



July 29, 2011

Consolidated Financial Results **for the First Quarter of the Fiscal Year Ending March 31, 2012** **<under Japanese GAAP>**

Listed company name: Daiichi Sankyo Company, Limited
Listed exchanges: First Section of the Tokyo, Osaka, and Nagoya stock exchanges
Stock code number: 4568
URL: <http://www.daiichisankyo.com>
Representative: Mr. Joji Nakayama, President & CEO
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Scheduled date of Quarterly Report filing: August 9, 2011
Scheduled date of dividend payments: –
Preparing supplementary material (Reference Data) on quarterly financial results: Yes
Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the First Quarter of Fiscal 2011 (from April 1, 2011 to June 30, 2011)

(1) Consolidated Financial Results (cumulative)

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

| | Net sales | | Operating income | | Ordinary income | |
|-----------------------------------|-----------------|-------|------------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| First three months of fiscal 2011 | 231,664 | (9.7) | 43,482 | (28.8) | 44,834 | (36.0) |
| First three months of fiscal 2010 | 256,427 | 12.9 | 61,061 | 128.1 | 70,093 | 877.7 |

Note: Comprehensive income: First three months of fiscal 2011: 25,751 million yen [18.8%]
First three months of fiscal 2010: 21,678 million yen [–%]

| | Net income | | Basic net income per share | Diluted net income per share |
|-----------------------------------|-----------------|--------|----------------------------|------------------------------|
| | Millions of yen | % | Yen | Yen |
| First three months of fiscal 2011 | 25,309 | (23.5) | 35.96 | 35.92 |
| First three months of fiscal 2010 | 33,073 | – | 46.98 | 46.95 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2011 | 1,493,294 | 903,775 | 56.9 |
| As of March 31, 2011 | 1,480,240 | 887,702 | 57.4 |

Reference: Equity: As of June 30, 2011: 850,335 million yen As of March 31, 2011: 849,004 million yen

2. Dividends

| | Annual dividends | | | | |
|------------------------|------------------|----------------|---------------|-----------------|-------|
| | First quarter | Second quarter | Third quarter | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2010 | – | 30.00 | – | 30.00 | 60.00 |
| Fiscal 2011 | – | – | – | – | – |
| Fiscal 2011 (Forecast) | – | 30.00 | – | 30.00 | 60.00 |

Note: Revision of the forecast most recently announced: No

3. Forecasts of Consolidated Financial Results for Fiscal 2011

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

(Percentages indicate changes from 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 |
| First six months | 470,000 | (5.8) | 60,000 | (33.4) | 60,000 | (35.2) | 35,000 | (32.9) | 49.72 |
| Full year | 970,000 | 0.3 | 90,000 | (26.3) | 90,000 | (31.7) | 50,000 | (28.7) | 71.03 |

Note: Revision of the forecasts most recently announced: Yes

4. Others

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in scope of consolidation): No

Newly included: None Excluded: None

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

Note: For details, please refer to “2. Others Information” on page 8.

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

- 1) Changes in accounting policies due to revisions to accounting standards: No
- 2) Changes in accounting policies due to other reasons: No
- 3) Changes in accounting estimates: No
- 4) Restatement of prior period financial statements after error corrections: No

- (4) Number of common shares issued

- 1) Total number of shares issued at the end of the period (including treasury stock)

| | |
|----------------------|--------------------|
| As of June 30, 2011 | 709,011,343 shares |
| As of March 31, 2011 | 709,011,343 shares |

- 2) Number of shares in treasury at the end of the period

| | |
|----------------------|------------------|
| As of June 30, 2011 | 5,098,742 shares |
| As of March 31, 2011 | 5,097,302 shares |

- 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|--|--------------------|
| First three months ended June 30, 2011 | 703,913,786 shares |
| First three months ended June 30, 2010 | 703,926,178 shares |

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

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

The forecasted statements 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 from these forecasted figures due to various factors.

Please see (3) *Qualitative Information about Forecasts of Consolidated Results for Fiscal 2011* of 1. *Qualitative Information about Consolidated Results for the First Three Months* on page 7 for assumption that the above forecasts were based on and related matters.

Attached Material

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1. Qualitative Information about Consolidated Results for the First Three Months

(1) Qualitative Information about Consolidated Operating Results

Consolidated Financial Results

(Millions of yen; rounded down to the nearest million yen)

| | First three months of fiscal 2010 | First three months of fiscal 2011 | Difference from the same period in the previous fiscal year (%) |
|------------------|--------------------------------------|--------------------------------------|--|
| Net sales | 256,427 | 231,664 | -24,763 (-9.7%) |
| Operating income | 61,061 | 43,482 | -17,579 (-28.8%) |
| Ordinary income | 70,093 | 44,834 | -25,259 (-36.0%) |
| Net income | 33,073 | 25,309 | -7,764 (-23.5%) |

Exchange rates in the first three months of fiscal 2011: ¥81.75/USD, ¥117.40/EUR, ¥1.83/INR

Exchange rates in the first three months of fiscal 2010: ¥92.02/USD, ¥117.00/EUR, ¥1.98/INR

In the three months from April 1 to June 30, 2011, Daiichi Sankyo and its consolidated subsidiaries (“the Group”) posted net sales of ¥231.7 billion, a year-on-year decrease of 9.7%. Despite the steady growth in products including the antihypertensive agent olmesartan and contribution from *Memary*®, the newly launched N-methyl-D-aspartate (NMDA) receptor antagonist for the treatment of Alzheimer’s Disease, sales decrease in Ranbaxy Laboratories Ltd. (“Ranbaxy”¹) by ¥15.1 billion, combined with return of domestic marketing rights in certain products caused net sales to fall by ¥24.8 billion.

In terms of profitability, operating income decreased ¥17.6 billion (28.8%) to ¥43.5 billion. Although SG&A expenses and R&D expenses at overseas subsidiaries decreased due to the stronger yen, gross profit decreased along with the drop in sales. Ordinary income decreased ¥25.3 billion (36.0%) to ¥44.8 billion due to significant decreases in gains on valuation of derivatives and foreign exchange gains at Ranbaxy. The Group posted net income of ¥25.3 billion, a decrease of ¥7.8 billion (23.5%) compared with the same period of FY2010. While ¥1.1 billion for loss on disaster was recorded as extraordinary loss in FY2011, loss on valuation of investment securities was recorded in FY2010.

In the first three months of FY2011, the Group launched *Memary*® and *Measles and Rubella Vaccine Kitasato Daiichi Sankyo*® in Japan, and non-steroidal anti-inflammatory drug *SPRIX*® (ketorolac tromethamine) in the US. The Group also gained the manufacturing and marketing approval for the direct oral factor Xa inhibitor *Lixiana*® (edoxaban) in Japan.

[Reporting Segments]

i. Daiichi Sankyo Group

The Daiichi Sankyo Group posted net sales of ¥191.9 billion, a year-on-year decline of 4.8%.

a. Japan

Net sales in Japan declined 10.1% year on year to ¥119.1 billion.

Sales of prescription drugs declined 8.1% to ¥103.2 billion. While the Group achieved the growth of key products including anti-inflammatory analgesic *Loxonin*® *Tape* and antihypertensive agent

¹ Due to the difference in fiscal year-end, Ranbaxy’s results included in the Group’s FY2011 Q1 are those of Jan-Mar 2011.

Rezaltas®, as well as the launch of *Memary*® among other factors, overall sales were largely influenced by return of domestic marketing rights of certain products to their licensors.

Sales from royalty income and exports to overseas fell 46.0% year on year to ¥5.5 billion due to the decline in sales of levofloxacin, a synthetic antibacterial agent, and the stronger yen.

Net sales of healthcare (OTC) products totaled ¥9.7 billion, gaining 4.9% year on year. This was due to higher sales of anti-inflammatory analgesic *Loxonin S*, a prescription-to-OTC switch formulation.

b. North America

Net sales in North America increased 4.0% year on year to ¥50.3 billion. Contributors to increased income despite the effects of yen appreciation includes; Plexxikon Inc., which the Company acquired in this period, growth in products including antihypertensive agent *TRIBENZOR*TM and antiplatelet agent *Effient*®, PharmaForce, Inc., which was acquired by Luitpold Pharmaceuticals, Inc., and the launch of *SPRIX*®.

c. Europe

Net sales in Europe increased 9.3% year on year to ¥16.2 billion due to the expansion of sales of antihypertensive agents *Olmotec*®, *Sevikar*®, *Sevikar HCT*® and others.

d. Other regions

In other regions, net sales rose 6.5% year on year to ¥6.3 billion, thanks mainly to sales increases in South Korea, Venezuela and China.

ii. Ranbaxy Group

Net sales of the Ranbaxy Group fell 27.5% year on year to ¥39.8 billion, primarily due to higher contribution of the antiviral drug valacyclovir in the U.S. in FY2010.

(2) Qualitative Information about Consolidated Financial Position

As of June 30, 2011, net assets were ¥903.8 billion (up ¥16.1 billion from the previous year-end), total assets stood at ¥1,493.3 billion (up ¥13.1 billion from the previous year-end), and the equity ratio was 56.9% (57.4% for the previous year-end).

Net assets increased as a result of net income and recording minority interests related to the establishment of Kitasato Daiichi Sankyo Vaccine Co., Ltd, despite the payment of year-end dividends.

Total assets increased compared to the previous year-end due to recorded goodwill and intangible assets and the increase in net assets, though there were capital outlays for the acquisition of Plexxikon Inc. and the establishment of Kitasato Daiichi Sankyo Vaccine Co., Ltd.

(3) Qualitative Information about Forecasts of Consolidated Results for Fiscal 2011

In consideration of the financial results of the first three months of FY2011, the Company revises its interim and annual forecasts. The differences from the forecasts previously announced on May 12, 2011 are shown below.

First six months (cumulative)

| | 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) | 470,000 | 50,000 | 50,000 | 24,000 | 34.10 |
| Revised forecasts (B) | 470,000 | 60,000 | 60,000 | 35,000 | 49.72 |
| Change (B-A) | 0 | 10,000 | 10,000 | 11,000 | |
| Percentage of change (%) | 0.0 | 20.0 | 20.0 | 45.8 | |
| (Reference) Results of first six months of previous fiscal year (FY2010) | 498,886 | 90,107 | 92,647 | 52,154 | 74.09 |

Full 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 |
| Previous forecasts (A) | 970,000 | 90,000 | 90,000 | 45,000 | 63.93 |
| Revised forecasts (B) | 970,000 | 90,000 | 90,000 | 50,000 | 71.03 |
| Change (B-A) | 0 | 0 | 0 | 5,000 | |
| Percentage of change (%) | 0.0 | 0.0 | 0.0 | 11.1 | |
| (Reference) Results of previous fiscal year (FY2010) | 967,365 | 122,143 | 131,762 | 70,121 | 99.62 |

(Reason for the revision)

Net sales forecasts remains unchanged as the Group intends to off set the decline in sales from yen appreciation by expanding its mainstays and new products.

Both operating income and ordinary income for the interim period are upwardly revised by ¥10.0 billion respectively, due to the improvement in cost-to-sales ratio on the account of product composition, and expenses partially carried forward to the third quarter or later being affected by the earthquake and other factors. No revision is made on the annual forecasts.

Net income is upwardly revised by ¥11.0 billion for the interim period, and by ¥5.0 billion for the full year period of FY2011, taking in consideration the revision in ordinary income, as well as reduced tax expenses at Ranbaxy and gain on sales of underutilized real estate.

2. Others Information

(1) Changes in Significant Subsidiaries during the Period under Review

Not applicable.

(2) Application of 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 three months 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 adjustment is included in income taxes.

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

Not applicable.

(4) Additional Information

For accounting changes and error corrections made on or after the beginning of the first quart under review, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and the “Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009).

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------|---------------------|
| | As of March 31, 2011 | As of June 30, 2011 |
| ASSETS | | |
| Current assets | | |
| Cash and time deposits | 262,037 | 80,622 |
| Trade notes and accounts receivable | 205,590 | 205,283 |
| Marketable securities | 157,653 | 224,870 |
| Inventories | 142,792 | 156,204 |
| Deferred tax assets | 90,245 | 87,111 |
| Other current assets | 38,075 | 38,829 |
| Allowance for doubtful accounts | (2,319) | (2,547) |
| Total current assets | 894,075 | 790,375 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 119,962 | 126,100 |
| Machinery, equipment and vehicles, net | 46,706 | 48,642 |
| Land | 38,407 | 38,632 |
| Construction in progress | 20,599 | 23,255 |
| Other, net | 12,034 | 12,398 |
| Net property, plant and equipment | 237,710 | 249,029 |
| Intangible assets | | |
| Goodwill, net | 67,316 | 91,836 |
| Other intangible assets, net | 89,606 | 168,063 |
| Total intangible assets | 156,923 | 259,900 |
| Investments and other assets | | |
| Investment securities | 102,416 | 105,103 |
| Deferred tax assets | 73,245 | 74,632 |
| Other | 16,149 | 14,543 |
| Allowance for doubtful accounts | (281) | (291) |
| Total investments and other assets | 191,531 | 193,989 |
| Total non-current assets | 586,164 | 702,919 |
| Total assets | 1,480,240 | 1,493,294 |

| | (Millions of yen) | |
|---|----------------------|---------------------|
| | As of March 31, 2011 | As of June 30, 2011 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade notes and accounts payable | 58,407 | 60,467 |
| Current portion of convertible bond-type bonds with subscription rights to shares | 46,020 | — |
| Short-term bank loans | 29,342 | 32,051 |
| Income taxes payable | 7,545 | 7,261 |
| Allowance for sales returns | 1,244 | 622 |
| Allowance for sales rebates | 1,623 | 1,689 |
| Provision for loss on disaster | 4,570 | 4,257 |
| Asset retirement obligations | 178 | 187 |
| Other current liabilities | 158,019 | 162,168 |
| Total current liabilities | 306,952 | 268,706 |
| Long-term liabilities | | |
| Bonds payable | 100,000 | 100,000 |
| Long-term debt | 124,036 | 124,407 |
| Deferred tax liabilities | 28,463 | 60,360 |
| Accrued employees' severance and retirement benefits | 11,541 | 13,620 |
| Accrued directors' severance and retirement benefits | 155 | 132 |
| Other long-term liabilities | 21,388 | 22,291 |
| Total long-term liabilities | 285,585 | 320,812 |
| Total liabilities | 592,537 | 589,519 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 50,000 | 50,000 |
| Capital surplus | 105,194 | 105,194 |
| Retained earnings | 774,274 | 778,466 |
| Treasury stock, at cost | (14,581) | (14,582) |
| Total shareholders' equity | 914,888 | 919,077 |
| Accumulated other comprehensive income | | |
| Net unrealized gain or loss on investment securities | 16,559 | 16,699 |
| Deferred gains or losses on hedges | 1,193 | 1,290 |
| Foreign currency translation adjustments | (83,636) | (86,731) |
| Total accumulated other comprehensive income | (65,883) | (68,742) |
| Subscription rights to shares | 3,544 | 3,611 |
| Minority interests | 35,153 | 49,828 |
| Total net assets | 887,702 | 903,775 |
| Total liabilities and net assets | 1,480,240 | 1,493,294 |

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

(Millions of yen)

| | First three months of fiscal 2010 (From April 1, 2010 to June 30, 2010) | First three months of fiscal 2011 (From April 1, 2011 to June 30, 2011) |
|--|---|---|
| Net sales | 256,427 | 231,664 |
| Cost of sales | 64,057 | 59,912 |
| Gross profit | 192,370 | 171,752 |
| Selling, general and administrative expenses | 131,308 | 128,269 |
| Operating income | 61,061 | 43,482 |
| Non-operating income | | |
| Interest income | 686 | 1,108 |
| Dividend income | 1,448 | 1,382 |
| Foreign exchange gains | 844 | 688 |
| Gain on valuation of derivatives | 7,654 | — |
| Other income | 1,184 | 1,289 |
| Total non-operating income | 11,818 | 4,468 |
| Non-operating expenses | | |
| Interest expense | 1,619 | 1,742 |
| Loss on valuation of derivatives | — | 276 |
| Equity in net losses of affiliated companies | 52 | 32 |
| Other expenses | 1,115 | 1,065 |
| Total non-operating expenses | 2,787 | 3,117 |
| Ordinary income | 70,093 | 44,834 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 661 | 1,185 |
| Gain on change in equity | 32 | 57 |
| Gain on sales of subsidiaries and affiliates' stocks | 33 | — |
| Gain on sales of investment securities | 3 | — |
| Other income | 96 | — |
| Total extraordinary income | 827 | 1,243 |

(Millions of yen)

| | First three months of fiscal 2010 (From April 1, 2010 to June 30, 2010) | First three months of fiscal 2011 (From April 1, 2011 to June 30, 2011) |
|---|---|---|
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 250 | 607 |
| Loss on disaster | — | 1,087 |
| Loss on impairment of long-lived assets | 656 | 314 |
| Environmental expenses | 490 | 274 |
| Loss on valuation of investment securities | 3,153 | 20 |
| Loss on business restructuring | 139 | — |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 139 | — |
| Total extraordinary losses | 4,830 | 2,304 |
| Income before income taxes and minority interests | 66,089 | 43,773 |
| Income taxes | 26,551 | 16,389 |
| Income before minority interests | 39,538 | 27,383 |
| Minority interests in net income of consolidated subsidiaries | 6,464 | 2,074 |
| Net income | 33,073 | 25,309 |

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

| | First three months of fiscal 2010 (From April 1, 2010 to June 30, 2010) | First three months of fiscal 2011 (From April 1, 2011 to June 30, 2011) |
|--|---|---|
| Income before minority interests | 39,538 | 27,383 |
| Other comprehensive income | | |
| Net unrealized gain or loss on investment securities | (4,415) | 135 |
| Deferred gains or losses on hedges | 258 | 152 |
| Foreign currency translation adjustments | (13,962) | (1,943) |
| Share of other comprehensive income of associates accounted for using equity method | 259 | 23 |
| Total other comprehensive income | (17,860) | (1,632) |
| Comprehensive income | 21,678 | 25,751 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | 13,744 | 22,440 |
| Comprehensive income attributable to minority interests | 7,933 | 3,310 |

(3) Notes related to Assumption of Going-Concern

Not applicable.

(4) Segment Information**I. First three months of fiscal 2010 (from April 1, 2010 to June 30, 2010)****1. Information concerning net sales and profit or loss by reporting segment**

(Millions of yen)

| | Daiichi Sankyo Group | Ranbaxy Group | Total |
|-----------------------------------|----------------------|---------------|---------|
| Net sales | | | |
| Outside customers | 201,596 | 54,831 | 256,427 |
| Inter-segment sales and transfers | 18 | 66 | 85 |
| Total | 201,615 | 54,897 | 256,513 |
| Segment profit | 39,955 | 27,622 | 67,578 |

2. Differences between the total amount of profit or loss amounts of reporting segments and the amount stated in consolidated statements of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

| Profit | Amount |
|---|--------|
| Reporting segment total | 67,578 |
| Amortization of allocated acquired cost | (901) |
| Amortization of goodwill | (604) |
| Elimination of intersegment transactions | (2) |
| Other adjustments | 19 |
| Income before income taxes and minority interests stated in consolidated statements of income | 66,089 |

II. First three months of fiscal 2011 (from April 1, 2011 to June 30, 2011)**1. Information concerning net sales and profit or loss by reporting segment**

(Millions of yen)

| | Daiichi Sankyo Group | Ranbaxy Group | Total |
|-----------------------------------|----------------------|---------------|---------|
| Net sales | | | |
| Outside customers | 191,899 | 39,764 | 231,664 |
| Inter-segment sales and transfers | 50 | 231 | 282 |
| Total | 191,950 | 39,995 | 231,946 |
| Segment profit | 40,440 | 5,744 | 46,185 |

2. Differences between the total amount of profit or loss amounts of reporting segments and the amount stated in consolidated statements of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

| Profit | Amount |
|---|--------|
| Reporting segment total | 46,185 |
| Amortization of allocated acquired cost | (833) |
| Amortization of goodwill | (603) |
| Elimination of intersegment transactions | (990) |
| Other adjustments | 15 |
| Income before income taxes and minority interests stated in consolidated statements of income | 43,773 |

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

Not applicable.