Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2011 [Japan GAAP]

December 15, 2010

Company name	: **Otsuka Holdings Company Limited**
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: http:/www.otsuka.com/
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Filing date of quarterly securities report	: November 11, 2010
Scheduled date of dividend payments	: -
Supplementary materials for the quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: No

(Figures are rounded down to the nearest million yen unless otherwise stated)

1. Consolidated Financial Results for the First Six Months of FY2010 (April 1 to September 30, 2010)

(1) Consolidated Operating Results (For the six months ended September 30)

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First six months of FY2010	573,994	3.6	69,870	15.8	73,950	14.5	53,188	17.4
First six months of FY2009	553,872	-	60,324	-	64,595	-	45,289	-

(Note) % change from the previous year for the first six months of FY 2009 is not available as the quarterly financial statements are not available prior to FY2009.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months of FY2010	111.61	-
First six months of FY2009	97.78	97.72

(Note) The Company implemented a stock option plan in FY2010 and had stock options outstanding as of September 30, 2010. However, diluted EPS information is not calculable for the six months ended September 30, 2010 as the company was a privately held company and the average stock price was not determinable.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of September 30, 2010	1,439,216	981,562	67.3%	2,034.04
As of March 31, 2010	1,458,375	948,456	64.2%	1,964.70

(Note) Shareholders' equity: As of September 30, 2010 969,186 million yen
As of March 31, 2010 936,289 million yen

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2009	-	-	-	12.50	12.50
FY2010	-	-			

3. Others (please see page 9 “Other information” for further details.)

(1) Changes in significant subsidiaries during the current period: None

(Note) Indicates whether there were changes in the specified subsidiaries resulting in a change in the scope of consolidation during the current period.

(2) Adoption of simplified accounting procedures and specific accounting procedures: Yes

(Note) Indicates whether the Group has adopted simplified accounting procedures and accounting procedures specific to quarterly consolidated financial statements.

(3) Changes in accounting principles and procedures, and methods of presentation

1) Changes due to revisions of accounting standards: Yes

2) Changes due to other reasons: No

(Note) Indicates whether there were changes in accounting principles and procedures, and methods of presentation related to the quarterly consolidated financial statements to be stated in the section “Summary of Changes in Accounting Policies and Procedures, and Methods of Presentation.”

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the end of the reporting period (including treasury stock):

September 30, 2010	519,156,817 shares
March 31, 2010	519,156,817 shares

2) Number of shares of treasury stock as of the end of the reporting period:

September 30, 2010	42,610,147 shares
March 31, 2010	42,610,147 shares

3) Average number of shares outstanding during the reporting period (cumulative):

September 30, 2010	476,546,670 shares
September 30, 2009	463,155,556 shares

*** Information Regarding the Quarterly Review Procedures**

This quarterly financial report is exempt from quarterly review procedures as stipulated under the Financial Instruments and Exchange Act of Japan. The securities report was filed on November 11, 2010.

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1. Qualitative Information Concerning Consolidated Financial Results for the First Six Months of FY2010

(1) Consolidated Operating Results

<Summary of Operating Result during the First Six Months of FY2010>

The Group recorded consolidated net sales of ¥573,994 million (3.6% increase year-on-year) for the six months ended September 30, 2010, with operating income of ¥69,870 million (15.8% increase year-on-year), ordinary income of ¥73,950 million (14.5% increase year-on-year), and net income of ¥53,188 million (17.4% increase year-on-year).

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	365,081	145,297	26,729	57,597	(20,711)	573,994
Segment income (loss)	68,301	17,082	(150)	3,370	(18,733)	69,870

1) Pharmaceuticals

Sales of Otsuka Pharmaceutical's anti-psychotic agent *ABILIFY* grew as a result of the increases in *ABILIFY Oral Solution 0.1%* and *ABILIFY Tablets 12mg* formulations in Japan. *ABILIFY* also performed well in the United States, with the approval for the treatment of irritability associated with autistic disorder in pediatric patients (ages 6 to 17 years) in November 2009 and its increased use as an adjunctive therapy for major depressive disorder, but exchange rate movements held sales in yen terms to marginal year-on-year growth. Sales of *ABILIFY* by country were as follows:

(Millions of yen)

	First six months of FY2009 (April 1, 2009 through September 30, 2009)	First six months of FY2010 (April 1, 2010 through September 30, 2010)
Japan	8,936	11,045
U.S.	151,775	152,423
Other	27,139	26,743
Total	187,851	190,212

The antiplatelet agent *Pletaal/Pletal* recorded solid growth as a result of the positive outcomes from the Cilostazol Stroke Prevention Study 2 (CSPS 2), a large-scale clinical trial, and the launch of the new orally disintegrating formulation, *Pletaal OD Tablets*, in April. Despite increased sales and marketing efforts, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined as a result of the introduction of generic versions of *Mucosta* in Japan.

In the field of oncology, *IV Busulfex*, a conditioning regimen prior to bone marrow transplant to treat chronic myeloid leukemia, performed well, primarily in North America. *SPRYCEL*, an anticancer agent co-promoted with Bristol-Myers Squibb Company, also contributed to sales.

At Taiho Pharmaceutical, sales of the anticancer agent *TS-1* were solid as results of the clinical trial for advanced or recurring colorectal cancer came out positive and as a result of the launch in Taiwan in September. The 5-HT$_3$ receptor antagonist antiemetic agent *Aloxi*, launched in April, recorded steady sales growth, while *Uzel*, a reduced folic acid formulation, showed sluggish sales growth as a result of the introduction of competing products in the oncology market.

Sales of the antiulcer agent *Protecadin*, a H$_2$-receptor antagonist, remained steady. The beta-lactamase inhibitor *Zosyn*, an injectable antibiotic containing the active ingredient tazobactam, is sold outside Japan through our licensing partner Pfizer Inc. and in Japan through our domestic licensing partner Taisho Toyama Pharmaceutical, and also contributed to sales.

In the clinical nutrition area, Otsuka Pharmaceutical Factory's high-calorie solutions *ELNEOPA No. 1 Injection* and *ELNEOPA No. 2 Injection*, formulated with glucose, electrolytes, amino acids, multi-vitamins, and trace elements, performed well. Anticoagulant Heparin solutions also continued to show solid results.

Research and development expenses increased during the six months ended September 30, 2010, as development of pipeline products, including aripiprazole intramuscular (IM) depot and OPC-34712, moved forward.

As a result, net sales of the pharmaceutical segment totaled ¥365,081 million (2.1% increase year-on-year), with operating income of ¥68,301 million (10.5% decrease year-on-year).

2) Nutraceuticals

Otsuka Pharmaceutical's *Pocari Sweat,* an electrolyte supplement drink recorded high growth. In addition to the successful promotion activities to instill a renewed recognition of the product's value in supplying electrolytes and hydration, a hot summer in Japan led to increased *Pocari Sweat* sales. Solid sales were recorded for *Oronamin C* as well, and the *Calorie Mate* brand also recorded increased sales as a result of the introduction of a new flavor, Maple.

Sales of Taiho Pharmaceutical's *Tiovita* brand rose as a result of the enhancement of its product lineup with the addition of *Tiovita Drink Aivitas.*

The crude drug gastrointestinal remedy *Solmack* sales decreased, reflecting market weakness from a prolonged decline in consumer spending.

The operating margin of the nutraceutical segment improved during the six months ended September 30, 2010, due to cost reductions from improved efficiency in managing sales promotion and advertising expenses.

As a result, net sales of the nutraceutical segment totaled ¥145,297 million (7.8% increase year-on-year), with operating income of ¥17,082 million (287.4% increase year-on-year).

3) Consumer products

Although sales of *Match,* a carbonated electrolyte drink containing vitamins, showed positive growth, beverage sales at Otsuka Foods recorded decreased sales due to the effect of the aggressive pricing policies by the competitors.

Effective January 1, 2010, Otsuka Beverage was merged into Otsuka Foods. Synergies created by the merger and the reallocation of sales promotion and advertising expenses resulted in an improvement in the operating margin.

However, the impact of intensified competition and a decline in consumer purchasing sentiment from weak economic conditions resulted in sales of ¥26,729 million (9.4% decrease year-on-year), with a ¥150 million operating loss (96.9% decrease year-on-year).

4) Others

Otsuka Chemical's specialty chemical business, which supplies materials for the automotive and electronic component sectors, recorded continued sales growth, and the fine chemical business, which manufactures and markets pharmaceutical intermediates recorded solid growth in India. In September 2010, the AgriTechno division was spun-off.

Otsuka Warehouse recorded solid growth as the increase in beverage sales resulted in the volume of beverages handled.

As a result, net sales of other businesses totaled ¥57,597 million (11.1% increase year-on-year), with operating income of ¥3,370 million (43.9% increase year-on-year).

<Research and Development Activities and Achievements during the First Six Months of FY2010>

Otsuka Group's research and development activities target the development of innovative products that benefit the health of people around the world focusing on the prevention, diagnosis, and treatment of diseases, and maintaining and improving daily health. Research and development expenses during the six months ended September 30, 2010 totaled ¥80,217 million.

The primary areas of research and development were as follows.

(Pharmaceuticals)

Otsuka Group conducts research and development with a focus on addressing unmet medical needs.

1) Therapeutic drugs

Otsuka Pharmaceutical conducts research and development with the highest priority in the areas of central nervous system and oncology. Construction of the 10th Research Center, which will be the central facility for basic research, was completed in Tokushima in April 2010. Oncology is the highest priority R&D area for Taiho Pharmaceutical, which carries out its research and development as a specialty pharmaceutical company. Research and development activities carried out during the six months ended September 30, 2010 were summarized below.

Company	Category	Brand Name / Generic Name / Development Code	Status
Otsuka Pharmaceutical	Central nervous system	*E Keppra*	In cooperation with UCB, the antiepileptic drug *E Keppra* received manufacturing and marketing approval in July 2010, and co-promotion with UCB Japan began in September.
		ABLIFY	➢ Phase III trials of intramuscular depot began in Japan. ➢ Phase III trials of combination of aripiprazole and antidepressants for major depressive disorder began in the U.S. ➢ Phase I trials of once-weekly tablet for Tourette syndrome began in the U.S.
		OPC-34712	➢ Phase II trials for ADHD began in the U.S. ➢ Global Phase II trials for schizophrenia began in 12 countries including the U.S.
	Oncology	cannabinoid	Extension to cannabinoid research collaboration with GW Pharmaceuticals (headquartered in the U.K.) was signed in June 2010.
		SPRYCEL	Supplemental New Drug Application (sNDA) for *SPRYCEL* was granted priority review designation by the U.S. FDA for the treatment of adult patients with newly diagnosed chronic myeloid leukemia (CML) in chronic phase. *SPRYCEL* is an anticancer agent which was discovered by Bristol-Myers Squibb and for which Otsuka Pharmaceutical entered into collaboration with Bristol-Myers Squibb.
	Cardiovascular	*Pletaal/Pletal*	Results of CSPS 2 (Cilostazol Stroke Prevention Study 2), a large-scale clinical trial, were published in The Lancet Neurology in September 2010.
		SAMSCA	Application for hyponatremia filed in China
	Ophthalmology	OPA-6566	Otsuka Pharmaceutical and Acucela Inc. entered into a definitive agreement in September 2010 to co-develop and co-promote OPA-6566, an adenosine A2a receptor agonist discovered and developed by Otsuka for the treatment of glaucoma, in the U.S.
		rebamipide	Phase III trials completed and filing in progress in Japan for treatment of dry eye.
Taiho Pharmaceutical	Oncology	*Aloxi*	5-HT_3 receptor antagonist antiemetic *Aloxi* launched in Japan in April 2010.
		Abraxane	Anticancer agent *Abraxane* launched in Japan in September 2010.

2) Clinical nutrition

At Otsuka Pharmaceutical Factory, the applications for *HEPAFILLED for Dialysis 150 Units/mL SYRINGE 20mL* and *HEPAFILLED for Dialysis 200 Units/mL SYRINGE 20mL* were submitted in Japan in June 2010 and are currently under review.

3) Diagnostics

Otsuka Pharmaceutical obtained manufacturing and marketing approval for the *Streptococcus pneumoniae* kit, *RAPIRUN Pneumococcus,* and the *H. pylori* antibody kit*, RAPIRUN H. Pylori Antibody Stick*, in May and June 2010, respectively.

Research and development expenses for the pharmaceutical business were ¥74,404 million.

(Nutraceuticals)

Otsuka Pharmaceutical developed, and in July 2010 released, *SOYSH* carbonated soy beverage, based on the new concept of combining soy with carbonated drink. This new beverage offers an easy and delicious way to enjoy the abundant nutrition of soy without the noticeable aftertaste.

In the Cosmedics area, which is based on the concept of “healthy skin,” the *UL·OS* face and body skincare lineup was expanded with the release of *Medicated Skin Wash* in April.

Taiho Pharmaceutical enhanced the *Tiovita* brand lineup with the release of the *Tiovita Drink Aivitas* in June.

Research and development expenses for the nutraceutical business were ¥2,577 million.

(Consumer products)

There were no significant changes in the status of research and development for the consumer products business during the six months ended September 30, 2010.

Research and development expenses for the consumer products business were ¥221 million.

(Others)

In addition to existing areas, Otsuka Chemical focused on development of new chemical compounds for the energy and environment area, and also accelerated its research and development activities related to oligosaccharides, based on its proprietary core technologies.

There were no significant changes in the status of research and development for other businesses during the six months ended September 30, 2010.

Research and development expenses for other businesses were ¥3,014 million.

(2) Consolidated Financial Position

1) Assets

Total assets as of September 30, 2010 were ¥1,439,216 million, a decrease of ¥19,159 million compared to ¥1,458,375 million at the end of the previous fiscal year. The decrease was due to the ¥1,106 million decrease in current assets, ¥18,049 million decrease in fixed assets and ¥4 million decrease in deferred assets.

(Current Assets)

Total current assets as of September 30, 2010 were ¥750,409 million, a decrease of ¥1,106 million compared to ¥751,515 million at the end of the previous fiscal year. The decrease was due mainly to the ¥14,227 million decrease in "cash and deposits" as a result of income tax payment and repayment of debt, which was partially offset by the ¥10,366 million increase in "notes and accounts receivable-net" which was caused by a seasonal variance.

(Fixed Assets)

Total fixed assets as of September 30, 2010 were ¥688,748 million, a decrease of ¥18,049 million compared to ¥706,797 million at the end of the previous fiscal year. The decrease was due mainly to the decline in foreign currency based fixed assets in yen terms resulting from the effect of the appreciation of the yen.

2) Liabilities

(Current Liabilities)

Total current liabilities as of September 30, 2010 were ¥279,405 million, a decrease of ¥32,404 million compared to ¥311,809 million at the end of the previous fiscal year. The decrease was due mainly to the ¥20,139 million decrease in short-term borrowings as a result of the repayment of debt and ¥15,981 million decrease in income taxes payable as a result of the income tax payment.

(Fixed Liabilities)

Total fixed liabilities as of September 30, 2010 were ¥178,248 million, a decrease of ¥19,861 million compared to ¥198,109 million at the end of the previous fiscal year. The decrease was due mainly to the ¥14,468 million decrease in long-term debt as a result of repayment and reclassification to short-term borrowings, and ¥3,837 million decrease in other fixed liabilities.

In April 2009, the Group and Bristol-Myers Squibb Company agreed to extend the U.S. portion of the development and commercialization collaboration agreement for Abilify. Under the terms of the agreement, the Group received $400 million, which was recorded as unearned revenues and is being amortized as revenue over the period from January 2010 to April 2015.

3) Net Assets

Total net assets as of September 30, 2010 was ¥981,562 million, an increase of ¥33,106 million compared to ¥948,456 million at the end of the previous fiscal year. The increase was due mainly to the ¥46,644 increase in retained earnings, which was partially offset by the ¥11,822 decrease in "foreign currency translation adjustments" resulting from the effect of the appreciation of the yen.

2. Other Information

(1) Changes in significant subsidiaries during the current period

(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

None

(2) Adoption of simplified accounting procedures and specific accounting procedures

1) Valuation of inventories:

Inventories at the end of the second quarter are mainly calculated from the perpetual records in lieu of an actual physical inventory.

2) Depreciation of property, plant and equipment:

For property, plant and equipment depreciated using the declining-balance method, depreciation expense applicable to the fiscal year is allocated to the period on a pro-rata basis.

(3) Changes in accounting principles and procedures, and methods of presentation

1) Changes in accounting standards

(a) Asset retirement obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

The effect of this change was to decrease operating income for the six months ended September 30, 2010 by ¥10 million and income before income taxes and minority interests for the six months ended September 30, 2010 by ¥437 million. The increase in the asset retirement obligation amount as a result of the application of the accounting standard was ¥560 million.

(b) Unification of accounting policies applied to foreign associated companies for the equity method

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24 issued on March 10, 2008).

There was no impact on the Group's interim consolidated financial statements as a result of this change.

(c) Business combinations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

There was no material impact on the Group's interim consolidated financial statements as a result of these changes.

2) Changes in methods of presentation

(a) Quarterly Consolidated Statement of Income

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the "Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation of Consolidated Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009) in accordance with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008) and included the line item "Income Before Minority Interests" in the Consolidated Financial Statement for the current period.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
ASSETS		
Current assets		
Cash and deposits	286,441	300,668
Notes and accounts receivable-trade	242,100	231,734
Marketable securities	38,932	50,211
Finished products and merchandise	67,384	64,163
Work-in process	24,511	22,948
Raw materials and supplies	28,715	28,308
Other current assets	62,660	53,879
Allowance for doubtful receivables	(337)	(397)
Total current assets	750,409	751,515
Fixed assets		
Tangible fixed assets	260,895	260,935
Intangible fixed assets		
Goodwill	43,937	44,751
Other intangible fixed assets	38,413	43,647
Total intangible fixed assets	82,350	88,399
Investments and other assets		
Investment securities	271,615	278,522
Investments in capital	22,357	24,349
Other assets	54,421	57,322
Allowance for investment loss	(2,745)	(2,445)
Allowance for doubtful receivables	(146)	(286)
Total investments and other assets	345,502	357,463
Total fixed assets	688,748	706,797
Deferred assets	58	62
Total assets	1,439,216	1,458,375
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	100,560	93,967
Short-term borrowings	42,568	62,707
Income taxes payable	19,349	35,331
Reserve for bonuses	15,771	16,153
Other reserves	194	450
Other current liabilities	100,960	103,198
Total current liabilities	279,405	311,809
Long-term liabilities		
Long-term debt	47,920	62,388
Liability for employees’ retirement benefits	44,863	45,081
Other reserves	3,207	3,313
Negative goodwill	30,165	31,397
Other long-term liabilities	52,091	55,928
Total long-term liabilities	178,248	198,109
Total liabilities	457,653	509,919

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
NET ASSETS		
Shareholders' equity		
Common stock	42,946	42,946
Capital surplus	432,482	432,482
Retained earnings	578,676	532,032
Treasury stock	(45,354)	(45,354)
Total shareholders' equity	1,008,750	962,105
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	2,317	4,258
Deferred loss on derivatives under hedge accounting	-	(14)
Foreign currency translation adjustments	(41,882)	(30,059)
Total valuation and translation adjustments	(39,564)	(25,816)
Stock acquisition rights	129	-
Minority interests	12,246	12,166
Total net assets	981,562	948,456
Total liabilities and net assets	1,439,216	1,458,375

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2009	For the six months ended September 30, 2010
Net sales	553,872	573,994
Cost of sales	182,642	192,521
Gross profit	371,229	381,472
Selling, general and administrative expenses		
Promotion expenses	102,475	92,080
Salaries and bonuses	35,040	35,689
Reserve for bonuses	8,259	9,240
Retirement benefit expenses	3,871	3,534
Amortization of goodwill	2,126	2,245
Research and development expenses	67,440	80,217
Other	91,691	88,594
Total selling, general and administrative expenses	310,905	311,602
Operating income	60,324	69,870
Non-operating income		
Interest income	701	587
Dividend income	1,081	606
Amortization of negative goodwill	1,232	1,263
Equity in earnings of unconsolidated subsidiaries and affiliates	4,138	3,554
Revenues related to extension of co-promotion agreement	-	3,660
Other	1,400	1,140
Total non-operating income	8,553	10,813
Non-operating expenses		
Interest expenses	2,029	806
Foreign exchange loss, net	1,897	5,676
Other	354	250
Total non-operating expenses	4,281	6,733
Ordinary income	64,595	73,950
Extraordinary income		
Gain on sales of fixed assets	18	155
Gain on change in equity interest	-	5,571
Other	81	78
Total extraordinary income	100	5,805
Extraordinary loss		
Impairment loss	51	734
Provision of allowance for investment loss	1,229	301
Effect of adoption of accounting standard for asset retirement obligations	-	426
Loss on transfer of business	-	1,900
Other	643	428
Total extraordinary loss	1,925	3,791
Income before income taxes and minority interests	62,771	75,963
Income taxes		
Current	36,320	20,700
Deferred	(19,124)	1,337
Total income taxes	17,195	22,037
Income before minority interests	-	53,926
Minority interests in net income	286	738
Net income	45,289	53,188

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2009	For the six months ended September 30, 2010
Operating activities:		
Income before income taxes and minority interests	62,771	75,963
Depreciation and amortization	20,702	21,061
Impairment loss	51	734
Amortization of goodwill	894	981
Increase in liability for employees' retirement benefits	2,118	705
Decrease in allowance for doubtful receivables	(8)	(167)
Interest and dividend income	(1,782)	(1,194)
Interest expense	2,029	806
Equity in earnings of unconsolidated subsidiaries and affiliates	(4,138)	(3,554)
Gain on change in equity interest	-	(5,571)
Loss on transfer of business	-	1,900
Increase in account receivables-trade	(4,863)	(16,524)
Increase in inventories	(1,008)	(9,853)
Increase (decrease) in account payables-trade	(2,994)	10,875
(Decrease) increase in long-term unearned revenues	33,556	(3,660)
Other, net	4,769	(4,563)
Subtotal	112,098	67,939
Interest and dividends received	4,822	4,867
Interest paid	(2,024)	(902)
Income taxes paid	(12,915)	(36,977)
Net cash provided by operating activities	101,981	34,927
Investing activities:		
Purchases of property, plant and equipment	(17,086)	(19,603)
Proceeds from sales of property, plant and equipment	58	284
Purchases of investment securities	(8,390)	(18,941)
Proceeds from sales and redemptions of investment securities	9,158	17,736
Payments for investments in capital	-	(726)
Proceeds from transfer of business	-	2,099
Payments of loans receivables	(141)	(36)
Proceeds from collection of loans receivables	61	169
Payments into time deposits	(5,401)	(6,388)
Proceeds from withdrawal of time deposits	3,416	4,234
Other, net	(1,617)	(4,064)
Net cash used in investing activities	(19,944)	(25,237)
Financing activities:		
(Decrease) increase in short-term debt-net	22,968	(3,855)
Proceeds from long-term debt	1,106	1,923
Repayments of long-term debt	(22,086)	(28,045)
Redemption of bonds	(7,794)	-
Dividends paid	(5,879)	(5,957)
Dividends paid to minority interest in consolidated subsidiaries	(639)	(144)
Other, net	(1,670)	(1,923)
Net cash used in financing activities	(13,995)	(38,003)
Foreign currency translation adjustments on cash and cash equivalents	2,064	(2,746)
Net (decrease) increase in cash and cash equivalents	70,106	(31,060)
Cash and cash equivalents, beginning of period	230,104	321,306
Cash and cash equivalents of newly consolidated subsidiaries	3,889	1,538
Cash and cash equivalents, end of period	304,099	291,784

(4) Segment Information

For the six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

[Reporting Segments]

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20 issued on March 21, 2008).

The Group's reporting segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors, in order to make decisions on allocation of business resources and to evaluate the business performances of the respective segments.

The Group's core business is in healthcare and the Group categories the "Pharmaceuticals", "Nutraceuticals", "Consumer products" and "Other" businesses as the four reporting segments.

The Group defines the reporting segments as follows:

- Pharmaceuticals, which is comprised of research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which is comprised of production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which is comprised of mineral water, beverages and food products.
- Other, which encompasses other operations, comprised of logistics, warehousing, chemical products and electronics.

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	365,081	144,254	26,285	38,373	573,994	-	573,994
Intersegment sales	-	1,043	443	19,224	20,711	(20,711)	-
Total	365,081	145,297	26,729	57,597	594,706	(20,711)	573,994
Segment income (loss)	68,301	17,082	(150)	3,370	88,603	(18,733)	69,870

Note:

1) Adjustments to segment income of ¥18,733 million include intersegment eliminations of ¥782 million and unallocated corporate expenses of ¥19,515 million. Corporate expenses include costs associated with headquarter and basic research functions.
2) Segment income is adjusted to the operating income in the interim consolidated statement of income.

For the six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

[Business Segments]

Effective April 1, 2009, the Group modified its business segmentation from "Pharmaceuticals", "Consumer products" and "Other" to "Pharmaceuticals", "Nutraceuticals", "Consumer products" and "Other" in order to separate the functional products, which are based on scientific concepts as "Nutraceuticals", and to be able to monitor the business independently.

The Group defines the new segments as follows:

- Pharmaceuticals, which is comprised of research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which is comprised of production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which is comprised of mineral water, beverages and food products.
- Other, which encompasses other operations, comprised of logistics, warehousing, chemical products, agricultural products and electronics.

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Eliminations /Corporate	Consolidated
Net sales							
Sales to customers	357,550	133,802	29,098	33,421	553,872	-	553,872
Intersegment sales	8	946	397	18,426	19,777	(19,777)	-
Total	357,558	134,748	29,495	51,847	573,650	(19,777)	553,872
Operating income (loss)	76,327	4,409	(4,800)	2,342	78,279	(17,955)	60,324

[Geographical Segments]

The geographical segments are classified as "Japan", "U.S.", and "Other". Consistent with the business segment information, corporate administrative expenses that cannot be classified into any specific segments are included in "Eliminations/Corporate".

(Millions of yen)

	Japan	U.S.	Others	Total	Eliminations /Corporate	Consolidated
Net sales						
Sales to customers	313,967	182,103	57,800	553,872	-	553,872
Intersegment sales	54,280	15,722	2,606	72,608	(72,608)	-
Total	368,247	197,825	60,407	626,481	(72,608)	553,872
Operating income	55,845	5,333	3,811	64,989	(4,665)	60,324

[Overseas sales]

(Millions of yen)

	U.S.	Others	Total
Overseas sales	190,643	68,388	259,032
Consolidated sales			553,872
Overseas sales as a percentage of consolidated net sales (%)	34.4	12.3	46.8