



#### 4. Others

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

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to “Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements” on page 21 for further information.

(3) Number of outstanding shares (common shares)

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

Mar. 31, 2010: 117,907,528 shares Mar. 31, 2009: 117,907,528 shares

2) Treasury stock at end of period:

Mar. 31, 2010: 321,781 shares Mar. 31, 2009: 296,825 shares

Note: Please refer to “Per Share Information” on page 31 for the number of shares used in calculating consolidated net income per share.

#### Reference: Summary of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results (April 1, 2009 – March 31, 2010)

(1) Non-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	%
Fiscal year ended Mar. 31, 2010	72,921	2.8	10,126	1.2	10,502	1.1	6,247	16.1
Fiscal year ended Mar. 31, 2009	70,946	5.2	10,010	7.1	10,392	14.2	5,379	(2.0)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2010	53.12	52.89
Fiscal year ended Mar. 31, 2009	45.93	45.63

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2010	99,786	72,616	72.2	612.51
As of Mar. 31, 2009	92,157	67,246	72.3	566.73

Reference: Shareholders' equity (Millions of yen): Mar. 31, 2010: 72,022 Mar. 31, 2009: 66,653

##### 2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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
First half	37,000	1.8	5,000	(8.0)	5,200	(7.8)	3,200	(2.9)	27.21
Full year	73,000	0.1	10,100	(0.3)	10,500	(0.0)	6,400	2.4	54.43

#### \* Cautionary statement with respect to forward-looking statements

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.

Please see pages 4 and 5 for more information concerning these forecasts.

## 1. Results of Operations

### (1) Analysis of Results of Operations

#### Results of operation for the current fiscal year

##### 1) Overview

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal year ended Mar. 31, 2009	110,611	11,638	11,349	6,139
<b>Fiscal year ended Mar. 31, 2010</b>	<b>113,429</b>	<b>12,544</b>	<b>12,770</b>	<b>7,768</b>
YoY change (%)	2.5	7.8	12.5	26.5

In the fiscal year under review, increased exports and production led to a rally in some sectors of the Japanese manufacturing industry. The harsh employment and income environment turned the consumer mindset increasingly conservative, however, leading to a slump in consumer spending. Meanwhile the global economy experienced a moderate recovery trend in response to aggressive initiatives from each major nation. Growth was especially strong in Asia, centered on an expansion in demand from China.

In this situation, the Rohto Group is planning to move into new fields with customer-oriented development of new products and marketing activities. In its existing sectors, the Group endeavored to develop high value-added products and activate markets.

Within Japan's struggling healthcare market, the *Hada (Skin) Labo* and *50-no-Megumi* and other brands of beauty care products sold strongly while the *Wakansen* herbal medicine series (created for the non-specialist) also performed well, contributing to a rise in sales. Meanwhile sunscreen and hay fever products performed poorly due to unseasonable weather and other factors. Overseas, exchange rate movements caused by the strong yen led to falling sales in the North American region, although sales in Asia, led by China, performed strongly.

As a result, net sales achieved a seventeenth successive period of increase, rising 2.5% year-on-year to 113,429 million yen.

Profits rose due to strong sales combined with efficient budgeting of selling and general administrative expenses. As a result, operating income rose 7.8% year-on-year to 12,544 million yen, ordinary income 12.5% to 12,770 million yen, and net income 26.5% to 7,768 million yen. Ordinary and net income both reached record highs.

The sales summary by business segment is as follows.

##### 2) Results by business segment

(Millions of yen)

	Net sales			
	Fiscal year ended Mar. 31, 2009	<b>Fiscal year ended Mar. 31, 2010</b>	YoY change (Amount)	YoY change (%)
Eye Care Products	25,630	<b>25,840</b>	209	0.8
Skincare Products	63,113	<b>66,206</b>	3,092	4.9
Internal Medicines	16,429	<b>16,106</b>	(322)	(2.0)
Others	5,437	<b>5,276</b>	(161)	(3.0)
Total	110,611	<b>113,429</b>	2,817	2.5

#### Eye care products (eye drops, eyewash preparations, contact lens products, etc.)

In the core eye drop and eyewash sectors, the *Rohto Lycee* eyewash (launched in September 2009) and high-value-added eye drops such as the *Kaigan Shinsho* series of products sold well, although eye drops for middle-aged and senior customers and for contact lens users performed poorly amid an intensifying price war. The *Rohto Zi* series of cooling eye drops, relaunched in March, also contributed to a rise in sales. The contact lens sector saw sales drop slightly, however, due to intensifying competition and a downturn in sales of care solution products for hard contact lenses.

Outside Japan, sales rose, despite the strong yen, due to the recovery in eye drop sales in China. Total product sales in the eye care sector rose 0.8% year-on-year to 25,840 million yen.

#### **Skincare products (dermal medicines, lip balm, sunscreens, functional cosmetics, etc.)**

Domestic sales were affected by inclement weather conditions including a cool summer and mild winter in 2009, leading on to a cold spell from the start of 2010, but sales of cosmetic products resistant to seasonal factors performed strongly. The *Hada (Skin) Labo* series did especially well thanks to changes in procurement activity to prioritize both consumer functionality and cost effectiveness, and the *50-no-Megumi* and male cosmetic *OXY* series also contributed to the rise in sales. Meanwhile the weak economy led to poor sales in the *Obagi* range, despite the strong performance of the new *Obagi Derma Force Eye* product.

Overseas saw weak sales due to the strong yen and other factors, although sales rose on a local currency basis. In Asia, especially, the *Hada (Skin) Labo*, male cosmetic *OXY*, and *Mentholatum for Men* series performed well, centered on China. As a result, total segment sales for skin care products rose 4.9% year-on-year to 66,206 million yen.

#### **Internal medicines (gastrointestinal medicines, cold remedies, traditional Chinese herbal medicines, supplements, etc.)**

Total net sales for the *Wakansen* series, which has led the general-purpose market for herbal medicines as a familiar lineup for the non-specialist, reached around 4.5 billion yen. Driven by *Rohto Bofu-Tsusho-San*, the lineup also included strong-seller *Rohto Boi-Ogi-Tojo*, launched in June, and two products launched in October—cold remedy *Gingyo-Gedokusan* (fine grain extract) and *Rohto Unkei-Tojo*, which alleviates menstrual disorders to enhance women's quality of life. Meanwhile, total sales for the internal medicine segment fell 2.0% year-on-year to 16,106 million yen due to strong competition in the stomach medicine and cold remedy markets.

#### **Others (in-vitro test kits, hay fever products, etc.)**

Although the spread of swine flu created a demand for masks, segment sales fell 3.0% year-on-year to 5,276 million yen, affected by the cessation of the *Capilia* influenza test kit, poor sales of pregnancy test kits due to rising competition, and a decline in the number of stores stocking the *Dotest LH* brand of in-vitro test kits accompanying the passing of the revised Japanese Pharmaceutical Affairs Law in June 2009.

#### **Outlook for the fiscal year ending March 31, 2011**

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal year ended Mar. 31, 2010	113,429	12,544	12,770	7,768
<b>Fiscal year ending Mar. 31, 2011</b>	115,000	13,200	13,100	8,100
YoY change (%)	1.4	5.2	2.6	4.3

The economy is predicted to rally moderately and follow a recovery trend, benefiting from such factors as stimulus packages deployed around the world. Within Japan, however, weak consumer spending means consumer prices continue to fall, and conditions remain unpredictable.

In this environment, the Rohto Group will respond to changes in the industry environment created by deregulation and other factors. It will aim to further expand business and improve earnings by creating new products and brands that respond appropriately to changing customer needs. At the same time it will rise to the challenge of diverse innovations, including alliances with a wide range of companies.

Within Japan, the Group will focus its energies on cultivating beauty care products and existing brands while establishing new sectors such as herbal medicines. To enhance our production capability while further strengthening the product development capability that is the basis of our manufacturing, we are boosting efficiency still further and supporting the future expansion of business operations at the Rohto Research Village Kyoto and Meguro Kako Inc. To grow overseas, the Group will deploy its collective resources and take initiatives to develop new brands and products.

We anticipate that net sales will rise 1.4% year-on-year to 115 billion yen in the next fiscal year. This will mark the eighteenth successive period of increase. Although the healthcare market in Japan is predicted to remain sluggish due to such factors as stronger competition and ongoing deflation, we aim to introduce new products with high value-added, drive development in new areas, and activate the markets. Outside Japan as well, we aim to strengthen business focused on Asia. Due to such factors as a sizable reduction in amortization including goodwill held by overseas subsidiaries, we anticipate record profits, comprising a 5.2% rise in operating income to 13.2 billion yen, a 2.6% rise in ordinary income to 13.1 billion yen, and a 4.3% rise in net income to 8.1 billion yen.

These forecasts are based on an exchange rate of 94 yen to the US dollar.

## (2) Analysis of Financial Position

### Balance sheet and cash flow position

#### Balance sheet position

Assets totaled 120,770 million yen at the end of the current fiscal year, 8,684 million yen more than at the end of the previous fiscal year. This was mainly due to increases in cash and deposits of 7,221 million yen and investment securities of 1,757 million yen.

Liabilities increased 2,128 million yen to 47,097 million yen. This was mainly due to increases in accrued expenses of 1,155 million yen and accrued income taxes of 964 million yen.

Net assets increased 6,555 million yen to 73,672 million yen, as retained earnings and valuation difference on available-for-sale securities increased 6,127 million yen and 783 million yen respectively.

#### Cash flow position

(Millions of yen)

Item	Fiscal year ended Mar. 31, 2009	Fiscal year ended Mar. 31, 2010	YoY change (Amount)
Cash and cash equivalents at beginning of year	9,709	6,051	(3,657)
Cash flows from operating activities	7,364	15,094	7,730
Cash flows from investing activities	(8,996)	(5,716)	3,280
Cash flows from financing activities	(1,373)	(1,940)	(566)
Effect of exchange rate changes on cash and cash equivalents	(651)	(216)	435
Increase (decrease) in cash and cash equivalents	(3,657)	7,221	10,878
Cash and cash equivalents at end of period	6,051	13,272	7,221

During the fiscal year, there was a net increase of 7,221 million yen in cash and cash equivalents to 13,272 million yen.

#### Operating activities

Net cash provided by operating activities rose 7,730 million yen year-on-year to 15,094 million yen. This was mainly attributable to a rise in income before income taxes and minority interests from 9,244 million yen to 12,412 million yen, and a fall in inventories from 2,994 million yen to 1,183 million yen due to the decline in net cash.

### Investing activities

Net cash used in investing activities fell 3,280 million yen year-on-year to 5,716 million yen. This was mainly attributable to a fall in payments for the purchase of property, plant, and equipment (from 5,996 million yen to 4,120 million yen) and investment securities (from 2,408 million yen to 866 million yen).

### Financing activities

Net cash used in financing activities rose 566 million yen year-on-year to 1,940 million yen. This was mainly attributable to the repayment of long-term loans payable exceeding proceeds from loans payable by 400 million yen (exceeded 141 million yen in the previous fiscal year).

### Trends in cash flow indicators

Item	72nd Term Fiscal year ended Mar. 31, 2008	73rd Term Fiscal year ended Mar. 31, 2009	74th Term Fiscal year ended Mar. 31, 2010
Shareholders' equity ratio (%)	57.7	59.3	60.5
Shareholders' equity ratio based on market price (%)	120.4	93.6	100.0
Interest-bearing debt to cash flow ratio	0.8	0.9	0.6
Interest coverage ratio	29.5	27.0	51.4

\* Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio based on market price = Market capitalization / Total assets

Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flows (before interests and income taxes paid)

Interest coverage ratio = Operating cash flows (before interests and income taxes paid) / Interest payments

1. All indices are calculated based on consolidated figures.

2. Market capitalization: Closing stock price on the balance sheet date x No. of shares outstanding (net of treasury stock) on the balance sheet date

3. Operating cash flows (before interests and income taxes paid) are calculated using the figures for cash flows from operating activities (before interests and income taxes paid) in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheets that incur interest. Interest payments are calculated using the figures for interest paid in the consolidated statements of cash flows.

### (3) Basic Policy of Profit Distribution and Dividends for the Current and Next Fiscal Years

Stable and consistently returning to shareholders the profits earned through business activities is one of our highest priorities. The fundamental policy is to pay a dividend based on operating results. Retained earnings will be used for the development of new products, manufacturing equipment and other investments to respond to changes in the operating environment. We believe that these investments will contribute to future earnings, thereby enabling the company to pay a large and stable dividend to shareholders.

At the 70<sup>th</sup> annual general meeting of shareholders held on June 27, 2006, the Board of Directors resolved to update the articles of incorporation to enable the distribution of retained earnings.

We plan to distribute a dividend of 7 yen per share, payable at the end of the current fiscal year. Added to the interim dividend of 7 yen per share (comprising an ordinary dividend of 6 yen and a dividend of 1 yen to commemorate the centennial of the launch of Rohto's eye drop products), which has been already distributed, this will bring the annual dividend to a total of 14 yen per share.

For the next fiscal year, we would like to show our gratitude to all the shareholders who support us on a regular basis. Thus we plan to incorporate the current period's commemorative dividend of 1 yen per share into the ordinary dividend, paying 7 yen per share as an interim and year-end dividend to bring the annual total to 14 yen per share.

#### **(4) Business Risk**

This section presents major risks that may have an effect on the Rohto Group's operating results and financial condition. Management is aware of these risks and is taking actions to prevent these problems and to respond appropriately if a problem occurs.

This section includes forward-looking statements that represent the judgments of management as of the end of the current fiscal year.

##### 1) Legal restrictions and systems and regulatory matters

The operations of the Rohto Group fall under the jurisdiction of Japan's Pharmaceutical Affairs Law and other associated laws and regulations (and the deregulation of these laws). Future changes in these laws and regulations may have an effect on the Group's operating results and financial condition.

##### 2) Overseas operations

The Group conducts operations on a global scale, and the share of overseas sales has been increasing in recent years. In the current fiscal year, overseas sales were 26.6% of consolidated sales. As a result, unforeseen negative political and economic developments in other countries, changes in laws and regulations, and other events may have an effect on the Group's operating results and financial condition.

##### 3) Reliance on certain customers

The 10 largest companies that purchase the Company's products account for 89.5% of total sales. If there is a change in the business activities of any of these companies, a bankruptcy or other problem at these companies, there may be an effect on the Group's operating results and financial condition.

##### 4) Termination of alliances with other companies

The Group has a variety of alliances with other companies that concern joint development projects, joint sales, the use of products (including the manufacture and sale of products under licenses) and other activities. If an alliance is terminated for whatever reason, there may be an effect on the Group's operating results and financial condition.

##### 5) Business investment

The Group is aiming to expand its existing business and develop new business by strengthening cooperation with other companies outside the Group and making new alliances. To achieve this, the Group is cooperating to establish new companies while actively investing in existing companies, and may continue its investment activities in the future. In cases where the corporate value or share price of the investment target falls, this may have an effect on the Group's operating results and financial condition.

##### 6) Suspension of sales, product recall, etc.

If there is a defect, unexpected side effect, contamination problem or other problem concerning the Group product that causes the suspension of sales or a product recall, there may be an effect on the Group's operating results and financial condition.

##### 7) Intellectual property rights, litigation

In the event that the Group is unable to appropriately protect its intellectual properties, a third party may use the Group's technology. This event could have a negative impact on the Group's ability to compete in a particular market. In addition, although the Group exercises care and conducts studies for the purpose of avoiding an infringement on the intellectual property rights of other companies, there is a possibility of an infringement occurring. In this event, the Group may be sued for damages and be required to compensate the other party for losses. These payments may

have an effect on the Group's operating results and financial condition. Furthermore, there may be litigation concerning matters other than intellectual property rights, such as cases involving product liability and the environment. Depending on the outcome of this litigation, there may be an effect on the Group's operating results and financial condition.

#### 8) Management of information systems and information

The Group uses a variety of information systems to conduct its business operations. The suspension of operations or a malfunction of any of these systems could prevent the Group from efficiently conducting business operations. In addition, the Group holds a large volume of information, including personal information. There is an information management system in place and measures are taken to upgrade information management. However, a leak of any information could cause a loss of confidence in the Group that may have an effect on the Group's operating results and financial condition.

#### 9) Natural and other disasters

The Group's main products sold in Japan are manufactured at two locations: the Osaka Head Office Plant and the Ueno Plant. In addition, almost all of these products are shipped from the Central Distribution Center. Although the Group takes adequate care with regard to ensuring the safety of operations, a fire, earthquake or other disaster at a plant or the distribution center could disrupt operations and have an effect on the Group's operating results and financial condition.

#### 10) Foreign exchange rates, stock prices and interest rates

Because the Group operates on a global scale, changes in foreign exchange rates may have an effect on the Group's operating results and financial condition. Furthermore, the Group holds securities with market quotations, interest-bearing debt and other financial instruments. As a result, changes in stock prices, interest rates and other financial indicators may have an effect on the Group's operating results and financial condition.

#### 11) Other external risks

A cool summer, warm winter, changes in the amount of pollen dispersal and other seasonal factors can cause changes in the volume of product shipments and returned products. Furthermore, intense competition can cause unexpected declines in sales prices. All these events may have an effect on the Group's operating results and financial condition.

This is not intended to be a complete list of risks associated with the Group's operations. There are many other risks other than those listed above.



## 2. Corporate Group

No information concerning “main business” and “related companies” are presented here because there is no significant changes from the information presented in the Group’s annual securities report (*Yuka Shoken Hokokusho*) dated June 26, 2009.

## 3. Management Policies

### (1) Basic Management Policy

The Rohto Group bases its operations on the corporate slogan “Rohto, a pharmaceutical company pledged to bring you Happy Surprises.” Based on this slogan, the Group aims to assist individuals use self-medication to improve their lives. Since Rohto’s inception, we have concentrated on creating a broad range of healthcare products and developing new markets. We have remained focused on the themes of persistence and taking on new challenges in order to create eye drops, gastrointestinal medicines, dermal medicines, and other products. Even in today’s rapidly changing operating environment, we remain committed to the spirit of this slogan in order to be a constant source of surprises and happiness for customers and society.

At the same time, the Rohto Group is dedicated to earning the trust and meeting the expectations of shareholders, customers, business partners, employees, society and all other stakeholders while operating in a manner that promotes mutual prosperity with others.

### (2) Target Performance Indicators

The Rohto Group’s primary goals are maximizing shareholder value and enhancing the satisfaction of all stakeholders. In the healthcare market, the objective is to establish brands that are either number one or among the leaders in their respective categories. In addition, management places priority on earnings indicators, particularly the operating margin, return on equity and ordinary income to total assets.

### (3) Medium-term Business Strategy and Challenges

An aging population and a growing interest among people of all ages in leading a healthy life are having an increasing effect on the healthcare market in Japan. On the other hand, competition is likely to become even more heated as companies from other industries enter this market. The market environment for over-the-counter medical products is expected to change greatly, moreover, due to such factors sales system reform occurring in response to the June 2009 revision to the Japanese Pharmaceutical Affairs Law.

In response, we are seeking “new items” that consumers want, whether in the pharmaceuticals category or other product categories. We are targeting the broad “health and beauty” field. By developing value-added products and creating brands that meet new needs, we aim to establish brands that rank either first or among the leaders in their respective markets.

To adapt to the significant changes now taking place in the operating environment, we believe that superiority in product development and technologies is vital in order to earn the trust of customers and become more competitive. Rohto Research Village Kyoto is the R&D base for these activities. The facility strengthens the technological foundation for healthcare operations. This research village is also the center for actions involving antiaging and the disease prevention; collaboration with venture capital-backed companies that have promising technologies; and joint research projects with partners in Japan and overseas. We are determined to rapidly build a broad-based research infrastructure that covers the entire health and beauty domain.

Under this harsh environment, global development is key to the growth of the Rohto Group. In particular, we will push forward with integrated operations in Asia (including Japan) to accelerate business expansion China, Vietnam,

and the rest of the Asian region. We will exploit the advantages developed from an early stage in the Asian region to achieve further growth. We will also develop dynamically to realize Rohto Group synergies in North America and Europe.

Looking ahead, the Rohto Group will retain its commitment as a pharmaceutical manufacturer to supplying products that are safe and have outstanding quality. At the same time, we will seek to enter new business fields in order to earn the trust of customers and meet a diverse range of needs. All group companies will work relentlessly with the goal of achieving more growth in the scale of operations as well as in sales and earnings.

**(4) Other Important Management Matters**

No reportable information.

**4. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of yen)

	FY3/09 (As of Mar. 31, 2009)	FY3/10 (As of Mar. 31, 2010)
Assets		
Current assets		
Cash and deposits	6,151	13,373
Notes and accounts receivable-trade	27,891	28,111
Merchandise and finished goods	8,704	9,374
Work in process	1,096	936
Raw materials and supplies	4,545	4,974
Deferred tax assets	2,990	2,913
Other	1,187	921
Allowance for doubtful accounts	(202)	(122)
Total current assets	52,364	60,483
Fixed assets		
Property, plant and equipment		
Buildings and structures	30,205	31,157
Accumulated depreciation	(13,929)	(14,882)
Buildings and structures, net	16,276	16,275
Machinery, equipment and vehicles	29,681	29,779
Accumulated depreciation	(22,675)	(23,891)
Machinery, equipment and vehicles, net	7,005	5,887
Equipment	7,919	8,494
Accumulated depreciation	(6,484)	(7,101)
Equipment, net	1,435	1,393
Land	9,285	9,318
Construction in progress	1,624	2,365
Other	20	28
Total property, plant and equipment	35,649	35,269
Intangible fixed assets		
Goodwill	2,423	1,353
Right of trademark	341	-
Other	960	1,449
Total intangible fixed assets	3,726	2,802
Investments and other assets		
Investment securities	16,691	18,448
Deferred tax assets	2,247	2,373
Other	1,488	1,476
Allowance for doubtful accounts	(81)	(83)
Total investments and other assets	20,345	22,214
Total fixed assets	59,721	60,286
Total assets	112,086	120,770

(Millions of yen)

	FY3/09 (As of Mar. 31, 2009)	FY3/10 (As of Mar. 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	8,383	8,685
Short-term loans payable	4,252	3,527
Accounts payable-other	2,519	-
Accrued expenses	11,416	12,571
Accrued income taxes	1,637	2,601
Accrued consumption tax	199	292
Deposits received	1,257	-
Deposits received from employees	1,633	-
Reserve for bonuses	1,651	1,732
Reserve for directors' bonuses	30	30
Reserve for returned goods unsold	622	620
Reserve for rebates of sales	1,964	1,788
Other	154	5,338
<b>Total current liabilities</b>	<b>35,721</b>	<b>37,187</b>
<b>Non-current liabilities</b>		
Long-term loans payable	4,679	4,621
Deferred tax liabilities	2,735	3,309
Reserve for retirement benefits	1,528	1,703
Reserve for directors' retirement benefits	92	96
Other	212	179
<b>Total non-current liabilities</b>	<b>9,247</b>	<b>9,910</b>
<b>Total liabilities</b>	<b>44,969</b>	<b>47,097</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,398	6,398
Capital surplus	5,517	5,517
Retained earnings	54,695	60,822
Treasury stock	(234)	(261)
<b>Total shareholders' equity</b>	<b>66,377</b>	<b>72,478</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	3,915	4,698
Deferred gains or losses on hedges	(12)	-
Translation adjustments	(3,803)	(4,153)
<b>Total valuation and translation adjustments</b>	<b>99</b>	<b>545</b>
<b>Stock acquisition rights</b>	<b>593</b>	<b>593</b>
<b>Minority interests</b>	<b>46</b>	<b>55</b>
<b>Total net assets</b>	<b>67,117</b>	<b>73,672</b>
<b>Total liabilities and net assets</b>	<b>112,086</b>	<b>120,770</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)
Net sales	110,611	113,429
Cost of sales	45,399	46,649
Gross profit	65,212	66,779
Provision of reserve for returned goods unsold	10	-
Reversal of reserve for returned goods unsold	-	1
Gross profit -net	65,201	66,781
Selling, general and administrative expenses		
Promotion expenses	13,066	14,878
Advertising expenses	16,320	15,461
Salaries and bonuses	6,548	6,754
Provision of reserve for bonuses	778	809
Provision of reserve for directors' bonuses	30	30
Retirement benefit expenses	326	435
Provision of reserve for directors' retirement benefits	42	14
Depreciation and amortization	1,133	1,016
Amortization of goodwill	1,385	1,028
R&D expenses	3,735	3,733
Other	10,196	10,073
Total selling, general and administrative expenses	53,563	54,236
Operating income	11,638	12,544
Non-operating income		
Interest income	95	64
Dividend income	326	286
Foreign exchange gains	-	263
Equity in earnings of affiliates	32	7
Other	169	164
Total non-operating income	623	786
Non-operating expenses		
Interest expenses	473	359
Foreign exchange losses	272	-
Loss on retirement of fixed assets	-	96
Other	165	105
Total non-operating expenses	911	561
Ordinary income	11,349	12,770
Extraordinary income		
Reversal of allowance for doubtful accounts	53	59
Total extraordinary income	53	59

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)
Extraordinary losses		
Loss on valuation of investment securities	1,748	264
Loss on valuation of stocks of subsidiaries and affiliates	128	151
Impairment loss	218	-
Provision of allowance for doubtful accounts	63	-
Total extraordinary losses	2,158	416
Income before income taxes and minority interests	9,244	12,412
Current income taxes	3,759	4,738
Deferred income taxes	(661)	(98)
Total income taxes	3,098	4,639
Minority interests in income	7	4
Net income	6,139	7,768

**(3) Consolidated Statements of Change in Shareholders' Equity**

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	5,860	6,398
Changes of items during the period		
Exercise of convertible bonds	533	-
Issuance of new shares-exercise of stock acquisition rights	5	-
Total changes of items during the period	538	-
Balance at the end of current period	6,398	6,398
Capital surplus		
Balance at the end of previous period	4,980	5,517
Changes of items during the period		
Exercise of convertible bonds	530	-
Issuance of new shares-exercise of stock acquisition rights	5	-
Disposal of treasury stock	0	0
Total changes of items during the period	536	0
Balance at the end of current period	5,517	5,517
Retained earnings		
Balance at the end of previous period	55,645	54,695
Effect of changes in accounting policies applied to foreign subsidiaries	(5,349)	-
Changes of items during the period		
Dividends from surplus	(1,400)	(1,646)
Increase (decrease) in surplus from the adoption of US GAAP by foreign subsidiaries	(338)	5
Net income	6,139	7,768
Total changes of items during the period	4,399	6,127
Balance at the end of current period	54,695	60,822
Treasury stock		
Balance at the end of previous period	(203)	(234)
Changes of items during the period		
Purchase of treasury stock	(32)	(27)
Disposal of treasury stock	1	0
Total changes of items during the period	(31)	(26)
Balance at the end of current period	(234)	(261)
Total shareholders' equity		
Balance at the end of previous period	66,283	66,377
Effect of changes in accounting policies applied to foreign subsidiaries	(5,349)	-
Changes of items during the period		
Exercise of convertible bonds	1,063	-
Issuance of new shares-exercise of stock acquisition rights	10	-
Dividends from surplus	(1,400)	(1,646)
Increase (decrease) in surplus from the adoption of US GAAP by foreign subsidiaries	(338)	5
Net income	6,139	7,768
Purchase of treasury stock	(32)	(27)
Disposal of treasury stock	1	1
Total changes of items during the period	5,443	6,100
Balance at the end of current period	66,377	72,478

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	4,891	3,915
Changes of items during the period		
Net changes of items other than shareholders' equity	(976)	783
Total changes of items during the period	(976)	783
Balance at the end of current period	3,915	4,698
Deferred gains or losses on hedges		
Balance at the end of previous period	(13)	(12)
Changes of items during the period		
Net changes of items other than shareholders' equity	0	12
Total changes of items during the period	0	12
Balance at the end of current period	(12)	-
Translation adjustments		
Balance at the end of previous period	(1,791)	(3,803)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,012)	(349)
Total changes of items during the period	(2,012)	(349)
Balance at the end of current period	(3,803)	(4,153)
Total valuation and translation adjustments		
Balance at the end of previous period	3,086	99
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,987)	446
Total changes of items during the period	(2,987)	446
Balance at the end of current period	99	545
Stock acquisition rights		
Balance at the end of previous period	-	593
Changes of items during the period		
Net changes of items other than shareholders' equity	593	-
Total changes of items during the period	593	-
Balance at the end of current period	593	593
Minority interests		
Balance at the end of previous period	47	46
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	8
Total changes of items during the period	(0)	8
Balance at the end of current period	46	55
Total net assets		
Balance at the end of previous period	69,417	67,117
Effect of changes in accounting policies applied to foreign subsidiaries		
	(5,349)	-
Changes of items during the period		
Exercise of convertible bonds	1,063	-
Issuance of new shares-exercise of stock acquisition rights	10	-
Dividends from surplus	(1,400)	(1,646)
Increase (decrease) in surplus from the adoption of US GAAP by foreign subsidiaries	(338)	5
Net income	6,139	7,768
Purchase of treasury stock	(32)	(27)
Disposal of treasury stock	1	1
Net changes of items other than shareholders' equity	(2,394)	454
Total changes of items during the period	3,049	6,555
Balance at the end of current period	67,117	73,672



**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from operating activities		
Income before income taxes and minority interests	9,244	12,412
Depreciation and amortization	4,303	4,542
Impairment loss	218	-
Amortization of goodwill	1,385	1,028
Increase (decrease) in allowance for doubtful accounts	(53)	(56)
Increase (decrease) in reserve for bonuses	75	81
Increase (decrease) in reserve for directors' bonuses	(12)	-
Increase (decrease) in reserve for retirement benefits	249	163
Increase (decrease) in reserve for returned goods unsold	10	(1)
Increase (decrease) in reserve for rebates of sales	221	(176)
Loss (gain) on valuation of investment securities	1,748	264
Loss on valuation of stocks of subsidiaries and affiliates	128	151
Provision of allowance for doubtful accounts	63	-
Interest and dividend income	(421)	(350)
Interest expenses	473	359
Equity in (earnings) losses of affiliates	(32)	(7)
Decrease (increase) in notes and accounts receivable-trade	(1,408)	(531)
Decrease (increase) in inventories	(2,994)	(1,183)
Increase (decrease) in notes and accounts payable-trade	1,147	157
Other	(1,778)	1,639
Subtotal	12,568	18,494
Interest and dividends income received	399	334
Interest expenses paid	(480)	(366)
Income tax paid	(5,123)	(3,367)
Net cash provided by (used in) operating activities	7,364	15,094
Cash flows from investing activities		
Payments for time deposits	(10)	-
Purchase of property, plant and equipment	(5,996)	(4,120)
Purchase of intangible fixed assets	(376)	(695)
Purchase of investment securities	(2,408)	(866)
Proceeds from sales of investment securities	19	0
Other	(224)	(33)
Net cash used in investing activities	(8,996)	(5,716)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	208	144
Proceeds from long-term loans payable	611	1,512
Repayment of long-term loans payable	(753)	(1,913)
Cash dividends paid	(1,400)	(1,646)
Other	(39)	(38)
Net cash used in financing activities	(1,373)	(1,940)
Effect of exchange rate changes on cash and cash equivalents	(651)	(216)
Increase (decrease) in cash and cash equivalents	(3,657)	7,221
Cash and cash equivalents at the beginning of period	9,709	6,051
Cash and cash equivalents at the end of period	6,051	13,272

## (5) Conditions and Events that might raise Critical Questions about the Validity of the Going-concern Assumption

No reportable information.

## (6) Significant Accounting Policies in the Preparation of Consolidated Financial Statements

### 1. Scope of consolidation

Number of consolidated subsidiaries: 21

Name of major consolidated subsidiaries:

Rohto USA, Inc., The Mentholatum Company Inc., The Mentholatum Company Limited, Mentholatum (Asia Pacific) Ltd., Mentholatum (China) Pharmaceutical Co., Ltd, Mentholatum Taiwan Ltd., Rohto-Mentholatum (Vietnam) Co., Ltd., Medicare Systems Co., Ltd., Meguro Kako Inc.

In the current fiscal year, episteme Trading (shanghai) Co., LTD. was included in the consolidation as its establishment.

PT Rohto Farma Indonesia and Hommage Japon Inc. are excluded from the consolidation since they have a very minor effect on total assets, net sales, net income/loss and retained earnings, and are relatively insignificant in the context of the consolidated financial statements.

### 2. Application of the equity method

- |  |   |                                    |
|--|---|------------------------------------|
| (1) Number of non-consolidated subsidiaries accounted for under the equity method:     | 1 | PT Rohto Farma Indonesia           |
| (2) Number of equity method affiliates:  | 1 | Ands Corporation                   |
| (3) Number of non-consolidated subsidiaries not accounted for under the equity method: | 1 | Hommage Japon Inc.                 |
| (4) Number of affiliates not accounted for under the equity method:                    | 6 | Yamato Kaihatsu Kogyo and 5 others |

These non-consolidated subsidiaries and affiliates are not accounted for under the equity method since they have a very minor effect on net income/loss and retained earnings, and are relatively insignificant in the context of the consolidated financial statements.

### 3. Period end of consolidated subsidiaries

The fiscal year of Medicare Systems Co., Ltd. and two other consolidated subsidiaries ends on the closing date for the consolidated financial statements. The fiscal year of other consolidated subsidiaries ends on as follows.

December 31: Mentholatum (China) Pharmaceutical Co., Ltd., and 4 other consolidated subsidiaries

February 28: Rohto USA, Inc., The Mentholatum Company, Inc., Mentholatum (Asia Pacific) Ltd., and 10 other consolidated subsidiaries

In the preparation of the consolidated financial statements, appropriate adjustments are made for significant transactions during the periods from the balance sheet date of the consolidated subsidiaries and the consolidated balance sheet date.

### 4. Significant accounting policies

#### (1) Valuation criteria and methods for principal assets

##### 1) Marketable securities

Available-for-sale securities

Securities with market quotations

Stated at fair value on the balance sheet date.

(Unrealized holding gain (loss) is included directly in net assets. Cost of securities sold is determined by the moving-average method.)

Securities without market quotations

Stated at cost, cost being determined by the moving-average method.

As for investments in limited liability investment partnerships and similar investment associations as defined in Article 2, Section 2 of the Financial Instruments and Exchange Law, the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

- |   |                      |
|---|----------------------|
| 2) Assets and liabilities deriving from derivatives | Market value method. |
|---|----------------------|

## 3) Inventories for regular sales purposes

The Company and domestic consolidated subsidiaries: Stated at cost, cost being determined by the period-average method (by which the amounts of inventories are subject to write-down due to decreased profitability of assets).

Overseas consolidated subsidiaries: Primarily stated at the lower of the cost method by the first-in first-out method.

## (2) Depreciation method for principal depreciable assets

## 1) Property, plant and equipment

The Company and domestic consolidated subsidiaries: Depreciation is computed by the declining-balance method (excluding lease assets), except for buildings (excluding attached structure) acquired on or after April 1, 1998 on which depreciation is calculated by the straight-line method.

Depreciation of property, plant and equipment acquired on or before March 31, 2007 by the straight-line method over five years, starting from the fiscal year following the fiscal year in which the maximum allowable depreciation is completed.

Overseas consolidated subsidiaries: Primarily by the straight-line method.

## 2) Intangible fixed assets

The Company and domestic consolidated subsidiaries: Depreciation is computed by the straight-line method (excluding lease assets).

Software for internal use is amortized over an expected useful life of five years by the straight-line method.

Overseas consolidated subsidiaries: US consolidated subsidiaries follow the US Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350 "Intangibles-Goodwill and Other" (formerly US FASB Statement No.142 "Goodwill and Other Intangible Assets").

## 3) Lease assets

Lease assets associated with finance lease transactions where there is no transfer of ownership:

The straight-line method with no residual value is applied with the lease period used as the useful life of the asset.

For finance lease transactions where there is no transfer of ownership beginning on or before March 31, 2008, the Company and its domestic consolidated subsidiaries continue to use an accounting method that is based on the method used for ordinary lease transactions.

## (3) Accounting for significant allowances

## 1) Allowance for doubtful accounts

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.

## 2) Reserve for bonuses

To provide for employees' bonus obligation, the Company and its domestic consolidated subsidiaries book an allowance in the amount to have accrued for the current fiscal year among the estimated amount of future payment. Overseas consolidated subsidiaries primarily book an allowance in the estimated amount of future payment and included in accrued expenses.

## 3) Reserve for directors' bonuses

To provide for directors' bonus obligation, the Company and its domestic consolidated subsidiaries book an allowance in the amount deemed to have accrued at the end of the current fiscal year among the estimated amount of future payment.

## 4) Reserve for returned goods unsold

To provide for potential losses on returned goods, the Company and its domestic consolidated subsidiaries book an allowance equal to the estimated profit on the approximate amount of returned goods that is calculated based on notes and accounts receivable-trade at the end of the current fiscal year.

## 5) Reserve for rebates of sales

To provide for future rebates on net sales recognized in the current fiscal year, the Company and its domestic consolidated subsidiaries book an allowance equal to the amount obtained by applying the historical rebate ratio to notes and accounts receivable-trade at the end of the current fiscal year.

## 6) Reserve for retirement benefits

To provide for employees' retirement benefits, the Company and its domestic consolidated subsidiaries book an allowance in the amount deemed to have accrued at the end of the current fiscal year based on the projected benefit obligations and pension assets at the end of the current fiscal year.

US consolidated subsidiaries follow the US FASB ASC 715 "Compensation-Retirement Benefits" (formerly US FASB Statement No. 87 "Employers' Accounting for Pensions"), and Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."

The prior service cost is expensed using the straight-line method, based on the specified number of years (5-18 years) within the average length of remaining work period of employees.

The actuarial difference is expensed in the following fiscal years using the straight-line method, based on the specified number of years (mostly 15 years) within the average length of remaining work period of employees.

## 7) Reserve for directors' retirement benefits

To provide for directors' retirement benefits, the domestic consolidated subsidiaries book an allowance in the full amount payable at the end of the current fiscal year pursuant to the Company's rules on directors' retirement benefits. Some overseas consolidated subsidiaries book an allowance for directors' retirement benefits.

## (4) Translation of principal foreign currency-denominated assets and liabilities

Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the balance sheet date. Exchange gain or loss is accounted as income or loss. The balance sheet accounts of overseas consolidated subsidiaries are also translated into yen at the spot exchange rate in effect on their balance sheet dates. The revenue and expense accounts of overseas consolidated subsidiaries are translated into yen at the average exchange rate for their accounting periods. Translation adjustments are stated as a component of translation adjustments and minority interests in the net assets.

## (5) Accounting for hedges

Deferred hedge accounting is adopted. However, short-cut method is applied to forward foreign exchange and other contracts in cases meeting the necessary requirements.

US consolidated subsidiaries follow the US FASB ASC 815 "Disclosures about Derivative Instruments and Hedging Activities" (formerly US FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities").

## (6) Accounting for consumption taxes

Consumption taxes are accounted by the tax-exclusion method.

## 5. Valuation of assets and liabilities of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries are valued at market.

## 6. Amortization of goodwill and negative goodwill

Goodwill is amortized equally over a 5-10 year period.

## 7. Cash and cash equivalents in the statements of cash flows

Vault cash, deposits that can be withdrawn on demand, and short-term investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash, and are so near maturity that they present insignificant risk of change in value.

**(7) Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

(Change in accounting policy)

(Application of the “Guidance on Determining a Subsidiary and an Affiliate”)

The Company has adopted “Guidance on Determining a Subsidiary and an Affiliate” (Accounting Standards Board of Japan (ASBJ) Guidance No. 22, May 13, 2008) from the current fiscal year.

This change has no effect on assets and profit/loss.

(Application of the “Partial Amendments to Accounting Standard for Retirement Benefits”)

The Company and its domestic consolidated subsidiaries have adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, July 31, 2008) from the current fiscal year.

This change has no effect on operating income, ordinary income, or income before income taxes and minority interests because actuarial differences are to be amortized from the following fiscal year.

The untreated balance of the difference in projected benefit obligation that resulted from the application of this accounting standard was 370 million yen (an increase in liabilities).

(Reclassifications)

(Consolidated balance sheets)

“Right of trademark,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” under intangible fixed assets because the amount is insignificant. “Right of trademark” in the current fiscal year totaled 101 million yen.

“Accounts payable-other,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” under current liabilities because the amount is insignificant. “Accounts payable-other” in the current fiscal year totaled 2,116 million yen.

“Deposits received,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” under current liabilities because the amount is insignificant. “Deposits received” in the current fiscal year totaled 1,353 million yen.

“Deposits received from employees,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” under current liabilities because the amount is insignificant. “Deposits received from employees” in the current fiscal year totaled 1,777 million yen.

(Consolidated statements of cash flows)

“Payments for time deposits,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” under cash flows from investing activities in the current fiscal year, given the decrease in the materiality of impact in the context of the consolidated financial statements. “Payments for time deposits” in the current fiscal year totaled 0 million yen.

**(8) Notes to Consolidated Financial Statements****Notes to Consolidated Balance Sheets**

(Millions of yen)

FY3/09 (As of Mar. 31, 2009)	FY3/10 (As of Mar. 31, 2010)
1. Accumulated advanced depreciation reduced from property, plant and equipment <span style="float: right;">886</span>	1. Accumulated advanced depreciation reduced from property, plant and equipment <span style="float: right;">886</span>
2. Assets pledged as collateral <span style="float: right;">1,081</span>	2. Assets pledged as collateral <span style="float: right;">1,316</span>

**Notes to Consolidated Statements of Income**

(Millions of yen)

FY03/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/10 (Apr. 1, 2009 – Mar. 31, 2010)
1. Impairment loss As a result of impairment test results pursuant to the US FASB Statement No. 142 which discuss the treatment of goodwill and other intangible fixed assets, US consolidated subsidiary books following impairment losses. Other intangible fixed assets <span style="float: right;">218</span>	1. Impairment loss As a result of impairment test results pursuant to the US FASB Statement No. 142 which discuss the treatment of goodwill and other intangible fixed assets, US consolidated subsidiary books following impairment losses. Other intangible fixed assets <span style="float: right;">-</span>

**Notes to Consolidated Statement of Changes in Shareholders' Equity**

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

## 1. Type and number of outstanding shares

(Shares)

Type of shares	Number of shares as of Mar. 31, 2008	Increase	Decrease	Number of shares as of Mar. 31, 2009
Common shares	116,107,795	1,799,733	-	117,907,528

Note: Number of outstanding common shares increased by 1,777,733 shares due to exercise of convertible bonds and 22,000 shares due to exercise of stock options.

## 2. Type and number of treasury stock

(Shares)

Type of shares	Number of shares as of Mar. 31, 2008	Increase	Decrease	Number of shares as of Mar. 31, 2009
Common shares	271,805	26,500	1,480	296,825

Notes: 1. Number of treasury stock increased due to the buyback of odd lot shares.

2. Number of treasury stock decreased due to the transfer of odd lot shares.

## 3. Items related to stock acquisition rights

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Mar. 31, 2009 (Millions of yen)
			As of Mar. 31, 2008	Increase	Decrease	As of Mar. 31, 2009	
Reporting company	Stock acquisition rights by way of stock options	-	-	-	-	-	593
Total			-	-	-	-	593

## 4. Dividends

## (1) Dividends payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 13, 2008	Common shares	695	6.00	Mar. 31, 2008	Jun. 11, 2008
Board of Directors meeting on Nov. 12, 2008	Common shares	705	6.00	Sep. 30, 2008	Dec. 10, 2008

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 12, 2009	Common shares	Retained earnings	823	7.00	Mar. 31, 2009	Jun. 11, 2009

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

## 1. Type and number of outstanding shares

(Shares)

Type of shares	Number of shares as of Mar. 31, 2009	Increase	Decrease	Number of shares as of Mar. 31, 2010
Common shares	117,907,528	-	-	117,907,528

## 2. Type and number of treasury stock

(Shares)

Type of shares	Number of shares as of Mar. 31, 2009	Increase	Decrease	Number of shares as of Mar. 31, 2010
Common shares	296,825	25,916	960	321,781

Notes: 1. Number of treasury stock increased due to the buyback of odd lot shares.

2. Number of treasury stock decreased due to the transfer of odd lot shares.

## 3. Items related to stock acquisition rights

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Mar. 31, 2010 (Millions of yen)
			As of Mar. 31, 2009	Increase	Decrease	As of Mar. 31, 2010	
Reporting company	Stock acquisition rights by way of stock options	-	-	-	-	-	593
Total			-	-	-	-	593

## 4. Dividends

## (1) Dividends payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 12, 2009	Common shares	823	7.00	Mar. 31, 2009	Jun. 11, 2009
Board of Directors meeting on Nov. 10, 2009	Common shares	823	7.00	Sep. 30, 2009	Dec. 10, 2009

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 11, 2010	Common shares	Retained earnings	823	7.00	Mar. 31, 2010	Jun. 10, 2010

**Notes to Consolidated Statements of Cash Flows**

(Millions of yen)

FY03/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/10 (Apr. 1, 2009 – Mar. 31, 2010)
1. Reconciliation of “Cash and cash equivalents” of the consolidated statements of cash flows and balance sheet items for the current fiscal year is made as follows:	1. Reconciliation of “Cash and cash equivalents” of the consolidated statements of cash flows and balance sheet items for the current fiscal year is made as follows:
Cash and deposits	Cash and deposits
6,151	13,373
Time deposits with maturities longer than three months	Time deposits with maturities longer than three months
(100)	(100)
Cash and cash equivalents	Cash and cash equivalents
<u>6,051</u>	<u>13,272</u>
2. Significant non-cash transactions	2. Significant non-cash transactions
Exercise of convertible bonds	Exercise of convertible bonds
Increase in capital stock	Increase in capital stock
533	-
Increase in capital reserves	Increase in capital reserves
<u>530</u>	-
Decrease in convertible bonds	Decrease in convertible bonds
<u>1,063</u>	<u>-</u>



## Segment Information

### 1. Operating segment information

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)						
	Eye care products	Skincare products	Internal medicines	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) External sales	25,630	63,113	16,429	5,437	110,611	-	110,611
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	25,630	63,113	16,429	5,437	110,611	-	110,611
Operating expenses	18,172	57,124	15,750	5,256	96,303	2,669	98,973
Operating income	7,457	5,988	679	181	14,307	( 2,669)	11,638
II Assets, depreciation, impairment loss, capital expenditures							
Assets	20,091	46,335	15,016	7,418	88,860	23,225	112,086
Depreciation	976	2,248	585	372	4,182	121	4,303
Impairment loss	-	218	-	-	218	-	218
Capital expenditures	2,532	3,467	447	350	6,797	135	6,933

(Millions of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)						
	Eye care products	Skincare products	Internal medicines	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) External sales	25,840	66,206	16,106	5,276	113,429	-	113,429
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	25,840	66,206	16,106	5,276	113,429	-	113,429
Operating expenses	18,578	59,558	14,957	4,889	97,982	2,901	100,884
Operating income	7,261	6,648	1,149	386	15,446	( 2,901)	12,544
II Assets, depreciation, capital expenditures							
Assets	19,559	48,567	15,031	8,790	91,948	28,821	120,770
Depreciation	1,324	2,141	574	341	4,382	159	4,542
Capital expenditures	846	2,514	717	484	4,562	126	4,688

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. Unallocated operating expenses (2,669 million yen for FY3/09; 2,901 million yen for FY3/10) included in “Elimination or corporate” consist primarily of expenses related to the general affairs and other administration divisions of the Company.
4. Corporate assets (23,225 million yen for FY3/09; 28,821 million yen for FY3/10) included in “Elimination or corporate” consist primarily of the Company’s surplus funds (cash and deposits, marketable securities), long-term investment funds (investment securities) and assets related to the administrative division.
5. “Depreciation” and “Capital expenditures” include long-term prepaid expenses and related depreciation.

## 2. Geographical segment information

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)							Elimination or corporate	Consolidated
	Japan	North America	Europe	Asia	Others	Total			
I Net sales and operating income									
Net sales									
(1) External sales	78,936	8,055	4,536	17,934	1,148	110,611	-	110,611	
(2) Inter-segment sales and transfers	1,017	1,638	3	2,646	12	5,318	( 5,318)	-	
Total	79,954	9,694	4,539	20,580	1,161	115,929	( 5,318)	110,611	
Operating expenses	69,661	10,709	4,156	18,605	1,060	104,192	( 5,219)	98,973	
Operating income (loss)	10,292	(1,015)	383	1,975	100	11,737	( 98)	11,638	
II Assets	102,688	18,733	2,628	16,368	692	141,111	( 29,025)	112,086	

(Millions of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)							Elimination or corporate	Consolidated
	Japan	North America	Europe	Asia	Others	Total			
I Net sales and operating income									
Net sales									
(1) External sales	80,586	7,816	4,662	19,078	1,285	113,429	-	113,429	
(2) Inter-segment sales and transfers	1,019	1,610	16	2,369	13	5,027	( 5,027)	-	
Total	81,605	9,426	4,679	21,447	1,299	118,457	( 5,027)	113,429	
Operating expenses	71,210	9,826	4,295	19,257	1,239	105,829	( 4,945)	100,884	
Operating income (loss)	10,394	(399)	383	2,189	59	12,627	( 82)	12,544	
II Assets	105,823	12,921	3,035	18,481	772	141,034	( 20,264)	120,770	

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. Overseas sales

(Millions of yen)

	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)				
	North America	Europe	Asia	Others	Total
I Overseas sales	8,074	4,549	18,045	1,149	31,818
II Consolidated net sales					110,611
III Share of overseas sales among the consolidated net sales (%)	7.3	4.1	16.3	1.1	28.8

(Millions of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)				
	North America	Europe	Asia	Others	Total
I Overseas sales	7,083	4,297	17,635	1,166	30,182
II Consolidated net sales					113,429
III Share of overseas sales among the consolidated net sales (%)	6.2	3.9	15.5	1.0	26.6

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

2. Major countries or areas included in each segment

- (1) North America: USA, Canada
- (2) Europe: UK
- (3) Asia: China, Taiwan, Vietnam
- (4) Others: Australia

3. Overseas sales include sales of the Company and its consolidated subsidiary in countries and areas outside Japan.

**Deferred Tax Accounting**

(Millions of yen)

FY3/09 (As of Mar. 31, 2009)	FY3/10 (As of Mar. 31, 2010)		
1. Significant components of deferred tax assets and liabilities	1. Significant components of deferred tax assets and liabilities		
(Deferred tax assets)	(Deferred tax assets)		
Reserve for rebates of sales	800	Reserve for rebates of sales	729
Accrued expenses	998	Accrued expenses	1,029
Accrued enterprise tax	120	Accrued enterprise tax	201
Reserve for bonuses	673	Reserve for bonuses	696
Reserve for retirement benefits	388	Reserve for retirement benefits	548
Stock acquisition rights	241	Stock acquisition rights	241
Loss on valuation of investment securities	343	Loss on valuation of investment securities	-
Depreciation of intangible fixed assets	2,274	Depreciation of intangible fixed assets	2,348
Loss carried forward	307	Loss carried forward	-
Tax deduction carried forward	510	Tax deduction carried forward	406
Other	1,229	Other	1,011
Deferred tax assets –subtotal	7,889	Deferred tax assets –subtotal	7,213
Valuation allowance	(1,282)	Valuation allowance	(1,018)
Deferred tax assets –total	6,606	Deferred tax assets –total	6,194
(Deferred tax liabilities)		(Deferred tax liabilities)	
Undistributed earnings of overseas subsidiaries	(251)	Undistributed earnings of overseas subsidiaries	(254)
Reserve for reduction of fixed assets	(687)	Reserve for reduction of fixed assets	(638)
Valuation difference on available-for-sale securities	(2,695)	Valuation difference on available-for-sale securities	(3,241)
Other	(469)	Other	(82)
Deferred tax liabilities –total	(4,103)	Deferred tax liabilities –total	(4,216)
Deferred tax liabilities –net	2,503	Deferred tax liabilities –net	1,978
2. Significant components of difference between statutory and effective tax rates		2. Significant components of difference between statutory and effective tax rates	
Statutory tax rates	40.6%	Statutory tax rates	40.6%
(Adjustments)		(Adjustments)	
Entertainment expenses and other items not included in expenses indefinitely	1.0%	Entertainment expenses and other items not included in expenses indefinitely	0.8%
Dividend income and other items not included in expenses indefinitely	(1.2)%	Dividend income and other items not included in expenses indefinitely	(0.5)%
Per capita residential tax	0.3%	Per capita residential tax	0.2%
R&D tax credit	(2.5)%	R&D tax credit	(1.8)%
Foreign tax credit	0.6%	Foreign tax credit	0.8%
Difference in effective tax rates between the Company and overseas consolidated subsidiaries	(2.1)%	Difference in effective tax rates between the Company and overseas consolidated subsidiaries	(3.3)%
Valuation allowance	(2.5)%	Valuation allowance	(1.3)%
Other	(0.7)%	Other	1.9%
Effective tax rates	33.5%	Effective tax rates	37.4%

**Marketable Securities**

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

1. Available-for-sale securities with market quotations (Millions of yen)

Item	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Securities whose carrying value exceeds their acquisition cost			
Equities	5,244	12,558	7,314
Subtotal	5,244	12,558	7,314
(2) Securities whose carrying value do not exceed their acquisition cost			
Equities	1,650	996	(653)
Bonds	7	6	(0)
Subtotal	1,657	1,003	(653)
Total	6,901	13,562	6,660

Note: Available-for-sale securities with market quotations at 1,372 million yen were written down.

2. Available-for-sale securities sold during the period (Millions of yen)

Sales amount	Aggregate gains	Aggregate losses
39	4	3

3. Marketable securities without market quotations (Millions of yen)

Item	Carrying value
Available-for-sale securities	
1) Unlisted stock	2,169
2) Investment in limited liability investment partnerships and similar investment associations	218

Note: Unlisted stock at 376 million yen was written down.

4. The redemption schedule of available-for-sale securities with maturity dates (Millions of yen)

Item	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds				
Corporate bonds	-	6	-	-

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

1. Available-for-sale securities with market quotations (Millions of yen)

Item	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Securities whose carrying value exceeds their acquisition cost			
Equities	4,553	12,881	8,328
Bonds	5	5	0
Subtotal	4,558	12,886	8,328
(2) Securities whose carrying value do not exceed their acquisition cost			
Equities	2,588	2,234	(353)
Subtotal	2,588	2,234	(353)
Total	7,146	15,121	7,974

2. Marketable securities written down

Available-for-sale securities with market quotations of 245 million yen were written down in the current fiscal year.

All securities whose market quotations are at least 50% (inclusive) below book value on the balance sheet date are tested for impairment. All securities whose market quotations are at least 30% (inclusive) to 50% below book value on the balance sheet date are reviewed for impairment based on materiality of the security and prospects of recovery in market price.

## Retirement Benefits

(Millions of yen)

FY03/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/10 (Apr. 1, 2009 – Mar. 31, 2010)																																								
<p>1. Retirement benefit plans The Company had defined benefit plans, i.e., qualified pension plan, and lump-sum payment plan. Following the full revision of the Company's retirement benefit systems, these plans were switched to a new defined benefit plan (cash-balance plan) and defined contribution plan in April 2005. Certain subsidiaries have defined benefit pension plans.</p>	<p>1. Retirement benefit plans The Company had defined benefit plans, i.e., qualified pension plan, and lump-sum payment plan. Following the full revision of the Company's retirement benefit systems, these plans were switched to a new defined benefit plan (cash-balance plan) and defined contribution plan in April 2005. Certain subsidiaries have defined benefit pension plans.</p>																																								
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**Per Share Information**

(Yen)

Item	FY03/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/10 (Apr. 1, 2009 – Mar. 31, 2010)
Net assets per share	565.23	621.03
Net income per share	52.42	66.06
Diluted net income per share	52.07	65.77

Notes: Basis for calculation

## 1. Net assets per share

(Millions of yen)

Item	FY3/09 (As of Mar. 31, 2009)	FY3/10 (As of Mar. 31, 2010)
Total net assets on the balance sheets	67,117	73,672
Net assets available to common shares	66,476	73,023
Breakdown of differences		
Stock acquisition rights	593	593
Minority interests	46	55
Number of common shares outstanding (thousand shares)	117,907	117,907
Number of common shares of treasury stock (thousand shares)	296	321
Number of common shares used in calculation of net assets per share (thousand shares)	117,610	117,585

## 2. Net income per share and diluted net income per share

(Millions of yen)

Item	FY03/09 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/10 (Apr. 1, 2009 – Mar. 31, 2010)
Net income per share		
Net income	6,139	7,768
Amount not available to common shareholders	-	-
Net income applicable to common shares	6,139	7,768
Average number of common shares outstanding during the period (thousand shares)	117,122	117,606
Diluted net income per share		
Adjusted to net income	-	-
Increase in the number of common shares (thousand shares)	780	511
[of which convertible bonds (thousand shares)]	[502]	-
[of which stock acquisition rights (thousand shares)]	[278]	[511]
Summary of potential stock not included in the calculation of “diluted net income per share” since there was no dilutive effect.	—————	—————

**Material Subsequent Events**

No reportable information.

(Omission of Disclosure)

The following is not presented since the disclosure of the information is significant in the context of the summary of financial results.

Lease Transactions, Related Party Transactions, Financial Instruments, Derivatives, Stock Options, Business Combinations, and Real Estate for Rent

\* 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.