Annual Report Year ended March 31, 2012

2012 Going Forward with Generics

Nippon Chemiphar Co., Ltd.

Contents

Mission Statement

The goal of the Chemiphar Group is to make a difference in society by providing pharmaceutical drugs and healthcare-related services to help people become and remain healthy.

Note about Forward-Looking Statements and Forecasts

Statements made in this annual report with respect to current plans, estimates, strategies and beliefs, and other statements of Chemiphar are forecasts about the future performance of Chemiphar. These forecasts are based on information currently available to management. Consequently, our forecasts are subject to known and unknown risks and uncertainties and may differ significantly from actual results. Items that may influence our forward-looking statements and forecasts include changes in the economy, business and competitive environment surrounding Chemiphar's business, and revisions to the Pharmaceutical Affairs Law and other related legislation, etc., as well as other items not limited to the above.

FY2011 in Review

Secured Increase in Net Sales, Due to Higher Sales of Generics

Looking at consolidated financial performance for FY2011, ended March 31, 2012, sales of generics increased 9.6% YOY, mainly owing to higher sales of new products launched in recent years. In addition, sales of “original design, manufacture” (ODM) generics was 2.4 times the previous year’s level, resulting in an overall rise of 10.7% in sales in the generics business. Meanwhile, sales of core products were down 6.5% YOY, in line with our initial expectations and owing to increasingly stringent market competition.

As a result, net sales rose 4.2% YOY, to ¥28,514 million.

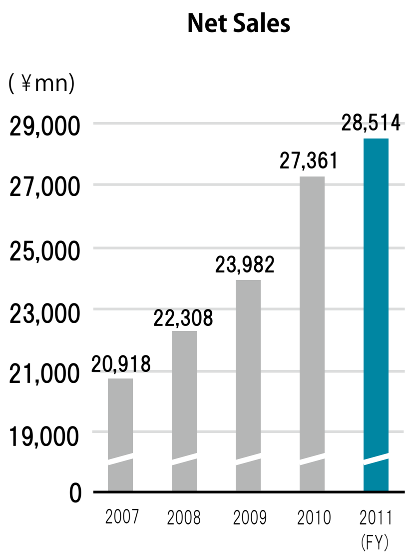
Substantial Rise in Income, Thanks to Improved Cost of Sales Ratio

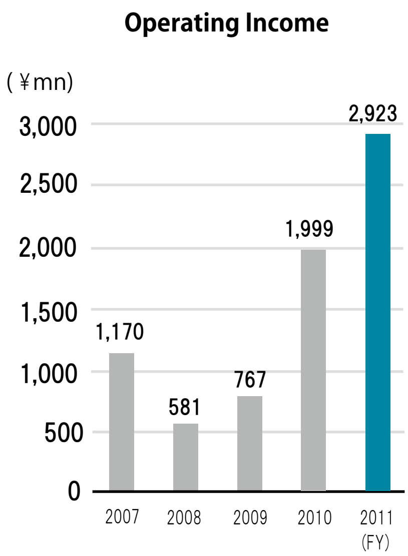
Within generics, profitability is particularly high on our original products, centered on products launched in recent years. Owing to an increased percentage of these products, the cost of sales ratio improved 2.4 percentage points, to 45.1%. The SG&A expense ratio also improved 0.6 percentage point, to 44.6%. Consequently, income grew substantially: operating income amounted to ¥2,923 million (up 46.2% YOY), and net income came to ¥1,440 million, approximately 2.5 times the previous year’s level.

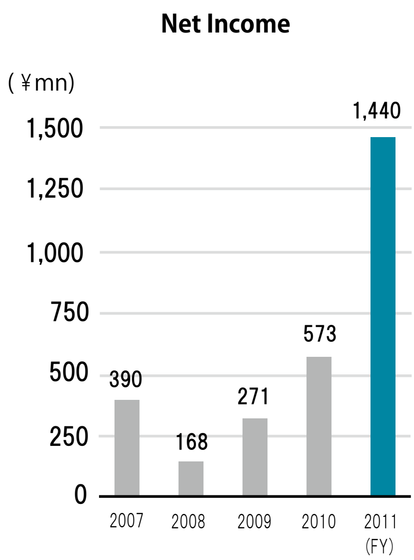
Forecast Calls for Higher Net Sales and Income in FY2012

In FY2012, we expect sales of generics to increase by more than 20%, resulting in net sales of ¥32,000 million, up 12.2% YOY. As a result, we anticipate operating income of ¥3,500 million (up 19.7% YOY) and net income of ¥1,800 million (up 25.1% YOY).

Five-Year Financial Data





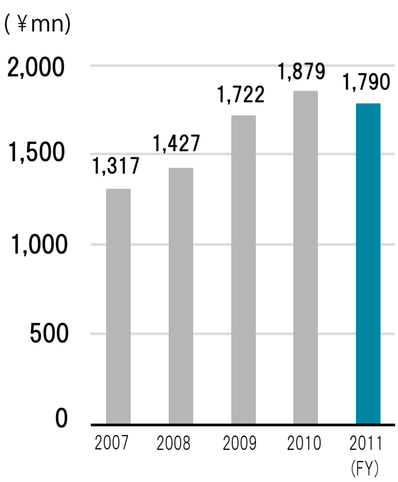


Financial Highlights

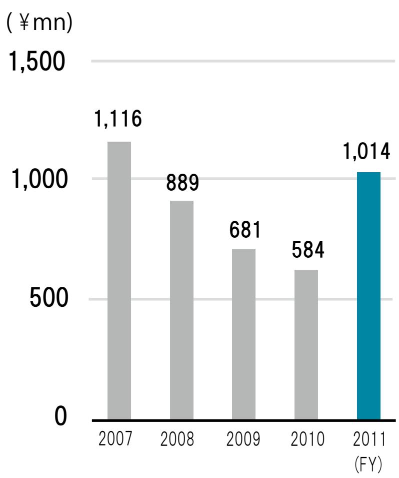
(¥mn)

Fiscal Years	2007	2008	2009	2010	2011
For the year:					
Net sales	20,918	22,308	23,982	27,361	28,514
Operating income	1,170	581	767	1,999	2,923
Income before income taxes and minority interests	917	498	557	1,416	2,699
Net income	390	168	271	573	1,440
R&D expenses	1,317	1,427	1,722	1,879	1,790
Per share date:					
Net income (yen)	10.22	4.41	7.10	13.95	34.62
Net assets (yen)	181.99	179.55	185.22	212.92	248.92
Cash dividends (yen)	3	3	3	3	5
At year end:					
Total assets	21,764	24,697	29,601	30,786	33,791
Net assets	6,943	6,848	7,866	8,964	10,231
Shares outstanding (thousands)	38,522	38,522	38,522	42,614	42,614
Number of employees	591	624	714	711	682
Ratios:					
Operating income margin (%)	5.6	2.6	3.2	7.3	10.3
ROE (%)	5.7	2.4	3.9	7.2	15.0
Equity ratio (%)	31.9	27.7	23.9	29.1	30.3

R&D Expenses

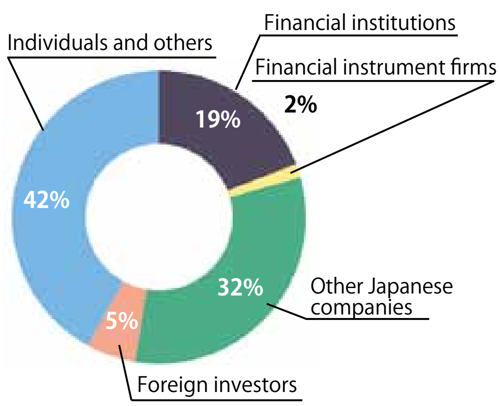


Capital Expenditure



Composition of Shareholders

(As of March 31, 2012)



Message from the President

I would like to discuss the Chemiphar Group's operating performance during the fiscal year ended March 31, 2012 (FY2011), and describe some of our ongoing initiatives.

We commenced full-fledged initiatives targeting the generics business in 2000, anticipating the Japanese government's efforts to begin promoting the use of generics in 2002. For more than 10 years, we have pushed forward in the generics business as a main pillar of business. Consequently, our sales of generics have become top-class among manufacturers pursuing business in the areas of both generics and new drugs.

In FY2011, sales of generics rose 10% YOY, helped mainly by new products launched in the preceding fiscal year. Consolidated net sales increased and income improved markedly as a result.

Amid the continuing changes in the Japanese economy and the business environment surrounding the pharmaceutical industry, we believe we can contribute to lowering the cost to patients and the government's healthcare expenditures by focusing our attention on the generics business. At the same time, throughout the Company we will put forth every effort to realize our growth strategy, the "three goals," thereby advancing our business. I ask for your ongoing support of these endeavors

Nippon Chemiphar's Three Goals

- Secure our presence in the generics business
- Achieve a stronger position in the hyperuricemia market, centered on Uralyt
- Contribute to society through proprietary developments toward drug discovery

September 2012

山口一城

Kazushiro Yamaguchi
President & CEO

Interview

The president, Kazushiro Yamaguchi, explains the current and future business of Chemiphar.

Question: 1

What are some of your initiatives for securing profits as sales of generics rise?

Answer:

In generics, we have increased our percentage of original products, which are highly profitable.

We began concentrating our management resources on reinforcing generics as a pillar of business in 2000. As a result, our sales of generics have doubled over the past five years, making up an increasing percentage of overall pharmaceuticals sales. In FY2012 we expect this figure to exceed 80%. Compared with new drugs, the cost of sales ratio is high for generics, and creating a business structure capable of generating profits through combined sales of new drugs and generics has been one of our topmost management priorities.

We have both original products, which are generally more profitable, and those purchased from other companies. Also, the percentage of original products within overall generics sales is increasing. In FY2011, this percentage was approximately 50%; we expect the ratio to rise to more than 60% within three years, by FY2014, which should boost our profitability. This increase is the result of our prioritized efforts to reinforce the generics supply chain, increasing the number of development personnel and concentrated our Group production functions at a subsidiary. I believe that promoting these initiatives for building up our own development and manufacturing system have been central to our success.

Furthermore, three years ago we launched a thorough companywide effort to promote the efficiency of SG&A expenses.

Going forward, we will continue working to reduce cost of sales and use SG&A expenses efficiently, thereby improving profitability.

Question: 2

What are your thoughts on shareholder return measures?

Answer:

We endeavor to maximize our shareholder value.

On August 25, 2011, we started to acquire treasury stock with the aim of improving capital efficiency and enhancing our return to shareholders. By November 25, we had completed the acquisition of 1 million shares, our upper limit.

We also increased the dividend by ¥2 per share, from ¥3 to ¥5. We plan to raise this level further in FY2012, to ¥8 per share.

In the near future, we plan to maintain a consolidated payout ratio of 20–30%, aiming for 30% or more on a nonconsolidated basis. We plan to continue putting forward shareholder returns as a key management objective, in our bid to achieve sustained increases in corporate value and ongoing dividend increases.

Question: 3 Could you outline some of the measures in the announced medium-term management plan?

Answer: **This is the first plan as part of our Long-Term Vision to create a unique business model by developing our three goals. We aim to enhance our earning power and financial strength and launch specific strategies for future growth.**

In the generics business, which is our first priority, we intend to maintain the early-mover advantage we gained as one of the first new drug manufacturers to enter this market. We will also introduce competitive new major generics, into the market in a timely fashion, thereby building the Chemiphar brand image of safety and security.

As for Uralyt and our hyperuricemia treatment, we are working to enhance and expand therapeutic significance in such domains as lifestyle-related diseases (metabolic syndrome) and chronic kidney disease. At the same time, we aim to successfully out-license NC-2500, a hyperuricemic treatment that we developed.

Believing that drug research is an important source of our ability to generate corporate value over the long term, we aim to find additional candidates for out-licensing next to NC-2500. To accomplish this, we are striving to raise the efficiency of our research structure and accelerate its activities. In addition, since growth in the domestic market is expected to slow, Chemiphar plans to expand its business in Asia, where the pharma market is growing rapidly.

Our numeric goals for FY2014 are to achieve consolidated net sales of ¥40 billion or more, and we aim for generics to account for ¥30 billion of this amount. We also plan to boost the Group operating income margin to 15% or more, and to reinforce our earnings and financial base.

Question: 4 What areas of overseas business do you focus on?

Answer: **Through the business of exporting pharmaceuticals to China and ASEAN countries, we will accumulate expertise toward future overseas deployment and manufacturing.**

In the Japanese pharmaceutical industry generics market is expected to expand against the backdrop of an aging population. Over the long term, however, the domestic market is likely shrink because of a decreasing number of new large-scale generics and the shrinking Japanese population.

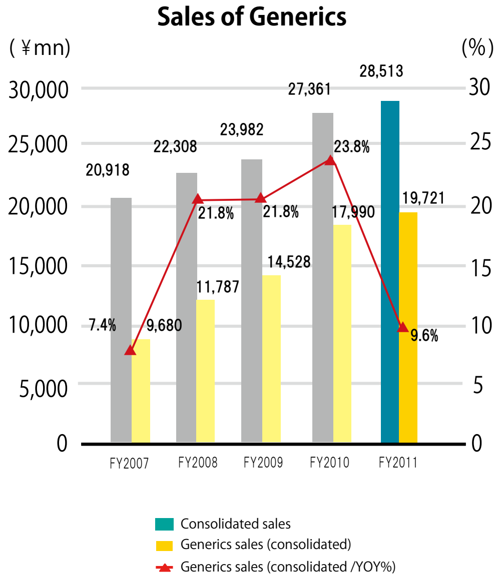
Taking these factors into consideration, we are steadily preparing to make inroads overseas. The Beijing Representative Office, which we opened in 2009, is cooperating with local partners to support the development and sales of drugs to manufacturers. We expect to continue expanding the number of products to manufacturers in China and ASEAN countries to establish a base of business there. We are also considering the optimization of our production on a global basis, and are looking into the possibility of expanding consigned manufacturing and production bases there.

In the diagnostics business, in February 2012 we launched DiaPack3000, an allergy diagnostic instrument for overseas markets. Beginning in Asia, we are rolling out this product in other overseas markets.

Financial Focus

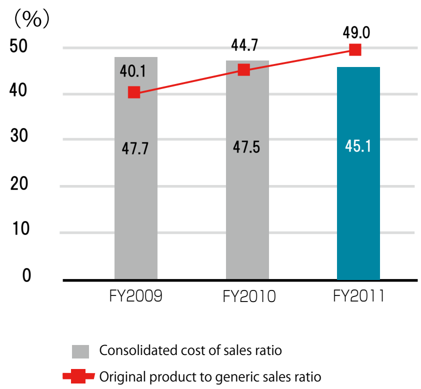
Generics Contribute to Sales Expansion

The Japanese government's promotion of the use of generics has caused the market to expand. Accordingly, our sales of generics continue to rise, making a major contribution to net sales growth.



Change in Cost of Sales (Consolidated)

Our cost of sales ratio improved 2.4 percentage points YOY, as we increased the percentage of generics composed of highly profitable original products.



Balance Sheets (As of March 31, 2012)

As of March 31, 2012, total assets were up ¥3,005 million from the end of the previous term. This was largely due to operating cash flows and financing in response to the financial risks posed by the Great East Japan Earthquake, raising cash and deposits ¥1,609 million. In addition, inventories increased ¥1,151 million, owing to a temporary buildup in response to higher sales and system revisions.

Total liabilities rose ¥1,738 million, due mainly to an increase in trade notes and accounts payable caused by revenue growth and fund-raising.

Due to the posting of income, total net assets expanded ¥1,267 million, and our equity ratio exceeded 30%.

(¥mn)

	FY2010	FY2011	Change
Current assets	17,098	20,561	3,463
Net property, plant and equipment	10,054	10,143	89
Investments and others	3,634	3,087	(547)
Total assets	30,786	33,791	3,005
Current liabilities	12,036	12,871	835
Non-current liabilities	9,786	10,689	903
Total liabilities	21,822	23,560	1,738
Capital stock	6,961	7,967	1,006
Accumulated other comprehensive income	1,998	2,257	259
Subscription rights to shares	5	7	2
Total net assets	8,964	10,231	1,267
Total liabilities and net assets	30,786	33,791	3,005

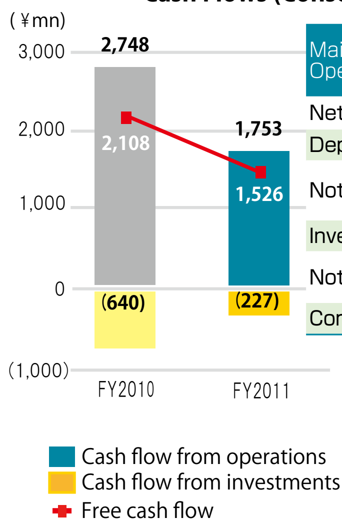
Cash Flows

While we marked a drastic increase in profit, we boosted our inventories temporarily. Net cash provided by operating activities was ¥1,753 million.

Net cash used in investing activities amounted to ¥227 million, mainly due to purchases of property, plant and equipment.

As a result, free cash flow for the year was a positive ¥1,526 million.

Cash Flows (Consolidated)



(¥mn)

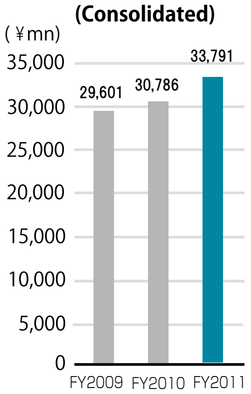
Main Cash Flow Items from Operations	Amount
Net income before tax	2,698
Depreciation	747
Notes, accounts receivable	(724)
Inventory	(1,151)
Notes, accounts payable	746
Corporate tax	(1,079)

Consolidated Forecasts for FY2012

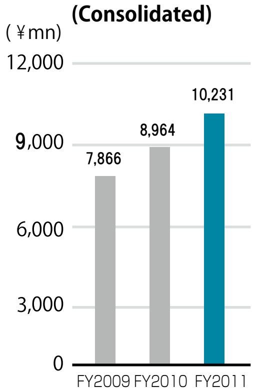
In FY2012, we anticipate net sales of ¥32,000 million (up 12.2% YOY), thanks to increased sales of generics. Although we believe NHI price revisions will hold down income, we expect gross profit to improve as a result of efforts to reduce our cost of sales ratio by boosting our percentage of original products, as well as to continue enhancing our cost management. Consequently, we forecast operating income of ¥3,500 million (up 19.7% YOY) and net income of ¥1,800 million (up 25.1% YOY).

Principal Financial Indicators

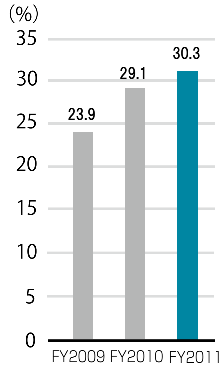
Total Assets (Consolidated)



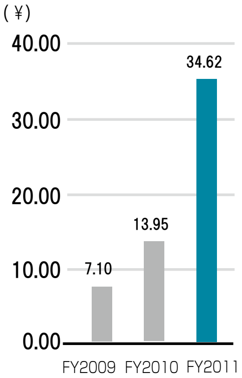
Net Assets (Consolidated)



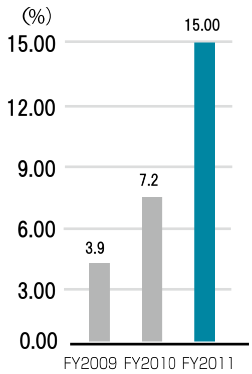
Equity Ratio



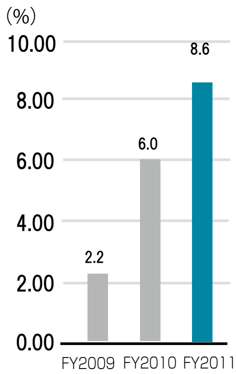
Earnings per Share



ROE



ROA



Generics Initiatives

Generics Performance in FY2011

Although the impact of measures to promote the use of generics began to fade from April 2011, sales of generics amounted to ¥19,721 million (up 9.6% YOY), pushed up mainly by new products launched in recent years.

New Product Launches

In the fiscal year under review we launched a total of 12 new products, reinforcing our overall product lineup.

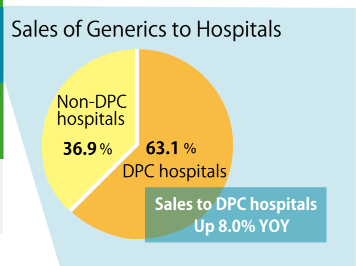
Products Launched in FY2011

Generic Name	Item	Therapeutic Category
Edaravone	2	Free oxigen radical scavenger
Mesalazine	1	Agent for ulcerative colitis and Crohn's disease
Sodium Resedronate	1	Agent for osteoporsis
Donepezil Hydrochloride Donepezil Hydrochloride OD*	2 2	Agent for Alzheimer's disease
Loratadine Loratadine OD	1 1	Agent for allergic disease
Sulbactam Sodium Ampicillin Sodium	1	Antibiotic and antimicrobial agents
Alendronate Sodium	1	Agent for osteoporosis

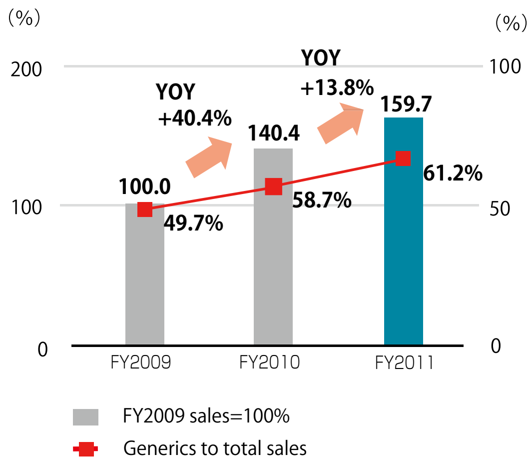
Breakdown of Sales

Sales on Prescription Base

	YOY	Distrib.
Hospitals	+7.5%	40%
Clinics	+10.1%	60%
Total	+9.1%	100.0%



Sales at Dispensing Pharmacies



Initiatives Targeting Dispensing Pharmacies

- Encourage pharmacy chains to promote Chemiphar drugs
- Enhance relationships with wholesalers

- Use information tools
  •Provide information on a regular basis through *Pharmacy Digest*
  • Website (content targeting pharmacists)

- Strengthen customer support function
  •Respond swiftly to pharmacist inquiries with high-quality information

Pharmacy Digest, an informational monthly

Initiatives Targeting Safety and Security

• Manufacturing Control and Quality Control

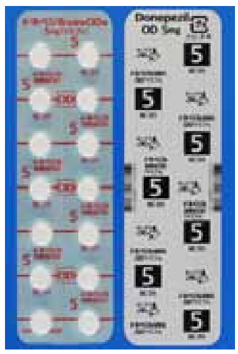
In making every effort to ensure manufacturing and quality control are properly carried out, we create procedure notes of management surveys in accordance with Good Manufacturing Practice and Good Quality Practice. Raw material procurement and storage, and product storage and transportation are conducted under ISO rating manual verification procedures, as we strive to supply quality drugs under proper management.

• Pursuing Convenience

When developing generics, we determine the needs of various medical personnel and work to design products accordingly. We plan to continue such initiatives that make medicines easier to use.

<u>Press-Through Packaging</u>

In addition to being an early adopter of universal design fonts, we have designed press-through packaging sheets using a matte material to make information easier to see.



Press-through packaging

<u>Exterior Boxes</u>

We print all information in a concentrated area on the top of product cartons. This location allows pharmacies to see at a glance all relevant data—such as product name, lot number and expiry date—facilitating storage of numerous small packages.

Exterior boxes

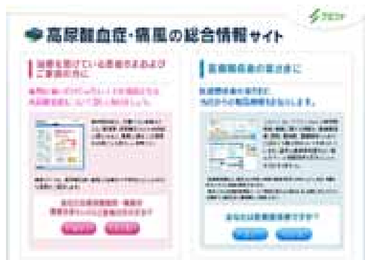
Initiatives for Uralyt

Efforts to Expand the Hyperuricemic Market

Recent years have seen a growing focus on the link between hyperuricemia and cardiovascular events. Furthermore, in May 2011 another company launched the first new hyperuricemic treatment in 40 years, generating expectations of growth in the hyperuricemia market. We have seized this opportunity to promote a better understanding of clinical conditions and guideline-based diagnosis and treatment.

Website-Based Awareness Activities

Since April 2010 we have operated a website providing comprehensive information related to hyperuricemia and gout. Patients can use the "gout navi" section of the site to gain a basic understanding of this clinical condition and learn how to treat or prevent the condition through diet. For medical personnel, "Uralyt.jp" provides information that may prove helpful for medical examinations, such as treatment guidelines and sample prescriptions by Dr. Tatsuo Hosoya, Professor at Jikei University and President of the Japanese Society of Gout and Nucleic Acid Metabolism.



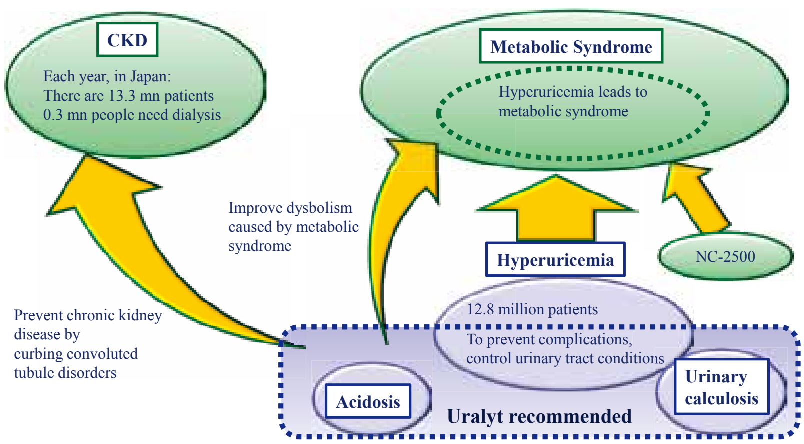
New Initiatives to Increase the Market for Uralyt

In addition to the above-mentioned activities in the hyperuricemia domain, we continued to promote awareness about the treatment of urinary alkalinization. At the Hyperuricemia Metabolic Syndrome Research Forum, which we are co-hosting, attention has focused on the connection between acid urine and lifestyle-related diseases, and in recent years a significant number of reports on acid urine have been published.

Of these, Chemiphar is concentrating in particular on chronic kidney disease (CKD) and dysbolism caused by metabolic syndrome, and we are looking into a report suggesting new urinary alkalinization treatment methods for these diseases.

Partnering with people outside the Company, we are working to broadly disseminate information on the therapeutic significance of hyperuricemia. Simultaneously, we are gathering data and promoting awareness of new possibilities for the treatment of urinary alkalinization in an effort to further expand Uralyt's potential.

■ Expanding Hyperuricemia/Uralyt Markets (Targets)



New Drug Development

Chemiphar's drug research focuses on discovery. To bring discovered compounds to market as quickly as possible, we employ a venture-type research system that involves out-licensing at an early stage to highly specialized companies in Japan and overseas.

We currently out-license one product to an overseas company, and we are developing NC-2500 as a candidate compound for out-licensing. We have high hopes for research into NC-2500 as a treatment for hyperuricemia, one of Chemiphar's three goals.

Research and Development

	NC-2500	NC-2400
Purpose	Lowering of uric acid	Improving lipid metabolism
Function	Xanthine oxidoreducase inhibitor	PPAR δ Agonist
Discovery	Nippon Chemiphar	Nippon Chemiphar
Development	Nippon Chemiphar	Cerenis (France)
Phase	Preclinical test was finished*	Phase 1
Country	Japan	USA

*Phase 1 was started in FY2012.

About NC-2500

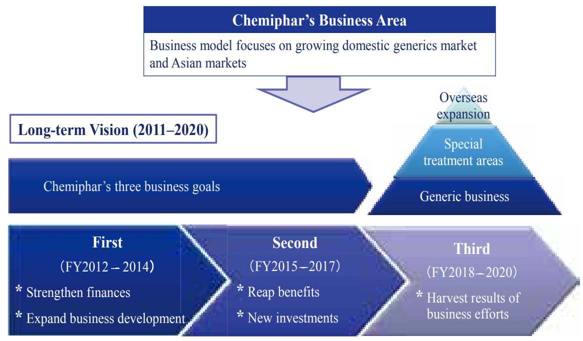
This candidate inhibits the enzyme xanthine oxidoreducase and prevents the production of uric acid. It is expected to be used as a medication for hyperuricemia and gout.

“Go Forward” Medium-Term Management Plan

We have formulated a new three-year medium-term management plan, “Go Forward,” which commences in FY2012. An outline of the plan is provided below.

Ahead of this plan, we launched the 10-year “Long-Term Vision,” which commenced in FY2011. The Long-Term Vision sets forth three goals for the Company’s growth strategy. These include building on the Company’s successes to date and maintaining the level of trust and performance it has generated in the Japanese generics market. At the same time, the vision calls for Chemiphar to continue enhancing corporate value into the future and to construct a unique business model that will enable its hyperuricemia and drug research successes to flourish. At the same time, recognizing the limits to future growth in the Japanese market, the vision aims for overseas expansion, setting up an integrated system there to develop, manufacture and sell pharmaceuticals.

The recently formulated medium-term plan sets the stage for achieving these goals by further reinforcing the Company’s earnings capabilities and financial base, as well as by starting on specific measures toward future growth (Figure 1).

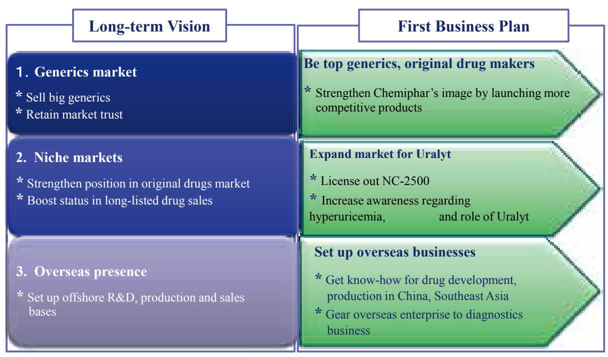


(Figure 1) Positioning of Long-Term Vision and Medium-Term Plan

In the generics business, which is our first priority, we intend to secure a leading position in terms of sales volume and product lineup by leveraging the early-mover advantage we gained as one of the first new drug manufacturers to enter this market.

Also, we will endeavor to expand the markets for hyperuricemia and Uralyt based on the successes of our clinical research. We aim to succeed in out-licensing NC-2500, a hyperuricemic treatment that we also developed in parallel ourselves.

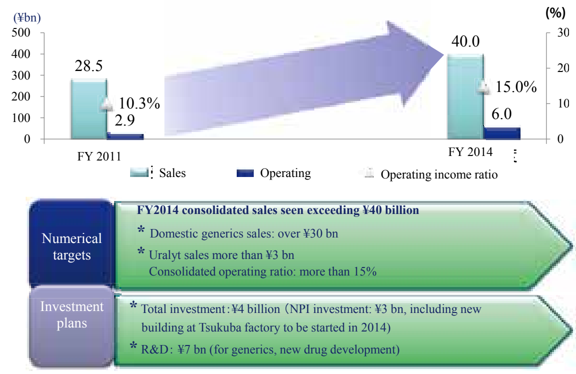
In terms of overseas expansion, we will concentrate our efforts on high-growth Asian markets, working to establish a business infrastructure that will enable us to promote business development in earnest (Figure 2).



(Figure 2) Management Targets

Our numeric goals for FY2014 are to achieve consolidated net sales of ¥40 billion or more, and we aim for generics to account for ¥30 billion of this amount. During the term of the plan, we also plan to boost the Group operating income margin to 15% or more.

With regard to investment, we plan capital expenditure amounting to ¥4.0 billion, concentrated on production facilities to heighten cost competitiveness at Nihon Pharmaceutical Industries, our subsidiary. We are also planning to invest ¥7.0 billion in R&D, including generics development and drug research (Figure 3).



(Figure 3) Management Targets

Activities for Stakeholders

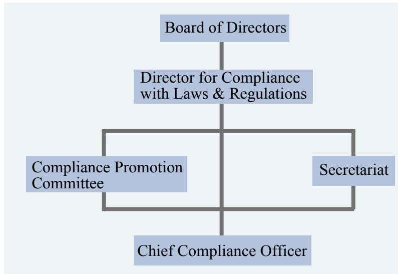
Chemiphar believes that a company must satisfy its corporate social responsibility in order to be considered a necessary part of society, and we therefore aim to contribute to human health and prosperous lifestyles by providing high-quality products and services. Here, we introduce some of our stakeholder initiatives.

Compliance

Complying with laws and corporate ethics is a top priority of our business operations. We formulate programs for compliance with laws and corporate ethics, and focus these efforts through committees on risk management, compliance with laws and regulations, and information security.

To comply with laws and respect social norms, in fiscal 2011 we revised our code of conduct, the Nippon Chemiphar Law Compliance and Conduct Standards, in line with revisions in the Japan Pharmaceutical Manufacturers Association Compliance Program Guidelines. At the same time, we formulated new regulations for internal reporting to further enhance our internal reporting system.

Compliance System



For Patients and Medical Personnel

・Initiatives to Ensure the Proper Use of Drugs

Our approximately 230 MRs are deployed nationwide, working to provide medical personnel with accurate and prompt information regarding our drugs. Also, we established toll-free Customer Support to respond to inquiries from medical personnel and patients. The data accumulated through these activities is centrally managed and can be fed back to each department to develop new and better products.

An MR providing information for a doctor

・Supporting Research Groups for Medical Personnel

We support research groups for various medical personnel, including the DPC Management Forum and the Hyperuricemia Metabolic Syndrome Research Forum.

Through these research groups, we provide medical personnel with data on diseases and other up-to-date information.

January 2012 DPC Management Forum

・Providing Information to Patients

We provide information that helps to meet medical institutions' needs by offering patient-oriented guidance.

We have also set up the "gout navi" information site, which helps patients to gain a basic understanding of hyperuricemia and gout and provides them with recipes and other useful information.

Guidance for various patients

Safety and Security Initiatives

We make every effort to ensure the product quality of our generics, and have in place extensive systems for providing information about these drugs. We are also promoting initiatives to ensure that product information is easily legible and that drugs are easy to use.

These are only a few of a host of initiatives we pursue to ensure the safety and security of medical professionals and patients alike. We aim to reinforce these measures going forward.

(Please refer to page 11 for further details on our safety and security initiatives.)

Social Contributions

・Collecting PET Bottle Caps

We have started collecting polyethylene terephthalate (PET) bottle caps at our headquarters. A collection box is located on each floor, and collected caps are provided to Eco-Cap Promotional Committee, an NPO, which offers medical support in developing countries.

Some 8,000 PET bottle caps were collected between the start of this activity in November 2011 and March 2012. The funds raised were used to provide vaccines to 10 people in developing countries. Providing these caps for collection also reduced equivalent CO_2 emissions by around 63kg.


Collected PET bottle caps

・Clean-up Activities around Office and Factories

Once each month, Chemiphar's Soka office clears away trash from the banks of the Nakagawa River. Traffic in this area is high, and trash tends to accumulate and gather here, so clean-up activities help to prevent people from being hurt by empty cans and bottles. Our cleanup area measures roughly 300m north to south and 30m east to west.

We also conduct regional beautification activities three times each year around the Tsukuba factory of Nihon Pharmaceutical Industry Co., Ltd., a Group company.


Nakagawa River clean-up campaign

・Cooperating with Blood Donations

We began conducting corporate blood donations at our Soka office in FY2010. This year, we held blood drives in September 2011 and February 2012, with around 30 people giving blood each time.


Blood donation at the laboratories in Saitama

・Providing a Playing Ground Free of Charge at the NPI Tsukuba Factory

At the Tsukuba factory, we provide a field for the local baseball team free of charge.


We provide a field for a baseball team

For Employees

・Nurturing Careers

We have introduced an extensive training program for each job category and depending on the employee's age. Additionally, to nurture careers, we conduct annual surveys and meetings with management for employees to support their career path according to their aspirations and aptitude.

Group discussion during new employee training

・Supporting a Balance between Work and Home Life

To balance work with childcare and nursing care, we have established provisions for childcare and nursing care leave. Twelve employees have used this childcare-leave system in the last three years.

・Sexual Harassment Prevention Manual

To prevent sexual harassment within and outside the organization, we have put together a manual and instruction course. We also established our reporting and counseling systems, and built internal systems for prevention and improvement.

Environmental Initiatives

・ISO 14001

NPI's Tsukuba factory obtained international environmental certification under ISO 14001 in 2002. We set up an Environmental Committee, which is tasked with moving the Group toward more environmentally friendly management systems.

Main initiatives:

・Document environmental policies, distribute to all employees and disseminate information, conduct appropriate education and training.

・Effectively reduce electricity and kerosene consumption to prevent global warming.

・To use resources efficiently, encourage and promote awareness of proper separation and achieve 100% recycling of reusable polyethylene and paper waste.

・Promote reduced water usage to prevent the depletion of resources.

・Strive to prevent environmental pollution caused by chemical substances.

Nihon Pharmaceutical Industries Tsukuba factory

Introducing Hybrid Cars

To reduce CO_2 emissions, we have introduced eight hybrid cars to our fleet. We aim for our business operations to have a low environmental impact. We will continue to introduce such measures as is deemed necessary.

Hybrid car

Directors, Statutory Auditors and Corporate Officers

(As of June 28, 2012)

Back to left: Naoshige Shindou, Tsuyoshi Takahashi, Haruki Mori, Yoshiyuki Maki, Yasushi Hatakeda
Front to left: Masaaki Hatakeyama, Tomio Yamakawa, Masanori Kutsuwada, Hiromichi Yata, Kazushiro Yamaguchi, Yasuo Kishi, Tsuyoshi Koyama, Masahide Yasumoto

President and CEO	Kazushiro Yamaguchi	Corporate Auditor (full time)	Haruki Mori
DIrector and Senior Managing Corporate Officer	Hiromichi Yata	Corporate Auditor	Tsuyoshi Takahashi
Director and Managing Corporate Officer	Yasuo Kishi	Corporate Auditor	Naoshige Shindou
Director and Corporate Officer	Masanori Kutsuwada		
Director and Corporate Officer	Tsuyoshi Koyama	Corporate officer	Yoshiyuki Maki
Director and Corporate Officer	Tomio Yamakawa	Corporate officer	Yasushi Hatakeda
Director and Corporate Officer	Masahide Yasumoto		
Director	Masaaki Hatakeyama		

Consolidated Financial Section

This section is a reformatted version of the Japanese financial data. The information was audited in its original Japanese form.

Consolidated Balance Sheets

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash and deposits (Notes 3 and 15)	**¥ 6,677**	¥ 5,068	**$ 81,298**
Notes and accounts receivable-trade (Note 3)	**9,068**	8,344	**110,410**
Allowance for doubtful accounts	**(0)**	(1)	**(0)**
Inventories	**4,047**	2,896	**49,276**
Deferred tax assets (Note 11)	**657**	686	**7,999**
Other	**112**	105	**1,364**
Total current assets	**20,561**	17,098	**250,347**
Property, plant and equipment:			
Land	**5,550**	5,550	**67,576**
Buildings	**11,236**	11,137	**136,807**
Machinery, equipment and vehicles	**4,073**	4,081	**49,592**
Tools, furniture and fixtures	**1,658**	1,854	**20,188**
Lease assets (Note 10)	**632**	467	**7,695**
Construction in progress	**—**	41	**—**
	23,149	23,130	**281,858**
Accumulated depreciation	**(13,006)**	(13,076)	**(158,359)**
Net property, plant and equipment	**10,143**	10,054	**123,499**
Investments and other assets:			
Investment securities (Notes 3 and 4)	**938**	1,036	**11,421**
Long-term loans receivable	**8**	7	**97**
Long-term prepaid expenses	**15**	—	**183**
Goodwill	**519**	693	**6,319**
Intangible assets	**143**	71	**1,741**
Deferred tax assets (Note 11)	**311**	339	**3,787**
Lease and guarantee deposits	**105**	121	**1,279**
Long-term deposits (Note 3)	**800**	1,100	**9,741**
Deferred assets	**234**	247	**2,849**
Other	**14**	20	**170**
Total investments and other assets	**3,087**	3,634	**37,587**
Total assets	**¥33,791**	¥30,786	**$411,433**

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Current liabilities:			
Short-term loans payable (Note 3)	**¥ 540**	¥ 992	**$ 6,575**
Current portion of bonds (Note 6)	**370**	470	**4,505**
Current portion of long-term loans payable (Note 6)	**2,880**	2,596	**35,066**
Lease obligations (Note 10)	**136**	86	**1,656**
Notes and accounts payable-trade (Note 3)	**4,982**	4,235	**60,660**
Notes payable-facilities	**225**	176	**2,740**
Accrued expenses	**2,174**	1,865	**26,470**
Income taxes payable (Note 11)	**833**	675	**10,142**
Provision for sales promotion expenses	**316**	317	**3,848**
Other	**415**	624	**5,053**
Total current liabilities	**12,871**	12,036	**156,715**
Non-current liabilities:			
Bonds payable (Notes 3 and 6)	**735**	1,105	**8,949**
Long-term loans payable (Notes 3 and 6)	**7,042**	5,801	**85,742**
Lease obligations (Note 10)	**436**	325	**5,308**
Provision for retirement benefits (Note 7)	**784**	678	**9,546**
Provision for directors' retirement benefits	**290**	278	**3,531**
Deferred tax liabilities for land revaluation	**1,392**	1,589	**16,949**
Other	**10**	10	**122**
Total long-term liabilities	**10,689**	9,786	**130,147**
Net assets (Note 9):			
Capital stock:			
Authorized: 154,000,000 shares			
Issued: 42,614,205 shares in 2012 and 2011	**4,305**	4,305	**52,417**
Capital surplus	**1,297**	1,297	**15,792**
Retained earnings	**2,835**	1,523	**34,519**
Treasury stock	**(470)**	(164)	**(5,723)**
Sub total	**7,967**	6,961	**97,005**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**27**	(35)	**329**
Revaluation surplus of land	**2,230**	2,033	**27,152**
Total accumulated other comprehensive income	**2,257**	1,998	**27,481**
Subscription rights to shares	**7**	5	**85**
Minority interests	**—**	0	**—**
Total net assets	**10,231**	8,964	**124,571**
Total liabilities and net assets	**¥33,791**	¥30,786	**$411,433**

See notes to consolidated financial statements.

Consolidated Statements of Income

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales (Note 18)	**¥28,514**	¥27,361	**$347,181**
Cost of sales	**12,872**	12,990	**156,727**
Gross profit	**15,642**	14,371	**190,454**
Selling, general and administrative expenses (Note 12)	**12,719**	12,372	**154,864**
Operating income	**2,923**	1,999	**35,590**
Other income (expenses):			
Interest and dividends income	**29**	30	**353**
Interest expenses	**(220)**	(229)	**(2,679)**
Loss on valuation of investment securities	**—**	(304)	**—**
Loss on disaster (Note 13)	**(40)**	(43)	**(487)**
Loss on disposal of fixed assets	**(71)**	1	**(864)**
Insurance receipts	**64**	—	**779**
Other, net	**14**	(38)	**170**
	(224)	(583)	**(2,728)**
Income before income taxes and minority interests	**2,699**	1,416	**32,862**
Income taxes (Note 11)			
Current	**1,234**	935	**15,025**
Deferred	**25**	(172)	**304**
	1,259	763	**15,329**
Income before minority interests	**1,440**	653	**17,533**
Minority interests in income	**(0)**	80	**(0)**
Net income	**¥ 1,440**	¥ 573	**$ 17,533**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interest	**¥1,440**	¥653	**$17,533**
Valuation difference on available-for-sale securities	**61**	150	**743**
Revaluation surplus of land	**197**	—	**2,399**
Other comprehensive income	**258**	150	**3,141**
Comprehensive income	**1,698**	803	**20,674**
Comprehensive income attributable to:			
Owners of the parent	**1,698**	722	**20,674**
Minority interests	**0**	81	**0**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2012 and 2011

	Millions of Yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation surplus of land	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2010	¥4,305	¥ —	¥1,065	¥(159)	¥5,211	¥(183)	¥2,033	¥1,850	¥4	¥ 801	¥7,866
Net income			573		573						573
Increase due to share exchange		1,297			1,297						1,297
Dividends from surplus			(115)		(115)						(115)
Purchase of treasury stock				(5)	(5)						(5)
Disposal of treasury stock			(0)	0	0						0
Net changes of items other than shareholders' equity						148		148	1	(801)	(652)
Total changes of items during the year		1,297	458	(5)	1,750	148		148	1	(801)	1,098
Balance at March 31, 2011	¥4,305	¥1,297	¥1,523	¥(164)	¥6,961	¥ (35)	¥2,033	¥1,998	¥5	¥ 0	¥8,964

	Millions of Yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation surplus of land	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2011	¥4,305	¥1,297	¥1,523	¥(164)	¥6,961	¥(35)	¥2,033	¥1,998	¥5	¥ 0	¥ 8,964
Net income			**1,440**		**1,440**						**1,440**
Dividends from surplus			**(127)**		**(127)**						**(127)**
Purchase of treasury stock				**(307)**	**(307)**						**(307)**
Disposal of treasury stock		**(0)**		**0**	**0**						**0**
Net changes of items other than shareholders' equity						**61**	**197**	**259**	**2**	**(0)**	**260**
Total changes of items during the year		**(0)**	**1,313**	**(307)**	**1,006**	**61**	**197**	**259**	**2**	**(0)**	**1,266**
Balance at March 31, 2012	**¥4,305**	**¥1,297**	**¥2,835**	**¥(470)**	**¥7,967**	**¥ 27**	**¥2,230**	**¥2,257**	**¥ 7**	**¥ —**	**¥10,231**

	Thousands of U.S. dollars										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation surplus of land	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2011	$52,417	$15,792	$18,532	$(1,985)	$84,756	$(414)	$24,753	$24,339	$61	$ 0	$109,156
Net income			**17,533**		**17,533**						**17,533**
Dividends from surplus			**(1,546)**		**(1,546)**						**(1,546)**
Purchase of treasury stock				**(3,738)**	**(3,738)**						**(3,738)**
Disposal of treasury stock		**(0)**		**0**	**0**						**0**
Net changes of items other than shareholders' equity						**743**	**2,399**	**3,142**	**24**	**(0)**	**3,166**
Total changes of items during the year		**(0)**	**15,987**	**(3,738)**	**12,249**	**743**	**2,399**	**3,142**	**24**	**(0)**	**15,415**
Balance at March 31, 2012	**$52,417**	**$15,792**	**$34,519**	**$(5,723)**	**$97,005**	**$ 329**	**$27,152**	**$27,481**	**$85**	**$—**	**$124,571**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	**¥ 2,699**	¥ 1,416	**$ 32,862**
Depreciation and amortization	**754**	782	**9,181**
Amortization of goodwill	**173**	152	**2,106**
Increase in allowance for doubtful accounts	**22**	2	**268**
(Decrease) increase in provision for sales promotion expenses	**(1)**	18	**(12)**
Increase in provision for retirement benefits	**105**	57	**1,278**
Increase in provision for directors' retirement benefits	**12**	24	**146**
Interest and dividend income	**(29)**	(30)	**(353)**
Interest expenses	**221**	229	**2,691**
Loss on retirement of noncurrent assets	**87**	10	**1,059**
Loss on valuation of investment securities	**—**	304	**—**
Increase in notes and accounts receivable-trade	**(724)**	(252)	**(8,815)**
(Increase) decrease in inventories	**(1,151)**	369	**(14,014)**
Increase in other current assets	**(0)**	(1)	**(0)**
Increase in notes and accounts payable-trade	**746**	427	**9,083**
Increase in other current liabilities	**175**	19	**2,131**
(Decrease) increase in consumption taxes payable	**(65)**	20	**(791)**
(Increase) decrease in long-term prepaid expenses	**(15)**	3	**(183)**
Other, net	**11**	45	**134**
Subtotal	**3,020**	3,594	**36,771**
Interest and dividends income received	**31**	32	**378**
Interest expenses paid	**(219)**	(232)	**(2,667)**
Income taxes paid	**(1,079)**	(646)	**(13,138)**
Net cash provided by operating activities	**1,753**	2,748	**21,344**
Net cash provided by (used in) investing activities:			
Payment into time deposits	**(80)**	(51)	**(974)**
Proceeds from withdrawal of time deposits	**60**	48	**731**
Purchases of property, plant and equipment	**(694)**	(539)	**(8,450)**
Purchases of investment securities	**(4)**	(4)	**(49)**
Proceeds from sales of investment securities	**198**	—	**2,411**
Payment of loans receivable to employees	**(4)**	(4)	**(49)**
Proceeds from collection of lease and guarantee deposits	**20**	17	**243**
Proceeds from withdrawal of long-term deposits	**500**	—	**6,088**
Payment into time deposits	**(200)**	(100)	**(2,435)**
Other payments	**(18)**	(8)	**(219)**
Other, net	**(5)**	1	**(61)**
Net cash used in investing activities	**(227)**	(640)	**(2,764)**
Net cash provided by (used in) financing activities:			
Net decrease in short-term loans payable	**(452)**	(117)	**(5,503)**
Proceeds from long-term loans payable	**4,500**	2,000	**54,791**
Repayment of long-term loans payable	**(2,974)**	(2,632)	**(36,211)**
Proceeds from issuances of bonds	**—**	500	**—**
Redemption of bonds	**(470)**	(510)	**(5,723)**
Purchases of treasury stock	**(307)**	(3)	**(3,738)**
Cash dividends paid	**(127)**	(115)	**(1,546)**
Other, net	**(107)**	(72)	**(1,303)**
Net cash provided by (used in) financing activities	**63**	(949)	**767**
Net increase in cash and cash equivalents	**1,589**	1,159	**19,347**
Cash and cash equivalents, at beginning of year	**5,009**	3,850	**60,989**
Cash and cash equivalents, at end of year (Note 15)	**¥ 6,598**	¥ 5,009	**$ 80,336**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Chemiphar Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which differ in certain aspects of application and disclosure requirements from international financial reporting standards.

The consolidated financial statements issued domestically have undergone certain reclassifications and rearrangements in order that they might be presented in a form with which readers outside Japan are more familiar. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Chemiphar Co., Ltd. (the Company) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.13 to US$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representation that the Japanese yen amounts could be converted to U.S. dollars at that or any other rate.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2012, include the accounts of the Company and its three (three in 2011) subsidiaries (together, the Group).

Under the control or influence concept, those companies in the operations of which the Company, directly or indirectly, is able to exercise control are fully consolidated. The companies over which the Group exercises significant influence are accounted for by the equity method.

Investments in one (one in 2011) affiliated company is accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group have been eliminated.

b. Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, demand deposits and other short-term investments with an original maturity of three months from the date of acquisition.

c. Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

Inventories of the Company and its consolidated subsidiaries are stated at cost determined by the first-in, first-out method.

d. Investment securities

In accordance with the accounting standard for financial instruments, the securities held by the Group are classified as (1) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of valuation and translation adjustments under net assets; and (2) investments in affiliates not accounted for by the equity method, which are stated at cost.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

e. Allowance for doubtful accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate, based on past credit loss experience and an evaluation of potential losses in receivables outstanding.

f. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on and after April 1, 1998.

g. Intangible assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method.

Amortization of goodwill purchased is computed by the straight-line method over 5 years.

h. Deferred charges

Bond issuance costs are equally amortized over the years until the maturing dates.

i. Land revaluation

Under the Law of Land Revaluation, the Company revalued the land owned for its business use on March 31, 2000, based on the enforcement ordinance concerning revaluation of land. The resulting revaluation surplus of land represents unrealized appreciation of land and is stated, net of income taxes, as a component of valuation and translation adjustments under net assets, and its related deferred tax liabilities are recorded under long-term liabilities. The difference between the carrying amount and its fair value at March 31, 2012 and 2011 was ¥1,348 million ($16,413 thousand) and ¥1,304 million, respectively.

j. Loss on impairment of fixed assets

In accordance with the accounting standard for impairment of fixed assets, the Company and its consolidated subsidiaries periodically review their fixed assets for impairment by grouping them in income-generating units whenever there is any indication of a significant decline in the fair value against book value based on an independent appraisal. When the existence of any impairment for the group of the assets is identified, an impairment loss will be recognized and such amount is directly deducted from the related assets.

k. Provision for retirement benefits

Pursuant to the Japanese accounting standard for employees' retirement benefits, the Company and its consolidated subsidiaries recorded the liability for retirement benefits as of March 31, 2012 and 2011, based on projected benefit obligations and the fair value of the pension plan assets at those dates. The actuarial gains or losses are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over the average remaining years of service of the eligible employees (11 years in 2012 and 2011).

l. Provision for directors' retirement benefits

Provision for directors' retirement benefits is recorded based on the estimated amount calculated in accordance with Company rules.

m. Provision for sales promotion expenses

Provision for sales promotion expenses is recorded based on the latest results to provide for future payment of sales promotion expenses in connection with the products and goods sold by the end of the current fiscal year.

n. Leases

Leased assets under finance leases commencing after March 31, 2008 are capitalized except for certain immaterial or short-term finance leases, which are accounted for as operating leases. Finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases.

o. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. Consumption tax

Consumption tax imposed on the Company's and its subsidiaries' sales to customers is withheld by the Company and its subsidiaries at the time of sale and subsequently paid to the government. This consumption tax is not included in net sales in the accompanying statements of income, but is recorded as a liability, consumption tax payable. Consumption tax that is paid by the Company and its subsidiaries on the purchases of goods and services from outside the Group is also not included in costs or expenses in the accompanying statements of income, but is offset against consumption tax payable. The net balance is reflected as consumption tax payable under other current liabilities in the accompanying consolidated balance sheets at March 31, 2012 and 2011.

q. Appropriation of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

r. Derivatives and hedging activities

The Company has time deposits with options and interest rate swap contracts, but does not enter into derivatives for trading or speculative purposes. The exposure of time deposits with options is limited to the interest amounts to be received, while interest rate swaps are utilized to hedge the interest rate exposure of long-term debt and are accounted for by the hedge accounting method. Because the counterparties to these derivatives are limited to financial institutions with a high credit rating, the Company does not anticipate any losses arising from credit risk.

s. Per-share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed since there are no potential shares outstanding.

Effective from the year ended March 31, 2012, the Company and its subsidiaries have applied the "Accounting Standard for Earning Per Share" (Accounting Standards Board of Japan ("ASBJ") Statement No.2 of June 30, 2010), the "Guidance on Accounting Standard for Earning Per Share" (ASBJ Guidance No.4 of June 30, 2010). To calculate diluted net income per share, the Company and its subsidiaries have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment. See Note 14 for the influence of this change.

t. Application of accounting standards

Accounting Standards for Accounting Changes and Error Corrections

The Company and its subsidiaries have applied "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan("ASBJ Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. FINANCIAL INSTRUMENTS

(1) Qualitative information on financial instruments

a. Policies for using financial instruments

The Company and its subsidiaries limit their investment of temporary surpluses to highly secure financial assets and raise the funds through loans from banks and other institutions and by issuing corporate bonds. Derivatives are employed to hedge against the risks described below; the Company and its subsidiaries do not engage in speculative transactions.

b. Policies and systems for risk management

Notes and accounts receivable, which are claimable assets, involve credit risks on the part of customers. With regard to claimable assets, the Company and its subsidiaries manage claimable assets by transaction partners according to due date and balance.

Investment securities are subject to market price fluctuation risk. Regarding these risks, the Company and its subsidiaries have in place a system to determine periodically for each company the fair value and the financial condition of the issuer.

Trade notes and accounts payable, which are trade liabilities, generally arise in the course of operating activities, and the majority of these are payable within one year.

Long-term loans payable and bonds payable are principally taken out to fund long-term working capital. Floating-rate loans are subject to interest rate fluctuation risk, but for long-term loans the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, employing derivative transactions (interest rate swap transactions) to hedge against such risk.

Trade liabilities and loans are subject to liquidity risk. To manage this risk, the Company and each of its subsidiaries create cash flow plans monthly

c. Supplemental information on fair values

The fair value of financial instruments is based on their market value. The fair value of financial instruments that have no available market value is determined by using a rational method of calculation. However, as variables are inherent in these value calculations, the resulting values may differ if different assumptions are used. Also, market risk related to derivative financial instruments is not included in the contract amounts of those instruments.

d. Concentration of credit risk

As of March 31, 2012 and 2011, 49.4% and 52.5% of operating receivables were due from specific major customers, respectively.

(2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2012 and 2011, are the following.

Assets	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Carrying value			
Cash and deposits	**¥ 6,677**	¥ 5,068	**$ 81,298**
Notes and account receivable–trade	**9,068**	8,344	**110,410**
Investment securities	**866**	972	**10,544**
Long-term deposits	**800**	1,100	**9,741**
Total	**17,411**	15,484	**211,993**
Fair value			
Cash and deposits	**6,677**	5,068	**81,298**
Notes and account receivable–trade	**9,068**	8,344	**110,410**
Investment securities	**866**	972	**10,544**
Long-term deposits	**669**	948	**8,146**
Total	**17,280**	15,332	**210,398**
Difference			
Cash and deposits	**—**	—	**—**
Notes and account receivable–trade	**—**	—	**—**
Investment securities	**—**	—	**—**
Long-term deposits	**(131)**	(152)	**(1,595)**
Total	**¥ (131)**	¥ (152)	**$ (1,595)**

Liabilities	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Carrying value			
Notes and account payable–trade	**¥ 4,982**	¥ 4,235	**$ 60,660**
Short-term loans payable	**540**	992	**6,575**
Bonds payable	**1,105**	1,575	**13,454**
Long-term loans payable	**9,923**	8,396	**120,821**
Total	**16,550**	15,198	**201,510**
Fair value			
Notes and account payable–trade	**4,982**	4,235	**60,660**
Short-term loans payable	**540**	992	**6,575**
Bonds payable	**1,114**	1,573	**13,564**
Long-term loans payable	**9,705**	8,437	**118,166**
Total	**16,341**	15,237	**198,965**
Difference			
Notes and account payable–trade	**—**	—	**—**
Short-term loans payable	**—**	—	**—**
Bonds payable	**(9)**	2	**(110)**
Long-term loans payable	**218**	(41)	**2,655**
Total	**¥ 209**	¥ (39)	**$ 2,545**

Method of calculating the fair value of financial instruments and matters related to available-for-sale securities and derivative transactions.

a. Cash and deposits and notes and account receivable–trade

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

b. Investment securities

The fair values of equity securities are determined by their prices on stock exchanges. See Note 4 for the description of securities by classification.

c. Long-term deposits

These amounts are based on valuations provided by financial institutions. For differences, only the "fair valuation amounts of derivative portions" are indicated in the table. These differences have minimal impact on profits and losses at the time of maturity.

d. Notes and account payable–trade and short-term loans payable

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

e. Bonds payable

For the fair values of bonds, the total amount of principal and interest is discounted to present value using the assumed rate of interest on newly issued bonds of the same type.

f. Long-term loans payable

For the fair values of long-term loans, the total amount of principal and interest is discounted to present value using the assumed rate of interest on new loans of the same type. The fair value of long-term debt is determined by discounting the total amount of principal and interest by the assumed interest rate on new borrowings of the same type. Exceptional accounting is employed on interest rate swaps on long-term debt with floating interest rates.

Financial instruments for which fair value is not readily determinable

The fair value of unlisted equity securities with a carrying amount of ¥71 million ($864 thousand) and ¥64 million as of March 31, 2012 and 2011, respectively, are not readily determinable.

Redemption schedule for receivables with maturity dates as of March 31, 2012, are summarized as follows:

	Millions of yen			
	2012			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Cash and deposits	**¥ 6,677**	**¥ —**	**¥ —**	**¥ —**
Notes and account receivable–trade	**9,068**	**—**	**—**	**—**
Long-term deposits	**—**	**200**	**100**	**500**
Total	**¥ 15,745**	**¥ 200**	**¥ 100**	**¥ 500**

	Thousands of U.S. dollars			
	2012			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Cash and deposits	**$ 81,298**	**$ —**	**$ —**	**$ —**
Notes and account receivable–trade	**110,410**	**—**	**—**	**—**
Long-term deposits	**—**	**2,435**	**1,218**	**6,088**
Total	**$ 191,708**	**$ 2,435**	**$ 1,218**	**$ 6,088**

4. INVESTMENT SECURITIES

Investment securities at March 31, 2012 and 2011 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Available-for-sale securities:			
Marketable equity securities	**¥813**	¥ 916	**$ 9,899**
Unlisted equity securities	**72**	64	**877**
Others	**53**	56	**645**
Total	**¥938**	¥1,036	**$11,421**

The carrying amounts and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
March 31, 2012				
Available-for-sale:				
Value posted in consolidated balance sheets exceeds acquisition price	**¥291**	**¥94**	**¥ —**	**¥385**
Acquisition price exceeds value posted in consolidated balance sheets	**462**	**—**	**34**	**428**
Other	**63**	**—**	**10**	**53**
	¥816	**¥94**	**¥ 44**	**¥866**

	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Fair Value
March 31, 2012				
Available-for-sale:				
Value posted in consolidated balance sheets exceeds acquisition price	**$3,543**	**$1,145**	**$ —**	**$4,688**
Acquisition price exceeds value posted in consolidated balance sheets	**5,625**	**—**	**414**	**5,211**
Other	**767**	**—**	**122**	**645**
	$9,935	**$1,145**	**$536**	**$10,544**

	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
March 31, 2011				
Available-for-sale:				
Value posted in consolidated balance sheets exceeds acquisition price	¥ 124	¥51	¥ —	¥ 175
Acquisition price exceeds value posted in consolidated balance sheets	825	—	84	741
Other	67	—	11	56
	¥1,016	¥51	¥95	¥972

The sales amounts of investment securities sold and amounts of the related gains or losses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total sales of investment securities sold	**¥198**	¥—	**$2,411**
Related gains	**—**	—	**—**
Related losses	**1**	—	**12**

There were no impairment losses on investment securities for the year ended March 31, 2012. The impairment loss on investment securities for the year ended March 31, 2011 was ¥304 million.

5. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company has applied hedge accounting for interest rate swap contracts to hedge risks of changes of floating interest rate on long-term debt. The contract amount is ¥2,977 million ($36,247 thousand) and the amount of the contracts which term is more than one year is ¥1,480 million ($18,020 thousand). Interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Therefore, the fair value of long-term debt includes the fair value of the interest swap contracts.

6. LONG-TERM DEBTS

Long-term debts at March 31, 2012 and 2011, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Corporate bonds	**¥ 1,105**	¥ 1,575	**$ 13,454**
Long-term loans	**9,923**	8,396	**120,821**
Total long-term debts	**11,028**	9,971	**134,275**
Less: current portion	**(3,250)**	(3,065)	**(39,571)**
	¥ 7,778	¥ 6,906	**$ 97,704**

Corporate bonds at March 31, 2012 and 2011, comprised the following:

Balance at March 31			Millions of yen		Thousands of U.S. dollars	Interest rate	
Issued by	Type	Issue date	**2012**	2011	**2012**	(%)	Maturity
Nippon Chemiphar Co., Ltd.	4th unsecured bonds	Dec. 29, 2006	—	100	—	1.30	Dec. 29, 2011
	5th unsecured bonds	Mar. 31, 2009	**200**	300	**2,435**	1.10	Mar. 31, 2014
	6th unsecured bonds	Dec. 30, 2009	**300**	400	**3,653**	0.71	Dec. 30, 2014
	7th unsecured bonds	Sep. 30, 2010	**350**	450	**4,261**	0.57	Sep. 30, 2015
Nihon Pharmaceutical Industry Co. Ltd.	3rd unsecured bonds	Oct 31, 2007	**255**	325	**3,105**	1.40	Apr. 30, 2015
Total			**¥1,105**	¥1,575	**$13,454**		

Note: Balance at March 31, 2012, includes current portion amounting to ¥370 million ($4,505 thousand).

The aggregated annual maturities of bonds are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥370	$4,505
2014	370	4,505
2015	270	3,287
2016	95	1,157
2017	—	—

Long-term loans at March 31, 2012 and 2011 comprised the following:

Balance at March 31	Millions of yen		Thousands of U.S. dollars	Interest rate	Repayment
	2012	2011	**2012**	(%)	Term
Current portion of long-term loans	**¥2,880**	¥2,596	**$ 35,066**	1.3	—
Long-term loans	**7,042**	5,801	**85,742**	1.4	2014–2018
Total	**¥9,923**	¥8,397	**$120,808**		

The aggregated annual maturities of long-term loans are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥2,444	$29,758
2015	1,653	20,127
2016	1,104	13,442
2017	1,715	20,882
2018	126	1,533

The long-term loans include syndicate loan agreements amounting to ¥2,400 million ($29,222 thousand) and ¥3,600 million at March 31, 2012 and 2011, respectively. The agreement includes the following financial restriction provisions:

a. Operating income and ordinary income in the statements of income should not be negative for two consecutive years.
b. The amount of shareholders' equity in the balance sheets at every year end should be more than 75% of the level at March 31, 2008.

If the Company or the Group fails to comply with the provisions, the Company is required to repay the principal and related interest expenses on all the contractual liabilities.

In addition, the Company has entered into commitment agreements with four financial institutions to enable efficient fund-raising activities. The status of the commitments based on the agreements at March 31, 2012, was as follows:

	Millions of yen	Thousands of U.S. dollars
Aggregated commitment amounts	**¥3,000**	**$36,527**
Used	**—**	**—**
Unused balance	**¥3,000**	**$36,527**

7. PROVISION FOR RETIREMENT BENEFITS

The Company and its consolidated subsidiaries have defined benefit pension plans, including a welfare pension fund and a defined benefit corporate pension plan and lump-sum payment plans for retirement benefits. In certain cases, additional severance indemnities may be paid to certain employees.

The Company changed its qualified retirement pension system to a defined benefit pension system on October 1, 2009.

The liability for employees' retirement benefits at March 31, 2012 and 2011, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥(4,913)**	¥(4,958)	**$(59,820)**
Fair value of plan assets	**3,291**	3,367	**40,071**
Funded status	**(1,622)**	(1,591)	**(19,749)**
Unrecognized actuarial net loss	**1,002**	1,094	**12,200**
Unrecognized prior service cost	**(163)**	(181)	**(1,985)**
Reserve for employees' retirement benefits	**¥ (783)**	¥ (678)	**$ (9,534)**

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥450**	¥388	**$5,479**
Interest cost	**75**	105	**913**
Expected return on plan assets	**(84)**	(85)	**(1,023)**
Recognized actuarial loss	**153**	101	**1,863**
Amortization of prior service cost	**(17)**	(17)	**(207)**
Net periodic retirement benefit costs	**¥577**	¥492	**$7,025**

Assumptions used for the years ended March 31, 2012 and 2011, were set forth as follows:

	2012	2011
Discount rate	**1.6%**	1.6%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**11 years**	11 years
Recognition period of prior service cost	**11 years**	11 years

8. STOCK OPTIONS

The stock option-related expense recognized and included in selling, general and administrative expenses for the year ended March 31, 2012 and 2011, are ¥2 million ($24 thousand) and ¥1 million, respectively.

Following are details of the stock options the Company has as of March 31, 2012.

Number of grantees	6 directors 8 employees
Number of options	Common stock—41,000 shares
Date of grant	August 4, 2008
Exercisable period	August 5, 2011—August 4, 2014
Exercise price	¥516 ($6.28)
Fair value at grant date	¥146 ($1.78)

Number of grantees	6 directors 5 employees
Number of options	Common stock—72,000 shares
Date of grant	August 2, 2011
Exercisable period	August 3, 2014—August 2, 2017
Exercise price	¥332 ($4.04)
Fair value at grant date	¥85 ($1.03)

The assumptions used to measure the fair value of the Stock options of the Company granted for the year ended March 31, 2012.
Estimation method: Dividend-modified Black-Scholes model with following assumptions:

Volatility of stock price	39.4%
Estimated remaining outstanding period (in years)	4.5 years
Estimated dividend yield	¥3 ($0.04) per share
Risk free interest rate	0.34%

9. NET ASSETS

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Companies Act (the Act), in cases where a dividend distribution of a surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earning reserve and additional paid in capital could be used to eliminate or reduce a deficit or could be capitalized by resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and the entire legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

10. LEASE TRANSACTIONS

The Group leases certain equipment and other assets. Total lease payments for the years ended March 31, 2012 and 2011, were ¥82 million ($998 thousand) and ¥125 million, respectively. Pro forma information on leased property, such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an as-if-capitalized basis for the years ended March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition cost:			
Machinery, equipment and vehicles	**¥ 46**	¥130	**$ 560**
Tools, furniture and fixtures	**78**	229	**950**
Other (software, etc.)	**4**	151	**49**
Total acquisition cost	**128**	510	**1,559**
Accumulated depreciation	**106**	406	**1,291**
Net leased property	**¥ 22**	¥104	**$ 268**

The above acquisition cost includes related interest expenses as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Obligations under finance leases:			
Due within one year	**¥18**	¥ 82	**$219**
Due after one year	**4**	22	**49**
Total	**¥22**	¥104	**$268**

The above obligations under financed leases included related interest expenses.

Lease obligations at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease obligations	**¥ 572**	¥411	**$ 6,964**
Less current portion	**(136)**	(86)	**(1,656)**
Less obligations, less current portion	**¥ 436**	¥325	**$ 5,308**

The future minimum payments required at March 31, 2012, were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥126	$1,534
2015	104	1,266
2016	93	1,132
2017	61	743

11. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% and 40.7% for the years ended March 31, 2012 and 2011, respectively.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Accrued enterprise tax	**¥ 66**	¥ 57	**$ 804**
Accrued bonuses	**255**	256	**3,105**
Allowance for doubtful accounts	**26**	21	**316**
Provision for sales promotion expenses	**120**	126	**1,461**
Provision for retirement benefits	**279**	276	**3,397**
Provision for directors' retirement benefits	**104**	113	**1,266**
Unrealized loss on available-for-sale securities	**—**	21	**—**
Other	**494**	554	**6,015**
Subtotal	**1,344**	1,424	**16,364**
Less valuation allowance	**(365)**	(399)	**(4,444)**
Total	**979**	1,025	**11,920**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**11**	—	**134**
Deferred tax liabilities on revaluation of land	**1,392**	1,589	**16,949**
Total	**1,403**	1,589	**17,083**
Net deferred tax liabilities	**¥ (424)**	¥ (564)	**$ (5,163)**

The reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, were as follows:

	2012	2011
Normal effective statutory tax rate	**40.7%**	40.7%
Expenses not deductible for income tax purposes	**4.3**	8.4
Per capita inhabitant tax	**1.4**	3.0
Change in valuation allowance	**0.9**	8.0
Research and development cost tax credit	**(4.8)**	(11.0)
Reversal of deferred tax assets due to changes in the corporate income tax rate	**2.8**	—
Other–net	**1.4**	4.8
Actual effective tax rate	**46.7**	53.9

Effect of changes in the corporate income tax rate

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114,

2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and a special restoration surtax will be imposed from fiscal years beginning on or after April 1, 2012.

Accordingly, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities is indicated below, showing dates of reversal owing to temporary differences and other factors.

Temporary differences expected to be reversed from April 1, 2012 to March 31, 2015 – 38.0%
Temporary differences expected to be reversed after March 31, 2015 – 35.6%

As a result of this change, deferred tax assets and deferred tax liabilities on revaluation of land decreased by ¥75 million ($913 thousand) and ¥197 million ($2,399 thousand), respectively, and deferred income tax, valuation difference on available-for-sale securities and revaluation surplus of land increased by ¥76 million ($925 thousand), ¥2 million ($24 thousand) and ¥197 million ($2,399 thousand), respectively for the year ended March 31, 2012.

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Advertising expenses	**¥ 260**	¥ 249	**$ 3,166**
Sales promotion expenses	**3,546**	3,083	**43,175**
Traveling expenses	**483**	476	**5,881**
Salaries and allowances	**3,662**	3,725	**44,588**
Commissions	**762**	766	**9,278**
Research and development costs	**1,791**	1,879	**21,807**

13. LOSS ON DISASTER

The amount of loss on disaster was primarily a result of expenses for repairs to plant and equipment of certain consolidated subsidiaries damaged in the Great East Japan Earthquake.

14. AMOUNTS PER SHARE

Net assets per share at March 31, 2012 and 2011, and basic net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2012	2011	**2012**
Net assets	**¥248.92**	¥212.92	**$3.0308**
Basic net income	**34.62**	13.95	**0.4215**

Diluted net income per share has not been disclosed because the Company does not issue any potentially dilutive common stock equivalents.

The underlying data for the calculation of net income per share for the years ended March 31, 2012 and 2011, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Net income	**¥ 1,440**	¥ 573	**$17,533**
Net income available for distribution to shareholders of common stock	**1,440**	573	**17,533**
Weighted average number of shares of common stock outstanding (thousand shares)	**41,585**	41,094	

15. CASH AND CASH EQUIVALENTS

The reconciliation between cash and cash equivalents reported in the consolidated statements of cash flows and cash and time deposits reported in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and time deposits	**¥6,677**	¥5,068	**$81,298**
Time deposits maturing over three months	**(79)**	(59)	**(962)**
Cash and cash equivalents	**¥6,598**	¥5,009	**$80,336**

16. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following commitments and contingent liabilities at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Trade notes discounted	**907**	994	**11,043**

17. COMPREHENSIVE INCOME

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued June 30, 2010) became effective for consolidated financial statements for the fiscal years ending on or after March 31, 2011.

Each component of other comprehensive income for the year ended March 31, 2012 was the following:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Valuation difference on available-for-sale securities:		
Gains arising during the year	**¥ 93**	**$ 1,133**
Reclassification adjustments to profit or loss	**1**	**12**
Amount before income tax effect	**94**	**1,145**
Income tax effect	**(33)**	**(402)**
Total	**61**	**743**
Revaluation surplus of land:		
Surplus arising during the year	**—**	**—**
Adjustments arising during the year	**—**	**—**
Amount before income tax effect	**—**	**—**
Income tax effect	**197**	**2,399**
Total	**197**	**2,399**
Total other comprehensive income	**¥ 258**	**$ 3,141**

18. SEGMENT INFORMATION

(1) Overview of reporting segments

The Companies' reporting segments are composed of those individual business units for which separate financial information is available, about with the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated, allowing them to be examined periodically.

The Company locates its operating division at its headquarters, formulates overall strategies for the products handled by the divisions and promotes the expansion of its operations. Accordingly, the Company has established "Pharmaceutical product business", the operating division comprising its core segment, as its reporting division. The division of "Pharmaceutical product business" is engaged primarily in the manufacture and sale of pharmaceutical products.

(2) Methods of calculating sales, income or losses, assets, liabilities and other items by reporting segment

Methods of accounting for reported business segments are in principal the same as those indicated in Note 2 "Summary of Significant Accounting Policies". Income or losses of reporting statements are based on ordinary income. Income or losses between segments and transfer amounts are based on market prices.

(3) Reporting segments information of sales, profit(loss), assets, liabilities and other items for the Companies as of and for the years ended March 31, 2012 and 2011 is summarized as follows:

	Millions of yen				
	2012				
	Pharmaceutical product business	Other business	Total	Adjustment	Consolidated
Sales:					
Sales to customers	¥27,326	¥1,188	¥28,514	¥ —	¥28,514
Intersegment sales	22	137	159	(159)	—
Total sales	27,348	1,325	28,673	(159)	28,514
Segment profit (loss)	2,836	87	2,923	—	2,923
Segment asset	¥26,065	¥2,410	¥28,475	¥5,316	¥33,791
Other:					
Depreciation	685	63	748	—	748
Amortization of goodwill	173	—	173	—	173
Investments in affiliates	26	—	26	—	26
Increase in property, plant and equipment and intangible assets	754	261	1,015	—	1,015

	Thousands of U.S. dollars				
	2012				
	Pharmaceutical product business	Other business	Total	Adjustment	Consolidated
Sales:					
Sales to customers	$332,716	$14,465	$347,181	$ —	$347,181
Intersegment sales	268	1,668	1,936	(1,936)	—
Total sales	332,984	16,133	349,117	(1,936)	347,181
Segment profit (loss)	34,531	1,059	35,590	—	35,590
Segment assets	$317,362	$29,344	$346,706	$ 64,727	$411,433
Other:					
Depreciation	8,341	767	9,108	—	9,108
Amortization of goodwill	2,106	—	2,106	—	2,106
Investment in affiliates	317	—	317	—	317
Increase in property, plant and equipment and intangible assets	9,180	3,178	12,358	—	12,358

	Millions of yen				
	2011				
	Pharmaceutical product business	Other business	Total	Adjustment	Consolidated
Sales:					
Sales to customers	¥26,205	¥1,156	¥27,361	¥ —	¥27,361
Intersegment sales	14	164	178	(178)	—
Total sales	26,219	1,320	27,539	(178)	27,361
Segment profit (loss)	2,010	(11)	1,999	—	1,999
Segment assets	¥24,295	¥2,203	¥26,498	¥4,288	¥30,786
Other:					
Depreciation	719	57	776	—	776
Amortization of goodwill	152	—	152	—	152
Purchases of subsidiary company	18	—	18	—	18
Capital expenditures	549	35	584	—	584

Additional information

(4) Information about products and services

This information is omitted, as the sale of individual categories of products and services to outside customers accounts for more than 90% of net sales in the consolidated statements of income.

(5) Information about geographical areas

This information of sales by geographical areas is omitted, as sales to outside Japanese customers account for more than 90% of net sales in the consolidated statements of income. There is no property, plant and equipment outside Japan, so this information is omitted.

(6) Information about major customers

		Millions of yen		Thousands of U.S. dollars (Note 1)
Name of customer	Related segments	**2012**	2011	**2012**
Mediceo corporation	Pharmaceutical product business	**¥5,765**	¥5,613	**$70,194**
Alfresa corporation	Pharmaceutical product business	**¥5,532**	¥5,320	**$67,357**
Toho Pharmaceutical Co., Ltd.	Pharmaceutical product and other business	**¥3,319**	¥3,283	**$40,412**

(7) Amortization of goodwill and unamortized balances by reporting segment

	Millions of yen			
	2012			
	Pharmaceutical product business	Other business	Adjustment	Total
Unamortized balances of goodwill	**¥519**	—	—	—

	Thousands of U.S. dollars			
	2012			
	Pharmaceutical product business	Other business	Adjustment	Total
Unamortized balances of goodwill	**$6,319**	—	—	—

(8)

	Millions of yen			
	2011			
	Pharmaceutical product business	Other business	Adjustment	Total
Unamortized balances of goodwill	¥693	—	—	—

As the information of amortization of goodwill is reported with segment information, it has been omitted here.

19. RELATED PARTY TRANSACTIONS

The related party transactions for the years ended March 31, 2012 and 2011, and the related account balances at each fiscal year end are as follows:

		Millions of yen		Thousands of U.S. dollars
		2012	2011	**2012**
Japan Sopharchim Co., Ltd.	Purchase of merchandise and raw materials	**¥2,521**	¥2,228	**$30,695**
	Notes and accounts payable	**1,149**	1,067	**13,990**

At March 31, 2012, the Company has 5% of voting rights in Japan Sopharchim Co., Ltd., which has 16.0% (15.6% at March 31 2011) of voting rights in the Company.

In addition, the representative director of the Company has 67.5% of the voting rights in the Company.

20. RENTAL PROPERTY

The Company owns available-for-lease facilities in Tokyo and other areas. During the year ended March 31, 2012 and 2011, rental income on this real estate amounted to ¥22 million ($268 thousand) and loss of ¥5 million, respectively. Rental income is recorded in net sales, whereas leasing expenses are principally recorded as cost of sales.

Pursuant to the new accounting standard, information about fair value of rental property is disclosed as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Carrying value at the beginning of year	**¥741**	¥750	**$ 9,022**
Decrease of book value during the year	**2**	(8)	**24**
Carrying value at end of year	**744**	742	**9,059**
Fair value at end of year	**552**	573	**6,721**

(1) The carrying value represents the acquisition cost less accumulated depreciation.

(2) Fair values as of March 31, 2012 and 2011, for principal properties are primarily real estate appraisal values as determined by an outside real estate appraiser. For other properties, fair values are determined by the Company based on appraisal amounts and indices that are judged to reflect market values.

Corporate Data

(As of March 31, 2012)

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Fax: +81-3-3864-5940
URL: http://www.chemiphar.co.jp

Other Offices:
Sapporo, Sendai, Tokyo, Yokohama, Kanetsu, Nagoya, Osaka, Hiroshima, Fukuoka

Established: June 16, 1950

Capitalization:¥4,305 million

Employees: 682 (Consolidated)

Subsidiaries:
Nihon Pharmaceutical Industry Co., Ltd.
Safety Research Institute for Chemical Compounds Co., Ltd.

Affiliated Company:
Japan Sopharchim Co., Ltd.

Securities Exchange: Tokyo Stock Exchange (First Section)

Authorized Number of Shares: 154,000,000

Shares of Common Stock Issued: 42,614,205

Number of Stockholders: 6,568

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