

Consolidated Financial Results for the Fiscal Year Ended September 30, 2017

[Japanese GAAP]

November 10, 2017

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Scheduled date of annual shareholders' meeting: December 20, 2017
 Scheduled date of payment of dividend: December 21, 2017
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 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes

Note: The original disclosure in Japanese was released on November 10, 2017 at 16:30 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2017

(October 1, 2016 to September 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2017	35,387	3.4	4,314	20.9	4,628	42.3	3,301	55.8
Fiscal year ended Sep. 30, 2016	34,229	8.0	3,568	9.7	3,251	4.9	2,118	1.2

Note: Comprehensive income (millions of yen) Fiscal year ended Sep. 30, 2017: 4,067 (up 171.4%)
Fiscal year ended Sep. 30, 2016: 1,498 (down 24.6%)

	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, 2017	220.63	-	10.7	9.5	12.2
Fiscal year ended Sep. 30, 2016	141.64	-	7.3	6.9	10.4

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Sep. 30, 2017: - Fiscal year ended Sep. 30, 2016: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2017	49,551	32,601	65.8	2,178.46
As of Sep. 30, 2016	48,147	29,226	60.7	1,953.65

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2017: 32,599 As of Sep. 30, 2016: 29,224

(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, 2017	3,238	(1,534)	(3,042)	5,503
Fiscal year ended Sep. 30, 2016	4,509	(3,319)	78	6,815

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, 2016	-	21.00	-	24.00	45.00	674	31.8	2.3
Fiscal year ended Sep. 30, 2017	-	23.00	-	25.00	48.00	704	21.8	2.3
Fiscal year ending Sep. 30, 2018 (Estimated)	-	28.00	-	28.00	56.00		25.1	

3. Consolidated Forecast for the Fiscal Year Ending September 30, 2018 (October 1, 2017 to September 30, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		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	19,129	10.4	2,630	15.6	2,580	1.7	1,835	2.5	122.62
Full year	38,139	7.8	4,850	12.4	4,710	1.8	3,345	1.3	223.53

*** 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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Sep. 30, 2017: 15,626,900 shares As of Sep. 30, 2016: 15,626,900 shares

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

As of Sep. 30, 2017: 662,386 shares As of Sep. 30, 2016: 667,779 shares

3) Average number of shares outstanding during the period

Fiscal year ended Sep. 30, 2017: 14,963,582 shares Fiscal year ended Sep. 30, 2016: 14,957,897 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2017

(October 1, 2016 to September 30, 2017)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2017	32,986	3.1	4,138	17.1	4,478	39.3	3,235	50.7
Fiscal year ended Sep. 30, 2016	31,993	8.5	3,533	5.9	3,215	1.0	2,146	(5.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Sep. 30, 2017	216.19	-
Fiscal year ended Sep. 30, 2016	143.51	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2017	48,155	32,485	67.5	2,170.81
As of Sep. 30, 2016	47,557	29,836	62.7	1,994.54

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2017: 32,485 As of Sep. 30, 2016: 29,836

2. Non-consolidated Forecast for the Fiscal Year Ending September 30, 2018 (October 1, 2017 to September 30, 2018)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	17,894	10.8	2,440	0.2	1,740	0.2	116.28
Full year	35,692	8.2	4,530	1.2	3,250	0.5	217.18

* The current financial report is not subject to audit procedures.

* 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. Overview of Results of Operations, (1) Results of Operations" 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 21, 2017. Materials distributed at this event will also be available on the Company's website thereafter.

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1. Overview of Results of Operations, etc.

(1) Results of Operations

1) Summary

In the current fiscal year ended on September 30, 2017, 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 sales activities for 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, the generic drug Dienogest Tablets, a treatment for endometriosis, was launched in June 2017. Activities also include sales of LUNABELL[®] tablets ULD, a new drug for treating dysmenorrhea, increasing options for the treatment of endometriosis, and more measures for increasing market share, primarily for major products for infertility treatments and other applications.

In the field of radiology, we received regulatory approval in March 2017 for the additional efficacy of the x-ray contrast agent OPTIRAY[®] injection as a contrast agent for computerized tomography (CT) and started sales for this application. This makes it possible to use a dynamic CT for imaging the liver, pancreas and other organs in the abdomen to examine tumors and other disorders. OPTIRAY[®] can even be used with obese individuals, thereby overcoming the problem of the inability to obtain adequate images with these patients. Consequently, there are high expectations for OPTIRAY[®] to enable radiology procedures that will assist with the treatments of many people. We are concentrating on sales of the generic contrast agents OYPALOMIN[®] injection and IOPAQUE[®] 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 3.4% year on year to 35,387 million yen. Operating profit increased 20.9% to 4,314 million yen, ordinary profit increased 42.3% to 4,628 million yen and profit attributable to owners of parent was up 55.8% to 3,301 million yen.

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

2) Outlook for the next fiscal year

In the fiscal year ending on September 30, 2018, the Fuji Pharma Group will continue to concentrate on sales activities of products in core business domains. However, performance will be affected by National Health Insurance drug price revisions in April 2018 as well as by an increase in R&D expenses for new drugs. In addition, although there was a foreign exchange gain in the past fiscal year, no such gain is anticipated in the fiscal year ending in September 2018. As a result, Fuji Pharma expects net sales of 38,139 million yen (a 7.8% increase), operating profit of 4,850 million yen (a 12.4% increase), ordinary profit of 4,710 million yen (a 1.8% increase) and profit attributable to owners of parent of 3,345 million yen (a 1.3% increase) for the fiscal year ending September 30, 2018.

(2) Financial Position

1) Assets, liabilities and net Assets

Total assets increased 1,403 million yen from the end of the previous fiscal year to 49,551 million yen, net assets were 32,601 million yen, and the equity ratio was 65.8% as of the end of the fiscal year under review.

Current assets increased 899 million yen to 33,208 million yen mainly because of an increase in notes and accounts receivable-trade. Non-current assets increased 504 million yen to 16,342 million yen mainly due to an increase in buildings and structures.

Current liabilities decreased 1,226 million yen to 11,513 million yen mainly due to decreases in the repayment of current portion of long-term loans payable and notes and accounts payable-trade. Non-current liabilities decreased 745 million yen to 5,436 million yen.

Net assets increased 3,375 million yen to 32,601 million yen mainly because of increases in retained earnings and 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 5,503 million yen, a decrease of 1,311 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 3,238 million yen (a year-on-year decrease in inflow of 1,271 million yen). This was the net result of adding depreciation of 1,769 million yen and a 185 million yen decrease in inventories to profit before income taxes of 4,530 million yen, while there were a 1,982 million yen increase in notes and accounts receivable-trade, income taxes paid of 1,094 million yen, a 642 million yen decrease in notes and accounts payable-trade and other factors.

Cash Flows from Investing Activities

Net cash used in investing activities was 1,534 million yen (a year-on-year decrease in outlays of 1,784 million yen). This was mainly due to the purchase of property, plant and equipment of 1,477 million yen, while there were the proceeds from sales of property, plant and equipment of 130 million yen resulting from

sale-and-leaseback transactions of machinery equipment at the Toyama plant.

Cash Flows from Financing Activities

Net cash used in financing activities was 3,042 million yen (net cash provided of 78 million yen in the previous fiscal year). This was due to the repayment of long-term loans payable of 1,921 million yen and cash dividends paid of 704 million yen.

Reference: Cash flow indicators

	FY9/15	FY9/16	FY9/17
Equity ratio (%)	62.5	60.7	65.8
Market value-based equity ratio (%)	65.4	83.3	116.0
Interest-bearing debt to cash flow ratio (%)	1,031.6	157.4	155.6
Interest coverage ratio (Times)	15.7	127.9	93.4

- 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 shares) 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 25 yen per share (annual dividend of 48 yen per share inclusive of a 23 yen interim dividend, dividend payout ratio of 21.8%) for the fiscal year ended on September 30, 2017.

For the fiscal year ending on September 30, 2018, based on the forecast for this fiscal year, plans for business operations and other applicable items, we plan to pay an annual dividend of 56 yen per share, the sum of a 28 yen interim dividend and 28 yen year-end dividend.

2. 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.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

(Millions of yen)

	FY9/16 (As of Sep. 30, 2016)	FY9/17 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	6,815	5,503
Notes and accounts receivable-trade	13,072	15,142
Merchandise and finished goods	4,641	3,667
Work in process	2,268	2,130
Raw materials and supplies	4,659	5,688
Accounts receivable-other	70	20
Deferred tax assets	500	543
Other	286	519
Allowance for doubtful accounts	(5)	(6)
Total current assets	32,309	33,208
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,574	10,643
Accumulated depreciation	(4,440)	(4,975)
Buildings and structures, net	4,134	5,667
Machinery, equipment and vehicles	7,663	9,687
Accumulated depreciation	(6,234)	(6,939)
Machinery, equipment and vehicles, net	1,428	2,747
Land	819	872
Leased assets	2,701	3,096
Accumulated depreciation	(655)	(1,053)
Leased assets, net	2,046	2,043
Construction in progress	2,470	210
Other	1,068	1,142
Accumulated depreciation	(952)	(981)
Other, net	116	161
Total property, plant and equipment	11,016	11,703
Intangible assets		
Goodwill	1,936	1,976
Other	1,123	732
Total intangible assets	3,060	2,709
Investments and other assets		
Investment securities	128	58
Long-term advance payments-trade	1,152	1,285
Deferred tax assets	374	477
Other	105	108
Total investments and other assets	1,762	1,930
Total non-current assets	15,838	16,342
Total assets	48,147	49,551

	(Millions of yen)	
	FY9/16 (As of Sep. 30, 2016)	FY9/17 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,291	5,721
Current portion of long-term loans payable	1,921	653
Lease obligations	387	432
Income taxes payable	599	1,064
Provision for bonuses	758	874
Provision for directors' bonuses	8	9
Provision for sales returns	11	10
Other	2,760	2,746
Total current liabilities	12,739	11,513
Non-current liabilities		
Long-term loans payable	2,653	2,000
Lease obligations	1,943	1,780
Net defined benefit liability	1,052	1,108
Other	531	547
Total non-current liabilities	6,181	5,436
Total liabilities	18,921	16,949
Net assets		
Shareholders' equity		
Capital stock	3,799	3,799
Capital surplus	5,023	5,023
Retained earnings	21,944	24,541
Treasury shares	(1,488)	(1,476)
Total shareholders' equity	29,278	31,887
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	8
Deferred gains or losses on hedges	(92)	8
Foreign currency translation adjustment	31	678
Remeasurements of defined benefit plans	5	16
Total accumulated other comprehensive income	(53)	711
Non-controlling interests	1	2
Total net assets	29,226	32,601
Total liabilities and net assets	48,147	49,551

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

(Millions of yen)

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Net sales	34,229	35,387
Cost of sales	20,691	20,671
Gross profit	13,537	14,715
Selling, general and administrative expenses		
Sales commission	1,257	1,537
Salaries and bonuses	2,343	2,313
Provision for bonuses	427	511
Provision for directors' bonuses	8	9
Retirement benefit expenses	134	136
Research and development expenses	1,840	1,825
Depreciation	459	463
Amortization of goodwill	254	254
Other	3,242	3,349
Total selling, general and administrative expenses	9,969	10,401
Operating profit	3,568	4,314
Non-operating income		
Foreign exchange gains	-	334
Dividend income of life insurance	1	5
Fiduciary obligation fee	1	0
Compensation income	5	6
Other	32	13
Total non-operating income	41	359
Non-operating expenses		
Interest expenses	35	34
Sales discounts	8	7
Foreign exchange losses	310	-
Other	2	3
Total non-operating expenses	357	45
Ordinary profit	3,251	4,628
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	36	-
Subsidy income	46	-
Total extraordinary income	83	0
Extraordinary losses		
Loss on sales of non-current assets	19	-
Loss on retirement of non-current assets	135	20
Loss on reduction of non-current assets	31	-
Loss on valuation of investment securities	-	77
Total extraordinary losses	187	98
Profit before income taxes	3,148	4,530
Income taxes-current	1,026	1,425
Income taxes-deferred	2	(196)
Total income taxes	1,029	1,228
Profit	2,118	3,301
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	2,118	3,301

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Profit	2,118	3,301
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	5
Deferred gains or losses on hedges	(92)	100
Foreign currency translation adjustment	(525)	647
Remeasurements of defined benefit plans, net of tax	15	11
Total other comprehensive income	(619)	765
Comprehensive income	1,498	4,067
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,498	4,066
Comprehensive income attributable to non-controlling interests	(0)	0

(3) Consolidated Statement of Changes in Equity

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

FY9/17 (Oct. 1, 2016 - Sep. 30, 2017)

(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	21,944	(1,488)	29,278
Changes of items during period					
Dividends of surplus			(704)		(704)
Profit attributable to owners of parent			3,301		3,301
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				12	12
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,597	11	2,609
Balance at end of current period	3,799	5,023	24,541	(1,476)	31,887

	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	2	(92)	31	5	(53)	1	29,226
Changes of items during period							
Dividends of surplus							(704)
Profit attributable to owners of parent							3,301
Purchase of treasury shares							(0)
Disposal of treasury shares							12
Net changes of items other than shareholders' equity	5	100	647	11	765	0	766
Total changes of items during period	5	100	647	11	765	0	3,375
Balance at end of current period	8	8	678	16	711	2	32,601

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	3,148	4,530
Depreciation	1,667	1,769
Amortization of goodwill	254	254
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	16	116
Increase (decrease) in provision for directors' bonuses	(4)	0
Increase (decrease) in net defined benefit liability	81	58
Interest and dividend income	(1)	(1)
Interest expenses	35	34
Foreign exchange losses (gains)	243	(280)
Loss on retirement of non-current assets	135	20
Decrease (increase) in notes and accounts receivable-trade	(796)	(1,982)
Decrease (increase) in inventories	(240)	185
Increase (decrease) in notes and accounts payable-trade	240	(642)
Other, net	661	312
Subtotal	5,441	4,375
Interest and dividend income received	2	2
Interest expenses paid	(58)	(45)
Income taxes paid	(874)	(1,094)
Net cash provided by (used in) operating activities	4,509	3,238
Cash flows from investing activities		
Purchase of investment securities	(100)	-
Proceeds from sales of investment securities	90	-
Purchase of property, plant and equipment	(2,308)	(1,477)
Proceeds from sales of property, plant and equipment	453	130
Purchase of intangible assets	(346)	(65)
Decrease (increase) in long-term advance payments	(1,152)	(119)
Subsidy income	46	-
Other, net	(1)	(1)
Net cash provided by (used in) investing activities	(3,319)	(1,534)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Proceeds from long-term loans payable	2,000	-
Repayments of long-term loans payable	(921)	(1,921)
Cash dividends paid	(674)	(704)
Repayments of lease obligations	(326)	(416)
Net cash provided by (used in) financing activities	78	(3,042)
Effect of exchange rate change on cash and cash equivalents	(118)	27
Net increase (decrease) in cash and cash equivalents	1,150	(1,311)
Cash and cash equivalents at beginning of period	5,664	6,815
Cash and cash equivalents at end of period	6,815	5,503

(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 at 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 is provided at the amount 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, 2017.

2) Amortization of actuarial differences

Actuarial gain or loss 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 of the Company. 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 short-cut 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.

Reclassifications

Consolidated Statement of Income

“Sales discounts,” included in “Other” under “Non-operating expenses” 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 expenses. The consolidated financial statements for the previous fiscal year are restated to conform to the current-period presentation.

Accordingly, the 11 million yen of “Other” line items included in “Non-operating expenses” in the previous fiscal year’s consolidated statement of income have been reclassified as 8 million yen of “Sales discounts” and 2 million yen of “Other” line items.

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from 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 Practical Issues Task Force (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 September 2016 and 18,579 shares with a book value of 41 million yen at the end of September 2017.

Segment and Other Information

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

Per-share Data

(Yen)

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Net assets per share	1,953.65	2,178.46
Net income per share	141.64	220.63

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 FY9/17 and the total number of issued shares at the end of FY9/17, as trust assets of the Executive Compensation Stock Trust Plan.

The average number of shares of the Company stock held by the trust during FY9/17 was 19,535 shares and the number of shares of the Company stock held by the trust at the end of FY9/17 was 18,579 shares.

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

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	2,118	3,301
Amount not attributable to ordinary shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Millions of yen)	2,118	3,301
Average number of shares outstanding (Shares)	14,957,897	14,963,582

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

	FY9/16 (As of Sep. 30, 2016)	FY9/17 (As of Sep. 30, 2017)
Total net assets (Millions of yen)	29,226	32,601
Deduction on total net assets (Millions of yen)	1	2
[of which non-controlling interests (Millions of yen)]	[1]	[2]
Net assets applicable to common shares (Millions of yen)	29,224	32,599
Number of common stock shares used in calculation of net assets per share (Shares)	14,959,121	14,964,514

Material Subsequent Events

Not applicable.

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

	(Millions of yen)	
	FY9/16	FY9/17
	(As of Sep. 30, 2016)	(As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	6,309	5,307
Notes receivable-trade	351	315
Accounts receivable-trade	12,231	14,158
Merchandise and finished goods	4,502	3,367
Work in process	2,211	2,034
Raw materials and supplies	4,318	5,109
Advance payments-trade	1	70
Prepaid expenses	46	53
Forward exchange contracts	-	11
Deferred tax assets	493	538
Accounts receivable-other	78	20
Short-term loans receivable from subsidiaries and associates	1,891	2,366
Other	38	26
Allowance for doubtful accounts	(0)	(0)
Total current assets	32,474	33,380
Non-current assets		
Property, plant and equipment		
Buildings	7,270	7,558
Accumulated depreciation	(3,478)	(3,770)
Buildings, net	3,792	3,788
Structures	254	268
Accumulated depreciation	(151)	(160)
Structures, net	103	108
Machinery and equipment	5,198	5,447
Accumulated depreciation	(4,182)	(4,402)
Machinery and equipment, net	1,015	1,045
Vehicles	45	45
Accumulated depreciation	(43)	(44)
Vehicles, net	1	0
Tools, furniture and fixtures	902	933
Accumulated depreciation	(813)	(821)
Tools, furniture and fixtures, net	88	112
Land	487	487
Leased assets	2,701	2,955
Accumulated depreciation	(655)	(1,019)
Leased assets, net	2,046	1,936
Construction in progress	50	16
Total property, plant and equipment	7,586	7,495
Intangible assets		
Distributorship	877	527
Software	233	192
Telephone subscription right	7	7
Total intangible assets	1,119	728
Investments and other assets		
Investment securities	128	58
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	1,285
Long-term prepaid expenses	1	1
Deferred tax assets	377	484

	(Millions of yen)	
	FY9/16	FY9/17
	(As of Sep. 30, 2016)	(As of Sep. 30, 2017)
Guarantee deposits	74	74
Insurance funds	26	28
Total investments and other assets	6,378	6,551
Total non-current assets	15,083	14,775
Total assets	47,557	48,155
Liabilities		
Current liabilities		
Notes payable-trade	142	130
Accounts payable-trade	5,705	5,068
Current portion of long-term loans payable	1,921	653
Lease obligations	361	397
Accounts payable-other	1,433	1,766
Accrued expenses	226	310
Income taxes payable	599	975
Accrued consumption taxes	311	248
Deposits received	146	44
Forward exchange contracts	200	-
Provision for bonuses	758	874
Provision for directors' bonuses	8	9
Provision for sales returns	11	10
Other	1	-
Total current liabilities	11,829	10,491
Non-current liabilities		
Long-term loans payable	2,653	2,000
Lease obligations	1,870	1,719
Guarantee deposits received	191	173
Provision for retirement benefits	1,001	1,064
Long-term accounts payable-other	174	221
Total non-current liabilities	5,892	5,178
Total liabilities	17,721	15,670
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	17,427	19,958
Total retained earnings	22,591	25,122
Treasury shares	(1,488)	(1,476)
Total shareholders' equity	29,926	32,468
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	8
Deferred gains or losses on hedges	(92)	8
Total valuation and translation adjustments	(89)	16
Total net assets	29,836	32,485
Total liabilities and net assets	47,557	48,155

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)	FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)
Net sales		
Net sales of finished goods	25,703	26,895
Net sales of goods	6,289	6,091
Total net sales	31,993	32,986
Cost of sales		
Beginning merchandise and finished goods	4,537	4,502
Cost of purchased goods	4,069	2,746
Transfer from other account	(29)	69
Cost of products manufactured	15,167	15,020
Royalty fee	23	50
Total	23,767	22,390
Ending merchandise and finished goods	4,502	3,367
Transfer to other account	2	0
Total cost of sales	19,262	19,021
Gross profit	12,731	13,965
Reversal of provision for sales returns	14	1
Gross profit-net	12,745	13,966
Selling, general and administrative expenses		
Promotion expenses	173	218
Sales commission	1,257	1,537
Packing and transportation expenses	304	306
Entertainment expenses	47	46
Directors' compensations	96	97
Salaries and bonuses	2,127	2,163
Provision for bonuses	427	511
Provision for directors' bonuses	8	9
Provision of allowance for doubtful accounts	0	0
Retirement benefit expenses	111	130
Welfare expenses	419	447
Traveling and transportation expenses	408	419
Rent expenses	367	376
Depreciation	435	441
Research and development expenses	1,840	1,825
Other	1,185	1,295
Total selling, general and administrative expenses	9,212	9,828
Operating profit	3,533	4,138

	(Millions of yen)	
	FY9/16	FY9/17
	(Oct. 1, 2015 – Sep. 30, 2016)	(Oct. 1, 2016 – Sep. 30, 2017)
Non-operating income		
Interest income	24	36
Interest on securities	0	-
Dividend income	0	0
Foreign exchange gains	-	322
Dividend income of life insurance	1	5
Commission fee	1	0
Subsidy income	2	-
Compensation income	5	6
Fiduciary obligation fee	1	0
Miscellaneous income	8	8
Total non-operating income	46	381
Non-operating expenses		
Interest expenses	31	29
Foreign exchange losses	321	-
Sales discounts	8	7
Miscellaneous loss	2	3
Total non-operating expenses	364	40
Ordinary profit	3,215	4,478
Extraordinary income		
Gain on sales of investment securities	36	-
Subsidy income	46	-
Total extraordinary income	82	-
Extraordinary losses		
Loss on sales of non-current assets	19	-
Loss on retirement of non-current assets	135	20
Loss on reduction of non-current assets	31	-
Loss on valuation of investment securities	-	77
Total extraordinary losses	186	98
Profit before income taxes	3,111	4,379
Income taxes-current	969	1,344
Income taxes-deferred	(4)	(199)
Total income taxes	965	1,144
Profit	2,146	3,235

Manufacturing Statement

(Millions of yen)

Item	Note	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)		FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)	
		Amount	%	Amount	%
I Cost of materials		11,586	76.4	11,246	75.4
II Labor cost	*1	1,328	8.7	1,463	9.8
III Overheads	*2	2,258	14.9	2,203	14.8
Total manufacturing costs		15,173	100.0	14,913	100.0
Beginning work in process		2,176		2,211	
Total		17,349		17,124	
Ending work in process		2,211		2,034	
Transfer to other account	*3	(29)		69	
Cost of products manufactured		15,167		15,020	

Cost accounting

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

(Millions of yen)

FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)		FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)	
*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	308	Provision for bonuses	347
Retirement benefit expenses	52	Retirement benefit expenses	53
*2. Major breakdown is as follows:		*2. Major breakdown is as follows:	
Depreciation	901	Depreciation	913
Repair expenses	338	Repair expenses	382
Utilities expenses	293	Utilities expenses	308
Rent expenses	277	Supplies expenses	274
Supplies expenses	260	Rent expenses	102
*3. Breakdown of transfer to other account is as follows:		*3. Breakdown of transfer to other account is as follows:	
Cost of sales	(29)	Cost of sales	69
Selling, general and administrative expenses	0	Selling, general and administrative expenses	0
Total	(29)	Total	69

(3) Non-consolidated Statement of Changes in Equity

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

FY9/17 (Oct. 1, 2016 - Sep. 30, 2017)

(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	17,427	22,591
Changes of items during period								
Dividends of surplus							(704)	(704)
Profit							3,235	3,235
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	-	2,530	2,530
Balance at end of current period	3,799	4,408	615	5,023	164	5,000	19,958	25,122

	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	(1,488)	29,926	2	(92)	(89)	29,836
Changes of items during period						
Dividends of surplus		(704)				(704)
Profit		3,235				3,235
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	12	12				12
Net changes of items other than shareholders' equity			5	100	106	106
Total changes of items during period	11	2,542	5	100	106	2,649
Balance at end of current period	(1,476)	32,468	8	8	16	32,485

5. Others

(1) Other Information

1. Breakdown of Sales

(Millions of yen)

Efficacy	FY9/16 (Oct. 1, 2015 – Sep. 30, 2016)		FY9/17 (Oct. 1, 2016 – Sep. 30, 2017)		YoY change (%)
	Amount	%	Amount	%	
(Finished goods)					
Diagnostic drugs	11,659	34.1	11,391	32.2	(2.3)
Hormone drugs	6,395	18.7	7,200	20.3	12.6
Metabolic drugs	1,557	4.5	1,592	4.5	2.2
Circulatory drugs	1,008	2.9	945	2.7	(6.3)
Antibiotics and chemotherapeutics	878	2.6	869	2.5	(1.0)
Urogenital and genital organ drugs	486	1.4	492	1.4	1.2
Dermatological preparations	350	1.0	384	1.1	9.6
Others	5,603	16.4	6,421	18.1	14.6
Subtotal	27,940	81.6	29,296	82.8	4.9
(Merchandise)					
Hormone drugs	3,316	9.7	3,075	8.7	(7.3)
Diagnostic drugs	2,148	6.3	2,082	5.9	(3.1)
In vitro diagnostics	593	1.7	714	2.0	20.3
Others	230	0.7	219	0.6	(4.6)
Subtotal	6,289	18.4	6,091	17.2	(3.1)
Total	34,229	100.0	35,387	100.0	3.4

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.