Consolidated Financial Statements for the Year Ended March 31, 2017
<under Japanese GAAP>

May 15, 2017

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
Securities Code: 4581 (URL http://www.taisho-holdings.co.jp/en/)
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Scheduled date for annual shareholders' meeting: June 29, 2017
Scheduled date for filing Securities Report: June 29, 2017
Scheduled date of dividend payments: June 30, 2017
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 2016 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	279,773	(3.6)	31,966	10.7	38,036	3.4	28,781	28.1
March 31, 2016	290,135	(0.1)	28,878	(9.7)	36,775	(7.1)	22,473	(8.4)

Note: Comprehensive income Fiscal 2016: ¥30,184 million [233.2%] Fiscal 2015: ¥9,059 million [(81.1)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
For the year ended	Yen	Yen	%	%	%
March 31, 2017	360.18	359.92	4.5	5.0	11.4
March 31, 2016	277.75	277.59	3.5	4.8	10.0

Reference: Equity in earnings of entities accounted for using equity method
Fiscal 2016: ¥(601) million Fiscal 2015: ¥382 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, 2017	771,222	665,088	84.2	8,127.87
March 31, 2016	759,049	643,127	82.9	7,870.04

Reference: Equity As of March 31, 2017: ¥649,459 million As of March 31, 2016: ¥628,892 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, 2017	40,066	(1,361)	(8,404)	184,221
March 31, 2016	43,058	(11,662)	(19,525)	154,268

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 2015	–	50.00	–	50.00	100.00	8,055	36.0	1.3
Fiscal 2016	–	50.00	–	60.00	110.00	8,797	30.5	1.4
Fiscal 2017 (Forecast)	–	50.00	–	60.00	110.00		36.6	

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

3. Forecast of Consolidated Operating Results for Fiscal 2017 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	137,500	(2.5)	11,500	(31.0)	14,500	(24.2)	10,500	(22.2)	131.41
Full year	279,000	(0.3)	28,500	(10.8)	34,500	(9.3)	24,000	(16.6)	300.38

* 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, 2017:	90,139,653 shares
As of March 31, 2016:	90,139,653 shares

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

As of March 31, 2017:	10,234,456 shares
As of March 31, 2016:	10,230,040 shares

c. Average number of shares during the period

For the year ended March 31, 2017:	79,908,664 shares
For the year ended March 31, 2016:	80,911,558 shares

* Financial results reports are not required to be audited.

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

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

Attached Material

Index

1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

During the fiscal year under review, the Japanese economy continued to recover at a moderate pace overall. Despite signs of a sluggish recovery in some areas, such as weak consumer spending on the whole, corporate earnings, the employment environment and other areas improved. In the economies of Asia, where the main markets of the Taisho Pharmaceutical Group's overseas businesses are located, the pace of growth accelerated in some ASEAN countries and regions, but growth overall was flat year on year, mainly reflecting a slowdown in China.

In the pharmaceuticals industry, the over-the-counter (OTC) drug market was largely steady year on year. Although sales were strong in some categories, such as anti-inflammatory analgesics and nasal inflammation treatments, the boost from inbound demand tailed off.

The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to ongoing challenges in the discovery of new drugs, the steady penetration of various government measures designed to curb healthcare costs, and the impact of NHI drug price revision in April 2016.

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 establish brands that attract consumers as well as to create demand, and working to enhance direct communication with consumers by expanding new channels such as a mail order system. In overseas markets, we are actively developing our OTC drug business, mainly in Asia.

While working to maximize sales of new drugs by carefully targeting the provision of information, the Prescription Pharmaceutical Operation Group is targeting the ongoing discovery of its original substances and the early approval of compounds at the development stage. In addition, the aforementioned group is working to enhance its R&D pipeline by actively introducing promising drug candidates from companies in Japan and overseas.

Consolidated net sales for the year ended March 31, 2017, decreased by ¥10,362 million, or 3.6% year on year, to ¥279,773 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	180.0	(0.7)	(0.4)
Japan	149.7	1.6	1.1
Overseas	27.5	(2.4)	(7.9)
Others	2.8	0.0	1.1
Prescription Pharmaceutical Operation Group	99.8	(9.6)	(8.8)
Ethical drugs	96.1	(11.1)	(10.3)
Others	3.7	1.5	66.3

Sales of major products were as follows:

< Self-Medication Operation Group >
Consolidated net sales for the fiscal year under review decreased by ¥0.7 billion, or 0.4% year on year, to ¥180.0 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 3.3% to ¥58.5 billion. In the *Pabron* series, the mainstay general cold remedies and nasal inflammation treatments were up compared to the previous fiscal year. The *Pabron* series overall rose 6.1% to ¥26.3 billion as a result. Looking at the *RiUP* series of hair regrowth treatments, the *RiUP* series overall fell 2.9% to ¥16.1 billion.
Meanwhile, the overseas OTC drug business, which is being developed mainly in Asia, moved along as projected on a local currency basis. However, sales decreased by 6.7% to ¥17.2 billion as a result of the foreign exchange impact.

< Prescription Pharmaceutical Operation Group >
Consolidated net sales for the fiscal year under review decreased by ¥9.6 billion, or 8.8% year on year, to ¥99.8 billion.
Osteoporosis agent *Edirol* rose 13.9% to ¥22.6 billion, and osteoporosis agent *Bonviva* was up 19.9% to ¥5.9 billion. However, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 43.2% to ¥15.5 billion, macrolide antibiotic *Clarith* fell by 22.3% to ¥9.3 billion, and peripheral vasodilator *Palux* was down 13.7% to ¥5.4 billion compared to the previous fiscal year partly due to the effects of NHI drug price revision and generic drugs. In addition, Type 2 diabetes treatment *Lusefi* rose by 225.2% to ¥2.9 billion, and *LOQOA*, a transdermal anti-inflammatory analgesic patch formulation which was launched in January 2016, was ¥1.8 billion.

On the profits front, selling, general and administrative expenses fell due to decreases in sales promotion expenses and other expenses. As a result, operating profit increased by 10.7% to ¥31,966 million, ordinary profit increased by 3.4% to ¥38,036 million, and profit attributable to owners of parent increased by 28.1% to ¥28,781 million.

(2) Overview of Financial Position for the Fiscal Year

Total assets as of March 31, 2017, stood at ¥771.2 billion, up ¥12.2 billion from the previous fiscal year-end. Although marketable securities decreased by ¥34.3 billion, cash and deposits increased by ¥29.1 billion and investment securities increased by ¥15.2 billion.

Liabilities amounted to ¥106.1 billion, a decrease of ¥9.8 billion from the previous fiscal year-end. Notes and accounts payable–trade decreased by ¥3.8 billion and accounts payable decreased by ¥3.7 billion.

Net assets amounted to ¥665.1 billion, an increase of ¥22.0 billion from the previous fiscal year-end. The main factor of increase was ¥28.8 billion in profit attributable to owners of parent, while the main factors of decrease were dividends of surplus of ¥8.0 billion and a decrease of ¥2.7 billion in foreign currency translation adjustment.

(3) Overview of Cash flows for the Fiscal Year

Cash and cash equivalents (hereinafter, “net cash”) stood at ¥184.2 billion as of March 31, 2017, representing an increase of ¥30.0 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 ¥40.1 billion, a year-on-year decrease of ¥3.0 billion mainly attributable to profit before income taxes of ¥42.0 billion.

(Cash flows from investing activities)
Net cash used in investing activities was ¥1.4 billion, a year-on-year decrease of ¥10.3 billion mainly attributable to proceeds from sales/redemption of marketable securities of ¥34.2 billion, while payments for purchase of investment securities of ¥20.8 billion, payments for purchase of shares of subsidiaries and affiliates of ¥12.3 billion, and payments for purchase of intangible fixed assets of ¥1.5 billion.

(Cash flows from financing activities)
Net cash used in financing activities was ¥8.4 billion, a year-on-year decrease of ¥11.1 billion mainly attributable to cash dividends paid of ¥8.0 billion.

(Reference) Indicators related to cash flows

	Year ended March 2016	Year ended March 2017
Equity ratio (%)	82.9	84.2
Equity ratio on a fair value basis (%)	93.9	93.7
Interest-bearing debt to cash flow ratio (%)	0.9	0.9
Interest coverage ratio (times)	19,256.7	32,156.4

(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.

(4) Future Outlook

– Self-Medication Operation Group sales forecast

For Fiscal 2017, the Company forecasts net sales of ¥181.3 billion for the Self-Medication Operation Group, up 0.7% year on year.

Net sales in Japan are expected to decrease by 0.3% to ¥149.3 billion. With respect to mainstay products, the Company projects sales of ¥56.8 billion (down 2.9%) for the *Lipovitan* series and ¥26.9 billion (up 2.2%) for the *Pabron* series. For the *RiUP* series, the Company projects sales of ¥15.9 billion (down 1.0%).

Net sales overseas are expected to increase by 7.2% to ¥29.5 billion. The Company projects sales of ¥18.3 billion (up 6.6%) for OTC drugs and ¥9.9 billion (up 5.6%) for energy drinks.

– Prescription Pharmaceutical Operation Group sales forecast

The Company forecasts net sales of ¥97.7 billion for the Prescription Pharmaceutical Operation Group, down 2.1% year on year.

Net sales of ethical drugs are expected to decrease by 1.1% to ¥95.1 billion. The main products for which the Company forecasts sales growth are *Edirol,* for which sales are expected to be ¥25.0 billion (up 10.6%), *Bonviva*, for which sales are expected to be ¥7.1 billion (up 20.1%), *Lusefi*, for which sales are expected to be ¥4.8 billion (up 67.1%), and *LOQOA*, for which sales are expected to be ¥3.6 billion (up 98.5%). Meanwhile, the main products for which the Company projects sales decreases are *ZOSYN*, for which sales are expected to be ¥9.5 billion (down 38.8%), *Clarith*, for which sales are expected to be ¥8.5 billion (down 8.8%), and *Palux*, for which sales are expected to be ¥4.8 billion (down 10.4%).

– 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 and sales promotion 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. As a result, the Company expects operating profit to decrease as shown below.

(Billions of yen)

	Fiscal 2017 (full year)	Changes (%)
Net sales	279.0	(0.3)
Operating profit	28.5	(10.8)
Ordinary profit	34.5	(9.3)
Profit attributable to owners of parent	24.0	(16.6)

(5) 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 ¥110 per share (an interim dividend of ¥50 and a year-end dividend of ¥60).

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).

(6) 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

The Group conducts operations in many countries and regions. As such, the Group's operating results are exposed to fluctuations in foreign exchange rates.

(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 develop products for new fields to address growing health consciousness among consumers, step up product development to satisfy the needs of consumers, and strive to create new demand.

In the area of sales, to establish brands that attract consumers, the Company will strive to further increase the brand value it has built over many years, including the *Lipovitan* series, *Pabron* series, and *RiUP* series, and work to nurture new brands by carrying out activities that aim to expand communication with consumers and that resonate with them.

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*, and transdermal anti-inflammatory analgesic patch formulation *LOQOA*, which was launched in Fiscal 2015.

The following is an outline of new drug development progress.

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*), a bisphosphonate osteoporosis agent, and the drug was launched in April 2016.
As a result, our pipeline is now as follows.
At the Phase II clinical trial stage: TS-091 as a planned indication for the treatment of central disorders of hypersomnolence, anti-TNFα Nanobody TS-152 as a planned indication for the treatment of rheumatoid arthritis, TS-141 as a planned indication for the treatment of childhood Attention-Deficit/Hyperactivity Disorder, and TS-133 as a planned indication for the treatment of alopecia.

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, 2016	As of March 31, 2017
ASSETS		
Current assets		
Cash and deposits	172,142	201,275
Notes and accounts receivable–trade	75,243	69,535
Marketable securities	34,316	–
Merchandise and finished goods	16,425	17,196
Work in process	2,042	2,064
Raw materials and supplies	8,171	8,239
Deferred tax assets	6,128	5,819
Other	5,287	4,899
Allowance for doubtful accounts	(86)	(85)
Total current assets	319,670	308,946
Fixed assets		
Tangible fixed assets		
Buildings and structures	145,462	152,311
Accumulated depreciation and impairment loss	(99,482)	(102,354)
Buildings and structures, net	45,979	49,957
Machinery, equipment and vehicles	87,862	88,471
Accumulated depreciation and impairment loss	(80,650)	(82,099)
Machinery, equipment and vehicles, net	7,211	6,372
Land	37,473	37,457
Construction in progress	4,627	177
Other	32,965	32,465
Accumulated depreciation and impairment loss	(29,307)	(29,146)
Other, net	3,657	3,318
Total tangible fixed assets	98,950	97,282
Intangible fixed assets		
Goodwill	19,046	16,768
Sales rights	4,675	4,068
Trademarks	12,175	9,966
Software	2,419	3,046
Other	547	523
Total intangible fixed assets	38,863	34,372
Investments and other assets		
Investment securities	237,213	252,459
Shares of subsidiaries and affiliates	54,590	67,550
Long-term prepaid expenses	646	665
Net defined benefit assets	568	2,496
Deferred tax assets	7,869	6,783
Other	929	913
Allowance for doubtful accounts	(253)	(248)
Total investments and other assets	301,565	330,620
Total fixed assets	439,379	462,276
Total assets	759,049	771,222

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	27,082	23,327
Accounts payable	16,753	13,047
Accrued income taxes	5,746	5,774
Accrued expenses	10,820	9,997
Provision for sales returns	711	750
Provision for bonuses	3,855	3,854
Other	1,675	1,347
Total current liabilities	66,646	58,097
Long-term liabilities		
Provision for directors’ retirement benefits	1,197	983
Net defined benefit liabilities	23,713	23,505
Deferred tax liabilities	16,333	16,130
Other	8,031	7,417
Total long-term liabilities	49,275	48,036
Total liabilities	115,922	106,134
NET ASSETS		
Shareholders’ equity		
Common stock	30,000	30,000
Capital surplus	15,271	15,272
Retained earnings	623,255	644,038
Treasury stock	(67,664)	(67,727)
Total shareholders’ equity	600,862	621,583
Accumulated other comprehensive income		
Valuation difference on securities	35,736	36,234
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	507	(2,195)
Remeasurements of defined benefit plans	(8,213)	(6,162)
Total accumulated other comprehensive income	28,029	27,875
Subscription rights to shares	357	478
Non-controlling interests	13,878	15,150
Total net assets	643,127	665,088
Total liabilities and net assets	759,049	771,222

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

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Net sales	290,135	279,773
Cost of sales	113,143	101,525
Gross profit on sales	176,991	178,248
Reversal of provision for sales returns	518	691
Provision for sales returns	697	714
Gross profit	176,813	178,226
Selling, general & administrative expenses	147,935	146,260
Operating profit	28,878	31,966
Non-operating income		
Interest income	5,392	5,134
Dividend income	1,439	1,604
Equity in earnings of entities accounted for using equity method	382	–
Other	854	772
Total non-operating income	8,068	7,511
Non-operating expenses		
Interest expenses	2	1
Equity in losses of entities accounted for using equity method	–	601
Foreign exchange losses	–	672
Commission fee	106	91
Other	62	75
Total non-operating expenses	170	1,441
Ordinary profit	36,775	38,036
Extraordinary income		
Gain on sales of fixed assets	19	14
Gain on sales of investment securities	–	4,123
Total extraordinary income	19	4,138
Extraordinary losses		
Loss on disposal of fixed assets	134	184
Loss on sales of investment securities	–	33
Impairment loss	850	–
Total extraordinary losses	985	217
Profit before income taxes	35,809	41,956
Income taxes–current	11,828	11,494
Income taxes–deferred	99	255
Total income taxes	11,927	11,750
Profit	23,882	30,205
Profit attributable to non-controlling interests	1,408	1,424
Profit attributable to owners of parent	22,473	28,781

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Profit	23,882	30,205
Other comprehensive income		
Valuation difference on securities	(4,150)	471
Foreign currency translation adjustment	(5,326)	(4,064)
Remeasurements of defined benefit plans	(4,999)	2,139
Share of other comprehensive income of entities accounted for using equity method	(345)	1,431
Total other comprehensive income	(14,822)	(21)
Comprehensive income	9,059	30,184
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,078	28,627
Comprehensive income attributable to non-controlling interests	981	1,557

(3) Consolidated Statements of Changes in Net Assets

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 ownership interest of parent due to transactions with non-controlling interests		(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					Subscrip-tion rights to shares	Non-control-ling interests	Total net assets
	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive 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 ownership interest of parent due to transactions with non-controlling interests								(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

For the year ended March 31, 2017 (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	15,271	623,255	(67,664)	600,862
Changes during the period					
Purchase of treasury stock				(100)	(100)
Disposal of treasury stock		1		36	37
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Dividends of surplus			(7,997)		(7,997)
Profit attributable to owners of parent			28,781		28,781
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method				0	0
Changes in other than shareholders' equity during the period, net					
Total changes during the period	–	0	20,783	(63)	20,720
Balance at the end of the current period	30,000	15,272	644,038	(67,727)	621,583

	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	35,736	(0)	507	(8,213)	28,029	357	13,878	643,127
Changes during the period								
Purchase of treasury stock								(100)
Disposal of treasury stock								37
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Dividends of surplus								(7,997)
Profit attributable to owners of parent								28,781
Change in number of shares of treasury stock due to change in interests in entities accounted for using equity method								0
Changes in other than shareholders' equity during the period, net	498	0	(2,702)	2,050	(153)	121	1,272	1,240
Total changes during the period	498	0	(2,702)	2,050	(153)	121	1,272	21,960
Balance at the end of the current period	36,234	0	(2,195)	(6,162)	27,875	478	15,150	665,088

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	35,809	41,956
Depreciation and amortization	11,117	10,423
Amortization of goodwill	1,356	1,247
Loss (gain) on sales of fixed assets	(19)	(14)
Loss (gain) on disposal of fixed assets	134	184
Loss (gain) on sales of investment securities	–	(4,090)
Impairment loss	850	–
Interest and dividend income	(6,831)	(6,739)
Interest expenses	2	1
Equity in losses (earnings) of entities accounted for using equity method	(382)	601
Increase (decrease) in allowance for doubtful accounts	(23)	(1)
Increase (decrease) in net defined benefit liabilities	1,357	(183)
Decrease (increase) in net defined benefit assets	6,434	(1,927)
Increase (decrease) in provision for directors' retirement benefits	(165)	(214)
Increase (decrease) in provision for bonuses	(77)	4
Decrease (increase) in notes and accounts receivable–trade	4,250	5,365
Decrease (increase) in inventories	465	(1,025)
Increase (decrease) in notes and accounts payable–trade	(1,765)	(3,655)
Increase (decrease) in long-term accounts payable–other	(149)	(80)
Other	(7,045)	2,602
Subtotal	45,317	44,454
Interest and dividend income received	6,923	6,954
Interest paid	(2)	(1)
Income taxes paid	(9,285)	(11,435)
Income taxes refund	104	95
Net cash provided by operating activities	43,058	40,066

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from investing activities		
Decrease (increase) in time deposits	(2,165)	135
Proceeds from sales/redemption of marketable securities	10,000	34,200
Payments for purchase of tangible fixed assets	(6,923)	(7,322)
Proceeds from sales of tangible fixed assets	33	39
Payments for purchase of intangible fixed assets	(1,291)	(1,508)
Proceeds from sales of intangible fixed assets	0	–
Payments for purchase of investment securities	(11,147)	(20,828)
Proceeds from sales/redemption of investment securities	–	6,554
Payments for purchase of shares of subsidiaries and affiliates	–	(12,261)
Payments for purchase of long-term prepaid expenses	(295)	(380)
Other	126	10
Net cash used in investing activities	(11,662)	(1,361)
Cash flows from financing activities		
Increase in short-term loans payable	180	290
Decrease in short-term loans payable	(305)	(232)
Repayments of finance lease obligations	(111)	(103)
Payments for purchase of treasury stock	(10,097)	(100)
Cash dividends paid	(8,903)	(7,974)
Dividends paid to non-controlling interests	(288)	(284)
Net cash used in financing activities	(19,525)	(8,404)
Effect of exchange rate changes on cash and cash equivalents	(640)	(348)
Net increase (decrease) in cash and cash equivalents	11,229	29,952
Cash and cash equivalents at the beginning of period	143,039	154,268
Cash and cash equivalents at the end of period	154,268	184,221

(Reference)

(Changes in accounting policies)
(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.
The amount of impact from this application on operating profit, ordinary profit and profit before income taxes for the fiscal year under review is immaterial.

(Additional Information)
(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)
Effective from the fiscal year under review, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).