

## Consolidated Financial Results for the Fiscal Year Ended September 30, 2013

[Japanese GAAP]

November 14, 2013

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Stock Exchange Listing: TSE (1st section)

Scheduled date of annual shareholders' meeting: December 20, 2013  
 Scheduled start date of dividend: December 24, 2013  
 Scheduled submission date of annual securities report: December 20, 2013  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

*Note: The original disclosure in Japanese was released on November 14, 2013 at 16:30 (GMT +9).*

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2013 (Oct. 1, 2012 to Sep. 30, 2013)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2013	25,174	-	3,261	-	3,376	-	2,068	-
Fiscal year ended Sep. 30, 2012	-	-	-	-	-	-	-	-

*Note: Comprehensive income (millions of yen) Fiscal year ended Sep. 30, 2013: 2,490 (n.a.) Fiscal year ended Sep. 30, 2012: - (n.a.)*

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Profit margin on sales
	Yen	Yen	%	%	%
Fiscal year ended Sep. 30, 2013	146.48	-	8.6	8.6	13.0
Fiscal year ended Sep. 30, 2012	-	-	-	-	-

*Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Sep. 30, 2013: - Fiscal year ended Sep. 30, 2012: -*

No figures for the previous fiscal year and year-on-year comparisons are presented because the Company began preparing consolidated financial statements starting from the current fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended Sep. 30, 2013	39,138	24,066	61.5	1,704.46
Fiscal year ended Sep. 30, 2012	-	-	-	-

*Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2013: 24,066 As of Sep. 30, 2012: -*

No figures for the previous fiscal year are presented because the Company began preparing consolidated financial statements starting from the current fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Sep. 30, 2013	3,630	(6,601)	3,743	6,521
Fiscal year ended Sep. 30, 2012	-	-	-	-

No figures for the previous fiscal year are presented because the Company began preparing consolidated financial statements starting from the current fiscal year.

### 2. Dividends

	Dividend per share					Total cash dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Sep. 30, 2012	-	18.00	-	19.00	37.00	522	-	-
Fiscal year ended Sep. 30, 2013	-	18.00	-	22.00	40.00	564	27.3	2.3
Fiscal year ending Sep. 30, 2014 (Estimated)	-	20.00	-	24.00	44.00		30.0	

No dividend payout ratio and dividends on net assets for the previous fiscal year are presented because the Company began preparing consolidated financial statements starting from the current fiscal year.

### 3. Consolidated Forecast for the Fiscal Year Ending September 30, 2014 (Oct. 1, 2013 to Sep. 30, 2014)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	13,985	16.6	1,410	(12.4)	1,370	(21.0)	825	(24.2)	58.43
Full year	29,465	17.0	3,450	5.8	3,385	0.3	2,070	0.1	146.60

**\* Notes**

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

Newly added: 1 (OLIC (Thailand) Limited) Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the end of period (including treasury stock)

As of Sep. 30, 2013: 14,120,000 shares As of Sep. 30, 2012: 14,120,000 shares

2) Number of shares of treasury stock as of the end of period

As of Sep. 30, 2013: 67 shares As of Sep. 30, 2012: 67 shares

3) Average number of shares issued during the period

Fiscal year ended Sep. 30, 2013: 14,119,933 shares Fiscal year ended Sep. 30, 2012: 14,119,933 shares

**(Reference) Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2013 (Oct. 1, 2012 to Sep. 30, 2013)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2013	23,948	11.3	3,417	24.4	3,544	31.3	2,242	63.6
Fiscal year ended Sep. 30, 2012	21,520	(0.5)	2,746	(23.0)	2,698	(23.9)	1,370	(37.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Sep. 30, 2013	158.81	-
Fiscal year ended Sep. 30, 2012	97.09	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended Sep. 30, 2013	37,259	23,874	64.1	1,690.87
Fiscal year ended Sep. 30, 2012	31,471	22,098	70.2	1,565.03

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2013: 23,874 As of Sep. 30, 2012: 22,098

**2. Non-consolidated Forecast for the Fiscal Year Ending September 30, 2014 (Oct. 1, 2013 to Sep. 30, 2014)**

(Percentages represent year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	13,095	13.3	1,445	(18.7)	900	(20.7)	63.74
Full year	27,620	15.3	3,490	(1.5)	2,175	(3.0)	154.04

\* Indication of audit procedure implementation status

At the time when this report is released, the audit procedures for financial statements based on the Financial Instruments and Exchange Act have not been completed.

\* Explanation of appropriate use of earnings forecasts, and other special items

The Company began preparing consolidated financial statements starting from the current fiscal year.

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results" on page 2 for details on the above forecasts.

\* Change in the unit for presentation of amounts

Amounts in the financial statements and other items, presented in "thousands of yen" in prior periods, are presented in "millions of yen" effective from the current fiscal year.

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, November 22, 2013. Materials distributed at this event will also be available on the Company's website thereafter.

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

#### 1) Summary

On October 1, 2012, OLIC (Thailand) Limited became a subsidiary following the acquisition of 99.91% of its outstanding shares from existing shareholders.

No figures for the previous fiscal year, year-on-year comparisons or other comparative analysis are presented because Fuji Pharma is preparing consolidated financial statements for the first time in this fiscal year.

In the current fiscal year, the outlook for the Japanese economy remained unclear because of concerns about slowing economic growth in China and other emerging countries and other issues. However, signs of an economic upturn are appearing, notably a stock market rally backed by expectations concerning the policies of Japan's new government and the retreat from the yen's extremely high level due to monetary and other measures.

In Japan's ethical drug industry, the government is continuing to work on promoting the use of generic drugs. Competition in the generic drug market is becoming even more intense as Japanese pioneer drug manufacturers, foreign affiliated pharmaceutical manufacturers and other companies enter this market.

On November 21, 2012, the Company received approval to manufacture and sell Filgrastim BS Syringe "F", which is a recombinant human granulocyte colony-stimulating factor (G-CSF) formulation, and it started selling from May 2013. This recombinant human G-CSF formulation is the first time that a filgrastim biosimilar drug has been approved in Japan. This drug is now a new option for the treatment of neutropenia as Japan's first G-CSF biosimilar drug. The Company believes the drug will help improve the quality of life of people suffering from neutropenia.

The Company began the marketing of a new drug "LUNABELL tablets ULD" (indicated for dysmenorrhea) in its core field of obstetrics and gynecology in September 2013. "LUNABELL tablets ULD" has been formulated to contain the lowest amount of ethinylestradiol in the Japanese market and developed with the aim of further reducing the incidence of serious side effects. Furthermore, by providing a new alternative option for the treatment of dysmenorrhea together the "LUNABELL tablets LD" that we are already marketing, we are making a contribution to improving patients' quality of life.

In April 2013, operations began at a Toyama Research and Development Center that was constructed to make R&D operations more efficient and advanced. The Company intends to accelerate the achievement of its aim, as outlined in its medium-term business plan, of "building a framework for business operations centered on R&D" as a result of the completion of this facility, and to further enrich its medium- and long-term strategic pipeline.

As a result, net sales totaled 25,174 million yen, operating income 3,261 million yen, ordinary income 3,376 million yen and net income 2,068 million yen.

Diagnostic drugs centering on the urinary tract angiographic agents "OYPALOMIN," "IOPAQUE," which are the principal products of the Company, accounted for 9,158 million yen in net sales. Hormonal agents composed principally of infertility treatment drugs such as the dysmenorrhea treatment agent "LUNABELL tablets LD," hypophysial gonadal stimulus hormone agent "HMG (human menopausal gonadotropin) intramuscular injection," "FOLYRMON-P injection," the endometriosis treatment drug "BUSERECUR," accounted for sales of 8,134 million yen.

#### 2) Outlook for the Next Fiscal Year

The Company expects the outlook for sales in the next fiscal year ending September 30, 2014 to increase to reflect the contribution from the transfer of sales of new "OPTIRAY injection" from Mallinckrodt Japan Co. Ltd. and the accession and transfer of sales rights for four drugs in the obstetrics and gynecology fields (the accession of "LUTORAL tablets" and "FLAGYL vaginal tablets"; and the transfer of sales rights for "CLOMID tablets" and "NORLUTEN tablets") from Shionogi & Co., Ltd. As a result of the increasingly intense competition between the companies in the market for generic drugs, the impact of the April 2014 NHI drug price revisions, increased depreciation costs deriving from the commencement of Phase II construction works on the No. 5 pharmaceutical plant, rising research and development expenses, and other factors, the Company expects profits to decline in the first half of the next fiscal year but to rise somewhat for the full fiscal year ending September 30, 2014.

As a result, the Company expects net sales of 29,465 million yen (a 17.0% increase over the current fiscal year), operating income of 3,450 million yen (a 5.8% increase), ordinary income of 3,385 million yen (a 0.3% increase) with net income of 2,070 million yen (a 0.1% increase).

## (2) Analysis of Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets were 39,138 million yen, net assets 24,066 million yen, and the equity ratio was 61.5% as of the end of the fiscal year under review.

Current assets were 23,772 million yen, including notes and accounts receivable-trade of 9,697 million yen and cash and deposits of 6,015 million yen. Noncurrent assets were 15,366 million yen, which includes buildings and structures, net of 5,276 million yen, and machinery, equipment and vehicles, net of 4,154 million yen.

Current liabilities were 8,917 million yen, including notes and accounts payable-trade of 3,604 million yen. Noncurrent liabilities were 6,153 million yen, which includes long-term loans payable of 4,417 million yen.

Net assets were 24,066 million yen, which include retained earnings of 17,525 million yen.

### 2) Cash Flows

Cash and cash equivalents (hereinafter, "Cash") as of the end of the fiscal year under review totaled 6,521 million yen.

The cash flow components during the fiscal year and the main reasons for changes are as described below.

#### Cash Flow from Operating Activities

Net cash provided by operating activities totaled 3,630 million yen. This was the net result of adding depreciation and amortization of 1,206 million yen to income before income taxes and minority interests of 3,332 million yen, while there were income taxes paid of 1,366 million yen, a 1,320 million yen decrease in notes and accounts payable-trade and other factors.

#### Cash Flow from Investing Activities

Net cash used in investing activities was 6,601 million yen. This was due to the purchase of investments in subsidiaries resulting in change in scope of consolidation of 3,386 million yen, purchase of property, plant and equipment of 2,779 million yen and other factors.

#### Cash Flow from Financing Activities

Net cash provided by financing activities was 3,743 million yen. This was due to a 1,073 million yen decrease in short-term loans payable, cash dividends paid of 522 million yen, and proceeds from long-term loans payable of 5,850 million yen.

Reference: Cash flow indicators

	FY9/13
Equity ratio (%)	61.5
Market value-based equity ratio (%)	62.7
Interest-bearing debt to cash flow ratio (%)	178.0
Interest coverage ratio (Times)	65.6

- Equity ratio: Shareholders' equity / Total assets

- Market value-based equity ratio: Market capitalization / Total assets

- Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

- Interest coverage ratio: Operating cash flows / Interest expenses

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization is calculated by multiplying the share price at the end of the period by the number of shares outstanding (net of treasury stock) at the end of the period.

3. Interest-bearing debt includes all debt on the balance sheets that incur interest.

4. "Net cash provided by (used in) operating activities" in the Statements of Cash Flows and "interest expenses" in the Statements of Income are used as operating cash flows and interest expenses, respectively.

**(3) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years**

One of our highest priorities is to pay a consistent dividend to shareholders and increase the dividend.

Our policy concerning the allocation of earnings is to increase retained earnings to fund future business operations while paying a stable and consistent dividend that reflects earnings in each fiscal year, the dividend payout ratio and all other applicable items.

We plan to reinvest retained earnings to strengthen research and development, improve production capacity and efficiency, and increase our sales force in order to strengthen our base of operations and increase corporate value.

There are no plans to change the frequency of dividend payments.

In accordance with our initial plan, we plan to pay a year-end dividend of 22 yen per share (annual dividend of 40 yen per share inclusive of an 18 yen interim dividend, dividend payout ratio of 27.3%) for the fiscal year ended on September 30, 2013.

For the fiscal year ending on September 30, 2014, based on the forecast for this fiscal year, plans for business operations and other applicable items, we plan to pay an annual dividend of 44 yen per share, the sum of a 20 yen interim dividend and 24 yen year-end dividend.

**(4) Operational Risk**

Risks related to information that may have a material impact on investors' decisions that is contained in this report and the accompanying financial statements for the fiscal year under review are as follows. Forward-looking statements in these materials are based on the judgment of the Company's management as of September 30, 2013.

**1) Statutory regulations**

The Group's business operations are subject to the strict restrictions imposed by laws and regulations associated with the Pharmaceutical Affairs Law and business activities require the following permits and licenses. Receiving these permits and licenses requires complying with all associated laws and regulations and associated terms. At this time, there are no reasons for the cancelation of these permits and licenses. However, if any permit or license is rescinded because of a violation of a law or regulation or other event, we may be required to recall products covered by the applicable regulation or to cease the manufacture and sale of these products. If this happens, there may be a significant impact on our business operations. The Group 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.

**Major permits and licenses**

Name of permit/license	Authority granting permit/license	Expiration	Major reasons for cancelation	Remarks
Pharmaceutical manufacturing permit	Toyama Prefecture	August 2014 (renewed every five years)	The permit is canceled when there is a violation that is punishable under the Pharmaceutical Affairs Law or other associated pharmaceutical business law or regulation or when an executive, etc. is subject to disqualification (Pharmaceutical Affairs Law, Article 75, Paragraph 1)	Toyama plant
Type 1 pharmaceutical manufacturing and sales permit	Toyama Prefecture	August 2014 (renewed every five years)	Same as above	Toyama plant
Type 2 pharmaceutical manufacturing and sales permit	Toyama Prefecture	August 2014 (renewed every five years)	Same as above	Toyama plant
Pharmaceutical wholesale business permit	Toyama Prefecture Tokyo Metropolis	May 2016 (renewed every six years) April 2018 (renewed every six years)	Same as above	Toyama office Logistic center

## **2) Research and development for pharmaceutical products**

There is a possibility of delays in our research and development projects and extensions, suspensions or even terminations of new product development projects. These events may have an impact on our business performance.

## **3) Competition**

Our policy is to sell our products at reasonable prices that take into account the profitability of products. However, some of our products have been under considerable market price pressure due to fierce competition from many competitors. Moreover, some Japanese pioneer drug manufacturers may take aggressive actions to preserve their market shares. These events may prevent us from achieving our forecasts.

## **4) Procurement of raw materials**

We purchase raw materials from suppliers in Japan and other countries. A significant increase in the cost of raw materials may result in an increase in the cost of finished goods. In addition, an extended period of difficulty in obtaining raw materials due to restrictions in Japan or other countries on raw materials or to quality or other problems at suppliers may prevent us from manufacturing and selling products. Either of these events may have an impact on our business performance.

## **5) Side effects and product quality**

For products that have been approved for sale, we may be required to recall certain products or cease the manufacture and sale of certain products due to unforeseen side effects of these products, impurities or other problems with these products, government restrictions or other issues. Any of these events may have an impact on our business performance.

## **6) Delays or suspensions in the supply of products**

The operations of the Group may be suspended or severely disrupted or confused if technological or regulatory problems or a disaster such as a fire or earthquake affect manufacturing facilities that make products or warehouses or its other facilities. The resulting suspension in the supply of the affected products may have an impact on our business performance.

## **7) Reliance on any particular product**

The urinary tract angiographic agent "OYPALOMIN" is a major product that accounted for approximately 30% of total sales in the fiscal year that ended on September 30, 2013. If we can no longer sell this product because of unforeseen circumstances or if sales of this product decline significantly, there may be an impact on our business performance.

## **8) Revisions in drug price standards**

As stipulated in the Health Insurance Law, the National Health Insurance list prices of ethical drugs are based on drug expense calculations that use drug price standards determined by the Minister of Health, Labour and Welfare. The Ministry of Health, Labour and Welfare has been revising these list prices every two years in principle based on drug price surveys. The goal of these revisions is to narrow the gap between the standard prices for drugs, which are the reimbursement prices used for health insurance, and the actual market prices of drugs. These revisions have an effect on the selling prices of Group products as well. In April 2012, there was an average drug price reduction of 6.0% in the pharmaceutical industry but these price reductions caused the prices of Group products to fall by 7.7%.

## **9) Litigation**

We may become the target of lawsuits by manufacturers of new drugs that seek damages for alleged infringements on manufacturing and other patents. In addition, we may become the target of lawsuits involving product liability, environmental issues, labor-related issues and other matters. Depending on the outcome of this litigation, there may be an impact on our business performance.

**10) Goodwill on the consolidated balance sheet**

On October 1, 2012, OLIC (Thailand) Limited became a consolidated subsidiary following the acquisition of 99.91% of its outstanding shares by the Company from existing shareholders and so goodwill has been newly recognized.

The amount of goodwill on the consolidated balance sheet at the end of the current fiscal year is 3,060 million yen and the Company proposes to amortize this amount on a straight-line basis over a period of 12 years. The goodwill derives from impairment accounting for other noncurrent assets and similar items and if, as a result of an adverse operating environment or substantial changes in the business, the profitability of OLIC (Thailand) Limited should be lowered and impairment losses on goodwill are generated as a result, there is a possibility that this may have an impact on our business performance and financial condition.

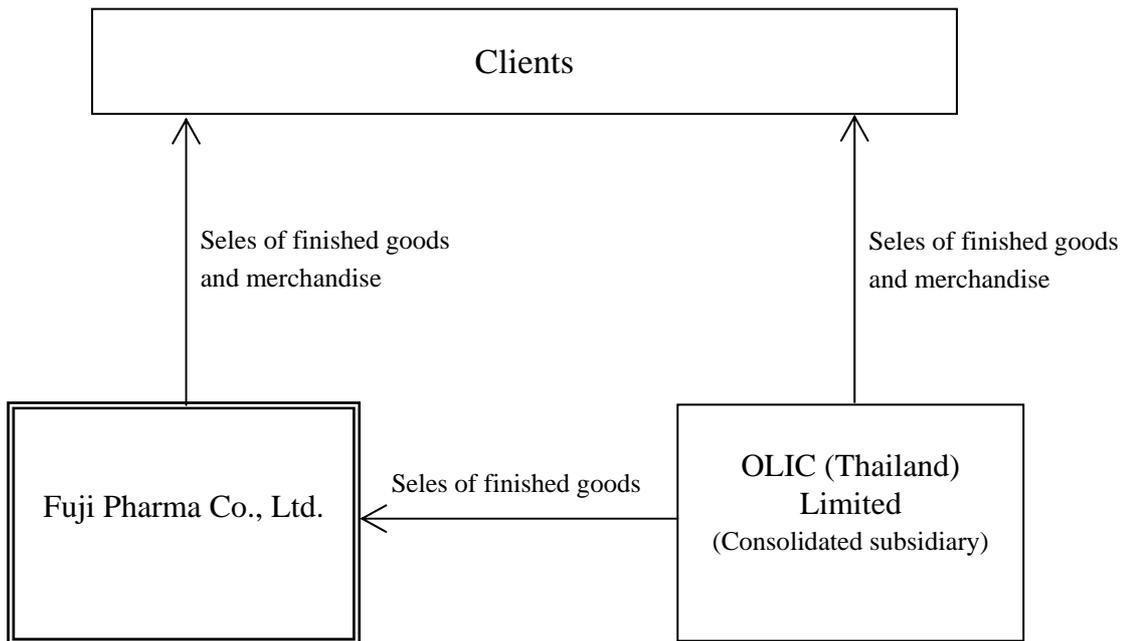
**2. Group Organization**

The Company has made OLIC (Thailand) Limited a consolidated subsidiary in the current fiscal year following the acquisition of its shares from existing shareholders.

As a result, the Fuji Pharma Group, comprised of the Company (Fuji Pharma Co., Ltd.) and one consolidated subsidiary, is engaged in the development, production and sales of pharmaceuticals as its main business.

The Company and OLIC (Thailand) Limited buy and sell products between them.

The Group does not provide segment information because it has only a single business segment, which is the pharmaceutical business.



### **3. Management Policies**

#### **(1) Fundamental Management Policy**

The Fuji Pharma Group bases its operations on the management philosophies of “contributing to healthy living by supplying outstanding pharmaceuticals” and “the growth of the Company that is proportional to the development of its employees.” By continuing to adhere to these philosophies, the Group is dedicated achieving more progress and growth. We will accomplish this by developing, manufacturing and selling outstanding pharmaceuticals in order to fulfill our obligations to all stakeholders, including customers, suppliers, shareholders, employees, communities and society.

#### **(2) Performance Indicators and Targets**

Maximum efforts will be made to generate sufficient earnings for distributions to shareholders as well as to upgrade and expand production facilities and increase research and development expenditures for future growth. We have established specific performance targets for the Fuji Pharma Group in the fiscal year ending on September 30, 2015 of consolidated net sales of 32.0 billion yen, consolidated ordinary income of 5.2 billion yen, and consolidated net income of 3.3 billion yen.

Furthermore, for the purpose of increasing shareholder value, we are aiming to increase net income per share and to increase the dividend per share with the goal of reaching a consolidated dividend payout ratio of 30% in the fiscal year ending on September 30, 2014.

#### **(3) Medium- and Long-term Management Strategy**

The medium-term business plan is designed to achieve further growth based on the theme of “Good to Great.”

The plan has three central goals. First is to extend operations to cover more targeted diseases, mainly by using new injection agents. Second is to become the leading company in the field of medical care for women. And third is to build a new operating framework for success in the next half century. Overall, the objective is to achieve rapid growth in market sectors where we are strongest in order to be a company that can sustain growth forever.

Our strategies to accomplish this objective are to establish a base of operations centered on R&D and to enlarge our strategic pipeline over the medium and long terms. Furthermore, we plan to enhance our presence in the strategic disease domains of acute medical care and medical care for women. With regard to manufacturing, our goal is to complete work on a network of factories that make highly activated drugs and can serve as a GMP (Good Manufacturing Practice) model for Japan as well as for the United States and EU. Executing these strategies will require reinforcing our human resources pipeline, such as by upgrading training and recruiting activities. The aim is to create new systems for reaching decisions and translating those decisions into actions.

#### **(4) Key Issues**

Japan’s market for generic drugs has been expanding steadily in recent years. The government has enacted numerous measures aimed at increasing the use of these drugs as a key method of holding down health care expenses. For example, the Ministry of Health, Labour and Welfare has established the goal of increasing the market share of generic drugs to at least 30% by fiscal 2012. We believe that, with the “Roadmap for Further Promotion of the Use of Generic Medicines” having been published on April 5, 2013, the expansion in the market share of generic drugs will continue.

Following the expansion of the Japan’s generic drug market, there have been even greater demands for quality assurance, the stable supply of these drugs, and information associated with these matters. In response, suppliers have been required to reinforce activities that can make generic drugs more reliable.

Competition is becoming more intense as both Japanese pioneer drug manufacturers, foreign affiliated pharmaceutical manufacturers and other companies enter the generic drug market. To succeed, we must act quickly to use distinctive strengths to build a base of operations that is not vulnerable to changes in the operating environment.

In this challenging operating environment, Fuji Pharma is concentrating on the following goals in order to accomplish the goals of the medium-term business plan quickly.

- 1) Expand the pipeline by using strategic alliances with pharmaceutical manufacturers in Japan and other countries.
- 2) Quickly introduce strategic products in the acute medical care field.
- 3) Increase support for hormone treatments in the field of obstetrics and gynecology.
- 4) Upgrade and expand our production systems to supply products with even better quality and provide a stable supply of products to meet rising demand.
- 5) Achieve stable operations at highly activated drug factories.
- 6) Strengthen administrative and management systems (more powerful internal controls, rigorous compliance programs, establishment of risk management system and maintenance of IT system).
- 7) Provide training to give employees skills for management and starting new businesses.
- 8) Establish a consolidated operating structure as the Fuji Pharma Group

**4. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

	(Millions of yen)
	FY9/13
	(As of Sep. 30, 2013)
Assets	
Current assets	
Cash and deposits	6,015
Notes and accounts receivable-trade	9,697
Securities	505
Merchandise and finished goods	2,356
Work in process	1,150
Raw materials and supplies	3,030
Deferred tax assets	581
Other	442
Allowance for doubtful accounts	(8)
Total current assets	<u>23,772</u>
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	* 8,858
Accumulated depreciation	(3,581)
Buildings and structures, net	<u>5,276</u>
Machinery, equipment and vehicles	* 9,949
Accumulated depreciation	(5,794)
Machinery, equipment and vehicles, net	<u>4,154</u>
Land	851
Construction in progress	79
Other	1,068
Accumulated depreciation	(924)
Other, net	<u>144</u>
Total property, plant and equipment	<u>10,506</u>
Intangible assets	
Goodwill	3,060
Other	* 1,044
Total intangible assets	<u>4,105</u>
Investments and other assets	
Investment securities	165
Deferred tax assets	463
Other	123
Total investments and other assets	<u>753</u>
Total noncurrent assets	<u>15,366</u>
Total assets	<u>39,138</u>

(Millions of yen)	
FY9/13	
(As of Sep. 30, 2013)	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Notes and accounts payable-trade	3,604
Short-term loans payable	933
Current portion of long-term loans payable	921
Income taxes payable	899
Provision for bonuses	913
Provision for directors' bonuses	25
Provision for sales returns	9
Other	1,610
<b>Total current liabilities</b>	<b>8,917</b>
<b>Noncurrent liabilities</b>	
Long-term loans payable	4,417
Provision for retirement benefits	1,190
Other	544
<b>Total noncurrent liabilities</b>	<b>6,153</b>
<b>Total liabilities</b>	<b>15,071</b>
<b>Net assets</b>	
<b>Shareholders' equity</b>	
Capital stock	2,447
Capital surplus	3,672
Retained earnings	17,525
Treasury stock	(0)
<b>Total shareholders' equity</b>	<b>23,644</b>
<b>Accumulated other comprehensive income</b>	
Valuation difference on available-for-sale securities	56
Foreign currency translation adjustment	365
<b>Total accumulated other comprehensive income</b>	<b>421</b>
<b>Minority interests</b>	<b>0</b>
<b>Total net assets</b>	<b>24,066</b>
<b>Total liabilities and net assets</b>	<b>39,138</b>

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

	(Millions of yen)	
	FY9/13	
	(Oct. 1, 2012 – Sep. 30, 2013)	
Net sales		25,174
Cost of sales	*1	14,233
Gross profit		10,941
Selling, general and administrative expenses		
Sales commission		1,038
Salaries and bonuses		1,685
Provision for bonuses		539
Provision for directors' bonuses		25
Retirement benefit expenses		117
Research and development expenses	*2	1,280
Depreciation		255
Amortization of goodwill		207
Other		2,529
Total selling, general and administrative expenses		7,679
Operating income		3,261
Non-operating income		
Foreign exchange gains		116
Fiduciary obligation fee		9
Other		49
Total non-operating income		175
Non-operating expenses		
Interest expenses		55
Other		6
Total non-operating expenses		61
Ordinary income		3,376
Extraordinary income		
Subsidy income		39
Total extraordinary income		39
Extraordinary loss		
Loss on retirement of noncurrent assets	*3	49
Loss on reduction of noncurrent assets		33
Total extraordinary losses		82
Income before income taxes and minority interests		3,332
Income taxes-current		1,379
Income taxes-deferred		(115)
Total income taxes		1,264
Income before minority interests		2,068
Minority interests in income		0
Net income		2,068

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)
	FY9/13
	(Oct. 1, 2012 – Sep. 30, 2013)
Income before minority interests	2,068
Other comprehensive income	
Valuation difference on available-for-sale securities	56
Foreign currency translation adjustment	365
Total other comprehensive income	* 422
Comprehensive income	2,490
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	2,490
Comprehensive income attributable to minority interests	0

**(3) Consolidated Statements of Changes in Net Assets**

	(Millions of yen)
	FY9/13
	(Oct. 1, 2012 – Sep. 30, 2013)
Shareholders' equity	
Capital stock	
Balance at the beginning of current period	2,447
Balance at the end of current period	2,447
Capital surplus	
Balance at the beginning of current period	3,672
Balance at the end of current period	3,672
Retained earnings	
Balance at the beginning of current period	15,979
Changes of items during the period	
Dividends from surplus	(522)
Net income	2,068
Total changes of items during the period	1,545
Balance at the end of current period	17,525
Treasury stock	
Balance at the beginning of current period	(0)
Balance at the end of current period	(0)
Total shareholders' equity	
Balance at the beginning of current period	22,098
Changes of items during the period	
Dividends from surplus	(522)
Net income	2,068
Total changes of items during the period	1,545
Balance at the end of current period	23,644
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(0)
Changes of items during the period	
Net changes of items other than shareholders' equity	56
Total changes of items during the period	56
Balance at the end of current period	56
Foreign currency translation adjustment	
Balance at the beginning of current period	-
Changes of items during the period	
Net changes of items other than shareholders' equity	365
Total changes of items during the period	365
Balance at the end of current period	365
Total accumulated other comprehensive income	
Balance at the beginning of current period	(0)

	(Millions of yen)
	FY9/13
	(Oct. 1, 2012 – Sep. 30, 2013)
Changes of items during the period	
Net changes of items other than shareholders' equity	422
Total changes of items during the period	422
Balance at the end of current period	421
Minority interests	
Balance at the beginning of current period	-
Changes of items during the period	
Net changes of items other than shareholders' equity	0
Total changes of items during the period	0
Balance at the end of current period	0
Total net assets	
Balance at the beginning of current period	22,098
Changes of items during the period	
Dividends from surplus	(522)
Net income	2,068
Net changes of items other than shareholders' equity	422
Total changes of items during the period	1,968
Balance at the end of current period	24,066

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen)
	FY9/13
	(Oct. 1, 2012 – Sep. 30, 2013)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	3,332
Depreciation and amortization	1,206
Amortization of goodwill	207
Increase (decrease) in allowance for doubtful accounts	(2)
Increase (decrease) in provision for bonuses	265
Increase (decrease) in provision for directors' bonuses	7
Increase (decrease) in provision for retirement benefits	64
Interest and dividends income	(9)
Interest expenses	55
Foreign exchange losses (gains)	(116)
Decrease (increase) in notes and accounts receivable-trade	809
Decrease (increase) in inventories	546
Increase (decrease) in notes and accounts payable-trade	(1,320)
Other, net	0
Subtotal	5,048
Interest and dividends income received	10
Interest expenses paid	(61)
Income taxes paid	(1,366)
Net cash provided by (used in) operating activities	3,630
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(2,779)
Purchase of intangible assets	(547)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (3,386)
Proceeds from subsidy income	39
Other, net	72
Net cash provided by (used in) investing activities	(6,601)
Net cash provided by (used in) financing activities	
Increase (decrease) in short-term loans payable	(1,073)
Proceeds from long-term loans payable	5,850
Repayment of long-term loans payable	(510)
Cash dividends paid	(522)
Net cash provided by (used in) financing activities	3,743
Effect of exchange rate change on cash and cash equivalents	71
Net increase (decrease) in cash and cash equivalents	844
Cash and cash equivalents at beginning of period	5,676
Cash and cash equivalents at end of period	*1 6,521

**(5) Notes to Consolidated Financial Statements****Notes Regarding Assumptions for Company as Ongoing Concern**

Not applicable.

**Significant Accounting Policies for the Preparation of Consolidated Financial Statements**

## 1. Scope of consolidation

- Number of consolidated subsidiary: 1
- Name of consolidated subsidiary: OLIC (Thailand) Limited

## 2. Application of equity method

Not applicable.

## 3. Period end of consolidated subsidiary

The fiscal year of the consolidated subsidiary OLIC (Thailand) Limited ends on December 31. The Company prepares the consolidated financial statements based on the provisional fiscal-year accounts for the subsidiary as of the consolidated closing date.

## 4. Significant accounting standards

## (1) Valuation criteria and methods for significant assets

## 1) Securities

Available-for-sale securities

- Securities with market quotations  
Valued at the market price, using a market value at the end of the fiscal year, differences in valuation to be included in net assets, and cost of securities sold being determined by the moving average method.
- Securities without market quotations  
Moving average cost method.

## 2) Derivatives

Stated at fair value.

## 3) Inventories

The Company applied primarily the first-in, first-out cost method (the carrying value on the balance sheets is written down to reflect declines in profitability). The overseas consolidated subsidiary applied primarily the cost method based on the moving average method.

## (2) Depreciation and amortization method for principal depreciable assets

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

The Company applied the declining-balance method. The overseas consolidated subsidiary applied the straight-line method.

However, the Company depreciates the buildings which were acquired on or after April 1, 1998 (excluding the facilities attached to the buildings) by the straight-line method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	3 to 8 years

## 2) Intangible assets (excluding lease assets)

## - Software used within the Company

Amortization of software used within the Company is calculated by the straight-line method over a period of 3 to 5 years.

## - Other intangible assets

Straight-line method.

## 3) Lease assets

Lease assets associated with finance lease transactions where there is no transfer of ownership

The straight-line method with no residual value is applied over the lease period used as the useful life of the assets.

For finance lease transactions where there is no transfer of ownership beginning on or before September 30, 2008, depreciation is calculated using an accounting method that is based on the method used for ordinary lease transactions.

## (3) Accounting for significant allowance

## 1) Allowance for doubtful accounts

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.

## 2) Provision for bonuses

To provide for accrued bonuses for employees, an allowance is provided at the amount based on the estimated bonus obligations in the current fiscal year.

## 3) Provision for directors' bonuses

To provide for directors' bonus obligation, an allowance is provided in the amount based on the estimated bonus obligations at the end of the current fiscal year.

## 4) Provision for retirement benefits

To provide for employees' retirement benefits, an allowance is provided based on projected benefit obligations at the end of the current fiscal year.

Actuarial gain or loss of the Company is amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a period (five years) which is within the estimated average remaining years of service of the eligible employees.

## (4) Translation of significant foreign currency-denominated assets and liabilities

The balance sheet accounts of the overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, with the income statement accounts at an average foreign exchange rate for the fiscal year under review. Translation adjustments are included in the foreign currency translation adjustments and minority interests under net assets.

## (5) Amortization method and amortization period of goodwill

Goodwill is amortized over 12 years by the straight-line method.

## (6) Cash and cash equivalents in the consolidated statements of cash flows

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.

## (7) Other significant items

## - Accounting for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method. Non-deductible consumption taxes and local consumption taxes are changed to expenses in the current fiscal year.

**Accounting Standards, Others that Have Not Yet Been Applied**

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

## (1) Summary

Following amendments were made: (i) actuarial gains and losses and past service costs would be recognized within the net asset section on the consolidated balance sheets, after adjusting for tax effects, and the funded-status amount would be recognized as a liability or asset; (ii) the choice of the method of attributing expected benefit to periods between the straight-line basis and the benefit formula basis; and (iii) calculation method for discount rates.

## (2) Effective date

The above accounting standards will be applied to the consolidated financial statements from the end of the fiscal year ending September 30, 2014, with the exception that the amendment of the method of attributing expected benefit to periods will be applied from the beginning of the fiscal year ending on September 30, 2015. As the transitional measures were established, the Company does not apply these standards retrospectively to the financial statements in prior periods.

## (3) Effects of the application of the above accounting standards

The effects of the application of above accounting pronouncements on the consolidated financial statements are under evaluation at the time of preparing the current consolidated financial statements.

**Notes to Consolidated Balance Sheets**

\* Reduction entry

1) Reduction entry amounts directly applied to noncurrent assets acquired by government subsidy, etc.

(Millions of yen)	
FY9/13	
(As of Sep. 30, 2013)	
Buildings and structures	81
Machinery, equipment and vehicles	28
Other	0
Total	110

2) Reduction entry amounts directly applied to noncurrent assets acquired by government subsidy, etc. in the current period

(Millions of yen)	
FY9/13	
(As of Sep. 30, 2013)	
Buildings and structures	24
Machinery, equipment and vehicles	8
Other	0
Total	33

**Notes to Consolidated Statements of Income**

\*1. Ending inventories are shown after written down on the book values to reflect declines in profitability. The following loss on valuation of inventories is included in cost of sales.

(Millions of yen)	
FY9/13	
(Oct. 1, 2012 – Sep. 30, 2013)	
	35

\*2. Total amount of research and development expenses included in general and administrative expenses and current period manufacturing costs

(Millions of yen)	
FY9/13	
(Oct. 1, 2012 – Sep. 30, 2013)	
	1,280

\*3. Breakdown of loss on retirement of noncurrent assets (Millions of yen)

(Millions of yen)	
FY9/13	
(Oct. 1, 2012 – Sep. 30, 2013)	
Buildings and structures	36
Machinery, equipment and vehicles	4
Removal expense on noncurrent assets	7
Other	0
Total	49

**Notes to Consolidated Statements of Comprehensive Income**

\* Re-classification adjustments and tax effect with respect to other comprehensive income

(Millions of yen)

FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)	
Valuation difference on available-for-sale securities:	
Amount incurred during the current period	88
Re-classification adjustments	-
Before tax effect adjustments	88
Tax effect	(31)
Valuation difference on available-for-sale securities	56
Foreign currency translation adjustment:	
Amount incurred during the current period	365
Re-classification adjustments	-
Before tax effect adjustments	365
Tax effect	-
Foreign currency translation adjustment	365
Total other comprehensive income	422

**Notes to Consolidated Statements of Changes in Net Assets**

FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)

1. Type of stock, number of issued and outstanding shares and treasury stock

(Shares)

	Number of shares as of Oct. 1, 2012	Increase	Decrease	Number of shares as of Sep. 30, 2013
Issued shares				
Common stock	14,120,000	-	-	14,120,000
Total	14,120,000	-	-	14,120,000
Treasury stock				
Common stock	67	-	-	67
Total	67	-	-	67

2. Dividends

(1) Dividend payment

Resolution	Type of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on Dec. 20, 2012	Common stock	268	19	Sep. 30, 2012	Dec. 21, 2012
Board of Directors' meeting on May 14, 2013	Common stock	254	18	Mar. 31, 2013	Jun. 3, 2013

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of stock	Total dividends (Millions of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on Dec. 20, 2013	Common stock	310	Retained earnings	22	Sep. 30, 2013	Dec. 24, 2013

**Notes to Consolidated Statements of Cash Flows**

\*1. Reconciliation between the cash and cash equivalents at end of the period and the amount booked in the consolidated balance sheets

	(Millions of yen)
	FY9/13
	(Oct. 1, 2012 – Sep. 30, 2013)
Cash and deposits	6,015
Securities	505
Cash and cash equivalents	6,521

\*2. Breakdown of assets and liabilities of subsidiary newly included in the consolidation through stock acquisition in the current fiscal year

As a result of OLIC (Thailand) Limited becoming a consolidated subsidiary following the acquisition of its shares from existing shareholders in the current fiscal year, the breakdown of the assets and liabilities of OLIC (Thailand) Limited as of the date the Company made it a consolidated subsidiary upon the acquisition of its shares, and the acquisition cost of OLIC (Thailand) Limited stock, and net outlays for the acquisition are as follows.

	(Millions of yen)
Current assets	1,621
Noncurrent assets	1,308
Goodwill	2,971
Current liabilities	(1,950)
Noncurrent liabilities	(289)
Minority interests	0
Acquisition cost	3,661
Advance payments-trade in the previous fiscal year due to the acquisition of stock	(115)
Cash and cash equivalents	(159)
Net outlays for acquisition of OLIC	3,386

## Business Combinations

Business combination through acquisition

### 1. Summary of business combination

#### (1) Name of company acquired and its business activity

Name of company acquired: OLIC (Thailand) Limited

Business activity: Contract manufacturing of pharmaceutical and related products

#### (2) Reasons for business combinations

In the future it is expected that the Company's products will be manufactured by OLIC so as to raise the Company's cost competitiveness in the Japanese market. In addition, making OLIC a base for penetrating Asian markets and subsequently the global market enable the Company to broaden the scope of development for its products.

#### (3) Date of business combination

October 1, 2012

#### (4) Method of business combination

Acquisition of stock with cash

#### (5) Name of the company after business combination

There is no change.

#### (6) Ratio of ownership

99.91%

#### (7) Main reason for choosing the company to acquire

OLIC undertakes the manufacture of drugs from major pharmaceutical companies in various countries as a specialized manufacturing contractor, and receives a high level of trust as a high-quality production contract maker due to the manufacturing expertise it has acquired to date. In Thailand the Company has long been trusted as the largest pharmaceuticals manufacturing contractor company in the country and has secured a wide range of customers with a strong concentration among the major pharmaceutical manufacturers in Japan, Europe, the USA and worldwide.

As a result of this transaction, the Company is acquiring OLIC's existing customer base along with its production plants and manufacturing knowhow. As well as expanding its manufacturing contractor operations from its existing and new customers, the Company can also raise the level of its cost competitiveness in the Japanese market by having its products manufactured in Thailand. Moreover, the Company also decided to acquire the OLIC shares to use it as a base to penetrate Asian markets and subsequently the global market so as to enable the Company to broaden the scope of development for its products.

### 2. Period of business results of the acquired company included in the consolidated financial statements

Because the OLIC's fiscal year end of December 31, 2012 is assumed as the acquisition date, the business results for the period from January 1, 2013 to September 30, 2013 is included in the consolidated financial statements.

### 3. Acquisition cost and other particulars

(Millions of yen)

Purchase price	Cash	3,429
Expenses directly related to the acquisition	Advisory fees, etc.	232
Acquisition cost		3,661

### 4. Goodwill resulting from the acquisition

#### (1) Value of goodwill

2,971 million yen

#### (2) Source of goodwill

Because the acquisition cost exceeded the net value determined for the assets acquired and the liabilities assumed, this excess amount has been recognized as goodwill.

#### (3) Amortization method and Amortization period

Goodwill is amortized over 12 years by the straight-line method.

## Segment and Other Information

### 1. Segment information

FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)

Omitted since the Group has only a single business segment, which is the pharmaceutical business.

## Transactions with Concerned Parties

### 1. Transactions with Concerned Parties

(1) Transaction between the Company and concerned parties

i) Parent company, major corporate shareholders etc. of the Company

FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)

(Millions of yen)

Attribute	Major shareholders		
Company name	Mitsui & Co., Ltd.		
Address	Chiyoda-ku, Tokyo		
Capital or invested amount	341,481		
Business details or occupation	General trading company		
Proportion of voting rights held (or being held)	(Being held) Directly 13.7%		
Details of relationship	Supply of raw materials, etc.		
Transaction details	Transaction amount	Account	Closing balance
Supply of raw materials (Notes 1, 2)	2,083	Accounts payable-trade	689

Notes: 1. The transaction amount above does not include consumption taxes, while the closing balance includes consumption taxes.

2. Supply of raw materials was based on arm-length transactions.

## Per-share Data

(Yen)

	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)
Net assets per share	1,704.46
Net income per share	146.48

Note 1: The basis of calculating the net income per share is as follows:

	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)
Net income per share	
Net income (Millions of yen)	2,068
Amount not attributable to ordinary shareholders (Millions of yen)	-
Net income attributable to common stock (Millions of yen)	2,068
Average number of shares outstanding (Shares)	14,119,933

Note 2: The basis of calculating the net assets per share is as follows:

	FY9/13 (As of Sep. 30, 2013)
Total net assets (Millions of yen)	24,066
Deduction on total net assets (Millions of yen)	-
Net assets applicable to common shares (Millions of yen)	24,066
Number of common stock shares used in calculation of net assets per share (Shares)	14,119,933

## Material Subsequent Events

Not applicable.

**5. Non-consolidated Financial Statements****(1) Non-consolidated Balance Sheets**

(Millions of yen)

	FY9/12 (As of Sep. 30, 2012)	FY9/13 (As of Sep. 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	5,170	5,912
Notes receivable-trade	502	440
Accounts receivable-trade	9,137	8,883
Securities	505	505
Merchandise and finished goods	2,276	2,283
Work in process	1,266	1,100
Raw materials and supplies	3,068	2,630
Advance payments-trade	121	12
Prepaid expenses	195	155
Deferred tax assets	473	575
Accounts receivable-other	94	37
Consumption taxes receivable	-	74
Other	18	22
Allowance for doubtful accounts	(2)	(0)
Total current assets	22,828	22,633
Noncurrent assets		
Property, plant and equipment		
Buildings	6,315	7,603
Accumulated depreciation	(2,640)	(2,812)
Buildings, net	3,674	4,790
Structures	172	199
Accumulated depreciation	(90)	(107)
Structures, net	82	91
Machinery and equipment	4,451	7,436
Accumulated depreciation	(3,332)	(3,708)
Machinery and equipment, net	1,119	3,727
Vehicles	37	44
Accumulated depreciation	(34)	(39)
Vehicles, net	2	5
Tools, furniture and fixtures	844	870
Accumulated depreciation	(751)	(770)
Tools, furniture and fixtures, net	93	99
Land	497	497
Construction in progress	1,771	19
Total property, plant and equipment	7,242	9,232
Intangible assets		
Distributorship	631	745
Software	78	285
Telephone subscription right	7	7
Total intangible assets	718	1,038
Investments and other assets		
Investment securities	77	165
Stocks of subsidiaries and affiliates	-	3,661
Investments in capital	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1
Long-term prepaid expenses	103	33
Deferred tax assets	418	405
Guarantee deposits	62	66

	(Millions of yen)	
	FY9/12	FY9/13
	(As of Sep. 30, 2012)	(As of Sep. 30, 2013)
Insurance funds	19	21
Allowance for doubtful accounts	(0)	-
Total investments and other assets	682	4,354
Total noncurrent assets	8,642	14,625
Total assets	31,471	37,259
Liabilities		
Current liabilities		
Notes payable-trade	736	573
Accounts payable-trade	3,261	2,756
Short-term loans payable	1,000	-
Current portion of long-term loans payable	-	921
Accounts payable-other	1,063	1,237
Accrued expenses	145	186
Income taxes payable	883	899
Accrued consumption taxes	174	-
Deposits received	23	24
Forward exchange contracts	68	0
Provision for bonuses	648	913
Provision for directors' bonuses	17	25
Provision for sales returns	11	9
Total current liabilities	8,034	7,549
Noncurrent liabilities		
Guarantee deposits received	187	192
Provision for retirement benefits	1,082	1,146
Long-term loans payable	-	4,417
Long-term accounts payable-other	68	78
Total noncurrent liabilities	1,338	5,835
Total liabilities	9,373	13,384
Net assets		
Shareholders' equity		
Capital stock	2,447	2,447
Capital surplus		
Legal capital surplus	3,056	3,056
Other capital surplus	615	615
Total capital surpluses	3,672	3,672
Retained earnings		
Legal retained earnings	164	164
Other retained earnings		
General reserve	5,000	5,000
Retained earnings brought forward	10,815	12,535
Total retained earnings	15,979	17,699
Treasury stock	(0)	(0)
Total shareholders' equity	22,098	23,818
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(0)	56
Total valuation and translation adjustments	(0)	56
Total net assets	22,098	23,874
Total liabilities and net assets	31,471	37,259

**(2) Non-consolidated Statements of Income**

(Millions of yen)

	FY9/12 (Oct. 1, 2011 – Sep. 30, 2012)	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)
Net sales		
Net sales of finished goods	17,921	19,937
Net sales of goods	3,599	4,010
Total net sales	21,520	23,948
Cost of sales		
Beginning merchandise and finished goods	2,153	2,276
Cost of purchased goods	1,790	2,097
Transfer from other account	91	(43)
Cost of products manufactured	10,456	11,251
Total	14,491	15,581
Ending merchandise and finished goods	2,276	2,283
Transfer to other account	11	13
Total cost of sales	12,203	13,285
Gross profit	9,316	10,663
Reversal of provision for sales returns	1	1
Gross profit-net	9,318	10,664
Selling, general and administrative expenses		
Promotion expenses	151	178
Sales commission	878	1,038
Packing and transportation expenses	233	252
Entertainment expenses	44	39
Directors' compensations	64	65
Salaries and bonuses	1,478	1,634
Provision for bonuses	388	539
Provision for directors' bonuses	17	25
Provision of allowance for doubtful accounts	(1)	(2)
Retirement benefit expenses	96	109
Welfare expenses	311	343
Traveling and transportation expenses	288	348
Rent expenses	235	273
Depreciation	330	241
Research and development expenses	1,303	1,280
Other	748	878
Total selling, general and administrative expenses	6,571	7,247
Operating income	2,746	3,417

(Millions of yen)

	FY9/12 (Oct. 1, 2011 – Sep. 30, 2012)	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)
Non-operating income		
Interest income	0	8
Interest on securities	1	0
Dividends income	0	0
Foreign exchange gains	-	125
Dividends income of life insurance	3	3
Commission fee	5	3
Compensation income	5	2
Fiduciary obligation fee	7	9
Miscellaneous income	7	9
Total non-operating income	31	163
Non-operating expenses		
Interest expenses	5	30
Foreign exchange losses	68	-
Sales discounts	4	4
Miscellaneous loss	1	1
Total non-operating expenses	79	36
Ordinary income	2,698	3,544
Extraordinary income		
Subsidy income	79	39
Total extraordinary income	79	39
Extraordinary loss		
Loss on sales of noncurrent assets	8	-
Loss on retirement of noncurrent assets	2	49
Loss on reduction of noncurrent assets	77	33
Retirement benefit expenses	364	-
Total extraordinary losses	452	82
Income before income taxes	2,325	3,501
Income taxes-current	1,028	1,379
Income taxes-deferred	(73)	(120)
Total income taxes	954	1,259
Net income	1,370	2,242

**Manufacturing Statement**

(Millions of yen)

Item	Note	FY9/12 (Oct. 1, 2011 – Sep. 30, 2012)		FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)			
		Amount	%	Amount	%		
I Cost of materials			7,729	70.1	7,701	69.8	
II Labor cost	*1		1,043	9.5	1,223	11.1	
III Overheads							
Depreciation and amortization		805		680			
Supplies expenses		243		236			
Other		1,201	2,250	20.4	1,196	2,113	19.1
Total manufacturing costs			11,023	100.0		11,038	100.0
Beginning work in process			778			1,266	
Total			11,801			12,304	
Ending work in process			1,266			1,100	
Transfer to other account	*2		79			(47)	
Cost of products manufactured			10,456			11,251	

## Cost accounting

The Company applied the simple process costing method on the basis of actual cost accounting.

(Millions of yen)

FY9/12 (Oct. 1, 2011 – Sep. 30, 2012)	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)		
*1. The amount of provisions for allowances included in the labor cost is as follows:	*1. The amount of provisions for allowances included in the labor cost is as follows:		
Provision for bonuses	178	Provision for bonuses	256
Provision for retirement benefits	31	Provision for retirement benefits	39
*2. Breakdown of transfer to other account is as follows:	*2. Breakdown of transfer to other account is as follows:		
Cost of sales	91	Cost of sales	(43)
Selling, general and administrative expenses	(12)	Selling, general and administrative expenses	(3)
Total	79	Total	(47)

**(3) Non-consolidated Statements of Changes in Net Assets**

(Millions of yen)

	FY9/12 (Oct. 1, 2011 – Sep. 30, 2012)	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	2,447	2,447
Balance at the end of current period	2,447	2,447
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	3,056	3,056
Balance at the end of current period	3,056	3,056
Other capital surplus		
Balance at the beginning of current period	615	615
Balance at the end of current period	615	615
Total capital surplus		
Balance at the beginning of current period	3,672	3,672
Balance at the end of current period	3,672	3,672
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	164	164
Balance at the end of current period	164	164
Other retained earnings		
General reserve		
Balance at the beginning of current period	5,000	5,000
Balance at the end of current period	5,000	5,000
Retained earnings brought forward		
Balance at the beginning of current period	9,981	10,815
Changes of items during the period		
Dividends from surplus	(536)	(522)
Net income	1,370	2,242
Total changes of items during the period	834	1,719
Balance at the end of current period	10,815	12,535
Total retained earnings		
Balance at the beginning of current period	15,145	15,979
Changes of items during the period		
Dividends from surplus	(536)	(522)
Net income	1,370	2,242
Total changes of items during the period	834	1,719
Balance at the end of current period	15,979	17,699
Treasury stock		
Balance at the beginning of current period	(0)	(0)
Balance at the end of current period	(0)	(0)
Total shareholders' equity		
Balance at the beginning of current period	21,264	22,098
Changes of items during the period		
Dividends from surplus	(536)	(522)
Net income	1,370	2,242
Total changes of items during the period	834	1,719
Balance at the end of current period	22,098	23,818

	(Millions of yen)	
	FY9/12	FY9/13
	(Oct. 1, 2011 – Sep. 30, 2012)	(Oct. 1, 2012 – Sep. 30, 2013)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	0	(0)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	56
Total changes of items during the period	(0)	56
Balance at the end of current period	(0)	56
Total valuation and translation adjustments		
Balance at the beginning of current period	0	(0)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	56
Total changes of items during the period	(0)	56
Balance at the end of current period	(0)	56
Total net assets		
Balance at the beginning of current period	21,264	22,098
Changes of items during the period		
Dividends from surplus	(536)	(522)
Net income	1,370	2,242
Net changes of items other than shareholders' equity	(0)	56
Total changes of items during the period	833	1,776
Balance at the end of current period	22,098	23,874

**6. Others****(1) Changes in Directors**

## 1) Change of representative director

Not applicable.

## 2) Change of other board members

- Candidate for director appointment

Masayuki Ozawa, Director (currently Executive Officer, General Manager of Corporate Planning Department)

Takuya Usami, Director (currently Executive Officer, General Manager of Administration Department)

## 3) Effective date

December 20, 2013

**(2) Other Information**

## 1. Breakdown of Sales

(Millions of yen)

Efficacy	FY9/13 (Oct. 1, 2012 – Sep. 30, 2013)	
	Amount	%
(Finished goods)		
Diagnostic drugs	9,158	36.4
Hormone drugs	5,129	20.4
Circulatory drugs	920	3.7
Antibiotics and chemotherapeutics	789	3.1
Urogenital and genital organ drugs	406	1.6
Dermatological preparations	286	1.1
Others	4,473	17.8
Subtotal	21,164	84.1
(Merchandise)		
Hormone drugs	3,005	11.9
In vitro diagnostic	802	3.2
Others	202	0.8
Subtotal	4,010	15.9
Total	25,174	100.0

Notes: 1. Sales are categorized by the efficacy of drugs rather than business segments because the Group has only a single business segment, which is the pharmaceutical business.

2. The above amounts are calculated based on selling prices and do not include consumption taxes.

3. Fractions less than one million yen are omitted.

4. No figures for the previous fiscal year and year-on-year comparisons are presented because the Company began preparing consolidated financial statements starting from the current fiscal year.

*This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*