



Salonpas®



FINANCIAL REPORT **2015**
For the Fiscal Year Ended February 28, 2015

Corporate Vision

Our commitment to treating people around the world with topical and transdermal patches

Topical and transdermal patches are simple to use, being placed on the skin to treat medical conditions. They are consistent with the latest trend of improving drug delivery in medical treatment designed to enhance people's quality of life.

Our message that medicated skin patches have a lot to offer is embodied in the word Salopathy, derived from our mainstay product SALONPAS®. Over the years we have continued to help people improve their health by leveraging our transdermal drug delivery system (TDDS) expertise to develop topical and transdermal patches mainly for pain relief and reducing inflammation.

Our basic management policy is to concentrate on and specialize in creating new pharmaceutical products and formulations adaptable to TDDS, which is the source of our competitiveness. We believe this will allow us to respond to the underlying need for health, safety, and comfort of people around the world and improve their quality of life.

We are committed to supplying pharmaceutical products capable of treating people anywhere in the world simply by applying them to the skin.

Forward-looking statements:

Statements in this financial report concerning current plans, forecasts, strategies, beliefs, and other forward-looking information related to Hisamitsu Pharmaceutical Co., Ltd., other than those of historical fact, are forecasts of future business performance based on the judgments of management at Hisamitsu Pharmaceutical Co., Ltd. in light of currently available information. Accordingly, please refrain from making investment decisions based solely on forecasts of business performance in this financial report. Actual business performance may differ significantly from these forecasts due to changes in a variety of factors.

Note:

Amounts in US dollars are included solely for convenience and are translated at a rate of ¥119.27=U.S.\$1.00, the approximate rate of exchange on February 28, 2015.

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Consolidated Financial Highlights

Years ended the last day of February

	(Millions of yen)				(Thousands of U.S. dollars)	
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2015
Net sales	137,184	137,794	142,772	150,635	156,743	1,314,186
Operating income	28,193	25,937	25,326	19,123	20,527	172,105
Ordinary income	33,236	33,494	33,051	28,910	28,489	238,861
Net income	20,956	18,439	18,809	21,357	18,784	157,491
Comprehensive income	—	17,458	24,740	34,448	32,244	270,345
Net assets	141,222	149,263	167,933	196,308	222,054	1,861,776
Total assets	194,787	192,838	214,141	251,852	285,440	2,393,225
Net assets per share (yen and dollars)	1,618.69	1,730.22	1,951.54	2,281.40	2,580.02	21.63
Net income per share (yen and dollars)	241.80	215.09	219.56	249.30	219.28	1.83
Diluted net income per share (yen and dollars)	—	—	—	—	—	—
Shareholders' equity ratio (%)	72.0	76.9	78.1	77.6	77.4	—
Return on equity (ROE) (%)	15.5	12.8	11.9	11.8	9.0	—
Price-earnings ratio (PER) (times)	13.6	17.1	24.5	19.1	20.4	—
Net cash provided by operating activities	36,342	25,558	32,485	35,845	23,232	194,785
Net cash used in investing activities	(8,248)	(15,473)	(7,946)	(5,843)	(8,945)	(74,998)
Net cash used in financing activities	(15,659)	(13,010)	(9,288)	(6,476)	(7,036)	(58,992)
Cash and cash equivalents, end of year	37,654	34,222	50,860	77,780	88,614	742,970
Number of employees [average temporary staff]	2,635 [415]	2,718 [503]	2,826 [610]	2,949 [625]	2,942 [626]	— [—]

Notes: 1. Net sales do not include consumption tax.

2. Diluted net income per share is not listed due to the absence of residual securities.

To Our Stakeholders

We would like to express our sincere appreciation for our investors' continued patronage and support.

We hereby report the overview of operations and financial results for the 113th fiscal year (from March 1, 2014 to February 28, 2015).

With regard to domestic business conditions, while the ethical pharmaceuticals business saw a decrease in revenue due to the impact of the reduction of National Health Insurance drug prices and the measures to promote generic drug use, sales grew in the OTC pharmaceuticals business, especially for our mainstay products such as SALONPAS®, and FEITAS®, Z series, which launched new products.

As for overseas business conditions, sales expanded significantly for our mainstay ethical pharmaceuticals such as Minivelle® and Brisdelle®. OTC pharmaceuticals, too, performed strongly overall and achieved revenue growth, with SALONPAS® brand obtaining the top share in terms of sales value in the patch market in the U.S., where advertising and publicity activities were strengthened.

As a result of the above, consolidated net sales increased 4.1% year on year to ¥156,743 million, consolidated operating income increased 7.3% year on year to ¥20,527 million, consolidated ordinary income decreased 1.5% year on year to ¥28,489 million, and consolidated net income decreased 12.0% year on year to ¥18,784 million.

The Company appointed former President & CEO NAKATOMI, Hirotaka as Chairman & CEO and former Executive Vice President NAKATOMI, Kazuhide as President & COO with approval at the 113th annual general meeting of shareholders and the board of directors meeting held on May 21, 2015. Under the new management structure, we will aim at further business development.

We ask for our investors' continued support and encouragement.

NAKATOMI, Hirotaka
Chairman & CEO

NAKATOMI, Kazuhide
President & COO



Medical Products



For Export



Over the Counter Products

Overview of Operations

Operating results

The Japanese economy during the fiscal year under review witnessed a gradual recovery reflecting rising stock prices thanks to aggressive economic policies and improved export conditions due to the ongoing depreciation of the yen.

However, uncertainty prevailed against the backdrop of the sluggish consumer spending in response to rush demand prior to the consumption tax hike.

The operating environment for the ethical pharmaceutical industry in Japan became more severe due to the impact of the revision of National Health Insurance drug prices in April 2014, as well as measures to curtail healthcare spending, which involves enhanced measures to promote generic drug use.

We have responded to the changes by engaging in our business with a focus on our mainstay transdermal therapeutic formulation and providing medical institutions with scientific information that precisely corresponds to their needs.

Regarding the OTC pharmaceuticals in Japan, we have worked to launch and promote sales of new products, as sluggish consumption and tough competition continue in the OTC market.

Our research and development concentrated its resources in transdermal patches, a mainstay product, and strove to develop new products with novel topical or systemic effects.

Additionally, in research and development activities carried out with overseas subsidiary Noven Pharmaceuticals, Inc. (hereinafter referred to as “Noven”) we have strengthened cooperation that includes personnel exchanges and strived to speed up the development of pharmaceutical products.

As for our production facilities, the Tosu and Utsunomiya Plants carried on initiatives to help protect the global environment as “ISO 14001” (International Environmental Management Standard) certified factories.

Furthermore, in addition to improving the efficiency of our manufacturing processes, we made an effort to reduce our environmental footprint through the reduction of energy usage and waste by changing its method of product transport and introducing highly functional air conditioning, and through maintaining a 99% recycle rate.

We also promoted energy conservation by establishing the Energy Management Committee and made an effort to conserve electricity by adjusting room temperatures.

As for CSR activities, the Company and employees jointly took part in community service programs such as the “Japan Red Cross Society Street Collection Drive for Overseas Programs.” The Company also provided support to a total 51 organizations including those engaged in recovery efforts after the Great East Japan Earthquake through the “Hisamitsu Pharmaceutical Co., Inc. Hot Heart Club” program, in which the Company makes matching donations deducted from employees’ and directors’ salaries.

In addition, we provided donation money to the Saga Prefecture branch of the Japanese Red Cross Society for damage from the torrential rain and landslides that took place in Hiroshima in August 2014.

We have continued to provide various support for the “SAGA Heavy Ion Medical Accelerator in Tosu (SAGA HIMAT) Project” that was launched to contribute to the crusade against cancer.

Hisamitsu Springs, a women’s volleyball team, became the first team in women’s volleyball history in 2014 to win the Emperor’s Cup and Empress’s Cup All Japan Volleyball Championship three times in a row. In addition, the team held volleyball classes in a number of prefectures, mostly in Saga and Hyogo.

For the coming 2020 Tokyo Olympics, we will continue to contribute to the further development and improvement of sports culture.

“Pharmaceuticals” is the Company’s sole reportable segment, whose performance is as follows.

Overview of Operations

Pharmaceuticals

The Pharmaceuticals segment, particularly the ethical pharmaceuticals business in Japan, faced an uncertain environment during FY2/15 due to further measures to curb healthcare expenditures.

We responded to the situation by providing medical institutions with appropriate and detailed scientific information about our products, particularly our transdermal therapeutic formulations. While collecting and supplying information on efficacy and safety, we engaged in activities to promote the proper use of our mainstay products, including MOHRUS[®] TAPE and MOHRUS[®] PAP, ketoprofen transdermal patches; ESTRANA[®] TAPE, an estradiol transdermal patch; Fentos[®] Tape, a transdermal sustained-release cancer pain relief patch of fentanyl citrate that is a synthetic narcotic with significant analgesic effects; NORSPAN[®] TAPE, a transdermal sustained-release pain relief patch of buprenorphine; and NEOXY[®] TAPE, an oxybutynin hydrochloride transdermal patch for the treatment of an overactive bladder.

In May 2014, we were chosen as the winner of “the Prize of the Commissioner of the Japan Patent Office” in the 2014 National Commendation for Invention for the outstanding scientific and technological inventiveness of the transdermal anti-inflammatory pain relief drug MOHRUS[®] TAPE. This has made it the first transdermal anti-inflammatory pain relief drug to be approved for indications for relief of low back pain and local pain associated with rheumatoid arthritis.

In June 2014, we received approval of the additional indication for chronic pain of the transdermal sustained-release cancer pain relief patch Fentos[®] Tape.

In October 2014, the transdermal anti-inflammatory pain relief patches MOHRUS[®] TAPE and MOHRUS[®] PAP and the transdermal bronchodilator TULOBUTEROL TAPE “HMT” received the Good Design Award 2014 for our efforts in product development from the patients’ perspective, especially their user-friendly features such as being easy to take out from the pouch and easy to patch.

In the OTC pharmaceuticals business in Japan, we launched new products, in addition to engaging in sales of our mainstay anti-inflammatory pain relief patches, targeting new users.

In order to acquire new customers, we began marketing BUTENALOCK[®] L POWDER GEL for the treatment of athlete’s foot and ringworm in March 2014, FEITAS[®] Z DICSAS[®] and FEITAS[®] Z DICSAS[®] LARGE SIZE, a transdermal anti-inflammatory pain relief patch containing 2.0% of diclofenac sodium in July 2014, and Lifecella[®] Dermabeaute[®], skincare cosmetic products containing SACRAN[®], which has five times the moisture retaining capacity of hyaluronic acid, and FEITAS[®] 5.0 HOT and FEITAS[®] 5.0 HOT LARGE SIZE, a transdermal anti-inflammatory pain relief patch containing 5.0% of felbinac, in September 2014.

In the fiscal year under review, which marks the 80th anniversary of the sales of our mainstay product SALONPAS[®], we carried out various promotional activities.

We produced a book titled “*Gakken Manga de Yoku Wakaru Series: Harigusuri no Himitsu*” (“Learning from Manga: Secrets of Medical Patch” published by Gakken), which mentions the history of SALONPAS[®] and donated copies to elementary schools and public libraries throughout Japan.

In the overseas ethical pharmaceuticals, in September 2014, Minivelle[®], an estradiol transdermal system, obtained an additional approval from the U.S. Food and Drug Administration (FDA) for the new indication of postmenopausal osteoporosis with a new dose of 0.025 mg.

This makes Minivelle[®] the world’s smallest estradiol transdermal patch approved by the FDA.

Furthermore, for the overseas OTC pharmaceuticals, as a result of active sales promotion, the SALONPAS brand obtained the largest share of sales in the anti-inflammatory pain relief patch market of U.S. OTC pharmaceuticals.

As a result of these business activities, net sales increased 4.1% year on year, or ¥6,108 million, to ¥156,743 million. Operating income increased 7.3% year on year, or ¥1,404 million, to ¥20,527 million. Ordinary income decreased 1.5% year on year, or ¥421 million, to ¥28,489 million; and net income decreased 12.0% year on year, or ¥2,572 million, to ¥18,784 million.

Overview of Operations

Sales results

Our sales results broken down by business segment are as follows:

Business segment	(Millions of yen)	YoY (%)	(Thousands of U.S. dollars)
	Fiscal 2015		Fiscal 2015
Pharmaceuticals	153,600	+4.2	1,287,834
Other businesses	3,143	(1.6)	26,352
Total	156,743	+4.1	1,314,186

Notes: 1. Sales breakdown by main customers and percentage of sales to main customers.

Customer	(Millions of yen)				(Thousands of U.S. dollars)
	Sales Fiscal 2014	% of total	Sales Fiscal 2015	% of total	Fiscal 2015
Medipal Holdings Corporation	25,980	17.2	25,305	16.1	212,166
Alfresa Holdings Corporation	26,132	17.3	24,628	15.7	206,489

2. The foregoing figures do not include consumption tax.

Key Challenges

We expect the ethical pharmaceuticals business in Japan to witness continued efforts to curb healthcare expenditures, including additional National Health Insurance drug reimbursement price cuts for long listed products, and strengthened measures to promote the use of generic drugs, against a backdrop of a rapidly aging population. In response to this difficult business environment, we are stepping up efforts to provide medical institutions with scientific information and seek to develop new topical and systemic pharmaceutical products that meet the needs of medical institutions and their patients. Furthermore, we strive to grow further with an aim to improve our profitability as well as enhance our sales, production and R&D capabilities.

For OTC pharmaceuticals in Japan, amid a prolonged market slump and intensifying competition, we seek to expand sales of mainstay anti-inflammatory pain relief patches and respond to the needs of our customers by improving existing products and developing new products.

In overseas business, we are working to establish our brand in terms of trademarks, designs, manufacturing technology, and quality control systems, and to further augment overseas production facilities and promote overseas clinical trials.

Especially, in the U.S. ethical pharmaceutical market, we plan to enhance our R&D function at our business base Noven by combining our areas of strength in technology, as well as expanding and strengthening our manufacturing and sales network.

Continuing to recognize our mission and responsibility as a pharmaceutical company, we aim to create a more robust business base and manufacturing structure, and to accelerate the development of new products by concentrating management resources more in our specialty area of transdermal patches.

Overview of Operations

Basic policy on control of the company

(1) Overview of our basic policy on the entity with control over decision-making related to the company's financial and business policies

We believe any entity with control over decision-making related to the company's financial and business policies must have an understanding of the source of the company's enterprise value and be able to consistently maintain and improve this enterprise value and the common interests of shareholders.

We believe any decision on how to respond to a proposed acquisition that would transfer control over the company should ultimately be based on the wishes of individual shareholders. We are not opposed to large purchases of the company's stock, provided that it contributes to enterprise value and the common interests of shareholders.

However, there are many instances in which large stock purchases and proposed acquisitions may not contribute to the target company's enterprise value and the common interests of shareholders. Examples include: those that clearly damage the target company's enterprise value and the common interests of shareholders, in light of the objective and other aspects of the share purchase or proposed acquisition; those that effectively coerce shareholders into selling their shares; those that fail to provide a reasonable amount of time for the target company's board of directors and shareholders to consider the details and possibly prepare a counteroffer; those that have conditions (e.g., purchase price, timing, and method) that are either inadequate or inappropriate in light of the target company's enterprise value; and those that damage relations with employees, customers, creditors, or other parties essential to continued growth in the target company's enterprise value.

We believe any entity that pursues a large stock purchase or proposed acquisition that does not contribute to the company's enterprise value and the common interests of shareholders is not an appropriate entity for controlling decision-making related to the company's financial and business affairs, and that any large stock purchase or proposed acquisition by such an entity must be necessarily and appropriately counteracted to ensure the company's enterprise value and the common interests of shareholders.

(2) Overview of specific initiatives instrumental to achieving our basic policy

Since launching a pharmaceutical business in 1847, our company has worked hard to improve the health of people by providing pharmaceutical products, mainly pain relieving patches. Transdermal patches, that can heal the body simply by being applied to the skin, will be an improvement of not only the administration of drugs but also quality of life, and they are also representative of Japan's therapeutic culture, which is well respected around the world. We pursue our business as a mission to convey to the world the effectiveness and resulting excitement of this therapeutic patch culture.

Since releasing SALONPAS[®] in 1934, we have successfully developed and marketed a variety of pharmaceutical patch products, including the OTC pharmaceutical SALONSIP[®] and the ethical pharmaceuticals MOHRUS[®], PAP and MOHRUS[®] TAPE, by concentrating on the creation of new drugs and new drug preparations based on our accumulated expertise and experience and the support of our customers. We have also created products in new areas other than anti-inflammatory pain relief, including an estradiol transdermal patch ESTRANA[®] TAPE, the transdermal sustained-release cancer pain relief patch Fentos[®] Tape, and NEOXY[®] TAPE, a transdermal patch to treat an overactive bladder and are expanding our business internationally by conducting sales, pursuing research and development, and acquiring approvals in various countries around the world. As part of these efforts, Noven Pharmaceuticals, Inc. was acquired and made a subsidiary to establish the Hisamitsu brand in the US and to ensure future growth, and Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. was established as a local subsidiary in order to enter the rapidly growing Chinese market and promote our pharmaceutical business, etc.

Overview of Operations

Our corporate philosophy is to strive to improve the quality of life of people around the world by creating external drugs to meet the needs of our customers, and by implementing this philosophy, we seek to enhance enterprise value and the common interests of shareholders.

In other words, the sources of enterprise value for our company are: a) broad access to a variety of drugs created by a number of companies, and research and development capabilities to make these drugs available in patches; b) manufacturing technology and quality control systems that enable the efficient, stable, and ongoing production of high-quality products; c) marketing prowess to cultivate several long-selling and market-leading brands, including SALONPAS®, SALONSIP®, FEITAS®, BUTENALOCK®, MOHRUS® PAP, MOHRUS® TAPE, and ESTRANA® TAPE; and d) an integrated research and development, manufacturing, and sales structure that allows us to quickly reflect the needs of our customers to improve products and services.

Going forward, we will continue our efforts to increase enterprise value and maximize the common interests of shareholders through ongoing and aggressive investment.

To achieve this goal, we aim to build a robust corporate structure capable of meeting our sales targets and securing net profits despite the difficult competitive environment, and to ensure sustained growth in net profits by strengthening our business both in Japan and overseas. We also aspire to be an independent research and development-based pharmaceutical company by concentrating research in our areas of specialty, in line with our basic management policy, and by focusing on the creation of new drugs and new drug preparations.

For licensing activities, we entered an agreement with Mundipharma K.K. for exclusive distribution rights in Japan of the ethical pharmaceutical NORSPAN® TAPE, which is a transdermal sustained-release pain relief patch for the treatment of chronic pain associated with osteoarthritis and low back pain not being controlled sufficiently with non-opioid analgesics. We are also actively pursuing OTC pharmaceuticals, including the acquisition of distribution rights from Sanofi K.K. of allegra® FX, an allergic nasal inflammation medication and a switch OTC product for allegra® 60 mg marketed as an ethical pharmaceutical for allergic disease treatment.

In this way, we seek to increase cash flow through the active pursuit of our business and to create future assets that will contribute to the common interests of shareholders through the development of new topical and transdermal products, international expansion of our brands in terms of trademarks, designs, manufacturing technology, and quality control systems, streamlining of management, and bolstering of our corporate structure.

We consider the return of profits to shareholders to be an important management issue, and we seek to pay appropriate dividends based on earnings and pursue flexible financial policies, including share buybacks, after considering research and development investment to raise capital efficiency and enterprise value and the internal reserves needed for future growth.

In particular, we seek to maintain Return on Equity (ROE) at 15% or higher from the standpoint of raising capital efficiency, and to consistently pay dividends with a target payout ratio of 30%. In the “5th Medium-term Management Plan for FY2014-2018” released as of May 13, 2014, the targets for FY2018 are 11% or more in Return on Equity (ROE), 40% or more in payout ratio, and 4.5% or more in Dividend on Equity (DOE).

Further, we have implemented structural reforms as we have placed priority on creating an organization capable of responding quickly to changes in the business environment, as well as enhanced corporate governance, in order to enhance management transparency and ensure compliance. To be specific, we have established the Management Advisory Council, introduced an executive officer system, established the Crisis Management Committee, prepared the Hisamitsu Corporate Charter summarizing behavior based on high ethical and moral standards as an employee, which was ensured for officers and employees by the Compliance Promotion Committee and Compliance Promotion Office, introduced the System of Outside Corporate Auditors, prepared basic internal control policies, established the Internal

Overview of Operations

Audit Department, established the Privacy Protection Committee, and prepared Disclosure Policy Rules to provide timely and appropriate disclosure of corporate information.

Going forward, we seek to create a stronger bond of trust with our stakeholders as a good corporate citizen and to ensure and enhance the company's enterprise value and the common interests of shareholders, and thus, we plan to continue to achieve our basic policy.

(3) Initiatives in light of our basic policy to prevent inappropriate entities from controlling decision-making related to the group's financial and business affairs

At the 106th annual general meeting of shareholders held on May 22, 2008, "Takeover defense measures to counter large purchases of the company's stock (takeover defense measures)" was approved to be adopted with an effective period until the conclusion of the annual general meeting of shareholders for the fiscal year ended February 28, 2011 (hereinafter "the Plan"). After that, by shareholders at the 109th annual general meeting of shareholders held on May 26, 2011 and the 112th annual general meeting of shareholders held on May 22, 2014, the continuation of the Plan with partial revision was approved with an effective period until the conclusion of the annual general meeting of shareholders for the fiscal year ending February 28, 2017.

The Plan applies to purchases of the company's stock with the objective or result of a specific shareholder group owning 20% or more of the voting rights (hereinafter referred to as "Purchases" and those who conduct the "Purchases" are referred to as "Purchasers"). Purchasers are required to follow certain procedures in providing shareholders, the company's board of directors, and an independent committee with information on which to base their decision and in granting a period for review and evaluation by this independent committee and the board of directors. If the purchaser fails to comply with these procedures or if the purchase will damage the company's enterprise value and the common interests of shareholders, then the company can pursue countermeasures against the purchaser in the form of a gratis allotment of share acquisition rights or other appropriate countermeasure that the board of directors is permitted to take based on the Companies Act, other laws, and the company's articles of incorporation. Whether countermeasures based on the Plan are adopted is ultimately a decision of the board of directors, but to ensure the proper use of the Plan and objective, rational, and impartial decisions by the company's board of directors, we established a committee independent from the board of directors and will give utmost respect to the opinions of this committee.

The Plan shall be effective until the conclusion of the annual general meeting of shareholders for the fiscal year ending February 28, 2017. Additionally, the Plan shall be terminated immediately if the board of directors comprising directors appointed at a general meeting of shareholders decides to terminate the Plan.

(4) Board of directors' opinion and reasoning for the foregoing initiatives

1) Specific initiatives to achieve our basic policy

The initiatives outlined above are intended to contribute to fulfilling our basic policy and have been prepared as specific policies to ensure and enhance on an ongoing basis the company's enterprise value and the common interests of shareholders. Accordingly, these initiatives comply with our basic policy and will not damage the common interests of shareholders.

2) Initiatives in light of our basic policy to prevent inappropriate entities from controlling decision-making related to the group's financial and business affairs

The Plan complies in its content with our basic policy and is intended to ensure objectivity and rationality in the decisions of the board of directors. Further, the Plan was adopted to ensure and enhance the company's enterprise value and the common interests of shareholders, and is not intended to maintain the position of the company's directors.

Overview of Operations

Important Business Agreements

Joint sales agreement

(1) We concluded an agreement with Kyowa Hakko Kirin Co., Ltd. (headquarters: Chiyoda-ku, Tokyo) on June 18, 2008 on joint sales in Japan of Fentos[®] Tape, a transdermal sustained-release patch for the treatment of cancer pain.

1) Counterparty to the agreement

Kyowa Hakko Kirin Co., Ltd.

2) Agreement details

Contract on the joint sales within Japan with Kyowa Hakko Kirin Co., Ltd. of Fentos[®] Tape, a transdermal sustained-release patch for treatment of cancer pain that Hisamitsu Pharmaceutical has acquired manufacturing and marketing approval for.

3) Compensation

Compensation commensurate with a one-time contract payment.

(2) We concluded an agreement with Asahi Kasei Pharma Corp. (headquarters: Chiyoda-ku, Tokyo) on December 10, 2012 on joint sales in Japan of NEOXY[®] TAPE, a transdermal patch to treat overactive bladder.

1) Counterparty to the agreement

Asahi Kasei Pharma Corp.

2) Agreement details

Contract on the joint sales within Japan with Asahi Kasei Pharma Corp. of NEOXY[®] TAPE, a transdermal patch to treat overactive bladder that Hisamitsu Pharmaceutical has acquired manufacturing and marketing approval for.

3) Compensation

Compensation commensurate with a one-time contract payment and subsequent payments according to milestones reached.

Co-promotion agreement

(1) Noven Pharmaceuticals, our U.S. subsidiary concluded a co-promotion agreement with Shionogi Inc., the U.S. subsidiary of Shionogi & Co., Ltd. to co-promote Brisdelle[®] Capsule 7.5 mg, a non-hormonal treatment agent on January 13, 2014.

1) Counterparty to the agreement

Shionogi Inc.

2) Agreement details

Co-promotion agreement with Shionogi, Inc. to co-promote Noven Pharmaceuticals' Brisdelle[®] Capsule 7.5 mg, an FDA-approved non-hormonal treatment agent.

3) Compensation

Compensation commensurate with co-promotion performance.

Distribution agreement

(1) We concluded an exclusive contract with Mundipharma K.K. on August 6, 2007, for the Japanese distribution rights to NORSPAN[®] TAPE, a transdermal sustained-release pain relief patch.

1) Counterparty to the agreement

Mundipharma K. K.

2) Agreement details

Contract acquiring the exclusive rights for distribution of NORSPAN[®] TAPE, a transdermal sustained-release pain relief patch, in Japan.

3) Compensation

Compensation commensurate with a one-time contract payment and subsequent milestone payments based on development progress and sales.

Overview of Operations

Research and Development

Pharmaceuticals

Our R&D program centered on the development of transdermal pharmaceutical products targets the needs of medical institutions.

For ethical pharmaceuticals in Japan, we received approval of additional indications for chronic pain of the transdermal long-acting pain relief patch Fentos[®] Tape (development code: HFT-290) on June 20, 2014. Phase 3 trials were commenced for HP-3000 (active pharmaceutical Ingredient: ropinirole hydrochloride), a transdermal patch to treat Parkinson's disease. Phase 2 trials of HP-3000 have been completed for the treatment of idiopathic restless legs syndrome, and we are preparing for phase 3 trials. Regarding HP-3060, a transdermal system for the treatment of allergic rhinitis, phase 2 trials have been completed and we are preparing for phase 3 trials.

For OTC pharmaceuticals in Japan, we are developing new products and improving existing products for the purpose of improving effectiveness, safety, and user satisfaction.

For the U.S. ethical pharmaceuticals, we received approval of a new indication with a new dose of Minivelle[®], an estradiol transdermal system, for prevention of postmenopausal osteoporosis on September 23, 2014. Applications for generic approval have been submitted for HP-1010 (active pharmaceutical Ingredient: Lidocaine), a patch to treat post-herpetic neuralgia and HP-1030 (active pharmaceutical Ingredient: rivastigmine), a patch to treat dementia of the Alzheimer's type. We are preparing for phase 3 trials for ATS (active pharmaceutical Ingredient: d-amphetamine), a transdermal patch to treat Attention Deficit Hyperactivity Disorder. Phase 1 trials for a transdermal patch formulation for the treatment of schizophrenia (development code: HP-3070) have been completed, and we are preparing for phase 2 trials.

In addition to the development of our own fundamental technologies, we utilize Noven's transdermal drug delivery system (TDDS) technology to develop pharmaceuticals and to conduct joint development with external organizations, working towards improvement of commercialization technologies to expand the possibilities of transdermal absorption.

Other businesses

We conduct some research and development in other businesses, but because the amount is limited, it does not merit special mention.

As a result of the foregoing, research and development expenses totaled ¥13,718 million in FY2/15.

Corporate Governance and Internal Auditing

Corporate Governance

(1) Basic approach to corporate governance

1) Corporate governance structure

We have prepared basic internal control policies to enhance management transparency and ensure compliance, and we consider the improvement of corporate governance to be an important task. To this end, we have placed priority on creating an organization capable of responding quickly to changes in the business environment and have implemented structural reforms.

With this in mind, we have adjusted the number of directors to an appropriate level with the goals of enhancing the performance of the board of directors and speeding up decision making. We have also introduced an executive officer system to clarify roles and responsibilities in business execution.

Going forward, we seek to create a stronger bond of trust with our stakeholders as a good corporate citizen by improving transparency, ensuring compliance, and upholding corporate ethics in our business activities.

Overview of our corporate governance structure and reasons for adopting the structure

We are structured as a company with a board of corporate auditors, comprising 12 directors (including 2 outside directors) and 4 corporate auditors (including 2 outside corporate auditors) as of May 22, 2015.

In the area of corporate governance, we reduced the number of directors as a way to clarify the responsibilities and authority of management and speed up decision-making and business execution. But in order to further reinforce and enhance our management structure in conjunction with the expansion of the organization, we changed the articles of incorporation to increase the number of directors from 10 or less to 12 or less, at the annual general meeting of shareholders held on May 23, 2013. Furthermore, we appointed 2 outside directors at the annual general meeting of shareholders held on May 21, 2015 to further reinforce corporate governance.

In addition, we introduced an executive officer system in March 2003 to improve the speed, transparency, and strategic focus of business decisions. Moreover, to clarify management responsibilities of directors and construct a management structure that can respond to changes in management environments, the term of directors was changed from 2 years to 1 year at the annual general meeting of shareholders held on May 26, 2011.

Important management decisions are made by the Management Advisory Council comprising key directors and executive officers, and important resolutions are debated and decided by the board of directors.

As we stated above, we have worked to enhance management oversight and to separate, decentralize, and strengthen decision making functions and business execution functions.

To better facilitate fair auditing, we switched to an auditing system in which 2 of the 4 corporate auditors comprise outside corporate auditors at the annual general meeting of shareholders held on May 26, 2004.

Corporate auditors attend meetings of the board of directors, regularly convene meetings of the board of corporate auditors, and receive audit reports from the independent auditor as needed. The independence of our 2 outside corporate auditors from the company has been ensured and we believe that a structure sufficiently capable of monitoring management has been established.

Systems to ensure appropriate operations of the corporate group comprising Hisamitsu Pharmaceutical and group companies

We have requested group companies to prepare and observe their own rules regarding compliance, equivalent to the Hisamitsu Corporate Charter, and are making the best efforts to foster the compliance awareness of directors and employees of the Group as a whole.

Corporate Governance and Internal Auditing

We are monitoring the business status of each subsidiary through compliance of the Operation Manuals for Overseas and Domestic Group Corporations, reporting at meetings of the subsidiaries' presidents and group audit by the Company's corporate auditors, and also working on sharing information through exchanging opinions between corporate auditors of the subsidiaries and the Company.

Directors, executive officers, division managers of the Company and presidents of group companies have authority and responsibility for establishment and operations of internal control system to ensure appropriate business execution in each business division.

The Internal Audit Department of the Company carries out internal audits of Hisamitsu Pharmaceutical and group companies, reports results to relevant business division managers and directors in charge, and provides guidance on improvement measures for internal control as well as support and advice on their implementation as needed.

Internal auditing and audit by board of corporate auditors

We established the Internal Audit Department (3 persons in charge) as an internal audit division. The Internal Audit Department is responsible for auditing the business activities of Hisamitsu Pharmaceutical and group companies to ensure that these activities are effective and appropriate and that they comply with relevant laws and the articles of incorporation, reporting to the board of directors and the board of corporate auditors, promoting mutual cooperation, reporting to relevant business division managers and directors, and providing support and advice as needed to improve internal control.

In addition to conducting audits based on predetermined audit guidelines and plans, the Board of Corporate Auditors also regularly holds individual hearings with directors, executive officers, division managers and key staff from each business division.

Outside directors and outside corporate auditors

Although we have not established selection criteria regarding the independence of outside officers, we do select our outside officers based on the criteria of independence set forth by the Financial Instruments Exchange.

We have entered into agreements, in accordance with Article 427-1 of the Companies Act, with outside directors and outside corporate auditors to limit their liability for damages to the minimum amount stipulated in Article 425-1 of the Companies Act, provided that their duties have been carried out in good faith and with no gross negligence.

Our 2 outside directors are ICHIKAWA Isao and FURUKAWA Tejiro. ICHIKAWA Isao has gained overall management experience and knowledge through his past career experience such as executive vice president and representative director of a listed company. FURUKAWA Tejiro has gained deep insight with regard to our particular business through his experience in important positions at the Ministry of Health, Labour and Welfare.

Although FURUKAWA Tejiro concurrently serves as Chairman of Imperial Gift Foundation Boshi-Aiiku-Kai, the company does not have any special conflict of interests in this Foundation.

Our 2 outside corporate auditors are ONO Keinosuke and TOKUNAGA Tetsuo. ONO Keinosuke has gained scholarly knowledge related to management through his past career experience such as professor of a graduate school of business. TOKUNAGA Tetsuo has gained overall management experience and knowledge through his past career experience such as executive vice president and representative director of a listed company.

Outside corporate auditors regularly attend meetings of the board of directors and meetings of the board of corporate auditors. We believe that a structure sufficiently capable of auditing management has been established.

Although ONO Keinosuke concurrently serves as an outside director of YKK Corporation, a Trustee of Chubu University Educational Foundation, and Professor Emeritus of Chubu University, the company does not have any special conflict of interests in YKK Corporation or Chubu University. Additionally, ONO Keinosuke serves as Professor Emeritus of Keio University and the company outsources research to Keio University, although the transaction amounts are minimal.

Apart from the information stated above, there are no special cases of conflict of interest between our outside directors and outside corporate auditors and the company.

Corporate Governance and Internal Auditing

2) Risk management systems

To respond to a variety of business risks, we have sought to enhance risk management and corporate governance by establishing a variety of internal committees.

Compliance Promotion Committee and Compliance Promotion Office (Chair and head of office: Director)

We prepared the Hisamitsu Corporate Charter in June 2002 and established the Compliance Promotion Committee and Compliance Promotion Office, where the director serves as chair of the committee and head of office, to promote thorough and ethical compliance. We have distributed handbooks to officers and employees to promote a recognition and sustained awareness of the importance of compliance, and have worked to ensure behavior based on high ethical and moral standards.

Going forward, we will continue our efforts to bolster compliance related to social responsibility, including corporate ethics, the environment, and privacy protection, at Hisamitsu Pharmaceutical and group companies.

Crisis Management Committee (Chair: Chief Executive Officer (CEO))

We established a Crisis Headquarters to help prevent risk and prepare for times of crisis, standing as a permanent Crisis Management Committee to operate in normal times, and conduct training of committee members as needed.

Privacy Protection Committee (Chair: Director)

We established the Privacy Protection Committee in April 2005 to fully comply with the Personal Information Protection Act. We have called personal information administrators together and held committee meetings as needed to create an organization to protect individual rights and interests and to ensure that this organization is safely managed.

Disclosure Policy Team (Chair: Chief Executive Officer (CEO))

We established the Disclosure Policy Team in April 2001 to provide the timely and appropriate disclosure of corporate information. All officers and employees work toward timely disclosure based on our Disclosure Policy Rules.

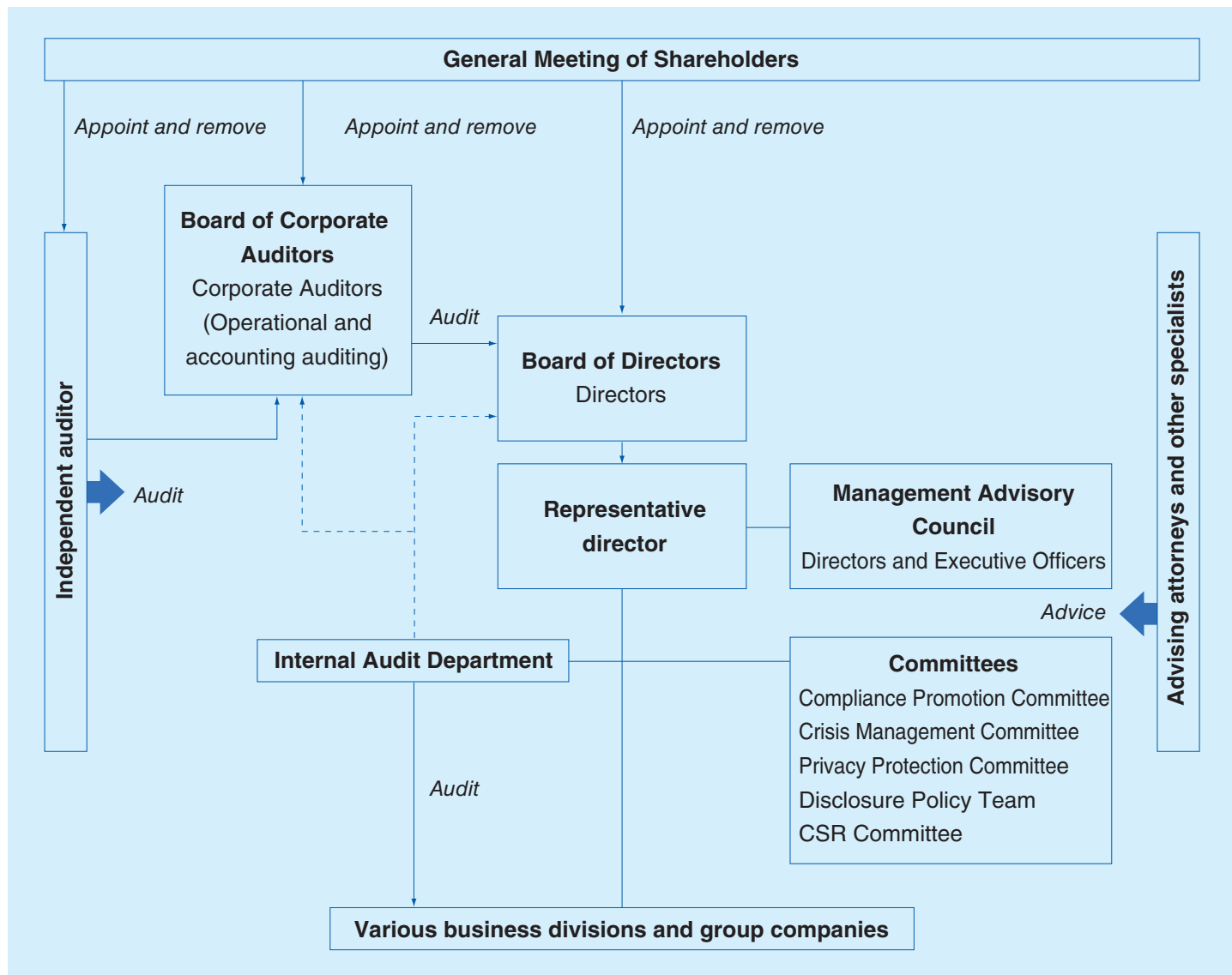
We strive to actively disclose information to enhance management transparency and seek to promote smooth communication with shareholders and investors through our investor relations activities.

CSR Committee (Chair: Director)

We have set up the CSR Committee to progress our environmental and community service programs. Headed by the Cultural Program and CSR Promoting Department, the CSR Committee is made up of CSR committee members in each business division and engages in CSR programs.

Corporate Governance and Internal Auditing

Corporate governance structure



Corporate Governance and Internal Auditing

3) Executive compensation

a) Total compensations by classification of executives and by type of compensations, and number of executives by category of the filing company

(Millions of yen)

Fiscal 2015						
Category	Total compensation	Total compensation by type				Number of officers to be paid
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (Excluding Outside Directors)	390	273	—	—	117	13
Corporate Auditors (Excluding Outside Corporate Auditors)	53	46	—	—	6	3
Outside Officers	21	19	—	—	1	3

(Thousands of U.S. dollars)

Fiscal 2015						
Category	Total compensation	Total compensation by type				Number of officers to be paid
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (Excluding Outside Directors)	3,270	2,289	—	—	981	13
Corporate Auditors (Excluding Outside Corporate Auditors)	444	386	—	—	50	3
Outside Officers	176	159	—	—	8	3

b) Total consolidated compensation paid to executive of the filing company

(Millions of yen)

Fiscal 2015						
Name (Category of executive)	Total consolidated compensation	Category of company	Total compensation by type			Retirement benefits
			Basic compensation	Stock options	Bonuses	
NAKATOMI, Hirotaka (Chairman & CEO)	155	The filing company	114	—	—	41

(Thousands of U.S. dollars)

Fiscal 2015						
Name (Category of executive)	Total consolidated compensation	Category of company	Total compensation by type			Retirement benefits
			Basic compensation	Stock options	Bonuses	
NAKATOMI, Hirotaka (Chairman & CEO)	1,300	The filing company	956	—	—	344

c) Material disclosures on employee salaries for directors who also serve as employees

Not applicable.

Corporate Governance and Internal Auditing

d) Policy on deciding amount of executive compensation

Directors' compensation is determined at the board of directors meeting within the range approved at the annual general meeting of shareholders in consideration of the company's business performance, as well as the position, job specifications, and individual performance of each director.

Corporate auditors' compensation is determined at the board of corporate auditors meeting within the range approved at the annual general meeting of shareholders.

4) Accounting auditing

The company has concluded an auditing contract with KPMG AZSA LLC to serve as an independent auditor responsible for accounting auditing, and by providing accurate business information and taking other steps, we provide an environment conducive to fair auditing. There are no special interests between the company and KPMG AZSA LLC and their designated limited liability partner and engagement partners.

Audit company providing auditing services

Audit company	Certified public accountants providing auditing services	Assisting personnel	
KPMG AZSA LLC	Designated limited liability partner and engagement partner	MASUDA Yasushi	5 CPAs & 9 others
	Designated limited liability partner and engagement partner	SADA Akihisa	

Note: A statement on the years of continuous audit service is omitted because all of the above accounting auditors have served less than seven years.

5) Annual general meeting of shareholders resolution items that can be decided at the board of directors meeting

Acquisition of treasury stock

To enable the flexible execution of capital policy, the articles of incorporation stipulate that the company can repurchase shares in the open market or through other means based on a board of directors' resolution in accordance with Article 165-2 of the Companies Act.

Interim dividends

To flexibly return profits to shareholders, the articles of incorporation stipulate that interim dividends from retained earnings, as defined in Article 454-5 in the Companies Act, can be paid based on a board of directors resolution to shareholders or pledgees listed or registered in the final shareholder registry at the end of August each year.

6) Resolutions to appoint or remove directors

The articles of incorporation stipulate that resolutions to appoint directors require a majority vote of at least one-third of shareholders capable of executing voting rights. Cumulative voting is not provided for.

The articles of incorporation stipulate that resolutions to remove directors require a minimum two-third vote of shareholders owning a majority of the voting rights of shareholders capable of executing voting rights.

Corporate Governance and Internal Auditing

7) Special resolutions of the general meeting of shareholders

To facilitate the smooth administration of general meetings of shareholders, the articles of incorporation stipulate that resolutions based on Article 309-2 of the Companies Act require a minimum two-third vote of shareholders owning a minimum one-third of the voting rights of shareholders capable of executing voting rights, except as otherwise provided for by the articles of incorporation.

(2) Compensation for auditing

1) Breakdown of compensation for certified public accountants providing auditing services, etc.

Category	(Millions of yen)				(Thousands of U.S. dollars)	
	Fiscal 2014		Fiscal 2015		Fiscal 2015	
	Compensation for audit certification services	Compensation for non-auditing services	Compensation for audit certification services	Compensation for non-auditing services	Compensation for audit certification services	Compensation for non-auditing services
The company	52	—	51	67	428	562
Subsidiaries	4	—	4	—	34	—
Total	56	—	55	67	461	562

2) Breakdown of other important compensation

FY2/14

The company and most of its overseas consolidated subsidiaries paid the KPMG Group, which belongs to the same network as our certified public accountants providing auditing services for audit certification services.

FY2/15

The company and most of its overseas consolidated subsidiaries paid the KPMG Group, which belongs to the same network as our certified public accountants providing auditing services for audit certification services.

3) Details of non-auditing services provided by certified public accountants to the company

FY2/14

Not applicable.

FY2/15

The company has entrusted the accounting auditor with financial due diligence support service, etc., that is other than the services set forth in Article 2-1 of the Certified Public Accountants Act (non-auditing services).

4) Policy on setting compensation for auditing services

Not applicable.

Financial Section

Analysis of Financial Position, Operating Results, and Cash Flows

(1) Analysis of financial position in Fiscal 2015

1) Assets

Assets totaled ¥285,440 million at the end of FY2/15, an increase of ¥33,587 million from the previous year, due mainly to increases in short-term investment securities of ¥9,738 million, in notes and accounts receivable — trade of ¥9,494 million, and in investment securities of ¥5,832 million.

2) Liabilities

Liabilities totaled ¥63,386 million at the end of FY2/15, an increase of ¥7,841 million from the previous year, due mainly to an increase in electronically recorded obligations — operating of ¥2,297 million, a decrease in income taxes payable of ¥3,375 million and an increase in deferred tax liabilities of ¥3,474 million.

3) Net assets

Net assets totaled ¥222,054 million at the end of FY2/15, an increase of ¥25,746 million from the previous year, due mainly to increases in retained earnings of ¥12,143 million, in valuation difference on available-for-sale securities of ¥6,476 million and in foreign currency translation adjustment of ¥6,737 million, respectively.

(2) Analysis of operating results in Fiscal 2015

1) Net sales

Net sales grew 4.1% year on year to ¥156,743 million. This increase is due mainly to the strong sales from overseas subsidiaries.

2) Operating income

Operating income increased 7.3% year on year to ¥20,527 million. This increase is attributable mainly to the rise in net sales.

3) Ordinary income

Ordinary income decreased 1.5% year on year to ¥28,489 million. This is attributable mainly to the decrease in equity in earnings of affiliates associated with the dissolution of Novogyne Pharmaceuticals.

4) Net income

Net income decreased 12.0% year on year to ¥18,784 million. This decrease is due mainly to the posting of distribution license fees of ¥5,000 million under extraordinary gain in the previous year. Consequently, net income per share totaled ¥219.28 in FY2/15, and return on equity was 9.0%.

Financial Section

(3) Analysis of cash flows in Fiscal 2015

Cash and cash equivalents at the end of the FY2/15 totaled ¥88,614 million, an increase of ¥10,833 million from the end of the previous fiscal year.

1) Cash flows from operating activities

Net cash provided by operating activities totaled ¥23,232 million (¥35,845 million provided for of the previous fiscal year), due mainly to income before taxes and minority interests (¥29,416 million), interest and dividends received (¥10,711 million), and income taxes paid (¥13,874 million).

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥8,945 million (¥5,843 million used for of the previous fiscal year), due mainly to payments for purchase of tangible fixed assets (¥4,691 million) and payments for purchase of investment securities (¥3,867 million).

3) Cash flows from financing activities

Net cash used in financing activities totaled ¥7,036 million (¥6,476 million used for of the previous fiscal year), due mainly to cash dividends paid (¥6,642 million).

Capital Expenditures

Capital investment totaled 5,556 million in FY2/15.

In the Pharmaceutical segment, we mainly invested in the building and manufacturing equipment, etc. of the Tosu and Utsunomiya Plants and Osaka Branch resulting in capital investment of ¥2,951 million.

In other businesses, we mainly invested to expand bandwidth to provide digital capabilities to our subscribers, resulting in capital investment of ¥96 million.

In FY2/15, there was no disposal or removal of equipment that could impact production capacity.

Financial Section

Dividend Policy

Our basic policy is to continue paying stable dividends to shareholders. We pay special and commemorative dividends in light of earnings and other factors in an effort to return profits to shareholders.

We also implement various other financial measures, such as company share buybacks, as effective means for returning profits to shareholders.

Our basic policy is to pay dividends from retained earnings twice yearly through interim dividends and year-end dividends. The General Meeting of Shareholders is responsible for deciding on year-end dividends and the Board of Directors decides on interim dividends.

In FY2/15, we paid a year-end dividend of ¥42.5 per share and an interim dividend of ¥37.5 per share, which makes an annual dividend of ¥80 per share.

We work to improve our business base through the targeted investment of internal reserves into research and development, manufacturing facilities, overseas business development, and other areas.

Our Articles of Incorporation stipulate that interim dividends can be paid based on a Board of Directors' resolution to shareholders or pledgees listed or registered in the final shareholder registry at the end of August each year.

Note: Dividends from retained earnings with a record date in Fiscal 2015 are as follows.

Resolution date	(Millions of yen)	(Yen)	(Thousands of U.S. dollars)	(U.S. dollars)
	Total dividends	Dividends per share	Total dividends	Dividends per share
October 9, 2014				
Board of directors resolution	3,213	37.5	26,939	0.31
May 21, 2015				
General meeting of shareholders resolution	3,642	42.5	30,536	0.36

Financial Section

Business and Other Risks

The following risks associated with our group's business activities could have a significant impact on the decisions of investors.

Any forward-looking statements are based on our judgments at the end of FY2/15.

1) Legal and regulatory risks

Our mainstay pharmaceuticals and related products business is affected by a variety of regulations, including the national health insurance drug price system and the healthcare insurance system. For example, the revision of national health insurance drug prices every two years places regular downward pressure on selling prices, and this could have a negative impact on earnings. We are similarly affected by a variety of regulations overseas.

2) Risks from side effects

Unforeseen side effects could force our mainstay pharmaceuticals and related products business to recall products or cancel product launches, which could have a negative impact on earnings.

3) Research and development risks

We conduct research and development into new products and new technologies. However, earnings could be adversely affected by the suspension of research and development activities for a variety of reasons, including failure to produce anticipated results, or by the inability to recover research and development investment through sales.

4) Manufacturing and procurement risks

We manufacture products using independent technology at our own plants. We rely on specific vendors to supply certain products and raw materials. Consequently, earnings could be adversely affected by the suspension of manufacturing or purchasing of these products and raw materials for some reason.

5) Environmental risks

Some of the chemicals used in our research and development activities and manufacturing processes can have an adverse impact on human health and the surrounding environment. Although we take sufficient safeguards, earnings could be adversely affected if these substances are judged to be having a negative impact on the surrounding environment.

6) Intellectual property risks

Our business activities could possibly be suspended or lead to litigation if they violate the patents or other intellectual property rights of another company. We may also initiate litigation if another company violates our intellectual property rights. Earnings could be adversely affected by the process and outcome of such actions.

7) Litigation risks

Our business activities could possibly lead to litigation related to pharmaceutical side effects and product liability. Earnings could be adversely affected by the process and outcome of such actions.

8) Other risks

In addition to the foregoing, other potential risks include natural disasters and the security of computer systems.

Financial Section

Consolidated Balance Sheets

February 28, 2014 and February 28, 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
ASSETS			
Current assets:			
Cash and deposits	66,307	71,298	597,787
Notes and accounts receivable — trade	37,092	46,587	390,601
Short-term investment securities	15,453	25,192	211,218
Merchandise and finished goods	9,694	8,762	73,464
Work-in-process	417	471	3,949
Raw materials and supplies	5,085	6,217	52,125
Deferred tax assets	2,921	3,480	29,177
Other	2,389	3,641	30,527
Allowance for doubtful accounts	(255)	(335)	(2,809)
Total current assets	139,107	165,315	1,386,057
Noncurrent assets			
Tangible fixed assets, net:			
Buildings and structures (Notes 2 and 3)	17,735	18,105	151,798
Machinery, equipment and vehicles (Notes 2 and 3)	6,159	7,375	61,834
Tools, furniture and fixtures (Notes 2 and 3)	2,320	2,220	18,613
Land (Notes 2 and 4)	12,677	12,843	107,680
Lease assets	116	83	696
Construction in progress	4,321	4,374	36,673
Total tangible fixed assets	43,330	45,003	377,320
Intangible fixed assets:			
Distribution right	5,844	4,760	39,909
Goodwill	5,280	4,948	41,486
Software	633	1,014	8,502
Other	5,053	5,580	46,785
Total intangible fixed assets	16,812	16,303	136,690
Investments and other assets:			
Investment securities (Note 1)	42,947	48,779	408,980
Long-term deposits	2,000	159	1,333
Prepaid pension cost	2,822	—	—
Net defined benefit asset	—	3,805	31,902
Deferred tax assets	1,239	1,705	14,295
Other	3,811	4,585	38,442
Allowance for doubtful accounts	(218)	(216)	(1,811)
Total investments and other assets	52,602	58,818	493,150
Total noncurrent assets	112,745	120,125	1,007,169
TOTAL ASSETS	251,852	285,440	2,393,225

Financial Section

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
LIABILITIES			
Current liabilities:			
Notes and accounts payable — trade	8,987	9,928	83,240
Electronically recorded obligations — operating	5,625	7,923	66,429
Short-term loans payable (Note 2)	1,677	1,685	14,128
Lease obligations	112	102	855
Accounts payable	6,656	7,785	65,272
Income taxes payable	7,354	3,978	33,353
Allowance for sales returns	180	175	1,467
Provision for bonuses	1,942	2,249	18,856
Other	9,209	10,470	87,784
Total current liabilities	41,745	44,299	371,418
Noncurrent liabilities:			
Long-term loans payable (Note 2)	852	727	6,095
Lease obligations	156	61	511
Deferred tax liabilities on revaluation (Note 4)	1,894	1,894	15,880
Deferred tax liabilities	1,881	5,355	44,898
Provision for retirement benefits	5,265	—	—
Provision for directors' retirement benefits	1,200	1,305	10,942
Net defined benefit liability	—	5,905	49,510
Other	2,548	3,835	32,154
Total noncurrent liabilities	13,799	19,086	160,023
Total Liabilities	55,544	63,386	531,450
NET ASSETS			
Shareholders' equity:			
Capital stock	8,473	8,473	71,040
Capital surplus	8,396	8,396	70,395
Retained earnings	187,846	199,990	1,676,784
Treasury stock	(21,851)	(21,854)	(183,231)
Total shareholders' equity	182,865	195,006	1,634,996
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	6,611	13,087	109,726
Revaluation reserve for land (Note 4)	3,459	3,459	29,001
Foreign currency translation adjustment	2,506	9,243	77,496
Remeasurements of defined benefit plans	—	225	1,886
Total accumulated other comprehensive income	12,577	26,016	218,127
Minority interests	865	1,031	8,644
Total net assets	196,308	222,054	1,861,776
TOTAL LIABILITIES AND NET ASSETS	251,852	285,440	2,393,225

Financial Section

Consolidated Statements of Income

Years ended February 28, 2014 and February 28, 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Net sales	150,635	156,743	1,314,186
Cost of sales (Notes 2 and 3)	55,471	57,063	478,435
Gross profit	95,163	99,680	835,751
Selling, general and administrative expenses (Notes 1 and 2)	76,040	79,153	663,646
Operating income	19,123	20,527	172,105
Non-operating income:			
Interest income	84	104	872
Dividends income	477	519	4,351
Foreign exchange gains	294	597	5,005
Royalty Income	74	47	394
Equity in earnings of affiliates	8,456	6,201	51,991
Other	484	591	4,955
Total non-operating income	9,872	8,062	67,595
Non-operating expenses:			
Interest expenses	34	34	285
Loss on sales of receivables	24	23	193
Other	25	42	352
Total non-operating expenses	85	100	838
Ordinary income	28,910	28,489	238,861
Extraordinary gain:			
Gain on the disposal of fixed assets (Note 4)	—	30	252
Gain on sales of investment securities	108	22	184
Distribution license fees	5,000	—	—
Gain on transfer of rights of approval for manufacture and commercial sale	—	958	8,032
Total extraordinary gain	5,108	1,012	8,485
Extraordinary loss:			
Loss on disposals of fixed assets (Note 5)	291	24	201
Loss on valuation of investment securities	—	60	503
Total extraordinary loss	291	84	704
Income before taxes and minority interests	33,727	29,416	246,634
Income taxes — current	14,072	10,824	90,752
Income taxes — deferred	(1,905)	(392)	(3,287)
Total income taxes	12,166	10,431	87,457
Income before minority interests	21,560	18,984	159,168
Minority interests in income	203	200	1,677
Net income	21,357	18,784	157,491

Financial Section

Consolidated Statements of Comprehensive Income

Years ended February 28, 2014 and February 28, 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Income before minority interests	21,560	18,984	159,168
Other comprehensive income:			
Valuation difference on available-for-sale securities	4,338	6,475	54,289
Foreign currency translation adjustment	6,879	6,424	53,861
Share of other comprehensive income of associates accounted for under the equity method	1,669	359	3,010
Total other comprehensive income (Note 1)	12,887	13,259	111,168
Comprehensive income	34,448	32,244	270,345
Comprehensive income attributable to:			
Owners of the parent	34,260	31,998	268,282
Minority interests	187	245	2,054

Financial Section

Consolidated Statements of Changes in Shareholders' Equity

Years ended February 28, 2014 and February 28, 2015

	(Millions of yen)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as at March 1, 2013	8,473	8,396	172,488	(21,846)	167,511
Cash dividends			(5,998)		(5,998)
Net income			21,357		21,357
Purchase of treasury stock				(4)	(4)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	15,358	(4)	15,353
Balance as at February 28, 2014	8,473	8,396	187,846	(21,851)	182,865

	(Millions of yen)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities:	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as at March 1, 2013	2,175	3,459	(5,961)	—	(325)	747	167,933
Cash dividends							(5,998)
Net income							21,357
Purchase of treasury stock							(4)
Net changes of items other than shareholders' equity	4,435	—	8,467	—	12,903	118	13,021
Total changes of items during the period	4,435	—	8,467	—	12,903	118	28,374
Balance as at February 28, 2014	6,611	3,459	2,506	—	12,577	865	196,308

Financial Section

(Millions of yen)					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as at March 1, 2014	8,473	8,396	187,846	(21,851)	182,865
Cash dividends			(6,641)		(6,641)
Net income			18,784		18,784
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	12,143	(2)	12,140
Balance as at February 28, 2015	8,473	8,396	199,990	(21,854)	195,006

(Millions of yen)							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities:	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as at March 1, 2014	6,611	3,459	2,506	—	12,577	865	196,308
Cash dividends							(6,641)
Net income							18,784
Purchase of treasury stock							(2)
Net changes of items other than shareholders' equity	6,476	—	6,737	225	13,439	166	13,605
Total changes of items during the period	6,476	—	6,737	225	13,439	166	25,746
Balance as at February 28, 2015	13,087	3,459	9,243	225	26,016	1,031	222,054

Financial Section

(Thousands of U.S. dollars)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as at March 1, 2014	71,040	70,395	1,574,964	(183,206)	1,533,202
Cash dividends			(55,680)		(55,680)
Net income			157,491		157,491
Purchase of treasury stock				(17)	(17)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	101,811	(17)	101,786
Balance as at February 28, 2015	71,040	70,395	1,676,784	(183,231)	1,634,996

(Thousands of U.S. dollars)

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities:	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income	Minority interests	
Balance as at March 1, 2014	55,429	29,001	21,011	—	105,450	7,252	1,645,913
Cash dividends							(55,680)
Net income							157,491
Purchase of treasury stock							(17)
Net changes of items other than shareholders' equity	54,297	—	56,485	1,886	112,677	1,392	114,069
Total changes of items during the period	54,297	—	56,485	1,886	112,677	1,392	215,863
Balance as at February 28, 2015	109,726	29,001	77,496	1,886	218,127	8,644	1,861,776

Financial Section

Consolidated Statements of Cash Flows

Years ended February 28, 2014 and February 28, 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Cash flows from operating activities:			
Income before taxes and minority interests	33,727	29,416	246,634
Depreciation and amortization	6,619	6,667	55,898
Amortization of goodwill	873	946	7,932
Increase (decrease) in provision for retirement benefits	146	—	—
Increase (decrease) in net defined benefit liability	—	298	2,499
Increase (decrease) in provision for directors' retirement benefits	(102)	105	880
Increase (decrease) in provision for bonuses	60	149	1,249
Increase (decrease) in allowance for doubtful accounts	40	69	579
Increase (decrease) in provision for sales returns	(49)	(5)	(42)
Interest and dividends income	(562)	(624)	(5,232)
Interest expenses	34	34	285
Foreign exchange losses (gains)	(23)	(160)	(1,341)
Equity in losses (earnings) of affiliates	(8,456)	(6,201)	(51,991)
Loss (gain) on sales of investment securities	(108)	(22)	(184)
Loss (gain) on valuation of investment securities	—	60	503
Loss (gain) on disposal of fixed assets	291	(6)	(50)
Decrease (increase) in notes and accounts receivable — trade	571	(8,506)	(71,317)
Decrease (increase) in inventories	(1,365)	370	3,102
Decrease (increase) in other current assets	(445)	394	3,303
Increase (decrease) in notes and accounts payable — trade	896	2,840	23,812
Increase (decrease) in other current liabilities	4,180	418	3,505
Other, net	540	185	1,551
Sub-total	36,869	26,430	221,598
Interest and dividends received	12,360	10,711	89,805
Interest expenses paid	(35)	(34)	(285)
Income taxes paid	(13,349)	(13,874)	(116,324)
Net cash provided by operating activities	35,845	23,232	194,785

Financial Section

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Cash flows from investing activities			
Net decrease (increase) in time deposits	(315)	(1,317)	(11,042)
Decrease (increase) in long-term deposits	(500)	(142)	(1,191)
Payments for purchase of tangible fixed assets	(4,089)	(4,691)	(39,331)
Proceeds from sales of tangible fixed assets	6	117	981
Payments for purchase of intangible fixed assets	(119)	(180)	(1,509)
Proceeds from sales of intangible fixed assets	—	292	2,448
Decrease (increase) in short-term investment securities	(532)	556	4,662
Payments for purchase of investment securities	(1,354)	(3,867)	(32,422)
Proceeds from sales and redemption of investment securities	1,045	279	2,339
Collection of loans receivable	14	7	59
Net cash used in investing activities	(5,843)	(8,945)	(74,998)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	63	20	168
Repayment of long-term loans payable	(243)	(137)	(1,149)
Cash dividends paid to minority shareholders	(69)	(79)	(662)
Purchase of treasury stock	(3)	(1)	(8)
Cash dividends paid	(5,998)	(6,642)	(55,689)
Other, net	(223)	(194)	(1,627)
Net cash used in financing activities	(6,476)	(7,036)	(58,992)
Effect of exchange rate changes on cash and cash equivalents	3,394	3,582	30,033
Net increase (decrease) in cash and cash equivalents	26,920	10,833	90,828
Cash and cash equivalents, beginning of year	50,860	77,780	652,134
Cash and cash equivalents, end of year (Note 1)	77,780	88,614	742,970

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Basis of Preparation of Consolidated Financial Statements

The Company has prepared consolidated financial statements in accordance with the Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976).

For the fiscal year under review (from March 1, 2014 to February 28, 2015), pursuant to Article 3, Paragraph 2 of the Supplementary Provisions of the “Cabinet Office Ordinance Partially Amending the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Cabinet Office Ordinance No. 61 dated September 21, 2012), comparative information included in the consolidated financial statements is prepared in accordance with the Regulations for Consolidated Financial Statements before the amendment.

Significant Accounting Policies Concerning the Preparation of Consolidated Financial Statements

Fiscal 2015 (March 1, 2014 – February 28, 2015)

1. Scope of consolidation

Consolidated subsidiaries: 17

Names of consolidated subsidiaries:

- CRCC Media Co., Ltd.
- Saga City-Vision Co., Ltd.
- Taiyo Co., Ltd
- Kyudo Co., Ltd
- Hisamitsu Agency Co., Ltd.
- Hisamitsu U.S., Inc.
- Hisamitsu America, Inc.
- Noven Pharmaceuticals, Inc.
- Hisamitsu Farmaceutica do Brasil Ltda.
- Hisamitsu UK Ltd.
- Hisamitsu Vietnam Pharmaceutical Co., Ltd.
- Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd.
- P.T. Hisamitsu Pharma Indonesia
- 4 other companies

2. Investments accounted for under the equity method

Equity-method affiliates: 3

- SANOFI-HISAMITSU K.K.
 - Yutoku Pharmaceutical Ind. Co., Ltd.
 - Maruto Sangyo Co., Ltd.
- Novogyne Pharmaceuticals has been excluded from application of the equity method due to its dissolution.

3. Information concerning fiscal years, etc., of consolidated subsidiaries

The fiscal years of the 12 overseas consolidated subsidiaries end on December 31. Since there is less than three months' difference between that date and the end of the consolidated fiscal year, we use financial statements as of the date of the

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end of the fiscal years of the consolidated subsidiaries. We make the required consolidated adjustments if any major transactions occur between the end of the fiscal years of the consolidated subsidiaries and end of the consolidated fiscal year.

4. Accounting standards

(1) Valuation standards and methods for significant assets

1) Securities

a) *Held-to-maturity bonds*

Valued under amortized cost method (straight-line method).

b) *Available-for-sale securities*

i) Securities with market value

Valued at market price, using the market price at the balance sheet date.

All valuation differences are directly charged or credited to shareholders' equity, and costs of securities sold are computed using the moving average method.

ii) Securities without market value

Valued at cost, determined by the moving average method.

2) Inventories

Calculated by the average cost method (book value on the balance sheet is written down according to the decline in profitability).

(2) Depreciation methods for significant depreciable assets

1) Tangible fixed assets (excluding lease assets)

a) *Company and domestic consolidated subsidiaries*

Mainly the declining balance method.

b) *Overseas consolidated subsidiaries*

Mainly straight-line method.

2) Intangible fixed assets (excluding lease assets) and long-term prepaid expenses

Measured by the straight-line method.

Within intangible fixed assets, software for internal use is depreciated over its useful life (five years) using the straight-line method.

3) Lease assets

For finance lease transactions other than those for which the right of ownership of the lease assets transfers to the lessee at the end of the lease period, depreciation is calculated by the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero. The accounting treatment of finance lease transactions other than those for which the right of ownership of the lease assets transfers to the lessee at the end of the lease period and whose lease period commenced before February 28, 2009 is accounted for in accordance with that of normal rental transactions.

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(3) Standards for significant reserves and allowances

1) Allowance for doubtful accounts

In order to provide against losses from doubtful receivables, estimated irrecoverable amounts are recorded as a gain/loss.

a) General receivables

Based on historical bad debt experience.

b) Receivables at risk of default and in bankruptcy reorganization

Based on an assessment of the financial position.

2) Provision for sales returns

In order to provide against losses from product returns after the balance sheet date, the company makes a provision up to the maximum amount allowed under the Corporation Tax Law.

3) Provision for bonuses

To provide for the payment of bonuses to employees, the Company and its certain subsidiaries record a provision equal to the portion of expected future bonus payments incurred during the term under review.

4) Provision for directors' retirement benefits

The Company and certain subsidiaries make a provision for estimated retirement payments to directors and corporate auditors in accordance with its internal regulations.

(4) Accounting method for retirement benefits

The Company and certain subsidiaries, to prepare for the payment of retirement benefits to employees, record a provision at an amount deemed to arise at the end of the fiscal year under review based on estimated retirement benefit obligations and pension assets at the end of the consolidated fiscal year.

1) Method of attributing estimated retirement benefits to periods

In the calculation of retirement benefit obligations, estimated retirement benefits are attributed to the periods up to the end of the consolidated fiscal year using the straight-line method.

2) Treatment of actuarial differences

Actuarial differences are amortized starting in the next consolidated fiscal year using the straight-line method over a fixed number of years (five years) that is less than the average remaining years of service of employees when incurred.

3) Simplified method for small companies

Certain consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses, where retirement benefit obligations are assumed to be equal to the benefits payable upon the voluntary retirement of all employees at fiscal year-end.

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

Assets and liabilities denominated in foreign currencies are translated into yen using the spot exchange rate for final day of the fiscal year, and translation differences are booked as gains or losses. Note that the assets and liabilities of overseas consolidated subsidiaries and other like entities are translated into yen using the spot exchange rate for final day of the fiscal year, while revenues and expenses are translated using the average exchange rate for the period, and these translation differences are booked on the Foreign Currency Translation Adjustment and Minority Interests under Net Assets.

(6) Method and period of amortization of goodwill

Goodwill is amortized evenly over a five to ten-year period which is expected to show an effect. If the value of goodwill is small, it is amortized in full in the fiscal year when it accrues.

(7) Scope of funds in the Consolidated Statements of Cash Flows

Funds (cash & cash equivalents) in the Consolidated Statements of Cash Flows consist of cash in hand, demand deposits and easily realizable short-term investments with high liquidity and maturity dates not more than three months from the date of purchase, and which carry negligible risks of price fluctuation.

(8) Other significant accounting policies used in the preparation of the consolidated financial statements

Treatment of Consumption Tax etc.

The accounts are prepared excluding Consumption Tax and Local Consumption Tax.

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Changes in Accounting Policies

(Adoption of the Accounting Standard for Retirement Benefits etc.)

Effective as of the end of the fiscal year under review, the “Accounting Standard for Retirement Benefits” (ASBJ) Statement No. 26, May 17, 2012; hereinafter the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter the “Retirement Benefits Guidance”) have been adopted (except for the provisions in the main clause of paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of paragraph 67 of the Retirement Benefits Guidance). The method has been changed to record retirement benefit obligations after deducting pension assets as net defined benefit liability and accordingly, unrecognized actuarial differences and unrecognized past service costs have been recorded as net defined benefit liability.

The adoption of the Retirement Benefits Accounting Standard etc. is in accordance with the transitional treatment set forth in paragraph 37 of the Retirement Benefits Accounting Standard, and the effect of the change in accounting policies has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result, net defined benefit asset of ¥3,805 million and net defined benefit liability of ¥5,905 million have been recorded at the end of the fiscal year under review. Accumulated other comprehensive income increased ¥225 million.

Net assets per share increased ¥2.63.

Unapplied Accounting Standards, etc.

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26; May 17, 2012), and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25; May 17, 2012)

(1) Outline

With respect to the method of attributing expected retirement benefits to periods, the use of the benefit formula basis in addition to the straight line basis has become possible, and the calculating method for determining discount rates has been revised.

(2) Scheduled date of adoption

We plan to adopt them from the beginning of the fiscal year starting on and after March 1, 2015. There is, however, transitional treatment provided in these accounting standards, etc. Therefore, these standards will not be applied retrospectively to the consolidated financial statements for the past periods.

(3) Impact of adoption of this accounting standard and guidance

The impact of adoption is currently being evaluated in preparing consolidated financial statements.

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Notes to Consolidated Financial Statements

Fiscal 2014 (March 1, 2013 – February 28, 2014) and Fiscal 2015 (March 1, 2014 – February 28, 2015)

CONSOLIDATED BALANCE SHEETS

(Note 1) Investment securities for unconsolidated subsidiaries and affiliated companies are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Investment securities (stocks)	11,479	4,874	40,865

(Note 2) Assets pledged as collateral are as follows.

Pledged assets

Buildings and structures	1,118 (book value)	1,025 (book value)	8,594
Machinery, equipment and vehicles	17 (book value)	11 (book value)	92
Tools, furniture and fixtures	150 (book value)	129 (book value)	1,082
Land	59 (book value)	59 (book value)	495
Total	1,344 (book value)	1,225 (book value)	10,271
Assets provided for factory foundation mortgage			
Buildings and structures	972 (book value)	892 (book value)	7,479
Machinery, equipment and vehicles	16 (book value)	11 (book value)	92
Tools, furniture and fixtures	150 (book value)	129 (book value)	1,082
Total	1,138 (book value)	1,033 (book value)	8,661

Liabilities related to the above assets

Short-term loans payable	137	125	1,048
Long-term loans payable	852	727	6,095
Total	989	852	7,143
Liabilities provided for factory foundation mortgage			
Short-term loans payable	99	98	822
Long-term loans payable	770	672	5,634
Total	870	770	6,456

(Note 3) Advanced depreciation of government subsidies is ¥5,832 million in both FY2/14 and FY2/15.

These figures are deducted from the consolidated balance sheets.

(Note 4) Application of the Land Revaluation Law

Land used for business purposes has been revalued in accordance with the "Act on revaluation of land" (Law 34 of 1998, promulgated on March 31, 1998) and the "Law Partially Amending the Act on Revaluation of Land" (revision of March 31, 1999). The portion of the revaluation gain equivalent to corporation tax and other taxes with tax bases linked to corporate profits has been presented under liabilities as "Deferred tax liabilities on revaluation," while the net sum after this transfer to the deferred tax liability account is presented under net assets as "Revaluation reserve for land."

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Revaluation method

The land value used as the basis for calculation of the tax base under the Land Value Tax, stipulated in Article 16 of the Land Value Tax Law (Law No. 69 of 1991), has been calculated by making rational adjustments to the price calculated by the method determined and publicly announced by the Commissioner of the National Tax Agency, as stipulated in Article 2.4 of the “Regulations for Applying the Land Revaluation Law” (Government Ordinance No. 119 of 1998, promulgated March 31, 1998).

Revaluation date

February 28, 2001

The market value of commercial land revalued in accordance with Article 10 of the Land Revaluation Law at the end of FY2/14 and FY2/15 was ¥3,610 million and ¥3,791 million lower than the book value after revaluation.

CONSOLIDATED STATEMENTS OF INCOME

(Note 1) Main items and the amounts under “Selling, general and administrative expenses” are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Advertising expenses	11,950	13,134	110,120
Sales promotion expenses	15,290	18,411	154,364
Freightage and packing expenses	2,643	2,644	22,168
Provision of allowance for doubtful accounts	38	73	612
Salaries and allowances	10,115	10,893	91,331
Provision for bonuses	1,013	1,074	9,005
Retirement benefit expenses	605	289	2,423
Provision for directors' retirement benefits	94	121	1,015
Amortization of goodwill	873	946	7,932
Business consignment expenses	2,607	1,749	14,664
Research and development expenses, of which:	13,924	13,718	115,016
Provision for bonuses	339	371	3,111
Retirement benefit expenses	168	93	780

(Note 2) General and administrative expenses include research and development expenses of ¥13,924 million and ¥13,718 million in FY2/14 and FY2/15, respectively.

Manufacturing costs do not include research and development expenses.

(Note 3) In FY2/14 and FY2/15, manufacturing costs include provision for bonuses of ¥470 million and ¥446 million and retirement benefit expenses of ¥311 million and ¥156 million, respectively.

Financial Section

(Note 4) Breakdown of gains on the disposal of fixed assets

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Buildings and structures	—	21	176
Machinery, equipment and vehicles	—	0	0
Tools, furniture and fixtures	—	8	67
Total	—	30	252

(Note 5) Breakdown of losses on the disposal of fixed assets

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
<i>Loss on retirement</i>			
Buildings and structures	87	19	159
Machinery, equipment and vehicles	190	4	34
Tools, furniture and fixtures	12	0	0
Lease assets	0	—	—
Software	0	—	—
Total	291	24	201

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Note 1) Reclassification adjustments amount and tax effect amount relating to other comprehensive income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Valuation difference on available-for-sale securities			
Amount arising during fiscal year under review	6,577	9,599	80,481
Reclassification adjustment amount:	(96)	(0)	(0)
Before tax effect adjustment	6,480	9,598	80,473
Tax effect amount	(2,142)	(3,123)	(26,184)
Valuation difference on available-for-sale securities	4,338	6,475	54,289
Foreign currency translation adjustment			
Amount arising during fiscal year under review	6,879	6,424	53,861
Share of other comprehensive income of associates accounted for under the equity method			
Amount arising during fiscal year under review	1,669	359	3,010
Total other comprehensive income	12,887	13,259	111,168

Financial Section

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Fiscal 2014 (March 1, 2013 – February 28, 2014)

1. Shares issued

(Shares)				
Type of shares	Beginning of fiscal 2014	Increase	Decrease	End of fiscal 2014
Common stock	95,164,895	—	—	95,164,895

2. Treasury shares

(Shares)				
Type of shares	Beginning of fiscal 2014	Increase	Decrease	End of fiscal 2014
Common stock	9,496,077	949	—	9,497,026

Reasons for changes

Shares increased for the following main reasons:

Increase from purchasing shares in less than one unit	724 shares
The Company portion of treasury shares purchased by equity method affiliates	225 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Payment date
May 23, 2013 Annual general meeting of shareholders	Common stock	2,999	35	February 28, 2013	May 24, 2013
October 9, 2013 Board of Directors meeting	Common stock	2,999	35	August 31, 2013	November 8, 2013

(2) Dividends with a record date in fiscal 2014 but a payment date in fiscal 2015

Resolution	Type of shares	Source of dividend	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Payment date
May 22, 2014 Annual general meeting of shareholders	Common stock	Retained earnings	3,427	40	February 28, 2014	May 23, 2014

Fiscal 2015 (March 1, 2014 – February 28, 2015)

1. Shares issued

(Shares)				
Type of shares	Beginning of fiscal 2015	Increase	Decrease	End of fiscal 2015
Common stock	95,164,895	—	—	95,164,895

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2. Treasury shares

(Shares)

Type of shares	Beginning of fiscal 2015	Increase	Decrease	End of fiscal 2015
Common stock	9,497,026	689	—	9,497,715

Reasons for changes

Shares increased for the following main reasons:

Increase from purchasing shares in less than one unit	395 shares
The Company portion of treasury shares purchased by equity method affiliates	294 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Payment date
May 22, 2014 Annual general meeting of shareholders	Common stock	3,427	40	February 28, 2014	May 23, 2014
October 9, 2014 Board of Directors meeting	Common stock	3,213	37.5	August 31, 2014	November 10, 2014

Resolution	Type of shares	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Payment date
May 22, 2014 Annual general meeting of shareholders	Common stock	28,733	0.34	February 28, 2014	May 23, 2014
October 9, 2014 Board of Directors meeting	Common stock	26,939	0.31	August 31, 2014	November 10, 2014

(2) Dividends with a record date in fiscal 2015 but a payment date in fiscal 2016

Resolution	Type of shares	Source of dividend	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Payment date
May 21, 2015 Annual general meeting of shareholders	Common stock	Retained earnings	3,642	42.5	February 28, 2015	May 22, 2015

Resolution	Type of shares	Source of dividend	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Payment date
May 21, 2015 Annual general meeting of shareholders	Common stock	Retained earnings	30,536	0.36	February 28, 2015	May 22, 2015

Financial Section

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Note 1) Relationship between year-end balances of cash and cash equivalents and amounts stated in the consolidated balance sheets

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Cash and deposits	66,307	71,298	597,787
Cash equivalents included in short-term investment securities	13,609	22,878	191,817
Total	79,917	94,176	789,603
Term deposits longer than three months	(2,136)	(5,562)	(46,634)
Cash and cash equivalents	77,780	88,614	742,970

FINANCIAL INSTRUMENTS

1. Outline of financial instruments

(1) Policy for financial instruments

Our Group raises funds necessary to conduct mainly the manufacturing and sales of pharmaceuticals through bank loans or issuance of bonds in light of the business plan. Temporary cash surpluses are invested in low risk financial assets. Derivatives are used within the scope of actual requirements and not for speculative purposes.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Although operating receivables such as notes and accounts receivable — trade are exposed to customer credit risk, this risk is managed through regular checks on the business and credit position of customers.

Short-term investment securities and investment securities, mainly consisting of stocks of corporations that the Company has business relationships with, are exposed to the risk of market price fluctuations. This risk is managed through periodic monitoring of market value and the financial status of the related issuers. With respect to stocks in companies that have a business relationship, the Company checks necessity for holding them, taking into account the business relationship.

Payment terms of operating payables, such as notes and accounts payable — trade, electronically recorded obligations — operating, accounts payable, and income taxes payable are less than one year. Borrowings are mainly for funding required for corporate acquisitions and capital investment. Although operating payables and borrowings are exposed to liquidity risk, this risk is managed through methods such as preparing cash flow planning on a monthly basis.

Derivatives transactions are undertaken by the Finance Department after authorization by the Board of Directors or the General Manager of the Finance Department, depending on the importance of the transaction, and details are appropriately reported to the Board of Directors.

Financial Section

2. Market values of financial instruments

Carrying amount, market value and unrealized gain/loss of the financial instruments are as follows: Financial instruments whose market values are not readily determinable are excluded from the following table (See (Note 2)):

Fiscal 2014 (February 28, 2014)

	(Millions of yen)		
	Carrying amount	Market value	Unrealized gain (loss)
(1) Cash and deposits	66,307	66,307	—
(2) Notes and accounts receivable — trade	37,092	37,092	—
(3) Short-term investment securities and investment securities:			
Available-for-sale securities	45,922	45,922	—
Stock of affiliated companies	1,488	764	(724)
(4) Long-term deposits	2,000	1,996	(3)
Total assets	152,811	152,083	(727)
(1) Notes and accounts payable — trade	8,987	8,987	—
(2) Electronically recorded obligations — operating	5,625	5,625	—
(3) Short-term loans payable	1,540	1,540	—
(4) Accounts payable	6,656	6,656	—
(5) Income taxes payable	7,354	7,354	—
(6) Long-term loans payable (*)	989	992	2
Total liabilities	31,152	31,155	2
Derivative transactions	—	—	—

(*) Includes current portion of long-term loans payable.

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Fiscal 2015 (February 28, 2015)

	(Millions of yen)			(Thousands of U.S. dollars)		
	Carrying amount	Market value	Unrealized gain (loss)	Carrying amount	Market value	Unrealized gain (loss)
(1) Cash and deposits	71,298	71,298	—	597,787	597,787	—
(2) Notes and accounts receivable — trade	46,587	46,587	—	390,601	390,601	—
(3) Short-term investment securities and investment securities:						
Available-for-sale securities	68,358	68,358	—	573,137	573,137	—
Stock of affiliated companies	1,534	770	(764)	12,862	6,456	(6,406)
(4) Long-term deposits	159	162	2	1,333	1,358	17
Total assets	187,938	187,176	(761)	1,575,736	1,569,347	(6,380)
(1) Notes and accounts payable — trade	9,928	9,928	—	83,240	83,240	—
(2) Electronically recorded obligations — operating	7,923	7,923	—	66,429	66,429	—
(3) Short-term loans payable	1,560	1,560	—	13,080	13,080	—
(4) Accounts payable	7,785	7,785	—	65,272	65,272	—
(5) Income taxes payable	3,978	3,978	—	33,353	33,353	—
(6) Long-term loans payable (*)	852	855	3	7,143	7,169	25
Total liabilities	32,028	32,032	3	268,534	268,567	25
Derivative transactions	—	—	—	—	—	—

(*) Includes current portion of long-term loans payable.

Note 1: Calculation method of market values of financial instruments and securities

Assets

(1) Cash and deposits and (2) Notes and accounts receivable — trade

These assets are recorded using book values because market values approximate book values because of their short-term maturities.

(3) Short-term investment securities and investment securities

MMFs are recorded using book values because market values approximate book values because of their short-term maturities. The market values of stocks are determined using the quoted market price on applicable stock exchanges.

(4) Long-term deposits

Long-term deposits are stated using the quoted prices obtained from financial institutions.

Liabilities

(1) Notes and accounts payable — trade, (2) Electronically recorded obligations — operating, (3) Short-term loans payable, (4) Accounts payable, and (5) Income taxes payable

These payables are recorded using book values because market values approximate book values because of their short-term maturities.

(6) Long-term loans payable (including current portion of long-term loans payable)

Long-term loans payable with floating interest rates are recorded using book values because market values approximate book values as these rates reflect market interest rates over the short-term. For long-term loans payable with fixed interest rates, market values are determined by discounting the aggregated values of the principal and interest using an assumed interest rate based on the interest rate that would be applied to a new loan of a similar nature.

Financial Section

Note 2: Carrying amounts of financial instruments whose market values are not readily determinable

Category	(Millions of yen)		(Thousands of U.S. dollars)
	February 28, 2014	February 28, 2015	February 28, 2015
Unlisted equity securities	10,990	4,079	34,200

These items are not included in “(3) Short-term investment securities and investment securities,” because there is no market price, and it is very difficult to identify market values.

Note 3: Redemption schedule of monetary assets and securities with contractual maturities after the balance sheet date
Fiscal 2014 (February 28, 2014)

	(Millions of yen)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	66,307	—	—	—
Notes and accounts receivable — trade	37,092	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with contractual maturities:				
Other	1,844	728	—	—
Long-term deposits	—	2,000	—	—
Total	105,245	2,728	—	—

Fiscal 2015 (February 28, 2015)

	(Millions of yen)				(Thousands of U.S. dollars)			
	Within one year	One to five years	Five to ten years	Over ten years	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	71,298	—	—	—	597,787	—	—	—
Notes and accounts receivable — trade	46,587	—	—	—	390,601	—	—	—
Short-term investment securities and investment securities:								
Available-for-sale securities with contractual maturities:								
Other	2,313	158	—	—	19,393	1,325	—	—
Long-term deposits	—	159	—	—	—	1,333	—	—
Total	120,199	318	—	—	1,007,789	2,666	—	—

Financial Section

Note 4: Redemption schedule of short-term loans payable and long-term loans payable after the balance sheet date

Fiscal 2014 (February 28, 2014)

	(Millions of yen)			
	Within one year	One to five years	Five to ten years	Over ten years
Short-term loans payable	1,540	—	—	—
Long-term loans payable	137	346	356	149
Total	1,677	346	356	149

Fiscal 2015 (February 28, 2015)

	(Millions of yen)				(Thousands of U.S. dollars)			
	Within one year	One to five years	Five to ten years	Over ten years	Within one year	One to five years	Five to ten years	Over ten years
Short-term loans payable	1,560	—	—	—	13,080	—	—	—
Long-term loans payable	125	284	358	84	1,048	2,381	3,002	704
Total	1,685	284	358	84	14,128	2,381	3,002	704

SECURITIES

1. Available-for-sale securities

Fiscal 2014 (February 28, 2014)

Category	Carrying amount	(Millions of yen)	
		Acquisition cost	Difference
<i>Carrying amount higher than acquisition cost</i>			
(1) Stocks	27,264	17,495	9,769
(2) Bonds	—	—	—
(3) Other	—	—	—
Subtotal	27,264	17,495	9,769
<i>Carrying amount lower than acquisition cost</i>			
(1) Stocks	2,474	2,726	(251)
(2) Bonds	—	—	—
(3) Other	16,182	16,182	—
Subtotal	18,657	18,908	(251)
Total	45,922	36,404	9,517

Financial Section

Fiscal 2015 (February 28, 2015)

Category	(Millions of yen)			(Thousands of U.S. dollars)		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
<i>Carrying amount higher than acquisition cost</i>						
(1) Stocks	42,208	22,965	19,242	353,886	192,546	161,331
(2) Bonds	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	42,208	22,965	19,242	353,886	192,546	161,331
<i>Carrying amount lower than acquisition cost</i>						
(1) Stocks	798	925	(126)	6,691	7,756	(1,056)
(2) Bonds	—	—	—	—	—	—
(3) Other	25,350	25,350	—	212,543	212,543	—
Subtotal	26,149	26,275	(126)	219,242	220,298	(1,056)
Total	68,358	49,241	19,116	573,137	412,853	160,275

2. Available-for-sale securities sold during the fiscal year

Fiscal 2014 (March 1, 2013–February 28, 2014)

Because the total amount of gain or loss from sales is not material, this item is not stated.

Fiscal 2015 (March 1, 2014–February 28, 2015)

Because the total amount of gain or loss from sales is not material, this item is not stated.

DERIVATIVE TRANSACTIONS

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

Not applicable.

Financial Section

RETIREMENT BENEFITS

Fiscal 2014 (March 1, 2013 – February 28, 2014)

1. Overview of retirement benefit plans

Corporate pension plan

The Company previously used the Hisamitsu Pharmaceutical Welfare Pension Plan to cover a portion of retirement benefits starting on July 1, 1995, but it switched to the Hisamitsu Pharmaceutical Corporate Pension Plan on July 1, 2005.

The Company previously used a qualified pension plan to augment its retirement benefit plans from March 1, 1966, but this plan was terminated on April 1, 2007 and integrated into the corporate pension plan.

Lump sum retirement allowance

The Company and domestic consolidated subsidiaries provide lump sum retirement allowances based on retirement benefit regulations. In some cases, employees may receive an additional retirement allowance upon retirement.

2. Retirement benefit obligations

	(Millions of yen)	(Thousands of U.S. dollars)
(1) Retirement benefit obligations	(14,059)	(117,875)
(2) Pension assets	11,148	93,469
(3) Subtotal (1) + (2)	(2,910)	(24,398)
(4) Unrecognized actuarial differences	466	3,907
(5) Total (3) + (4)	(2,443)	(20,483)
(6) Prepaid pension costs	(2,822)	(23,661)
(7) Provision for retirement benefits (5) + (6)	(5,265)	(44,144)

3. Retirement benefit costs

	(Millions of yen)	(Thousands of U.S. dollars)
(1) Service costs	597	5,005
(2) Interest costs	239	2,004
(3) Expected return on plan assets	(288)	(2,415)
(4) Amortization of actuarial differences	536	4,494
(5) Retirement benefit expenses	1,085	9,097

Notes: 1. Excludes employee contributions to the corporate pension plan.

2. Retirement benefit expenses at consolidated subsidiaries using the simplified method are recorded in "(1) Service costs."

4. Basis for calculating retirement benefit obligations

(1) Allocation of expected retirement benefits	Straight-line method
(2) Discount rate	1.30%
(3) Expected return on plan assets	2.90%
(4) Amortization period of actuarial differences	

Five years (amortized starting in the next consolidated fiscal year in equal amounts for a fixed number of years that is less than the average remaining years of service of employees when incurred.)

Financial Section

Fiscal 2015 (March 1, 2014 – February 28, 2015)

1. Overview of retirement benefit plans

The Company and consolidated subsidiaries have adopted funded and unfunded defined benefit plans, in order to prepare for the payment of retirement benefits to employees.

Corporate pension plan

The Company previously used the Hisamitsu Pharmaceutical Welfare Pension Plan to cover a portion of retirement benefits starting on July 1, 1995, but it switched to the Hisamitsu Pharmaceutical Corporate Pension Plan on July 1, 2005.

The Company previously used a qualified pension plan to augment its retirement benefit plans from March 1, 1966, but this plan was terminated on April 1, 2007 and integrated into the corporate pension plan.

Lump sum retirement allowance

The Company and domestic consolidated subsidiaries provide lump sum retirement allowances based on retirement benefit regulations. In some cases, employees may receive an additional retirement allowance upon retirement.

For lump sum retirement allowance system of consolidated subsidiaries, net defined benefit liability and retirement benefits expenses are calculated using the simplified method.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	(Millions of yen)	(Thousands of U.S. dollars)
Beginning balance of retirement benefit obligations	14,059	117,875
Service costs	717	6,012
Interest costs	179	1,501
Actuarial differences incurred	(37)	(310)
Payment of retirement benefits	(436)	(3,656)
Other	(7)	(59)
Ending balance of retirement benefit obligations	14,474	121,355

(2) Reconciliation of beginning and ending balances of pension assets

	(Millions of yen)	(Thousands of U.S. dollars)
Beginning balance of pension assets	11,148	93,469
Expected return on plan assets	323	2,708
Actuarial differences incurred	809	6,783
Employer contributions	341	2,859
Payment of retirement benefits	(249)	(2,088)
Ending balance of pension assets	12,374	103,748

Financial Section

(3) Reconciliation of ending balance of retirement benefit obligations and pension assets with net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligations for funded plans	8,568	71,837
Pension assets	(12,374)	(103,748)
	(3,805)	(31,902)
Retirement benefit obligations for unfunded plans	5,905	49,510
Net amount of liabilities and assets in consolidated balance sheets	2,100	17,607
Net defined benefit liability	5,905	49,510
Net defined benefit asset	(3,805)	(31,902)
Net amount of liabilities and assets in consolidated balance sheets	2,100	17,607

(4) Breakdown of retirement benefit expenses

	(Millions of yen)	(Thousands of U.S. dollars)
Service costs	717	6,012
Interest costs	179	1,501
Expected return on plan assets	(323)	(2,708)
Amortization of actuarial differences	(33)	(277)
Retirement benefit expenses for defined benefit plans	539	4,519

(5) Remeasurements of defined benefit plans

Items recorded in remeasurements of defined benefit plans (before related tax effects) are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized actuarial differences	(347)	(2,909)

(6) Pension assets

1) Breakdown by main items of pension assets

The proportions of main items to the total pension assets are as follows:

Bonds	53%
Stocks	34%
General account	9%
Other	4%
Total	100%

2) Long-term expected rate of return on plan assets

Long-term expected rate of return on plan assets is determined considering the current and projected pension asset allocations and the current and future long-term return rates expected from various assets that compose pension assets.

(7) Basis for actuarial calculation

Discount rate	1.3%
Long-term expected rate of return on plan assets	2.9%

Financial Section

TAX EFFECT ACCOUNTING

1. Main reasons for deferred tax assets and deferred tax liabilities.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
<i>Deferred tax assets:</i>			
Provision for retirement benefits	1,846	—	
Net defined benefit liability	—	1,953	16,375
Provision for directors' retirement benefits	423	460	3,857
Accrued enterprise tax	340	255	2,138
Allowance for doubtful accounts	252	180	1,509
Inventories	217	169	1,417
Excess depreciation	539	568	4,762
Intangible fixed assets	2,381	2,224	18,647
Valuation losses on memberships	248	216	1,811
Loss on valuation of investment securities	892	913	7,655
Provision for bonuses	372	784	6,573
Outsourced research and development	877	431	3,614
Other	2,402	5,157	43,238
Sub-total deferred tax assets	10,793	13,315	111,637
Valuation allowance	(2,993)	(3,023)	(25,346)
Total deferred tax assets	7,800	10,291	86,283
<i>Deferred tax liabilities:</i>			
Stock and investments in affiliated companies	(835)	—	—
Prepaid pension costs	(998)	—	—
Net defined benefit asset	—	(1,107)	(9,281)
Valuation difference on available-for-sale securities	(3,153)	(6,276)	(52,620)
Other	(532)	(3,078)	(25,807)
Total deferred tax liabilities	(5,519)	(10,462)	(87,717)
Net deferred tax assets	2,280	(170)	(1,425)

Note: The net value of deferred tax assets are included in the following consolidated balance sheet categories:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Current assets; deferred tax assets	2,921	3,480	29,177
Noncurrent assets; deferred tax assets	1,239	1,705	14,295
Noncurrent liabilities; deferred tax liabilities	(1,881)	(5,355)	(44,898)

Financial Section

(Changes in presentation)

“Valuation difference on available-for-sale securities,” which was included in “Other” under deferred tax liabilities in the previous year, is separately presented in the fiscal year under review because it has become significant in terms of amount. To reflect this change in presentation, reclassification has been made for notes for the previous year.

As a result, ¥3,153 million presented as “Other” under deferred tax liabilities for the previous year has been reclassified as “Valuation difference on available-for-sale securities.”

2. Breakdown by main items that caused major differences in statutory tax rate and income tax rate after application of tax effect accounting

	Fiscal 2014 (February 28, 2014)	Fiscal 2015 (February 28, 2015)
Statutory tax rate	—	37.8%
(Reconciliation)		
Non-deductible expenses, such as entertainment expenses	—	1.1%
Non-taxable income, such as dividend income	—	(0.5)%
Special tax exemption for experimental research and development	—	(3.6)%
Amortization of goodwill	—	1.2%
Valuation allowance	—	0.1%
Other	—	(0.6)%
Income tax rate after application of tax effect accounting	—	35.5%

Note: Because the difference in the statutory tax rate and the income tax after the application of tax effect accounting is less than five per cent of the statutory tax rate, notes for Fiscal 2014 are omitted.

3. Revisions to the amount of deferred tax assets and deferred tax liabilities due to changes in the rate of income taxes

With the promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10, 2014), the Special Corporation Tax for Reconstruction has no longer been imposed from the fiscal year beginning on and after April 1, 2014. In accordance with this Act, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from the 37.8% applicable hitherto to 35.4%, for the temporary differences likely to be eliminated in the fiscal year beginning on March 1, 2015.

The impact of this change in tax rate is minor.

4. Changes in the rate of income taxes after the balance sheet date

With the promulgation on March 31, 2015 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9, 2015) and “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2, 2015), the income tax rate and corporate enterprise tax rate will be changed from the fiscal year beginning on and after April 1, 2015. In accordance with these Acts, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities will be changed from the 35.4% applicable hitherto to 32.8% for temporary differences expected to be eliminated in the fiscal year beginning on March 1, 2016, and to 32.1% for temporary differences expected to be eliminated in the fiscal year beginning on and after March 1, 2017.

The impact of this change in tax rates is minor.

Financial Section

INVESTMENT AND RENTAL PROPERTY

Because the total amount of investment and rental property is not material, this item is not stated.

SEGMENT INFORMATION

1. Outline of reportable segments

The Company engages in business activities primarily in research and development, manufacturing, purchase, and sales of pharmaceuticals, where “Pharmaceuticals” is the concerned reportable segment.

“Pharmaceuticals” is conducting business related to ethical and OTC pharmaceuticals both in Japan and overseas.

2. Method to calculate the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Because the reportable segment of the Company is “Pharmaceuticals” only, this item is not stated.

3. Information regarding the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Because the reportable segment of the Company is “Pharmaceuticals” only, this item is not stated.

4. Difference between the aggregate of all reportable segments and the consolidated financial statements amount, and the details of such difference (items concerning the adjustment of difference)

Because the reportable segment of the Company is “Pharmaceuticals” only, this item is not stated.

Financial Section

RELATED INFORMATION

Fiscal 2014 (March 1, 2013 – February 28, 2014)

1. Information by product/service segment

This information is not stated, as net sales to external customers in single product/service segment accounts for more than 90% of net sales in the consolidated statements of income.

2. Information by geographic segment

(1) Net sales

(Millions of yen)

Japan	North America	Other	Total
119,497	19,670	11,467	150,635

Note: Net sales are segmented into countries or territories according to the location of the customer.

(2) Tangible fixed assets

(Millions of yen)

Japan	North America	Other	Total
33,763	7,129	2,436	43,330

3. Information by significant customer

(Millions of yen)

Name of customers	Net sales	Related segment
Alfresa Holdings Corporation	26,132	Pharmaceuticals
Medipal Holdings Corporation	25,980	Pharmaceuticals

Fiscal 2015 (March 1, 2014 – February 28, 2015)

1. Information by product/service segment

This information is not stated, as net sales to external customers in single product/service segment accounts for more than 90% of net sales in the consolidated statements of income.

2. Information by geographic segment

(1) Net sales

(Millions of yen)

Japan	North America	Other	Total
114,902	28,929	12,911	156,743

(Thousands of U.S. dollars)

Japan	North America	Other	Total
963,377	242,551	108,250	1,314,186

Note: Net sales are segmented into countries or territories according to the location of the customer.

Financial Section

(2) Tangible fixed assets

(Millions of yen)

Japan	North America	Other	Total
34,003	7,665	3,334	45,003

(Thousands of U.S. dollars)

Japan	North America	Other	Total
285,093	64,266	27,953	377,320

3. Information by significant customer

(Millions of yen)

(Thousands of U.S. dollars)

Name of customers	Net sales	Net sales	Related segment
Medipal Holdings Corporation	25,305	212,166	Pharmaceuticals
Alfresa Holdings Corporation	24,628	206,489	Pharmaceuticals

Information on the impairment loss of noncurrent assets by reportable segment

Because the reportable segment of the Company is "Pharmaceuticals" only, this item is not stated.

Information on the amortization of goodwill and unamortized balance by reportable segment

Because the reportable segment of the Company is "Pharmaceuticals" only, this item is not stated.

Information on the gain on negative goodwill by reportable segment

Because the reportable segment of the Company is "Pharmaceuticals" only, this item is not stated.

Financial Section

RELATED PARTY INFORMATION

Fiscal 2014 (March 1, 2013 – February 28, 2014)

1. Transactions with related parties

Affiliated companies, etc.

Type	Name of company, etc.	Location	Capital or investment (Millions of yen)	Business activities or occupation	Holding (held) of voting rights, etc. (%)
Affiliate	Yutoku Pharmaceutical Ind. Co., Ltd.	Kashima, Saga	120	Pharmaceuticals	Holding Direct 15.0

Relationship with related party	Description of transaction	Amount of transaction (Millions of yen)	Item	Balance at end of the fiscal year (Millions of yen)
Selling of products	Selling of products	8,965	Accounts receivable-trade	2,920
Purchase of merchandise	Purchase of merchandise	10	Electronically recorded obligations-operating	1
			Accounts payable-trade	0

Interlocking of executives

Notes: 1. Transaction amounts do not include consumption tax.

2. Terms and conditions for the purchasing and selling of products and merchandises are determined similarly to general trading terms and conditions following discussions taking into account market prices.

2. Notes to parent entities or significant affiliated companies

Summarized financial statements of significant affiliated companies

For FY2/14, the significant affiliated company is Novogyne Pharmaceuticals and its summarized financial statement is as follows.

	(Millions of yen)
Total current assets	9,320
Total noncurrent assets	203
Total current liabilities	1,651
Total net assets	7,873
Net sales	29,649
Income before income taxes	25,092

Financial Section

Fiscal 2015 (March 1, 2014 – February 28, 2015)

1. Transactions with related parties

Affiliated companies, etc.

Type	Name of company, etc.	Location	Capital or investment (Millions of yen)	Capital or investment (Thousands of U.S. dollars)	Business activities or occupation	Holding (held) of voting rights, etc. (%)
Affiliate	Yutoku Pharmaceutical Ind. Co., Ltd.	Kashima, Saga	120	1,006	Pharmaceuticals	Holding Direct 15.0

Relationship with related party	Description of transaction	Amount of transaction (Millions of yen)	Amount of transaction (Thousands of U.S. dollars)	Item	Balance at end of the fiscal year (Millions of yen)	Balance at end of the fiscal year (Thousands of U.S. dollars)
Selling of products	Selling of products	7,819	65,557	Accounts receivable-trade	2,556	21,430
Purchase of merchandise	Purchase of merchandise	484	4,058	Electronically recorded obligations-operating	194	1,627
				Accounts payable-trade	58	486
Interlocking of executives						

Notes: 1. Transaction amounts do not include consumption tax.

2. Terms and conditions for the purchasing and selling of products and merchandises are determined similarly to general trading terms and conditions following discussions taking into account market prices.

2. Notes to parent entities or significant affiliated companies

Not applicable.

Financial Section

PER SHARE INFORMATION

	(Yen)		(U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Net assets per share	2,281.40	2,580.02	21.63
Net income per share	249.30	219.28	1.84

Notes: 1. Diluted net income per share is not listed due to the absence of residual securities.
2. The basis for the calculation of net assets per share is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Total net assets in the consolidated balance sheets	196,308	222,054	1,861,776
Net assets attributable to common shareholders	195,442	221,022	1,853,123
Main differences			
Minority interests	865	1,031	8,644
Common stock issued (Thousands of shares)	95,164	95,164	—
Common stock held in treasury (Thousands of shares)	9,497	9,497	—
Common stock used in calculating net assets per share (Thousands of shares)	85,667	85,667	—

3. The basis for the calculation of net income per share is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2014	Fiscal 2015	Fiscal 2015
Net income	21,357	18,784	157,491
Amount not attributable to common shareholders	—	—	—
Net income attributable to common shareholders	21,357	18,784	157,491
Average common stock during year (Thousands of shares)	85,668	85,667	—

SIGNIFICANT SUBSEQUENT EVENTS

(Abolition of directors' retirement benefit payment system and introduction of stock options as compensation)

The Company, at the board of directors meeting held on April 8, 2015 and the 113th annual general meeting of shareholders held on May 21, 2015, reviewed the directors' compensation system and resolved to abolish the directors' retirement benefit payment system and introduce stock options as compensation for the Company's directors (excluding outside directors).

More details about the stock option system are provided in "Corporate Information, Stock Information, (8) Details of stock option system."

Financial Section

Supplementary Schedule

Supplementary schedule of bonds payable

Not applicable.

Supplementary schedule of loans payable

Category	(Millions of yen)		(Thousands of U.S. dollars)		Average interest rate (%)	Due date
	Balance at the beginning of Fiscal 2015	Balance at the end of Fiscal 2015	Balance at the beginning of Fiscal 2015	Balance at the end of Fiscal 2015		
Short-term loans	1,540	1,560	12,912	13,080	0.58	—
Current portion of long-term loans	137	125	1,149	1,048	0.68	—
Current portion of long-term lease obligation	112	102	939	855	—	—
Long-term loans (excluding current portion)	852	727	7,143	6,095	1.08	March 2016 to March 2026
Lease obligation (excluding current portion)	156	61	1,308	511	—	March 2016 to October 2019
Other interest-bearing liabilities	—	—	—	—	—	—
Total	2,798	2,577	23,459	21,606	—	—

Notes: 1. Average interest rate is the weighted average interest rate for the year-end balances of loans, etc.

2. Current portion of long-term loans include ¥46 million in interest free loans from the Development Bank of Japan Inc.
3. The average interest rate on lease obligations is not listed, mainly because lease obligations are stated in the consolidated balance sheet mainly as a total before deduction of the equivalent of interest contained in the total lease payment.
4. Long-term loans (excluding current portion) include ¥7 million in interest free loans from the Development Bank of Japan Inc.
5. Yearly repayments of long-term loans and lease obligations (both excluding current portion) within five years after the consolidated balance sheet date are as follows:

Category	(Millions of yen)			
	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans	78	71	71	63
Lease obligations	28	17	9	6

Category	(Thousands of U.S. dollars)			
	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans	654	595	595	528
Lease obligations	235	143	75	50

Financial Section

Supplementary schedule of asset retirement obligations

The supplementary schedule of asset retirement obligations is not stated because the amounts of asset retirement obligations at the beginning and the end of the fiscal year under review were not more than 1/100 of the total amounts of liabilities and net assets at the beginning and the end of the fiscal year under review.

Other

Quarterly consolidated financial information for Fiscal 2015

	(Millions of yen)			
(Cumulative)	Three months ended May 31, 2014	Six months ended August 31, 2014	Nine months ended November 30, 2014	Fiscal 2015
Net sales	37,756	77,052	114,940	156,743
Income before taxes and minority interests	6,649	15,582	23,472	29,416
Net income	3,998	9,574	14,476	18,784
Net income per share (yen)	46.68	111.76	168.98	219.28

	(Thousands of U.S. dollars)			
(Cumulative)	Three months ended May 31, 2014	Six months ended August 31, 2014	Nine months ended November 30, 2014	Fiscal 2015
Net sales	316,559	646,030	963,696	1,314,186
Income before taxes and minority interests	55,747	130,645	196,797	246,634
Net income	33,521	80,272	121,372	157,491
Net income per share (U.S. dollars)	0.39	0.94	1.42	1.84

	(Yen)			
(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share	46.68	65.08	57.22	50.30

	(U.S. dollars)			
(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share	0.39	0.55	0.48	0.42

Corporate Information

Stock Information

(1) Total number of shares

1) Total number of shares

Type of shares	Total authorized shares (Shares)
Common stock	380,000,000
Total	380,000,000

2) Shares issued

Type of shares	Shares issued at year end Fiscal 2015 (February 28, 2015)	Shares issued on filing date (May 22, 2015)	Names of listing stock exchanges or registered securities dealers associations	Details
Common stock	95,164,895	95,164,895	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section) Fukuoka Stock Exchange	All voting shares, standard shares with unlimited rights (Voting units: 100 shares)
Total	95,164,895	95,164,895	—	—

(2) Status of share subscription rights to shares

Not applicable.

(3) Execution of warrant bonds, etc. with clause allowing change in exercise price

Not applicable.

(4) Details of rights plans

Not applicable.

(5) Changes in shares issued, capital stock, and other items

Date	(Shares)		Change in capital stock	(Millions of yen)		
	Change in shares issued	Shares issued		Capital stock	Change in additional paid-in capital	Additional paid-in capital
July 5, 2002 (Note)	—	95,164,895	—	8,473	(6,123)	2,118

Date	(Shares)		Change in capital stock	(Thousands of U.S. dollars)		
	Change in shares issued	Shares issued		Capital stock	Change in additional paid-in capital	Additional paid-in capital
July 5, 2002 (Note)	—	95,164,895	—	71,040	(51,337)	17,758

Note: The decrease in additional paid-in capital was based on provisions in Article 289-2 of the former Commercial Code (creditor protection procedures were completed on July 5, 2002).

Corporate Information

(6) Details of shareholders

As of February 28, 2015

Status of shares (Investment unit comprises 100 shares)

Category	National and local government	Financial institutions	Securities companies	Other corporations	Foreign shareholders			Total	Shares under one unit (Shares)
					Non-individuals	Individuals	Individuals and other		
Shareholders (entities)	—	59	24	195	343	3	5,939	6,563	—
Shares owned (units)	—	441,047	14,730	185,458	120,341	6	189,620	951,202	44,695
Ratio (%)	—	46.37	1.55	19.50	12.65	0.00	19.93	100.00	—

Note: Treasury stock of 9,470,490 are listed as 94,704 units in the individuals and other column and as 90 shares in the shares under one unit column. The 9,470,490 treasury share figure is the number of shares listed in the shareholder registry.

Corporate Information

(7) Principal shareholders

As of February 28, 2015

Name	Address	Shares owned (thousand shares)	Percentage of shares outstanding (%)
Japan Trustee Service Bank, Ltd. (trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	5,927	6.23
The Nomura Trust and Banking Co., Ltd. (The Bank of Tokyo-Mitsubishi UFJ, Ltd. pension trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	4,387	4.61
Japan Trustee Service Bank, Ltd. (Resona Bank, Ltd. retrust account, The Nishi- Nippon City Bank, Ltd. pension trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	4,370	4.59
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	4,318	4.54
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	3,910	4.11
The Bank of Fukuoka, Ltd.	2-13-1 Tenjin, Chuo-ku, Fukuoka	3,871	4.07
The Bank of Saga, Ltd.	2-7-20 Tojin, Saga	2,956	3.11
Japan Trustee Service Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. retrust account, Sumitomo Mitsui Banking Corporation pension trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,064	2.17
Hisamitsu Business Partners' Shareholding Association	408 Tashiro Daikan-machi, Tosu-shi Saga	1,973	2.07
TKY	1-12-3 Sasayama-machi, Kurume-shi, Fukuoka	1,834	1.93
Total		35,611	37.42

Notes: 1. The number of the foregoing shares related to fiduciary services is as follows.

Japan Trustee Service Bank, Ltd.: 12,361 thousand shares

The Nomura Trust and Banking Co., Ltd.: 4,387 thousand shares

The Master Trust Bank of Japan, Ltd.: 4,318 thousand shares

2. In addition to the shares listed above, the company owns treasury stock of 9,470 thousand shares (9.95%).

(8) Details of stock option system

It was resolved at the 113th annual general meeting of shareholders held on May 21, 2015 that the Company awards stock options as compensation for the Company's directors (excluding outside directors) in accordance with Article 361 of the Companies Act, accompanying the abolishment of the directors' retirement benefit payment system.

The description of the relevant system is as follows.

Resolution date	May 21, 2015
Classification and number of persons to be granted	10 directors of the Company (excluding outside directors)
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares	The maximum number of subscription rights to shares to be allotted on the date within one year after the date of the annual general meeting of shareholders of the Company in each fiscal year shall be 1,000. Number of shares to be issued upon exercise of each subscription right is shall be 100 shares per subscription right.
Cash payment upon exercise of subscription rights to shares	The amount of assets to be contributed upon exercise of each subscription right shall be determined by multiplying the exercise price by the number of shares granted, where the exercise price is set to be ¥1 per share to be granted through exercise of each relevant subscription right.
Exercise period of subscription rights to shares	The exercise period shall be a period determined by the board of directors of the Company within 50 years from the day following the day of the allotment of the subscription rights.
Conditions for exercise of subscription rights to shares	In principle, the holder of a subscription right to shares may exercise the right from the day following the day he/she loses the position as a director of the Company. Other conditions regarding the exercise of subscription rights to shares shall be determined by the board of directors of the Company.
Matters concerning transfer of subscription rights to shares	Acquisition of subscription rights to shares by transfer is subject to approval by the board of directors of the Company.
Matters concerning substitute payment	—
Matters concerning issuance of subscription rights to shares accompanying organizational restructuring	—

Notes: If the Company's common stocks undergo any stock splits (including a gratis allotment of common stocks of the Company) or reverse stock splits, the number of shares granted shall be adjusted according to the following formula, and fractions less than one share resulting from this adjustment shall be rounded down.

Number of shares granted after adjustment =

Number of shares granted before adjustment × Ratio of stock split or reverse stock split

Furthermore, in addition to the above, if adjustment of the number of shares granted is necessary due to the Company undergoing a merger, company split or other similar event after the resolution date, the Company may appropriately adjust the number of shares granted within a reasonable scope.

Corporate Information

(9) Information on transfer of the Company's stock

Stock exchange listings	First sections of the Tokyo Stock Exchange, and Nagoya Stock Exchange, and the Fukuoka Stock Exchange (stock code: 4530)
Stock registrar	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Annual general meeting of shareholders	May each year
Ex dividend date	End of February (August 31 for interim dividend)
Record date	Record date for the annual general meeting of shareholders is the end of February. Report in advance if otherwise needed.
Newspaper for public announcements	Nihon Keizai Shimbun
Stock related inquiries	Stock Section, General Affairs Department, Kyushu Head Office 408 Tashiro Daikan-machi, Tosu-shi Saga Tel: +81 942-83-2101 Fax: +81 942-83-6119 Website: http://www.hisamitsu.co.jp

Corporate Information

Group Companies

Our corporate group comprises Hisamitsu Pharmaceutical, 17 consolidated subsidiaries, and 4 equity-method affiliates.

Name	Location	Capital or investment	Main business activities	Voting rights (%)	Relationship					Remarks
					Concurrent employees		Capital support from Hisamitsu	Business transactions	Other	
					Hisamitsu officers (Persons)	Hisamitsu employees (Persons)				
Consolidated subsidiaries										
CRCC Media Co., Ltd.	Kurume, Fukuoka	¥1,115 million	Other businesses	69.50	3	1	Debt guarantees	—	—	Note 3
Saga City-Vision Co., Ltd.	Saga, Saga	¥605 million	Other businesses	70.12	2	1	Debt guarantees	—	—	
Taiyo Co., Ltd.	Tosu, Saga	¥50 million	Other businesses	100	2	2	—	Agent for casualty insurance contracts for Hisamitsu	Hisamitsu leases land	
Kyudo Co., Ltd.	Tosu, Saga	¥10 million	Other businesses	100	2	1	—	Provide laboratory animals and equipment to Hisamitsu	Hisamitsu leases land & buildings	
Hisamitsu Agency Co., Ltd.	Kurume, Fukuoka	¥25 million	Other businesses	100 (100)	1	1	—	Provide advertising agency services to Hisamitsu	Hisamitsu leases part of a lease building	
Hisamitsu U.S., Inc.	Delaware USA	USD 10	Pharmaceuticals	100	1	—	—	—	—	Note 3
Hisamitsu America, Inc.	New Jersey, USA	USD 3,000 thousands	Pharmaceuticals	100 (100)	1	1	Working capital loans	Selling products supplied by Hisamitsu	—	
Noven Pharmaceuticals, Inc.	Florida, USA	USD 10	Pharmaceuticals	100 (100)	2	—	Working capital loans	Hisamitsu outsources development	—	Note 3
Hisamitsu Farmaceutica do Brasil Ltda.	Manaus, Brazil	BRL 15 million	Pharmaceuticals	100	—	3	Working capital loans	Manufacture and sell products in Brazil, with products and some raw materials supplied by Hisamitsu	—	Note 3
Hisamitsu UK Ltd.	London, UK	GBP 120 thousands	Pharmaceuticals	100	1	1	—	Hisamitsu outsources development	—	
Hisamitsu Vietnam Pharmaceutical Co., Ltd.	Bien Hoa, Vietnam	VND 258,775 million	Pharmaceuticals	100	—	3	Working capital loans	Manufacture and sell products in Vietnam, with products and some raw materials supplied by Hisamitsu	—	Note 3
Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd.	Beijing, China	CNY 1,206 thousand	Pharmaceuticals	100	2	2	—	Hisamitsu outsources medical marketing	—	
PT. Hisamitsu Pharma Indonesia	Surabaya, Indonesia	IDR 32,518 million	Pharmaceuticals	75	1	2	Working capital loans	Manufacture and sell products in Indonesia, with products and some raw materials supplied by Hisamitsu	—	
4 other companies	—	—	—	—	—	—	—	—	—	

Corporate Information

Name	Location	Capital or investment	Main business activities	Voting rights (%)	Relationship					Remarks
					Concurrent employees		Capital support from Hisamitsu	Business transactions	Other	
					Hisamitsu officers (Persons)	Hisamitsu employees (Persons)				
Equity-method affiliates										
Sanofi-Hisamitsu K.K.	Shinjuku Tokyo	¥250 million	Pharmaceuticals	49.0	1	2	—	Supplies merchandise to Hisamitsu	—	
Yutoku Pharmaceutical Ind. Co., Ltd.	Kashima, Saga	¥120 million	Pharmaceuticals	15.0	2	—	—	Manufacture and sell products with some products supplied by Hisamitsu, supply merchandise of Hisamitsu	—	
Maruto Sangyo Co., Ltd.	Ogori, Fukuoka	¥1,807 million	Other businesses	39.9	1	2	—	Supplies raw materials to Hisamitsu	—	Note 4

- Notes: 1. Main business activities column lists names of business segments.
2. There are no companies in accounting insolvency that would significantly affect the consolidated financial statements.
3. Specified subsidiary.
4. Listed and files financial statements.
5. Figures in parenthesis in the voting rights column indicate indirect ownership.
6. Net sales of Noven Pharmaceuticals, Inc. (excluding internal sales among consolidated subsidiaries) accounted for more than 10% of consolidated sales and key earnings information is as follows. Noven Pharmaceuticals, Inc. prepares financial statements on a consolidated basis and thus the information below is also presented on a consolidated basis.

Key earnings information

	(Millions of yen)	(Thousands of U.S. dollars)
(1) Net sales	24,892	208,703
(2) Ordinary loss	1,593	13,356
(3) Net loss	893	7,487
(4) Net assets	65,174	546,441
(5) Total assets	49,062	411,352

Corporate Information

Management

Chairman & CEO	NAKATOMI Hirotaka	Standing Corporate Auditor	NAKATOMI Nobuyuki
President & COO	NAKATOMI Kazuhide	Standing Corporate Auditor	HIRANO Munehiko
Senior Managing Director	SUGIYAMA Kousuke	Corporate Auditor	ONO Keinosuke
Managing Director	AKIYAMA Tetsuo	Corporate Auditor	TOKUNAGA Tetsuo
Managing Director	HIGO Naruhito		
Director	TSURUDA Toshiaki		
Director	TAKAO Shinichiro		
Director	SAITO Kyu		
Director	TSUTSUMI Nobuo		
Director	MURAYAMA Shinichi		
Director	ICHIKAWA Isao		
Director	FURUKAWA Teijiro		

- Notes: 1. NAKATOMI Kazuhide, President & COO, is the first son of NAKATOMI Hirotaka, Chairman & CEO.
 2. NAKATOMI Nobuyuki, Standing Corporate Auditor, is the younger brother of NAKATOMI Hirotaka, Chairman & CEO.
 3. Directors ICHIKAWA Isao and FURUKAWA Teijiro are Outside Directors.
 4. Corporate Auditors ONO Keinosuke and TOKUNAGA Tetsuo are Outside Corporate Auditors.

Company Profile

Company name	Hisamitsu Pharmaceutical Co., Inc.	
Founded	1847	
Established	May 22, 1944	
Head office	408 Tashiro Daikan-machi, Tosu, Saga	
Representative	NAKATOMI, Hirotaka, Chairman & CEO	
Capital	¥8,473,839,816	
Fiscal year	March 1–End of February	(As of February 28, 2015)
Number of employees	Business segment	Employees
	Pharmaceuticals	2,793 (575)
	Other businesses	149 (51)
	Total	2,942 (626)

Note: Employee figures are for full-time employees. Temporary employees are shown in parentheses; these figures are averages for the fiscal year and are not included in employees column.

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