

(English Translation)

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2014 (under Japan GAAP)**

November 6, 2013

Company name: Nichi-Iko Pharmaceutical Co., Ltd.      Stock exchange listings:  
Tokyo Stock Exchange

Securities code: 4541      (URL <http://www.nichiiko.co.jp/>)

Representative: Yuichi Tamura  
President and CEO

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Division

Scheduled date of filing of quarterly report:      Scheduled date of commencement  
November 14, 2013      of dividend payment:  
December 10, 2013

Presentation of supplementary materials  
on quarterly financial results: Yes

Holding of quarterly financial presentation meeting:  
Yes

(Note that all amounts have been rounded down to the nearest one million yen.)

**1. Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2014 (From April 1, 2013 to September 30, 2013)**

(1) Consolidated Results of Operations

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Net income
Second quarter of fiscal year ending March 31, 2014	¥49,526 million (7.9%)	¥3,718 million (1.3%)	¥3,613 million (-3.1%)	¥2,244 million (2.8%)
Second quarter of fiscal year ended March 31, 2013	¥45,880 million (-%)	¥3,669 million (-%)	¥3,730 million (-%)	¥2,183 million (-%)

(Note)

*Comprehensive income:*

*Second Quarter of Fiscal Year Ending March 31, 2014: 2,366 million yen (7.2%)*

*Second Quarter of Fiscal Year Ended March 31, 2013: 2,208 million yen (-%)*

	Net income per share	Net income (fully diluted) per share
Second quarter of fiscal year ending March 31, 2014	¥56.32	¥56.27
Second quarter of fiscal year ended March 31, 2013	¥54.35	¥54.34

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Second quarter of fiscal year ending March 31, 2014	¥106,298 million	¥51,145 million	48.1%	¥1,292.73
Fiscal year ended March 31, 2013	¥102,921 million	¥48,810 million	47.4%	¥1,236.93

(Reference)

Equity:

Second Quarter of Fiscal Year Ending March 31, 2014: 51,077 million yen

Fiscal Year Ended March 31, 2013: 48,767 million yen

**2. Dividends**

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2013	¥-	¥16.00	¥-	¥16.00	¥32.00
Fiscal year ending March 31, 2014	¥-	¥16.00			
Fiscal year ending March 31, 2014 (forecast)			¥-	¥16.00	¥32.00

(Note)

Revisions to recently announced dividends forecast: None.

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)**

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Annual	¥103,000 million (9.7%)	¥8,300 million (0.9%)	¥8,000 million (-5.6%)	¥5,200 million (1.4%)	¥130.47

(Note)

Revisions to recently announced forecast of financial results: Yes.

(Note)

For details, please refer to "(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements" in "1. Qualitative Information on Financial Results for the Quarter under Review" on page 3 of the Attachment.

**\*Notes**

- (1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation)

None

(Note)

For details, please refer to "(1) Changes in scope of consolidation or scope of application of equity method" under "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

- (2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements:

Applicable.

(Note)

For details, please refer to "(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements" in "2. Matters Related to Summary Information (Notes)" on page 4 of the Attachment.

- (3) Changes in accounting policies and changes in accounting estimates and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards and other regulations, etc.: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

- |      |  |    |
|------|--|----|
| (iv) | Restatements of prior period financial statements after error corrections: | No |
|------|--|----|
- (4) Total number of issued shares (common stock)
- |       |   |                   |
|-------|---|-------------------|
| (i)   | Total number of issued shares as of the end of the period (including treasury stock): |                   |
|       | As of September 30, 2013:   | 40,729,417 shares |
|       | As of March 31, 2013:   | 40,729,417 shares |
| (ii)  | Number of treasury stock as of the end of the period:                                 |                   |
|       | As of September 30, 2013:   | 1,075,178 shares  |
|       | As of March 31, 2013:   | 1,115,392 shares  |
| (iii) | Average number of shares during the period (cumulative quarter):                      |                   |
|       | As of September 30, 2013:   | 39,853,215 shares |
|       | As of September 30, 2012:   | 40,178,616 shares |

*(Note)*

*Number of treasury stock as of the end of the period includes shares held by Employee Shareholding Incentive Plan.*

**\* Presentation of implementation status for quarterly review procedures**

This quarterly financial summary is not included in quarterly review procedures under the Financial Instruments and Exchange Act. The reviewing procedures for quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been completed at the time of release of this quarterly financial summary.

**\* Explanation on the appropriate usage of forecast of financial results, and other specific matters**

(Considerations on forward-looking statements)

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of various factors. For description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to "(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements" in "1. Qualitative Information on Financial Results for the Quarter under Review" on page 3 of the Attachment.

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1. Qualitative Information on Financial Results for the Quarter under Review

(1) Explanation on Operating Results

Japanese economy during the second quarter consolidated cumulative term showed uptick in domestic business confidence because of excess revision of the yen appreciation led by Prime Minister Shinzo Abe's economic policies and bolstering domestic demands, etc. by increasing public spending.

In generic pharmaceutical industry, "Vision for the Pharmaceutical Industry - 2013", announced by Ministry of Health, Labour and Welfare on June 2013, indicates, as future visions, (i) the manufacturers to work more comprehensively on issues such as stable supply, securing of quality reliability and information service, (ii) the need to enter into a new field such as biosimilar development, since the focus on lapse of patent, etc. with respect to original drugs tends to shift from low molecular medicine to biomedicine, and (iii) the need to supply overseas the high quality products of Japan and the need to have a consistent value chain from pharmaceutical ingredients to preparations, since the excursion to the overseas market is inevitable.

The Company is pursuing a path as a desired manufacturer of generic drugs, by increasing production capacities, developing biosimilar and supplying high quality drugs of the Company to Southeast Asia.

In these circumstances, Fexofenadine Hydrochloride tablets 30mg "SANIK" and 60mg "SANIK" (manufacturer and seller: Sanofi Nichi-Iko K.K.), the first auto-generic drug in Japan, has the identical pharmaceutical ingredients, additive and manufacturing method to the original preparation and is the only preparation in Japan with permission to patent rights from the Sanofi Group. It is listed on the supplemental official drug list in June 2013 and is exclusively sold by the Company.

Also, the Company has agreed in principle on September 2013, to succeed the business of the Fuji Plant, one of the manufacturing bases of Astellas Pharma Tech, Co., Ltd. (manufacturing subsidiary of Astellas Pharma Inc. in Japan) from April 1, 2014. The Company believes that it is able to obtain significant results in the future by ensuring stable supplies from further increasing the production capacity and by merging the high quality control capability and technologies of the Fuji Plant into the Group.

In addition, the Company acquired 12.6% of the shares of Binex Co., Ltd., a company which manufactures biosimilar in Korea, on October 2013 for the purpose of accumulating the know-how on the method of manufacturing biosimilar and ensuring stable manufacturing bases thereof.

As the result, the results of the second quarter consolidated cumulative term showed net sales of 49,526 million yen (7.9% increase from the same period of the previous fiscal year), operating income of 3,718 million yen (1.3% increase from the same period of the previous fiscal year), ordinary income of 3,613 million yen (3.1% decrease from the same period of the previous fiscal year), net income for the quarter of 2,244 million yen (2.8% increase from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of this second quarter under review, total assets on a consolidated basis increased 3,377 million yen from the previous fiscal year-end and ran up to 106,298 million yen. This was attributable to increase in cash and deposits of 2,011 million yen, increase in inventories assets of 1,487 million yen and increase in investment securities of 1,150 million yen.

Liabilities on a consolidated basis increased by 1,042 million yen from the previous fiscal year-end and ran up to 55,153 million yen, due to increase in short-term loans payable of 6,203 million yen, decrease in accounts payable (notes and accounts payable, and electronically recorded debts) of 3,389 million yen, decrease in other current liabilities of 1,420 million yen caused by decrease in other payable, etc.

Net assets on a consolidated basis increased 2,335 million yen from the previous fiscal year-end and ran up to 51,145 million yen, due to increase in retained earnings of 1,923 million yen and recording foreign currency translation adjustment of 368 million yen.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

In consideration of financial results for this second quarter consolidated cumulative period and expected increase of research and development expenses in the future, forecast of consolidated financial results for the fiscal year ending March 31, 2014 is revised to represent operating income of 8.3 billion yen (0.7 billion yen decrease from the forecast announced on May 14, 2013), ordinary income of 8.0 billion yen (0.8 billion yen decrease from the above-mentioned forecast), net income of 5.2 billion yen (0.3 billion yen decrease from the above-mentioned forecast), respectively. Net sales forecast is not revised from 103.0 billion yen, the previous forecast.

This forecast of consolidated financial results is based on the information currently available to the Company at the time of release of these materials. Actual financial results may differ from the forecasts as a result of various factors.

2. Matters Related to Summary Information (Notes)

(1) Changes in Scope of Consolidation or Scope of Application of Equity Method

(i) Significant change in scope of consolidation

Not applicable.

(ii) Significant change in scope of application of equity method

EMI Co., Ltd. (non-consolidated subsidiary), Active Pharma Co., Ltd. (affiliate), Sanofi Nichi-Iko K.K. (affiliate), Aprogen Inc. (affiliate) are included in scope of application of equity method from the consolidated first quarter.

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying the net income for the term before provision for income taxes by an estimated effective tax rate that is reasonably estimated after applying tax effect accounting to the net income before provision for income taxes for the consolidated fiscal year including the second quarter under review. Income taxes - deferred are included in total income taxes and recorded.

(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections

Not applicable.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

	(in thousands of yen)	
	Fiscal year ended March 31, 2013 (as of March 31, 2013)	Second quarter of fiscal year ending March 31, 2014 (as of September 30, 2013)
Assets		
Current assets		
Cash and deposits	5,309,006	7,320,519
Notes and accounts receivable	26,384,059	26,534,119
Securities	-	1,000
Merchandise and finished goods	18,164,680	19,159,869
Work in process	4,270,429	4,262,534
Raw materials and supplies	5,695,879	6,196,381
Other current assets	2,610,825	1,731,286
Allowance for doubtful accounts	(71,900)	(68,480)
Total current assets	<u>62,362,981</u>	<u>65,137,231</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,053,317	15,274,933
Machinery and equipment, net	7,558,193	7,255,729
Land	4,306,638	4,377,035
Construction in progress	438,740	550,005
Other plant assets, net	3,055,406	2,885,643
Total property, plant and equipment	<u>30,412,296</u>	<u>30,343,347</u>
Intangible assets		
Goodwill	1,514,017	1,397,112
Other intangible assets	2,856,545	2,448,796
Total intangible assets	<u>4,370,563</u>	<u>3,845,909</u>
Investments and other assets		
Investment securities	4,202,854	5,353,409
Other assets	1,836,443	1,791,544
Allowance for doubtful accounts	(264,000)	(173,000)
Total investments and other assets	<u>5,775,297</u>	<u>6,971,954</u>
Total fixed assets	<u>40,558,157</u>	<u>41,161,210</u>
Total assets	<u>102,921,138</u>	<u>106,298,442</u>

	(in thousands of yen)	
	Fiscal year ended March 31, 2013 (as of March 31, 2013)	Second quarter of fiscal year ending March 31, 2014 (as of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	22,298,278	12,643,933
Electronically recorded debts	-	6,264,491
Short-term loans payable	4,070,000	10,273,000
Current portion of long-term loans payable	2,815,872	2,919,770
Income taxes payable	2,216,349	1,401,578
Allowance for sales returns	77,200	92,400
Allowance for bonuses	536,449	538,467
Other current liabilities	6,868,929	5,448,478
Total current liabilities	<u>38,883,079</u>	<u>39,582,119</u>
Fixed liabilities		
Long-term loans payable	9,497,198	10,106,740
Allowance for retirement benefits	3,192,130	3,179,537
Asset retirement obligations	55,031	55,456
Other fixed liabilities	2,483,653	2,229,277
Total fixed liabilities	<u>15,228,013</u>	<u>15,571,010</u>
Total liabilities	<u>54,111,093</u>	<u>55,153,130</u>
Net assets		
Shareholders' equity		
Common stock	13,557,728	13,557,728
Capital surplus	12,274,220	12,273,877
Retained earnings	24,428,257	26,351,643
Treasury stock	(1,904,184)	(1,816,961)
Total shareholders' equity	<u>48,356,022</u>	<u>50,366,289</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	113,357	45,145
Revaluation reserve for land	297,710	297,710
Foreign currency translation adjustment	-	368,510
Total other comprehensive income	<u>411,067</u>	<u>711,365</u>
Stock acquisition rights	42,955	67,655
Total net assets	<u>48,810,045</u>	<u>51,145,311</u>
Total liabilities and net assets	<u>102,921,138</u>	<u>106,298,442</u>

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	First half of previous fiscal year (from April 1, 2012 to September 30, 2012)	First half of current fiscal year (from April 1, 2013 to September 30, 2013)
Net sales	45,880,546	49,526,524
Cost of sales	27,897,595	30,455,880
Gross profit	17,982,951	19,070,643
Allowance for sales returns	3,100	15,200
Gross profit, net	17,979,851	19,055,443
Selling, general and administrative expenses	14,310,570	15,337,317
Operating income	3,669,280	3,718,126
Non-operating income		
Interest income	9,347	8,158
Dividends income	19,668	16,366
Income from subsidiaries	-	60,000
Amortization of negative goodwill	3,105	-
Reimbursement for joint development cost	120,418	1,600
Others	94,174	152,696
Total non-operating income	246,714	238,822
Non-operating expenses		
Interest payment	82,943	69,004
Commissions paid	17,358	21,533
Loss on sales of accounts receivables	48,088	47,810
Equity in losses of affiliates	-	161,828
Others	37,026	43,472
Total non-operating expenses	185,416	343,648
Ordinary income	3,730,578	3,613,299
Extraordinary income		
Gain on sales of fixed assets	171	1,533
Total extraordinary income	171	1,533
Extraordinary loss		
Loss on disposal of fixed assets	16,551	4,931
Loss on valuation of investment securities	140,916	4,435
Others	410	-
Total extraordinary loss	157,877	9,367
Net income before provision for income taxes	3,572,873	3,605,465
Income taxes	1,388,997	1,360,767
Income before minority interests	2,183,875	2,244,697
Net income	2,183,875	2,244,697

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	First half of previous fiscal year (from April 1, 2012 to September 30, 2012)	First half of current fiscal year (from April 1, 2013 to September 30, 2013)
Income before minority interests	2,183,875	2,244,697
Other comprehensive income		
Valuation difference on available-for-sale securities	24,472	25,534
Share of other comprehensive income of affiliates accounted for using equity method	-	96,703
Total other comprehensive income	24,472	122,238
Comprehensive income	2,208,348	2,366,936
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	2,208,348	2,366,936
Comprehensive income attributable to minority interests	-	-

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Period)

	(in thousands of yen)	
	Second quarter of previous fiscal year (from July 1, 2012 to September 30, 2012)	Second quarter of current fiscal year (from July 1, 2013 to September 30, 2013)
Net sales	22,739,677	24,938,640
Cost of sales	13,762,723	15,389,224
Gross profit	8,976,954	9,549,416
Reversal of allowance for sales returns	2,070	4,010
Gross profit, net	8,979,024	9,553,426
Selling, general and administrative expenses	7,419,904	8,048,453
Operating income	1,559,120	1,504,972
Non-operating income		
Interest income	4,679	4,315
Dividends income	1,953	2,151
Reimbursement for joint development cost	-	1,600
Foreign exchange gains	5,046	21,864
Others	50,739	49,294
Total non-operating income	62,418	79,227
Non-operating expenses		
Interest payment	39,061	36,186
Commissions paid	8,337	11,472
Loss on sales of accounts receivables	22,622	25,179
Equity in losses of affiliates	-	127,209
Others	10,992	33,962
Total non-operating expenses	81,014	234,010
Ordinary income	1,540,524	1,350,189
Extraordinary income		
Gain on sales of fixed assets	-	1,523
Total extraordinary income	-	1,523
Extraordinary loss		
Loss on disposal of fixed assets	8,403	4,744
Impairment loss	-	(310,122)
Loss on valuation of investment securities	83,869	4,435
Others	45	-
Total extraordinary loss	92,317	(300,942)
Net income before provision for income taxes	1,448,207	1,652,655
Income taxes	539,866	641,517
Income before minority interests	908,340	1,011,137
Net income	908,340	1,011,137

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Period)

	(in thousands of yen)	
	Second quarter of previous fiscal year (from July 1, 2012 to September 30, 2012)	Second quarter of current fiscal year (from July 1, 2013 to September 30, 2013)
Income before minority interests	908,340	1,011,137
Other comprehensive income		
Valuation difference on available-for-sale securities	45,952	14,548
Share of other comprehensive income of affiliates accounted for using equity method	-	8,373
Total other comprehensive income	45,952	22,922
Comprehensive income	954,293	1,034,059
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	954,293	1,034,059
Comprehensive income attributable to minority interests	-	-

## (3) Quarterly Consolidated Statements of Cash Flows

	(in thousands of yen)	
	First half of previous fiscal year (from April 1, 2012 to September 30, 2012)	First half of current fiscal year (from April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Net income before provision for income taxes	3,572,873	3,605,465
Depreciation	2,257,056	2,811,947
Amortization of goodwill	89,861	116,905
Amortization of negative goodwill	(3,105)	-
Increase (decrease) in allowance for doubtful accounts	168,464	(94,420)
Increase (decrease) in allowance for retirement benefits	105,250	(12,593)
Increase (decrease) in allowance for sales returns	3,100	15,200
Increase (decrease) in allowance for bonuses	42,551	2,018
Interest and dividends income	(29,016)	(24,524)
Interest payment	82,943	69,004
Loss (gain) on sales of fixed assets	(171)	(1,533)
Loss (gain) on disposal of fixed assets	16,551	4,931
Equity in (earnings) losses of affiliates	-	161,828
Loss (gain) on valuation of investment securities	140,916	4,435
(Increase) decrease in accounts receivable	(2,919,020)	(108,848)
(Increase) decrease in inventories assets	(1,335,196)	(1,822,214)
Increase (decrease) in accounts payable	1,917,341	(3,389,853)
Increase (decrease) in accrued expenses	81,600	(135,268)
Other	679,584	313,085
Sub-total	4,871,584	1,515,565
Interest and dividends received	79,634	81,273
Interest payment	(80,348)	(72,746)
Income taxes paid	(725,969)	(2,157,750)
Net cash provided by (used in) operating activities	4,144,900	(633,657)
Cash flows from investing activities		
Deposits in fixed deposits	(4,800)	(3,000)
Withdrawal from fixed deposits	284,511	-
Acquisition of property, plant and equipment	(3,638,747)	(3,042,037)
Sales of property, plant and equipment	2,241	1,523
Acquisition of intangible assets	(8,207)	(1,000)
Acquisition of stocks of subsidiaries and associates	(7,366)	-
Acquisition of investment securities	(3,570)	(364,356)
Sales of investment securities	-	223,387
Proceeds from loans receivable	2,120	26,540
Other	(101,445)	(83,160)
Net cash used in investing activities	(3,475,264)	(3,242,102)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	175,000	6,203,000

	(in thousands of yen)	
	First half of previous fiscal year (from April 1, 2012 to September 30, 2012)	First half of current fiscal year (from April 1, 2013 to September 30, 2013)
Proceeds from long-term loans payable	2,700,000	2,200,000
Repayment of long-term loans payable	(3,389,482)	(1,486,560)
Acquisition of treasury stock	(990,982)	(737)
Sales of treasury stock	73,672	83,520
Proceeds from exercise of stock option	-	2
Repayments of finance lease debts	(313,825)	(479,562)
Dividends paid	(434,486)	(634,489)
Net cash provided by (used in) financing activities	(2,180,103)	5,885,173
Effect of exchange rate change on cash and cash equivalents	(402)	(899)
Net increase (decrease) in cash and cash equivalents	(1,510,869)	2,008,513
Cash and cash equivalents at beginning of year	5,605,291	4,889,386
Cash and cash equivalents at end of the year	4,094,422	6,897,900



(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.