Consolidated Financial Statements for the Year Ended March 31, 2018
<under Japanese GAAP>

May 14, 2018

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
Securities Code: 4581 (URL http://www.taisho-holdings.co.jp/en/)
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Scheduled date for annual shareholders' meeting: June 28, 2018
Scheduled date for filing Securities Report: June 28, 2018
Scheduled date of dividend payments: June 29, 2018
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 2017 (April 1, 2017 to March 31, 2018)

(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, 2018	280,092	0.1	36,977	15.7	42,140	10.8	31,679	10.1
March 31, 2017	279,773	(3.6)	31,966	10.7	38,036	3.4	28,781	28.1

Note: Comprehensive income Fiscal 2017: ¥36,627 million [21.3%] Fiscal 2016: ¥30,184 million [233.2%]

	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, 2018	396.54	396.20	4.8	5.4	13.2
March 31, 2017	360.18	359.92	4.5	5.0	11.4

Reference: Equity in earnings of entities accounted for using equity method
Fiscal 2017: ¥(1,634) million Fiscal 2016: ¥(601) 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, 2018	800,157	691,318	84.3	8,452.12
March 31, 2017	771,222	665,088	84.2	8,127.87

Reference: Equity As of March 31, 2018: ¥674,664 million As of March 31, 2017: ¥649,459 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, 2018	39,852	(19,908)	(9,867)	194,364
March 31, 2017	40,066	(1,361)	(8,404)	184,221

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 2016	–	50.00	–	60.00	110.00	8,797	30.5	1.4
Fiscal 2017	–	50.00	–	60.00	110.00	8,792	27.7	1.3
Fiscal 2018 (Forecast)	–	50.00	–	60.00	110.00		15.8	

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 6 of the Attached Material for details on dividends for fiscal 2017.

3. Forecast of Consolidated Operating Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

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	132,000	(4.8)	14,000	(7.8)	16,500	(7.6)	39,000	224.6	488.10
Full year	269,000	(4.0)	33,000	(10.8)	39,500	(6.3)	55,500	75.2	694.62

* 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: No
b. Changes in accounting policies due to other reasons: No
c. Changes in accounting estimates: No
d. Restatement of prior period financial statements after error corrections: No

(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, 2018:	90,139,653 shares
As of March 31, 2017:	90,139,653 shares

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

As of March 31, 2018:	10,317,712 shares
As of March 31, 2017:	10,234,456 shares

c. Average number of shares during the period

For the year ended March 31, 2018:	79,889,003 shares
For the year ended March 31, 2017:	79,908,664 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* 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

In the over-the-counter (OTC) drug market during the fiscal year under review, although sales showed strong gains in certain categories such as nasal inflammation treatments and intestinal remedies, sales in categories such as energy drinks and hair-care products, which account for a high share of the OTC drug market, were lackluster. As a result, sales overall in the market were largely steady year on year.

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

Considering the current environment, the Self-Medication Operation Group is working to respond to consumer needs to age healthily and beautifully by actively developing new fields to address growing interest in health consciousness among consumers, while also stepping up product development to create new products that satisfy consumer needs and generate new demand. In the area of sales, the group is implementing activities to expand contact points and spread our new brand concept with consumers in order to build strong brands that attract consumers, while also focusing on enhancing direct communication with consumers by expanding new channels such as a mail order system. In overseas markets, the group is actively developing its OTC drug business, mainly in Asia.

The Prescription Pharmaceutical Operation Group is working to maximize sales of new drugs by carefully targeting the provision of information. In addition, the group is working to secure the early approval of compounds at the development stage and reinforce its R&D pipeline by introducing new drug candidates. The group is also strengthening cooperation with external research institutions to support the ongoing discovery of original substances.

Consolidated net sales for the year ended March 31, 2018, increased by ¥0.3 billion, or 0.1% year on year, to ¥280.1 billion.

**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	184.0	4.0	2.2
Japan	150.2	0.5	0.3
Overseas	30.9	3.4	12.4
Others	2.9	0.1	4.8
Prescription Pharmaceutical Operation Group	96.1	(3.7)	(3.7)
Ethical drugs	91.3	(4.9)	(5.1)
Others	4.8	1.2	32.3

Sales of major products were as follows:

< Self-Medication Operation Group >
Consolidated net sales for the fiscal year under review increased by ¥4.0 billion, or 2.2% year on year, to ¥184.0 billion.
With regard to our mainstay brands, in the *Lipovitan* series of energy drinks, sales of the mainstay *Lipovitan D* dropped 5.3% from the previous fiscal year, and the *Lipovitan* series overall fell 6.4% to ¥54.7 billion. In the *Pabron* series, sales were up compared to the previous fiscal year with the launch of new products contributing to sales. The *Pabron* series overall rose 9.9% to ¥28.9 billion as a result. Looking at the *RiUP* series of hair-care products, the *RiUP* series overall rose 3.0% to ¥16.5 billion.
Meanwhile, sales of the overseas OTC drug business, which is being developed mainly in Asia, increased by 8.2% to ¥18.6 billion.

< Prescription Pharmaceutical Operation Group >
Consolidated net sales for the fiscal year under review decreased by ¥3.7 billion, or 3.7% year on year, to ¥96.1 billion.
Osteoporosis agent *Edirol* rose 12.4% to ¥25.4 billion, Type 2 diabetes treatment *Lusefi* was up 73.0% to ¥5.0 billion, and transdermal anti-inflammatory analgesic patch formulation *LOQOA* rose 68.2% to ¥3.1 billion. However, beta-lactamase inhibitor-penicillin antibacterial agent *ZOSYN* decreased by 37.0% to ¥9.8 billion, macrolide antibiotic *Clarith* fell by 17.8% to ¥7.7 billion, and peripheral vasodilator *Palux* was down 9.2% to ¥4.9 billion compared to the previous fiscal year partly due to the effects of generic drugs.

Operating profit of the entire Group for the year ended March 31, 2018, increased by ¥5.0 billion, or 15.7% year on year, to ¥37.0 billion and profit attributable to owners of parent increased by ¥2.9 billion, or 10.1% year on year, to ¥31.7 billion.

The Group's profit performance is provided below.

(Billions of yen)

	Amount	Increase (Decrease)	
		Amount	%
Net sales	280.1	0.3	0.1
Gross profit on sales	182.9	4.7	2.6
Selling, general & administrative expenses	146.0	(0.3)	(0.2)
Research and development expenses	21.2	(0.1)	(0.5)
Advertising expenses	22.6	0.5	2.2
Sales promotion expenses	28.6	(1.4)	(4.8)
Personnel expenses	35.2	(0.6)	(1.7)
Operating profit	37.0	5.0	15.7
Ordinary profit	42.1	4.1	10.8
Profit attributable to owners of parent	31.7	2.9	10.1
Basic earnings per share (Yen)	396.54	36.36	–

Gross profit on sales increased ¥4.7 billion year on year to ¥182.9 billion, mainly reflecting a 1.6 percentage point decline in the cost of sales ratio to 34.7% due to a change in the product mix.

Although advertising expenses increased, selling, general and administrative expenses declined ¥0.3 billion year on year to ¥146.0 billion due to lower sales promotion expenses and personnel expenses. As a result, operating profit increased ¥5.0 billion, or 15.7% year on year, to ¥37.0 billion.

In addition, the operating profit margin rose 1.8 percentage points to 13.2%.

Non-operating income was steady year on year at ¥7.5 billion, while non-operating expenses rose ¥0.9 billion year on year to ¥2.3 billion, mainly due to an increase in equity in losses of entities accounted for using equity method.

As a result of the above, ordinary profit increased ¥4.1 billion, or 10.8% year on year, to ¥42.1 billion. In addition, the ordinary profit margin rose 1.4 percentage points to 15.0%.

Extraordinary income increased ¥2.1 billion year on year to ¥6.2 billion due to a rise in gain on sales of investment securities, while extraordinary losses were steady year on year at ¥0.3 billion.

As a result of the above, profit before income taxes increased ¥6.1 billion, or 14.6% year on year, to ¥48.1 billion. After adjusting for income taxes–current, income taxes–deferred and profit attributable to non-controlling interests, profit attributable to owners of parent increased ¥2.9 billion, or 10.1% year on year, to ¥31.7 billion.

In addition, basic earnings per share was ¥396.54 and the return on equity (ROE) rose 0.3 percentage points to 4.8%.

(2) Overview of Financial Position for the Fiscal Year

Total assets as of March 31, 2018, stood at ¥800.2 billion, up ¥28.9 billion from the previous fiscal year-end. Although investment securities decreased by ¥15.7 billion, cash and deposits increased by ¥18.7 billion and marketable securities increased by ¥29.7 billion.

Liabilities amounted to ¥108.8 billion, an increase of ¥2.7 billion from the previous fiscal year-end. Although notes and accounts payable–trade decreased by ¥3.4 billion, accounts payable increased by ¥1.2 billion, accrued income taxes increased by ¥2.8 billion, and deferred tax liabilities increased by ¥1.4 billion.

Net assets amounted to ¥691.3 billion, an increase of ¥26.2 billion from the previous fiscal year-end. The main factor of increase was ¥31.7 billion in profit attributable to owners of parent, while the main factor of decrease was dividends of surplus of ¥8.8 billion.

(3) Overview of Cash flows for the Fiscal Year

Cash and cash equivalents (hereinafter, “net cash”) stood at ¥194.4 billion as of March 31, 2018, representing an increase of ¥10.1 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 ¥39.9 billion, a year-on-year decrease of ¥0.2 billion mainly attributable to profit before income taxes of ¥48.1 billion.

(Cash flows from investing activities)
Net cash used in investing activities was ¥19.9 billion, a year-on-year increase of ¥18.5 billion mainly attributable to payments for purchase of investment securities of ¥12.5 billion.

(Cash flows from financing activities)
Net cash used in financing activities was ¥9.9 billion, a year-on-year increase of ¥1.5 billion mainly attributable to cash dividends paid of ¥8.8 billion.

(Reference) Indicators related to cash flows

	Year ended March 2017	Year ended March 2018
Equity ratio (%)	84.2	84.3
Equity ratio on a fair value basis (%)	93.7	104.3
Interest-bearing debt to cash flow ratio (%)	0.9	1.3
Interest coverage ratio (times)	32,156.4	17,862.9

(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 2018, the Company forecasts net sales of ¥186.5 billion for the Self-Medication Operation Group, up 1.4% year on year.

Net sales in Japan are expected to increase by 0.5% to ¥151.0 billion. With respect to mainstay products, the Company projects sales of ¥54.3 billion (down 0.7%) for the *Lipovitan* series and ¥28.6 billion (down 1.0%) for the *Pabron* series. For the *RiUP* series, the Company projects sales of ¥16.0 billion (down 3.2%).

Net sales overseas are expected to increase by 5.1% to ¥32.5 billion. The Company projects sales of ¥19.5 billion (up 5.0%) for OTC drugs and ¥11.6 billion (up 6.8%) for energy drinks.

– Prescription Pharmaceutical Operation Group sales forecast

The Company forecasts net sales of ¥82.5 billion for the Prescription Pharmaceutical Operation Group, down 14.1% year on year.

Net sales of ethical drugs are expected to decrease by 11.6% to ¥80.7 billion. The main products for which the Company forecasts sales growth are *Edirol,* for which sales are expected to be ¥26.0 billion (up 2.4%), *Bonviva*, for which sales are expected to be ¥7.3 billion (up 12.3%), *Lusefi*, for which sales are expected to be ¥6.5 billion (up 30.8%), and *LOQOA*, for which sales are expected to be ¥4.5 billion (up 47.5%). Meanwhile, the main products for which the Company projects sales decreases are *ZOSYN*, for which sales are expected to be ¥4.8 billion (down 50.9%), *Clarith*, for which sales are expected to be ¥4.6 billion (down 39.9%), and *Palux*, for which sales are expected to be ¥3.4 billion (down 30.1%).

– Consolidated earnings forecast

With respect to profits, based on the expected decrease in gross profit on sales as a result of lower net sales, the Company expects operating profit to decrease as shown below. Selling, general and administrative expenses are expected to decline after reviewing other costs, while bearing in mind sales promotion expenses will fluctuate along with increases and decreases in the sales of Self-Medication Operation Group and Prescription Pharmaceuticals Operation Group and research and development expenses are expected to stay level with the previous fiscal year.

Profit attributable to owners of parent is expected to increase, taking into account the extraordinary income on sale of the shares of Toyama Chemical Co., Ltd. and the extraordinary losses to accompany the implementation of an early retirement program, both mentioned below in significant subsequent events.

(Billions of yen)

	Fiscal 2018 (full year)	Changes (%)
Net sales	269.0	(4.0)
Operating profit	33.0	(10.8)
Ordinary profit	39.5	(6.3)
Profit attributable to owners of parent	55.5	75.2

(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, in order to build strong 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 implementing activities to expand contact points and spread our new brand concept with consumers. In addition, the Company will focus on enhancing 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*, and transdermal anti-inflammatory analgesic patch formulation *LOQOA*.

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, 2017	As of March 31, 2018
ASSETS		
Current assets		
Cash and deposits	201,275	219,973
Notes and accounts receivable–trade	69,535	75,268
Marketable securities	–	29,739
Merchandise and finished goods	17,196	15,596
Work in process	2,064	2,159
Raw materials and supplies	8,239	9,088
Deferred tax assets	5,819	5,985
Other	4,899	4,441
Allowance for doubtful accounts	(85)	(105)
Total current assets	308,946	362,146
Fixed assets		
Tangible fixed assets		
Buildings and structures	152,311	152,039
Accumulated depreciation and impairment loss	(102,354)	(104,502)
Buildings and structures, net	49,957	47,536
Machinery, equipment and vehicles	88,471	88,128
Accumulated depreciation and impairment loss	(82,099)	(82,678)
Machinery, equipment and vehicles, net	6,372	5,449
Land	37,457	37,021
Construction in progress	177	468
Other	32,465	32,940
Accumulated depreciation and impairment loss	(29,146)	(29,700)
Other, net	3,318	3,239
Total tangible fixed assets	97,282	93,716
Intangible fixed assets		
Goodwill	16,768	15,347
Sales rights	4,068	2,740
Trademarks	9,966	8,750
Software	3,046	3,627
Other	523	650
Total intangible fixed assets	34,372	31,116
Investments and other assets		
Investment securities	252,459	236,797
Shares of subsidiaries and affiliates	67,550	65,294
Long-term prepaid expenses	665	769
Net defined benefit assets	2,496	3,230
Deferred tax assets	6,783	6,362
Other	913	966
Allowance for doubtful accounts	(248)	(243)
Total investments and other assets	330,620	313,178
Total fixed assets	462,276	438,011
Total assets	771,222	800,157

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	23,327	19,939
Accounts payable	13,047	14,275
Accrued income taxes	5,774	8,614
Accrued expenses	9,997	10,688
Provision for sales returns	750	775
Provision for bonuses	3,854	3,874
Other	1,347	2,149
Total current liabilities	58,097	60,318
Long-term liabilities		
Provision for directors' retirement benefits	983	1,001
Net defined benefit liabilities	23,505	23,391
Deferred tax liabilities	16,130	17,493
Other	7,417	6,635
Total long-term liabilities	48,036	48,521
Total liabilities	106,134	108,839
NET ASSETS		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	15,272	15,271
Retained earnings	644,038	666,920
Treasury stock	(67,727)	(68,536)
Total shareholders' equity	621,583	643,655
Accumulated other comprehensive income		
Valuation difference on securities	36,234	37,970
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(2,195)	(1,704)
Remeasurements of defined benefit plans	(6,162)	(5,256)
Total accumulated other comprehensive income	27,875	31,009
Share acquisition rights	478	565
Non-controlling interests	15,150	16,087
Total net assets	665,088	691,318
Total liabilities and net assets	771,222	800,157

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

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Net sales	279,773	280,092
Cost of sales	101,525	97,154
Gross profit on sales	178,248	182,938
Reversal of provision for sales returns	691	714
Provision for sales returns	714	668
Gross profit	178,226	182,984
Selling, general & administrative expenses	146,260	146,007
Operating profit	31,966	36,977
Non-operating income		
Interest income	5,134	4,999
Dividend income	1,604	1,723
Other	772	756
Total non-operating income	7,511	7,479
Non-operating expenses		
Interest expenses	1	2
Equity in losses of entities accounted for using equity method	601	1,634
Foreign exchange losses	672	556
Commission fee	91	94
Other	75	28
Total non-operating expenses	1,441	2,316
Ordinary profit	38,036	42,140
Extraordinary income		
Gain on sales of fixed assets	14	619
Gain on sales of investment securities	4,123	5,598
Total extraordinary income	4,138	6,218
Extraordinary losses		
Loss on disposal of fixed assets	184	288
Loss on sales of investment securities	33	–
Total extraordinary losses	217	288
Profit before income taxes	41,956	48,070
Income taxes–current	11,494	14,522
Income taxes–deferred	255	179
Total income taxes	11,750	14,701
Profit	30,205	33,368
Profit attributable to non-controlling interests	1,424	1,689
Profit attributable to owners of parent	28,781	31,679

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit	30,205	33,368
Other comprehensive income		
Valuation difference on securities	471	1,205
Foreign currency translation adjustment	(4,064)	842
Remeasurements of defined benefit plans	2,139	948
Share of other comprehensive income of entities accounted for using equity method	1,431	261
Total other comprehensive income	(21)	3,258
Comprehensive income	30,184	36,627
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	28,627	34,812
Comprehensive income attributable to non-controlling interests	1,557	1,815

(3) Consolidated Statements of Changes in Net Assets

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					Share acquisition rights	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

For the year ended March 31, 2018 (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	15,272	644,038	(67,727)	621,583
Changes during the period					
Purchase of treasury stock				(816)	(816)
Disposal of treasury stock		(0)		7	7
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Dividends of surplus			(8,797)		(8,797)
Profit attributable to owners of parent			31,679		31,679
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)	22,881	(809)	22,072
Balance at the end of the current period	30,000	15,271	666,920	(68,536)	643,655

	Accumulated other comprehensive income					Share acquisition rights	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	36,234	0	(2,195)	(6,162)	27,875	478	15,150	665,088
Changes during the period								
Purchase of treasury stock								(816)
Disposal of treasury stock								7
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Dividends of surplus								(8,797)
Profit attributable to owners of parent								31,679
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	1,735	(0)	491	905	3,133	87	936	4,157
Total changes during the period	1,735	(0)	491	905	3,133	87	936	26,229
Balance at the end of the current period	37,970	(0)	(1,704)	(5,256)	31,009	565	16,087	691,318

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	41,956	48,070
Depreciation and amortization	10,423	10,154
Amortization of goodwill	1,247	1,226
Loss (gain) on sales of fixed assets	(14)	(619)
Loss (gain) on disposal of fixed assets	184	288
Loss (gain) on sales of investment securities	(4,090)	(5,598)
Interest and dividend income	(6,739)	(6,723)
Interest expenses	1	2
Equity in losses (earnings) of entities accounted for using equity method	601	1,634
Increase (decrease) in allowance for doubtful accounts	(1)	9
Increase (decrease) in net defined benefit liabilities	(183)	(133)
Decrease (increase) in net defined benefit assets	(1,927)	(734)
Increase (decrease) in provision for directors' retirement benefits	(214)	18
Increase (decrease) in provision for bonuses	4	3
Decrease (increase) in notes and accounts receivable–trade	5,365	(5,393)
Decrease (increase) in inventories	(1,025)	1,167
Increase (decrease) in notes and accounts payable–trade	(3,655)	(3,531)
Increase (decrease) in long-term accounts payable–other	(80)	(200)
Other	2,602	4,255
Subtotal	44,454	43,894
Interest and dividend income received	6,954	7,643
Interest paid	(1)	(2)
Income taxes paid	(11,435)	(11,772)
Income taxes refund	95	88
Net cash provided by operating activities	40,066	39,852

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from investing activities		
Decrease (increase) in time deposits	135	(9,763)
Proceeds from sales/redemption of marketable securities	34,200	–
Payments for purchase of tangible fixed assets	(7,322)	(2,726)
Proceeds from sales of tangible fixed assets	39	868
Payments for purchase of intangible fixed assets	(1,508)	(2,287)
Payments for purchase of investment securities	(20,828)	(12,472)
Proceeds from sales/redemption of investment securities	6,554	6,317
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(434)
Payments for purchase of shares of subsidiaries and affiliates	(12,261)	–
Payments for purchase of long-term prepaid expenses	(380)	(470)
Other	10	1,061
Net cash used in investing activities	(1,361)	(19,908)
Cash flows from financing activities		
Increase in short-term loans payable	290	378
Decrease in short-term loans payable	(232)	(365)
Repayments of finance lease obligations	(103)	(116)
Payments for purchase of treasury stock	(100)	(96)
Cash dividends paid	(7,974)	(8,771)
Dividends paid to non-controlling interests	(284)	(895)
Payments for purchase of treasury stock of subsidiaries	–	(0)
Net cash used in financing activities	(8,404)	(9,867)
Effect of exchange rate changes on cash and cash equivalents	(348)	67
Net increase (decrease) in cash and cash equivalents	29,952	10,143
Cash and cash equivalents at the beginning of period	154,268	184,221
Cash and cash equivalents at the end of period	184,221	194,364

(Reference)

(Significant subsequent events)

1. Acquisition of Shares in Taisho Toyama Pharmaceutical Co., Ltd. (Conversion into a Wholly-Owned Subsidiary) and Sale of Shares in TOYAMA CHEMICAL CO., LTD.

The Company, to form a better framework, resolved at its Board of Directors meeting held today to dissolve the capital alliance over Taisho Toyama Pharmaceutical Co., Ltd. (hereinafter referred to as "Taisho Toyama") and TOYAMA CHEMICAL CO., LTD. (hereinafter referred to as "Toyama Chemical"), which has been maintained as part of the strategic capital and business alliances among three companies, the Company, FUJIFILM Holdings Corporation (hereinafter referred to as "Fujifilm HD"), and Toyama Chemical, through the Company selling all the shares in Toyama Chemical owned by the Company to Fujifilm HD and purchasing all the shares in Taisho Toyama owned by Toyama Chemical, thereby making Taisho Toyama into a wholly-owned subsidiary of the Company. For the details, please refer to the news release "Notice Concerning Acquisition of Shares in Taisho Toyama Pharmaceutical Co., Ltd. (Conversion into a Wholly-Owned Subsidiary) and Sale of Shares in TOYAMA CHEMICAL CO., LTD." announced today.

2. Implementation of Early Retirement Program

The Company, at its Board of Directors meeting held today, resolved to implement an early retirement program targeting employees of the Company and the group companies in Japan. For the details, please refer to the news release "Implementation of Early Retirement Program" announced today.