Consolidated Financial Statements for the Year Ended March 31, 2016
<under Japanese GAAP>

May 16, 2016

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
Securities Code: 4581 (URL http://www.taisho-holdings.co.jp/en/)
Representative: Akira Uehara, President and Chief Executive Officer
Contact: Takashi Shibata, General Manager of Corporate Communications
TEL: +81-3-3985-2020
Scheduled date for annual shareholders' meeting: June 29, 2016
Scheduled date for filing Securities Report: June 29, 2016
Scheduled date of dividend payments: June 30, 2016
Supplementary material on financial results: Yes
Financial results briefing: Yes

** All amounts in this report are rounded down to the nearest million yen, unless otherwise noted.*

1. Consolidated Financial Results for Fiscal 2015 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	290,135	(0.1)	28,878	(9.7)	36,775	(7.1)	22,473	(8.4)
March 31, 2015	290,498	(1.8)	31,974	(23.3)	39,576	(22.8)	24,528	(25.0)

Note: Comprehensive income Fiscal 2015: ¥9,059 million [(81.1)%] Fiscal 2014: ¥47,845 million [0.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
For the year ended	Yen	Yen	%	%	%
March 31, 2016	277.75	277.59	3.5	4.8	10.0
March 31, 2015	302.57	302.42	4.0	5.3	11.0

Reference: Equity in earnings of entities accounted for using equity method
Fiscal 2015: ¥382 million Fiscal 2014: ¥255 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2016	759,049	643,127	82.9	7,870.04
March 31, 2015	768,092	653,242	83.3	7,892.19

Reference: Equity As of March 31, 2016: ¥628,892 million As of March 31, 2015: ¥639,757 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	43,058	(11,662)	(19,525)	154,268
March 31, 2015	33,714	(18,162)	(9,443)	143,039

2. Cash Dividends

	Annual dividends					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2014	–	50.00	–	60.00	110.00	8,924	36.4	1.4
Fiscal 2015	–	50.00	–	50.00	100.00	8,055	36.0	1.3
Fiscal 2016 (Forecast)	–	50.00	–	60.00	110.00		36.6	

Note: See “(3) Policy for Deciding Dividends of Retained Earnings and Dividends for Fiscal Year Under Review and Next Fiscal Year” of “1. Analysis of Operating Results and Financial Position” on page 5 of the Attached Material for details on dividends for fiscal 2016.

3. Forecast of Consolidated Operating Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	140,000	(4.1)	11,000	(21.0)	14,000	(20.8)	9,000	(20.2)	112.63
Full year	285,000	(1.8)	29,500	2.2	36,500	(0.7)	24,000	6.8	300.37

* Notes

(1) Changes in significant subsidiaries during the period (or changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards: Yes

b. Changes in accounting policies due to other reasons: No

c. Changes in accounting estimates: No

d. Restatement of prior period financial statements after error corrections: No

(Note)

See “(Changes in accounting policies)” of “4. Consolidated Financial Statements” on page 18 for detail.

(3) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2016:	90,139,653 shares
As of March 31, 2015:	90,139,653 shares

b. Number of shares of treasury stock at the end of the period

As of March 31, 2016:	10,230,040 shares
As of March 31, 2015:	9,077,497 shares

c. Average number of shares during the period

For the year ended March 31, 2016:	80,911,558 shares
For the year ended March 31, 2015:	81,068,360 shares

* Indication regarding execution of audit procedures

This financial results report is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, audit procedures for financial statements are in progress.

* Disclaimer regarding appropriate use of forecasts and related points of note

The forecast statements shown in these materials are based on the information available at the time of preparation and certain assumptions that the Company deems rational. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

Attached Material

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(i) Operating results for the fiscal year

During the fiscal year under review, the Japanese economy continued to recover at a moderate pace, despite some signs of weakness, personal consumption was firm overall and the employment environment improved. In the economies of Asia, where the main markets of the Taisho Pharmaceutical Group's overseas businesses are located, the pace of growth slowed in ASEAN countries and economic activity slowed overall.

Looking at the pharmaceuticals industry, in the over-the-counter (OTC) drug market, although sales were lower year on year in certain categories, such as energy drinks and athlete's foot treatments, sales results were firm overall as higher sales were recorded in most categories compared with the previous fiscal year, which was under the effect of the recoil in demand following the rush before the consumption tax hike.

In the ethical drug market, a difficult business environment continued as a result of ongoing challenges in the discovery of new drugs, drug approval processes becoming stricter, and the steady penetration of various government measures designed to curb healthcare costs.

Considering the current environment, the Self-Medication Operation Group is working to respond to consumer needs to age healthily and beautifully by actively developing products for new fields and concepts to address growing interest and changes in health consciousness among consumers. In the area of sales, the Company is increasing coordination between marketing and sales activities, strengthening activities to create demand, and working to enhance direct communication with consumers by expanding new channels such as a mail order system. It also made efforts overseas, mainly in Asia, to proactively develop its OTC drug business and its energy drink business.

While working to strengthen marketing capabilities by focusing on the provision of information, the Prescription Pharmaceutical Operation Group dedicates itself to the enhancement of its development pipeline by pursuing the ongoing discovery of its original substances and the introduction of promising drug candidates from companies in Japan and overseas.

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

**Please take note that all amounts given in billions of yen are rounded off to one decimal place.*

Performance by segment is provided below.

(Billions of yen)

Segment / Category	Amount	Increase (Decrease)	
		Amount	%
Self-Medication Operation Group	180.7	4.4	2.5
Japan	148.1	2.5	1.7
Overseas	29.9	1.9	6.9
Others	2.7	(0.0)	(0.7)
Prescription Pharmaceutical Operation Group	109.4	(4.8)	(4.2)
Ethical drugs	107.2	(4.4)	(3.9)
Intermediate products, etc.	1.4	(0.6)	(30.3)
Royalty income	0.8	0.2	34.0

Sales of major products were as follows:

< Self-Medication Operation Group >

Consolidated net sales for the fiscal year under review increased by ¥4.4 billion, or 2.5% year on year, to ¥180.7 billion.

With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of the mainstay *Lipovitan D* dropped 3.5% from the previous fiscal year, and the *Lipovitan* series overall fell 2.5% to ¥60.5 billion. In the *Pabron* series, the mainstay general cold remedies and nasal inflammation treatments were down compared to the previous fiscal year. The *Pabron* series overall fell 1.5% to ¥24.8 billion as a result. Looking at the *RiUP* series of hair regrowth treatments, sales performed solidly and the *RiUP* series overall rose 10.9% to ¥16.5 billion.

Meanwhile, in the overseas OTC drug business, which is being developed mainly in Asia, sales increased by 4.8% to ¥18.4 billion.

< Prescription Pharmaceutical Operation Group >

Consolidated net sales for the fiscal year under review decreased by ¥4.8 billion, or 4.2% year on year, to ¥109.4 billion.

Beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* increased by 1.4% to ¥27.3 billion, osteoporosis agent *Edirol* rose 15.7% to ¥19.8 billion, and osteoporosis agent *Bonviva* was up 36.5% to ¥4.9 billion. However, macrolide antibiotic *Clarith* fell by 10.9% to ¥12.0 billion, and peripheral vasodilator *Palux* was down 11.9% to ¥6.2 billion compared to the previous fiscal year partly due to the effects of generic drugs. In addition, Type 2 diabetes treatment *Lusefi* fell by 63.0% to ¥0.9 billion.

On the profits front, selling, general and administrative expenses rose due to increases in advertising expenses, research and development expenses and others. As a result, operating income decreased by 9.7% to ¥28,878 million, ordinary income decreased by 7.1% to ¥36,775 million, and profit attributable to owners of parent decreased by 8.4% to ¥22,473 million.

Effective from the fiscal year under review, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), etc. and “net income” is now presented as “profit attributable to owners of parent.”

(ii) Future outlook

– Self-Medication Operation Group sales forecast

For Fiscal 2016, the Company forecasts net sales of ¥185.4 billion for the Self-Medication Operation Group, up 2.6% year on year.

Net sales in Japan are expected to increase by 3.8% to ¥153.8 billion. With respect to mainstay products, the Company projects sales of ¥60.4 billion (down 0.2%) for the *Lipovitan* series and ¥25.5 billion (up 2.9%) for the *Pabron* series. For the *RiUP* series, the Company projects sales of ¥16.9 billion (up 1.9%).

Net sales overseas are expected to decrease by 2.9% to ¥29.0 billion. The Company projects sales of ¥18.5 billion (up 0.6%) for OTC drugs and ¥9.7 billion (down 6.1%) for energy drinks.

– Prescription Pharmaceutical Operation Group sales forecast

The Company forecasts net sales of ¥99.6 billion for the Prescription Pharmaceutical Operation Group, down 9.0% year on year.

Net sales of ethical drugs are expected to decrease by 10.4% to ¥96.1 billion. The main products for which the Company forecasts sales growth are *Edirol,* for which sales are expected to be ¥22.4 billion (up 12.9%), *Bonviva*, a new oral medicine launched in April 2016, for which sales are expected to be ¥6.6 billion (up 34.0%), and *Lusefi,* for which sales are expected to be ¥2.6 billion (up 194.5%). Meanwhile, the main products for which the Company projects sales decreases are *ZOSYN,* for which sales are expected to be ¥15.4 billion (down 43.6%), *Clarith,* for which sales are expected to be ¥9.8 billion (down 18.3%), and *Palux,* for which sales are expected to be ¥5.1 billion (down 17.8%).

For intermediate products, etc., the Company forecasts net sales of ¥1.9 billion (up 35.2%).

– Consolidated earnings forecast

On the profits front, the Company has factored into its forecasts various cost increases for the purpose of improving future profitability. Specifically, in the Self-Medication Operation Group the Company expects continuous increases in costs including advertising expenses to strengthen and develop brands in the medium term, while in the Prescription Pharmaceutical Operation Group the Company expects increases in research and development expenses. However, the Company expects operating income to increase as shown below.

(Billions of yen)

	Fiscal 2016 (full year)	Changes (%)
Net sales	285.0	(1.8)
Operating income	29.5	2.2
Ordinary income	36.5	(0.7)
Profit attributable to owners of parent	24.0	6.8

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets as of March 31, 2016, stood at ¥759.0 billion, down ¥9.0 billion from the previous fiscal year-end. Although marketable securities increased by ¥24.3 billion, investment securities decreased by ¥27.4 billion and net defined benefit assets decreased by ¥6.4 billion.

Liabilities amounted to ¥115.9 billion, an increase of ¥1.1 billion from the previous fiscal year-end. Although deferred tax liabilities decreased by ¥3.2 billion, accrued income taxes increased by ¥2.5 billion and accounts payable increased by ¥2.0 billion.

Net assets amounted to ¥643.1 billion, a decrease of ¥10.1 billion from the previous fiscal year-end. The main factors of increase was ¥22.5 billion in profit attributable to owners of parent, while the main factor of decrease were purchase of treasury stock of ¥10.1 billion, dividends of surplus of ¥8.9 billion, and a decrease of ¥5.2 billion in foreign currency translation adjustment.

(ii) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) stood at ¥154.3 billion as of March 31, 2016, representing an increase of ¥11.2 billion from the previous fiscal year-end.

Cash flows during the fiscal year under review and their causes are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥43.1 billion, a year-on-year increase of ¥9.3 billion mainly attributable to profit before income taxes of ¥35.8 billion.

(Cash flows from investing activities)

Net cash used in investing activities was ¥11.7 billion, a year-on-year decrease of ¥6.5 billion mainly attributable to payments for purchase of investment securities of ¥11.1 billion.

(Cash flows from financing activities)

Net cash used in financing activities was ¥19.5 billion, a year-on-year increase of ¥10.1 billion mainly attributable to payments for purchase of treasury stock of ¥10.1 billion.

(Reference) Indicators related to cash flows

	Year ended March 2015	Year ended March 2016
Equity ratio (%)	83.3	82.9
Equity ratio on a fair value basis (%)	94.4	93.9
Interest-bearing debt to cash flow ratio (%)	1.9	0.9
Interest coverage ratio (times)	11,959.7	19,256.7

(Notes)
Equity ratio = Equity / Total assets
Equity ratio on a fair value basis = Market capitalization / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Cash flow
Interest coverage ratio = Cash flow / Interest paid

* The above indicators are calculated based on consolidated financial figures.
* Market capitalization is calculated using the closing stock price at the end of the fiscal year multiplied by the number of issued shares at the end of the fiscal year (excluding treasury stock).
* Cash flow represents net cash provided by operating activities.
* Interest-bearing debt represents all liabilities posted on the consolidated balance sheets subject to interest payments. Interest paid is the amount of interest paid as shown on the consolidated statements of cash flows.

(3) Policy for Deciding Dividends of Retained Earnings and Dividends for Fiscal Year Under Review and Next Fiscal Year

Regarding the basic policy for deciding dividends of retained earnings, the Company works to increase its retained earnings to maintain stable dividends over the long term at a high level while strengthening the Company. In line with the Company's policy to strengthen the competitiveness and expand and develop businesses, these retained earnings will be appropriated for investments that include R&D, capital investment, licensing-in of products, equity-based business alliances and new business development. Furthermore, the Company plans to acquire treasury stock in a flexible manner with the aims of improving capital efficiency and achieving a dynamic financial policy, while comprehensively assessing fund requirements.

The Company's dividend policy has been set to roughly correspond to the consolidated operating results for each business term. The goal has been a dividend payout ratio of 30% of profit attributable to owners of parent excluding extraordinary gains and losses. The Company intends to maintain its annual dividend at the minimum of ¥100 per share even if it is apparent that the dividend payout ratio will exceed 30%, unless there are exceptional circumstances.

For the fiscal year under review, as announced, the Company plans to pay a dividend of ¥100 per share (an interim dividend of ¥50 and a year-end dividend of ¥50).

For the next fiscal year, the Company plans to pay a dividend of ¥110 per share (an interim dividend of ¥50 and a year-end dividend of ¥60).

(4) Business and Other Risks

The Group faces a number of risks as part of its business activities. Listed below are the main risks that could have a material impact on investment decisions.

(i) 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 Company's products could fail to conform to regulations at one of these stages, or that a previously granted approval could be revoked. Depending on trends in healthcare policy, health insurance systems and other changes, the Company may also face the risk of a decline in pharmaceutical prices, among other risks.

(ii) Risks related to pharmaceutical quality, side effects and other issues
The Company does its utmost to guarantee the reliability and quality of its products. Nevertheless, unanticipated side effects, accidents and other factors could force the Company to recall or halt the sales of the products affected or incur claims for damages.

(iii) Risks related to pharmaceutical development and commercialization
The development of pharmaceuticals is a lengthy process and requires a substantial amount of capital investment. There is uncertainty concerning the possibility of successfully launching products and businesses.

(iv) Risks related to the proper protection of intellectual property rights

If the Group cannot properly protect 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.

(v) 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 over-the-counter drugs produced following the expiration of patents.

(vi) 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.

(vii) 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 Company's operating results.

(viii) Other risks

Sudden occurrence of natural disasters such as earthquakes and tsunami, deterioration in sociopolitical stability overseas, and other events could cause the Group suffer damage, such as the destruction of overseas business sites or business infrastructures, 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 above-described risks do not constitute all the risks inherent in the Group's business activities.

2. Management Policies

(1) The Company's Basic Management Philosophy

The Group's company mission is to contribute to the society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty. In line with this mission, the Group is building a stronger business foundation so that it can steadily grow and develop even in the face of international competition.

(2) Medium- and Long-Term Management Strategies

The Group is working to expand its Self-Medication Operation Group, which handles OTC drugs and health-related products, and its Prescription Pharmaceutical Operation Group, which handles ethical drugs and related businesses, and to expand its business operations.
The Group aims to maximize corporate value by generating synergies between these two operation groups, while facilitating their growth in a well-balanced manner.

(3) Issues to be Addressed

The Group expects the operating environment in the pharmaceuticals industry to become more challenging owing mainly to further progress of population aging, the intensification of competition and changes in market structure. In this market environment, the Group will work to further strengthen business performance by reinforcing its business base and increasing management efficiency.

In the Self-Medication Operation Group (which handles OTC drugs and health-related products), the Company will work actively to develop products for new fields and concepts to address growing interest and changes in health consciousness among consumers.

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

In the operating environment of the Prescription Pharmaceutical Operation Group (which handles ethical drugs and related businesses), regulations for new drug creation have become tougher and the curbing of healthcare costs has continued. In response, the Company will focus still more on R&D for highly original new branded drugs and work to enhance its pipeline by actively promoting the introduction of promising new drug candidates and collaborative development by strengthening alliances with both domestic and overseas companies.

Furthermore, through the accurate provision of detailed information to customers, our consolidated subsidiary, Taisho Toyama Pharmaceutical Co., Ltd., is working to maximize sales of new drugs including Type 2 diabetes treatment *Lusefi*, which was launched in Fiscal 2014 and transdermal anti-inflammatory analgesic patch formulation *LOQOA*, which was launched in Fiscal 2015.

The following is an outline of new drug development progress.

Approval for the manufacturing and sale of TT-063 (product name: *LOQOA*), a transdermal anti-inflammatory analgesic patch formulation for the treatment of osteoarthritis pain and inflammation, was obtained in September 2015 and the drug was launched in January 2016. In addition, in January 2016, Chugai Pharmaceutical Co., Ltd., which is engaged in joint development with Taisho Pharmaceutical Co., Ltd., obtained approval for the manufacturing and sale of CT-064 (Oral agent) (product name: *Bonviva Tablet*) for osteoporosis treatment. In June 2015, Taisho Pharmaceutical Co., Ltd. entered into a license agreement with Ablynx nv for the development and commercialization of anti-TNFα Nanobody TS-152 as a planned indication for the treatment of rheumatoid arthritis.
As a result, our pipeline is now as follows.
At the approval stage: CT-064 (Oral agent) (product name: *Bonviva Tablet*)
At the Phase II clinical trial stage: TS-091 as a planned indication for the treatment of central disorders of hypersomnolence and anti-TNFα Nanobody TS-152 as a planned indication for the treatment of rheumatoid arthritis.

Outside Japan, since the full-scale entry into the OTC drug business in Asia in Fiscal 2009, the Group has been working to expand its OTC drug business mainly in Southeast Asian countries such as Indonesia, the Philippines, Thailand, and Malaysia. The Group is also working to enhance the profitability of the energy drink business. Looking ahead, the Group will make further efforts to strengthen its business foundation, including strengthening its response to pharmaceutical administration and regulations and its product development, and making full use of locally recruited staff in various countries. The Group will also work to create synergy with the brands it has acquired, and continue striving to further expand its business in Southeast Asia and other regions with high growth potential.

The operating environment in the pharmaceuticals industry becomes increasingly challenging. In order to respond more promptly to changes in the environment, the Group intends to strengthen its management framework further and enhance its collective strengths.

3. Basic rationale for selecting the accounting standard

The Group adopts the generally accepted accounting standards in Japan (Japanese GAAP). This is because, as a result of undergoing convergence with international accounting standards, the Japanese GAAP is high quality, compares favorably internationally, and it is evaluated by the relevant authorities in Europe as being equivalent to IFRS.

The Group is preparing for the adoption of IFRS in the future. While taking into consideration the trend of foreign shareholder ratio and the trend of other Japanese companies in the same industry adopting IFRS, the Group is taking various measures such as acquiring knowledge of IFRS, performing gap analysis with Japanese GAAP, and investigating the impact of introducing the IFRS. However, the Group remains undecided on a timeframe for the adoption of the IFRS.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
ASSETS		
Current assets		
Cash and deposits	159,587	172,142
Notes and accounts receivable–trade	80,321	75,243
Marketable securities	10,038	34,316
Merchandise and finished goods	16,925	16,425
Work in process	1,956	2,042
Raw materials and supplies	8,427	8,171
Deferred tax assets	6,337	6,128
Other	5,663	5,287
Allowance for doubtful accounts	(175)	(86)
Total current assets	289,081	319,670
Fixed assets		
Tangible fixed assets		
Buildings and structures	145,256	145,462
Accumulated depreciation and impairment loss	(96,146)	(99,482)
Buildings and structures, net	49,109	45,979
Machinery, equipment and vehicles	87,758	87,862
Accumulated depreciation and impairment loss	(79,065)	(80,650)
Machinery, equipment and vehicles, net	8,692	7,211
Land	37,500	37,473
Construction in progress	693	4,627
Other	33,743	32,965
Accumulated depreciation and impairment loss	(29,372)	(29,307)
Other, net	4,370	3,657
Total tangible fixed assets	100,366	98,950
Intangible fixed assets		
Goodwill	22,093	19,046
Sales rights	5,932	4,675
Trademarks	14,977	12,175
Software	1,652	2,419
Other	589	547
Total intangible fixed assets	45,244	38,863
Investments and other assets		
Investment securities	264,642	237,213
Shares of subsidiaries and affiliates	54,684	54,590
Long-term prepaid expenses	738	646
Net defined benefit assets	7,003	568
Deferred tax assets	5,615	7,869
Other	922	929
Allowance for doubtful accounts	(206)	(253)
Total investments and other assets	333,399	301,565
Total fixed assets	479,010	439,379
Total assets	768,092	759,049

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	29,133	27,082
Accounts payable	14,769	16,753
Accrued income taxes	3,254	5,746
Accrued expenses	10,647	10,820
Provision for sales returns	526	711
Provision for bonuses	3,947	3,855
Other	1,951	1,675
Total current liabilities	64,230	66,646
Long-term liabilities		
Provision for directors’ retirement payments	1,432	1,197
Net defined benefit liabilities	22,385	23,713
Deferred tax liabilities	19,536	16,333
Other	7,265	8,031
Total long-term liabilities	50,619	49,275
Total liabilities	114,849	115,922
NET ASSETS		
Shareholders’ equity		
Common stock	30,000	30,000
Capital surplus	15,269	15,271
Retained earnings	609,706	623,255
Treasury stock	(57,643)	(67,664)
Total shareholders’ equity	597,332	600,862
Accumulated other comprehensive income		
Valuation difference on securities	40,054	35,736
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	5,744	507
Remeasurements of defined benefit plans	(3,373)	(8,213)
Total accumulated other comprehensive income	42,424	28,029
Subscription rights to shares	298	357
Non-controlling interests	13,186	13,878
Total net assets	653,242	643,127
Total liabilities and net assets	768,092	759,049

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Net sales	290,498	290,135
Cost of sales	112,240	113,143
Gross profit on sales	178,258	176,991
Reversal of provision for sales returns	518	518
Provision for sales returns	527	697
Gross profit	178,248	176,813
Selling, general & administrative expenses	146,273	147,935
Operating income	31,974	28,878
Non-operating income		
Interest income	5,373	5,392
Dividend income	1,317	1,439
Equity in earnings of entities accounted for using equity method	255	382
Other	841	854
Total non-operating income	7,788	8,068
Non-operating expenses		
Interest expenses	2	2
Commission fee	92	106
Other	91	62
Total non-operating expenses	186	170
Ordinary income	39,576	36,775
Extraordinary income		
Gain on sales of fixed assets	1,035	19
Total extraordinary income	1,035	19
Extraordinary losses		
Loss on disposal of fixed assets	396	134
Loss on liquidation of subsidiaries	52	–
Impairment loss	–	850
Total extraordinary losses	448	985
Profit before income taxes	40,162	35,809
Income taxes–current	12,075	11,828
Income taxes–deferred	2,027	99
Total income taxes	14,102	11,927
Profit	26,060	23,882
Profit attributable to non-controlling interests	1,531	1,408
Profit attributable to owners of parent	24,528	22,473

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit	26,060	23,882
Other comprehensive income		
Valuation difference on securities	16,821	(4,150)
Foreign currency translation adjustment	4,944	(5,326)
Remeasurements of defined benefit plans	(775)	(4,999)
Share of other comprehensive income of entities accounted for using equity method	794	(345)
Total other comprehensive income	21,785	(14,822)
Comprehensive income	47,845	9,059
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	46,168	8,078
Comprehensive income attributable to non-controlling interests	1,676	981

(3) Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2015 (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	30,000	15,269	591,575	(57,548)	579,296
Cumulative effects of changes in accounting policies			1,733		1,733
Restated balance	30,000	15,269	593,309	(57,548)	581,030
Changes during the period					
Purchase of treasury stock				(97)	(97)
Disposal of treasury stock		0		3	3
Change of scope of consolidation			794		794
Dividends of surplus			(8,925)		(8,925)
Profit attributable to owners of parent			24,528		24,528
Changes in other than shareholders' equity during the period, net					
Total changes during the period	–	0	16,397	(94)	16,302
Balance at the end of the current period	30,000	15,269	609,706	(57,643)	597,332

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	22,639	–	896	(2,750)	20,785	180	11,670	611,933
Cumulative effects of changes in accounting policies								1,733
Restated balance	22,639	–	896	(2,750)	20,785	180	11,670	613,666
Changes during the period								
Purchase of treasury stock								(97)
Disposal of treasury stock								3
Change of scope of consolidation								794
Dividends of surplus								(8,925)
Profit attributable to owners of parent								24,528
Changes in other than shareholders' equity during the period, net	17,415	(0)	4,848	(623)	21,639	118	1,515	23,273
Total changes during the period	17,415	(0)	4,848	(623)	21,639	118	1,515	39,576
Balance at the end of the current period	40,054	(0)	5,744	(3,373)	42,424	298	13,186	653,242

For the year ended March 31, 2016 (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	30,000	15,269	609,706	(57,643)	597,332
Changes during the period					
Purchase of treasury stock				(10,097)	(10,097)
Disposal of treasury stock		2		74	76
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(0)			(0)
Dividends of surplus			(8,924)		(8,924)
Profit attributable to owners of parent			22,473		22,473
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method				2	2
Changes in other than shareholders' equity during the period, net					
Total changes during the period	–	1	13,548	(10,020)	3,529
Balance at the end of the current period	30,000	15,271	623,255	(67,664)	600,862

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	40,054	(0)	5,744	(3,373)	42,424	298	13,186	653,242
Changes during the period								
Purchase of treasury stock								(10,097)
Disposal of treasury stock								76
Change in treasury stock of parent arising from transactions with non-controlling shareholders								(0)
Dividends of surplus								(8,924)
Profit attributable to owners of parent								22,473
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method								2
Changes in other than shareholders' equity during the period, net	(4,318)	0	(5,237)	(4,839)	(14,395)	58	692	(13,644)
Total changes during the period	(4,318)	0	(5,237)	(4,839)	(14,395)	58	692	(10,115)
Balance at the end of the current period	35,736	(0)	507	(8,213)	28,029	357	13,878	643,127

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	40,162	35,809
Depreciation and amortization	11,561	11,117
Amortization of goodwill	1,377	1,356
Loss (gain) on sales of fixed assets	(1,035)	(19)
Loss (gain) on disposal of fixed assets	396	134
Loss (gain) on liquidation of subsidiaries	52	–
Impairment loss	–	850
Interest and dividend income	(6,691)	(6,831)
Interest expenses	2	2
Equity in losses (earnings) of entities accounted for using equity method	(255)	(382)
Increase (decrease) in allowance for doubtful accounts	(288)	(23)
Increase (decrease) in net defined benefit liabilities	2,786	1,357
Decrease (increase) in net defined benefit assets	(4,417)	6,434
Increase (decrease) in provision for directors' retirement benefits	(207)	(165)
Increase (decrease) in provision for bonuses	(692)	(77)
Decrease (increase) in notes and accounts receivable–trade	(931)	4,250
Decrease (increase) in inventories	(5)	465
Increase (decrease) in notes and accounts payable–trade	857	(1,765)
Increase (decrease) in long-term accounts payable–other	1	(149)
Other	625	(7,045)
Subtotal	43,299	45,317
Interest and dividend income received	6,842	6,923
Interest paid	(2)	(2)
Income taxes paid	(20,382)	(9,285)
Income taxes refund	3,958	104
Net cash provided by operating activities	33,714	43,058

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits	(2,941)	(2,165)
Proceeds from sales/redemption of marketable securities	14,000	10,000
Payments for purchase of tangible fixed assets	(5,264)	(6,923)
Proceeds from sales of tangible fixed assets	1,329	33
Payments for purchase of intangible fixed assets	(500)	(1,291)
Proceeds from sales of intangible fixed assets	0	0
Payments for purchase of investment securities	(24,500)	(11,147)
Proceeds from sales/redemption of investment securities	0	–
Proceeds from sales of shares of subsidiaries and affiliates	1	–
Payments for purchase of long-term prepaid expenses	(309)	(295)
Other	22	126
Net cash used in investing activities	(18,162)	(11,662)
Cash flows from financing activities		
Increase in short-term loans payable	170	180
Decrease in short-term loans payable	(225)	(305)
Repayments of finance lease obligations	(106)	(111)
Payments for purchase of treasury stock	(97)	(10,097)
Cash dividends paid	(8,900)	(8,903)
Dividends paid to non-controlling interests	(284)	(288)
Net cash used in financing activities	(9,443)	(19,525)
Effect of exchange rate changes on cash and cash equivalents	1,031	(640)
Net increase (decrease) in cash and cash equivalents	7,139	11,229
Cash and cash equivalents at the beginning of period	136,134	143,039
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(235)	–
Cash and cash equivalents at the end of period	143,039	154,268

(Reference)

(Changes in accounting policies)

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

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “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 impact from this application on the consolidated financial statements is immaterial.