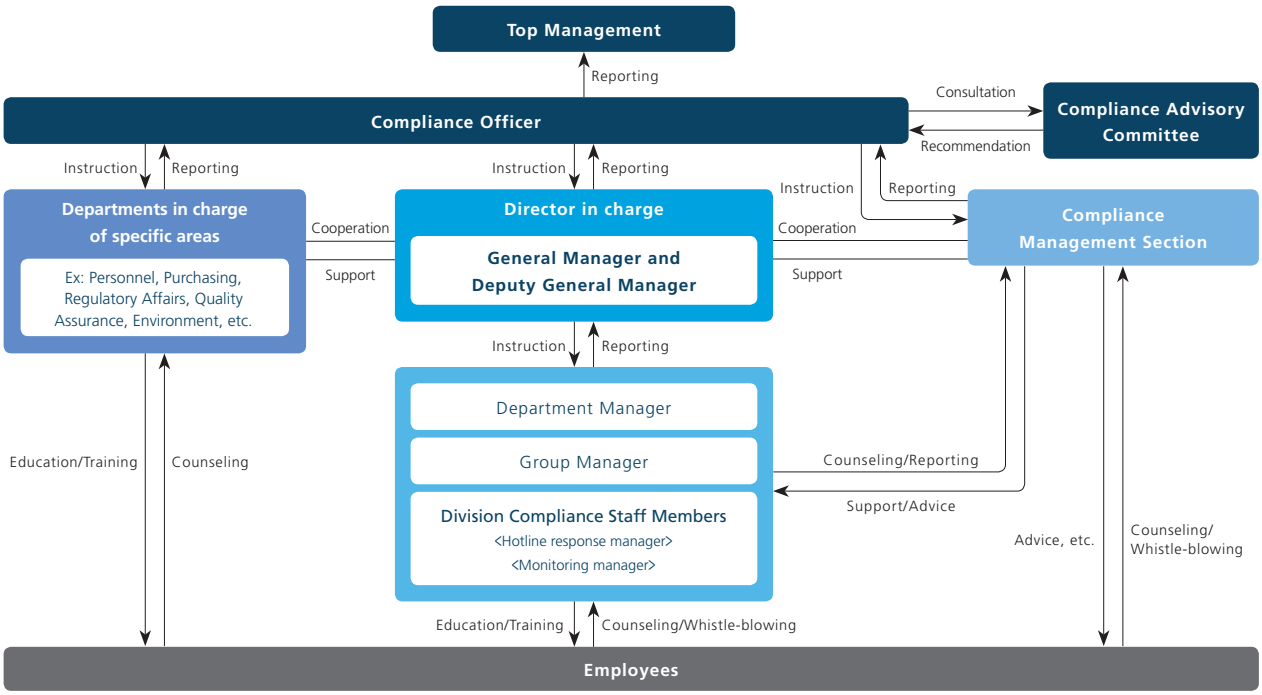


The Compliance Guide Booklet

The Taisho Pharmaceutical Group's Declaration of Corporate Conduct and Code of Conduct are available on our company homepage

The Taisho Pharmaceutical Group's Declaration of Corporate Conduct
http://www.taisho-holdings.co.jp/en/about/compliance/declaration.html
The Taisho Pharmaceutical Group's Code of Conduct
http://www.taisho-holdings.co.jp/en/about/compliance/principles.html

Compliance Organization Chart (Taisho Pharmaceutical)



Compliance Framework

In order to ensure promotion of compliance activities, Taisho Pharmaceutical Holdings Co., Ltd. has appointed one of its officers as Compliance Officer and established the Compliance Management Section as a specialized unit.

All officers assist the Compliance Officer, and are responsible for compliance education in their respective divisions. General managers and group managers promote monitoring and education activities in their divisions and groups to ensure thorough compliance. Generally, two members of each division are in charge of compliance matters within their division. They assist the general manager in promulgating compliance and handle workplace monitoring and consultations with employees.

In addition, as our basic structure for carrying out compliance we place emphasis on implementing process management using a Plan-Do-Check-Action management cycle to achieve our targets.

Moreover, we work to educate the employees of major subsidiaries regarding compliance in daily activities with social standards (including laws, social norms and corporate ethics) and our philosophy, Declaration of Corporate Conduct, Code of Conduct and internal rules.

In this manner, we create a Groupwide compliance mindset by broadly promoting compliance activities that are rooted in the workplace. We have also established a framework for quickly detecting compliance issues and discussing questions so that the entire Group can take a proactive approach to compliance.

Hotlines

Based on its Internal Reporting Regulations, Taisho Pharmaceutical Holdings has established wide-ranging hotlines for reporting, consultation and fielding concerns regarding actions such as corporate or individual violations of laws, ethics or internal rules. These include the Compliance Management Section Hotline, the Harassment Hotline, an external hotline known as the External Attorney Hotline, and the Counselor Section Hotline. Each of these hotlines is widely available to Taisho Pharmaceutical Group employees as well as personnel including contract employees, part-time employees and temporary employees. Regardless of the situation, in accordance with the Company's Internal Reporting Regulations, the privacy of hotline users is assured and related parties are obligated to maintain confidentiality.

Fair Business Practices

▶ Approach to Purchasing

A fair approach to purchasing that complies with laws and regulations has become increasingly important given the current strict scrutiny of compliance and corporate ethics. We ensure thorough awareness among employees and request suppliers to understand and cooperate with our approach.

Purchasing Division Code of Conduct

- Appropriate selection of suppliers and setting of transaction terms
- Stable procurement, cost management and supplier management
- Precise purchasing procedures
- Improvement of knowledge and capabilities as Purchasing Division employees
- Thorough purchasing compliance

In the Purchasing Division, we are working to implement proper purchasing procedures by establishing the above action guidelines.

▶ Conducting Workshops

We regularly conduct workshops for suppliers to obtain their understanding of issues including our compliance, environmental initiatives and other policies, and pharmaceutical industry trends.

Fiscal 2015 Spring Supplier Meeting workshop

With Society

Each company in the Taisho Pharmaceutical Group cooperates with local governments and other bodies as a member of the community, building trust with local residents and conducting various social contribution activities.

Promotion of Sports

▶ Rugby Football

Since 2001, we have contributed to the promotion of rugby, supporting Japan's national men's rugby football union team as an official partner. Since 2002, we have also been the main sponsor of the *Lipovitan D* Challenge Cup, which invites national and other teams from overseas and have supported the team's European tour since 2013. We have also supported Japan's men's national rugby football sevens team since 2013, and in the following year, 2014, will take further steps to support Japan's women's rugby football sevens and union national teams.

Japan National Rugby Football Union team ©2016 JRFU

▶ Baseball

Since 2013, Taisho Pharmaceutical has supported the dreams of the young people who are the future of professional baseball in Japan by sponsoring the television broadcast of the Nippon Professional Baseball Amateur Draft held by Nippon Professional Baseball. In addition, we help to expand the circle of friendship and goodwill among the children of the world through our support of the World Children's Baseball Fair held by the World Children's Baseball Foundation.

Nippon Professional Baseball Amateur Player Draft

25th World Children's Baseball Fair in Chiba, International Exchange Games

Participation in and Cooperation with Social Activities

Aiming for a world free of hunger, we share the goals of the World Food Programme (WFP), an organization that conducts food assistance activities around the world. We have conducted supported activities since 2008 as a trustee of the Japan Association for the World Food Programme, an authorized non-profit organization that supports WFP, and since 2009 we have supported WFP End Hunger: Walk the World, a support program in which the general public can participate.

Moreover, we have supported Junior Achievement Japan since 2005. This organization conducts support activities with the goal of cultivating socially self-reliant young people by helping them understand the structure of society and economic systems. In addition, we are now working on public awareness toward disaster prevention, as well as implementing day-to-day training and regional disaster prevention with disaster relief volunteer leaders to support efforts to prepare for large-scale disasters. This support is provided through the "Disaster Relief Volunteer Promotion Committee" established based on the lessons learned from the Great Hanshin-Awaji Earthquake.

Relationship with the Local Government Where Our Headquarters Is Located

We work closely with the local government and police and fire departments where our headquarters is located to promote safety and security measures for the community. The Mejiro Area Special Organized Crime Prevention Countermeasure Consociation is a neighborhood consociation within the jurisdiction of the Mejiro Police Station, Metropolitan Police Department. Its aim is to eliminate special organized crime within the jurisdiction of the Mejiro Police Station. We have participated in its activities since its inception.

In addition, we are a party to the Takada Area, Toshima City Mutual Support Agreement during Disasters, etc., which is an agreement of mutual support among eight organizations including resident associations, city facilities and companies around our headquarters that promotes disaster countermeasures in cooperation with the local community, including cooperation in evacuation drills for neighborhood facilities.

Factory Tours

Taisho Pharmaceutical's Omiya, Okayama, and Hanyu factories host tours for a wide range of generations from

children to adults, attended by over 4,000 visitors annually. Tours explain the production processes for core products such as *Lipovitan D* and *Pabron* to communicate security and safety from a manufacturing site as an effort to share understanding of our quality control and environmental preservation activities. In addition, the Omiya Factory invites Saitama Prefecture elementary school students to take interactive factory tours that leave a lasting impression in ways including teaching subjects that are closely related to the community, such as the history of Yoshinohara Industrial Park, and incorporating quizzes. Since 2009, we have also been conducting factory tours for elementary schoolchildren and their parents who live in Toshima-ku, Tokyo, where the Taisho Pharmaceutical headquarters is located.

Promotion Code and Transparency Guidelines Formulated

Pharmaceutical companies must cooperate with medical institutions and other organizations at every stage from R&D through manufacturing and sales, and therefore need to ensure transparency and highly ethical conduct.

As an organization that handles pharmaceuticals, the Group therefore consistently ensures highly ethical conduct and transparency, and has established and institutionalized a promotion code for its operations that enables it to meet societal requests. It also discloses information based on the Japan Pharmaceutical Manufacturers Association's Transparency Guideline for the Relation between Corporate Activities and Medical Institutions and discloses information based on the Japan Self-Medication Industry's Transparency Guideline for the Relation between the Activities of OTC Drug Companies and Medical Institutions.

Required Considerations in Pharmaceutical Research and Development

The discovery of outstanding pharmaceuticals requires wide-ranging research that employs human genes and cells and animal testing to confirm the safety and efficacy of new drug candidates. Pharmaceutical research and development therefore requires highly ethical standards with respect to life.

Research that employs human genetic analysis and cells requires sufficient consideration of issues in addition to scientific validity, including respect for human rights, commitment to safety, the protection of personal information, and bioethics. In accordance with internal regulations*1 that institutionalize these considerations, we conduct research after the fair and impartial deliberations of the Ethics Committee.

When conducting animal testing, the examination of testing details by the Animal Testing Committee, execution of testing, reporting of the conclusion of testing to the head of the research institution and relevant self-monitoring are all carried out in accordance with the Act on Welfare and Management of Animals and other regulations and our internal regulations *2, which are based on the animal welfare concepts of the three Rs *3.

We have acquired certification of our internal animal testing facilities through a third-party organization, the Japan Health Sciences Foundation, which has verified the propriety of our animal testing.

*1 Ethical regulations regarding the use of human genes and cells
*2 Regulations regarding animal testing
*3 Refers to replacement (the use of alternatives to animal testing), reduction (reduction of the number of animals used) and refinement (reduction of pain inflicted)

Taisho Pharmaceutical's Customer Hotline and Taisho Toyama Pharmaceutical's Medical Information Center

Taisho Pharmaceutical's Customer Hotline has pharmacists, advisory specialists for consumers' affairs and qualified hair advisors on staff to provide consultation for OTC drugs sold mainly at dispensing pharmacies and drugstores, quasi-drugs sold at convenience stores, supermarkets and other retail stores, and food products such as Foods for Specified Health Use.

Taisho Toyama Pharmaceutical's Medical Information Center provides consultation concerning ethical drugs. It cooperates with sales departments, development departments, research centers, factories and branches to actively provide information by courteously, honestly and quickly responding to customers to earn their trust.

Customer feedback is collected in a database that provides useful information to relevant departments for product development and improvement and for service improvement.

Taisho Pharmaceutical Customer Hotline
Phone: 81-3-3985-1800
Business hours: 8:30-21:00
(daily, excluding weekends and holidays)

Taisho Toyama Pharmaceutical Medical Information Center
Medical personnel only: 0120-591-818
For general customers: 0120-591-810
Business hours: 9:00-17:30
(daily, excluding weekends and holidays)

The Uehara Memorial Foundation

Supporting the Future of the Life Sciences through Grants, International Symposiums and Other Means

In February 1985, The Uehara Memorial Foundation was established as a 70th anniversary project of Taisho Pharmaceutical to commemorate the footsteps of our honorary chairman, the late Shokichi Uehara.

The objective of the Uehara Memorial Foundation is to promote research in pharmaceutical development and other fields of life science to enhance people's lives and welfare. The foundation has provided approximately 8,300 grants and other forms of assistance totaling ¥25.4 billion.

Support for Researchers

Activities have included research grants for professional life science researchers; grants for overseas study; the Uehara Prize, an award recognizing research accomplishments; and international symposiums.

The Uehara Prize and Grant Presentation Ceremony

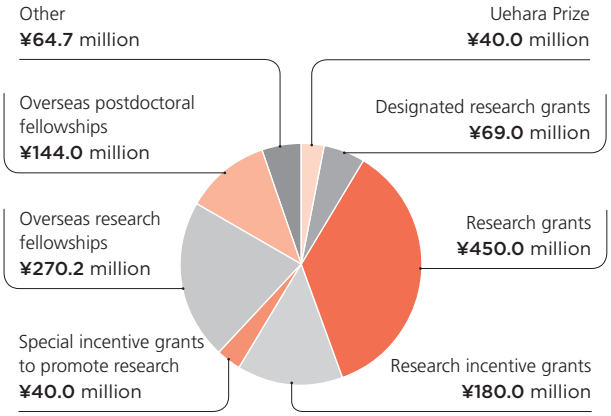
In March 2016, the Uehara Prize presentation ceremony was held at Uehara Memorial Hall in the Second Building of the Taisho Pharmaceutical headquarters. The winners of this year's Uehara Prize were Professor Chikashi Toyoshima (Institute of Molecular and Cellular Biosciences, The University of Tokyo) who was awarded for research on the "explanation by atomic structure of the active transport mechanism of ion pumping," as well as the joint award to Professor Noboru Mizushima (Graduate School and Faculty of Medicine, The University of Tokyo) and Professor Tamotsu Yoshimori (Graduate School of Frontier Biosciences/Graduate School of Medicine, Osaka University) for their work in the field of "molecular structure and physiology of the mammalian autophagy."

Symposiums

The foundation promotes the life sciences by holding symposiums. In June 2017, the 12th international symposium, titled "Make Life Visible" will be held.

Grants and Other Forms of Assistance Awarded during the Fiscal Year Ended March 31, 2016

Total **¥1,257.9 million**



Uehara Museum of Art

Uehara Museum of Modern Art

Culture Promotion for the Community and Society

Uehara Museum of Modern Art opened in the city of Shimoda, Shizuoka Prefecture in the spring of 2000, and has a varied collection that includes Western modern paintings, Japanese modern paintings and sculptures. In addition to exhibitions from the collection, the museum offers lectures, workshops and collaborations with local schools to promote culture.

15th Anniversary Commemorative Lecture

Uehara Museum of Buddhism Art

Note: Closed for renovation until fall 2017

Contribution to Culture Promotion through Research of Buddhism

Uehara Museum of Buddhism Art opened in May 1983 as a place for the general public to become familiar with the art of Buddhism. This is the only museum in Japan specializing in Buddhist art. In addition to exhibitions, it contributes to the promotion of local culture by conducting seminars and lectures about Buddhist sculpture making and sutra copying called shakyo, as well as conducting study of Buddhist art.

A rendering of completed renovation (Computer-generated graphics)

Working Together with Employees

Taisho Pharmaceutical Holdings, Taisho Pharmaceutical and Taisho Toyama Pharmaceutical are working together with their employees to create better working environments with the aim of aligning our mission as stated in our corporate philosophy with our objective of achieving the self-expression of our employees.

Employment and Employee Development

In recent years, society wants every employee to grow as a corporate professional who is independent, contributes to corporate results, and is valuable to the company. The Taisho Pharmaceutical Group is working to create an employee support framework that respects individuality.

Initiatives to Promote Engagement of Female Employees

The Group, as one of its fundamental ideas, "the building of a foundation and environment that engages high-level talent, regardless of gender," is proceeding with initiatives to answer the goal set out by the government to private companies, requiring "female workers to hold 15% of management level positions (section chief equivalent or higher) by the fiscal year ending March 31, 2021."

As of April 2016, the proportion of female employees in the Group was 25.5%, while the proportion of female managers was 11.5%, with a relatively high 23.5% at research centers. Compared with five years ago, the percentage of women employed at management level has increased 3.1%, and as of April 2016, one female officer was appointed as Director.

First, we aim to reach "a percentage of females at management level of 13% by the fiscal year ending March 31, 2019," by working toward creating an environment where highly motivated women can continue to be engaged, by promoting training for the purpose of employee awareness, and the expansion of support measures.

Systems to Support Working while Providing Childcare and Nursing Care

We are providing support that allows employees to continue to work alongside their family commitments such as childcare and nursing care. This support includes the Flex Work Childcare System, which employees can use until their children complete their sixth year of elementary school, Babysitting Fee Assistance, the introduction of our e-Learning System that can be used while on parental leave, and a Care Leave system.

As of March 31, 2016, a total of 109 employees were using the Childcare Leave System of Taisho Pharmaceutical Holdings and Taisho Pharmaceutical, and 47 employees were using our Reduced Working Hour Childcare System.

Initiatives for Improvement of Both Work and life

We are carrying out various initiatives that allows our employees to fully exercise their capabilities in and outside of the workplace and achieve self-realization by leading the life they wish.

In the fiscal year under review, 53.4% of yearly paid vacation days were used at Taisho Pharmaceutical Holdings and Taisho Pharmaceutical, with an average of 10.1 days used per employee. In addition, two vacation systems can be utilized in case of injuries or needs of nursing care for family members which requires a vacation of a week or longer. One of which is the Refresh Vacation System with the aim of promoting mental and physical refreshment. The other system is the Stock Vacation System which allows employees to accumulate a maximum of 60 yearly paid vacation days. Employees can also use the system for relief efforts after a disaster and to engage in various volunteer activities, and have thus been utilized for the purpose of supporting the restoration of employees' family homes damaged in the 2016 Kumamoto Earthquake that occurred in April.

Health Management

In order to maintain and enhance the health of our employees and their family members, we work with our health insurance society to conduct activities such as periodic medical examinations, specific health examinations, spouse health examinations, and recently as a countermeasure to prevent the onset of diabetes, have rolled out measuring instruments for HbA1c.

In addition, in order to cut down on employees working long hours, we promote efficient work habits through face-to-face guidance by occupational health physicians and workplace management.

Mental Healthcare

We have established a site on our intranet exclusively for providing all kinds of mental health information, and through an agreement with a counseling company, have created an environment where any employee can undergo consultation at any time.

Additionally, we are working on early prevention of mental health disorders by having a system in place at each workplace that leads swiftly to analysis and improvement if and when an issue arises, while inviting employees to be aware of their own state of stress through the introduction of stress checks.

Policies for Environmental Activities

Taisho Pharmaceutical is promoting environmental activities and establishing tasks and initiatives for each fiscal year based on its Fundamental Policy and Code of Conduct related to the environment, and on its Third Fundamental Environmental Plan (April 1, 2011 – March 31, 2016), established in September 2011.

Fundamental Policy and Code of Conduct Related to the Environment

Taisho Pharmaceutical considers environmental issues a key priority in its corporate activities, and has set targets for conserving resources, reducing CO_2 emissions and other environmental issues.

<Fundamental Policy>

The mission of Taisho Pharmaceutical 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. Based on this mission, we consider the environment and biodiversity in all corporate activities from product R&D, manufacturing and disposal to distribution and sales.

<Code of Conduct>

1. We shall observe environmental laws and regulations and our agreements with stakeholders including government institutions, related industry groups, and local residents. We shall also set voluntary management standards and work to improve our level of environmental management.
2. We shall reduce our use of limited energy and resources to promote energy and resource conservation and help preserve the environment, and work to reduce CO_2 emissions.
3. We shall promote the three Rs of reduce, reuse and recycle to reduce waste and practice responsible waste treatment.
4. We shall work to create the conditions for effective environmental initiatives by providing environmental information to all employees to raise their awareness and broaden their perspective.
5. We shall participate in the environmental activities of related pharmaceutical manufacturing organizations, material recycling organizations and other organizations, and cooperate with them on environmental tasks.
6. We shall work to achieve harmony with local communities by energetically participating in the preservation and improvement of the local environment.
7. We shall proactively disclose information related to the environment and participate in various environmental events to promote communication outside the Company.
8. We shall prepare for environmental emergencies in ways such as preparing appropriate systems and manuals, and shall upgrade our crisis management system.

Highlights: **Environmental Activities at Kansai Branch**

At the Kansai Branch, we are promoting environmentally considerate activities such as energy conservation and reduction of CO_2 emissions.

We received many awards in recognition of these activities.

❶ The 7th Osaka Sustainable Architecture Awards (Osaka Prefecture) for our building, recognizing its environmentally friendly functions such as prevention of global warming and the heat island phenomenon. ❷ The 2nd Carbon-Neutral Awards (Japan Association of Building Mechanical and Electrical Engineers), recognizing the building's architecture and facilities designed to realize a low carbon society. ❸ Rooftop and Wall Greening Technology Contest (Organization for Landscape and Urban Green Infrastructure), recognizing our initiatives for greening rooftops and other spaces. ❹ The 29th SHASE Awards (The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan), recognizing our efforts to promote air-conditioning technologies.

2014

External view of Kansai Branch

❷ The Carbon-Neutral Awards

❶ The Osaka Sustainable Architecture Awards

❸ Rooftop and Wall Greening Technology Contest
Greening the rooftop

2015

❹ The SHASE Awards
Dry mist facilities (The company that designed the building won the award for its air-conditioning technologies)

Environmental Objectives and Achievements and Future Initiatives

Objectives	Targets for the fiscal year ended March 31, 2016	Achievements of the fiscal year ended March 31, 2016	Self-assessment	Future initiatives
① Reduction of CO_2 emission	Reduce the Groupwide unit energy consumption*1 on average by 1% or more annually	▶ The group total: up 1.2% Omiya Factory (including Research Center): up 1.8% Hanyu Factory: up 1.0% Okayama Factory: down 2.9% Sales and back offices: up 1.3%	×	▶ Upgrade cooling facilities in Omiya Factory and Hanyu Factory (increase efficiency) ▶ Introduce LED lighting
	Reduce the average amount of CO_2 emissions from the offices in Saitama Prefecture (Omiya Factory, Research Center, and Hanyu Factory over the fiscal years ending March 2016 to 2020 by 13% compared with the baseline year*2 (Target CO_2 emissions: 41,998 tons)	▶ 42,080 tons (down 12.8%)	△	
② Appropriate management of waste treatment	Appropriately manage waste treatment operations through status checks of waste treatment conducted by Environment Management Division and waste management self-checks at each office based on the Industrial Waste Management and Waste Management Law.	▶ Status checks of waste treatment: Conducted at 3 offices out of 15. ▶ Waste management self-checks: Conducted at all 15 offices in May. ▶ Waste management seminars: Held at 3 offices.	○	▶ Continue conducting status checks of waste treatment and waste management self-checks ▶ Continue holding waste management seminars at offices
③ Promotion of environmentally friendly logistics operation	Reduce the average annual unit energy consumption associated with transport by 1% or more against the baseline year by the fiscal year ended March 31, 2016.	▶ Up 1.0% year on year Previous fiscal year: 0.0333 liter/ton-km This fiscal year: 0.0336 liter/ton-km Annual average (over 5 years): down 1.3 %	○	▶ Promote modal shift on main transport routes (factories → branches) — Review transport routes ▶ Reduce energy consumption on transport in cooperation with freight companies — Improve fuel efficiency — Introduce larger vehicles
④ Standardization of environmental activities	Assess the impact on the environment as a result of the Company's activities using selected tools, and ascertain and disclose the appropriateness of the Company's activities.	▶ Quantified the Company's activities numerically using existing assessment tools and disclosed them in the Social and Environmental Report (assessed efficiency over five-year periods) — LIME2: The environmental efficiency in FY2015 is up 21.6% compared with FY2011 — JEPIX: The environmental burden in FY2015 is down 15.3% compared with FY2011	○	▶ Assess the initiatives of the Company's environmental activities by utilizing the characteristics of each assessment tool ▶ Disclose the results in the Social and Environmental Report each time
⑤ Promotion of environmental risk management	Eliminate environmental risks*4 that impact on the external environment	▶ Incidents of the environmental risks that impact on external environment: None	○	▶ Review the management methods for environmental risks ▶ Conduct environmental risk audits ▶ Hold seminars on environmental risks
⑥ Internal communication	Include environmental activities as a theme in Companywide basic training to raise the level of the employees' basic knowledge Evaluate understanding of the seminar content, improvement of the environmental awareness, and environmental awareness on a five-point scale from -2.0 to +2.0. Target +1.0 or higher for each item	▶ Carried out environment training in October 2015 as part of Companywide basic training and confirmed its effectiveness. All divisions achieved the target.	○	▶ Continue conducting the assessment in the fiscal year ending March 31, 2017
	Raise employees' awareness on the environment through the Companywide environment month events and group training events, including environmental seminars held at each branch.	▶ Conducted questionnaire surveys to confirm the effectiveness of the training events. Achieved the target at the branches which held training events ▶ Failed to achieve the total of 1,500 participants in the summer environmental month events.	△	▶ Incorporate activities in daily life, such as saving electricity and reducing resource consumption
⑦ External communication	Promote two-way communication with external parties.	▶ Published the Social and Environmental Report (on-line edition) in December. ▶ Participated in the environmental activities held by external organizations.	○	▶ Publish the Social and Environmental Report (on-line edition) ▶ Participate in the environmental activities held by external organizations.

*1 Groupwide unit energy consumption
Omiya Factory (including Research Center), Okayama Factory, and Hanyu Factory: Energy consumption / (operation hours × floor area)
Sales and back offices: Energy consumption / floor area

*2 Annual average of CO_2 emissions between the fiscal years ended March 31, 2003 and 2005 (Total emission of Omiya Factory, Research Center and Hanyu Factory: 48,275 tons*3)

*3 This figure was revised as a result of verification conducted in accordance with the prefectural ordinance of Saitama Prefecture.

*4 Some accidents or emergencies could have a significant impact on the environment if they were to occur.

Self-assessment:	○ = Made progress with adequate result	△ = Made progress with some degree of result	× = More effort required although some progress was made

Financial Section

Company Overview

The Taisho Pharmaceutical Group is made up of Taisho Pharmaceutical Holdings Co., Ltd. and its 34 subsidiaries and four affiliated companies (As of July 5, 2016). The Group's main businesses are the Self-Medication Operation Group, which handles the research, development, manufacture and sale of over-the-counter (OTC) drugs, quasi-drugs, food products, and medical and other healthcare supplies, and the Prescription Pharmaceutical Operation Group, which handles the research, development, manufacture and sale of ethical drugs.

Fiscal 2015 Operating Results

Net Sales

Consolidated net sales for fiscal 2015, the fiscal year ended March 31, 2016, decreased ¥362 million, or 0.1%, year on year to ¥290,135 million.

Primary factors included lower sales of the Prescription Pharmaceutical Operation Group's long-listed products due to the impact of generic products.

Gross Profit and Operating Income

Gross profit decreased ¥1,434 million, or 0.8%, compared with the previous fiscal year to ¥176,813 million due to lower sales and a higher cost to sales ratio.

Selling, general and administrative expenses increased ¥1,661 million, or 1.1%, to ¥147,935 million, mainly due to higher advertisement costs. Consequently, operating income decreased ¥3,096 million, or 9.7%, to ¥28,878 million. The operating income margin decreased 1.0 percentage point to 10.0%.

R&D Expenditures

The Group conducts vigorous R&D activities centered on prescription pharmaceuticals. In fiscal 2015, R&D expenditures increased ¥213 million, or 1.0%, year on year to ¥21,768 million. R&D expenditures as a percentage of net sales were 7.5%.

The Self-Medication Operation Group is working to develop new concept products that are safe, highly valuable, and respond to the heightened health awareness and changes in needs of the consumer in the field of lifestyle diseases, which includes health foods. Self-Medication Operation Group R&D expenditures were essentially unchanged at ¥5.5 billion.

The Prescription Pharmaceutical Operation Group aims to make early acquisition of approvals for compounds under development, while working to strengthen cooperation with external research facilities to enhance the creation of original and new drugs. R&D expenditures in the Prescription Pharmaceutical Operation Group increased ¥0.2 billion, or 1.4%, to ¥16.3 billion.

Ordinary Income and Profit Attributable to Owners of Parent

Non-operating income increased ¥279 million, or 3.6%, year on year to ¥8,068 million due mainly to an increase in equity in earnings of affiliated companies. Non-operating expenses were essentially unchanged at ¥170 million.

Consequently, ordinary income decreased ¥2,800 million, or 7.1%, to ¥36,775 million. The ratio of ordinary income to net sales decreased 0.9 percentage points to 12.7%.

Extraordinary income decreased ¥1,015 million to ¥19 million, due mainly to a decrease in gain on sales of fixed assets. Extraordinary losses increased ¥536 million to ¥985 million, due mainly to recording of impairment loss.

Profit before income taxes decreased ¥4,352 million, or 10.8%, to ¥35,809 million. After adjusting for income taxes in consolidated subsidiaries, profit attributable to owners of parent was ¥22,473 million, a decrease of ¥2,055 million, or 8.4%.

Profit per share was ¥277.75. Return on equity decreased 0.5 percentage points to 3.5%.

Review by Segment

▶ Self-Medication Operation Group

Segment net sales increased ¥4,427 million, or 2.5%, year on year to ¥180,722 million.

By core brand, sales of the *Lipovitan* series of energy drinks decreased 2.5% to ¥60.5 billion, with sales of *Lipovitan D*, the leading product of the series, down 3.5%. Sales of the *Pabron* series decreased 1.5% to ¥24.8 billion, with lower year-on-year sales of both mainstay cold remedies and sinus treatments. Sales of the *RiUP* series of hair regrowth treatment increased 10.9% to ¥16.5 billion, due to its firm sales.

Meanwhile, in the expansion overseas focused in Southeast Asia, where the exchange rates have an influence, the energy drinks business increased by ¥0.9 billion, or 9.5%, year on year to ¥10.3 billion, the OTC pharmaceuticals business increased by ¥0.8 billion, or 4.8%, year on year to ¥18.4 billion, and the overseas business as a whole increased by ¥1.9 billion, or 6.9%, to ¥29.9 billion.

▶ Prescription Pharmaceutical Operation Group

Segment net sales decreased ¥4,789 million, or 4.2%, year on year to ¥109,413 million.

Sales of *ZOSYN*, a combination antibiotic with a beta-lactamase inhibitor, increased 1.4% to ¥27.3 billion, sales of osteoporosis agent (active vitamin D3 agent) *Edirol* rose 15.7% to ¥19.8 billion, and sales of osteoporosis agent (bisphosphonate antiresorptive agent) *Bonviva* increased 36.5% to ¥4.9 billion. However, sales of macrolide antibiotic *Clarith* decreased 10.9% to ¥12.0 billion, and sales of peripheral vasodilator *Palux* decreased 11.9% to ¥6.2 billion partly due to the effects of generic drugs. Furthermore, the type 2 diabetes mellitus agent (selective SGLT2 inhibitor) *Lusefi* released in May 2014 made sales of ¥0.9 billion, a decrease of 63.0%, and the transdermal anti-inflammatory analgesic *LOQOA* released in January 2016 made sales of ¥0.4 billion.

Financial Position

The Group has a financial policy of maintaining appropriate liquidity, securing sufficient working capital for corporate business activities and ensuring a sound balance sheet.

Total assets as of March 31, 2016 decreased ¥9,043 million, or 1.2%, from a year earlier to ¥759,049 million. Current assets increased ¥30,588 million, or 10.6%, to ¥319,670 million. Total fixed assets decreased ¥39,631 million, or 8.3%, to ¥439,379 million.

Current assets increased from a year earlier mainly because marketable securities increased ¥24,277 million.

Fixed assets decreased from a year earlier mainly because tangible fixed assets decreased ¥1,416 million, or 1.4%, to ¥98,950 million, intangible fixed assets decreased ¥6,380 million, or 14.1%, to ¥38,863 million and investments and other assets decreased by ¥31,834 million, or 9.5%, to ¥301,565 million mainly due to a decrease of investment securities.

Total liabilities as of March 31, 2016 increased ¥1,072 million, or 0.9%, from a year earlier to ¥115,922 million. Current liabilities increased ¥2,415 million, or 3.8%, to ¥66,646 million. Long-term liabilities decreased ¥1,343 million, or 2.7%, to ¥49,275 million.

Net assets as of March 31, 2016 decreased ¥10,115 million, or 1.5%, from a year earlier to ¥643,127 million. Retained earnings increased ¥13,548 million. Combined with the purchase of treasury stock of ¥10,097 million, total shareholders' equity increased ¥3,529 million, or 0.6%, to ¥600,862 million.

As a result, the equity ratio decreased 0.4 percentage points from March 31, 2015 to 82.9%. Net assets per share were ¥7,870.04.

Cash Flows

Cash and cash equivalents as of March 31, 2016 increased ¥11.2 billion from a year earlier to ¥154.3 billion.

Cash flows during fiscal 2015 were as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥9.3 billion year on year to ¥43.1 billion. This was partially due to profit before income taxes of ¥35.8 billion.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥6.5 billion year on year to ¥11.7 billion. The primary use of cash was payments for purchase of investment securities of ¥11.1 billion.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥10.1 billion year on year to ¥19.5 billion. The primary use of cash was payments for purchase of treasury stock of ¥10.1 billion.

Capital Expenditures

The Group made capital expenditures totaling ¥8,967 million during fiscal 2015 as part of ongoing efforts to expand its business operations. No sale, retirement or recognition of impairment of fixed assets had a material effect on production capacity.

Human Resources

The total number of employees as of March 31, 2016 decreased by 92 from a year earlier to 6,517.

Self-Medication Operation Group employees decreased by 16 to 3,157. Prescription Pharmaceutical Operation Group employees increased by 5 to 1,885. Employees engaged in Companywide operations not allocable to any specific segment decreased by 81 to 1,475.

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. Aiming to strengthen its competitiveness and expand its business, the Company will use these internal reserves 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, the Company plans to repurchase treasury stock in a flexible manner for the purposes of improving capital efficiency and implementing an agile 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 net income excluding extraordinary profit/loss. Barring special circumstances, the Company plans to maintain an annual dividend of at least ¥100 per share, even when the dividend payout ratio exceeds 30%.

For fiscal 2015, the Company paid an annual dividend of ¥100 per share.

In the next fiscal year, an annual dividend of ¥110 per share is planned.

Business and Other Risks

The Taisho Pharmaceutical Group faces various risks in the course of business. The following are primary risks that could have a material impact on investors' decisions.

Forward-looking statements mentioned in this discussion of risks reflect management's beliefs and judgments as of March 31, 2016.

Legal risks and risks related to healthcare policy

The Group's 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, manufacturing, import and distribution. Consequently, there is a risk that the Group's products could fail to conform to regulations at one of these stages, or that a previously granted approval could be revoked. Among other risks, depending on trends in healthcare policy, health insurance systems and other changes, the Group may also face the risk of a decline in pharmaceutical prices.

Risks related to pharmaceutical quality, side effects and other issues

The Group does its utmost to guarantee the reliability and quality of its products. Nevertheless, unanticipated side effects, accidents and other factors could force the Group to recall or halt the sale of the products affected or cause the Group to incur claims for damages.

Risks related to pharmaceutical development and commercialization

The development of pharmaceuticals is a lengthy process and requires substantial investment in R&D. The success of newly launched products and businesses is uncertain.

Risks related to the proper protection of intellectual property rights

If the Group is not properly protected by its intellectual property rights, there is the risk that a third party might use the Group's technology and other intellectual property and undermine the Group's competitiveness in the market. Similarly, there is also the risk that the Group might encroach on the intellectual property rights of third parties.

Risks related to expiration of patents

Although the Group strives to extend product life cycles, sales could be negatively impacted, for example, by the emergence of generic drugs or the switch to OTC drugs produced following the expiration of patents.

Risks from lawsuits

The Group faces the possibility of lawsuits during the course of its business activities related to product liability, environmental issues and other matters.

Risks from fluctuations in foreign 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 the Group's operating results.

Other risks

Sudden occurrence of natural disasters such as earthquakes and tsunami, deterioration in sociopolitical stability overseas, and other events could cause the Group to suffer damage, such as the destruction of overseas business sites or infrastructure, or downsizing or withdrawal from its businesses.

In addition, the Group is faced with various other risks, including risks related to the external procurement of raw materials and risks associated with dependency on licenses for products developed by other companies. The risks inherent in the Group's business activities are therefore not limited to the risks described above.

Consolidated Balance Sheets

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2015	**2016**	**2016**
Current assets:			
Cash and deposits (Notes 9 and 11)	¥ 159,588	**¥ 172,143**	**$ 1,528,526**
Notes and accounts receivable–trade (Note 11)	80,322	**75,243**	**668,115**
Marketable securities (Notes 9, 11 and 12)	10,039	**34,317**	**304,712**
Inventories	27,309	**26,639**	**236,535**
Deferred tax assets (Note 15)	6,337	**6,128**	**54,415**
Other (Note 17)	5,663	**5,287**	**46,948**
Allowance for doubtful accounts (Note 11)	(175)	**(86)**	**(764)**
Total current assets	289,082	**319,670**	**2,838,487**
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Note 5)	145,256	**145,462**	**1,291,620**
Machinery, equipment and vehicles	87,758	**87,862**	**780,168**
Land (Note 5)	37,500	**37,474**	**332,745**
Construction-in-progress	693	**4,627**	**41,087**
Other	33,743	**32,965**	**292,713**
Accumulated depreciation and impairment loss	(204,585)	**(209,441)**	**(1,859,711)**
Total tangible fixed assets	100,367	**98,950**	**878,621**
Intangible fixed assets:			
Goodwill	22,093	**19,046**	**169,118**
Sales rights	5,932	**4,675**	**41,512**
Trademark rights	14,978	**12,176**	**108,113**
Other	2,242	**2,967**	**26,344**
Total intangible fixed assets	45,245	**38,864**	**345,088**
Investments and other assets:			
Investment securities (Notes 11 and 12)	264,642	**237,214**	**2,106,319**
Shares of subsidiaries and affiliates	54,685	**54,591**	**484,735**
Long-term prepaid expenses	738	**647**	**5,744**
Net defined benefit assets (Note 13)	7,003	**569**	**5,049**
Deferred tax assets (Note 15)	5,615	**7,869**	**69,873**
Other	922	**929**	**8,251**
Allowance for doubtful accounts	(207)	**(253)**	**(2,249)**
Total investments and other assets	333,399	**301,565**	**2,677,722**
Total fixed assets	479,011	**439,379**	**3,901,431**
Total assets (Note 16)	¥ 768,093	**¥ 759,050**	**$ 6,739,918**

LIABILITIES AND NET ASSETS	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Notes and accounts payable–trade	¥ 29,133	**¥ 27,083**	**$ 240,481**
Accounts payable (Note 17)	14,770	**16,753**	**148,759**
Accrued income taxes (Note 15)	3,255	**5,747**	**51,028**
Accrued expenses	10,648	**10,821**	**96,081**
Provision for sales returns	526	**711**	**6,316**
Provision for bonuses	3,947	**3,855**	**34,234**
Other (Note 5)	1,951	**1,676**	**14,881**
Total current liabilities	64,231	**66,646**	**591,780**
Long-term liabilities:			
Provision for directors' retirement benefits	1,433	**1,197**	**10,632**
Net defined benefit liabilities (Note 13)	22,385	**23,714**	**210,566**
Deferred tax liabilities (Note 15)	19,536	**16,333**	**145,030**
Other (Note 5)	7,265	**8,031**	**71,312**
Total long-term liabilities	50,619	**49,276**	**437,541**
Net Assets:			
Shareholders' equity:			
Common stock (Note 8)			
Authorized—			
2015: 360,000 thousand shares			
2016: 360,000 thousand shares			
Issued—			
2015: 90,139 thousand shares			
2016: 90,139 thousand shares	30,000	**30,000**	**266,383**
Capital surplus	15,270	**15,271**	**135,600**
Retained earnings	609,707	**623,255**	**5,534,145**
Treasury stock (Note 8)			
(2015: 9,077 thousand shares, 2016: 10,230 thousand shares)	(57,644)	**(67,664)**	**(600,819)**
Total shareholders' equity	597,333	**600,863**	**5,335,309**
Accumulated other comprehensive income:			
Valuation difference on securities	40,054	**35,736**	**317,318**
Deferred gains or losses on hedges	(1)	**(0)**	**(4)**
Foreign currency translation adjustment	5,745	**507**	**4,502**
Remeasurements of defined benefit plans	(3,374)	**(8,213)**	**(72,929)**
Total accumulated other comprehensive income	42,425	**28,030**	**248,887**
Subscription rights to shares	299	**357**	**3,170**
Non-controlling interests	13,186	**13,878**	**123,230**
Total net assets	653,243	**643,127**	**5,710,597**
Total liabilities and net assets	¥768,093	**¥759,050**	**$6,739,918**

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

Consolidated Statements of Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net sales (Note 16)	¥290,498	**¥290,136**	**$2,576,238**
Cost of sales	112,250	**113,323**	**1,006,239**
Gross profit	178,248	**176,813**	**1,569,999**
Selling, general and administrative expenses (Note 6)	146,274	**147,935**	**1,313,579**
Operating income (Note 16)	31,974	**28,878**	**256,420**
Non-operating income:			
Interest income	5,374	**5,392**	**47,881**
Dividend income	1,317	**1,440**	**12,782**
Equity in earnings of entities accounted for using equity method	255	**382**	**3,393**
Other	842	**854**	**7,584**
	7,789	**8,068**	**71,640**
Non-operating expenses:			
Interest expenses	3	**2**	**20**
Commission fee	92	**106**	**943**
Other	92	**62**	**552**
	187	**171**	**1,515**
Ordinary income	39,576	**36,776**	**326,545**
Extraordinary income:			
Gain on sales of fixed assets (Note 6)	1,035	**19**	**173**
	1,035	**19**	**173**
Extraordinary losses:			
Loss on disposal of fixed assets (Note 6)	396	**135**	**1,199**
Loss on liquidation of subsidiaries	53	**—**	**—**
Impairment loss (Note 6)	—	**850**	**7,549**
	449	**985**	**8,748**
Profit before income taxes	40,163	**35,810**	**317,971**
Income taxes (Note 15)**:**			
Current	12,075	**11,828**	**105,027**
Deferred	2,027	**100**	**884**
	14,103	**11,928**	**105,911**
Profit	26,060	**23,882**	**212,060**
Profit attributable to non-controlling interests	1,531	**1,409**	**12,508**
Profit attributable to owners of parent (Note 18)	¥ 24,529	**¥ 22,473**	**$ 199,551**

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

Consolidated Statements of Comprehensive Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Profit	¥26,060	**¥ 23,882**	**$ 212,060**
Other comprehensive income:			
Valuation difference on securities	16,822	**(4,150)**	**(36,853)**
Foreign currency translation adjustment	4,944	**(5,327)**	**(47,299)**
Remeasurements of defined benefit plans	(775)	**(4,999)**	**(44,390)**
Share of other comprehensive income of entities accounted for using equity method	794	**(346)**	**(3,072)**
Total other comprehensive income	21,785	**(14,822)**	**(131,614)**
Comprehensive income	¥47,845	**¥ 9,060**	**$ 80,446**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥46,169	**¥ 8,078**	**$ 71,731**
Comprehensive income attributable to non-controlling interests	1,677	**981**	**8,715**

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

Consolidated Statements of Changes in Net Assets

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥30,000	¥15,270	¥591,576	¥(57,549)	¥579,296	¥22,639	—	¥ 896	¥(2,751)	¥20,785	¥181	¥11,671	¥611,933
Cumulative effects of changes in accounting policies			1,734		1,734								1,734
Restated balance	30,000	15,270	593,309	(57,549)	581,030	22,639	—	896	(2,751)	20,785	181	11,671	613,667
Changes during the period													
Purchase of treasury stock				(98)	(98)								(98)
Disposal of treasury stock		0		3	3								3
Change of scope of consolidation			794		794								794
Dividends of surplus			(8,926)		(8,926)								(8,926)
Profit attributable to owners of parent			24,529		24,529								24,529
Changes in other than shareholders' equity during the period, net						17,415	¥(1)	4,848	(623)	21,640	118	1,515	23,273
Total changes during the period	—	0	16,397	(95)	16,303	17,415	(1)	4,848	(623)	21,640	118	1,515	39,576
Balance as of March 31, 2015	¥30,000	¥15,270	¥609,707	¥(57,644)	¥597,333	¥40,054	¥(1)	¥ 5,745	¥(3,374)	¥42,425	¥299	¥13,186	¥653,243
Changes during the period													
Purchase of treasury stock				**(10,097)**	**(10,097)**								**(10,097)**
Disposal of treasury stock		**2**		**74**	**76**								**76**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**(1)**			**(1)**								**(1)**
Dividends of surplus			**(8,925)**		**(8,925)**								**(8,925)**
Profit attributable to owners of parent			**22,473**		**22,473**								**22,473**
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method				**3**	**3**								**3**
Changes in other than shareholders' equity during the period, net						**(4,318)**	**0**	**(5,238)**	**(4,839)**	**(14,395)**	**58**	**692**	**(13,645)**
Total changes during the period	—	**1**	**13,549**	**(10,021)**	**3,530**	**(4,318)**	**0**	**(5,238)**	**(4,839)**	**(14,395)**	**58**	**692**	**(10,115)**
Balance as of March 31, 2016	**¥30,000**	**¥15,271**	**¥623,255**	**¥(67,664)**	**¥600,863**	**¥35,736**	**¥(0)**	**¥ 507**	**¥(8,213)**	**¥28,030**	**¥357**	**¥13,878**	**¥643,127**

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 31, 2015	$266,383	$135,587	$5,413,841	$(511,842)	$5,303,969	$355,660	$(5)	$ 51,010	$(29,957)	$ 376,708	$2,655	$117,085	$5,800,416
Changes during the period													
Purchase of treasury stock				**(89,660)**	**(89,660)**								**(89,660)**
Disposal of treasury stock		**18**		**659**	**677**								**677**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**(5)**			**(5)**								**(5)**
Dividends of surplus			**(79,247)**		**(79,247)**								**(79,247)**
Profit attributable to owners of parent			**199,551**		**199,551**								**199,551**
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method				**24**	**24**								**24**
Changes in other than shareholders' equity during the period, net						**(38,343)**	**1**	**(46,508)**	**(42,972)**	**(127,821)**	**516**	**6,145**	**(121,160)**
Total changes during the period	—	**13**	**120,305**	**(88,977)**	**31,341**	**(38,343)**	**1**	**(46,508)**	**(42,972)**	**(127,821)**	**516**	**6,145**	**(89,819)**
Balance as of March 31, 2016	**$266,383**	**$135,600**	**$5,534,145**	**$(600,819)**	**$5,335,309**	**$317,318**	**$(4)**	**$ 4,502**	**$(72,929)**	**$ 248,887**	**$3,170**	**$123,230**	**$5,710,597**

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

Consolidated Statements of Cash Flows

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 40,163	**¥ 35,810**	**$ 317,971**
Adjustments:			
Depreciation and amortization (Note 16)	11,562	**11,117**	**98,717**
Amortization of goodwill	1,378	**1,356**	**12,041**
Loss (gain) on sales of fixed assets (Note 6)	(1,035)	**(19)**	**(173)**
Loss (gain) on disposal of fixed assets (Note 6)	396	**135**	**1,199**
Loss (gain) on liquidation of subsidiaries	53	**—**	**—**
Impairment loss (Note 6)	—	**850**	**7,549**
Interest and dividend income	(6,691)	**(6,832)**	**(60,663)**
Interest expenses	3	**2**	**20**
Equity in losses (earnings) of entities accounted for using equity method	(255)	**(382)**	**(3,393)**
Increase (decrease) in allowance for doubtful accounts	(289)	**(23)**	**(206)**
Increase (decrease) in net defined benefit liabilities	2,786	**1,357**	**12,052**
Decrease (increase) in net defined benefit assets	(4,417)	**6,435**	**57,138**
Increase (decrease) in provision for directors' retirement benefits	(208)	**(165)**	**(1,466)**
Increase (decrease) in provision for bonuses	(693)	**(78)**	**(691)**
Decrease (increase) in notes and accounts receivable–trade	(932)	**4,250**	**37,742**
Decrease (increase) in inventories	(5)	**465**	**4,129**
Increase (decrease) in notes and accounts payable–trade	858	**(1,766)**	**(15,677)**
Increase (decrease) in long-term accounts payable–other	1	**(150)**	**(1,329)**
Other, net	626	**(7,046)**	**(62,564)**
Subtotal	43,299	**45,318**	**402,395**
Interest and dividend income received	6,842	**6,924**	**61,480**
Interest expenses paid	(3)	**(2)**	**(20)**
Income taxes paid	(20,383)	**(9,285)**	**(82,449)**
Income taxes refund	3,959	**104**	**924**
Net cash provided by operating activities	33,715	**43,058**	**382,330**
Cash flows from investing activities:			
Decrease (increase) in time deposits	(2,942)	**(2,165)**	**(19,225)**
Proceeds from sales and redemption of marketable securities	14,000	**10,000**	**88,794**
Payments for purchase of tangible fixed assets	(5,265)	**(6,924)**	**(61,477)**
Proceeds from sales of tangible fixed assets	1,329	**33**	**293**
Payments for purchase of intangible fixed assets	(500)	**(1,291)**	**(11,467)**
Proceeds from sales of intangible fixed assets	0	**0**	**3**
Payments for purchase of investment securities	(24,501)	**(11,148)**	**(98,983)**
Proceeds from sales and redemption of investment securities	0	**—**	**—**
Proceeds from sales of shares of subsidiaries and affiliates	1	**—**	**—**
Payments for purchase of long-term prepaid expenses	(310)	**(295)**	**(2,623)**
Other, net	23	**127**	**1,126**
Net cash used in investing activities	(18,163)	**(11,663)**	**(103,559)**
Cash flows from financing activities:			
Increase in short-term loans payable	170	**180**	**1,598**
Decrease in short-term loans payable	(225)	**(305)**	**(2,708)**
Repayments of finance lease obligations	(107)	**(111)**	**(988)**
Payments for purchase of treasury stock	(98)	**(10,097)**	**(89,660)**
Cash dividends paid	(8,900)	**(8,903)**	**(79,058)**
Cash dividends paid to minority shareholders	(284)	**(288)**	**(2,558)**
Net cash used in financing activities	(9,444)	**(19,525)**	**(173,374)**
Effect of exchange rate changes on cash and cash equivalents	1,032	**(640)**	**(5,687)**
Net increase (decrease) in cash and cash equivalents	7,140	**11,229**	**99,711**
Cash and cash equivalents at the beginning of period	136,135	**143,039**	**1,270,103**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(236)	**—**	**—**
Cash and cash equivalents at the end of period (Note 9)	¥143,039	**¥154,269**	**$1,369,814**

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 ¥112.62=U.S. $1, the approximate exchange rate prevailing in the Japanese foreign exchange market as at March 31, 2016. 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, 2016:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (33 companies at March 31, 2016). Main subsidiaries are as follows:

Taisho Pharmaceutical Co., Ltd.
Taisho Toyama Pharmaceutical Co., Ltd.
Biofermin Pharmaceutical Co., Ltd.
Osotspa Taisho Pharmaceutical Co., Ltd.
PT. Taisho Pharmaceutical Indonesia Tbk

b) Non-consolidated subsidiaries as of March 31, 2016:

PT. Taisho Indonesia

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, 2016) 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:

PT. Taisho Indonesia

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 four other companies, are included in the consolidated accounts for the fiscal year ended December 31, 2015, while the accounts of the seven subsidiaries listed above are consolidated using their results for the fiscal year ended March 31, 2016. 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 gross 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. However, sales promotion items are stated at the lower of cost or net realizable value, which is determined by the moving average 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 expensed when incurred. 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 fixed assets (except for lease assets):
The straight-line method is adopted. Sales rights and trademark 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.

(4) 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) Provision for bonuses:
Accrued bonuses are provided for the expected payments of employees' bonuses at the end of the fiscal year.

d) Provision for directors' retirement benefits:
Provision for directors' retirement benefits are provided for retirement payments to directors, executive officers and others in the amount of the expected payments at the end of the fiscal year based on internal regulations.

(5) Accounting policy for retirement benefits

a) Method of attributing the projected benefits to periods of service:
In calculating retirement benefit obligations, the projected retirement benefits are attributed to the periods of service through the end of the fiscal year based on the benefit formula method.

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.

(6) 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. Translation differences are included in foreign currency translation adjustments and non-controlling interests under net assets.

(7) 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.

(8) Amortization of goodwill

Goodwill is amortized equally over the effective periods.

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

Cash and cash equivalents in the consolidated 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.

(10) Consumption tax

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services is not included in revenue and cost or expense items, in the accompanying consolidated statements of income.

3. Changes in Accounting Policies

(Application of Accounting Standard for Business Combinations, etc.)

The Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc., effective from the beginning of the fiscal year under review. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. Moreover, changes have been made to the presentation of net income, etc. and the presentation for non-controlling interests from minority interests. In order to reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2015 were reclassified.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of these standards commenced as of the beginning of the fiscal year under review, and will continue going forward.

The amount of the impact from this application on the consolidated financial statements is immaterial.

4. Accounting standards and guidelines issued but not yet applied

"Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement No. 26, March 28, 2016)

a) Outline:

The Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016, hereinafter, the "Guidance on Recoverability of Deferred Tax Assets") was set forth by the Accounting Standards Board of Japan ("ASBJ") upon transfer of the Guidance on Tax Effect Accounting and the Audit Implementation Guidance on Tax Effect Accounting (sections on accounting treatment) from the Japanese Institute of Certified Public Accountants ("JICPA") to the ASBJ. The Guidance on Recoverability of Deferred Tax Assets provides guidance on the recoverability of deferred tax assets when implementing the ASBJ's Accounting Standard on Tax Effect Accounting. Regarding the guidance on recoverability of deferred tax assets as set forth mainly in JICPA Audit Committee Report No. 66, "The Auditing Treatment on Determining the Recoverability of Deferred Tax Assets," in conformity with the framework for dividing companies into five categories and the accounting treatment when determining the amount of deferred tax assets by each category, the ASBJ's guideline was revised to provide the criteria for categorizing the companies and updating part of the accounting treatment for determining the amount of deferred tax assets as necessary.

b) Planned date of application:

The Guidance on Recoverability of Deferred Tax Assets will be adopted effective April 1, 2016, the start of the fiscal year ending March 31, 2017.

c) Impact of application of the amended accounting standards:

The impact of the application of the "Guidance on Recoverability of Deferred Tax Assets" on the Company's consolidated financial statements is currently being evaluated.

5. Notes to Consolidated Balance Sheets

Assets pledged as collateral and secured liabilities

Year ended March 31	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Assets pledged as collateral			
Buildings and structures	¥68	**¥64**	**$566**
Land	7	**7**	**64**
Total	¥75	**¥71**	**$629**
Secured liabilities			
Other current liabilities	¥11	**¥11**	**$ 95**
Other long-term liabilities	11	**—**	**—**
Total	¥21	**¥11**	**$ 95**

6. Notes to Consolidated Statements of Income

(1) Selling, general and administrative expenses

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

For the year ended March 31	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Freight charges	¥ 7,494	**¥ 7,613**	**$ 67,598**
Advertisement costs	19,170	**21,366**	**189,721**
Sales promotion costs	32,356	**31,775**	**282,146**
Salaries and bonuses	25,180	**25,206**	**223,811**
Provisions for bonuses	2,239	**2,173**	**19,293**
Pension costs	2,156	**2,311**	**20,519**
Research and development expenditures	21,554	**21,768**	**193,288**

(2) Research and development expenditures

Research and development expenditures are recognized when incurred, and are included in selling, general and administrative expenses as follows:

For the year ended March 31	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Research and development expenditures	¥21,554	**¥21,768**	**$193,288**

(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:

For the year ended March 31	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Buildings and structures	¥ 8	**¥ 4**	**$ 31**
Machinery, equipment and vehicles	16	**12**	**107**
Land	1,012	**4**	**34**
Other fixed assets	—	**0**	**0**
Total	¥1,035	**¥19**	**$173**

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

For the year ended March 31	Millions of yen 2015	2016	Thousands of U.S. dollars (Note 1) 2016
Buildings and structures	¥316	**¥123**	**$1,092**
Machinery, equipment and vehicles	12	**9**	**82**
Land	32	**0**	**2**
Other fixed assets	35	**2**	**22**
Software	0	**0**	**2**
Total	¥396	**¥135**	**$1,199**

(4) Impairment loss

The Taisho Pharmaceutical Holdings Group recorded a loss on impairment of fixed assets for the fiscal year ended March 31, 2016 on the following group of assets.

Location	Application	Type	Impairment loss Millions of yen	Impairment loss Thousands of U.S. dollars (Note 1)
Shimoda, Shizuoka	Hotel management	Building and structures	**¥606**	**$5,379**
		Machinery, equipment and vehicles	**87**	**769**
		Land	**62**	**550**
		Other	**96**	**851**
		Total	**¥850**	**$7,549**

The Taisho Pharmaceutical Holdings Group conducts grouping of assets mainly by offices and products as the minimum cash flow generating unit. For the Shimoda Hotel Operation Group, sales activities have been actively carried out, but these are unlikely to result in a sudden improvement of earnings and the business is in a position where earnings will improve gradually. Therefore, there has been a reduction in the recoverable amount of the carrying value. As a result, the reduction in the recoverable amount has been booked under extraordinary losses as an impairment loss. The estimate of the recoverable amount of the property was determined using the true cash value, which was the appraised value calculated based on the fixed assets tax appraisal value.

7. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effect relating to other comprehensive income for the fiscal years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Valuation difference on securities:			
Amount arising during the period	¥22,842	¥(7,084)	$(62,899)
Reclassification adjustment	—	—	—
Before tax effect adjustment	22,842	(7,084)	(62,899)
Tax effect	(6,020)	2,933	26,046
Valuation difference on securities	16,822	(4,150)	(36,853)
Foreign currency translation adjustment:			
Amount arising during the period	4,944	(5,327)	(47,299)
Reclassification adjustment	—	—	—
Before tax effect adjustment	4,944	(5,327)	(47,299)
Tax effect	—	—	—
Foreign currency translation adjustment	4,944	(5,327)	(47,299)
Remeasurements of defined benefit plans:			
Amount arising during the period	(1,340)	(7,572)	(67,236)
Reclassification adjustment	406	495	4,395
Before tax effect adjustment	(933)	(7,077)	(62,841)
Tax effect	158	2,078	18,451
Remeasurements of defined benefit plans	(775)	(4,999)	(44,390)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the period	775	(371)	(3,295)
Reclassification adjustment	20	25	224
Share of other comprehensive income of entities accounted for using equity method	794	(346)	(3,072)
Total other comprehensive income	¥21,785	¥(14,822)	$(131,614)

8. Notes to Consolidated Statements of Changes in Net Assets:

For the year ended March 31, 2015

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

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	9,065	12*1	0*2	9,077

*1 The increase of 12 thousand shares was attributable to the purchase of shares of less than one trading unit.
*2 The decrease in shares attributable to the exercise of stock options was 0 thousand shares.

(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	
Reporting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	¥299
	Total	—	—	—	—	—	¥299

(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, 2014	Common stock	¥4,869	¥60	March 31, 2014	June 30, 2014
Meeting of directors held on October 31, 2014	Common stock	¥4,057	¥50	September 30, 2014	December 4, 2014

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2015, 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 26, 2015	Common stock	¥4,868	¥60	March 31, 2015	June 29, 2015	Retained earnings

For the year ended March 31, 2016

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

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	**9,077**	**1,164**[*1]	**12**[*2]	**10,230**

*1 The increase of 1,152 thousand shares was attributable to the repurchase of treasury stock in accordance with the resolution of the Board of Directors, and the increase of 12 thousand shares was attributable to the purchase of shares of less than one trading unit.
*2 The decrease in shares attributable to the exercise of stock options was 11 thousand shares, and a decrease of 0 thousand shares comprising shares attributable to the Company among the Parent company shares (shares of the Company) held by an equity-method affiliate.

(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	
Reporting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	**¥331**
Consolidated subsidiary	Subscription rights to shares as stock options	—	—	—	—	—	**26**
	Total	—	—	—	—	—	**¥357**

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	
Reporting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	**$2,943**
Consolidated subsidiary	Subscription rights to shares as stock options	—	—	—	—	—	**227**
	Total	—	—	—	—	—	**$3,170**

(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 26, 2015	Common stock	**¥4,868**	**¥60**	March 31, 2015	June 29, 2015
Meeting of directors held on October 30, 2015	Common stock	**¥4,057**	**¥50**	September 30, 2015	December 4, 2015

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 26, 2015	Common stock	**$43,224**	**$0.53**	March 31, 2015	June 29, 2015
Meeting of directors held on October 30, 2015	Common stock	**$36,022**	**$0.44**	September 30, 2015	December 4, 2015

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2016, 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 29, 2016	Common stock	**¥3,999**	**¥50**	March 31, 2016	June 30, 2016	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 29, 2016	Common stock	**$35,508**	**$0.44**	March 31, 2016	June 30, 2016	Retained earnings

9. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents at March 31, 2015 and 2016 comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	**2016**	**2016**
Cash and deposits	¥159,588	**¥172,143**	**$1,528,526**
Marketable securities	10,039	**34,317**	**304,712**
Sub total	169,626	**206,459**	**1,833,238**
Time deposits with original maturity of more than three months	(16,549)	**(17,874)**	**(158,712)**
Marketable securities with original maturity of more than three months	(10,039)	**(34,317)**	**(304,712)**
Cash and cash equivalents	¥143,039	**¥154,269**	**$1,369,814**

10. 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.

11. 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 sheets, their fair values and the differences between them are as follows:

	Millions of yen		
March 31, 2015	Carrying amount	Fair value	Variance
a) Cash and deposits	¥159,588	¥159,588	¥ —
b) Notes and accounts receivable-trade	80,322		
Allowance for doubtful accounts	(175)		
	80,147	80,147	—
c) Marketable securities			
Available-for-sale securities	10,039	10,039	—
d) Investment securities			
Available-for-sale securities	264,180	264,180	—
e) Shares of subsidiaries and affiliates	10,847	6,587	(4,260)

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Variance
a) Cash and deposits	**¥172,143**	**¥172,143**	**¥ —**
b) Notes and accounts receivable-trade	**75,243**		
Allowance for doubtful accounts	**(86)**		
	75,157	**75,157**	**—**
c) Marketable securities			
Available-for-sale securities	**34,317**	**34,317**	**—**
d) Investment securities			
Available-for-sale securities	**236,751**	**236,751**	**—**
e) Shares of subsidiaries and affiliates	**10,980**	**6,524**	**(4,456)**

	Thousands of U.S. dollars (Note 1)		
March 31, 2016	Carrying amount	Fair value	Variance
a) Cash and deposits	**$1,528,526**	**$1,528,526**	**$ —**
b) Notes and accounts receivable-trade	**668,115**		
Allowance for doubtful accounts	**(764)**		
	667,351	**667,351**	**—**
c) Marketable securities			
Available-for-sale securities	**304,712**	**304,712**	**—**
d) Investment securities			
Available-for-sale securities	**2,102,212**	**2,102,212**	**—**
e) Shares of subsidiaries and affiliates	**97,498**	**57,930**	**(39,568)**

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) Shares of subsidiaries and 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	2015	**2016**	**2016**
Unlisted equity securities	¥ 463	**¥ 463**	**$ 4,107**
Equity securities in unlisted affiliates	43,838	**43,611**	**387,237**

These instruments are not in the scope of fair value recognition because they have no available market value, their future cash flows cannot be estimated, 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, 2015	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	¥ 38,512	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	80,322	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	10,000	139,002	26,000	—
Total	¥128,834	¥139,002	¥26,000	¥ —

March 31, 2016	Millions of yen			
	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	¥ 26,627	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	75,243	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	34,200	118,712	23,000	3,000
Total	¥136,070	¥118,712	¥23,000	¥3,000

March 31, 2016	Thousands of U.S. dollars (Note 1)			
	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	$ 236,433	$ —	$ —	$ —
Notes and accounts receivable-trade	668,115	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	303,676	1,054,093	204,227	26,638
Total	$1,208,224	$1,054,093	$204,227	$26,638

12. Marketable and Investment Securities

The following information relates to the aggregate carrying amounts and fair value of securities at March 31, 2015 and 2016.

(1) Available-for-sale securities

Available-for-sale securities whose fair value is readily determinable are recorded at fair value on the consolidated balance sheets as of March 31, 2015 and 2016.

March 31, 2015	Millions of yen		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheets exceed their acquisition costs			
(1) Equity securities	¥ 87,035	¥ 40,507	¥46,528
(2) Corporate bonds	68,091	66,330	1,761
(3) Others	80,513	70,000	10,513
Sub total	235,639	176,837	58,802
Securities whose carrying amounts on the consolidated balance sheets do not exceed their acquisition costs			
(1) Equity securities	982	1,007	(25)
(2) Corporate bonds	37,597	38,732	(1,134)
(3) Others	—	—	—
Sub total	38,579	39,738	(1,159)
Total	¥274,218	¥216,575	¥57,643

Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥463 million) are not included in "Securities" in the above table as they have no market value, and their fair value is not readily determinable given that future cash flows and other factors cannot be reliably estimated.

March 31, 2016	Millions of yen		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheets exceed their acquisition costs			
(1) Equity securities	¥ 76,705	¥ 34,806	¥41,899
(2) Corporate bonds	63,160	61,325	1,835
(3) Others	79,041	70,000	9,041
Sub total	218,905	166,131	52,774
Securities whose carrying amounts on the consolidated balance sheets do not exceed their acquisition costs			
(1) Equity securities	5,851	6,708	(857)
(2) Corporate bonds	46,311	47,669	(1,358)
(3) Others	—	—	—
Sub total	52,163	54,377	(2,215)
Total	¥271,068	¥220,508	¥50,559

March 31, 2016	Thousands of U.S. dollars (Note 1)		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheets exceed their acquisition costs			
(1) Equity securities	$ 681,091	$ 309,057	$372,034
(2) Corporate bonds	560,823	544,531	16,292
(3) Others	701,836	621,559	80,277
Sub total	1,943,751	1,475,148	468,603
Securities whose carrying amounts on the consolidated balance sheets do not exceed their acquisition costs			
(1) Equity securities	51,954	59,562	(7,608)
(2) Corporate bonds	411,218	423,276	(12,058)
(3) Others	—	—	—
Sub total	463,173	482,838	(19,665)
Total	$2,406,923	$1,957,986	$448,937

Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥463 million) are not included in "Securities" in the above table as they have no market value, and their fair value is not readily determinable given that future cash flows and other factors cannot be reliably estimated.

13. Pension and Severance Plans

(1) Overview of the Group's retirement benefit plan

The Group has a lump-sum retirement benefit plan, which is a defined benefit plan, and a corporate pension fund plan. In addition to these, Taisho Pharmaceutical Co., Ltd. and Taisho Toyama Pharmaceutical Co., Ltd. also have a defined contribution plan.

Certain consolidated subsidiaries use the simplified method to calculate retirement benefit obligations.

The amounts presented below included portions relating to multi-employer plans.

(2) Defined benefit plans

a) Reconciliation of retirement benefit obligations at the beginning and end of the period (excluding amounts in c) below):

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Retirement benefit obligation at the beginning of period	¥57,704	¥61,239	$543,763
Cumulative effects of changes in accounting policy	(2,620)	—	—
Beginning balance after reflection of changes in accounting policy	55,084	61,239	543,763
Service costs	2,439	2,663	23,647
Interest costs	808	648	5,753
Actuarial gain/loss incurred	5,144	5,910	52,477
Payments for retirement benefits	(2,235)	(2,029)	(18,016)
Retirement benefit obligations at the end of period	¥61,239	¥68,431	$607,623

b) Reconciliation of plan assets at the beginning and end of the period (excluding amounts in c) below):

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Plan assets at the beginning of period	¥41,492	¥46,650	$414,221
Expected return on plan assets	1,037	933	8,284
Actuarial gain/loss incurred	3,805	(1,662)	(14,759)
Employer contributions	1,312	1,297	11,515
Payments for retirement benefits	(997)	(1,072)	(9,522)
Plan assets at the end of period	¥46,650	¥46,145	$409,738

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net defined benefit liabilities at the beginning of period	¥ 786	¥793	$7,037
Retirement benefit costs	100	166	1,478
Payments for retirement benefits	(100)	(61)	(540)
Contributions to plan	(11)	(10)	(92)
Others	16	(28)	(251)
Net defined benefit liabilities at the end of period	¥ 793	¥860	$7,633

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Defined benefit obligations for funded plans	¥ 39,786	¥ 45,723	$ 405,989
Plan assets	(46,790)	(46,291)	(411,038)
	(7,003)	(569)	(5,049)
Defined benefit obligations for unfunded plans	22,385	23,714	210,566
Net amount of defined benefit liabilities and defined benefit assets on the consolidated balance sheets	15,382	23,145	205,518
Net defined benefit liabilities	22,385	23,714	210,566
Net defined benefit assets	(7,003)	(569)	(5,049)
Net amount of defined benefit liabilities and defined benefit assets on the consolidated balance sheets	¥ 15,382	¥ 23,145	$ 205,518

e) Components of net retirement benefit costs:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Service cost	¥ 2,439	¥2,663	$23,647
Interest cost	808	648	5,753
Expected return on plan assets	(1,037)	(933)	(8,284)
Amortization of actuarial gain/loss	726	814	7,230
Amortization of prior service cost	(319)	(319)	(2,836)
Net retirement benefit cost calculated using simplified method	100	166	1,478
Net retirement benefit cost for defined benefit plans	¥ 2,715	¥3,039	$26,988

f) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Unrecognized prior service cost	¥(319)	¥ (319)	$ (2,836)
Unrecognized actuarial gain/loss	(614)	(6,758)	(60,006)
Total	¥(933)	¥(7,077)	$(62,841)

g) Cumulative remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Unrecognized prior service costs	¥ 1,535	¥ 1,216	$ 10,797
Unrecognized actuarial differences	(6,614)	(13,372)	(118,734)
Total	¥(5,079)	¥(12,156)	$(107,938)

h) Matters related to plan assets

1) Main components of plan assets

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

	2015	2016
Bonds	46%	61%
Equity securities	23	20
General account	9	15
Other	22	4
Total	100%	100%

*The reason for the significant decrease in the ratio of "Other" from the previous fiscal year is that some of the plan assets were temporarily converted to cash in line with a revision to the strategic asset mix associated with a recalculation of pension plan finances.

2) 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.

i) Matters relating to the basis for calculating actuarial gain/loss

Basis for calculating primary actuarial gain/loss (weighted average rate):

	2015	2016
Discount rate	0.5%-1.4%	0.2%-0.7%
Long-term expected rate of return	2.5%	2.0%

(2) Defined contribution plans

Contributions to the defined contribution plans of the Company and its consolidated subsidiaries were as follows:

2015 ¥556 million

2016 ¥548 million ($4,866 thousand)

14. Stock Options and Related Matters

Reporting company

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Selling, general and administrative expenses	¥121	¥109	$965

(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.

	2014 Stock options	2015 Stock options
Type and number of recipients	Directors of the Company (excluding outside directors) 8 individuals	Directors of the Company (excluding outside directors) 7 individuals
	Executive officers and others of the Company 5 individuals	Executive officers and others of the Company 2 individuals
	Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors) 7 individuals	Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors) 8 individuals
	Other officers of Taisho Pharmaceutical Co., Ltd. 20 individuals	Other officers of Taisho Pharmaceutical Co., Ltd. 14 individuals
Total number of stock options by type of shares*	17,500 shares of common stock	13,500 shares of common stock
Grant date	August 1, 2014	August 3, 2015
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, 2014 to August 1, 2064	From August 4, 2015 to August 3, 2065

*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, 2016. 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, 2015	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Unvested balance as of March 31, 2016	—	—
After vesting (shares)		
Balance as of March 31, 2015	14,000	14,300
Vested	—	—
Exercised	3,700	3,800
Forfeited	—	—
Unexercised balance as of March 31, 2016	10,300	10,500

	2014 stock options	2015 stock options
Before vesting (shares)		
Balance at March 31, 2015	—	—
Granted	—	13,500
Forfeited	—	—
Vested	—	13,500
Unvested balance as of March 31, 2016	—	—
After vesting (shares)		
Balance as of March 31, 2015	17,500	—
Vested	—	13,500
Exercised	4,200	—
Forfeited	—	—
Unexercised balance as of March 31, 2016	13,300	13,500

Per share information

	2012 stock options (Yen)	2013 stock options (Yen)	2014 stock options (Yen)	2015 stock options (Yen)
Exercise price	¥1	¥1	¥1	¥1
Average stock price upon exercise	8,194	8,298	8,291	—
Fair value at grant date	6,086	6,460	6,936	8,049

c) Estimation method for fair value of stock options:

The estimation method for the fair price of the 2015 stock options granted in the fiscal year ended March 31, 2016 was as follows:

Valuation model used	Black-Scholes model

Main basic assumptions and estimation methods

	2015 stock options
Stock price volatility*1	22.25%
Estimated remaining service period*2	3.35 years
Dividend forecast*3	¥110 per share
Risk-free interest rate*4	0.033%

*1 Calculated based on the historical stock price performance over 3 years from March 29, 2012 to August 3, 2015.
*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, 2015.
*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 the future, the Company has adopted the method of reflecting only the number of forfeitures based on past experience.

Consolidated subsidiary (Biofermin Pharmaceutical Co., Ltd.)

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Selling, general and administrative expenses	—	¥26	$227

(2) Description, amount and changes in stock options

a) Description of stock options:

	2015 Stock options
Type and number of recipients	Directors of Biofermin Pharmaceutical Co., Ltd. (excluding outside directors) 6 individuals
Total number of stock options by type of shares*	10,300 shares of common stock
Grant date	August 17, 2015
Vesting conditions	No vesting conditions are attached.
Applicable period of service	No applicable period of service is specified.
Exercise period	From August 18, 2015 to August 17, 2045

*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, 2016. The number of stock options has been converted into the number of shares.

Number of stock options

	2015 stock options
Before vesting (shares)	
Balance at March 31, 2015	—
Granted	10,300
Forfeited	—
Vested	10,300
Unvested balance as of March 31, 2016	—
After vesting (shares)	
Balance as of March 31, 2015	—
Vested	10,300
Exercised	—
Forfeited	—
Unexercised balance as of March 31, 2016	10,300

Per share information

	2015 stock options (Yen)
Exercise price	¥1
Average stock price upon exercise	—
Fair value at grant date	2,487

c) Estimation method for fair value of stock options:

The estimation method for the fair price of the 2015 stock options granted in the fiscal year ended March 31, 2016 was as follows:

Valuation model used Black-Scholes model

Main basic assumptions and estimation methods

	2015 stock options
Stock price volatility*1	25.143%
Estimated remaining service period*2	15 years
Dividend forecast*3	¥60 per share
Risk-free interest rate*4	0.796%

*1 Calculated based on the historical stock price performance over 15 years from August 17, 2000 to August 17, 2015.
*2 As a rational projection is not possible due to an insufficient accumulation of data, an estimate has been determined on the assumption of stock options being exercised at the interim point of the exercise period.
*3 Based on the dividend performance in the fiscal year ended March 31, 2015.
*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 the 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, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Deferred tax assets:			
Enterprise taxes	¥ 273	¥ 431	$ 3,824
Accrued expenses	2,668	2,598	23,071
Research expenses, etc.	910	988	8,774
Provision for bonuses	1,235	1,147	10,186
Net defined benefit liabilities	6,930	6,983	62,005
Provision for directors' retirement benefits	460	397	3,523
Prepaid research expenses	792	818	7,259
Evaluation loss on investment securities	2,037	1,876	16,660
Unrealized loss on securities	360	167	1,486
Operating loss carry forwards for tax purposes	417	72	640
Others	4,773	4,840	42,976
Gross deferred tax assets	20,853	20,317	180,407
Less: Valuation allowance	(3,101)	(3,142)	(27,896)
Total deferred tax assets	17,751	17,176	152,511
Deferred tax liabilities:			
Unrealized gains on securities	(17,525)	(14,409)	(127,939)
Deferred gain on sales of real property	(2,323)	(2,136)	(18,970)
Net defined benefits assets	(2,238)	(158)	(1,402)
Undistributed earnings of overseas subsidiaries and affiliates	(951)	(982)	(8,721)
Others	(2,299)	(1,827)	(16,221)
Total deferred tax liabilities	(25,335)	(19,512)	(173,253)
Net deferred tax assets (liabilities)	¥ (7,584)	¥ (2,336)	$ (20,742)

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

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.

(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 for Partial Revision of the Income Tax Act, etc." (Act No. 15, 2016) and "Act for Partial Revision of the Local Tax Act" (Act No. 13, 2016) on March 29, 2016, the corporate income tax rate, etc., will be reduced from fiscal years beginning on or after April 1, 2016, among other revisions. In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to reverse in the fiscal year beginning on April 1, 2016, as well as the fiscal year beginning on April 1, 2017, has been reduced from the 32.3% used in the previous fiscal year to 30.9%, and for temporary differences expected to reverse in the fiscal year beginning on April 1, 2018, has been reduced to 30.6%.

Due to these changes in the tax rate, the net amount of deferred tax liabilities (the amount from which deferred tax assets have been deducted) decreased by ¥130 million, income taxes-deferred increased by ¥460 million, valuation difference on securities increased by ¥785 million, and cumulative remeasurements of defined benefit plans decreased by ¥194 million.

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 Pharmaceutical 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, quasi-drugs, food, and general medical and hygiene supplies.

The Prescription Pharmaceutical 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 sheets and consolidated statements 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

For the year ended March 31, 2015	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥176,295	¥114,203	¥290,498	¥ —	¥290,498
(2) Inter-segment	—	—	—	—	—
Total	176,295	114,203	290,498	—	290,498
Segment income*2	31,061	2,079	33,139	(1,165)	31,974
Segment assets	287,090	171,257	458,347	¥309,746	768,093
Other items					
Depreciation*3	9,741	1,821	11,562	—	11,562
Amortization of goodwill	1,378	—	1,378	—	1,378
Investment in equity-method affiliates	10,879	41,997	52,876	—	52,876
Increase in tangible and intangible fixed assets*4	3,659	1,897	5,556	—	5,556

*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

For the year ended March 31, 2016	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	**¥180,722**	**¥109,414**	**¥290,136**	**¥ —**	**¥290,136**
(2) Inter-segment	**—**	**—**	**—**	**—**	**—**
Total	**180,722**	**109,414**	**290,136**	**—**	**290,136**
Segment income*2	**28,394**	**1,756**	**30,150**	**(1,272)**	**28,878**
Segment assets	**302,521**	**175,302**	**477,824**	**281,226**	**759,050**
Other items					
Depreciation*3	**9,293**	**1,824**	**11,117**	**—**	**11,117**
Amortization of goodwill	**1,356**	**—**	**1,356**	**—**	**1,356**
Impairment loss	**850**	**—**	**850**	**—**	**850**
Investment in equity-method affiliates	**11,012**	**41,770**	**52,782**	**—**	**52,782**
Increase in tangible and intangible fixed assets*4	**6,879**	**2,294**	**9,173**	**—**	**9,173**

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2016	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	**$1,604,708**	**$971,530**	**$2,576,238**	**$ —**	**$2,576,238**
(2) Inter-segment	**—**	**—**	**—**	**—**	**—**
Total	**1,604,708**	**971,530**	**2,576,238**	**—**	**2,576,238**
Segment income*2	**252,121**	**15,590**	**267,711**	**(11,291)**	**256,420**
Segment assets	**2,686,214**	**1,556,583**	**4,242,797**	**2,497,121**	**6,739,918**
Other items					
Depreciation*3	**82,520**	**16,197**	**98,717**	**—**	**98,717**
Amortization of goodwill	**12,041**	**—**	**12,041**	**—**	**12,041**
Impairment loss	**7,549**	**—**	**7,549**	**—**	**7,549**
Investment in equity-method affiliates	**97,777**	**370,893**	**468,670**	**—**	**468,670**
Increase in tangible and intangible fixed assets*4	**61,078**	**20,371**	**81,449**	**—**	**81,449**

*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, 2015

(1) Information by product and service

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

(2) Information by geographic region

a) 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 statements of income.

b) 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 sheets.

(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 statements of income.

For the year ended March 31, 2016

(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

a) Sales:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Japan	¥260,235	$2,310,734
Asia	26,798	237,953
Other	3,103	27,551
Total	¥290,136	$2,576,238

Sales figures are calculated by country or region based on the locations of the customers.

b) 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 sheets.

(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 statements of income.

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

For the year ended March 31, 2015

Not applicable.

For the year ended March 31, 2016

	Millions of yen			
	Self-medication	Pharmaceutical	Other	Total
Impairment loss	¥850	¥ —	¥ —	¥850
	Thousands of U.S. dollars (Note 1)			
	Self-medication	Pharmaceutical	Other	Total
Impairment loss	$7,549	$ —	$ —	$7,549

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

	Millions of yen			
For the year ended March 31, 2015	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 1,378	¥ —	¥ —	¥ 1,378
Unamortized balance of goodwill	22,093	—	—	22,093
	Millions of yen			
For the year ended March 31, 2016	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 1,356	¥ —	¥ —	¥ 1,356
Unamortized balance of goodwill	19,046	—	—	19,046
	Thousands of U.S. dollars (Note 1)			
For the year ended March 31, 2016	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	$ 12,041	$ —	$ —	$ 12,041
Unamortized balance of goodwill	169,118	—	—	169,118

[Information on gains on negative goodwill by reporting segment]

Not applicable.

17. Related Party Transactions

Related party transactions

Transactions with consolidated subsidiaries and related parties

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

For the year ended March 31, 2015

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 in	Amounts Millions of yen
Toyama Chemical Co., Ltd.	Shinjuku ward, Tokyo	¥10,000 million	34.0%	Product purchases	¥33,298	Accounts payable	¥16,101

For the year ended March 31, 2016

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 in	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	¥31,958	$283,764	Accounts payable	¥13,945	$123,826

(2) Related transaction with Directors and individual shareholders

For the year ended March 31, 2015

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 in	Amounts Millions of yen
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.46%)	Outsourced administrative work	¥17	Current assets other	¥1

For the year ended March 31, 2016

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 in	Amounts Millions of yen	Amounts Thousands of U.S. dollars (Note 1)
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.48%)	Out-sourced adminis-trative work	**¥16**	**$145**	Current assets other	**¥1**	**$5**

*1 Of the amounts (1) and (2) shown above, consumption taxes are excluded from transaction amounts, but are included in the closing balances.
*2 Transaction conditions and policy on determination of transaction conditions
(a) Purchase prices for products are determined with reference to third-party selling prices.
(b) Price and other transaction conditions for outsourced administrative work 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 close relatives directly own 100% of the shares with voting rights.

18. Per Share Information

Year ended March 31	Yen 2015	Yen **2016**	U.S. dollars (Note 1) **2016**
Net assets per share	¥7,892.19	**¥7,870.04**	**$69.88**
Basic earnings per share	302.57	**277.75**	**2.47**
Diluted earnings per share	302.42	**277.59**	**2.46**

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

Basic earnings per share

Year ended March 31	Yen 2015	Yen **2016**	U.S. dollars (Note 1) **2016**
Profit attributable to owners of parent	¥24,529	**¥22,473**	**$199,551**
Profit attributable to owners of parent available to common shareholders	24,529	**22,473**	**199,551**
Weighted-average number of shares outstanding (Thousand shares)	81,068	**80,911**	

Diluted earnings per share

Year ended March 31	Millions of yen 2015	Millions of yen **2016**	Thousands of U.S. dollars (Note 1) **2016**
Adjustments to profit attributable to owners of parent	¥ —	**¥(0)**	**$(4)**
(Adjustments of dilutive shares of consolidated subsidiaries)	—	**(0)**	**(4)**
Increase in number of common stock (Thousands shares)	40	**45**	
(Including subscription rights to shares (Thousands shares))	40	**45**	

19. Significant Subsequent Events

Not applicable.

20. Schedule of Borrowings

For the year ended March 31	Millions of yen 2015	Millions of yen **2016**	Thousands of U.S. dollars (Note 1) **2016**	Average interest rate (%)	Due date of payment
Short-term loans	¥175	**¥ 50**	**$ 444**	1.03%	—
Current portion of long-term loans	—	**—**	**—**	—	—
Current portion of lease obligations	111	**104**	**920**	—	—
Long-term loans (without current portion)	—	**—**	**—**	—	—
Lease obligations (without current portion)	351	**248**	**2,200**	—	From 2017 to 2023
Total	¥638	**¥401**	**$3,565**	—	—

*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, the 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, 2016) is as follows:

Year ended March 31	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)	**¥103**	**¥102**	**¥22**	**¥6**
Lease obligations (Thousands of U.S. dollars (Note 1))	**$915**	**$902**	**$194**	**$52**

pwc

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, 2016, 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, 2016, 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, 2016 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 LLC

August 5 2016

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Consolidated Financial Highlights

Figures for the fiscal year ended March 31, 2011 and earlier are for Taisho Pharmaceutical.

Fiscal years ended March 31	2007	2008	2009	2010
Net sales	242,071	249,655	256,213	258,441
Operating income	22,357	36,952	37,935	34,686
Ordinary income	24,926	41,896	39,902	36,671
Profit attributable to owners of parent	15,420	25,004	8,815	19,485
R&D expenditures	28,519	24,745	27,523	28,118
Capital expenditures	8,066	5,765	5,814	21,132
Depreciation and amortization	13,137	12,618	11,014	11,533
Total assets	631,929	627,224	591,568	606,443
Current assets	240,416	249,463	215,872	215,686
Total net assets (Total shareholders' equity)	547,486	548,650	514,511	527,760
Free cash flows	6,826	15,682	23,252	50,719

Per share data (Yen)				
Profit attributable to owners of parent	50.54	84.01	30.01	67.98
Total net assets (Total shareholders' equity)	1,832.24	1,816.25	1,745.96	1,816.68
Cash flows*1	138.45	180.10	174.87	166.07
Dividends	27.00	27.00	27.00	27.00

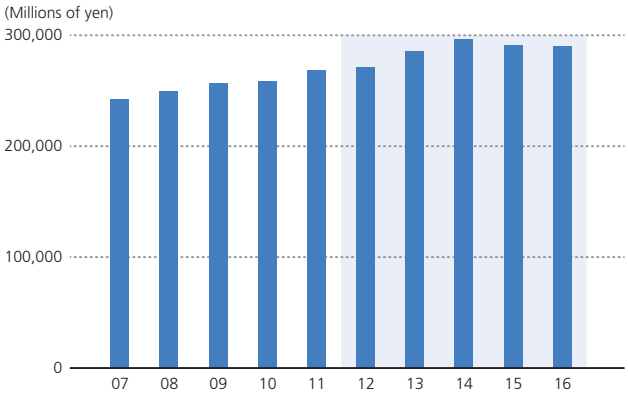
Note: Calculated in accordance with corporate accounting standards for each fiscal year.

*1 Cash flows per share = (Income before income taxes + Depreciation and amortization + Amortization of goodwill) / Average number of issued shares for the period

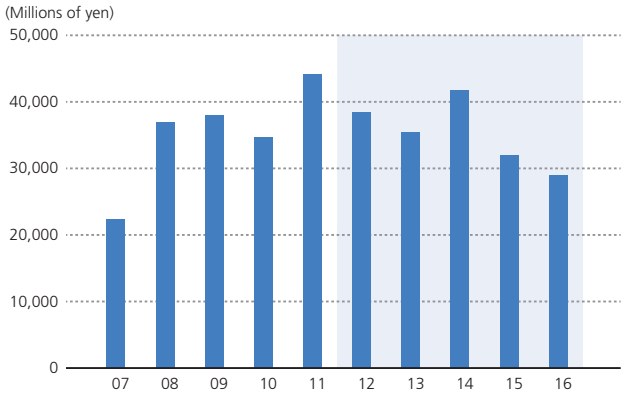
*2 The annual dividend of ¥90 per share for the fiscal year ended March 31, 2012 comprises the sum of ¥40 per share derived from the conversion of Taisho Pharmaceutical's interim dividend of ¥12 per share, and the year-end dividend of Taisho Pharmaceutical Holdings of ¥50 per share.

*3 Includes the commemorative dividend for the 100th anniversary of the founding of Taisho Pharmaceutical.

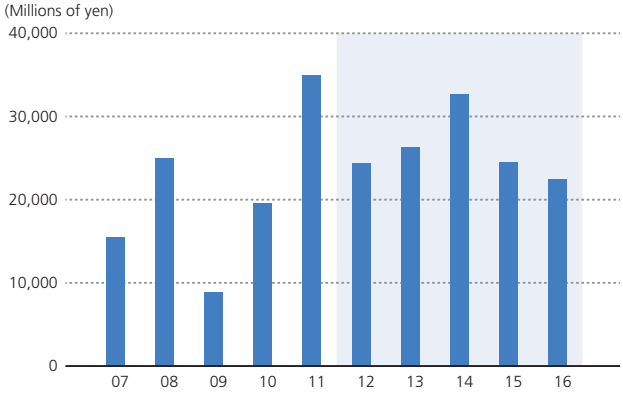
Net sales



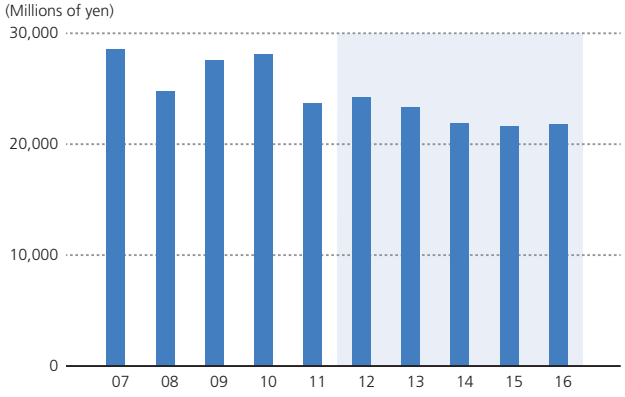
Operating income



Profit attributable to owners of parent



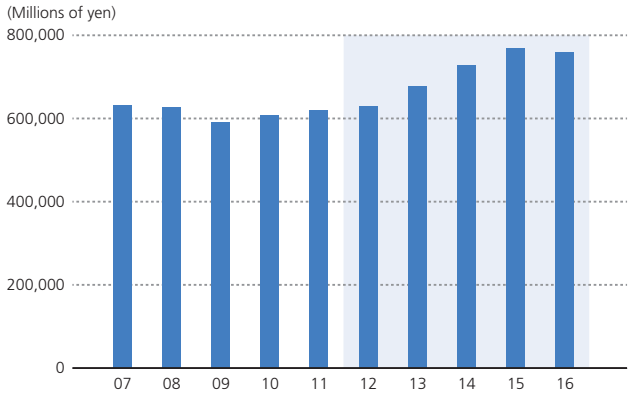
R&D expenditures



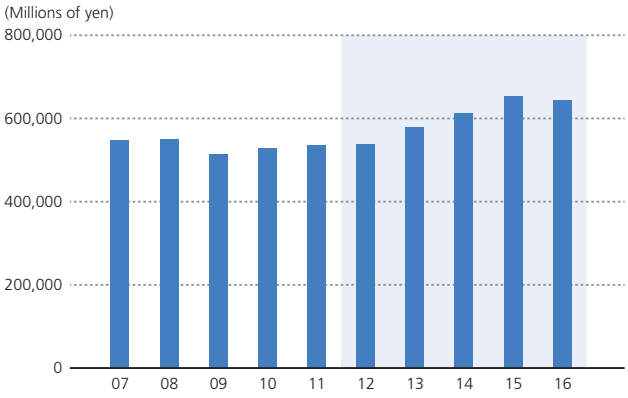
(Millions of yen)

2011	2012	2013	2014	2015	**2016**
268,632	271,230	285,168	295,957	290,498	**290,135**
44,082	38,412	35,337	41,683	31,974	**28,878**
54,077	46,201	44,173	51,244	39,576	**36,775**
34,892	24,357	26,320	32,692	24,528	**22,473**
23,677	24,231	23,331	21,874	21,554	**21,768**
7,870	12,868	12,287	10,401	5,253	**8,967**
11,725	11,242	10,951	11,042	11,561	**11,117**
618,434	629,506	676,388	728,442	768,092	**759,049**
233,170	234,782	254,326	281,045	289,081	**319,670**
535,231	538,666	578,158	611,933	653,242	**643,127**
45,701	–15,616	31,933	38,235	15,552	**31,396**
124.90	296.20	325.26	403.18	302.57	**277.75**
1,901.74	6,560.67	6,975.94	7,401.61	7,892.19	**7,870.04**
234.32	669.69	682.92	785.62	655.00	**596.73**
27.00	90.00*2	120.00*3	110.00	110.00	**100.00**

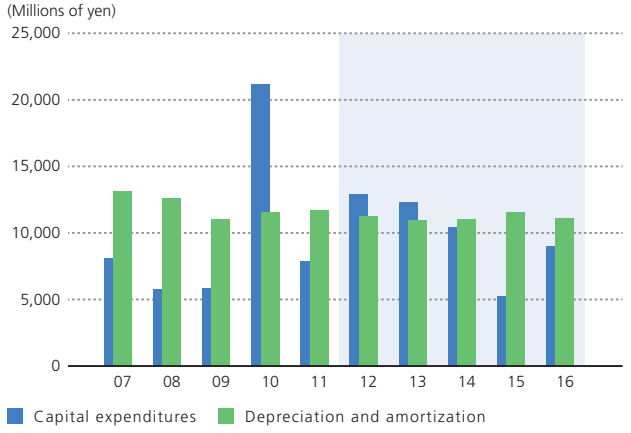
Total assets



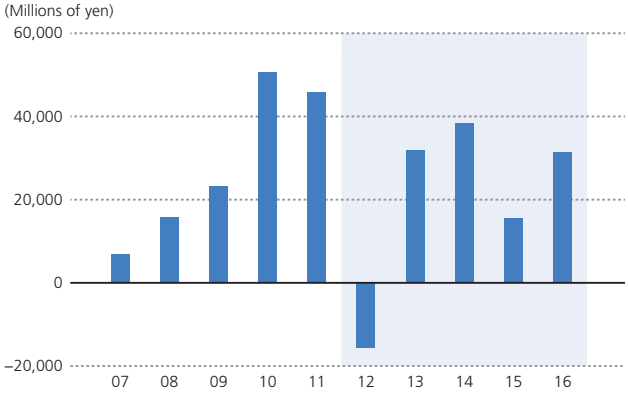
Total net assets (Total shareholders' equity)



Capital expenditures/Depreciation and amortization



Free cash flows



Consolidated Performance Indicators

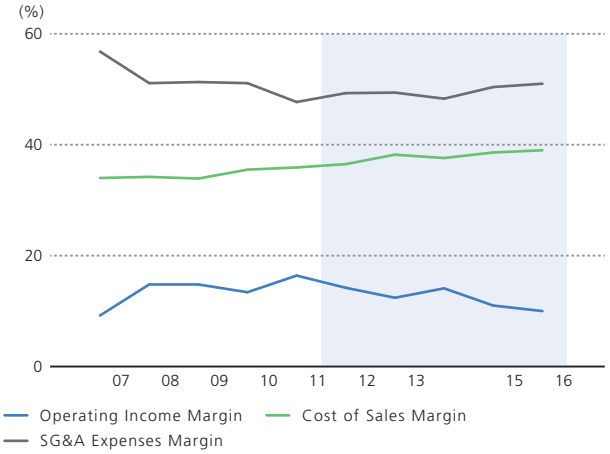
Figures for the fiscal year ended March 31, 2011 and earlier are for Taisho Pharmaceutical.

Fiscal years ended March 31	2007	2008	2009	2010
Profit indicators				
Operating income margin (%)	9.2	14.8	14.8	13.4
Ordinary income margin (%)	10.3	16.8	15.6	14.2
Profit attributable to owners of parent margin (%)	6.4	10.0	3.4	7.5
Cost of sales margin (%)	34.0	34.2	33.9	35.5
SG&A expenses margin (%)	56.8	51.1	51.3	51.1
Return on equity (ROE) (%)*1	2.8	4.6	1.7	3.8
Efficiency indicators				
Return on assets (ROA) (%)*2	2.4	4.0	1.4	3.3
Return on investment (ROI) (%)*3	2.8	4.6	1.6	3.6
Asset turnover (Times) *4	0.4	0.4	0.4	0.4
Tangible fixed assets turnover (Times) *5	2.5	2.6	2.7	2.8
Inventory turnover (Times) *6	10.4	10.6	11.1	11.3
Stability indicators				
Liquidity (%)*7	446.0	448.3	398.8	387.4
Equity ratio (%)	86.3	86.1	85.4	85.3
Debt/equity ratio (Times) *8	0.0004	0.0024	0.0032	0.0024
Interest coverage (Times) *9	3,421.5	3,278.6	1,248.5	1,451.4
Cash and cash equivalents and marketable securities per share (Yen) *10	447.5	514.7	400.6	397.4
Valuation (Times)				
Price earning ratio (PER)	42.7	23.5	60.9	25.0
Price book-value ratio (PBR)	1.2	1.1	1.0	0.9
Price to cash flow ratio (PCFR)	15.6	11.0	10.5	10.2
Other indicators				
Cash flows (Millions of yen)	42,133	53,608	51,364	47,604
Capital expenditure as a percentage of cash flows (%)	19.1	10.8	11.3	44.4
R&D expenditures as a percentage of net sales (%)	11.8	9.9	10.7	10.9
Working capital (Millions of yen) *11	186,507	193,820	161,742	160,006
Payout ratio (%) (Non-consolidated)	49.2	31.0	66.9	35.3

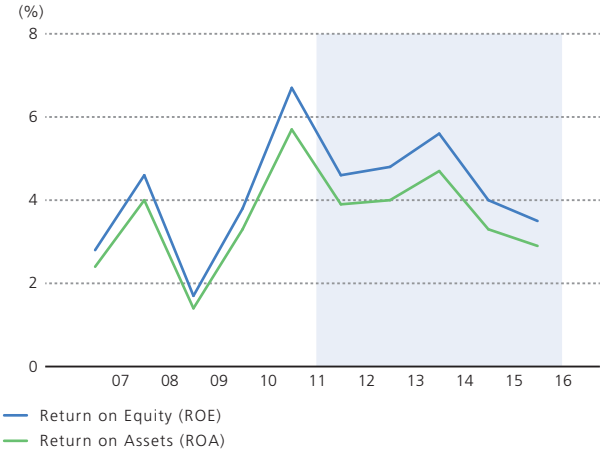
Note: Calculated in accordance with corporate accounting standards for each fiscal year.

*1 ROE = Net income/Average total net assets
*2 ROA = Net income/Average total assets
*3 ROI = Net income/(Average total net assets + Average long-term debt)
*4 Asset turnover = Net sales/Average total assets
*5 Tangible fixed assets turnover = Net sales/Average tangible fixed assets
*6 Inventory turnover = Net sales/Average inventory
*7 Liquidity = Current assets/Current liabilities
*8 Debt/equity ratio = Interest-bearing debt/Total net assets
*9 Interest coverage = (Operating income + Interest and dividend income)/Interest expense

Operating income margin/Cost of sales margin/ SG&A expenses margin



Return on equity (ROE)/Return on assets (ROA)

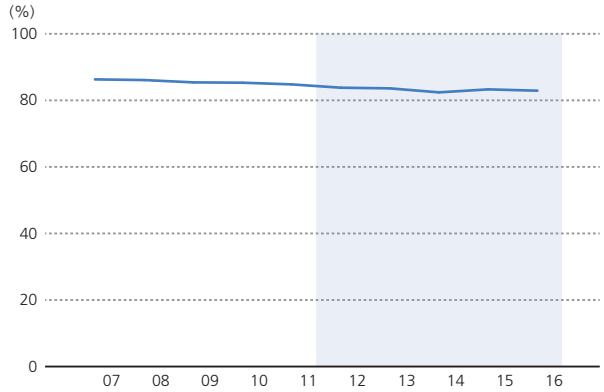


(Millions of yen)

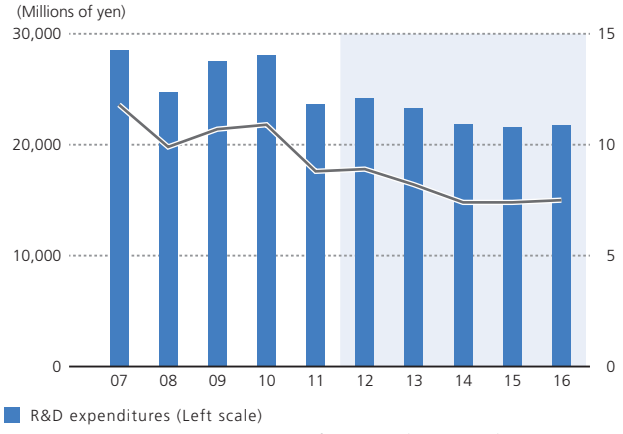
2011	2012	2013	2014	2015	**2016**
16.4	14.2	12.4	14.1	11.0	**10.0**
20.1	17.0	15.5	17.4	13.6	**12.7**
13.0	9.0	9.3	11.2	8.4	**7.7**
35.9	36.5	38.2	37.6	38.6	**39.0**
47.7	49.3	49.4	48.3	50.4	**51.0**
6.7	4.6	4.8	5.6	4.0	**3.5**
5.7	3.9	4.0	4.7	3.3	**2.9**
6.3	4.3	4.7	5.5	3.9	**3.5**
0.4	0.4	0.4	0.4	0.4	**0.4**
3.0	3.0	2.9	2.9	2.8	**2.9**
11.5	11.3	11.3	11.1	10.7	**10.8**
389.5	370.9	404.8	369.6	450.1	**479.7**
84.8	83.8	83.6	82.4	83.3	**82.9**
0.0004	0	0	0	0	**0**
6,282.8	4,061.0	2,457.8	24,090.5	19,332.0	**17,854.5**
483.8	1,414.8	1,624.4	1,966.1	2,092.5	**2,583.6**
14.4	22.7	21.0	20.6	29.5	**32.1**
0.9	1.0	1.0	1.1	1.1	**1.1**
7.7	10.0	10.0	10.6	13.6	**14.9**
65,461	55,070	55,262	63,703	53,100	**48,282**
12.0	23.4	22.2	16.3	9.9	**18.6**
8.8	8.9	8.2	7.4	7.4	**7.5**
173,311	171,476	191,492	204,995	224,851	**253,024**
25.2	30.4*12	36.9*12	27.3*12	36.4*12	**36.0*12**

*10 Cash and cash equivalents and marketable securities per share = (Cash and equivalents + Marketable securities)/Outstanding shares (excluding treasury shares)
*11 Working capital = Current assets - Current liabilities
*12 Figures are presented on a consolidated basis.

Equity ratio



R&D expenditures/ R&D expenditures as a percentage of net sales

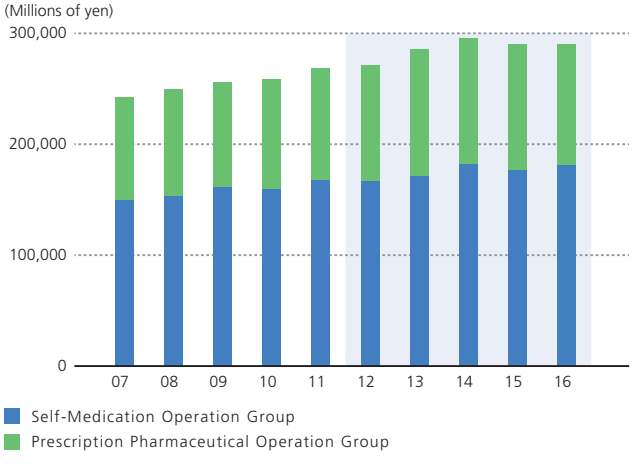


Consolidated Segment Information

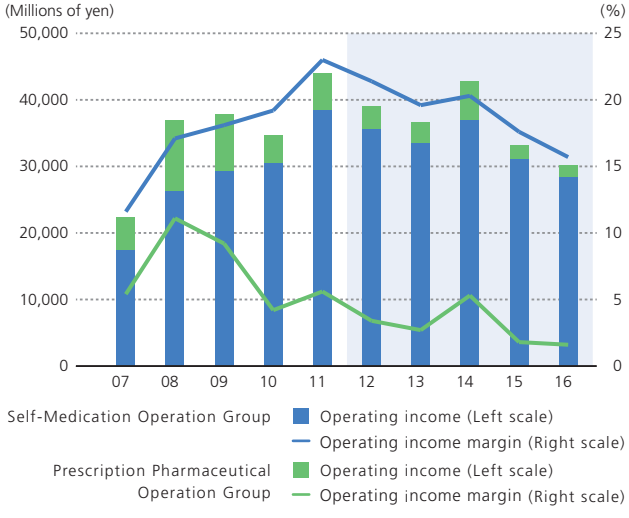
Figures for the fiscal year ended March 31, 2011 and earlier are for Taisho Pharmaceutical.

Fiscal years ended March 31	2007	2008	2009	2010
Net sales				
Companywide	242,071	249,655	256,213	258,441
Self-Medication Operation Group	149,485	152,678	161,141	158,851
Percent of net sales (%)	61.8	61.2	62.9	61.5
Prescription Pharmaceutical Operation Group	92,585	96,977	95,072	99,590
Percent of net sales (%)	38.2	38.8	37.1	38.5
Overseas sales	7,329	11,297	8,184	7,692
Percent of net sales (%)	3.0	4.5	3.2	3.0
Operating income				
Companywide	22,357	36,952	37,935	34,686
Self-Medication Operation Group	17,384	26,170	29,227	30,458
Prescription Pharmaceutical Operation Group	4,973	10,781	8,707	4,227
Operating income margin (%)				
Companywide	9.2	14.8	14.8	13.4
Self-Medication Operation Group	11.6	17.1	18.1	19.2
Prescription Pharmaceutical Operation Group	5.4	11.1	9.2	4.2
Identifiable assets				
Self-Medication Operation Group	198,643	210,212	189,376	215,667
Prescription Pharmaceutical Operation Group	112,869	133,260	151,623	149,874
R&D expenditures				
Companywide	28,519	24,745	27,523	28,118
Self-Medication Operation Group	7,777	6,051	7,222	5,534
Percent of net sales (%)	5.2	4.0	4.5	3.5
Prescription Pharmaceutical Operation Group	20,741	18,693	20,300	22,583
Percent of net sales (%)	22.4	19.3	21.4	22.7
Depreciation and amortization				
Companywide	13,137	12,618	11,014	11,533
Self-Medication Operation Group	9,791	9,045	7,984	8,588
Prescription Pharmaceutical Operation Group	3,345	3,572	3,029	2,944

Net sales



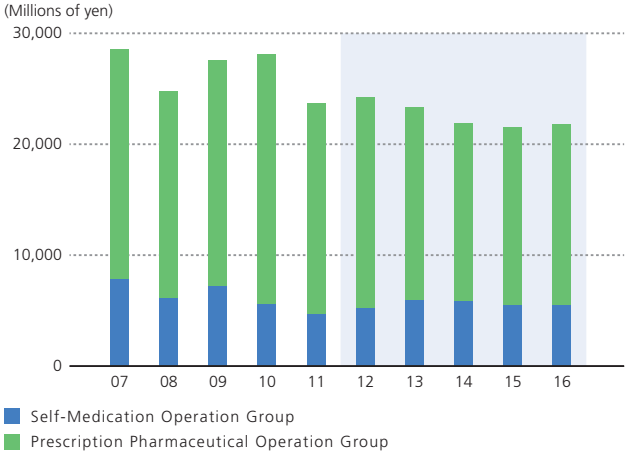
Operating income/Operating income margin



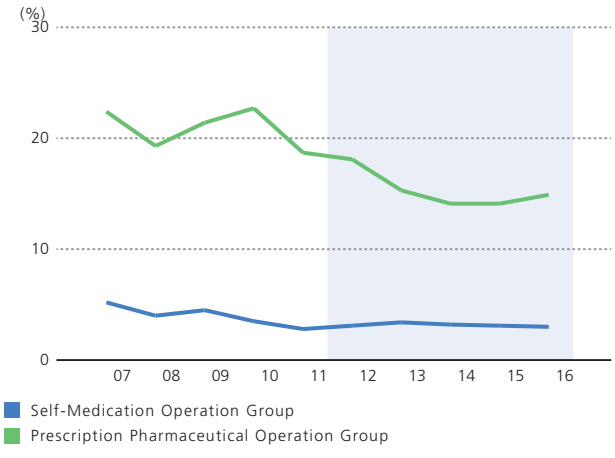
(Millions of yen)

2011	2012	2013	2014	2015	**2016**
268,632	271,230	285,168	295,957	290,498	**290,135**
167,195	166,467	171,271	181,753	176,295	**180,722**
62.2	61.4	60.1	61.4	60.7	**62.3**
101,436	104,763	113,896	114,204	114,202	**109,413**
37.8	38.6	39.9	38.6	39.3	**37.7**
12,166	13,387	17,574	25,393	27,949	**29,901**
4.5	4.9	6.2	8.6	9.6	**10.3**
44,082	38,412	35,337	41,683	31,974	**28,878**
38,385	35,565	33,510	36,865	31,060	**28,393**
5,696	3,557	3,027	6,000	2,078	**1,755**
16.4	14.2	12.4	14.1	11.0	**10.0**
23.0	21.4	19.6	20.3	17.6	**15.7**
5.6	3.4	2.7	5.3	1.8	**1.6**
249,088	234,245	251,016	275,361	287,090	**302,521**
161,222	153,947	156,989	161,332	171,256	**175,302**
23,677	24,231	23,331	21,874	21,554	**21,768**
4,677	5,239	5,908	5,790	5,502	**5,497**
2.8	3.1	3.4	3.2	3.1	**3.0**
19,000	18,992	17,423	16,084	16,051	**16,270**
18.7	18.1	15.3	14.1	14.1	**14.9**
11,725	11,242	10,951	11,042	11,561	**11,117**
8,935	8,701	8,516	9,155	9,740	**9,293**
2,789	2,540	2,435	1,887	1,821	**1,824**

R&D expenditures



Segment R&D expenditures as a percentage of net sales



Major Subsidiaries and Affiliates

(As of July 5, 2016)

Group Business Network

Taisho Pharmaceutical Holdings Co., Ltd. (Holding company)

Self-Medication Operation Group

Japan

- ▶ **Taisho Pharmaceutical Co., Ltd.**
  Research, development, manufacture and sales of OTC drugs, quasi-drugs, foods and other products
- ▶ **Taisho Okinawa Co., Ltd.**
  Sales of Taisho Pharmaceutical products in Okinawa Prefecture
- ▶ **Taisho M.T.C. Co., Ltd.**
  Manufacture and sales of raw materials for medicines and quasi-drugs
- ▶ **Taisho Pharmaceutical Logistics Co., Ltd.**
  Management and operation of transport services for Taisho Pharmaceutical Group
- ▶ **MEJIRO KOSAN Co., Ltd.**
  Leasing, management, possession and operation of real estate, and provision of employee welfare and benefit services, etc.
- ▶ **TAISHO ACTIVE HEALTH Co., Ltd.**
  Supply of health foods, quasi-drugs and skin care products
- ▶ **Biofermin Pharmaceutical Co., Ltd.**
  Research, development, manufacture and sales of OTC drugs and other products
- ▶ **TOKUHON Corporation**
  Research, development, manufacture and sales of OTC drugs and other products
- ◆ **Yomeishu Seizo Co., Ltd.**
  Manufacture and sales of herbal liqueurs and other products

Other 1 Consolidated subsidiaries

Overseas

- ▶ **Taisho Pharmaceutical (Taiwan) Co., Ltd.**
  Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products
- ▶ **Taisho Pharmaceutical California Inc.**
  Manufacture (commissioned) and sales of energy drinks and other products
- ▶ **Taisho Pharmaceuticals (Philippines), Inc.**
  Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products
- ▶ **Taisho Co., Ltd. Shanghai**
  Manufacture and sales of energy drinks and other products
- ▶ **Taisho Vietnam Co., Ltd.**
  Manufacture and sales of energy drinks and other products
- ▶ **Taisho Pharmaceutical (H.K.) Ltd.**
  Sales of energy drinks and other products
- ▶ **Osotspa Taisho Pharmaceutical Co., Ltd.**
  Sales of OTC drugs, energy drinks and other products
- ▶ **PT. Taisho Pharmaceutical Indonesia Tbk**
  Manufacture and sales of OTC drugs and manufacture (commissioned) and sales of energy drinks and other products
- ▶ **Taisho Pharmaceutical Singapore Private Limited**
  Administration of OTC drug business in the ASEAN region and export market from Indonesia
- ▶ **Hoepharma Holdings Sdn. Bhd.**
  Management of a subsidiary that conducts pharmaceutical business, mainly in Malaysia
- ▶ **Compañía Internacional de Comercio, S.A.P.I. de C.V. (CICSA)**
  Manufacture and sales of OTC drugs and other products and sales of energy drinks and other products
- ◆ **Duoc Hau Giang Pharmaceutical JSC**
  Manufacture and sales of pharmaceuticals and dietary supplements

Other 10 Consolidated subsidiary
1 Non-consolidated subsidiary
1 Affiliated company accounted for under the equity method

Prescription Pharmaceutical Operation Group

Japan

- ▶ **Taisho Pharmaceutical Co., Ltd.**
  Research, development, manufacture and sales of prescription pharmaceuticals
- ▶ **Taisho Toyama Pharmaceutical Co., Ltd.**
  Sales of prescription pharmaceuticals
- ▶ **Biofermin Pharmaceutical Co., Ltd.**
  Research, development, manufacture and sales of prescription pharmaceuticals
- ▶ **TOKUHON Corporation**
  Research, development, manufacture and sales of prescription pharmaceuticals
- ◆ **Toyama Chemical Co., Ltd.**
  Research, development, manufacture and sales of prescription pharmaceuticals and other products

Other 1 Consolidated subsidiaries

Overseas

- ▶ **Taisho Pharmaceutical R&D Inc.**
  Development of prescription pharmaceuticals

Note: Taisho Pharmaceutical Co., Ltd., Biofermin Pharmaceutical Co., Ltd. and TOKUHON Corporation are engaged in both the self-medication business and the prescription pharmaceutical business, and so are listed in both businesses.

▶ Consolidated subsidiary
◆ Affiliated company accounted for under the equity method

Major Group Companies	Taisho Pharmaceutical Co., Ltd.	Head Office and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
		Factories and Laboratories	The Omiya Factory/Research Center, The Hanyu Factory, The Okayama 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
		Factories and Laboratories	The Seishin Factory/Research Center
	TOKUHON Corporation	Head Office and Branches	Tokyo Head Office, Osaka, Nagoya
		Factories and Laboratories	The Miyashiro Factory/Research Center

Corporate Data/Investor Information

(As of March 31, 2016)

Company Name	Taisho Pharmaceutical Holdings Co., Ltd.
Date of Foundation	October 3, 2011
Paid-in Capital	¥30,000 million
Number of Employees	6,517 (consolidated, as of March 31, 2016)
Home Page	http://www.taisho-holdings.co.jp/en/

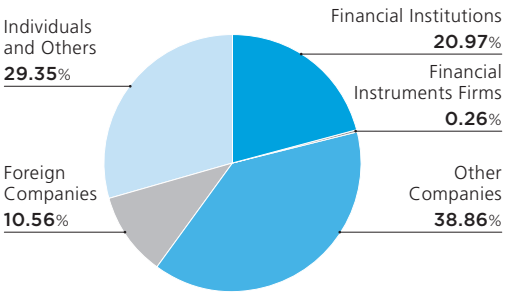
Number of shares authorized	360,000,000 common shares
Number of shares issued	90,139,653 common shares
Stock Trading Unit	100 shares
General Meeting of Shareholders	Held annually in June
Listing	Tokyo Stock Exchange
Ticker Symbol Number	4581
Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Contact Address	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan

Major Shareholders

	Number of Voting Rights (Thousands)	Percentage of Voting Rights (%)
The Uehara Memorial Foundation	12,900	16.13%
Shoji Uehara	9,974	12.47%
Uehara Museum	3,900	4.88%
Sumitomo Mitsui Banking Corporation	3,000	3.75%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3.75%
Akira Uehara	2,143	2.68%
Sumitomo Chemical Company, Limited	2,109	2.64%
Kajima Corporation	1,650	2.06%
Japan Trustee Services Bank, Ltd. (trust account)	1,550	1.94%
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account/Sumitomo Chemical Company, Limited Employee Pension Trust Account)	1,530	1.91%

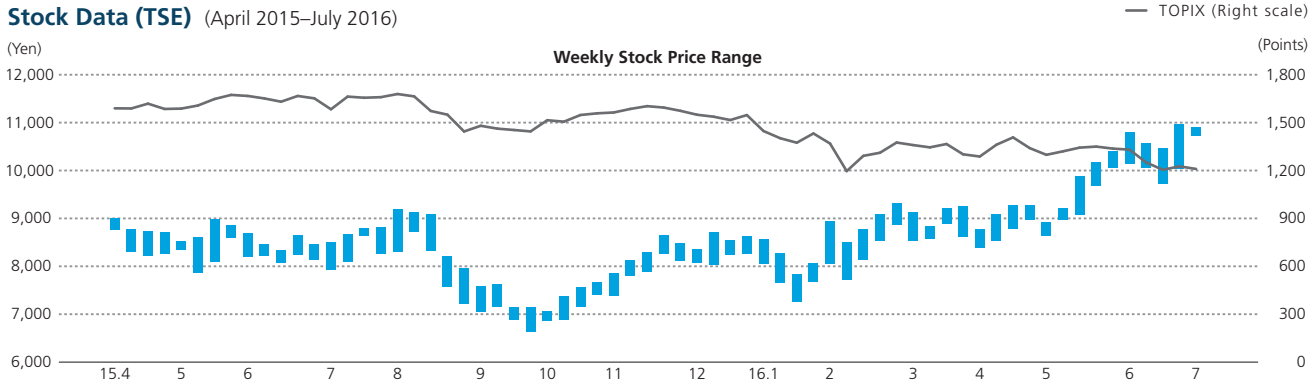
Notes: 1 Number of voting rights (shares) is rounded down to the nearest thousand.
2 Percentage of voting rights is calculated excluding treasury stock of 10,160 thousand shares and rounded to two decimal points.

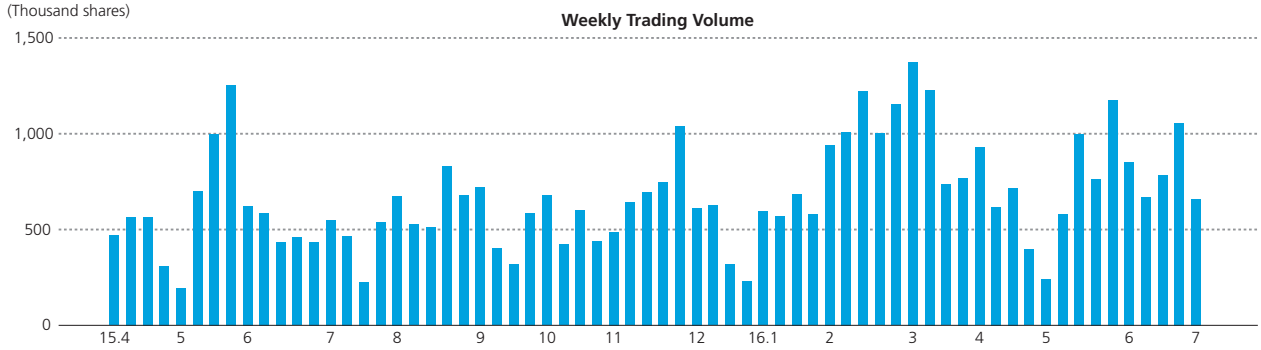
Distribution of Shareholders



Note: Percentage is calculated excluding treasury stock of 10,160 thousand shares and rounded to two decimal points.

Stock Data (TSE) (April 2015–July 2016)





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