

Non-Consolidated Financial Results for the Fiscal Year Ended September 30, 2007

Company name: **Fuji Pharma Co., Ltd.**
 Code number: 4554 (URL <http://www.fuji-pharma.jp>)
 Stock Exchange listing: JQ
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Scheduled date of annual shareholders' meeting: December 20, 2007

Scheduled start date of dividend: December 21, 2007

Scheduled submission date of annual security report: December 21, 2007

1. Financial Results for the Fiscal Year Ended September 2007 (Oct. 1, 2006 to Sept. 30, 2007)**(1) Operating Results**

	Net sales		Operating income		Ordinary income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Fiscal Year ended Sep. 2007	13,250	17.9	2,103	37.2	2,129	36.8
Fiscal Year ended Sep. 2006	11,240	11.0	1,532	55.1	1,556	56.2

	Net income		Net income per share	Diluted net income per share
	Million Yen	YoY change (%)	Yen	Yen
Fiscal Year ended Sep. 2007	1,193	30.3	92.74	-
Fiscal Year ended Sep. 2006	915	58.7	73.78	-

	Return on equity	Return on assets	Profit margin on sales
	(%)	(%)	(%)
Fiscal Year ended Sep. 2007	8.8	11.8	15.9
Fiscal Year ended Sep. 2006	7.6	10.0	13.6

Note: Earnings on investments in equity-method affiliates:

Fiscal year ended September 2007: None

Fiscal year ended September 2006: None

(2) Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million Yen	Million Yen	(%)	Yen
Fiscal year ended Sep. 2007	19,211	14,008	72.9	1,088.48
Fiscal year ended Sep. 2006	16,989	13,013	76.6	1,011.12

Note: Shareholders' equity:

Fiscal year ended September 2007: 14,008 million yen

Fiscal year ended September 2006: 13,013 million yen

(3) Cash Flows

	Net cash used by			Cash and cash equivalents balance at end of the fiscal year Million Yen
	Operating activities	Investing activities	Financing activities	
	Million Yen	Million Yen	Million Yen	
Fiscal year ended Sep. 2007	1,659	-94	-179	3,643
Fiscal year ended Sep. 2006	767	-2,364	1,172	2,258

2. Dividends

	Dividend per share (Yen)			Total cash dividends (Million yen)	Dividend payout ratio (%)	Dividends on equity (%)
	First half	Second half	Annual			
Fiscal year ended September 2006	7.00	7.00	14.00	180	19.0	1.4
Fiscal year ended September 2007	7.00	12.00	19.00	244	20.5	1.8
Fiscal year ending September 2008 (Estimated)	10.00	10.00	20.00	-	19.5	-

3. Forecast for the Fiscal Year Ending September 30, 2008 (October 1, 2007 to September 30, 2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
First half ended Mar. 2008	7,140	11.4	1,060	0.6	1,060	0.1	630	5.9	48.95
Fiscal year ended Sep. 2008	15,300	15.5	2,190	4.1	2,200	3.3	1,320	10.6	102.56

Note: The percentage represents the year-on-year change.

4. Supplementary Information

(1) Changes in significant accounting policies

- (i) Changes in accordance with amendments to accounting principles: Details are described in “Changes in Significant Accounting Policies” on Page 16.
- (ii) Those other than changes which fall under (i): None

(2) Shares outstanding (ordinary shares)

- (i) Number of shares outstanding as of the end of each fiscal year (including treasury stock shares):
 - Fiscal year period ended September 2007: 12,870,000 shares
 - Fiscal year period ended September 2006: 12,870,000 shares
- (ii) Number of treasury stock shares as of the end of each fiscal year:
 - Fiscal year period ended September 2007: 10 shares
 - Fiscal year period ended September 2006: 10 shares

Note: For the number of shares used for the calculation of net income per share, please see “Per Share Data” on Page 25.

(Note to our earnings forecasts)

Our earnings forecasts are based on the information available and on the assumptions which we regard as reasonable at the date of this release. Actual results could significantly differ from our estimates because of uncertain factors inherent to such forecasts and subsequent changes in circumstances.

[Qualitative Information and Financial Statements]

I. Review of Operating Performance and Financial Conditions

1. Review of Operating Results

We recorded increases both in sales and profits for the fiscal year concerned: 13,250 million yen of sales (17.9% year-on-year increase), 2,103 million yen of operating income (37.2% year-on-year increase), 2,129 million yen of ordinary income (36.8% year-on-year increase), and 1,193 million yen of net income (30.3% year-on-year increase).

(1) Analysis of Sales

The breakdown of sales being reviewed demonstrated our diagnostic agents, including the key urography and angiography contract agents, “OYPALOMIN” and “IOPAQUE”, as showing the strongest growth, an increase of 16.2 percent on a year on year basis to 5,215 million yen. Hormone drugs, particularly the infertility therapeutic agents, including a pituitary gonadotropic hormone drug, “Human Menopausal Gonadotropin” and “FOLYRMON-P injection”, and an endometriosis therapeutic agent, “BUSERECUR”, showed favorable sales results. This segment increased by 15.3 percent on a year on year basis to 3,360 million yen. In addition, drugs with other efficacies showed a steady growth. As a result, sales for the period increased by 17.9 percent on a year on year basis.

(2) Analysis of Operating Income

The sales cost ratio for the fiscal year concerned improved by 2.0 percent points to 55.1 % from the previous year. The selling and administration cost increased by 16.9 percent to 3,850 million yen from the previous year due to increased personnel expenses, sales commission and research and development costs. Its ratio to sales, however, declined by 0.3 percent points to 29.0 percent.

(3) Analysis of Non-operating Income and Extraordinary Losses

We booked 140 million yen of extraordinary losses in the fiscal year concerned, including 104 million yen of loss on disposal of obsolete inventories and 24 million yen of additional provision for retirement benefits for directors for prior years in accordance with the revised rules of retirement benefits for directors.

2. Financial and Cash Flow Conditions

(1) Financial Conditions

The closing balance of total assets as at the end of the fiscal year concerned increased by 2,221 million yen to 19,211 million yen from the opening balance.

The closing balance of current assets increased by 2,080 million yen to 12,761 million yen from the opening balance. While cash and cash equivalents, inventories and trade receivables increased by 1,482 million yen, 588 million and 519 million yen respectively, marketable securities decreased by 597 million yen.

The closing balance of fixed assets increased by 140 million yen to 6,449 million yen. The factors for the increase in tangible fixed assets are capital expenditure for two factories where tablet pharmaceuticals and injection solution are produced, respectively. We increased the production capacity of the former prior to the launch of our new products and made an investment in the latter factory in order to expand the production of syringe-type products and lyophilized formulation.

The closing balance of liabilities at the end of the fiscal year concerned increased by 1,225 million yen from the opening balance to 5,202 million yen due to a 1,157 million yen increase in current liabilities. This resulted from a 542 million yen increase in trade payables, a 172 million yen increase in other accounts payable and a 164 million yen increase in accrued income taxes.

The closing balance of net assets as at the end of the fiscal year concerned increased by 995 million yen from the opening balance to 14,008 million yen. This is primarily due to a 1,013 million yen increase in retained earnings in the shareholders' equity.

(2) Cash Flow Conditions

The closing balance of cash and cash equivalents increased by 1,385 million yen from the opening balance to 3,643 million yen. Details of the cash flows of operating, investing and financing activities and the factors for the increase or decrease in the cash flows are as follows:

1) Net cash provided by operating activities

587 million yen of depreciation, 542 million yen of increase in trade payables and 119 million yen of increase in accrued consumption taxes were added to 1,988 million yen of net income before income taxes for the fiscal year concerned. On the other hand, negative factors for the cash flow in operating activities were as follows: 702 million yen of income tax payment; 588 million yen of increase in inventories; 519 million yen of increase in trade receivables. Consequently, net cash provided by operating activities for the fiscal year concerned was 1,659 million yen (116.2% YoY increase).

2) Net cash used in investing activities

We received 600 million yen as proceeds from sales of marketable securities. On the other hand, we spent 476 million yen, 99 million yen, 52 million yen and 50 million yen for the purchase of tangible fixed assets, leased assets, marketable securities and leased assets, and the payment of guarantee money, respectively. Consequently, net cash used in investment activities was 94 million yen (96.0% YoY decrease).

3) Net cash used in financing activities

We spent 179 million yen as dividends. Consequently, net cash used in financing activities was in the negative for the fiscal year concerned (1,172 million yen of positive cash flow in the fiscal year ended September 30, 2006).

Trends of the company's cash flow indicators are as follows:

	FY2003	FY2004	FY2005	FY2006	FY2007
Equity ratio (%)	75.7	74.0	77.1	76.6	72.9
Market value basis equity ratio (%)	116.7	110.9	90.8	103.5	146.7
Cash flow to debt (%)	28.3	23.1	60.6	27.2	12.8
Interest coverage ratio (Times)	620.2	632.6	183.1	332.5	706.2

- Equity ratio: Shareholders' equity / Total assets
- Market value basis equity ratio: Market capitalization / Total assets
- Cash flow to debt: Interest-bearing debt / Operating cash flow
- Interest coverage ratio: Operating cash flow / Interest paid
- ※ "Guaranteed deposit received" in the Liability Section of the Balance Sheet is used as interest-bearing debt.
- ※ "Net cash provided by operating activities" in Cash Flow Statements and "Interest paid" in Income Statements are used as Operating cash flow and Interest paid.

3. Profit Allocation Policy and Dividend Payment Plan

One of our key tasks is to achieve a consecutive dividend or dividend per share increase. We determine profit allocation based on the net profit generated during the period concerned, but also comprehensively taking into account future company performance and earnings to be retained for future business operations. We plan to re-invest retained earnings in ways to strength research and development, to improve production capacity and efficiency, and to increase our sales force, in order to enhance operational foundations and the expansion of corporate value. There are no plans to change the frequency of dividend payments.

We determined to pay 12 yen per share as the year-end cash dividend per share. We will pay 19 yen per share as the annual cash dividend per share since we paid 7 yen per share as the interim cash dividend per share. We currently plan to pay 10 yen per share both as the interim and year-end cash dividend per share for the next fiscal year. As a result, our annual cash dividend per share should be 20 yen.

4. Operational Risk

Risks related to the information contained in the financial statements for the fiscal year concerned which may have significant influences on investors' decision are as follows:

(1) Statutory Regulations

Our company manufactures and distributes pharmaceutical products under the Pharmaceutical Affairs Law and related regulations. The revision in laws/regulations related to the pharmaceutical industry, which may be made in future, may influence our financial condition and business performance.

(2) Research and Development for Pharmaceutical Products

There is a possibility that our research and development projects will be behind schedule, a new product development period will be extended and the projects will be suspended or even terminated. These events may have an impact on our business performance.

(3) Competition

Our policy is to sell our products at reasonable prices taking into account the profitability of products. However, some of our products have been suffering from considerable market price decline because of

the fierce competition from many competitors. Moreover, some original drug manufacturers have taken an aggressive approach to maintain their market share. Therefore, there is a possibility that we will not manage to achieve our projected forecasts.

The above statement on possible future risks is based on our company's prospects as at the end of the fiscal year ended September 30, 2007.

II. Group Organization

The Company neither has subsidiaries nor affiliates. Therefore, this item is not applicable.

III. Management Policies

1. Fundamental Management Policy

Our corporate mission is "Making a contribution to society through the supply of pharmaceutical products which facilitate the improvement and cure of medical conditions and disorders". Under this mission, we intend to fulfil our responsibility to our customers, shareholders, employees and other stakeholders by supplying good-quality pharmaceutical products and to achieve continuous growth.

2. Performance Indicator and Targets

Maximum effort will be made to generate earnings sufficient to realize our dividend policy and to cover the cost of upgrading or expansion of production facilities and continuing growth in research and development spending. We set measurable targets in our "Mid-term Business Plan" for the four-year period ended September 30, 2010 as follows: 3,300 million yen of "Ordinary Income" (2,129 million yen for the fiscal year ended September 30, 2007); 16.5% of "Ordinary Income to Sales" (16.1% as of the fiscal year ended September 30, 2007); 14.5% of "Return on Assets" (Ordinary Income / Total Assets, 11.8% of the fiscal year ended September 30, 2007). Furthermore, with reference to the rise in shareholder value, we also regard "Net Income per Share" as an important performance indicator and will target on 154 yen as of the fiscal year ended September 30, 2010 (92.74 yen as of the fiscal year ended September 30, 2007).

3. Medium- and Long-term Management Strategy

We will invest our management resources in a focused way in our strong areas: injectable solutions in terms of dosage form, hormone and diagnostic drugs in terms of drug efficacy, and obstetrics, gynaecology and roentgenology in terms of the medical examination field. We will allocate a strategic budget to these areas for proactive measures such as business alliances, license agreements, product development and capital expenditure.

With regard to the obstetric and gynaecologic area, we will enhance our generic product line-up as well as introducing new drugs from other pharmaceutical companies. We will market these drugs to our existing customers in order to efficiently increase our sales. We believe that the improvement of our product portfolio will lead to the further expansion of our business into medical care for women. As for acute

treatment, we plan to proactively launch new products, particularly new injection solutions, responding to the increasing introduction of Diagnosis Procedure Combination (DPC).

On the marketing and sales side, we will improve the expertise of our medical representatives (MRs) and strengthen our support to academic research. We also plan to improve our production force. We will upgrade and expand our production system of a new tablet production factory for commissioning manufacture as well as increasing our production capacity of sustained-release (drug delivery system) injectable products and existing injection products whose sales are expected to grow.

4. Key Issues to be Resolved

The generic product market has been expanding amid calls for a cut in national medical expenses. Meanwhile, medical institutions' needs for quality assurance, a stable product supply and information provision have been further increasing. In addition, more and more newcomers, including original drug manufacturers and foreign drug makers, have increased competition in the generic product market. Under these circumstances, in order to secure and expand our competitive areas, and actively take growth strategies such as new development investment plans, we will address the following key challenges:

- 1) We will strengthen our research and development ability through our alliance with other domestic and foreign pharmaceutical manufacturers.
- 2) We will reinforce the sales and marketing systems for foundation hospitals by improving the expertise of MRs and strengthening our support to academic research.
- 3) We will develop sales and marketing system for new products.
- 4) Responding to possible increasing needs for quality improvement, demand expansion and stable supply, we will upgrade and expand our production systems.
- 5) The importance of corporate social responsibility has been gradually recognized. We will adopt thoroughgoing measures to secure product quality/safety and environmental protection, and to educate our employees to comply with pharmaceutical business related laws/regulations and ethical standards.
- 6) We will establish an internal control system relating to financial reporting.
- 7) We will foster human resources and secure the necessary personnel for our further growth.

5. Internal Control System Building and Operation

1) Mutual supervision system, organizational structure of operational and administrative divisions, company rules preparation and other internal control systems

Under our company's mutual supervision system, the Internal Auditor, controlled directly by the president, periodically conducts internal auditing to confirm whether each department's operations complies with laws and regulations, and company rules. The Auditor reports the results of the internal auditing to the president as well as giving advice and suggestions to the department audited.

Our administrative division consists of the Corporate Planning Department (which will be divided into Business Strategy Department and Business Promotion Department), responsible for business planning and budgetary control and the Administrative Department, responsible for general administration,

human resource management, accounting, financing and sales affairs. Both departments make ongoing efforts to maintain and improve their internal control systems.

Our company prepares its own corporate rules, consulting any related laws and regulations. Moreover, we make revisions to the rules, responding to amendments to the laws and regulations, and changes in corporate conditions.

2) Measures to improve the internal control system in the past year

The Administrative Department took a key role in the Company's internal control system. It revised the company's existing rules and established new rules and operational guidelines. Furthermore, the department has been providing our employees with opportunities to fully understand the details and concept of the rules. The Company has also continued to enlighten our employees about insider dealing and advice against drinking and driving.

6. Other Significant Information on Management

There is no information to be disclosed.

IV. Financial Statements

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007	
	Amount	Ratio (%)	Amount	Ratio (%)
Assets				
I Current assets				
1. Cash on hand and bank deposits	1,457,905		2,940,649	
2. Trade notes receivable ※1	658,262		702,142	
3. Trade accounts receivable	4,274,348		4,749,850	
4. Marketable securities	1,300,119		702,702	
5. Purchased goods	147,621		229,798	
6. Products	924,444		954,176	
7. Raw materials	984,973		1,204,930	
8. Products in progress	436,619		662,011	
9. Inventory goods	34,819		65,720	
10. Advance payment	7,692		23,835	
11. Prepaid expenses	176,081		178,184	
12. Deferred tax assets	269,696		333,613	
13. Other accounts receivable	4,615		10,541	
14. Accrued income	300		300	
15. Other current assets	4,600		4,448	
Allowance for doubtful receivables	-1,479		-1,635	
Total current assets	10,680,619	62.9	12,761,268	66.4
II Fixed assets				
1) Property, plant and equipment				
1. Buildings	4,026,217		4,134,833	
Accumulated depreciation	1,262,453	2,763,764	1,507,583	2,627,250
2. Structures	80,449		80,684	
Accumulated depreciation	61,066	19,383	64,433	16,250
3. Machinery and equipment	2,264,770		2,544,755	
Accumulated depreciation	1,536,788	727,981	1,735,459	809,295
4. Vehicles and other transportation equipment	24,978		25,736	
Accumulated depreciation	15,989	8,989	19,965	5,771
5. Tools, furniture and fixtures	537,820		587,181	
Accumulated depreciation	414,592	123,227	444,535	142,646
6. Land		483,721		483,721
7. Construction in progress		-		131,616
Total property, plant and equipment		4,127,067		4,216,550
2) Intangible fixed assets				
1. Trademark		287		237
2. Distributorship		558,500		534,500
3. Software		63,580		47,725
4. Telephone subscription rights		7,976		7,976
Total intangible assets		630,344	3.7	590,439
3) Investments and other assets				
1. Investment securities		177,288		157,279
2. Investments in anonymous association		450		450
3. Long-term prepaid expenses		361,119		394,527
4. Deferred tax assets		160,798		179,860
5. Guaranteed deposits		442,699		499,580
6. Insurance reserve fund		9,417		11,130
7. Time deposit maturing in more than one year		400,000		400,000
Total investments and other assets		1,551,774	9.1	1,642,827
Total fixed assets		6,309,187	37.1	6,449,818
Total assets		16,989,806	100.0	19,211,087

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007	
	Amount	Ratio (%)	Amount	Ratio (%)
Liabilities				
I Current liabilities				
1. Trade notes payable	237,450		296,634	
2. Trade accounts payable	1,644,666		2,128,212	
3. Other accounts payable	394,065		566,835	
4. Accrued expenses	149,279		179,977	
5. Accrued income taxes	419,492		584,486	
6. Accrued consumption tax	2,004		121,356	
7. Deposits received	9,531		11,166	
8. Accrued bonuses for employees	464,857		575,086	
9. Accrued bonuses for directors	15,300		17,300	
10. Allowance for sales return	8,736		8,890	
11. Notes payable for purchase of equipment	-		12,661	
Total current liabilities	3,345,384	19.7	4,502,606	23.5
II Fixed liabilities				
1. Guaranteed deposits received	208,646		211,972	
2. Accrued retirement benefits for employees	371,227		410,733	
3. Accrued retirement benefits for directors	51,491		77,110	
Total fixed liabilities	631,365	3.7	699,816	3.6
Total liabilities	3,976,750	23.4	5,202,423	27.1
Net assets				
I Stockholders' equity				
1. Common stock	1,616,950	9.5	1,616,950	8.4
2. Capital surplus				
1) Additional paid-in capital	2,226,020		2,226,020	
2) Other capital surplus				
Gains on disposition of treasury stock	615,567		615,567	
Total of capital surplus	2,841,587	16.8	2,841,587	14.8
3. Retained earnings				
1) Legal reserve	164,079		164,079	
2) Other retained earnings				
Contingent reserve	5,000,000		5,000,000	
Earned surplus carried forward	3,366,639		4,380,038	
Total of retained earnings	8,530,718	50.2	9,544,117	49.7
4. Treasury stock	-7	-0.0	-7	-0.0
Total stockholders' equity	12,989,248	76.5	14,002,647	72.9
II Valuation and translation adjustments				
1. Net unrealized holding gain on securities	23,808		6,016	
Total valuation and translation adjustments	23,808	0.1	6,016	0.0
Total net assets	13,013,056	76.6	14,008,663	72.9
Total liabilities and net assets	16,989,806	100.0	19,211,087	100.0

(2) Income Statement

(Thousands of yen)

	Fiscal year ended Sep. 2006		Fiscal year ended Sep. 31, 2007	
	Amount	Ratio (%)	Amount	Ratio (%)
I Net sales				
1. Sales of goods	10,396,022		12,300,359	
2. Sales of merchandise	844,617	11,240,639	950,160	13,250,520
II Cost of sales				
1. Opening balance of merchandise and goods stocked	889,291		1,072,065	
2. Goods purchased for the period	461,240		594,277	
3. Cost of goods manufactured for the period	6,136,750		6,862,027	
Total	7,487,281		8,528,370	
4. Closing balance of merchandise and goods stocked	1,072,065		1,183,974	
5. Transfer to other accounts ※1	9,749	6,405,467	47,971	7,296,424
Gross profit		4,835,172		5,954,095
Provision for allowance for sales returns		8,736		153
Net gross profit		4,826,435		5,953,941
III Selling, general and administrative expenses				
1. Sales promotion expenses	68,056		87,111	
2. Sales commission	238,749		319,057	
3. Packaging and transportation expenses	151,030		160,905	
4. Entertainment expenses	11,842		13,122	
5. Directors' remuneration	46,080		48,971	
6. Salaries and bonuses for employees	878,739		983,831	
7. Provision for accrued bonuses for employees	290,245		356,809	
8. Provision for accrued bonus for directors	15,300		17,300	
9. Provision for retirement benefits for employees	32,467		37,551	
10. Provision for retirement benefits for directors	7,057		11,266	
11. Welfare expenses	199,139		237,254	
12. Traveling expenses	145,095		170,540	
13. Rent	168,367		190,758	
14. Depreciation and amortization	52,409		48,228	
15. Research and development expenses ※2	601,711		686,986	
16. Miscellaneous expenses	387,570	3,293,863	480,914	3,850,612
Operating Income		1,532,572		2,103,329
IV Non-operating income				
1. Interest received and discount income	2,407		3,720	
2. Interest on marketable securities	2,013		6,541	
3. Dividend received	364		387	
4. Gain on sales of investment securities	6,628		-	
5. Subcontracting income	11,150		14,983	
6. Miscellaneous income	12,786	35,350	10,912	36,546
V Non-operating expenses				
1. Interest paid	2,307		2,349	
2. Sales discount	2,294		2,236	
3. Miscellaneous expenses	7,310	11,912	6,177	10,763
Ordinary income		1,556,010		2,129,112
VI Extraordinary losses				
1. Loss on disposal of property, plant and equipment ※3	20,915		5,974	
2. Loss on revaluation of inventories	2,392		-	
3. Loss on disposal of inventories	59,497		104,944	
4. Loss on revaluation of investment securities	12,083		-	
5. Retirement benefit for directors	6,555		-	0.9
6. Provision for directors' retirement benefits for prior periods	-		24,101	
7. Miscellaneous losses	-	101,445	5,421	140,441
Income before income taxes		1,454,564		1,988,670
Income taxes - current	592,325		865,859	
Income taxes - deferred	-53,637	538,687	-70,767	795,091
Net income		915,877		1,193,579

Manufacturing Statement

(Thousands of yen)

	Fiscal year ended Sep. 2006		Fiscal year ended Sep. 31, 2007			
	Amount	Ratio (%)	Amount	Ratio (%)		
I Cost of materials		4,172,334	68.6		5,101,318	71.3
II Labor cost ※1		661,304	10.9		743,671	10.4
III Overheads						
Depreciation and amortization	439,932				433,930	
Supplies expenses	161,898				164,597	
Miscellaneous expenses	648,790	1,250,621	20.5	707,673	1,306,201	18.3
Cost of goods manufactured for the period		6,084,260	100.0		7,151,192	100.0
Opening balance of work-in-progress		599,389			436,619	
Total		6,683,649			7,587,811	
Closing balance of work-in-progress		436,619			662,011	
Transfer to other accounts ※2		110,279			63,772	
Total cost of goods manufactured for the period		6,136,750			6,862,027	

Notes to manufacturing statement

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
We applied the simple process costing method on the basis of historical cost for cost accounting.	Same as on the left.
Notes:	Notes:
※1. The amount of provisions for allowances included in the labor cost is as follows (thousands of yen):	※1. The amount of provisions for allowances included in the labor cost is as follows (thousands of yen):
Provision for accrued bonuses: 124,563	Provision for accrued bonuses: 162,142
Provision for accrued retirement benefits: 11,103	Provision for accrued retirement benefits: 12,173
※2. Breakdown of transfer to other accounts is as follows (thousands of yen):	※2. Breakdown of transfer to other accounts is as follows (thousands of yen):
Loss on revaluation of inventories: 54,161	Loss on revaluation of inventories: 63,772
Other accounts receivable: 56,118	

(3) Statements of Changes in Stockholders' Equity

(Thousands of yen)

Fiscal year ended September 30, 2006 (From October 1, 2005 to September 30, 2006)

	Stockholders' equity							Total retained earnings
	Common stock	Capital surplus			Legal reserve	Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings		
			Profit from disposal of treasury stock			Contingent reserve	Earned surplus carried forward	
Balance at beginning of period	1,616,950	2,226,020	-	2,226,020	164,079	5,000,000	2,635,308	7,799,387
Changes in the term								
Dividends from surplus							-173,154	-173,154
Bonus for directors							-15,500	-15,500
Reversal of the amount allotted in the previous period as bonuses for directors							4,108	4,108
Net income							915,877	915,877
Disposal of treasury stock			615,567	615,567				
Net change of items other than stockholders' equity								
Total changes in the term	-	-	615,567	615,567	-	-	731,331	731,331
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,366,639	8,530,718

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-729,264	10,913,093	23,314	23,314	10,936,408
Changes in the term					
Dividends from surplus		-173,154			-173,154
Bonus for directors		-15,500			-15,500
Reversal of the amount allotted in the previous period as bonuses for directors		4,108			4,108
Net income		915,877			915,877
Disposal of treasury stock	729,256	1,344,824			1,344,824
Net change of items other than stockholders' equity			493	493	493
Total changes in the term	729,256	2,076,155	493	493	2,076,648
Balance at end of period	-7	12,989,248	23,808	23,808	13,013,056

Fiscal Year Ended September, 2007 (From October 1, 2006 to September 30, 2007)

(Thousands of yen)

	Stockholders' equity							Total retained earnings
	Common stock	Capital surplus			Legal reserve	Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings		
			Profit from disposal of treasury stock			Contingent reserve	Earned surplus carried forward	
Balance at beginning of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,366,639	8,530,718
Changes in the term								
Dividends from surplus							-180,179	-180,179
Net income							1,193,579	1,193,579
Net change of items other than stockholders' equity								
Total changes in the term	-	-	-	-	-	-	1,013,399	1,013,399
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	4,380,038	9,544,117

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-7	12,989,248	23,808	23,808	13,013,056
Changes in the term					
Dividends from surplus		-180,179			-180,179
Net income		1,193,579			1,193,579
Net change of items other than stockholders' equity			-17,791	-17,791	-17,791
Total changes in the term	-	1,013,399	-17,791	-17,791	995,607
Balance at end of period	-7	14,002,647	6,016	6,016	14,008,663

(4) Cash Flow Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
	Amount	Amount
I Cash flows from operating activities		
Income before income taxes	1,454,564	1,988,670
Depreciation and amortization	575,540	587,034
Increase in retirement benefits for employees	43,190	39,505
Increase (decrease) in retirement benefits for directors	-25,506	25,618
Increase in allowance for doubtful receivables	267	155
Increase in accrued bonuses for employees	35,267	110,229
Increase in accrued bonuses for directors	15,300	2,000
Increase in allowance for sales return	8,736	153
Interest and dividends income	-4,785	-10,650
Gain on sales of investment securities	-6,628	-
Loss on revaluation of investment securities	12,083	-
Loss on disposal of capital assets	20,915	5,974
Increase in trade receivable	-892,478	-519,382
Increase in inventories	-308,649	-588,160
Increase in other accounts receivable	-4,337	-5,925
Increase in prepaid expenses	-103,813	-2,102
Increase in long-term prepaid expenses	-127,360	-33,407
Increase in trade payable	362,628	542,730
Increase in other accounts payable	73,947	69,495
Increase in accrued expenses	13,538	30,697
Increase (decrease) in accrued consumption taxes	-11,548	119,351
Increase in guaranteed deposits received	3,694	3,326
Payments of bonuses to directors	-11,391	-
Other	-33,555	-14,367
Sub total	1,089,618	2,350,949
Interests and dividends received	4,475	10,214
Funds transferred to defined contribution pension account	-31,507	-
Income taxes paid	-295,296	-702,111
Net cash used by operating activities	767,290	1,659,052
II Cash flows from investing activities		
Purchase of marketable securities	-499,361	-99,883
Proceeds from sales of marketable securities	-	600,000
Purchase of investment securities	-	-10,000
Proceeds from sales of investment securities	11,922	-
Purchase of property, plant and equipment	-1,333,152	-476,749
Loss on disposal of property, plant and equipment	-5,953	-
Purchase of intangible fixed assets	-485,998	-3,608
Purchase of leased assets	-847,723	-52,000
Proceeds from sales of leased assets	847,723	-
Payment of guaranteed deposits	-50,112	-50,112
Other	-1,717	-1,712
Net cash used in investing activities	-2,364,373	-94,066
III Cash flows from financing activities		
Borrowing of short-term loan	500,000	-
Repayment of short-term borrowings	-500,000	-
Proceeds from sales of treasury stock	1,344,824	-
Cash dividends paid	-172,823	-179,984
Net cash provided by financing activities	1,172,000	-179,984
IV Effect of exchange rate changes on cash and cash equivalents	-	-
V Increase (decrease) in cash and cash equivalents	-425,082	1,385,002
VI Opening balance of cash and cash equivalents	2,683,431	2,258,349
VII Closing balance of cash and cash equivalents	2,258,349	3,643,351

(5) Events and Conditions Discovered during the Period which Raise Questions about the Validity of Going Concern Assumption

Not applicable.

(6) Significant Accounting Policies

	Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
1. Valuation Criteria and Methods for Securities Holding	<p>Securities Holding: Marketable securities: Market value method on the basis of market price as of the balance sheet date (Changes in unrealized gain or loss are included directly in net assets and the net sales value is calculated by the moving average method.)</p> <p>Non-marketable securities: Moving average cost method</p>	<p>1) Securities Holding: Marketable securities: Same as left.</p> <p>Non-marketable securities: Same as left.</p>
2. Valuation Criteria and Methods for Inventories	First-in, first-out cost method	Same as left.
3. Depreciation and Amortization of Fixed Assets	<p>1) Depreciation on property, plant and equipment: Declining-balance method: However, depreciation on the buildings which we bought after April 1, 1998 (excluding the facilities attached to the buildings) is calculated by the straight-line method. The useful lives of property, plant and equipment are summarized as follows: Buildings: 7 to 50 years Machinery and equipment: 7 years</p> <p>2) Amortization of intangible fixed assets: Straight-line method: Amortization of computer software utilized within our company is calculated by the straight-line method on the basis of the available duration (5 years).</p> <p>3) Amortization of long-term prepaid expenses: Straight-line method</p>	<p>1) Depreciation on property, plant and equipment: Same as left.</p> <p>2) Amortization of intangible fixed assets: Same as left.</p> <p>3) Amortization of long-term prepaid expenses: Same as left.</p>
4. Basis for Significant Allowances	<p>1) Allowance for doubtful receivables: The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined by the following methods. For ordinary receivables, loan loss ratio method (the historical experience of bad debts) is applied and for receivables of high default risk, we examine the possibility of recovery of the respective receivables.</p> <p>2) Accrued bonuses to employees: Accrued bonuses are provided for bonuses with the amount estimated to be paid to employees as of the end of the fiscal year concerned.</p> <p>3) Accrued retirement benefits for employees: Accrued retirement benefits for employees are provided for retirement benefits to be paid under the</p>	<p>1) Allowance for doubtful receivables: Same as left.</p> <p>2) Accrued bonuses to employees: Same as left.</p> <p>3) Accrued retirement benefits for employees: Same as left.</p>

	Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
	<p>company's defined benefit program with the amount calculated based on potential retirement benefit obligation as of the end of the fiscal year concerned.</p> <p>4) Accrued retirement benefits for directors: Accrued retirement benefits for directors are provided with the amount estimated to be paid as of the end of the fiscal year concerned in accordance with the internal rules for such retirement benefits for directors.</p> <p>5) Allowance for sales returns: Allowance for sales returns is provided with expected gross profit from volume of returns calculated based on past rejection rates in preparation for sales returns.</p> <p>6) Accrued bonuses for directors: Accrued bonuses are provided for bonuses with the amount estimated to be paid to directors as of the end of the fiscal year concerned.</p>	<p>4) Accrued retirement benefits for directors: Same as left.</p> <p>5) Allowance for sales returns: Same as left.</p> <p>6) Accrued bonuses for directors: Same as left.</p>
5. Accounting for Lease Transactions	The accounting procedures conform to the accounting method for the usual lease contract are applied to finance lease agreements excluding those stipulating the transfer of ownership of the leased assets to the lessee.	Same as left.
6. Cash and Cash Equivalents in Cash Flow Statements	Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.	Same as left.
7. Other Significant Items	Accounting for Consumption Tax Tax-exclusive method is applied to the accounting for transactions subject to consumption tax.	Same as left.

(7) Changes in Significant Accounting Policies

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
<p>(Accounting for the Impairment of Fixed Assets) The Company started to account for the impairment of fixed assets (suggested in "Opinion Paper on the Establishment of Accounting Standards for Impairment Loss on Fixed Assets released by the Financial Services Agency's Business Accounting Council on August 9, 2002) and "the implementation guidelines for asset impairment accounting" (Business Accounting Application Guideline No. 6 released by the Accounting Standards Board of Japan in October 31, 2003) in the fiscal year concerned.</p>	<p>(Accounting for depreciation) Under a revision to corporate tax law, the Company changed its accounting method for depreciation on property, plant and equipment in the fiscal year concerned. The Company applied the new method to the property, plant and equipment which were purchased on and after April 1, 2007. This change decreased operating income, ordinary income and net income before taxes by 9,692 thousand yen each.</p>

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
<p>This change had no significant impact on the Company's financial performance.</p> <p>(Accounting for bonuses for directors) The Company started to account for bonuses to directors (Business Accounting Standard No. 4 released on November 29, 2005) in the fiscal year concerned. Before the adoption, the Company had recognized bonuses to directors as the decrease in unappropriated profits as of the date of a general meeting of stockholders. However, the Company started to book bonuses to directors on an accrual basis in the fiscal year concerned. This change decreased operating income, ordinary income and net income before taxes by 15,300 thousand yen each.</p> <p>(Accounting Standards for Presentation of Net Assets in the Balance Sheet) The Company started to apply the Accounting Standards for Presentation of Net Assets in the Balance Sheet (Business Accounting Standards No. 5 released on December 9, 2005) and Business Accounting Application Guideline No. 8 released by the Accounting Standards Board of Japan in December 9, 2005) in the fiscal year concerned. The total amount of stockholders' equity for the fiscal year concerned on the previous accounting standards basis is 13,013,056 thousand yen. The regulations of financial statements were amended in April 2006. The Company prepared the section of net assets in the balance sheet for the fiscal year concerned in accordance with the amended regulations.</p>	

Changes in the Presentation in Financial Statements

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
<p>(Cash Flow Statements) "Increase in prepaid expenses" in the section of cash flows from operating activities, which is the item included in "Other" in the cash flow statement for the previous fiscal year, is presented separately in the cash flow statement for the fiscal year concerned, as its monetary significance increased. The amount of "Increase in prepaid expenses" included in "Other" in the cash flow statement for the previous fiscal year is -4,053 thousand yen.</p>	<p>_____</p>

Supplementary Information

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
<p>(Allowance for sales return) The Company had recognized loss on sales returns as a sales deduction on an accrual basis until the previous fiscal year. However, the Company started to provide the allowance for sales return in preparation for possible returns in the fiscal year concerned. The adoption of this accounting is attributable to the increasing significance of sales returns in line with expanding sales. The Company believes that we can reflect more accurately the impact of sales returns in our financial statements by adopting this accounting method. This adoption decreased operating income, ordinary income and net income by 8,736 thousand yen each.</p>	<p>_____</p>

b. Details of the decision on dividends made by the board of directors held on May 17, 2006

- Class of stocks: Common stock
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: March 31, 2006
- Effective date: June 9, 2006

(2) Amount of dividend payable in the fiscal year ended September 30, 2007

- Class of stocks: Common stock
- Dividend resource: Retained earnings
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: September 30, 2006
- Effective date: December 21, 2006

(Notes to Statements of Changes in Stockholders' Equity for the Fiscal Year Ended Sep. 30, 2007)

Notes to Classes and Number of Outstanding Shares

Class	Number of shares as of Sep. 30, 2006	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Sep. 30, 2007
Outstanding shares				
Common stock	12,870,000	-	-	12,870,000

Notes to Classes and Number of Treasury Stocks

Class	Number of shares as of Sep. 30, 2006	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Sep. 30, 2007
Treasury stocks				
Common stock	10	-	-	10

Notes to Surplus

(1) Amount of dividend paid

a. Details of the decision on dividends made by the annual shareholders' meeting held on December 20, 2006

- Class of stocks: Common stock
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: September 30, 2006
- Effective date: December 21, 2006

b. Details of the decision on dividends made by the board of directors held on May 10, 2007

- Class of stocks: Common stock
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: March 31, 2007
- Effective date: June 1, 2007

(2) Amount of dividend payable in the fiscal year ended September 30, 2007

The Board of Directors will propose a dividend payment to the annual shareholders' meeting held on December 20, 2007 as follows:

- Class of stocks: Common stock
- Dividend resource: Retained earnings
- Total amount of dividend paid: 154,439 thousand yen
- Dividend per share: 12 yen
- Record date: September 30, 2007
- Effective date: December 21, 2007

(Notes to Cash Flow Statements)

Fiscal year ended Sep. 30, 2006	Fiscal year ended Sep. 30, 2007
Cash and cash equivalents balance at end of the period and the relationship between the balance and the amount booked in the balance sheets:	Cash and cash equivalents balance at end of the period and the relationship between the balance and the amount booked in the balance sheets:
(As of Sep. 30, 2006)	(As of Sep. 30, 2007)
Thousands of yen	Thousands of yen
Cash on hand and at banks	Cash on hand and at banks
1,457,905	2,940,649
Securities	Securities
1,300,119	<u>702,702</u>
<u>Securities not expired within three months</u>	<u>Securities</u>
-499,674	3,643,351
Cash and cash equivalents	Cash and cash equivalents
2,258,349	

(Notes to Lease Transactions)

(Thousands of yen)

For the fiscal year ended Sep. 30, 2006	For the fiscal year ended Sep. 30, 2007
1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee	1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee
(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets	(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets
(Machinery and equipment)	(Machinery and equipment)
Acquisition costs: 2,156,589	Acquisition costs: 2,156,589
<u>Accumulated depreciation: 583,858</u>	<u>Accumulated depreciation: 808,546</u>
Net book value: 1,572,731	Net book value: 1,348,042
(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)
Acquisition costs: 96,723	Acquisition costs: 84,042
<u>Accumulated depreciation: 55,076</u>	<u>Accumulated depreciation: 40,218</u>
Net book value: 41,646	Net book value: 43,824
(Tools, furniture and fixtures)	(Tools, furniture and fixtures)
Acquisition costs: 49,110	Acquisition costs: 49,110
<u>Accumulated depreciation: 30,728</u>	<u>Accumulated depreciation: 39,050</u>
Net book value: 18,382	Net book value: 10,060
(Total)	(Total)
Acquisition costs: 2,302,422	Acquisition costs: 2,289,741
<u>Accumulated depreciation: 669,662</u>	<u>Accumulated depreciation: 887,815</u>
Net book value: 1,632,759	Net book value: 1,401,926
(2) The pro forma amounts of unexpired lease payments	(2) The pro forma amounts of unexpired lease payments
Due in one year or less: 270,617	Due in one year or less: 255,065
<u>Due after one year: 1,465,661</u>	<u>Due after one year: 1,190,377</u>
Total 1,736,278	Total 1,445,433
(3) Lease payment, depreciation of lease assets and interest paid	(3) Lease payment, depreciation of lease assets and interest paid
Lease payments: 271,413	Lease payments: 282,208
Depreciation: 224,650	Depreciation: 250,431
Interest paid: 23,678	Interest paid: 24,248
(4) Methods of calculation of depreciation	(4) Methods of calculation of depreciation
Depreciation of leased assets is calculated on the basis of the straight-line method assuming the respective lease terms as the useful lives. As for the residual value, in the case of agreements stipulating the residual value assured, the residual value concerned is adopted and in any other cases, the residual value is assumed at zero.	Same as left.

For the fiscal year ended Sep. 30, 2006	For the fiscal year ended Sep. 30, 2007
(5) Methods of calculation of interests The difference between the total amount of the lease payments (excluding maintenance and administration costs) and the acquisition cost is treated as interest and the way of allocating the interest to the respective fiscal years applied is by the interest method.	(5) Methods of calculation of interests Same as left.
2. Operating lease transactions (Unexpired lease payments) Due in one year or less: 24,000 <u>Due after one year: 95,980</u> Total 119,980	2. Operating lease transactions (Unexpired lease payments) Due in one year or less: 24,000 <u>Due after one year: 71,980</u> Total 95,980

(Notes to Securities Holding)

1. Breakdown of marketable securities

As of the fiscal year ended September 30, 2006

(Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	36,954	77,365	40,411
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	Sub Total	36,954	77,365	40,411
Securities whose value booked does not exceed their acquisition cost	(1) Stock	-	-	-
	(2) Debt securities			
	1. Government bonds	199,924	199,662	-262
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	Sub Total	199,924	199,662	-262
	Total	236,879	277,028	40,148

As of the fiscal year ended September 30, 2007

(Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	36,954	47,126	10,172
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	Sub Total	36,954	47,126	10,172
Securities whose value booked does not exceed their acquisition cost	(1) Stock	-	-	-
	(2) Debt securities			
	1. Government bonds	99,980	99,953	-26
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	Sub Total	99,980	99,953	-26
	Total	136,934	147,079	10,145

2. Marketable securities sold during the fiscal year concerned

(Thousands of yen)

	Fiscal year ended September 30, 2006	Fiscal year ended September 30, 2007
Sales Proceeds	11,922	-
Total gain	6,628	-
Total loss	-	-

3. Breakdown of nonmarketable securities

(Thousands of yen)

	Fiscal year ended September 30, 2006	Fiscal year ended September 30, 2007
	Value booked in the balance sheets	Value booked in the balance sheets
Other securities		
Money Management Fund	200,275	200,937
Free Financial Fund	500,229	501,765
Commercial paper	499,674	-
Unlisted stock (excluding over-the-counter shares)	200	10,200

(Note) The Company recorded 12,083 thousand yen impairment losses on part of their securities holdings, which are unlisted and not measured at a fair value, for the fiscal year concerned.

In the event that the value of securities is estimated to decline 50% or more from the book value due to the deterioration of the issuer's financial conditions, the Company applies the impairment accounting method to the securities.

1. Estimated redemption amount of fixed-term securities

(Thousands of yen)

	Fiscal year ended September 30, 2006				Fiscal year ended September 30, 2007			
	Less than 1 year	1-5 years	5- 10 years	Over 10 years	Less than 1 year	1-5 years	5- 10 years	Over 10 years
1. Debt securities								
(1) Government Bonds	99,940	-	99,722	-	-	99,953	-	-
(2) Corporate Bonds	-	-	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-	-	-
2. Others	499,674	-	-	-	-	-	-	-
Total	599,614	-	99,722	-	-	99,953	-	-

(Notes to Derivative Transactions)

The company did not have any derivative transactions.

(Notes to Retirement Benefit System)

1. Description of the retirement benefit system

We provide a retirement benefit system in accordance with internal rules. Furthermore, we are a member of the Mutual Aid Corporation for the Retirement Benefit of Small Size Companies. We may provide a premium severance pay depending on the reason for an employee's resignation.

In April 2003, we amended the Retirement Benefit System and introduced the Defined Contribution Pension Plan and the Retirement Benefit Prepayment Plan.

2. Breakdown of the retirement benefit obligation

(Thousands of yen)

	As of Sep. 30, 2006	As of Sep. 30, 2007
1. Retirement benefit obligation	591,780	618,413
2. Estimated retirement benefit provided by Mutual Aid Corporation	<u>220,553</u>	<u>207,680</u>
3. Accrued retirement benefit (1-2)	371,227	410,733

(Note) The pension assets to be transferred to the defined contribution pension account amounts to 132,712 thousand yen and the assets have been transferred over the past four years. The transfer was completed in the fiscal year ended September 30, 2006.

3. Breakdown of expenses related to retirement benefit (Thousands of yen)

	As of Sep. 30, 2006	As of Sep. 30, 2007
1. Retirement benefit paid on the basis of service years	53,043	59,159
2. Premium severance allowance paid temporarily	647	3,371
3. Premiums paid to the Defined Contribution Pension Fund	17,861	18,947
4. Prepaid retirement benefit	5,424	6,016
5. Total expenses	76,977	87,494

4. Method for calculating the retirement benefit obligation

We applied the simplified method for the calculation of the retirement benefit obligation. Therefore, we do not provide the assumptions of estimating the obligation.

(Notes to Stock Options)

Not applicable.

(Notes to Tax Effect Accounting)

	(As of Sep. 30, 2006)	(Thousands of yen) (As of Sep. 30, 2007)
1. Breakdown of deferred tax assets and liabilities		
(Deferred tax assets)		
Nondeductible provision for accrued bonuses	189,196	234,060
Nondeductible provision for retirement benefits for employees	151,089	167,168
Nondeductible accrued enterprise tax	36,454	47,012
Nondeductible provision for retirement benefits for directors	20,957	10,139
Others	49,137	59,221
Total of deferred tax assets	446,835	517,602
(Deferred tax liabilities)		
Disparity in the estimated value of other marketable securities	16,340	4,129
Net value of deferred tax assets	430,495	513,473

2. Disparity between the effective tax rate and the rate of corporate tax based on the tax effect accounting method

	Fiscal year ended September 30, 2006	Fiscal year ended September 30, 2007
Statutory tax rate	40.7%	Details on the disparity between the effective tax rate and the rate of corporate tax based on the tax effect accounting are omitted as the disparity is five percent or less.
(Disparity)		
Deductible research and development cost	-4.5	
Provincial tax to be levied for the fiscal year concerned	0.7	
Permanent nondeductible items such as entertainment expenses	0.3	
Others	-0.2	
Statutory tax rate based on the tax effect accounting	37.0	

(Notes to Equity in Income of Affiliates)

Not applicable.

(Transactions with Concerned Parties)

Fiscal year ended Sep. 30, 2006 (From Oct. 1, 2005 to Sep. 30, 2006)

(1) Parent company and institutional shareholders

Name	Details of Transaction	
Mitsui & Co., Ltd.	<u>Category</u> Institutional shareholder <u>Address</u> Chiyoda-ku, Tokyo <u>Amount invested</u> 295,797,424 thousand yen <u>Description of business</u> Trading conglomerate <u>Voting interest</u> 15.0%	<u>Interlocking directorate</u> No director is dispatched by Mitsui & Co. <u>Description of transaction (Thousand of yen)</u> 1. Materials and products purchasing *1&2 Transaction value: 1,884,375 Outstanding trade accounts payable: 680,938 2. Commissions *1&2 Transaction value: 7,044 Outstanding accounts payable: 5,751

(2) Directors and major individual shareholders

Name	Details of Transaction	
Fujiaki Mimura	<u>Category</u> Auditor <u>Occupation</u> Attorney at law	<u>Description of transaction</u> Attorney's fee*3 <u>Transaction value (Thousands of yen)</u> 4,035

(Notes)

1. The terms and conditions of the above transactions were decided on the basis of the same criteria used for other usual transactions.
2. The reasonable transaction value was applied to the above transaction.
3. The above attorney's fee was decided based on the pricing rules prepared by Sakai & Mimura Law Firm and through negotiations.
4. The amounts of the above transaction values do not include consumption tax, while the payment due does.

Fiscal year ended Sep. 30, 2007 (From Oct. 1, 2006 to Sep. 30, 2007)

(1) Parent company and institutional shareholders

Name	Details of Transaction	
Mitsui & Co., Ltd.	<u>Category</u> Institutional shareholder <u>Address</u> Chiyoda-ku, Tokyo <u>Amount invested</u> 336,417,157 thousand yen <u>Description of business</u> Trading conglomerate <u>Voting interest</u> 15.0%	<u>Interlocking directorate</u> One director loaned from Mitsui & Co., Ltd. <u>Description of transaction (Thousand of yen)</u> 1. Materials and products purchasing *1&2 Transaction value: 1,985,268 Outstanding trade accounts payable: 759,191 2. Drug substances purchasing *1&2 Transaction value: 73,869 Outstanding accounts payable: 146 3. Commissions *1&2 Transaction value: 24,097 Outstanding accounts payable: 3,810

(2) Directors and major individual shareholders

Name	Details of Transaction	
Fujiaki Mimura	<u>Category</u> Auditor <u>Occupation</u> Attorney at law	<u>Description of transaction</u> Attorney's fee*3 <u>Transaction value (Thousands of yen)</u> 4,213 Outstanding accounts payable: 168

(Notes)

1. The terms and conditions of the above transactions were decided on the basis of the same criteria used for other usual transactions.
2. The reasonable transaction value was applied to the above transaction.
3. The above attorney's fee was decided based on the pricing rules prepared by Bingham McCutchen Murase LLP (foreign law joint enterprise) and through negotiations.
4. The amounts of the above transaction values do not include consumption tax, while the payment due does.

(Notes to Business Combination Accounting)

Not applicable.

(Per Share Data)

Fiscal year ended Sep. 30, 2006		Fiscal year ended Sep. 30, 2007	
Net assets per share	1,011.12 yen	Net assets per share	1,088.48 yen
Net income per share	73.78 yen	Net income per share	92.74 yen
Fully-diluted net income per share is not presented because there are no residual securities, such as convertible bonds, issued by the Company.		Fully-diluted net income per share is not presented because there are no residual securities, such as convertible bonds, issued by the Company.	

(Note) The basis of calculating the above figures is as follows:

Fiscal year ended Sep. 30, 2006		Fiscal year ended Sep. 30, 2007	
Net income for the fiscal year:	915,877 thousand yen	Net income for the fiscal year:	1,193,579 thousand yen
Amount not applicable to ordinary shareholders:	-	Amount not applicable to ordinary shareholders:	-
Net income applicable to ordinary shareholders:	915,877 thousand yen	Net income applicable to ordinary shareholders:	1,193,579 thousand yen
Average number of shares outstanding:	12,413,558 shares	Average number of shares outstanding:	12,869,990 shares

5. Goods Manufactured, Orders Received and Sales**(1) Breakdown of goods manufactured**

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2006		Fiscal year ended Sep. 30 2007		YOY Change (%)
	Amount	(%)	Amount	(%)	
Diagnostic drugs	4,462,620	41.8	5,111,910	42.5	114.5
Hormone drugs	3,004,521	28.1	3,272,517	27.2	108.9
Circulatory drugs	1,003,994	9.7	1,071,440	8.9	103.6
Antibiotics & Chemotherapeutics	625,381	5.9	612,131	5.1	97.9
Urogenital & genital organ drugs	281,664	2.6	327,496	2.7	116.3
Dermatological preparation	309,535	2.9	314,995	2.6	101.8
Others	957,165	9.0	1,305,549	10.9	136.4
Total	10,674,882	100.0	12,016,040	100.0	112.6

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.

2. Fractions less than one thousand yen are omitted.

(2) Breakdown of goods purchased

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2006		Fiscal year ended Sep. 30 2007		YOY Change (%)
	Amount	(%)	Amount	(%)	
In vitro diagnostic	328,856	71.3	416,689	70.3	126.7
Dermatological preparation	38,205	8.3	54,163	9.1	141.8
Hormone drugs	32,456	7.0	20,507	3.5	63.2
Antibiotics & Chemotherapeutics	5,952	1.3	-	-	-
Others	55,769	12.1	102,917	17.3	184.5
Total	461,240	100.0	594,277	100.0	128.8

(3) Manufacturing based on the orders received

The Company manufactures products not on a build-to-order basis, but on a sales projection basis.

(4) Breakdown of sales

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2006		Fiscal year ended Sep. 30 2007		YOY Change (%)
	Amount	(%)	Amount	(%)	
Goods manufactured					
Diagnostic drugs	4,489,708	39.9	5,215,300	39.4	116.2
Hormone drugs	2,883,480	25.7	3,327,059	25.1	115.4
Circulatory drugs	993,246	8.8	1,132,669	8.5	114.0
Antibiotics & Chemotherapeutics	552,423	4.9	624,702	4.7	113.1
Urogenital & genital organ drugs	308,405	2.8	304,788	2.3	98.8
Dermatological preparation	293,848	2.6	296,200	2.2	100.8
Others	874,909	7.8	1,399,638	10.6	160.0
Sub total	10,396,022	92.5	12,300,359	92.8	118.3
Goods purchased					
In vitro diagnostic	597,356	5.3	643,284	4.9	107.7
Dermatological preparation	101,969	0.9	102,357	0.8	100.4
Hormone drugs	29,576	0.3	33,136	0.2	112.0
Antibiotics & Chemotherapeutics	14,664	0.1	13,420	0.1	91.5
Others	101,050	0.9	157,963	1.2	156.3
Sub total	844,617	7.5	950,160	7.2	112.5
Total	11,240,639	100.0	13,250,520	100.0	117.9

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.
2. Fractions less than one thousand yen are omitted.

(Information on major clients)

Client	Fiscal year ended September 30, 2006	Fiscal year ended September 30, 2007
Konica Minolta Medical & Graphics Inc.	Transaction amount (%)	Transaction amount (%)
	3,152,109 thousand yen (28.0%)	3,575,513 thousand yen (27.0%)

VI. Other Information to be Disclosed

1. Reshuffle in the Board of Directors and the Board of Auditors

(1) Change of representative director

Not applicable.

(2) Reshuffle of other board members

Director due to retire

Yumiko Yamazaki, General Manager of Toyama Factory

(3) Formal retirement date of the director

December 20, 2007

2. Other Information

Not applicable.