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In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company



✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

✗ **What this form is NOT for**
You cannot use this form to regi an alteration of manner of comp with accounting requirements

WEDNESDAY



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Part 1 Corporate company name

Corporate name of overseas company ❶: SOSEI GROUP CORPORATION

If the company has already been registered in the UK, please enter the establishment number below

UK establishment number ❷: B R 0 0 6 7 3 6

→ Filling in this form
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

❷ This should only be completed if the company has already been registered in the UK

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❶: Japanese Financial Instruments and Exchange Act

❶ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☑ Yes Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3

Name of organisation or body ❷: Business Accounting Council and ASB of Japan

❷ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☑ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ No Go to **Part 3 'Signature'** ☑ Yes Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	Business Accounting Council	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ No ☐ Yes.	

Part 3 Signature

	I am signing this form on behalf of the overseas company	
Signature	Signature X  X	
	This form may be signed by Director, Secretary, Permanent representative.	

OS AA01

Statement of details of parent law and other information for an overseas company

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You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name

Company name Deloitte LLP

Address 2 New Street Square

Post town London

County/Region

Post code E C 4 A 3 B Z

Country

DX

Telephone

Checklist

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Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

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Please note that all this information will appear on the public record

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TRANSLATED FROM JAPANESE ORIGINAL

Financial Results for the Fiscal Year Ended March 31, 2012 (Fiscal 2011) (Japanese GAAP) (Consolidated)

May 15, 2012

Company name	Sosei Group Corporation	Stock exchange listing	Tokyo
Securities code	4565	URL	http //www sosei com/
Representative	Shinichi Tamura, Board Director Representative Executive Officer, CEO		
Contact person	Hidetoshi Torami Executive Vice President, CFO		Tel +81-3-5210-3290
Scheduled date of general shareholders' meeting	June 19, 2012	Scheduled date of dividend payments	—
Scheduled date of filing securities report (*yuka shoken hokokusho*)	June 26, 2012		
Supplementary materials for financial results	Yes		
Briefing session of financial results	Yes (for institutional investors and analysts (in Japanese only))		

(Rounded down to nearest million yen)

1 Consolidated Financial Results for Fiscal 2011 (April 1, 2011 to March 31, 2012)

(1) Consolidated operating results (Percentages represent change compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	862	20 4	(1,962)	—	(1,950)	—	(1,954)	—
FY2010	716	(22 1)	(1,876)	—	(1,962)	—	(1,871)	—

(Note) Comprehensive income -1,931 million yen (-%) for FY2011, and -1,815 million yen (-%) for FY2010

	Net income per share – basic	Net income per share – diluted	Net income as percentage of net worth	Ordinary income as percentage of total assets	Operating income as percentage of net sales
	Yen	Yen	%	%	%
FY2011	(16,515 31)	—	(26 2)	(23 8)	(227 6)
FY2010	(15,868 79)	—	(20 1)	(20 0)	(261 8)

(Reference) Equity in income of affiliates — million yen for FY2011, and —million yen for FY2010

(2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2011	7,390	7,102	87 9	54,908 84
FY2010	8,991	8,656	93 7	71,230 78

(Reference) Net worth 6,497 million yen for FY2011, and 8,429 million yen for FY2010

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of financial year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2011	(286)	(275)	300	1,497
FY2010	(89)	(26)	21	1,751

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2 Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends as percentage of net assets (consolidated)
	End Q1	End Q2	End Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2010	—	0 00	—	0 00	0 00	—	—	—
FY2011	—	0 00	—	0 00	0 00	—	—	—
FY2012 (E)	—	0 00	—	0 00	0 00	[redacted]	—	[redacted]

3 Forecast for Fiscal 2012 (April 1, 2012 to March 31, 2013)

(Percentages represent change compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2012	2,000	131 9	(1,130)	—	(1,050)	—	(1,050)	—	(8,872 89)

Notes

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

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

1) Changes due to revised accounting standards None

2) Changes due to revised accounting policies except 1) None

3) Changes in accounting estimates None

4) Restatements None

(3) Number of common shares issued

1) Number of shares issued at the fiscal year end (including treasury shares)	FY2011	118,338	FY2010	118,338
2) Number of treasury shares at the fiscal year end	FY2011	—	FY2010	—
3) Average number of shares issued during the fiscal year	FY2011	118,338	FY2010	117,960

(Reference) Summary of Non-consolidated Financial Results

1 Non-consolidated Financial Results for Fiscal 2011 (April 1, 2011 to March 31, 2012)

(1) Non-consolidated operating results (Percentages represent change compared with the previous fiscal year)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	31	(27 2)	(487)	—	(470)	—	(785)	—
FY2010	43	(0 7)	(467)	—	(461)	—	(451)	—

	Net income per share – basic	Net income per share – diluted
	Yen	Yen
FY2011	(6,640 43)	—
FY2010	(3,829 87)	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2011	23,667	23,635	98 6	197,158 68
FY2010	24,408	24,342	98 8	203,787 12

(Reference) Net worth 23,331 million yen for FY2011 and 24,115 million yen for FY2010

2 Non-consolidated Forecast for Fiscal 2012 (April 1, 2012 to March 31 2013)

(Percentages represent change compared with the previous fiscal year or interim period)

	Operating revenue		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2012	85	167 9	(420)	—	(420)	—	(3 549 16)

* Implementation status of financial audit

As of the time of release of this report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Law are still in progress

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

1 The financial forecasts are based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material and assumptions about uncertain factors that could affect the forecasts of business results made as at the time of disclosure of this material The actual business results may differ materially from the forecasts due to various factors in the future For matters concerning the aforementioned forecasts, please refer to 1 Operating Results (1) Analysis of Operating Results (Forecast for the fiscal year ending March 31, 2013)' on page 5

2 The Company currently plans to hold an Internet conference for analysts on Wednesday, May 16, 2012 The audio recording of the conference (in Japanese only) will be made available on the Company's web page as soon as possible after the conference together with the presentation materials

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1 Operating Results

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2012)

In the Japanese pharmaceutical industry to which the Company belongs, conditions remain severe, with reduced profits due to factors such as the expiration of patents on mainstay products and the promotion of generic drugs to curtail healthcare costs, in addition to the industry's characteristic high development risk compared to other industries Overseas as well, leading global pharmaceutical companies are unavoidably undergoing restructuring as a result of a decline in profits due to the expiration of patents for major drugs Consequently, pharmaceutical companies are shifting to a policy of cutting back on in-house research and working to create new drugs in collaboration with universities and bioventures in order to reduce development risk Formerly, the objective of some bioventures was to be involved in stages from discovery and research to marketing, but there has been a tendency in recent years to shift to early-stage development, reflecting the change in policies of pharmaceutical companies

Under these circumstances, the Group generated clear results during the fiscal year ended March 31, 2012, including the start of marketing in Japan of NorLevo® Tablets 0 75mg (emergency contraceptive, hereafter, "NorLevo Tablets"), progress in the development of NVA237 and QVA149 for the indication of chronic obstructive pulmonary disease (COPD) and the in-licensing and start of clinical trials of new product under development SO-1105 The Company also made steady progress in research, including the start of joint research on nano-particle processing technology with universities and pharmaceutical companies

As a result, operating results for the fiscal year ended March 31, 2012 are as follows

Consolidated Operating Results

(Millions of yen)

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Year-on-Year Change	Reasons for Change from Previous Fiscal Year, etc
Net sales	716	862	145	The main reason for the increase was that sales of NorLevo Tablets to ASKA Pharmaceutical Co , Ltd exceeded the decrease in milestone payments from Novartis AG
Gross profit	665	608	(57)	The main reason for the change was an increase in the cost of sales ratio associated with the launch of NorLevo Tablets in Japan
Operating income (loss)	(1,876)	(1,962)	(86)	For the main reasons for the change, see "Breakdown of Selling, General and Administrative Expenses" below
Ordinary income (loss)	(1,962)	(1,950)	12	The main reason for the change was a decrease in foreign exchange losses
Net income (loss)	(1,871)	(1,954)	(82)	The main reason for the change was that extraordinary income in the previous fiscal year, including settlement received, did not recur in the fiscal year ended March 31, 2012

Breakdown of Selling, General and Administrative Expenses

(Millions of yen)

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Year-on-Year Change	Reasons for Change from Previous Fiscal Year, etc
Amortization of goodwill	1,588	1,588	—	Amortization of goodwill incurred was the same amount as in the previous fiscal year
Research and development expenses	288	227	(60)	The main reason for the decrease was a cutback in research and development expenses carried out from the previous year
Other expenses	665	755	89	The main reason for the increase was selling-related expenses associated with the launch of NorLevo Tablets in Japan were incurred from the fiscal year ended March 31, 2012
Total selling, general and administrative expenses	2,542	2,571	29	

Operating results by business segment were as follows

Operating results of the domestic pharmaceutical business are shown in the chart below

Operating Results of the Domestic Pharmaceutical Business

(Millions of yen)

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Year-on-Year Change	Reasons for Change from Previous Year, etc
Net sales	55	473	418	The main reason for the increase was sales revenue of NorLevo Tablets realized from the fiscal year ended March 31, 2012
Operating income (loss)	(311)	(194)	116	The main reasons for the change were an increase in the cost of sales ratio and selling-related expenses incurred associated with the abovementioned launch of NorLevo® Tablets in Japan

The progress of the main products under development in the domestic pharmaceutical business was as follows

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

Development stage Phase I clinical trial (as of March 31, 2012)

SO-1105 is an antifungal agent, administered as a muco-adhesive buccal tablet for the treatment of oropharyngeal candidiasis in immunocompromised patients Oropharyngeal candidiasis is an inflammatory mucous membrane disease of the oral cavity and pharynx caused by infection due mainly to *Candida albicans*, which is a type of fungus It is common in patients with chronic diseases such as diabetes as well as HIV-positive and other immunocompromised patients This drug was originally developed by BioAlliance Pharma of France and has currently received regulatory approval in 26 European countries, the United States and Korea since first obtaining approval in October 2006 in France The Company believes that this product can contribute to patient compliance in Japan and thus obtained the exclusive development and marketing rights for SO-1105 in Japan from BioAlliance in May 2011 Administration for the Phase I clinical trial that began in March 2012 has already been completed and the data are currently being analyzed

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

APNT is a drug discovery platform technology owned by Activus Pharma Ltd , a wholly owned subsidiary of the Company, characterized by its ability to pulverize poorly soluble pharmaceutical raw materials into crystal particles at the 50 to 200nm (nanometer) level while keeping contaminants at an extremely low level, which is a problem using existing technology This characteristic has led to investigation of applications for poorly soluble drugs in injections, ophthalmic solutions and inhalations, which had previously been difficult to develop

Currently, the Company is conducting collaborative research using APNT with TOA Pharmaceuticals Co , Ltd , which has extensive experience and expertise in the manufacture and sale of pharmaceuticals, its subsidiary Nitto Medic Co , Ltd and Ceolia Pharma Co , Ltd , a specialty pharma company in the ear, nose and throat (ENT) field

In addition, on June 20, 2011 Activus Pharma Ltd entered into a collaboration agreement with Gifu Pharmaceutical University to develop pharmaceuticals for the effective treatment of ophthalmic diseases using APNT Currently, the parties are conducting research on new drugs for treatment of diseases of the posterior segment of the eye Posterior segment eye diseases such as diabetic retinopathy and age-related macular degeneration are the primary cause of blindness and other visual impairment in middle age Based on collaborative research using APNT, this project aims to develop novel ophthalmic solutions that would differ from existing treatments by delivering medication specifically to the posterior segment of the eye, thus improving patient quality of life

In August 2011, this project was selected to receive a grant under the FY2011 Innovation Promotion Programme of the New Energy and Industrial Technology Development Organization (NEDO), an incorporated administrative agency under the Ministry of Economy, Trade and Industry (METI), for its "Development of Innovative Ophthalmic Solutions "

In light of patent strategy and other considerations, the Company does not disclose specific details or other information about the progress of joint research and development with each company, but it is promoting development of products that will fully display the distinctive features of APNT in ophthalmic solutions and other fields

Operating results of the overseas pharmaceutical business are shown in the chart below

Operating Results of the Overseas Pharmaceutical Business

(Millions of yen)

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Year-on-Year Change	Reasons for Change from Previous Fiscal Year, etc
Net sales	661	388	(272)	The main reason for the decrease was the difference in milestone payments from Novartis AG
Operating income (loss)	(1,097)	(1,280)	(182)	The main reason for the decrease was the difference in milestone payments from Novartis AG

The progress of the main products under development in the overseas pharmaceutical business was as follows

■ NVA237 (Indication chronic obstructive pulmonary disease (COPD))

Development stage Filed for regulatory approval in Europe and Japan (as of March 31, 2012)

NVA237 (generic name glycopyrronium bromide, a once-daily inhaled long-acting muscarinic antagonist (LAMA)) is a product under development for which the Company out-licensed the exclusive global development and marketing rights in April 2005 to the major pharmaceutical company Novartis AG (headquarters Switzerland), which has been developing it as a monotherapy for chronic obstructive pulmonary disease (COPD) As announced in September 2011, an application for regulatory approval has been filed in Europe In Japan, Novartis Pharma K K (hereafter, "Novartis Pharma") filed an application for regulatory approval in November 2011 In addition, Novartis Pharma has announced that it has entered into a co-promotion agreement with Eisai Co Ltd for its own COPD therapy Onbrez® Inhalation Capsules 150mcg (generic name indacaterol maleate, hereafter, "Onbrez") and NVA237, as well as QVA149, which is a combination of Onbrez and NVA237

Novartis AG has announced that it expects to obtain authorization for manufacture and marketing of NVA237 in Europe in mid-2012 and to file an NDA in the United States at the beginning of 2014

■ QVA149 (Indication chronic obstructive pulmonary disease (COPD))

Development stage Phase III clinical trials (as of March 31, 2012)

QVA149 is a fixed-dose combination of NVA237 and Novartis AG's indacaterol (approved in more than 80 countries including in Europe, Japan and the United States) NVA237 (LAMA) and indacaterol (LABA) are both

once-daily inhaled bronchodilators, and are expected to have a potent effect as a combination because they act on different receptors in the lungs QVA149 has a prospect of being the first LAMA/LABA combination administered once daily in this disease field

The Phase III clinical trial program for QVA149, which is called IGNITE, is one of the largest international COPD clinical trial programs, comprising ten studies in total The first seven studies (ENLIGHTEN, BRIGHT, SHINE, ILLUMINATE, SPARK, BLAZE, ARISE) are being conducted with an enrollment of more than 5,700 COPD patients in 42 countries to investigate efficacy, safety and tolerability, lung function, exercise endurance, exacerbations, dyspnea and improvement of patient quality of life Completion is expected in 2012 and applications for manufacturing and marketing approval are expected to be filed during the year in Europe and Japan based on these data Results of the first four Phase III clinical studies were announced in April 2012, and details are as follows Novartis AG has announced that it expects to complete the Phase III trials of QVA149 and file applications for regulatory approval in Europe, Japan and elsewhere during the year and to file an NDA in the United States at the end of 2014

1) SHINE

SHINE was a trial of 2,144 patients with moderate to severe COPD to compare pivotal evaluation items for QVA149 and indacaterol or NVA237 alone Results demonstrated the superiority of QVA149

2) BRIGHT

BRIGHT was a trial of 85 patients with moderate to severe COPD to assess the effect of QVA149 on exercise tolerance Results confirmed clear improvement in exercise tolerance with administration of QVA149 compared with placebos

3) ENLIGHTEN

ENLIGHTEN was a trial of 339 patients with moderate to severe COPD to assess the safety and tolerability of QVA149 Results showed the superior tolerability of QVA149 and confirmed a safety profile similar to a placebo

4) ILLUMINATE

ILLUMINATE, a head-to-head trial of more than 500 patients with moderate to severe COPD to compare the once-daily formulation of QVA149 with twice-daily Seretide® (fluticasone 500mcg/salmetrol 50mcg) with regard to improvement in lung function, demonstrated the superiority of QVA149

(Forecast for the fiscal year ending March 31, 2013)

Net sales are forecast to come from sales revenue from NorLevo Tablets, milestone payments related to obtaining regulatory approval in Europe and Japan and post-marketing royalties for NVA237, and a milestone payment related to filing an application for regulatory approval in Europe for QVA149 As a result, the Company forecasts net sales of 2,000 million yen, operating loss of 1,130 million yen, ordinary loss of 1,050 million yen and net loss of 1,050 million yen for the full fiscal year

(2) Analysis of Financial Position

Financial Position

(Millions of yen)

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31 2012	Year-on-Year Change	Reasons for Change from Previous Fiscal Year, etc
Total assets	8,991	7,390	(1,601)	(Assets) The main item decreasing assets was intangible assets caused by amortization of goodwill totaling 1,588 million yen (Liabilities) No major changes (Net assets) The main item decreasing net assets was retained earnings caused by net loss totaling 1,954 million yen
Cash flows from operating activities	(89)	(286)	(197)	The main factors in the change were income taxes refunded in the previous fiscal year, which did not recur in the fiscal year ended March 31, 2012, and an increase in net loss before income taxes and minority interests
Cash flows from investing activities	(26)	(275)	(248)	The main factor in the change was payment of licensing fees of 242 million yen for SO-1105 in the fiscal year ended March 31, 2012, which decreased cash
Cash flows from financing activities	21	300	278	The main factor in the change was 300 million yen in proceeds from issuance of preferred shares of a consolidated subsidiary in the fiscal year ended March 31, 2012, which increased cash *

* In March 2012, Sosei Co , Ltd , a consolidated subsidiary of the Company, entered into an agreement with JAFCO Super V3, a general partnership investment fund owned by JAFCO Co , Ltd , for a non-brokered private placement of its preferred shares up to 836 million yen for funds to support development of SO-1105 for the treatment of oropharyngeal candidiasis In the same month, Sosei Co , Ltd conducted its first allotment for capital proceeds of 300 million yen Main details of the preferred shares are as follows

a Limitation on voting rights at general shareholders' meetings (shares without voting rights)
b Limitation on transfer to third parties
c Options on common shares as consideration
Right of conversion to common shares under certain terms (option period from the day following the payment date)
d Preferential distribution of residual assets
e Limitation on share split or consolidation
f Limitation on right to receive allocation of shares or share subscription rights
g Limitation on right to receive allocation of shares or share subscription rights without contribution
h Right of Sosei Co , Ltd or JAFCO Super V3 to exercise their call options or put options, respectively

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal Years Ended March 31, 2012 and Ending March 31, 2013

The Group views the return of profits to its shareholders as an important management issue The development of pharmaceutical products requires a large amount of up-front investment over a long development period Taking into consideration the characteristics of such an industry, the Company believes that the active development of its pipeline (products under development) to raise corporate value will lead to shareholder returns For the time being, the Company intends to continue placing importance on research and development of pharmaceuticals with the aim of increasing the value of its pipeline Under the regulations of the Company Act and Corporate Accounting Rules of Japan, the Company's financial position as of March 31, 2012 does not allow it to pay a dividend In the event that its financial position improves in the future, the Company will consider paying out dividends while taking into account its operating costs and financial position at the time

(4) Assumption of Going Concern

Not applicable The conditions that gave rise to significant doubts regarding the assumption of going concern indicated in the previous fiscal year have been resolved

2 Status of the Corporate Group

The Group, which consists of the Company and three consolidated subsidiaries, is involved mainly in the research, development and sale of pharmaceuticals Business segments are divided into the domestic pharmaceutical business and the overseas pharmaceutical business, with region as the main criterion

Business Segment	Company Name	Business Description
Whole company (common)	Sosei Group Corporation	Planning of overall group management strategy Acceptance of entrustment of operations of administrative divisions of subsidiaries
Domestic pharmaceutical business	Sosei Co , Ltd	Research, development and sale of pharmaceuticals
	Activus Pharma Co , Ltd	Development of pharmaceuticals using nano-particle processing technology
Overseas pharmaceutical business	Sosei R&D Ltd	Overseas expansion through licensing, etc , and promotion of commercialization

3 Management Policy

(1) Basic Policy of Company Management

The Group is involved in the biopharmaceutical business and has promoted research and development of various products and the enhancement of its pipeline based on its own projects and a global network through technology transfers since its establishment By rapidly providing society with the pharmaceuticals it considers necessary, the Group aims to further develop as a global pharmaceutical company that transcends national and regional borders to support the health of people, and to contribute to the realization of enjoyable and happy life

(2) Target Management Indicators

The Group promotes research and development of pharmaceutical products and aims for sustainable growth by securing earnings through the launch and sale or out-licensing of products under development By further enhancing the pipeline and promoting research and development of the various products in it, the Group conducts business with the aim of quickly launching and selling or out-licensing many of its products under development

(3) Mid-to-Long-Term Management Strategy

Pharmaceutical development is a field with intense competition from many companies and research institutes, both domestic and foreign, including major multi-national companies In addition, although the development period extends over a long time and requires sizeable expense, the success rate is not high For these reasons, the Group, which is relatively small in scale with regard to human, financial and physical resources, conducts pharmaceutical development under the following strategies

1) Positioning

The Group relies on the experience and the network that it has gained through technology transfers since its establishment to evaluate the state of the pharmaceutical industry in Japan from a global perspective and introduce pharmaceutical products from Europe and the United States into the Japanese market On the other hand, the Group also captures greater business opportunities overseas based on the seeds it has sown both in Japan and overseas The Group will also promote its own business as a bio-pharmaceutical company with functions for reduced risk in pharmaceutical development and a greater global scale In addition, while maintaining its founding vision of "becoming a global biopharmaceutical company with Japanese origins," the Group responds promptly to changes in the environment and implements the strategies that are most appropriate at any particular point in time

2) Pipeline strategy

The Group's pipeline strategy is characterized by building a balanced portfolio in which risks are controlled by combining products at various stages of development

The outline of the pipeline of the Group is as follows

■ NVA237

Indication Chronic obstructive pulmonary disease

Development stage Applications filed in Europe and Japan

Licensing partner Novartis AG (exclusive development and marketing rights out-licensed)

■QVA149

Indication Chronic obstructive pulmonary disease

Development stage Phase III clinical trials

Licensing partner Novartis AG (exclusive development and marketing rights out-licensed)

■SO-1105

Indication Oropharyngeal candidiasis

Development stage Phase I clinical trials

3) Collaboration in research and development

The Group will build a wide range of collaborative relationships at various stages of research and development with the aim of avoiding increases in fixed costs while incorporating the latest technology The Group will build a research and development framework with its own R&D staff and through these collaborative relationships

4) Securing earnings

The Group aims to secure earnings using the following two models through a pipeline strategy and by building a wide range of collaborative relationships focused on controlling risks as mentioned above

(a) A model that obtains earnings based on the sale of products that have already been launched overseas or products in late-stage development that the Company develops, mainly for the domestic market

Examples NorLevo Tablets, SO-1105

(b) A model targeting the global market that obtains earnings from milestone and royalty payments In this model, the Group conducts development to a stage where the feasibility of launch of a product under development is high, after which the Group out-licenses the product to another pharmaceutical company or other party

Examples NVA237, QVA149

The Group plans to secure stable earnings at an early stage by adopting model (a) or (b) for each product under development after taking into consideration factors including the Group's current financial state and research and development framework, and the product's competitive advantages

(4) Issues to Be Addressed

1) Enhancement of product pipeline

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

2) Reduction of business risks

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

3) Procurement of funds

Exploring and introducing promising candidates for development and then expediting their development can enhance corporate value On the other hand, research and development expenses will increase While the Group has raised funds through the issue of new shares and by licensing development rights to other pharmaceutical companies, in the future it may consider the possibility of raising more funds for the purpose of strengthening the business foundation such as those for research and development investments

4) Strengthening of research and development system

In order to expedite the development, approval and launch of products, a research and development framework that is high in efficiency and certainty is indispensable For this purpose, in addition to actively recruiting outstanding talent, the Group uses the cutting-edge technologies of other companies in various fields through collaboration with those companies

4 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY2010 (March 31, 2011)	FY2011 (March 31, 2012)
Assets		
Current assets		
Cash and deposits	1,751,471	1,415,498
Accounts receivable	50	33,010
Securities	—	82,155
Merchandise and finished goods	62,984	—
Other	59,146	78,966
Total current assets	1,873,653	1,609,630
Noncurrent assets		
Property, plant and equipment		
Buildings, net	31,321	25,824
Machinery, equipment and vehicles, net	15,622	29,806
Tools, furniture and fixtures, net	5,949	6,096
Total property, plant and equipment (Note 1)	52,893	61,727
Intangible assets		
Goodwill	7,014,102	5,426,003
Other	12,836	255,153
Total intangible assets	7,026,938	5,681,157
Investments and other assets		
Other	38,302	37,824
Total investments and other assets	38,302	37,824
Total noncurrent assets	7,118,134	5,780,709
Total assets	8,991 787	7,390,340
Liabilities		
Current liabilities		
Accounts payable – trade	62,824	61,922
Accounts payable – other	49,108	33,064
Accrued expenses	201,102	156,951
Income taxes payable	3,268	9,658
Deferred tax liabilities	—	870
Other	19,033	25,643
Total current liabilities	335,336	288,110
Total liabilities	335,336	288,110
Net assets		
Shareholders' equity		
Common stock	16,988,055	16,988,055
Capital surplus	18,908,795	18,908,795
Retained earnings	(28,627,728)	(30,582,117)
Total shareholders' equity	7,269,121	5,314,732
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	—	1,419
Foreign currency translation adjustments	1,160,186	1,181,650
Total accumulated other comprehensive income	1,160,186	1,183,069
Stock acquisition rights	227,143	304,427
Minority interests	—	300,000
Total net assets	8,656,450	7,102,229
Total liabilities and net assets	8,991,787	7,390,340

(2) Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Net sales	716,573	862 412
Cost of sales	50,644	253,921
Gross profit	665 929	608,491
Selling, general and administrative expenses (Note 1)	2,542,106	2,571,120
Operating loss	(1,876,177)	(1,962,629)
Non-operating income		
Interest income	1,031	337
Subsidy income	—	26,255
Other	885	86
Total non-operating income	1,917	26,678
Non-operating expenses		
Foreign exchange losses	88,638	14,210
Total non-operating expenses	88,638	14,210
Ordinary loss	(1,962,898)	(1,950,161)
Extraordinary income		
Gain on reversal of stock acquisition rights	12,034	1,286
Gain on negative goodwill	13,969	—
Receipt of settlement	66,595	—
Total extraordinary income	92,598	1,286
Extraordinary loss		
Loss on sale or disposal of noncurrent assets (Note 2)	72	2,405
Effect of adoption of accounting standard for asset retirement obligations	1,293	—
Total extraordinary loss	1,366	2,405
Net loss before income taxes and minority interests	(1,871,666)	(1,951,279)
Income taxes - current	215	3,110
Total income taxes	215	3,110
Net loss before minority interests	(1,871,882)	(1,954,389)
Net loss	(1,871,882)	(1,954,389)
Net loss before minority interests	(1,871,882)	(1,954,389)
Other comprehensive income		
Net unrealized gains on available-for-sale securities	—	1,419
Foreign currency translation adjustments	56,357	21,464
Total other comprehensive income (Note 3)	56,357	22,883
Comprehensive income	(1,815,524)	(1,931,505)
(Breakdown)		
Comprehensive income attributable to owners of the parent company	(1,815,524)	(1,931,505)
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Shareholders' equity		
Common stock		
Balance at beginning of year	16,966,805	16,988,055
Changes during the year		
Issuance of new stock	21,250	—
Total changes during the year	21,250	—
Balance at end of year	16,988,055	16,988,055
Capital surplus		
Balance at beginning of year	18,908,795	18,908,795
Balance at end of year	18,908,795	18,908,795
Retained earnings		
Balance at beginning of year	(26,755,846)	(28,627,728)
Changes during the year		
Net loss	(1,871,882)	(1,954,389)
Total changes during the year	(1,871,882)	(1,954,389)
Balance at end of year	(28,627,728)	(30,582,117)
Total shareholders' equity		
Balance at beginning of year	9,119,753	7,269,121
Changes during the year		
Issuance of new stock	21,250	—
Net loss	(1,871,882)	(1 954,389)
Total changes during the year	(1,850,632)	(1,954,389)
Balance at end of year	7,269,121	5,314,732
Accumulated other comprehensive income		
Unrealized gains on securities		
Balance at beginning of year	—	—
Changes during the year		
Net change in items other than shareholders' equity	—	1,419
Total changes during the year	—	1,419
Balance at end of year	—	1,419
Foreign currency translation adjustments		
Balance at beginning of year	1,103,828	1,160,186
Changes during the year		
Net change in items other than shareholders' equity	56,357	21,464
Total changes during the year	56,357	21,464
Balance at end of year	1,160,186	1,181,650

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Stock acquisition rights		
Balance at beginning of year	153,237	227,143
Changes during the year		
Net change in items other than shareholders' equity	73,905	77,283
Total changes during the year	73,905	77,283
Balance at end of year	227,143	304,427
Minority interests		
Balance at beginning of year	—	—
Changes during the year		
Net change in items other than shareholders' equity	—	300,000
Total changes during the year	—	300,000
Balance at end of year	—	300,000
Total net assets		
Balance at beginning of year	10,376,819	8,656,450
Changes during the year		
Issuance of new stock	21,250	—
Net loss	(1,871,882)	(1,954,389)
Net change in items other than shareholders' equity	130,263	400,167
Total changes during the year	(1,720,368)	(1,554,221)
Balance at end of year	8,656,450	7,102,229

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Net loss before income taxes and minority interests	(1,871,666)	(1,951,279)
Depreciation	16,726	20,182
Gain on negative goodwill	(13,969)	—
Amortization of goodwill	1,588 098	1,588,098
Stock-based compensation expenses	85,939	78,570
Settlement	(66,595)	—
Decrease (increase) in advances receivable	1,389	(17,715)
Decrease (increase) in advances paid	(13,956)	13,976
Foreign exchange losses (gains)	65,935	13,014
Decrease (increase) in accounts receivable	68,593	(32,959)
Decrease (increase) in accounts receivable – other	(3,074)	(18,959)
Decrease (increase) in inventories	(62,332)	62,984
Increase (decrease) in accounts payable – trade	7,813	(902)
Increase (decrease) in accrued expenses	13,846	(41,839)
Other	(11,462)	2,912
Subtotal	(194,711)	(283,915)
Interests and dividends received	1,031	337
Settlement received	66,595	—
Income taxes refunded	42,371	—
Income taxes paid	(4,407)	(3,268)
Net cash provided by (used in) operating activities	(89,120)	(286,846)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,840)	(27,106)
Purchase of intangible assets	(5,263)	(247,540)
Purchase of shares of subsidiary resulting in change in scope of consolidation	(19,290)	—
Other	(600)	(573)
Net cash provided by (used in) investing activities	(26,993)	(275,220)
Cash flows from financing activities		
Proceeds from issuance of common stock	21,250	—
Proceeds due to payment from minority interests	—	300,000
Net cash provided by financing activities	21,250	300,000
Effect of exchange rate changes on cash and cash equivalents	(11,609)	8,248
Increase (decrease) in cash and cash equivalents	(106,473)	(253,817)
Cash and cash equivalents at beginning of fiscal year	1,857,944	1,751,471
Cash and cash equivalents at end of fiscal year (Note 1)	1,751,471	1,497,653

(5) Assumption of Going Concern
Not applicable

(6) Basis of Preparation of Consolidated Financial Statements
1 Scope of consolidation
1) Number of consolidated subsidiaries 3
Names of major consolidated subsidiaries
Sosei Co Ltd
Sosei R&D Ltd
Activus Pharma Co , Ltd
There are no non-consolidated subsidiaries

2 Application of equity method accounting
1) Affiliates accounted for by the equity method
Not applicable
2) Affiliates not accounted for by the equity method
Not applicable

3 Fiscal year end of consolidated subsidiaries
The fiscal year end of all consolidated subsidiaries coincides with that of the parent company

4 Accounting policies
1) Valuation standards and methods for significant assets
a Securities
Available-for-sale securities
Securities without market prices
Securities without market prices are valued at cost using the moving average method All the valuation gains/losses are reported as a component of net assets
b Inventories
Finished goods
Finished goods are valued at cost using the moving average method (The balance sheet value is calculated by way of inventory write-down based on decreased profitability)
2) Depreciation and amortization of significant depreciable and amortizable assets
a Property, plant and equipment
Property, plant and equipment of the Company and its domestic consolidated subsidiaries are depreciated with the declining-balance method, and those of its overseas consolidated subsidiaries with the straight-line method
Useful lives of significant assets are as follows

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

b Intangible assets
Intangible assets are amortized with the straight-line method
Software for use in house is amortized over the expected available period in house of 5 years
3) Policies for provision of allowances and reserves
a Allowance for doubtful accounts
In order to provide for bad-debt losses from trade receivables and loans, the Company records uncollectible amounts estimated with the percentage of bad debts in the past for receivables in general and in consideration of the likelihood of collection individually for specific doubtful receivables
b Reserve for bonuses
In order to provide for bonuses to be paid to employees, the Company records the estimated amount of bonuses accrued for the relevant fiscal year as reserve for bonuses
4) Policies for translation of significant foreign currency-denominated assets and liabilities into Japanese yen
Foreign currency-denominated monetary claims and liabilities are translated into Japanese yen using the spot foreign exchange rate prevailing at the fiscal year end, and the translation gains/losses are recorded as gain/loss

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen using the spot foreign exchange rate prevailing at the fiscal year end, earnings and expenses thereof using the average foreign exchange rate during the fiscal year, and the translation gains/losses are posted as foreign currency translation adjustments in the net assets

5) Amortization method and period of goodwill

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

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

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

7) Other basis of preparation of consolidated financial statements

Accounting method for consumption tax

All figures exclude consumption tax

(7) Additional Information

FY2011 (April 1, 2011 to March 31, 2012)
(Application of accounting standard for accounting changes and error corrections) For changes and/or corrections subsequent to April 1, 2011, the Company applies Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No 24, December 4, 2009)

(8) Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

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

(Thousands of yen)

	FY2010 (As of March 31, 2011)	FY2011 (As of March 31, 2012)
Accumulated depreciation	81,092	86,615

2 Contingent liabilities

In the event that the Company receives revenue from Pharmasol R&D Ltd of the United Kingdom for AD923, a product under development, the Company has agreed to pay 20% of such revenue, up to a maximum of 1 5 million pounds sterling, to Mundipharma International Corporation Ltd ("Mundipharma") in connection with the Company's reacquisition of marketing rights in Europe, which it had out-licensed to Mundipharma

(Notes to Consolidated Statements of Income and Comprehensive Income)

*1 Significant items and amounts of selling, general and administrative expenses are as follows

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Research and development expenses	288,017	227,386
Amortization of goodwill	1,588,098	1,588,098
Personnel expenses (excluding those included in development expenses)	341,695	423,040

Significant items and amounts of the aforementioned research and development expenses are as follows

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Personnel expenses	163,729	132,953
Consignment expenses	85,210	36,917

*2 Details of loss on sale or disposal of noncurrent assets are as follows

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Tools, furniture and fixtures	72	2,405

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

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Net unrealized gains on available-for-sale securities		
Gain (loss) arising during financial year	—	2,290
Reclassification adjustments	—	—
Amount before tax effect	—	2,290
Tax effect	—	(870)
Net unrealized gains on available-for-sale securities	—	1,419
Foreign currency translation adjustments		
Gain (loss) arising during the fiscal year	56,357	21,464
Total other comprehensive income	56,357	22,883

(Notes to Consolidated Statements of Changes in Net Assets)

FY2010 (April 1, 2010 to March 31, 2011)

1 Type and total number of outstanding shares

(Shares)

	Number of shares as of April 1, 2010	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2011
Outstanding shares				
Common stock (Note)	117,913	425	—	118,338
Total	117,913	425	—	118,338

Note The 425-share increase in common stock outstanding was due to the exercise of stock options

2 Stock acquisition rights and treasury stock acquisition rights

Classification	Type of stock acquisition rights	Type of stock to be issued	Number of shares subject to stock acquisition rights (Shares)				Balance as of March 31, 2011 (Thousands of yen)
			As of April 1, 2010	Increase	Decrease	As of March 31, 2011	
Reporting company (Parent company)	Stock Acquisition Rights Series 2 (Note)	Common stock	155	—	—	155	0
	Stock Acquisition Rights Series 3 (Note)	Common stock	20	—	—	20	0
	Stock Acquisition Rights Series 6 (Note)	Common stock	80	—	—	80	0
	Stock Acquisition Rights Series 8 (Note)	Common stock	116	—	—	116	0
	Stock acquisition rights as stock options	Common stock	—	—	—	—	227,143
Consolidated subsidiaries	—	—	—	—	—	—	—
Total		—	—	—	—	—	227,143

Note Stock options granted before the enactment date of the Company Act of Japan

3 Dividends

Not applicable

FY2011 (April 1, 2011 to March 31, 2012)

1 Type and total number of outstanding shares

(Shares)

	Number of shares as of April 1, 2011	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2012
Outstanding shares				
Common stock (Note)	118,338	—	—	118,338
Total	118,338	—	—	118,338

2 Stock acquisition rights and treasury stock acquisition rights

Classification	Type of stock acquisition rights	Type of stock to be issued	Number of shares subject to stock acquisition rights (Shares)				Balance as of March 31, 2012 (Thousands of yen)
			As of April 1, 2011	Increase	Decrease	As of March 31, 2012	
Reporting company (Parent company)	Stock Acquisition Rights Series 2 (Note 1)	Common stock	155	—	—	155	0
	Stock Acquisition Rights Series 3 (Notes 1, 2)	Common stock	20	—	20	—	—
	Stock Acquisition Rights Series 6 (Notes 1, 2)	Common stock	80	—	20	60	0
	Stock Acquisition Rights Series 8 (Notes 1, 2)	Common stock	116	—	10	106	0
	Stock acquisition rights as stock options	Common stock	—	—	—	—	304,426
Consolidated subsidiaries	—	—	—	—	—	—	—
Total		—	—	—	—	—	304,427

Notes 1 Stock options granted before the enactment date of the Company Act of Japan

2 The decreases in Stock Acquisition Rights Series 3, 6 and 8 during the fiscal year ended March 31, 2012 were due to cancellation of stock acquisition rights

3 Dividends

Not applicable

(Notes to Consolidated Statements of Cash Flows)

* 1 Reconciliation of consolidated balance sheet items with cash and cash equivalents at the end of the fiscal year in the consolidated statement of cash flows

(Thousands of yen)

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Cash and deposits	1,751,471	1,415,498
Securities	—	82,155
Cash and cash equivalents	1,751,471	1,497,653

(Segment Information, etc)

a Segment information

1 Overview of reportable segments

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

The Group has two reportable segments, the domestic pharmaceutical business and overseas pharmaceutical business, based on companies that are current profit management units The domestic pharmaceuticals business mainly imports products from overseas for sale both in Japan and overseas The overseas pharmaceuticals business mainly out-licenses pharmaceuticals that it in-licenses and develops

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

The accounting method for the reportable segments is the same as "Basis of Preparation of Consolidated Financial Statements "

Loss of reportable segments is determined based on operating loss

3 Net sales, income (loss), assets, liabilities and other items by reportable segment

FY2010 (April 1, 2010 to March 31, 2011)

(Thousands of yen)

	Domestic pharmaceutical business	Overseas pharmaceutical business	Total
Net sales			
Net sales to outside customers	55,259	661,313	716,573
Total	55,259	661,313	716,573
Segment loss	(311,250)	(1,097,230)	(1,408,481)
Segment assets	820,347	7,251,764	8,072,112
Other items			
Depreciation and amortization expenses	4,727	5,373	10,101
Amortization of goodwill	—	1,588,098	1,588,098
Gain on negative goodwill	13,969	—	13,969
Increase in property, plant and equipment, and intangible assets	840	—	840

FY2011 (April 1, 2011 to March 31, 2012)

(Thousands of yen)

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

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

(Thousands of yen)

Income	FY2010 (April 1, 2010 to March 31 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Reportable segments total	(1,408 481)	(1,474,867)
Group-wide expenses (Note)	(511,271)	(519,484)
Other adjustments	43,574	31,723
Operating loss on consolidated financial statements	(1,876,177)	(1,962,629)

Note Group-wide expenses are those incurred by the holding company, which does not generate earnings on its own

(Thousands of yen)

Assets	FY2010 (March 31, 2011)	FY2011 (March 31, 2012)
Reportable segments total	8,072,112	6,345,752
Group-wide assets (Note)	975,180	1,081,402
Other adjustments	(55,505)	(36,815)
Total assets on consolidated financial statements	8,991,787	7,390,340

Note Group-wide assets are mainly those of the holding company, which do not belong to any reportable segment

(Thousands of yen)

Other items	Reportable segments total		Adjustments		Amount recorded on consolidated financial statements	
	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Depreciation and amortization expenses	10,101	13,404	6,625	6,777	16,726	20,182
Increase in property, plant and equipment, and intangible assets	840	272,446	6,263	2,200	7,103	274,646

Note Adjustments are mainly depreciation and amortization expenses, increase in property, plant and equipment, and intangible assets of the holding company, which do not belong to any reportable segment

b Related information

FY2010 (April 1, 2010 to March 31, 2011)

1 Information by product and service

Information by product and service is omitted because sales to outside customers of a single category of products and services account for over 90% of net sales on the consolidated statements of income

2 Information by region

(1) Net sales (Thousands of yen)

Japan	Oceania	Europe	Other	Total
2,020	53,239	652,892	8,421	716 573

(Note) Net sales are classified based on the geographic location of the customer

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

Japan	United Kingdom	Total
23,735	29,158	52 893

3 Information by major customer

Name of customer	Net sales (Thousands of yen)	Relevant segment
Novartis Pharma AG	652,892	Overseas pharmaceutical business
ASKA Pharmaceutical Co , Ltd	—	Domestic pharmaceutical business
Sandoz Pty Ltd	53,239	Domestic pharmaceutical business

FY2011 (April 1, 2011 to March 31, 2012)

1 Information by product and service

Information by product and service is omitted because sales to outside customers of a single category of products and services account for over 90% of net sales on the consolidated statements of income

2 Information by region

(1) Net sales (Thousands of yen)

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

(Note) Net sales are classified based on the geographic location of the customer

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

Japan	United Kingdom	Total
38,077	23,650	61,727

3 Information by major customer

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

c Impairment loss on noncurrent assets by reportable segment

Not applicable

d Amortization and balance of goodwill by reportable segment

FY2010 (April 1, 2010 to March 31, 2011)

(Thousands of yen)

	Overseas pharmaceutical business	Total
Amortization during fiscal year	1,588,098	1,588,098
Balance at end of fiscal year	7,014,102	7,014,102

FY2011 (April 1, 2011 to March 31, 2012)

(Thousands of yen)

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

(Per Share Information)

FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Net assets per share 71,230 78 yen	Net assets per share 54,908 84 yen
Net loss per share (15,868 79 yen)	Net loss per share (16,515 31 yen)
Diluted net income per share is not presented, although there are dilutive shares, because the Company recorded a net loss	Diluted net income per share is not presented, although there are dilutive shares because the Company recorded a net loss

Note The basis for calculation of net loss per share is as follows

	FY2010 (April 1, 2010 to March 31, 2011)	FY2011 (April 1, 2011 to March 31, 2012)
Net loss (Thousands of yen)	(1,871,882)	(1,954,389)
Net loss not attributable to common shareholders (Thousands of yen)	—	—
Net loss attributable to common shares (Thousands of yen)	(1,871,882)	(1,954,389)
Average number of shares during the fiscal year (Shares)	117,960	118,338
Summary of dilutive shares that do not have dilutive effects and are not included in calculation of diluted net income per share	Stock Subscription Rights Series 1 (Number of shares 960) Stock Acquisition Rights Series 14 (Number of shares 5,294)	Stock Acquisition Rights Series 13 (Number of shares 4,934)

(Significant Subsequent Events)
Not applicable

5 Other
Not applicable

Disclaimer This document is a translation of the Japanese original The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document In the case that there is any discrepancy between the Japanese original and this document, the Japanese original is assumed to be correct

INDEPENDENT AUDITOR'S REPORT

June 22, 2012

The Board of Directors
Sosei Group Corporation

Deloitte Touche Tohmatsu LLC

Yasuhiko Endo
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Isao Abe
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Arata Toyoshi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying consolidated financial statements of Sosei Group Corporation (the "Company") for the fiscal year from April 1, 2011 to March 31, 2012, included in "Financial Information," which comprise the consolidated balance sheets, the consolidated statements of income and comprehensive income, the consolidated statements of changes in net assets, the consolidated statements of cash flows, a summary of significant accounting policies, and related notes and supplementary schedules, in accordance with Article 193-2, Section 1 of the Financial Instruments and Exchange Law of Japan

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, this includes designing, implementing and maintaining internal controls that management judges necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in Japan Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements The audit procedures selected and applied depend on our judgment, including our assessment of the risk of material misstatement in the consolidated financial statements, whether due to fraud or error The purpose of auditing the consolidated financial statements is to examine internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design appropriate audit procedures according to the effectiveness of internal controls Our audits also include assessment of the overall presentation of the consolidated financial statements, including evaluation of the accounting policies used and significant estimates made by management

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sosei Group Corporation as of March 31, 2012 and the Company's operating results for the fiscal year ended March 31, 2012 in accordance with accounting standards generally accepted in Japan

Interests
Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the Certified Public Accountants Law of Japan