

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending September 30, 2014
(Six Months Ended March 31, 2014)

[Japanese GAAP]

May 14, 2014

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Scheduled date of filing of Quarterly Report: May 15, 2014
 Scheduled date of payment of dividend: June 2, 2014
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 14, 2014 at 16:30 (GMT +9).

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

1. Consolidated Financial Results for the Second Quarter (October 1, 2013 to March 31, 2014)
of the Fiscal Year Ending September 30, 2014

(1) 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	%
Six months ended Mar. 31, 2014	14,178	18.2	1,561	(3.0)	1,625	(6.3)	1,002	(7.9)
Six months ended Mar. 31, 2013	11,996	-	1,609	-	1,734	-	1,088	-

Note: Comprehensive income (millions of yen) Six months ended Mar. 31, 2014: 1,029 (down 36.0 %)
 Six months ended Mar. 31, 2013: 1,607 (n.a.)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2014	71.00	-
Six months ended Mar. 31, 2013	77.06	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Six months ended Mar. 31, 2014	41,412	24,785	59.8
Fiscal year ended Sep. 30, 2013	39,138	24,066	61.5

Reference: Shareholders' equity (millions of yen) Mar. 31, 2014: 24,784 Sep. 30, 2013: 24,066

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2013	-	18.00	-	22.00	40.00
Fiscal year ending Sep. 30, 2014	-	20.00	-	-	-
Fiscal year ending Sep. 30, 2014 (Estimated)	-	-	-	24.00	44.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending September 30, 2014 (October 1, 2013 to September 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
Full year	29,465	17.0	3,450	5.8	3,385	0.3	2,070	0.1	139.93

Note: Revision to the most recently announced earnings forecast: None

The net income per share forecast reflects the increase in the number of shares from the issuance of new shares through a third-party allotment to Mitsui & Co., Ltd. Payment for this allotment was completed on April 21, 2014.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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: Yes

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

Six months ended Mar. 31, 2014:	14,120,000 shares	Fiscal year ended Sep. 30, 2013:	14,120,000 shares
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2) Number of treasury shares as of the end of period

Six months ended Mar. 31, 2014:	89 shares	Fiscal year ended Sep. 30, 2013:	67 shares
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3) Average number of shares issued during the period

Six months ended Mar. 31, 2014:	14,119,927 shares	Six months ended Mar. 31, 2013:	14,119,933 shares
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* Information regarding the implementation of quarterly review procedures

The current quarterly consolidated financial report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have not been completed.

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

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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 of the attachments for details on the above forecasts.

The net income per share forecast reflects the increase in the number of shares from the issuance of new shares through a third-party allotment to Mitsui & Co., Ltd. Payment for this allotment was completed on April 21, 2014. The Company estimates average number of shares issued during the period to be 14,792,863 shares as of the end of the current fiscal year.

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, May 16, 2014. Materials distributed at this event will also be available on the Company's website thereafter.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
(3) Additional Information	4
3. Quarterly Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statements of Income	
For the Six-month Period	7
Consolidated Statements of Comprehensive Income	
For the Six-month Period	8
(3) Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
Notes Regarding Assumptions for Company as Ongoing Concern	10
Notes Regarding Material Change in Shareholders' Equity	10
Segment and Other Information	10
Material Subsequent Events	10
4. Supplementary Information	11
(1) Breakdown of Sales	11

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the outlook for the Japanese economy remained uncertain in part because of concerns about slowing economic growth in China and other emerging countries. But there are indications that the economy is recovering. In particular, corporate earnings are rebounding, especially at exporting companies, because of the strong U.S. economy, and the benefits of monetary easing and economic stimulus measures in Japan.

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. In April 2014, there were revisions to the National Health Insurance (NHI) system and there was an average drug price reduction of about 2.65% in the industry. These price reductions caused the prices of our products to fall by 5.8%.

In December 2013, Fuji Pharma received sales rights from Mallinckrodt Japan Co., Ltd. for a new drug called "OPTIRAY® Injection." Fuji Pharma then received marketing approval and sales rights from Shionogi & Co., Ltd. concerning following four new drugs in the obstetrics and gynecology fields: transfer of marketing approval for "LUTORAL tablets" and "FLAGYL vaginal tablets"; and transfer of sales rights for "CLOMID tablets" and "NORLUTEN tablets."

At the Board of Directors meeting held on March 20, 2014, resolution was approved to establish a capital and business alliance agreement with Mitsui & Co., Ltd. and to issue new shares through the third-party allotment to this company. The agreement was signed on March 20 and payment for this allotment was completed on April 21.

In terms of sales activities, Fuji Pharma has been focusing on the marketing of new drugs "LUNABELL® tablets ULD" and "LUNABELL® tablets LD" as well as expanding its market share of infertility treatment drugs and other major products in its core field of obstetrics and gynecology. Furthermore, we have been conducting extensive marketing activities aimed at capturing new business and expanding business with hospitals throughout Japan that are subject to DPC (Diagnosis Procedure Combination).

Net sales increased 18.2% year on year to 14,178 million yen, as sales remained strong particularly core products. On the other hand, selling, general and administrative expenses increased mainly due to a rise in research and development expenses, and amortization of goodwill. As a result, operating income declined 3.0% to 1,561 million yen, ordinary income fell 6.3% to 1,625 million yen and net income decreased 7.9% to 1,002 million yen.

Note that only the period between January 1, 2013 and March 31, 2013 is consolidated in the first half of the previous fiscal year.

(2) Explanation of Financial Position

(Assets, Liabilities and Net Assets)

Total assets increased 2,274 million yen from the end of the previous fiscal year to 41,412 million yen, net assets increased 718 million yen to 24,785 million yen, and the equity ratio was 59.8% as of the end of the second quarter under review.

Current assets increased 2,089 million yen mainly because of increases in notes and accounts receivable-trade and inventories, while there was a decrease in cash and deposits. Noncurrent assets increased 184 million yen mainly due to an increase in intangible assets from the acquisition of distributorship and other factors.

Current liabilities increased 1,946 million yen mainly due to an increase in notes and accounts payable-trade, and noncurrent liabilities decreased 390 million yen mainly due to a decrease in long-term loans payable.

Net assets increased 718 million yen mainly because of an increase in retained earnings.

(Cash Flows)

Cash and cash equivalents (hereinafter, "net cash") as of the end of the second quarter under review totaled 6,128 million yen.

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

1) Cash Flows from Operating Activities

Net cash provided by operating activities totaled 1,573 million yen (a year-on-year increase in inflow of 659 million yen). This was the net result of adding an increase in notes and accounts payable-trade of 2,356 million yen and depreciation of 633 million yen to income before income taxes and minority interests of 1,658 million yen, while there were a 1,385 million yen increase in inventories, a 1,087 million yen increase in notes and accounts receivable-trade, and income taxes paid of 873 million yen and other factors.

2) Cash Flows from Investing Activities

Net cash used in investing activities was 1,211 million yen (a year-on-year decrease in outlays of 4,577 million yen). This was due to the purchase of intangible assets of 792 million yen, purchase of property, plant and equipment of 418 million yen, and other factors.

3) Cash Flows from Financing Activities

Net cash used in financing activities was 771 million yen (net cash provided of 4,532 million yen in the same period of the previous fiscal year). This was due to the repayment of long-term loans payable of 460 million yen, cash dividends paid of 310 million yen, and other factors.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

In the first half of the current fiscal year, sales and earnings were higher than the plan that was announced on November 14, 2013. Some research and development and other selling, general and administrative expenses that were initially planned for the first half are expected to be incurred in the second half of the fiscal year. As a result, there is no change in the full-year consolidated forecast for the fiscal year ending September 30, 2014.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

For the valuation of merchandise and finished goods included in inventories, the first-in, first-out method has been used in prior years. Starting in the first quarter of the current fiscal year, the Company has changed to the periodic-average method for the purpose of reporting earnings in a more appropriate manner. This change coincided with the start-up of a new integrated business (enterprise resource planning) system on October 1, 2013. It is impossible to determine the cumulative effect of this change on earnings in prior fiscal years due to incompatibility with the computer system. Consequently, the book value of merchandise and finished goods as of the end of the previous fiscal year was used as the beginning balance for the first half of the current fiscal year and the periodic-average method has been used from the start of the current fiscal year.

The effect of this change is insignificant.

(3) Additional Information

Effect of the Change in Corporate Tax Rate, Etc.

Following the promulgation on March 31, 2014 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014), “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 4 of 2014) and “Local Tax Act on Corporations” (Act No. 11 of 2014), corporate tax rate, etc. have revised for the fiscal years beginning on or after April 1, 2014. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 38.01% to 35.64% for temporary differences expected to be used for the fiscal year beginning from October 1, 2014.

Due to these changes in tax rates, there was a decrease of 14 million yen in deferred tax assets (after deducting deferred tax liabilities) and an increase in income taxes-deferred by the same amount.

3. Quarterly Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY9/13 (As of Sep. 30, 2013)	Second quarter of FY9/14 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	6,015	5,622
Notes and accounts receivable-trade	9,697	10,792
Securities	505	506
Merchandise and finished goods	2,356	2,554
Work in process	1,150	1,483
Raw materials and supplies	3,030	3,894
Deferred tax assets	581	408
Other	442	599
Allowance for doubtful accounts	(8)	(0)
Total current assets	23,772	25,861
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,276	5,080
Machinery, equipment and vehicles, net	4,154	4,067
Land	851	858
Construction in progress	79	66
Other, net	144	139
Total property, plant and equipment	10,506	10,212
Intangible assets		
Goodwill	3,060	2,981
Other	1,044	1,648
Total intangible assets	4,105	4,629
Investments and other assets		
Investment securities	165	93
Deferred tax assets	463	514
Other	123	101
Total investments and other assets	753	709
Total noncurrent assets	15,366	15,550
Total assets	39,138	41,412

(Millions of yen)

	FY9/13 (As of Sep. 30, 2013)	Second quarter of FY9/14 (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,604	5,972
Short-term loans payable	933	951
Current portion of long-term loans payable	921	921
Income taxes payable	899	522
Provision for bonuses	913	640
Provision for directors' bonuses	25	14
Provision for sales returns	9	14
Other	1,610	1,827
Total current liabilities	8,917	10,864
Noncurrent liabilities		
Long-term loans payable	4,417	3,957
Provision for retirement benefits	1,190	1,232
Other	544	573
Total noncurrent liabilities	6,153	5,762
Total liabilities	15,071	16,627
Net assets		
Shareholders' equity		
Capital stock	2,447	2,447
Capital surplus	3,672	3,672
Retained earnings	17,525	18,217
Treasury stock	(0)	(0)
Total shareholders' equity	23,644	24,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56	9
Foreign currency translation adjustment	365	438
Total accumulated other comprehensive income	421	447
Minority interests	0	0
Total net assets	24,066	24,785
Total liabilities and net assets	39,138	41,412

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statements of Income)****(For the Six-month Period)**

(Millions of yen)

	First six months of FY9/13 (Oct. 1, 2012 – Mar. 31, 2013)	First six months of FY9/14 (Oct. 1, 2013 – Mar. 31, 2014)
Net sales	11,996	14,178
Cost of sales	6,752	8,126
Gross profit	5,243	6,051
Selling, general and administrative expenses	3,634	4,490
Operating income	1,609	1,561
Non-operating income		
Interest income	8	1
Foreign exchange gains	122	63
Commission fee	2	0
Compensation income	1	1
Fiduciary obligation fee	6	5
Other	14	21
Total non-operating income	155	93
Non-operating expenses		
Interest expenses	27	25
Sales discounts	2	2
Other	0	0
Total non-operating expenses	30	28
Ordinary income	1,734	1,625
Extraordinary income		
Subsidy income	-	76
Total extraordinary income	-	76
Extraordinary loss		
Loss on retirement of noncurrent assets	3	0
Loss on reduction of noncurrent assets	-	43
Total extraordinary losses	3	43
Income before income taxes and minority interests	1,730	1,658
Income taxes-current	580	489
Income taxes-deferred	62	166
Total income taxes	642	655
Income before minority interests	1,088	1,002
Minority interests in income (loss)	0	(0)
Net income	1,088	1,002

(Consolidated Statements of Comprehensive Income)
(For the Six-month Period)

(Millions of yen)

	First six months of FY9/13 (Oct. 1, 2012 – Mar. 31, 2013)	First six months of FY9/14 (Oct. 1, 2013 – Mar. 31, 2014)
Income before minority interests	1,088	1,002
Other comprehensive income		
Valuation difference on available-for-sale securities	28	(46)
Foreign currency translation adjustment	490	73
Total other comprehensive income	519	26
Comprehensive income	1,607	1,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,606	1,029
Comprehensive income attributable to minority interests	0	(0)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY9/13 (Oct. 1, 2012 – Mar. 31, 2013)	First six months of FY9/14 (Oct. 1, 2013 – Mar. 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,730	1,658
Depreciation and amortization	587	633
Amortization of goodwill	68	138
Increase (decrease) in allowance for doubtful accounts	0	(7)
Increase (decrease) in provision for bonuses	(53)	(273)
Increase (decrease) in provision for directors' bonuses	(4)	(10)
Increase (decrease) in provision for retirement benefits	50	40
Interest and dividends income	(8)	(1)
Interest expenses	27	25
Foreign exchange losses (gains)	(125)	(63)
Decrease (increase) in notes and accounts receivable-trade	604	(1,087)
Decrease (increase) in inventories	(393)	(1,385)
Increase (decrease) in notes and accounts payable-trade	(785)	2,356
Other, net	96	454
Subtotal	1,794	2,478
Interest and dividends income received	8	1
Interest expenses paid	(28)	(32)
Income taxes paid	(861)	(873)
Net cash provided by (used in) operating activities	913	1,573
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,110)	(418)
Purchase of intangible assets	(372)	(792)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,386)	-
Other, net	80	-
Net cash provided by (used in) investing activities	(5,788)	(1,211)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,000)	-
Proceeds from long-term loans payable	5,850	-
Repayment of long-term loans payable	(50)	(460)
Cash dividends paid	(267)	(310)
Other, net	-	(0)
Net cash provided by (used in) financing activities	4,532	(771)
Effect of exchange rate change on cash and cash equivalents	73	16
Net increase (decrease) in cash and cash equivalents	(269)	(392)
Cash and cash equivalents at beginning of period	5,676	6,521
Cash and cash equivalents at end of period	5,406	6,128

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

Not applicable.

Notes Regarding Material Change in Shareholders' Equity

Not applicable.

Segment and Other Information

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

Material Subsequent Events**Third-party Allotment**

Fuji Pharma has consider the establishment of a broad-based alliance, including a stronger equity relationship, with the allottee Mitsui & Co., Ltd., for the purpose of expanding overseas operations by using Fuji Pharma subsidiary OLIC (Thailand) Limited, which is Thailand's largest contract manufacturer of pharmaceuticals. Enlarging overseas operations is expected to enable Fuji Pharma to meet the growing demand for generic drugs in Japan and other countries as well as to become more cost competitive.

Fuji Pharma believes that building a stronger relationship with Mitsui & Co., which has an extensive global network, will help make the operations of Fuji Pharma and OLIC even more powerful. Working with this partner is expected to allow using OLIC to grow outside Japan, make R&D investments in the pharmaceutical business to search for seeds, and provide access to a variety of support and cooperation involving manufacturing and sales activities (especially for the procurement of active ingredients for pharmaceuticals). According to the Board of Director's resolution on March 20, 2014, Fuji Pharma signed a capital and business alliance agreement with Mitsui & Co., and payment by Mitsui & Co. for the newly issued shares through the third-party allotment was completed on April 21, 2014.

(1) Number of shares issued:	1,506,900 shares of common stock
(2) Payment amount:	1,794 yen per share
(3) Total payment amount:	2,703,378,600 yen
(4) Amount by which stated capital stock was increased:	1,351,689,300 yen
(5) Amount by which stated legal capital surplus was increased:	1,351,689,300 yen
(6) Method of offering or allotment:	Third-party allotment
(7) Party to which shares were allotted and number of shares allotted:	Mitsui & Co., Ltd. 1,506,900 shares
(8) Payment date:	April 21, 2014
(9) Dividend calculation date for newly issued shares:	April 1, 2014
(10) Use of funds	

(a) Capital expenditures for the production of parenteral injections at an overseas subsidiary

OLIC, which is Thailand's largest contract manufacturer of pharmaceuticals, became a subsidiary of Fuji Pharma in October 2012. An investment will be made to construct new plant building that meets the Japanese standards for the purpose of manufacture cost-competitive products at OLIC. One objective is to meet the growing demand in Japan for generic drugs. This plant will also be used to produce high-quality, low-cost drugs for sale in growing markets in Asia and other regions of the world.

(b) Investments for R&D for new drugs and other activities

Some of the proceeds are to be used for expenses required for clinical trials for obtaining additional indications for contrast media.

Following the above third-party allotment, Mitsui & Co. has become the largest shareholder and an other affiliated company of Fuji Pharma.

4. Supplementary Information

(1) Breakdown of Sales

(Millions of yen)

Efficacy	First six months of FY9/13 (Oct. 1, 2012 – Mar. 31, 2013)		First six months of FY9/14 (Oct. 1, 2013 – Mar. 31, 2014)		YoY change (%)
	Amount	%	Amount	%	
(Finished goods)					
Diagnostic drugs	4,622	38.5	4,337	30.6	(6.2)
Hormone drugs	2,479	20.7	2,804	19.8	13.1
Circulatory drugs	472	4.0	516	3.6	9.2
Antibiotics and chemotherapeutics	354	3.0	432	3.1	22.2
Urogenital and genital organ drugs	192	1.6	211	1.5	9.9
Dermatological preparations	133	1.1	138	1.0	3.5
Others	1,923	16.0	2,531	17.8	31.6
Subtotal	10,179	84.9	10,971	77.4	7.8
(Merchandise)					
Hormone drugs	1,248	10.4	1,902	13.4	52.3
Diagnostic drugs	-	-	760	5.4	-
In vitro diagnostic	473	3.9	442	3.1	(6.5)
Others	94	0.8	101	0.7	7.7
Subtotal	1,816	15.1	3,206	22.6	76.5
Total	11,996	100.0	14,178	100.0	18.2

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. Only the period between January 1, 2013 and March 31, 2013 is consolidated in the first six months of FY9/13.

4. Fractions less than one million yen are omitted.

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.