

**Non-Consolidated Interim Financial Results for the Fiscal Year Ending September 30, 2008**

Company name: **Fuji Pharma Co., Ltd.**  
 Code number: 4554 (<http://www.fuji-pharma.jp>)  
 Stock exchange listing: JQ  
 Representative: Hirofumi Imai, Representative Director and President  
 Contact: Toyoyuki Kamide, Director, General Manager of Administration Department  
 Tel: 81-(3)-3556-3344

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Scheduled start date of dividend payment: June 2, 2008

**1. Financial Results for the First Half of the Fiscal Year Ending September 30, 2008 (October 1, 2007 to March 31, 2008)****(1) Operating Results**

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
First half ended March 2008	6,839	6.7	1,027	-2.5	1,029	-2.7
First half ended March 2007	6,410	21.8	1,053	52.1	1,058	49.2
Fiscal year ended September 2007	13,250		2,103		2,129	

	Net income		Net income per share	Diluted net income per share
	Million yen	YoY change (%)	Yen	Yen
First half ended March 2008	639	7.4	49.66	-
First half ended March 2007	594	38.6	46.22	-
Fiscal year ended September 2007	1,193		92.74	-

Note: Earnings on investments in equity-method affiliates:

First half period ended March 2008: None

First half period ended March 2007: None

Fiscal year ended September 2007: None

**(2) Financial Position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	(%)	Yen
First half ended March 2008	19,379	14,490	74.8	1,125.89
First half ended March 2007	17,667	13,512	76.5	1,049.94
Fiscal year ended September 2007	19,211	14,008	72.9	1,088.48

Note: Equity: First half period ended March 2008: 14,490 million yen

First half period ended March 2007: 13,512 million yen

Fiscal year ended September 2007: 14,008 million yen

### (3) Cash Flow

	Net cash provided by (used in)			Balance of cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
First half ended March 2008	366	-571	-154	3,283
First half ended March 2007	802	339	-89	3,309
Fiscal year ended September 2007	1,659	-94	-179	3,643

### 2. Dividends

	Dividend per share (yen)		
	First half	Second half	Annual
Fiscal year ended September 2007	7.00	12.00	19.00
Fiscal year ending September 2008	10.00	10.00 (estimate)	20.00 (estimate)

### 3. Forecasts for the Fiscal Year Ending September 2008 (October 1, 2007 to September 30, 2008)

Net sales	Operating income	Ordinary income	Net income	Net income per share
Million yen	Million yen	Million yen	Million yen	Yen
15,300 (15.5%)	2,190 (4.1%)	2,200 (3.3%)	1,320 (10.6%)	102.56

Note: Percentages represent year-on-year changes.

### 4. Supplementary Information

#### (1) Changes in accounting principles and procedures, and presentation methods for the preparation of interim financial statements (to be described in the "Changes in Significant Accounting Policies" section)

- (i) Changes in accordance with amendments to accounting standards: None
- (ii) Changes other than those which fall under (i): None

#### (2) Number of issued shares (common stock)

- (i) Number of issued shares as of the end of period (including treasury stock shares):

Fiscal half-year period ended March 2008: 12,870,000 shares

Fiscal half-year period ended March 2007: 12,870,000 shares

Fiscal year ended September 2007: 12,870,000 shares

- (ii) Number of treasury stock shares as of the end of period:

Fiscal half-year period ended March 2008: 10 shares

Fiscal half-year period ended March 2007: 10 shares

Fiscal year ended September 2007: 10 shares

Note: For the number of shares used for the calculation of net income per share, please see "Per Share Data" on Page 24.

(Note to our earnings forecasts)

Our earnings forecasts are based on the information available and on the assumptions which we regard as reasonable at the date of this release. Actual results could significantly differ from our estimates because of uncertain factors inherent to such forecasts and subsequent changes in circumstances.

## **I. Review of Operating Performance and Financial Conditions**

### **1. Analysis of Operating Performance**

During the interim period concerned, the Japanese economy's pace of recovery slowed down as it experienced a downturn in growth of corporate earnings and capital expenditure.

In the ethical pharmaceutical industry, we have further developed an appropriate environment for expansion of the generic drugs market by such means as issuing a direction to increase the quantity share of generic drugs to 30% or more by fiscal 2012 as part of the medical expense control policy that is under way.

In these circumstances, the Company reinforced its sales force with the aim of winning as new customers those hospitals that adopt the diagnosis procedure combination (DPC) system, and increasing the number of items adopted by customers. And at the same time, we made efforts to expand our market share for key products, driven by the dedicated team, so that we can have another focus area of fertility treatment drugs.

The Company also established a dedicated team and positively increased the number of MRs with the aim of releasing a new drug called "Lunabell tablets" for treatment of dysmenorrhea caused by endometriosis.

As a result, sales for the interim period concerned recorded 6,839 million yen (6.7% YoY increase). On the profit side, the Company recorded operating income of 1,027 million yen (2.5% YoY decrease), ordinary income of 1,029 million yen (2.7% YoY decrease) and interim net income of 639 million yen (7.4 % YoY increase).

Looking at the details of sales, sales of diagnostic drugs represented by our key products, urinary tract and blood vessel imaging agents "OYPALOMIN" and "IOPAQUE," remained mostly unchanged at 2,515 million yen (0.7% YoY increase), but sales of hormone drugs represented by fertility treatment drugs including pituitary gonadotropic hormone drugs "Human Menopausal Gonadotrophin" and "FOLYRMON-P Injection" and an endometriosis therapeutic drug "BUSERECUR" recorded 1,796 million yen (10.3% YoY increase), and sales of in vitro diagnostics greatly increased to 515 million yen (60.0% YoY increase) because of a great increase in the sales of an influenza reagent. As a result, the overall sales recorded a 6.7% YoY increase.

In terms of profit, the cost-to-sales ratio increased to 56.5%, up 1.4 percentage points on a year-on-year basis. This increase was mainly the result of reductions in sales prices in connection with the revisions to drug prices made in April this year, and the increase in production costs owing to factors such as capital expenditure. In selling, general and administrative expenses, while personnel costs increased because of the increase in number of MRs, research and development costs decreased. Net income for the interim period increased over the previous half-year period as a result of a decrease in extraordinary losses on a year-on-year basis.

In light of the above results for the first half and the increase in sales owing to release of "Lunabell tablets" and expansion of hospitals adopting the DPC system, the Company projects sales of 15,300 million yen (15.5% YoY increase), operating income of 2,190 million yen (4.1% YoY increase), ordinary income of 2,200 million yen (3.3% YoY increase) and net income of 1,320 million yen (10.6% YoY increase) for the fiscal year ending

September 30, 2008, as planned at the beginning of the fiscal year.

## **2. Financial Conditions**

### **(Assets, Liabilities and Net Assets)**

The closing balance of assets as at the end of the period concerned increased by 168 million yen from the opening balance to 19,379 million yen. Among current assets, inventories increased by 376 million yen, but trade accounts receivable decreased by 508 million yen, and cash on hand and bank deposits fell by 361 million yen.

The closing balance of fixed assets increased by 543 million yen from the opening balance, mainly because of capital expenditure aimed at enhancing production capacity for lyophilized products.

The closing balance of liabilities as at the end of the period concerned decreased by 313 million yen from the opening balance to 4,889 million yen. While other accounts payable increased by 436 million yen, accrued income taxes decreased by 298 million yen, trade accounts payable fell by 199 million yen, and accrued bonuses for employees decreased by 180 million yen.

The closing balance of net assets as of the end of the period concerned increased by 481 million yen from the opening balance to 14,490 million yen. This is attributable to an increase of 484 million yen in earned surplus carried forward, which was the result of net income of 639 million yen and a dividend payment of 153 million yen.

### **(Cash Flow)**

The closing balance of cash and cash equivalents as at the end of the period decreased by 359 million yen from the opening balance to 3,283 million yen. The Company's cash flow is represented as follows:

#### **i) Net cash provided by operating activities**

Net cash provided by operating activities for the period was 366 million yen. As the factors that provided the cash, decrease of 536 million yen in trade receivables and depreciation of 319 million yen were added to net income before income taxes of 1,017 million yen. On the other hand, factors that used the cash were as follows: an increase in inventories of 376 million yen; a decrease in accrued bonuses for employees of 180 million yen; and a decrease in trade payables of 153 million yen.

#### **ii) Net cash used in investing activities**

The net cash used in investment activities was 571 million yen. As the contributing factors, the Company spent 265 million yen to purchase intangible fixed assets and 195 million yen to buy property, plant and equipment.

#### **iii) Net cash used in financing activities**

Net cash used in financing activities, which was mainly due to the payment of dividends, was 154 million yen.

### Trends observed in the Company's cash flow indicators are as follows

	FY2006 H1	FY2007 H1	FY2008 H1	FY2006	FY2007
Equity ratio (%)	74.5	76.5	74.8	76.6	72.9
Market value basis equity ratio (%)	107.1	113.6	178.0	103.5	146.7
Interest-bearing debt to cash flow ratio (%)	58.6	13.2	28.8	27.2	12.8
Interest coverage ratio (Times)	672.5	768.6	270.3	332.5	706.2

- Equity ratio = Equity ÷ Total assets
- Market value basis equity ratio = Market capitalization ÷ Total assets
- Interest-bearing debt to cash flow ratio = Interest-bearing debt ÷ Cash flow  
(in the case of interim periods, operating cash flow × 2)
- Interest coverage ratio = Cash flow ÷ Interest paid
- \* “Guaranteed deposit received” in the Liability section of the Balance Sheet is used as interest-bearing debt.
- \* “Net cash provided by operating activities” in Cash Flow Statements and “Interest paid” in Notes to Income Statements are used as “Cash flow” and “Interest paid” respectively.

### 3. Basic Policy on Profit Allocation and Dividends in the Fiscal Year Ending September 30, 2008

One of our key tasks is to achieve a stable dividend payment or dividend per share increase. We determine profit allocation based on the net profit generated during the period concerned, comprehensively taking into account future company performance and earnings to be retained for future business development.

We plan to re-invest retained earnings for research and development expenditures to strengthen operational foundations; for capital expenditures to enhance corporate value and to improve production capacity and efficiency; and for funding requirements to expand and strengthen our sales force.

We decided to increase our interim cash dividend per share to 10 yen, an increase of 3 yen from the previous half-year period.

We currently plan to pay 10 yen per share as the year-end cash dividend. As a result, our annual cash dividend per share should be 20 yen. There are no special plans to change the frequency of dividend payments.

### 4. Operational Risk

Risks related to the information contained in the financial statements for the interim period concerned which may have significant influence on investors' decisions are as follows.

#### (1) Statutory Regulation

Our company manufactures and distributes pharmaceutical products under the Pharmaceutical Affairs Law and related regulations. Applications and amendments and revisions to the Law and related regulations, which may be made in future, may have influences on our financial condition and business performance.

#### (2) Research and Development for Pharmaceutical Products

There is a possibility that our research and development projects for new products will be behind schedule; a new product development period will be extended; and the projects will be suspended or even terminated. These events may have an impact on our business performance.

### (3) Competition

Our policy is to sell our products at reasonable prices taking into account the profitability of products. However, some of our products have been suffering from considerable market price decline because of the fierce competition from many competitors. Moreover, some original drug manufacturers have taken an aggressive approach to maintain their market share. Therefore, there is a possibility that we will not manage to achieve our projected estimate.

### (4) Sales of a New Drug

Selling a new drug is a first-time challenge for the Company. Although we are taking all necessary measures in preparation for the sales, we may be forced to change our plan if any unexpected events arise such as incidence of side effects.

The above represents our opinion of our future prospects as of the end of the interim period concerned.

## **II. Group Organization**

This item is not applicable because the Company does not have any subsidiaries and affiliates.

## **III. Management Policies**

### **1. Fundamental Management Policy**

Our corporate mission is “Making a contribution to society by developing, producing and supplying pharmaceutical products useful for improving and overcoming diseases and disorders”. Looking ahead, under this mission, we intend to continuously fulfill our responsibilities to our stockholders, customers, employees, local and overall society and other stakeholders by supplying good-quality pharmaceutical products and to achieve continuous growth.

### **2. Performance Indicators and Targets**

In order to meet stockholders’ expectations about profit allocation as well as preparing for the upgrading or expansion of production facilities, and the increase in research and development costs which will be accompanied by future business expansion, we will pursue the profit-oriented management style. In our “Medium-term Management Plan” for a multi-year period ending September 30, 2010, we set, as our specific goals for the fiscal year ending September 30, 2010, sales of 20,000 million yen (sales were 13,250 million yen in the previous term), ordinary income of 3,300 million yen (2,129 million yen in the previous term), an ordinary-income-to-sales percentage of 16.5% (16.1% in the previous term), and a return-on-assets percentage of 14.5% (11.8% in the previous term). Furthermore, with regard to the rise in stockholder value, we see the value for net income per share as an important performance indicator and will aim for 154 yen as of the fiscal year ending September 30, 2010 (92.74 yen as of the fiscal year ended September 30, 2007).

### **3. Medium- and Long-term Management Strategy**

We will invest our management resources in a focused way in our strong areas: injectable solutions in terms of dosage form, hormone and diagnostic drugs in terms of drug efficacy, obstetrics and gynecology, and roentgenology in terms of the medical examination field. We will allocate a strategic budget to these areas for proactive measures such as business alliances, license agreements, product development and capital expenditure.

With regard to the obstetric and gynecologic area, we will enhance our generic product line-up and introduce new drugs from other pharmaceutical companies. We will market these drugs to our existing customers in order to efficiently increase our sales. We believe improving our product portfolio including new drugs will lead to a further expansion of our business into the field of medical care for women.

As for acute treatment, we plan to positively launch our unique competitive products centering on injectable solutions in response to the increasing introduction of DPC at hospitals.

In terms of sales, we will endeavor to establish a new drug sales system and strengthen our expertise. In terms of production, we will endeavor to develop a steady supply system to meet the demand for generic drugs, which we expect to expand, and establish our unique production technology for sustained-release (drug delivery system) products.

### **4. Key Challenges**

The generic product market has been expanding amid calls for a cut in national medical expenses. Meanwhile, more and more newcomers, including domestic original drug manufacturers and leading foreign drug makers, have entered into Japan's growing generic product market. In addition, medical institutions' needs for quality assurance, stable product supply and information provision are further increasing. Under these circumstances, in order to maintain and improve our competitive position in the market, and to increase the effectiveness of our active growth strategies, such as new development investment plans, we will address the following key challenges:

- 1) We will strengthen our research and development ability through our alliance with both domestic and foreign pharmaceutical manufacturers.
- 2) We will reinforce the sales and marketing systems for foundation hospitals by improving the expertise of MRs and strengthening our support to academic research.
- 3) We will build marketing and sales systems for our new drugs.
- 4) Responding to possible increasing need for quality improvement, demand expansion and stable supply, we will upgrade and expand our production systems.
- 5) The importance of corporate social responsibility has been gradually recognized. We will adopt thoroughgoing measures to secure product quality/safety and environmental protection, and to educate our employees to comply with pharmaceutical business related laws/regulations and ethical standards.
- 6) We will establish an internal control system relating to financial reporting.
- 7) We will foster human resources and secure the necessary personnel for our further growth.

## **5. Development and Operation of Internal Control System**

### **1) Mutual supervision system, organizational structure of operational and administrative divisions, company rules preparation and other internal control systems**

Under our company's mutual supervision system, the Internal Auditor, controlled directly by the president, periodically conducts internal auditing to confirm whether each department's every operation complies with laws and regulations, and company rules. The Auditor directly reports the results of the internal auditing to the president and gives advice and suggestions to the department audited.

As administration divisions, we have established the business strategy office responsible for company-wide business planning, the business promotion office responsible for monitoring results against budget and the administration department responsible for general affairs, personnel affairs, accounting, finance and logistics, and have been conducting internal management and control across the Company.

### **2) Measures to improve the internal control system in the past year**

We have set up a project team for development of an internal control system for financial reporting and have been working to enhance our internal control system by such means as inspecting the company-wide internal control and major operational processes and developing the necessary documents.

In addition, we have continuously endeavored to keep our personnel well informed about measures for prevention of insider trading and drunken driving.

## **6. Other Significant Information on Management**

There is no information to be disclosed.



## IV. Financial Statements

### 1. Balance Sheets

(Thousands of yen)

	As of March 31, 2007		As of March 31, 2008			As of September 30, 2007	
	Amount	Ratio (%)	Amount	Ratio (%)	Change in amount	Amount	Ratio (%)
<b>Assets</b>							
<b>I Current assets</b>							
Cash on hand and bank deposits	2,108,729		2,579,386			2,940,649	
Trade notes receivable *2	656,445		674,070			702,142	
Trade accounts receivable	4,407,842		4,240,927			4,749,850	
Securities	1,200,995		704,095			702,702	
Inventories	2,736,425		3,492,871			3,116,637	
Other current assets	364,212		695,855			550,922	
Allowance for doubtful receivables	-1,519		-1,474			-1,635	
<b>Total current assets</b>	11,473,131	64.9	12,385,730	63.9	912,599	12,761,268	66.4
<b>II Fixed assets</b>							
Property, plant and equipment *1							
Buildings	2,665,935		2,744,233			2,627,250	
Machinery and equipment	670,597		957,816			809,295	
Other property, plant and equipment	698,137		689,638			780,005	
<b>Total property, plant and equipment</b>	4,034,670		4,391,688			4,216,550	
Intangible fixed assets	607,114		831,983			590,439	
Investments and other assets	1,552,859		1,770,112			1,642,827	
<b>Total fixed assets</b>	6,194,644	35.1	6,993,784	36.1	799,139	6,449,818	33.6
<b>Total assets</b>	17,667,776	100.0	19,379,515	100.0	1,711,738	19,211,087	100.0

(Thousands of yen)

	As of March 31, 2007		As of March 31, 2008			As of September 30, 2007	
	Amount	Ratio (%)	Amount	Ratio (%)	Change in amount	Amount	Ratio (%)
<b>Liabilities</b>							
<b>I Current liabilities</b>							
Trade notes payable	239,154		342,799			296,634	
Trade accounts payable	1,821,545		1,928,516			2,128,212	
Other accounts payable	394,686		1,003,201			566,835	
Accrued income taxes	380,253		285,502			584,486	
Accrued bonuses for employees	384,448		394,888			575,086	
Accrued bonuses for directors	8,920		7,200			17,300	
Allowance for sales return	8,055		9,278			8,890	
Other current liabilities	237,094		204,191			325,161	
<b>Total current liabilities</b>	3,474,158	19.7	4,175,577	21.6	701,419	4,502,606	23.5
<b>II Fixed liabilities</b>							
Guaranteed deposits received	211,381		210,934			211,972	
Accrued retirement benefits for employees	397,401		436,079			410,733	
Accrued retirement benefits for directors	72,168		-			77,110	
Other fixed liabilities	-		66,752			-	
<b>Total fixed liabilities</b>	680,951	3.8	713,765	3.6	32,814	699,816	3.6
<b>Total liabilities</b>	4,155,110	23.5	4,889,343	25.2	734,233	5,202,423	27.1
<b>Net assets</b>							
<b>I Stockholders' equity</b>							
Common stock	1,616,950	9.2	1,616,950	8.3	-	1,616,950	8.4
Capital surplus							
Additional paid-in capital	2,226,020		2,226,020			2,226,020	
Other capital surplus	615,567		615,567			615,567	
<b>Total of capital surplus</b>	2,841,587	16.1	2,841,587	14.7	-	2,841,587	14.8
Retained earnings							
Legal reserve	164,079		164,079			164,079	
Other retained earnings							
Contingent reserve	5,000,000		5,000,000			5,000,000	
Earned surplus carried forward	3,871,354		4,864,661			4,380,038	
<b>Total of retained earnings</b>	9,035,433	51.1	10,028,740	51.8	993,306	9,544,117	49.7
Treasury stock	-7	-0.0	-7	-0.0	-	-7	-0.0
<b>Total stockholders' equity</b>	13,493,963	76.4	14,487,270	74.8	993,306	14,002,647	72.9
<b>II Valuation and translation adjustments</b>							
Net unrealized holding gain on securities	18,702		2,901			6,016	
<b>Total valuation and translation adjustments</b>	18,702	0.1	2,901	0.0	-15,801	6,016	0.0
<b>Total net assets</b>	13,512,666	76.5	14,490,171	74.8	977,505	14,008,663	72.9
<b>Total liabilities and net assets</b>	17,667,776	100.0	19,379,515	100.0	1,711,738	19,211,087	100.0

## 2. Income Statements

(Thousands of yen)

	First half ended March 31, 2007		First half ended March 31, 2008			Fiscal year ended September 30, 2007		
	Amount	Ratio (%)	Amount	Ratio (%)	Change in amount	Amount	Ratio (%)	
<b>I Net sales</b>	6,410,840	100.0	6,839,906	100.0	429,065	13,250,520	100.0	
<b>II Cost of sales</b>	3,530,843	55.1	3,861,049	56.4	330,205	7,296,424	55.1	
Gross profit	2,879,997	44.9	2,978,856	43.5	98,859	5,954,095	44.9	
Provision for allowance for sales returns	-681	-0.0	387	0.0	1,069	153	0.0	
Net gross profit	2,880,678	44.9	2,978,469	43.5	97,790	5,953,941	44.9	
<b>III Selling, general and administrative expenses</b> *1	1,826,846	28.5	1,950,509	28.5	123,663	3,850,612	29.0	
Operating Income	1,053,832	16.4	1,027,959	15.0	-25,873	2,103,329	15.9	
<b>IV Non-operating income</b> *2	9,496	0.2	8,730	0.2	-766	36,546	0.3	
<b>V Non-operating expenses</b> *3	4,339	0.1	6,740	0.1	2,401	10,763	0.1	
Ordinary income	1,058,989	16.5	1,029,948	15.1	-29,040	2,129,112	16.1	
<b>VI Extraordinary gains</b> *4	-	-	161	0.0	161	-	-	
<b>VII Extraordinary losses</b> *5	50,406	0.8	12,687	0.2	-37,719	140,441	1.1	
Income before income taxes	1,008,583	15.7	1,017,422	14.9	8,839	1,988,670	15.0	
Income taxes – current	367,247		273,272			865,859		
Income taxes – deferred	46,531	413,778	105,087	378,360	-35,418	-70,767	795,091	6.0
Net income	594,805	9.3	639,062	9.3	44,257	1,193,579	9.0	

### 3. Statements of Changes in Net Assets

First Half Ended March 31, 2007 (From October 1, 2006 to March 31, 2007)

(Thousands of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		Contingent reserve	Earned surplus carried forward	
Balance at beginning of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,366,639	8,530,718
Changes in the period								
Dividends from surplus							-90,089	-90,089
Net income							594,805	594,805
Net change of items other than stockholders' equity								
Total changes in the period	-	-	-	-	-	-	504,715	504,715
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,871,354	9,035,433

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-7	12,989,248	23,808	23,808	13,013,056
Changes in the period					
Dividends from surplus		-90,089			-90,089
Net income		594,805			594,805
Net change of items other than stockholders' equity			-5,105	-5,105	-5,105
Total changes in the period	-	504,715	-5,105	-5,105	499,609
Balance at end of period	-7	13,493,963	18,702	18,702	13,512,666

First Half Ended March 31, 2008 (From October 1, 2007 to March 31, 2008)

(Thousands of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		Contingent reserve	Earned surplus carried forward	
Balance at beginning of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	4,380,038	9,544,117
Changes in the period								
Dividends from surplus							-154,439	-154,439
Net income							639,062	639,062
Net change of items other than stockholders' equity								
Total changes in the period	-	-	-	-	-	-	484,622	484,622
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	4,864,661	10,028,740

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-7	14,002,647	6,016	6,016	14,008,663
Changes in the period					
Dividends from surplus		-154,439			-154,439
Net income		639,062			639,062
Net change of items other than stockholders' equity			-3,114	-3,114	-3,114
Total changes in the period	-	484,622	-3,114	-3,114	481,507
Balance at end of period	-7	14,487,270	2,901	2,901	14,490,171

Fiscal Year Ended September 30, 2007 (From October 1, 2006 to September 30, 2007)

(Thousands of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		Contingent reserve	Earned surplus carried forward	
Balance at beginning of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,366,639	8,530,718
Changes in the period								
Dividends from surplus							-180,179	-180,179
Net income							1,193,579	1,193,579
Net change of items other than stockholders' equity								
Total changes in the period	-	-	-	-	-	-	1,013,399	1,013,399
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	4,380,038	9,544,117

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-7	12,989,248	23,808	23,808	13,013,056
Changes in the period					
Dividends from surplus		-180,179			-180,179
Net income		1,193,579			1,193,579
Net change of items other than stockholders' equity			-17,791	-17,791	-17,791
Total changes in the period	-	1,013,399	-17,791	-17,791	995,607
Balance at end of period	-7	14,002,647	6,016	6,016	14,008,663

#### 4. Cash Flow Statements

(Thousands of yen)

	First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Change in Amount	Fiscal year ended Sep. 30, 2007
	Amount	Amount		Amount
<b>I Cash flows from operating activities</b>				
Income before income taxes	1,008,583	1,017,422		1,988,670
Depreciation and amortization	272,712	319,372		587,034
Increase in retirement benefits for employees	26,174	25,346		39,505
Increase (decrease) in retirement benefits for directors	20,676	-77,110		25,618
Increase (decrease) in allowance for doubtful receivables	39	-161		155
Increase (decrease) in accrued bonuses for employees	-80,408	-180,197		110,229
Increase (decrease) in accrued bonuses for directors	-6,380	-10,100		2,000
Increase (decrease) in allowance for sales return	-681	387		153
Interest and dividends income	-5,064	-5,146		-10,650
Loss on disposal of capital assets	5,604	109		5,974
Decrease (increase) in trade receivable	-131,677	536,995		-519,382
Increase in inventories	-207,948	-376,233		-588,160
Decrease (increase) in advanced money	6,273	-6,659		-
Decrease (increase) in other accounts receivable	2,340	-47,133		-5,925
Decrease (increase) in long-term prepaid expenses	3,240	-85,506		-33,407
Increase (decrease) in trade payable	178,584	-153,530		542,730
Increase in other accounts payable	3,655	42,624		69,495
Increase in other long-term accounts payable	-	66,752		-
Increase (decrease) in accrued expenses	-17,004	-18,927		30,697
Increase (decrease) in accrued consumption taxes	74,230	-107,448		119,351
Increase (decrease) in guaranteed deposits received	2,734	-1,038		3,326
Others	47,536	-11,082		-16,469
<b>Sub total</b>	1,203,221	928,731	-274,490	2,350,949
Interests and dividends received	4,275	5,136		10,214
Income taxes paid	-405,399	-567,743		-702,111
<b>Net cash used by operating activities</b>	802,097	366,124	-435,973	1,659,052
<b>II Cash flows from investing activities</b>				
Purchase of short-term investment securities	-99,883	-		-99,883
Proceeds from sales of short-term investment securities	600,000	-		600,000
Purchase of investment securities	-10,000	-		-10,000
Purchase of property, plant and equipment	-149,402	-195,562		-476,749
Purchase of intangible fixed assets	-720	-265,221		-3,608
Purchase of leased assets	-	-222,550		-52,000
Proceeds from sales of leased assets	-	162,750		-
Payment of guaranteed deposits	-	-50,112		-50,112
Others	-856	-856		-1,712
<b>Net cash used in investing activities</b>	339,137	-571,552	-910,689	-94,066
<b>III Cash flows from financing activities</b>				
Cash dividends paid	-89,860	-154,442		-179,984
<b>Net cash provided by financing activities</b>	-89,860	-154,442	-64,582	-179,984
<b>IV Decrease in cash and cash equivalents</b>	1,051,375	-359,870	-1,411,245	1,385,002
<b>V Opening balance of cash and cash equivalents</b>	2,258,349	3,643,351	1,385,002	2,258,349
<b>VI Closing balance of cash and cash equivalents</b>	3,309,725	3,283,481	-26,243	3,643,351

## Significant Accounting Policies

	First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
<b>1. Valuation Criteria and Methods for Assets</b>	<p><b>1) Securities holding:</b> <b>i Marketable securities:</b> Market value method on the basis of market price as of the balance sheet date (Changes in net unrealized gain or loss are included directly in net assets and the cost price of securities sold is calculated by the moving average method.)</p> <p><b>ii Non-marketable securities:</b> Moving average cost method</p> <p><b>2) Inventories:</b> First-in, first-out cost method</p>	<p><b>1) Securities holding:</b> <b>i Marketable securities:</b> Same as on the left</p> <p><b>ii Non-marketable securities:</b> Same as on the left</p> <p><b>2) Inventories:</b> Same as on the left</p>	<p><b>1) Securities holding:</b> <b>i Marketable securities:</b> Market value method on the basis of market price as of the balance sheet date (Changes in net unrealized gain or loss are included directly in net assets and the cost price of securities sold is calculated by the moving average method.)</p> <p><b>ii Non-marketable securities:</b> Same as on the left</p> <p><b>2) Inventories:</b> Same as on the left</p>
<b>2. Depreciation and Amortization of Fixed Assets</b>	<p><b>1) Depreciation on property, plant and equipment:</b> Declining-balance method: However, depreciation on the buildings which we bought after April 1, 1998 (excluding the facilities attached to the buildings) is calculated by the straight-line method. The useful lives of major property, plant and equipment are summarized as follows: Buildings: 7 to 50 years Machinery and equipment: 7 years</p> <p><b>2) Amortization of intangible fixed assets:</b> Straight-line method: Amortization of the computer software utilized within our company is calculated by the straight-line method on the basis of the available duration (5 years).</p>	<p><b>1) Depreciation on property, plant and equipment:</b> Same as on the left</p> <p>(Supplementary Information) According to the amendment to the Corporate Tax Law, 5% of acquisition cost net of memorandum value of fixed assets obtained on or before March 31, 2007 are evenly amortized over five years and included in depreciation expense from the immediately following fiscal year of the fiscal year in which the remaining book value becomes as small as 5% of acquisition cost by depreciation in accordance with the depreciation method under the Corporate Tax Law before amendment.</p> <p>As a result, operating income, ordinary income and income before income taxes decreased by 4,604 thousand yen respectively.</p> <p><b>2) Amortization of intangible fixed assets:</b> Same as on the left</p>	<p><b>1) Depreciation on property, plant and equipment:</b> Same as on the left</p> <p><b>2) Amortization of intangible fixed assets:</b> Same as on the left</p>

	First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
	<b>3) Amortization of long-term prepaid expenses:</b> Straight-line method	<b>3) Amortization of long-term prepaid expenses:</b> Same as on the left.	<b>3) Amortization of long-term prepaid expenses:</b> Same as on the left.
<b>3. Basis for Significant Allowances</b>	<p><b>1) Allowance for doubtful receivables:</b> The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined by the following methods. For ordinary receivables, loan loss ratio method (the historical experience of bad debts) is applied and for specific uncollectible receivables such as those of high default risk, we examine the possibility of recovery of the respective account.</p> <p><b>2) Accrued bonuses for employees:</b> Accrued bonuses are provided for the payment of bonuses to employees based on estimated amounts of future payments, which is attributable to the interim fiscal year concerned.</p> <p><b>3) Accrued retirement benefits for employees:</b> Accrued retirement benefits for employees are provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date and are calculated based on an estimate of the projected benefit obligation and the employees' pension plan assets.</p> <p><b>4) Accrued retirement benefits for directors:</b> Accrued retirement benefits for directors are provided with the amount estimated as of the end of the interim fiscal year concerned to be paid in accordance with the internal rules for such retirement benefits for directors.</p>	<p><b>1) Allowance for doubtful receivables:</b> Same as on the left.</p> <p><b>2) Accrued bonuses for employees:</b> Same as on the left.</p> <p><b>3) Accrued retirement benefits for employees:</b> Same as on the left.</p> <p><b>4) Accrued retirement benefits for directors:</b> _____</p> <p>(Supplementary Information) The retirement benefits system for directors was abolished at the 43rd ordinary general meeting of stockholders held on December 20, 2007.</p> <p>Provision for retirement benefits for directors in the amount of 77,110 thousand yen recognized as of the end of the previous fiscal year was transferred to "other fixed liabilities" on the same date in connection with the approval on the proposal for the final</p>	<p><b>1) Allowance for doubtful receivables:</b> Same as on the left.</p> <p><b>2) Accrued bonuses for employees:</b> Accrued bonuses are provided for the payment of bonuses to employees based on estimated amounts of future payments.</p> <p><b>3) Accrued retirement benefits for employees:</b> Accrued retirement benefits for employees are provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date and are calculated based on an estimate of the projected benefit obligation and the employees' pension plan assets.</p> <p><b>4) Accrued retirement benefits for directors:</b> Accrued retirement benefits for directors are provided with the amount estimated as of the end of the fiscal year concerned to be paid in accordance with the internal rules for such retirement benefits for directors.</p>



	First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
	<p><b>5) Allowance for sales returns:</b> Allowance for sales returns is provided with expected gross profit from volume of returns calculated based on past rejection rates in preparation for sales returns.</p> <p><b>6) Accrued bonuses for directors:</b> Accrued bonuses are provided for bonuses with the amount estimated as of the end of the interim fiscal year concerned to be paid to directors in subsequent periods.</p>	<p>payment of retirement benefits for directors setting the timing of grant at retirement of each director.</p> <p><b>5) Allowance for sales returns:</b> Same as on the left.</p> <p><b>6) Accrued bonuses for directors:</b> Same as on the left.</p>	<p><b>5) Allowance for sales returns:</b> Same as on the left.</p> <p><b>6) Accrued bonuses for directors:</b> Accrued bonuses are provided for bonuses with the amount estimated as of the end of the fiscal year concerned to be paid to directors in subsequent periods.</p>
<b>4. Accounting for Lease Transactions</b>	The accounting procedures conforming to the accounting method for the usual operating lease contract are applied to finance lease agreements excluding those stipulating the transfer of ownership of the leased assets to the lessee.	Same as on the left.	Same as on the left.
<b>5. Cash and Cash Equivalents in Cash Flow Statements</b>	Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.	Same as on the left.	Same as on the left.
<b>6. Other Significant Items</b>	<b>(Accounting for Consumption Tax)</b> Tax-exclusive method is applied to the accounting for transactions subject to consumption tax. The net balance between consumption taxes paid tentatively and those received tentatively is represented as "Other current liabilities" in Current liabilities.	<b>(Accounting for Consumption Tax)</b> Same as on the left.	<b>(Accounting for Consumption Tax)</b> Tax-exclusive method is applied to the accounting for transactions subject to consumption tax.

## Changes in Significant Accounting Policies

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
—————	—————	<p><b>(Accounting for depreciation)</b>            In a revision to the Corporate Tax Law, the Company changed its accounting method for depreciation on property, plant and equipment in the fiscal year concerned. The Company applied the new method to the property, plant and equipment which were acquired on or after April 1, 2007.            This change decreased operating income, ordinary income and net income before taxes by 9,692 thousand yen each.</p>

## Notes to Financial Statements

### (Notes to Balance Sheets)

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
* 1 Accumulated depreciation of property, plant and equipment 3,488,886 thousand yen	* 1 Accumulated depreciation of property, plant and equipment 4,064,806 thousand yen	* 1 Accumulated depreciation of property, plant and equipment 3,771,978 thousand yen
* 2 Notes receivable and payable due on the interim fiscal year end Notes receivable and payable due on the interim fiscal year end are accounted for based on the nominal maturity date, although the interim fiscal year concerned was a holiday for financial institutions. The amount of notes receivable and payable due on the fiscal year end is as follows: Notes receivable: 83,053 thousand yen Notes payable: 10,492 thousand yen	* 2 —————	* 2 Notes receivable and payable due on the fiscal year end Notes receivable and payable due on the fiscal year end are accounted for based on the nominal maturity date, although the fiscal year concerned was a holiday for financial institutions. The amount of notes receivable and payable due on the fiscal year end is as follows: Notes receivable: 80,942 thousand yen Notes payable: 13,470 thousand yen

### (Notes to Income Statements)

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
*1 Breakdown of selling, general and administrative expenses: (Thousands of yen) Salaries and bonuses: 410,183 Research and development expenses: 339,305 Provision for bonuses to employees: 233,461 Sales commission: 155,498 Welfare expenses: 104,896 Rent: 94,581 Packaging and transportation expenses: 79,753 Provision for retirement benefits: 17,947	*1 Breakdown of selling, general and administrative expenses: (Thousands of yen) Salaries and bonuses: 490,691 Research and development expenses: 263,511 Provision for bonuses to employees: 252,181 Sales commission: 156,857 Welfare expenses: 120,847 Rent: 106,891 Packaging and transportation expenses: 84,317 Provision for retirement benefits: 20,254	*1 Breakdown of selling, general and administrative expenses: (Thousands of yen) Salaries and bonuses: 983,831 Research and development expenses: 686,986 Provision for bonuses to employees: 356,809 Sales commission: 319,057 Welfare expenses: 237,254 Rent: 190,758 Packaging and transportation expenses: 160,905 Provision for retirement benefits: 37,551

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
*2 Major items of non-operating income: (Thousands of yen) Interest on securities: 3,091 Interest received and discount income: 1,849	*2 Major items of non-operating income: (Thousands of yen) Interest received and discount income: 2,630 Interest on securities: 2,347	*2 Major items of non-operating income: (Thousands of yen) Subcontracting fees: 14,983 Interest received and discount income: 6,541 Interest on securities: 3,720
*3 Major items of non-operating expenses: (Thousands of yen) Penalty for breach of lease agreements: 1,649 Sales discount: 1,176 Interests paid: 1,043 Depreciation expense: 381	*3 Major items of non-operating expenses: (Thousands of yen) Disposal cost of consigned intermediates: 3,302 Interests paid: 1,354 Sales discount: 1,158	*3 Major items of non-operating expenses: (Thousands of yen) Interest paid: 2,349 Sales discount: 2,236
*4 _____	*4 Major items of extraordinary gains: (Thousands of yen) Reversal of allowance for doubtful receivables: 161	*4 _____
*5 Major items of extraordinary losses: (Thousands of yen) Provision for retirement benefits for directors in prior periods: 24,101 Loss on disposal of inventories: 20,700 Loss on retirement of fixed assets: 5,604	*5 Major items of extraordinary losses: (Thousands of yen) Loss on disposal of inventories: 12,577	*5 Major items of extraordinary losses: (Thousands of yen) Loss on disposal of inventories: 104,944 Provision for retirement benefits for directors in prior period: 24,101 Loss on retirement of fixed assets: 5,974
6 Depreciation and amortization recognized: (Thousands of yen) Property, plant and equipment: 248,761 Intangible fixed assets 23,950	6 Depreciation and amortization recognized: (Thousands of yen) Property, plant and equipment: 295,094 Intangible fixed assets 24,277	6 Depreciation and amortization recognized: (Thousands of yen) Property, plant and equipment: 538,544 Intangible fixed assets 48,489

## (Notes to Statements of Changes in Net Assets)

### First Half Ended Mar. 31, 2007

#### 1. Notes concerning class and number of issued shares

Class	Number of shares as of Sep. 30, 2006	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Mar. 31, 2007
Issued shares				
Common stock	12,870,000	-	-	12,870,000
Total	12,870,000	-	-	12,870,000
Treasury stock				
Common stock	10	-	-	10
Total	10	-	-	10

#### 2. Notes concerning share warrants and own share options

Not applicable.

### 3. Notes concerning dividends

#### (1) Dividends paid

Resolution	Type of stock	Total dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
General stockholders' meeting on December 20, 2006	Common stock	90,089	7	September 30, 2006	December 21, 2006

(2) Of the dividends for which the record date was included in the interim fiscal year concerned, those for which the effective date occurs after the closing of the period

Resolution	Type of stock	Total dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors' meeting on May 10, 2007	Common stock	90,089	Retained earnings	7	March 31, 2007	June 1, 2007

### First-Half Ended Mar. 31, 2008

#### 1. Notes concerning class and number of issued shares

Class	Number of shares as of Sep. 30, 2007	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Mar. 31, 2008
Issued shares				
Common stock	12,870,000	-	-	12,870,000
Total	12,870,000	-	-	12,870,000
Treasury stock				
Common stock	10	-	-	10
Total	10	-	-	10

#### 2. Notes concerning share warrants and own share options

Not applicable.

### 3. Notes concerning dividends

#### (1) Dividends paid

Resolution	Type of stock	Total dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
General stockholders' meeting on December 20, 2007	Common stock	154,439	12	September 30, 2007	December 21, 2007

(2) Of the dividends for which the record date was included in the interim fiscal year concerned, those for which the effective date occurs after the closing of the period

Resolution	Type of stock	Total dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors' meeting on May 9, 2008	Common stock	128,699	Retained earnings	10	March 31, 2008	June 2, 2008

## Fiscal Year Ended Sep. 30, 2007

### 1. Notes concerning class and number of issued shares

Class	Number of shares as of Sep. 30, 2006	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Sep. 30, 2007
Outstanding shares				
Common stock	12,870,000	-	-	12,870,000
Total	12,870,000	-	-	12,870,000
Treasury stock				
Common stock	10	-	-	10
Total	10	-	-	10

### 2. Notes concerning share warrants and own share options

Not applicable.

### 3. Notes concerning dividends

#### (1) Dividends paid

Resolution	Type of stock	Total dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
General stockholders' meeting on December 20, 2006	Common stock	90,089	7	September 30, 2006	December 21, 2006
Board of directors' meeting on May 10, 2007	Common stock	90,089	7	March 31, 2007	June 1, 2007

(2) Of the dividends for which the record date was included in the fiscal year concerned, those for which the effective date occurs after the closing of the period

Resolution	Type of stock	Total dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General stockholders' meeting on December 20, 2007	Common stock	154,439	Retained earnings	12	September 30, 2007	December 21, 2007

### (Notes to Cash Flow Statements)

Cash and cash equivalents balance at end of the period and the relationship between the balance and the amount booked in the balance sheets:

(Thousands of yen)

As of Mar. 31, 2007		As of Mar. 31, 2008		As of Sep. 30, 2007	
Cash on hand and at banks	2,108,729	Cash on hand and at banks	2,579,386	Cash on hand and at banks	2,940,649
Marketable securities	1,200,995	Marketable securities	704,095	Marketable securities	702,702
Cash and cash equivalents	3,309,725	Cash and cash equivalents	3,283,481	Cash and cash equivalents	3,643,351

**(Notes Concerning Lease Transactions)**

(Thousands of yen)

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee	1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee	1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee
(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets (Machinery and equipment)	(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets (Machinery and equipment)	(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets (Machinery and equipment)
Acquisition costs: 2,156,589	Acquisition costs: 2,156,589	Acquisition costs: 2,156,589
<u>Accumulated depreciation: 696,202</u>	<u>Accumulated depreciation: 920,891</u>	<u>Accumulated depreciation: 808,546</u>
Net book value: 1,460,386	Net book value: 1,235,697	Net book value: 1,348,042
(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)
Acquisition costs: 95,500	Acquisition costs: 86,896	Acquisition costs: 84,042
<u>Accumulated depreciation: 55,434</u>	<u>Accumulated depreciation: 46,778</u>	<u>Accumulated depreciation: 40,218</u>
Net book value: 40,066	Net book value: 40,118	Net book value: 43,824
(Tools, furniture and fixtures)	(Tools, furniture and fixtures)	(Tools, furniture and fixtures)
Acquisition costs: 49,110	Acquisition costs: 49,110	Acquisition costs: 49,110
<u>Accumulated depreciation: 34,889</u>	<u>Accumulated depreciation: 43,211</u>	<u>Accumulated depreciation: 39,050</u>
Net book value: 14,221	Net book value: 5,899	Net book value: 10,060
(Total)	(Total)	(Total)
Acquisition costs: 2,301,199	Acquisition costs: 2,292,596	Acquisition costs: 2,289,741
<u>Accumulated depreciation: 786,525</u>	<u>Accumulated depreciation: 1,010,880</u>	<u>Accumulated depreciation: 887,815</u>
Net book value: 1,514,673	Net book value: 1,281,715	Net book value: 1,401,926
(2) The pro forma amounts of unexpired lease payments	(2) The pro forma amounts of unexpired lease payments	(2) The pro forma amounts of unexpired lease payments
Due in one year or less: 254,861	Due in one year or less: 254,553	Due in one year or less: 255,065
<u>Due after one year: 1,308,504</u>	<u>Due after one year: 1,068,218</u>	<u>Due after one year: 1,190,377</u>
Total 1,563,365	Total 1,322,771	Total 1,445,443
(3) Lease payments and pro forma depreciation of leased assets	(3) Lease payments and depreciation of leased assets	(3) Lease payments and depreciation of leased assets
Lease payments: 144,299	Lease payments: 140,026	Lease payments: 282,208
Depreciation: 126,266	Depreciation: 125,093	Depreciation: 250,431
Interest paid: 12,598	Interest paid: 10,718	Interest paid: 24,248
(4) Methods of calculation of pro forma depreciation	(4) Methods of calculation of depreciation	(4) Methods of calculation of depreciation
Depreciation of leased assets is calculated on the basis of the straight-line method assuming the respective lease terms as the usual lives. As for the residual value, in the case of agreements stipulating the residual value assured, the residual value concerned is adopted and in any other cases, the residual value is assumed at zero.	Same as on the left.	Same as on the left.

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
(5) Methods of calculation of interest equivalent The difference between the total amount of the lease payments (excluding maintenance and administration costs equivalent) and the acquisition cost equivalent is treated as interest equivalent and the way of allocating the interest to the respective fiscal years applied is by the interest method.	(5) Methods of calculation of interest Same as on the left.	(5) Methods of calculation of interest Same as on the left.
2. Operating lease transaction (Present value of future minimum lease payments) Due in one year or less: 24,000 Due after one year: 83,980 107,980	2. Operating lease transaction (Present value of future minimum lease payments) Due in one year or less: 90,792 Due after one year: 312,102 402,894	2. Operating lease transaction (Present value of future minimum lease payments) Due in one year or less: 24,000 Due after one year: 71,980 95,980
(Impairment loss on leased assets) Not applicable.	(Impairment loss on leased assets) Same as on the left.	(Impairment loss on leased assets) Same as on the left.

## (Notes Concerning Securities Holding)

### 1. Breakdown of marketable securities

(Thousands of yen)

	As of Mar. 31, 2007			As of Mar. 31, 2008			As of Sep. 30, 2007		
	Acquisition cost	Value booked	Net unrealized gain (loss)	Acquisition cost	Value booked	Net unrealized gain (loss)	Acquisition cost	Value booked	Net unrealized gain (loss)
Stock	36,954	68,627	31,672	36,954	39,772	2,817	36,954	47,126	10,172
Debt securities	99,980	99,846	-133	99,980	102,054	2,074	99,980	99,953	-26
Total	136,934	168,473	31,539	136,934	141,827	4,892	136,934	147,079	10,145

### 2. Breakdown of non-marketable securities

(Thousands of yen)

	As of Mar. 31, 2007	As of Mar. 31, 2008	As of Sep. 30, 2007
Other securities			
Money Management Fund	200,544	201,375	200,937
Commercial paper	499,608	-	-
Free Financial Fund	500,842	502,719	501,765
Unlisted stock	10,200	10,200	10,200

Note: In the event that the value of securities is estimated to decline 50% or more from the book value due to the deterioration of the issuer's financial conditions, the Company applies the impairment accounting method to the securities.

**(Notes Concerning Derivative Transactions)** The Company did not have any derivative transactions.

**(Notes Concerning Earnings on Investments in Equity-Method Affiliates)** Not applicable.

**(Notes Concerning Stock Options)** Not applicable.

**(Notes to Business Combination Accounting)** Not applicable.

**(Per Share Data)**

First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
Net assets per share: 1,049.94 yen Net income per share: 46.22 yen	Net assets per share: 1,125.89 yen Net income per share: 49.66 yen	Net assets per share: 1,088.48 yen Net income per share: 92.74 yen
Fully-diluted net income per share is not presented because there are no residual securities, such as convertible bonds, issued by the Company.	Same as on the left.	Same as on the left.

(Note) The basis of calculating the above figures is as follows: (Thousands of yen)

	First half ended Mar. 31, 2007	First half ended Mar. 31, 2008	Fiscal year ended Sep. 30, 2007
Net income for the (interim) fiscal year	594,805	639,062	1,193,579
Amount not applicable to ordinary stockholders	-	-	-
Net income applicable to ordinary stockholders	594,805	639,062	1,193,579
Average number of shares outstanding	12,869,990	12,869,990	12,869,990

**(Significant Subsequent Events)**

There is no event to be reported.

**V. Goods Manufactured, Orders Received and Sales****(1) Breakdown of goods manufactured**

(Thousands of yen)

Business segment	First half ended March 31, 2007		First half ended March 31, 2008		YoY Change	Fiscal year ended September 30, 2007	
	Amount	(%)	Amount	(%)	Amount	Amount	(%)
Diagnostic drugs	2,561,270	42.7	2,589,721	42.0	28,451	5,111,910	42.5
Hormone drugs	1,696,292	28.3	1,819,187	29.5	122,894	3,272,517	27.2
Circulatory drugs	526,946	8.8	642,585	10.4	115,638	1,071,440	8.9
Antibiotics & Chemotherapeutics	337,190	5.6	302,952	4.9	-34,237	612,131	5.1
Urogenital & genital organ drugs	163,520	2.7	163,002	2.6	-517	327,496	2.7
Dermatological preparation	158,549	2.7	93,534	1.5	-65,015	314,995	2.6
Others	551,305	9.2	561,206	9.1	9,900	1,305,549	10.9
Total	5,995,076	100.0	6,172,191	100.0	177,114	12,016,040	100.0

(Notes): 1. The above amounts are calculated based on selling prices and do not include consumption taxes.

2. Fractions less than one thousand yen are omitted.

**(2) Breakdown of goods purchased**

(Thousands of yen)

Business segment	First half ended March 31, 2007		First half ended March 31, 2008		YoY Change	Fiscal year ended September 30, 2007	
	Amount	(%)	Amount	(%)	Amount	Amount	(%)
In vitro diagnostics	199,124	66.7	306,015	80.0	106,890	416,689	70.1
Dermatological preparation	31,682	10.6	29,010	7.6	-2,672	54,163	9.1
Hormone drugs	11,406	3.8	16,847	4.4	5,441	20,507	3.5
Antibiotics & Chemotherapeutics	-	-	3,499	0.9	3,499	-	-
Others	56,343	18.9	26,924	7.1	-29,419	102,917	17.3
Total	298,557	100.0	382,297	100.0	83,740	594,277	100.0

(Notes): 1. The above amounts are calculated based on selling prices and do not include consumption taxes.

2. Fractions less than one thousand yen are omitted.



### (3) Manufacturing based on orders received

The Company manufactures products not on the build-to-order basis, but on the sales projection basis.

### (4) Breakdown of sales

(Thousands of yen)

Business segment	First half ended March 31, 2007		First half ended March 31, 2008		YoY Change	Fiscal year ended September 30, 2007	
	Amount	(%)	Amount	(%)	Amount	Amount	(%)
<b>Goods manufactured</b>							
Diagnostic drugs	2,498,019	39.0	2,515,400	36.8	17,380	5,215,300	39.4
Hormone drugs	1,613,262	25.2	1,779,277	26.0	166,015	3,327,059	25.1
Circulatory drugs	557,253	8.7	591,197	8.6	33,943	1,132,669	8.5
Antibiotics & Chemotherapeutics	307,834	4.8	306,184	4.5	-1,649	624,702	4.7
Urogenital drugs & genital organ drugs	148,313	2.3	148,126	2.2	-186	304,788	2.3
Dermatological preparation	143,308	2.2	106,706	1.6	-36,601	296,200	2.2
Others	666,977	10.4	725,366	10.6	58,388	1,399,638	10.6
Sub total	5,934,969	92.6	6,172,259	90.2	237,290	12,300,359	92.8
<b>Goods purchased</b>							
In vitro diagnostic	322,380	5.0	515,798	7.5	193,417	643,284	4.9
Dermatologic preparation	48,998	0.8	49,470	0.7	472	102,357	0.8
Hormone drugs	15,041	0.2	16,989	0.2	1,947	33,136	0.2
Antibiotics & Chemotherapeutics	6,263	0.1	5,861	0.1	-402	13,420	0.1
Others	83,187	1.3	79,528	1.2	-3,659	157,963	1.2
Sub total	475,871	7.4	667,646	9.8	191,775	950,160	7.2
Total	6,410,840	100.0	6,839,906	100.0	429,065	13,250,520	100.0

(Notes): 1. The above amounts are calculated based on selling prices and do not include consumption taxes.

2. Fractions less than one thousand yen are omitted.

### (Information on major clients)

(Thousands of yen, %)

Client	First half ended March 31, 2007		First half ended March 31, 2008		YoY Change	Fiscal year ended September 30, 2007	
	Amount	(%)	Amount	(%)	Amount	Amount	(%)
Konica Minolta Medical & Graphic, Inc.	1,707,173	26.6	1,667,561	24.4	-39,612	3,575,513	27.0