Consolidated Financial Statements for the Year Ended March 31, 2020
<under Japanese GAAP>

May 14, 2020

Listed Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Stock Listing: TSE
Securities Code: 4581 (URL https://www.taisho-holdings.co.jp/en/)
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Scheduled date for annual shareholders' meeting: June 26, 2020
Scheduled date for filing Securities Report: June 26, 2020
Scheduled date of dividend payments: June 29, 2020
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 2019 (April 1, 2019 to March 31, 2020)

(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, 2020	288,527	10.3	21,460	(31.2)	25,010	(38.8)	20,531	(57.7)
March 31, 2019	261,551	(6.6)	31,211	(15.6)	40,851	(3.1)	48,593	53.4

Note: Comprehensive income Fiscal 2019: ¥9,912 million [(79.4)%] Fiscal 2018: ¥48,027 million [31.1%]

	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, 2020	257.23	256.93	2.9	3.0	7.4
March 31, 2019	608.80	608.22	7.0	5.0	11.9

Reference: Share of profit (loss) of entities accounted for using equity method
Fiscal 2019: ¥272 million Fiscal 2018: ¥1,689 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, 2020	853,051	741,707	83.4	8,912.00
March 31, 2019	821,782	724,137	86.7	8,924.23

Reference: Equity As of March 31, 2020: ¥711,303 million As of March 31, 2019: ¥712,284 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, 2020	41,992	(107,081)	(11,696)	186,941
March 31, 2019	19,222	66,044	(15,467)	263,549

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 2018	–	50.00	–	70.00	120.00	9,586	19.7	1.4
Fiscal 2019	–	50.00	–	60.00	110.00	8,787	42.8	1.2
Fiscal 2020 (Forecast)	–	50.00	–	50.00	100.00		61.4	

Note: Breakdown of year-end dividends in Fiscal 2018: Ordinary dividends: ¥60.00
Special dividends: ¥10.00

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 our dividend policy.

3. Forecast of Consolidated Operating Results for Fiscal 2020 (April 1, 2020 to March 31, 2021)

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
Full year	289,500	0.3	20,000	(6.8)	23,000	(8.0)	13,000	(36.7)	162.89

* Notes

(1) Changes in significant subsidiaries during the period (or changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added 2 companies into the scope of consolidation

(Company name) Duoc Hau Giang Pharmaceutical JSC, UPSA

(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

(3) Number of issued shares (common shares)

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

As of March 31, 2020: 85,139,653 shares

As of March 31, 2019: 90,139,653 shares

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

As of March 31, 2020: 5,325,613 shares

As of March 31, 2019: 10,324,998 shares

c. Average number of shares during the period

For the year ended March 31, 2020: 79,815,242 shares

For the year ended March 31, 2019: 79,818,213 shares

Note: 5,000,000 treasury shares were canceled on June 14, 2019.

* 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
  (Disclaimer regarding appropriate use of forecasts)
  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.

  (Related points of note)
  The Company usually discloses the forecast for the first six months of the fiscal year. However, because it is difficult at this time to accurately predict when the spread of the novel coronavirus disease (COVID-19) will be brought under control and the future economic impact, the Company has disclosed only the full-year forecast, which was created assuming that the Company will be affected by the impact of COVID-19 through the full year based on the latest market conditions.

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 in categories such as general cold remedies and intestinal remedies were strong, sales in categories such as hair-care products and nasal inflammation remedies were lackluster and, as a result, sales were lower year on year.
The Prescription Pharmaceutical Operation Group continued to face a difficult business environment due to increasing level of difficulty 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 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. In the area of sales, the group is implementing activities to expand contact points and spread our new brand concept to consumers, aiming for strong brands that attract consumers, while also focusing on expanding mail order system channels such as Taisho Pharmaceutical Direct and TAISHO BEAUTY ONLINE, which provides benefits to consumers.
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. In May 2019, the group's shareholding in Vietnamese company Duoc Hau Giang Pharmaceutical JSC ("DHG") increased to 51.01%, making it a consolidated subsidiary. Originally the group acquired 24.50% of DHG's shares in July 2016 and thereafter incrementally increased the shareholding ratio. Going forward the group will work to strengthen the pharmaceutical business operations in Vietnam by leveraging DHG's business base. In addition, the procedures were completed on July 1, 2019 (Time in France) for the Stock and Asset Purchase Agreement regarding UPSA SAS ("UPSA"), a French pharmaceutical manufacturer owned by Bristol-Myers Squibb Company (Headquarters: New York, United States of America, "BMS") through a subsidiary, which was entered into with BMS on December 19, 2018, and UPSA is now a wholly owned subsidiary of Taisho Pharmaceutical Co., Ltd. Under the group's policy to expand business in regions where future growth is expected, the group aims to achieve sustainable growth by expanding the overseas business through a bipolar structure targeting the European market in addition to the Southeast Asian market.
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, 2020, increased by ¥27.0 billion, or 10.3% year on year, to ¥288.5 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	220.0	39.9	22.2
Japan	147.1	1.1	0.7
Overseas	69.4	38.6	125.0
Others	3.5	0.3	7.7
Prescription Pharmaceutical Operation Group	68.5	(12.9)	(15.9)
Ethical drugs	67.0	(12.4)	(15.7)
Others	1.5	(0.5)	(24.9)

Sales of major products were as follows:

< Self-Medication Operation Group >
Consolidated net sales for the fiscal year under review increased by ¥39.9 billion, or 22.2% year on year, to ¥220.0 billion.
With regard to our mainstay brands, sales of the *Lipovitan* series fell 2.2% to ¥50.9 billion. Sales of the *Pabron* series increased by 2.9% to ¥29.8 billion. Sales of the *RiUP* series decreased by 2.8% to ¥14.9 billion. Sales of *Biofermin* series increased by 5.1% to ¥10.7 billion. Also, in the mail order system channels on which the group is focusing, sales through Taisho Pharmaceutical Direct increased by 11.9% to ¥11.5 billion.
Overseas, net sales for the Asia region increased by 53.7% year on year to ¥42.5 billion and net sales for the Europe and Americas region amounted to ¥25.8 billion due to the impact of DHG and UPSA becoming consolidated subsidiaries.

< Prescription Pharmaceutical Operation Group >
Consolidated net sales for the fiscal year under review decreased by ¥12.9 billion, or 15.9% year on year, to ¥68.5 billion.
Osteoporosis agent *Edirol* increased by 3.0% to ¥27.0 billion, Type 2 diabetes mellitus agent *Lusefi* increased by 27.0% to ¥7.1 billion, osteoporosis agent *Bonviva* was up 3.1% to ¥6.6 billion, transdermal antiinflammatory analgesic patch formulation *LOQOA* increased by 12.0% to ¥3.9 billion. However, for long-listed drugs, macrolide antibiotic *Clarith* decreased by 20.0% to ¥4.3 billion, and peripheral vasodilator *Palux* was down 11.4% to ¥3.1 billion compared to the previous fiscal year partly due to the effects of NHI drug price revision and generic drugs.

Operating profit of the entire Group for the year ended March 31, 2020, decreased by ¥9.8 billion, or 31.2% year on year, to ¥21.5 billion and profit attributable to owners of parent decreased by ¥28.1 billion, or 57.7% year on year, to ¥20.5 billion.

The Group’s profit performance is provided below.

(Billions of yen)

	Amount	Increase (Decrease)	
		Amount	%
Net sales	288.5	27.0	10.3
Gross profit	180.2	9.8	5.8
Selling, general and administrative expenses	158.9	20.0	14.4
Research and development expenses	22.9	2.1	10.0
Advertising expenses	26.0	5.8	28.9
Promotion expenses	27.4	0.3	1.2
Personnel expenses	31.0	(1.4)	(4.5)
Operating profit	21.5	(9.8)	(31.2)
Ordinary profit	25.0	(15.8)	(38.8)
Profit attributable to owners of parent	20.5	(28.1)	(57.7)
Basic earnings per share (Yen)	257.23	(351.57)	–

Gross profit increased ¥9.8 billion year on year to ¥180.2 billion, reflecting higher sales due to expanding the overseas business.

Selling, general and administrative expenses increased ¥20.0 billion year on year to ¥158.9 billion due to increases in temporary cost related to business combinations, advertising expenses and research and development expenses, as well as the addition of overseas subsidiaries into the scope of consolidation. As a result, operating profit decreased ¥9.8 billion, or 31.2% year on year, to ¥21.5 billion.

In addition, the operating profit margin fell 4.5 percentage points to 7.4%.

Non-operating income fell ¥3.2 billion year on year to ¥6.6 billion, mainly due to decreases in share of profit of entities accounted for using equity method and interest income, while non-operating expenses rose ¥2.9 billion year on year to ¥3.1 billion due to the impact of foreign exchange losses.

As a result of the above, ordinary profit decreased ¥15.8 billion, or 38.8% year on year, to ¥25.0 billion. In addition, the ordinary profit margin fell 6.9 percentage points to 8.7%.

Extraordinary income decreased ¥36.8 billion year on year to ¥6.1 billion due to the impact of gain on sales of shares of subsidiaries and associates in the previous year, while extraordinary losses decreased ¥18.5 billion year on year to ¥0.8 billion due to the effects of early retirement program-expenses in the previous year and a decrease in impairment loss.

As a result of the above, profit before income taxes decreased ¥34.2 billion, or 53.0% year on year, to ¥30.3 billion. After adjusting for income taxes - current, income taxes - deferred and profit attributable to non-controlling interests, profit attributable to owners of parent decreased ¥28.1 billion, or 57.7% year on year, to ¥20.5 billion.

In addition, basic earnings per share was ¥257.23 and the return on equity (ROE) declined 4.1 percentage points to 2.9%.

(2) Overview of Financial Position for the Fiscal Year

Total assets as of March 31, 2020, stood at ¥853.1 billion, up ¥31.3 billion from the previous fiscal year-end. Among assets, cash and deposits decreased by ¥58.8 billion and securities decreased by ¥61.8 billion, but goodwill increased by ¥157.3 billion.

Liabilities were ¥111.3 billion, up ¥13.7 billion from the previous fiscal year-end; the main reason was the increases in accrued expenses.

Net assets amounted to ¥741.7 billion, an increase of ¥17.6 billion from the previous fiscal year-end. The main factor of increase was ¥20.5 billion in profit attributable to owners of parent, while the main factor of decrease was dividends of surplus of ¥9.6 billion. In addition, treasury shares decreased by ¥33.2 billion and capital surplus decreased by ¥33.2 billion following the cancellation of treasury shares. Because the capital surplus became a negative amount as a result of this, retained earnings brought forward of ¥18.3 billion was restated as capital surplus.

(3) Overview of Cash flows for the Fiscal Year

Cash and cash equivalents (hereinafter, "net cash") stood at ¥186.9 billion as of March 31, 2020, representing a decrease of ¥76.6 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 ¥42.0 billion, a year-on-year increase of ¥22.8 billion, mainly attributable to a decrease in trade receivables of ¥11.8 billion, income taxes paid of ¥16.5 billion and income taxes refund of ¥2.4 billion, despite a decrease in profit before income taxes of ¥30.3 billion.

(Cash flows from investing activities)
Net cash used in investing activities was ¥107.1 billion, a year-on-year decrease of ¥173.1 billion, mainly attributable to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥160.5 billion, despite proceeds from sales and redemption of securities of ¥74.5 billion.

(Cash flows from financing activities)
Net cash used in financing activities was ¥11.7 billion, a year-on-year decrease of ¥3.8 billion, mainly attributable to dividends paid of ¥9.6 billion.

(Reference) Indicators related to cash flows

	Year ended March 2019	Year ended March 2020
Equity ratio (%)	86.7	83.4
Equity ratio on a fair value basis (%)	102.5	62.1
Interest-bearing debt to cash flow ratio (%)	2.4	0.1
Interest coverage ratio (times)	7,325.6	352.2

(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 shares).
* 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

– Impact of COVID-19 on operating results

Although it is difficult at this time to accurately predict when the spread of COVID-19 will be brought under control and the future economic impact, the forecast of operating results is created under the assumption that the Company will be affected by the impact of COVID-19 through the full year based on the latest market conditions. As a result, the Company expects negative impacts on net sales of ¥18.5 billion and operating profit of ¥5.6 billion. Going forward, if there are any significant changes in the assumptions used for the forecast, the Company will promptly disclose a revised forecast of operating results.

– Self-Medication Operation Group sales forecast

For Fiscal 2020, the Company forecasts net sales of ¥235.9 billion for the Self-Medication Operation Group, up 7.2% year on year.

Net sales in Japan are expected to decrease by 5.7% to ¥138.7 billion. With respect to mainstay products, the Company projects sales of ¥46.6 billion (down 8.4%) for the *Lipovitan* series, ¥26.6 billion (down 10.9%) for the *Pabron* series and ¥14.3 billion (down 3.7%) for the *RiUP* series.

Net sales overseas are expected to increase by 35.2% to ¥93.9 billion. Net sales are expected to increase by 5.0% to ¥44.6 billion in the Asia region and increase by 87.5% to ¥48.3 billion in the Europe and Americas region due to the impact of DHG and UPSA becoming consolidated subsidiaries.

– Prescription Pharmaceutical Operation Group sales forecast

The Company forecasts net sales of ¥53.6 billion for the Prescription Pharmaceutical Operation Group, down 21.8% year on year.

Net sales of ethical drugs are expected to decrease by 20.9% to ¥53.0 billion. The main products for which the Company forecasts sales growth are *Lusefi*, for which sales are expected to be ¥9.8 billion (up 37.4%), *Bonviva*, for which sales are expected to be ¥6.9 billion (up 4.8%), and *LOQOA*, for which sales are expected to be ¥4.0 billion (up 2.7%). Meanwhile, the main products for which the Company projects sales decreases are *Edirol*, for which sales are expected to be ¥14.4 billion (down 46.7%), *Geninax*, for which sales are expected to be ¥3.1 billion (down 21.0%), and *Clarith*, for which sales are expected to be ¥2.8 billion (down 34.4%). Note that the generic of *Edirol* is expected to be launched.

– Consolidated earnings forecast

As mentioned above, the consolidated earnings forecast reflects the impact of COVID-19. In addition, the effects of DHG and UPSA becoming consolidated subsidiaries will be realized for the full year beginning in this fiscal year.

As a result, with respect to profits, although net sales are expected to increase slightly, cost of sales and selling, general and administrative expenses are expected to rise significantly and operating profit is expected to decrease.

(Billions of yen)

	Fiscal 2020 (full year)	Changes (%)
Net sales	289.5	0.3
Operating profit	20.0	(6.8)
Ordinary profit	23.0	(8.0)
Profit attributable to owners of parent	13.0	(36.7)

(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 shares 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, the Company plans to pay a dividend of ¥110 per share (an interim dividend of ¥50 and a year-end dividend of ¥60) as previously announced.

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

(6) Business and Other Risks

The Group faces a number of risks as part of its business activities. Listed items in the table below are the main risks that could have a material impact on investment decisions.
In addition, the Group is faced with various other risks, including 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.

Risks	Description of risks	Countermeasures against risks
(i) Legal risks and risks related to healthcare policy	- There is a possibility that changes in laws and regulations governing pharmaceutical affairs could necessitate additional measures and expenses to make products conform with standards. In the worst case, this could lead to delays in approval of applications for new drugs or revocation of approval for existing products. - Depending on trends in healthcare policy, health insurance systems and other changes, drug prices could decline more than expected.	- Quickly ascertain the direction of revisions to laws and regulations governing pharmaceutical affairs and prepare for revisions in advance, such as examining the need for any additional measures. - Consult with the administration and request increases in drug prices, etc. - Revise cost structures in anticipation of reduced drug prices.
(ii) Risks related to pharmaceutical quality, side effects and other issues	- The Company could incur expenses related to product recalls and sales halts due to unanticipated side effects or quality issues.	- Pay close attention to harmful effects and quality complaints concerning products and quickly take measures such as implementing a recall to minimize the impacts.
(iii) Risks related to pharmaceutical development and commercialization	- Despite requiring a lengthy development process and a substantial amount of capital investment, there are uncertainties regarding the successful launch of products and businesses.	- Expand the development pipeline using in-licensing and alliances, etc. - Maximize opportunities while distributing resources and risks by using joint research and joint development, etc.
(iv) Risks related to the proper protection of intellectual property rights	- The Group's competitive advantage in the market may be reduced by third-party use of its technologies, etc. - There is the risk that the Group might encroach on the intellectual property rights of third parties.	- Obtain and use intellectual property rights with the appropriate timing and coverage. - Ascertain third parties' intellectual property rights through prior surveys and consider policies for dealing with them.
(v) Risks related to expiration of patents	- Generic drugs emerge as patents expire - Sales decline due to the switch to generic drugs, etc.	- Conduct product life cycle management. - Promote initiatives for continuously bringing new pharmaceuticals to market.
(vi) Risks from lawsuits	- The Group files lawsuits during the course of its business related to product liability, environmental issues and other matters.	- Share information with a consulting lawyer regarding matters that may become the subject of lawsuits and make contingency preparations. - Take out product liability insurance to cover product incidents.
(vii) Risks from fluctuations in foreign exchange rates	- Earnings, etc., of overseas subsidiaries are affected by fluctuations in foreign exchange rates.	- Examine and implement risk hedging measures such as foreign exchange forward contracts.
(viii) Risks related to impairment loss	- Acquired subsidiaries, etc., may not achieve their business plans. - Stock prices and interest rates may fluctuate rapidly.	- Judge the appropriateness of acquisition pricing. - Accurately promote business management after acquisitions. - Monitor the macroeconomic environment regularly.
(ix) Risks related to COVID-19	- Employees in the Company may be infected with COVID-19, halting operations.	- Have employees work from home except for those who need to be at the work place, such as employees of production divisions. For those who commute to the workplace, conduct temperature checks and other health management measures. - For production and logistics divisions, revise the operations structure to enable continued stable supply.

Risks	Description of risks	Countermeasures against risks
(x) Other risks	- Sudden occurrence of natural disasters, deterioration in sociopolitical stability overseas, and other events could be such as the destruction of business infrastructures, or downsizing or withdrawal from its businesses.	- Formulate business continuity plans (BCPs) and make ongoing improvements. - Regularly monitor the risk level in each country.

2. Management Policies

(1) The Company's Basic Management Philosophy

The Group's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty. We aim to provide total support for consumer health and beauty, including health promotion and disease prevention through treatment, while aiming to realize a sustainable society.

(2) Medium- and Long-Term Management Strategies

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, while achieving well-balanced growth of 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.
In its business activities, the Group will fulfill the following obligations expected by stakeholders and continue to drive sustained growth.

(i) Consumers	Strive to help realize healthier and more enriched lives based on the theme of health in various fields
(ii) Business customers and suppliers	Establish and maintain fair and reasonable relationships.
(iii) Employees	Respect the human rights and dignity of each individual and endeavor to provide secure employment
(iv) Shareholders	Disclose proper information in a fair and timely manner
(v) Local communities	Actively engaged in the community as a corporate citizen while striving to protect the environment and build mutually beneficial relationships

(3) Issues to be Addressed

Rapidly evolving global technological innovations in such areas as information, transportation, logistics and medicine are a key feature of the times. Alongside this, global investment of surplus funds in emerging countries has driven advancements there that have lessened the disparity with other nations. In addition, the idea that the "consumer is king" and has the final decision on selection and purchase has become increasingly prevalent, while Japan's society is aging and people have longer life expectancies, putting further pressure on social security expenses. Expectations also exist for the creation of new markets based on new technology from the Fourth Industrial Revolution.

The business environment surrounding the Company's operations is changing drastically amid these trends.
In the Self-Medication Operation Group domain, certain retailers have grown through mergers and acquisitions, thereby strengthening the power of the buyer and transforming business relationships. We are also witnessing a significant increase in Foods for Specified Health Use and Foods with Function Claims, with the scale of the market closing in on ¥2 trillion. On the other hand, with the background impacts on healthcare financing and social welfare systems from a rapidly aging population, consumers are required to adopt the new concept of "one is responsible for protecting one's own health." To help turn this idea into action, industry groups are leading efforts to further expand Japan's self-medication tax system.

In the Prescription Pharmaceutical Operation Group domain, methods of research, examination and treatment have changed with new objectives for pharmaceutical development and advancements in new medical technology. In addition, generic drugs are becoming increasingly popular as a means to decrease medical expenses while reforms continue to be made in the NHI drug price system

Overseas, Asian countries east of Pakistan now account for 54% of the world's population, with this region fast becoming a center of global economic growth together with countries in Africa, where populations are skyrocketing.

(i) Status by segment < Self-Medication Operation Group >

In the Self-Medication Operation Group, which handles OTC drugs and health-related products, the Company is using its strength of holding the No. 1 market share in domestic OTC drug manufacturing to contribute to consumer self-medication by handling its mainstay brands such as the *Lipovitan* series, *Pabron* series, and *RiUP* series, as well as products with various medicinal effects. In addition to OTC drugs, the Group is also providing products to meet consumers' health needs, including health-related products such as health foods and cosmetics.

The OTC drug market is remaining level as a progressive decline in the Japanese population is offset by an increase in inbound demand due to a rising number of overseas visitors. Moreover, as consumers' health needs change, a rising awareness of disease prevention and treatment using health foods, among other trends, have expanded demand for health-related products other than OTC drugs. Due to these factors, the market environment is not conducive to business growth based on domestic OTC drug products alone, and the Group must look to drive business growth by expanding its domains and so forth.

In response to this market environment, the Group has broadly divided its Self-Medication Operations Group activities between Japan and overseas.

In Japan, the Company will work to further enhance the value of existing brands in the OTC drug market, such as the *Lipovitan* series, *Pabron* series, and *RiUP* series, while working to develop new brands. At the same time, it will respond to changes in consumer needs by expanding its domains to include health-related products other than OCT drugs, such as food and cosmetics. In addition, to keep pace with the shift in consumer purchasing behavior towards the internet channel, the Company has established Taisho Pharmaceuticals Direct and TAISHO BEAUTY ONLINE, and is working to improve purchasing convenience for consumers.

Outside Japan, since the full-scale entre into the OTC drug business in Asia in Fiscal 2009, the Group has strengthened its OTC drug business centered on Southeast Asia by acquiring brand assets with strong local connections through M&As and brand acquisitions. In Fiscal 2019, the Company made DHG in Vietnam and UPSA in France into consolidated subsidiaries. With these, the Group has established a strong business base in Europe centered on France, including Eastern Europe, and West Africa. From now on, through a bipolar structure targeting the European market in addition to the Southeast Asian market, the Group will proceed to centralize and standardize quality management, manufacturing management, information management, and so forth, utilizing the business model that it has cultivated in Japan to open new markets in an effort to promote the spread of self-medication and expand the business.

(ii) Status by segment < Prescription Pharmaceutical Operation Group >

In the operating environment of the Prescription Pharmaceutical Operation Group, as an R&D-oriented pharmaceutical company, the Company is engaged in four key domains: orthopedic disorders, metabolic diseases, infectious diseases, and the CNS (central nervous system) diseases.

The business climate remains tough due to an increasing level of difficulty in discovering new drugs as well as effects of the promotion of government measures designated to curb healthcare costs and full-blown reform of the drug price system, and other factors.

In response to this market environment, the Group is focusing on maximizing sales of its original in-house products, *Lusefi* and *LOQOA*, and the introduction of entities/products in the late development stage. In the medium- to long-term, the Group will strengthen alliances with external research institutions and other companies and incorporate advanced technologies to expand its R&D function and aim for sustainable growth through new drug discovery.

The market environment in the pharmaceuticals industry is becoming increasingly challenging, and the ability to grow depends on a vigorous response to these changes. The Group is taking new steps, such as exploring new business seeds rather than focusing exclusively on its existing business domains. The Group will aim to increase its ability to create value across the entire Group, striving to build a framework that can make management decisions flexibly in response to environmental changes while also strengthening its corporate governance.

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, 2019	As of March 31, 2020
ASSETS		
Current assets		
Cash and deposits	282,567	223,814
Notes and accounts receivable - trade	71,286	65,463
Securities	75,900	14,089
Merchandise and finished goods	16,748	26,616
Work in process	2,283	3,176
Raw materials and supplies	10,485	13,577
Other	10,663	9,334
Allowance for doubtful accounts	(154)	(449)
Total current assets	469,781	355,623
Non-current assets		
Property, plant and equipment		
Buildings and structures	152,695	176,666
Accumulated depreciation and impairment loss	(106,930)	(120,361)
Buildings and structures, net	45,764	56,305
Machinery, equipment and vehicles	88,670	111,736
Accumulated depreciation and impairment loss	(83,452)	(98,255)
Machinery, equipment and vehicles, net	5,217	13,480
Land	37,008	37,351
Construction in progress	246	2,490
Other	33,098	33,024
Accumulated depreciation and impairment loss	(30,052)	(30,096)
Other, net	3,045	2,928
Total property, plant and equipment	91,283	112,555
Intangible assets		
Goodwill	12,534	169,862
Sales rights	1,419	690
Trademark right	5,657	24,620
Software	4,086	6,570
Other	604	8,236
Total intangible assets	24,302	209,980
Investments and other assets		
Investment securities	172,432	145,831
Shares of subsidiaries and associates	31,262	11,644
Long-term prepaid expenses	549	1,009
Retirement benefit asset	5,765	4,642
Deferred tax assets	9,365	11,134
Other	17,285	862
Allowance for doubtful accounts	(244)	(233)
Total investments and other assets	236,416	174,891
Total non-current assets	352,001	497,428
Total assets	821,782	853,051

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	18,814	18,045
Accounts payable - other	14,276	15,743
Income taxes payable	8,607	5,414
Accrued expenses	10,319	19,310
Provision for sales returns	932	767
Provision for bonuses	3,123	3,769
Other	2,379	3,404
Total current liabilities	58,453	66,456
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	1,006	1,006
Retirement benefit liability	18,715	20,248
Deferred tax liabilities	13,530	16,943
Other	5,939	6,688
Total non-current liabilities	39,192	44,887
Total liabilities	97,645	111,343
NET ASSETS		
Shareholders' equity		
Share capital	30,000	30,000
Capital surplus	14,924	–
Retained earnings	706,742	699,412
Treasury shares	(68,641)	(35,454)
Total shareholders' equity	683,025	693,958
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,017	20,796
Deferred gains or losses on hedges	2,181	–
Foreign currency translation adjustment	(2,130)	(405)
Remeasurements of defined benefit plans	(2,809)	(3,046)
Total accumulated other comprehensive income	29,258	17,345
Share acquisition rights	687	773
Non-controlling interests	11,165	29,630
Total net assets	724,137	741,707
Total liabilities and net assets	821,782	853,051

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

Consolidated Statements of Income

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net sales	261,551	288,527
Cost of sales	91,206	108,337
Gross profit	170,345	180,190
Reversal of provision for sales returns	668	853
Provision for sales returns	850	660
Gross profit - net	170,163	180,383
Selling, general and administrative expenses	138,951	158,923
Operating profit	31,211	21,460
Non-operating income		
Interest income	4,952	3,769
Dividend income	1,897	1,990
Share of profit of entities accounted for using equity method	1,689	272
Other	1,235	586
Total non-operating income	9,774	6,619
Non-operating expenses		
Interest expenses	2	118
Foreign exchange losses	–	2,532
Commission expenses	84	81
Other	48	335
Total non-operating expenses	135	3,068
Ordinary profit	40,851	25,010
Extraordinary income		
Gain on sales of non-current assets	37	39
Gain on step acquisitions	–	6,093
Gain on sales of shares of subsidiaries and associates	42,944	–
Total extraordinary income	42,982	6,133
Extraordinary losses		
Loss on disposal of non-current assets	80	240
Impairment loss	2,916	592
Early retirement program-expenses	12,866	–
Loss on liquidation of subsidiaries	1,948	–
Loss on valuation of shares of subsidiaries and associates	1,536	–
Total extraordinary losses	19,349	832
Profit before income taxes	64,484	30,311
Income taxes - current	14,989	10,042
Income taxes - deferred	(330)	(1,618)
Total income taxes	14,658	8,423
Profit	49,825	21,887
Profit attributable to non-controlling interests	1,231	1,356
Profit attributable to owners of parent	48,593	20,531

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit	49,825	21,887
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,889)	(11,139)
Deferred gains or losses on hedges	2,181	(2,181)
Foreign currency translation adjustment	506	1,387
Remeasurements of defined benefit plans, net of tax	2,371	(204)
Share of other comprehensive income of entities accounted for using equity method	(1,967)	162
Total other comprehensive income	(1,798)	(11,974)
Comprehensive income	48,027	9,912
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	46,843	8,617
Comprehensive income attributable to non-controlling interests	1,183	1,295

(3) Consolidated Statements of Changes in Equity

For the year ended March 31, 2019 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,000	15,271	666,920	(68,536)	643,655
Changes during period					
Purchase of treasury shares				(125)	(125)
Disposal of treasury shares		4		20	24
Change in ownership interest of parent due to transactions with non-controlling interests		(351)			(351)
Dividends of surplus			(8,787)		(8,787)
Profit attributable to owners of parent			48,593		48,593
Change in scope of consolidation			16		16
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	(347)	39,821	(104)	39,369
Balance at end of period	30,000	14,924	706,742	(68,641)	683,025

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	37,970	(0)	(1,704)	(5,256)	31,009	565	16,087	691,318
Changes during period								
Purchase of treasury shares								(125)
Disposal of treasury shares								24
Change in ownership interest of parent due to transactions with non-controlling interests								(351)
Dividends of surplus								(8,787)
Profit attributable to owners of parent								48,593
Change in scope of consolidation								16
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Net changes in items other than shareholders' equity	(5,952)	2,181	(425)	2,447	(1,750)	121	(4,921)	(6,550)
Total changes during period	(5,952)	2,181	(425)	2,447	(1,750)	121	(4,921)	32,819
Balance at end of period	32,017	2,181	(2,130)	(2,809)	29,258	687	11,165	724,137

For the year ended March 31, 2020 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,000	14,924	706,742	(68,641)	683,025
Changes during period					
Purchase of treasury shares				(48)	(48)
Disposal of treasury shares				35	35
Cancellation of treasury shares		(33,199)		33,199	–
Transfer from retained earnings to capital surplus		18,274	(18,274)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Dividends of surplus			(9,586)		(9,586)
Profit attributable to owners of parent			20,531		20,531
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	(14,924)	(7,329)	33,186	10,932
Balance at end of period	30,000	–	699,412	(35,454)	693,958

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	32,017	2,181	(2,130)	(2,809)	29,258	687	11,165	724,137
Changes during period								
Purchase of treasury shares								(48)
Disposal of treasury shares								35
Cancellation of treasury shares								–
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Dividends of surplus								(9,586)
Profit attributable to owners of parent								20,531
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Net changes in items other than shareholders' equity	(11,221)	(2,181)	1,725	(236)	(11,913)	86	18,465	6,638
Total changes during period	(11,221)	(2,181)	1,725	(236)	(11,913)	86	18,465	17,570
Balance at end of period	20,796	–	(405)	(3,046)	17,345	773	29,630	741,707

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	64,484	30,311
Depreciation	10,073	11,366
Amortization of goodwill	1,217	5,329
Loss (gain) on sales of non-current assets	(37)	74
Loss (gain) on disposal of non-current assets	80	127
Loss (gain) on liquidation of subsidiaries and associates	1,948	–
Loss (gain) on sales of shares of subsidiaries and associates	(42,944)	–
Early retirement program-expenses	12,866	–
Impairment loss	2,916	592
Loss (gain) on step acquisitions	–	(6,093)
Loss on valuation of shares of subsidiaries and associates	1,536	–
Interest and dividend income	(6,849)	(5,760)
Interest expenses	2	118
Foreign exchange losses (gains)	(508)	3,617
Share of loss (profit) of entities accounted for using equity method	(1,689)	(272)
Increase (decrease) in allowance for doubtful accounts	54	60
Increase (decrease) in retirement benefit liability	(5,365)	48
Decrease (increase) in retirement benefit asset	(2,534)	1,122
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(0)
Increase (decrease) in provision for bonuses	(744)	(1,897)
Decrease (increase) in trade receivables	3,686	11,849
Decrease (increase) in inventories	(2,788)	1,601
Increase (decrease) in trade payables	(1,053)	(4,927)
Increase (decrease) in long-term accounts payable - other	(428)	(543)
Other	1,140	3,635
Subtotal	35,069	50,359
Interest and dividends received	11,251	5,892
Interest paid	(2)	(119)
Early retirement program-expenses paid	(12,166)	–
Income taxes paid	(15,039)	(16,513)
Income taxes refund	111	2,373
Net cash provided by operating activities	19,222	41,992

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from investing activities		
Decrease (increase) in time deposits	6,223	(10,286)
Payments for cash segregated as deposits	(16,336)	–
Proceeds from sales and redemption of securities	29,396	74,500
Purchase of property, plant and equipment	(3,434)	(5,456)
Proceeds from sales of property, plant and equipment	27	321
Purchase of intangible assets	(1,480)	(3,665)
Purchase of investment securities	(18,866)	(1,858)
Proceeds from sales and redemption of investment securities	–	111
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(160,497)
Purchase of shares of subsidiaries and associates	(8,021)	–
Proceeds from sales of shares of subsidiaries and associates	78,596	–
Purchase of long-term prepaid expenses	(147)	(499)
Other	87	250
Net cash provided by (used in) investing activities	66,044	(107,081)
Cash flows from financing activities		
Proceeds from short-term borrowings	211	270
Repayments of short-term borrowings	(187)	(1,534)
Repayments of finance lease obligations	(110)	(73)
Purchase of treasury shares	(125)	(48)
Dividends paid	(8,773)	(9,586)
Dividends paid to non-controlling interests	(4,517)	(722)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,749)	–
Purchase of treasury shares of subsidiaries	(216)	(0)
Net cash used in financing activities	(15,467)	(11,696)
Effect of exchange rate change on cash and cash equivalents	(570)	177
Net increase (decrease) in cash and cash equivalents	69,228	(76,607)
Cash and cash equivalents at beginning of period	194,364	263,549
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(44)	–
Cash and cash equivalents at end of period	263,549	186,941

(Reference)

(Business combination)

I. Business combination through acquisition (Duoc Hau Giang Pharmaceutical JSC)
Taisho Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company implemented a tender offer to purchase the shares of the Company's equity method associate Duoc Hau Giang Pharmaceutical JSC (with an implementation period from March 18, 2019 through April 16, 2019), and acquired additional shares from existing shareholders (May 20, 2019) to make said company a consolidated subsidiary.

(1) Outline of the business combination

(a) Name and business description of the acquiree

Name of the acquiree:	Duoc Hau Giang Pharmaceutical JSC
Description of business:	Manufacture and sale of pharmaceuticals, sale of functional food, etc.

(b) Primary reasons for the business combination
The purpose of the business combination was to achieve further improvement in corporate value of the Group, including DHG, while at the same time further strengthening the cooperative relations with DHG that has been developed up until now and make the pharmaceutical business in the Asian market even stronger.

(c) Date of the business combination
May 20, 2019

(d) Legal form of the business combination
Cash acquisition of shares

(e) Company name after combination
No change.

(f) Ratio of voting rights acquired

Ratio of voting rights owned before business combination	34.99%
Ratio of voting rights acquired by the tender offer, etc.	16.01%
Ratio of voting rights after acquisition	51.01%

(g) Main basis for reaching a decision on business combination
Because the Company obtained the shares through cash acquisition

(2) Performance period of acquiree included in the consolidated financial statements
As the deemed date of acquisition of the acquiree is April 1, 2019, the difference between the balance sheet date of the Company and that of the acquiree does not exceed three months. Consequently, the performance of the acquiree from April 1, 2019 to December 31, 2019 is included in the consolidated financial statements for the year ended March 31, 2020.

Moreover, the portion of the performance attributable to the Company between January 1, 2019 to March 31, 2019 is posted as share of profit of entities accounted for using equity method in the consolidated financial statements.

(3) Acquisition cost of the acquired company and breakdown thereof by consideration type

Consideration for acquisition	Market value of owned shares before business combination on the date of business combination	¥25,809 million
	Cash paid for additional acquisition	¥12,059 million
Acquisition cost		¥37,868 million

(4) Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Gain on step acquisitions	¥6,093 million

(5) Details and amounts of main acquisition-related costs

Remuneration and commissions to advisors ¥147 million

(6) Amount of goodwill, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized

¥19,281 million

Provisional accounting procedures were performed for the verification and allocation of acquisition costs from the first quarter to the third quarter of the fiscal year ended March 31, 2020 based on information available at hand. However, the verification and allocation of acquisition costs has been completed as of March 31, 2020.

(b) Reason for recognition of goodwill

Future excess earning power is expected to be generated as a result of business development going forward.

(c) Method and period for amortization of goodwill

Straight-line method over 20 years

(7) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Current assets	¥14,778 million
Non-current assets	¥5,276 million
Total assets	¥20,054 million
Current liabilities	¥5,366 million
Non-current liabilities	¥295 million
Total liabilities	¥5,662 million

(8) Amount allocated to intangible assets other than goodwill and the breakdown by major type, and weighted average amortization period for all the intangible assets and by major type

Type	Amount	Weighted average amortization period
Trademark right	¥20,890 million	20 years
Right to use land	¥5,458 million	40 years
Total	¥26,349 million	

II. Business combination through acquisition (UPSA)

The Company's consolidated subsidiary Taisho Pharmaceutical Co., Ltd. acquired all the issued shares and related business assets of UPSA on July 1, 2019, making said company a consolidated subsidiary.

(1) Outline of the business combination

(a) Name and business description of the acquiree

Name of the acquiree:	UPSA SAS
Description of business:	Development, production, marketing, distribution and sales of over-the-counter pharmaceutical products

In conjunction with the acquisition of all the issued shares of UPSA, the business assets related to UPSA were also acquired.

(b) Primary reasons for the business combination

Together, UPSA, whose business base is in Europe, and the Company, whose business base is in Japan and South East Asia, have geographic complementarity with one another. By including UPSA in the Group, the Group will realize sustainable growth by pursuing synergies obtained through using both companies' resources, including their product development and brand nurturing capabilities, and their marketing knowhow.

(c) Date of the business combination

July 1, 2019

(d) Legal form of the business combination

Cash acquisition of shares and related business assets

(e) Company name after combination

No change.

(f) Ratio of voting rights acquired

100%

(g) Main basis for reaching a decision on business combination

Because the Company obtained the shares and related business assets through cash acquisition

(2) Performance period of acquiree included in the consolidated financial statements

As the balance sheet date of the acquiree is December 31, and the difference between the balance sheet date of the Company and that of the acquiree does not exceed three months, the performance of the acquiree from July 1, 2019 to December 31, 2019 is included in the consolidated financial statements for the year ended March 31, 2020.

(3) Acquisition cost of the acquired company and its related business assets, and breakdown thereof by consideration type

Consideration for acquisition	Cash paid for additional acquisition	¥165,015 million
Acquisition cost		¥165,015 million

(4) Details and amounts of main acquisition-related costs

Remuneration and commissions to advisors ¥2,232 million

(5) Amount of goodwill, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized

¥142,340 million

The amount of goodwill is provisional as the allocation of the acquisition cost is not yet completed because the process of specifying identifiable assets and liabilities at the time of business combination and the estimating their market value is incomplete.

(b) Reason for recognition of goodwill

Future excess earning power is expected to be generated as a result of business development going forward.

(c) Method and period for amortization of goodwill
Straight-line method over 20 years

(6) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Current assets	¥17,300 million
Non-current assets	¥20,185 million
Total assets	¥37,486 million
Current liabilities	¥13,285 million
Non-current liabilities	¥4,700 million
Total liabilities	¥17,985 million