

**Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2009**

Listed company name: **DAIICHI SANKYO COMPANY, LIMITED**

Listed exchanges: Tokyo, Osaka, and Nagoya

Stock code number: 4568

URL: <http://www.daiichisankyo.com>

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Scheduled date to file Quarterly Report: November 13, 2008

Scheduled date of dividend payments: From December 1, 2008

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of Fiscal Year 2008

(from April 1, 2008 to September 30, 2008)

(1) Consolidated Financial Results (cumulative)

(Percentages indicate changes over the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months of fiscal 2008	406,320	–	61,611	–	59,636	–
First six months of fiscal 2007	443,708	(8.7)	93,911	19.9	100,696	14.2

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First six months of fiscal 2008	33,971	–	47.66	47.66
First six months of fiscal 2007	60,243	(9.9)	83.19	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First six months of fiscal 2008	1,412,307	1,185,588	83.9	1,683.81
Fiscal 2007	1,487,888	1,244,512	83.6	1,730.09

Reference: Equity As of September 30, 2008: 1,185,315 million yen As of March 31, 2008: 1,243,876 million yen

2. Dividends

Record date	Dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2007	–	35.00	–	35.00	70.00
FY2008	–	40.00	–	–	–
FY2008 (Forecast)	–	–	–	40.00	80.00

Note: Revision of the forecast in the second quarter of FY2008: No

3. Forecasts of Consolidated Results for Fiscal Year 2008 (from April 1, 2008 to March 31, 2009)

(Percentages indicate changes over the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	840,000	(4.6)	120,000	(23.5)	113,000	(33.2)	65,000	(33.4)	92.34

Note: Revision of the forecasts in the second quarter of FY2008: Yes

The figures above do not include estimated contribution of Ranbaxy Laboratories Ltd. (“Ranbaxy”), which recently became a subsidiary.

Considering the recent stock price trend of Ranbaxy, there is a possibility that the Company will make a necessary accounting treatment in the future. The Company will separately announce the estimated impact of Ranbaxy on its forecasts of consolidated results for FY2008.

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No

(2) Application of simplified accounting methods as well as specific accounting methods for preparing the quarterly consolidated financial statements: Yes

Note: Please see 4. *Other Matters, Qualitative Information / Financial Statements, etc.* on page 5 for further details.

(3) Changes in accounting principles, procedures, or methods of presentation related to the preparation of the quarterly consolidated financial statements

a. Changes due to revisions to accounting standards: Yes

b. Changes due to other reasons: Yes

Note: Please see 4. *Other Matters, Qualitative Information / Financial Statements, etc.* on page 5 for further details.

(4) Number of common shares issued

a. Total number of shares issued at the end of the period (including treasury stock)

As of September 30, 2008: 709,011,343 shares

As of March 31, 2008: 735,011,343 shares

b. Number of shares in treasury at the end of the period

As of September 30, 2008: 5,063,993 shares

As of March 31, 2008: 16,043,319 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2008: 712,754,218 shares

Six months ended September 30, 2007: 724,154,095 shares

*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

1. The forecasted statement shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ materially from these forecasted figures due to various factors.

Please see 3. *Qualitative Information about Forecasts of Consolidated Results for FY2008, Qualitative Information / Financial Statements, etc.* on page 4 for assumption that the above forecasts were based on and related matters.

2. Commencing with the current fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. The quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

Qualitative Information / Financial Statements, etc.

1. Qualitative Information about Consolidated Operating Results

For the first six months from April 1 to September 30, 2008, consolidated net sales amounted to ¥406.3 billion (down 8.4% year on year).

The Company's net sales decreased, since the Japanese yen tended to appreciate compared with the same period last year, the fiscal year-end of European subsidiaries was changed (the results for the three month period from January to March 2007 were added to the first three months of the previous fiscal year), and non-pharmaceutical businesses were made independent of the Group under the corporate policy of concentrating resources on the pharmaceutical business.

In terms of profitability, operating income was ¥61.6 billion (down 34.4% year on year), ordinary income was ¥59.6 billion (down 40.8% year on year) and net income was ¥33.9 billion (down 43.6% year on year), as sales decreased and the Company proactively invested in research and development as well as the expansion of sales and marketing bases overseas.

In terms of the impact of the change of the fiscal year-end at European subsidiaries, net sales of ¥14.1 billion, operating income of ¥1.8 billion, ordinary income of ¥2.1 billion and net income of ¥2.0 billion were added for the same period last year, corresponding to an extra three months.

Information by Geographic Segment

Net sales in Japan amounted to ¥265.6 billion (down 10.1% year on year).

Despite the growth of the antihypertensive agents *Olmotec*®, *Calblock*®, and *Urief*® (an agent for treatment of dysuria) in addition to the contribution of the percutaneous absorption-type analgesic and anti-inflammatory drug *Loxonin*® tape that was launched in July 2008, net sales in the prescription drug business decreased to ¥204.9 billion (down 4.5% year on year), following the NHI (National Health Insurance) drug price revision, and the decrease in sales of *Mevalotin*®, an antihypercholesterolemic agent and the synthetic antibacterial agent *Cravit*®.

Royalty income and exports to overseas licensees generated sales of ¥33.8 billion, down 14.8% year on year, due to the effect of Japanese yen appreciation and the decrease in exports of pravastatin, an antihypercholesterolemic agent.

Net sales of healthcare (OTC) products decreased to ¥23.9 billion (down 1.8% year on year) owing to the slow growth of *Transino*®, a product for the amelioration of skin blemishes (specifically, melasma), which hit the market in September 2007, although sales at Shin Sankyo Ichoyaku brand, the digestive drug, increased due to the contribution from new products.

Net sales in North America were ¥95.9 billion (up 6.9% year on year).

Despite the trend of Japanese yen appreciation in foreign exchange, sales of antihypertensive *Benicar*® and *AZOR*®, the antihypercholesterolemic agent *Welchol*TM (which obtained an additional indication for the treatment of type 2 diabetes), and the anemia treatment *Venofer*®, continued to expand.

Net sales in European regions declined 25.8% year on year, to ¥33.6 billion, primarily due to the impact of the change of the fiscal year-end at European subsidiaries. However, net sales in real terms without this impact rose 7.8% year on year thanks to the contribution of *Olmotec*® and *Evista*®, the osteoporosis

drug.

Net sales in other regions amounted to ¥11.0 billion (down 16.6% year on year). This decline results from having made non-pharmaceutical businesses independent of the Group.

The percentages of the increase and decrease compared with the same period last year described above are presented fairly for reference purposes.

2. Qualitative Information about Consolidated Financial Position

At the end of the period under review, net assets were ¥1,185.5 billion (down ¥58.9 billion compared with the previous year-end), total assets stood at ¥1,412.3 billion (down ¥75.5 billion compared with the previous year-end), and equity ratio was 83.9% (83.6% for the previous year-end).

The decrease in net assets was due in part to the Company policy to return profits to shareholders, including the purchase of treasury stock and dividend payment, as well as the decrease in the amount of valuation and translation adjustments, following the weakening stock market and the fluctuation of foreign-currency exchange rates, negatively affected by the turbulent global financial market.

In total assets, besides the decrease in net assets, liquidity on hand declined to prepare for the acquisition of Ranbaxy Laboratories Ltd. stock, while guarantee deposits for take-over bid to the said stock and the goodwill of U3 Pharma AG increased.

3. Qualitative Information about Forecasts of Consolidated Results for FY2008

The differences from the forecasts of consolidated results for FY2008 publicly announced on July 31, 2008 are shown below.

(Annual basis)

	Net sales	Operating income	Ordinary income	Net income	Basic net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	840,000	130,000	138,000	80,000	111.27
New forecasts (B)	840,000	120,000	113,000	65,000	92.34
Change (B-A)	–	(10,000)	(25,000)	(15,000)	–
Percentage of change (%)	–	(7.7)	(18.1)	(18.8)	–
Actual results for the previous fiscal year	880,120	156,827	169,058	97,660	135.35

Reason for amendment

Financial results until the end of the second quarter have been broadly in line with targets. Although the Company revised the exchange rate between Japanese yen and euro to ¥120 against the euro due to the steep appreciation of the yen and depreciation of the euro, which is expected to negatively affect net sales by approximately ¥9.0 billion for the third and fourth quarters, this negative effect is expected to be covered by Luitpold Pharmaceuticals, Inc., whose performance is greater than expected until the end of the second quarter, among others. Selling, general and administrative expenses are expected to increase by approximately ¥10.0 billion because the Company expects an amortization of goodwill and other expenses related to the acquisition of U3 Pharma AG and an increase in R&D expenses in step with the progress of research and development activities. Meanwhile, in terms of non-operating income and expenses, the Company expects a loss on valuation of foreign currency-denominated assets and also the

worsening of the financial account balance due to the funding needed to acquire the stock of Ranbaxy Laboratories Ltd.

Considering these situations, the Company has partly amended the forecasts of consolidated results for FY2008 announced on July 31, 2008. Specifically, although there is no change to the forecast of net sales, the Company now forecasts ¥120.0 billion operating income, ¥113.0 billion ordinary income and ¥65.0 billion net income, down ¥10.0 billion, ¥25.0 billion and ¥15.0 billion, respectively, from the previous forecasts.

4. Other Matters

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation)

There are no relevant matters to report.

- (2) Application of simplified accounting methods as well as specific accounting methods for preparing the quarterly consolidated financial statements

(Simplified accounting methods)

Depreciation expenses for assets that are depreciated using the declining-balance method are calculated by proportionally dividing the annual depreciation expenses.

(Specific accounting methods for preparing the quarterly consolidated financial statements)

Taxes are computed first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the second quarter under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate.

Note that income taxes—deferred is included in “Total income taxes.”

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

a. Commencing with the first quarter period, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Also, they are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

b. From the first quarter period, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, ASBJ, May 17, 2006) is applied, and necessary amendments for consolidated financial statements are made.

The impact of this change on operating income, ordinary income, and income before income taxes and minority interests is immaterial.

c. Before the change, the accounting treatment for finance lease transactions not involving the transfer of ownership followed the same method as for operating lease transactions, but now after the application of the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007) are allowed starting from the quarterly consolidated financial statements

related to the fiscal years beginning April 1, 2008 or later, the Company applies this standard and guidance from the first quarter period, and the accounting treatment for such transactions follows the method for ordinary purchase and sales transactions.

Depreciation of finance lease assets not involving the transfer of ownership is calculated on the straight-line method over the lease period as the useful period and assuming no residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership and whose transaction commenced before the first fiscal year in which the Accounting Standard for Lease Transactions is applied continuously follows the same method as for operating lease transactions.

There was no impact of this change on operating income, ordinary income and income before income taxes and minority interests.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008 (Summary)
ASSETS		
Current assets		
Cash and time deposits	48,154	47,335
Trade notes and accounts receivable	180,543	166,980
Marketable securities	261,964	526,805
Merchandise and finished goods	68,815	65,947
Work in process	14,687	14,660
Raw materials and supplies	17,023	17,550
Deferred tax assets	66,467	52,677
Deposits paid	170,871	–
Other current assets	29,207	34,860
Allowance for doubtful accounts	(216)	(293)
Total current assets	857,518	926,524
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	131,231	136,821
Machinery, equipment and vehicles, net	30,491	33,150
Land	33,546	33,116
Construction in progress	3,126	2,937
Other, net	14,840	15,239
Total property, plant and equipment	213,236	221,266
Intangible assets		
Goodwill	37,515	15,403
Other intangible assets	67,316	75,667
Total intangible assets	104,832	91,070
Investments and other assets		
Investment securities	204,944	216,038
Long-term loans	218	1,304
Prepaid pension costs	7,361	8,023
Deferred tax assets	5,956	5,995
Other assets	18,598	18,018
Allowance for doubtful accounts	(361)	(352)
Total investments and other assets	236,719	249,028
Total non-current assets	554,788	561,364
Total assets	1,412,307	1,487,888

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008 (Summary)
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	45,174	46,405
Short-term bank loans	4	68
Income taxes payable	14,074	18,682
Allowance for sales returns	802	754
Allowance for sales rebates	1,180	776
Allowance for contingent losses	–	226
Other current liabilities	121,919	127,599
Total current liabilities	183,156	194,514
Non-current liabilities		
Long-term debt	17	18
Deferred tax liabilities	22,629	26,724
Accrued employees' severance and retirement benefits	8,015	6,781
Accrued directors' and corporate auditors' severance and retirement benefits	138	115
Provision for environmental measures	330	1,057
Other non-current liabilities	12,431	14,165
Total non-current liabilities	43,562	48,862
Total liabilities	226,718	243,376
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,202	179,863
Retained earnings	1,031,449	1,025,144
Treasury stock at cost	(14,543)	(43,407)
Total shareholders' equity	1,172,108	1,211,600
Valuation and translation adjustments		
Net unrealized gain on investment securities	42,556	48,539
Deferred gains or losses on hedges	(13,381)	–
Foreign currency translation adjustments	(15,968)	(16,263)
Total valuation and translation adjustments	13,206	32,276
Subscription rights to shares	257	257
Minority interests	15	377
Total net assets	1,185,588	1,244,512
Total liabilities and net assets	1,412,307	1,487,888

(2) Consolidated Statement of Income

(Millions of yen)

	First six months of FY2008 (From April 1, 2008 to September 30, 2008)
Net sales	406,320
Cost of sales	97,643
Gross profit	308,677
Selling, general and administrative expenses	
Advertising and promotional expenses	53,137
Salaries and bonuses	45,097
Severance and retirement costs	3,710
Research and development expenses	82,325
Other expenses	62,795
Total selling, general and administrative expenses	247,065
Operating income	61,611
Non-operating income	
Interest income	3,153
Dividend income	1,889
Other non-operating income	1,067
Total non-operating income	6,110
Non-operating expenses	
Interest expense	7
Foreign exchange losses	3,089
Loss on valuation of derivatives	2,292
Equity in net losses of affiliated companies	148
Other non-operating expenses	2,548
Total non-operating expenses	8,085
Ordinary income	59,636
Extraordinary income	
Gain on sales of non-current assets	836
Reversal of allowance for doubtful accounts	6
Gain on sale of investment securities	0
Total extraordinary income	842
Extraordinary losses	
Loss on disposal of non-current assets	1,725
Loss on impairment of property, plant and equipment	1,642
Loss on valuation of investment securities	318
Provision for environmental measures	196
Loss on sale of investments in affiliates	15
Total extraordinary losses	3,897
Income before income taxes and minority interests	56,581
Total income taxes	22,610
Net income	33,971

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2008 (From April 1, 2008 to September 30, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	56,581
Depreciation	19,281
Loss on impairment of property, plant and equipment	1,642
Amortization of goodwill	2,949
Increase (decrease) in allowance for doubtful accounts	(83)
Increase (decrease) in accrued severance and retirement benefits	227
(Increase) decrease in prepaid pension costs	662
Interest and dividends income	(5,042)
Interest expense	7
(Gain) loss on sales of property, plant and equipment	888
Equity in net (income) losses of affiliated companies	148
(Increase) decrease in trade notes and accounts receivable	(13,934)
(Increase) decrease in inventories	(2,016)
Increase (decrease) in trade notes and accounts payable	(1,114)
Increase (decrease) in accounts payable and accrued expense	(11,311)
Other, net	(3,525)
Subtotal	45,360
Interest and dividends received	5,107
Interest paid	(7)
Income taxes paid	(31,694)
Net cash provided by operating activities	18,766

(Millions of yen)

First six months of FY2008
(From April 1, 2008
to September 30, 2008)

Cash flows from investment activities	
Purchases of time deposits	(3,010)
Proceeds from maturities in time deposits	1,511
Purchases of marketable securities	(71,308)
Proceeds from sales of marketable securities	102,178
Acquisitions of property, plant and equipment	(8,822)
Proceeds from sales of property, plant and equipment	1,156
Acquisitions of intangible assets	(20,049)
Acquisitions of investment securities	(188,429)
Proceeds from sales of investment securities	6
Purchases of investments in consolidated subsidiaries resulting in changes in scope of consolidation	(24,266)
Payments of loans receivable	(97)
Proceeds from collection of loans receivable	721
Other, net	12,362
Net cash used in investment activities	(198,047)
Cash flows from financing activities	
Net increase (decrease) in short-term bank loans	(58)
Purchases of treasury stock	(45,809)
Proceeds from sale of treasury stock	13
Dividends paid	(25,153)
Other, net	(19)
Net cash used in financing activities	(71,029)
Effect of exchange rate change on cash and cash equivalents	(1,918)
Net increase (decrease) in cash and cash equivalents	(252,228)
Cash and cash equivalents, beginning of period	444,334
Cash and cash equivalents, end of period	192,106

Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Also, they are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(4) Notes on Premise of Going Concern

No items to report

(5) Segment Information

[Operating segment information]

First six months of FY2008 (from April 1, 2008 to September 30, 2008)

Information by operating segment has been omitted as the both ratios of net sales and operating income of “Pharmaceuticals” to the total net sales and operating income exceeded 90%.

[Geographic segment information]

First six months of FY2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Japan	North America	Europe	Other	Total	Eliminations & corporate	Consolidated
Net sales							
(1) External sales	265,668	95,924	33,644	11,082	406,320	–	406,320
(2) Inter-segment sales and transfers	27,023	25,577	11,689	362	64,653	(64,653)	–
Total	292,692	121,502	45,334	11,444	470,973	(64,653)	406,320
Operating income	26,736	27,817	1,274	1,103	56,931	4,679	61,611

Notes:

1. Method of classifying geographic segments:

Geographic segments are classified on the basis of geographic proximity.

2. Countries and regions included in each segment other than Japan

North America: the United States

Europe: Germany, the United Kingdom, France, Spain, Italy, and others

Other: China, Taiwan, Brazil, and others

3. Change in classification method of geographic segments

Before, countries and regions were classified into three segments: Japan, North America and Other. However, as our business scale in Europe, which used to be classified in “Other,” increased in materiality, “Europe” has been separately listed from the second quarter period of FY2008 in order to represent operations more properly.

As a result of this change, net sales in “Other” decreased by ¥45,305 million (including external sales of ¥33,644 million) and operating income therein decreased by ¥1,279 million as compared to the case where the previous method was adopted.

There are no impacts on “Japan” and “North America.”

[Overseas net sales]

First six months of FY2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	North America	Europe	Other	Total
I Overseas net sales	111,900	45,695	17,136	174,733
II Consolidated net sales				406,320
III Percentage of overseas net sales to consolidated net sales (%)	27.5	11.3	4.2	43.0

Notes:

1. Method of classifying countries and regions:
Countries and regions are classified on the basis of geographic proximity.
2. Countries and regions included in each segment
North America: the United States and Canada
Europe: Germany, the United Kingdom, Spain, Italy, Ireland, France, Switzerland, and others
Other: Asia, the Middle East, Latin America, and others
3. Overseas net sales are sales of the Company and its consolidated subsidiaries which are transacted in countries or regions other than Japan.

(6) Notes on Substantial Changes in the Amount of Shareholders' Equity

The Company purchased 15,000 thousand treasury shares of common stock for ¥45,733 million during the period from July 1, 2008 to August 1, 2008 in the market of the Tokyo Stock Exchange. Also, the Company retired 26,000 thousand treasury shares of common stock as of September 8, 2008.

As a result, during the six months, capital surplus and treasury stock at cost decreased by ¥74,661 million and ¥28,928 million, respectively. Consequently, at the end of the six months ended September 30, 2008, capital surplus and treasury stock at cost stood at ¥105,202 million and ¥14,543 million, respectively.

Reference:**Financial Statements for the Second Quarter of the Fiscal Year Ended March 31, 2007****(1) Consolidated Statement of Income**

(Millions of yen)

	First six months of FY2007 (from April 1, 2007 to September 30, 2007)	
I Net sales		443,708
II Cost of sales		113,204
Gross profit		330,504
III Selling, general and administrative expenses:		
1. Advertising and promotional expenses	50,648	
2. Salaries and bonuses	46,764	
3. Research and development expenses	78,258	
4. Other	60,921	236,593
Operating income		93,911
IV Non-operating income:		
1. Interest income	4,361	
2. Dividend income	1,969	
3. Other income	2,358	8,688
V Non-operating expenses:		
1. Interest expense	107	
2. Depreciation of inactive facilities	402	
3. Depreciation of real estate for rent and other	352	
4. Other expenses	1,041	1,903
Ordinary income		100,696
VI Extraordinary gains:		
1. Gain on sales of property, plant and equipment	1,347	
2. Gain on sale of investments in affiliates	2,293	
3. Gain on sale of investment securities	255	
4. Gain on transition of retirement benefit plan	61	3,957
VII Extraordinary losses:		
1. Loss on disposal of property, plant and equipment	763	
2. Loss on business integration	4,009	
3. Provision for contingent losses	808	
4. Loss on business restructuring	575	
5. Provision for soil remediation costs	513	6,670
Income before income taxes and minority interests		97,983
Income tax expense — current	28,726	
Income tax expense — deferred	9,023	37,749
Minority interests in net income (losses) of subsidiaries		(9)
Net income		60,243

(2) Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2007 (from April 1, 2007 to September 30, 2007)
I Cash flows from operating activities:	
Income before income taxes and minority interests	97,983
Depreciation	18,803
Amortization of goodwill	1,802
Increase in allowance for doubtful accounts	71
Decrease in accrued severance and retirement benefits	(24,576)
Decrease in prepaid pension costs	14,275
Interest and dividend income	(6,330)
Interest expense	107
Loss on sales of property, plant and equipment	(583)
Equity in net income of affiliated companies	(36)
Decrease in trade notes and accounts receivable	4,580
Increase in inventories	(665)
Decrease in trade notes and accounts payable	(8,147)
Decrease in accounts payable and accrued expense	(64,990)
Other, net	(9,008)
Subtotal	23,286
Interest and dividends received	6,824
Interest paid	(107)
Income taxes paid	(36,838)
Net cash used in operating activities	(6,834)

(Millions of yen)

	First six months of FY2007 (from April 1, 2007 to September 30, 2007)
II Cash flows from investing activities:	
Purchases of time deposits	(2,453)
Proceeds from maturities in time deposits	704
Purchases of marketable securities	(58,645)
Proceeds from sale of marketable securities	69,309
Acquisitions of property, plant and equipment	(13,765)
Proceeds from sale of property, plant and equipment	1,464
Acquisitions of intangible assets	(388)
Acquisitions of investment securities	(15,888)
Proceeds from sale of investment securities	12,929
Proceeds from sale of investments in consolidated subsidiaries resulting in changes in scope of consolidation	8,796
Net decrease in short-term loans	8,000
Payment for loans receivable	(150)
Proceeds from collection of loans receivable	836
Other, net	(5,137)
Net cash provided by investing activities	5,610
III Cash flows from financing activities:	
Net decrease in short-term bank loans	(4,050)
Repayments of long-term debt	(134)
Purchases of treasury stock	(33,362)
Dividends paid	(21,862)
Other, net	(81)
Net cash used in financing activities	(59,491)
IV Effect of exchange rate changes on cash and cash equivalents	(89)
V Net decrease in cash and cash equivalents	(60,804)
VI Cash and cash equivalents, beginning of period	513,211
VII Increase in cash and cash equivalents due to changes in scope of consolidation	501
VIII Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries	1,028
IX Cash and cash equivalents, end of period	453,936

(3) Segment Information

[Operating segment information]

First six months of FY2007 (from April 1, 2007 to September 30, 2007)

Information by operating segment has been omitted effective from the first six months of FY2007 as the both ratios of net sales and operating income of “Pharmaceuticals” to the total net sales and operating income exceeded 90%.

[Geographic segment information]

First six months of FY2007 (from April 1, 2007 to September 30, 2007)

(Millions of yen)

	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	295,374	89,703	58,630	443,708	-	443,708
(2) Inter-segment sales and transfers	36,746	21,594	10,098	68,439	(68,439)	-
Total	332,120	111,298	68,729	512,148	(68,439)	443,708
Operating expenses	262,729	88,806	63,998	415,534	(65,737)	349,797
Operating income	69,391	22,491	4,730	96,613	(2,702)	93,911

[Overseas net sales]

First six months of FY2007 (from April 1, 2007 to September 30, 2007)

(Millions of yen)

	North America	Europe	Other	Total
I Overseas net sales	111,208	56,739	20,550	188,498
II Consolidated net sales				443,708
III Percentage of overseas net sales to consolidated net sales (%)	25.1	12.8	4.6	42.5