Securities Code ● 4559


62nd

# Business Report

From April 1st, 2015 to March 31st, 2016

## Contents



ゼリア新薬
ZERIA

# To Our Shareholders

Chairman and CEO
Sachiaki Ibe

President and COO
Mitsuhiro Ibe

We, Zeria Pharmaceutical Co., Ltd. (“Zeria”) would like to express our thanks for your particular support, and we would like to express our deepest condolences and sympathies to all those affected by the earthquakes which struck Kumamoto in April 2016.

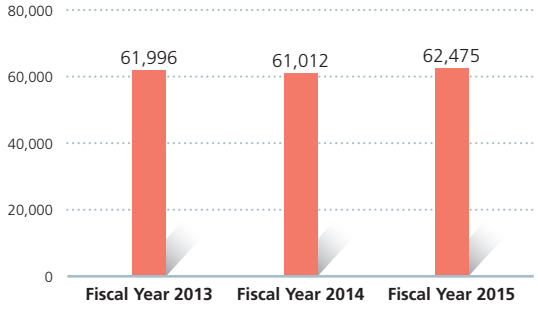
We have donated 10 million yen through Japanese Red Cross Society to support the rescue and recovery efforts for those affected by the earthquakes.

We hope that the affected areas will be recovered as soon as possible.

We are pleased to report the business results of fiscal year 2015 (62nd business operations) for the period from April 1st, 2015 to March 31st, 2016.

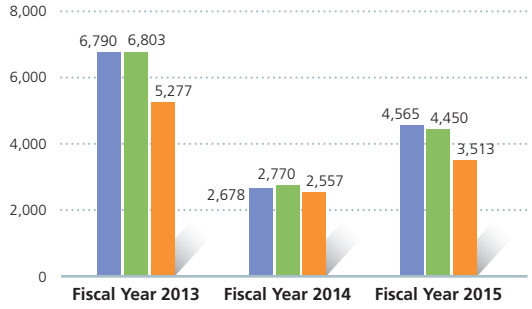
Net sales

(Unit: ¥million)




Operating income ( ) / Ordinary income ( ) / Profit attributable to owners of parent ( )

(Unit: ¥million)



During the fiscal year under review, the Japanese economy is proceeding with moderate recovery based on background of improvements in the environment for employment and income. However, in the second half of the fiscal year, factors such as sluggish personal consumption, the slowing down of the economy in China and in other developing countries and the strengthening of the yen led to increasing in unclear outlook.

For the pharmaceutical industry, among ethical pharmaceuticals, as a government's policy of curtailment of healthcare expenditures, utilizing of generic brand pharmaceuticals is strongly accelerated as compared with previous years, and competition in OTC drugs market is getting harder. As a consequence, both ethical pharmaceuticals and OTC drugs remain in such severe situation.

Under such circumstances, on second year of the 8th Mid-Term Management Plan (3 year term starting from fiscal year 2014 to fiscal year 2016), Zeria proactively continued to invest resources on business. In July 2015 Tillotts Pharma AG, a wholly owned subsidiary of Zeria, acquired from AstraZeneca the global rights to the manufacture and sale excluding the United States for the inflammatory bowel disease therapeutic agent, Entocort®. Also, in September 2015 Zeria acquired 49% of the issued shares of the Vietnamese pharmaceutical manufacturing and sales company, Pharmaceutical Joint Stock Company of February 3rd, marking the first step forward for the expansion of the business in Asia. As well as steadily reinforcing its foundation as a global company, Zeria has worked to drive forward the Ethical Pharmaceuticals and the Consumer Healthcare businesses closely together, which have long been regarded as the inseparable "two wheels of a cart" of the Group.

As a result of these activities, net sales for the fiscal year under review were 62,475 million yen (up 2.4% from the previous fiscal year). Operating income was 4,565 million yen (up 70.4%), ordinary income was 4,450 million yen (up 60.7%) and profit attributable to owners of parent was 3,513 million yen (up 37.4%).

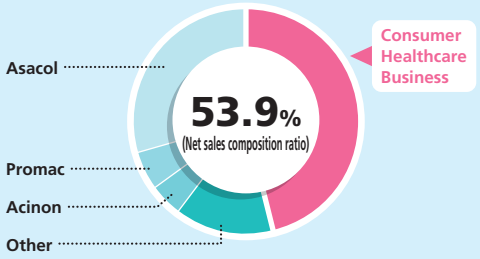
In fiscal year 2015, the overseas sales to net sales ratio was 20.0%, compared with 17.2% in the previous fiscal year.

# Ethical Pharmaceuticals Business

## Net sales

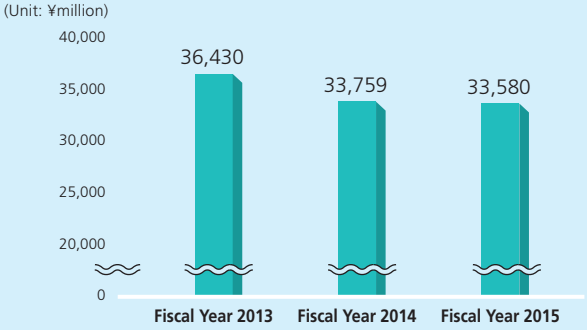
**¥33,580 million** ▶ down 0.5% from the previous fiscal year

## Net sales of major products




| | |
|---|---|
| Asacol | ¥18.25 billion |
| Promac | ¥3.43 billion |
| Acinon | ¥2.96 billion |

## Consolidated net sales in Ethical Pharmaceuticals Business




In the Ethical Pharmaceuticals business, according to basis of compliance with promotion codes, Zeria sought to improve the quality of its medical representatives (MRs), and took steps to upgrade its medical information activities.

As for the main product Asacol®, a therapeutic agent for ulcerative colitis, sales grew satisfactorily in Japan. However, overseas sales of the product was hit by the strengthening of the Swiss franc that caused by removal of the ceiling for the Swiss franc versus the Euro by the Swiss National Bank, leading to flat overall. Sales of other products including Acinon®, an $H_2$ receptor antagonist, and Promac®, a zinc-containing antiulcer agent, struggled due to the promotion of generic brand pharmaceuticals. As for Acofide®, the therapeutic agent for functional dyspepsia, although the development of the market is behind schedule, we are working to promote development by raising awareness of both disease and treatment methods in medical institutions.

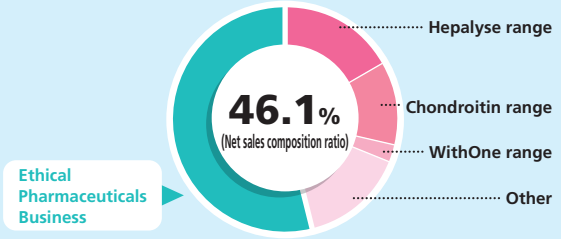
As a result of these, net sales in the business amounted to 33,580 million yen (down 0.5% from the previous fiscal year). Furthermore, Entocort® began contributing to sales and profits for the fiscal year under review from the third quarter, when rights of the product were acquired, and going forward we will build up the product to become a main product for this business.

# Consumer Healthcare Business

## Net sales

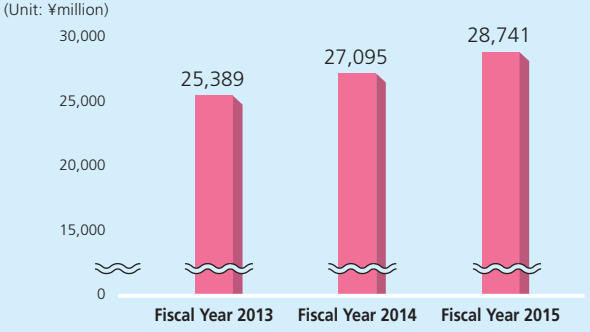
**¥28,741 million** (▶ up 6.1% from the previous fiscal year)

## Net sales of major products




| | |
|---|---|
| Hepalyse range | ¥10.52 billion |
| Chondroitin range | ¥7.41 billion |
| WithOne range | ¥1.60 billion |

## Consolidated net sales in Consumer Healthcare Business




In the Consumer Healthcare business, on the progress of the super-aged society, Zeria worked to develop markets through the supply of products which support self-medication for the consumer.

As for the main product range, Hepalyse® range, intensive advertising activities such as TV advertisements resulted in sales growth and further enhancement of product awareness. Moreover, in order to strengthen the Hepalyse® W product range which has an aim for selling in convenience stores, we launched Hepalyse® W Sparkling (a carbonated drink) in June 2015 and Hepalyse® W Premium (a soft drink) in March 2016. In addition, to strengthen the OTC drug Hepalyse® series which are nutrients and tonics for physical fatigue and exhaustion, we launched Hepalyse® Plus II in October 2015. Regarding Chondroitin product range, overwhelming market share was maintained firmly as a result of sales activities that promoted its effectiveness, safety and high quality as a range of pharmaceuticals and clearly distinguished it from health foods. Moreover, as for Chondroitin ZS Tablets®, we launched a product that was smaller and easier to take in October 2015.

As a result, net sales in the business amounted to 28,741 million yen (up 6.1% from the previous fiscal year).

OTC drugs

Hepalyse® W series

# Status of Research and Development

In the Research and Development division, Zeria is actively promoting overseas clinical trials of its own original drugs. At the same time, Zeria acquires in-licensed drugs that have gained global success and develops them for the Japanese market.

As part of its efforts to strengthen its new drug pipeline in the priority gastrointestinal field, Zeria has jointly conducted a Phase III trial for additional dosages and administration for Z-206 (Asacol®), with Kyowa Hakko Kirin Co., Ltd for ulcerative colitis. The trial has been completed and Zeria is preparing an application for its approval. Regarding development of Asacol in China, Zeria also submitted an application for its approval in May 2013 following the completion of a Phase III trial.

As for Zeria's own original drug Z-338 (Acofide®), it is conducting a Phase III trial in patients with functional dyspepsia in Europe.

Zeria is implementing a Phase II trial for Z-215, a long lasting proton pump inhibitor and in-licensed drug from Eisai Co., Ltd., in patients with reflux esophagitis.

In addition, Zeria is conducting a global Phase III clinical trial for Z-100 which is targeting for cure of cervical cancer, in the Asian region including Japan.

As for Z-360, Zeria is implementing a global Phase II clinical trial in the Asian region including Japan in patients with pancreatic cancer.

Zeria started a Phase III trial for Z-213, a treatment for iron deficiency anemia and in-licensed drug from Vifor (International) AG, Switzerland.

Moreover, with regard to development of Entocort® in Japan, in October 2015 Zeria submitted an application for its approval for manufacturing and sale under the brand name Zentacort®.

In the area of Consumer Healthcare products, as well as pushing ahead with the development of European herbal medicines Zeria is also launching new products one after the other.

Meanwhile, Zeria Group company Tillotts Pharma AG is developing therapeutic drugs for lower gastrointestinal disease primarily in Europe.

Tillotts Pharma AG is conducting a Phase III trial in Europe and Canada for an improved mesalazine formulation benefiting from new technology targeting ulcerative colitis (Tillotts Pharma development code: TP05).

In addition, being co-developed with Cancer Prevention Pharmaceuticals, Inc. (USA), Tillotts Pharma AG is conducting a Phase III trial in Europe and the USA for development as a therapeutic agent targeting familial adenomatous polyposis currently (Tillotts Pharma development code: TP09).

As a result of these activities, research and development expenses for the fiscal year under review decreased from the results of the previous fiscal year to 8,579 million yen (down 13.2% from the previous fiscal year).

# Research and Development Pipeline

## ● Status of Pipeline of New Drugs

### I. Domestic

(As of June 29, 2016)

1) Gastrointestinal field

| Stage | Development Code/ Generic Name | Development | Indications | Classification | Source |
|---|---|---|---|---|---|
| NDA filed | Budesonide (Scheduled product name: Zentacort) | AstraZeneca | Crohn's disease | Glucocorticoid | In-licensed |
| Preparing for filing | Z-206/Mesalazine (Asacol® additional dosage and administration) | Zeria (Co-development with Kyowa Hakko Kirin) | Ulcerative colitis | pH-dependent controlled-release formulation | Original (Tillotts Pharma AG) |
| Phase II (Asia Global Development) | Z-360 | Zeria | Pancreatic cancer | Gastrin $CCK_2$ receptor antagonist | Original |
| Phase II | Z-215 | Zeria | Acid-related disorders | Long lasting proton pump inhibitor | In-licensed |

2) Other fields

| Stage | Development Code/ Generic Name | Development | Indications | Classification | Source |
|---|---|---|---|---|---|
| Phase III (Asia Global Development) | Z-100 | Zeria | Cervical cancer | Immunomodulator | Original |
| Phase III | Z-213/Ferric carboxymaltose | Zeria | Iron deficiency anemia | Intravenous iron replacement | In-licensed |

### II. Overseas

| Stage | Development Code/ Generic Name | Development | Indications | Classification | Source |
|---|---|---|---|---|---|
| NDA filed (China) | Z-206/Mesalazine | Co-development of Zeria and Tillotts Pharma | Ulcerative colitis | pH-dependent controlled-release formulation | Original (Tillotts Pharma AG) |
| Phase III (Europe) | Z-338/Acotiamide | Zeria | Functional dyspepsia | Upper gastrointestinal motility modulator | Original |
| Phase III (Asia) | Z-100 | Zeria | Cervical cancer | Immunomodulator | Original |
| Phase III (Europe, Canada) | TP05/Mesalazine | Tillotts Pharma | Ulcerative colitis | OPTICORE formulation | Original (Tillotts Pharma AG) |
| Phase III (Europe, USA) | TP09/CPP-1X·Sulindac | Tillotts Pharma (Co-development with Cancer Prevention Pharmaceuticals) | Familial adenomatous polyposis | Polyamine biosynthesis suppression | In-licensed |
| Phase II completed (North America) | Z-338/Acotiamide | Zeria | Functional dyspepsia | Upper gastrointestinal motility modulator | Original |
| Phase II (Asia) | Z-360 | Zeria | Pancreatic cancer | Gastrin $CCK_2$ receptor antagonist | Original |

Reference

**Phase I Clinical Trials**

After confirmation of the efficacy and safety by animal studies, "drug candidates" are tested on a small group of healthy subjects. These trials aim for determination of not only safety, but also how long it takes for the body through an absorption of the drug and the degree to which the body excrete the drug.

**Phase II Clinical Trials**

After safety has been confirmed by Phase I clinical trials, the efficacy and safety of the "drug candidate," as well as the appropriate method of use such as dosage and administration method, are tested on a small number of patients against placebo*.

**Phase III Clinical Trials**

By administering to a large number of patients, the efficacy, safety and method of use of the "drug candidate" are studied as a final stage. During this phase, the "drug candidate" is tested against other drugs on the market or placebo*. In many cases, stringent testing methods called double-blind trials are performed.

* Placebo: A fake drug that does not contain the active ingredient, but which is indistinguishable from the "drug candidate" by outer appearance or taste, etc.

## Status of Production and Distribution

In Zeria's Production and Distribution division, operation is proceeding with a securing of quality which is set as top priority. In departments related to Production, we are focusing to secure more high quality and reduce cost of goods. In departments related to Distribution, meanwhile, Zeria outsourced logistic operations, and improvement in operational efficiency and cost reductions are proceeded.

Furthermore, in order to achieve stable supply of Zeria's products such as OTC drugs which is expected to rise its demand, Zeria has been carrying out renovation work at the Saitama Plant aiming for increase in production capacity. This renovation was completed in March 2016 and sequential operation is being done. Also, in order to achieve stable supply of drink products which is expected to be higher demand in Tsukuba Plant, we have begun renovation work at the Plant.

## Close-up

### A refresh for Chondroitin ZS Tablets®


In the more than 50 years since launch of Chondroitin ZS Tablets® in 1964, the drug have been used by many consumers who suffer from joint and lumbar pain as an oral drug.

In response to consumers who commented that the tablets are large and difficult to swallow, we have studied repeatedly the issue of making the tablets smaller. While keeping the content of the active ingredient, chondroitin sulfate sodium (260mg per tablet, 1,560mg/6 tablets daily dose), we were able to reduce their size, making them easier to swallow. At the same time, we changed the sweetener from saccharin sodium to acesulfame potassium and reduced the flavoring, giving it an aroma and taste that is easier to take.

## Outlook for Fiscal Year 2016

Regarding outlook for the consolidated results of fiscal year 2016 (ending March 31, 2017), Zeria forecasts that it will secure increases in both sales and profits, with net sales of 66.0 billion yen (up 5.6% from the previous fiscal year), operating income of 4.8 billion yen (up 5.1%), ordinary income of 4.6 billion yen (up 3.4%), and profit attributable to owners of parent of 3.6 billion yen (up 2.5%).

Net sales

In the Ethical Pharmaceuticals business, Zeria expects an increase in sales resulting from overseas sales growth of Asacol® which is the therapeutic agent for ulcerative colitis, full-year contribution of Entocort® which is a therapeutic agent for inflammatory bowel disease, and buildup of the domestic market for Acofide® which is a therapeutic agent for functional dyspepsia, despite continuing difficult conditions caused by NHI price reductions and impact of generic brands in Japan. In the Consumer Healthcare business, Zeria expects increases in sales from sales growth of the Hepalyse® product range and the Chondroitin product range due to the contribution of new products as the main driver.

Income

Despite expectations that research and development expenses will continue to be high because of the progress in clinical trials being conducted in and outside Japan, and advertising expenses will be increased, Zeria forecasts higher operating income, ordinary income and profit attributable to owners of parent compared with the fiscal year under review, due to increased sales of main products.

| | 62nd Term | 63rd Term (Forecast) |
|---|---|---|
| Net Sales | ¥62,475 million (up 2.4% from the previous fiscal year) | ¥66,000 million (up 5.6% from the previous fiscal year) |
| Operating Income | ¥4,565 million (up 70.4% from the previous fiscal year) | ¥4,800 million (up 5.1% from the previous fiscal year) |
| Ordinary Income | ¥4,450 million (up 60.7% from the previous fiscal year) | ¥4,600 million (up 3.4% from the previous fiscal year) |
| Profit Attributable to Owners of Parent | ¥3,513 million (up 37.4% from the previous fiscal year) | ¥3,600 million (up 2.5% from the previous fiscal year) |

# Special Offers to Our Shareholders

Zeria offers a hospitality program to its shareholders in recognition of their constant support.
Shareholders who own 1,000 or more of Zeria's shares can choose from one of the six options A to F. Shareholders who own 100 or more but less than 1,000 of Zeria's shares receive option G.
Moreover, from the record date at the end of March 2016, we have added option F.
Zeria hopes its shareholders will try the gift products for better understanding of its wide-ranging product structure.

## Option A

Soft drinks, Designated quasi-drug, Food for specified health uses

**Set of aluminum can drinks and Hepalyse® W**

## Option B

Health drink

**2 bottles of Chondrobe® Concentrate, JUNKOU®**

## Option C

Cosmetics and health products

**Set of ChondroMax® and Aposty®**

## Option D

Chondroitin-Content Intensive Nighttime Essence

**2 bottles of ZZ:CC® ADSORB ESSENCE (30g)**

* This product may be bought at Zeria's online store at http://www.zeriaonline.com/.

## Option E

Three-product Quality Moisturizer Set

**IONA Three-product Basic Skincare Set**

## Option F

High-purity chondroitin with natural ions to moisturize and give firmness to aging skin

**IONA R Two-product Special Care Set**

* This product may be bought at Zeria's online store at http://www.zeriaonline.com/.

## Option G

Drink containing liver extract and turmeric extract

**10 bottles of Hepalyse® W**

## Tillotts Pharma AG acquires the rights to Entocort®, a therapeutic agent for Crohn's disease.

On July 8, 2015, Tillotts Pharma AG, a wholly owned subsidiary of Zeria, acquired from AstraZeneca the global rights to the manufacture and sale excluding the United States for the Crohn's disease therapeutic agent Entocort® (generic name: budesonide).

Entocort® is first-line glucocorticoid therapy, currently approved in more than 40 countries for the treatment of Crohn's disease (CD). Because it acts at inflamed site of the digestive tract, it has the advantage that side effects are reduced.

Due to acquisition of the rights, in addition to the therapeutic agent for ulcerative colitis Asacol®, it has become possible for Tillotts Pharma AG to sell the Crohn's disease therapeutic agent Entocort®, significantly increasing its presence in the area of the digestive system. At the same time, we anticipate that by expanding the sales area of Entocort® Tillotts Pharma AG can achieve a strengthening of its business base, primarily in Europe while making a contribution to the further development of the Group.

Moreover, in Japan Zeria has submitted application for approval of Zentacort® and, after its approval we assume that in combination with Asacol®, the therapeutic agent for ulcerative colitis, we can make a considerable contribution to the treatment of inflammatory bowel disease in Japan (both ulcerative colitis and Crohn's disease).

## Hepalyse® W Premium is newly marketed

Hepalyse® W Premium was launched on March 21, 2016 in convenience stores across Japan as a new product in the Hepalyse® W soft-drink series, which is aimed at convenience stores.

In its range of Hepalyse® brand products for convenience stores, Zeria has been selling the soft drinks Hepalyse® W and Hepalyse® W Hyper, the carbonated drink Hepalyse® W Sparkling, the designated quasi-drug drink Hepalyse® Amino and the dietary supplement Hepalyse® W (Pastille Type) at convenience stores nationwide. These products have garnered immense praise.

Recently we added Hepalyse® W Premium to the line-up, containing 2.5 times the liver extract compared to Hepalyse® W in order to support those who are concerned about their health.

### Character of Hepalyse® W Premium

**■Premium drink that represents the highest grade in the Hepalyse® W series.**

Contains at highest amount of liver extract (250mg) and chondroitin (100mg) among all the Hepalyse® W series. It is a premium version of Hepalyse® W that also contains 45mg of turmeric extract (curcumin) for those times when it really matters.


**■A refreshing apple taste**

Has been carefully finished to give a refreshing apple taste. Despite increasing the amount of liver extract, it remains as easy to drink and as pleasant as it was previously.

**■The other delightful ingredients are unchanged**

Includes extract of black pepper to aid the absorption of the turmeric extract (curcumin) and vitamins.

# Financial Statements (Consolidated)

## Consolidated Balance Sheets (Summary)

(Unit: ¥million*)

| Item \ Term | Previous Fiscal Year (As of March 31, 2015) | Current Fiscal Year (As of March 31, 2016) |
|---|---|---|
| **Assets** | | |
| **Current Assets** | **45,680** | **39,695** |
| Cash and Deposits | 18,012 | 12,343 |
| Notes and Accounts Receivable-Trade | 16,241 | 14,763 |
| Inventories | 8,189 | 8,013 |
| Deferred Tax Assets | 943 | 744 |
| Other | 2,312 | 3,869 |
| Allowance for Doubtful Accounts | (18) | (39) |
| **Noncurrent Assets** | **50,587** | **79,482** |
| **Property, Plant and Equipment** | **22,021** | **23,274** |
| Buildings and Structures | 7,092 | 8,428 |
| Machinery, Equipment and Vehicles | 2,008 | 2,635 |
| Land | 11,579 | 11,671 |
| Construction in Progress | 940 | 143 |
| Other | 401 | 394 |
| **Intangible Assets** | **12,344** | **35,783** |
| **Investments and Other Assets** | **16,221** | **20,424** |
| Investment Securities | 9,731 | 12,471 |
| Deferred Tax Assets | 85 | 13 |
| Net Defined Benefit Asset | 5,400 | 7,113 |
| Other | 1,049 | 870 |
| Allowance for Doubtful Accounts | (44) | (43) |
| **Total Assets** | **96,268** | **119,178** |

| Item \ Term | Previous Fiscal Year (As of March 31, 2015) | Current Fiscal Year (As of March 31, 2016) |
|---|---|---|
| **Liabilities** | | |
| **Current Liabilities** | **21,911** | **48,245** |
| Notes and Accounts Payable-Trade | 2,383 | 2,041 |
| Short-Term Loans Payable | 11,572 | 39,037 |
| Other | 7,954 | 7,166 |
| **Noncurrent Liabilities** | **11,786** | **6,865** |
| Long-Term Loans Payable | 10,636 | 4,653 |
| Net Defined Benefit Liability | 371 | 643 |
| Asset Retirement Obligations | 74 | 75 |
| Other | 705 | 1,492 |
| **Total Liabilities** | **33,697** | **55,110** |
| **Net Assets** | | |
| **Shareholders' Equity** | **55,697** | **56,454** |
| **Capital Stock** | **6,593** | **6,593** |
| **Capital Surplus** | **12,716** | **12,055** |
| **Retained Earnings** | **36,392** | **37,810** |
| **Treasury Stock** | **(3)** | **(4)** |
| **Accumulated Other Comprehensive Income** | **6,872** | **7,280** |
| **Valuation Difference on Available-for-Sale Securities** | **1,474** | **879** |
| **Foreign Currency Translation Adjustment** | **3,994** | **4,212** |
| **Remeasurements of Defined Benefit Plans** | **1,403** | **2,188** |
| **Non-Controlling Interests** | **-** | **332** |
| **Total Net Assets** | **62,570** | **64,067** |
| **Total Liabilities and Net Assets** | **96,268** | **119,178** |

Unit: ¥million rounded down to nearest million

## Consolidated Statements of Income (Summary)

(Unit: ¥million*)

| Item \ Term | Previous Fiscal Year (From April 1, 2014 to March 31, 2015) | Current Fiscal Year (From April 1, 2015 to March 31, 2016) |
|---|---|---|
| Net Sales | 61,012 | 62,475 |
| Cost of Sales | 18,521 | 17,930 |
| Gross Profit | 42,491 | 44,544 |
| Reversal of Provision for Sales Returns | 110 | 62 |
| Provision for Sales Returns | 62 | 58 |
| Gross Profit-Net | 42,539 | 44,548 |
| Selling, General and Administrative Expenses | 39,861 | 39,982 |
| Operating Income | 2,678 | 4,565 |
| Non-Operating Income | 338 | 352 |
| Non-Operating Expenses | 246 | 467 |
| Ordinary Income | 2,770 | 4,450 |
| Extraordinary Income | 1,507 | 1,091 |
| Extraordinary Loss | 457 | 280 |
| Income before Income Taxes | 3,819 | 5,262 |
| Income Taxes-Current | 1,315 | 602 |
| Income Taxes-Deferred | (53) | 1,127 |
| Net Profit | 2,557 | 3,532 |
| Profit Attributable to Non-Controlling Interests | - | 18 |
| Profit Attributable to Owners of Parent | 2,557 | 3,513 |

Unit: ¥million rounded down to nearest million

## Consolidated Statements of Cash Flows (Summary)

(Unit: ¥million*)

| Item \ Term | Previous Fiscal Year (From April 1, 2014 to March 31, 2015) | Current Fiscal Year (From April 1, 2015 to March 31, 2016) |
|---|---|---|
| Net Cash Provided by (Used in) Operating Activities | 653 | 5,694 |
| Net Cash Provided by (Used in) Investing Activities | 475 | (32,709) |
| Net Cash Provided by (Used in) Financing Activities | (5,839) | 22,416 |
| Effect of Exchange Rate Change on Cash and Cash Equivalents | 177 | (1,070) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,533) | (5,669) |
| Cash and Cash Equivalents at Beginning of Year | 22,070 | 17,880 |
| Net Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation | 343 | - |
| Cash and Cash Equivalents at End of Year | 17,880 | 12,210 |

Unit: ¥million rounded down to nearest million

## Consolidated Statements of Changes in Net Assets (Summary) (From April 1, 2015 to March 31, 2016)

(Unit: ¥million*)

| | Shareholders' Equity | | | | | Accumulated Other Comprehensive Income | | | | Non-Controlling Interests | Total Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity | Valuation Difference on Available-for-Sale Securities | Foreign Currency Translation Adjustment | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | | |
| Balance at the Beginning of Current Period | 6,593 | 12,716 | 36,392 | (3) | 55,697 | 1,474 | 3,994 | 1,403 | 6,872 | - | 62,570 |
| Cumulative Effects of Changes in Accounting Policies | | (660) | (501) | | (1,162) | | (95) | | (95) | | (1,258) |
| Balance at the Beginning of Current Period Reflecting Changes in Accounting Policies | 6,593 | 12,055 | 35,890 | (3) | 54,535 | 1,474 | 3,898 | 1,403 | 6,776 | - | 61,312 |
| Changes of Items during the Period | | | | | | | | | | | |
| Change of Scope of Consolidation | | | | | - | | | | | | - |
| Dividends from Surplus | | | (1,593) | | (1,593) | | | | | | (1,593) |
| Profit Attributable to Owners of Parent | | | 3,513 | | 3,513 | | | | | | 3,513 |
| Purchase of Treasury Stock | | | | (0) | (0) | | | | | | (0) |
| Net Changes of Items Other than Shareholders' Equity | | | | | | (595) | 314 | 784 | 503 | 332 | 835 |
| Total Changes of Items during the Period | - | - | 1,920 | (0) | 1,919 | (595) | 314 | 784 | 503 | 332 | 2,755 |
| Balance at the End of Current Period | 6,593 | 12,055 | 37,810 | (4) | 56,454 | 879 | 4,212 | 2,188 | 7,280 | 332 | 64,067 |

Unit: ¥million rounded down to nearest million

# Company Information (As of March 31, 2016)

## Company Outline

| | |
|---|---|
| Established: | December 1955 |
| Paid-in Capital: | ¥6,593,398,500 |
| Number of Employees: | 1,799 (Consolidated) |
| Business Activities: | 1. Manufacturing, sales, import and export of pharmaceuticals, quasi-drugs and reagents. |
| | 2. Manufacturing, sales, import and export of cosmetics, health foods, soft drinks, hygienic goods and medical devices. |

## Directors and Audit & Supervisory Board Members (As of June 29, 2016)

| | |
|---|---|
| Chairman and CEO | Sachiaki Ibe |
| President and COO | Mitsuhiro Ibe |
| Executive Vice President | Hirokazu Endo |
| Managing Director | Makoto Kishimoto |
| Director | Akira Ohno |
| Director | Tetsuo Komori |
| Director | Masahiro Fukahori |
| Director | Hiroki Kato |
| Director | Yoshihiro Hiraga |
| Director | Katsuyuki Ishii |
| Director | Hidekazu Yokote |
| Director | Toshiaki Kawagoe |
| Director | Mitsuyuki Yoshijima |
| Audit & Supervisory Board Member | Koujirou Takami |
| Audit & Supervisory Board Member | Shigeya Furuhata |
| Audit & Supervisory Board Member (Outside) | Yukiko Naka |
| Audit & Supervisory Board Member (Outside) | Hiroshi Wakabayashi |

## Place of Business

- Headquarters
- Sapporo Branch
- Sendai Branch
- Tokyo Branch
- Tokyo 3rd Sales Office
- Kanagawa 1st and 2nd Sales Office
- Saitama Sales Office
- Chiba Sales Office
- Kita Kanto Sales Office
- Koshinetsu Sales Office
- Nagoya Branch
- Shizuoka Sales Office
- Osaka Branch
- Osaka 2nd Sales Office
- Kobe Sales Office
- Keiji Sales Office
- Hokuriku Sales Office
- Chugoku & Shikoku Branch
- Okayama Sales Office
- Takamatsu Sales Office
- Fukuoka Branch
- Central Research Laboratories
- Saitama Plant
- Tsukuba Plant
- Tokyo Distribution Center
- Sapporo Distribution Center
- Saitama Distribution Center
- Osaka Distribution Center
- Kyushu Distribution Center
- Other Sales Office: Aomori, Utsunomiya, Kanetsu, Takasaki, Yamaguchi, Yonago, Matsuyama, Kochi, Nagasaki, Kumamoto, Oita, Kagoshima, Okinawa

## Number of Consolidated Subsidiaries: 12

- Tillotts Pharma AG (Switzerland)
- ZPD A/S (Denmark)
- Zeria Healthway Co., Ltd.
- Tillotts Pharma AB (Sweden)
- Tillotts Pharma Ltd. (Ireland)
- Tillotts Pharma UK Ltd. (United Kingdom)
- Tillotts Pharma Czech s.r.o. (Czech Republic)
- Tillotts Pharma Spain S.L.U. (Spain)
- Tillotts Pharma GmbH (Germany)
- IONA INTERNATIONAL CORPORATION
- Zevice Co., Ltd.
- Pharmaceutical Joint Stock Company of February 3rd (Vietnam)

# Share Information (As of March 31, 2016)

## Status of Shares

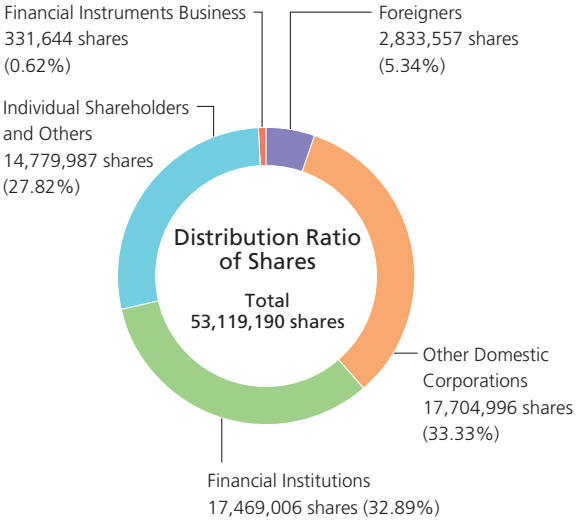
| | |
|---|---|
| (i) Number of authorized shares: | 119,860,000 shares |
| (ii) Number of shares outstanding: | 53,119,190 shares |
| (iii) Number of shareholders: | 16,919 |

## Major Shareholders

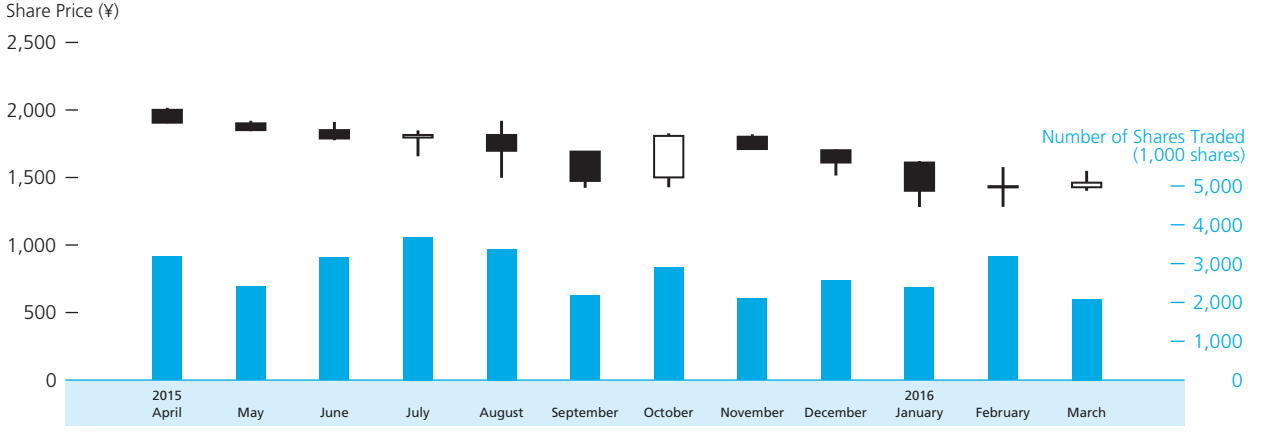
| Name of Shareholder | Number of Shares Held | Percentage Held (%) |
|---|---|---|
| Ibe Corporation | 4,741,847 | 8.9 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 2,609,900 | 4.9 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,107,050 | 4.0 |
| Morinaga Milk Industry Co., Ltd. | 2,040,215 | 3.8 |
| Sachiaki Ibe | 1,592,967 | 3.0 |
| Zeria Pharmaceutical Co., Ltd. Employee Stockholding Plan | 1,433,864 | 2.7 |
| Sumitomo Mitsui Banking Corporation | 1,406,131 | 2.6 |
| Mizuho Bank, Ltd. | 1,406,053 | 2.6 |
| Resona Bank, Limited | 1,182,385 | 2.2 |
| Aioi Nissay Dowa Insurance Co., Ltd. | 944,560 | 1.8 |

(Note) The percentage held is calculated by subtracting treasury stock (totaling 3,871 shares).

## Distribution of Shares by Shareholder Type




## Share Price and Trading Volume



# Shareholder Memo

| | |
|---|---|
| **Fiscal Year** | From April 1st of each year to March 31st of the following year |
| **Ordinary General Meeting of Shareholders** | Late June of each year |
| **Record Date** | Ordinary General Meeting of Shareholders and end of term dividend: March 31 of each year<br>Interim dividend: September 30 of each year |
| **Transfer Agent** | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo |
| **Account Management Institution for Special Account** | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo |
| **Mailing Address**<br>**(Inquiry information)** | Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited<br>2-8-4 Izumi, Suginami-ku, Tokyo 168-0063<br>TEL: 0120-782-031 (toll-free)<br>Handling operation is conducted in main branch and all domestic branches of Sumitomo Mitsui Trust Bank, Limited. |

- **Applications for change of address or for purchase demands of fractional shares, etc.**
  Please send such notifications or applications to the securities company where your account is held.
  For shareholders for whom a special account has been opened because there is no account held by a securities company, please send such notifications or applications to Sumitomo Mitsui Trust Bank, Limited, the account management institution for the special account.

- **Applications for payment of dividends payable**
  Please send such applications to the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

- **Statement of Dividend Calculation**
  The "Statement of Dividend Calculation" that is sent to shareholders at the time of dividends payment serves as your "Payment Notification Statement," based on the provisions of the Act on Special Measures Concerning Taxation. When you file your final tax return, you can use this document as the accompanying documentation.
  Shareholders who receive payment of dividends by the dividend warrant shall also receive the "Statement of Dividend Calculation." Shareholders who file final tax returns should store this document in a secure place.

## Please refer to latest IR information on our website.

The Company has set up a website for the purpose of providing accurate information on a timely basis. The website contains a broad array of information useful for shareholders and investors, from IR information to the latest news.

**http://www.zeria.co.jp/english/**


**Customer Service, Zeria Pharmaceutical Co., Ltd.**
10-11 Nihonbashi-kobunacho, Chuo-ku, Tokyo 103-8351
TEL 03-3663-2351 (Main) FAX 03-3663-2352
03-3661-2080
http://www.zeria.co.jp/

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