

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending September 30, 2018**  
**(Six Months Ended March 31, 2018)**

**[Japanese GAAP]**  
May 10, 2018

Company name: Fuji Pharma Co., Ltd. Stock Exchange Listing: TSE (1st section)  
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Scheduled date of filing of Quarterly Report: May 11, 2018  
Scheduled date of payment of dividend: June 1, 2018  
Preparation of supplementary materials for quarterly financial results: Yes  
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

*Note: The original disclosure in Japanese was released on May 10, 2018 at 16:30 (GMT +9).*

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

**1. Consolidated Financial Results for the Second Quarter (October 1, 2017 to March 31, 2018) of the Fiscal Year Ending September 30, 2018**

(1) Consolidated results of operations (Percentages 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	%
Six months ended Mar. 31, 2018	17,961	3.7	2,275	0.0	2,360	(6.9)	1,743	(2.6)
Six months ended Mar. 31, 2017	17,324	2.9	2,274	25.0	2,535	46.9	1,789	66.8

Note: Comprehensive income (millions of yen) Six months ended Mar. 31, 2018: 1,730 (down 27.2%)  
Six months ended Mar. 31, 2017: 2,376 (up 162.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2018	116.49	-
Six months ended Mar. 31, 2017	119.60	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2018	49,848	33,929	68.1
As of Sep. 30, 2017	49,551	32,601	65.8

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2018: 33,927 As of Sep. 30, 2017: 32,599

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2017	-	23.00	-	25.00	48.00
Fiscal year ending Sep. 30, 2018	-	28.00	-	-	-
Fiscal year ending Sep. 30, 2018 (Estimated)	-	-	-	14.00	-

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

The Company plans to conduct a 2-for-1 stock split effective on July 1, 2018. The year-end dividend per share forecast for the fiscal year ending September 30, 2018 is adjusted to reflect the stock split. Prior to this adjustment, the dividend forecast was 28.00 yen per share and there are no effective change in amount before the stock split.

In addition, the total dividend per share forecast is not presented since quarterly dividends cannot be simply aggregated because of the stock split.

**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
Full year	38,139	7.8	4,850	12.4	4,710	1.8	3,345	1.3	111.76

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

The Company plans to conduct a 2-for-1 stock split effective on July 1, 2018. The net income per share forecast for the fiscal year ending September 30, 2018 is adjusted to reflect the stock split. Prior to this adjustment, the forecast was a net income per share of 223.53 yen for the full year.

**\* 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 Mar. 31, 2018:	15,626,900 shares	As of Sep. 30, 2017:	15,626,900 shares
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2) Number of treasury shares as of the end of period

As of Mar. 31, 2018:	643,807 shares	As of Sep. 30, 2017:	662,386 shares
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3) Average number of shares outstanding during the period

Six months ended Mar. 31, 2018:	14,963,466 shares	Six months ended Mar. 31, 2017:	14,962,640 shares
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\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

1. 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.
2. The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, May 18, 2018. Materials distributed at this event will also be available on the Company's website thereafter.
3. The Company plans to conduct a 2-for-1 stock split effective on July 1, 2018. The year-end dividend per share forecast and the net income per share forecast for the fiscal year ending September 30, 2018 is adjusted to reflect the stock split.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the current fiscal year, healthy corporate earnings at companies in Japan due in part to a relatively strong global economy supported a slow recovery of the Japanese economy. However, the outlook remains uncertain because of the unclear political outlook in other countries and geopolitical risk involving North Korea and other countries and regions.

In Japan's ethical drug industry, there are challenges due to annual National Health Insurance drug price revisions as well as a big reduction in the number of drugs subject to the new drug creation price premium and the cut in prices of some drugs listed for a long time to match the prices of their generic versions. As a result, the operating environment for the industry is becoming increasingly difficult. In April 2018, there were revisions to the National Health Insurance drug prices and there was an average drug price reduction of 7.5% in the industry. These price reductions caused the prices of Fuji Pharma products to fall by 6.7%.

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, we are implementing measures for increasing market share, primarily for major products such as Dienogest Tablets, a generic drug launched in June 2017 as a treatment for endometriosis, and LUNABELL® tablets ULD, a new drug for treating dysmenorrhea.

In the field of radiology, we are concentrating on sales of the generic x-ray contrast agents OYPALOMIN® injection and IOPAQUE® injection. In addition to these products, we are focusing on sales of OPTIRAY® injection, for which we received regulatory approval for an additional efficacy, and the MRI contrast agent MAGNESCOPE® intravenous injection. 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.

As described in the press release 'Agreement Reached to Make Fuji Pharma the Sole Distributor of OYPALOMIN® Injection, IOPAQUE® Injection and MEGLUMINE GADOPENTETATE Intravenous Solution "F"' dated February 2, 2018, we reached an agreement with KONICA MINOLTA JAPAN, INC. that makes Fuji Pharma, the manufacturer, the sole distributor of all contrast agents that have been sold jointly with KONICA MINOLTA. In addition, as described in the press release "Alliance Ends for the Sale of OPTIRAY® Injection, MAGNESCOPE® Intravenous Injection and LIPIODOL® Injection" dated February 2, we reached an agreement on the same day concerning the end of a licensing agreement with Guerbet Japan KK. These activities have helped Fuji Pharma build relationships rooted in trust with medical institutions. Fuji Pharma is determined use these relationships in order to play an even greater role in Japan's health care sector by continuing to provide a reliable supply of generic contrast agents and other high-quality pharmaceuticals.

Net sales increased 3.7% year on year to 17,961 million yen. Operating profit was unchanged from one year earlier to 2,275 million yen due to an improvement in the cost of sales and other reasons while R&D expenses increased. Ordinary profit decreased 6.9% to 2,360 million yen and profit attributable to owners of parent was down 2.6% to 1,743 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 297 million yen from the end of the previous fiscal year to 49,848 million yen, net assets increased 1,327 million yen to 33,929 million yen, and the equity ratio was 68.1% as of the end of the second quarter of the current fiscal year.

### **Assets**

Current assets decreased 519 million yen mainly because of a decrease in notes and accounts receivable-trade. Non-current assets increased 817 million yen mainly due to an increase in leased assets.

### **Liabilities**

Current liabilities decreased 1,964 million yen mainly due to decreases in current portion of long-term loans payable and income taxes payable. Non-current liabilities increased 934 million yen mainly due to an increase in lease obligations.

### **Net Assets**

Net assets increased 1,327 million yen mainly because of an increase in retained earnings.

### **Cash Flows**

Cash and cash equivalents as of the end of the second quarter of the current fiscal year totaled 5,624 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

#### **1) Cash Flows from Operating Activities**

Net cash provided by operating activities was 1,702 million yen (a year-on-year increase in inflow of 250 million yen). This was the net result of adding depreciation of 961 million yen to profit before income taxes of 2,360 million yen, while there were income taxes paid of 911 million yen and other factors.

#### **2) Cash Flows from Investing Activities**

Net cash used in investing activities was 233 million yen (a year-on-year decrease in outlays of 547 million yen). This was mainly due to the payments for guarantee deposits of 671 million yen and purchase of property, plant and equipment of 662 million yen, while there were the proceeds from sales of property, plant and equipment of 1,272 million yen.

#### **3) Cash Flows from Financing Activities**

Net cash used in financing activities was 1,332 million yen (a year-on-year decrease in outlays of 671 million yen). This was due to the repayment of long-term loans payable of 653 million yen, cash dividends paid of 374 million yen, and repayments of lease obligations of 263 million yen.

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

The Company maintains its consolidated forecasts for the fiscal year ending in September 2018 that was announced on November 10, 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

## 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 the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Accounting Standards Board of Japan (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 December the amount of compensation used for calculating points. Stock will then be distributed in the following November 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 18,579 shares with a book value of 41 million yen at the end of the previous fiscal year and 22,414 shares with a book value of 69 million yen at the end of the second quarter of the current fiscal year.

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

(Millions of yen)

	FY9/17 (As of Sep. 30, 2017)	Second quarter of FY9/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	5,503	5,624
Notes and accounts receivable-trade	15,142	14,545
Merchandise and finished goods	3,667	3,722
Work in process	2,130	2,363
Raw materials and supplies	5,688	5,507
Accounts receivable-other	20	66
Deferred tax assets	543	442
Other	519	423
Allowance for doubtful accounts	(6)	(6)
Total current assets	33,208	32,688
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,667	5,527
Machinery, equipment and vehicles, net	2,747	1,604
Land	872	904
Leased assets, net	2,043	2,955
Construction in progress	210	400
Other, net	161	184
Total property, plant and equipment	11,703	11,576
Intangible assets		
Goodwill	1,976	1,850
Other	732	612
Total intangible assets	2,709	2,463
Investments and other assets		
Investment securities	58	57
Long-term advance payments-trade	1,285	1,766
Deferred tax assets	477	452
Other	108	843
Total investments and other assets	1,930	3,120
Total non-current assets	16,342	17,160
Total assets	49,551	49,848

	(Millions of yen)	
	FY9/17	Second quarter of FY9/18
	(As of Sep. 30, 2017)	(As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,721	5,272
Current portion of long-term loans payable	653	-
Lease obligations	432	511
Income taxes payable	1,064	489
Provision for bonuses	874	804
Provision for directors' bonuses	9	5
Provision for sales returns	10	10
Other	2,746	2,455
Total current liabilities	11,513	9,548
Non-current liabilities		
Long-term loans payable	2,000	2,000
Lease obligations	1,780	2,762
Net defined benefit liability	1,108	1,131
Other	547	477
Total non-current liabilities	5,436	6,370
Total liabilities	16,949	15,919
Net assets		
Shareholders' equity		
Capital stock	3,799	3,799
Capital surplus	5,023	5,023
Retained earnings	24,541	25,910
Treasury shares	(1,476)	(1,504)
Total shareholders' equity	31,887	33,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	7
Deferred gains or losses on hedges	8	(30)
Foreign currency translation adjustment	678	706
Remeasurements of defined benefit plans	16	14
Total accumulated other comprehensive income	711	698
Non-controlling interests	2	2
Total net assets	32,601	33,929
Total liabilities and net assets	49,551	49,848



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

(Millions of yen)

	First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017)	First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018)
Net sales	17,324	17,961
Cost of sales	10,189	10,042
Gross profit	7,134	7,919
Selling, general and administrative expenses	4,859	5,644
Operating profit	2,274	2,275
Non-operating income		
Interest income	0	0
Foreign exchange gains	267	30
Commission fee	0	2
Compensation income	4	6
Fiduciary obligation fee	0	-
Subsidy income	-	39
Other	10	33
Total non-operating income	283	113
Non-operating expenses		
Interest expenses	17	20
Sales discounts	3	3
Other	1	3
Total non-operating expenses	22	28
Ordinary profit	2,535	2,360
Extraordinary income		
Gain on sales of non-current assets	0	3
Total extraordinary income	0	3
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	3
Total extraordinary losses	0	3
Profit before income taxes	2,534	2,360
Income taxes-current	656	476
Income taxes-deferred	88	140
Total income taxes	745	616
Profit	1,789	1,743
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,789	1,743

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

(Millions of yen)

	First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017)	First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018)
Profit	1,789	1,743
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(0)
Deferred gains or losses on hedges	97	(38)
Foreign currency translation adjustment	483	27
Remeasurements of defined benefit plans, net of tax	0	(2)
Total other comprehensive income	586	(13)
Comprehensive income	2,376	1,730
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,375	1,730
Comprehensive income attributable to non-controlling interests	0	0

**(3) Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017)	First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	2,534	2,360
Depreciation	825	961
Amortization of goodwill	126	138
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	(127)	(70)
Increase (decrease) in provision for directors' bonuses	(3)	(4)
Increase (decrease) in net defined benefit liability	29	20
Interest and dividend income	(0)	(0)
Interest expenses	17	20
Foreign exchange losses (gains)	(201)	(29)
Loss on retirement of non-current assets	0	3
Decrease (increase) in notes and accounts receivable-trade	75	601
Decrease (increase) in inventories	(60)	(101)
Increase (decrease) in notes and accounts payable-trade	(544)	(450)
Decrease (increase) in long-term advance payments	-	(414)
Other, net	(539)	(389)
Subtotal	2,132	2,644
Interest and dividend income received	3	1
Interest expenses paid	(21)	(32)
Income taxes paid	(662)	(911)
Net cash provided by (used in) operating activities	1,451	1,702
Cash flows from investing activities		
Purchase of property, plant and equipment	(720)	(662)
Proceeds from sales of property, plant and equipment	0	1,272
Purchase of intangible assets	(59)	(120)
Decrease (increase) in long-term advance payments	-	(59)
Subsidy income	-	9
Payments for guarantee deposits	-	(671)
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(780)	(233)
Cash flows from financing activities		
Purchase of treasury shares	-	(40)
Repayments of long-term loans payable	(1,460)	(653)
Cash dividends paid	(359)	(374)
Repayments of lease obligations	(182)	(263)
Net cash provided by (used in) financing activities	(2,003)	(1,332)
Effect of exchange rate change on cash and cash equivalents	15	(15)
Net increase (decrease) in cash and cash equivalents	(1,317)	121
Cash and cash equivalents at beginning of period	6,815	5,503
Cash and cash equivalents at end of period	5,497	5,624

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

Not applicable.

**Notes Regarding Material Change in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

Omitted since the Group (Fuji Pharma and its consolidated subsidiaries) has only a single business segment, which is the pharmaceutical business.

**Material Subsequent Events****Stock split**

On May 10, 2018, the Company's Board of Directors approved a resolution for a stock split as follows:

**(1) Purpose of the stock split**

Using this split to lower the cost of an investment unit of Fuji Pharma stock will increase the stock's liquidity and expand stock ownership to more investor segments.

**(2) Summary of the stock split**

Shareholders listed in the final shareholder register on the record date of Saturday, June 30, 2018 (effectively Friday, June 29, 2018) will receive two shares of common stock for each share held on the record date.

**(3) Schedule**

Announcement date: Friday, June 15, 2018 (tentative)  
 Record date: Saturday, June 30, 2018 (effectively Friday, June 29, 2018)  
 Effective date: Sunday, July 1, 2018

**(4) Increase in the number of shares due to the stock split**

Total number of shares outstanding before the stock split: 15,626,900 shares  
 Increase in the number of shares due to the stock split: 15,626,900 shares  
 Total number of shares outstanding after the stock split: 31,253,800 shares  
 Total number of shares authorized after the stock split: 56,440,000 shares

**(5) Effect of these changes on per share information**

Per-share information calculated as if this stock split had taken place at the beginning of previous fiscal year is as follows:

	(Yen)	
	First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017)	First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018)
Net income per share	59.80	58.25

**(6) Partial revision to the Articles of Incorporation following the stock split****1) Reason for the revision**

In association with this stock split, Article 6 of the Company's Articles of Incorporation will be amended on July 1, 2018 to revise the total number of shares authorized in accordance with Article 184, Paragraph 2 of the Companies Act.

## 2) Details of the revision

Underlined parts are revised.

Current	After revision
Total Number of Shares Authorized	Total Number of Shares Authorized
Article 6. The total number of shares authorized to be issued by the Company shall be <u>28,220,000 shares</u> .	Article 6. The total number of shares authorized to be issued by the Company shall be <u>56,440,000 shares</u> .

## 3) Schedule

Effective date: July 1, 2018

## 7. Others

Change in capital stock

The stock split will have no effect on the capital stock.

## 4. Supplementary Information

## (1) Breakdown of Sales

(Millions of yen)

Efficacy	First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017)		First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018)		YoY change (%)
	Amount	%	Amount	%	
(Finished goods)					
Diagnostic drugs	5,728	33.1	5,060	28.1	(11.7)
Hormone drugs	3,332	19.2	3,879	21.5	16.4
Metabolic drugs	769	4.4	820	4.6	6.7
Circulatory drugs	450	2.6	460	2.6	2.2
Antibiotics and chemotherapeutics	447	2.6	409	2.3	(8.6)
Urogenital and genital organ drugs	237	1.4	246	1.4	3.8
Dermatological preparations	189	1.1	198	1.1	4.4
Others	2,997	17.3	3,569	19.9	19.1
Subtotal	14,153	81.7	14,644	81.5	3.5
(Merchandise)					
Hormone drugs	1,432	8.3	1,410	7.9	(1.5)
Diagnostic drugs	1,142	6.6	1,262	7.0	10.5
In vitro diagnostics	491	2.8	539	3.0	9.8
Others	105	0.6	104	0.6	(1.1)
Subtotal	3,171	18.3	3,316	18.5	4.6
Total	17,324	100.0	17,961	100.0	3.7

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.*