Disclosure on the Internet accompanying
the Notice of the 68th Annual General Meeting of Shareholders

The aforementioned content is posted on the website of TOHO HOLDINGS ("the Company") (http://ir.tohohd.co.jp/ja/Stock/Meeting.html) and is provided to the shareholders via the Internet, pursuant to laws and regulations and Article 14 of the Articles of Incorporation of the Company.

TOHO HOLDINGS CO., LTD.

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

1) Consolidated subsidiaries

• Number of consolidated subsidiaries: 20

• Names of principal consolidated subsidiaries:

TOHO PHARMACEUTICAL
Kyushu Toho
SAYWELL
Koyo
Godo Toho
Toho System Service
THINK-ONE
SQUARE-ONE
Pharma Cluster
Pharma-Daiwa
J. Mirai Medical
Shimizu Pharmacy
Pharma Mirai
Seiko Medical Brain
VEGA PHARMA
Cure
Aobado
Kosei
Tokyo Research Center of Clinical Pharmacology
ALF

2) Non-consolidated subsidiaries

• Names of principal non-consolidated subsidiaries:

Nextit Research Institute, Inc.

• Reason for exclusion from the scope of consolidation:

The non-consolidated subsidiary is excluded from the scope of consolidation, because its business size is small, it does not have a significant impact on the total assets, net sales, consolidated net income or loss, and retained earnings, etc., and its overall impact is negligible.

(2) Application of the equity method

1) Number of affiliates to which the equity method is applied: 1

• Names of principal companies:

SAKAI Inc.

2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied:

• Names of principal non-consolidated subsidiaries:

Nextit Research Institute, Inc.

• Names of principal affiliates:

Kyoei Yakuhin

• Reason for exclusion from the scope of application of the equity method:

The non-consolidated subsidiary and affiliate to which the equity method is not applied is excluded from the scope of application of the equity method, because it does not have a significant impact on the consolidated net income or loss, and retained earnings, etc., and they are overall negligible.

(3) Fiscal year, etc. of consolidated subsidiaries

The last day of the fiscal year of consolidated subsidiaries is the same as the day of the consolidated settlement.

(4) Accounting policies

1) Standards and methods for the valuation of securities

Held-to-maturity bonds: Amortized cost method (Straight-line method)

Other securities

• Securities with fair value:	The fair value method based on the market price, etc., as of the last day of the consolidated fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)
• Securities without fair value:	The cost method using the moving-average method.

2) Valuation standards and valuation method for inventories: The cost method using the moving-average method is used for the 5 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toyo, SAYWELL, Koyo and Godo Toho) (The method of writing down the book value due to decreased profitability).

The cost method using the last cost method is used for other consolidated subsidiaries (The method of writing down the book value due to decreased profitability).

3) Depreciation method for fixed assets

i) Property, plant and equipment (excluding lease assets)

The fixed-rate method is applied (However, the straight-line method is applied for buildings (excluding auxiliary facilities of buildings) acquired on or after April 1, 1998).

Principal useful lives are as follows:

Buildings and structures:	8-50 years
Vehicles and transport equipment:	4-6 years
Others:	5-15 years

ii) Intangible assets (excluding lease assets)

The straight-line method. However, the straight-line method over the internal useful life (five years) is used for computer software for internal use.

iii) Lease assets

Lease assets pertaining to finance lease transactions, without transferring the ownership of the leased assets to the lessee.

The straight-line method with no residual value is applied and the lease term is considered to be the useful life.

In the case of a finance lease transaction without transferring the ownership of the leased assets to the lessee, if the initial day of such lease transaction was on or before March 31, 2008, such lease transaction is subject to the accounting treatment that is equivalent to the accounting treatment of an ordinary rental transaction.

4) Standards for reporting significant allowances and provisions

i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad-debt losses on accounts receivable, loans, etc. In cases of ordinary receivables, the amount calculated using the loan loss ratio is provided, and in cases of specific receivables such as doubtful accounts, the recoverability is individually assessed and the estimated irrecoverable amount is provided.

ii) Provision for bonuses

The reserve for the payment of bonuses to employees and officers who perform duties as employees is provided, based on the estimated amount of bonuses payable for the consolidated fiscal year under review.

iii) Provision for directors' bonuses

The reserve for the payment of bonuses to directors is provided, based on the estimated amount of bonuses payable for the consolidated fiscal year under review.

iv) Provision for sales returns

The estimated amount of losses associated with future sales returns is provided to cover possible losses on sales returns.

v) Provision for loss on dissolution of employees' pension fund

The estimated amount of loss on the dissolution of the employees' pension fund is provided to cover possible losses on the dissolution of the employees' pension fund.

5) Other significant matters for preparation of consolidated financial statements

i) Accounting treatment method for retirement benefits

When calculating retirement benefit obligations and costs, seven consolidated subsidiaries (SQUARE-ONE, Pharma-Daiwa, J. Mirai Medical, Pharma Mirai, VEGA PHARMA, Tokyo Research Center of Clinical Pharmacology, and ALF) are subject to the application of the simplified method, under which the hypothetical amount required to be paid for all employees upon their retirement for personal reasons as of the end of the fiscal year is considered to be the amount of retirement benefit obligations.

In line with the full transition to the defined contribution pension system, the Company and three consolidated subsidiaries (TOHO PHARMACEUTICAL, Godo Toho, and Toho System Service) have introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2016 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

ii) Depreciation method and period of goodwill and negative goodwill

Goodwill, and negative goodwill that comes to exist by March 31, 2010, are evenly depreciated over 5 or 10 years.

iii) Accounting treatment method of consumption taxes, etc.

For the accounting treatment of consumption taxes, etc., the tax-exclusion method is adopted.

(5) Additional information

Change of the amounts of deferred tax assets and deferred tax liabilities due to change of the corporate tax rate, etc.

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016. The effective statutory tax rate, which was used for the calculation of the deferred tax assets and deferred tax liabilities for the consolidated fiscal year under review (however, limited to those that will be dissolved on or after April 1, 2016), was 32.3% in the previous consolidated fiscal year, and in line with the enactment of the Acts, the effective statutory tax rate is changed to 30.9% in cases of those which are expected to be collected or paid during the period from April 1, 2016 to March 31, 2018, and to 30.6% in cases of those which are expected to be collected or paid on or after April 1, 2018.

As a result, the amount of the deferred tax liabilities (the amount after deducting the amount of the deferred tax assets) has decreased by 674 million yen; the amount of the deferred tax liabilities pertaining to revaluation has decreased by 49 million yen; the amount of the valuation differences on available-for-sale securities has increased by 501 million yen; the amount of the land valuation differences has increased by 45 million yen; and the amount of the corporate tax adjustments reported in the consolidated fiscal year under review has decreased by 176 million yen.

2. Notes on changes in accounting policies

Application of accounting standards related to business combination

The "Accounting Standard for Business Combination" (Corporate Accounting Standards No. 21 of September 13, 2013; hereinafter referred to as the "Business Combination Accounting Standards"), "Accounting Standards for Consolidated Financial Statements" (Corporate Accounting Standards No. 22 of

September 13, 2013; hereinafter referred to as the "Consolidation Accounting Standards"), and "Accounting Standards for Business Divestiture, etc." (Corporate Accounting Standards No. 7 of September 13, 2013; hereinafter referred to as the “Business Divestiture Accounting Standards”), etc., are applied from the consolidated fiscal year under review, and changes are made to accounting methods; according to the methods after the changes, any difference due to fluctuation of the Company's equity in a subsidiary, over which the Company continues to exercise its control, is recorded as capital reserve, and any acquisition-related cost is recorded as cost of the consolidated fiscal year in which the cost is incurred. A change is made to the accounting method for business combination executed at or after the beginning of the consolidated fiscal year; according to the method after the change, the allocation of acquisition costs, which has been reviewed upon determination over a temporarily-used accounting treatment, is reflected to the consolidated financial statements of the consolidated fiscal year to which the day of business combination belongs. Furthermore, changes are made to the indication of net income, etc., and the indication of the minority shareholders' equity is changed to the indication of the non-controlling interest. In order to reflect such indication changes, the consolidated financial statements are modified for the preceding consolidated fiscal year.

Regarding the Business Combination Accounting Standards, etc., the Company adopts the interim measures described in 58-2 (4) of the Business Combination Accounting Standards, 44-5 (4) of the Consolidation Accounting Standards, and 57-4 (4) of the Business Divestiture Accounting Standards, and these measures are applied from the beginning of the consolidated fiscal year under review onward.

The application of the accounting standards has only minor impact on the consolidated financial statements and per-share information of the consolidated fiscal year under review.

3. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 48,848 million yen

(2) Assets provided as security and obligations pertaining to security

1) Assets provided as security

Fixed-term deposits	295 million yen
Buildings	4,181 million yen
Land	7,346 million yen
Investment securities	4,414 million yen
Total	16,237 million yen

2) Obligations pertaining to security

Notes payable and accounts payable	20,378 million yen
Long-term loans payable (including those to be reimbursed within 1 year)	2,929 million yen
Total	23,308 million yen

From among the assets provided as security, mortgages have been established on the buildings (2,216 million yen) and land (2,410 million yen) for securing loans borrowed by consolidated subsidiaries. The Company has granted debt guarantees for these borrowings.

(3) Guarantee obligations

1) Guarantee obligations to banks	1 million yen
2) Guarantee obligations for accounts payable	75 million yen
3) Guarantee obligations for lease contracts	3 million yen

(4) Land revaluation

Pursuant to the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (Act No. 19 of March 31, 2001), land for business use has been revaluated, and the amount obtained by deducting the "deferred tax liabilities pertaining to revaluation" from the revaluation differences is reported as the "revaluation reserve for land" in the net assets section.

Revaluation method

The calculation is based on the land tax ledger referred to in Article 2, Item (3) of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the consolidated fiscal year under review and the book value after the revaluation of the revaluated land

1,789 million yen

4. Notes to the Consolidated Statement of Changes in Shareholders' Equity

(1) Types and total number of outstanding stocks, and types and number of treasury stocks

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Outstanding stocks				
Common stocks	78,270 thousand shares	–	–	78,270 thousand shares
Total	78,270 thousand shares	–	–	78,270 thousand shares
Treasury stocks				
Common stocks (Note)	8,236 thousand shares	1,421 thousand shares	–	9,657 thousand shares
Total	8,236 thousand shares	1,421 thousand shares	–	9,657 thousand shares

(Note) Out of the number of increased common stocks held as treasury shares (1,421 thousand shares), 1,419 thousand shares were increased by a resolution of the Board of Directors meeting, and 1 thousand shares were increased by purchase of shares less than one unit.

(2) Subscription rights to shares, etc.

Company name	Breakdown	Type of target shares	Number of target shares (Thousand shares)				Balance as of the end of the consolidated fiscal year under review (Million yen)
			Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review	
Filing company	Euro-yen denominated convertible bonds due 2019 (Notes 1 and 2)	Common stocks	6,756	–	–	6,756	–
	Subscription rights to shares as stock options	Common stocks	25	15	–	40	67
Total			6,781	15	–	6,796	67

(Note) 1. The above number of the target shares of subscription rights to shares is the number of shares calculated based on the presumption that the subscription rights to shares options have been exercised.

2. For the convertible bonds with subscription rights to shares, the all-inclusive method is used.

(3) Dividends from surplus

1) Dividends from surplus, paid during the consolidated fiscal year under review

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 12, 2015	Common stocks	840 million yen	12 yen	March 31, 2015	June 8, 2015
Meeting of the Board of Directors held on November 6, 2015	Common stocks	893 million yen	13 yen	September 30, 2015	December 4, 2015

2) Dividends for which the record date falls during the consolidated fiscal year under review but for which the effective date is in the next consolidated fiscal year

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 11, 2016	Common stocks	1,029 million yen	15 yen	March 31, 2016	June 9, 2016

It is planned that retained earnings will be the divided resource.

5. Notes to Financial Instruments

1. Status of financial instruments

(1) Policies toward financial instruments

According to the Company group's policy, only the products with a high level of safety, such as fixed-term deposits, are used for its fund management, and bank loans are used as its primal means of fund procurement. The Company group enters into derivative transactions for the purpose of hedging the risk of interest rate fluctuations, and not for speculative purposes.

(2) Contents and risks of financial instruments and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to customer credit risk. With respect to such risk, the Company group maintains the system in which the schedule and balance are managed for each trade partner and the credit status of major trade partners is monitored where necessary, pursuant to the Company group's accounts receivable management rules.

Regarding the shares considered as investment securities by the Company group, the shares are mainly those of the companies with which the Company group has a business relationship. Although the shares are exposed to the risk of market price fluctuations, the finance division periodically checks the market prices in order to control the risk.

Most of the notes and accounts payable, which are trade payables, will become due within one year.

Regarding borrowings, the Company group uses a short-term borrowing method mainly for the purpose of procuring funds for business transactions, or as a short-term bridge loan to be borrowed until investment funds are procured by means of long-term loans payable; the Company group uses the long-term loans payable method mainly for the purpose of making capital investments. Borrowings made with a variable interest rate are exposed to the risk of interest rate fluctuations. In order to avoid the risk of interest rate fluctuations and stabilize the interest due with respect to some of Long-term loans payable, the Company group uses derivative transactions (interest rate swap transaction) as a hedging method for individual contracts. Regarding the method to assess the validity of hedging methods, the validity assessment is omitted, since the requirements for the special treatment of interest swaps are satisfied and the validity assessment is substituted by the determination on whether the requirements are satisfied.

The finance division is responsible for the execution and management of derivative transactions, and when executing a derivative transaction, approval is obtained in advance pursuant to internal rules for the execution of derivative transactions, as well as hedged borrowing. The Company group enters into derivative transactions only with financial institutions with a high credit rating, in order to reduce the credit risk.

Trade receivables and borrowings are exposed to liquidity risk. The Company group controls the risk by ensuring that each company prepares monthly cash flow plans, and by taking other measures.

(3) Supplementary information on the fair value, etc., of financial instruments

Regarding the amounts of contracts, etc., pertaining to derivative transactions in “2. Fair value, etc., of financial instruments”, the amounts themselves do not represent the market risk related to derivative transactions.

2. Fair value, etc., of financial instruments

The amounts reported in the consolidated balance sheet, fair values, and differences between them as of March 31, 2016 are as follows. The following table excludes any items for which the fair values are extremely difficult to identify (See (Note 2)).

(Unit: Million yen)

	Amount reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	31,531	31,531	−
(2) Notes and accounts receivable-trade	331,248	331,248	−
(3) Purchase rebates receivable	14,607	14,607	−
(4) Securities and investment securities Other securities	50,846	50,846	−
(5) Notes and accounts payable-trade	390,349	390,349	−
(6) Bonds payable	15,056	18,412	3,356
(7) Long-term loans payable	8,028	8,033	5
(8) Derivatives	−	−	−

Note 1: Method for calculating fair values of financial instruments and matters concerning investment securities and derivatives

(1) Cash and deposits, (2) Notes and accounts receivable-trade, and (3) Purchase rebates receivable

Because these items are settled on a short-term basis and their fair values are almost equal to the book values, the book values are used as fair values.

(4) Securities and investment securities

The fair values of shares are based on the prices on exchanges, and the fair values of bonds are based on the prices on exchanges or prices presented by financial institutions. Because money management funds are settled on a short-term basis and their fair values are almost equal to the book values, the book values are used as fair values.

The notes to the securities for each holding purpose are as follows.

1) Other securities

(Unit: Million yen)

Category	Type	Acquisition cost	Amount reported in the consolidated balance sheet	Difference
Item for which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Shares	19,241	49,075	29,834
	Government bonds, municipal bonds, etc.	—	—	—
	Bonds payable	—	—	—
	Others	11	14	3
	Subtotal	19,252	49,090	29,837
Item for which the	Shares	1,343	1,152	-190

amount reported in the consolidated balance sheet is no more than the acquisition cost	Government bonds, municipal bonds, etc.	—	—	—
	Bonds payable	—	—	—
	Others	603	603	—
	Subtotal	1,946	1,755	-190
Total		21,199	50,846	29,646

(Note)

1. The acquisition cost of the consolidated fiscal year is the amount after deduction of 0 million yen which is the amount of impairment loss.

2. If the fair value as of the end of the consolidated fiscal year decreases by approximately 50% or more of the acquisition cost, an impairment loss is reported. If the fair value decreases by approximately 30-50% of the acquisition cost, the average of the fair values at the end of each month during the past one year is calculated, and if the average fair value decreases by 30% or more of the acquisition cost, an impairment loss is reported.

2) Other securities sold during the consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Category	Sales value	Total profit on sales	Total loss on sales
Shares	3,258	1,956	—
Bonds	—	—	—
Others	—	—	—
Total	3,258	1,956	—

(5) Notes and accounts receivable-trade

Because these items are settled on a short-term basis and their fair values are almost equal to the book values, the book values are used as fair values.

(6) Corporate bonds

The fair values of corporate bonds are calculated based on their market prices.

(7) Long-term loans payable

The fair values of long-term loans payable are calculated by the method in which the total amount of the principal and interest is discounted by an assumed interest rate that would be applicable to a new equivalent borrowing.

Long-term loans payable with a variable interest rate are subject to the special treatment of interest swaps (See (8) 2) below). The fair value of long-term loans payable with a variable interest is calculated by the method in which the total amount of the principal and interest that is treated in combination with the interest swap is discounted by a reasonably-estimated interest rate that would be applicable to an equivalent borrowing.

(8) Derivatives

1) Derivatives to which hedge accounting is not applied: There are no such derivatives.

2) Derivatives to which hedge accounting is applied: The contract amount or amount equivalent to the principal, etc., specified in contracts as of the consolidated settlement date, with respect to each hedge accounting method, is as follows.

(Unit: Million yen)

Hedge accounting method	Type of derivative, etc.	Principal hedge target	Contract amount, etc.		Fair value
				Those with a period of more than 1 year included therein	
Special treatment of interest swap	Interest swap transactions Paid with a fixed interest rate and received with a variable interest rate	Long-term loans payable	1,840	720	(*)

(*) The derivatives subject to the special treatment of interest swaps are treated in combination with hedged Long-term loans payable. The fair values of such derivatives are included in the fair values of such Long-term loans payable (See (7) above).

(Note 2) Financial instruments for which the fair values are extremely difficult to identify

(Unit: Million yen)

Category	Amount
Unlisted stocks, etc.	15,613

The above financial instruments are not included in "(4) Securities and investment securities" because it is extremely difficult to identify their fair values as no quoted market price is available and it is impossible to estimate their future cash flows.

(Note 3) The reimbursement schedule of monetary claims and securities with a maturity date, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Deposits	30,414	—	—	—
Notes and accounts receivable-trade	331,248	—	—	—
Purchase rebates receivable	14,607	—	—	—

Securities and investment securities				
Held-to-maturity bonds	10	—	—	—
Other securities	—	500	—	—

(Note 4) The reimbursement schedule of corporate bonds, Long-term loans payable, lease obligations and other interest-bearing debts, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Bonds payable	—	15,000	—	—
Long-term loans payable	2,643	3,389	1,296	698

6. Notes to Rental Real Property

Notes are omitted because the total amount of rental real property has little significance.

7. Notes to Per Share Information

(1) Net assets per share: 2,544.58 yen

(2) Net income per share: 316.51 yen

8. Notes to Significant Subsequent Events

Not applicable.

Notes to Non-consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Standards and methods for the valuation of securities

Shares of subsidiaries and affiliates: The cost method using the moving-average method.

Other securities

• Securities with fair value: The fair value method based on the market price, etc., as of the last day of the fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)

• Securities without fair value: The cost method using the moving-average method.

(2) Depreciation method for fixed assets

1) Property, plant and equipment (excluding lease assets)

The fixed-rate method is applied (However, the straight-line method is applied for buildings (excluding auxiliary facilities of buildings) acquired on or after April 1, 1998).

Principal useful lives are as follows:

Buildings and structures:	8-50 years
Apparatus and equipment:	5-15 years

2) Intangible assets

The straight-line method. However, the straight-line method over the internal useful life (five years) is used for computer software for internal use.

3) Lease assets

Lease assets pertaining to finance lease transactions, without transferring the ownership of the leased assets to the lessee.

The straight-line method with no residual value is applied and the lease term is considered to be the useful life.

4) Long-term prepaid expenses

Evenly depreciated.

(3) Standards for reporting significant allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover bad-debt losses on accounts receivable, loans, etc. In cases of ordinary receivables, the amount calculated using the loan loss ratio is provided, and in cases of specific receivables such as doubtful accounts, the recoverability is individually assessed and the estimated irrecoverable amount is provided.

2) Provision for bonuses

The reserve for the payment of bonuses to employees and officers who perform duties as employees is provided, based on the estimated amount of bonuses payable for the fiscal year under review.

3) Provision for directors' bonuses

The reserve for the payment of bonuses to directors is provided, based on the estimated amount of bonuses payable for the fiscal year under review.

4) Provision for retirement benefits

In line with the full transition to the defined contribution pension system in April 2005, the Company has introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2016 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

5) Provision for loss on guarantees

Taking into account the financial conditions, etc., of debtors with respect to which the Company has provided guarantees, the estimated amount of loss is provided to cover loss on guarantees.

(4) Accounting treatment method of consumption taxes, etc.

For the accounting treatment of consumption taxes, etc., the tax-exclusion method is adopted.

2. Notes on Changes in Indication Method

(Balance sheet)

"Short-term loans receivable" were included in "Others" under the current assets in the previous fiscal year. However, they are indicated separately from the fiscal year under review, because the amount of the short-term loans receivable becomes more significant.

The amount of "Short-term loans receivable" in the previous fiscal year was 5,386 million yen.

3. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 14,623 million yen

(2) Assets provided as security and obligations pertaining to security

Assets provided as security

Buildings	328 million yen
Land	1,050 million yen
Total	1,379 million yen

Obligations pertaining to security

Long-term loans payable (including those to be reimbursed within 1 year)	1,310 million yen
Total	1,310 million yen

The following assets are provided as security pertaining to notes payable and accounts payable-trade of subsidiaries including TOHO PHARMACEUTICAL.

Fixed-term deposits	265 million yen
Buildings	500 million yen
Land	2,337 million yen
Investment securities	4,412 million yen
Total	7,515 million yen

(3) Guarantee obligations

Guarantee obligations to banks	4,273 million yen
Guarantee obligations to accounts payable	80 million yen

(4) Monetary receivables and monetary obligations to affiliates

Short-term monetary receivables	11,352 million yen
Long-term monetary receivables	8,338 million yen
Short-term monetary obligations	4,336 million yen

(5) Land revaluation

Pursuant to the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (Act No. 19 of March 31, 2001), land for business use has been revaluated, and the amount obtained by deducting the "deferred tax liabilities pertaining to revaluation" from the revaluation differences is reported as the "revaluation reserve for land" in the net assets section.

Revaluation method

The calculation is based on the land tax ledger referred to in Article 2, Item (3) of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the fiscal year under review and the book value after the revaluation of the revaluated land.

1,817 million yen

4. Notes to the Non-consolidated Profit and Loss Statement

Amount of transactions with affiliates

Amount of business transactions

Business revenue 9,351 million yen

Amount of transactions other than business transactions 385 million yen

5. Notes to the Non-consolidated Statement of Changes in Shareholders' Equity

Number of treasury shares

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stocks (Note)	8,224 thousand shares	1,421 thousand shares	–	9,646 thousand shares

(Note) Out of the number of increased common stocks held as treasury shares (1,421 thousand shares), 1,419 thousand shares were increased by a resolution of the Board of Directors meeting, and 1 thousand shares were increased by purchase of shares less than one unit.

6. Notes to Deferred Tax Accounting

Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets (Current)	
Accrued enterprise tax	67
Provision for bonuses	15
Other	3
Total	86
Deferred tax assets (Fixed)	
Allowance for doubtful accounts	629
Investment securities	610
Stocks of subsidiaries and affiliates	839
Other noncurrent liabilities	59
Provision for retirement benefits	1
Impairment loss	147
Asset retirement obligations	94
Valuation differences on available-for-sale of securities	49
Stock options	17
Others	0
Total	2,449
Valuation reserve	(2,443)
Subtotal	6
Total of deferred tax assets	93
Deferred tax liabilities (Fixed)	
Reserve for reduction entry of land	(737)
Valuation differences on available-for-sale of securities	(11,956)
Valuation differences of securities resulting from merger of subsidiaries	(429)
Asset retirement obligations	(69)
Subsidiary shares	(131)
Investment securities returned from retirement benefit trust	(147)
Total of deferred tax liabilities	(13,471)
Net amount of deferred tax liabilities	(13,378)

7. Notes concerning Related Party Transactions

Subsidiaries and affiliates, etc.

Attribute	Company name, etc.	Ownership ratio of voting rights, etc. (%)	Relationship with related party	Transaction content	Transaction amount (million yen)	Item	Balance as of the end of the fiscal year (million yen)
Subsidiary	TOHO PHARMACEUTICAL	Ownership Direct 100.0 %	Conclusion of business management contract Financial support Interlocking officers	Lending of funds	5,335	Loans (CMS loans)	9,880
				Interest income (Note 1)	125	Deposits (CMS deposits)	–
				Management guidance service fee income (Note 2)	1,109		

				Real estate rental income (Note 3)	1,978		
				Dividend income (Note 4)	6,019		
				Debt guarantee (Note 5)	5,190		
Subsidiary	THINK-ONE	Owner ship Direct 100.0	Financial support	Debt guarantee (Note 6)	2,050	—	—
Subsidiary	SQUARE-ONE	Owner ship Direct 60% Indirect 40.0%	Sales of pharmaceuticals by the Company's consolidated subsidiary Financial support	Lending of funds Interest income (Note 1)	2,316 94	Loans	4,834
Subsidiary	Pharma Cluster	Owner ship Direct 100.0	Financial support Interlocking officers	Borrowing of funds Interest due (Note 1)	1,544 41	Deposits (CMS deposits)	4,256
Subsidiary	ALF	Owner ship Direct 91.5 Direct 0.8	Sales of the Company group's customer support system Financial support Interlocking officers	Debt guarantee (Note 6)	1,639	—	—

(Note) Terms of transactions and the policy for determining the terms of transactions

1. Interest rates are determined through discussion pursuant to the Company's rules, taking into consideration market interest rates, etc. A transaction amount represents a net increase or net decrease during the fiscal year.
2. The amount of the management guidance service fee income is determined based on the amount equivalent to the expenses pertaining to management guidance.
3. The amount of the real estate rental income is determined through discussion based on current conditions of transactions in the neighboring areas.
4. The amount of the dividend income is determined based on prescribed dividend standards.
5. The Company has obtained debt guarantees for borrowings from banks.
6. The Company has provided debt guarantees for borrowings from banks.

8. Notes to Per Share Information

(1) Net assets per share 1,632.27 yen

(2) Net income per share 87.98 yen

9. Notes to Significant Subsequent Events

Not applicable.