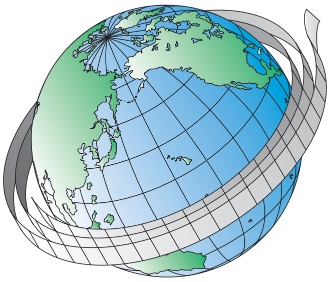
FINANCIAL REPORT 2010

For the Fiscal Year Ended February 28, 2010

Hisamitsu Pharmaceutical Co., Inc.

Corporate Vision

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



More than a half century has elapsed since the launching of Salonpas, and about 20 billion pieces have been sold in last twenty years.

Approx. 1.3 million kilometers, encircling the earth 31 times.

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 Salonpathy, 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 ¥89.43=U.S.$1.00, the approximate rate of exchange on February 28, 2010.

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Consolidated Financial Highlights

Fiscal year (FY) to:		2/06	2/07	2/08	2/09	**2/10**
Sales	(¥ million)	102,665	109,791	119,061	124,655	**129,834**
Operating income	(¥ million)	22,770	26,134	29,071	32,532	**28,585**
Ordinary income	(¥ million)	24,159	27,001	30,204	32,476	**31,231**
Net income	(¥ million)	14,448	15,847	18,663	19,120	**18,423**
Net assets	(¥ million)	90,520	103,966	113,929	124,105	**130,976**
Total assets	(¥ million)	136,584	141,143	149,750	167,642	**193,551**
Net assets per share	(¥)	1,020.26	1,164.05	1,276.16	1,391.49	**1,500.92**
EPS	(¥)	159.75	178.74	210.45	215.61	**210.78**
Diluted EPS	(¥)	—	—	—	—	**—**
Equity ratio	(%)	66.3	73.1	75.6	73.6	**67.2**
ROE	(%)	16.9	16.4	17.2	16.2	**14.5**
P/E	(x)	17.3	20.0	15.9	13.8	**15.4**
Operating cash flow	(¥ million)	23,114	12,228	25,722	22,382	**20,498**
Investing cash flow	(¥ million)	(18,606)	(11,804)	(11,911)	(15,927)	**(32,547)**
Financing cash flow	(¥ million)	(303)	(9,580)	(7,479)	(5,467)	**4,899**
Cash and equivalents at year-end	(¥ million)	35,623	26,510	32,706	33,356	**26,232**
Employees (average temporary staff)	(People)	1,671 (295)	1,629 (353)	1,752 (297)	1,890 (288)	**2,562** **(369)**

Notes: 1. Sales do not include consumption tax.
2. Diluted EPS is not listed due to the absence of residual securities.
3. Net assets have been calculated since FY 2/07 based on the Accounting Standards for the Presentation of Net Assets in the Balance Sheets (Corporate Accounting Standard No. 5) and the Application Guidelines for Accounting Standards for the Presentation of Net Assets in the Balance Sheets (Corporate Accounting Standard Application Guideline No. 8).

To Our Stakeholders

I would like to provide an overview of our operations and financial results for the year to February 28, 2010 (FY 2/10).

The ethical pharmaceutical industry continued to face a challenging business environment amid ongoing efforts to curb healthcare expenditures, notably the promotion of generic drugs. We have responded to these circumstances by working to provide medical institutions with pertinent scientific information about our ethical pharmaceuticals, particularly our mainstay anti-inflammatory pain relief patches. We have also sought to promote sales of over-the-counter (OCT) pharmaceuticals, mainly anti-inflammatory pain relief patches, amid a slumping market. Our research and development efforts have focused on research in areas of specialty and on the development of new topical and transdermal products. In our production facilities, we have upgraded equipment to raise efficiency and improve quality, and have sought to maintain and increase ISO 14001 certifications to help protect the global environment. In our cable television broadcasting and other businesses, group companies have worked to improve earnings by enhancing the services provided to our customers.

As a result of these business activities, groupwide sales grew 4.2% year on year, or ¥5,178 million, to ¥129,834 million; ordinary income decreased 3.8%, or ¥1,244 million, to ¥31,231 million; and net income declined 3.6%, or ¥696 million, to ¥18,423 million.

NAKATOMI Hirotaka
President & CEO

Milestone

1847
Komatsuya founded.
Emblem of "Komatsuya"

1903
Hisamitsu & Co. (Saburo Nakatomi, representative) established

1934
SALONPAS
introduced to the market

1937
SALONPAS
begins overseas export

1988
MOHRUS
introduced to the market

1995
MOHRUS TAPE
introduced to the market

2003
Hisamitsu's
corporate logo mark renewed

2007
The 160th anniversary
of the company's founding

2008
SALONPAS PAIN RELIEF PATCH
SALONPAS ARTHRITIS PAIN
approved as the first OTC topical analgesic patch by FDA

Hisamitsu Pharmaceutical was founded in the mid-19th century under the name of Komatsuya. The company went on to create a large variety of health-related products, and has been the organization responsible for the promotion of new ideas based on its comprehensive system encompassing research, development, manufacturing, and sales. Salonpas was in fact introduced in 1934, and with its outright effectiveness achieved the position of market leadership it continues to hold today. Salonpas was developed through the application of Asahi Mankinko, the prototype therapeutic patch or that we introduced back in 1903. Just as its market launch signaled a high level of refinement, the product has evolved considerably since then, thanks to the comments of everyday users. Moreover, it has served to expand the culture of patch treatment, in which therapeutic patches are promoted as safe and easy to use. Diversity has become a key word in terms of culture and lifestyle today, yet unfortunately this has brought forth new health concerns associated with increased stress and reduced exercise.

Overview of Operations

1. Overview of Operations

(1) Operating results

Although the Japanese economy showed some signs of a recovery after the worldwide economic downturn triggered by the U.S. financial crisis, the effect of global financial instability remained severe, with a slowdown in employment and consumption. The operating environment for the ethical pharmaceutical industry remains severe, with no change to the government's stance of curtailing healthcare spending. In Japan, we have responded to these conditions by providing medical institutions with targeted scientific information about our ethical pharmaceuticals, particularly our mainstay anti-inflammatory pain relief patches.

Having concluded that preparing overseas development, manufacturing, and sales infrastructure for ethical pharmaceuticals was essential for further growth of our business, especially in the U.S., we acquired U.S. pharmaceutical company Noven Pharmaceuticals in August 2009. With proprietary transdermal delivery system (TDDS) technology, Noven Pharmaceuticals has a strong presence in the U.S. market in treatments for central nervous system and gynecological disorders.

We also worked to launch and promote sales of OTC pharmaceuticals, especially our anti-inflammatory pain relief patches, amid a slumping market. Our research and development efforts have focused on research in our specialty areas and on the development of new products with novel local or systemic effects.

At our production facilities, we acquired ISO 14001 (international environmental management standard) certification for the Tosu and Utsunomiya plants to help protect the global environment. Specifically, we improved the efficiency of manufacturing processes, introduced solar power generation, switched from a heavy oil boiler to a natural gas boiler, introduced sodium sulfur (NAS) batteries to reduce the consumption of resources, and took steps to reduce our environmental footprint by saving energy and reducing waste.

The company and employees took part in community service programs such as the Japan Red Cross Society street collections for its overseas programs, supported nonprofit organizations through the Hisamitsu Hot Heart Club, in which the company matches donations deducted from employees' and directors' salaries, and made an emergency relief donation to Haiti after the January 2010 earthquake.

In our cable television broadcasting and other businesses, group companies worked to improve earnings by enhancing the services they provide to customers.

As a result of these business activities, consolidated sales grew 4.2% year on year, or ¥5,178 million, to ¥129,834 million. Operating income declined 12.1% year on year, or ¥3,946 million, to ¥28,585 million due to posting expenses such as in-process R&D costs and goodwill amortization associated with the acquisition of Noven Pharmaceuticals. Ordinary income declined 3.8% year on year, or ¥1,244 million, to ¥31,231 million; and net income declined 3.6% year on year or ¥696 million, to ¥18,423 million.

Overview of Operations

Pharmaceuticals and related products

The pharmaceuticals and related products segment, particularly the ethical pharmaceuticals business, faced an extremely uncertain business environment during FY 2/09 amid national efforts to curb healthcare expenditures. We responded to these circumstances by providing medical institutions with appropriate and detailed scientific information about our products, particularly our anti-inflammatory pain relief patches. While collecting and supplying information on efficacy and safety, we sought to expand our market share for a variety of products, including our mainstay product Mohrus Tape 20mg, a ketoprofen transdermal patch; Mohrus Tape L 40mg, a double-sized version of the Mohrus Tape patch; Mohrus Pap 30mg, a ketoprofen transdermal patch; Mohrus Pap 60mg, a ketoprofen transdermal patch that can be applied to a large area; Estrana Tape 0.72mg, an estradiol transdermal patch; and HMT, a transdermal patch containing the bronchodilator tulobuterol.

In November 2009, we obtained an approval from the Japanese health authorities for additional indication for relief of local pain associated with rheumatoid arthritis for MOHRUS Tape®—the first for a non-steroid transdermal pain relief product. This has given patients an additional option of using a patch for pain relief associated with rheumatoid arthritis.

In the OTC business, the impact of deregulation of pharmaceutical sales by means of a revision to the Pharmaceutical Affairs Law of June 2009 proved limited. Amid a continued market slump, we sought to increase sales by expanding and developing our customer base through existing product improvements and new product launches, including our mainstay anti-inflammatory pain relief patches and an improved Butenalock V. We also worked to pioneer a new user base in the lifestyle disease market. In FY2/10, we began selling Switch OTC products made from the compound diclofenac sodium—Feitas® Z Tape, Feitas® Z Sip, and Feitas® Z Gel to cultivate new users.

Overseas, we began sales of Salonpas® Pain Relief Patch and Salonpas® Arthritis Pain—the only OTC pain relief patches in the world to be approved by the US Food and Drug Administration—in February 2008.

As a result of these efforts, sales in the pharmaceutical and other products segment grew 3.8% year on year, or ¥4,637 million, to ¥126,404 million.

Cable television broadcasting and other businesses

In our cable and television broadcasting business, we completed preparations for terrestrial digital broadcasting and sought to acquire customers for cable television and cable Internet services by expanding our service area.

We also worked to improve earnings in other businesses, including the production and sales of laboratory animals, by expanding sales channels, improving customer services, and streamlining operations. As a result, sales in the cable television broadcasting and other businesses grew 18.7% year on year, or ¥540 million, to ¥3,429 million.

Sales by regional segment were as follows:

Japan:	Sales in Japan were ¥121,984 million and operating income was ¥34,012 million.
North America:	Sales in North America were ¥3,930 million, of which sales of Noven Pharmaceuticals, which became a consolidated subsidiary in FY2/10, accounted for ¥2,470 million. The operating loss in North America was ¥5,473 million.
Other:	Sales in other regions were ¥3,918 million and operating income was ¥139 million.

Overview of Operations

(2) Cash flows

Cash provided by operating activities in FY2/10 totaled ¥20,498 million, a decrease of ¥1,884 million year on year, due mainly to a decrease in notes and accounts receivable and despite an increase in equity-method investment profit and income taxes paid.

Cash used in investing activities totaled ¥32,547 million, an increase of ¥16,619 million year on year, due mainly to spending on the acquisition of shares in subsidiaries.

Cash provided by financial activities totaled ¥4,899 million, an increase of ¥10,366 million year on year, due mainly to an increase in proceeds from issuance of long-term borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the fiscal year totaled ¥26,232 million, a decrease of ¥7,124 million from the beginning of the fiscal year.

(3) Production, orders and sales results

1) Actual production

A breakdown of actual production by business segment in FY 2/10 is provided below.

Business segment	(Millions of yen)	YoY (%)
Pharmaceuticals and related products	120,248	3.6
Topical analgesic products	110,076	2.0
Other topical and transdermal products	5,007	3.1
Others	5,164	58.5
Cable television broadcasting	—	—
Other businesses	183	(7.0)
Total	120,431	3.6

Notes: 1. Sales to main customers and percentage to total sales

2. The above values do not include consumption tax.

3. The above totals exclude the two cable television broadcasting companies (Saga City-Vision Co., Ltd. and CRCC Media Co., Ltd.) and companies in the Other businesses segment (Taiyo Co., Ltd. and Hisamitsu Agency Co., Ltd.), which do not engage in production.

2) Orders

Hisamitsu group does not manufacture goods to order. We have a made-to-stock manufacturing system, taking into account general market trends and other factors.

3) Sales results

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

Overview of Operations

Business segment	(Millions of yen)	YoY (%)
Pharmaceuticals and related products	126,404	3.8
Topical analgesic products	113,581	1.8
Other topical and transdermal products	3,549	(15.0)
Others	9,273	54.4
Cable television broadcasting	2,128	17.9
Other businesses	1,300	20.1
Total	129,834	4.2

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

	FY 2/09		FY 2/10	
Customer	Sales (¥ million)	% of total	Sales (¥ million)	% of total
Medipal Holdings Corporation	28,887	23.2	28,717	22.1
Alfresa Holdings Corporation	19,043	15.3	20,101	15.5

Mediceo Paltac Holdings Co., Ltd. changed its company name to Medipal Holdings Corporation as of October 1, 2009.

2. The foregoing figures do not include consumption tax.

2. Key Challenges

Pharmaceuticals and related products

We expect the ethical pharmaceuticals business to face continued efforts to curb pharmaceutical expenditures, including a 6.5% across-the-board National Health Insurance drug reimbursement price cut in April 2010, 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 we seek to develop new topical and transdermal products that meet the needs of medical institutions and their patients.

For OTC pharmaceuticals, 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 continuing to improve 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 manufacturing facilities and promote overseas clinical trials.

In the U.S. ethical pharmaceutical market, we plan to enhance our R&D capability at our business base Noven Pharmaceuticals by combining our areas of strength in technology, as well as building a 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 research in areas of specialty.

Overview of Operations

Cable television broadcasting and other businesses

In the cable television broadcasting and other businesses, including the production and sale of laboratory animals, our group companies are working to expand their businesses and provide precise services to their customers while further improving earnings by streamlining management and bolstering their corporate structure.

Basic policy on control of the company

(1) Overview of our basic policy

We believe any entity with control over decision-making related to the company's financial and business affairs 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 necessary and appropriate countermeasures must be taken against any large stock purchase or proposed acquisition by such an entity to ensure the company's enterprise value and the common interests of shareholders.

(2) Specific initiatives to achieve our basic policy

1) Specific initiatives to achieve 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. External patches that are easy for anyone to apply to promote healing are consistent with the current interest in improving therapeutic drugs and 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.

Overview of Operations

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 the external antifungal drug Volley and the hormone replacement patch Estrana, and are expanding our business internationally by conducting sales, pursuing research and development, and acquiring approvals in various countries around the world.

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: 1) 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; 2) manufacturing technology and quality control systems that enable the efficient, stable, and ongoing production of high-quality products; 3) marketing prowess to cultivate several long-selling and market-leading brands, including Salonpas, Salonsip, Feitas, Butenalock, Mohrus Pap, and Mohrus Tape; and 4) 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.

We are also actively pursuing licensing activities, including an agreement with Mundipharma International Limited for the exclusive distribution in Japan of Norspan, a buprenorphine patch to treat noncancerous moderate to severe back pain and chronic osteoarthritis pain.

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 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 ROE at 15% or higher from the standpoint of raising capital efficiency, and to consistently pay divides with a target payout ratio of 30%.

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

Our board of directors voted at a meeting held on March 27, 2008 to adopt takeover defense measures to counter large purchases of the company's stock. These takeover defenses apply 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. 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. 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 these takeover defenses are adopted is ultimately a decision of the board of directors, but to ensure the proper use of these takeover defenses 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.

These takeover defenses were effective from March 27, 2008 until the conclusion of the annual meeting of shareholders on May 22, 2008, but upon approval by shareholders at this annual meeting, the effective period was extended until the conclusion of the annual meeting of shareholders for the fiscal year ending on February 28, 2011. Additionally, these takeover defenses shall be terminated immediately if the board of directors comprising directors appointed at a general meeting of shareholders decides to terminate these defenses.

(3) 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

These takeover defenses comply in their content with our basic policy and are intended to ensure objectivity and rationality in the decisions of the board of directors. Further, these defenses were adopted to ensure and enhance the company's enterprise value and the common interests of shareholders, and are not intended to maintain the position of the company's directors.

3. 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 FY 2/10.

(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 ligation 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.

4. Important Business Agreements

Joint sales agreement

We concluded an agreement with Kyowa Hakko Kirin Co., Ltd. (headquarters: Chiyoda-ku, Tokyo) on June 18, 2008 on joint sales in Japan of a transdermal sustained-release drug for the treatment of cancer pain, which is currently under development by Hisamitsu Pharmaceutical.

(1) Counterparty to the agreement
Kyowa Hakko Kirin Co., Ltd.

(2) Agreement details
Contract on the joint sale within Japan of a transdermal sustained-release drug for cancer pain (development code: HFT-290) currently under development by Hisamitsu Pharmaceutical.

(3) Compensation
Compensation commensurate with a one-time contract payment.

Co-promotion agreement

We concluded an agreement with Banyu Pharmaceutical Co., Ltd. (headquarters: Chiyoda-ku, Tokyo) on January 23, 2009, on co-promotion within Japan of the Banyu-manufactured and marketed drug Fosamac for osteoporosis.

(1) Counterparty to the agreement
Banyu Pharmaceutical Co., Ltd.

(2) Agreement details
Contract on co-promotion within Japan of the Banyu-manufactured and marketed drug Fosamac for osteoporosis.

(3) Compensation
Compensation commensurate with the results of the co-promotion

Distribution agreement

We concluded an exclusive contract with Mundipharma International Limited of Switzerland on August 6, 2007, for the Japanese distribution rights to BTDS, a transdermal sustained-release pain relief patch. The agreement includes a one-time payment at the conclusion of the contract and subsequent milestone payments based on development progress and sales.

Agreements concerning conversion of a company to a subsidiary by takeover bid and merger

On July 14, 2009 we concluded an agreement with U.S. company Noven Pharmaceuticals concerning a takeover bid for the company's shares, and to convert make the company subsidiary by a subsequent merger. The acquisition was completed on August 28, 2009. A summary of the transaction is provided in the Notes to Consolidated Balance Sheets in Financial Section, Scope of consolidation on page 55.

5. Research and Development

Pharmaceuticals and related products

Our R&D program centered on the development of transdermal pharmaceutical products targets the needs of medical institutions. For ethical pharmaceuticals in Japan, we obtained approval for the additional indication of rheumatoid arthritis pain for the anti-inflammatory pain relief patch Mohrus Tape (KPT-220; generic name: ketoprofen) in November 2009. We independently developed Fentos Tape (HFT-290), a transdermal, long-acting cancer pain relief patch, and obtained approval in April 2010. We have a joint sales agreement on HFT-290 in Japan with Kyowa Hakko Kirin.

We also concluded a joint distribution and sales agreement in Japan with Kyowa Hakko Kirin for oral cancer pain relief fentnyl citrate (KW2246) in February 2010, which Kyowa Hakko Kirin has filed an NDA (KW2246) as a new breakthrough cancer drug.

Mundipharma International Limited has filed an NDA in Japan for BTDS, a transdermal, sustained-released pain relief patch, for which we have concluded an in-licensing agreement.

We completed phase 2 trials of HTU-520 (generic name: terbinafine hydrochloride), a patch to treat Tinea unguium, and HOB-294 (generic name: oxybutynin hydrochloride), a patch to treat an overactive bladder, and are preparing for phase 3 trials.

In the United States, we obtained FDA approval for Fentanyl Transdermal System (HFG-512), a generic transdermal patch for the management of chronic pain that was transferred to our consolidated subsidiary Noven Pharmaceuticals. Apotex has commenced sales of the product in the U.S.

For OTC pharmaceuticals, the transdermal anti-inflammatory Salonpas Pain Relief Patch (FS-67) is undergoing post-sale clinical trials with pediatric patients on request from the FDA.

In the U.S. ethical pharmaceutical market, we plan to enhance our R&D capability at our business base Noven Pharmaceuticals by combining our areas of strength in technology.

Cable television broadcasting and other businesses

We do not conduct research and development in our cable television broadcasting business.

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 expenditures totaled ¥10,447 million in FY 2/10.

6. Analysis of Financial Position, Operating Results, and Cash Flows

(1) Analysis of financial position in FY 2/10

1) Assets

Assets totaled ¥193,551 million at the end of FY2/10, an increase of ¥25,908 million from the previous year, due mainly to acquisition of Noven Pharmaceuticals, a ¥5,800 million increase in goodwill and ¥18,514 million increase in investment securities.

2) Liabilities

Liabilities totaled ¥62,574 million at the end of FY2/10, an increase of ¥19,037 million from the previous year, due mainly to acquisition of Noven Pharmaceuticals, an increase in short-term borrowings of ¥9,437 million and an increase in long-term borrowings of ¥7,260 million.

3) Net assets

Net assets totaled ¥130,976 million at the end of FY2/10, an increase of ¥6,870 million from the previous year, due mainly to posting ¥5,775 million in dividend payments, ¥5,949 million in treasury shares, and ¥18,423 million in net income.

(2) Analysis of operating results in FY 2/10

1) Sales

Sales grew 4.2% year on year to ¥129,834 million. Sales growth of mainstay product Mohrus Tape L and sales of acquired company Noven Pharmaceutical contributed to sales growth .

2) Operating income

Operating income fell 12.1% year on year to ¥28,585 million as a result of an increase in sales promotion expenses to strengthen sales operations and a rise in R&D expenses associated with making Noven Pharmaceuticals a consolidated subsidiary.

3) Ordinary income

Ordinary income fell 3.8% year on year to ¥31,231 million as a result of an increase in equity-method investment profit associated with the acquisition of Noven Pharmaceuticals.

4) Net income

Net income fell 3.6 % year on year to ¥18,423 million as a result of income from R&D expenses received. Consequently, earnings per share totaled ¥210.78 in FY2/10, and return on equity was 14.5%.

(3) Analysis of cash flows in FY2/10

Cash and cash equivalents at the end of the FY2/10 totaled ¥26,232 million, a decrease of ¥7,124 million from the beginning of the fiscal year.

1) Cash provided by operating activities

Cash provided by operating activities totaled ¥20,498 million, a decrease of ¥1,884 million year on year, due mainly to an decrease in notes and accounts receivable and despite an increase in equity-method investment profit and income taxes paid.

2) Cash used in investing activities

Cash used in investing activities totaled ¥32,547 million, an increase of ¥16,619 million year on year, due mainly to spending on the acquisition of shares in subsidiaries.

3) Cash provided by financial activities

Cash provided by financial activities totaled ¥4,899 million, an increase of ¥10,366 million year on year, due mainly to an increase in proceeds from issuance of long-term borrowings.

7. Capital Expenditures

Capital expenditures totaled ¥6,229 million in FY 2/10, due mainly to augmenting and expanding production and research equipment.

In the pharmaceuticals and related products business, we mainly augmented production equipment at the Tosu plant and production equipment at the Utsunomiya plant, and expanded research equipment at the formulation research laboratories, requiring capital expenditures of ¥4,028 million.

In the cable television broadcasting business, we mainly invested to expand bandwidth to provide digital capabilities to our subscribers, resulting in capital expenditures of ¥440 million.

We did not sell or remove any equipment that would affect production capacity in FY 2/10.

8. 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 FY 2/10 we paid an interim dividend of ¥34 per share and a year-end dividend of ¥34 per share, for an annual dividend of ¥68 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 in FY 2/10 are as follows.

Resolution date	Total dividends (¥ million)	Dividends per share (¥)
September 30, 2009 Board of directors resolution	2,981	34
May 26, 2010 General meeting of shareholders resolution	2,947	34

9. Corporate Governance

(1) Basic approach to corporate governance

We have prepared basic internal control policies to enhance management transparency and ensure compliance, and we consider the improvement of corporate government 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.

Corporate Governance and Internal Auditing

(2) Corporate organization and internal control systems

Directors, executive officers, and auditors

In the area of corporate governance, we reduced the number of directors and introduced an executive officer system to clarify the responsibilities and authority of management and speed up decision-making and business execution.

To bolster our management structure further, we changed the articles of incorporation to reduce the number of directors from 13 or fewer to 10 or fewer at the annual general meeting of shareholders on May 25, 2006. In March 2003, we introduced an executive officer system to improve the speed, transparency, and strategic focus of business decisions.

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. We introduced an executive officer system in March 2003 with the goals of accelerating management decisions and improving their transparency and strategic focus. We have also 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 two of the four auditors comprise outside auditors at the annual general meeting of shareholders on May 26, 2004. To bolster management oversight further and strengthen our auditing system, we changed the articles of incorporation to increase the number of auditors from 4 or fewer to 6 or fewer at the annual general meeting of shareholders on May 25, 2006.

Auditors attend meetings of the board of directors, regularly convene meetings of the board of auditors, and receive audit reports from the independent auditor as needed. Our two outside auditors do not have any business relationships or other interests with the company.

Resolutions to appoint or remove directors

(1) 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.

(2) The articles of incorporation stipulate that resolutions to appoint auditors require a minimum two-thirds vote of shareholders owning a majority of the voting rights of shareholders capable of executing voting rights.

Acquisition of treasury shares

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.

Corporate Governance and Internal Auditing

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.

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.

Internal auditing

We established the Internal Audit Office (two auditors) as an internal audit division. The Internal Audit Office 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 auditors, promoting mutual cooperation, reporting to relevant business division managers and directors, and providing support and advice as needed to improve internal control.

Independent auditing

We have concluded an auditing contract with KPMG AZSA & Co. 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 & Co. and their designated and engagement partners. We also receive advice as needed from advisory lawyers related to routine legal matters.

Audit certification

In compliance with article 193-2-1 of the Financial Instruments and Exchange Law, KPMG AZSA & Co. audited the consolidated and non-consolidated financial statements for the previous fiscal year (March 1, 2008 to February 28, 2009) and the 107th fiscal period (March 1, 2008 to February 28, 2009), as well as for this fiscal year (March 1, 2009 to February 28, 2010) and the 108th fiscal period (March 1, 2009 to February 28, 2010).

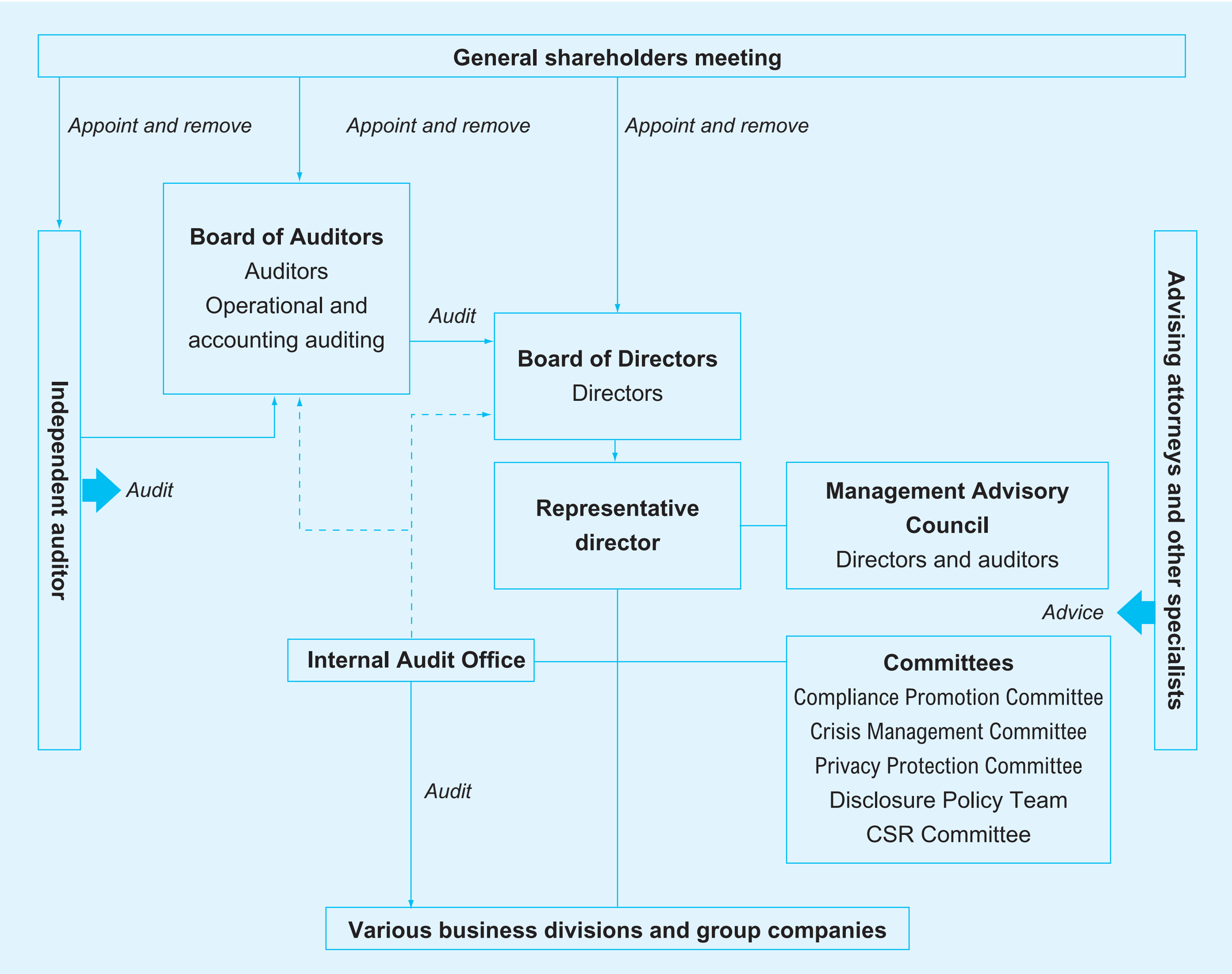
Audit company providing auditing services

Audit company	Certified public accountants providing auditing services		Assisting personnel	
KPMG AZSA & Co.	Designated and Engagement Partner	Hiromi Kimura	CPAs	3
KPMG AZSA & Co.	Designated and Engagement Partner	Yoshihide Takehisa	Other	11
KPMG AZSA & Co.	Designated and Engagement Partner	Gensei Yamane		

Corporate Governance and Internal Auditing

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

Corporate governance structure



(3) 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.

Various committees

Compliance Promotion Committee and Compliance Promotion Office (Chair: Director)

We prepared the Hisamitsu Corporate Charter in June 2002 and established the Compliance Promotion Committee and Compliance Promotion 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: President & CEO)

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

Privacy Protection Committee (Chair: Director of Human Resources)

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: President & 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 (chairman: Production Environment Division Manager)

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

Corporate Governance and Internal Auditing

(4) Executive compensation

The company's directors and auditors receive the following compensation.

Directors	¥346 million
Auditors	¥45 million (including ¥14 million for outside auditors)

Notes: 1. The above figures include provision for directors' retirement benefit transferred in FY 2/10.
2. Directors' compensation does not include employee salaries for directors who also serve as employees.
3. There are no outside directors.

(5) Auditor compensation

Breakdown of auditor compensation

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

	FY 2/09		FY 2/10	
Category	Compensation for audit certification services (¥mn)	Compensation for non-auditing services (¥mn)	Compensation for audit certification services (¥mn)	Compensation for non-auditing services (¥mn)
The company	—	—	52	—
Subsidiaries	—	—	4	—
Total	—	—	57	—

2) Breakdown of other important compensation

The company and most of its overseas consolidated subsidiaries pay the KPMG Group, which belongs to the same network as our certified public accounts providing auditing services, for audit certification and non-auditing services (such as tax advisory services).

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

Not applicable

4) Policy on setting compensation for auditing services

Not applicable

10. Stock Information

(1) Total number of shares

1) Total number of shares

Type of shares	Total authorized shares
Ordinary shares	380,000,000
Total	380,000,000

2) Shares issued and outstanding

Type of shares	Shares outstanding at end-FY 2/09 (February 28, 2010)	Shares outstanding on filing date (May 27, 2010)	Names of listing stock exchanges or registered securities dealers associations	Details
Ordinary shares	95,164,895	95,164,895	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section) Fukuoka Stock Exchange	All voting shares, standard shares with unlimited rights (Share units: 100 shares)
Total	95,164,895	95,164,895	—	—

Note: The board of directors voted to delist our shares from the Osaka Securities Exchange at a meeting on May 26, 2010 and filed a delisting application on May 27, 2010.

(2) Status of share subscription rights

Not applicable.

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

Not applicable, since it applies to financial reports concerning fiscal years starting on or after February 1, 2010.

(4) Details of rights plans

Not applicable.

(5) Changes in shares outstanding, common stock, and other items

Date	Change in shares outstanding (Shares)	Shares outstanding (Shares)	Change in common stock (¥ million)	Common stock (¥ million)	Change in additional paid-in capital (¥ million)	Additional paid-in capital (¥ million)
July 5, 2002(Note)	—	95,164,895	—	8,473	−6,123	2,118

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).

(6) Details of shareholders

As of February 28, 2010

Category	Status of shares (investment unit comprises 100 shares)								Shares under one unit (shares)
	National and local government	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Non-individuals	Individuals			
Shareholders (entities)	—	71	35	196	289	4	7,262	7,857	—
Shares owned (units)	—	479,724	3,057	156,793	115,844	15	195,730	951,163	48,595
Ratio (%)	—	50.44	0.32	16.48	12.18	0.00	20.58	100.00	—

Note: A total of 8,467,676 treasury shares are listed as 84,676 units in the individuals and other column and as 76 shares in the shares under one unit column. The 8,467,676 treasury share figure is the number of shares listed in the shareholder registry.

(7) Principal shareholders

As of February 28, 2010

Name	Address	Shares owned (thou shares)	Percentage of shares outstanding (%)
Japan Trustee Service Bank, Ltd. (trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	6,501	6.83
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	6,108	6.42
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	5,039	5.30
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 Trust & Banking Co., Ltd. retrust account, The Nishi-Nippon City Bank, Ltd. pension trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	4,370	4.59
Fukuoka Bank	2-13-1 Tenjin, Chuo-ku, Fukuoka	3,871	4.07
The Bank of Saga, Ltd.	2-7-20 Tojin, Saga	3,356	3.53
Japan Trustee Service Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. retrust account, Sumitomo Mitsui Banking Corporation pension trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,064	2.17
Japan Trustee Service Bank, Ltd. (Resona, Trust & Banking Co., Ltd. retrust account, Resona Bank, Limited pension trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,000	2.10
TKY	1-12-3 Shinoyama-cho, Kurume, Fukuoka	1,834	1.93
Total		39,531	41.54

Notes: 1. The number of the foregoing shares related to fiduciary services is as follows.
Japan Trustee Service Bank, Ltd.: 14,935,000 shares
The Master Trust Bank of Japan, Ltd.: 5,039,000 shares
The Nomura Trust and Banking Co., Ltd. 4,387,000 shares
2. In addition to the shares listed above, the company owns 8,467,000 treasury shares (8.90%).

(7) Status of voting rights

1) Shares issued

As of February 28, 2010

	Shares	Voting rights	Details
Shares without voting rights	—	—	—
Shares with limited voting rights (treasury shares, etc.)	—	—	—
Shares with limited voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Ordinary shares 8,467,600	—	Standard shares with unlimited rights
	(Cross-held shares) Ordinary shares 64,800	—	Same as above
Shares with full voting rights (other)	Ordinary shares 86,583,900	865,839	Same as above
Shares less than one unit	Ordinary shares 48,595	—	Same as above
Total shares issued	95,164,895	—	—
Total voting rights of shareholders	—	865,839	—

Note: 1. The shares with less than one unit section includes 76 treasury shares held by the company.

2) Treasury shares and cross-held shares

As of February 28, 2010

Shareholders	Address	Shares held under own name	Shares held under the name of others	Total shares held	Ratio to shares outstanding (%)
(Treasury shares) Hisamitsu Pharmaceutical Co., Ltd.	408 Tashiro Daikan-machi, Tosu-shi Saga	8,467,600	—	8,467,600	8.90
(Cross-held shares) Maruto Co., Ltd.	892-1 Hikata Ogori-shi, Fukuoka	23,000	41,800	64,800	0.07
Total	—	8,490,600	41,800	8,532,400	8.97

Note: 1. Reason for holding shares under the name of others

Reason	Name	Address
Jointly held shares in shareholding company	Hisamitsu Pharmaceutical Torihikisaki Mochikabukai	Tashiro Daikan-machi, Tosu-shi Saga

(8) Stock option plans

Not applicable.

11. Acquisition of Treasury Shares

Share types Acquisition of common stock according to articles 155-3 and 155-7 of the Companies Act

(1) Acquisition based on a resolution by the general meeting of shareholders

Not applicable.

(2) Acquisition based on a resolution by the board of directors

Acquisition of common stock according to article 155-3 of the Companies Act

Category	No. of shares	Total value
Resolution at board of directors meeting on February 26, 2009 (acquisition period: March 4–31, 2009)	1,000,000	3,500,000,000
Treasury shares repurchased before FY2/10	—	—
Treasury shares repurchased during FY2/10	1,000,000	2,902,439,000
Remaining shares to be acquired based on resolution by board of directors and their total value	—	597,561,000
Percentage of shares not yet acquired at the end of FY2/10 (%)	—	17.1
Shares to be repurchased during the acquisition period	—	—
Percentage of shares not yet acquired at filing date (%)	—	17.1

Corporate Information

Category	No. of shares	Total value
Resolution at board of directors meeting on November 12, 2009 (acquisition period: November 19–December 25, 2009)	1,000,000	3,500,000,000
Treasury shares repurchased before FY2/10	—	—
Treasury shares repurchased during FY2/10	1,000,000	3,043,424,500
Remaining shares to be acquired based on resolution by board of directors and their total value	—	456,575,500
Percentage of shares not yet acquired at the end of FY2/10 (%)	—	13.0
Shares to be repurchased during the acquisition period	—	—
Percentage of shares not yet acquired at filing date (%)	—	13.0

(3) Acquisition not based on a resolution by the general meeting of shareholders or the board of directors

	Shares	Total value (¥)
Treasury shares acquired during FY 2/10	885	2,695,940
Treasury shares acquired during FY 5/10	172	555,930

Note: Treasury shares acquired during FY 5/10 do not include shares acquired for less than one unit between May 1, 2010 and the filing date of this annual securities report.

(4) Treatment and holding of acquired treasury shares

	FY 2/10		FY 5/10	
	Shares	Total amount (¥ thousand)	Shares	Total amount (¥ thousand)
Acquired treasury shares that were offered to subscribers	—	—	—	—
Acquired treasury shares that were retired	—	—	—	—
Acquired treasury shares that were transferred in relation to merger, share exchange, or corporate separation	—	—	—	—
Other	—	—	—	—
Held treasury shares	8,467,676	—	8,467,848	—

Note: Treasury shares acquired during FY 2/10 do not include shares acquired for less than one unit between May 1, 2010 and the filing date of this annual securities report.

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

Consolidated Balance Sheets

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2009	Fiscal 2010	Fiscal 2010
		(to February 28, 2010)	
		Value	
(Assets)			
I Current assets			
Cash and deposits	¥ 39,354	¥ 26,935	$ 301,185
Trade notes and accounts	39,415	42,324	473,264
Marketable securities	4,169	—	—
Inventories	9,180	—	—
Merchandise and finished goods	—	7,279	81,393
Work in process	—	481	5,379
Raw materials and stores	—	4,511	50,442
Deferred tax assets	2,133	2,258	25,249
Others	975	2,577	28,816
Allowance for doubtful accounts	(217)	(267)	(2,986)
Total current assets	95,009	86,100	962,764
II Fixed assets			
1 Property, plant and equipment			
Buildings and structures (accumulated depreciation) (Note 2,3)	15,971	20,082	224,556
Machinery, equipment and vehicles (accumulated depreciation) (Note 2)	6,589	9,692	108,375
Tools, furniture and fixtures (accumulated depreciation) (Note 2)	2,287	2,347	26,244
Land (Note 4)	11,389	12,438	139,081
Lease assets (accumulated depreciation)	—	177	1,979
Construction in progress	4,088	1,479	16,538
Tangible fixed assets total	40,325	46,218	516,806
2 Intangible assets			
Goodwill	2,102	7,902	88,360
Software	19	117	1,308
Temporary account for intangible fixed assets	2,704	2,823	31,567
Others	13	4,912	54,926
Total intangible assets	4,840	15,756	176,182
3 Investments and other assets			
Investment securities (Note 1)	13,465	31,979	357,587
Long-term loans receivable	361	62	693
Long-term deposits	1,900	2,150	24,041
Prepaid pension expenses	5,346	4,853	54,266
Deferred tax assets	4,588	3,829	42,816
Others	1,960	2,741	30,650
Allowance for doubtful accounts	(154)	(140)	(1,565)
Total investments and other assets	27,466	45,475	508,498
Total fixed assets	72,632	107,450	1,201,498
Total assets	¥ 167,642	¥ 193,551	$ 2,164,274

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2009	Fiscal 2010	Fiscal 2010
		(to February 28, 2010)	
		Value	
(Liabilities)			
I Current liabilities			
Trade notes and accounts	¥ 13,062	¥ 14,669	$ 164,028
Short-term borrowings (Note 2)	1,047	10,484	117,231
Accounts payable	9,936	8,463	94,633
Lease obligations	—	35	391
Income taxes payable	8,838	4,878	54,545
Allowance for sales returns	213	237	2,650
Provision for bonuses	844	1,381	15,442
Others	704	2,674	29,900
Total current liabilities	34,646	42,825	478,866
II Long-term liabilities			
Long-term borrowings (Note 2)	881	8,142	91,043
Lease obligations	—	145	1,621
Deferred tax liabilities on revaluation (Note 4)	2,164	2,164	24,198
Deferred income tax liabilities	—	3,027	33,848
Employees' severance and retirement benefits	4,554	4,716	52,734
Directors' and corporate auditors' retirement benefits	1,172	1,174	13,128
Others	117	378	4,227
Total long-term liabilities	8,890	19,749	220,832
Total liabilities	43,536	62,574	699,698
I Shareholders' equity			
Common stock	8,473	8,473	94,744
Capital surplus	8,396	8,396	93,883
Retained earnings	119,650	132,298	1,479,347
Treasury stock	(12,571)	(18,521)	(207,101)
Total shareholders' equity	123,948	130,647	1,460,886
II Valuation and translation adjustments			
Valuation adjustment on other marketable securities	(2,154)	(780)	(8,722)
Land revaluation adjustment (Note 4)	3,188	3,188	35,648
Foreign currency translation adjustments	(1,596)	(2,968)	(33,188)
Total valuation and translation adjustments etc.	(561)	(560)	(6,262)
III Minority interests	719	889	9,941
Total net assets	124,105	130,976	1,464,564
Total liabilities and net assets	¥ 167,642	¥ 193,551	$ 2,164,274

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

Consolidated Statements of Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2009	Fiscal 2010	Fiscal 2010
	(March 1, 2009 to February 28, 2010)		
		Value	
I Net sales	¥ 124,655	¥ 129,834	$ 1,451,795
II Cost of sales (Note 2, 3)	39,884	42,659	477,010
Gross profit	84,771	87,174	974,774
III Selling, general and administrative expenses (Note 1, 2)	52,239	58,589	655,138
Operating income	32,532	28,585	319,635
IV Non-operating income			
Interest received	237	96	1,073
Dividend income	241	291	3,254
Development license revenues	114	182	2,035
Equity in earnings of affiliated companies	42	1,901	21,257
Other	685	445	4,976
V Non-operating expenses			
Interest expenses	19	108	1,208
Foreign exchange losses	1,194	58	649
Loss on sales of receivables	53	29	324
Others	108	75	839
Recurring income	32,476	31,231	349,223
VI Extraordinary income			
Government subsidies	—	310	3,466
Reversal of allowance for doubtful accounts	4	24	268
Gain on liquidation of affiliates	53	—	—
Gain on return of welfare pension fund substitutional portion	701	—	—
Distribution license fees	1,000	—	—
R&D expenses received	—	710	7,939
Gain on licensing rights to develop drugs	—	225	2,516
Others	94	87	973
VII Extraordinary losses			
Loss on disposals of fixed assets (Note 4)	515	73	816
Advanced depreciation deduction of property, plant and equipment	92	294	3,287
Asset impairment losses (Note 5)	—	191	2,136
Loss on sales of investment securities	0	—	—
Book loss on investment securities	1,509	181	2,024
Others	4	—	—
Net income	32,208	31,848	356,122
Corporate, other taxes	14,584	12,858	143,777
Income taxes: deferred	(1,564)	426	4,764
Minority interests (deduction)	67	139	1,554
Net income	¥ 19,120	¥ 18,423	$ 206,005

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

Statement of Changes in Consolidated Shareholders' Equity

	Shareholders' equity					
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Total shareholders' equity (Thousands of U.S. dollars)
Balance, February 28, 2009 (Millions of yen)	8,473	8,396	119,650	(12,571)	123,948	1,385,978
Changes during fiscal term						
Final dividends paid from retained earnings			(5,775)		(5,775)	(64,576)
Net income			18,423		18,423	206,005
Purchases of treasury stock				(5,949)	(5,949)	(66,521)
Total changes during fiscal term (Millions of yen)	—	—	12,648	(5,949)	6,698	74,897
Balance,February 28, 2010 (Millions of yen)	8,473	8,396	132,298	(18,521)	130,647	1,460,886

	Valuation and translation adjustments etc.						
	Other Marketable securities Valuation gains (losses)	Land revaluation adjustment	Foreign currency translation adjustments account	Total valuation and translation adjustments etc.	Minority interests	Total net assets	Total net assets (Thousands of U.S. dollars)
Balance, February 28, 2009 (Millions of yen)	(2,154)	3,188	(1,596)	(561)	719	124,105	1,387,733
Changes during fiscal term							
Final dividends paid from retained earnings						(5,775)	(64,576)
Net income						18,423	206,005
Purchases of treasury stock						(5,949)	(66,521)
Changes during fiscal term in items not included in shareholders' equity (net)	1,373	—	(1,371)	1	170	171	1,912
Total changes during fiscal term (Millions of yen)	1,373	—	(1,371)	1	170	6,870	76,820
Balance, February 28, 2010 (Millions of yen)	(780)	3,188	(2,968)	(560)	889	130,976	1,464,564

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

Consolidated Statements of Cash Flows

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2009	Fiscal 2010	Fiscal 2010
	(March 1, 2009 to February 28, 2010)		
		Value	
I Cash flows from operating activities			
Income before income taxes	¥ 32,208	¥ 31,848	$ 356,122
Depreciation and amortization	4,765	5,255	58,761
Asset impairment losses	—	191	2,136
Amortization of goodwill	2,114	2,369	26,490
In-process R&D expenses associated with company acquisition	—	1,270	14,201
Reduction in provision for employees' severance and retirement benefits	505	154	1,722
Increase in provision for directors' retirement benefits	70	2	22
Increase in provision for bonuses	35	74	827
Reduction in provision for doubtful accounts	41	34	380
Reduction in provision for sales returns	56	24	268
Interest and dividend income	(478)	(388)	(4,339)
Interest expenses	19	108	1,208
Foreign currency gains	23	15	168
Equity in losses of affiliated companies (Negative sign denotes earnings)	(42)	(1,901)	(21,257)
Subsidy income	—	(310)	(3,466)
Losses on sales of investment securities	0	(87)	(973)
Book loss on investment securities	1,509	181	2,024
Loss on disposal of fixed assets	515	73	816
Increase in notes and accounts receivable	(8,416)	(1,369)	(15,308)
Increase in inventories	(784)	(1,279)	(14,302)
Increase in other current assets	(105)	(280)	(3,131)
Increase in notes and accounts payable (Negative sign denotes decrease))	3,330	857	9,583
Increase in other current liabilities (Negative sign denotes decrease)	693	(2,794)	(31,242)
Others	(1,665)	604	6,754
Subtotal	34,397	34,655	387,510
Interest and dividends received	758	2,781	31,097
Interest paid	(19)	(108)	(1,208)
Income taxes paid	(12,752)	(16,829)	(188,181)
Cash flows from operating activities	¥ 22,382	¥ 20,498	$ 229,207

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal 2009	Fiscal 2010	Fiscal 2010
	(March 1, 2009 to February 28, 2010)		
		Value	
II Cash flows from investing activities			
Outflow resulting from change in balance of term deposits	¥ (2,901)	¥ 6,152	$ 68,791
Expenditure associated with increase or decrease of long-term deposits	(1,300)	(250)	(2,795)
Payments for purchases of tangible fixed assets	(4,475)	(6,849)	(76,585)
Proceeds from sales of tangible fixed assets	20	0	0
Payments for purchases of intangible fixed assets	(1,511)	(201)	(2,248)
Payments for purchases of marketable securities	(10,794)	(3,002)	(33,568)
Proceeds from sales and redemptions of marketable securities	9,247	6,330	70,782
Payments for purchases of investment securities	(4,558)	(2,354)	(26,322)
Proceeds from sales and redemptions of investment securities	65	222	2,482
Outflow from loans extended	(17)	—	—
Proceeds from loan repayments	206	112	1,252
Expenditure for acquisition of shares in subsidiaries associated with change to scope of consolidation	—	(32,900)	(367,885)
Others	92	(9)	(101)
Cash flows from investing activities	(15,927)	(32,547)	(363,938)
III Cash flows from financing activities			
Inflow (Negative sign denotes outflow) from change in short-term borrowings	124	4,435	49,592
Proceeds from long-term borrowings	245	15,000	167,729
Outflow from repayments of long-term borrowings	(279)	(2,731)	(30,538)
Dividend payments to minority investors	(48)	(37)	(414)
Outflow from purchases of treasury stock	(66)	(5,948)	(66,510)
Cash dividends paid	(5,433)	(5,773)	(64,553)
Others	(9)	(45)	(503)
Cash flows from financing activities	(5,467)	4,899	54,780
IV Translation adjustment cash & equivalents	(337)	25	280
V Increase in cash and cash equivalents (Negative sign denotes decrease)	650	(7,124)	(79,660)
VI Balance of cash and cash equivalents at beginning of year	32,706	33,356	372,984
VII Balance of cash and cash equivalents at end of year (Note 1)	¥ 33,356	¥ 26,232	$ 293,324

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

Consolidated Financial Statements

1. Basis of preparation of consolidated financial statements

(1) 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; hereinafter, Regulations for Consolidated Financial Statements).

However, the consolidated financial statements for FY 2/09 (March 1, 2008 – February 28, 2009) were prepared based on the Regulations for Consolidated Financial Statements prior to revision, whereas the consolidated financial statements for FY 2/10 (March 1, 2009 – February 28, 2010) were prepared based on the Regulations for Consolidated Financial Statements after revision.

(2) The company has prepared non-consolidated financial statements in accordance with the Regulations Concerning the Terminology, Forms and Preparation Methods of Non-Consolidated Financial Statements (Ministry of Finance Ordinance No. 59, 1963; hereinafter, Regulations for Non-Consolidated Financial Statements).

However, the non-consolidated financial statements for FY 2/09 (March 1, 2008 – February 28, 2009) were prepared based on the Regulations for Non-Consolidated Financial Statements prior to revision, whereas the non-consolidated financial statements for FY 2/10 (March 1, 2009 – February 28, 2010) were prepared based on the Regulations for Non-Consolidated Financial Statements after revision.

I.Scope of consolidation

(a) 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.
P.T. Hisamitsu Pharma Indonesia
5 other companies

Newly established company Hisamitsu U.S. Incorporated was included in the scope of consolidation. Noven Pharmaceuticals and its five subsidiaries were also included in the scope of consolidation on the acquisition of Noven Pharmaceuticals.

(b). Non-consolidated subsidiaries: 2
Names of non-consolidated subsidiaries
Kokusai Pappu-zai Kenkyusho Co., Ltd.
Taiyo Kaihatsu Co., Ltd.

(Reason why non-consolidated subsidiaries have been excluded from the scope of consolidation)

Non-consolidated subsidiaries have been excluded from the scope of consolidation because they are small, and neither their total assets, net sales, net income (proportion attributable to Group) nor retained earnings (proportion attributable to Group) would have a material impact on the consolidated financial statements.

II. Affiliates accounted for under the equity method

(a). Equity-method non-consolidated subsidiaries: 0

(b). Equity-method affiliates: 2
Maruto Co., Ltd.
Novogyne Pharmaceuticals

On the acquisition of Noven Pharmaceuticals, its affiliate Novogyne Pharmaceuticals became an equity-method company.

(Reason why non-consolidated subsidiaries have not been accounted for under the equity method)

The above non-consolidated subsidiaries have not been accounted for under the equity method because their impacts on items such as net income and retained earnings is negligible, and is not material in the context of the total.

There are no affiliated companies for which the equity method is not being used.

(3) Names of companies in which the company holds more than 20% but less than 50% of voting rights by our own estimate, but has not become an affiliate
Kyushu Heavy Ion Medical Accelerator Management Co., Ltd.
Reason for not making the above company an affiliate: We have not included the above company in our affiliates, because it does not have a significant effect on decisions on finance, sales, or business policy given our reasons for investing in the company and current business dealings with the company.

III. Information concerning business 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 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.

IV. Accounting standards

A. Valuation standards and methods for significant assets

1. Securities

a) Held-to-maturity bonds
Valued under amortized cost method.
b) Other marketable securities
1) 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.
2) Securities without market value
Valued at cost, determined by the moving average method.

2. Inventories

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

Change in company policy

Calculated using the cost method (book value on the balance sheet is written down according to the decline in profitability) as a result of Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9; July 5, 2006) being applied from FY2/10. The impact of this accounting change on profit and loss is minimal.

Depreciation of the company's materials and supplies had been by the first-in, first-out cost method, but this was changed to the weighted average cost method from FY2/10. This change, which coincided with the introduction of a new cost calculation system, was designed to speed up the calculation of manufacturing expenses and track profit and loss for the current term at an early stage. The impact of this accounting change on profit and loss is minimal.

The company revised the working life of machinery and equipment from FY2/10 in compliance with the revised Corporation Tax Law (partial revision of the Income Tax Law, etc., Law No. 23, April 30, 2008). The impact of this accounting change on profit and loss is minimal.

B. Depreciation methods for significant depreciable assets

1. Property, plant and equipment

a) Company and domestic consolidated subsidiaries

(1) Acquired before March 31, 2007

Mainly the former declining balance method.

(2) Acquired after April 1, 2007

Mainly the declining balance method.

(Change in accounting method)

Changed to the method prescribed in the revised Corporation Tax Law for assets acquired after April 1, 2007 as a result of revisions of the Corporation Tax Law (Law Amending the Income Tax Law, March 30, 2007, Law No. 6 and Ordinance Amending the Income Tax Law Enforcement Ordinance, March 30, 2007, Ordinance No. 83). This change has a negligible impact on income.

Additional information

The company revised the working life of machinery and equipment from FY2/10 in compliance with the revised Corporation Tax Law (partial revision of the Income Tax Law, etc., Law No. 23, April 30, 2008). The impact of this accounting change on profit and loss is minimal.

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.

For usable lives, the same criteria as those stipulated in the Corporation Tax Law are used. Goodwill is amortized on a straight-line basis over 5 years.

Within intangible fixed assets, software used by the Company is depreciated over its useful life (5 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, the lease period equals the working life of the assets, and the residual value of the lease asset calculated by the straight-line method. 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 the first year that the Lease Accounting Standard was applied, is similar to that of normal rental transactions.

C. 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 provision.

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. Allowance 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. Bonus reserve

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

4. Allowance for employee retirement benefits

The company and certain subsidiaries, to prepare for the payment of retirement benefits to employees, provide a reserve at an amount based on estimated retirement benefit obligations and pension assets at the end of the consolidated fiscal year.

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

5. Allowance for directors and statutory auditors retirement benefits

The company makes a provision for estimated retirement payments to directors and statutory auditors in accordance with its internal regulations.

D. Translation of significant foreign currency denominated assets and liabilities used in preparing the financial statements of consolidated companies on which the consolidated financial statements are based

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 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 Adjustments line under Net Assets.

E. Treatment of significant lease transactions

With the exception of finance leases in which ownership of the leased assets is deemed to have passed to the lessee, leases are accounted for as operating lease transactions.

F. 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.

V. Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full market value method.

VI. Amortization of consolidation adjustments account

The consolidation adjustments account is amortized on a straight-line basis over 5 years. However, where sums are small, they are expensed in full in the term in which they are incurred.

VII. Information concerning goodwill and negative goodwill amortization.

Goodwill is amortized evenly over a five to 10-year period over which it is expected to show an effect. If the value of goodwill is small, it is amortized in full in the fiscal year that it accrues.

VIII. 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 3 months from the date of purchase, and which carry negligible risks of price fluctuation.

Changes In Accounting Policies

Application of accounting rules to lease transactions

In previous years, we applied accounting treatment similar to rental transactions to 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, but [from FY2/10], we have applied accounting treatment similar to normal sale and purchase transactions, i.e., Accounting Standards for Lease Transactions (ASBJ Statement No. 13 issued by the Financial Services Agency Business Accounting Council Subcommittee No. 1 on June 17, 1993 and revised March 30, 2007; and Guidelines for Application of Accounting Standards for Lease Transactions (Guidelines for Application of Accounting Standards No. 16; issued on January 18, 1994 by the Japanese Institute of Certified Public Accountants Laws and Regulations Committee and revised March 30, 2007). For the amortization 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, the lease period equals the working life of the assets, and the residual value of the lease asset is calculated by the straight-line method. For the amortization 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 the first year that Lease Accounting Standard was applied, the previous accounting treatment similar to that of normal rental transactions was applied. The impact of these accounting changes on profit and loss in FY2/10 is minimal.

Application of current accounting rules concerning overseas subsidiaries in the preparation of consolidated financial statements

From FY2/10 we have applied “the application of current accounting rules concerning overseas subsidiaries in the preparation of consolidated financial statements” (Accounting Standards Board of Japan business practice report No. 18, May 17, 2006) and made the required adjustments to consolidated earnings results. As a result, there was a ¥1,535 million reduction to operating income, ordinary income, and net income before adjustment for taxes.

Consolidated balance sheet

Items recorded in the balance sheet under “inventory” in FY2/09 have been reclassified in FY2/10 as “merchandise and finished goods,” “work in process,” and “raw materials and stores” following the application of the “cabinet office order that partially revises the rules concerning the terminology, format, and preparation method of financial statements” (Cabinet Office Ordinance No. 50, August 7, 2008). The “merchandise and finished goods,” “work in process,” and “raw materials and stores” included in “inventory” in FY2/09 totaled ¥6,067 million, ¥330 million, and ¥2,783 million, respectively.

Consolidated profit and loss statement

“Government subsidies” have been recorded separately from FY2/10, because they exceeded 10/100 of extraordinary profit. Government subsidies in FY2/09 totaling ¥92 million were recorded under “other.”

Additional Information

CONSOLIDATED BALANCE SHEETS

*1 Investment securities for non-consolidated subsidiaries and affiliated companies are as follows.

	(Millions of yen)
Investment securities (stocks)	16,242

*2 Assets pledged as collateral are as follows.

(Pledged assets)		
Buildings and structures	748	(book value)
Machinery, equipment, and vehicles	28	(book value)
Tools, furniture, and fixtures	109	(book value)
Total	886	(book value)
Assets provided for factory foundation mortgage		
Buildings and structures	487	(book value)
Machinery, equipment, and vehicles	5	(book value)
Tools, furniture, and fixtures	108	(book value)
Total	600	(book value)
	(Millions of yen)	
Liabilities related to the above assets		
Short-term borrowings	149	(book value)
Long-term borrowings	456	(book value)
Total	605	(book value)
Liabilities provided for factory foundation mortgage		
Short-term borrowings	67	
Long-term borrowings	223	
Total	291	

*3 Accelerated depreciation from government subsidies is ¥1,210 million. This figure is not included in the consolidated balance sheets.

*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 31 March 1998) and the “Law Partially Amending the Act on Revaluation of Land” (revision of 31 March 1999). The portion of the revaluation gain equivalent to corporation tax and other taxes with tax bases linked to corporate profits has been recorded under liabilities as “Deferred tax liability related to revaluation,” while the net sum after this transfer to the deferred tax liability account is recorded under net assets as “Land revaluation adjustment”

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 31 March 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 fiscal 2010 was ¥2,292 million lower than the book value after revaluation.

CONSOLIDATED INCOME STATEMENT

*1 Main selling, general, and administrative expense items and amounts are as follows.

	(Millions of yen)
Advertising expenses	9,039
Sales promotion expenses	12,431
Packing and transportation expenses	2,531
Addition to allowance for doubtful accounts	21
Salaries and allowances	6,883
Addition to bonus reserve	527
Addition to allowance for employee retirement benefits	538
Addition to allowance for executive retirement benefits	82
Goodwill amortization	2,369
Research and development expenses	10,447
Addition to bonus reserve	164
Addition to allowance for employee retirement benefits	179

*2 The addition to the allowance for employee retirement benefits is a negative figure because expected investment returns and actuarial gains were higher than service costs and interest costs.

General and administrative expenses include research and development expenses of ¥10,447 million. Manufacturing costs do not include research and development expenses.

*3 Manufacturing costs include an addition to the bonus reserve of ¥248 million and an addition to the allowance for employee retirement benefits of ¥319 million.

*4 Breakdown of losses on the disposal of fixed assets

(Loss on retirement)	(Millions of yen)
Buildings and structures	41
Machinery, equipment, and vehicles	4
Tools, furniture, and fixtures	27
Total	73

*5 Losses on disposal of assets

Idle property	Assets	Place	Millions of yen
	Buildings and structures	Tosu-shi, Saga	76
	Machinery, equipment and vehicles	Tosu-shi, Saga	115
Total			191

Our group categorizes assets into assets for business use, rental assets, and idle assets. We booked impairment losses on the above idle assets, because we have no plans for their future use, and their recoverable value has diminished sharply. We have assessed their recoverable value based on reasonable estimates of their net sale

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

Fiscal 2009 (March 1, 2008 - February 28, 2009)

1. Shares outstanding

Type of shares	End of fiscal 2008	Increase	Decrease	End of fiscal 2009
Ordinary shares	95,164,895	—	—	95,164,895

2. Treasury shares

Type of shares End of fiscal 2009 Increase

Type of shares	End of fiscal 2008	Increase	Decrease	End of fiscal 2009
Ordinary shares	6,477,487	14,751	—	6,492,238

Reasons for changes

Shares increased for the following main reasons

Acquisition in compliance with the Articles of Association under the provisions of Paragraph 2,

Increase from purchasing shares in less than one unit 14,533 shares

Company portion of treasury shares purchased by equity method affiliates 218 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (¥ million)	Dividends per share (¥)	Record date	Payment date
May 22, 2008 Annual general meeting of shareholders	Ordinary shares	2,661	30	February 29, 2008	May 23, 2008
October 9, 2008 Board of Directors meeting	Ordinary shares	2,794	31.5	August 31, 2008	November 4, 2008

(2) Dividends with a record date in fiscal 2009 but a payment date in fiscal 2010

Resolution	Type of shares	Source of dividend	Total dividends (¥ million)	Dividends per share (¥)	Record date	Payment date
May 26, 2009 Annual general meeting of shareholders	Ordinary shares	Retained earnings	2,793	31.5	February 28, 2009	May 27, 2009

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

Fiscal 2010 (March 1, 2009 - February 28, 2010)

1. Shares outstanding

Type of shares	End of fiscal 2009	Increase	Decrease	End of fiscal 2010
Ordinary shares	95,164,895	—	—	95,164,895

2. Treasury shares

Type of shares End of fiscal 2009 Increase

Type of shares	End of fiscal 2009	Increase	Decrease	End of fiscal 2010
Ordinary shares	6,492,238	2,001,208	—	8,493,446

Reasons for changes

Shares increased for the following main reasons

Acquisition in compliance with the Articles of Association under the provisions of Paragraph 2, Article 165 of the Companies Act	2,000,000 shares
Increase from purchasing shares in less than one unit	885 shares
Company portion of treasury shares purchased by equity method affiliates	323 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (¥ million)	Dividends per share (¥)	Record date	Payment date
May 26, 2009 Annual general meeting of shareholders	Ordinary shares	2,793	31.5	February 28, 2009	May 27, 2009
September 30, 2009 Board of Directors meeting	Ordinary shares	2,981	34	August 31, 2008	November 2, 2009

(2) Dividends with a record date in fiscal 2010 but a payment date in fiscal 2010

Resolution	Type of shares	Source of dividend	Total dividends (¥ million)	Dividends per share (¥)	Record date	Payment date
May 26, 2010 Annual general meeting of shareholders	Ordinary shares	Retained earnings	2,947	34	February 28, 2010	May 27, 2010

CONSOLIDATED CASH FLOW STATEMENT

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

	(Millions of yen)
Cash and deposits	26,935
Total	26,935
Term deposits longer than three months	(703)
Cash and cash equivalents	26,232

Breakdown of assets and liabilities of newly consolidated company by acquisition of shares
A breakdown of assets and liabilities acquired by the consolidation of Noven Pharmaceuticals following the acquisition of shares at the start of consolidation, and the relationship between the acquisition price of the shares and expenditure associated with the acquisition are as follows:

	(Millions of yen)
Current assets	11,584
Fixed assets	28,768
Goodwill	8,702
Current liabilities	(5,012)
Fixed liabilities	(3,846)
Foreign exchange adjustment account	1,416
Acquisition amount of subsidiary	41,611
Stake acquired in previous years	(1,915)
Subsidiary's cash and cash equivalents	(6,795)
Balance	32,900

LEASE TRANSACTIONS

Lease transactions other than finance leases in which ownership of the leased asset is deemed to have passed to the lessee

1. Equivalent purchase value, equivalent accumulated depreciation, and equivalent year-end residual value of leased assets

(Millions of yen)

	Purchase value equivalent (¥ million)	Accumulated depreciation equivalent (¥ million)	Year-end balance at equivalent (¥ million)
Machinery, equipment and vehicles	403	183	220
Tools, furniture, and fixtures	1,017	588	429
Software	41	23	17
Total	1,462	795	667

2. Equivalent year-end balance of remaining lease payments

	(Millions of yen)
Within one year	259
Over one year	407
Total	667

3. Lease payments and equivalent depreciation

	(Millions of yen)
Lease payments	297
Equivalent depreciation	297

4. Method of calculating equivalent depreciation

The value is calculated using the straight-line method whereby the lease period equals the working life of the lease asset, and the residual value of the lease asset is zero.

SECURITIES

1. Held-to-maturity bonds with market value

(Millions of yen)

	Fiscal 2009 (February 28, 2009)			Fiscal 2010 (February 28, 2010)		
	Consolidated balance sheets value	Market value	Difference	Consolidated balance sheets value	Market value	Difference
Market value higher than on consolidated balance sheets						
(1) National and local government bonds, etc.	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
(2) Corporate bonds	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Market value lower than on consolidated balance sheets						
(1) National and local government bonds, etc.	—	—	—	—	—	—
(2) Corporate bonds	299	297	(2)	—	—	—
(3) Other	300	288	(11)	—	—	—
Subtotal	599	585	(14)	—	—	—
Total	¥ 599	¥ 585	¥ (14)	¥ —	¥ —	¥ —

2. Other securities with market value

(Millions of yen)

	Fiscal 2009 (February 28, 2009)			Fiscal 2010 (February 28, 2010)		
	Acquisition cost	Consolidated balance sheets value	Difference	Acquisition cost	Consolidated balance sheets value	Difference
Acquisition cost higher than on consolidated balance sheets						
(1) Stocks	¥ 1,305	¥ 1,622	¥ 356	¥ 3,769	¥ 4,673	¥ 903
(2) Bonds	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	1,305	1,622	356	3,769	4,673	903
Acquisition cost lower than on consolidated balance sheets						
(1) Stocks	¥ 14,066	¥ 10,112	¥ (3,953)	¥ 12,829	¥ 10,551	¥ (2,278)
(2) Bonds	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	14,066	10,112	(3,953)	12,829	10,551	(2,278)
Total	¥ 15,372	¥ 11,775	¥ (3,596)	¥ 16,599	¥ 15,225	¥ (1,374)

Fiscal 2009 (March 1, 2008 - February 28, 2009)

Note: In previous fiscal year, we applied write-downs to shares with a market value included in the Other marketable securities item, such that we recorded a ¥1,509 million loss on revaluation of investments in securities.

For the write-downs, we applied write-downs to all shares where the market price had fallen to 50% or less of the acquisition cost at the end of this fiscal year and to some shares where the market price had fallen to 30–50% of the acquisition cost at the end of this fiscal year, based on comprehensive estimates of recoverability for each investment.

Fiscal 2010 (March 1, 2009 - February 28, 2010)

Note: In this fiscal year, we applied write-downs to shares with a market value included in the Other marketable securities item, such that we recorded a ¥181 million loss on revaluation of investments in securities.

For the write-downs, we applied write-downs to all shares where the market price had fallen to 50% or less of the acquisition cost at the end of this fiscal year and to some shares where the market price had fallen to 30–50% of the acquisition cost at the end of this fiscal year, based on comprehensive estimates of recoverability for each investment.

3. Other securities sold during FY2/10

Fiscal 2009 (March 1 - February 28, 2009)			Fiscal 2010 (March 1 - February 28, 2010)		
Sale value (¥mn)	Profit from sale (¥mn)	Loss from sale (¥mn)	Sale value (¥mn)	Profit from sale (¥mn)	Loss from sale (¥mn)
3	1	0	222	87	—

4. Main securities without market value

(Millions of yen)

Details	Fiscal 2009 (February 28, 2009)	Fiscal 2010 (February 28, 2010)
	Consolidated balance sheets value	Consolidated balance sheets value
Other securities		
(1) Unlisted stocks	¥ 489	¥ 510
(2) Trust beneficiary certificates, etc.	3,526	—
Total	4,015	510
Stock in subsidiaries and affiliated companies		
(1) Stock in subsidiaries	48	48
(2) Stock in affiliated companies	1,152	16,194
Total	¥ 1,200	¥ 16,242

4. Held-to-maturity bonds to be redeemed after the balance sheet date

Fiscal 2009 (March 1, 2008 – February 28, 2009)

	Within one year (¥ million)	One to five years (¥ million)	Five to 10 years (¥ million)	Over 10 years (¥ million)
(1) Corporate bonds	299	—	—	—
(2) Other	300	—	—	—

Fiscal 2010 (March 1, 2009 – February 28, 2010)

	Within one year (¥ million)	One to five years (¥ million)	Five to 10 years (¥ million)	Over 10 years (¥ million)
(1) Corporate bonds	—	—	—	—
(2) Other	—	—	—	—

DERIVATIVE TRANSACTIONS

1. Transaction information

1) Transaction details and reason for use

The Group uses interest rate swap transactions to avoid risks of future fluctuations in interest rates. The Group also uses forward foreign exchange transactions in connection with foreign currency-denominated transactions, to avoid risks of future fluctuations in foreign exchange rates.

2) Transaction policies

Foreign currency-related derivative transactions are undertaken in connection with foreign currency transactions to hedge against risks of fluctuations in foreign exchange rates. Forward foreign exchange transactions are used only up to the value of the transactions to which they relate, or less.

Interest rate-related derivative transactions are undertaken in connection with interest on corporate bonds to avoid risks of interest rate fluctuations. Interest rate swap transactions are used only up to the value of the bond interest payments to which they relate, or less. Interest rate swap transactions and interest rate swaption transactions are also used to avoid risks of future rises in interest rates on borrowings, only up to the value of the expected interest payments to which they relate, or less.

The Group’s policy is not to engage in derivative transactions for speculative purposes.

3) Transaction risks

All forward foreign currency transactions, interest rate swap transactions, and interest rate swaption transactions entered into by the corporate group relate to actual demand, and because all counterparties in derivatives transactions are Japanese banks with strong credit standing, we consider the so-called credit risk - i.e. risk that counterparties will default on transactions – to be minimal.

4) Transaction risk management

Execution and administration of the corporate group's 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.

2. Transaction market value, etc.

Fiscal 2009 (March 1, 2008 – February 28, 2009)

No relevant transactions during fiscal 2008.

Fiscal 2010 (March 1, 2009 – February 28, 2010)

No relevant transactions during fiscal 2009.

RETIREMENT BENEFITS

Fiscal 2009 (March 1, 2008 – February 28, 2009)

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)
(1) Retirement benefit obligations	(10,583)
(2) Pension assets	7,869
(3) Subtotal (1) + (2)	(2,714)
(4) Unrecognized actuarial differences	3,505
(5) Total (3) + (4)	791
(6) Prepaid pension costs	(5,346)
(7) Allowance for employee retirement benefits (5) + (6)	(4,554)

3. Retirement benefit costs

	(Millions of yen)
(1) Service costs	457
(2) Interest costs	200
(3) Expected return on plan assets	(304)
(4) Amortization of actuarial differences	(222)
(5) Amortization of prior service costs	(701)
(6) Retirement benefit costs	(570)

Notes: 1. Excludes employee contributions to the corporate pension plan and qualified pension plan.
2. Retirement benefit costs at consolidated subsidiaries using the simplified method are recorded under (1) Service costs.

4. Basis for calculating retirement benefit obligations

(1) Allocation of expected retirement benefits	Straight-line method
(2) Discount rate	2.00%
(3) Expected return on plan assets	2.90%

(4) Amortization period of prior service costs
Two years (amortized in equal amounts for a fixed number of years that is less than the average remaining years of service of employees when incurred)

(5) 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.)

Fiscal 2010 (March 1, 2009 – February 28, 2010)

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)
(1) Retirement benefit obligations	(10,981)
(2) Pension assets	8,703
(3) Subtotal (1) + (2)	(2,277)
(4) Unrecognized actuarial differences	2,414
(5) Total (3) + (4)	137
(6) Prepaid pension costs	(4,853)
(7) Allowance for employee retirement benefits (5) + (6)	(4,716)

3. Retirement benefit costs

	(Millions of yen)
(1) Service costs	476
(2) Interest costs	208
(3) Expected return on plan assets	(228)
(4) Amortization of actuarial differences	580
(5) Retirement benefit costs	1,037

Notes: 1. Excludes employee contributions to the corporate pension plan and qualified pension plan.
2. Retirement benefit costs at consolidated subsidiaries using the simplified method are recorded under (1) Service costs.

4. Basis for calculating retirement benefit obligations

(1) Allocation of expected retirement benefits	Straight-line method
(2) Discount rate	2.00%
(3) Expected return on plan assets	2.90%

(4) Amortization period of prior service costs
Two years (amortized in equal amounts for a fixed number of years that is less than the average remaining years of service of employees when incurred)

(5) 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.)

TAX EFFECT ACCOUNTING

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

	(Millions of yen)
Deferred tax assets	
Allowance for employee retirement benefits	1,883
Allowance for executive retirement benefits	474
Accrued enterprise tax	372
Allowance for doubtful accounts	179
Net unrealized gains on other securities	514
Inventories	495
Excess depreciation	906
Intangible fixed assets	3,136
Valuation losses on memberships	322
Net unrealized gains on investment securities	599
Bonus reserve	391
Outsourced research and development	502
Other	1,124
Total	10,903
Valuation allowance	(853)
Total deferred tax assets	10,050
Deferred tax liabilities	
Valuation losses on stock and investments in affiliated companies	(4,194)
Prepaid pension costs	(1,962)
Other	(834)
Total deferred tax liabilities	(6,990)
Net deferred tax assets	3,060

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

	(Millions of yen)
Current assets – deferred tax assets	2,258
Fixed assets – deferred tax assets	3,829
Fixed liabilities – deferred tax liabilities	(3,027)

2. Main reasons for difference in statutory tax rate and income tax rate after application of tax effect accounting

Statutory tax rate	40.4%
(Adjustments)	
Entertainment expenses excluded from income	1.4%
Dividend income excluded from income	(0.2)%
Special tax exemption for experimental research and development	(2.8)%
In-process R&D associated with merger R&D expenses	1.6%
Valuation reserve	2.7%
Other	(1.4)%
Income tax rate after application of tax effect accounting	41.7%

SEGMENT INFORMATION

Business segment information

The company and its consolidated subsidiaries, in consideration of the types of products sold and their qualitative similarities, operate the three business segments of pharmaceuticals and related products, cable television broadcasting, and other businesses. Segment information is omitted because pharmaceuticals and related products account for more than 90% of the total sales, operating income, and assets of all business segments.

Geographic segment information

Fiscal 2010 (March 1, 2009 – February 28, 2010)

Fiscal Year 2/10	Japan	North America	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
Net sales						
Sales to third parties	¥ 121,984	¥ 3,930	¥ 3,918	¥ 129,834	¥ —	¥ 129,834
Intra-sales and transfer	1,541	—	277	1,818	(1,818)	—
Total Sales	123,526	3,930	4,195	131,652	(1,818)	129,834
Operating expenses	89,513	9,403	4,055	102,973	(1,725)	101,248
Operating Income (loss)	34,012	(5,473)	139	28,679	(93)	28,585
Assets	¥ 188,595	¥ 46,856	¥ 3,786	¥ 239,238	¥ (45,687)	¥ 193,551

Geographic segments:

1. North America..........America
2. Other........................Brasil, Vietnam, Indonesia

SIGNIFICANT SUBSEQUENT EVENTS

Scope of consolidation

Fiscal 2010 (March 1, 2009 – February 28, 2010)

Purchase method

1. Name and business of acquired company, main reason for merger, date of merger, legal form of merger and name of company post-merger and percentage of voting rights acquired

1) Name and business of acquired company:

Noven Pharmaceuticals, Inc.
Pharmaceutical manufacture and sales

2) Main reasons for merger

Hisamitsu Pharmaceuticals has a strong presence in Japan's pharmaceuticals market with its transdermal delivery system (TDDS) technology represented by the MOHRUS range as its main source of competitiveness. Developing business infrastructure for development, manufacture, and sales overseas (especially in the U.S.) is a priority for the company to achieve further growth.

Noven Pharmaceuticals has proprietary DOT Matrix® TDDS technology in the U.S. market, and has established a substantial presence in central nervous system and gynecological treatments. We took an equity stake in Noven Pharmaceuticals in 2001 to deepen the strategic alliance between the two companies, and continued to explore how we could move into the U.S. market. We concluded that making Noven Pharmaceuticals a subsidiary was the best way to enhance the corporate value of the two companies.

For us, the acquisition of Noven Pharmaceuticals' is a key strategic investment that not only provides business infrastructure in the U.S., but also allows us to establish the Hisamitsu brand in the U.S. and strengthens our growth prospects by maximizing the value of products developed by leveraging the two companies' TDDS technologies.

Noven Pharmaceuticals will play a key role in our U.S. pharmaceuticals business and is positioned as our strategic business development base. We are committed to making a greater contribution to doctors, healthcare professionals, and most of all patients in Japan as a true global company.

3) Merger date:

August 28, 2009

4) Legal form of merger

Cash offer for shares

5) Name of company post-merger:

Noven Pharmaceuticals, Inc.

6) Percentage of voting rights acquired: 100%

Fiscal 2010 (March 1, 2009 – February 28, 2010)

2. Earnings period of acquired company included in consolidated financial statements:

September 1, 2009 – December 31, 2009

3. Acquisition price and breakdown

Acquisition price: 41,611 million yen in cash

4. Amount of goodwill accrued, goodwill amortization method and amortization period

1) Amount of goodwill: 8,702 million yen

2) Reasons for accrual of goodwill:

Since the acquisition price exceeded the net value calculated from acquired assets and liabilities, the difference has been recorded as goodwill.

3) Goodwill amortization method and period:

Amortized equally over 10 years

5. Assets and liabilities received on merger date, and broad breakdown

	(Millions of yen)
Current assets	11,584
Fixed assets	28,768
Current liabilities	(5,012)
Fixed liabilities	(3,846)

6. Value allocated to, and treated as R&D expenses, etc., and expense category

R&D expenses 1,270 million yen

7. Estimated impact on consolidated profit and loss statement of merger assuming it was completed on the first day of fiscal 2010

	(Millions of yen)
Sales	6,705
Operating income/loss	(2,712)
Ordinary income	219

The above estimated impact figures are calculated from values recorded in Noven Pharmaceuticals' consolidated profit and loss statement adjusted for goodwill amortization, etc. These figures have not been certified by an auditor.

Financial Section

Fiscal 2010
(March 1, 2009 – February 28, 2010)

PER SHARE INFORMATION

Fiscal 2009 (March 1, 2008 – February 28, 2009)		Fiscal 2010 (March 1, 2009 – February 28, 2010)	
Net assets per share	1,391.49	Net assets per share	1,500.92
Earnings per share	215.61	Earnings per share	210.78
Diluted earnings per share are not listed due to the absence of residual securities.		Diluted earnings per share are not listed due to the absence of residual securities.	

Note: Basis of calculation

1. Net assets per share

	Fiscal 2009 (March 1, 2008 – February 28, 2009)	Fiscal 2010 (March 1, 2009 – February 28, 2010)
Total net assets in the consolidated balance sheets (¥ million)	124,105	130,976
Net assets attributable to ordinary shareholders (¥ million)	123,386	130,087
Main differences (¥ million) Minority interests	719	889
Ordinary shares outstanding	95,164,000	95,164,000
Ordinary shares held in treasury	6,492,000	8,493,000
Ordinary shares used in calculating net assets per share	88,672,000	86,671,000

2. Earnings per share

	Fiscal 2009 (March 1, 2008 – February 28, 2009)	Fiscal 2010 (March 1, 2009 – February 28, 2010)
Net income (¥ million)	19,120	18,423
Amount not attributable to ordinary shareholders (¥ million)	—	—
Net income attributable to ordinary shareholders (¥ million)	19,120	18,423
Average ordinary shares during year	88,680,000	87,410,000

ADDITIONAL CONSOLIDATED INFORMATION

Bond information

Not applicable.

Borrowing information

	Balance at end of fiscal 2009 (¥ million)	Balance at end of fiscal 2010 (¥ million)	Average interest rate (%)	Repayment date
Short-term borrowings	885	5,320	0.53	—
Long-term borrowings due within one year	162	5,164	0.94	—
Lease liability due within one year	—	35	—	—
Long-term borrowings (excluding borrowings due within one year)	881	8,142	0.98	March 1, 2011 to January 31, 2017
Lease liability (exchange borrowings due within one year)	—	145	—	March 1, 2011 to January 31, 2016
Other liabilities	—	—	—	—
Total	1,929	18,808	—	—

Notes:
1. Average interest rate shows the weighted average interest rate for year-end balances of borrowings, etc.
2. Long-term borrowings due within one year include ¥149 million in interest free loans from the Development Bank of Japan.
3. The average interest rate on lease liabilities is not provided, because lease liabilities are stated in the consolidated balance sheet as a sum before deduction of the equivalent of interest contained in the total lease payment.
4. Of the long-term borrowings (excluding those scheduled for repayment within one year), ¥456 million borrowed from the Development Bank of Japan Inc. is interest-free.
5. Of the long-term borrowings (excluding those scheduled for repayment within one year), the scheduled repayments of lease liabilities (excluding those scheduled for repayment within one year) within five years of the end of the consolidated fiscal year are as follows:

	One to two years (¥ million)	Two to three years (¥ million)	Three to four years (¥ million)	Four to five years (¥ million)
Long-term borrowings	5,177	2,673	164	84
Lease liability	36	36	36	23

(2) Other

Consolidated sales and income by quarter, FY 2/10.

	Q1 (Mar 1 – May 31, 2009)	Q2 (Jun 1 – Aug 31, 2009)	Q3 (Sep 1 – Nov 30, 2009)	Q4 (Dec 1, 2009 – Feb 28, 2010)
Sales (¥mn)	30,328	34,472	33,576	31,455
Quarterly net income before adjustment for tax, etc. (¥mn)	7,324	8,677	10,996	4,800
Quarterly net income (¥mn)	4,396	5,172	6,530	2,323
Quarterly net income per share (¥)	50.15	59.00	74.53	26.81

Corporate Data

Group Companies

Our corporate group comprises Hisamitsu Pharmaceutical, 17 consolidated subsidiaries, two non-consolidated subsidiaries, and two 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	Cable television broadcasting	69.50	1	4	Working capital loans and debt guarantees	Hisamitsu outsources advertising	—	Note 3
Saga City-Vision Co., Ltd.	Saga, Saga	¥603 million	Cable television broadcasting	69.41	—	3	Working capital loans and debt guarantees	—	—	
Taiyo Co., Ltd.	Tosu, Saga	¥10 million	Other businesses	100	1	2	—	Agent for casualty insurance contracts for Hisamitsu	Hisamitsu leases land	
Kyudo Co., Ltd.	Ueki-machi, Kamoto-gun, Kumamoto	¥10 million	Other businesses	100	1	1	—	Provide advertising agency services to Hisamitsu	Hisamitsu leases land & buildings	
Hisamitsu Agency Co., Ltd.	Kurume, Fukuoka	¥25 million	Other businesses	100 (100)	—	3	—	Provide advertising agency services to Hisamitsu	Hisamitsu leases part of a lease building	
Hisamitsu U.S., Inc.	Delaware USA	USD 10	Pharmaceuticals and related products	100	1	—	—	Mainly sell products supplied by Hisamitsu in the US	—	Note 3
Hisamitsu America, Inc.	California, USA	USD 100,000	Pharmaceuticals and related products	100 (100)	—	1	Working capital loans	Selling products supplied by Hisamitsu	—	
Noven Pharmaceuticals, Inc.	Florida, USA	USD 10	Pharmaceuticals and related products	100 (100)	2	—	—	Hisamitsu outsources development	—	Note 3
Hisamitsu Farmaceutica do Brasil Ltda.	Manaus, Brazil	BRL 14 million	Pharmaceuticals and related products	100	—	4	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	GPB 120,000	Pharmaceuticals and related products	100	—	2	—	Hisamitsu outsources development	—	
Hisamitsu Vietnam Pharmaceutical Co., Ltd.	Bien Hoa, Vietnam	VND 31,293 million	Pharmaceuticals and related products	100	—	3	—	Manufacture and sell products in Vietnam, with some raw materials supplied by Hisamitsu	—	

Corporate Data

PT. Hisamitsu Pharma Indonesia	Surabaya, Indonesia	IDR 32,518 million	Pharmaceuticals and related products	75	—	3	—	Manufacture and sell products in Indonesia, with products and some raw materials supplied by Hisamitsu	—	
5 other companies	—	—	—	—	—	—	—	—	—	
Equity-method affiliates										
Maruto Co., Ltd.	Ogori, Fukuoka	¥1,807 million	Other businesses	39.76	1	2	Working capital loans	Supplies raw materials to Hisamitsu	—	Note 4
Novogyne Pharmaceuticals	USA	USD 45 million	Pharmaceuticals and related products	49.0 (49.0)	—	—	—	—	—	—

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 on the Fukuoka Stock Exchange and files financial statements.
5. Figures in parenthesis in the voting rights column indicate indirect ownership.
6. Key earnings information for the foregoing consolidated subsidiaries is not listed because sales at these companies account for less than 10% of consolidated sales (excluding internal sales between consolidated subsidiaries).

Corporate Data

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, President & CEO
Capital	¥8,473,839,816
Fiscal year	March 1 – End of February

Stock Information

Authorized shares	380,000,000
Shares outstanding	95,164,895
Shareholders	7,857
Stock exchange listings	First sections of the Tokyo Stock Exchange, Osaka Securities 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

Number of Employees

As of February 28, 2010

Business segment	Employees
Pharmaceuticals and related products	2,425 (307)
Cable television broadcasting	47 (16)
Other businesses	90 (46)
Total	2,562 (369)

Note: 1. 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 totals.

2. Number of emplayees in pharmaceuticals and related products has been increased by 669, mainly due to acquiring Noven pharmaceuticals.

Hisamitsu Pharmaceutical Co., Inc.

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