

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2017
(Three Months Ended December 31, 2016)

[Japanese GAAP]

February 8, 2017

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 8, 2017 at 16:30 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter (October 1, 2016 to December 31, 2016)
of the Fiscal Year Ending September 30, 2017

(1) Consolidated results of operations (Percentages 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	%
Three months ended Dec. 31, 2016	8,932	0.1	1,274	52.7	1,521	79.4	1,077	97.7
Three months ended Dec. 31, 2015	8,927	10.7	834	1.8	848	0.1	545	5.6

Note: Comprehensive income (millions of yen) Three months ended Dec. 31, 2016: 1,662 (up 103.0%)
 Three months ended Dec. 31, 2015: 818 (down 15.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2016	72.05	-
Three months ended Dec. 31, 2015	36.46	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2016	48,705	30,540	62.7
As of Sep. 30, 2016	48,147	29,226	60.7

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2016: 30,539 As of Sep. 30, 2016: 29,224

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2016	-	21.00	-	24.00	45.00
Fiscal year ending Sep. 30, 2017	-	-	-	-	-
Fiscal year ending Sep. 30, 2017 (Estimated)	-	23.00	-	25.00	48.00

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

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

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

*** Notes**

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

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Dec. 31, 2016:	15,626,900 shares	As of Sep. 30, 2016:	15,626,900 shares
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2) Number of treasury shares as of the end of period

As of Dec. 31, 2016:	662,343 shares	As of Sep. 30, 2016:	667,779 shares
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3) Average number of shares outstanding during the period

Three months ended Dec. 31, 2016:	14,960,764 shares	Three months ended Dec. 31, 2015:	14,954,193 shares
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* Information regarding the implementation of quarterly review procedures

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

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

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 of the attachments for details on the above forecasts.

Contents of Attachments

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

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, corporate earnings at companies in Japan recovered, chiefly at exporting companies, backed by the strong economy in the United States. However, the outlook is becoming increasingly uncertain due to a mixture of expectations and concerns about the new U.S. administration, Brexit, slowing economic growth in China and other emerging countries, and other events.

In Japan's ethical drug industry, 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 targeted measures for making Japan's pharmaceutical industry more competitive. In addition, the December 2016 Basic Policy for Radical Reform of the Drug Pricing System includes a switch to revising National Health Insurance drug prices every year. As a result, the operating environment for the industry is becoming increasingly difficult.

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. The Fuji Pharma Group's goal is to become a specialty pharmaceutical company in its strategic market sectors. Accomplishing this goal will require becoming more cost competitive in order to compete with global pharmaceutical companies, establishing highly profitable drug brands, shifting emphasis to biosimilars and other types of drugs, and building an infrastructure for growth outside Japan.

In our core field of obstetrics and gynecology, we are concentrating on UTROGESTAN Vaginal Capsules 200mg, a natural luteinizing hormone used for corpus luteum supplements in assisted reproductive technologies. We received regulatory approval to manufacture and sell this product in 2016. In addition, we are continuing to work on increasing sales of the dysmenorrhea treatment agent LUNABELL® tablets ULD and on increasing the market share of infertility treatment drugs and other major products.

In the field of radiology, we are 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. 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 0.1% year on year to 8,932 million yen. Operating income increased 52.7% to 1,274 million yen due to a decline in R&D expenses, an improvement in the cost of sales and other reasons. Ordinary income increased 79.4% to 1,521 million yen, due in part to a foreign exchange valuation gain on a loan to a subsidiary. Profit attributable to owners of parent was up 97.7% to 1,077 million yen.

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

(2) Explanation of Financial Position

Total assets increased 557 million yen from the end of the previous fiscal year to 48,705 million yen, net assets increased 1,314 million yen to 30,540 million yen, and the equity ratio was 62.7% as of the end of the first quarter of the current fiscal year.

Assets

Current assets decreased 148 million yen mainly because of a decrease in cash and deposits, while there were increases in notes and accounts receivable-trade and inventories. Non-current assets increased 706 million yen mainly due to an increase in construction in progress.

Liabilities

Current liabilities decreased 885 million yen mainly due to decreases in provision for bonuses and income taxes payable. Non-current liabilities increased 128 million yen mainly due to an increase in lease obligations.

Net Assets

Net assets increased 1,314 million yen mainly because of increases in retained earnings and foreign currency translation adjustment.

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

The performance during the first quarter was generally in line with the plan that was announced on November 11, 2016. Consequently, there are no revisions to the first half and fiscal year consolidated forecasts for the fiscal year ending in September 2017.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

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 24,015 shares with a book value of 53 million yen at the end of the previous fiscal year and 18,579 shares with a book value of 41 million yen at the end of the first quarter of the current fiscal year.

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

(Millions of yen)

	FY9/16 (As of Sep. 30, 2016)	First quarter of FY9/17 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	6,815	4,069
Notes and accounts receivable-trade	13,072	15,060
Merchandise and finished goods	4,641	4,524
Work in process	2,268	2,499
Raw materials and supplies	4,659	5,394
Accounts receivable-other	70	20
Deferred tax assets	500	218
Other	286	378
Allowance for doubtful accounts	(5)	(6)
Total current assets	32,309	32,160
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,134	4,078
Machinery, equipment and vehicles, net	1,428	1,316
Land	819	856
Leased assets, net	2,046	2,328
Construction in progress	2,470	2,922
Other, net	116	119
Total property, plant and equipment	11,016	11,621
Intangible assets		
Goodwill	1,936	2,090
Other	1,123	1,053
Total intangible assets	3,060	3,143
Investments and other assets		
Investment securities	128	135
Long-term advance payments-trade	1,152	1,152
Deferred tax assets	374	382
Other	105	107
Total investments and other assets	1,762	1,779
Total non-current assets	15,838	16,544
Total assets	48,147	48,705

	(Millions of yen)	
	FY9/16 (As of Sep. 30, 2016)	First quarter of FY9/17 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,291	6,656
Current portion of long-term loans payable	1,921	1,921
Lease obligations	387	424
Income taxes payable	599	246
Provision for bonuses	758	335
Provision for directors' bonuses	8	2
Provision for sales returns	11	10
Other	2,760	2,255
Total current liabilities	12,739	11,853
Non-current liabilities		
Long-term loans payable	2,653	2,573
Lease obligations	1,943	2,092
Net defined benefit liability	1,052	1,087
Other	531	557
Total non-current liabilities	6,181	6,310
Total liabilities	18,921	18,164
Net assets		
Shareholders' equity		
Capital stock	3,799	3,799
Capital surplus	5,023	5,023
Retained earnings	21,944	22,662
Treasury shares	(1,488)	(1,476)
Total shareholders' equity	29,278	30,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	7
Deferred gains or losses on hedges	(92)	29
Foreign currency translation adjustment	31	487
Remeasurements of defined benefit plans	5	5
Total accumulated other comprehensive income	(53)	530
Non-controlling interests	1	1
Total net assets	29,226	30,540
Total liabilities and net assets	48,147	48,705

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

(Millions of yen)

	First three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)	First three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)
Net sales	8,927	8,932
Cost of sales	5,431	5,240
Gross profit	3,496	3,691
Selling, general and administrative expenses	2,661	2,417
Operating income	834	1,274
Non-operating income		
Interest income	0	0
Foreign exchange gains	17	253
Commission fee	0	0
Compensation income	1	2
Fiduciary obligation fee	0	0
Other	5	7
Total non-operating income	24	264
Non-operating expenses		
Interest expenses	8	14
Sales discounts	1	1
Other	0	0
Total non-operating expenses	10	16
Ordinary income	848	1,521
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	848	1,521
Income taxes-current	84	224
Income taxes-deferred	219	219
Total income taxes	303	443
Profit	545	1,077
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	545	1,077

(Consolidated Statement of Comprehensive Income)
(For the Three-month Period)

(Millions of yen)

	First three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)	First three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)
Profit	545	1,077
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	4
Deferred gains or losses on hedges	-	121
Foreign currency translation adjustment	277	457
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	273	584
Comprehensive income	818	1,662
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	818	1,661
Comprehensive income attributable to non-controlling interests	0	0

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

Not applicable.

Notes Regarding Material Change in Shareholders' Equity

Not applicable.

Segment and Other Information

Omitted because there is only a single business segment, which is the pharmaceutical business.

Material Subsequent Events

Not applicable.

4. Supplementary Information**(1) Breakdown of Sales**

(Millions of yen)

Efficacy	First three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)		First three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)		YoY change (%)
	Amount	%	Amount	%	
(Finished goods)					
Diagnostic drugs	3,085	34.6	2,833	31.7	(8.2)
Hormone drugs	1,496	16.8	1,765	19.8	18.0
Metabolic drugs	452	5.1	424	4.8	(6.1)
Circulatory drugs	269	3.0	248	2.8	(8.0)
Antibiotics and chemotherapeutics	221	2.5	244	2.7	10.3
Urogenital and genital organ drugs	125	1.4	133	1.5	6.4
Dermatological preparations	74	0.8	92	1.0	23.4
Others	1,349	15.0	1,565	17.5	16.0
Subtotal	7,074	79.2	7,307	81.8	3.3
(Merchandise)					
Hormone drugs	1,101	12.4	749	8.4	(32.0)
Diagnostic drugs	546	6.1	602	6.7	10.3
In vitro diagnostics	140	1.6	216	2.4	54.4
Others	65	0.7	56	0.7	(13.2)
Subtotal	1,853	20.8	1,625	18.2	(12.3)
Total	8,927	100.0	8,932	100.0	0.1

- 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.