

Consolidated Financial Results for the Fiscal Year Ended September 30, 2016

[Japanese GAAP]

November 11, 2016

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 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2016

(October 1, 2015 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2016	34,229	8.0	3,568	9.7	3,251	4.9	2,118	1.2
Fiscal year ended Sep. 30, 2015	31,680	8.4	3,251	2.5	3,099	(3.1)	2,092	0.6

Note: Comprehensive income (millions of yen) Fiscal year ended Sep. 30, 2016: 1,498 (down 24.6%)
Fiscal year ended Sep. 30, 2015: 1,988 (down 16.0%)

	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, 2016	141.64	-	7.3	6.9	10.4
Fiscal year ended Sep. 30, 2015	137.55	-	7.3	6.5	10.3

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Sep. 30, 2016: - Fiscal year ended Sep. 30, 2015: -

(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, 2016	48,147	29,226	60.7	1,953.65
Fiscal year ended Sep. 30, 2015	45,773	28,593	62.5	1,912.27

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2016: 29,224 As of Sep. 30, 2015: 28,592

(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, 2016	4,509	(3,319)	78	6,815
Fiscal year ended Sep. 30, 2015	589	999	(4,635)	5,664

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, 2015	-	20.00	-	24.00	44.00	659	32.0	2.3
Fiscal year ended Sep. 30, 2016	-	21.00	-	24.00	45.00	674	31.8	2.3
Fiscal year ending Sep. 30, 2017 (Estimated)	-	23.00	-	25.00	48.00		25.6	

3. Consolidated Forecast for the Fiscal Year Ending September 30, 2017 (October 1, 2016 to September 30, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	17,470	3.8	2,060	13.2	1,960	13.6	1,310	22.1	87.57
Full year	36,300	6.0	4,300	20.5	4,180	28.5	2,800	32.2	187.18

*** Notes**

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

Newly added: - Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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 shares)

As of Sep. 30, 2016: 15,626,900 shares As of Sep. 30, 2015: 15,626,900 shares

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

As of Sep. 30, 2016: 667,779 shares As of Sep. 30, 2015: 674,922 shares

3) Average number of shares outstanding during the period

Fiscal year ended Sep. 30, 2016: 14,957,897 shares Fiscal year ended Sep. 30, 2015: 15,210,645 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2016

(October 1, 2015 to September 30, 2016)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2016	31,993	8.5	3,533	5.9	3,215	1.0	2,146	(5.3)
Fiscal year ended Sep. 30, 2015	29,490	7.6	3,337	0.6	3,185	(3.6)	2,267	4.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Sep. 30, 2016	143.51	-
Fiscal year ended Sep. 30, 2015	149.06	-

(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, 2016	47,557	29,836	62.7	1,994.54
Fiscal year ended Sep. 30, 2015	44,479	28,458	64.0	1,903.30

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2016: 29,836 As of Sep. 30, 2015: 28,458

2. Non-consolidated Forecast for the Fiscal Year Ending September 30, 2017 (October 1, 2016 to September 30, 2017)

(Percentages represent year-on-year changes)

	Net sales		Ordinary income		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	16,500	5.0	2,040	21.8	1,390	31.6	92.92
Full year	34,300	7.2	4,080	26.9	2,770	29.0	185.17

* 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

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.

The Company plans to hold a financial results meeting for institutional investors and analysts on Tuesday, November 22, 2016. 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

In the current fiscal year ended on September 30, 2016, corporate earnings at companies in Japan recovered, chiefly at exporting companies, backed by the strong economy in the U.S., which raised base interest rates for the first time in nine and a half years. However, the outlook is becoming increasingly uncertain as there are clear signs of slowing economic growth in China and other emerging countries, and the UK has voted to leave the European Union in the referendum.

In Japan's ethical drug industry, the Japanese government has enacted numerous measures aimed at increasing the use of generic drugs as one of its major initiatives to hold down health care expenses. As a result, Japan's market for generic drugs has been expanding. In June 2015, the Japanese Cabinet approved the Basic Policy on Economic and Fiscal Management and Reform 2015. This policy includes two new targets for generic drug use. Japan now aims to raise the volume-based share of these drugs to at least 70% by the middle of 2017 and at least 80% as soon as possible during the period between fiscal 2018 and the end of fiscal 2020. In September 2015, the Ministry of Health, Labour and Welfare announced the Comprehensive Strategy for Strengthening the Pharmaceutical Industry. The strategy has three themes to build a base for raising the share of generic drugs to 80%: a stable supply of quality drugs in Japan; more efficient use of health care expenses; and a more competitive pharmaceutical industry. To accomplish these goals, the strategy has urgent and tightly targeted measures for making Japan's pharmaceutical industry more competitive. In April 2016, there were revisions to the National Health Insurance (NHI) system and there was an average drug price reduction of 5.57% in the industry. These price reductions caused the prices of our products to fall by 7.8%.

The Fuji Pharma Group has established the central theme of "Fuji Pharma Branding." Our goal is to operate a pharmaceutical business with innovative added value from a global perspective. We want to earn the trust, understanding and support of healthcare professionals as well as people who want to lead healthy lives. By reinforcing our commitment to our management philosophy of "growth" and "contribution," we have been building a unique business model that produces synergies in strategic fields by combining brands, generic drugs and contract manufacturing. The volume of generic drugs supplied is expected to continue to grow because these drugs are an important element of measures in Japan to hold down the cost of health care. At the same time, it is assumed that this growth will be accompanied by measures to ensure a stable supply of drugs and further cut the prices of drugs. This is why there is an urgent need at the Fuji Pharma Group to take actions aimed at becoming more competitive against global pharmaceutical companies, establish highly profitable drug brands, shift emphasis to biosimilars and other types of drugs, expand operations outside Japan, and build a management infrastructure capable of supporting rapid growth.

On January 22, 2016, Fuji Pharma received a marketing authorization right for UTROGESTAN Vaginal Capsules 200mg, a natural luteinizing hormone used for corpus luteum supplements in assisted reproductive technologies, and started selling this product. For assisted reproductive technologies, luteinizing hormones play an important role in implants and maintaining pregnancy. In many countries other than Japan, these hormones are widely administered through the vagina to make treatments less burdensome on patients in terms of time and physical difficulties. Fuji Pharma's new drug makes it possible in Japan to administer supplemental luteinizing hormones through the vagina. As increasing numbers of women marry later in life in Japan, Fuji Pharma believes that this new drug will provide a new treatment option in the obstetrics and gynecology domain and help many women.

Regarding sales activities, Fuji Pharma has been focusing on the marketing of the new dysmenorrhea treatment agents LUNABELL® tablets ULD. Another goal is expanding the market share of infertility treatment drugs and other major products in our core field of obstetrics and gynecology.

In the field of radiology, we are continuously concentrating on sales of the generic contrast agents OYPALOMIN® injection and IOPAQUE® injection and the new x-ray contrast agent OPTIRAY® injection. In addition to these products, we are focusing on sales of MAGNESCOPE® intravenous injection, the most widely used MRI contrast agent in Europe, for which Fuji Pharma received sales rights from Guerbet Japan KK in

October 2015. There are extensive sales activities to develop new businesses and expand transactions with the goal of establishing more relationships with hospitals throughout Japan that are subject to DPC (Diagnosis Procedure Combination). These activities involve Filgrastim BS injection Syringe and other products.

Net sales increased 8.0% year on year to 34,229 million yen due mainly to the contribution from MAGNESCOPE® intravenous injection and other products for which Fuji Pharma received sales rights. Operating income increased 9.7% to 3,568 million yen as higher earnings at subsidiaries and other contributions to earnings more than offset increases in R&D expenses and other components of selling, general and administrative expenses. Although there was a foreign exchange valuation loss on a foreign currency-denominated loan to a subsidiary, ordinary income increased 4.9% to 3,251 million yen. Profit attributable to owners of parent was up 1.2% to 2,118 million yen, an all-time high.

Segment information is omitted because there is only a single business segment.

2) Outlook for the next fiscal year

In the fiscal year ending on September 30, 2017, Fuji Pharma will continue to concentrate on sales of new drugs such as the MRI contrast agent MAGNESCOPE® intravenous injection, the x-ray contrast agent OPTIRAY® injection and Utrogestan Vaginal Capsules 200mg, a product for which Fuji Pharma has received approval for production and sales. Although R&D and other expenses are expected to increase, Fuji Pharma will do everything possible to maximize earnings by properly allocating the required operating expenses.

As a result, Fuji Pharma expects net sales of 36,300 million yen (a 6.0% increase), operating income of 4,300 million yen (a 20.6% increase), ordinary income of 4,180 million yen (a 28.5% increase) and profit of 2,800 million yen (a 32.2% increase) for the fiscal year ending September 30, 2017.

(2) Analysis of Financial Position

1) Assets, liabilities and net Assets

Total assets increased 2,374 million yen from the end of the previous fiscal year to 48,147 million yen, net assets were 29,226 million yen, and the equity ratio was 60.7% as of the end of the fiscal year under review.

Current assets increased 1,595 million yen to 32,309 million yen mainly because of increases in cash and deposits, and notes and accounts receivable-trade. Non-current assets increased 779 million yen to 15,838 million yen mainly due to a decrease in goodwill from the application of the Accounting Standard for Business Combinations and other standards and the effect of foreign exchange rates, while there were increases in long-term advance payments-trade and construction in progress.

Current liabilities increased 1,750 million yen to 12,739 million yen mainly due to an increase in current portion of long-term loans payable. Non-current liabilities decreased 9 million yen to 6,181 million yen.

Net assets increased 632 million yen to 29,226 million yen mainly because of an increase in retained earnings although there was a decrease in foreign currency translation adjustment.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") as of the end of the fiscal year under review totaled 6,815 million yen, an increase of 1,150 million yen over the end of the previous fiscal year.

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

Cash Flows from Operating Activities

Net cash provided by operating activities was 4,509 million yen (a year-on-year increase in inflow of 3,920 million yen). This was the net result of adding depreciation of 1,667 million yen, amortization of goodwill of 254 million yen and an increase in notes and accounts payable-trade of 240 million yen to profit before income taxes of 3,148 million yen, while there were income taxes paid of 874 million yen, a 796 million yen increase in notes and accounts receivable-trade, a 240 million yen increase in inventories and other factors.

Cash Flows from Investing Activities

Net cash used in investing activities was 3,319 million yen (net cash provided of 999 million yen in the same period of the previous fiscal year). This was mainly due to the purchase of property, plant and equipment of 2,308 million yen and the long-term advance payments-trade of 1,152 million yen, while there were the proceeds from sales of property, plant and equipment of 453 million yen resulting from sale-and-leaseback transactions of machinery equipment at the Toyama plant.

Cash Flows from Financing Activities

Net cash provided by financing activities was 78 million yen (net cash used of 4,635 million yen in the same period of the previous fiscal year). This was due to the proceeds from long-term loans payable of 2,000 million yen while there were the repayment of long-term loans payable of 921 million yen and cash dividends paid of 674 million yen.

Reference: Cash flow indicators

	FY9/14	FY9/15	FY9/16
Equity ratio (%)	58.2	62.5	60.7
Market value-based equity ratio (%)	64.7	65.4	83.3
Interest-bearing debt to cash flow ratio (%)	210.1	1,031.6	157.4
Interest coverage ratio (Times)	54.9	15.7	127.9

- 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 closing 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 consolidated balance sheet that incur interest.
4. "Net cash provided by (used in) operating activities" in the consolidated statement of cash flows and "interest expenses" in the consolidated statement 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 our performance, the dividend payout ratio and all other applicable items in each fiscal year.

We plan to reinvest retained earnings to strengthen research and development, make capital expenditure for production capacity and efficiency improvements, 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 24 yen per share (annual dividend of 45 yen per share inclusive of a 21 yen interim dividend, dividend payout ratio of 31.8%) for the fiscal year ended on September 30, 2016.

For the fiscal year ending on September 30, 2017, based on the forecast for this fiscal year, plans for business operations and other applicable items, we plan to pay an annual dividend of 48 yen per share, the sum of a 23 yen interim dividend and 25 yen year-end dividend.

(4) Operational Risks

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 Fuji Pharma's management as of September 30, 2016.

1) Statutory regulations

The Group's business operations are subject to the strict restrictions imposed by laws and regulations associated with the Pharmaceutical and Medical Device Act (former 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 cancellation 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 and Medical Device Act and related regulations. Revisions in laws/regulations related to the pharmaceutical industry, which may be made in future, may have an impact on our financial condition and business performance.

Major permits and licenses

Name of permit/license	Authority granting permit/license	Expiration	Major reasons for cancellation	Remarks
Pharmaceutical manufacturing permit	Toyama Prefecture	August 2019 (renewed every five years)	The permit is canceled when there is a violation that is punishable under the Pharmaceutical and Medical Device Act or other associated pharmaceutical business law or regulation or when an executive, etc. is subject to disqualification (Pharmaceutical and Medical Devices Law, Article 75, Paragraph 1)	Toyama plant
Type 1 pharmaceutical manufacturing and sales permit	Toyama Prefecture	August 2019 (renewed every five years)	Same as above	Toyama plant
Type 2 pharmaceutical manufacturing and sales permit	Toyama Prefecture	August 2019 (renewed every five years)	Same as above	Toyama plant
Pharmaceutical wholesale business permit	Toyama Prefecture Tokyo Metropolis Hyogo Prefecture	May 2021 (renewed every six years) April 2018 (renewed every six years) July 2020 (renewed every six years)	Same as above	Toyama office Tokyo Logistic center Osaka 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 may be 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 over 20% of total sales in the fiscal year that ended on September 30, 2016. 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 Act, 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 2016, there was an average drug price reduction of 5.57% in the pharmaceutical industry but these price reductions caused the prices of Fuji Pharma products to fall by 7.8%.

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 Fuji Pharma 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 1,936 million yen and Fuji Pharma proposes to amortize this amount on a straight-line basis over a period of 12 years. Goodwill is subject to impairment accounting as with other non-current assets. In case that the profitability of OLIC (Thailand) Limited are lowered as a result of substantial changes in our operating environment and business activities, generated impairment losses on goodwill may have an impact on our business performance and financial condition.

2. Group Organization

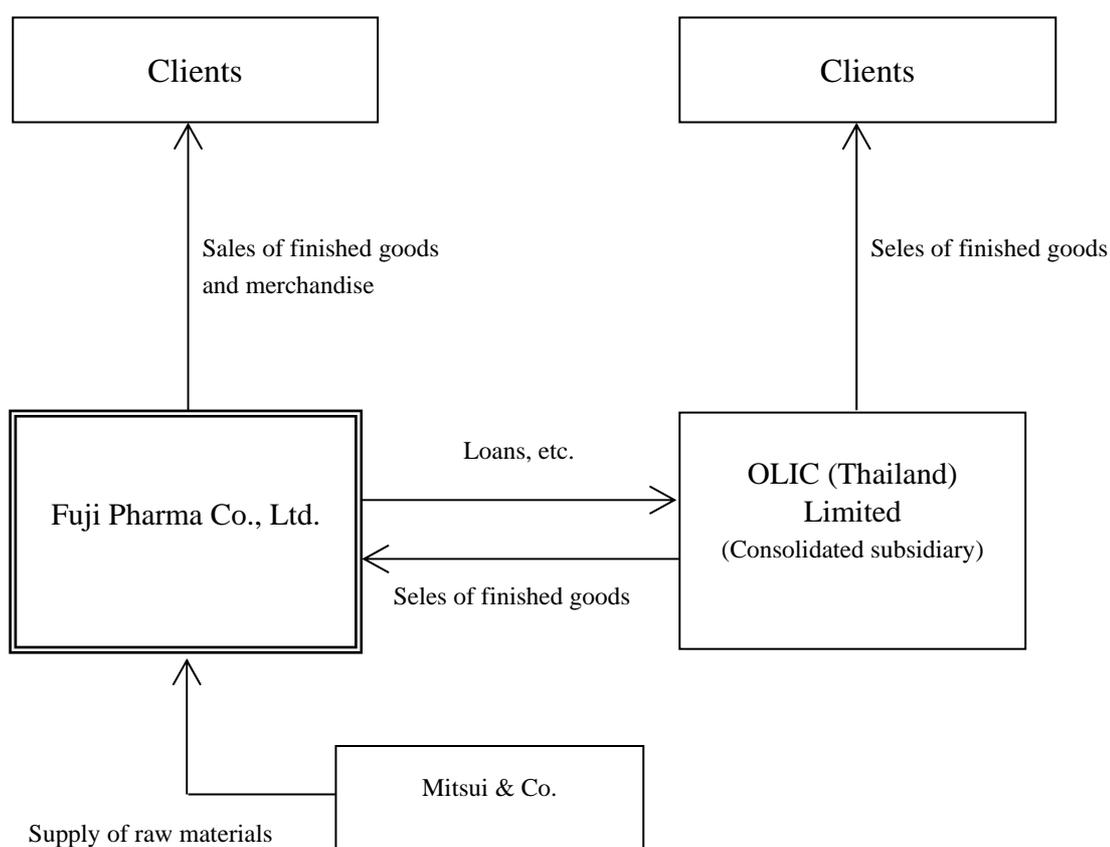
The Fuji Pharma Group, comprised of Fuji Pharma Co., Ltd. (the “Company”), one consolidated subsidiary and other affiliated company, is engaged in the development, production and sales of pharmaceuticals as its main business.

Fuji Pharma’s main products are hormone drugs in the field of obstetrics and gynecology and urinary tract angiographic agent and other injection agents in the field of radiology. There are eight branches and other offices in Japan.

Fuji Pharma works with OLIC (Thailand) Limited with regard buying and selling products, loans, and other activities.

Fuji Pharma purchases raw materials from Mitsui & Co., which is classified as other affiliated company.

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 is proportional to the development of its employees.” By continuing to adhere to these philosophies, we are 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 expenses for future growth. The Group has established a medium-term business plan that covers the five-year period starting in the fiscal year ended on September 30, 2015. Our performance targets for the plan’s final year, which ends on September 30, 2019, are consolidated net sales of 42.5 billion yen and an operating income margin of at least 15%.

(3) Medium- and Long-term Management Strategy

The central theme of the new medium-term business plan is “Fuji Pharma Branding.” Our goal is to operate a pharmaceutical business with innovative added value from a global perspective. We want to earn the trust, understanding and support of healthcare professionals as well as people who want to lead healthy lives. By reinforcing our commitment to the Fuji Pharma Group’s management philosophy of “growth” and “contribution,” we aim to build a unique business model that produces synergies in strategic fields by combining brands, generic drugs and contract manufacturing.

Fundamental goals

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

We will earn even better trust, confidence and reputations for the people, companies and products of the Fuji Pharma Group from healthcare professionals, patients and all other stakeholders.

We will develop the skills of our people based on our management philosophy and our mission. We will strengthen our financial strategy and our IT and other functions. We will also maximize the value of our major products. Our objective is to build a powerful brand for our people, our companies and our products.

2) Build a new stage and framework centered on branded drugs

We will move away from operations focused on generic drugs to implement business plans and strategies that use established products and new branded drugs (new drugs, branded generic drugs (drugs listed for a long time) and biosimilars).

We will revamp our operations and rebuild business operations framework in order to develop a unique business model to realize and build on synergies between branded drugs and branded generic drugs.

3) Grow on a global scale

We will use the Toyama plant and OLIC (Thailand) Limited as bases for continued growth outside Japan by establishing alliances with pharmaceutical companies in Japan and other countries.

We will start operations at the new injectable drug factory at OLIC to expand the new CMO business on a global scale with the goal of becoming the sustainable leading CMO in the Asia-Pacific region.

(4) Key Issues

The Japanese government has enacted numerous measures aimed at increasing the use of generic drugs as one of its major initiatives to hold down health care expenses. As a result, Japan's market for generic drugs has been expanding. In June 2015, the Japanese Cabinet approved the Basic Policy on Economic and Fiscal Management and Reform 2015. This policy includes two new targets for generic drug use. Japan now aims to raise the volume-based share of these drugs to at least 70% by the middle of 2017 and at least 80% as soon as possible during the period between fiscal 2018 and the end of fiscal 2020. In September 2015, the Ministry of Health, Labour and Welfare announced the Comprehensive Strategy for Strengthening the Pharmaceutical Industry. The strategy has three themes to build a base for raising the share of generic drugs to 80%: a stable supply of quality drugs in Japan; more efficient use of health care expenses; and a more competitive pharmaceutical industry. To accomplish these goals, the strategy has urgent and tightly targeted measures for making Japan's pharmaceutical industry more competitive.

In this challenging environment, Fuji Pharma is concentrating on the following activities in order to accomplish the goals of the medium-term business plan "Fuji Pharma Branding," that covers the five-year period starting in the fiscal year ended on September 30, 2015. The central objective is to build a foundation that incorporates the distinctive strengths of the Fuji Pharma Group and is not vulnerable to changes in the operating environment.

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

4. Basic Approach to the Selection of Accounting Standards

The Fuji Pharma Group uses Japanese accounting standards.

Decisions about the use of IFRS will be made by taking into consideration the use of accounting standards in Japan and other countries.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY9/15 (As of Sep. 30, 2015)	FY9/16 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	5,158	6,815
Notes and accounts receivable-trade	12,337	13,072
Securities	506	-
Merchandise and finished goods	4,633	4,641
Work in process	2,222	2,268
Raw materials and supplies	4,540	4,659
Accounts receivable-other	260	70
Deferred tax assets	478	500
Other	583	286
Allowance for doubtful accounts	(6)	(5)
Total current assets	30,714	32,309
Non-current assets		
Property, plant and equipment		
Buildings and structures	* 9,072	* 8,574
Accumulated depreciation	(4,499)	(4,440)
Buildings and structures, net	4,573	4,134
Machinery, equipment and vehicles	* 8,031	* 7,663
Accumulated depreciation	(6,558)	(6,234)
Machinery, equipment and vehicles, net	1,472	1,428
Land	887	819
Leased assets	2,508	2,701
Accumulated depreciation	(339)	(655)
Leased assets, net	2,168	2,046
Construction in progress	1,407	2,470
Other	* 1,085	* 1,068
Accumulated depreciation	(975)	(952)
Other, net	109	116
Total property, plant and equipment	10,618	11,016
Intangible assets		
Goodwill	2,662	1,936
Other	1,213	1,123
Total intangible assets	3,876	3,060
Investments and other assets		
Investment securities	108	128
Long-term advance payments-trade	-	1,152
Deferred tax assets	351	374
Other	104	105
Total investments and other assets	564	1,762
Total non-current assets	15,059	15,838
Total assets	45,773	48,147

	(Millions of yen)	
	FY9/15 (As of Sep. 30, 2015)	FY9/16 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,102	6,291
Current portion of long-term loans payable	921	1,921
Lease obligations	340	387
Income taxes payable	547	599
Provision for bonuses	742	758
Provision for directors' bonuses	13	8
Provision for sales returns	26	11
Other	2,294	2,760
Total current liabilities	10,989	12,739
Non-current liabilities		
Long-term loans payable	2,575	2,653
Lease obligations	2,052	1,943
Net defined benefit liability	994	1,052
Other	569	531
Total non-current liabilities	6,190	6,181
Total liabilities	17,180	18,921
Net assets		
Shareholders' equity		
Capital stock	3,799	3,799
Capital surplus	5,023	5,023
Retained earnings	20,669	21,944
Treasury shares	(1,504)	(1,488)
Total shareholders' equity	27,988	29,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	2
Deferred gains or losses on hedges	-	(92)
Foreign currency translation adjustment	594	31
Remeasurements of defined benefit plans	(10)	5
Total accumulated other comprehensive income	604	(53)
Non-controlling interests	1	1
Total net assets	28,593	29,226
Total liabilities and net assets	45,773	48,147

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

(Millions of yen)

	FY9/15		FY9/16	
	(Oct. 1, 2014 – Sep. 30, 2015)		(Oct. 1, 2015 – Sep. 30, 2016)	
Net sales		31,680		34,229
Cost of sales	*1	18,709	*1	20,691
Gross profit		12,970		13,537
Selling, general and administrative expenses				
Sales commission		1,406		1,257
Salaries and bonuses		2,239		2,343
Provision for bonuses		433		427
Provision for directors' bonuses		13		8
Retirement benefit expenses		121		134
Research and development expenses	*2	1,729	*2	1,840
Depreciation		451		459
Amortization of goodwill		311		254
Other		3,012		3,242
Total selling, general and administrative expenses		9,718		9,969
Operating income		3,251		3,568
Non-operating income				
Dividend income of life insurance		5		1
Fiduciary obligation fee		5		1
Compensation income		3		5
Other		28		32
Total non-operating income		42		41
Non-operating expenses				
Interest expenses		37		35
Foreign exchange losses		138		310
Other		18		11
Total non-operating expenses		194		357
Ordinary income		3,099		3,251
Extraordinary income				
Gain on sales of non-current assets	*3	0	*3	1
Gain on sales of investment securities		-		36
Subsidy income		46		46
Total extraordinary income		46		83
Extraordinary losses				
Loss on sales of non-current assets	*4	0	*4	19
Loss on retirement of non-current assets	*5	4	*5	135
Loss on reduction of non-current assets		36		31
Total extraordinary losses		41		187
Profit before income taxes		3,105		3,148
Income taxes-current		833		1,026
Income taxes-deferred		179		2
Total income taxes		1,012		1,029
Profit		2,092		2,118
Profit attributable to non-controlling interests		0		0
Profit attributable to owners of parent		2,092		2,118

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Profit	2,092	2,118
Other comprehensive income		
Valuation difference on available-for-sale securities	11	(17)
Deferred gains or losses on hedges	-	(92)
Foreign currency translation adjustment	(105)	(525)
Remeasurements of defined benefit plans, net of tax	(9)	15
Total other comprehensive income	* (104)	* (619)
Comprehensive income	1,988	1,498
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,988	1,498
Comprehensive income attributable to non-controlling interests	0	(0)

(3) Consolidated Statement of Changes in Equity

FY9/15 (Oct. 1, 2014 - Sep. 30, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,799	5,023	19,012	(0)	27,834
Cumulative effects of changes in accounting policies			239		239
Restated balance	3,799	5,023	19,252	(0)	28,074
Changes of items during period					
Dividends of surplus			(674)		(674)
Profit attributable to owners of parent			2,092		2,092
Purchase of treasury shares				(1,504)	(1,504)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,417	(1,504)	(86)
Balance at end of current period	3,799	5,023	20,669	(1,504)	27,988

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9	699	(0)	708	1	28,544
Cumulative effects of changes in accounting policies						239
Restated balance	9	699	(0)	708	1	28,784
Changes of items during period						
Dividends of surplus						(674)
Profit attributable to owners of parent						2,092
Purchase of treasury shares						(1,504)
Net changes of items other than shareholders' equity	11	(105)	(9)	(104)	0	(104)
Total changes of items during period	11	(105)	(9)	(104)	0	(190)
Balance at end of current period	20	594	(10)	604	1	28,593

FY9/16 (Oct. 1, 2015 - Sep. 30, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,799	5,023	20,669	(1,504)	27,988
Cumulative effects of changes in accounting policies			(169)		(169)
Restated balance	3,799	5,023	20,499	(1,504)	27,818
Changes of items during period					
Dividends of surplus			(674)		(674)
Profit attributable to owners of parent			2,118		2,118
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				15	15
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,444	15	1,460
Balance at end of current period	3,799	5,023	21,944	(1,488)	29,278

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	20	-	594	(10)	604	1	28,593
Cumulative effects of changes in accounting policies			(38)		(38)		(207)
Restated balance	20	-	556	(10)	565	1	28,385
Changes of items during period							
Dividends of surplus							(674)
Profit attributable to owners of parent							2,118
Purchase of treasury shares							(0)
Disposal of treasury shares							15
Net changes of items other than shareholders' equity	(17)	(92)	(525)	15	(619)	(0)	(619)
Total changes of items during period	(17)	(92)	(525)	15	(619)	(0)	840
Balance at end of current period	2	(92)	31	5	(53)	1	29,226

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	3,105	3,148
Depreciation	1,768	1,667
Amortization of goodwill	311	254
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	(167)	16
Increase (decrease) in provision for directors' bonuses	(9)	(4)
Increase (decrease) in net defined benefit liability	61	81
Interest and dividend income	(2)	(1)
Interest expenses	37	35
Foreign exchange losses (gains)	29	243
Loss on retirement of non-current assets	4	135
Decrease (increase) in notes and accounts receivable-trade	(722)	(796)
Decrease (increase) in inventories	(2,250)	(240)
Increase (decrease) in notes and accounts payable-trade	(537)	240
Other, net	17	661
Subtotal	1,645	5,441
Interest and dividend income received	(0)	2
Interest expenses paid	(44)	(58)
Income taxes paid	(1,010)	(874)
Net cash provided by (used in) operating activities	589	4,509
Cash flows from investing activities		
Purchase of investment securities	-	(100)
Proceeds from sales of investment securities	-	90
Purchase of property, plant and equipment	(1,512)	(2,308)
Proceeds from sales of property, plant and equipment	2,508	453
Purchase of intangible assets	(31)	(346)
Decrease (increase) in long-term advance payments	-	(1,152)
Subsidy income	36	46
Other, net	(1)	(1)
Net cash provided by (used in) investing activities	999	(3,319)
Cash flows from financing activities		
Purchase of treasury shares	(1,504)	-
Net increase (decrease) in short-term loans payable	(1,189)	-
Proceeds from long-term loans payable	-	2,000
Repayments of long-term loans payable	(921)	(921)
Cash dividends paid	(675)	(674)
Repayments of lease obligations	(341)	(326)
Other, net	(4)	-
Net cash provided by (used in) financing activities	(4,635)	78
Effect of exchange rate change on cash and cash equivalents	30	(118)
Net increase (decrease) in cash and cash equivalents	(3,015)	1,150
Cash and cash equivalents at beginning of period	8,680	5,664
Cash and cash equivalents at end of period	*1 5,664	*1 6,815

(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 ends on the closing date of consolidated financial statements.

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 applies the gross-average method for merchandise and finished goods (the carrying value on the balance sheet is written down to reflect declines in profitability), and primarily the first-in, first-out cost method for other items (the carrying value on the balance sheet is written down to reflect declines in profitability). The overseas consolidated subsidiary applies 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 applies the declining-balance method. The overseas consolidated subsidiary applies the straight-line method.

However, the Company applies the straight-line method for depreciation of buildings which were acquired on or after April 1, 1998 (excluding the facilities attached to the buildings) and the facilities attached to the buildings and structures which were acquired on or after April 1, 2016.

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 three to five 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.

(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 sales returns

To prepare for losses on returned products, an allowance equal to the estimated profit on the approximate amount of returned products that is calculated based on past rejection rates.

(4) Accounting method for retirement benefit obligations

1) Method of attributing estimated retirement benefit obligations to periods

In calculation of retirement benefit obligations, the Company uses the straight-line method for attributing estimated retirement benefit obligations to period ended on September 30, 2016.

2) Amortization of actuarial differences

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 certain period (five years) which is within the estimated average remaining years of service of the eligible employees. Regarding the overseas consolidated subsidiary, actuarial gain or loss is charged to expense as incurred.

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

The balance sheet accounts of the overseas subsidiary, etc. 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 adjustment and non-controlling interests under net assets.

(6) Accounting for hedges

1) Hedging method

The Company primarily applies the deferred hedge accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.

2) Hedging instruments and risks hedged

- Hedging instruments: Forward exchange contracts
- Risk hedged: Accounts payable and forecasted transactions denominated in foreign currencies on imports of raw materials

3) Hedging policy

Forward exchange contracts are used primarily for imports of raw materials and only to the point of covering purchases of these materials. The purpose is to reduce exposure to foreign exchange volatility risks associated with accounts payable and forecasted transactions denominated in foreign currencies.

4) Evaluation method for the effectiveness of hedges

Evaluations of the effectiveness of hedges using forward exchange contracts use comparisons of changes in cumulative changes in cash flows of the hedged item and market movements with cumulative changes in cash flows of the hedging method and market movements. However, no evaluations of effectiveness are performed for forward exchange transactions that use the allocation method.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a period of 12 years.

(8) Definition of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with maturities of three months or less, that are highly liquid and readily convertible to known amounts of cash and present

insignificant risk of change in value.

(9) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption taxes

Consumption taxes are accounted by the tax-exclusion method.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards from the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income has been revised and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Article 58-2 (3) of the Accounting Standard for Business Combinations, Article 44-5 (3) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (3) of the Accounting Standard for Business Divestitures. The cumulative effect at the beginning of the current fiscal year upon the retrospective adoption of the above accounting policies for prior years is added to or deducted from capital surplus and retained earnings.

The result was decreases of 207 million yen in goodwill, 169 million yen in retained earnings and 38 million yen in foreign currency translation adjustment at the beginning of the current fiscal year. Operating income, ordinary income and profit before income taxes for the current fiscal year increased 21 million yen each.

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change on earnings for the current fiscal year is insignificant.

Accounting Standards, Others that Have Not Yet Been Applied

- “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

(1) Summary

Practical accounting guidance concerning tax effect accounting and practical guidance concerning audits (the part regarding accounting procedures) of the Japanese Institute of Certified Public Accountants (JICPA) have been transferred to the ASBJ as the Implementation Guidance on Recoverability of Deferred Tax Assets. At that time, the ASBJ performed a necessary review of categorization requirements and a part of the treatment of the amount of deferred tax assets that can be recognized. In the JICPA practical guidance, JICPA Audit Committee Report No. 66 “Treatment of Judgments Concerning Recoverability of Deferred Tax Assets for Audits” provides instructions for determining the recoverability of deferred tax assets. Companies are placed in one of five categories and the amount of deferred tax assets to recognize is estimated based on the applicable category. Based on this method, the Revised Implementation Guidance on Recoverability of Deferred Tax Assets stipulates the method to be used for the application of Accounting Standards for Tax Effect Accounting (Business Accounting Council) concerning the recoverability of deferred tax assets.

(2) Effective date

The Company applies the above-listed guidance from the beginning of the fiscal year that begins on or after April 1, 2016.

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

Effects of the application of “Implementation Guidance on Recoverability of Deferred Tax Assets” on the Group’s consolidated financial statements are currently under assessment.

Reclassifications

Consolidated Statement of Income

“Compensation income,” included in “Other” under “Non-operating income” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since the amount exceeded 10% of non-operating income. The consolidated financial statements for the previous fiscal year are restated to conform to the current-period presentation.

Accordingly, the 31 million yen of “Other” line items included in “Non-operating income” in the previous fiscal year’s consolidated statement of income have been reclassified as 3 million yen of “Compensation income” and 28 million yen of “Other” line items.

Consolidated Statement of Cash Flows

“Loss on retirement of non-current assets,” included in “Other, net” under “Cash flows from operating activities” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year. The consolidated financial statements for the previous fiscal year are restated to conform to the current-period presentation.

Accordingly, the 22 million yen of “Other, net” line items included in “Cash flows from operating activities” in the previous fiscal year’s consolidated statement of cash flows have been reclassified as 4 million yen of “Loss on retirement of non-current assets” and 17 million yen of “Other, net” line items.

Additional Information

Executive Compensation Stock Trust Plan

The Company has adopted an “Executive Compensation Stock Trust Plan,” a system of job performance linked stock compensation for its directors (excluding outside directors) and corporate officers who meet the beneficiary requirements prescribed by stock compensation distribution regulations. The purpose of this plan is to increase the motivation of these directors and corporate officers to improve the Group’s medium to long-term performance and achieve growth in corporate value. For the accounting treatment of this trust contract, the Company uses the gross method in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Structure of the trust

The Executive Compensation Stock Trust Plan uses a trust funded by monetary contribution from the Company to purchase the Company’s stock (common stock) for use as a stock compensation program. Every year, through the trust, directors and others receive the Company’s stock or cash based on points granted in accordance with executive positions and performance as stipulated in stock compensation distribution regulations established by the Company’s Board of Directors. The Board of Directors, based on these rules, will determine in November 2015, 2016 and 2017 the amount of compensation used for calculating points. Stock will then be distributed in the following December accordingly.

(2) The Company’s stock held by the trust

The Company’s stock held by the trust is included in net assets as treasury shares at book value (excluding associated expenses). There were 31,200 shares with a book value of 69 million yen at the end of September 2015 and 24,015 shares with a book value of 53 million yen at the end of September 2016.

Notes to Consolidated Balance Sheet

* Reduction entry

1) Accumulated reduction entry amounts directly deducted from non-current assets acquired by government subsidies, etc.

(Millions of yen)

	FY9/15 (As of Sep. 30, 2015)	FY9/16 (As of Sep. 30, 2016)
Buildings and structures	143	168
Machinery, equipment and vehicles	44	50
Other	2	3
Total	190	222

2) Reduction entry amounts directly deducted from non-current assets acquired by government subsidies, etc.

(Millions of yen)

	FY9/15 (As of Sep. 30, 2015)	FY9/16 (As of Sep. 30, 2016)
Buildings and structures	28	24
Machinery, equipment and vehicles	7	6
Other	0	0
Total	36	31

Notes to Consolidated Statement 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)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
	27	(6)

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

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
	1,729	1,840

*3. Breakdown of gain on sales of non-current assets is as follows.

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Machinery, equipment and vehicles	0	1
Other	0	-
Total	0	1

*4. Breakdown of loss on sales of non-current assets is as follows.

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Buildings	-	4
Machinery, equipment and vehicles	-	6
Land	-	8
Other	0	-
Total	0	19

*5. Breakdown of loss on retirement of non-current assets is as follows.

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Buildings and structures	0	121
Machinery, equipment and vehicles	4	14
Other	0	0
Total	4	135

Notes to Consolidated Statement of Comprehensive Income

* Re-classification adjustments and tax effect with respect to other comprehensive income	(Millions of yen)	
	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	15	9
Re-classification adjustments	-	(36)
Before tax effect adjustments	15	(26)
Tax effect	(4)	8
Valuation difference on available-for-sale securities	11	(17)
Deferred gains or losses on hedges:		
Amount incurred during the period	-	(134)
Re-classification adjustments	-	-
Before tax effect adjustments	-	(134)
Tax effect	-	41
Deferred gains or losses on hedges	-	(92)
Foreign currency translation adjustment:		
Amount incurred during the period	(105)	(525)
Re-classification adjustments	-	-
Before tax effect adjustments	(105)	(525)
Tax effect	-	-
Foreign currency translation adjustment	(105)	(525)
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(17)	18
Re-classification adjustments	2	5
Before tax effect adjustments	(14)	23
Tax effect	5	(7)
Remeasurements of defined benefit plans, net of tax	(9)	15
Total other comprehensive income	(104)	(619)

Notes to Consolidated Statement of Changes in Equity

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

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

(Shares)

	Number of shares as of Oct. 1, 2014	Increase	Decrease	Number of shares as of Sep. 30, 2015
Issued shares				
Common stock	15,626,900	-	-	15,626,900
Total	15,626,900	-	-	15,626,900
Treasury shares				
Common stock (Notes 1 and 2)	89	674,833	-	674,922
Total	89	674,833	-	674,922

Notes: 1. The number of treasury shares of common stock includes the Company share held by the Executive Compensation Stock Trust Plan of 31,200 shares.

2. The increase in the number of treasury shares of common stock includes increases by the purchase from the stock market of 643,500 shares, the purchase for the Executive Compensation Stock Trust Plan of 31,200 shares, and the purchase of odd-lot shares of 133 shares.

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. 19, 2014	Common stock	375	24	Sep. 30, 2014	Dec. 22, 2014
Board of Directors' meeting on May 13, 2015	Common stock	299	20	Mar. 31, 2015	Jun. 1, 2015

Note: Total dividends based on the resolution approved at the Board of Directors' meeting on May 13, 2015 include 0 million yen of the dividend for 31,200 shares of the Fuji Pharma stock held by the Executive Compensation Stock Trust Plan as of the record date of March 31, 2015.

(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. 18, 2015	Common stock	359	Retained earnings	24	Sep. 30, 2015	Dec. 21, 2015

Note: Total dividends based on the resolution approved at the Annual shareholders' meeting on December 18, 2015 include 0 million yen of the dividend for 31,200 shares of the Fuji Pharma stock held by the Executive Compensation Stock Trust Plan as of the record date of September 30, 2015.

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

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

(Shares)

	Number of shares as of Oct. 1, 2015	Increase	Decrease	Number of shares as of Sep. 30, 2016
Issued shares				
Common stock	15,626,900	-	-	15,626,900
Total	15,626,900	-	-	15,626,900
Treasury shares				
Common stock (Notes 1, 2 and 3)	674,922	42	7,185	667,779
Total	674,922	42	7,185	667,779

Notes: 1. The number of treasury shares of common stock includes the Company share held by the Executive Compensation Stock Trust Plan of 24,015 shares.

2. The increase in the number of treasury shares of common stock (42 shares) is due to the purchase of odd-lot shares.

3. The decrease in the number of treasury shares of common stock (7,185 shares) is due to the disposal of treasury shares through third-party allotment for the Executive Compensation Stock Trust Plan.

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. 18, 2015	Common stock	359	24	Sep. 30, 2015	Dec. 21, 2015
Board of Directors' meeting on May 12, 2016	Common stock	314	21	Mar. 31, 2016	Jun. 1, 2016

Notes: 1. Total dividends based on the resolution approved at the Annual shareholders' meeting on December 18, 2015 include 0 million yen of the dividend for 31,200 shares of the Fuji Pharma stock held by the Executive Compensation Stock Trust Plan as of the record date of September 30, 2015.

2. Total dividends based on the resolution approved at the Board of Directors' meeting on May 12, 2016 include 0 million yen of the dividend for 24,015 shares of the Fuji Pharma stock held by the Executive Compensation Stock Trust Plan as of the record date of March 31, 2016.

(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. 21, 2016	Common stock	359	Retained earnings	24	Sep. 30, 2016	Dec. 22, 2016

Note: Total dividends based on the resolution approved at the Annual shareholders' meeting on December 21, 2016 include 0 million yen of the dividend for 24,015 shares of the Fuji Pharma stock held by the Executive Compensation Stock Trust Plan as of the record date of September 30, 2016.

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation between the cash and cash equivalents at end of the period and the amounts in the consolidated balance sheet (Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Cash and deposits	5,158	6,815
Securities	506	-
Cash and cash equivalents	5,664	6,815

*2. Significant non-cash transactions (Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Assets and obligations applicable to the finance lease transaction	2,393	2,331

Segment and Other Information

Segment information

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

Related information

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

1. Information by product or service

No information for specific products or services is presented because sales to external customers which account for more than 90% of net sales shown on the consolidated statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Total
8,162	2,456	10,618

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
KONICA MINOLTA, INC.	4,953	Pharmaceutical business
Alfresa Corporation	4,518	Pharmaceutical business
MEDICEO CORPORATION	4,032	Pharmaceutical business
SUZUKEN CO., LTD.	3,483	Pharmaceutical business
Toho Pharmaceutical Co., Ltd.	3,265	Pharmaceutical business

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

1. Information by product or service

No information for specific products or services is presented because sales to external customers which account for more than 90% of net sales shown on the consolidated statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Total
7,586	3,429	11,016

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
KONICA MINOLTA, INC.	5,375	Pharmaceutical business
MEDICEO CORPORATION	4,843	Pharmaceutical business
Alfresa Corporation	4,817	Pharmaceutical business
SUZUKEN CO., LTD.	4,009	Pharmaceutical business
Toho Pharmaceutical Co., Ltd.	3,363	Pharmaceutical business

Information related to impairment losses on non-current assets for each reportable segment

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

Not applicable.

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

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

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

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

Information related to gain on bargain purchase for each reportable segment

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

Not applicable.

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

Not applicable.

Transactions with Related Parties

Transactions with related parties

Transaction between the Company and related parties

Parent company, major corporate shareholders etc. of the Company

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)

(Millions of yen)

Attribute	Other affiliated company		
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 22.94%		
Details of relationship	Supply of raw materials, etc.		
Transaction details	Transaction amount	Account	Closing balance
Supply of raw materials (Notes 1 and 2)	2,482	Accounts payable-trade	684

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

2. Prices and other terms for supply of raw materials, etc. are determined by contracts and other means following discussions between Mitsui & Co. and the Company.

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)

(Millions of yen)

Attribute	Other affiliated company		
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 22.94%		
Details of relationship	Supply of raw materials, etc.		
Transaction details	Transaction amount	Account	Closing balance
Supply of raw materials (Notes 1 and 2)	3,553	Accounts payable-trade	1,359

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

2. Prices and other terms for supply of raw materials, etc. are determined by contracts and other means following discussions between Mitsui & Co. and the Company.

Per-share Data

(Yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Net assets per share	1,912.27	1,953.65
Net income per share	137.55	141.64

Notes: 1. Diluted net income per share is not presented because there are no latent shares.

2. Company stock held by Sumitomo Mitsui Trust Bank, Limited (Trust account) was included in treasury shares, which is deducted from the number of shares used to calculate the average number of shares outstanding during FY9/16 and the total number of issued shares at the end of FY9/16, as trust assets of the Executive Compensation Stock Trust Plan.

The average number of shares of the Company stock held by the trust during FY9/16 was 25,264 shares and the number of shares of the Company stock held by the trust at the end of FY9/16 was 24,015 shares.

3. The basis of calculating the net income per share is as follows:

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	2,092	2,118
Amount not attributable to ordinary shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Millions of yen)	2,092	2,118
Average number of shares outstanding (Shares)	15,210,645	14,957,897

4. The basis of calculating the net assets per share is as follows:

	FY9/15 (As of Sep. 30, 2015)	FY9/16 (As of Sep. 30, 2016)
Total net assets (Millions of yen)	28,593	29,226
Deduction on total net assets (Millions of yen)	1	1
[of which non-controlling interests (Millions of yen)]	[1]	[1]
Net assets applicable to common shares (Millions of yen)	28,592	29,224
Number of common stock shares used in calculation of net assets per share (Shares)	14,951,978	14,959,121

Material Subsequent Events

Not applicable.

6. Non-consolidated Financial Statements**(1) Non-consolidated Balance Sheet**

	(Millions of yen)	
	FY9/15	FY9/16
	(As of Sep. 30, 2015)	(As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	4,518	6,309
Notes receivable-trade	374	351
Accounts receivable-trade	11,461	12,231
Securities	506	-
Merchandise and finished goods	4,537	4,502
Work in process	2,176	2,211
Raw materials and supplies	4,189	4,318
Advance payments-trade	147	1
Prepaid expenses	71	46
Deferred tax assets	470	493
Accounts receivable-other	268	78
Short-term loans receivable from subsidiaries and associates	1,151	1,891
Other	65	38
Allowance for doubtful accounts	(0)	(0)
Total current assets	29,939	32,474
Non-current assets		
Property, plant and equipment		
Buildings	7,706	7,270
Accumulated depreciation	(3,516)	(3,478)
Buildings, net	4,190	3,792
Structures	199	254
Accumulated depreciation	(138)	(151)
Structures, net	61	103
Machinery and equipment	5,401	5,198
Accumulated depreciation	(4,342)	(4,182)
Machinery and equipment, net	1,058	1,015
Vehicles	47	45
Accumulated depreciation	(44)	(43)
Vehicles, net	3	1
Tools, furniture and fixtures	899	902
Accumulated depreciation	(825)	(813)
Tools, furniture and fixtures, net	74	88
Land	512	487
Leased assets	2,508	2,701
Accumulated depreciation	(339)	(655)
Leased assets, net	2,168	2,046
Construction in progress	92	50
Total property, plant and equipment	8,162	7,586
Intangible assets		
Distributorship	915	877
Software	281	233
Telephone subscription right	7	7
Total intangible assets	1,204	1,119
Investments and other assets		
Investment securities	108	128
Shares of subsidiaries and associates	4,615	4,615
Investments in capital	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1
Long-term advance payments-trade	-	1,152
Long-term prepaid expenses	1	1
Deferred tax assets	346	377

	(Millions of yen)	
	FY9/15	FY9/16
	(As of Sep. 30, 2015)	(As of Sep. 30, 2016)
Guarantee deposits	74	74
Insurance funds	24	26
Total investments and other assets	5,173	6,378
Total non-current assets	14,539	15,083
Total assets	44,479	47,557
Liabilities		
Current liabilities		
Notes payable-trade	123	142
Accounts payable-trade	5,647	5,705
Current portion of long-term loans payable	921	1,921
Lease obligations	331	361
Accounts payable-other	1,300	1,433
Accrued expenses	187	226
Income taxes payable	547	599
Accrued consumption taxes	277	311
Deposits received	33	146
Forward exchange contracts	11	200
Provision for bonuses	742	758
Provision for directors' bonuses	13	8
Provision for sales returns	26	11
Other	-	1
Total current liabilities	10,163	11,829
Non-current liabilities		
Long-term loans payable	2,575	2,653
Lease obligations	2,026	1,870
Guarantee deposits received	195	191
Provision for retirement benefits	932	1,001
Long-term accounts payable-other	107	174
Other	21	-
Total non-current liabilities	5,857	5,892
Total liabilities	16,021	17,721
Net assets		
Shareholders' equity		
Capital stock	3,799	3,799
Capital surplus		
Legal capital surplus	4,408	4,408
Other capital surplus	615	615
Total capital surpluses	5,023	5,023
Retained earnings		
Legal retained earnings	164	164
Other retained earnings		
General reserve	5,000	5,000
Retained earnings brought forward	15,955	17,427
Total retained earnings	21,119	22,591
Treasury shares	(1,504)	(1,488)
Total shareholders' equity	28,437	29,926
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	20	2
Deferred gains or losses on hedges	-	(92)
Total valuation and translation adjustments	20	(89)
Total net assets	28,458	29,836
Total liabilities and net assets	44,479	47,557

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
Net sales		
Net sales of finished goods	24,011	25,703
Net sales of goods	5,478	6,289
Total net sales	29,490	31,993
Cost of sales		
Beginning merchandise and finished goods	3,226	4,537
Cost of purchased goods	3,353	4,069
Transfer from other account	54	(29)
Cost of products manufactured	15,154	15,167
Royalty fee	-	23
Total	21,789	23,767
Ending merchandise and finished goods	4,537	4,502
Transfer to other account	5	2
Total cost of sales	17,246	19,262
Gross profit	12,243	12,731
Reversal of provision for sales returns	-	14
Provision for sales returns	0	-
Gross profit-net	12,242	12,745
Selling, general and administrative expenses		
Promotion expenses	148	173
Sales commission	1,406	1,257
Packing and transportation expenses	299	304
Entertainment expenses	49	47
Directors' compensations	86	96
Salaries and bonuses	2,031	2,127
Provision for bonuses	433	427
Provision for directors' bonuses	13	8
Provision of allowance for doubtful accounts	0	0
Retirement benefit expenses	108	111
Welfare expenses	430	419
Traveling and transportation expenses	431	408
Rent expenses	364	367
Depreciation	405	435
Research and development expenses	1,729	1,840
Other	965	1,185
Total selling, general and administrative expenses	8,904	9,212
Operating income	3,337	3,533

	(Millions of yen)	
	FY9/15	FY9/16
	(Oct. 1, 2014 – Sep. 30, 2015)	(Oct. 1, 2015 – Sep. 30, 2016)
Non-operating income		
Interest income	15	24
Interest on securities	0	0
Dividend income	0	0
Dividend income of life insurance	5	1
Commission fee	1	1
Subsidy income	2	2
Compensation income	3	5
Fiduciary obligation fee	5	1
Miscellaneous income	8	8
Total non-operating income	42	46
Non-operating expenses		
Interest expenses	34	31
Foreign exchange losses	142	321
Sales discounts	9	8
Miscellaneous loss	8	2
Total non-operating expenses	195	364
Ordinary income	3,185	3,215
Extraordinary income		
Gain on sales of investment securities	-	36
Subsidy income	46	46
Total extraordinary income	46	82
Extraordinary losses		
Loss on sales of non-current assets	-	19
Loss on retirement of non-current assets	4	135
Loss on reduction of non-current assets	36	31
Total extraordinary losses	41	186
Profit before income taxes	3,190	3,111
Income taxes-current	833	969
Income taxes-deferred	90	(4)
Total income taxes	923	965
Profit	2,267	2,146

Manufacturing Statement

(Millions of yen)

Item	Note	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)		FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	
		Amount	%	Amount	%
I Cost of materials		11,623	75.3	11,586	76.4
II Labor cost	*1	1,305	8.4	1,328	8.7
III Overheads	*2	2,512	16.3	2,258	14.9
Total manufacturing costs		15,441	100.0	15,173	100.0
Beginning work in process		1,944		2,176	
Total		17,385		17,349	
Ending work in process		2,176		2,211	
Transfer to other account	*3	54		(29)	
Cost of products manufactured		15,154		15,167	

Cost accounting

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

(Millions of yen)

FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)
*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 298	Provision for bonuses 308
Retirement benefit expenses 43	Retirement benefit expenses 52
*2. Major breakdown is as follows:	*2. Major breakdown is as follows:
Depreciation 980	Depreciation 901
Repair expenses 340	Repair expenses 338
Utilities expenses 334	Utilities expenses 293
Rent expenses 302	Rent expenses 277
Supplies expenses 232	Supplies expenses 260
*3. Breakdown of transfer to other account is as follows:	*3. Breakdown of transfer to other account is as follows:
Cost of sales 54	Cost of sales (29)
Selling, general and administrative expenses 0	Selling, general and administrative expenses 0
Total 54	Total (29)

(3) Non-consolidated Statement of Changes in Equity

FY9/15 (Oct. 1, 2014 - Sep. 30, 2015)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,799	4,408	615	5,023	164	5,000	14,122	19,286
Cumulative effects of changes in accounting policies							239	239
Restated balance	3,799	4,408	615	5,023	164	5,000	14,362	19,526
Changes of items during period								
Dividends of surplus							(674)	(674)
Profit							2,267	2,267
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	-	1,592	1,592
Balance at end of current period	3,799	4,408	615	5,023	164	5,000	15,955	21,119

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(0)	28,109	9	9	28,118
Cumulative effects of changes in accounting policies		239			239
Restated balance	(0)	28,349	9	9	28,358
Changes of items during period					
Dividends of surplus		(674)			(674)
Profit		2,267			2,267
Purchase of treasury shares	(1,504)	(1,504)			(1,504)
Disposal of treasury shares					
Net changes of items other than shareholders' equity			11	11	11
Total changes of items during period	(1,504)	88	11	11	99
Balance at end of current period	(1,504)	28,437	20	20	28,458

FY9/16 (Oct. 1, 2015 - Sep. 30, 2016)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,799	4,408	615	5,023	164	5,000	15,955	21,119
Changes of items during period								
Dividends of surplus							(674)	(674)
Profit							2,146	2,146
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	-	1,472	1,472
Balance at end of current period	3,799	4,408	615	5,023	164	5,000	17,427	22,591

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(1,504)	28,437	20	-	20	28,458
Changes of items during period						
Dividends of surplus		(674)				(674)
Profit		2,146				2,146
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	15	15				15
Net changes of items other than shareholders' equity			(17)	(92)	(110)	(110)
Total changes of items during period	15	1,488	(17)	(92)	(110)	1,377
Balance at end of current period	(1,488)	29,926	2	(92)	(89)	29,836

7. Others

(1) Changes in Directors

1) Change of representative director

Not applicable.

2) Change of other board members

- Candidates for director appointment

Takayuki Kasai, Director (currently Vice President, General Manager of Production Department)

Keiji Hirai, Outside Director

- Retiring directors

Toyoyuki Kamide, Director

Atsuya Mitsuhashi, Director

Yumiko Yamazaki, Director

3) Effective date

December 21, 2016

(2) Other Information

1. Breakdown of Sales

(Millions of yen)

Efficacy	FY9/15 (Oct. 1, 2014 – Sep. 30, 2015)		FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)		YoY change (%)
	Amount	%	Amount	%	
(Finished goods)					
Diagnostic drugs	11,034	34.8	11,659	34.1	5.7
Hormone drugs	5,582	17.6	6,395	18.7	14.6
Metabolic drugs	1,784	5.6	1,557	4.5	(12.7)
Circulatory drugs	937	3.0	1,008	2.9	7.6
Antibiotics and chemotherapeutics	871	2.8	878	2.6	0.8
Urogenital and genital organ drugs	464	1.5	486	1.4	4.6
Dermatological preparations	325	1.0	350	1.0	7.6
Others	5,201	16.4	5,603	16.4	7.7
Subtotal	26,202	82.7	27,940	81.6	6.6
(Merchandise)					
Hormone drugs	4,488	14.2	3,316	9.7	(26.1)
Diagnostic drugs	88	0.3	2,148	6.3	-
In vitro diagnostics	636	2.0	593	1.7	(6.8)
Others	264	0.8	230	0.7	(12.8)
Subtotal	5,478	17.3	6,289	18.4	14.8
Total	31,680	100.0	34,229	100.0	8.0

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 based on selling prices and do not include consumption taxes.

3. 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.