

**Non-Consolidated Financial Results for the Fiscal Year Ended September 30, 2008**

Company name: Fuji Pharma Co., Ltd.  
 Code number: 4554 (URL <http://www.fujipharma.jp>)  
 Stock Exchange listing: JQ  
 Representative: Hirofumi Imai, Representative Director and President  
 Contact: Toyoyuki Kamide, Director and General Manager of Administration Department  
 Tel: 81-(3)-3556-3344

Scheduled date of annual shareholders' meeting: December 19, 2008

Scheduled start date of dividend: December 22, 2008

Scheduled submission date of annual security report: December 22, 2008

**1. Financial Results for the Fiscal Year Ended September 2008 (Oct. 1, 2007 to Sept. 30, 2008)****(1) Operating Results**

	Net sales		Operating income		Ordinary income	
	¥ Million	YoY change (%)	¥ Million	YoY change (%)	¥ Million	YoY change (%)
Fiscal Year ended Sep. 2008	14,937	12.7	2,066	-1.8	2,086	-2.0
Fiscal Year ended Sep. 2007	13,250	17.9	2,103	37.2	2,129	36.8

	Net income		Net income per share	Diluted net income per share
	¥ Million	YoY change (%)	¥	¥
Fiscal Year ended Sep. 2008	1,251	4.9	97.26	—
Fiscal Year ended Sep. 2007	1,193	30.3	92.74	—

	Return on equity	Return on assets	Profit margin on sales
	(%)	(%)	(%)
Fiscal Year ended Sep. 2008	8.6	10.5	13.8
Fiscal Year ended Sep. 2007	8.8	11.8	15.9

Note: Earnings on investments in equity-method affiliates:

Fiscal year ended September 2008: None

Fiscal year ended September 2007: None

**(2) Financial Positions**

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	¥ Million	¥ Million	(%)	¥
Fiscal Year ended Sep. 2008	20,355	14,971	73.6	1,163.31
Fiscal Year ended Sep. 2007	19,211	14,008	72.9	1,088.48

Note: Shareholders' equity:

Fiscal year ended September 2008: 14,971 million yen

Fiscal year ended September 2007: 14,008 million yen

**(3) Cash Flows**

	Net cash used by			Cash and cash equivalents balance at end of the fiscal year
	Operating activities	Investing activities	Financing activities	
	¥ Million	¥ Million	¥ Million	¥ Million
Fiscal Year ended Sep. 2008	952	-1,331	-283	2,981
Fiscal Year ended Sep. 2007	1,659	-94	-179	3,643

**2. Dividends**

	Dividend per share (¥)			Total cash dividends (¥ Million)	Dividend payout ratio (%)	Dividends on equity (%)
	First half	Second half	Annual			
Fiscal year ended September 2008	10.00	10.00	20.00	257	20.6	1.8
Fiscal year ended September 2007	7.00	12.00	19.00	244	20.5	1.8
Fiscal year ending September 2009 (Estimated)	11.00	12.00	23.00	—	20.1	—

**3. Forecast for the Fiscal Year Ending September 30, 2009 (October 1, 2008 to September 30, 2009)**

	Net sales		Operating income		Ordinary income		Net income		Net income per share ¥
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	
First half ended Mar. 2009	8,284	21.1	1,057	2.8	1,059	2.9	635	-0.5	49.41
Fiscal year ended Sep. 2009	17,700	18.5	2,453	18.8	2,458	17.8	1,475	17.9	114.63

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: None
- (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 2008: 12,870,000 shares
  - Fiscal year period ended September 2007: 12,870,000 shares
- (ii) Number of treasury stock shares as of the end of each fiscal year:
  - Fiscal year period ended September 2008: 10 shares
  - Fiscal year period ended September 2007: 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)**

Notations regarding the future, including performance outlook contained in these materials are based on information currently on hand at the Company and certain assumptions that are deemed to be reasonable and it is possible that the actual performance and the like may vary significantly due to variety of factors.

## [Qualitative Information and Financial Statements]

### 1. Review of Operating Performance and Financial Conditions

#### (1) Review of Operating Results

##### (i) Summary of the Term Under Review

During the fiscal year under review, the Japanese economy experienced spreading sense of economic deterioration with a rapid deterioration in the management environment surrounding the enterprises and slowing in personal consumption and corporate equipment investments.

In the ethical pharmaceutical industry, while the pressure on the fiscal state of the medical insurance continues to deteriorate, the Drug Price Revision was implemented in April 2008 and further promotion of environment to facilitate the use of generic pharmaceuticals such as additional changes in the prescription format and the expansion in the hospitals subject to DPC (Diagnosis Procedure Combination); however, the corporate competition grew more intense with the increased pace of entry of pioneer drug manufacturers and the like into the generic pharmaceuticals market.

Under such conditions, the Company has been expanding the market share of its principal products including infertility treatment drugs in the priority field of obstetrics and gynecology as well as initiating the sales of the new drug "LUNABELL tablets" (treatment drug for dysmenorrheal associated with endometriosis).

In addition, an aggressive sales activities have been undertaken for new customer development and sales expansion led by the trunk hospital sales team to the DPC market.

As a result of the above, the management performance for the term under review produced Sales of ¥14,937 million (an increase by 12.7% over the previous term), operating income of ¥2,066 million (a decrease by 1.8% over the previous term), ordinary income of ¥2,086 million (2.0% decrease over the previous term) with a net income of ¥1,251 million (4.9% increase over the previous term).

Diagnostic drugs centering on "OYPALOMIN" • "IOPAQUE", which are urinary tract angiographic agents, the principal products of the Company, accounted for ¥5,803 million in Sales (increase of 11.3% over the previous term), hormonal agents composed principally of infertility treatment drugs such as hypophysical gonadal stimulus hormone agent "Human Menopausal gonadotropin", "FOLYRMON-P injection" and endometriosis treatment drug "BUSERECUR" accounted for ¥3,973 million (18.2% increase over the previous term) and similarly strong results were produced in other drug efficacy areas resulting in an overall increase by 12.7% over the previous term.

##### (ii) Outlook for the Coming Term

With respect to the outlook for the coming fiscal term, under the government basic policy of "to increase the volume share of generic drugs to 30% or more by fiscal 2012", the generic drug market is continuously expected to expand, supported by changes in the prescription format and increased usage of generic drugs in DPC target hospitals.

Under such conditions, the Company has adopted "increase the Company's contribution to society through its own pharmaceutical business" as the basic strategy and will make efforts to synergistically expand generic drugs and new drug "LUNABELL tablets" in the medical care field for women and to further expand generic injection agents, principally urinary tract angiographic agents in the acute medical treatment areas.

As a result, we expect Sales of ¥17,700 million (18.5% increase over the previous term), operating income of ¥2,453 million (18.8% increase), ordinary income of ¥2,458 million (17.8% increase) with net incomes of ¥1,475 million (17.9% increase).

#### (2) Financial and Cash Flow Conditions

##### (i) Assets, Liabilities and Net Assets

With respect to the assets as of the closing of the business year under review, total assets were ¥20,355 million, an increase by ¥1,144 million over the previous term. Current assets totaled ¥13,212 million which was sales claims increased by ¥839 million and inventories by ¥163 million while cash and cash equivalents decreased by ¥664 million.

Fixed assets totaled ¥7,142 million, which was a ¥693 million increase over the previous term. In terms of tangible fixed assets, equipment investments for the expansion of production capacity of freeze-dry formulations and the like at the injection agent line at the Toyama Plant was made. In intangible fixed assets, there was a ¥781 million increase due to the acquisition of selling rights to LUNABELL tablets.

On the liabilities side, liabilities increased by ¥180 million over the previous term to ¥5,383 million. Current liabilities increased by ¥136 million consisting of increase in purchase obligations of ¥255 million and increase in accrued payments of ¥207 million offset partially by a reduction in accrued corporate taxes by ¥226 million.

With respect to fixed liabilities, directors retirement bonus program was terminated at the 43rd General Meeting of the Shareholders held December 20, 2007 resulting in a ¥77 million reduction and an increase in long term accrued payments of ¥69 million.

Net assets increased by ¥963 million over the net assets as of the close of previous fiscal year to ¥14,971 million.

In shareholders equity, the principal contributing factor was an increase of ¥968 million in retained earnings resulting from the recording of net incomes for the term.

## (ii) Cash Flow

Cash and cash equivalents (hereinafter, "Cash") as of the close of the fiscal year under review decreased by ¥662 million to ¥2,981 million. The cash flow components as of the end of the current fiscal year end and the factors are as described below.

### (Cash Flow from Operating Activities)

Adding ¥803 million depreciation and ¥255 million increase in purchase obligations to the pretax net income for the term of ¥2,030 million and offset by ¥839 million increase in sales claims and ¥163 million increase in inventories, the cash flow generated from operating activities totaled ¥952 million (decrease by 42.6% over the previous term).

### (Cash Flow from Investing Activities)

With an expenditure of ¥926 million for the acquisition of intangible fixed assets and ¥656 million for the acquisition or the like of tangible fixed assets, Cash used in investing activities totaled ¥1,331 million (an increase by 1315.3% over the previous term).

### (Cash Flow from financing Activities)

Due to payment of dividends, Cash used in financing activities increased by 57.5% over the previous term to ¥283 million.

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

	FY2004	FY2005	FY2006	FY2007	FY2008
Equity ratio (%)	74.0	77.1	76.6	72.9	73.6
Market value basis equity ratio (%)	110.9	90.8	103.5	146.7	101.2
Cash flow to debt (%)	23.1	60.6	27.2	12.8	22.3
Interest coverage ratio (Times)	632.6	183.1	332.5	706.2	339.9

• 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 expense

※"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 expenses" in Income Statements are used as Operating cash flow and Interest expenses

## (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 income generated during the period concerned, but also comprehensively taking into account the 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.

With respect to dividends at the close of the current term, a dividend of ¥10 per share is planned and, together with the interim dividend, the annual dividend per share will be ¥20. In the coming term an interim dividend of ¥11 and close of term dividend of ¥12 per share totaling an annual dividend of ¥23 per share is planned.

## (4) Operational Risk

Risks related to the information that may have material impact on investors' decision making that are contained in the financial statements for the fiscal year under review are as follows:

### ( i ) Statutory Regulations

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

### ( ii ) Research and Development for Pharmaceutical Products

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

### ( iii ) 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 under considerable market price pressure due to the fierce competition from many competitors. Moreover, some original drug manufacturers have taken an aggressive approach to maintain their market share, consequently failing 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, 2008.

## 2 Group Organization

The Company has no subsidiaries or affiliates. Therefore, this item is not applicable.

## 3. Management Policies

### (1) Fundamental Management Policy

The Company has, as its basic philosophies, "make a contribution to society through pharmaceutical products" • "company's development is directly proportional to the growth of the people who work there" . The Company will continue to exist and develop while fulfilling our responsibilities toward each stakeholders, including shareholders, customers, employees, community and society through provision of high quality pharmaceutical products.

### (2) Performance Indicator and Targets

Maximum efforts will be made to generate earnings sufficient to realize our dividend policy and to cover the cost of upgrading or expanding production facilities and to continue to expand our research and development spending. We set measurable targets in our "Mid-term Business Plan" for the four-year period ending September 30, 2010 as follows: 3,300 million yen of "Ordinary Income" (2,086 million yen for the fiscal year ending September 30, 2008); 16.5% of "Ordinary Income to Sales" (14.0% as of the fiscal year ended September 30, 2008); 14.5% of "Return on Assets" (Ordinary Income / Total Assets, 10.5% of the fiscal year ended September 30, 2008). Furthermore, with reference to the rise in shareholder value, we also regard "Net Income per Share" as an important performance indicator and will set a target of 154 yen as of the fiscal year ending September 30, 2010 (97.26 yen as of the fiscal year ended September 30, 2008).

### (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, gynecology 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).

In terms of sales activities, efforts toward further enhancement of specialization and academic support functions and in manufacturing, expansion of production capacity to meet the expanding demand and to establish an efficient production system and cost reductions will be made.

### (4) Key Issues to be Resolved

Generic pharmaceutical market is expanding as one of the priority measures for containing national medical expenditures; however, there has been an increasing demand from medical institutions for the product quality assurances, stable supply and provision of information and there has been an increasing entry by domestic original drug manufacturers and foreign affiliated pharmaceutical companies into the generic pharmaceutical market further intensifying the competition.

Amidst such conditions, the Company will place priority on addressing the following issues to turn its focus on aggressively pursuing an expansion path through securing and expanding competitive advantage in not only in generic drugs but also including new drugs and undertaking new development investments.

- ( i ) We will strengthen our research and development ability through our alliance with other domestic and foreign pharmaceutical manufacturers.
- ( ii ) Strengthen sales organization targeting DPC target hospitals (enhance specialization, scientific support functions and the like)
- ( iii ) Strengthen the sales organization to promote the sale of the new drug "LUNABELL tablets"
- ( iv ) Responding to possible increasing needs for quality improvement, demand expansion and stable supply, we will upgrade and expand our production systems.
- ( v ) The importance of corporate social responsibility are being 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 ethical standards.
- ( vi ) Assessment and continuing improvements to the internal control systems relating to financial reporting
- ( vii ) We will develop human resources and secure the necessary personnel to achieve our targets for further growth.

**(5) Internal Control System Building and Operation**

( i ) 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, reporting directly to the president, periodically conducts internal audits to confirm the compliance of each department's operations with the 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.

With respect to the posting of the administrative departments, Business Strategy Office to perform overall management plan formulation and administrative department to perform, general affairs, personnel, accounting, finance and physical distribution operations have been established and perform company-wide internal management and control functions

Our company prepares its own corporate rules, based on relevant laws and regulations. Moreover, we revise such rules in response to amendments to the relevant laws and regulations and changes in corporate conditions.

( ii ) Measures to improve the internal control system in the past year

A project team has been established to build an internal control system relating to financial reporting and in addition to overall internal controls and examining principal operations, it puts in place necessary documentation and performs other measures to enhance the internal control systems. The Company has also continued to enlighten our employees about insider dealing and advice against drinking and driving.

#### 4 Financial Statements

##### (1) Balance Sheet

(Thousands of yen)

	As of September 30, 2007		As of September 30, 2008	
	Amount	Ratio (%)	Amount	Ratio (%)
<b>Assets</b>				
<b>I Current assets</b>				
1. Cash on hand and bank deposits	2,940,649		2,275,671	
2. Trade notes receivable ※1	702,142		746,777	
3. Trade accounts receivable	4,749,850		5,544,478	
4. Marketable securities	702,702		705,481	
5. Purchased goods	229,798		476,086	
6. Products	954,176		834,827	
7. Raw materials	1,204,930		1,120,594	
8. Products in progress	662,011		760,037	
9. Inventory goods	65,720		88,763	
10. Advance payment	23,835		14,472	
11. Prepaid expenses	178,184		222,591	
12. Deferred tax assets	333,613		316,534	
13. Other accounts receivables	10,541		92,571	
14. Accrued income	300		615	
15. Other current assets	4,448		14,607	
Allowance for doubtful receivables	-1,635		-1,887	
<b>Total current assets</b>	12,761,268	66.4	13,212,222	64.9
<b>II Fixed assets</b>				
<b>1) Property, plant and equipment</b>				
1. Buildings	4,134,833		4,376,849	
Accumulated depreciation	1,507,583	2,627,250	1,757,295	2,619,554
2. Structures	80,684		105,425	
Accumulated depreciation	64,433	16,250	69,903	35,522
3. Machinery and equipment	2,544,755		2,898,166	
Accumulated depreciation	1,735,459	809,295	2,048,279	849,886
4. Vehicles and other transportation equipment	25,736		27,259	
Accumulated depreciation	19,965	5,771	22,833	4,425
5. Tools, furniture and fixtures	587,181		686,272	
Accumulated depreciation	444,535	142,646	527,830	158,442
6. Land		483,721		527,658
7. Construction in progress		131,616		47,069
<b>Total property, plant and equipment</b>		4,216,550		4,242,558
<b>2) Intangible fixed assets</b>				
1. Trademark		237		187
2. Distributorship		534,500		1,298,000
3. Software		47,725		66,135
4. Telephone subscription rights		7,976		7,976
<b>Total intangible assets</b>		590,439		1,372,300
<b>3) Investments and other assets</b>				
1. Investment securities		157,279		148,090
2. Investments in anonymous association		450		450
3. Long-term prepaid expenses		394,527		427,301
4. Deferred tax assets		179,860		197,074
5. Guaranteed deposits		499,580		542,273
6. Insurance reserve fund		11,130		12,842
7. Time deposit maturing in more than one year		400,000		200,000
<b>Total investments and other assets</b>		1,642,827	8.6	1,528,033
<b>Total fixed assets</b>		6,449,818	33.6	7,142,892
<b>Total assets</b>		19,211,087	100.0	20,355,114

(Thousands of yen)

	As of September 30, 2007		As of September 30, 2008	
	Amount	Ratio (%)	Amount	Ratio (%)
<b>Liabilities</b>				
<b>I Current liabilities</b>				
1. Trade notes payable	296,634		443,407	
2. Trade accounts payable	2,128,212		2,237,412	
3. Other accounts payable	566,835		774,481	
4. Accrued expenses	179,977		186,185	
5. Accrued income taxes	584,486		358,299	
6. Accrued consumption tax	121,356		27,237	
7. Deposits received	11,166		13,611	
8. Accrued bonuses for employees	575,086		571,135	
9. Accrued bonuses for directors	17,300		15,600	
10. Allowance for sales return	8,890		11,913	
11. Notes payable for purchase of equipment	12,661		-	
<b>Total current liabilities</b>	4,502,606	23.5	4,639,283	22.8
<b>II Fixed liabilities</b>				
1. Guaranteed deposits received	211,972		212,451	
2. Accrued retirement benefits for employees	410,733		461,802	
3. Accrued retirement benefits for directors	77,110		-	
4. long-term accounts payable	-		69,788	
<b>Total fixed liabilities</b>	699,816	3.6	744,041	3.7
<b>Total liabilities</b>	5,202,423	27.1	5,383,325	26.4
<b>Net assets</b>				
<b>I Shareholders' Equity</b>				
1. Common stock	1,616,950	8.4	1,616,950	7.9
2. Capital surplus				
1) Additional paid-in capital	2,226,020		2,226,020	
2) Other capital surplus	615,567		615,567	
Total of capital surplus	2,841,587	14.8	2,841,587	14.0
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	4,380,038		5,348,613	
Total of retained earnings	9,544,117	49.7	10,512,692	51.6
4. Treasury stock	-7	0.0	-7	0.0
<b>Total Shareholders' Equity</b>	14,002,647	72.9	14,971,222	73.6
<b>II Valuation and translation adjustments</b>				
1. Net unrealized holding gain on securities	6,016		567	
<b>Total valuation and translation adjustments</b>	6,016	0.0	567	0.0
<b>Total net assets</b>	14,008,663	72.9	14,971,789	73.6
<b>Total liabilities</b>	19,211,087	100.0	20,355,114	100.0



## (2) Income Statement

(Thousands of yen)

	Fiscal year ended September.30, 2007			Fiscal year ended September.30, 2008		
	Amount		Ratio (%)	Amount		Ratio (%)
<b>I Net sales</b>						
1. Sales of goods	12,300,359			13,535,519		
2. Sales of merchandise	950,160	13,250,520	100.0	1,401,997	14,937,516	100.0
<b>II Cost of sales</b>						
1. Opening balance of merchandise	1,072,065			1,183,974		
2. Goods purchased for the period	594,277			977,923		
3. Cost of goods manufactured for the period	6,862,027			7,632,599		
Total	8,528,370			9,794,497		
4. Closing balance of merchandise and goods stocked	1,183,974			1,310,914		
5. Transfer to other accounts ※1	47,971	7,296,424	55.1	18,234	8,465,349	56.7
Gross profit		5,954,095	44.9		6,472,167	43.3
Provision for allowance for sales returns		153	0.0		3,022	0.0
<b>Net gross profit</b>		5,953,941	44.9		6,469,145	43.3
<b>III Selling, general and administrative expenses</b>						
1. Sales promotion expenses	87,111			130,918		
2. Sales commission	319,057			300,087		
3. Packaging and transportation expenses	160,905			178,422		
4. Entertainment expenses	13,122			37,985		
5. Directors' remuneration	48,971			52,735		
6. Salaries and bonuses for employees	983,831			1,182,221		
7. Provision for accrued bonuses for employees	356,809			364,265		
8. Provision for accrued bonuses for directors	17,300			15,600		
9. Provision for retirement benefits for employees	37,551			39,996		
10. Provision for retirement benefits for directors	11,266			473		
11. Welfare expenses	237,254			252,940		
12. Traveling expenses	170,540			241,620		
13. Rent	190,758			214,786		
14. Depreciation and amortization	48,228			142,344		
15. Research and development expenses ※2	686,986			625,544		
16. Miscellaneous expenses	480,914	3,850,612	29.0	623,112	4,403,055	29.4
<b>Operating income</b>		2,103,329	15.9		2,066,089	13.8
<b>IV Non-operating income</b>						
1. Interest received and discount income	3,720			4,904		
2. Interest on marketable securities	6,541			4,676		
3. Dividend received	387			456		
4. Subcontracting income	14,983			9,717		
5. Miscellaneous income	10,912	36,546	0.3	13,356	33,111	0.2
<b>V Non-operating expenses</b>						
1. Interest paid	2,349			2,802		
2. Sales discount	2,236			2,331		
3. Miscellaneous expenses	6,177	10,763	0.1	7,073	12,208	0.1
<b>Ordinary income</b>		2,129,112	16.1		2,086,993	14.0
<b>VI Extraordinary losses</b>						
1. Loss on disposal of property, plant and equipment ※3	5,974			395		
2. Loss on disposal of inventories	104,944			56,568		
3. Provision for directors' retirement benefits for prior	24,101			-		
4. Miscellaneous losses	5,421	140,441	1.1	-	56,964	0.4
Income before income taxes		1,988,670	15.0		2,030,028	13.6
Income taxes-current	865,859			776,562		
Income taxes-deferred	-70,767	795,091	6.0	1,751	778,314	5.2
<b>Net income</b>		1,193,579	9.0		1,251,714	8.4

**Manufacturing Statement**

(Thousands of yen)

	Fiscal year ended September 30, 2007		Fiscal year ended September 30, 2008		
	Amount	Ratio(%)	Amount	Ratio(%)	
<b>I Cost of materials</b>		5,101,318	71.3	5,347,624	68.7
<b>II Labor cost ※1</b>		743,671	10.4	781,633	10.0
<b>III Overheads</b>					
Depreciation and amortization	433,930		614,628		
Supplies expenses	164,597		198,830		
Miscellaneous expenses	707,673	1,306,201	844,353	1,657,812	21.3
Cost of goods manufactured for the period		7,151,192	100.0	7,787,070	100.0
Opening balance of work-in-progress		436,619		662,011	
Total		7,587,811		8,449,081	
Closing balance of work-in-progress		662,011		760,037	
Transfer to other accounts ※2		63,772		56,444	
Total cost of goods manufactured for the period		6,862,027		7,632,599	

**Notes to manufacturing statement**

Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
We applied the simple process costing method on the basis of historical 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): Provision for accrued bonuses: 162,142 Provision for accrued retirement benefits: 12,173	※1. The amount of provisions for allowances included in the labor cost is as follows (Thousands of yen): Provision for accrued bonuses: 152,791 Provision for accrued retirement benefits: 14,758
※2. Breakdown of transfer to other accounts is as follows (Thousands of yen): Loss on revaluation of inventories: 63,772	※2. Breakdown of transfer to other accounts is as follows (Thousands of yen): Loss on revaluation of inventories: 56,444

**(3) Statements of Changes in Shareholders' Equity****Fiscal year ended September 30, 2007 (From October 1, 2006 to September 30, 2007)****(Thousands of yen)**

	Shareholders' Equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		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 during the term								
Dividends from surplus							-180,179	-180,179
Net income							1,193,579	1,193,579
Net change of items other than Shareholders' 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

	Shareholders' Equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total Shareholders' 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 during the term					
Dividends from surplus		-180,179			-180,179
Net income		1,193,579			1,193,579
Net change of items other than Shareholders' 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

**Fiscal year ended September 30, 2008 (From October 1, 2007 to September 30, 2008)**

(Thousands of yen)

	Shareholders' Equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		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	4,380,038	9,544,117
Changes during the term								
Dividends from surplus							-283,139	-283,139
Net income							1,251,714	1,251,714
Net change of items other than Shareholders' Equity								
Total changes in the term	—	—	—	—	—	—	968,574	968,574
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	5,348,613	10,512,692

	Shareholders' Equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total Shareholders' Equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-7	14,002,647	6,016	6,016	14,008,663
Changes during the term					
Dividends from surplus		-283,139			-283,139
Net income		1,251,714			1,251,714
Net change of items other than Shareholders' Equity			-5,449	-5,449	-5,449
Total changes in the term	—	968,574	-5,449	-5,449	963,125
Balance at end of period	-7	14,971,222	567	567	14,971,789

**(4) Cash Flow Statement**

(Thousands of yen)

	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
	Amount	Amount
<b>I Cash flows from operating activities</b>		
Income before income taxes	1,988,670	2,030,028
Depreciation and amortization	587,034	803,480
Increase in retirement benefits for employees	39,505	51,069
Increase (decrease) in retirements benefits for directors	25,618	-77,110
Increase in allowance for doubtful receivables	155	251
Increase in accrued bonuses for employees	110,229	-3,950
Increase in accrued bonuses for directors	2,000	-1,700
Increase in allowance for sales return	153	3,022
Interest and dividends income	-10,650	-10,037
Loss on disposal of capital assets	5,974	395
Increase in trade receivable	-519,382	-839,263
Increase in inventories	-588,160	-163,671
Increase in other accounts receivable	-5,925	-82,030
Increase in prepaid expenses	-2,102	-44,407
Increase in long-term prepaid expenses	-33,407	-32,774
Increase in trade payable	542,730	255,972
Increase in other accounts payable	69,495	56,496
Increase in long-term accounts payable	-	69,788
Increase in accrued expenses	30,697	6,207
Increase (decrease) in accrued consumption taxes	119,351	-94,118
Increase in guaranteed deposits received	3,326	477
Other	-14,367	13,995
<b>Sub total</b>	2,350,949	1,942,120
Interest and dividends received	10,214	9,722
Income taxes paid	-702,111	-999,211
<b>Net cash used by operating activities</b>	1,659,052	952,631
<b>II Cash flows from investing activities</b>		
Income from reversal of fixed time deposits	-	200,000
Purchase of marketable securities	-99,883	-
Proceeds from sales of marketable securities	600,000	-
Purchase of investment securities	-10,000	-
Purchase of property, plant and equipment	-476,749	-656,614
Purchase of intangible fixed assets	-3,608	-926,899
Purchase of leased assets	-52,000	-222,550
Proceeds from sales of leased assets	-	326,550
Payments of guaranteed deposits	-50,112	-50,112
Other	-1,712	-1,712
<b>Net cash used in investing activities</b>	-94,066	-1,331,338
<b>III Cash flows from financing activities</b>		
Cash dividends paid	-179,984	-283,492
<b>Net cash provided by financing activities</b>	-179,984	-283,492
<b>IV Increase (decrease) in cash equivalents</b>	1,385,002	-662,199
<b>V Opening balance of cash and cash equivalents</b>	2,258,349	3,643,351
<b>VI Closing balance of cash and cash equivalents</b>	3,643,351	2,981,152

(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 September 30, 2007	Fiscal year ended September 30, 2008
<b>1. Valuation Criteria and Methods for Securities Holding</b>	<p><b>Securities Holding:</b>  <b>Marketable securities:</b>            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.)  <b>Non-marketable securities:</b>            Moving average cost method</p>	<p><b>1) Securities Holding:</b>  <b>Marketable securities:</b>            Same as left.  <b>Non-marketable securities:</b>            Same as left.</p>
<b>2. Valuation Criteria and Methods for Inventories</b>	First-in, first-out method	Same as left.
<b>3. Depreciation and Amortization of Fixed Assets</b>	<p><b>1) Depreciation on property, plant and equipment:</b>            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><b>2) Amortization of intangible fixed assets:</b>            Straight-line method:            Amortization of computer software used within our company is calculated by the straight-line method over a period of 5 years</p> <p><b>3) Amortization of long-term prepaid expenses:</b>            Straight-line method</p>	<p><b>1) Depreciation on property, plant and equipment:</b>            Same as left.</p> <p>(Additional Information)            In accordance with the revisions to the Corporate Taxation Law, with respect to assets acquired on or before March 31, 2006, applying the depreciation method based on the Corporate Taxation Law prior to the revision, from the business year immediately succeeding the business year in which 5% of purchase price is reached, the difference between the amount corresponding to 5% of the purchase price and the residual value is amortized in a straight line over 5 years and recorded as a part of the depreciation expense.</p> <p>As a result, operating income, ordinary income and net income before tax have been reduced by ¥9,208 thousand respectively.</p> <p><b>(2) Amortization of intangible fixed assets:</b>            Straight-line method:            Amortization of computer software used within our company is calculated by the straight-line method over a period of 5 years</p> <p>For sales rights, 5-year straight line amortization method has been applied.</p> <p><b>3) Amortization of long-term prepaid expenses:</b>            Same as left.</p>

	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
<b>4. Basis for Significant Allowances</b>	<p><b>(1) Allowance for doubtful receivables:</b> The allowance for doubtful receivables is to provide for possible losses due to 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><b>2) Accrued bonuses to employees:</b> 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><b>3) Reserve for retirement benefits for employees:</b> Reserve for retirement benefits for employees provides for retirement benefits to be paid under the 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><b>4) Reserve for retirement benefits for directors:</b> Reserve for retirement benefits for directors provides for 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><b>5) Allowance for sales returns:</b> Allowance for sales returns provides for expected loss of gross profits due to returns of products calculated based on past rejection rates.</p> <p><b>6) Accrued bonuses for directors:</b> 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><b>(1) Allowance for doubtful receivables:</b> Same as left.</p> <p><b>2) Accrued bonuses to employees:</b> Same as left</p> <p><b>(3) Reserve for retirement benefits for employees:</b> Same as left.</p> <p><b>4) Reserve for retirement benefits for directors:</b> <hr/></p> <p>(Additional Information) With respect to directors retirement bonus program, it was abolished at the 43rd General Meeting of the Shareholders held December 20, 2007. The ¥77,110 thousand "Reserve for Directors Retirement Bonus" recorded in the previous year's closing statement, with the approval of a resolution to terminate and pay directors retirement bonus with the timing of payment set at the time of retirement of each director, has been transferred into "Long Term Accrued Payments" in the fixed liability section of the balance sheet.</p> <p><b>5) Allowance for sales returns:</b> Same as left.</p> <p><b>6) Accrued bonuses for directors:</b> Same as left.</p>

	<b>Fiscal year ended September 30, 2007</b>	<b>Fiscal year ended September 30, 2008</b>
<b>5. Accounting for Lease Transactions</b>	The accounting procedures conforming to the accounting method for the usual lease contracts are applied to finance lease agreements excluding those in which the title to the leased asset transfers to the lessee.	Same as left
<b>6. Cash and Cash Equivalents in Cash Flow Statements</b>	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
<b>7. Other Significant Items</b>	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**

<b>Fiscal year ended September 30, 2007</b>	<b>Fiscal year ended September 30, 2008</b>
<p><b>(Accounting for depreciation)</b> Under the 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 applies the new method to all property, plant and equipment which were purchased on or after April 1, 2007. This change decreased operating income, ordinary income and net income before taxes by ¥9,692 thousand respectively.</p>	<hr/>



**(8) Notes to Financial Statements****(Notes to Balance Sheets)**

Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
※1 Notes receivable and payable due on the fiscal year end Notes receivable and payable due on the fiscal year end are accounted for based on the nominal maturity date, although the fiscal year concerned was a holiday for financial institutions. The amount of notes receivable and payable due on the fiscal year end is as follows:  Notes receivable ¥80,942 thousand Notes payable ¥13,470 thousand	<hr style="width: 20%; margin: auto;"/>

**(Notes to Income Statements)**

Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
※1 Breakdown of transfer to other accounts: <div style="text-align: right;">(Thousands of yen)</div> Loss on disposal of inventories 30,584 Selling, general and administrative 14,246 Other accounts receivable 3,139  ※ 2 Amount of research and development expenses: Amount of research and development expenses included in selling general administrative expenses <div style="text-align: right;">(Thousands of yen)</div> 686,986  ※3 Breakdown of loss on retirement of fixed assets: <div style="text-align: right;">(Thousands of yen)</div> Building 385 Machinery and equipment 4,277 Tool, furniture and furnishings 1,311	※1 Breakdown of transfer to other accounts: <div style="text-align: right;">(Thousands of yen)</div> Loss on disposal of inventories 10,876 Selling, general and administrative expenses 7,358  ※ 2 Amount of research and development expenses: Amount of research and development expenses included in selling and general administrative expenses <div style="text-align: right;">(Thousands of yen)</div> 625,544  ※3 Loss on disposal of fixed assets: <div style="text-align: right;">(¥Thousands)</div> Tools, furniture and furnishings 395

**(Notes to Statements of Changes in Stockholders' Equity for the Fiscal Year Ended September. 30, 2007)****Notes to Classes and Number of Outstanding Shares**

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

**Notes to Surplus****( i ) 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
- Dividend per share: ¥7
- 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
- Dividend per share: ¥7
- Record date: March 31, 2007
- Effective date: June 1, 2007

(ii) Amount of dividends payable in the fiscal year ended September 30, 2007

The Board of Directors will propose a divided payment to annual shareholders' meeting held on December 20, 2007

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

**(Notes to Statements of Changes in Stockholders' Equity for the Fiscal Year Ended September 30, 2008)**

**Notes to Classes and Number of Outstanding Shares**

Class	Number of shares as of September 30, 2007	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of September 30, 2008
Outstanding shares				
Common stock	12,870,000	—	—	12,870,000

**Notes to Classes and Number of Treasury Stocks**

Class	Number of shares as of September 30, 2007	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of September 30, 2008
Treasury stocks				
Common stock	10	—	—	10

**Notes to Surplus**

(i) Amount of dividend paid

a) Details of the decision on dividends made at the General Meeting of the Shareholders held on December 20, 2007

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

b) Details of the decision on dividends made at the meeting of the board of directors held on May 9, 2008

- Class of stocks: Common stock
- Total amount of dividend paid: ¥128,699 thousand
- Dividend per share: ¥10
- Record date: March 31, 2008
- Effective date: June 2, 2008

(ii) Amount of dividends payable in the fiscal year ended September 30, 2008

The Board of Directors will propose a divided payment to annual General Meeting of the Shareholders to be held on December 19, 2008

- Class of stocks: Common stock
- Dividend resource: Retained earnings
- Total amount of dividend paid: ¥128,699 thousand
- Dividend per share: ¥10
- Record date: September 30, 2008
- Effective date: December 22, 2008

**(Notes to Cash Flow Statements)**

For the fiscal year ended September 30, 2007	For the fiscal year ended September 30, 2008
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, 2007) (Thousands of yen)	(As of Sep. 30, 2008) (Thousands of yen)
Cash on hand and at banks 2,940,649	Cash on hand and at banks 2,275,671
Securities 702,702	Securities 705,481
Cash and cash equivalents 3,643,351	Cash and cash equivalents 2,981,152

## (Notes to Lease Transactions)

(Thousands of yen)

For the fiscal year ended Sep.30, 2007	For the fiscal year ended Sep.30, 2008																																																																																				
<p>1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee.</p> <p>(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets.</p> <p style="padding-left: 20px;">(Machinery and Equipment)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">2,156,589</td> </tr> <tr> <td>Accumulated Depreciation</td> <td style="text-align: right;">808,546</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">1,348,042</td> </tr> </table> <p style="padding-left: 20px;">(Vehicles and Other Transportation Equipment)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">84,042</td> </tr> <tr> <td>Accumulated Depreciation</td> <td style="text-align: right;">40,218</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">43,824</td> </tr> </table> <p style="padding-left: 20px;">(Tools, Furniture and Furnishings)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">49,110</td> </tr> <tr> <td>Accumulated Depreciation</td> <td style="text-align: right;">39,050</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">10,060</td> </tr> </table> <p style="padding-left: 20px;">(Total)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">2,289,741</td> </tr> <tr> <td>Accumulated Depreciation</td> <td style="text-align: right;">887,815</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">1,401,926</td> </tr> </table> <p>(2) The pro forma amounts of unexpired lease payments</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Due in one year or less:</td> <td style="text-align: right;">255,065</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">1,190,377</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,445,443</td> </tr> </table> <p>(3) Lease payment, depreciation of lease assets and interest paid</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Lease payments:</td> <td style="text-align: right;">282,208</td> </tr> <tr> <td>Depreciation:</td> <td style="text-align: right;">250,431</td> </tr> <tr> <td>Interest paid:</td> <td style="text-align: right;">24,248</td> </tr> </table> <p>(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.</p> <p>(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.</p> <p>2. Operating lease transactions</p> <p style="padding-left: 20px;">(Unexpired lease payments)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Due in one year or less:</td> <td style="text-align: right;">24,000</td> </tr> <tr> <td>Due after one year:</td> <td style="text-align: right;">71,980</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">95,980</td> </tr> </table> <p>(Loss on Impairment) There is no loss on impairment allocated to lease assets</p>	Purchase Price:	2,156,589	Accumulated Depreciation	808,546	Closing Balance:	1,348,042	Purchase Price:	84,042	Accumulated Depreciation	40,218	Closing Balance:	43,824	Purchase Price:	49,110	Accumulated Depreciation	39,050	Closing Balance:	10,060	Purchase Price:	2,289,741	Accumulated Depreciation	887,815	Closing Balance:	1,401,926	Due in one year or less:	255,065	Due after one year	1,190,377	Total	1,445,443	Lease payments:	282,208	Depreciation:	250,431	Interest paid:	24,248	Due in one year or less:	24,000	Due after one year:	71,980	Total	95,980	<p>1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee.</p> <p>(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets.</p> <p style="padding-left: 20px;">(Machinery and Equipment)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">2,069,108</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td style="text-align: right;">969,190</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">1,099,918</td> </tr> </table> <p style="padding-left: 20px;">(Vehicles and Other Transportation Equipment)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">76,166</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td style="text-align: right;">26,390</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">49,776</td> </tr> </table> <p style="padding-left: 20px;">(Tools, Furniture and Furnishings)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">60,699</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td style="text-align: right;">52,797</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">7,901</td> </tr> </table> <p style="padding-left: 20px;">(Total)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchase Price:</td> <td style="text-align: right;">2,205,974</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td style="text-align: right;">1,048,378</td> </tr> <tr> <td style="border-top: 1px solid black;">Closing Balance:</td> <td style="text-align: right; border-top: 1px solid black;">1,157,595</td> </tr> </table> <p>(2) The pro forma amounts of unexpired lease payments</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Due in one year or less:</td> <td style="text-align: right;">243,815</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">961,193</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,205,008</td> </tr> </table> <p>(3) Lease payment, depreciation of lease assets and interest paid</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Lease payments:</td> <td style="text-align: right;">275,062</td> </tr> <tr> <td>Depreciation:</td> <td style="text-align: right;">246,599</td> </tr> <tr> <td>Interest paid:</td> <td style="text-align: right;">24,925</td> </tr> </table> <p>(4) Methods of calculation of depreciation Same as left</p> <p>(5) Methods of calculation of interests Same as left</p> <p>2. Operating lease transactions</p> <p style="padding-left: 20px;">(Unexpired lease payments)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Due in one year or less:</td> <td style="text-align: right;">90,792</td> </tr> <tr> <td>Due after one year:</td> <td style="text-align: right;">266,706</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">357,498</td> </tr> </table> <p>(Loss on Impairment) Same as left</p>	Purchase Price:	2,069,108	Accumulated Depreciation:	969,190	Closing Balance:	1,099,918	Purchase Price:	76,166	Accumulated Depreciation:	26,390	Closing Balance:	49,776	Purchase Price:	60,699	Accumulated Depreciation:	52,797	Closing Balance:	7,901	Purchase Price:	2,205,974	Accumulated Depreciation:	1,048,378	Closing Balance:	1,157,595	Due in one year or less:	243,815	Due after one year	961,193	Total	1,205,008	Lease payments:	275,062	Depreciation:	246,599	Interest paid:	24,925	Due in one year or less:	90,792	Due after one year:	266,706	Total	357,498
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**(Notes to Securities Holding)****1. Breakdown of marketable securities**

(Thousands of yen)

		As of the fiscal year ended September 30, 2007			As of the fiscal year ended September 30, 2008		
		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)	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	36,954	36,993	38
	(2) Debt securities						
	1. Government bonds	—	—	—	99,980	100,897	917
	2. Corporate bonds	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—
	Sub Total	36,954	47,126	10,172	136,934	137,890	956
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	136,934	137,890	956

**2. Breakdown of nonmarketable securities**

(Thousands of yen)

	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
	Value booked in the balance sheets	Value booked in the balance sheets
Other securities		
Money Management Fund	200,937	201,790
Free Financial Fund	501,765	503,690
Unlisted stock (excluding over-the-counter shares)	10,200	10,200

(Note) 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.

**3. Estimated redemption amount of fixed-term securities**

(Thousands of yen)

	Fiscal year ended September 30, 2007				Fiscal year ended September 30, 2008			
	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	—	99,980	—	—	—	99,980	—	—
2. Corporate bonds	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(2) Others	—	—	—	—	—	—	—	—
Total	—	99,980	—	—	—	99,980	—	—

**(Notes to Derivative Transactions)**

The company did not have any derivative transactions.

**(Notes to Retirement Benefit Plan)****1. Description of the retirement benefit plan**

We provide a retirement benefit plan 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 Plan 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 September 30, 2007	As of September 30, 2008
1. Retirement benefit obligation	618,413	655,180
2. Estimated retirement benefit to be provided by Mutual Aid Corporation	<u>207,680</u>	<u>193,378</u>
3. Accrued retirement benefit (1-2)	410,733	461,802

**3. Breakdown of expenses related to retirement benefits**

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2008
1. Retirement benefits paid on the basis of service years	59,159	66,723
2. Premium severance allowance paid temporarily	3,371	1,601
3. Premiums paid to the Defined Contribution Pension Fund	18,947	19,782
4. Prepaid retirement benefits	<u>6,016</u>	<u>7,374</u>
5. Total expenses	87,494	95,481

**4. Method for calculating the retirement benefit obligations**

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

**(Notes to Stock Options)**

Not applicable.

**(Notes to Tax Effect Accounting)**

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2008
1. Breakdown of deferred tax assets and liabilities		
Breakdown		
(Deferred tax assets)		
Nondeductible provision for accrued bonuses	234,060	232,452
Nondeductible provision for retirement benefits for employees	167,168	187,953
Nondeductible accrued enterprise tax	47,012	30,607
Nondeductible provision for retirement benefits for directors	10,139	
Others	59,221	62,984
Total of deferred tax assets	517,602	513,997
(Deferred tax liabilities)		
Difference in the estimated value of other marketable securities	4,129	389
Net value of deferred tax assets	513,473	513,608
2. Difference between the effective tax rate and the rate of corporate tax based on the tax effect accounting method		
Statutory tax rate	Details on the differences 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.	40.7 %
(Disparity)		
Deductible research and development cost		-2.7 %
Provincial tax to be levied for the fiscal year concerned		0.6 %
Permanent nondeductible items such as entertainment expenses		0.8 %
Others		-1.1 %
Statutory tax rate based on the tax effect accounting		38.3 %

**(Notes to Equity in Income of Affiliates)**

Not applicable.

**(Transactions with Concerned Parties)**

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

**(1) Parent company and institutional shareholders**

Attribute	Major Corporate Shareholders	
Company Name	Mitsui & Co., Ltd.	
Address	Chiyoda-ku, Tokyo	
Capital or Invested Amount (Thousands of yen)	336,417,157	
Business Details or Occupation	General Trading Company	
Proportion of Voting Rights Held (or being held)	(Being owned) Directly 15.0%	
Details of Relationship	Shared Directors or the Like Business Relationship	1 Seconded staff Supply of raw materials / merchandise

		Transaction Amount (Thousands of yen)	Account	Closing Balance (Thousands of yen)
Transaction Details	Supply of raw materials and merchandise (Notes 1, 2)	1,985,268	Accounts Payable	759,191
	Purchase of development bulk pharmaceuticals (Notes 1, 2)	73,869	Accrued Payments	146
	Fees and other (Notes 1, 2)	24,097	Accrued Payments	3,810

**(2) Directors and major individual shareholders**

Attribute	Officer		
Name	Fujiaki Mimura		
Address	-		
Capital or Amount Invested (Thousands of yen)	-		
Business Details or Occupation	Auditor of the Company Lawyer		
Proportion of Voting Rights Held (or being held)	-		
Details of Relationship	Shared Directors or the Like Business Relationship		

		Transaction Amount (Thousands of yen)	Account	Closing Balance (Thousands of yen)
Transaction Details	Legal Fees (Note 3)	4,213	Accrued Payments	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. With respect to the legal fees above, determined through negotiations based on the compensation rules prepared by Bingham McCutcheon LLP Sakai and Mimura Law Office (foreign law joint office)

4. The amounts of the above transaction values do not include consumption tax, while the payment due does.

Fiscal year ended September 30, 2008 (From October 1, 2007 to September 30, 2008)

**(1) Parent company and institutional shareholders**

Attribute	Major Corporate Shareholders		
Company Name	Mitsui & Co., Ltd.		
Address	Chiyoda-ku, Tokyo		
Capital or Invested Amount (Thousands of yen)	336,417,157		
Business Details or Occupation	General Trading Company		
Proportion of Voting Rights Held (or being held)	(Being owned) Directly 15.0%		
Details of Relationship	Shared Directors or the Like Business Relationship	None	Supply of raw materials / merchandise

		Transaction Amount (Thousands of yen)	Account	Closing Balance (Thousands of yen)
Transaction Details	Supply of raw materials and merchandise (Notes 1, 2)	1,582,619	Accounts Payable	477,012
	Purchase of development bulk pharmaceuticals (Notes 1, 2)	5,170	Accrued Payments	1,006
	Fees and other (Notes 1, 2)	23,105	Accrued Payments	3,683

**(2) Directors and major individual shareholders**

Attribute	Officer		
Name	Fujiaki Mimura		
Address	-		
Capital or Invested Amount (Thousands of yen)	-		
Business Details or Occupation	Auditor of the Company Lawyer		
Proportion of Voting Rights Held (or being held)	-		
Details of Relationship	Shared Directors or the Like Business Relationship	1 Shared Staff	Sales of Products of the Company

		Transaction Amount (Thousands of yen)	Account	Closing Balance (Thousands of yen)
Transaction Details	Legal Fees (Note 3)	2,982	Accrued Payments	-

Attribute	Officer	
Company Name	Miyarisan Pharmaceutical Co., Ltd.	
Address	Kita-ku, Tokyo	
Capital or Invested Amount (Thousands of yen)	200,000	
Business Details or Occupation	Pharmaceutical Manufacturer and Seller	
Proportion of Voting Rights Held (or being held)		
Details of Relationship	Shared Directors or the Like Business Relationship	1 Shared Staff Sales of Products of the Company

		Transaction Amount (Thousands of yen)	Account	Closing Balance (Thousands of yen)
Transaction Details	Sales of the Company's Products (Notes 1, 2)	6,789	Accounts Receivables	7,129

- (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. With respect to the legal fees above, determined through negotiations based on the compensation rules prepared by Bingham McCutcheon LLP Sakai and Mimura Law Office (foreign law joint office)
  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 September 30, 2007		Fiscal year ended September 30, 2008	
Net assets per share	¥1,088.48	Net assets per share	¥1,163.31
Net income per share	¥92.74	Net income per share	¥97.26
Fully-diluted net income per share is not presented because there are no latent shares such as convertible bonds, issued by the Company.		Fully-diluted net income per share is not presented because there are no latent shares, such as convertible bonds, issued by the Company.	

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

	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008
Net income for the fiscal year: (Thousands of yen)	1,193,579	1,251,714
Amount not applicable to ordinary shareholders: (Thousands of yen)	—	—
Net income applicable to ordinary shareholders: (Thousands of yen)	1,193,579	1,251,714
Average number of shares out standing (shares)	12,869,990	12,869,990

**(Material Subsequent Events)**

No applicable items



## 5. Goods Manufactured, Orders Received and Sales

### (1) Breakdown of goods manufactured

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2007		Fiscal year ended Sep. 30 2008		YOY Change (%)
	Amount	(%)	Amount	(%)	
Diagnostic drugs	5,111,910	42.5	5,887,835	41.5	115.2
Hormone drugs	3,272,517	27.2	3,881,895	27.3	118.6
Circulatory drugs	1,071,440	8.9	1,254,018	8.8	117.0
Antibiotics & Chemotherapeutics	612,131	5.1	627,119	4.4	102.4
Urogenital & genital organ drugs	327,496	2.7	369,608	2.6	112.9
Dermatological preparation	314,995	2.6	214,518	1.5	68.1
Others	1,305,549	10.9	1,965,892	13.8	150.6
Total	12,016,040	100.0	14,200,888	100.0	118.2

(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

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2007		Fiscal year ended Sep. 30 2008		YOY Change (%)
	Amount	(%)	Amount	(%)	
In vitro diagnostic	416,689	70.1	499,412	51.1	119.9
Dermatological preparation	54,163	9.1	49,570	5.1	91.5
Hormone drugs	20,507	3.5	351,557	35.9	1,714.3
Antibiotics & Chemotherapeutics	-	-	3,499	0.4	-
Others	102,917	17.3	73,883	7.6	71.8
Total	594,277	100.0	977,923	100.0	164.6

### (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

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2007		Fiscal year ended Sep. 30 2008		YOY Change (%)
	Amount	(%)	Amount	(%)	
Goods manufactured					
Diagnostic drugs	5,215,300	39.4	5,803,755	38.9	111.3
Hormone drugs	3,327,059	25.1	3,731,114	25.0	112.1
Circulatory drugs	1,132,669	8.5	1,231,402	8.2	108.7
Antibiotics & Chemotherapeutics	624,702	4.7	623,136	4.2	99.7
Urogenital & genital organ drugs	304,788	2.3	332,475	2.2	109.1
Dermatological preparation	296,200	2.2	225,470	1.5	76.1
Others	1,399,638	10.6	1,588,164	10.6	113.5
Sub Total	12,300,359	92.8	13,535,519	90.6	110.0
Goods purchased					
In vitro diagnostic	643,284	4.9	873,980	5.9	135.9
Dermatological preparation	102,357	0.8	103,820	0.7	101.4
Hormone drugs	33,136	0.2	242,105	1.6	730.6
Antibiotics & Chemotherapeutics	13,420	0.1	11,763	0.1	87.7
Others	157,963	1.2	170,327	1.1	107.8
Sub Total	950,160	7.2	1,401,997	9.4	147.6
Total	13,250,520	100.0	14,937,516	100.0	112.7

(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.

3. Principal customers during the business year under review

(Thousands of yen)

Client	Fiscal year ended Sep. 30 2007		Fiscal year ended Sep. 30 2008	
	Amount	%	Amount	%
Konica Minolta Medical & Graphics Inc.	3,575,513	27.0 %	3,916,119	26.2 %
Suzuken Co., Ltd.	1,305,761	9.9 %	1,568,544	10.5 %

**6 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**

- Candidate for director appointment

Director Kaku Hiromi (Currently Executive Officer: GMP Promotion Office / Production Management Group)

**(3) Formal assumption date of the director**

December 19, 2008

**2. Other Information**

Not applicable.