

Business Results for the First Half of the Fiscal Year
Ending September 30, 2015 (1H FY9/15)

May 15, 2015

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(4554/TSE1)

FujiPharma

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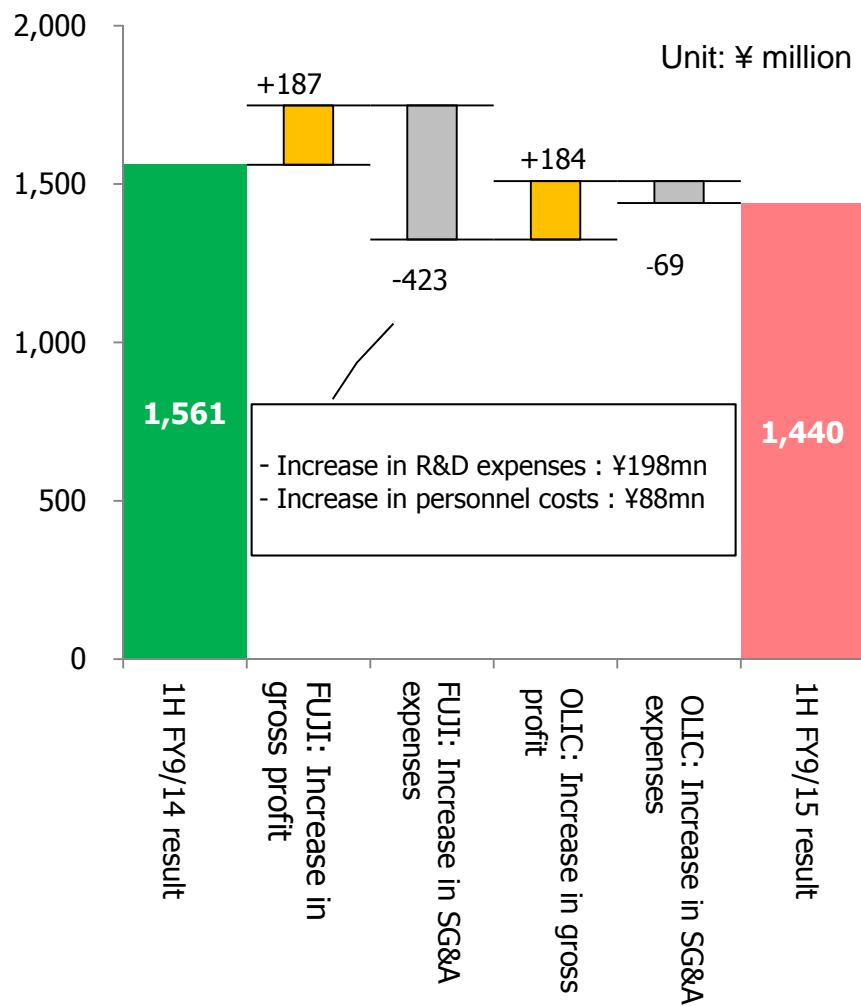
Summary of 1H FY9/15 Consolidated Financial Results

- Net sales increased by 9.0%, or ¥1,282 million YoY due to the contribution from branded drugs(*) and biosimilars. (* Branded drugs: new drugs, drugs licensed from other companies and biosimilars)
- Gross margin decreased by 1.2 points because of the change in sales product mix and higher depreciation
- Operating income decreased by 7.7% to ¥1,440 million mainly because of higher R&D expenses

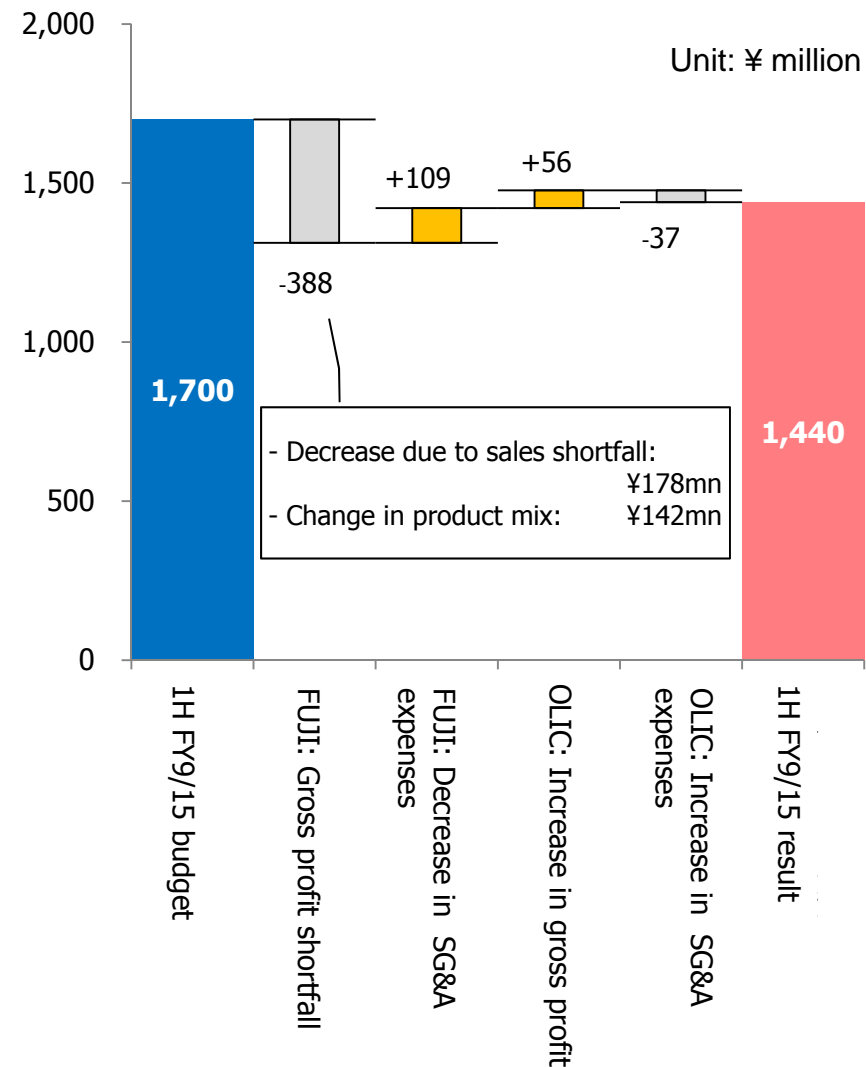
(¥million)	FY9/14	FY9/15	YoY Change		1H FY9/15	
	1H	1H	Amount	%	Plan	Vs. plan
Net Sales	14,178	15,460	1,282	9.0%	15,660	98.7%
Gross Profit	6,051	6,421	370	6.1%	6,750	95.1%
Gross Margin	42.7%	41.5%			43.1%	
SG&A Expenses	4,490	4,981	491	10.9%	5,050	98.6%
SG&A Margin	31.7%	32.2%			32.2%	
Operating Income	1,561	1,440	-121	-7.7%	1,700	84.7%
Operating Income Margin	11.0%	9.3%			10.9%	
Ordinary Income	1,625	1,476	-149	-9.2%	1,690	87.3%
Ordinary Income Margin	11.5%	9.5%			10.8%	
Net Income	1,002	871	-131	-13.1%	1,070	81.4%
Net Income Margin	7.1%	5.6%			6.8%	
Capital Expenditure	288	775	487	169.1%		
Depreciation	633	874	241	38.1%		
Leased Equipment	174	160	-14	-8.0%		
R&D Expenses	760	958	198	26.1%		
R&D Expenses Ratio	5.4%	6.2%				

Summary of 1H FY9/15 Consolidated Financial Results

YoY Changes in Operating Income



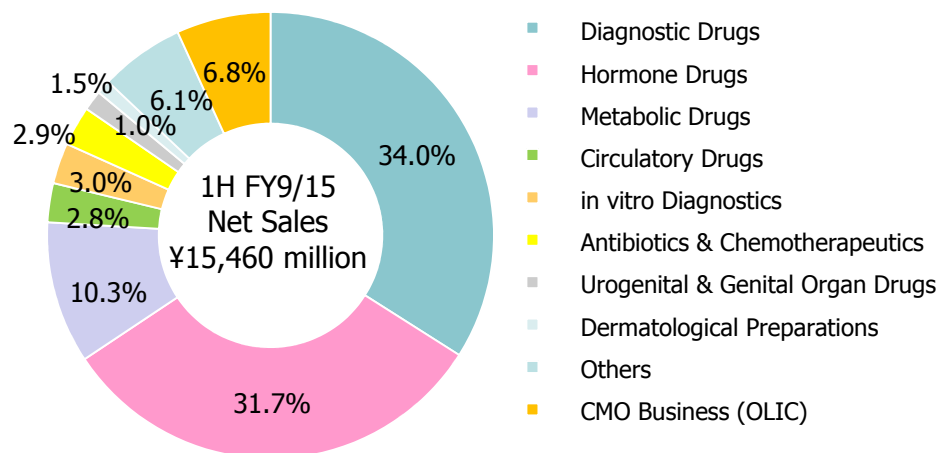
Operating Income Vs. Budget



Sales by Therapeutic Category

¥million)	FY9/14 1H	FY9/15 1H	YoY Change	
			Amount	Ratio
Diagnostic Drugs	5,097	5,255	158	3.1%
Hormone Drugs	4,706	4,892	186	4.0%
Metabolic Drugs	944	1,590	646	68.4%
Circulatory Drugs	516	436	-80	-15.5%
in vitro Diagnostics	497	457	-40	-8.0%
Antibiotics & Chemotherapeutics	434	443	9	2.1%
Urogenital & Genital Organ Drugs	211	226	15	7.1%
Dermatological Preparations	139	158	19	13.7%
Others	899	945	46	5.1%
CMO Business (OLIC)	731	1,054	323	44.2%
Total	14,178	15,460	1,282	9.0%

Sales Breakdown by Therapeutic Category



Sales of Major Products

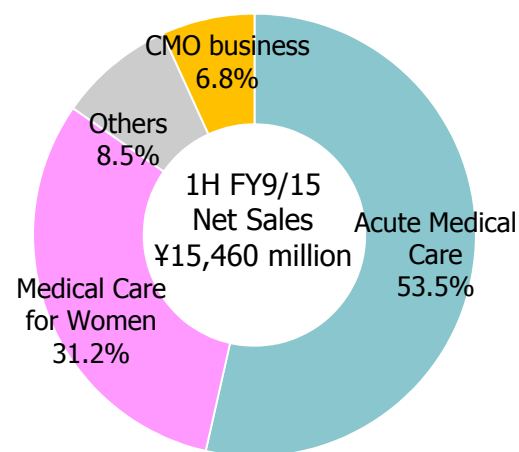
Product Name (¥million)	Therapeutic Category	FY9/14	FY9/15	YoY Change	
		1H	1H	Amount	Ratio
OYPALOMIN® injection	Diagnostic drugs	3,178	3,109	-69	-2.2%
<u>LUNABELL® tablets (LD/ULD)</u>	<u>Hormone drugs</u>	<u>1,688</u>	<u>1,778</u>	<u>90</u>	<u>5.3%</u>
<u>OPTIRAY® injection</u>	<u>Diagnostic drugs</u>	<u>760</u>	<u>951</u>	<u>191</u>	<u>25.1%</u>
IOPAQUE® injection	Diagnostic drugs	885	892	7	0.8%
Filgrastim BS injection Syringe	Metabolic drugs	216	817	601	278.2%
HMG intramuscular injection	Hormone drugs	482	441	-41	-8.5%
DEXART® injection	Hormone drugs	337	359	22	6.5%
SOL-MELCORT for injection	Hormone drugs	322	319	-3	-0.9%
LIMAPROST ALFADEX tablets	Metabolic drugs	297	307	10	3.4%
ALYPROST® injection	Circulatory drugs	319	250	-69	-21.6%
FOLYRMON®-P injection	Hormone drugs	262	242	-20	-7.6%
<u>CLOMID® tablets</u>	<u>Hormone drugs</u>	<u>117</u>	<u>241</u>	<u>124</u>	<u>106.0%</u>
BUSERECUR®	Hormone drugs	188	212	24	12.8%
FAVOIR® tablets	Hormone drugs	225	208	-17	-7.6%
Labellefile® tablets	Hormone drugs	167	153	-14	-8.4%
Total Top 15 Sales		9,449	10,286	837	8.9%
Pct. of Total Sales		66.6%	66.5%		
New Products *		184	286	102	55.4%
Other Products		3,813	3,834	21	0.6%
CMO Business (OLIC)		731	1,054	323	44.2%
Total		14,178	15,460	1,282	9.0%
Acute Medical Care					
Medical Care for Women					

* New Products: products launched in FY9/14 or afterward (but excluding the top 15)

Sales by Medical Field

(¥million)	FY9/14	FY9/15	YoY Change	
	1H	1H	Amount	Ratio
Acute Medical Care	7,571	8,276	705	9.3%
Medical Care for Women	4,710	4,819	109	2.3%
Others	1,164	1,310	146	12.5%
CMO Business (OLIC)	731	1,054	323	44.2%
Total	14,178	15,460	1,282	9.0%

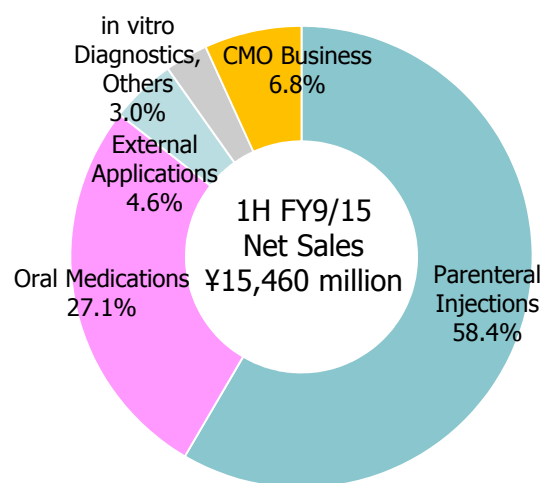
Sales Breakdown by Medical Field



Sales by Drug Form Category

(¥million)	FY9/14	FY9/15	YoY Change	
	1H	1H	Amount	Ratio
Parenteral Injections	8,423	9,031	608	7.2%
Oral Medications	3,883	4,196	313	8.1%
External Applications	635	712	77	12.1%
in vitro Diagnostics, Others	505	465	-40	-7.9%
CMO Business (OLIC)	731	1,054	323	44.2%
Total	14,178	15,460	1,282	9.0%

Sales Breakdown by Drug Form Category



Summary of 1H FY9/15 Balance Sheet

(¥million)	FY9/14	FY9/15	YoY Change	
	Term-end	1H	Amount	Ratio
Assets				
Current Assets	33,168	31,293	-1,876	-5.7%
Cash and Deposits	8,173	6,652	-1,521	-18.6%
Notes and Accounts Receivable-Trade	11,623	11,542	-81	-0.7%
Inventories	9,153	11,594	2,441	26.7%
Accounts Receivable-Other	2,727	208	-2,519	-92.4%
Other	1,490	1,295	-195	-13.1%
Non-current Assets	15,858	15,896	37	0.2%
Property, Plant and Equipment	10,465	10,760	295	2.8%
Intangible Assets	4,627	4,566	-61	-1.3%
Investments and Other Assets	765	569	-196	-25.6%
Total Assets	49,027	47,189	-1,837	-3.7%
Liabilities				
Current Liabilities	12,718	12,109	-608	-4.8%
Notes and Accounts Payable-Trade	6,635	7,740	1,105	16.7%
Other	6,082	4,367	-1,715	-28.2%
Non-current Liabilities	7,764	6,793	-971	-12.5%
Total Liabilities	20,482	18,903	-1,579	-7.7%
Net Assets				
Shareholders' Equity	27,834	27,066	-768	-2.8%
Capital Stock	3,799	3,799	0	0.0%
Capital Surplus	5,023	5,023	0	0.0%
Retained Earnings	19,012	19,747	735	3.9%
Treasury Shares	-0	-1,504	-1,504	
Accumulated Other Comprehensive Income	708	1,218	510	72.0%
Total Net Assets	28,544	28,286	-257	-0.9%
Total Liabilities and Net Assets	49,027	47,189	-1,837	-3.7%

-Decrease in cash and deposits associated with purchase of treasury shares
-Increase in inventories
-Decrease in accounts receivables resulting from lease-back

-Decrease in short-term loans payable

-Decrease in long-term loans payable

-Purchase of treasury shares

Summary of 1H FY9/15 Statement of Cash Flows

(¥million)	FY9/14	FY9/15	YoY Change	
	1H	1H	Amount	Ratio
Cash Flows from Operating Activities	1,573	154	-1,419	-90.2%
(Major Breakdown)				
Income Before Income Taxes and Minority Interests	1,658	1,485	-173	-10.4%
Depreciation	633	874	241	38.1%
Amortization of Goodwill	138	154	16	11.6%
Decrease (Increase) in Notes and Accounts Receivable-Trade	-1,087	136	1,223	-112.5%
Decrease (Increase) in Inventories	-1,385	-2,385	-1,000	72.2%
Increase (Decrease) in Notes and Accounts Payable-Trade	2,356	1,054	-1,302	-55.3%
Income Taxes Paid	-873	-665	208	-23.8%
Cash Flows from Investing Activities	-1,211	1,739	2,950	-243.6%
(Major Breakdown)				
Purchase of Property, Plant and Equipment	-418	-797	-379	90.7%
Proceeds from Sales of Property, Plant and Equipment	-	2,508	2,508	
Purchase of Intangible Assets	-792	-7	785	-99.1%
Cash Flows from Financing Activities	-771	-3,533	-2,762	358.2%
(Major Breakdown)				
Purchase of Treasury Shares	-	-1,503	-1,503	
Net Increase (Decrease) in Short-term Loans Payable	-	-1,015	-1,015	
Repayment of Long-term Loans Payable	-460	-460	0	0.0%
Cash Dividends Paid	-310	-375	-65	21.0%
Cash and Cash Equivalents at Beginning of Period	6,521	8,680	2,159	33.1%
Cash and Cash Equivalents at End of Period	6,128	7,158	1,030	16.8%
Free Cash Flows	362	1,893	1,531	422.9%

- Increase of depreciation due to start of operation of the second phase in No.5 plant

-Expenses for the construction of OLIC's new pharmaceutical plant

-Purchase of treasury shares

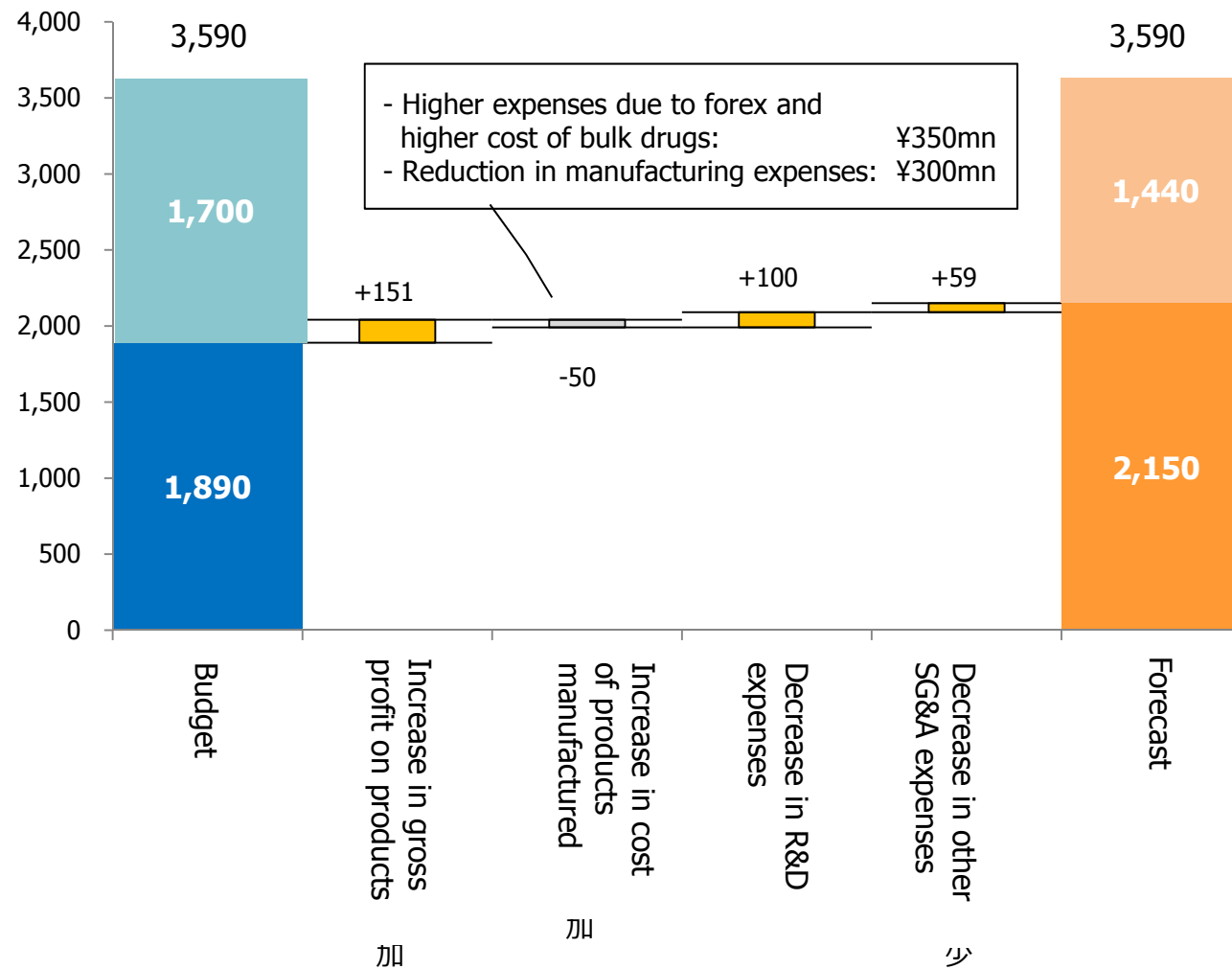
FY9/15 Forecast

- Sales forecast increases to ¥2,815 million (+9.6%), mainly due to higher sales for branded drugs and biosimilars
- Expect to offset the higher cost of imported raw materials mainly with the growth in sales of licensed products and a reduction in manufacturing expenses
- No change in the initial forecast because of measures to hold down R&D expenses and other SG&A expenses

(\$million)	FY9/14 (Results)	FY9/15 (Forecast)	YoY Change	
			Amount	Ratio
Net Sales	29,215	32,030	2,815	9.6%
Operating Income	3,173	3,590	417	13.1%
Operating Income Margin	10.9%	11.2%	-	-
Ordinary Income	3,198	3,560	362	11.3%
Ordinary Income Margin	10.9%	11.1%	-	-
Net Income	2,078	2,260	182	8.8%
Net Income Margin	7.1%	7.1%	-	-
Capital Expenditure	1,073	1,531	458	42.7%
Depreciation	1,376	1,712	336	24.4%
Leased Equipment	412	298	-114	-27.7%
R&D Expenses	1,769	2,100	331	18.7%
R&D Expenses Ratio	6.1%	6.6%	-	-

FY9/15 Forecast

Initial and Current FY9/15 Operating Income Forecast



Sales Forecast by Therapeutic Category and Medical Field

(¥million)	FY9/14	FY9/15 (Forecast)	YoY Change	
			Amount	Ratio
Diagnostic Drugs	10,656	10,955	299	2.8%
Hormone Drugs	9,511	10,310	799	8.4%
Metabolic Drugs	2,003	3,481	1,478	73.8%
Circulatory Drugs	985	982	-3	-0.3%
in vitro Diagnostics	799	799	0	0.0%
Antibiotics & Chemotherapeutics	845	898	53	6.3%
Urogenital & Genital Organ Drugs	437	428	-9	-2.1%
Detmetological Preparations	301	288	-13	-4.3%
Others	1,857	1,789	-68	-3.7%
CMO Business (OLIC)	1,818	2,100	282	15.5%
Total	29,215	32,030	2,815	9.6%

(¥million)	FY9/14	FY9/15 (Forecast)	YoY Change	
			Amount	Ratio
Acute Medical Care	15,663	17,260	1,597	10.2%
Medical Care for Women	9,400	10,014	614	6.5%
Others	2,333	2,656	323	13.8%
CMO Business (OLIC)	1,818	2,100	282	15.5%
Total	29,215	32,030	2,815	9.6%

Sales Forecast for Major Products

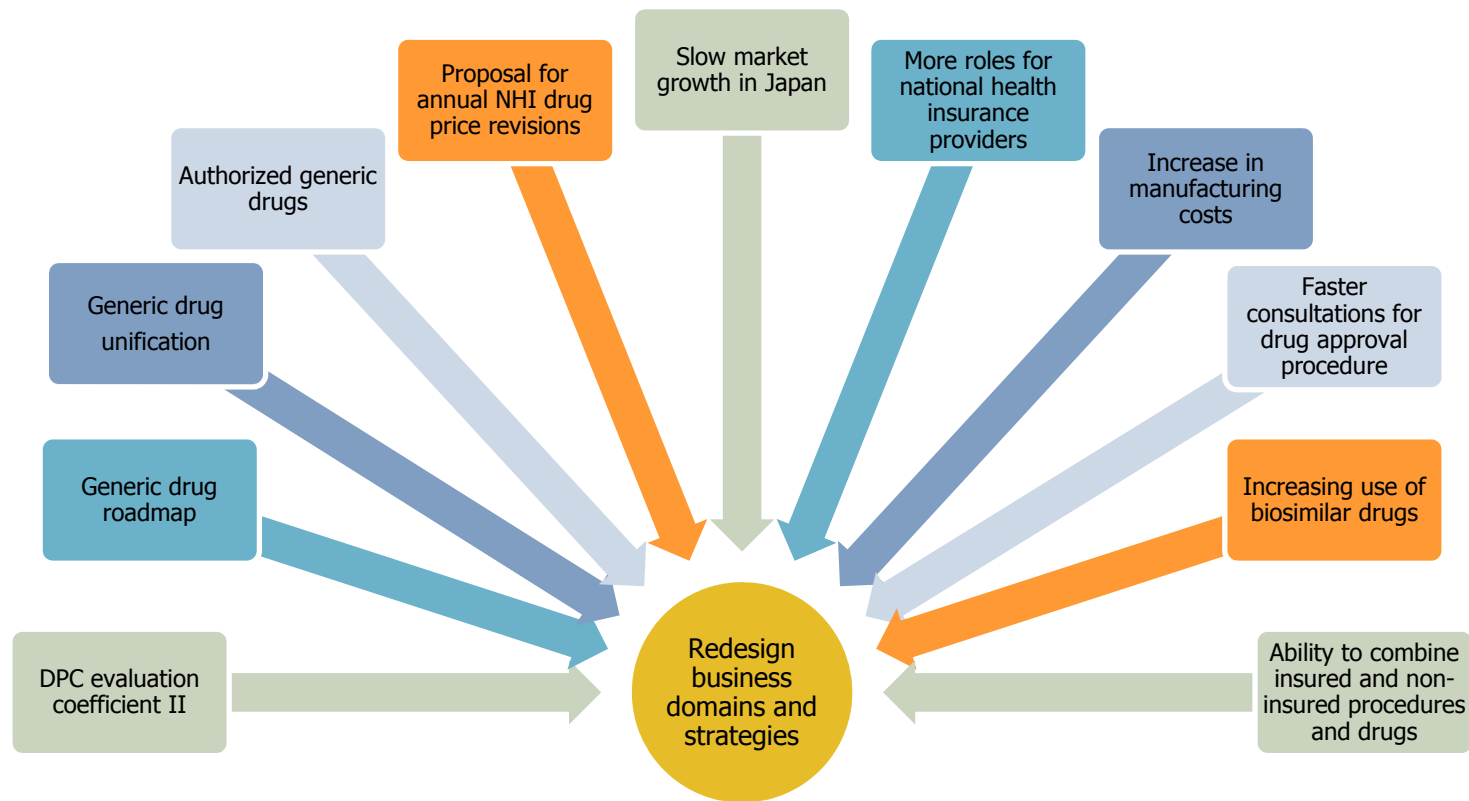
Product Name (¥million)	Therapeutic Category	FY9/14	FY9/15 (Forecast)	YoY C Amount
OYPALOMIN® injection	Diagnostic drugs	6,465	6,370	-95
<u>LUNABELL® tablets (LD/ULD)</u>	<u>Hormone drugs</u>	<u>3,491</u>	<u>3,870</u>	<u>379</u>
<u>OPTIRAY® injection</u>	<u>Diagnostic drugs</u>	<u>1,861</u>	<u>2,070</u>	<u>209</u>
IOPAQUE® injection	Diagnostic drugs	1,754	1,800	46
<u>Filgrastim BS injection Syringe</u>	<u>Metabolic drugs</u>	<u>539</u>	<u>1,530</u>	<u>991</u>
HMG intramuscular injection	Hormone drugs	901	920	19
DEXART® injection	Hormone drugs	680	740	60
LIMAPROST ALFADEX tablets	Metabolic drugs	587	715	128
SOL-MELCORT for injection	Hormone drugs	607	660	53
ALYPROST® injection	Circulatory drugs	609	575	-34
FOLYRMON®-P injection	Hormone drugs	528	530	2
<u>CLOMID® tablets</u>	<u>Hormone drugs</u>	<u>333</u>	<u>490</u>	<u>157</u>
FAVOIR® tablets	Hormone drugs	394	450	56
BUSERECUR®	Hormone drugs	423	440	17
Labellefille® tablets	Hormone drugs	298	350	52
Total Top 15 Sales		19,476	21,510	2,034
Pct. of Total Sales		66.7%	67.2%	
New Products*		436	670	234
Other Products		7,483	7,750	267
CMO Business (OLIC)		1,818	2,100	282
Total		29,215	32,030	2,815
Acute Medical Care				
Medical Care for Women				

*New Products: Products launched in FY9/14 or afterward (but excluding the top 15)

Structural Changes in the Business Climate

▪ Reexamination of Business Domains and strategies

Fuji Pharma must realign its resources and switch to new business fields in order to adapt to ongoing structural changes in the operating environment



Medium-term Growth Strategy

■ Theme of the New Medium-term Business Plan:

“Fuji Pharma Branding”

Our goal is to operate a top-class pharmaceutical business on a global scale that offers first class and innovative added value. We want to earn the trust of healthcare professionals worldwide and people who want to lead healthy lives as well as all of other stakeholders. We are determined to be a source of excitement, major accomplishments, empathy and understanding.

We have a strong commitment to our management philosophies of “growth of the Company and its employees” and “contributing to healthy living.”

■ Goals of the Medium-term Business Plan



■ Vigorously implement the brand strategy for the people, companies and products of the Fuji Pharma Group

Use the corporate culture of a strong affection for people and a leadership development plan, increase productivity and the return on capital, maximize customer value in targeted business domains.



■ Build a new stage and framework centered on branded drugs

Establish a business plan and strategy centered on branded drugs, upgrade and renew all corporate capabilities, rebuild the framework for business operations.



■ Grow on a global scale

Use OLIC to sell major products outside Japan, establish a strategy for alliances with overseas companies, aim to become the leading CMO in the Asia-Pacific region.

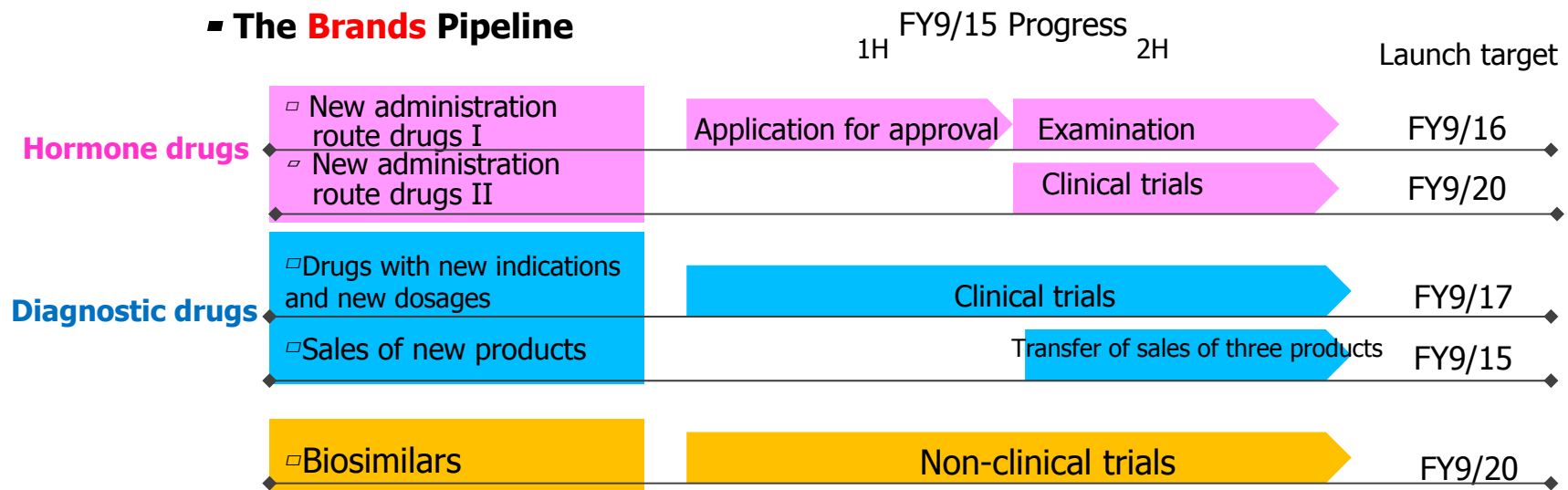
Medium-term Growth Strategy

■ Medium-term Growth Strategy:

Build a unique business model that produces synergies in strategic fields by combining **brands**, generic drugs and contract manufacturing

Fuji Pharma brands are branded drugs, branded generic drugs (with receipt of marketing approval) and biosimilars

■ The Brands Pipeline



Overseas Business



“Sustainable Leading CMO in APAC”

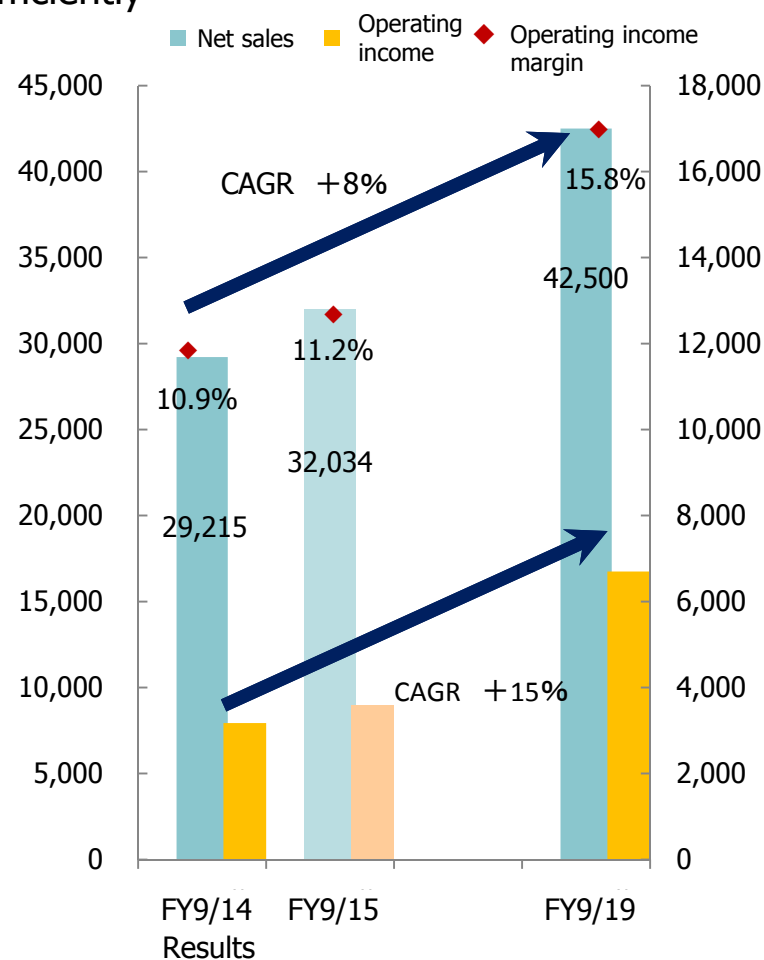
Plan to start operations at the new parenteral injection plant and warehouse at OLiC (Thailand) in 2017



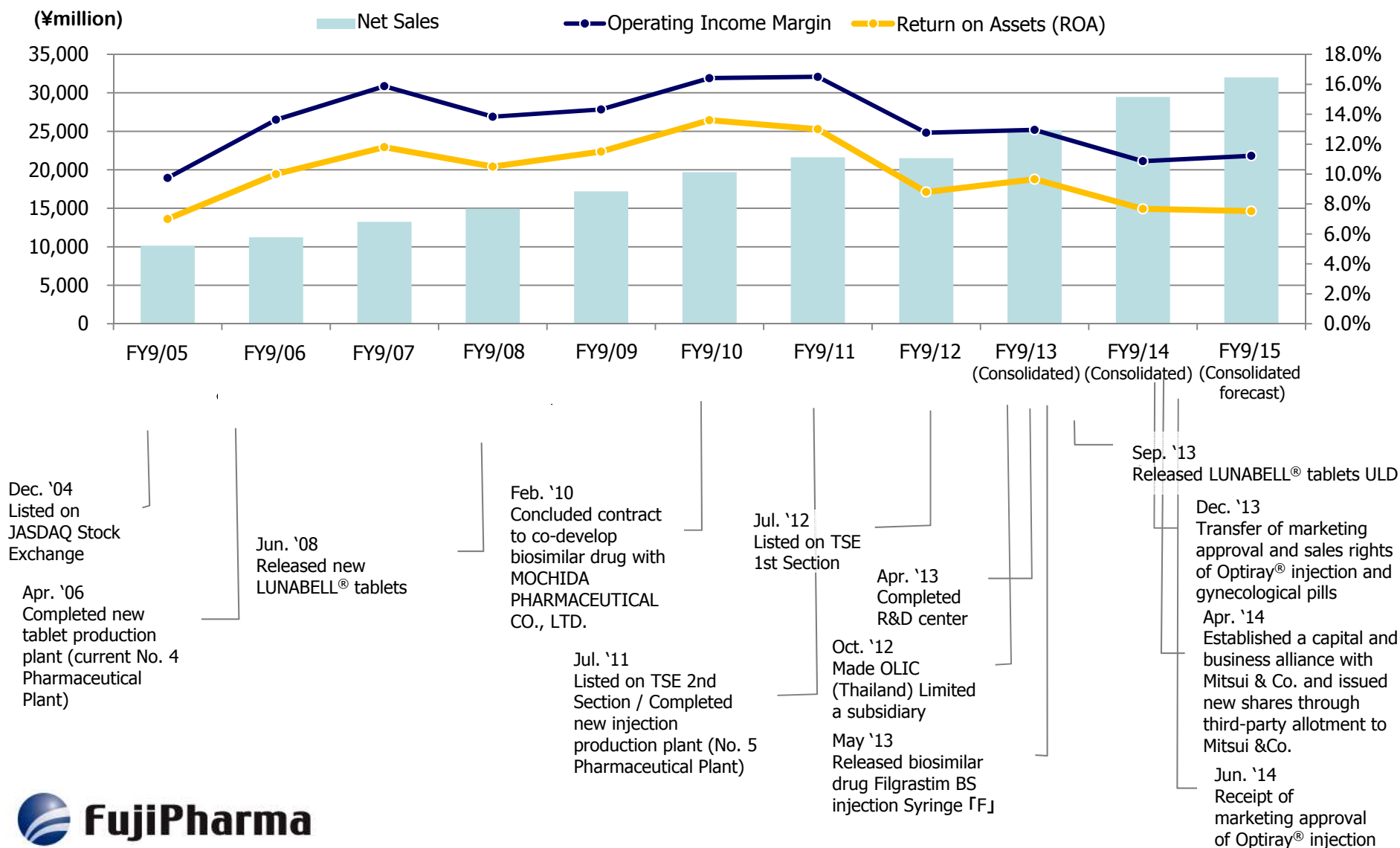
Medium-term Numerical Targets

- Sustainable growth in sales, and recovery in profit margins
- Aggressive R&D investments to support long-term growth
- Constantly take actions aimed at using expenses more efficiently

(¥million)	FY9/14	FY9/19
Net Sales	29,215	42,500
Operating Income	3,173	6,700
Operating Income Margin	10.9%	15.8%
Ordinary Income	3,198	6,650
Ordinary Income Margin	10.9%	15.6%
Net Income	2,078	4,350
Net Income Margin	7.1%	10.2%
R&D Expenses	1,769	2,800



Business Outline / Business Performance Trendlines



Memo

Contact Information

The financial forecasts and other projections provided in this presentation are based on information available at the time of its compilation and it therefore contains an element of uncertainty and potential risks.

Actual results may differ significantly from these forecasts for a number of reasons.

It should also be noted that the views and/or facts presented here may be altered or deleted without prior notification.

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