ROHTO

November 12, 2008

Financial Results for the First Half of Fiscal Year Ending March 31, 2009 (Six Months Ended September 30, 2008)

Company name: ROHTO Pharmaceutical Co., Ltd. Stock Exchange listing: TSE/OSE, First Section
Stock code: 4527 URL: http://www.rohto.co.jp
Representative: Kunio Yamada, President and CEO
Contact: Masanori Kimura, Director, General Manager, General Administration Group
Telephone: 81-(0) 6-6758-1211

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Scheduled date of dividend payment: December 10, 2008

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 2008	51,665	-	4,464	-	4,515	-	2,751	-
Six months ended Sep. 2007	49,450	13.7	4,702	0.7	4,462	5.1	2,823	7.5

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 2008	23.58	23.38
Six months ended Sep. 2007	24.43	23.99

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2008	117,016	68,188	57.7	574.27
As of Mar. 31, 2008	120,183	69,417	57.7	598.87

Reference: Shareholders' equity (Millions of yen): Sep. 30, 2008: 67,543 Mar. 31, 2008: 69,370

2. Dividends

Dividends by cash

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 2008	-	6.00	-	6.00	12.00
Fiscal year ending Mar. 2009	-	6.00			13.00
Fiscal year ending Mar. 2009 (forecast)			-	7.00	

Note: Revision of dividend forecast during the period: Yes

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	111,000	2.7	11,700	(10.3)	11,600	(6.0)	7,300	(3.0)	62.07

Note: Revision of consolidated forecast during the period: Yes

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on pages 5-7 for further information.

(4) Number of outstanding shares (common shares)

1) Shares outstanding at end of period (including treasury stock):

Sep. 30, 2008:	117,907,528 shares	Mar. 31, 2008:	116,107,795 shares

2) Treasury stock at end of period:

Sep. 30, 2008:	289,918 shares	Mar. 31, 2008:	271,805 shares

3) Average number of shares outstanding during the period:

Six months ended Sep. 2008:	116,702,961 shares	Six months ended Sep. 2007:	115,539,046 shares

* Cautionary statement with respect to forward-looking statements

1. Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12: Accounting Standards Board of Japan, March 14, 2007) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14: Accounting Standards Board of Japan, March 14, 2007). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements." The Company has elected early application of the amended Regulations for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008).
2. Please refer to "Qualitative Information and Financial Statements, 3. Qualitative information regarding consolidated forecast" on page 4 for precondition and assumption as the basis of the above forecasts.

Reference: Non-consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	70,000	3.8	9,700	3.8	10,100	11.0	6,200	12.9	52.71

Note: Revision of non-consolidated forecast during the period: Yes

Qualitative Information and Financial Statements

1. Qualitative information regarding consolidated results of operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended Sep. 2008	51,665	4,464	4,515	2,751
Six months ended Sep. 2007	49,450	4,702	4,462	2,823
YoY change (%)	4.5	(5.1)	1.2	(2.5)

In the first half of the current fiscal year the financial crisis stemming from the US spread throughout the global economy, affecting the real economy in such areas as employment and consumption. Symptoms of a downturn have appeared everywhere. In Japan, soaring prices for crude oil and raw materials have led to declining corporate earnings, while consumer spending and capital investment has been weak, exacerbating economic uncertainty. In the healthcare-related industry, as elsewhere, the management environment remains harsh, with competition intensifying in all industries.

In this situation, the Rohto Group is planning to move into new fields with customer-oriented development and marketing activities for new products. In its existing markets, the Group has endeavored to develop high value-added products and activate markets. As a result, ordinary income and net income both exceeded projections, although net sales underperformed somewhat as overseas subsidiaries struggled.

In Japan’s eye care market, hay fever products struggled while the focus on our core eye drops produced strong returns. Among the latter, *Rohto V 11* offers a combination of 11 active ingredients, the largest number among Japanese eye-care products, while eye drops for middle-aged and senior customers became topical due to the appeal of a unique commercial. In the domestic skincare market, the *Hada (Skin) Labo* and *50-no-Megumi* series of beauty care products performed well, with new products such as the *Mama Hug* brand and the *Mentholatum Flady CC Vaginal Tablets*, treatment for vaginal candida, also contributing to the rise in sales. Regarding internal medicines, the *Wakansen* series centered on *Rohto Bofu-Tsusho-San* performed strongly amid growing interest in the prevention of a series of metabolic syndromes.

Overseas, the strong yen and other factors led to a fall in sales in North America and Europe.

As a result, net sales rose just 4.5% year-on-year to 51,665 million yen.

Regarding profits, operating income fell 5.1% year-on-year to 4,464 million yen, ordinary income rose 1.2% to 4,515 million yen, and net income fell 2.5% to 2,751 million yen. Contributing factors included the new accounting procedures introduced in Japan in the first quarter, which require unified accounts processing with foreign subsidiaries, together with amortization of goodwill implemented at these subsidiaries.

Furthermore, in order to apply the regulations for quarterly consolidated financial statements from the current fiscal year, actual results and percentage change over the same period of the previous fiscal year are recorded for reference purposes.

2. Qualitative information regarding consolidated financial position

Assets totaled 117,016 million yen at the end of first half of the current fiscal year, 3,166 million yen less than at the end of the previous fiscal year. There was an increase of 1,932 million yen in notes and accounts receivable-trade and 1,860 million yen in merchandise and finished goods, but intangible fixed assets declined by 8,052 million yen.

Liabilities decreased 1,937 million yen to 48,828 million yen. This is due to such factors as a 1,075 million yen fall in convertible bonds and a 640 million yen fall in reserve for directors' retirement benefits accompanying the termination of the retirement benefit plan for directors and corporate auditors.

Net assets decreased 1,229 million yen to 68,188 million yen. Although capital stock and capital surplus increased 538 million yen and 536 million yen respectively, there was a decline of 3,294 million yen in retained earnings.

Moreover, the decline in intangible fixed assets and retained earnings (mentioned above) is mainly attributable to the Company adopting the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18: Accounting Standards Board of Japan, May 17, 2006) from the first quarter of the current fiscal year, and to implementing amortization of goodwill possessed by the foreign subsidiaries.

3. Qualitative information regarding consolidated forecast

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal year ending Mar. 2009	111,000	11,700	11,600	7,300
Fiscal year ended Mar. 2008	108,131	13,037	12,338	7,525
YoY change (%)	2.7	(10.3)	(6.0)	(3.0)

Amid a harsh environment, first-half results stayed generally in line with projections. However, the impact of the financial crisis on the real economy has led to fears of an economic recession and predictions of an uncertain future.

In this environment, the Rohto Group will take advantage of opportunities created by deregulation and shifts in the healthcare industry's operating environment. Two priorities are entering new market sectors and introducing value-added products. In addition, plans include using the overseas network to expand operations while conducting extensive actions to cut costs and use expenses more productively. All activities will be focused on the goals of achieving further growth in operations and improving earnings.

In Japan, we are committed to cultivating beauty care products and existing brands while planning to establish ourselves in new areas with products such as the *Wakansen* series. Another goal is reinforcing R&D capabilities, primarily at Rohto Research Village Kyoto, in order to develop new products. To grow overseas, the Rohto Group will use its collective resources to launch new brands and rapidly increase sales of new products.

Results forecasts for the full fiscal year announced on August 7, 2008 have changed. Influenced by the appreciating yen, we anticipate net sales will rise 2.7% year-on-year to 111 billion yen. Due to such factors as the change in accounting procedures, we forecast a 10.3% fall in operating income to 11.7 billion yen, a 6.0% fall in ordinary income to 11.6 billion yen, and a 3.0% fall in net income to 7.3 billion yen. We expect to ensure a substantial rise in income after excluding factors such as amortization of goodwill. These forecasts are based on an exchange rate of 100 yen to the US dollar over the full-year period.

* The forecasts above have been prepared based on information available at the time this report was prepared. Actual results of operations may differ from the forecasts depending on various factors.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation)

No reportable information.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

1) Simplified accounting methods

Calculation method of depreciation expense for fixed assets

For assets subject to the declining balance method, depreciation for the first half of the current fiscal year was calculated pro rata based on the amount for the full year.

2) Special accounting methods in the preparation of quarterly consolidated financial statements

Calculation of tax expense

Tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes and minority interests during the fiscal year, and multiplying that rate by the quarterly income before income taxes and minority interests.
Deferred income taxes were included and displayed with current income taxes.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards

Application of the “Accounting Standard for Quarterly Financial Statements”

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12: Accounting Standards Board of Japan, March 14, 2007) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14: Accounting Standards Board of Japan, March 14, 2007). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements. The Company has elected early application of the amended Regulations for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008).

Application of the “Accounting Standard for Measurement of Inventories”

The Company and its domestic consolidated subsidiaries have adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9: Accounting Standards Board of Japan, July 5, 2006) from the first quarter of the current fiscal year. The measurement method has been changed from the cost method to the cost method (by which the amounts of inventories are subject to write-down due to decreased profitability of assets). The effect of this change was to decrease gross profit, operating income, ordinary income and income before income taxes and minority interests by 31 million yen each in the first half of the current fiscal year. The effect of these changes on segment operations is shown in the Segment Information section.

Also from the first quarter of the current fiscal year, the Company has changed the accounting for loss on disposal on inventories by reporting it as cost of sales instead of previously reported non-operating expense. The decision to reconsider the presentation method of loss on disposal of inventories was made in conjunction with the adoption of the abovementioned “Accounting Standard for Measurement of Inventories” in order to present operating results more appropriately through including in cost of sales such an expense item as is unavoidable in the course of sales and production operations. The effect of this change was to decrease gross profit and operating income by 180 million yen each, and increase ordinary income and income before income taxes and minority interests by 26 million yen each in the first half of the current fiscal year. The effect of these changes on segment operations is shown in the Segment Information section.

Application of the “Accounting Standard for Lease Transactions” and other pronouncements

The Company and its domestic consolidated subsidiaries have adopted the following accounting standards ahead of schedule, beginning with consolidated financial statements for the first quarter of the current fiscal year: “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: revised on March 30, 2007 by the Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: revised on March 30, 2007 by the Accounting Standards Board of Japan). Regarding finance leases where there is no transfer of ownership will be booked as leased assets, as the Company and its domestic consolidated subsidiaries have changed from an accounting method that is based on the method used for ordinary lease transactions, to an accounting method that is based on the method used for ordinary purchases and sales transactions.

Furthermore, the depreciation of lease assets use a method where the lease period is considered the useful life of the asset, and residual value is set at zero.

For finance lease transactions where there is no transfer of ownership beginning prior to the fiscal year when these standards are first applied, the Company and its domestic consolidated subsidiaries will continue to use an accounting method that is based on the method used for ordinary lease transactions.

These changes have no effect on assets and profit/loss.

Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the first quarter of the current fiscal year, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18: Accounting Standards Board of Japan, May 17, 2006) has been adopted to make necessary adjustments for the purpose of consolidated financial statement preparation. The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by 812 million yen each, and decrease beginning balance of retained earnings by 5,349 million yen in the first half of the current fiscal year. The effect of this change on segment operations is shown in the Segment Information section.

2) Other changes

(Change in useful lives concerning depreciation of machinery and equipment)

As a result of reviewing asset utilization status in conjunction with the revision of Corporation Tax Law (Law for Partial Revision of Corporation Tax Law, etc., Law No. 23, April 30, 2008), the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery and equipment effective from the first quarter of the current fiscal year. The effect of this change was to increase operating income, ordinary income and income before income taxes and minority interests by 46 million yen each in the first half of the current fiscal year. The effect of these changes on segment operations is shown in the Segment Information section.

(Change in retirement benefit plan for directors and corporate auditors)

The Company has abolished the retirement benefit plan for directors and corporate auditors at the close of the 72nd annual general meeting of shareholders held on June 25, 2008. Regarding final payment to the directors and corporate auditors reappointed at the general meeting of the amounts equivalent to retirement benefits corresponding to each service period, which starts at the time of first appointment and ends at the close of the general meeting, the Company has granted each of them the alternative of receiving either a lump-sum payment in cash or stock acquisition rights of equivalent value under the stock option scheme as share-based compensation. As a result, out of the balance of “Reserve for directors’ retirement benefits” account reported at the end of the first quarter of the current fiscal year, 37 million yen has been transferred to “Accrued retirement benefits” account, which is included in the line item “Other” in the non-current liabilities section of the balance sheet, and 593 million yen transferred to the “stock acquisition rights” account, which is presented in the net assets section of the balance sheet.

The domestic consolidated subsidiaries have continued to record reserve for directors’ retirement benefits in the full amount payable at each fiscal year end in accordance with the bylaws of each subsidiary.

(Reporting of reserve for retirement benefits)

To provide for retirement benefits to the employees, the Company and its domestic consolidated subsidiaries recognize the amount of net retirement benefit obligation which is deemed to be accrued at the end of the second quarter of the current fiscal year based on the projected benefit obligation and the estimated value of pension assets also at end of the second quarter, and then report it as reserve for retirement benefits. However, as the estimated value of pension assets exceeded the aggregate amount of the projected benefit obligations, unrecognized actuarial gains and losses, and unrecognized prior service cost under the Company’s defined benefit corporate pension plan at the end of the second quarter, the exceeded amount, which is 28 million yen, is accounted for as prepaid pension expense, and reported in the line item “Other” of “Investment and other assets” section of the balance sheet.

The Company’s U. S. consolidated subsidiaries continue to account for the retirement benefit obligations based on the reporting standard for reserve for retirement benefits adopted in the previous consolidated fiscal year.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and deposits	4,550	9,809
Notes and accounts receivable-trade	29,639	27,707
Marketable securities	0	21
Merchandise and finished goods	9,514	7,654
Work in process	985	834
Raw materials and supplies	5,536	3,987
Other	4,211	3,657
Allowance for doubtful accounts	(250)	(257)
Total current assets	54,188	53,414
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,913	16,124
Machinery, equipment and vehicles, net	6,107	6,187
Other	13,662	11,596
Total property, plant and equipment	35,683	33,908
Intangible fixed assets		
Goodwill	3,546	9,655
Other	1,687	3,631
Total intangible fixed assets	5,233	13,286
Investments and other assets		
Investment securities	18,466	18,347
Other	3,462	1,248
Allowance for doubtful accounts	(18)	(22)
Total investments and other assets	21,910	19,574
Total fixed assets	62,827	66,769
Total assets	117,016	120,183

(Millions of yen)

	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,753	8,015
Short-term loans payable	2,566	2,922
Current portion of convertible bonds	-	1,075
Accrued income taxes	2,057	2,887
Reserve for bonuses	1,611	1,576
Reserve for directors' bonuses	15	42
Reserve for returned goods unsold	692	611
Reserve for rebates of sales	2,196	1,743
Other	17,106	18,702
Total current liabilities	36,999	37,575
Non-current liabilities		
Long-term loans payable	6,385	6,603
Reserve for retirement benefits	1,110	1,355
Reserve for directors' retirement benefits	137	777
Other	4,195	4,454
Total non-current liabilities	11,829	13,190
Total liabilities	48,828	50,765
Net assets		
Shareholders' equity		
Capital stock	6,398	5,860
Capital surplus	5,517	4,980
Retained earnings	52,350	55,645
Treasury stock	(225)	(203)
Total shareholders' equity	64,041	66,283
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,687	4,891
Deferred gains or losses on hedges	(9)	(13)
Translation adjustments	(1,175)	(1,791)
Total valuation and translation adjustments	3,502	3,086
Stock acquisition rights	593	-
Minority interests	50	47
Total net assets	68,188	69,417
Total liabilities and net assets	117,016	120,183

(2) Consolidated Statements of Income

(For the Six-month Period)

(Millions of yen)

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)
Net sales	51,665
Cost of sales	21,474
Gross profit	30,191
Reversal of reserve for returned goods unsold	80
Gross profit -net	30,110
Selling, general and administrative expenses	25,645
Operating income	4,464
Non-operating income	
Interest income	58
Dividend income	183
Other	117
Total non-operating income	359
Non-operating expenses	
Interest expenses	237
Equity in losses of affiliates	0
Other	71
Total non-operating expenses	308
Ordinary income	4,515
Extraordinary income	
Reversal of allowance for doubtful accounts	31
Total extraordinary income	31
Extraordinary losses	
Loss on valuation of investment securities	26
Total extraordinary losses	26
Income before income taxes and minority interests	4,520
Income taxes	1,764
Minority interests (deduction) in income	4
Net income	2,751

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	4,520
Depreciation and amortization	2,043
Amortization of goodwill	718
Increase (decrease) in allowance for doubtful accounts	(31)
Increase (decrease) in reserve for bonuses	36
Increase (decrease) in reserve for directors’ bonuses	(27)
Increase (decrease) in reserve for retirement benefits	(275)
Increase (decrease) in reserve for returned goods unsold	80
Increase (decrease) in reserve for rebates of sales	453
Gain (loss) on valuation of investment securities	26
Interest and dividend income	(241)
Interest expenses	237
Equity in (earnings) losses of affiliates	0
Decrease (increase) in notes and accounts receivable-trade	(1,488)
Decrease (increase) in inventories	(3,468)
Increase (decrease) in notes and accounts payable-trade	2,585
Other	(2,586)
Subtotal	2,583
Interest and dividends income received	229
Interest expenses paid	(240)
Income tax paid	(2,868)
Net cash used in operating activities	(296)
Cash flows from investing activities	
Purchase of property, plant and equipment	(2,811)
Purchase of intangible fixed assets	(38)
Purchase of investment securities	(407)
Other	(149)
Net cash used in investing activities	(3,406)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	(600)
Proceeds from long-term loans payable	140
Repayment of long-term loans payable	(386)
Cash dividends paid	(695)
Other	(25)
Net cash used in financing activities	(1,566)
Effect of exchange rate changes on cash and cash equivalents	1
Increase (decrease) in cash and cash equivalents	(5,268)
Cash and cash equivalents at the beginning of period	9,709
Cash and cash equivalents at the end of period	4,440

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12: Accounting Standards Board of Japan, March 14, 2007) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14: Accounting Standards Board of Japan, March 14, 2007). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.” The Company has elected early application of the amended Regulations for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008).

(4) Going Concern Assumption

No reportable information.

(5) Segment Information

1. Operating segment information

(Millions of yen)

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)						
	Eye care products	Skincare products	Internal medicines	Others	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	12,232	29,299	7,495	2,637	51,665	-	51,665
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	12,232	29,299	7,495	2,637	51,665	-	51,665
Operating income	3,322	2,091	225	171	5,812	(1,347)	4,464

Notes: 1. Method of segmentation
The operating segment information is presented on the basis of the similarity of its products, in use of products and how they are manufactured.

2. Summary of operating segments
(1) Eye care products: Eye drops, eyewash preparations, and contact lens products
(2) Skincare products: Mentholatum, moisturizing antipruritics, lip balm, hand cream, acne treatments, sunscreens, and functional cosmetics
(3) Internal medicines: Gastrointestinal medicines, liquid gastrointestinal medicines, cold remedies, traditional Chinese herbal medicines, and supplements
(4) Others: In-vitro test kits, hay fever products, denture cleanser, and sanitary products

3. As described in “Qualitative Information and Financial Statements, 4. Others,” the Company and its domestic consolidated subsidiaries have adopted “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: Account Standards Board of Japan, July 5, 2006) from the first quarter of the current fiscal year. Given this change, operating income of the Skincare products, Internal medicines and Others segments have decreased by 16 million yen, 13 million yen and 1 million yen respectively in the first half of the current fiscal year.
In accordance with the adoption of this accounting standard, the Company and its domestic consolidated subsidiaries have changed the accounting for loss on disposal on inventories. Given this change, operating income of the Eye care products, Skincare products, Internal medicines and Others segments have decreased by 28 million yen, 110 million yen, 33 million yen and 8 million yen respectively in the first half of the current fiscal year.

4. As described in “Qualitative Information and Financial Statements, 4. Others,” the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18: Standards Board of Japan, May 17, 2006)” from the first quarter of the current fiscal year. Given this change, operating income of the Skincare products segment has decreased by 812 million yen in the first half of the current fiscal year.

5. As described in “Qualitative Information and Financial Statements, 4. Others,” the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery and equipment effective from the first quarter of the current fiscal year, as a result of reviewing asset utilization status in conjunction with the revision of Corporation Tax Law (Law for Partial Revision of Corporation Tax Law, etc., Law No. 23, April 30, 2008.) Given this change, operating income of the Eye care products, Skincare products, Internal medicines and Others segments have increased by 10 million yen, 19 million yen, 9 million yen and 6 million yen respectively in the first half of the current fiscal year.

2. Geographical segment information

(Millions of yen)

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)							
	Japan	North America	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
Net sales (1) External sales	38,061	4,002	2,503	6,408	689	51,665	-	51,665
(2) Inter-segment sales and transfers	556	859	2	1,429	7	2,856	(2,856)	-
Total	38,618	4,862	2,506	7,837	696	54,521	(2,856)	51,665
Operating income (loss)	4,699	(975)	89	780	49	4,643	(178)	4,464

Notes: 1. The classification of country or area is based on geographical proximity.

2. Major countries or areas outside Japan included in each segment

(1) North America: USA, Canada

(2) Europe: UK

(3) Asia: China, Taiwan, Vietnam

(4) Others: Australia

3. As described in "Qualitative Information and Financial Statements, 4. Others," the Company and its domestic consolidated subsidiaries have adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9: Account Standards Board of Japan, July 5, 2006) from the first quarter of the current fiscal year. Given this change, operating income of "Japan" has decreased by 31 million yen in the first half of the current fiscal year.
In accordance with the adoption of this accounting standard, the Company and its domestic consolidated subsidiaries have changed the accounting for loss on disposal on inventories. Given this change, operating income of "Japan" has decreased by 180 million yen in the first half of the current fiscal year.

4. As described in "Qualitative Information and Financial Statements, 4. Others," the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18: Account Standards Board of Japan, May 17, 2006)" from the first quarter of the current fiscal year. Given this change, operating income of "North America" has decreased by 812 million yen in the first half of the current fiscal year.

5. As described in "Qualitative Information and Financial Statements, 4. Others," the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery and equipment effective from the first quarter of the current fiscal year, as a result of reviewing asset utilization status in conjunction with the revision of Corporation Tax Law (Law for Partial Revision of Corporation Tax Law, etc., Law No. 23, April 30, 2008.) Given this change, operating income of "Japan" has increased by 46 million yen in the first half of the current fiscal year.

(6) Significant Changes in Shareholders' Equity

As described in "Qualitative Information and Financial Statements, 4. Others," the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18: Account Standards Board of Japan, May 17, 2006)" from the first quarter of the current fiscal year. Accordingly, the Company wrote off the goodwill of its foreign subsidiaries, and this was decrease the beginning balance of retained earnings by 5,349 million yen. Retained earnings at the end of the second quarter of the current fiscal year amounted 52,350 million yen.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*