Financial Results (Kessan Tanshin) for Financial Year Ended 31 March 2013 (Japanese GAAP) (Consolidated)

14 May 2013

Company name: Sosei Group Corporation Listing: TSE
Securities code: 4565 URL: http://www.sosei.com/

Representative: Shinichi Tamura, Board Director Representative Executive Officer, CEO

Contact person: Hidetoshi Torami, Executive Vice President, CFO Tel: +81-3-5210-3290

Scheduled date of general shareholders' meeting: 20 June 2013
Scheduled date of dividend payments: –
Scheduled date of filing securities report (yukashoken hokokusho): 26 June 2013
Supplementary materials for financial results: Yes
Briefing session of financial results: Yes (for institutional investors and analysts (in Japanese only))

(Rounded down to nearest million yen)

1. Consolidated Financial Results for Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)

(1) Consolidated operating results (Percent indications show percent changes from corresponding figures for the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended 31 March 2013	1,958	127.2	(953)	–	(788)	–	(646)	–
Year ended 31 March 2012	862	20.4	(1,962)	–	(1,950)	–	(1,954)	–

(Note) Comprehensive income: -664 million yen (-%) for the year ended 31 March 2013; and -1,931 million yen (-%) for the year ended 31 March 2012

	Net income per share – basic	Net income per share - diluted	Net income as percentage of net assets	Ordinary income as percentage of total assets	Operating income as percentage of net sales
	Yen	Yen	%	%	%
Year ended 31 March 2013	(54.54)	–	(10.3)	(11.1)	(48.7)
Year ended 31 March 2012	(165.15)	–	(26.2)	(23.8)	(227.6)

(Reference) Investment income under equity method: - million yen for the year ended 31 March 2013; and - million yen for the year ended 31 March 2012

On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. The number of common shares issued for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

(2) Consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 31 March 2013	6,794	6,511	89.7	511.14
Year ended 31 March 2012	7,390	7,102	87.9	549.09

(Reference) Stockholders' equity: 6,093 million yen for the year ended 31 March 2013; and 6,497 million yen for the year ended 31 March 2012

On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. The number of common shares issued for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of financial year
	Million yen	Million yen	Million yen	Million yen
Year ended 31 March 2013	828	(28)	90	2,537
Year ended 31 March 2012	(286)	(275)	300	1,497

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends as percentage of net assets (consolidated)
	End Q1	End Q2	End Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended 31 March 2012	–	0.00	–	0.00	0.00	–	–	–
Year ended 31 March 2013	–	0.00	–	0.00	0.00	–	–	–
Year ended 31 March 2014 (E)	–	0.00	–	0.00	0.00		–	

3. Forecast for Financial Year Ending 31 March 2014 (from 1 April 2013 to 31 March 2014)

(Percent indications show percent changes from corresponding figures for the previous period.))

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,850	45.6	(400)	–	(300)	–	(300)	–	(25.16)

* Notes

(1) Changes in the number of significant subsidiaries during the financial year (changes of specified subsidiaries affecting the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

1) Changes due to changes in accounting standards: Yes

2) Changes due to changes in accounting policies except 1): None

3) Changes in accounting estimates: Yes

4) Restatements: None

(3) Number of common shares issued

1) Number of shares issued at financial year end (including treasury shares)	Year ended 31 March 2013	11,921,900	Year ended 31 March 2012	11,833,800
2) Number of treasury shares at financial year end	Year ended 31 March 2013	–	Year ended 31 March 2012	–
3) Average number of shares issued during financial year	Year ended 31 March 2013	11,860,355	Year ended 31 March 2012	11,833,800

On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. The number of common shares issued for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)

(1) Non-consolidated operating results (Percent indications show percent changes from corresponding figures for the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended 31 March 2013	85	168.2	(669)	–	(945)	–	(1,131)	–
Year ended 31 March 2012	31	(27.2)	(487)	–	(470)	–	(785)	–

	Net income per share – basic	Net income per share - diluted
	Yen	Yen
Year ended 31 March 2013	(95.37)	―
Year ended 31 March 2012	(66.40)	―

On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. The number of common shares issued for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

(2) Non-consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 31 March 2013	22,612	22,577	98.8	1,873.96
Year ended 31 March 2012	23,667	23,635	98.6	1,971.59

(Reference) Stockholders' equity: 22,341 million yen for the year ended 31 March 2013; and 23,331 million yen for the year ended 31 March 2012

On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. The number of common shares issued for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

3. Forecast for financial year ending 31 March 2014 (from 1 April 2013 to 31 March 2014)

(Percent indications show percent changes from corresponding figures for the previous period.))

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	380	351.2	10	―	10	―	0.84

* Implementation status of financial audit

As at the time of disclosure of this year-end financial report (kessan tanshin), the audit procedures of the financial statements pursuant to the Financial Instruments and Exchange Law are yet to be completed.

* Explanation regarding the appropriate use of forecasts of business results and other points to be noted

1. The financial forecast is based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material and assumptions about uncertain factors that could affect the forecasts of business results made as at the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors in the future. For matters concerning the aforementioned forecasts, please refer to "1. Operating Results (1) Analysis of Operating Results (Forecasts for Next Financial Year)."
2. The Company currently plans to hold an Internet conference for analysts on 15 May 2013. The audio recording of the conference (in Japanese only) will be made available on the Company's web page as soon as possible after the conference together with the presentation material.

○ Contents of Attached Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Current term operating results)

The pharmaceutical industry in Japan to which the Company belongs is facing tough conditions due to efforts to rationalize the costs of medical treatment and so on. Nonetheless, the overall bio-venture industry has been enveloped by a sense of heightened expectation due to the Nobel Prize for medicine or physiology that has been awarded to Japan.

Under such circumstances, the Group has managed to achieve progress in the initiation of Phase III clinical trial for SO-1105, a drug for the treatment of oropharyngeal candidiasis. The launch of COPD drug NVA237 (Glycopyrronium. Brand name: Seebri® Breezhaler®) and submission for approval of QVA149 for COPD by licensing partner Novartis have also been achieved in this financial year. Collaborative research with universities and drug companies on nano-particle technology is also progressing steadily.

As a result, the operating results in the current consolidated financial year are as shown in the table below.

Consolidated Operating Results

(millions of yen)

	Previous consolidated financial year	Current consolidated financial year	Changes from the same period last year
Net sales	862	1,958	1,096
Gross profit	608	1,633	1,025
Operating income (loss)	(1,962)	(953)	1,009
Ordinary income (loss)	(1,950)	(788)	1,162
Net income (loss)	(1,954)	(646)	1,307

(Sales and Gross profit)

Sales in this financial year totalled 1,958 million yen, an increase of 127.2% compared to the previous financial year. This was mainly due to royalties from Seebri® Breezhaler® ((glycopyrronium), October – December 2012), and milestones triggered by regulatory approvals glycopyrronium granted in Japan and the EU, and submission for approval for QVA149 in the EU.

(Operating loss)

Operating loss decreased to 953 million yen, a 1,009 million yen difference from the previous financial year. Despite the increase of R&D costs incurred for the Phase III clinical trial for SO-1105, the significant increase of sales have lead to a decrease of operating loss.

(Ordinary loss)

Ordinary loss was 788 million yen in this financial year. This was mainly due to non-operating revenue of 165 million yen from grant income and foreign exchange gains.

(Net loss)

Net loss decreased to 646 million yen in this financial year. This was mainly due to booking of extraordinary income of 31 million yen that includes gain on the reversal of stock options and minority interests loss of 118 million yen.

Breakdown of Selling, General and Administrative Expenses

(millions of yen)

	Previous consolidated financial year	Current consolidated financial year	Changes from the same period last year
Amortization of goodwill	1,588	1,588	―
Research and development expenses	227	385	158
Other expenses	755	612	(142)
Total selling, general and administrative expenses	2,571	2,586	15

(Selling, General and Administrative Expenses)

Selling, General and Administrative Expenses increased by 0.6% from the previous financial year, and totalled to 2,586 million yen. Increase in R&D expenses mainly due to the initiation of Phase I clinical trial was off-set by the decrease in other expenses.

The operating results by business segment are as follows.

(Domestic pharmaceutical business)

Sales in domestic pharmaceutical business segment increase by 36 million yen compared to the previous period totalling to 509 million yen. On the other hand, due to increase of R&D costs incurred by clinical trials for SO-1105, operating loss increased to 419 million yen (an increase of 224 million yen compared to the previous financial year).

The progress of the main products under development for the domestic pharmaceutical business is as follows.

■SO-1105 (Indication: oropharyngeal candidiasis) In-licensed in May 2011

Development stage: Phase III clinical trials (as of March 2013)

SO-1105 is an antifungal agent, administered as a muco-adhesive buccal tablet for the treatment of oropharyngeal candidiasis in immunocompromised patients. Oropharyngeal candidiasis is an inflammatory mucous membrane disease afflicting the oral cavity and pharynx which is caused by infection due to mainly a form of fungus known as *Candida albicans* and it is commonly found in patients suffering from chronic diseases such as diabetes and immunocompromised patients such as those suffering from HIV infection. This drug was originally developed by BioAlliance Pharma from France and is now approved for marketing in 24 European countries, the US and Korea since obtaining the first approval in October 2006 in France. The Group believes that this product can also contribute to patient compliance in Japan and thus obtained the exclusive development and marketing rights of SO-1105 in Japan from BioAlliance in May 2011. The Phase III clinical trials to evaluate the efficacy and safety of this developmental product started in the year ended 31 March 2013.

■APNT (Activus Pure Nano-particle Technology): Nano-particle technology

The characteristic of the nano-particle technology (hereinafter known as APNT), a drug discovery platform technology that is owned by the Group's wholly-owned subsidiary Activus Pharma Co., Ltd., lies in its ability to pulverize poorly soluble compounds to nano-sized crystal particles ranging from 50 to 200nm levels and keep compounds virtually free from contamination, which is a problem with existing technology, at an extremely low level. Making use of this feature, the application of this technology in injections, ophthalmic solutions and inhalations with poorly soluble compounds, which has been very difficult to develop so far, is being considered. Collaborative research using APNT with TOA Pharmaceuticals Co., Ltd., a company that has much experience

and expertise in the manufacturing and sales of pharmaceutical products, and its subsidiary Nitto Medic Co., Ltd., is currently in progress.

Collaborative research and development of new treatment drugs for posterior segment disorders is also in progress with Gifu University. Posterior segment disorders such as diabetic retinopathy and age-related macular degeneration are the main causes of visual disorders such as midlife loss of eyesight. In this collaborative research using APNT, a new ophthalmic solution that aims to improve the Quality of Life (QOL) of patients by delivering drugs effectively to the posterior segment unlike existing treatment methods is being developed.

In addition, the project"Development of Nanotechnology-based Innovative Ophthalmic Solutions" by Activus Pharma Co., Ltd. has been chosen by the New Energy and Industrial Technology Organization (NEDO) as one of the sponsored projects under its innovation commercialization and venture support program.

Although specific details on the progress of the collaborative development and research with the various companies are not disclosed due to patent strategy reasons, development of products in the field of ophthalmologic drugs where the technological features of APNT can be best exploited are in progress.

(Overseas pharmaceutical business)

Sales in overseas pharmaceutical business segment totalled 1,449 million yen, an increase of 1,060 million yen compared to the previous financial year. This was mainly due to the received royalties from glycopyrronium, and milestones triggered by regulatory approvals glycopyrronium was granted in Japan and the EU, and submission for approval for QVA149 in the EU. As a result, operating loss in overseas segment decreased for 1,124 million yen from the previous financial year, to 155 million yen.

The progress of the main products under development for the overseas pharmaceutical business is as follows.

■NVA237 (Glycopyrronium bromide. Indication: Chronic obstructive pulmonary disease (COPD))

- Launched in the EU and Japan (Phase III in the US)-

NVA237 (Glycopyrronium bromide. Brand name: Seebri® Breezhaler® (EU), Seebri® Inhalation Capsules (Japan). "glycopyrronium"), a once-daily long-acting muscarinic antagonist (LAMA), was exclusively licensed to Novartis in April 2005 by Sosei and its co-development partner, Vectura.

Glycopyrronium received regulatory approval in the EU and Japan as a once-daily long-acting muscarinic antagonist (LAMA) maintenance therapy for the treatment of the symptoms of adult patients with COPD, in September 2012. In addition, a further nine approvals have been granted for glycopyrronium, including Canada and Australia. The product has since been launched in a number of countries, including Germany, UK and Japan. In the US, filing is expected in Q1 2014.

■QVA149 (Indication: Chronic obstructive pulmonary disease (COPD))

- Submitted for approval in the EU, Japan (Phase III in the US)-

QVA149 is an investigational inhaled, once-daily, fixed-dose combination of glycopyrronium (LAMA) and indacaterol maleate, long acting beta 2-agonist（LABA）. QVA149 is being investigated for the maintenance treatment of COPD in the Phase III IGNITE clinical trial program. IGNITE is one of the largest international clinical trial programs in COPD comprising 10 studies in total (ILLUMINATE, SHINE, BRIGHT, ENLIGHTEN, SPARK, BLAZE, ARISE, BEACON, RADIATE, LANTERN) with more than 7,000 patients across 42 countries. The first eight studies have already completed in 2012. The studies are designed to investigate efficacy, safety and tolerability, lung function, exercise endurance, exacerbations, shortness of breath and quality of life.

The EU and Japan marketing authorization application for QVA149 were filed in October and November 2012, respectively, and the US application is expected to be submitted by the end of 2014.

(Earnings forecast for the financial year ending 31 March 2014)

Net sales are forecasted to come from the sales of NorLevo, milestone income of glycopyrronium and QVA149, and the royalties from the sales of Seebri® Breezhaler®. In addition, the project"Development of Nanotechnology-based Innovative Ophthalmic Solutions" by Activus Pharma Co., Ltd. has been chosen by the New Energy and Industrial Technology Organization (NEDO) as one of the sponsored projects under its innovation

commercialization and venture support program. The income from that grant is expected to be booked as non-operating income. As a result, the results for the full year is forecasted at net sales of 2,850 million yen, an operating loss of 400 million yen, an ordinary loss of 300 million yen and a net loss of 300 million yen.

(2) Analysis of Financial Position

The financial position as of the current consolidated financial year end is as follows.

Financial Position

(millions of yen)

	Previous consolidated financial year	Current consolidated financial year	Changes from the same period last year
Total assets	7,390	6,794	(595)
Cash flows from operating activities	(286)	828	1,114
Cash flows from investing activities	(275)	(28)	247
Cash flows from financing activities	300	90	(209)

(Total assets)

Total assets were 6,794 million yen in this financial year, a decrease of 595 million yen compared to the previous financial year, due to incurred net loss of 646 million yen.

(Cash flows from operating activities)

Cash flows from operating activities totalled 828 million yen due to net loss before income taxes and minority interests 757 million yen, amortization of goodwill 1,588 million yen, and income from the grant.

(Cash flows from investing activities)

Cash flows from investing activities totalled 28 million yen due to incurred 27 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities totalled 90 million yen due to proceeds from issuance of common stock.

(3) Basic Policy on Distribution of Profits and Dividends for Current and Next Financial Years

The Group is aware of the importance in returning profits to shareholders as a management issue. The development of pharmaceutical products requires a large amount of up-front investment over a long development period. Taking into consideration the characteristics of such an industry, the Company believes that the active development of the company's pipeline (developmental products) to raise the corporate value will lead to shareholder return. Going forward, the Company will continue to place its focus on the research and development of pharmaceutical products with the aim of increasing the value of its pipeline for the time being. As of the end of the current financial year, as provided under the Companies Act and the Ordinance on Company Accounting, the Company is not in a financial position to pay out dividends. When the financial position of the Company improves in future, we will review the payment of dividends while taking into consideration the operating results and financial position of the Company at that point in time.

2. Status of the Corporate Group

The Group which consists of the Company and 3 consolidated subsidiaries is involved mainly in the research & development and sales of pharmaceutical products. In terms of business segments, the business is divided into the domestic and overseas pharmaceutical businesses with the main criterion being regional in nature.

Business Segment	Company Name	Business Description
Whole company (common)	Sosei Group Co., Ltd.	Planning of management strategy for overall group Acceptance of entrustment of businesses in administrative divisions of subsidiaries
Domestic pharmaceutical business	Sosei Co., Ltd.	R&D, sales of pharmaceutical products
	Activus Pharma Co., Ltd.	Development of pharmaceutical products using nano-particle technology
Overseas pharmaceutical business	Sosei R&D Ltd.	Business promotion, overseas development through licensing

3. Management Policy

(1) Basic company management policy

The Group is involved in the biopharmaceutical business and since its establishment, it has promoted the R&D of various products and built up an attractive pipeline based on its own projects and a global network through technology transfers. Through the early provision of necessary pharmaceutical products to the world, we aim to further develop into the global pharmaceutical company, the one that transcends national and regional borders to support the health of people, and to contribute to the realization of enjoyable and happy life.

(2) Target Management Indicators

The Group promotes the R&D of pharmaceutical products and aims for sustainable growth by securing earnings through the launch/sales of developmental products or by licensing them out. By having an attractive pipeline and promoting the R&D of the various products in the pipeline, the Group is carrying out our business with the aim of quickly launching/selling many of the developmental products or licensing them out.

(3) Mid-to-long Term Management Strategy

Pharmaceutical development is a field in which competition from many companies and research institutes, both domestic and foreign, including major multi-national companies, is very intense. Moreover, although the development period is long and requires a vast investments of funds, the success rate is not high. For these reasons, a small-scale company like our Group has to adopt the following strategies with regards to human, financial and physical resources in the development of pharmaceutical products.

1) Positioning

The Group relies on the experience and the network that it has gained through technology transfers since its establishment to evaluate the state of the pharmaceutical industry in Japan from a global perspective and introduce pharmaceutical products from Europe and the US into the Japanese market. On the other hand, we also seize greater business opportunities overseas based on the seeds that we have sown both in Japan and overseas. We will also promote our business as a global bio-pharmaceutical company with a reduced risk in pharmaceutical development. In addition, while following the vision of “becoming a global bio-pharmaceutical company with Japanese origins” since our founding, we respond promptly to changes in the environment and enact a strategy that is most appropriate at that particular point in time.

2) Pipeline strategy

The characteristic of the Group’s pipeline strategy lies in the building of a balanced portfolio where the risks are controlled by combining developmental products with various levels of risks, development costs and period of time required for development.

The outline of the pipeline of the Group is as follows.

■Glycopyrronium (NVA237)
Indication: Chronic obstructive pulmonary disease
Launched in Europe and Japan (Phase III in the US)
Licensing partner: Novartis AG (exclusive development and marketing rights licensed out)

■QVA149
Indication: Chronic obstructive pulmonary disease
Submitted for approval in the EU and Japan (Phase III in the US)
Licensing partner: Novartis AG (exclusive development and marketing rights licensed out)

■SO-1105
Indication: Oropharyngeal candidiasis
Development stage: Phase III clinical trials

3) Collaboration in R&D

We aim to incorporate the latest technology by building up a wide range of collaboration in various R&D stages while avoiding increases in fixed costs as a result. The Group's R&D set-up relies on the Group's own R&D team and the collaboration with strategic partners.

4) Securing earnings

The Group aims to secure its earnings based on the following two models by building up a wide range of tie-ups and a pipeline strategy that places its focus on controlling risks as mentioned above.

(a) Sales earnings model based on development and commercialisation of products that are already marketed overseas or are in the late-stage of development for mainly the domestic market.

Examples: NorLevo®, SO-1105

(b) Earnings model based on milestone and royalty income from the out-licensed products. By developing products up to a stage in which the possibility of their successful development and commercialisation is raised and out-licensing that product to global pharmaceutical companies.

Examples: Glycopyrronium (NVA237), QVA149

The Group takes into consideration the competitive advantage of the product concerned, the R&D set-up and financial state for each developmental product in determining whether to adopt Model (a) or (b) to secure a stable and early stream of earnings.

(4) Issues to be Addressed

1) Enhancement of product pipeline

Generally, for bio-pharmaceutical ventures like the Group that are still in the red due to investments in pharmaceutical product development, the total value of the developmental products becomes the corporate value. Therefore, strengthening the pipeline to raise the corporate value is the most important issue when it comes to the management strategy of the Group. The first measure to address this issue is to continuously introduce promising products for development. In introducing new products for development, we will work on strengthening our information gathering capability by making use of the Group's international network, negotiation capability, and planning capability, to be able to make development and marketing plans that are attractive to the licensing partners. The second policy is to increase the line-up of products that are in the later stages of development. The development of pharmaceutical products starts from basic research and covers numerous steps, including pre-clinical trials, Phase I, Phase II and Phase III clinical trials, before they are approved for marketing. Naturally, the later the development stage, the higher is the possibility of obtaining approval and launch (=increase in value of developmental product). We will continue to work hard on the development of product pipeline and their advancement to the later stages of development.

2) Reduction of business risks

The development of pharmaceutical products entails a high level of return when successful but carries a high level of uncertainty. Therefore, if a business strategy that relies only on the developmental of one particular product is pursued, and if that product fails, the possibility that the business cannot be sustained is increased. In order to reduce such risks, the Group adopts a "pipeline strategy". The word "development product" encompasses a wide range of compounds and domains, and differs largely in risks depending on the development stage. The concept of a pipeline strategy lies in diversifying risks by building a pipeline consisting of multiple products that differ in such risk characteristics. The Group will employ this technique to reduce business risks and expand earnings.

3) Implementation of fund raising exercises

By exploring/introducing promising candidates for development and then expediting their development, corporate value can be enhanced. However, the flip side is that R&D expenses will increase. While the Group has raised funds through the issue of new shares and by licensing the development rights to other pharmaceutical companies, the possibility of raising more funds for the purpose of strengthening the business foundation such as those for R&D investments may be considered in the future.

4) Strengthening of research and development system

In order to expedite the development, approval and launch of products, a R&D set-up that is high in efficiency and certainty is indispensable. For this purpose, in addition to actively recruiting outstanding talents, the Group uses cutting-edge technologies in various fields that other companies possess through collaboration with these companies.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(thousands of yen)

	Financial Year Ended 31 March 2012	Financial Year Ended 31 March 2013
Assets		
Current assets		
Cash and deposits	1,415,498	2,537,527
Accounts receivable	33,010	43,572
Securities	82,155	—
Other	78,966	33,632
Total current assets	1,609,630	2,614,733
Noncurrent assets		
Property, plant and equipment		
Buildings, net	25,824	2,452
Machinery, equipment and vehicles, net	29,806	32,309
Tools, furniture and fixtures, net	6,096	20,199
Total property, plant and equipment	*1 61,727	*1 54,961
Intangible assets		
Goodwill	5,426,003	3,837,905
Other	255,153	252,404
Total intangible assets	5,681,157	4,090,309
Investments and other assets		
Other	37,824	34,782
Total investments and other assets	37,824	34,782
Total noncurrent assets	5,780,709	4,180,053
Total assets	7,390,340	6,794,786
Liabilities		
Current liabilities		
Accounts payable – trade	61,922	161,785
Accounts payable – other	33,064	59,869
Accrued expenses	156,951	25,168
Income taxes payable	9,658	8,987
Deferred tax liabilities	870	—
Other	25,643	27,148
Total current liabilities	288,110	282,959
Total liabilities	288,110	282,959
Net assets		
Shareholders' equity		
Capital stock	16,988,055	17,059,203
Capital surplus	18,908,795	18,979,943
Retained earnings	(30,582,117)	(31,228,973)
Total stockholders' equity	5,314,732	4,810,172
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,419	—
Foreign currency translation adjustments	1,181,650	1,283,642
Total accumulated other comprehensive income	1,183,069	1,283,642
Stock acquisition rights	304,427	236,238
Minority interests	300,000	181,773
Total net assets	7,102,229	6,511,827
Total liabilities and net assets	7,390,340	6,794,786

(2) Consolidate Statements of Income and Comprehensive Income

(thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Net sales	862,412	1,958,996
Cost of sales	253,921	325,749
Gross profit	608,491	1,633,247
Selling, general and administrative expenses	*1 2,571,120	*1 2,586,682
Operating loss (-)	(1,962,629)	(953,434)
Non-operating income		
Interest income	337	1,216
Foreign exchange gains	—	96,812
Gain on sales of securities	—	4,596
Subsidy income	26,255	62,625
Other	86	45
Total non-operating income	26,678	165,297
Non-operating expenses		
Foreign exchange losses	14,210	—
Total non-operating expenses	14,210	—
Ordinary loss (-)	(1,950,161)	(788,137)
Extraordinary income		
Gain on reversal of stock acquisition rights	1,286	31,175
Total extraordinary income	1,286	31,175
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*2 2,405	*2 360
Total extraordinary loss	2,405	360
Net loss before income taxes and minority interests (-)	(1,951,279)	(757,323)
Income taxes-current	3,110	7,759
Total income taxes	3,110	7,759
Net loss before minority interests (-)	(1,954,389)	(765,082)
Loss attributable to minority interests (-)	—	(118,226)
Net loss (-)	(1,954,389)	(646,856)
Loss attributable to minority interests (-)	—	(118,226)
Net loss before minority interests (-))	(1,954,389)	(765,082)
Other comprehensive income		
Net unrealized gains(losses) on available-for-sale securities	1,419	(1,419)
Foreign currency translation adjustments	21,464	101,992
Total other comprehensive income	*3 22,883	*3 100,573
Comprehensive income	(1,931,505)	(664,509)
(Breakdown		
Comprehensive income attributable to owners of the parent company	(1,931,505)	(546,283)
Comprehensive income attributable to minority interests	—	(118,226)

(3) Consolidated Statements of Changes in Net Assets

(thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Shareholders' equity		
Common stock		
Balance at beginning of financial year	16,988,055	16,988,055
Changes during financial year		
Issuance of new shares	—	71,148
Total changes during financial year	—	71,148
Balance at end of financial year	16,988,055	17,059,203
Capital surplus		
Balance at beginning of financial year	18,908,795	18,908,795
Changes during financial year		
Issuance of new shares	—	71,148
Total changes during financial year	—	71,148
Balance at end of financial year	18,908,795	18,979,943
Retained earnings		
Balance at beginning of financial year	(28,627,728)	(30,582,117)
Changes during financial year		
Net loss (-)	(1,954,389)	(646,856)
Total changes during financial year	(1,954,389)	(646,856)
Balance at end of financial year	(30,582,117)	(31,228,973)
Total shareholders' equity		
Balance at beginning of financial year	7,269,121	5,314,732
Changes during financial year		
Issuance of new shares	—	142,296
Net loss (-)	(1,954,389)	(646,856)
Total changes during financial year	(1,954,389)	(504,560)
Balance at end of financial year	5,314,732	4,810,172
Accumulated other comprehensive income		
Net unrealized gains(losses) on available-for-sale securities		
Balance at beginning of financial year	—	1,419
Changes during financial year		
Changes in items not included in shareholders' equity during financial year, net	1,419	(1,419)
Total changes during financial year	1,419	(1,419)
Balance at end of financial year	1,419	—
Foreign currency translation adjustments		
Balance at beginning of financial year	1,160,186	1,181,650
Changes during financial year		
Changes in items not included in shareholders' equity during financial year, net	21,464	101,992
Total changes during financial year	21,464	101,992
Balance at end of financial year	1,181,650	1,283,642

(thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Stock acquisition rights		
Balance at beginning of financial year	227,143	304,427
Changes during financial year		
Changes in items not included in shareholders' equity during financial year, net	77,283	(68,189)
Total changes during financial year	77,283	(68,189)
Balance at end of financial year	304,427	236,238
Minority interests		
Balance at beginning of financial year	—	300,000
Changes during financial year		
Changes in items not included in shareholders' equity during financial year, net	300,000	(118,226)
Total changes during financial year	300,000	(118,226)
Balance at end of financial year	300,000	181,773
Total net assets		
Balance at beginning of financial year	8,656,450	7,102,229
Changes during financial year		
Issuance of new shares	—	142,296
Net loss (-)	(1,954,389)	(646,856)
Changes in items not included in shareholders' equity during financial year, net	400,167	(85,842)
Total changes during financial year	(1,554,221)	(590,402)
Balance at end of financial year	7,102,229	6,511,827

(4) Consolidated Statements of Cash Flows

(thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Cash flows from operating activities		
Net loss before income taxes and minority interests (-)	(1,951,279)	(757,323)
Depreciation	20,182	26,485
Amortization of goodwill	1,588,098	1,588,098
Share-based compensation expenses	78,570	14,618
Subsidy income	—	(62,625)
Decrease (increase) in advance payments	(17,715)	16,347
Decrease (increase) in advances paid	13,976	(4,641)
Foreign exchange losses (gains)	13,014	(48,665)
Decrease (increase) in receivables – trade	(32,959)	(10,562)
Decrease (increase) in inventories	62,984	—
Increase (decrease) in payables – trade	(902)	99,863
Increase (decrease) in accrued expenses	(41,839)	(111,838)
Other	(16,047)	(3,129)
Subtotal	(283,915)	746,626
Interests and dividends received	337	1,216
Proceeds from subsidy	—	85,339
Income taxes paid	(3,268)	(5,008)
Net cash provided by operating activities	(286,846)	828,173
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,106)	(27,688)
Purchase of intangible assets	(247,540)	(680)
Other	(573)	0
Net cash provided by investing activities	(275,220)	(28,367)
Cash flows from financing activities		
Proceeds from issuance of common stock	—	90,664
Proceeds from stock issuance to minority shareholders	300,000	—
Net cash provided by financing activities	300,000	90,664
Effect of exchange rate changes on cash and cash equivalents	8,248	149,403
Increase (decrease) in cash and cash equivalents	(253,817)	1,039,874
Cash and cash equivalents at beginning of financial year	1,751,471	1,497,653
Cash and cash equivalents at end of financial year	*1 1,497,653	*1 2,537,527

(5) Notes to Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Basis of Preparation of Consolidated Financial Statements)

1. Matters related to scope of consolidation
   (1) Consolidated subsidiaries: 3 companies
   Names of major consolidated subsidiaries
   Sosei Co. Ltd.
   Sosei R&D Ltd.
   Activus Pharma Co., Ltd.
   There are no non-consolidated subsidiaries.
2. Matters related to companies accounted for by equity method
   (1) Affiliates accounted for by equity method
   None
   (2) Affiliates not accounted for by equity method
   None
3. Financial year of consolidated subsidiaries
   The financial year of all the subsidiaries coincides with that of the parent.
4. Significant accounting methods
   (1) Valuation standards and methods of significant assets
   a. Securities
   Available-for-sale securities
   Securities without market prices
   Securities without market prices are valued at cost using the moving average method. All the valuation gains/losses are reported as a component of net assets.
   b. Inventories
   Finished goods
   Finished goods are valued at cost using the moving average method. (The balance sheet value is calculated by way of inventory write-down based on decreased profitability.)
   (2) Depreciation and amortization of significant depreciable and amortizable assets
   a. Property, plant and equipment
   Property, plant and equipment of the Company and its domestic consolidated subsidiaries are depreciated with the declining-balance method, and those of its overseas consolidated subsidiaries with the straight-line method.
   Useful lives of significant assets are as follows:

Buildings:	4-15 years
Machinery, equipment and vehicles:	2-7 years
Tools, furniture and fixtures:	3-20 years

   b. Intangible assets
   Intangible assets are amortized with the straight-line method.
   Software for use in house is amortized over the expected available period in house of five years.
   (3) Policies for provision of allowances and reserves
   a. Allowance for doubtful accounts
   In order to provide for bad-debt losses from trade receivables and loans, the Company records uncollectible amounts estimated with the percentage of bad debts in the past for receivables in general and in consideration of the likelihood of collection individually for specific doubtful receivables. The Company posts no allowance for doubtful accounts for the relevant financial year.
   b. Provision for bonuses
   In order to provide for bonuses to be paid to employees, the Company records estimated amount of bonuses accrued for the relevant financial year as provision for bonuses.
   (4) Policies for translation of significant foreign currency-denominated assets and liabilities into Japanese yen
   Foreign currency-denominated monetary claims and liabilities are translated into Japanese yen using the spot foreign exchange rate prevailing at the financial year end, and the translation gains/losses are recorded as gain/loss. Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen using the spot foreign exchange rate prevailing at the financial year end, earnings and expenses thereof using the average foreign exchange rate during the financial year, and the translation gains/losses are posted as foreign currency translation adjustments in the net assets.
   (5) Amortization method and period of goodwill

Goodwill is amortized over a period of 10 years using the straight-line method.

(6) Scope of cash and cash equivalents for consolidated statements of cash flows

Cash and cash equivalents consist of cash at hand, readily available deposits, and short-term readily-cashable investments having a life of 3 months or less from the time of acquisition that involve only minor price fluctuation risks.

(7) Other basis of preparation of consolidated financial statements

Accounting method of consumption tax

All figures exclude consumption tax.

(Additional information)

(Notes Related to Consolidated Balance Sheets)

*1. Amount of accumulated depreciation subtracted directly from property, plant and equipment is as follows:

(thousands of yen)

	Financial Year Ended 31 March 2012	Financial Year Ended 31 March 2013
Accumulated depreciation	86,615	72,908

(Notes Related to Consolidated Statements of Income and Comprehensive Income)

*1. Significant items and amounts of selling, general and administrative expenses are as follows: (thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
R&D expenses	227,386	385,695
Amortization of goodwill	1,588,098	1,588,098
Personnel expenses (excluding those included in development expenses)	423,040	365,636

Significant items and amounts of the aforementioned R&D expenses are as follows; (thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Personnel expenses	132,953	150,209
Contract-out expenses	36,917	165,932

*2. Details of loss on sales and retirement of noncurrent assets are as follows: (thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Tools, furniture and fixtures	2,405	360

*3. Amounts of reclassification adjustments and tax effects for each component of other comprehensive income

(thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Valuation difference on available-for-sale securities:		
Gain (loss) arising during financial year	2,290	2,306
Reclassification adjustments	—	(4,596)
Amount before tax effect	2,290	(2,290)
Tax effect	(870)	870
Valuation difference on available-for-sale securities	1,419	(1,419)
Foreign currency translation adjustments:		
Gain (loss) arising during financial year	21,464	101,992
Total other comprehensive income	22,883	100,573

(Notes Related to Consolidated Statements of Changes in Net Assets)

Financial year ended 31 March 2012 (from 1 April 2011 to 31 March 2012)

1. Class and number of issued shares

	Balance at beginning of financial year (shares)	Increase in no. of shares during financial year (shares)	Decrease in no. of shares during financial year (shares)	Balance at end of financial year (shares)
Issued shares				
Common shares	11,833,800	—	—	11,833,800
Total	11,833,800	—	—	11,833,800

2. Stock acquisition rights and own share option

Company	Description	Type of shares to be issued	Number of shares to be issued (shares)				Balance at end of financial year (thousand yen)
			Balance at beginning of financial year	Increase during financial year	Decrease during financial year	Balance at end of financial year	
Parent Company	Series 2 stock acquisition rights (Note) 1	Common shares	15,500	—	—	15,500	0
	Series 3 stock acquisition rights (Notes) 1, 2	Common shares	2,000	—	2,000	—	—
	Series 6 stock acquisition rights (Notes) 1, 2	Common shares	8,000	—	2,000	6,000	0
	Series 8 stock acquisition rights (Notes) 1, 2	Common shares	11,600	—	1,000	10,600	0
	Stock acquisition rights as stock option	Common shares	—	—	—	—	304,426
Consolidated subsidiaries	—	—	—	—	—	—	—
Total		—	—	—	—	—	304,427

(Notes) 1. Stock option granted prior to enforcement of the Company Act.

2. Decreases in the Series 3 and Series 8 stock acquisition rights during the financial year are due to expiration of the stock acquisition rights.

3. Dividends

None.

Financial year ended 31 March 2013 (from 1 April 2012 to 31 March 2013)

1. Class and number of issued shares

	Balance at beginning of financial year (shares)	Increase in no. of shares during financial year (shares)	Decrease in no. of shares during financial year (shares)	Balance at end of financial year (shares)
Issued shares				
Common shares	11,833,800	88,100	—	11,921,900
Total	11,833,800	88,100	—	11,921,900

2. Stock acquisition rights and own share option

Company	Description	Type of shares to be issued	Number of shares to be issued (shares)				Balance at end of financial year (thousand yen)
			Balance at beginning of financial year	Increase during financial year	Decrease during financial year	Balance at end of financial year	
Parent	Series 2 stock acquisition rights (Note) 1	Common shares	15,500	—	—	0	0
	Series 6 stock acquisition rights (Notes) 1, 2	Common shares	6,000	—	1,000	5,000	0
	Series 8 stock acquisition rights (Notes) 1, 2	Common shares	10,600	—	—	10,600	0
	Stock acquisition rights as stock option	Common shares	—	—	—	—	236,237
Consolidated subsidiaries	—	—	—	—	—	—	—
Total		—	—	—	—	—	236,238

(Notes) 1. Stock option granted prior to enforcement of the Company Act.
2. Decreases in the Series 3 and Series 8 stock acquisition rights during the financial year are due to expiration of the stock acquisition rights.

3. Dividends

None.

(Notes Related to Consolidated Statements of Cash Flows)

*1. Reconciliation of cash and cash equivalents at end of financial year between consolidated statements of cash flows and consolidated balance sheets (thousands of yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Cash and deposits	1,415,498	2,537,527
Securities	82,155	
Cash and cash equivalents	1,497,653	2,537,527

(Segment Information)

a. Segment information

1. Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of the Directors to make decision about resource allocation and to assess their performance. The Group adopts the holding company structure, and the holding company is responsible for overall management and control of the Group.

Businesses of the Group are segmented into the domestic pharmaceuticals and overseas pharmaceuticals businesses based on legal entities as profit center. The domestic pharmaceuticals business involves importing products from overseas for sale both in Japan and overseas. The overseas pharmaceuticals businesses involve licensing in and developing pharmaceuticals for licensing out.

2. Calculation method of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting method for the reportable segments is the same as “basis of preparation for the consolidated financial statements.” The segment losses are measured based on operating loss.

3. Net sales, profits or losses, assets, liabilities and other items by reportable segment

Financial year ended 31 March 2012 (from 1 April 2011 to 31 March 2012) (thousands of yen)

	Domestic pharmaceuticals segment	Overseas pharmaceuticals segment	Total
Net sales			
Net sales to third parties	473,553	388,858	862,412
Total	473,553	388,858	862,412
Segment loss (-)	(194,840)	(1,280,027)	(1,474,867)
Segment assets	703,435	5,642,317	6,345,752
Other items			
Depreciation and amortization expenses	8,856	4,548	13,404
Amortization of goodwill	—	1,588,098	1,588,098
Increase in property, plant and equipment, and intangible assets	272,446	—	272,446

Financial year ended 31 March 2013 (from 1 April 2012 to 31 March 2013) (thousands of yen)

	Domestic pharmaceuticals segment	Overseas pharmaceuticals segment	Total
Net sales			
Net sales to third parties	509,631	1,449,365	1,958,996
Total	509,631	1,449,365	1,958,996
Segment loss (-)	(419,662)	(155,873)	(575,536)
Segment assets	892,106	5,042,524	5,934,631
Other items			
Depreciation and amortization expenses	17,880	2,477	20,358
Amortization of goodwill	—	1,588,098	1,588,098
Increase in property, plant and equipment, and intangible assets	33,912	391	34,303

4. Differences between sums of amounts on reportable segment information and consolidated financial statements (reconciliation) (thousands of yen)

Profits	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Sum of profits of reportable segments	(1,474,867)	(575,536)
Group-wide expenses (Note)	(519,484)	(462,978)
Other adjustments	31,723	85,080
Operating loss on consolidated financial statements (-)	(1,962,629)	(953,434)

(Note) Group-wide expenses are those incurred by the holding company that does not generate earnings on its own.

(thousands of yen)

Assets	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Sum of assets of reportable segments	6,345,752	5,934,631
Group-wide assets (Note)	1,081,402	903,085
Other adjustments	(36,815)	(42,929)
Total assets on consolidated financial statements	7,390,340	6,794,786

(Note) Group-wide assets are mainly those of the holding company that does not belong to any reportable segment.

(thousands of yen)

Other items	Sum of items of reportable segments		Adjustments		Amounts on consolidated financial statements	
	Financial year ended 31 March 2012	Financial year ended 31 March 2013	Financial year ended 31 March 2012	Financial year ended 31 March 2013	Financial year ended 31 March 2012	Financial year ended 31 March 2013
Depreciation and amortization expenses	13,404	20,358	6,777	6,126	20,182	26,485
Increase in property, plant and equipment, and intangible assets	272,446	34,303	2,200	1,586	274,646	35,890

(Note) Adjustments are mostly depreciation and amortization expenses and increase in property, plant and equipment, and intangible assets of the holding company that does not belong to any reportable segment.

b. Related information

Financial year ended 31 March 2012 (from 1 April 2011 to 31 March 2012)

1. Information by product and service

Net sales to third parties of a single category of products and services account for over 90% of net sales on the consolidated statements of income. Accordingly, information by product and service is not provided.

2. Information by geographic region

(1) Net sales (thousands of yen)

Japan	Oceania	Europe	Other	Total
352,499	120,816	387,083	2,013	862,412

(Note) Geographic region based on country of location of the customer.

(2) Property, plant and equipment (thousands of yen)

Japan	UK	Total
38,077	23,650	61,727

3. Information by major customer

Name of customer	Net sales (thousands of yen)	Relevant segment
Novartis Pharma AG	386,845	Overseas pharmaceuticals business
Aska Pharmaceutical Co., Ltd.	352,499	Domestic pharmaceuticals business
Sandoz Pty Ltd	120,816	Domestic pharmaceuticals business

Financial year ended 31 March 2013 (from 1 April 2012 to 31 March 2013)

1. Information by product and service

Net sales to third parties of a single category of products and services account for over 90% of net sales on the consolidated statements of income. Accordingly, information by product and service is not provided.

2. Information by geographic region

(1) Net sales (thousands of yen)

Japan	Oceania	Europe	Other	Total
376,227	133,403	1,447,163	2,202	1,958,996

(Note) Geographic region based on country of location of the customer.

(2) Property, plant and equipment (thousands of yen)

Japan	UK	Total
53,765	1,196	54,961

3. Information by major customer

Name of customer	Net sales (Unit: thousand yen)	Relevant segment
Novartis Pharma AG	1,447,163	Overseas pharmaceuticals business
Aska Pharmaceutical Co., Ltd.	376,227	Domestic pharmaceuticals business
Sandoz Pty Ltd	133,403	Domestic pharmaceuticals business

c. Loss on impairment of noncurrent assets by reportable segment

Not applicable.

d. Amortization and balance of goodwill by reportable segment

Financial year ended 31 March 2012 (from 1 April 2011 to 31 March 2012) (thousands of yen)

	Overseas pharmaceuticals business	Total
Amortization during financial year	1,588,098	1,588,098
Balance at end of financial year	5,426,003	5,426,003

Financial year ended 31 March 2013 (from 1 April 2012 to 31 March 2013) (thousands of yen)

	Overseas pharmaceuticals business	Total
Amortization during financial year	1,588,098	1,588,098
Balance at end of financial year	3,837,905	3,837,905

(Per-share Information)

(yen)

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Net assets per share	549.09	511.14
Net loss per share	(165.15)	(54.54)

(Notes) 1. Although there exist dilutive shares, net income per share (diluted) is not provided as the Company posted net loss per share.

2. Basis for calculation of net loss per share is as follows:

	Financial Year Ended 31 March 2012 (from 1 April 2011 to 31 March 2012)	Financial Year Ended 31 March 2013 (from 1 April 2012 to 31 March 2013)
Net loss (-) (Unit: thousand yen)	(1,954,389)	(646,856)
Net loss not attributable to common shareholders (Unit: thousand yen)	—	—
Net loss attributable to common shares (Unit: thousand yen)	(1,954,389)	(646,856)
Average number of shares during financial year (shares)	11,833,800	11,860,355
Summary of dilutive shares that do not have dilutive effects and are not included in calculation of diluted net income per share	13 series of stock acquisition rights (No. of shares to be issued: 493,400)	12 series of stock acquisition rights (No. of shares to be issued: 343,400)

3. On 1 April 2013, the Company made a 100-for-1 stock split for its common shares. Net income per share (basic) and Net income per share (diluted) for the prior financial years was calculated assuming the stock split had taken place as at the beginning of the relevant financial year.

(Significant Subsequent Events)

Adoption of unit share system, stock split, and partial alteration of Articles of Incorporation

Pursuant to the resolution adopted at the Board of Directors meeting held on 1 March 2013, the Company altered part of the Articles of Incorporation of the Company effective 1 April 2013, made a stock split, and adopted the unit share system.

(1) Object of adoption of unit share system, stock split, and partial alteration of Articles of Incorporation

In adherence with the spirit of the "Action Plan for Consolidation of Trading Unit" published by the Japanese Stock Exchanges Conference, the Company decided that the trading unit of the Company's shares should be 100 shares.

To coincide with the decision, the Company made a stock split for the purpose of transition to the unit share system with 100 shares as a trading unit, as well as for improving the liquidity of the Company shares and for expanding the investor base.

(2) Method of stock split

One common stock owned by shareholders registered on the shareholder registry as at the closing on 31 March 2013 was split into 100 shares.

(3) Shares increased due to stock split

Number of issued shares prior to stock split:	119,219
Number of shares increased due to stock split:	11,802,681
Number of issued shares after stock split:	11,921,900
Number of authorized shares after stock split:	18,672,000

(4) Effective date of stock split

1 April 2012

(5) Impact on per-share information

"Per-share information" is calculated as if the stock split had taken place at the beginning of the relevant financial year, and the impact thereof is described in the relevant sections.

5. Other

Not applicable.