

November 5, 2009

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## **Financial Results of Astellas for the First Six Months of FY2009**

Japan, November 5, 2009 – Astellas Pharma Inc. (hereinafter referred to as “the Company”) today announced the financial results for the first six months of the fiscal year 2009 (FY2009) ending March 31, 2010.

Consolidated financial results for the first six months of FY2009 (April 1, 2009 – September 30, 2009)

(Millions of yen – fractions dropped)

|                  | First six months of FY2008 | First six months of FY2009 | Changes (%) |
|------------------|----------------------------|----------------------------|-------------|
| Net sales        | 493,257                    | 494,644                    | +0.3%       |
| Operating income | 131,351                    | 129,319                    | -1.5%       |
| Ordinary income  | 147,631                    | 128,327                    | -13.1%      |
| Net income       | 90,937                     | 83,488                     | -8.2%       |

### **Cautionary statement regarding forward-looking information**

*This press release includes forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors, including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launches, the pricing and product initiatives of competitors, the inability of the company to market existing and new product effectively, interruptions in production, infringement of the company's intellectual property rights and the adverse outcome of material litigation.*

## [Qualitative information and financial statements]

### 1. Qualitative information on consolidated business performance

#### (1) Consolidated business performance for the first six months

Consolidated business performance in the first six months ended September 30, 2009 showed an increase in net sales while operating income, ordinary income and net income decreased, as follows. Exchange rates in the six months rose by ¥11 and ¥30 against the U.S. dollar and the euro, respectively, compared to the corresponding period of the previous fiscal year (“year-on-year”) bringing down net sales by ¥37.9 billion and operating income by ¥14.5 billion.

#### Consolidated financial results

(Millions of yen – fractions dropped)

|                  | First six months of<br>FY2008 | First six months of<br>FY2009 | Changes (%)         |
|------------------|-------------------------------|-------------------------------|---------------------|
| Net sales        | 493,257                       | 494,644                       | +1,386<br>(+0.3%)   |
| Operating income | 131,351                       | 129,319                       | -2,032<br>(-1.5%)   |
| Ordinary income  | 147,631                       | 128,327                       | -19,303<br>(-13.1%) |
| Net income       | 90,937                        | 83,488                        | -7,449<br>(-8.2%)   |

**Exchange rate for the first six months of FY2009: ¥95/US\$, ¥133/€**

Exchange rate for the first six months of FY2008: ¥106/US\$, ¥163/€

#### Net sales

Consolidated net sales increased 0.3% year-on-year to ¥494.6 billion.

- Our global product Vesicare, a treatment for overactive bladder, saw steadily expanded sales. Although revenue from the immunosuppressant Prograf fell due to the strong yen, sales were up globally on a local currency basis. In the U.S., where its substance patent expired in April 2008, generic was launched in August 2009. On the other hand, in Europe, no generics were launched during the six months ended September 30, 2009 even though the substance patent expired in June 2009 in major countries. Sales of Harnal, a treatment for functional symptoms of benign prostatic hyperplasia (BPH), declined in Europe due to the yen’s appreciation, however, favorable sales in the U.S. by our licensee led to a significant increase in bulk sales and royalty income.
- Domestic ethical pharmaceutical sales expanded steadily by 3.0% to ¥246.6 billion. Like Prograf and Vesicare, the long-acting angiotensin II receptor blocker Micardis, and its combination drug with a diuretic, Micombi, launched in June 2009, had increased sales along with others including Lipitor, the treatment for hypercholesterolemia. Also, new products such as the selective COX-2 inhibitor Celecox and Geninax, an oral quinolone antibacterial agent, both launched in 2007, and new products such as Bonoteo, the treatment

for osteoporosis, launched in April 2009, also contributed.

- Overseas, in addition to our global products, Lexiscan, a pharmacologic stress agent launched in June 2008 in the U.S. showed strong growth and Eligard for the treatment of advanced prostate cancer, contributed to sales expansion in Europe.
- Overseas sales fell 2.2% year-on-year to ¥245.0 billion due to the strong yen, accounting for 49.5% of net sales, down 1.3 points.

### **Operating income**

Consolidated operating income decreased by 1.5% year-on-year to ¥129.3 billion.

- Although net sales increased, the cost-to-sales ratio for the six months ended September 30, 2009 rose 1.4 points to 29.1% following changes in product mix resulting in a gross profit of ¥350.9 billion, down 1.6% year-on-year.
- Selling, general and administrative expenses decreased by 1.6% year-on-year to ¥221.5 billion. Of which, research and development (R&D) expenses, was up 0.1% year-on-year to ¥78.7 billion, pushing the R&D cost-to-sales ratio down 0.1 points compared to the corresponding period of the previous fiscal year to 15.9%. While expenses incurred due to the advancement of development projects and the depreciation of the new research facilities at the Tsukuba Research Center both increased, upfront payments related to in-licensing declined year-on-year. Selling, general and administrative expenses, excluding R&D expenses, were lower than the corresponding period of the previous fiscal year mainly due to foreign exchange effects.

### **Ordinary income**

Consolidated ordinary income decreased by 13.1% year-on-year to ¥128.3 billion.

- In addition to a decline in interest income due to lower interest rates, an exchange loss of ¥3.6 billion was recorded for the six months ended September 30, 2009, compared to the ¥8.7 billion in exchange gain recorded for the corresponding period of the previous fiscal year, resulting in a ¥13.4 billion decrease in non-operating income and a ¥3.8 billion increase in non-operating expenses. As a result, non-operating income/expenses (net) worsened.

### **Net income**

Consolidated net income decreased by 8.2% year-on-year to ¥83.4 billion.

- Special gains of ¥0.2 billion and special losses of ¥0.9 billion were posted in the six months ended September 30, 2009 compared to special gains of ¥0.4 billion and special losses of ¥6.4 billion in the corresponding period of the previous fiscal year resulting in an improvement in special gains/losses (net).

## <Segment information>

### Japan

Net sales in the Japan segment increased by 2.9% year-on-year to ¥257.8 billion, with a 1.0% year-on-year decrease in operating income to ¥86.5 billion.

- Domestic ethical pharmaceutical sales expanded steadily. Micardis (including Micombi), Prograf, Lipitor, Vesicare, the insomnia treatment Myslee, the treatment for schizophrenia Seroquel enjoyed higher sales, with contributions from new products such as Celecox, Geninax and Bonoteo. Sales declined for the peptic ulcers and gastritis treatment Gaster.
- Although net sales increased, operating income declined due to factors including higher cost of sales.

### Overseas

Net sales in the North America segment increased by 4.3% year-on-year to ¥99.9 billion, with a 17.9% year-on-year decrease in operating income to ¥16.0 billion.

- Revenue went up despite the strong yen. Sales on a local currency basis rose 15.9% year-on-year.
- Vesicare, Lexiscan, Mycamine, an injectable antifungal agent, progressed favorably. Despite of the decrease in its yen revenue, Prograf sales went up on a local currency basis. In the U.S., its generic was launched in August 2009.
- Although net sales increased, gross profit dropped following changes in product mix and an increase in transfer price for Prograf in intra-group transactions leading to lower operating income.

Net sales in the Europe segment decreased by 8.1% year-on-year to ¥121.4 billion, with an 18.1% year-on-year increase in operating income to ¥25.4 billion.

- Although revenue fell due to the strong yen, sales on a local currency basis were up 12.2% year-on-year.
- Bulk sales and royalty income of Harnal increased significantly. Sales of Harnal (brand name in Europe: Omnic/Omnice OCAS) though own sales declined due to the yen's appreciation, however, it increased on a local currency basis. Prograf, Vesicare and Eligard were also hard hit by the strong yen, however, they all showed steady sales increases on a local currency basis. Regarding Prograf, no generics were launched during the six months ended September 30, 2009 even though the substance patent expired in June 2009 in major European countries.
- Despite a decrease in net sales, operating income increased thanks to factors such as an decrease in transfer price of Prograf and an alleviated expense burden in Europe partly attributable to an increase in refunds of expenses for Harnal by licensees.

(Note) The Company promotes optimal business structure that effectively utilizes funds retained mainly in Europe. As a result, items such as gross profit and expenses relating to sales promotions of a portion of our business in North America are recorded in the Europe segment in “Geographical

segment information.”

Net sales in the Asia segment increased by 6.2% year-on-year to ¥15.4 billion, with an year-on-year increase of 1.4% in operating income to ¥1.9 billion.

- An increase in net sales was secured despite the effects of the strong yen. Prograf demonstrated steady growth along with contributions from Vesicare. Harnal also showed strong growth.
- The increase in net sales drove up operating income.

## **(2) R&D and in-licensing activities**

The Company is aiming for mid- to long-term sustainable growth through the continuous and early creation of new pharmaceuticals that are innovative and practical in therapeutic areas where no effective drugs exist and the unmet medical needs exist. To achieve this, R&D activities are being rigorously advanced as top priority.

Drug discovery research, to which we target management resources, focuses on the priority research fields of urology, immunology & infectious diseases, oncology, neuroscience as well as DM complications & metabolic diseases. Among efforts to fortify our drug discovery technology platform, we are actively working towards the establishment of antibody pharmaceutical technologies, in addition to the synthesis of small-molecular compounds technologies and fermentation technologies which are some of our strengths. Furthermore, in order to increase the speed and quality of drug discovery research, the concentration of drug discovery research functions in Tsukuba in April 2009 was followed by the reorganization of fermentation research functions and the establishment of Bioimaging Research Labs in October 2009.

In the area of clinical development, development is accelerated by centralizing resources on high priority projects. To further strengthen our global development organization, we introduced in April 2009 a framework that would serve to reinforce our global operational platform, enhance project management capabilities and build up development strategy proposition and promotion capabilities for each therapeutic area.

Regarding technological development, for the stable, global supply of active pharmaceutical ingredient for clinical trial material for the candidate compounds obtained from fermented natural substances, construction on the Fermentation Technology Research Building began in September 2009 in the Toyama Plant of Astellas Toyama Co., Ltd. Its completion is scheduled for October 2010.

The following are main development advances made during the six months ended September 30, 2009.

In Japan, our drug Prograf was approved for additional indications for ulcerative colitis in July 2009 and for all types of myasthenia gravis in October 2009. Celecox was approved for additional indications for lumbago, scapulohumeral peri-arthritis, cervico-omo-brachial syndrome, and tendinitis/tendosynovitis in June 2009.

In the U.S., Prograf was approved in May 2009 for use in conjunction with mycophenolate mofetil (MMF) for the prevention of organ rejection in kidney transplant recipients. Concerning Harnal

(brand name in the U.S.: FLOMAX), our partner, Boeinger Ingelheim Pharmaceuticals, Inc., received notice in September 2009 from the Food and Drug Administration (FDA) stating that the pediatric data provided by them on pediatric patients with neurogenic bladder satisfactorily met the terms of its Written Request. Based on this determination, marketing exclusivity was extended to April 2010 even though the substance patent for FLOMAX in the U.S. expired in October 2009. The Company has reached agreement with Ranbaxy Inc. and Impax Laboratories, Inc. to settle U.S. litigation with regard to FLOMAX through the entry of a consent judgment confirming the validity and infringement of the patent. The settlement of the litigation provides them with the opportunity to launch generic products on or after March 2, 2010. Moreover, in September 2009, antibiotic telavancin (brand name in the U.S.: VIBATIV) was approved for the treatment of adult patients with complicated skin and skin structure infections caused by susceptible Gram-positive bacteria. In Europe, the immunosuppressant Modigraf (tacrolimus granules) was approved in May 2009 for the indication of suppression of graft rejection in organ transplants. Also, an application for approval was submitted for telavancin in October 2009 for the treatment of noncomial pneumonia, including ventilator-associated pneumonia, and complicated skin and soft tissue infections in adults. Alongside the in-house drug discovery research activities, the Company also actively seeks to expand and improve the R&D pipeline through in-licensing activities from other companies. Maxygen, Inc. (U.S.) and the Company have executed an agreement in September 2009 to establish a joint venture focused on the research and development of multiple protein pharmaceutical programs, including Maxygen's MAXY-4 program for all autoimmune diseases and transplant rejection and other early stage drug discovery research programs. Also, Medivation Inc. (U.S.) and the Company entered into worldwide agreement to develop and commercialize MDV3100 for the treatment of prostate cancer. In addition to the above, the Company is actively pursuing alliance activities in the area of sales during the six months ended September 30, 2009. The Company's Taiwan affiliate signed an exclusive distributorship agreement with Teijin Pharma Limited regarding the marketing of TMX-67 (generic name: febuxostat) for treating hyperuricemia in patients with gout in Taiwan. Also, NeurogesX, Inc. (U.S.) and the Company's European affiliate entered into an exclusive Distribution, Marketing and License agreement for the commercialization of Qutenza for the treatment of peripheral neuropathic pain in the Europe, the Middle East and Africa in June 2009. In August 2009, Zogenix Inc. (U.S.) and the Company's U.S. affiliate concluded a co-promotion agreement for Sumavel<sup>TM</sup> DosePro<sup>TM</sup> (generic name: sumatriptan), a needle-free delivery system for acute treatment of migraine attacks in, the Company concluded an agreement with the U.S. AstraZeneca AB, an affiliate of AstraZeneca K.K. for a co-promotion alliance for the Symbicort (generic name: inhalant combination drug of budesonide and formoterol) for the treatment of bronchial asthma in Japan. Also, Pfizer Japan Inc. and the Company concluded a co-promotion agreement for the combination drug of hypertension treatment and hypercholesterolemia treatment Caduet Combination Tablets (generic name: amlodipine besylate and atorvastatin calcium) in Japan.

### **(3) Dividend, purchase and cancellation of treasury stock**

The Company is working aggressively towards increasing corporate value on a continual basis and,

as a consequence, improves its return to shareholders. While putting priority on business investment to assure future growth, the Company will strive to increase dividend payments continuously taking into consideration the dividend on equity ratio (DOE) and other factors based on medium- to long-term profit growth on a consolidated basis. Further, we will flexibly purchase treasury stock whenever necessary to improve capital efficiency and further increase the level of return to shareholders.

The Company has decided to pay an interim dividend of ¥60 per share. The annual dividend forecast is ¥125 per share, including the year-end dividend of ¥65 per share.

In June 2009, 28 million shares held as treasury stock were cancelled.

## **2 Qualitative information on consolidated financial conditions**

### **<Balance sheet>**

Total assets as of September 30, 2009 saw an increase of ¥38.5 billion compared to the end of the previous fiscal year to ¥1,386.9 billion, while cash on hand and in banks and marketable securities increased ¥9.1 billion and ¥19.9 billion, respectively.

Liabilities decreased by ¥10.5 billion compared to the end of the previous fiscal year to ¥307.6 billion. Accrued income taxes fell by ¥5.0 billion.

Net assets increased by ¥49.0 billion compared to the end of the previous fiscal year to ¥1,079.3 billion making the shareholders' equity ratio 77.7%. While net income stood at ¥83.4 billion, ¥28.2 billion in dividends of surplus were paid. On June 23, 2009, 28 million shares of treasury stock valued at ¥128.0 billion were cancelled.

### **<Statement of cash flows>**

Net cash provided by operating activities increased year-on-year by ¥1.2 billion to ¥89.9 billion.

Net cash used in investing activities was ¥28.8 billion, an increase in outflow of ¥27.2 billion year-on-year. While expenditures for the purchases of marketable securities went up, proceeds from sales of marketable securities also increased. More cash was also used for purchases of intangible fixed assets.

Net cash used in financing activities was ¥29.5 billion, a year-on-year decrease in outflow of ¥90.1 billion. Cash dividends paid decreased by ¥1.6 billion year-on-year to ¥28.2 billion. Meanwhile, ¥88.4 billion was spent in the corresponding period of the previous fiscal year for purchases of treasury stock.

The above resulted in cash and cash equivalents of ¥438.5 billion as of September 30, 2009, an increase of ¥28.6 billion compared to the end of the previous fiscal year.

### 3. Qualitative information on consolidated business forecasts for FY2009

#### Consolidated full-year business forecasts

(Millions of yen – fractions dropped)

|                  | FY2008<br>Full-year | <b>FY2009<br/>Full-year forecasts</b> | Changes (%)         |
|------------------|---------------------|---------------------------------------|---------------------|
| Net sales        | 965,698             | <b>976,000</b>                        | +10,301<br>(+1.1%)  |
| Operating income | 250,394             | <b>200,000</b>                        | -50,394<br>(-20.1%) |
| Ordinary income  | 271,451             | <b>200,500</b>                        | -70,951<br>(-26.1%) |
| Net income       | 170,986             | <b>125,000</b>                        | -45,986<br>(-26.9%) |

**Expected exchange rate for FY2009: ¥93/US\$, ¥132/€**

Exchange rate for FY2008: ¥101/US\$, ¥143/€

Consolidated full-year business forecasts are shown in the table above. The Company is forecasting a year-on-year increase in net sales but year-on-year declines in operating income, ordinary income and net income. The Company has revised the consolidated full-year business forecasts that were announced this year in May (“initial forecasts”) as follows.

When making the full-year forecasts, the Company reassessed sales of each product and costs based on the consolidated business results for the first six months and changed the expected exchange rates.

As a result, the Company has revised its forecasts from the initial forecasts as follows. Concerning net sales, although we downwardly revised the forecast for Prograf, upward revisions were made to the forecasts for products such as vaccines and Harnal, hence we upwardly revised the initial forecast of net sales by ¥8.0 billion to ¥976.0 billion, up 1.1% year-on-year. Concerning operating income, we have factored in an increase in cost of sales subsequent to changes in product mix and also expect selling, general and administrative expenses, which includes R&D expenses, to be higher as a result of upfront payments related to in-licensing, increased sales expenses and others. We have therefore downwardly revised the initial forecast of operating income by ¥15.0 billion to ¥200.0 billion, down 20.1% year-on-year. The initial forecast of R&D expenses has been upwardly revised by ¥10.0 billion to ¥179.0 billion, up 12.5% year-on-year. Concerning ordinary income, because we are forecasting deterioration in non-operating income/expenses (net) due to exchange loss, we have downwardly revised the initial forecast of ordinary income by ¥18.5 billion to ¥200.5 billion, down 26.1% year-on-year. Concerning net income, while on one hand we expect special losses as a result of relocation of our Fermentation and Biotechnology Labs to the Tokodai in Tsukuba City, we also expect improvement in our corporate tax rate as a result of the additional tax system revision in fiscal 2009. Consequently, we have downwardly revised the initial forecast of net income by ¥10.0 billion to ¥125.0 billion, down 26.9% year-on-year.

Concerning the expected exchange rates for the full year, we take into consideration the exchange rates used in the first six months ended September 30, 2009 and the exchange rates that prevailed during this time. The initial forecasts for exchange rates, which were ¥100/US\$ and ¥130/€ have been revised to ¥93/US\$ and ¥132/€(the expected exchange rates for the third and fourth quarters is ¥90/US\$ and ¥130/€).

Taking into account the changing environment, such as internal factors including revision of launch assumption and external factors including the progression of government policies to restrain medical expenditures, global recession and exchange rate fluctuation, the Company plans to formulate a new five-year medium-term management plan to begin in fiscal year 2010 ending March 31, 2011. The scheduled announcement for the plan is May 2010.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

*(All amounts are in millions of yen and amounts less than one million have been omitted.)*

|   | As of<br>September 30, 2009 | As of<br>March 31, 2009 |
|---|-----------------------------|-------------------------|
| <b>Assets</b>                             |                             |                         |
| <b>Current assets</b>                     |                             |                         |
| Cash on hand and in banks                 | ¥276,578                    | ¥267,460                |
| Trade notes and accounts receivable       | 228,402                     | 222,982                 |
| Marketable securities                     | 266,367                     | 246,463                 |
| Merchandise and finished goods            | 83,499                      | 80,755                  |
| Work in process                           | 13,353                      | 12,505                  |
| Raw materials and supplies                | 14,549                      | 12,169                  |
| Other                                     | 122,015                     | 122,324                 |
| Allowance for doubtful receivables        | (1,173)                     | (1,020)                 |
| <b>Total current assets</b>               | <b>1,003,593</b>            | <b>963,640</b>          |
| <b>Fixed assets</b>                       |                             |                         |
| Property, plant and equipment             | 184,574                     | 181,447                 |
| <b>Intangible fixed assets</b>            |                             |                         |
| Goodwill                                  | 20,993                      | 26,377                  |
| Other                                     | 40,495                      | 31,984                  |
| <b>Total intangible fixed assets</b>      | <b>61,489</b>               | <b>58,361</b>           |
| <b>Investments and other assets</b>       |                             |                         |
| Investment securities                     | 85,874                      | 89,562                  |
| Other                                     | 51,484                      | 55,489                  |
| Allowance for doubtful receivables        | (56)                        | (57)                    |
| <b>Total investments and other assets</b> | <b>137,302</b>              | <b>144,995</b>          |
| <b>Total fixed assets</b>                 | <b>383,367</b>              | <b>384,805</b>          |
| <b>Total assets</b>                       | <b>¥1,386,961</b>           | <b>¥1,348,446</b>       |

(All amounts are in millions of yen and amounts less than one million have been omitted.)

|   | As of<br>September 30, 2009 | As of<br>March 31, 2009 |
|---|-----------------------------|-------------------------|
| <b>Liabilities</b>                                  |                             |                         |
| Current liabilities                                 |                             |                         |
| Trade notes and accounts payable                    | ¥87,090                     | ¥89,769                 |
| Accrued income taxes                                | 34,642                      | 39,681                  |
| Provision   | 3,068                       | 2,918                   |
| Other   | 153,063                     | 151,183                 |
| Total current liabilities                           | <u>277,865</u>              | <u>283,553</u>          |
| Long-term liabilities                               |                             |                         |
| Accrued retirement benefits for employees           | 14,562                      | 15,029                  |
| Other provision                                     | 21                          | 15                      |
| Other   | 15,209                      | 19,626                  |
| Total long-term liabilities                         | <u>29,793</u>               | <u>34,671</u>           |
| Total liabilities                                   | <u>307,658</u>              | <u>318,224</u>          |
| <b>Net assets</b>                                   |                             |                         |
| Shareholders' equity                                |                             |                         |
| Common stock  | 103,000                     | 103,000                 |
| Capital surplus                                     | 176,821                     | 176,821                 |
| Retained earnings                                   | 884,537                     | 957,346                 |
| Treasury stock                                      | (27,213)                    | (155,295)               |
| Total shareholders' equity                          | <u>1,137,147</u>            | <u>1,081,873</u>        |
| Valuation, translation adjustments and others       |                             |                         |
| Unrealized holding gains on securities              | 14,281                      | 10,018                  |
| Translation adjustments                             | (73,477)                    | (62,904)                |
| Total valuation, translation adjustments and others | <u>(59,196)</u>             | <u>(52,886)</u>         |
| Stock subscription rights                           | 1,051                       | 894                     |
| Minority interests                                  | 300                         | 338                     |
| Total net assets                                    | <u>1,079,302</u>            | <u>1,030,221</u>        |
| Total liabilities and net assets                    | <u>¥1,386,961</u>           | <u>¥1,348,446</u>       |

## (2) Consolidated Statements of Income

(All amounts are in millions of yen and amounts less than one million have been omitted.)

|  | For the six months ended<br>September 30, 2008 | For the six months ended<br>September 30, 2009 |
|--|--|--|
| Net sales  | ¥493,257                                       | ¥494,644                                       |
| Cost of sales                                      | 136,652  | 143,739  |
| Gross profit                                       | 356,604  | 350,904  |
| Selling, general and administrative expenses(Note) | 225,252  | 221,585  |
| Operating income                                   | 131,351  | 129,319  |
| Non-operating income                               |  |  |
| Interest income                                    | 6,123  | 1,910  |
| Dividend income                                    | 755  | 575  |
| Equity in earnings of affiliates                   | —  | 180  |
| Exchange gain                                      | 8,757  | —  |
| Other  | 1,042  | 545  |
| Total non-operating income                         | 16,678   | 3,211  |
| Non-operating expenses                             |  |  |
| Equity in losses of affiliates                     | 48   | —  |
| Exchange loss                                      | —  | 3,652  |
| Other  | 350  | 550  |
| Total non-operating expenses                       | 398  | 4,203  |
| Ordinary income                                    | 147,631  | 128,327  |
| Special gains                                      |  |  |
| Gain on sales of fixed assets                      | 241  | 42   |
| Other  | 173  | 171  |
| Total special gains                                | 414  | 214  |
| Special losses                                     |  |  |
| Loss on sales and disposal of fixed assets         | 1,187  | 899  |
| Special retirement benefits                        | 2,737  | —  |
| Loss on devaluation of investment securities       | 1,798  | —  |
| Other  | 691  | 30   |
| Total special losses                               | 6,414  | 929  |
| Income before income taxes and minority interests  | 141,632  | 127,612  |
| Income taxes                                       | 49,570   | 43,141   |
| Minority interests                                 | 1,123  | 981  |
| Net income   | ¥90,937  | ¥83,488  |

Note;

|  | For the six months ended<br>September 30, 2008 | For the six months ended<br>September 30, 2009 |
|--|--|--|
| Total amounts of research and development expenses | ¥78,742 million                                | ¥78,786 million                                |

### (3) Consolidated Statements of Cash Flows

(All amounts are in millions of yen and amounts less than one million have been omitted.)

|   | For the six months<br>ended September 30,<br>2008 | For the six months<br>ended September 30,<br>2009 |
|---|---|---|
| Cash flows from operating activities                          |   |   |
| Income before income taxes and minority interests             | ¥141,632  | ¥127,612  |
| Depreciation and amortization                                 | 16,801  | 18,268  |
| Amortization of goodwill                                      | 3,666   | 3,418   |
| Interest and dividend income                                  | (6,878)   | (2,486)   |
| Net loss on sales and disposal of fixed assets                | 945   | 856   |
| Increase in trade notes and accounts receivables              | (13,218)  | (6,931)   |
| Increase in inventories                                       | (5,518)   | (7,628)   |
| Increase (decrease) in trade notes and accounts payables      | 11,005  | (1,374)   |
| Other   | (15,999)  | 2,253   |
| Subtotal  | 132,436   | 133,988   |
| Interest and dividends received                               | 6,941   | 2,651   |
| Income taxes paid   | (50,666)  | (46,705)  |
| Net cash provided by operating activities                     | 88,711  | 89,934  |
| Cash flows from investing activities                          |   |   |
| Purchases of marketable securities                            | (21,151)  | (97,695)  |
| Proceeds from sales of marketable securities                  | 52,282  | 109,327   |
| Purchases of property, plant and equipment                    | (14,422)  | (19,281)  |
| Proceeds from sales of property, plant and equipment          | 3,162   | 858   |
| Purchases of intangible fixed assets                          | (5,930)   | (13,776)  |
| Purchases of investment securities                            | (15,501)  | (8,160)   |
| Proceeds from sales of investment securities                  | 373   | 5,586   |
| Other   | (429)   | (5,678)   |
| Net cash used in investing activities                         | (1,618)   | (28,819)  |
| Cash flows from financing activities                          |   |   |
| Purchases of treasury stock                                   | (88,482)  | (18)  |
| Cash dividends paid   | (29,885)  | (28,200)  |
| Cash dividends paid to minority shareholders                  | (1,116)   | (993)   |
| Other   | (168)   | (305)   |
| Net cash used in financing activities                         | (119,652)   | (29,517)  |
| Effects of exchange rate changes on cash and cash equivalents | (8,786)   | (2,921)   |
| (Decrease) increase in cash and cash equivalents              | (41,345)  | 28,676  |
| Cash and cash equivalents at beginning of period              | 460,485   | 409,826   |
| Cash and cash equivalents at end of period                    | ¥419,139  | ¥438,503  |

## (4) Segment Information

### 【Business segment information】

The Company's businesses are segmented into "Pharmaceutical and related products" and "Other" based on their proximity in terms of distribution methods, the nature and types of the products sold, and the manufacturing methods. As net sales and operating income of "Pharmaceutical and related products" segment constituted more than 90% of the consolidated totals, the disclosure of business segment information has been omitted.

### 【Geographical segment information】

For the six months ended September 30, 2008

*(All amounts are in millions of yen and amounts less than one million have been omitted.)*

|                                    | Japan    | North America | Europe   | Asia    | Total    | Eliminations | Consolidated |
|------------------------------------|----------|---------------|----------|---------|----------|--------------|--------------|
| Sales                              |          |               |          |         |          |              |              |
| (1) Sales to third parties         | ¥250,692 | ¥95,815       | ¥132,219 | ¥14,530 | ¥493,257 | —            | ¥493,257     |
| (2) Intergroup sales and transfers | 65,829   | 34,696        | 26,866   | 7       | 127,399  | ¥(127,399)   | —            |
| Total                              | 316,521  | 130,511       | 159,085  | 14,537  | 620,656  | (127,399)    | 493,257      |
| Operating income (loss)            | ¥87,470  | ¥19,572       | ¥21,541  | ¥1,944  | ¥130,527 | ¥824         | ¥131,351     |

For the six months ended September 30, 2009

*(All amounts are in millions of yen and amounts less than one million have been omitted.)*

|                                    | Japan    | North America | Europe   | Asia    | Total    | Eliminations | Consolidated |
|------------------------------------|----------|---------------|----------|---------|----------|--------------|--------------|
| Sales                              |          |               |          |         |          |              |              |
| (1) Sales to third parties         | ¥257,850 | ¥99,907       | ¥121,462 | ¥15,424 | ¥494,644 | —            | ¥494,644     |
| (2) Intergroup sales and transfers | 65,400   | 33,847        | 32,817   | 17      | 132,083  | ¥(132,083)   | —            |
| Total                              | 323,250  | 133,755       | 154,280  | 15,442  | 626,727  | (132,083)    | 494,644      |
| Operating income (loss)            | ¥86,593  | ¥16,077       | ¥25,434  | ¥1,972  | ¥130,077 | ¥(758)       | ¥129,319     |

**【Overseas Sales】**

For the six months ended September 30, 2008

*(All amounts are in millions of yen and amounts less than one million have been omitted.)*

|   | North America | Europe   | Asia    | Other   | Total    |
|---|---------------|----------|---------|---------|----------|
| 1. Overseas sales   | ¥118,068      | ¥101,686 | ¥20,405 | ¥10,554 | ¥250,714 |
| 2. Consolidated net sales                                   |               |          |         |         | ¥493,257 |
| 3. Overseas sales as a percentage of consolidated net sales | 23.9%         | 20.6%    | 4.1%    | 2.2%    | 50.8%    |

For the six months ended September 30, 2009

*(All amounts are in millions of yen and amounts less than one million have been omitted.)*

|   | North America | Europe  | Asia    | Other  | Total    |
|---|---------------|---------|---------|--------|----------|
| 1. Overseas sales   | ¥127,264      | ¥88,291 | ¥21,188 | ¥8,333 | ¥245,077 |
| 2. Consolidated net sales                                   |               |         |         |        | ¥494,644 |
| 3. Overseas sales as a percentage of consolidated net sales | 25.7%         | 17.8%   | 4.3%    | 1.7%   | 49.5%    |